

ANALYSIS OF THE MERCATOR POLICY OPTIONS

***I-77 EXPRESS
LANES***

Local Advisory Group Workshop #1

January 24, 2018

Welcome and Introductions

James H. Trogdon - NCDOT Secretary

Beau Memory - NCTA Executive Director

Carly Olexik, Rodger Rochelle, David Roy - NCTA and NCDOT Staff

Jim Taylor - Mercator Advisors

Adam Gosselin, Radha Krishna, Phil Schwab - RS&H Project Team

**Peg Carlson and John Stephens - UNC School of Government
Facilitators**

Local Advisory Group: Introductions

Please share your:

- Name
- Position/who you represent
- Response to this statement:

“One thing that will help this advisory group work effectively is”

Group Purpose

Advise and Provide Input for the NCDOT Secretary

- a) Analyze Mercator Report 'Options to Consider'*
- b) Assess potential changes for the I-77 Express Lanes Project's Scope and P3 Contract*



Roles

Local Advisory Group

Provides input; analyzes pros and cons of various options

NCTA staff

Liaison with NCDOT; point of contact for LAG information requests

Mercator / RS&H team

Researches and presents options; brings expertise with projects of this size and scope

Facilitators

Helps group have productive discussion and use its time effectively

Process: Six Meetings*

- **Provide information on the project's scope and contract**
- **Review and evaluate proposed options**
- **Identify additional analysis needed**
- **Suggest modifications of options**
- **Finalize advice/input for NCDOT**

**Subject to change*



Ground Rules

- **“Share the air”**
- **Listen to others’ perspectives**
- **Focus on interests before taking positions**
- **Seek common ground and action**

Anything you would like to change or add to this list?



