



# Advanced P3 Training

## *Case Study: Colorado*

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*April 25, 2012*



# An Advanced Webinar - Building Upon P3 101

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- Topic areas focusing on lessons learned :
  - General / Outreach & Communications (FDOT)
  - Tolling and Managed Lanes (TxDOT)
  - Contract Performance (VDOT)
  - Federal Requirements (FHWA – Texas Division)



# General / Outreach & Communication

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*Florida DOT*  
*Paul Lampley*  
*Leon Corbett*



# General / Outreach & Communications

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- Key Questions
  - What are the essential ingredients for a successful partnership?
  - How do other DOTs deal with the substantial pre-development cost of P3s?
  - What successful examples are there about DOT public outreach and communications regarding P3s?

# **General / Outreach & Communications**

Florida Department of Transportation

I-595 Express Corridor Improvements Project

**Paul A. Lampley, P.E. / I-595 Project Manager**

**Leon Corbett / FDOT Project Finance Manager**





## OUTLINE

1. I-595 DBFOM Overview
2. Pre-development Costs of P3s
3. Building a Long Term Partnership
4. Successful P3 Outreach



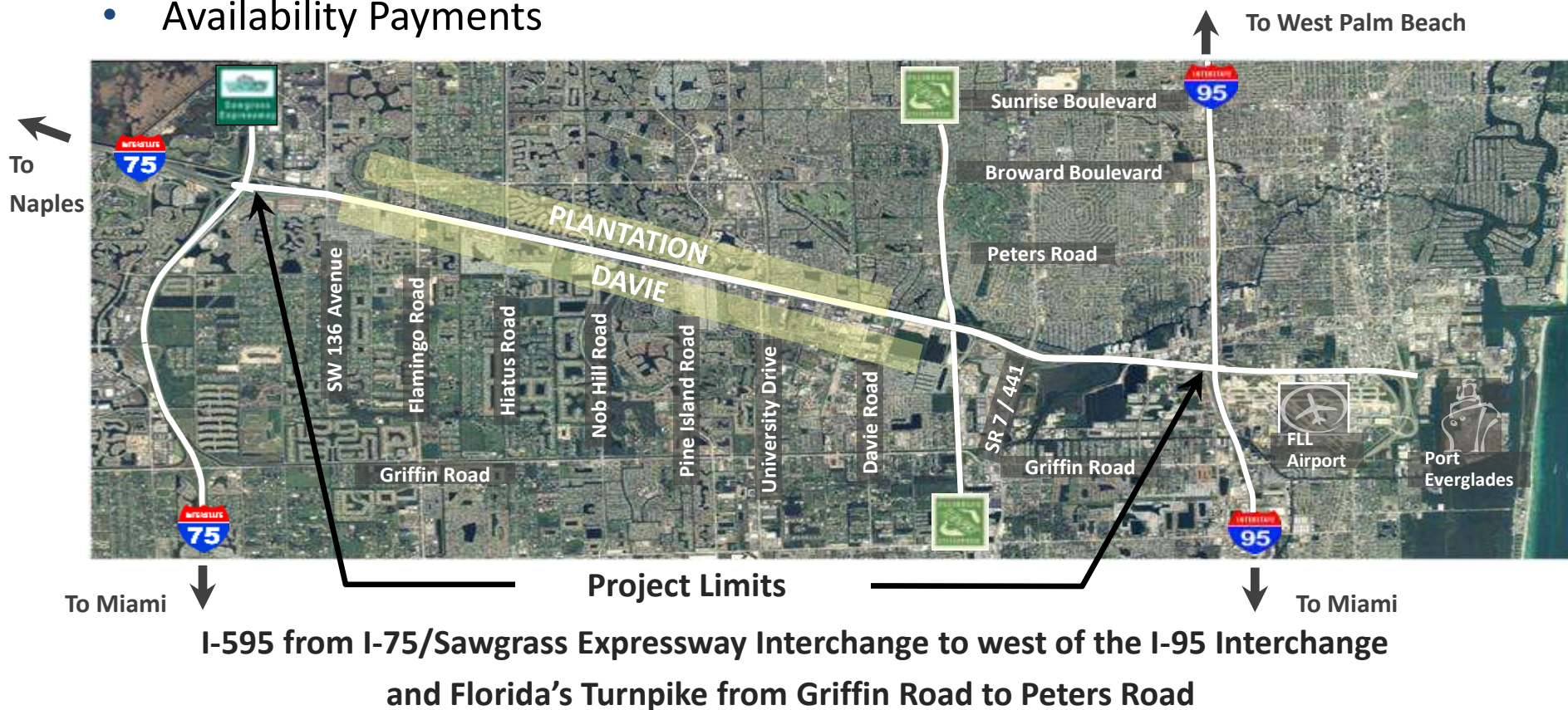




# PROJECT DESCRIPTION



- \$1.8 Billion, 35-year Concession Agreement (DBFOM)
- 5 year design/construction period, 35 year operations/maintenance period
- 13 mile corridor (10.5 miles on I-595, 2.5 miles on Florida's Turnpike)
- Availability Payments





## PRE-DEVELOPMENT COST OF P3s

- Costs Programmed by FDOT
  - Planning
  - NEPA
  - Known Right Of Way Needs
  - Expertise to Team (Consultants)
    - Design Team (RS&H)
    - Financial/ Technical Team (Jeffery Parker & Assoc.)
    - Toll and Revenue Team (WSA)
    - Procurement Team (Nossaman LLP)
  - Research
    - Meet with Industry Representatives
    - Research similar projects worldwide



## PRE-DEVELOPMENT COST OF P3s

- Costs Transferred to the Concessionaire
  - Any Additional Right of Way
  - Utility Relocations
  - Clean up of Contamination
    - May include cost sharing
  - Operations and Maintenance



# LONG TERM PARTNERSHIPS

- A successful partnership isn't developed over night or with the signing of a contract but is a process that requires Respect, a level of Trust, and Fairness
