

2ND ANNUAL POLICY ORIENTATION FOR THE TEXAS LEGISLATURE

“CONTAINING CONGESTION”

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WHY?

- Needs Greater Than Resources
- Attract New Capital
- Streamline Processes
- Reduce Time and/or Cost
- Economic Opportunities



VIRGINIA DULLES GREENWAY

- Virginia Highway Act of 1988
- Regulated Utility Model
- Project Specific “Greenfield” Toll Road
- Private Road/Development of Adjacent Land



VIRGINIA

- New Legislation - 1994/1995
- Solicited/Unsolicited Proposals
- All Modes of Transportation
- Operations, Maintenance & Capital Projects



POCAHONTAS PARKWAY

- I-895 Connector
- New 8.8-mile Toll Road
- Cost = \$324 million
- Design-Build-Finance Contract
- Financing:
 - \$297 million in tax exempt revenue bonds sold by 63-20 corporation
 - \$9 million in federal funds for design costs
 - \$18 million in SIB loans



VMS INTERSTATE MAINTENANCE



- Performance Based Asset Management Maintenance Contract
- \$132.6M Fixed Price Maintenance for 251 Miles of Interstate
- Savings Estimated: \$16-23M



ROUTE 288

- VDOT Budget: \$283M
- Contract: \$236M
- VDOT Completion: 2006
- Contract Completion: 2003
- Pavement
Warranty/Performance
Contract
- Estimated Maintenance
Savings: \$6-11M



THE SECOND WAVE

- More Projects
- Greater Use of 63-20 Not for Profit Corporations
- Maintenance and Asset Management Contracts
- Joint Development Agreements
- Tax Increment Finance
- Design-Build and Alternative Procurement



OBSERVATIONS

- Infrastructure Demand
- Shrinking Budgets
- Public-Private Partnerships Where Appropriate
- Each Public-Private Partnership Unique



FAILURE TO COMMUNICATE

“We Don’t Speak the Same Language”

- **“Business Speak”**
 - **Customer Satisfaction**
 - **ROI**
 - **Risk/Reward Evaluation**
- **“Public Speak”**
 - **Responsibility**
 - **Accountability**
 - **Risk Avoidance**



PRIVATE SECTOR STRENGTHS

The Result of Market Competition

- Management Efficiency
- Newer Technologies
- Workplace Efficiencies
- Cash Flow Management
- Personnel Development
- Shared Resources (Money?)



PUBLIC SECTOR STRENGTHS

- Legal Authority
- Protection of Procurement Policies
- Broad Prospective/Balance the Competing Goals to Meet Public Needs
- Personnel - Dedicated but Constrained
- Capital Resources & Underutilized Assets



SUCCESSFUL PARTNERSHIPS

The Secret is to Balance the Strengths of Both Sides



ADVANTAGES OF PPPS

- Maximizes the Use of Each Sector's Strength
- Reduced Development Risk
- Reduced Public Capital Investment
- Mobilizes Excess or Underutilized Assets
- Improved Efficiencies/Quicker Completion



RECRUITING THE PRIVATE SECTOR

What will bring them to the table?

Remember:

- Development costs = \$500K - \$2.5M
- Risks are higher than a traditional DBB



THE PRIVATE SECTOR'S CRITERIA

- A genuine pressing need - does the public really want this project?
- Enabling legislation in place?
- Reasonable development timeframe?
- Financially feasible (public, user fees, etc.)?
- Unsolicited proposal authority with set timeframes?



THE PRIVATE SECTOR'S CRITERIA

- Manageable and Shared Risks
 - Political Climate
 - Public Sector Procurement Path
 - Market Evaluation
 - Environmental Evaluation
 - Solid Partnership Philosophy



KEYS TO LEADERSHIP

- Statutory and Political Leadership
- Organizational Structure
- Detail Business Plan
- Stakeholder Support
- Pick Your Partner Carefully



MANAGING FOR SUCCESS

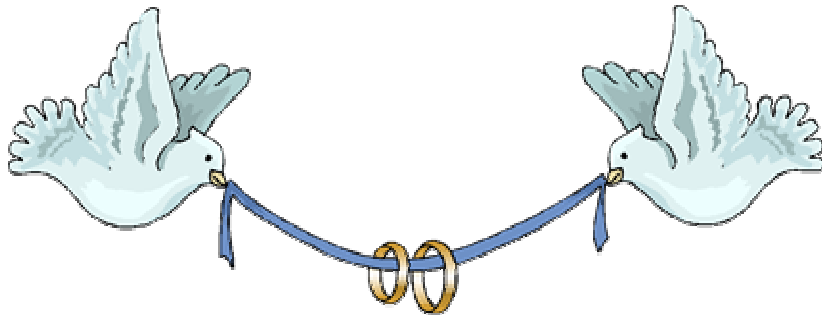
DOT

Pick your partner
carefully.

This is a Marriage.

Legislation

Stay the Course!



FHWA ADMINISTRATOR MARY PETERS

I want to be clear about where the Bush Administration stands, where U.S. DOT and Secretary Mineta stand, and where FHWA stands. We are for public-private partnerships. We support them. We want to make them easier -- much easier -- to do. Despite notable successes....public-private partnerships are still viewed by many in transportation as unique and fraught with legal, financial, and administrative hurdles. These hurdles can be overcome. We can lower costs and speed project completion.

Federal Highway Administrator Mary Peters
“Partnerships for Transportation and Real Estate: A Union
Station Anniversary”, Washington, DC Workshop



NEED HELP?

WWW.NCPPPP.ORG

Case Studies, Fundamentals of Partnerships,
Issue Papers, Publications, Resources

The National Council for Public-Private Partnerships

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