

PUBLIC-PRIVATE TRANSPORTATION PARTNERSHIP BOARD
SUMMARY MINUTES
HARRISBURG, PENNSYLVANIA
NOVEMBER 12, 2020

CALL TO ORDER:

The seventeenth meeting of the Public-Private Transportation Partnership Board (Board) was convened by Secretary of Transportation Yassmin Gramian, at 1:03 p.m. on Thursday, November 12, 2020, via Skype virtual meeting.

ROLL CALL:

Public-Private Transportation Partnership (P3) Office Director Michael Bonini called roll and noted that all seven Board members were present, and as such a quorum was established.

Members Present:

Honorable Yassmin Gramian
Honorable Representative Michael Carroll
Mr. Howard A. Cohen
Mr. Gregory Davis
Mr. Ronald Drnevich
Mr. James Kunz, Jr.
Mr. Mark Ryan (designated alternate to Honorable Jen Swails)

ADOPTION OF MEETING MINUTES:

The June 17, 2020, meeting minutes were unanimously approved on a motion by Mr. Howard A. Cohen and seconded by Mr. Ronald Drnevich.

CHAIR'S REMARKS:

Secretary of Transportation Yassmin Gramian welcomed everyone to the board meeting and began by acknowledging the hard work of everyone at PennDOT who seamlessly continued operations remotely since March 16, 2020, in the midst of the impacts of COVID-19, specifically those in the P3 Office.

She continued, noting that PennDOT has been working to move P3 projects forward and has placed much focus on managing the successful delivery of projects initiated as public-private partnerships.

Secretary Gramian then turned the floor over to Mr. Bonini, who noted that the only item on the agenda for new business was the presentation and consideration of a P3 candidate project, the PennDOT Pathways Major Bridge P3 Initiative. Mr. Bonini continued, thanking the over 160 people in attendance virtually, and then introduced and turned the floor over to Mr. Kenneth McClain, PennDOT Alternative Funding Program Director, to present the new candidate P3 project to the Board.

NEW BUSINESS:

PENNDOT PATHWAYS MAJOR BRIDGES P3 INITIATIVE: PRESENTED BY MR. KENNETH MCCLAIN

Mr. McClain thanked Mr. Bonini as well as Secretary Gramian and the P3 Board. He began by introducing a new initiative from PennDOT titled PennDOT Pathways, the brand name PennDOT has developed for the alternative funding program in Pennsylvania. He added that his team is currently working with the Federal Highway Administration (FHWA) on a planning and environmental linkages study to identify what types of alternative funding mechanisms to consider for the first time in Pennsylvania. Mr. McClain noted that this will serve as a framework for how the team analyzes and investigates programs moving forward. As he continued, Mr. McClain noted that the project team is between 30-40% complete with the study, done in cooperation with FHWA, and that the report document will be completed in late March or early April 2021.

Mr. McClain began his presentation by explaining that PennDOT currently carries an \$8 billion annual funding gap to maintain and improve state-owned bridges and highways, and that one way to address this is through applying alternative funding mechanisms through a P3 delivery model.

The goals of the Major Bridge Initiative are to accelerate the renewal of major bridges, enhance public safety, avoid costly detours due to weight restriction or closures of bridges, and to create a financially sustainable model for the Commonwealth's major bridges on interstates and expressways. Regarding a designated revenue source, Mr. McClain noted that currently 75% of PennDOT's revenues are generated by Pennsylvania's motor fuel tax. As vehicle technology improves, fuel efficiencies impact that motor fuel tax funding, which was only further impacted by the altered travel patterns resulting from the COVID-19 pandemic; since March 2020, PennDOT has seen a 40% reduction in travel and, as a result, motor fuel tax revenue. Mr. McClain continued, noting that while there has been a 20% return in traffic since July 2020, this is still 20% revenue lost.

Mr. McClain explained the initiative's benefits, beginning with the acceleration of critical bridge projects. Currently, PennDOT lacks the revenue source to properly address these bridges, some older than 60 years in age. This initiative would generate revenue for the purpose of addressing these critical bridge projects. Additional benefits include the creation of jobs and the utilization of user fees to generate the funding source.

The initiative would also leverage private sector innovation and investment in Pennsylvania infrastructure, which would be used to build improvement projects and then paid back in availability payments over a currently undetermined timeframe; potentially between 25 and 35 years. Mr. McClain noted that Act 88 of 2012 gives PennDOT permission to enter into such agreements with the private sector where they are permitted to leverage user fees.

Mr. McClain noted that an understated benefit of the initiative is the role it would play in preserving the current capital program, as it would remove the need to shift money from local transportation programs to fund larger interstate bridges. This would help preserve smaller interstate projects.

Further benefits of the PennDOT Pathways initiative include the P3 model itself. P3 delivery potentially creates cost savings in schedule efficiencies, economies of scale and the current historically low interest rates. Mr. McClain also explained that the initiative would include cooperation with the Pennsylvania Turnpike Commission (PTC). Having the cooperation of the PTC's tolling experts creates a considerable economic benefit, as developing tolling measures without such a resource present would be incredibly expensive. Mr. McClain emphasized that the bulk of the revenues are to be spent on the structures themselves, not on the administrative costs of collecting tolls. As such, working with the PTC is much more cost effective.

Regarding the schedule, Mr. McClain noted that there currently is not a set kick-off date in place. However, the initial bridge bundle is expected to operate on a 15-month schedule when work begins. He added that the project team will be meeting with industry stakeholders to capture input on how to maximize private sector interest. Mr. McClain estimated that anywhere from three to five bridge bundles would result from this program, and that the bundles would be staggered in timing as to not oversaturate the market.

