



Board Report

File #: 2016-0737, **File Type:** Oral Report / Presentation

Agenda Number: 37.

**EXECUTIVE MANAGEMENT COMMITTEE
OCTOBER 20, 2016**

RECEIVE oral report on **the potential role of public-private partnerships in delivering Metro projects.**

DISCUSSION

This presentation provides a general overview of public private partnerships and the role that they may play in financing and/or accelerating the delivery of Metro projects.

Prepared by: Joshua L. Schank, Chief Innovation Officer, (213) 922-5533
Colin Peppard, Manager - Outreach and Strategic Relationships, (213) 922-5412

Reviewed by: Joshua L. Schank, Chief Innovation Officer, (213) 922-5533

The background of the entire image is a long-exposure photograph of a train at night. The train's lights create horizontal streaks of white, blue, and red, moving from left to right across the frame. In the background, there are dark silhouettes of trees and a building with some lit windows. A street lamp with two glowing lights is visible in the upper center.

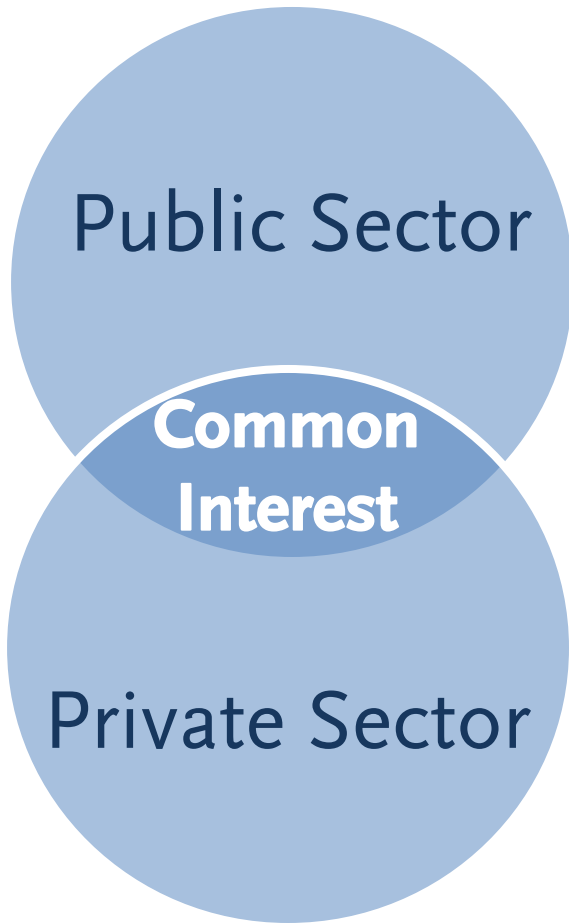
OEI

OFFICE OF EXTRAORDINARY
INNOVATION

The Potential Role of
Public-Private Partnerships
in Delivering Metro Projects



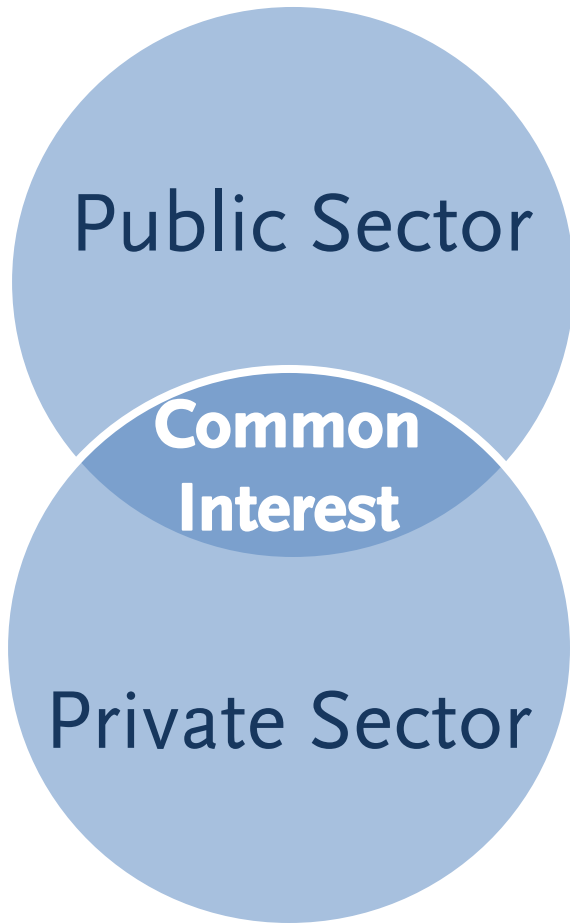
PUBLIC-PRIVATE PARTNERSHIPS (P3)



