

Local Taxes and Highway Tolls: The New Normal

*Los Angeles County
Metropolitan
Transportation
Authority*

*Public-Private
Partnership Program*



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Transportation and Infrastructure Summit

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Los Angeles County

**County Population
10.2 Million
4,084 Sq. Miles**

- 88 cities: 5.1 million people
- LA City: 4 million people
- Unincorporated County:
1.1 million people
- Larger than 42 states
(Just behind Ohio)



Transportation Challenge

- Adding 2 million more people to the LA urban landscape
- Building “further out” increases trip length, travel time, and traffic impact on communities
- Sprawl creates undesirable environmental outcomes
- Creating diverse and “smart” transportation infrastructure is *delivering on the promise*



Metro

Los Angeles County Metropolitan Transportation Authority



**Regional
transportation
planner**



**Regional
builder**



**Regional transit
operator**

.... for all of Los Angeles County

Metro

73 Miles of Urban Rail
63 Rail Stations
225 Rail Cars



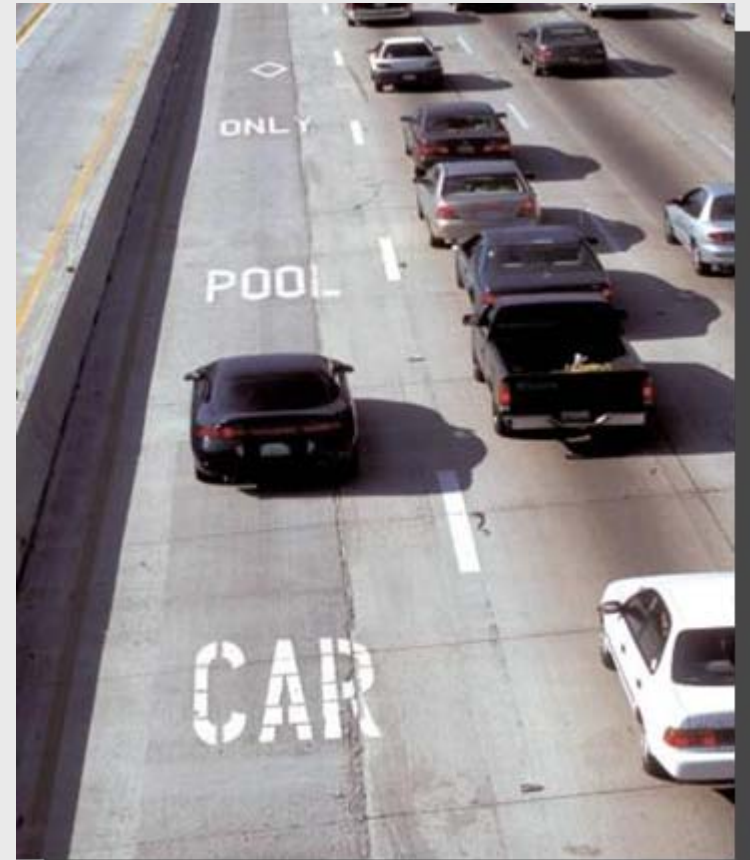
Metro



Metro

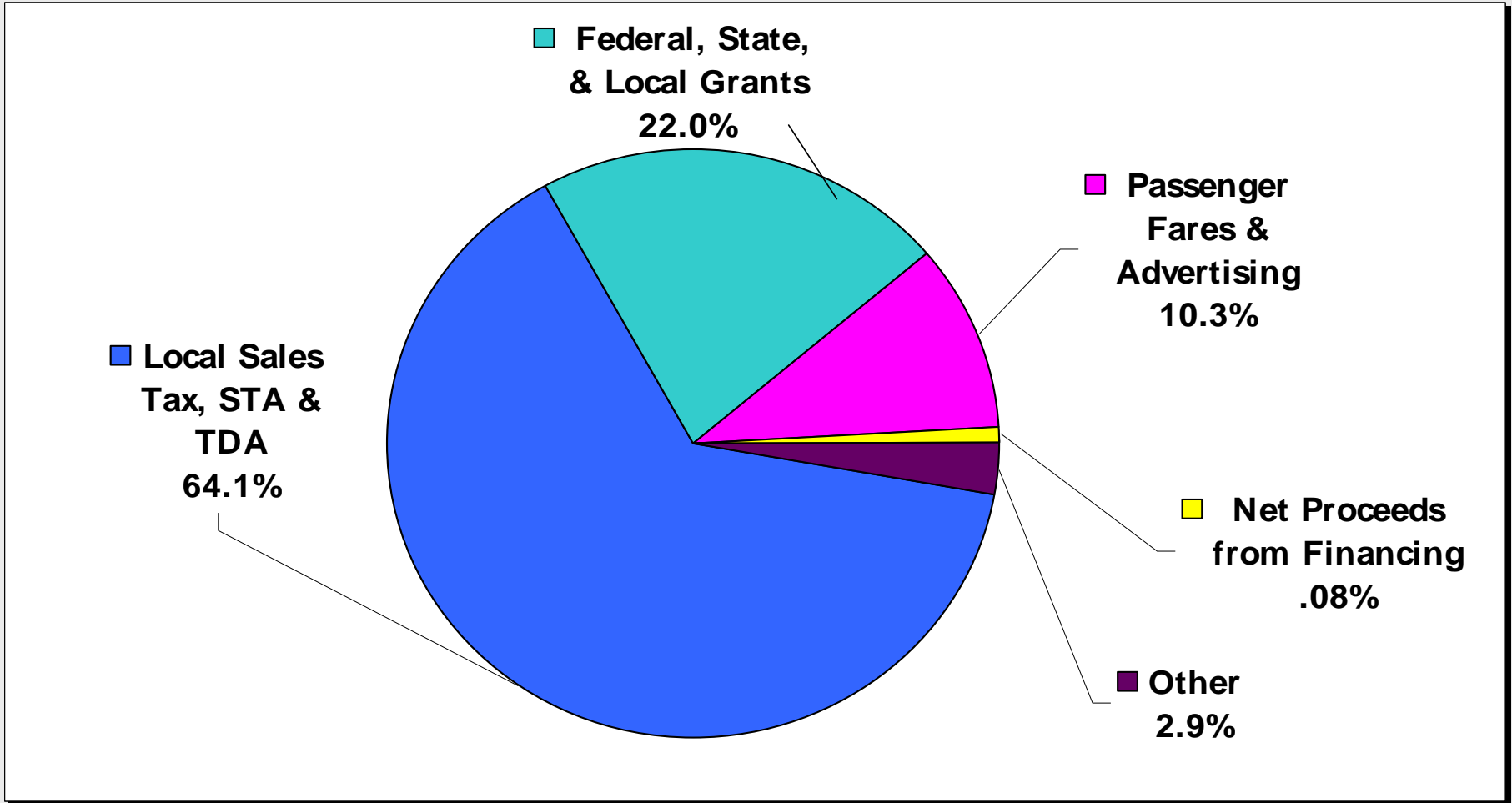
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447 Miles of HOV Lanes



