

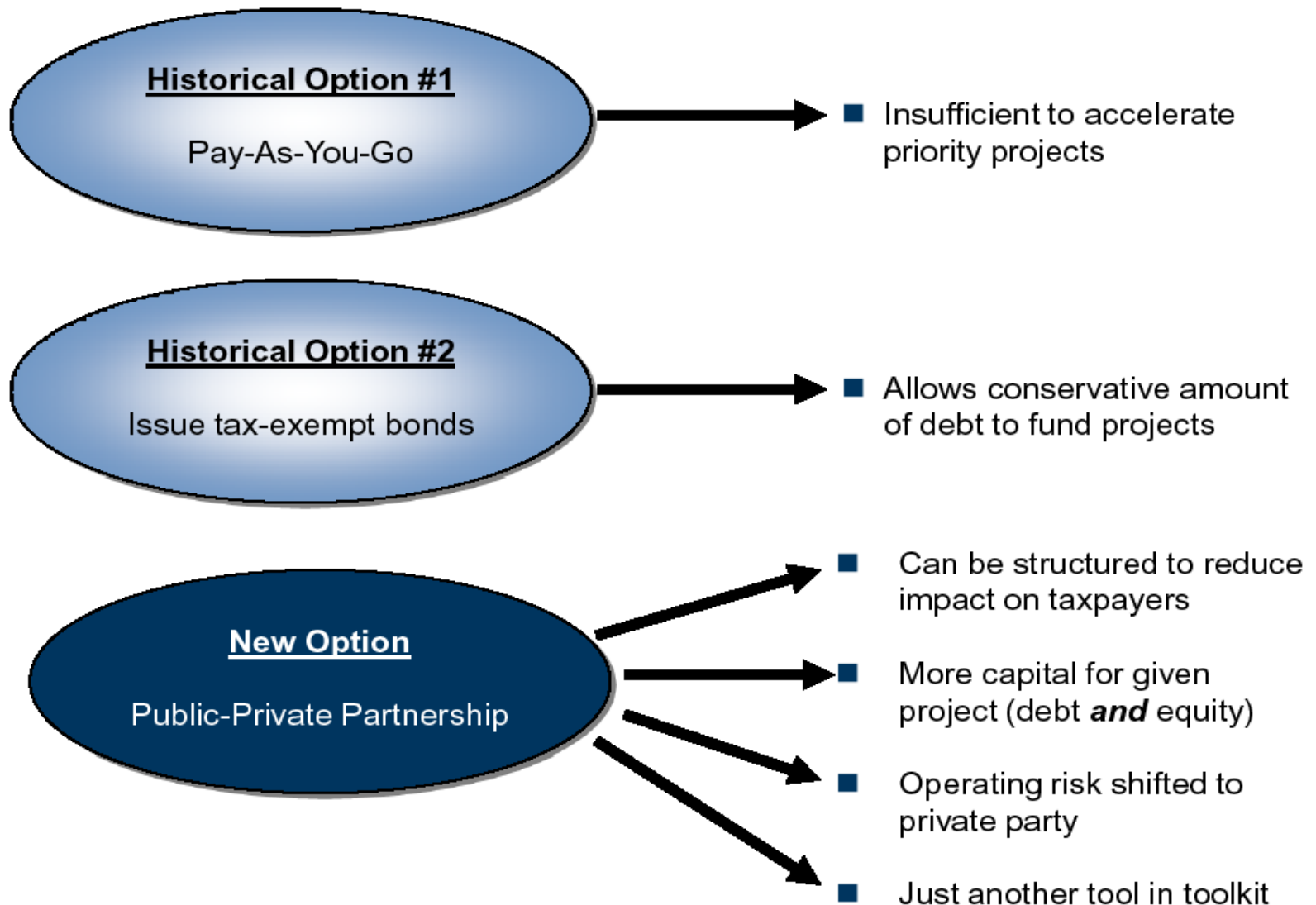


NCDOT Public Private Partnerships

P3's Financing

Mark Foster, Chief Financial Officer
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Public-Private Partnerships (P3's) provide a new source of capital for state and local governments



Public-Private Partnerships (PPP's) are:

- Not revolutionary
 - Used in a number of sector infrastructure
 - Over 300 year of experience in the US
 - First ones for transportation and water
 - More widely used in other countries
 - Europe, Asia, Latin America, Canada, etc.
- Don't answer all challenges
- Does provide a valuable tool

What is PPP?

A Public-Private Partnership is a **contractual agreement** between a **public agency** (federal, state or local) and a **private sector entity**.

