Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA

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Board Report

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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.

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

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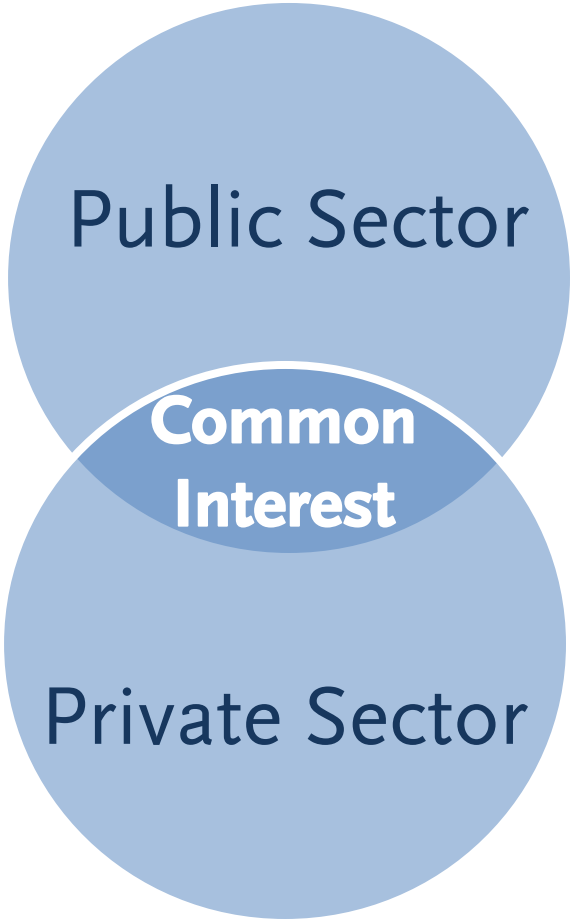
Public-Private Partnerships (P3)



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

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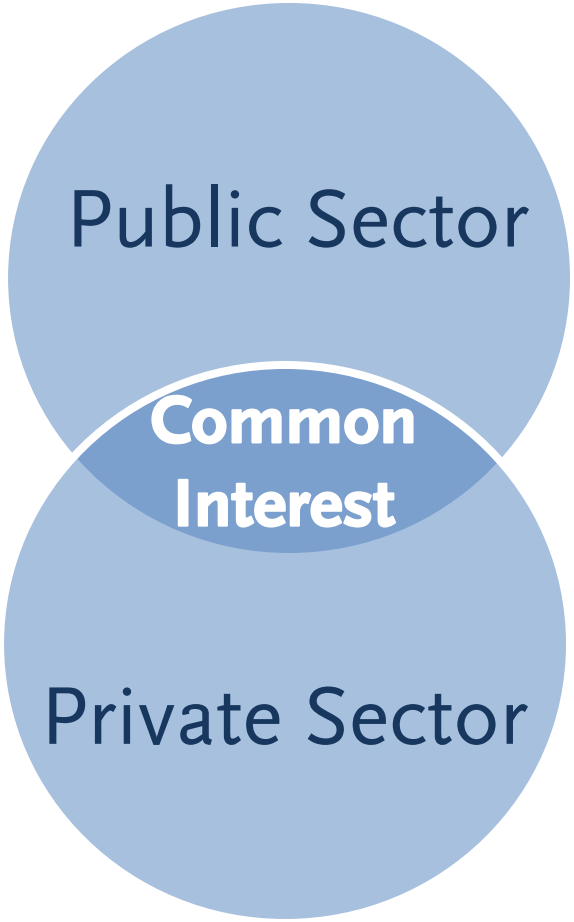
Public-Private Partnerships (P3)



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

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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

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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