- Each party must have Mutual project goals and Support from the highest level
- The owner can assist in key areas by:
  - Developing and publishing a business plan with measurable results
  - Coordinating with elected officials, local governments, and resource and regulatory agencies
  - Coordinating internally to modify internal policies, procedures and processes to facilitate a P3
  - Remaining open and flexible as well as clear, consistent, and persistent
  - Being proactive and transparent
  - Assisting the team through workshops to find mutually acceptable solutions





## P3 OUTREACH – STATE GOVERNMENT

- Statutory authority and controls are key to a successful P3 program
  - Section 334.30, Florida Statutes
  - 15% cap
  - Cost effectiveness evaluation
- Stakeholder education is a continuous process
- Provide program summaries and updates



# GENERATING LOCAL SUPPORT FOR A P3

- Pre Construction
  - One-on-One Meetings with ALL Elected Officials
  - Individual Neighborhood Meetings & Noise Workshops
  - Project Open Houses and Groundbreaking
- During Construction
  - Project Logos and branding lets local business owners know who their customers are
  - Frequent Project Updates at Established Meetings
    - Homeowners' Associations, Civic Associations, Chambers of Commerce, Municipal Agencies, Schools
  - Corridor Advisory Committee
  - Social Media
    - Twitter, Facebook, e-Newsletters, FDOT Website (Google Earth), Concessionaire Website





## **GENERATING LOCAL SUPPORT FOR A P3**

- A Successful Partnership Includes the Public Involvement Team
  - Public Involvement Representatives for both Owner and Concessionaire
  - Clear, consistent and proactive messaging is key
- Use Outreach Strategies from Planning and PD&E during Construction
- Build Mutually Beneficial Relationships with Local Media
  - Share your news- good and otherwise
- Focus on Local Messages
  - Creating local jobs
  - Stimulating the local economy with project team patronage
  - Providing Noise Abatement
  - Expediting Construction
  - Realizing overall Cost Savings
- What's Good for the Community is Good for the Partnership
  - Disadvantaged Business Enterprise (DBE) Registration
  - Contractors' Breakfast
  - Charitable Programs / Giving
  - Volunteering in Neighborhood Activities



