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Report Highlights

Belle Chasse Bridge and Tunnel Replacement Project; Use of Public-Private Partnership (P3)

Department of Transportation and Development

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Why We Conducted This Audit

This report provides the results of our evaluation of the Belle Chasse Bridge and Tunnel Replacement Project Public-Private Partnership (Belle Chasse P3 project). Senate Concurrent Resolution No. 41 of the 2022 Regular Legislative Session requested that the legislative auditor review this project and, if applicable, make recommendations for future P3 projects based on best practices. The Belle Chasse P3 project is the Department of Transportation and Development's (DOTD) first transportation P3 project. The Louisiana Joint Legislative Committee on Transportation, Highways, and Public Works (JLTC) approved the execution of the Belle Chasse P3 Comprehensive Agreement (contract) on December 18, 2019.

What We Found

The objective of this audit was to answer specific questions regarding the Belle Chasse P3 project, including the processes used to select this project as a P3, the amount of compensation to the developer, and details on the project's implementation, including its use of tolls. The exhibit on the next page contains a timeline of major milestones in the Belle Chasse P3 project's identification and selection, procurement, and construction progress.

Question 1: How does DOTD determine which projects to procure as a P3, including selecting the Belle Chasse project as a P3, and how many P3 transportation projects does DOTD have?

While there is not a process to prioritize potential P3 projects, state law authorizes DOTD, with approval of the House and Senate Transportation, Highways, and Public Works committees (JLTC), to solicit proposals for P3 projects if the DOTD Secretary determines it is in the best interest of the taxpayers. Currently, the Belle Chasse Bridge and Tunnel Replacement project is DOTD's only transportation P3 contract.

Question 2: Did DOTD follow the procurement guidelines it created for the Belle Chasse P3 project?

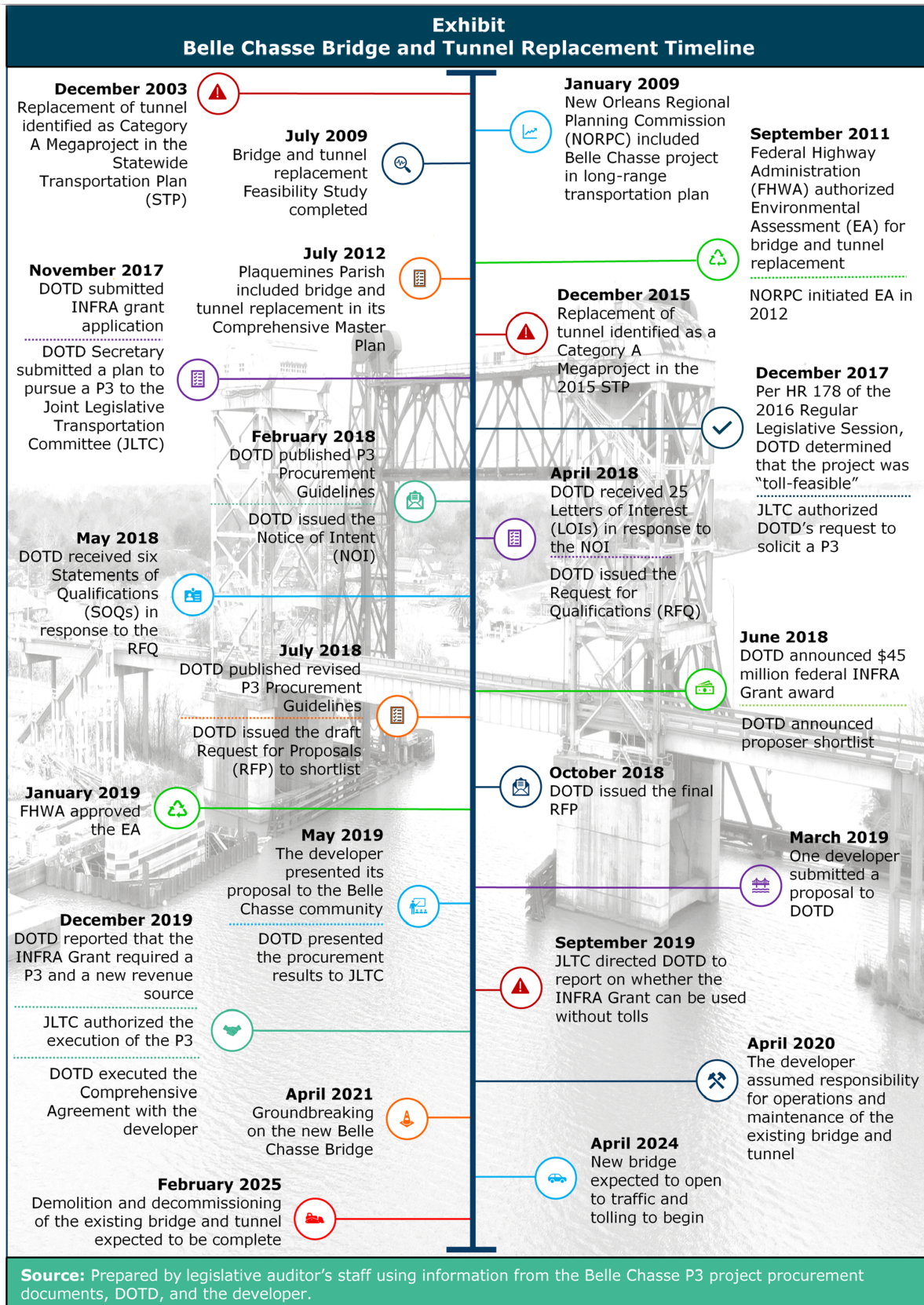
Overall, DOTD followed the procurement guidelines it created for the Belle Chasse P3 project.

