

Metro's Public-Private Partnership Program

*Measure R Program:
Delivering Projects
Through Partnership*

*Los Angeles County
Metropolitan
Transportation
Authority*



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Kathleen Sanchez, LA Metro
Mike Schneider, HDR/InfraConsult



Metro P3 Program Objectives

- 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



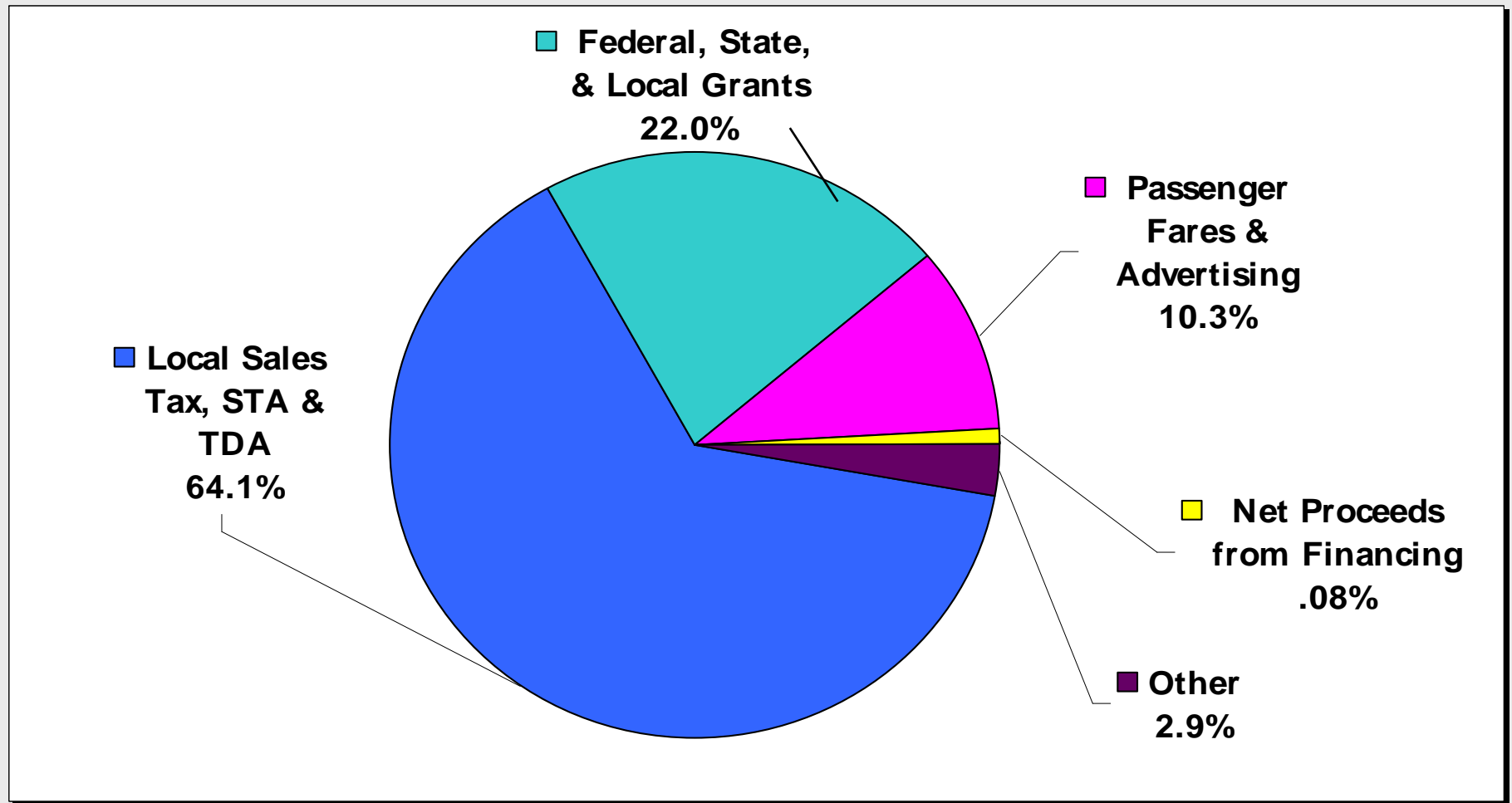
- **Leverage Measure “R” funds**

- \$35-\$40 billion in local sales tax revenues
- More than \$20 billion in potential P3 toll procurements in next 5 years



Metro

Summary of Funding by Source



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



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)

