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Seven Steps to Ensure Shovel-Ready P3 RFPs



**Infrastructure
Management
Group, Inc.**

Implementation of PPPs For Transit

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Seven Steps to Ensure Shovel-Ready P3 RFPs

1. Pick the right project
2. Allocate risks appropriately
3. Avoid the Microsoftization of transit technology
4. Know the do's and don'ts of the RFP process
5. Watch the back door in financial negotiations
6. Buy “buy in”
7. Get your organization shovel ready

1. Pick the right project

- Decide on brownfield (asset sale) vs greenfield project (new project)
- Select which project components will be a P3
 - Reduce size if necessary to make more of a commodity
 - Phase it
- Don't just give the “dogs” to the private sector



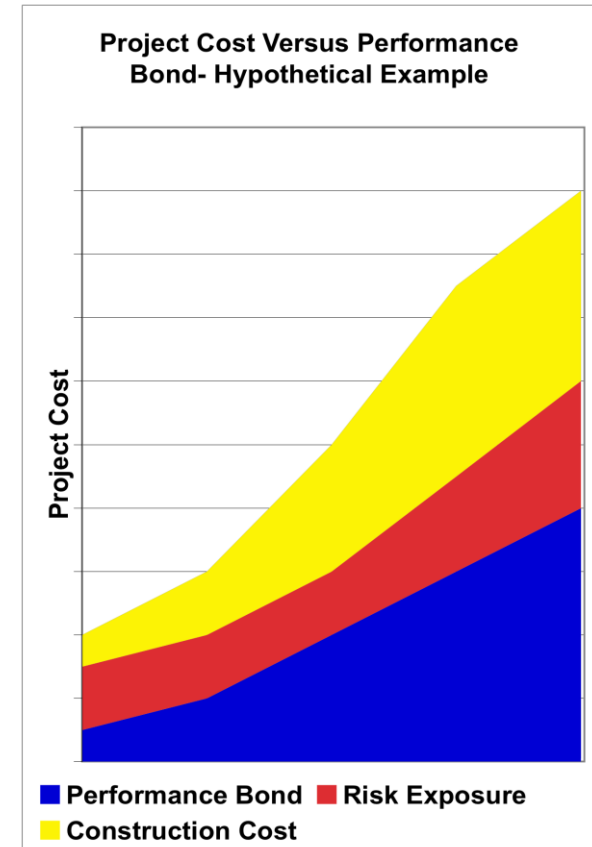
2. Allocate risks appropriately

- Firms prefer to accept risk related to their own area of expertise, i.e. construction firms will take construction risk, but not operating risk and vice versa
- Firms are comfortable tying payment to performance, with delivery mechanisms such as design-build, availability payment, and design-build-operate-maintain
- Based on recent California High-Speed Rail Request for Expressions of Interest Survey

Firm Type	Risk Acceptance
Construction	Construction
Operations	Operational, Ridership
Equipment Supply	Technology
Finance	Ridership, Financial

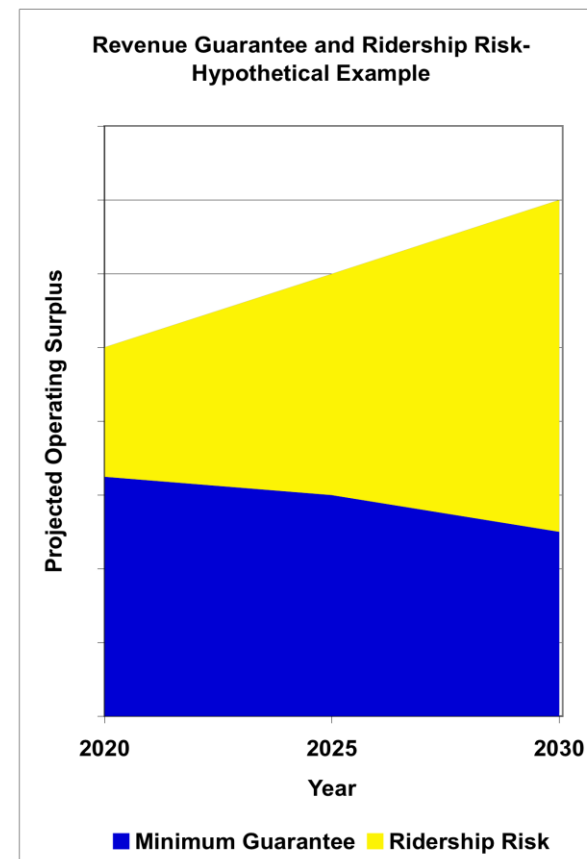
2. Risk (cont'd): Public entities need to consider optimal level of construction bonding

