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**PLANNING AND PROGRAMMING COMMITTEE
JANUARY 16, 2008**

**SUBJECT: PUBLIC PRIVATE PARTNERSHIPS AND THE LONG RANGE
TRANSPORTATION PLAN**

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

- A. Approve the strategic plan (Attachment A) to initiate contacts with public and private sector collaborators and develop a strategy for identifying and evaluating public private venture opportunities for transportation projects;
- B. Receive and file responses to November 2007 Board motion on public private partnerships.

ISSUE

At the November 2007 Board meeting, the Board approved a motion (Attachment B) directing staff to report to the Board on opportunities to attract and incorporate public private partnerships in the Long Range Transportation Plan (LRTP). The following Board report is in response to that motion.

POLICY IMPLICATIONS

Successful public private partnerships could augment funding available for future transportation projects in Los Angeles County beyond the limited funding anticipated to be available through traditional transportation funding sources.

OPTIONS

The Board could choose to adopt the recommended strategies, could choose an alternative approach to addressing public private partnerships, or could choose not to pursue public private partnership strategies. The recommendations in this Board report are consistent with recent Board direction to explore opportunities for new innovative funding sources.

FINANCIAL IMPACT

The recommended action has no impact on the FY 08 budget. In the future, successful public private partnership ventures could augment or leverage traditional funding sources and allow staff to accelerate or add transportation projects beyond what could be done with existing funding sources.

BACKGROUND

At the November 2007 Board meeting, the Board approved a motion regarding public private partnerships as part of the Long Range Transportation Plan, directing staff to respond at the January 2008 Board meeting regarding four subjects. These are discussed below.

1. An analysis of the effectiveness and deficiencies in the LRTP document and planning process in attracting and incorporating private sector funding and other non-traditional funding opportunities into the prioritization of projects.

In November 2005, staff briefed the Planning and Programming Committee, Finance and Budget Committee, the Executive Management Committee and the Board regarding the performance measures that would be used through the Long Range Transportation Planning process and the projects that staff would be evaluating. Staff presented the results of the performance evaluation process to the Board in May 2006. The performance measures presented by staff did not give preference to private sector funding in the prioritization of projects. At that time, the Board did not request that potential public private partnership projects be awarded any higher priority.

Staff has been actively participating in various corridor studies that have been considering private sector or innovative funding strategies, including the 710 Gap Closure Project (tolling), the High Desert Corridor/Combined Highway Study (public/private partnerships) and the 710 South Study (tolling). The LRTP can incorporate projects that are funded by private sector or innovative funding. Projects that have clear funding commitments (capital and operating) could be shown in the Constrained Plan and projects where opportunities exist to seek innovative funds could be shown in the Strategic Plan. The Plan could also identify a strategy for seeking a variety of innovative funding sources for future plan updates or amendments.

2. Policy recommendations for the Board to consider on how to update the LRTP document and planning process to better reflect public-private partnerships and innovative strategies.

The LRTP can include a policy stating that staff will pursue innovative funding strategies including public private partnerships. This is consistent with work

currently underway by staff and through the Board's Congestion Pricing Ad Hoc Committee. The LRTP can also highlight candidate projects that have potential for funding through public private partnerships. The LRTP could also highlight a package of projects to put forward for new innovative funding.

3. Recommendations for legislation to pursue at the state and federal level to assist staff in implementing public private partnerships and innovative funding strategies.

AB 1467 which passed during the 2006 legislative session allows for limited use of public private partnerships. A total of four such projects were authorized, two in northern California and two in southern California. These projects must be primarily designed to address goods movement. Under this legislation Los Angeles County Metropolitan Transportation Authority (LACMTA) could apply for one of the slots available. Additionally, Governor Schwarzenegger has announced that he will seek expanded use of public private partnerships and the use of innovative financing in next year's legislative session. Staff should seek to work with the Schwarzenegger Administration and the Legislature to further develop these opportunities.

4. A strategic plan for developing public private partnerships

See Attachment A for an outline of the strategic plan. Staff will consult with various public private partnership brokers and public entities to determine the potential to engage in public private partnerships, including discussions of both barriers and opportunities. Upon completion of this consultation, staff will report back to the Board. One recommendation may be to engage consultant services from one or more brokers to assist in identifying potential private sector partners and to specify projects that have the highest potential for public private venture opportunities.


