Transportation Public-Private Partnerships

Legislative Analyst’s Office
Background

- Prior California state statute authorized up to four projects.
- SB 2X 4 was part of the 2009 budget deal.
Statutory Framework

- Caltrans, in cooperation with a regional transportation agency, is authorized to enter into P3 agreements.
- Eligible projects include highways, streets, rail, and related facilities.
- Authorizes the lessee to charge tolls and user fees.
Statutory Program Framework

- The California Transportation Commission (CTC) is responsible for reviewing projects and determining if they are consistent with statutory requirements.
- Public Infrastructure Advisory Commission (PIAC) was created by SB 2X 4 to advise the state on P3 best practices.
Statutory Program Framework

- The Legislature and the PIAC have a 60 day period to review all P3 agreements prior to Caltrans signing a contract.
- The CTC in cooperation with the Legislative Analyst’s Office will conduct annual reporting on the progress of each project.
How the Program Works In Practice

California Transportation Commission (CTC)

- **Required to adopt “best value” evaluation criteria prior to evaluating a project.**
  - CTC has not adopted criteria.
  - CTC plans to allow project sponsors to develop their own criteria, which CTC will then adopt on a project-by-project basis.
How the Program Works in Practice

Public Infrastructure Advisory Commission (PIAC)

- *Set up as a “best practices” commission.*
  - No process in place to implement best practices.
How the Program Works In Practice

The Legislature

- budget and policy committees have a 60 day review period for each P3 contract
  - Committee staff do not have the skill set needed to review a complicated legal contract.
  - Review only, no authority to require changes to the contract.
Lessons Learned from Doyle Drive

- Early stages of project selection and development are critical
  - Difficult or impossible to make substantial changes (or stop altogether) a project after a certain point.
  - Strong program framework is needed to ensure good project selection and business case analysis.
  - Review and oversight needed early.
Lessons Learned from Doyle Drive

- Rushing to do a P3 can lead to poor project selection.
  - Difficult to transfer an appropriate amount of risk for projects that are too far along in development.
  - Lack of tolls or user fees can negatively impact funding for other projects.
  - Difficult to manage community concerns after giving up control of design.
Lessons Learned from Doyle Drive

- Knowing the cost is important, but can be difficult to determine.
  - Using Net Present Value (NPV) analysis and determining how much to discount the value of future generations.
  - Cost analysis should fully account for P3 costs to the state, including oversight, etc.
  - Other costs may or may not be appropriate to include, such as tax adjustments.
Lessons Learned from Doyle Drive

- Developing in-house P3 expertise is needed
  - State and Legislative staff need more familiarity with P3s.
  - Consultants sometimes do not know state processes.
  - Consultant contracts must be rebid every couple of years, their expertise could be lost.
Pipeline of Projects

- Interstate 710 Freight Corridor.
- Interstate 710 Gap Closure.
- San Francisco-Oakland Bay Area High Occupancy Toll Lane Network.