

Goldilocks and the 3Ps

Choosing a Financing
Mechanism that is

“Just Right”



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Presentation Overview

- Why Now
- Innovative funding and financing
- P3s
- Pros and Cons
- How to choose

Why Now?



SHOW ME THE \$\$\$!

SHOW ME THE \$\$\$!

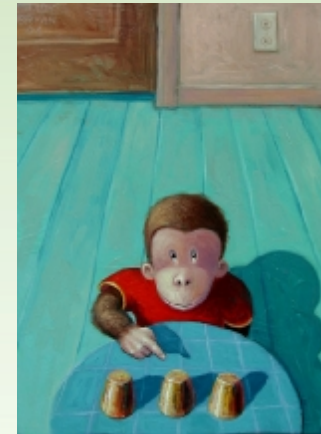
Why Now?

Transportation reality

- Aging deteriorating system
- Inflation – cost of materials
- Revenue vs miles traveled
 - Fuel economy, hybrids, diversion of funds

Financial Reality

- Funding shortfalls
- Political will - “no new taxes”



Definitions

Funding = money provided to a project

Finance = method or approach to use funds

- raise, allocate, manage over time

Investment Strategy = addresses both = set of rules, procedures to guide funding and finance approaches

- risk-return trade-off

P3s = Public Private Partnerships = Contractual agreements allow private sector participation

- State legislation needed

Funding Options

Traditional

- taxes, tolls, fees

Recent variations

- “Highway Maintenance Fee” on registered vehicles – Colorado
- Tax based on miles traveled vs fuel
 - Oregon experiment
 - Univ. of Iowa Study
 - Austin, Baltimore, Boise, San Diego, E. Iowa, RTP NC
- Visitor tax on rental cars and lodging
- Tolls in many forms

Innovative Financing

SAFETEA – LU

Authorized or expanded – changes in eligibility,
added flexibility

Purpose

Leverage federal capital and attract new
funding

Innovative Financing

1. Innovative Management of Federal funds
 - advanced construction, flexible match (right of ways)
2. Debt Financing
 - GARVEEs – Grant Anticipation Revenue Vehicles - use future revenues as collateral
3. Credit Assistance
 - TIFIA – Transportation Infrastructure and Innovation Act
 - PAB – Private Activity Bonds
 - SIBs – State Infrastructure Banks
 - (subsidized interest rates, letters of credit, etc.)
4. Innovative use of tolling
 - Concessions
 - Congestion pricing, truck only toll lanes, shadow tolling, HOT lanes

Public Private Partnerships = P3s

Contractual agreements allow private sector participation in public sector project

- Delivery system where “risks” are transferred
 - Private entity assumes greater role, responsibility, risk
 - design, build, finance, operate, maintain
 - Private sector responsible to mobilize funds
 - Can obtain increased return or profit
- State legislation needed (25 states have – not Ohio)

