

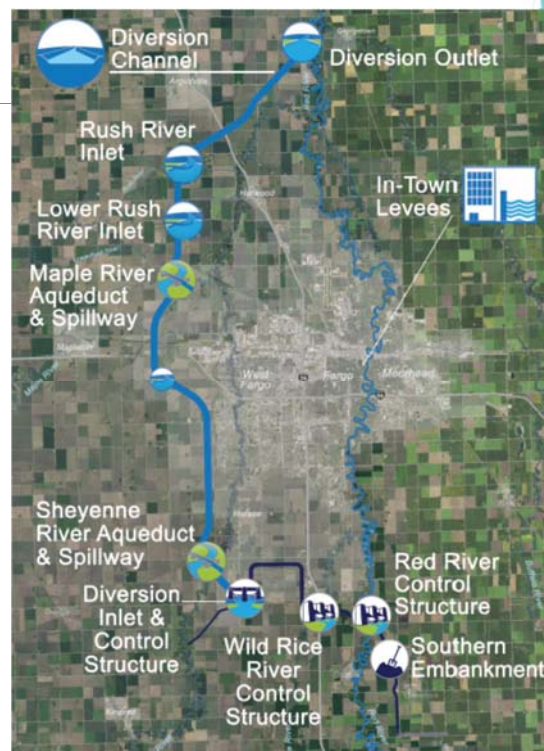


Public-Private Partnerships

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P3 Split Delivery Plan

- PPA (Project Partnership Agreement) established split delivery of Project July 11, 2016
- Diversion Channel and Associated Infrastructure
 - Non-Federal Sponsors
 - Metro Flood Diversion Authority
- Southern Embankment and Associated Infrastructure and Mitigation
 - Corps of Engineers



Corps of Engineers

- ▶ FM Flood Risk Management Project = 1st P3 Project for the Corps of Engineers
- ▶ Pilot Project for USACE
 - ▶ Congress directed study of use of P3
- ▶ Corps of Engineers is vested in the Project's success
 - ▶ Recognize the Speed of Construction and Efficiencies of the Project's Scale
- ▶ Will likely become a model for future project delivery by USACE

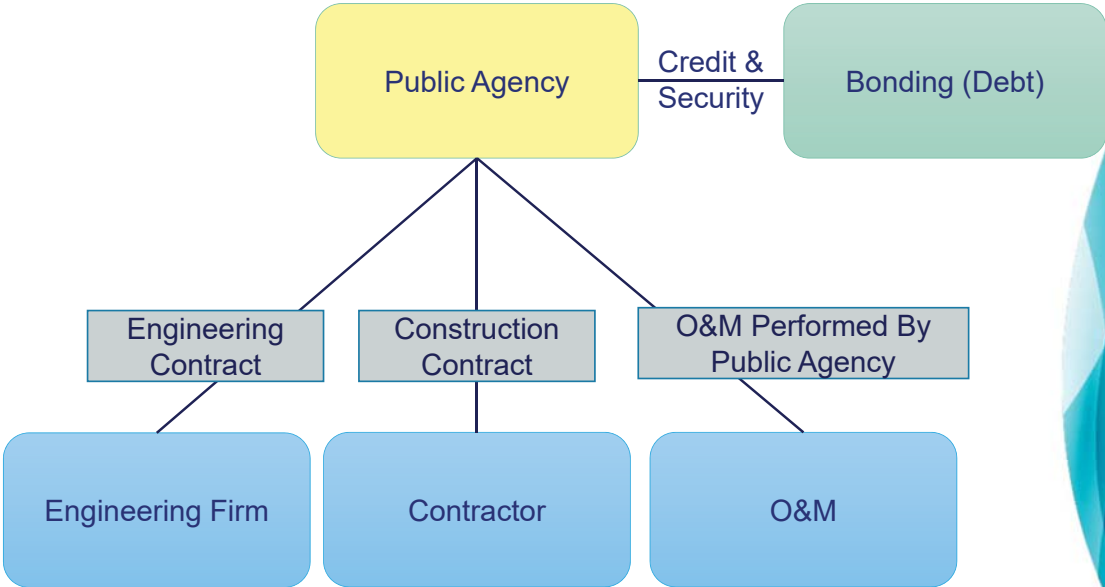
P3 – What is it?

P3 = PUBLIC PRIVATE PARTNERSHIP

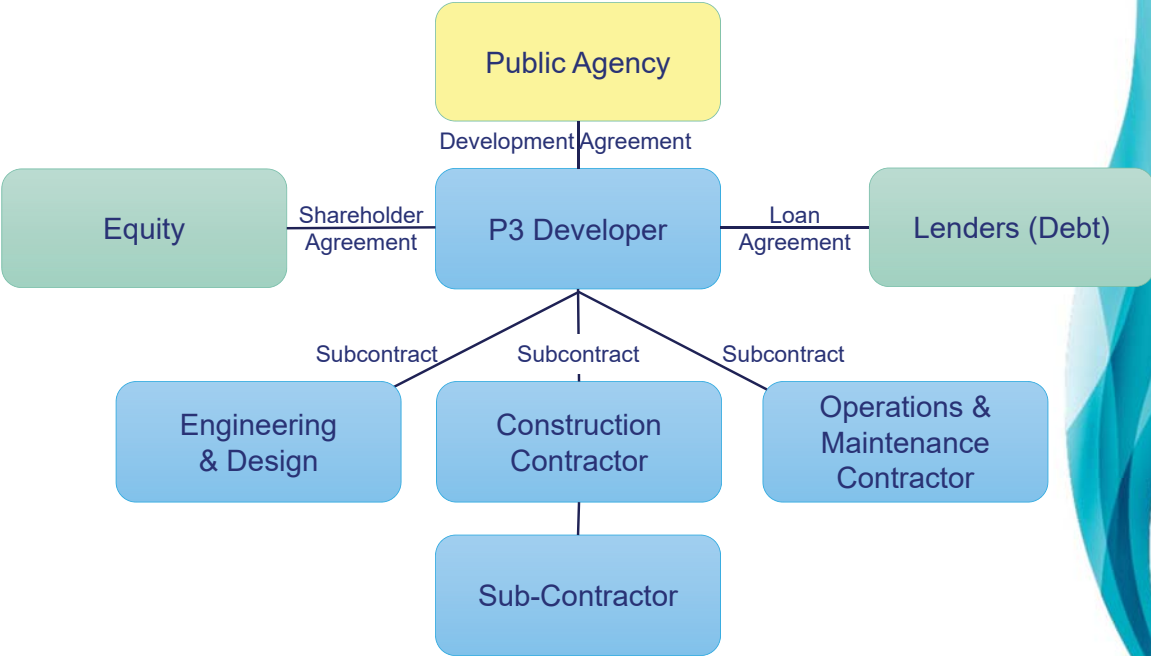
“A contractual agreement between a Public Agency (federal, state, or local) and a private sector entity. Through this agreement, the skills, and assets of each sector (public and private) are shared in delivering a service or facility for the use of the general public. In addition to the sharing of resources, each party shares in the risks and rewards potential in the delivery of the services and/or facility.”

