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**PLANNING AND PROGRAMMING COMMITTEE
SEPTEMBER 17, 2008**

**SUBJECT: FINANCIAL STRATEGY FOR THREE LOS ANGELES COUNTY
PROJECTS IMPACTED BY STATE TRAFFIC CONGESTION
RELIEF PROGRAM SHORTFALL**

**ACTION: APPROVE ADVANCE OF LOS ANGELES COUNTY
REGIONAL FUNDING FOR THREE PROJECTS**

RECOMMENDATION

- A. Provide up to \$110 million in advance funding from Los Angeles County regional sources (with such funding eligible for Traffic Congestion Relief Program [TCRP] Letters of No Prejudice [LONPs]) for specified projects on Interstate 5, Interstate 10, and Interstate 405 (as shown in Attachment A), using the California Transportation Commission's TCRP LONP Policy; and
- B. Adopt a Resolution, as shown in Attachment B, for a funding commitment of up to \$48 million to the Interstate 405 project (the Project) that authorizes the Chief Executive Officer to enter into an agreement with the California Department of Transportation (Caltrans) to use those funds for the Project.

ISSUE

State law includes \$4.9 billion in statewide project-specific funding commitments for the legislatively created Traffic Congestion Relief Program (TCRP) that then Governor Gray Davis signed into law in June 2000. Of the total \$4.9 billion program, the California Transportation Commission (CTC) committed \$3.76 billion by a project-specific allocation vote. For the remaining \$1.14 billion in project funding, the CTC suspended further project-specific allocations on July 24, 2008, pending resolution of a major shortfall in the program.

POLICY IMPLICATIONS

The three major Los Angeles County projects shown in Attachment A that are now placed at risk of schedule delay are as follows in Table 1:

Table 1: Los Angeles County TCRP Projects At Risk of Delay

Project Description (Builder)	Un-allocated TCRP	Prop. 1B CMIA	Other Funds	Project Cost (Est.)
Interstate 5 Carpool and Mixed Flow Lanes from Orange County Line to Interstate 605 (Caltrans)	\$119 M	\$387M	\$734 M	\$1,240 M
Interstate 10 Carpool Lanes from Interstate 605 to State Route 57 (Caltrans)	\$62 M	--	\$495 M	\$557 M
Interstate 405 Northbound Carpool Lane from Interstate 10 to US 101 (LACMTA)	\$48 M	\$730 M	\$172 M	\$950 M
Total	\$229 M	\$1,117M	\$1,401 M	\$2,747 M

To avoid funding-related schedule delays for this \$2.7 billion program of projects, a project-by-project specific financial strategy is needed, including the possible advance of up to \$110 million in other funds for the now unavailable TCRP funds.

For the \$1.14 billion in suspended TCRP project funding statewide, Proposition 1A (2006) guaranteed that \$662 million would be made available over an eight-year period, beginning in fiscal year (FY) 2009 (\$85.6 million) and \$82.7 million each year for seven years thereafter. The remaining \$482 million or 43% needed to fully fund the program was to come from bonds that relied on Tribal Gaming Compact revenues owed to the State of California. The eight-year spread of the constitutionally guaranteed Proposition 1A funding and litigation surrounding and preventing the issuance of the Tribal Gaming Compact bonds has meant that there are insufficient funds to allocate all of the TCRP projects currently before the CTC for approval. In response to the shortfall, the CTC on July 24, 2008 suspended all allocations to any TCRP projects until it received more direction from grantees and the Legislature as to the priorities it was to follow in allocating the now scarce TCRP revenues. As discussed in the Financial Impact section of this report, we are seeking and expect to receive at least our proportional share of the constitutionally guaranteed funding. For now, we are asking the Board to approve up to \$110 million to backstop only that amount necessary to avoid project delays due to the Tribal Gaming Compact revenue.

As the Interstate 5 and Interstate 405 projects also will rely on \$1.1 billion in Proposition 1B Corridor Mobility Improvement Account (CMIA) funds from the CTC, the Board of Directors will need to consider the impact of the TCRP shortfall on those grants. According to Caltrans and CTC policies, the CMIA funds can be used only for construction, and then only for fully funded projects. This means that pre-construction activities must be financed with other project funding sources. In addition, any shortfalls must be resolved to the CTC's satisfaction before their allocation of the CMIA grant.

OPTIONS

We have analyzed all TCRP project budgets to determine pre-construction funding options that avoid using CMIA and TCRP funds. Interstate 5, Interstate 10, and the Interstate 405 projects all have such alternatives, as follows:

- Interstate 5: Replacement funds for pre-construction activities can be identified within the \$734 million in other funds shown for the project in Table 1. The TCRP funds will be moved to construction phases.
- Interstate 10: The project budget is also flexible enough to permit other funds to be moved forward to cover pre-construction activities. The TCRP funds will be reflected in later construction phases and may be converted to TCRP LONPs should that become necessary when the construction procurement process begins for the final phase.
- Interstate 405: The Interstate 405 project pre-construction work can be completed with our funds and federal funds previously committed to the project. The CMIA funds will be available for most of design and construction, while the TCRP funds and/or our replacement funds will be shown and expended as late as FY 2012 in the project budget. Under the proposed strategy, if the CTC remains unable to identify sufficient funds to make the \$48 million TCRP allocation by June 30, 2011, we understand that we must commit to providing alternate funding of \$48 million beginning on July 1, 2011. If the CTC is able to allocate the TCRP funds before June 30, 2011, the CTC's deferred allocation status will enable us to add those funds back into the project budget without prejudice after the point of contract award.

