



Texas is Open for Business



## TxDOT CDA Program

Launching the Next Generation of CDA  
Projects

January 17, 2006



## Purpose of Today's Workshop



- Provide a summary of TxDOT's overall CDA Program
- Provide an update on programwide developments
- Announce two new project opportunities
- Highlight key business terms for CDA projects

## Agenda



8:30	Introduction	Amadeo Saenz
8:45	Opening remarks	Commissioner Ted Houghton
8:50	Background	Amadeo Saenz
9:00*	The CDA program in Texas	Phil Russell
	Approach to launching CDA projects	
	CDA program master schedule	
10:40	Programwide CDA business terms	James Bass
	Evaluating CDA proposals	
	Future workshops	
11:20	Questions and answers	Amadeo Saenz
11:55	Closing remarks	Commissioner Ric Williamson

\* There will be a 20-minute break during this session



## CDAs Defined



- House Bill 2702 of the 79<sup>th</sup> Legislature defines the scope of a “Comprehensive Development Agreement”
- Legislation provides TxDOT with tremendous flexibility
  - May include all services
  - May be applied on a variety of projects
  - Leverage public AND private funds
  - Significant contract term

*Texas has implemented the legislative framework necessary to support effective project delivery in a “PPP” model*

## Applying the CDA Concept



- A strategic business partnership for developing a corridor
- Individual projects
  - The concession model is the preferred approach
  - Other PPP models will also be considered
    - DB
    - DBM
    - DBOM
    - DBFO
  - Pre-development agreements will also be contemplated

