

# Using Public-Private Partnerships For Toll Facilities

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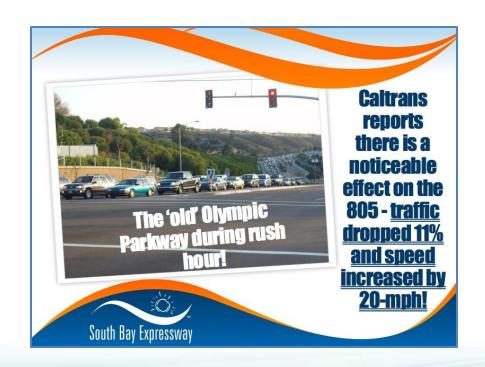


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## **Benefits of Private Equity Participation**

- Accelerate delivery of new roads, bridges, etc.
- Realize untapped value from existing facilities
- Leverage Capital
- Bring Expertise
- Transfer Risk
  - Construction risk
  - Traffic risk
  - Technology risk
  - O&M cost risk
  - CapEx risk
  - Financial risk





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## **Private Capital**

- Why does private capital like toll facilities?
  - Long term assets
  - Predictable cash flows
  - Long term growth potential growth from both traffic increases and toll increases
- What scares private capital?
  - Long development cycles
  - Government approvals
  - Environmental issues
  - Right of Way acquisition
  - Public opposition
  - Political instability

Toll Road Firm Says Suit Will Hurt Taxpayers Driving: Riverside County's legal

challenge to its franchise will delay solutions to 91 Freeway congestion, a company spokesman says.

August 22, 2001 |DAN WEIKEL | TIMES STAFF WRITER



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#### **Private Investment Considerations**

- Underlying economics
- Government/stakeholder support
- Development patterns/growth potential
- Existing and future traffic volumes
- Demographics/Psychographics
- Ability to control toll rates
- Length of concession
- Competing facilities
- Risk factors environmental, right-of-way, public opposition, litigation





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#### The Public Sector

- Why does the public sector like private capital?
  - Leverage transportation dollars
  - Provides expertise
  - Shifts risk from taxpayers to investors
- What scares the public sector?
  - Being taken advantage of by sophisticated investors
  - "Profits vs. public interest"
  - "Selling our roads to foreigners"
  - Labor concerns





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#### Roles

#### Public sector's key role is setting the agenda – "Turns the Dials"

- Specify desired outcome result as opposed to means and methods
- Take on risks it is more suited to deal with (legislative, government approvals, ROW, environmental)
- Determine public investment
- Determine concession form tolled, availability payment
- Controls terms of operation, including toll changes, operation and maintenance standards, right to make future changes, etc.
- Maintains legal title to asset

#### Private sector's role

- Calculate financial impact of policy decisions
- Educate on concession model –how it addresses needs/concerns and impact of policy decisions
- Responsible for development, maintenance, and operations costs
- Must comply with enabling legislation and concession agreement



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#### **Public Sector Turns The Dials**

- Some key dials to consider:
  - Public investment
  - Performance standards
  - Who clears environmental and acquires right-of-way
  - Concession length
  - Tolling schedule
  - Who collects revenue
  - Use of availability/performance payments
  - Uses of revenue
  - Revenue sharing
  - Non-compete clauses
  - Opportunity for community amenities
  - Existing employees labor agreements





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#### **Success Formula**

- A project that makes sense (not necessarily only the difficult ones)
- Elected and Administration champions
- Customers willing to pay tolls or revenue stream for availability payments
- Interested investors
- Supportive political, stakeholder and community environment
- An agreement that is equitable to all parties with appropriate risk/reward sharing
- Strong local public sector oversight facilitator/project manager
- Experienced concessionaire
- All parties taking a long-term view

That doesn't mean it always out for the equity





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## 91X and SBX (SR125)

- Roads were built; bringing congestion relief and economic development and quality of life benefits decades earlier than would have been possible without private investment
- Additional public benefits were realized
- Risk was transferred to the private sector
- 91X sold to OCTA
- SB sold to SANDAG
- We learned valuable lessons







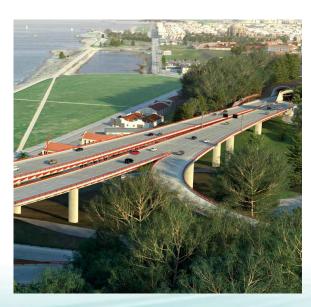
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## **Presidio Parkway**

- New gateway between Golden Gate Bridge and City of San Francisco
- Developed under SB4
- 1.5 mile viaduct and tunnel structure
- Approximately \$1 billion construction cost
- Project Received \$150 million TIFIA financing
- Availability payment (performance-based) structure
- 30-year contract to design, build, finance, operate, and maintain.
- Project has been subject of litigation
- Recently reached financial close
- Expected to open 2015







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## **Going Forward**

- Need has increased
- Today there is more experience and more private sector players
- No two projects are alike need to have flexibility
- We need legislative and administrative champions at all levels of government
- Most likely will be more shared financing and shared risk
- Consider government clearing environmental and right-of-way issues
- Likely to be more managed lanes opportunities than green-field projects. May need to look at definition of HOV or consider partial public funding, availability payments with performance requirements to attract private sector investment



## Wishing You Great Success!

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