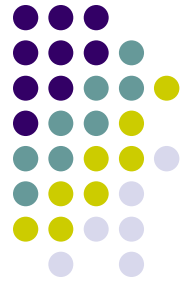


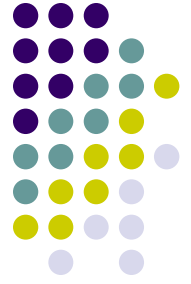
ADOT and Public Private Partnerships - Update



John McGee, Executive Director of Planning and Policy
Gail Lewis, Director, Office of P3 Initiatives and International Affairs
Deb Sydenham, AICP, Deputy Director, Office of P3 Initiatives



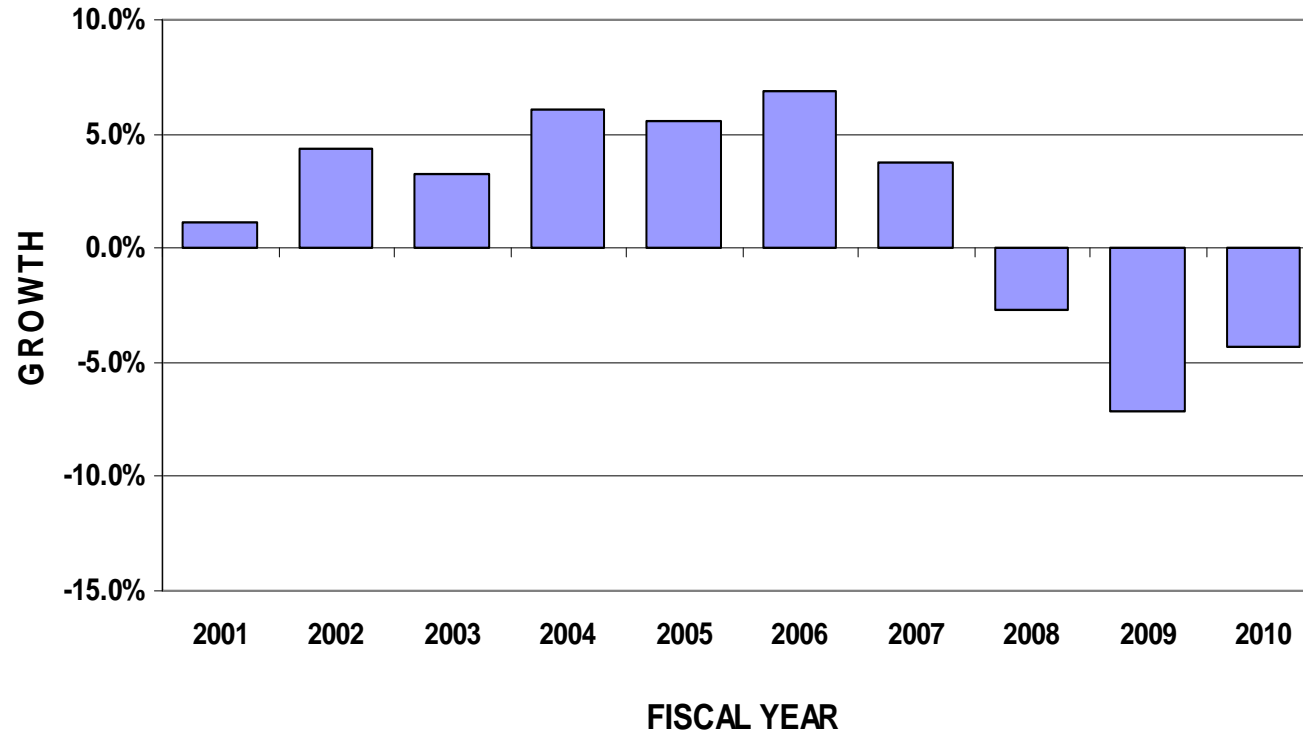
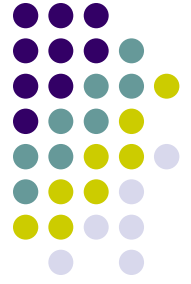
Federal & State Funding Picture – the Perfect Storm



- National and state gas tax collections far below previous years.
- Obama Administration opposed to gas tax increase.
- Second year in a row that the Highway Trust Fund had to be rescued.
- State transportation revenues way down due to reduced gas tax and VLT
- Diversion of funds by the Legislature to shore up the General Fund



