

Rickenbacker Causeway P3

Value for Money Assessment

October 2021



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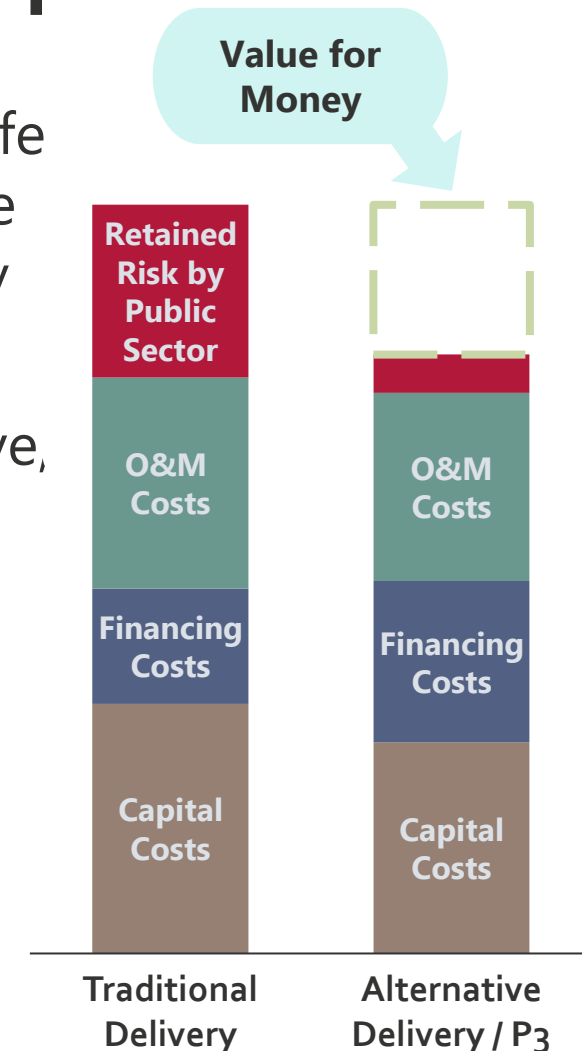
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Value for Money Assessment



The idea of Value for Money revolves around optimizing costs and public value in a way that protects the public interest.

- Value for Money (VfM) is the optimal combination of life cycle costs and quality of a good or service to meet the County's requirements—the same value for less money or greater value for the same money
- Value for Money is assessed from the public perspective, with the goal of protecting the public interest
- A VfM assessment is used to compare P3 and conventional delivery methods for the same project
- Quantitative VfM assessment compares expected cash flows of the P3 approach and conventional approach, while qualitative VfM assessment focuses on a comparison along key P3 value drivers

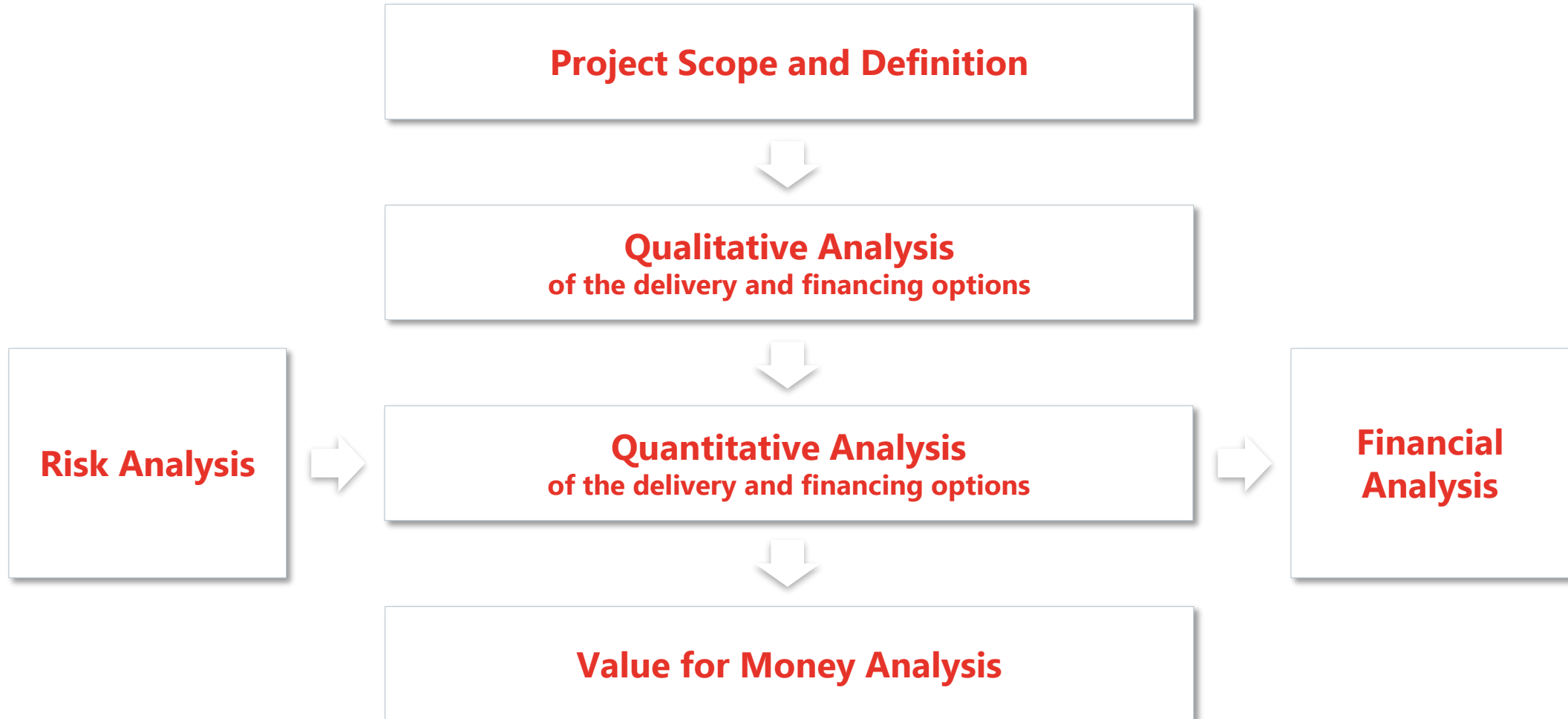


A Value for Money assessment compares conventional and P3 delivery models against the County's objectives.

- Answers the question, "Which delivery method provides the 'best deal' for the public for implementing a specific project?"
- Should create an understanding of the differences between the P3 and conventional delivery methods
- Contributes to a better understanding of the potential value-driving mechanisms of the P3 option
- Provides decision makers with better information to determine and optimize all of the project delivery alternatives for the Rickenbacker Causeway project



The Value for Money Assessment included multiple components, including qualitative and quantitative analyses.



The Value for Money assessment does have certain limitations in the context of this project.

- The scope of this evaluation is effectively focused on the endpoint of each given contracting solution. However, it is important to note that the way an owner arrives at this endpoint can vary widely, and these paths – the available procurement approaches – have meaningful impacts on the final result.
- In this case, the DBFOM delivery model is assumed to be delivered through a PDA-like approach (e.g., project development with the awarded proposer without a committed bid), rather than a committed bid procurement.
- Although the “value drivers” should remain directionally the same (e.g., delivery models with more market involvement should allow for more innovation and efficiencies), it is important to note that the magnitude of these drivers is likely lessened in a PDA-like approach. As competitive pressure is key to maximizing value, the procurement approach must be taken into account when considering value for money.
- In order to facilitate comparison, this assessment assumes an optimal procurement process for all delivery models.





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Project Scope and Objectives



The County aims to accomplish several important objectives with the Rickenbacker Causeway project:

- Improving and replacing existing aging infrastructure assets; while
- enhancing resiliency to protect against sea level rise, storm surge, and flooding;
- improving vehicular traffic flow;
- and improving bicycle and pedestrian safety and waterfront access.

The Value for Money assessment assumes that the same project is delivered under all approaches, meaning that these benefits will be the same for all delivery models.



The County has other objectives that are used as criteria for evaluating delivery models in the qualitative assessment.

- Design and construction cost efficiencies
- Operations and maintenance cost efficiencies
- Preparation, procurement and contract management cost efficiencies
- Efficient risk allocation
- Low fiscal impact and fiscal certainty for the County
- Time to completion and completion date certainty
- Quality of service during construction
- Long-term quality of service
- Long-term flexibility for the County

The project is located along the Rickenbacker Causeway, a corridor with many important uses and public benefits.

