



Update on Virginia's PPP Program

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- Background
- VA PPTA Legislation Overview
- VDOT's P3 Program
- Pocahontas Parkway Example
- Look Ahead

- VDOT manages the third largest highway system in the country – 115,000 lane miles
- Prior to this year's General Assembly Session, no sustainable state revenue increase for transportation since 1986
- Trust Fund purchasing power reduced 50%
- Increased reliance on bonds and federal funding for any new capacity
- Limited funding for new construction

- Public Private Transportation Act of 1995 (PPTA).
- Authorizes Private Entities to Develop and/or Operate Qualifying Transportation Facilities.
- Provides for Solicited and Unsolicited Proposals.
- Amended 2001 and 2002
- Substantive revisions to law during 2005 GA session (Chapters 504 & 562) from lessons learned
- Amended in 2006

- Address the needs identified by Appropriate State, Regional or Local Policies and Plans
- Multimodal Solutions
- National Environmental Policy Act
- Promote private investment, risk sharing and an increase in funding
- Transparency and Accountability
- Encourage Competition for Private Sector Innovation and Investment

- Since 1995,
 - Received 54 proposals for 27 different projects/contracts
- Solicited Proposals for two projects
 - I-81, received two proposals
 - US Route 460, received three proposals
- 2 Candidate Projects:
 - Midtown Tunnel, and
 - Southeastern Parkway

- Completed five contracts for \$767 million
 - Route 895
 - Route 288
 - Route 199
 - Route 58 (Phase 1 at Meadows of Dan)
 - Interstate Maintenance (VMS)
- Managing six contracts valued at +\$5 billion
 - Interstate Maintenance (VMS)
 - I-495 HOT Lanes, ARTBA 2005 Project of the Year
 - Route 28
 - Route 895 Concession ARTBA 2006 Project of the Year
 - Coalfields Expressway
 - I-95/395

Summary of VDOT's PPTA Portfolio

- Value of All Projects = +\$5 Billion.
- Value of Completed Projects = \$767 Million.
- Value of Active Projects = +\$5 Billion.
- Value of Active Proposals = +\$1.1 Billion.

