

# GARVEE Bond Initiative

February 2018



LOUISIANA DEPARTMENT OF  
TRANSPORTATION & DEVELOPMENT



# GARVEE Bonds Overview

- What are GARVEE Bonds? A debt instrument that has a pledge of future **federal-aid funding**.
  - Issue bonds only as needed for selected projects
  - 12-Year repayment schedule on each issuance
  - LA RS 48:27 limits debt service to no more than 10% annual federal funds obligation authority
  - Can issue up to \$650 million in bonds





# Why GARVEE

- Urban Interstate construction phases difficult with pay-as-you-go
  - Magnitude of repairs
  - Maintenance of traffic
- Pay-as-you-go leads to peaks & valleys in Highway Program
  - Disproportionate share for a few urban Interstate projects
  - Corresponding reduction in other types of projects
- GARVEE Bonds smooth the annual financial impacts



# State Transportation bond Initiatives

	TIMED	SHIF	GARVEE
<b>Projects</b>	16 projects directed from the Legislature with 2 not funded.	147 preservation projects on rural highways non federal aid eligible roads	4 Urban Projects <ul style="list-style-type: none"> <li>• Loyola \$90M – const time ~24mo</li> <li>• Barksdale \$90M – const time ~24mo</li> <li>• I-10 reconstruction &amp; widening \$350M – const time – multiple yrs/phased</li> <li>• Belle Chase Bridge possible portion of the \$125M</li> </ul>
<b>Project Cost Estimates</b>	Legislatively created	Project cost driven	Project driven DOTD estimates
<b>Revenue Source</b>	State 4 cent TIMED G&F tax.	State Truck and Trailer fees	Federal funds that can only be used on federal aid eligible projects
<b>Debt Service</b>	<p>FY17 debt service payment was \$147M.</p> <p>Total cost from \$1.4B originally estimated to over \$5.4B upon completion in 2045</p>	The debt service payment is \$23M per year going out to 2033/2034.	The debt service cap not to exceed 10% Federal Obligation limit (\$67M) 12 year issuance.
<b>Priority</b>	Legislative priorities	Highway priority program	Highway priority program and statewide Transportation Master Plan





# Selected Interstate Projects

## **I-10 reconstruction and widening in Baton Rouge (approximately \$360 million)**

- Capital Region Planning Commission: \$24 million in federal highway funds
- City of Baton Rouge/ Parish of E.B.R. \$12 million

## **I-10/Loyola Drive Interchange improvements in Kenner (approximately \$90 million)**

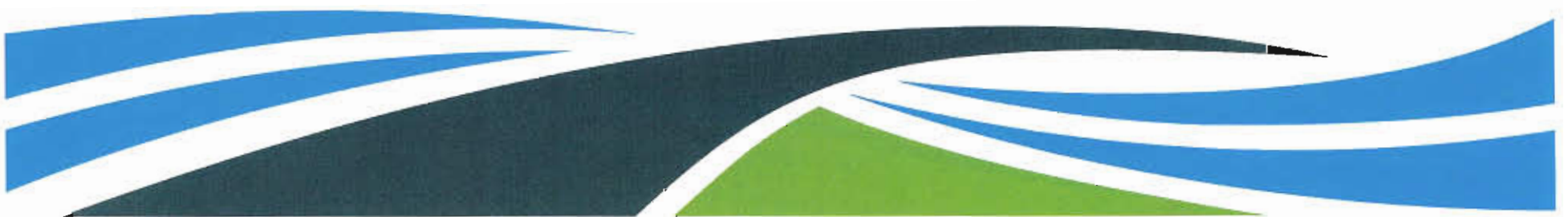
- Regional Planning Commission: \$12 million in federal highway funds
- Kenner, New Orleans, Jeff Ph., Airport: \$ 6 million

## **I-20 entrance into Barksdale Air Force Base (approximately \$90 million)**

- Northwest LA Council of Governments: \$12 million in federal highway funds
- Bossier City, Bossier Parish: \$ 6 million

## **Belle Chasse Bridge & Tunnel Replacement (approximately \$12.5 million)**

- Regional Planning Commission: \$12 million in federal highway funds
- Local participation: Toll Revenue
- P3 Partner (DBFOM)