Today's Agenda

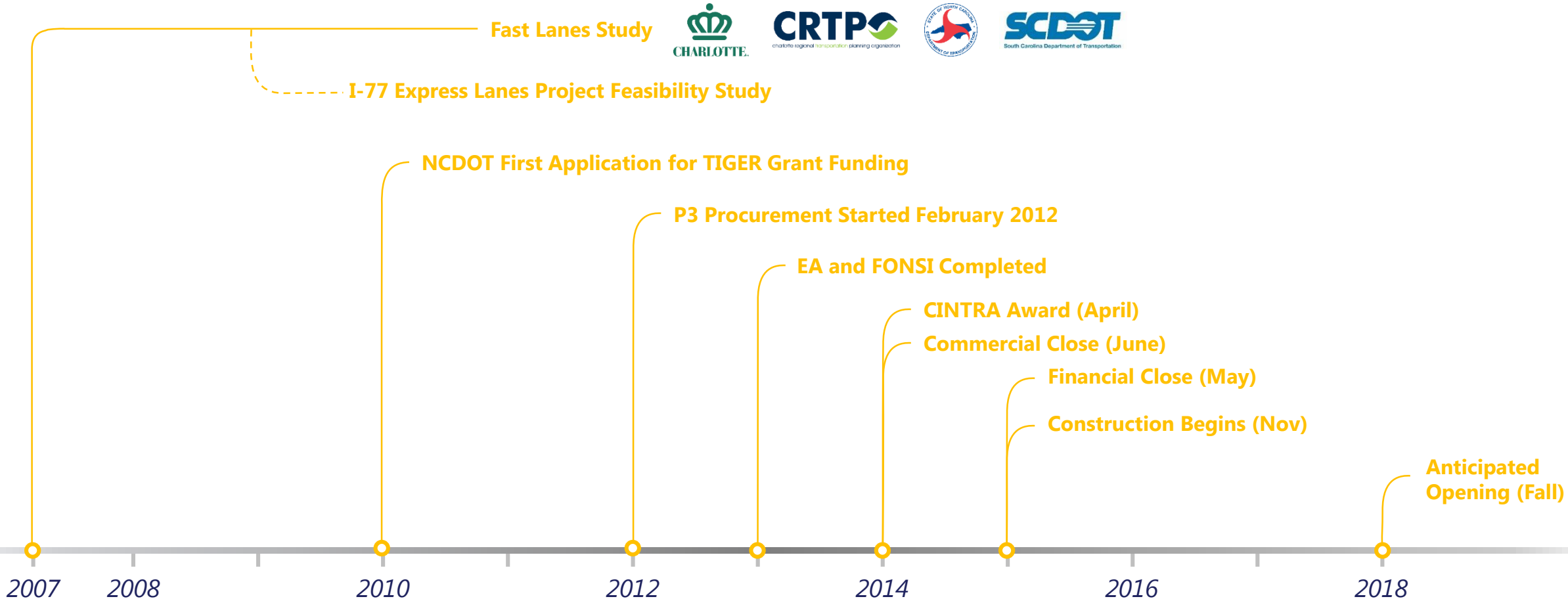
I-77 Project Timeline

Overview of Public Private Partnerships (P3)

