

ADOT and Public Private Partnerships

Arizona Society of Highway Engineers
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ADOT's Funding Picture



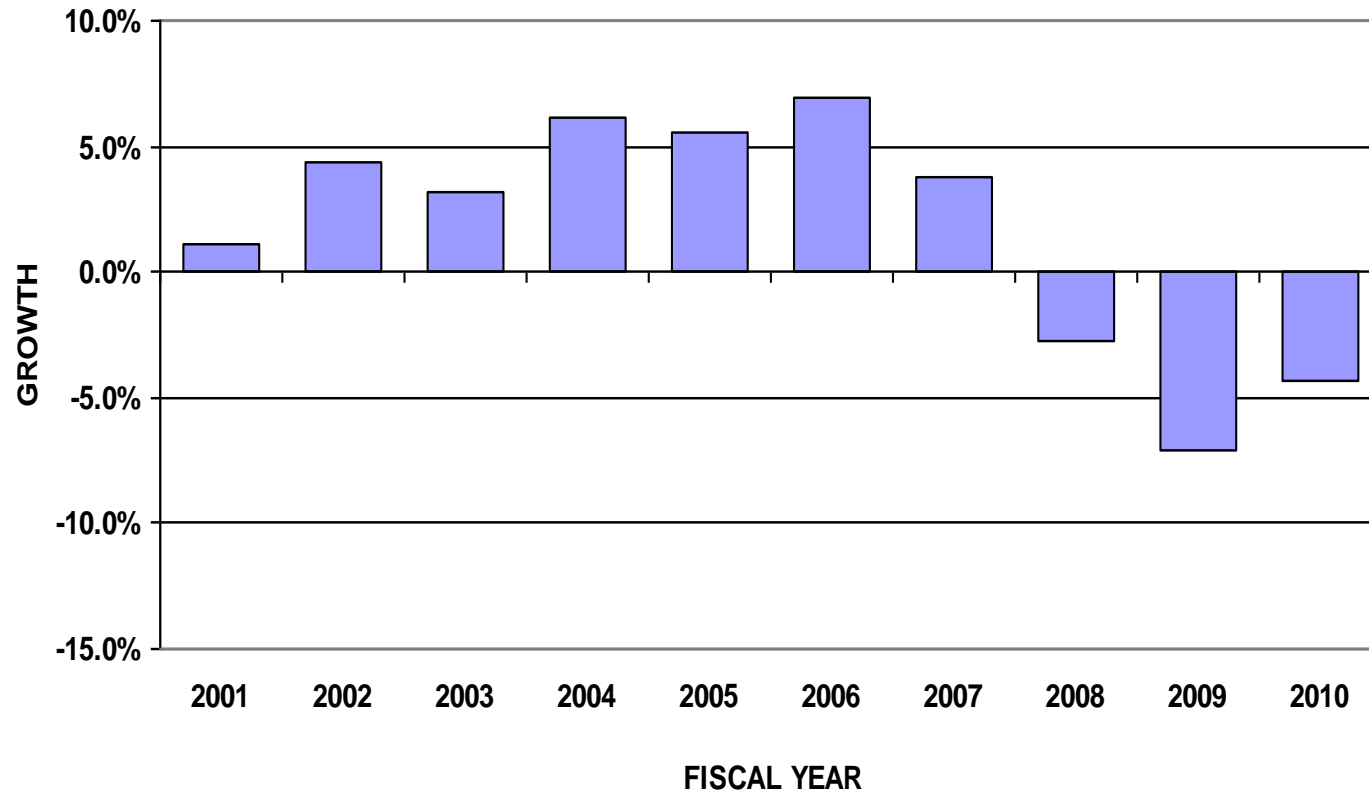
- The Perfect Storm:
 - Declining revenues from gas tax and vehicle license tax (VLT)
 - Diversion of funds by the Legislature to the General Fund
- Loss of bonding capacity
- Long term trends vs recessionary pressures
 - Short term crisis!
 - Long term trends also working against ADOT
 - More fuel efficient vehicles = less gas tax
 - Less driving = less gas tax
 - When was the last time gas taxes were raised?
 - More modestly priced vehicles = less VLT
 - Construction costs trending up over time



