

March 14, 2012

# The Civic Federation and The Federal Reserve Bank of Chicago

Beyond Parking Meters: the Future of  
Public-Private Partnerships in Illinois

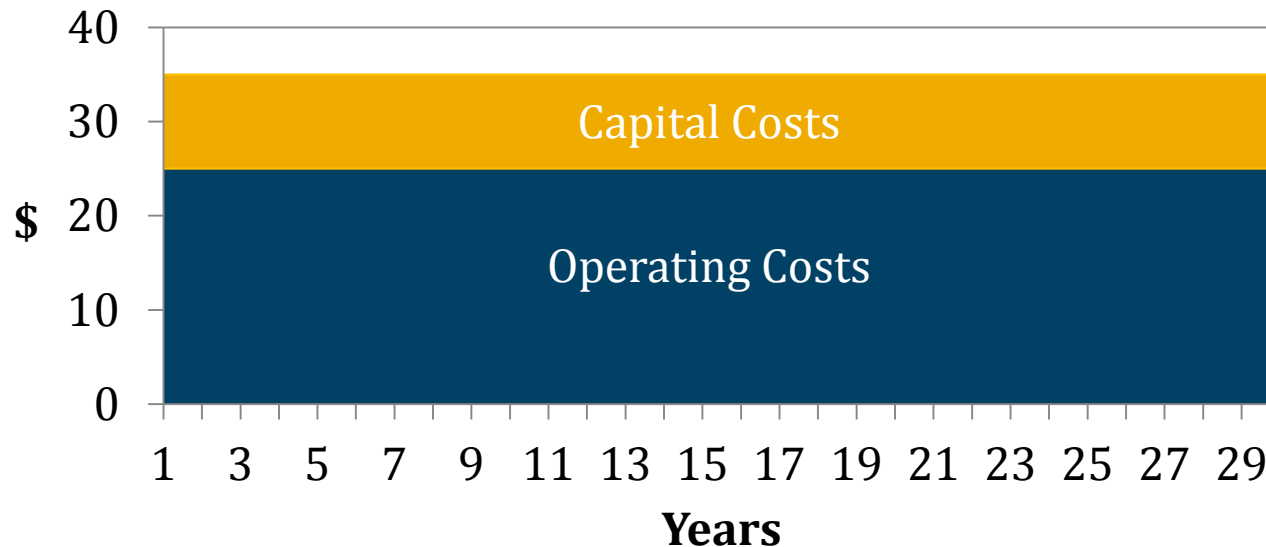
*William Blair*

# Asset Valuation Done Right

# Availability Payment Structures - Overview

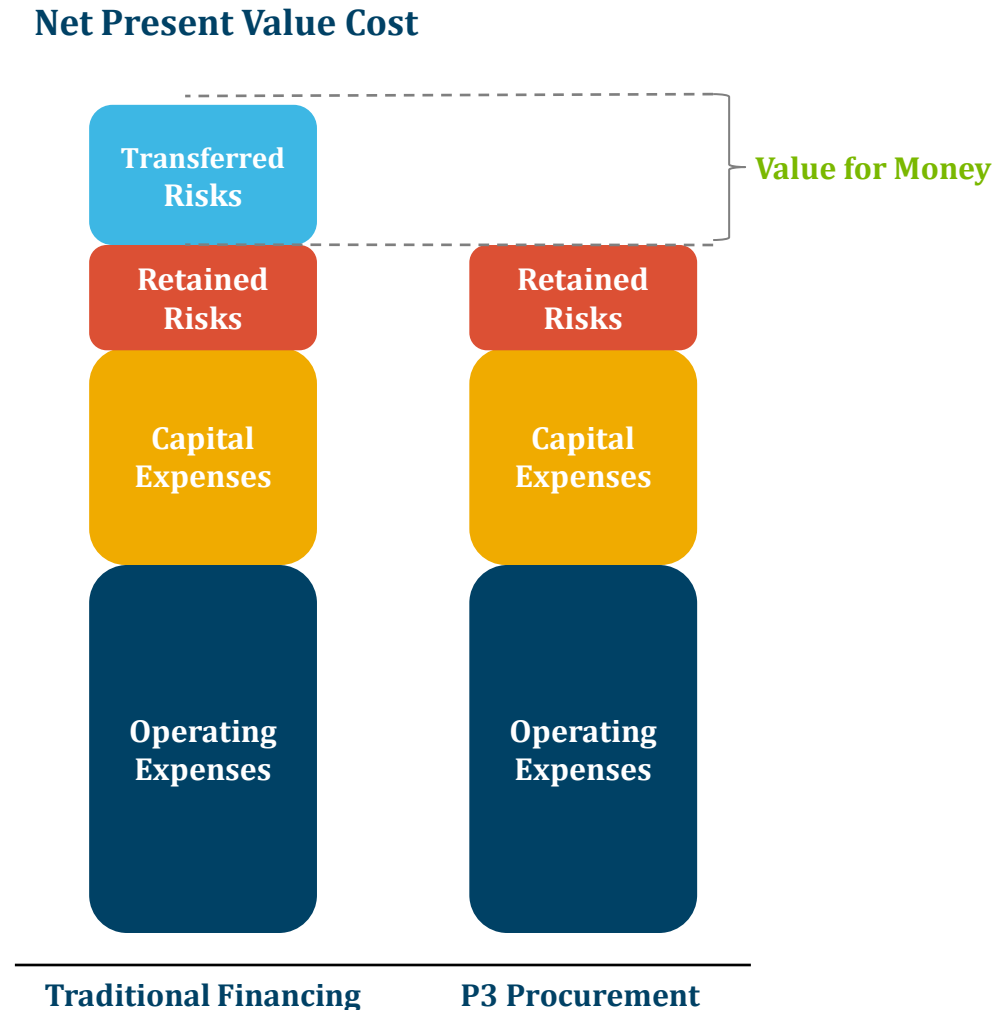
- An Availability Payment combines the design, construction, financing, operation and maintenance of an asset into a single agreement and payment stream funded by a payment from a governmental entity
- Often utilized for “social infrastructure” or assets that generate no revenue
- Can be utilized for assets that produce revenue when the governmental entity does not want to give up revenue control of the asset

