



cutting through complexity

The Portsmouth Bypass

Bringing Innovative
Delivery to Ohio



The Need for Innovative Delivery in Ohio

Gas tax is not enough

\$1.6B shortfall in shovel-ready projects

\$10B need in future project development

Preservation needs continue to grow while gas receipts decline

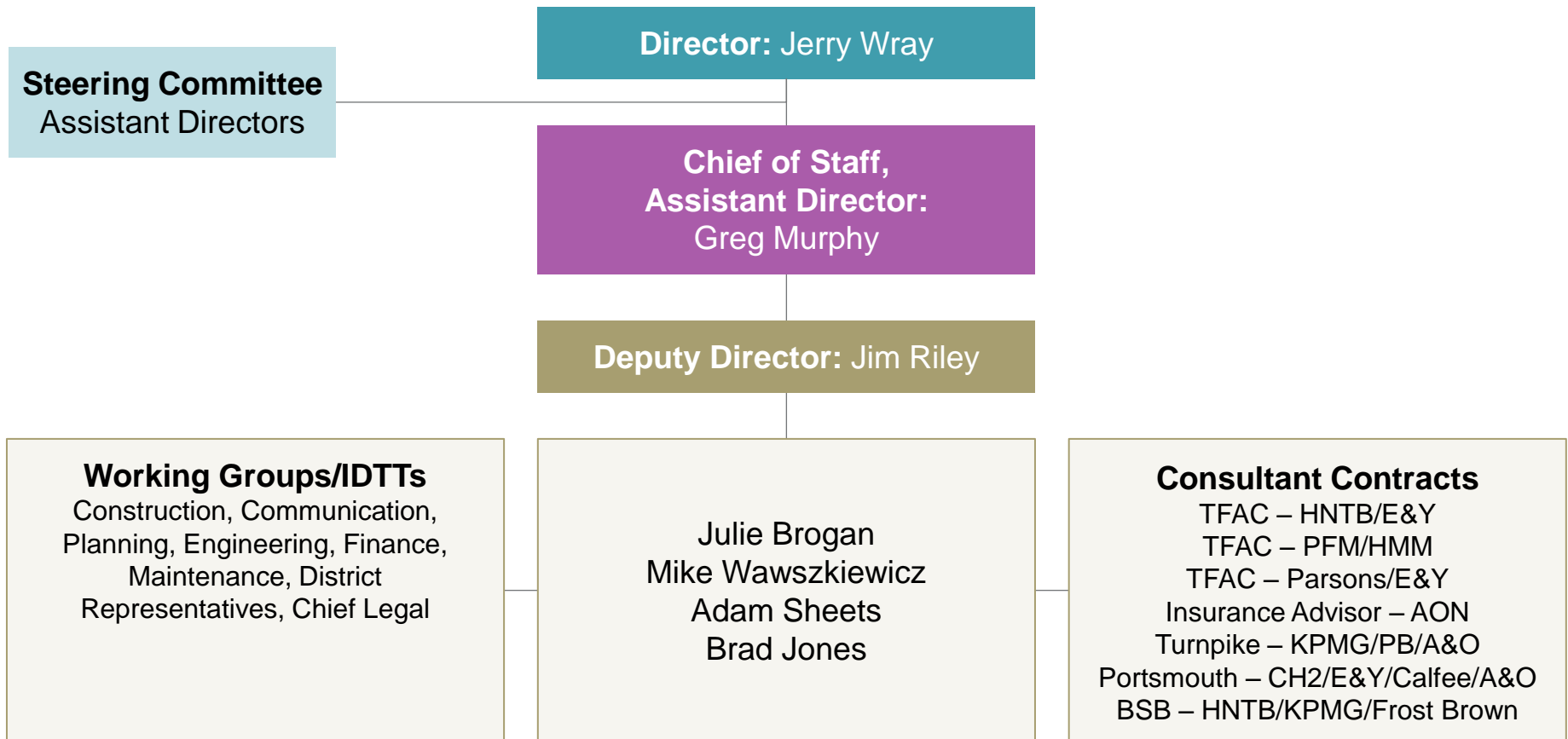
No money for new capacity



Building the Organization

- 2011 P3 legislation

- 2012 Division of Innovative Delivery



Implementing Change – GAS

Generate **A**ccelerate **S**ave

SMART Program – Sponsorship Maintenance Advertising Revenue Targeted Program

OJTP – Ohio Jobs and Transportation Plan

P3's – Public Private Partnerships

SMART I

- Revenue from advertising sales, sponsorships for the 45 Interstate rest area locations
- Selected Travelers Marketing Group
- Target revenue: \$2M/year



