

Bridges Authority reviews six options for project delivery

The Louisville and Southern Indiana Bridges Authority reviewed six delivery options today for constructing and financing the multi-billion dollar project to build two new Ohio River bridges and reconfigure Spaghetti Junction. The options range from the traditional design-bid-build process to a full-scale public private partnership for the project.

Over the next few weeks, Authority representatives will brief key partners in Kentucky and Indiana on the advantages and disadvantages of those options. Representatives of the Authority will meet with members of the Kentucky Public Transportation Infrastructure Authority, Indiana Finance Authority and leaders of the Kentucky and Indiana legislatures.

Authority Chairman Charles Buddeke said the goal is to create broad consensus on the best delivery model so that Kentucky and Indiana are poised to move forward as scheduled in 2012 on procurement for the project.

“Building consensus over the next several weeks will ensure we are headed down the right path before we move to the next steps – a Request for Qualifications and ultimately a Request for Proposals from potential contractors,” Buddeke said.

At the same time, the Bridges Project team is working to complete the federally required Draft Supplemental Environmental Impact Statement by year’s end and submit it to the Federal Highway Administration.

“These two tasks – identifying a financial delivery model acceptable both to the states and to the private sector and gaining federal approval for the project – are two of the last major milestones before construction can begin,” said Steve Schultz, the Authority’s executive director.

The options analysis was conducted by the Authority’s strategic advisor, KPMG. The six options are:

1. **Design-bid-build** – requires separate contracts for engineering, design and construction. This is the traditional delivery model for highway construction projects.
2. **Design-build** – involves a single contract to design and build the project for a fixed price and a date certain. The public sector retains responsibility for operations and maintenance.
3. **Design-build and operate-maintain** - transfers responsibility for operations and maintenance to the private sector for a limited term. This option assumes governmental financing with toll revenue bonds.

4. **Design-build-finance and operate maintain** – allows the design-build contractor to arrange its own financing during construction, but the public sector refinances with toll revenue bonds upon construction completion.
5. **Availability concession** – awards a concession (or franchise) to design, construct, finance, operate and maintain the project for a longer-term period, generally 40 to 50 years. The public sector retains responsibility for setting tolls and tolling policy. The concessionaire receives periodic payments for providing and maintaining an “available” facility based on specified performance criteria.
6. **Toll concession** – gives the concessionaire responsibility for design, construction, financing, operations and maintenance, as well as collecting tolls. In this option, the concessionaire assumes all traffic and toll revenue risk, but the public sector retains responsibility for tolling policy.

Buddeke noted that current Kentucky law allows only the traditional design-bid-build approach (Option No. 1), so legislation would be needed in Kentucky for any of the other options.

The Authority also heard a report on the responses on the Request for Information issued in early September to solicit additional comments from the private sector regarding preferences in project delivery and finance. The Authority received 28 responses from regional, national and global contractors, developers and other firms.

“These responses demonstrate the continued strong market interest in our project,” said Kerry Stemler, Authority co-chair. “They confirmed our expectations that private sector innovation will ultimately drive down costs and allow us to get the project completed as quickly as possible.”