Question 3: Did DOTD evaluate the Statements of Qualifications (SOQs) according to the process outlined in the Request for Qualifications (RFQ)?

It is not clear whether DOTD followed the evaluation process outlined in the RFQ because DOTD could not provide the Statement of Qualifications and Shortlist Evaluation Committee (RFQ Committee) evaluation worksheets for three of the six (50%) SOQs it received. The three proposer teams that were not shortlisted did not protest their exclusion from the shortlist.

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What We Found (Cont.)



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What We Found (Cont.)

Question 4: Did DOTD evaluate the developer's proposal according to the process outlined in the Request for Proposals (RFP)?

Even though DOTD only received one proposal, DOTD subjected the proposal to a competitive evaluation per the requirements of the RFP before selecting it as the winning proposal. Because DOTD only received one proposal, some of the RFP evaluation requirements were not applicable. DOTD did not violate its procurement guidelines, state law, or federal regulations by awarding the Belle Chasse P3 contract to a single bidder.

Question 5: Was there evidence that the selected developer influenced the outcome of the Belle Chasse P3 procurement process?

We did not find evidence that the developer improperly influenced the outcome of the P3 procurement process. In addition, we did not find evidence that the developer knew the other two shortlisted teams had chosen not to submit proposals prior to DOTD announcing the results of the procurement.

Question 6: How much did DOTD spend to procure the Belle Chasse P3 project?

According to DOTD, the total cost of the Belle Chasse P3 project planning phase and P3 procurement was approximately \$6.8 million. DOTD did not pay any stipends for the Belle Chasse P3 procurement.

Question 7: Did DOTD ensure that the terms of the Belle Chasse P3 contract are in the best interests of the state?

Based on our review of procurement documents, proposer questions, and DOTD responses, as well as draft and final versions of the contract, it appears that DOTD negotiated a contract that placed a considerable amount of the financial risk on the developer.

Question 8: Did DOTD sufficiently involve/engage the public during the Belle Chasse P3 procurement process?

