

*Los Angeles County
Metropolitan
Transportation
Authority*

*Public-Private
Partnership Program*

Program Status and Analysis



Public-Private Partnership Program

- Accelerated Delivery System for
 - Rail and highway projects
 - Greenfield and brownfield projects
 - Passenger and freight projects
- Leverage Measure “R” and other funds
- Attract Private and New Revenue



Public-Private Partnerships...

- How can private capital be utilized to build, operate and maintain regional transportation projects in an optimal manner?
- How can public funds be leveraged in creative ways to make best use of private capital?



Metro P3 Program Objectives

- Accelerating project delivery to improve service to Measure R taxpayers
- Reducing capital costs through contracting and construction efficiencies
- Reducing lifecycle/O&M costs through productivity improvements
- Leveraging tax proceeds, grant funding and other revenues through integrated financial engineering
- Allocating risk in design, construction and operation in most efficient manner

PROGRAM DEVELOPMENT

- Board adopted PPP Framework and Work plan
- Set the stage for identifying PPP candidates in 2009 LRTP and Measure R program
 - Authorized procurement of PPP consultant team, InfraConsult, LLC with subs:
 - KPMG, LLP, Nossaman LLP, Halcrow Inc., Sharon Greene + Associates and Englander and Associates

PPP PROGRAM

- PPP Consultant Scope of Work step by step process. Move on to next step if current effort shows positive results:
 - Initial project screening
 - Strategic assessments
 - Business plan development
 - PPP procurement processes
 - Optional PPP project delivery and project management

Focus on Project Life-Cycle

- Achieve accelerated project delivery
 - Project activities in “parallel”
- Insure project quality throughout life cycle
 - Private financial participation (“skin in the game”)
- Reduce risks
 - Eliminate/lessen risk of project cost overruns/change orders
 - Reduce public sector risks by strengthening project interfaces
- Compliment federal funding
- Achieve cost savings
 - Operations - performance-related concessions and system availability-based contracting
 - Capital - design and construction efficiencies
- Enhance cash flows
 - Private financing mechanisms
 - Leverage Measure R revenues and other public funding sources
- Utilize new funding sources
 - Value creation and user revenue streams (e.g., transit-oriented development, road tolls)

PPP WORKPLAN

- Initial screening identified 14 transit and highway projects as most promising candidates for private sector participation
- Six projects recommended for further screening, with others to follow:
 - I-710 South including Early Action Projects
 - SR-710 South Gap
 - High Desert Corridor
 - Crenshaw/LAX Transit Corridor
 - Regional Connector
 - Westside Subway Extension

PROJECT ANALYSES

- Business Plans
 - Completed for all three transit projects
 - Additional analysis required of financing structure assumptions cash flow of sources and uses of funds
 - Highway project business plans nearing completion
 - Completion correlates to environmental clearance process; transit projects two years ahead in that timeline

BASIC PPP PAYMENT APPROACHES

Availability Payment Model

- Can be used for all projects, including projects that don't have any or full revenue stream (i.e. tolls), but have sufficient eventual funding/revenue to cover payments
- Allows leveraging of funds to accelerate delivery and also obtain the benefits of integrated project management and life cycle cost savings

BASIC PPP PAYMENT APPROACHES

Revenue Risk Concession Model

- Used when revenue (tolls or other user-based fees) are projected to be sufficient to cover all costs
- No public subsidy needed
- Concessionaire accepts actual toll revenue stream (risk) as sufficient to:
 - Provide reasonable return on investment
 - Repayment of debt services on borrowed funds

Transit Projects

- All three prospective projects are extensions of, or “interline” with, existing and currently operating rail lines, hence potential benefits of maintenance/operation not obtainable or difficult to achieve
- The rail projects are recommended for design-build for all or parts of the respective capital construction programs
- Certain station facilities (elevator/escalator) likely suitable for P3 treatment
- New transit lines with “independent utility” will likely be considered for DBFM or DBFOM delivery

BUSINESS PLAN RECOMMENDATIONS

Highway Projects

- High Desert Corridor
 - DBFOM Central Segment (31 miles)
 - DB East and West Segments
 - Optional Apple Valley Segment
 - Availability payment approach
 - Renewable energy corridor
 - Potential extension of Desert Express High Speed Train from Victorville to Palmdale within corridor

BUSINESS PLAN RECOMMENDATIONS

Highway Projects (con't)

- SR-710 Gap
 - DBFOM for full project if preferred alternative selected is a tolled tunnel
 - Toll risk concession approach
 - Tolling revenues projected to be extremely high
 - Gap closure rather than greenfield project, so traffic volumes easier to predict
 - Potential to cost less than funds allocated in Measure R plan

BUSINESS PLAN RECOMMENDATIONS

Highway Projects (con't)

- I-710 South Freight Corridor
 - DBFOM Freight Corridor
 - Early Action interchange projects completed as public works
 - Freeway widening to be constructed as funds become available
 - Availability payment approach
 - Dynamic tolling of all trucks on freight corridor and general purpose lanes
 - Create economic viability
 - Reduce congestion
 - Improve safety
 - Tolling revenues insufficient; significant funding gap

ADDITIONAL PROJECTS

Sepulveda Pass Transportation Corridor

- Initial feasibility study/alternatives analysis underway, including PPP
- Through Sepulveda Pass between north San Fernando Valley and Westside/LAX
- If PPP selected, would consider DBFOM transit and highway/toll project
- Revenue risk concession approach
- Potential to attract private investment covering full funding gap

ADDITIONAL PROJECTS

Highway Goods Movement Package

- Package of several discrete highway and goods movement projects
- Environmental clearance complete or nearly so
- All nearly fully funded in later years
- PPP package could accelerate project delivery
- Completing strategic analysis and business plan development in preparation for industry outreach

Metro P3 Program: Next Steps

- Requests for Information (RFI) and industry outreach:
 - Can be conducted while environmental work is ongoing.
- Requests for Qualification (RFQ)
 - Can be distributed shortly thereafter
- Requests for Proposal (RFP)
 - Can be prepared during Final EIS/R period, and can be released near Record of Decision (ROD) and Notice of Determination (NOD) dates.
- Contractor selection
 - Only after receipt of ROD/NOD

September 2011

Metro P3 Program: Next Steps

- RFI for I-710 Freight Corridor could be issued in June 2012
- RFI for SR-710 Gap could be issued in October 2012
- Business case to Board May 2012, RFQ June 2012
- RFI for Sepulveda Pass Transportation Corridor
- Start RFI document work soon, anticipating positive Board direction to proceed
- Conduct industry outreach and one-on-one meetings for near-term projects
- Prepare for initial procurement(s) in calendar year 2012