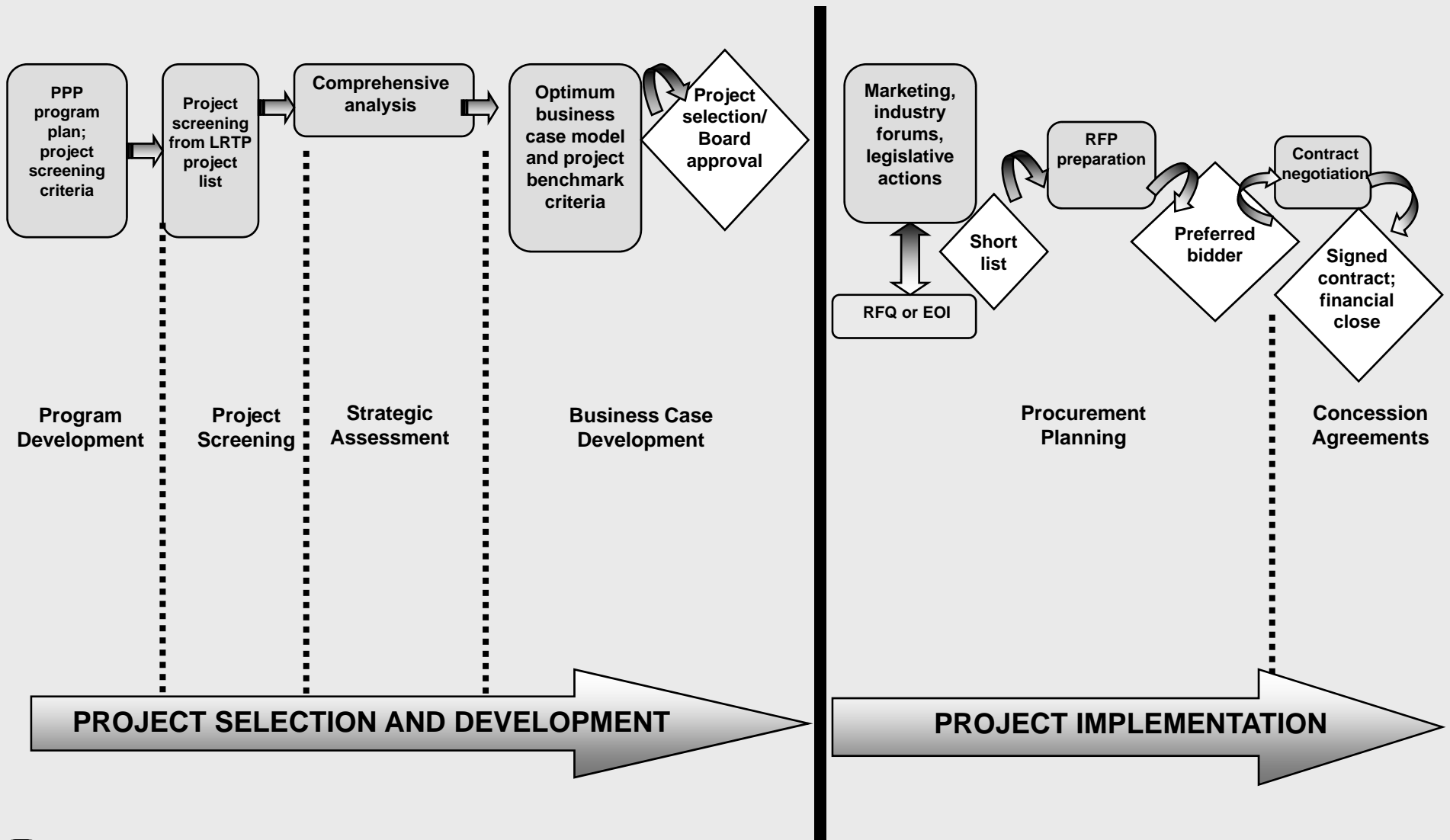
Sector Roles/Responsibilities

- **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

Project Delivery Determination

- 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



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

Free Money?

