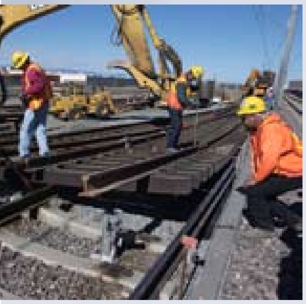
F A S T R A C K S   F O C U S

Public-Private Partnerships

RTD FASTRACKS

FALL 2007



Public-Private Partnerships : The PPP Perspective

As the costs of providing public infrastructure projects continue to rise, a growing number of public entities are looking for innovative ways to deliver these facilities and systems. The Regional Transportation District (RTD) is one of them. RTD is joining many of its industry partners in exploring creative finance and delivery options as it moves forward with FasTracks – the country's most ambitious transit expansion program.

A Little about FasTracks

FasTracks is RTD's transit plan approved by Denver metro voters in 2004. The program includes a number of transit improvements across RTD's eight-county district. The elements of FasTracks include:

- 119 miles of new commuter rail and light rail
- 18 miles of bus rapid transit service
- 57 new transit stations
- 31 new park-n-Rides
- 21,000 additional parking spaces
- Enhanced bus feeder system
- Redevelopment of Denver Union Station

Getting Creative

Despite the financial challenges facing RTD, the agency is committed to delivering FasTracks within the general scope, timeframe and financial capacity approved by voters in 2004. One of the strategies RTD is analyzing is a concept called Public-Private Partnerships (PPPs) for short. A PPP, also known as a P3, allows a public agency to partner with the private sector on some or all of the following components of an infrastructure project: design, build, finance, operate and/or maintain.

PPPs have been common for years internationally, but recently have become more attractive to public entities in the United States.

What is a Public-Private Partnership?

- PPPs provide a unique opportunity for public agencies to partner with private companies on public infrastructure projects.

- The public agency contracts with private companies to design, build, finance, operate and/or maintain a project through a combination of some or all of these components. In some PPP structures, the agency then makes annual "lease" payments to the private partner in return.

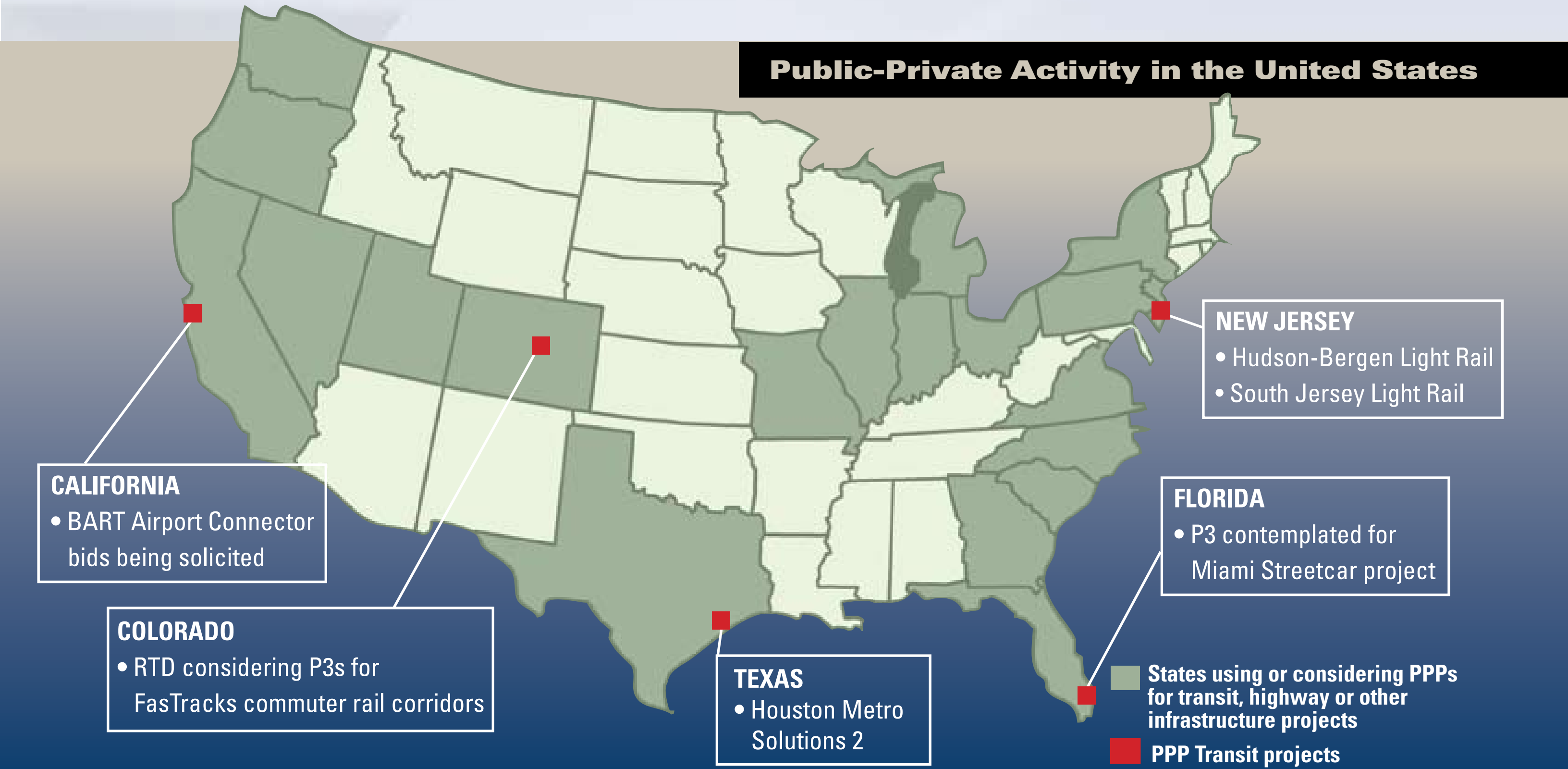
- PPPs are typically long-term (30- to 50-year) contractual arrangements involving payments between a public agency and a private partner.

