



COMMONWEALTH of VIRGINIA

Office of the

SECRETARY of TRANSPORTATION

Transportation in Virginia

Renewed * Reformed * Refocused

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Secretary of Transportation
January 18, 2017



Transportation in Virginia: Pre-2013

- **Subjective decisions**
- **Engineering-based solutions**
- **Politically-driven process**
- **Led by intuition**
- **Partial funding of projects and uncertainty**
- **Opaque decision-making**
- **VDOT/administration controlled**
- **Locality-driven**

Bipartisan Reforms – HB2313, HB2, HB1886 and HB1887

- ***Renewed*** Virginia's transportation program by providing new resources for all modes of transportation
- ***Reformed*** Virginia's transportation program by requiring use of an outcome-based prioritization process, increasing accountability and transparency, and increasing the independence of the CTB
- ***Refocused*** Virginia's transportation program by replacing a decades-old allocation formula with a new formula that aligns funding with needs

Transportation in Virginia – Today

- **Objective decisions**
- **Outcome-based solutions**
- **Data-driven process**
- **Led by analytics**
- **Full funding of projects and certainty for sponsors**
- **Transparent decision-making**
- **Independent Commonwealth Transportation Board**
- **Regionally-driven**

Six-Year Improvement Program

Today

- **Project recommendations released in January**
- **5 months of public review and comment**
- **Project information and scores easily accessible on-line, and documents are user-friendly**

Pre-2013

- **Projects released in April “after” GA session**
- **30-60 days of public review and comment**
- **Project information subject to interpretation and often difficult to obtain**

Roles and Responsibilities in Transportation

- **Commonwealth Transportation Board is responsible for programming of transportation funds and long-range planning**
- **VDOT is responsible for (i) operations and maintenance, (ii) construction management and (iii) safety of traveling public**
- **DRPT is responsible for administration of transit grants and rail improvements awarded by the Board**

Roles and Responsibilities in Transportation

- **Over time roles and responsibilities became misaligned with Code of Virginia**
- **Secretary's Office and VDOT drove project selection and planning with minimal input from the Board**
- **Stakeholders became focused on 'getting money' rather than the deliver of a project - for example, \$10M for a \$40M project**

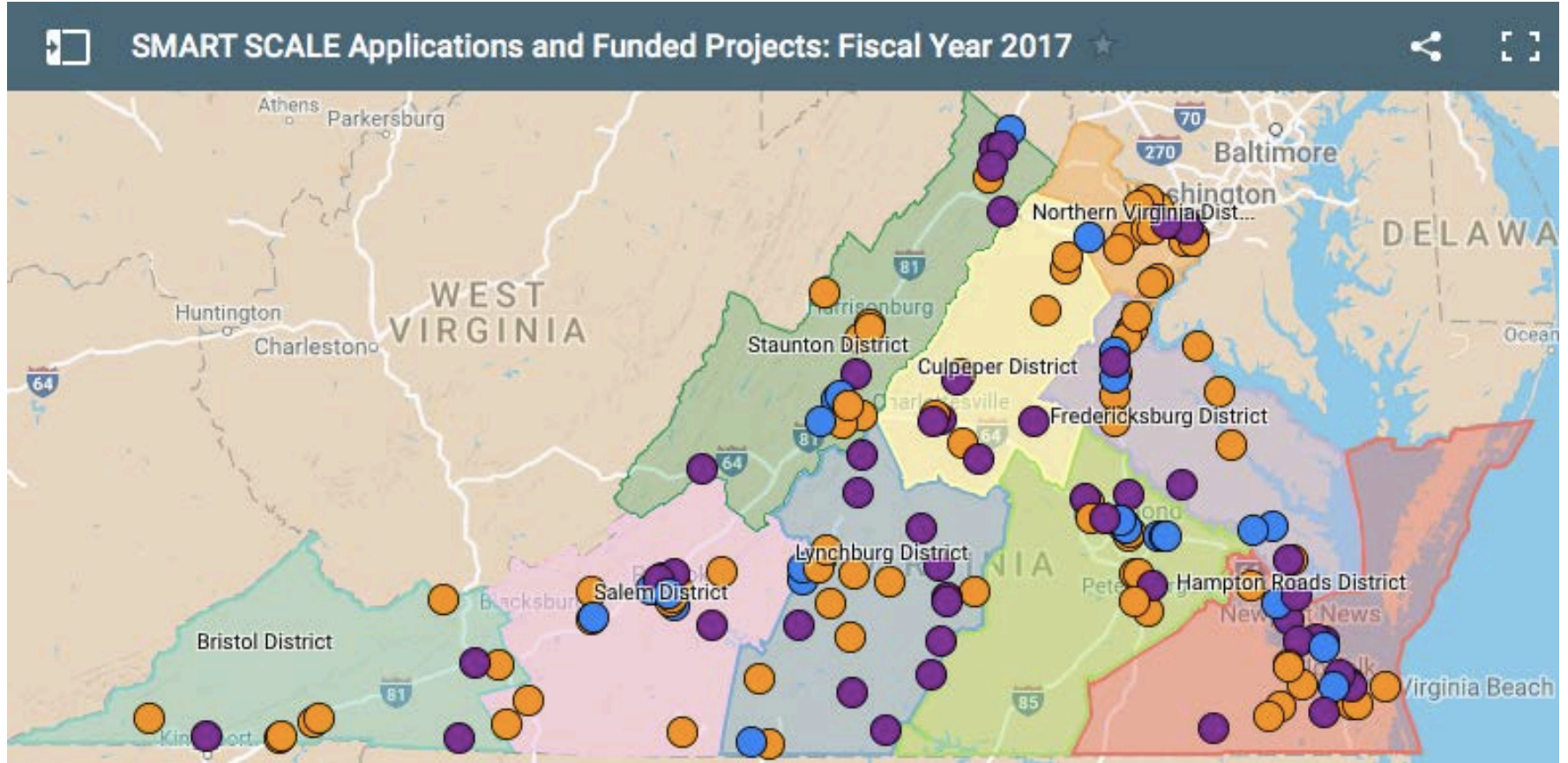
Steps to Restore Roles and Responsibilities

