



**KPMG Infrastructure Advisory**

**Commonwealth of Virginia  
PPTA Program Assessment – Phase I  
Draft Diagnostic Report**

**May 3, 2010**

# PPTA Process Assessment – Phase I Diagnostic Report

May 3, 2010

**The Honorable Sean T. Connaughton**  
**Secretary of Transportation**  
**Commonwealth of Virginia**  
**Post Office Box 1475**  
**Richmond, Virginia 23218**

Secretary Connaughton,

KPMG is pleased to submit this Phase I report for our engagement to conduct an assessment of the Commonwealth's PPTA program. The assignment was undertaken pursuant to a Task Order named PPTA Program Assessment dated March 18, 2010 under our Memorandum of Agreement dated May 10, 2007.

The objective of our engagement is to identify opportunities for improving the existing PPTA process. The scope of services for Phase I included conducting interviews with key stakeholders to understand the policy and program objectives of the PPTA program; assessing the current PPTA implementation guidance; performing a comparative analysis of the PPTA process with other national and international Public-Private Partnership ("PPP" or "P3") programs; reviewing the current governance and organizational structure for the PPTA program; and examining the potential benefits of having a "candidate list" of PPTA projects that can be procured either by solicited or unsolicited proposals based on similar experience in other jurisdictions.

Our assessment of the Commonwealth's PPTA process is based on input received through a series of interviews with the Office of the Secretary, Virginia Department of Transportation senior management and staff members, private sector developers and external advisors that have first-hand experience of working with the PPTA process. For our comparative analysis of the PPTA process, we selected four PPP programs and compared key program features to the Commonwealth's PPTA program. The analysis we have performed for this engagement does not constitute an audit, examination or review in accordance with standards established by American accounting standards or regulatory bodies and we have not otherwise verified the information we obtained from these programs for the purpose of preparing this report.

Thank you for giving us this opportunity to serve the Commonwealth. We look forward to getting started on Phase II activities. For questions or concerns regarding this Phase I report, please contact me at 512-501-5326.

Yours very truly,



Declan M. Manus  
Managing Director  
KPMG Corporate Finance LLC

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# Introduction

## Project Objective and Scope

**The objective of this assignment is to assess the Commonwealth of Virginia's Public-Private Partnership Act ("PPTA") program and identify potential opportunities for process improvement. The PPTA program assessment is organized into two phases. Phase I consists of an assessment of the current program, a comparative analysis of other Public-Private Partnership ("PPP or P3") programs and a summary of opportunities for improvement. Phase I is completed in this diagnostic report. Based on the Commonwealth's decisions arising out of Phase I, Phase II will include the preparation of a PPTA implementation manual that will encapsulate the updated standard processes and methodologies for the future PPTA Program.**

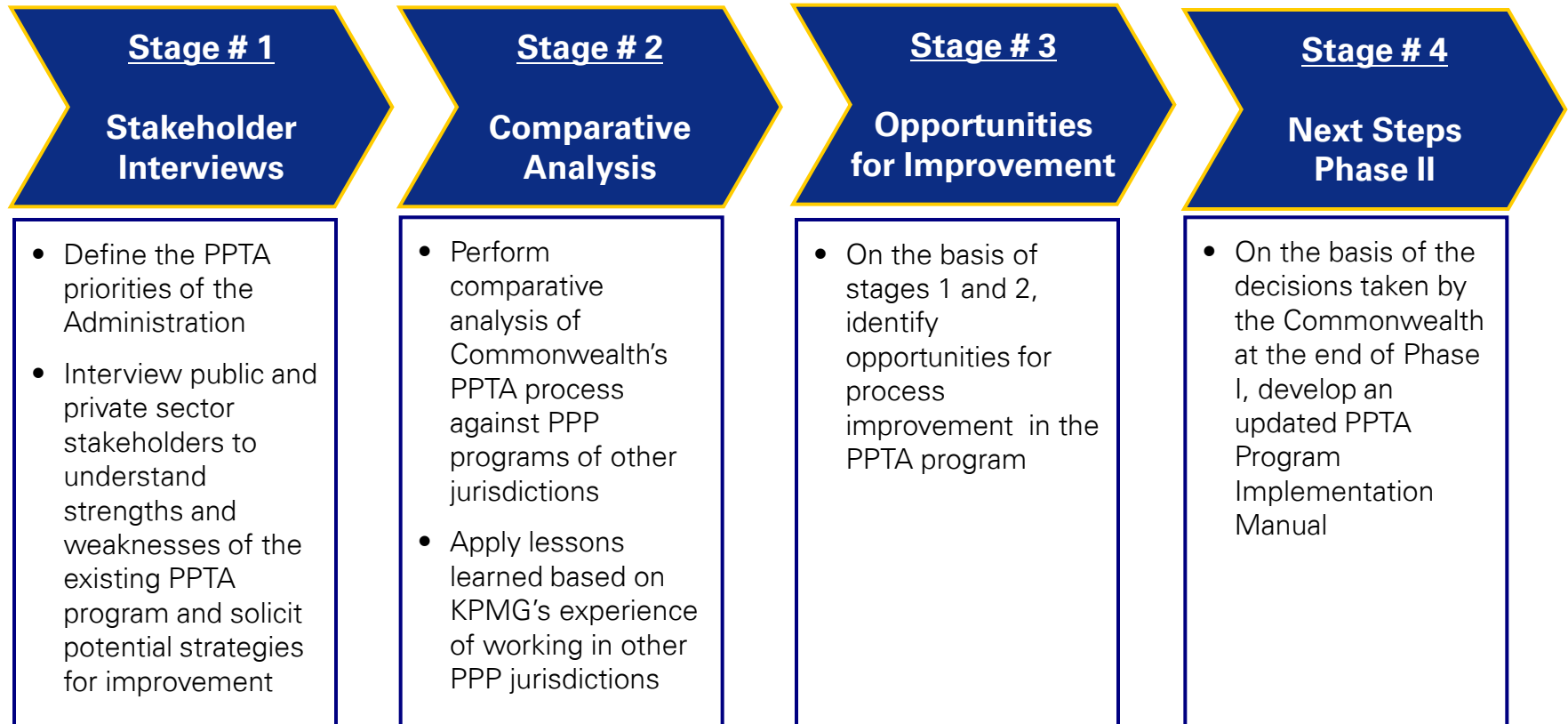
### **The detailed scope of services for Phase I includes:**