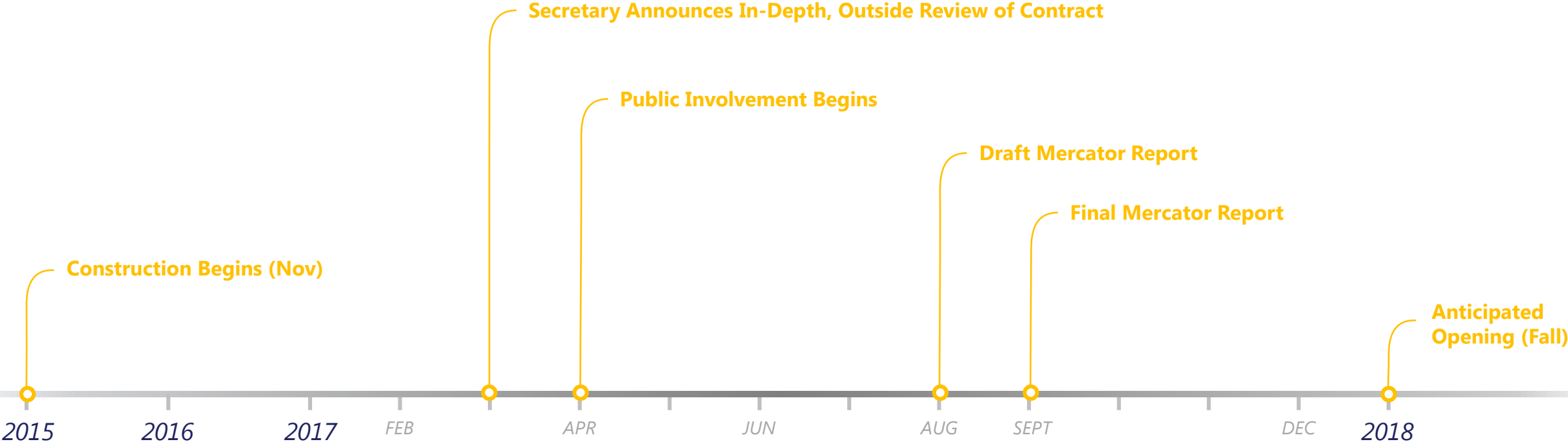
Mercator Report overview and options

Preparation for Meeting #2

I-77 Express Project Timeline



I-77 Express Project Timeline



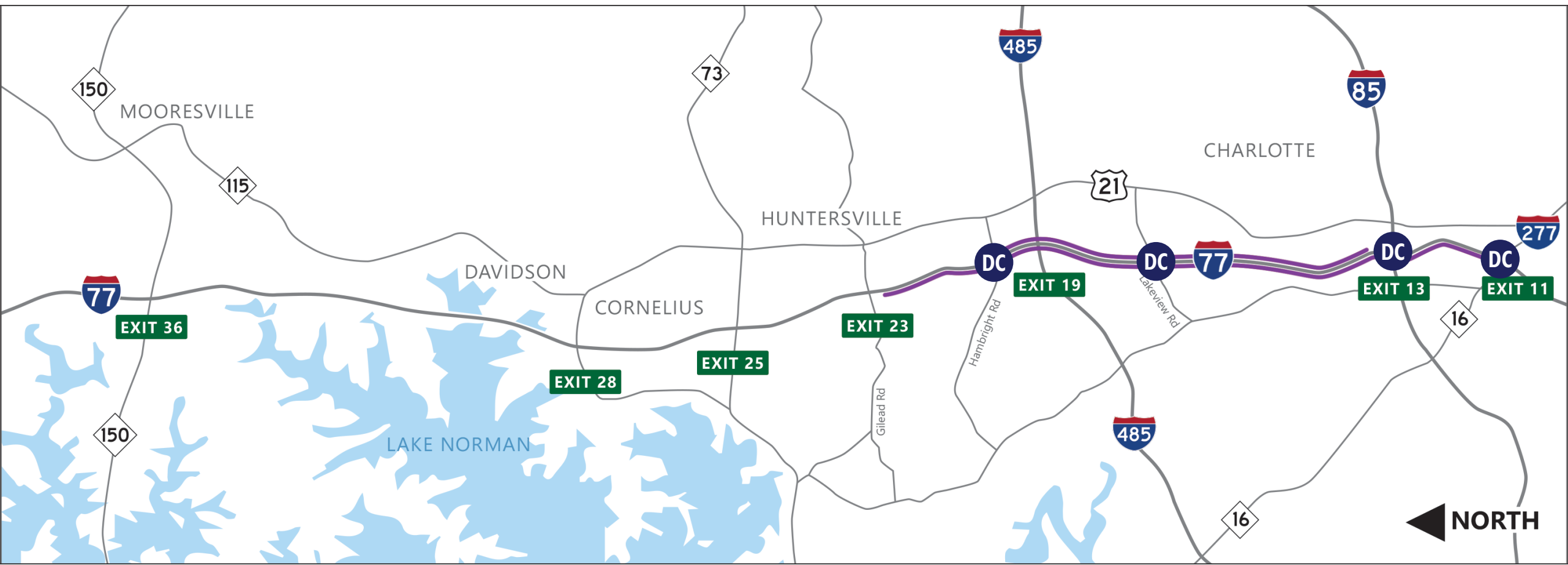
PROJECT OVERVIEW

I-77 EXPRESS

Project Scope

LEGEND

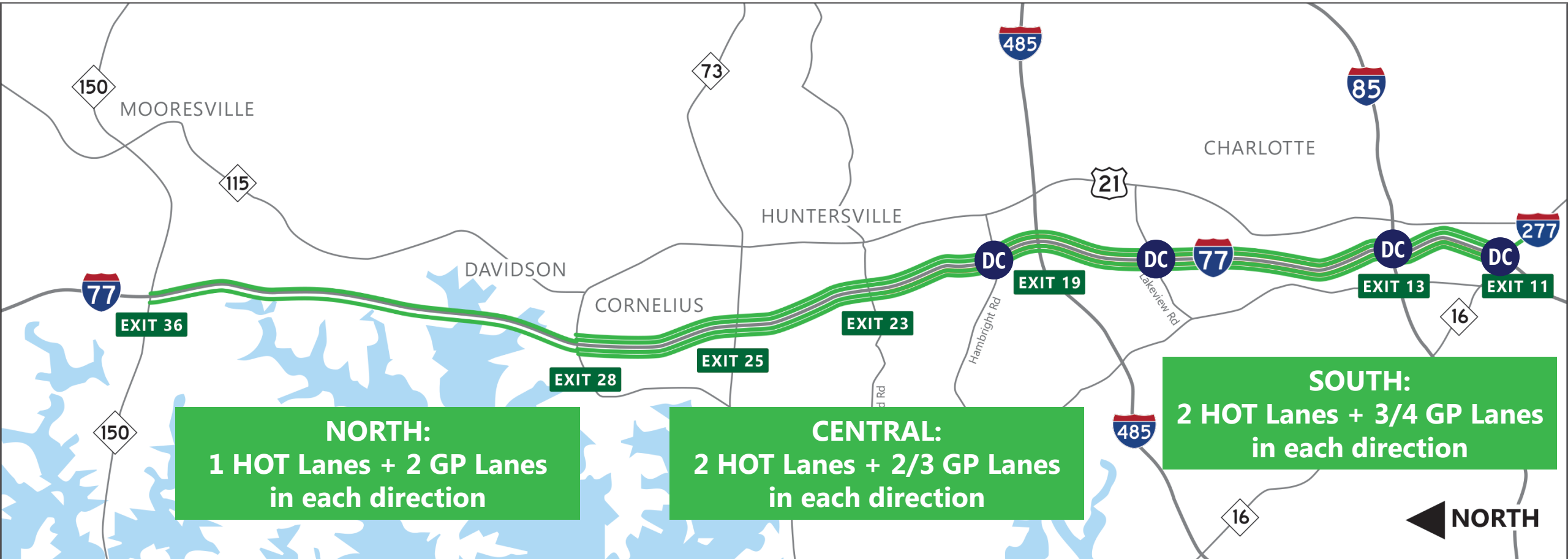
- High Occupancy Vehicle (HOV) Lanes
- High Occupancy Toll (HOT) Lane
- DC Direct Connector (DC)



