California Department of Transportation (Caltrans)

Overview of P3s in California

NCSL Fall Meeting

December 9, 2010
Phoenix, AZ
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

- 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
Transp Financing in CA

Context: Gov Schwarzenegger’s 2006 Strategic Growth Plan proposed to invest $107 billion over 10 years!

- $47.0 billion – Existing funding (Regional funds, gas tax, Prop 42 and federal $)
- $19.9 billion – GO Bonds (Prop 1b passed Nov 2007)
- $40.1 billion – Proposed funding (new federal, new local & regional funds and private)
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
Tolling in CA

• Toll Facilities in CA
  – Bay Area Bridges (BATA)
  – I-680 Express (ACCMA)
  – Golden Gate Bridge (GGBHTD)
  – SR91 Express (OCTA)
  – SR73, 133, 241, 261 (TCAs)
  – SR125 Express (SBX)

• Regional Approach
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)
History of P3s

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SR 91 Express Lanes

- First privately financed toll road in the United States
- First fully-automated toll facility
- First to use value pricing
- 4-lane, 10-mile toll road in the median between Orange/Riverside County line and SR 55
- Operated by OCTA
SR 125 South Bay Expressway

- Officially opened November 2007
- Original Development Franchise Agreement signed in January 1991
- Changed Ownership in 2000
- Critical 10-mile North/South Corridor serving International Border Crossing
- Context Sensitive Facility with over 1000 acres of natural habitat preserved
History of P3s
...continued

AB 1467 (2006)

- 4 P3 Projects (2 North & 2 South)
- Primarily for Goods Movement
- Limited Toll Authority
- Non-compete Provisions
- Nominations from Caltrans and Regional/Local Transportation Entities
- Lessee covers all costs
History of P3s
...continued

AB 1467 (2006)

• California Transportation Commission (CTC) to select projects
• Required public hearing
• Required approval of lease agreements by legislature
• 4 High Occupancy Toll (HOT) lane projects for Regional Transportation Agencies (RTAs)
• Bill was to sunset January 1, 2012
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
P3 Program Update

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
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
Other P3s in US

...But Are They 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

North Tarrant Expressway (Dallas-FW)

• Term of Concession agreement: 52 years
• Existing Volumes: up to 200,000 vehicles per day

Scope of Work:

• Design, construct, finance, maintain, and operate 13 miles of roadway (~169 lane-miles) along IH820 and SH121/SH183 corridor.

Improvement include:

• Reconstruction of General Purpose Lanes (GPL) and frontage roads
• Addition of 2/3 Managed Lanes (ML) per direction
• Addition of 1 GPL per direction in segment 1
Other P3s in US

LBJ Expressway (Dallas-FW)

- Term of Concession agreement: 52 years
- Existing Volumes: up to 270,000 veh per day

Scope of Work:

- Design, construct, finance, maintain, and operate 17 miles of roadway (~185 lane-miles) along IH635 (LBJ Freeway) and I-35E corridor

Improvement include:

- Reconstruction of the IH-635 GPL & frontage roads
- Addition of 3 below surface ML per direction on IH635
- Addition of 3 elevated ML along I-35E with direct connectors
## Other P3s in the US

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<thead>
<tr>
<th></th>
<th>NTE - Financial Details</th>
<th>LBJ - Financial Details</th>
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<tbody>
<tr>
<td><strong>Total Investment:</strong></td>
<td>$2.05b</td>
<td>$2.7b</td>
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<td><strong>Private Equity:</strong></td>
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<td><strong>Total Debt:</strong></td>
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<td>• PABs</td>
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<td>• TIFIA</td>
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<td>$850m</td>
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<td><strong>Public Funds:</strong></td>
<td>$537m</td>
<td>$496m</td>
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Challenges...

- Valuation of Alternative Approaches
- Appropriate Risk Transfer
- Transparency and Public Participation
- Unavoidable Complexity of Transactions
- Perceptions ... needing correction
  - Non-compete clauses are always part of P3s
  - A PPP is a synonym for tolls and with that toll increases are inevitable... windfall profits.
  - The public sector loses total control of the facility
Lessons Learned

- Non-compete clause restricted ability to plan and implement capacity improvements
- Have realistic expectations
- Institutional issues can take longer to address and resolve
- Not all HOV lanes are good candidates for a toll road
- Success depends on credible business case analysis
Lessons Learned

• Start Environmental Impact Study/Review early in process
• Federal Agency Opposition Hard to Overcome
• Public outreach vs. marketing
• Mitigate opposition early in process
• Strong/Skilled Public Sector Necessary
• Need a Clearer Federal Role
Conclusion…

• Infrastructure funding and delivery will continue to lag behind need
• P3s are not cure all solutions and not applicable to all projects
• P3s will not solve the serious lack of infrastructure funding
• P3s are necessary tools for infrastructure delivery now and in the future
Questions

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