



# Developing Successful Public-Private Partnerships

National League of Cities 2014  
Congress of Cities and  
Exposition  
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- In 2013, American Society for Civil Engineers's (ASCE) Report Card for America's infrastructure: D+ ... up from a D in 2009
- At least \$3.6 trillion dollars is currently needed to maintain and rebuild America's infrastructure
- America's economic prosperity will be jeopardized if critical public needs are not addressed

# How can this be – and what to do?



- Not what we want to hear! After all, this is America – the world's economic global leader!
- Why are we in this situation? No adequate public funding available
- Are there alternative funding options ?
- Most believe it is time to seriously consider Public Private Partnerships (P3s)

# Why consider P3s?



- Public funding – as much as is needed - won't be available again anytime soon
- There is significant resistance to increasing public debt
- No taxpayer appetite for tax increases
- Critical needs are languishing
- P3s are working well for other countries



*A contractual agreement between a public agency and a private sector entity*

- Many different models of P3s – all are customized
- Skills and assets of partners are shared
- Private capital is invested in a public asset
- Private sector partner assumes majority of risk
- P3 projects consider the entire life-cycle of project

## *To Public Sector:*

- Immediate, time tested financing option
- Critical projects can be launched immediately
- Public officials select best private sector partner
- Risk is transferred
- Public entity maintains ownership of the asset

## *To Private Sector:*

- P3s provide a safe investment opportunity—long term revenue payout and a trusted partner
- Projects are large and complex – private firms gain credibility and notoriety
- Capital is used for ‘public good’ - rewards for both sectors

# Too many misconceptions about P3s



- P3s are not the same as privatization or outsourcing
- Government jobs are not lost
- P3s are for more than just for transportation projects
- P3s do not necessarily increase costs
- Public officials do not lose control over a project - or the services or operations that follow



# All Types of P3s



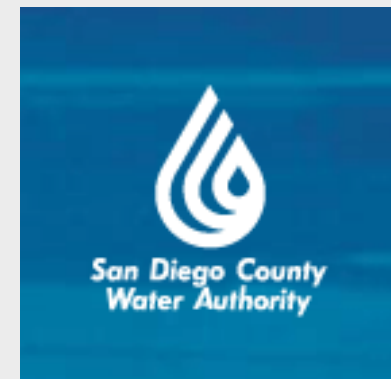
## Port of Baltimore

- Dredged port to 50 Ft depth to comply with new larger ships from Panama Canal
- Cost: \$1 billion dollars
- 5,700 new jobs



## Carlsbad Seawater Desalination Plant (San Diego)

- 50 MDG Capacity
- Cost: Almost \$1 billion dollars
- 2,300 construction jobs and 500 new permanent jobs.



## Eagle P3 Project (Regional Transportation District- Denver)

- 36 miles new commuter rail line
- Cost: \$2.2 billion dollars
  - \$1B in federal investment
- Estimated completion in 2016



# Public officials are critical to the success of P3s



- P3s will occur in your world – you are a key player
- You know what outcomes must be achieved
- You know the stakeholders and the locals
- You will be involved throughout the lifespan of the project
- You can assure that P3 projects drive economic development, create jobs, and preserve public assets

# What needs to happen?



- There must be more comprehension and better understanding of P3s
- Educating taxpayers and the media about critical needs, a lack of public funding and the benefits of P3s is necessary
- Collaboration can result in ensuring the best from both sectors
- Political leaders must get comfortable with P3s

# If you are a Public Official considering a P3



- Evaluate and select projects carefully
- Engage third-party consultants for the project
- Make a commitment to a P3 before engaging potential partners
- Understand what private partners will need in order for them to compete well
- Provide as much information as possible
- Write a financially sound and clear solicitation
- Don't change the rules once the process starts

# Potential P3 Partners want to know



- History behind the project
- Obstacles to overcome
- Success metrics
- Financial model for ROI
- Stakeholders and Influencers
- How transparency and press will be handled
- What to expect from the procurement process



- Reluctance of public officials to lead P3 projects
- Lack of understanding by government and the public
- P3 engagement models are complicated
- Cultural differences between partners
- Too few guidelines
- Political interference



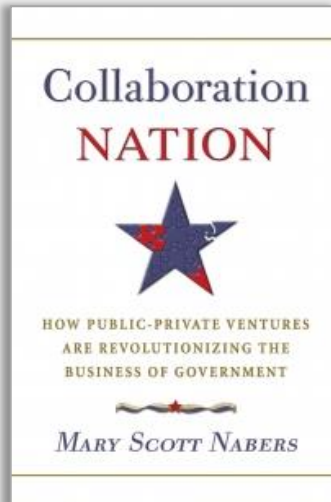
- Create guidelines for P3s
- Use P3 consultants with experience
- Get Best Practices guides – consult with other public officials who have done P3s
- Share experience and expertise
- Engage public constituencies
- Be patient

# There is much to gain...



- Government can move forward on critical projects
- Private capital can get a fair ROI
- Jobs will be created
- The economy will be stimulated
- Industry expertise will provide better service delivery to citizens
- Government will benefit from innovation, creativity, new revenue and completion of projects





Mary Scott Nabers' book  
*Collaboration Nation:  
How Public-Private Ventures are  
Revolutionizing the Business of  
Government*



# Public-Private Partnerships

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A30 PPP Completion Project under construction.  
Opened on schedule December 2012

- ◇ PPPs take many forms
- ◇ Common Elements
- ◇ How to determine which projects make the best PPPs?
- ◇ Good PPPs are achieved with Good Projects  
(Fitch Ratings, 2011)

