Massachusetts Public-Private Partnership Infrastructure Oversight Commission

Introduction to Public-Private Partnerships

May 29, 2013
Introduction
With you today from KPMG

Tim Wilschetz
Principal

- **Years of Experience:** 30+
- Finance, engineering and project management experience
- Focuses on sell-side advisory mandates, with a concentration on advising government agencies in developing alternative delivery programs and executing project procurements
- Has led P3 advisory services to the following clients:
  - Ohio Turnpike Commission
  - State of Washington
  - Indiana Finance Authority
  - LA Metro
  - Chicago RTA
  - Commonwealth of Pennsylvania
- Past member of SIFMA P3 Advisory Board

Thomas Mulvihill
Managing Director

- **Years of Experience:** 20+
- Project and public finance experience including:
  - Transit/commuter rail
  - Toll roads
  - Bridges/Tunnels
  - High speed rail
  - Airports/Ports
  - Parking
- Select clients that Tom has served include:
  - Massachusetts Bay Transportation Authority
  - Amtrak Northeast Corridor
  - Virginia Department of Transportation
  - Florida Department of Transportation
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<td>Appendix</td>
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Overview of Public Private Partnerships

What is a P3

The 2009 Massachusetts Transportation Act defines Public-Private Agreements as:

- “A contract between a private entity and the Department that relates to the development, financing, maintenance or operation of a transportation facility.”

The market defines a Public-Private Partnerships (P3) as:

- A contractual arrangement between a public agency and a private sector entity to design, build, finance, operate and/or maintain a project. The contract allows the private sector to earn an appropriate risk-adjusted return on their investment and is structured to meet public needs by:
  - Optimizing the skills and resources of each party (both public and private);
  - Allocating the risks in the delivery of the service and/or facility to the parties best able to manage them.

The P3 spectrum includes:

- **<15 years contracts**
  - Operating and Maintenance contract

- **15 – 50 years contracts**
  - Includes arrangements such as Concession, DBF, DBFOM, DBFM

- **50+**
  - Monetization

Risk transfer to private sector

Public sector  Private sector
### Terms

<table>
<thead>
<tr>
<th><strong>Terms</strong></th>
<th><strong>Definition</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Brownfield Project</strong></td>
<td>Project involving an acquisition of an existing operational asset.</td>
</tr>
<tr>
<td><strong>Greenfield Project</strong></td>
<td>Project involving the development of a new asset.</td>
</tr>
<tr>
<td><strong>Concession</strong></td>
<td>The contractual arrangement between the public and private sector.</td>
</tr>
<tr>
<td><strong>Risk Transfer</strong></td>
<td>Allocating the risks to the parties best able to manage them.</td>
</tr>
<tr>
<td><strong>Special Purpose Vehicle (SPV)</strong></td>
<td>A standalone legal entity that develops and operates the project.</td>
</tr>
<tr>
<td><strong>Availability Payments</strong></td>
<td>A performance based-payment used to compensate the private sector.</td>
</tr>
<tr>
<td><strong>Milestone Payments</strong></td>
<td>A payment mechanism linked to the full or partial delivery of a project.</td>
</tr>
<tr>
<td><strong>Value for Money</strong></td>
<td>A best-value approach to delivering a project which accounts for its whole-life costs.</td>
</tr>
<tr>
<td><strong>Whole Life Costing</strong></td>
<td>Total cost of owning an asset over its entire asset life (construction, operations, financing, and life-cycle)</td>
</tr>
<tr>
<td><strong>Handback Requirements</strong></td>
<td>Requirement that an asset must be turned over to the public at the end of a P3 agreement.</td>
</tr>
</tbody>
</table>
Overview of Public-Private Partnerships
State Governments Are Increasingly Exploring P3s

- Operating and capital budget relief
- Defer or smooth funding requirements
- Potential to deliver existing or accelerate new capital plans
- Private sector innovation drives down costs and aligns incentives to better manage risk
- Long term budgeting – price certainty
- Ability to create competitive tension to reduce whole-life costs to public sector upfront
- Private sector at risk capital
### Overview of Public-Private Partnerships