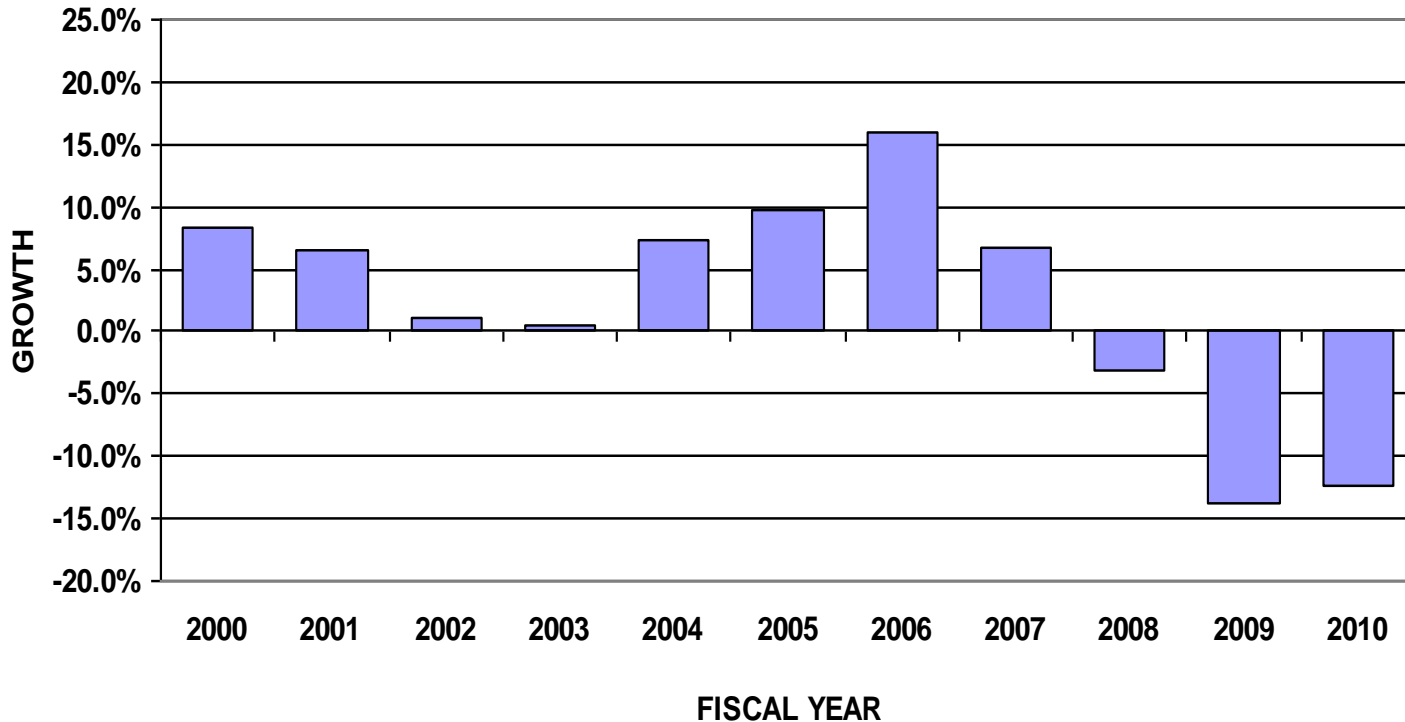
HIGHWAY USER REVENUE FUND

Annual Revenue Trends

FY 2001- 2010



Transportation Revenues Percentage Change by Fiscal Year - RARF



January 2010 down 12.4% compared to FY 2009

NOTE: FY 2010 through January 2010.

