

# CTC Delays Presidio Vote to May as Staff Urges Rejection

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The California Transportation Commission (CTC) postponed its vote on the Presidio Parkway project to May after its own staff and the Professional Engineers in California Government (PECG) urged it to reject the plan. The CTC's approval is necessary if the project is to be a P3. Even if the CTC eventually approves the project, it's unclear what effect the postponement would have on the government's goal of achieving commercial close in 2010.

The CTC staff said it was concerned that the project has an availability payment structure instead of being a toll road. It said the project would therefore demand a greater commitment from the State Highway Account (SHA).

"The financial plan is incomplete without resolution of the commitment of sources and timing of funding other than the SHA," the staff report said. "The anticipated 'supplemental funding' appears to exceed the near-term payments assumed in the business case, and it appears that reimbursement of the department's availability payment obligations would be an ineligible cost for most of this funding."

The recommendations are based on independently analyzed reports done by the CTC staff and System Metrics Group.

PECG cited the same concern, but added that the California Department of Transportation (Caltrans) didn't do the environmental reports required by the state's P3 law. It said the Presidio project should not be a P3. "Halting the design contract to consider a PPP jeopardizes the timely completion of the project, as there is no statutory authority for a PPP on this project," said PECG.

PECG represents more than 13,000 engineers, land surveyors, and related professionals working for the state, including those working for Caltrans.

If the CTC rejects the project, the state's only alternative would be a design and build procurement model.

## Caltrans Replies

Caltrans attorney Daniel A. Near said state law doesn't exclusively mandate toll roads, but allows them as an option in P3 agreements. He also said availability payments don't violate the state's constitutional debt limit.

## Project Proposal

The plan calls for a private developer to design, build, finance, operate, and maintain the Presidio Parkway for 33 years. The developer would be paid a milestone payment at the end of construction and availability payments for 30 years.

The availability payments would begin at USD35m per year in 2013 and increase to USD41m in the final year, 2043. The estimated cost to Caltrans is USD1.378bn, including USD51m for oversight and transaction costs, USD47m for retained risk reserves, USD150m for a milestone payment at the end of construction, and USD1.130bn in availability payments.

The SHA would make the availability payments.

If the project relied on federal funds and were done as a design-bid-build, it would cost an estimated USD499m. The Federal Highway Administration's major project financial plan of May 2009 said USD473m was committed to the project, including USD175m from the State Highway Operation and Protection Program, USD50m in federal Transportation Investment Generating Economic Recovery (TIGER) funds, and USD248m in locally controlled funds.