For both the Interstate 5 and Interstate 10 projects, the other funds available for pre-construction depend, in part, on the assumption that Proposition 42 funds are not suspended in the State's FY 2008-09 Budget process. As of this writing, the Legislature and the Governor have not yet resolved a State Budget crisis that might lead to a Proposition 42 funding suspension. If Proposition 42 funds were to be suspended as part of the State Budget process, transportation agencies statewide, including us, would be forced to begin a process for reprogramming the 2008 State Transportation Improvement Program for Los Angeles County.

Finally, we could propose to defer these projects, cut their scope-of-work, or cancel them altogether unless the Legislature solves the TCRP shortfall. We do not recommend these options, as it is unlikely that the State will be able to identify replacement funds during the current budget crisis. We also believe that sufficient Los Angeles County regional resources exist to advance funds in the interim for these important improvements. Cutting the scope-of-work for the projects compromises carefully negotiated environmental clearances and could lead to community and project performance difficulties later. Furthermore, we do not recommend to defer, cut scope, or cancel the Interstate 405 and Interstate 5 projects because that could very well jeopardize the Los Angeles County share of the Proposition 1B CMIA funds.

FINANCIAL IMPACT

When we move to construction for all of the projects in Table 1, we will need to be prepared to provide backstop funding should TCRP funds not be available. As a project construction contract cannot proceed without a full funding plan, we will have to commit to fully funding the projects for up to \$110 million, if TCRP funding cannot ultimately be identified. We currently are assuming that this backstop funding, if needed, would come from escalation reserves included in the draft 2008 Long Range Transportation Plan process. The actual strategy utilized will depend ultimately upon the specific circumstance we face when the funds might be needed several years from now.

If ultimately there are insufficient TCRP funds available, the CTC will be under no obligation to repay us for any funds advanced. Specifically, the CTC's TCRP Letter of No Prejudice policy states that: *"It should be noted that agencies proceed at their own risk and that reimbursement is dependent on availability of TCR funding."* If, on the one hand, these funds are never repaid, other Long Range Transportation Plan projects could be impacted. If, on the other hand, the CTC itself allocates TCRP funds for these projects, the need for alternative Los Angeles County regional funds would not be necessary at all -- a more favorable condition for our capital program cash flow plans.

We will be seeking to obtain at least one-third of the \$662 million in TCRP funds available statewide through Proposition 1A constitutional guarantees (approximately \$220 million). That one-third represents the outstanding Los Angeles County proportionate share of the unallocated projects statewide. If and when the Tribal Gaming Bonds are issued, we will seek the full complement of TCRP funds committed in law to Los Angeles County.

BACKGROUND

Federal (Title 23 U.S.C. 134 (g) & (h)) and state (P.U.C. 130303) statutes require us to prepare a Transportation Improvement Program (TIP) for Los Angeles County. The TIP allocates revenues across all transportation modes based on the planning requirements of the Transportation Equity Act of the 21st Century (TEA-21) and the Safe, Accountable, Flexible, and Efficient Transportation Equity Act - A Legacy for Users (SAFETEA-LU). We accomplish these mandates, in part, by programming revenues consistent with our 2001 Long Range Transportation Plan for Los Angeles County. We have worked closely with Caltrans and the CTC in these processes to reflect the in-law commitments of TCRP funds in the project budgets used for the TIP.

Pursuant to the Clean Air Act, those projects in the TIP that are anticipated to reduce overall air pollution emissions, such as the three TCRP projects mentioned herein, are subject to specific delivery deadlines that the Southern California Association of Governments, the U.S. Department of Transportation and the California Air Resources Board enforce. Failure to meet these deadlines ultimately could jeopardize all federal funding for transportation capacity-enhancing projects in the South Coast Air Basin. The threat of losing federal funds is another reason why adherence to schedule is extremely important for these TCRP projects.

NEXT STEPS

If the Board of Directors approves the recommended financial strategy, we will immediately begin seeking the grant approvals necessary to minimize the amount and period of time any Los Angeles County regional funds are advanced for the projects on behalf of the State of California for its inability to provide the in-law TCRP funds. As of this writing, the next steps include the following key dates:

Legislative Action on State Budget	To Be Determined
Governor’s Action on State Budget	To Be Determined
Planning and Programming Committee Considers This Report	September 17, 2008
Board of Directors Considers This Report	September 25, 2008
CTC Considers I-405 TCRP Letter of No Prejudice Request	September 25, 2008
CTC Reconsiders I-405 CMIA Allocation Request	September 25, 2008
I-405 Design Build Bid Package Advertised	September 29, 2008
Applicable Grant Agreements with Caltrans Executed	October 2008
I-405 Design Build Contract Award	April 2009

ATTACHMENTS

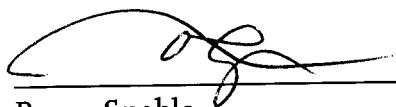
- A. Los Angeles County Traffic Congestion Relief Program Projects - Financial Strategy to Avoid Delay or Cancellation