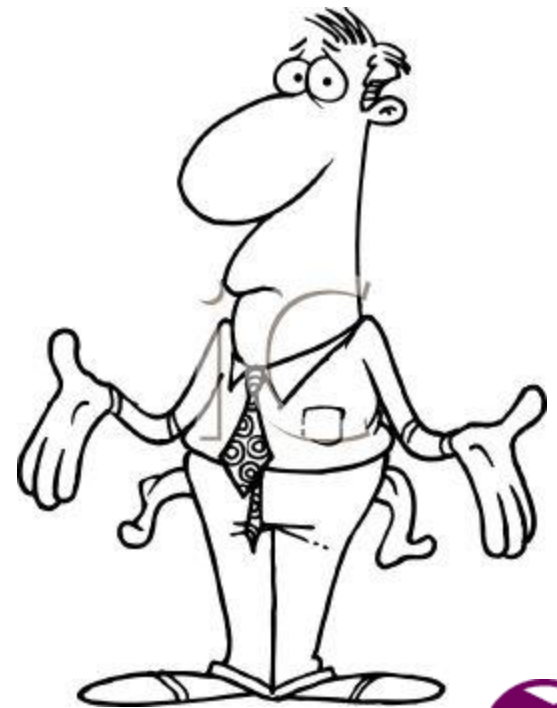


Prospects for FY 2012 – 2016

Five Year Program



- Preliminary estimates indicate \$600 million total for *all* programming in FY 2016
- Amount available for major capacity enhancements in Greater Arizona...\$0



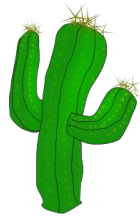
Funding Alternatives



Federal Funding: Arizona is now virtually dependent on federal funding for transportation infrastructure resulting in:

- More Stringent Requirements
 - Design Complete
 - Environmental and Utility Clearances
- Longer time horizons
 - Lead time for planning
- Increased costs
 - Local Match





Arizona's Law



- **Eligibility:** enhanced, upgraded or new facilities including roads, rail, transit and rest areas.
- **Types of partnerships:** design/build all the way to design/build/finance/operate. Very flexible.
- **Allows for ADOT to solicit projects, but also receive unsolicited projects.**
- **Gives ADOT significant authority to enter into negotiations and agreements.**
- **Other governmental units besides ADOT may enter into P3 agreements.**
- **Can use a number of revenue sources as repayment, including revenue bonds, Grant Anticipation Notes, and tolls and fees.**
- **Considering some modifications during 2011 legislative session.**





The Perils of P3s

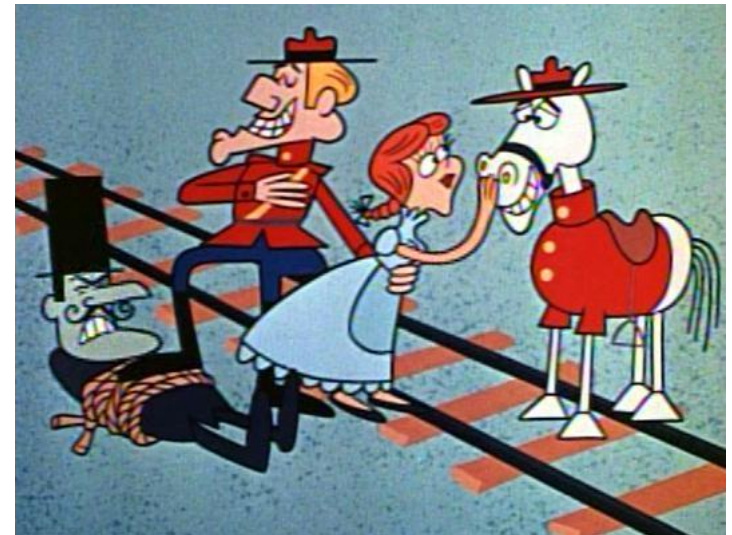
- Public opposition to “selling” public assets
- Inadequate public debate – closed door deals
- Uncertainty about existing investment climate
- Extended negotiations with no results
- Opposition to tolls:
 - Public
 - Trucking companies

