Metro’s Public-Private Partnership Program

Measure R Program: Delivering Projects Through Partnership

Los Angeles County Metropolitan Transportation Authority

CMAA P3 Conference September 27, 2012

Kathleen Sanchez, LA Metro Mike Schneider, HDR/InfraConsult
• Accelerating project delivery
• Reducing costs through procurement, contracting, and construction
• Developing projects integrated with existing transit and highway infrastructure
• Allocating risk effectively: design, finance, construction and operation
• Leveraging local revenue and federal funds
• Creating regional jobs
Scope of P3 Program

• Multimodal and multipurpose
  • Rail and highway projects
  • Greenfield and brownfield projects
  • Passenger and freight projects

• Leverage Measure “R” funds
  • $35-$40 billion in local sales tax revenues
  • More than $20 billion in potential P3 toll procurements in next 5 years
Summary of Funding by Source

- Federal, State, & Local Grants: 22.0%
- Local Sales Tax, STA & TDA: 64.1%
- Passenger Fares & Advertising: 10.3%
- Net Proceeds from Financing: 0.08%
- Other: 2.9%
Measures R and J

- **Measure R**: ½-cent sales – 2009 through 2039
  - Accelerates 13 transit and 15 highway projects
- **Measure J**: Extends tax for 30 years through 2069 (November ballot)
  - Further accelerates Measure R projects
  - 7 transit and 8 highway projects to construction within 5 years rather than 20
  - Increases leveraging capabilities
Project Acceleration: Transit

- Regional Connector (Links Local Rail Lines) - 2019 - 6 YRS - 2025
- Green Line Extension: Redondo Beach Station to South Bay Corridor - 2020 - 15 YRS - 2035
- Westside Subway Extension - 2022 - 14 YRS - 2036
- Gold Line Eastside Extension - 2022 - 13 YRS - 2035
- Green Line Extension to Los Angeles International Airport - 2023 - 5 YRS - 2026
- West Santa Ana Branch Corridor - 2024 - 3 YRS - 2027
- San Fernando Valley I-405 Transit Corridor Connection - 2025 - 14 YRS - 2039

KEY
- ACCELERATED COMPLETION DATE APPROXIMATED
- # OF YRS ACCELERATED APPROXIMATED
- ORIGINAL COMPLETION DATE
Metro P3 Program Team

Metro team led by Roger Moliere and Kathleen Sanchez
Planning, Construction, Highways Legislative, Legal,
Procurement and Communications Departments also involved

Advisory Team

- InfraConsult LLC
  Program Management/P3 Advisory

Consultants

- HDR Inc.
  Engineering and Technical Advisory
- KPMG LLP
  Financial Advisory
- Nossaman LLP
  Legal Advisory
- Sharon Greene + Associates
  Strategic Planning and Funding Advisory
Program Approach

- Projects with greatest likelihood of success for private participation
  - Clearly defined, environmentally cleared, high-priority projects with demonstrated public sector commitment
  - Equitable and effective risk allocation
  - Transparent, well-defined procurement process, with early initiation where feasible
  - Programmatic/portfolio approach to P3s
Focus on Project Life-Cycle

- **Achieve accelerated project delivery**
  - Project activities in “parallel”
- **Ensure 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
- **Complement 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)
Sector Roles/Responsibilities

• **Public Partner – Project development risk**
  – Overall policies and control
  – Environmental process and clearance
  – Stakeholder support
  – Political commitment
  – Funding sources

• **Private Partner – Project implementation risk**
  – Financing
  – Design and construction
  – Facility operation/maintenance/management
• Strategic analysis and business case development precede decision
• Capital costs, O&M costs, lifecycle performance and public funding are integral elements in delivery assessment
• Calculation of value-for-money between public (traditional) delivery and proposed PPP delivery is required
• Which approach provides best value?
**Project Development Process**

- PPP program plan; project screening criteria
- Project screening from LRTP project list
- Comprehensive analysis
- Optimum business case model and project benchmark criteria
- Project selection/Board approval
- Marketing, industry forums, legislative actions
- RFP preparation
- Contract negotiation
- Preferred bidder
- Signed contract; financial close

**Program Development**

1. PPP program plan; project screening criteria
2. Project screening from LRTP project list
3. Comprehensive analysis
4. Optimum business case model and project benchmark criteria
5. Project selection/Board approval

**Project Screening**

6. Marketing, industry forums, legislative actions
7. RFP preparation
8. Contract negotiation
9. Preferred bidder
10. Signed contract; financial close

**Strategic Assessment**

11. Short list
12. RFQ or EOI

**Business Case Development**

13. Marketing, industry forums, legislative actions
14. RFP preparation
15. Contract negotiation
16. Preferred bidder
17. Signed contract; financial close