- 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



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

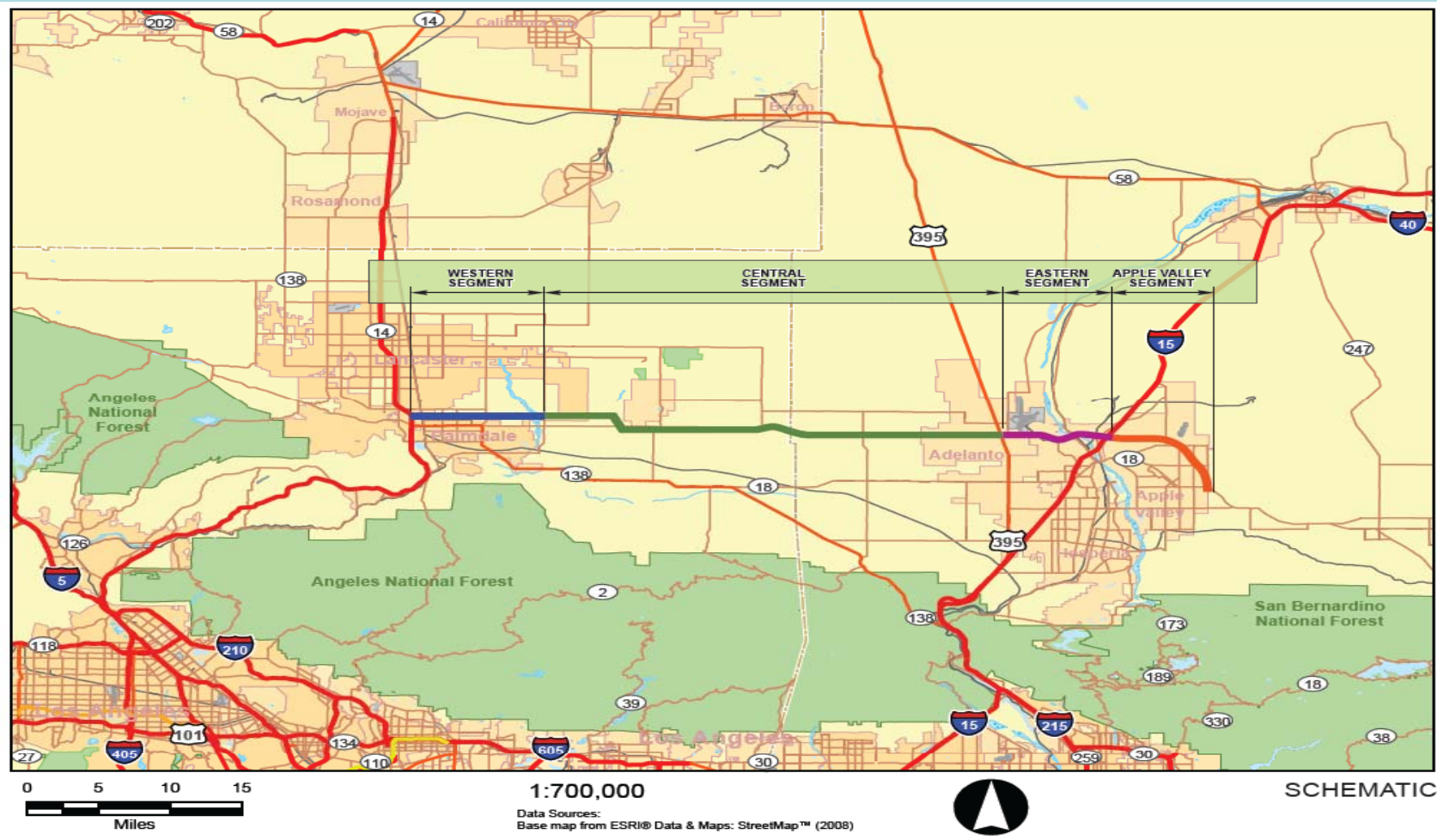
Rail Project P3 Recommendations

- 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



- 63-mile east west corridor from SR-14 to I-15
- Draft EIR/S Spring 2013
- Estimated cost \$2.7 billion

I-710 South Freight Corridor

- 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

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



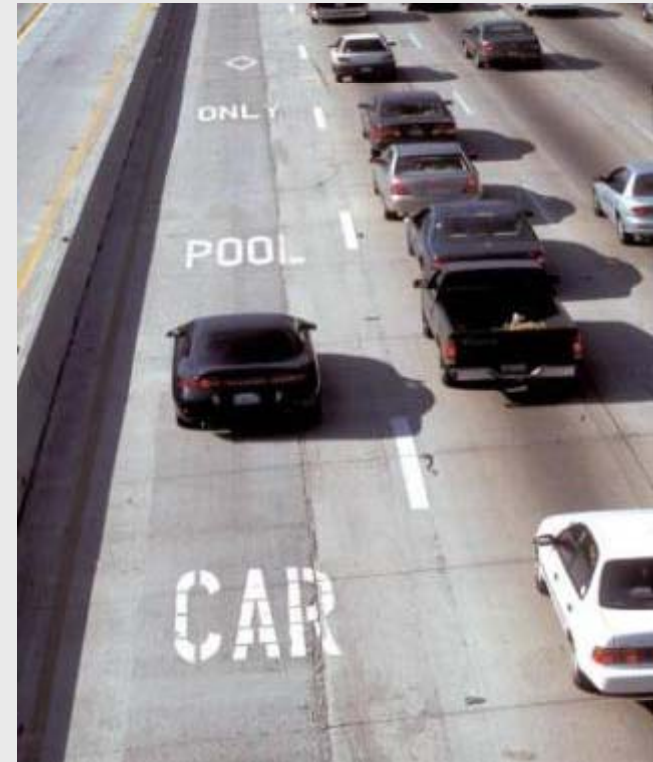
Highway/Goods Movement Package



New Name:
Accelerated Regional
Transportation
Improvements Project
(ARTIP)

