



FAR NIA ADVISORS
HELPING TO CREATE VALUE

P3 CONTRACTS

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INFRASHARES

What is a Public-Private Partnership (P3)?

P3 Defined

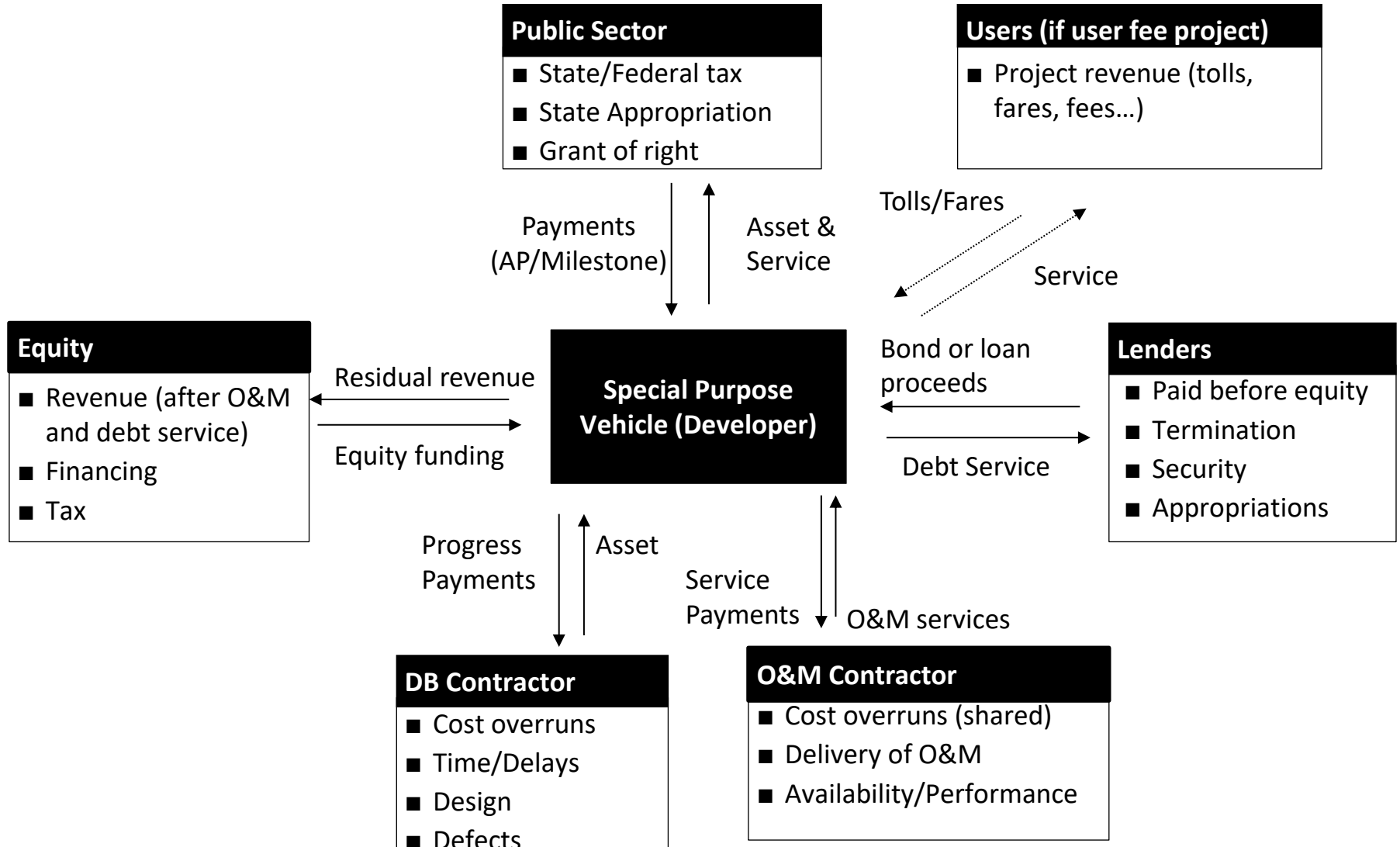
A P3 involves a partnership between the public and private sector to share the **risk and rewards of constructing, financing, operating, and/or maintaining** what are traditionally publicly-owned assets in order for projects to be **completed faster, on budget, and at an enhanced value for money** to the owner

Why Utilize P3s?

