

Partnership for Public Facilities and Infrastructure Act Guidelines Task Force Meeting
Oct. 24, 2013

Meeting Agenda

- I. Introduction and Adoption of Minutes
- II. Staff Overview of House Bill 85
- III. Presentation from the National Council on Public-Private Partnerships
Mr. Rick Norment, Executive Director
- IV. Presentation from the Government of Canada
Mr. Marc-Andre Hawkes, Consul and Sr. Trade Commissioner
- V. Presentation from the Florida School Boards Association
Dr. Wayne Blanton, Executive Director
Mr. Bill Graham
- VI. Presentation on Local Government Infrastructure Financing
Mr. Randall C. Clement, Bryant Miller Olive
- VII. Panel discussion on Financing of Public-Private Partnerships
Moderator: Mr. Lee Weintraub, Becker & Poliakoff
Panelists: Mr. Lowell Clary, Clary Consulting
Mr. Randall C. Clement, Bryant Miller Olive
Mr. John Dionisio, Meridiam Infrastructure
Mr. Chris Kinsley, Florida Board of Governors
- VIII. Presentation from the Florida Department of Transportation
Mr. Leon Corbett, Project Finance Manager
- IX. Presentation from the Florida Association of Counties
Mr. Chip Fletcher, County Attorney, Hillsborough County
- X. Presentation from the Florida League of Cities, Inc.
Mr. Michael Parker, City of Tallahassee
Mr. Kevin Crowder, Redevelopment Management Associates
- XI. Other Business and Public Testimony
- XII. Adjourn



FLORIDA DEPARTMENT of

management
SERVICES

We serve those who serve Florida

HB 85 Overview

Partnership for Public Facilities and Infrastructure
Guidelines Act Task Force

October 24, 2013

Craig J. Nichols, Secretary

- HB 85, signed into law as Chapter 2013-223, Laws of Florida, authorizes public-private partnerships with responsible public entities.
- The bill creates section 287.05712, F.S., to govern the procurement process for public-private partnerships for public purpose projects.
- The bill creates the Partnership for Public Facilities and Infrastructure Act Guidelines Task Force.

- Authorizes P3s to contract for public service work with a non-profit or charitable youth organization, and provides requirements specific to park land and public education buildings
- Authorizes the use of P3s for purposes of county road projects, and permits counties to receive or solicit proposals and enter into agreements with private entities to construct, extend, or improve a county road if certain requirements are met
- Extends the terms for leases that the Orlando-Orange County Expressway Authority may enter into from 40 years to 99 years

Responsible Public Entity

- “Responsible public entity” means a county, municipality, school board, or any other political subdivision of the state; a public body corporate and politic; or a regional entity that serves a public purpose and is authorized to develop or operate a qualifying project.

- “Qualifying project” means:
 - A facility or project that serves a public purpose, including, but not limited to, any ferry or mass transit facility, vehicle parking facility, airport or seaport facility, rail facility or project, fuel supply facility, oil or gas pipeline, medical or nursing care facility, recreational facility, sporting or cultural facility, or educational facility or other building or facility that is used or will be used by a public educational institution, or any other public facility or infrastructure that is used or will be used by the public at large or in support of an accepted public purpose or activity;

Qualifying Project, continued

- “Qualifying project” means:
 - An improvement, including equipment, of a building that will be principally used by a public entity or the public at large or that supports a service delivery system in the public sector;
 - A water, wastewater, or surface water management facility or other related infrastructure; or
 - Projects that involve a facility owned or operated by the governing board of a county, district, or municipal hospital or health care system, or projects that involve a facility owned or operated by a municipal electric utility, only those projects that the governing board designates as qualifying projects.

Affected Local Jurisdiction

- “Affected local jurisdiction” means a county, municipality, or special district in which all or a portion of a qualifying project is located.

Legislative Intent

- The Legislature finds that there is a public need for the construction or upgrade of facilities that are used predominantly for public purposes and that it is in the public's interest to provide for the construction or upgrade of such facilities.
- It is the intent of the Legislature to encourage investment in the state by private entities; to facilitate various bond financing mechanisms, private capital, and other funding sources for the development and operation of projects; and to provide the greatest possible flexibility to public and private entities contracting for the provision of public services.

Procurement Procedures

- A responsible public entity may receive unsolicited proposals or may solicit proposals for qualifying projects and then enter into an agreement with a private entity (or consortium of private entities) for the building, upgrading, operating, ownership or financing of facilities.

Unsolicited Proposals

- The bill provides the following requirements for unsolicited proposals:
 - The public entity may establish a reasonable application fee to accompany unsolicited proposals sufficient to pay the costs of evaluating the proposal.
 - If an unsolicited proposal is received and the public entity intends to enter into an agreement for the project in the proposal, the public entity must provide notice that the entity has received a proposal and will accept other proposals.

Project Approval Requirements

- Before approval of a project, the responsible public entity must determine that the proposed project:
 - Is in the public's best interest
 - Is for a facility that is owned by the responsible public entity or for a facility for which ownership will be conveyed to the responsible public entity
 - Has adequate safeguards in place to ensure that additional costs or service disruptions are not imposed on the public in the event of material default or cancellation of the agreement by the public entity
 - Has adequate safeguards in place to ensure the public or private entity has the opportunity to add capacity to the proposed project or other facilities serving similar predominantly public purposes
 - Will be owned by the public entity upon completion or termination of the agreement and upon payment of the amounts financed

- An unsolicited proposal from a private entity for approval of a qualifying project must be accompanied by the following material and information, unless waived by the public entity:
 - A description of the project
 - A description of the method by which the private entity proposes to secure the necessary property interests
 - A description of the private entity's general plans for financing the project
 - Contact information for more information on the proposal
 - The proposed user fees or other payments over the term of the agreement and methodology to allow for the payments over time
 - Additional material or information the public entity reasonably requests

Project Qualification and Process

- The private entity must meet the minimum standards for qualifying professional services and contracts for traditional procurement projects.
- The responsible public entity must:
 - Ensure provision is made for the private entity's performance and payment of subcontractors
 - Ensure the most efficient pricing of the security package
 - Ensure provisions are made for the transfer of the private entity's obligations if the comprehensive agreement is terminated or a material default occurs

Project Qualification and Process

- The responsible public entity must perform an independent analysis of the proposed P3 that demonstrates the cost-effectiveness and overall public benefit, prior to procurement or contracting.
- The responsible public entity may charge a reasonable fee to cover the costs of processing, reviewing, and evaluating the requests, including, but not limited to, reasonable attorney fees and fees for financial, technical, or other necessary advisors or consultants.

Qualification Among Unsolicited Proposals

- After the notification period has expired for unsolicited proposals, the responsible public entity must rank the proposals received in order of preference.
- For purposes of ranking, the responsible public entity may consider professional qualifications, general business terms, innovative engineering or cost-reduction terms, and finance plans.
- If negotiations with the first ranked firm are unsuccessful, the responsible public entity may begin negotiations with the second ranked firm.
- The responsible public entity is not required to choose any of the firms that apply.
- There is no requirement for more than one firm to respond to the solicitation.

Project Qualification

- A responsible public entity may approve the development or operation of an educational facility, a water or wastewater management facility, a technology or other government infrastructure, or a government facility needed by the responsible public entity as a qualifying project if:
 - There is a public need for or benefit derived from the project that the private entity proposes as the qualifying project.
 - The estimated cost of the qualifying project is reasonable in relation to similar facilities.
 - The private entity's plans will result in the timely acquisition, design, construction, improvement, renovation, expansion, equipping, maintenance, or operation of the qualifying project.

Comprehensive Agreement

- The comprehensive agreement must provide for:
 - Delivery of performance and payment bonds, letters of credit, and other security in connection with the development or operation of the qualifying project.
 - Review of plans and specifications for the project by the responsible public entity. This does not require the private entity to complete the design of the project prior to executing the comprehensive agreement.
 - Inspection of the qualifying project by the responsible public entity.
 - Maintenance of a policy of public liability insurance.
 - Monitoring of the practices of the private entity by the responsible public entity to ensure the project is properly maintained.
 - Filing of financial statements on a periodic basis by the private entity.
 - Procedures governing the rights and responsibilities of the responsible public entity and private entity in the event of a termination of the agreement or a material default.
 - Fees, lease payments, or service payments as may be established by agreement of the parties.
 - Duties of the private entity, including terms and conditions that the responsible public entity determines serve the public purpose of the project.



- The comprehensive agreement may authorize the private entity to impose fees to members of the public for the use of the facility.
- Any revenues must be regulated by the responsible public entity pursuant to the agreement, and a negotiated portion of the revenues must be returned to the responsible public entity over the life of the agreement.

Interim Agreement

- Prior to entering a comprehensive agreement, the public entity may enter into an interim agreement with the public entity, which does not obligate the public entity to enter into a comprehensive agreement.
- Interim agreements must be limited to provisions that:
 - Authorize the private entity to commence activities for which it may be compensated related to the proposed qualifying project.
 - Establish the process and timing of the negotiation of the comprehensive agreement.
 - Contain any other provision related to any aspect of the development or operation of a qualifying project.

- There are multiple financing options provided in the law:
 - Private entity may obtain private-source financing
 - Responsible public entity may lend funds to private entities that construct projects containing approved facilities
 - Responsible public entity may use other innovative finance techniques associated with public-private partnerships
- A responsible public entity must appropriate on a priority basis a contractual payment obligation, annual or otherwise, from the enterprise or other government fund from which the qualifying projects will be funded

- The private entity is required to:
 - Develop, operate and maintain the qualifying project in accordance with the comprehensive agreement
 - Cooperate with the responsible public entity in making best efforts to establish interconnection between the qualifying project and other facilities and infrastructure
 - Comply with the terms of the comprehensive agreement and any other lease or service contract

- Upon the expiration or termination of a comprehensive agreement, the responsible public entity may use revenues from the qualifying project to pay current operation and maintenance costs of the qualifying project
- If the private entity materially defaults, the compensation that is otherwise due to the private entity is payable to satisfy all financial obligations to investors and lenders on the qualifying project in the same way provided in the comprehensive agreement, if the costs of operating and maintaining the project are paid in the normal course

Expiration or Termination of Agreements

- The full faith and credit of the responsible public entity may not be pledged to secure financing of the private entity
- The assumption of the development or operation of the qualifying project does not obligate the responsible public entity to pay any obligation of the private entity from sources other than from revenues from the qualifying project unless otherwise stated in the comprehensive agreement

- Sovereign immunity is not waived by any responsible public entity, affected local jurisdiction or officer/employee with respect to the qualifying project
- Counties and municipalities possess sovereign immunity with respect to the qualifying project including, but not limited to, design, construction and operation

- No requirements of the Consultants' Competitive Negotiation Act (CCNA) are waived

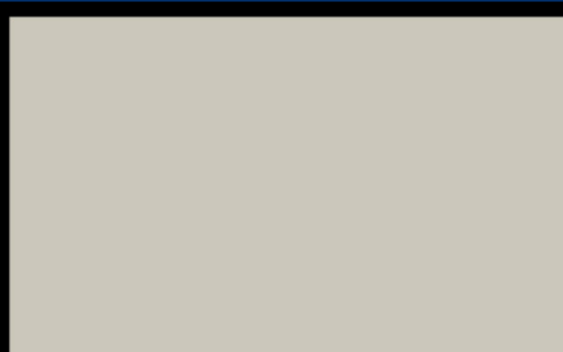


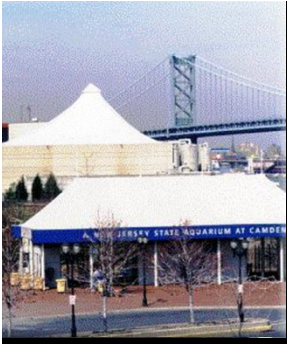
Florida PPP Task Force

October 24, 2013

Public-Private Partnerships (PPPs)

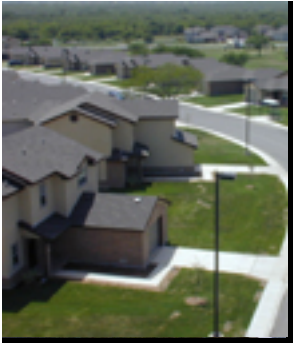
by
Richard Norment, NCPPP





What is NCPPPP?