## P3 BENEFITS/CHALLENGES

- Benefits:
  - Public can utilize the facility sooner than later
  - Economy of scale and price stability
  - Mechanism to fill funding shortfall
    - Private equity
    - Global capital markets
  - Outside engineering and management expertise
  - Risk Transfer
- Challenges:
  - Perceived loss of control
  - “Cherry picking” by private sector
  - Owner learning curve
  - “Real” transfer of risk will cost REAL money





[www.I-595.com](http://www.I-595.com)





# General / Outreach & Communication

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## *Texas DOT & Virginia DOT Perspective*



# Texas Experience

## ***Matt MacGregor***

### **Past - Complete**

❶ CTTS (Seg 1-4 /  
SH 45 North & South

### **Present - Underway**

❷ Segment 5-6

❸ DFW Connector

❹ North Tarrant  
Express (NTE)

❺ LBJ Express

### **Future – RFI - RFQ**

❻ Grand Parkway

❼ Horseshoe

❽ I-35E

❾ SH 183

❿ 3A/3B (Negotiating)



# Texas Perspective

1. Pre-development Costs of P3s
  - Owner has to bear most of these costs
2. Building a Long Term Partnership
  - Working on it – Have a similar partner
3. Successful P3 Outreach
  - See next slide





# Public Involvement in Texas: Lessons

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- ❑ PI efforts on DB projects go beyond typical TxDOT practice
- ❑ \$1B project needs own PI staff to focus on stakeholder needs
- ❑ Project website and constant stakeholder contact is paramount
- ❑ Things change too quickly for conventional methods on events such as traffic switches
- ❑ A good contract is good for everyone – expectations established
  - PICP
  - Outreach plans
  - Crisis Communications
  - Events
- ❑ Be prepared to adapt
  - Lane closure format on website has changed three times or more in 18 months
  - Having a good partnering attitude benefits everyone
  - Storefront
  - Speed limit/ work zone safety

Entire Presentation has been included

# Questions

Submit a question using the chat box



Or



Dial \*1 to call in your question by phone



# Tolling & Managed Lanes

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*Texas DOT*  
*Matt MacGregor*



# Tolling and Managed Lanes

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- Key Questions
  - Are the same policies (e.g., toll policies) that govern DOT-operated projects also applicable to P3-operated projects?
  - Are there any good examples of revenue sharing P3 projects?
  - What are lessons learned (good and bad) from other P3 managed lanes facilities?



# Tolling and Managed Lanes

- Key Questions
  - Are the same policies (e.g., toll policies) that govern DOT-operated projects also applicable to P3-operated projects?
    - *This is our challenge in North Texas – Preferred from a customer delivery standpoint. May be some cost savings on DOT projects – See slide for overview*
  - Are there any good examples of revenue sharing P3 projects?
    - *We have an example we have included for two managed lane projects and one toll road project – See slide for a graphical look*
  - What are lessons learned (good and bad) from other P3 managed lanes facilities?
    - *Toll Servicing Agreements, Transaction Costs, Interoperability and many more topics need to be discussed early and often*



# Many P3 Projects in Texas

## Past - Complete

❶ CTTTS (Seg 1-4 / SH 45 North & South

## Present - Underway

❷ Segment 5-6

❸ DFW Connector

❹ North Tarrant Express (NTE)