- **Increased independence of the Board**
- **Full funding of projects**
- **SMART SCALE and requirement for Board action to modify select a project out of priority ranking order**
- **2 day Board meetings with online live streaming**
- **Use of Intermodal Office to assist Board in development of long-range plan and recommendations**

First Round - Summary

- **327 Applications submitted for consideration**
 - 287 met identified need in statewide long-range plan
- **CTB allocated \$1.7B in funding to 156 projects**
- **Average request of \$9.8M for funded projects**
- **Lowest recommended funding request - \$0.16M**
- **Highest recommended funding request - \$300M**

First Round – Funded Projects



Round Two

- ~\$1B available for award to projects
- Received 436 applications
- Requesting \$9.25B for total project costs of more than \$12B
- Scores and recommended funding scenario released yesterday and results are being delivered to your offices



SMART SCALE

*Funding the Right
Transportation Projects
in Virginia*

Round 2 Requests

District	# Apps	SMART SCALE\$ (billions)	Total \$ (billions)
Bristol	47	\$1.07	\$1.07
Culpeper	35	\$0.33	\$0.35
Fredericksburg	28	\$0.71	\$0.76
Hampton Roads	60	\$1.07	\$1.99
Lynchburg	28	\$0.20	\$0.22
NOVA	61	\$3.26	\$4.78
Richmond	79	\$1.16	\$1.33
Salem	53	\$0.91	\$0.96
Staunton	45	\$0.55	\$0.61
Grand Total	436	\$9.25	\$12.09

Available Funding for Round 2

	Total	High Priority Projects	District Grant Program
Formula Funds	\$568.2	\$284.1	\$284.1
66 Funds	\$300.0	\$300.0	-
VB Light Rail	\$149.5	\$74.8	\$74.8
TOTAL	\$1,017.7	\$658.8	\$358.9

***Figures in millions**

Estimated Available Funding

District	Available Funds	Unpaved Road Allocation	District Grant Funds
Bristol	\$26.6	\$5.9	\$20.7
Culpeper	\$24.7	\$4.8	\$19.9
Fredericksburg	\$27.3	\$0.9	\$26.4
Hampton Roads	\$78.7	\$0.6	\$78.1
Lynchburg	\$27.9	\$5.3	\$22.6
Northern Virginia	\$82.3	\$2.3	\$80.0
Richmond	\$57.9	\$2.1	\$55.8
Salem	\$37.6	\$6.0	\$31.6
Staunton	\$30.8	\$7.0	\$23.8

***Figures in millions**

Scoring Results

Top Projects for Congestion Mitigation

District	Organization Name	Project Title
Hampton Roads	Hampton Roads TPO	High Rise Bridge – Phase 1
Richmond	Richmond Regional TPO	I-64 Widening exit 205 to 211
NOVA	Prince William County	Route 234/Balls Ford Road Interchange
NOVA	Fairfax County	Route 29 Widening – Union Mill to Buckley’s

Top Projects for Safety

District	Organization Name	Project Title
NOVA	NVTC	VRE Fredericksburg Line Upgrade
Richmond	Prince George County	Route 106/Route 630 Intersection
Fredericksburg	Caroline County	Route 738/Route 639 Intersection
Richmond	Richmond Regional TPO	I-95/I-64 Overlap Corridor Lighting