- B. Resolution

Prepared by: David Yale, Deputy Executive Officer for Regional Programming
Programming and Policy Analysis



Carol Inge
Chief Planning Officer



Roger Snoble
Chief Executive Officer

STATE TRAFFIC CONGESTION RELIEF PROGRAM
PROJECT FUNDING DETAIL
(\$000)

SUMMARY OF THREE PROJECTS WITH TCRP FUNDING											
	Prior	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	Total	
Cash Flow Need	195,221	225,945	463,840	570,018	620,155	337,603	205,139	100,000	30,000	2,747,921	
<i>Current Funding Schedule</i>											
TCRP	74,150	155,918	13,082	60,418	1,432	-	-	-	-	305,000	
STIP	117,721	16,845	178,371	24,512	162,920	-	-	-	-	500,369	
CMIA	-	-	146,600	404,649	415,887	149,864	-	-	-	1,117,000	
PROP 1 B TRANSIT MOD	-	-	-	-	-	-	-	-	-	-	
FEDERAL	-	50,182	123,037	77,439	-	77,439	-	-	-	328,097	
LOCAL	3,350	3,000	2,750	3,000	39,916	110,300	205,139	100,000	30,000	497,455	
Total Current Funding Schedule	195,221	225,945	463,840	570,018	620,155	337,603	205,139	100,000	30,000	2,747,921	
<i>Proposed Funding Schedule</i>											
TCRP	74,150	2,000	-	-	95,336	133,514	-	-	-	305,000	
STIP	117,721	125,763	156,678	-	100,207	-	-	-	-	500,369	
CMIA	-	45,000	181,375	429,161	383,264	78,200	-	-	-	1,117,000	
PROP 1 B TRANSIT MOD	-	-	-	-	-	-	-	-	-	-	
FEDERAL	-	50,182	123,037	137,857	1,432	15,589	-	-	-	328,097	
LOCAL	3,350	3,000	2,750	3,000	39,916	110,300	205,139	100,000	30,000	497,455	
Total Proposed Funding Schedule	195,221	225,945	463,840	570,018	620,155	337,603	205,139	100,000	30,000	2,747,921	
<i>Change in Funding Schedule</i>											
TCRP	-	(153,918)	(13,082)	(60,418)	93,904	133,514	-	-	-	-	
STIP	-	108,918	(21,693)	(24,512)	(62,713)	-	-	-	-	-	
CMIA	-	45,000	34,775	24,512	(32,623)	(71,664)	-	-	-	-	
PROP 1 B TRANSIT MOD	-	-	-	-	-	-	-	-	-	-	
FEDERAL	-	-	-	60,418	1,432	(61,850)	-	-	-	-	
LOCAL	-	-	-	-	-	-	-	-	-	-	
Total Change in Funding Schedule	-	-	-	-	-	-	-	-	-	-	

STATE TRAFFIC CONGESTION RELIEF PROGRAM
PROJECT FUNDING DETAIL
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INTERSTATE 405 CARPOOL LANES I - 10 TO US 101 (Northbound)											
	Prior	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	Total	
Cash Flow Need	41,250	99,350	220,000	259,600	250,600	79,200	-	-	-	950,000	
<i>Current Funding Schedule</i>											
TCRP	40,000	47,000	3,000	-	-	-	-	-	-	90,000	
CMIA	-	-	146,600	256,600	248,600	78,200	-	-	-	730,000	
FEDERAL	-	49,350	67,650	-	-	-	-	-	-	117,000	
LOCAL	1,250	3,000	2,750	3,000	2,000	1,000	-	-	-	13,000	
Total Current Funding Schedule	41,250	99,350	220,000	259,600	250,600	79,200	-	-	-	950,000	
<i>Proposed Funding Schedule</i>											
TCRP	40,000	2,000	-	-	48,000	-	-	-	-	90,000	
CMIA	-	45,000	149,600	256,600	200,600	78,200	-	-	-	730,000	
FEDERAL	-	49,350	67,650	-	-	-	-	-	-	117,000	
LOCAL	1,250	3,000	2,750	3,000	2,000	1,000	-	-	-	13,000	
Total Proposed Funding Schedule	41,250	99,350	220,000	259,600	250,600	79,200	-	-	-	950,000	
<i>Change in Funding Schedule</i>											
TCRP	-	(45,000)	(3,000)	-	48,000	-	-	-	-	-	
CMIA	-	45,000	3,000	-	(48,000)	-	-	-	-	-	
Total Change in Funding Schedule	-	-	-	-	-	-	-	-	-	-	