What is a Public-Private Partnership?

- > Collaboration between a public agency and a private company to deliver a public service or facility
- > Each party shares its key skills and takes on the risks it is best able to manage, leading to cost savings and project acceleration

PUBLIC-PRIVATE PARTNERSHIPS (P3)



Why use a Public-Private Partnership?

- > Brings private-sector expertise, ingenuity, and rigor to building and managing public infrastructure
- > The skills and assets of each sector are shared, as are risks and potential rewards

POTENTIAL P3 PUBLIC BENEFITS

> Faster Project Delivery Timeframes

Accelerate construction of high priority projects by compressing and overlapping project sequences

> Allows Greater Creativity & Technology Access

Use of advanced technologies or proprietary methods that are not generally available through standard procurement

> Creates New & More Flexible Funding Access

New sources of private debt and equity can be structured to be more flexible and minimize costly project risks

KEY P3 COST SAVINGS

> Construction & Life-Cycle Cost Savings

Minimizes schedule and cost overruns and creates incentives for cost savings over the life of the project

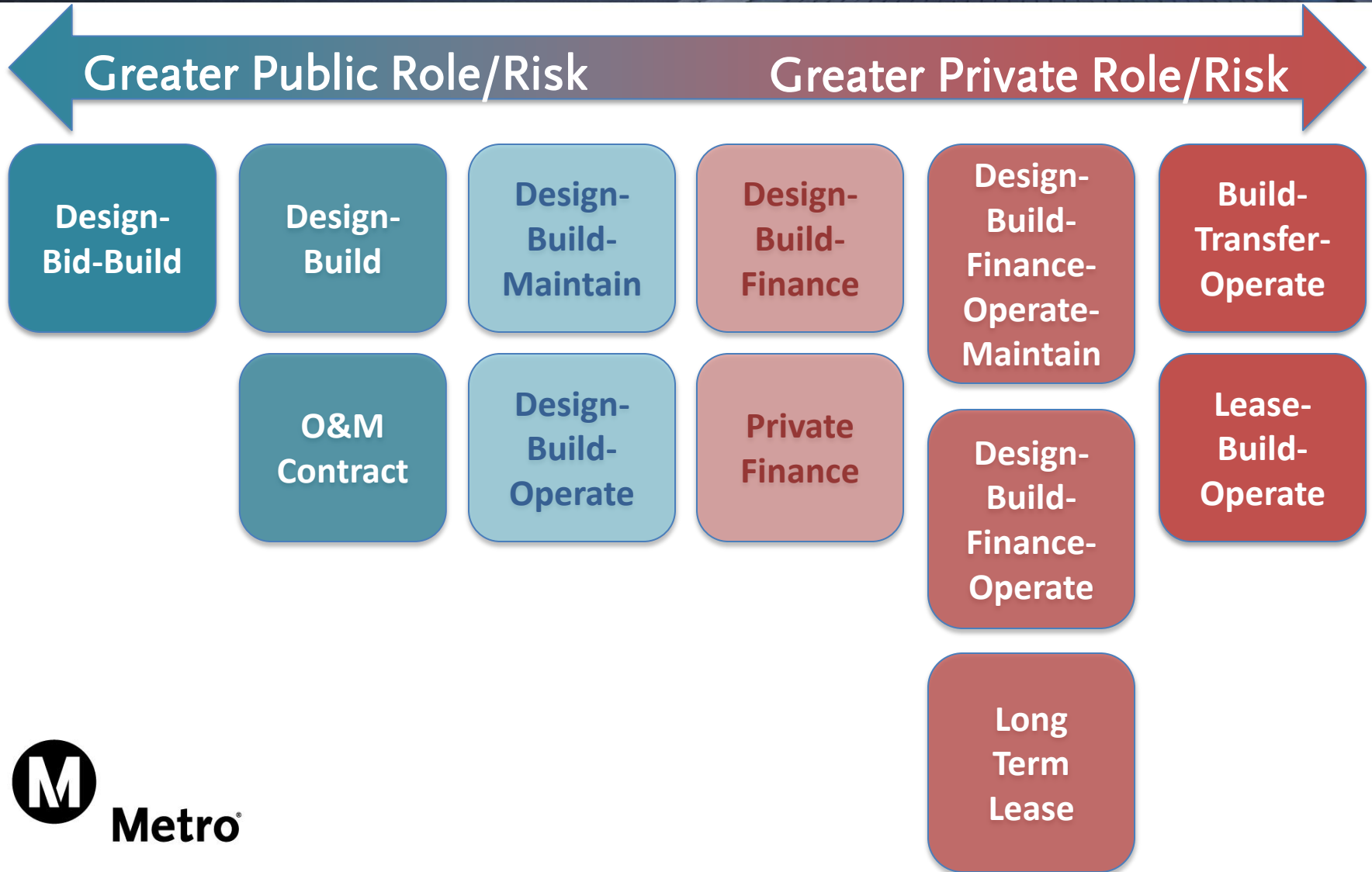
> Shifts Risks & Costs to Private Partner

