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**Public Private Partnerships:
An Overview**
July 12, 2013

Presentation Outline

- What is a Public Private Partnership (P3)?
- P3 Responsibility Spectrum & Development
- Overview of Louisville Bridges
- Select Kentucky P3 Projects
- Other P3 Activity
- Why Consider a P3 or Similar Delivery Model?
- Potential P3 Projects in Kentucky
- Summary
- Q&A

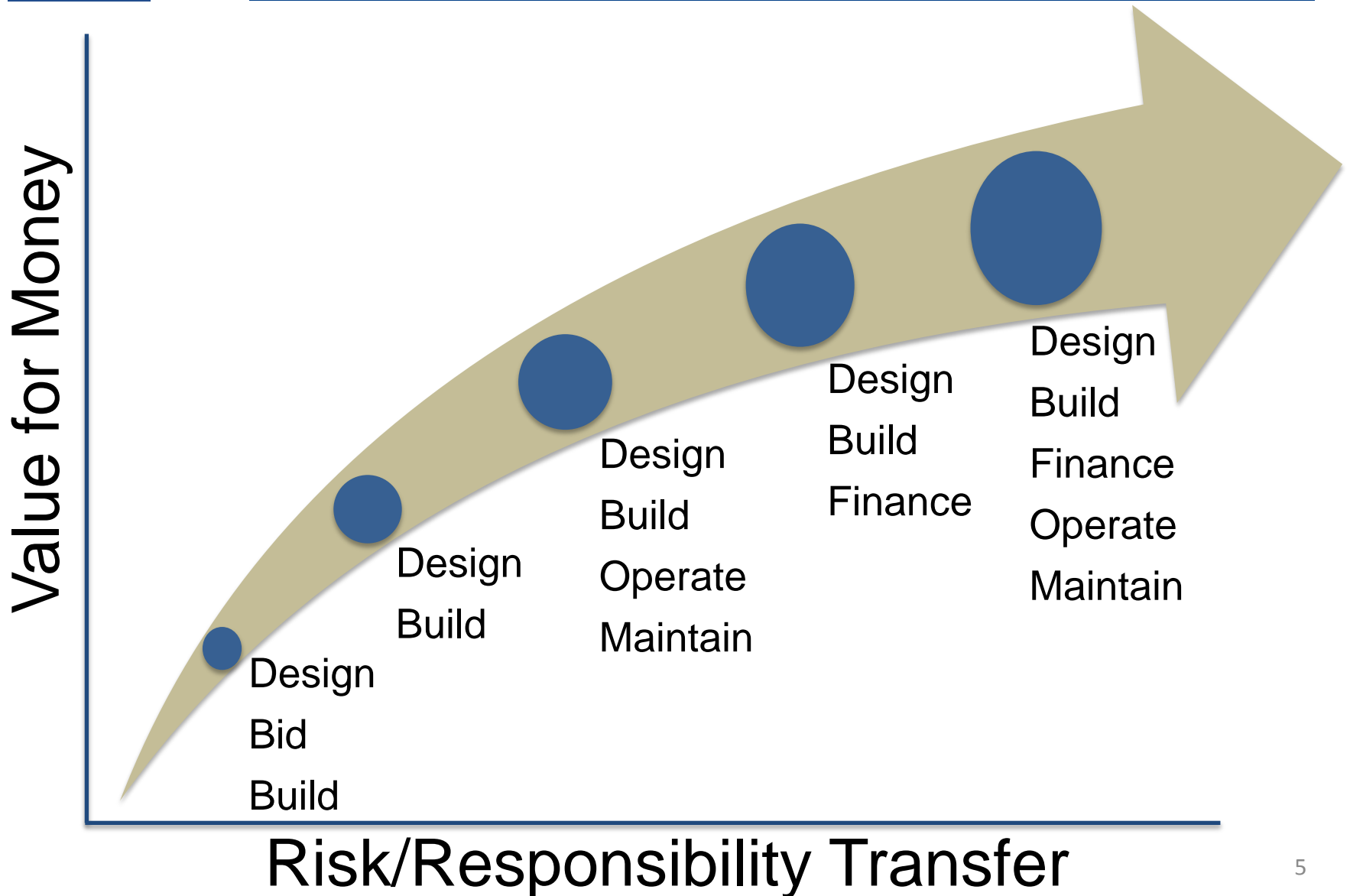
What is a Public Private Partnership?