Through this agreement, the **skills and assets** of each sector (public and private) **are shared** in delivering a service or facility for the use of the general public. In addition to the sharing of resources, **each party shares in the risks and rewards** potential in the delivery of the service and/or facility

Sectors Where P3's Have Been Used

- Transportation
- Water/Wastewater
- Urban Development
- Energy
- Financial Management
- Schools
- Prisons

P3's Benefits

- Value of Money
 - Optimal Risk Allocation
 - Improved Delivery
- Private Sector Expertise
 - Increased Competition
 - Broader Investor Base
 - Increase Technologies
 - Management Expertise
- Public Interest Protected
 - Contract Safeguards
 - Economic Benefits Contractually Defined
- The Secret is to Balance the Strengths of Both Sectors



Why so few P3's – Private Sector Concerns

- Public sector will advance projects without the clear legal authority or political ability to close
- Public decision-making is opaque
- Public sector makes decisions slowly and in broad collaborative manner
- Public sector will self-perform financeable projects and try to use P3's for difficult ones
- Public sector will advance P3 project(s) without a clear business case
- Public sector will not clearly define project benefits or will do the math wrong
- Decision makers are subject to shifting political constraints

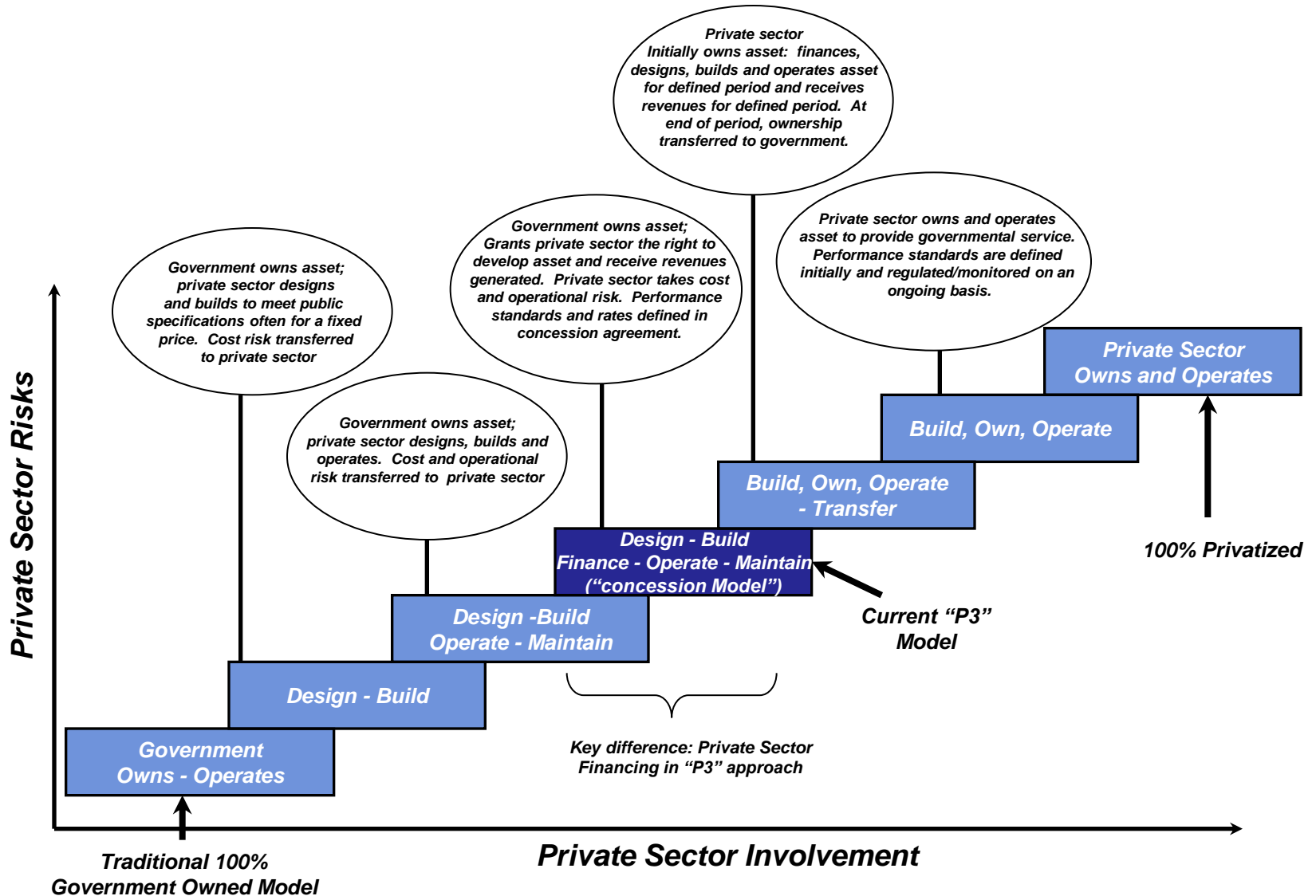
Why so few P3's – Public Sector Concerns