#### P3 Delivery Alternatives

<table>
<thead>
<tr>
<th>Delivery Model</th>
<th>Design</th>
<th>Construction</th>
<th>Operations/Maintenance</th>
<th>Financing</th>
<th>Ridership/traffic</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design-Bid-Build</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>Design-Build</td>
<td>●</td>
<td>●</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>Design-Build-Operate-Maintain</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>Design-Build-Finance-Operate-Maintain (Availability Payment)</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>Design-Build-Finance-Operate-Maintain (Real User Fee)</td>
<td>●</td>
<td>●</td>
<td>●</td>
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<td>●</td>
</tr>
</tbody>
</table>

○ - Risk retained by Public Sector
● - Risk transferred to Private Sector

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MassDOT Traditional Delivery Method

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Decal L. Patrick, Governor
Timothy P. Murray, Lt. Governor
Richard A. Davey, Secretary & CEO
Overview of Public-Private Partnerships

**Funding versus Financing**

Both traditional and P3 delivery requires funding sources to pay for construction, operations, maintenance and lifecycle costs.

<table>
<thead>
<tr>
<th>Funding Examples</th>
<th>Financing Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toll revenue/User fees</td>
<td>Capital markets</td>
</tr>
<tr>
<td>Availability payments</td>
<td>Bank debt</td>
</tr>
<tr>
<td>Federal programs (e.g. New Starts)</td>
<td>Private equity</td>
</tr>
<tr>
<td>State Transportation Trust Fund</td>
<td>TIFIA</td>
</tr>
<tr>
<td>▪ Capital</td>
<td>RRIF</td>
</tr>
<tr>
<td>▪ O&amp;M</td>
<td></td>
</tr>
</tbody>
</table>

A private entity provides financing in return for adequate compensation to (i) operate and maintain the facility, (ii) repay project debt and (iii) recoup a reasonable return on its investment.
Overview of Public-Private Partnerships
P3 Framework

PUBLIC

Government Entity

Users

PARTNERSHIP

Project Company (Concessionaire)

Availability Payment

Project Agreement

User Fees

PRIVATE

Developer

Operator

Investors

Lenders

DB Contract

O&M Contract

Finance Agreement

Lending Agreement
## Benefits and Considerations of using P3s
### Pros and Cons of P3s

<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
</tr>
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<tbody>
<tr>
<td>■ Risk sharing and transfer</td>
<td>■ Complex early planning</td>
</tr>
<tr>
<td>■ Maintaining or improving service levels</td>
<td>■ Poorly designed contracts can result in too much or too little compensation to the different players in relation to their efforts and bearing of risks</td>
</tr>
<tr>
<td>■ Reducing costs/improving revenue</td>
<td>■ Private sector companies may fail to provide required level of service if contract not designed and monitored appropriately</td>
</tr>
<tr>
<td>■ Accessing private sector at-risk capital</td>
<td>■ Changes in policy may require contract changes</td>
</tr>
<tr>
<td>■ Accessing new or better skills</td>
<td>■ Public perception that critical ‘public’ assets are controlled by private sector</td>
</tr>
<tr>
<td>■ Realizing the value of under-utilised assets</td>
<td>■ Depending on economics, may require reallocation or transfer of jobs to the private sector</td>
</tr>
<tr>
<td>■ Realizing economic development opportunities</td>
<td></td>
</tr>
<tr>
<td>■ Improving accountability for performance</td>
<td></td>
</tr>
<tr>
<td>■ Private sector investment and diligence</td>
<td></td>
</tr>
<tr>
<td>■ Budgetary certainty</td>
<td></td>
</tr>
<tr>
<td>■ Public ownership of asset</td>
<td></td>
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</table>
Benefits and Considerations of using P3s

Keys to a Successful P3

- **P3 Program Framework**
  - Public sponsor organization
  - Select appropriate project

- **Statutory and Political Environment**
  - Clear legislative authority
  - Political champion

- **Detailed Business Plan with Clear Goals and Strong Project Justification**
  - Best value vs. lowest price
  - Risk allocation; shift to private sector can raise costs;
  - Identify optimal risk allocation