STATE TRAFFIC CONGESTION RELIEF PROGRAM
PROJECT FUNDING DETAIL
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INTERSTATE 10 CARPOOL LANES FROM STATE ROUTE 605 TO STATE ROUTE 57											
	Prior	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	Total	
Cash Flow Need	91,650	16,845	55,387	60,418	139,555	108,403	85,139	-	-	557,397	
<i>Current Funding Schedule</i>											
TCRP	28,150	-	-	60,418	1,432	-	-	-	-	90,000	
STIP	61,400	16,845	-	-	100,207	-	-	-	-	178,452	
FEDERAL	-	-	55,387	-	-	77,439	-	-	-	132,826	
LOCAL	2,100	-	-	-	37,916	30,964	85,139	-	-	156,119	
Total Current Funding Schedule	91,650	16,845	55,387	60,418	139,555	108,403	85,139	-	-	557,397	
<i>Proposed Funding Schedule</i>											
TCRP	28,150	-	-	-	-	61,850	-	-	-	90,000	
STIP	61,400	16,845	-	-	100,207	-	-	-	-	178,452	
FEDERAL	-	-	55,387	60,418	1,432	15,589	-	-	-	132,826	
LOCAL	2,100	-	-	-	37,916	30,964	85,139	-	-	156,119	
Total Proposed Funding Schedule	91,650	16,845	55,387	60,418	139,555	108,403	85,139	-	-	557,397	
<i>Change in Funding Schedule</i>											
TCRP	-	-	-	(60,418)	(1,432)	61,850	-	-	-	-	
STIP	-	-	-	-	-	-	-	-	-	-	
FEDERAL	-	-	-	60,418	1,432	(61,850)	-	-	-	-	
LOCAL	-	-	-	-	-	-	-	-	-	-	
Total Change in Funding Schedule	-	-	-	-	-	-	-	-	-	-	

STATE TRAFFIC CONGESTION RELIEF PROGRAM
PROJECT FUNDING DETAIL
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INTERSTATE 5 CARPOOL AND MIXED FLOW LANES FROM ORANGE COUNTY LINE TO INTERSTATE 605											
	Prior	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	Total	
Cash Flow Need	62,321	109,750	188,453	250,000	230,000	150,000	120,000	100,000	30,000	1,240,524	
<i>Current Funding Schedule</i>											
TCRP	6,000	108,918	10,082	-	-	-	-	-	-	125,000	
STIP	56,321	-	178,371	24,512	62,713	-	-	-	-	321,917	
CMIA	-	-	-	148,049	167,287	71,664	-	-	-	387,000	
FEDERAL	-	832	-	77,439	-	-	-	-	-	78,271	
LOCAL	-	-	-	-	-	78,336	120,000	100,000	30,000	328,336	
Total Current Funding Schedule	62,321	109,750	188,453	250,000	230,000	150,000	120,000	100,000	30,000	1,240,524	
<i>Proposed Funding Schedule</i>											
TCRP	6,000	-	-	-	47,336	71,664	-	-	-	125,000	
STIP	56,321	108,918	156,678	-	-	-	-	-	-	321,917	
CMIA	-	-	31,775	172,561	182,664	-	-	-	-	387,000	
FEDERAL	-	832	-	77,439	-	-	-	-	-	78,271	
LOCAL	-	-	-	-	-	78,336	120,000	100,000	30,000	328,336	
Total Proposed Funding Schedule	62,321	109,750	188,453	250,000	230,000	150,000	120,000	100,000	30,000	1,240,524	
<i>Change in Funding Schedule</i>											
TCRP	-	(108,918)	(10,082)	-	47,336	71,664	-	-	-	-	
STIP	-	108,918	(21,693)	(24,512)	(62,713)	-	-	-	-	-	
CMIA	-	-	31,775	24,512	15,377	(71,664)	-	-	-	-	
FEDERAL	-	-	-	-	-	-	-	-	-	-	
LOCAL	-	-	-	-	-	-	-	-	-	-	
Total Change in Funding Schedule	-	-	-	-	-	-	-	-	-	-	

**A RESOLUTION OF THE LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY MAKING A COMMITMENT OF \$48 MILLION
DOLLARS FOR THE INTERSTATE 405 CARPOOL LANE PROJECT**

WHEREAS, the Los Angeles County Metropolitan Transportation Authority (Metro) is the designated Transportation Planning agency for the County of Los Angeles and is, therefore, responsible for the administration of the Transportation Development Act, Public Utilities Code Section 99200 et seq.;

WHEREAS, Federal (Title 23 U.S.C. 134 (g) & (h)) and state (P.U.C. 130303) statutes require Metro to prepare a Transportation Improvement Program (TIP) for Los Angeles County and;

WHEREAS, The TIP allocates revenues across all transportation modes based on the planning requirements of the Transportation Equity Act of the 21st Century (TEA-21) and the Safe, Accountable, Flexible, and Efficient Transportation Equity Act - A Legacy for Users (SAFETEA-LU) and;

WHEREAS, Metro accomplishes these mandates, in part, by programming revenues consistent with our 2001 Long Range Transportation Plan for Los Angeles County, having worked closely with the California Department of Transportation and the California Transportation Commission (CTC) in these processes to reflect the in-law commitments of Traffic Congestion Relief Program (TCRP) funds in the project budgets used for the TIP and;

WHEREAS, pursuant to the Clean Air Act, those projects in the TIP that are anticipated to reduce overall air pollution emissions, such as the Interstate 405 Carpool Lane project (the Project), is subject to specific delivery deadlines that the Southern California Association of Governments, the U.S. Department of Transportation and the California Air Resources Board enforce and;

WHEREAS, failure to meet these deadlines could jeopardize federal funding for transportation capacity-enhancing projects in the South Coast Air Basin and;

WHEREAS, on August 28, 2008 the CTC deferred Metro's allocation request for a \$48 million TCRP grant for at least one year due to a lack of funds and;