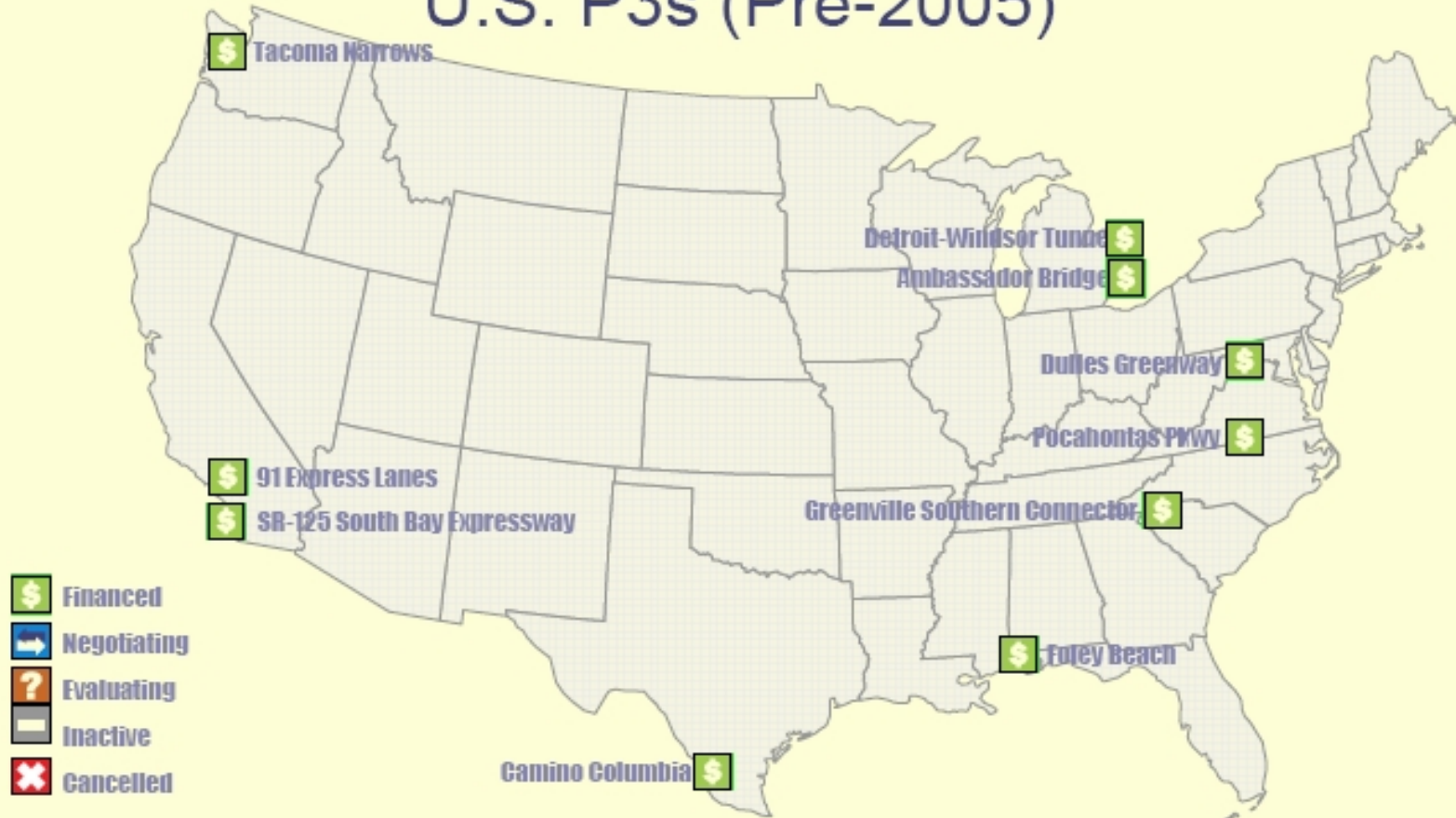
Not a new concept



Tolling

- US has 4 million miles of roads – BUT ONLY
 - 4,611 of publicly owned are tolled
 - 15 private toll roads
 - 15 private toll bridges
- In general cannot put toll on facilities that use(d) Fed funds
 - (5 exceptions; 6 new “permits”) 23 U.S.C.129

U.S. P3s (Pre-2005)



Source: Capital Partnerships, Kenneth Butler, Fairfax VA, kbutler@cpiva.com from 1-27-07 presentation to National League of Cities, Leadership Institute.

Knik Arm Bridge, Anchorage, AK

New U.S. P3s



Source: Capital Partnerships, Kenneth Butler, Fairfax VA, kbutler@cpiva.com from 1-27-07 presentation to National League of Cities, Leadership Institute.



PPP Market

Standard and Poor's April 2007 Research Report

- Expect P3's to expand slowly
- Both new capacity and to leverage existing infrastructure
- Billions \$ raised world-wide to invest in infrasture



