

Public-Private Partnerships To Use or Not to Use

**Indiana Advisory Commission on
Intergovernmental Relations**

Indianapolis

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Traditional vs. Public-Private Partnership

- ▶ Traditional Options:
 - ▶ Cut spending
 - ▶ Raise taxes and fees
 - ▶ Defer projects or payment
 - ▶ Borrow from other agencies
- ▶ P3 Options:
 - ▶ Use private party to fill gaps in various ways

Types of Public-Private Partnerships

- ▶ Design-Build
- ▶ Design-Build-Finance
- ▶ Design-Build-Operate
- ▶ Design-Build-Maintain
- ▶ Design-Build-Operate-Maintain
- ▶ Design-Build-Finance-Operate
- ▶ Design-Build-Finance-Operate-Maintain

Types of Public-Private Partnerships (con't)

- ▶ Build-Operate-Transfer
- ▶ Design-Build-Finance-Operate-Maintain-Transfer
- ▶ Build-Transfer-Operate
- ▶ Lease-Develop-Operate
- ▶ Concession
- ▶ Privatization*

Indiana Law – P3s Generally

- ▶ Generally, governmental bodies can enter into contracts with private entities for acquisition, planning, design, development, reconstruction, repair, maintenance or financing of public facilities (Ind. Code Sec. 5-23-1-1 et. seq.)
 - ▶ Applicable to the State
 - ▶ Political subdivision in a county with a consolidated city
 - ▶ **Political subdivision that adopts these provisions by resolution or ordinance**
 - ▶ Up to 5 years or requires approval
 - ▶ Requires public hearing

Indiana Law – Toll Road P3s

- ▶ Indiana law authorizes:
 - ▶ The issuance of toll road bonds (Ind. Code Sec. 8-15-1-1 et seq.)
 - ▶ the IFA to enter into agreements with private party to finance toll roads (Ind. Code Sec. 8-15.5-1-1 et. seq.)
 - ▶ the DOT to enter into agreement with private parties to build toll roads (Ind. Code Sec. 8-15.7-1-1 et. seq.)
 - ▶ The DOT to convert state highways to a toll road (Ind. Code Sec. 8-23-7-22)

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Public-Private Partnership Misconceptions

- ▶ Loss of public control will cause unnecessary user rate increases and unfair private profit and loss of public assets
- ▶ Municipal bonds and tax revenue are less expensive than taxable, private financing
- ▶ Contract negotiations are too complex and costly to yield positive outcome

Value for Money Analysis

- ▶ Public Sector Comparator (capital, operating costs, taxes, project income, risk-related costs)
- ▶ Full Life Cycle Costs (personnel wages and benefits; 50%-75% life cycle budget is O&M)
- ▶ Determine most appropriate risk-sharing scenarios
- ▶ Assess of public opinion and maintain transparency

Possible P3 Applicability

- ▶ Energy
- ▶ Operation and Management/Maintenance
- ▶ Public Safety
- ▶ Public Works
- ▶ Real Estate and Economic Development
- ▶ Technology Infrastructure
- ▶ Transportation Infrastructure
- ▶ Water/Wastewater Infrastructure

Examples

- ▶ Wastewater and Stormwater Management, Indianapolis
- ▶ Combined Sewer Overflow Abatement, Holyoke, MA
- ▶ District Energy System, Nashville, TN
- ▶ Automated Traffic Enforcement, Washington DC
- ▶ Public Works Partnership, Long Beach, MS
- ▶ GIS (Geographic Information System), Ft. Bend County, TX
- ▶ Airport Management/Real Estate Development, Gary, IN
- ▶ Electrical Vehicle Sharing, Indianapolis

The P3 Process

- ▶ Preparation: goals, expectations (transparency), teams
- ▶ RFI/REIQ/RFQ
- ▶ RFP/RFRP
- ▶ Published Timeline - TRANSPARENCY
- ▶ Mandatory meeting(s)/tours/Q&A
- ▶ Preliminary evaluation
- ▶ Short list/interviews
- ▶ Evaluation
- ▶ Negotiation of Agreement

The RFP Schedule

- ▶ Prepare for opposition and delays
 - ▶ Boards
 - ▶ Governmental/regulatory
 - ▶ Public
 - ▶ Media
 - ▶ Unions
 - ▶ Consumer watchdogs
 - ▶ Religious and other special interest groups

Evaluation Process

- ▶ Selection of Evaluation Team
- ▶ Preparing Evaluation Team
- ▶ Managing Evaluation
 - ▶ Statutory requirements re: meetings?
 - ▶ Check references
 - ▶ Other due diligence
- ▶ Documentation of evaluation decisions

RFP Process

- ▶ Long process
- ▶ Adversarial process
- ▶ Transparency is Critical



Questions?

THANK YOU

Regina M. Sharrow

Faegre Baker Daniels

317.569.4604

Regina.Sharrow@FaegreBD.com