RE-ENVISIONING DOYLE DRIVE

PRESIDIO PARKWAY

Doyle Drive
Public-Private Partnership

April 7, 2010

Agenda

P3 for Presidio Parkway
Key Benefits for Project

Evolution of P3s
Development

Business Case for P3
Quantitative & Qualitative

Fit with CTC Guidelines
Presidio Parkway

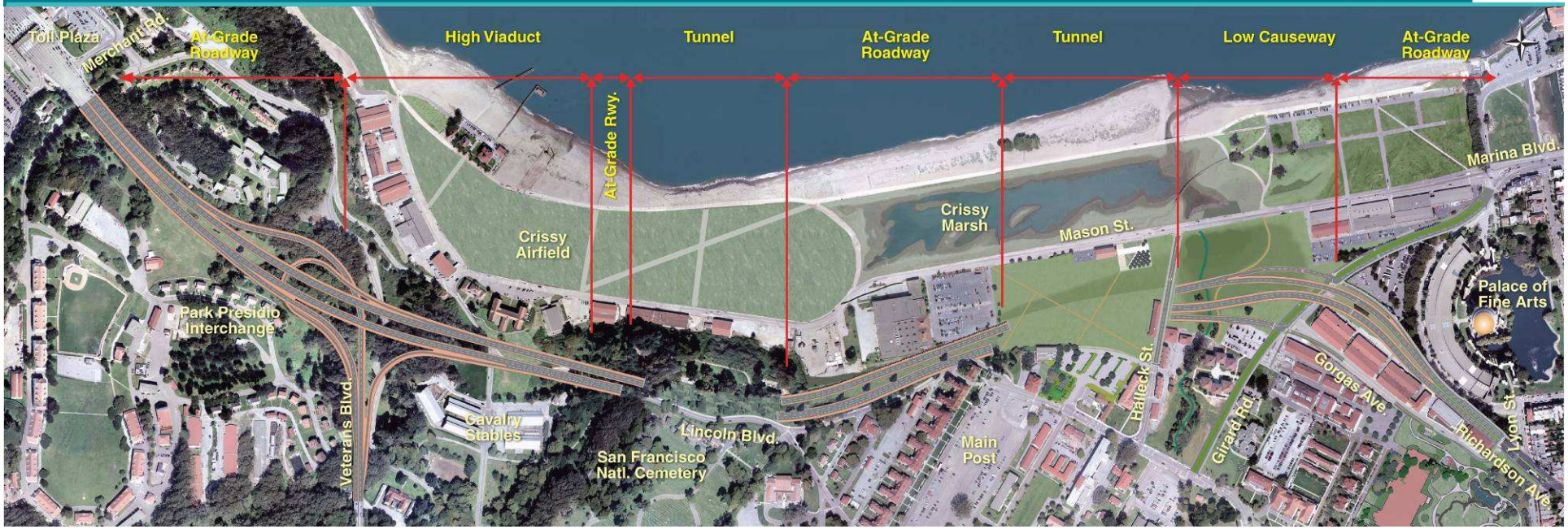
Why Presidio Parkway as a Public Private Partnership (P3)?

- Lower lifecycle cost and better cost certainty
- Better schedule certainty
- Better product; asset guaranteed to be well maintained & operated throughout concession
- Project funding challenges
- State funds freed up now for other projects around the state

Location Map

RE-ENVISIONING DOYLE DRIVE – PRESIDIO PARKWAY

Parkway Design



- Replace deficient facility
- Wide landscaped median
- Continuous shoulders
- Two new tunnels
- New direct access to Presidio

Main Post Tunnel

Existing Condition

Presidio Parkway

Existing Condition

Presidio Parkway

Initial Construction Phase

- Local Ramp Closures
- Traffic Remains on Existing Doyle Drive

2009	2010	2011	2012	2013

1st Weekend Closure – 2011

- Doyle Drive Closed for three day weekend
- Access Between the Golden Gate Bridge and Hwy 1/Park Presidio/19th Avenue Remains Open