- Conduct interviews with key stakeholders, consisting of Virginia Department of Transportation (the "Department") senior management and program staff members, private sector entities and external advisors in order to solicit their input on the PPTA program objectives, policy considerations, and strengths and weaknesses of the current PPTA process.
- Review the current PPTA Implementation Guidelines in the context of the PPTA program objectives and compare them against other national and international PPP programs in order to identify opportunities for streamlining the project development and implementation processes.
- Discuss the establishment of a standardized process for assessing, prioritizing and delivering PPTA projects and discuss the potential for a "candidate list" of PPTA projects that can be procured through solicited or unsolicited means.
- Review the current governance and organizational structure of the PPTA program and identify opportunities for streamlining the decision-making process.
- Identify recommendations for PPTA program improvement.

# Introduction

## Assessment Methodology

Phase I of the PPTA program assessment was conducted in four stages with the intention of defining potential areas of process improvement.



# Introduction

## Commonwealth's PPTA Objectives and Priorities

**The Commonwealth's transportation needs cannot be satisfied by public funding alone. The objective of the PPTA Program is to facilitate access to additional project financing, private sector innovation, enhanced timeliness of construction and improved efficiency at a reduced whole-life cost.**

**In addition to the broader objectives above, the Commonwealth has established a number of priorities for the future of the PPTA program (in no particular order):**

- Take greater control of the PPTA Program agenda, project development and implementation processes to facilitate timely delivery of PPTA projects;
- Promote a sense of ownership and accountability within the Program to facilitate informed and timely decision making;
- Promote competition to create value for the Commonwealth;
- Create multimodal and intermodal solutions;
- Leverage available private sector financing to meet the Commonwealth's transportation infrastructure needs;
- Harness private sector innovation in key corridors to reduce congestion;
- Promote economic growth and job creation; and
- Seek efficiencies through standardization of processes.

*Note: The Commonwealth's PPTA objectives stated above are based on the input received from the Office of the Secretary of Transportation and our interpretation of information presented in the PPTA law and Implementation Guidelines.*

# PPTA Process Assessment – Phase I Diagnostic Report

## Introduction

### Stage # 1 – Current Situation / Lessons Learned (Interviews)

- Public sector interviews
- Private sector interviews
- Review of PPTA statutes, implementation guidelines, applicable policies and procedures

