

Commonwealth of Virginia

Office of Transportation P3's

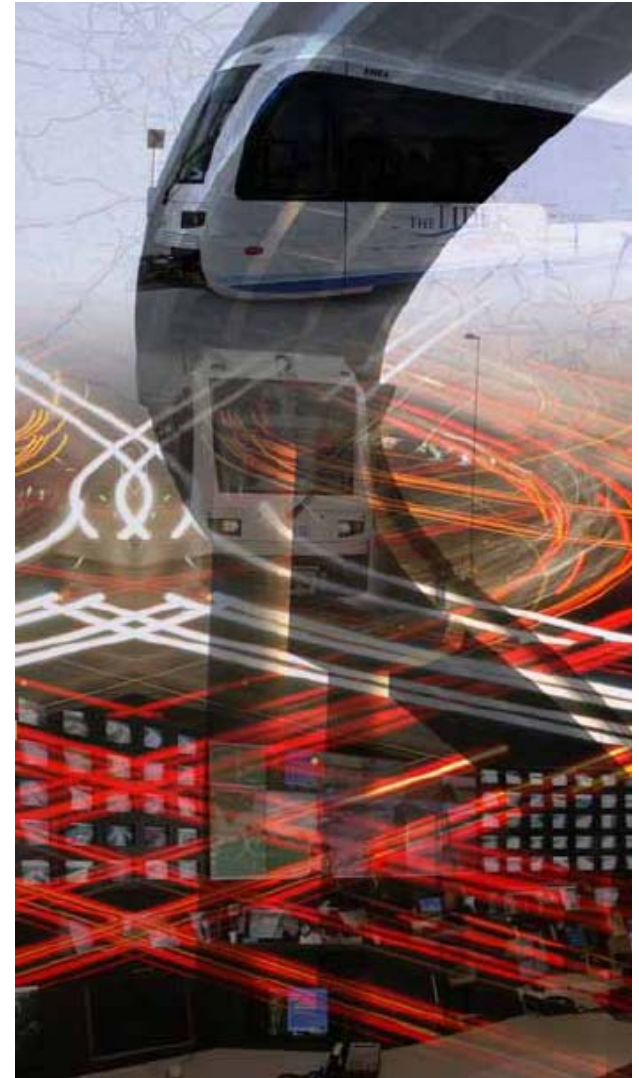
VIRGINIA'S P3 PROGRAM



OFFICE OF
TRANSPORTATION
PUBLIC-PRIVATE
PARTNERSHIPS

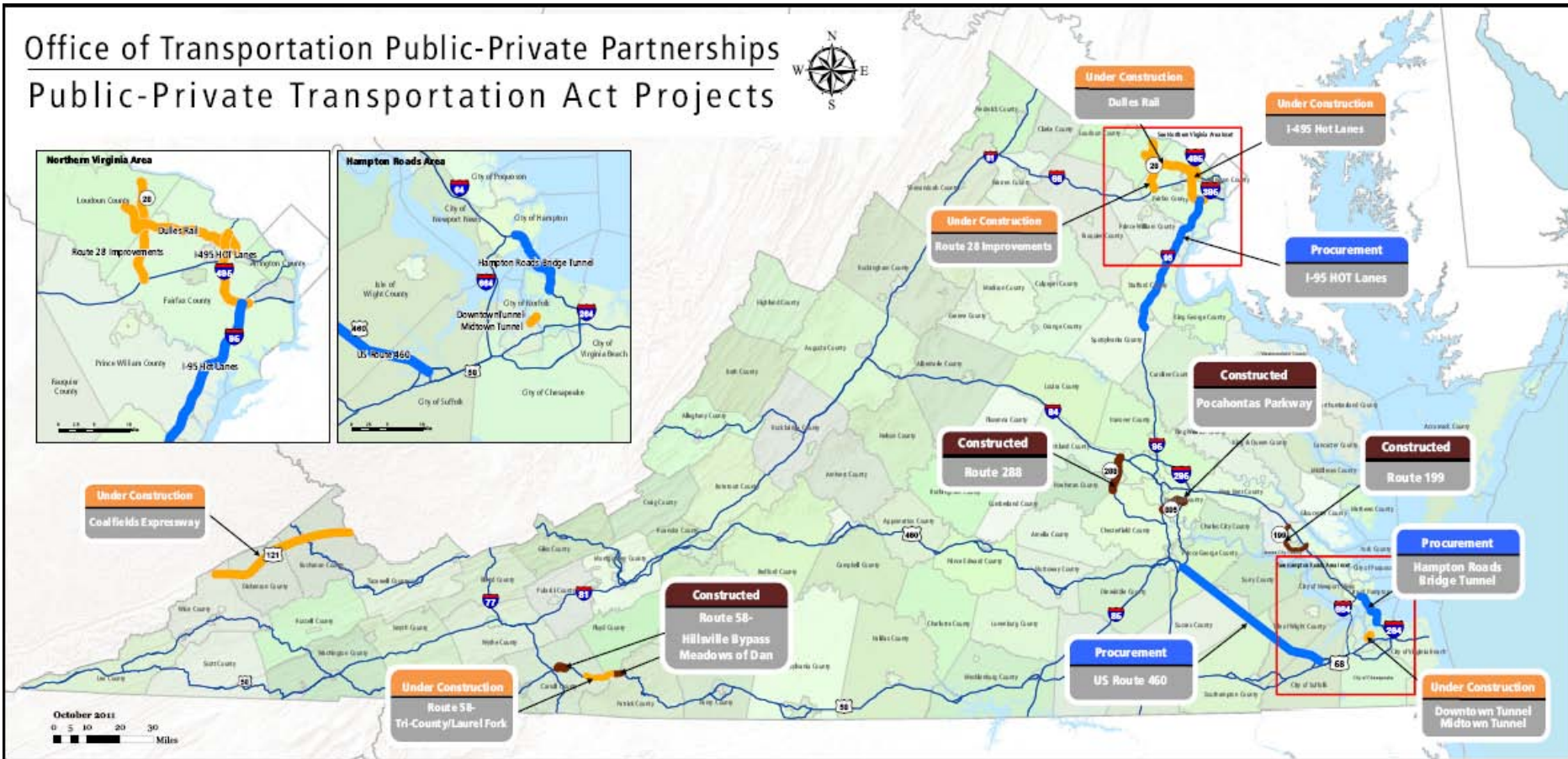
Virginia's P3 Program

- **Virginia enacted PPTA in 1995**
- **Successful P3 track record**
- **Receptive political environment towards P3 projects**
- **Strong institutional knowledge of P3 project delivery**
- **Delivery of tangible benefits**



Virginia's P3 Project Portfolio

Office of Transportation Public-Private Partnerships Public-Private Transportation Act Projects



Virginia's P3 Program Objectives

- Expedited delivery of projects
- Multimodal and intermodal solutions consistent with state, regional and local transportation policies, plans and programs
- Encourage competition for innovation and private sector investment creating Value-for-Money
- Promote transparency and accountability coupled with informed and timely decision making
- Consistent processes and procedures to encourage private sector investment
- Foster efficient management of Commonwealth resources
- Achieve cost efficiencies through appropriate risk transfer
- Promote economic growth and job creation

The PPTA and PPEA Compared

■ Key Components of PPEA Procurement Process:

- Public entities must adopt guidelines detailing evaluation and selection process
- PPEA Working Group maintains model guidelines – public entities not required to use model guidelines
- Public entities must provide detailed proposals to Public-Private Partnership Advisory Commission for review
- Public entities must send interim and comprehensive agreements to Public-Private Partnership Advisory Commission for review 30 days before signing
- PPEA requires public hearing 30 days prior to execution of agreement

■ Key Components of PPEA and PPTA Process Compared:

- Office of Transportation Public-Private Partnerships develops and maintains implementation guidelines for transportation agencies – creates uniform, predictable procurement process that fosters competition
- PPTA process provides multiple opportunities for public involvement while reducing potential for delays in awarding contract
- Public-Private Partnership Advisory Commission does not review PPTA proposals
- Private sector bidders in transportation will not invest in responding to PPTA procurements if political approvals exist beyond the issuance of the procurement
- Role of Commission and requirement for additional public hearing in PPEA process adds 115 days to procurement and
- Delay in awarding contract for PPTA project can be costly given market volatility

Virginia P3 Program Recent Achievements

■ Downtown Tunnel/Midtown Tunnel/MLK Extension Project

- VDOT signed comprehensive agreement on December 5, 2011
- Concessionaire bears revenue risk and is responsible for operating the facility for 58 year concession term
- Financial close expected Q1 2012

■ I-95 HOT Lanes Project

- VDOT and its partners reached agreement on major business points on December 6, 2011
- Concessionaire will bear revenue risk and will be responsible for operating the facility for 73 year concession term
- Project will expand existing HOV facility on I-95 to create 29 miles of HOV-HOT lanes

■ Coalfields Expressway

- Proposed four lane highway running 49 miles from Pound in Wise County to West Virginia state line
- VDOT negotiated \$3.8 million amendment to existing PPTA contract
- Amendment will allow for preliminary engineering of Pound Connector and Doe Branch segments of the highway

■ Route 58 Corridor Improvements

- VDOT negotiated \$119.75 amendment to existing PPTA contract
- Amendment will allow for construction of improvements to 8.2 mile section of Route 58 between Meadows of Dan and Laurel Fork