# Interstate Preservation

- Extensive Interstate preservation work since FY 10-11 – has been predominantly rural areas
- Last large rural section in need of major repair under construction on I-10 in Lafayette & St. Martin Parishes
- Time to move into metropolitan areas
- Urban Interstate in need of repair – Baton Rouge, Lake Charles, Monroe, New Orleans, Shreveport
- This is not just about capacity, it is also about condition and congestion relief





# Interstate Program

Fiscal <u>Year</u>	Total Budget <u>Interstate</u>	Projected Lettings		Available for <u>Debt Service</u>
		<u>Interstate w/o GARVEE</u>	<u>Interstate w/GARVEE</u>	
17-18	\$165.4 M	\$165.4 M	\$165.4 M	N/A
18-19	\$178.8 M	\$178.8 M	<b>\$378.8 M</b>	N/A
19-20	\$109.0 M	\$109.0 M	<b>\$259.5 M</b>	\$ 24.5 M
20-21	\$142.5 M	\$142.5 M	\$ 84.5 M	\$ 58.0 M
21-22	\$137.5 M	\$137.5 M	<b>\$310.9 M</b>	\$ 51.6 M
22-23	\$160.7 M	\$160.2 M	\$ 87.8 M	\$ 67.0 M





# Project Lettings: Urban and Rural Allocations

Fiscal Year	Total Amount	Rural Amount/Percent	Urban Amount/Percent
10-11	\$894 M	\$513 M (57%)	\$381 M (43%)
11-12	\$726 M	\$383 M (53%)	\$343 M (47%)
12-13	\$687 M	\$408 M (59%)	\$279 M (41%)
13-14	\$980 M	\$625 M (64%)	\$355 M (36%)
14-15	\$864 M	\$473 M (55%)	\$391 M (45%)
15-16	\$548 M	\$306 M (56%)	\$242 M (44%)
16-17	\$859 M	\$307 M (36%)	\$552 M (64%)
	<b>Average</b>	<b>54%</b>	<b>46%</b>

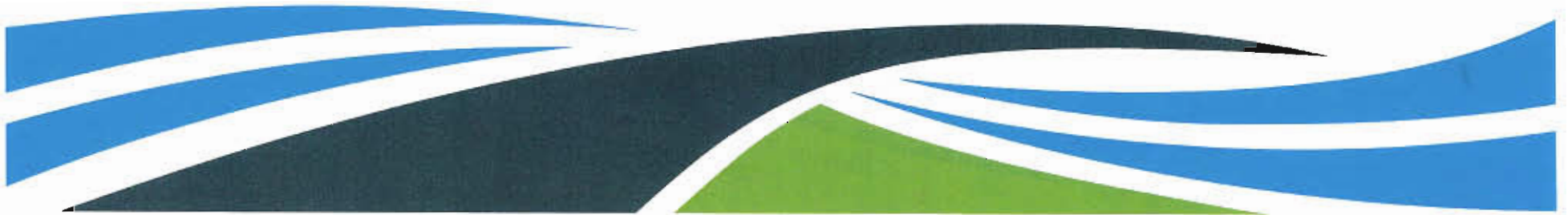






# Impacts to Construction Program Lettings

Fiscal <u>Year</u>	Regular <u>Interstate</u>		GARVEE <u>Projects</u>		Total <u>Interstate</u>	Non-Interstate <u>Pavement</u>
17-18	\$165.4 M		N/A		\$165.4 M	\$109.0 M
18-19	\$178.8 M	+	\$200 M	=	\$378.8 M	\$122.0 M
19-20	\$ 84.5 M	+	\$175 M	=	\$259.5 M	\$174.9 M
20-21	\$ 84.5 M	+	0	=	\$ 84.5 M	\$175.1 M
21-22	\$ 85.9 M	+	\$225 M	=	\$310.9 M	\$177.1 M
22-23	\$ 87.8 M	+	0	=	\$ 87.8 M	\$180.2 M





