

 **VDOT**

The logo for the Virginia Department of Transportation (VDOT). It features a stylized orange symbol on the left, which is a thick, curved line that starts at the top left, curves down and to the right, and then curves back up and to the right. To the right of this symbol is the text "VDOT" in a bold, blue, sans-serif font.

# Moving Forward with Public-Private Partnerships

Barbara W. Reese, Chief Financial Officer  
September 2005

- Commonwealth responsible for maintaining the third largest highway system in country – focus on-time and on-budget
- Last sustainable state revenue increase for transportation in 1986
  - Increasing reliance on bonds and federal funding for any new capacity
- Virginia is the #1 financially managed state in the country

- Late 1980's, private franchise legislation governed like a utility – Dulles Greenway
- 1995 – Public Private Transportation Act (PPTA)
  - Unsolicited and solicited procurements with finding of more timely or less costly
  - 2005 revisions to law developed jointly by public and private sector with 10 years of experience under our belt

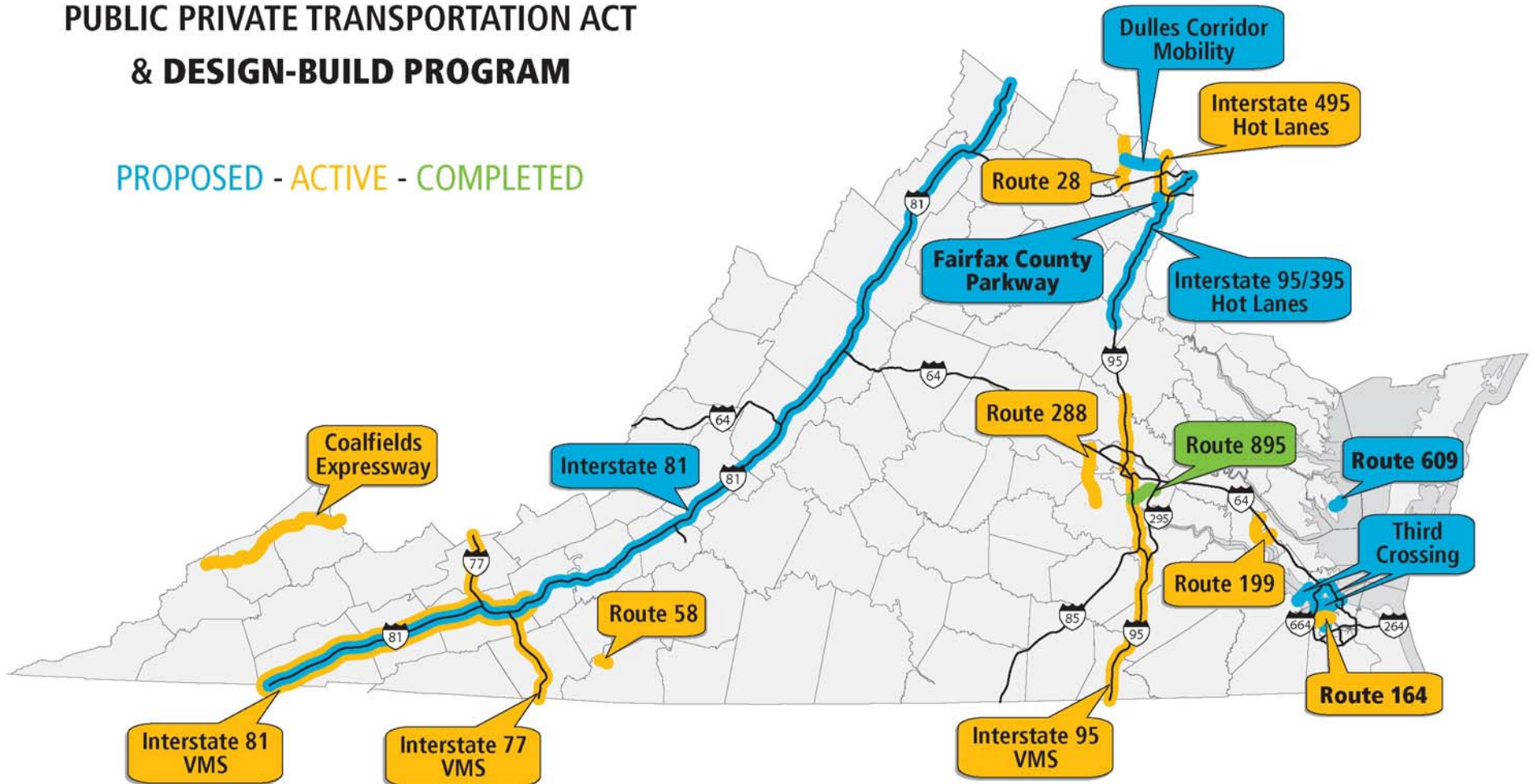
- Identify timelines and activities within each phase of procurement
- Require greater commitments or guarantees by proposers – mandatory risk sharing
- Increase flexibility in the development of interim agreements to accelerate required activities
- Promote transparency and public involvement