Highway Project Description

One Project: two phases

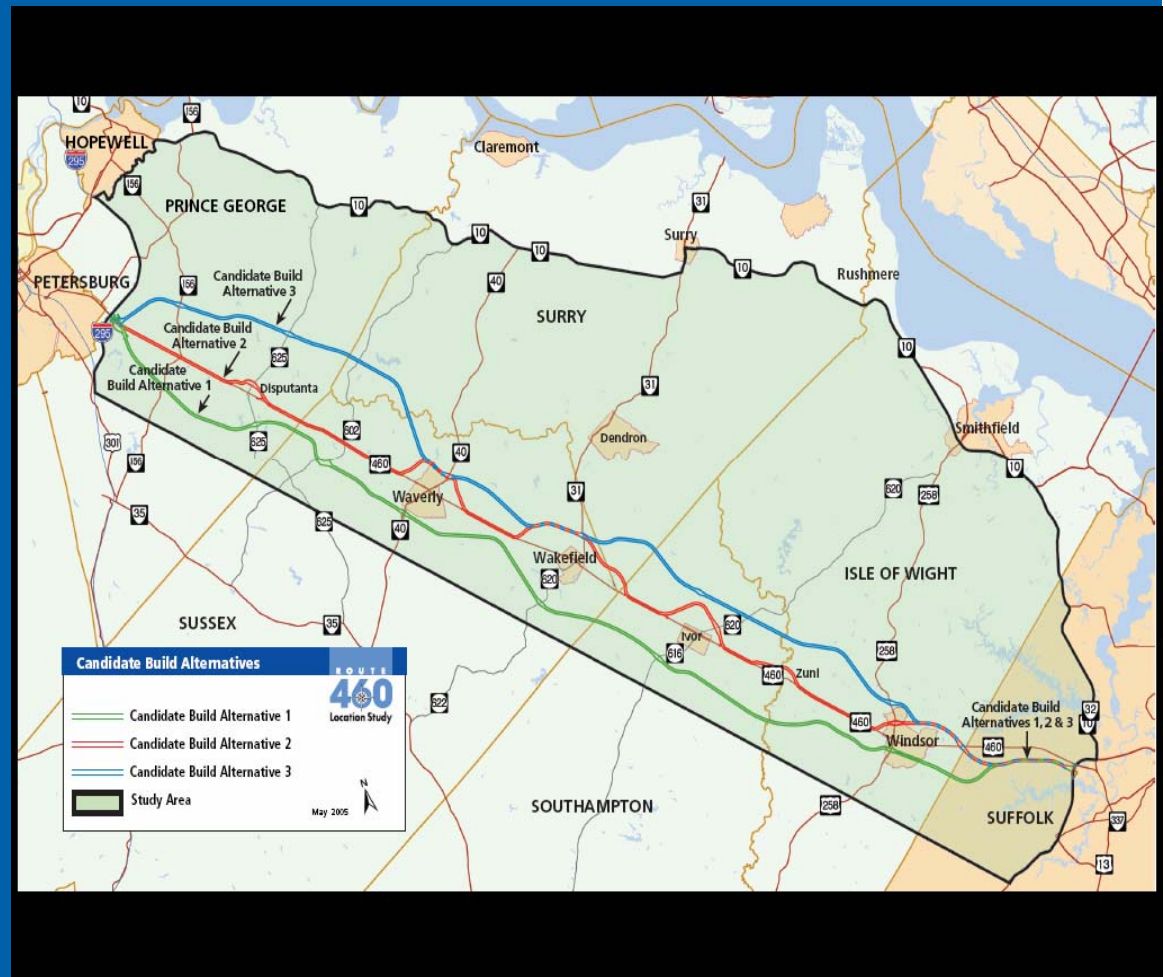
- North: Expand from 2 to 3 the existing HOV lanes between the Eads Street in Arlington County to Route 234 at Dumfries, approximately 28 miles to three HOV/HOT lanes
- South: Extend two HOV/HOT lanes from Route 234 at Dumfries to Route 17, south of Fredericksburg approximately 28 miles
- Estimated Cost = \$1.2 Billion



Figure 2 a-1. Fluor Team's System Concept

Project Description

- 55 miles of new highway along U.S. Route 460 Corridor from the existing I-295 interchange in Prince George County to a new interchange with U.S. Route 58 along the Suffolk Bypass.
- The typical section is a 4-lane divided, limited access highway on new location.
- NEPA ROD Anticipated by Spring 2007





- First new construction project delivered under Virginia's PPTA
- Original Financing: \$353 million Toll Revenue Bonds, \$18 million SIB loan, \$9 million federal funding
 - Gross revenue Pledge
 - Bonds sold by Pocahontas Parkway Association (PPA)
- Completed in 2002
 - Traffic at 45% - 50% below projections
 - VDOT provided staff to operate under agreement
 - VDOT advanced O&M funding and PPA Operating Expenses
 - Advances repaid from excess revenue or delivered note payable
- Increasing Debt Service Obligations outpaced revenue growth
 - PPA increased toll rates twice
 - Draws on DSRF
- Two of three major rating agencies downgraded Sr. debt to below investment grade

- October 2004 - Transurban and DEPFA made an unsolicited proposal to VDOT to acquire the rights to operate the parkway
- May 2006 - Transurban & VDOT negotiated the **Amended and Restated Comprehensive Agreement ARCA**) that will govern their rights and obligations during the 99 year term; Transurban established a special purpose company (“T895”) for the Parkway

- **Assume Operation and Maintenance of Pocahontas Parkway under a long term Concession**
- **Right to collect tolls**
- **Right to manage facility and toll rate increases to earn targeted return on investment**
- **Establish Foothold in U. S. Market**

- Priority Project Enhancement – Airport Connector
- Timely maintenance and improvements
- Return of original bondholder and public investment in project
- Freeing up ongoing obligation for O&M
- Quality facility at end of term
- Assurance of Operator Performance