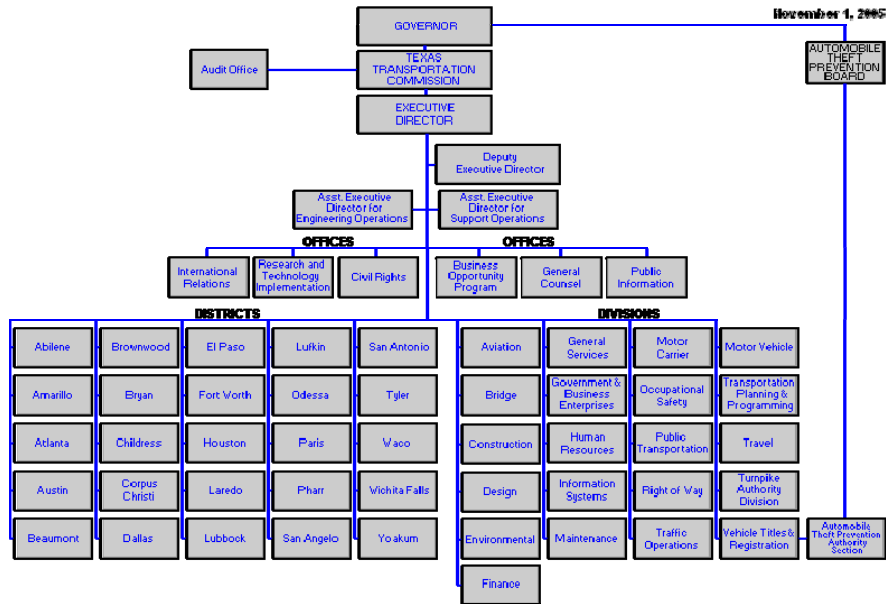
## Example: TTC-35



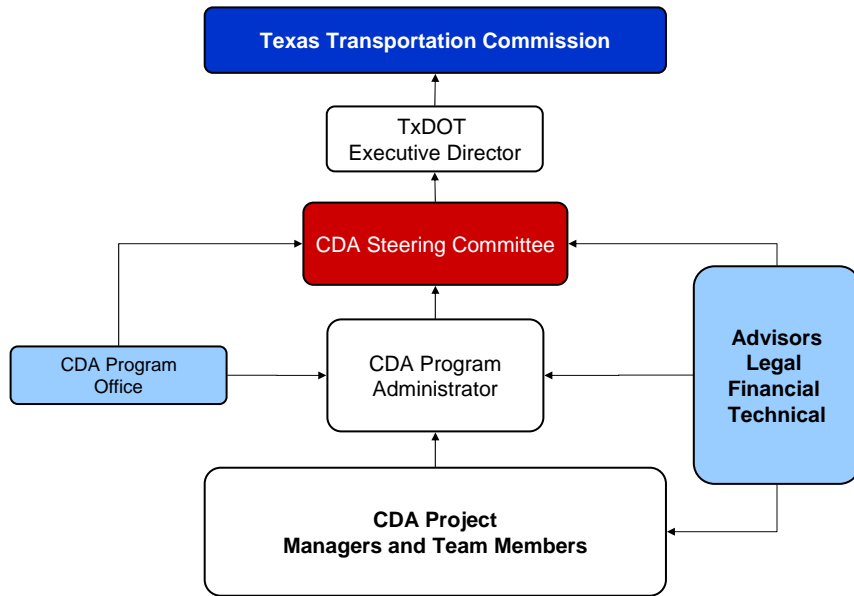
- Strategic business partnership with Cintra-Zachry
  - Transportation corridor stretching from Oklahoma to Mexico
- CZ will create a master development plan
  - Several projects will be identified
- TTC-35 projects will be implemented in a number of ways:
  - Competitive procurements as a CDA
  - Direct negotiation with CZ
  - Traditional project delivery

*The development plan for the TTC-35 corridor will be released October 2006 and will create several new CDA project opportunities for the market*

# TxDOT's Organization



# TxDOT's CDA Organization



## A Program Perspective



- A programwide view to CDAs will:
  - Provide greater efficiency and consistency in procurement
  - Reduce developer bid costs and due diligence requirements
    - More standardized terms and associated contract documents
    - Streamlined procurement process
  - Incorporate lessons learned

*The emerging CDA program in Texas will bring consistent, familiar, and predictable deal flow to the market*

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## The CDA Program in Texas



## Our Work to Date



- Assigned appropriate resources
  - Developed a program management structure
  - Assigned dedicated project managers
  - Engaged external advisors
  
- Developed program wide provisions
  - Key business terms
  - Technical provisions
    - Performance-based approach

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## Our Work to Date (cont'd)



- Developed a CDA screening process
  
- Created an initial CDA project master schedule
  - Will continue to evolve as the program matures
  
- Defined conflict-of-interest guidelines
  - Visit: <http://www.dot.state.tx.us/business/turnpikeconsultinfo.htm>

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## TIFIA



- TxDOT will take the lead
- To facilitate TIFIA, a single SEP-15 application has been filed for three specific projects
  - Requesting exception to TIFIA application procedures
- TxDOT may look into TIFIA for additional projects
- Visit: <http://tifa.fhwa.dot.gov>

*The TIFIA Program provides an effective means of financing CDA projects  
– TxDOT is committed to working with FHWA and developers to make  
these funds available where appropriate*

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## PABs



- SAFETEA-LU authorized the use of up to \$15 billion for surface transportation purposes
  - Visit: <http://www.fhwa.dot.gov/safetealu/index.htm>
- TxDOT analyzing opportunities to apply PABs on project-by-project basis
- TxDOT will be the conduit issuer for PABs
- TxDOT will work with bidders to determine the appropriate amount by project

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## Continuing Efforts



- Refining programwide approach to tolling
  - RFI issued, responses expected early February
  - Incorporate industry views into an overall vision for tolling on CDA projects
  - Visit:  
<http://www.dot.state.tx.us/business/turnpikeconsultinfo.htm>
- Continuing to finalize role of other organizations in TxDOT CDAs
  - MOU with NTTA
  - Availability of Raytheon as a toll system integrator

*TxDOT has made great strides in developing the underpinnings of a successful CDA program – creating the framework, tools, and standards that will be applied across all CDAs*

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## Approach to Launching CDA Projects



## Overview



- Prospective CDA projects may be initiated as follows:
  - Project nominations – including:
    - TxDOT-identified and defined projects
    - Projects identified by local communities/regions
  - Unsolicited proposals from developers

