

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

PUBLIC-PRIVATE PARTNERSHIP PROGRAM

Summary of Progress and Accomplishments
InfraConsult LLC
March 15, 2012

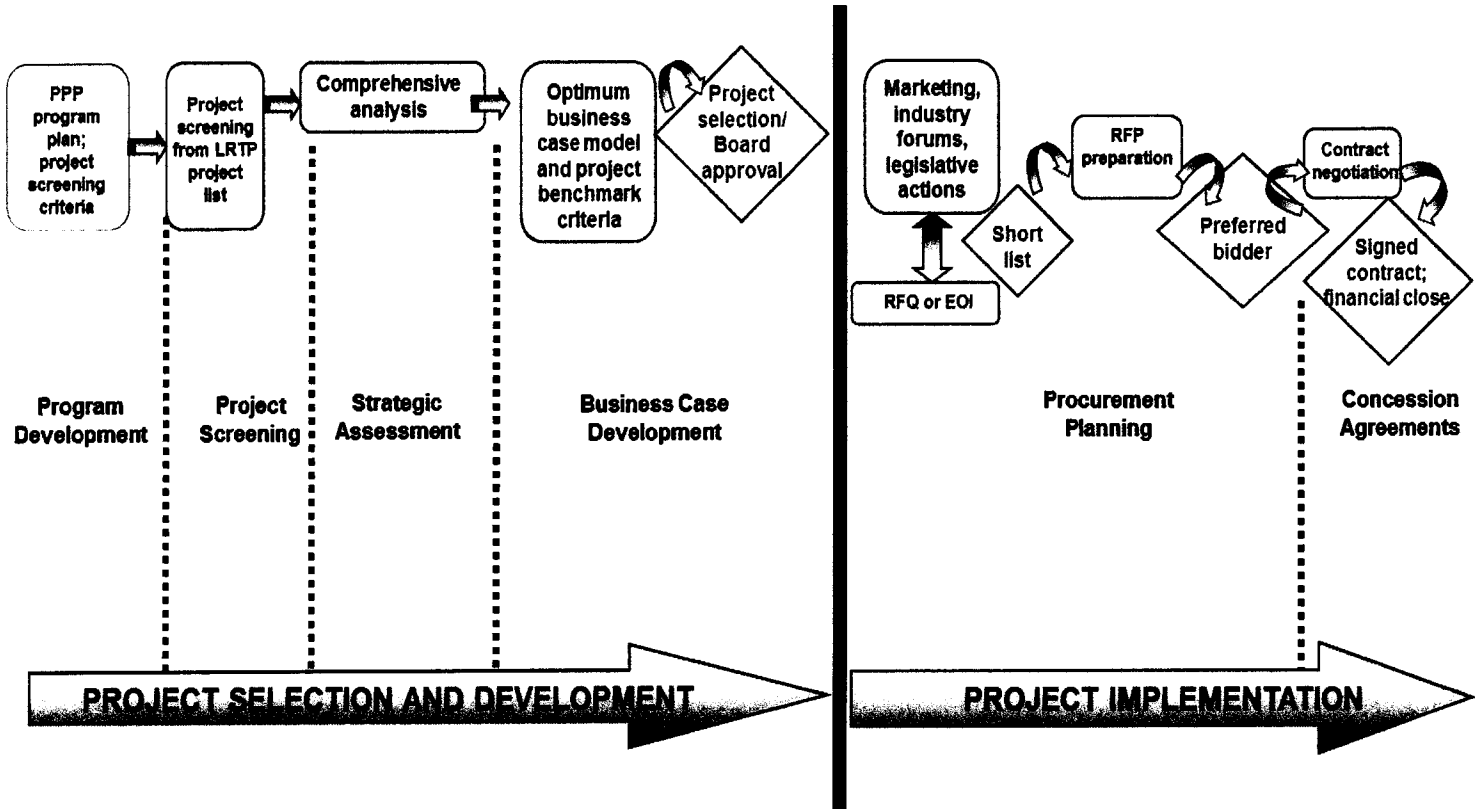
This report provides an overview of work accomplished, analyses performed, initial conclusions and recommendations, and the next steps in Metro's Public-Private Partnership Program.

By definition, public-private partnerships are contractual arrangements between a governmental agency and a private entity for the primary purpose of developing, operating and/or maintaining public infrastructure normally in the domain of the governmental sector. A variety of P3 models have been utilized throughout the world, having the common objective of facilitating private sector participation in the provision of public works and thereby transferring to or sharing with the private partners some or all of the traditional public responsibility and risks for financing, designing, constructing, maintaining and/or operating various infrastructure projects.

In 2007, the LACMTA (Metro) Board moved forward with an initiative to explore the prospect of utilizing private sector participation in the funding, financing and delivery of projects specified in the region's Long Range Transportation Plan. In response to an initial solicitation of interest and request for industry input on the potential role of public-private partnerships, the Board received numerous and varied concepts and proposals from engineers, constructors, bankers and investors throughout the United States and abroad. Once these responses were evaluated, staff produced a comprehensive RFP soliciting a consortium to serve as Metro's advisor and program manager for implementing a program to explore and increase opportunities for the private sector to partner with Metro in the delivery of projects. A highly experienced and global team, led by InfraConsult LLC and including KPMG LLP, Nossaman LLP, Halcrow Inc., Sharon Greene + Associates and Englander and Associates, was selected through a rigorous procurement process to serve as the advisory team and program management support for the P3 Program.

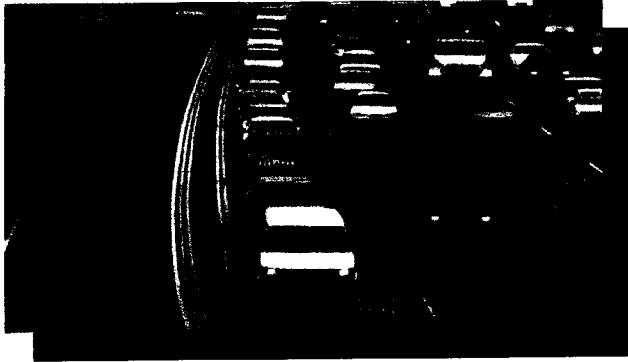
In November, 2008, Measure R was passed by the voters of Los Angeles County with a two-thirds affirmative vote. Since the primary objectives of P3s in transportation are to (1) enhance the ability to leverage effectively existing funding;(2) generate additional sources of capital for project delivery, often through user-fee revenues; (3) accelerate the delivery of projects during and beyond the environmental clearance phase; and (4) transfer certain risks of capital construction and long-term operations from the public to the private sector, Metro's Public-Private Partnerships Program took on a new and important dimension. With the availability of over \$35 billion in funding for capital and operations of both transit and highway programs in the region over three decades, the opportunities for leveraging Measure R funds with financial and delivery support of the private sector increased dramatically.

The P3 Program is structured in several phases. The diagram below illustrates the process which is being utilized to move selected projects through the screening and development phases, and beyond into procurement, contracting, and delivery to the public.