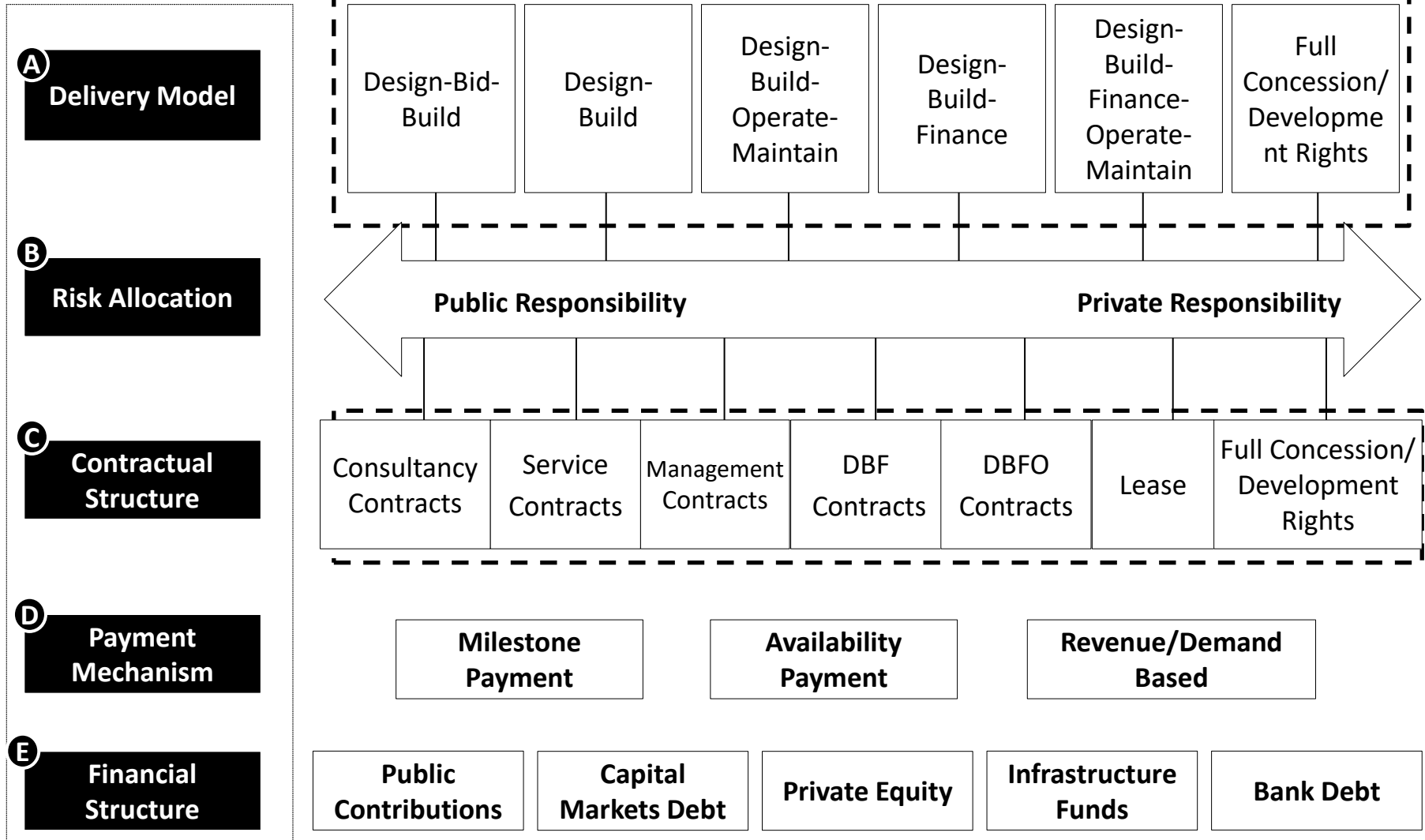
- Innovation leading to more cost effective delivery and long term operations
- Flexibility through private financing and funding regimes
- Economies of scale
- Integrated services
- Outcome-based performance
- Budget certainty over the 'whole life' of an asset
- Accelerated project delivery
- Competition, accountability, and transparency
- Risk transfer to the private sector