WHEREAS, the deferred TCRP allocation status will continue to as late as June 30, 2011, but the CTC will permit Metro to advertise the project by allocating \$730 million in Corridor Mobility Improvement Account (CMIA) funds and;

WHEREAS, the funding challenges presented by the state shortfall in the Traffic Congestion Relief Program, including a \$48 million TCRP commitment that is not now available for the Project, will require Metro to ensure alternative funds are available and;

WHEREAS, this commitment by the Agency anticipates that the CTC may later approve an allocation or a TCRP Letter of No Prejudice (LONP) at a future meeting, thereby permitting Metro to be reimbursed at a later date should the funds become available and;

WHEREAS, the Board of Directors now desires to authorize the officers and staff of the Authority to take such further actions, including the negotiation, execution and delivery of such documents, agreements and certificates as shall be necessary and appropriate to implement the Transaction as described above;

NOW, THEREFORE, BE IT RESOLVED THAT THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY (METRO) DOES HEREBY FIND, DETERMINE AND ORDER AS FOLLOWS:

- Metro commits to providing alternate funding of \$48 million beginning on July 1, 2011 and;
- If the CTC is able to allocate the TCRP funds no later than June 30, 2011, the CTC's deferred allocation status will enable Metro to add those funds back into the project budget without prejudice after the point of contract award and;
- In consideration of the disproportionate commitment of CMIA funds for the Project, Metro must further agree to use \$48 million in alternate funds immediately following July 1, 2011, deferring further draw-downs against the CMIA funds until the \$48 million is exhausted and;
- If necessary, Metro will return to the CTC for a formal TCRP LONP for use in the event that the TCRP funds subsequently become available after the project is open to the public.

CERTIFICATION

The undersigned, duly qualified and acting as Board Secretary of the Los Angeles County Metropolitan Transportation Authority, certifies that the foregoing is a true and correct resolution adopted at a legally convened meeting of the Board of Directors of the Los Angeles County Metropolitan Transportation Authority held on September 28, 2008

Michele Jackson
Board Secretary

Date: September 25, 2008



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**PLANNING AND PROGRAMMING COMMITTEE
SEPTEMBER 17, 2008**

SUBJECT: PUBLIC-PRIVATE PARTNERSHIP PROGRAM

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

- A. Receive and file the summary of responses (Attachment A) to the Request for Information (RFI) to seek industry input on the use of Public-Private Partnership (PPP); and
- B. Adopt the PPP Work Plan (Attachment B).

ISSUE

In April 2008, the Board approved a motion directing the issuance of an RFI to solicit concepts and proposals, and to seek industry input on the use of a Public-Private Partnership (PPP) model to build one or more of the unfunded transit and/or highway projects listed in the Draft 2008 Long Range Transportation Plan (LRTP) Tier 1 Strategic unfunded projects, including perspectives on project delivery methods and private project financing. Twelve RFI responses were received on July 14, 2008. This report provides a summary of the responses received.

This report also seeks Board approval of a work plan and assessment of resources needed to evaluate potential PPP candidates, following the previously Board adopted Framework.

POLICY IMPLICATIONS

The Draft 2008 LRTP includes language supporting the use of PPP as a project delivery method to fund and advance projects. Four projects in the LRTP assume partial funding by other methods such as PPPs. These are SR-710 Gap Closure, I-5 North HOV and Truck Lane Improvements, I-710 South and High Desert Corridor.

The Framework has been structured to assist us in developing a PPP program that is clear, concise and transparent and will provide consistent evaluation criteria for determining the PPP potential of these and other Strategic unfunded transit and highway projects.

OPTIONS

The Board could elect to make modifications to the proposed Work Plan or to not continue pursuing this project delivery process. However, we do not recommend these options. The recommendations will enable us to proceed with further evaluation of the PPP concept as a viable means of advancing strategic transportation projects and create a transparent evaluation and procurement process.

FINANCIAL IMPACT

Funding for in-house planning resources to continue work on the PPP Framework has been included in the FY 09 budget in Cost Center 4370, Project 405510, Task 06.02, General Planning. We will return to the Board for the contract award to develop the PPP program and strategy, and to commence the high level financial feasibility assessments. We will also address the FY 09 budget adjustment, if necessary.

BACKGROUND

On May 12, 2008, we released the RFI to more than 100 national and international construction, investment banking and program management firms. The RFI was also available on the Procurement Department's web page. On June 14, 2008, a pre-response workshop was attended by nearly 50 potential respondents. At this workshop, we provided information on the existing Metro system and the LRTP Strategic projects. Attendees were also given an opportunity to ask questions.

As of the July 14, 2008 due date, we received twelve responses. Attachment A is a matrix indicating the responses received. A technical review team consisting of individuals from the Departments of New Business Development, Treasury, Procurement, Construction Project Management and Planning reviewed and analyzed each response.

Analysis of RFI Responses

Half of the respondents were private investment providers or financial advisors, and two were systems operators with the balance providing engineering or management services.

