



# Good Roads for Less Money

## Innovative Finance & Project Delivery Mechanisms

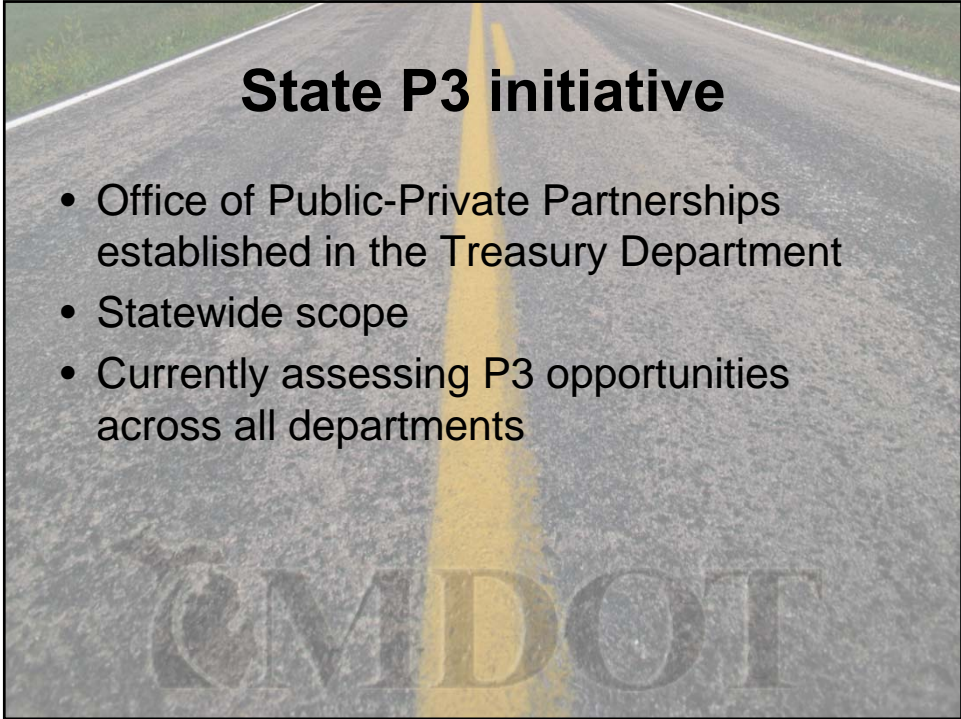
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County Engineer's Workshop  
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## TF2 Recommendations

- 2008 Transportation Funding Task Force recommendations included the following short-term revenue options:
  - Implement Toll Finance Options
  - Implement Public-Private Partnerships (P3s)




## State P3 initiative

- Office of Public-Private Partnerships established in the Treasury Department
- Statewide scope
- Currently assessing P3 opportunities across all departments



## Tolling

- New but limited options in SAFETEA-LU
- Technological advances in cashless tolling
- Used for 3 purposes
  - Project finance, including P3s
  - Congestion Pricing
  - User taxation for general spending



## Tolling in Michigan

- Major Michigan public toll facilities include Blue Water Bridge, International Bridge, and Mackinac Bridge
- Requires enabling legislation in Michigan
- With SAFETEA-LU, what can be tolled?
  - Any new capacity infrastructure



## Tolling Options

- New capacity
- Tolls can be charged for:
  - Revenue
  - Traffic pattern management
    - Congestion pricing
    - Dynamic pricing

## Public Private Partnerships (P3s)

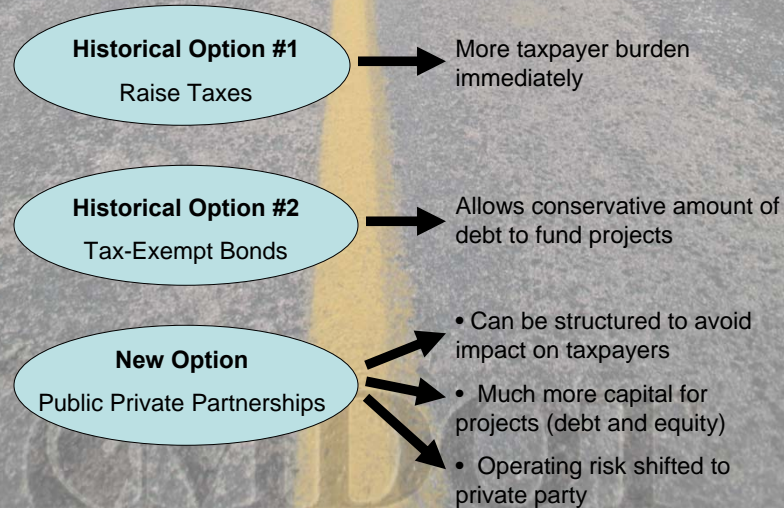
- Contractual agreement between public & private sector
- Government retains ownership of asset
- Private sector finances traditional public sector activities
  - Design
  - Construction
  - Operation
  - Maintenance



