

AIAI

Association for the Improvement
of American Infrastructure

COMMITTEEWORKS

OUR OVERVIEW OF AIAI COMMITTEES AND THE WORK OF OUR MEMBERS.



RISK & PERFORMANCE

Risk & payment and performance guarantees have been engaging topics of discussion throughout the year. Education and advocacy efforts of the Committee have focused on P3 offices, at the state level (Pennsylvania, Virginia, Indiana, Colorado), Washington, DC's OP3, and in meetings with key staff of committees of jurisdiction on Capitol Hill and the USEPA.

Another area of concentration for the Committee has been, along with the Water Committee, input to the public comment period for rules for WIFIA implementation. This included the inclusion of payment and performance guarantees, consistent with other public works projects, comparable to bonding for transportation projects. Member firms provided their individual input, and the Committee had a significant role in the input from AIAI.

Interactions with the ratings agencies have been productive, as they continue to revisit and refine their project evaluation criteria. The most recent wave of these updates includes due consideration of the role of sureties in addressing the double hit for liquidity that impacts concessionaires of P3s.

Engaging with finance partners for P3s has led to in-depth discussions related to risk and performance security throughout the design and construction phase, as well as delayed and failed performance risks and mitigation strategies.



DIVERSITY & INCLUSION

The focus of the Diversity & Inclusion Committee has been the development of an *"Emerging Practices"* paper, which provides an assessment of the merits and challenges associated with goal setting programs to facilitate achieving those goals. As only AIAI can deliver, discussions have been taking place in the company of participants in these programs, as well as taking into consideration the perspective of both public officials and concessionaires who lead P3 teams. This has been a joint initiative with the Operations & Maintenance Committee.

Going forward, the key follow-up steps are to work with the O&M Committee to develop the thought leadership piece on emerging practices. This collaboration, among others, will complement efforts by the USDOT / FHWA to outline what works related to workforce development plans. The initiative further anticipates making recommendations for developing meaningful local workforce development programs to address the intricacies of alternative delivery and community engagement objectives.

P3Direct for public officials and raising awareness of P3s through webinars and topically specific industry events have been the focus of the Education Committee.

In addition to launching the P3Direct website, stocked with educational resources for public officials, the Education Committee also delivered next installments of the P3Direct webinar series. The audience were public officials who had participated in the P3C, as well as others with an interest in exploring the possibilities of P3s for their home district. This was the first of a 3-part webinar program.

P3 The Basics - Understanding the Model and the Benefits,

P3 Case Studies - Practical Examples of P3 Projects and

P3 Lessons Learned - Best Practices and Pitfalls to Avoid in P3 Procurements.

There has been a positive reception to the deeper dives on P3 specific webinars. In-depth discussions have focused on: Pennsylvania's Rapid Bridges Replacement program; Preparing for P3 – Participant or Partner; Repayment Mechanisms, Risk and Financing Structures for P3s; Airports – Guidance in Project Screening and Delivery. These webinars serve as compliments to those which were more introductory in nature. Growing attendance for the next level discussions is an indication of the need for this meaningful exchange of information.

“P3 Questions, P3 Answers” in support of the P3Direct program continues to serve as a core element of P3 industry events, including The P3 Conference, as well as for the P3 Summits for Federal P3 opportunities, and the water, higher education and airports sectors.



A new staple of the Committee's outreach initiatives will focus on procurement readiness. This topic has received positive feedback from conference attendees and will shape the delivery of the P3 messaging going forward.

The audience input feature of the P3Q's | P3A's sessions has been a welcomed addition by public officials. They have engaged in social media driven (texting, live to the screens around the panelists) questions that were posed to panels of experts, and answered, right in front of the packed conference rooms.

Working with the other mission committees of AIAI, the Education Committee has epitomized what AIAI and the educational mission brings to the table – delivering insights that help raise awareness and deepen the understanding of what P3s are, what they are not, and how best to develop a program to improve the state of infrastructure through this innovative project delivery method.

Academic Research

This academic year (2017-18) research initiative with the student-led team at Syracuse University involved a more in-depth review of repayment mechanisms for a range of P3s. The Syracuse University research report is under review. The focus of this year's research was a metric-based evaluation of and assessment of the timeliness of alternative delivery, using revenue - or demand-risk repayment, availability payments and a hybrid approach to repayment. The intent is for the Committee to share that research and leverage it as a means of supporting the arguments for investment in public infrastructure through P3s, including the municipal facilities, as well as water and transportation sectors.