The respondents variously showed interest in the following LRTP projects (listed in no specific order) as potential candidates for PPP delivery through the availability payment (transit) or user fee/toll (highway) financing models:

- SR-710 Gap Closure (*mentioned by four respondents*)
- Conversion of all HOV lanes to HOT lanes (*three respondents*)
- Harbor Subdivision (as stand alone LRT or commuter system) (*one respondent*)
- I-710 South (*three respondents*)
- High Desert Corridor (*three respondents*)
- Metro Subway Westside Extension/Purple Line (*two respondents*) (also build the Extension, operate and maintain entire heavy rail system)
- I-5 HOT lanes and truck lane improvements (*two respondents*)
- Exposition LRT Phase II (*one respondent*)
- LA/Burbank/Glendale Corridor (as stand alone LRT system) (*one respondent*)
- Regional Connector (also build the Connector, operate and maintain entire light rail system) (*one respondent*)

Except for the suggestion of user fees and/or availability payments, none of the twelve responses contained detailed information as to how any of these projects could be delivered. Instead, the overwhelming advice provided by the industry in these responses is that, due to the significant investment of time and expense required to submit a proposal, prior to soliciting proposals from experienced PPP players, we will need to:

- determine which projects we want to move forward,
- secure all environmental clearances and develop design to 30%,
- develop our goals, objectives, priorities and performance evaluation criteria,
- identify and resolve most of the public and legislative issues,
- identify public funding sources for construction costs for transit projects (highway projects may be different),
- have retained PPP-experienced consultants to provide guidance,
- set up a PPP-experienced management and procurement team.

Since no proposals to actually design, construct, finance, operate and/or maintain any projects were actually received, we do not have an analysis of advantages and disadvantages of approach to project concepts or delivery. The summary matrix, Attachment A, highlights the comments and expressions of project interest provided in each response.

While the RFI respondents indicated that some of the projects identified in the RFI could have the potential to benefit from PPPs, they also noted that most of these projects are still in the early planning stages. Therefore, we recommend pursuing the process identified in the June 2008 Board-adopted Framework, which outlines the criteria and process for evaluating PPPs, as well as approving the Work Plan that more clearly identifies and defines the necessary steps.

Work Plan

The Work Plan, Attachment B, tracks how the Framework Steps will be followed within the next two to three years to identify PPP projects. With the exception of the High Desert Corridor, which is being advanced by a Joint Powers Authority (JPA), the analysis may include those projects identified in the RFI responses. We will coordinate with the High Desert Corridor's JPA so as to not duplicate their efforts.

NEXT STEPS

Upon Board approval, the Work Plan will be implemented and we will proceed with preparing a scope of services for procuring a PPP specialist advisory consultant to support PPP program and strategy development, and to provide technical, legal and financial services. We will return to the Board this winter to award the contract and will continue to follow the steps as outlined in the Work Plan.

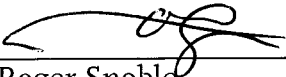
ATTACHMENTS

- A. Matrix Summarizing RFI General Responses
- B. Public Private Partnership FY08 through FY10 Work Plan

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SUMMARY OF REQUEST FOR INFORMATION RESPONSES

Ten different projects were identified in the responses as potential opportunities for Metro to partner with the private sector. These responses suggested general concepts, including operation and maintenance of our existing systems, but did not include preliminary proposals for Public-Private Partnerships. They did provide suggestions as to feasible private partner payment methods, as well as advice as to what essential commitments are needed of the public agencies prior to requesting formal proposals. These include identifying projects to be pursued as PPPs, securing environmental clearances, setting fares or tolls, and committing public funding sources.

Summaries of responses are provided below:

Respondent Name	Metro Project Interest	Highlights of the Proposed Approach/Concepts	Evaluation Panel Comments
<p>ACS INFRASTRUCTURE DEVELOPMENT</p>	<ul style="list-style-type: none"> • SR-710 Gap Closure • High Desert Corridor • I-710 South • HOT lanes • Purple Line Westside extension • High Speed Rail Transit (HSRT) connection 	<p>Propose to recommend combination payment based on fixed, availability and system performance; propose to set fares and tolls and to include automatic fare increase based on CPI. Advise against use of Pre-Development Agreement. Instead, for greater likelihood of success, recommend agency develop project and solicit bids when sufficient definition and political/social/environmental understanding is available.</p> <p>Expect Metro to:</p> <ul style="list-style-type: none"> • gain elected officials' support • establish dialogue with labor unions • complete environmental clearance (with 30% design) • fund 40% to 70% of total construction for transit projects (highway may be different) • provide "level 2" ridership projections • acquire Right-of-Way • secure enabling legislation 	<ul style="list-style-type: none"> • Dragados USA, a sister construction company of ACSID, is undertaking construction projects in New York area, Miami and Puerto Rico. Dragados usually does construction or design/build. ASCID usually manages Design Build Finance Operate and Maintain (DBFOM) PPP projects.
<p>BABCOCK AND BROWN</p>	<ul style="list-style-type: none"> • SR-710 Gap Closure 	<p>Propose to serve as concessionaire lead (private sector "project company" established for the partnership) and lead equity participant; use DBFOM as the most effective delivery method; propose to integrate construction and operation & maintenance (O&M) in one contract, and to use availability payment structure for transit projects. Prefer availability payment structure for highways as well, but not necessarily preclude tolling.</p> <p>Expect Metro to:</p> <ul style="list-style-type: none"> • secure public subsidy for rail projects • complete environmental clearances, site remediation, etc. • assure permitting process to not delay project • gain public support for identified need • identify source of public sector funding • provide certainty of procurement process and risk allocation • collect revenues, and set fares/tolls 	<ul style="list-style-type: none"> • International investment and specialized fund and asset management group; operating divisions in real estate, infrastructure, operating leasing and corporate & structured finance. • Various PPP project roles include financial advisor, equity investor, and consortium lead. • Propose toll road to fund SR-710 Gap Closure construction • Suggest selection of projects that have strong public support.

