Performance Briefs

Sustainable Investments

October 2010

This Performance Brief provides performance information used by the Florida Department of Transportation and others to guide the development and investment decisions for Florida's transportation systems. Additional Briefs and related information on transportation performance reporting in Florida are available at http://www.dot.state.fl.us/planning/performance.

This Performance Brief is reporting on one of the five goals of the 2025 Florida Transportation Plan (FTP). A new 2060 Florida Transportation Plan is being developed and expected to be completed by December 2010. The 2011 Performance Briefs will be revised to align with the goals of the 2060 FTP.

Our Goal:
Sustainable Investments for Florida’s Future

Investments in Florida’s transportation system are investments in the backbone of the State’s economy. Transportation revenue sources must be sustainable and predictable so planned projects – which represent commitments by local governments in their comprehensive plans – are not delayed.

State, metropolitan, and local plans indicate the costs of needed improvements exceed available revenues. Narrowing the gap will require additional revenues, “joint funding” of projects through public and private partnerships, and major efforts to reduce costs.

Our Long-Range Objectives:

The 2025 Florida Transportation Plan identifies four long-range sustainable investment objectives:

- Provide sufficient resources to reduce the identified backlog in transportation needs and meet growth needs at the state, regional, and local levels.
- Establish transportation investment priorities recognizing that the Strategic Intermodal System meets a strategic and essential state interest, and that regional and local systems must be adequately funded.
- Reduce the cost of providing and operating transportation facilities.
- Document the gap between funding resources (local, regional, state, and federal) and needs across all levels and all modes in a consistent and compatible format.

The department will serve in a leadership role and be a catalyst in identifying long range needs at all levels, identifying reliable alternative revenue sources and financial tools, and cost reduction techniques. All partners must cooperate in seeking a consensus among Floridians and federal, state, and local elected officials on how to better meet identified needs.

Our Short-Range Objective:

Through 2015, allocate up to 75 percent of new discretionary capacity funds to the Strategic Intermodal System (SIS)

The development and adoption of the Strategic Intermodal System redefined the State’s role by focusing limited State resources on those facilities which promote statewide and interregional mobility, enhance Florida’s economy, and open the door to increased investments in non-highway modes. The 2025 Florida Transportation Plan strengthened the policy framework for looking at transportation in the context of broader economic, community, and environmental goals and enhanced the emphasis on regional planning. The 2005 Growth Management Bill strengthened the need to coordinate transportation and land use decisions, especially at the regional level, and created new funding programs such as the Transportation Regional Incentive Program to better meet the increasing demand for regional travel and commerce.

With major reductions in revenues beginning in 2006, the department is faced with the increasing need to consider a full range of issues and impacts in making investment decisions. This includes allocating up to 75 percent of new discretionary capacity funds to the SIS, taking into consideration the impact of revenue reductions on facilities not located on the SIS.

Public-Private Partnerships (P3)

While Public-Private Partnerships (P3s) are an established method of project delivery in other parts of the world, they represent a relatively new delivery tool for transportation infrastructure development in the United States and Florida. The P3 approach delivers a project faster than traditional pay-as-you-go methods and also offers an alternative to typical tax-exempt government bonds and other debt instruments used by state and local governments in the United States. This method is particularly well suited for large or complex projects.

The department primarily utilizes P3s to obtain financial assistance from the private sector to advance priority projects. The private partner is reimbursed, either by department funds or user-generated revenues, over a period of time extending beyond the completion of construction. The department has the authority to utilize this approach under state laws for Public-Private Transportation Facilities (s. 334.30, F.S.). For more information on Public-Private Partnership financing, go to www.dot.state.fl.us/financialplanning. Following is a summary of Public-Private Partnership approaches available to the department:

Design-Build-Finance (DBF) and Build-Finance (BF)

This method involves private partners providing the funding to “advance” projects which are programmed in the outer years of the department’s 5-Year Work Program or major projects in the 10-Year Strategic System Plan. The contractor receives payments as specified in a Cash Availability Schedule provided by the department during the procurement process and committed in the Work Program. Once construction is complete, the department assumes operations and maintenance responsibilities. The department has eight DBF or BF public-private partnerships under contract or in procurement. For descriptions of these projects, please visit: www.dot.state.fl.us/financialplanning/finance/private_transportation_facilities.shtm.