- P3s can take many forms depending upon policy objectives.
- Typically a P3 is a contractual arrangement between a governmental entity and a private enterprise to make new or refurbished public infrastructure available to the community.
- P3 arrangements often involve the transfer of certain risks, e.g. completion risk.
- P3 is NOT the sale of an asset to the private sector.

Major Project Development

1. Establish Public Policy Objectives
2. Evaluate Public Resources
 - Federal Infrastructure Grants or Bank Financing
 - State/Local Appropriations & Oversight
 - Funding Gaps
3. Consider Various Project Delivery Methods
4. Develop Strategic Plan
5. Competitive Bid Process
6. Define Contractual Responsibilities & Risks
 - Funding/Environmental/Completion/Revenue
7. Ensure Accountability/ Transparency

P3 Alternatives: Value v. Risk/Responsibility



Risk/Responsibility Matrix

Delivery Method

	Design	Construction	Operations	Financing	Revenue
Design - Bid - Build	○	○	○	○	○
Design - Build	◆	◆	○	○	○
Design-Build-Operate-Maintain	◆	◆	◆	○	○
Design-Build-Finance (Availability)	◆	◆	◆	◆	○
Design-Build-Finance-Operate-Maintain	◆	◆	◆	◆	◆

Public: ○
Private: ◆

A Closer Look: Louisville Southern Indiana Ohio River Bridges

A Bi-State Partnership with two P3 solutions:

- Procurement and project responsibilities split between Kentucky and Indiana
- KYDOT will oversee the \$1.3 billion Downtown Crossing
- INDOT oversee the \$1.2 billion East End Crossing
- Revenue on the two crossings will be shared equally between the states



LSIORB Downtown Crossing

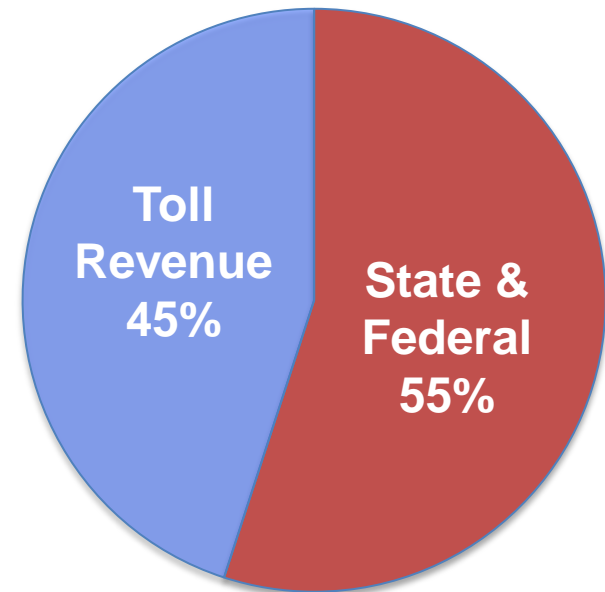
Design Build Project

- Contractor is Walsh Construction
- Scheduled completion December 2016

Funding

- State Federal Highway Funds
- GARVEE Bonds secured by future FHWA payments
- KYTC has applied for low cost Federal TIFIA Loan
- Toll Revenue Bond Structure (Fall 2013)

Source of Funds



LSIORB East End Crossing

Availability Payment Model

- Financing provided by WVB East End Partners utilizing Federal Transportation Private Activity Bond allocation.