DOTD, the New Orleans Regional Planning Commission, JLTC, and the developer all engaged the public through public information sessions, meetings, and hearings during the project planning phase, the P3 procurement phase, or both phases of the Belle Chasse Bridge and Tunnel replacement project. DOTD could have improved its communication to the public regarding the toll rate amounts and their annual increases.

Question 9: Was the Belle Chasse P3 contract with the selected developer approved in accordance with state law?

We found that the Belle Chasse P3 contract was approved in accordance with state law.

Question 10: What are the total construction costs, and who is responsible for costs to demolish the old bridge, decommission the existing tunnel, and construct the new bridge?

The total contract cost is \$170 million for the design and construction of the new bridge, demolition of the old bridge, decommissioning the existing tunnel, and the additional costs due to change orders. Of the \$170 million, the developer is responsible for paying at least \$66.1 million (38.9% of total cost), with the rest being funded with federal funds. Had the state identified at least \$111.1 million in additional funding, DOTD could have built the bridge without a toll.

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What We Found (Cont.)

Question 11: How much will the tolls be, and how much will they increase annually to use the bridge?

The toll rate for Plaquemines Parish residents driving a Class 1 automobile with a toll tag will be \$0.25 each way in year one, and by year 30 the toll rate will be \$0.60 each way. The Belle Chasse P3 contract is set up so it is in the best interest of all users of the new bridge, regardless of vehicle type, to use a toll tag. Toll rates provided in the contract increase one penny every year during years one through four, and two pennies every fifth year of each five-year cycle (i.e., standard base increases). The contract also allows the developer to adjust the toll rates annually for inflation based on the Consumer Price Index (CPI).

The exhibit below provides three different CPI scenarios and their potential impact on the toll rates. DOTD is paying the developer for the CPI adjustments for Plaquemines Parish residents with a Class 1 automobile and a toll tag.

Exhibit Projected CPI Adjusted Toll Rate Scenarios (Each Way) Year 1 and Year 30								
Vehicle Class	Year 1				Year 30			
	Base Rate*	1% CPI	2% CPI	5.5% CPI	Base Rate	1% CPI	2% CPI	5.5% CPI
Class 1 Automobile- Plaquemines Parish Resident-Toll Tag (No CPI Adjustment)	\$0.25	\$0.25	\$0.25	\$0.25	\$0.60	\$0.60	\$0.60	\$0.60
Class 1 Automobiles- Toll Tag	\$0.90	\$1.08	\$1.09	\$1.13	\$1.25	\$2.00	\$2.69	\$7.43
Class 1 Automobiles-No Toll Tag**	\$1.80	\$2.16	\$2.18	\$2.26	\$2.15	\$3.44	\$4.63	\$12.78
Class 2 Trucks/Trailers- Toll Tag	\$3.00	\$3.60	\$3.64	\$3.77	\$3.35	\$5.36	\$7.21	\$19.91
Class 2 Trucks/Trailers- No Toll Tag	\$3.90	\$4.68	\$4.73	\$4.91	\$4.25	\$6.81	\$9.15	\$25.26
Class 3 Trucks/Trailers- Toll Tag	\$6.00	\$7.20	\$7.28	\$7.55	\$6.35	\$10.17	\$13.68	\$37.73
Class 3 Trucks/Trailers- No Toll Tag	\$6.90	\$8.28	\$8.37	\$8.68	\$7.25	\$11.61	\$15.61	\$43.08

*Amount listed in contract for all Vehicle Classes incorporates standard base increases.
 **Includes Plaquemines Parish residents who did not purchase toll tag.
Source: Prepared by legislative auditor's staff using Belle Chasse P3 contract and past CPI for All Urban Consumers (CPI_U, Not Seasonally Adjusted) rates.

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What We Found (Cont.)

Question 12: How much toll revenue/fees are expected to be collected over the term of the Belle Chasse P3 contract?