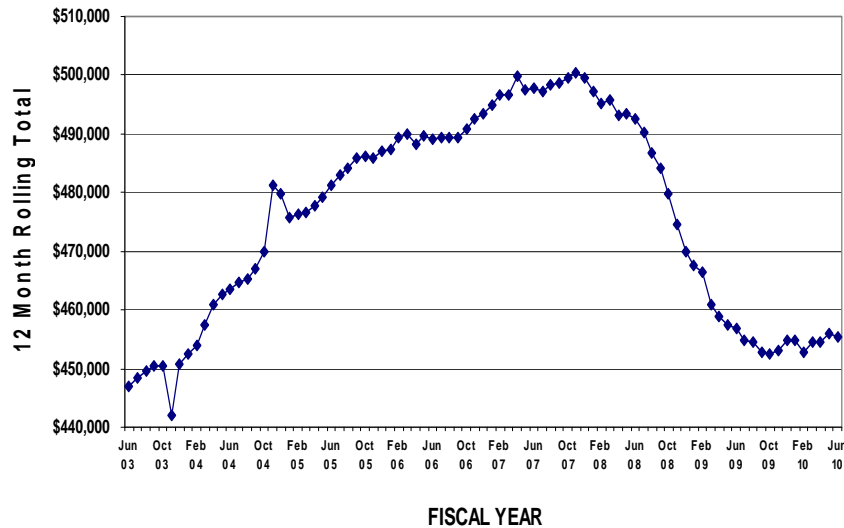
Transportation Revenues Percentage Change by Fiscal Year - HURF



NOTE: FY 2010 through June 2010



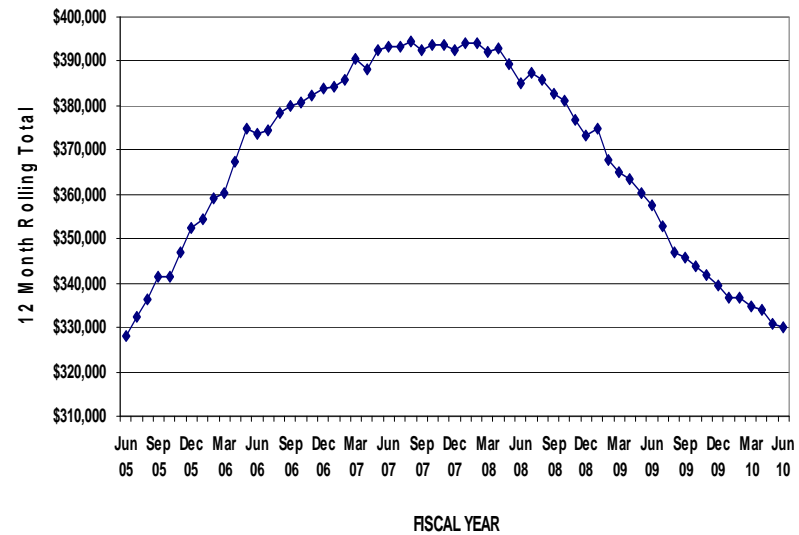
Transportation Revenue Growth 12 Month Moving Average Gas Tax and VLT