- **Revenue Stream**
  - Funds to cover long-term operations and financing

- **Stakeholder Support**
  - Public sector agencies
  - Private sector
  - Workforce
  - Open and frank discussion between sectors

- **Pick Your Partner Carefully**
  - Verify experience and financial capability
  - Establish robust competitive procurement procedures
  - Embed monitoring of performance into contract terms

- **Communication**
  - Proactively communicate project benefits
### Benefits and Considerations of using P3s

#### Public Concerns About P3s

<table>
<thead>
<tr>
<th><strong>Myth</strong></th>
<th><strong>Reality</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Public-Private Partnership equals privatization</td>
<td>- Public partner retains ownership and control</td>
</tr>
<tr>
<td>- Public sector defines project requirements</td>
<td>- P3s account for Whole Life costs, not just upfront capital costs</td>
</tr>
<tr>
<td>- Competitive tension reduces costs</td>
<td>- Competitive tension reduces costs</td>
</tr>
<tr>
<td>- Additional investment helps protect and produce more jobs</td>
<td>- Additional investment helps protect and produce more jobs</td>
</tr>
<tr>
<td>- New infrastructure helps stimulate economic growth</td>
<td>- New infrastructure helps stimulate economic growth</td>
</tr>
<tr>
<td>- Payment mechanism regulates performance</td>
<td>- Payment mechanism regulates performance</td>
</tr>
<tr>
<td>- Penalties can accrue and lead to default</td>
<td>- Penalties can accrue and lead to default</td>
</tr>
<tr>
<td>- Public sector has direct oversight and a contract management role</td>
<td>- Public sector has direct oversight and a contract management role</td>
</tr>
<tr>
<td>- Regular reporting requirements keep public sector informed</td>
<td>- Regular reporting requirements keep public sector informed</td>
</tr>
<tr>
<td>- Revenue or profit sharing requirements protect public sector</td>
<td>- Revenue or profit sharing requirements protect public sector</td>
</tr>
<tr>
<td>- Re-finance gain-sharing requirements protect against windfalls</td>
<td>- Re-finance gain-sharing requirements protect against windfalls</td>
</tr>
</tbody>
</table>
Overview of Public-Private Partnerships

Benefits and Considerations of using P3s

P3 Examples by Asset Class

P3 Delivery

Next steps

Additional Information

Appendix
# Toll Roads

<table>
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<tr>
<th>Projects</th>
<th>Selected Case Study</th>
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</thead>
</table>
| **Route 460 Corridor Improvement Project**  
*Virginia Department of Transportation (VA)*  
**Project Status:** Financial Close: 2012  
**Project Size:** $1.5 billion  
**Delivery Model/Payment Mechanism:** DBF/Revenue or Demand Risk | **Route 460 Corridor Improvement Project**  
*Virginia Department of Transportation (VDOT)*  
**Background**  
- The Route 460 Corridor Improvement Project (the “Project”) is a 55 mile, limited access, greenfield toll road between I-295 in Prince Georges County to Route 58 in the City of Suffolk, Virginia.  
**Challenge**  
- The Commonwealth of Virginia was in need of a new roadway for safety and evacuation purposes. To fund the project, VDOT wanted to use project revenues to pay for the capital improvements.  
- Project revenues would not be adequate to cover costs.  
**Solution**  
- Design-Build-Finance structure between a 63-20 Non-Stock Public Benefit Corporation (“63-20 Corporation”), a Design-Build contractor and VDOT.  
- The 63-20 Corporation will be responsible for tolling O&M.  
- VDOT will be responsible for paying the costs of the tolling O&M as well as performing the annual operations and maintenance of the Project for the 40 year term of the contract. |
| **Presidio Parkway Project**  
*Caltrans (CA)*  
**Project Status:** Financial Close: 2009  
**Project Size:** $362 million  
**Delivery Model/Payment Mechanism:** DBFOM/Availability Payment |  |
| **North Tarrant Express (NTE) Project**  
*Texas Department of Transportation (TX)*  
**Project Status:** Financial Close: 2009  
**Project Size:** $2 billion  
**Delivery Model/Payment Mechanism:** DBFOM/Revenue or Demand Risk |  |
Managed Lanes P3 Examples

