

Public Private Partnerships

A Discussion

June 9th & 10th, 2016

Missouri Delegation / Denver Fly-In

Husch Blackwell LLP

HUSCH BLACKWELL

P3 FLY-IN AGENDA | June 9-10, 2016 | Denver, Colorado

Thursday, June 9, 2016

- 11:00 a.m.** **Lunch and Welcome**
Husch Blackwell Office
1700 Lincoln Street, 47th floor, Denver, CO 80203
- 12:00-5:00 p.m.** **Presentations and P3 Case Studies**
Husch Blackwell Office
- Topics and Guest Speakers**
- **P3 Procurement Process**
Michael Charoutes, Director, Center for Infrastructure Investment
 - **Eagle P3 Project (FastTracks Transit System)**
Brian Middleton, Executive Project Manager, Jacobs
 - **Denver International Airport P3 Great Hall Project**
Julia Wienberg, Director, Program Development at DIA
- 5:15 p.m.** **Transit to The Crawford Hotel and Check-in**
RTD Free MetroRide from 17th and Lincoln Stop
The Crawford, Denver's Union Station
1701 Wynkoop Street, Denver, CO 80202
- 6:15 p.m.** **Depart for Dinner**
Meet in hotel lobby, about five-block walk
- 6:30 p.m.** **Reception and Dinner**
The Capital Grille, Wine Room
1450 Larimer Street, Denver, CO 80202

Friday, June 10, 2016

- 8:00-10:00 a.m.** **Breakfast and Presentation**
by Diane Barrett, Chief Projects Officer,
City and County of Denver
Union Station, Gallery Meeting Room, Lower Level
- 10:00 a.m.** **Hotel Checkout**
- 10:30 a.m.** **Union Station and A Line Train Station Tour**
Meet in hotel lobby
- 11:00 a.m.** **A Line Train to DIA/The Westin Hotel at DIA**
- 11:45 a.m.** **The Westin Hotel at DIA Tour**
- 12:30 p.m.** **Lunch and Peña Station, Panasonic "Smart City"
Project Presentation by Ferd Belz, Senior Vice
President, L.C. Fulenwider**
The Westin Hotel at DIA, Grand Foyer
- 1:30 p.m.** **Denver International Airport Tour**
- 2:30 p.m.** **Adjourn**

Public Private Partnership (P3) defined:

- **A long-term contract between a public agency and a private consortium for the latter to design, build, finance, operate and maintain, or some combination thereof, a public facility pursuant to agreed performance standards in exchange for payments over time.**

Distinguishing elements of a P3:

