

Procurement Process for Transit Public-Private Partnerships

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Agenda

- **BEGINNING THE PROCESS**
- **PROCUREMENT ELEMENTS**
- **EXAMPLES**

Successful Outcome Starts with Client Objectives And Industry Best Practices



Pre-procurement Process Framework

Examine Full Range of Options

Analyze Legal/Legislative Environment

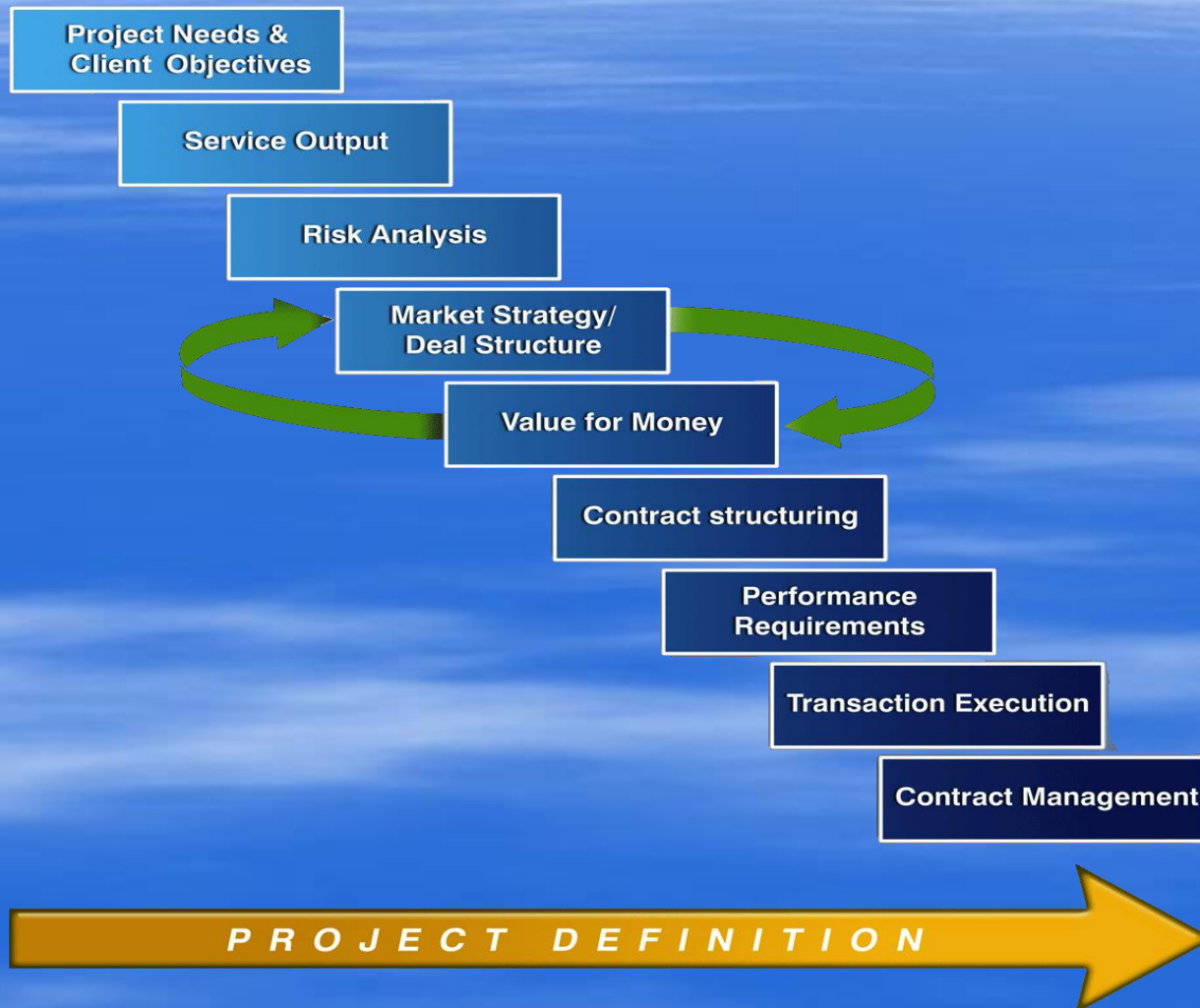
Develop PPP Guidelines

Project Selection Process

Business Case Development/Feasibility Assessment

Determine Organizational Approach & Oversight Strategy

PPP Project Development Process



Delivery Option Assessment

	Development	Delivery	Operations	Maintenance	Finance	
	Public	D-B-B	Public	Public	Public	Design-Bid-Build
	Public	D-B-B	Private	Public	Public	Private Contract Fee Services
	Public	D-B-B	Private	Private	Public	
	Public	D-B	Public	Public	Public	Design-Build
	Public	D-B	Private	Private	Public	Build-Operate-Transfer (DBOM)
	Public/Private	D-B	Private	Private	Public/Private	Long-Term Lease Agreement / DBFO
	Private	D-B	Private	Private	Private	Build-Own-Operate

