

Public-Private Partnerships: Investing in our Infrastructure

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Public-Private Partnership Defined

A PPP involves a partnership between the public and private sector to share the **risk and rewards** of **constructing, financing, operating, and maintaining** what are traditionally publicly-owned assets in order for projects to be **completed faster, on budget, and at an enhanced value for money** to the owner

Why Utilize Public-Private Partnerships?

- ✓ Better facilities, delivered faster and maintained over the long term to a consistent standard
- ✓ A whole-life solution with rigorous hand-back standards
- ✓ Retained ownership of property and control of buildings
- ✓ Contract improves control over schedule, operations and maintenance
- ✓ Predictable payment stream with smoother budget profile
- ✓ Private sector takes capital and maintenance cost risk
- ✓ Private sector financing reduces pressure on the public sector's debt capacity and bond rating
- ✓ Implementation of repayment mechanism based on performance

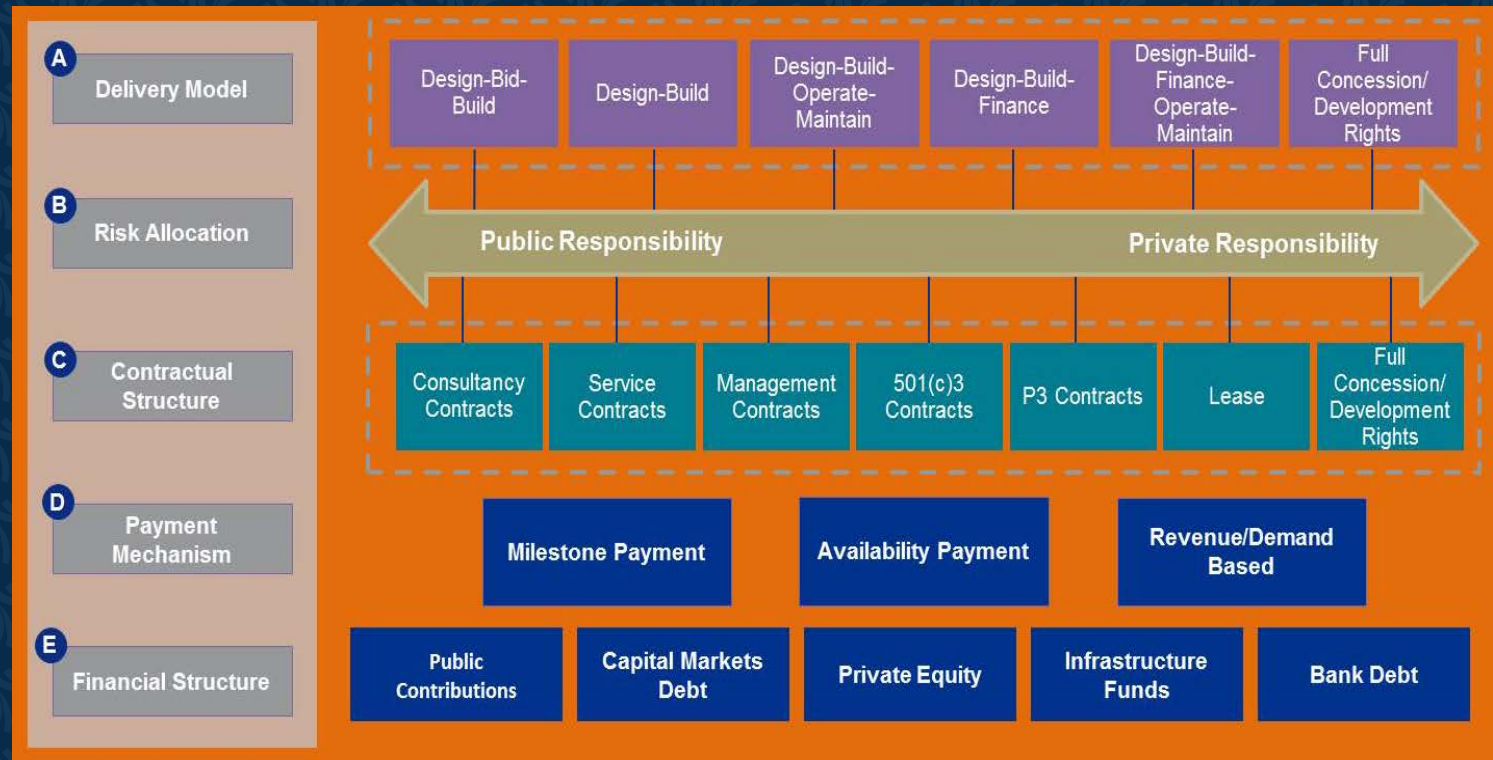
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Indicative Division of Responsibility