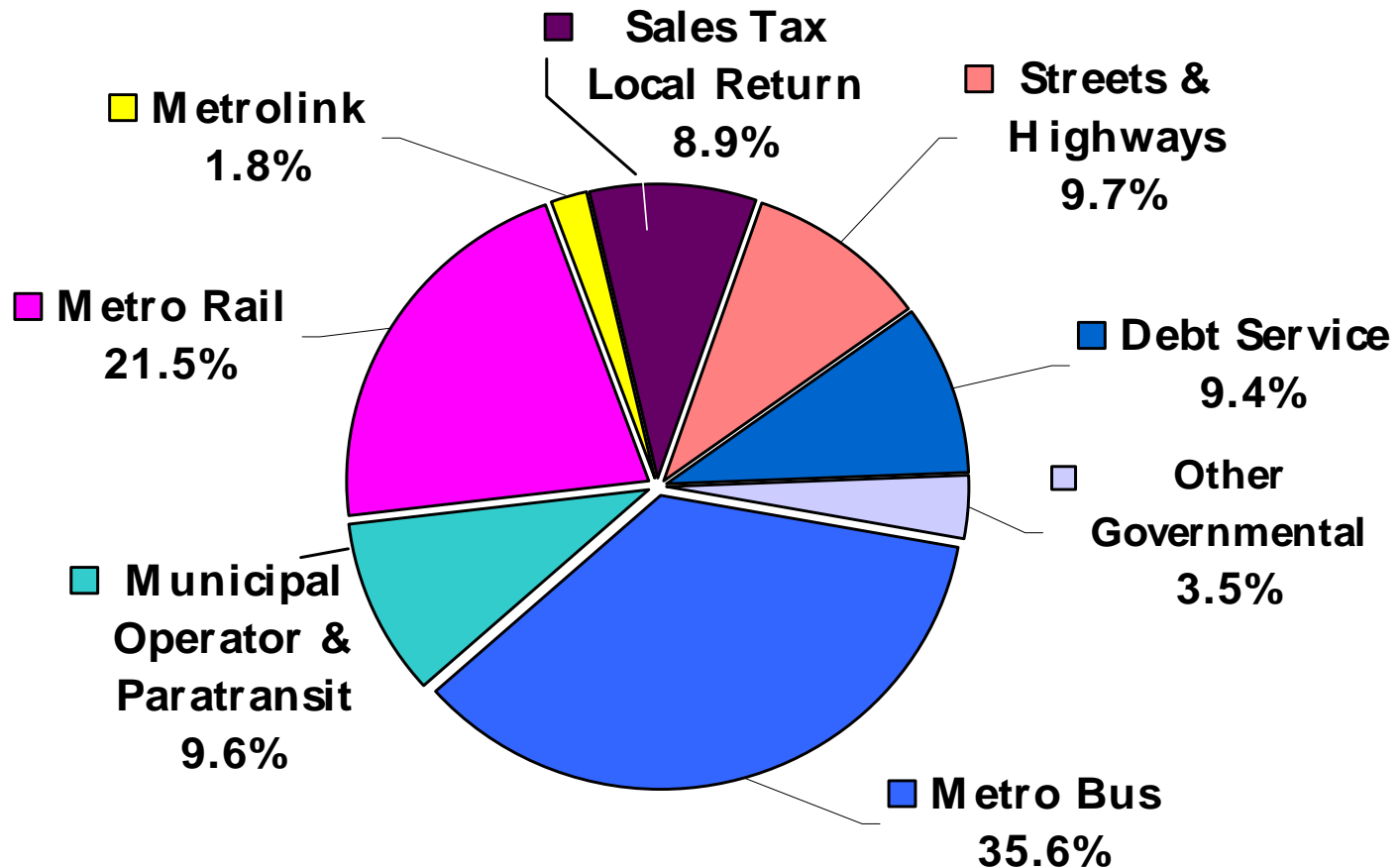
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Summary of Funding by Source



Metro

Summary of Expenses/Expenditures by Program



Public-Private Partnership 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
 - Approved by 68% of voters in LA County in November 2008
- More than \$20 billion in potential P3 toll procurements in next 5 years



Public-Private Partnerships...

- How can private capital – *including pension funds* – 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?



P3 Structures Considered

- Design-Build (DB)
 - May include financing component (DBF)
- Design-Build-Maintain (DBM)
 - May include financing component (DBFM)
- Design-Build-Operate-Maintain (DBOM)
 - May include partial financing component (DBFOM)
- Toll Concession (DBFOM)
 - Includes financing component
 - Generally includes full or partial revenue risk

Metro P3 Program Objectives

- Developing projects integrated with existing transportation infrastructure
- 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

