



Florida's Future: Funding Growth Through Public Private Partnerships

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Fla. Statute 287.05712

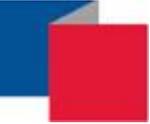
Effective July 1, 2013, Florida's new public-private partnership statute introduces a new, powerful procurement and funding mechanism into Florida's public arena.



Why 3P's?

Legislative Findings and Intent:

The Legislature finds that there is a public need for the construction or upgrade of facilities that are used predominantly for public purposes and that it is in the public's interest to provide for the construction or upgrade of such facilities.



More on Why

1. Public need for timely and cost-effective delivering and operation of public facilities.
2. Inadequate public resources to develop facilities.
3. Various tax incentives may help project finances.
4. Potential new financing and funding mechanisms.



New Clear Authority on 3P's

- Local governmental bodies are authorized to “receive unsolicited proposals or solicit proposals for ***qualifying projects*** and.... enter into an agreement with a “private entity...for the building, upgrading, operating, ownership of facilities.”



What's a Qualifying Project

- A facility or project that serves a public purpose, including, but not limited to, any ferry or mass transit facility, vehicle parking facility, airport or seaport facility, rail facility or project, fuel supply facility, oil or gas pipeline, medical or nursing care facility, recreational facility, sporting or cultural facility, or educational facility or other building or facility that is used or will be used by a public educational institution, or any other public facility or infrastructure that is used or will be used by the public at large or in support of an accepted public purpose or activity;
- An improvement, including equipment, of a building that will be principally used by a public entity or the public at large or that supports a service delivery system in the public sector;
- A water, wastewater, or surface water management facility or other related infrastructure;



Qualifying Project Must Include

- Project description including design of facilities or conceptual plan and schedule for start and finish.
- Method for acquiring property needed for project, if any.
- Description of private entity’s “general plans for financing the qualifying project” including sources and uses of funds.
- Description of proposed user fees, lease payments or other service payments of the terms of a comprehensive agreement.



Unsolicited 3P Process

- Qualifying project that meets standards of statute that project is in public best interest, facility will be owned by public, costs and service guarantees.
- Gov't can charge fees for assessing proposals.
- If gov't desires to enter into a proposed 3P, gov't must:
 - Decide project is in public's best interest
 - Facility will be owned by public.
 - Adequate safeguards are in place to ensure additional costs or service disruptions are not impose on public body.
 - Adequate safeguards that project can expand or meet public need.



Unsolicited 3P Process

If Gov't intends to enter into an unsolicited 3P, gov't must:

- Publish notice in Florida Administrative Weekly for at least 2 weeks plus newspapers of general circulation.
- Accept competing proposals.
- Provide between 21 days and 120 days of notice
- Gov't can enter an Interim Public Private Partnership Agreement. Ultimate goal is Comprehensive Public Private Partnership Agreement.



3P Task Force

Statutory Task Force established to work on implementation details. Work must be completed by 12/31/2014. Include issues such as:

- 1) How sunshine and public records work in the context of 3P's.
- 2) How public officials interact with proposers.
- 3) Whole range of substantive or legal criteria of review and proposal selection.
- 4) How to ensure competition.

HB 1051 amends statute to provide for confidentiality of unsolicited public private partnership proposals.



Practical Impact

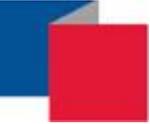
- Local and state governments have long done 3P's.
 - Citrus Park Mall Roadnetwork.
 - Tampa Bay Times Forum.
 - CDD's.
 - Development Agreements.
- New law establish 3P's as public policy of state of Florida and all its gov't entities.
 - Where no policies exist, new law creates one.
- Authorizes and approves process of unsolicited public private partnership proposals that may trump existing procedures, and provides procedures where there were none.