GAS TAX

- More fuel efficient vehicles = less gas tax
- Less driving = less gas tax

NOTE: FY 2010 through June 2010

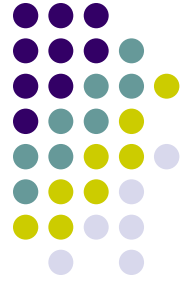


VLT

- More moderately priced vehicles = less VLT

NOTE: FY 2010 through June 2010





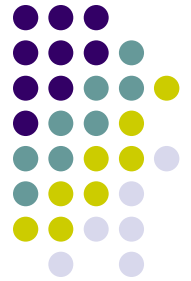
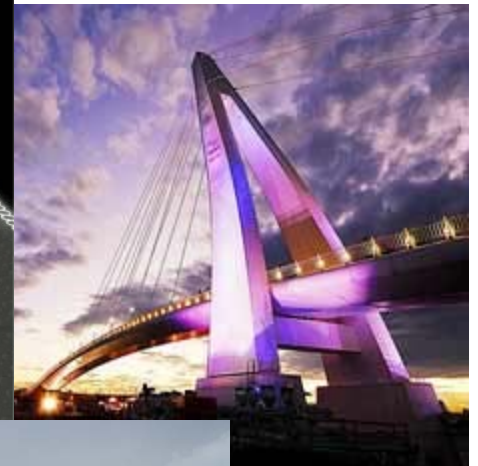
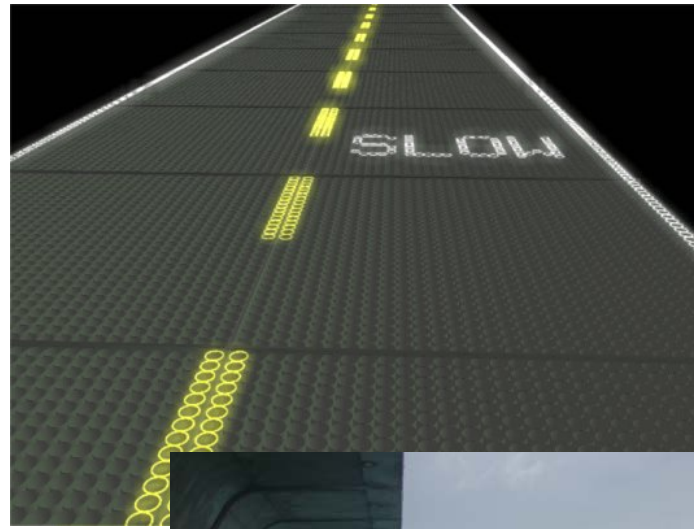
Effects On ADOT Activities

- Little or No New Construction in Greater Arizona
- Reduce, Defer or Eliminate Maintenance
- Reduce or Eliminate ADOT Operations
- Reduce or Eliminate ADOT Service Levels
- Severe Limitations of Bonding Capacity

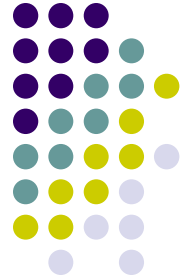


What Are P3s?

Infrastructure project where significant design, construction, financial, and operational risk is transferred from the public sector to the private sector



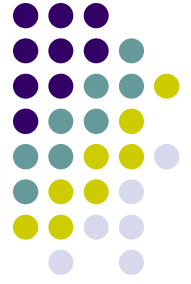
Arizona's Law - 2009



- Third year of attempting to get legislation passed
- Eligibility: enhanced, upgraded or new facilities including roads, rail, transit and rest areas.
- Types of partnerships: design/build all the way to design / build / finance / operate. Very flexible.
- Can use a number of revenue sources as repayment, including revenue bonds, Grant Anticipation Notes, and tolls and fees.
- Allows for ADOT to solicit projects, but also receive unsolicited projects.
- Gives ADOT significant authority to enter into negotiations and agreements.

✓ *Legislation details on P3 website . . .*



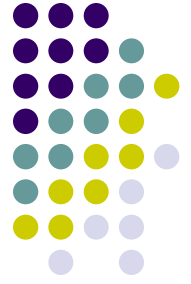


The Perils of P3s

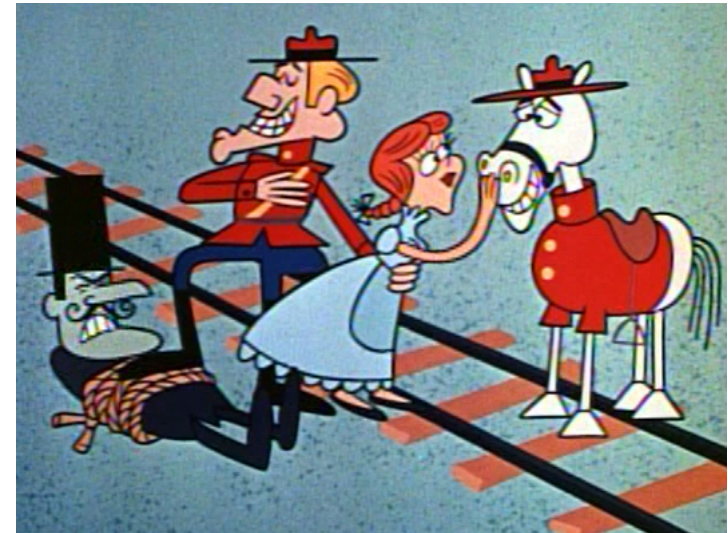
- Public opposition to “selling” public assets
- Inadequate public debate – closed door deals
- Randolph-Sheppard Act
- Uncertainty about existing investment climate
- Extended negotiations with no results
- Opposition to tolls:
 - Public
 - Trucking companies

