

# PUBLIC PRIVATE PARTNERSHIPS (P3) POLICY REQUEST FOR INFORMATION – CONCEPTUAL P3 ARMY CORPS CIVIL WORKS PROJECTS



**USACE INFRASTRUCTURE TEAM**

**11-12 December 2018**



**US Army Corps  
of Engineers**



**U.S. ARMY**



US Army Corps  
of Engineers.

# REVOLUTIONIZE USACE CIVIL WORKS P3 STAKEHOLDER WEBINAR

2:00 – 3:30 PM EST



## WELCOME

***Welcome to the USACE Civil Works Public Private Partnership (P3)  
Stakeholder Webinar!***

***We will begin the presentation shortly, a few notes:***

- **The security code for the phone line is 0039 (if needed).**
- **All phone lines are currently muted.**
- **We ask that participants submit questions through the webinar chat. (NOTE: Please send your questions to Everyone.)**
- **After the formal presentation, we will go through the questions in the chat and then open up the phone line for questions if there is time.**
- **Please note that today's webinar will be recorded for use by the USACE Infrastructure Team.**



# REVOLUTIONIZE USACE CIVIL WORKS



## WEBINAR PURPOSE

- Provide information on Public Private Partnerships (P3) policy
- Initiate discussions on establishment of a P3 pilot program
- Provide information on the Federal Register notice
- Identify known constraints

- Establish contact:

[CW.Infrastructure.Team@usace.army.mil](mailto:CW.Infrastructure.Team@usace.army.mil)

[https://www.usace.army.mil/Missions/Civil-Works/Infrastructure/Infra\\_P3\\_program/](https://www.usace.army.mil/Missions/Civil-Works/Infrastructure/Infra_P3_program/)



# REVOLUTIONIZE USACE CIVIL WORKS



## CURRENT CHALLENGES

- **Corps Civil Works Portfolio: 3,000+ Operational Projects, with Replacement Value of ~\$268B**
- **Corps Civil Works Asset Classes are Diverse**
  - Flood & Coastal Storm Damage
  - Dam & Levee Safety Programs
  - Coastal and Inland Harbors
  - Water Storage
  - Inland Waterways
  - Aquatic Ecosystems
  - Hydropower
  - Water-Based Recreation
- **Demands for CW Infrastructure Maintenance, Operations, and Capital Investment are Expanding**
  - Civil Works New Construction Backlog → \$100B
  - ASCE: Dams, Levees, IWW's = "D" → \$140B
- **CW Infrastructure Systems Deteriorating, Experiencing Negative Performance Trends Across Portfolio (Serviced by ~\$6.0B Annual Budget Nationally....)**





# REVOLUTIONIZE USACE CIVIL WORKS



## ALTERNATIVE FINANCING AND DELIVERY

- **Key component of the Revolutionize USACE Civil Works Initiative**
- **Transform Corps approach to Project Financing and Delivery**
  - Develop additional tools to implement water resources infrastructure
    - P3 Delivery approach
    - WIFIA – low interest loan program for non-Federal entities.
  - Meet Administration Intent of leveraging Federal funding and providing a lighter Federal touch.
- **Alternative Financing addresses National Problems**
  - Reduce project backlog by accelerating delivery and leveraging limited Federal funding.
  - Reduce life cycle costs and allocate risk to entities that can best manage that risk.



US Army Corps  
of Engineers.

# REVOLUTIONIZE USACE CIVIL WORKS



## ALTERNATIVE FINANCING AND DELIVERY

- **Develop tools that can be used to:**
  - Accelerate project delivery
  - Reduce cost to taxpayers
  - Reduce risk to population and infrastructure
  - Reduce scheduling and funding risks
  - Reduce USACE backlog of projects





# REVOLUTIONIZE USACE CIVIL WORKS



## WHAT IS P3?

- Public Private Partnership (P3): generally refers to a long-term contractual relationship between a public sector contracting authority and a private sector entity for the financing and delivery of public infrastructure and/or the provision of public services.
- Design, Build, Finance, Operate and Maintain contract (or combination).
- Balances life-cycle costs (Initial capital + O&M)
- Includes long term O&M
- Upfront financing to fully fund project for optimal construction schedule and optimal number of contracts.
- Reduced costs over life of the project with asset available sooner.