- Firms were unanimous that performance bonding at 100% of construction cost is unlikely for a project of this magnitude
- For projects in the \$1-2 B range, bonding at 50% is typical. However, obtaining more than \$200 - 300 M for any size project is unlikely today
- Firms stressed the need to determine public authority's true risk exposure, and seek appropriate performance bonding, surety bonds, or parent company guarantees



2. Risk (cont'd): Unproven demand limits the appetite for ridership risk

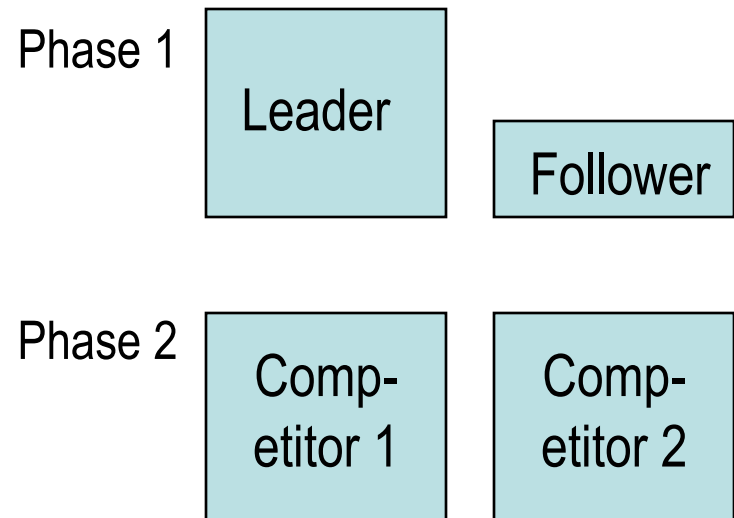
- Many of those surveyed would be willing to accept some limited ridership risk
- Willingness to accept such risk could increase as the project is nearer to completion, or after several years of ridership has been demonstrated
- Some form of guarantee may be needed to encourage firms to accept substantial revenue risk



3. Avoid the Microsoftization of transit technology

- Consider a project development agreement partner, especially when complex technology is involved
- Need to maintain competition, especially since technology provider can obtain leverage
- Consider leader/follower procurement approach used by the Department of Defense

Maximizing Technology Competition in P3 Procurement



4. Know the dos and don'ts of the RFP process

Do

- Make available a list of interested bidders
- Use a two-envelope process
- Establish the (financial) evaluation process ahead of time; yet don't make it too rigid
- Clear conflict issues ahead of time
- Maintain the perception and reality of transparency

Don't

- Accept unsolicited bids
- Ask bidders to take responsibility for the EIS
- Over-burden bidders with design details
- Prolong the process

