*Welcome to LLA Reports, a podcast produced by the Louisiana Legislative Auditor’s office. This podcast is intended to be an oral representation of the written report it highlights and is primarily for the use of the Louisiana Legislature.*

This is Gina Brown. I’m a manager with LLA’s Performance Audit Services. This episode of LLA Reports focuses on our new report titled “Belle Chasse Bridge and Tunnel Replacement Project – Use of Public-Private Partnership (P3).”

The purpose of this report was to evaluate the Belle Chasse Bridge and Tunnel Replacement project public-private partnership – or Belle Chasse P3 project.

Through a series of 22 questions, we examined the selection and procurement of the project as a P3, the estimated project construction cost, projected toll rates and fees, the estimated Department of Transportation and Development windfall amount and return on investment for the developer, and other provisions in the Belle Chasse P3 contract.

Here are a few of our findings.

We found that the Department of Transportation and Development – or DOTD – does not have a process to determine when to use a public-private partnership for a project, although it did develop a set of procurement guidelines for the Belle Chasse P3 project that complied with state law and applicable federal laws and regulations.

We found, too, that DOTD did follow these procurement guidelines, including subjecting the one proposal it received to a competitive evaluation before selecting it as the winning proposal.

We also found that the total contract cost for the project is expected to be $170 million dollars. That includes the design and construction of the new bridge, demolition of the old bridge, decommissioning the tunnel, and additional costs caused by change orders.Of the $170 million dollars, the developer is responsible for paying at least $66.1 million dollars – or 38.9 percent of the total cost – with the rest being funded with federal monies. There is no investment from the state for the contract cost. However, had the state identified at least $111 million dollars in additional funding, DOTD could have built the bridge without a toll under the same contract design.

In addition, we found that DOTD negotiated a reduced toll rate for Plaquemines Parish residents driving a Class 1 automobile with a toll tag, and that rate will not be subject to inflation adjustments.

The toll rate will be 25 cents each way in year one and by year thirty, when the contract with the project developer ends, the toll rate will be 60 cents each way for Plaquemines Parish residents with a toll tag for Class 1 automobiles.

The toll rate will be higher for all other automobiles with or without toll tags, as well as for medium- and large-size trucks, and those rates will all be subject to inflation adjustments.

We found as well that the developer potentially could collect more than $748.2 million dollars in toll revenues over the thirty-year contract if the assumptions in its financial model are accurate.

This is not all profit because the developer will use this revenue to repay capital and interest on its outstanding debt and to pay tolling administration costs and operations and maintenance costs for the new bridge for up to thirty years.

DOTD could also receive a share of toll revenue in excess of $22.2 million dollars over this thirty-year period.

Additionally, we found that the current alternative bridge to the new Belle Chasse Bridge is the General DeGaulle Bridge, which is 5.25 miles away from the Belle Chasse project site.

If northbound drivers on LA 23 want to avoid the new Belle Chasse bridge, they will have to travel a 9.85-mile detour using LA 406, the General DeGaulle Bridge, and LA 428 to return to LA 23.

As a result of our report, we developed six recommendations.

We recommended that DOTD develop a list of potential projects that would be good candidates for a P3 procurement and share that list with the Legislature.

We also recommended that DOTD create a manual of P3 guidelines similar to the department’s procurement manuals for Design-Build and Construction Management at Risk projects.

In addition, we recommended that DOTD document its implementation of the request-for-qualifications process for future P3 proposals and keep supporting documentation in accordance with its retention policy.

We recommended as well that, for future P3 projects, DOTD publish toll rate schedules and clearly communicate how these schedules will be used to determine exact toll rates following inflation or other adjustments.

Additionally, we recommended that DOTD develop a policy for re-evaluating the need to continue or discontinue tolling on any state-owned tolled transportation facility and state how this decision will be communicated to the public.

Finally, we recommended that, for future P3 projects, DOTD add a provision to the P3 contract, subject to negotiation, that would require the developer to consider hiring local subcontractors unless DOTD and/or the developer agree that such a requirement would unduly restrict competition.

As part of its response, which is included in the report as Appendix A, DOTD agreed with five of our recommendations and partially agreed with one recommendation.

*We hope you found this podcast informative, and that you’ll follow future episodes of LLA Reports.*

*This podcast was created as part of the audit report just discussed and is intended primarily for the use of the Louisiana Legislature. Both the full report and the podcast can be found on the LLA’s website at* [*www.lla.la.gov*](http://www.lla.la.gov)*.*

*Thank you for listening.*