Prediction

FLORIDA'S NEW PUBLIC PRIVATE PARTNERSHIP LAW WILL UNLEASH A WAVE OF PRIVATE SECTOR ENTREPRENEURSHIP AND INNOVATION THAT WILL MOVE THE PUBLIC AGENDA FORWARD IN WHOLLY UNEXPECTED WAYS.

THE EARLY PROOF.

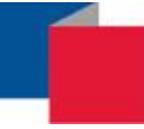


Infrastructure 3P's



PASCO SR 54/56 Elevated Toll Road

- 10 mile m.o.I. elevated tollroad on SR 54/56.
- Unsolicited proposal to FDOT.
- 10 mile m.o.I. elevated highway in median of SR 54/56.
- Consortium includes engineers, GC, and financiers.
 - Award of ROW and franchise rights in exchange for wholesale assumption of project risk and costs.



Pending Solicited Major Transportation 3P's

I-4 Managed Lanes Project ---- \$2 billion.

Tampa Interstate System --- Managed Lanes Projected to Cost > \$5 billion
– projecting about 1/3 of cost to come from toll revenues delivered via 3P's.

Pinellas Greenlight --- \$1.5 billion LRT proposed, with delivery through 3P
mechanism as per Denver's STAR project.

Tampa Bay High Speed Ferry Project





But.....

- Public sector couldn't figure out approach.
- Wrong business plan.
- Small ridership.
- Significant subsidies.

No where to go with Congressional Earmark.



HMS GLOBAL MARITIME





South Swell Group

- Key Exchange Parcel for terminal.
- Specific experience with Schultz Park.
- Reduction of Capital costs through concession risk sharing.

Operating Strategies Larger Ferries





Project Economics

- \$17 million turnkey, assuming retrofitting used vessels.
- HMS assumes ridership risk for first three years; shared risk/revenues thereafter.
- Concession payment model; in event project doesn't continue, public gets waterfront park and net value of movable assets.
- HMS is taking the intangible “operating risk,” bigger portion of risk, while public retains capital assets.

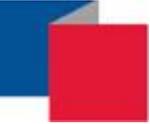


Model Comparison

Toll road --- guaranteed award of toll road franchise ---- can shift project development costs to private sector.