Indiana Responsibilities

- Milestone Payments throughout construction when certain project delivery metrics are met through completion (October 31, 2016).
- Annual Availability Payments for making the road available and maintaining certain standards.
- Assumes revenue risk, if the tolls are insufficient to cover scheduled Payments



Select Kentucky P3s

Eastern State Hospital; Lexington, KY	\$129 million	LFUCG UK Health Care Commonwealth of Kentucky	Finance Operate Ownership
UK Student Housing; Lexington, KY	\$500 million Phase I: \$52 million	EdR Collegiate Housing University of Kentucky	Design-build, Operate, Maintain, Finance Provide Customers
Louisville-Southern Indiana Ohio River Bridges; Louisville, KY & Jeffersonville, IN	\$2.6 billion	Commonwealth of Kentucky Walsh Design Build Team	Finance, Operate, and Maintain Downtown Crossing Design-build Downtown Crossing
Owensboro Downtown Placemaking Initiative; Owensboro, KY	\$120 million	Kentucky Tourism Department National Park Service Greater Owensboro Economic Development Corporation Owensboro-Daviess County	Tax incentives Historic preservation federal tax credits Design-build Property tax moratorium; finance

Other US P3 Activity

FHWA Listing: Nationwide P3 Projects*

Design Build	16
Design Build Operate Maintain	3
Design Build Finance	7
Design Build Finance Operate Maintain	16
Availability	4
Toll	8
Concession	4
Total	42

Virginia & Florida P3 Projects

<u>Status</u>	<u>Virginia</u>	<u>Florida</u>
Procurement	1	1
Construction	7	9
Completed	6	5
Total	14	15

Sources: www.dot.state.fl.us
<http://www.vappta.org/>

*Excludes LSIORB & NY Bridge (Tappansee)

Ongoing P3 Projects in Virginia

Office of Transportation Public-Private Partnerships Public-Private Transportation Act Projects



UNDER CONSTRUCTION
Coalfields Expressway

CONSTRUCTED
Regional Traffic Operations Centers (Statewide)