1. Risk Transfer

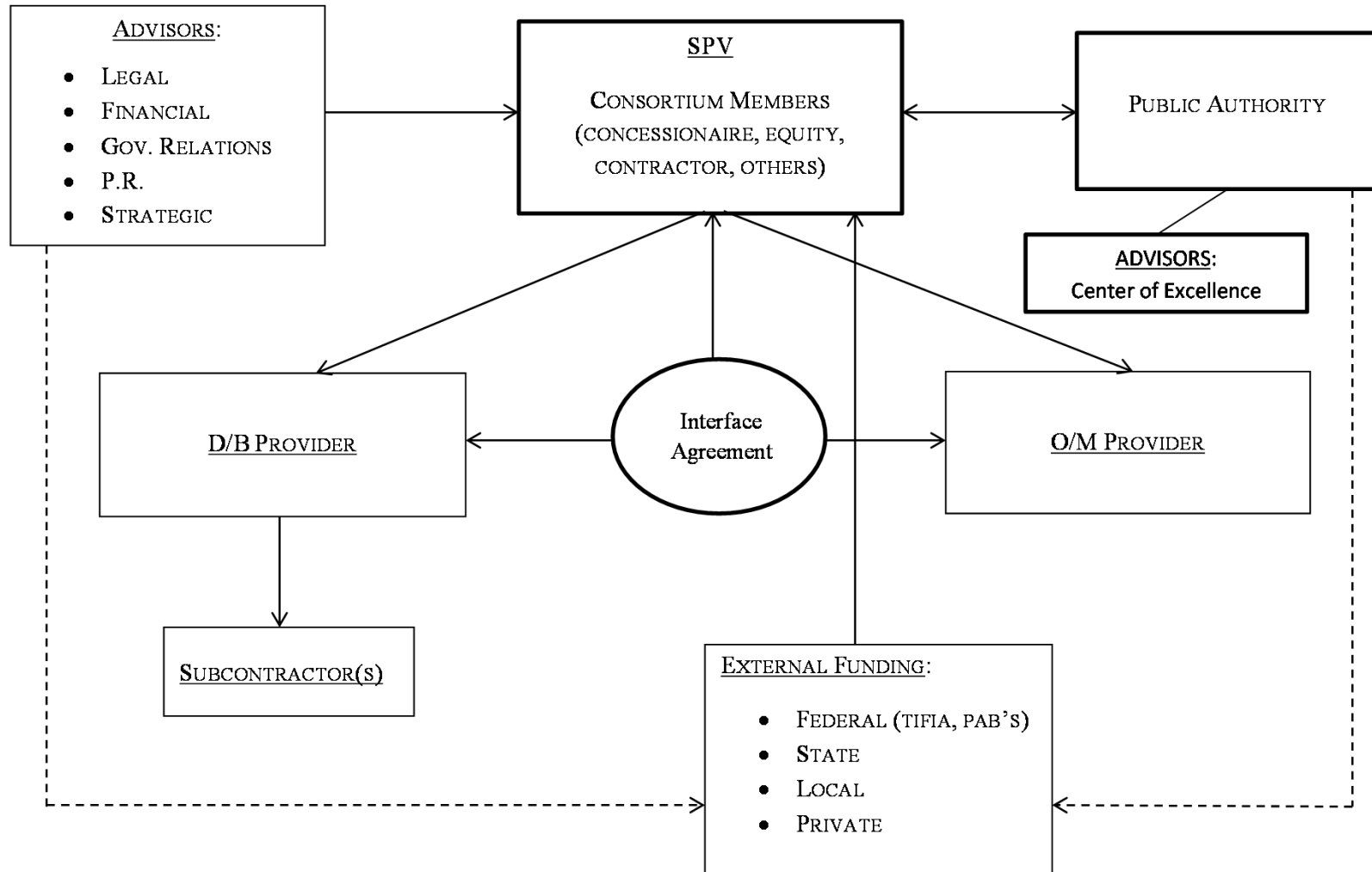
2. Life-cycle delivery system

3. Private investment capital

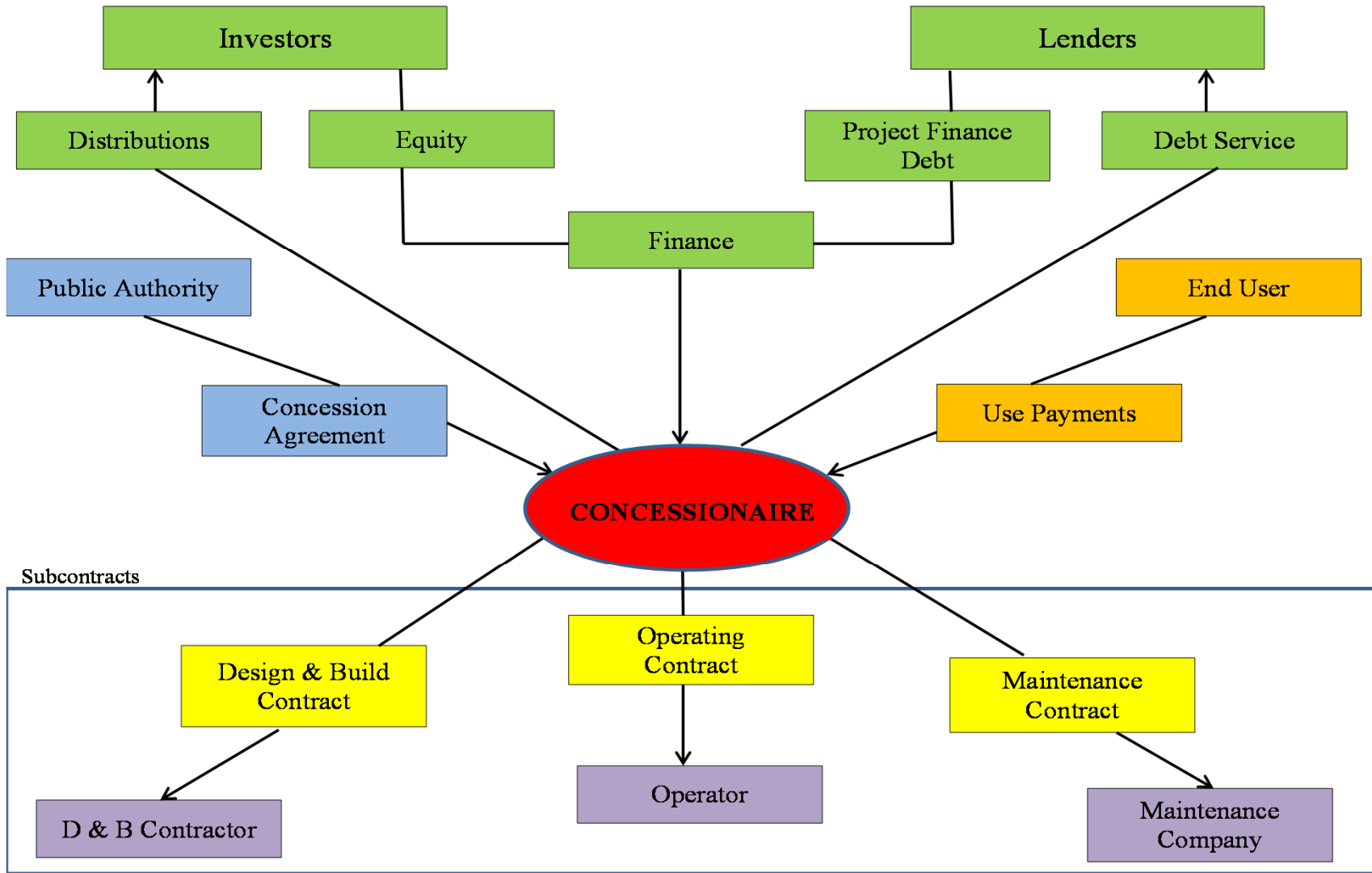
P3 Revenue Alternatives:

