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Metropolitan Transportation Authority

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**PLANNING AND PROGRAMMING COMMITTEE
MARCH 19, 2008**

SUBJECT: PUBLIC-PRIVATE PARTNERSHIP EVALUATION STATUS REPORT

ACTION: RECEIVE AND FILE

RECOMMENDATION

Receive and file this status report on potential for using Public-Private partnerships to move Los Angeles County Metropolitan Transportation Authority (LACMTA) projects forward.

ISSUE

At its November 2007 meeting, the Board approved a motion directing staff to report back on opportunities to attract and incorporate Public-Private partnerships into the Long Range Transportation Plan (LRTP). In January 2008, the Board received a report which outlined a work program responding to the November motion. Additionally, the Board approved a motion by Director Bonnie Lowenthal instructing staff to develop standards for acceptable Public-Private partnership funding commitments. This report summarizes the actions taken thus far in response to both motions.

DISCUSSION

Staffs from both the Planning and the Treasury Departments have held discussions with various private and public entities with experience in Public-Private partnerships to seek information and advice on how such partnerships would work in a transportation environment similar to Los Angeles County. A set of questions (public and private sector as well as legislative) have been formulated (Attachment A). Staff is particularly focusing on questions which could lend insight as to the efforts necessary by public agencies to secure binding private sector commitments.

Attachment B contains a sampling of Public-Private partnership projects nationwide. Preliminary discussions have been initiated with representatives familiar with the projects listed on the matrix, (i.e., San Diego Association of Governments, Minnesota Department of Transportation). The matrix contains the responses received thus far from our fact finding interviews. A second matrix under Attachment B contains information obtained from interviews with financial investment representatives (i.e. Royal Bank of Canada), addressing the legislative-related questions contained in Attachment A.

A fact sheet providing the details of four high priority projects identified as likely candidates for Public-Private partnerships in the High Priority Strategic element in our Draft Long Range Transportation Plan is contained in Attachment C. These four projects contain elements which make them attractive as potential Public-Private partnerships.

Conversations with our Chief of Real Property Management and Development suggest that the transportation project Public-Private partnerships are similar in concept to our Joint Development agreements. The basic process in both transactions starts with identifying and defining a marketable project, assessing a potential revenue stream to attract private investment, soliciting proposals, and then negotiating a mutually beneficial contract. Input provided by our Chief Financial Services Officer and Treasurer confirms the importance of defining the project. As with Joint Development projects, a funding commitment is secured by execution of a contract.

Staff will be meeting with our Government Relations Federal Director and State Affairs Manager to assess legislative remedies required at either or both federal and state level to enable the agency to pursue Public-Private partnerships, if the Board so determines.

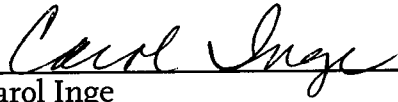
NEXT STEPS

Over the next several months, staff will continue to contact public agencies with experience in Public-Private partnerships to determine if there are any commonalities in when they felt they had a solid financial commitment from the private sector. Additionally, staff will continue discussions with financial institutions and others who have previous experience with Public-Private partnerships. At appropriate times, staff will update the Board on findings to date with the goal of returning in June with standards for acceptable Public-Private partnership funding commitments and recommendations for moving forward.

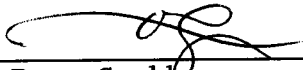
ATTACHMENTS

- A. Public-Private Partnership Survey Questions
- B. Matrix of Sample Public-Private Partnership Projects in U.S.
- C. LACMTA Projects Fact Sheet

