SUBJECT: PUBLIC PRIVATE PARTNERSHIP PROGRAM (P3) FOR TRANSPORTATION INFRASTRUCTURE IN LOS ANGELES COUNTY

ACTIONS: ADOPT AN UNSOLICITED PROPOSAL POLICY FOR THE P3 PROGRAM AND RECEIVE AND FILE SUMMARIES OF METRO’S P3 PROGRAM ACTIVITIES

RECOMMENDATIONS

A. Adopt the P3 Unsolicited Proposal Policy (Attachment A);
B. Receive and file the Status Report on Metro’s P3 Program to Date (Attachment B);

and,

C. Receive and file the summary of Metro’s Public-Private Partnership (P3) Roundtable event (Attachment C).

ISSUE

In February 2014, the Metro Board of Directors approved motion #66.1 found in Attachment D. The motion required staff, in part, to conduct the P3 Roundtable meeting that was held on May 13, 2014 and summarized in Attachment C. One of the outcomes of the Roundtable meeting was the need for an Unsolicited Proposal Policy for the P3 Program. The recommended P3 Unsolicited Proposal Policy, taking into consideration Caltrans’ and other similar policies as well as FTA guidelines on unsolicited proposals, can be found in Attachment A.

In March 2014, the management of the P3 program transitioned from the Chief of Real Property Management and Development to the Managing Executive Officer of Planning, Programming, and Grants Management. In May of 2014, the Metro Board approved a new Executive Officer position for the Public Private Partnership program. That position is now posted and is open until filled. The P3 management transition made this an opportune time for a status report to date on the program, as shown in Attachment B.
DISCUSSION

P3 Unsolicited Proposal Policy

One of the inherent advantages of an active P3 program is allowing private-sector contractors to offer unsolicited proposals directly to Metro. The private sector often has innovative solutions that can be adapted to Metro’s needs, and many of these solutions can save taxpayer dollars while accelerating project delivery. The P3 Roundtable event led to our recognition that a comprehensive unsolicited proposal policy for the P3 program would be advisable. Specifically, it was noted that Metro’s current Procurement Policy does not encourage unsolicited proposals. A draft policy was circulated to the P3 Roundtable participants for their review and input. After reviewing industry comments a revised Policy (Attachment A) was developed to address industry concerns and create a policy statement that is distinct from the current Procurement Policy on unsolicited proposals. This new Policy will create a pathway for unsolicited proposals to be evaluated by Metro staff for P3 delivery. Upon approval of the Policy, staff will develop detailed procedures on the evaluation and disposition of unsolicited proposals.

Based on best practice research and discussions with Caltrans and other governmental entities, Metro staff believes unsolicited proposals can lead to more innovative approaches which will in-turn reduce costs and result in best value delivery for Los Angeles County projects. Even if an unsolicited proposal is not accepted, it may provide Metro Board and staff additional ideas of where private sector interest may be available and it may serve as a catalyst to help Metro identify other solutions that are more economically feasible or more aligned with the public interest in transportation infrastructure and services. Additionally, the information that is generated from unsolicited proposals comes at no cost to Metro. The private sector can submit proposals offering innovative ways to deliver transportation projects across a variety of modes including roads, subway, rail, active transportation, and parking. Unsolicited proposals can also include more efficient alternatives to manage existing transportation-related services and programs.

Public Private Partnership Program Status Report

In April 2009, InfraConsult was awarded a contract for program development and project screening to identify candidate projects for Metro’s P3 program. The initial screening included 81 Long Range Transportation Plan/Measure R projects. The criteria required extensive data collection, Metro staff interviews, and analysis of projects that were incorporated into a readiness assessment. The readiness assessment that followed identified 14 high potential candidates which were further narrowed down to six. Those six projects were selected for further evaluation and analyzed in separate business plan reports. We continue to evaluate potential projects using P3 delivery methods and we are actively pursuing four P3 projects: High Desert Multi-Purpose Corridor, Sepulveda Pass Corridor, I-710 South, and SR 710 North. Attachment B is summary of the work to date on the P3 program.
Public Private Partnership Roundtable

Metro CEO Art Leahy was joined by Metro Chair Diane DuBois and Metro Board Members Supervisor Michael Antonovich and Mayor Eric Garcetti for a P3 Roundtable event hosted by Metro on May 13, 2014. The focus of the event was transportation projects in Los Angeles County and Metro’s role in leading the development of P3 strategies. The event was attended by industry leaders from engineering, environmental, finance, construction, legal and government sectors along with Metro executive staff, and the public. Please see Attachment C for a summary of the event and a response to each of the Metro Board’s expectations for the successful event.

DETERMINATION OF SAFETY IMPACT

The actions requested will have no impact on MTA’s established safety standards.

FINANCIAL IMPACT

There is no immediate financial impact to receiving and filing this report and adopting an unsolicited proposal policy.

ALTERNATIVES CONSIDERED

The Board could defer the adoption of the P3 Unsolicited Proposal Policy, but we do not recommend doing so as it would provide us with no direction as to how to respond to such a proposal if one were offered. Also, the existence of the policy might encourage proposers to team-up and offer creative solutions to some of our most difficult mobility challenges.

NEXT STEPS

Staff will report back to the Board periodically to provide an update on our progress.

ATTACHMENTS

Attachment A: Unsolicited Proposal Policy – Public Private Partnership and Joint Development Projects
Attachment B: Status Report on Metro’s P3 Program
Attachment C: P3 Program Update in Response to the February 2014 Metro Board Action Outlined in Motion #66.1
Attachment D: February 2014 Metro P3 Board Motion, #66.1

Prepared by: Mark Linsenmayer, Transportation Planning Manager, Public-Private Partnership Program, (213) 922-2475
David Yale, Managing Executive Officer, Planning, Programming, and Grants Management, (213) 922-2469
Unsolicited Proposals – Public Private Partnership

Policy

LACMTA (Metro) permits the acceptance of unsolicited proposals from the private sector for Public Private Partnership Projects. A proposal submittal by a party ("Proposal") that conforms to the statutory authority, regulations, and mission of Metro with respect to a project which has not been initiated by Metro is considered an “Unsolicited Proposal”. Each Unsolicited Proposal must include, among other requirements, a conceptual, technical, and financial proposal. Upon receipt of an Unsolicited Proposal, Metro will make a preliminary determination of the merits of the Unsolicited Proposal and whether such proposal can be accepted without competition (subject to an approved non-competitive justification memo) or that a reasonable opportunity is afforded other entities to submit competing proposals for consideration.

Costs Incurred

All costs incurred by the Proposer in preparing and submitting an Unsolicited Proposal will be borne solely and completely by the Proposer. Under no circumstances will Metro, the Metro Board of Directors or any of their agents, representatives, consultants, directors, officers, or employees be responsible for, or otherwise obligated to reimburse, the costs incurred by the Proposer in preparing and submitting an Unsolicited Proposal, whether or not the Proposer is ultimately selected to develop the proposed project ("Proposed Project").

Preliminary Evaluation

Unlike a Solicited Proposal where Metro defines a project and establishes project parameters, the definition of a Project through an Unsolicited Proposal is initially established by the Proposer. As a result, a preliminary evaluation of the Proposal by Metro will be made to determine if:

- The Project is consistent with the mission of Metro and, as such, is of value to Metro
- The Proposer is qualified to execute the Project if awarded
- The Proposed Project has a reasonable probability of being successful as a Public Private Partnership Project
- The Proposed Project is such that a reasonable opportunity to receive other competing proposals exists and an open solicitation can be conducted or;
- The Unsolicited Proposal offers innovative and/or unique characteristics such that the Proposed Project qualifies for acceptance (subject to approval of a non-competitive justification memo) without competition

The burden is on the Proposer to demonstrate these attributes to Metro.

Should the preliminary evaluation determine that the Proposed Project offers a reasonable opportunity for competition and an open solicitation can be conducted, the Unsolicited Proposal, without further analysis, shall be returned to the Proposer thereby allowing the
Proposer to respond to a future solicitation, thereby limiting concerns about violating rules regarding Organizational Conflict of Interest.