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



Project Screening

ARTIP

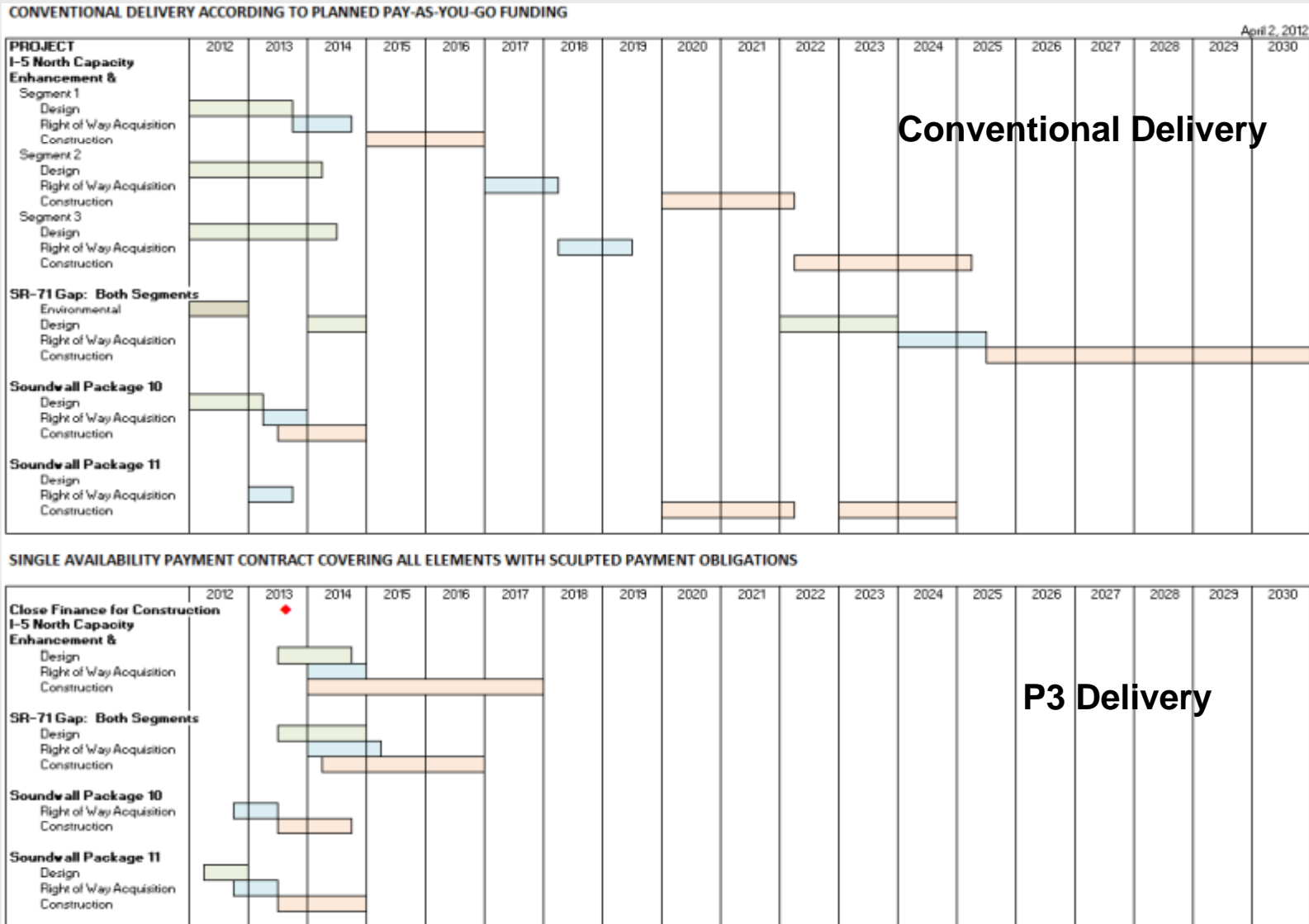
Screening was based upon

- Readiness
- Risk
- Affordability
- Interface
- Legal
- P3 opportunity

Projects	Construction cost (2012 \$)	Env. status	Output from screening
I-5 North Capacity Enhancement	\$378MM	Cleared	Include as one project. Explore HOT potential. Explore stand-alone approach.
I-5 North Pavement Rehabilitation	\$73MM	Cleared	
SR-71 Gap: I-10 to Mission Blvd	\$79MM	January 2013	Include as one project within package approach.
SR-71 Gap: Mission Blvd to Rio Rancho Rd	\$150MM	January 2013	
Soundwall Package 10	\$28MM	Cleared	Include as one project within package approach.
Soundwall Package 11	\$60MM	Cleared	