- County's rights-of-way along Causeway crossing Biscayne Bay
- Four-mile causeway, including three bridges, connecting Miami to Virginia Key and Key Biscayne
- Key transportation corridor (both vehicular and multi-modal)
- Popular location for leisure recreation activities



The project scope includes a suite of improvements.

In line with the project objectives of improving and replacing existing aging infrastructure assets while enhancing resiliency to protect against sea level rise, storm surge, and flooding; improving vehicular traffic flow; and improving bicycle and pedestrian safety and waterfront access, the project scope includes the following improvements:

- Replacement of Bear Cut Bridge
- Resiliency improvements, including seawall and island shoreline reconstruction and elevation
- Physically separated bicycle and pedestrian lanes
- Expanded and redesigned public parks and beaches, including concessions
- Replacement of fishing pier and concessions
- Observation deck
- Interpretive resiliency center, trailhead, comfort stations, and bike repair stations
- Reconstruction of existing toll collection area



At a very high level, the project involves design, construction, maintenance, and operation of the outlined elements of Causeway infrastructure over 40 years.

Project Scope for Analysis & Comparison

- ▶ \$442.7M (2021) design & construction cost
- ▶ Routine and major maintenance
- ▶ Toll collection, operation, maintenance, and repair Rickenbacker Causeway

Term

- ▶ Design & construction period of approximately five years
- ▶ 40-year O&M period

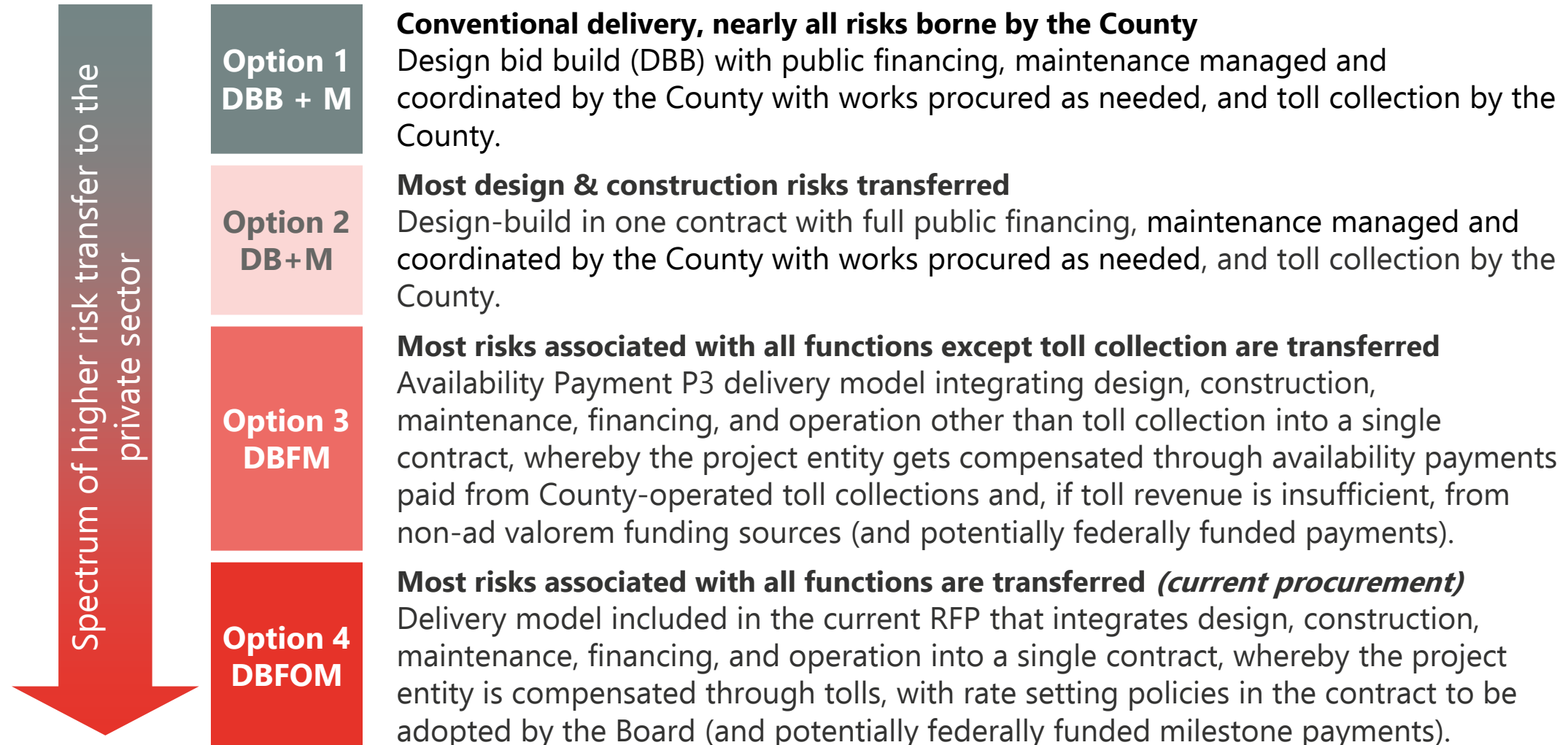


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Financing and Delivery Options



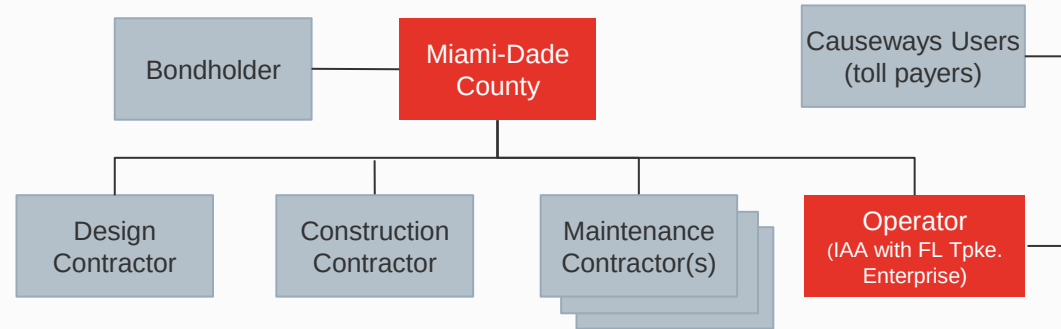
The financing and delivery models being compared fall along a spectrum of risk transfer to the private sector.



These delivery models can also be examined with regard to the relationship between the County and project parties.

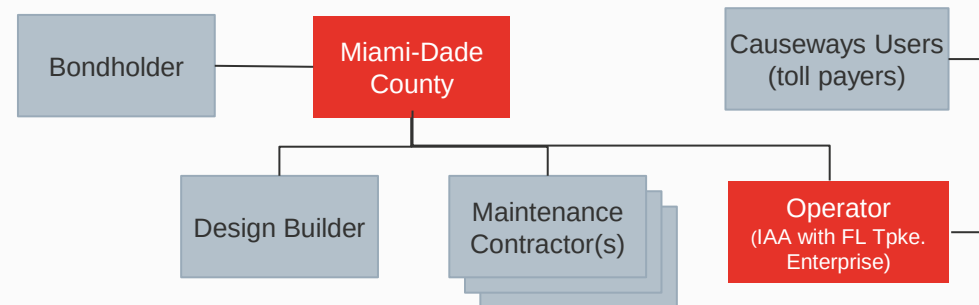
Option 1 DBB + M

All functions separated



Option 2 DB + M

Integration of design and construction

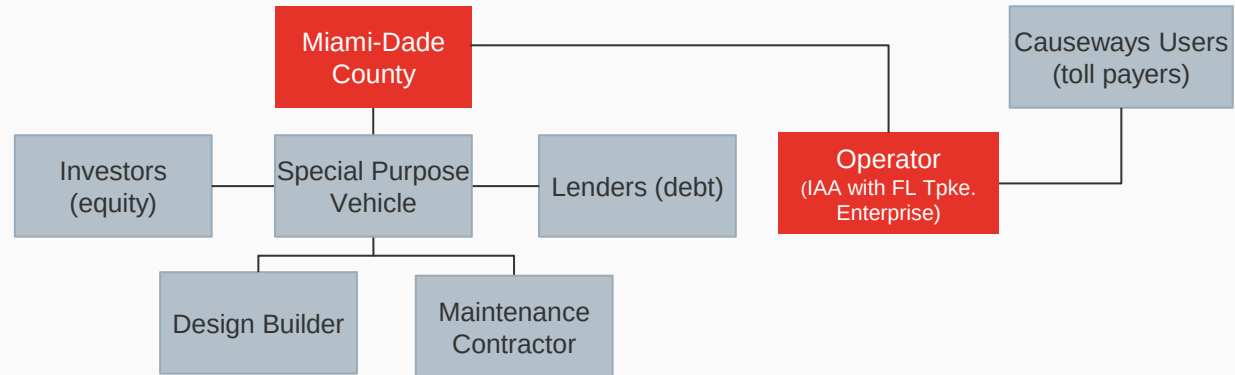


Entities shown in red affiliated with Miami-Dade County

These diagrams represent the model's contractual relationships and the level of integration of project responsibilities.