# Corridor Investments

## Interstate Corridor

I-10 – Baton Rouge to New Orleans

I-10 – New Orleans Urban Area

I-12 – Baton Rouge to Slidell

## Capital Expenditures

### FY 10-11 thru FY 17-18

\$ 36 million

\$127 million

\$234 million





## **GARVEE – Grant Anticipation Revenue Vehicles**

### **Background**

In recent years, Louisiana’s transportation capital plan has relied on a combination of funds generated by budget surpluses from ten years ago, funds from state capital outlay general obligation bonds, and federal funds. In addition, the Unclaimed Property bonds and the State Highway Improvement Bonds generated some funding. Given that the general fund surplus balances are almost fully depleted and capital outlay bond capacity is constitutionally capped, the state’s ability to make progress on important projects is severely constrained. GARVEEs are a mechanism for making more funds available in the near term so as to move projects forward.

### **What are GARVEEs?**

A debt instrument that has a pledge of future federal-aid funding.

- Debt financing instruments include bonds, notes, certificates, or leases; the proceeds of which are used to fund a project eligible for federal-aid.
- Any of these instruments could be considered a GARVEE when backed by future FHWA-aid funding.
- Costs eligible for federal-aid reimbursement include interest, principal, and any other cost incidental to the sale of an eligible debt issue.

### **Direct GARVEEs:**

- Must be pre-approved by FHWA as Advanced Construction (AC) project
- Fund Specific Federal-aid projects
- Proceeds only used on preapproved projects
- Principal/interest payment approved and paid on schedule by FHWA

### **Direct Structure**

- Used to finance a specific project or projects
- State submits the debt service schedule for approval
- All proceeds need to be spent on the specific project or projects that were approved leaving no spending discretion or flexibility



- On the first day of the Federal FY DOTD would encumber the required debt service from the FHWA Obligational Authority apportioned to La. DOTD for that Federal F.Y. The DOTD submits for reimbursement before each principal/interest payment (seven to ten days prior to due date) and (State or DOTD) receives a reimbursement (three days) before the debt service payment is actually made. Typically, the debt service payments are set up for March and September. In Louisiana the debt service payment should be made from the FHWA to the State's trustee to the bond holder.

### **GARVEE Ratings**

- Direct GARVEEs with only standalone backing of the FHWA payment have received ratings in the range of a high A to low AA category.
- The rating agencies (Moody's and Fitch) will include GARVEEs under the total state debt category (S&P rating agency does not). A GARVEE does not meet the Net State Tax Supported Debt (NSTSD) criteria under Louisiana Law. Historically across the nation there has been no indication that GARVEE bonds impacted a state's general obligation rating.
- In an effort to avoid having a lower rating on the bonds, the final maturity of the bonds should not exceed 12-15 years. A twelve year GARVEE would return the available bond capacity back into the program by approximately 19 ½ % after three years and by 40% after six years allowing additional projects to be funded from future GARVEEs.

### **Why GARVEE?**

With the exception of I-49, the Interstate Highway System is 50 to 60 years old and is wearing out. Interstate highways (938 miles) carry 38% of all traffic and 48% of all truck traffic in Louisiana. Congress has directed that preservation of these highways be given top priority for federal highway funds.

Since FY 10-11, DOTD has undertaken extensive Interstate preservation work predominately in rural areas of Louisiana. The last large section of rural Interstate in need of major repairs is



currently under construction on I-10 in Lafayette and St. Martin Parishes. It is now time to begin repairing Interstate highways in urban areas.

Because of heavy traffic volumes and the magnitude of repairs necessary, Interstate preservation projects in urban areas do not lend themselves to construction phases that can be funded on a pay-as-you-go basis through annual appropriations. Attempting to do so would result in peaks and valleys in the Highway Program where in some years, a disproportionate share of funding would be for a few urban Interstate repair projects with corresponding reductions in other types of projects. Such an approach would not be beneficial to the health of the highway construction industry as a whole which relies on a steady stream of work across a variety of project categories. The use of GARVEE bonds allows the cost of urban Interstate preservation projects to be spread over multiple years thereby dampening the financial impacts to the Highway Priority Program.

### **Why these Projects?**

Three projects, and perhaps a fourth, have been selected to be funded with the initial issuance of GARVEE bonds. These projects are statewide priorities and have significant contributions from metropolitan planning organizations and local governments.