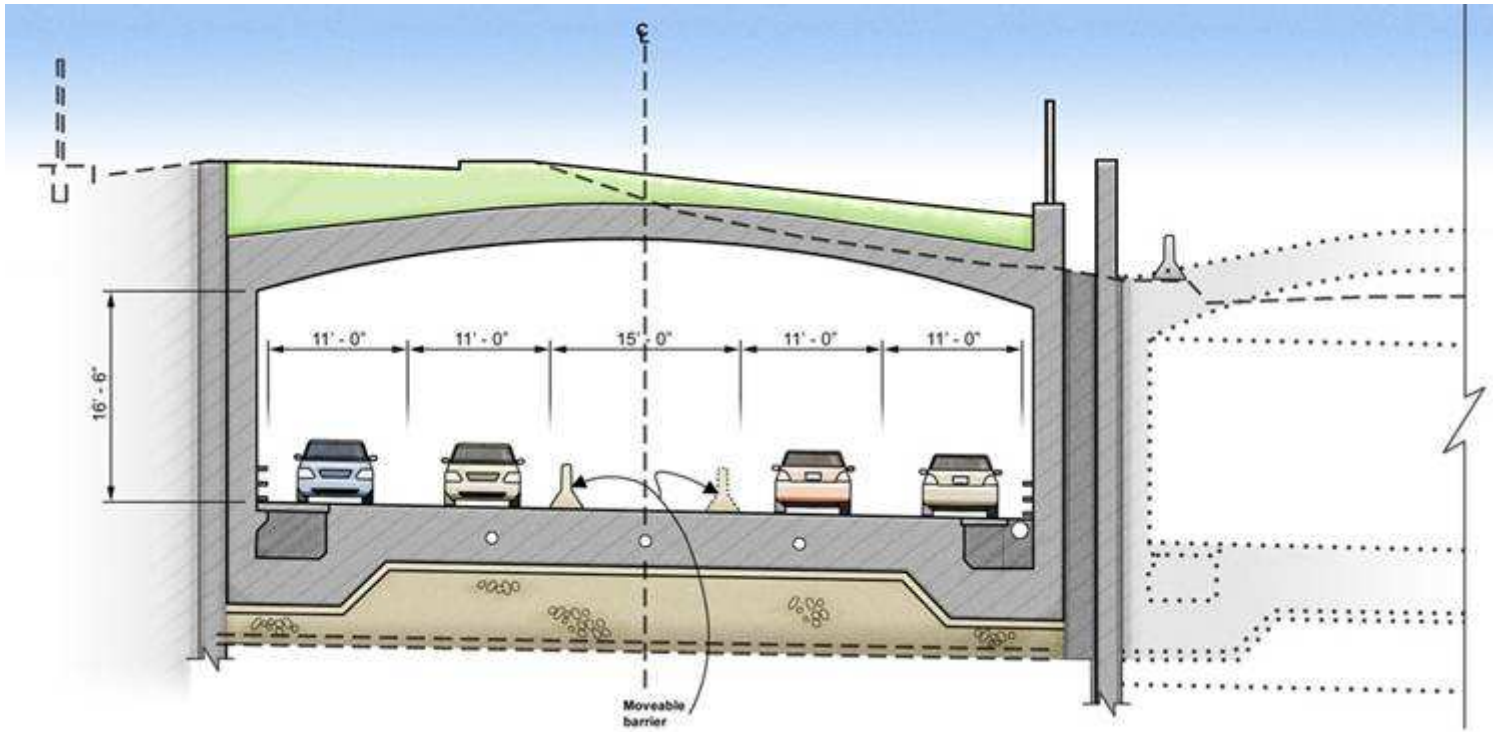
2009	2010	2011	2012	2013
		★		

Traffic on Temporary Bypass 2011-13

- Traffic Travels on Portions of the New Roadway (SB High Viaduct and Battery Tunnel) and a Temporary Bypass

2009	2010	2011	2012	2013

Temporary Bypass Cross Sections



Traffic on Temporary Detour

2nd Weekend Closure – 2013

- Doyle Drive Closed for three day weekend
- Access Between the Golden Gate Bridge and Hwy 1/Park Presidio/19th Avenue Remains Open

2009	2010	2011	2012	2013
				★

Traffic on Final Alignment

2009	2010	2011	2012	2013

Agenda

P3 for Presidio Parkway
Key Benefits for Project

Evolution of P3s
Better legislation for delivery

Business Case for P3
Quantitative & Qualitative

Fit with CTC Guidelines
Presidio Parkway

A New Generation of P3s Under SB4

Previous P3's

- Top down projects
- Ineffective contract administration
- Toll risk

A New Generation of P3s Under SB4

Previous P3's	Presidio Parkway under SBX2 4
Top down projects	Bottom-up approach SFCTA taking central role
Ineffective contract administration	Structure for risk transfer in specs & contract documents
Toll risk	No toll revenue risk

Emerging P3 Pipeline

Level 4

- Level 3 criteria, plus CTC Selection
- Start of procurement

Level 3

- Level 2 criteria, plus completed business case analysis and nominated for CTC selection
- **Presidio Parkway is sole project currently at level 3**

Level 2

- Level 1 criteria, plus signed cooperative agreement and CTC nomination / pre-procurement steps within 12 months

Level 1

- Project has multiple indicators of P3 suitability, 1^{+} agencies actively screening for P3 suitability, and known private sector interest in P3 delivery

