ENVIRONMENTAL PUBLIC PRIVATE PARTNERSHIPS

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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

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

- 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

[Monmouth Illinois Logo]
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 ILC S 2705/2705-450
  - High-speed rail and magnetic levitation transportation development

- 605 ILC S 5/10-802
  - Municipal bridges over river forming state boundary

- 605 ILC S 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
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?

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