

Village of Oak Park: Introduction to Public Private Partnerships

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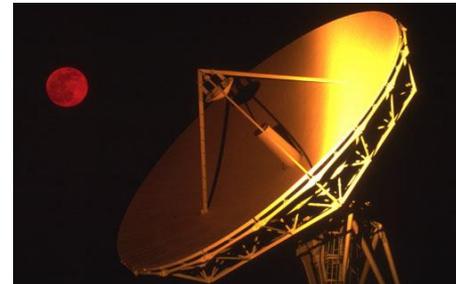
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What are Public Private Partnerships?



P3 is a generic term for the relationships formed between public bodies and the private sector with the aim of **introducing private sector resources and/or expertise** to procure and deliver public sector assets and services.

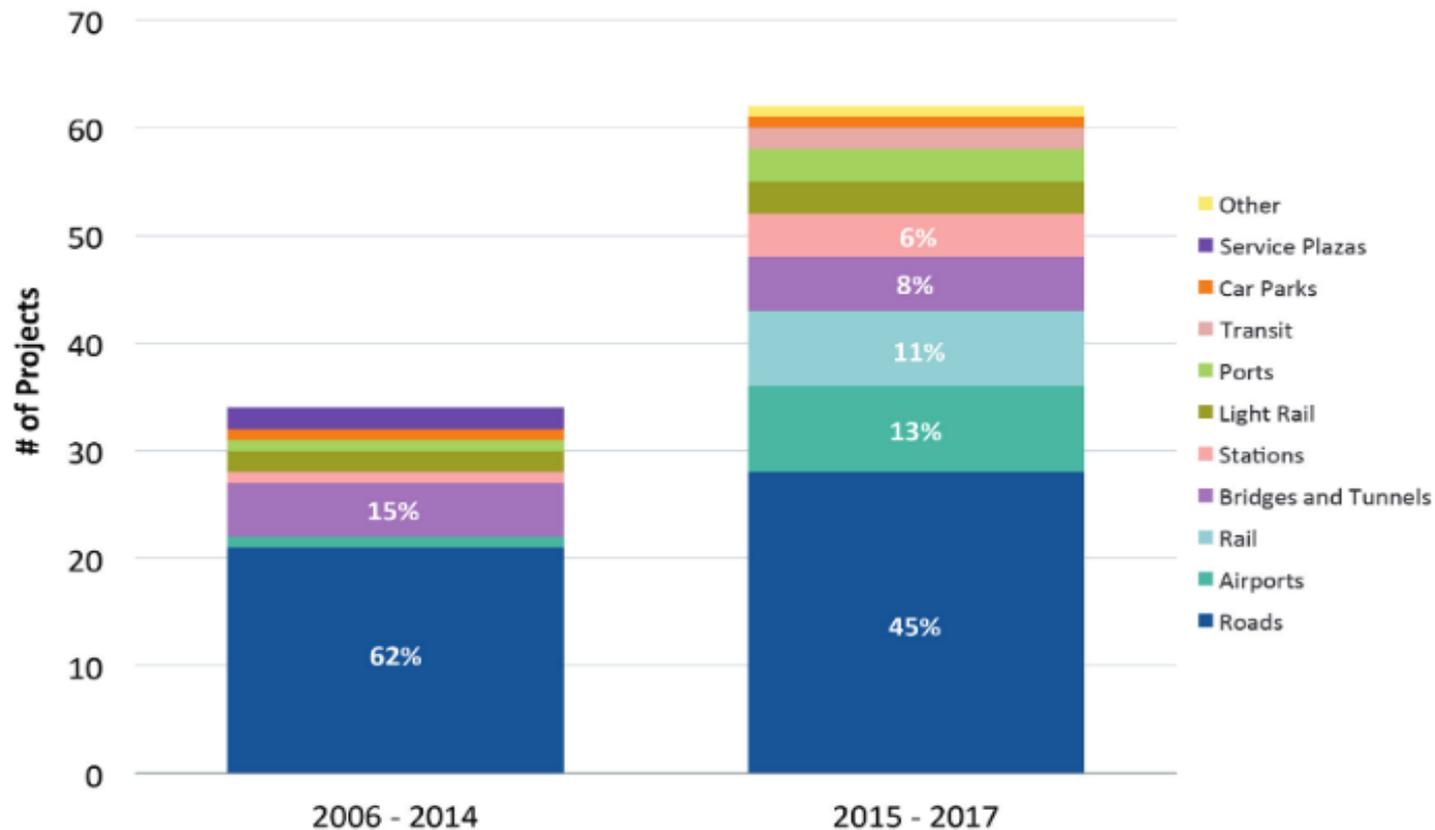




What are Public Private Partnerships?

- ▶ A public-private partnership (PPP or P3) is a contractual agreement between a public entity (federal, state or local) and a private sector entity for the purpose of delivering a service or facility for use by the general public.
- ▶ Typically the private sector entity enters into a contract with a governmental entity for the design, build and finance (DBF), and frequently also the operation and maintenance (DBFOM), of the facility or other infrastructure.