<table>
<thead>
<tr>
<th>Projects</th>
<th>Selected Case Study</th>
</tr>
</thead>
</table>
| **I-495 Capital Beltway**  
*Virginia Department of Transportation (VA)*  
**Project Status:** Financial Close: 2008  
**Project Size:** $1.9 billion  
**Delivery Model/Payment Mechanism:** DBFOM/Revenue or Demand Risk  
| **I-495 Capital Beltway**  
*Virginia Department of Transportation (VDOT)*  
**Background**  
- The 14 mile, $1.9 billion Capital Beltway I-495 HOT Lanes Project is the first dynamic tolled HOT Lanes P3 project in the US.  
**Challenge**  
- Virginia needed a solution to heavy congestion in the Northern Virginia/Metropolitan DC region.  
- Virginia needed to construct a new transportation asset with limited available funding.  
**Solution**  
- DBFOM P3 between VDOT and a private concessionaire that includes a five year construction phase and a 75 year operations period.  
- The project funding includes private equity investment of $349 million, VDOT construction grant of $409 million, $586 million in PABs and a $585 million TIFIA loan. Financial close was reached in June 2008.  
- Construction of four new lanes and the conversion of four existing lanes to HOT lanes new capacity to the DC region’s most congested route |
| **I-95 HOT Lanes**  
*Virginia Department of Transportation (VA)*  
**Project Status:** Financial Close: 2012  
**Project Size:** $925 million  
**Delivery Model/Payment Mechanism:** DBFOM/Revenue or Demand Risk  
| **LBJ I-635**  
*Texas Department of Transportation (TX)*  
**Project Status:** Financial Close: 2010  
**Project Size:** $2.7 billion  
**Delivery Model/Payment Mechanism:** DBFOM/Revenue or Demand Risk  

*Decal L. Patrick, Governor*

*Timothy F. Murphy, Lt. Governor*

*Richard A. Davey, Secretary & CEO*
# P3 Examples by Asset Class

**Bridges/Tunnels**

<table>
<thead>
<tr>
<th>Bridges/Tunnels P3 Examples</th>
<th>Selected Case Study</th>
</tr>
</thead>
</table>
| **Project** | **Ohio River Bridges – East End Crossing**  
Louisville and Southern Indiana Bridges Authority (KY/IN) |
| **Project Status:** Financial Close: 2013 | **Ohio River Bridges – East End Crossing**  
Louisville and Southern Indiana Bridges Authority (LSIBA) |
| **Project Size:** $1.2 billion | **Background** |
| **Delivery Model/Payment Mechanism:** DBFOM/Availability Payment | ■ The East End Crossing (the Project) is one part of the Ohio River Bridges Project that comprises high level crossings, a tunnel and major reconstruction over the Ohio River near Louisville, KY |
| **Challenge** | ■ Kentucky and Indiana were in need of addressing the long-term cross-river mobility needs in the greater Louisville-Southern Indiana region |
| ■ Multiple jurisdictions were involved and budgets constrained | **Solution** |
| ■ DBFOM utilizing Availability Payments to compensate the private concessionaire for the delivery of the project over 35 years | ■ Indiana Finance Authority priced $676.8 million of private activity bonds (PABs) for the East End Crossing Project |
| **Downtown Tunnel/Midtown Tunnel/MLK Extension**  
Virginia Department of Transportation (VA) | |
| **Project Status:** Financial Close: 2012 | |
| **Project Size:** $2.1 billion | |
| **Delivery Model/Payment Mechanism:** DBFOM/Revenue or Demand Risk | |
| **Missouri 800 Bridges**  
Texas Department of Transportation (TX) | |
| **Project Status:** Financial Close: 2010 | |
| **Project Size:** $2.7 billion | |
| **Delivery Model/Payment Mechanism:** DBFOM/Revenue or Demand Risk | |
## Connecticut Service Plazas

**Connecticut Department of Transportation (CT)**

**Project Status:** Financial Close: 2009  
**Project Size:** $178 million  
**Delivery Model/Payment Mechanism:** DBOM/Revenue or Demand Risk

### Background

- Connecticut owns 23 highway service locations across the state that are redeveloped, operated and maintained by a private concessionaire under a revenue sharing agreement.