- A substantial portion of the I-10 reconstruction and widening from the Mississippi River Bridge to the I-10/I-12 split in Baton Rouge; widening is required to maintain traffic during the reconstruction process. While I-10 in Baton Rouge was selected as the first urban interstate reconstruction project due to its condition and congestion, we face similar issues in the Lake Charles, Monroe, New Orleans, and Shreveport Metropolitan Areas.
- Improvements to the interchange on I-10 in Kenner at Loyola Drive to serve the new \$900 million Armstrong airport terminal currently under construction. New Orleans International Airport is by far the largest and most economically important airport in Louisiana for both business travel and tourism.
- A new access from I-20 directly into Barksdale AFB in Bossier City. This access is critical to the Base as the current entrances are congested and there are security concerns regarding one of the existing entrances. Barksdale AFB is a strategic asset in our nation's defense and critical to Louisiana's economy.



- Up to 10 percent of project cost for new toll bridges (the Belle Chasse bridge and tunnel replacement project would be eligible if the funds are necessary.) The Belle Chasse bridge and tunnel provides the primary access to the Belle Chasse Naval Air Station. Replacing the existing infrastructure with a new bridge would provide a reliable, efficient crossing of the Gulf Intracoastal Waterway and show a commitment to the Department of Defense to serve the Base.

Local financial participation is as follows:

- **I-10 reconstruction and widening in Baton Rouge (approximately \$360 million)**
  - Capital Region Planning Commission: \$24 million in federal highway funds
  - City of Baton Rouge/ Parish of E.B.R. \$12 million through Road Transfer Program
- **I-10/Loyola Drive Interchange improvements in Kenner (approximately \$90 million)**
  - Regional Planning Commission: \$12 million in federal highway funds
  - Kenner, New Orleans, Jeff Ph., Airport: \$ 6 million in local cash & Road Transfer
- **I-20 entrance into Barksdale Air Force Base (approximately \$90 million)**
  - Northwest LA Council of Governments: \$12 million in federal highway funds
  - Bossier City, Bossier Parish: \$ 6 million in local cash & Road Transfer
- **Belle Chasse Bridge & Tunnel Replacement (approximately \$125 million)**
  - Regional Planning Commission: \$12 million in federal highway funds
  - Local participation: Toll Revenue
  - P3 Partner (DBFOM)

### Why Use GARVEE Now?

Over the last ten years DOTD has seen a reduction of one time federal money and the dismantling of federal earmarks. In 2006, the department saw over \$1.7 billion in construction lettings. In comparison, FY 16-17 saw less than \$800 million in construction lettings. The maintenance and needs backlogs have continued to grow. DOTD must consider all tools necessary to try and complete some of the state's top infrastructure priorities to help spur economic growth, fulfill federal standards for pavement condition and build a sustainable transportation system.



### **How Does This Impact DOTD's budget?**

The only impact that the utilization of GARVEE bonds will have on the DOTD budget is within the portion reserved for interstate. Louisiana statute provides that the use of federal funds toward GARVEE is limited to 10% of federal money received by DOTD. While, the 10% will be taken from the interstate funds, that money will be reinvested back into the interstate, as all the selected projects for GARVEE are interstate projects.

### **What Impact Does This Have on the State's Ability to Maintain Its Overlay Program?**

The use of the interstate dollars will not impact DOTD's ability to maintain its overlay program. The 10% being used in the three metropolitan areas will be the totality of what is spent on interstate in those areas. Thus, the rest of the state will receive the lion's share of the remaining 90% of interstate funds. In addition, the interstate dollars being spent outside of the GARVEE projects will see an increase annually over the next five years.



## **GARVEE BONDS & PROJECTS FUNDED STATEWIDE**

### **Projects Report**

This request for approval of GARVEE Bond funding for the identified projects is prepared in compliance with R.S.48:27(E). Prior to authorization of the State Bond Commission, the Transportation Committee for both the House and Senate must approve the bonds and projects to be funded. Prior to issuance, the Joint Legislative Committee on the Budget must also approve the bonds and projects to be funded.

