

FACT SHEET

Date: July 2008

Funding, Key Business Terms and Procurement

Project benefits

- New travel choices, including first-time transit lanes and dedicated high occupancy vehicle (HOV) lanes
- First capacity enhancement in the Beltway in a generation
- Congestion relief
- Improved safety and performance
- Replacement of aging infrastructure

Project funding

By partnering with the private sector, the Commonwealth can advance improvements more quickly than traditional methods. With vast, competing transportation needs, the Commonwealth does not have sufficient funding to improve the Beltway. This one project would consume more than a year of all construction funding available statewide.

Commonwealth of Virginia	\$409 million grant funds used for construction
Private equity	\$349 million private equity
Loans and bonds backed by private partners <i>Tolls paid by motorists choosing to drive HOT lanes will support repayment of loans and bonds. Fluor-Transurban partnership is liable for all risk if tolls are insufficient to support repayment.</i>	\$589 million private activity bonds issued by Fluor-Transurban \$589 million FHWA TIFIA loan to be repaid over a 40-year term

Key business terms

The Commonwealth negotiated a fair agreement with Fluor-Transurban under the Public Private Transportation Act that benefits Virginia while providing the private partners an opportunity to earn a reasonable rate of return on their investment. Key business terms of the 80-year agreement include:

- VDOT retains ownership and oversight rights to ensure project is constructed, operated and maintained in accordance with agreed-upon standards
- VDOT has right to terminate contract if terms and standards are not met
- The Commonwealth is not prevented from building any other transportation capacity, but the private partner will have the first right to fund and build additional toll lanes on the Beltway if congestion warrants
- If the HOT lanes are a financial success, the Commonwealth will share in that success through revenue sharing – enabling the Commonwealth to earn up to 30 percent of earned annual gross revenue after agreed upon benchmarks
- All design and construction will be completed under a fixed price contract - traditional public sector construction risks have been shifted to the private sector, with the exception of pre-existing hazardous materials and right-of-way costs
- 75-year operating term, 5-year construction term
- Vehicles with three or more passengers and transit must ride free
- Project will use variably priced tolls to keep lanes free flowing, with tolls based on levels of congestion
- To ensure HOV-3 will be free and that there is no disincentive for carpool and transit use on the HOT lanes, the Commonwealth will make partial payments to the Concessionaire in the unlikely event that HOV use exceeds mutually agreed upon numbers
- Once complete, HOT lanes must be operated to maintain free-flow traffic conditions in accordance with federal requirements
- Commonwealth will have the right to suspend tolling during emergencies or to manage traffic congestion – under certain circumstances, the Commonwealth will reimburse the private partners for lost toll revenues
- At the end of the term, the HOT lanes must be handed back to the Commonwealth at an agreed-upon level of quality
- The private sector is solely responsible for project debt - the Commonwealth is not responsible for any debt repayment for the life of the project

Frequently asked questions

Why couldn't the Commonwealth just finance this project on its own?

With all the transportation needs, the Commonwealth does not have sufficient funding to dedicate to this project. This one project would consume more than a year of all construction funding available statewide.

Was there a competitive procurement process for the project?

VDOT conducted a formal solicitation for competing proposals and an independent review process before moving this project forward. Competition continues to help manage project costs. The private partners have used competitive pricing in developing cost estimates and 60 percent of the construction work will be competitively bid. In addition, VDOT commissioned an independent consulting firm to verify all construction cost estimates.

Was the General Assembly involved in selecting Fluor-Transurban for the contract?

No. Fluor-Transurban went through a formal procurement process with VDOT, including review by an independent advisory panel.

Under the agreement, can Fluor-Transurban veto further expansion of the Beltway or improvements to surrounding roads?

No. The private partners have no ability to restrict the Commonwealth from making improvements or expansions to the region's roadways. VDOT has agreed to provide the private partners the opportunity to propose to build additional tolled lanes on the Capital Beltway if congestion would ever warrant them.

What will happen if the HOT lanes fail financially? Will taxpayers be left to pay the debt on the project?

We are confident the project will be a success. Transurban and Fluor are both highly respected and strong global companies with a wealth of experience in these kinds of projects. One of the benefits of the public-private partnership is that risk is shifted to the private sector. In the event that the project was not a success, Virginia would still own the new lanes, but would not be responsible for the debt. The banks would restructure the debt and a new partner would likely take on the project, with Virginia's approval.

Why is the length of the term on the agreement so long?

The length of the contract term makes the project work financially – allowing for sufficient time for tolls to generate the revenue necessary to operate the road, pay back debt and allow for a fair rate of return on equity invested. But unlike other projects, the term of the contract began day one – this means that for each day the schedule isn't met, Fluor-Transurban loses the ability to operate the facility. VDOT chooses to work with private partners who take a long-term approach to managing their roads. As a customer-based business, Fluor-Transurban has an incentive to ensure they are meeting the needs of their customers and their communities over the long-term.

Will the Commonwealth have to pay Fluor-Transurban if carpooling increases on the Beltway?

To ensure HOV-3 will always be free and that there is no disincentive for carpool and transit use on the HOT lanes, the Commonwealth will make partial payments to the Concessionaire in the unlikely event that HOV use exceeds mutually agreed upon numbers. This provision is intended to ensure that unforeseeable changes in travel patterns don't restrict HOT lanes ability to generate enough revenue to pay for the operations and maintenance of the lanes, as well as paying back construction debt. We believe, at this time, it is unlikely that HOV will increase at a rate significant enough to impact the project and trigger this arrangement.

What kind of profit will the private companies make on this project?

At this stage it is too early to make profit projections. It all depends on how successful the project is and how well the private partners manage the project. Under the partnership agreement if the project is a financial success, the Commonwealth will share in that success based upon agreed terms. If the project fails, the private sector will bear the financial loss alone.

How will toll revenues be spent?

Toll revenues will first be used to maintain and operate the HOT lanes, then to pay back the debt on the road. The private partners will also fund all the maintenance replacement needed to keep the road up to VDOT standards throughout the life of the agreement. If the private partners are successful in managing the project, additional revenue will go back to their investors. Revenue above agreed benchmarks will be shared with the Commonwealth to fund transportation programs and projects in the corridor.