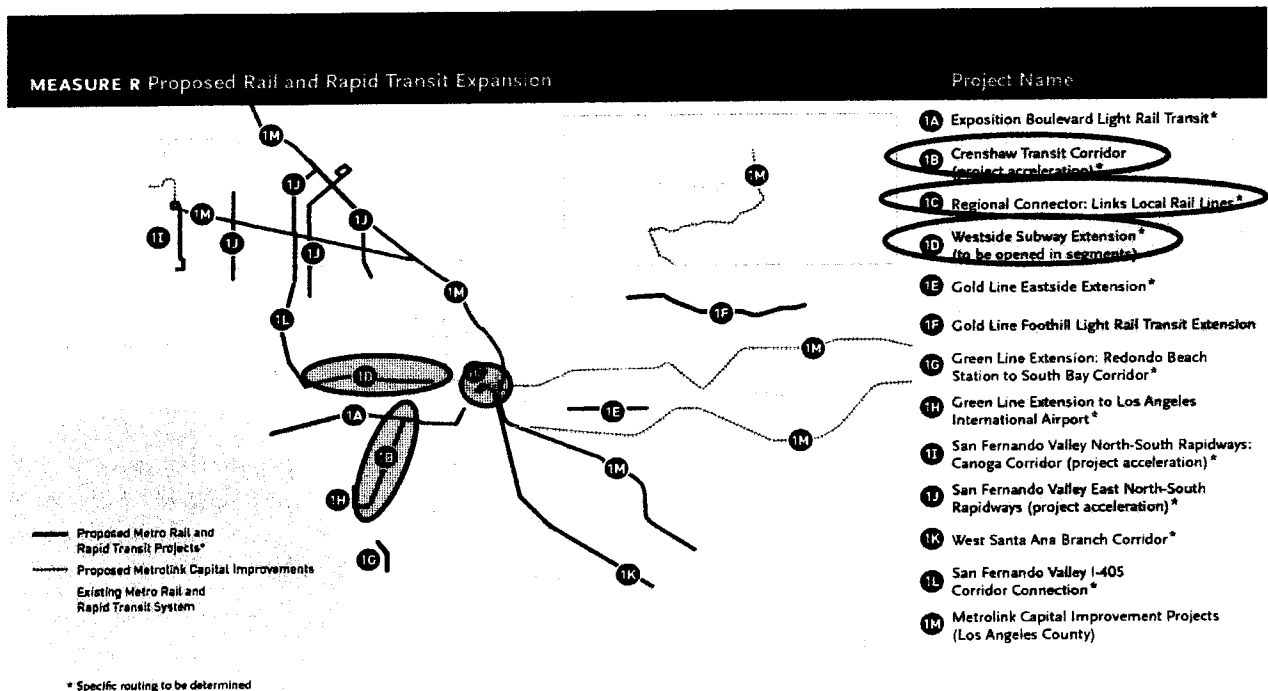
The first phases involved examining all of the more than 85 projects named specifically in the Long Range Transportation Plan and the newly adopted Measure “R” program of projects. This examination included a comprehensive screening process in which all projects – both transit and highway – were evaluated with respect to their potential for utilization of private sector participation in project delivery. Private partnership, in this context, includes financial involvement as well as life-cycle operation and maintenance. All forms of non-traditional project delivery, ranging from design-build (DB) to design-build-finance-operate-maintain (DBFOM), were included in the analysis.

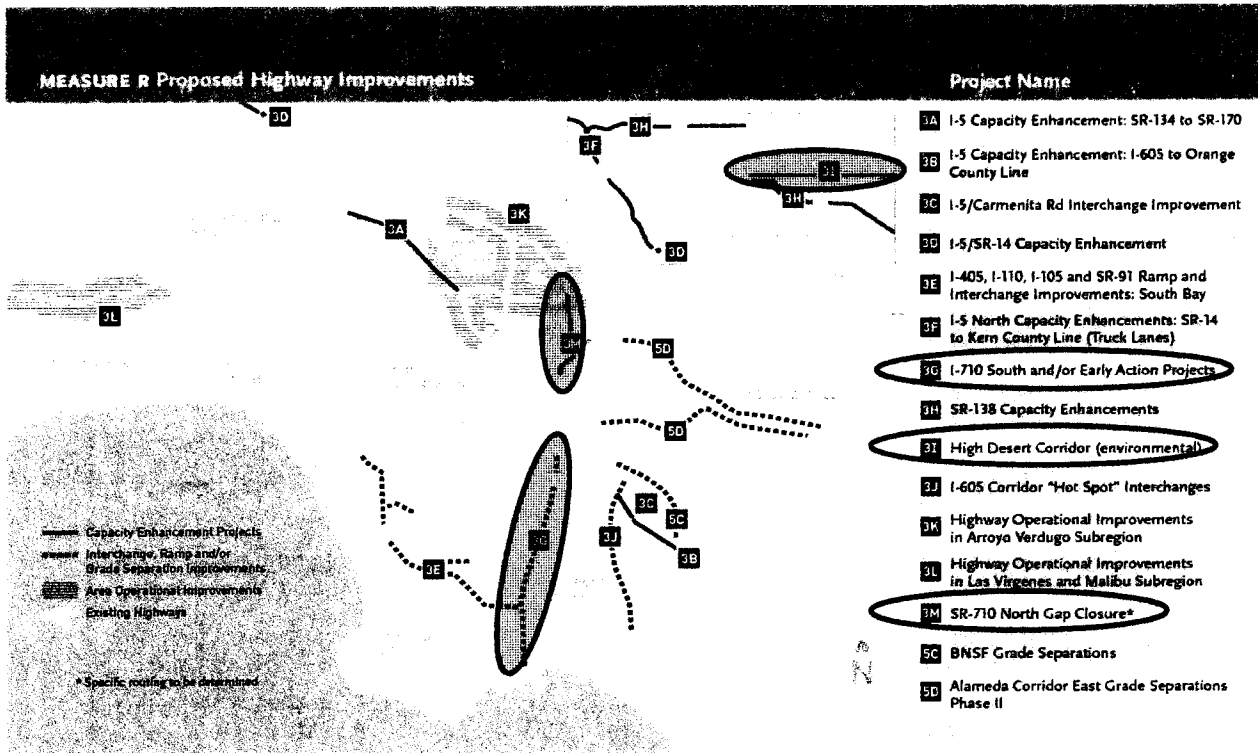
Through a comprehensive screening process, fourteen projects across the County were identified initially as having strong potential to utilize delivery processes involving a greater level of participation by private sector entities. Delivery options range from use of DB approaches with no significant financial involvement by the private sector, to DBFOM full concession schemes in which private sector project sponsors invest and lend money for project development and delivery, build and operate/maintain the projects, and ultimately realize a suitable risk-based return on investment and debt repayment during a long-term concession period.



An initial six projects were selected for further analysis, with project “readiness” being a key criterion in the selection. Three transit and three highway projects comprised this list, as highlighted on the following pages. The six projects are Westside Subway Extension, Regional Connector, and Crenshaw/LAX Rail Corridor (transit projects) and High Desert Corridor Project, I-710 South Freight Corridor Project and SR-710 Extension/Gap Closure Project (highway projects).

A comprehensive strategic analysis was undertaken to determine the optimum means by which each of the six projects could generate maximum value to Metro deriving from private sector participation. The process and outcome of the strategic analysis is contained in the report “Recommendations for Business Case Development” dated February 2011.





The next phase of work involved developing comprehensive business plans for implementation of each of the six projects utilizing the most appropriate P3 model, the results of which are described below.

Results and Recommendations from the Business Planning Process

The primary objectives, and the Board-adopted PPP goals, utilized in developing business plan recommendations for the selected projects are:

- Achieve most cost-effective use of public funds
- Accelerate project delivery
- Optimize risk sharing between the public to the private sectors
- Ensure asset quality throughout the project life cycle
- Provide highest-quality service for the traveling public

Transit Project Business Plans

The business plans for all three transit projects recommend that each should be delivered partially or fully as a design-build project. This means that while certain risks related to design and construction completion should be transferred beneficially from Metro to private sector

design-build contractors, it is unlikely that significant financial participation or long-term involvement of private contractors in the operations and maintenance of these projects, once built, will be employed in project delivery. However, options do remain open – for a time – for Metro to consider extending maintenance and operation activities to design-build contractors, and/or consider selective “bridge financing” by contractors to better leverage Measure R funds availability.

