



**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

A long-exposure photograph of a train at night, creating horizontal light trails in shades of blue, white, and red. The background shows dark silhouettes of trees and a building with some lit windows. A street lamp is visible in the upper center.

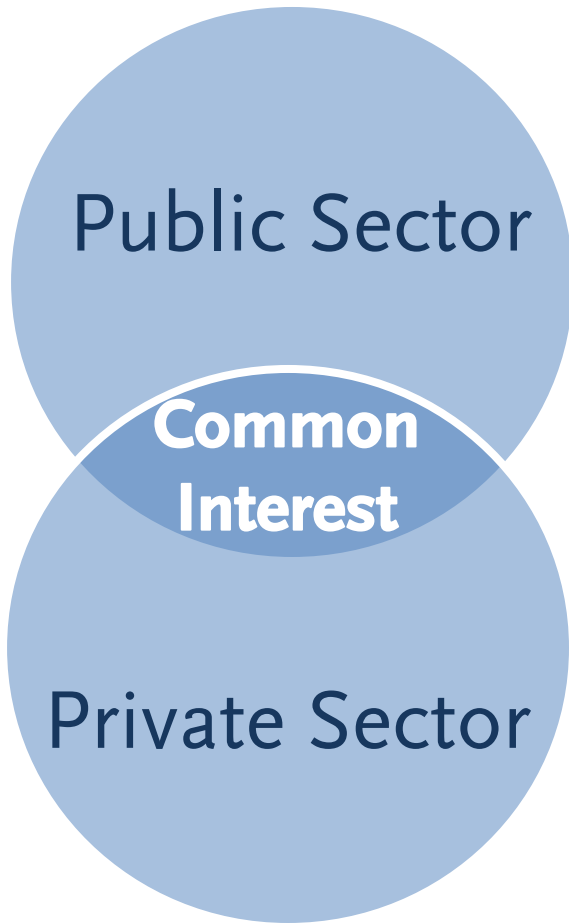
# OEI

OFFICE OF EXTRAORDINARY  
**INNOVATION**

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



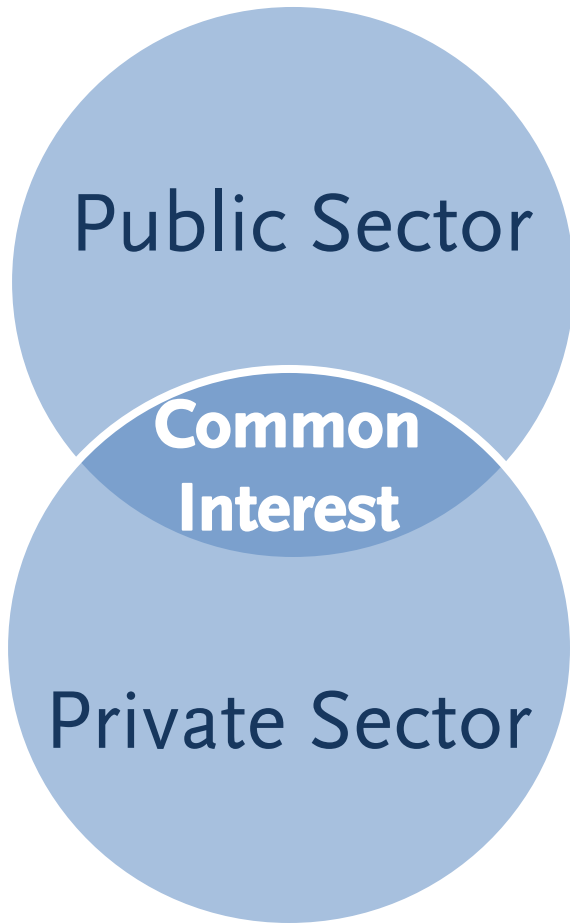
# PUBLIC-PRIVATE PARTNERSHIPS (P3)



