

Review of the Comprehensive Agreement between
the North Carolina Department of Transportation
and I-77 Mobility Partners LLC

Scope of Work and Anticipated Schedule

April 2017

Overview

NCDOT has initiated a review of the Comprehensive Agreement with I-77 Mobility Partners LLC. The objective is to identify and evaluate potential policy options that might address concerns expressed by members of the public regarding the implementation of the managed toll lanes concept and various provisions in the agreement.

To expedite the review, a financial consulting firm has been retained that specializes in providing strategic advice to public agencies undertaking large and complex capital investments. The firm offers particular expertise in transactions involving the loans provided under the federal Transportation Infrastructure Finance and Innovation Act (TIFIA).

North Carolina Turnpike Authority staff is providing technical and logistical support for this effort.

Presentation Outline

- Mercator Qualifications
- Scope of Work for Review
- Focus of Risk Allocation Assessment
- Potential Policy Options and Examples
- Anticipated Schedule for the Review
- Stakeholder and Public Input

Mercator Qualifications

- Mercator Advisors LLC provides financial advisory, policy analysis and strategic consulting services. The firm specializes in large and complex capital investments involving a blend of public and private sector resources.
- The lead consultant for this assignment, **Jim Taylor**, has significant expertise in toll finance. Prior to joining Mercator in 2006, he was an investment banker for 19 years.
- Recent work experience includes conducting the initial assessment of the potential risks associated with using a public-private partnership to deliver toll lanes and other improvements to a segment of Interstate 66 in Virginia.
- Jim graduated from the Massachusetts Institute of Technology and received a Master of Public Policy degree from the Kennedy School of Government at Harvard University.



Scope of Work

- Analyze the allocation of key project risks and the potential financial liabilities assumed or shared by each partner.
- Review comments and suggestions submitted by project stakeholders and members of the public.
- Evaluate the merits and potential costs associated with various policy options, including, but not necessarily limited to:
 - Terminate the Comprehensive Agreement (CA)
 - Renegotiate or modify the CA to achieve certain policy objectives
 - Purchase the toll facility.

Risk Allocation Assessment

Analysis will focus on the value of the major risks transferred to, or shared with, the private partner, including risks associated with:

- construction financing;
- cost of design and construction;
- schedule for project completion;
- right-of-way acquisition, site conditions, and permits;
- traffic management during construction;
- toll system installation and integration;
- toll collection expenses;
- revenue projections; and
- maintenance and rehabilitation of the highway.

Potential Policy Options

- The risk assessment and public input will be used to develop potential policy options.
- States have taken different approaches to addressing concerns and/or opportunities that arise after a public-private partnership (P3) agreement has been executed. Some of the precedents involving toll facilities may be helpful in developing potential policy options for the I-77 Express Lanes Project.
- The following examples are for discussion purposes only. Any policy options developed for NCDOT will need to reflect the unique attributes of the project and the resources available to the public and private partners.

P3 Contract Termination Example

U.S. Route 460 Corridor Improvements Project (Virginia)

2012	Comprehensive Agreement executed for \$1.4 billion project (\$1.15 billion of public funds, 40-year term)
2014	Work suspended on the project to address issues with environmental permits
2015	April Contract with private partner terminated.
	July Settlement agreement announced . Private partner agrees to return \$46 million of \$256 million paid by the state and cancels claims to an additional \$103 million under the contract.
	September Virginia Department of Transportation (VDOT) provides approximately \$50 million to redeem the toll revenue bonds
2017	Revised plan for Route 460 does not qualify for state funding based on low score under Virginia's project prioritization process

P3 Contract Modification Example

Elizabeth River Tunnels Project (Virginia)

2011	Comprehensive Agreement executed for \$2.1 billion project (\$309 million of public funds, 58-year term)
2012	VDOT provides additional \$113 million to delay tolling of existing tunnels from September 2012 to February 2014
2014	VDOT provides additional \$82.5 million to lower toll rates through end of 2016
2015	VDOT provides additional \$78 million to eliminate tolls on one segment of the project; Private partner agrees to fund toll relief program for low-income residents
2016	New Midtown Tunnel and Martin Luther King Expressway completed

P3 Project Acquisition Example

	91 Express Lanes (California)
1990	Franchise agreement executed for \$130 million project (No public construction funding; 35-year operating period after construction)
1993	Private developer secures construction financing
1995	91 Express Lanes open
2001	Orange County Transportation Authority (OCTA) initiates negotiations to purchase the franchise
2003	OCTA purchases the 91 Express Lanes for \$207.5 million (assumes \$135 million of debt and pays \$72.5 million cash). Ten months later, OCTA issues tax-exempt toll revenue bonds to retire developer debt and to reimburse a portion of funds used for acquisition
2011	Caltrans extends franchise agreement with OCTA to 2065

This example is provided solely to illustrate the concept. The outcome for this particular project is not necessarily indicative of the potential benefits or costs if the approach is pursued for other projects.

Anticipated Meetings

Tentative Date		Focus of presentation
April 19, 2017	Charlotte Regional Transportation Planning Organization	<i>Scope of work and schedule</i>
May 04, 2017	North Carolina Turnpike Authority Board	<i>Preliminary report on public input</i>
May 17, 2017	Charlotte Regional Transportation Planning Organization	<i>Preliminary report on public input</i>
July 19, 2017	Charlotte Regional Transportation Planning Organization	<i>Findings and Recommendations</i>
August 3, 2017	North Carolina Board of Transportation	<i>Findings and Recommendations</i>
August 3, 2017	North Carolina Turnpike Authority Board	<i>Findings and Recommendations</i>

Stakeholder and Public Input

<https://www.ncdot.gov/projects/I-77ExpressLanes/>

NCDOT Wants to Hear From You

Have comments or concerns about the contract with I-77 Mobility Partners?

Let Us Know