#### **PROJECTS**

The Department of Transportation and Development intends to pursue construction of three select major projects with potential for financial contributions to one or more others. The projects are:

- A substantial portion of the I-10 reconstruction and widening from the Mississippi River Bridge to the I-10/I-12 split in Baton Rouge; widening is required to maintain traffic during the reconstruction process.
- A new interchange on I-10 in Kenner at Loyola Drive to serve the new Armstrong airport terminal currently under construction.
- A new access from I-20 directly into Barksdale AFB in Bossier City.
- Up to 10 percent of project cost for new toll bridges (the Belle Chasse bridge and tunnel replacement project would be eligible if the funds are necessary.)

These projects, along with many other major projects across Louisiana, were proposed to be funded in the State Legislature in the 2017 Regular Session. That revenue funding package was not enacted. Therefore, DOTD is undertaking these select projects through the issuance of GARVEE bonds.

Significant financial contributions are being made by local entities. The metropolitan planning organizations in the impacted areas are contributing funds under their control to their respective projects. Similarly, local governments in each area are also contributing financially with cash or through the Road Transfer Program. A summary of the contributions is provided below:



- **I-10 reconstruction and widening in Baton Rouge (approximately \$360 million)**
  - Capital Region Planning Commission: \$24 million
  - City of Baton Rouge/ Parish of E.B.R. \$12 million through Road Transfer Program
  
- **I-10/Loyola Drive Interchange improvements in Kenner (approximately \$90 million)**
  - Regional Planning Commission: \$12 million
  - Kenner, New Orleans, Jeff Ph., Airport: \$ 6 million in local cash & Road Transfer
  
- **I-20 entrance into Barksdale Air Force Base (approximately \$90 million)**
  - Northwest LA Council of Governments: \$12 million
  - Bossier City, Bossier Parish: \$ 6 million in local cash & Road Transfer
  
- **Belle Chasse Bridge & Tunnel Replacement**
  - Regional Planning Commission: \$12 million
  - P3 Partner (DBFOM)
  - Toll Revenue

## RECOMMENDATION

Through federal legislation enacted in the 1990s, states are allowed to issue bonds financed with federal highway revenues from future appropriations. Such bonds are termed Grant Anticipation Revenue Vehicle (GARVEE) bonds. These bonds are accepted by the financial industry; one-half of the states have issued GARVEE bonds. Bond issuances of 10 to 15 years are common. DOTD is proposing a 12-year repayment schedule which is consistent with maximum payment terms of local governments and supporting entities. State law, RS 48:27, limits the size of GARVEE issuance such that debt service cannot exceed 10 percent of the annual obligation authority for federal highway funds available to Louisiana. Based on recent obligation limits, it is recommended that Louisiana issue approximately \$600 million in GARVEE bonds for completion of the projects identified.



# Belle Chasse Bridge & Tunnel Replacement

## State Project No. 700-38-0108

### Plaquemines Parish

#### Project Report

This report and recommendation is prepared in compliance with R.S.48:250.4 to acknowledge the suitability and seek approval for delivering the project as a solicited Public Private Partnership.

#### PROJECT

Project Name: Belle Chasse Bridge & Tunnel Replacement

Sponsoring Agency: LADOTD

Project Concept: Public Private Partnership

#### BACKGROUND

**Description:** Belle Chasse Highway (LA 23) is approximately 1.4 miles from LA 3017 to LA 406. The corridor is four lanes with a divided section (raised median) except at the bridge and tunnel. The movable bridge was constructed in 1967 and the tunnel in 1955. The LA 23 corridor has a current traffic volume in excess of 33,000 vehicles per day.

A new mid-level fixed-span bridge is proposed to replace the existing moveable bridge and the tunnel. The project will span the Gulf Intracoastal Waterway on Louisiana Highway 23 in Belle Chasse, Louisiana. To the northwest, LA 23 connects to I-910 in the City of Gretna. To the southeast, LA 23 connects to the Belle Chasse Naval Air Station, the census-designated place known as Belle Chasse, and the Scarsdale Ferry crossing the Mississippi River.