CONSTRUCTED
Route 58

UNDER CONSTRUCTION
Route 58 Tri-County & Laurel Forks

UNDER CONSTRUCTION
US Route 460 Corridor Improvements

UNDER CONSTRUCTION
Midtown Tunnel Downtown Tunnel MLK Extension

UNDER PROCUREMENT
Hampton Roads Bridge Tunnel

UNDER CONSTRUCTION
Dulles Rail

CONSTRUCTED
I-495 Capital Beltway Express Lanes

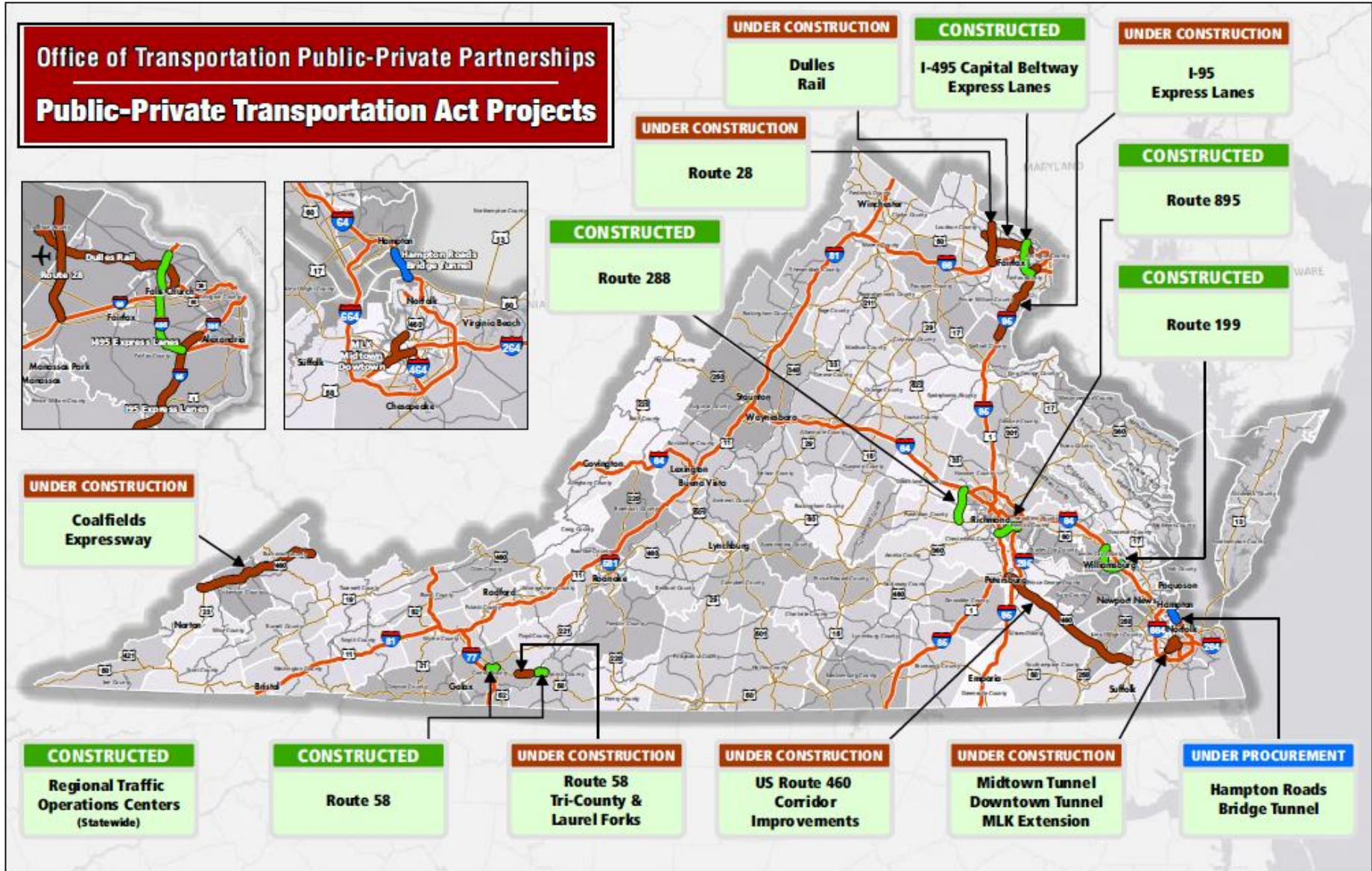
UNDER CONSTRUCTION
I-95 Express Lanes

UNDER CONSTRUCTION
Route 28

CONSTRUCTED
Route 288

CONSTRUCTED
Route 895

CONSTRUCTED
Route 199



Why Consider a P3? - Need

