

# **Bond Case Briefs**

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## **Pennsylvania's Rapid Bridge Replacement PABs Promised.**

Pennsylvania Department of Transportation (PennDOT) has received conditional approval of a \$1.2 billion Private Activity Bond allocation from U.S. DOT's Credit Council for what will be the country's first bundled bridge P3 program. DBFM proposals are due Sept. 29 from four shortlisted teams who will compete on economies of scale derived from organizing the replacement of 560 mostly small bridges over three years.

This first U.S. application of bundling bridge projects under a single P3 procurement has drawn the intense interest of FHWA. Its existing rules and guidelines never contemplated this delivery method. "They're doing everything they can to figure out how to make this work," says Bryan Kendro, Director of PennDOT's Office of Policy & Public Private Partnerships.

The amount of the PABs allocation sought by PennDOT is based on the state's estimate of the cost of the work using a traditional approach. It doesn't expect to use that much. The bundled delivery using an availability payment P3 model is expected to reduce capital costs by more than \$200 million, says Kendro.

Minimal capital maintenance is expected to be required in the first 30 years. The maintenance contractor will perform periodic deck overlays, structural maintenance like washing and cleaning of joints and bearings, and will perform annual performance inspections, including the biennial inspections required by FHWA.

PennDOT has just completed its seventh round of meetings with each of the four finalists to clarify commercial and technical terms and its approach to alternative technical concepts.

There is some grumbling among the teams about the selection of four finalists rather than three, which is the industry's preference. The chances of winning are less with four, stipends are lower, and the level of effort by bidders is less than if three groups were competing, the conventional wisdom holds.

Kendro's answer is that the industry has never seen this kind of procurement; it's PennDOT's first P3; and the state did not want to take the risk of losing a bidder and ending up with two or, worst case, one bidder.

"If everyone had seen this kind of thing three or four times, then shortlisting three would be fine," says Kendro.

Advising on the procurement are Lochner, CDM Smith. KPMG is financial advisor and overall program advisor / strategic consultant. Allen & Overy is transactional counsel and Ballard Spahr is serving as bond counsel.

National Council for Public-Private Partnerships

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By William Reinhardt