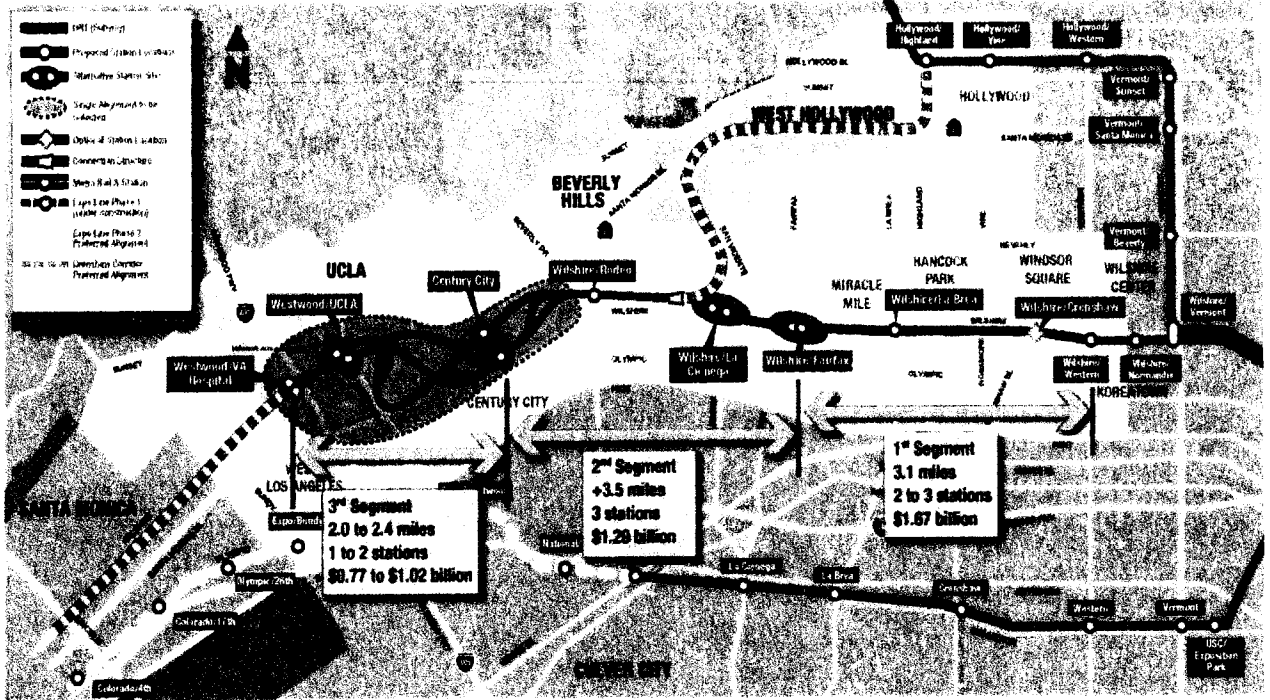
There are a number of reasons for recommending design-build project delivery rather than full concessions, all of which are detailed explicitly in the project Business Plans. First and foremost, all three projects are either extensions of existing transit lines, or interline with existing services. One of the principal reasons for undertaking a transit public-private partnership is the financial benefit resulting from the likely efficiencies of long-term private management of transit operations and maintenance services. In order for a transit P3 arrangement to realize its full potential, the public sector roles in system operation and maintenance would need to be replaced by private sector contractors, so there is little or no interdependence among various systems elements, and accountability is clear and unambiguous among parties. Public-private partnerships require a clearly defined risk allocation between the public and private sectors, so that performance metrics can be established and applied appropriately.

Upon extensive evaluation and review of other transit systems around the world that have utilized a P3 approach, it was recognized that the difficulty of coordinating public sector union operations and maintenance services with newly organized private O&M services for extending an existing line (e.g., Westside Subway Extension) or interconnecting existing lines (e.g., Regional Connector, Crenshaw/LAX) would be an undertaking unlikely to yield sufficiently beneficial “*value for money*.”

Looking at a comparable example, the Denver RTD is undertaking a public-private partnership to deliver several new commuter rail lines in the Denver Metropolitan region. The so-called “*Eagle P3 Program*” was structured to involve a private consortium in the financing, design, construction, operations, and maintenance of these new transit lines. Through a competitive procurement process, a consortium was selected last year to perform these functions. Notably, the overall cost of the capital construction and O&M during the concession period was substantially less than RTD estimated the cost to be under traditional design-bid-build project delivery.

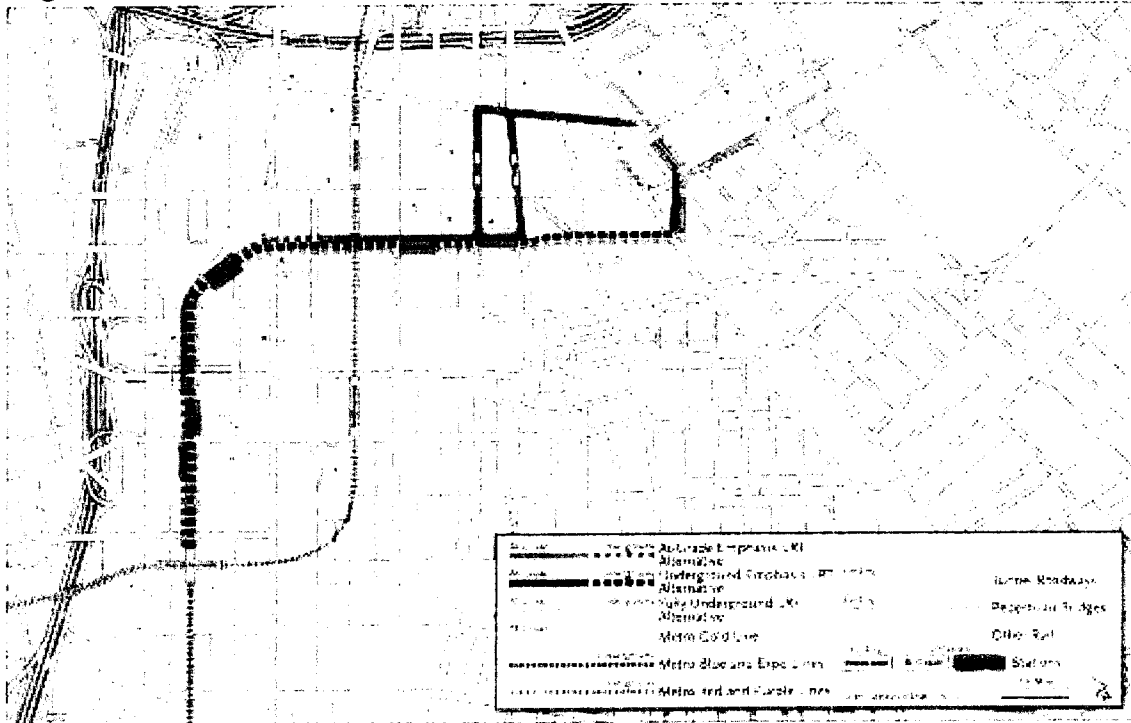
The Eagle P3 Program in Denver differs significantly from Los Angeles, however, in that the new commuter rail lines are effectively *greenfield* projects. These systems are totally new lines, having no connections or extensions to any existing services currently offered by RTD. Where such is the case, undertaking a P3 delivery approach is much more likely to assure success and cost savings.

