

2011 NCSL Fall Forum

Public-Private Partnerships for Transportation



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Florida's History of Public-Private Partnership

- Outsourcing transportation projects since the 1960s
- Outsourcing Partnerships
 - 100% of roadway/bridge construction
 - Over 80% of engineering work
 - Over 80% of maintenance
- Periodic private sector “equity” investments
 - Right of way donations
 - Cash investment such as for Interchanges
- “Advanced” on innovative contracting



Florida's P3 Law

Section 334.30, Florida Statutes balances flexible contracting authority with controls and oversight.

Planning and Analysis Requirements

- Linked to local planning processes.
- Summary of new P3 projects submitted annually to Governor and Legislature with FDOT Work Program.
- Independent Cost Effectiveness/Public Benefit Analysis prior to procurement and prior to award.
- Limits FDOT funds for P3s – 15% cap of federal and state funding in any given year.



Florida's P3 Law (continued)

Procurement and Commercial Terms

- Outlines clear P3 procurement process for solicited and unsolicited projects
- Allows advancement of future Work Program, SIS projects
- Allows availability payment or shadow tolling agreements
- Terms up to 50 years, or up to 75 Years with Secretary approval, terms over 75 years approved by Legislature
- P3 projects owned by the Department upon completion or termination of the P3 agreement



Florida's P3 Law (continued)

Tolling

- Mandates independent investment grade Traffic and Revenue analysis when private entity is to impose tolls
- Toll rates regulated by FDOT for toll projects
- Requires FDOT to receive a portion of excess revenues as part of the Concession Agreement

Leases

- Authorizes leases of existing FDOT Toll Facilities (excludes Turnpike facilities)
- Leases must be approved by Legislative Budget Commission prior to contract award