- ▶ The private sector finances the DBF and recovers its investment over the course of the contract.
- ▶ Generally, but not always, the asset transfers back to the public sector at the end of the contract.

Sectors Involved in P3s



Notes: Includes projects that are pre-launch, in progress, or have reached financial close.

Examples of P3 Projects

EXAMPLES OF GOOD P3 PROJECT CANDIDATES:



ADMINISTRATIVE

City Halls, Government Offices



AVIATION

Terminals, Maintenance Facilities,
Parking Structures



CIVIC

Convention Centers, Performing Arts



EDUCATION

Schools, Academic Buildings,
Housing, Research



JUSTICE

Police Stations, Prisons,
Courthouses, Jails



HEALTH CARE

Hospitals, Clinics, Labs



Main Characteristics of P3s

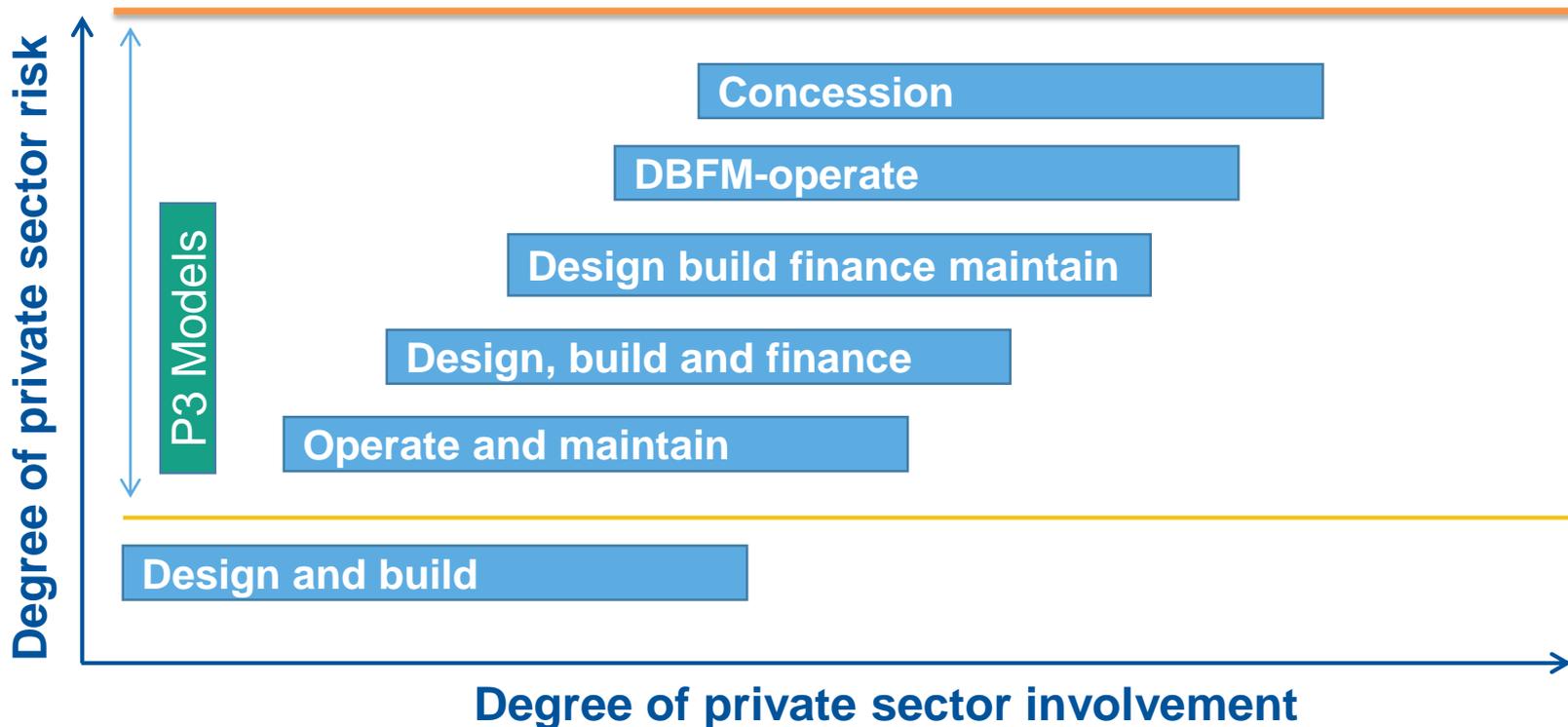
- ▶ Risk-sharing between public and private sectors
- ▶ Typically, a long-term relationship between the parties
- ▶ Public service and ultimate regulatory responsibility remain in public sector