Metro P3 Advisory Team

- **InfraConsult LLC**
Program Management/P3 Advisory



Specialty Consultants

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

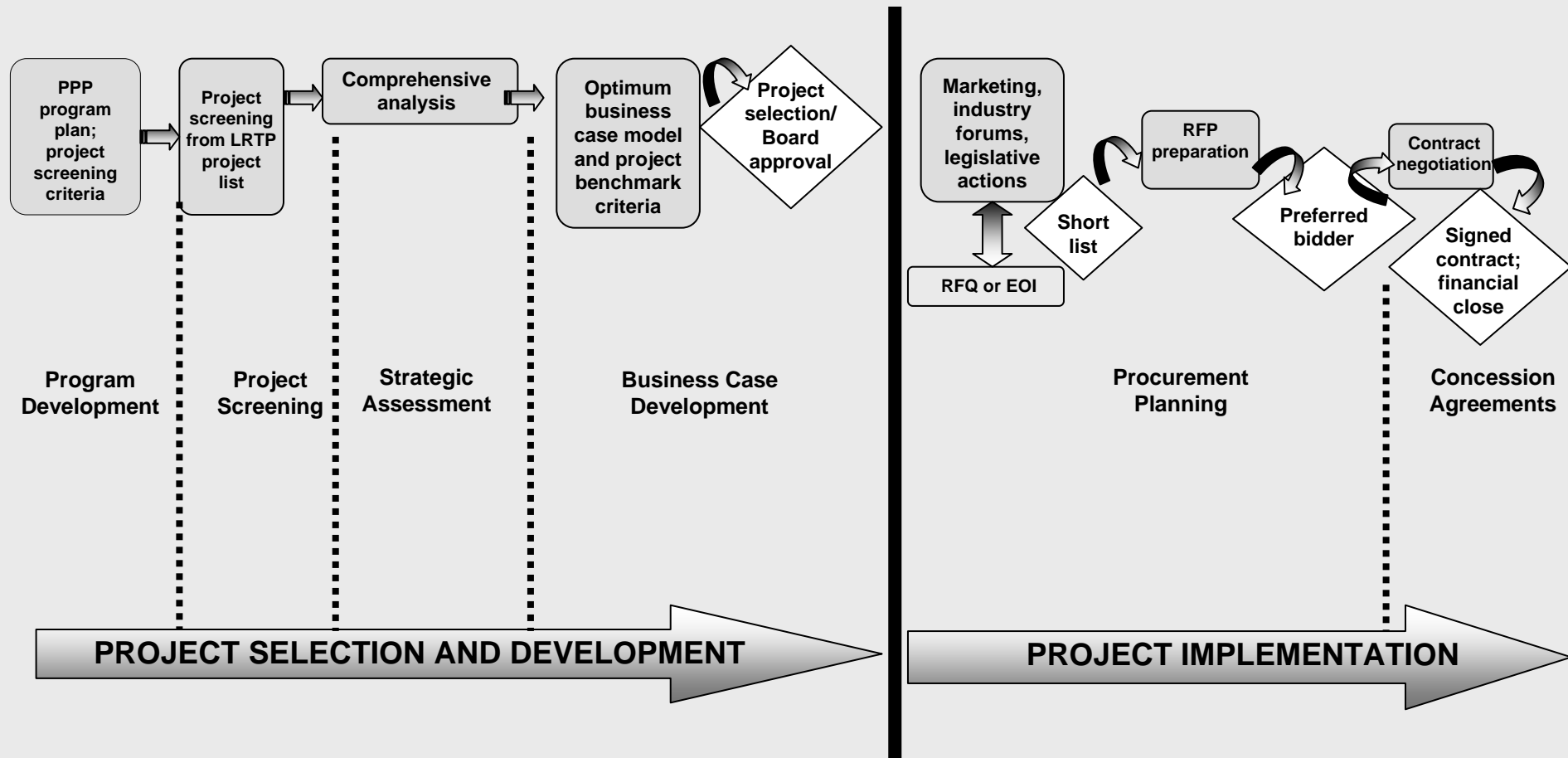


Focus on Project Life-Cycle

- 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)

Project Development Process

An Imbedded and Programmatic Process for Selection and Implementation of Projects Utilizing a Variety of P3 Models

