Public Private Partnerships: Lessons from Florida

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“If we had the money...”
Discussion Points

• Types of P3s Implemented
• FDOT’s P3 Legal Framework
• Value Proposition
• I-4 Ultimate Example
• Lessons Learned

www.595Express.info
Types of P3s Implemented

Design-Build-Finance (DBF) or Build-Finance (BF)

- Traditional agreement
- Construction only
- Cash Availability Schedule
- Terms around 7 years
- Short-term financing
- $100 M - $500 M
- Project advanced 2-3 years

Design-Build-Finance-Operate-Maintain (DBFOM)

- Concession Agreement
- Add Operations & Maintenance
- Construction period and availability payments
- Terms of 35 to 40 years
- Long-term financing
- More than $500 M
- Project advanced 15 years or more
$6.8B in Construction Advanced

**COMPLETE**
- I-95 at Pineda - $200M (DBF)
- US 1/SR 5 - $114M (DBF)
- I-75 (IROX) - $458M (DBF)
- I-95 Express Lanes - $139M (DBF)
- Palmetto Section 2 - $190M (DBF)

**UNDER CONSTRUCTION**
- I-95 - $130M (DBF)
- US 19 - $120M (BF)
- SR 79 - $98M (DBF)
- I-4 Ultimate - $2.3B* (DBFOM)
- SR 9B - $95M (DBF)
- SR 79 - $98M (DBF)
- I-595 - $1.2B* (DBFOM)
- I-95 at Pineda - $200M (DBF)
- I-95 Express Lanes - $139M (DBF)
- Palmetto Section 5 - $566M (DBF)
- I-95 N of SR 80 to S of SR78 - $72M (DBF)

**IN OPERATIONS**
- PortMiami Tunnel - $667M* (DBFOM)
- I-595 - $1.2B* (DBFOM)
- I-95 Express Lanes - $139M (DBF)
- Palmetto Section 2 - $190M (DBF)

*construction portion

BF – Build Finance
DBF – Design Build Finance
DBFOM – Design Build Finance Operate Maintain
**Framework Offers Creditworthiness, Controls**

- Authority for availability payment deals introduced in 2007
  - Availability payments prioritized ahead of new capacity projects
  - 15% of federal and state funding cap, cost effectiveness analysis
- Further controls introduced in 2012
  - Approval by Governor following Legislature review
  - Inclusion in State Transportation Trust Fund debt assessment
- Additionally, some P3 payments are included in the state’s annual Debt Affordability Report
DBFOM P3 Seeks to Achieve 5 Primary Goals

• Accelerate Project Timetable
• Transfer Risk
• Leverage Private Sector Innovation
• Reduce Cost
• Secure Additional Financing
Typical DBFOM Structure

- **Equity Members**
- **Concessionaire**
  - FDOT Project Team
    - District Project Management
    - Central Office Legal
    - Central Office Finance
    - Central Office Engineering
  - Design Build Joint Venture
    - Lead Designers
    - Lead Construction Contractors
  - Lead Operations and Maintenance Contractor
- **Lenders**
  - (e.g. banks, bonds, TIFIA)
I-4 Ultimate DBFOM

Financing:
- Construction period, final acceptance, and availability payments
- Financed with TIFIA, bank loans, and private equity

Benefit:
- Major interchanges and bridge reconstruction
  Addition of express lanes provides congestion relief and improves safety

Key Decisions:
- 21 miles at one time, size and complexity of project
- 40-year concession agreement

Cost: $2.3B

I4Ultimate.com

Florida Department of Transportation
I-4 Ultimate Project Scope

$2.3B Project Brings Innovation to Relieve Congestion

- 21 Miles from west of Kirkman Road to east of State Road 434
- Increases capacity by adding 4 tolled Express Lanes
- 6 General Use Lanes + 2 Auxiliary Lanes
- Reconstructs 15 major interchanges
- Widens 13 bridges, adds 53 new bridges and replaces 74 bridges
I-4 Ultimate P3

A Game Changer for Central Florida

• FHWA estimates - every $1.0B spent on highway and bridge construction supports 28,000 jobs
• Reconstructs aging infrastructure originally built in the 1960s
• Reduces congestion by increasing capacity by adding 4 Express Lanes
• P3 procurement allows the full project to be built earlier than the traditional method (estimated at 26 years)
• P3 procurement delivers high priority projects without deferring other projects throughout the state
• Newer design provides a safer interstate reducing crashes and subsequent delays
I-4 Mobility Partners Taking On Key Project Risks

• FDOT entered into a 40-year concession agreement that transfers key project risks and locks in costs for design, construction, operations, maintenance, renewal and replacement

• Key project risks undertaken by I-4 Mobility Partners:
  • Design and construction (*more than 500 designers working in peak*)
  • Coordination with utility owners (*1,000 utility conflicts with the project*)
  • FHWA re-evaluation for additional scope items
  • Changes in costs (*I-4 Mobility Partners had the lowest design and construction cost bid, with the highest bid being about a billion more*)
P3 Lessons Learned

• Each project is unique
• A properly structured deal can be financed, even in the toughest of markets (flexibility is key)
• Compare delivery options and evaluate cost effectiveness or value for money early in the process
• Secure government and community stakeholders’ support
• Secure outside experts with P3 experience, build internal expertise across projects
• Be transparent, have an interactive process
Public-Private Partnerships Deliver Value to Florida

• Projects advanced by years or decades while still delivering other high priority projects throughout the state
• Relieve congestion in heavily populated areas in Florida
• Additional incentives in P3s to deliver on time/on budget
• Concessionaire, FDOT and federal partners work together to deliver transportation infrastructure solution in efficient, cost effective manner
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