not a bear

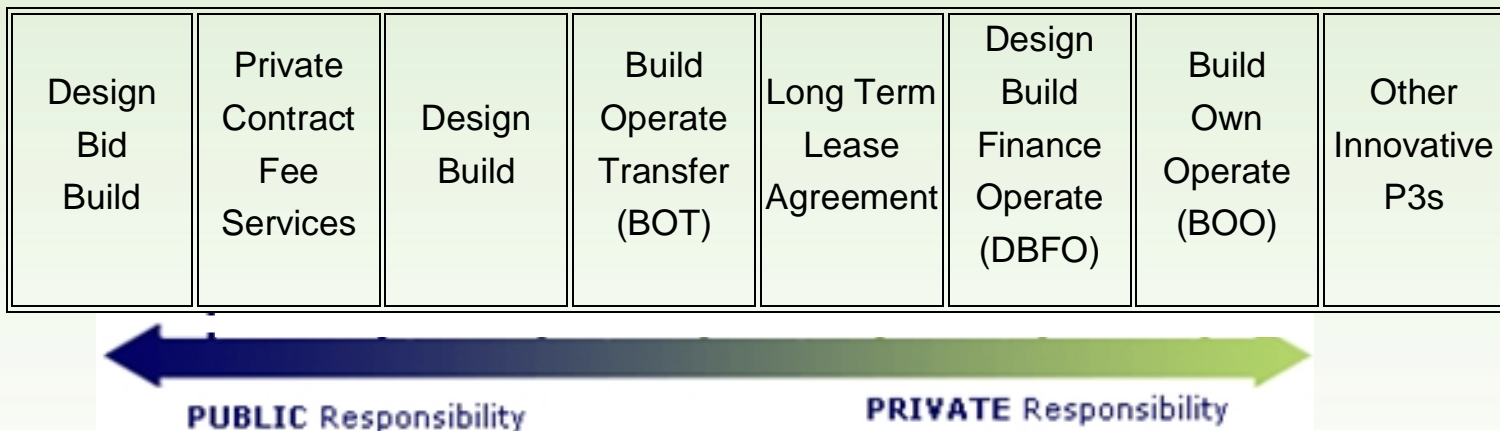


There are more than 3 Bears

Types and Options P3s

- Concessions
 - fully privatized for profit ownership
- Non profit tolling
 - money back to DOT
 - private entity receives a set fee
- Leveraging
 - using private funds to attract other funds

Level of Responsibility by P3 Type



Source: FHWA

Types of P3's

Basic Project Delivery Options

	Own	Conceive	Design	Build	O&M	Financial Responsibility
Design-Bid-Build	Public	Public	Private by fee contract	Private by fee contract	Public	Public
Private Contract Fee Services	Public	Public or Private by fee contract	Private by fee contract	Private by fee contract	Public or Private by fee contract	Public
Design-Build	Public	Public	Private by fee contract		Public	Public
Build-Operate Transfer (BOT)	Public	Public	Private by fee contract			Public
Design-Build-Finance-Operate (DBFO)	Public	Public or Private	Private by fee contract			Public, Public/Private, or Private
Build-Own-Operate (BOO)	Private	Public or Private	Private by contract (concession)			

Example P3s in Ohio

- ODOT Design-Build projects
- Ohio Rail Development Commission
 - (15 projects in '08)
- Rickenbacker Intermodal Facility
- Heartland Corridor
- Franklin County Courthouse
- The Cap on I - 670

Pros

Utilize strength of both public and private sector

- Reduces public spending
 - Allows public funds to be used on other projects
- Build it sooner
 - government does not need money first
- Distributes risks
 - State not liable for debt (-oops! Dulles default)
- Increases efficiency and innovation

Cons

- Political cost – opposition
- Loss of control
 - How money raised is used
 - \$ goes to profit - not go back into maintenance
- Gov't assumes admin and legal cost to create
- May not generate adequate revenues
 - Private contractor may demand revenue guarantees
- Traffic may divert
- If tax exempt – loose tax revenue
- Contract issues
 - 5 years O & M to 99 years concession
 - revenue sharing formulas
 - risk sharing
 - requests for non-compete – no improvement to parallel roads

How to Choose



Successful P3s

- Project must generate revenue
 - Government building that can pay rent/mortgage
 - Parking garages
 - Toll roads
 - Railroad partnerships
- Public must be involved and supportive
 - Recognize that “profit” is not a bad word
- Demonstrated demand or need
- No ambiguity in roles and responsibilities of government agency and private entity

P3's Not work if:

- Lack identifiable revenue source
- Insufficient demand
- Lack public support

Stakeholders to Consider

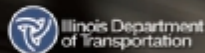
- Elected and appointed officials
- Auto motorists
- General public
- Business community / Shippers
- Freight carriers
 - (Long haul, for-hire, private fleets)
- Environmentalists
- Community advocates
- Transit providers

NATIONAL STRATEGY TO REDUCE CONGESTION

CORRIDORS OF THE FUTURE PHASE II APPLICATION



INTERSTATE 70 DEDICATED TRUCK LANES
MISSOURI : ILLINOIS : INDIANA : OHIO



Trucking Industry's Position on Tolls

1. Analyze funding options besides tolls
2. If tolled: funding generated goes to pay debt and maintain road
3. Tolling ends when road paid for
4. Electronic collection
5. Equitable – of possible - optional



Truck only Lanes -Project Area



Source: Wilbur Smith generated map using National Transportation Atlas Databases (NTAD) 2006 - Bureau of Transportation Statistics



Illinois Department of Transportation



Ideal Finance System

- Raise adequate revenues
- Funded by users
- Easy to understand (who pays – who benefits)
- Inexpensive to administer
- Equitable
- Politically acceptable
- Encourages efficient use of system

The Fremont Troll

(Under the north end of the Aurora Bridge, Seattle, WA)



QUESTIONS ?