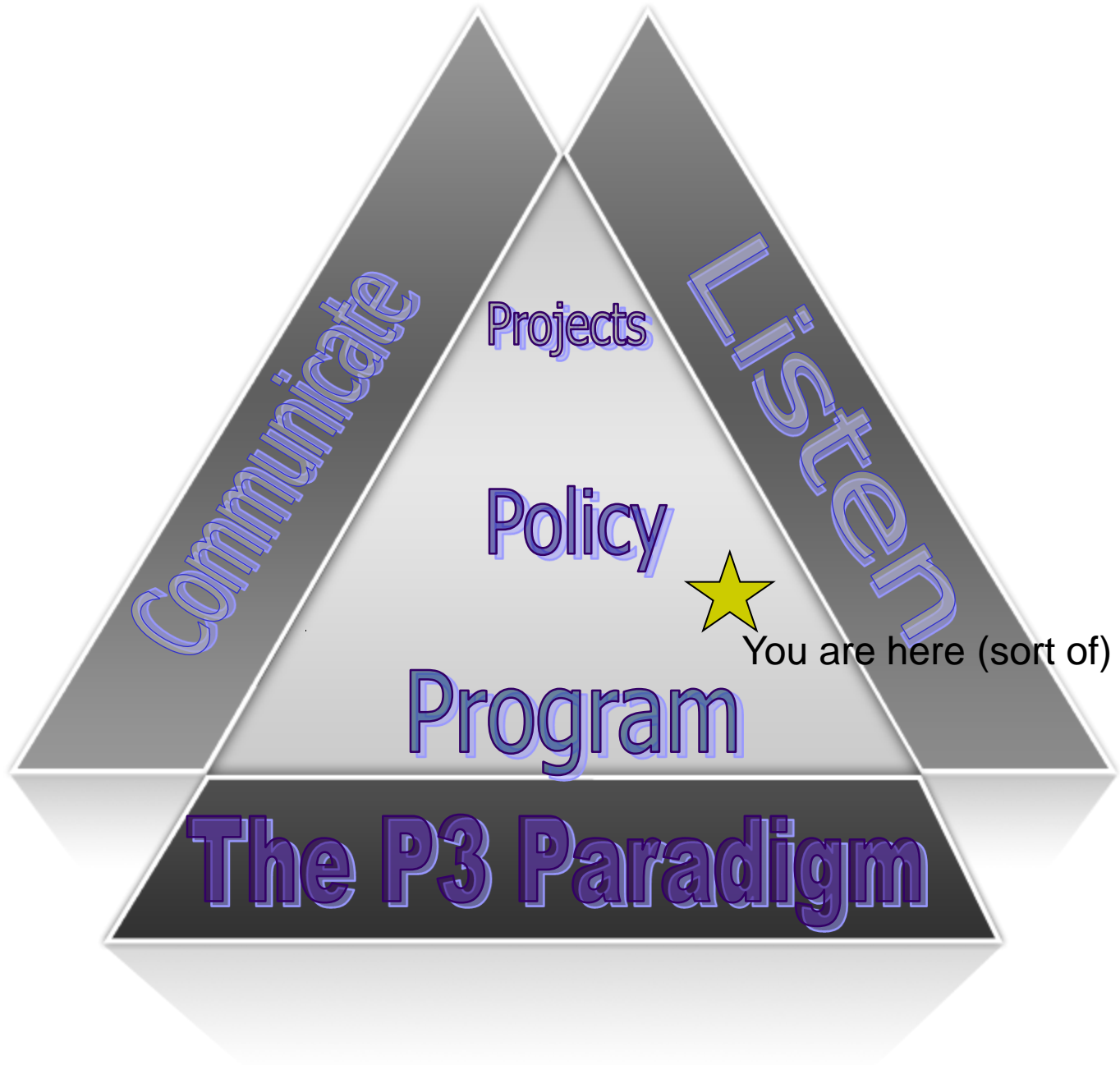


ADOT P3 Principles



- Develop a program based on national Best Practices
- Develop a transparent process for the evaluation and implementation of P3 projects
- Integrate P3 projects into statewide transportation plans
- Use P3 projects to better leverage the State's limited resources
- Create P3 projects that are financially viable over the long-term