During the recent enactment of the P3-enabling statute in New Jersey by the Governor, the research being conducted by the student-led team at Syracuse was cited and the report quoted. In public remarks, the report was shown to highlight the relevance of P3s, as well as the efficiency and effectiveness of the accelerated project delivery method.

GOVERNMENT AFFAIRS

The Committee continues to work on Federal matters. Attention has been focused on the results and impacts on P3s of the “Tax Cuts and Jobs Act of 2017.” In addition to working through several key areas of interest for P3s, such as restoring PABs and interest deductibility, the Committee members have remained attuned to rhetoric from the White House related to P3s, as well as proposals impacting the infrastructure sector. This included the “Legislative Outline for Rebuilding Infrastructure in America”.

Many of the recommendations made by AIAI, through the Government Affairs Committee (“AIAI’s Guide for Increasing Private Investment in U.S. Infrastructure”) have been implemented or incorporated into Administration policy through Executive Order. Government Affairs will continue to work with Capitol Hill and the White House to ensure that P3s are front and center as an integral part of the solution to the Nation’s infrastructure crisis.

A key element of these efforts has been to broaden the visibility of AIAI’s focus on vertical infrastructure (buildings, municipal facilities), as well as environmental projects (water, wastewater treatment, stormwater management).

The Committee has continued to be active at the states level as well. The focus for the past year has been on markets in which there has been legislation introduced which could either positively support P3s, or where a bill might have a potential impact. These markets have included: California, Colorado, Hawaii, Indiana, Massachusetts, New Jersey, Oklahoma, Pennsylvania and Virginia.



An example of the states focus has been the fly-in, such as the one conducted in Virginia. The effort will concentrate on tier one states, with a focus on continuing development of relationships with state legislative leaders and key staff, as well as important agency contacts. This includes legislative recommendations, and positions of support and opposition to the bills pending before the critical committees of jurisdiction.

Member engagement is key in these fly-ins.

OPERATIONS & MAINTENANCE

The O&M Committee has contributed to the evolving discussion related to the value proposition of P3s. Their focus on life cycle cost considerations has helped raise awareness across a wide range of infrastructure asset classes. The Committee has been developing thought leadership pieces related to brownfield development opportunities, thus broadening the Committee’s reach.

The Committee has been actively engaged in a joint initiative with the Diversity & Inclusion Committee. The goal is to raise awareness of the importance of the out-years (post-construction phase) of P3 contracts, and what issues public and private partners should be familiar with. O&M has been engaged with ARTBA P3 and AASHTO to further develop relationships with state transportation officials.

LAW & LEGISLATIVE

2018 has been an active legislative session for P3-related initiatives. The Committee focused on shoring up seemingly stable P3 markets and introducing new possibilities to emerging markets. The weekly theme for Committee reporting has been *"Markets to Watch."* The updates include those states or markets in which there are proposed changes to existing P3 programs.

New Jersey enacted a broadly-enabling P3 statute. AIAI members, including ACC-NJ, Langan Engineering, WSP, Moretrench and Peckar & Abramson, were actively engaged in this effort to raise awareness and make recommendations to deliver a credible P3 statute. AIAI provided the draft language for a bill that was introduced in Pennsylvania. This would expand eligibility for the use of P3s to include buildings and municipal facilities. A similar effort is underway in Ohio, with input from AIAI members.

Colorado's P3 program was included in the state's transportation omnibus funding bill. Utah established a P3 program office. Vermont introduced a pilot program to enable P3s for transportation projects. Kentucky and Virginia both tweaked their statutes. Despite a significant amount of education by AIAI members, Hawaii came up short at the finish line due to a labor issue. California does not have the authority to use P3s for Caltrans. Current efforts are focused on defending the recent transportation funding measures there. So too are there ballot initiatives in Colorado and Florida which could impact P3s. Election Day looms large for P3s in each of those markets.

A key to success of this Committee's efforts has been to step in as early in the process as possible. In working to be proactive, the Committee has drawn into the market intelligence network represented by the state chapters of AGC, as well as local affiliates of SFAA. The extension of these member networks has been helpful for creating a 'boots on the ground' presence.

SOCIAL INFRASTRUCTURE

This community-based infrastructure Committee reflects a renewed emphasis on public buildings and municipal facilities. The Committee's goal is to advocate for best practices related to private investment and procurement methods for existing and new municipal facilities. The Committee promotes P3s as an opportunity for the public sector to innovate in the design and development, funding and financing, delivery and life cycle performance of assets.