## 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

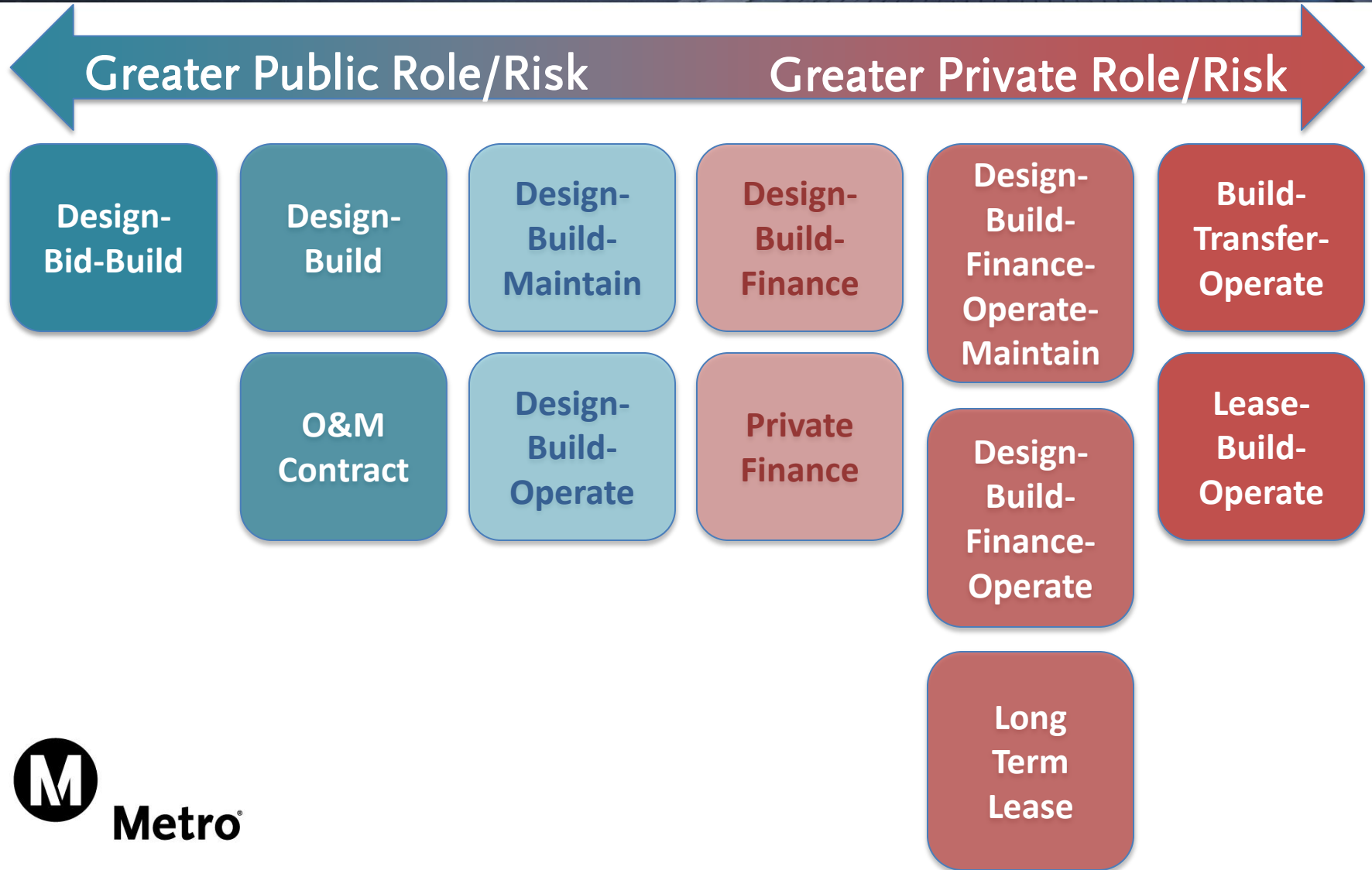
## > Shifts Risks & Costs to Private Partner