Conventional and P3 Delivery

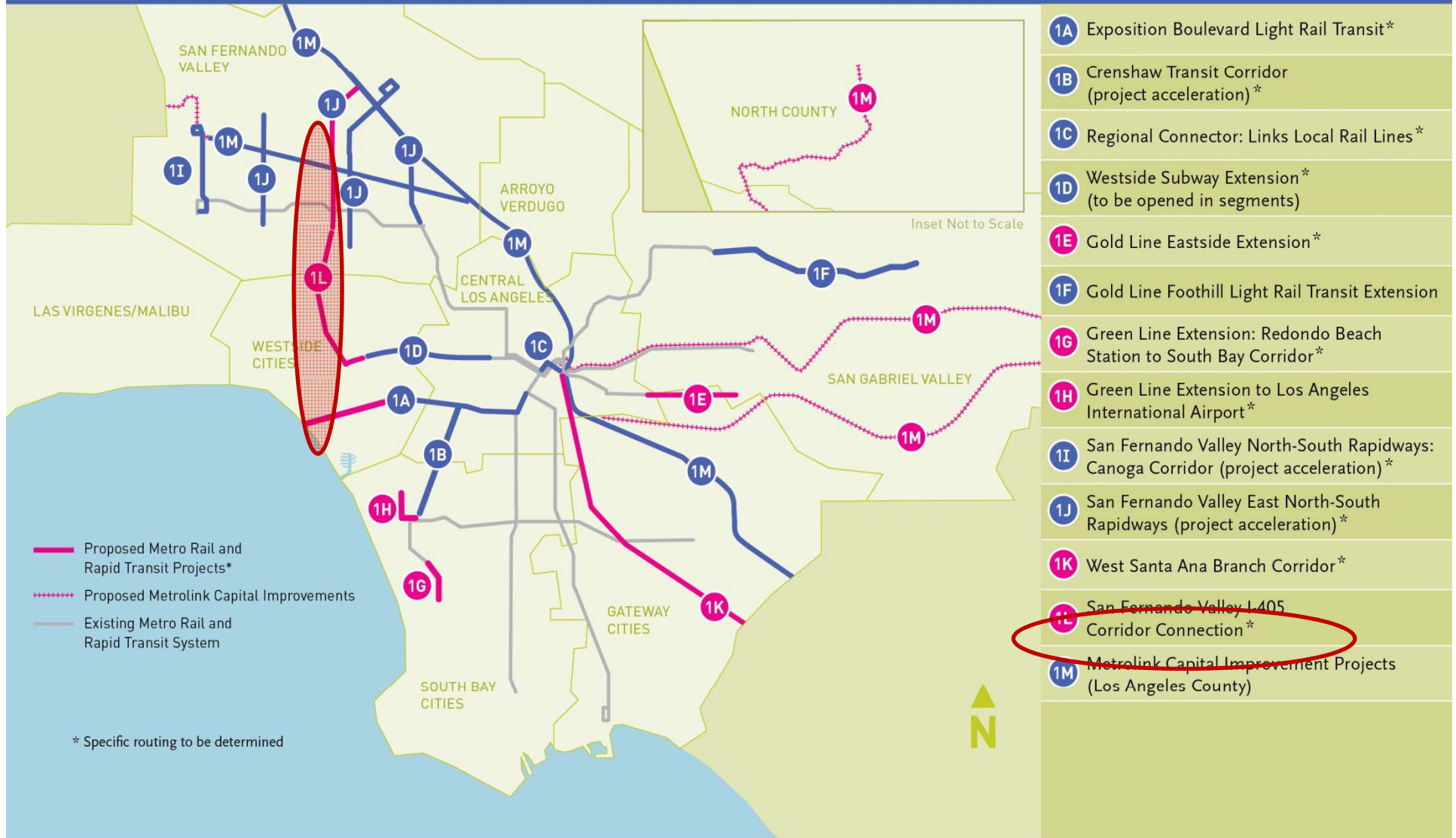
Accelerated Regional Transportation Improvements Project



Sepulveda Pass Corridor

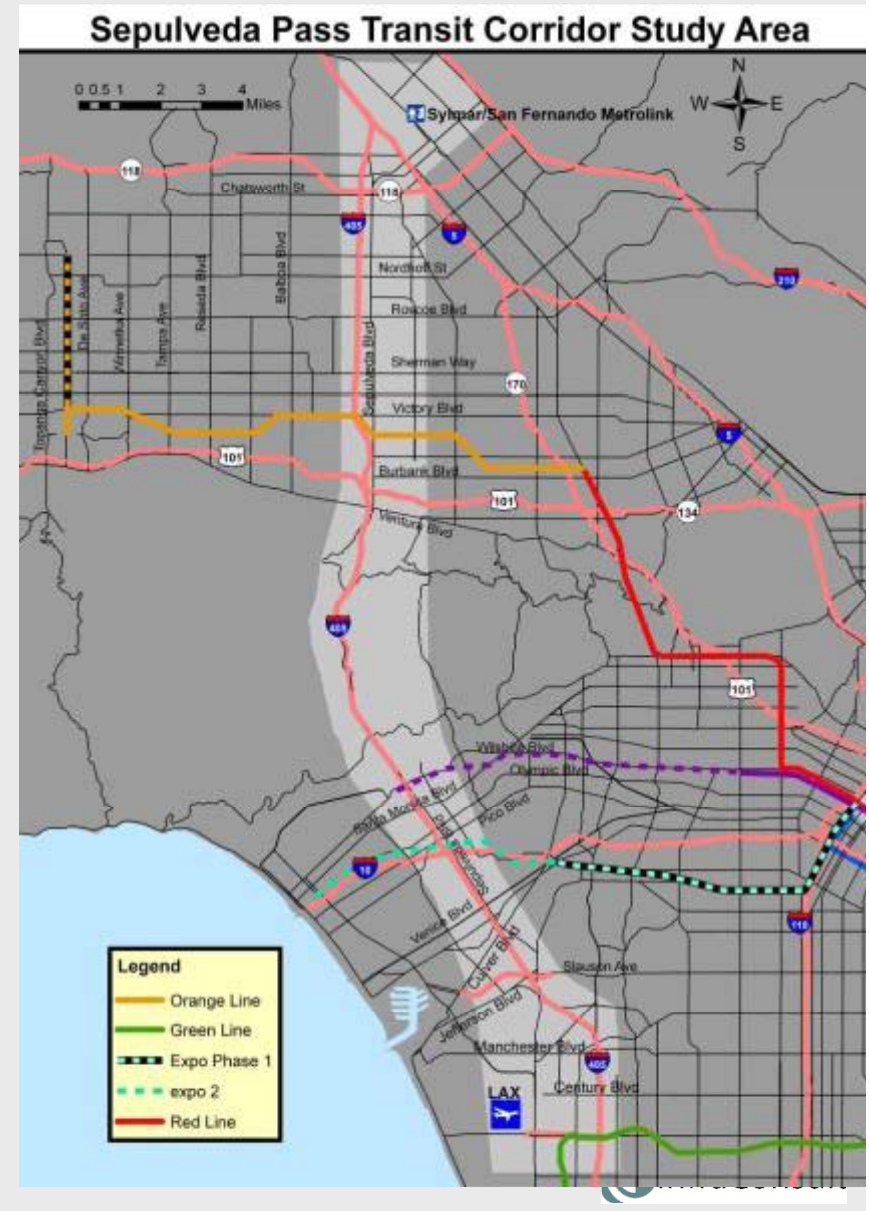
MEASURE R Proposed Rail and Rapid Transit Expansion