Overview of P3s

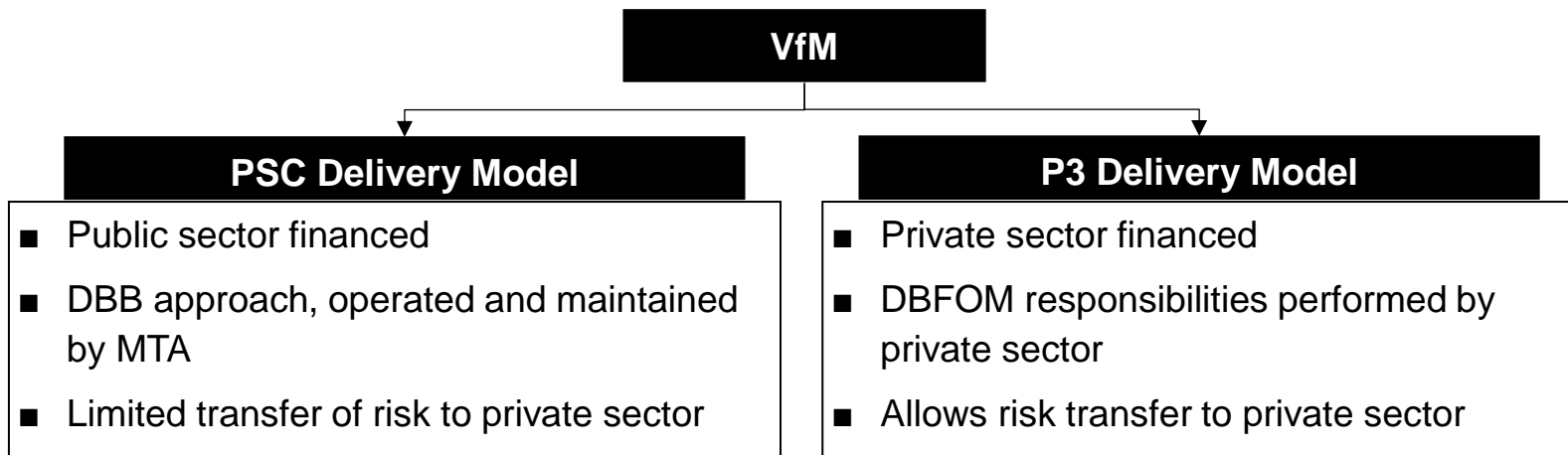
Typical P3 structure



Overview of P3s Delivery Models



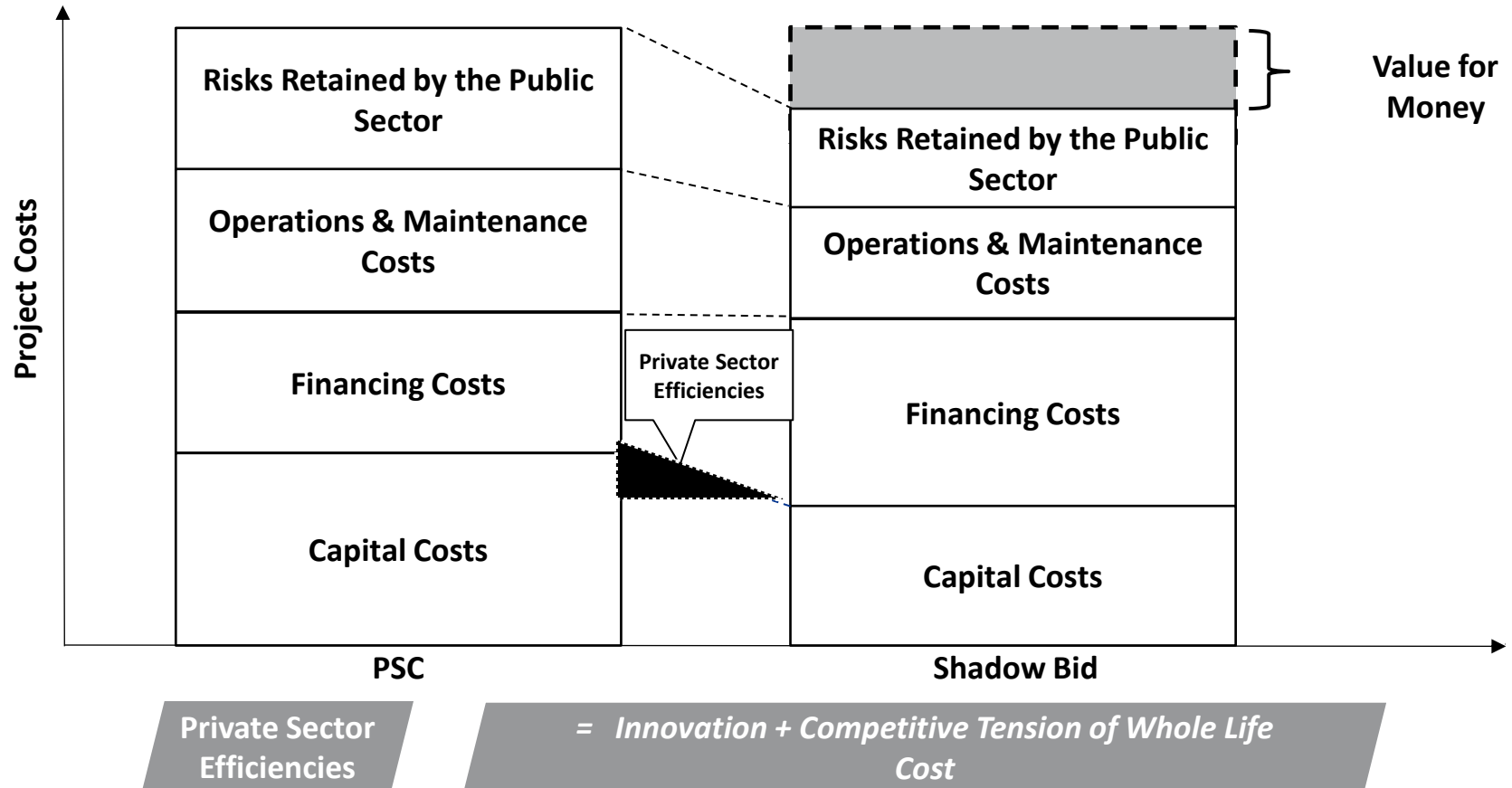
A VfM analysis is undertaken to help identify whether a P3 delivery option provides value as compared to a traditionally-financed approach (Public Sector Comparator or “PSC”) on both a quantitative and qualitative basis.



In general, long term value for money can be achieved by:

- Accelerating delivery of projects
- Proper allocation/transfer of risks
- Providing incentives to the private sector for the delivery of quality services
- Encouraging innovative delivery solutions by use of an “outputs” specification approach
- A long-term partnership contract provides a degree of cost certainty to government and revenue (availability payments) security to the bidder

Value for money is presented on a total net present value basis



Pursue P3 delivery only if it offers a better value

Public Policy and Regulatory Environment



- Clear authority for alternative delivery
- Project champion

Organized Structure



- Dedicated internal contacts
- Good governance

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 Vs Private sector
- Workforce
- Open and frank discussions

Pick Your Partner Carefully



- Establish robust competitive procurement
- Reasonable return on investment reflecting risk
- Embed monitoring of performance into contract

Communication



- Proactively communicate project benefits

Overview of P3s

Typical Financial Structures

	Term	Initial Leverage (Debt)	Initial Leverage (Equity)	WACC	Residual Cash	Upside Revenue	Downside Revenue	Control Over Tolling
Publicly financed without toll revenue	N/A	N/A	N/A	N/A	Yes if tolled	Yes if tolled	No	H if tolled
Publicly financed with toll revenue	M	H	N/A	L	H	H	M	H
Availability Payments	M	H	L	M	H	H	M	M
Toll Concession	H	H	H	H	N/A	L	N/A	L
63-20 corporation (without equity)	M	M	N/A	M	H	H	L	M
Short-term DBF	L	H	N/A	L	N/A	N/A	N/A	N/A

The P3 contract describes the responsibilities of each party in the delivery of the project:

Design and Construction

- Project cost
- Project completion schedule
- Site conditions/environmental
- Regulatory/permitting
- Interfaces with third parties
- Changes in project scope
- Liability/latent defects

