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Here's Why RIDOT Says a Truck-Toll Bond Would Save RI \$612M.

PROVIDENCE, R.I. (WPRI) – The debate over Gov. Gina Raimondo's toll proposal is actually multiple debates rolled into one.

Among the questions: Should the state spend more money on bridge repairs, and if so, how much should it spend? Should the state institute a toll on large trucks, and if so, how should it work? Should the state float a bond backed by the toll revenue and get the money up front, even though it will have to pay interest?

It's that last debate – whether toll revenue should be promised in exchange for a big infusion of capital, or used on a pay-as-you-go basis as it comes in each year – that may be the wonkiest.

The current version of RhodeWorks, as the governor has dubbed her big transportation plan, calls for the state to float a roughly \$600-million bond on July 1 to be repaid by toll revenue. The bond proceeds would yield \$500 million for bridge repairs, with the rest of the money covering toll-gantry construction, financing costs, and a debt reserve fund.

Borrowed money has to be repaid with interest, of course, and the RhodeWorks bond is no exception: the R.I. Department of Transportation says the state would need to make \$578 million in interest payments over 30 years to pay off the bond in full, bringing its full cost to \$1.16 billion. Critics have choked on that number, noting the bond will cost the state more in interest (\$578 million) than it yields for bridge repairs (\$500 million).

RIDOT officials don't dispute that \$578 million in interest payments is a lot of money. But they argue critics are being penny-wise, pound-foolish, because they're not including what RIDOT estimates will be \$1.2 billion in construction savings from floating the bond. The reason, they say, is that it will let bridges get fixed before they deteriorate further and become much more costly to repair.

Officials compare the concept to a homeowner who borrows money to repair a roof, or an individual who borrows money to fill a cavity, avoiding a future root canal.

"We're engineers," RIDOT Director Peter Alviti told WPRI.com. "If giving money to the lending institutions ends up costing taxpayers less during that same 10-year period, then we should do it that way."

RIDOT has developed a list of all 827 bridges that would be tackled under RhodeWorks, ranked by priority based on what the agency calls its Bridge Improvement Program (BIP) scores. The score includes factors such as condition, size, average traffic, weight limits, route importance, and the cost of detours. The projects would be tackled in roughly the same order under either the bond plan or the pay-as-you-go plan, officials said.

(The worst-ranked bridge in Rhode Island, according to RIDOT: the Huntington Avenue Viaduct in Providence, which carries the Olneyville Expressway section of Route 6 over Troy and Westminster

streets.)

RIDOT's engineers calculate that if the \$500 million in bond money is available immediately, it will cost \$1.7 billion to do all the projects, and the state's bridges will be 90% structurally sufficient by 2025. However, they say, if the bond money is not available and toll revenue can only be used as it comes in, the same projects will cost \$2.9 billion, and the state's bridges won't be 90% structurally sufficient until 2034.

RIDOT attributes that \$1.2 billion in savings to the benefits of a "surge" in bridge projects that the bond will allow. By using the infusion of borrowed money, the level of construction spending on bridges is forecast to quickly hit a peak of \$266 million in 2017-18 before falling, versus a gradual increase under the pay-as-you-go budget:

RIDOT Bridge Repair Budget w Tolls paygo vs bond Oct 2015

RIDOT Deputy Director Peter Garino said that "surge" would allow the agency to preserve a large group of bridges that will otherwise deteriorate to the point where they need to be rehabilitated or even reconstructed, which is far more expensive to do. That is the reason his team recommended a bond rather than a pay-as-you-go approach, he said.

"What we looked at is, how do we compress things so they cost the least amount of money?" Alviti said.

The bottom line: RIDOT says even after making the \$578 million in interest payments on the toll-backed bond, the "surge" approach will still save taxpayers a net \$612 million thanks to the \$1.2 billion in construction savings due to projects happening earlier.

