

**Council for Resource
Development
November 3, 2010**

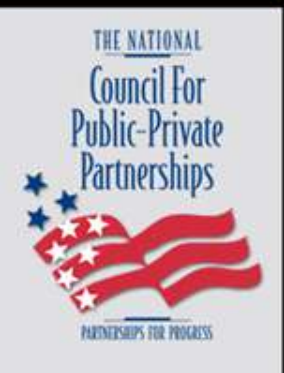
**Public-Private
Partnerships (PPPs)**





The Rising Demand for PPPs

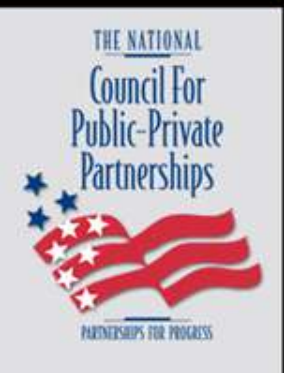
- Deficits at all levels of government
- States often have requirement for a “Balanced Budget” and/or debt limits
- Infrastructure and service needs escalating
 - Postponed maintenance
 - Political decisions
- Cuts in services and government programs
- Improving public understanding
 - Learning for examples that have worked
 - Resulting in increasing legislative actions





What is NCPFP?

- Membership
 - Public and Private
- Partnerships range from:
 - Outsourcing
 - Public-Private Partnerships
- OUR FOCUS = Public-Private Partnerships
 - “Joint Ventures”
 - “Collaborative Enterprise”
- **NOT “Privatization”**
 - Difference = **The level of public control & oversight**

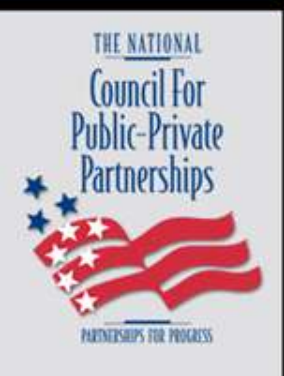




Objective

To provide a framework to illustrate that Public-Private Partnerships (PPPs):

- **Are not revolutionary**
 - Used in a number of sectors infrastructure
 - Over 300 years of experience in the US
 - First ones for transportation and water
 - More widely used in other countries
 - Europe, Asia, Latin America, etc.
- **Don't answer all challenges**
- **Does provide a valuable tool**
- **How do PPPs apply to Community Colleges?**





Today's Resources

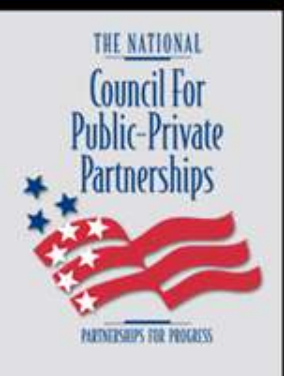


- **John Keegan**, Vice President
Gilbane Development Company
NCPFP Chair, Real Estate Institute
- **Christopher Lloyd**, Senior Vice President
McGuire Woods Consulting
- **Rick Norment**, NCPFP Executive Director





A LITTLE HISTORY OF PPPs



All Projects were “Public”

The Change – The emergence of Capitalism

1637 – The Mystic River Bridge

1776 – Adam Smith’s Wealth of Nations



1756 – Philadelphia Fire Insurance Company



1796 – Lancaster Turnpike

The Change – The emergence of Capitalism

1825 – Erie Canal



**1869 -
Transcontinental
Railroad**



THE NATIONAL
Council For
Public-Private
Partnerships





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

THE EXPERIENCE IS TRANSFERABLE

“Lessons learned from one . . .”

