

Commonwealth of Virginia
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I-95 HOV/HOT LANES PROJECT

MAJOR BUSINESS TERMS

December 7, 2011



Executive Summary

- VDOT and Fluor-Transurban (FTU) have reached in-principle agreement on major business terms
- The private sector is responsible to fund:
 - Over \$ 840 million of construction and financing related costs at Financial Close; and
 - \$10.2 billion of O&M and Major Maintenance costs to be performed by FTU over the 73-year concession that will not need to be performed by VDOT
- The Commonwealth is providing a \$97 million contribution during construction
- The Comprehensive Agreement is expected to be signed in Spring 2012
- Financial close is expected in Summer 2012
- Construction is expected to begin in 2012

Project Background

Timeline to Date

- **October 2003** – VDOT receives unsolicited conceptual proposal
- **March 2004** – Fluor Virginia, Inc. (Fluor) submits a competing proposal and VDOT posts proposal for public review
- **January 2005** – CTB adopts a resolution approving conceptual proposal for further evaluation
- **June 2005** – Fluor and Transurban (USA) Development, Inc. (FTU) submit a detailed proposal to the Advisory Panel for consideration
- **November 2005** – Advisory Panel recommends FTU's detailed proposal
- **October 2006** – VDOT and FTU execute Interim Agreement to further develop the project
- **February 2011** – Secretary Connaughton announces the new scope of the Project and negotiations begin

Negotiating team: VDOT, OTP3, OAG and advisors (ATCS/CH2M Hill, Ballard Spahr LLP, Capital Project Strategies, Halcrow, Inc., KPMG Corporate Finance LLC)

- **November 2011** – VDOT and FTU reach agreement on major business terms

Project Background

Project Summary and Location

- **Build 9-mile extension of existing HOV lanes** from Dumfries to Garrisonville Rd in Stafford County
- **Expand existing HOV lanes from 2 to 3 lanes for 14 miles** between Prince William Parkway to vicinity of Edsall Road on I-395
- **Operational improvements to the existing two HOV lanes for six miles** from Rt. 234 to Prince William Parkway
- **Add 8 new or improved access points** to and from HOV/HOT network at key interchanges



Project Background

Critical Need

- Washington, DC metro area has the worst congestion in the nation according to recent Texas Transportation Institute study
- Five major military sites affected by Bases Realignment and Closure (BRAC) Act with relocations already started in the corridor
- Nearly half of all of Virginia's population growth in past decade has been in jurisdictions between Fredericksburg and the Beltway
- Traffic conditions on I-95 are getting worse – in the next 30 years, the corridor will see over 40% increase in population and over 50% in employment

Major Business Terms

Parties, Term and Design-Build Cost

■ **Concession Parties:**

- **Concessionaire:** Fluor and Transurban (FTU) - Joint Venture Special Purpose Entity
- **Design-Build Contractor:** Joint Venture between Fluor and Lane Construction
- **Operations, Tolling and Maintenance:** Transurban

■ **Term:** 3 years construction and 73 years operating period (coterminous with Capital Beltway)

■ **Design-Build Cost:** Fixed price, fixed date, design-build contract of \$618.2 million

Major Business Terms

Tolling

- Free for HOV3+, buses, motorcycles, and emergency vehicles
- Existing General Purpose Lane capacity maintained and remains free for all users
- **Tolls:**
 - The project utilizes dynamic tolling – the toll rates will vary based on the level of traffic
 - Anticipated tolls will range from \$0.10/mile during less congested times and approximately \$1.00/mile if the HOT/HOV Lanes have heavy congestion
 - An average trip length is 11 miles, which equates to a average toll of \$4.00 or \$0.36/mile
 - Toll rates are set in order to provide free flow conditions
 - FTU required to meet operational speed performance standards of 55 MPH to protect free flow conditions
- **Tolling Commencement:** Expected 2015
- **Tolling Operations:** All electronic tolling via E-ZPass and video

Major Business Terms

Private and Public Funding

- **Financial Close:** Expected in Summer 2012
- **Private Funding:** Over \$840 in privately-raised funding, including almost \$300M in equity
- **Public Funding:** The Commonwealth is contributing \$97 million to the project
- **TIFIA Loan:** Agreement is reached based on the project successfully obtaining a federal TIFIA loan
 - The Department applied for a TIGER TIFIA Payment on October 31, 2011
 - FTU will submit a TIFIA Letter of Interest for the FY2012 funding by December 30, 2011
 - VDOT and FTU believe the Project meets the TIFIA selection criteria

Major Business Terms

Risk Allocation

- Through the PPTA process the Commonwealth transfers significant risk to the Concessionaire:
 - Design (cost overruns, schedule delay and error & omissions)
 - Construction (cost overruns and schedule delays)
 - Financing and insurance
 - Long-term operation & maintenance
 - Traffic & revenue

Major Business Terms

Risk Allocation

- Rights retained by the Commonwealth include:
 - Ownership
 - Oversight and audit
 - Sharing in the financial upside of the project
 - Making improvements to transportation network
 - Receiving the facility at the end of the concession in an appropriate condition
 - Terminating the Comprehensive Agreement under certain instances
 - Suspending tolling for emergencies
 - Requiring a good faith effort from FTU in meeting DBE/SWAM goals
 - Requirements for maintaining operating and maintenance standards
 - Damages for delayed construction completion
 - Requirements to maintain free flow traffic conditions at 55 mph in HOT Lanes
 - HOV Protection: guaranteed free access for HOV3+ users

Major Business Terms

Risk Allocation

- Concessionaire rights include:
 - Collecting tolls for the length of the operating period
 - Receiving payment under certain termination events
 - Developing project enhancements
 - Delay events
 - Compensation events

Project Benefits

- A \$97 million up-front Commonwealth contribution in conjunction with over \$840 million private investment is expected to result in:
 - Added capacity to manage congestion
 - Expanded, regional HOV/transit network: HOV in Stafford County, Capital Beltway HOV/HOT, I-66 HOV and Dulles Toll Road HOV
 - New access points to serve Virginia-based destinations, including Tysons Corner and major military sites
 - Fix major bottleneck at Dumfries
 - Improved performance of HOV system
 - New reliable commuting option when travelers need to be somewhere on time
 - Significant job creation
 - GP lanes free for all users and existing capacity maintained

Next Steps

- **Ongoing** - Finalize comprehensive agreement and exhibits
- **Ongoing** – Progress design and engineering work
- **Spring 2012** - Complete FHWA review and approval
- **Spring 2012** - Comprehensive Agreement signed (commercial close)
- **Summer 2012** - Target financial close
- **Summer 2012** - Construction begins
- **2015** - Construction complete
- **2015** - Tolling begins