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TO: BOARD OF DIRECTORS

THROUGH: ARTHUR T. LEAHY 
CHIEF EXECUTIVE OFFICER

FROM: STEPHANIE WIGGINS 
**EXECUTIVE DIRECTOR, VENDOR AND CONTRACT
MANAGEMENT**

**SUBJECT: ACCELERATED REGIONAL TRANSPORTATION
IMPROVEMENTS (ARTI) PROCUREMENT**

ISSUE

Pursuant to Section 9 of the Board Acquisition Policy, staff has notified bidder teams that were pre-qualified for ARTI that the request for qualifications is cancelled. Staff will recommend restructuring the ARTI Project at the May Board Meeting to better focus on mitigating risk to Metro's long term transportation plan while still delivering the six elements earlier than originally planned. This Board Box provides background on the planned recommendations and a path forward.

DISCUSSION

In July of 2012, the Board gave the CEO authority to move forward with the Highway Goods Movement Program (now referred to as ARTI) as a Public-Private Partnership (P3) and to execute cooperative agreements with Caltrans to deliver the project as a P3. In May of 2013, the Board gave the CEO authority to adopt High Occupancy Toll (HOT) lanes as the locally approved alternative and subsequently Metro issued a request for qualifications (RFQ), also in May. In September of 2013, a Board Box was issued announcing the short listed teams as a result of the request for qualifications for the ARTI P3 project.

Under the now former deal, Metro and California Department of Transportation (Caltrans) had worked together to develop a contractual structure in which Caltrans would be the signatory of a P3 Agreement with a private sector entity (Developer). Layered over this contract would be a series of funding agreements between Caltrans and Metro that attempted to add a level of protection to Metro's financial interests.

After negotiations between Metro, Caltrans District 7 and Caltrans Headquarters, staff believes that significant modifications to the ARTI proposal are necessary in order to

preserve the integrity of subregional equity and to ensure Metro's future financial strength. As a result, staff plans to make a series of recommendations at the May Board meeting that would restructure ARTI yet still deliver the key elements in ARTI sooner than originally planned in 2009 LRTP. The cancellation of the procurement is based in part on the following concerns:

1. Metro would like any excess toll revenues from I-5 North to be used in the corridor for premium uses including traffic systems management, expanded transit service, and other operating efficiency improvements – not in any other corridor
2. Metro believes the financing risk using Measure R direct revenues and TIFIA loans are manageable and within our abilities to successfully deliver the projects individually rather than collectively
 - a) Programmed Measure R cash balances and toll revenues for I-5 North are now sufficient to deliver the project
3. Metro wants to maintain all ExpressLane back office functions under our direction and control
4. There is a desire for developing individual projects using a P3 delivery method rather than developing a package of disparate projects using P3 delivery
5. Funding for Phase 1 of SR 71 is available and can be delivered now
6. Funding for the Soundwall projects is currently available for packages 10 and 11 (I-210, I-405 & SR 170)
7. There is low risk on the soundwall construction (minor design updates)

The forthcoming recommendations will address:

- ARTI procurement concept, including scope, methods, and timing of the individual elements
- Funding / programming proposal for capital expenditures
- Submittal of LOI for a TIFIA Loan

NEXT STEPS

Staff will coordinate the restructuring of the various elements associated with the ARTI project and develop a Public/Public Partnership plan for Board's approval at the May meeting.