Key Elements of Successful P3s

- ▶ Commitment of political leadership
- ▶ Focused, dedicated and experienced public sector team
- ▶ Clear legal framework
- ▶ Transparency among all major stakeholders
- ▶ Realistic risk sharing

Range of Public Private Partnerships



Benefits of P3s

FOR THE RIGHT PROJECT, THERE ARE MANY BENEFITS A P3 DELIVERY APPROACH CAN PROVIDE, INCLUDING:



ON-TIME | ON-BUDGET DELIVERY

Experience with P3s, both globally and in North America, shows that using this approach consistently delivers infrastructure on-time and under budget, and exceeds quality expectations.



COST CERTAINTY

A P3 contracting approach provides owners with cost certainty not only for the development of the asset but also during operations and maintenance over the 20+ year contract term.



ACCOUNTABILITY

The public sector looks to the P3 concessionaire to be the single point of accountability for all aspects of delivery, including finance, operations and maintenance.



GREATER INNOVATION

By incorporating the design and delivery considerations through a P3 approach, and initiating the procurement before all project elements are fixed, the partners work as a team in a competitive procurement to optimize project performance standards and outcomes, thus greatly enhancing the public asset through private sector innovation.



LIFE-CYCLE MAINTENANCE

The P3 concessionaire, who not only designs and builds the asset, but provides operations and maintenance over the 20+ year contract term, uses an integrated, life-cycle approach to optimize asset performance over the long term.



ACCELERATED DELIVERY

Because of integrated delivery and single point of accountability, P3s can deliver assets much sooner than traditional design-bid-build approaches.



PUBLIC OWNERSHIP AND CONTROL

With P3s, the Public Agency never loses ownership or control of the asset, and the P3 contract guarantees the condition of the asset upon delivery and at the end of the contract term.



EFFECTIVE RISK TRANSFER

The transfer of risk from the public to the private sector is a key advantage of a P3. The private sector can best bear cost, schedule, integration and performance risks which can be cost effectively transferred from the public sector.



