



Project NEON October 2012



Project NEON – June Board Meeting

Unanswered Board Member Questions

- 1. We've heard this issue before – how does this recommendation tie into those earlier proposals?**
- 2. How does the tolling issue fit into the NEON discussion?**
- 3. Would breaking apart the project into additional phases make a difference on your recommendation?**
- 4. What is the current status of NEON including expenditures and ROW purchases?**
- 5. How will NEON as an availability payment concession affect our overall program?**
- 6. What is the decision that the Board needs to make?**
- 7. What are our risks and liabilities in moving forward with RFP development?**

1. *We've heard this issue before – how does this recommendation tie into those earlier proposals?*

- **NEON is one of the State's highest transportation priorities**
- **Funding continues to be an obstacle**
- **2007 Governor's Task Force results in development of Pioneer Program**

Crash rate in this corridor is close to double that for rest of State

The highest traffic volumes in the State

Pioneer Program Initiatives

*Alternative Financing
Design-Build
CMAR (temporary)
Unsolicited Proposals*

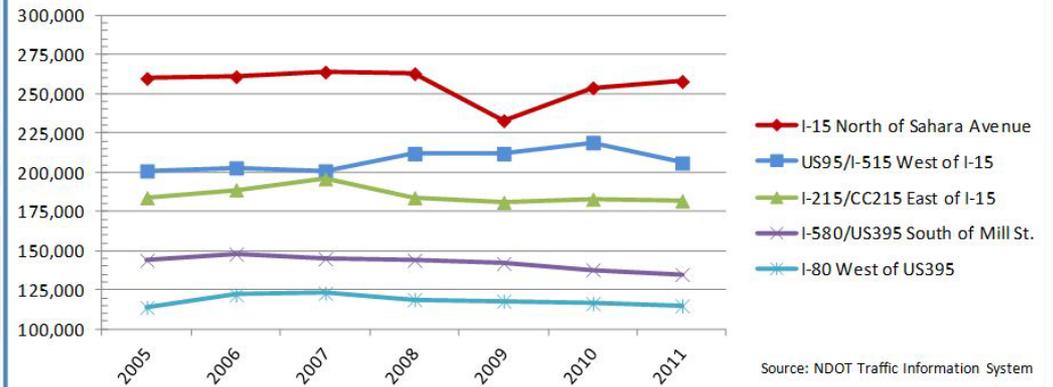
Crash Rate Comparisons of Urban Freeways in Nevada Total Crash Rates - June 2007 to July 2012