SMART II

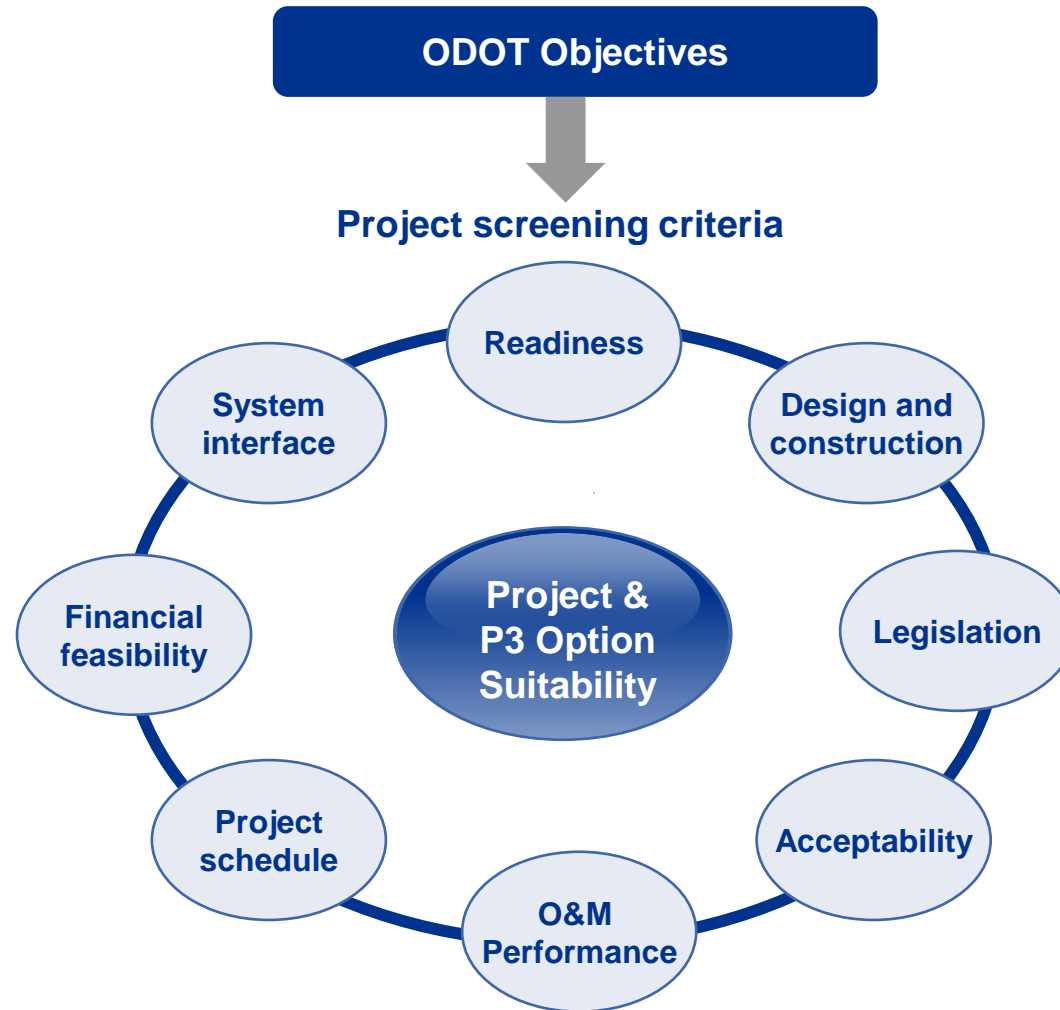
- 511 Program
- Freeway Service Patrol Program
- OHGO
- Traffic Generator Signs
- Bridges
- Interchanges
- Target revenue: \$15M+



