

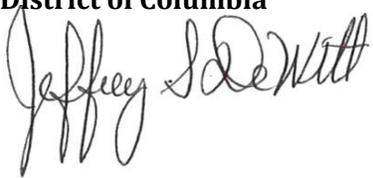
Government of the District of Columbia
Office of the Chief Financial Officer



Jeff DeWitt
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Jeff DeWitt
Chief Financial Officer 

DATE: October 21, 2014

SUBJECT: Fiscal Impact Statement – “Public-Private Partnership Act of 2014”

REFERENCE: Bill 20-595, Committee Print shared with the Office of Revenue
Analysis on October 14, 2014

Conclusion

Funds are not sufficient in the FY 2015 through FY 2018 budget and financial plan to implement the bill.

Background

Public-private partnerships (PPPs) can take many forms, but they are generally contractual arrangements between a public agency and a private sector entity that allows for greater private sector participation in the delivery and financing of a project.¹ The bill creates a new Office of Public-Private Partnership (OPPP) within the Office of the City Administrator and outlines the process and requirements to promote and engage in PPPs with the District.

OPPP will have the exclusive authority to solicit, evaluate, award and oversee all District PPPs. It will be required to adopt rules and regulations regarding PPPs, and to coordinate with the relevant public entity charged with providing the service.

The bill requires the Office of the Chief Financial Officer (OCFO) to consult with OPPP on establishing the policies and procedures for awarding PPP contracts. Additionally, the OCFO must

¹ The bill defines public private partnerships as “the exclusive method in the District for delivering a qualified project using a long-term, performance-based agreement between a public entity and a private entity where appropriate risks and benefits can be allocated in a cost effective manner . . . in which a private entity performs functions normally undertaken by the government, but the public entity remains ultimately accountable for the project and its public function, and the District may retain ownership or control in the project asset and the private entity may be given additional decision-making rights in determining how the asset is financed, developed, constructed, operated, and maintained over its life cycle.”

The Honorable Phil Mendelson

FIS: "Public-Private Partnership Act of 2014," Bill 20-595, Committee Print shared with the Office of Revenue Analysis on October 14, 2014.

certify that each project: (a) properly uses any tax-exempt funds, (b) does not violate the Anti-Deficiency Act, (c) includes sufficient indemnifications for the District, (d) would not adversely affect the District's bond ratings, and (e) avoids any interstate compact issues.

Lastly, the bill establishes a non-lapsing Public-Private Partnership Administration Fund ("Fund") to be administered by the OPPP and used to support its work. Revenue for the fund will come from any administrative fees set by OPPP for reviewing pre-qualification applications and unsolicited proposals from private entities interested in engaging in PPPs with the District.

Financial Plan Impact

Funds are not sufficient in the FY 2015 through FY 2018 budget and financial plan to implement the bill. The full cost of this bill will depend greatly on the volume and complexity of District PPP contracts, which is not known at this time. At a minimum, there will be a cost to fund the new office, and to provide additional staff to the OCFO's Office of Economic Development Finance to effectively fulfill the new requirements of the legislation.

It is important to note that because of the variability in the types of projects that may be conceived, we have not included two potential costs in this estimate. First, the bill grants OPPP authority to hire external consultants as needed to provide expertise that is not available within District agencies. Any non-personal services required for consultants will have to be included in future budgets as project specifics become available. Second, certain PPPs may require agencies to allocate resources to managing the arrangement that is beyond the capacity of the OPPP or the agency. For example, a large transportation PPP may require a manager within the District Department of Transportation to monitor the contract. Again, since there are no specific projects being proposed here, this will have to be funded as needed in future budgets as individual PPP agreements are finalized.

Cost of Bill 20-595, "Public Private Partnership Act of 2014"					
	FY 2015	FY 2016	FY 2017	FY 2018	Total
Personal Services Cost for Office of Public Private Partnerships (a)	\$259,403	\$267,185	\$275,200	\$283,456	\$1,085,245
Personal Services cost for the Office of Economic Development and Finance (b)	\$117,186	\$120,702	\$124,323	\$128,052	\$490,263
Non-Personal Services (c)	\$15,000				
TOTAL	\$391,589	\$387,886	\$399,523	\$411,509	\$1,575,507

Table Notes

- (a) Assumes full year salary and benefit for an Executive Director, Grade ES5, and one Career Service Grade 14, Step 1 analyst.
- (b) Assumes full year salary and benefits for Grade 14, Step 1 analyst.
- (c) Startup equipment and supplies for new employees.