Florida's Current P3 Approach

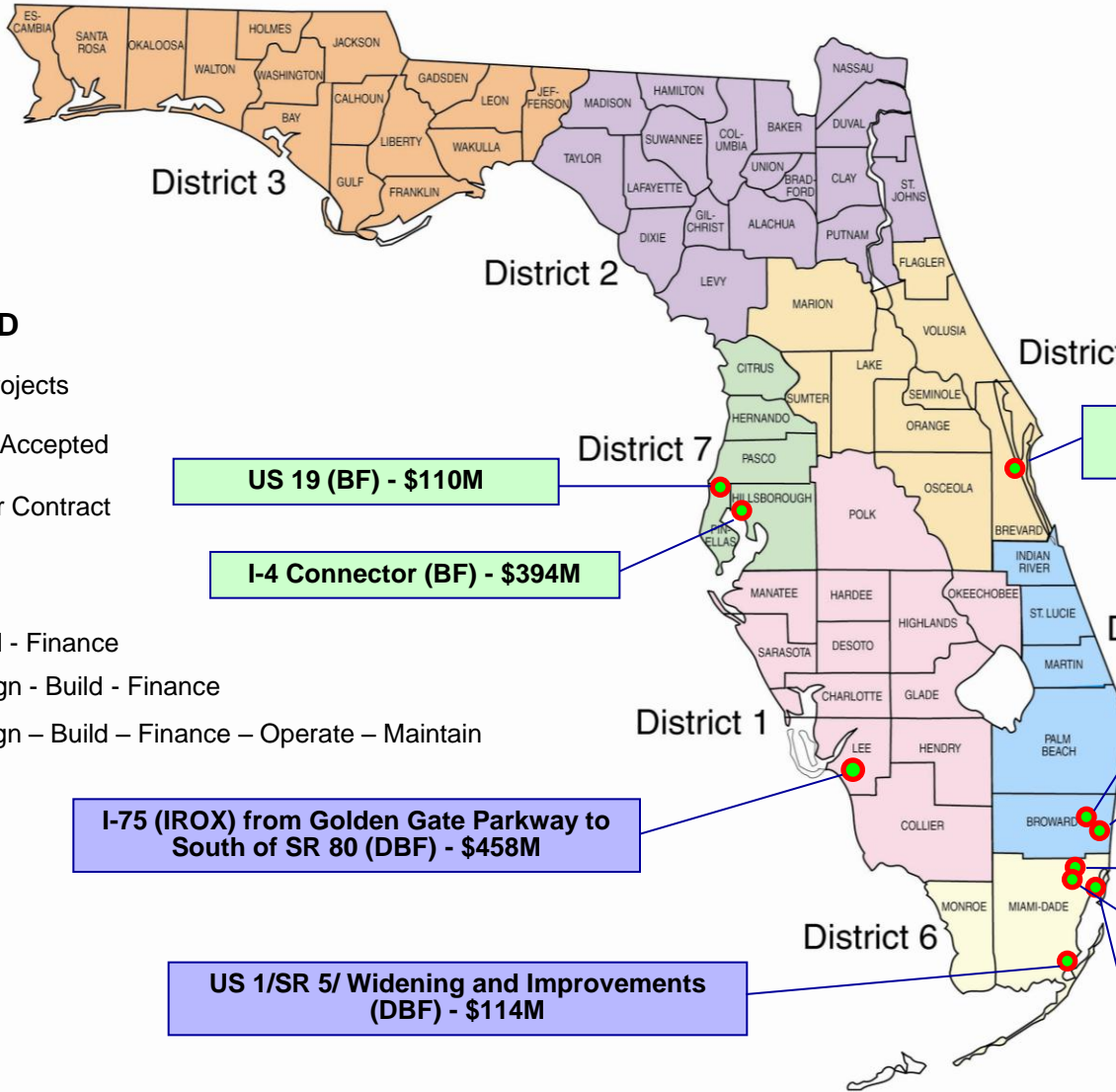
- Internal multi-disciplined teams (technical, financial, legal, procurement) offer consistency from past experience
- Each project is unique
- Get right of way and environmental clear or almost clear
- Develop solid, transparent and competitive P3 process
- Hold industry forums where valuable
- Request for qualifications/request for proposals
- Interact with short-list teams and listen



“Hard Proposal” to deliver best value

FDOT P3 PROJECTS Under Contract

Map current as of
August 2011



LEGEND

- P3 Projects
- Final Accepted
- Under Contract

- BF Build - Finance
- DBF Design - Build - Finance
- DBFOM Design - Build - Finance - Operate - Maintain

*construction portion

Types of P3s – Advanced Projects

The Department may advance projects programmed in the adopted 5-year work program or projects increasing transportation capacity and greater than \$500 million in the 10-year Strategic Intermodal Plan using funds provided by public-private partnerships or private entities to be reimbursed from department funds for the project as programmed in the adopted work program.

Examples: I-75 (IROX) in Lee and Collier counties, I-95 at Pineda, I-95 Express, US 1 (an unsolicited proposal), Palmetto Section 5, I-4 Connector, and US 19.



Types of P3s – Availability Payments

The “owner,” meaning the government entity, “pays” to the extent the facility is open to traffic and meets contractual performance specifications for operations and maintenance.

Typically used for projects with established traffic.

