

Public Private Partnership Program for Los Angeles County Transportation Infrastructure

Los Angeles County
Metropolitan Transportation Authority
Planning & Programming Committee
July 2014



Overview Of Metro's P3 Program Activities

- Unsolicited Proposal Policy for P3s
- Status Report on Metro's P3 Program to Date
- Summary of Metro's P3 Roundtable Event
 - Evaluation
 - Management
 - Revenue Potential
 - Delivery
- Next Steps



Unsolicited Proposal Policy

- Creates a path for receiving unsolicited proposals on large, performance-based projects that can benefit from innovative delivery
- Procedures for accepting and reviewing unsolicited proposals are currently under development

Attachment A

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 submitted 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:

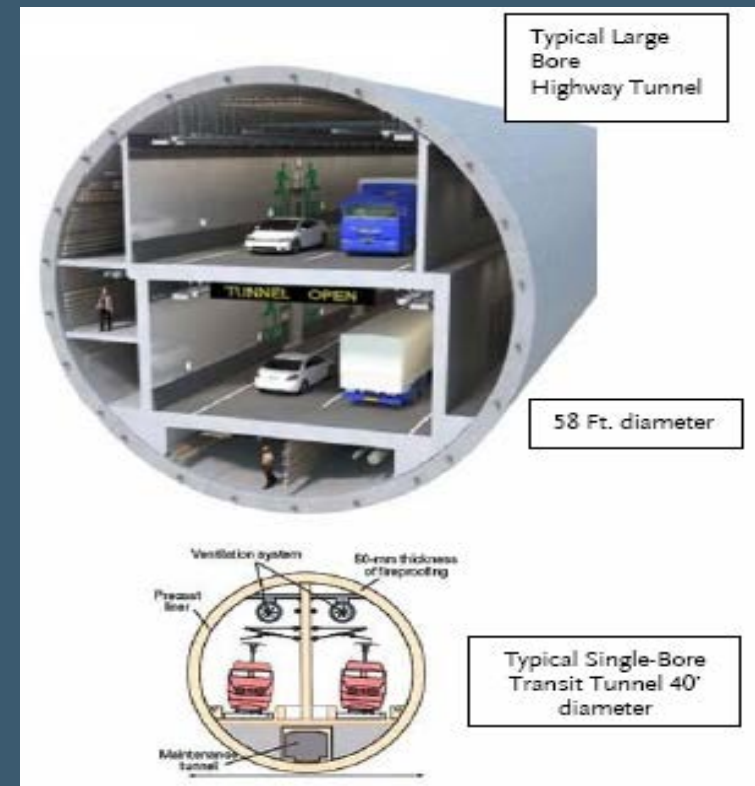
- The Project is consistent with the mission of Metro and, as such, is of value to Metro
- The Proposer is qualified to execute the Project if awarded
- The Proposed Project has a reasonable probability of being successful as a Public Private Partnership Project
- The Proposed Project is such that a 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

Public-Private Partnership Program Status Report

- Program initiated in 2009
- Initial Screening of 81 LRTP Projects
 - Narrowed to 14 Candidates
 - Six Selected for Business Plan Analysis
- ARTI discontinued
 - Toll diversion and life cycle cost issues
- Sepulveda Pass Added
- Four Projects Continuing:
 - High Desert Multi-Purpose Corridor
 - Sepulveda Pass Corridor
 - Interstate 710 South
 - State Route 710 North



Public-Private Partnership Program Status Report

- **Active P3s under development:**
 - **State Route 710 North**
 - Project Cost Estimate: \$3.25 Billion (2011 \$)
 - Invoiced Amount for Related Analysis: \$2.55 million
 - Business Plan Submitted August 2012
 - **Interstate 710 South**
 - Project Cost Estimate: \$5.3 Billion (YOE \$ 2015-2021)
 - Invoiced Amount for Related Analysis: \$2.7 million
 - Final Risk Assessment Submitted May 2012
 - **High Desert Multi-Purpose Corridor**
 - Project Cost Estimate: \$5.3 Billion (YOE \$ 2016-2024)
 - Invoiced Amount for Related Analysis: \$2.04 million
 - Interim Business Plan Submitted August 2012
 - **Sepulveda Pass Transit Corridor**
 - Project Cost Estimate: >\$10 Billion (YOE \$)
 - Invoiced Amount for Related Analysis: \$444,000
 - Preliminary Financial Model Submitted February 2012



Public-Private Partnership Program Status Report

- **Projects Evaluated and No Longer Under Consideration**

For P3 Development:

- **Westside Purple Line Extension**

- Project Cost Estimate: \$6.3 Billion (YOE \$ 2014-2035)
- Invoiced Amount for Related Analysis: \$1.59 million
- Business Plan Submitted January 2012

