Alternative Delivery & Public Private Partnerships
AGENDA

- Introductions
- Alternative Delivery Options
- Funding vs Financing
- Fargo River Diversion
OUR PURPOSE

We exist to future proof our cities and environments.

OUR ROLE

We plan, design, manage and engineer our communities to thrive.
INTERNATIONAL AGILITY

• Leading professional services firm
• Technical experts and strategic advisors
• Design lasting solutions

2018 Net Revenues by Market Sector

- Employees: 49,500
- Transportation & Infrastructure: 52%
- Property & Buildings: 28%
- Environment: 10%
- Industry & Energy: 10%

*Non-IFRS measure
*Includes Industry, Resources, Power & Energy
WSP World wide

- **Nordics**: 6,265 employees
- **Canada**: 8,200 employees
- **Continental Europe**: 950 employees
- **US**: 9,600 employees
- **UK & Ireland**: 8,300 employees
- **Asia**: 3,200 employees
- **Latin America & Caribbean**: 3,200 employees
- **Middle East & India**: 3,510 employees
- **Africa**: 475 employees
- **Australia & New Zealand**: 5,500 employees

Figures at September 28, 2019
Project Delivery

**Traditional Procurement**
Private contractors construct projects based on a public design and public funding. The projects are then operated and maintained by the public entity.

**Alternative Delivery Options**
A range of contract types that involve private partners in some combination of design, build, finance, operations and/or maintenance of public infrastructure.
Types of Alternative Delivery Options

— Design Build
— Design Build Finance
— Design Build Operate Maintain
— Design Build Finance Operate Maintain
— Construction Management at Risk
— Program Management at Risk
— Construction Management/General Contractor
U.S. DOT Definition

Public Private Partnerships (P3) are 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.
Scale of PPPs:
Risk Transfer and Private Sector Involvement

Design Bid Build
Design Build Operate Maintain (DBOM)
Design Build Finance Operate (Maintain)
Build Own Operate Transfer (BOOT)
Design Build Own Operate

Public-Private Partnerships

Risk transfer increases to the private sector
The Evolving Market: Design-Bid-Build
The Evolving Market: Design-Bid-Build

— Design-Bid-Build
  — Owner bears risk of each project element: financing, design, construction, operations, maintenance
  — Owner generally contracts out for design
  — Owners bears integration risk
  — Contractor bears risk of timely performance for fixed price

— Established “Ground Rules”
  — Davis Bacon, Union Requirements, Contract Disputes Act, Miller Act, etc.
  — Familiar contract terms, forms, regulations (FAR, etc.)
The Evolving Market: Design-Build
The Evolving Market: Design-Build

— Design-Build
  — Conceptual design and NEPA by public owner
  — Final design obligations and often performance criteria shifted to contractor
  — Expanded contractor liability and risks
  — Reduced public owner staffing- moves to oversight
  — Public owner still bears significant financing, operational, maintenance risks but reduced integration risks
  — As with D-B-B, “ground rules” still largely established
The Evolving Market
Public Private Partnerships (P3)
The Evolving Market
Public Private Partnerships (P3)

— Public-Private Partnerships (P3s)
  — Design, Build, Finance, Operations and Maintenance obligations all shifted to private sector who is also responsible for integration risks
  — Extra “private” owner layer between contractor and public agency
  — “Ground rules” change, defined in enabling legislation and project agreements
The Evolving Market - Comparison

Design BID Build

- Project Assets
- Public Sponsor
- Construction Contract
- Construction Services
- Capital and operating subsidies
- Debt service
- Tax-exempt debt finance
- User fees

Design Build

- Project Assets
- Public Sponsor
- Construction Contract
- Engineering Contract
- Capital and operating subsidies
- Debt service
- Tax-exempt debt finance
- User fees

Public Private Partnership (P3)

- Project Assets
- Public Sponsor
- Special Purpose Vehicle (SPV)
- Debt service
- Tax-exempt debt finance
- User fees

Government Entities

- Finance Providers
- Engineering & Construction
- O&M Contractor
- Rolling Stock Provider
- Possible Joint Venture or Separate Contracts

WSP
What is the difference between funding and financing?

— Funding refers to the primary stream of revenue used to offset the costs of a project or to support leveraging options
  — Toll revenue
  — Taxes, fees, and assessments (e.g. gas tax, sales taxes)
  — Rent

— Financing refers to the means by which the primary revenue streams are used to make funds available when needed (at a cost)
  — Taxable and tax-exempt bonds and notes
  — Direct bank loans (e.g. mortgages, project finance loans)
  — Government loans (e.g. TIFIA loans, RRIF loans)
  — Equity
Increasing Reliance on Alternative Delivery
— Over $60 Billion in assets have been or are in the process of being delivered by P3s since 1993.

— Pipeline is not huge but has been steady with 4 to 5 projects reaching financial close in any given year.