### Stage # 2 – Comparative Analysis of PPP Programs

### Stage # 3 – Opportunities for Improvement

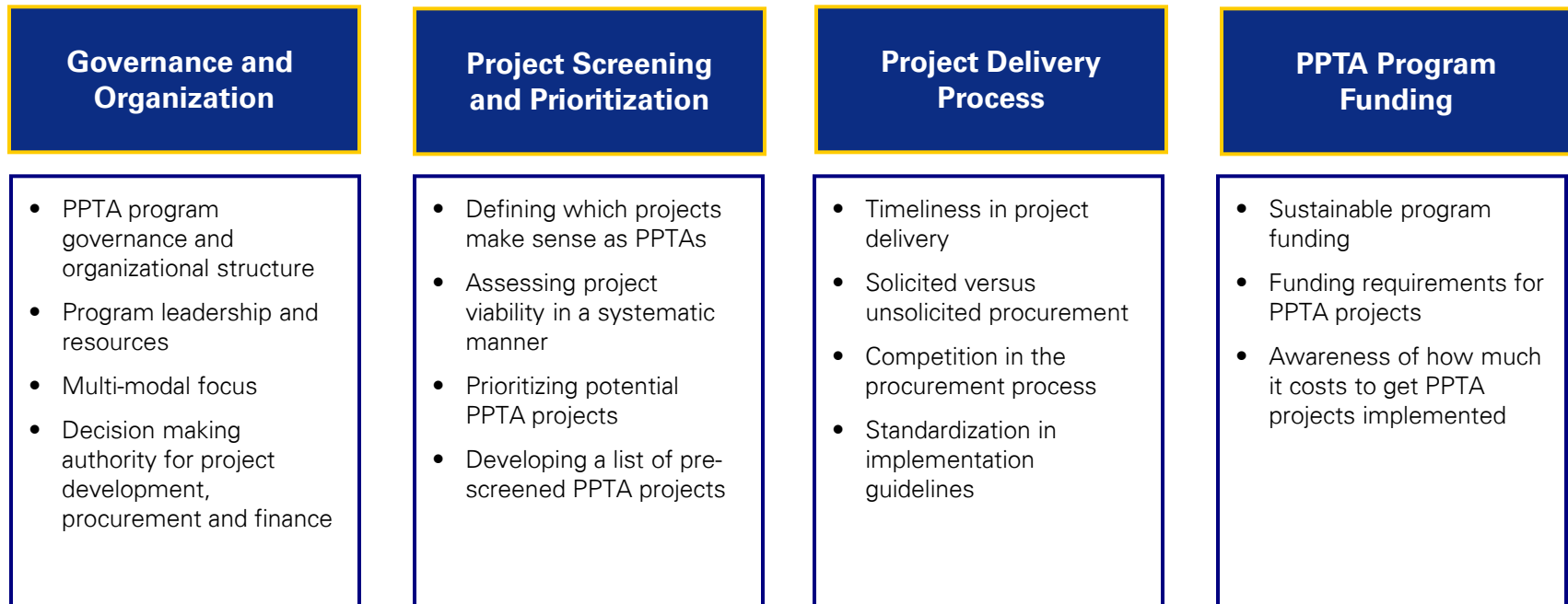
### Stage # 4 – Next Steps

# Stage # 1

## Current Situation / Lessons Learned

The Commonwealth's PPTA law is considered one of the best PPP statutes in the United States. Since its inception in 1995, a number of transportation projects have been successfully delivered through partnership with the private sector. However, one of the primary concerns with the PPTA program has been the long project development and implementation process.

Through KPMG's interviews with the public and private sector stakeholders, the key themes heard appeared to fall into the following four categories:



The following Stage #1 slides collate the apparent strengths and weaknesses of the VDOT PPTA Program based on KPMG's interviews with stakeholders.



# Stage # 1

## Current Situation / Lessons Learned

### ➤ Governance and Organization:

Strengths
<ul style="list-style-type: none"><li>▪ PPTA program in existence since 1995, well known and respected by the Industry</li></ul>
<ul style="list-style-type: none"><li>▪ Institutional knowledge</li></ul>
<ul style="list-style-type: none"><li>▪ History of successful PPP projects</li></ul>
<ul style="list-style-type: none"><li>▪ PPTA program enjoys strong support in both chambers of the Legislature and on both sides of the aisle</li></ul>
Weaknesses
<ul style="list-style-type: none"><li>▪ Ownership of PPTA Program rests with multiple staff with multiple competing priorities</li></ul>
<ul style="list-style-type: none"><li>▪ Program therefore lacks one accountable position and clear decision making authority which impacts timeliness of decision making</li></ul>
<ul style="list-style-type: none"><li>▪ PPTA finance function and PPTA engineering/procurement functions are housed in separate parts of the Department and have separate reporting lines making collaboration on multi-disciplinary projects difficult</li></ul>
<ul style="list-style-type: none"><li>▪ Unclear coordination between modes for program priorities</li></ul>
<ul style="list-style-type: none"><li>▪ The current organizational structure does not provide the level of authority and accountability required for timely decision-making</li></ul>
<ul style="list-style-type: none"><li>▪ PPTA program lacks multi-modal focus</li></ul>

# Stage # 1

## Current Situation / Lessons Learned (continued)

### ➤ Project Screening and Prioritization:

Strengths
<ul style="list-style-type: none"><li>▪ Proven processes for the selection of transportation projects for the “Six-Year Improvement Plan”</li></ul>
<ul style="list-style-type: none"><li>▪ Strong institutional capabilities for planning, environmental and engineering reviews and studies</li></ul>
<ul style="list-style-type: none"><li>▪ Strong institutional capabilities for innovative procurement and finance</li></ul>
Weaknesses
<ul style="list-style-type: none"><li>▪ PPTA program lacks a programmatic approach and methodology for screening and selecting candidate PPTA projects. There is no internally agreed upon, defined selection criteria</li></ul>
<ul style="list-style-type: none"><li>▪ There is not currently a process for defining the PPTA project pipeline. Currently a reactive approach for dealing with legislative priorities/mandates and unsolicited proposals</li></ul>
<ul style="list-style-type: none"><li>▪ Projects are not currently prioritized based on standardized, internally agreed criteria</li></ul>
<ul style="list-style-type: none"><li>▪ The current screening process does not take into account relationship among modes</li></ul>
<ul style="list-style-type: none"><li>▪ PPTA program primarily focuses on mega-projects; however, more than half of the Department’s budget is for O&amp;M activities</li></ul>
<ul style="list-style-type: none"><li>▪ Key decisions, such as public funding commitments, are delayed until very late in the project development process and should form part of the screening and prioritization criteria</li></ul>
<ul style="list-style-type: none"><li>▪ Decisions to move forward or not to move forward with projects need to be taken earlier in the process i.e. infeasible projects hang around for a long time</li></ul>