Subject to a preliminary evaluation fee, Metro will conduct the preliminary evaluation within 120 days of receipt of the Unsolicited Proposal. Should Metro determine that the Unsolicited Proposal qualifies for acceptance without competition; a more detailed evaluation will be conducted by Metro. Costs for the detailed evaluation will be based on the complexity and estimated cost of the Project.
Los Angeles County Metropolitan Transportation Authority

Public-Private Partnership Program Status Report

June 2014
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Public Private Partnership Status Report

Executive Summary

June 2014

Beginning in 2009 and continuing into 2010, a Strategic Public Private Partnership (P3) program was developed for Los Angeles County transportation infrastructure. This report summarizes the use of approximately $28 million to develop the P3 program since 2009. Preliminary screening of 81 Long Range Transportation Plan and Measure R projects by an advisory consulting team utilizing criteria developed with and approved by the Los Angeles County Metropolitan Transportation Authority (Metro). The criteria required extensive data collection, Metro staff interviews, and analysis of projects. The readiness assessment identified 14 high potential candidates which were further narrowed down to six projects selected for initial analysis:

- Crenshaw/LAX
- Regional Connector
- Westside Subway Extension
- State Route 710 North
- Interstate 710 South
- High Desert Corridor

Three additional projects have been added since the preliminary screening process. The Sepulveda Pass Corridor was included in the list of projects for consideration using P3 delivery in 2011. In April 2012 the Accelerated Regional Transportation Improvements (ARTI) package of six separate project elements was approved for development using P3 delivery. In May 2014 the procurement was cancelled with a notification to the Metro Board via Board Box on May 8, 2014. Approximately half of the total $28 million cost of the P3 program to date, or about $14 million, was spent preparing ARTI for P3 delivery. That preparatory work can be used, in part, on the component parts of the ARTI project, including Interstate 5 North ExpressLanes, as we pursue alternative approaches on the now separate projects.

The Strategic Assessment Report and recommendations for business case development of the six projects selected for additional review was delivered in February 2011. This P3 Status Report outlines the results of the initial screening, the detailed strategic analysis, and the status of the potential P3 projects. Four of those projects are still under consideration for evaluation as P3 projects, as follows:

- State Route 710 North
- Interstate 710 South
- High Desert Corridor
- Sepulveda Pass

Going forward, the P3 program is not limited to these four projects – new ideas are being considered as they arise. Draft business plans have been prepared for three of the four projects (SR 710 North, I-710 South and High Desert Multi-Purpose Corridor). The Sepulveda Pass is currently undergoing additional analysis to better identify its revenue potential and suitability for P3 delivery. A P3 Roundtable event was held in May 2014 at which these four projects were showcased. In July 2014, the Metro Board will be considering an unsolicited bid policy for P3 ideas that might be presented by the private sector going forward.
<table>
<thead>
<tr>
<th>Phase/Project</th>
<th>SR 710 &quot;Gap&quot; Closure</th>
<th>I-710 S. Freight Corridor</th>
<th>High Desert Multi-Purpose Corridor</th>
<th>Sepulveda Pass</th>
<th>I-5 North Express Lanes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Status</strong></td>
<td>Draft Business Plan submitted in June 2012. Some alternatives are recommended for P3 Delivery. Preliminary cost information presented to Board in February 2011.</td>
<td>Draft Business Plan submitted in June 2012. Recommended as Availability Payment P3 if additional public funding needs can be identified for the full scope of the project to be feasible.</td>
<td>Draft Business Plan submitted in August 2012. May be combined with Express West High-Speed Rail and green energy technologies to go forward as a potential P3 multimodal, multi-purpose High Desert Multi-Purpose Corridor. Additional public funding is needed.</td>
<td>Concept conceived and White Paper submitted in June 2011. Metro Planning study completed in September 2012. Metro Industry Forum held in May 2013. Request for information responses received from 18 potential developers. Board approved project for delivery under a pre-development agreement (PDA). Stated Preference Survey development underway, to be conducted in Summer 2014.</td>
<td>I-5 North Express Lanes and pavement rehabilitation to proceed as a distinct project. See companion chart for more information.</td>
</tr>
<tr>
<td><strong>Decision Milestones</strong></td>
<td>Toll concession with toll revenue risk recommended. Undergoing environmental clearance. Draft EIR/EIS anticipated in February 2015.</td>
<td>Projected defined as truck-only toll facility. Undertaken as a P3 using availability payments. Undergoing environmental clearance.</td>
<td>Preliminary models suggest insufficient toll revenues to cover funding gap. Currently undergoing environmental clearance. TIGER Grant application submitted in April to fund further traffic, ridership and revenue studies. Award notice expected in September 2014.</td>
<td>Full revenue-risk concession possible. Transit/toll road alternative as tunnel could be initiated pre-environmental completion using a pre-development agreement model.</td>
<td>Legislative approval is necessary to obtain state highway tolling authority. Preparation of DB documents to proceed.</td>
</tr>
<tr>
<td><strong>Evaluation</strong></td>
<td>Business Plan suggests DBFOM will be successful owing to strong toll revenues; recommended for full or partial revenue risk P3.</td>
<td>Recommended for partially subsidized viaduct to support a truck bypass along the I-710. Includes incentives for Zero Emission trucks. Availability model P3.</td>
<td>Could be developed using an availability payment approach if $1.5 to $2.3 billion in additional public funds can be identified.</td>
<td>Board approved moving forward with a pre-development agreement in December 2012.</td>
<td>Will continue as DB for I-5 express lanes with public funding and Metro led TIFIA financing.</td>
</tr>
<tr>
<td><strong>Recommendation</strong></td>
<td>Viability of light rail alternative being evaluated. Two single bore tunnels being considered.</td>
<td>Public funding is currently insufficient for this concept. A reduced scope is being considered.</td>
<td>Funding gap could be covered by federal investment as well as by revenues generated from the development of a renewable energy corridor.</td>
<td>Stated preference survey underway to help determine revenue potential.</td>
<td>Metro TIFIA loan manageable, Measure R money sufficient, risk manageable, back office/CS functions retained by Metro, Caltrans partner. Need agreement on use of toll revenues.</td>
</tr>
<tr>
<td><strong>Future Development</strong></td>
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</tr>
<tr>
<td>Constraints</td>
<td>Local environmental concerns continue.</td>
<td>Funding gap.</td>
<td>Funding gap.</td>
<td>Still conceptual. No traffic and revenue study undertaken to date.</td>
<td>Toll authority needed.</td>
</tr>
<tr>
<td><strong>Invoiced Amount</strong></td>
<td>$2,546,778</td>
<td>$1,842,907 (EIS) $335,730 (Early Action) $2,678,637 (Total)</td>
<td>$2,039,586</td>
<td>$444,227</td>
<td>Included in ARTI, see page 28</td>
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</tbody>
</table>
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## Countywide Analysis

The P3 Program evaluated 81 projects included in Measure R or Metro’s draft 2008 Long Range Transportation Plan (LRTP). The analysis appraised project readiness, risk factors that could affect project delivery and delivery approach (whether delivery could be design-build, with or without private financial participation. The project delivery approach weighed factors including project scale, scope, characteristics, and development potential. The Team conducted a project screening, which resulted in the identification of seven transit and seven highway projects for continued consideration of P3. Six projects were selected for further analysis based on various factors, including modal equity, geographic equity, P3 delivery model equity and financing options. The projects included the following: I-710 South Freight Corridor; SR 710 “Gap” Closure; High Desert Multi-Purpose Corridor; Crenshaw/LAX Transit Corridor; Regional Connector; and Metro Purple Line Westside Subway Extension.

A strategic assessment was conducted including developing a business case to determine value for money, life cycle cost factors, and project attributes most promising for attracting private investment and/or risk sharing. The risks of traditional design-bid-build project delivery were assessed and compared to the risks identified with alternative project delivery methods. The evaluation included preparing risk registers and risk profiles, optimizing the projects, developing cash-flow profiles based financial analyses, refining cost and schedule estimates, and evaluating the effects on the overall program. Financial models were developed for each of the projects, including shadow bids, public sector comparators, and a first iteration of a value for money analysis. Based on this information, the six projects, or portions of projects, underwent the development of a comprehensive business plan. The resulting business plans presented the analysis and recommendations on whether and how Metro should proceed with a P3 procurement for each project. Subsequently, three additional projects were added to the program: Sepulveda Pass, and Accelerated Regional Transportation Improvements (ARTI).