Westside Subway Extension Project

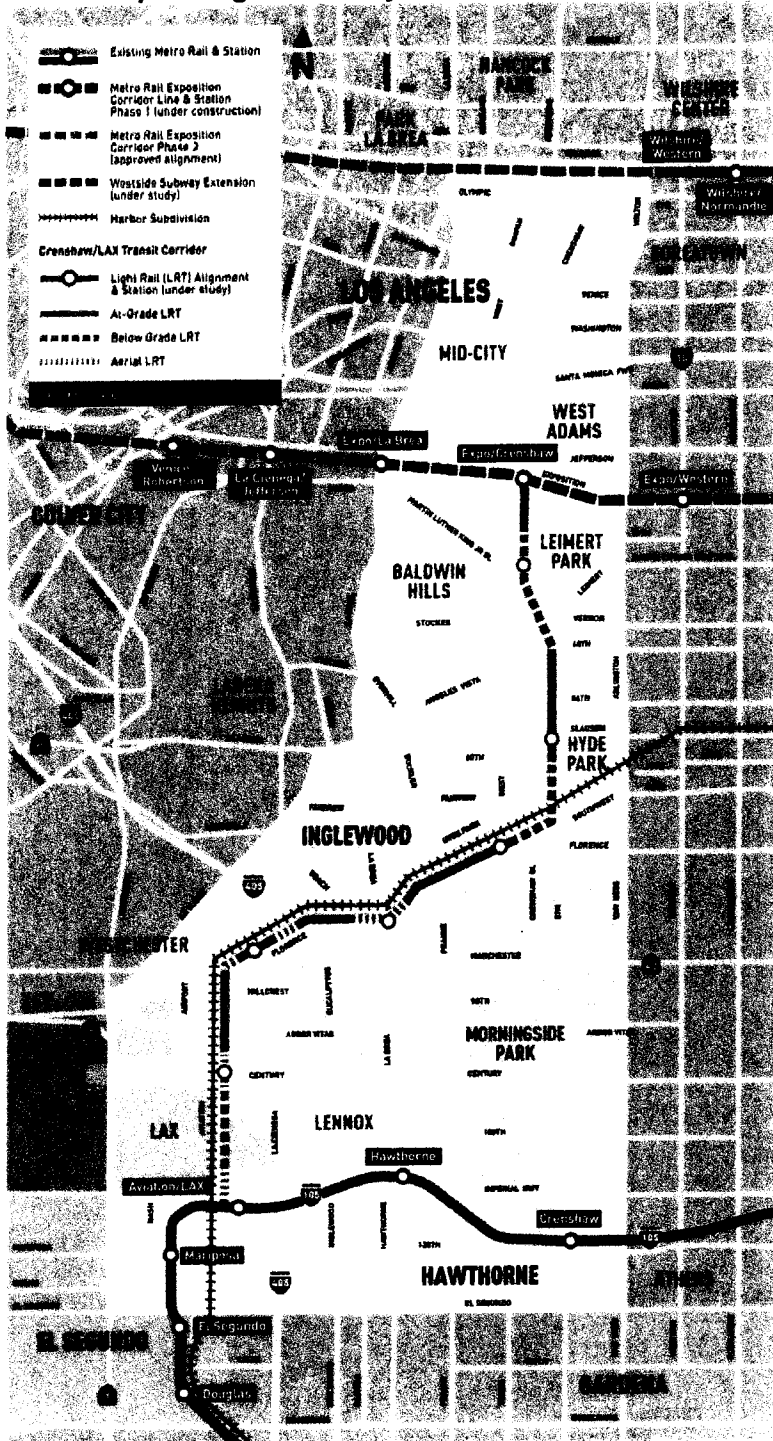


■■■■■■■ DEIS/DEIS Alternatives Beyond L RTP Funding

Regional Connector Project



Crenshaw/LAX Light Rail Project



Despite this overarching recommendation, there are several capital elements that could be designed, built and maintained under a long-term private contract. For example, vertical transportation systems (i.e., elevators and escalators), could be the subject of a contract in which a life-cycle P3 contract is utilized to transfer construction and maintenance risk from Metro to a supplier/maintainer. As an example, the Metropolitan Transportation Authority in New York, as part of its \$8+ billion East Side Access Project, recently entered into a multi-decade contract with Shindler Corporation to design, install and maintain all elevators and escalators throughout the system, and assure their “availability” to riders through an availability-payment based public-private partnership

When Metro embarks on an entirely new transit corridor, which is neither an extension of an existing line nor an interconnected/interlined element of the regional system, it is recommended that a DBFOM-based public-private partnership be undertaken to deliver such a project. From the findings of the P3 advisory work to date, a significant sum of money and Measure R resources could be saved utilizing the P3 approach.

Highway Project Business Plans

The evaluation of the highway projects examined during the business planning process indicated that all have significant potential to be delivered using one of two basic approaches to public-private partnerships, namely the *availability payment model* and the *revenue risk concession model*. The availability payment model can be applied to all projects, regardless of the magnitude of a toll revenue stream, while the revenue risk model is generally used most effectively for a project with a robust toll revenue stream that can cover all or a significant portion of the project’s capital and operating cost.

An availability payment model is generally used for those projects that either do not have a user-based revenue stream or those that do have a user-fee or tolling program, but generate insufficient revenue from such fees or tolls to fully cover the project’s capital construction costs and/or operations and maintenance costs. A combination of public subsidy and user fee revenue is often used to create a financial resource pool to cover the concessionaire’s availability payments, to the extent the facility is fully “available” for use over the concession period. The payments are to be sufficient to permit a reasonable return on investment and repayment of debt services on borrowed funds. This model, of course, is also the one which applies when a project is not tolled, and a combination of public funding sources are sufficient to cover the concessionaire’s availability payment series.

The second public-private partnership model, the revenue risk concession, can be utilized for those projects in which revenue from tolls and other user-based fees is projected to be sufficient to allow a concessionaire to undertake a full DBFOM P3 without a public subsidy. The concessionaire is willing to accept the actual toll revenue stream as sufficient to cover repayment of principal investment with a suitable risk-based return, and to service outstanding debt. Often, this model is applied to a toll highway project that either has a proven toll revenue

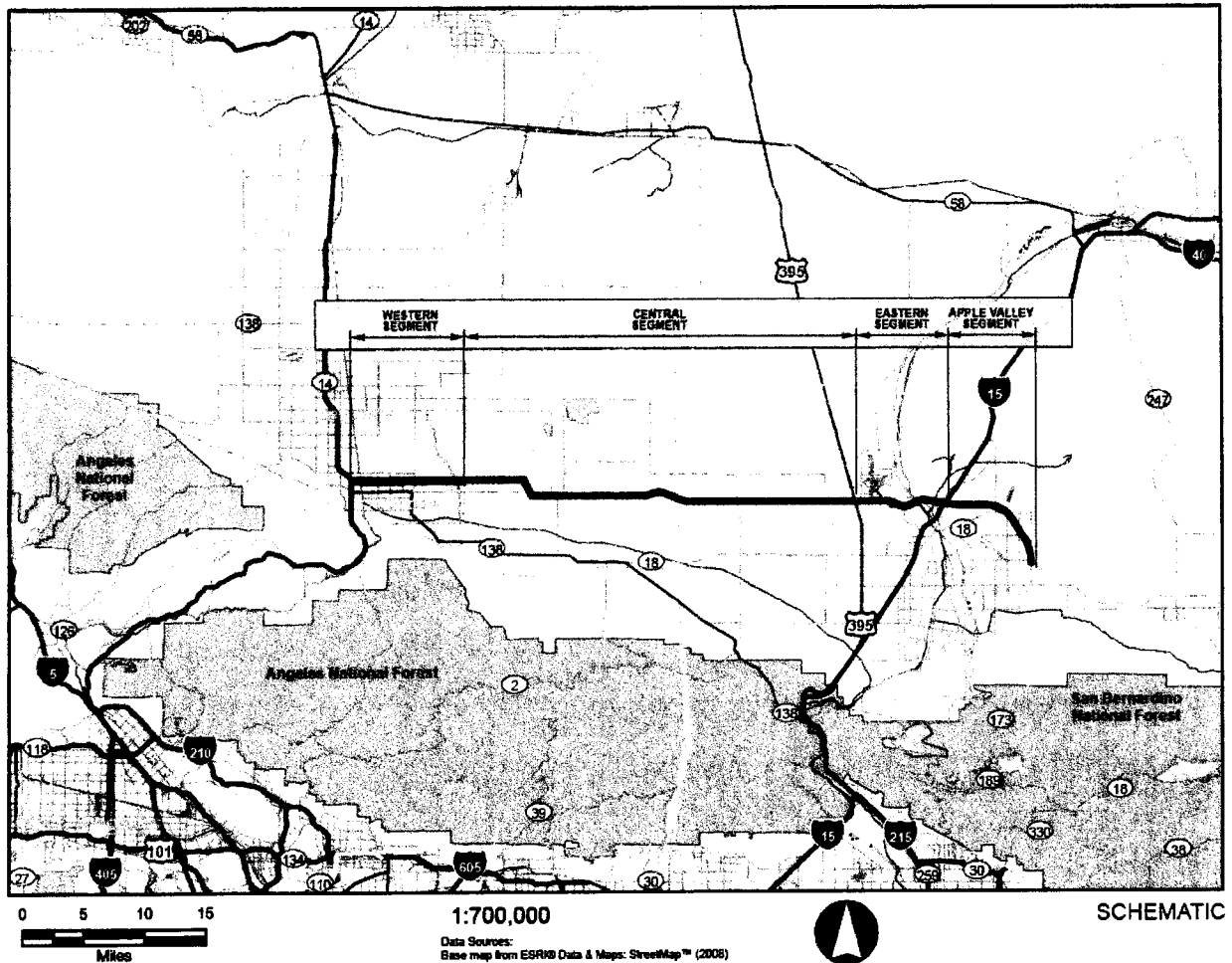
history and is in need of capacity enhancements, or a “greenfield” project that is likely to produce a robust revenue stream from opening day onward.