### Challenge

- The Connecticut DOT conducted a study on the state’s service plazas and found they were no longer capable of accommodating the increased volumes and providing the expanded services required by the traveling public.

### Solution

- Connecticut DOT entered into a 35-year public-private partnership to redevelop, operate and maintain Connecticut’s 23 highway service locations across the state.
- The P3 will generate approximately $500 million in economic benefit from the redevelopment.
- Through the agreement, the State continues to own the facilities, and at the end of the 35-year agreement term, the state will resume responsibility for operations and maintenance of the facilities.

## Maryland I-95 Travel Plazas Redevelopment

**Maryland Transportation Authority (MD)**

**Project Status:** Preferred Proponent  
**Project Size:** $56 million  
**Delivery Model/Payment Mechanism:** DBFOM

## Chicago Parking Meters

**City of Chicago and Chicago Park District (Chicago, IL)**

**Project Status:** Financial Close: 2009  
**Project Size:** $1.2 billion  
**Delivery Model/Payment Mechanism:** O&M

## Chicago Downtown Parking

**City of Chicago (Chicago, IL)**

**Project Status:** Financial Close: 2006  
**Project Size:** $565 million  
**Delivery Model/Payment Mechanism:** O&M
### Rail P3 Examples

<table>
<thead>
<tr>
<th>Project</th>
<th>Selected Case Study</th>
</tr>
</thead>
<tbody>
<tr>
<td>Massachusetts Bay Transportation Authority (MBTA) Commuter Rail (MA)</td>
<td><strong>Denver FasTracks Eagle P3 Light Rail Project</strong></td>
</tr>
<tr>
<td><strong>Project Status:</strong> Procurement</td>
<td><em>Denver Regional Transportation District (Denver, CO)</em></td>
</tr>
<tr>
<td><strong>Project Size:</strong> $275 million (estimated) per year for up to 12 years</td>
<td><strong>Background</strong></td>
</tr>
<tr>
<td><strong>Delivery Model/Payment Mechanism:</strong> O&amp;M outsourcing</td>
<td>- The Eagle P3 Project will provide the Denver metropolitan region with three</td>
</tr>
<tr>
<td></td>
<td>commuter rail lines and a commuter rail maintenance facility under a single</td>
</tr>
<tr>
<td></td>
<td>contract.</td>
</tr>
<tr>
<td>Denver FasTracks Eagle P3 Light Rail Project</td>
<td><strong>Challenge</strong></td>
</tr>
<tr>
<td>Denver Regional Transportation District (Denver, CO)</td>
<td>- Denver RTD needed assistance with the financing and delivery of a new and</td>
</tr>
<tr>
<td><strong>Project Status:</strong> Financial Close: 2010</td>
<td>complex $1.6 billion commuter rail project.</td>
</tr>
<tr>
<td><strong>Project Size:</strong> $1.6 billion</td>
<td><strong>Solution</strong></td>
</tr>
<tr>
<td><strong>Delivery Model/Payment Mechanism:</strong> DBFOM/Availability Payment</td>
<td>- DBFOM/AP P3 between Denver RTD and a private concessionaire.</td>
</tr>
<tr>
<td></td>
<td>- Denver RTD will retain all assets while shifting much of the risk of providing</td>
</tr>
<tr>
<td></td>
<td>the projects to the private partner or consortium.</td>
</tr>
<tr>
<td></td>
<td>- The concessionaire will likely provide over $1 billion of private financing for</td>
</tr>
<tr>
<td></td>
<td>the project.</td>
</tr>
<tr>
<td>Canada Line</td>
<td></td>
</tr>
<tr>
<td>Greater Vancouver Transportation Authority (Canada)</td>
<td></td>
</tr>
<tr>
<td><strong>Project Status:</strong> Financial Close: 2005</td>
<td></td>
</tr>
<tr>
<td><strong>Project Size:</strong> $1.2 billion</td>
<td></td>
</tr>
<tr>
<td><strong>Delivery Model/Payment Mechanism:</strong> DBFOM/Hybrid</td>
<td></td>
</tr>
<tr>
<td>Project</td>
<td>Selected Case Study</td>
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<tr>
<td>----------------------------------------------</td>
<td>--------------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| **Anaheim Regional Transit Intermodal Center (ARTIC)**  
City of Anaheim, California (CA)               | **Denver Union Station**  
Denver Union Station Project Authority (DUSPA)                                           |
| **Project Status:** On-going                  | **Background**                                                                       |
| **Project Size:** $180 million                | ■ The Project involves development of approximately 50 acres in lower downtown Denver, which includes the historic Denver Union Station building, rail lines, vacant parcels, street rights-of-way, and offsite trackage rights. |
| **Delivery Model/Payment Mechanism:** DBB     | **Challenge**                                                                         |
|                                              | ■ Denver RTD needed to create an entity responsible for the funding and constructing the Project which comprised the redevelopment of a site as an intermodal transit district surrounded by transit-oriented development, including a mix of residential, retail, and office space. |
| **Denver Union Station**                      | **Solution**                                                                          |
| Denver Union Station Project Authority        | ■ DB contract with a private contractor with several funding sources, including TIFIA, RRIF, FHWA Grant, other federal, state and local government grants. |
| **Project Status:** Financial Close: 2010     | ■ A unique financing structure and the first time USDOT combined credit assistance from the TIFIA and RRIF programs. |
| **Project Size:** $488 million                |                                                                                      |
| **Delivery Model/Payment Mechanism:** DB      |                                                                                      |
| **Miami Intermodal Center (MIC)**             |                                                                                      |
| Florida Department of Transportation (FL)     |                                                                                      |
| **Project Status:** Financial Close: 2006     |                                                                                      |
| **Project Size:** $2.0 billion                |                                                                                      |
| **Delivery Model/Payment Mechanism:** DB      |                                                                                      |
| Construction Management at Risk               |                                                                                      |
## P3 Examples by Asset Class