- 1. Demand - Risk**
- 2. Availability payments**
- 3. Combinations**

PUBLIC PRIVATE PARTNERSHIP – ENTITY STRUCTURE OVERVIEW



P3 CONCESSION STRUCTURE



The Growing field of Public-Private Partnerships

Some Observations

1. What is a Public Private Partnership? –

- It is a “tool” not an end in itself – a finance and production/operations vehicle.
- Essentially a contract between a private consortium/concessionaire and a public entity to design, build, finance, operate and maintain (or some combination thereof) a public facility over time.
- It is a risk-transfer arrangement between the private and public sector regarding the production and operation/maintenance of a public facility in an alternative risk-reward structure.
- Normally, a P3 involves a publicly owned facility that is produced and then operated /maintained by the private sector, in exchange for long-term contract that provides a return through performance-based revenue stream to the private consortium.
- The private consortium is usually made up of equity investor(s), lead concessionaire (developer), design and construction entity, and an operating entity, all experienced in the product being produced/operated. These parties may be partners at the concession level or under contracts with that concessionaire to produce their specific service or product. (see overview chart)
- The consortium will also have external advisors including P3 legal counsel, P3 financial advisor(s), accounting/audit features and related strategic advisors.
- A P3 provides private capital & life-cycle production benefits to the public entity in a time of scarce resources and crumbling infrastructure.
- These P3 projects originated in Europe, Australia and Canada and, during recent decades, migrated to the United States as the public sector budgets

became strained and alternative ways to fund and build public projects were investigated.

2. Traditionally Infrastructure focused – These P3's were usually surface transportation regarding highways, bridges, tunnels, ports, etc. ... horizontal infrastructure construction.

3. “Social” Infrastructure focus – More recently in the US, PPP's have been structured to focus and produce Hospitals, Schools, courthouses, prisons, housing, water treatment plants, airport terminal development and other public facilities requiring vertical construction knowledge and expertise within a P3-like framework.

4. The differences – who owns, who produces, who finances and who operates the projects. Traditionally, the private contractor would perform a design-build or other construction contract for a public entity under a relationship where the facility is usually publically owned, and is financed and operated by the public entity. In the case of P3's, the private sector actually designs, builds, finances, operates and maintains a public-owned facility. The transfer of these risks from the public entity to the private sector provides the opportunity for all parties to the private concession to earn its fees and returns in a structure that provides performance based revenue opportunities over the long-term operating period.

5. Public Sector Expertise – In order for the public entity who is soliciting the private consortium to properly negotiate the best P3 delivery model, it will also need to organize its own team and the procurement process in a manner to properly protect its interests. Recent trends have seen the entry of “Centers of Excellence” (COE's) to advance and protect the public entity's interests. These COE's are organized to provide expertise to the public sector in the P3 process that levels the playing field between it and the private consortium when procuring and negotiating the best case possible for the public sector's interests in the project that is subject to this P3 delivery model. These COE's are normally an agency of the state or a separate non-profit specifically organized and operating to advise or act as owner representative to the public sector.