Pennsylvania Rapid Bridge Replacement Project

Interactive Webinar Series
Webinar 1

November 4, 2015
Pennsylvania Rapid Bridge Replacement Program

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  Federal Credit
  Other Finance Tools
  Public Private Partnerships

Visit our website at:
Pennsylvania Rapid Bridge Replacement: Overview

Jim Ritzman
Deputy Secretary for Planning
Pennsylvania Department of Transportation
Program Scope

- Replace 558 bridges in three years
- Maintain the bridges for 25 years
Project Need

- Pennsylvania has a large inventory of structurally deficient bridges
- Average bridge is over 50 years old.
- Weight restrictions imposed on 1,000 bridges statewide
- To address the 250-300 new bridges that become structurally deficient each year
Program Goals

- Expedite delivery of the Replacement Bridges
- Implement high quality Replacement Bridges
- Minimize environmental impacts and public inconvenience during construction
- Take advantage of asset management best practices
- Create efficiencies though economies of scale
Early Completion Bridges

Remaining Eligible Bridges
Rim Rock Drive
MONROE COUNTY
West Cruickshank Road Bridge

BUTLER COUNTY

AFTER – LONGER AND WIDER

BEFORE
Decision to Pursue as a P3

Benjamin Perez
Principal Consultant
WSP | Parsons Brinckerhoff
Factors Influencing the P3 Decision

- High priority of remediating structurally deficient bridges in Pennsylvania
- Missouri Safe and Sound Bridges Program 2008
Pennsylvania Acts 88 and 89

**Act 88 Enables P3s**
- New and existing transportation facilities
- Concessions up to 99 years
- State P3 Board

**Act 89 Increases Transportation Funding Dramatically**
- Replaces 12¢/gallon retail gas tax with an increase in the wholesale Oil Company Franchise Tax
- Increases vehicle registration and license fees
- Raises $2.3 billion in new transportation funding annually in Pennsylvania by FY 2017-18
- $1.65 billion dedicated to highways and bridges by FY 2017-18
Jim Ritzman
Deputy Secretary for Planning, PennDOT
Federal Requirements
The Rationale for Federalizing the Project

- Gave the option of using federal monies to supplement state funds for future availability payments
- PennDOT also applied for a PAB allocation
Federal Requirements

- NEPA Process
- Major Projects Requirements
- SEP-15 approval

BATIC’s mission is to help sponsors of strategic projects navigate federal regulations and access federal credit programs.
SEP-15

- An experimental process for FHWA to test new P3 approaches to project delivery
- Allows USDOT to grant exceptions to specific requirements of Title 23 on a case-by-case basis
- Applies to environmental approvals, contracting, right-of-way acquisition and project finance
Pennsylvania SEP-15 Experiment

- Streamline the process
- Accelerate the Schedule
- Reduce costs
- Assure Quality
- Protect NEPA
SEP-15 Early Development Agreement

- Outlines the conditions under which deviations from federal requirements may occur
- Establishes reporting requirements
Project Procurement
Project Procurement

- Procurement process prescribed in Act 88
- Involved extensive consultation with private sector
- Fast track process: RFQ to intent to award in ten months
Procurement Schedule

2013 DEC 12……. RFQ Issued

2014 JAN 31……. PennDOT receives qualifications from five bidders

MAR 26……. Four shortlisted proposers announced

APR 4……. Draft RFP issued to pre-qualified teams

AUG 12……. Final RFP issued to pre-qualified teams

SEP 29……. Proposals submitted

OCT 24……. Selection of preferred proposer announced

2015 JAN 8……. Plenary Walsh Keystone Partners achieve commercial close

MAR 18……. Financial Close
Awarding the Project

- Proposals reviewed by an evaluation committee
- Each responsive element was scored independently
- Cost was given a 90% weighting
- The competition was quite close
Project Financing

David Seltzer
Principal
Mercator Advisors
Availability Payment Transaction Basics

- Used when financing backed by user charges is infeasible or undesirable
- Private Developer is responsible for project delivery, financing and long-term maintenance
- Public Sponsor uses its resources to make payments to Private Developer
- Private Developer takes financial risk to ensure the project remains “available”
- Government payments to Private Developer are reduced if the project fails to meet contract standards
P3 Organization

Plenary Group & Walsh Investors

Project Partnership Agreement

PennDOT Payments

Equity

Plenary Walsh Keystone Partners (Development Entity)

Debt Issuer (Pennsylvania Economic Development Authority)

Private Activity Bondholders

Design-Build Agreement

Long-term Maintenance Agreement

Walsh Construction Company & Granite Construction Company

Walsh Infrastructure Management

Design Contract

HDR
Sources and Uses of Funds

**Sources**

- PennDOT Payments: $260 (23%)
- Private Activity Bonds (PABs): $59 (5%)
- Equity Investment: $5 (1%)
- Interest Earned During Construction: $793 (71%)

Total Sources: $1,117

**Uses**

- Construction Costs: $899 (80%)
- Financing Costs: $140 (13%)
- Other Development Costs: $77 (7%)

Total Uses: $1,117
Forecast Project Cash Flows

EXPENDITURES
- PAB Interest during Construction
- PAB Debt Service during Maintenance
- Annual Maintenance, Capital Renewal and Overhead

REVENUE
- Mobilization, Milestone, and Availability Payments during Construction
- Maximum Availability Payments During Maintenance

Debt Service Coverage ~ 1.14x
Project Oversight

Benjamin Perez
Principal Consultant
WSP | Parsons Brinckerhoff
Oversight Approach

- PennDOT is coordinating management from Headquarters
- PennDOT is relying on consultant assistance
  - Project Management Consultant
  - Design Review Consultant
  - Right-of-way Acquisition Consultant
- PennDOT’s regular program has not been delayed by the project
Implementation Challenges

- Design review for 558 Bridges
- Managing a program extending across the state
- Aggressive implementation schedule
- First project bundling with P3 financing
Matt Girard
Executive Director, Plenary Walsh Keystone
Lessons Learned
Lessons Learned

- Close coordination between PennDOT, FHWA and BATIC has been essential.
- Both public and private sector staff must be skilled and committed.
- Cultivate political champions.
- Work out key issues and process with other parties prior to P3 procurements.
Moving Forward

- New insight in life cycle costing and economies of scale with bundled programs
- Opportunities for PennDOT to learn from the private sector and expand the options available to the Department
- PennDOT would be pleased to share its experience with the Rapid Bridge Replacement Projects with transportation professionals around the country
Pennsylvania Rapid Bridge Replacement Project
Questions and Answers

Jennifer Brickett
*Director*
*BATIC Institute*
*An AASHTO Center for Excellence*

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Submit additional questions by email at: baticinstitute@aashto.org
Wrap Up

- The BATIC Institute will post responses to all questions received today on its website.
- The Rapid Bridge Replacement Project webinar will also be available on the BATIC Institute website.
- Please remain on the webinar for a minute to answer brief questions that will help us serve your needs better.
- Many thanks for attending today’s webinar.