Scoring Results

Top Projects for Environment

District	Organization Name	Project Title
NOVA	NVTC	VRE Fredericksburg Line Upgrade
NOVA	Prince William County	Neabsco Mill Rd Widening / Parking Garage
Hampton Roads	Hampton Roads TPO	High Rise Bridge – Phase 1
Hampton Roads	Hampton Roads TPO	I-64/I-264 Interchange

Top Projects for Economic Development

District	Organization Name	Project Title
NOVA	NVTC	VRE Fredericksburg Line Upgrade
Salem	Bedford County	Patriot’s Place Roundabout
NOVA	Loudoun County	Prentice Drive Extension
Fredericksburg	Spotsylvania County	Route 208/Breckenridge Drive Intersection

Scoring Results

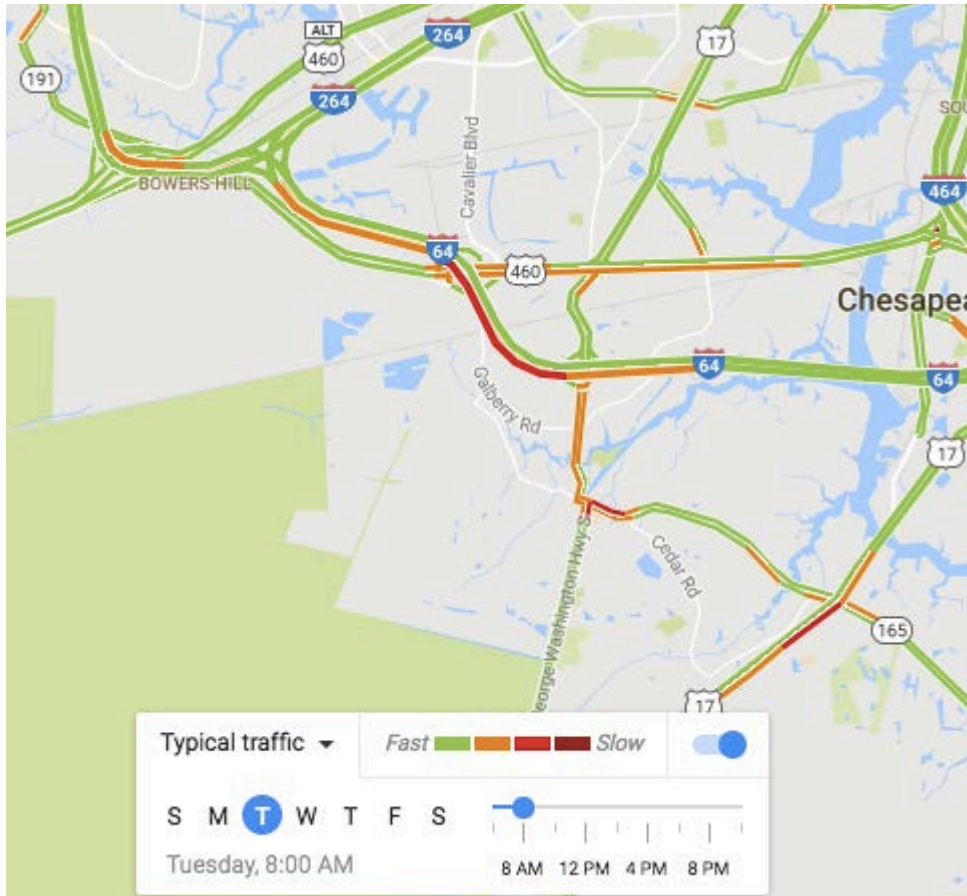
Top Projects for Land Use

District	Organization Name	Project Title
NOVA	Arlington County	Columbia Pike Smart Corridor
Culpeper	Charlottesville	West Main Street Streetscape
NOVA	Arlington County	Rosslyn-Ballston Corridor Connections
Hampton Roads	Norfolk	Brambleton Ave/Tidewater Dr Intersection

Top Projects for Accessibility

District	Organization Name	Project Title
Hampton Roads	Hampton Roads TPO	I-64/I-264 Interchange
Hampton Roads	Hampton Roads TPO	High Rise Bridge – Phase 1
NOVA	Prince William County	Neabsco Mills Road Widening / Parking Garage
NOVA	NVTC	VRE Fredericksburg Line Upgrade