- Transportation
- Water/Wastewater
- Urban Development
- Energy
- Financial Management
- Social Services

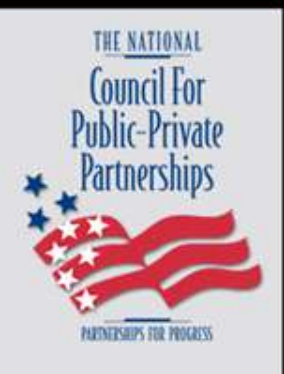




Private Sector Strengths

The Result of Market Competition

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

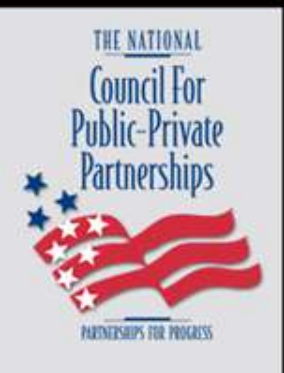




Public Sector Strengths

The Result of Serving the Public Trust

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

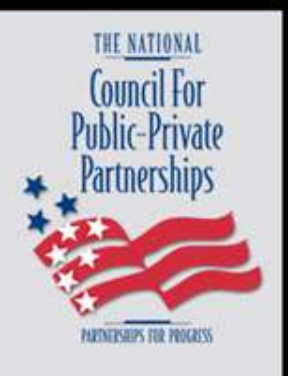




Successful Partnerships



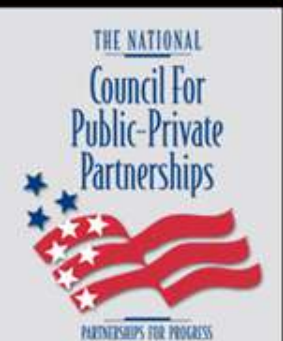
The Secret is to Balance
the Strengths of Both
Sectors





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





ONE CHALLENGE - THE ALPHABET

What each letter means

- D – Design
- B – Build
- O – Operate or Own (set by context)
- F – Finance
- M – Maintain / Manage
- T – Transfer to public ownership



**Like Lego blocks, put them together to
create a model for a PPP**





O&M

Operations and Maintenance

- The simplest of partnerships
- Public-owned asset is operated and maintained under a contract with the private sector
- Used with a number of transit systems



DB

Design-Build

- Private Sector develops the **most cost-effective and innovative solution** for the performance specifications
- Enables the private sector to accelerate delivery substantially (portions of the process may be done simultaneously)





DBOM

Design-Build-Operate-Maintain

- Combine the O&M with Design-Build in one contract
- Public maintains ownership
- Public sector retains a significant level of oversight of the operations through terms defined in the contract

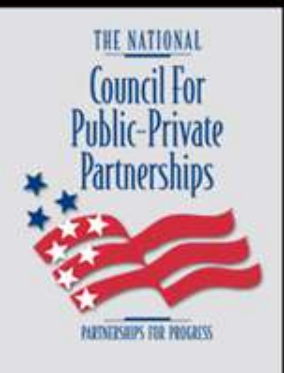
DBFOM

- Add financing, all or part of the project

DBFOMT

Design-Build-Finance-Operate-Maintain-Transfer

- Not common in the United States NOW
 - Was the case of New York City's transit system
- Privately owned, transferred later to the public sector
- An option for some projects
 - Example: Dulles Greenway





Additional Acronyms

- EUL – Enhanced Use Leasing
- ESPC – Energy Savings Performance Contract
- TOD – Transportation Oriented Development
- TIF – Tax Increment Financing
- DTD – Dedicated Tax District
- PILOT – Payment in Lieu of Taxes

“If you’ve seen one public-private partnerships, you’ve seen one public-private partnership.”

