

## 7 Keys to Success

### **Public-Private Partnerships Defined**

A public-private partnership (P3) is a contractual arrangement 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. In addition to the sharing of resources, each party shares in the risks and rewards potential in the delivery of the service and/or facility.

### **7 Keys to Successful P3s**

The following are to be considered “best practices” in the development of public-private partnerships (P3s). It is recognized that the methodology for implementation of P3s can vary, depending on the nature of a given project and local concerns. Given this, it is the position of the NCPPP that these are “best practices”:

#### **1) PUBLIC SECTOR CHAMPION:**

Recognized public figures should serve as the spokespersons and advocates for the project and the use of a P3. Well-informed champions can play a critical role in minimizing misperceptions about the value to the public of an effectively developed P3.

#### **2) STATUTORY ENVIRONMENT:**

There should be a statutory foundation for the implementation of each partnership. Transparency and a competitive proposal process should be delineated in this statute. However, unsolicited proposals can be a positive catalyst for initiating creative, innovative approaches to addressing specific public sector needs.

#### **3) PUBLIC SECTOR’S ORGANIZED STRUCTURE:**

The public sector should have a dedicated team for P3 projects or programs. This unit should be involved from conceptualization to negotiation, through final monitoring of the execution of the partnership. This unit should develop Requests For Proposals (RFPs) that include performance goals, not design specifications. Consideration of proposals should be based on best value, not lowest prices. Thorough, inclusive value for money (VFM) calculations provide a powerful tool for evaluating overall economic value.

#### **4) DETAILED CONTRACT (BUSINESS PLAN):**

A P3 is a contractual relationship between the public and private sectors for the execution of a project or service. This contract should include a detailed description of the responsibilities, risks and benefits of both the public and private partners. Such an agreement will increase the probability of success of the partnership. Realizing that all contingencies cannot be foreseen, a good contract will include a clearly defined method of dispute resolution.

#### **5) CLEARLY DEFINED REVENUE STREAM:**

While the private partner may provide a portion or all of the funding for capital improvements, there must be an identifiable revenue stream sufficient to retire this investment and provide an acceptable rate of return over the term of the partnership. The income stream can be generated by a variety and combination of sources (fees, tolls, availability payments, shadow tolls, tax increment financing, commercial use of underutilized assets or a wide range of additional options), but must be reasonably assured for the length of the partnership’s investment period.

#### **6) STAKEHOLDER SUPPORT:**

More people will be affected by a partnership than just the public officials and the private sector partner. Affected employees, the portions of the public receiving the service, the press, appropriate labor unions and relevant interest groups will all have opinions, and may have misconceptions about a partnership and its value to all the public. It is important to communicate openly and candidly with these stakeholders to minimize potential resistance to establishing a partnership.

**7) PICK YOUR PARTNER CAREFULLY:**

The “best value” (not always lowest price) in a partnership is critical in maintaining the long-term relationship that is central to a successful partnership. A candidate’s experience in the specific area of partnerships being considered is an important factor in identifying the right partner. Equally, the financial capacity of the private partner should be considered in the final selection process.