



Public-Private Partnership (P3) Assessment Report

SOUTHEAST GATEWAY LINE

Executive Management Committee

July 18, 2024



Southeast Gateway Line P3 Assessment Overview

- Metro received two Unsolicited Proposals (UPs) in 2016 presenting a potential for P3 delivery of the project, which led to the decision to explore potential benefits of this delivery structure.
- Market soundings were conducted in 2018 and 2021 with private firms to confirm interest in the project and gain feedback on potential P3 delivery.
- Based upon industry feedback and an early assessment of higher-risk critical activities, key work streams were then progressed in parallel:
 - Final Environmental Clearance
 - Advanced Preliminary Engineering Works
 - LRT Project Delivery Evaluation

Project Development and P3 Industry Changes

Project Development

- The Southeast Gateway Line has progressed critical path activities:
 - Environmental process
 - Site investigation
 - 3rd party discussions
- Advancement of an Early Works Package has led to a reduction of overall risk to the project

P3 Industry Changes

Market conditions have been changing over the last several years:

- Reduction of risk appetite from the private sector leading to less bidders and higher cost of risk transfer
- Contractor preference has shifted towards collaborative contracting methods
- Adversarial relationships between public agencies and contractors, leading to disputes over risk allocation, scope changes and quality of work which have resulted in public agencies not seeing the anticipated benefits of P3 delivery

P3 Assessment Steps & Outcome

P3 Assessment Steps

- Confirmation of P3 Structure:
 - Metro evaluated different P3 delivery model(s) and determined a Design-Build-Finance-Operate-Maintain (DBFOM) was the best option for the full analysis
- Cross-department workshops were conducted to refine the structure and inform key components of the P3 assessment:
 - Roles & Responsibilities
 - Risk Assessment
- Quantitative and qualitative analyses was performed which compared DBFOM and Design-Build (DB) delivery models

P3 Assessment Outcome

At the conclusion of the P3 Assessment, Metro has determined a P3 model is not the right project delivery structure for the Southeast Gateway Line.



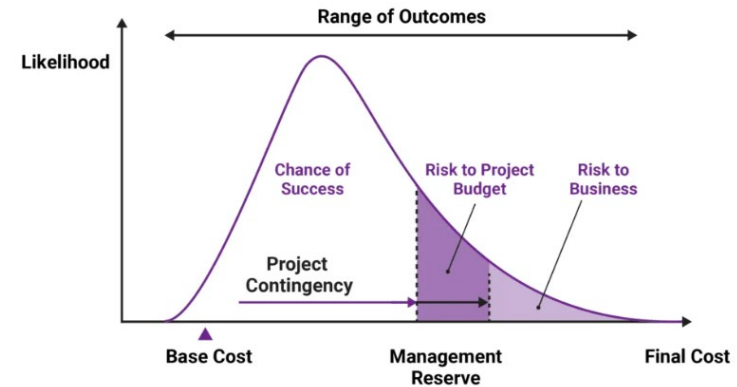
Quantitative Analysis – Risk Assessment

Risk Assessment Workshop Steps

- Identification of risks and allocation under each delivery model
- Determination of likelihood of occurrence and cost and/or schedule impacts
- Quantification of cost and schedule impacts

Risk Assessment Workshop Benefits

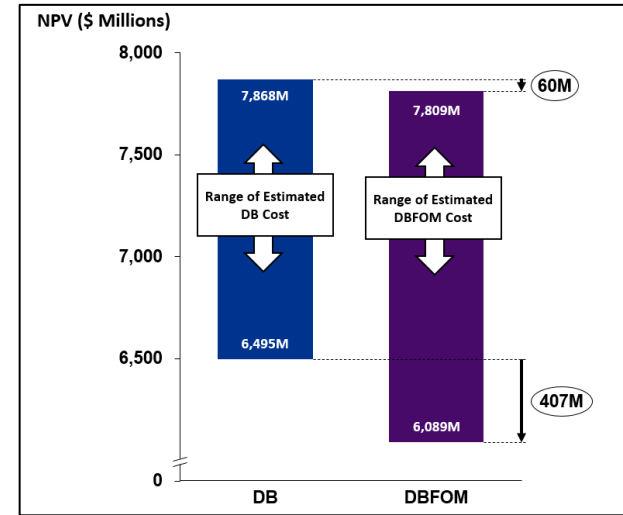
- Early identification of project risks
- Cross-department collaboration
- Development of initial mitigation strategies



Quantitative Analysis – Value for Money and Affordability

Value for Money (VfM)

- Risk-adjusted Costs + Financial Modeling = Total Transaction Costs for DB and DBFOM
- VfM calculated by comparing the Total Transaction Costs of the two delivery methods
- Range of potential life-cycle savings of between 0.77% to 6.69% if pursuing a DBFOM model
- VfM is lower than other North American projects that have proceeded as a P3 in more favorable market environments



Affordability Assessment

- Affordability of DBFOM vs DB is not materially different due to similar funding sources and comparable total costs
- DBFOM debt and equity does not create additional funding stream to the project

Qualitative Analysis

Qualitative assessment used to complement the quantitative analysis by evaluating non-financial aspects that contribute to the overall success and viability of the project.

Schedule Certainty

- DBFOMs are structured to incentivize efficient completion of design and construction
- A level of schedule certainty has already been realized through the advancement of schedule mitigation strategies

Innovation

- DBFOM structures can encourage innovation through risk sharing and private sector incentives
- Other alternative delivery models also provide opportunities to tap into private sector innovation

Roles and Responsibilities

- Under a DBFOM, Metro would maintain operational control over aspects of safety and security, fare collection, and customer service creating interfaces with the private partner during operations

Benefits of the Southeast Gateway Line P3 Assessment

Based on the results of the P3 Assessment and accounting for market trends, Metro determined a P3 is not the right solution for the project. However, Metro and the project have been able to achieve significant benefits due to the rigor of the assessment.

Agency Benefits

- Cross-department dialogue identified roles and responsibilities between Metro and a private partner to establish a framework for potential P3 execution
- Knowledge and understanding of P3s and the latest market trends gives Metro the ability to look for targeted opportunities for potential P3 execution

Project Benefits

- Early engagement and collaboration led to the decision to execute the Advanced Works Package which helps address project risks and reduces complex third-party coordination during later phases of construction
- Workshopping of project risks and opportunities has promoted early engagement across all departments