JOB CREATION & ACCELERATED DELIVERY

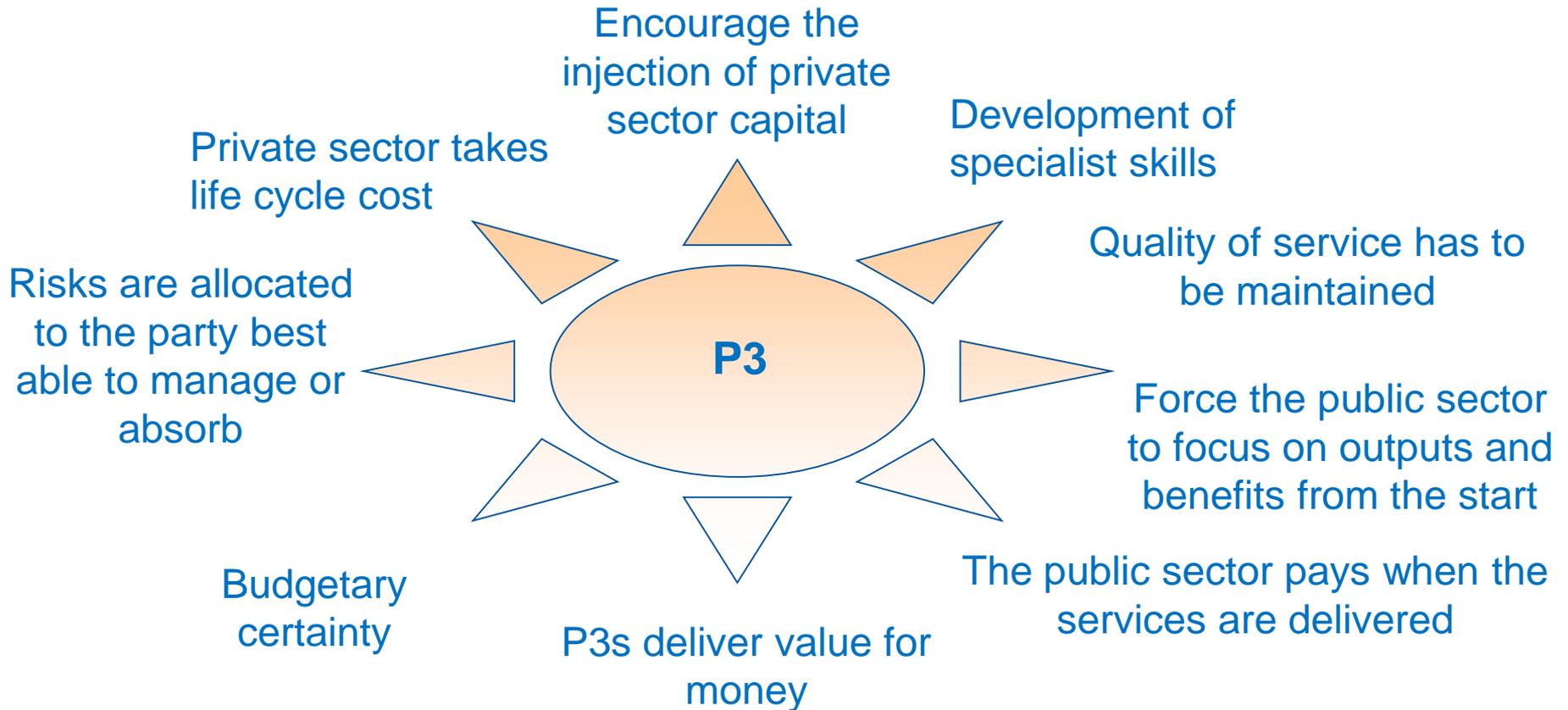
P3s create jobs in the local economy. By accelerating the delivery of critical infrastructure improvements and providing private financing, P3s enable the public sector to bring more projects to market simultaneously. The result is accelerated job creation and a strong job market over time.



PAYMENT FOR PERFORMANCE

With P3s, the concessionaire receives payments based on the asset's availability and performance. This can be directly through revenues generated by the project or through an assessment of its availability, based on outcome indicators and performance standards agreed to in the contract documents.