# Public-Private Partnerships

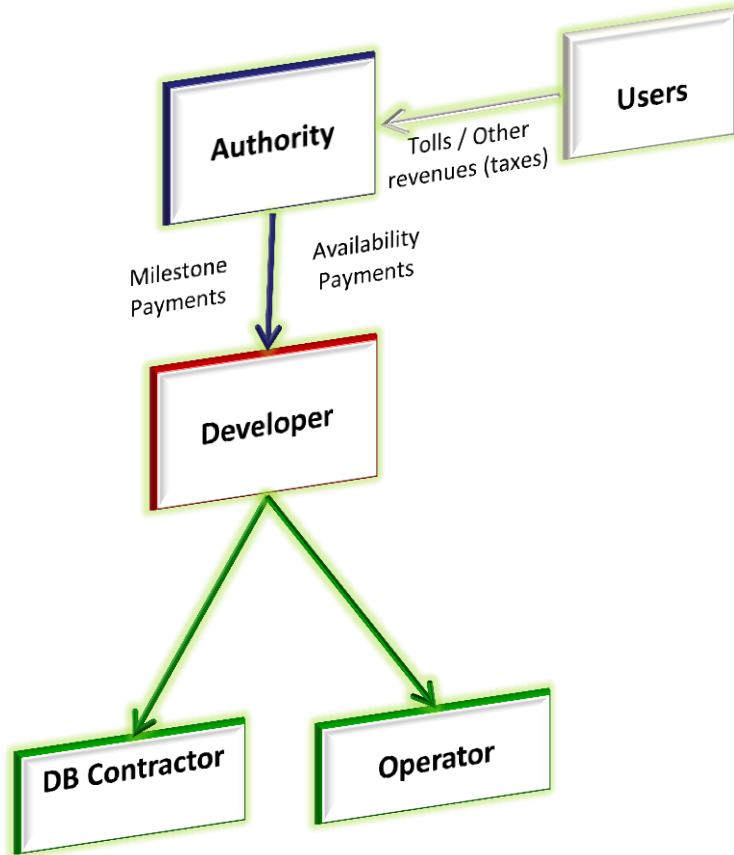


A30 PPP Completion Project under construction.  
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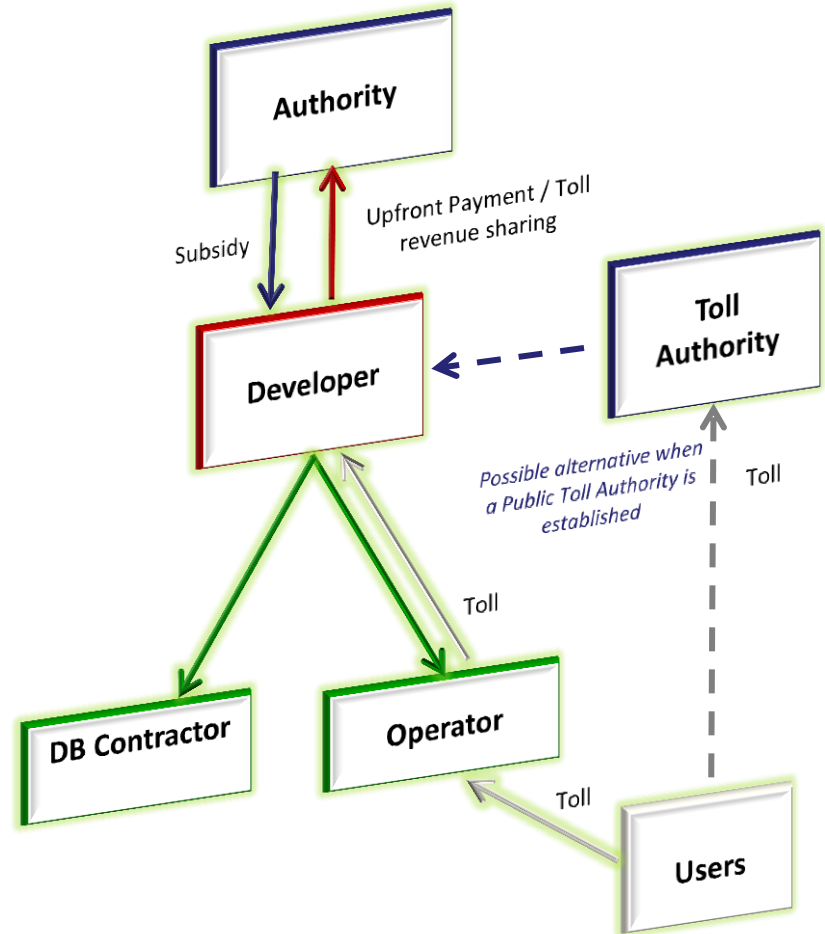
- ◇ **PPPs take many forms:**
  - ◇ Types of projects: Transportation, Water, Schools, Hospitals, Power, etc.
  - ◇ Types of contracts: Revenue risk, Availability Payments, DBFOM, DBFM
  - ◇ Public-Private Partnerships [PPPs / P3s] - a long-term service delivery model
  
- ◇ **Common Elements**
  - ◇ Significant new construction
  - ◇ Some Private investment and financing
  - ◇ Long-term maintenance obligation
  