❺ LBJ Express

## Future - RFI - RFQ

❻ Grand Parkway

❼ Horseshoe

❽ I-35E

❾ SH 183

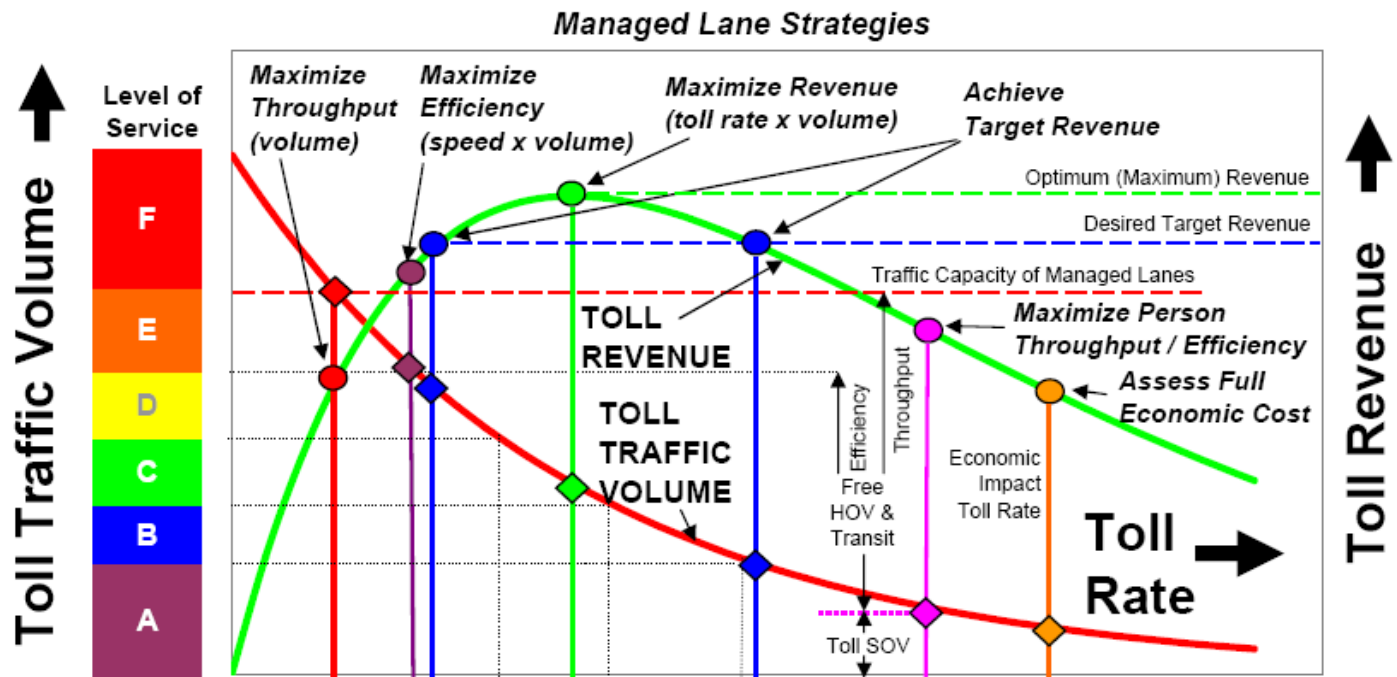
❿ 3A/3B (Negotiating)



# **Operations, Signage, Toll and Managed Lane Pricing Policies Should be Similar**

- Provide statewide consistency which permits some regional customization
  - DFW, Houston, Austin and El Paso are actively operating/developing managed lanes and toll road facilities.
- The DFW area will have P3 managed lanes, Public operated managed lanes and an existing HOV System that is likely to be priced
- A driver may use one or more of these facilities in their daily commute
- Simplification and uniformity are a primary consideration – A work in progress
- Priced projects are required to be tied to goals, performance goals, measurement, monitoring and reporting programs – i.e. ELDP Program

# Managed Lane Operating Strategies Versus Objectives



Level of Service



**Impact on Transportation Objectives**

Congestion (Speed)

Throughput (Volume)

Efficiency (Speed x Volume)

Reliability / Safety

Poor	Fair	Good	Best	Best	Best
Good	Best	Good	Fair	Fair	Poor
Fair	Good	Best	Good	Fair	Poor
Poor	Poor	Fair	Good	Good	Best

Impact of Managed Lane Strategies:

◆ Toll Diversion (Traffic) Impact

● Revenue Impact

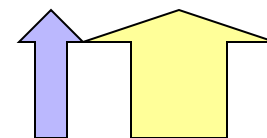
# Revenue Sharing



- Included in both of our current P3 managed lanes projects - LBJ Express and NTE
- Included in our Segment 5-6 toll road project in a similar manner
- Public-Public Partnerships can also include revenue sharing – i.e. Eastern Extension of PGBT is set at 80% to NTTA, and 20% to TxDOT of the gross toll

# Revenue Sharing

What does it mean?