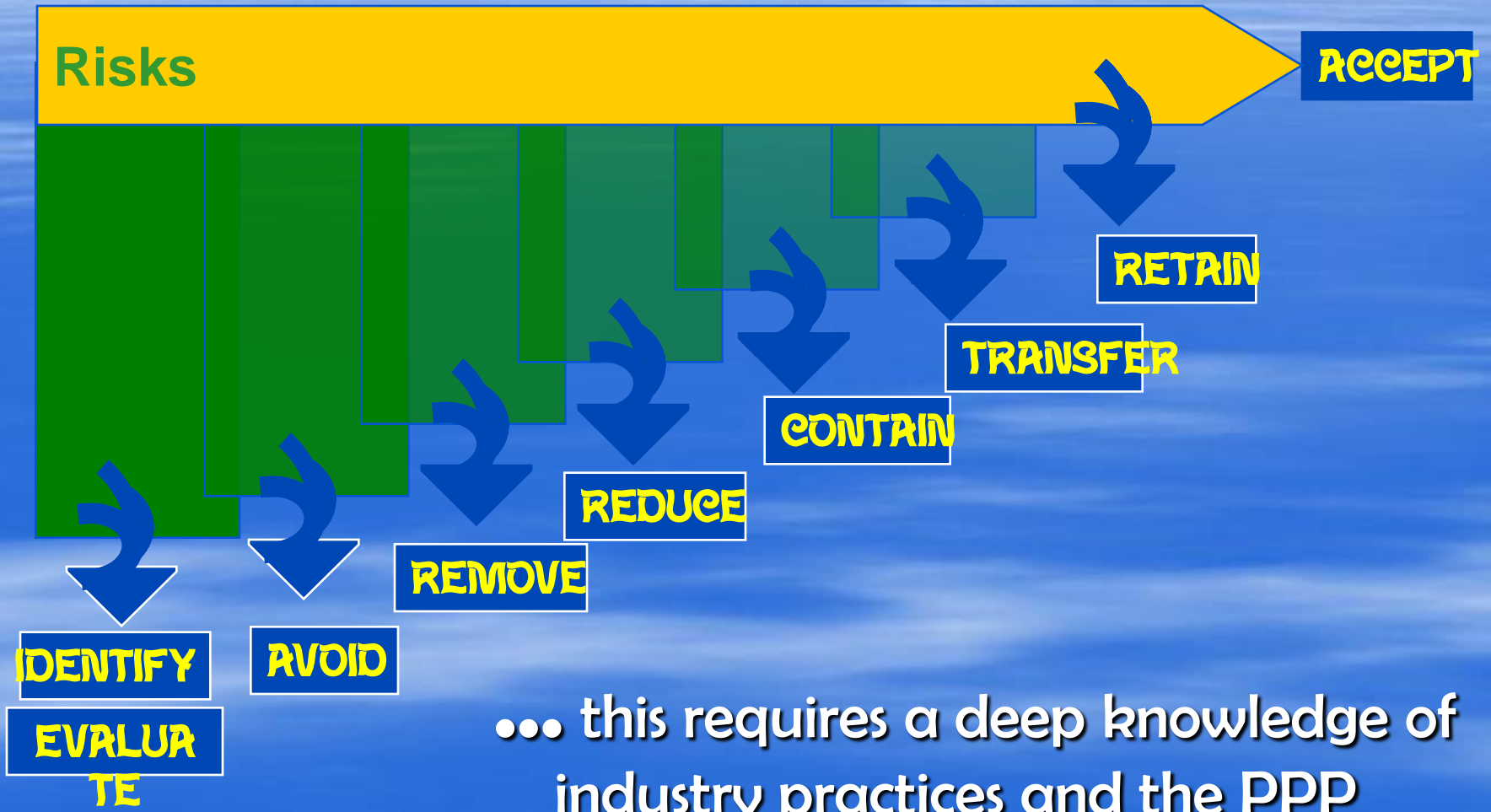
Private RISK / CONTROL Public

PPP's

Procurement Option Assessment

Project Type	Brownfield ?	OR	Greenfield ?
Contract Type	Long-Term Concession	OR	Pre-development
Project Revenue	Revenue Positive?	OR	Revenue Negative ?
Bid Basis	Hard Bid Up Front Payment?	OR	Availability Payment? Minimize Agency Subsidy?

Risk Management is Key to Creating Value for Money...



... this requires a deep knowledge of industry practices and the PPP market

Maximizing Private Sector Participation

- Clear, Transparent Process?
- Experience with PPPs?
- Commitment to Project? Process?
 - Public?
 - Politicians?
 - Staff?
- Risk – Reward in Balance?

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U.S. Concession Agreement Elements

- **Committed Revenue Source**
 - Direct Revenue or Availability
- **Long-term Lease Agreement (~35-99 years)**
 - Convey “tax ownership” & depreciation benefits
 - Longer length in U.S to finance expensive projects
- **Public Sector Retains Asset Ownership & Oversight**
- **Typically Equity Investment Plus Debt Financing or Taxable Bonds**
 - PABs and TIFIA becoming more important
- **Transfer of Construction & Operating Risk**
- **Availability Payment Structure**
 - Most relevant to transit projects
 - More easily financed in turbulent markets

Process Elements



Request for Information (Optional)



Request for Qualifications



RFP Evaluation Criteria



Performance, O&M, Handback Req.



Terms and Conditions



Request for Proposal

Request for Information

■ Primary Objectives

- Optional Tool
- Useful for gathering feedback on procurement structure
- Useful for assessing industry interest
- Best if considered pre-procurement
- Informal interviews beneficial

■ RFI Contents

- Flexible depending on purpose