Maybe

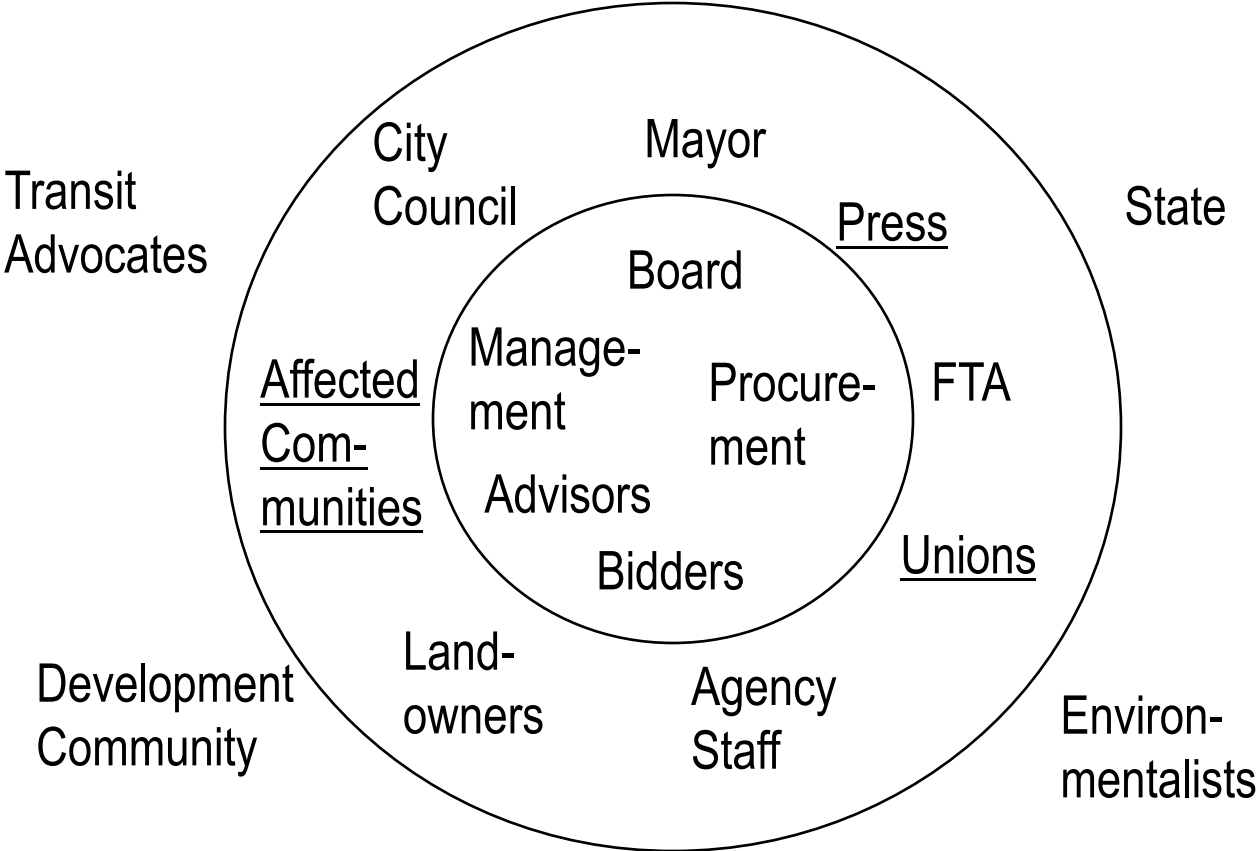
- Give bidders a stipend
- Share valuation with bidders

