

PENNSYLVANIA DOT RAPID BRIDGE REPLACEMENT PROGRAM
NOVEMBER 4, 2015 WEBINAR QUESTIONS & ANSWERS

Q. Does PennDOT have other P3 projects in the pipeline?

A. PennDOT is in the process of identifying a private partner to develop compressed natural gas (CNG) fueling stations in 27 transit facilities throughout the state. The private partner will make CNG-related safety upgrades to existing transit maintenance facilities, and ultimately design, build, finance, operate and maintain those fueling stations. PennDOT is looking to enter into a 20-year agreement with the winning concessionaire. PennDOT shortlisted three private firms, to whom they have issued a final draft RFP. They will announce their selection early 2016.

PennDOT is also looking to identify a private partner to market existing PennDOT assets to wireless service providers in the state. Wireless antennas and related equipment could be attached to existing assets or constructed on the right-of-way.

Q. Did PennDOT use the rapid bridge replacement project on any historic bridges? What was the oldest bridge that was replaced?

A. The average build date of the bridges selected for replacement was 1935, with the oldest being built in 1880. Thirty-one bridges were selected that were over 100 years old. There are not many replacement bridges that are “historic” in the sense that they trigger Section 4(f) evaluations.

Q. Was there any consideration given to funding some of the bridges with just state funds?

A. Most of the money currently going toward milestone payments/availability payments are state funds. This decision was made due to uncertainty of future federal funding.

Q. Have there been any local subcontractor issues? And what liability do they have during the 25-year turnover period?

A. The concessionaire had extensive discussions/agreements with local subcontractors about the approach to competing for the contract and constructing the bridges. It's still early in the project, but the plan is to continue to utilize local subcontractors in a large capacity. The liability and corresponding risk that any bridge builder (subcontractor or otherwise) is exposed to on this project is not markedly different than a typical project. While there are minor differences, one to note is that the bridge builders warranty is 2 years as opposed to 1 year (notwithstanding defective materials/workmanship, etc.)

Q. Have other states expressed interest in applying a similar P3 program to multiple bridge replacements?

A. Many states are curious about the project, just as PennDOT was with Missouri, but few states have asked for specific information to replicate the program. There has been more interest at the local level. Also, the province of Ontario (which has done over 80 P3s) has asked for input on the structure of the project.

Q. How were you successful in getting your legislature on board to enable P3s?

A. There were some legislators who had championed P3s for quite some time. The state's effort to lease the Pennsylvania Turnpike failed because there was not P3-enabling legislation. Subsequently, there was a bipartisan consensus that this type of legislation was needed. The legislature and Governor's office worked together to draft the legislation.

Q. How long did it take for Act 88 to pass (from initiation to actual passage)?

A. Behind-the-scenes work was done for a couple of years, but once the legislation was introduced it moved relatively quickly through the process.

Q. Did you already have design-build (DB) authorization or was that part of Act 88?

A. There was some DB authorization in the state's procurement code, but it was a little fuzzy on aspects such as using RFPs in design-build projects; this has since been resolved. The P3 law was important, as it made it clear that alternative delivery projects are possible.

Q. Was it Plenary's decision to break the State into 3 regions for planning purposes, or did PennDOT have input?

A. It was the contractor's (Walsh-Granite Joint Venture) decision. The project needed to be broken down in some way, and they felt that this was the most effective way. PennDOT was included in the discussion to make sure it was feasible for them.

Q. Were local communities receptive to this project?

A. In general, yes. Local communities have recognized that the bridges are in poor condition and are pleased that they are getting repaired. However, every jurisdiction is going to have its own issues that will need to be worked through. For example, pre-casting companies will have a lot of traffic exiting their plants for the next year and a half, and this will need to be worked out at the local/regional level.

Q. Is there a bar graph on the project website showing a running tally of the number of completed bridges, number of bridges under construction, and the percent completed to meet the target goal?

A. The project website (parapidbridges.com) was developed and is maintained by the Development Entity. This website contains a substantial amount of public information related to the project. At this time, the presented information includes, but is not limited to: general bridge information, bridge location maps, bridge construction schedule (start/end months), detour information (where applicable and available), information for local bidders, and general project information. The Development Entity is continually improving the website to feature information that benefits the public. Project progress/completion metrics is not currently presented on the project website. However, it could be included in a future update.

Q. Does PennDOT have plans to do public private partnerships for bridges with higher Annual Average Daily Traffic?

A. PennDOT is regularly evaluating different delivery methods (P3, design-build, or otherwise) to help address the Commonwealth's transportation needs.

Q. Have you identified any risks/impediments to project completion?

A. During the pre-procurement development phase of the project, PennDOT conducted a substantial number of internal risk workshops to help identify, categorize, and begin the process of avoiding and mitigating risks. The risk profile of the early completion bridges (ECBs) is different from the Regular Eligible Bridges (REBs) due to PennDOT being responsible for ROW, Utility, and Environmental clearance for the ECBs. That notwithstanding, there are the same type of construction risks that can be expected on a typical project (ROW, Utility, Environmental, Workmanship, Weather, etc.)

Q. Are there any P3 project-related public transit service improvements?

A. PennDOT is regularly evaluating different delivery methods (P3, design-build, or otherwise) to help address the Commonwealth's transportation needs.

Q. Was there any analysis done on how much it would have cost PennDOT if the project was delivered conventionally versus through a P3? If so, what is PennDOT's estimate on value for money?

A. The impetus for moving forward with a P3 delivery model as opposed to a traditional model was to expressly address PennDOT's catalog of structurally deficient bridges. Using the P3 delivery model delivers in 3 years a portfolio of bridge replacements that could typically take 10 years or more using traditional methods. That notwithstanding, on a per-bridge basis, the total lifecycle cost during the term (25 years) is substantially less than that which is generally seen in PennDOT's regular program.

Q. What are the biggest risks from Plenary Group's perspective in the project? What type of return is Plenary Group aiming for in this P3 agreement?

A. The biggest risk to the Developer, which includes both Plenary Group and Walsh Investors, is the long-term transfer of life-cycle risk from the public sector to the private sector. This includes the standards by which the bridges have to be maintained for 25 years, and the standards which have to be met for “handback” of the bridges to PennDOT after 25 years, in order to be paid the full Availability Payments from PennDOT. The overall private sector capital for the project is extremely competitive in that 92.5% of the private financing is tax exempt debt (via Private Activity Bonds, or PABs) with an all-in interest cost of 4.1%. Equity returns are market-driven and competitively bid, and comparable to equity returns on North American Availability Payment model P3 contracts.