Congestion - High Rise Bridge Phase I



**AM eastbound
speed increase
between 7% and
16%**

**PM westbound
speed increase
between 8% and
39%**

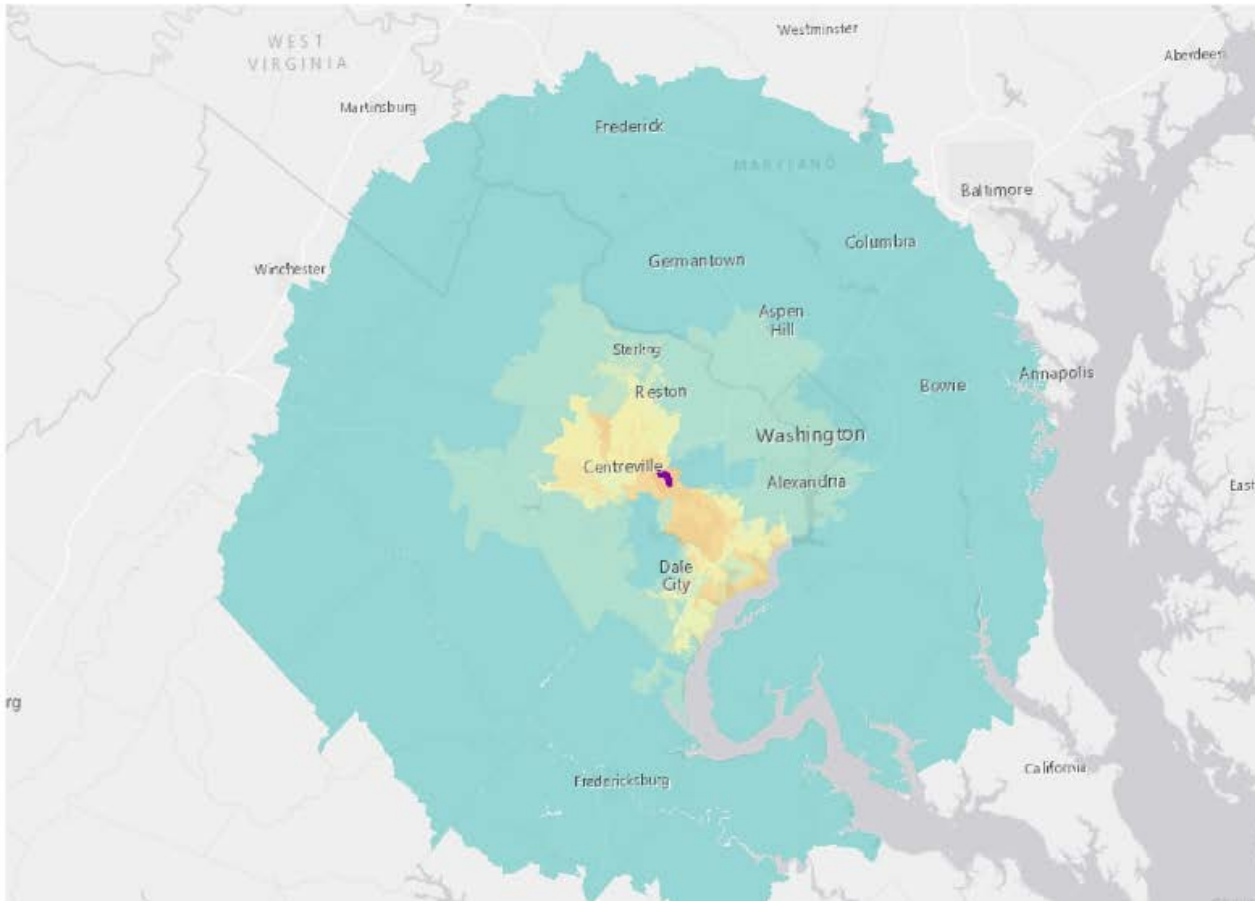
Safety – Route 106/Route 630 Intersection



**12 crashes in the last
5 years – 1 fatality and
11 injury crashes**

**Crash rate expected to
drop from 24,143
crashes per 1M VMT to
4,828 crashes per 1M
VMT – 80% reduction**

Access to Jobs – FFX Co Pkwy/Popes Head Rd



LEGEND

— Project segments

Catchment Area

Change in auto access



Good Movement – I-81 exit 300 SB Accel lane



**Improves travel
on corridor
serving 158,544
daily freight
tonnage**

Round 2 – Recommended Funding Scenario

- 1. Fund eligible top projects based on “benefit score / requested funding” in each district with District Grant Program funds**
- 2. Fund top projects using High Priority Project funds based on benefits / cost in each district that would have been funded with District funding if they had been eligible**
- 3. Fund top scoring projects with High Priority Projects funds**

Round 2 – Recommended Funding Scenario

District	Funded Projects	Overall Funding	Benefit Score / Cost	Unallocated Funds
Bristol	8	\$18.0M	3.88	\$2.7M
Culpeper	9	\$50.8M	7.63	\$5.7M
Fredericksburg	7	\$45.9M	17.08	\$4.0M
Hampton Roads	24	\$222.8M	11.94	\$5.6M
Lynchburg	7	\$24.6M	9.50	\$10.7M
Northern Virginia	21	\$367.3M	9.76	\$0.3M
Richmond	24	\$139.6M	10.23	\$4.0M
Salem	21	\$70.4M	15.30	\$1.5M
Staunton	16	\$31.2M	10.96	\$6.7M

