


THE OHIO STATE UNIVERSITY

Public-Private Partnerships

January 2023

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BPQ | The Ohio State University

Overview

- Public-Private Partnerships
- Concepts
- Benefits
- Risks
- Implementation
- Examples
- Types
- The Ohio State University
- University of Iowa



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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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Slide 2


FBPO Iowa would add utility and possibly bookstore, but I don't know much about the bookstore. Iowa also has the potential of entering a P3 or JV for a fuel production facility.

Fish, Benjamin P, 2022-12-10T20:01:45.150

1 | Overview of Design Transactions

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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1 | Overview of Design Transactions

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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1 | Overview of Design Transactions

Agreements are Unique

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



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FBP0

11 | The Basics of Design-Build-Finance-Maintain-Operate

Benefits

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

P3 works best when all of these are desired or needed



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11 | The Basics of Design-Build-Finance-Maintain-Operate

Benefits

Improvements for hard to fund non-core functions

- Fill a funding gap via Design-Build-Finance-Maintain-Operate
- Reduce deferred maintenance on the system to be P3'd



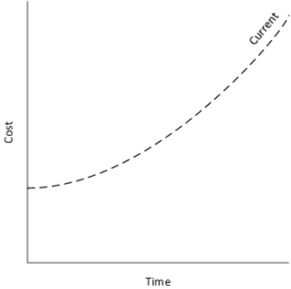
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11 | The Basics of Design-Build-Finance-Maintain-Operate

Benefits

Utility Cost Impact



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Slide 7

FBP0 Note: in what scenario is a P3 the best option for receiving these benefits? There are other ways to get these benefits, a P3 can offer all at the same time. If you don't need all of these benefits, there may be other options to pursue.

Fish, Benjamin P, 2022-12-10T20:03:55.632

FBP1 I would also add, a P3 may be the best way to get non-core (utility for example) system upgrades funded if funding for those systems is problematic.

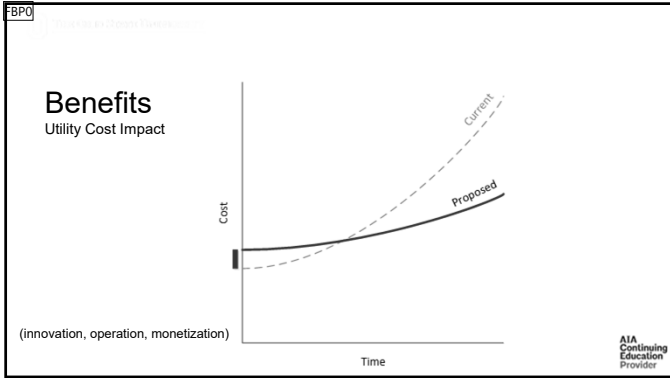
Fish, Benjamin P, 2022-12-10T20:04:42.243

FBP2 I might add here some thoughts about when a P3 deal may make sense to a college or university. Most common right now is DBFOM, in which a college has a private firm design, build and finance, a needed new plant, the operate and maintain that plant for the next 25-50 years.

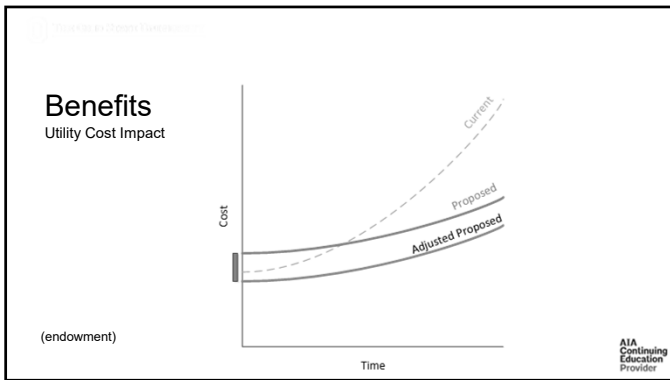
Fish, Benjamin P, 2022-12-10T20:30:15.535

FBP3 Reduction in deferred maintenance is one of the most common reasons to do a P3.