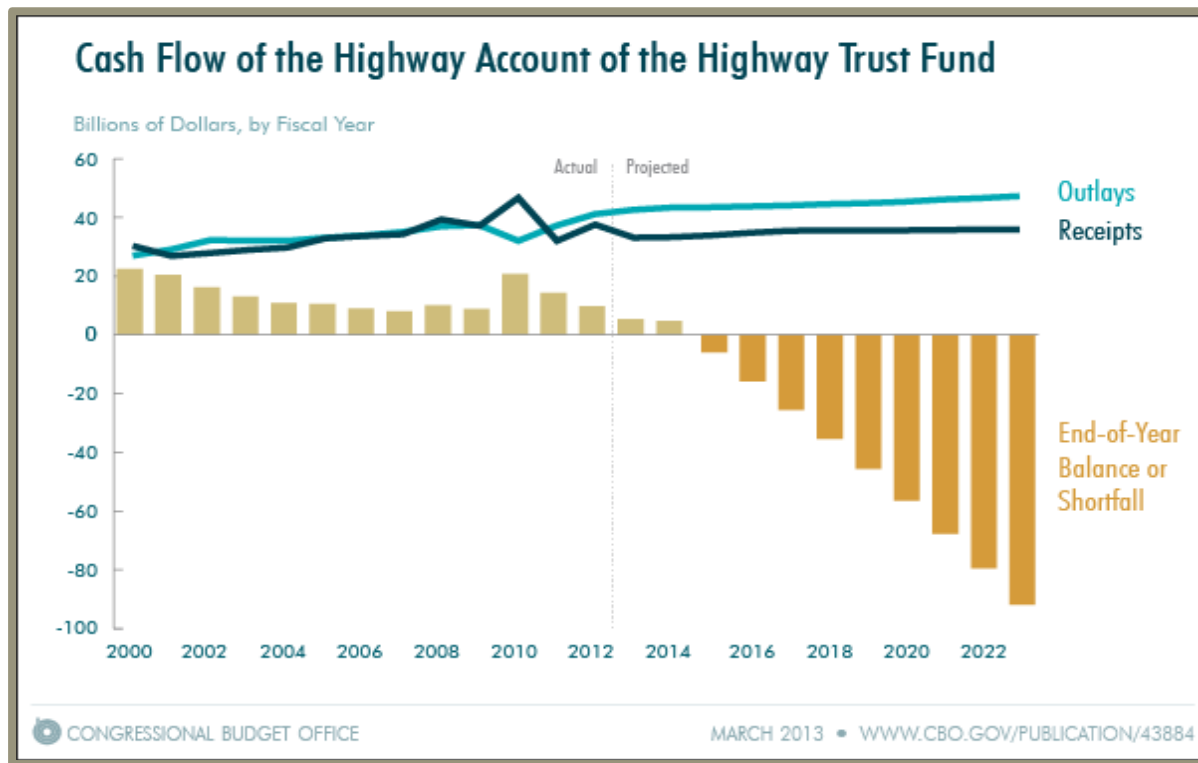
Deteriorating Public Infrastructure

- 25% of 607,380 US bridges are classified as deficient.*

*GAO Report: June 13, 2013

Scarce Public Resources

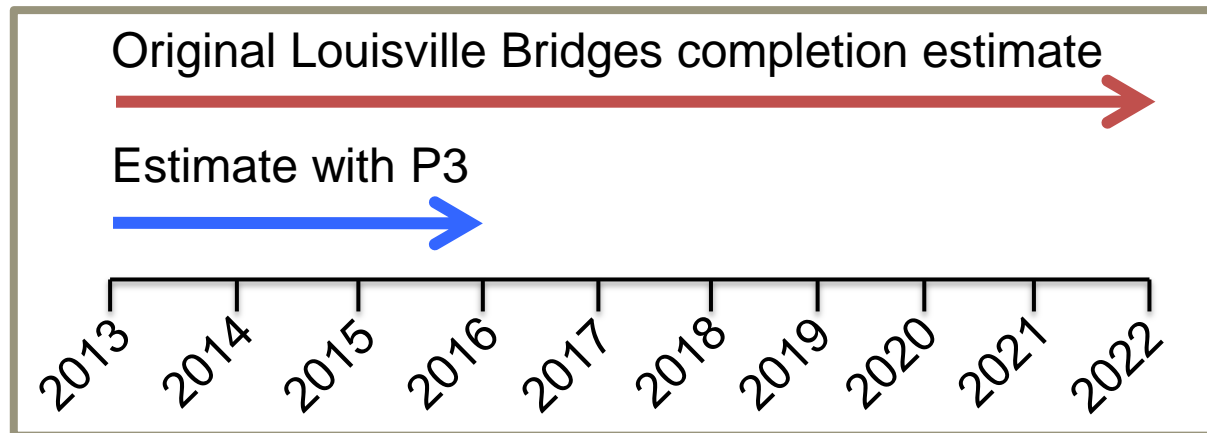
- Federal Sequestration
- State budget cuts
- Competing needs



Why Consider a P3? - Benefits

Accelerated Project Delivery

- Streamlined bid/approval process
- Transfers design and cost overrun risk to contractor
- Often involves completion incentives or penalties to ensure timely delivery