- 43 unsolicited proposals – 9 agreements worth \$3.5 billion
- 6 proposals currently under consideration
  - 2 hot lanes; 2 concessions of existing toll facility; 2 for tunnel/intermodal facility
- Solicited one project –reconstruction of I-81
  - In negotiation with one vendor



Status of  
**PUBLIC PRIVATE TRANSPORTATION ACT  
& DESIGN-BUILD PROGRAM**

PROPOSED - ACTIVE - COMPLETED



- Of the \$3.5 billion,
  - \$1.8 billion is federal, state or local transportation funds from taxes on citizens
  - \$1.6 billion is toll revenues paid by users
  - \$0.1 billion is private investment or equity funding

## Projects completed late or behind schedule:

- Route 895
- Route 288
- Coalfields Expressway (Engineering for Section A)

## Projects currently on schedule:

- Route 28
- Route 199
- Route 58
- I-495 HOT Lanes

- PPP is not appropriate for every project
- Engineering is easy part
- Need private partner who has some risk for “after its built”
- Federal approval of procurement method and other aspects of project
  - Need less confusing programs; more consistent guidance

- Development of expertise takes time – have good lawyers and financial advisors – good traffic modeling
- Conflicts of interest and political interference
- Significant time commitments by both public and private partners – senior staff
- Set and manage realistic expectations

- Equity and/or operating partner is good for the project during development and construction
- What role should public financial backstop have? Refinancing? Competitive facilities? Adverse actions?
- Should they be exempt from property or leasehold taxes?
- Toll policy – should it be market driven or is there greater public good? At what tolling point will citizens expect to pay lower or no gas tax because they are being tolled?

