

PUBLIC-PRIVATE PARTNERSHIPS

**Partnerships in Transportation
St. Louis, Missouri
September 29, 2005**

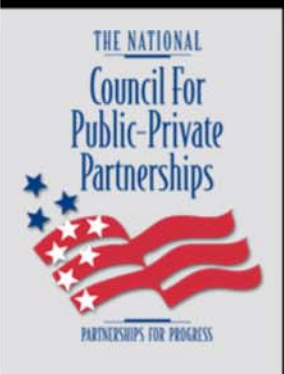
**Richard Norment, Executive Director
The National Council for
Public-Private Partnerships**





What is NCPPP?

- Membership
 - Public and Private
- Partnerships range from:
 - Outsourcing
 - Public-Private Partnerships
 - Privatization





One Approach

- Public-Private Partnerships
 - “Joint Ventures”
 - “Collaborative Enterprise”
- Different from “Privatization”
 - Level of public control





Facing New Challenges

- Aging Infrastructure
- Shrinking Budgets
- Constituent Demands
 - General Citizenry
 - Business
 - Special Interests



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Philosophy of Government in the 20th Century

- Increased dependence on the public sector
- Increased distrust of the private sector
- Now a shift is underway
 - Experience
 - Refined Approach



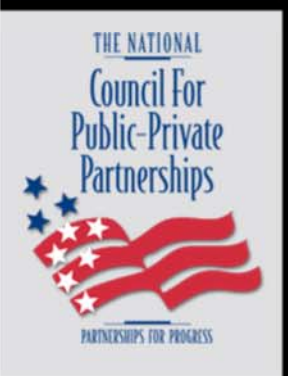
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“Failure to Communicate”

- “We Don’t Speak the Same Language”
 - “Business Speak”
 - Customer Satisfaction
 - Return on Investment
 - Risk/Reward Evaluation
 - “Public Speak”
 - Responsibility
 - Accountability
 - Risk Avoidance

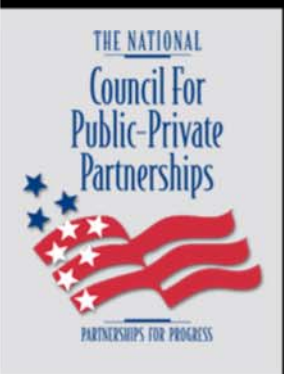




Private Sector Strengths

The Result of Market Competition

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





Public Sector Strengths

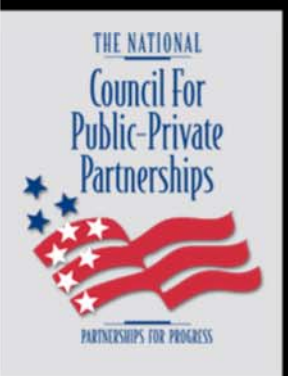
- Legal Authority
- Protection of Procurement Policies
- Broad prospective/balance the competing goals to meet public needs
- Personnel – dedicated but constrained
- Capital resources & underutilized assets





Successful Partnerships

The Secret is to Balance
the Strengths of Both
Sectors





Partnerships at Work

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



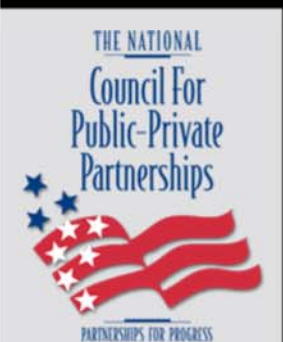
The experience of one sector helps another.





Advantages of PPPs

- Maximizes the use of each sector's strength
- Reduced development risk
- Reduced public capital investment
- Mobilizes excess or underutilized assets
- Improved efficiencies/quicker completion
- Better compliance with environmental
- Improved service to the community
- Improved cost effectiveness
- Shared/allocated risks
- Mutual rewards





Recruiting the Private Sector

What will bring them to the table?