Project Name



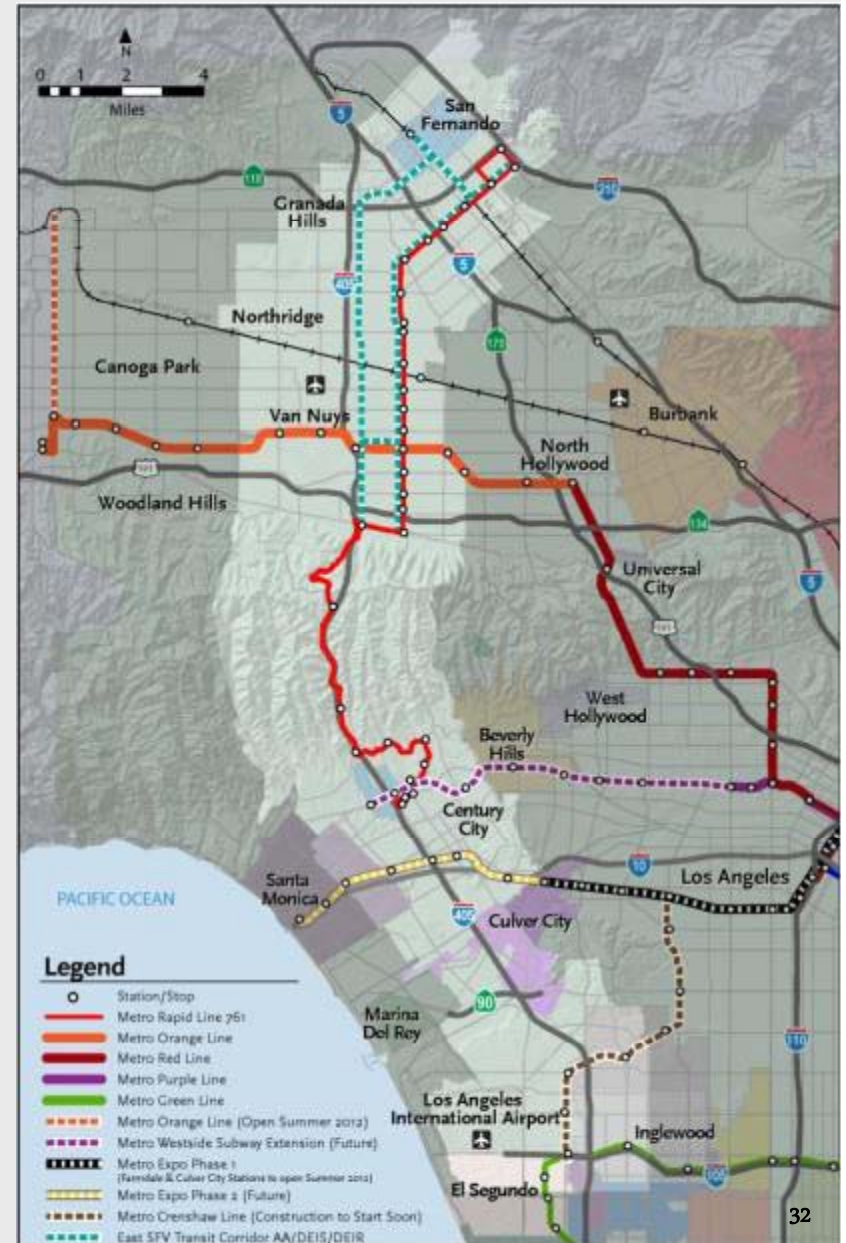
Sepulveda Pass Corridor

- 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 Corridor - Westside



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...



