PPPs: The Alphabet Soup

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What is NCPPP?

- Membership
  - Public and Private

- Partnerships range from:
  - Outsourcing
  - Public/Private Partnerships
  - Privatization

- OUR FOCUS = Public-Private Partnerships
  - “Joint Ventures”
  - “Collaborative Enterprise”

- NOT “Privatization”
  - Difference = The level of public control & oversight
NCPPP’s Objective

To illustrate that Public-Private Partnerships (PPPs):

– **Don’t answer all challenges**
– **Are a valuable tool**
– **Are not revolutionary**
  
  • Used in a number of infrastructure sectors
  • More widely used in other countries
    – Europe, Asia, Latin America, etc.
  • Over 300 years of experience in the US
    – One of the first in Boston (1821 to 1880)
Objective of this Presentation

- Provide a framework for what follows
  - The concept of PPPs
  - What’s needed to make them happen
  - The language of PPPs
PPP

Public-Private Partnership

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
Six Keys to Successful PPPs

- Statutory and Political Environment
- Organized Structure
- Detailed Business Plan
- Guaranteed Revenue Stream
- Stakeholder Support
- Pick Your Partner Carefully
PPPs by other names

- **CDA** – in Texas, a Cooperative Development Agreement
- **PBI** – in California, Performance Based Infrastructure
- **SAM** – in New York, State Asset Maximization
- **PFI** – common in Europe, Private Finance Initiative (sometimes called “Availability Payments”, and is a long-term public financial commitment to repay capital investment) – a subset of PPPs.
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
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
OMM

Operations, Maintenance & Management

- Goes one step further
- Adds full (or significant portions) management of the transit system
- Public ownership and control fully maintained under the terms of the contract
Design-Build

- A method finding increasing acceptance
- Public sector issues “performance specifications” (vs. “design specifications”)
- 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
Design-Build-Finance-Operate-Maintain

- Adds the financial component to the DBOM – often a critical factor in the success of a project
- The Value of Money
  - Life cycle cost savings by executing a project before an escalation in costs (resulting from delay)
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
Developer Finance

- Numerous options are available for private sector financing, but all require a return on that investment
- Some of the income stream options
  - Portion or all of the fares
  - Transit Oriented Development (TOD)
  - Long-term maintenance agreements
EUL or Underutilized Asset

- Under terms of the contract, the private partner is permitted to use a portion of a publicly held asset for commercial purposes (retail, office space, mixed use, etc.)
- Can be a feature of Transit Oriented Development projects
- Can be a valuable component in gaining private sector financing for the project that by itself is not a sufficient income generator
TOD & TIF

- **TOD** – Transportation Oriented Development, often through use of an underutilized public asset

- **TIF** – Tax Increment Financing, often tied to a TOD, where the incremental increase in real estate taxes are dedicated to payment of the initial transportation capital investment
Lease/Purchase

A method that can be used for rolling stock

- Private sector financing purchases the equipment
- Leases it to the public agencies
- Includes a purchase agreement at a defined date, with a portion of the lease going toward that purchase.
The Options are Almost Limitless

- The private sector can be extremely creative
- Make sure you have adequate advice on both the development and financial aspects of your contract
- The need for a “dedicated unit” of knowledgeable professionals within the public sector
  - If not, retain professional consultants and simultaneously build the expertise in your agency
Need Help?

www.ncppp.org
“How Partnerships Work” & “Types of PPPs”
Also contains
Case Studies, Fundamentals of Partnerships, Issue Papers, Publications, Resources

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