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Partnership Solutions to Address California's Water Crisis

Virginia Grebbien

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WHAT IS A PUBLIC-PRIVATE PARTNERSHIP?



- ▶ Forms a business relationship between a public agency and a private entity
- ▶ Bundles investment expenditures with life-cycle operation costs
- ▶ Public sector retains control of assets



DELIVERY OPTIONS COMPARISON

	DESIGN BID BUILD (DBB)	DESIGN BUILD (DB)	P3
 <p>TIMING How quickly the project can be completed</p>	<ul style="list-style-type: none"> Sequential design, build Typically slowest to project completion 	<ul style="list-style-type: none"> Integrated design, build can save time versus DBB 	<ul style="list-style-type: none"> Integrated project development, financing, design, build and operations can save the most time Typically fastest to project completion
 <p>COST The total life cycle cost of the project; capital, finance, operations/ maintenance and risk realized</p>	<ul style="list-style-type: none"> Competitive bidding used to control build costs and provide transparency Public tax exempt financing Lack of integrated design, build and operations may not be least total life cycle cost solution 	<ul style="list-style-type: none"> Integrated design, build likely to be lower cost versus DBB Public tax exempt financing Lack of integrated operations may not be least total life cycle cost solution 	<ul style="list-style-type: none"> Savings opportunities in integrated project development, design, build and operations can offset higher cost of funds Potentially lowest total life cycle cost Private, taxable interest financing
 <p>RISK The probability that something will happen that costs the owner more money</p>	<ul style="list-style-type: none"> Owner has maximum control over process Owner at risk for design errors Owner at risk for debt repayment Owner risk is highest 	<ul style="list-style-type: none"> Owner trades some loss of control for potentially lower costs and time savings Owner at risk for debt repayment Owner risk is reduced versus DBB 	<ul style="list-style-type: none"> Owner trades more loss of control for greater potential cost and time savings and greatest cost certainty Private partner at risk for debt repayment Owner risk is minimized versus DB and DBB
 <p>TYPICAL PROJECT Characteristics of projects well suited to the method</p>	<ul style="list-style-type: none"> Simple project with low risk Complex project when the owner needs control over many project details 	<ul style="list-style-type: none"> Owner can specify project performance requirements Owner is indifferent to specific means of achieving performance requirements Multiple ways are available to meet the performance reqs. 	<ul style="list-style-type: none"> Potential for revenue generation Owner requires greatest certainty over total life cycle cost Owner is a single-purpose entity Owner is a regional authority or Joint Powers Authority



ALTERNATIVE FINANCING STRUCTURES

TRADITIONAL MUNICIPAL BOND FINANCING (Recourse)

CAPITAL SOURCE	USES	BOND COVENANTS	
Grants	Project Capital Cost	None	
Debt Financing	Project Capital Cost	Water Service Contracts	Tax Increases and Assessments

Owner Guarantees Debt Repayment

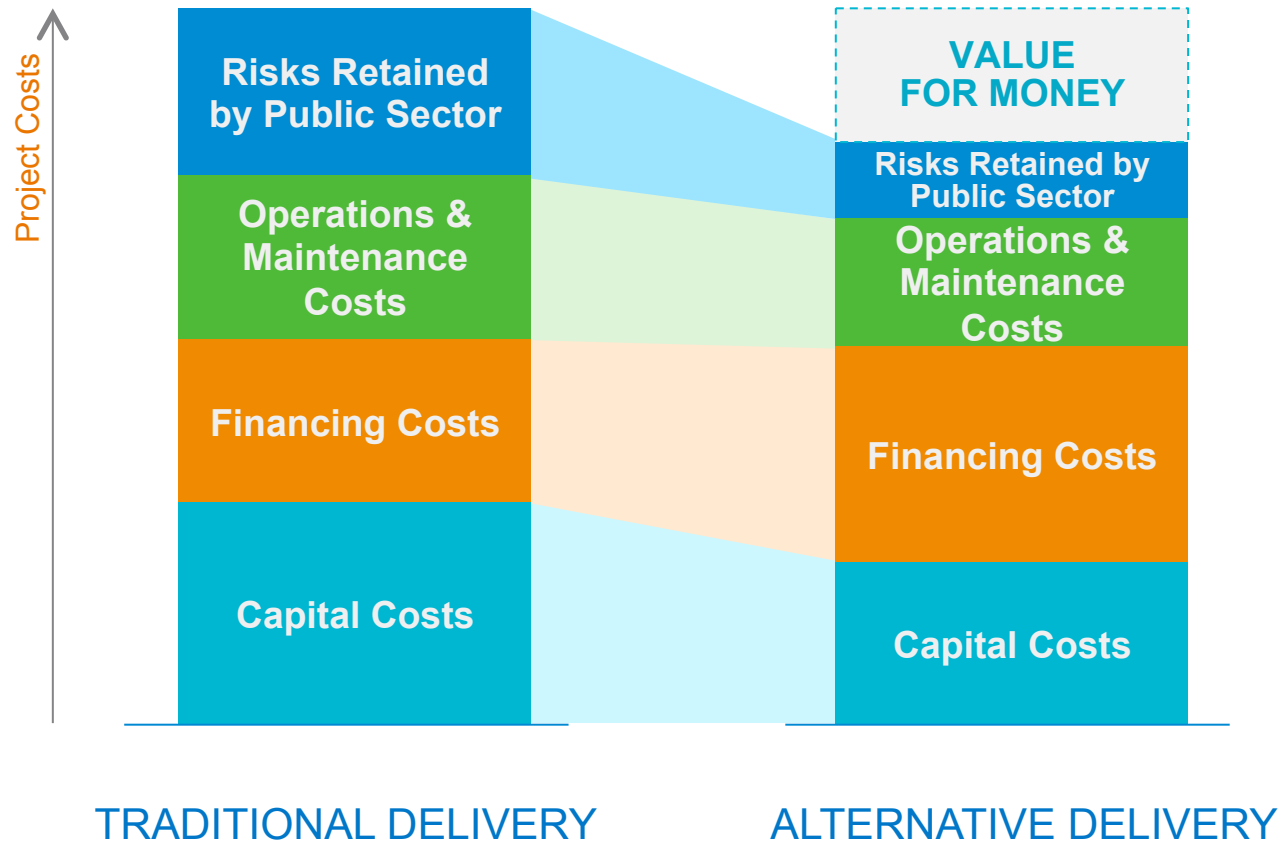
P3 APPROACH (Non-recourse)