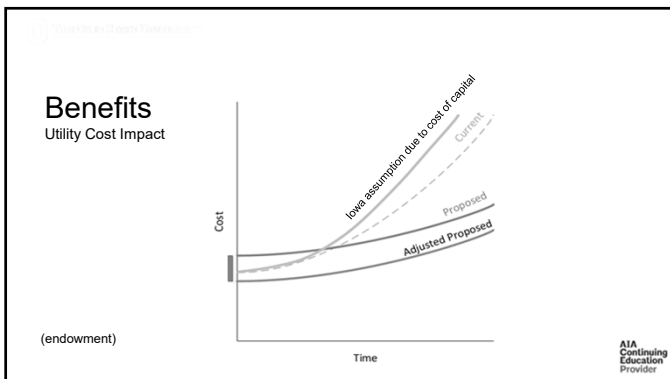
Fish, Benjamin P, 2022-12-10T20:30:46.363



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Slide 10

FBP0 The UI did not assume there would ever be savings. This is one basic difference between the OSU and the UI P3, as I understand. The UI had, from the start, funds from the endowment earmarked as "utility subsidy" to cover the higher cost of operating the utility to "keep campus utility customers whole".

Fish, Benjamin P, 2022-12-10T20:07:06.305

Slide 13

FBP0 Increased complexity comes in many forms and with many disruptions. University Directed capital projects are probably most disruptive due to added players involved. I can talk through examples. Not having written processes makes complexity more difficult.

Fish, Benjamin P, 2022-12-10T20:41:05.889

Slide 17

FBP0 Who needs to be involved may be determined by state law and governance system of your college/university.

Fish, Benjamin P, 2022-12-10T20:32:52.721

FBP1 Who and how many groups you want involved may be determined by how fast you want to go from concept to closing.

Fish, Benjamin P, 2022-12-10T20:33:28.775


FBP2 Transition to Campus Construction

Partner Selection

Qualifications
Iowa factor related to renewable fuels and the coal free 2025 goal.

Culture
Cultural alignment is critical
Difficult due to the nature of public vs private

FBP3




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Transition to Campus Construction

Transition

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



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FBP0 Transition to Campus Construction

Transition

- Communication
 - Campus community
 - Contractors
 - Those not in the stakeholder groups
- Build on foundation from bidding phase
- Build an oversight team

FBP1



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Slide 19

FBP0 A major factor for the UI was experience with renewable fuels and switching coal boilers to renewable fuels. In short, firms needed to be able to prove they could meet the "coal free by 2025" goal.

Fish, Benjamin P, 2022-12-10T20:09:13.151

FBP1 There was a HBR article I read during out bidding phase related to culture being the deciding factor between success and failure of business mergers. A P3 is very much like a business merger, and culture is a huge part of determining success.

Fish, Benjamin P, 2022-12-10T20:11:46.427

FBP2 A lot can be learned from the bidders during the campus visit and campus system inspection phases.

Fish, Benjamin P, 2022-12-10T20:34:44.151

FBP3 The selection process will also be determined/influenced by state law, governing board rules and university rules.

Fish, Benjamin P, 2022-12-10T20:36:10.667

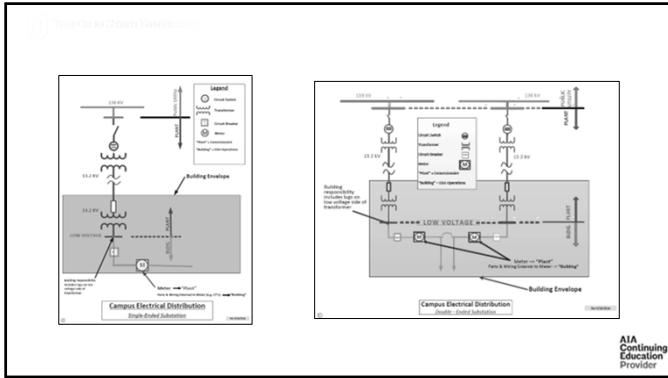
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FBP0 The contracting community was also concerned that the utility business would go to solely the winning bidder.