	Public	Private	Shared
Day-to-Day Business Activities	✓		
P3 Contract Monitoring	✓		
Design		✓	
Construction		✓	
Operations and Maintenance		✓	
Project Finance		✓	
Operations		✓	
Security			✓

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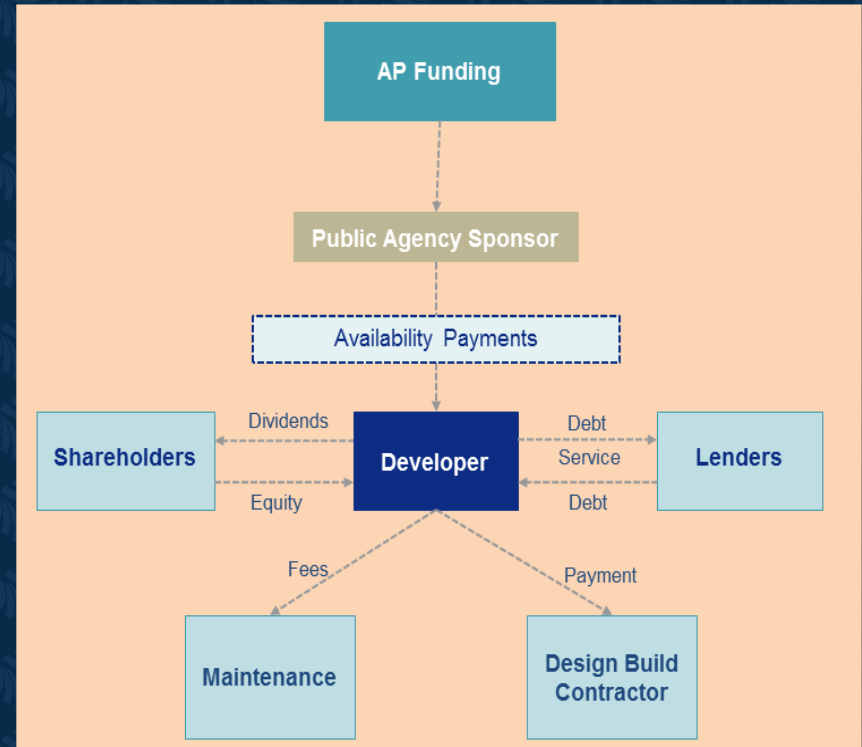
Flexibility of P3 Delivery Models & Structures