## If We Were at Beginning?

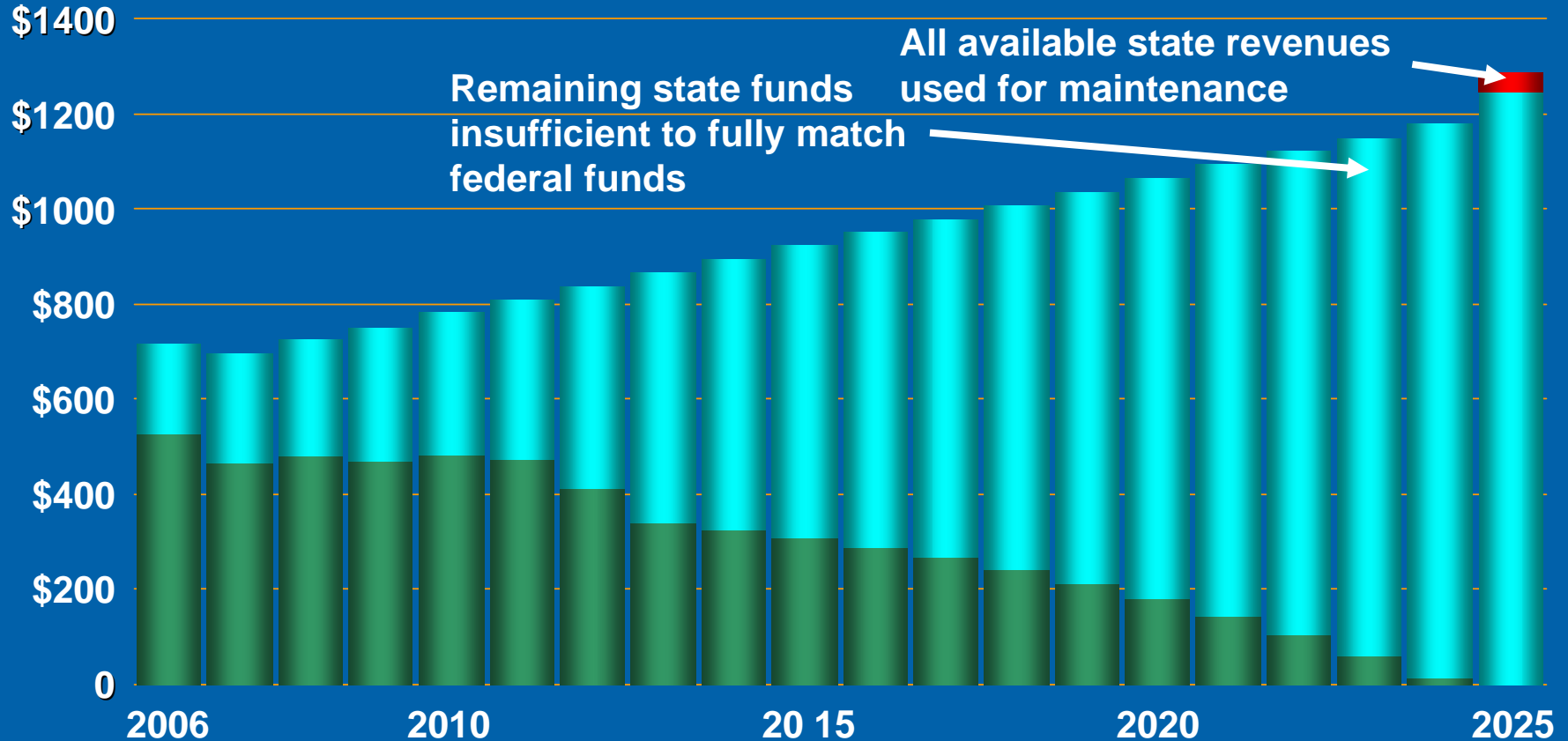
- Learn from others
- It is a business decision not a political decision
- Solicit proposals – be in control
- Embrace prospect and allow failure
- Set clear policy goals and remember big picture
- Recognize that the agreements in each one will become precedent for next

- With concessions, we are returning to where we started
- Focusing on expanded capacity rather than greenfield development
- Traditional methods and funding cannot meet our transportation needs
  - PPPs can't save us but they can help us

# Funding Outlook

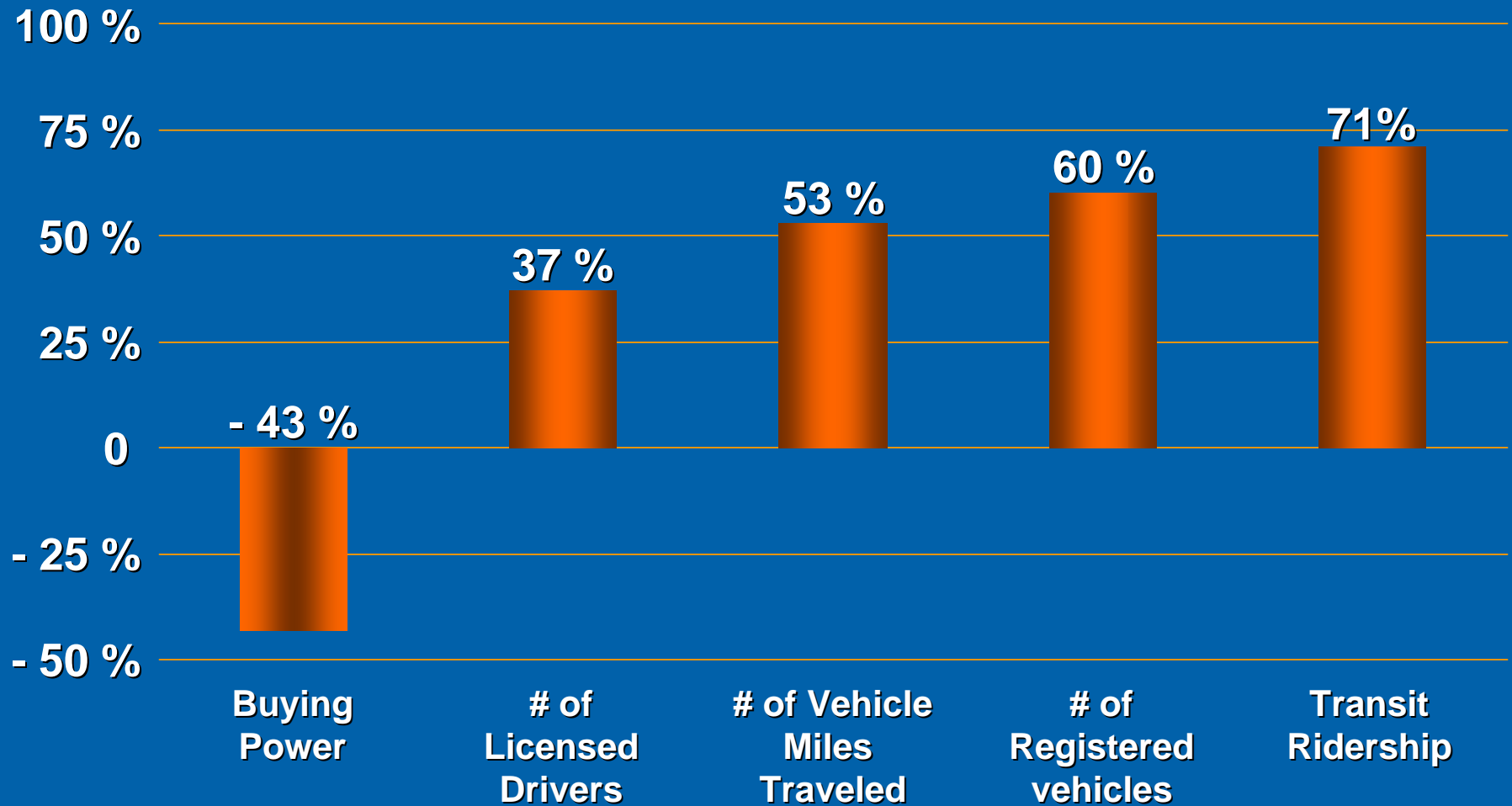
(FY 06 Forecast)