Moving Forward

- **February CTB meeting – Review of recommended projects**
- **March to April – Board to develop potential revisions to recommended scenario**
- **April-May – Public hearings on recommended scenario and any potential revisions**
- **May CTB meeting – Revised funding scenario developed**
- **June CTB meeting – Adoption of Six-Year Program**

Benefits of SMART SCALE

- **Board fulfills role as policy board through informed project selection**
- **Improved transparency**
- **Enhanced accountability**
- **Better certainty for project sponsors and business community**
- **Project design focused on achieving most benefits for the least cost**

Transparency and Accountability

Generic Project Name App ID: xxxx

Generic short description of project

Project Location.....xxx County
 SMART SCALE Area Type.....A
 Submitting Entity.....Generic Locality
 Preliminary Engineering.....Not Started
 Right of Way.....Not Started
 Construction.....Not Started
 Expenditures to Date.....N/A
 Key Fund Sources.....N/A
 Administered By.....Locality
 Eligible Funding Program(s).....District Grant
 VTrans Need.....NOVA Regional Network
[\(Click for Details\)](#)



1.8 SMART SCALE SCORE	#67 OF 287 STATEWIDE
	#10 OF 37 DISTRICT WIDE

SMART SCALE Requested Funds..... **\$12,400,000**
 Total Project Cost..... **\$15,000,000**
 Project Benefit..... **2.2**
 Project Benefit/Total Cost..... **1.5**

Transparency and Accountability

Factor	Congestion Mitigation		Safety		Accessibility			Economic Development			Environment		Land Use
	Increase in Peak Period Person Throughput	Reduction in Peak Period Delay	Reduction in Fatal and Injury Crashes	Reduction in Fatal and Injury Crash Rate	Increase in Access to Jobs	Increase in Access to Jobs for Disadvantaged Populations	Increase in Access to Multimodal Travel Choices	Square Feet of Commercial/Industrial Development Supported	Tons of Goods Impacted	Improvement to Travel Time Reliability	Potential to Improve Air Quality	Other Factor Values Scaled by Potential Acreage Impacted	Support of Transportation-Efficient Land Development
Measure Value	12.5 <small>thousand persons</small>	17.3 <small>thousand person hrs.</small>	0.4 <small>EPDO</small>	124.1 <small>EPDO/ 100M VMT</small>	1,815.6 <small>jobs per person</small>	1,392.5 <small>jobs per person</small>	2,237.9 <small>adjusted users</small>	28,955 <small>thousand adj. sq. ft.</small>	1,257.2 <small>thousand adj. daily tons</small>	11.8 <small>adj. buffer time index</small>	1,826.7 <small>adjusted points</small>	0.5 <small>scaled points</small>	164.3 <small>adjusted jobs & pop.</small>
Normalized Measure Value (0-100)	1.4	0.8	6.9	1.2	0.2	0.2	0.2	2.1	2.8	3.8	0.1	0.4	6.9
Measure Weight (% of Factor)	50%	50%	50%	50%	60%	20%	20%	60%	20%	20%	50%	50%	100%
Factor Value	1.1		4.1		0.2			2.6			0.3		6.9
Factor Weight (% of Project Score)	45%		5%		15%			5%			10%		20%
Weighted Factor Value	0.5		0.2		0.0			0.1			0.0		1.4
Project Benefit	2.2												
SMART SCALE Cost	\$12,400,000												
SMART SCALE Score (Project Benefit per \$10M SMART SCALE Cost)	1.8												

Fully Funded Projects

District	Funds on Partially Funded Projects	Percent of Total District Funding
Bristol	\$175.7	32%
Culpeper	\$24.2M	7%
Fredericksburg	\$95.6M	21%
Hampton Roads	\$78.8M	5%
Lynchburg	\$9.1M	5%
Northern Virginia	\$118M	9%
Richmond	\$126.7M	16%
Salem	\$40.5M	8%
Staunton	\$32.8M	7%

Based on FY14-19 Six-Year Improvement Program

Common Sense Engineering

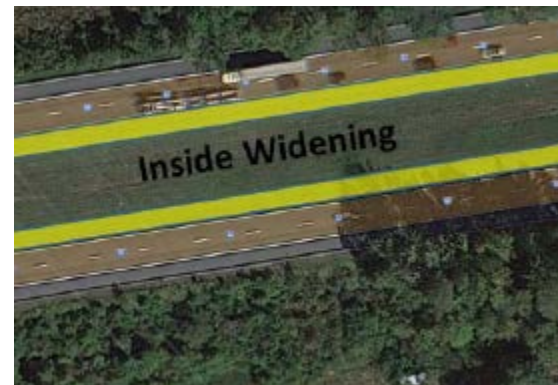
I-64 Widening from I-295 to Bottoms Bridge

