

Engaging the Private Sector: Alternative Financing and P3 Opportunities

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US Army Corps of Engineers
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Alternative Finance Program

- Purpose/Objective:
 - ▶ Existing Infrastructure: Sustain performance, extend service life, and/or buy down risk
 - ▶ New Infrastructure: Accelerate delivery to reduce life cycle costs and achieve earlier accrual of project benefits
- 5 components to the AF Program:
 - ▶ ESPCs
 - ▶ WIFIA
 - ▶ Divestiture
 - ▶ Contributed Funds
 - ▶ **Public Private Partnerships (P3):**
 - **Focus of today's presentation**



P3 Overview

- P3s refer to long-term forms of cooperation between public authorities and the private sector to ensure the **financing, construction, renovation, management, operation and/or maintenance** of an infrastructure facility.
- Defined by 3 primary functional criteria:
 - ▶ Service delivery focus
 - ▶ Life cycle perspective
 - ▶ Incentivized risk sharing

Infrastructure Delivery Spectrum of Options



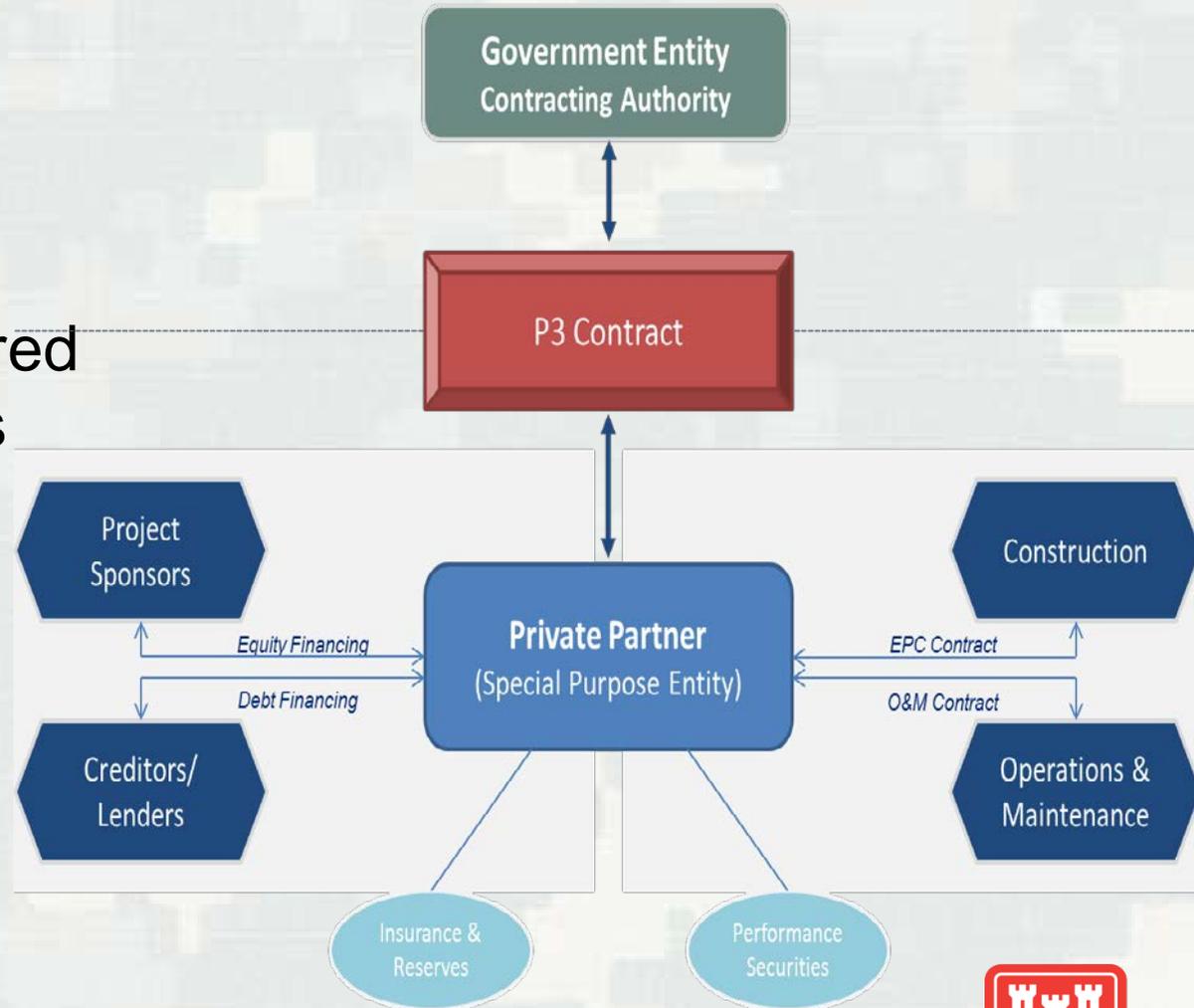
Benefits to partnering with private sector in a P3

- Private sector brings resources and expertise
- Life cycle efficiency gains resulting in cost savings
- Risk sharing / Risk transfer (e.g., technology risk)
- Faster delivery
- Incentive-driven management results in better service provision
- Predictable cost over life of contract



Example P3 partner

- A Special Purpose Entity is created for each project.
- Repayment is secured by future cash flows only



Funding: Compensation Models

P3s are not “free money” and investments and costs need to be repaid:

Three basic revenue sources in P3

- Revenues derived from tolls, tariffs and/or usage payments (i.e., toll roads).
- Focus on demand risk, affordability issues, competition
- Example: Build-Operate-Transfer agreements.

