File #: 2020-0552, **File Type:** Contract **Agenda Number:** 7.

EXECUTIVE MANAGEMENT COMMITTEE
SEPTEMBER 17, 2020

SUBJECT: EXPRESSLANES FINANCIAL ADVISORY SERVICES

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

AUTHORIZE the Chief Executive Officer (CEO) to:

EXECUTE Modification No. 1 to Task Order No. 17 to Contract No. PS 13052103I to exercise two (2), one-year options with Sperry Capital Inc. to serve as financial advisor on the Metro ExpressLanes, in the not-to-exceed amount of $337,725 for Option Year 1, and in the not-to-exceed amount of $270,180 for Option Year 2, increasing the not to-exceed Task Order value from $1,243,065 to $1,850,970 and extending the contract term from October 17, 2020, to October 17, 2022.

ISSUE

Task Order No. 17 currently provides for financial advisory services on the Metro ExpressLanes. The Task Order will expire on October 17, 2020. Staff is requesting a contract modification to exercise both Option Year 1 and Option Year 2, extending the contract term from October 17, 2020, to October 17, 2022, to provide financial advisory services, including TIFIA and bond financing advisory services, to support the delivery of Metro's ExpressLanes network, particularly the I-105 ExpressLanes Project.

BACKGROUND

To expand ExpressLanes in Los Angeles County and to construct the Tier 1 and Tier 2 projects identified in the 2017 ExpressLanes Strategic Plan (ELSP), Metro needs to determine how these projects will be funded and whether it is feasible to accelerate them. The ELSP assumes that virtually all the ExpressLanes projects will need to be funded by toll revenue-based financing mechanisms. The ELSP identified the I-105 ExpressLanes project as a Tier 1 (near-term) project.

While some of the projects in the plan receive funding through Measure M including $175 million for the I-105 and $260 million for the I-405, a significant funding gap exists on the I-105 and a significant funding gap is anticipated on the I-405. Furthermore, no other funding has been identified for the remainder of the projects included in the plan, resulting in a large funding shortfall. To bridge the financial gap, staff will evaluate and attempt to secure other sources of revenue including state and

federal grants, toll revenue bonds, Transportation Infrastructure Financing and Innovation Act (TIFIA) loans, Public Private Partnerships or similar innovative financing mechanisms and if authorized, toll revenue loans from other ExpressLanes. In order to consider the appropriate financing options and implement the most cost-effective strategies for accelerated development of Metro's ExpressLanes network, Metro needs to consult with its financial advisor.

DISCUSSION

Metro awarded Task Order No. 17 for Sperry Capital Inc. to serve as financial advisor on the Metro ExpressLanes project in October 2017. Execution of Contract Modification No. 1 will enable the contractor to continue to support activities necessary to close the funding gap for the I-105 ExpressLanes project and support the development of other projects identified in the ELSP.

Staff is currently working alongside its financial advisor to prepare the financing plan for I-105 ExpressLanes Project (105 Project). Metro is considering submission of a letter of interest (LOI) for TIFIA financing and considering pursuing bond financing to bridge the funding gap for the 105 Project. Staff will seek Board approval prior to entering into any agreements or loan commitments. Metro released the draft environmental impact report for the 105 Project in May 2020. The environmental impact report is expected to be finalized in December 2020. While construction for the 105 Project is not expected to begin until 2022, the financing process, including an application for TIFIA, is expected to take 18-24 months which is why staff is requesting both option years be exercised.

Key activities in support of pursuing a TIFIA loan as part of the financing plan for the I-105 Project include:

- Preparation of a preliminary schedule for obtaining TIFIA credit assistance
- Drafting and submitting a LOI
- Obtaining a preliminary credit rating opinion letter
- Developing a TIFIA- and project-specific financial model
- Making an oral presentation to TIFIA
- Submitting a TIFIA application, if invited to do so by TIFIA
- Negotiating terms of the credit agreement with TIFIA

If TIFIA financing is secured, the remaining 105 Project funding gap would be financed through toll revenue-backed obligations, such as toll revenue bonds. Key activities in support of pursuing bond financing as part of the financing plan for the I-105 Project include:

- Preparation of a preliminary schedule for bond financing
- Obtaining credit ratings

- Drafting disclosure documents
- Selection of an underwriting syndicate
- Developing financial models and transaction structure

Based on the expected schedule for project development and the expertise needed to pursue both TIFIA and bond financing, staff anticipates ongoing support from its financial advisors will be required to assure successful and timely financing for the I-105 Project.

DETERMINATION OF SAFETY IMPACT

This action will have no impact on safety for Metro.

FINANCIAL IMPACT

This Task Order is allocated to Cost Center 2220 (Congestion Reduction), Project 307001 and Project 307002. To date in FY 2021, $90,621 has been encumbered and $20,450 has been expended, with $215,800 remaining in the budget. Since this is a multi-year contract, the Cost Center Manager and Executive Officer, Congestion Reduction Programs, will be responsible for budgeting in future years.

Impact to Budget

This action does not impact bus and rail operating or capital funding.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The Metro Vision 2028 Strategic Plan identifies five goals to guide Metro's work and initiatives. This Board action supports the following goals.

Goal 1: Provide high-quality mobility options that enable people to spend less time traveling.