**Purpose & Need:** The Belle Chasse Tunnel and Perez Bridge are the primary access point to the residents, businesses, and industries of western Plaquemines Parish. The purpose of the project is to improve the transportation system by reducing or eliminating delays associated with operations and maintenance of aged infrastructure subject to planned and unplanned closures. Replacement of the tunnel and bridge will support the Naval Air Station and improve efficiency in daily commutes and hurricane evacuation capacity alike, while providing opportunities for industrial growth dependent on reliable transportation infrastructure. Replacement of the existing tunnel and bridge will allow for more efficient allocation of resources by LADOTD as well as providing more dependable access for the military base, business and industry, and residents.

The need for the project is to replace unreliable and inefficient infrastructure. The tunnel and bridge are subject to frequent, costly and unpredictable operations for repair and maintenance. At times, breakdowns or scheduled maintenance activities result in the closure of one of the crossings requiring two-way traffic operation on the other structure leading to extensive delays.

**Status:** The project is to replace the existing tunnel and adjacent bridge with a fixed-span 4-lane bridge. Currently, the two southbound lanes use the tunnel and the two northbound lanes use the movable bridge. Both structures are nearing the end of their design life.

The total estimated cost of the project is \$122 million.

The project is currently in the environmental phase (EA) which is estimated to be complete in 2018. Topographic survey and subsurface utility engineering are underway. Plan development is not scheduled to commence until the environmental assessment is complete.

Improvements to LA 23 remain a top priority (Megaproject Priority A) in the 2015 Louisiana Statewide Transportation Plan and a Tier III implementation project (FY2029-2044) in the Metropolitan Transportation Plan adopted by the NORPC.

LADOTD studied the feasibility of tolling this project. The results indicate that tolling can be very successful. It is anticipated that, through a public-private partnership (PPP), bridge tolls will cover future operation and maintenance cost until the toll revenue bonds to construct the bridge are paid. At that time, LADOTD will assume responsibility operations and maintenance costs in the regular capital and operating budgets.

## RECOMMENDATION

The Secretary of LADOTD has determined that it is in the best interest of the taxpayers to solicit a proposal for a public private partnership to deliver the Belle Chasse Bridge and Tunnel Replacement project for the following reasons:

In the areas identified, the private sector has the ability to leverage its financial, technical, and managerial resources to control the overall risk associated with the project and bring greater value.

- Design and construction of a tunnel and bridge in compliance with the environmental document's record of decision in a constrained area;
- Complex maintenance of traffic and sequence of construction requirements;
- Operation and maintenance of existing tunnel and bridge during construction;
- Potential tolling integration and back-office services;
- Ongoing routine and major maintenance expenses for the facility and tolling equipment;

- Coordination with federal agencies along the corridor, which will require specific permits for construction;
- Potential utilization and coordination of traditional financing mechanisms as applicable on the project; and
- Potential utilization of private sector financing, which may include private activity bonds, bank financing, and equity contributions.

Under a public private partnership delivery method, project efficiencies could be recognized in the areas identified:

- Utilizing a single contracting instrument for the financing, design, construction, maintenance, and operation of the facility would allow the Department to have a single point of contact with the private sector and not have to administer multiple contracts with varying levels of risk and liability.
- In addition, the Department could include the operation of the LA 1 toll facility under the proposed contracting instrument; and
- Due to private sector's higher appetite for revenue risk, advancing as a privately financed project could yield higher revenue projections and thus provide additional financial resources such as private sector equity investment, reducing the need for public funding.



## Loyola Dr./Interstate 10 (I-10) Interchange to New Airport Terminal (LANOIA) State Project Number: H.011670 Orleans Parish

### Project Report

This report and recommendation is prepared in compliance with R.S.48:250.2 to acknowledge the suitability and seek approval for delivering the project as a Design-Build candidate.