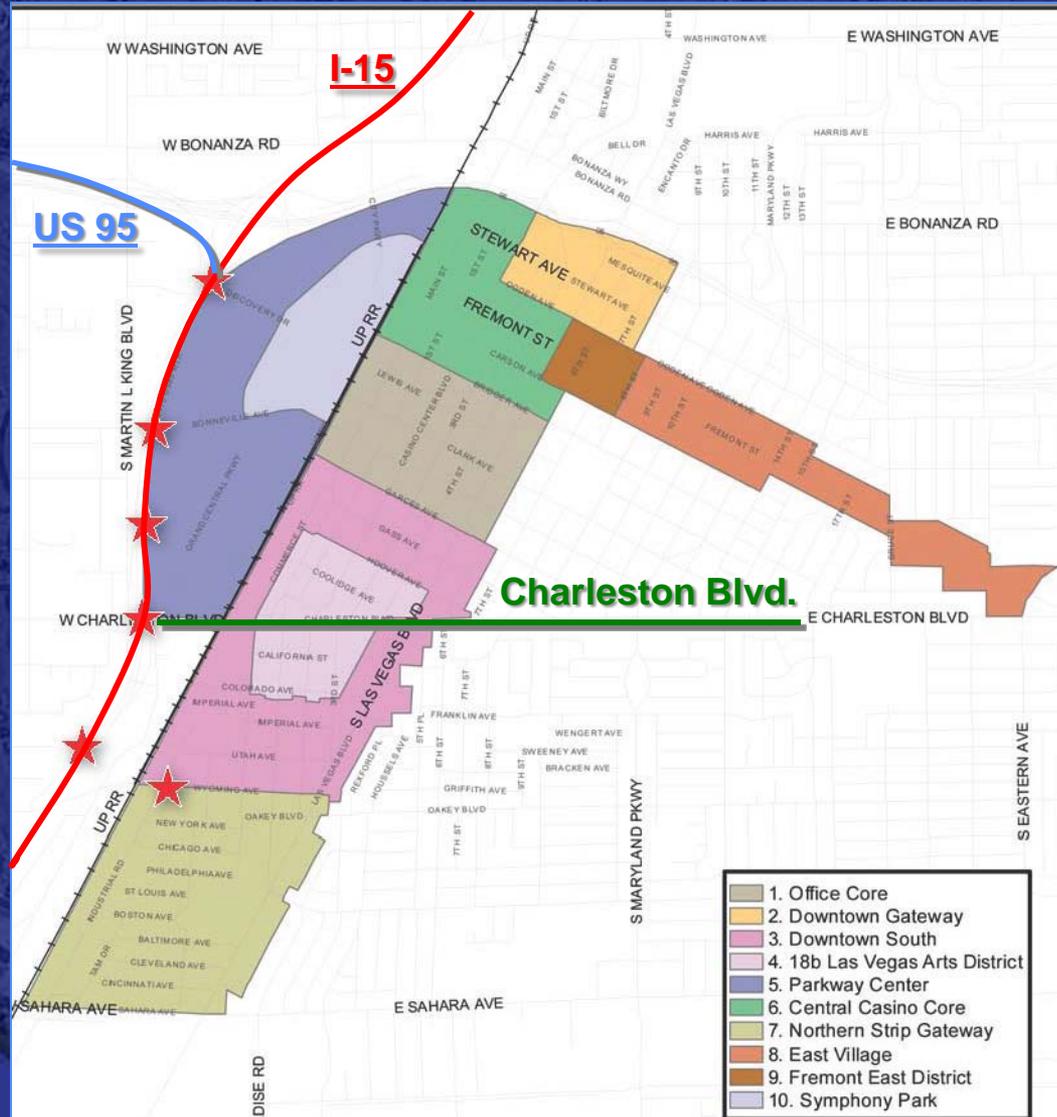
Note: Crash Rates in crashes per million miles
Sources: NDOT Safety Engineering and NDOT Traffic Information System



Traffic Volume Comparisons of Urban Nevada Freeways Highest Annual Average Daily Traffic (AADT) Volumes



Source: NDOT Traffic Information System



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1. We've heard this issue before – how does this recommendation tie into those earlier proposals?

- **“Pay as you go” option least desirable due to years added to project delivery**
- **Phasing a possibility - but still adds substantial costs to overall project**
- **Availability payment concessions have become highly competitive & attractive**

Delivering phases 1 and 3 as proposed reduces traffic impacts to the current 270,000 vehicles per day, projected to be 470,000 by 2030

Constructing phases 1 and 3 together saves \$80M to \$100M

Funding project NEON using traditional methods could jeopardize NDOT's ability to provide regular capital program

1. We've heard this issue before – how does this recommendation tie into those earlier proposals?

- **NDOT received unsolicited proposal to design, build, finance, operate, and maintain phases 1 and 3 as an availability payment concession**
- **June 2012 NDOT recommended developing an RFP to move forward with a P3 availability payment concession for Project NEON**

Contractor responsible for operating and maintaining project builds the project to last

Design, build, finance is also an option

2. How does the tolling issue fit into the NEON discussion?

- **Tolling is NOT a part of the current P3 proposal**

- **If tolling were allowed in the future:**
 - **It would not interfere with a P3 availability payment concession on NEON**
 - **Revenue from tolling could be used to pay the availability payments**

Tolling may provide future options for added lanes, payment of availability payments, and/or projects in this corridor

3. *Would breaking apart the project into additional phases make a difference on your recommendations?*