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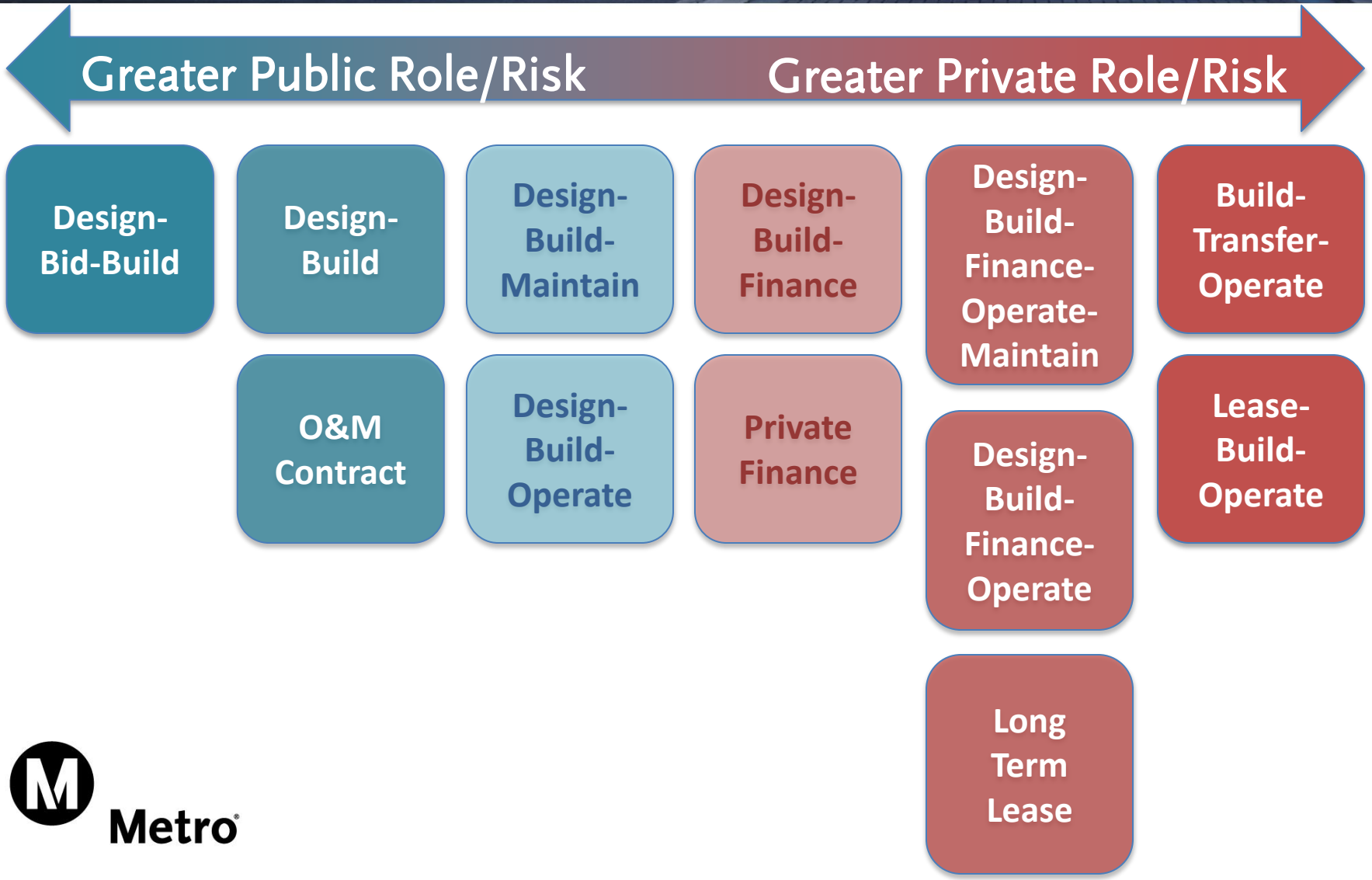
Many Different P3 Models