Agenda

P3 for Presidio Parkway
Key Benefits for Project

Evolution of P3s
Better legislation for delivery

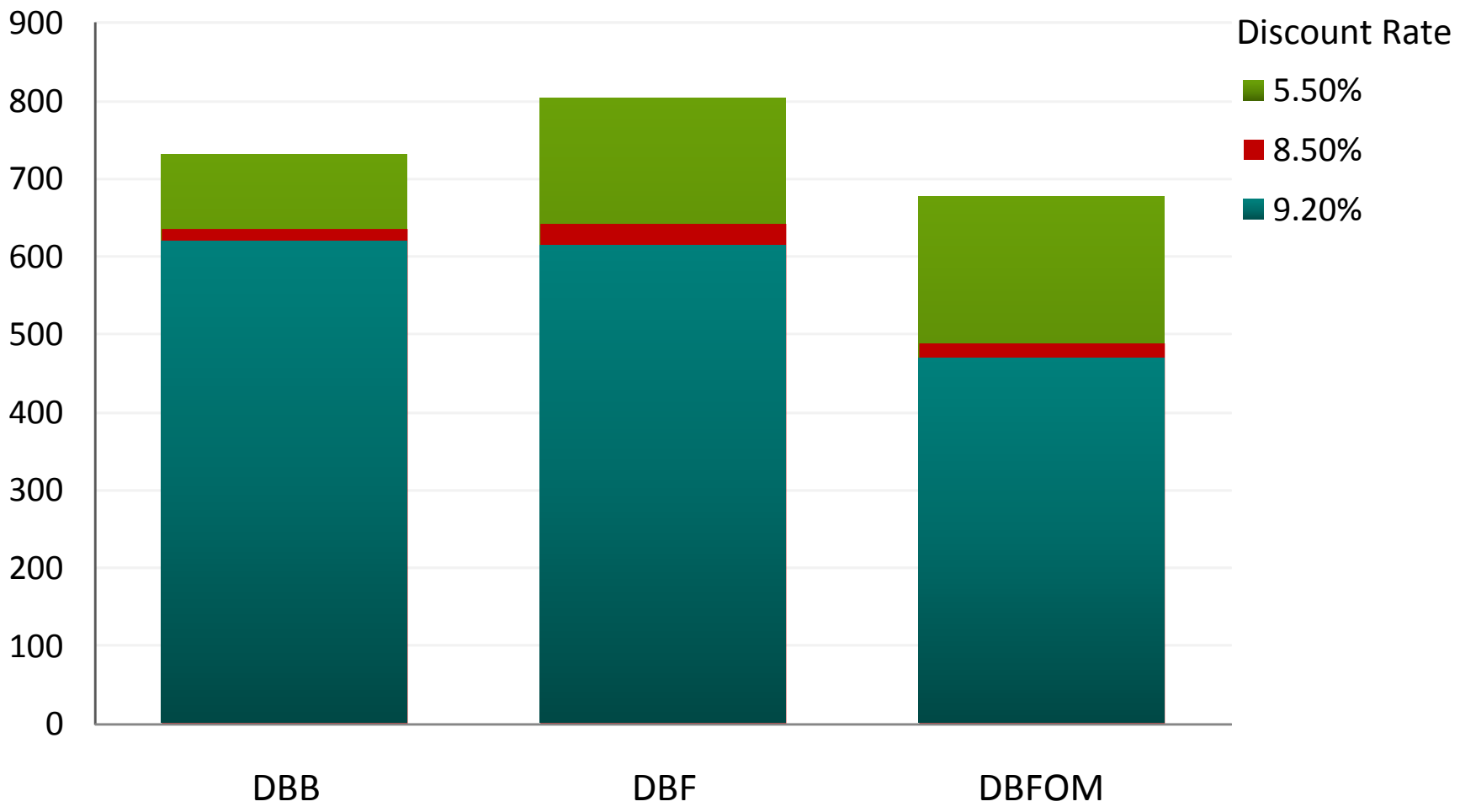
Business Case for P3
Quantitative & Qualitative

