



# Invest In Indiana

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# P3 Program Objectives

**INDIANA DEPARTMENT OF TRANSPORTATION**

## Public-Private Partnership Program

### *Implementation Guidelines*

September 2013



- ***Performance***
  - ***Strategic***
    - ***Financial***

Any project that is delivered through a P3 process should meet or exceed the expectations of a traditional delivery method.

**SECTION 2: Project Identification**

**SECTION 3: Project Screening**

**SECTION 4: Project Development**

**SECTION 5: Project Procurement**

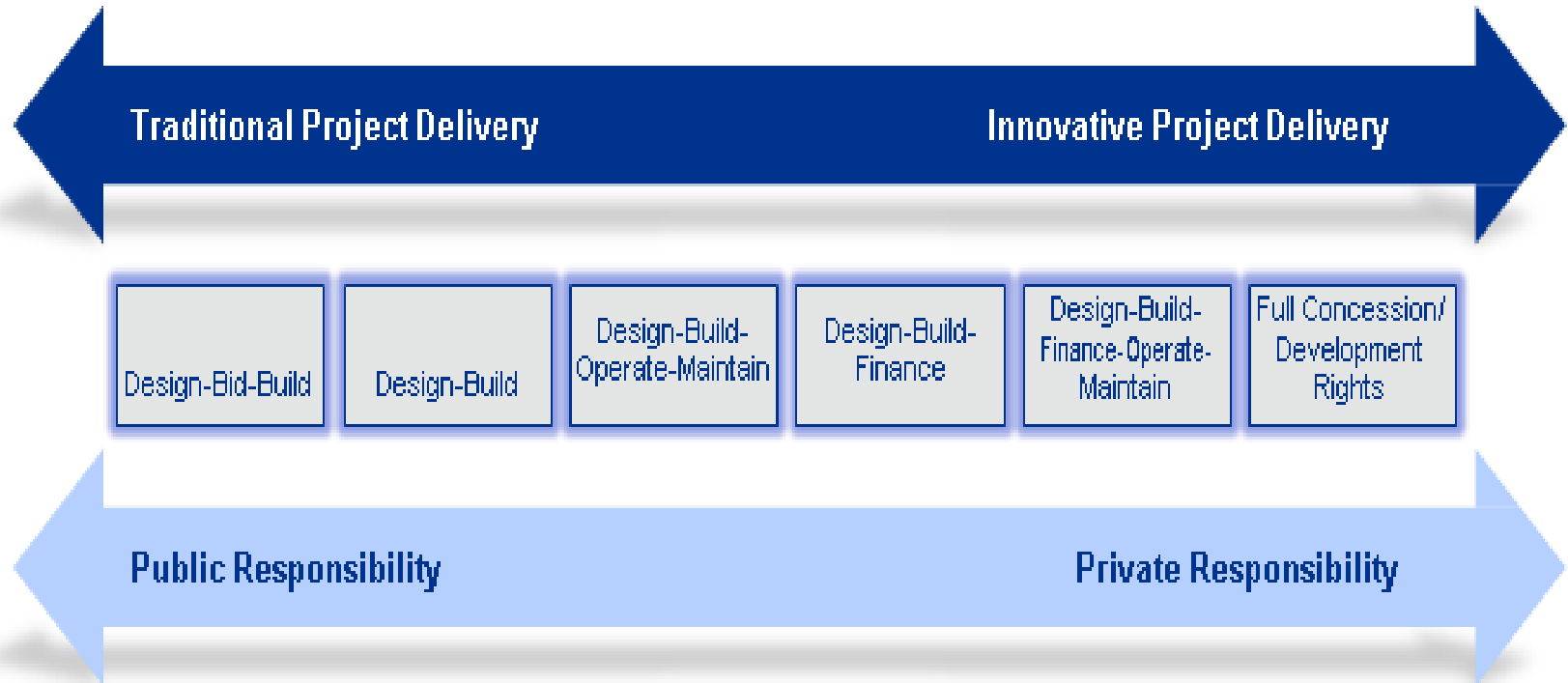
**SECTION 6: Contract Finalization and Award**

# Why Indiana uses P3's?

## Benefits

- Risk Transfer
  - Risk transferred to organizations best suited to handle risk
    - Reduces cost and improves quality
- Risk Sharing- Formulate efficient risk avoidance and/or mitigation
- Budgetary Tool
  - Advancement of projects
  - Cost certainty and predictability
  - Performance-based incentives
- Asset Management
  - Whole lifecycle approach for construction, maintenance and handback
- Private sector innovation

# Types of P3's



# P3- Procurement Timing Example

<b>Request For Qualification Issued</b>	December 15, 2016
<b>Statement Of Qualifications Received</b>	January 19, 2017
<b>Shortlist Announced</b>	January 27, 2017
<b>Issue Draft Request For Proposal (RFP)</b>	March 15, 2017
<b>Industry Review (1 on 1 meetings)</b>	April-July 2017
<b>Final RFP Issued</b>	August 1, 2017
<b>Proposals Received</b>	September 2, 2017
<b>Proposals Scored</b>	Sept. 2-29, 2017
<b>Proposed Contractor Announced</b>	September 30, 2017
<b>Closing/ Notice to Proceed</b>	January 3, 2018