### Airports

#### Luis Munoz Marin International Airport (LMM)
- Puerto Rico Public-Private Partnership Authority (Puerto Rico)
- **Project Status:** Financial Close: February 2013
- **Project Size:** $615 million
- **Delivery Model/Payment Mechanism:** DBFOM/Hybrid

#### Terminal 4 John F. Kennedy Airport
- Port Authority of New York and New Jersey (NY/NJ)
- **Project Status:** Financial Close
- **Project Size:** $1.4 billion
- **Delivery Model/Payment Mechanism:** DBFOM

#### Chicago Midway Airport
- City of Chicago (Chicago, IL)
- **Project Status:** Pre-qualified Proponents
- **Project Size:** TBD
- **Delivery Model/Payment Mechanism:** DBFOM

### Selected Case Study

#### Terminal 4 John F. Kennedy Airport
- Port Authority of New York and New Jersey (NY/NJ)

**Background**
- International Air Terminal 4 at John F. Kennedy Airport is the largest privately financed airport facility in the U.S.

**Challenge**
- The Port Authority had limited capacity to finance the Project and needed the private sector to provide financing and redevelopment of the $1.4 billion international terminal at one of the largest US airports.
- Contracting with a developer and operator capable of providing quality service in the NY area.

**Solution**
- DBFOM project with a private concessionaire to leverage private sector development and management expertise.
- The delivery was the most efficient way to reconstruct the long-outdated facility, while simultaneously maintaining the daily operation of the facility.
### Port P3 Examples