- **Regional Connector**

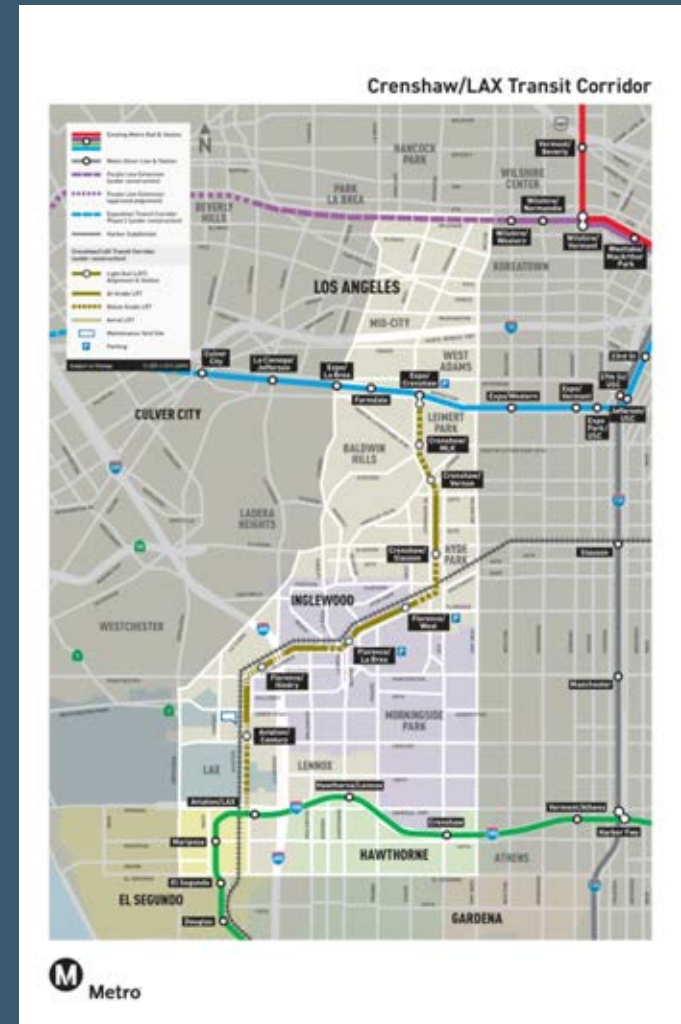
- Project Cost Estimate: \$1.43 Billion (YOE \$ 2014-2020)
- Invoiced Amount for Related Analysis: \$1.74 million
- Strategic Assessment Submitted February 2012

- **Crenshaw/LAX LRT**

- Project Cost Estimate: \$2.06 Billion (YOE \$ 2014-2019)
- Invoiced Amount for Related Analysis: \$1.83 million
- Business Plan Submitted January 2012

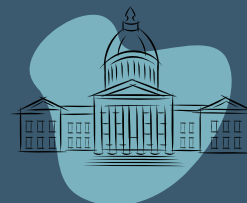
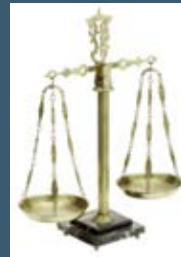
- **I-5 North Express Lanes/ARTI**

- Project Cost Estimate: \$700 million (YOE \$ 2015-2020)
- Invoiced Amount for Related Analysis: \$14.6 million
- Various (Business Plan, P3 Agreement, VfM, RFQ, Business Case)



Public Private Partnership Roundtable

- May 13, 2014
- Metro CEO Art Leahy was joined by Metro Chair Diane DuBois and Metro Board Members Supervisor Michael Antonovich and Mayor Eric Garcetti
- Focus was transportation projects in Los Angeles County and Metro's role in leading the development of P3 strategies.
- Industry leaders from:
 - Engineering
 - Environmental
 - Finance
 - Construction
 - Legal
 - Government Sectors
 - Metro Executive Staff
 - Public



Public Private Partnership Roundtable, Cont'd

- The event included three general sessions; four breakout sessions; addresses by Supervisor Antonovich, Chair DuBois, and Mayor Garcetti; and a wrap-up session
- General session topics:
 - An overview of Metro P3 Projects:
 - Sepulveda Pass
 - High Desert Multi-purpose Corridor
 - Interstate 710 South
 - State Route 710 North
 - Individual breakout session topics:
 - Risk Management
 - ExpressLanes Interface and Procurement
 - P3 Financing Issues
 - Organization and Structure
 - Institutional and Technical Hurdles
 - Moving Forward/Next Steps



Public Private Partnership Roundtable, Cont'd

Incentives for Self Help Counties and State are split

Traditional State Hwy. Delivery:

- Metro takes ownership of the roadway during construction
 - Operations and Maintenance (O&M) covered by Metro only during construction and then handed back to Caltrans
- Caltrans assumes all life-cycle costs (like O&M) on the roadway during subsequent operations

P3 Project Delivery:

- Concessionaire covers costs for the entire term of the concession (up 35 years with TIFIA Loan)
- Life-cycle costs are passed on to Metro (not Caltrans) for repayment to concessionaire

Additional 35 years in cost/expenses raises a split incentive

- **By avoiding P3s, Metro may avoid costs**
- **By securing a P3, Caltrans may avoid expenses**