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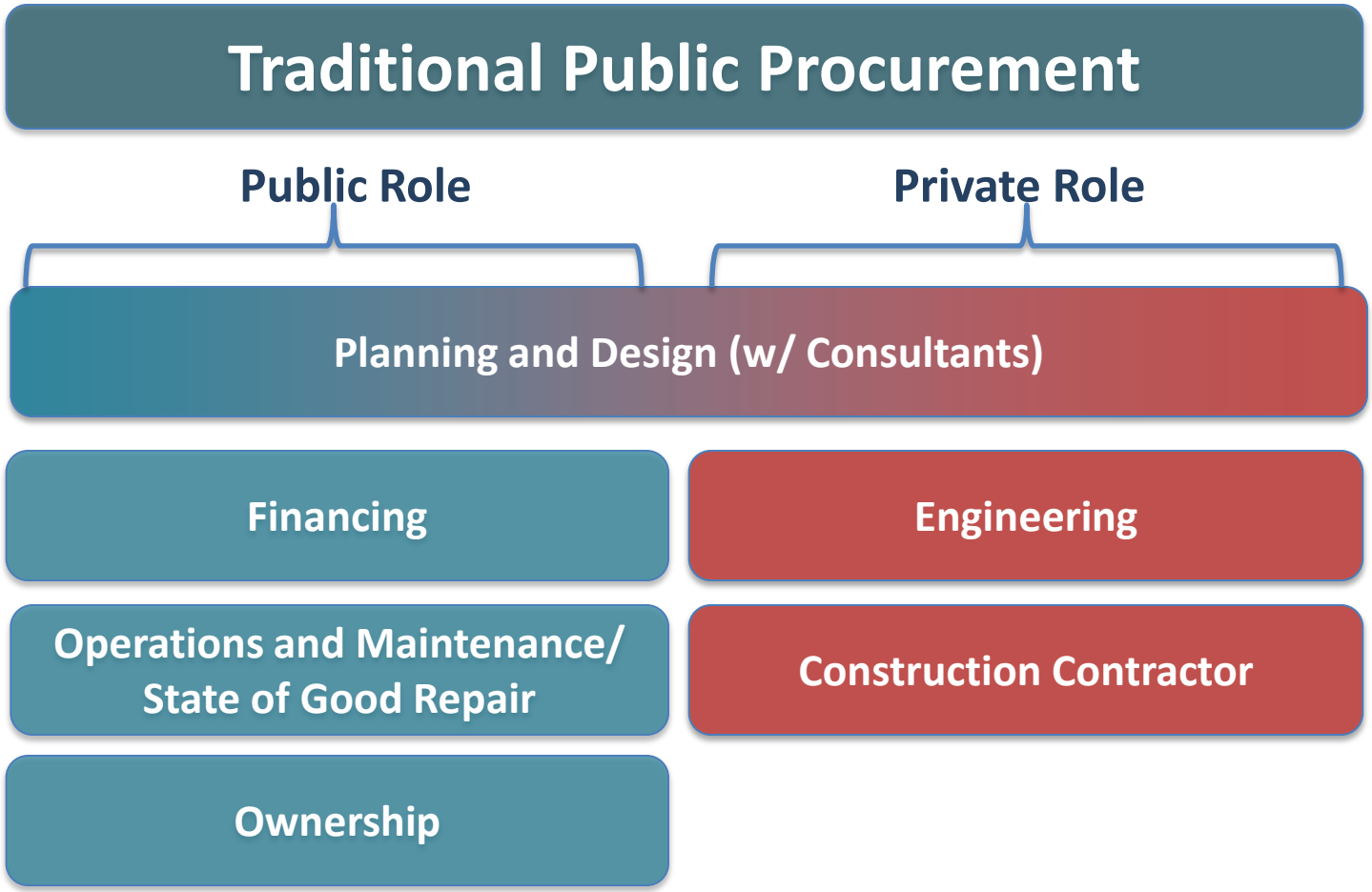