The revenue risk model can also apply in those cases where a stipulated public subsidy (“public investment”) is provided to the concessionaire, and the remainder of the funding and financing is provided by private concessionaire. The risk of revenue generation from tolls and other sources is held by the concessionaire.

The highway project business plans reflect these two approaches. All three initial projects – the High Desert Corridor, the I-710 South Freight Corridor, and the SR 710 Extension Gap Closure – are recommended for public-private project development and delivery using either the availability payment model or the toll revenue concession model. The business plans report the following:

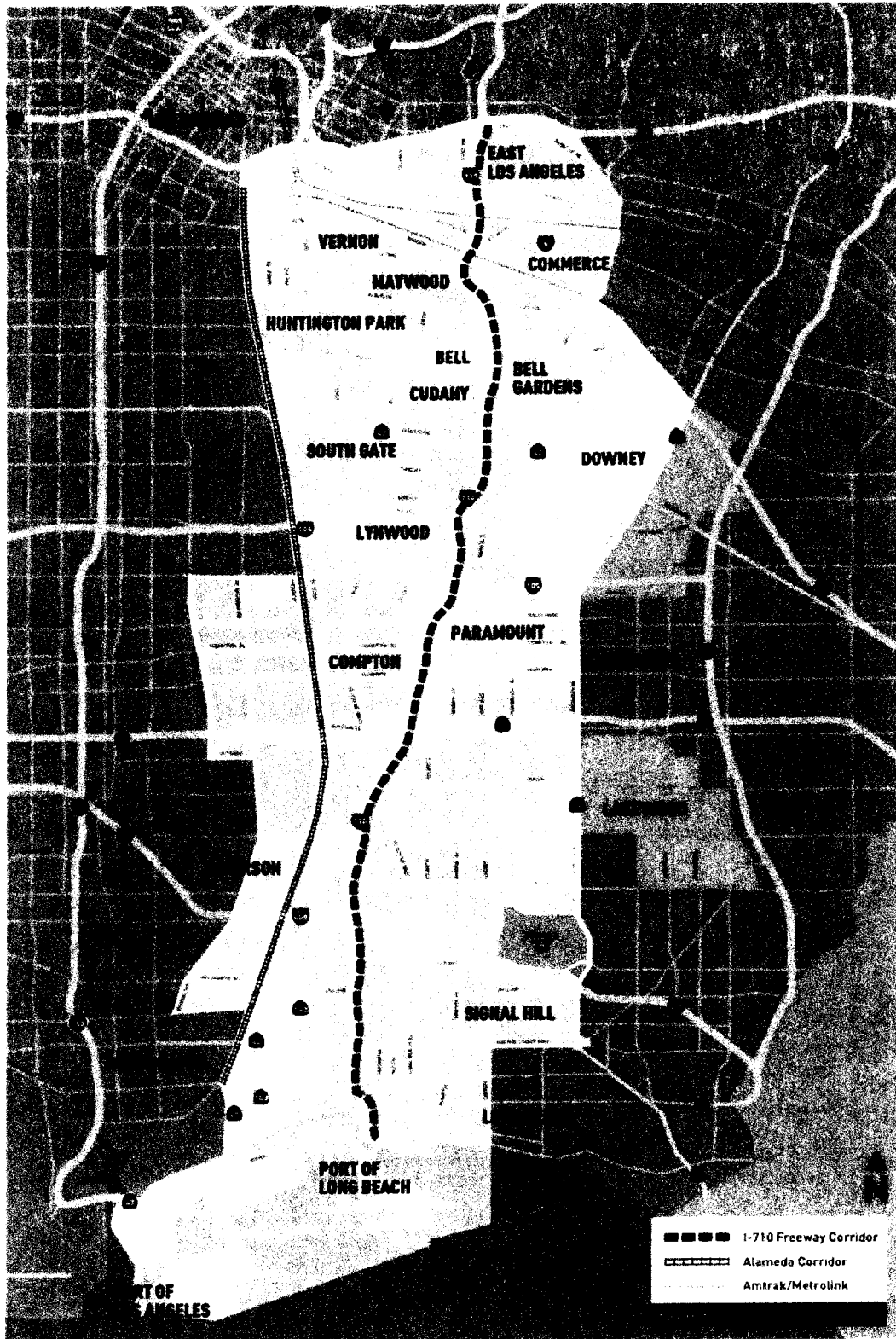
- The High Desert Corridor (HDC) should be developed using an availability payment approach. This conclusion was reached as the HDC is a greenfield project for which forecasting models indicate that toll revenues generated will be insufficient to cover the full capital costs of construction, presenting a significant funding gap. This public funding gap could be closed by potential federal investment in “*freight and travel corridors of significant national interest*,” as well as revenues generated from the development of a “*renewable energy corridor*” strategy in the HDC and a potential joint development initiative with Desert Express High Speed Train program. This initiative would involve building an extension of the proposed privately-financed high speed train between Las Vegas NV and Victorville CA, along the High Desert Corridor, from Victorville westward to Palmdale. The long-range vision is to have a multimodal corridor extending eastward from Palmdale, where the Desert Express would interconnect with California’s High Speed Rail Project.
- The I-710 Freight Corridor is also recommended to be undertaken as an availability-payment based public-private partnership. The P3 project is defined as a separate truck-only facility, largely on an elevated structure, paralleling the existing I-710 Long Beach Freeway from the Ports of Los Angeles and Long Beach northward. To create economic viability and to serve the primary purpose of reducing congestion and improving safety, tolls would need to be charged to all trucks using the I-710 corridor. The current operating scheme, yet to be fully endorsed by all stakeholders, envisions that tolls would be dynamic (i.e., varied by time of day and day of week, as a function of congestion), and significantly greater for trucks opting to use the I-710 general purpose lanes rather than the truck-only facility. In addition, to meet the objective of improving air quality in the region, there is discussion about lowering or eliminating tolls for trucks utilizing low-emission or zero-emission technology. Similar to the High Desert Corridor, a significant funding gap exists between available funding sources and the costs necessary to construct and operate the goods movement facility.