— Range of asset types:
  — Highways and managed lanes
  — Bridges and Tunnels
  — Universities (housing/parking/campus facilities)
  — Court house/civic center (very limited) (Social Infrastructure)
  — Airports
  — Transit
  — Waterways
35+ States have P3 Authority

* 2020 - NY and NJ now have P3 Legislation
Recent P3 Activity in the US

— Recent Awards
  — CA- UC Merced (CA)
  — VA- I-66
  — GA- I285/SR400
  — MI- I-75
  — CO- Central 70
  — CA- LAWA APM
  — CA- LAWA ConRAC

— In Procurement
  — LA- Belle Chase
  — CA-Sepulveda Pass
  — MD- I-495/270
  — GA- SR400 Express Lanes
  — ND- Fargo/Morehead Diversion
Public Private Partnership Example

Fargo-Moorhead Diversion P3
Fargo-Moorhead Diversion
P3 – Project Features

- Purpose – Flood Risk Management
  - Diversion Channel System designed to divert flood waters around Fargo, ND, Moorhead MN and surrounding metropolitan areas.
  - The South Embankment Project is outside of P3 project
- 30 miles of Diversion Channel
- 7 grade separated crossings
- 11 County and Local Bridges
- 4 Freight Rail crossing bridges
- 2 Inlet Structures
- 2 Aqueducts
- 11 Drain Inlets
- Recreational areas and Access Roads
- Utility Crossings
Fargo-Moorhead Diversion P3 – History

- August 2016 – Diversion Authority Released Request for Qualifications
- September 2016 – Request for Qualifications due
- November 2016 – Short Listed Proposers announced [4 Short Listed]
- August 2017 – Technical Proposals Due
- September 2017 – Financial Proposal Due
- October 2017 – Selection of Successful Proposer
- September 2017 - Procurement Delayed Due to Delay the issuance of a Key Permit
  - *Minnesota Department of Natural Resources*
- Task Force Committee assigned to resolve Permit Issue
- Mid - February 2020 - Release of Request for Proposal
Fargo-Moorhead Diversion P3 – WSP Role

- **Lead Engineer** for the Red River Valley Partners
  - Plenary Group (Equity Partner)
  - Fluor Corporation (Equity Partner)
  - Ames Construction
  - Bernard Construction
# Fargo-Moorhead Diversion P3 – Financing

- **$2.75B (USD)** – Total Program Cost
- **$989 M (USD)** – Cost Estimate for Channel/P3 portion
- **$450M (USD)** – Committed Federal
- **$570M (USD)** – Committed State of ND
- **$1.04B (USD)** – Committed Local Funds

### Funding Summary

<table>
<thead>
<tr>
<th>Component</th>
<th>Amount</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Local</strong></td>
<td>$1,044 Million</td>
<td>Funded with voter-approved sales taxes until 2034. Majority of local share will need to be financed.</td>
</tr>
<tr>
<td><strong>State of MN</strong></td>
<td>$43 Million</td>
<td>Project Partnership Agreement (PPA) signed in 2010 committed $450 Million. Amount of funding escalates by year of expenditure. With assumed escalation, Federal total increases by $159 Million.</td>
</tr>
<tr>
<td><strong>State of ND</strong></td>
<td>$870 Million</td>
<td>$370.5 Million appropriated to date. $168.5 Million requested in each of the next three biennia. Funding does not include requested $250 Million long-term, low-interest loan.</td>
</tr>
<tr>
<td><strong>Federal</strong></td>
<td>$750 Million</td>
<td></td>
</tr>
<tr>
<td><strong>Internal</strong></td>
<td>$670 Million</td>
<td></td>
</tr>
</tbody>
</table>

*Based on $2.75 Billion Program Costs (2018$)*
Hot Off the Press

February 10, 2020 - News

HOEVEN: ARMY CORPS FY2020 WORK PLAN PROVIDES $100 MILLION IN CONSTRUCTION FUNDING FOR PERMANENT FLOOD CONSTRUCTION IN FARGO-MOORHEAD REGION

The following is a press release from Sen. John Hoeven:

WASHINGTON – Senator John Hoeven today announced that the U.S. Army Corps of Engineers’ Fiscal Year (FY) 2020 work plan includes $100 million for construction of flood protection in the Fargo-Moorhead region, fully funding the project’s construction capacity for the year. As a member of the Senate Appropriations Committee on Energy and Water Development, Hoeven provided increased funding for the Corps’ construction account enabling the project to be funded in the Corps’ work plan.

“This $100 million in funding will help us to advance construction of permanent flood protection for the Red River Valley and maintain the construction schedule for the project,” said Hoeven. “As a member of the Senate Appropriations Committee, we worked to provide funding in the Corps’ construction account to ensure that the permanent flood protection project in the Red River Valley would be funded in the Corps’ work plan.”

Today’s funding comes as a direct result of the senator’s work to secure increased construction funding for the Corps in the FY2020 Energy and Water Development Appropriations bill. Hoeven secured:

• $320 million in funding above the President’s request for construction of flood control projects. This increase enabled the Corps to provide $100 million in its work plan for comprehensive flood protection for the Fargo-Moorhead region.
Public Private Partnerships

Mike Kirk, PE - Mike.Kirk@wsp.com
Max Nassar - Max.Nassar@wsp.com