



Eagle P3

Webinar Series: Innovation in Practice
Webinar 3

May 11, 2016

Eagle P3 Webinar Logistics

- PowerPoint Presentation available on BATIC Website - <http://www.financingtransportation.org/>
- All Participants will be muted
- Submit questions in Q&A panel
- Webinar will be available on BATIC Website May 12th - <http://www.financingtransportation.org/>

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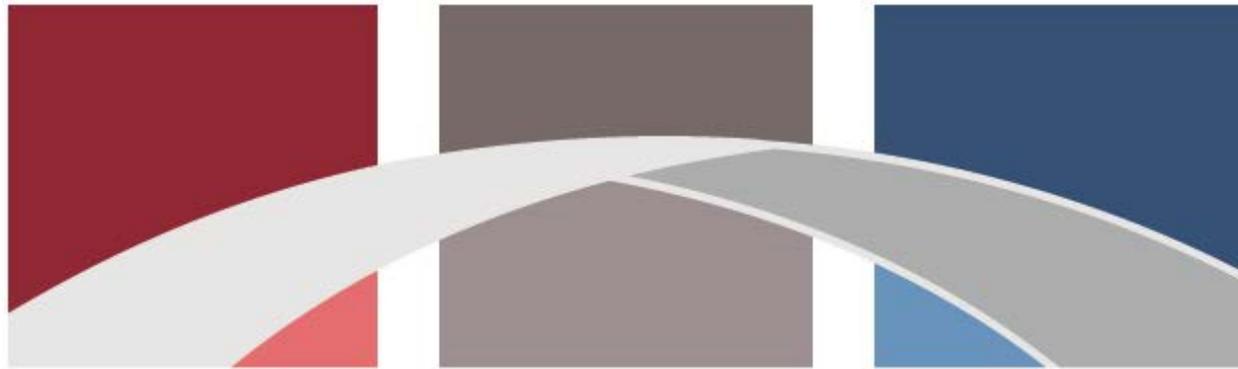
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Eagle P3 Webinar Presentation Outline

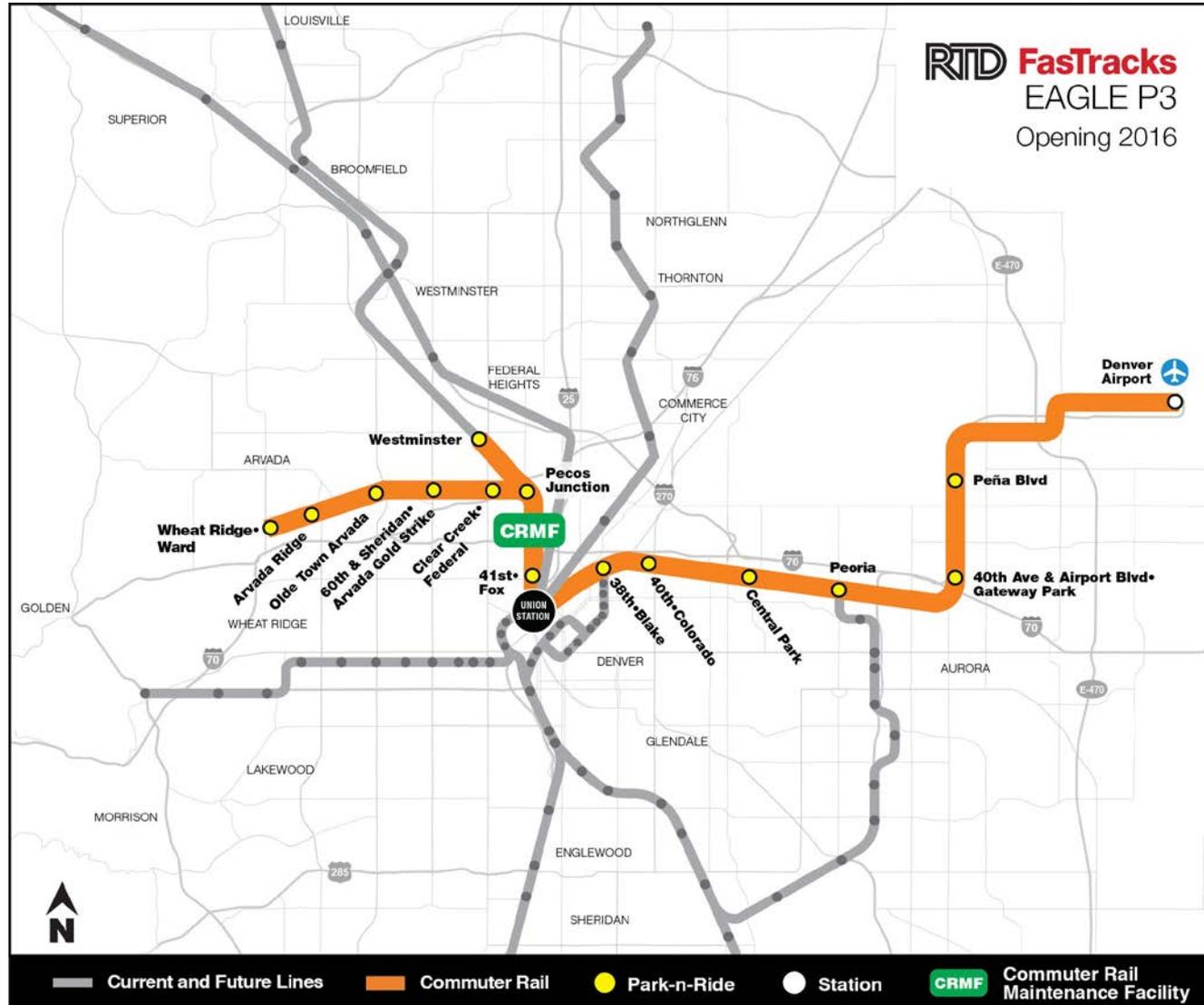
- **Welcome and Introduction**
- **Project Overview**
- **Context for P3 Development Approach**
- **Performance-Based P3 Procurement Strategy**
- **Performance-Based Financing Approach**
- **RTD “Lessons Learned”**
- **Questions Submitted by Webinar Participants**

Eagle P3

Project Overview and Key Success Factors

David Genova
GENERAL MANAGER
Regional Transportation District (RTD)