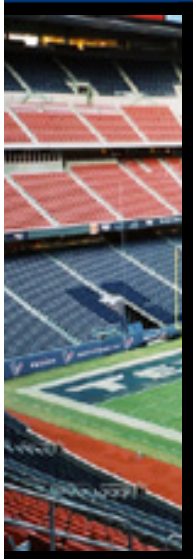
- Membership
 - Public and Private
- Partnerships range from:
 - Outsourcing
 - Public-Private Partnerships
- OUR FOCUS = Public-Private Partnerships
 - “Joint Ventures”
 - “Collaborative Enterprise”
- **NOT “Privatization”**
 - Difference = **The level of public control & oversight**



The Rising Demand for PPPs

A National Trend

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



The biggest challenge – Institutional Inertia

This creates the need for
educating people





Objective

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

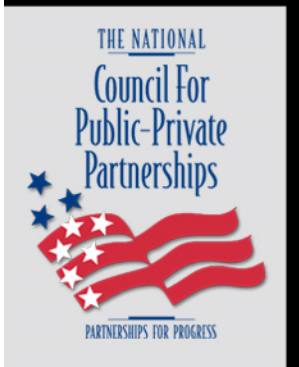
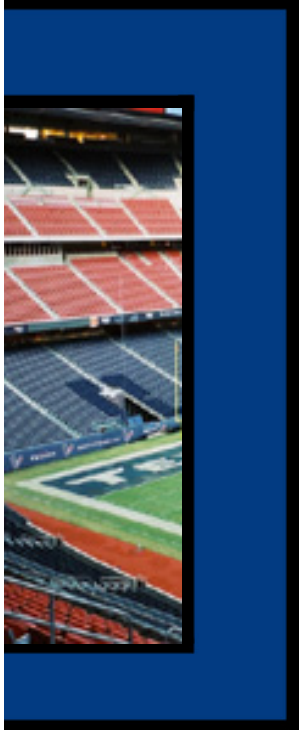
- **Are not revolutionary**
 - Used in a number of infrastructure sectors
 - Over 300 years of experience in the US
 - First ones for transportation and water
 - More widely used in other countries
 - Europe, Asia, Latin America, etc.
- **Don't answer all challenges**
- **Do provide a valuable tool**



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
- Communications and Information Technologies
- 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

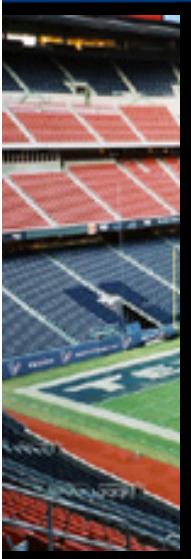
Results of Serving the Public Trust

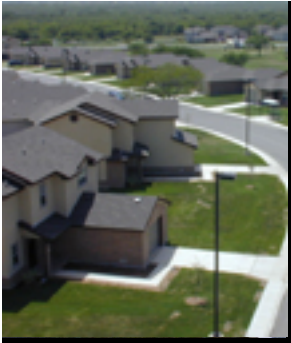
- Legal Authority
- Protection of Procurement Policies
- Broad perspective/balance the competing goals to meet public needs
- Personnel – dedicated but constrained
- Capital resources



Successful Partnerships

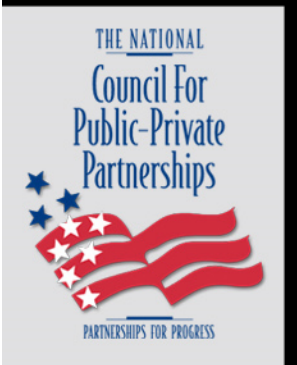
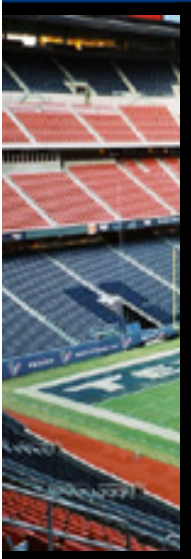
The Secret is to Balance
the Strengths of Both
Sectors





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

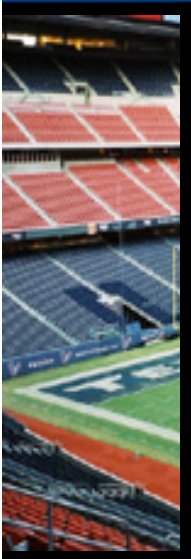


ONE CHALLENGE - THE ALPHABET

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

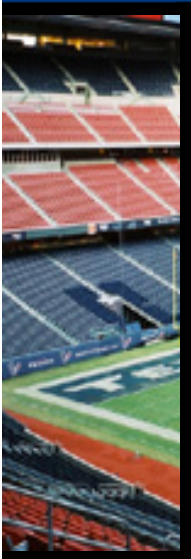
Operations and Maintenance

- 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

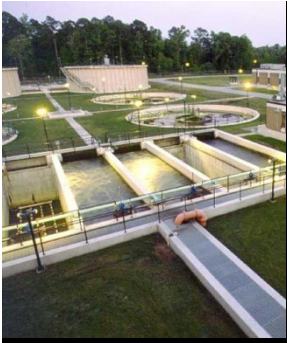
DBFOM

- 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

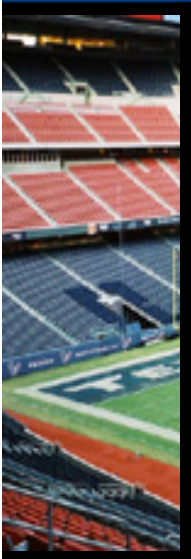


Additional Acronyms

- **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 partnership,
you’ve seen one public-private partnership.”**

Administrator of the Federal Transit Administration

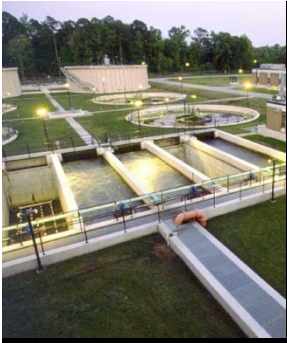
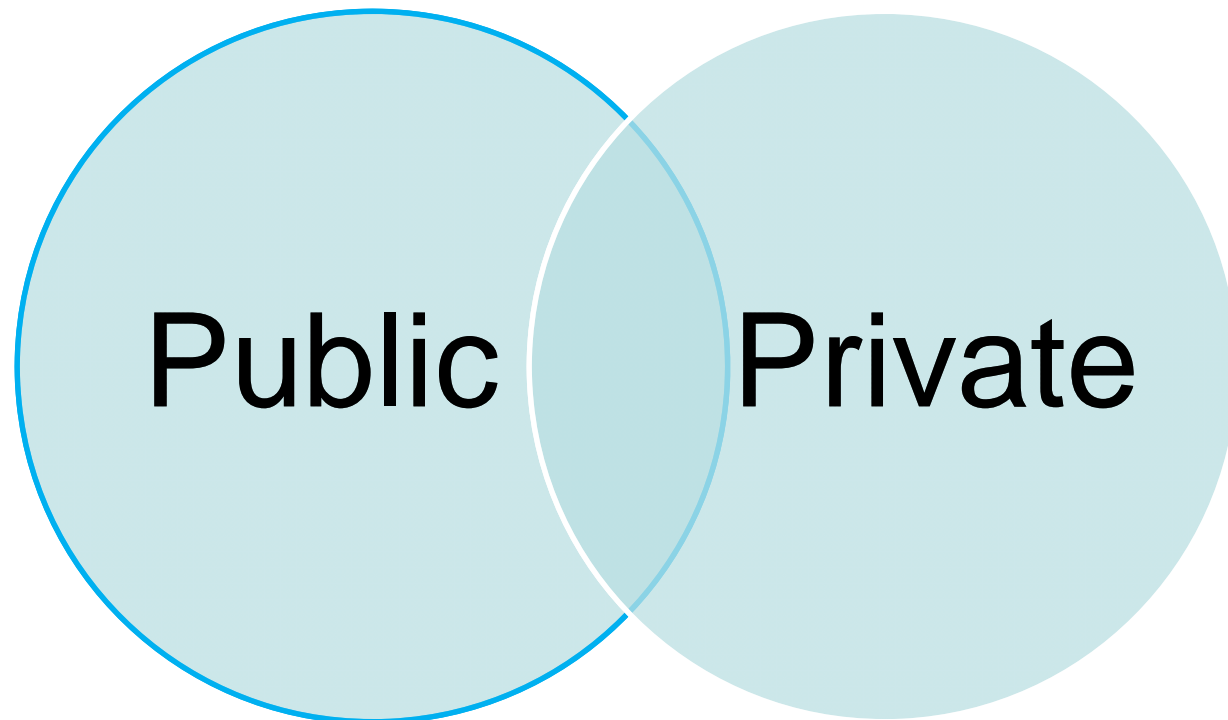


Structures of Partnerships

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: Single Company Partnerships

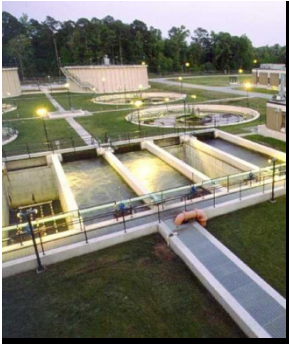




Example of Single Company Partnerships

The Oyster School, Washington, DC

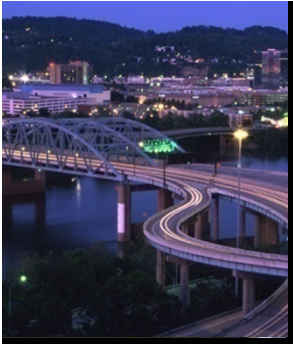
- City was in financial default → discontinued maintenance of the school, leading to condemnation
- Parents protested and organized a community effort
- LCOR (a real estate developer) purchases 1/3rd of the land (a former play yard) and builds a 212 unit market rate apartment building.
- Agreement waives property tax on the apartment building for a Payment In Lieu Of Taxes (PILOT), which was the construction of a new school (cost = \$35 m).
- Results:
 - No public funds involved
 - School a public property
 - Model for the Virginia PPEA



Example of Outsourcing

Sandy Springs, Georgia

- Separately incorporated new community
- 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"

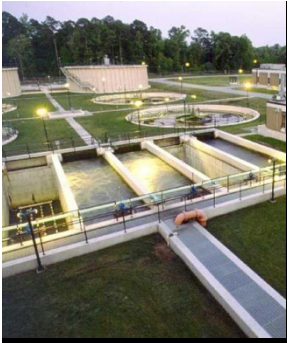
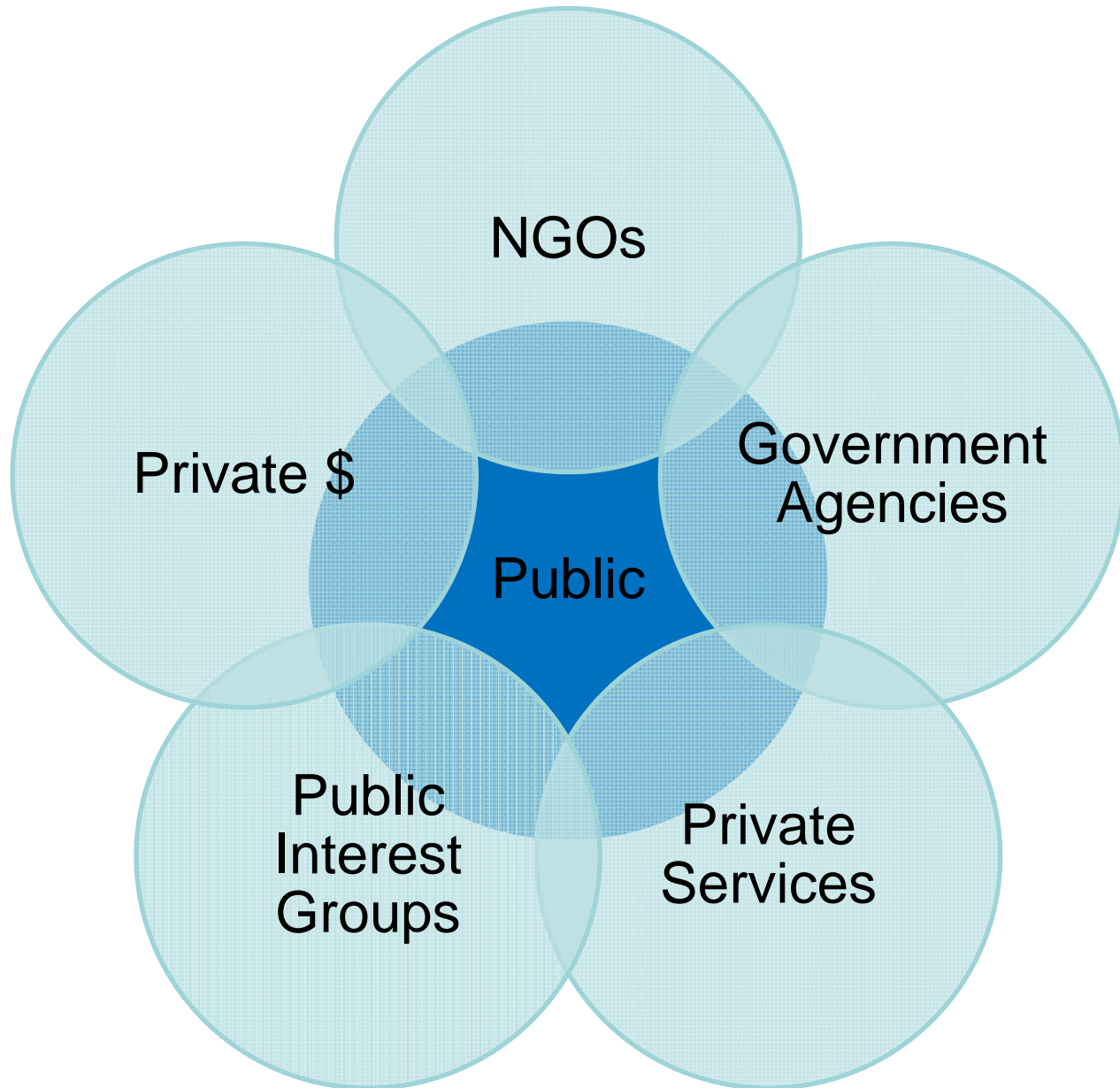
Stephen Goldsmith and William Eggers

