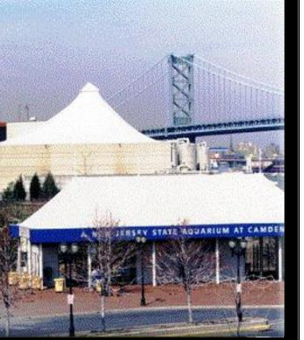
THE NATIONAL
Council For
Public-Private
Partnerships

PARTNERSHIPS FOR PROGRESS

PPPs:
The Alphabet Soup

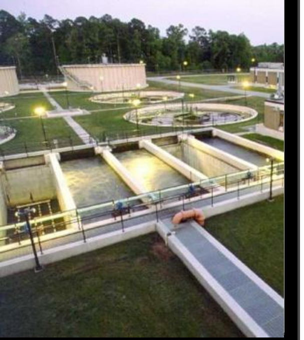
Richard Norment
NCPPP Executive Director



THE NATIONAL
Council For
Public-Private
Partnerships
PARTNERSHIPS FOR PROGRESS

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 = **<u>The level of public control & oversight</u>**



THE NATIONAL Council For Public-Private Partnerships

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)

THE NATIONAL
Council For
Public-Private
Partnerships
PARTNERSHIPS FOR PROGRESS

R711

NOT OVER TWENTY SHARES $20

No.

+++20+++ SHARES

343

INCORPORATED UNDER THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS

BOSTON ELEVATED RAILWAY COMPANY.

THE NEW ENGLAND TRUST COMPANY, TRUSTEE UNDER AN INDENTURE DATED

This Certifies that AUGUST 28, 1923 BY AND BETWEEN CARLTON G. ROBBINS AND SAID TRUST COMPANY+++

is the owner of +++++TWENTY+++++ fully paid COMMON shares of the capital stock of the Boston Elevated Railway Company which shares are transferable with respect to the Company only in person or by attorney by transfer recorded on the books of the Company upon the surrender of this certificate properly endorsed. Under Sp. Acts of 1918, C. 159 and vote of stockholders of June 3, 1918 preferred stock was issued, entitled to preferential, cumulative semi-annual dividends at rate of 7% per annum, subject to retirement in whole or in part at $105.00 per share and accrued dividends and also entitled to that amount in liquidation before any payment on common stock. Said preferred stock is in addition to and subject to the first and second preferred stocks authorized by St. 1911 c. 740. Under authority thereof and vote of Board of Trustees of Jan. 25, 1922 first preferred stock and second preferred stock was issued entitled to the rights, priorities and preferences and subject to the restrictions set forth in St. 1911, C. 740. The First preferred stock is entitled to first preference cumulative semi-annual dividends at rate of 8% per annum. The second preferred stock is entitled to second preference cumulative semi-annual dividends at rate of 7% per annum. The first preferred and second preferred stock may be exchanged for an equal amount at par of the common stock at the option of the holders thereof. In case of dissolution or liquidation holders of said first preferred and second preferred stock are entitled to the payment of the par value of their shares and all accrued and unpaid dividends before any payment is made to the holders of any other shares. No stock may be issued prior or equal to the first preferred and second preferred stock without the consent of two thirds of the holders of such stocks respectively or as authorized by law. The first preferred stock is not entitled to participate in new stock issues. This certificate will not be valid unless countersigned by the Transfer Agent and registered by the Registrar.

In Witness Whereof the Boston Elevated Railway Company has caused its corporate seal to be hereto affixed and this certificate to be executed in its name and behalf by its President and by its Treasurer thereunto duly authorized or by other persons designated by the Board of Directors.

AUG 31 1923

BOSTON ELEVATED RAILWAY COMPANY

COUNTERSIGNED OLD COLONY TRUST COMPANY TRANSFER AGENT BY ASSISTANT SECRETARY

REGISTERED AT BOSTON AMERICAN TRUST COMPANY REGISTRAR BY ASSISTANT SECRETARY

TREASURER

SPECIALLY DESIGNATED BY BOARD OF DIRECTORS

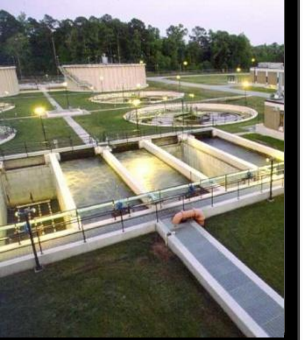
JOHN A. LOWELL BANK NOTE CO. BOSTON

THE NATIONAL Council For Public-Private Partnerships

PARTNERSHIPS FOR PROGRESS

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

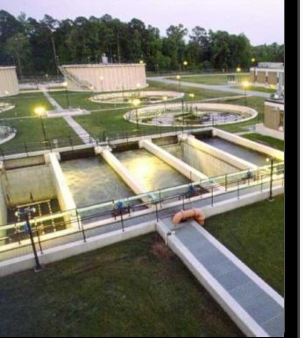
Public-Private Partnership

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

THE NATIONAL Council For Public-Private Partnerships

PARTNERSHIPS FOR PROGRESS



Six Keys to Successful PPPs

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

THE NATIONAL Council For Public-Private Partnerships

PARTNERSHIPS FOR PROGRESS

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

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

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

THE NATIONAL Council For Public-Private Partnerships

PARTNERSHIPS FOR PROGRESS

DB

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)

THE NATIONAL Council For Public-Private Partnerships

PARTNERSHIPS FOR PROGRESS

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

THE NATIONAL Council For Public-Private Partnerships
PARTNERSHIPS FOR PROGRESS

THE NATIONAL Council For Public-Private Partnerships

PARTNERSHIPS FOR PROGRESS

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)

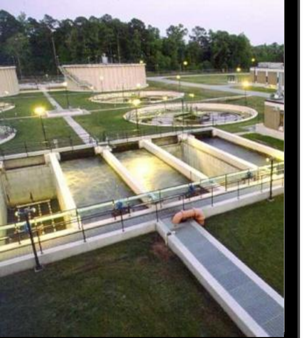
DBFOMT

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

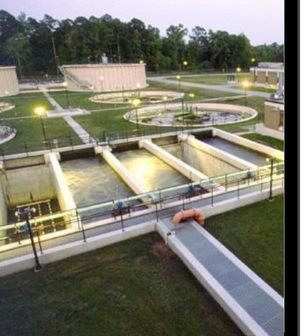
- Numerous options are available for private sector financing, but all require a return on that investment
- Some of the income stream options
  - Portion or all of the fares
  - Transit Oriented Development (TOD)
  - Long-term maintenance agreements



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

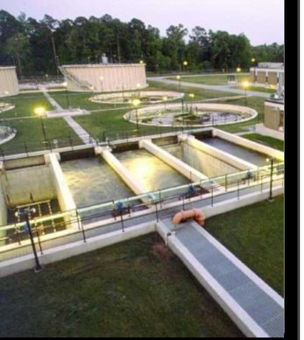
THE NATIONAL
Council For
Public-Private
Partnerships
PARTNERSHIPS FOR PROGRESS



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

THE NATIONAL
Council For Public-Private Partnerships
PARTNERSHIPS FOR PROGRESS



THE NATIONAL
Council For
Public-Private
Partnerships
PARTNERSHIPS FOR PROGRESS

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 pubic 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

2000 14^{TH} Street North

Suite 480

Arlington, VA 22201

703-469-2233

rnorment@ncppp.org