Eagle P3 Map



Eagle P3 Project Scope

East and Gold Line Enterprise Public-Private Partnership

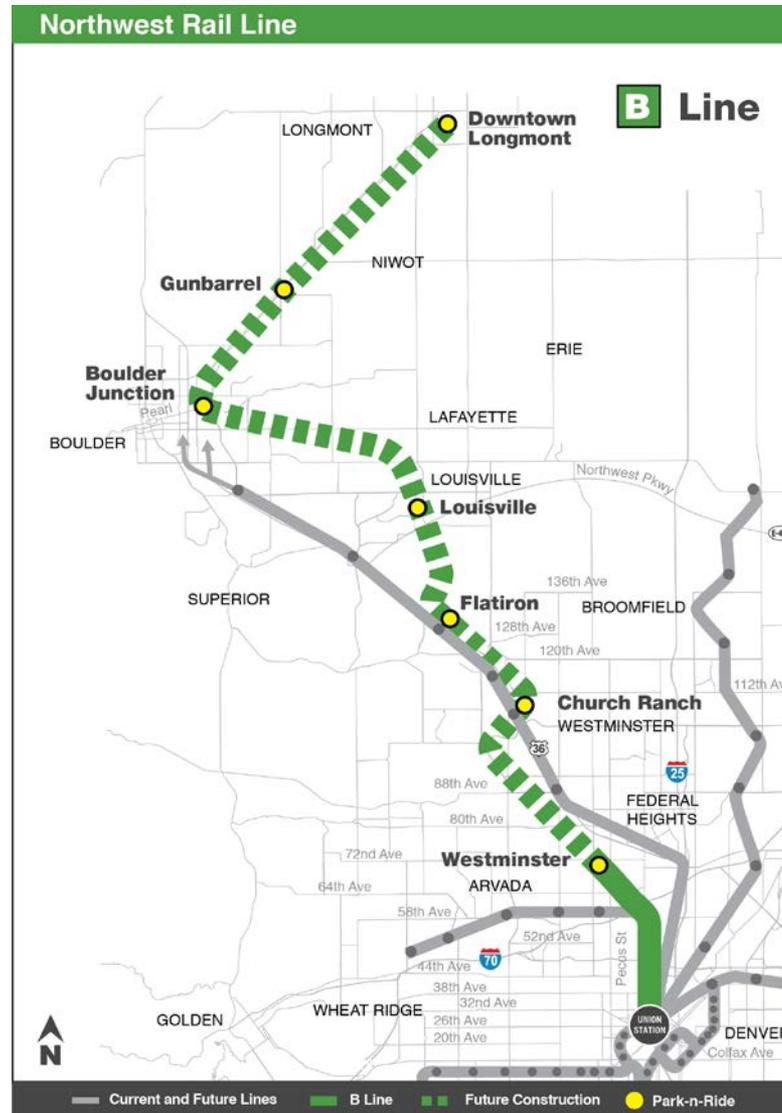
Eagle P3 Project Scope

- **East Rail Line to Denver International Airport**
- **Northwest Electrified Segment**
- **Gold Line**
- **Commuter Rail Maintenance Facility**

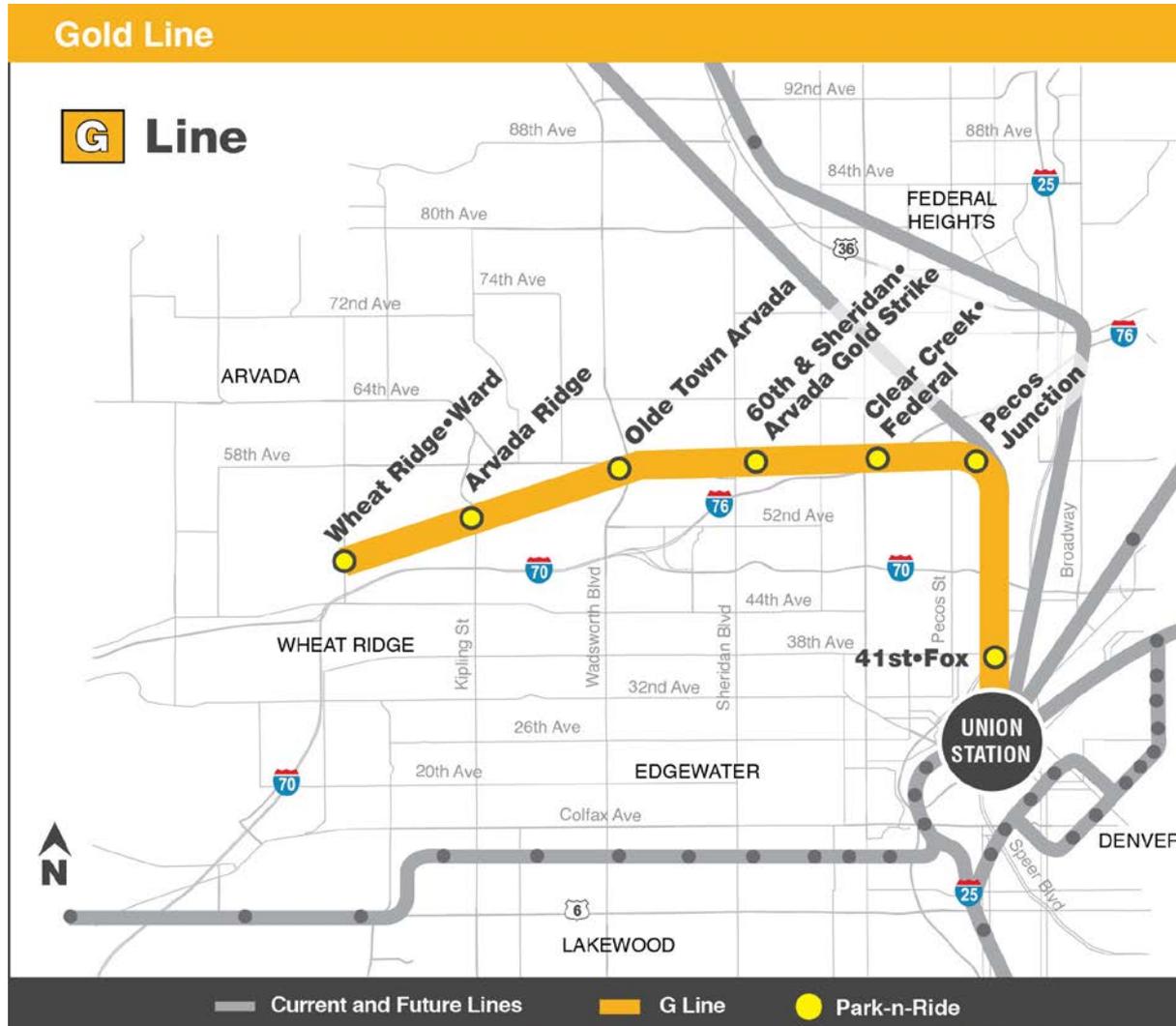
East Rail Line to Denver International Airport