- Original design - \$79M
- Revised design - \$60M
- Both projects provide the same benefits

Original design



Revised design



Common Sense Engineering

I-81 Exit 17 Interchange – Revised design funded in Round 1

- **Original design - \$157M**
 - Full interchange reconstruction
 - Improved level-of-service from E to B
- **Revised design - \$21M**
 - Realigning existing ramps and adding one new ramp
 - Improved level-of-service from E to C



HB1887 Funding Formula

- Increase funding running through the formula
- Reduce the number of programs
- Embrace SMART SCALE
- Increase funding sent directly to the Districts

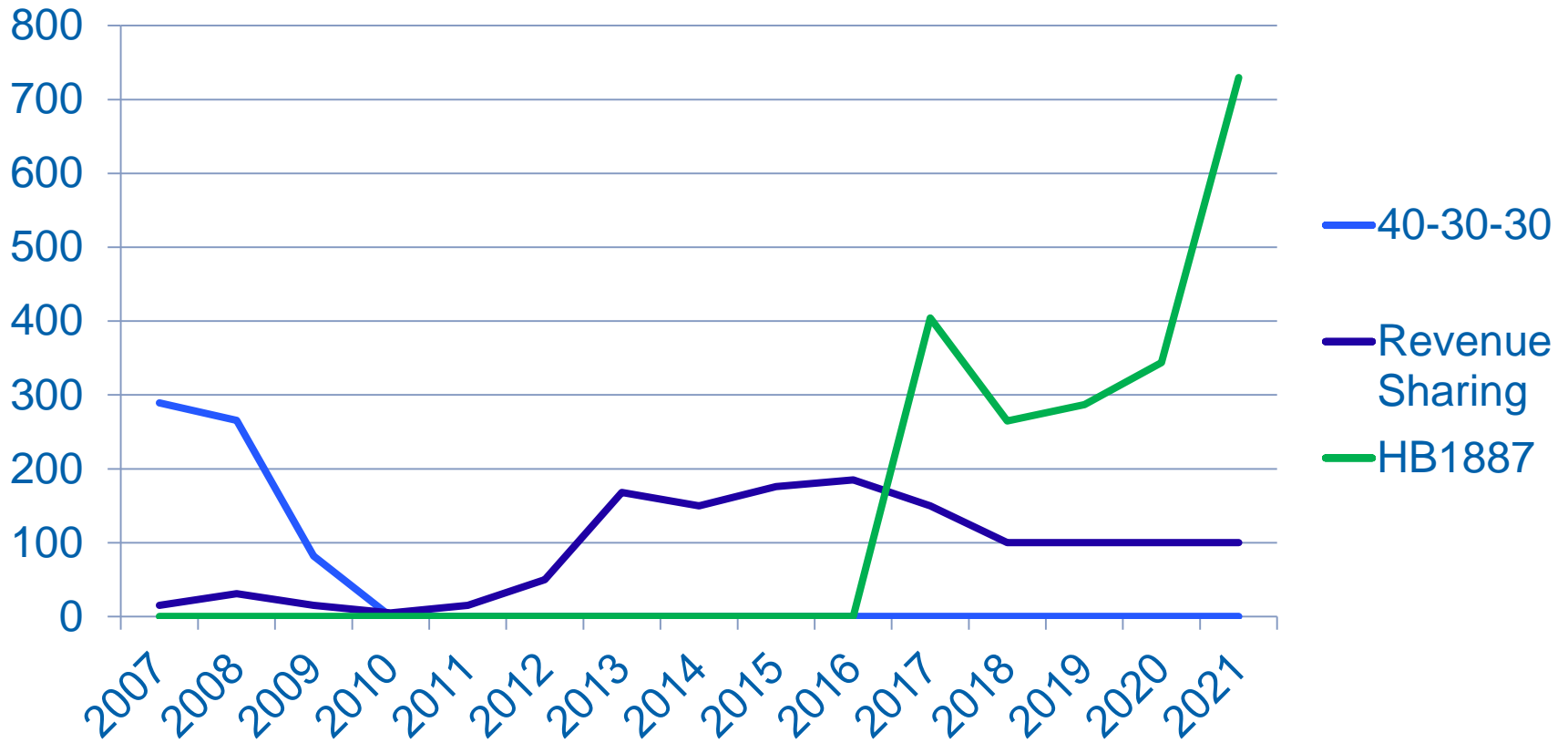
HB1887 Funding Formula

- **Specialized Federal Programs**
 - CMAQ, Transportation Alternatives, Regional STP funds, Highway Safety Improvement Program
- **Specialized State Programs**
 - Revenue Sharing, Industrial Access, Economic Access, and Recreational Access
- **Remaining Funds**
 - 45% for State of Good Repair Program
 - 27.5% for District Grant Program
 - 27.5% for High Priority Projects Program

