

California Department of Transportation (Caltrans)

Public-Private Partnerships (P3): A New Deal for Infrastructure Management in the 21st Century?

**UCLA Transportation – Land Use
Environmental Connection Symposium**

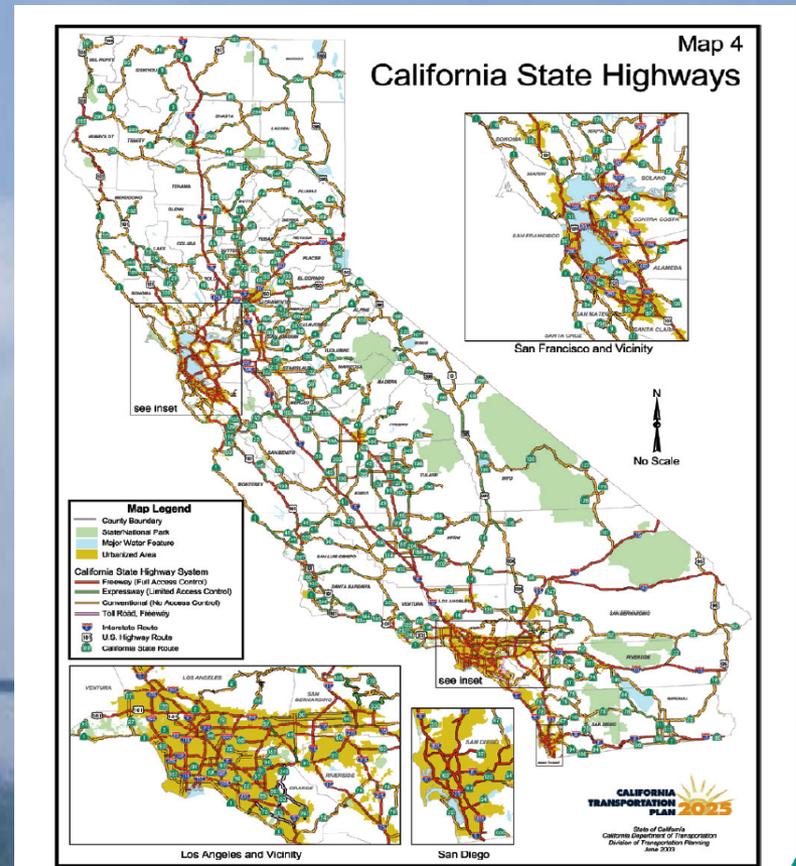
October 17, 2010



California Transp. System

California's system is one of the largest and most complex in the country

- Approximately 50,000 miles of highway and freeway lanes
- Approximately 295,000 miles of local streets and roads
- Supports 37 Million...
- ...60 Million by 2050



Transp. Financing in CA

- Limited Traditional Revenue Sources
 - Fuel & Excise Tax
 - Sales Tax
 - Tolls
 - Developer Funds
 - Federal Grants and Earmarks
- Bond Funds (GARVEE, Proposition 1B)

Transp. Financing in Context

- California GDP is about \$1.8 trillion
 - Like Brazil, Italy
 - 8th Largest Economy
- Typical Infrastructure Investment (OECD)
 - Need 2-2.5% of GDP
 - \$400-500 billion in next 10 years
 - \$80-150 billion in private capital @ 20-30% of need

Strategic Growth Plan

Gov Schwarzenegger's 2006 Strategic Growth Plan proposed to invest \$107 billion over 10 years!

- \$47.0 billion – Existing funding (gas tax, Prop 42 and federal \$)
- \$19.9 billion – GO Bonds (Prop 1b passed Nov 2007)
- \$40.1 billion – Proposed funding (new federal, private and local)

P3 Defined...

“Public-Private Partnerships (P3s) are contractual agreements formed between a public agency and a private sector entity that allow for greater private sector participation in the delivery and financing of transportation projects.”

-FHWA P3 Website



P3 Defined...

“A Public-Private Partnership (PPP) is a contractual agreement between a public agency and a private sector entity...(through which) the skills and assets of each sector are shared in delivering a service or facility... In addition to the sharing of resources, each party shares in the risks and rewards potential...”

-NCPPP Website



P3 Types...

- Asset Sale
- Full Service Long-Term Concession or Lease
- Joint Dev Agreement (JDA - pre-dev)
- Transit-Oriented Dev (TOD - post-dev)
- **Build-Own-Operate-Transfer (BOOT)**
- **Build-Operate-Transfer (BOT)**
- **Design-Build-Finance-Operate (DBFO)**
- **Design-Build-Operate-Maintain (DBOM)**
- **Design-Build with Warranty (DB-W)**
- **Design-Build (DB)**
- **Construction Manager at Risk (CM@Risk)**
- Contract Maintenance
- Fee-Based Contract Services

HIGH



LOW

Some History of Transp. Financing

- Pre Federal Aid Act
 - Private finance of carriage ways
 - 1st Turnpike in 1792
- Federal Aid Act (1916, 1921)
 - Dedicated Public Funding
 - Required State Hwy Depts
- Consolidation of Public Hwy Funds
 - 1st Gas Tax – One Cent in 1932
 - Hwy Trust Account in 1956
 - Prohibited Toll Road Funding

History of P3s

AB 680 (1989)

- Authorized Caltrans to enter into P3 agreements for up to 4 Demonstration Projects
- Authorized up to a 35 year lease on these facilities
- Authorized the developers to charge tolls on the privately constructed facilities
- Two projects made it to construction (SR 91 & SR 125)

Current Legislation

Senate Bill 4 (SBX2 4)

- Authorizes Caltrans and Regional Transportation Agencies to implement P3 Projects
- Transportation Projects include Highways, Transit and Rail
- No Limit on Number of Projects
- Established Public Infrastructure Advisory Commission (PIAC)
- Sunsets January 1, 2017

Why P3s?