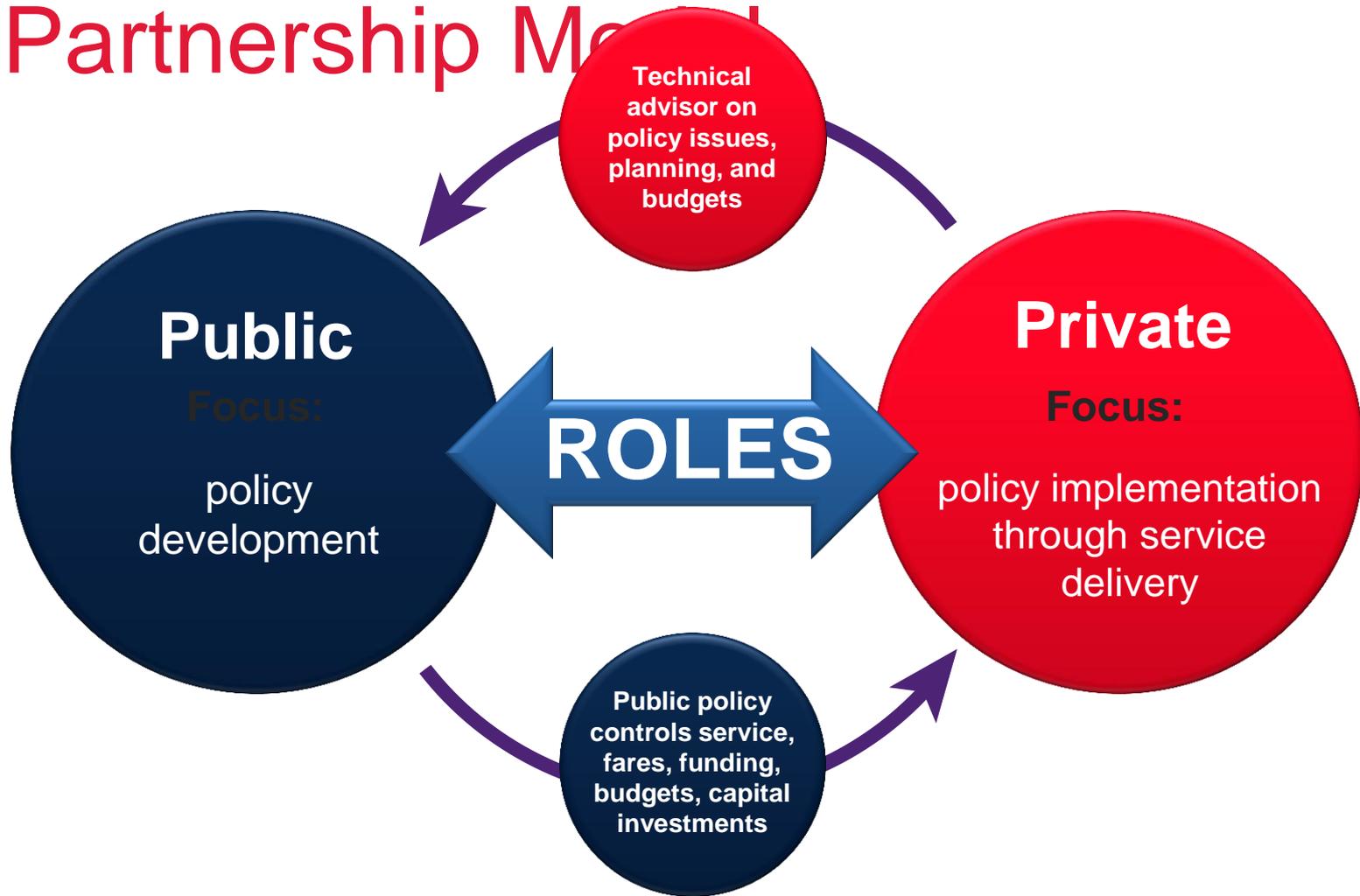
HSF --- no guarantee of project development or award --- interim project development with project costs borne by public sector. Eg. PD&E,

- Still significant b/c married to comprehensive agreement.



Social 3P's Operating Environment – Transit Option

Public Private Operating Partnership Model



Veolia Transportation

Worldwide

- World's largest operator of public transport
- 3.3 billion passenger trips per year
- 119,000 employees
- \$10 billion annual revenue
- 60,000 vehicles

North America

- 400 million passenger trips per year
- 20,000 employees, 80% (16,000) represented by organized labor
- \$1.6 billion in annual revenue
- Bus, rail and on-demand services

