

Public Private Partnerships (P3) The Latest Trends

Wisconsin Counties Association

January 23, 2017

Andrew T. Phillips

Steven L. Nelson

Counties, Municipalities and School Districts Have to do More with Less



We Can't Do More With Less...

- BUT, we can do things differently..

Wisconsin Local Governments Looking to Regionalize or Collaborate (the “Public Public Partnership”)

- Public Works
- Highway
- Human Services
- General Operations

Current Law on Intergovernmental Cooperation

- Wis. Stat. § 66.0301(2):

...any municipality may contract with other municipalities and with federally recognized Indian tribes and bands in this state, for the receipt or furnishing of services or the joint exercise of any power or duty required or authorized by law.

Current Law (cont.)

- Wis. Stat. § 66.0301(3):

Any contract under sub. (2) may provide a plan for administration of the function or project, which may include but is not limited to provisions as to proration of the expenses involved, deposit and disbursement of funds appropriated, submission and approval of budgets, creation of a commission, selection and removal of commissioners, and formation and letting of contracts.

A Different Collaboration - the Public Private Partnership

Public-Private Partnerships, or P3s, are a way to build true partnerships between the public and private sector. Recent fiscal pressures on federal, state and local governments have led to a renewed focus toward P3s as a means to reduce operating budgets by turning operations and maintenance responsibilities over to private companies.

What is the Definition of a P3?

- From Wikipedia (https://en.wikipedia.org/wiki/Public%E2%80%93private_partnership)

A **public-private partnership (PPP, 3P or P3)** is a cooperative arrangement between one or more public and private sectors, typically of a long term nature. Governments have used such a mix of public and private endeavors throughout history. However, the past few decades has seen a clear trend towards governments across the globe making greater use of various PPP arrangements.