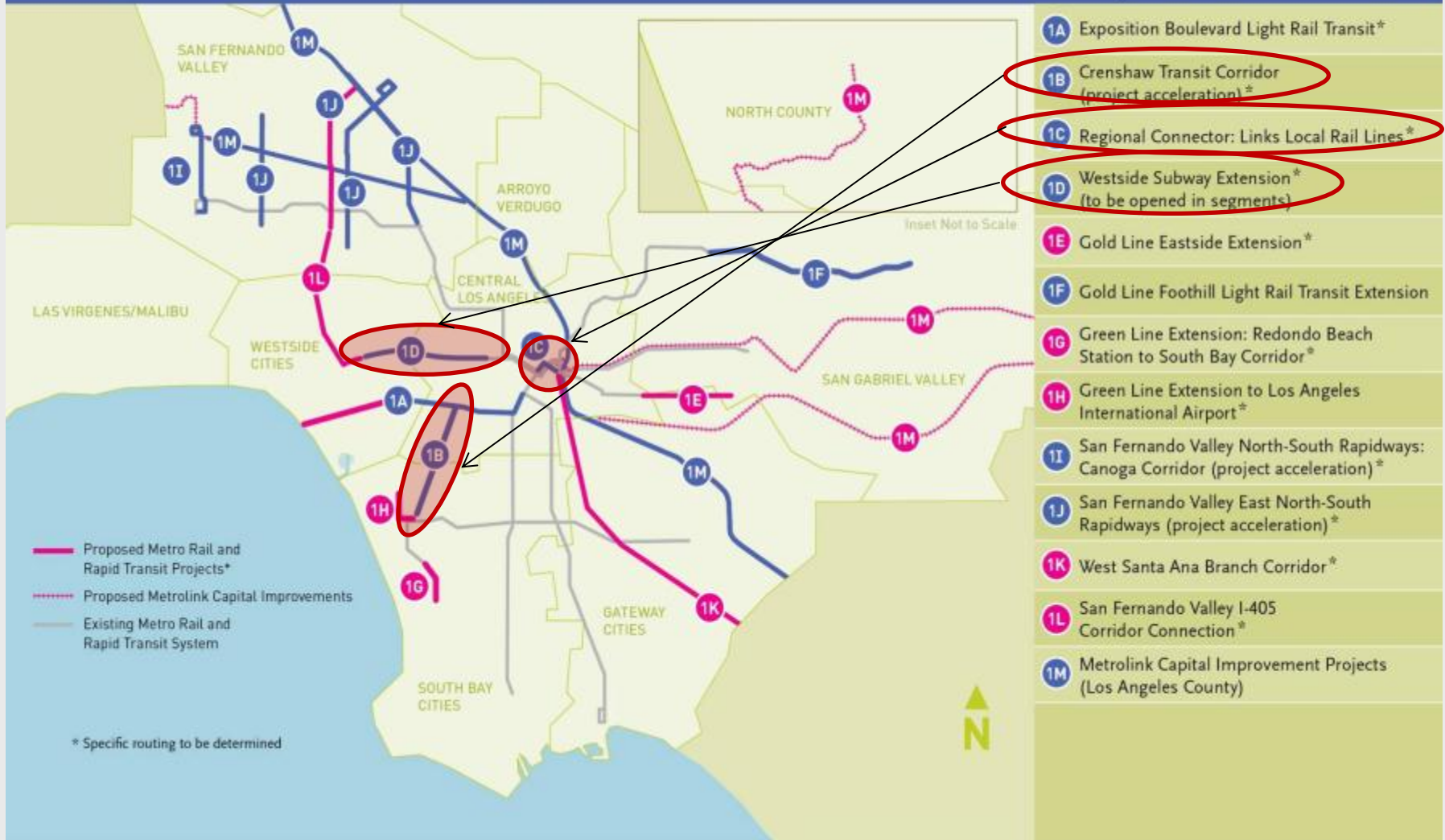


LACMTA Projects Targeted For P3 Delivery

Highways and Urban Rail Transit

Potential P3 Transit Projects

MEASURE R Proposed Rail and Rapid Transit Expansion



Project Name

- 1A Exposition Boulevard Light Rail Transit*
- 1B Crenshaw Transit Corridor (project acceleration)*
- 1C Regional Connector: Links Local Rail Lines*
- 1D Westside Subway Extension* (to be opened in segments)
- 1E Gold Line Eastside Extension*
- 1F Gold Line Foothill Light Rail Transit Extension
- 1G Green Line Extension: Redondo Beach Station to South Bay Corridor*
- 1H Green Line Extension to Los Angeles International Airport*
- 1I San Fernando Valley North-South Rapidways: Canoga Corridor (project acceleration)*
- 1J San Fernando Valley East North-South Rapidways (project acceleration)*
- 1K West Santa Ana Branch Corridor*
- 1L San Fernando Valley I-405 Corridor Connection*
- 1M Metrolink Capital Improvement Projects (Los Angeles County)