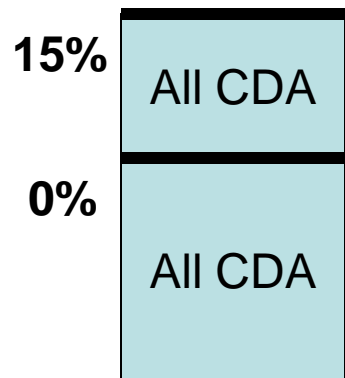


Key:

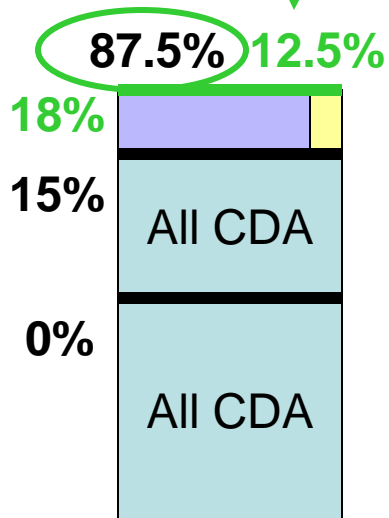
TxDOT Share

CDA Share

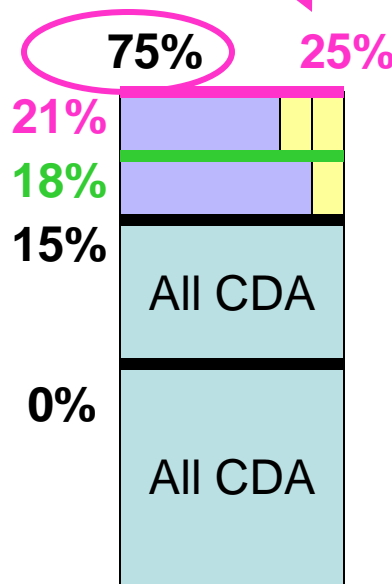
All CDA



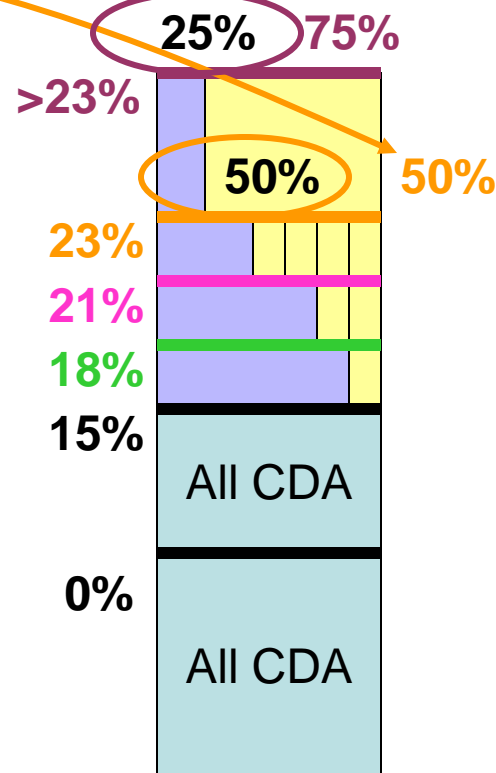
Band 1



Band 2



Band 3



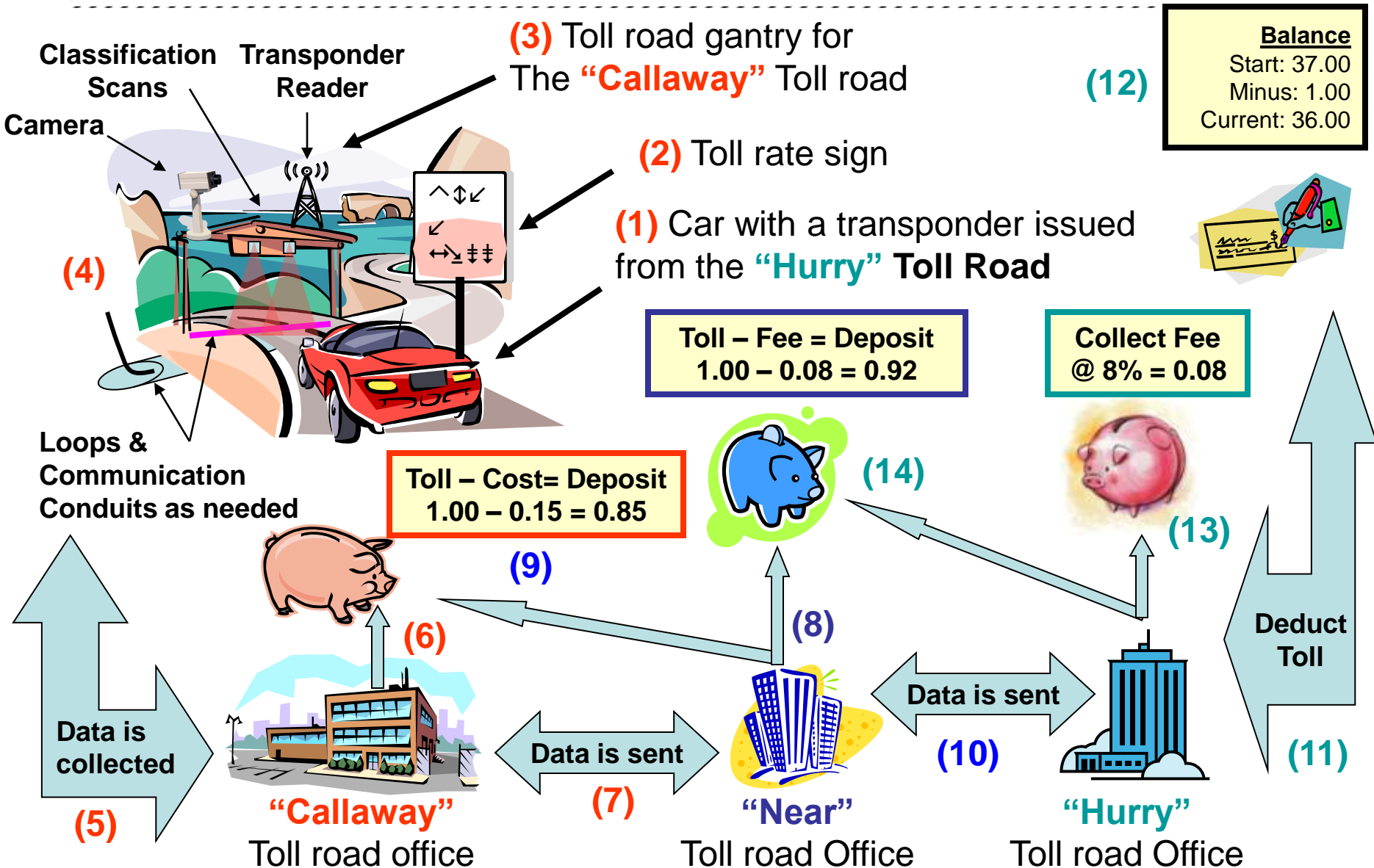
Band 4 &  
Band 5

% of Gross Toll Revenue Above Base Case



# Tolls, Transaction Costs & Interoperability Fees

## What is it all about and how does it work?





# Tolling & Managed Lanes

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## *Florida DOT & Virginia DOT Perspective*

# Questions

Submit a question using the chat box



Or



Dial \*1 to call in your question by phone



# Contract Performance

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*Virginia DOT*  
*Dusty Holcombe*



# Contract Performance

- Key Questions
  - How do other DOTs deal with maintenance responsibilities on P3 concessions?
  - Are there any examples of a DOT requiring that it provide maintenance services (for a price) to a P3 concessionaire?
  - How do other states handle maintenance, etc., when some lanes in the facility are owned by the DOT and other lanes are owned by a P3?
  - How is construction oversight handled when multiple owners are involved?
  - If the concessionaire is not profitable and hands the facility back in a few years are there changes in the way the state oversees the construction? Other things done differently if this is a possibility?