# Stage # 1

## Current Situation / Lessons Learned (continued)

### ➤ Project Delivery Process:

Strengths
<ul style="list-style-type: none"><li>▪ PPTA law encourages innovative solutions to address Commonwealth's transportation needs</li></ul>
<ul style="list-style-type: none"><li>▪ Strong institutional capabilities for coordination with MPO, CLRP, NEPA, FHWA, TIFIA and public/stakeholders</li></ul>
<ul style="list-style-type: none"><li>▪ PPTA Implementation Guidelines provide a framework for implementation of transportation projects</li></ul>
Weaknesses
<ul style="list-style-type: none"><li>▪ Recent PPTA projects took about 36 months to reach an interim agreement for unsolicited proposals</li></ul>
<ul style="list-style-type: none"><li>▪ Arduous contract negotiation process, lack of standardized contracts and other documentation</li></ul>
<ul style="list-style-type: none"><li>▪ PPTA program has limited flexibility to respond to changing market conditions</li></ul>
<ul style="list-style-type: none"><li>▪ No standardized procurement process and milestones</li></ul>
<ul style="list-style-type: none"><li>▪ Procurement process has too many steps and lacks timeframe commitments</li></ul>
<ul style="list-style-type: none"><li>▪ Independent Review Panel should be replaced by standing steering committee and should opine on a project pre-procurement</li></ul>
<ul style="list-style-type: none"><li>▪ Environmental process should begin as soon as it decided to move forward with a project</li></ul>

# Stage # 1

## Current Situation / Lessons Learned (continued)

### ➤ PPTA Program Funding:

Strengths
<ul style="list-style-type: none"><li>▪ Commonwealth has maintained a strong credit rating</li></ul>
<ul style="list-style-type: none"><li>▪ PPTA program has successfully leveraged various funding programs (e.g., TIFIA, PABs)</li></ul>
<ul style="list-style-type: none"><li>▪ Strong interest from the private sector to invest in Commonwealth's transportation infrastructure</li></ul>
Weaknesses
<ul style="list-style-type: none"><li>▪ Commonwealth is facing a multi-billion dollar transportation deficit</li></ul>
<ul style="list-style-type: none"><li>▪ Limited public sector funding available to leverage private sector financing of transportation projects</li></ul>
<ul style="list-style-type: none"><li>▪ PPTA program is constrained by lack of dedicated and predictable funding source(s) for project development expenses</li></ul>
<ul style="list-style-type: none"><li>▪ Funding needs are not identified early in the process – i.e. should be part of screening and prioritization process</li></ul>
<ul style="list-style-type: none"><li>▪ No standardized mechanism instituted in PPTA projects to reimburse program development and monitoring expenses</li></ul>
<ul style="list-style-type: none"><li>▪ Insufficient allocation of funds to PPTA projects under construction for risks and contingencies during construction phase</li></ul>

# PPTA Process Assessment – Phase I Diagnostic Report

## Introduction

### Stage # 1 – Current Situation / Lessons Learned (Interviews)

### Stage # 2 – Comparative Analysis of PPP Programs

- National Road Authority, Ireland
- Infrastructure Ontario, Canada
- Texas Department of Transportation
- Georgia Department of Transportation

### Stage # 3 – Opportunities for Improvement

### Stage # 4 – Next Steps

## Stage # 2

# Comparative Analysis of PPP Programs

**KPMG conducted a comparative analysis of the Commonwealth's PPTA program and guidelines against other national and international Public-Private Partnership (PPP or P3) programs in order to help identify potential opportunities for improvement.**

- The PPP programs and the rationale for their selection are outlined below:
  - **National Road Authority (NRA) of Ireland:** the NRA has a roads-specific PPP program with a proven commitment to deliver a pipeline of 9 projects every seven years. Having reduced the average project delivery timeline from RFQ-to-Financial Close from 30 months to 18 months, the NRA is an example of a PPP organization that can carry out efficient and streamlined road procurements.
  - **Infrastructure Ontario (IO), Canada:** while IO's infrastructure mandate includes transportation, health and education, the organization structure that manages the 5-year, \$30bn "Renew Ontario" investment plan may provide useful comparisons for Virginia's PPTA program.
  - **Texas Department of Transportation (TxDOT), Comprehensive Development Agreement (CDA) Program:** TxDOT's 2002 launch of the CDA program initiated procurements of P3 projects to address transportation needs. Six transportation projects have reached an agreement with private sector partners since the CDA program's inception.
  - **Georgia Department of Transportation (GDOT), P3 Division:** prior to the 2009 launch of the P3 Division within GDOT, both unsolicited and solicited proposals were accepted. Legislation (Senate Bill 200) adopted by the Georgia General Assembly mandated that all future P3 projects be solicited by the Department. In light of this new legislation, in November 2009, GDOT decided to focus its entire P3 program on a solicited process and therefore not pursue six unsolicited proposals received prior to Senate Bill 200's adoption. Georgia's change in direction may provide applicable lessons for Virginia's PPTA program.

## Stage # 2

# Comparative Analysis of PPP Programs

The comparative analysis targeted the following elements of each PPP program:

**Governance and  
Organization**

**Project Screening  
and Prioritization**

**Project Delivery  
Process**

**PPP Program  
Funding**

- The approach for conducting this comparative analysis included a review of publicly accessible implementation guidelines, PPP program web-sites, background research on specific PPP projects and interviews with advisers and our international KPMG Member Firms that have acted in a financial advisory capacity for the specific PPP programs
- A summary of key findings can be found in the following PPP program-specific slides