HB1887 Funding Formula and Revenue Sharing

- Revenue Sharing was intended to augment existing funding formulas
- Eventually became only option for localities to receive funding when old “40-30-30” formula ended in 2010
- Over short period of time funding increased from \$15M annually to \$184M
- Program being used to fund \$50M+ projects by some localities

HB1887 Funding Formula and Revenue Sharing



HB1887 Funding Formula and Revenue Sharing

- **Funding Revenue Sharing Program at \$150M annually would require \$250M from SMART SCALE over life of the SYIP**
- **Over SYIP a total of \$900M would be available for Revenue Sharing Program**
- **Round 2 of SMART SCALE would be \$764M**
 - **\$232M for District Grant Program**
 - **\$532M for High Priority Projects Program**

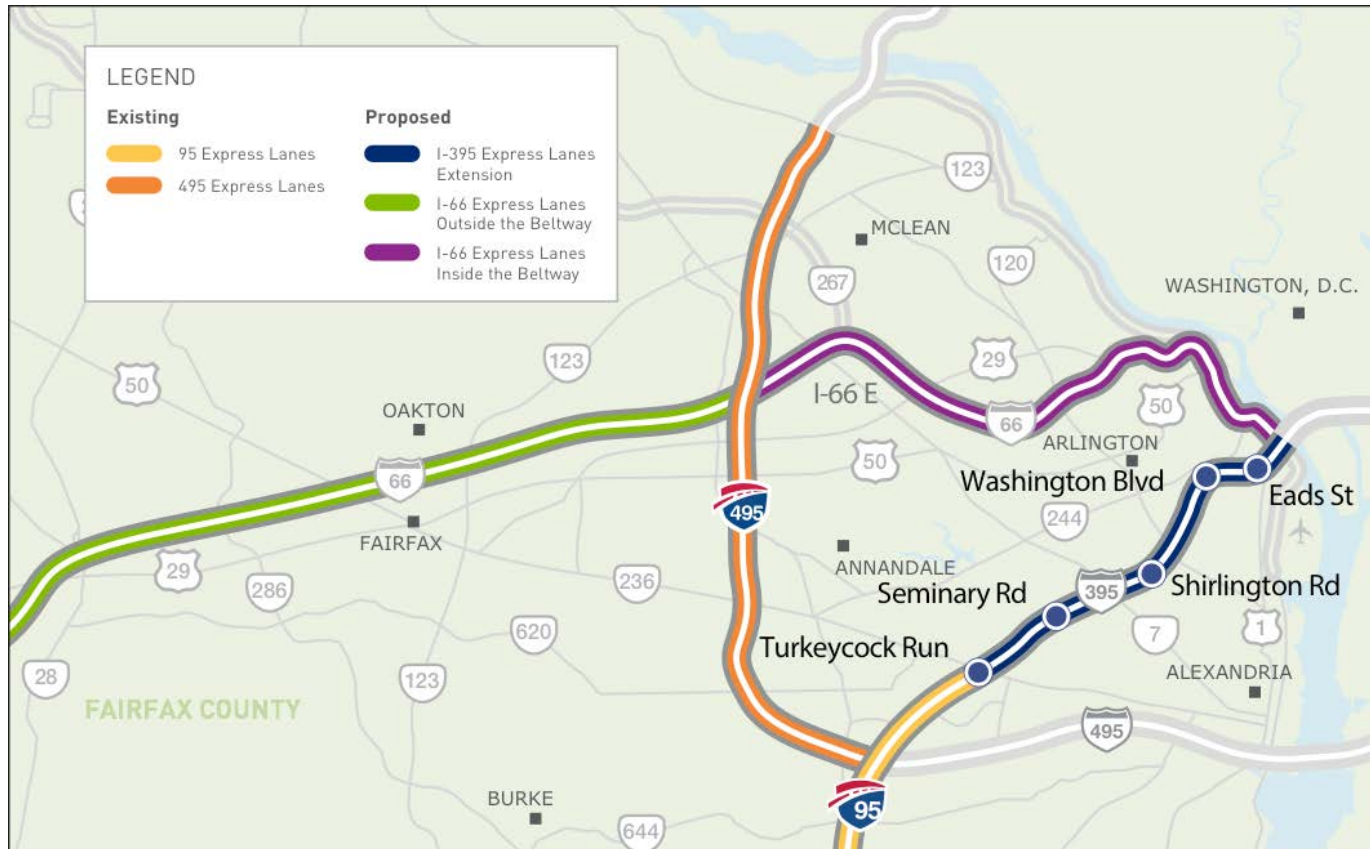
Codifying Best Practices

- **HB2241/SB1331 will ensure practice continues through change in Administration**
- **Requires release of scores and recommended projects 5 months in advance of CTB action**
- **Ensure objectivity in project evaluation by separating project development from selection as recommended by JLARC in 2001**
- **Requires CTB to establish performance measures and targets for surface transportation network as well as report on progress**