The Committee has remained focused on raising awareness of the value and benefits of P3s for municipal facilities and other vertical infrastructure assets. Their predominant activities have been aligned with those of the Education Committee. Members of the Committee were actively involved in planning for and delivering the P3 message to the audiences at The P3 Conference and the P3 Water, Airport and Higher Education Summits.

The social infrastructure imperative also contributed to the discussion of the interest deductibility and 163(J) guidance recommendations. New member companies added to the dialogue and strengthened AIAI's commitment to the broadest possible range of infrastructure assets.

WATER INFRASTRUCTURE

AIAI's Water Committee oversaw the production of a first of its kind publication in the water sector - **"P3 Questions, P3 Answers"** - a compendium of P3Direct interactions, as well as the exclusive public officials session at the P3 Water Summit.

The Water Committee has provided specific industry feedback for and input to the Trump Administration for regulatory reform recommendations. In addition, members have provided input to the public comment period for WIFIA implementation.

Members of the Water Committee continue to work with industry, government agencies and public authorities to consider the use of P3s for all phases of water system capital programs including treatment, reuse, flood control, resiliency, and emergency response. A further objective is to institutionalize P3s to create more consistent processes, procedures and procurement documentation to increase deal flow and facilitate program efficiencies.

WORKING GROUPS

P3 COALITION IN WDC

The mission of the P3 Coalition concentrates on P3-related legislation on Capitol Hill in our Nation's Capital. The P3 Coalition convenes P3-friendly organizations who are collectively working towards consistent messaging that relates to the value and benefits of P3s, as well as the opportunities for use of alternative project delivery methods. The goal of the P3 Coalition is to help shape Federal policies and statutory and funding support to enable P3s as an option for the procurement of public infrastructure across the transportation, water and buildings sectors.

With the release of the Trump Administration's *"Legislative Outline for Rebuilding Infrastructure in America"*, the P3 Coalition was able to undertake a series of off-the-record meetings with key staff of committees of jurisdiction in Congress, in both the Senate and House of Representatives. These conversations helped shape the ongoing dialogue all along Pennsylvania Avenue. The most significant achievement at the end of the President's first year in office was HR1: the *"Tax Cuts and Jobs Act of 2017."* Its impact on the infrastructure sector and on P3s was analyzed, strategies discussed, and actions planned to amend the bill while in process, as well as adjust to the new realities, once passed. While resurrecting Private Activity Bonds (PABs) was seen as a win for these efforts, much work remains, including addressing interest deductibility for long-term infrastructure projects.

An ongoing task of the P3 Coalition is taking on the issue of Federal Budget scoring reform. This has been part of a broad educational effort, as well as advocacy to make recommendations for regulatory reform and process improvements to streamline decision making and permitting. This has been a critical outcome of the P3 Coalition related to Federal Regulatory Reform.

The P3 Coalition works to raise awareness of the needs for infrastructure investment, with an emphasis on the opportunities available through private investment. AIAI members continue to meet with USDOT, USEPA and Congressional staff from critical committees, with the intent of continuing the dialogue about Federal infrastructure policies related to P3s.

AIRPORT WORKING GROUP

Airport P3 market activity has picked up in pace. The Airport Working Group has focused on the delivery of best practices recommendations for airport authorities who have expressed interest in pursuing a modernization campaign. Educational outreach has included raising awareness of the value and benefits of accelerated project delivery methods for taxpayers, airport owners and air travelers. The activities in which the Airport Working Group have been engaged are readily apparent in AIAI's participation in the P3 Airport Summit.

Members of the Airport P3 Working Group have been serving the P3Direct mission with regional and airport authorities, both large and small, through special-access meetings during industry forums. They have also engaged with mission-aligned industry organizations. The collective goal is to continue to raise awareness of P3s and to share best practices related to airport modernization and capacity expansion and enhancing the traveler experience.

FINANCE WORKING GROUP

Riding to the rescue of PABs and taking on the technical issues associated with section 163 (J) are but a selection of the activities in which the Finance Working Group has been engaged. Their review and assessment of proposed and enacted changes to the IRS Code, as well as their impacts on P3 programs (and their active procurements) have led to many constructive discussions; which ultimately formed a basis for both education and advocacy on these issues.

Recently leading the conversation on key initiatives on the Federal front, the Finance Working Group made significant contributions to the recommendations for interpretation or guidance for how the US Treasury treats interest deductibility for infrastructure. This is a critical issue for the P3 industry, and the P3 Coalition and Finance Working Group have remained in contact with both the Treasury Department and key advisors to reconcile this unintended consequence of the tax overhaul.

The Finance Working Group convenes on an as-needed basis, providing guidance on the development of benchmarks or standards specific issues related to infrastructure delivery.