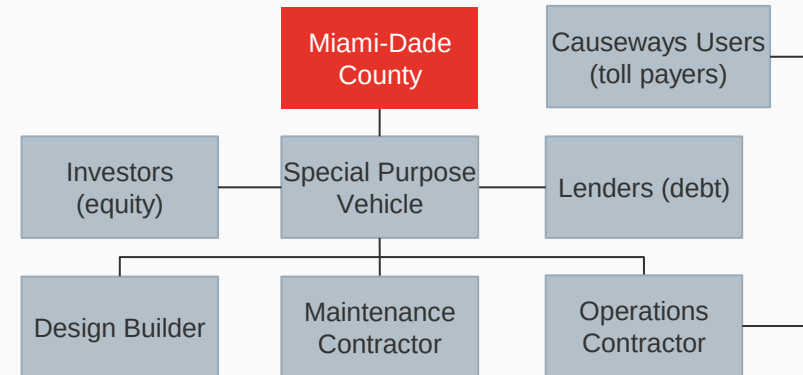
Option 3 DBFM

All functions except toll collection integrated, revenue risk retained by the County



Option 4 DBFOM

Integration of design, construction, toll collection, finance, and maintenance; revenue risk transferred to the project entity



Entities shown in red affiliated with Miami-Dade County

Delivery models were also defined with specific reference to implementation in the Rickenbacker context.

	1. DBB + M Conventional Delivery + Public Financing	2. DB + M Integration of design and construction
Contracting	Design Bid Build + multiple short term O&M contracts	One integrated Design-Build contract + multiple short term O&M contracts
Financing	30–40-year tax-exempt municipal toll-backed revenue bonds, supported by reserve fund with CBA pledge (covenant to budget and appropriate from legally available non-ad valorem revenues)	30–40-year tax-exempt municipal toll-backed revenue bonds, supported by reserve fund with CBA pledge
Payment	Progress payments during construction and periodic payments for the various O&M contractors	Progress payments during construction or milestone payment at completion and periodic payments for the various O&M contractors
Evaluation Criterion	Lowest construction price (typically)	Qualitative analysis and design and construction price
“Typical” Risk Allocation	Limited construction risk transferred to the project entity; all else—including interface and revenue risks—remains with the County	Some design and construction risk transferred to the project entity; long term performance and revenue risks retained by the County

These characteristics define the key aspects of how each model was assumed to function for the assessment.

	3. DBFM All functions except toll collection integrated	4. DBFOM Integration of design, construction, finance, operations, and maintenance
Contracting	One integrated Design, Build, Finance, and Maintain contract with separate contract for toll collection	One integrated Design, Build, Finance, Operate, and Maintain contract
Financing	Private financing, via an efficient mix of equity and long-term debt, which might be taxable or tax-exempt	Private financing, via an efficient mix of equity and long-term, which might be taxable or tax-exempt
Payment	Payment via availability payments from County-operated toll collections, with the option for the County to make a milestone payment offsetting availability payments	Payment via privately operated toll collections and concessions sales, with the option for the County to make a milestone payment offsetting toll increases
Evaluation criterion	Best value (combination of whole life cycle costs and other relevant public objectives, e.g., design quality, risk acceptance, timing of completion)	Best value (combination of whole life cycle costs and other relevant public objectives, e.g., design quality, risk acceptance, timing of completion)
“Typical” Risk Allocation	Most design, construction, financing, and maintenance risk transferred or shared with the project entity; revenue risk retained by County	Most design, construction, financing, maintenance, operations, and revenue risk transferred or shared with the project entity



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Qualitative Analysis



The qualitative assessment evaluates the delivery models on the County's criteria for the Rickenbacker Causeway project.

- The criteria shown in the previous section are consistent with those typically used in a Value for Money assessment but are customized for Miami-Dade County and the Rickenbacker Causeway project.
- Each delivery model is rated against each criterion to determine whether it provides more or less public value in this area. For example, an approach that is expected to ensure faster completion, all else equal, would score higher.
- These directional insights are based on extensive benchmarking, professional experience with similar projects, review of available literature, and understanding of the models' features.
- These insights were then considered in the context of the Rickenbacker Causeway project.



First, the pros and cons of each delivery model were considered for the Rickenbacker Causeway project.

Model	Pro	Con
1. DBB + M	• Known and proven method for Miami-Dade County • Full control on design details, means and methods	• Forced marriage of designer and builder • Price is only selection factor (typically) • Slower delivery & higher cost • Can be dispute prone • Limited lifecycle focus • Lower expected lifecycle cost savings • Most risks are retained by County
2. DB + M	• Expedited delivery schedule • Early price certainty • Consideration of qualifications in selection • Lessens design and construction costs • Limited change orders • Promotes innovation • Significant risk transfer	• Greater transactional complexity • Less control over design details • Limited lifecycle focus • Longer procurement process

These insights are intended to give a high-level understanding of how the models' feature impact things the County values.

Model	Pro	Con
3. DBFM	• Expedited delivery schedule • Early price certainty • Qualifications based, best value selection • Lessens design and construction costs • Limited change orders • Promotes innovation • Enhanced performance security • Long term budget certainty • More effective long-term risk transfer	• Revenue risk remains with County • Less familiarity to County • Greater transactional complexity • Less control over design details • Longer procurement process • Long-term commitment with less flexibility for County
4. DBFOM	Pros of DBFM, plus: • Most significant risk transfer • Greatest performance security	• Least long-term flexibility for County • Less familiarity to County • Greater transactional complexity • Less control over design details • Longer procurement process

Next, the four delivery models were evaluated against the County's identified criteria for the Rickenbacker project

	Option 1 DBB + M	Option 2 DB + M	Option 3 DBFM	Option 4 DBFOM
Lower public value Higher public value				
Life Cycle Costs				
1 D&C cost efficiencies				
2 O&M cost efficiencies				
3 Preparation, procurement, & contract mgmt. cost efficiencies				
Risks and Fiscal Impact				
4 Efficient risk allocation*				
5 Low fiscal impact and low fiscal uncertainty for County				

Note: Please see Appendix 4 for a detailed explanation of each of these assessments.

***Note:** The efficient risk allocation for revenue risk is difficult to determine definitively; this analysis does not take a position whether it is more efficient for the public or private sector to manage revenue risk for the Rickenbacker Causeway.

This assessment offers a high-level understanding of the strengths and weaknesses of different approaches.

	Option 1 DBB + M	Option 2 DB + M	Option 3 DBFM	Option 4 DBFOM
Lower public value Higher public value				
Construction time				
6 Time to completion & completion date certainty				
Quality				
7 Quality of service during construction				
8 Long-term quality of service				
Flexibility				
9 Long-term flexibility for County				

Note: Please see Appendix 4 for a detailed explanation of each of these assessments.

The qualitative analysis reveals tradeoffs between objectives, but also that only one model minimizes County fiscal impact of the Rickenbacker Causeway project.