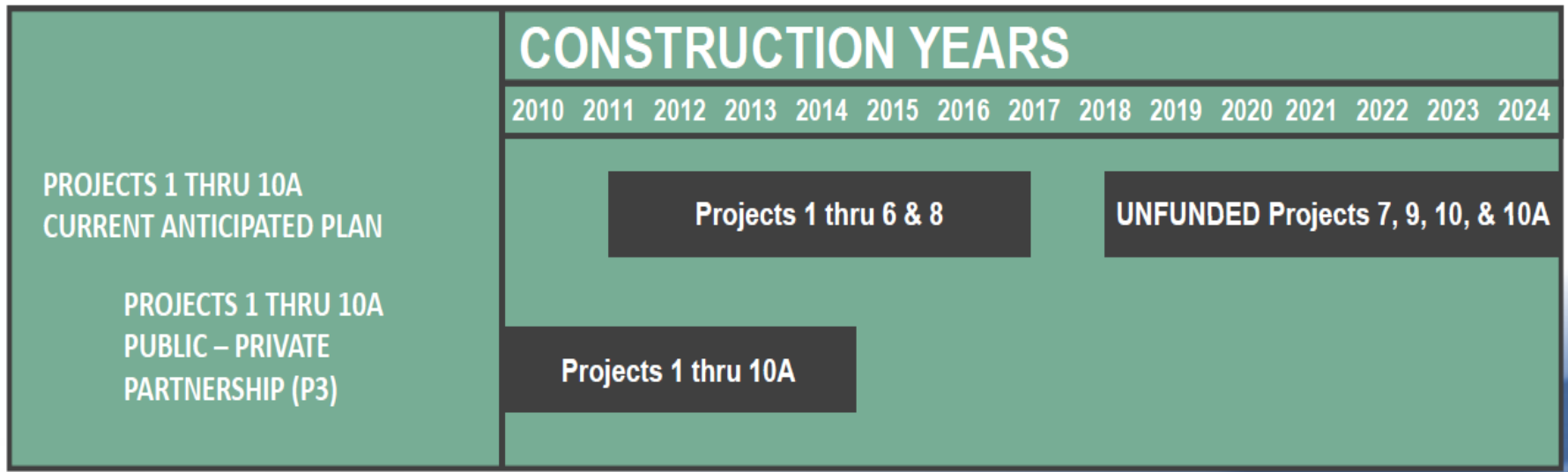
May be used for toll deals where goal is to maximize use or reduce congestion, rather than to maximize revenue.

Example: I-595, Port of Miami Tunnel



I-595

- Design/Build/Finance/Operate/Maintain – Availability Payments
- Provides capacity improvements a minimum of 15 years sooner than the initial (conventional) plan
- Provides finance mechanism for funding shortfall – an alternative source of financing
 - Construction and design costs are \$1.2 billion
 - No payment until construction is complete – Spring 2014



Port of Miami Tunnel

- Design/Build/Finance/Operate/Maintain – Availability Payments
- Provides finance mechanism for funding shortfall
 - ✓ FDOT only has \$450 million programmed during the construction period
 - ✓ Construction and design (alone) costs are \$607 million
- Risk Transfer
 - ✓ Environmental; Geotechnical; and Technology
- Financial Close – October 2009



P3 Lessons Learned

- Be flexible in procurement, contracting, and finance process
- Secure government and community stakeholders' support
- Pick the right projects, be patient and start at right time
- Secure outside experts with P3 experience
- Be transparent and have an interactive process
- Be flexible, clear, consistent, and persistent
- Oversight



PPP Strengths

Benefit	FDOT	Contractor
Innovative ideas and/or projects	+	+
Access to global capital markets	+	
Deliver “market approaches” and expertise	+	+
Transfer of risk	+	
Long term relationships	+	+
“Stability” in pricing	+	
Contract outlines the “deal”	+	+



PPP Weaknesses

Weakness	FDOT	Contractor
Perceived loss of control (day-to-day management, toll rates, performance standards)	-	-
"Cherry picking" by the private sector	-	
Learning curve in negotiating and managing PPPs	-	-
"Real" transfer of risk (cost of risks can be misestimated)	-	-
Long-term relationships	-	-



Transportation Vision for 21st Century

Highlights from August 5, 2011 announcement:

- Use innovative financing tools to advance nearly a billion dollars of construction projects into the current fiscal year
- Diversify revenues beyond gas tax. Toll new capacity on interstate, expressway, river crossings where feasible.
- Managed lane system expansion
- Leverage Florida's Turnpike System to advance major transportation improvements



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