- An agency can maximize value by combining all PPP components – Design-Build-Finance-Operate-Maintain (DBFOM).

- A PPP would allow a private entity to borrow funds and repay costs over time, enabling RTD to spread out large upfront costs and preserve cash in the early years of FasTracks implementation.

How PPPs fit into FasTracks

RTD is considering Public-Private Partnerships for two or more of the FasTracks corridors. RTD has retained the services of a PPP/Alternative Financing Advisor to establish an open, competitive process to select a private partner or



** Source: Goldman Sachs/JPMorgan (RTD's PPP/Alternative Financial Advisor) based on publicly available information.*

partners who will best achieve RTD's goals.

- RTD, with the guidance of the PPP/Alternative Financing Advisor, will create a financial model and develop the requirements for a PPP agreement.
- RTD can voluntarily elect to stop the PPP process any time prior to contract award if proposals are not in RTD's best interest.
- RTD retains ownership of all assets, with no sale or privatization of existing assets.
- RTD maintains control and oversight of construction and operations, including setting design standards, setting fares, establishing schedules as well as overseeing the look and feel of the project.
- An in-house management team will oversee the performance of the contractor. Specific performance standards will need to be met; financial penalties may be applied when they are not.
- RTD retains the right to reduce payments and ultimately cancel an agreement if the private operator does not perform.
- PPPs will be transparent to transit riders using the system.

Types of PPPs

Design-Build (DB)

A government agency contracts with a private company to design and build a project based on requirements from the public agency. After completion, the agency operates and maintains the facility/system.

Design-Build-Maintain (DBM)

This is similar to Design-Build except the private sector also maintains the facility/system. The public agency retains operation of the facility.

Design-Build-Operate (DBO)

This is similar to Design-Build. Upon completion, the title to the facility/system is transferred to the public agency while the private sector operates the facility for a specified period of time.

Design-Build-Operate-Maintain (DBOM)

The public agency contracts with the private sector to design, build, operate and maintain the facility/system for a specific period of time. At the end of that period, the operation and maintenance are transferred back to the public agency.

Design-Build-Finance-Operate-Maintain (DBFOM)

The public agency contracts with the private sector to design, build, finance, operate and maintain a facility/system under a long-term lease agreement. At the end of that timeframe, operations and maintenance will be provided by the public agency.

The Benefits of PPPs

PPPs take on many forms, but the benefits to RTD make them an attractive option.