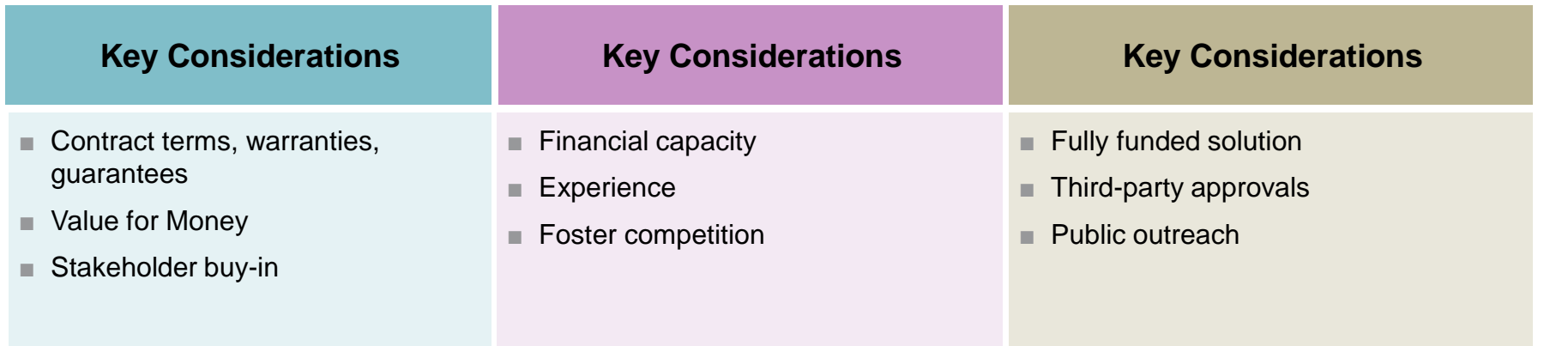
Cleveland Clinic Hospital
NEXT RIGHT



P3 Screening Process – Identifying the Right Candidates



P3 Procurement Process – Develop a Marketable Solution



Its time to step on the GAS

GAS

 **GENERATE**

 **ACCELERATE**

 **SAVE**

SMART 1 Target Revenue **\$1-2M** per year

SMART 2 Target Revenue **\$10M** per year



Goal **\$7M** annual savings
Parts Management Project

12
IN-HOUSE 'STORES' CONSOLIDATED FROM AN ORIGINAL TOTAL OF 88

Portsmouth Bypass, Design-Build-Finance-Operate-Maintain PSB-DBFOM

Project Location

- Rural community in Scioto County
- 90 miles south of Columbus, OH
- 45 miles northwest of Huntington, WV
- Last segment in Ohio Appalachian System
- Originally planned to be built in 3 phases as DBB



PSB-DBFOM: Project Scope

- Missing link in the ADHS connecting Ohio to North Carolina
- 16-mile, 4-lane, limited access highway in Scioto County
- Bypasses 26 miles of US 23 and US 52
- Interchanges at:
 - US52 & SR140
 - TR234 (Shumway Road)
 - CR28 (Lucasville-Minford Road)
 - US23



PSB-DBFOM: Project Scope

Key Characteristics of Reference Design

Significant earthwork:

- ~25M Cubic Yards of excavation, mainly rock
- ~20M Cubic Yards of embankment

21 bridges and 17 retaining walls

- Two horizontally curved bridges over US 23 (north end)
- Long bridge over Little Scioto River with 100' piers

High fill embankments (> 180') and deep culverts (> 170')