<table>
<thead>
<tr>
<th>Project Cost</th>
<th>Screening Tool Only: No project cost estimates are included in this analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invoiced Amount</td>
<td>$217,020</td>
</tr>
</tbody>
</table>

### Work Completed

- Project Screening Report –Board approved six projects to Advance in October 2009
- Project Definition Reports –April 2010
- P3 Project Definition Reports –June 2010
- P3 Project Delivery Option Report (including risk) –July 2010
- Strategic Assessment (Recommendations for Business Plan Development) –February 2011

### Status

The screening, criteria development, strategic assessment, and business plan development work has been completed for the recommended projects in the 2008 LRTP and Measure R lists.

### Next Steps

The potential exists for additional P3 projects to be identified for screening and assessment, particularly potential toll projects such as expansion of the ExpressLanes network in Los Angeles County.
<table>
<thead>
<tr>
<th>Project Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>3A</td>
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<tr>
<td>3B</td>
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<tr>
<td>3C</td>
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<td>3L</td>
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<tr>
<td>3M</td>
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<tr>
<td>3N</td>
</tr>
<tr>
<td>3H</td>
</tr>
</tbody>
</table>

* Specific routing to be determined.
MEASURE R Proposed Rail and Rapid Transit Expansion

<table>
<thead>
<tr>
<th>Project Name</th>
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</thead>
<tbody>
<tr>
<td>1A</td>
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<tr>
<td>1B</td>
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<tr>
<td>1C</td>
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<tr>
<td>1D</td>
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<td>1J</td>
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<td>1K</td>
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<tr>
<td>1L</td>
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<td>1M</td>
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</tbody>
</table>

* Specific routing to be determined.
**Assumed Scope**  
(Final scope to be determined by environmental process)

The SR-710 North Gap Project will close a long-existing freeway “gap” on SR-710, south of the I-210 junction. While the Project alignment assumed in the Business Plan is derived from the “Route 710 Tunnel Technical Feasibility Assessment Report” the final environmental process must be completed before proceeding. This 4.1-mile Project alignment extends beyond the current northern terminus just north of I-10 (near the jurisdictional boundary between the Cities of Los Angeles and Alhambra), and extends under South Pasadena to the resumption of the freeway at Del Mar Boulevard (in the City of Pasadena), and then continues 0.6 miles north to the I-210 junction.

The configuration considered in the 2006 Feasibility Report consists of two (2) deep bore, large diameter tunnels. The Business Plan assumed that construction would be staged. The first phase would consist of a nominal 58-60’ bore tunnel, striped for three lanes in each direction. A small diameter pilot bore would determine the final geophysical characteristics and provide for the ventilation system as well as the emergency access. The second bore would be constructed at a point in the future when certain specified conditions relating to demand, capacity, safety and revenue were met to ultimately provide four lanes in each tunnel, for a total of eight lanes.

The Business Plan recommended a Design-Build-Finance-Operate-Maintain (DBFOM) contract for delivery of a tolled concession of this project. A decision has not yet been made regarding delivery of the project.

<table>
<thead>
<tr>
<th>Project Cost</th>
<th>The estimated project cost from the “SR 710 North Tunnel Cost Analysis” is $3.25 billion (2011 $).</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invoiced Amount</td>
<td>$2,546,778</td>
</tr>
</tbody>
</table>

**Work Completed**

- Project Screening Report – October 2009, Board approved inclusion of 710 North Gap Closure in six projects to advance
- Project Definition Report – April 2010
- P3 Project Definition Reports – June 2010
- Strategic Assessment (Recommended Business Plan Development) – February 2011
- Response to February 2011 Board questions
- Final Business Plan – August 2012
- Draft P3 Analysis of Transit Option – April 2014

**Status**

Environmental studies are underway with a Draft EIR/EIS anticipated in February 2015. There are significant local concerns about the project. The HDR | InfraConsult Team is completing an assessment of a P3 delivery of a transit alternative.

**Next Steps**

1. Selection of a locally preferred alternative.
2. Metro board decision on financial strategy and delivery method to be used.
State Route 710 North Project Corridor

Legend

- Stations

Metro Lines
- Metro Gold Line
- Metro Silver Line

Highways
- Limited Access
- Highway
- Major Road
- Local Road

Railroads

Airport Areas

National Park - Forest
- State Park or Forest
- Local Park

County Boundaries

County Areas

Rte 710 Tunnel Feasibility Technical Assessment Study Area
# Interstate 710 (I-710) Freight Corridor

**Scope**

The I-710 Freight Corridor project is one of the corridor improvements being studied by Metro for the I-710 Corridor from Long Beach to State Route 60. The proposed I-710 Freight Corridor would be a four-lane tolled roadway exclusively for trucks along a 16 mile stretch between Long Beach and Washington Boulevard in the City of Commerce. It would be a limited-access facility for trucks only, with entry and exit points located to serve only trips that traverse a substantial portion of the corridor. The Freight Corridor would provide trucks with an uncongested roadway allowing shorter travel times and a more reliable trip, free from the interference of passenger cars on the I-710 General Purpose (GP) lanes. Two tolling alternatives were evaluated: tolling only trucks using the Freight Corridor and tolling all trucks using the Freight Corridor and the parallel I-710 GP lanes.

<table>
<thead>
<tr>
<th>Project Cost</th>
<th>The estimated cost with P3 delivery between 2015 and 2021 $5.3 billion is in YOE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invoiced Amount</td>
<td>$1,842,907 (EIS); $835,730 (Early Action); $2,678,637 (Total)</td>
</tr>
</tbody>
</table>

**Work Completed**

- Project Screening Report – Oct. 2009, Board approved inclusion of 710 South Freight Corridor in six projects to advance.
- Project Definition Report – April 2010
- P3 Project Definition Reports – June 2010
- Strategic Assessment (Recommendations for Business Plan Development) – Submitted February 2011
- Alternative Toll Scenarios Forecast Results – April 2011
- Revenue forecasts for alternative tolling scenarios – January/February 2012
- Interim Design Concept for Freight Corridor north terminus – February 2012
- Design study of GP improvements to incorporate in FC project – February 2012
- Capital Cost estimates for Freight Corridor project – February 2012
- Alternative Construction Study – March 2012
- Final risk assessment - May 2012

**Status**

The revenue analysis determined that a toll concession could reduce the public funds needed to construct the project by $0.5 billion to $1.5 billion (depending on the truck tolling approach and the financing structure). With current funding of only $399 million allocated to the project from Measure R there would remain a funding gap of $3.3 billion to $4.3 billion, so substantial additional public funds would need to be secured before the project could move forward as a P3. Meanwhile, Metro’s alternatives analysis for the I-710 corridor is going through re-scoping so that a Freight Corridor may not be an element of the recommended alternative when the revised environmental document is completed.

**Next Steps**

1. Allow the 710 environmental to be completed with a ROD for a preferred project.
2. Reassess the viability and value for money of a P3 for the preferred project.
3. Identify sources of additional public funds.
**High Desert Multi-Purpose Corridor**

The High Desert Multi-Purpose Corridor (HDMC) consists of multiple components:

1. A new 50-mile freeway/tollway between State Route 14 (“SR-14”) in Palmdale and Interstate 15 (“I-15”) in Victor Valley. The freeway/tollway component of the Project is divided into three segments: West (9 miles), Central (32 miles), and East (9 miles). The East and West segments would be completed as freeways and handed over to Caltrans upon completion. The Central segment would be built and operated as a toll road and thus maintained by a concessionaire over a defined contract term.

2. A new high-speed rail corridor from the planned Regional Transportation Center in Palmdale to Victorville. The Project would provide an important link between the proposed XpressWest High-Speed Rail (HSR) line to Las Vegas and the future California HSR system.

3. A solar energy corridor potentially used to partially power HSR trains operating in the Palmdale-Victorville corridor.

The financial analysis in the Interim Business Plan for the HDMC highway component concluded that toll revenues generated by the Central Segment could cover some, but not all, of the project’s capital costs, with a subsidy of at least $1.5 billion YOE required for project development, ROW acquisition and construction. The objective of the HDMC P3 Feasibility Evaluation was to build upon the analysis in the IBP by assessing the net financial impact of adding passenger rail and other potential uses (such as energy and water conveyance) to the freeway/tollway component.