Fit with CTC Guidelines
Presidio Parkway

Procurement Objectives

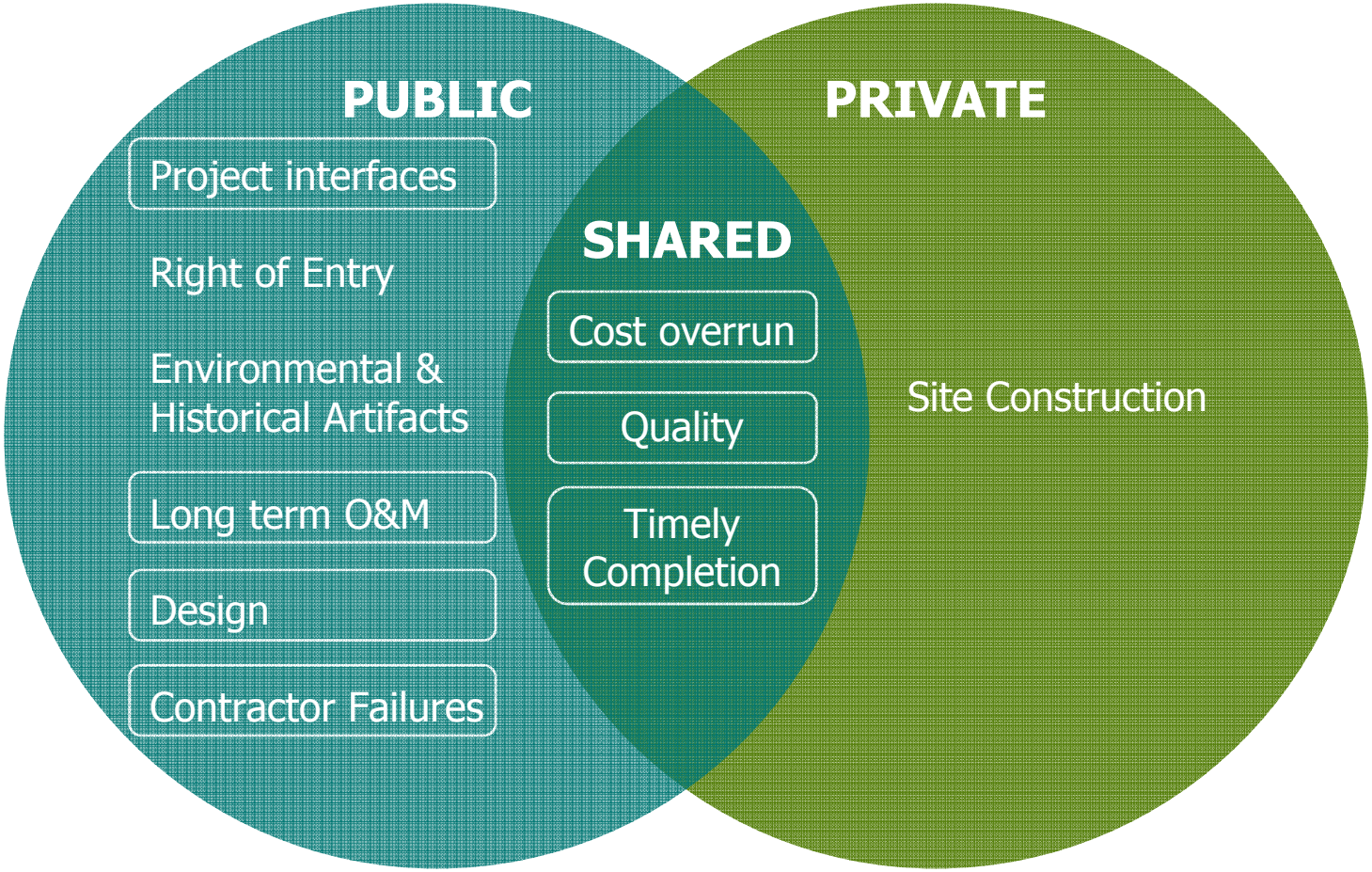
	Traditional	P3
Best value for money	?	?
Optimal risk transfer	?	?
Schedule and cost certainty	?	?
Best use of public funds	?	?
Optimal level of operation and maintenance (O&M) service	?	?