## Stage # 2 – Comparative Analysis (continued)

### Governance and Organization

#### National Road Authority, Ireland

- The NRA reports to the Minister for Transport and Marine, but is itself an autonomous entity with a relatively flat decision making structure
- A CEO manages the day-to-day program activities of four divisions: Finance, Engineering, PPP (Strategic Planning and Commercial Operations) and Corporate Affairs
- The PPP team is relatively small (10-12) and reports to the Head of PPP Strategic Planning and Commercial Operations. A project manager is assigned to each new project and other NRA disciplines are brought in as needed
- The CEO reports to the NRA Board
- NRA Board has authority to enter into PPP contracts

#### Infrastructure Ontario, Canada

- IO is an Independent Crown Corporation 100% owned by the Canadian government and composed of a Board of Directors
- IO has two divisions: the Infrastructure Lending Program (OSIFA) and the Alternative Finance and Procurement (AFP) project delivery where all PPP work is done
- A CEO manages 4 senior VPs (shared service, health, transit, accommodation) and a staff of approximately 130 people with individual specializations in engineering, financial and legal
- IO reports to the Ministry of Energy and Infrastructure (MEI)
- The approval of both the IO Board and the relevant Ministry is needed for awarding PPP contracts

#### Texas Department of Transportation

- The CDA Program functions from within TxDOT
- The functions of the CDA Program are carried out by staff from the Finance Division of TxDOT, the engineering staff from the Texas Toll Road Authority and external advisors
- There is a CDA Steering Committee which oversees the development and implementation of all CDA projects. It reports to the TxDOT Executive Director who reports to the Texas Transportation Committee (TTC)
- The TTC has voting power to approve CDA Projects.
- The Executive Director of TxDOT has authority to sign CDA agreements

#### Georgia Department of Transportation

- The P3 Division is a stand-alone division within GDOT
- P3 Division staff come from the Office of Innovative Finance and Office of Innovative Program Delivery with specializations in engineering, finance and legal
- The P3 Division has a Director, a Steering Committee (Chair of the Board's Alternative Finance Committee, the Director of Planning, the Commissioner, the Program Director, and others) and a Screening Committee (Director of Planning, Chair of Board's AFC, an individual designated by the Chair of the Board's AFC and others designated by the Steering Committee)
- The Commissioner of the Transportation Board has ultimate authority to approve and sign P3 Contracts



## Stage # 2 – Comparative Analysis (continued)

### Project Screening and Prioritization

#### National Road Authority, Ireland

- The National Roads Program (2000-2007) was launched with a clearly identified pipeline of 9 toll road projects
- NRA periodically examines Ireland's transport needs and creates an overarching strategic plan to determine which roads are needed and where
- There is a formal screening process
- The criteria for selection include confirmation of the following: appropriate size for PPP mechanism; commercially bankable; ability to attract substantial private finance; ability to attract sufficient private sector interest to ensure good competition at bid stage and ultimately result in VfM for public sector

#### Infrastructure Ontario, Canada

- IO launched "ReNew Ontario" (2005 -2010) – targeting 40 PPP projects across multiple infrastructure sectors
- A formal screening process exists
- MEI determines PPP eligibility according to five principles: public interest is paramount, VFM, public ownership must be preserved, accountability must be maintained
- For projects in the range of \$50 million to \$300 million+, IO is mandated to set project criteria, bring together public and private sector organizations, conduct a procurement process to select a private-sector consortia and ensure the public interest is upheld throughout the life of the project

#### Texas Department of Transportation

- Comprehensive Development Agreement (CDA) Program was launched in 2002 – with 87 identified road projects
- There is a formal screening process
- Local/regional districts make project recommendations to the TTA for CDA consideration. All decisions go through a Screening Committee who meet on regular basis
- Since 2002, the CDA Program has screened 180 potential projects for P3 suitability. Screening criteria are based on risks (e.g. system interface, design and construction, O&M requirements, public acceptability, approvals and scheduling, and demand); financial feasibility; and estimated time to procurement

#### Georgia Department of Transportation

- The Public Private Partnership (PPP) Program was re-launched in 2009 – with a 4 project multimodal pipeline
- Rules require GDOT to develop a biennial P3 list for Transportation Board consideration
- Comprehensive project screening protocol is carried out to identify near, mid and long-term projects
- Projects may be proposed by GDOT, other state agencies, local authorities and MPOs via a Project Data Request Form. Projects sit within the Strategic Transportation Improvement Program
- Screening factors: potential for value added by the private sector, the Department's preparedness, public funding, project maturity, market interest, project scope, and financial feasibility

## Stage # 2 – Comparative Analysis (continued)

### Project Delivery Process

#### National Road Authority, Ireland

- Solicited proposals only are acceptable
- During Program I (2000-2007), NRA brought 9 projects to financial close. For Program II (2009), NRA proposed 4 projects . NRA hopes to reach financial close on all four projects by 2011
- Average RFQ to financial close: 30 months- although the most recent project was 18 months
- Value for Money (VfM) is used as an evaluation metric
- The NRA used standardized bidding, evaluation processes and contracts for procurement

#### Infrastructure Ontario, Canada

- Solicited proposals only are acceptable
- IO is mandated to deliver a consistent pipeline of infrastructure projects on-time and on-budget
- Since 2005, 30 projects have reached financial close. IO has issued 13 more RFPs which are at various stages of procurement Average timeline for RFQ to financial close: 17 months
- VfM is used as an evaluation metric
- IO used standardized bidding, evaluation processes and contracts for procurements