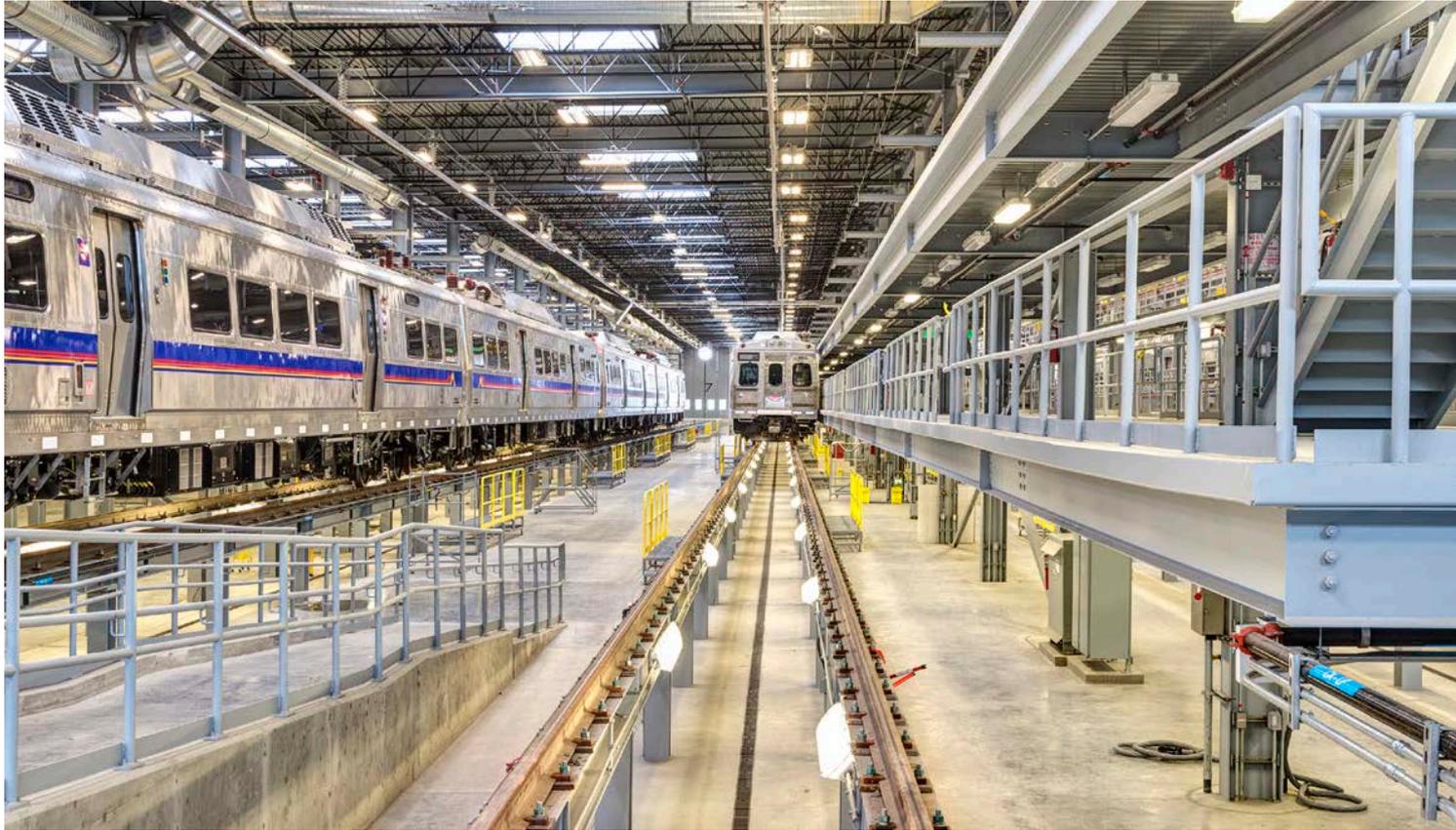
Northwest Rail Line – Electrified Segment



Gold Line



Commuter Rail Maintenance Facility



Context for P3 Development Approach

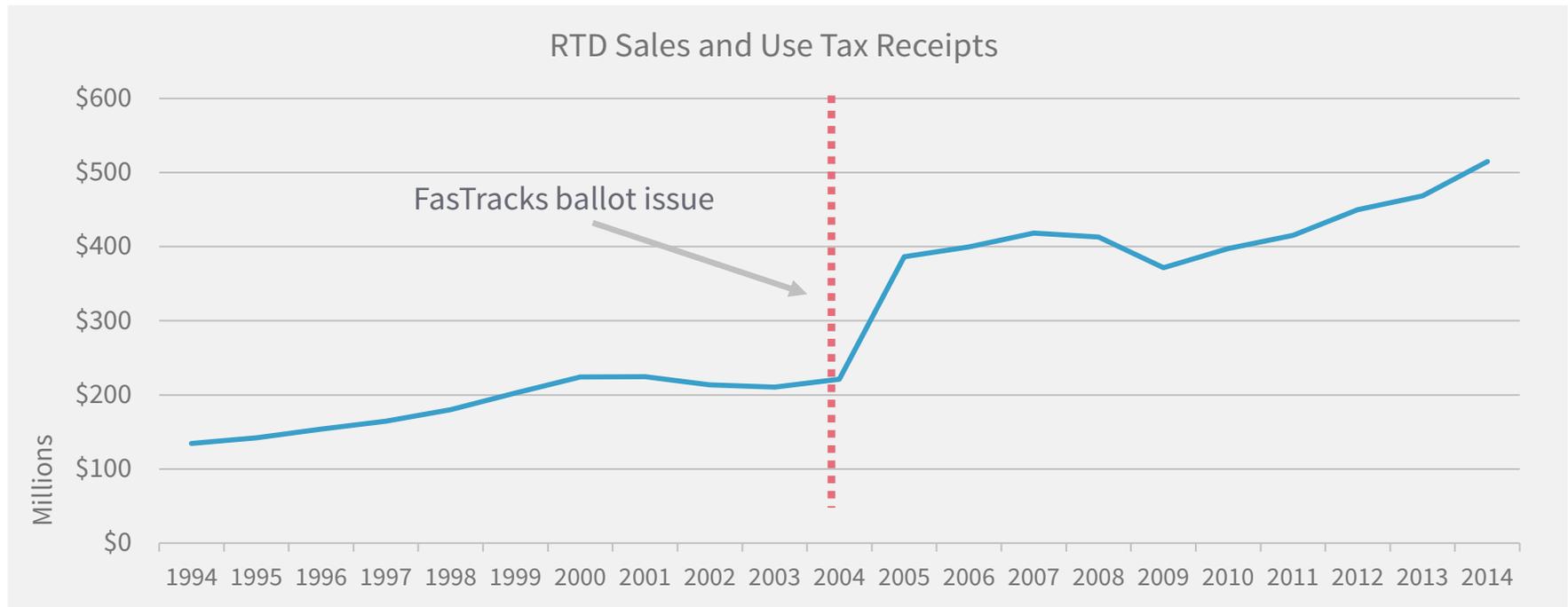
How early-stage work undertaken by the public sponsor laid the foundation for a successful P3 procurement.

David Genova
GENERAL MANAGER
Regional Transportation District (RTD)

Funding Approval

RTD's 2004 voter-approved plan to expand transit across the Denver metro region.

To maximize use of taxpayer dollars, on-going efforts to pursue federal funding, value engineering, and private sector involvement.



Stakeholder and Public Involvement

- **Public scoping and design meetings**
- **Stakeholder input on the P3 RFP and technical proposals**
- **Frequent updates for RTD Board of Directors**