# REVOLUTIONIZE USACE CIVIL WORKS



## WHAT IS P3?

- Not a silver bullet for all projects
- High upfront structuring costs and financing costs – might not be the best solution for all projects
- Needs market interest and viability
- Needs a non-federal revenue source – tolls, assessment districts, fees, etc.
- Availability payments – payments made during period of O&M for availability of the asset.



US Army Corps  
of Engineers.

# REVOLUTIONIZE USACE CIVIL WORKS



## USACE P3 PILOT PROGRAM

### ASA(CW) 13 September 2018 Memo directs:

- Identification of up to 10 additional pilot projects.
- Must generate significant national or regional economic and public benefits
- Initial Screening and Selection Criteria
- Corps budget will be based on capabilities.
- Requires life-cycle budget submission on all projects
- Corps to exercise governance and oversight on projects.
- P3 program to be overseen by USACE Infrastructure Team.



US Army Corps  
of Engineers.

# REVOLUTIONIZE USACE CIVIL WORKS



## USACE P3 PILOT PROGRAM

### Initial Screening Criteria

#### **Viable P3 project proposals must:**

- have a construction cost in excess of \$50 million;
- have non-federal sponsor support;
- include design, build, finance, operation and maintenance (DBFOM) or some combination thereof for federally authorized projects;
- accelerate project delivery;
- have the ability to generate revenue or leverage non-Federal funding sources;
- be executable under existing authorities
- provide a **qualitative assessment** demonstrating that the P3 will deliver the project faster and/or more cost effectively than traditional delivery
  - A Value for Money analysis will be needed in the future and guidance will be provided but it is NOT required for initial submissions.



US Army Corps  
of Engineers.

# REVOLUTIONIZE USACE CIVIL WORKS



## USACE P3 PILOT PROGRAM

### Selection Criteria

**Viable P3 project proposals will be ranked on the following:**

- **Return on Federal Investment (ROFI):** ROFI will be calculated by annualizing the total project benefits and Federal costs utilizing the current discount rate, and applying the formula:  $(\text{Benefits} - \text{Federal Costs}) / (\text{Federal Costs})$ .
- **Replicability:** Proposed P3 structure or underlying concepts may be applied to other prospective projects.
- **Reliable Funding Sources:** Reliable non-Federal funding sources for the construction, operation and maintenance of Federally authorized water resource projects are identified.
- **Risk Allocation:** Project effectively allocates delivery and performance risk to non-Federal entities and minimizes Federal direct and contingent liabilities associated with the project.



US Army Corps  
of Engineers.

# REVOLUTIONIZE USACE CIVIL WORKS



## USACE P3 PILOT PROGRAM

### Federal Register Notice

- **Target publication in January 2019** – 60 day period for information.
- Request for information on conceptual P3s for delivery of specific USACE Civil Works Projects.
- Encouraged, but not required, to coordinate with the local USACE District.
- Submittal information will be detailed in P3 Fact Sheet on Website (see slide #2)
- Information provided about known constraints.
- Request for ideas on how to address equity concerns (not required)



US Army Corps  
of Engineers.

# REVOLUTIONIZE USACE CIVIL WORKS



## USACE P3 PILOT PROGRAM

### P3 Known Constraints

- **Information and links located on website**
- Ash Center for Democratic Governance and Innovation. (2017). *Tapping Private Financing and Delivery to Modernize America's Federal Water Resources*. Cambridge, MA: Harvard Kennedy School.
- Alternative Financing for Waterways Infrastructure Final Report by American Society of Civil Engineers (ASCE) Coasts, Oceans, Ports, and Rivers Institute (COPRI)
- Federal Project Benefit Cost Ratio and Scoring Information Paper by ASCE COPRI
- CBO Economic and Budget Issue Brief (2005). *Third Party Financing of Federal Projects*.



US Army Corps  
of Engineers.