I-15 Managed Lanes San Diego County



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

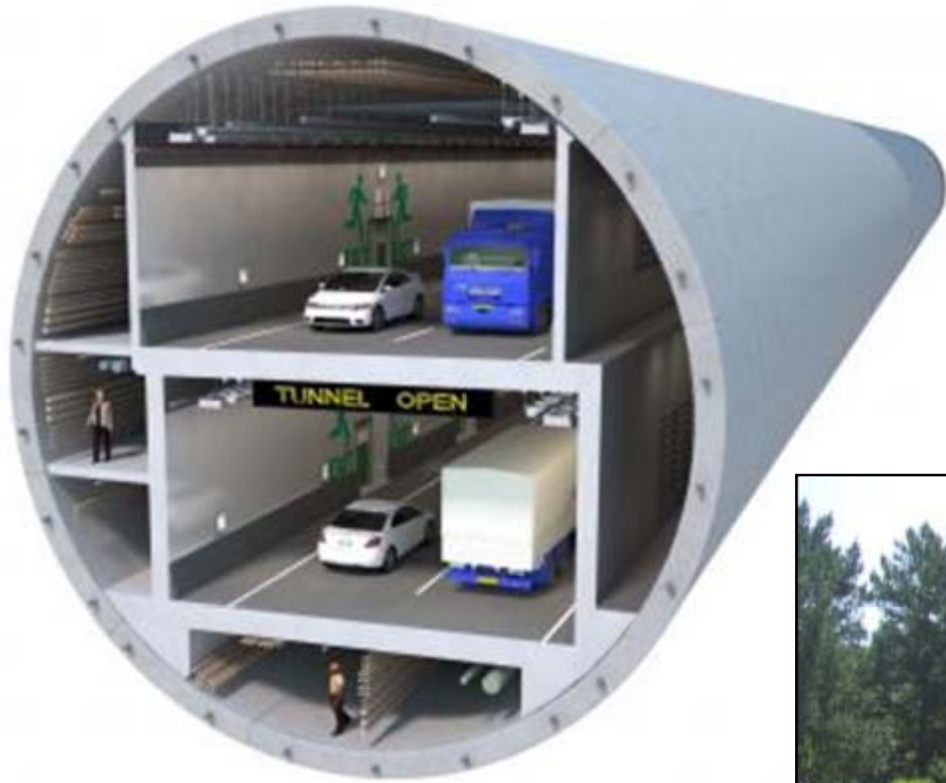


Route 91 Toll Lanes- Riverside/Orange Counties

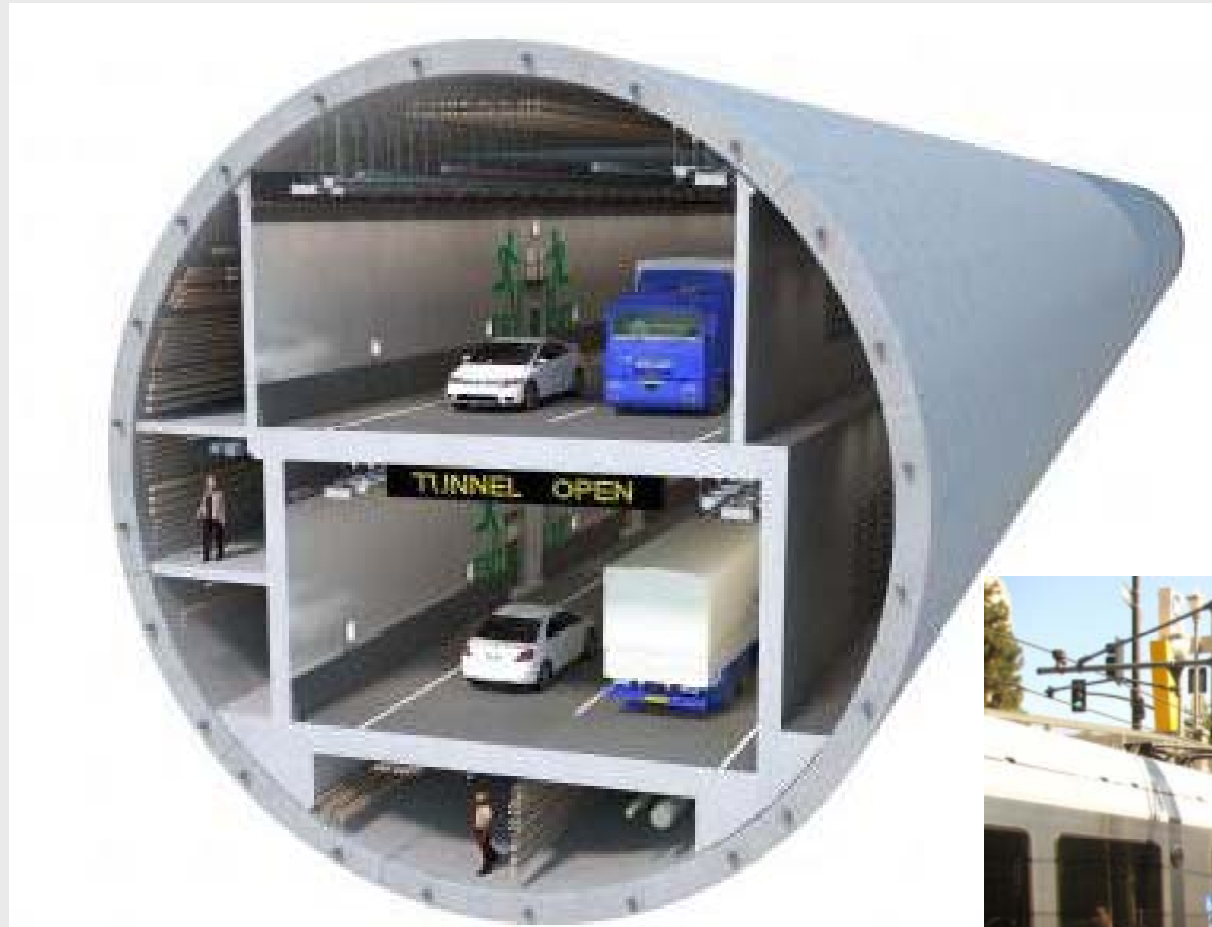
Caltrans: Highway Viaduct...



