The Potential Role of Public-Private Partnerships in Delivering Metro Projects
What is a Public-Private Partnership?

> Collaboration between a public agency and a private company to deliver a public service or facility

> Each party shares its key skills and takes on the risks it is best able to manage, leading to cost savings and project acceleration
Why use a Public-Private Partnership?

- Brings private-sector expertise, ingenuity, and rigor to building and managing public infrastructure
- The skills and assets of each sector are shared, as are risks and potential rewards
> **Faster Project Delivery Timeframes**
   Accelerate construction of high priority projects by compressing and overlapping project sequences

> **Allows Greater Creativity & Technology Access**
   Use of advanced technologies or proprietary methods that are not generally available through standard procurement

> **Creates New & More Flexible Funding Access**
   New sources of private debt and equity can be structured to be more flexible and minimize costly project risks
Key P3 Cost Savings

> Construction & Life-Cycle Cost Savings
  Minimizes schedule and cost overruns and creates incentives for cost savings over the life of the project

> Shifts Risks & Costs to Private Partner
  Private assumption of project risks leads to more effective management and shields the public from potential costs

> Improves Project Performance
  Performance and accountability for complex project tasks with built in financial incentives and penalties
Many Different P3 Models

Greater Public Role/Risk
- Design-Bid-Build
- Design-Build
- O&M Contract
- Design-Build-Maintain
- Design-Build-Operate

Greater Private Role/Risk
- Design-Build-Finance
- Private Finance
- Design-Build-Finance-Operate
- Design-Build-Finance-Operate-Maintain
- Lease-Build-Operate
- Build-Transfer-Operate

Long Term Lease
**Many Different P3 Models**

- **Public Role**
  - Planning and Design (w/ Consultants)
  - Financing
  - Operations and Maintenance/State of Good Repair
  - Ownership

- **Private Role**
  - Engineering
  - Construction Contractor

*Metro*
Many Different P3 Models

Design Build

Public Role
- Planning
- Financing
- Operations and Maintenance/State of Good Repair
- Ownership

Private Role
- Design
- Engineering
- Construction Contractor

Metro
Many Different P3 Models

Design Build Finance

Public Role
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<table>
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Many Different P3 Models

Design Build Finance Operate Maintain

Public Role
- Planning
- Ownership
- Performance and Accountability

Private Role
- Design
- Financing
- Engineering
- Construction Contractor
- Operations
- Maintenance/State of Good Repair
P3 MISCONCEPTIONS

> P3s **DO NOT privatize public resources**. The public retains ownership and oversight of their investments.

> P3s **DO NOT lead to public sector job losses**. Any Metro P3 must meet state and county workforce standards, and be governed by Labor agreements.

> **Public services DO NOT take a backseat** to private sector profits. Projects and performance agreements are designed to maximize public benefit.

> Smart P3s **DO NOT exclude small and local contractors**. P3s can and do include SBE and DBE requirements.
Typical Public and Private Roles

Public Sector Roles

> Corridor and project definition
> Political/stakeholder
> Environmental clearance
> Financial feasibility and programming
> Ownership, oversight and accountability

Private Sector Roles

> Financial/cash flow
> Project design/engineering
> Construction and project management
> Deadlines/milestones
> Facility management
> System performance
Metro P3 Principles

> **Public interest is paramount** – The top priority is securing greater value than a fully public approach.

> **Value for money must be clear** – The *actual financial value* of the P3 must be clear, compared to a public model.

> **Process must be fair and transparent** – Appropriate documentation, public notice and comment, full competition.

> **Public ownership and control** – Private role is limited by public ownership and oversight with clear accountability mechanisms.
THANK YOU