Benefits of P3s



Benefits of P3s

... for the public sector

- Financial alleviation/more efficient use of public funds
- A speedier completion of projects
- Reduction of project risks
- Safeguarding and optimizing public tasks and responsibilities
- Exploitation of private know-how
- Alleviation of operating duties and responsibilities
- Image increase for the public sector
- Incremental economic value
- Improved cost-effectiveness
- Faster project delivery
- Budget Certainty
- Risk transfer
 - Cost of design and construction
 - Cost overruns
 - Performance of asset
 - Operation and maintenance costs
- Value for money

... for the private sector

- Development of new markets
- Attractiveness of public business partners (creditworthiness and reliability)
- Increase in success opportunities
- Generation of reasonable returns

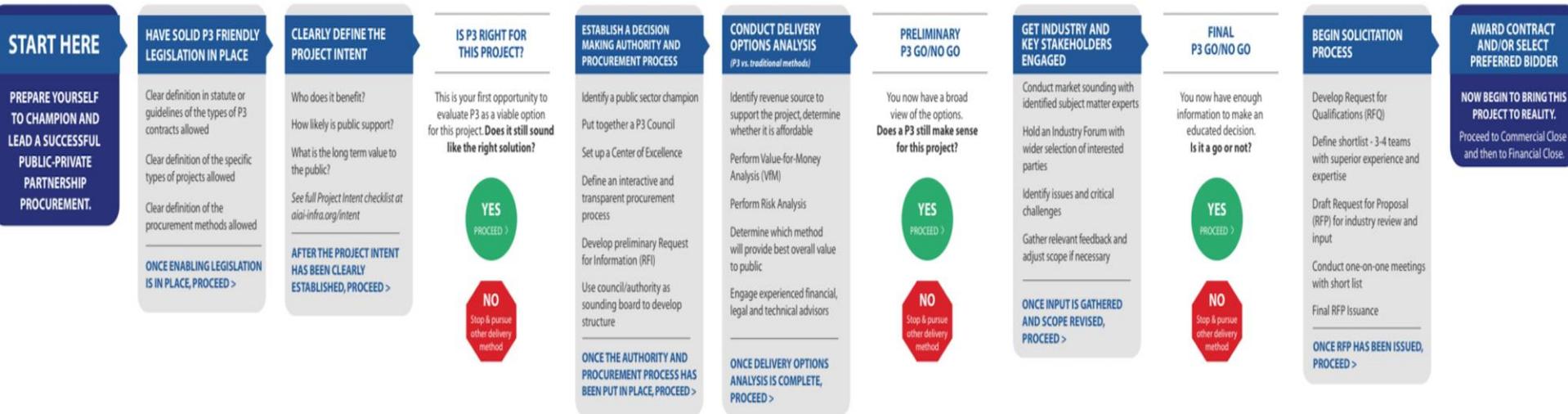


Value for Money

- ▶ A VfM analysis is undertaken to help determine whether a P3 delivery option provides value as compared to traditional delivery methods on both a quantitative and qualitative basis. The results of VfM analysis provide the basis for deciding to proceed down a particular procurement route.
- ▶ In general, long-term value for money can be achieved by:
 - ▷ Maintaining competitive tension throughout the bidding
 - ▷ Accelerating project delivery
 - ▷ Proper allocation/transfer of risks
 - ▷ Providing incentives to the private sector for the delivery of quality services
 - ▷ A long-term partnership contract provides a degree of cost certainty to the public entity and revenue security to the private entity

