

# PUBLIC-PRIVATE PARTNERSHIPS (PPP)

Planning & Programming Committee Meeting

June 18, 2008

1:00 pm



**Metro**

# 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



# 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), high-priority, 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