

 THE OHIO STATE UNIVERSITY

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## Public-Private Partnerships

September 2019

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### Overview

Public-Private Partnerships

- Concepts
- Benefits
- Risks
- Implementation

Examples

- Types
- The Ohio State University
  - Residential
  - Parking
  - Sustainability (utilities)



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Questions related to specific materials, methods, and services will be addressed at the conclusion of this presentation.

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## Course Description

- Discuss the Public-Private Partnership concept
- Consider how partnerships can benefit higher education
- Introduce how a Public-Private Partnership is created
- Review types of agreements and arrangements



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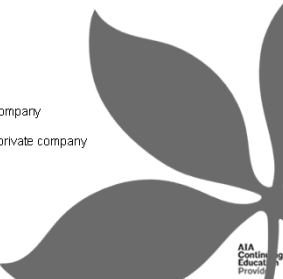
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## Concept

Public-Private Partnerships

- Contract between a non-profit and a private company
- Non-profit transfers responsibilities/risks to a private company
- Non-profit maintains ownership



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## Agreements are Unique

- Long term (25-75 years)
- Capital
- Operation
- Maintenance
- Construction/renovation



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### Benefits

- Up-front Capital (Asset Monetization)
- Increased bonding/debt capacity
- Reduced Risk (financial, operational, etc.)
- Innovation
- Expertise
- Operational Efficiency



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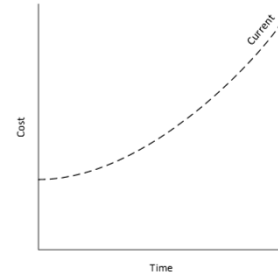
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### Benefits

Utility Cost Impact



Cost

Time

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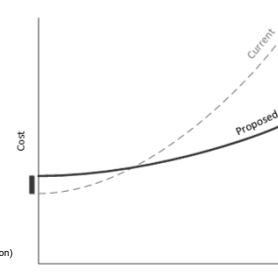
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### Benefits

Utility Cost Impact



Cost

Time

(innovation, operation, monetization)

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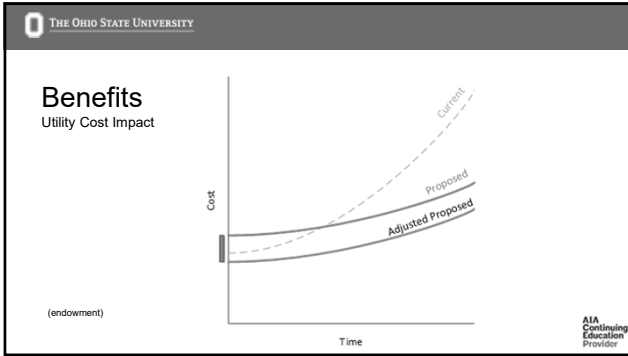
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- Loss of control
  - Profit-driven decisions
  - Increased complexity
  - Operational confusion
  - Unexpected costs
  - IT security
  - Return of assets/responsibilities at lease end

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- Request for qualifications
  - Request for information
  - Request for proposal
  - Transition
  - Operation

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## Stakeholders

- Provost (Academic Affairs)
- \*Outside Counsel (including State Attorney General)
- Internal Counsel
- \*Broker
- Business and Finance
- Facilities
- Administration
- \*Consultants
- Human Resources
- Student Life
- Medical Center
- Athletics
- University Communications
- Planning and Real Estate

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## Partner Selection

- Qualifications
- Litigation
- Bed Side Manner (Communication)
- Culture
- References/Experience
- Financial Standing
- Up-Front Payment



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## Transition

- Demarcation
- Transfer of assets (tools, trucks, etc.)
- Legal descriptions
- Employee interviews/offers
- Meetings, meetings, meetings. . .