NEXT STEPS

Upon Board approval, staff will initiate contact with public private brokers to determine opportunities and barriers to public private partnerships, including how to identify and evaluate public private partnership opportunities. Staff will report back to the Board in June.

Prepared by: Brad McAllester, Executive Officer
Long Range Planning and Coordination

ATTACHMENTS

- A. Strategic Plan
- B. November 2007 Board Motion



Carol Inge
Chief Planning Officer



Roger Snoble
Chief Executive Officer

Strategic Plan for pursuing Public Private Partnership

Activity	Time Frame
<p>Identify potential private sector funding collaborators. Staff has developed the following initial list of financial institutions that have the capacity to put together public private partnerships for major infrastructure projects: (Banc of America Securities, LLC, Bear Stearns & Co. Inc., Citigroup Global Markets, Inc., Goldman Sachs & Co., Depfa Bank, JPMorgan, Lehman Brothers, Inc., Merrill Lynch & Co., Morgan Stanley, RBC Capital Markets, and UBS Securities LLC).</p>	January 2008
<p>Identify city and State Departments of Transportation who have constructed or planned public private partnership projects such as New Jersey, Texas, Minnesota, Las Vegas, San Diego, Orange County and others.</p>	January 2008
<p>Utilizing staff from both the Planning and the Finance Departments, set up meetings with the above private and public entities. Request information and advice on how public private partnerships could work in Los Angeles; what types of projects proposed for Los Angeles county's highway and rail system might benefit from public private partnerships; what barriers might prevent public-private partnerships; what could staff do to attract public private partnerships; and other similar questions.</p>	February – April 2008
<p>Summarize the findings of these interviews in a report to the Board</p>	June 2008
<p>Provide recommendations for moving forward with a more detailed analysis of specific projects. Most likely these recommendations would be to identify the most likely candidates for staff to pursue using public private partnerships. This would involve projecting: construction costs, toll or other revenues, likely needed for public subsidy if any, current project risks to the public sector and how to alleviate them, and benefits that the private sector could provide over public revenue bond financing and construction. We would require additional staff or consultant expertise to provide this type of analysis on specific project(s).</p>	June 2008

MOTION

Attracting private sector capital and encouraging innovative funding strategies to construct transportation infrastructure projects is becoming a greater necessity for regional transportation agencies like Metro to meet the public's demand for greater investment in transportation infrastructure in a shorter timeframe without adding to the tax burden already placed upon the public.

Metro's Long Range Transportation Plan (LRTP) features three levels of priority for projects: Funded, Constrained and Strategic. The first two levels provide a tangible commitment to a project while the last level does not. One complaint from the private sector is that while it will not put forth funding for a project unless there is a public commitment of support for a project as found in the funded/constrained portion of the LRTP, Metro will not program a project in the LRTP under the funded/constrained portion of the plan without private sector funding identified beforehand.

Creating greater collaboration with the private sector to attract more funding opportunities for vital transportation infrastructure projects in Los Angeles County will require a re-examination of how Metro programs and categorizes projects in the LRTP. With the funding landscape changing in the 21st century toward more acceptance of public-private partnerships as well as alternative, innovative and non-traditional funding strategies, it is imperative that Metro ensure that the LRTP is a document flexible enough to encompass this evolution of project funding while removing barriers to providing this funding from the private sector.

I, THEREFORE, MOVE that the Metro Board of Directors instructs the CEO to return to the full Board in January 2008 with a report that contains the following:

- (1) An analysis of the effectiveness and deficiencies in the LRTP document and planning process in attracting and incorporating private sector funding and other non-traditional funding opportunities into the prioritization of projects.
- (2) Policy recommendations for the Metro Board to consider on how to update the LRTP document and planning process to better reflect the reality of public-private partnerships, private sector capital, toll lanes, and other innovative 21st century financing techniques as viable funding

sources for projects to be placed in a Metro-approved priority list of projects that would have similar commitment level as projects placed in the constrained portion of the LRTP.

- (3) Recommendations for legislation to pursue at the state and federal level to assist Metro in implementing desirable LRTP reforms currently not allowed under state and federal regulations.
- (4) A strategic plan by the CEO presented for Board discussion and approval that would
 - a. identify potential private sector funding collaborators;
 - b. reach out to these potential collaborators for insight and advice regarding current policy and other barriers that prevent public-private partnerships and private sector funding opportunities from occurring;
 - c. collect this information into a report for Board discussion, and;
 - d. present these findings to the Board with recommendations for further policy action.