Value for Money

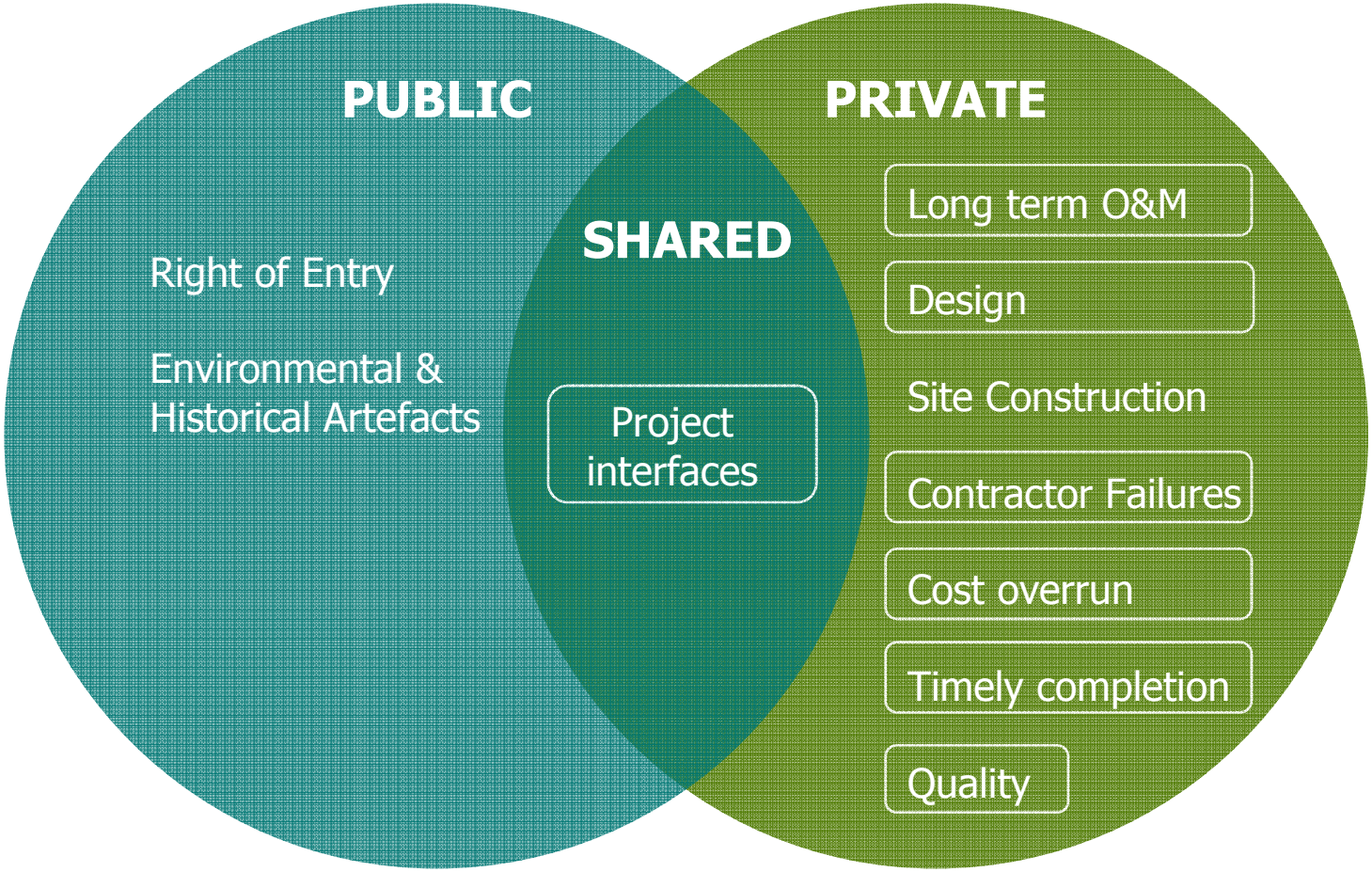


($Millions, NPV)

Risk Sharing: Traditional



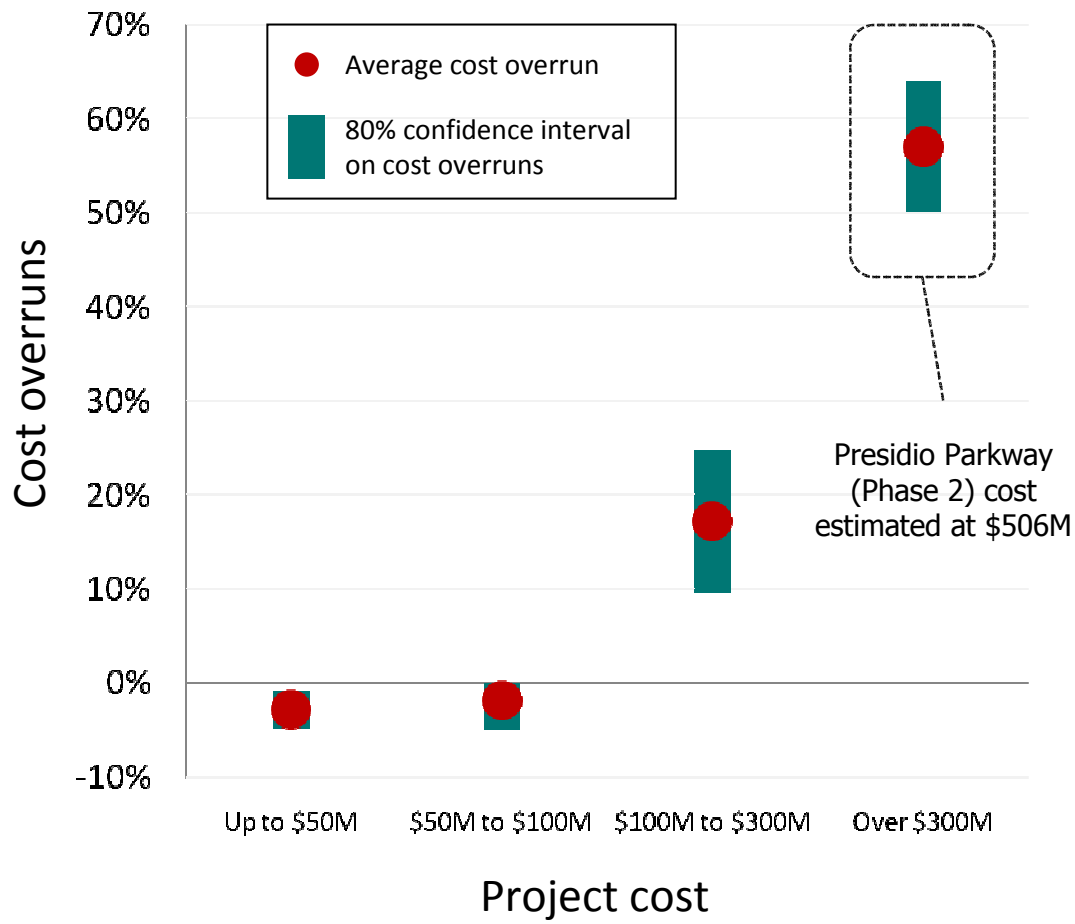
Risk Sharing: P3



Cost Certainty: Historical Performance

- Historically, worst overruns on projects over $300M
- Figure illustrates
  - Historical average cost overruns by project size (red)
  - Range of likely cost overruns on future projects traditionally procured (blue)
- Some cost growth and schedule slippage already present in Presidio Parkway Phase I