1. DBB + M

- Most familiar and flexible model
- County responsible for effectively all project risks with few cost efficiencies
- Major financial exposure for the County

2. DB + M

- Relatively familiar and flexible model
- County responsible for most project risks with better cost efficiencies than DBB
- Major financial exposure for the County

3. DBFM

- Less familiar and less flexible model
- County transfers many project risks and gains large improvements in efficiency
- Highest financial exposure for the County
- Strong performance on most qualitative aspects of Value for Money

4. DBFOM

- Less familiar and less flexible model
- County transfers the most project risks and gains the most efficiency improvements
- Only model to minimize financial exposure for the County
- Expected to result in better Value for Money for the public than conventional models





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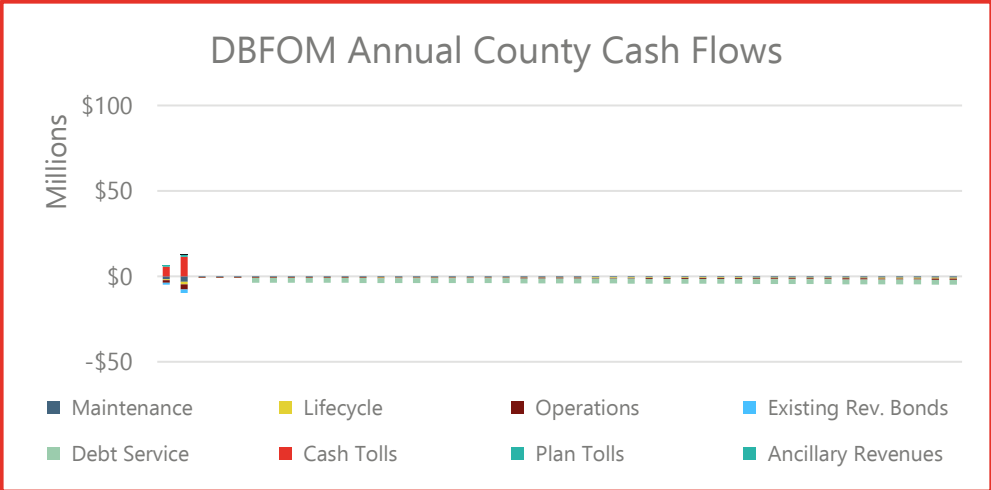
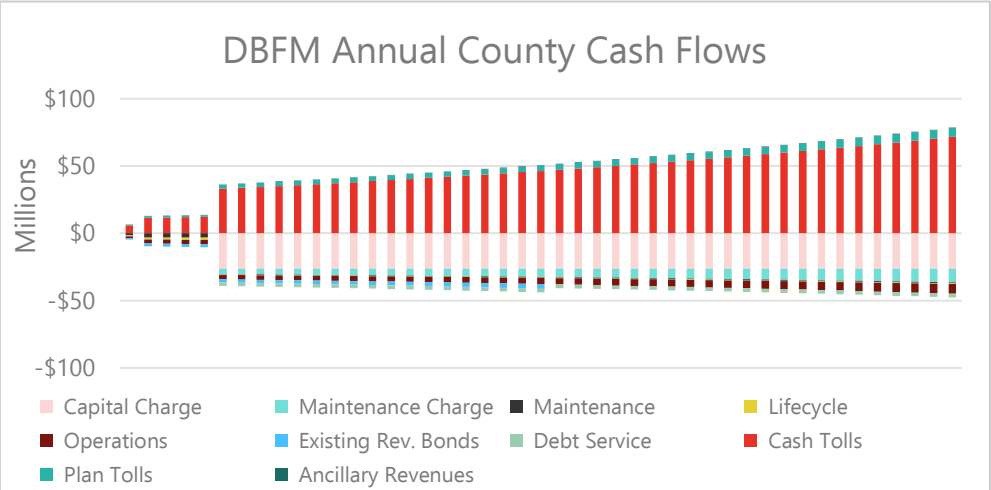
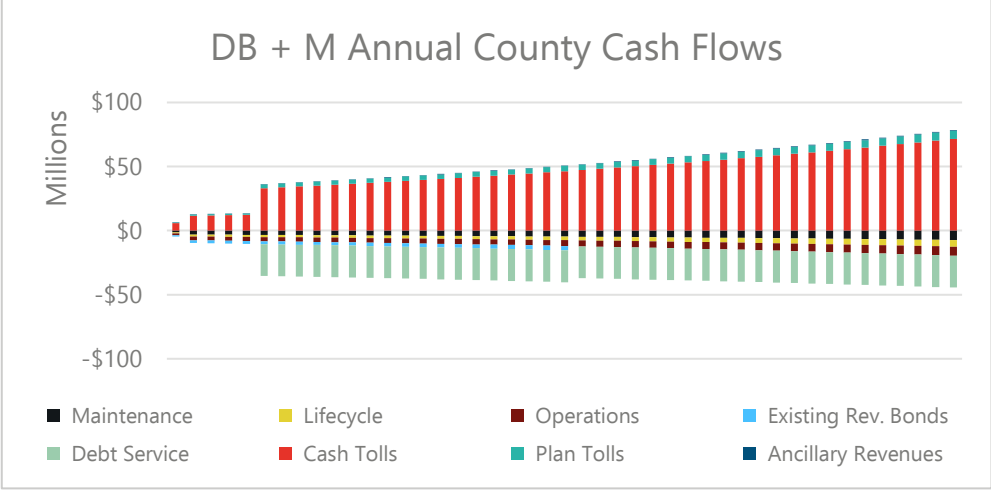
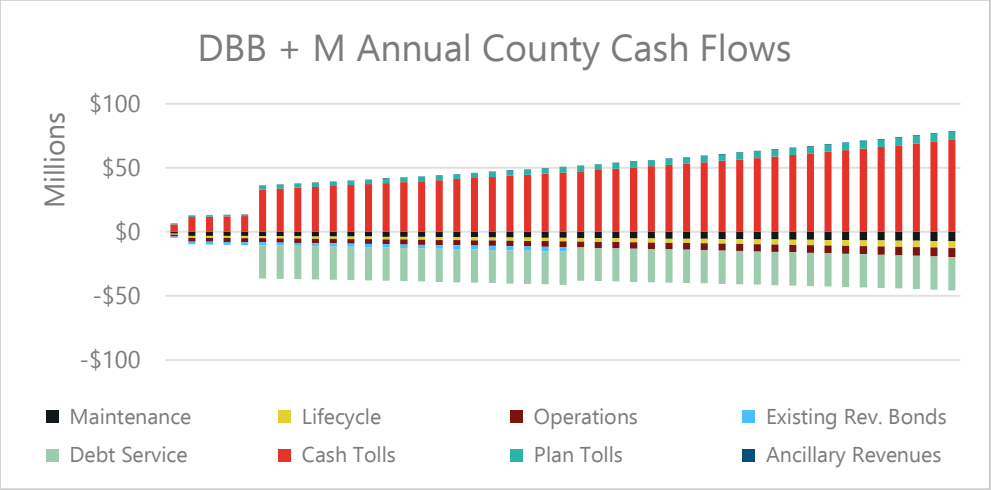
Preliminary Quantitative Analysis