Financing

- Credit quality of financing structure (incl. counterparty)
- Interest rates and market conditions generally
- Appropriation
- Debt service
- Range and adequacy of available financing options
- Tax treatment
- Refinancing gain sharing

Operation and Maintenance

- Asset performance
- Reporting requirements
- Monitoring and evaluation
- Costs and escalation
- Handback

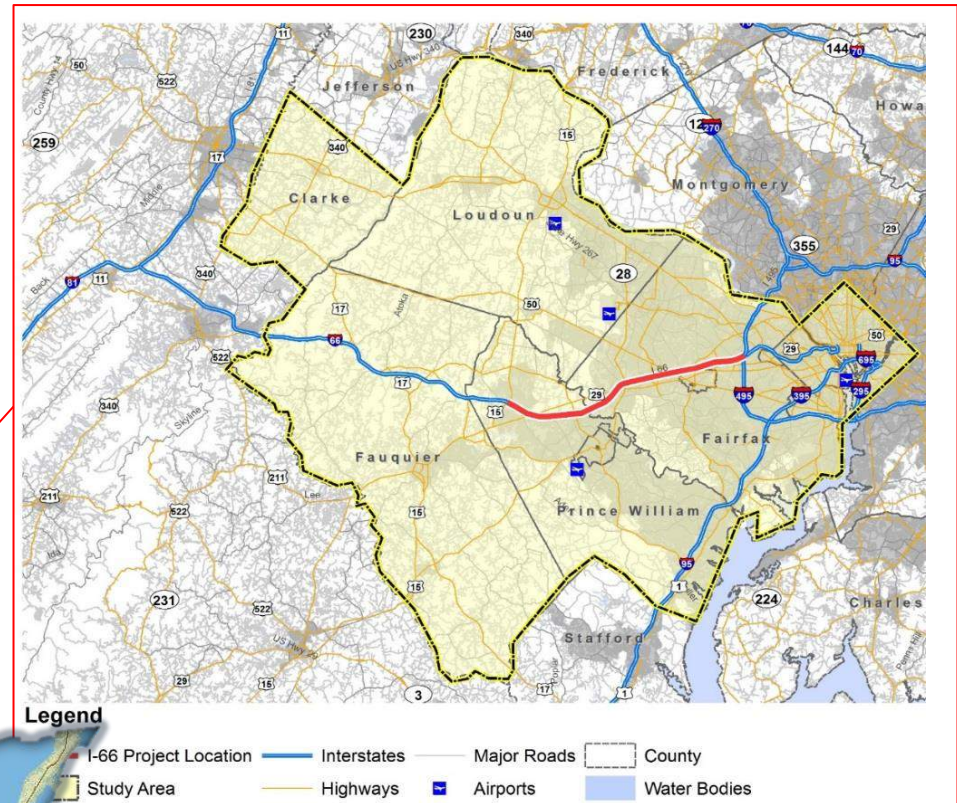
Revenue

- Rate setting policy
- Revenue collection
- Ability to meet debt service obligations
- Ability to meet O&M obligations
- Return on investment is subject to risk
- Revenue sharing