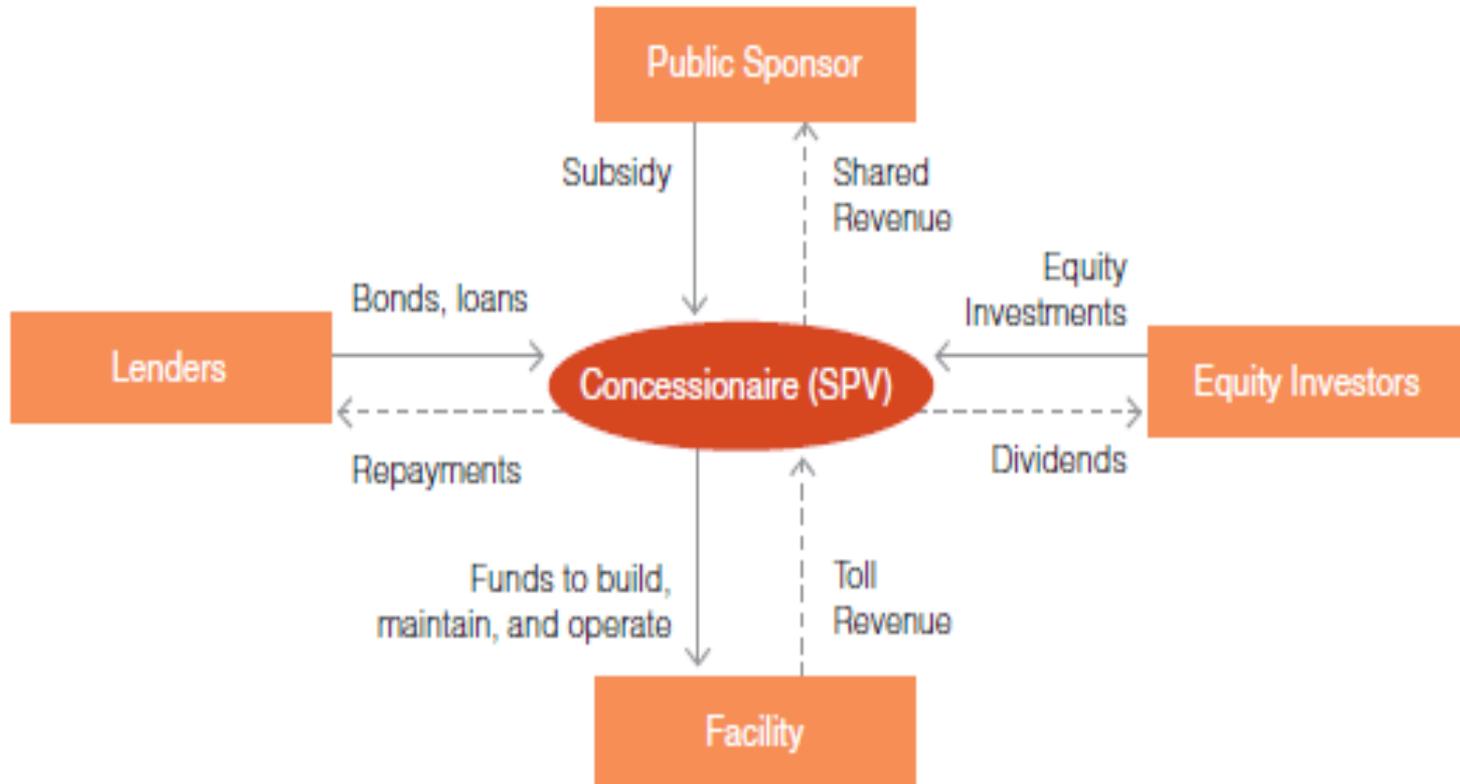
Problems with Definitions

- There is no set definition of a P3:
 - Governments “outsource” all sorts of functions - some of that outsourcing may be considered “P3.”
- There is no P3 project “template.”
 - The particulars of any arrangement are subject to discussion and negotiation.
- There is no statute that governs a P3.
 - Although there are legal principles relating to what a municipality/county/school district may transfer to the private sector.

What is Different About a P3?

- Capital is provided by a private entity
- Private entity bears significant financial risk in performance
- Private entity retains large measure of control over management and operation

Federal Highway Administration Example



EXAMPLES OF PUBLIC PRIVATE PARTNERSHIPS

Public Park

The US Forest Service in Arizona turned over operations of the Crescent Moon/ Red Rock Crossing Recreation Area in Sedona, Arizona to Recreation Resource Management (RRM) in 1994. RRM operates the park under a public-private partnership with the U.S. Forest Service. This long-running P3 partnership stands out because RRM prepared and published a case study on the project in 2011. RRM's case study compared the privately-run Crescent Moon park to the nearby Red Rock State Park. Red Rock State Park is operated by Arizona State Parks, a public agency. RRM found that while the two parks in the study are geographically close and share similar entry-fees, attendance and overall revenue numbers, Crescent Moon (operated under the P3 agreement with RRM) returns close to \$45,000 to the U.S. Forest Service each year in the form of net revenue, while RRM claims the publicly operated Red Rock State Park operated by Arizona State Parks costs the U.S. Forest Service \$234,000 per year.

Source: <https://www.onvia.com/company/blog/5-examples-public-private-partnerships-p3-action>

Public Highways

In 2006, private companies Cintra Concesiones de Infraestructuras de Transporte and Macquarie Infrastructure Partners were awarded a project to operate a 157 mile stretch of Indiana's public roadways. The partnership of private companies paid the state a one-time fee of \$3.8 billion for a 75-year agreement to operate the roadway in exchange for the revenue from the tolls. The project is estimated to save the state of Indiana about \$100 million per year in operating costs, but has yet to turn a profit for the private company investors who took on the deal. The deal is held as an example to investors to exercise caution in bids for P3 contracts. In the case of the Indiana Toll Road, traffic on the toll road has been lower than projected - causing the revenue shortfall for the private investors.

Source: <https://www.onvia.com/company/blog/5-examples-public-private-partnerships-p3-action>

Asset Ownership Programs

- As noted earlier, statutory authority exists for counties and municipalities to cooperate on any number of projects. In some cases, there may be a physical asset involved that is “owned” by a 3rd Party entity and “leased” for government use:
 - Student housing
 - Joint Fire/EMS stations
 - Medical facilities

Next Steps for Policymakers Interested in a P3 Model

- Define need and utility of a P3
- Understand state and local laws relating to P3
- Evaluate political issues and feasibility
- Be transparent
- Ask for help!

Questions