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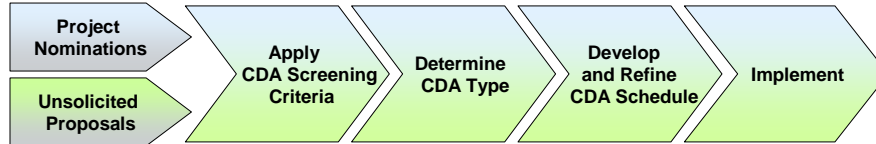
## CDA Screening Process



- Projects will be “screened” for suitability as a CDA
- Provide a more effective and structured approach to:
  - Assessing potential projects and proposals
  - Selecting and scheduling projects

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## Overview of the Methodology



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## CDA Screening Criteria



- System Interface
- Technical
- Operations and Maintenance
- Financial
- Acceptability
- Implementation
- Timing/Schedule

*The CDA screening criteria effectively define the information requirements for CDA project candidates*

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## Unsolicited Proposals



- Unsolicited proposals are encouraged
- Requirements
  - Must be submitted in the required format
  - Must be substantive
- The programwide schedule will be adjusted to accommodate an unsolicited proposal as appropriate

*The new CDA screening process will allow TxDOT to efficiently and effectively evaluate unsolicited proposals*

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## CDA Program Master Schedule



## CDA Projects



- Prospective projects – derived from various sources:
  - TTC-35 Master Development Plan
  - Freight Mobility Plan
  - Existing District/Region nominations
- Two new projects
- Existing projects

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## District Nominations – Examples



- I-35NE (1 & 2)
- Wurzbach Pkwy
- US 281N
- I-10W
- SH 288
- SH 249
- I-69
- US 290
- SH 99
- The Funnel
- SH 360
- Harbor Bridge
- Port to Port
- SH 161

*These, and other projects, are currently being assessed for suitability and priority by TxDOT – the results of this analysis will be presented at an upcoming workshop*

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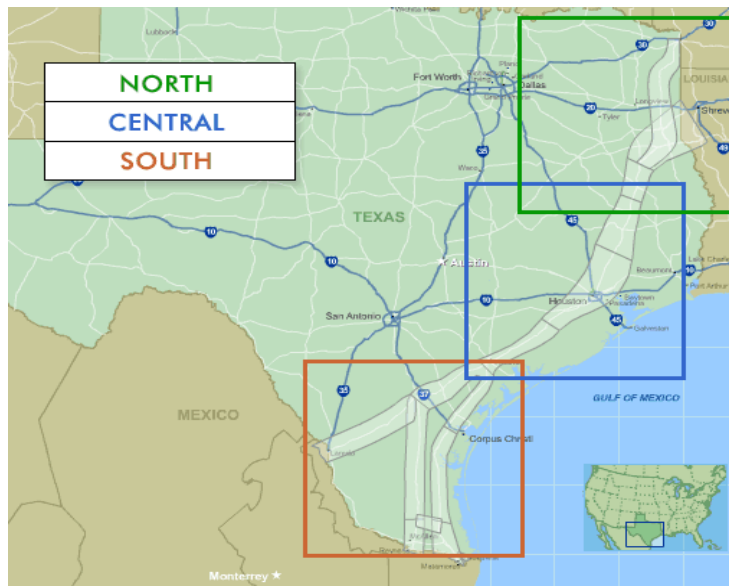
## TxDOT's Newest Projects



- TxDOT continues to move forward with new opportunities
- Two new CDA projects will be launched over the next 3-4 months
  - TTC-69
  - SH 161

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## TTC-69



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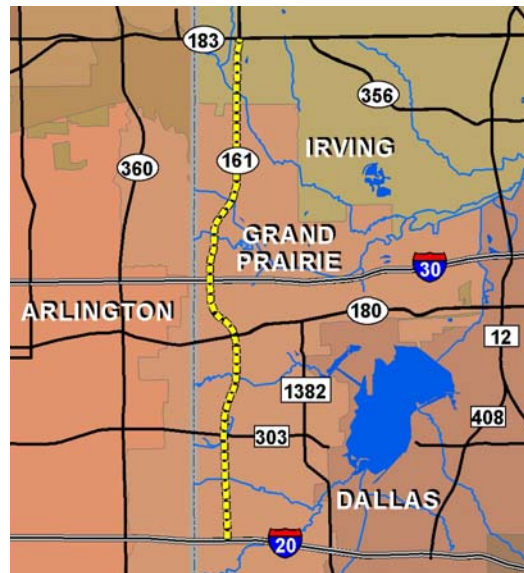
## TTC-69 Procurement