# Key Questions

- Contract Performance – OTP3 - Virginia
  - How do other DOTs deal with maintenance responsibilities on P3 concessions?
    - Scope
      - ✓ Brownfield v. Greenfield
      - ✓ Adjacent Facilities
    - Risk
      - ✓ Best able to manage
      - ✓ Cost - Value for Money
    - Performance Regime
      - ✓ Technical Requirements
      - ✓ Non-compliance Points





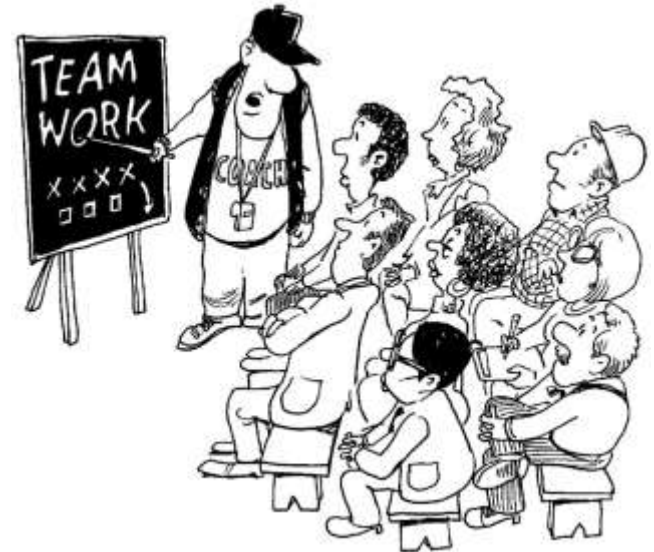
# Key Questions

- Contract Performance – OTP3 - Virginia
  - Are there any examples of a DOT requiring that it provide maintenance services (for a price) to a P3 concessionaire?
    - Snow/Ice Removal
    - Bridge Inspection
    - Shared Facilities
      - ✓ Bridges
      - ✓ Lighting
      - ✓ Barriers
    - Tolling – Backroom/E-Z Pass
    - Virginia State Police
      - ✓ Visual Enforcement
      - ✓ Incident Response
    - Drainage



# Key Questions

- Contract Performance – OTP3 - Virginia
  - How do other states handle maintenance, etc., when some lanes in the facility are owned by the DOT and other lanes are owned by a P3?
    - Prior to Procurement
      - ✓ Memorandum of Agreement – Responsible Public Entity
      - ✓ Roles and Responsibilities
      - ✓ Identification of Assets
    - Contract Documents
      - ✓ Comprehensive Agreements
      - ✓ Technical Requirements



# Key Questions

- Contract Performance – OTP3 - Virginia
  - How is construction oversight handled when multiple owners are involved?
    - Owner's Oversight Plan
      - ✓ Project Development Plans
      - ✓ QAQC Plan
      - ✓ Performance Requirements
      - ✓ Handback Requirements
    - Conflicting Interests?
      - ✓ Who is taking Long-Term O&M Risk?
      - ✓ DB Contractor v. Operator



# Key Questions

- Contract Performance – OTP3 - Virginia
  - If the concessionaire is not profitable and hands the facility back in a few years are there changes in the way the state oversees the construction? Other things done differently if this is a possibility?
    - Plan to Succeed, Prepare for Other Events
      - ✓ Project Development
      - ✓ Contract Documents
      - ✓ Contract Administration





# Contract Performance

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## *Florida DOT & Texas DOT Perspective*