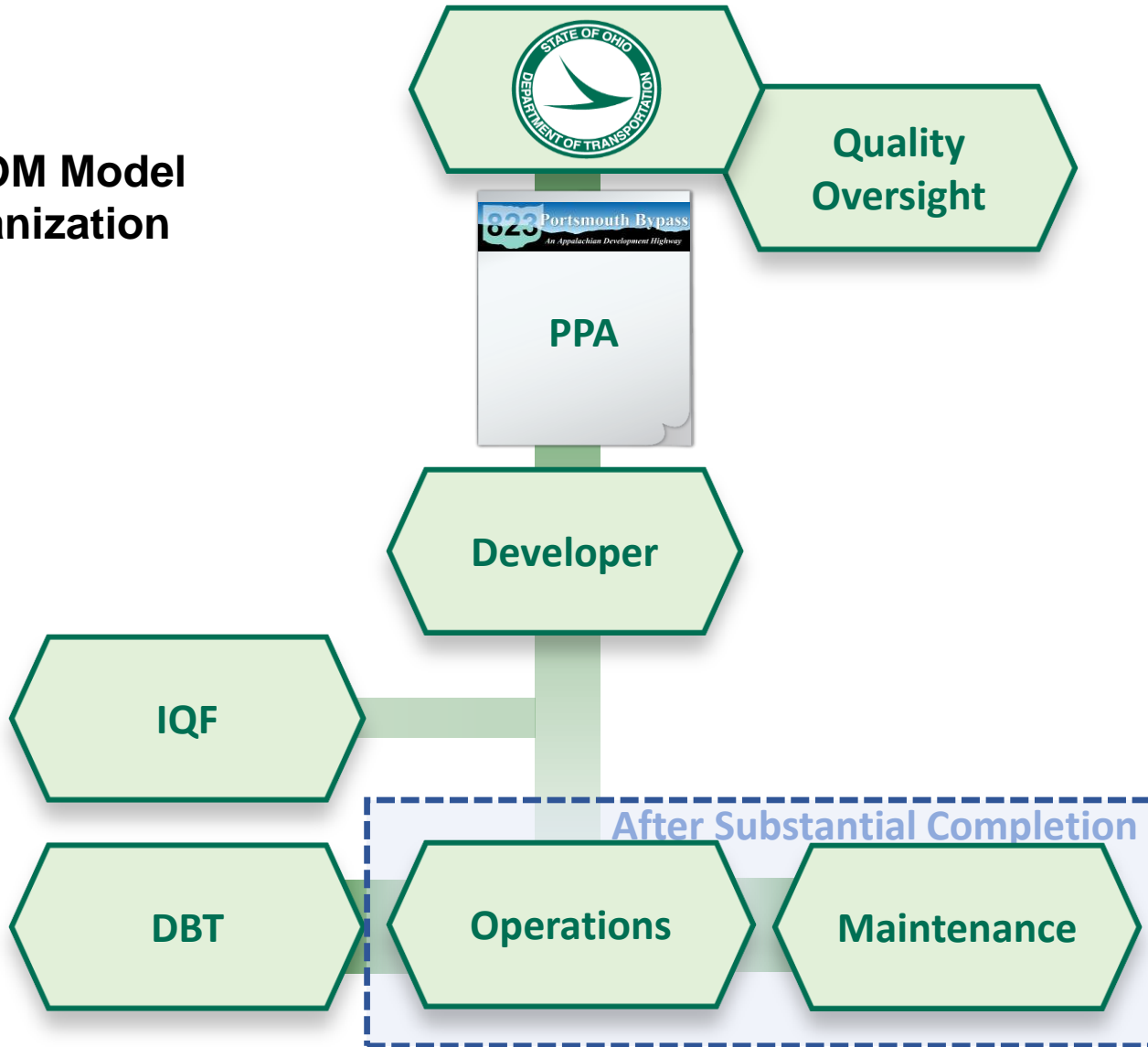
PSB-DBFOM: Why Do It?!

Delivery Options Analysis Findings

- Accelerates the project delivery by eight years
- Delivers the complete project rather than phases with limited utility
- Frees budgetary capacity in the short-term
- Provides similar or lower whole life cost to design-bid-build
- Allows ODOT to pay for the project over a longer period and with TIFIA rural rate included with cost savings
- Enables competitive, firm fixed-price with appropriate risk transfer and de facto long-term warranty of construction
- Generates economies of scale related to construction
- Creates jobs now when construction prices are low

PSB-DBFOM: Public Private Agreement

DBFOM Model Organization



PSB-DBFOM: Technical approach

Design and Construction

Developer must construct Basic Configuration (specified # of lanes and interchanges) at a minimum

Performance based specifications

- Baseline applicable standards established
 - Not prescriptive when possible
- Reduced # of Alternative Technical Concepts due to available flexibility within scope
- Performance-based O&M Scope encourages efficient lifecycle decisions – 35 years
- Failure to meet performance measures results in a Non-Compliance Event which impacts payment to the Developer

Handback

- Establishes requirements for condition of assets at the end of the 35 year Operating Period
- Supported by hand-back reserve, funded 24 months prior to the end of project term