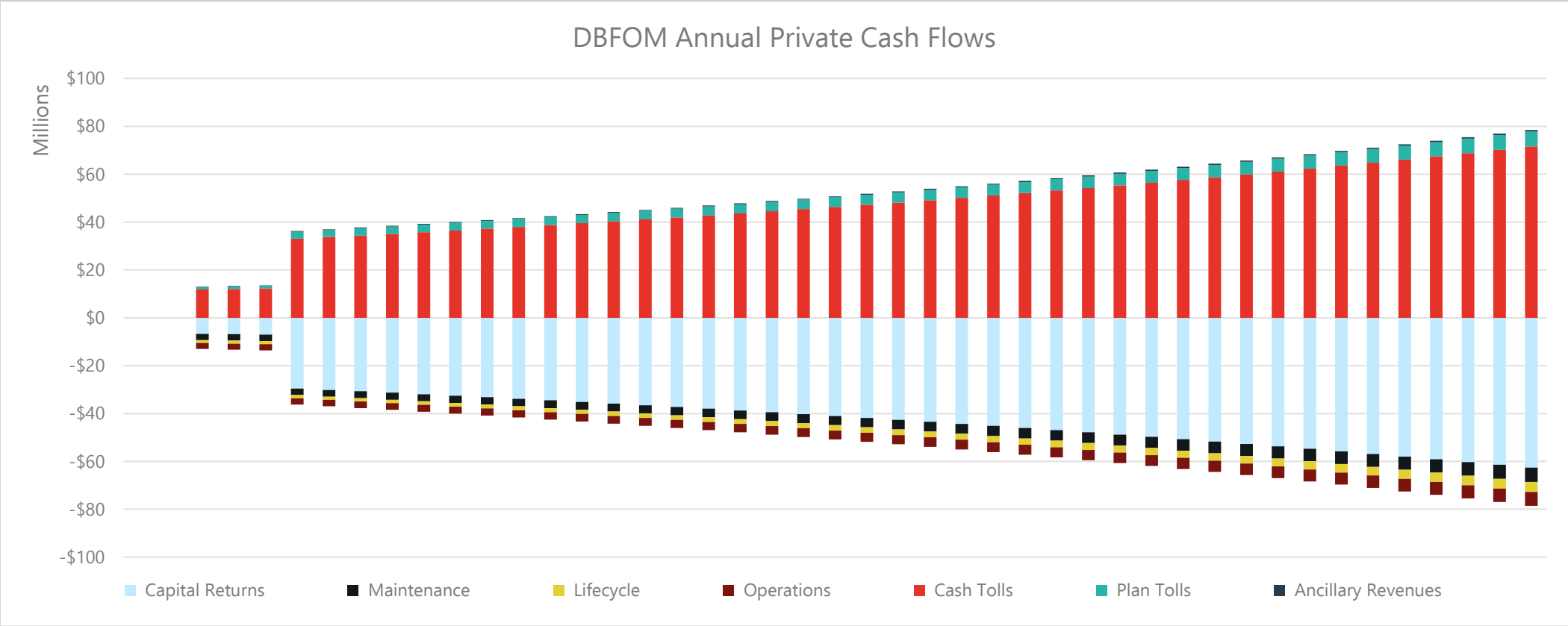
The quantitative assessment compared the costs to deliver the same project under the four different delivery models.

- The assessment considered investment and financing costs, costs to operate and maintain the Rickenbacker Causeway, and existing Causeway debt using Rickenbacker project data and information provided by the County.
- In all delivery models, these costs are paid from toll and modest concessions revenues from the Causeway and federal funding.
- The assessment accounts for efficiencies that can be generated, differential financing costs, transaction costs, and more.
- Note that the assessment uses the conservative assumption that the same labor requirements would apply under conventional and P3 delivery, meaning that labor cost assumptions are not driving the estimated cost efficiencies.

In comparing the County’s annual cash flows across delivery models, the minimal County financial obligation in the DBFOM stands out.



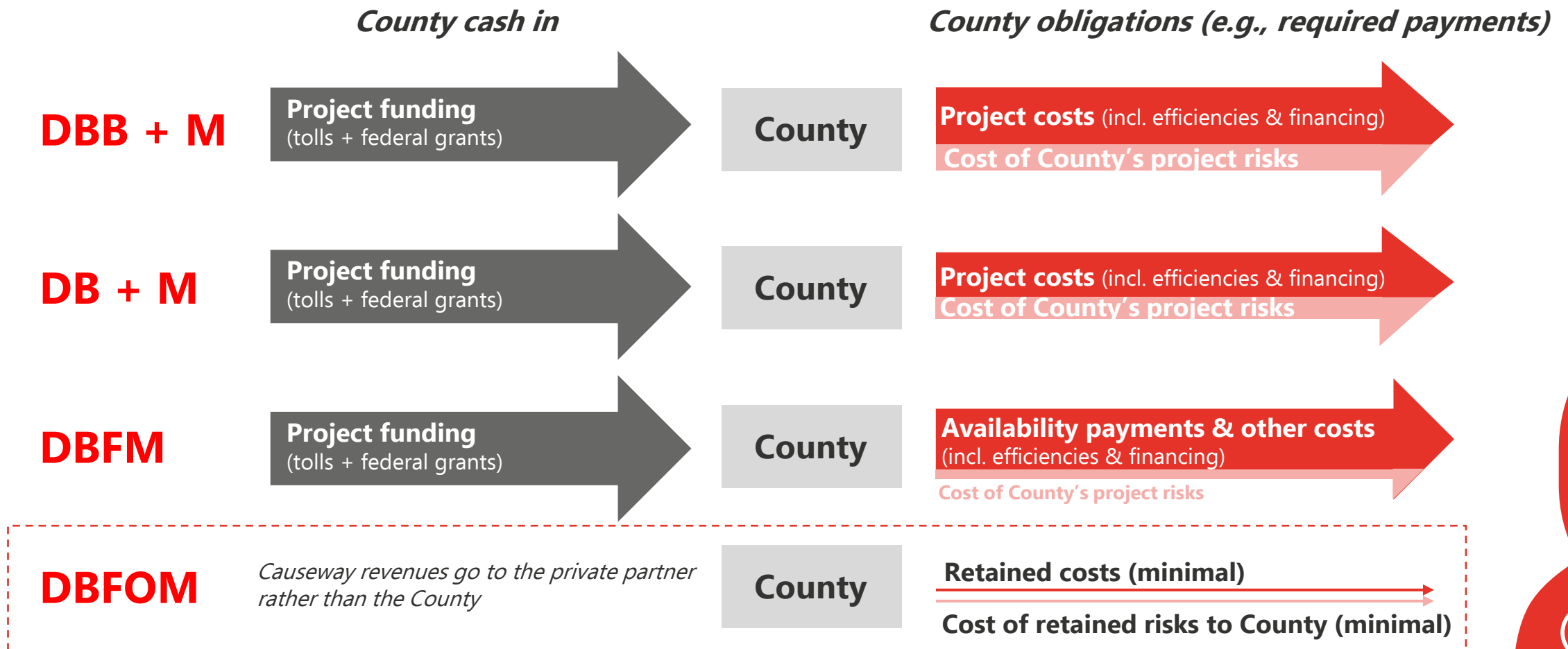
The quantitative assessment also examined the business case from the point of view of the private partner.



The overall costs of the DBFM and DBFOM models are expected to be lower than DB + M and DBB + M delivery when considering the value of risks.

- The more integrated delivery models are expected to offer more efficiencies, and therefore lower design and build construction costs (DB + M, DBFM and DBFOM) and lower operations and maintenance costs (DBFM and DBFOM).
- The delivery models that include private financing (DBFM and DBFOM) show a higher cost of financing than the publicly financed models (DBB + M and DB + M).
- However, for an “apples to apples” comparison we will need to correct the publicly financed models for the life cycle cost risks (e.g. unexpected major maintenance, design errors leading to higher maintenance costs, coordination issues between contractors) and revenue risks (e.g. revenues lower than expected, unexpected change in traffic) that are transferred to a private partner and priced under the privately financed models.
- After adjusting for the value of these risks, the overall costs of the DBFM and DBFOM model are expected to be lower than a DB+ M or DBB + M model.

Including the value of the risks the County bears in each delivery model creates a more complete comparison.



In the absence of significant federal funding, Rickenbacker Causeway revenues would need to increase substantially under all approaches.

- Under all delivery models, significantly more funding (from tolls and/or federal grants) would be needed for the project.
- Under the DBFOM and DBFM, the amount of money needed would be agreed to upfront with the awarded proposer in order to cover all project costs and risks.
- Under the DBB + M and DB + M, the County could choose to raise less revenue for the project, because the project's costly risks are not "priced in".
- However, in this case the County would run the risk of its project funds falling short, which would require the potentially very undesirable step of accessing other County funding.

***Note:** If toll revenues were insufficient to meet project costs, this would likely trigger the use of the reserve fund with CBA pledge (covenant to budget and appropriate from legally available non-ad valorem revenues).





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Preliminary Conclusions and Next Steps



The Value for Money Assessment yielded several main observations on the optimal delivery model for the project.

- More integrated delivery models (i.e., DBFM, DBFOM) are expected to generate “value for money” due to life cycle costing, risk transfer and performance incentives, when procured competitively.
- The DBFOM model is the only model that minimizes the County’s financial risks and financial obligations.
- Alternative financing and delivery options—DBB + M, DB + M, and DBFM—would create significant fiscal liabilities for the County and exposure to life cycle cost and toll revenue risks.