- ◇ **Public-Private Partnerships** - a long-term service delivery model

# Commercial Framework for P3 Transactions

## Types of Revenue Streams



Availability Project



Toll Revenue Project

- **Deliver new infrastructure / services sooner**
  - Structure larger contracts with private financing than can be achieved with pay-as-you-go funding
  - One contract with single consortium eliminates owner's interface risks
- **Manage cash flows responsibly**
  - Blend public investment and private financing to achieve affordable annual payment
  - May enable delivering other projects too
- **Ensure long-term operation and maintenance of critical infrastructure**
  - DBFM and/or DBFOM - Including maintenance or operations and maintenance ensures investment will be maintained for future generations
  - Focusses private sector on public sector lifecycle objectives

## Fitch Ratings Report, 2011

- No free money, but value for money
- Good P3s are achieved with good projects:
  - Project is essential to the network – it addresses a clear need
  - Public and politicians support project
  - Agency has clear legislative authority – for both the project and P3 delivery
  - Project is economically feasible



Figueras-Perpignan High Speed Rail Link

- ◇ **Public-Private Partnerships [PPPs / P3s]** - a long-term service delivery model
- ◇ **Key Outcomes:**
  - ◇ Accelerated delivery of project – to Owner specifications
    - ◇ Public receives benefits sooner
  - ◇ Create jobs
  - ◇ Ensure long-term operations and maintenance of critical infrastructure
    - ◇ Public will realize benefits for many years





Figueras-Perpignan High Speed Rail Link

- ◇ Body of Knowledge
- ◇ Benchmark successful programs:
  - ◇ UK
    - ◇ Principles of Project Finance
    - ◇ Annotated PFI Contract
    - ◇ PF2 Guidance
  - ◇ FHWA-PL-09-010,
    - ◇ Public-Private Partnerships for Highway Infrastructure: Capitalizing on International Experience
    - ◇ Guide Contract for Toll Risk Projects
  - ◇ Infrastructure Ontario
  - ◇ Partnerships BC
  - ◇ IFA / INDOT Ohio River Bridges East End Crossing P3
  - ◇ Florida, Texas, Virginia





Figueras-Perpignan High Speed Rail Link

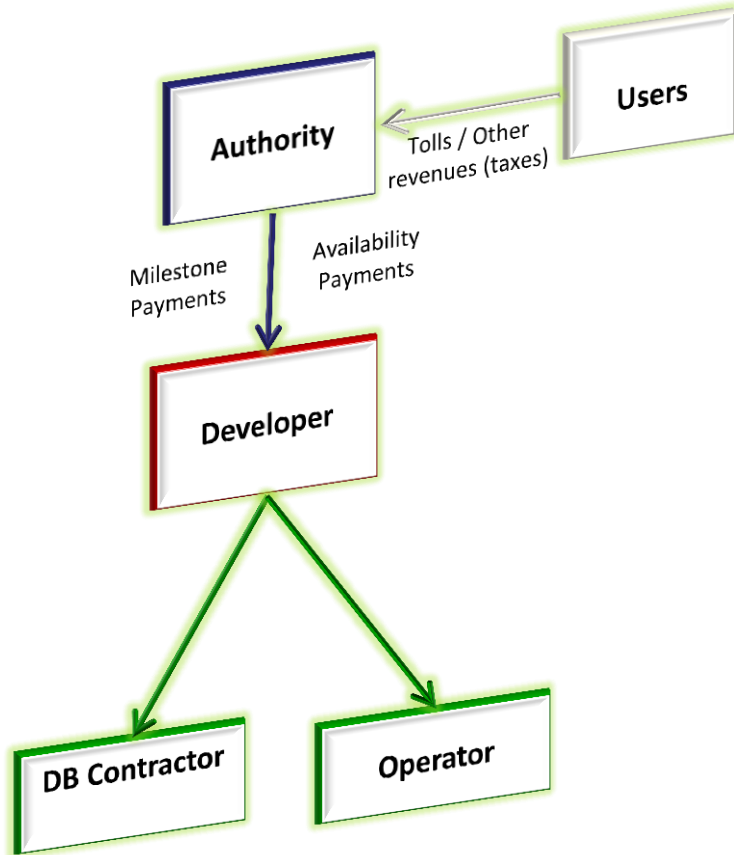
## ◇ **Key Considerations:**

- ◇ Fitch Ratings: Good PPPs are achieved with Good Projects
- ◇ Additional key considerations:
  1. Economic feasibility
  2. Commercial feasibility – optimal v maximum risk transfer
  3. Planning approval
  4. Environmental approval
  5. Project management - Any large project is challenging, regardless of the delivery method

