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**JANUARY 31, 2017**

**TO:** BOARD OF DIRECTORS

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

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

**SUBJECT:** ADVANCEMENT OF PHASE I UNSOLICITED PROPOSALS FOR  
WEST SANTA ANA BRANCH AND SEPULVEDA PASS TRANSIT  
PROJECTS

### **ISSUE**

Metro's Unsolicited Proposal (UP) Policy allows private firms to submit UP concepts for alternative approaches to developing and delivering Metro's capital projects, including as public-private partnerships (P3). Last fall, I notified the Board of the receipt of three Phase I UPs each for P3s to deliver the West Santa Ana Branch Transit Corridor (WSAB) and the Sepulveda Pass Transit Corridor (SP) projects. Each proposal suggested a different approach for bringing innovation, acceleration, cost savings, and/or other benefits to the respective project, compared to Metro's planned project delivery model. Today, I am advancing two of the three UPs to Phase II for the WSAB, as well as for the SP.

### **BACKGROUND**

In February 2016, Metro released a policy allowing private firms to submit UPs including concepts for alternative delivery of Metro's planned capital projects. Between September and November of the same year Metro received three UPs each for P3s to deliver the WSAB and the SP projects.

The Office of Extraordinary Innovation (OEI) assembled a cross-departmental Review Team consisting of internal Metro staff experts to evaluate each Phase I proposal and make a recommendation to the CEO regarding which, if any, to advance for a more detailed Phase II analysis. The Review Team's evaluation of each proposal is now concluded with a recommended course of action:

Advancement of:

- Two proposals related to the WSAB: One from Kiewit (Kiewit Infrastructure West Co.) and one from Skanska (Skanska USA Civil West); and
- Two proposals related to the SP: One from Parsons (Parsons Transportation Group, Inc.) and one from Cintra (Cintra US Services LLC, an affiliate of Cintra Global Ltd.).

Decline further review of:

- A proposal for WSAB from ACS/Dragados (ACS Infrastructure Development, Inc./Dragados USA, Inc.)
- A proposal for SP from Sepulveda Corridor Development Partners, led by HDR Engineering, Inc.

## **DISCUSSION**

Proposals received under the UP policy are evaluated according to a two-phase process, managed by the Office of Extraordinary Innovation (OEI). Phase I is conceptual. OEI convenes a cross-departmental Review Team from Senior Leadership of relevant departments involved with the project in question. Criteria examined by the Review Team during Phase I include the size, complexity, potential revenue stream, scope of proposed innovation, potential for project acceleration or cost savings, and key risks of the project in question (see Attachment A). The Review Team then determines whether a proposal meets these criteria and offers potential benefits for Metro, its customers, and the taxpayers and citizens of Los Angeles County over and above Metro's planned delivery method.

The Review Team recommended Metro advance four proposals for more detailed review (two each for the WSAB and the SP) as follows:

The proposal for WSAB from Kiewit (Kiewit Infrastructure West Co.) suggested that with accelerated project development strategies, innovative project management approaches, and developer-provided gap financing, the project could potentially be delivered up to 14 years early with capital cost savings. The proposal for WSAB from Skanska (Skanska USA Civil West) suggested a project that, with similar strategies but with delivery via an availability payment model, the project could potentially be delivered up to 15 years early at about the same capital cost.

The proposal for SP from Parsons (Parsons Transportation Group, Inc.) suggests a project approach with alternative transit alignment and mode choices, integrated project management approaches, operational strategies, and financial concepts to minimize Metro's cash outlays, all with the purported outcome of speeding delivery by up to nine years and reduce capital costs. The proposal for SP from Cintra (Cintra US Services LLC, an affiliate of Cintra Global Ltd.) also suggests a project approach with alternative

transit alignment and mode choices, an alternative highway project scope, project management approaches, and financial concepts to minimize Metro's cash outlays. The Cintra proposal purports to speed completion by seven years and also yield capital cost savings. Both proposals would establish more direct financial and design linkages between the highway and transit elements of the project, though to varying degrees.<sup>1</sup>

The Review Team recommended Metro decline further review of two proposals (one each for the WSAB and the SP) as follows:

The proposal for WSAB from ACS/Dragados (ACS Infrastructure Development, Inc./Dragados USA, Inc.) did not present any notable innovations, and also indicated that the suggested approach could not be financed without impacting other projects, which drew substantial concerns from the review team. The proposal for SP from Sepulveda Corridor Development Partners, led by HDR Engineering, Inc., suggested an alternative technical concept that was not consistent with Metro's agency goals and long-term plans, and which the Review Team felt would likely create more risks for Metro than opportunities for innovation benefits, acceleration, and/or cost savings.

## **NEXT STEPS**

A press release will be issued announcing the advancement of the Phase I UPs to Phase II.

Phase II involves detailed qualitative and quantitative analysis of a proposal. OEI and Metro Department staff will work with our P3 Advisory Consultants to determine the validity and extent of the purported benefits through several rounds of financial, legal, and technical analysis (see Attachment B). Specific tasks are as follows:

- OEI will initiate Phase II of the Unsolicited Proposal policy, and develop and lay out a detailed evaluation strategy and timeline for each project.
- Sketch-level financial modelling and budgetary analysis will be conducted for each proposal, with assistance from our Financial Advisor.
- Within a specified period (e.g. 120 days), OEI will issue a request for additional information to the successful Phase I, firms based on the results of the initial high-level modelling.
- OEI and Metro Departments will work with our P3 Advisory team to conduct a detailed set of analytical tasks based on the information received from the proposer in the Phase II proposal.

