

# *Public Private Partnerships*

## What is a PPP?

“... arrangements of roles and relationships in which public and private entities coordinate or combine complementary resources and share risks and rewards in order to improve public services in the most effective and efficient manner”

## Or, in other words. . .

- Contractual agreement between public agency and for profit corporation
- Skills and assets of each sector pooled to deliver a service or facility
- Each party shares in the risks and rewards
- Often involves current use of private capital to be repaid over time with revenues from facility, perhaps supplemented with public funds

# Why are PPP's happening?

- Diminishing public resources
- Cumbersome public procurement process
- Desire to harness private “credit” and “know how”
- Reluctance to impose new taxes

# Key Elements of Successful PPP Program

- Flexible statute – not too much, not too little
- Allow for unsolicited proposals
- Spell out the rules
- Dedicate a staff
- Keep it out of “politics”
- Select a partner, not a price
- Place risk where it belongs

# Who Takes What Risk?

- Environmental
- Construction risk and cost overrun
- Revenue (traffic levels and toll collection)
- Public policy changes (termination, competing facilities)

# Pitfalls for the Public Agency

- Do not let PPP's drive the agenda
- Once started, move project along
- Assure transparency
- Do not let short term politics interfere
- Address the sensitive issues
  - tolls
  - competing facilities
  - termination provisions