

Los Angeles County  
Metropolitan Transportation Authority

# Metro's Public-Private Partnership Program

Alternative Project Delivery



**Metro**

# Public-Private Partnership

- A collaboration between a public agency and private sector, sharing risks and rewards
  - Private sector provides private sources of equity and debt to finance design and construct project
  - Debt and investment returns paid over time as revenues become available – Allows accelerated delivery of projects
- **Projects with greatest likelihood of success:**
  - Clearly defined (i.e., draft EIR/EIS), high-priority project with demonstrated public sector commitment
  - Fair risk allocation between public/private sectors
  - Transparent, well-defined procurement process, experienced public sector staff



# No Free Money

- Many projects may need some public funding support in addition to user-based revenue to repay equity and debt
- PPPs are a financing and procurement approach, not a substitute for funding - however
  - May increase or provide finance capacity by accessing new private capital sources, and may reduce costs



# Metro's PPP Program Objectives

- **Accelerating project delivery**
- **Leveraging local revenue and federal funds**
- **Creating regional jobs**
- **Delivering Projects to the Public Sooner**



# PPP Program Objectives

- **Reducing costs through contracting and construction efficiencies**
  - More contractor scrutiny:
    - Lender and equity participation creates additional motivation for project completion, as this triggers disbursements
  - Through appropriate risk transfer to private sector, the ultimate risk-adjusted cost can be lower than if public sector funded and developed the project itself



# Project Delivery Determination

- PPP evaluation is step by step process. Move to next step if current effort shows positive results
- Strategic analysis and business case development precede decision
- Capital costs, O&M costs, lifecycle performance and public funding are integral elements in delivery assessment
- Calculation and comparison of *value-for-money* between public (traditional) delivery and proposed PPP delivery is required

**Which approach provides best value?**

# Current PPP Program Status

- Seven projects Board-authorized for PPP
- Initial project (ARTI) currently in procurement phase
  - Three projects will have draft EIS/Rs available in 2014:
    - SR-710 North Gap, High Desert Multipurpose Corridor, I-710 South Freight Corridor
  - At least three other projects could be advanced within the next year with environmental clearance as a part of the scope:
    - Sepulveda Pass Transit Corridor and possible LAX and San Fernando Valley connections