Private assumption of project risks leads to more effective management and shields the public from potential costs

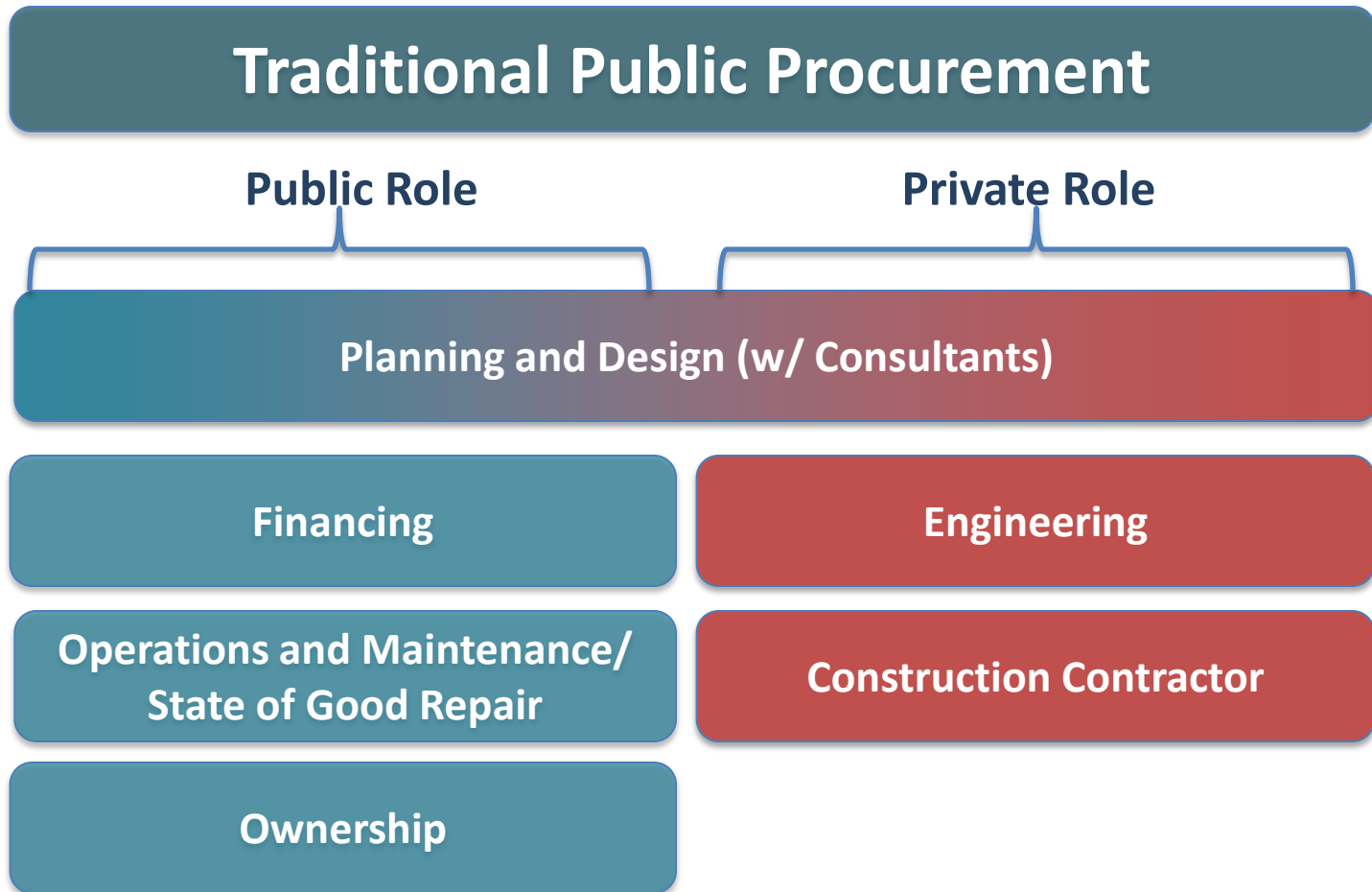
> Improves Project Performance

Performance and accountability for complex project tasks with built in financial incentives and penalties