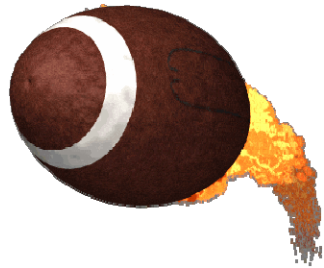


ADOT's P3 Principles

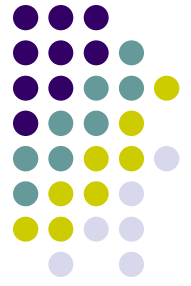


- Develop a program based on national Best Practices
- Develop a transparent process for the evaluation and implementation of P3 projects
- Integrate P3 projects into statewide transportation plans
- Use P3 projects to better leverage the State's limited resources
- Create P3 projects that are financially viable over the long-term
- Create P3 projects that will enhance mobility and improve safety





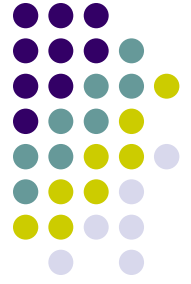
P3 Program Framework



- Very complex and outside normal course of ADOT business
- Take advantage of being relative late-comers by using best approaches proven by others
- Coach, quarterback and team



P3 Program Foundation



- Consultant assisted in development of:
 - Articulating ADOT's primary objectives in using public private partnerships (P3s).
 - Developing RFPs for long term advisory services in finance, legal affairs, engineering, and communications.
 - Rules, policies and procedures that ADOT will need to implement the law (project procurement, for example).



- Developing a website to inform the public and potential private partners of P3 program progress.
- Internal ADOT resources and expertise necessary to manage P3 projects.

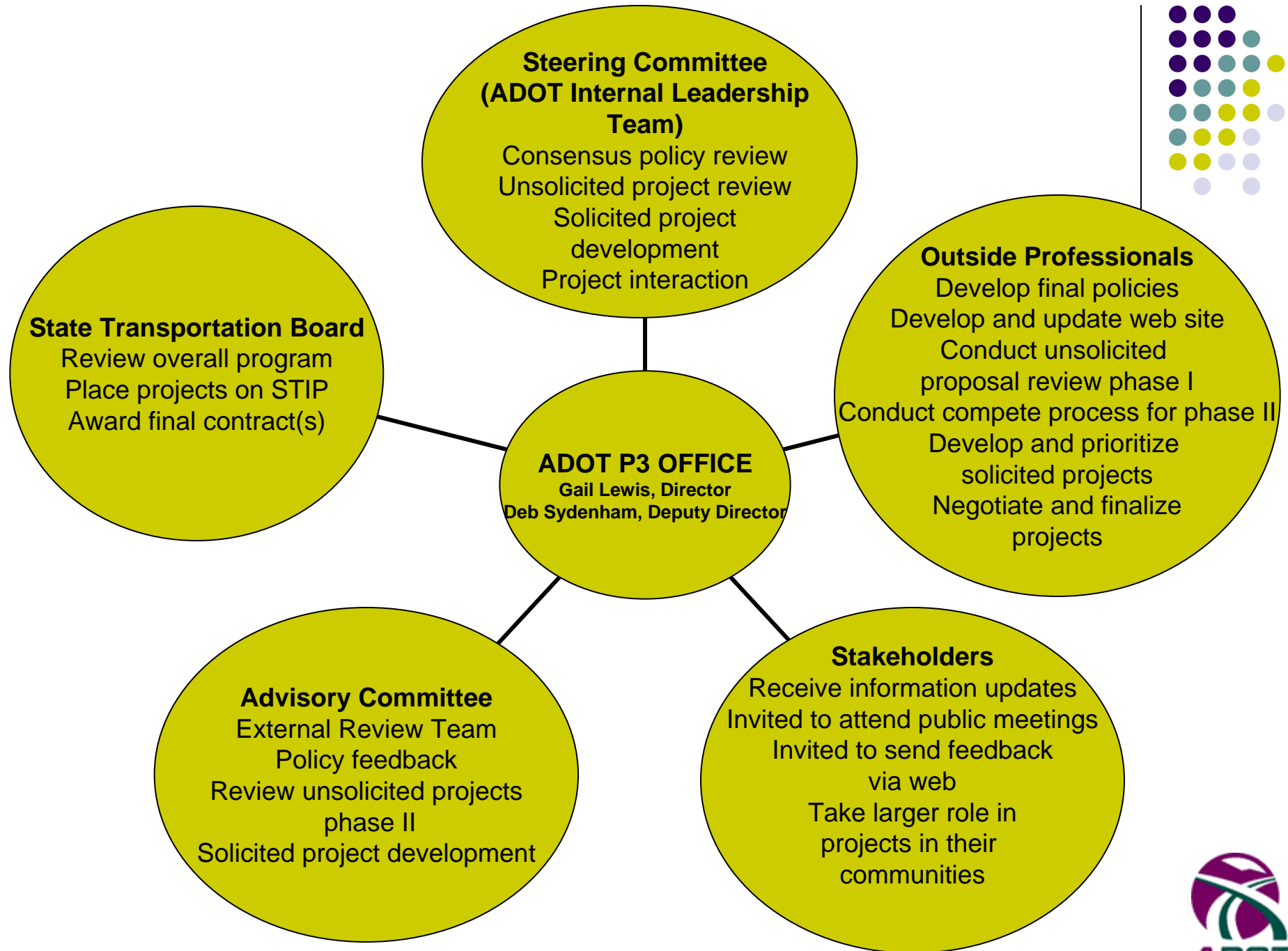
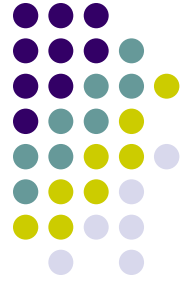


