



The Role of Public-Private Partnerships in Meeting a Community's Water and Wastewater Needs

A Primer for Public Officials

Communities challenged with aging water and wastewater infrastructure, increasingly complex regulatory requirements, and budgetary constraints are seeking alternative solutions through proven Public-Private Partnerships (P3s).

What Is A P3? A water and wastewater P3 is a contractual agreement between the public and private sector, sharing skills, assets, risks and rewards, to jointly deliver a service or a project. The public sector hires one or more private firms to provide various functions, including operations and maintenance for an existing facility/system or expanding its footprint through new infrastructure construction.

Through the contract and its performance standards, the public sector continues to exercise ultimate control over the facility or system; infrastructure assets are not sold.

Why Would A Community Enter Into A Contractual Arrangement With The Private Sector? P3s attract serious attention as governments seek practical solutions to their infrastructure and public finance needs. Today, private firms operate by contract more than 2,000 publicly owned water and wastewater systems in the United States. Such partnerships create opportunities for innovative solutions and continue to serve communities well.

Many public officials who have entered into P3 agreements have found they create long-term value and cost savings for local residents by providing:

- Access to industry-wide best practices for utility operations and construction;
- Transfer of various risks (e.g. financial, technological, regulatory) to private sector;
- Opportunity for private capital investment for infrastructure requirements (e.g. repairs, maintenance, upgrades, expansions);
- Implementation of advanced technologies and efficiency improvements; and,
- Staff requirements, recruitment, and training – a particular challenge for small to mid-size systems where professional and scientific expertise may be limited.

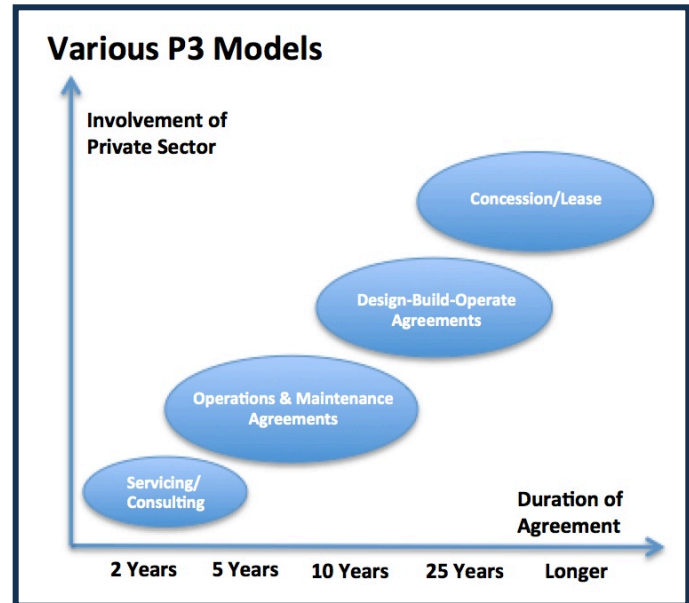
Asset ownership remains with the public sector under the P3 arrangement.

What Are Popular P3 Models?

A wide variety of P3 models exist. Different models align municipal needs with private sector capabilities.

For existing infrastructure, P3s include: 1) Servicing/Consulting Arrangements; 2) Operations and Maintenance Agreements; and, 3) more complex, long-term Concession/Lease Agreements.

Design-Build-Operate Agreements also facilitate new infrastructure construction.



What Do Private Companies Bring To The Table? Private firms that operate multiple facilities in various geographical locations can impart industry-wide insights and expertise while working alongside local employees knowledgeable about the facility or system. In addition to vast managerial, professional, and technical expertise, benefits include:

- Achieving overall cost savings, improved operations, and better ongoing maintenance;
- Providing expertise in finance and capital markets, enabling P3s to effectively raise capital for upgrades and new infrastructure projects or to pay down indebtedness;
- Complying with increasingly stringent environmental regulations;
- Providing more cost effective and timely new infrastructure delivery; and,
- Spreading the costs of experts across the entire range of facilities it operates.

A P3 can reposition a community to better meet its needs and protect past investments in its water and wastewater system. P3s offer a viable way for the public sector to take advantage of the private sector's expertise, financial capital, and appetite for risk.

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