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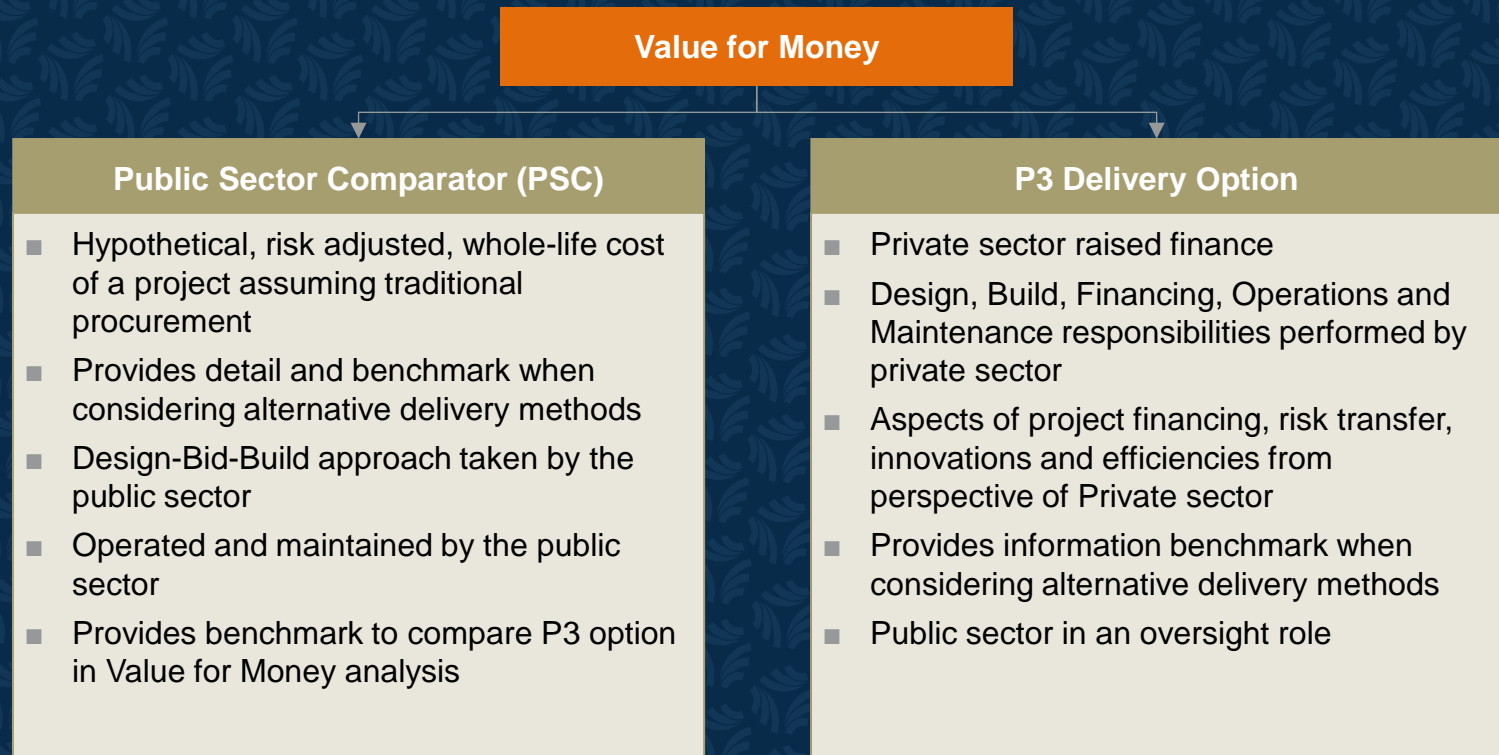
Availability Payment Structure

General Characteristics	
Description	<ul style="list-style-type: none">■ Payments are not made by public counterparty until facility is operational■ Smoothens upfront capital expense over life of asset■ If units not available or performance is poor, deductions are made
Financing	<ul style="list-style-type: none">■ Developers responsible for raising financing■ Lenders provide financing against payment stream■ More acceptable to lenders
Maintenance	<ul style="list-style-type: none">■ Promotes whole-life costing■ Payment reductions if not meeting standards■ Optimal use of resources■ Public counterparty will outline specific O&M outcomes