Project Scope

LEGEND

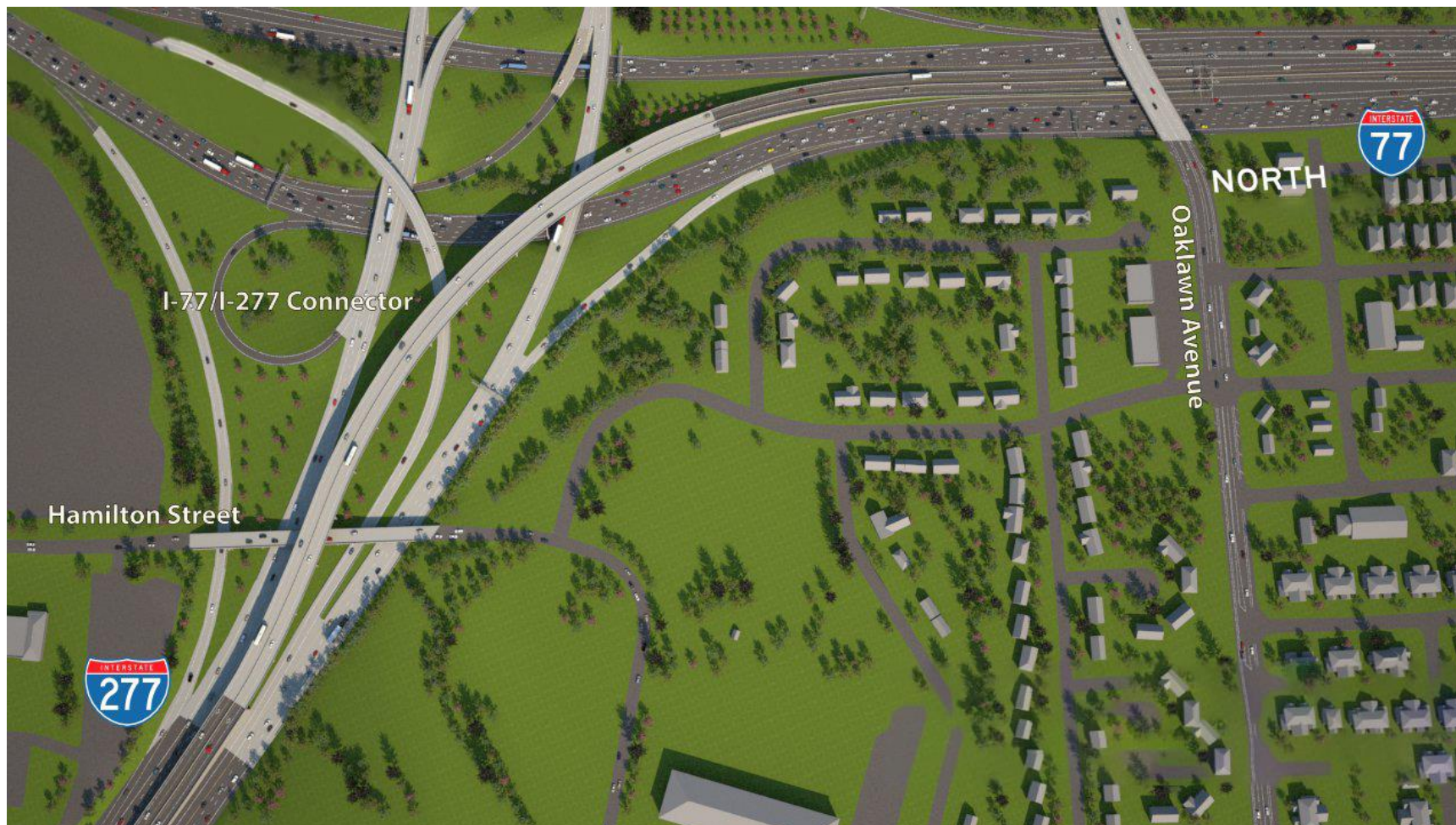
- High Occupancy Vehicle (HOV) Lanes
- High Occupancy Toll (HOT) Lane
- DC Direct Connector (DC)



