VDOT’s 3P Program: Successes and Lessons Learned

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Route 895 PPTA
DBF 1998 - 2002, FOM 2006 - 2105
Successes

Four new projects delivered early

- +$600 million in value
- +$300 million private financing
  (bonds in anticipation of toll revenue)
- DB and DBF

Transportation is about People

Congestion relief / improved quality of life / improved processes

- Projects not possible under traditional program
- +$5 billion projects in development
- Includes private equity investments
- Challenge status quo; progress toward performance based contracts; long term view - DBFOM
## Stages of Project Development

### Development
- Planning
- Legal
- Political
- Environmental
- Financial

### Design
- Scope
- Schedule
- Quality
- Budget

### Construction
- Scope changes
- Schedule
- Quality
- Budget

### Operations & Maintenance
- O&M costs
- Performance
- Availability
- Traffic
- Revenue

### Construction Methods
- Traditional Bid-Build
- Design-Build
- Design-Build-Finance-Operate-Maintain
- O&M Concession
3P Projects in Virginia

TOLLED FACILITIES &
PUBLIC PRIVATE TRANSPORTATION ACT PROJECTS
TOLLED - PROPOSED - ACTIVE - COMPLETED
FEBRUARY 2008

Coalefields Expressway

Route 58

Route 288

Route 895

Route 195

Route 460

Route 460

Midtown/Downtown Tunnel

 Southeastern Parkway and Greenbelt

NORTHERN VIRGINIA REGION

HAMPSTON ROADS REGION
<table>
<thead>
<tr>
<th>Project</th>
<th>Contract Value in Millions</th>
<th>Date Signed</th>
</tr>
</thead>
<tbody>
<tr>
<td>VMS – Interstate Maintenance</td>
<td>$132</td>
<td>December 1996</td>
</tr>
<tr>
<td>Route 895</td>
<td>$324</td>
<td>June 1998</td>
</tr>
<tr>
<td>Route 288</td>
<td>$236</td>
<td>December 2000</td>
</tr>
<tr>
<td>VMS – R (Renewed)</td>
<td>$162</td>
<td>June 2001</td>
</tr>
<tr>
<td>Route 199</td>
<td>$32</td>
<td>October 2002</td>
</tr>
<tr>
<td>Route 58</td>
<td>$103</td>
<td>December 2003</td>
</tr>
</tbody>
</table>

| Under Way                     |                            |               |
| Route 28                      | $327                        | September 2002|
| Coalfields Expressway         | $10                         | January 2006  |
| Route 895 Concession          | $520                        | June 2006     |
| I-95/395 HOT Lanes            | $tbd                        | October 2006  |
| I- 495 HOT Lanes              | $1,400                      | December 2007 |
| **Total Value**               | **+$ 3,200**                |               |
Stages of Project Development

- **Development**: I95/395 HOT Lanes
- **Design**
  - Design-Build: Rt 288, Rt 28, Rt 199, Rt 58
  - Design-Build-Finance: Rt 895, Coalfields Expy
  - Design-Build-Finance-Operate-Maintain: I495 HOT Lanes
- **Construction**
  - Design-Build: Rt 288, Rt 28, Rt 199, Rt 58
  - Design-Build-Finance: Rt 895, Coalfields Expy
- **Operations & Maintenance**
  - O&M: VMS
  - O&M Concession: Rt 895

Development: I95/395 HOT Lanes
Why Pursue Public-Private Partnerships?

Challenges Faced by VDOT:

• The highway system is aging
• Maintenance requires increasingly larger share of budget
• Increasing public and economic needs
• Limited resources – current needs exceed available funds
• A strong economy requires efficient transportation
• It’s broken; is 3P part of solution?
Policy Objectives for Virginia’s PPTA

- Public need for the project
- Private resources or risk sharing to help address the public need
- Current methods may not be adequate
  - Private development or operation may be more timely, or
  - More efficient or less costly
  - Finding of Public Interest
If I were starting a program now . . .

A few radical ideas:

• Begin at the beginning . . .

• . . . Focus on what you want at the end

• Start procurements that you can finish, with or without private funding
Development
Planning
Legal
Political
Environmental
Financial

Design
Scope
Schedule
Quality
Budget

Construction
Scope changes
Schedule
Quality
Budget

Operations & Maintenance
O&M costs
Performance
Availability
Traffic
Revenue

Traditional Bid-Build
Design-Build
Design-Build-Finance-Operate-Maintain
O&M Concession

Integrated Development and Operation of Public-Private Program
Observations

The funding source is not the primary factor

- 3Ps are not appropriate for most projects
  - 58,000 miles of roads
  - 1,118 miles of interstate highways
  - 48,305 miles of secondary roads

- Private sector must perceive investment opportunities
  - High traffic volume
  - Limited access highways
  - A need for more capacity or more efficient operations
  - Procurements that result in contracts

- Develop priority projects that are financially feasible under a variety of funding schemes
  - Optimal risk transfer and sharing, not maximum risk transfer
  - Optimize congestion mitigation and system maintenance
  - Bite-sized projects with shorter delivery timelines become practical

Deal flow will improve when agencies can regularly choose 3Ps for primary benefits other than a lack of funds
Recommendations

Begin at the beginning
• Document the policy objectives of your 3P Program
• Establish a planning process that considers
  – Project costs / benefits
  – Risk management
  – Project delivery method
  – Identify 3P candidates early in development cycle

Focus on life-cycle and system operations issues during project development
  – Current practices often segregate construction and maintenance phases

Start procurements that you can finish
  – Challenges remain - few revenue positive projects
    • Blended funding sources
    • DBF, FOM, DBFOM
    • Availability payments
    • Shadow tolls
Route 895 PPTA

(2002)
VDOT’s PPTA Program

Questions?

For Additional Information

VDOT Website:
http://www.virginiadot.org/business/bu-ipd.asp

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