This split forms a strong barrier to P3s on State Highway System

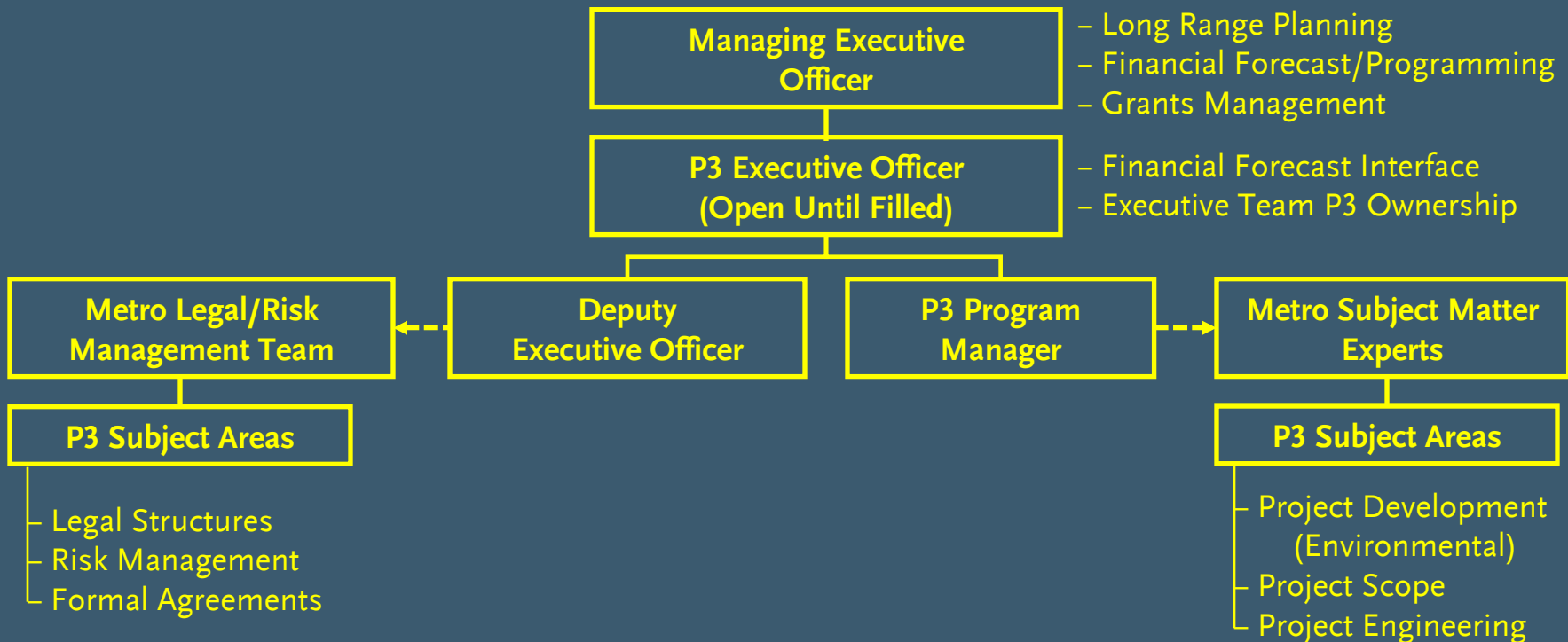
Public Private Partnership Roundtable, Cont'd

- **Two Joint Powers Authority (JPA) P3 roles discussed:**
 1. **Project development and advocacy**
 - Project development advantages may outweigh project JPA costs
 - Project advocates believe they do: State and Federal Grants etc.
 2. **Overall Program management**
 - Creating a JPA with Caltrans (or other cities or agencies) does not resolve split incentive problems on State Highway System
 - Forming a P3 JPA would require a Metro funding commitment while weakening direct governance and oversight
 - Metro's reorganization appropriately places overall P3 program with its Long Range financial forecasting function
 - Long range life cycle cost savings can make P3s pencil out



Next Steps for P3 Management

- Objectives
 - Align Metro P3 program with Metro's Long Range Transportation Planning and Programming functions
 - Broaden ownership of P3 process and ideas to improve results
- P3 organization seeks to foster Executive Team ownership by optimizing expertise:
 - Project development and environmental functions managed by planning staff
 - Insurance issues managed by Risk Management staff
 - Procurements managed by procurement staff
 - Etc.



Next Steps for P3 Program

- Complete reorganization (P3 executive hire)
- Suggest Asset survey: Identify small scale P3 opportunities
- Complete Traffic and Revenue (T&R) forecasts:
 - I-5 North ExpressLanes
 - Complete investment grade T&R study (updates sketch level T&R study)
 - Assumes Toll Authority can be secured through SB 983 or some other means
 - Secure TIFIA Loan secured by tolls for up to one third of project cost
 - Sepulveda Pass Transit Corridor
 - Complete stated preference survey (in procurement)
 - Complete analysis of stated preference survey (procurement pending)
 - High Desert Multi-Purpose Corridor
 - Monitor USDOT TIGER grant request for investment level T&R study funding
- SR-710 North and I-710 South
 - Further P3 work pending completion of environmental studies