## Range of P3 options

- Full concession
- Shadow tolling
- Availability based payment
- Design, build, operate, maintain
- Design, build, finance
- Design and build

## P3s are a New Source of Capital for State & Local Governments



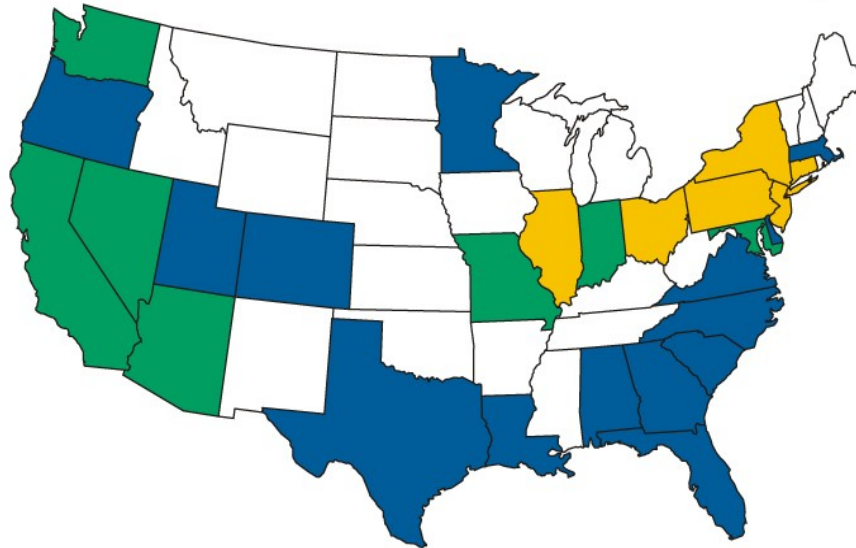
## Examples of P3 Use

- Indiana – Indiana Toll Road
  - Long term lease for 75 years
  - \$3.85 Billion
- Illinois – Chicago Skyway
  - Long term lease for 99 years
  - \$1.83 Billion
- Virginia – Dulles Greenway
  - DBFO Real Toll
  - \$350 Million

## P3s are Very Common in Europe & Asia

	Airports	Ports	Transit Systems	Roads	Water & Waterways
Europe	✓	✓	✓	✓	✓
Asia				✓	

## Private Sector Involvement - Where is it Encouraged?



- Indicates states with a broad PPP legal framework
- Indicates states likely to enact PPP legal framework in the future
- Indicates states with a limited PPP legal framework

## MDOT Experience with P3s

### MDOT-Meijer Carpool Parking P3



- Use of designated spaces in Meijer parking lots for carpooling
- 300 spaces immediately available
- Convenient locations in high-demand areas
- 50 spaces in 6 Meijer lots
  - Cascade, Lowell, Brighton, Jackson, Chesterfield Township, Auburn Hills
- Saving MDOT over \$1 million



## **Design/Build/Finance Pilot Projects**

- I-69 in Lapeer & St. Clair County
- M-21 over I-75 in Genesee County
- Enabling legislation required to move to broader concession-type P3s in Michigan



## **DBF Project Goals & Evaluation Criteria**

- Gain experience with design-build delivery methods
- Enhance understanding of how non-traditional financing methods can be utilized in Michigan
- Gain experience in P3s



# I-69 Project Overview

Project location: I-69 - Lapeer/St. Clair Co. Line to Miller Rd.  
Lapeer and St. Clair Counties

Estimated cost of construction: \$44,000,000



I-69 at Martin Rd.



Capac Rest Area



I-69 at Capac Rd.



I-69 at Cox-Doty Drain



# M-21 Project Overview

Project location: M-21/I-75 Interchange  
Genesee County, Michigan

Estimated cost of construction: \$7,000,000



Old  
police post



M-21 bridge  
over I-75



M-21 bridge  
approach



## Contractor Financing Issues

- Availability of department funding for projects
- Potential deductions or delays of processing final payment
- Guarantee of payment to lender



## Expected Benefits of Design/Build/Finance

- Earlier use of improved transportation facilities in 2009
- Potential reduction in construction costs
- First steps in public private partnership experience
  - New method of financing
  - Experience in alternative contracting methods
- Experience in alternate pavement components



**Questions???**

MDOT