* Specific routing to be determined

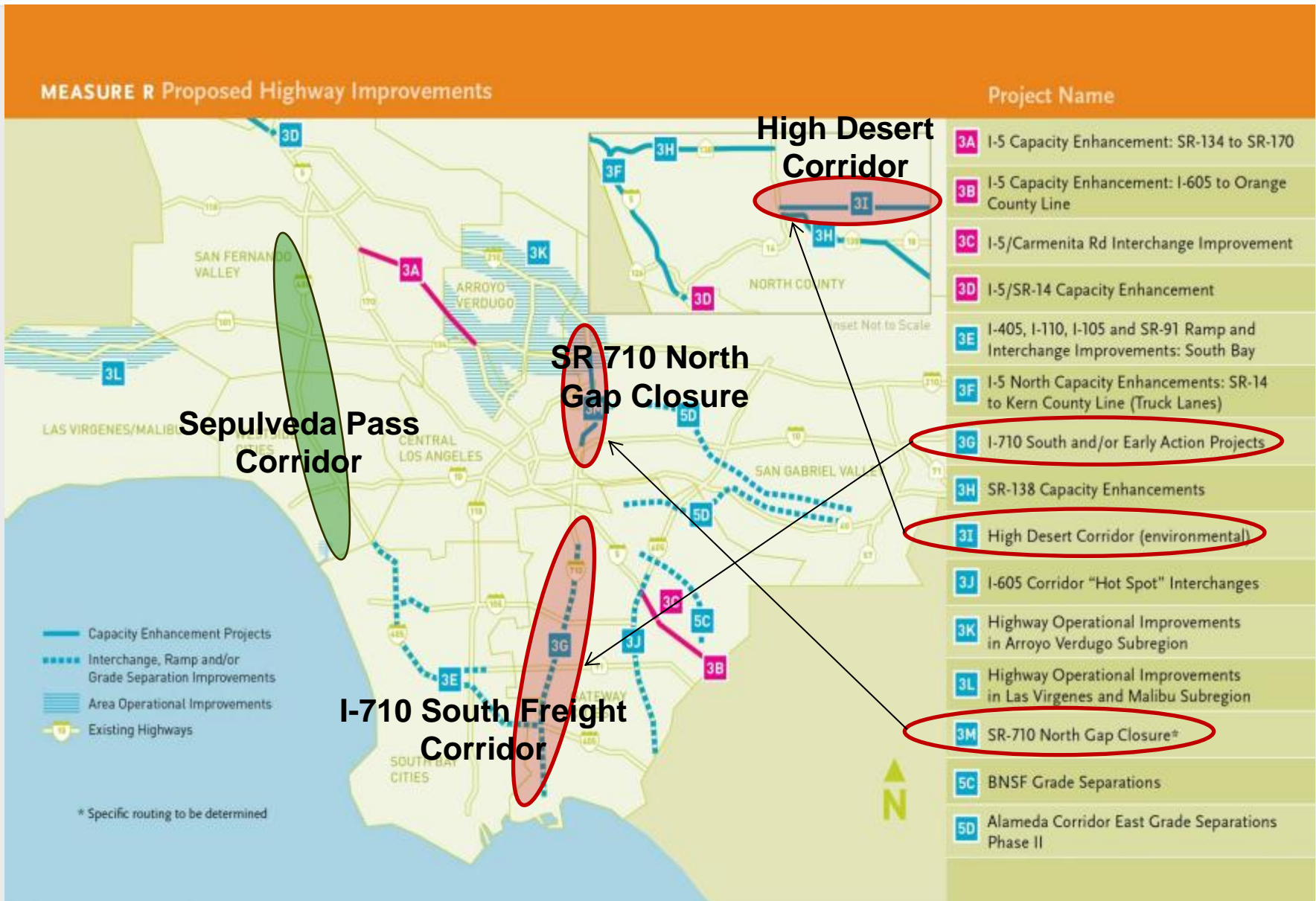
Transit Projects

- 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

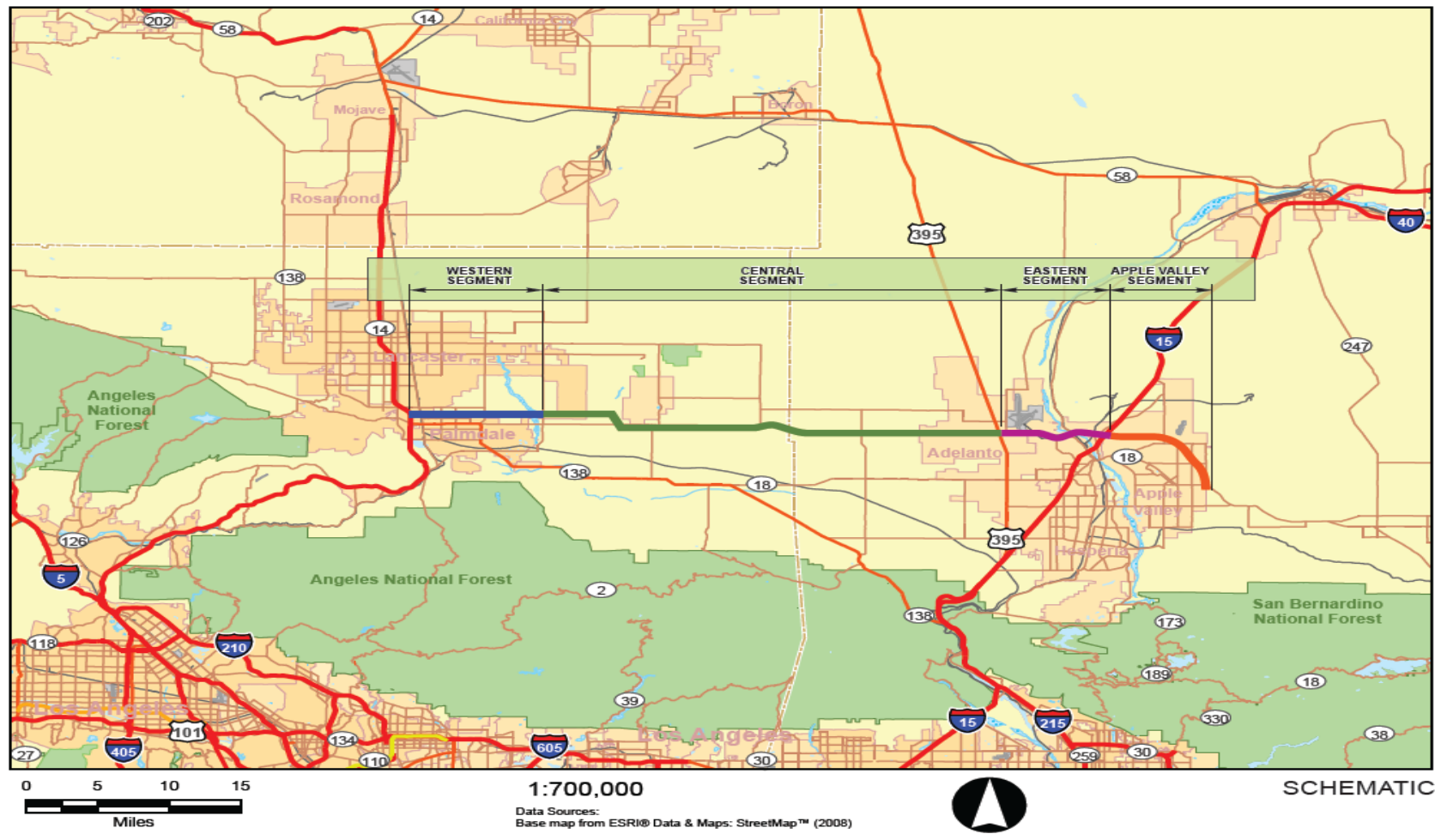
Rail Project P3 Recommendations

- 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



- 63-mile east west corridor from SR-14 to I-15
- Board approved JPA/Partnering Agreement April 2010
- Draft EIR/S Spring 2013 (DesertXpress adds 10 months)
- Estimated cost \$2.7 billion

High Desert Corridor

Nominal P3 Approach

- **Delivery:**
 - DBFOM Central Segment (31 miles)
 - DB East and West Segments
 - Optional Apple Valley Segment
- **Benefits of P3 Option:**
 - Could accelerate completion of HDC from SR-14 to I-15 by 4 years
 - Could cut in half the need for public funding of capital costs
- **Costs and Funding:**
 - \$2.7 billion full project
 - \$1.3 billion P3 project (Central Section)
 - Funding is insufficient for cost of capital development under any delivery option
 - If public funding is available for East and West Segments, then Central Segment as P3 is feasible
- **Status:**
 - EIR/S is underway by Caltrans (including all four segments, tollway alternatives and possible ROW for future High Speed Rail).
 - Technical studies - Fall 2012 (including several previously completed studies)
 - DEIR/S – Spring 2013
 - DEIR/S – March 2014 with DesertXpress

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
- EIR/S – Spring 2012
- Estimated Cost:
 - Truck Tollway - \$4.5+ billion
 - Total Project - \$8.0+ billion



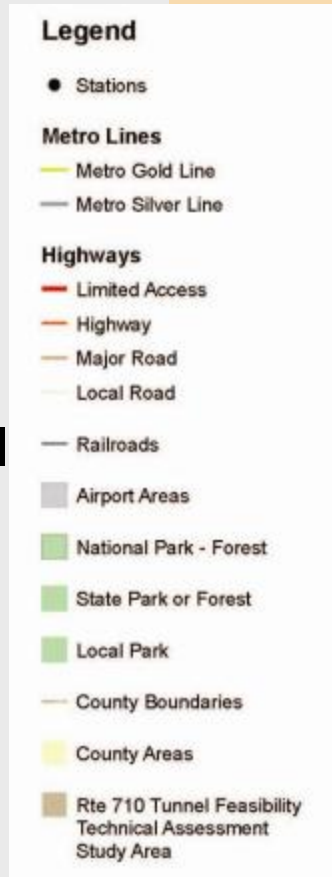
I-710 South Freight Corridor

Nominal P3 Approach

- **Phased Delivery:**
 - P3 freight corridor as a tolled “truckway”
 - Early Action interchange projects continue as planned
 - Freeway widening and other interchange improvements would be constructed afterward as funds become available
- **Funding:**
 - Funding is insufficient for cost of capital development
 - \$2.5 billion of public funds needed “up front” to advance the freight corridor through right-of-way acquisition and construction
- **P3 Option:**
 - DBFOM Freight Corridor
 - 50-year concession
 - Truck Tolls different for peak/off peak
 - Reduced toll incentives for low-emission trucks
- **P3 Benefits:**
 - Achieves much earlier traffic relief by shifting trucks onto the freight corridor (2021)
 - Tolling revenue plus private financing could cover more than 80% of the truckway freight corridor costs
 - Represents a neutral “value for money”

