How P3s are Changing Infrastructure

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Rationale for P3s in Transportation

- Underfunded program – gas tax last increased 25 years ago. New projects are often prioritized over maintenance.
- Increasingly interested in alternative delivery for efficiency and life cycle elements
- Transportation agencies using alternative delivery for all types of projects – highways, transit, airports, seaports, ancillary projects, facilities, maintenance.

Rationale for P3s in Transportation

- Traditional delivery prioritizes low bid over life cycle approach.
- Traditional approach leaves the public agency holding all the risks associated with design, delivery and long term maintenance.
- Payments can begin once project is complete

Arizona's P3 Law

2009:

- ***Eligibility:*** enhanced, upgraded or new roads, rail, transit, and facilities, including vertical.
- ***Types of partnerships:*** design/build all the way to design/build/finance/ operate/maintain. Very flexible.
- ***Notable components:***
  - Exempts P3s from the procurement code, but does NOT exempt from competition.
  - Allows for ADOT to solicit projects, but also receive unsolicited projects.
  - Gives ADOT significant authority to enter into negotiations and agreements.
  - Can use a number of revenue sources as repayment, including revenue bonds, tolls and fees.

2012:

- Added the ability to establish ADOT as the collector and enforcer of tolls or fees, and set protocols for enforcement.

Lack of Understanding Can Hinder Use of P3s

- Public opposition has stopped numerous promising P3 Projects
- Often misunderstanding of what P3 is – assume it is privatization
- Inadequate public debate – perception of closed door deals
- Public Opposition to “selling” of public assets
- Relinquishing control to a private developer
- Excessive profits earned by private developer
- Developer quality vs profit
- Distrust of foreign involvement / investment

Keys to Success

- Clear understanding and use of legal authority
- Clear and transparent process with off ramps
- Constant communication from end to end
- Regular briefings up the chain of command, including elected officials
- Address constituent concerns
- Highlight value for money and risk transfer
- Link to agency/community priorities and values

How a P3 Procurement is Different

- Value for money to determine value, not just cost
- Revenues from many different sources – could include tolls, user fees, savings (such as energy)
- Teams, not individual firms. Selection on organization and approach, not just quals.
- Short list participates in the final RFP development – Alternative Technical Concepts

Unsolicited Proposals

- Arizona Law allows for solicited and unsolicited proposals
- Defined process but early conversations are very informal
- No defined period for solicitations
- Please don’t submit one without talking to us first
- Review, submit “pass/fail” in a timely fashion
- Reserve the right to alter proposal
- Must be publicly competed at some point
- Example: Rest Areas
- Example: South Mountain Freeway

LED Lighting

- Convert 19,300 luminaires throughout Greater Phoenix, including in the Deck Park tunnel, from HPS to LED
- 3,300 in the tunnel, 16,000 on the highways
- Anticipated to be Design-Build-Finance-Operate-Maintain
- 2-3 years construction, 15 year maintenance period
- Defined handback conditions

LED Lighting

- Eight responses to SOQ, short listed to three
- RFI negotiations and one-on-ones in early 2018
- Award expected in Summer 2018
- Commercial close expected November 2018 with financial close shortly thereafter

South Mountain Freeway

- 22 miles of new urban freeway
- Long planned project fully funded from half-cent sales tax in metro Phoenix
- Originally planned as a traditional Design Bid Build
- Pushed as a P3 by an unsolicited proposal to ADOT
- Ultimately pursued as a DBM with 30 year maintenance tail
- RFQ was responded to by five world-class teams, narrowed to three final teams
- Negotiated RFP process resulted in the award to Connect 202 Partners (Fluor, Ames, Granite and PB)
- Biggest surprise: Alternative Technical Concepts
- Construction now underway – on time and under budget

Flagstaff Facilities

- ADOT, City of Flagstaff, private developer
- ADOT had prime property better suited for commercial development
- Flagstaff needed some of our property for a new road
- P3 legislation enabled a swap for an old theatre, now being repurposed for ADOT
- Addition of second public entity very challenging!

Lessons Learned

- How much do you know about yourself? Example – rest areas, lighting
- Understand your funding options – sometimes cost isn't the whole story
- ATCs – South Mountain Freeway
- Incorporate into your traditional project development process

Is Your Agency Ready for a P3?

- Do you have clear authority?
- Do you have leadership buy-in?
- Do you have experienced staff or outside consultants to assist with project selection and Value for Money process?
- Can you figure out how to do this within, or parallel to, your normal project development process?

Thank You

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