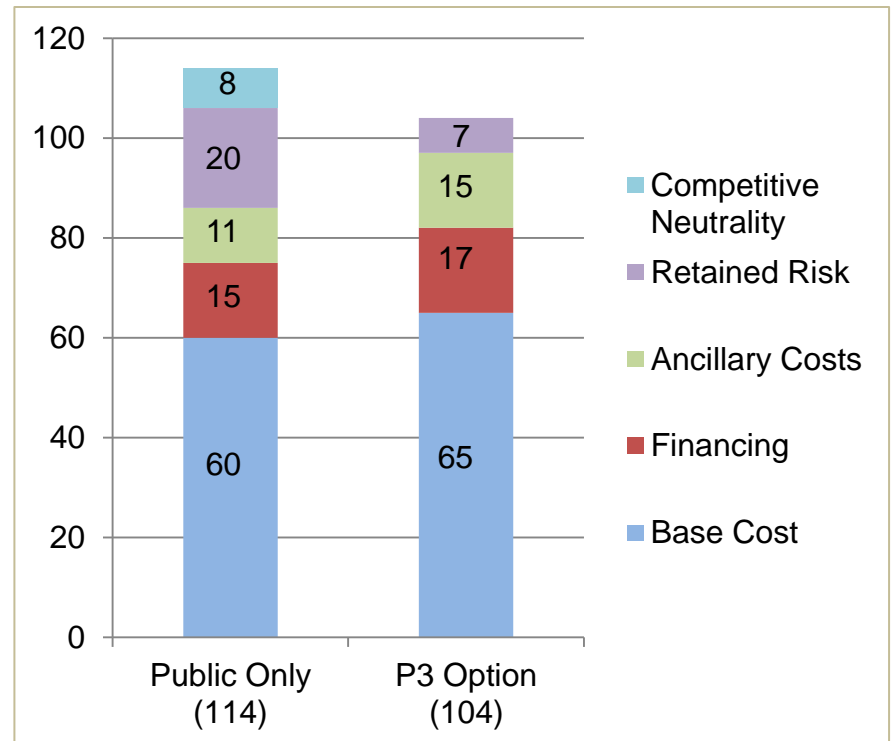


Why Consider a P3? - Benefits

Lower Total Cost

- Increased economic activity
- Public safety or service benefits
- Cost avoidance due to time savings and/or lower maintenance
- The value for money invested is more than the financing cost, whether public or private financing

Public v. P3 Cost Comparison



Source: FHWA "P3 Toolkit"

https://www.fhwa.dot.gov/ipd/p3/toolkit/fact_sheets/factsheet_03_vfm.htm

Potential P3 Projects in Kentucky

- I-75 Bridge (Brent Spence Bridge)
- I-69 Ohio River Bridge near Henderson, KY
- Regional University Housing
- Military Housing Privatization Initiative (MHPI) – Fort Campbell & Fort Knox
- Broadband expansion in rural areas
- Other infrastructure or rehabilitation projects

Summary

- Public Private Partnerships can take many forms and be constructed to meet a variety of public policy objectives, including the amount of risk/responsibility being assumed with a particular aspect of a project.
- While the public ultimately pays the cost of financing a project there are many factors that influence the true cost and value received for the investment.
- Stagnating revenues and competition for infrastructure dollars will require public policy makers to rethink how these critical projects are delivered and paid for.

Questions?

Contact Info

Commonwealth Economics

108 Esplanade

Suite 220

Lexington, KY 40507

Phone: (859) 246-3060

www.CommonwealthEcon.com

Biographies

John R. Farris – Founder & President: Commonwealth Economics, LLC

- Former Secretary of the Finance and Administration Cabinet for the Commonwealth of Kentucky
- Adjunct Professor of Economics and Finance at Centre College in Danville, KY
- Senior Economics Consultant with the World Bank and the International Finance Corporation
- Economist at the Center for Economics Research at the Research Triangle Institute
- Princeton University, Woodrow Wilson School. Master's in Public Affairs, Economics & Finance.
- Centre College, Phi Beta Kappa. Bachelor of Science in Economics and Bachelor of Arts in Philosophy

F. Thomas Howard – Partner & Managing Director: Commonwealth Economics, LLC

- Former Executive Director, Commonwealth of Kentucky's Office of Financial Management
- Municipal Securities Rulemaking Board 2008-2011
- First Security Bank & Trust Company
- Eclipse Capital Management, Inc.
- Past Chair of the State Debt Management Network, an affiliate of the National Association of State Treasurers
- University of Kentucky. Bachelor of Science in Business Administration, concentration in Finance.

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