RTD Understanding of Need to Collaborate and Share Risk

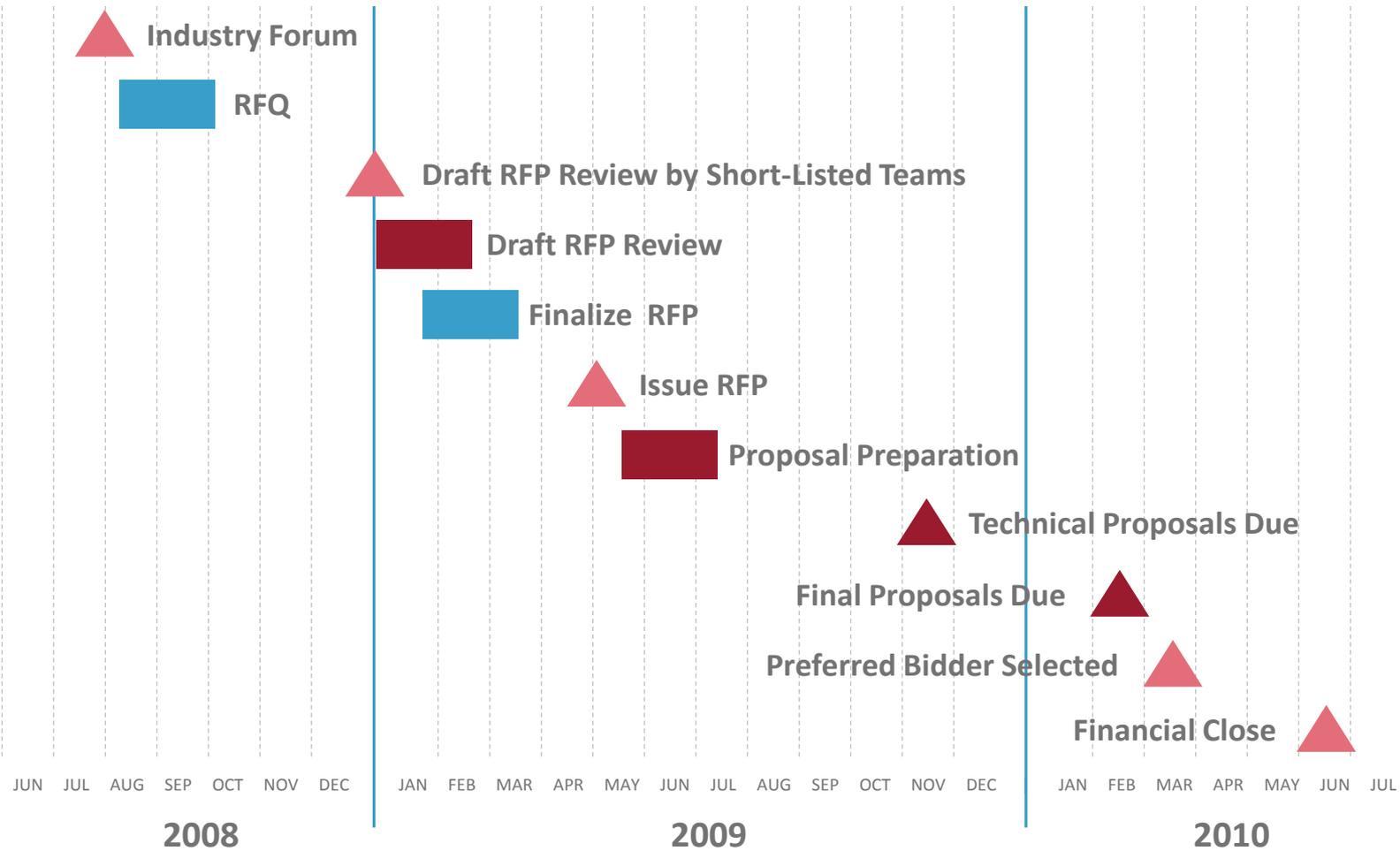
- **Successful experience with design-build and private contracts for bus operations**
- **Extensive staff involvement from all areas affected by the contract**
- **Frequent communication with proposers before final RFP issuance**
- **Willingness to commit to P3 before securing federal funding**

Performance-Based P3 Procurement

How RTD's performance-based approach to the procurement fostered competition, innovation, and improved value.

Catherine Reddick
SENIOR ASSOCIATE
Mercator Advisors

Procurement Process



Approach to Specifications and Standards

- **Focus of specifications**

- Safety
- Operational performance standards
- Dependability
- Reliability
- Cost effectiveness
- User considerations (station layout, facilities maintenance, access)

- **Key performance standards**

- Provision of required service
- On-time performance of trains
- Station availability
- Quality and timely maintenance

Performance-Based Procurement



AARON EPSTEIN

Chief Executive Officer of Denver Transit Partners

Performance-Based Procurement

When you provide the opportunity for projects and private contractors to come up with ideas that will take more of the risk off the public side, and ultimately lead to cost efficiencies, schedule efficiencies, and ultimately improve the value of the project, that's a benefit. And I think that's a win-win...



Performance-Based Procurement

I always encourage the public agencies to allow the consortiums, the private side, to think about the solution, the issue that's being needed to be solved. And let them go to work and figure it out, and be receptive to some of their ideas. But to the extent that the public agencies can be flexible in the procurement process, that adds a benefit overall, and can really lead to a lot of efficiencies and cost savings.



Performance-Based Procurement

As an example, on the east rail line out to the airport, we basically specified that the trip time from Union Station to the airport had to be 37 minutes or less. It had to stop at certain stations that had been agreed with the communities. And they had to do it for 22 hours a day, basically on 15 minute headways. How they achieved that was entirely left to their devices. We did not specify bridge designs, we did not go into a great deal of detail on track, train control. We just said you have got to meet the typical standards of the industry AREMA, AASHTO, and the like. And left it to the final designer to figure out how to do that. And I think that was a very successful way of doing it.



Performance-Based Procurement

It was clearly a challenge at the beginning, because many of the people on the project were engineers, and as an engineer myself, I obviously know best and want to specify the details. I think one of the success factors of the Eagle P3 project was our ability to ultimately step back and focus on the end results, and keep it at a performance level and allow the final designer to deal with the details.



Alternative Technical Concepts (ATC)

Gave the proposers the ability to be “non-compliant” with the provisions of the RFP’s functional requirements

Were subject to approval if they modified the performance criteria

Submitted ATCs

- Kept confidential and not shared with competing teams
- Become the intellectual property of RTD

Examples of accepted ATCs

- Reducing amount of double track
- Reducing length of concession agreement

Benefits of Performance-Based Procurement

- **Helps to maintain private sector interest and encourage competition**
- **Reduces time, effort, and risk required for design process**
- **Savings of approximately \$300 million compared to initial cost estimates**

Performance Based Procurement



BRIAN MIDDLETON

Jacobs Engineering - Project Director for Eagle P3 Project

Performance Based Procurement

So as part of the Eagle Project we very much focused on the end result, the passenger's experience. It obviously had to be safe and reliable, but also we wanted it to be a pleasant experience. So the trains are clean, the stations are clean, they are accessible, everything like that that makes passengers want to come back and do it again. So as part of the procurement we were very flexible, we had very much performance led specifications.



Performance Based Procurement

And we also ran an Alternative Technical Concepts process, that whilst we had a base design and specifications, we allowed the proposers to offer alternatives and then we had the right to refuse or accept them and then they became part of the proposal and were treated as fully confidential and also fully compliant with the requirements. And that is what we believe resulted, in total, in a savings of \$300 million or 15% on the project.

