SEVERN TRENT SERVICES

NAWC PPP Panel | October 2013 | Fred Kriess

UNDERSTANDING
A VALUABLE RESOURCE

SEVERN
TRENT
SERVICES

Severn Trent Services provides a full range of integrated water and wastewater operations to more than 15 million people worldwide.

<u>United States</u>
400+ contracts in 22 states
Market niche: small to medium-sized municipalities

We provide solutions to meet the significant needs of our customers, yet market barriers still exists. How do we overcome these challenges?

Strong drivers

- Need to reduce costs to offset shrinking municipal budgets
- Regulatory compliance
- Staffing needs
- Infrastructure investment
- Technical resources
- Transfer of risk
- Safety concern

Challenges

- Value for money / perceived higher costs
- Perceived loss of ownership and control (privatization)
- Misconception regarding staff reduction
- Decision makers are negatively influenced by unions/concerned citizens groups

Public-private partnership

Public-Private Partnerships Defined A Public-Private Partnership (PPP) is a contractual agreement between a public agency (federal, state or local) and a priva
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. In addition to the sharing of
...cility.Public-Private Partnerships come in a variety of forms and no two PPP projects are exactly alik
...*ding and Facility Partnerships", Government Accounting Office, April 1999. The National*
...O&M: Operations and Maintenance A public partner (federal
...tain a specific service. Under the private operation and maintenance option, the public partner retai
ownership and overall management of the public facility or system. **OMM: Operations, Maintenance & Management** A public partner (federal, state or local government agency or authority) contracts with a private partner to operate, maintain, and manage a facility or system proving a service. Under this contract option, the public partner retains ownership of the public facility or system, but the private party may invest its own capital in the facility or system. Any private investment is carefully calculated in relation to its contributions to operationa efficiencies and savings over the term of the contract. Generally, the longer the contract term, the greater the opportunity for increased private investment because there is more time available in which t recoup any investment and earn a reasonable return. Many local governments use this contractual partnership to provide wastewater treatment services. **DB: Design-Build** A DDB i when the private partner provides both design and construction of a project to the public agency. This type of partnership can reduce time, save money, provide stronger guarantees and allocate additional project risk to the private sector. It also reduces conflict by having a single entity responsible to the public owner for the design and construction. The public sector partner owns the assets an has the responsibility for the operation and maintenance. **DBM: Design-Build-Maintain** A DBM is similar to a DB except the maintenance of the facility for some period o time becomes the responsibility of the private sector partner. The benefits are similar to the DB with maintenance risk being allocated to the private sector partner and the guarantee expanded to include maintenance. The public sector partner owns and operates the assets. **DBO: Design-Build-Operate** A single contract is awarded for the design, construction, and operati of a capital improvement. Title to the facility remains with the public sector unless the project is a design/build/operate/ transfer or design/build/own/operate project. The DBO method of contracting is contrary to th... ...tes by both the public and private sectors. This method involves one contract for design with an architect or engineer, followed by ... ...e owner's taking over the project and operating it. A simple design-build approach creates a single point of responsibili... ...ating the overlap of the design and construction phases of the project. On a public project, the operations phase is normally ha... ...e agreement. Combining all three passes into a DBO approach maintains the continuity of private sector involvement and can fac... ...enerated during the operations phase. **DBOM: Design-Build-Operate-Maint...** ...d partnership that combines the design and construction responsibilities of design-build procurements with operation and mainte... ...n a single contract with financing secured by the public sector. The public agency maintains ownership and retains a significant l... ...ontract. **DBFOM: Design-Build-Finance-Operate-Maintain** With the De... ...ilities for designing, building, financing, operating and maintaining are bundled together and transferred to private sector partn... ...ed States, and especially the degree to which financial responsibilities are actually transferred to the private sector. O commonality... ...holly financed by debt leveraging revenue streams dedicated to the project. Direct user fees (tolls) are the most comm revenue source. However, others ranging from lease payments to shadow tolls and vehicle registration fees. Future revenues are leveraged to issue bonds or other debt that provide funds for capital an project development costs. They are also often supplemented by publi... ...es, private partners may be require to make equity investments as well. Value for money can be attain... **...Operate-Maintain-Transfer** The Design-Build-Finance-... ...e sector owns the asset until th end of the contract when the ownership is transferred to the publi... **...uild-Operate-Transfer** The private partner builds a facility to the speci... ...or franchise agreement with th agency, and then transfers the facility to the agency at the end of... ...ing for the facility, so the lengt of the contract or franchise must be sufficient to enable the private... ...se period, the public partner ca assume operating responsibility for the facility, contract the operat... ...BTO model is similar to the BOT model except that the transfer to the public owner takes place at t... **...uild-Own-Operate** The contractor constructs and operates a facility... ..., and there is no obligation for the public sector to purchase the facility or take title. A BOO trans... ...are satisfied. **BBO: Buy-Build-Operate** A BBO is a f... ...the asset to the private sector entity, which then makes the improvements necessary to operate the f... ...s the construction or expansion of a public facility in exchange for the right to build residential housing, commercial s... ...ndustrial facilities at the site. The private developer contributes capital and may operate the facility under th oversight of the government. The developer gains the right to use the facility and may receive future income from user fees. While developers may in rare cases build a facility, more typically they are charged a fee or required to purchase capacity in an existing facility. This payment is used to expand or upgrade the facility. Developer financing arrangements are often called capacity credits, impact fees, or extractions. Developer financing may be voluntary or involuntary depending on the specific local circumstances. **EUL: Enhanced Use Leasing or Underutilized Asset** An EUL is an asset management program in the Department of Veterans Affairs (VA) that can include a variety of different leasing arrangements (e.g. lease/develop/operate, build/develop/operate). EULs enable the VA to long-term lease VA-controlled property to the private sector or other public entities for non-VA uses in return for receiving fair consideration (monetary or in-kind) that enhances VA's mission or programs. **LDO or BDO: Lease-Develop-Operate or Build-Develop-**

Mr. Small to medium-sized City, would you benefit from a public-private partnership?

I don't think so.
PPPs are complex and have lots of front-end consulting and legal costs. Aren't they used to build stadiums and highways in large cities?