

## Bundling Small to Mid-Size P3s Webinar: Q & A



### Submitted Questions Not Answered During Webinar Q&A

**Question:** How have state policies or dedicated offices focused on innovation helped in the development and implementation of P3s?

**Answer:** (Anthony Buckley) For the State of Washington our innovations office (housed within the transportation agency) has been successful in helping the legislature understand P3s *are not just for highway/tolling projects*. As we look to advance the conversation and legal authorities allowing for P3s, our legislature is interested in the potential benefits of using P3s for the construction of marine terminals, office buildings, park and rides, etc.

**Question:** Is there concern that P3s allow states to avoid procurement laws that promote employing local, small or minority contractors?

**Answer:** (Anthony Buckley) Great question! As we see increased interest and use of P3s there is a growing concern regarding the representation of small, women owned and minority contractors. The Association for the Improvement of American Infrastructure (AIAI) is developing materials (guidelines/best practices) to help states better understand the issues and ensure these contractors are considered/included in P3 deals. Specifically, AIAI is concerned these firms are not receiving adequate consideration in the long-term operations and maintenance contracts.

(Joe Gurinko) The experience in PA is quite the opposite. The two largest P3 projects (CNG Fueling Stations and the Rapid Bridge Replacement projects) are statewide in scope and both use local contractors for much of the work. As new P3 projects are developed, a disadvantaged business goal is developed following standard procurement rules AND through discussions with PennDOT's Bureau of Equal Opportunity. PennDOT has also contracted with the Diverse Business Supportive Services Center housed at Cheyney University to ensure that the Diverse Business community is aware of P3 project opportunities.

**Question:** For the Michigan Freeway Lighting Project, what is the state's source of funding for repayment of the capital and for O&M portions of the contract?

**Answer:** (Greg Losch) The capital cost includes Federal participation with some state funding. The O&M portion is state funded by state appropriated transportation funds from MDOT's fiscal budget. The upfront due diligence and financial analyses allowed MDOT to evaluate multiple scenarios with the intent that we wanted to try to size our availability payment to our current budget that was allocated to freeway lighting. This was one of the main reasons we included the milestone payments, which helped offset the costs of financing.

**Question:** How will the private sector benefit from participating in the Freeway Lighting Project?

**Answer:** (Greg Losch) Similar to a bank and a home mortgage, a portion of the project company's availability payment is interest. The project company can also earn additional incentives based on performance and energy savings. Assuming the private sector prepared their bid correctly and they are complying with the contract, they will receive a known payment over a 15 year term. This allows them

to plan and invest in other areas. The private sector also enjoys the same safety and security as a result of the enhanced freeway illumination.

**Question:** Regarding the Pennsylvania CNG Fueling Stations Project, does the structure of the P3 effectively tie the participating agencies to CNG for the 20 year term?

**Answer:** (Joe Gurinko) Yes, intentionally. PennDOT purchases the CNG buses for the transit authorities as part of its traditional bus replacement program. Natural gas is plentiful in PA which in turn makes pricing much more predictable. Of course this has a positive effect on the transit authorities' budgets. CNG is also a cleaner-burning fuel so it has a positive effect on the environment.

**Question:** Are the fees charged by legal and financial consultants required to construct contract documents that properly protect a government entity entering a P3 a barrier to doing smaller P3 projects?

**Answer:** (Anthony Buckley) I think the answer here is somewhat subjective. Certainly legal and financial services are factored into the overall cost of a P3, but these can be mitigated. Bundling (the focus of the webinar) is one of the best ways to spread these costs over multiple, like projects. States with a growing portfolio of projects should retain a P3 advisor and legal counsel – some legal and financial firms currently advising states on bond matters have expanded their service offerings to include P3 advisory work. These retained firms are then available to consult on multiple projects the state may be considering for P3.

**Question:** Are Washington State's electric vehicle charging stations free? Are there any plans to charge a fee based on variable cost of electricity?

**Answer:** (Tonia Buell) Electric vehicle drivers pay a fee to use the charging equipment. The charging service providers set the amounts and offer multiple payment options such as pay-per-use (\$7-\$10) and monthly subscriptions (\$20 and up). Drivers have several payment options such as RFID/smart cards, mobile apps, and credit cards. Some car dealerships include two years of free charging on any major network with the purchase or lease of an electric vehicle.

**Question:** Are any of the panelists familiar with a parking structure P3 and could they give any examples?

**Answer:** (Joe Gurinko) While not yet fully procured, PennDOT's P3 Office is working on a project in which the development entity would provide parking for a minimum of 400 spaces and then operate and maintain that facility and/or provide transit-oriented development at the Middletown station along AMTRAK's Keystone Line (Philadelphia to Harrisburg). With respect to parking, the development entity would have the option to expand surface parking or build a parking structure, depending on market viability and land availability.

(Anthony Buckley) Many of the parking facilities operated by the Washington Department of Transportation are typically public-public arrangements where we contract with local government entities (transit) providers for the operation and maintenance of the facility. In the presentation we mentioned the Kingsgate park and ride, this pilot project (if authorized) is likely to be constructed as a P3.