#### Texas Department of Transportation

- Both solicited and unsolicited projects are accepted by law, although the former is preferred
- Since CDA Program launched in 2002, 6 CDA procurement have reached financial close, 1 was suspended, and 1 became a PDA. The average timeline for RFQ to financial close: 37 months
- VfM is used as an evaluation metric
- A programmatic term sheet was issued at start of the CDA program and programmatic technical provisions were developed to help speed execution

#### Georgia Department of Transportation

- Solicited proposals only are acceptable
- While 1 RFQ has been issued (Feb 2010), no projects have yet reached financial close. Targeted timeline for RFQ to financial close is 16 months
- VfM is used as evaluation metric
- P3 Division has publicly issued Implementation Guidelines and Rules including standardized processes for bidding and evaluation

## Stage # 2 – Comparative Analysis (continued)

### PPP Program Funding

#### National Road Authority, Ireland

- The NRA receives an annual grant from the Irish government. The ~\$3b funding is used to for payments for capital grants on PPP projects, and for construction and maintenance of non-PPP roads
- NRA's aim is to secure complete project funding from private sector for toll roads. When necessary a public subsidy in the form of milestone payment, availability payment, shadow tolls is considered for high cost schemes
- Program I sought private sector funding of €2.1billion. Program II is aimed at securing €1.0 billion of private sector funding
- To help defray project development costs, the NRA benefits from payments receivable as revenue share, rates and taxes during the concession period

#### Infrastructure Ontario, Canada

- "ReNew Ontario" budget for 2005-2010 was \$30 billion but keep in mind that it is primarily an availability payment based program
- OSIFA (IO's banking arm) is one of several sources of investment tools available to the municipalities. Others include traditional capital allocations from the Ontario budget, federal/provincial/municipal cost sharing, PPPs and local user fees
- All deals are privately financed based off the future availability payment stream from IO; up front government funding is used only for milestone and completion payments
- The relevant Ministry receives money through appropriations to a consolidated fund

#### Texas Department of Transportation

- There is no dedicated funding for the CDA program
- TxDOT depends on gas tax revenue; Proposition 14 bonding authority, TIFIA, PABs, toll revenue and toll revenue bonds for funding to support CDA deals
- Reasonable costs for TxDOT oversight are reimbursable through the projects
- TxDOT does not get development cost reimbursed through at financial close

#### Georgia Department of Transportation

- P3 Division receives funding from GDOT
- GDOT is seeking TIFIA and PABs funding for P3 projects under procurement. Other financing sources include grant anticipation bonds, general obligation bonds, flexible matching, bank loans and section 129 loans
- It is not yet clear what GDOT's intentions are with regard to ongoing oversight costs

# Stage # 2

## Comparative Analysis of PPP Programs (continued)

The comparative analysis of PPP programs yielded potential lessons for the PPTA program:

Key Observations
<ul style="list-style-type: none"> <li>There is a consistent preference across all four PPP programs for solicited proposals. This allows the procuring authority the greatest control over the transportation agenda</li> </ul>
<ul style="list-style-type: none"> <li>Value for Money is a consistent metric for evaluation of potential PPP projects</li> </ul>
<ul style="list-style-type: none"> <li>All four PPP programs have a structured approach to project screening. GDOT's rules require a biennial report of P3 projects to the Transportation Board. This deadline introduces an organizational discipline to manage deal flow</li> </ul>
<ul style="list-style-type: none"> <li>From an organizational standpoint, the equivalent of PPTA's Independent Review Committee is in most cases a standing Screening Committee of key Department executives. This structure allows for development of institutional knowledge, consistency over the long term and increases the potential for efficiencies during the proposal review period. In all cases the decision to move forward with a project is made prior to soliciting proposals from the private sector</li> </ul>
<ul style="list-style-type: none"> <li>For day-to-day duties, the majority of PPP programs have a standing CEO to whom project management teams report. Project implementation teams are consistently described as "commercially minded" technical staff. Most programs also designate a member of the PPP team as a project manager on each project who is responsible for driving the project to close</li> </ul>
<ul style="list-style-type: none"> <li>Most programs also designate a member of the PPP team as a project manager on each project who is responsible for driving the project to close</li> </ul>
<ul style="list-style-type: none"> <li>Although there are some outliers, the average procurement timeline from RFQ to financial close is 18 months</li> </ul>
<ul style="list-style-type: none"> <li>The international PPP programs in particular stood out for the manner in which PPP project pipelines were identified as part of multi-year programs (e.g. 5-10 years), presented in a public-forum for the private sector. An initial focus on the program itself rather than individual projects yielded efficiencies that resulted in procuring more projects in faster timelines. Further, they include accessibility to key project information published on PPP program websites in an up-to-date, thorough manner</li> </ul>
<ul style="list-style-type: none"> <li>All programs rely on external advisors as a result of the specialized nature of the sector</li> </ul>
<ul style="list-style-type: none"> <li>A dedicated funding source helps PPP program keep deal flow moving</li> </ul>

# PPTA Process Assessment – Phase I Diagnostic Report

## Introduction

## PPTA Process Assessment

### Stage # 1 – Current Situation / Lessons Learned (Interviews)

### Stage # 2 – Comparative Analysis of PPP Programs

### Stage # 3 – Opportunities for Improvement

- Governance and Organization
- Project Screening and Prioritization
- Project Delivery Process
- PPTA Program Funding