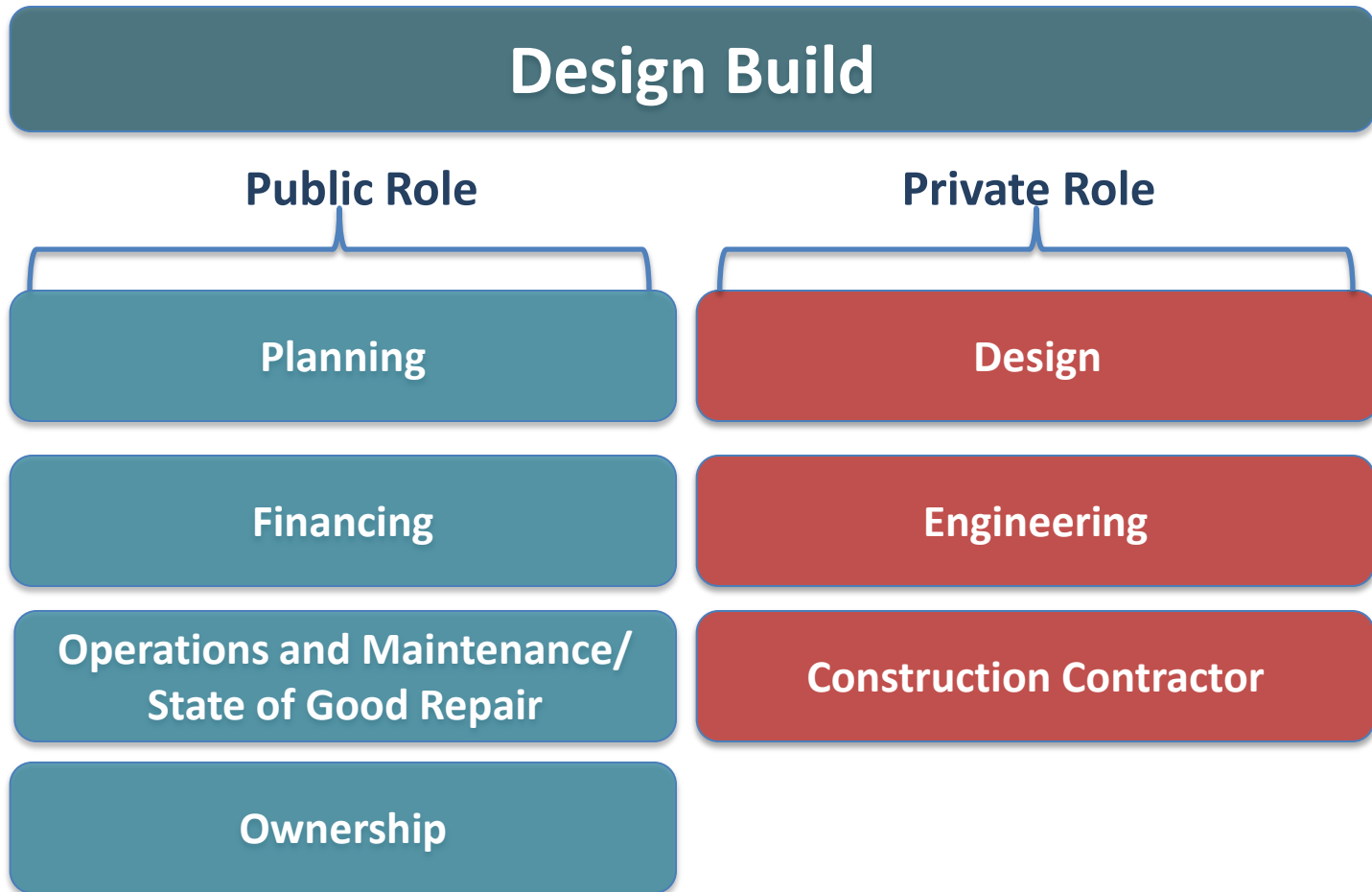
MANY DIFFERENT P3 MODELS



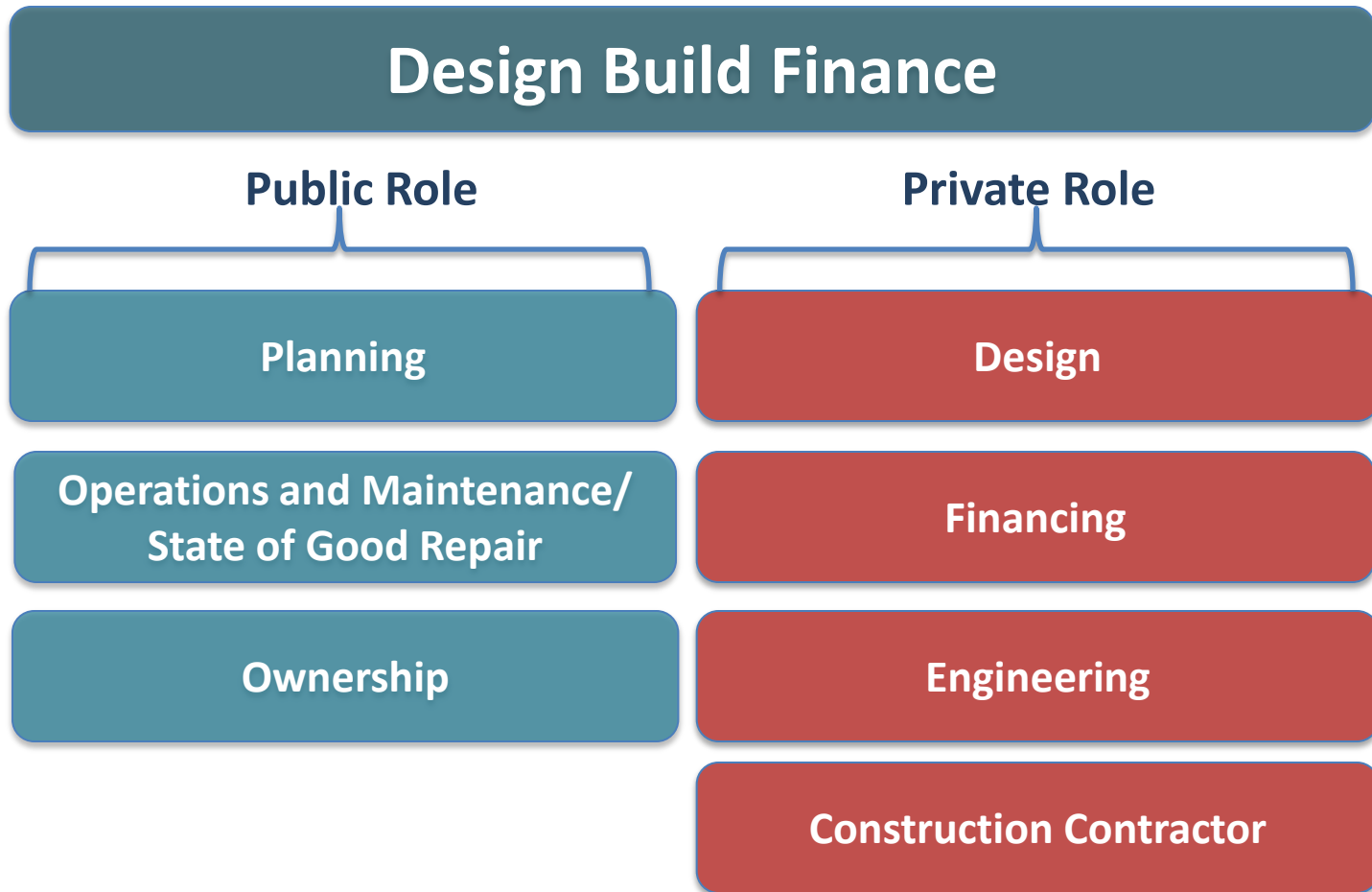
MANY DIFFERENT P3 MODELS



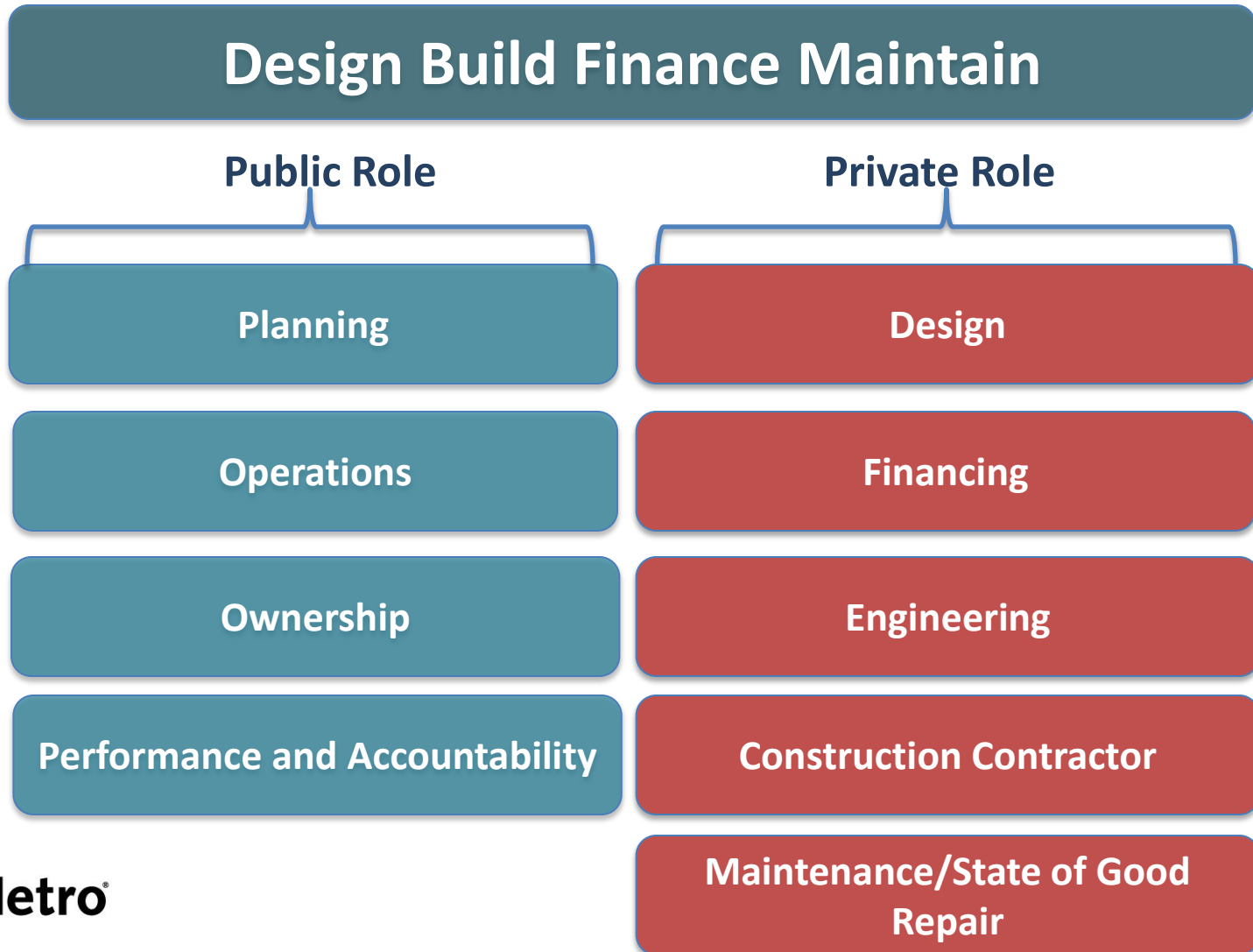
MANY DIFFERENT P3 MODELS



MANY DIFFERENT P3 MODELS



MANY DIFFERENT P3 MODELS



MANY DIFFERENT P3 MODELS

Design Build Finance Operate Maintain

Public Role

Planning

Ownership

Performance and Accountability

Private Role

Design

Financing

Engineering

Construction Contractor

Operations

Maintenance/State of Good
