

Improving Your Community With Public-Private Partnerships

The Trump administration proposes expanding the U.S. Department of Transportation Private Activity Bond program, encouraging the development of public-private partnerships (P3s) in transportation projects. While P3s do not work for all communities or all types of projects, they can provide some key benefits to help meet local infrastructure needs. With the Trump Administration's emphasis on them, it may be worth looking into whether a P3 would suit your community's latest project.

At their best, P3s are a good way to bring in new technology and expertise that local government might not otherwise be able to utilize. In many cases, private corporations take on the greater part of the risk and management responsibility, and their profit is often tied to their performance, while local governments retain ownership of the assets.

Although allowing private entities to finance, construct and manage public assets is not something to be entered into lightly, P3s can yield some benefits.

P3s Can Stretch Your Budget

When considering bids, local governments must look at the tradeoffs between the cost and quality details of the proposed project. Some may use the lowest bid, only to find out later it was not the best. P3s focus on



long-term operation and maintenance costs, meaning they consider those, and how to keep them low while avoiding deferred maintenance when awarding a bid. In addition, because local government can set performance and maintenance standards into the P3 contract, the projects are orchestrated to meet the standards the community expects over time.

P3s are designed so the cost of the project is paid over the lifetime of the asset and costs are known up front. Private corporations earn a return on their investment either by payments from ratepayers, such as in a water district, or they receive a portion of the higher taxes generated by improved infrastructure.

This unique tool can help municipalities and utilities build the project of the future, according to Charles Renner, who chairs the P3 group at the Kansas City law firm Husch Blackwell. Renner attributes the

burgeoning popularity of P3s to cash-strapped governmental agencies and the need to complete infrastructure projects.

P3s Can Get Projects Done More Quickly

When it comes to red tape, private corporations may have more flexibility than governmental bodies. P3s can bring quick decision-making and best practices honed in the business world to a project. Studies have shown that P3s increase the likelihood that projects come in on budget and on schedule over those completed solely by public entities.

Los Angeles County's metro system is looking toward P3s to dramatically accelerate dozens of projects, some by more than a decade.

Deficient bridges are a problem across the country. The state of Pennsylvania used a P3 and economics of scale to repair more than 550 small bridges across the state in one project – with the repair completed over a decade earlier than they would have, had the state completed them one-by-one. In addition, the Pennsylvania Department of Transportation saved 30 percent on the cost to build them and the private partner will maintain the bridges for 25 years.

Bob Bennett, Kansas City, Missouri, chief innovation officer, sees the value in using P3s to build the cities of the

future. He has worked with Cisco and Sprint to improve WiFi access and Xaqt to predict infrastructure issues and crime factors. That is just the beginning as Kansas City looks to leverage more P3s to invest in the City's downtown, tying partners' success to the City's success through the KCMO Smart City Initiative.

P3s Can Improve Innovation

Popular in Canada and Europe, P3s have also changed the landscape in China. An early win for P3s, 40 years ago, the Central Park Conservancy saved New York City's Central Park. The conservancy started small by saving the park's unique structures, but has seen such success that it has taken over the park management altogether.

In 2014, Chicago used a P3 to invest its Riverwalk, a downtown area that was once unused and neglected by pedestrians; today, this area has seen

major revitalization and economic development. The Port Authority of Kansas City is moving forward on the Missouri River Terminal through a P3, partnering with Nossaman LLP to transform a former steel mill into an intermodal port. Port Authority officials cited Nossaman's expertise and familiarity with port and rail infrastructure.

Other levels of governments have also explored the use of P3s. In addition to the state and county examples mentioned above, the U.S. Department of Energy and the American nuclear industry have partnered as "innovation incubators," using a blend of resources across laboratories, academic facilities and private sector companies to improve reactor and fuel technology.

Missouri also is getting high tech, as the University of Missouri entered into a partnership with engineering firm Black and Veatch and Virgin Hyperloop

One to look at the feasibility of building a hyperloop – a vacuum-sealed tube with levitating passenger pods, along the Interstate 70 corridor.

There are as many ways to utilize a P3 as there are reasons for entering into one, but approaching a partnership with concrete goals can help you get infrastructure updated, or start building the infrastructure of the future more quickly and economically. 

The NLC Service Line Warranty Program partners with cities to educate residents about their responsibilities for water and sewer service lines and offer optional repair service plans to protect them from unexpected repair costs. For more information, visit www.utilitysp.net.

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