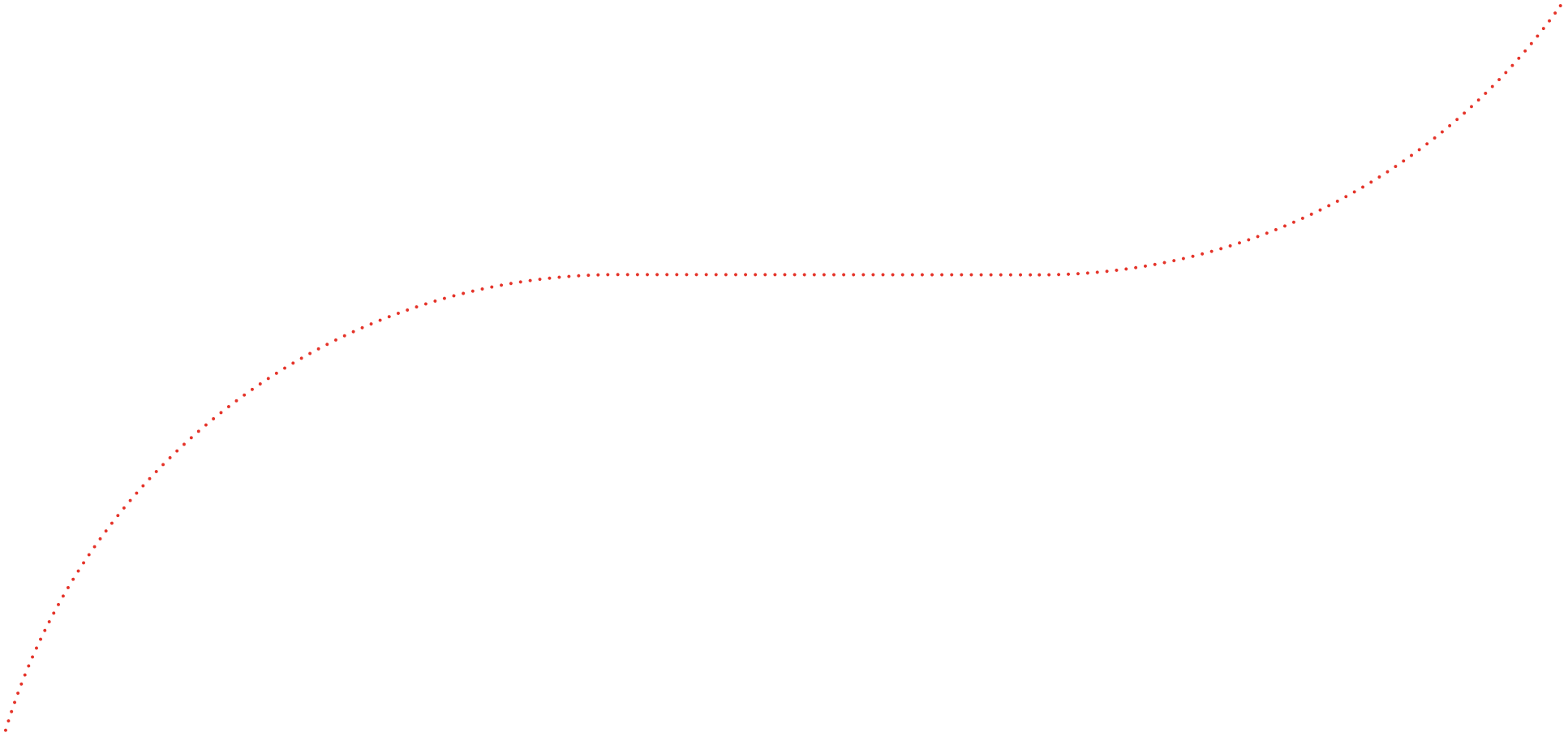
Moving forward, the conversation will also focus on implementation strategy and optimizing financial feasibility for the Rickenbacker project.

- As a next step, the findings from the VfM assessment will be used to inform strategic project choices for the Rickenbacker Causeway.
- The assessment will support discussions and decision-making around optimizing the financial feasibility of the project, maximizing the benefits of integrated delivery models, engaging stakeholders, and ensuring that the entire implementation strategy – beyond just the choice of delivery model – maximizes value for money and public benefits.
- Strategic options for next steps are being developed.



Appendix 1

Technical Assumptions



Project Schedule Assumptions

Phase	Details	Dates	2022	2023	2024	2025	2026	2027-2066
Interim Agreement Phase	18 months	01 Jul 2022 – 31 Dec 2023						
Permitting Phase	18 months, concurrent with IA phase	01 Jul 2022 – 31 Dec 2023						
Design Phase	36 months, beginning with IA phase and overlapping with first 18 months of construction	01 Jul 2022 – 30 Jun 2025						
Construction Phase	36 months, beginning at the end of the permitting phase	01 Jan 2024 – 31 Dec 2026						
Operations Phase	40 years	01 Jan 2027 – 31 Dec 2066						



Project Capital Investment Cost Assumptions

Capital Investment Cost Category	Cost	Escalation (p.a.)
Design	\$31.6M	2%
Construction	\$411.1M	3.5%
Permitting (3% of D&C)	\$13.3M	2%
Owner's Rep (7% of D&C)	\$31.0M	2%
Owner's Contingencies (10% of D&C)	\$44.3M	2%
Federal Grant Funding (offsetting project costs)	(\$2.0M)	-
Total Capital Investment Costs	\$497.6M	-

Project O&M Cost Assumptions

O&M Cost Category	Cost	Escalation (p.a.)
Annual Routine Maintenance	\$3.1M	2%
Annual Major Maintenance / Lifecycle Costs (average)	\$1.4M	3%
Annual Operations*	\$3.0M	2%
Total O&M Costs	\$7.5M	-

***Note:** Data availability limitations mean that this operations figure includes additional functions (e.g., janitorial services) beyond simply toll collection; this fact does not have any meaningful impact on the assessment's conclusions.



Additional Transaction Cost Assumptions

Assumption	DBB + M	DB + M	DBFM	DBFOM
Additional preparation costs for Miami-Dade County	-	\$0.5M	\$1.5M	\$1.5M
Assuming a PDA approach, the additional transaction costs associated with DBFM and DBFOM will be minimal, compared to two-step P3 procurements.				
Bond issuance costs for Miami-Dade County	1%	1%	-	-
For delivery models 1 and 2, a 30 –year revenue bond will be issued in order to provide public financing for the project.				



Revenue Assumptions

Revenue Category	2022 level	Escalation (p.a.)	Increase at Substantial Completion
Annual Cash Toll Revenues	\$11.4M	2%	Output
Annual Plan Toll Revenues	\$1.0M	2%	Output
Annual Ancillary Revenues (Concessions + Misc.)	\$200k	2%	25%
Total Revenues	\$12.6M	-	-



Cost allocation assumptions

Assumption	DBB + M	DB + M	DBFM	DBFOM
Retained design costs	100%	20%*	20%	20%
Retained permitting costs	100%	100%	10%	10%
Owner's rep costs	100%	100%	100%	100%
Retained owner's contingency costs	100%	40%*	40%	40%
Additional transaction costs	100%	100%	100%	100%
Retained routine maintenance costs	100%	100%	10%	10%
Retained lifecycle costs	100%	100%	10%	10%
Retained operations costs	100%	100%	100%	10%

**Transferred to private party for management but paid by owner*

Efficiency assumptions

Assumption	DBB + M	DB + M	DBFM	DBFOM
Design efficiencies	-	2.5-7.5%	7.5-12.5%	7.5-12.5%
Capex efficiencies	-	2.5-7.5%	7.5-12.5%	7.5-12.5%
Routine maintenance efficiencies	-	-	7.5-12.5%	7.5-12.5%
Lifecycle efficiencies	-	-	7.5-12.5%	7.5-12.5%
Operations efficiencies	-	-	-	7.5-12.5%

P3 Efficiencies Benchmark Information

Project	Savings Relative to PSC	Savings Relative to Competitor	Comments
I-595, Florida (Road)	14.3% lower than PSC (\$300m)	30% below next most competitive price	ATC's and risk transfer
A30, Quebec (Road + Bridge)	33% lower than PSC	~20% below competitor	Hybrid toll and availability
Denver FasTracks, Colorado (Transit)	13% lower than PSC	~20% below competitor (\$300m)	17 ATC's accepted
Southeast Stoney Trail, Alberta (Road)	NPV 63% below PSC	~40% below competitor	Innovation and market shift
Alberta Road Projects (Average of 5 Projects)	NPV 27% below PSC	-	2003 - 2012
Windsor Essex Parkway, Ontario (Road)	NPV 15% below PSC	~20% below competitor	
I-635 (LBJ Freeway), Texas (Road)	NPV 15% below PSC	~50% below competitor	
Port of Miami Tunnel, Florida (Road / Tunnel)	12.5% lower capital costs than PSC	~50% below competitor	Based on VfM analysis 2010
Goethels Bridge, New York (Road / Bridge)	13.7% lower than PSC	~7.2% below high bid	
Presidio Parkway, California (Road)	20% lower than PSC	-	Separate DBFOM and DB projects