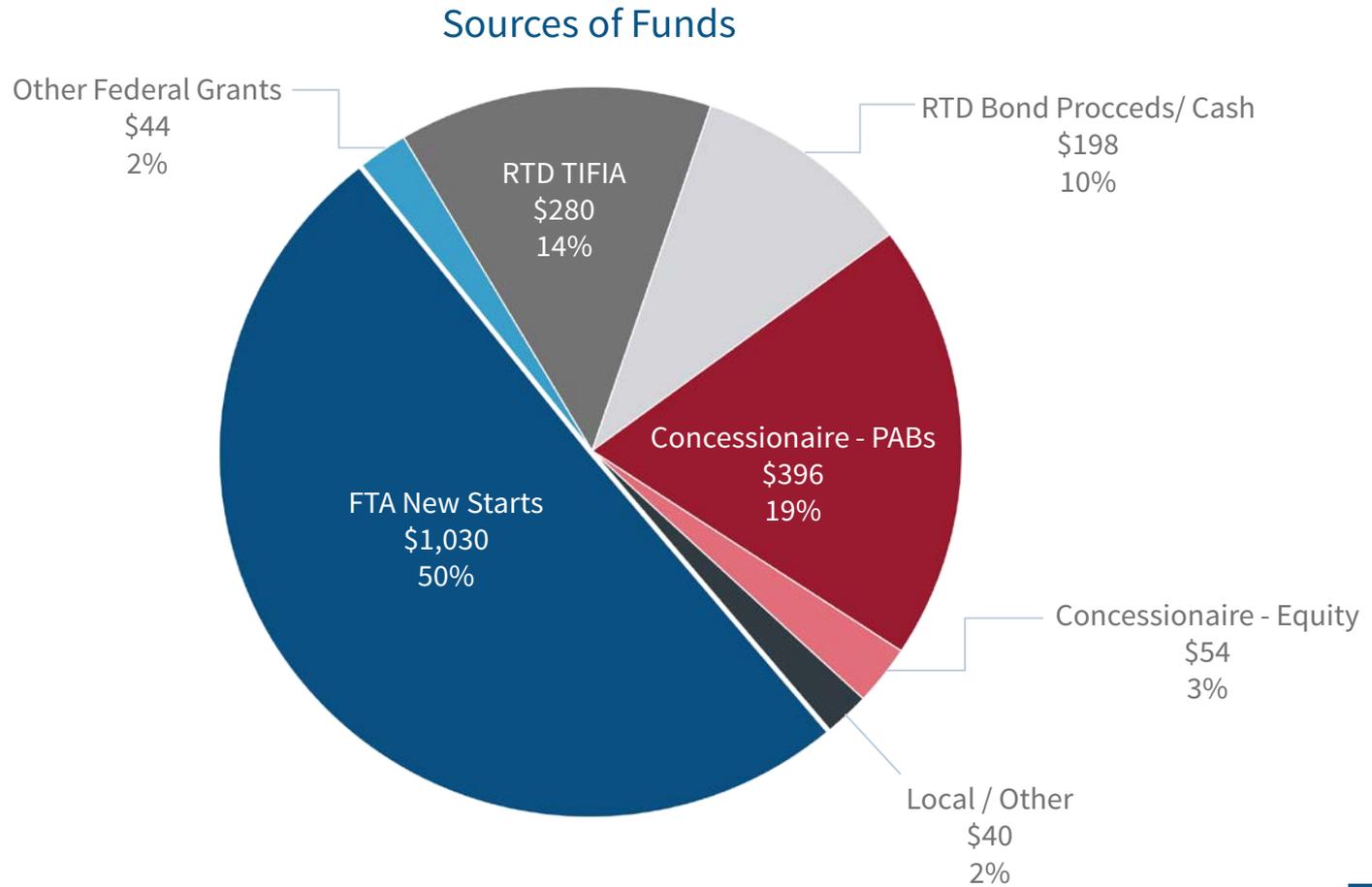


Performance-Based Financing Strategy

Private financing component facilitates project development and provides performance incentives.

Jim Taylor
PRINCIPAL
Mercator Advisors

Sources of Construction Funding for Eagle P3



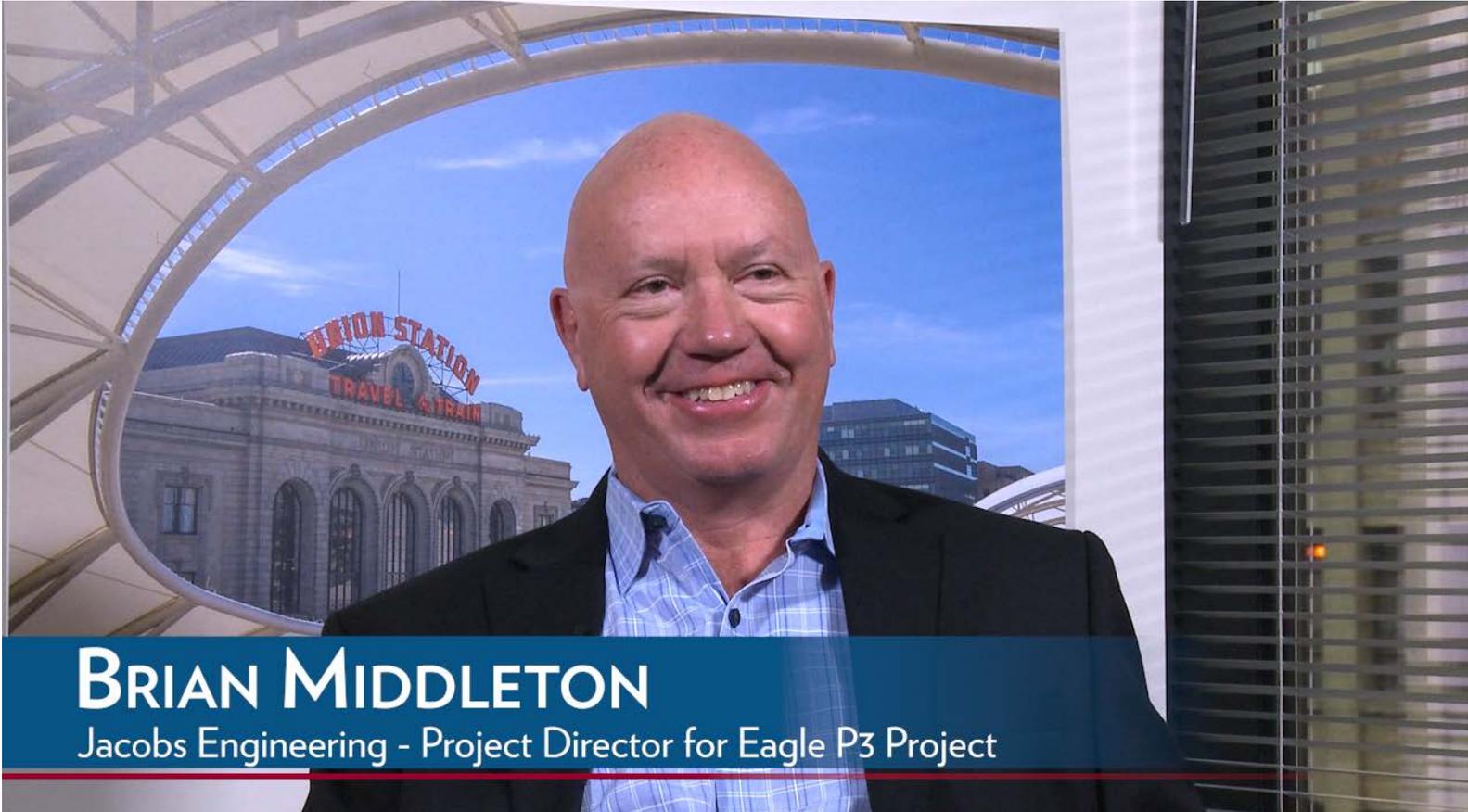
Excludes Northwest Rail Electrified Segment, which is not part of the federal project

Sources: 2014 TIFIA Financial Plan Update

Overview of Availability Payments

- Private concessionaire is responsible for project delivery, financing, operation and maintenance pursuant to a long-term, performance-based contract.
- Public owner uses available resources to make payments to the concessionaire.
- Developer takes the financial risk for ensuring the project remains “available”.
- Payments to the private concessionaire are reduced if performance standards or operational outcomes are not achieved.
- Used where financing backed by user charges is deemed undesirable or not feasible.