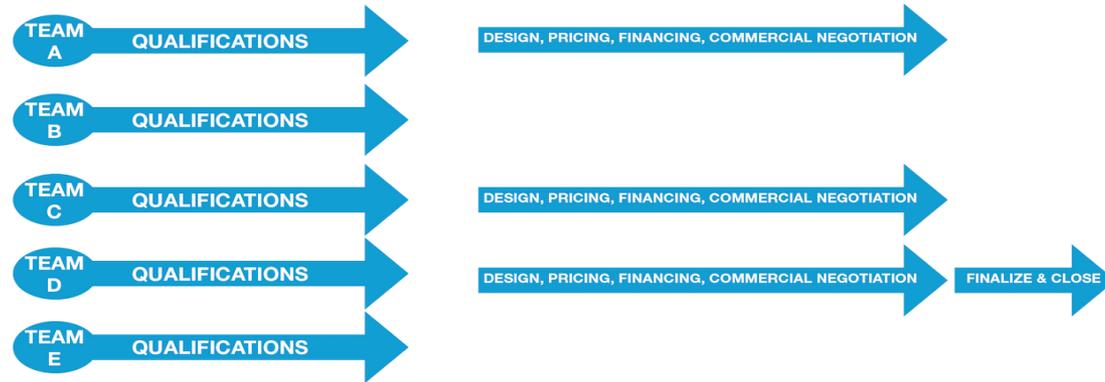
The Steps Required to Execute a Successful P3