The analysis of the HDMC concluded that a single DBFOM contract for both the freeway/tollway and rail components would significantly reduce the level of subsidy required for construction. Based on these findings, a motion to include the rail corridor in the environmental/planning studies was approved by the Board in January 2013.

The estimated capital cost of the combined highway/tollway and rail corridors (HDMC) under DBFOM delivery is $5 billion in Year of Expenditure (YOE) dollars, assuming construction from FY 2016 to FY 2024 with beginning revenue operation staged from 2020 (highway) to 2025 (HSR). The capital cost of the solar energy corridor is estimated to be an additional $90 million.

**Invoiced Amount** $2,039,586

**Work Completed**
- Project Screening Report – October 2009, Board approved inclusion of HDC in 6 projects to advance
- Project Definition – April 2010
- P3 Project Definitions – June 2010
- P3 Project Delivery Option Report (including risk) – July 2010
- Strategic Assessment (Recommendations for Business Plan Development) – February 2011
- Interim Business Plan – August 2012
- HDMC P3 Feasibility Evaluation – October 2012, rec’d by Board in January 2013 and motion to include rail corridor in future High Desert studies was approved.
- HDMC Project Development Agreement Procurement Plan – Feb. 2013
- Corridor Development Roadmaps for project delivery – March 2014

**Status** Caltrans is finalizing the Draft EIR/EIS (expected in August 2014). Metro has submitted a TIGER planning grant application for further traffic, ridership and revenue studies.

**Next Steps** Await advancement of the environmental process and selection of the TIGER grantees.
High Desert Multi-Purpose Corridor
The Sepulveda Pass Transit Corridor spans a length of approximately 30 miles along the I-405 from the I-405/I-5 interchange on the northern end to LAX on the southern end. The potential multi-modal P3 project would consist of a DBFOM concession agreement comprising a high-capacity rail system and a tolled highway system. The project would provide a north-south transit connection between the San Fernando Valley and LAX, offering passenger connections to east-west transit lines already under development in Los Angeles County. It is anticipated the project would be developed in phases, with the Sepulveda Pass segment as the initial segment (refer to project map on facing page).

The project scope is intentionally broad since the proposed delivery method is through a pre-development agreement (PDA) in which the selected developer will contribute in defining the project and the phases, as well as provide engineering input to the environmental process, which could start once the project is defined.

The most likely design for the first phase will be transit and toll lanes in one or more tunnels under the Sepulveda Pass. Ten miles of transit and highway tunnel with highway connections at each end would likely be in excess of $10 billion.

<table>
<thead>
<tr>
<th>Invoiced Amount</th>
<th>$444,227</th>
</tr>
</thead>
</table>

- **Work Completed**
  - Concept developed by the P3 Team and white paper prepared – June 2011
  - Worked with Planning to develop SOW for bench planning consultants – Aug. 2011
  - Prepared scope and budget for a feasibility study – August 2011
  - Prepared reduced scope and budget for min. feasibility study – September 28, 2011
  - Prepared budget for interface with planning consultants - January 2012
  - Participated in planning teams’ kickoff meeting – January 2012
  - Prepared preliminary financial model for Sepulveda Pass P3 – February 2012
  - Participated in an all day Charrette #1 for the Sepulveda planning study – May 2012
  - Participated in an all day Charrette #2 for the Sepulveda planning study – July 2012
  - Prepared estimate of HDR/InfraConsult Team cost to issue RFIQ – October 2012
  - Prepared list of tasks, estimate schedule to get to an executed PDA – October 2012
  - Prepared estimate of Metro bench support hours needed to PDA – November 2012
  - Planned, prepared documents for and participated in an Industry Forum – May 2013
  - Prepared summary of draft responses to the Sepulveda RFI – September 2013
  - Prepared scope and budget to oversee a stated preference survey – January 2014
  - Prepared draft scope for a stated preference survey contractor – February 2014

| Status | Metro procurement has issued a RFP to its survey bench for field work on the stated preference survey. |

<table>
<thead>
<tr>
<th>Next Steps</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Complete the stated preference survey.</td>
</tr>
<tr>
<td>2. Perform a strategic assessment using costs developed in the planning study and the new revenue forecast.</td>
</tr>
<tr>
<td>3. Prepare a preliminary term sheet for a development franchise agreement.</td>
</tr>
<tr>
<td>4. Begin procurement of a developer to enter into a pre-development agreement with Metro.</td>
</tr>
</tbody>
</table>
## I-5 North ExpressLanes

The I-5 North ExpressLanes Project consists of two programmed projects, the I-5 North Capacity Enhancement Project and the I-5 North Pavement Rehab Project.

The scope of the I-5 North Capacity Enhancement Project includes designing and constructing, one High Occupancy/Toll (HOT) lane in each direction as well as an auxiliary lane at various locations from the terminus of the existing HOV lanes south of SR 14 to Parker Road. To accommodate the improvements and provide the Department's standard lane widths, outside widening of the existing I-5 will be required. This widening will include, but not be limited to, widening the existing bridge structures, constructing new and/or modifying existing retaining walls, soundwalls, grading, landscaping, ramp improvements, electrical facilities improvements/modifications, drainage facility modifications/improvements, implementing water quality best management practices, signing, pavement delineation, and utility relocations. The work will also include design, supply, installation and testing of a toll collection system compatible with that used by Metro on the I-10 and I-110 ExpressLanes.

The Pavement Rehabilitation Project scope consists of designing, reconstructing and rehabilitating the pavement within the Element limits. Lanes 3 and 4 will be fully reconstructed; lanes 1 and 2 will be rehabilitated in an appropriate manner, depending on pavement type and performance specification requirements.

<table>
<thead>
<tr>
<th>Project Cost</th>
<th>The estimated cost with DB delivery between 2017 and 2021 is $639 million in YOE</th>
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</thead>
<tbody>
<tr>
<td>Invoiced Amount</td>
<td>Included in ARTI, see page 28.</td>
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</table>

### Work Completed

- Prepared draft list of actions needed to deliver I-5 North as a "public-public partnership"—April 2014
- Assessed potential for ARTI technical documents to be used for I-5 North project development—April 2014

### Status

Work proceeding through Metro procurement.

### Next Steps

1. Metro and Caltrans to finalize an amendment to an existing agreement which clearly spells out roles and responsibilities for delivering the I-5 North Project.
2. Secure toll and bonding authority in Senate Bill 1298 (SB 1298).
3. Prepare CTC allocation for I-5 North Project.
5. Prepare TIFIA letter of interest for the I-5 North Project.
6. Prepare I-5 North DB procurement documents.
**LA METRO P3 PROGRAM — STATUS**  
Report By Project  
Projects Evaluated and No Longer Under Consideration For P3 Development

<table>
<thead>
<tr>
<th>Phase/Project</th>
<th>Westside PLE</th>
<th>Regional Connector</th>
<th>Crenshaw/LAX LRT</th>
<th>ARTI</th>
</tr>
</thead>
</table>
| Status        | Strategic Analysis submitted  
February 2011; Business Plan was submitted in January 2012 and recommended two (2) contracts: DB of the tunnels and DBFM of the stations, track and systems. The Board approved DB project delivery and split the project into multiple segments; P3 file closed. | Strategic Analysis submitted  
February 2011; Business Plan was submitted in January 2012 and recommended DB delivery due to interline constraints on O&M. The Board approved DB project delivery; P3 file closed. | Strategic Analysis submitted Feb 2011. Business Plan submitted January 2012. Recommended full DBFOM to include O&M of the existing Green Line. If full O&M not feasible, then DB delivery was a secondary recommendation. The Board approved DB project delivery; P3 file closed. | Developed package of five projects as P3 including soundwalls, I-5 North ExpressLanes, pavement rehab and SR 71 Gap. Subsequently, bundled procurement was cancelled. I-5 North ExpressLanes and pavement rehab to proceed as DB. Other ARTI elements to go forward as individual projects. |
| Decision Milestones / Evaluation | N/A | The project is underway as a DB project. | The project is underway as a DB project. | Express lanes concept viable. 
Bundle may divert tolls from I-5 Corridor. 
Environmental clearances complete. |
| Recommendation | N/A | N/A | N/A | Will continue as DB Projects with public funding. |
| Future Development | No future development related to the P3 Program. | No future development related to the P3 Program. | No future development related to the P3 Program. | Projects are to be delivered as design-build, or design-bid-build projects. |
| Constraints | N/A | N/A | N/A | N/A |
| Invoiced Amount | $1,592,288 | $1,736,060 | $1,828,004 | $14,619,501 |
### Metro Purple Line Extension Westside Subway Extension

The Metro Purple Line Westside Subway Extension is a 9.4 mile extension of an existing heavy rail subway line from Wilshire/Western station to the Westwood/VA station. It includes seven new stations in twin bore tunnels. The purpose of the project is to address the mobility needs of residents, workers, and visitors traveling to, from and within the highly congested Westside Extension Corridor by providing faster and more reliable high-capacity public transportation than the existing services. It is being designed and built in three phases: Phases 1 and 2 are being procured as Design-Build projects and are underway; Phase 3 delivery method has not yet been identified.