Administrator of the Federal Transit Administration





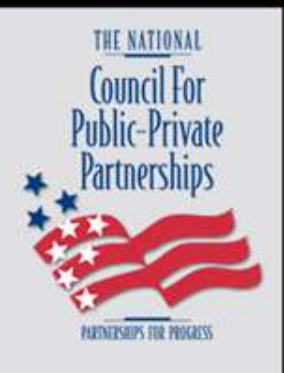
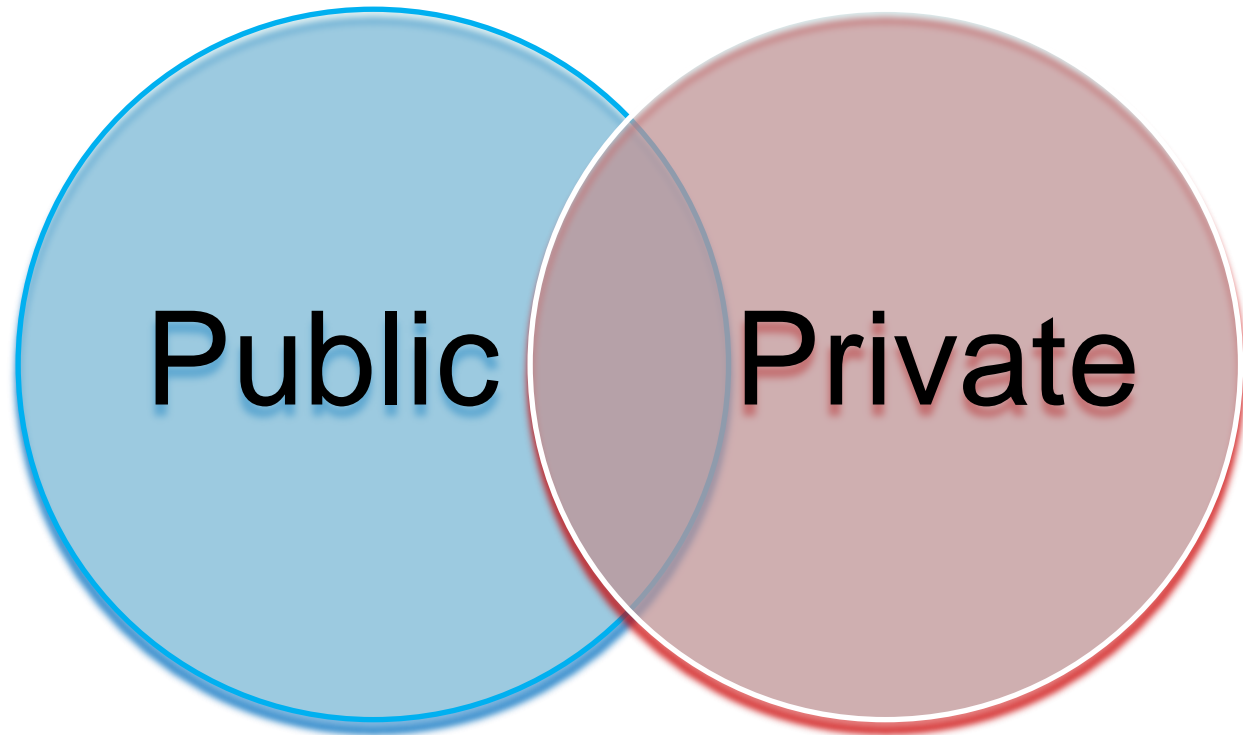
Structures of Partnerships

A spectrum

- No two are identical
 - As simple as two parties
 - As complex as dozens of parties
- Adapted to local needs and opportunities



The Simplest Form: Outsourcing Partnerships

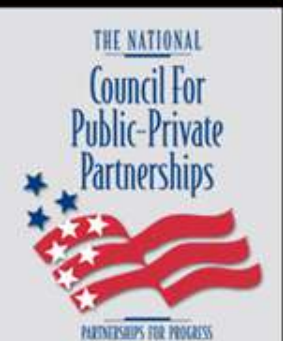


Examples of Outsourcing



Los Angeles Police Department (LAPD)