Southern Section



Direct Connectors at I-277



Central Section



Central Section



P3 OVERVIEW

Public-Private Partnerships

**Contractual Agreements Formed
Between a Public Agency and a Private Sector Entity that
Allow for Greater Private Sector Participation in the
Delivery and Financing of Transportation Projects.**

– FHWA Office of Innovative Program Delivery

Project Delivery Method Considerations



INTEGRATION



SPECIFICATION



FINANCIAL
INCENTIVES



RISK
MANAGEMENT



COMPLEXITY

**Conventional
Delivery**

MULTIPLE contracts, **PUBLIC** entity is integrator

INPUT specification, determining design and engineering solutions in detail

PAY AS YOU GO, typically progress payments

Most **RISKS** are retained by the **PUBLIC** entity

Contracts are **STANDARDIZED** and relatively **SIMPLE**

P3 Delivery

ONE contracts, **PRIVATE** entity is integrator

OUTPUT specification, allowing for creative solutions and life cycle costing

PAYMENTS are typically tied to milestones or **AVAILABILITY** or based on **REVENUE**

RISK transfer is much greater to the **PRIVATE** entity

Contracts are **COMPLEX** and require financial, legal, and technical expertise

P3 Potential Benefits



Access to Private Capital Can Accelerate Project Delivery



Payments Tied to Performance



Transfer of Risk



Maximize Potential for Life Cycle Cost Efficiencies



Secure Unique or Specialized Services/Expertise



Long Term Setting of Public Funding



Spurs Innovation

There Are Also Challenges...