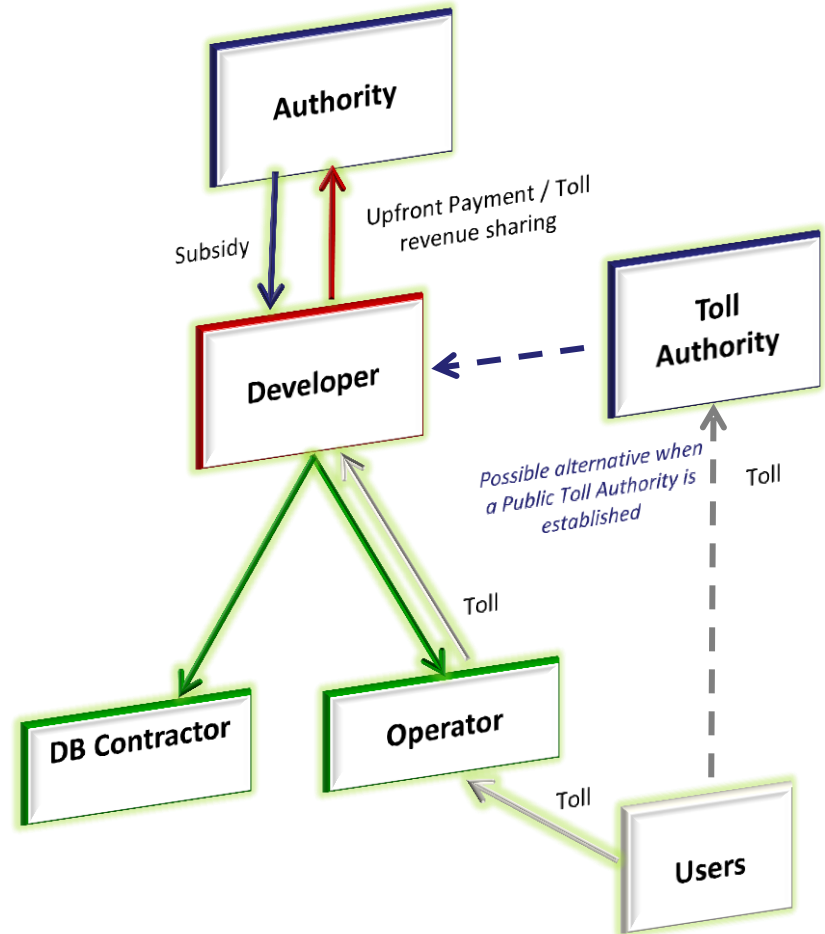


# Commercial Framework for P3 Transactions

## Types of Revenue Streams



Availability Project



Toll Revenue Project

# I-595 CORRIDOR IMPROVEMENTS PROJECT

## FORT LAUDERDALE, FLORIDA, USA



Raising University Drive Flyover

### The Project

DBFOM to build three reversible HOV/Toll lanes in the median of the mainline, and rebuilding the I-595 mainline and all associated improvements to frontage roads and ramps from the I-75/Sawgrass Expressway interchange to the I-595/I-95 interchange.

ACS began operating and maintaining the mainline in 2009

Length - Approximately 10.5 miles

Amount Financed - \$ 1.7 billion, closed in 2009, Construction Value - \$ 1.2 billion

Availability Payment structure

### Schedule

Contract Duration – 35 years, 2009 to 2044, Construction – 2009 to 2014

The HOV/toll lanes will open on or before scheduled date, June 24, 2014

7 Milestones completed ahead of schedule

### Notable Achievements and Awards

Construction Audits – 95% compliance, O&M Audits – 100% compliance

Exceeded DBE Goal Each Year, 144 Trainees Graduated

Best Project Award, American Road and Transportation Builders Association, 2009

Deal of the Year Award, Project Finance Magazine, 2009

# I-595 CORRIDOR IMPROVEMENTS PROJECT FORT LAUDERDALE, FLORIDA, USA



Raising University Drive Flyover

- ◇ **Largest construction contract in FL DOT history**
  - ◇ Winning price ~\$275 million under FDOT estimates (in PV terms)
- ◇ **Objective is to reduce congestion in corridor for all users**
  - ◇ New tolled express lanes, plus improved ramps, access roads, BRT
- ◇ **First availability payment-based PPP in the U.S.**
  - ◇ No public money paid to the concessionaire until the project is complete
  - ◇ Florida collects, retains and sets tolls
  - ◇ Successful financing despite economic crisis (proposals submitted before Lehman collapse; closing occurred 5 months after)

# Combines / Accelerates High Priority Projects



CONSTRUCTION YEARS:	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
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**INITIAL PROJECT PHASING**