The purpose of the I-105 ExpressLanes project, as well as the existing I-110 and I-10 ExpressLanes and other projects identified in the ELSP, is to actively manage traffic through dynamic pricing of roadway capacity to optimize traffic flow and provide faster, more reliable trips. Allowing Metro's ExpressLanes financial advisor to continue their work and evaluate financing options for the project will enable Metro to pursue expedited project delivery, to identify potential project savings, and to ensure project performance throughout its lifecycle.

Goal 2: Deliver outstanding trip experiences for all users of the transportation system.

A key benefit of Metro's ExpressLanes is improved corridor performance through a reduction in recurring peak period congestion and travel times, as well as an increase in average speeds,

throughput, and reliability for freight shipments and travelers.

Goal 5. Provide responsive, accountable, and trustworthy governance within the Metro organization.

TIFIA has been shown to achieve more flexible financing terms and better costs, supporting Goal 5.2 to exercise good public policy judgment and sound fiscal stewardship.

ALTERNATIVES CONSIDERED

The Board could decide not to approve the recommended contract modification. This alternative is not recommended, as this would impact the preparation of the financing plan for the project and delay the overall project schedule.

NEXT STEPS

Upon Board approval, staff will execute Modification No. 1 to Task Order No. 17, for both options years, with Sperry Capital Inc. to continue to serve as financial advisor on the Metro ExpressLanes project.

ATTACHMENTS

Attachment A - Procurement Summary
Attachment B - Contract Modification/Change Order Log
Attachment C - DEOD Summary

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Debra Avila, Chief Vendor/Contract Management Officer, (213) 418-3051

Phillip A. Washington
Chief Executive Officer

PROCUREMENT SUMMARY

EXPRESSLANES FINANCIAL ADVISORY SERVICES
PS13052103I-TASK ORDER NO. 17

1.	**Contract Number**: PS13052103I-Task Order No. 17			
2.	**Contractor**: Sperry Capital, Inc.			
3.	**Mod. Work Description**: Exercise Option Years 1 and 2			
4.	**Contract Work Description**: Financial advisory services in support of the Metro ExpressLanes project			
5.	**The following data is current as of**: August 31, 2020			
6.	**Contract Completion Status**		**Financial Status**	
	Task Order Awarded:	October 17, 2017	**Task Order Award Amount:**	$1,243,065
	Notice to Proceed (NTP):	N/A	**Total of Modifications Approved:**	$0
	Original Complete Date:	October 17, 2020	**Pending Modifications (including this action):**	$607,905
	Current Est. Complete Date:	October 17, 2022	**Current Task Order Value (with this action):**	$1,850,970
7.	**Contract Administrator**: DaValory Donahue		**Telephone Number**: 213.922.4726	
8.	**Project Manager**: Mark Linsenmayer		**Telephone Number**: 213.922.5569	

A. Procurement Background

This Board Action is to approve Modification No. 1 to authorize two, one-year option terms on Contract No. PS13052103I - Task Order No. 17.

All Task Orders and Modifications are handled in accordance with Metro's Acquisition Policy. Contract type is a firm fixed unit price.

This task order modification will allow the continuation of financial advisory services to support the delivery of Metro's ExpressLanes network through October 17, 2022.

Refer to Attachment B – Contract Modification/Change Order Log.

B. Price Analysis

The recommended price for this modification is determined to be fair and reasonable based upon previously negotiated fixed hourly rates.

Proposal Amount	Metro ICE	Modification Amount
$607,905	$607,905	$607,905

ATTACHMENT B

CONTRACT MODIFICATION/CHANGE ORDER LOG

EXPRESSLANES FINANCIAL ADVISORY SERVICES
PS13052103I-TASK ORDER NO. 17

TO Mod. No.	Description	Status (approved or pending)	Date	Amount
1	Execute Option Year 1 and 2 and extend period of performance in accordance with SOW	**Pending**	Pending	$607,905
	Modification Total:			**$607,905**
	Original Task Order Total:		10/17/17	**$1,243,065**
	Task Order Total:			**$1,850,970**

DEOD SUMMARY
EXPRESSLANES FINANCIAL ADVISORY SERVICES
PS13052103I - TASK ORDER NO. 17

A. Small Business Participation

The Diversity & Economic Opportunity Department (DEOD) did not recommend a Small Business Enterprise (SBE) participation goal for this procurement. However, Sperry Capital became SBE certified after contract award. Sperry Capital's current SBE participation is 75.6%.

Small Business Commitment	**0% SBE**	**Small Business Participation**	**75.6% SBE**

	SBE Contractors	% Committed	Current Participation[1]
1.	Sperry Capital (Prime)	0%	75.6%
	Total	**0%**	**75.6%**

[1]Current Participation = Total Actual amount Paid-to-Date to SBE firms ÷Total Actual Amount Paid-to-date to Prime.

B. Prevailing Wage Applicability

Prevailing wage is not applicable to this modification.

C. Living Wage Service Contract Worker Retention Policy Applicability

A review of the current service contract indicates that the Living Wage and Service Contract Worker Retention Policy (LW/SCWRP) was not applicable at the time of award. Therefore, the LW/SCWRP is not applicable to this modification.

D. Project Labor Agreement/Construction Careers Policy

Project Labor Agreement/Construction Careers Policy is not applicable to this Contract. Project Labor Agreement/Construction Careers Policy is applicable only to construction contracts that have a construction contract value in excess of $2.5 million.