Limit or Restrict
Future Improvements



Difficult to Contemplate All
Situations in a Long Term Contract

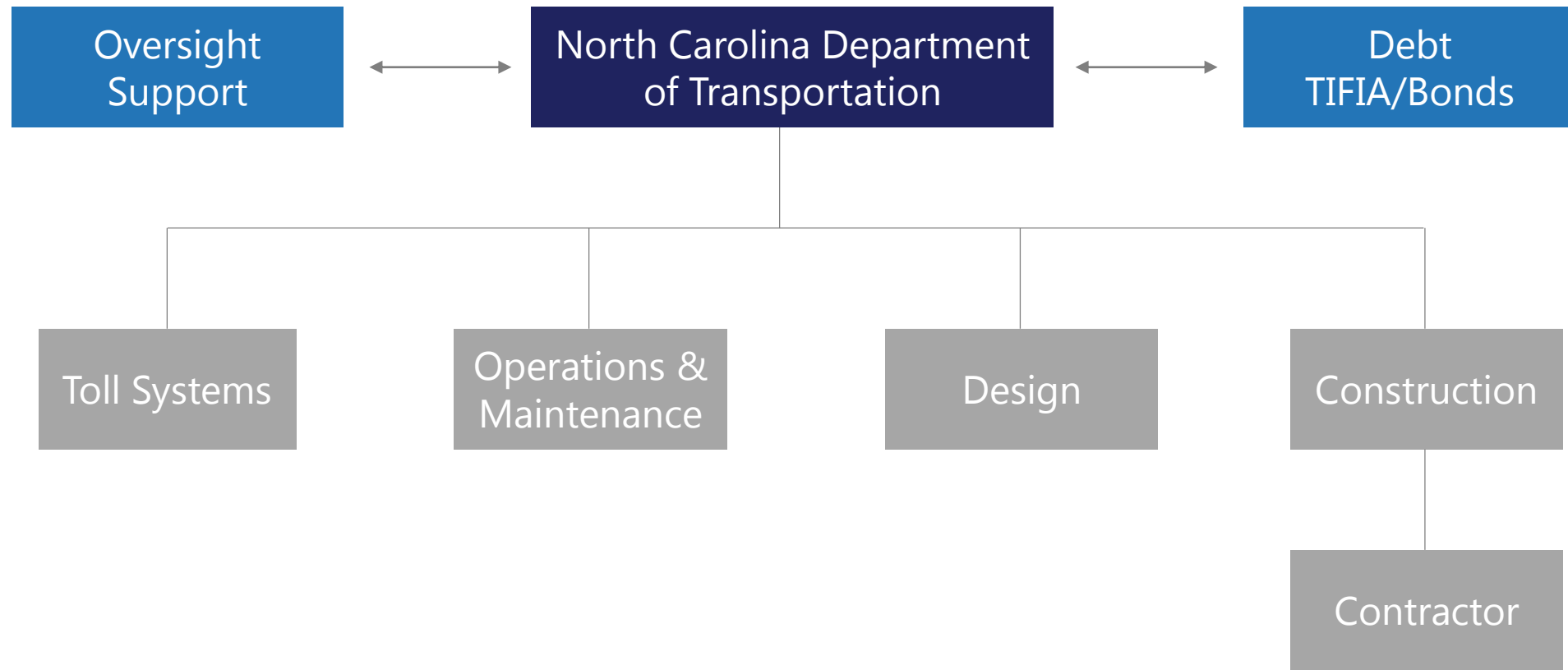


Increase Cost of Changes/
More Levels on Developer

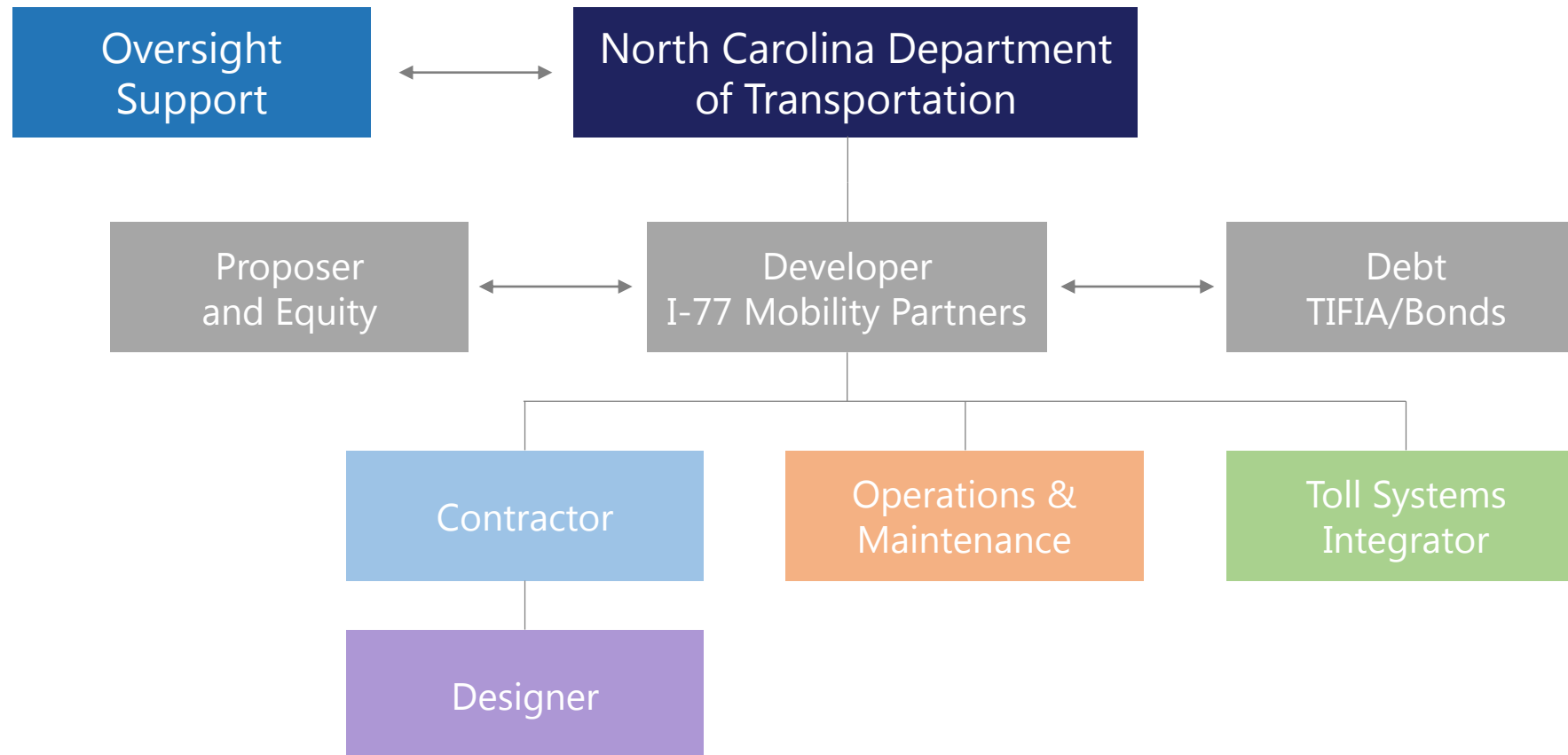


Potential Cost to Change
in HOV Restrictions

Traditional Delivery Team Structure



I-77 P3 Team Structure



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

Overview of the Mercator Report

January 2018

Presentation Outline

- Purpose of the Mercator Review
- Organization of the Final Report and Addendum
- Key Findings and Observations
- Policy Options Identified in the Report

Purpose of the Mercator Review

Mercator Advisors LLC (Mercator) was retained to review the Comprehensive Agreement between the North Carolina Department of Transportation (NCDOT) and I-77 Mobility Partners LLC.