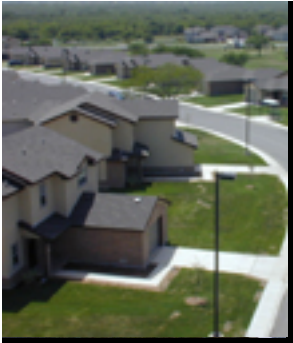
The Brookings Institute, Washington, DC, 2004

- "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 Federal 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)

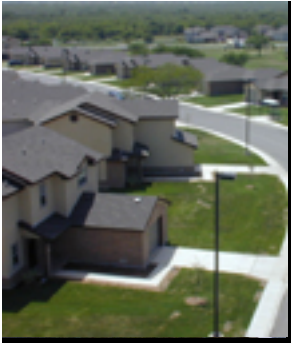
- Less than 18% of the workforce is Park Service
- Accomplishments:
 - \$100 million in capital improvements (1,000 historical buildings)
 - Toxic site clean up - \$34 million of non-government funds and done faster
 - Thriving public recreational and education facilities / programs





Seven Keys to Successful PPPs

- **Public Sector Champion**
- **Statutory Environment**
- **Organized Structure**
- **Detailed Business Plan**
- **Clearly Defined Revenue Stream**
- **Stakeholder Support**
- **Pick Your Partner Carefully**

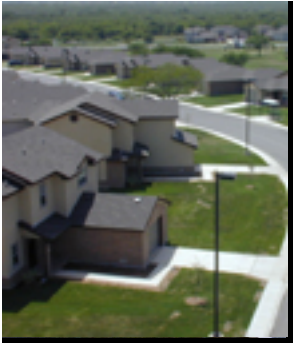


Managing for Success – Seven Keys

Component One:

Public Sector Champion

- Political leadership must be in place
 - Leading Political Figure
 - Top Administrative Officials
 - “The Will to Change the System”
 - A Strong Policy Statement

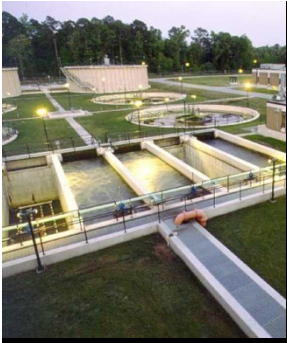


Managing for Success – Seven Keys

Component Two:

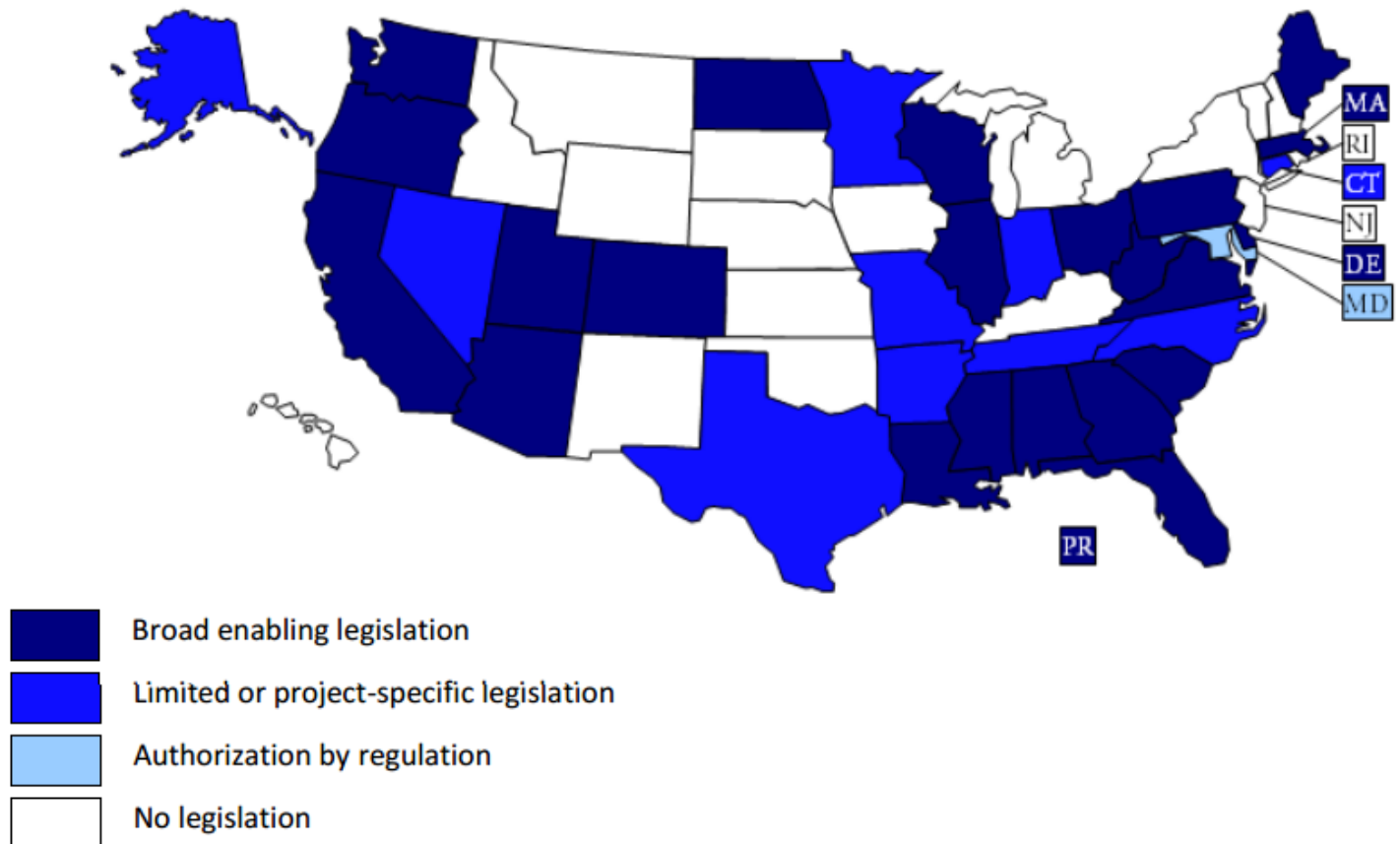
Statutory Environment

- Statutory authority and regulations
 - Necessary for enforcement of the contract
- Rapid evolution underway at State levels
- Existing Federal authority for some agencies
 - DOD, VA vs. GSA and DOE
- Maryland well positioned
 - Statutes for higher education and new State properties statute



States with Enabling Statutes

States with Transportation PPP Enabling Legislation as of Jan. 24, 2013
(Updated from page 15 of the 2010 NCSL PPP Toolkit)



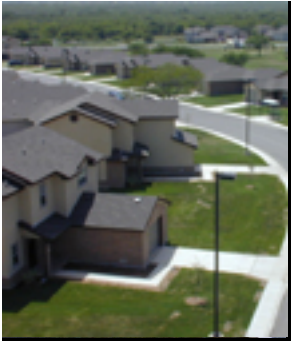


Managing for Success – Seven Keys

Component Three:

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 Three:

Organized Structure (continued)

- Per RFP process
 - Market evaluations of underutilized assets
 - Public sector comparator and Value for Money
- 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 – Seven Keys

Component Three:

Organized Structure (continued)

Understanding the Value for Money Process

NCPPP White Paper

“Testing Tradition: Assessing the Added Value of Public-Private Partnerships”

at www.ncppp.org



Managing for Success – Seven Keys

Component Four: **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

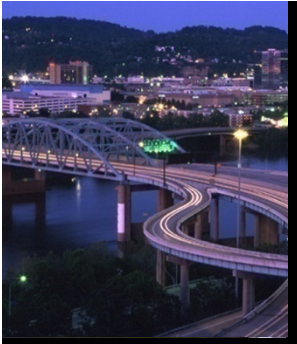


Managing for Success – Seven Keys

Component Five:

Clearly Defined 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, Texas and others
 - Both allow commercial activity on publicly owned assets (land, building, etc.)
- Creative Approaches

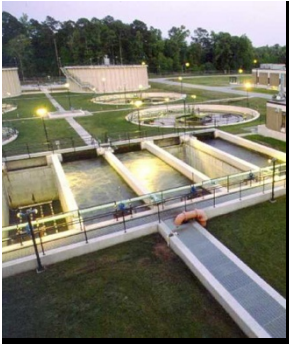


Managing for Success – Seven Keys

Component Six:

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

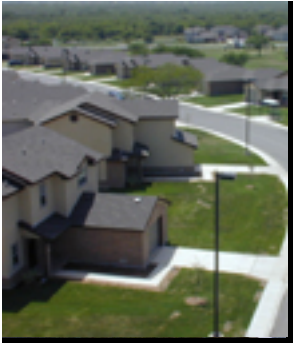


Managing for Success – Seven Keys

Component Seven:

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



CASE STUDIES

Learn from successes and failures

**Provide the you with examples for
implementation**

YOU ARE THE KEY

Extrapolate and Adapt

NCPPP website www.ncppp.org

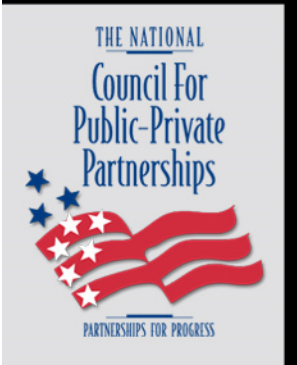
Domestic and International case studies

The Seven Keys in all of these



Seven Keys to Successful PPPs

- **Public Sector Champion**
- **Statutory Environment**
- **Organized Structure**
- **Detailed Business Plan**
- **Clearly Defined Revenue Stream**
- **Stakeholder Support**
- **Pick Your Partner Carefully**



CASE STUDY ECONOMIC DEVELOPMENT

PUBLIC FACILITIES

- **SCHOOLS, LIBRARIES, ETC**
 - The Virginia PPEA example
- **HOSPITALS**



- Hancock Geriatric Treatment Center, Williamsburg, VA
- Unsolicited proposal
- 26 buildings over 30 years old
- Reconfigured to reduce operating costs by 30 percent with no disruption of facility operations

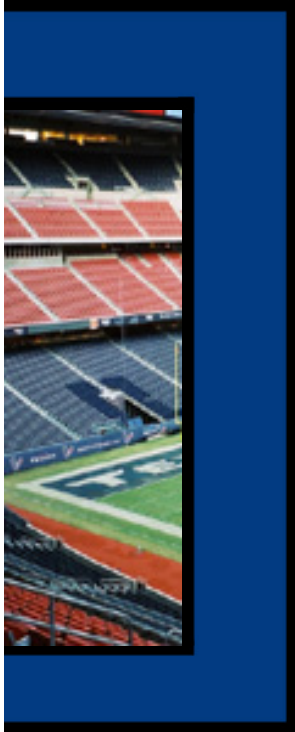


CASE STUDY TRANSPORTATION

WASHINGTON DC METRO STATION



- An “in fill” station in an economically depressed area
- Public and private initiatives
- Cost: \$90 million
- Local Developer provided 30% through a dedicated tax district and the land for the station
- Economic Impact: 600% increase in property values in 3 years



NoMa*/New York Avenue Metro Area: Vision Plan & Development Strategy



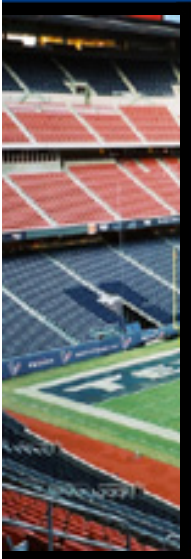
*NoMa = North of Massachusetts avenue



Government of the District of Columbia Anthony A. Williams, Mayor



October 12, 2005



THE PROCESS – what the public sector needs to know about the private sector??