Fish, Benjamin P, 2022-12-10T20:45:22.575

FBP1 The transition really starts with regular communication with employees during the bidding phase. a lot of venting will occur.

Fish, Benjamin P, 2022-12-10T20:46:14.889



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Ongoing

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

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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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Slide 23

FBP0 Work between strategic communication teams and ensuring the partner doesn't get out of alignment with university strat comm.


Fish, Benjamin P, 2022-12-10T20:42:01.421

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Examples

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- Residential
- Parking
- Sustainability (utilities)



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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

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



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FBP0 Note: residential P3 deals have been around a lot longer than utility P3 deals.
Fish, Benjamin P, 2022-12-10T20:13:40.565

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Sustainability (utilities)

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25% energy efficiency improvement within 10 years
 50-year term
 Produced \$1.165B (Axiom-ENGIE financial partnership; Engie Buckeye Operations)
 Funding from university departments through utility rates
 Contract encourages growth

- ENGIE finances construction (ECM, lifecycle, and expansion; increased bonding capacity)
- ENGIE receives interest through payback (typically 20-year term)
- ECM bonus/penalty incentive

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Sustainability (utilities)

The Ohio State University

- Building metering
- Carbon reduction (CHP will reduce carbon emissions by 30%)
- Plant efficiency
 - Heating hot water conversion
 - Chiller plant connections
 - Geothermal Plant efficiency and expansion



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Sustainability (utilities)

The Ohio State University

Initial Challenges

- Contract interpretation
- Coordination/evaluation of first capital plan
- Leave behind responsibilities (utilities, assets, funds, staff, etc.)
- Relationship building

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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Slide 28

FBP0 Note: Right now my call is to not mention the dispute at all.
Fish, Benjamin P, 2022-12-10T20:16:08.397

Slide 30

FBP0 I believe the industry as a whole and Engie specifically learned a lot about utility P3 transitions from the Iowa transition. Best practice would be for a transition team to be identified on both sides to smooth any issues. Best if the partner has a person or two on the team who have either been through the management of a transition before, or have that as part of their full time job.

Fish, Benjamin P, 2022-12-10T20:18:44.804

FBP1 Operations transition was the bright spot for the UI due to majority of staff moving to Engie. With all new staff on the capital side, the transition is still ongoing.

Fish, Benjamin P, 2022-12-10T20:21:51.391

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Sustainability (utilities)

The Ohio State University

FBP1

Lessons Learned

Contract Updates

Coordination – Capital Plan, Operational, Metering, Investment Grade Audits, Energy Conservation Measure Projects, Life Cycle and Expansion Projects

Demarcation (Chilled Water, Gas, Geothermal, Electric, Heating Hot Water, Steam/Condensate)

Key Performance Indicators (validation)

Master Planning – responsibility, frequency, ect.

Partnering – Meetings, Meetings, Meetings ...

Working groups – Gas, Tunnel, Chilled Water, Heating Hot Water, Geothermal, Outage Coordination, Capital Planning

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Plant Chilled Water Direct Connect to Building

Typical Building Steam Service

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Central Steam + District Heating Hot Water Distribution

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FBP0 UI lessons learned: Be as clear as possible about how much capital the university intends to approve, and make sure the bidders acknowledge that amount. Capital is the basis for a utility P3 bid. Also, be clear during bidding to ask for specific costs the concessionaire will allow the operator to charge. How much profit on operations? How much profit will be included in capital project costs? How much will be charged for obtaining financing above and beyond the interest rate?

Fish, Benjamin P, 2022-12-10T20:24:37.997

FBP1 Maybe insert a compare/contract the OSU/UI deals slide?

Fish, Benjamin P, 2022-12-10T20:37:36.650

14 | Overview to Green Buildings

Public-Private Partnerships. . .

Concept (agreement between a non-profit entity and a private company)

Benefits (monetization, expertise, reduced risks, innovation)

Types (dining, residential, transportation, parking, sustainability/utility)


Examples (residential, parking, sustainability/utility)

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14 | Overview to Green Buildings

Questions?