- No – the recommendation would remain the same, because the more phases, the higher the cost, and the longer the project takes**

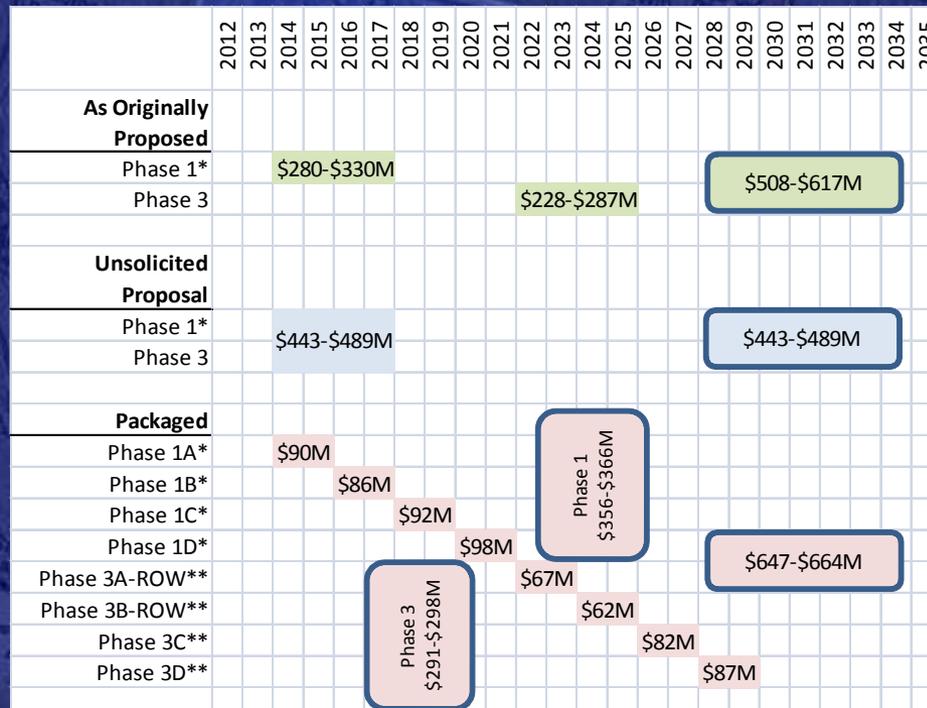
Increase temporary construction costs

Additional engineering costs

Longer impacts to traffic

Larger reduction to the yearly capital program

Safety issues due to added traffic control



*Does not include Phase 1 Engineering, ROW, and Utility costs already funded

**Based on 70% confidence, approximate costs and are not based on components constructed (further analysis necessary)

4. What is the current status of NEON including expenditures and ROW purchases?

Project NEON Estimated Costs and Expenditures to Date (in Millions)	Phase 1			Phase 3			Phase 4			Phase 5		
	HOV System Connection			Charleston Interchange			Southbound Ramp Braiding			Northbound Ramp Braiding		
	Estimated (YOE)		Expended	Estimated (YOE)		Expended	Estimated (YOE)		Expended	Estimated (YOE)		Expended
	Low	High		Low	High		Low	High		Low	High	
NEPA and Preliminary Engineering**	\$ 11.8	\$ 31.7	\$ 6.7	\$ 4.5	\$ 15.0	\$ 3.2	\$ 4.9	\$ 15.4	\$ 3.2	\$ 7.2	\$ 22.8	\$ 4.8
Engineering (Final Design)	\$ 21.0	\$ 25.8	\$ 9.6	\$ 7.3	\$ 9.2		\$ 7.6	\$ 9.6		\$ 11.0	\$ 13.9	
Right of Way	\$ 89.3	\$ 139.2	\$ 54.2	\$ 88.2	\$ 116.8		\$ 23.9	\$ 33.8		\$ 89.0	\$ 127.1	
Utilities	\$ 14.9	\$ 21.5		\$ 9.4	\$ 13.1		\$ 11.0	\$ 11.3		\$ 13.2	\$ 14.9	
Construction	\$ 294.1	\$ 316.7		\$ 113.5	\$ 150.4		\$ 121.6	\$ 154.0		\$ 180.7	\$ 228.4	
CM	\$ 27.7	\$ 31.5		\$ 9.9	\$ 12.2		\$ 10.4	\$ 12.8		\$ 15.0	\$ 18.4	
Totals	\$ 458.8	\$ 566.4	\$ 70.5	\$ 232.8	\$ 316.7	\$ 3.2	\$ 179.4	\$ 236.9	\$ 3.2	\$ 316.1	\$ 425.5	\$ 4.8