# Key Questions – Texas Perspective

- ## Contract Performance

  - How does TxDOT deal with maintenance responsibilities on P3 concessions?
    - *Developer is responsible through the term and it includes hand back requirements*
  - Are there any examples in Texas of requiring that it provide maintenance services (for a price) to a P3 concessionaire?
    - *Not in Texas yet; over time there may opportunities for this to occur*
  - How does Texas handle maintenance, etc., when some lanes in the facility are owned by TxDOT and the Managed Lanes are “leased” by a P3?
    - *Developer maintains the toll/managed lanes; yet to be seen how well it works*
    - *Segment 5-6 will be the first attempt at this being done on a completed project*
  - How is construction oversight handled when multiple owners are involved?
    - *Through agreements with those owners*
  - If the concessionaire is not profitable and hands the facility back in a few years are there changes in the way the state oversees the construction? Other things done differently if this is a possibility?
    - *Hope we don't have to find out; we anticipate similar transitions as traditional projects just larger in scale and magnitude*

# Questions

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# Federal Requirements

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*FHWA – Texas Division*



# Federal Requirements

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- Key Questions
  - What Federal requirements apply?
  - What are state DOT's experiences in attempting to meet those requirements?



# Texas Division - Federal Requirements and Oversight for P3 Projects

Slide 44

- TX Experience
  - Contracting Methods Used to Date
    - Design-bid-build
    - Design-build
    - Design-build with capital maintenance agreements
    - DBFOM (P3 or Comprehensive Development Agreements)
    - Unsolicited/Solicited Proposals
    - Any and all funding mechanisms have been used to date.





# Texas Division P3

- Project Examples
  - SH 130 D-B with maintenance agreement (\$1.4 billion 50 mile toll road new alignment with TIFIA assistance)
  - SH 130 extension using P3 with TIFIA assistance (\$1.1 billion toll road, 40 miles new alignment)
  - NTE and LBJ P3s with TIFIA assistance (\$2.5 billion and \$2 billion, 12 and 13 miles respectively)
  - DFW Connector, D-B with maintenance agreement (\$1.2 billion, 4 major interchanges)
  - 183A, D-B with TIFIA (\$320 million new alignment toll road)



# Texas Division P3 – Tools for Your Use

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- Developed a draft SOP for P3 and D-B
  - Generally follows 23 CFR 636
  - Provides direction for new staff or inexperienced in P3 and or D-B
- Project Specific Oversight Agreements between the State and FHWA
- Major Projects SOP



# Texas Division P3 – Lessons Learned

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- Areas of focus and lessons learned
  - Pay attention to conflicts of interest and firewalls on various teams
  - FHWA involvement requires intensive reading and meetings during the procurement process
  - Be involved early and often in developing schedules as assumptions are often made for State and Federal involvement, review times, approval actions, etc.
  - Advise against Tiered environmental process



# Texas Division P3

- Lessons learned continued
  - Process is much easier when NEPA is completed, but State tends to push the envelope with parallel processes (again, schedule)
  - Quality Assurance Programs
    - State is pushing the envelope in being less involved and providing less oversight by using an independent engineer and allowing for contractor acceptance testing
    - Establish dispute resolution process early and follow it
    - Any deviations from 23 CFR 637 must be approved by DO



## Texas Division P3

- Noticing a trend of “downsizing” of projects due to funding shortfalls -- this brings purpose and need into question
- Timing of deliverables such as Toll agreements, Financial Plans, Project Management Plans, TIFIA loan execution, etc.
- Public involvement and education on the P3 process is PARAMOUNT





## FHWA Division Office

### “Top Requirements Concerns”

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- The use of contractor’s test results for materials acceptance on P3 projects and what that means with respect to a QAP in accordance with 23 CFR 637B
- If a project has Federal monies or a Federal nexus such as work on the Interstate, then it is a “Federal” project and all requirements apply just as with a Design-bid-build project



# Regulatory Concerns Continued

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- Value Engineering must be performed prior to the final request for proposals - 23 CFR 627.9(c)
- Major Projects Requirements
  - Financial Plan
  - Major Project Plan
  - Cost Estimate Review
- Contact:
  - Brett Jackson, (512) 536-5946, [brett.jackson@dot.gov](mailto:brett.jackson@dot.gov)



# Federal Requirements

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*Florida DOT, Texas DOT,  
Virginia DOT  
Perspective*

# Questions

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