

ENVIRONMENTAL PUBLIC PRIVATE PARTNERSHIPS

November 17, 2016

Daniel Robertson
Attorney
Illinois Pollution Control Board

How Did We Get Here?

- Increasing funding gap
- Corporate environmentalism

Breakthrough Energy Coalition

- Affordable energy for everyone without contributing to climate change
- This goal requires “marshaling the resources and intellect of both the public and private sectors.”
 - Bill Gates (October 6, 2016)





PUBLIC PRIVATE PARTNERSHIPS

Public Private Partnership

“A contractual agreement between a public agency (federal, state, or local) and a private sector entity. Through this agreement, the skills and assets of each sector (public and private) are shared in delivering a service or facility for the use of the general public.”

Source: National Council for Public Private Partnerships



Chicago Skyway



Chicago Skyway

- Built in 1958
- Skyway Concession Company, LLC
 - 99-year lease
 - Operate and maintain Skyway
 - All toll and concession revenue
- Chicago received \$1.83b cash infusion

PPP Background

- Primarily focused in wastewater treatment services
- Regulations too rigid
- Lacked flexibility

Common Sense Initiative (CSI) 1994-1998

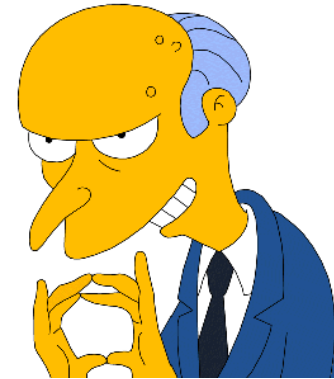
- EPA took sector-by-sector approach across six different industries
 - Computers and electronics
 - Automobile
 - Iron and Steel
 - Printing
 - Metal
 - Petroleum



Common Sense Initiative (CSI) 1994-1998

- Cleaner, cheaper, smarter
- Main objectives
 - Efficiency
 - Incentivize
 - Increase participation
 - Motivate

Project XL (1995-2002)



- "eXcellence and Leadership"
- National program
- Develop new methods for achieving environmental and public health protection
- Regulatory or procedural flexibilities

Project XL (1995-2002)

- Performance-based approach
- Provide opportunity to
 - develop innovative environmental improvements
 - reduce compliance and transaction costs

Partner Duties

- Provide a service
- Finance a project
- Design or construct a facility
- Operate or maintain a facility or service

North Chicago Energy Center

- North Chicago Veterans Affairs Medical Center
- Energy Systems Group
 - designed, constructed, and now operates energy center
 - Revenue gained by exporting power to electric grid
- Medical Center receives percentage of revenue from sale to non-VA customers



Why enter a Partnership?

- Technology
- Cost-effectiveness
- Delegation of responsibility and risk

Why enter a Partnership?

- Guarantees
- Transparency
- Financing

City of Monmouth Environmental Management

- All public works services
- Single private provider
- Environmental Management Corporation,
but Woodard & Curran took over in 2013

The logo for the City of Monmouth, Illinois. It features the word "MONMOUTH" in a large, red, serif font. The letter "O" in "MON" and the "O" in "MOUTH" are replaced with a stylized orange leaf. Below "MONMOUTH" is the word "ILLINOIS" in a smaller, black, sans-serif font. The entire logo is set against a light beige background with horizontal orange lines above and below it.

MONMOUTH
ILLINOIS

City of Monmouth Environmental Management

- "Helped the city begin a recovery from years of financial difficulties."
- "A crucial component of a long-term strategy devised to provide financial stability, improve the quality of services, reduce costs and enhance the city's economic competitiveness."

Source: Monmouth.com

Problems with Partnerships

- Fundamental incompatibility
- Transaction costs
- Lack of Transparency
- Price Increases

Problems with Partnerships

- Short term cash infusion hinders long-term cash flow
- Long-term State guarantees for profits of private companies
- Contractual obligations lead to reductions elsewhere

Problems with Partnerships

- Public Sector loses
 - Flexibility
 - Control
 - Efficiency
- Uncertainty

Problems with Partnerships

- “It seems obvious that the finance of assets is a suitable function for the public sector, which has one huge advantage – the ability to borrow cheaply.”

Martin Wolf, Senior Economics Journalist, Financial Times
(2008)