Remember:

Development costs = often over \$1 million

Risks are higher than a traditional DBB



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The Private Sector's Criteria

- Enabling legislation in place?
- A genuine pressing need – does the public really want this project?
- Reasonable development timeframe?
- Financially feasible (public, user fees, etc.)?
- Manageable and Shared Risks
- Political Climate
- Public Sector Procurement Path
- Market Evaluation
- Environmental Evaluation
- Solid Partnership Philosophy

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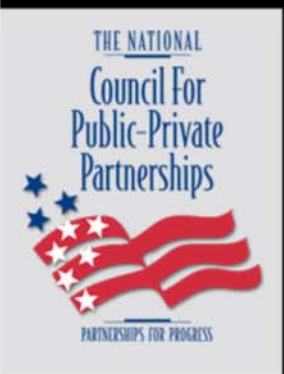
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PPP Projects Come In All Sizes



- **Multi-Billion Dollar Projects**
 - Trans Texas Corridor 35
 - Chicago Sky Way
 - Dulles Rail & Toll Road
- **Smaller Projects**
 - I-66 Interchange
 - Conroy Road Bridge



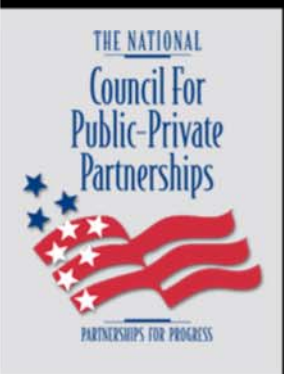
An Example of What Can be Done Conroy Road Bridge – Orlando City Gateway





Conroy Road Bridge – Orlando City Gateway

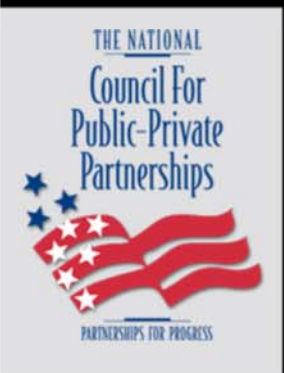
- \$28 million project bridge over I-4 in Orlando, FL – built 1998-2000
- Multiple financing approaches in partnership
 - Special assessment district fees
 - Transportation impact fees
 - Property tax increment financing (TIF) – by parcel
 - Land contribution of 40 acres by developer
 - State grant of \$5 million
- Results
 - Accelerated project by 10-15 years
 - Property value increased from \$6.5 million to \$250 million in 5 years
 - Millennium Mall
 - Collateral Retail
 - Coverage ratio of 1.15 in 4 years
 - Additional off-site development further benefits city





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

- Component #1: Statutory & Political Environment
 - Leadership MUST be in place
 - “The will to change the system”
 - Statutory authority & regulations



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Managing for Success

- Component #2: Organizational Structure
 - Dedicated group (tied to the purpose of the partnership)
 - Dedicated and TRAINED personnel to monitor implementation
 - Allow the private sector to do its job



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Managing for Success

- Component #3: Detailed Business Plan (a.k.a.: Enforceable Contract)
 - Performance goals oriented (allow for innovative plans)
 - Contract/plan should include:
 - Specific milestones and goals
 - Reporting of metrics and frequency
 - Dispute resolution procedures



Managing for Success

- Component #4: Guaranteed Revenue Stream
 - Funds to cover the long term financing
 - Tolls (real or shadow)
 - TIF
 - Long-term Maintenance Contracts
 - Etc.





Managing for Success

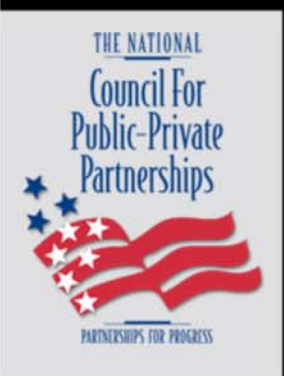
- Component #5: Stakeholder Support
 - Public Sector Employees
 - Private Sector
 - Labor Unions
 - End Users
 - Competing Interests
 - Requires:
 - Open and frank discussion between sectors
 - Knowing the FACTS (no myths)
 - Translating each other's language





Managing for Success

- Component #6: Pick Your Partner Carefully
 - This is a long-term relationship
 - Verify experience (technical capability)
 - Verify financial capability
 - Select “Best Value” (may not be the lowest cost)
 - Remember each sectors motivation
 - Timely and effective execution
 - Reasonable return on investment





Managing for Success

But the Most Critical is
Component #1:

LEADERSHIP can make
all the other factors
come together



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Need Help?

www.ncppp.org

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



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