This concludes The American Institute of Architects Continuing Education Systems Course

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14 | Overview to Green Buildings

References

Ohio State University Energy Management
<https://www.osu.edu/energymanagement/>

Education Advisory Board (EAB) -
P3 Viability Screening Worksheet
<https://eab.com/research/facilities/resource/b3-viability-screening-worksheet/>

Is a P3 right for your campus
<https://eab.com/insights/expert-insight/facilities/is-a-public-private-partnership-right-for-your-campus/>

Navigating the Public-Private Partnership (white paper)
<https://eab.com/research/facilities/whitepaper/navigating-public-private-partnerships/>

Navigating the Public-Private Partnership (webinar)
<https://eab.com/research-and-insights/facilities-forum/events/webconferences/2017/navigating-the-public-private-partnership-33eabconf2017/>

A Guide to Public-Private Partnerships: What Public Procurement Specialists Need to Know
[https://www.nigg.org/docs/default-source/New-Site/research-reports/guidetopublic-privatepartnerships\(ppps\)-whatpublicprocurementspecialistsneednowfinal.pdf?sfvrsn=4](https://www.nigg.org/docs/default-source/New-Site/research-reports/guidetopublic-privatepartnerships(ppps)-whatpublicprocurementspecialistsneednowfinal.pdf?sfvrsn=4)

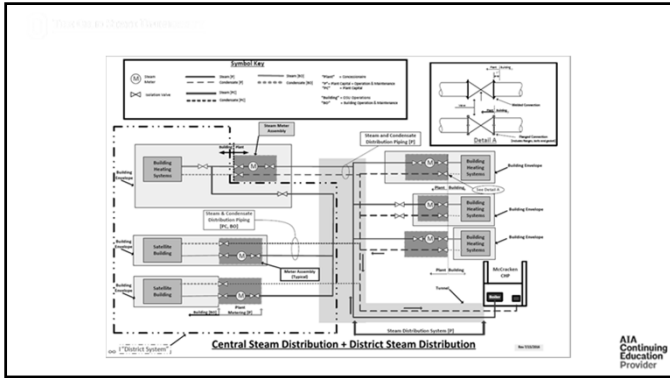
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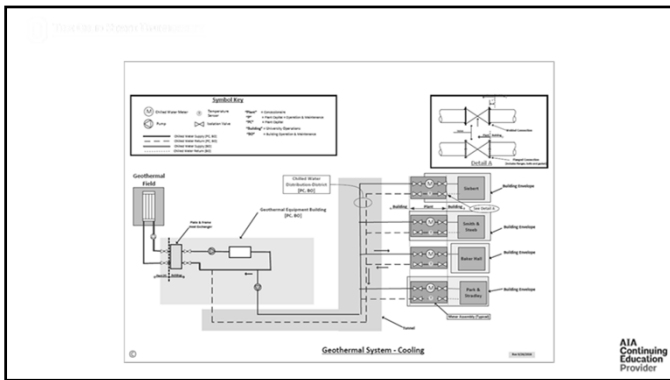
Slide 34

FBP0 Add risks to this slide?

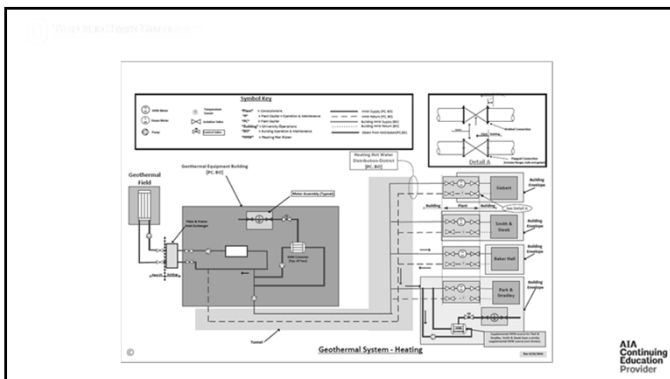
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