

Infrastructure Integration and Acceleration **February 27, 2013 Briefing**

Last April, we began a process to integrate Governor, Treasurer and agency efforts around infrastructure acceleration.

- We briefed the Governor on these efforts on September 7, and then followed this up with an Executive Order (12-17) issued on November 14, 2012.
- In parallel, we have been working to develop specific ideas and project pilots to accelerate our efforts – paid for by foundation grants.
- Today we are briefing on these results and recommending the next phase of effort from February-June 2013 -- and proposed 2013-2015 outcomes.

I. 30,000 Foot Overview on Why We Are Doing This

It's perhaps helpful to take a moment to recall just why we are doing this. Recent studies indicate that there is a \$1 trillion need for infrastructure on the west coast in the next 30 years and declining federal support. Experts note that there is private and institutional capital out there to help close the financing gap; what is missing is the right mechanics to attract such investment by supporting local and state technical assistance, regulatory innovation and other efforts to grow a better project pipeline of investable, innovative infrastructure.

Oregon is therefore advancing the work and building out a new system for innovative infrastructure on three levels.

1-Our Executive Order on Innovative Infrastructure To Raise Our Game In-State: calls for the creation of state center of expertise to help develop standard life cycle cost analysis of all state capital spending on infrastructure, including climate risk and enable bundling of smaller innovative projects to help local governments engage private capital. Today we will review materials, funded by a Living Cities grant, outlining how we can create such an entity based on work of Partnerships BC.

2-West Coast Exchange: Oregon has led this effort, funded to date by the Rockefeller Foundation, to help west coast states link together best practices, standardize the work, connect investors and projects and position our region for additional federal funding as regional pilot for any proposed new National Infrastructure Bank.

3-Working with the OMB on the President's Executive Order 1364 – Improving Performance of Federal Permitting and Review of Infrastructure projects. OMB has detailed someone to Oregon for the next six months to work with our Regional Solutions team to pilot some early infrastructure wins here, including two transmission projects and our Columbia river water projects.

II. On the Ground Focus: Real Projects Key To Success

Our work to date has been informed by a core understanding that we can't achieve a vision for community-based investment projects, supported by state innovation, without linking this effort to real projects and early wins that show the way to the vision.

This work has been led by Karen Williams, working with Greg Wolf, Margi Hoffman, Steve Marks and many others. We are now expanding this work for the next five months to focus on some of the integration challenges embedded in the Governor's Executive Order.

Project opportunities are essentially grouping into 3 types:

- Bundles of smaller projects (< \$1-5 million) that need to be grouped together into investable pools and products
- Big state and municipal projects (> \$20 million) that need to get screened to see if there is a full business case to justify and attract private capital
- Major regional projects that tend to involve major federal issues (eg transmission lines)

While Karen's work is not the subject of today's briefing, how this work is continuing and can link effectively is something we will discuss briefly today and brief more deeply on soon.

III. System Innovations We Need

The schematic on the next page outlines where we are at in our effort to develop 3 new capacities we will need -- beyond what Rockefeller and Living Cities foundations are now supporting:

- The creation of an independent PPP unit (within DAS or as an OHSU-like quasi-public entity in Oregon government) to ensure that major state infrastructure projects consider life cycle costs and have serious business cases capable of attracting outside capital
- Smart implementation of the Governors' Executive Order to fund bundling capacity for small projects
- A West Coast Infrastructure Exchange supported by jurisdictions to facilitate regional project development and accelerate best practices across the states

IV. Next Steps

So up until now we have been running this little integration operation on my Multi-State budget and the grants from Living Cities and Rockefeller. Looking ahead....we need to make some deeper decisions and will need to pay the piper. Steve Marks has done some thinking about this in the development of the E.O. but hopefully today will kick off a closer connection between DAS management looking forward and what we want to do out of the Governor's office.

The message here to the Legislature is pretty simple: doing this right will STRETCH TAXPAYER DOLLARS. Now is the time to begin following the path that British Columbia has pioneered, which has led to over 30 projects and \$12 billion in innovative infrastructure deals in the last decade.

1-Bundling Strategy

- Karen Williams effort with Greg Wolf and Co. Feb-June
- DAS engagement needed here

2-Stand Up Some Project Early Wins

- OMB work group
- Courthouse strategy
- Columbia water projects plan?
- Municipal lighting plan?

3-Oregon Partnerships Strategy

- DAS digests this briefing and we meet again on staging the work
- Do a contract with Partnerships BC to develop this or just go for it in legislature?
- Financing agreements for state capitol retrofit and other projects
- Bundling unit + Big project unit = Success but we need a realistic budget based on binder/BC experience

4-Legislative

- Tobias hearing
- Draft of the bill
- Funding champions and strategy?

5-Infrastructure Message

- March 19 ASCE report card messaging
- attach Living Cities grant document and BC partners contract
- bring binder and draft legislation that day