

InfrastructureUSA

Guest on THE INFRA BLOG

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DOTs to Congress: Do the Right Thing Now!

I think that our delegation understands the issues, and I think it's the same for Congress in general. They understand the issues, they understand the importance, but it's difficult in these times just coming out of the recession to increase fuel taxes or to look at other revenue increases. And they know that people want these things. They want economic stimulus, jobs, quality-of-life improvements, but I feel that sometimes they're afraid to pass those things because of the backlash politically that people think that there's government waste. People think that we're getting enough money. You know, the gas tax hasn't been increased since the early 90s. Most people, when you ask them, probably wouldn't know what they pay, they just know that they pay too much for gas. It's tough to make that decision, but that's what we send them to Washington, D.C. for: to consider all those alternatives and to make the right decision. I think that transportation infrastructure is an investment in the economy and it grows the economy. It pays back dividends. Not just the jobs that are created during construction, but the jobs that are sustained by businesses that are improved in access by that transportation. Everything that you use got there probably by a truck that delivered it, or a railroad that delivered it, so these modes of transportation have to be taken care of.

The Impact of Federal Inaction

The inaction to have a long-term transportation bill is making us hesitate on pulling the trigger on some other major projects. We want to finish the Carson Freeway—around here there's the bypass around Carson City, the state capital. We want to proceed with some major improvements on a road called USA Parkway. And it's possible today that there could be an announcement about Tesla considering Nevada for a battery plant, and we're hopeful that that's going to be officially announced today. USA Parkway kind of feeds right into that area via the new highway that connects I-80 to US-50, two major highways in Nevada. We can't comfortably pull the trigger on those without knowing that we're going to keep getting the same amount of federal money that we have been getting. Now, should Congress decide states are going to see a cut, departments of transportation are going to see a cut, so that we live within our gas tax revenue, our fuel tax revenue, then we would have to reestablish our priorities and pull the trigger on those.

The Role of Citizen Engagement

It's really changed a lot in the last few years, as far as citizen engagement. We do public meetings on a monthly basis now in Nevada with our transportation board. It used to be quarterly and it used to be very quick meetings. Now they're very intensive and detail

oriented and the board really gets involved in giving us direction as the Department of Transportation. I think that there's been a lot more coverage of those types of larger issues, such as the one we talked about with Project NEON, the P3 changing to bonding. That one's covered in the press. So the public is getting some of that information, but a lot of the younger generation is getting their information from social media. They want to see, "What are the benefits of these types of investments?" They want to be convinced, I think. But there is also a large group of people that, since they get their information from the Internet or from other areas, they need to get the facts. I always tell folks to look at both sides of the story. Obviously you're going to have people that say, "Oh, you make enough money to deliver the transportation projects in the state of Nevada." But there is a backlog, and we try to communicate those facts. We don't advocate for a political position, but we communicate facts about what shape our system is in, what the needs are, trying to catch up with growth that occurred when we were one of the fastest growing states in the nation—in Vegas, in particular. So we just try to get the facts out there and hopefully the people are paying attention. I think that also people are very busy in their daily lives, so they have to have the information provided to them. It's kind of very specific and pointed and they don't have time to read through a bunch of information nowadays that they've got a life to live. They expect it to be very short and sweet and to the point.

The Downtown Las Vegas Highway Upgrade: Project NEON

It's hugely important to Nevada because of not only the connectivity issues for commuters, but there's been a lot of redevelopment of this area as an arts district. They have Symphony Park there that the city of Las Vegas is working on, the Smith Performing Arts Center, and there's also a medical district close by. So it's important to have that connectivity for the folks that either need those services or go to those areas for entertainment and arts, and the general flow of freight and traffic on I-15 will be immensely improved by this project. Especially the morning commute from the northwest to go south towards the strip where a lot of the employment centers are. That's going to be practically a free-flow situation after our project is built. It's about a three and a half mile project that will widen Interstate-15 in the heart of Las Vegas. It will reconstruct a major interchange at Charleston Boulevard, and it will create direct connections for our High-Occupancy-Vehicle (HOV) lanes, our car-pool lanes. We have an HOV system on US-95, but we don't have one on I-15, so it will connect that system, have a direct access to the back doors of the resort quarter so the employees can either take their car-pool or take an express bus to their work.

Abandoning the P3 Model

The size of the project we're talking about was half a billion to 700 million range, depending on which method of delivery. We wanted to do this, and it wasn't the type of project that you could do piecemeal, phase-by-phase, like we traditionally do for major projects. This one was "get in and get out," but you need to buy a lot of private property to widen the freeway, and you need to do this all at once over a three-year period of time just to get it built as quickly as possible. So we were looking at this huge bill to pay for this and a pay-as-you-go would not work with our cash flow. The fact that Congress has not acted on a long-term transportation bill played into our thoughts leading to the

idea of a private partner to loan us the funds for a longer-term period. In Nevada we can only bond for a twenty-year payoff for those bonds. So that limited us looking at our cash flow. The reason that we changed was we sold a hundred-million-dollar bond in January. We received a triple-A bond rating, so a very good bond rating, a lot of interest, 16 bidders on that bond issuance, and it really started us thinking and discussing with bond counsel the option of making the payments tailored so that we have lower payments up front for the principal. That didn't happen until early this year, and by spring we kind of had our thoughts together and started having discussions with the board in June. Then they said, "Give us some more information about this bonding scenario, and the differences between that and the P3." So that's in August. They just recently received all that info and determined that it was best to meet the project goals financially to bond it. Now the three financial goals were we wanted to still have our regular-sized capital improvement program across southern Nevada and the rest of the state, and we wanted our debt-service payments to not exceed traditional levels of debt service, it's usually about 90 to 100 million dollars, and the same kind of number for the balance in our state highway fund, get about a 90 to 100 million dollar balance in there. So we were able to achieve all three goals with bonding or P3. Both were affordable methods of delivery. It's just that the bonding scenario, since we found that we could afford it when we initially thought we couldn't, was just more economical to go that way.

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