The developer could collect toll revenues in excess of \$748.2 million if the assumptions in the developer's financial model manifest or are exceeded over the 30-year term, but toll revenues could be lower if the developer's assumptions are not met.

Question 13: How do toll rates and fees for the Belle Chasse P3 project compare to toll rates and fees in neighboring states?

The base toll rates for the Belle Chasse P3 project are comparable to state-owned toll facilities in Texas, but slightly higher than in Florida. Some fees and incidental charges associated with tolling on the new Belle Chasse Bridge are higher than similar fees and charges on publicly-owned toll facilities in Texas and Florida. Fees are part of toll revenues and the developer's return on investment is derived from these revenues.

Question 14: How much could DOTD receive from toll revenues (i.e., projected windfall)?

DOTD could receive in excess of \$22.2 million if the developer's toll revenue projections manifest or are exceeded over the 30-year term, from \$645,432 in the first full contract year and \$1,021,373 in the final full contract year. DOTD's windfall will be calculated by the developer using a four-tier system.

Question 15: What can toll revenues and DOTD's windfall be used for?

According to the contract, DOTD's windfall can only be used for three purposes during the contract period. DOTD can use the windfall to reduce toll rates on the new bridge, pay amounts owed to the developer to exercise DOTD's early handback option, or pay annual CPI buydown payments to the developer. According to the developer, its share of toll revenues will be used to cover the capital and interest costs on the project (which includes both the developer's debt service and its return on investment), to pay for the costs of toll collection and administration, and to pay for the operations and maintenance of the new bridge. Toll revenue is not all profit for the developer.

Question 16: What is the developer's expected return on investment (i.e., profit)?

According to the developer, the expected return on investment is proprietary information that should not be disclosed to the public, as the disclosure of internal costs or profit margins could hurt the company's competitiveness on future project bids. The developer projects to use 55.5% of toll revenues for debt service and ROI, 28.0% on toll collection and administration, and 16.5% on operations and maintenance.

Question 17: Does the Belle Chasse P3 contract clearly state when tolling will end?

The contract specifies a maximum 30-year period for the developer to establish, impose, charge, collect, use, and enforce the collection and payment of tolls. However, DOTD is not obligated to continue or cease collecting tolls after the contract term ends.

Question 18: What non-tolled alternative routes are available for residents to use?

The current alternative bridge, the General DeGaulle Bridge, is 5.25 miles away. Traveling northbound on LA 23, if users wish to avoid the tolled bridge, they must travel an 9.85-mile detour using LA 406, the General De Gaulle Bridge, and LA 428 to return to LA 23.

What We Found (Cont.)

Question 19: Does the Belle Chasse P3 contract obligate the developer to hire local subcontractors for construction or operations and maintenance of the new bridge?

No. At the time of the Belle Chasse P3 project procurement, federal law prohibited the state from establishing local hiring preferences for construction projects using federal funds. The contract does not obligate the developer to hire local subcontractors for either the design-build or operations and maintenance of the new bridge.

Question 20: Who will own the newly-constructed bridge, and who is responsible for operating and maintaining the bridge?

DOTD will own the newly-constructed bridge. The developer is responsible for operating and maintaining the newly-constructed bridge with toll revenue until the end of the term of the contract. The developer estimates that 16.5% of toll revenues will be spent on bridge maintenance and operations.

Question 21: Can DOTD take back the operations and maintenance of the Belle Chasse Bridge from the developer prior to the end of terms of the Belle Chasse P3 contract?

According to the contract, DOTD, at its own discretion, may exercise an option for the developer to handback the project to DOTD prior to expiration of the term.

Question 22: How will the newly-constructed Belle Chasse P3 project impact the Peters Road Bridge and Extension project?

While the Peters Road Bridge can still be constructed, it is within five miles of the Belle Chasse P3 project, so the developer can claim compensation for any adverse effect on its toll revenues during the term of the Belle Chasse P3 contract.