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

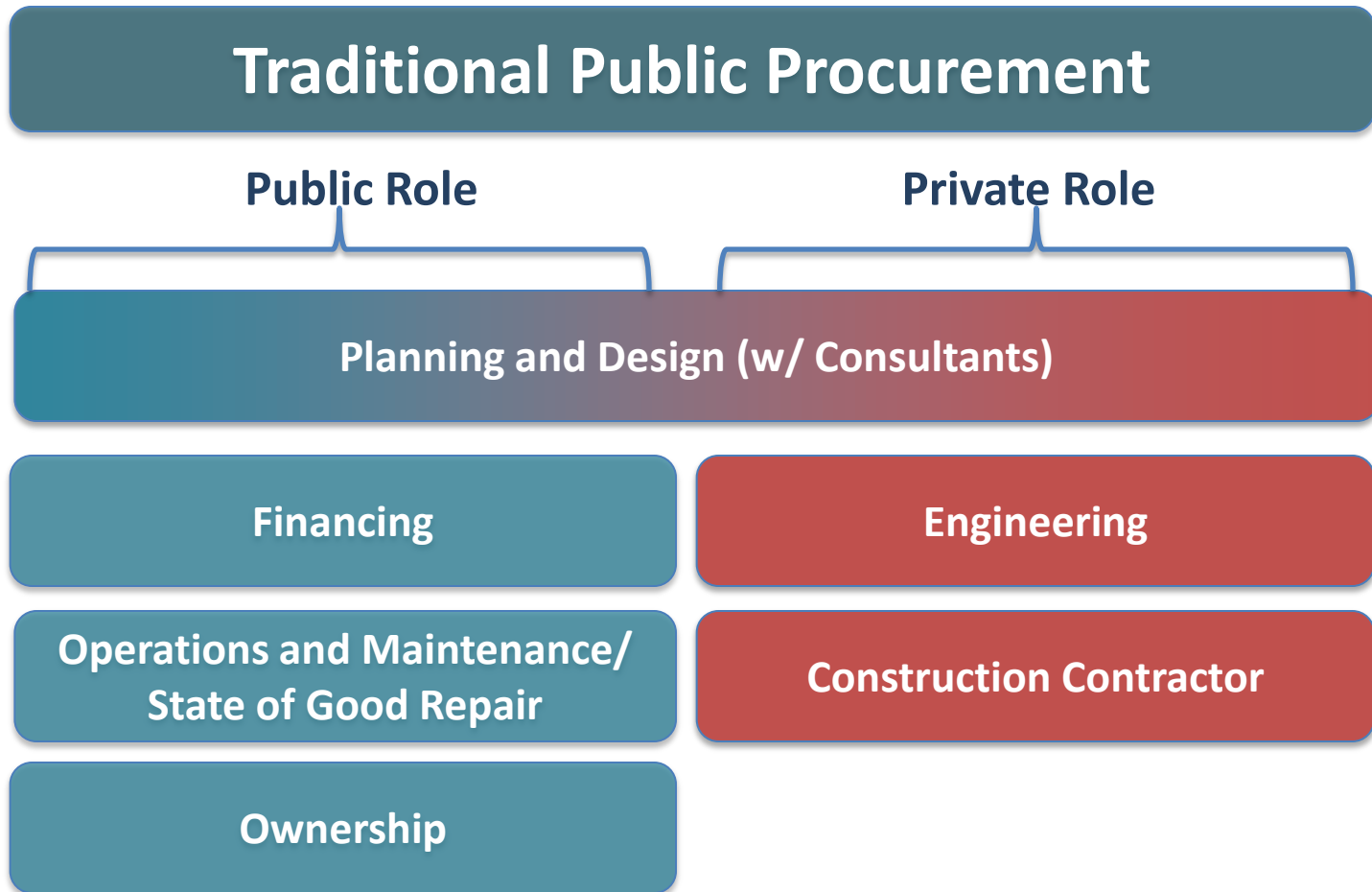
## > Improves Project Performance