Respondent Name	Metro Project Interest	Highlights of the Proposed Approach/Concepts	Evaluation Panel Comments
BALFOUR BEATTY CAPITAL	Would like to assist Metro to establish PPP program and prioritize projects	<p>Propose to recommend use of availability payment model for transit: Metro's payment would be based 70% to 80% on system availability, and the balance based on system performance and possibly ridership</p> <p>Expect Metro to:</p> <ul style="list-style-type: none"> take environmental clearance lead complete ridership forecasts assure payments establish procurement framework & risk assessment retain service delivery responsibility and fare setting 	<ul style="list-style-type: none"> Balfour Beatty PLC consists of six companies providing international civil engineering, construction, facilities and investment services. Finance, engineering, construction and design-build contractor BBC infrastructure investment group does project development, financing, project execution, long-term asset management and operations.
DELOITTE	Interested in providing consulting services to develop PPP program	<p>Propose to perform screening and strategic assessment and value for money analysis for all projects considered. Propose availability payment model.</p> <p>Expect Metro to:</p> <ul style="list-style-type: none"> define project scope and provide project description provide cost estimates complete risk assessment define project objectives or restraints obtain legislative and regulatory approvals determine appropriate delivery model assume ridership risk allocate project cost overrun risk to private party 	<ul style="list-style-type: none"> Infrastructure and financial advisory services. Developed implementation work plan for Transport Canada. Response provides detailed screening process for project selection and includes a particular methodology that rates risk and assesses the appropriate PPP model.
DMJIM HARRIS - AECOM	<ul style="list-style-type: none"> Expo Phase II SR-710 Gap Closure (Toll) I-710 South (Toll) High Desert Corridor (Toll) 	<p>Propose to serve as Project Delivery Manager (PDM) who will assist Metro in project management and manage procurement of individual firms (i.e., financing, construction, operation, etc.) rather than consortium; recommend 50 year concession period and incremental regional sales tax funding source; use availability payment model based on system performance to deliver DBFOM concession.</p> <p>Expect Metro to:</p> <ul style="list-style-type: none"> obtain legislative and regulatory authority establish dedicated funding source for availability payments acquire ROW in advance obtain environmental clearance ROW site remediation prior to long term lease to concessionaire 	<ul style="list-style-type: none"> Architectural, engineering and project management firm.
GOLDMAN SACHS	Interested in serving as PPP advisor, PPP investor or bond underwriter	<p>Propose to recommend availability payment model to deliver DBFOM and to develop Transit-Oriented Development (TOD) value capture strategies.</p>	<ul style="list-style-type: none"> Currently serving as PPP and alternative finance advisor for Denver RTD.
LEHMAN BROTHERS	Interested in bond underwriting	<p>Propose to provide financial structure</p>	<ul style="list-style-type: none"> Assist with structure and bond underwriting

Respondent Name	Metro Project Interest	Highlights of the Proposed Approach/Concepts	Evaluation Panel Comments
RBC CAPITAL MARKETS	Interested in PPP program consulting, with emphasis on financial analysis	<p>Propose to recommend traditional PPP model with RBC providing financial assets or act as financial advisor</p> <p>Expect Metro to:</p> <ul style="list-style-type: none"> do O&M set fares/tolls Assume environmental clearance risk 	<ul style="list-style-type: none"> Global investment bank and U.S. based brokerage firm Core business is infrastructure and Project Finance Group Assist transit agencies in study of value for money, define financial availability payments, and help with proposal evaluations.
SIEMENS TRANSPORTATION SYSTEMS, INC.	<ul style="list-style-type: none"> Build Regional Connector, operate and maintain entire light rail system Build, operate, and maintain LA/Burbank/Glendale light rail 	<p>Propose to use availability payment model to deliver DBFOM.</p> <p>Expect Metro to:</p> <ul style="list-style-type: none"> prepare RFPs limit private ridership revenue risk solicit proposals from PPP-experienced bidders obtain good public/private working relationship. 	<ul style="list-style-type: none"> Want to provide light rail technology expertise, project management services and investment.
THE CARLYLE GROUP	<ul style="list-style-type: none"> HOT projects: I-405, I-5, US-101 Build Regional Connector Build Purple Line Operate and maintain existing heavy/light rail system 	<p>Propose to provide infrastructure investment funds. Suggest Metro use availability payment model, so that we can utilize debt financing, which is more stable than fare box revenue.</p> <p>Expect Metro to:</p> <ul style="list-style-type: none"> provide financial subsidies assume farebox revenue risk 	<ul style="list-style-type: none"> U.S. based infrastructure fund willing to provide equity financing for range of transit and highway projects.
VEOLIA TRANSPORTATION	<ul style="list-style-type: none"> Harbor Subdivision Line; stand alone LRT or commuter system Bus operations 	<p>Propose to serve as concessionaire lead, assuming single point of responsibility to deliver DBFOM, providing project equity and arranging debt financing. If not the lead, would invest equity in O&M component after Notice to Proceed (NTP).</p> <p>Expect Metro to:</p> <ul style="list-style-type: none"> provide up to 70% project financing set service parameters do environmental studies provide 30% design including specifications conduct pre-conferences before RFP 	<ul style="list-style-type: none"> Transit operator; also serves as equity partner Operator of several PPP rail projects in Europe, the Mideast and South Asia
WILBUR SMITH	<ul style="list-style-type: none"> SR-710 Gap Closure I-710 south High Desert corridor I-5 HOT lane improvements Convert all HOV to HOT lanes 	<p>Propose to recommend use of revenues from different sources to fund transit projects.</p> <p>Expect Metro to:</p> <ul style="list-style-type: none"> determine potential project value develop goals, objectives, and evaluation criteria assemble experienced professional PPP team identify public issues: toll regimes, pricing policies, future capacity improvements, congestion pricing, revenue maximizing pricing, concession term, corridor throughput 	<ul style="list-style-type: none"> Provides consulting services such as systems valuations, feasibility studies, procurement advice, traffic and revenue studies, engineering consulting and public outreach services. Related experience on Chicago Skyway and Indiana Toll road projects.