How do you attract the interest of the private sector?

The Problem of “No Response”

- The need to make a return on the investment
- Up-front costs at risk

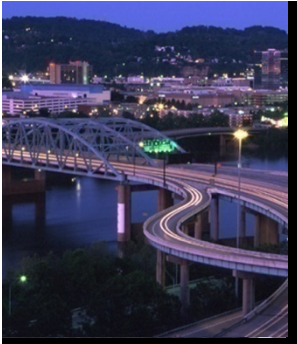
Public sector steps before the RFP

- General concept design, but not design specific
- Evaluation of the value of publicly held lands
- Evaluation of market potential, including tax revenues to be generated
- RFQ to select a design and construction team
- RFP to the selected group developed by the RFQ
- Private pre-RFP costs can be significant, but projects have a higher probability of success (because of the pre-RFP process)



Remember Seven Keys to Successful PPPs

- **Public Sector Champion**
- **Statutory Environment**
- **Organized Structure**
- **Detailed Business Plan**
- **Clearly Defined Revenue Stream**
- **Stakeholder Support**
- **Pick Your Partner Carefully**



Conclusions

PPPs Not Easy, but . . .

- Need for Public sector education to overcome “institutional inertia”
- Can be a valuable option
 - Sometimes, the only way it can be done
- A means of cost effective, accelerated delivery
- Requires a genuine partnership and open communications between sectors



Need Help?

www.ncpppp.org

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



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Suite 480
Arlington, VA 22201
703-469-2233
ncpppp@ncpppp.org



Government
of Canada

Gouvernement
du Canada

Canada



Public-Private Partnerships The Canadian Experience

Partnership for Public Facilities & Infrastructure Act Guideline Task Force
Tallahassee, October 24, 2013

Presented by Marc-Andre Hawkes, Consul and Sr. Trade Commissioner



Canada

CONSULATE GENERAL
CONSULAT GÉNÉRAL

MIAMI



About Us

Consulate web site:

www.can-am.gc.ca/miami

Canada's Trade Commissioner's web site:

www.tradecommissioner.gc.ca



Agenda

- The Global Challenge
- PPP's: What are they
- Canada PPP Market
- Canada's P3 Model – Best in Class
- Canadian P3 Projects
- Taking Partnerships Global & Working Together



Infrastructure Investment The Global Challenge

Global Infrastructure Deficit



\$57 trillion

Roads	\$16.6 TN
Power	\$12.2 TN
Water	\$11.7 TN
Telecommunications	\$9.5 TN
Rail	\$4.5 TN
Airports	\$2.0 TN
Ports	\$0.7 TN



Infrastructure Investment

- **Drives Jobs**
- **Drives Growth + Prosperity**
- **Drives Global Competitiveness**

But some realities....



Infrastructure Challenge

Infrastructure Deficit

+

Fiscal Reality

≈

P3



PPP's: What Are They?



What is a PPP?

It goes by many names (P3, PFI, AFP)

- **PPP's are alternative procurement model for government infrastructure to traditional design / construction**
- **A single entity ("Project Co") contracts with government and in turn contracts with consortium partners**
- **The private sector accepts responsibility for Design, Construction, Financing, Maintenance and in some cases Operations**
- **The facilities management component covers a long term concession period (25 – 35 years) with pre-defined hand back conditions**
- **Contracting arrangements are performance based**
 - **Payment from Government only begins upon completion of construction**
 - **On-going payments remain subject to deduction for failures in service delivery**



Top 8 P3 Myths

- 1. P3s mean privatisation**
- 2. P3s mean loss of public control**
- 3. P3s are more expensive**
- 4. P3s are secretive**



Top 8 P3 Myths

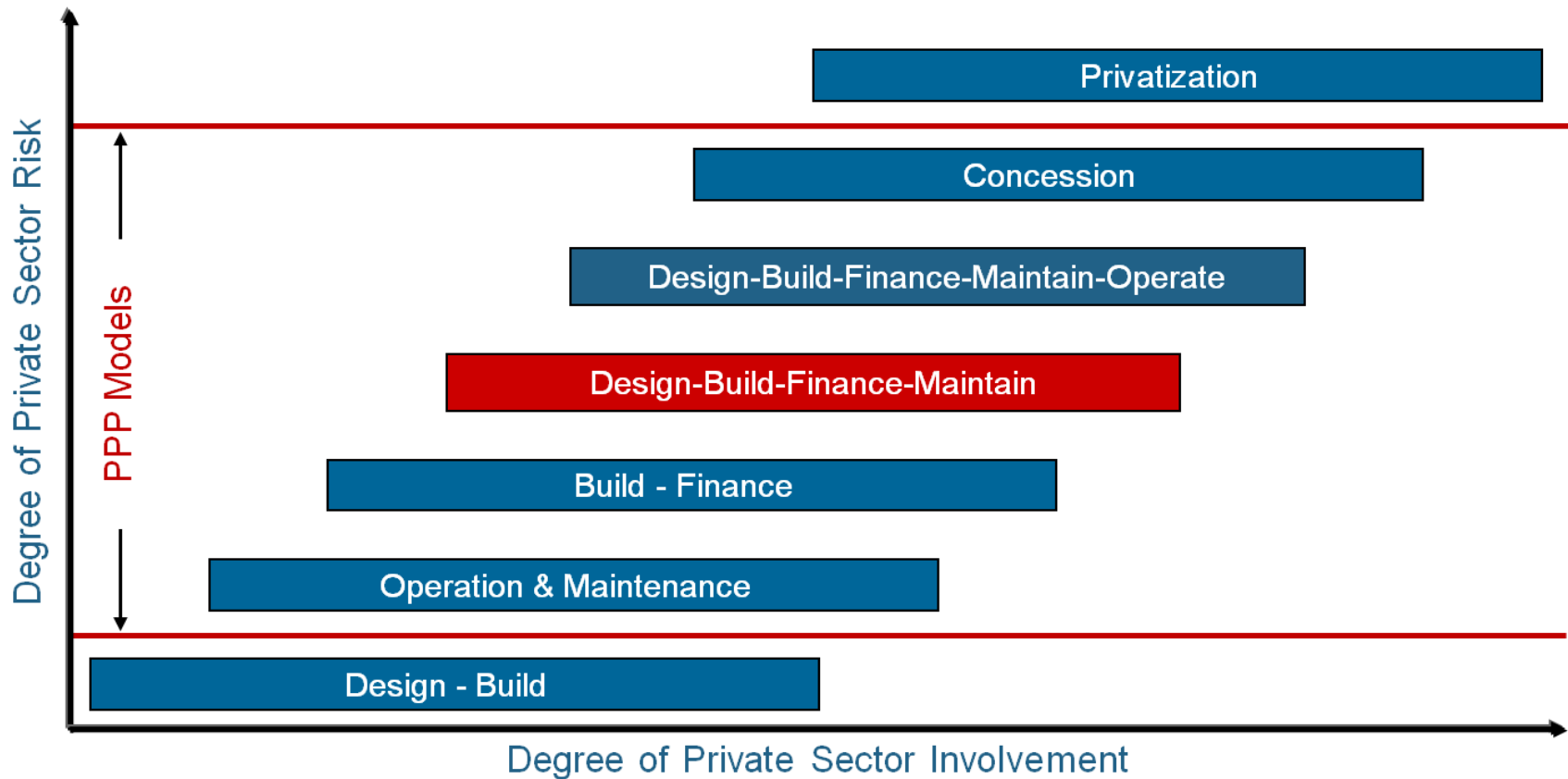
- 5. P3s maximise private sector profits**
- 6. The public sector is on the hook if things go wrong**
- 7. Unions do not like P3s**
- 8. The general public does not like P3s**



Canadian PPP Market



Models of PPP in Canada



Source: The Canadian Council for Public Private Partnerships



Canadian PPP Overview

- **20+ year history**
- **205 projects**
- **\$62 Billion**



PPP Projects by Sector

Sector	Number*	Value (\$B) **
Transportation	44	26.2
Hospitals & Healthcare	78	20.4
Justice/Corrections	19	5.2
Energy	5	4.3
Education	11	1.8
Recreation & Culture	17	1.4
Real Estate	3	0.9
Defence	1	0.9
Environmental	22	0.6
Government Services	5	0.2
Total	205	61.9+

* Includes projects with committed PPP Canada funding that have not gone to RFQ yet.

** Includes only actual cost figures released after financial close.

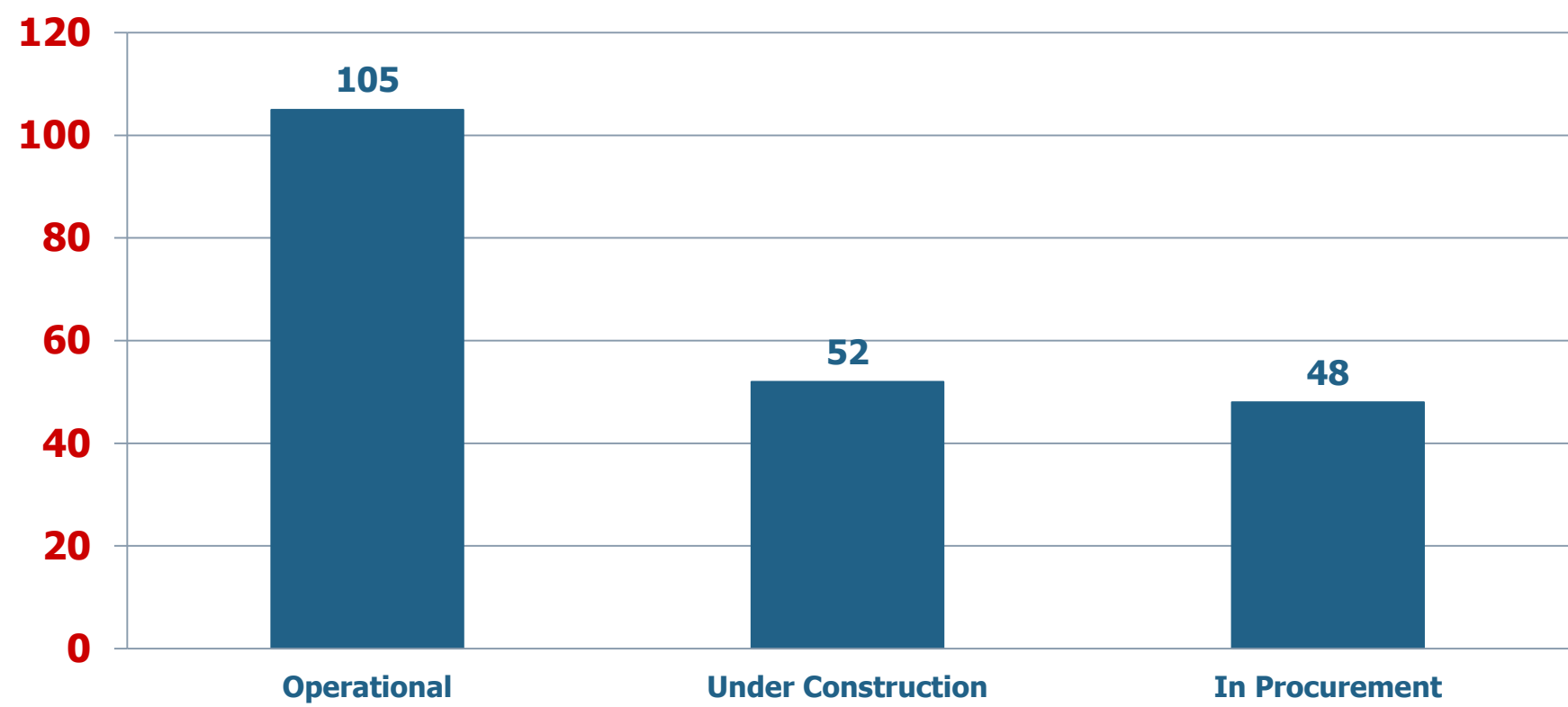


PPP Projects by Location

Province	Number
Alberta (4 million population)	17
British Columbia (4.5M)	35
Manitoba (1.3M)	5
New Brunswick (760K)	10
Newfoundland & Labrador (530K)	1
Nova Scotia (940K)	3
Nunavut (35.6K)	2
Ontario (13.5M)	102
Québec (8.2M)	18
Saskatchewan (1.1M)	4
Federal	8
Total	205

