

# **PUBLIC-PRIVATE PARTNERSHIPS & OPPORTUNITIES FOR SMALL BUSINESS IN VIRGINIA**

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## **PRESENTATION TO THE 2010 SMALL BUSINESS SUMMIT**

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# AGENDA

- ✘ Public-private partnerships in transportation
- ✘ What are the keys to success for transportation partnership for small businesses?
- ✘ Financing
- ✘ What are some examples of successful transportation partnerships?
- ✘ Action at the Federal Level
- ✘ How can the National Council for Public-Private Partnerships help you?

# PUBLIC-PRIVATE PARTNERSHIPS IN TRANSPORTATION

A Public-Private Partnership (PPP) 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.

**Partnerships are NOT Privatization!**

# KEYS TO SUCCESSFUL TRANSPORTATION PARTNERSHIPS

- ✘ Statutory & Political Environment
- ✘ Public Sector's Organized Structure
- ✘ Detailed Business Plan (Contract)
- ✘ Guaranteed Revenue Stream
- ✘ Stakeholder Support
- ✘ Pick Your Partners Carefully

# KEYS TO SUCCESSFUL TRANSPORTATION PARTNERSHIPS

## ✘ Statutory & Political Environment

- + Does current State law allow municipal entities to enter into transportation public-private partnerships?
- + Is there support from elected officials to lead a partnership?
- + Would the residents of the city be supportive? (Tolling)

# KEYS TO SUCCESSFUL TRANSPORTATION PARTNERSHIPS

- ✘ What a Small Business should look for in a P3 project:
  - + Does the project sponsor have the professional expertise (transportation, legal) required to manage a PPP procurement?
  - + Does the project sponsor have the professional expertise required to manage a PPP contract negotiation?
  - + If the answer is “no”, is the project sponsor willing to hire the outside help needed to create a successful PPP?

# KEYS TO SUCCESSFUL TRANSPORTATION PARTNERSHIPS

- ✘ Detailed Business Plan (Contract)
  - + The project sponsor must know what it wants from a transportation partnership BEFORE going to market!
  - + Partnerships, especially transportation partnerships, are long-term agreement (30 to 80 years) and the contract is critical to the public getting what it wants.

# KEYS TO SUCCESSFUL TRANSPORTATION PARTNERSHIPS

## ✘ Guaranteed Revenue Stream

### + Tolling / User Fees

### + Availability Payment

- ✘ Unitary payment covering capital, operating and financing
- ✘ Payments made periodically, but can be adjusted based on private sector partner's performance
- ✘ Maximum Availability Payment determined at agreement – public sector can budget for this maximum (no variable costs)
- ✘ If facility is not available to the public, that availability payment is lowered - all based on a contractual PPP agreement

### + Tax Increment Financing

- ✘ Public issues a special bond to finance project
- ✘ Bond is repaid with the incremental increase in property tax revenue created by project – city does not receive “new” revenue until the bond is repaid

# KEYS TO SUCCESSFUL TRANSPORTATION PARTNERSHIPS

## ✘ Pick Your Partners Carefully

- + Get to know the players to identify the best possible private sector partners
- + Remember, public-private partnerships are about the best value-for-money, not the lowest price

# FINANCING OF TRANSPORTATION PARTNERSHIPS

- ✘ Government Funding or Government-Backed Debt
- ✘ Private Activity Bonds
- ✘ Private Equity
- ✘ TIFIA (Transportation Infrastructure Finance & Innovation Act)

# FINANCING OF TRANSPORTATION PARTNERSHIPS

## ✘ Private Activity Bonds (PABs)

- + Can be utilized to finance: Airports, Docks, Transit and Mass Commuting Facility
- + To be eligible, transportation facilities must receive federal assistance
- + 95% of PABs funding must be spent within 5 years

# FINANCING OF TRANSPORTATION PARTNERSHIPS

## ✘ Private Equity

- + Yes, there is still private equity!
- + May come from several sources looking for the safe and consistent return-on-investment that transportation PPPs offer:
  - ✘ Private equity funds
  - ✘ Public sector pension funds

# FINANCING OF TRANSPORTATION PARTNERSHIPS

- ✘ TIFIA (Transportation Infrastructure Finance & Innovation Act)
  - + Subordinated loan/loan guarantee program
  - + Transit, highway, port and some freight facilities
  - + Limited to 33% of estimated costs
  - + May include design costs
  - + Maturity within 35 years of completion of construction
  - + Interest rates tied to US Treasuries

# SUCCESSFUL PUBLIC-PRIVATE PARTNERSHIPS

## ✘ Capital Beltway (I-495) HOT Lanes

+ Partnership between VDOT and Fluor-Transurban to provide two new High-Occupancy Vehicle/Toll lanes in each direction, from the Springfield Interchange to just North of the Dulles Toll Road

- ✘ Will replace more than \$250 million in aging infrastructure, which includes over 50 bridges and overpasses
- ✘ Will include upgrades to key interchanges and access points
- ✘ HOV (3 or more) and transit vehicles will not pay a toll, other users will pay a variable toll
- ✘ VDOT will retain ownership and oversight rights

## + Funding:

- ✘ The Commonwealth of Virginia: \$409 million in grants
- ✘ Private Equity: \$349 million
- ✘ Loans and Bonds backed by private partners:
  - ✘ \$589 million in Private Activity Bonds
  - ✘ \$589 million in FHWA TIFIA loans

# SUCCESSFUL PUBLIC-PRIVATE PARTNERSHIPS

## ✘ Capital Beltway (I-495) HOT Lanes

### + Opportunities for Small Businesses:

- ✘ To-date, over 200 small businesses, Disadvantaged Business Enterprises (DBE) and Small, Women- or Minority-owned (SWaM) businesses have contracted with the project partners to supply the following:
  - ★ Construction Survey Services, Wet Utilities, Pipe Jack and Bore, Underdrain, Drainage, Retaining Walls, Roadway Lighting, Roadway Communication, Electrical, Guardrail, Fencing, Seeding, Reinforced Concrete Pipe, Precast Drainage Structures, Readymix Concrete, Fuel, Portable Toilets, Office Materials and Supplies, Copy Services, Courier Services, Janitor Services, Security
- ✘ Some recent small business partners have included:
  - ★ Chesapeake Electrical Systems, Inc.; Cheshil Consultants, Inc.; Celtic Demolition, Inc.; A&M Concrete

# FEDERAL TRANSPORTATION POLICY

Proposed Federal “Office of Public Benefit” could limit local control over transportation partnerships:

8 **SEC. 1204. OFFICE OF PUBLIC BENEFIT.**

9 (a) IN GENERAL.—Chapter 6 is amended by adding  
10 at the end the following:

11 **“§ 611. Office of Public Benefit**

12 “(a) ESTABLISHMENT.—There is established in the  
13 Federal Highway Administration an Office of Public Ben-  
14 efit to provide for the protection of the public interest in  
15 relation to highway toll projects and public-private part-  
16 nership agreements on Federal-aid highways.

# CONCLUSIONS

- ✘ Public-Private Partnerships are not a panacea, but may be part of the solution
  
- ✘ The NCPMP stands ready to help you!
  
- ✘ Always remember the keys to success
  - + Statutory & Political Environment
  - + Public Sector's Organized Structure
  - + Detailed Business Plan (Contract)
  - + Guaranteed Revenue Stream
  - + Stakeholder Support
  - + Pick Your Partners Carefully

THANK YOU!

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