PUBLIC-PRIVATE PARTNERSHIP WORK PLAN

Project Evaluation Process	
STEP 1	
Project Feasibility	
ACTIVITY	TASKS
FY 09	
Identify needed resources to evaluate project PPP potential	<ul style="list-style-type: none"> • Assess in-house capability • Formalize in-house Public-Private Partnership Task Force • Determine consultant requirements, scope of work and cost estimate for program and strategy development support, including technical, legal and financial services • Procure PPP consultant
Consultant procurement process	
Board action	<ul style="list-style-type: none"> • Award consultant contract
FY 10	
Assess PPP viability of initial project list	<ul style="list-style-type: none"> • Consider pending environmental information and legislative capacity • Perform high-level financial feasibility/life-cycle analyses • Consider opportunity for beneficial project innovation or alternative technical concepts • Assess risk allocation potential • Determine if clearly definable and measurable specifications can be established
Industry forum discussing those projects recommended as a result of consultant analyses	<ul style="list-style-type: none"> • Determine private sector interest in recommended projects • Gain technical guidance • Evaluate PPP model alternatives, advantages, risks, etc.

STEP 2 Project Definition	
ACTIVITY	TASKS
Develop Procurement Process	<ul style="list-style-type: none"> • Well defined, predictable and transparent • Procurement team experienced in PPP contracting process
Enabling legislation	<ul style="list-style-type: none"> • Determine needed legislation to support identified potential projects • Pursue required legislation, if necessary
FY 11	
Assess projects with Project Suitability Screening Criteria (Attached)	<ul style="list-style-type: none"> • Finalize environmental studies • Formulate well defined project scope and objectives • Assess PPP Project suitability, and identify and allocate potential projects risks
Outreach to interested parties	<ul style="list-style-type: none"> • Stakeholders • RFI respondents • Legislators • Unions
Establish Board adopted policy for PPP negotiations	<ul style="list-style-type: none"> • Operations/maintenance of projects • Tolls, fares • Project phasing options • Procurement policies
STEP 3 Procurement	
ACTIVITY	TASKS
Board action	<ul style="list-style-type: none"> • Final Public-Private Partnership project(s) selection • Identification of public sector funding contribution • Authorization to pursue PPP solicitation and execution of consultant contract option for development of procurement documents • Pursue project specific legislation, if necessary
Negotiations	<ul style="list-style-type: none"> • Negotiate PPP agreement • Structure contract documents to fulfill negotiated agreement
Board action	<ul style="list-style-type: none"> • Public sector funding source commitment • PPP agreement execution • Amend LRTP and RTP, if necessary • Exercise consultant contract option for program management support (optional)

PPP PROJECT SUITABILITY SCREENING

Public agency assessment of project risk under PPP delivery methods

Screening Criteria

ANALYSIS	CONCERNS
Financial Feasibility	<ul style="list-style-type: none"> • Project revenue generation potential and parameters • Private sector economics (capital, O&M costs, financing, etc.) • Public sector funding levels, identification of dedicated funding source, if possible • Financial viability of project, life-cycle costs, value for money evaluation • Project phasing or packaging
Design and Construction	<ul style="list-style-type: none"> • Significant design and construction constraints • Right of way, geotechnical, hazardous materials risks • Technical feasibility issues • Public sector acceptance of technical innovation
Operations and Maintenance	<ul style="list-style-type: none"> • Public or private operator • Assess existing O&M contracts and viability of PPP opportunities • Maintainability of service standards by private sector • Feasibility of performance accountability • Public sector acceptance of O&M innovation
Impacts of Approval Process	<ul style="list-style-type: none"> • Appraisal of necessary technical staff resources • Consideration of PPP negotiation process with respect to anticipated project schedule
Project System Interface	<ul style="list-style-type: none"> • Integration of project into existing system • Impact of private operation on system integration
Legislation	<ul style="list-style-type: none"> • Legal and legislative constraints • What new legislation, if any, is required to support proposed projects
Acceptability	<ul style="list-style-type: none"> • Stakeholder and political acceptance and support of private involvement in public facility • Public sector comparator analysis to determine if best project delivery method is really PPP or traditional financing