**Projects 1 thru 6 & 8**

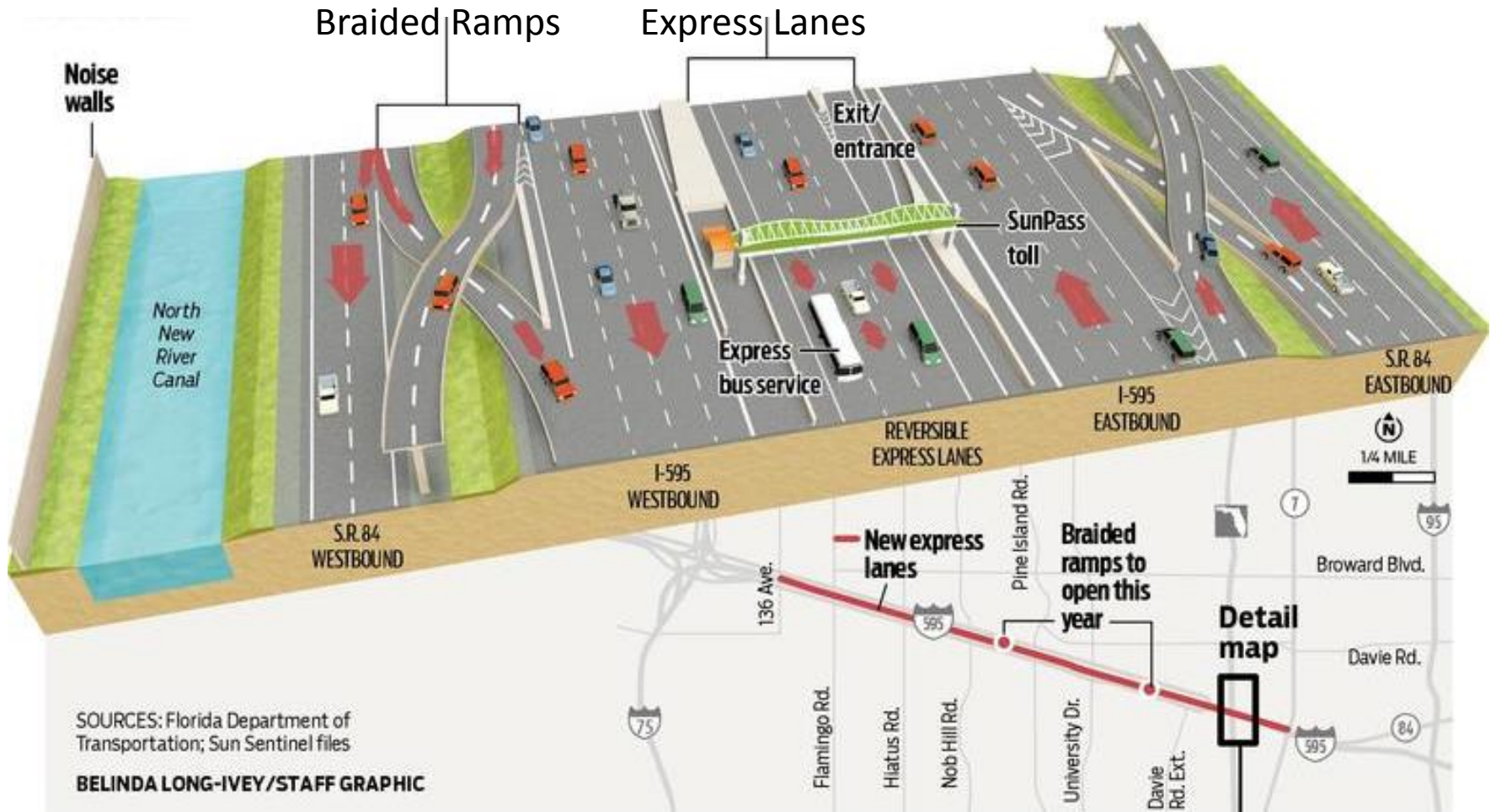
**UNFUNDED Projects 7, 9, 10, & 10A**

**PPP**

**Projects 1 thru 10A**



# I-595 Overview



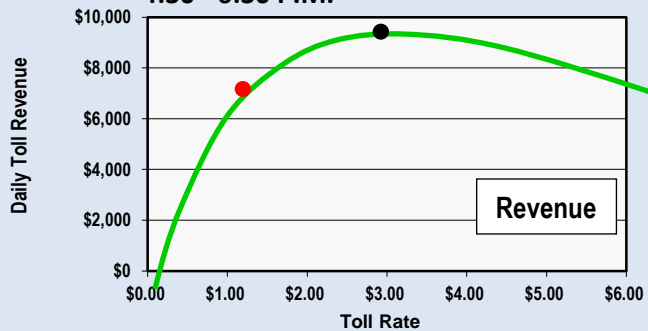
Existing AADT >180,000 - More than 300,000 AADT expected by 2034

# Key Project Characteristics

## Traffic, Revenue and Toll Policy Integration

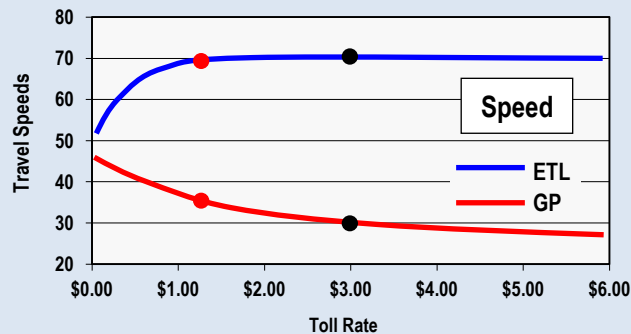
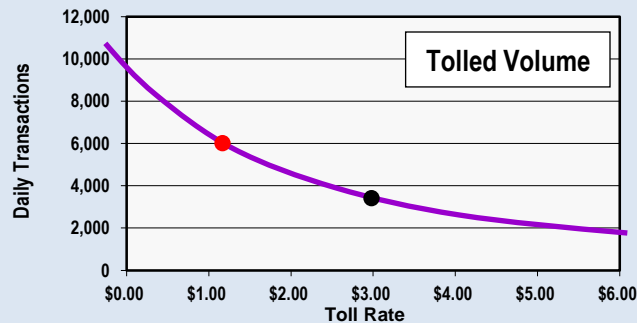


P.M. Peak - Westbound  
4:30 - 6:30 P.M.