SR 710 North Gap Closure

- Extension of existing Long Beach Freeway to I-210
- Proposed tunnel for significant portion of alignment
- Draft EIR/S Summer 2013
- Estimated Cost: \$2.3 billion (Phase 1)
- May be procured as a toll concession with full or partial revenue risk transfer to concessionaire



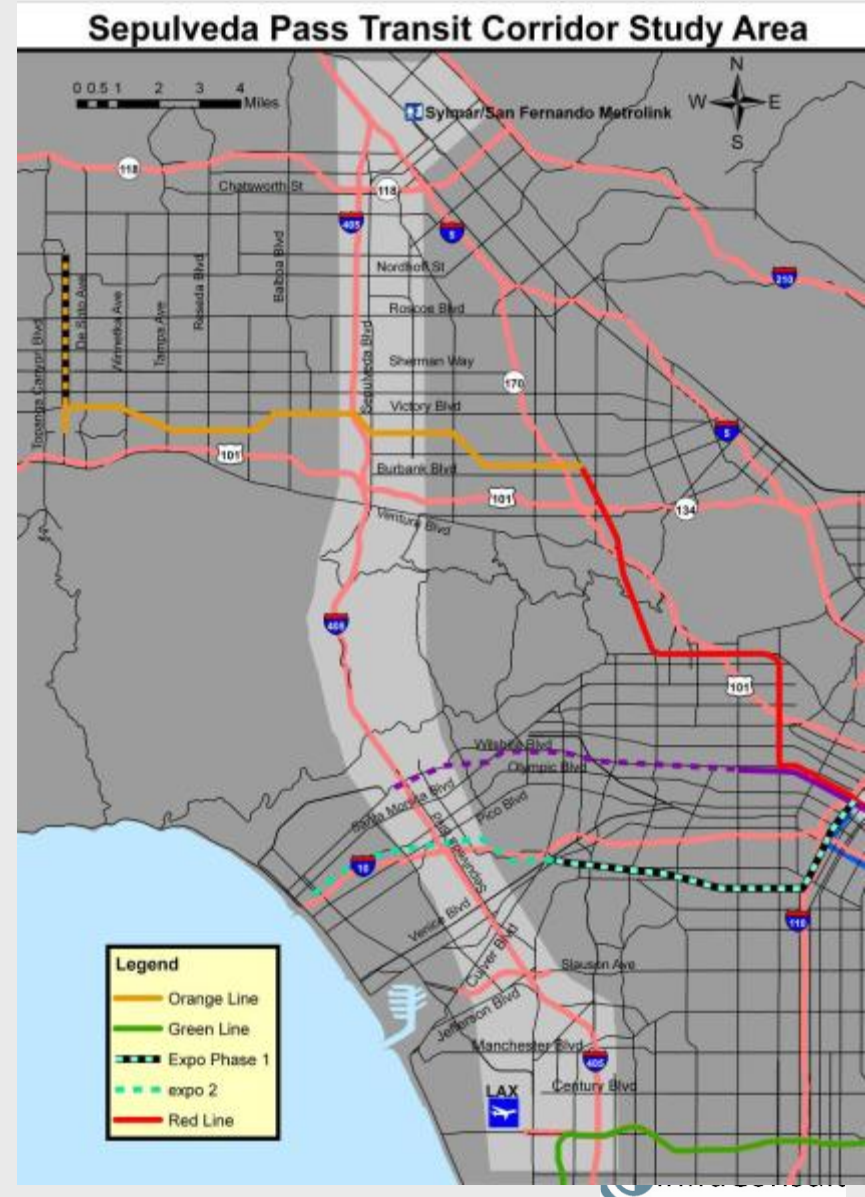
SR 710 North Gap Closure

Nominal P3 Approach

- Project Assumptions:
 - DBFOM
 - Twin 60' diameter deep bore tunnels
 - Approximately 21,000' alignment
 - No intermediate interchanges
 - 4 lanes in each direction
 - Phased construction and opening of tunnel bores
- Schedule:
 - ROD - 2014
- Funding:
 - Funding is insufficient for cost of capital development under a nominal delivery option
 - Tolling and P3 delivery appear to provide adequate funding
 - Phased opening of tolled tunnels increases financial feasibility
- P3 Benefits:
 - Over 110 risk factors allocated
 - Could accelerate completion by 4 years
 - Represents a positive “value for money”