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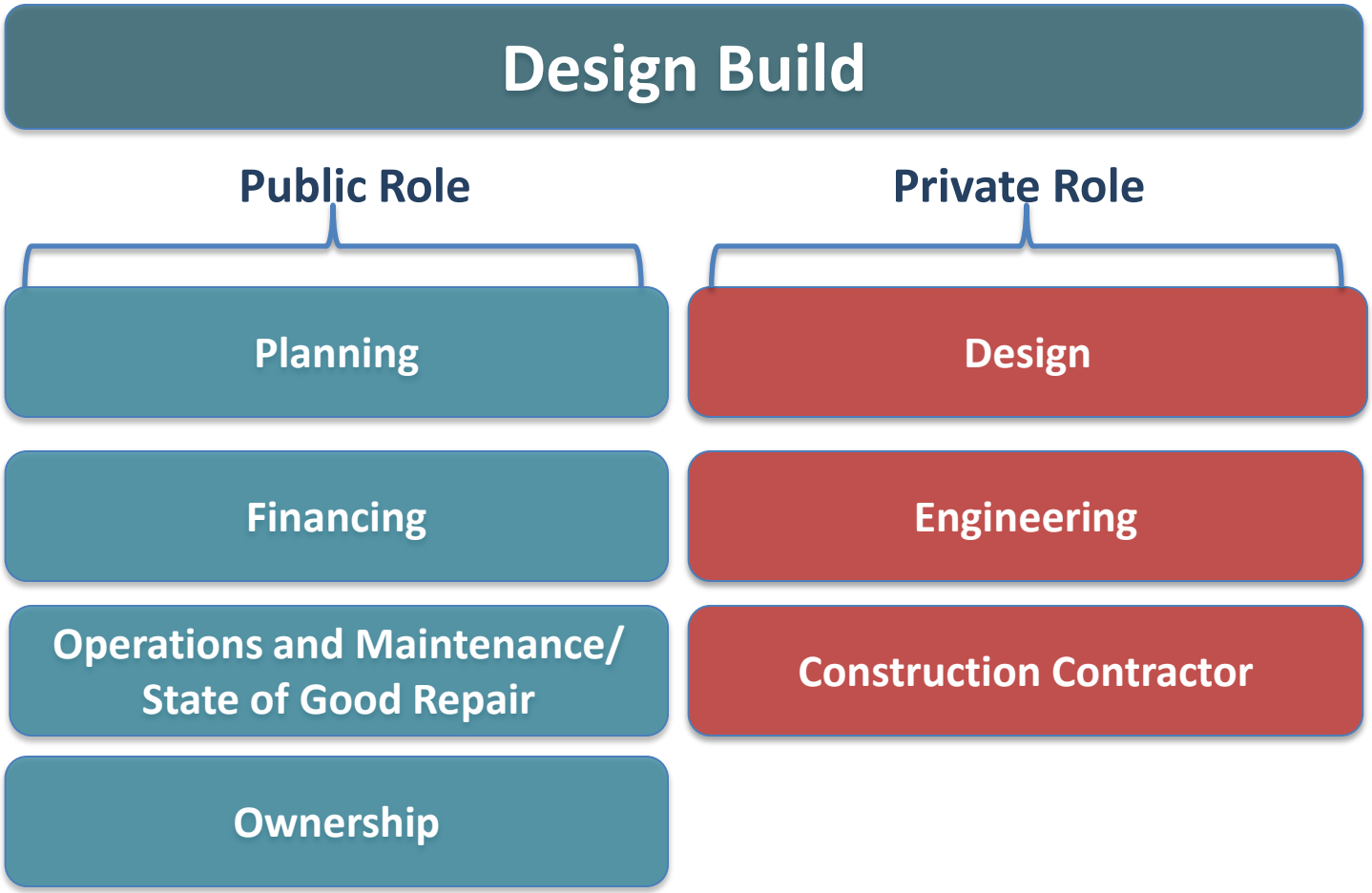