 - Preliminary concepts
 - Proposed process and schedule
 - Potential project/scope

■ Submission

- General experience
- Suggestions on process
- High level feedback on feasibility and solutions

Request for Qualifications

- Primary Objectives
 - Assess qualifications
 - Develop short-list of firms with the best financial and technical capability to deliver project
 - Industry feedback on proposed process

- RFQ Contents
 - Project scope and schedule
 - Procurement process
 - Evaluation criteria
- Submittal
 - Demonstrated experience on similar projects
 - Financial capacity
 - Comments on process
 - Proposed approach (optional)

Request for Proposals

■ Primary Objectives

- Clearly articulate agency goals and project scope
- Fully transparent and competitive process
- Select based on “best value” the optimal technical and financial solution
- Maximize private sector innovation

■ Components

- Instructions to proposers
- Performance criteria for construction
- Operations and maintenance criteria
- Handback criteria
- Agreement terms & conditions

Request for Proposals

- Submittal
 - Technical approach
 - Finance plan
 - Operations and maintenance plan
 - Pricing
 - Required financial commitments

Performance Criteria

- If Long-term Concession – Next Step from Design-Build
- Potential Elements
 - Technical construction criteria
 - Operations criteria
 - Maintenance criteria
 - Handback criteria
- Performance-based
- Objective determinations

Concession Agreement Terms & Conditions

- Scope, Duration of Concession
- Financing Terms & Debt Structure
- Risk Allocation – Completion Time/Cost
- Risk Allocation – Operation Issues/Maintenance
- Availability Payment Criteria
- Rate of Return (if revenue component)
- Agency-retained Control