85% Confidence from March 2011 Cost Risk Assessment

**The costs expended were distributed by a percentage of total construction costs.

\$5.1M was expended on the NEPA process and Preliminary Engineering for Phase 2 (local access).

4. *What is the current status of NEON including expenditures and ROW purchases?*

Phase 1 ROW Status	
Parcels Identified	48
Parcels Acquired	19
Parcels Referred to Condemnation	8
Parcels in Process	21
Estimated Total Cost for ROW and Utilities	\$104M -\$161M
Cost to Date for ROW and Utilities	\$54.2M

5. How will NEON as an availability payment concession affect our overall program?

- **Is Project NEON as a P3 availability payment affordable?**
 - **The answer is YES**
- **In extracting an average Capital Program, the NDOT average has been \$378 Million expended per year**

NDOT does not make a payment until the facility is open, allowing other projects to be funded

Excludes one shot or non-traditional funding sources, such as LVCVA, AB 595, and ARRA funding



5. How will NEON as an availability payment concession affect our overall program?

- That average can be maintained with some inflation while still maintaining an acceptable Highway Fund balance.

Highway Fund Revenues and Expenditures	5-Yr Average						Start of Availability Payment Debt					
	Less 1-Shots											
	2007-2011	FY 2012	FY 2013	FY 2014 EST	FY 2015 EST	FY 2016 EST	FY 2017 EST	FY 2018 EST	FY 2019 EST	FY 2020 EST	FY 2021 EST	FY 2022 EST
Beginning Balance	329,298,400	272,920,966	85,810,453	62,708,315	79,848,937	101,874,250	123,423,625	108,036,954	91,631,024	93,357,813	92,169,472	94,173,565
Gas Tax Estimates			184,324,989	184,785,802	185,709,731	187,566,828	189,442,496	191,336,921	195,163,660	200,042,751	205,043,820	210,169,916
Special Fuel Estimates			77,932,451	78,127,282	78,517,919	79,303,098	80,096,129	80,897,090	82,515,032	84,577,908	86,692,356	88,859,665
Other State User Revenue			157,672,552	158,066,733	158,857,067	160,445,637	162,050,094	163,670,595	166,944,007	171,117,607	175,395,547	179,780,436
Total State User Revenue	434,213,592	419,929,992	419,929,992	420,979,817	423,084,716	427,315,564	431,588,719	435,904,606	444,622,699	455,738,266	467,131,723	478,810,016
Federal Aid	298,568,658	388,818,573	480,538,458	320,000,000	320,000,000	320,000,000	320,000,000	320,000,000	320,000,000	320,000,000	320,000,000	320,000,000
Misc. Revenue & Receipts	139,268,536	158,005,574	86,635,135	111,741,487	112,858,902	113,987,491	115,127,366	116,278,639	117,441,426	118,615,840	119,801,998	121,000,018
Total Revenue & Receipts	872,050,785	966,754,140	987,103,585	852,721,304	855,943,618	861,303,054	866,716,085	872,183,246	882,064,124	894,354,106	906,933,721	919,810,034
NDOT Capital Program	378,205,804	714,737,850	562,783,470	390,000,000	390,000,000	390,000,000	390,000,000	390,000,000	380,000,000	390,000,000	410,000,000	430,000,000
Other NDOT EXP	211,493,627	193,479,235	199,515,919	205,501,397	208,583,918	211,712,676	214,888,366	218,111,692	221,383,367	224,704,118	228,074,680	231,495,800
Total NDOT Expenditure	589,699,430	908,217,085	762,299,389	595,501,397	598,583,918	601,712,676	604,888,366	608,111,692	601,383,367	614,704,118	638,074,680	661,495,800
DMV & DPS yrly Expenditure	173,588,133	160,777,631	162,855,524	165,298,357	167,777,832	170,294,500	172,848,917	175,441,651	178,073,276	180,744,375	183,455,540	186,207,374
Other Appropriations	4,610,792	4,370,224	4,750,200	4,892,706	5,039,487	5,190,672	5,346,392	5,506,784	5,671,987	5,842,147	6,017,411	6,197,934
Bond Sinking Fund	84,647,051	80,499,712	80,300,611	69,888,222	62,517,069	62,555,831	62,564,081	62,618,361	57,836,634	56,412,585	39,069,785	25,668,050
Yearly Availability Payments	0	0	0	0	0	0	36,455,000	36,910,688	37,372,071	37,839,222	38,312,212	38,791,115
Total Expenditures	852,545,407	1,153,864,652	1,010,205,724	835,580,681	833,918,306	839,753,679	882,102,757	888,589,176	880,337,335	895,542,446	904,929,628	918,360,272
Yearly Highway Fund Balance	348,803,779	85,810,453	62,708,315	79,848,937	101,874,250	123,423,625	108,036,954	91,631,024	93,357,813	92,169,472	94,173,565	95,623,327