High Desert Corridor Project

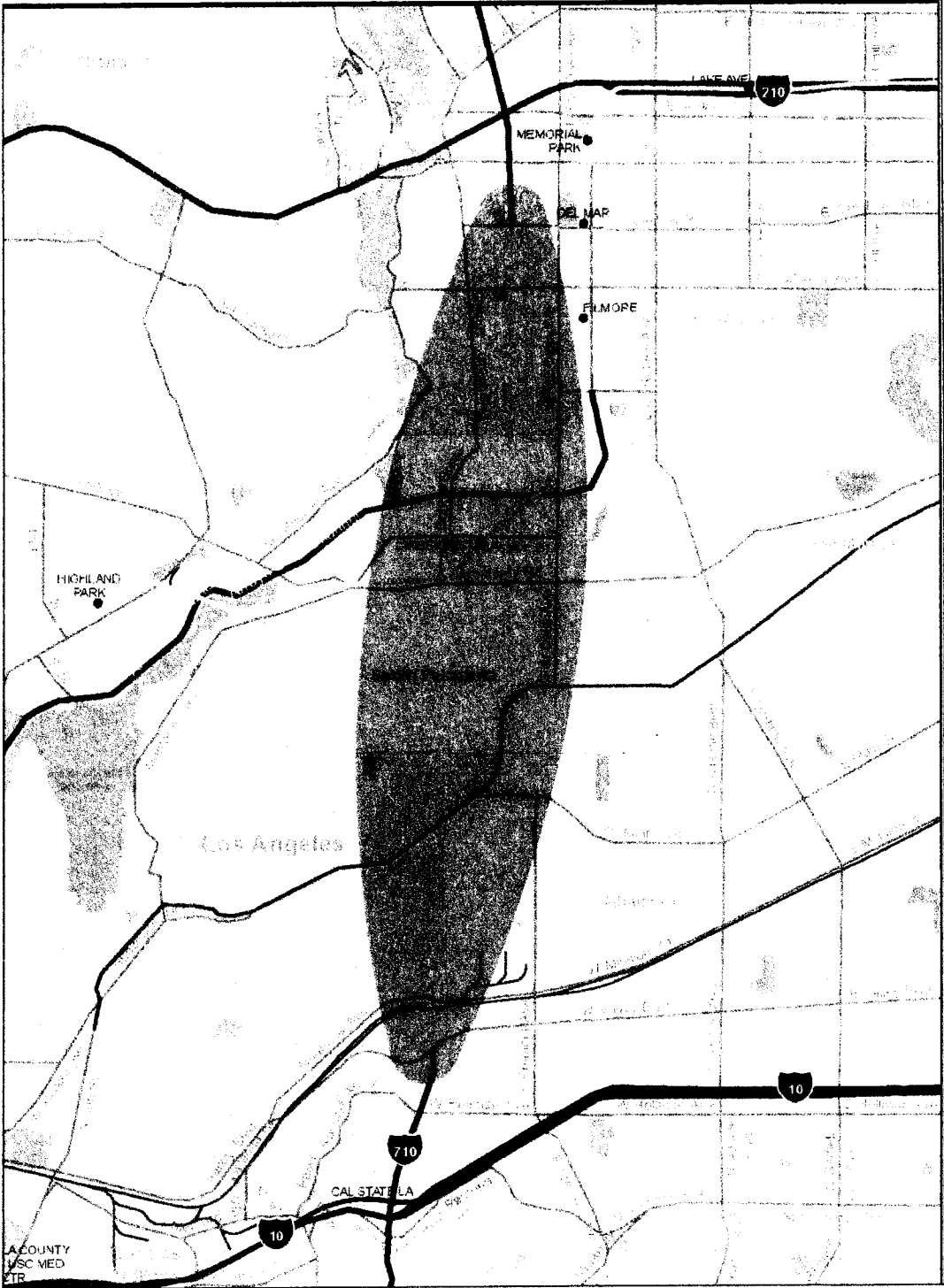


- The SR 710 Gap Closure Project will be a 5 mile connection between the I-10 and the I-210 Freeway to the north. While the environmental and engineering studies currently underway by Metro will result in a final ROD and preferred alternative for the project, a nominal tunnel project has been assumed for undertaking the P3 business planning process. As a P3, this project would be recommended to be undertaken as a toll concession, with the concessionaire taking toll revenue risk, owing to the projected financial strength of the toll revenue stream. As a “gap closure” rather than a “greenfield” project, traffic volumes – and hence toll revenue – are projected to be extremely high from opening day forward. The Business Plan concludes that there is a strong likelihood the SR 710 Gap Closure Project will be successful in attracting a DBFOM consortium to implement and operate the project at a cost to Metro less than that allocated in the Measure R Program.

I-710 South (Long Beach Freeway) Freight Corridor Project



SR 710 Extension Gap Closure Project



In addition to the initial six projects, a seventh project recently conceived by the consulting team is the Sepulveda Pass Transportation Corridor, illustrated on the following page. Metro Planning staff are currently conducting an initial feasibility study and evaluation of alternatives that could be developed, including a multi-modal grade separated transit and express toll road facility, for a project in this corridor. The feasibility study is expected to be completed later in 2012. An initial concept paper describing the basic P3 approach for developing a major multi-modal project in the Sepulveda Pass Corridor is attached as an Appendix to this Report.

- The Sepulveda Pass Project, although still in feasibility study mode by Metro staff, could likely be developed as a full revenue-risk concession, owing to the long-standing transportation needs in the Valley-Westside corridor. Providing both transit and highway/toll road alternatives to the I-405 through Sepulveda Pass could facilitate a robust tolling and possibly premium transit fare approach. This project could advance quite quickly, since it would not be a federal “New Start” project (such as the Westside Subway Extension and the Regional Connector), and thus the extensive requirements of the Federal Transit Administration for New Start Projects would be unnecessary.

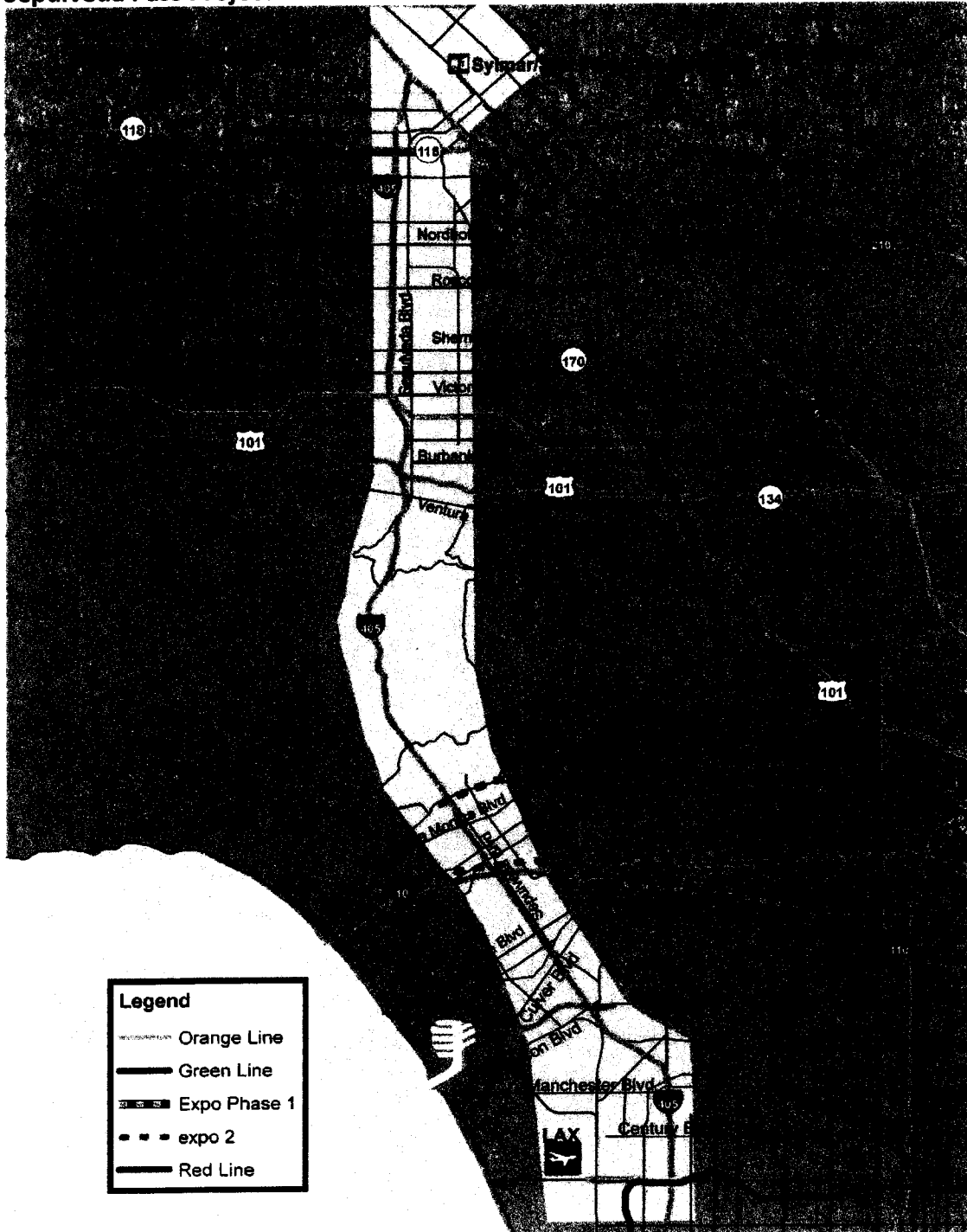
Packaging Smaller Projects for P3 Delivery