# REVOLUTIONIZE USACE CIVIL WORKS



## USACE P3 PILOT PROGRAM

### P3 Known Constraints

- 1) Revenue Generation and Ring Fencing - Ability to Collect, Retain and Reinvest Fees/Charges;
- 2) Budget-Based Compensation Structures - Inability to Make Commitments on Future Appropriations;
- 3) Enabling framework and authorities to implement P3 projects;
- 4) Long-term contract authority;
- 5) Budget scoring - Scores Full Federal Project Cost Up Front in First Year; and
- 6) Budgetability - Prioritization of Projects Within Current Budget Policy (Benefit-Cost Ratio)

The Corps explored options for use of P3 on Federally owned assets including navigation and hydropower, both have existing challenges with authorities and budget scoring. These challenges should be considered and understood when providing a response to this request.



US Army Corps  
of Engineers.

# REVOLUTIONIZE USACE CIVIL WORKS



## USACE P3 PILOT PROGRAM

### Equity Concerns

- Request for ideas on how to address equity concerns (not required)
- General concern about wealthy communities being able to move up in priority compared to less wealthy communities.
- Ideas on how this could be addressed may include means, methods, analysis, or other modifiers that could allow for an equitable distribution of projects.



US Army Corps  
of Engineers.

# REVOLUTIONIZE USACE CIVIL WORKS



## USACE P3 PILOT PROGRAM

### Process and Timeline

#### Call for information (internal and external) –

- **Jan – Mar** – Federal Register notice for external proposals
- **Jan** – Internal requests to MSCs and Districts for proposals
- **Spring 2019** - Preliminary pilots identified and coordination with submitter, sponsor, and district.
- **Spring 2019** – Coordination with ASA(CW) on possible pilots
- **Spring 2019** - Feedback from participants to improve future process.

**Annual request for information will be issued and posted in the Federal register around January.**



US Army Corps  
of Engineers.

# REVOLUTIONIZE USACE CIVIL WORKS



**QUESTIONS?  
CONTACT INFRASTRUCTURE TEAM**

**[CW.INFRASTRUCTURE.TEAM@USACE.ARMY.MIL](mailto:CW.INFRASTRUCTURE.TEAM@USACE.ARMY.MIL)**

**[HTTPS://WWW.USACE.ARMY.MIL/MISSIONS/CIVIL-  
WORKS/INFRASTRUCTURE/INFRA\\_P3\\_PROGRAM/](https://www.usace.army.mil/missions/civil-works/infrastructure/infra_p3_program/)**



US Army Corps  
of Engineers.



# BACKUP SLIDES



US Army Corps  
of Engineers.

# REVOLUTIONIZE USACE CIVIL WORKS



## USACE P3 PILOT PROGRAM

### P3 Fact Sheet

- Project Name.
- Project Location.
- Name of the project sponsor.
- Statement of support from non-Federal sponsor, or likely non-Federal sponsor.
- The type of project (i.e Flood Risk Management, Ecosystem Restoration, Navigation, etc).
- The authority that authorized the project.
- Clearly identify if existing authorities are sufficient to allow the P3 to be completed (State and Federal).
- Identification of additional authorities necessary to carry out the project as a P3.
- The investment size of the project (i.e. \$70,000,000)



US Army Corps  
of Engineers.

# REVOLUTIONIZE USACE CIVIL WORKS



## USACE P3 PILOT PROGRAM

### P3 Fact Sheet

- Anticipated activities included in the proposed P3 (i.e. design, build, finance, operate and maintain)
- Anticipated revenue sources for funding the P3 component of the project.
- Ability to leverage non-Federal funding sources.
- Expected impact on the project delivery schedule and costs.
- A qualitative assessment demonstrating that the P3 will deliver the project faster and more cost effectively than traditional delivery.
- Anticipated Return on Federal Investment. ROFI will be calculated by annualizing the total project benefits and Federal costs utilizing the current discount rate, and applying the formula:  $(\text{Benefits} - \text{Federal Costs}) / (\text{Federal Cost})$ .



US Army Corps  
of Engineers.

# REVOLUTIONIZE USACE CIVIL WORKS



## USACE P3 PILOT PROGRAM

### P3 Fact Sheet

- Statement on replicability and how this approach may be applied to other prospective projects.
- Statement on risk allocation and how this approach will effectively allocate delivery and performance risk to non-Federal entities and minimize Federal direct and contingent liabilities associated with the project.
- Socioeconomic information to address concerns of equity which include: Population Benefited, Number of existing Jobs in benefited area, Median Family Income, Unemployment Rate, and trends on population growth.