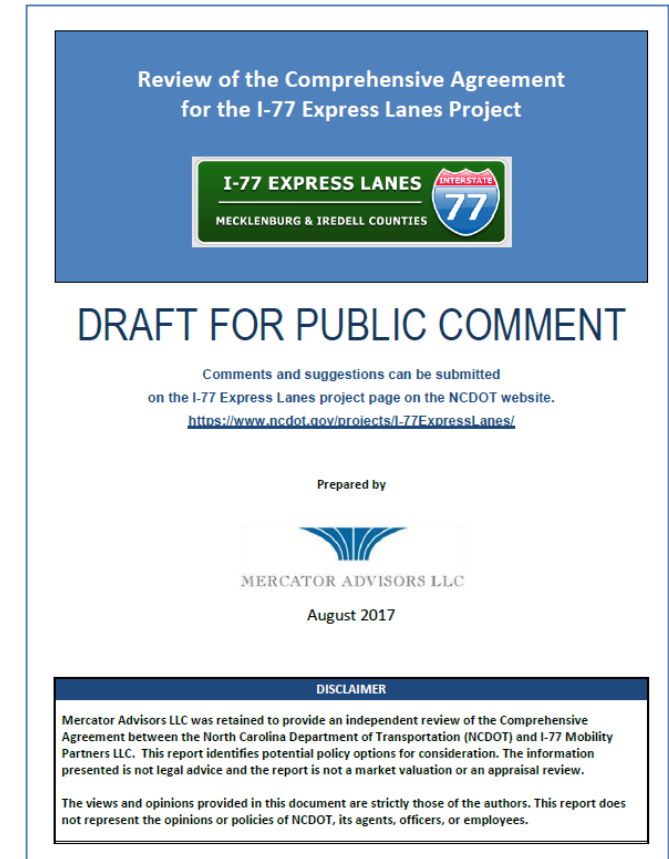
The objective was to identify and evaluate potential policy options that might address concerns expressed by members of the public regarding the implementation of the managed toll lanes concept and various provisions in the agreement.

Organization of the Final Report


A draft of the Mercator report was posted for public review in August 2017.


The report included

- a review of the project development process,
- an assessment of the allocation of project risk under the P3 agreement,
- a discussion of frequently expressed questions and concerns about the Express Lanes and the P3 Agreement, and
- a description of potential policy options for for NCDOT consideration.