Program Objectives

The Department's goal is to develop a program that is fully integrated as an important and sustainable element of our project delivery process

- Leverage Existing Funding
- Accelerate Project Delivery
- Transfer Prudent Risk to Private Sector
- Capture Private Sector Innovation
- Promote Life Cycle Efficiencies/Performance
- Create Competitive Tension to Drive Value
- Spur Economic Growth

Other P3s in US

- But Not Really P3s
 - Chicago Skyway
 - 99-year lease
 - Privatized in 2005
 - \$1.8 billion
 - Indiana Toll Road
 - 75-year lease
 - Privatized in 2006
 - \$3.8 billion

Other P3s in US - TX

North Tarrant Expressway (Dallas-FW)

- Term of Concession agreement: 52 years
- Existing Volumes: up to 200,000 vehicles per day
- \$2.05 billion

LBJ Expressway (Dallas-FW)

- Term of Concession agreement: 52 years
- Existing Volumes: up to 270,000 vehicles per day
- \$2.7 billion

Other P3s...

Critical Percentage of National Roadway Networks

- Portugal: 94% of Motorway System under P3s
- Spain: 43% of Motorway System under P3s
- UK: 10% of Motorway System under P3s
 - Motorway System is 3% of all roadways but carries 33% of all traffic and 62% of freight:

Challenges

- Valuation of Alternative Approaches
- Appropriate Risk Transfer
- Concerns about Transparency
- Unavoidable Complexity of Transactions
- Perceptions
 - Non-compete clauses are always part of P3s
 - P3 is a synonym for tolls ...therefore, toll increases are inevitable...
 - Windfall profits for private investors
 - The public sector loses total control of the facility

Sustainable P3 Program

- Project Screening and Selection Process
 - Suitability
 - Business Case
- Create Market Stability
 - Standardized Processes and Documents
 - Legislative Authority
 - Public Acceptance
- Transparency and Public Participation
- Informed Partnership

Program Update

Program History:

- Legislative Authority – Feb 2009 (Effective May 2009)
- Program Kickoff (Industry Outreach Events) – June 2009
- PIAC Established – July 2009
- Presidio Parkway Business Case Analysis Kick off – July 2009
- CTC P3 Policy Guidance Adopted (Sep 2009)

Program Update

Program History:

- Caltrans Program Advisors Retained – Dec 2009
 - Sperry Capital/KPMG Team as Financial Advisors
 - Nossaman Law Firm as Legal Advisors
- Established a “Pipeline of Projects” that have potential for P3 procurement
- PIAC Recommended P3 Procurement of Presidio Parkway – Jan 2010
- Presidio Parkway Project Nominated for CTC approval as 1st project under SBX2 4 – Feb 2010

Emerging Pipeline...

Consists of Projects that:

- meet a high-priority transportation need;
- enjoy significant public and political support;
- have or soon will have achieved sufficient environmental readiness;
- show the promise of greater value – including speed of delivery – than conventional procurement; and
- have the potential to generate revenue or enhance program capacity through better leverage or other means.

Categories in Pipeline – depend on the level of progress and effort towards P3 delivery

- level one (low readiness) through
- level four (in procurement)

Pipeline P3 Projects

- **I-710 Freight Corridor (\$6.7 billion)**
(Add two dedicated truck lanes in each direction as well as one mixed flow lane in each direction, between the Ports of Los Angeles and Long Beach and State Route 60, near downtown Los Angeles. Additionally, several interchanges along this corridor will be improved.)
- **I-710 Tunnel (\$4.5 to \$9 billion)**
(Gap closure to connect I-710 to I-210 and is considered critical to improving traffic and air quality in the area. Additionally, this gap closure will alleviate traffic on several local and interstate freeways.)
- **High Desert Corridor (\$2.5 billion)**
(Add a four- and six-lane new freeway/highway as well as widen some segments to eight lanes [including one HOV lane in each direction].)

Pipeline P3 Projects

- **MTC Express Lane Network (\$6 billion)**
(Expand mobility options by creating a seamless 800-mile network of unobstructed lanes to provide a faster commute for travelers who use them.)
- **Route 101 Doyle Drive (Presidio Parkway) (\$954 million)**
(Replace existing Doyle Drive facility, constructed in 1936-1937, with a new six-lane facility. The Project will improve the seismic, structural, and traffic safety of this roadway which serves over 120,000 vehicles per day.)

Presidio Parkway P3 Project

KEY DATES:

- Issued RFQ on February 2, 2010
- Shortlist Announcement on April 8, 2010
- Issued Draft RFP on May 25, 2010
- Proposals Due September 2010
- Notice of Intent to Award - October 2010
- Submission of final Agreement to PIAC and Legislature pursuant to Section 143(c)(5)
- Award and Execution of Agreement is expected Late December 2010

Helpful Links...

- www.fhwa.dot.gov/ipd/p3/index.htm
- www.ncppp.org/index.shtml
- <http://www.publicinfrastructure.ca.gov/>
- <http://www.dot.ca.gov/hq/innovfinance/>

Questions



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