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

# MANY DIFFERENT P3 MODELS

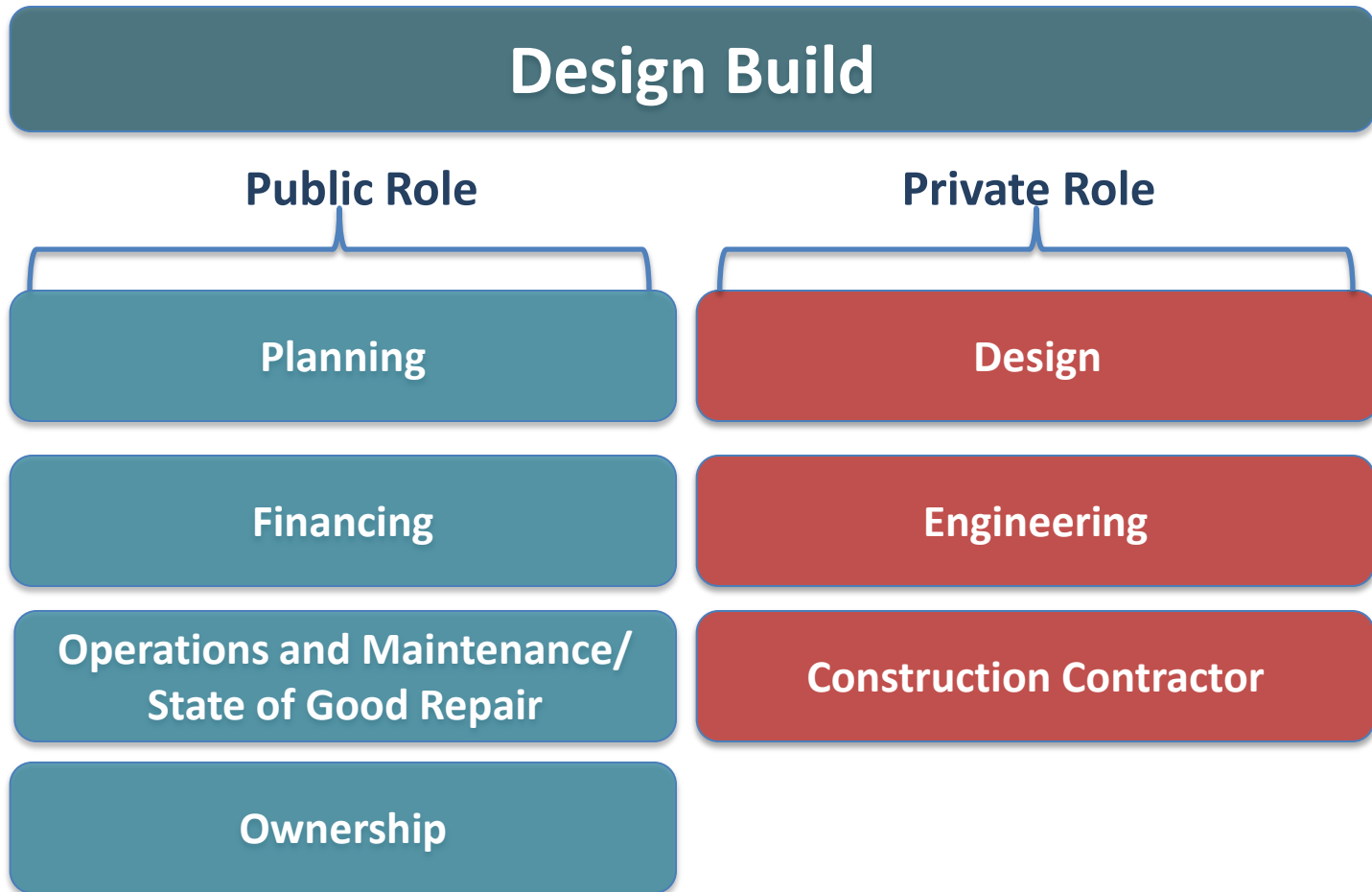


