

Public Private Partnerships in Infrastructure:

# A GUIDE TO SUCCESSFUL P3 EVALUATION AND DELIVERY

USING A PUBLIC PRIVATE PARTNERSHIP (P3) TO DELIVER A PUBLIC FACILITY MAY BE THE RIGHT APPROACH FOR YOUR INFRASTRUCTURE NEEDS. THIS GUIDE INCLUDES AIAI'S STEP-BY-STEP APPROACH TO P3 DEVELOPMENT AND SUMMARIZES WHAT ARE CONSIDERED BEST PRACTICES FOR IMPLEMENTATION.

#### **KEY ELEMENTS FOR A SUCCESSFUL P3:**

- · Supportive P3 Enabling Legislation
- Thorough Delivery Options Analysis Process
- Effective Contract Documents and Outcome Specifications
- Competitive and Transparent Procurement Process
- Dedicated P3 Team or P3 Center of Excellence
- · A Clear Project Champion
- · An Effective and Consistent Stakeholder Outreach Program

#### **A P3 IS:**

• A DESIGN AND CONSTRUCTION, FINANCING, OPERATIONS AND MAINTENANCE PARTNERSHIP

Public sector contracts with private sector to deliver assets and services for the benefit of the general public

· A RISK SHARING APPROACH

Private sector assumes financial, technical and operational risk; public sector sets policy and retains ownership

• A LIFECYCLE PROCUREMENT APPROACH THAT GUARANTEES PERFORMANCE

By integrating delivery with operations and maintenance, the asset performance is optimized for the long term

· A TRANSPARENT RELATIONSHIP

Public stakeholders can expect to be regularly updated and informed throughout the project

#### A P3 IS NOT:

PRIVATIZATION

Public sector retains ownership and ultimate control of the public asset

A FUNDING SOLUTION

Government agency pays for the project through the ability to leverage private financing not otherwise available through regular public procurement

· A LOW QUALITY DELIVERY MODEL

Private entity enters into a performance-based contract with financial penalties imposed by the public agency if availability and quality standards are not met

THE RIGHT SOLUTION FOR EVERY PROJECT.

A Value-for-Money analysis is performed by experienced legal, technical and financial advisors to determine if a P3 is right for your project

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

#### **START HERE**

PREPARE YOURSELF TO CHAMPION AND LEAD A SUCCESSFUL PUBLIC-PRIVATE PARTNERSHIP PROCUREMENT.

### HAVE SOLID P3 FRIENDLY LEGISLATION IN PLACE

Clear definition in statute or guidelines of the types of P3 contracts allowed

Clear definition of the specific types of projects allowed

Clear definition of the procurement methods allowed

ONCE ENABLING LEGISLATION IS IN PLACE, PROCEED >

### CLEARLY DEFINE THE PROJECT INTENT

Who does it benefit?

How likely is public support?

What is the long term value to the public?

See full Project Intent checklist at aiai-infra.org/intent

AFTER THE PROJECT INTENT HAS BEEN CLEARLY ESTABLISHED, PROCEED >

### IS P3 RIGHT FOR THIS PROJECT?

This is your first opportunity to evaluate P3 as a viable option for this project. **Does it still sound** like the right solution?





# ESTABLISH A DECISION MAKING AUTHORITY AND PROCUREMENT PROCESS

Identify a public sector champion

Put together a P3 Council

Set up a Center of Excellence

Define an interactive and transparent procurement process

Develop preliminary Request for Information (RFI)

Use council/authority as sounding board to develop structure

ONCE THE AUTHORITY AND PROCUREMENT PROCESS HAS BEEN PUT IN PLACE, PROCEED >

# CONDUCT DELIVERY OPTIONS ANALYSIS (P3 vs. traditional methods)

Identify revenue source to support the project, determine whether it is affordable

Perform Value-for-Money Analysis (VfM)

Perform Risk Analysis

Determine which method will provide best overall value to public

Engage experienced financial, legal and technical advisors

ONCE DELIVERY OPTIONS ANALYSIS IS COMPLETE, PROCEED >

#### PRELIMINARY P3 GO/NO GO

You now have a broad view of the options. Does a P3 still make sense for this project?





#### GET INDUSTRY AND KEY STAKEHOLDERS ENGAGED

Conduct market sounding with identified subject matter experts

Hold an Industry Forum with wider selection of interested parties

Identify issues and critical challenges

Gather relevant feedback and adjust scope if necessary

ONCE INPUT IS GATHERED AND SCOPE REVISED, PROCEED >

#### FINAL P3 GO/NO GO

You now have enough information to make an educated decision.

Is it a go or not?

YES
PROCEED >

NO Stop & pursu other deliver method

# BEGIN SOLICITATION PROCESS

Develop Request for Qualifications (RFQ)

Define shortlist - 3-4 teams with superior experience and expertise

Draft Request for Proposal (RFP) for industry review and input

Conduct one-on-one meetings with short list

Final RFP Issuance

ONCE RFP HAS BEEN ISSUED, PROCEED >

#### AWARD CONTRACT AND/OR SELECT PREFERRED BIDDER

NOW BEGIN TO BRING THIS PROJECT TO REALITY.

Proceed to Commercial Close and then to Financial Close.

### 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.



#### **ADMINISTRATIVE**

City Halls, Government Offices



#### EDUCATION

Schools, Academic Buildings, Housing, Research



#### AVIATION

**EXAMPLES OF GOOD P3 PROJECT CANDIDATES:** 

Terminals, Maintenance Facilities, Parking Structures



#### JUSTICE

Police Stations, Prisons, Courthouses, Jails



#### CIVIC

Convention Centers, Performing Arts



#### **HEALTH CARE**

Hospitals, Clinics, Labs

# A PUBLIC-PRIVATE PARTNERSHIP MAY BE THE RIGHT SOLUTION IF YOU ARE INTERESTED IN:

- · Providing long term solutions for critical infrastructure needs
- · Being part of a sustainable solution for the community that results in the best value for the money spent
- · Evaluating options transparently and rigorously to enhance and encourage private and public cooperation
- Finding a way to accelerate delivery of important public assets that are highly desired by the community
- · Mitigating risks in a way that will guarantee performance over the long term

#### IS A P3 RIGHT FOR YOUR INFRASTRUCTURE NEEDS?

We'll introduce you to resources to assist you in your P3 efforts. Contact AIAI at readytowork@aiai-infra.org or 516-277-2950.







# WE HAVE TOOLS, CASE STUDIES, BEST PRACTICES GUIDES AND MEMBERS THAT CAN HELP

AlAl's membership includes broad representation from the P3 industry. We are ready and available to discuss with you how P3s can be an effective way to improve America's infrastructure.

AIAI can also facilitate introductions to recognized professionals and organizations that specialize in helping Public Sector Owners develop, procure and deliver P3 projects. AIAI can provide you with materials that describe P3 Best Practices and case studies in more detail.

