

## Citizens Advisory Group Meeting Report September 1, 2010

### **OVERVIEW**

The Skanska Team, in conjunction with the Gwinnett County Department of Transportation (referred to as “Project Team”), held the eighth meeting of the Citizens Advisory Group (CAG) for the proposed Ronald Reagan Parkway Extension on Sept. 1, 2010, from 6:30 p.m. to 8:30 p.m. at Berkmar High School in Lilburn. The CAG was selected by the public during an open house/public meeting on November 3, 2009, to advise the Project Team on issues and concerns related to a possible extension of the Ronald Reagan Parkway. The CAG convened for the first time on January 11.

**All CAG meeting materials and reports, including those referenced in this report, are available in the Citizens Advisory Group tab at [www.ReaganExtension.com](http://www.ReaganExtension.com).**

### **OBJECTIVES**

- Provide opportunities for public comment
- Provide feedback from Meeting #7
- Present “What is a PPP?” to provide members more information on Public Private Partnerships (P3).
- CAG member open discussion

### **WELCOME & PUBLIC COMMENT**

Jon Abercrombie, an independent meeting facilitator, welcomed the CAG members and the public. Noting that one CAG alternate was in attendance, Mr. Abercrombie asked members of the CAG to introduce themselves by name and indicate which stakeholder group they represented.

Mr. Abercrombie then opened the floor for public comment. There was none.

Brian Allen, director of the Gwinnett County Department of Transportation, also welcomed attendees. Mr. Allen noted that the group hadn’t met for a few months and the Project Team was eager to reconvene the CAG for tonight’s meeting.

He then alerted the group to the night’s format, starting with the procedure of reviewing some of the questions heard at the prior meeting and providing the Project Team’s follow-up to all requested items.

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Mr. Allen stated that the meeting presentation would be on Public Private Partnerships (P3s) in general. The Project Team wanted to provide the CAG with a fairly in-depth presentation on what a public/private partnership truly is, and the different areas and different types of public/private partnerships that exist, not just in the United States but all over the world.

Mr. Allen then briefed the group on the status of the traffic and revenue study, noting that it was ongoing. Mr. Allen said that although there were initial results coming in, the complete study was talking a little longer than the team anticipated. He said the Project Team wanted to have accurate numbers, gathered during normal school and business times. He said the team hoped to have the traffic and revenue information ready to present at the next meeting.

Continuing, Mr. Allen told the CAG that the Project Team was still working on discussions with Georgia DOT and the Federal Highway Administration on how the Ronald Reagan Parkway could potentially tie to I-85. He noted that coordinating that process was taking a bit longer than expected as well, due the schedule of the GDOT staff and leadership. However, Mr. Allen concluded, the team didn't want to delay meeting with the CAG any longer. He then turned the meeting over to David Nachman of the Project Team for the meeting presentation.

### **PROJECT TEAM FEEDBACK FROM JUNE 23, 2010 MEETING**

Mr. Nachman also welcomed the CAG members. He noted that his presentation on P3s could be technical and said that he welcomed interruptions and comments.

Touching on Mr. Allen's comments on the traffic and revenue studies, Mr. Nachman also noted that the economic downturn is causing the projection models to require additional scrutiny.

Mr. Nachman also mentioned that at the last CAG meeting, the group talked about treatment of runoff, specifically of runoff over sensitive watershed areas. A member had a question about how runoff is treated from bridges. Tonight, one of the engineers on the project team, Mr. Shawn Reese, brought some examples of treatment systems in use. Mr. Reese provided copies of this material to the CAG members and offered to stay on after the meeting to answer any specific questions.

A member questioned if the sample systems presented were prepared to handle volume similar to that of 100-year storms. Mr. Reese responded that the regulatory requirement is to treat what is called the "first flush," noting that the initial runoff from a road in a rainfall is where most of the solid particles and oil byproducts are found. He noted, however, that most systems continue to treat runoff even after the first flush. Mr. Reese also noted that for a project of the size and scope of the potential Ronald Reagan Parkway Extension, a runoff treatment system would likely be designed specifically for the project, while the handout provided was only a sample of systems currently in use.

Mr. Nachman then noted that at the last meeting there was a question about the potential risks to the county and public, especially during construction, of maintaining environmental controls. He noted that during his presentation, he would address some of the contractual responsibilities between the county and the private partner, and how that relates to meeting state laws and regulations.

He also reminded the CAG members that members of the Project Team would be available for questions after the meeting, one-on-one.

## **PRESENTATION**

Mr. Nachman's presentation for the meeting was on Public Private Partnerships, specifically what is a public/private partnership, what is Skanska's relationship with the county, and how will that relationship change if the project progresses beyond the pre-development phase.

He began by defining the terms:

### **Public:**

Any government agency (federal, state, local), which includes counties, cities, school districts, utilities and transportation agencies that develops public infrastructure as part of its mission. In relation to PPP, the public entity is often called the "Owner"

### **Private:**

A for-profit company with expertise and capital to invest in creating public infrastructure traditionally performed by a public agency alone. In relation to PPP, the private entity is often called the "Developer" or "Concessionaire."

