

PUBLIC PRIVATE PARTNERSHIPS (P3) POLICY REQUEST FOR INFORMATION – CONCEPTUAL P3 USACE CIVIL WORKS PROJECTS



USACE INFRASTRUCTURE TEAM

7, 13 February 2019



**US Army Corps
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U.S. ARMY





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REVOLUTIONIZE USACE CIVIL WORKS P3 PILOT PROGRAM STAKEHOLDER WEBINAR

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 may be recorded for use by the USACE Infrastructure Team.**



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WEBINAR PURPOSE

- Provide information on Public Private Partnerships (P3) policy
- Discuss establishment of a P3 pilot program
- Discuss the Federal Register notice and implementation guidance
- Identify known constraints
- Questions and Answers
- Establish contact:

Email: CW.Infrastructure.Team@usace.army.mil

Website: https://www.usace.army.mil/Missions/Civil-Works/Infrastructure/Infra_P3_program/
(Including slides from previous webinars)



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ALTERNATIVE FINANCING AND DELIVERY

- **Key component of the Revolutionize USACE Civil Works Initiative**
- **Objective 2: Transform Project Financing and Budgeting**
 - Develop additional tools to implement water resources infrastructure
 - P3 Delivery approach
 - Water Infrastructure Financing and Innovation Act (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.



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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



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USACE P3 PILOT PROGRAM

DCW 08 January 2019 Memo:

- Mirrors ASA(CW) memo
- Initial Screening and Selection Criteria
- Identified internal and external submittal requirements
 - Internal
 - Completed Matrix
 - Completed P3 fact sheet
 - At least 2 projects per MSC via MSC POC
 - External
 - Completed P3 fact sheet
- Information on existing challenges



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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.



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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.



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Federal Register Notice

- Can be found at:
<https://www.federalregister.gov/documents/2019/02/01/2019-00709/request-for-information-on-conceptual-public-private-partnership-p3-delivery-of-specific-us-army>
- 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 detailed in P3 Fact Sheet
- Information provided about known constraints
- Request for ideas on how to address equity concerns (not required).



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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*.



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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.



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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.



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USACE P3 PILOT PROGRAM

Process and Timeline

Call for information (internal and external) –

- **1 Feb 2019** – Federal Register notice published
- **2 April 2019** – Federal Register notice period concludes
- **Summer 2019** – Preliminary pilots identified and coordination with submitter, sponsor, and district.
- **Summer 2019** – Coordination with ASA(CW) on possible pilots
- **Summer 2019** – Feedback from participants to improve future process.

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



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QUESTIONS? CONTACT INFRASTRUCTURE TEAM

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/)

[HTTPS://WWW.FEDERALREGISTER.GOV/DOCUMENTS/2019/
02/01/2019-00709/REQUEST-FOR-INFORMATION-ON-
CONCEPTUAL-PUBLIC-PRIVATE-PARTNERSHIP-P3-
DELIVERY-OF-SPECIFIC-US-ARMY](https://www.federalregister.gov/documents/2019/02/01/2019-00709/request-for-information-on-conceptual-public-private-partnership-p3-delivery-of-specific-us-army)



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BACKUP SLIDES



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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





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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.



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.



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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)



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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: $(\text{Benefits} - \text{Federal Costs}) / (\text{Federal Cost})$.



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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.



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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....)**





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WHAT DO USACE P3 LOOK LIKE?

- Contracts issued by non-Federal sponsors, or non-Federal entity
 - Currently no Federal authority to issue contracts
- Sources of Revenues – assessment districts, taxes, direct appropriations, tolls (authority required)
- Can be design, build, finance, operate and maintain.
- Viable projects in flood risk management, ecosystem restoration, beach renourishment, and water supply.
- More challenging projects hydropower, inland navigation, deep draft navigation, anything with Federal ownership.