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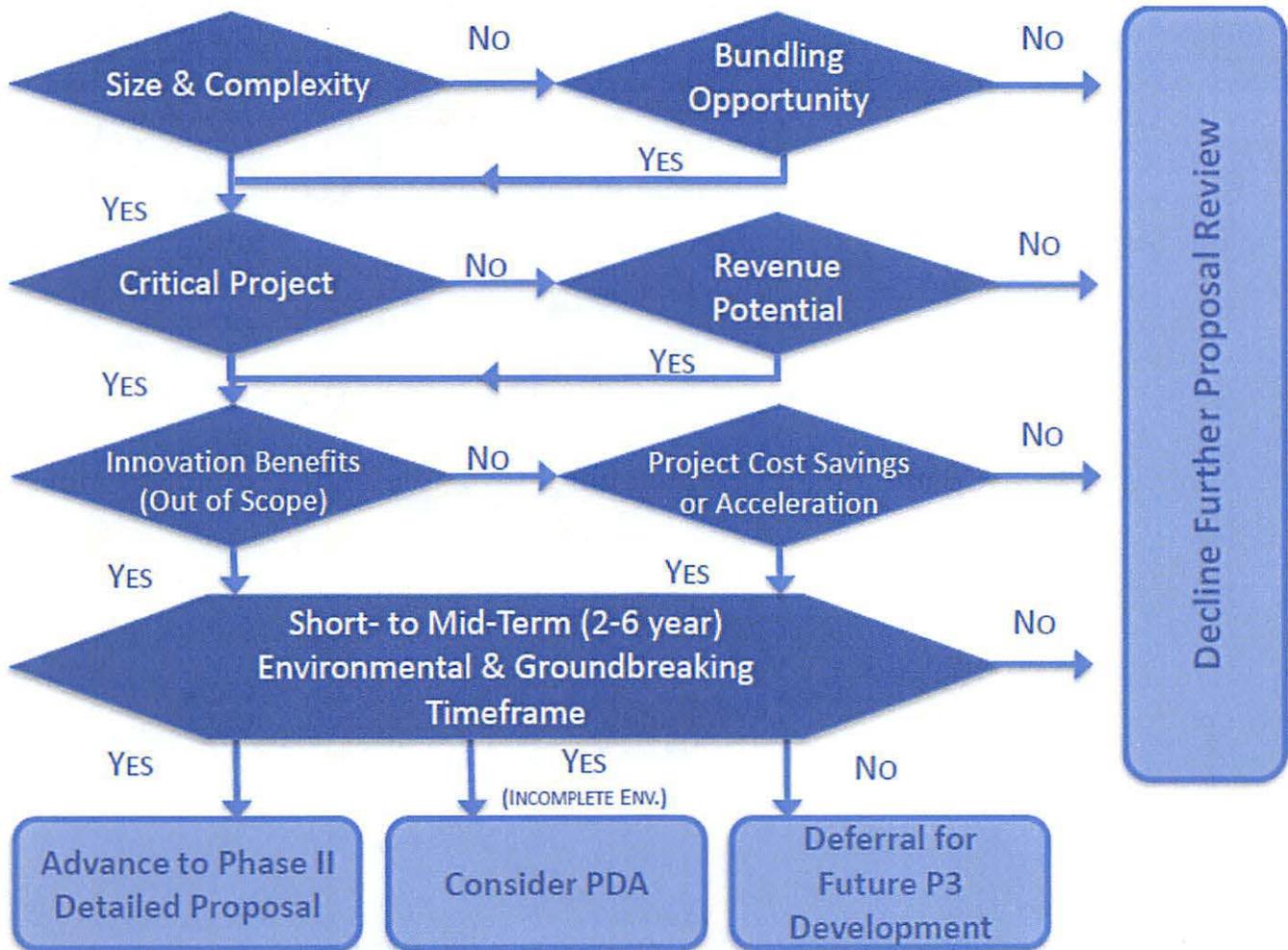
<sup>1</sup> Note: The timelines and costs described above are those purported in each proposer's initial conceptual proposal. These numbers are indicative only, and are non-binding. The purpose of Phase II is to test and validate these claims. Actual benefits will depend on the final scope and design of the project, the environmental process, the delivery model and contract type to be used, the actual contract provisions agreed to by both parties, among many other factors.

- OEI will continue to keep the Board apprised of any interim decisions during this process.
- Project stakeholders will be involved in the Phase II process through briefings on subsequent rounds of analysis of the proposal, as well as input into decisions that would affect a project's scope, schedule, delivery model, or other elements.
- Any analytical results that indicate a proposal will not likely deliver the value purported in the proposal will result in discontinuation of further proposal review.

## Attachment A

Phase I Unsolicited Proposals are conceptual. The Review Team screening of these proposals involves determination of whether the concept suggested in each proposal warrants further analysis through Phase II of the Unsolicited Proposal process.

### Phase I Evaluation Criteria





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### Attachment B

Phase II Unsolicited Proposals involve review of detailed project information submitted by the proposer. The process for the scoping, development, and review of this information is detailed in the flowchart below.