- High priority project – expected to be initiated in March 2006
- Seeking long-term strategic business partner
  - Similar in nature to the TTC-35 project
- Tier 1 environmental approval expected by fall of 2007
- Project Manager: Jack Heiss, TTA
- Visit: <http://www.keeptexasmoving.org>

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## SH 161



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## SH 161 Procurement



- Unsolicited proposal received August 2005
- Frontage roads are currently being constructed
- Procurement expected to be initiated with RFPQ in May 2006
- Project Manager: Diana Vargas, TTA

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## TxDOT's Existing Projects



- The CDA program has evolved based on experience with initial projects
- Existing CDA projects include:
  - SH 121
  - I-635 (LBJ Freeway)
  - US 281- Loop 1604
  - I-820 - SH 183

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## SH 121

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- Four proposers shortlisted on July 26, 2005
- The project will include both Denton and Collin County segments
- Current construction activities in Denton County
  - Initial segments expected to be complete by June 2006
  - Subsequent segments expected to be complete by February 2008
- Investment grade T&R data expected to be available within the next 2-3 months
- Project Manager: Doug Woodall, TTA

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## SH 121 – Anticipated Timing

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- By April 2006...
  - Finalize project scope and technical provisions
  - Develop project-specific CDA terms
  - Establish tolling policy and rate structure
  - Create RFDP and issue for industry review
- By August 2006...
  - Finalize RFDP based upon industry review
- By December 2006...
  - Receive proposals from shortlisted proposers
- By March 2007...
  - Evaluate submissions and select
- By July 2007...
  - Complete negotiations, execute the contract and achieve financial close

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## I-635



- Four proposers shortlisted on November 22, 2005
- Project is environmentally approved
- Continuing to assess the project
  - Refining overall scope – value engineering in progress
  - Confirming availability of public funds to support the project
- Project Manager: John Hudspeth, Dallas District

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## I-635 – Anticipated Timing



- By August 2006...
  - Complete value engineering and finalize project scope
  - Develop technical provisions
  - Develop project-specific CDA terms
  - Establish tolling policy and rate structure
  - Create RFDP and issue for industry review
- By November 2006...
  - Finalize RFDP based upon industry review
- By April 2007...
  - Receive proposals from shortlisted proposers
- By July 2007...
  - Evaluate submissions and select
- By November 2007...
  - Complete negotiations, execute the contract and achieve financial close

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## US 281 - Loop 1604

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- Two proposers shortlisted
- Environmental re-assessment underway
- Investment grade T&R data expected to be available within the next 4-5 months
- Project Manager: Robert Stone, TTA

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## US 281 - Loop 1604 – Anticipated Timing

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- By December 2006...
  - Complete environmental re-evaluation
  - Finalize project scope and technical provisions
  - Develop project-specific CDA terms
  - Establish tolling policy and rate structure
  - Create RFDP and issue for industry review
- By March 2007...
  - Finalize RFDP based upon industry review
- By July 2007...
  - Receive proposals from shortlisted proposers
- By October 2007...
  - Evaluate submissions and select
- By January 2008...
  - Complete negotiations, execute the contract and achieve financial close