- Create P3 projects that will enhance mobility and improve safety





Current Activities



Communications

- ✓ Focus groups
- ✓ Polling
- ✓ Media
- ✓ Public involvement
- ✓ Web improvements

Policy

- ✓ MAG
- ✓ PAG
- ✓ CAAG
- ✓ Other stakeholders

Non Highway Projects

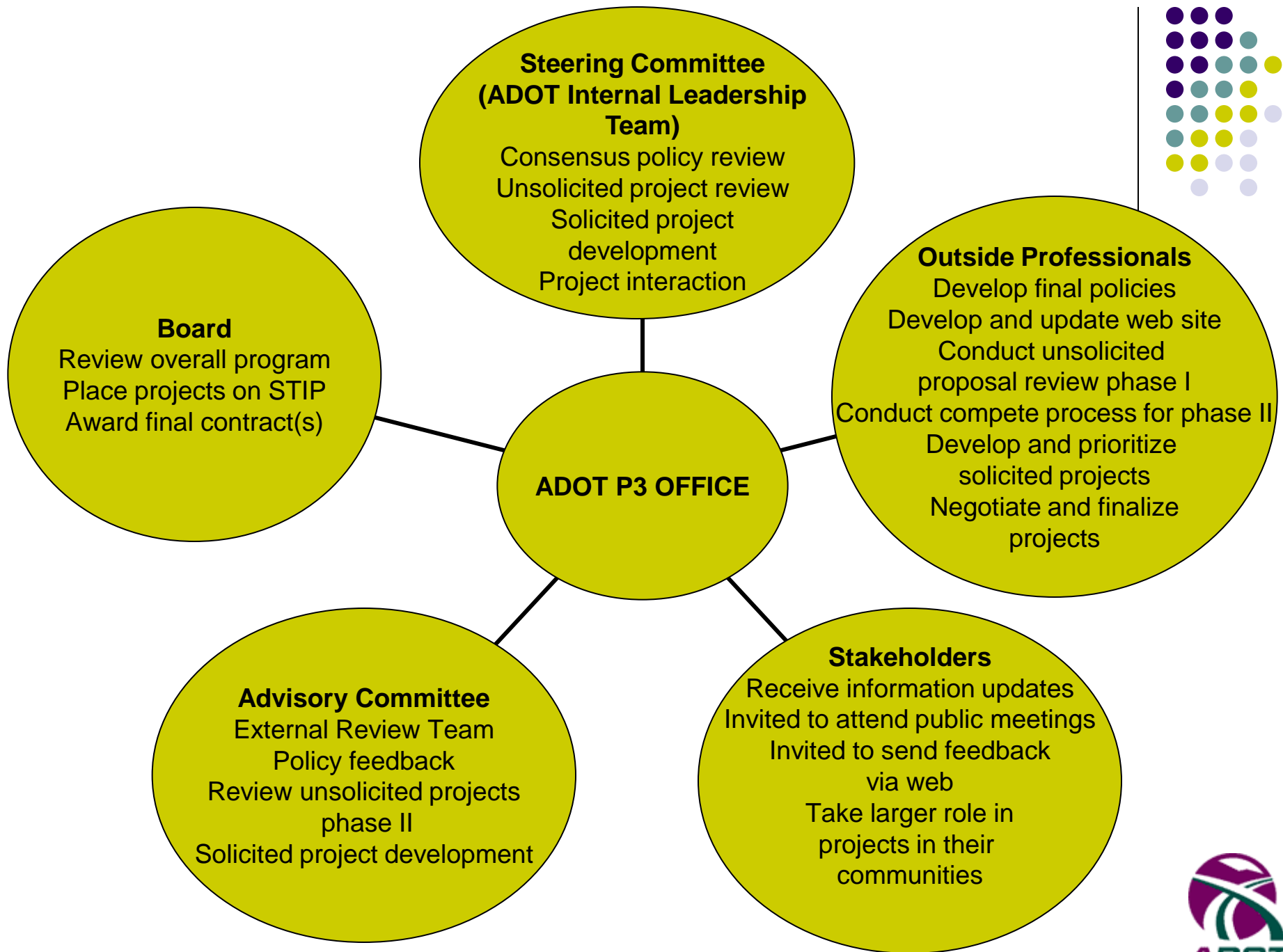
- ✓ Rail and Transit
- ✓ Aviation
- ✓ Alternative energy
- ✓ Rest Areas
- ✓ Maintenance