The private entity, many times, is a consortium of companies that have specific expertise. In this case, Skanska has business units within the company that perform different tasks for this type of project – investment, construction, and asset management, for instance.

### **Partnership:**

The traditional definition is "a relationship of two or more entities conducting business for mutual benefit." In the context of PPP, the public agency and the private entity enter into a partnership to plan, design, build, finance, and/or operate a specific piece of infrastructure (road, rail, port, school, hospital, utility plant/system, prison).

Mr. Nachman noted that for his remarks, he was going to discuss PPPs as they relate to a transportation project like the proposed Ronald Reagan Parkway Extension, although they can be used for many infrastructure applications.

Mr. Allen noted that the traditional way to build infrastructure was with public funding, dating back 100s of years. Then, a new business model began with private entities investing the operating capital to be able to build some of these types of structures and facilities, and partner with government. Because our public government – at all levels – is not awash with money, said

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Mr. Allen, public/private partnerships are ways to build infrastructure that can't be funded through other means.

Mr. Allen recognized that Gwinnett County has a very strong capital roads program, but even with all of the best efforts of locally generated dollars, state funds and federal dollars, there is not enough funding to build all of the our projects that we are in need of right now. That is why, he noted, that PPPs or P3s have become more popular and more necessary.

Mr. Nachman pointed out that in a roadway P3, the private entity never owns the road or the land upon which the road is built. The private entity basically leases the right to perform certain aspects of the project, such as design, construction, maintenance and/or operation for a certain period of time. At the end of that period of time, all of those assets transfer back to the public agency. The private agency will have certain performance criteria that must be met when the asset is handed back. Once that transfer is done, the road becomes just like a road that was developed in a more traditional way.

A member then asked that in the case of this project, would Skanska be acquiring the right-of-way? The Project Team answered that no, the county would pay to acquire necessary right of way, but noted that part of their project financing might be to pay the county back with road funds for that right-of-way.

A follow-up question was asked about other associated costs, for example, like wetland mitigation?

Mr. Allen replied that specific questions about areas of responsibility and cost cannot be answered because the project is only in the feasibility study phase. Those answers would be negotiated and determined in the development phase, if the project progresses to that point.

Mr. Nachman then discussed why PPPs are used, noting these reasons:

- Lack of current public funding capability
- Lack of public borrowing capacity
- Transfer risk to private partner while maintaining public accountability
- Allow private initiative/efficiency to improve on government service delivery
- Closer scrutiny of investment by lenders
- Government agency receives asset at end of partnership agreement

To the questions of what are the risks to the public and how are some of those risks mitigated or controlled, Mr. Nachman led the CAG members through a discussion of potential risks and offsetting controls, citing these scenarios:

RISK: The project does not support itself

CONTROL: The PPP uses non-recourse financing where the public entity has no financial exposure.

RISK: The project is not operated or maintained properly

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**CONTROL:** There are contractual obligations for the private entity to meet and specific penalties if those obligations are not met. Also, the maintenance criteria include the conditions and requirements established for the transfer of asset at the end of the partnership.

**RISK:** The private entity profit is greater than expected.

**CONTROL:** The contract financial model will stipulate a maximum Internal Rate of Return for the project company and revenue sharing for the public entity at set levels.

**RISK:** The costs to use facility are increased “at will” by the private operator

**CONTROL:** There are contractual limits on toll rate increases, lease rates, ticket prices and terminal fees.

Mr. Nachman then discussed how PPPs are financed, explaining these funding sources:

- Private equity
- Bonds – Taxable revenue bonds, non-taxable Private Activity Bonds
- Bank – Many different types and tenures of loans
- Government sponsored loan programs – such as TIFIA, the Transportation Infrastructure Financing and Innovation Act
- Government subsidy
- Percentage of each type of funding depends on risk profile of the project

He noted that in the case of private equity arrangements, the percentage of private versus public investment will vary depending upon what the partners negotiate.

Next was a discussion on the type of PPPs and how a potential Ronald Reagan Parkway Extension could be structured.

The various types of PPPs are based on the “payment mechanism,” which refers to how project debt and equity are retired. There are several types of payment mechanisms:

--Full market risk – revenue from the project (potentially in the form of tolls for a roadway project) will be the sole source of re-payment with no support from the public entity.

--Availability -- in which the private partner helps develop the road, may operate and maintain it. Debt and equity are paid back from the public entity in the form of payments over the partnership time period, called “availability payments.”

--Hybrid – in which a combination of payment mechanisms are used.

For the proposed Ronald Reagan Parkway Extension, the feasibility assessment will determine potential payment structures.