## Operating Cost Profile



# Availability Payment Structures - Valuation Analysis

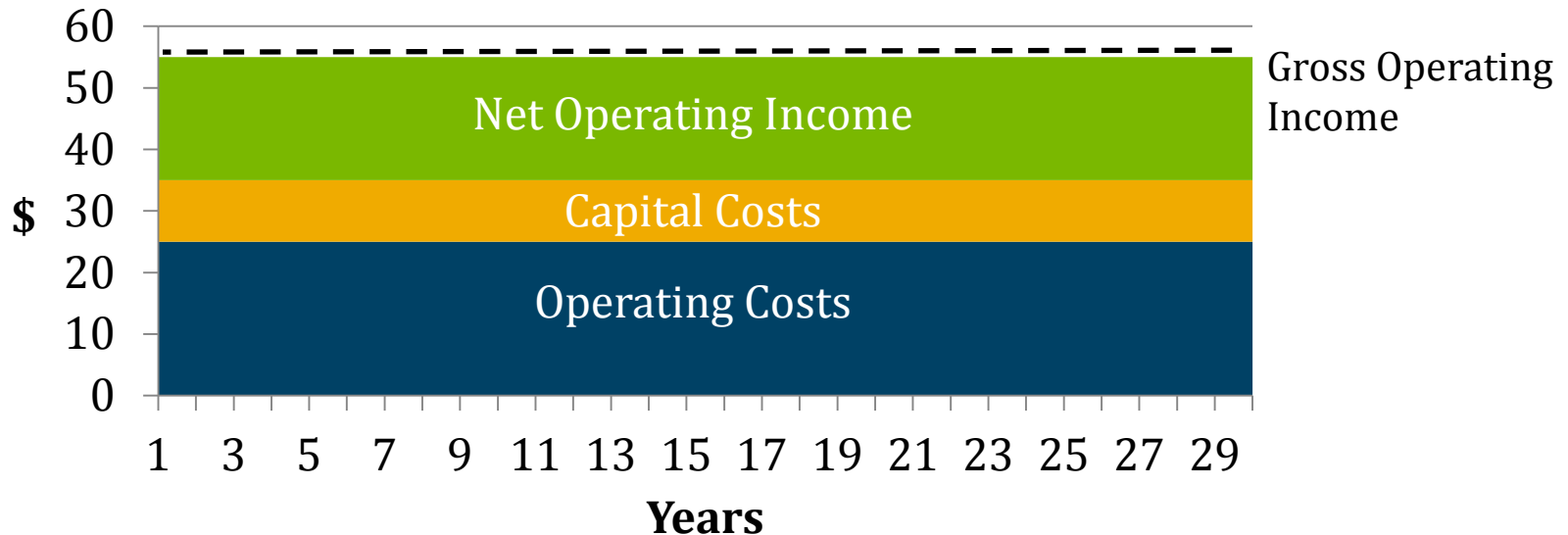
- Value for Money = Traditional Cost – P3 Cost
- Potential cost impacts of P3 Procurement
  - Financing
  - Life Cycle Costs
  - Operating Efficiencies
- Transferred Risks
  - Operating & Capital Expenditures
  - State of Good Repair
- Retained Risks
  - Policy
  - Regulatory



# Revenue Monetization Structures - Overview

- A Revenue Monetization combines the design, construction, financing, operation and maintenance of an asset into a single agreement with a payment stream funded from asset revenues
  - Revenue-Sharing
  - Augmented availability payments
- Generally speaking, the governmental entity agrees to a specific set of revenue terms

## Net Operating Profile



# Revenue Monetization Structures – Valuation Analysis

- Asset valuation, in its most simple form, is the net present value of asset cash flows
  - Operating Expenses
  - Capital Expenses
  - Revenue
- Value for Money analysis of a revenue monetization is similar to an Availability Structure analysis with the addition of both asset revenue **and** transferred revenue risks
  - The reserve price of an asset monetization should reflect the risk-adjusted value of the asset
- William Blair utilizes a multi-variable analysis to produce a range of valuation outcomes
  - By virtue of a competitive procurement process, the winning bidder will often be the one with the most optimistic/aggressive valuation assumptions