#### PROJECT

Project Name:	Loyola Dr./Interstate 10 (I-10) Interchange to LANOIA
Sponsoring Agency:	LADOTD
Supporting Entities:	Regional Planning Commission, Kenner, New Orleans, Jefferson Parish, Airport
Project Number:	H.011670
Project Concept:	Design-Build procurement and contract

#### BACKGROUND

**Description:** A new terminal at the Louis Armstrong New Orleans International Airport is being constructed at a cost of approximately 993 million dollars. Upon completion, the terminal building will be relocated to the north side of the airport rendering the existing road incapable of being used as the primary access to the facility. A new access road connecting with existing Loyola Drive is currently under construction. The proposed project will improve Loyola Drive and the I-10 interchange with Loyola Drive including elevated ramps to and from I-10 similar to the ramps connecting to existing Airport Drive.

**Project:** The limits of this project span along I-10 from I-310 to Williams Boulevard and along Loyola Drive from the airport property to approximately one-half mile north of I-10. This project is a priority B, megaproject in the Statewide Transportation Plan.

**Schedule:** Currently, LADOTD is in the process of conducting an environmental assessment (EA) to identify the impacts associated with construction of I-10/Loyola Drive interchange

improvements. Three basic alternatives are under consideration at this time. The environmental process should be concluded the fourth quarter of 2018. If the traditional design-bid-build method of contracting is utilized, the contract execution and NTP for construction is estimated to be January 2022 which does not include the construction time to actually complete the project. The design-build delivery method provides for award of contract by mid-2019.

**Cost:** A determination regarding a build to budget or a range will be necessary. The design build procurement and contracting method does afford LADOTD the opportunity to accept proposals at a not to exceed budget. The approximate cost of the project is \$90 million.

**Innovation:** The current I-10 interchange with Loyola Drive is heavily congested during peak hours with average daily traffic at 141,000, level of service F. The addition of airport traffic associated with the new terminal will exacerbate the congestion. The challenge with this project is constructing needed improvements while maintaining access to the new airport terminal and to I-10 under increased traffic while minimizing disruption to local businesses. A design-build procurement presents great opportunities for innovation in design and in construction sequencing and methods. Innovation could produce cost and time savings, as well as, allow for specific aesthetic considerations.

**Other Criteria:** The current construction and design market provides a sufficient pool of Design Builders for this project and LADOTD has sufficient staff and consultants to administer the design-build procurement and contracting method. LADOTD has completed at least eight Design Build procurements.

- John James Audubon
- I-12 Widening (O'Neal to Walker)
- US 90 Interchange at LA 85
- I-10 Widening (Siegen to Highland)
- I-12 Widening (Amite Bridge to Juban)
- US 90 (Future I-49) Albertson's to Ambassador Caffery
- US 90 (Future I-49) LA 318
- I-10 Widening (Highland to LA 73)

The project will require real estate acquisition. In the design-build delivery method, the responsibility for right-of-way acquisition can be shifted to the design-builder until expropriation proceedings are necessary. Allowing the real estate activities to be conducted during the design phase results in a time savings.

Earlier completion of this project benefits the motoring public and air travelers. Louis Armstrong New Orleans International Airport is the regional airport on the central Gulf coast and by far the largest commercial service airport in Louisiana.

**Funding:** Through federal legislation enacted in the 1990s, states are allowed to issue bonds financed with federal highway revenues from future appropriations. Such bonds are termed Grant

Anticipation Revenue Vehicle (GARVEE) bonds. These bonds are accepted by the financial industry; one-half of the states have issued GARVEE bonds. Bond issuances of 10 to 15 years are common. DOTD is proposing a 12-year repayment schedule. State law, RS 48:27, limits the size of GARVEE issuance such that debt service cannot exceed 10 percent of the annual obligation authority for federal highway funds available to Louisiana. Based on recent obligation limits, Louisiana could issue over \$600 million in GARVEE bonds. The Regional Planning Commission will contribute \$12 million. Kenner, New Orleans. Jefferson Parish, Airport will contribute \$6 million in local cash and Road Transfer

## RECOMMENDATION

The Secretary of LADOTD has determined that it is in the best interest of the taxpayers to solicit proposals for this project under the design-build procurement and contracting method, as identified, for the following efficiencies to be recognized:

- Complex maintenance of traffic and sequence of construction requirements;
- Time savings associated with combining the design and construction phase;
- Greater cost certainty with shifting of risk of change orders associated with design and construction.
- Time savings and cost associated with shifting risk of real estate acquisition activities to design-builder;
- Due to location and traffic, design build offers opportunity for innovation regarding construction means and methods;
- Design Build procurement allows for consideration of aesthetic plans provided by proposers;
- Award method allows for consideration for innovation and advanced technical concepts.



