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SEPTEMBER 28, 2017

TO: BOARD OF DIRECTORS

THROUGH: PHILLIP A. WASHINGTON *PAW*
CHIEF EXECUTIVE OFFICER

FROM: JOSHUA L. SCHANK *JLS*
CHIEF INNOVATION OFFICER

**SUBJECT: UNSOLICITED PROPOSAL REVIEWS FOR THREE MAJOR
CAPITAL PROJECTS**

ISSUE

Between September and November of 2016, Metro received eight Unsolicited Proposals for three major capital infrastructure projects. Based on initial screening criteria, internal staff proposal Review Teams advanced five to "Phase II" of Metro's Unsolicited Proposal Review Process for a more detailed evaluation. This included two for the West Santa Ana Branch Transit Corridor project, two for the Sepulveda Pass Transportation Corridor project, and one for an innovative financing approach to delivering Metro's planned ExpressLanes network. This Board Box is to notify the Board of the results of the Phase II analysis.

DISCUSSION

West Santa Ana Branch Transit Corridor Project

Staff conducted a Phase II review for two proposals for West Santa Ana - one from Kiewit Infrastructure West Co., and one from Skanska USA Civil West. The Review Team received further information relating to each proposer's submission in April-May 2017, in response to a detailed set of questions. The Team then worked with our Public-Private-Partnership (P3) financial advisors to conduct subsequent analysis of both proposals and assess the extent to which each was likely to advance Metro's goals compared to a traditional project delivery model (e.g. Design-Build or Design-Bid-Build).

Based on the findings, the Review Team concludes that a P3 project delivery model

could likely yield construction and lifecycle cost savings and has the potential to accelerate the project.

The Review Team recommends advancing the project as a P3, moving to a P3 procurement process as soon as possible, given the project development timeline. The specific contract model will be refined as more project information becomes available. The CEO concurs with this recommendation.

Sepulveda Transportation Corridor

Staff reviewed two Phase II proposals for Sepulveda - one from CintraGlobal Limited/Ferrovial-Agroman and one from Parsons Transportation Group. The Review Team received additional information from each proposer in May 2017, in response to a detailed set of questions. The Team then worked with our P3 financial advisors to conduct subsequent analysis of both proposals and assess the extent to which each was likely to advance Metro's goals compared to a traditional project delivery model (e.g. Design-Build or Design-Bid-Build).

Based on those findings, the Review Team concludes that a P3 project delivery model could likely enhance project feasibility through technical and financial innovation, yield construction and lifecycle cost savings, and has the potential to accelerate the project. Further, the Review Team concludes that early contractor involvement in the project through a form of a PDA, as suggested in both proposals, could yield additional project value and innovation, maximizing the benefits of a P3 to Metro. Under a PDA, a developer typically contributes to various aspects of project development, with appropriate off-ramps and agency feedback, in exchange for a right of first negotiation during project procurement.

The Review Team recommends advancing the project as a public-private partnership, with a scope and contract model to be determined through a PDA contract. The competitive process for the PDA would begin as soon as possible. The CEO concurs with this recommendation.

Express Lanes Network

Staff conducted a Phase II review of a proposal from Goldman Sachs for a system financing strategy for developing Metro's planned ExpressLanes network. Metro's P3 financial advisors worked with Metro's Congestion Reduction and Treasury Departments to develop a set of assumptions for testing the proposal concept. After performing financial modeling and analysis, OEI and Metro's P3 financial advisors presented a set of findings to the proposal Review Team. The Review Team concludes that the system financing strategy could provide Metro with substantial new debt capacity to fund, and in many cases accelerate, construction of the initial set of planned ExpressLanes facilities..

The Review Team recommends initiating the procurement of a bench of qualified

financial underwriting firms to issue the required toll revenue-backed debt, as structured by the Congestion Reduction Department's financial advisor, with collaboration from Metro's Treasury Department. The CEO concurs with this recommendation.

NEXT STEPS

Staff will communicate directly with the firms that submitted each Unsolicited Proposal, to inform them of the CEO's decisions.

Staff will issue a press release today to announce these decisions, providing additional details as appropriate.

Staff will convene a team for each project to begin pre-procurement activities, including development of a strategy, schedule, private sector outreach, and additional analysis. Such teams will consist of both internal Metro project staff and various members of Metro's legal, financial, and technical advisory team.

Staff will keep the Board apprised of relevant updates as these projects and approaches are refined and as more project information becomes available.