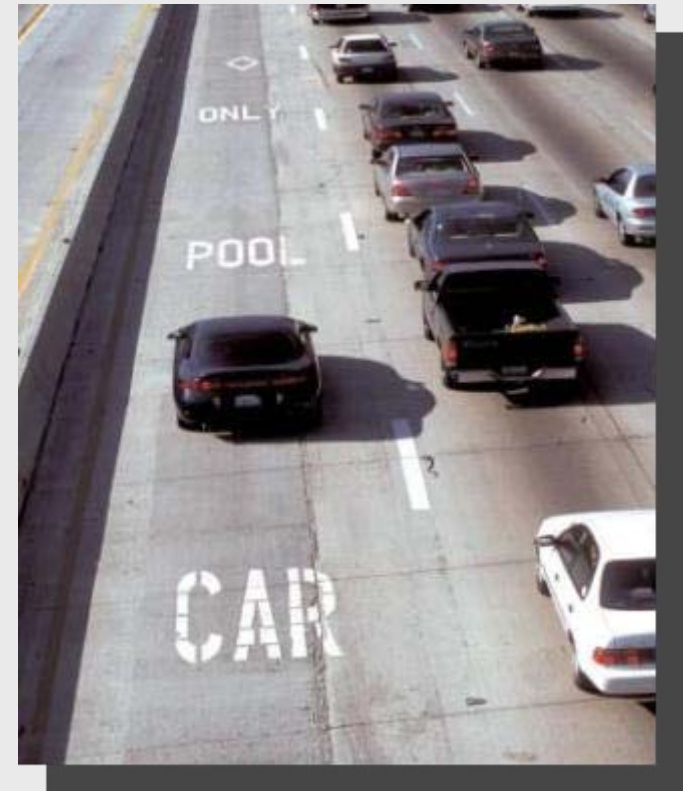
Sepulveda Pass Transit Corridor

- Rail and toll highway connection between the San Fernando Valley, Westside LA, and potentially LAX
- Feasibility study underway by Metro Staff
- Potential large-diameter tunnel containing 5-lane toll expressway and “premium express” automated fixed guideway transit system
- May be procured as a full concession, potentially utilizing a revenue risk model



Initial Metro P3 Toll Offering

- 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 the so-called “Highway/Goods Movement Package” would yield *value-for-money* and other benefits if delivered as a P3 program



Highway/Goods Movement Package



Summary of "Bundled" Projects

- An initial set of 8 projects was identified for inclusion in the analysis
- The table below shows the projects selected for the "bundle"
- All projects have either cleared environmental or are expected to before 2014
- All projects have sources of funding between 2012 and 2030

Projects	Construction cost (2012 \$)	Environmental status	Programmed Funding YOY \$
I-5 North Capacity Enhancement	\$378MM	Cleared	\$410MM (Measure R)
I-5 North Pavement Rehabilitation	\$73MM	Cleared	[\$70MM] (SHOPP)
SR-71 Gap: I-10 to Mission Blvd	\$79MM	January 2013	\$104MM (Prop C) \$11MM (RIP/TCRP)
SR-71 Gap: Mission Blvd to Rio Rancho Rd	\$150MM	January 2013	\$102MM (Prop C) \$223MM (CMAQ/RIP)
Soundwall Package 10	\$28MM	Cleared	\$131MM (Prop C / Measure R)
Soundwall Package 11	\$60MM	Cleared	