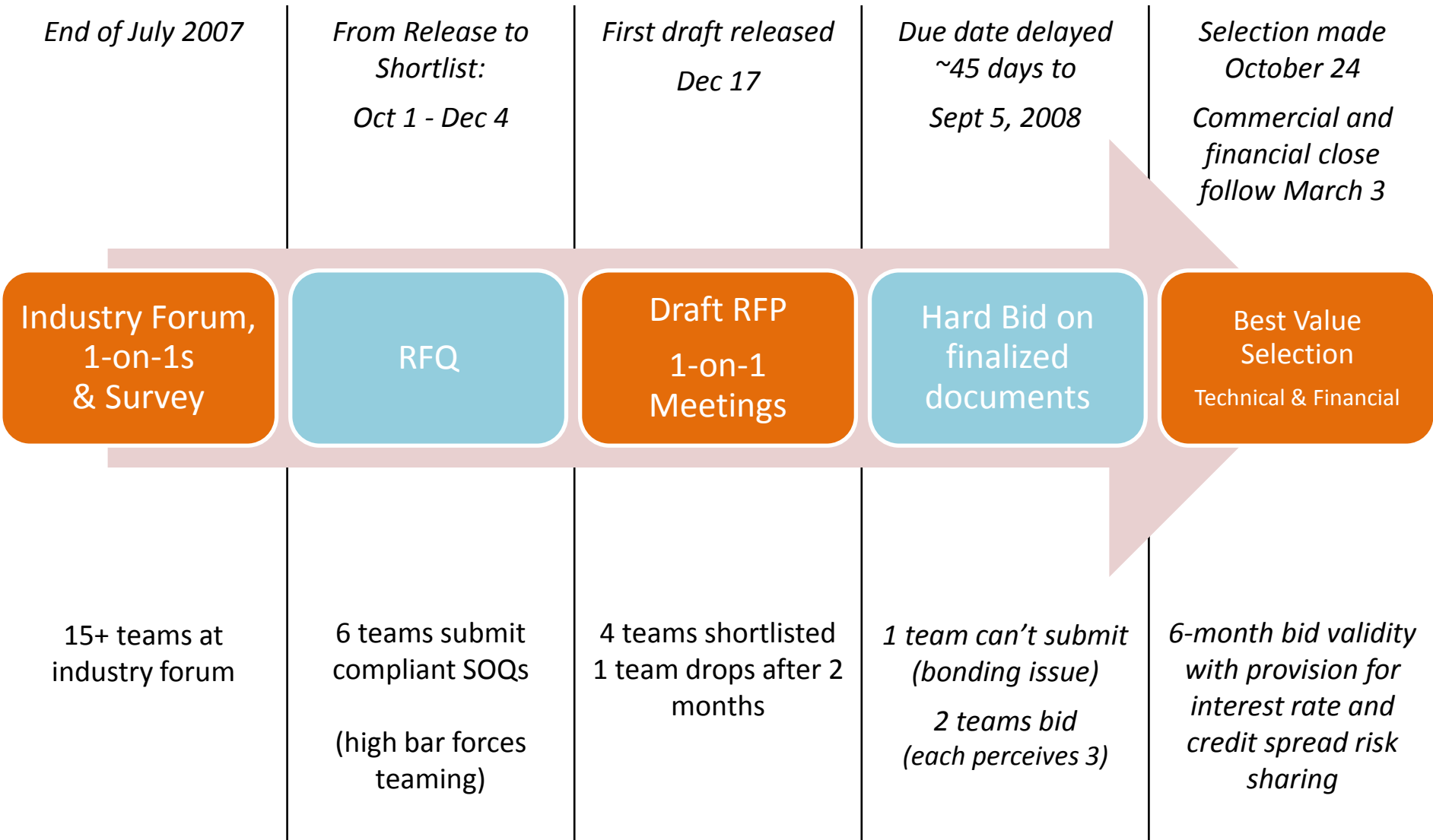
- Revenue maximization toll rate
- Lower toll rate option

- Higher toll rate increases revenue by ~25% but decreases traffic in the Express Lanes by ~50%
- Added traffic in general purpose lanes drops speed by 6 MPH and reduces total throughput
- FDOT retains control of tolls and compensates concessionaire through availability payments



*Excerpted from "Innovative Use of Availability Payments and Pricing" presented by Ed Reagan of WSA at the Texas Transportation Institute National Road Pricing Conference, June 2010.*

## FDOT Procurement Approach – Two Steps







## How Did FDOT Achieve Success?

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### ***Project Credibility:***

- ◇ FDOT did its homework and was ready to seek hard bids
- ◇ Project defined, buildable and feasible
- ◇ Listened to market prior to and during procurement
  - ◇ Contract essentially finalized prior to bid submission
  - ◇ Anticipated need for credit market-related risk sharing (limiting renegotiation)
- ◇ Effective and fairly designed competition
- ◇ Project champion (Governor)

### ***Program Credibility:***

- ◇ Legislation in place
- ◇ Buy-in across agency and district
- ◇ Strong, interdisciplinary project and policy teams
- ◇ Publicly defensible rationales for project delivery approach
  - ◇ Careful analysis of options
  - ◇ Real benefits from chosen path





# Key PPP Legislation Elements

- Understanding of the power and limitations of the enabling legislation is key to what form of PPP will be available or applicable.
- “Political will” is essential to being able not only to advance, but successfully close a PPP Transaction.
- In studying various state legislative Statutes and Codes the variances are as numerous as the forms of delivery.
- We typically identify and evaluate four key components in the enabling legislation:
  - Approval Requirements;
  - Process Requirements;
  - Finance Requirements; and
  - Project Requirements.

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OF CITIES  
AND EXPOSITION

AUSTIN, TX | 2014



NOVEMBER 19-22, 2014 | AUSTIN CONVENTION CENTER

# Developing Successful Public Private Partnerships (PPPs)

## *Best Practices & Lessons Learned*

George A. Tapas, PE, SE  
Vice President  
Alternative Finance & Procurement  
URS Corporation

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AND EXPOSITION

AUSTIN, TX | 2014

**National League of Cities  
Congress of Cities and Exposition  
NLCU05: Developing Public Private Partnerships  
Austin, Texas | November 19, 2014**

**URS**



# 20-Key Best Practices & Lessons Learned

1. The first partnership is that which is formed with the Sponsors (Private or Public Side).
2. Know your Legislative Authority.
3. Establish achievable and realistic Goals and Objectives.
4. Develop and Agree upon a Governance Structure.
5. Engage and Listen to your Stakeholders and the Public.
6. Know how your P3 Project will be Funded and Financed....they are different things.
7. Ensure your Business Case is Proven and Tested.