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## Ongoing

- Financial update meetings
- Operational updates (KPI review/validation)
- Construction (approval, design, building, turnover)
- Relationship building



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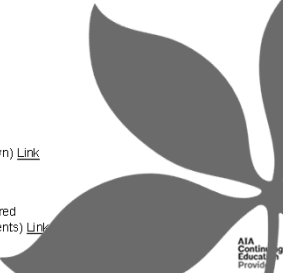
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## Examples

- Dining - Texas A&M
- Mixed Use Residential - College of New Jersey
- Roadway - Purdue (State Street) [Link](#)
- Underground Transit - Chicago (O'Hare to Downtown) [Link](#)
- Underground Transit - Las Vegas [Link](#)
- Campus Expansion - University of California Merced (\$1.1B to double capacity from 5,000 to 10,000 students) [Link](#)



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## Examples

The Ohio State University

- Residential
- Parking
- Sustainability (utilities)



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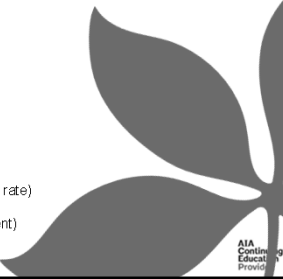

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## Residential

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- No longer being considered
- Legislative challenges
- Initial capital challenges
- Rental costs (sub-market) vs. Partner (market rate)
- Housing Program (dorm) vs. Partner (apartment)



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## Parking

The Ohio State University

- \$483M in endowments and scholarships (QIC Global; operator)
- 50-year term
- Staff opposition (funds obtained from staff and visitors)
- Contract controls growth of parking system



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## Sustainability (utilities)

The Ohio State University

- 25% energy efficiency improvement within 10 years
- 50-year term
- Produced \$1.165B (Axiom-ENGIE financial partnership; Engie Building)
- Funding from university departments through utility rates
- Contract encourages growth
  - ENGIE finances construction (ECM, lifecycle, and expansion)
  - ENGIE receives interest through payback (typically 20-year)
  - ECM bonus/penalty incentive



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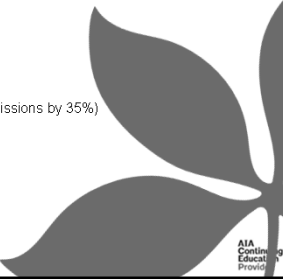

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## Sustainability (utilities)

The Ohio State University

- Building metering
- Carbon reduction (CHP will reduce carbon emissions by 35%)
- Plant efficiency
  - Heating hot water conversion
  - Chiller plant connections
  - Geothermal Plant efficiency and expansion



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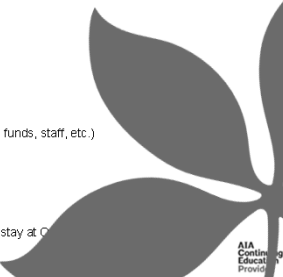

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## Sustainability (utilities)

The Ohio State University

- Initial Challenges
  - Coordination/evaluation of first capital plan
  - Contract interpretation
  - Leave behind responsibilities (utilities, assets, funds, staff, etc.)
  - Build strong relationships
- Human Resources
  - 58 staff were directly affected
  - Retention bonuses
  - Coordination with the union
  - Staff were ensured a position if they chose to stay at OSU
  - ENGIE interviewed and offered positions



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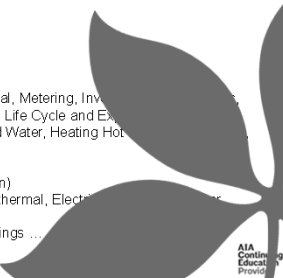

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## Sustainability (utilities)

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- Lessons Learned
  - **Coordination** – Capital Plan, Operational, Metering, Inventory, Energy Conservation Measure Projects, Life Cycle and Expenses
  - **Working groups** – Gas, Tunnel, Chilled Water, Heating Hot Water, Outage Coordination, Capital Planning
  - **Contract Updates**
  - **Key Performance Indicators** (validation)
  - **Demarcation** (Chilled Water, Gas, Geothermal, Electrical, Steam/Condensate)
  - **Partnering** – Meetings, Meetings, Meetings ...



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