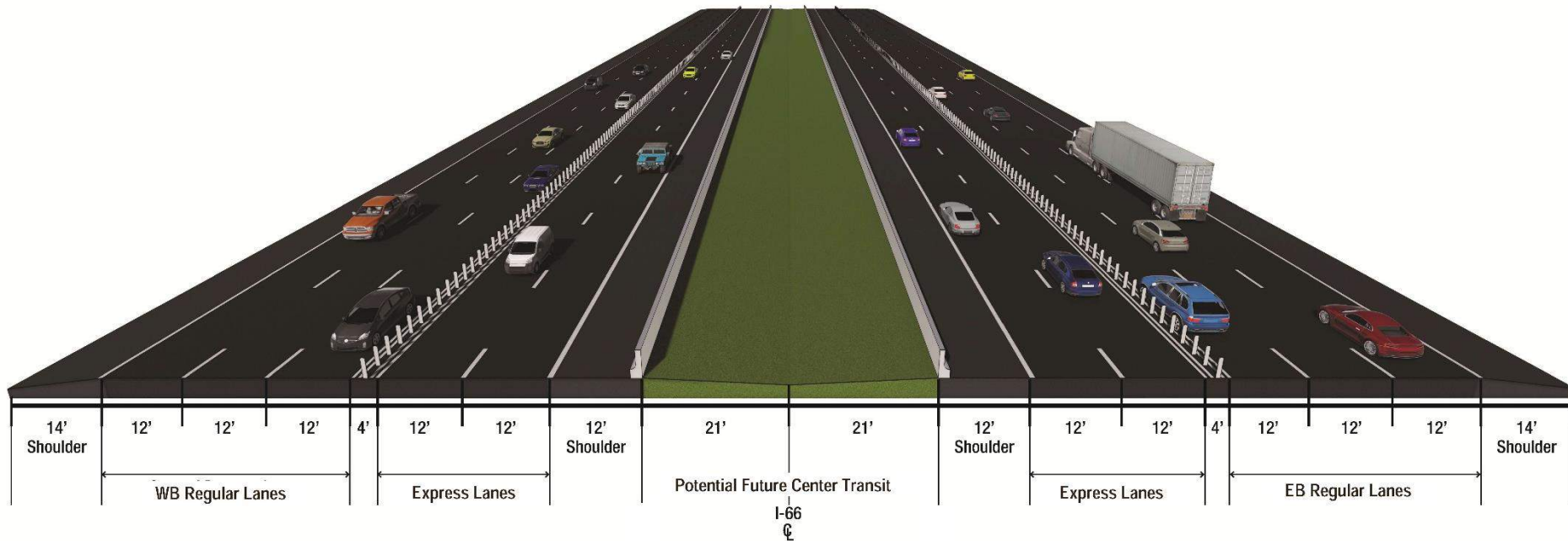
Case Study: Transform 66 P3 Project (Virginia)

I-66 Express Lanes (Outside the Beltway):

- Primary commuter route in Northern Virginia
- 25 miles in length
- Runs in an east-west direction between US15 in Prince William County, VA, and I-495 (Capital Beltway) in Fairfax County, VA
- Dynamically tolled
- Nine Toll Segments



Preferred Alternative Mainline Cross Section



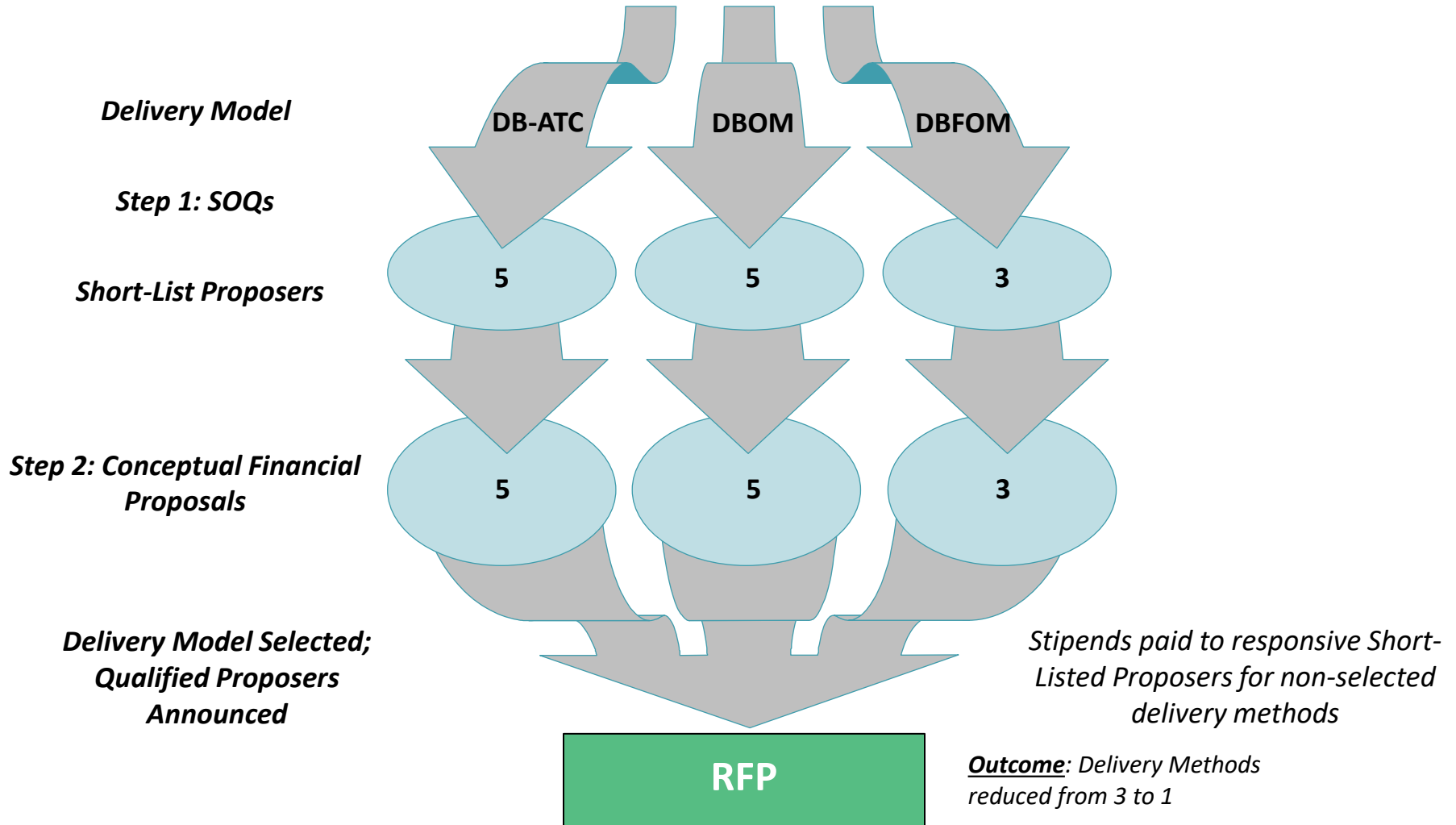
**Flexible barrier with buffer, median for potential future transit
(with auxiliary lanes, if needed)**