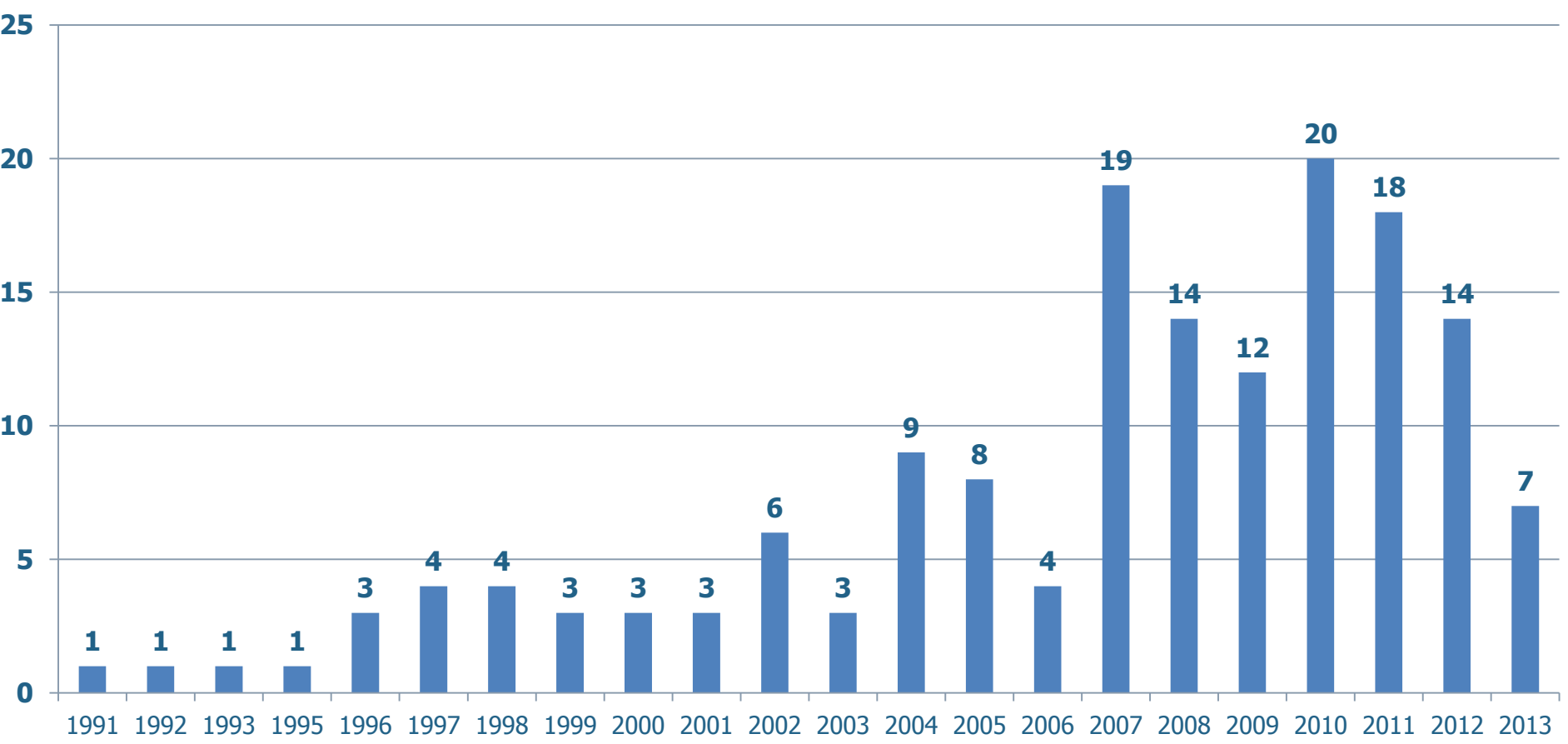


PPP Projects by Status





P3 Projects Timeline



Projects reaching Financial Close by Year (n=158)



Canada's P3 Model – Best in Class



Canadian P3 Results

- **On Time**
- **On Budget**
- **Less Cost**



Canadian P3 Agencies

- **Federal**
 - **PPP Canada Inc.**
- **Provincial**
 - **Infrastructure Ontario**
 - **Partnerships BC**
 - **Alberta Infrastructure**
 - **Infrastructure Québec**
 - **Partnerships New Brunswick**
 - **SaskBuilds**



The Canadian Model – Best in Class

- **Political & Public Sector Champions**
- **Favourable Legislative Environment**
- **Value for Money**
- **Risk Identification and Sharing**
- **Whole of Life Costing**
- **Lifecycle Maintenance**
- **Performance-based Contract**



The Canadian Model – Best in Class

- **Fixed Price/Non Performance Penalties**
- **Competitive Procurement**
- **Procurement Process Efficiencies**
- **Transparency & Fairness**
- **Reliability - Commitment to the Model**
- **Well Developed Bond Market/Deep Capital Markets**
- **Labour Transition Provisions**



Canadian P3 Projects



Confederation Bridge, New Brunswick - PEI



Canada Line, Vancouver, BC



Bridgepoint Health, Toronto, Ontario



Durham Courthouse, Oshawa, Ontario



Goderich Water & Wastewater System, Ontario



**Communications Security Establishment Canada –
Long-Term Accommodation Project, Ottawa, Ontario**



The Next Generation of P3 in Canada

Public Sector Owners

- **Provinces**
 - **Saskatchewan**
- **Territories**
 - **Nunavut**
 - **Northwest Territories**
- **Municipalities**
- **Aboriginal Communities**



The Next Generation of P3 in Canada

Sectors

- **Urban Transit**
- **Water/Wastewater**
- **Social Housing**
- **Green Energy**
- **Broadband**
- **Government Services**



Taking Partnerships Global & Working Together



Taking Partnerships Global



The Victorian Comprehensive Cancer Centre (VCCC)

Location:

Melbourne, Victoria, Australia

Value (NPV): A\$1 billion

Financial Close:

16 December, 2011

Completion Date: Early 2016

Duration: 25 years

Public partner

Victorian Government

Private Partner

Plenary Group (sponsor and investor)

Grocon and PCL (Construction JV)

Honeywell (facilities/ maintenance manager)



US and Florida Markets

- **U.S. P3 market about to “take off”?**
- **Handful of states advancing in P3**
- **P3 = jobs**



How can Canada Help?

- **Expertise in both the private and public sectors**
- **Many Canadian firms already operate in Florida**



Canadian Council for Public-Private Partnerships (CCPPP)

About CCPPP

- **Mission:**
To promote innovative approaches to infrastructure development and service delivery through PPPs with all levels of government
- **Founded in 1993**
- **Non-profit**
- **Non-partisan
(Public and Private Sectors)**
- **Member-sponsored**

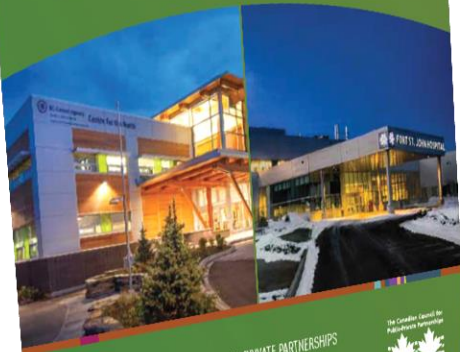
Major Activities

- **Research**
- **Awareness Raising / Education**
- **Cross-Canada Events**
- **Annual Conference**
- **National Awards for Innovation & Excellence**
- **Case Studies**
- **Project Database**
- **National Opinion Poll**



BC CANCER AGENCY FOR THE NORTH, BRITISH COLUMBIA
FORT ST. JOHN HOSPITAL AND RESIDENTIAL CARE PROJECT, BRITISH COLUMBIA

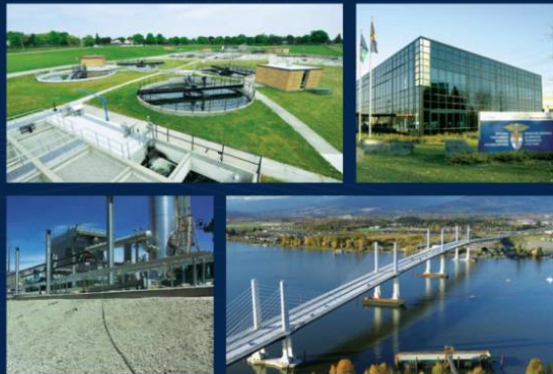
BUILDING HEALTHCARE FACILITIES TO MEET NORTHERN NEEDS



THE CANADIAN COUNCIL FOR PUBLIC-PRIVATE PARTNERSHIPS
2012 NATIONAL AWARD CASE STUDIES
BRITISH COLUMBIA NORTHERN HEALTH FACILITIES



PUBLIC-PRIVATE PARTNERSHIPS A GUIDE FOR MUNICIPALITIES



THE CANADIAN COUNCIL FOR PUBLIC-PRIVATE PARTNERSHIPS

Breaking New Ground: P3 Hospitals in Canada



www.ppppcouncil.ca

Register now: www.p3-2013.ca



P3 2013

CCPPP National Conference November 7 & 8 Toronto

Canadian P3: Building the Global Standard





For additional information, please contact me directly at

Email: marc-andre.hawkes@international.gc.ca

Phone: (305) 579-1628

Consulate General of Canada in Miami

200 S. Biscayne Blvd., Suite 1600, Miami, FL 33131

Florida Department of Transportation **Public-Private Partnerships**

presented to the
Partnership for Public Facilities and Infrastructure Act Guidelines Task Force



Leon Corbett, Project Finance Manager
October 24, 2013



Issues Facing Transportation Infrastructure Needs

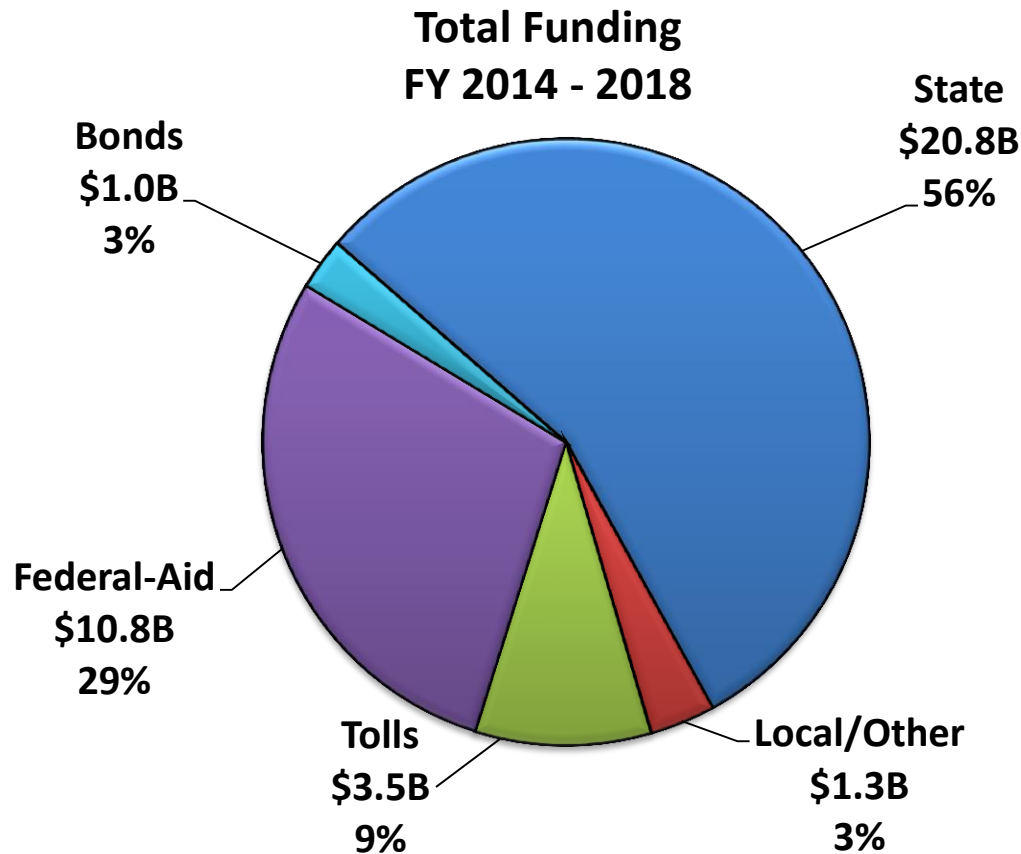
The Historical Approach Will Not Meet Future Needs

- Gas tax is unsustainable
- Federal government lacks long-term strategy
- Aging infrastructure
- Florida is better-positioned in infrastructure, but needs are increasing:
 - Florida has more than 19 million residents and will be the 3rd most populous state in a few years
 - More than 91 million visitors in 2012



FDOT Five-Year Work Program

Diversification of Funding Sources Will Be Key in the Future



14ADOPT01 - Adopted Work Program

1-July-2013



TOTAL 5-YEAR ADOPTED WORK PROGRAM \$39,199M

Project Financing Options

How can we leverage future funding or project revenues to advance a project?