MAKING THE RIGHT PROJECT APPROACH DECISIONS AT THE RIGHT TIME REQUIRES THE RIGHT PROCESS

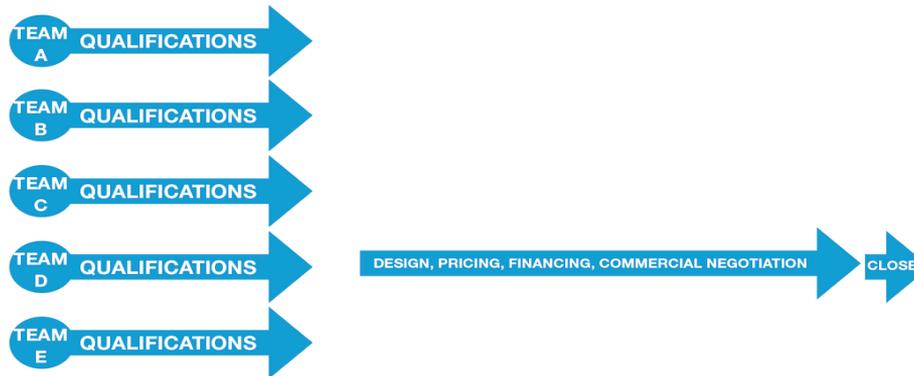


Typical Timelines for a P3 Project

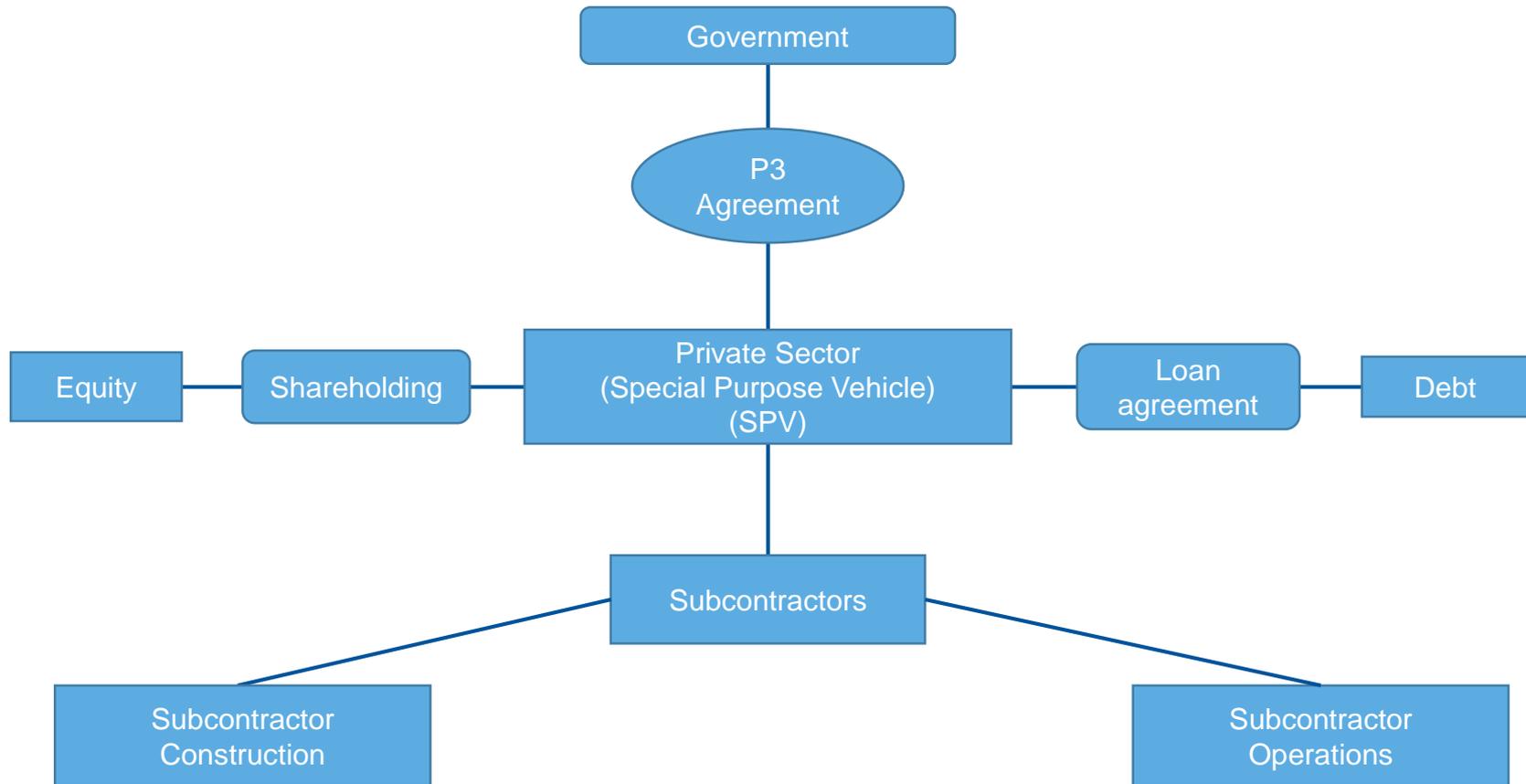
FIXED-PRICE, COMMITTED-FINANCING P3 PROCUREMENT



PROGRESSIVE P3 PROCUREMENT



Typical SPV structure for P3s



Chapman's Niche Role on P3 Transactions

Public-Private Partnerships

Chapman serves as counsel to both public and private sector participants in P3 transactions.

Our deep experience in municipal law and tax related issues makes Chapman uniquely qualified to assist issuers, sponsors, developers, credit providers, underwriters and investors in developing US P3 financing structures that deliver the most cost-effective way of financing and procuring public infrastructure.

Our public infrastructure finance group has represented institutional clients in transactions involving both civil and social infrastructure in every state of the United States, as well as P3 transactions outside of the United States.



Chapman's Involvement in Recent P3 Financings

- ▶ P3 financings can involve various types of structures. The following slides include three case studies involving recent P3 transactions, each with a different structure, where Chapman has served as Underwriter's Counsel.
 - ▷ **Revenue Risk Structure** – JFK Airport Terminal 4 2020 Refinancing and 2022 T 4 Redevelopment/Transurban “managed lanes” projects
 - ▷ **Receivables Structure** – Nebraska Department of Transportation Lincoln South Beltway Project P3 Financing/ GDOT Financing
 - ▷ **“Hell or High Water” Lease Structure** – Public Finance Authority Lease Development Revenue Bonds (KU Campus Development Corporation-Central District Development Project)
 - > Availability/performance component via the Operations and Maintenance Agreement (qualified management contract) with the private entity involved in the P3 financing
 - ▷ **Availability Structure** – Alabama Department of Corrections Prison Lease Financings and East End Crossing Ohio Bridge Project



Questions?

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