**Procurement Planning**

18. RFP preparation
19. Contract negotiation
20. Preferred bidder
21. Signed contract; financial close

**Concession Agreements**

22. Short list
23. RFQ or EOI
24. Marketing, industry forums, legislative actions
25. RFP preparation
26. Contract negotiation
27. Preferred bidder
28. Signed contract; financial close
Strategic Assessment

- Define projects and PPP project elements
- Develop risk registers and profiles
- Optimize projects for potential PPP procurement
- Evaluate effects on overall program
- Create financial model
- Perform initial Value for Money (VfM) and comparator analyses
Procurement Approach

- Delivery decision: D/B, DBF, DBFO, DBFM, DBFOM
- If concession includes maintenance, private partners have incentives to design and build sustainable construction and service model
- If private partner also operates the facility/service, maximum efficiencies are introduced
Financing Approach

- Partner with private sector
- Share risks and rewards
- Utilize private financial sources for equity and debt to finance construction
- Establish private investment and debt service for repayment as “availability payment”, based on availability of facility
Availability Payment Model

- May be used for all projects, including those with insufficient user-based revenue (i.e. tolls) to cover capital and O&M costs, but have sufficient public funding sources to cover project funding gaps.

- Allows long-term leveraging of public funds and user-based revenues to accelerate delivery.

- Consolidates benefits of integrated project design, construction, operation and maintenance, realizing life-cycle cost savings.
Revenue Risk/Concession Model

- Used when revenue (tolls or other user-based fees) are projected to be sufficient to cover most or all project costs

- Public subsidy may not be necessary

- Concessionaire accepts actual toll revenue stream (risk) as sufficient to:
  - Build, operate and maintain the project
  - Provide reasonable return on investment for equity investors
  - Provide repayment of debt services on borrowed funds
Most projects need public funding support in addition to user-based revenue to repay equity and debt.

PPPs are a financing and procurement approach – not a substitute for funding.
  - May increase finance capacity by accessing new private capital sources, and may reduce costs.
  - Public sector still has to identify a source of revenue.
Projects Targeted For P3 Delivery

Highways and Urban Rail Transit
Potential P3 Transit Projects

MEASURE R Proposed Rail and Rapid Transit Expansion

- Exposition Boulevard Light Rail Transit
- Crenshaw Transit Corridor (project acceleration)
- Regional Connector: Links Local Rail Lines
- Westside Subway Extension (to be opened in segments)
- Gold Line Eastside Extension
- Gold Line Foothill Light Rail Transit Extension
- Green Line Extension: Redondo Beach Station to South Bay Corridor
- Green Line Extension to Los Angeles International Airport
- San Fernando Valley North-South Rapidways: Canoga Corridor (project acceleration)
- San Fernando Valley East North-South Rapidways (project acceleration)
- West Santa Ana Branch Corridor
- San Fernando Valley I-405 Corridor Connection
- Metrolink Capital Improvement Projects (Los Angeles County)

Legend:
- Proposed Metro Rail and Rapid Transit Projects
- Proposed Metrolink Capital Improvements
- Existing Metro Rail and Rapid Transit System

* Specific routing to be determined
Transit Projects

• All three prospective projects are extensions of, or “interline” with, existing and currently operating rail lines.
• The rail projects have significant Measure R funding and Westside Subway Extension and Regional Connector have federal “New Starts” grant support.
• Crenshaw/LAX has a $540 million TIFIA award which is being managed through internal budgetary programs.

Rail Project P3 Recommendations

• The rail projects are recommended for design-build for all or parts of the respective capital construction programs.
• Legacy operation and maintenance of the rail lines will continue under Metro operating auspices.
• New transit lines with “independent utility” will likely be considered for DBFM or DBFOM delivery.
Potential P3 Highway Projects

High Desert Corridor

SR 710 North Gap Closure

I-710 South Freight Corridor

- I-5 Capacity Enhancement: SR-134 to SR-170
- I-5 Capacity Enhancement: I-605 to Orange County Line
- I-5/Carmenita Rd Interchange Improvement
- I-5/SR-14 Capacity Enhancement
- I-405, I-110, I-105 and SR-91 Ramp and Interchange Improvements: South Bay
- I-5 North Capacity Enhancements: SR-14 to Kern County Line (Truck Lanes)
- I-710 South and/or Early Action Projects
- SR-138 Capacity Enhancements
- High Desert Corridor (environmental)
- I-605 Corridor “Hot Spot” Interchanges
- Highway Operational Improvements in Arroyo Verdugo Subregion
- Highway Operational Improvements in Las Virgenes and Malibu Subregion
- SR-710 North Gap Closure
- BNSF Grade Closure
- Alameda Corridor East Grade Separations
  Phase II

* Specific routing to be determined
- 63-mile east west corridor from SR-14 to I-15
- Draft EIR/S Spring 2013
- Estimated cost $2.7 billion
• Improvement of 18 miles of freeway:
  • Four-lane exclusive tolled truck corridor, procured initially as a public-private partnership (availability payment model)
  • Freeway widening to 10 lanes
  • Improvement of most existing interchanges