In Millions

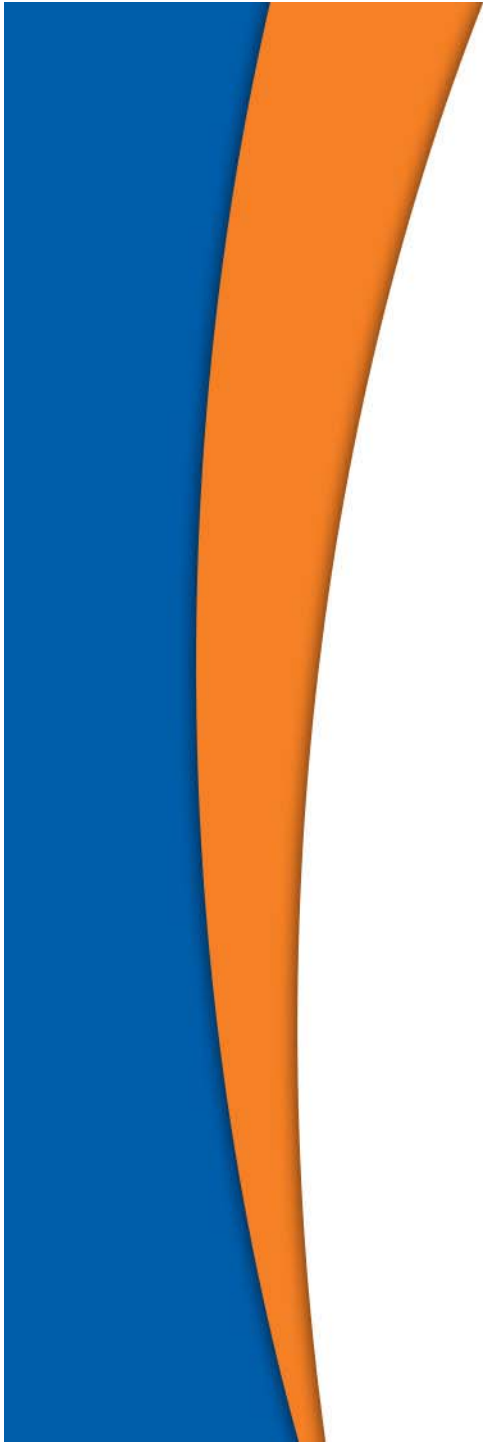


- No ability to match federal funds
- Maintenance Needs Consuming New Capacity Dollars
- State Funds Available for Construction

# Our Unmet Challenge



Since 1986



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