In addition to the four projects discussed above, the P3 team has also been working over the last several months on assembling a *package* of several discrete highway and goods movement projects that are essentially “shovel ready.” As the environmental work for these smaller projects has been largely completed, the concept is to create a bundle of projects – including HOV lane additions, soundwalls, highway extensions, etc. – that could be offered as a package to a P3/design-build contractor, thereby accelerating the project delivery and likely assuring a scale-related reduction in construction costs. The Board will be briefed separately on this “early start” program in the next 2-3 months once the program is readied for potential procurement actions.

Next Steps

The Public-Private Partnership Program at Metro has accomplished a great deal in its short tenure. Many other states and transportation authorities have taken a decade or more to establish an embedded process for examining projects having potential for P3 delivery. In fact, it is anticipated that at least one, and possibly three, of the highway projects summarized above could be ready for initial industry solicitation within calendar year 2012. As defined in the P3 Program Advisory Services Scope of Work, and pending Board authorization, the InfraConsult team has as its next steps the development of procurement materials, potential concession agreement documents, and the initiation of a formal process to use P3s to accelerate project delivery and save substantial monies programmed in the Measure R program of projects.

Sepulveda Pass Project





Sepulveda Pass Corridor Project Preliminary Public-Private Partnership Concept

This Paper describes a concept for expediting the development and implementation of a regional transportation corridor between the San Fernando Valley and the Westside of Los Angeles, with a significant portion of the initial and ongoing costs for project development, design and construction, and operations and maintenance borne potentially by private sector.

- The transit connection between the San Fernando Valley and the Westside of Los Angeles has been discussed – in concept – for many years. There are many who believe that the existing demand for travel in this corridor, coupled with northern expansion of LA County development to the Santa Clarita and Antelope Valleys as well as the continued emphasis on jobs and the economic development of the Westside, make this corridor potentially the highest utilization travel corridor in the entire Metro region.
- Despite much discussion and the demonstrated demand for travel between the Valley and the Westside, this potential corridor remains a concept. No significant professional work or required studies have been undertaken in the corridor to date. Measure R includes about \$1 billion allocated to a “project” in the Valley-Westside corridor in the “out years” of the Measure R sales tax program, unless project acceleration can be achieved. Metro’s newly-branded America Fast Forward initiative seeks to achieve this acceleration.
- Metro is preparing to commence work on the long path of statutory studies, project definition, systems planning, alternatives analysis, project scoping, environmental studies (NEPA/CEQA), conceptual design, preliminary engineering, financial analyses, final design, funding, and -- perhaps in two decades or less time – actual project implementation.
- The Valley-Westside corridor can be defined in several segments, as shown on diagrams on the following page (courtesy of The Transit Coalition):
 - Mid-Valley to Westwood (Core segment)
 - Mid-Valley to potential northern extensions (Valencia, Santa Clarita Valley, Palmdale/Lancaster, etc.)
 - Westwood southward to LAX
 - LAX to potential southern extensions to PV Peninsula, Long Beach, Beach Cities, etc.
- Metro and Caltrans have embarked on the construction of the continuation of the I-405 HOV/shared ride facility from the Westside through the Sepulveda Pass on I-405. This facility will add one carpool lane in each direction using the center median. It is anticipated to be a “traditional” HOV facility, with no provisions for “HOT” lanes or managed lanes. That is, the facility will likely be a free facility to high occupancy vehicles (2+, 3+ or more) without provision for “selling” excess capacity through tolls to single occupant vehicles. It is

quite likely that the single lane in each direction will be oversubscribed with such carpools from opening day.

- Many believe that to have a successful toll-based “HOT” lane program combined with free high occupancy vehicle/shared ride facility, a minimum of two lanes in each direction is required, particularly in such high demand corridors as the Valley-Westside.
- Despite the clear need for significant additional people-carrying capacity in the corridor beyond the new carpool lanes, no real source of funding other than the \$1 billion identified in the out-years of Measure R has been identified.
- In order to expedite project development and delivery, Metro embarked last year on an ambitious program to identify opportunities for using public-private partnerships (PPPs, or P3s) to advance the delivery of both transit and highway projects identified in the Long Range Transportation Plan (LRTP) and the Measure R program. To date, the program has identified six initial projects (three highway projects and three transit projects) that could benefit from the potential participation of the private sector, both with respect to leveraging existing funding sources and to life-cycle cost savings deriving from private design, construction, financing, maintenance and operations of transportation facilities. The projects determined to have such potential, to date, include:
 - Crenshaw/LAX Transit Project
 - Westside Subway Extension
 - Regional Connector Transit Project
 - High Desert Corridor Highway
 - I-710 South Freight Corridor
 - SR-710 North Extension Tunnel
- The benefit of partnering with the private sector for developing, financing and operating the highway programs is largely undisputed, since doing so would create a new funding source (i.e., tolls) to supplement the funds dedicated to these projects through measure R and other local, state and federal sources. With one highway project already underway in California as a P3 (Presidio Parkway in San Francisco), it is expected that the participation of private sector partners for the new and expanded highways in the Metro region will be well accepted and will expedite their delivery to the public.
- The 3 transit projects currently underway, however, present more limited opportunities for the private sector to become involved in a significant and productive manner. Work to date on Metro’s PPP contract has shown that utilizing long-term private concessions to design, build, finance, and maintain (“DBFM”), or to design, build, finance, *operate* and maintain (“DBFOM”) the transit projects could result in potentially major life-cycle costs savings when measured in terms of *present value*. In order to realize such potential life-cycle savings, however, several significant issues require resolution, including transferring operating labor contracts from public to private sector; shifting design and construction risk from Metro to a concessionaire; and dealing with systems interface among other elements of currently operating rail lines in the Metro system.