# MANY DIFFERENT P3 MODELS

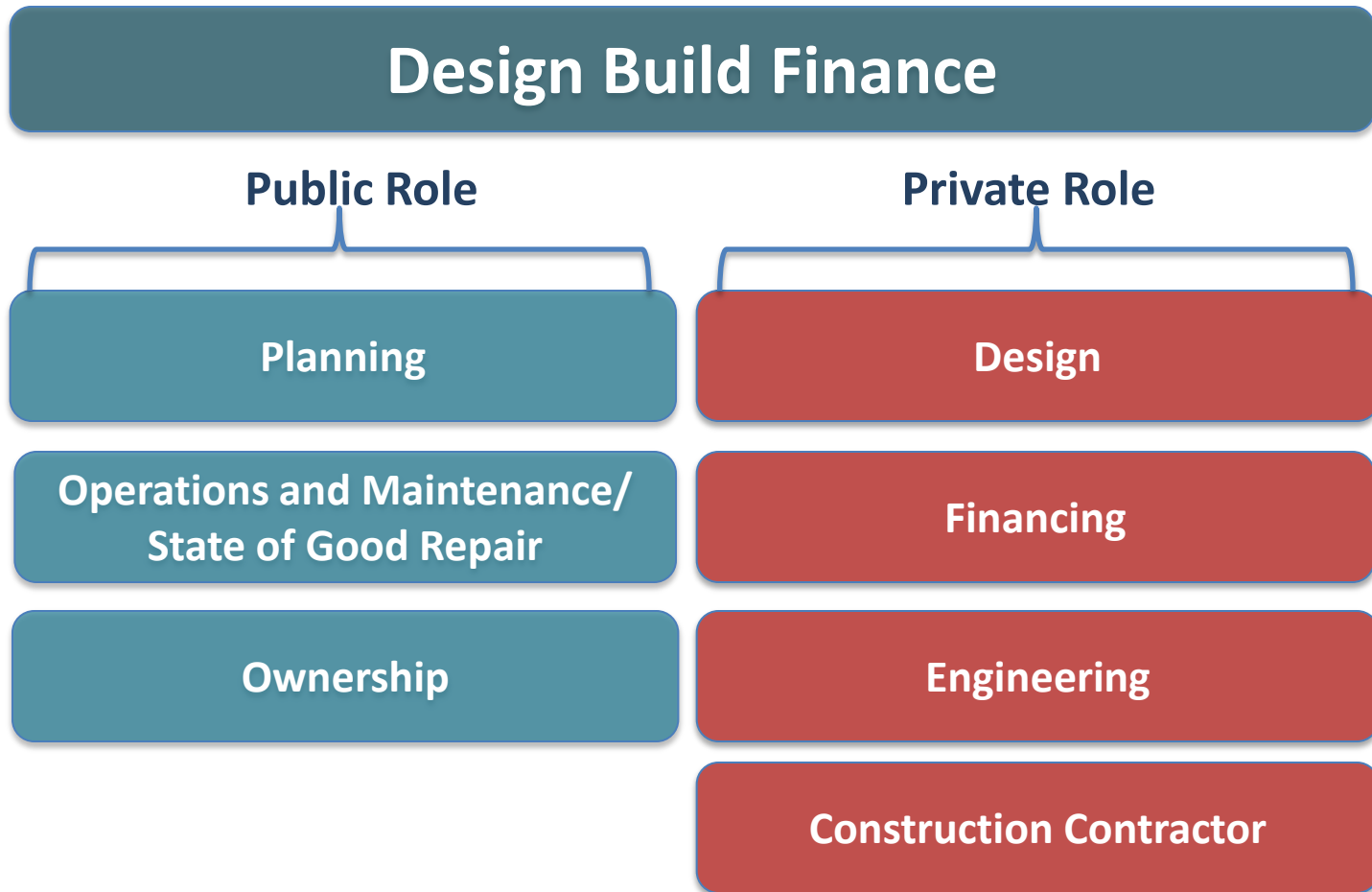




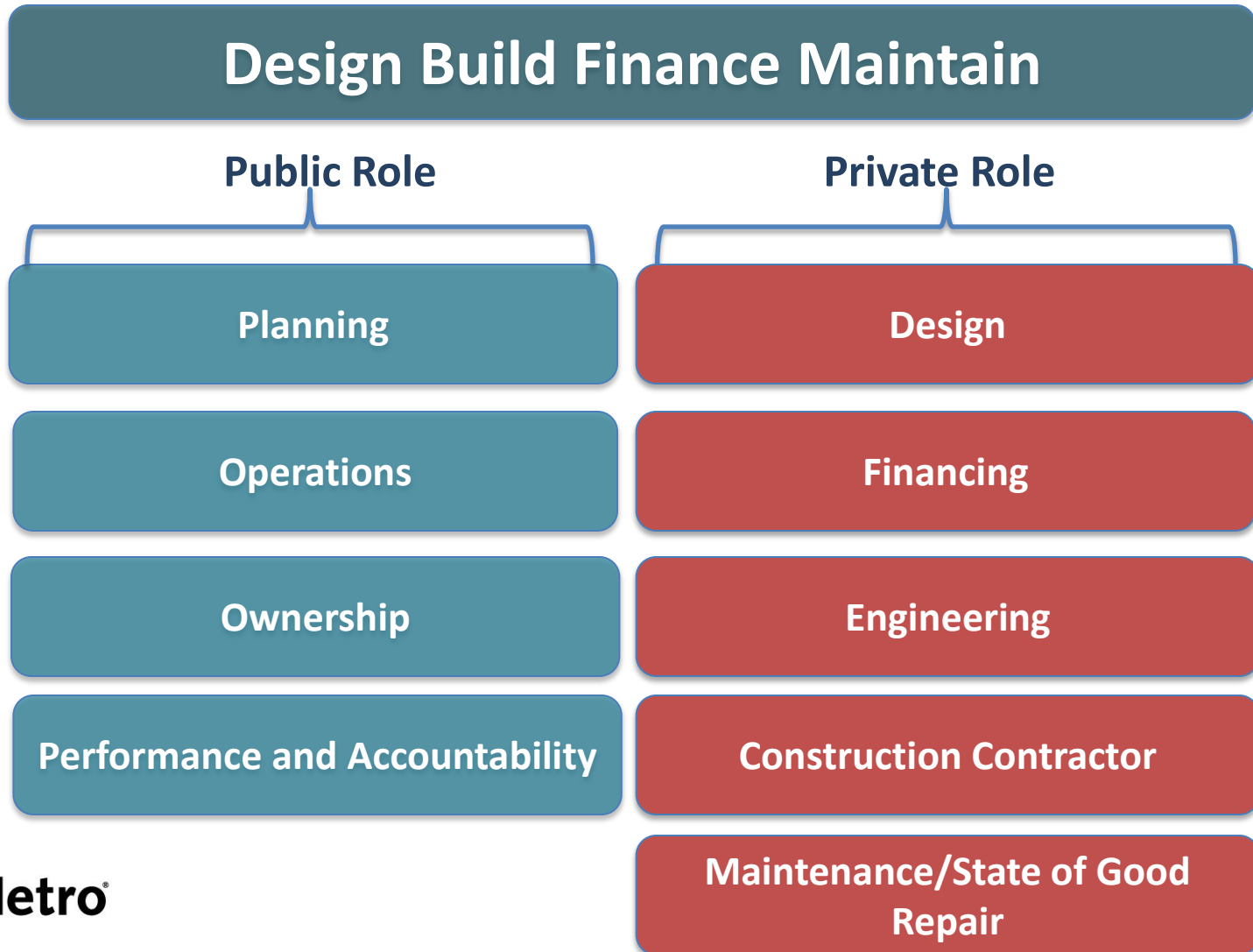
# MANY DIFFERENT P3 MODELS



# 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.

# 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**<sup>®</sup>