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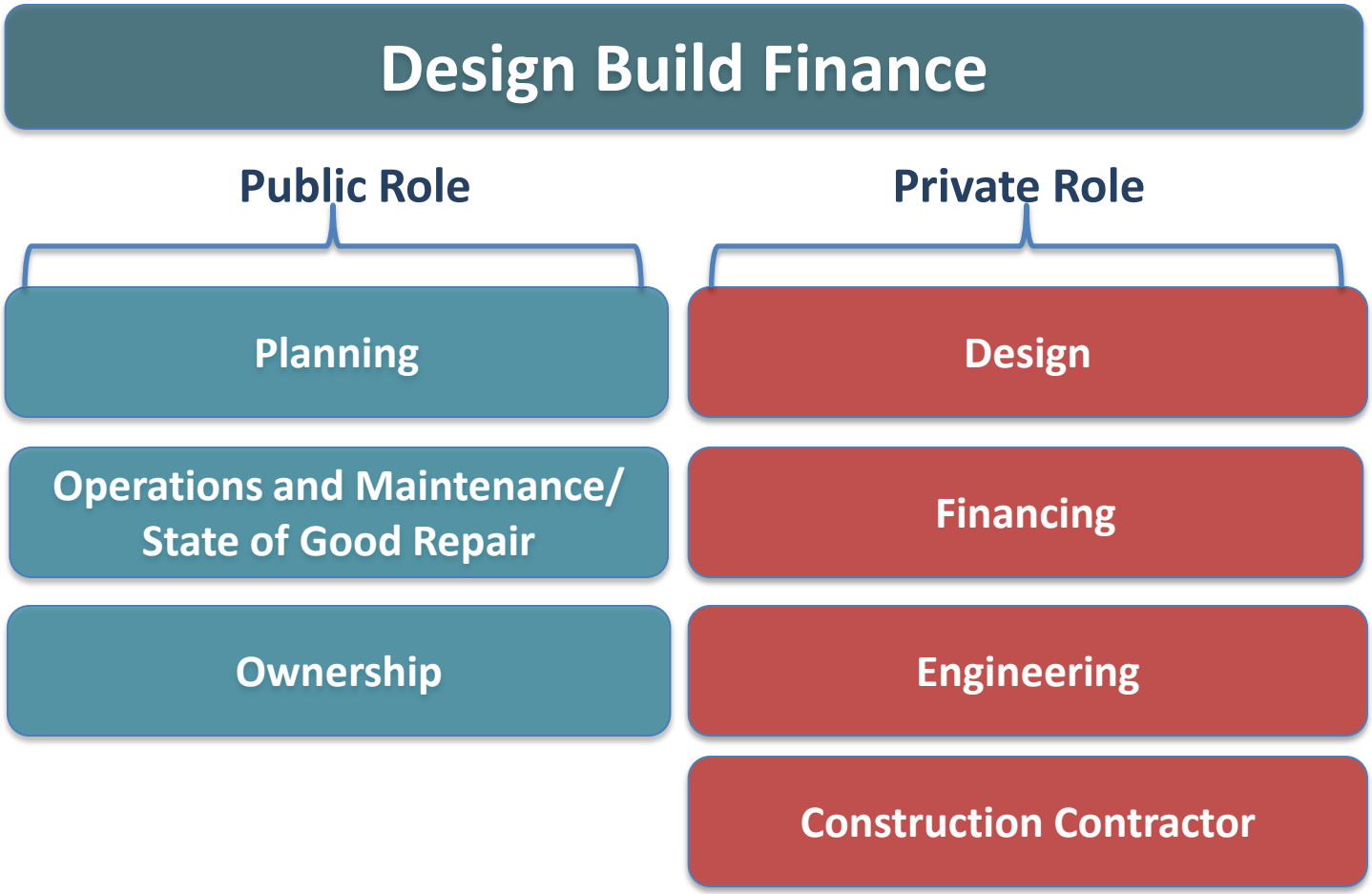