<table>
<thead>
<tr>
<th>Project</th>
<th>Selected Case Study</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Seagirt Marine Terminal</strong></td>
<td><strong>Seagirt Marine Terminal</strong></td>
</tr>
<tr>
<td>Maryland Transportation Authority (MD)</td>
<td>Maryland Transportation Authority (MTA)</td>
</tr>
<tr>
<td><strong>Project Status:</strong> Financial Close: 2010</td>
<td></td>
</tr>
<tr>
<td><strong>Project Size:</strong> $334 million</td>
<td></td>
</tr>
<tr>
<td><strong>Delivery Model/Payment Mechanism:</strong> DBFOM/Revenue or Demand Risk</td>
<td></td>
</tr>
<tr>
<td><strong>Background</strong></td>
<td>The 284 acre terminal is located at the Port of Baltimore and is operated under a 50 year P3 signed in 2010.</td>
</tr>
<tr>
<td><strong>Challenge</strong></td>
<td>The MTA was analyzing whether to continue partnering with the incumbent port operator or procure a P3 in the form of an extended operating agreement or through a long-term concession lease.</td>
</tr>
<tr>
<td><strong>Solution</strong></td>
<td>Maryland Port Authority (MPA) approved a 50 year agreement with a private sector partner for the long-term lease to expand and operate the Seagirt Marine Terminal in Baltimore.</td>
</tr>
<tr>
<td><strong>Southport Terminal Development</strong></td>
<td></td>
</tr>
<tr>
<td>Philadelphia Regional Port Authority (Philadelphia, PA)</td>
<td></td>
</tr>
<tr>
<td><strong>Project Status:</strong> Preferred Proponent</td>
<td></td>
</tr>
<tr>
<td><strong>Project Size:</strong> $300 - $400 million</td>
<td></td>
</tr>
<tr>
<td><strong>Delivery Model/Payment Mechanism:</strong> DBFOM</td>
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<tr>
<td><strong>Virginia Port Authority</strong></td>
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<tr>
<td>Virginia Department of Transportation (VA)</td>
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<tr>
<td><strong>Project Status:</strong> Cancelled</td>
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<tr>
<td><strong>Project Size:</strong> $3.5 billion</td>
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</tr>
<tr>
<td><strong>Delivery Model/Payment Mechanism:</strong> DBFOM</td>
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- The 284 acre terminal is located at the Port of Baltimore and is operated under a 50 year P3 signed in 2010.
- The MTA was analyzing whether to continue partnering with the incumbent port operator or procure a P3 in the form of an extended operating agreement or through a long-term concession lease.
- Maryland Port Authority (MPA) approved a 50 year agreement with a private sector partner for the long-term lease to expand and operate the Seagirt Marine Terminal in Baltimore.
- The concessionaire was required to make an upfront payment to the Maryland Transportation Authority (MDTA) of an undisclosed sum, although believed to be in the region of USD140m to USD200m. The upfront payment will be used by the MdTA to upgrade parts of I-95 and US-50.
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<td>Overview of Public-Private Partnerships</td>
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<td>Benefits and Considerations of using P3s</td>
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<td>P3 Examples by Asset Class</td>
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<td>P3 Delivery</td>
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<td>Next steps</td>
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<td>Additional Information</td>
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<td>Appendix</td>
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</table>
P3 Delivery
P3 Project Suitability

System Interface

Financial/Technical feasibility

Market Interest

Schedule and environmental readiness

Value for Money

Need and Acceptability

Legislation

Project Suitability
P3 Delivery
Stages of a P3 process

Identify Potential Projects
- Identify capital needs and potential P projects
- Develop framework and criteria for assessing project viability
- Evaluate potential PPP projects against agency and state frameworks
- Prioritize potential PPP projects

Assess Projects for Suitability
- Assess financial feasibility
- Assess legal feasibility
- Assess stakeholder support
- Evaluate environmental process timeline
- Conduct initial market soundings
- Conduct Value for Money Analysis

Procurement Development
- Determine preferred delivery structure
- Develop funding structure
- Identify procurement strategy
- Issue RFI
- Develop RFQ

Project Procurement
- Issue RFQ
- Shortlist proposers
- Issue draft RFP
- Negotiate terms
- Issue final RFP
- Evaluate bids

Select Preferred Bidder & Close
- Select best value bidder
- Negotiate to close
- Finance the project

Program

12 – 15 Months

Project

Select Preferred Bidder & Close

Decal L. Patrick, Governor
Timothy P. Murray, Lt. Governor
Richard A. Davey, Secretary & CEO
## P3 Delivery
### What is Value for Money?