California Project Cost History



Source: Caltrans

Benefits of P3 for Presidio Parkway

- Schedule certainty
- Better product
  - Asset maintained and operated to consistent level
  - O&M crucial for Presidio Parkway, with complex structures and tunnels requiring upkeep of life safety systems
- Design life achieved as result of better O&M throughout

Benefits of P3 beyond Presidio Parkway

- Private sector up-front capital infusion means that state funds freed up for other projects around the state
- Deferred up-front and lower NPV means more funds for other state projects

Procurement Objectives

	Traditional	P3
Best value for money	X	✓
Optimal risk transfer	X	✓
Schedule and cost certainty	X	✓
Best use of public funds	X	✓
Optimal level of operation and maintenance (O&M) service	X	✓

Market's Perception of Presidio Parkway Fit as a Potential P3

- Three well qualified bidders have submitted Statements of Qualifications
- Bidders find absence of toll risk a positive

Agenda

P3 for Presidio Parkway
Key Benefits for Project

Evolution of P3s
Better legislation for delivery

Business Case for P3
Quantitative & Qualitative

Fit with CTC Guidelines
Presidio Parkway

Fit with CTC Guidelines

Project requirements:

1. Complies with requirements of statute
2. Meets financial plan requirements
3. Achieves key performance objectives
4. Addresses a known forecast demand
5. Incorporates bidder selection criteria consistent with statute
6. Provides useful life calculation

- **Seeking approval to test P3 in the market**

CTC Guidelines

1. Complies with requirements of statute

- Facility will be owned by and revert to the Department at lease end
- Department responsible for:
  - Development of preliminary project services
  - Construction inspection
- Lessee to provide information to CTC/LAO
- Regarding tolls, project is in accordance with MOU

CTC Guidelines

2. Meets financial plan requirements

- P3 saves state money
  - Traditional procurement: Public responsible for cost overruns
  - P3: Improves cost certainty for project sponsors; estimate 23% lifetime NPV savings
- Cash ($175M) freed up early on for use on other projects

PROJECT OBJECTIVES

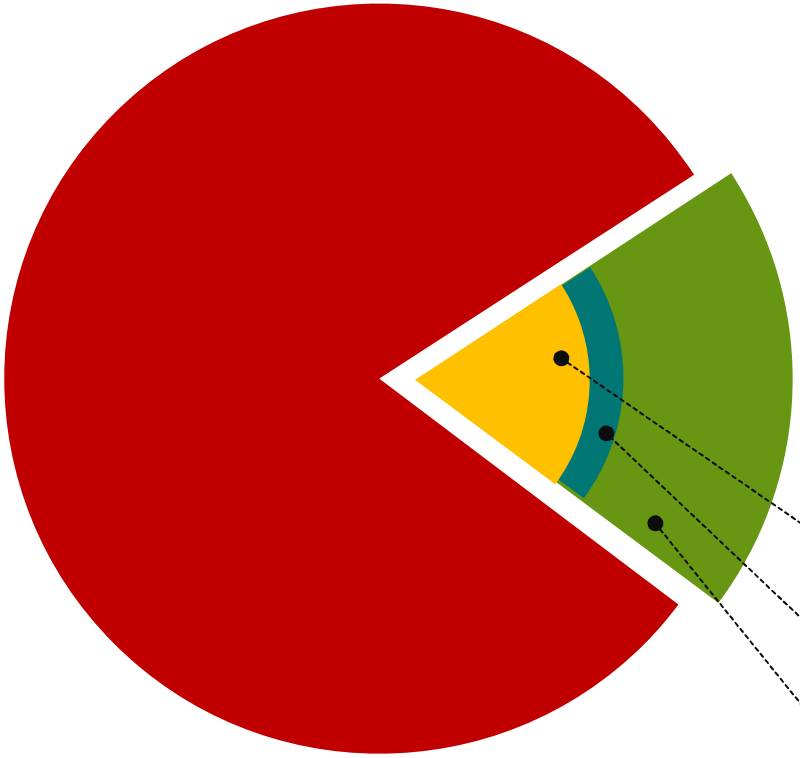
Objective	DBB	DBF	DBFOM
Best value for money over the life of the project	🟡	🔴	🟢
Optimal risk transfer	🔴	🟡	🟢
Greatest cost and schedule certainty at and after financial close	🔴	🟡	🟢
Best use of public funds	🔴	🟡	🟢
Achieves an optimal level of operations and maintenance service	🟡	🟡	🟢