"It's only because we have a one-time upfront cost to get us to a regular place where we can normalize bridge repair that it makes sense," Garino said. "If we did a deep dive on bridges when we first got here and if that was a flat curve, then you need an ongoing revenue source. But it wasn't a flat curve. It was a bell upfront. And because of that, this is really the only reason why it makes sense to bond."

Alviti said part of the reason for the "bell curve" in RIDOT's projected needs is because so many of Rhode Island's bridges were all built during the same period, the postwar era of major transportation expansions nationwide in the 1950s and '60s. That's left many of them falling into worse shape on roughly the same schedule, he said.

"More than 70% of our infrastructure is over 50 years old," said Dave Fish, RIDOT's acting chief engineer. "We've got so many of those bridges that are on the brink."

As an example of how the cost of a bridge changes depending on how long it takes to tackle it, RIDOT offered four internal estimates: the Greenwich Avenue Bridge in Warwick, which would need \$2.6 million in 2017 while it's still a preservation project, but \$10.4 million in 2025 when it would be a reconstruction project; the Concord Street Bridge, a \$1.9-million preservation project in 2018 but a \$7.5-million reconstruction project in 2028; the Phenix Avenue Bridge East in Cranston, a \$3.8-million rehabilitation project in 2022 but an \$8.1-million reconstruction project in 2032; and the Goat Island Bridge in Newport, an \$8-million rehabilitation project in 2017 but an \$11.9-million rehabilitation project in 2025.

The infusion of bond money would allow RIDOT to do those lower-cost projects for each bridge, while the pay-as-you-go plan would require the more expensive ones, according to Alviti. "The real savings is getting the ones that we can get preserved," he said.

Alviti acknowledged the “surge” plan – and the costly bond – only make sense if RIDOT goes on to invest the necessary money to maintain the bridges once they’re back in good shape. The agency is beefing up its maintenance department by hiring 40 new employees there and is budgeting more money for those projects in the future, he said.

“If all we were doing was planning to do the surge, fix the bridges and leave everything else the same, you’re right, it would be cyclical,” Alviti said. “By increasing maintenance, we’ll get that capability up so that now instead of these 30-year cycles we get into, of having to reconstruct the bridges, we’re making them last longer.”

If bridges are properly maintained going forward, RIDOT officials think they could potentially last for 80 to 100 years, if not indefinitely. “If we can even just extend from 50 years to 80 to 100 years, we’re cutting the cost of these bridges in half over time,” Alviti said.

Critics have also questioned the type of bond called for under RhodeWorks. The governor wants to float what’s known as a revenue bond, with repayment directly tied to the money from tolls, as opposed to a general-obligation bond. Choosing the former is more costly: RIDOT is projecting an interest cost of roughly 5% for the toll-backed revenue bond, compared with an average rate of 2.4% on a general-obligation bond the state floated earlier this year.

From the Raimondo administration’s perspective, there are multiple benefits to the revenue bond: the governor can continue to argue taxpayer money will never be used to pay the bond, and unlike with a general-obligation bond, no voter referendum is required to approve the borrowing.

Garino also said the revenue bond provides a safeguard to prevent future governors or lawmakers from redirecting toll revenue to other types of spending. “We really want to make sure that the revenue from the tolling goes to those bridges,” he said.

RIDOT hasn’t won over critics with those arguments, however. Rep. Patricia Morgan, a leading Republican opponent of the toll bond, tweeted Monday: “Governor’s gift to Wall St banks: Revenue bonds with no voter approval carry higher Interest rates. Make repairs more expensive.” She has called for bridge repairs to be funded out of existing state revenue, and does not include the same “surge” RIDOT wants.

Other groups have also called for alternatives to RIDOT’s proposal, with the Rhode Island Trucking Association suggesting about \$13 million a year in new revenue last week, and the Rhode Island Center for Freedom & Prosperity suggesting a public-private partnership modeled on Pennsylvania that could cost \$570 million with interest.

State House leaders have suggested the General Assembly will take up the toll proposal next year, and could act on it within the first few months of the annual legislative session. If that happens, RhodeWorks-funded projects could begin next summer, Alviti said.

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