Availability Payment Structure for Eagle P3



BRIAN MIDDLETON

Jacobs Engineering - Project Director for Eagle P3 Project

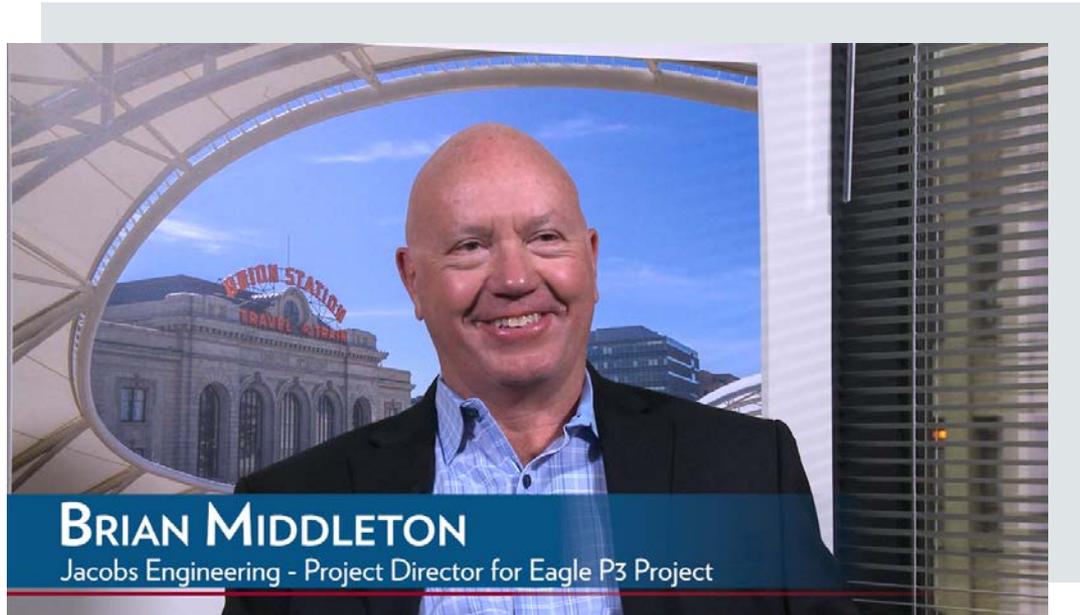
Availability Payment Structure for Eagle P3

So as we were looking at how to structure the deal, obviously a big part of it is how you pay off the debt and equity and how you pay for the operations and maintenance phase. We considered the two options, basically a revenue-risk approach or an availability payment.



Availability Payment Structure for Eagle P3

We decided on availability payments because as a public agency RTD wanted to control the fare levels, the frequency of service, the hours of services, basically all the levers that could be used to adjust the ridership. Therefore we felt the availability payment worked best.



Structure of RTD Availability Payments

Construction payments during design-build phase

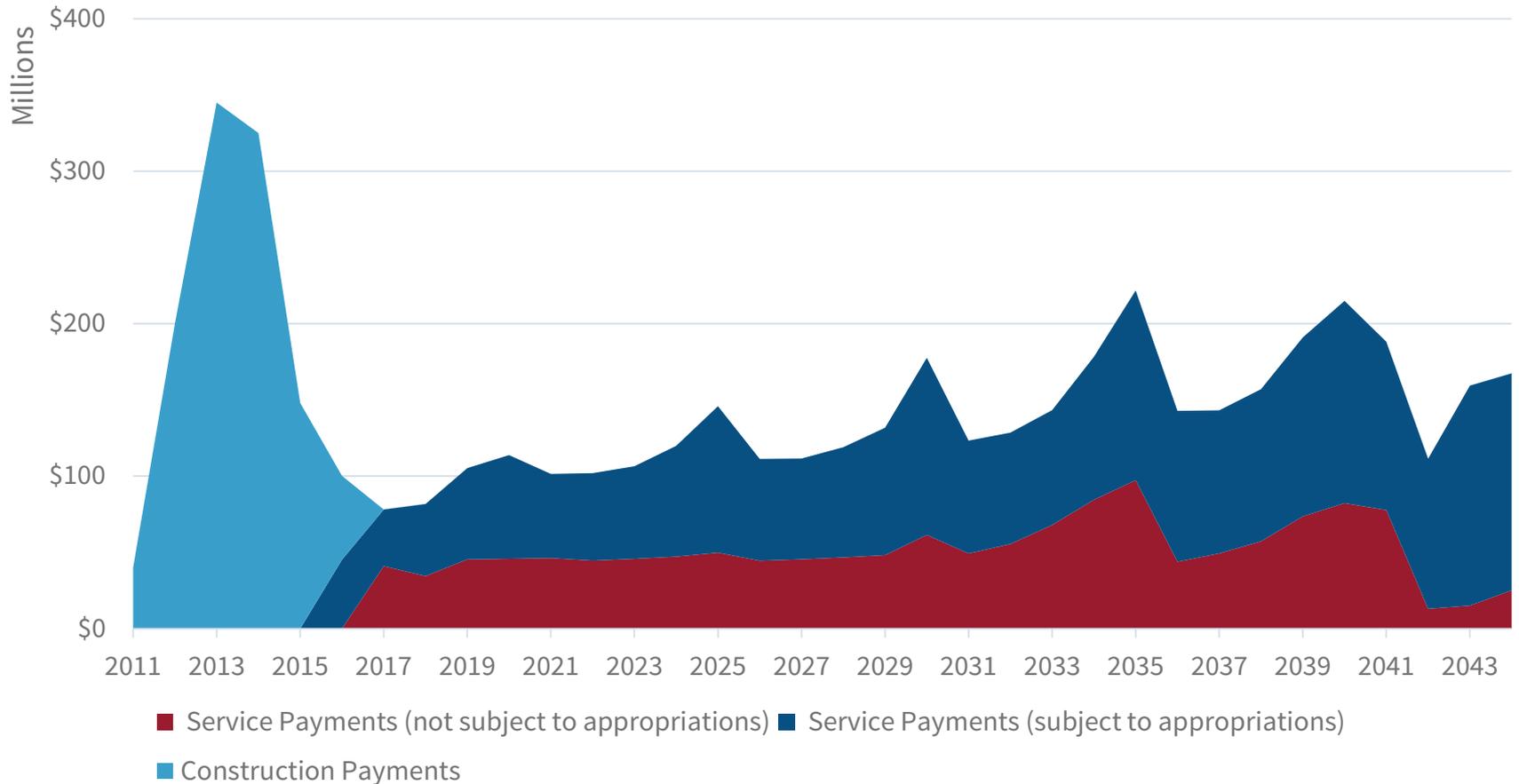
Availability payments (or service payments) during operations and maintenance phase

- **Fixed component**
- **Variable component, based on performance against key service standards**
 - Provision of required service
 - On-time performance of trains
 - Station availability
 - Quality and timeliness of maintenance

Concessionaire receives 100% of scheduled availability payment for meeting 95% of performance standards

- **Up to 0.5% bonus for exceeding 95%**
- **RTD can deduct up to a 25% penalty for performance below 95%**