Benefits of PPTA Project Delivery

- Since 2000, VDOT has leverage \$1.4 billion to deliver nearly \$5 billion in infrastructure that is either completed, under construction or under agreement
 - In 2002, VDOT leveraged approximately \$85M to advance \$327M in improvements to Route 28 in Northern Virginia
 - In 2007, VDOT leveraged \$409M funds to advance the \$1.9 billion Capital Beltway HOT Lanes Project
 - In 2008, VDOT leveraged \$10M on the Coalfields Expressway to advance \$106 million in infrastructure improvements
 - In 2011, VDOT leveraged approximately \$486M to advance \$2.3B in projects, including the next phases of the Coalfields Expressway and Route 58 and the Downtown Tunnel/Midtown Tunnel/MLK Extension Project
- In 2012, the Commonwealth plans to complete the I-95 HOV/HOT Lanes Project, which will leverage a \$97M investment for approximately \$940M in new and upgraded HOV and HOT infrastructure

- **Governor McDonnell commissions KPMG Infrastructure Advisory Group to review PPTA program**

- **Assessment findings:**

- Program lacks accountability – ownership of program rests with multiple staff with multiple competing priorities
- Program focused on highways
- Program is reactive – no process for identifying a pipeline of projects
- Program constrained by lack of funding for project development
- Key decisions, such as funding commitments, are delayed until late in the project development process
- Contract negotiation process is arduous due to lack of competition, standardized contracts and procurement documents
- IRP takes time to appoint; should be replaced by standing steering committee

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■ **KPMG recommendations include:**

- establish a separate, multi-modal P3 program office
- develop standard processes for project screening and prioritization
- develop programmatic approach to procurement and project delivery
- revise existing PPTA implementation guidelines
- establish funding source for P3 program office
- replace IRP with standing steering committee and take decision to proceed with project pre-procurement
- begin environmental process as soon decision to advance project is made

■ Governor McDonnell establishes the Office of Transportation Public-Private Partnerships in December 2010

- Dedicated multi-disciplinary team in OTP3
- Focused on P3 across all modes of transportation in Virginia:

- Road
- Rail
- Transit
- Transportation Administration and Operations
- Marine / Port
- Aviation



Virginia P3 Program Team Members

- **OTP3 staff includes nine full time employees**

- **Team members have diverse backgrounds, including significant private sector experience**
 - Procurement
 - Finance
 - Environmental regulation
 - Project management & Engineering
 - Construction management
 - Law

- **Team supported by technical experts from transportation agencies and advisors**
 - Commercial
 - Financial
 - Traffic and revenue
 - Risk analysis and management
 - Legal (via Office of Attorney General and outside counsel)
 - Engineering

■ **OTP3 Updated PPTA Implementation Guidelines Include:**

- Planning organizations involved early as part of candidate project identification process
- Focus on advancing solicited procurements
- High level and detailed level screenings help to assess which candidate projects should advance for further development
- PPTA Steering Committee accepts, rejects and prioritizes projects
- Candidate project screenings to be performed twice each fiscal year
- Value for money used to assess whether P3 delivery model makes sense
- Two step procurements to reduce negotiations – agreements to be released as part of request for detailed proposals

Typical PPTA Project Timeline and Opportunity for Comment

■ Example Project XYZ timeline:

- Project XYZ issued as part of PPTA project pipeline for public comment - January 2012
- High level screening of Project XYZ performed to determine if it fits broad P3 criteria. Decision to progress taken by OTP3 Director in consultation with head of relevant department (e.g. Commissioner of VDOT) and Secretary's Office – January 2012.
- Detail level screening performed to determine potential funding needs, delivery method, financing method and prioritization. Decision taken and project priority assessed based on funding availability by steering committee including heads of relevant transportation departments, relevant District Administrator, OTP3 Director, Office of Secretary – March 2012.
- Project must be included in relevant plan if not already. Decision taken by MPO any time prior to procurement.
- Project developed through environmental phase, multiple opportunities for public comment – phase must be complete prior to receiving bids from private sector.
- Procurement commences when environmental timeline become clear – procurement is 10-12 month process. Major business points of Comprehensive Agreement presented to CTB when Comprehensive Agreement is ready for release to bidders.
- Final bids received from private sector and value for money tested to ensure P3 still preferred.
- Once preferred bidder is appointed, Project XYZ Comprehensive Agreement is signed by relevant department head (e.g. VDOT Commissioner) and private sector.

Virginia's P3 Program Constant Process Improvements

■ **Development of Process Guidance Documentation**

- Value for Money Analysis
- Risk Assessment Guidelines
- O&M Lifecycle Cost Estimating
- P3 Memorandums on Development Processes

■ **Development of Standard Documents**

- Technical Requirements (currently underway)
- Programmatic Comprehensive Agreement (currently underway)

■ **Seeking Greater Transparency and Public Input**

- Pipeline Development
- Process Guidance Documents
- Project Development

Virginia's P3 Program Next Steps

■ **Develop P3 project pipeline**

- Input from metropolitan planning organizations and planning district commissions
- Coordinate with transportation agencies
- Meet with legislators

■ **Screen and prioritize candidate P3 projects**

- Screening helps to guide business decisions on which projects merit further study
- Set short, medium and long term priorities for procurement

■ **Evaluate the Creation of Local Government PPTA Assistance Program**

Virginia's P3 Program Points of Contact

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