Start to finish-Goal is to get project on the street within a 1 year timeframe

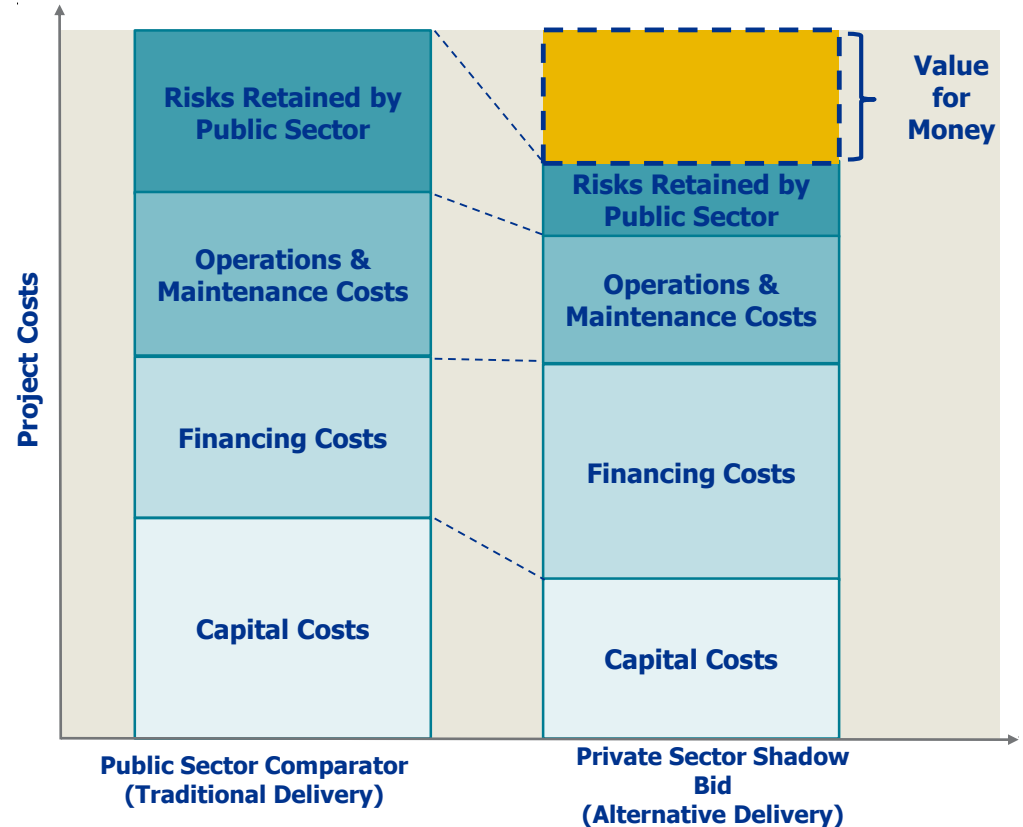
## How Do We Ensure P3s Provide Value?



# P3- Determination of Value

***IFA/INDOT performs technical and financial analysis as part of the P3 decision making process. This includes evaluating whether a P3 delivery model offers Value for Money to the State.***

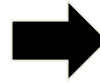
- **Value for Money** - a result in which one delivery model offers greater value over another delivery model
- **Drivers of a Value for Money include:**
  - Cost savings
  - Project acceleration
  - Risk transfer to a private partner
- **P3 delivery does not always offer Value for Money over a traditional delivery model**



Pursue P3/alternative delivery only if it offers better value

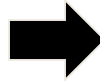
## Toll Revenue Concession

*Asset that Appeals to Private Industry, Upfront Payment, Long-Term O/M*



## Availability Payment

*Appropriation backed payments. Traffic Volumes that Can Support Construction Costs, State retains toll collection*



- Toll Monetization P3
  - State received \$3.8B in 2006 in upfront payment
    - Toll collection risk passed on to concessionaire until 2081 (75 Years)
  - State received additional \$1B over two years in 2018
    - Enact a one-time 35% increase on the toll rate
    - Increase better aligns with market rate
    - Only applies to Class-3 (3 axle) and above vehicles
  
- Ownership of the Indiana Toll Road retained by State of Indiana
  
- ITRCC responsibility:
  - Operations and maintenance
  - Upgrades
  - Toll and concession revenue collection

## East End Crossing Project

The East End Crossing portion of the Ohio River Bridges Project is located in the eastern portion of the Louisville Metro area, connecting I-265/KY 841 (Gene Snyder Freeway) in Kentucky with S.R. 265 (Lee Hamilton Highway) in Indiana.

- **RFQ:** Issued: March 9, 2012, 6 proposers submitted Statement of qualifications
- **RFP:** Issued: July 2012, 4 proposers submitted proposals
- **Selected Preferred Developer:** WVB East End Partners
- **Construction Cost:** \$763m (this is lower than the \$987M estimate included in the July 2012 initial Financial Plan); MAP: \$32.9m
- **Structure:** Availability & Milestone Payments (with tolls)
- **Construction Began:** June 3, 2013
- **Completion:** December 17, 2016



## Positive

- Limited upfront outlay
  - Project moves forward faster
- Cost certainty
- Budget predictability
- Performance based payments
  - Milestone and AP's
- Monetization of asset- Cash received upfront

## Concerns

- No toll offset- AP's considered debt of the State
- Private partner cost of capital higher than State
  - P3 not “free money”
- Monetization of asset
  - Did State price right?
  - Where is upfront cash going?
- Can be a more expensive procurement process

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# Questions?