Project Timeline

- **Summer 2011** – Environmental Process Initiated (NEPA)
- **November 2013** – Record of Decision (ROD) issued on Tier 1 NEPA
- **August 2015** – Commissioner makes Finding of Public Interest (FOPI) to initiate procurement under PPTA based on three delivery models (DBFOM, DBOM and DB-ATC) Transportation Public-Private Partnership Advisory Committee concurs with Commissioner's FOPI
- **September 2015** – CTB authorizes VDOT to proceed with the procurement, Request for Qualifications.
- **October 2015** – VDOT received 13 Statement of Qualifications (SOQ)
- **December 2015** – VDOT receives indicative financial proposals from Short-Listed Proposers and selects toll concession as the preferred delivery model
- **December 2015** – VDOT briefs CTB and Transportation Public-Private Partnership Advisory Committee
- **December 2015** – VDOT posts a draft request for Proposals (RFP)

	Public-Private Partnership	Public Finance Options
Upfront Public Funding	\$900-1,000M	\$400-600M
Debt/Equity	\$1,100-1,200M	\$1,500-1,700M
Excess Revenues over Term in NPV	-	\$200-500M

Process from RFQ to RFP



- Maximum amount of Commonwealth contribution is \$600M.
- Other sources of Project financing include:
 - Private equity
 - TIFIA
 - Private Activity Bonds (PABs)
- Commonwealth receives funding (fixed amounts) for transit elements of Project.
- Commonwealth receives \$350,000,000 in net present value over term of contract from the Developer that can be used for future corridor enhancements.
- Commonwealth will receive a share of the revenue if Project generates more revenue than expected.

	Proposals Meeting Key Requirements		
Requirements	Concession	DBOM	DB-ATC
Upfront Public Funding (within \$600 million)	3 of 3	2 of 5	1 of 5
Required Transit Funding	3 of 3	5 of 5	5 of 5
Support for Corridor Improvements (min \$350 million PV)	3 of 3	All Excess Toll Revenue	All Excess Toll Revenue

A large concrete bridge with multiple arches spans across a valley. The background features rolling hills covered in dense green forest, with a thick layer of mist or fog settling in the valleys between the hills. The sky is filled with soft, white clouds. The overall scene is serene and scenic.

Questions?

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