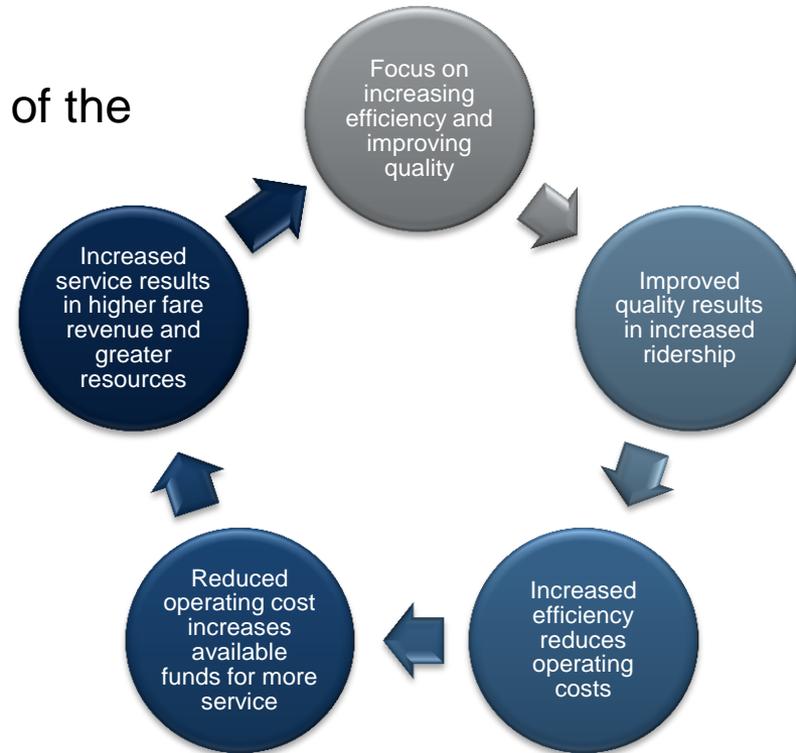


Goal of a PPOP:

Reduce cost, improve service efficiency in order to invest in growth

Each entity does what they do best

- The public authority maintains policy control over all areas of the service and continues to own all assets, vehicles and facilities.
- Veolia operates and manages all aspects of the operation according to public policy.



Case Studies



- New Orleans



- Nassau County

New Orleans



Phase 2 Full Partnership

- Converted all 534 employees to Veolia
- Implemented Veolia culture, programs, purchasing, procedures and training
- Held operating costs per hour flat for three years
- Ridership increased 30%



New Orleans



Phase 2 Full Partnership

- Designed, built new streetcar line in 3 years
- Improved safety
- 53% reduction in accidents
- 31% reductions in worker's compensation claims
- 90% reduction in OSHA lost days of work



New Orleans



Phase 2 Full Partnership

- Improved fleet performance
- 309% increase in miles between roadcalls
- Decreased customer complaints by 66%
- New brand



Reduced cost, increased services

Summary of Total and Operating Costs per Revenue Hour
New Orleans Regional Transit Authority



Key:

Combined Cost per Revenue Hour



Veolia Operating Cost per Revenue Hour



RTA Non-Operating Cost per Revenue Hour



Comparable RTA operating costs prior to Veolia's "delegated management" agreement.



Service Hours



Streetcar expansion generating development

- Sought and awarded Tiger grant funding for streetcar expansion
- Created Intermodal center at Union Station combining Amtrak, Greyhound, Streetcar and Buses
- Managed design, construction, testing
- Service started 1/18/13, three years from inception to completion
- Implemented on time and under budget
- \$2.5 billion in new development along new streetcar corridor



Nassau County, New York

Full Turnkey Partnership



- Winter 2010 MTA demanded \$26 million more for same service or cut 27 routes – County chose a different path
- Bi-partisan County legislature voted unanimously to award a PPOP
- Every Union member who applied received a job offer with no diminution of wage rate
- Service transitioned from NY MTA to Veolia on January 1, 2012
 - Fixed route and paratransit
 - On-boarded 958 employees
 - Inspected and transitioned 413 buses



Nice Results

- Reduced operating costs 23% (from \$136.95 to \$106.04 per hour)
- Implemented customer satisfaction scoring program
 - Higher scores each quarter during first year
- Conducted and implemented a major service re-design to increase efficiency
 - Reduced service hours and increased ridership
 - Preserved all 48 routes
 - Shifted resources based on customer data



Before

Nice Results

- Developed the NICE brand
- Introduced new passenger website and timetables
- First ever social media marketing with Twitter, Facebook & Instagram
- New NICE Smartphone app with customer information



After



Scope of Potential 3P Candidates

- Projects for which there are identifiable and predictable streams of revenue.
 - Tolls;
 - Fares;
 - Development revenues;
 - Defined and required on-going general operating or capital revenues.
- Projects that are unique or complicated.
- Projects in which capital or operating risk are significant, and which gov't wants to shift risk of time or money to private sector. Typically covered by DBOM or DBOM/F.



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