5. *How will NEON as an availability payment concession affect our overall program?*

- Including the availability payment, NDOT is projected to maintain over \$90M in the Highway Fund
- This meets the Highway Fund cash flow needs while maintaining an average annual Capital Program of \$390M

O&M costs paid in the availability payment could reduce District costs by approximately \$4.3M per year

Will be open to consideration of a Design, Build, Finance without the Operate and Maintain option

6. *What is the decision that the Board needs to make?*

■ The Board has three options

- **Reject the unsolicited proposal**
- **Accept the unsolicited proposal**
- **Solicit for competitive proposals (recommended)**

Rejecting the proposal ends the process.

Accepting the proposal begins negotiations with the unsolicited proposer.

Solicitation encourages competitive proposals from many providers.

7. What are our risks and rewards in moving forward with RFP development?

■ Primary Risk with moving forward with RFP development

- **Consultant RFP development costs (legal & financial) - approximately \$3 Million would be unrecoverable**

■ Primary Reward with moving forward with RFP

- **Secure competitive proposals to verify ultimate affordability and states desire to proceed with Project NEON**

Development of Phases 1 and 3 as proposed:

\$530M in economic boost

Creates an estimated 4,100 jobs

Reduces traffic impacts for 270,000 vehicles per day

Saves \$80 to \$100 million in temporary construction costs

7. *What are our risks and rewards in moving forward with RFP development?*

■ Anticipated Schedule for Procurement Process

Task	Duration	Estimated Completion	
Procure Legal and Financial Advisors	4 months	02/2013	Stage 1
Prepare RFQ	3 months	05/2013	
Advertise RFQ and Short List Proposals/Prepare Draft RFP	4 months	09/2013	
Industry Review (Draft RFP)*	3 months	12/2013	
Advertise RFP, evaluate proposals, and select finalist*	5 months	05/2014	Stage 2
Contract Negotiations and Award*	3 months	08/2014	

*Transportation Board Approval Needed to Advance

■ Additional Costs for Stage 2 of the Procurement

- Consultant Costs (Legal and Financial) approximately \$3M
- Stipends – \$700k - \$1.5M per proposer

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■ **Recommending Board** **Approval to Proceed with** **Development of Procurement** **Documents for Phases 1 & 3** **for Project NEON**

NDOT will return to the Board with:

The RFP for approval

The identified shortlist of proposers

A more complete financial outlook including remaining costs to complete the procurement

Project Updates at each of the monthly Board Meetings