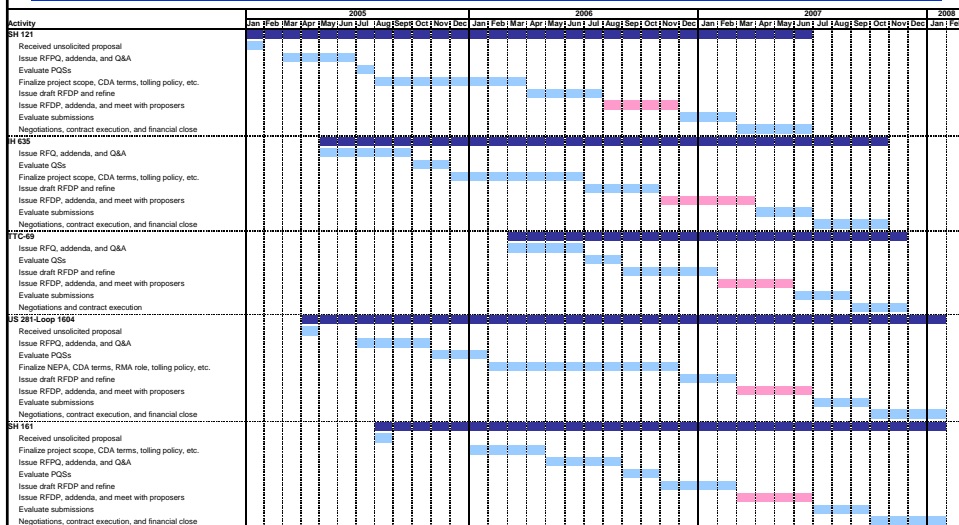
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# I-820 - SH 183

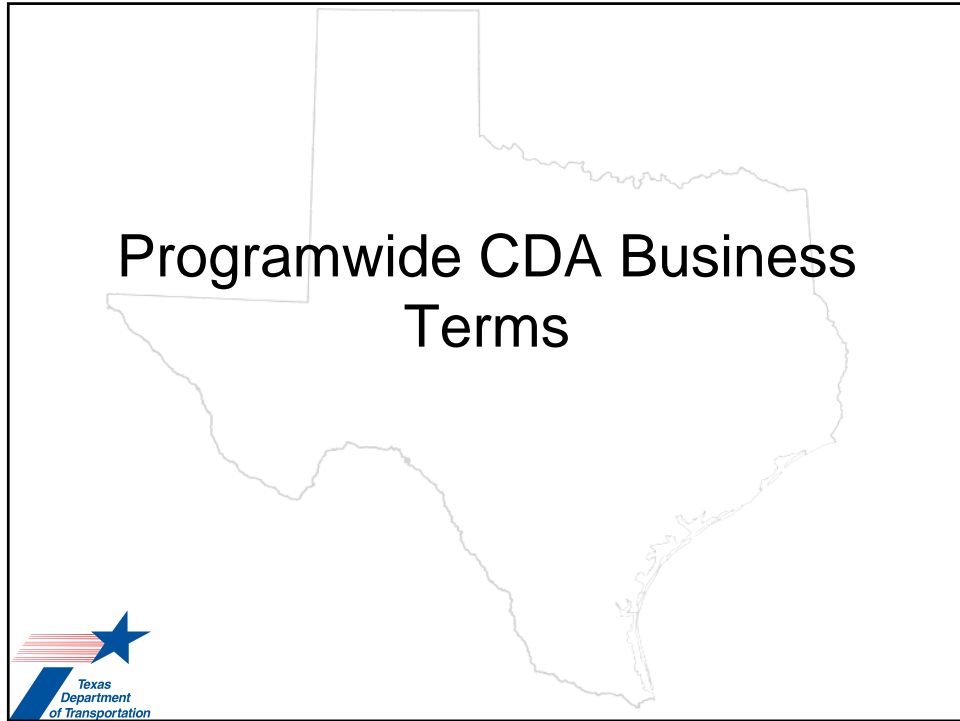


- Four proposers shortlisted
- Two key challenges with the project
  - Environmental approvals process timing
  - Financial feasibility
- TxDOT has elected to cancel the procurement
  - After further analysis, internal discussions and consultation with proposers
- Continuing to pursue feasible project alternatives

# Master Schedule



*TxDOT has created a master schedule to effectively manage the CDA program – one that will continue to evolve as additional CDA projects are assessed*



## Overview



- TxDOT has developed an initial framework for the key business terms for the CDA projects
- Predicated on market standards
- Designed to provide developers with a general overview of risk allocation for CDAs
  - Initial efforts have focused on “revenue positive” projects