The project was identified as one with potential for Private Financial Participation during the initial project screening process (one of the fourteen recommended for further study). It was then selected as one of the six final projects recommended for Strategic Assessment and Business Case development. In the Business Case, the Project was recommended for two contracts: a single Design-Build (DB) contract for the design and construction of tunnels and station boxes and a separate, single Design-Build-Finance-Maintain (DBFM) contract for the design, construction and maintenance of stations, track, systems and systems integration. The DBFM contract would include responsibility for routine maintenance, preventive maintenance and replacement of signals and systems for a 30-year period. After discussion with Metro regarding maintaining the tunnels and stations, and specifically how the P3 Partner would access the tunnels, the recommendation was made to utilize Design-Build as the delivery method. At the September 2012 Board meeting, the Board approved a DB delivery method.

<table>
<thead>
<tr>
<th>Scope</th>
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<tbody>
<tr>
<td>The Metro Purple Line Westside Subway Extension is a 9.4 mile extension of an existing heavy rail subway line from Wilshire/Western station to the Westwood/VA station. It includes seven new stations in twin bore tunnels. The purpose of the project is to address the mobility needs of residents, workers, and visitors traveling to, from and within the highly congested Westside Extension Corridor by providing faster and more reliable high-capacity public transportation than the existing services. It is being designed and built in three phases: Phases 1 and 2 are being procured as Design-Build projects and are underway; Phase 3 delivery method has not yet been identified.</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Project Cost</th>
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<tbody>
<tr>
<td>The estimated cost with DB delivery between 2014 and 2035 (3 phases) is $6.3 billion.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Invoiced Amount</th>
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<tbody>
<tr>
<td>$1,592,288</td>
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</table>

<table>
<thead>
<tr>
<th>Work Completed</th>
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</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>- Project Screening Report — Submitted October 2009, Board approved inclusion of Westside in the initial group of six projects to advance.</td>
</tr>
<tr>
<td>- Project Definition — April 2010</td>
</tr>
<tr>
<td>- P3 Project Definitions — June 2010</td>
</tr>
<tr>
<td>- P3 Project Delivery Option Report (including risk) — July 2010</td>
</tr>
<tr>
<td>- Strategic Assessment (Recommendations for Business Plan Development) — Submitted February 2011</td>
</tr>
<tr>
<td>- Business Plan — January 2012</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Status</th>
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</thead>
<tbody>
<tr>
<td>Following the Board’s decision to deliver the project as a DB, the P3 Program Team’s involvement in the project ended.</td>
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<table>
<thead>
<tr>
<th>Next Steps</th>
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</thead>
<tbody>
<tr>
<td>At this point, the P3 file on this project has been closed.</td>
</tr>
</tbody>
</table>
### Regional Connector

**Scope**
The Regional Connector Project is a 1.9 mile direct light rail link between the Metro Gold Line, the Metro Blue Line, and the Metro Expo Line terminus. It includes three new stations in a tunnel located entirely in downtown Los Angeles. The purpose of the project is to improve access to both local and regional destinations by providing continuous thru service between Azusa and Long Beach as well as between East Los Angeles and Santa Monica without needing to transfer lines.

The project was identified as one with potential for Private Financial Participation during the initial project screening process (one of the fourteen recommended for further study). It was then selected as one of the six final projects recommended for Strategic Assessment and Business Case development. In the Business Case, the project was recommended for Design-Build delivery due to the nature of the project: it interlines with two existing light rail lines and thus the segregation of Operations and Maintenance activities would be difficult for a P3 Partner. The Board approved a DB delivery method and issued an RFQ in August 2012.

<table>
<thead>
<tr>
<th>Project Cost</th>
<th>The estimated cost with DB delivery between 2014 and 2020 is $1.427 billion.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invoiced Amount</td>
<td>$1,736,060</td>
</tr>
</tbody>
</table>

**Work Completed**
- Project Screening Report – Submitted October 2009, Board approved inclusion of Regional Connector in 6 projects to advance.
- Project Definition – Submitted April 2010
- P3 Project Definitions – Submitted June 2010
- P3 Project Delivery Option Report (including risk) – Submitted July 2010
- Strategic Assessment (Recommendations for Business Plan Development) – Submitted February 2011
- Business Plan – Submitted January 2012

**Status**
Following the Board’s decision to deliver the project as a DB, the P3 Program Team’s involvement in the project ended.

**Next Steps**
The P3 file on this project has been closed.
## Crenshaw / LAX Transit Project

The Crenshaw/LAX Transit Project is an 8.5 mile light rail line connecting the existing Metro Expo and Metro Green Lines. It includes eight new stations and consists of a combination of aerial, below-grade and at-grade segments. The purpose of the project is to deliver an alternative transportation option to congested roadways in addition to providing significant environmental benefits, improved economic development and increased employment opportunities throughout Los Angeles County.

The project was identified as one with potential for Private Financial Participation during the initial project screening process (one of the fourteen recommended for further study). It was then selected as one of the six final projects recommended for Strategic Assessment and Business Case development.

Initially, the Team recommended a Design-Build-Finance-Operate-Maintain (DBFOM) contract with operation of the existing Metro Green Line assumed by the P3 Partner as well. Following further analysis, it became apparent that potential P3 Partners could develop concerns regarding taking on the Metro Green Line State of Good Repair, and that while Metro could conceivably delegate operations to a third party, it might impact the Crenshaw schedule. Therefore, in the Business Case, the project was recommended for Design-Build delivery. The Board approved a DB delivery method and construction began in January 2014.

### Scope

The Crenshaw/LAX Transit Project is an 8.5 mile light rail line connecting the existing Metro Expo and Metro Green Lines. It includes eight new stations and consists of a combination of aerial, below-grade and at-grade segments. The purpose of the project is to deliver an alternative transportation option to congested roadways in addition to providing significant environmental benefits, improved economic development and increased employment opportunities throughout Los Angeles County.

### Cost

The estimated cost with DB delivery between 2014 and 2019 is $2.058 billion.

### Invoiced Amount

$1,828,004

### Work Completed

- Project Screening Report – Submitted October 2009, Board approved inclusion of Crenshaw/LAX Transit Corridor in 6 projects to advance.
- Project Definition – Submitted April 2010
- P3 Project Definitions – Submitted June 2010
- P3 Project Delivery Option Report (including risk) – Submitted July 2010
- Strategic Assessment (Recommendations for Business Plan Development) – Submitted February 2011
- Business Plan – Submitted January 2012

### Status

Following the Board’s decision to deliver the project as a DB, the P3 Program Team’s involvement in the project ended. The project broke ground in January 2014 and is currently under construction.