- Excessive Toll Rate Increases
- Excessive Returns to Private Partner
- Relinquishing up-side Toll Revenue Potential
- Coordination within transportation network
- Potentially Competing Facilities

VDOT's Duties:

- VDOT must provide (at T895's cost) requested O&M services during 6-month transitional period
- VDOT must continue to provide police and emergency services to the project
- VDOT responsible for cost of management and clean-up of pre-existing environmental contamination on the project right-of-way (including the RAC)

T-895's Duties

- T-895 will operate, maintain and repair the project at cost
- T-895 must maintain certain reserves or letters of credit for O&M and major maintenance
- T-895 will comply with local laws and regulations generally applicable to parties to construction and service contracts with VDOT
- Construct Airport Connector as project enhancement subject to TIFIA assistance

- Revenue share based on reaching predefined pre-tax IRR

Based on return on total investment:

- Once gross revenue yields a return on total investment of 6.5%, VDOT to receive 40% of the gross revenue
 - Secondary target once gross revenue yields 8% total return then VDOT receives 80% of the gross revenue
 - Paid on parity with operating costs before debt service
- Conservative Toll Rate Escalation Provision



ARCA Summary - Toll Schedule

The maximum toll charged by the operator is not to exceed the following for the periods shown.

Period	Main Toll Plaza	Laburnum Ave.
1 January 2006 up to and including 31 December 2007	\$2.25	\$0.75
1 January 2008 up to and including 31 December 2010	\$2.75	\$1.00
1 January 2011 up to and including 31 December 2012	\$3.00	\$1.25
1 January 2013 up to and including 31 December 2013	\$3.25	\$1.50
1 January 2014 up to and including 31 December 2014	\$3.50	\$1.75
1 January 2015 up to and including 31 December 2015	\$3.75	\$2.00
1 January 2016 up to and including 31 December 2016	\$4.00	\$2.25

Note: Toll levels are for 2 axle vehicles only. Multi axle vehicles are tolled on the basis of an additional \$1.00 for each axle above 2.

The maximum toll increase after 2016 will be the greater of the increase in Real GDP, CPI or 2.8%.

Risk	Obligations assumed by VDOT	Obligations (risks) assumed by T895
Financing	None	Yes
Traffic and Revenue	None	Yes
O&M and Major Maintenance	Oversight	Yes
Insurance		Yes
Change in Law (discriminatory)	Yes	
Operating Standards	Oversight	Yes
Permitting & Licensing	Reasonable	Yes
Hand-back	assistance Oversight	Yes
Toll Rate Setting		Based on a toll escalation formula

ARCA Summary – Risk Sharing

Risk	Obligations assumed by VDOT	Obligations (risks) assumed by T895
Police and Emergency Services	Base service provided	Additional services at cost
Environmental	Shared	Shared
Construction of the RAC	Oversight & Excess of cap	Yes – if TIFIA loan
Competitive Transportation Facilities	Within defined parameters	
Federal Requirements	Reasonable	Yes
Force Majeure	Shared for uninsurable events (bridge)	Shared
Property & Receipts Taxes	Yes	Risk Sharing to be negotiated
Revenue over an agreed return on total investment	Shared	Shared

- Defeased existing PPA bonds and repaid all other debt
- Remove the obligation of VDOT to fund operations and maintenance expenses
- Create a flexible refinancing structure
- Dissolution of PPA
- Timely delivery of project maintenance and capital improvements through strict standards
- Facilitate delivery of the Richmond Airport Connector
- Facilitates generation of a reasonable rate of return to the private sector
- Improve customer satisfaction

- Increased Use of PPTA and PPP's.
- PPTA is One Tool in a Range of Procurement Options.
- PPTA is Not Appropriate for all Projects.
- VDOT Establishing Programmatic Approach to PPTAs.
 - Communicate Clear Equity Expectation
 - Partnership Beyond Project Completion
- Improving our standing as a healthy public partner ²⁵

Additional Information

<http://www.virginiadot.org/business/ppta-default.asp>



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