## Overview (cont'd)



- Key terms include:
  - General
  - Developer compensation
  - TxDOT compensation
  - Tolling
  - Refinancing
  - Design and Construction
  - Operations and Maintenance
  - Compensation
  - Termination

*The programwide CDA business terms for roadway concessions are intended to provide a framework for each initiative – but will be modified to fit specific project requirements*

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## General Terms



- Concession term
  - From service commencement date
  - Term tailored to fit the project characteristics
  - Trans-Texas Corridor – maximum term: 50 years
  - Others – up to 70 years
- Restrictions on Developer change of control
  - Within first five years following commencement of operations on the entire project

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## Compensation



- Developer compensation
  - Developer will have exclusive right to the toll revenue stream
- TxDOT compensation
  - Concession fee in the form of upfront payment
  - Some form of revenue sharing
    - Banding arrangement above base case returns
    - Banding based on traffic flows and/or gross revenues

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## Tolling



- 100% electronic tolling
- Toll rate framework
  - Conventional projects – tolls rates capped
  - Managed Lane – overall toll rates capped, but allow congestion pricing
- Toll rate escalation
  - Annual adjustments
  - Linked to annual changes in CPI and/or Gross State Product and/or potentially other specified index

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## Design and Construction



- Design risk – Developer
- Statutory Approvals risk
  - Environmental (NEPA – TxDOT)
  - Others – Developer
- Existing asset risk – Developer
- Site condition risk – Developer
- Right of way acquisition risk – Developer
- Construction oversight
  - Role of Independent Engineer

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## Operations and Maintenance



- O&M Standards and Requirements
  - Non-discriminatory changes – Developer risk
  - Discriminatory changes – TxDOT risk
- Renewal Work Funding
- Capacity Improvements
- Technology Enhancements

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## Changes



- Relief Events
  - Time extension, no compensation
  - Carve out for change in law, TxDOT standards, technical provisions
- Compensation Events include:
  - Discriminatory change in law
  - TxDOT breach of obligations
  - Competing facility
- Compensation payments – to put Developer in no better, no worse position
- TxDOT may share in refinancing gains

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## Termination



- Handback – at end of lease at no cost to TxDOT
- Voluntary termination / TxDOT default
- Developer default

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## Feedback



- We welcome your feedback on the programwide business terms
  - A summary will be provided as you leave
- Provide written comments by February 7, 2006 to:  
TTA\_TTA-mail@dot.state.tx.us

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## Evaluating CDA Proposals



## Responding to TxDOT CDAs



- Typically a two-stage procurement
- Qualifications stage
  - Request for Qualifications – solicited
  - Request for Competing Proposals and Qualifications – unsolicited
- Request for Detailed Proposals will include:
  - Instructions to Proposers
  - Comprehensive Development Agreement
  - Technical Provisions
  - Reference Documents

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## Approach to Evaluation



- Concession, DBFO
  - Price/value
  - Firm Financial Plan
  - Development Plan
- Design-Build, Design-Build-Maintain
  - Fixed Price
  - Other factors (schedule, technical approach, safety, etc.)
- Strategic Business Partner
  - Qualifications, Conceptual Development Plan, Conceptual Financial Plan
  - Price for pre-development work

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## Evaluation and Selection Process



- Evaluation process participants
  - Project Steering Committee
  - Evaluation & Selection Recommendation Committee
  - Subcommittees
- Selection of best value proposer followed by negotiations and award
  - Recommendations presented to the Texas Transportation Commission
- Proposals are statutorily confidential during procurement

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Future Workshops



## Future CDA Program Workshops



- Topics for future workshops
  - Preliminary assessment and timing of future CDA projects
  - CDA Manual
  - Development of programwide Technical Provisions
  - CDA rule amendments to establish dispute resolution
  - Conflicts of Interest and Ethics Guidelines
  - Policies for integration and coordination with NTTA, HCTRA and RMAs
  - Development of plans, policies and business rules for interoperability of tolled facilities statewide
  - Approach to integrating TIFIA into concession procurements and use of PABs

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Texas is Open for Business

The slide features a large, light gray outline map of the state of Texas. The text "Texas is Open for Business" is centered over the map in a large, black, sans-serif font.