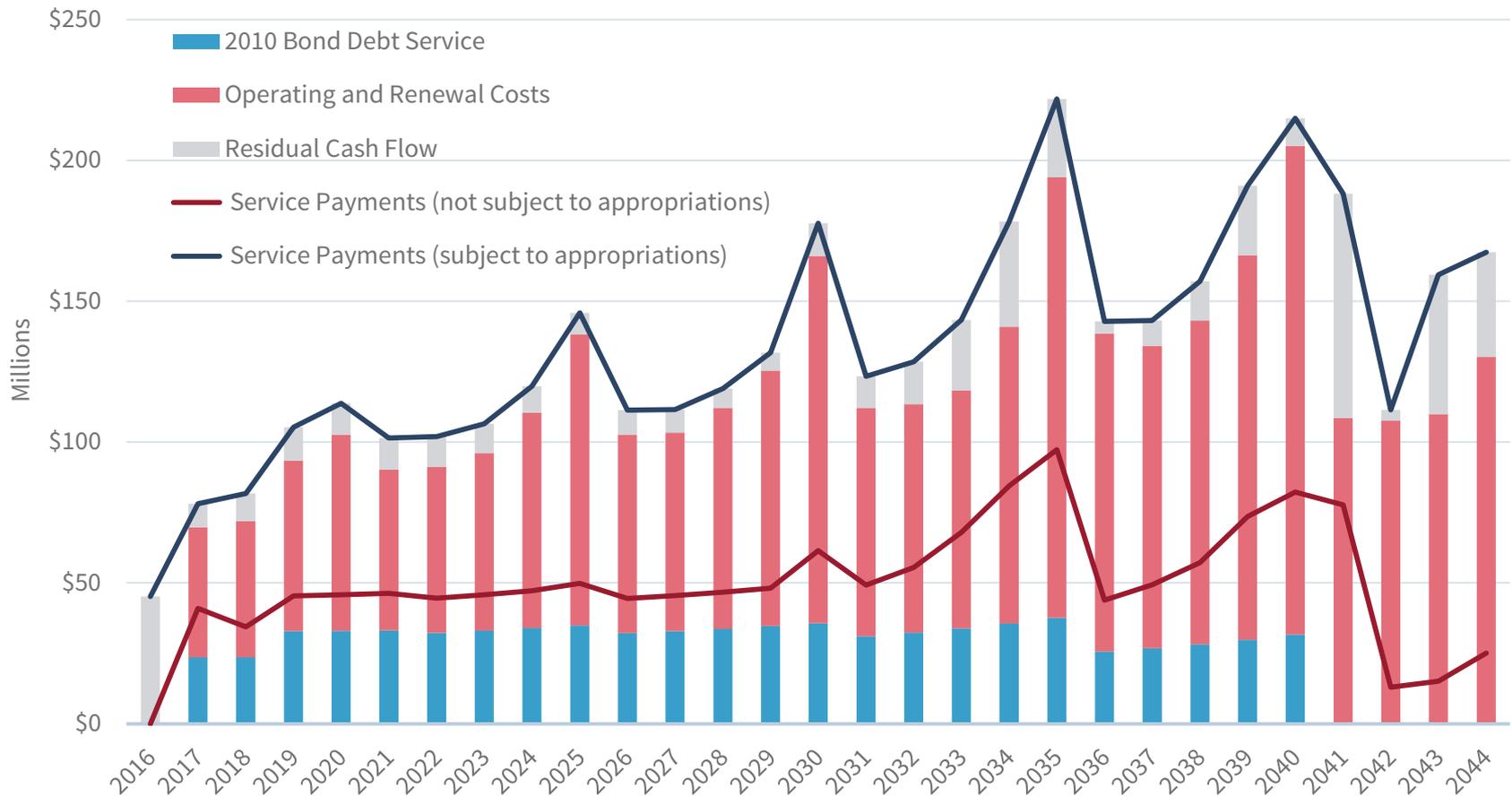
RTD Availability Payments



Sources: 2014 Baseline Report to DRCOG RTD Submittal,
DRCOG Assessment of 2011 FasTracks Financial Plan

Approximate Cash Flow during Operations

(Maximum Service Payments)



Sources: 2014 Baseline Report to DRCOG RTD Submittal
Series 2010 Official Statement

Factors Influencing the Private Financing Decision

- **Market disruptions in 2007**
 - Program costs increased
 - Program revenues plummeted
- **FTA Public-Private Partnership Pilot Program (Penta-P)**
 - Incorporate public-private partnership in New Starts Full Funding Grant Agreement (FFGA)
 - Accelerated review of New Starts submittal
 - Private financing deducted from cost used to compute cost-effectiveness index threshold for FFGA approval

Factors Influencing the Private Financing Decision



MARLA LIEN

Former General Counsel, RTD

Factors Influencing the Private Financing Decision

The financing rates for a P3 are not as good as we would have gotten, even at that time. The private activity bonds and the overall interest rates we're paying 5.75% on private activity bonds. And our all in cost, with equity, is close to 8%, which is not cheap money. But it's not just about the cost of funds. We're looking at the risk transfer. We're looking about the speed of delivery on the P3. RTD in doing this project, we had never done commuter rail.



MARLA LIEN
Former General Counsel, RTD

Factors Influencing the Private Financing Decision

So in a 6 year period they put together the whole program. If we had to separately procure the design team, the construction team, contract for a maintenance facility, go buy the cars, train and stand up an operating division, get all of the FRA approvals, and do the financing on that package and get the federal loan. Could we have put all that together in 6 years? I don't know. And then there's the long term risk transfer on the operations and maintenance of the system.



MARLA LIEN
Former General Counsel, RTD

RTD “Lessons Learned”

Techniques and findings relevant to other agencies contemplating similar projects.

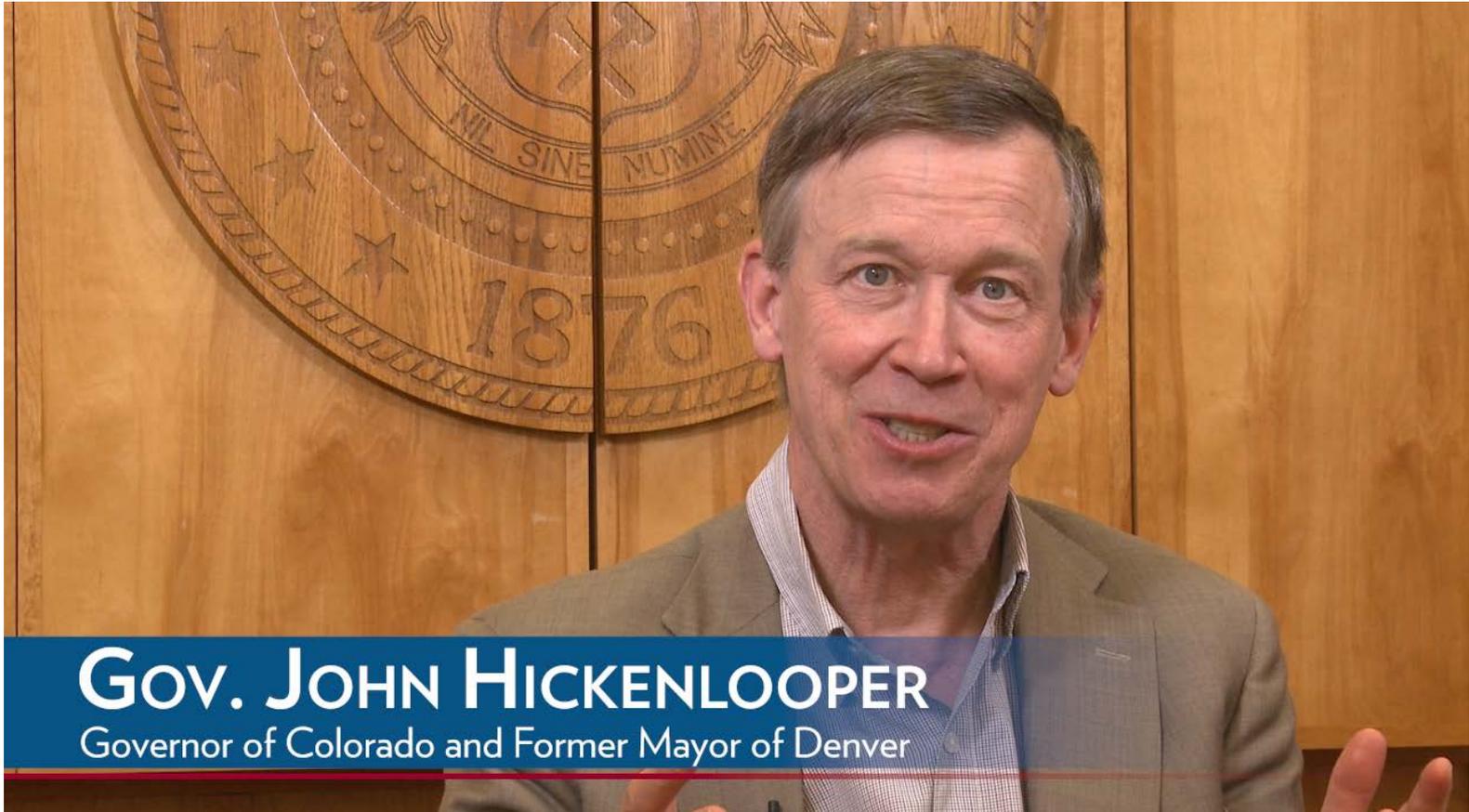
David Genova
GENERAL MANAGER
Regional Transportation District (RTD)

