

PUBLIC-PRIVATE PARTNERSHIPS (PPP)

Planning and Programming Committee
September 17, 2008



Metro

RECOMMENDATIONS

- **Receive and file summary of responses to Request for Information (RFI)**
- **Adopt the Work Plan**

RFI RESPONSES

Twelve responses received by July 14 due date

- Ten different projects identified as potential candidates
 - Five are highway
 - Five are transit
- A few respondents indicated interest in providing consulting support
- Operation and maintenance of either heavy rail or light rail systems also mentioned
- No concepts or preliminary proposals provided; thus, no analysis of advantages / disadvantages of approach

PROJECTS OF INTEREST – HIGHWAY

(no priority order)

- SR-710 Gap Closure
- I-710 South
- High Desert Corridor
- I-5 HOT lanes and Truck lane improvements
- Conversion of all HOV lanes to HOT lanes

PROJECTS OF INTEREST – TRANSIT

(no priority order)

- Harbor Subdivision
- Metro Subway Westside Extension / Purple Line
- Exposition LRT Phase II
- LA/Burbank/Glendale Corridor
- Regional Connector

RESPONDENT SUGGESTED BASIC STRUCTURE

- **Highway Projects**

- Generally, finance with combination user fees / tolls and availability payments
- Agency to backfill funding gap, if any

- **Transit Projects**

- Finance with public subsidies, could be availability payments
- Agency to assume farebox revenue risk

KEY RESPONDENT COMMENTS

- **Major themes emerged from responses**
 - Significant preliminary activities required, i.e.
 - Identify agency goals, objectives, etc.
 - Environmental and right of way clearance
 - Public and legislative support
 - Set realistic expectations
 - Undertake value for money and risk assessment analyses
 - Established PPP procurement and management team

KEY RESPONDENT COMMENTS

- **Major themes (continued)**

- Important to understand impact of agency policy decisions on PPP feasibility
 - Setting fares or tolls
 - Identifying revenue sources or income stream
 - Assuming transit ridership risk
 - Operations and maintenance work practice requirements
- Agency policy decisions impact:
 - Both parties' ability to appropriately allocate risk
 - Both parties' ability to realize value for money
 - Ability of private sector to maximize life of project cost savings for both parties

KEY RESPONDENT COMMENTS

- **Major themes (continued)**
 - Adequate project evaluation / Prudent project selection
 - Should only do as PPP if rigorous value for money and risk assessment analyses demonstrate:
 - Life of project cost savings (i.e. +30 years)
 - Value added
- compared to traditional delivery approach

VALUE TO PARTNERSHIP

- **APPROPRIATE RISK ALLOCATION**

- Industry cannot assume much risk; only willing to assume what is within ability to control or mitigate, i.e.:
 - Design
 - Construction costs and scheduling
 - Operation and maintenance

- **PROJECT AS INVESTMENT**

- Industry investing in project; must realize a profit
- Public funding sources must be identified and guaranteed, as industry needs to secure funding against those sources

- **LIFE-OF-PROJECT COST SAVINGS**

- Agency policy decisions should not hamper industry's ability to implement alternative strategies to achieve savings

VALUE TO PARTNERSHIP

(continued)

- **COMPLETE PROJECT DEFINITION**
 - Allows industry to present reliable bid proposals
- **PUBLIC STAKEHOLDER AND LEGISLATIVE SUPPORT**
 - Industry unwilling to commit if controversy exists
- **PPP-EXPERIENCED AGENCY BUSINESS PARTNER**
 - Industry loses money if process does not advance smoothly
 - Transparent procurement process promotes confidence
- **LONG TERM AGENCY COMMITMENT**
 - Partnership term is +30 years; agency must stay involved

WORK PLAN

Project evaluation process - Work Plan (FY 09 thru FY 11)

- **Step 1 - Project Feasibility (FY 09 to mid-FY 10)**
 - Identify needed resources to assist with program development strategy
 - Consultant procurement process
 - Assess PPP candidate viability of initial project list
 - Industry forum discussing those projects recommended as a result of consultant analyses
- **Step 2 - Project Definition (mid-FY 10 to mid-FY 11)**
 - Select project(s) for PPP
 - Assess projects with Screening criteria
 - Develop procurement process
 - Enabling legislation, if necessary
- **Step 3 – Procurement (FY 11)**
 - Board approval of project(s)
 - Negotiations
 - PPP agreement execution

NEXT STEPS

- **Implement Work Plan**
- **Utilize Work Plan and Framework to evaluate potential candidate projects, including projects of interest in RFIs**
- **Procure PPP specialist advisory consultant to support program and strategy development**