- Experience from throughout the world has demonstrated that projects that create a user-based revenue stream are the most conducive to public-private partnerships. This is, of course, the reason that toll roads have seen a much greater involvement of non-recourse PPPs than transit systems. Indeed, the fare structure of typical bus and rail systems is analogous to “social infrastructure,” such as public buildings, educational institutions and correctional facilities, where there is no significant source of user-based revenue and hence rely primarily on so-called “availability payments” from various levels of government. For public transportation this is equally true, owing to the inability of fares to cover the amortization of capital construction costs. Within most public transit systems, even ongoing operating and maintenance costs cannot be covered by fare revenue.
- Under the structure of Metro’s PPP Program, the foregoing discussion has led to preliminary analysis of additional projects identified in Metro’s Long Range Transportation Plan and within the Measure R framework that could be done potentially with private sector participation at a minimal cost to LACMTA and the taxpayers. Implementing a transit line within the Valley/Westside corridor has been considered an “unaffordable” transit investment, owing to the very high costs of going over – or through – the Santa Monica Mountains. The \$1 billion allocated in Measure R represents a significant amount of funding, but not nearly sufficient to undertake this project. Additionally, conventional rail technology as currently deployed by Metro cannot easily or efficiently navigate the grades associated with the Sepulveda Pass, making the concept of a tunnel the most viable – though the most expensive – option for connecting the Valley and the Westside via rail.
- In light of the exceptionally strong demand for passenger travel between the Valley and points north, and the Westside and points south, a new and potentially robust alternative developed by Metro’s PPP team for consideration has been recommended for business case assessment. The proposed project for the Valley/Westside corridor envisions a *multi-modal project that integrates an advanced transit technology and a multi-lane toll highway, the latter providing an express alternative to the interminably congested I-405 Freeway, routed through a tunnel between the Valley and the Westside.*
- In light of the current state-of-the-art in deep-bore, large-diameter tunneling technology, an integrated “transit/tollway” facility could be engineered to fit in a 58’ diameter tunnel. A very similar tunneling program was recently awarded to a construction consortium in Washington State for replacement of the aged and seismically vulnerable Alaskan Way Viaduct along the ocean front in Downtown Seattle.
- Preliminary concepts show that a single large diameter tunnel could be built in the Valley/Westside corridor and accommodate a bi-directional transit system and 3-5 tolled highway lanes, which could be reversible, similar the I-595 program in Florida.
- As an alternative to proceeding with the normal federally-required, statutory, multi-decade planning process, it is our contention that this project could be a world-class example of a public-private partnership that would result in delivery of this project decades before otherwise possible, without jeopardizing any of the projects currently in development as

part of the prescribed Measure R process. Indeed, using a P3 approach to bring such a project to reality would add luster to Metro's America Fast Forward program. As part of the ongoing Metro PPP program, a project concept and procurement process can be defined and developed that would allow the private sector to demonstrate its ability to bring efficiency, innovation, and cost-saving technology to a much-needed transportation corridor improvement program.

- Preliminary discussions with officials at the US Department of Transportation suggest that the federal government would be strongly supportive of this type of corridor investment, owing both to its multi-modal characteristics and to its innovative and potentially prudent partnership between public and private sectors. In particular, elements of the *Penta-P Program* (Public-Private Partnership Pilot Program) within the Federal Transit Administration (FTA), and the SEP-15 Program within the Federal Highway Administration could be brought together in a program demonstration representing a new and positive way to better leverage federal investment with local and private funds.
- What would make this project more attractive to private sector investment and participation than any of the 3 transit projects currently in the process of business plan preparation?
 - No previous work or designs have been developed or adopted, nor has there been any previous environmental clearance, allowing a private concessionaire/sponsor to use its ingenuity to develop a workable and financially feasible program for planning, permitting, designing, financing, constructing, operating and maintaining the combined transit line and toll facility.
 - Global bidding would be encouraged to bring in world-class suppliers, constructors and operators in a competitive bidding environment. This means that without constraint of current light rail and metro heavy rail technology, a vehicle supplier could develop a "stand-alone" transit technology that would interface with Metro's current program – in particular, the Orange Line in the Valley, the Purple Line extension to Westwood, and also to Metrolink and regional bus. For those who have seen the Docklands Light Railroad in London and its interface with the London Underground system, this project would create a similar linkage of dissimilar technologies that connect at individual multi-level stations.
 - The tollway portion of the project would have an immediate and robust demand on opening day. As evidenced by the success (and high toll rates) of the SR 91 Express Lanes Program in Orange and Riverside Counties, drivers are willing (and able) to pay hefty rates to avoid congestion. While we would leave the design and engineering to our private partner, concepts could include reversible lanes by time of day (similar to the I-595 project in Florida); variable toll rates as a real-time function of levels of congestion; fully electronic tolling without the necessity of toll booths (similar to the 407 Highway in Toronto, Canada); and the promise of congestion-free drives owing to congestion management through pricing strategies.

- “Free-market” approaches to tolling, combined with the likelihood of “premium” transit fares, would generate an extremely robust revenue stream for a concessionaire, and potentially lead to a “hybrid” concession approach between a full “revenue-risk” approach and a partially subsidized “availability payment” approach. Such hybrids are not uncommon in other parts of the world, taking best advantage of the private sector’s marketing and management skills, while allowing the public sector to set transit fares (or provide suitable subsidies), thereby allowing disadvantaged transit riders to make full use of a partially tax-supported transit system.
- The ability for a concessionaire to utilize its own, proprietary transit and toll collection technology greatly encourages competition and competitive bidding most favorable to Metro. For example, many companies around the world – some with foreign government support – have developed technologies that could be most applicable in this corridor. We would expect highly aggressive bidding to result in highly favorable pricing, with potential for export credit financing and other such financial structures aimed at reducing or eliminating subsidies by Metro and/or other public agencies.
- How would we go about procuring, selecting, and implementing such a public-private partnership?
 - The Valley-Westside Corridor Program would be implemented utilizing a “Pre-Development Agreement” (“PDA”) concept. A PDA approach, in this context, would suggest a 3-step procurement process that could be implemented starting in 2011:
 - An initial request for “interest and information” would be sent out by Metro’s P3 team to financial, engineering, construction, and operations firms around the world, providing a description of Metro’s Valley/Westside Corridor concept. We would solicit ideas, reactions, comments, and potential barriers to the concept moving forward. We would also at this time establish a mailing list of interested companies, and receive general statements of individual capabilities and experience. We would specifically seek individual firm responses, discouraging any team formation or consortium development at this juncture, and further discouraging any significant expenditure by firms in responding to this preliminary solicitation.
 - Based on refined corridor concepts, perhaps developed by a retained consultant or by Metro’s P3 team, and based on input received from the initial request for interest and information from a variety of companies, we would then prepare and distribute a “Request for Qualifications” (RFQ) which would seek responses from teams/consortia assembled in specific response to the RFQ. Responders would be required to

demonstrate the consortium's ability to finance, design, construct, provide rolling stock and related systems, operate and maintain the systems in the corridor – both the transit line and the toll facility. Again at this stage, the prospective concessionaires would not be required to undertake significant expenditures.

- Finally, a "Request for Indicative Proposal" (RFIP) would be distributed to a short-list of consortia best meeting the qualifications criteria established by the P3 team to review and rate the Statements of Qualifications. In brief, the short-listed consortia would be asked to respond to an "indicative" project definition, with concepts, approaches, construction means and methods, transit technology, electronic tolling methods and equipment, and an indicative pricing structure. The reason this needs to be "indicative" is that the environmental clearance process requires "purity." Specifically, final alignment, tunneling method, portal locations, ventilation systems, transit technologies, and the myriad of other project attributes cannot be adopted without an appropriate study of alternatives that meets CEQA and NEPA requirements.
- A consortium/concessionaire providing "best value" to Metro would be selected on the basis of the Indicative Proposal. The chosen project team would be required to fund project development activities (conceptual design and environmental clearance), likely using their defined project as the nominal proposed action for environmental review and clearance. Utilizing the PDA approach, Metro would commit to reimburse the concessionaire the costs of the environmental work (as it would for a normal, statutory-based planning program) – but *only* in the event the project did not go forward owing to no fault of the concessionaire. Assuming the project proceeds, the concessionaire would imbed the project development costs into its long-term financial structure, and recover costs through revenues derived from transit fares, tolls, and potentially from availability payments.

Finally, once the environmental work is completed and ROD/NOD is obtained, a final price will be negotiated with the concessionaire for the construction, operations and maintenance of the systems. The term of the concession would begin with the commencement of final design and construction, and continue with operations and maintenance over a defined period of time, generally a minimum of 30-35 years.