



December 21, 2010

**RECEIVED**

**DEC 21 2010**

**DIRECTOR'S OFFICE**

Ms. Cindy McKim, Director  
California Department of Transportation  
1120 N Street, MS 49  
Sacramento, CA 95814

Dear Director McKim:

We write to urge that the California Department of Transportation (Caltrans) reverse its decision to enter into a public-private partnership (P3) agreement with the Golden Link Concessionaire for the design, construction, operation, and maintenance of the Presidio Parkway (Doyle Drive) in San Francisco; and to, instead, complete the remainder of the project using the traditional design-bid-build approach.

To date, California's experience with P3s for transportation projects has not gone well. For example, earlier P3 agreements were unsuccessful in (1) transferring significant risk from the state to the concessionaire, (2) demonstrating clear cost benefits, and (3) accelerating project delivery. These shortcomings chilled legislative enthusiasm for P3 agreements and directly thwarted subsequent efforts to reauthorize these types of transportation projects in our state for almost twenty years.

Last session, however, with the promise that P3s could bring much needed private investments to California, the Legislature passed SB 2X 4 (Codgill, Chapter 2, Statutes of 2009) authorizing P3s for transportation projects until 2017. During negotiations on this bill, the Administration assured the Legislature that lessons had been learned from California's previous P3 experiences and that those mistakes would not be repeated.

Unfortunately, implementation of the newly authorized P3 program has already been fraught with uncertainty and conflict -- jeopardizing the P3 program in California once again. Conflicts regarding P3 project approval procedures, the questionable legality of using P3 agreements for non-toll projects, and department actions to halt design on this already funded project have added to the program's turmoil.


Our review of the proposed lease agreement documents submitted by the department for the Presidio Parkway indicates that there are ample reasons for concern—concern not only for the success of this project but, more importantly, for the success of the entire P3 program. (There also appears to be some controversy and confusion as to whether the

Legislature actually received the full complement of lease agreement documents). In fact, our review of the proposed lease agreement indicates that we are at serious risk of recreating the very problems that plagued the past P3 efforts--inadequate risk transfer, uncertain cost benefit, and delayed project timelines. The Legislature approved an appropriation for this project under the premise that a P3 agreement, rather than a traditional design-bid-build process, would expedite the completion of the Presidio Parkway project and provide cost savings to the state. These proposed benefits appear unlikely to materialize under this lease agreement.

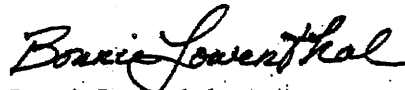
California is facing unprecedented shortages in transportation funding, our construction industry is starving for jobs, and traffic congestion is worsening – we need the promised economic benefits of a robust P3 program. If we do not implement the newly authorized P3 program in a way that demonstrates its fiscal and administrative soundness, the program could be setback for another twenty years.

Clearly, the Presidio Parkway is not a viable candidate for a P3 agreement (please see the attached LAO analysis) and we urge you not to enter into the proposed lease agreement and instead return to the traditional design-bid-build approach. We also urge Caltrans to take time to implement the P3 program carefully and prudently in order to bring its full capabilities to bear on California moves forward to address the full range of our transportation needs.

Sincerely,



Bob Blumenfeld  
Assemblymember, 40<sup>th</sup> District



Bonnie Lowenthal  
Assemblymember 54<sup>th</sup> District



Joan Buchanan  
Assemblymember 15<sup>th</sup> District

cc: Jose Luis Moscovich, San Francisco County Transportation Authority  
Steve Heminger, Executive Director, Metropolitan Transportation Commission