Implementation of Public-Private Partnerships for Transit

WHAT DOES IT ALL MEAN?

Putting The Pieces Together For Transit Project and Program Delivery

Sharon Greene

Principal

Sharon Greene + Associates

The National Council For Public-Private Partnerships

FTA Federal Transit Administration

PUTTING THE PIECES TOGETHER

- Defining changes in the environment for PPP's
- Shaping the pieces
- Refining federal/state /local policy to support PPP's
- Improving the project delivery process to enhance partnerships

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THE CHANGING ENVIRONMENT

- **Factors affecting increased interest in public private partnerships**
  - ***National economic and energy crises***
  - ***Shortfalls in public funding***
  - ***Voter-approved local funding to deliver key projects and programs***
  - ***Changes in public and private sector capacity for risk***
- **Putting PPP's in perspective:**
  - ***Shift from privatization to partnerships***
  - ***Focus on continuum of approaches***

THE CHANGING ENVIRONMENT

- **Broadening of applications for PPP's**
  - ***Project delivery***
  - ***Program delivery***
  - ***System preservation / State of Good Repair***
  - ***Operation and maintenance***
- **Information dissemination**
  - ***Removing the barrier between "innovative" and traditional financing and project delivery***

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SHAPING THE PIECES

- Clarify goals, objectives, expectations
- Identify potential projects and programs
  - *Capital expansion*
  - *Operation, maintenance*
  - *System preservation/SOGR*
- Define evaluation criteria
  - *Project-level*
  - *System-wide level (perfomance , compatibility)*

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PUBLIC SECTOR OBJECTIVES

- Accelerate project and program delivery to enhance mobility
- Reduce costs through contracting and construction methods
- Develop projects integrated with existing transit/highway infrastructure
- Allocate risk to reflect public and private sector capacity

PUBLIC SECTOR OBJECTIVES

- **Increase financial capacity by:**
  - ***Activating potential new private sources of funding and financing***
  - ***Maximizing leverage***
  - ***Facilitating use of flexible and fungible revenue sources to minimize "color of money" constraints***

PUBLIC SECTOR OBJECTIVES

- Improve cost-effectiveness of services delivered
- Expand level and quality of transit service
- Introduce new technology
- Increase technical and managerial expertise
- Supplement staff resources

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PRIVATE SECTOR OBJECTIVES

- Secure financial / investment opportunities that provide acceptable rates of return with respect to level and timing of payments
- Provide technical, managerial, and financial expertise and services at a reasonable profit

SHAPING THE PIECES

- Realistic selection of candidate projects from both public and private sector perspective
  - *Public*
    - Public benefit assessment
    - Value for money analysis: project and system
  - *Private*
    - Engineering / Construction risk
    - Implementation /Political risk
    - Financial / Revenue risk

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SHAPING THE PIECES

- **Strengthen public agency's project delivery capacity**
  - ***Decision-making***
  - ***Schedule adherence***
  - ***Procurement process***
  - ***Public revenue sources and streams***
- **Improve federal/state/local legal and regulatory mechanisms, tools and techniques**
  - ***Facilitate /speed project delivery***
  - ***Support innovative financial participation***

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PPP's AND PROJECT DELIVERY: THE BROADER CONTEXT

- Partnership between the public and private sectors requires a significant degree of *certainty* with respect to project schedule, cost, and revenue streams
- The project development process, as it has evolved in the United States, engenders significant *uncertainty* in the timing and cost of project delivery

PPP'S AND PROJECT DELIVERY: THE BROADER CONTEXT

Environmental, political and institutional factors have a significant impact on expedient delivery of projects utilizing public-private partnerships , in particular for partnerships involving private equity participation.

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PROMOTING SUCCESSFUL PPP'S

- **The project delivery process should assure:**
  - ***Financial Stability***
  - ***Predictability***
  - ***Continuity***
  - ***Acceptability***

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FINANCIAL STABILITY

- The ability to trust that multiple proposed revenue sources can and will be committed (LONP, LOI, APWA).
- The ability to trust that multi-year funding commitments pledged for repayment of financing instruments and availability payments will be met .

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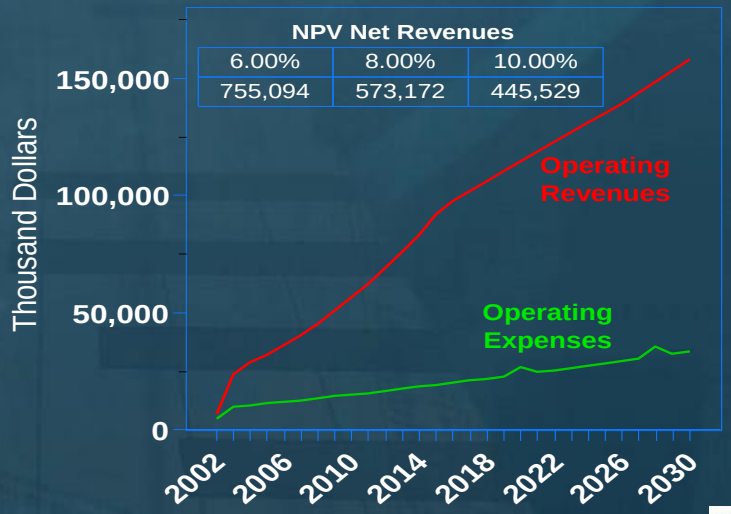
PREDICTABILITY

- The ability to predict what a project will cost to design, build, operate, and maintain and when it will be implemented.



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CONTINUITY

- The ability to trust that the political resolve to get a project done will continue across changes in elected and appointed leadership;
- The ability to know that agency decisions made will be maintained over the life of the project development process.

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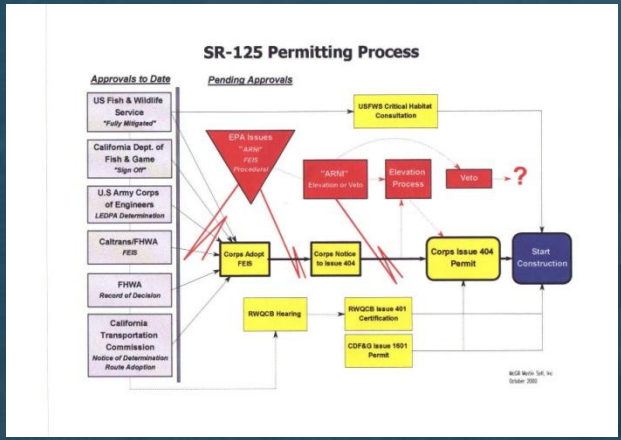
ACCEPTABILITY

- The ability to streamline the process for achieving informed acceptance regarding project characteristics among involved agencies and public stakeholders.



NON-FINANCIAL IMPEDIMENTS TO PROJECT DELIVERY

- Environmental clearance and statutory requirements
- Institutional issues and stakeholder involvement
- Political and jurisdictional factors

REALIZING TRUE PARTNERSHIP

- **The full value of Public Private Partnerships will only be realized when paired with companion innovations in project definition, planning, development, approval, and implementation.**
  - ***"Real" streamlining***
  - ***Effective partnering – at all levels***
  - ***Interagency coordination and cooperation***

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