



**FIRST COAST OUTER BELTWAY**  
**Finance Considerations for a Public-Private Partnership**

Prepared by:



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1. Goal of initial financial review
2. Assumptions
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- Assess financial feasibility of a Design-Build-Finance Operate-Maintain structure for the First Coast Outer Beltway under a range of traffic, revenue and annual operating assumptions

- Turnpike’s traffic and cost projections are based upon traditional methods
- Aggressive scenarios developed to test public-private partnership potential
  - ▶ Aggressive scenarios for discussion only - not reviewed by technical team
  - ▶ Goal is to minimize financial feasibility gap at reasonable toll rates
    - No up-front payments
    - Lower tolls or revenue share?
    - Discounts on bridge for local residents
- Public-private partnership cases assume 3.0% annual toll rate increase
- Toll rate assumptions:
  - ▶ Revenue maximization -                    27¢ (FY 2015\$)                    20¢ (2000\$)
  - ▶ Concession toll rate -                        20¢ (FY 2013\$)                    15¢ (2000\$)
  - ▶ Turnpike -                                        14¢ (FY 2013\$)                    10¢ (2000\$)
  - ▶ Lower rates are better!

## General assumptions

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- Financial model assumes Design-Build-Finance-Operate-Maintain structure
- 60-year concession term including 3 years of construction
  - ▶ Tenor is placeholder, to be evaluated in a future analysis
- Public funds for up-front or deferred payments are not available
  - ▶ Any payment mechanism will require a new revenue source
  - ▶ Aim at this stage is to size gap, if any
- Start of construction is Summer 2009 (FY 2010) and traffic flows July 1, 2012 (FY 2013)
  - ▶ Assumes environmental permitting and right of way acquisition in parallel with procurement process
- Public sector discount rate for deferred payments is 5% – Base Scenario requires deferred payments
  - ▶ Public payments begin when facility opens and escalate at 3% annually

## Cost assumptions

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- Construction cost is \$1.8 billion (in 2007\$) in all cases, escalated at rates applied in FDOT's work program
- Major maintenance costs provided by FDOT and Turnpike (asphalt and concrete resurfacing, bridge inspection, bridge repainting, deck and joint repairs, periodic upkeep) and inflate at 3.0%
- Operation and maintenance costs reflect URS estimates but assume inflation at 3.0% (instead of 3.5% per annum) to reflect a private sector efficiency gain

## Financial assumptions

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- Debt assumptions are general at this stage
- A federal Transportation Infrastructure Finance Innovation Act (TIFIA) loan for 33% of the project cost is assumed to lower the cost of capital
  - ▶ FDOT will make loan request on behalf of all proposers
- Debt is a miniperm loan for construction and initial operations, followed by a 40 to 50-year refinancing
- Debt-to-Equity ratio during construction is 80/20, reduced to 90/10 with the refinancing

## Public-Private Partnership Base Scenario



Input	Value
Traffic in First Year	18,089,000 Gantry Reads
Starting Toll Rate	20¢/mile (FY 2013\$)
Annual Toll Rate Growth	3.0%
Net present value of operating and maintenance, discounted at 5%	\$336,887,000
Net present value of replacements and renewals, discounted at 5%	\$230,844,000

# Public-private partnership sensitivity scenarios



1,000's of 2007\$	Sensitivity Scenarios					
	Base Scenario	A	B	C	D	E
<b>Assumption</b>						
Additional traffic increase in First Year	✓	+ 10%	✓	✓	✓	+ 10%
Additional annual traffic increase	✓	✓	+ 1.50%	✓	✓	+ 1.50%
Annual costs per FDOT <sup>1</sup>	✓	✓	✓	- 15%	✓	- 15%
Toll revenues reflect congestion pricing <sup>2</sup>	✓	✓	✓	✓	+ 20%	+ 20%
<b>Results (in 2007\$)</b>						
Annual deferred support	\$18,900	\$11,000		\$17,400	\$4,800	
Net Present Value of deferred support	\$600,125	\$349,279	<b>Surplus</b>	\$552,496	\$152,413	<b>Surplus</b>

<sup>1</sup> Includes operations, maintenance and major maintenance

<sup>2</sup> 20% increase in gross toll revenue beginning in year 12 of operations due to initiation of congestion pricing

# Public-private partnership break-even scenarios



1,000's of 2007\$	Base Scenario	Break-Even Scenarios <sup>1</sup>				
		A	B	C	D	E
<b><u>Assumption</u></b>						
Additional traffic increase in First Year	✓	5.26%	✓	10.00%	✓	-22.95%
Additional annual traffic increase	✓	✓	+ 0.18%	+0.43%	+0.77%	+ 1.00%
Toll revenues reflect congestion pricing <sup>2</sup>	✓	+ 20%	+ 20%	✓	✓	+ 20%
Annual costs per FDOT <sup>3</sup>	✓	✓	✓	✓	✓	✓
<b><u>Results (in 2007\$)</u></b>						
Annual deferred support		\$18,900				
Net Present Value of deferred support		\$600,125				

<sup>1</sup> All cases assume 20¢/mile toll (FY 2013\$) due to data constraints

<sup>2</sup> 20% increase in gross toll revenue beginning in year 12 of operations due to initiation of congestion pricing

<sup>3</sup> Includes operations, maintenance and major maintenance

## Next steps for FDOT

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- Continue Technical Work Effort
  - ▶ Complete environmental process
  - ▶ Advance surveys and applications for wetlands mitigation / permitting
  - ▶ Map right of way
- Explore options for scope and phasing
  - ▶ Complete full corridor – some interchanges and lane additions may be triggered by traffic to reduce initial capital investment
- Analyze toll policy with updated traffic and revenue estimates
  - ▶ Review local resident discounts on river crossing and identify funding sources

## Next steps for FDOT

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- Financial advisory and legal teams to be engaged
  - ▶ Financial model development
  - ▶ Tenor analysis
  - ▶ Size financial gap, if any – payment mechanism and funding sources
  - ▶ TIFIA allocation
- Obtain industry input on scope and structuring concepts prior to initiating procurement
- Facilitate teaming with local firms and assist with pre-qualification

- Procurement Steps
  - ▶ Issue Request For Qualifications – Fall 2007
  - ▶ Receive Qualifications – Winter 2007
  - ▶ Shortlist
  - ▶ Issue Invitation to Propose to Short-Listed Teams – Spring 2008
  - ▶ Receive Proposals – Winter 2008
  - ▶ Selection – First Quarter 2009
  - ▶ Construction – Summer 2009
  - ▶ Revenue Operation – Summer 2012
  
- 15 – 18 Months Total Process

## Competitive parameters

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- Firm price competition and best value
  - ▶ No Best and Final Offers contemplated at this time
- Design/construction start upon award
- Scope alternatives and phasing potential - to be determined
- If traffic studies prove more positive –
  - ▶ Lower tolls may be emphasized
  - ▶ No up-front payments
- If the gap remains and deferred compensation is necessary –
  - ▶ Availability payment or shadow toll, to be determined
  - ▶ Funding source will be identified in advance

## Contact information

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