5. Watch the back door in financial negotiations

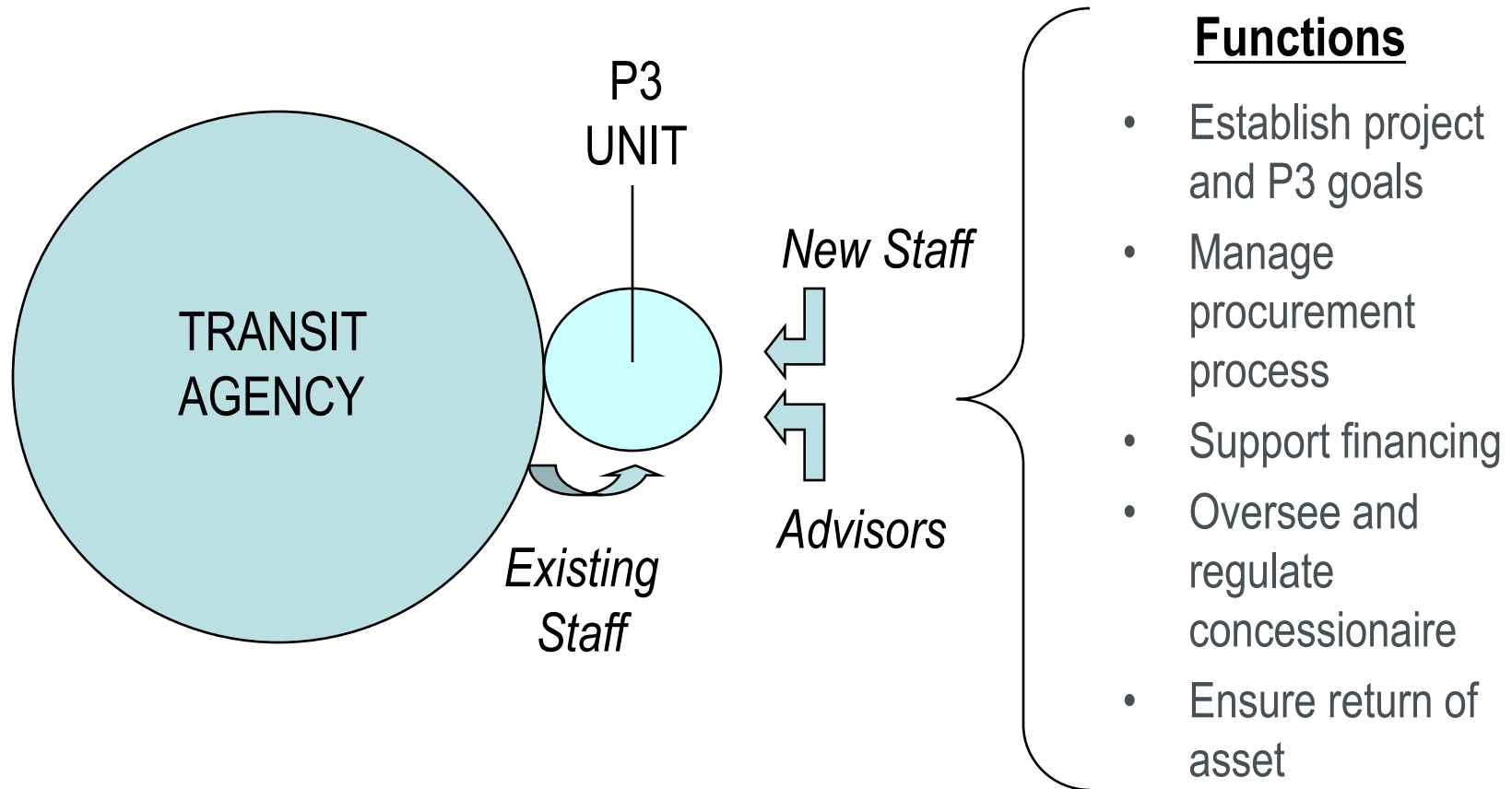
- The RFP process goal should be the auction of a commodity, and not a complex negotiation
- Thus, except for signatures, the concession contract should not change after bid award
- Require (committed) financing as part of the bid
- Work with innovative finance partners (TIFIA, SIB) to establish parameters ahead of time



6. Buy “buy in”--especially with unions, affected communities and the press



7. Get your organization shovel-ready



IMG Overview

- Headquartered in Washington, DC metro area
- Multi-disciplined team of 25 seasoned professionals with more than 150 years of infrastructure experience as authority directors, city managers, facility operators and financial executives
- 200+ engagements for 100+ public and private sector agencies, authorities, and investors
- \$100+ B of deals across the infrastructure lifecycle - feasibility, development, construction, finance, upgrade and mature operations
- Experience across 22+ U.S. states, the Americas, Europe, Africa and Asia
- IMG Capital launched in January 2008 to serve as international investment division for investor advisory and buy-side origination



Contact



Sasha N. Page

Vice President, Transportation and Finance

Phone: (301) 280-0155, Cell: 301-675-3102

SPage@IMGgroup.com

Infrastructure Management Group, Inc.

4733 Bethesda Avenue, Suite 600

Bethesda, MD 20814

Fax: (301) 907-2906