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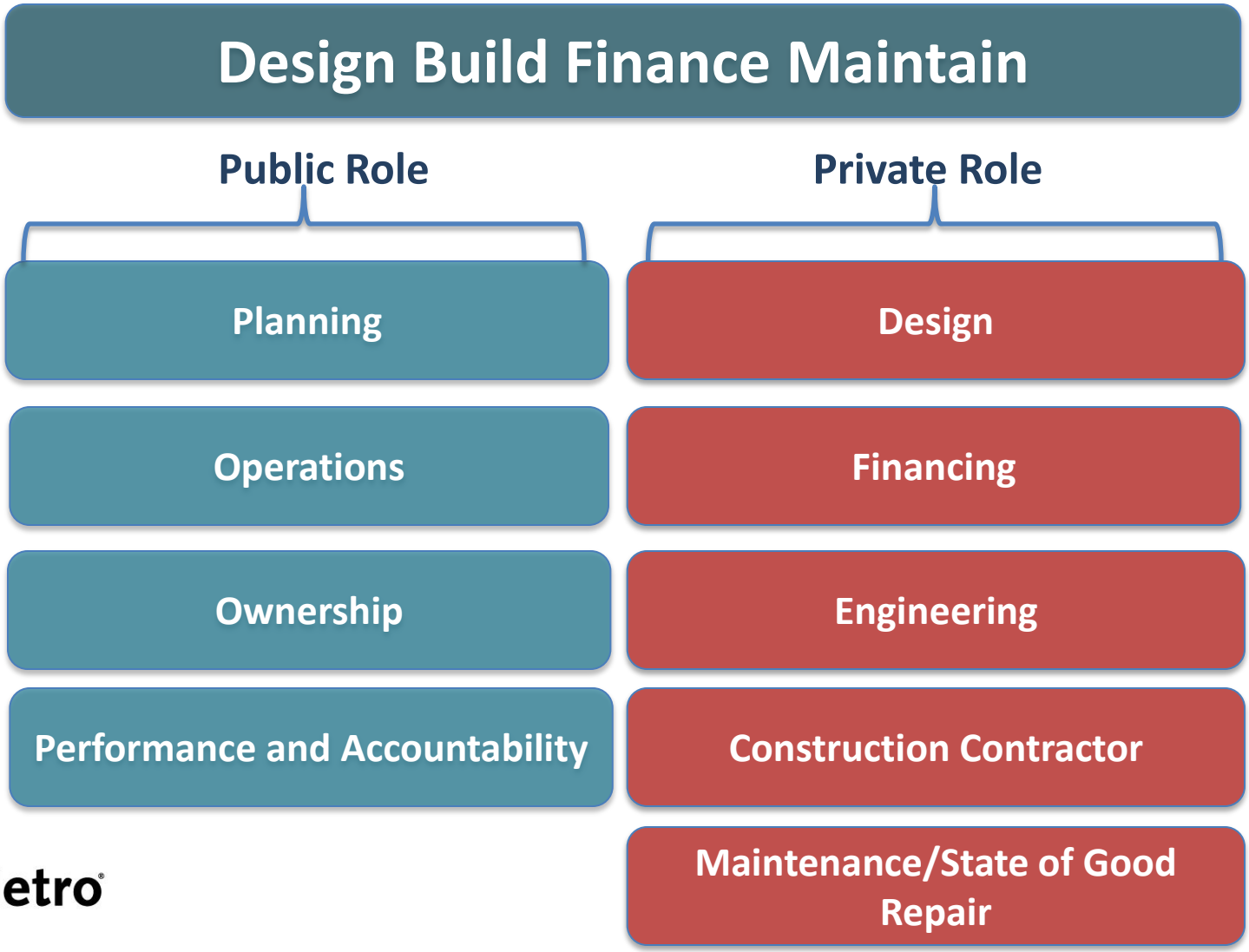

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Many Different P3 Models

Design Build Finance Operate Maintain

Public Role	Private Role
Planning	Design
Ownership	Financing
Performance and Accountability	Engineering
	Construction Contractor
	Operations
	Maintenance/State of Good Repair

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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.

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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

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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

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THANK YOU
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