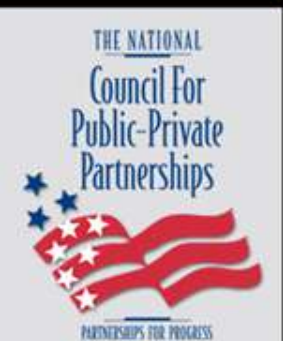
- Officers overloaded with minor crime reports
- Outsourced minor crime calls to a call center
- Call center complete report in a fraction of the time, at a lower cost per report
- Reports immediately sent to insurance companies
- Results:
 - better service for the public
 - More Officer time where actually needed



Examples of Outsourcing

Sandy Spring, Georgia

- New community ← seceded from Fulton County
- City Council oversees the entire process
- All government functions outsourced (except police, fire and EMS) to a single company
- Enormous cost savings
 - Shared technical resources
 - Improved technology ← centralized data base
- Improved revenue collection and asset management
- Improved services to the community
- Now replicated in a number of cities
 - Japanese fascinated with the model





Governing by Network: The New Shape of the Public Sector

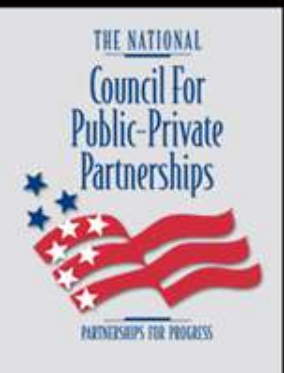
Stephen Goldsmith and William Eggers

The Brookings Institute, Washington, DC, 2004

- “Breaking down silos”
- “Leveraging non-government organizations to enhance public value”



Network Partnerships

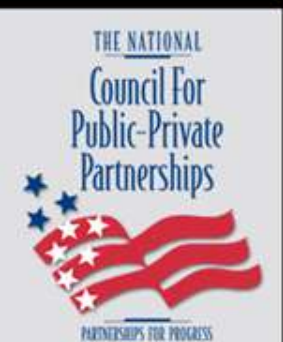




Examples of Networking

Golden Gate National Recreational Area

- Former military base, but prime real estate
- Managed by the US National Park Service
- A network of “hundreds” of partners
 - Concessionaires (tours, food, etc.)
 - Contractors (housing and commercial rentals)
 - Non-Profits (environmental groups and foundations)
 - Volunteers
 - Public Private Partnerships (Presidio Trust)

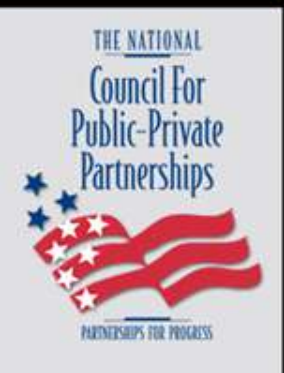




Golden Gate National Recreational Area (continued)



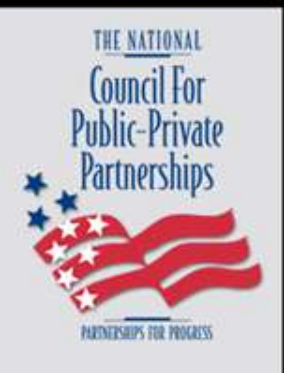
- Less than 18% of the workforce is Park Service
- Accomplishments:
 - \$100 million in capital improvements (1,000 historical buildings)
 - Toxic site clean up - \$34 million of non-government funds and done faster
 - Thriving public recreational and education facilities / programs





Six Keys to Successful PPPs

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



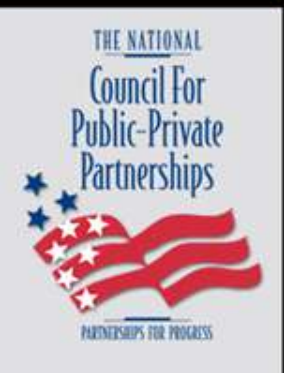


Managing for Success – Six Keys

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
- Rapid evolution underway at State levels
 - Arizona, California, Massachusetts, Michigan, etc.
- Existing Federal authority for some agencies
 - DOD, VA vs. GSA and DOE