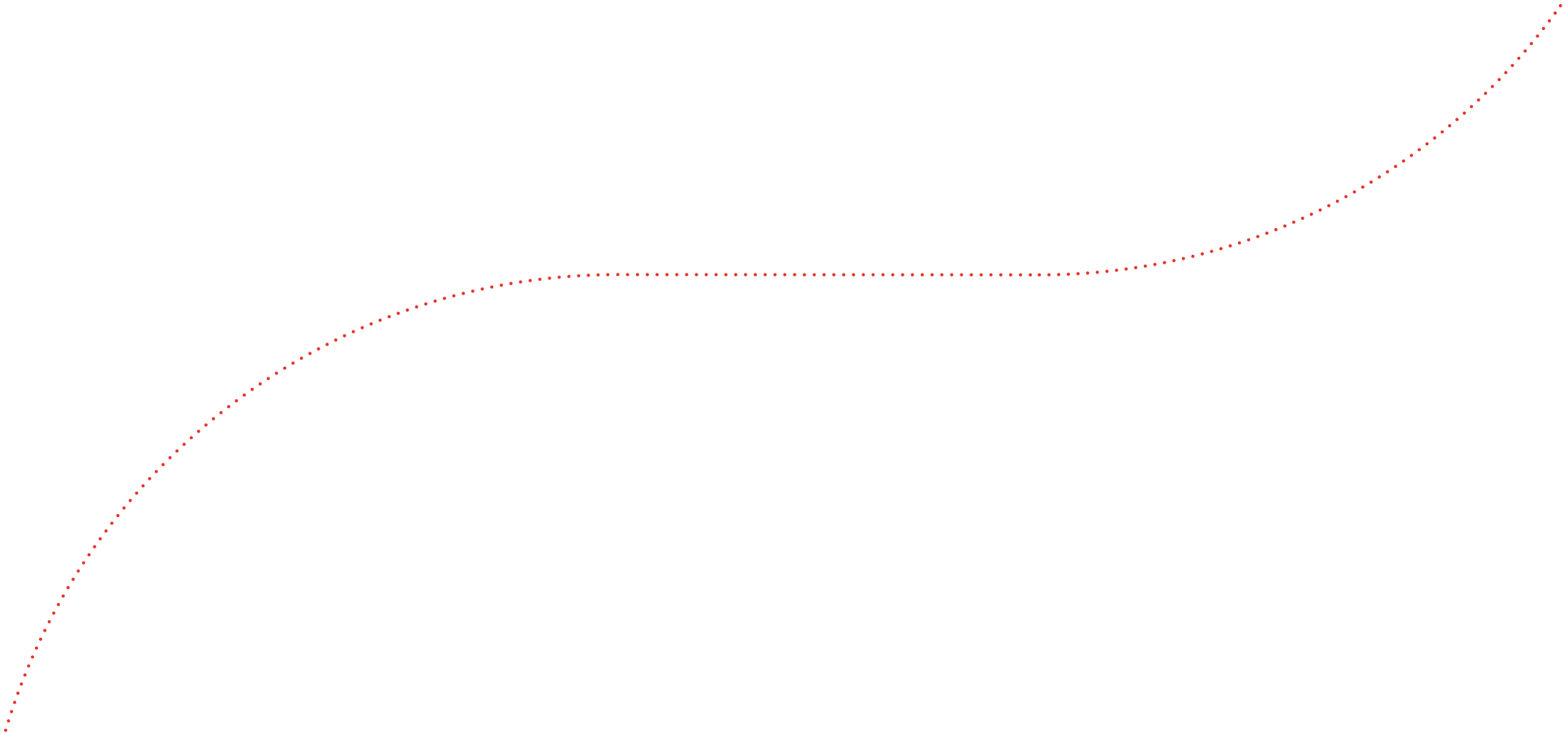
Source: I-70 East Corridor Project Value for Money Report, December 2013





Appendix 2

Financial Assumptions



Debt Defeasance Assumptions

- Under DBB + M, DB + M, DBFM models, the County is assumed to pay debt service on existing Rickenbacker revenue bonds as planned through 2044
- Under DBFOM, awarded proposer is assumed to defease this debt by paying off existing principal (~\$27M including assumed \$100k in fees) on Jan 1, 2024 at financial close
- This is a simplifying assumption for the purpose of this high-level calculation; actual schedule for debt defeasance would be determined by the County.

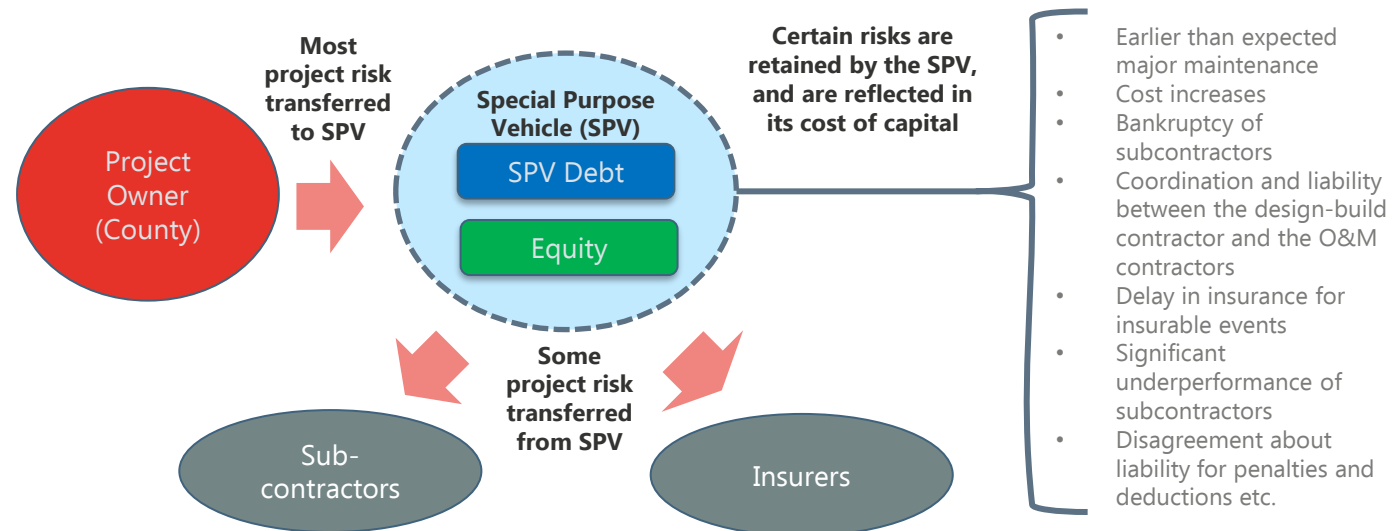
Financing Assumptions

Assumption	DBB + M	DB + M	DBFM	DBFOM	Source
Long term debt	72%	72%	62%	42%	
Base rate	3.02%	3.02%	3.38%	3.38%	
CBA/Revenue Bond Rate	2.27%	2.27%	2.63%	2.63%	Bondbuyer 20 Bond Index (DBB, DB + M) / Bondbuyer 25 Revenue Bond Index (DBFM, DBFOM)
Debt Service Reserve	0.25%	0.25%	0.25%	0.25%	
Buffer	0.50%	0.50%	0.50%	0.50%	
PABs spread	-	-	0.25%	0.25%	
Credit spread to A+	-	-	0.50%	0.50%	
Cost of debt	3.02%	3.02%	4.13%	4.13%	
TIFIA	28%	28%	28%	28%	High-level review of Rickenbacker project costs
SLGS Rate 10/12/21	2.13%	2.13%	2.13%	2.13%	State and Local Government Series Rates, for 30 yr securities
1 BP for TIFIA	0.01%	0.01%	0.01%	0.01%	
Buffer	0.50%	0.50%	0.50%	0.50%	
TIFIA Rate	2.64%	2.64%	2.64%	2.64%	
Equity share	0%	0%	10%	30%	
Equity return	-	-	10%	14%	
WACC	2.91%	2.91%	4.30%	6.67%	

Public Financing vs Private Financing

- Although commonly cited as a key difference between delivery models, the relative costs of public versus private financing should not be understood as a simple point in favor or against a particular model. Facially, it is true that public financing can often be secured at a lower cost than private financing.
- However, this does not represent an “apples to apples” comparison, as the cost of private financing reflects the costs of additional risks being transferred to a private partner.