User
Payments

Public
Budget
Payments

- Revenues provided through appropriations or public funding
- Focus on credit rating, guarantees, performance-based indicators, etc.
- Example: Off-take agreements and availability payments.

Ancillary
Revenues

Revenues derived from secondary, commercial activities related to, but independent from, public services

Challenge: To identify revenue sources that create bankable projects



Demo Project Screening & Structuring

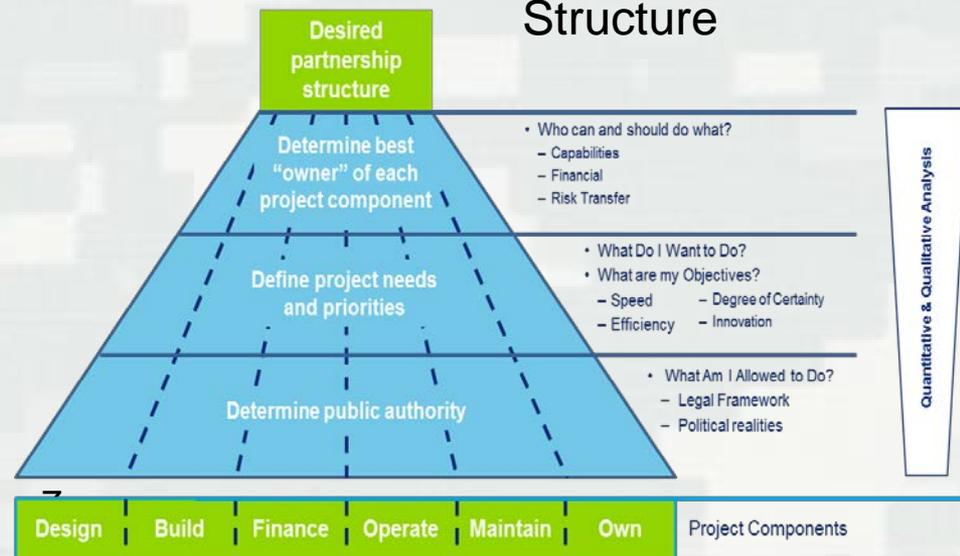


Screening process

Designing the structure

A systematic process assists in ensuring that the sources of value generation are addressed and maximized in structuring a partnership

Structure



FMM: P4 Split Delivery Plan

- Diversion Channel: Non-Federal Sponsors
- Southern Embankment (dry dam) and Mitigation: Corps/Sponsor
- Accelerates Project Delivery with Optimal Delivery Schedule of 6.5 Years, within Existing Authority



TOTAL PROJECT COST



FEDERAL COST



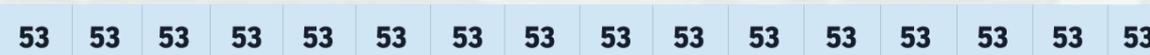
IMPLEMENTATION ••• SPLIT DELIVERY VS. TRADITIONAL

2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030

SPLIT DELIVERY
Federal Funding
(in millions of dollars)



TRADITIONAL
Federal Funding
(in millions of dollars)



TOTAL
16 YRS+ / \$850M+ ?



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Ala Wai Watershed Partnership

- Multi-sector partnership that is helping to leverage public finances to unlock private investment for the Ala Wai Watershed flood mitigation project.
- Exploring P3 opportunities to meet objectives to reduce flood risk and avoid future economic losses
- Exploring feasibility of creating a community investment vehicle (CIVic) to:
 - ▶ Assess taxes or user fees
 - ▶ Contracting (including procurement) and risk allocation
 - ▶ Issue debt
 - ▶ Accept and allocate federal funds



Key Thoughts

- Through P3, we are working with partners in both the public and private sectors to develop future projects - Even if they will not be implemented/constructed by the Corps
- We may explore the planning and technical assistance authorities we have to further engage potential sponsors and partners
 - ▶ FMM and Ala Wai are key examples
- P3: Just a tool in the toolbox
 - ▶ Not the solution for every project and not entirely new
- P3 is Not Just About Money...It's About Transferring Risk that will Accelerate Project Delivery and Accrual of Benefits to Achieve a Lower Lifecycle Cost
- Need to identify problem and objectives upfront (individually & collectively)



QIA

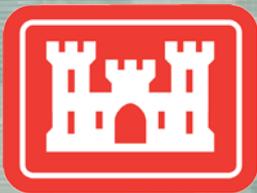
THANK-YOU!

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