Current Efforts



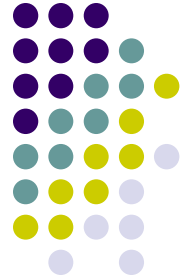
- Program Managers actively engaged – HDR and Jacobs. Hired Nossaman as P3 legal advisor and PFM as P3 financial advisor. Will also hire a technical/engineering advisor.
- Consultations with COGs, MPOs, local governments, developers, etc.
- Developing screening criteria for a combination of solicited projects put forward by ADOT and unsolicited projects from private partners.
- Interested in exploring P3s for rest areas, maintenance and exploring renewables / solar aspects of each.
- Interested in exploring P3s for other modes of transportation (rail, transit). If successful in transportation, will be of interest for other government services (water, vertical construction, facilities, etc.).







Solicited Proposals

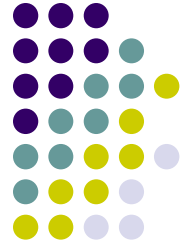


- ADOT consultant team prepares initial list of criteria with input from planning partners
- ADOT and COGs/MPOs apply criteria to existing projects, plans and future needs (including maintenance and related facilities such as rest areas, transit, rail, freight needs)
- Consultant team reviews lists with the Steering Committee and Advisory Committee
- Stakeholder and public input is solicited
- Time passes....
- Competitive procurement process is established by consultant team
- Competitive procurement is sought
- Board awards final contract



P₃

Unsolicited Projects



- Phase I: Pass/Fail
- Phase II: Initial Evaluation
- Phase III: Final Evaluation
- ADOT controls the process, it doesn't control us
- ADOT will charge administrative fees adequate to cover our costs – initial fee will be \$15,000
- “Unsolicited” doesn't mean “undiscussed”!
- ADOT will be an enabler of good projects, not a cheerleader for bad ones



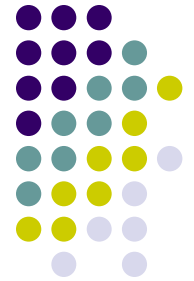
P3 Outreach



- Adding web content regularly.
[www.azdot.gov/Highways/Projects/Public Private Partnerships](http://www.azdot.gov/Highways/Projects/Public_Private_Partnerships)
- Preliminary site is live on ADOT's site with the following information:
 - Guiding Principles
 - Bill Overview
 - Process
 - Projects
 - Resources
 - this presentation
 - program information sheet
 - articles, links, etc.
 - FAQs

Coming soon:
Stakeholder outreach
with email address and
blast email capability
P3Office@azdot.gov





P₃ In Conclusion...

- Failure could result in P3 capital moving away from Arizona.
- P3s are a long-term funding strategy, not an immediate solution.
- P3s are not THE answer, but another tool in our transportation funding toolbox.
- We only have one chance to do it right, but one hundred chances to do it wrong – success is the goal!





P₃ Take Aways



- Transparency
- Long-term financial viability
- Let's do it right, not necessarily fast
- Multimodal and maintenance
- NOT just toll roads