- ✓ Bonding
- ✓ State Infrastructure Bank (SIB) loans
- ✓ Direct Transportation Infrastructure Finance and Innovation Act (TIFIA) loans
- ✓ Tolling
- ✓ Public-Private Partnerships (P3s)
 - Design-Build-Finance
 - Design-Build-Finance-Operate-Maintain utilizing TIFIA and Private Activity Bonds (PABs)



P3 Value Proposition

P3 Seeks to Achieve 5 Primary Goals

1. Transfer of appropriate risk items to private partner
2. To capitalize on the private sector's innovation and access to capital markets
3. To provide capacity improvements much sooner than possible under traditional pay-as-you go approach financing
4. To eliminate project phasing and advance the overall project
5. To enhance long-term, lifecycle cost efficiency and service quality



FDOT P3 History

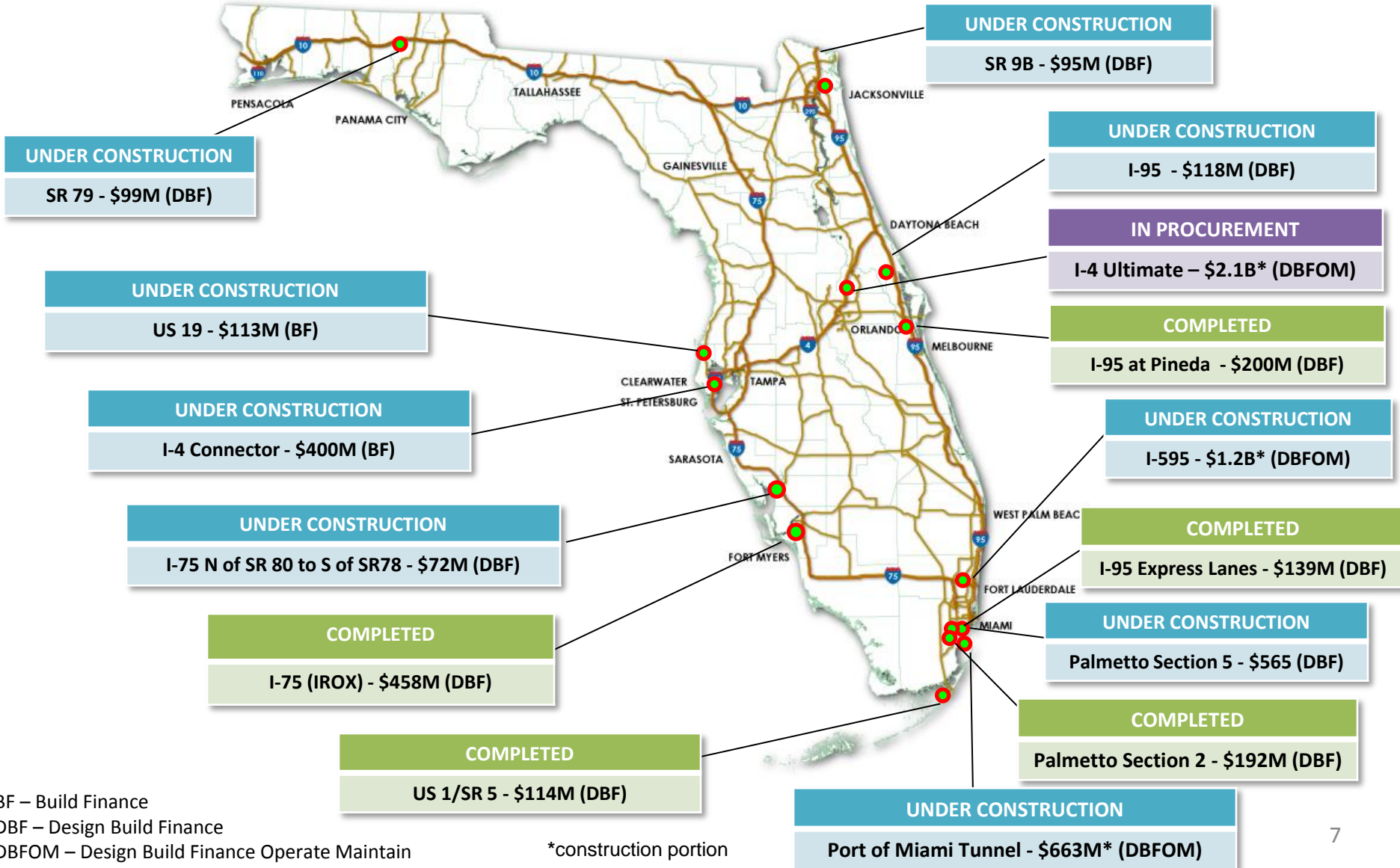
FDOT's Strong Public-Private Partnership History

Project	Type	Contract Executed	Estimated Completion	Est. Years Advanced
I-595	DBFOM	March 2009	June 2014	15 years
Port of Miami Tunnel	DBFOM	October 2009	September 2014	Undetermined
All Other Projects	10 – DBF 2 – BF	Varies	5 Completed	1 year to 5 years





Florida Department of Transportation P3 Projects



P3 Statutory Requirements

s. 334.30, F.S. - Legal Framework Provides Flexibility

- Broad authority accommodates different types of P3s
 - Short-Term Project Advancements (Design Build Finance and Build Finance)
 - Concession Agreements (Toll and Availability Payments)
 - Asset Leases
- Term lengths
- Innovative Finance
- Solicited and Unsolicited Proposals



P3 Statutory Requirements

Legal Framework Provides Controls and Creditworthiness

- Public benefit and cost effectiveness analysis
- 15% of federal and state funding cap
- Inclusion in State Transportation Trust Fund debt assessment
- Ensure that availability payments are prioritized ahead of new capacity projects in annual Work Program development
- Approval by Governor and review by Legislature
- Portions of P3 payments are included in the Division of Bond Finance annual Debt Affordability Report



FDOT'S P3 Authority (s. 334.30, F.S.)

Design Build Finance Advances Projects with Short-Term Financing

The department may advance projects programmed in the adopted 5-year work program or projects increasing transportation capacity and greater than \$500 million in the 10-year Strategic Intermodal Plan....



Design Build Finance

Procurement

- Technical evaluation to select winner
- Two-phase procurement process that combines the evaluation scores of the ***Expanded Letters of Interest*** (Phase I) and the **Technical Proposal** (Phase II)
- Firms receive Phase I scores and have 48 hours to state intention to go on to Phase II (self short list)
- Phase II - Short-listed firms submit Technical Proposals for scoring
- Phase II - The firms submit financial plans for pass-fail review
- Contract award is based on the **lowest adjusted score**, which is determined by dividing the price proposal from the Design-Build Firm by the combined ***Expanded Letters of Interest score*** (Phase I) ***and technical proposal score*** (Phase II)
- Selection Committee reviews scoring and confirms winner



I-75 Design Build Finance

Case Study

Financing:

- ✓ Contractor financed

Benefit:

- ✓ Widened 30 miles from 4 to 6 lanes in Lee and Collier counties
- ✓ 1st **Design Build Finance** in Florida

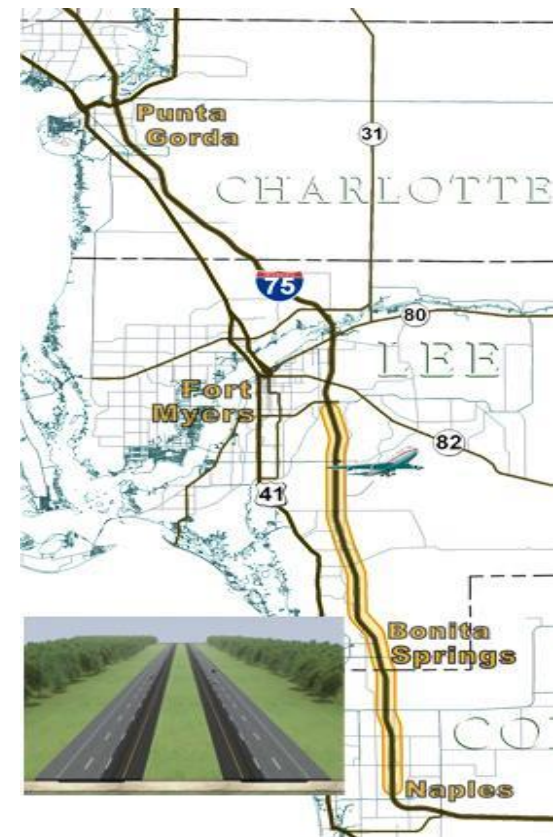
Key Decisions:

- ✓ Construction in 3 years, payment over 6 years
- ✓ Saved 5 years in construction time
- ✓ Created an estimated 600 “shovel to the ground” jobs and 14,000 other jobs involved with the project

Key Dates:

- ✓ Contract Executed – May 30, 2007
- ✓ New Lanes opened December 23, 2009, one year ahead of the contract schedule
- ✓ Completed on September 22, 2010

Cost: \$458M



FDOT's P3 Authority (s. 334.30, F.S.)

*Design Build Finance Operate Maintain (DBFOM)
Long-Term Availability Payment Agreements*

The department may enter into public-private partnership agreements that include extended terms providing annual payments for performance based on the availability of service or the facility being open to traffic...