Figure: Private financing reflects the value of risks and uncertainties





Appendix 3

Scenario/Sensitivity Assumptions



Scenario/Sensitivity Assumptions

Assumption/Input	Downside Scenario	Upside Scenario
Costs		
Design Costs	+10%	-10%
Construction Costs	+10%	-20%
Routine Maintenance Costs	+10%	-10%
Lifecycle Costs	+10%	-10%
Operations Costs	+10%	-10%
Efficiencies		
All Efficiencies Categories	+2.5 pp	-2.5pp
Funding		
Federal Grant Funding		
<i>Note: This represents a conservative assumption that does not seek to model major increases in federal funding. This assessment was conducted before the passage of the Infrastructure Investment and Jobs Act.</i>	\$2M	\$10M
Interest Rates		
DBB + M – All In Interest Rate	+ 25 bp	-75 bp
DB + M – All In Interest Rate	+ 25 bp	-75 bp
DBFM – WACC	+ 25 bp	-75 bp
DBFOM - WACC	+ 25 bp	-75 bp



Appendix 4

Detailed Qualitative Analysis



Criterion 1: Design & Construction Cost Efficiencies

- Delivery models that integrate the design and construction phases will tend to produce greater cost efficiencies.
- Integration allows the contractor to avoid costly interface problems, ensuring that designs facilitate efficient construction and minimize hidden costs resulting from technical issues or ambiguities.
- Additionally, many P3 models that leverage outcome-based specifications enable innovation in design and construction which can encourage cost efficiencies.
- For these reasons, DB + M, DBFM and DBFOM delivery models with integrated phases will score higher than conventional delivery, with the P3 models receiving the highest scores.



Criterion 2: Operations & Maintenance Cost Efficiencies

- The long-term and integrated nature of P3 contracts leads naturally to a whole-life-cycle perspective.
- This perspective can effectively encourage investments – such as undertaking, rather than deferring, efficient maintenance – that will lead to overall cost efficiencies.
- In some cases, outcome-based specifications may also allow for innovation in operations or maintenance that could further decrease costs.
- Because DBB + M and DB + M delivery models do not include operations and maintenance in an integrated contract, they will generate little to no cost efficiencies in this area. DBFM and DBFOM models, on the other hand, will generate higher cost efficiencies.



Criterion 3: Preparation, procurement, & contract mgmt. cost efficiencies

- The greater complexity and relative novelty (for the County) of some delivery models leads to higher preparation, procurement, and contract management (i.e., transaction) costs.
- Despite the value of, for example, carefully assessing and allocating risks, or setting thoughtful performance requirements, these activities can be time-intensive and costly.
- Transaction costs would fall on a spectrum, from the most familiar, simplest delivery model (DBB + M) to the longest-term, most comprehensive and complex (DBFOM).
- At the same time, conventional delivery requires multiple procurements for design, construction and multiple short-duration O&M contracts—this could lead to a situation where a P3 procurement can be less costly than all of the combined procurement processes needed during the entire lifecycle of a project that is delivered conventionally.



Criterion 4: Efficient Risk Allocation

- Risk allocation is at the core of P3 deal: the P3 contract is all about the risk allocation.
- The private sector is willing and able to take responsibility for many of the risks in the life of a public asset, but not just any risks; for example, the risks of supervening events.
- Risk allocation is based on the principle that the party best able to manage these risks should indeed bear them; the closer a delivery model gets to this ideal, the higher its score.
- Options 1-4 exist on a continuum of efficient risk transfer:
 - DBB + M: Very little risk is transferred from the County
 - DB + M: Meaningful improvement in risk allocation with most design and construction risk transferred from the County
 - DBFM: Significant life cycle risk transfer, expected to be efficient
 - DBFOM: Significant life cycle risk transfer, efficiency depends on manageability of revenue risk



Criterion 5: Low Fiscal Impact and Uncertainty for the County

- Under current constraints, all non-DBFOM delivery models would very likely require relying on the County's covenant to budget and appropriate (CBA) from available non-ad valorem revenues (in addition to potential toll-backed debt and federal funding).
- These delivery models would therefore represent a long-term commitment of a finite source of County funds.
- Conversely, a DBFOM delivery model as currently proposed would have a minimal fiscal impact on the County.



Criterion 6: Time to Completion & Timeline Certainty

- One key driver of timeline considerations is the extent to which delivery models are able to integrate multiple components and project phases.
- This integration can minimize interface problems and transition time that can cause delays and in some cases allow parallel planning of design and construction; this factor means that any model integrating design and construction (e.g., non-DBB +M models) will have a higher score all else being equal.
- P3 models will also provide strong incentives for timely completion through their tethering of payments (in this case, the ability to collect availability payments or toll revenues) to project completion.
- Delivery models without integration or financial incentives for completion – here, DBB + M – will score lower, while a more integrated model like a DB + M can improve construction time.

Longer & more uncertain construction timeline **Shorter & more certain construction timeline**

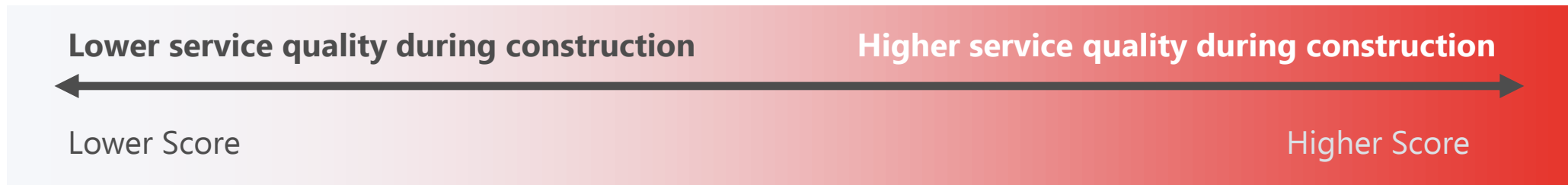


Lower Score

Higher Score

Criterion 7: Quality of Service During Construction

- The performance requirements established by a delivery model can ensure that nuisance during construction (e.g., restricted access, delays, etc.) are minimized.
- Typically, DBFM and DBFOM P3 models would have much more comprehensive performance standards, and a greater ability to set incentives to enforce them, than more conventional models.



Criterion 8: Service Quality & Long-Term Performance

- The full life-cycle perspective encouraged by long-term service delivery contracts integrated across multiple project phases is a key driver of long-term performance.
- For example, investing in efficient preventative maintenance will be incentivized financially, and can also improve service quality if future issues are avoided.
- Outcome-based contracting for P3s leaves room for the private sector to decide how to deliver the envisaged services in a way that meets public objectives for quality and performance and provides remedies if these standards are not met.
- This allows for creative solutions, life cycle cost savings and better quality of service, leading to higher scores for P3 delivery models.
- Note, however, that setting (and changing) long-term performance requirements is often difficult, and if the specifications are not structured well, service quality can suffer.

Lower Service Quality & Performance

Higher Service Quality & Performance



Lower Score

Higher Score

Criterion 9: Long-Term Flexibility for the County

- While long-term commitments present clear advantages reflected in other criteria, they also reduce flexibility for the County. This reduced flexibility can mean long-term commitments of funds and a constrained ability to make certain operational changes or changes to project areas. This loss of flexibility goes hand-in-hand with gains in certainty – in cost, schedule, performance, and more.
- With no long-term commitments (other than, of course, to pay the necessary debt service), DBB + M and DB + M delivery models offer much greater flexibility to the County.
- In a DBFM, the County loses much of its flexibility with a commitment to a long-term availability payment, though it would retain operational control of tolling.
- In a DBFOM, the County has very limited flexibility within the bounds of its long-term concession agreement.



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