Mr. Nachman then discussed how the structure of the PPP affects financial viability, noting these factors:

Risk allocation - Pre-existing conditions, events of default and cure periods, competing facilities, termination provisions

Concession length - Longer terms often mean greater financial viability; too long provides decreasing value to Gwinnett and tax consequences

Finance structure - Sponsor / Client strength, capital markets conditions, optimum capital structure

Construction - Right of way acquisition, speed of delivery / phasing, specifications (i.e. balance between “Cadillac” vs “Chevrolet”), permits

O&M Plan - Lifecycle analysis, operations experience, toll collection system (anticipated to be fully electronic)

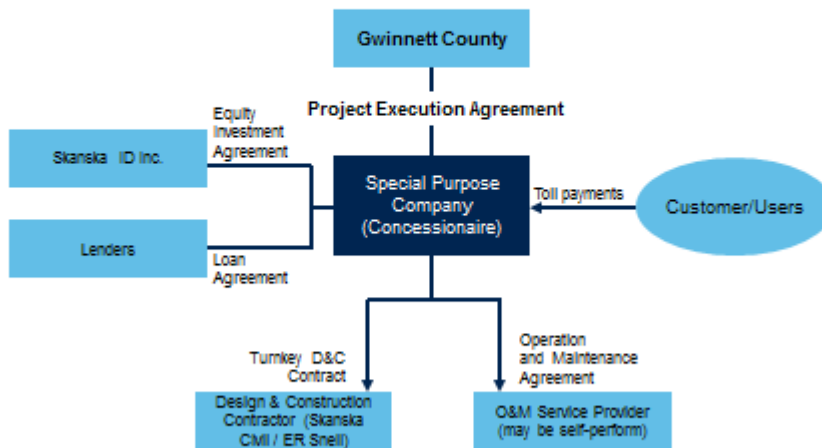
Forecast T&R - Toll rate schedule, existing road network / access to toll road, interchange with I-85

The presentation then moved into a discussion on the various contractual arrangements of a PPP. Mr. Nachman presented one example that might be used for the Ronald Reagan Parkway. (For a larger version, please see the Meeting Presentation posted at [www.ReaganExtension.com](http://www.ReaganExtension.com).)

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## PPP 101

### What is PPP contractual relationship?



Note: This is a high level overview of a typical concession contractual structure

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To close out his presentation, Mr. Nachman noted that he was also providing examples of projects that Skanska is involved in around the world. Information and details on these projects can be found in the Meeting Presentation for September 1, posted at [www.ReaganExtension.com](http://www.ReaganExtension.com).

Mr. Abercrombie then invited questions from the CAG Members.

One member asked for clarification about the statement that “the feasibility study process doesn’t include identification or selection of a preferred route.” The member believed that the “three routes that are currently under consideration are going to be fed into the matrix and scores are going to emerge from that.”

Mr. Allen answered that there is no matrix to determine which one is the most feasible route, because even if a route is more expensive, it may have mitigating factors that make it a better route. For instance, it might be more expensive construction-wise, but would alleviate more traffic.

Mr. Allen emphasized that there will not be a score given to the potential routes nor will there be a decision made as to which route is preferred. That is a part of the NEPA process that takes place in the next phase, should the project move to the development phase.

Another member asked how much will what is being proposed for the Pleasant Hill Road interchange at I-85 affect the proposed Ronald Reagan Extension project? The Project Team replied that the anticipated “diverging diamond” interchange planned at Pleasant Hill Road would not directly affect plans for a proposed Ronald Reagan Extension project, but that the Project Team and GDOT would take the resulting traffic flow and counts into account.

## **PUBLIC COMMENTS**

Mr. Abercrombie then opened the meeting for public comment.

One member of the public asked why Ronald Reagan Parkway was not extended to I-85 when it was built.

Mr. Allen answered that it was a combination of several factors. The first factor being that there were wetlands in the area and the cost of building the roadway would have been higher, and there wasn’t the funding in place for that further construction process. The other consideration was that constructing the Ronald Reagan Parkway between Highway 124 and Pleasant Hill Road was thought to be enough to ease traffic movement and meet the transportation needs of the area for the foreseeable future.

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The resident followed-up by asking how Ronald Reagan Parkway was funded. Mr. Allen replied that it was funded partially by the local special purpose sales tax with some state dollars as well.

Another member of the public asked if the Citizens Advisory Group would continue past the feasibility study. Mr. Allen replied that although that question hadn't been answered yet, all the governmental officials involved certain wanted extensive citizen involvement.

Another member of the public asked about barrier walls being built along existing sections of the Ronald Reagan Parkway to account for the potential increase in traffic. Mr. Allen answered that although that was not a part of the scope of this feasibility study, he would be happy to meet with the resident to talk more about his concerns.

One attendee also asked about increased traffic on her surface street, which is just off Pleasant Hill Road. She asked if traffic on the surface streets was considered in the Project Team's traffic studies. The Project Team replied that traffic studies do consider the impact on and of surface roads.

### **CONCLUDING REMARKS AND UPCOMING MEETINGS**

Mr. Allen and Mr. Abercrombie thanked all in attendance. It was determined that the last likely meeting of the CAG for calendar year 2010 would be in late October or mid-November. The date will be communicated directly to the CAG members and posted at [www.ReaganExtension.com](http://www.ReaganExtension.com). The location will remain Berkmar High School and start time will remain 6:30 p.m.

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