Highway Projects

- ✓ Review projects and needs
- ✓ Initial criteria

Program

- ✓ Integrate P3 concepts into agency plans and processes
- ✓ Establish advisory committee
- ✓ Legislative changes
- ✓ Review guidelines





Unsolicited Projects



- Phase I: Pass/Fail
- Phase II: Initial Evaluation
- Phase III: Final Evaluation
- ADOT controls the process, it doesn't control us
- ADOT will charge percentage fees adequate to cover our costs
- "Unsolicited" doesn't mean "undiscussed"!
- ADOT will be an enabler of good project not a cheerleader for bad ones



ALERT: Temporary suspension on acceptance of unsolicited proposals for tolled highways



Solicited Proposals



- Outside consultants prepare initial list of criteria with input from planning partners
- Department and COGs/MPOs apply criteria to existing projects, plans and future needs (including maintenance and related facilities such as rest areas, transit, rail, freight needs)
- Outside consultants review lists with the Steering Committee and Advisory Committee
- Stakeholder and public input is solicited
- Time passes....
- Competitive procurement process is established by outside consultants
- Competitive procurement is sought
- Board awards final contract

What could P3s mean for planning and development?

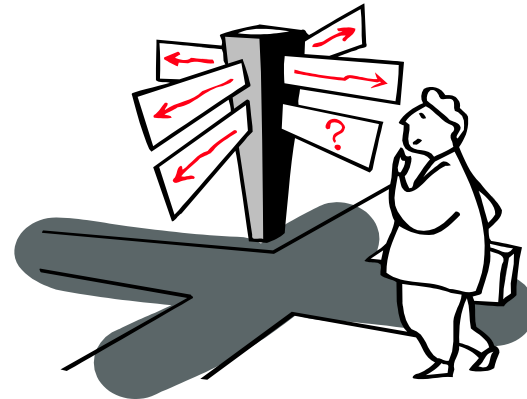


- **Link** highways to demand
- **Leverage** private funds to accelerate projects
- **Connect** land use opportunities to funding transportation
- **Assure** life cycle maintenance and long term efficiency
- **Enhance** the connections between transportation modes



Some Conclusions...

- Failure could result in P3 capital moving away from Arizona.
- P3s are a long-term funding strategy, not an immediate solution.
- P3s are not “the” answer, but another tool in our transportation toolbox.
- We only have one chance to do it right, but one hundred chances to do it wrong – success is the goal!



Take Aways



- Transparency
- Long term financial viability
- Let's do it right, not necessarily fast
- Multi modal and maintenance
- Not just toll roads

[www.azdot.gov/Highways/Projects/Public Private Partnerships](http://www.azdot.gov/Highways/Projects/Public_Private_Partnerships)