### Next Steps

The P3 file on this project has been closed.
The Accelerated Regional Transportation Improvements (ARTI) Project consisted of six project elements with programmed funding over the next 25 years. All project elements are environmentally cleared. Based on the schedule of funding in Metro's LRTP, completion of all the projects is anticipated by 2040. The ARTI Project was proposed as a design-build-finance-operate-maintain (DBFOM) approach under California's public-private partnership (P3) program as a way to deliver the projects earlier than currently assumed. The ARTI project assumed Metro paid insurance, operations and maintenance of a 14-mile segment of I-5 between SR 14 and Parker Road, including a new HOT lane to be built as part of the ARTI Project. The six elements of the ARTI project were: 1) I-5 North Capacity Enhancement Project (including the HOT lanes), 2) I-5 North Pavement Rehab, 3) SR 71 Gap - Northern Segment, 4) SR-71 Gap - Southern Segment, 5) Soundwall Package 10, and 6) Soundwall Package 11.

| Scope | The Accelerated Regional Transportation Improvements (ARTI) Project consisted of six project elements with programmed funding over the next 25 years. All project elements are environmentally cleared. Based on the schedule of funding in Metro's LRTP, completion of all the projects is anticipated by 2040. The ARTI Project was proposed as a design-build-finance-operate-maintain (DBFOM) approach under California's public-private partnership (P3) program as a way to deliver the projects earlier than currently assumed. The ARTI project assumed Metro paid insurance, operations and maintenance of a 14-mile segment of I-5 between SR 14 and Parker Road, including a new HOT lane to be built as part of the ARTI Project. The six elements of the ARTI project were: 1) I-5 North Capacity Enhancement Project (including the HOT lanes), 2) I-5 North Pavement Rehab, 3) SR 71 Gap - Northern Segment, 4) SR-71 Gap - Southern Segment, 5) Soundwall Package 10, and 6) Soundwall Package 11. |
| Project Cost | Undetermined -- $2.1 billion from 2014-2055 (YOE $) including operations and maintenance |
| Invoiced Amount | $14,619,501 |
| Work Completed | Strategic Assessment – April 2012 and Board approved development by P3 |
| | Industry Forum held – July 2012 |
| | Business Plan – September 2012 |
| | Risk workshop – Metro/Caltrans – October 2012 |
| | Business Case Assumptions Workshop – Metro/Caltrans – November 2012 |
| | Availability Payment Scenarios Workshop – Metro – April 2013 |
| | Preliminary Value for Money Results Workshop – Metro/Caltrans – May 2013 |
| | RFQ issued – May 2013 |
| | Draft P3 Agreement and Term Sheet – July 2013 |
| | First draft Project Proposal Report – August 2013 |
| | Preliminary Value for Money Analysis Results – August 2013 |
| | First draft Business Case – August 2013 |
| | Technical Provisions and indicative plans – August 2013 |
| | Statement of Qualifications evaluated and Four teams shortlisted – September 2013 |
| | Revised draft Project Proposal Report – February 2014 |
| | Revised preliminary Value for Money Analysis Results – February 2014 |
| | Revised draft Business Case – February 2014 |
| Status | Work stopped on the preparation of the CTC application and P3 procurement documents in March 2014. The ARTI Project was unbundled in April 2014 and procurement cancellation notices to the qualified teams were delivered in May 2014. The individual ARTI elements are to be delivered using design-bid-build or design-build contracts under a public-public partnership between Metro and Caltrans. |
| Next Steps | 1. Work on this project was terminated. See the summary for the I-5 North ExpressLanes project for next steps for that portion of the ARTI Project. |
| | 2. The balance of the former ARTI Project Elements, the SR 71 Gap Project and the Soundwall Projects, may be delivered as Metro-funded design-build projects. The next step for those projects is for Metro and Caltrans to enter into cooperative/funding agreements. |
Accelerated Regional Transportation Improvements (ARTI) Project

- **1.** I-5 North Capacity Enhancement from SR 14 to Parker Rd in Santa Clarita
- **2.** I-5 North Pavement Rehabilitation: Repaving General Purpose Lanes between SR 14 and Parker Rd in Santa Clarita
- **3.** SR 71 Gap Closure between I-10 and Mission Bl in Pomona
- **4.** SR 71 Gap Closure between Mission Blvd and San Bernardino County Line in Pomona
- **5.** Soundwall Packages #10 and #10a in Arcadia and Pasadena
- **6.** Soundwall Package #11 in Los Angeles

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Los Angeles County Metropolitan Transportation Authority
Public Private Partnership Program (P3)
Response to February 2014 Metro Board of Directors Action #66.1

The Metro Board requested that we “Convene a one-day roundtable in April 2014 of industry leaders from all sectors to discuss lessons learned on the successful delivery of P3 projects; this includes experts and/or representatives from:

1. Engineering
2. Environmental
3. Finance
4. Construction
5. Federal and State governments”

Response

On May 13, 2014, Metro CEO Art Leahy was joined by Metro Chair DuBois and Metro Board Members Supervisor Michael Antonovich and Mayor Eric Garcetti for a Public-Private Partnership Roundtable event. The event focused on Los Angeles County projects and Metro’s leadership role in developing Public Private Partnership (P3) strategies for transportation infrastructure project delivery. The event was well attended by approximately 45 industry leaders from engineering, environmental, finance, construction, legal and government sectors along with Metro executive staff, and the public.

The event included three general (plenary) sessions; four unique breakout sessions; keynote addresses by Supervisor Antonovich, Chair DuBois, and Mayor Garcetti; and a wrap-up session, as follows:

General session topics:
- An overview of Metro P3 Projects:
  - Sepulveda Pass;
  - High Desert Multipurpose Corridor;
  - Interstate 710 South;
  - State Route 710 North;
- Institutional and Technical Hurdles
- Moving Forward/Next Steps

Individual breakout session topics:
- Risk Management
- ExpressLanes Interface and Procurement
- P3 Financing Issues
- Institutional Structure and Organization
Summary of Lessons Learned at the P3 Roundtable

A summary of the lessons we learned from Metro's P3 Roundtable Event include, but are not limited to, the following:

- Emerging State High Occupancy Toll express lane toll policy may require not only express lane maintenance, capital, and finance costs, but also maintenance costs on the adjacent general purpose lanes. This is a key policy question is driven by Caltrans' need to supplement their statewide maintenance budget due to the declining value of the gas tax.
  - While the industry believes resolving this issue is independent of whether a P3 procurement option is preferred, the public sector finds it to be a key deciding factor, creating friction within proposed partnerships.

- Providing an unsolicited P3 proposal policy (or guidelines) will give developers direction on the types of projects and conditions under which Metro would evaluate such proposals.
  - Metro would benefit from clarifying the criteria it will use to select projects for a P3, solicited and unsolicited, and by communicating the criteria to the industry and the public.

- Importance of a strong and collaborative relationship between Metro and other public sector partners. It was stressed that clarity on the roles of each of the public sector parties is very important from the outset and prior to the commencement of the procurement process
  - The respective roles of Caltrans, Self-Help counties (including Los Angeles County) and other agencies such as the CTC makes California a unique market for infrastructure delivery because of the split incentives created by the responsibilities of these public sector bodies:
    1. The life-cycle cost responsibilities varies among the public partners and yet one of the key benefits of a P3 is where developers have a long-term operations and maintenance commitment which can help the public sector manage risk and lower life-cycle costs throughout the useful life of the asset.
      - Public sector understanding of what a developer can bring, such as innovation and efficiency to lower life cycle costs, can only work if the public sector partners act in unison, which is not always possible.
    2. P3 can include a financing component, but the financing need should not be the only driver in deciding to use a P3. The financing need varies among the public partners.

- A project's own characteristics and Metro's policy objectives for that particular project together should drive the decision to use P3 or other delivery method.

- If Metro concludes that developer support for project definition and achieving project feasibility would offer real value that would indicate one type of P3. For example, if project definition and sources of payment are clear, and lifecycle cost efficiencies and innovation are important, another kind of P3 is indicated. On the other hand, if advancing out of a given revenue stream as much capital for construction as possible, yet another type of P3 would be useful.

- There is significantly more due diligence undertaken on the full spectrum of project costs and risks (including operating and maintenance) on a P3 than on most traditional procurements.
Clear project definition (scope, financial and policy objectives) from the sponsor is crucial to success, as the policy objectives should also drive the decision to use P3 or other delivery method.

Project complexity and size is often a condition for P3 success. Without complexity the ability to leverage innovation and efficiency is lower, meaning the differentiation between P3 and DB is less important.

The key offering a P3 developer brings is innovation and efficiency, not necessarily new money and certainly not free money. They can offer, however, additional financing flexibility that may be useful adjuncts to Metro’s conventional tools, depending on the circumstance.

For projects that generate user fees, private equity can advance more money for construction than conventional revenue bonds.