**Question:** Has anyone looked at using P3s for basic infrastructure needs such as bridges?

**Answer:** (Joe Gurinko) PA has experience with two bridge projects, one very large and one small. The very large project is the Rapid Bridge Replacement (RBR) project, which replaces 558 structurally deficient bridges statewide over a 4-year period. The small project was patterned after the RBR project. Northampton County is replacing/repairing 34 bridges with P3 procurement. Both have goals of accelerating project delivery and taking advantage of economies of scale. Moving forward, the P3 Office at PennDOT is investigating the possibility of P3 procurement for many other types of “basic infrastructure” projects, such as highway maintenance, safety and operations that could take advantage of private sector expertise and innovation.

**Question:** Was transportation centered development an objective of Washington State’s Electric Vehicle Charging network or an ancillary effect?

**Answer:** (Tonia Buell) The primary objective of Washington’s fast charging network is to enable interregional and interstate travel by electric vehicles. Supporting economic and transportation centered development is an added benefit that encourages local communities to get involved. The charging stations are located within a half mile of highway exits at private retail sites or public property where people may want to spend 30 minutes or more such as shopping centers, restaurants, visitor centers, city halls, museums, and convention centers.

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**Question:** How has your agency's approach to P3s changed over time?

**Answer:** (Anthony Buckley) I've been with WSDOT for 2 years, and the conversation around P3s is changing. We have had statutory authorization that let us do P3s in place since 2005, however the state has never executed a P3 (we lovingly refer to the process as the "6 trap doors to no"). Our legislature is warming up to P3s however, especially non-tolling projects.

(Gregory Losch) In Michigan P3s have been rare, and this freeway lighting project has been our most high profile project. Lessons learned from it are being applied for future potential P3 projects.

(Joe Gurinko) Lots of lessons have been learned from P3 projects in Pennsylvania, and there are mostly positive associations with P3 in state. We are currently looking at where the program goes next, and the sky is the limit. It is important to realize that P3s are not a funding source but a procurement strategy, however we see a lot of opportunities, both big and small.

(Tonia Buell) For Washington's EV charging, our original West Coast EV charging network back in 2011-12 had some federal recovery act funding to work directly with private sector, and were able to use \$1 Million to get \$600,000 from the private sector, and made sure the private sector had skin in the game. Now the P3s are more community based, for example in some places the community has rallied around tourism and econ development benefits of having charging stations, creating EV tourism routes, catalyzing the market even more.

**Question:** The theme of this webinar is bundling smaller projects into P3s: is this the best way to get into P3 space?

**Answer:** (Joe Gurinko) PennDOT's Rapid Bridge Replacement was a \$900 Million project, and one county took that project and right-sized it for themselves, using a P3 model to repair 34 bridges. This shows the scalability of P3s. It's probably a good idea to start with smaller, more manageable project and build from there.

(Anthony Buckley) Starting smaller is probably the best way, depending on where your agency is with P3s and how your residents feel.

**Question:** Joe, is there language in your P3 agreement regarding the sales price of fuel to either the public or private sector?

**Answer:** (Joe Gurinko) No, the prices are set depending on local circumstances.

**Question:** Joe, has there been any discussion of the concessionaire receiving any advantage over other CNG retail locations as a result of the partnership?

**Answer:** (Joe Gurinko) No, it is an open market. Trillium has the advantage of exposure and will have 6 stations built as a result of this project, but any supplier is allowed to build fueling stations.

**Question:** Did your agency have sufficient internal resources and expertise to implement the projects, or did you have to rely on consultants?

**Answer:** (Joe Gurinko) We definitely relied on an outside consultant team, for technical, financial, and communications purposes. All of these consultants complement our in-house expertise. For the CNG

project, PennDOT is not an expert at fueling stations but the bureau of public transit was able to pull this together the transit authorities.

(Gregory Losch) Both, we had many in-house experts but also brought in many technical experts.

(Tonia Buell) WSDOT has a wealth of in-house experts across all divisions, which our innovative partnership office worked with. We also worked closely with our regional divisions.

**Question: What are the benefits of using P3 for rural projects?**

**Answer:** (Joe Gurinko) Many! The state leadership made sure that these projects benefitted folks beyond urban areas. The Rapid Bridge Replacement project was almost exclusively rural, and replaced bridges that wouldn't have been fixed for 10-15 years without the P3. The use local labor is also important for these projects, and this benefits local economies.

(Tonia Buell) Our partners in rural eastern Washington noted that without state funding and support they wouldn't have been able to put in EV infrastructure. The business case would otherwise be much more difficult in less-dense rural areas.

(Anthony Buckley) P3s are normally equated to tolls, which are not relevant in rural areas. It is important to note other social infrastructure when thinking about P3 opportunities. In WSDOT, we are looking at P3s for the state's rural ferry system, which could include leasing space to a grocery store or farmers market.

**Question: Have your states developed a process for bundling and evaluating other opportunities?**

**Answer:** (Joe Gurinko) We are developing a screening tool. We are identifying projects that leadership wants to pursue, then going out to district offices to market that PennDOT is looking at doing these types of projects without increasing state funding.