DBFOM

Procurement

- Industry Forum and One-on-One Meetings
- Request for Qualifications (RFQ)
- Teams Shortlisted (usually 3 – 4 teams)
- Request for Proposals (RFP)
- Interactive, Flexible Process
- Technical and Financial Proposal Scoring
- Preferred Bidder Selection
- Financial and Commercial Close



DBFOM

Technical Requirements

- Technical requirements developed by the various design disciplines within the Department (i.e. Roadway Design, Pavements, Drainage, Structures, Traffic Operations, Construction, Maintenance, etc....)
- The technical requirements will cover the design, construction, and operations criteria required for the project.
- Operations and Maintenance requirements for long-term concession
- Handback requirements

I-595 DBFOM



Case Study

Financing:

- ✓ Final acceptance & availability payments
- ✓ Financed with TIFIA, bank loans, & private equity

Benefit:

- ✓ Adds 3 at-grade reversible tolled express lanes & significant corridor improvements

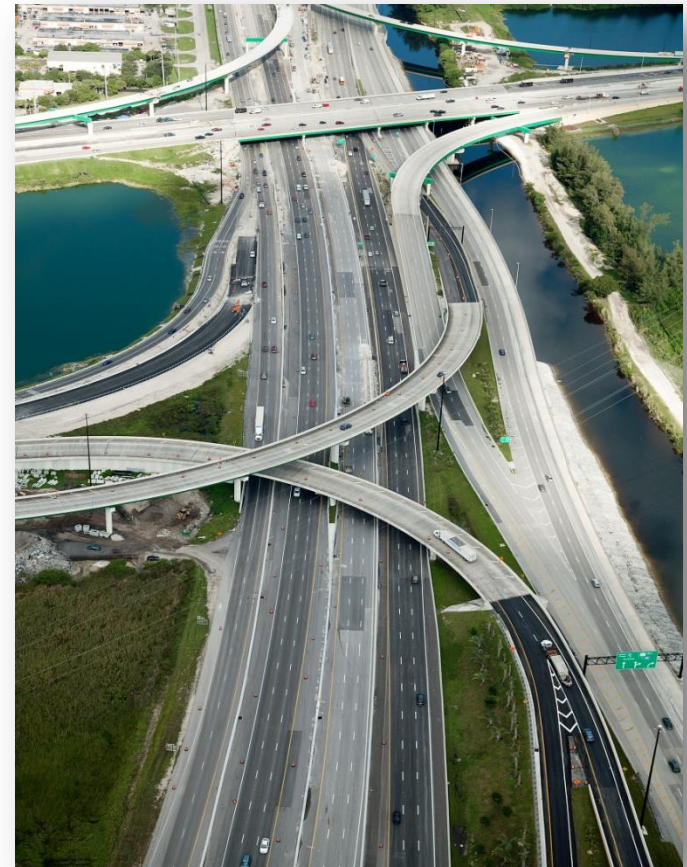
Key Decisions:

- ✓ Tolls set & retained by FDOT
- ✓ Concessionaire - 30-year O&M agreement

Key Dates:

- ✓ 1989 – Original facility opens to public
- ✓ March 2006 – PD&E completed
- ✓ July 2007 – P3 Industry Forum
- ✓ March 2009 – Contract executed
- ✓ Spring 2014 – Anticipated opening to public

Cost: \$1.2B



Project website: <http://www.i-595.com/index.asp>

Port of Miami Tunnel DBFOM

Case Study

Financing:

- ✓ Milestone, final acceptance & availability payments
- ✓ Financed with TIFIA, bank loans, & private equity

Cost: \$663M

Benefits:

- ✓ Improved access to the Port
- ✓ Increased traffic safety in downtown Miami

Key Decisions:

- ✓ No tolls
- ✓ Technical / geotechnical risks with tunnel
- ✓ Concessionaire - 30-year O&M agreement

Key Dates:

- ✓ March 1982 – MPO adopts a plan
- ✓ October 1989 – PD&E begins
- ✓ December 2005 – FDOT hosts P3 Industry Forum
- ✓ October 2009 – Contract executed
- ✓ May 2013 – Second tunnel completed (first tunnel completed July 2012)
- ✓ May 2014 – Anticipated opening



Project website: <http://www.portofmiamitunnel.com>



Future Project: I-4 Ultimate DBFOM

Financing:

- ✓ Construction period, final acceptance and availability payments
- ✓ FDOT seeks to make TIFIA/PABs available to support private financing

Cost: \$2.1B

Key Decisions: 21 miles at one time, size and complexity of project

Benefit: Major interchanges and bridge reconstruction, and addition of express lanes to provide congestion relief and improve safety

Key Dates:

- ✓ 1996 – Start PD&E
- ✓ 2000 – present: various environmental approvals and re-evaluations
- ✓ 2005 – ROW Acquisition begins
- ✓ Industry Forum – March 4, 2013
- ✓ Advertisement – March 8, 2013
- ✓ Contract Executed- Summer 2014
- ✓ Construction Start – Fall/Winter 2014



Project Website: <http://www.moving-4-ward.com>

P3 Lessons Learned

- Each project is unique
- Evaluate cost effectiveness or value for money early
- Multidisciplinary team needed
- Secure government and community stakeholders' support
- Educate, educate, educate
- Be clear on your value proposition
- Secure external experts with P3 experience, build internal expertise across projects
- Be transparent, have an interactive process
- A properly structured deal can be financed, even in the toughest of markets (flexibility is key)



Conclusion

- Diversification of funding sources will be key in the future
- Florida DOT uses multiple financial tools to advance projects
- P3 solutions vary – from DBF to DBFOM
- P3 doesn't answer all challenges; however, does provide a valuable tool in your toolbox
- Appropriate when there is a good business case demonstrating cost effectiveness or value for money

Questions



For more information contact:

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Project Finance Manager

Florida Department of Transportation

(850) 414-4421

leon.corbett@dot.state.fl.us

P3 website link:

<http://www.dot.state.fl.us/officeofcomptroller/PFO/p3.shtm>



Presentation for the Partnership for Public Facilities & Infrastructure Act Guidelines Task Force

**Chip Fletcher
County Attorney**

**October 24, 2013
Tallahassee, Florida**

Examples of County P3 Projects



- ▶ **Pending under the P3 Statute**
 - ▶ Public Safety Operations Center
 - ▶ Commuter Ferry Service Development
- ▶ **Completed prior to the P3 Statute**
 - ▶ Central Chiller Complex
 - ▶ Resource Recovery Facility
 - ▶ Citrus Park CDD Roadway Expansions
 - ▶ Tampa Bay Times Forum
 - ▶ Solid Waste Hauling and Recycling
 - ▶ Multi-Family Housing Developments
 - ▶ Head Start Program
 - ▶ Tampa Bay History Center

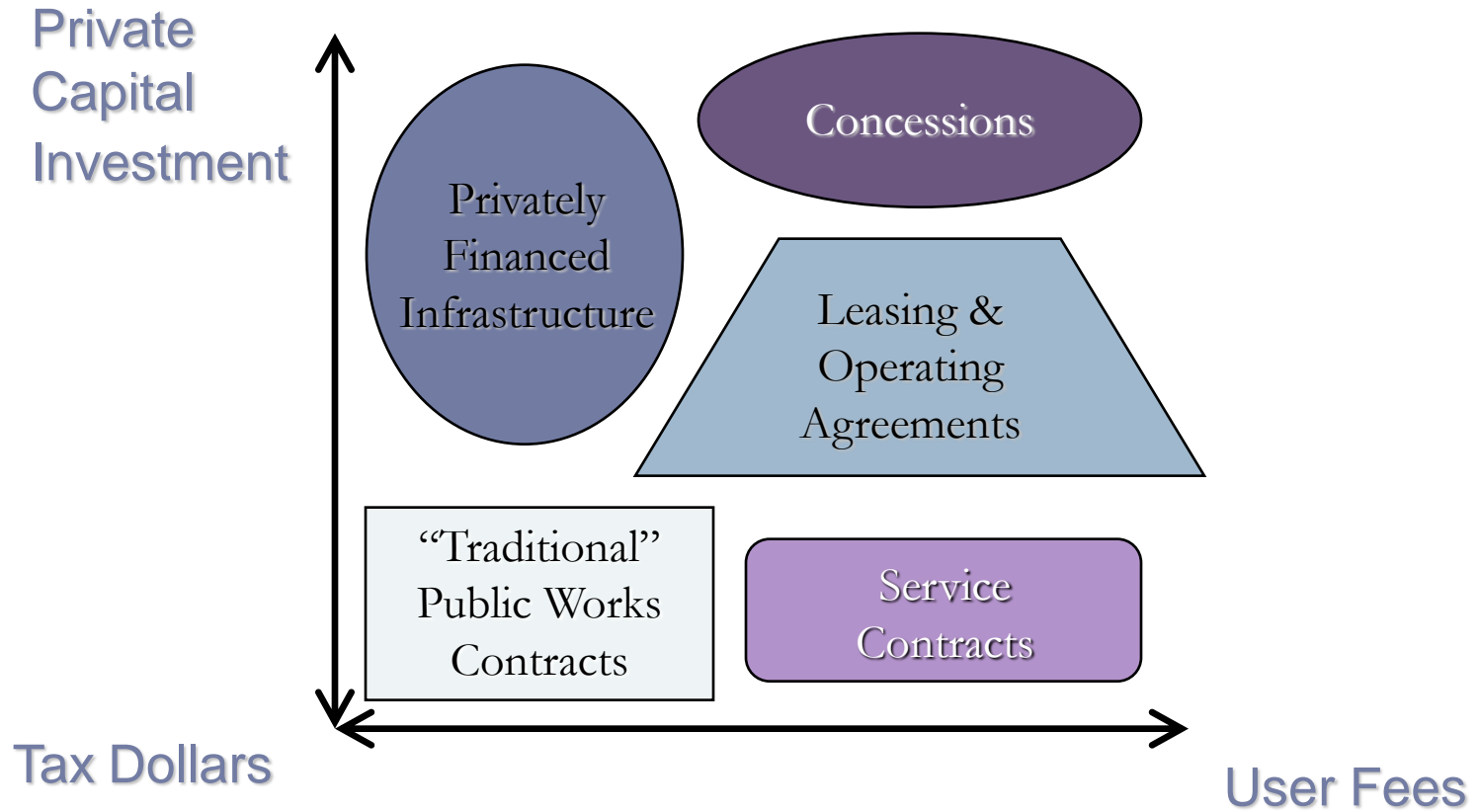


- ▶ Challenges for local governments implementing P3s under Florida law:
 - ▶ Florida Public Records Act (Section 119.07, F.S.)
 - ▶ Unsolicited proposals are typically subject to public disclosure.
 - ▶ Required financial information of potential P3 partners can be subject to public disclosure.
 - ▶ Consultants' Competitive Negotiation Act (Section 287.055, F.S.)
 - ▶ Often requires segmenting of P3 project procurements.
 - ▶ Can limit local governments' ability to utilize turn-key development methods common in the private sector.
 - ▶ Authority to establish revenue streams (user fees and assessments) and dedicate revenues to P3s.
 - ▶ See, e.g., State v. City of Port Orange, 650 So.2d 1 (Fla. 1994)