### Stage # 4 – Next Steps

# Stage # 3 – Opportunities for Program Improvement

## Governance and Organization

### **Recommendation # 1: Establish a separate, multi-modal PPTA program office led and owned by one individual.**

- PPTA program leadership:
  - Have a single point of responsibility and ownership - i.e. Champion for the PPTA program with political resolve
  - Empower this person to make commercial decisions
  - Hold them accountable for attaining program priorities and timelines
  - They should provide regular updates to the Secretary of Transportation based on the goals and timelines set out in the implementation manual
  - Loss of political capital if results are not achieved in a timely manner
  - Strong commercial and management expertise with public policy and infrastructure industry knowledge
- PPTA program office:
  - Bring technical, procurement and financial expertise under one office
  - Appoint PPTA liaison within other disciplines (e.g. planning, ROW, NEPA, utilities, etc.)
  - Project Manager from the PPTA office responsible for managing each project
  - Develop and implement transportation solutions to promote economic development
  - Commercially focused, lean team with support from external advisors on as-needed basis
- Multi-modal Focus:
  - Promote intermodal and multimodal solutions
  - Address mobility and accessibility within corridors of statewide significance and regional networks
  - Agency leaders given clear mandate to liaise with PPTA program office
- The following issues should be considered when deciding if the office should be the responsibility of the Secretary's or Commissioner's office (in no particular order):
  - Ease of access to the Department's resources
  - Ability to be multi-modal
  - Procurement issues (check with OAG if Secretary's Office can run a procurement)

# Stage # 3 – Opportunities for Program Improvement

## Project Selection and Prioritization

### **Recommendation # 2: Develop standard processes and methodologies for “Project Screening and Prioritization” for solicited projects.**

- Set up a project screening and prioritization framework for solicited projects:
  - Project screening criteria should include: need for the project, technical feasibility, financial feasibility, operational considerations, environmental considerations, public acceptability, and legislative acceptability
  - Screen projects that come from the “six-year improvement” plan, the constrained long-range plan (CLRP), the PPTA office, the Legislature or the Districts
  - Evaluation process should take functioning of the primary corridors into account
  - The criteria and the output from the screening process should be uniform to assist with making comparisons
- Publish a prioritized “short list” of candidate PPTA projects:
  - Develop a methodology for prioritizing candidate PPTA projects that takes in account: results of the screening process, Commonwealth’s transportation priorities, available funding, environmental issues and public benefits.
  - Identify candidate projects as short, medium and long-term priorities
  - Communicate the list to industry
  - Projects to be procured using a competitive procurement method
- Update the PPTA project list:
  - Solicit industry input through regular dialogue with the private sector
  - Revisit assumptions regarding market conditions as necessary
  - Update the candidate list every 2 years to reflect change in priority and/or transportation needs and/or unsolicited proposals
- Early decision making:
  - Funding need for PPTA project is identified early in the process
  - Supports early start of environmental and public outreach processes

# Stage # 3 – Opportunities for Program Improvement

## Project Delivery Process

### **Recommendation # 3: Develop a programmatic approach to procurement and delivery of PPTA projects.**

- Develop standard procurement documents across delivery models:
  - Develop standard procurement documents (Solicitation for Proposals, and Request for Detailed Proposals) across PPP delivery models
  - Develop standard high level contractual terms and conditions, and issue to industry for their review and feedback
  - Develop standard technical specifications
  - The intention here is to speed up transaction execution and to avoid renegotiating every deal
- Develop target milestones for each phase of the procurement process
- Incorporate flexibility to address individual project requirements:
  - Standardization should not occur to the point of not taking account of the individual nuances of specific projects
  - Retain the ability to change to reflect changes in market conditions
- Competitive and transparent procurement process:
  - Incorporate price competition as a core tenet of the procurement process for solicited projects



# Stage # 3 – Opportunities for Program Improvement

## Project Delivery Process

### Recommendation # 4: Revise the existing PPTA Implementation Guidelines.

- Prepare a PPTA Implementation Manual that reflects the new PPTA structure, including:
  - PPTA program objectives
  - Policies, procedures, processes and methodologies for:
    - PPTA program governance, organizational structure and communication
    - Project evaluation - i.e. screening and prioritization
    - Procurement – solicited and unsolicited proposals
  - Programmatic terms sheet and technical specifications
  - Approach to business case
    - Methodology for Value for Money (VfM) analysis
    - Criteria and process for “Go – No Go” decision making
- Define timeline for project delivery and implementation
  - Environmental process and public outreach – deal with these issues earlier in the process
  - Move the “IRP” process from the procurement phase to after the screening phase and before the prioritization and procurement phase
  - Have a standing IRP committee or project selection committee because appointment period for IRP has significantly delayed projects
  - Deal with funding requirements for PPTA projects after the screening phase and before the prioritization phase
  - Have target timelines for each phase of the procurement
- Define the role of the PPTA program office during and post-construction
  - Financial model updates
  - Contract agreement updates
  - Be a resource for districts to assist with enforcement of contractual provisions