CTC Guidelines

2. Meets Financial Plan Requirements (cont.)

- Availability payments come from funding partners and the SHOPP
- SHOPP portion already reserved for GARVEE (no further impacts to funding availability for other projects)

GARVEE Availability



State Highway Account annual federal deposits - $2,431m as of 2009

Of which 15% is eligible for GARVEE debt service - $364m

Of which:

23% currently committed to GARVEE debt service - $84m

9.5% proposed for Presidio Parkway Availability Payments - $35m

67% available for other state projects - $246m

Source: Analyses of GARVEE Bonding Capacity 2009 by State Treasurer Bill Lockyer

CTC Guidelines

3. Achieves key performance objectives

- **Mobility**: improve route functionality, minimize impacts on local roads, improve intermodal and vehicular access
- **Operation and safety**: seismic design, median barrier, shoulders, lane width
- **Air quality benefits**: minimizes effect of noise and pollution on adjacent areas

CTC Guidelines

4. Addresses known forecast demand

- Forecast 30% growth in daily trips by 2030
- Critical link between peninsula and northern counties

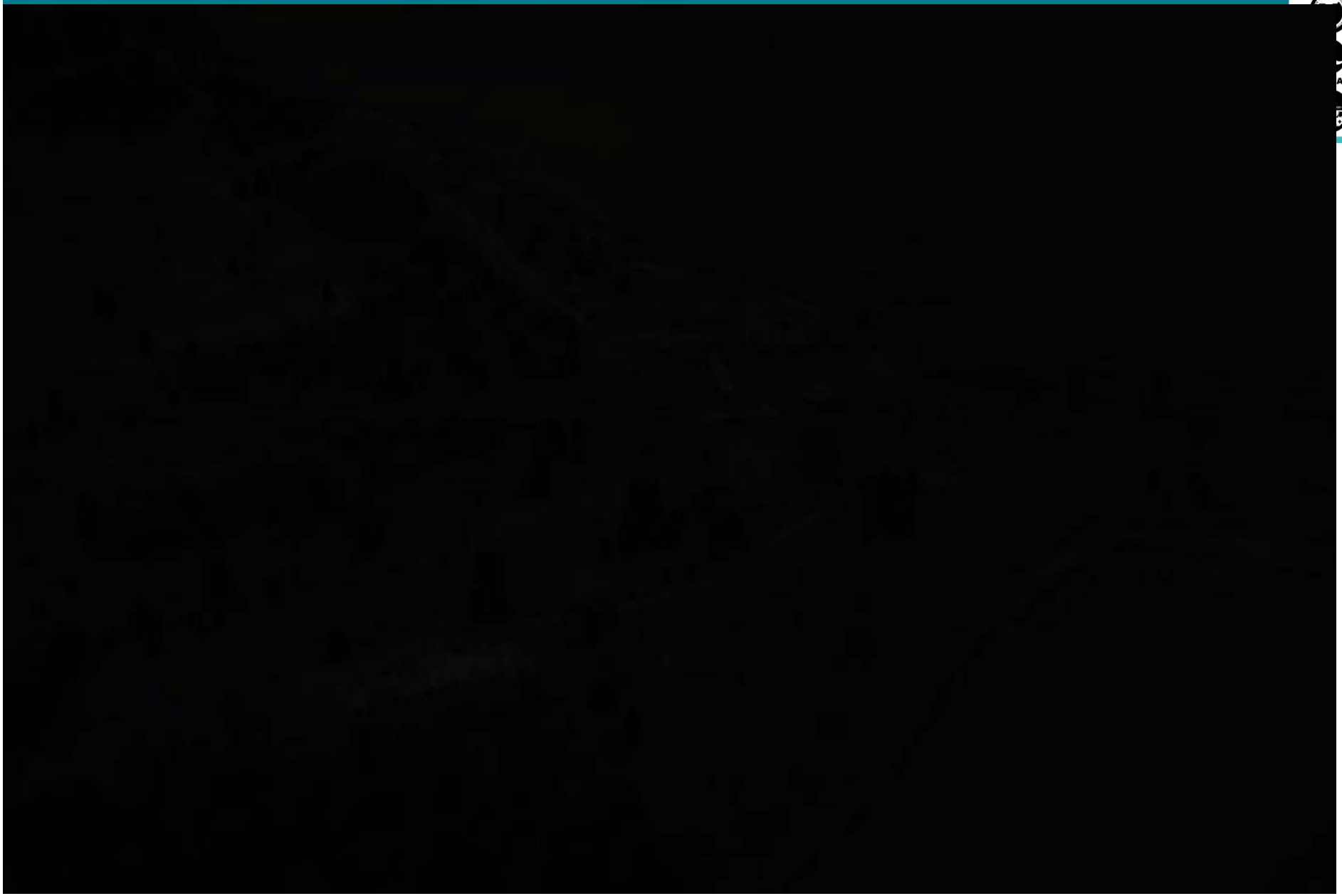
CTC Guidelines

5. Incorporates bidder selection criteria consistent with statute
   - Follows applicable public contract code and state procedures
6. Provides useful life calculation consistent with section 143(d)
   - P3 maintains asset throughout 30 year concession