RTD “Lessons Learned”

1. P3 is a project delivery tool, not a financing source
2. Pre-procurement work to secure funding, public support, internal readiness to facilitate successful P3
3. Focus on service outcomes and commitment to partnership in procurement process can foster innovation
4. Availability payment P3s can offer an integrated solution for design and delivery of public transportation



Future of P3s for Transportation

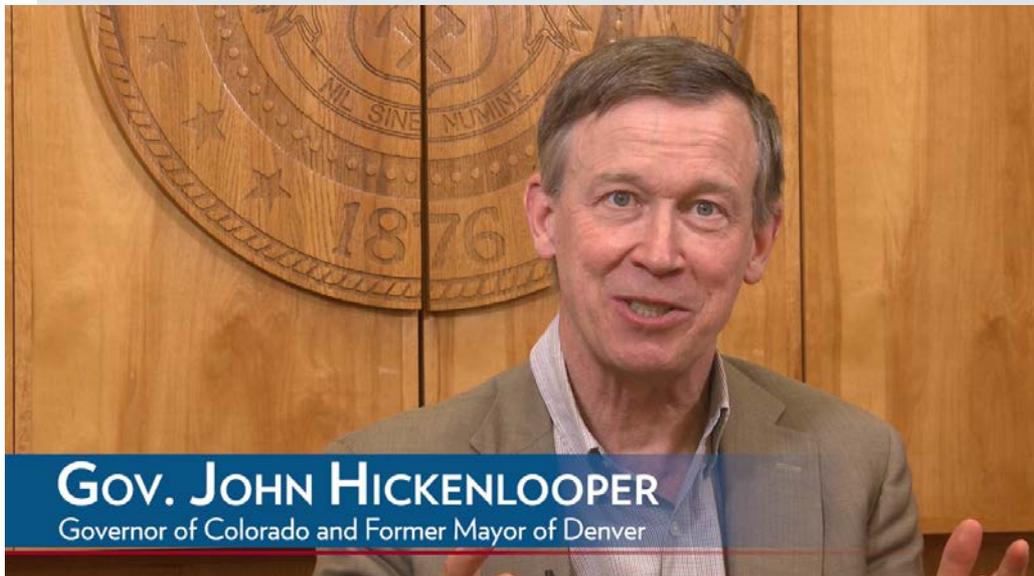


Gov. JOHN HICKENLOOPER

Governor of Colorado and Former Mayor of Denver

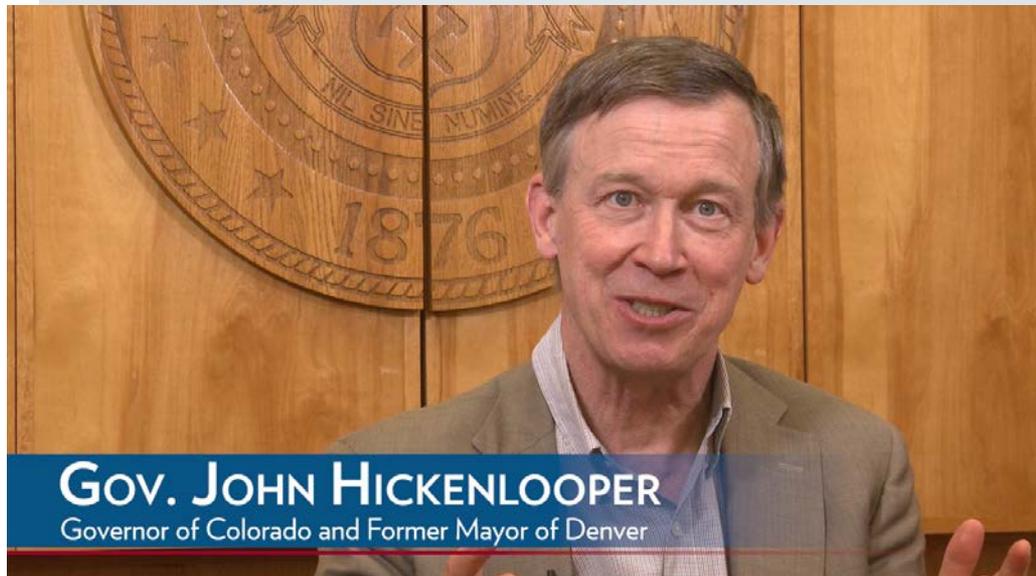
Future of P3s for Transportation

Ultimately it is about building relationships, just like any transaction in any industry. And when you bring private businesses into partnership to build transportation infrastructure, the public partner has got to play their role as well. And there's got to be a relationship and a trust between the two entities that's going to sustain over a long period of time. So no matter what new elected official comes in or no matter who the CEO changes in the private partner, the relationship's got to remain strong.



Future of P3s for Transportation

And that's one of the big goals, I think we want to make sure that we prove that we can do that with the Eagle P3, and I think we are. And as that succeeds and people become more accustomed to it, I think we'll see a lot more of these kinds of partnerships.



Gov. JOHN HICKENLOOPER
Governor of Colorado and Former Mayor of Denver

Questions and Answers

Jennifer Brickett

DIRECTOR

BATIC Institute: An AASHTO Center for Excellence

Discussion



David Genova
Interim General Manager
RTD



Brian Middleton
Jacobs Engineering
(former Project Director for Eagle P3)



Marla Lien
Kaplan Kirsch & Rockwell
(former General Counsel RTD)

**Please submit any questions to our panel using the Q&A
box at the bottom of your screen**

Wrap-Up

- The BATIC Institute will post responses to all questions received today on its website
- The webinar will also be available on the BATIC Institute website:

www.financingtransportation.org



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Thank you for attending today's webinar