CAPITAL SOURCE	USES	SECURITY
Grants	Project Capital Cost	None
Debt Financing	Project Capital Cost	Availability Payments (Water Service Contracts)
Equity		

Project Co Guarantees Debt Repayment



PARTNERSHIPS MANAGE RISK DIFFERENTLY



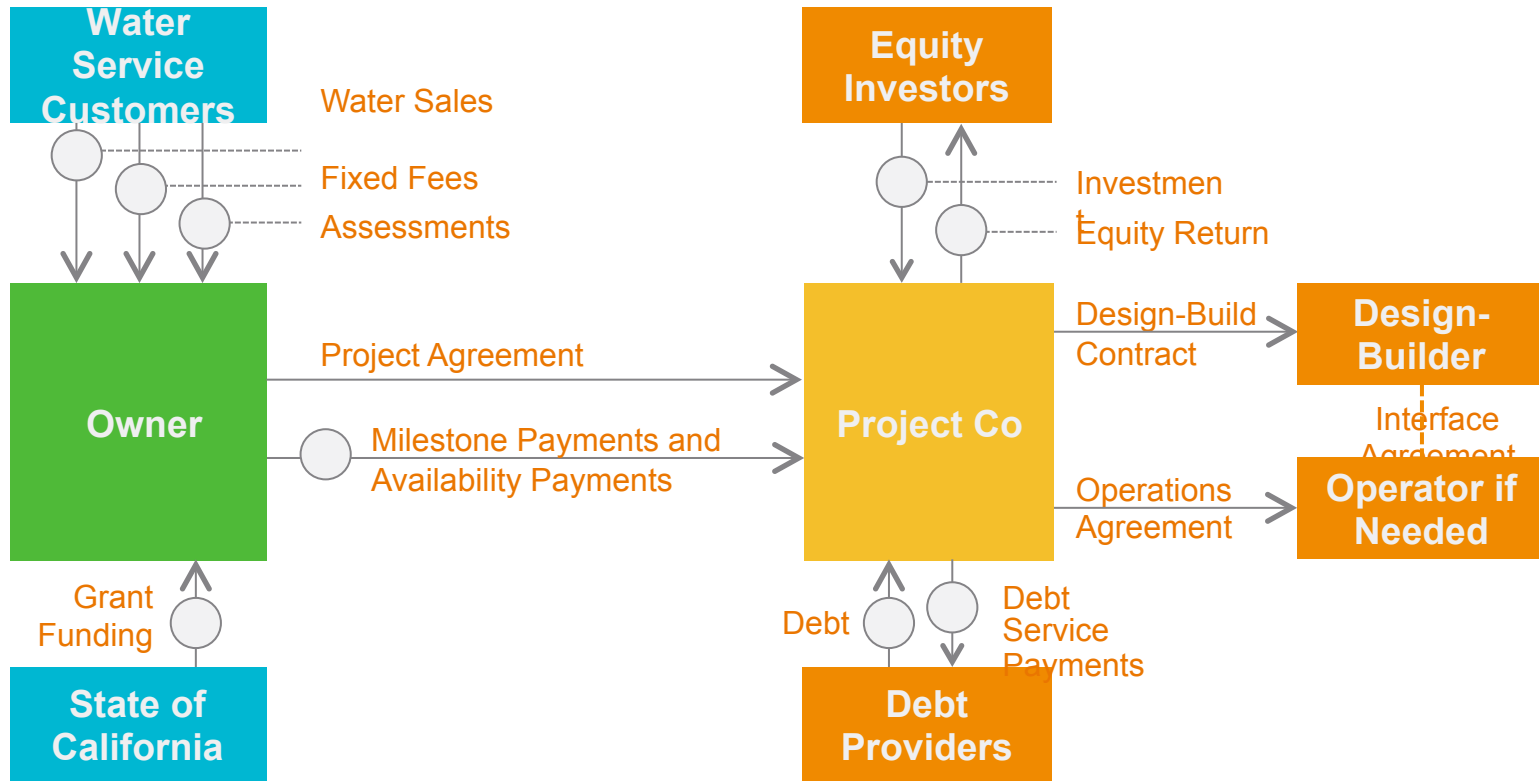
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THANK YOU



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POTENTIAL P3 APPROACH – SINGLE ENTITY



- ▶ Preserves Owner control and project ownership
- ▶ Construction period payments are made at completion of certain "milestones"
- ▶ Availability payments are performance-based compensation over the operations period
- ▶ Project debt is non-recourse and secured by performance-based availability payments