Risk Allocation

Geotechnical Risk

- Full allocation to the Developer
- Significant geotechnical analysis previously completed by the Department provided as Reference Information (not contractual)
- Opportunity for investigations prior to proposal submittal



PSB-DBFOM: Technical approach – O&M

Developer Capital Maintenance Scope

- Pavement resurfacing and reconstruction
- Bridge maintenance and rehabilitation
- Retaining walls, slopes and drainage maintenance

Developer Routine Maintenance Scope

- General cleaning, mowing, minor repairs
- Maintenance of traffic

ODOT retained Routine Maintenance Scope

- Winter maintenance (snow and ice treatment)
- Incident response/emergency management
- Roadway weather information sensors

PSB-DBFOM: Financial approach

Milestone Payments

- ADHS funds to be used - \$44m
- 70%, 80% and Substantial Completion

Availability Payment structure

- In return for the opportunity to earn Availability Payments:
 - Developer will design, build, finance, operate and maintain facility for ~35 years following Substantial Completion
 - Equity investors and debt providers are at-risk if payments are not earned

PSB-DBFOM: Financial approach

Finance sources will ultimately be determined by the Proposer

Potential Finance Sources

- PABs
 - \$610M allocation
- TIFIA
 - 33% of Project Eligible Costs
 - Up to \$230M at TIFIA Rural Rate (~1.7%)
- Developer Equity
- Bank Financing

TIFIA

- Critical to obtaining value for money
- Authorization to use TIFIA rural rate provided significant savings
 - Status of TIFIA rural rate was unknown during Delivery Options Analysis
- Baseline TIFA Term Sheet
 - DOT coordination on behalf of the Proposers

Appropriations Risk

Ohio Constitutional Issues associated with unauthorized debt

- Obligations limited to two-year biennium
- If ODOT did not appropriate, sole remedy was to seek a termination payment
- Obligation to seek appropriation did not survive due to Ohio Constitution

PPA + Lease Approach

- To create a legally enforceable claim, ODOT will provide right of way by lease
- Legally accepted and can extend beyond biennium
- Creates long-term relationship between DOT and Developer
- Provides a legally valid method for paying a termination payment
- Provides Developer a constitutionally valid claim if the termination payment is not paid

PSB-DBFOM: Payment mechanism

Non-compliance Deductions

- Points based system covering compliance, reporting, notification requirements
- \$5,000 (indexed) per point
- Applicable to Construction and Operating Period
- Persistent Breach could lead to default
- Deductions assessed against Substantial Completion Milestone Payment and Availability Payments
- Self-reporting with ODOT oversight
 - Enforced by audit and non-compliance regime

Unavailability Deductions

- Monetary deductions from monthly payments for unavailability/closures of ramps, single and multiple lanes
- Values weighted based on time of day and weekend/weekday
- Indexed according to CPI
- Persistent Breach trigger can be reached through excessive unavailability
- Exemptions for Permitted Closures included

PSB-DBFOM: Schedule



EVENT

Technical Proposals Due

Financial Proposals Due

Selection of Successful Proposer

Financial Close

Anticipated Construction Start

Anticipated Construction Completion



DATE

August 22, 2014

September 19, 2014

October 17, 2014

180 Days after Selection

Spring 2015

2019

PSB-DBFOM: What's Trending

The Portsmouth Gateway Group (PGG) includes the following team members:

- ACS Infrastructure Development, Inc.

- Infrared Capital Partners Limited

- Star America Fund GP

- Dragados, USA, Inc.

- The Beaver Excavating Company

- John R. Jurgensen, Co., Inc.

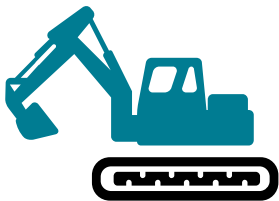
- ms Consultants, Inc.

PSB-DBFOM: What's Trending

The Success of the PSB-DBFOM Procurement

- The contract documents provided a clear description of the requirements and expectations of the Project
- The project scope was based on a performance driven model that encouraged innovation in design, material selection, construction methods and life cycle considerations
- **Savings:**

Design and
construction costs



15%

Maximum availability
payment (MAP)



20+%

Difference among
3 proposers



1.1%

(only 0.2% between 1st & 2nd)



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