# PUBLIC-PRIVATE PARTNERSHIPS (PPP)

Planning & Programming Committee Meeting June 18, 2008
1:00 pm



#### PREVIOUS BOARD MOTIONS

November 2007 Investigate opportunities to attract and incorporate in LRTP

January 2008 Develop standards for

acceptable funding

commitments for LRTP

April 24, 2008 Issuance of a Request For

Information (RFI)

Results to be presented in

September 2008



#### RECOMMENDATIONS

- Receive and file White Paper
  - National/International use
  - Lessons Learned
- Adopt Framework
  - Goals and Process for PPP
  - Long Range Transportation Plan (LRTP) inclusion



#### RESEARCH EFFORTS

- Literature review
- Interviews:
  - Financial institutions
  - PPP legal firm
  - PPP program management firm
  - Public agencies that have completed or are in process of completing PPP projects
- Academic/legislative/industry workshops



#### ROLES AND RESPONSIBILITIES

- Public Partner Project definition risk
  - Environmental clearance
  - Stakeholder/political commitment
  - Financial Feasibility
  - Well-defined, transparent procurement process
- Private Partner Financial risk
  - Project financing
  - Construction
  - Facility operation/management



#### METRO'S CURRENT PPP ACTIVITY

- CNG, Solar Panel upgrades to Operations Facilities
  - -5 PPP contracts since 1999 Agency:
    - Provide labor
    - Pay concessionaire user fees and fixed lease payments
    - Concessionaire:
      - Upfront financing, Design/Build/Finance/
         Operate/ Maintain contracts for 10-12 year terms
      - -Operate & maintain using our labor



#### PROPOSED PPP FRAMEWORK

- Evaluation of LRTP Tier 1 Strategic transit and highway projects
- Three step PPP Process
  - Project feasibility
  - Detailed project definition
  - PPP solicitation/negotiation contract
- With successful negotiations, project will be included in Constrained element of LRTP

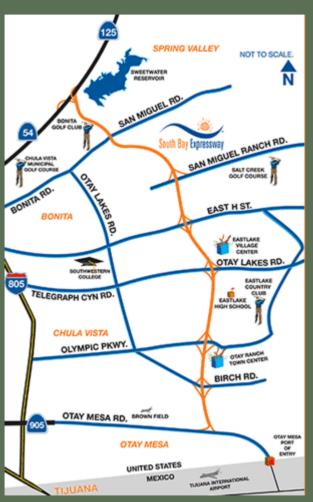


# NATIONAL/INTERNATIONAL PROJECTS

- Australia, United Kingdom, Europe using PPP for 25 years to build highway and transit infrastructure
- Spain, Italy, Greece, Hungary currently spending billions on highway projects
- Canada established federal agency to support PPPs



#### **SOUTH BAY EXPRESSWAY**



Project jointly sponsored by San Diego Association of Governments and Caltrans



#### **EXAMPLES-HIGHWAY**

- South Bay Expressway, SR-125, San Diego County
  - 12.5 mi. incl. 9.5 mi. toll road
  - \$634 million, funded by TIFIA loan, private equity, ROW grants from developers
  - Agency:
    - No public funding
  - Concessionaire:
    - DBFOM contract with 35 year toll franchise
    - Operator sets/keeps tolls, maximum 18.5% return



#### **OTHER EXAMPLES-HIGHWAY**

### Florida's I-595 Corridor Roadway Improvements Project

- Includes three 10.5 mi. reversible express toll lanes
- \$1.5 billion, funded by bonding of future payment commitment
- EIS complete, PPP in procurement process
- 35 year toll concession
- Agency:
  - Retain toll revenue and toll rate setting authority
  - Pay concessionaire availability payments and potential milestone payments
- Concessionaire
  - DBFOM contract for 35 year term



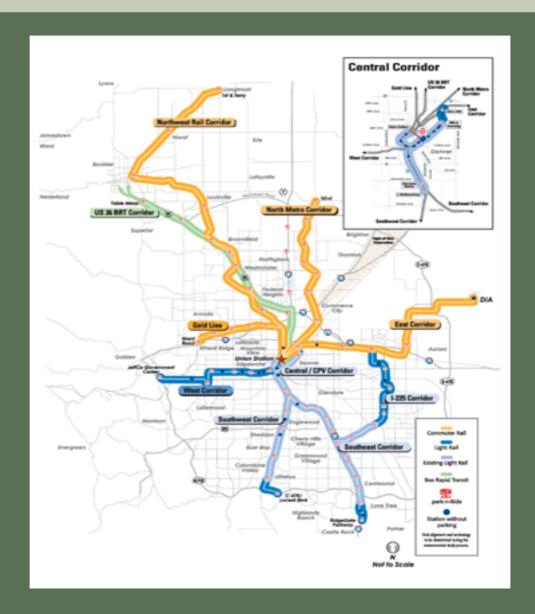
#### **EXAMPLES-TRANSIT**

- PORTLAND MAX RED LINE (to airport)
  - 5.5 mile LRT, 4 stations
  - \$125 million, financed with 75% public (local) funding, 25% from private firm in exchange for development rights
  - Line opened September 2001; development complete by 2015
  - Agency:
    - Operate and maintain
  - Private partner
    - Develop mixed-use commercial site



#### **DENVER RTD'S FasTracks PLAN**

2004 Voterapproved transit plan





#### **OTHER EXAMPLES-TRANSIT**

### Denver RTD's FasTracks

- Pursuing PPP for some plan elements
- Developing RFQ, RFP, concession terms, holding forum in 7-2008
- Completing environmental clearances and New Starts applications
- One Concessionaire:
  - DBFOM 3 rail transit lines, commuter segment, systems segment, rail maintenance facility, rolling stock
  - Finance up-front funds for D/B phase and Federal (New Starts) funding gap
  - Availability payment concession



#### **UNSUCCESSFUL PPP ATTEMPT**

### London Underground (LU)

- Privatize infrastructure and trains
- LU continues to operate trains
  - One performance contract (Tubelines) managed with program/asset management (infrastructure/vehicles) and maintenance priorities, and is doing well
  - Two others (Metronet) prioritized buying/selling equipment & station upgrade materials (areas of business of consortium members), not consistent with PPP performance contract. Conflicts of interest influenced cash flow issues, jeopardized station upgrade program, causing insolvency.
  - LU forced to assume assets, refinanced at \$1.2 billion



#### LESSONS LEARNED

- Projects with greatest likelihood of success:
  - Clearly defined (i.e., draft EIR/EIS), highpriority, non-controversial project with demonstrated public sector commitment
  - Fair risk allocation
  - Transparent, well-defined procurement process, experienced public sector staff



#### **NEXT STEPS**

# July

- RFI responses due

### September

- Evaluation of RFI Responses
- Work plan
- Assessment of needed resources