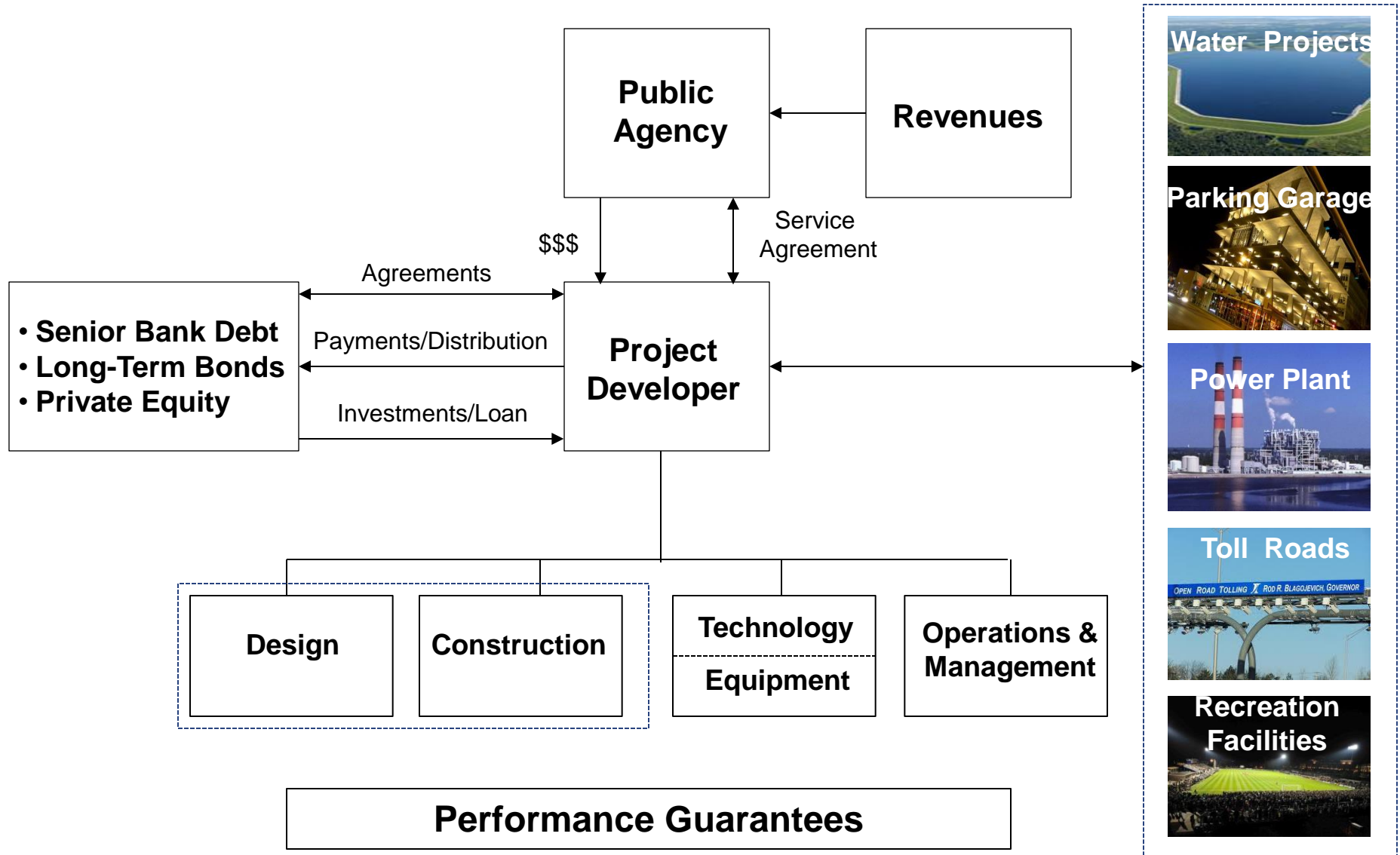
Continuum of P3s



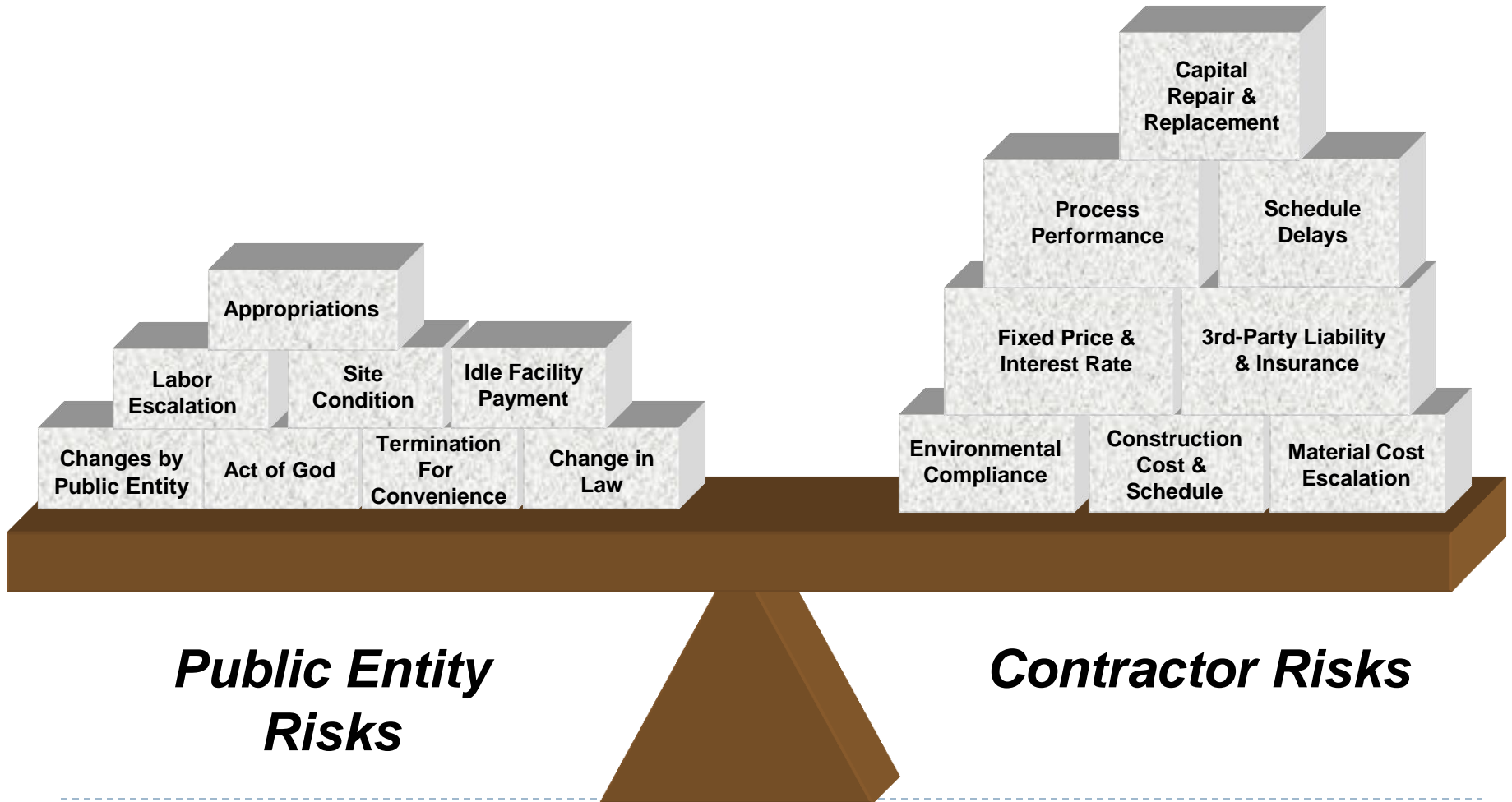
Continuum of P3s



Common P3 Project Structure



P3 Risk Allocation





Public-Private Partnership Guidelines Texas Facilities Commission

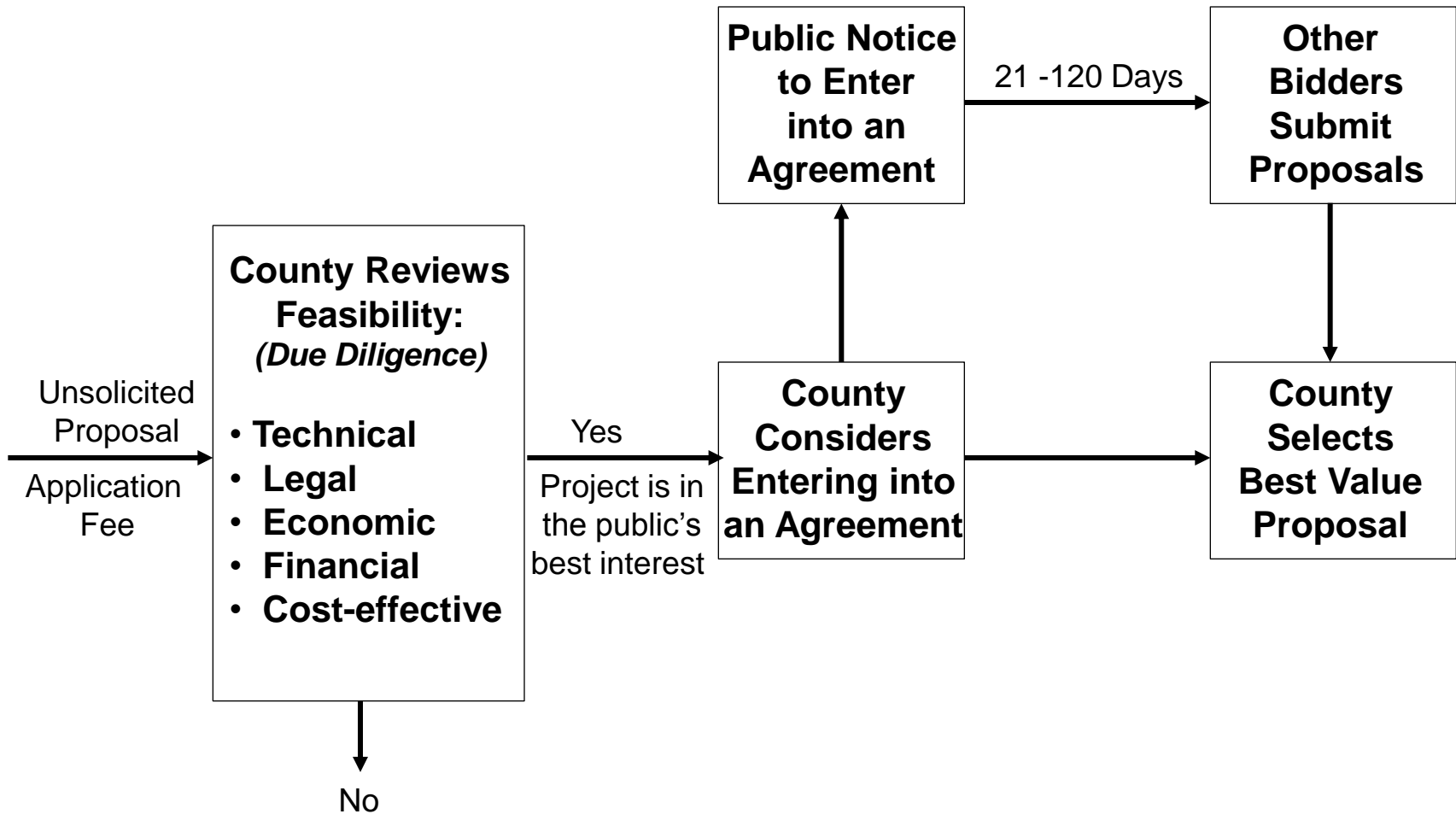
Planning and Real Estate Management Division

10. Financial Capacity

In this Section establish and demonstrate access to financial resources such as the ability to raise equity and secure debt capital to deliver the qualifying project in a professional and timely manner. To demonstrate financial resources, each proposal must provide the information listed below:

- a. Portfolio: Composition of current real estate portfolio, including the size, value, years of ownership, and asset performance compared to initial *proforma* statements; and any other relevant information.
- b. Pending Projects: A listing and description of all pending projects under enforceable funded contracts, including the status, development schedule, financing method, sources, and amounts, and financial commitments required of the private entity.
- c. Reports and Certified Financial Statements: Provide the most recent credit report or Dun & Bradstreet report and certified financial statements for the past four (4) years of each private entity or consortium of private entities and each partner with an equity interest of twenty percent or greater. Certified financial statements shall include balance sheets, income statements and statements with changes in financial position of any parent organizations and any materially relevant subsidiaries, identification of any projects with negative cash flows, amount of developer's recourse debt, any non-performing loans, and the amount of guarantees and contingent liabilities.
- d. Statement of Public Trading: If the entity is publicly traded, include as part of the electronic copy (searchable PDF format on CD), the stock exchange and trading symbols and a copy of the most recent 10K.
- e. Funding Source Action: Disclose whether any funding sources or financial institutions have threatened to take or have taken adverse action against the private entity, such as, loan acceleration, foreclosure, terminating or restricting the use of funds, anytime during the past five years.

Process for Reviewing P3 Proposals



Findings and Analysis Required



- **The P3 Statute contains various findings that must be made by the County before proceeding with the P3 procurement and/or contract.**
 - ▶ Some of the required findings are:
 - The project is “in the public’s best interests”
 - “adequate safeguards [are] in place to ensure that additional costs or service disruptions are not imposed on the public in the event of material default or cancellation of the agreement ...”
 - The project “will be owned by the responsible public entity upon completion or termination of the agreement and upon payment of the amounts financed”
- **Ultimately the County must “perform an *independent analysis* of the proposed public-private partnership *which demonstrates* the cost-effectiveness and overall public benefit before the procurement process is initiated or before the contract is awarded.”**

- ▶ Approaches to address challenges for local governments implementing P3s under Florida law:
 - ▶ Florida Public Records Act (Section 119.07, F.S.)
 - ▶ Clarifying that proposal pricing and other confidential financial information submitted as part of unsolicited or solicited P3s are exempt from public disclosure would facilitate use of P3s.
 - ▶ Consultants' Competitive Negotiation Act (Section 287.055, F.S.)
 - ▶ Allowing limited relief from CCNA when covered services are a component of a P3 project could significantly expand use of P3s.
 - ▶ For example, Section 380.06(15)(d)4, F.S. provides a limited exemption from CCNA when the work is part of a developer's DRI obligations.
 - ▶ Authority to establish revenue streams (user fees and assessments) and dedicate revenues to P3s.
 - ▶ Clarifying authority for local governments to be more creative in establishing and dedicating revenues for P3 would expand use of P3s.
 - ▶ May need to be addressed on a case-by-case basis.

Most of the preceding slides were excerpted from a presentation made to the Hillsborough County Board of County Commissions on July 18, 2013 prepared in collaboration with: Bonnie Wise, Hillsborough County Chief Financial Administrator, Tom Fass, Hillsborough County Director of Facilities Management Services, and Larry Scully, President, Scully Capital.