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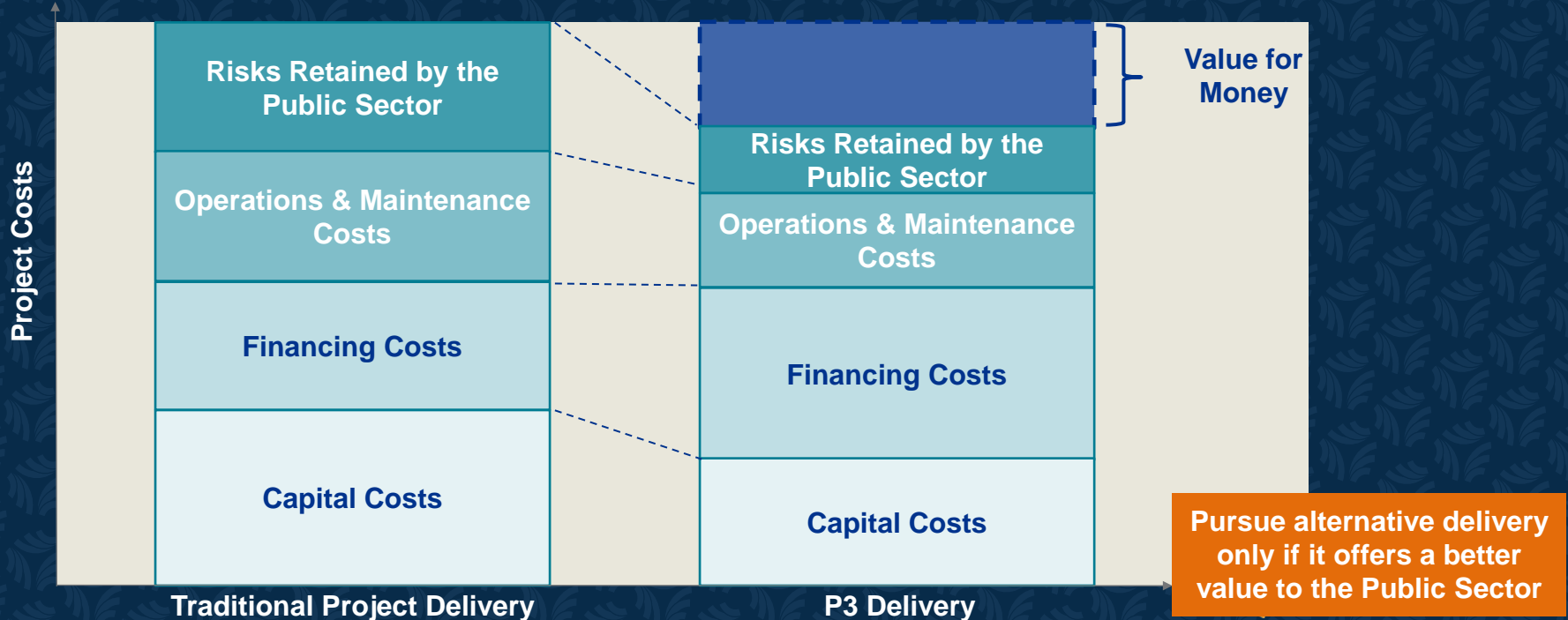
Value for Money Analysis (VfM)



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Understanding Value for Money

VfM represents savings on a net present value basis to the Public Sector:



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Accounting Treatment of Availability Payments

- As the market for availability payment structures evolves and expands, conversations regarding the treatment of the structure are ongoing
- Variations in treatment may include:

Constitutional Debt Treatment

- Statutory review required to determine if availability payments would be considered State debt

GASB Accounting Treatment

- Preliminary review required to determine accounting and balance sheet treatment