Project Screening

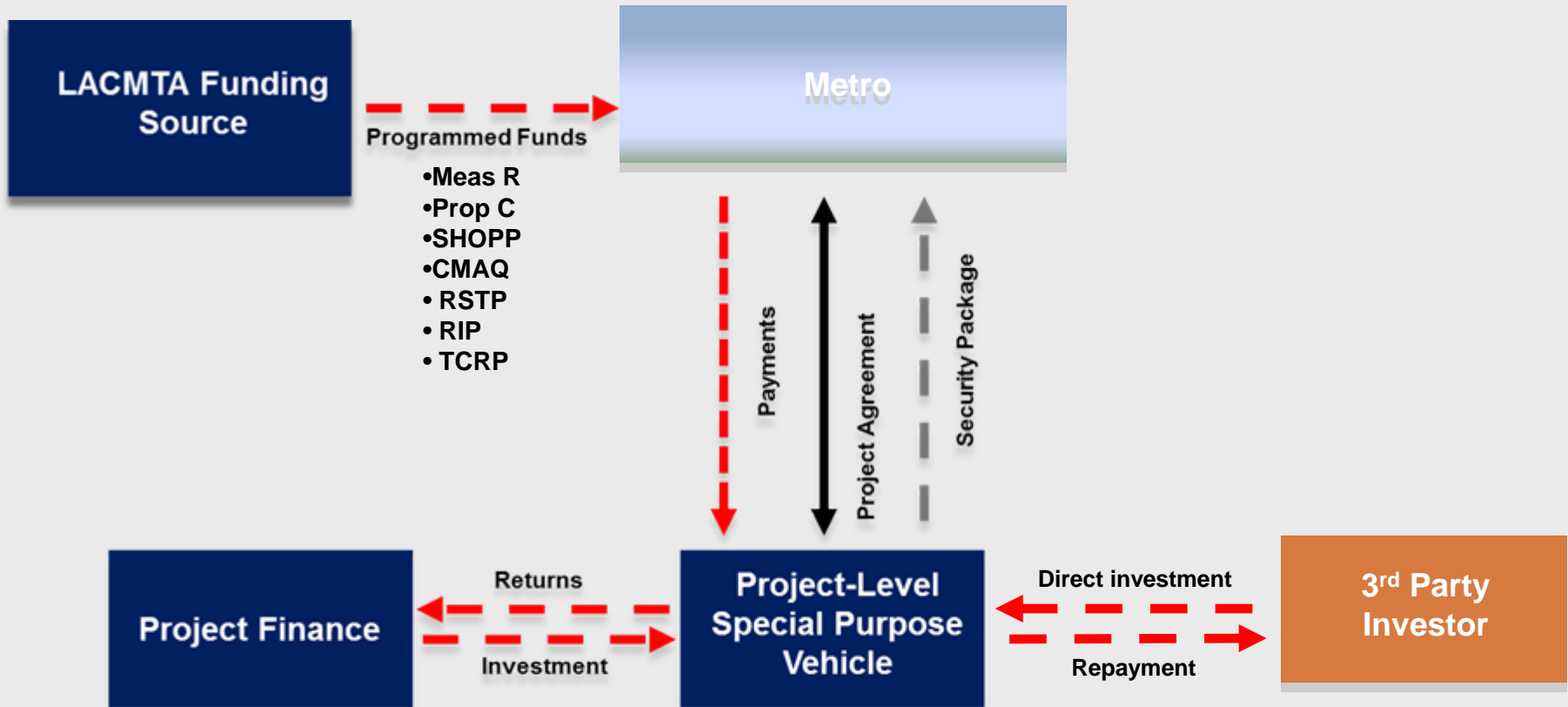
HIGHWAY/GOODS MOVEMENT PACKAGE

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	

Potential Investment Structure



Legal Relationship
 Guarantee
 Financial Commitment

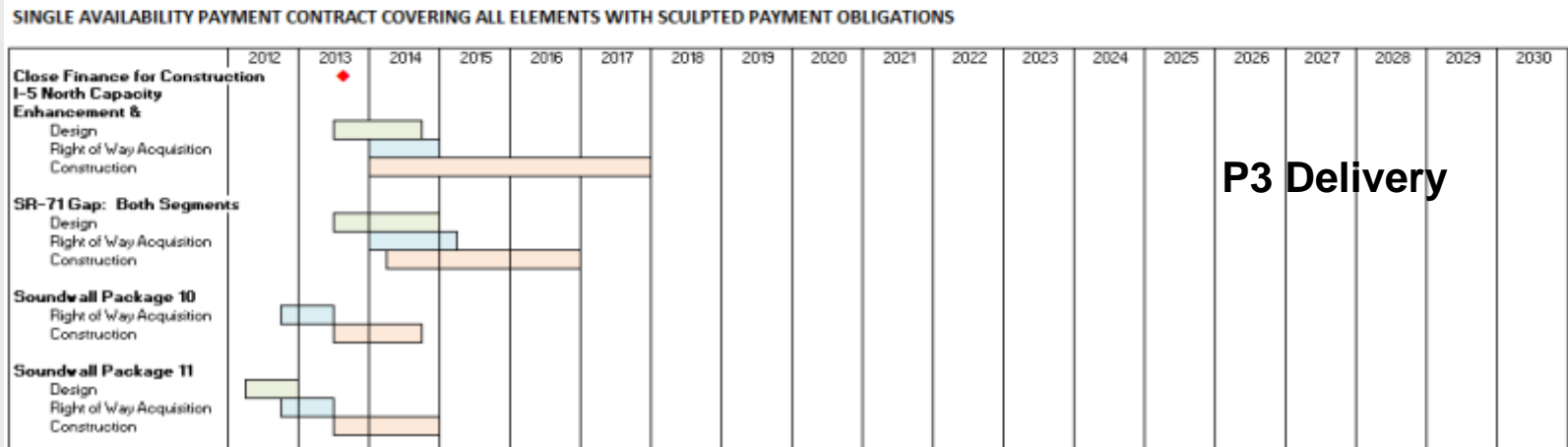
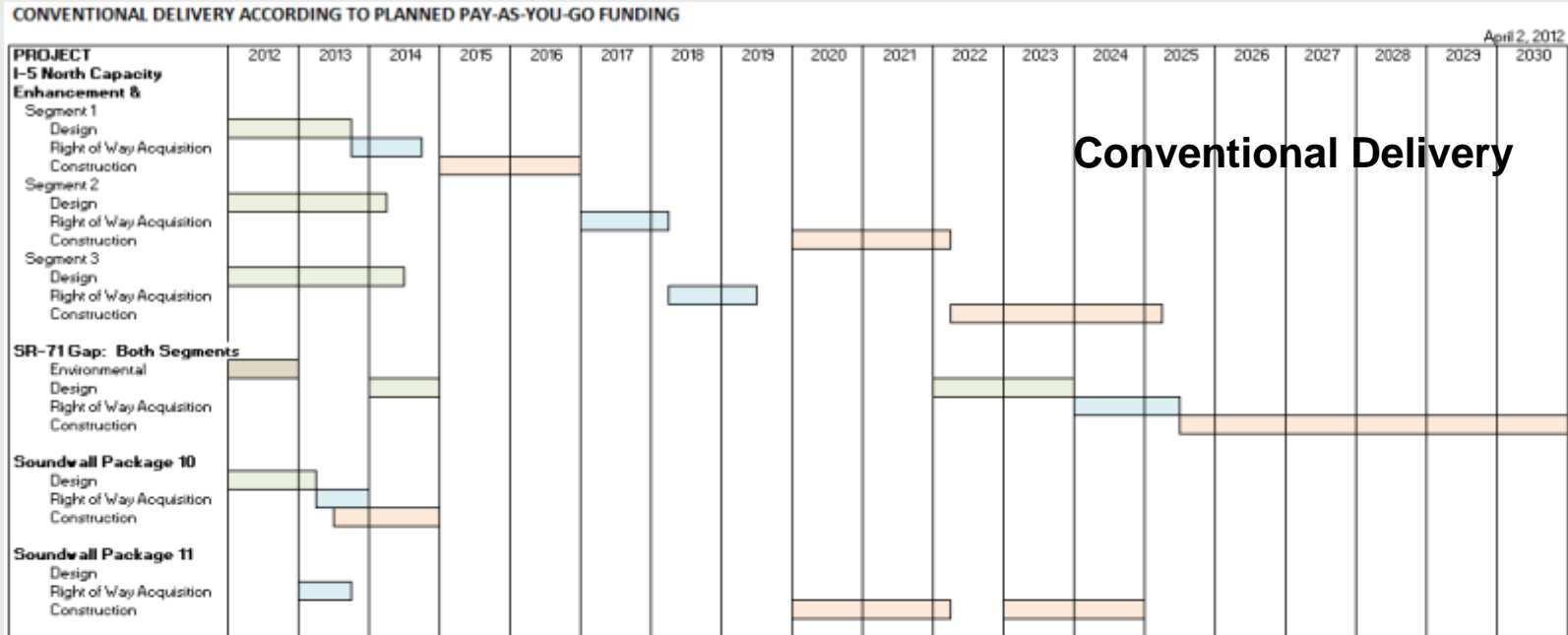
Highway Goods Movement Project Package

Accelerated Procurement

- Select projects for “bundle”
- Present to Metro Board (June 2012)
- Industry outreach (July 2012)
- Issue RFQ (September 2012)
- Shortlist proposers (October 2012)
- California Transportation Commission (December 2012)
- Issue RFP (February 2013)
- Receive proposals (June 2013)
- Commercial/Financial Close (December 2013)

Conventional and P3 Delivery

Highway/Goods Movement Package



Metro P3 Program: Next Steps

- Conduct industry outreach and one-on-one meetings for near-term projects
- Work with design teams to facilitate innovative project delivery methods
- Coordinate with USDOT and administrators to encourage project streamlining options i.e., “SEP-15” (FHWA) and “Penta-P” (FTA)
- Coordinate with state agencies involved in *SB 4* review, including highway program approvals by CTC
- Initiate develop procurement and concession planning processes and materials
- Complete all project business plans in Summer 2012
- Procurement(s) in calendar years 2012 - 2015