- The National Council for Public-Private Partnerships, “Testing Tradition Assessing the Added Value of Public-Private Sector Partnerships,” (Arlington, Virginia 2012) p.2, <http://www.ncppp.org/wp-content/uploads/2013/03/WhitePaper2012-FinalWeb.pdf>

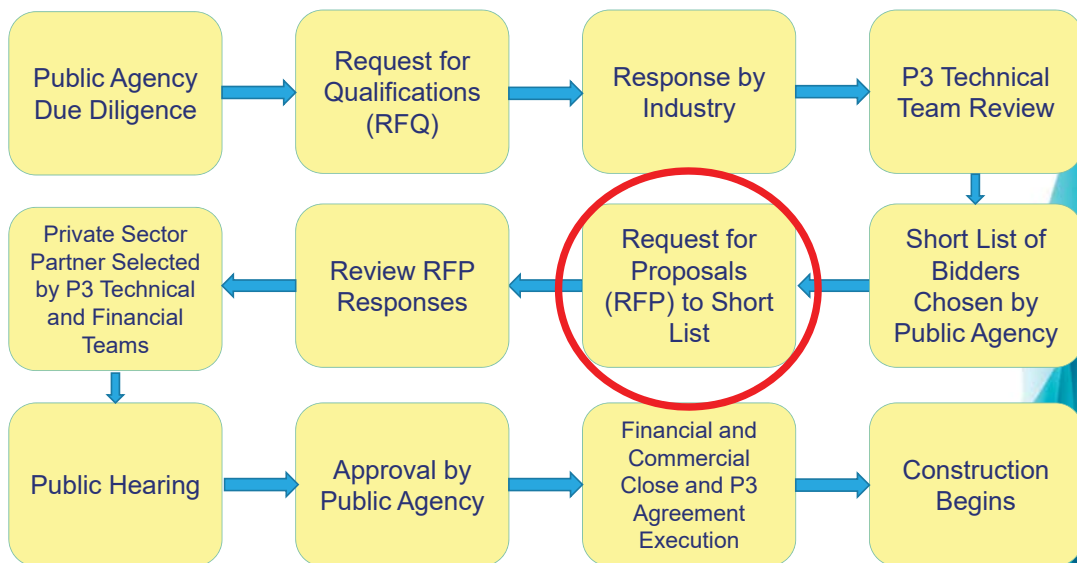
Traditional Delivery Method (DBB)



Typical P3 Model (DBFOM)



P3 Procurement



P3 Highlights

- ▶ The public agency retains ownership and control over the asset even when some responsibilities are transferred to the private sector partner.
- ▶ The public agency retains control over establishment of user rates, operating standards, and other requirements.
- ▶ The degree to which responsibilities are retained or shared is defined in the P3 agreement.
- ▶ The private sector partner delivers innovative technical solutions within technical requirements provided by the public agency.

P3 Highlights (cont'd)

- ▶ The engineer and contractor work collaboratively to lower construction cost and deploy new technology.
- ▶ The public agency receives a fixed price bid and the private sector partner assumes the risks of delay, cost escalation, etc.
- ▶ The P3 delivery method speeds up the delivery of the project.
- ▶ Private entity holds debt and is incentivized to deliver project in order to receive Availability Payment.

P3 Advantages

- ▶ Certainty in cost
- ▶ Certainty in schedule
- ▶ Incentivizes innovative designs
- ▶ Reduces taxpayer costs by identifying capital costs and operations & maintenance costs at time of bid
- ▶ Creates efficiencies not seen in other models
- ▶ Long-term Availability Payment acts like an insurance policy
- ▶ Contractor and engineer are invested in project & on the same team
- ▶ Brings private equity into projects

P3 Payment Mechanisms

Traditional Mechanisms

- ▶ Revenues
 - ▶ The private sector partner collects revenues (generally tolls/user fees) from the operation of the asset
- ▶ Milestone Payments
 - ▶ Payments to the private sector partner for achievement of agreed upon construction or progress milestones in the P3 agreement
- ▶ Availability Payments
 - ▶ Periodic payments to the private sector partner for the term of the P3 agreement for the design, construction, financing, operation, and maintenance of the asset in accordance with the technical requirements

Diversion Channel and Associated Infrastructure

- ▶ Bids will include a fixed capital component and an operations and maintenance component
- ▶ Milestone Payments and Availability Payments

Questions