<table>
<thead>
<tr>
<th>Project Costs</th>
<th>Traditional Delivery</th>
<th>P3 Delivery</th>
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<tbody>
<tr>
<td>Risks Retained by Public Sector</td>
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<tr>
<td>Operations &amp; Maintenance Costs</td>
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<tr>
<td>Financing Costs</td>
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<tr>
<td>Capital Costs</td>
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</table>

### Value for Money

- **Risks Retained by Public Sector**
- **Operations & Maintenance Costs**
- **Financing Costs**
- **Capital Costs**

*Not to scale – illustrative only*
### Public Sector Comparator
- Hypothetical, risk adjusted, whole-life cost of a project assuming traditional procurement
- Provides detail and benchmark when considering alternative delivery methods

### Shadow Bid
- Aspects of project financing, risk transfer, innovations and efficiencies from perspective of Private sector
- Provides information benchmark when considering alternative delivery methods

### Value for Money Analysis
- Comparison of Public Sector Comparator and Proposer model outputs
- Financial performance (NPV of cash flows) and output of risk analysis
- Answers question of value using traditional procurement versus alternative delivery methods
Next steps

**Identify program objectives and priorities**
- Establish clear vision and guidance for the P3 program

**Conduct P3 Workshops**
- Have the right tools to help you frame the message

**Project Identification**
- Building the pipeline with projects that meet program objectives

**Project Screening**
- Robust, objective decision making on the right projects
<table>
<thead>
<tr>
<th>Country</th>
<th>Website</th>
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</table>
| United States | ■ http://www.ncppp.org/  
              ■ http://www.fhwa.dot.gov/PPP  
              ■ http://www.infra-americas.com/ (free news alert; some articles require subscription)  
              ■ http://inspiratia.com/americas  
              ■ http://www.infrastructureinvestor.com/  
              ■ http://www.fhwa.dot.gov/ipd/project_delivery/defined/fhwa_delivery_process.htm  
              ■ http://www.fhwa.dot.gov/ipd/tifia/  
              ■ http://www.vappta.org/  
              ■ http://www.dot.state.fl.us/financialplanning/finance/private_transportation_facilities.shtm |
| Canada    | ■ http://www.p3canada.ca/home.php  
              ■ http://www.infrastructureontario.ca/  
              ■ http://www.partnershipsbc.ca/index.php |
| UK        | ■ http://en.wikipedia.org/wiki/Private_finance_initiative  
              ■ http://www.hm-treasury.gov.uk/infrastructure_about.htm  
              ■ http://en.wikipedia.org/wiki/Partnerships_UK  
Agenda

Overview of Public-Private Partnerships

Benefits and Considerations of using P3s

P3 Examples by Asset Class

P3 Delivery

Next steps

Additional Information

Appendix
Appendix
Advanced P3 Terminology

**Debt** – Any bank loan or bond issued for a project that must be repaid with interest.

**Equity** – Capital committed to the project usually by a private developer.

**Subsidy** – Funding provided by the public authority to improve project feasibility as a P3.

**Special Purpose Vehicle (SPV)** – A standalone legal entity that develops and operates the project. This is the typical structure for the concessionaire.

**Operations and Maintenance (O&M)** – The ongoing cost to upkeep the project so that it remains available for use.

**Major Maintenance** – Capital improvements to project required to keep it in a state of good repair.

**Leverage** – The use of debt to increase the overall funding available.

**Equity View** – A more aggressive view of project assumptions that a private developer makes. This is in contrast to the more conservative view of the public authority required by traditional municipal debt market.

**Design-Build** – A project delivery method that combines two, usually separate services into a single contract, which helps to accelerate development and transfer risk. With design-build procurements, owners execute a single, fixed-fee contract for both architectural/engineering services and construction.

**Design-Build-Operate-Maintain (DBOM model)** – An integrated partnership that combines the design and construction responsibilities of design-build procurements with operations and maintenance. These project components are procured from the private sector in a single contract with financing secured by the public sector.

**Design-Build-Finance-Operate (DBFO)** - With DBFO approach, the responsibilities for designing, building, financing and operating are bundled together and transferred to private sector partners.