McAuliffe Administration Philosophy on Public-Private Partnerships

- **Protect the taxpayers**
- **Use P3s *only* when they are in the best interest of the public**
- **Deliver a project that best meets the needs of the public**
- **Be transparent and accountable to the public and elected officials**
- **Embrace P3 reforms of HB1886 (2015)**

Transform66: Outside the Beltway



McAuliffe Administration P3 Philosophy – 66 Outside the Beltway

Protect the taxpayers	Reformed P3 Process – Saved \$1.5 billion
Use P3s only when in the best interest of the public	Developed a public option and created competition with private sector
Deliver a project that best meets the needs of the public	Project provides travel choices, congestion relief, and improved reliability. Created \$500M+ in additional funding from private sector to address transportation needs in the corridor
Be transparent and accountable	Established open and accountable process
Embrace HB 1886 P3 Reforms	Established major business terms at the outset of procurement

Flaws with Original P3 Process

- **Original P3 development process analysis showed the project:**
 - Required significant public funding – Public would need to pay \$900M to \$1B to build the project
 - Did not deliver the full project and benefits for the public – transit and future corridor improvements
- **Started with assumption that a P3 procurement was the right answer**
- **Assumed risks for project same as other P3 projects despite unique nature each project**
- **Failed to explore all public financing options**

Determining New Path Forward

- **How do we ensure P3 deals are consistent with the Administration's policy?**
- **What do we want to accomplish?**
- **How much does it cost?**
- **What are the revenues?**
- **What are the risks?**

What would it cost the public to build the project?

	Original P3 Process Analysis	Public Option
Upfront Public Funding	900 to 1,000	400 to 600
Support for Corridor Transit	No	Yes
Funds for Future Corridor Improvements	0	200 to 500

Figures in millions

Established Competitive Process

- Offered private sector opportunity to compete against the public state-financed option
- Public option will remain on the table until deal is signed with private partner
- Issued RFQ for
 - Design-Build-ATC with public financing
 - Design-Build-Operate-Maintain with public financing
 - Full toll concession

Established Competitive Process

- **Based on responses Administration moved forward with toll concession P3 procurement**
- **Final RFP issued with deal terms on July 29, 2016**
- **Two teams submitted compliant bids**
 - **Transurban/Skanska**
 - **Cintra/Meridiam/Ferrovial**

Results of the Procurement

	Original P3 Analysis	2015 Public Option	Cintra/ Meridiam/ Ferrovial
Upfront Public Funding	(900 to 1,000)	(400 to 600)	0
Transit Capital and Operating	0	800	800
Future Corridor Improvements	0	350	350
Concession Fee to TTF	0	0	500+

Figures in millions

Comparison with Past P3 Deals in the Commonwealth

	Midtown/ Downtown	Route 460	95 Express Lanes	Transform66
Public Funding	582	1,150	83	0
Debt Financing	1,140	250	553	2,000
Private Equity	33	0	280	1,500
Potential Future Liabilities	\$700M+	N/A	TBD – Pay for more than 35% HOV	0

Figures in millions

Comparison with Past P3 Deals in the Commonwealth

	Midtown/Downtown	Route 460	95 Express Lanes	Transform 66
Competition	N	Y	Y + N	Y
Major Business Terms Established at Outset	N	N	N	Y
Pressing Transpo Need	Y	N	Y	Y
Determination of Public Cost to Deliver	N	Y + N	N	Y

What Happens if Things Go South?

- All debt is non-recourse and will not impact the Commonwealth's debt rating or financial standing
- \$500M Concession payment is provided at financial close and is not contingent upon performance of the asset
- Cintra/Meridiam are putting \$1.5B of private equity into the deal – which is subordinate to all other debt
- In the event of bankruptcy bondholders would have right to take over toll road and Cintra/Meridiam would lose equity investment – road operations and obligations would remain the same

Why were we successful?

- **Governor made it clear he would rather have no project than a bad deal**
- **Legislature embraced reforms and staff involved at outset of the process**
- **Kept the public option on the table – able to walk away from a bad deal**
- **Established competitive process to leverage better deal from private sector**
- **Detailed key business terms at outset of procurement and maintained terms throughout**

HB2244/SB1322 – Codifying Key Provisions of 66 Procurement

- Ensures P3s are used when they are in the best interest of the public
- Requires development of public sector baseline
- Ensures competition through use of public sector option
- Establishes maximum public contribution and prohibits P3 deal that requires more than the maximum
- Briefing Transportation P3 Committee after RFQ responses to increase information available as the Committee considers whether to advance P3 procurement

Moving Forward

**Now focused on projects instead
of allocations**

**There are consequences to
limited resources**