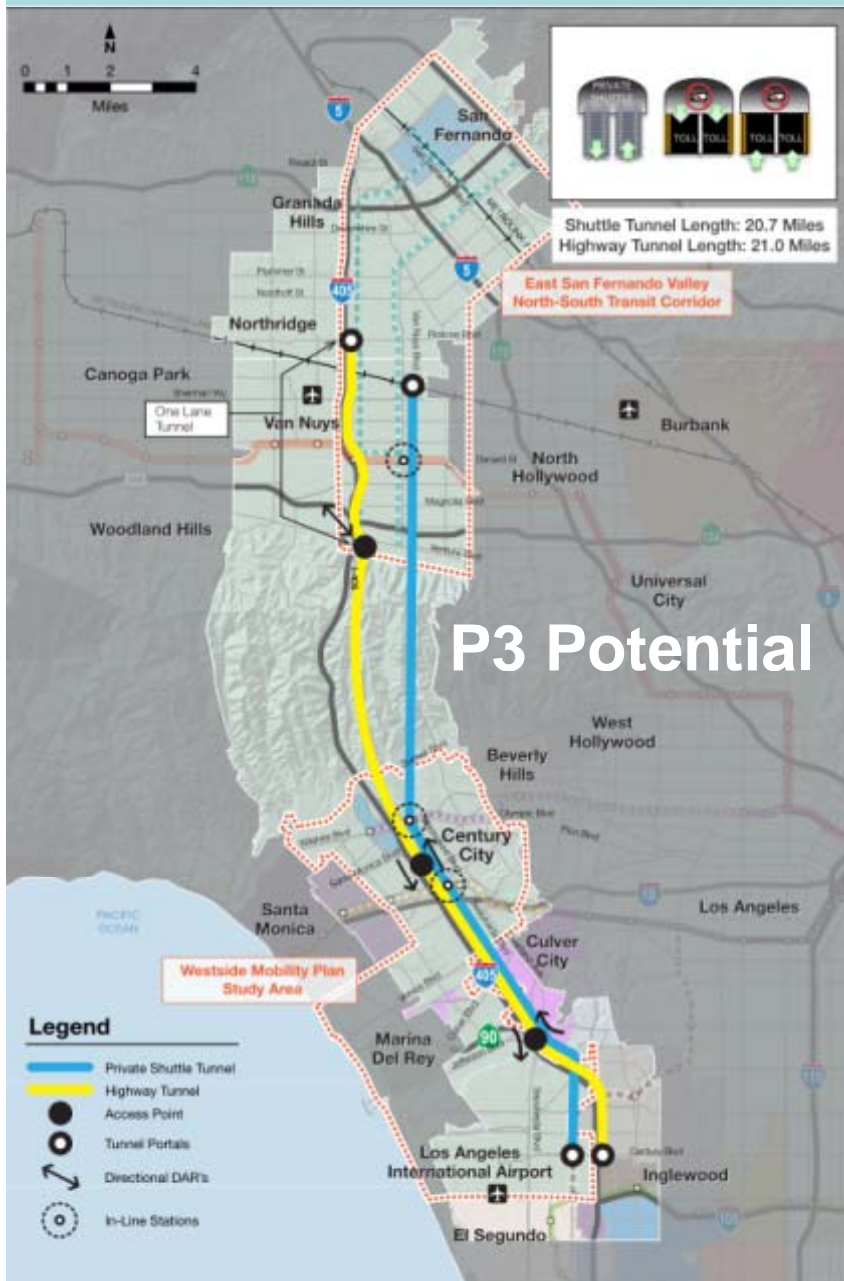
Toll Highway Bypass Tunnel...



Toll Highway/Rail Guideway



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?