These benefits include:

- Potentially lower project cost by reducing construction and overall lifecycle costs.
- Transferring certain risks to the private sector.
- A solid reputation for delivering projects on time and on budget. In some cases, PPPs have accelerated project delivery and reduced costs.

RTD has Experience with Private Partners

- **Currently, nearly 50 percent of RTD's bus service is operated by private companies.**
- **Through this privately contracted bus service, RTD has gained a solid background and understanding of how to structure these relationships.**
- **The Transportation Expansion (T-REX) Project was delivered through a PPP model — a Design-Build construction contract.**

Frequently Asked Questions

Q: HOW DOES PPP FINANCING BENEFIT RTD?

A: A PPP would allow a private entity to borrow funds and repay costs over time, enabling RTD to spread out large upfront costs and preserve cash in the early years of FasTracks implementation. PPPs also have been shown to lower construction and operating costs.

Q: WHAT IS THE PROCESS FOR SELECTING A PPP?

A: RTD and its financial advisor will develop a detailed, comprehensive Request for Proposal (RFP) with defined requirements related to areas such as design, construction, operations and maintenance. That RFP is then released through a competitive bid process. Private companies submit proposals that include, among a number of other factors, the lowest possible expenditure for RTD that still makes the project viable for the private partner.

Q: WILL A PPP COST RTD MORE MONEY IN THE LONG RUN?

A: RTD expects to see long-term cost savings from the PPP due to potential capital and operating cost savings and financing opportunities not available to the public sector. RTD will not know the actual cost of the PPP until proposals are received from competing private firms and RTD has the option to reject all proposals if the proposals would cost the agency more money in the long run.

Q: HOW WILL A PUBLIC-PRIVATE PARTNERSHIP AFFECT SMALL AND DISADVANTAGED BUSINESSES?

A: RTD will continue to assign Disadvantaged Business Enterprise (DBE) goals for federally funded projects and Small Business Enterprise (SBE) goals for locally funded projects, regardless of the construction delivery method. RTD will continue to aggressively pursue DBE/SBE certified firms in various skill sets on all corridors and will continue to monitor compliance in all project procurements. Private firms that bid on FasTracks work will be expected to conduct outreach and networking functions in order to reach out to the local small and disadvantaged business community.

Q: ONE RECENT STUDY ON PPP ADVISES AGAINST GETTING LOCKED INTO ONE MODEL FOR DELIVERY ON LARGE-SCALE INFRASTRUCTURE PROJECTS. WILL RTD FOLLOW THIS ADVICE?

A: RTD already plans to examine each corridor individually and recommend to the Board of Directors a delivery system that is best suited to each corridor's requirements.

Q: WHAT ARE THE CHALLENGES TO PUBLIC-PRIVATE PARTNERSHIPS?

A: One of the biggest challenges with Public-Private Partnerships is that the contracting process requires a detailed project definition and clear outline of project roles, structure and standards to maximize opportunities and minimize costs to RTD. This will add complexity to the FasTracks procurement and implementation processes. Also, the project must be an attractive investment opportunity for private partners in order for RTD to receive viable proposals. Keep in mind that RTD already has extensive experience entering into contracts with private partners.

Q: IF PUBLIC-PRIVATE PARTNERSHIPS ARE UTILIZED, WON'T THAT TAKE AWAY JOBS THAT RTD PROMISED FASTRACKS WOULD PROVIDE?

A: No. Regardless of how RTD delivers FasTracks, there will be local job opportunities. As an example, the T-REX project was built as a Design-Build project, and 65 percent of that project's employees came from the local area. In addition, the project added $1.08 billion to the local economy through wages, services and supplies, and subcontractor payments.

Q: CAN A PRIVATE COMPANY BACK OUT OF A CONTRACT?

A: Like any other contract, there is potential for a PPP partner to back out. However, RTD would protect its interest through bonding and insurance requirements that would provide RTD with the resources to complete the project. If the contractor backs out during the operations period, RTD could solicit bids for a new private operator to run the service.

Q: WILL RTD LOSE CONTROL OF ITS SYSTEM?

A: No. RTD will retain ownership of all its assets. RTD also retains oversight of policy items, including design, fare structure, and operational standards and can embed these items into the agreement with the private partner.

FOR MORE INFORMATION:

Web site: www.RTD-FasTracks.com
FasTracks Information Line: 303-299-2000
For a presentation, call 303-299-6990.