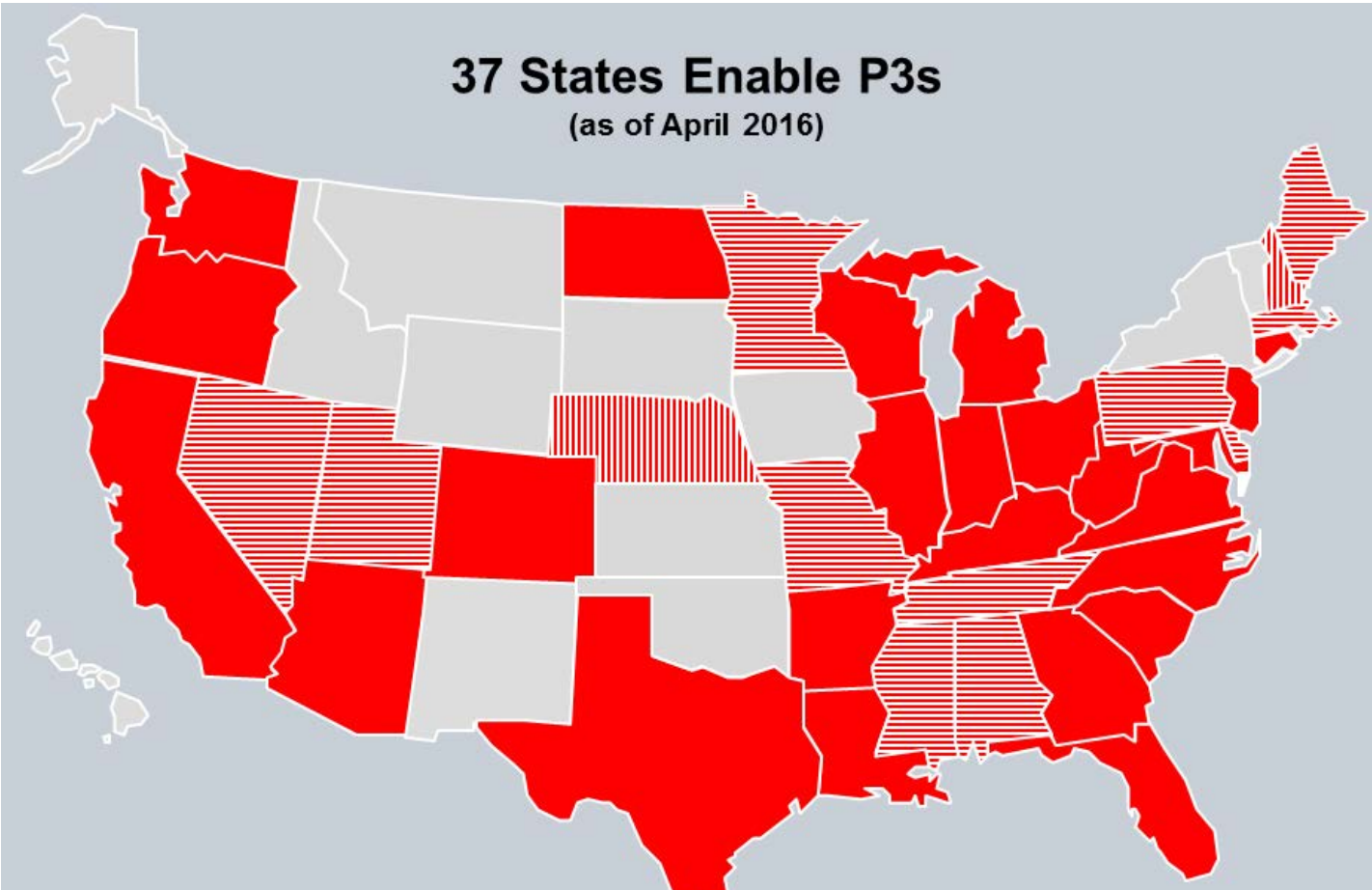
Problems with Partnerships

- “If you’re a good public sector, you shouldn’t need PPPs. If you’re bad, you shouldn’t go near them.”

Robert Bain, “Review of Lessons from Completed PPP Projects Financed by the EIB” (May 2009)

37 States Enable P3s

(as of April 2016)



- Enabling vertical and horizontal P3s to some degree
(23 states and DC)
- Enabling only vertical P3s to some degree
(3 states)
- Enabling only horizontal P3s to some degree
(11 states and PR)

Note: 36 states and DC authorize P3s by statute/regulations or limited partnerships. In these states, P3s may be authorized on a specific project(s) or project type.

Illinois Public Private Partnerships Act (SB3277)

2/19/16 Filed by Sen. Heather Steans
Referred to Assignments

2/24/16 Added as Chief Co-Sponsor Sen. Karen
McConnaughay

3/8/16 Assigned to Commerce and Economic
Development Committee

4/8/16 Decision deadline extended to 4/22/16

4/22/16 Re-referred to Assignments

Illinois Public Private Partnerships Act

- Office of Public-Private Partnerships
 - Provide assistance and expertise
 - Set forth approval requirements
 - Establish standards for agreements

Illinois Public Private Partnerships Act

- Office of Public-Private Partnerships
 - Promote the development, financing, and operation of PPP agreements
 - Attract private entities through government outreach events



Illinois Public Private Partnerships Act

- Allows any public agency, with approval, to enter into a PPP agreement with any private entity for improving
 - Transportation assets
 - Public Buildings
 - Public Services
 - Other Public Assets
- Creates Local Alternative Procurement Fund

Existing Illinois Laws

- 20 ILCS 2705/2705-450
 - High-speed rail and magnetic levitation transportation development
- 605 ILCS 5/10-802
 - Municipal bridges over river forming state boundary
- 605 ILCS 130/
 - Illiana Expressway

EPA Action Checklist

- ✓ Evaluate service needs
- ✓ Review available technologies
- ✓ Identify expert resources
- ✓ Evaluate financing prospects

EPA Action Checklist

- ✓ Identify community resources and generate support
- ✓ Study laws and regulations
- ✓ Evaluate business interest and track record

EPA Action Checklist

- ✓ Consider regional options
- ✓ Narrow partnership types
- ✓ Select and conduct procurement process
- ✓ Develop service agreement



THE NATIONAL COUNCIL FOR
PUBLIC-PRIVATE
PARTNERSHIPS

7 Keys to Success for PPPs

1. Public Sector Champion
2. Statutory Environment
3. Public Sector's Organized Structure
4. Detailed Contract
5. Clearly Defined Revenue Stream
6. Stakeholder Support
7. Pick Your Partner Carefully

Source: National Council for Public Private Partnerships

QUESTIONS?



Daniel Robertson

Daniel.robertson@illinois.gov

312-814-6931