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PUBLIC-PRIVATE PARTNERSHIP
SURVEY QUESTIONS

PROJECT-RELATED QUESTIONS

- 1) What was your criteria for determining if a project is suitable for Public-Private partnership? Would you establish different criteria for a next project?
- 2) What types of projects (characteristics) proposed for L.A. County's highway and rail network might benefit from Public-Private partnerships?
- 3) What made your project attractive to the private sector? What up front work was done by public sector? Would you present your project differently if you sought a Public-Private partnership again? How can we generate potential private sector interest?
- 4) At what stage in the project (i.e. conception, environmental, etc.) did you assess private sector interest? Was that an appropriate and effective decision? What would you do differently next time?
- 5) In your opinion, what are the most formidable risks for the public and the private sectors?
- 6) At what point do you know you have a solid funding commitment from the private partner?
- 7) How were your public and private funding commitments allocated (i.e. environmental clearance, preliminary engineering, construction management, etc.)? Would you apportion this differently next time?
- 8) Based on your experience, did the Public-Private partnership expedite project delivery or make it lengthier? Would you do it again?
- 9) Would there be any advantages to creating a JPA to facilitate public-private partnerships?

FINANCE-RELATED QUESTIONS

- 10) What is the typical private sector contribution to a project? Does the private sector ever provide 100% financing?
- 11) What types of public resources, other than dollars, are used to attract private sector investment? In your experience, what public sector resources are most effective?
- 12) In your opinion, what is the most beneficial investment of public funds in developing a partnership project?
- 13) Is there a delta between private and publicly financing a project?

LEGISLATIVE-RELATED QUESTIONS

- 14) What barriers exist (i.e. policy, regulations, etc.) which could hinder pursuit of a successful partnership? In your experience, what types of policies and regulations are most helpful?
- 15) What legislative remedies are needed in California to pursue Public-Private partnerships?
- 16) Are there any federal constraints?

2/19/08

PROJECT SURVEY RESPONSES TO DATE
As of February 20, 2008

Project & location	Public sponsor	Private partner	Description of project	Total project cost	Criteria used to identify PPP potential	Upfront public work	When assessed public interest	Public & private risks	Who paid for what	When solid commitment
Hiawatha Light Rail Transit, Minneapolis, MN	Minnesota DOT & Metropolitan Council		Light rail transit	\$675.4m	-Project must provide private revenue opportunity -Project must be privately operated	Gained public consensus to do project -Preliminary design so could use D/B construction method			-Multiple public fund sources to build -Public & private funds to operate (revenues pay 40% ops. Costs) -Private paid for EIR, hired Caltrans to do -Private funds for toll road -Public funds for interchange	
SR 125, San Diego County, CA	SANDAG & Caltrans	California Transportation Ventures, Inc. (CTV)	Toll road and interchange	\$558m (estimated)	-Project must provide private revenue opportunity -Public agency willing to relinquish control of facility for operation	-In planning for 15 years -Public determined basic alignment	-After local landowners agreed to donate right of way in exchange for development rights			-Contract signed
TransTexas TC-35, Austin, TX	TxDOT	Lonestar Infrastructure LLP	Toll road, part of statewide network of toll roads		-Manageable risk for private sector -Status of EIR/S clearance -Agency in agreement as to build option (i.e. DB, DBOM, etc.) -Favorable long term traffic and revenue forecast	-Financial feasibility model, traffic and revenue forecasting -EIR/S clearance	-When analyses determined user fees (tolls) would be high enough to pay construction costs			-Concession agreement (private keeps tolls in return for road operation, maintenance) -Could consider entering into predevelopment agreement
91 Express Lanes, Orange County, CA	Caltrans & OCTA	California Private Transportation Company								