Mr. McClain then concluded his presentation, thanked the Board and turned the floor back over to Mr. Bonini.

Mr. Bonini thanked Mr. McClain for his presentation. He explained that, based on Mr. McClain's presentation and analysis, the P3 Office recommends that the PennDOT Pathways initiative be approved and proceed using the appropriate contracting and P3 delivery model for each interstate/expressway bridge and roadway package as defined in Act 88 of 2012, following processes as delineated in the P3 Implementation Manual. Mr. Bonini requested that the Board consider and hopefully approve this potential project, and then turned the floor over to Secretary Gramian.

Secretary Gramian thanked Mr. Bonini and opened the floor to the Board for questions and comments.

Mr. Cohen raised an inquiry regarding the cooperation with the PTC in the tolling processes. He asked if it would be possible to contract out the tolling aspect to the private sector so that a collection entity like E-ZPass could oversee the collection. Mr. McClain explained that, while the project team deliberated on this, they feel comfortable and confident that the PTC is the correct entity for the collection program. The main reason for this justification is the standardization of tolling operations in the Commonwealth, as having two different ways of tolling could confuse Pennsylvania motorists.

Mr. Drnevich inquired if the project team has an estimate on the dollar amount of bridge work that would result from the initiative. Mr. McClain noted that preliminary numbers are still an estimate at this point, but the projection for 5 to 10 projects at anywhere from \$150 - \$800 million in value would generate roughly \$2 - \$3 billion in total program costs. Mr. Drnevich noted that, as a general concept, the motor license fund is inadequate at this point, and that this new potential project would make considerable progress in certain areas; while it would not solve all problems, he feels it is reasonable and is interested to see what develops in this program.

Mr. Davis asked how the program would be able to maximize the state's borrowing ability. Mr. McClain responded that Act 88 of 2012 allows the use of user fees if the P3 development entity relationship exists. Leveraging private equity helps develop a dedicated funding source and takes advantage of historically low interest rates; with that component, it will spur significant interest from private equity firms. Mr. Davis asked if any other states had used this approach and what results they experienced. Mr. McClain turned the floor over to Melissa Batula, PennDOT Deputy Secretary for Highway Administration, who noted that Colorado has seen significant benefits from an extensive managed lane program to the point of receiving increasing requests for more tolled facilities; the surrounding areas, which were a diverse mixture of rural and urban, experienced considerable benefits.

Mr. Cohen added a comment that he is pleased that no new legislation would be needed at the federal or state level to proceed with this initiative. He also commended PennDOT and the P3 staff on their thoughtful and creative presentation.

With no further questions or comments, Secretary Gramian thanked the Board for their participation.

The request to approve the PennDOT Pathways Major Bridge P3 Initiative was approved to proceed on a motion by Mr. James Kunz seconded by Mr. Howard A. Cohen and unanimously approved.

OTHER BUSINESS:

Mr. Bonini asked if there were any other business items that Secretary Gramian or the Board would like to present, before noting that this was not a typical P3 Board Meeting where approved project updates were provided, as the emphasis was the focus on the PennDOT Pathways Major Bridge P3 Initiative. He added that another Board Meeting is scheduled for Wednesday, December 16, 2020, virtually, to conduct a meeting with updates on all projects.

With no other business from the Board, Mr. Bonini moved on to Public Comments.

PUBLIC COMMENTS:

Mr. Joe Butzer, PA Motor Truck Association, inquired if the motor truck association would be consulted about the PennDOT Pathways initiative. This would create major impacts to the industry and voiced his opposition to any interstate tolling. Mr. McClain ensured Mr. Butzer that the project team understands the importance of meeting with stakeholders and will be reaching out to meet and discuss concerns.

Mr. Craig Covil, Itinera, commented that he feels it is good news that PennDOT is embracing further P3s like this. From the developer's point of view, where they can bring a financial aspect to support the operation, they are very pleased to hear the result.

Mr. John Lynch, American Trucking Associations, inquired as to how long the P3 agreements will be in place, how the revenue would be spent and who would have control of the toll amounts. Mr. McClain responded that initial investigations are examining a 20 to 40-year period for the P3 relationship, which would allow the development entity in Pennsylvania to apply those user fees. PennDOT would be the entity responsible for setting the toll rates. Revenues would be spent to pay for the capital construction cost of the bridge and roadway improvements, and PennDOT is obligated to have a maintenance period and plan in effect for the entire period of the relationship. If there were an excess of revenues as capital costs were paid down, they could be spent in areas adjacent to bridges to mitigate any impacts, a decision made by Secretary Gramian to ensure money would be spent in the areas immediate to where tolls were generated.

Mr. Bob Latham, Association of PA Constructors, commented that the concept appears to be good, but noted that serious consideration should be placed into the details when it comes to the public acceptance of this initiative. He suggested that the Board be cognizant of this fact, and that the specifics of where the projects will be located and how they will be applied will be critical in the viability of the project. He also added that he hoped that PennDOT will use the lessons learned from the Rapid Bridge Replacement (RBR) project to avoid challenges experienced in the past in this future project. Mr. Bonini agreed and ensured Mr. Latham that PennDOT has teams ensuring that the challenges and opportunities experienced in the RBR project are addressed moving forward. Mr. Cohen welcomed Mr. Latham and his organization to present to PennDOT the specific lessons learned from the RBR project to which he is referring so that the project team can best implement their input.

With no further comments, Secretary Gramian thanked all attendees for their participation.

ADJOURNMENT:

On a motion by Mr. James Kunz, seconded by Mr. Howard A. Cohen and unanimously approved, the meeting was adjourned at 1:48 p.m.