Repair

P3 MISCONCEPTIONS

- > P3s DO NOT privatize public resources. The public retains ownership and oversight of their investments.
- > P3s DO NOT lead to public sector job losses. Any Metro P3 must meet state and county workforce standards, and be governed by Labor agreements.
- > Public services DO NOT take a backseat to private sector profits. Projects and performance agreements are designed to maximize public benefit.
- > Smart P3s DO NOT exclude small and local contractors. P3s can and do include SBE and DBE requirements.



Metro

TYPICAL PUBLIC AND PRIVATE ROLES

Public Sector Roles

- > Corridor and project definition
- > Political/stakeholder
- > Environmental clearance
- > Financial feasibility and programming
- > Ownership, oversight and accountability

Private Sector Roles

- > Financial/cash flow
- > Project design/engineering
- > Construction and project management
- > Deadlines/milestones
- > Facility management
- > System performance



METRO P3 PRINCIPLES

- > Public interest is paramount – The top priority is securing greater value than a fully public approach
- > Value for money must be clear – The *actual financial value* of the P3 must clear, compared to a public model
- > Process must be fair and transparent – Appropriate documentation, public notice and comment, full competition
- > Public ownership and control – Private role is limited by public ownership and oversight with clear accountability mechanisms



Metro



THANK YOU



Metro[®]