

## California narrowly approves first PPP project

**By a 6-to-5 vote, the California Transportation Commission rejected a recommendation to not go forward with the Presidio Parkway PPP, setting aside questions of the project's legality. The historic vote 'bodes very well for the entry of the state into the PPP picture', according to the project's sponsor.**

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Cezary Podkul

The California Transportation Commission narrowly approved the state's first public-private partnership, rejecting claims that the project was an illegal, wasteful no-bid contract with the private sector.

By a 6 to 5 vote, the 11-member commission, tasked with approving dollars for transportation projects statewide, shot down a staff recommendation to not approve a rebuilding of San Francisco's Doyle Drive with the help of the private sector.

Instead, the commissioners voted 8-3 to give the project's procuring authorities, the California Department of Transportation and the San Francisco County Transportation Authority, the ok to procure the project as a public-private partnership (PPP). The rebuilt road, which serves as the entrance to the city's Golden Gate Bridge, will be known as Presidio Parkway.

"I think [the vote] bodes well for the entry of the state into the PPP picture. I think we're going to do some very good and progressive PPPs," said Jose Luis Moscovich, Executive Director of the San Francisco County Transportation Authority, who argued for the Presidio Parkway project during today's five hour-long meeting.

California Governor Arnold Schwarzenegger echoed Moscovich's sentiment, stating in a press release that "the Presidio Parkway can be a shining example of how to improve the state's highways through competition and innovative public-private partnerships." If the project reaches financial close, it will be the first PPP to be delivered under a bill Schwarzenegger signed into law last year that allows PPPs to be procured across California without limit to number or location.

Professional Engineers In California Government, a union, had opposed the project on the grounds that it was not authorised by state law. The California Department of Transportation and San Francisco County proposed remunerating a private investor in the

project using availability payments, or periodic payments that will be made to investors in exchange for operating and maintaining the project over a 30-year term. But because state law did not include any provision allowing California to make such payments, the union argued the project was in fact illegal.

The commissioners ultimately rejected this argument, writing in their 8-3 resolution approving the PPP that they found the project “consistent with the requirements of statute”. The commissioners did, however, cap the annual availability payments for maintaining the project at \$35 million. The financial plan for the project called for a maximum payment of \$43.5 million.

The union also argued to the commissioners that the proposed PPP would award the project to a private contractor on a no-bid basis.

“That argument is so misleading that it renders me speechless,” Moscovich said, pointing out that CalTrans and San Francisco County had already sought out a competitive qualification process for potential bidders for the PPP.

“That’s now going to lead to the issuance of the RFP of a fully competitive process and nobody who is familiar with this project and this process can say honestly that it is not the case,” he said, adding that a draft RFP, or request for proposals, is aimed to be issued 26 May.

Another argument the union made was that the PPP would “waste” half a billion of taxpayer dollars and divert money away from transportation projects over 30 years due to availability payments.

Moscovich said this argument was “misleading” because if the cashflows from the availability payments are discounted to today’s value, the whole project, from construction through to maintenance, ends up costing taxpayers about \$488 million. Done in a traditional design-and-build format, that comes out to \$640 million. So the taxpayers stand to save about \$150 million, he said.

Professional Engineers In California Government was unavailable for comment at press time. However, Bruce Blanning, the organization’s executive director, said in a statement issued after the commission’s vote that “it is disappointing that the California Transportation Commission chose to ignore its own staff and legal counsel recommendation and approve this proposal despite opposition from every local and regional transportation agency which testified.”

“The argument that carried the day is that the state Department of Transportation cannot offer the state anything close to the type of deal that a PPP can,” Moscovich said.