Rating Agency Treatment

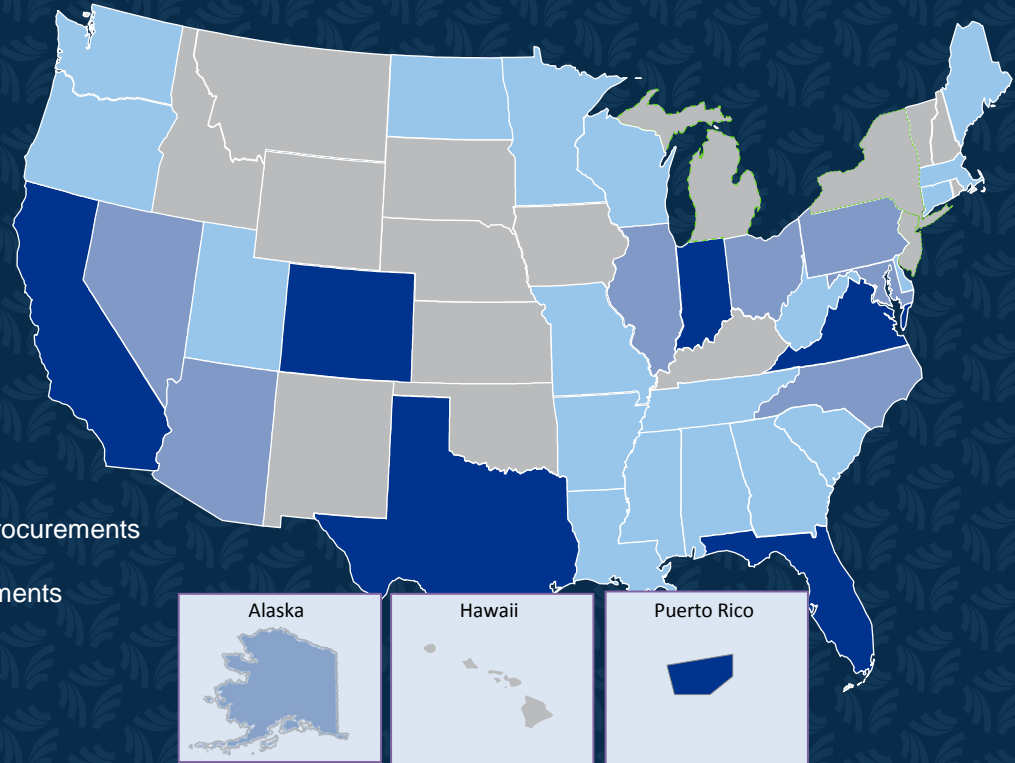
- Rating agencies have not developed a codified, consensus view on the treatment of availability payments
- Recent discussions with certain of the rating agencies indicate that only the portion of availability payments related to debt service may be treated as debt