• Draft EIR/S – Summer 2012

• Estimated Cost:
  • Truck Tollway - $4.5+ billion
  • Total Project - $8.0+ billion
SR 710 North Gap Closure

• Extension of existing Long Beach Freeway to I-210
• Proposed tunnel for significant portion of alignment
• Draft EIR/S Winter 2013
• Estimated Cost: $2.3 billion (Phase 1),
• Total $4+ billion
• May be procured as a toll concession with full or partial revenue risk transfer to concessionaire
New Name: Accelerated Regional Transportation Improvements Project (ARTIP)

I-5 North Improvements (SR-14 to Parker)

Sound Wall Package 11

Sound Wall Package 10

SR-71 Gap Project
Initial Metro P3 Project: ARTIP

• Several projects were selected for inclusion in a package for combined and coordinated delivery
• Objective: Explore potential for accelerating the delivery of a package of projects by “bundling” project costs and funding
• Projects include widening, managed lane (HOT) programs, soundwalls, etc.
• Total cost estimated at $700 million
• Metro’s P3 team analyzed the “bundle” and determined that ARTIP would yield *value-for-money* and other benefits if delivered as a P3 program
## ARTIP

Screening was based upon:
- Readiness
- Risk
- Affordability
- Interface
- Legal
- P3 opportunity

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Conventional and P3 Delivery

**Accelerated Regional Transportation Improvements Project**

**CONVENTIONAL DELIVERY ACCORDING TO PLANNED PAY-AS-YOU-GO FUNDING**

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**SINGLE AVAILABILITY PAYMENT CONTRACT COVERING ALL ELEMENTS WITH SCULPTED PAYMENT OBLIGATIONS**

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**Conventional Delivery**

**P3 Delivery**
Sepulveda Pass Corridor

• Potential rail and toll highway connection between the north San Fernando Valley, Westside LA, and LAX

• Feasibility study completed by Metro Staff

• Potential large-diameter tunnel containing toll expressway and automated fixed guideway transit system

• May be procured as a full concession, potentially utilizing a revenue risk model
Sepulveda Pass Corridor

- Potential Transit Connections:
  - Metrolink Antelope Valley Line
  - Metrolink Ventura Line
  - East San Fernando Valley North/South Corridor
  - Metro Orange Line
  - Westside Subway Extension
  - Expo Line Phase 2
  - Crenshaw/LAX LRT Project
  - Airport Metro Connector
  - Metro Green Line

- Potential Highway Connections
  - SR 118
  - US 101
  - I-10
  - SR 90
Sepulveda Pass Mobility Issues

- Most Congested Highway Segment in the U.S.
  - 295,000 vehicles per day (2010)
  - 430,000 vehicles per day (2030)

- Severe Transit Limitations
  - Metro Rapid 761 scheduled run time between Van Nuys and Westwood:
    - AM Southbound – 65 minutes to go 12 miles (11 mph)
    - PM Northbound – 74 minutes to go 12 miles (9.7 mph)

- Peak Demand Between US 101 and I-10
  - 45% of trips enter and exit in this 12 miles segment
Sepulveda Pass: Current Status

- Initial feasibility study/alternatives analysis completed; alternatives include major P3 undertaking
- P3 project could extend through Sepulveda Pass between north San Fernando Valley and Westside/LAX
- P3 project could consider DBFOM transit and highway/toll project – potential tunnel(s)
- Potential to attract private investment covering full funding gap
**Project Development Concepts**

- **Lower Cost** (Within Measure R Budget: $1 billion)
  - Concept 1: At-Grade BRT
  - Concept 2: Managed Lanes with BRT

- **Higher Cost** (Supplemental funding required)
  - Concept 3: “Caltrans Project:” Aerial Viaduct
  - Concept 4: Highway Toll Tunnel (BRT?)
  - Concept 5: Fixed Guideway Rail Tunnel
  - **Concept 6: Toll Tunnel/Rail Tunnel (P3?)**
Managed Lanes with BRT…

Metro Express Lanes
Project
I-10 and I-110 Freeways

I-15 Managed Lanes San Diego County

Route 91 Toll Lanes- Riverside/Orange Counties
Toll Highway Bypass Tunnel...
**Tolled Highway/Premium Transit**

**Toll Highway**
- Length: 21 miles
- Northern portal near Roscoe Boulevard
- Southern portals near I-405 and Century Blvd
- Direct connectors from eastbound US 101 and southbound I-405 freeways
- Three intermediate access points: Ventura, La Grange and Howard Hughes

**Premium Transit Line**
- Length: 21 miles
- Stations: Orange Line, Purple Line, EXPO Line, Green Line
- Limits: Van Nuys Metrolink Station to Century/Aviation Station
QUESTIONS?