Summary

- P3 enables project to meet sponsors' objectives
- Consistent with CTC guidelines
- Provides wider benefits to state, freeing up funding and reducing overall lifecycle cost

RE-ENVISIONING DOYLE DRIVE – PRESIDIO PARKWAY



Notes on CTC Staff Report

Notes on CTC Staff Report Presidio Parkway P3 Proposal

- Page 2, Project Financial Plan, second paragraph
  - Report – Describes payments to be made under P3 as a total of $1.378 billion of which $1.13 billion is for availability payments.
  - Sponsor Comment –Adding year 1 and year 30 dollars together yields a meaningless total. Expressed as net present value, the real total is $488 million of which $289 million is for availability payments

Notes on CTC Staff Report Presidio Parkway P3 Proposal

- NPV of all P3 Costs

Total availability payments	- $289
Milestone payment	- $113
Risk Reserve	- $47
Transaction costs	- $32
Post handback O&M	- $7
Total	$488

Notes on CTC Staff Report Presidio Parkway P3 Proposal

- Page 2, Project Financial Plan, third paragraph
  - Report – States that the amount and timing of "supplemental funds" is unclear from the PPR.
  - Sponsor Comment – Though stating that amount and timing is unclear, the staff report then proceeds to fairly clearly describe what is now known. The actual amount of funding available to the P3 will depend upon final costs for Phase I.

Notes on CTC Staff Report Presidio Parkway P3 Proposal

- Page 3, Project Financial Plan, first paragraph
  - Staff Comment – The financial plan is incomplete without resolution of the commitment of sources and timing of funding other than the SHA.
  - Sponsor Comment – Disagree. Funding partners MOU resolves both funding sources and timing.

Notes on CTC Staff Report Presidio Parkway P3 Proposal

- Page 3, Criteria for Commission Approval, subparagraph (1)
  - Report – Asserts that project does not meet this test since the lease agreement would not establish specific lease or toll rates.
  - Sponsor Comment – Disagree. Streets and Highways section 143(j)(1) provides that the concession agreement shall authorize the lessee/developer to impost tolls and user fees. It does not mandate or require tolls <u>nor restrict conditions that may be imposed on the developer</u>. The draft Presidio Parkway agreement authorizes the developer to impose tolls/user fees provided certain conditions are satisfied, specifically the signatories to the MOU specifically listed within the statute.

Notes on CTC Staff Report Presidio Parkway P3 Proposal

- Page 3, Criteria for Commission Approval, subparagraph (2)
  - Report – Asserts that project appears to not meet test of not in and of itself creating a new commitment of state transportation revenues or creating an undue risk to state transportation revenues committed to other projects.
  - Sponsor Comment – Disagree. Here the report makes several misstatement of facts. The statement that the project is fully funded for conventional delivery omits the fact that the risk analysis included in the Options Report concludes that costs would likely exceed available funding by more than $100 million. The statement in the CTC staff report that the P3 proposal would "shift the burden of funding to the SHA" is likewise not correct. Since non-state funding sources for the project are essentially fixed, <u>the SHA account already bears the burden of cost overruns.</u> Given that the project delivered as a P3 imposes a significantly reduced risk of such overruns, the SHA account will be less burdened under P3 than it will under conventional delivery.

Notes on CTC Staff Report Presidio Parkway P3 Proposal

- Page 4, Criteria for Commission Approval, subparagraph (2), first paragraph
  - Report – Asserts that P3 proposal would reduce SHA funding for other projects.
  - Sponsor Comment – Disagree. Again, the CTC staff report attempts to simply add current-year dollars and deeply discounted future year dollars to conclude that the SHA is put at risk. On the contrary, the project will eliminate near-term demand on the SHA and the total amount of funds required from SHA is lower on a NPV basis. Use of P3 for other similar state projects will allow more infrastructure to be delivered with available SHA funding.

Notes on CTC Staff Report Presidio Parkway P3 Proposal

- Page 4, Criteria for Commission Approval, subparagraph (3)
  - Report – Indicates that PPR does not provide details concerning improved travel times, reduced hours of delay or air quality improvements
  - Sponsor Comment – These details are provided within a number of other available project documents including the Project Report, Final Environmental Impact Statement/Report and a number of other supporting technical studies. These are all available on the project web site or otherwise directly from the Sponsors.

Notes on CTC Staff Report Presidio Parkway P3 Proposal

- Page 5, Criteria for Commission Approval, subparagraph (5)
  - Report – Indicates that Streets and Highways section 143(g)(1)(C) requires CTC to develop and adopt final evaluation criteria for proposals based on qualifications and best value and that the PPR should include criteria for CTC adoption. The PPR does not specify how project sponsors would use these criteria to select the developer.
  - Sponsor Comment – Disagree. Evaluation criteria are included in the PPR.

Questions?