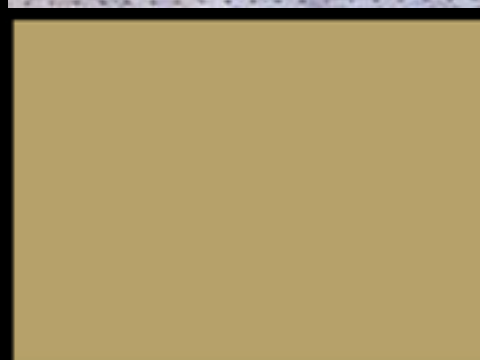
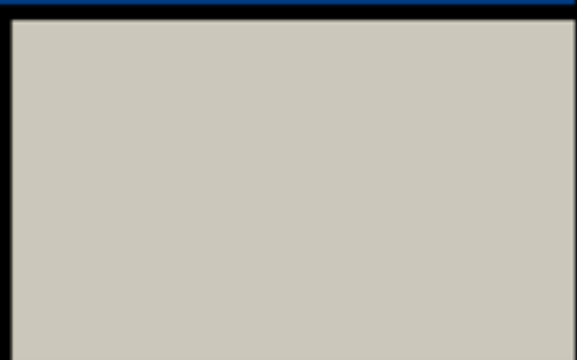
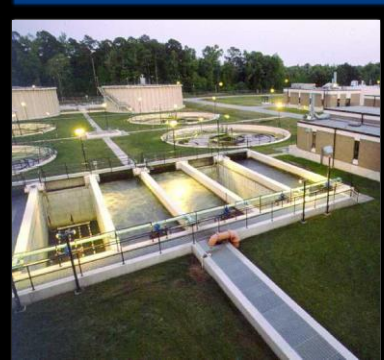




Framework and Definitions of Public-Private Partnerships

AWWA ACE
June 10, 2008

Rick Norment, NCPPP





What is NCPFP?

- Nationally and internationally recognized
 - Contracts with US DOT and United Nations
- Membership
 - Public and Private
- Partnerships range from:
 - Outsourcing
 - Public-Private Partnerships
 - Privatization
- Mission
 - Promote public-private partnerships
 - Exchange and promote best practices





Facing New Challenges & Opportunities

PUBLIC SECTOR

- Aging Infrastructure
 - Maintenance
 - Replace & Expand
- Shrinking Budgets
- Constituent Demands
- Exercising Authority

PRIVATE SECTOR

- Economic Development
- Public Sector Resources
- Underutilized Assets

PPPs = An Answer, not the answer





WHAT IS A PPP?



A Public-Private Partnership is a **contractual agreement** between a **public agency** (federal, state or local) and a **private sector entity**. Through this agreement, the **skills and assets** of each sector (public and private) **are shared** in delivering a service or facility for the use of the general public. In addition to the sharing of resources, **each party shares in the risks and rewards** potential in the delivery of the service and/or facility.

source: www.ncppp.org





Sectors Where PPPs Have Been Used



- Transportation
- Water/Wastewater
- Urban Development
- Utilities
- Financial Management
- Schools





Advantages of PPPs

- Maximizes the use of each sector's strength
- Reduces development risk
- Reduces public capital investment
- Mobilizes excess or underutilized assets
- Improves efficiencies/quicker completion
- Better environmental compliance
- Improves service to the community
- Improves cost effectiveness
- Shares resources
- Shares / allocates risks
- Mutual rewards





Private Sector Strengths

The Result of Market Competition

- Management Efficiency
- Newer Technologies
- Workplace Efficiencies
- Cash Flow Management
- Personnel Development
- Shared Resources (Money?)





Public Sector Strengths

- Legal Authority
- Protection of Procurement Policies
- Broad prospective/balance the competing goals to meet public needs
- Personnel – dedicated but constrained
- Capital resources





Successful Partnerships



The Secret is to Balance
the Strengths of Both
Sectors





Case Studies at www.ncppp.org



- Transportation
- Water/Wastewater
- Financial Management
- Urban / Economic Development
- Public Safety
- Social Programs
- Education





CASE STUDIES



Transportation
Municipal Buildings
Schools
Economic Development

All illustrate some common themes and best practices





CASE STUDY WATER SYSTEM

TAMPA BAY DESALINATION

- Public initiative
- The project size and technology too risky for public procurement
- Private Activity Bonds – public authorized private debt (no public risk)
- Risk led to several bankruptcies, but public retained ownership (financial losses absorbed by the private sector)
- Fully operational in December 2007, with passage of performance tests





Six Keys to Successful PPPs

- **Statutory and Political Environment**
- **Organized Structure**
- **Detailed Business Plan**
- **Guaranteed Revenue Stream**
- **Stakeholder Support**
- **Pick Your Partner Carefully**





Managing for Success – Six Keys

Component One:

The Environment

- Statutory authority and regulations
- Political leadership must be in place
 - Leading Political Figure
 - Top Administrative Officials
 - “The Will to Change the System”
 - A Strong Policy Statement





Managing for Success – Six Keys

Component Two:

Organizational Structure

- Dedicated group (tied to the purpose of the partnership)
- Dedicated and TRAINED personnel to monitor implementation
- Examples: TXDOT, VDOT, PPP Centrum, Partnerships UK, Irish Government's Central PPP Unit
- Best Value vs. Lowest Price
 - Difficult to Administer but...
- Need for Good Governance
 - To assure an open and fair procurement process
 - Consolidate staff = easier to monitor
 - Independent authority (domestic/internal or international)





Managing for Success – Six Keys

Component Three: Detailed Business Plan a.k.a. Enforceable Contract

- Performance goal oriented - Allow for innovative plans
- Best Value vs. Lowest Price
- Plan/Contract should include:
 - Specific milestones and goals
 - Reporting of metrics and frequency
- Risk Allocation
 - Shift to the private sector can raise costs
 - Identify best prices to retain, which to shift
- Dispute Resolution Methodology
- Workforce Development?
 - Develop in-country resources/small businesses





Managing for Success – Six Keys

Component Four:

Guaranteed Revenue Stream

- Funds to Cover the Long-Term Financing
 - Tolls/Fees (real or shadow)
 - Intelligent transportation systems
 - TIF or other form of a Tax District
 - Long-Term Maintenance Contracts
 - Availability Payments
 - Underutilized Assets
 - Concession Model (limited application)
 - Creative Approaches





Managing for Success – Six Keys

Component Five: **Stakeholder Support**

- Public Sector Employees
- Private Sector
- Labor Unions
- End Users
- Competing Interests
- Requires:
 - Open and frank discussion between sectors
 - Knowing the FACTS (no myths)
 - Translating each other's language





Managing for Success – Six Keys

Component Six:

Pick Your Partner Carefully

- This is a long-term relationship
 - Verify experience (technical capability)
 - Verify financial capability
 - Best Value vs. Lowest Price
- Remember each sector's motivation
 - Genuine need (market value to the project)
 - Political / statutory environment
 - Reasonable return on investment and manageable risks
 - Timely and effective execution vs. development costs





Managing for Success

The Most Critical is
Component One:

Strong **LEADERSHIP** makes
all the other factors
come together





Need Help?

www.ncpppp.org

Case Studies, Fundamentals of
Partnerships, Issue Papers,
Publications, Resources



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