Chicago Skyway Toll Bridge  
Chicago, IL



Ontario Highway 407E-  
Extension  
(Phase 1)  
Toronto, ON

# 20-Key Lessons Learned, continued

8. Know the Risk Profile....Identify, Define & Allocate...***but also Mitigate.***
9. Define your Full Project Agreement, Terms, Models, Project Scope, Submission Criteria, and Evaluation Criteria **before** you issue your RFQ and RFP.
10. Make sure you have a clearly defined Accountability Standard (Performance Criteria & Payment Mechanism).

IH-635 Managed Lanes  
(New LBJ)  
Dallas, TX

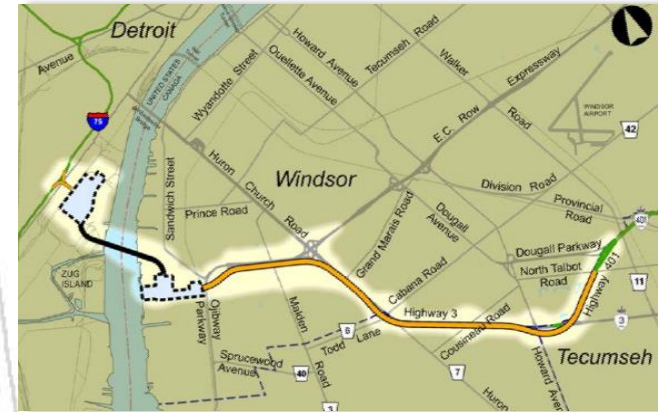


LaGuardia Central  
Terminal Building  
PPP Program  
New York, NY



# 20-Key Lessons Learned, continued

11. Rely on precedent transactions that have been successful.
12. If PPP does not work, do not use it.
13. Ensure that you maintain “Deal Flow” and momentum.
14. If you Desire Unsolicited Proposals, make sure they are supported by submission and evaluation guidelines.
15. Employ a Fairness Monitor.
16. Plan first, validate, then act.



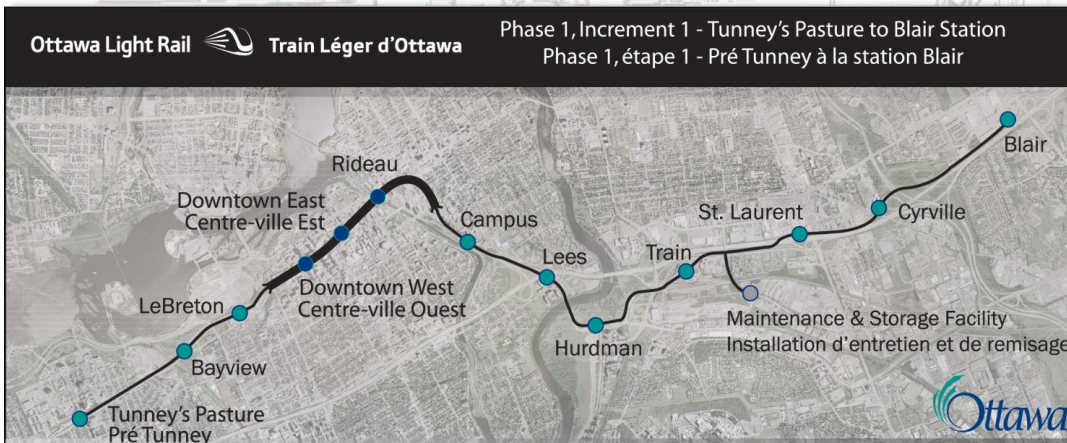
Windsor-Essex Parkway  
Windsor, ON



Toll Road PR-22 and  
PR-5  
San Juan, Puerto Rico

# 20-Key Lessons Learned, continued

17. Protect the Public's interests.
18. Hire the Right Advisors
19. Ensure you have a Public Sector Champion.
20. Ensure the transaction is Biddable and "Bankable".