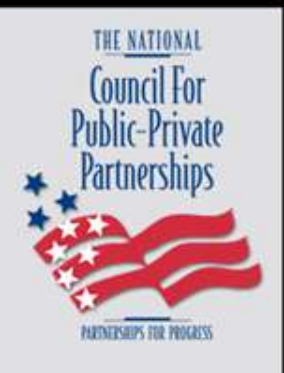


Managing for Success – Six Keys

Component Two:

Organized Structure

- A public sector “Dedicated Unit” (tied to the purpose of the partnership)
 - From concept to final management / oversight of the partnership
- Dedicated and TRAINED personnel to monitor implementation
 - **To begin, retain consultants to build skill sets with public employees**
- Examples: TXDOT, VDOT, US Defense, Partnerships BC, PPP Centrum, Partnerships UK, Irish Government’s Central PPP Unit

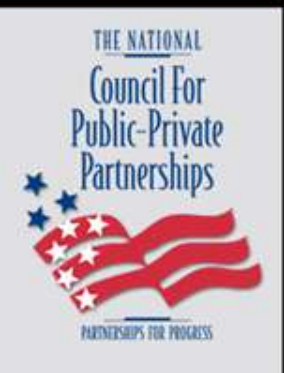




Component Two:

Organized Structure (continued)


- Per RFP process
 - Market evaluations of underutilized assets
 - Public cost comparator
- Best Value vs. Lowest Price
 - Full life cycle cost analysis
 - 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)
 - TIF or other form of a Tax District
 - Long-Term Maintenance Contracts
 - Availability Payments
 - Concession Model (limited application)
- Underutilized assets
 - Federal program of Enhanced Use Leasing
 - State program – Virginia Public Private Education Act
 - Both allow commercial activity on publicly owned asset (land, building, etc.)
- Creative Approaches





Managing for Success – Six Keys

Component Five: **Stakeholder Support**

- All impacted parties
- End Users
- Competing Interests
- Requires:
 - Open and frank discussion between sectors
 - Knowing the FACTS (not myths)
 - Translating each other's language



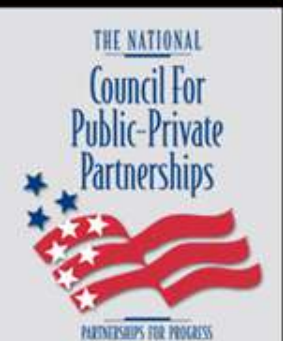


Managing for Success – Six Keys

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 Critical Components:

LEADERSHIP

LEGISLATIVE/REGULATOR

GOOD COUNSEL



THE NATIONAL
Council For
Public-Private
Partnerships



PARTNERSHIPS FOR PROGRESS



CASE STUDIES

Learn from successes and failures

**Illustrate how to “sell” the concept of
PPPs to the public sector**



NCPPP website www.ncppp.org

Domestic and International case studies

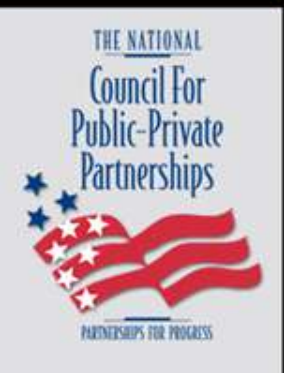
The Six Keys in all of these





Six Keys to Successful PPPs

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



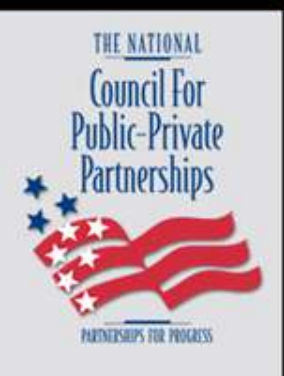


Conclusions

PPPs Not Easy, but . . .

- Can be a valuable option
 - Sometimes, the only way it can be done
- A means of cost effective, accelerated delivery
- Requires an genuine partnership and open communications between sectors





Need Help?

www.ncppp.org

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



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