There can be a role for public sector capital funding to partially cover project costs, if this is available, and it was stressed that a P3 is not driven purely by finance but that private sector equity can play a key role in optimizing risk transfer.

Risk transfer and lifecycle cost efficiencies are the greatest attributes for P3 delivery over traditional (DBB or D-B) delivery.

Differences between financing projects in areas that have access to inexpensive tax-free securities such as Los Angeles versus other regions or countries that don’t have that advantage.

There is significant interest from the private sector in potential Metro P3 projects.

There are distinct differences in risk transfer when a P3 sponsor works in a state or country that has tort limits versus one that does not (like California).

Timing of when to bring a P3 developer on board – potentially after environmental clearance, but not always particularly in the case of a Pre-Development Agreement. Under a Pre-Development Agreement the private sector partner is selected earlier in the process to assist on the planning phase.

Management Strategy and Staffing Levels

The Metro Board requested that we report on a strategy and staffing levels to support a robust MTA P3 program to support current acceleration and innovative finance efforts.

We do not recommend an outside organizational structure of the P3 program, such as a Joint Powers Authority, because we believe the coordination of P3 projects with the financial resources available within the context of Metro’s Long Range Transportation Planning and Programming processes is key to the success of the projects. Setting the P3 program up outside of that process will lead to a lack of coordination and resource shortages that will prevent success, as discussed under the Joint Powers Authority section of this report below. As part of Metro’s recent reorganization, the P3 program is now under Countywide Planning and Development to shore-up this connection to our Long Range Planning and Programming processes.

In March 2014, the management of the P3 program transitioned from the Chief of Real Property Management and Development to the Managing Executive Officer of Planning, Programming, and Grants Management. In May of 2014, the Metro Board approved a new Executive Officer position for the Public Private Partnership program. That position is now posted and is open until filled.
Currently, in addition to the new Managing Executive Officer overseeing the P3 program and the vacant executive position, Metro has a full-time Transportation Planning Manager V for financial aspects of P3’s and will be utilizing at least a portion of an existing Deputy Executive Officer time for evaluating and negotiating legal aspects of the P3 program. This new organizational structure will enable us to foster ownership within the Executive Team: Project development and environmental functions will be managed by planning staff with that expertise, and insurance issues by staff with that expertise, and so on. This ultimately will better align the Metro P3 program with Metro’s capital development and Long Range Transportation Planning functions to foster communication and ownership of key work products with the Metro Executive team. Without that ownership, the loss of continuity from organizational transitions can lead to a P3 project’s cancellation.

Feasibility Assessment of Traffic and Revenue Forecasts

The Metro Board asked us to estimate to assess feasible revenue and traffic forecasts for the most advanced P3 Measure R highway and transit projects which include, but not limited to:

1. Sepulveda Pass Transit Corridor
2. High Desert Corridor
3. I-710 South Goods Movement Corridor

1. Sepulveda Pass Transit Corridor

Metro currently has an open procurement for a stated preference survey on the Sepulveda Pass Transit Corridor. This survey is the first step in developing a traffic and revenue feasibility analysis. The results of the survey will help inform traffic modelers and revenue forecasters on the willingness of current corridor to pay a toll or enhanced transit fare. It will identify how much users are willing to pay for more reliable travel in the corridor and can be used to identify traffic and revenue potential. Next steps on Sepulveda Pass Transit Corridor will include a more comprehensive traffic and revenue study that can be part of a feasibility analysis.

2. High Desert Corridor

Metro has also applied to the USDOT for a TIGER planning grant to help fund an investment level traffic and revenue (T&R) study for the High Desert Multipurpose Corridor. If successful, Metro will begin procurement to select a firm from P3 technical bench to move forward with this study.

3. I-710 South Goods Movement Corridor

A Traffic and Revenue study on the I-710 South Goods Movement Corridor is not currently underway. Metro can initiate a level one traffic and revenue study on this corridor; however, recent studies indicate that trip demand is not sufficient to justify tolling along I-710 South.
4. I-5 North ExpressLanes

Metro is working with Caltrans to deliver 13.5 miles of ExpressLanes on I-5 North from SR-14 to Parker Road. A sketch level T&R study was performed in 2012-2013 on the corridor. This study indicated that the corridor will generate over $1.3 billion in tolls from 2020 to 2054. Metro is re-evaluating these numbers and will conduct an investment grade T&R study over the next 12 months to identify a more realistic forecast of traffic and revenue in the corridor.

P3 Joint Powers Authority Feasibility

The Metro Board requested that we “consider, evaluate and report back on the feasibility of creating a P3 County Joint Powers Authority that would include at a minimum MTA, Caltrans and other relevant agencies/parties.”

Joint powers authorities are comprised of entities with common powers to accomplish the purpose of the joint powers authority (“JPA”) under certain organizational rules that govern the JPA in all of its endeavors; however, it would not benefit Metro to create a JPA with Caltrans (or other cities or agencies) to determine which P3s the JPA may want to engage in. Forming a P3 JPA would create a separate organization funded largely by Metro without Metro retaining governance and oversight. Currently, as part of Metro’s reorganization, the P3 program has direct access to key Metro decision makers without an additional layer of bureaucracy.

Moreover, the information sharing on early development and project feasibility can best be obtained by fully developing Metro’s P3 program in Countywide Planning and Development without seeking permission from other JPA partners. It would still be feasible to enter into a JPA with other state or regional entities with common transportation powers for the purpose of delivering a specific P3 Project. On a project basis, each individual P3 project will determine what common transportation powers are necessary to carry out the P3 delivery, and the governing principles of the JPA would reflect the contributions and relative controls of the JPA members.

Joint Exercise of Powers Act

The Joint Exercise of Powers Act, set forth in California Government Code Section 6500 et seq. (the “Act”) provides that two or more public agencies may, by agreement, form a JPA to jointly exercise any power common to the respective agencies. Such “public agency” includes (but is not limited to) a state department/agency, a county, city, or regional transportation commission. The newly formed JPA would be a separate government organization legally independent from its member agencies, with the ability to exercise any power common to such member agencies.

The JPA’s powers would be outlined in a joint powers agreement (“JPA Agreement”) made between the member agencies; such agreement must state the purpose of the JPA, the powers to be exercised, and the method/manner in which such powers would be exercised. The JPA Agreement must also provide for strict accountability of all funds and report on all receipts and disbursements. The manner in which the JPA’s power(s) would be exercised is subject to the
restrictions on such power applicable to the constituent member agencies. The JPA Agreement should also designate which member agency’s laws, rules and regulations for exercising the power applies. For instance, if Metro were selected as the member whose manner of exercising the powers applies, then Metro’s manner of exercising the power of eminent domain would govern the JPA. This does not differ from how project delivery currently occurs, as Metro and Caltrans would still negotiate the issue of which agency’s operating procedures apply to a project, notwithstanding the absence of a JPA.

Public Private Partnership Authority in State Law

Section 143 expressly authorizes a JPA to deliver P3 projects, provided it obtains “the consent of a transportation planning agency or a county transportation commission for the jurisdiction in which the transportation project will be developed.” Accordingly, the JPA could not itself pursue a P3 project without consent of the Metro Board. Furthermore, the California Transportation Commission continues to retain its approval authority with respect to P3 projects developed pursuant to Section 143.

The governance structure of the JPA is determined by the member agencies, as set forth in the JPA Agreement. A JPA is typically governed by a governing board comprised of officials from the member agencies. For a JPA formed between Caltrans and Metro, the two agencies would need to formulate a governance structure satisfactory to each respective agency; this would require the same type of negotiation experienced between the agencies on a P3 project without a JPA. Similar issues include the number of board members, who appoints them, dispute resolution, etc. For example, if the Board is comprised of four members, evenly split between Caltrans and Metro, either member agency could effectively preclude action on the progress of a P3 project. Even with an odd number of Board members, the agency with a minority of members on the governing board could effectively block action if funding is needed from such agency, if it objects to the project or funding terms and conditions.

For example, as the primary source of capital funding, Metro would exercise considerable control over project selection and the terms and conditions for P3 procurements and contracts. Metro could exert this control via its JPA governing board members, via its funding agreements, or both.