**Confederation Line, Light Rail Transit**  
**Ottawa, Ontario**



**Luis Munoz Marin  
International Airport**  
**San Juan, Puerto Rico**



# PortMiami Tunnel: Largest PPP Of Its Kind In Southeast Delivered On-Time, On-Budget



Bill Johnson, Miami-Dade County

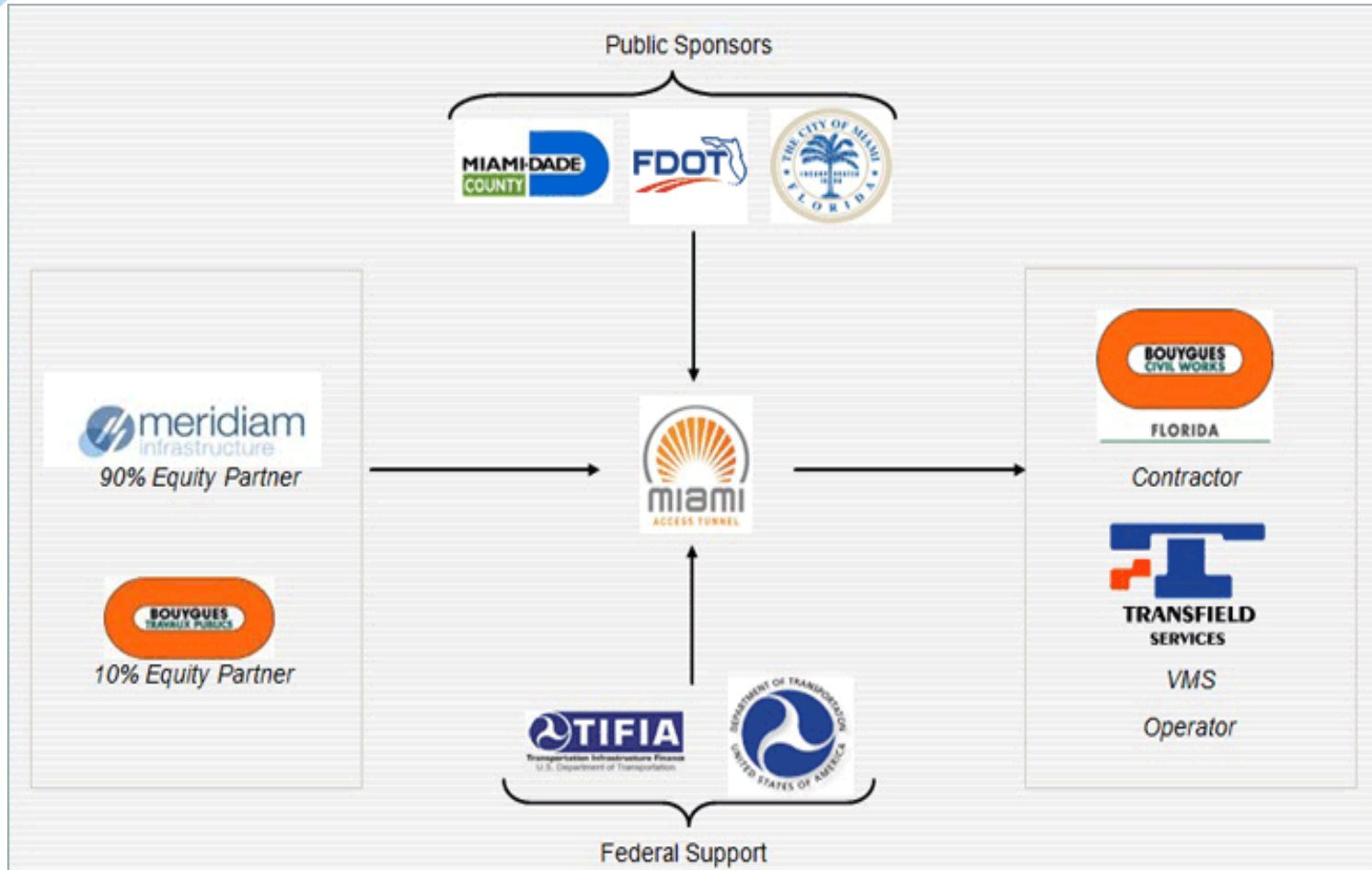
# Miami Reaping Benefits of Project Cited as the National Model for PPP

- Significantly reduced traffic in downtown neighborhoods.
- More efficient access to and from PortMiami for cargo and cruise customers.
- Supports future development of South Florida's urban core



President Obama called for more PPP projects similar to PortTunnel to fund transportation infrastructure nationwide

# PortMiami Tunnel Partners



# PPP AGREEMENT OVERVIEW

Concessionaire responsible for/to design, build, operate and maintain the tunnel for 35 years with the availability payment revenue stream.

Milestone payments to concessionaire

Availability payments & facility hand back

Commitment to local hires and vendors

## Budget

\$665 million: Capital & related costs

\$150 million: Reserve for geology risk & related items

\$ 50 million: Reserve for other construction risk

\$ 50 million: Project inspection & related costs

\$915 million\* Total Cost (funding partners: Florida Dept. of Transportation, Miami-Dade County, City of Miami)

*\*Does not include operations & maintenance to be paid for by the state.*





# Lessons Learned

1. Professional outside expertise is valuable
2. Working with industry, prior to release of final solicitation, is a must to optimize structure, financing and other costs.
3. Remove contract dispute or cost overruns from political environment and into mediation and the courts.
4. Keep stakeholders informed throughout the project.
5. Most important job of Director/CEO: *PROVIDE CLARITY OF VISION FROM THE OUTSET*



## What is success for a P3 project?

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◇ Demonstrating the reliability of P3

delivery:

- ◇ On time, on budget
- ◇ A-30 Montreal
- ◇ I-495, VA
- ◇ South Fraser Perimeter Road, BC
- ◇ I-595, FL
- ◇ I-95, VA
- ◇ + \$5B delivered since 2011

◇ What happens when a P3 “fails”?

- ◇ What is failure?
- ◇ Reported “failures”
- ◇ CA SR 125 -
- ◇ VA 895 -
- ◇ Roads always open to public
- ◇ Toll revenues did not meet expectations - Investors lost equity
- ◇ “Off-books” financing did not affect public debt or credit rating
- ◇ Were these P3 failures or corrections of an open market?





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## ABOUT ACS

The ACS Group is a global leader of construction and infrastructure services. One of the largest construction groups in the world, ACS was recognized as ENR's Top International Contractor in 2013 and in 2014, and generated approx. \$50 billion in revenues both years. Consistently ranked as the largest developer of public-private partnerships (P3s), by Public Works Financing, the ACS Group operates from three divisions: Construction/Concessions, Environmental and Industrial Services. The Construction/Concessions Division includes P3s and generates more than two-thirds of ACS' business. Its lead companies include Dragados (an international contractor) and Iridium Concesiones. Iridium is the global infrastructure development and equity investment arm of ACS, and is the parent company of ACS Infrastructure Canada Inc. and ACS Infrastructure Development, Inc.

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