# Stage # 3 – Opportunities for Program Improvement

## PPTA Program Funding

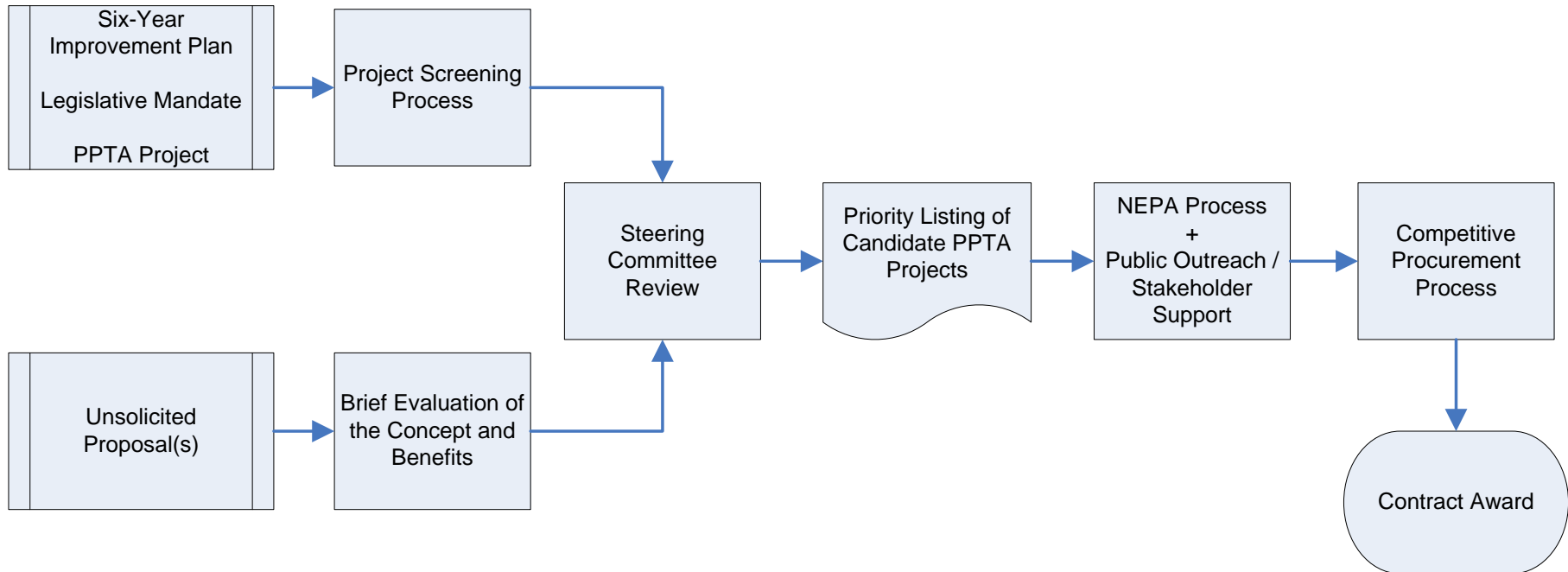
### **Recommendation # 5: Establish a dedicated funding source for the PPTA program office.**

- Dedicated program funding for:
  - Program staffing
  - Project screening and prioritization process, including preliminary T&R study and cost estimates
  - Initial project development activities (i.e. NEPA, public outreach, external advisory support, etc.)
  - Coordination with other agencies
- Reimbursement of program and project development expenses
  - Reimbursement of project development activities (i.e. technical, legal and financial advisory services, in-house project related costs, etc.) paid by the Developer at the financial close
  - Continue to assess fees for reviewing unsolicited proposal
  - Explore feasibility of legislative mandate to be accompanied by appropriate funding for the project
- Funding for the efforts required during and post-construction phase:
  - Project oversight, monitoring and reporting – both during and after construction phase to be paid for out of the project not program funding
  - Contract compliance
  - Contingency reserve for Commonwealth risks taken during construction

# Stage # 3 – Opportunities for Program Improvement

## Conceptual PPTA Project Delivery Framework

A high-level conceptual PPTA project delivery framework is presented to support the recommendations for process improvement discussed in this report. This project delivery framework will be further refined as part of Phase II scope of services.



### Legislative mandate:

- Consider putting projects that are mandated legislatively through the same screening and project selection committee process as all other projects
- Take into account the potential impacts on other PPTA priority projects

### Unsolicited procurement:

- Have a separate project evaluation and procurement process for unsolicited proposals
- Use the standing project selection committee to determine whether or not the project should go forward to avoid unnecessary delays
- Include the potential to reshape the concept so that it reflects the Commonwealth's priorities
- Follow a competitive procurement process

# PPTA Process Assessment – Phase I Diagnostic Report

## **Introduction**

## **Stage # 1 – Current Situation / Lessons Learned (Interviews)**

## **Stage # 2 – Comparative Analysis of PPP Programs**

## **Stage # 3 – Opportunities for Improvement**

## **Stage # 4 – Next Steps**

## Stage # 4

### Next Steps

**Contingent upon the Commonwealth's decision for implementing Phase I recommendations, we have summarized below the next steps that should be completed as part of Phase II of this engagement:**

- Prepare draft PPTA Implementation Manual addressing the policies, processes and methodologies for the following program elements:
  - Procurement method (solicited and unsolicited)
  - Internal organizational structure and reporting
  - Timeline for project delivery and implementation
  - Project screening and prioritization
  - Project evaluation
- Develop of Programmatic Term Sheet
  - Facilitate the development of key programmatic terms
- Value for Money (VfM) Methodology
  - Prepare a standardized methodology for conducting VfM analysis for PPTA projects
- Technical Specifications
  - Facilitate the process for determining a programmatic approach to the technical specifications for PPTA projects