## I-220 to Barksdale AFB Connector State Project Number: H.003370 Bossier Parish

### Project Report

This report and recommendation is prepared in compliance with R.S.48:250.2 to acknowledge the suitability and seek approval for delivering the project as a Design-Build candidate.

#### PROJECT

Project Name:	I-220 to Barksdale AFB Connector
Sponsoring Agency:	LADOTD
Supporting Entities:	Northwest LA Council of Government, Bossier City, Bossier Parish
Project Number:	H.003370
Project Concept:	Design-Build procurement and contract

#### BACKGROUND

**Description:** Barksdale Air Force Base in Bossier City has several existing entrances that are heavily congested with no direct access from the Interstate. Due to physical constraints, one of these entrances cannot provide the security that the Air Force requires for current and expanded missions. The proposed project will construct a new entrance directly from I-20 at I-220 into the base.

**Project:** The limits of this project span along I-20 for approximately one mile east and west of I-220 and south to the Air Force Base property. This project is a priority C, megaproject in the Statewide Transportation Plan.

**Schedule:** An Interchange Modification Report (IMR) has been submitted to the Federal Highway Administration for approval. LADOTD is in the process of initiating an environmental assessment (EA) to identify the impacts associated with construction of the I-220 to Barksdale AFB Connector. There is only one alternative under consideration. The environmental process should be concluded fourth quarter of 2018. If the traditional design-bid-build method of contracting is utilized, the contract execution and NTP for construction is estimated to be July 2021 which does



not include the construction time to actually complete the project. The design-build delivery method provides for award of contract by mid-2019.

**Cost:** A determination regarding a build to budget or a range will be necessary. The design build procurement and contracting method does afford LADOTD the opportunity to accept proposals at a not to exceed budget. The approximate cost of the project is \$90 million.

**Innovation:** The I-220 to Barksdale AFB Connector does not currently exist. The vast majority of the new facility is elevated. A design-build procurement presents opportunities for innovation in finding a cost-effective, yet durable structural design that can be constructed expeditiously. Maintenance and structural inspection considerations are important in design and the selection of building materials. Innovation could produce cost and time savings, as well as, allow for military specific aesthetic considerations.

**Other Criteria:** The current construction and design market provides a sufficient pool of Design Builders for this project and LADOTD has sufficient staff and consultants to administer the design-build procurement and contracting method. LADOTD has completed at least eight Design Build procurements.

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- I-12 Widening (O'Neal to Walker)
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**Funding:** Through federal legislation enacted in the 1990s, states are allowed to issue bonds financed with federal highway revenues from future appropriations. Such bonds are termed Grant Anticipation Revenue Vehicle (GARVEE) bonds. These bonds are accepted by the financial industry; one-half of the states have issued GARVEE bonds. Bond issuances of 10 to 15 years are common. DOTD is proposing a 12-year repayment schedule. State law, RS 48:27, limits the size of GARVEE issuance such that debt service cannot exceed 10 percent of the annual obligation authority for federal highway funds available to Louisiana. Based on recent obligation limits, Louisiana could issue over \$600 million in GARVEE bonds. The Northwest LA Council of Government will contribute \$12 million. Bossier City and Bossier Parish will contribute \$6 million in local cash and Road Transfer.

## RECOMMENDATION

The Secretary of LADOTD has determined that it is in the best interest of the taxpayers to solicit proposals for this project under the design-build procurement and contracting method, as identified, for the following efficiencies to be recognized:

- Time savings associated with combining the design and construction phase;
- Greater cost certainty with shifting of risk of change orders associated with design and construction.
- Time savings and cost associated with shifting risk of real estate acquisition activities to design-builder;
- Due to location and project requirements, design build offers opportunity of innovation regarding construction means and methods;
- Design Build procurement allows for consideration of aesthetic plans provided by proposers;
- Award method allows for consideration for innovation and advanced technical concepts.