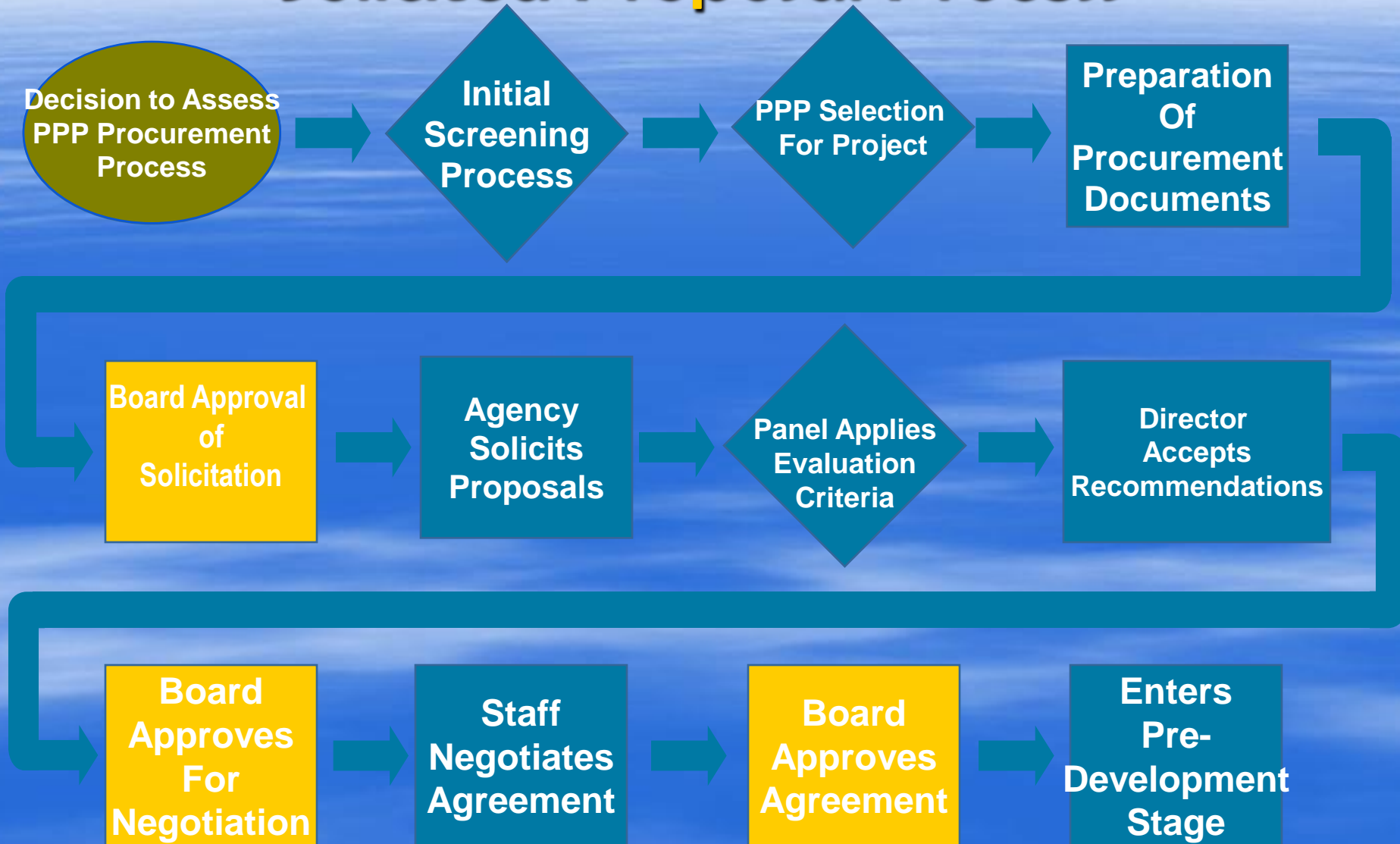
Concession Agreement Terms & Conditions

- Appendices for Performance, O&M, Handback Requirements
- Competing Facilities
- Delay Events And Force Majeure
- Environmental Liability
- State Property Tax
- Remedies/Damages For Concessionaire Default
- Adverse Actions (Agency, Third Parties)
- Insurance/Asset Protection
- Delegable And Non-delegable Governmental Powers

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- **PROCESS EXAMPLES**

Sample Pre-Development PPP Solicited Proposal Process



Sample PPP Solicited Proposal Process