Project & location	Public sponsor	Private partner	Description of project	Total project cost	Criteria used to identify PPP potential	Upfront public work	When assessed public interest	Public & private risks	Who paid for what	When solid commitment
SR 11, San Diego County, CA	SANDAG & Caltrans	TBD	Toll road and new border crossing	TBD	-Project must provide private revenue opportunity -Public agency willing to relinquish control of facility for operation -If limited funding, project can be done in phases	-Preliminary financial feasibility study -Caltrans doing EIR, PSR and PE for road; General Services Administration doing EIR for port entry -Secure enabling legislation	-Preliminary analysis indicated feasibility of toll road -General Services Administration interested in joint project		-Public offer seed money for project development -Partner with General Services Administration for port entry	-May have to do phased project
Las Vegas Monorail, Las Vegas, NV	Las Vegas Monorail Company, Nevada Dept. Business & Industry; DOT, Clark County	Transit Systems Management, LLC, casinos	Monorail transit							
Chicago Skyway Toll Bridge, Chicago, IL	City of Chicago, IL.		Toll bridge			-Public reconstructed bridge prior to offering lease	-City losing money on operations -Financial advisors suggested long term lease for tolls		-Public reconstructed bridge, retains ownership -Private operates, maintains and renews for 99 years	-Signed lease
I-595 Corridor, Broward County, FL	Florida DOT	TBD	8.4 miles of reversible toll lanes, bridge and road widenings, grade separated interchanges	TBD						

FINANCE SURVEY RESPONSES TO DATE
As of February 20, 2008

Firm name	Service provided	Types of projects	Sample public sponsor(s)	Recommended criteria to identify PPP potential	Typical private contribution	Best use of public funds	Public & private risks
Royal Bank of Canada	Investor consultants	Various transportation projects	TxDOT, Harrisburg Parking Authority, Georgia DOT, Port of Oakland	<ul style="list-style-type: none"> -EIR/S 90% complete -Preliminary financial and traffic analyses undertaken -Opportunity to give input to FEIR/S (affects design) 	<ul style="list-style-type: none"> -Lots of funds available, investors looking to invest in premium infrastructure projects -Various approaches work, i.e. DBFM, DBFOM 	<ul style="list-style-type: none"> -Use public funds to define the project (e.g., EIR/S) 	<ul style="list-style-type: none"> -Private sector risks are unanticipated issues that radically increase project cost or cannot be resolved financially -Packaging project for private sector to conduct most or all elements (e.g., design, build finance, operate and maintain - DBFOM) reduces competition and weakens negotiating position

Regional Transportation Projects with the Potential for Public Private Partnerships

PPP Project	Mode	Project Description	Status/Comments
I-710 Gap Closure: Tunnel Option	Freeway	Construction of a tunnel to complete the 4.5 mile I-710 gap between Valley Blvd. and Del Mar Blvd.	Preliminary assessment shows that tunneling is feasible. Caltrans is conducting additional technical and community analyses.
I-710 South	Freeway/Freight Movement Corridor	The I-710 Corridor Project extends from SR-60 to the Ports of Long Beach and Los Angeles. Project goals including addressing air quality and public health along the corridor, mobility improvements (safety, congestion) and assessing the use of green technology along dedicated freight corridors to move containers.	LACMTA in cooperation with Caltrans, Ports of Long Beach and Los Angeles, Gateway Cities COG and SCAG have initiated environmental clearance. The EIR/EIS will identify a Locally Preferred Alternative.
High Desert Corridor (Freeway/ Expressway from SR-14 to I-15)	Freeway/ Expressway	New freeway/expressway from SR-14 in the City of Palmdale to I-15 in the City of Victorville, a total of approximately 50 miles.	The JPA released an RFP in December 2007 for a consultant to update the PSR/PDS, environmental clearance, right-of-way and construction management. The selected firm will also identify potential outside private funding sources, including proposed budget.
I-5 HOV and Truck Lane Improv: SR-14 to Parker Rd. (1 mile n/o SR-126)	HOV Lanes and Truck Lanes	Add one HOV lane in each direction on I-5 from the SR-14 interchange at the southern project limit north to Parker Rd. Add truck lanes from the SR-14 interchange to Calgrove Blvd. (northbound) and to Pico Canyon Rd./Lyons Ave. (southbound).	The Golden State Gateway Coalition initiated work on draft EIR/EIS in summer 2007 with completion scheduled by summer 2008. Caltrans is providing oversight for this private sector funded work effort.

