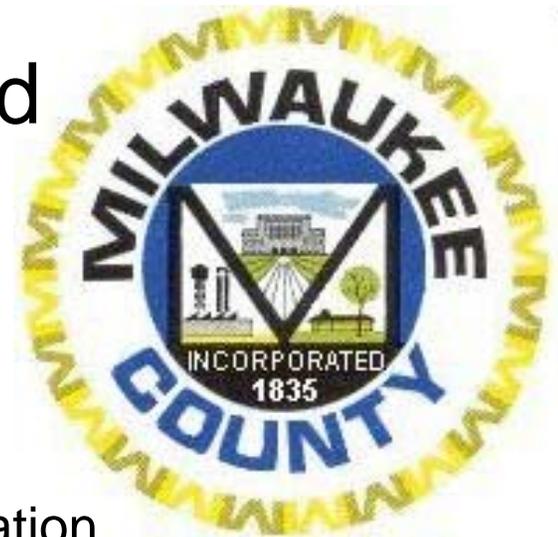


Considering Public-Private Options for Mitchell Field

Process Design Issues and Options

Presentation by
The Government Finance Officers Association
Date



Presentation Topics

- ❖ Overview
- ❖ Governance Structure
- ❖ Lessons from Other Public-Private Initiatives
- ❖ Key Process Steps



Overview

❖ GFOA's tasks

- Conduct interviews and research
- Identify issues and options
- Provide process design recommendations

❖ GFOA's deliverables

- Draft and final report
- Presentation



Overview

❖ Milwaukee County's expectations

- Learn about experience of other governments
- Create governance structure
- Identify initial process steps that would work in the County's environment
- At that point, decide next steps



Overview

- ❖ P3 (public private partnership) airport initiatives: two models
 - Long term leases - many around the world, few in US
 - Management contracts – more common in US



International Airport P3 (Leases)

- ❖ Sydney (Australia)
- ❖ Copenhagen
- ❖ Brussels
- ❖ Athens
- ❖ Budapest
- ❖ Dusseldorf
- ❖ Hamburg
- ❖ DeGualle (France)
- ❖ Orley (France)
- ❖ Belfast
- ❖ Cardiff
- ❖ London Heathrow
- ❖ London Gatwick
- ❖ London Stansted
- ❖ London Luton
- ❖ Aberdeen
- ❖ Edinburgh
- ❖ Glasgow
- ❖ Southhampton (UK)
- ❖ Naples (UK)



U.S. Airport P3 (Leases, Mgmt Contracts)

Long Term Leases

- ❖ Stewart (NY)

Management Contracts

- ❖ Indianapolis
- ❖ JFK
- ❖ Orlando Sanford
- ❖ Hartsfield
- ❖ Burbank (CA)
- ❖ Macon (GA) 2 airports
- ❖ Miami International
- ❖ Albany (NY) International

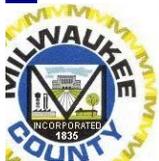


Governance Structure

- ❖ Governance Structure needs to include
 - Project organizational structure
 - Reporting and lines of authority and decision making
 - Parameters of responsibility and authority at each level
 - Goals and measures of success
 - Issue resolution process
 - Risk management



Proposed Project Organization Structure



Steering Committee

- ❖ Responsible for initiating process, setting goals for P3, providing policy direction
- ❖ Proposed membership
 - County Executive or designee
 - County Board representation
 - Departmental representation
 - DOA-Finance/Budget
 - Transportation Department
 - Corp Council
 - Other
 - Public representation



Operations Committee

- ❖ Reports to Steering Committee, responsible for day-to-day process
- ❖ Composition – internal to County
 - Finance expertise
 - Legal expertise
 - Airport expertise



External Support

- ❖ Either separate contract or, more likely, a single team with the following expertise
 - Airport P3 process advisor
 - Financial advisor
 - Legal advisor
 - Other, as needed (e.g., engineering, real estate, environmental)



Governance Structure Decisions

- ❖ Key decisions in initiating the process
 - Final decisions on process structure
 - Clarifying decision-making authority
 - Guiding principles for process and results (e.g., transparency? Confidentiality? Social goals?)
 - Key assumptions and parameters (What will be included? What will be excluded?)
 - Issue resolution process
 - Responsibilities of individuals and groups
 - Understanding of stakeholder concerns and expectations
- ❖ Very important to set goals up front regarding
 - Lease value
 - Performance factors (not specific measures) for operator
- ❖ Project charter often used to document the above



Understanding Stakeholder Expectations

- ❖ What GFOA heard about *process* expectations
 - Transparent and well understood by everyone
 - Well documented
 - Stakeholders consulted regularly
 - Stakeholders kept informed regularly



Understanding Stakeholder Expectations

- ❖ What GFOA heard about *results* expectations if airport is leased
 - Service to airport users equal or better
 - Airport continues to be well managed and maintained
 - Fees remain stable, no dramatic year-on-year increase
 - Lease revenues close to estimates
 - Lease revenues used as promised (whatever promises are)



Identifying and Understanding Project Constraints

- ❖ Existing statutory and regulatory policies and procedures
- ❖ Potential need for new statutory or regulatory authority (e.g., tax-exempt status)
- ❖ Budgetary constraints
- ❖ Unchangeable deadlines and milestones imposed from outside the process (e.g., FAA pilot program)
- ❖ Labor agreements
- ❖ Vendor agreements and commercial leases\
- ❖ Time frame



Process Benchmarks

- ❖ Expected time: 18 to 24 months, if all needed legislation is in place
- ❖ Add up to 24 months if new legislation is needed
- ❖ Potential costs of process: \$1.5 to \$2 million (legal fees typically up to 40% of cost)



Lessons Learned from Previous P3 Initiatives

❖ Midway

- Maintain control over the process and mitigate risks (require up-front commitment money, for example)
- Understand and incorporate airlines' concerns early in the process
- Identify and communicate regularly with key stakeholders
- Decide early to maintain control over service levels and quality



Lessons Learned

- ❖ Stewart Airport, New York
 - Understand and address airline concerns up-front before making key revenue assumptions
- ❖ LA County Gen Aviation Airports
 - Be able to demonstrate how private sector can maintain standards, make a profit, and produce lease revenue for the government



Lessons Learned

❖ Chicago Skyway

- Good information on assets critical to enabling private teams to prepare good bids
- Maintain confidentiality during bidding process
- Be committed to going forward and make it clear to potential bidders, in order to have good competition and good bids

❖ Atlanta P3

- Commit sufficient resources to assure a high quality process, use knowledgeable advisors, be willing to live by commitments the government makes



Initial Process Steps

- ❖ Establish governance structure. Including procuring external advisors
- ❖ Thoroughly review and understand FAA pilot program requirements
- ❖ Obtain a high quality asset valuation
- ❖ Set goals for the project itself, for example
 - Go/No-Go decision point (based on risk assessment)
 - Revenue expectations and uses
 - Quality standards



Initial Process Steps

- ❖ Determine feasibility
- ❖ Determine need for legislation
- ❖ Understand, incorporate stakeholder concerns
- ❖ Establish communication plan and key audiences
 - Airlines
 - Labor
 - Public and airport users
- ❖ Establish evaluation criteria



Subsequent Process Steps

- ❖ Consistent with County's RFP and contracting procedures, albeit more complex due to airline involvement, labor issues, commercial leases, FAA procedures:
 - RFQ
 - RFP
 - Negotiating agreement
 - Transition
 - Ongoing monitoring and oversight



Discussion