- Private sector does not understand that decisions are not project decisions but program decisions
- P3's take too long to develop and close
- P3's can be hard to explain to the public, especially if they involve new user fees or existing assets
- Private sector does not appreciate how much staff/management time P3's require when compared to traditional procurement
- Private sector has unreasonable time expectations
- Private sector motivations are suspect
- Private sector staffing can be intimidating

NCDOT Vision for P3's

- A valuable tool in tool box
- Not just for use when all else fails
- Multimodal corridor and system approach versus one-off projects
- Stakeholder support
- Programmatic process for P3's similar to design-build success
 - Carefully selected partners
 - Clear performance outcomes

Spectrum of Private Sector Risk and Involvement



NCDOT Public Private Partnerships Policy & Procedures

- Authority in Session Law 2006-230; 3 revisions in Legislative Session '07 & '08
- Covers roads, bridges, highways, rail, & other transportation infrastructure - from planning through operations
- Formal PPP Policy adopted by NCDOT board in June 2009
- Independent of policy adopted by NC Turnpike Authority but uses same/similar language in key areas for consistency

Active P3's within NCDOT

- **Design Build / Design Build Finance**
 - 61 Design Build projects active/complete to date
 - 13 Projects Advertised for future award
 - Charlotte projects accelerated up to 7 years with cost savings \$130M
 - Express Design-Build Program
 - 309 Bridges - packaged in groups of 10 for economies of scale
- **Contractual Agreements**
 - Authorize public/private sector role in delivery and financing of transportation projects (30 - 50 per month)
- **Interstate Maintenance**
 - Contractor maintains 135 miles (I-77, I-85, I-485 & I-277)
 - Mecklenburg & Cabarrus counties
- **Mid-Currituck Bridge, I-77 HOT lanes**

Design Build Finance

Charlotte Projects Accelerated

- Projects Fast Facts

- I-485, I-85, & Interchange

- Original Estimate - \$540M
 - Actual Cost - \$410M
 - Cost Savings - \$130M
 - Finance Plan Includes - \$150M GARVEE Bonds & Contractor's Financing



- Design Build Finance Contract

- Accelerated delivery up to 7 years
 - Reduces overall construction time
 - Extends contract payments
 - Allows the contractor to make innovations that save taxpayer's money

Mid-Currituck Bridge

Public Private Partnership

Financial analysis including evaluation of private financing versus traditional toll financing underway



Potential P3 Opportunities



Charlotte "Gateway Station"
commuter rail and transit multi-modal center



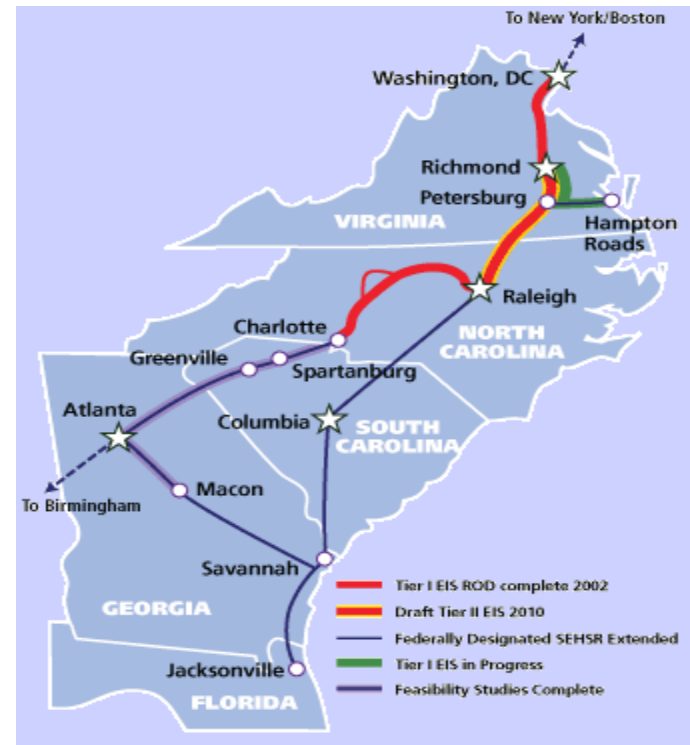
I-77 HOT Lanes

Rail Initiatives



- NCDOT adds third passenger service Raleigh to Charlotte
 - Ridership increases 46%
- \$545M to Accomplish Corridor Plan

- City of Charlotte LYNX Light Rail Passenger Service exceeds national growth rates



Seven Keys to Successful PPPs

- Public Sector Champion
- Statutory Authority
- Organized P3 Structure within Government
- Detailed Business Plan
- Bondable Revenue Stream
- Stakeholder Support
- Carefully Selected Partner(s)

Questions