Project ownership and control will be another subject that would need to be defined, and will require agreement among the member agencies. For P3 projects on the state highway system developed pursuant to Section 143, Caltrans remains the responsible agency for the performance of project development services, including but not limited to, performance specifications, the preparation of project and environmental reports, and construction inspection services. Therefore, Caltrans could have substantial influence over many standards and requirements for project design, construction, operations and maintenance. This is essentially no different from the controls Caltrans has over Section 143 projects on the state highway system in the absence of such a JPA, and the development of a JPA would not change this aspect of project control.
JPA Financial Arrangements

With respect to funding of the JPA, the JPA Agreement may provide that (i) contributions from the treasuries of each of the respective member agencies be used to meet the purpose(s) set forth in the JPA Agreement; (ii) payments of public funds may be made to defray the cost of such purpose(s); (iii) advances of public funds may be made and repaid; or (iv) personnel, equipment or property of one or more of the member agencies may be made in lieu of other contributions or advances. Other common funding methods for JPAs include the creation of a revenue stream, or raising capital by issuing bonds. JPAs may issue revenue bonds to pay the cost and expenses of acquiring or constructing a project or conducting a program for purposes provided under the Act, including (i) local streets, roads, and bridges; (ii) mass transit facilities; (iii) specified public improvements authorized under the Streets and Highways Code (for more information, see Government Code Section 6546). The authority to issue bonds would enable the JPA to act as conduit issuer for any private activity bonds for a P3 project.

Control over policy decisions regarding tolling, and the use and distribution of toll revenues, will be another potential issue that would have to be negotiated between the member agencies, either in the JPA Agreement or on a project-by-project basis. A JPA Agreement regarding revenue-producing facilities may provide for repayment to the parties of sums contributed and for other sharing of revenues.

Since Section 143 authorizes JPAs to deliver P3 projects, subject to Metro’s consent, local cities that are constituent members could potentially pursue P3s for local transportation projects via the JPA. Those projects would still have to fit within the definition of “transportation project” in Section 143, and qualifying local projects would need to be reviewed for qualification under Section 143 on a case by case basis. However, it is possible that there would be appropriate projects at the county or city level that would benefit from the formation of a JPA as a means to deliver P3 projects. For such projects, Caltrans would not necessarily be involved from either a project control or financial standpoint. The requirement that Caltrans control development services and construction inspection only applies to projects on the state highway system.

The JPA will have administrative expenses and will need a funded budget to operate. The JPA Agreement would presumably establish terms for each member’s contribution toward funding the operating budget.

Insurance

Under the Act, a JPA’s members have liability for the tortious conduct of the JPA. For instance, if the JPA were to commit securities fraud in connection with its issuance of bonds, each of the members would be liable for the damages caused. The members therefore would have a strong interest in making sure the JPA is adequately insured and prudently managed.

Furthermore, the privileges and immunities from liability, exemptions from laws, ordinances and rules, all pension, relief, disability, workers’ compensation, and other benefits that apply to the activity of officers, agents or employees of any public agency subject to a JPA Agreement when
performing their respective functions within their respective territorial limits, apply to them to the same degree and extent while engaged in the performance of any of their functions and duties extraterritorially under the JPA Agreement.

Exercise of Power

The exercise of common powers by a JPA does not preclude the constituent members from independently and separately exercising the same power. Accordingly, if a JPA with multiple members like cities and counties as well as Metro and Caltrans cannot obtain necessary consensus for pursuing a particular P3 project, one of its members with jurisdiction over the project and with Section 143 authority could do so outside the JPA, unless the JPA Agreement provides otherwise. For instance, were a JPA to be formed with a city as a member, whereby such city opposes a particular project, Metro, if it so desires, could still pursue such project outside of the JPA.

Alternatives Considered: Advantages

A potential major advantage of a JPA formed for the purpose of delivering P3 projects is that its core function would be focused on this singular purpose. It is critical that the JPA has the appropriate level of staffing and resources dedicated to this purpose. With the requisite staffing and resources, the JPA might be able to achieve greater progress and success in P3 project delivery than either Caltrans or Metro could, acting alone. This is predicated upon the assumption that Metro and Caltrans executives have many divergent responsibilities and priorities; whereas the executives of the JPA would be focused exclusively on expeditious and successful delivery of P3 projects. This is probably the single greatest benefit of forming a JPA for P3 project delivery in Los Angeles County.

Additionally, a JPA focused on P3 delivery would likely look at a broader array of projects than either Metro or Caltrans would examine on their own. Depending on the mix of municipalities and agencies involved in the JPA, it is likely that the scope of projects would expand beyond highway and transit projects to:

- Airports
- Arterials
- High-Speed Rail
- Real Estate/Value Capture
- Trolleys/Trams

Another advantage of a JPA is that there would be a clearly delineated point of contact for P3s in Los Angeles County. Again, with the appropriate personnel in place, this would likely be viewed favorably by the industry.
Alternatives Considered: Disadvantages

The biggest drawback to a JPA is that it would have no independent source of funding and would be completely reliant on funding agreements with its constituent members. Government Code section 6508.1 provides that the parties to the JPA Agreement may separately contract for or assume responsibility for specific debts and obligations of the JPA. This is precisely how Metro Rail, which is a JPA, functions. Therefore, it is likely that funding agreements for the JPA would be carefully negotiated and limited, as each member agency would want to protect its respective funding programs and non-P3 project budgets. The funding agreements would have to provide strong, creditworthy backing of the JPA’s obligations under P3 agreements, particularly for P3 availability payments, which would require investment grade credit for the JPA’s obligations in order to be viable. In essence, the seemingly intractable funding issues that Metro and Caltrans diligently tried to resolve on the ARTI project would not go away; they would have to be worked out in separate funding agreements with the JPA.

Another concern with a JPA approach is that it would create additional distance between the decision-making executives at Metro or Caltrans. The P3 teams at each agency currently have direct reporting lines to executives with funding and higher decision making authority. In addition, finding the appropriate staff for the JPA authority could be challenging and costly.

JPA Conclusion

There are benefits to be derived from forming a JPA. The main advantage is having an agency that is focused exclusively on evaluating, procuring, and delivering P3 projects. However, without direct funding to deliver these projects, a JPA creates an additional buffer between the funding agency and the money required to advance these projects.

Caltrans has a dedicated P3 program and is actively evaluating projects for suitability using P3 delivery. Likewise, Metro has a P3 program that has reviewed more than 80 projects for possible P3 delivery, and has iteratively narrowed the list down to five projects going forward. Metro is currently reviewing the potential for increasing the number of P3 candidate projects, and is actively developing new tools and opportunities to identify and develop P3 projects in Los Angeles County. The Metro P3 team is strategically aligned within the agency’s countywide planning and capital development department, allowing for a seamless connection between identifying potential projects and addressing issues to facilitate P3 project delivery. Metro has an active P3 bench with 18 technical teams providing expertise on a variety of P3-related disciplines.

At this time it is not prudent to disrupt the efforts of Caltrans and Metro to form a separate P3 JPA. The benefits of forming a JPA are tenuous, and may in fact create a distraction from each agency’s current P3 efforts, potentially hindering the momentum each agency has developed to further its respective P3 program.
February 2014 Board Motion, #66.1

66.1 APPROVED Motion by Directors Garcetti, Antonovich and Dubois that the MTA Board direct the CEO to:

**Evaluation**

A. convene a one-day roundtable in April 2014 of industry leaders from all sectors to discuss lessons learned on the successful delivery of P3 projects; this includes experts and/or representatives from:

1. Engineering  
2. Environmental  
3. Finance  
4. Construction  
5. Federal and State governments  

**Management**

B. report on a strategy and staffing levels to support a robust MTA P3 program to support current acceleration and innovative finance efforts.

**Revenue Potential**

C. estimate to assess feasible revenue and traffic forecasts for the most advanced P3 Measure R highway and transit projects which include, but not limited to:

1. Sepulveda Pass Transit Corridor  
2. High Desert Corridor  
3. I-710 South Goods Movement Corridor  

**Delivery**

D. consider, evaluate and report back on the feasibility of creating a P3 County Joint Powers Authority that would include at a minimum MTA, Caltrans and other relevant agencies/parties.

E. present to the Board information from the above no later than the June 2014 MTA Board meeting.