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P3 Program Landscape

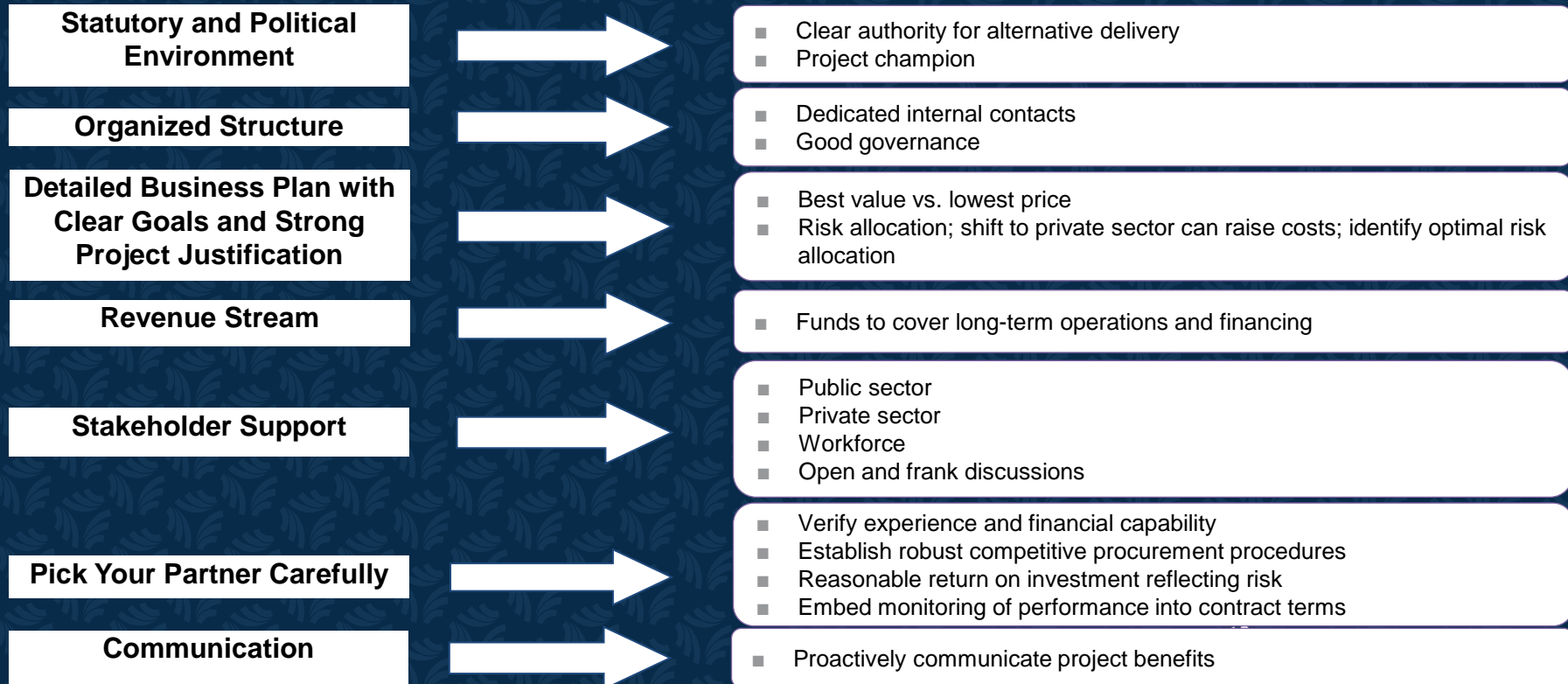
States in the US are taking a variety of approaches to P3 assessment and implementation as it relates to legislative authority

- States with legislation, established programs and successful procurements
- States with legislation, emerging programs and active procurements
- States with legislation and little/no activity
- States without legislation
- States without legislation but with P3 activities (Port Authority of NY/NJ and the State of Michigan)



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Keys to a Successful P3



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New York P3 Infrastructure Projects

Tappan Zee Bridge

- Public Sector Party: New York State Government
- Private Sector Party: Tappan Zee Constructors (design and construction only)
- Deal Structure: Design-Build
- Deal Size: \$3.1 billion
- Status: Construction began in late 2013
- Overview: The Tappan Zee Bridge is a three-mile, seven-lane bridge across the Hudson River

Goethals Bridge P3

- Public Sector Party: Port Authority of New York & New Jersey
- Private Sector Party: NYNJ Link Partnership (Kiewit and Macquarie)
- Deal Structure: Design-Build-Finance-Operate-Maintain (Availability Payments)
- Deal Size: \$1.15billion
- Status: Financial close reach in November 2013
- Overview: The Goethals Bridge is a four-lane bridge connecting Staten Island to New Jersey. It is financed through a combination of a TIFIA loan, PABS, and equity.

New York Public Health Laboratory P3 Project

- Public Sector Party: Dormitory Authority of the State of New York and the New York State Department of Health
- Private Sector Party: n/a
- Deal Structure: n/a
- Deal Size: estimated \$500m+
- Status: Pre-launched
- Overview: The project is being evaluated as an alternative delivery project including the possibility of a public-private partnership. The Project will consist of relocating 4 existing laboratory operations and maintenance of the Wadsworth Center into a single, modern laboratory campus.