Review of the Comprehensive Agreement
for the I-77 Express Lanes Project




I-77 EXPRESS LANES 
MECKLENBURG & TREDELL COUNTIES

DRAFT FOR PUBLIC COMMENT

Comments and suggestions can be submitted
on the I-77 Express Lanes project page on the NCDOT website.
<https://www.ncdot.gov/projects/I-77ExpressLanes/>

Prepared by



MERCATOR ADVISORS LLC

August 2017

DISCLAIMER

Mercator Advisors LLC was retained to provide an independent review of the Comprehensive Agreement between the North Carolina Department of Transportation (NCDOT) and I-77 Mobility Partners LLC. This report identifies potential policy options for consideration. The information presented is not legal advice and the report is not a market valuation or an appraisal review.

The views and opinions provided in this document are strictly those of the authors. This report does not represent the opinions or policies of NCDOT, its agents, officers, or employees.

Report Addendum

Comments submitted to NCDOT after the draft report was posted were primarily brief statements of opposition to tolls and/or the P3 agreement and expressions of support for an option proposed by the Widen I-77 organization that involves completing the widening of I-77 without installing the electronic toll collection system.

Instead of making changes to the draft report posted in August, Mercator prepared an Addendum to the Final Report to highlight the “complete and delete” option and other topics raised in the public comments.

Key Findings and Observations

- The planning process did not provide sufficient opportunities for the public to evaluate the relative merits of express lanes and alternatives without tolls.
 - Focus on “immediate travel time reliability along I-77 from Uptown Charlotte to the Lake Norman area” precluded the examination of additional general purposes lanes in the environmental assessment.

Key Findings and Observations, *continued*

- The Comprehensive Agreement is reasonable, but inconsistent public engagement has undermined confidence in the public-private partnership (P3) project delivery approach.
 - Limited public engagement before P3 procurement was initiated
 - P3 presented as only financially viable alternative
 - Insufficient response to public concerns and questions

Key Findings and Observations, *continued*

Public concerns that reflect general uncertainty about the express lanes concept may be difficult to address.

- *Will the toll lanes relieve congestion in the existing general purpose lanes or make it worse?*
- *How much will I have to pay to use the toll lanes?*



Key Findings and Observations, *continued*

It was difficult to provide definitive answers to some questions about alternative options.

- *What is the potential process and timing required for CRTPO to assess the impact of a termination on regional transportation plans and to identify and approve alternatives to the express lanes?*
- *What is the potential impact on local projects funded with bonus allocation funds if tolling is not implemented?*
- *What is the source of funding for any payments to the Private Partner?*

Key Findings and Observations, *continued*

Concerns about the design and operation of the Express Lanes are not necessarily statements for or against the Project



- *Number and location of the points of access to and egress from the toll lanes*
- *Safe merging and lane changes*
- *Traffic impacts on NC 115 and U.S. Route 21*
- *Impact of truck prohibition on safety, local mobility and freight logistics*
- *Landscaping and sound walls*

Policy Options Identified in the Report

- a. Terminate the Comprehensive Agreement and complete the Express Lanes Project using public funding or financing as it becomes available.
- b. Terminate the Comprehensive Agreement and allow CRTPO to determine whether express lanes should remain in the transportation plan or be replaced or supplemented with other improvements based on available resources.

Policy Options, *continued*

- c. Negotiate modifications to the project scope and/or the terms of the CA, such as:
 - Deferring or eliminating tolling of certain lanes,
 - Reducing the financial impact on frequent users,
 - Revising the truck restrictions to allow larger vehicles that can use the express lanes safely,
 - Encouraging greater use of the express lanes by allowing HOV-2 for some period of time, or
 - Modifying the compensation provisions for unplanned revenue impacting facilities.

Policy Options, *continued*

- d. Work with CRTPO to identify and advance additional improvements to address mobility issues in the corridor.
- e. Develop preliminary plans to negotiate and finance the purchase of the Express Lanes Project after completion.
- f. I-77 Mobility Partners completes construction of additional lanes in the I-77 corridor and NCDOT modifies the contract to “delete” the electronic toll collection system (effectively converting the express lanes to general purpose lanes).

Closing /Questions / Next Steps

What do you need to prepare for the next meeting? Anything you expected to hear today that you didn't hear?

Identify Topics/Questions for Meeting #2

Feedback on today's meeting: what went well, what could be improved for next time?

THANK YOU!

PREPARED BY:

RS&H