Availability Payments

Availability Payment Concession Agreements allow a complex project (or series of projects which have been combined) to be procured using a design/build/finance/operate/maintain approach where the "owner," meaning the government entity, pays the Public-Private Partnership team an annual "availability payment" which is only made to the extent the facility is open to traffic and meets contractual performance specifications for operations and maintenance. The term of the Concession Agreement often spans several decades of operations and maintenance by the private partner. Additional milestone payments may be made at key points during construction or at the completion of construction. Examples include the I-595 Corridor Improvements and the Port of Miami Tunnel projects.

Concession Agreements with Demand Risk Transfer

This method typically awards a long-term concession agreement for the private sector to develop certain segments of new tolled expressways or other types of infrastructure where revenues are derived by fares or fees from the asset's users. The private sector commits to design, build, finance, operate, and maintain the facility and is repaid by the toll or farebox revenue stream. An example of this type of public-private partnership is the proposed First Coast Outer Beltway.

Infrastructure Asset Leasing Approach ("Asset Monetization")

This approach takes an existing revenue producing infrastructure asset such as a toll road, and forms a long-term lease to a private concessionaire who will operate and maintain the asset in return for rights to future toll revenues. The department did not receive bids for a 2009 procurement for the lease of Alligator Alley.

Consistency of Long Range Plans

Historically, statewide, metropolitan and local long range transportation plans have not been coordinated and consistent. The plans have covered different time periods, did not always identify all needs and funding shortfalls, and were expressed in different financial terms (2002 dollars, 2006 dollars, etc.). This made it extremely difficult to compile a statewide assessment of needs, revenues and shortfalls.

All 26 metropolitan planning organizations (MPOs) will be updating their long range plans over the next few years. To assist in implementing the 2025 FTP, the Metropolitan Planning Organization Advisory Council (MPOAC) adopted guidelines for the development of needs and cost feasible plans through 2035, financial reporting in those plans, and for long range state, federal, and local revenue forecasting. Department, MPO and Federal Highway Administration staff cooperated in developing the guidelines. Implementation of this guidance will greatly enhance statewide documentation of needs, revenues, and shortfalls in Florida's metropolitan areas.

The department published a *2030 SIS Mulit-modal Unfunded Needs Plan* in 2006 and the *SIS 2035 Highway Component Cost Feasible Plan* in December 2009. The department and Florida's MPOs will continue to develop more consistent and compatible plans as they update individual plans.

Strategies for Sustainable Investments

In addition to ensuring the proposed short-range objective for allocating up to 75 percent of discretionary capacity funds to Strategic Intermodal System facilities, the department will continue to work with its partners to:

- Provide greater choices and flexibility for raising sustainable local, regional, and state transportation resources which keep up with inflation.
- Encourage the development of strategies to fund transportation alternatives.
- Maximize the return of federal funds for all modes.
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- Provide state, local, and private sector incentives to encourage funding.
- Encourage the use of tolls, user fees, and "market choices" such as express lanes, express buses, and innovative transportation and transit options, consistent with local government comprehensive plans.
- Seek alternative revenue sources to traditional sources, such as fuel taxes, which may be negatively affected by changes in vehicle technology or increasing costs.
- Address increasing right-of-way costs through corridor planning, corridor management, advanced acquisition, and improvements to the statutory framework for the acquisition process.
- Implement technological improvements which increase efficiency of planning, design, and construction; intelligent transportation systems; and toll facilities operations.
- Systematically identify transportation needs, revenues, and shortfalls in regional, urban, transitioning, and rural areas.