

Response to Questions from City Council on P3s

Councilman News's Questions:

1. Great Hall P3 Cost Analysis and Proposed P3 Department Budget – Since DEN's Great Hall project is a good example of a successful and profitable P3 arrangement with the City, please identify the costs for personnel, time, and other costs associated with this DEN P3 arrangement development and compare it to the costs that related to a future P3 project negotiated and developed by a future City P3 department. This will allow us to see how the future department costs per project and the number of projects that would justify the projected annual staffing and operational cost of the P3 department.
 - a. **Every project is different and requires different technical, financial and legal services. The complexity of P3 projects require extensive in-house capacity and complimentary external advisory services to ensure the project is vetted, developed, procured and delivered in a manner consistent with Denver's needs, values and vision.**
 - b. **The City is being very diligent in dedicating city resources for this purpose and initially plans to staff the P3 office on a limited basis (2 proposed FTE's initially) and will assess this structure as P3 project opportunities rise.**
 - c. **DEN is working to compile information which will be shared as soon as possible.**

2. Revenue Projects - The DEN Great Hall illustrates how a revenue and cost sharing arrangement can lead to a very profitable arrangement for the City. Even after our discussion Friday, I am still confused why we would need to have a P3 arrangement when there is not a revenue sharing arrangement. If the issue is reducing cost, then I would think that our normal competitive bidding and design build contracting would meet the same goal. How are these different than P3 in terms of cost reduction? If it more related to privatizing City operations in order to attract P3 partners, please address this in your response.
 - a. **A P3 arrangement can serve as an effective and efficient project delivery tool and financing mechanism even if there is no revenue generated from the project. The City will always retain ownership of our city assets even in if the project is procured and delivered as a P3. When compared to traditional procurement methods (Design Bid Build and Design Build), a P3 structure can provide great benefits such as, risk transfer, cost containment, preserving debt capacity and capturing private sector innovation. The City's proposed P3 program will require a business case for viable projects, which includes a value for money analysis to determine the financial benefit of undertaking a P3 versus a traditional procurement. The Long Beach Civic Center project is an example of a non-revenue generating project that was done as a P3. That project was not done because it would generate profit for the city, but for the purpose of containing and mitigating construction, operating and maintenance costs and leveraging private sector innovation and expertise.**

3. Reporting – Can you tell me how written P3 project reporting will be carried out for City Council and what information will be in the reports?
 - a. Our next iteration of program documents, which will be shared with Council will include examples of project reporting. We will work with Council to determine the appropriate information is reported on a timely basis.

4. Go Bond Projects – Please identify any of the proposed GO Bond projects that would be suitable for a P3 arrangement and why each would.
 - a. **There are several projects that could be appropriate candidates for initial screening for P3 delivery including the Colfax BRT.**
5. Other Future Major Capital Projects - Please identify any identified future major expense project that would be suitable for a P3 arrangement and why it would.
 - a. **There are several projects that could be viable candidates for P3 delivery including the NWC campus, e.g. stadium arena, The Next Stage redevelopment, Streetlights and other smart city improvements.**
 - b. **The benefits and rationale for a P3 delivery model will vary from project to project.**
6. Legislation – The Washington DC panelists described how important it was for DC to authorize the P3 program with City Council legislation. All I heard were positive remarks. Can you tell me what would be the downside of such legislation?
 - a. **There are tradeoffs with different models for implementation. This question and the right approach for the city and our stakeholders will be contemplated as part of the second phase of work to be completed with the contract amendment.**

Councilwoman Kniech's Questions:

- 1) The draft framework has no mention of public input, as we heard from Long Beach, just because you are using a P3 model, it doesn't eliminate the need for community input into design or standards etc the same as any other high profile city project. Obviously the kind of public input varies based on project, but even if we're dealing with something like the energy efficiency of street lights, there is an expectation of at least some minimal public information that still applies. I would like to see more evidence that Arup is aware of and thinking about public input matters in the processes they are helping you design?
 - a. **Communications and stakeholder engagement is vital to the success of a P3 program and future projects, which was a key determinant in selecting Arup for the City's program development. Arup partnered with Linhart PR, a woman owned Denver-based public relations firm.**
 - b. **Arup has first-hand experience in public outreach initiatives as evidenced in their role as the strategic advisor to Long Beach for the Civic Center project, which included an extensive and robust public engagement strategy. The public engagement strategy, which was a joint effort of the City and their preferred partner, included engaging with each council member, meetings in each council person's district, dozens of interest groups, over 120 stakeholder meetings, and connecting with thousands of residents to solicit and incorporate community feedback into the project. The outreach effort helped elected officials and citizens to understand the value proposition of delivering the project under a P3 model. After a year of public engagement, the community overwhelmingly supported the Civic Center project which allowed the elected officials to be comfortable in providing unanimous approvals of the project.**
 - c. **The City highly values the need for key stakeholder engagement, which includes the public, and has incorporated an extensive communication and stakeholder engagement plan in the second phase of the Arup contract.**
- 2) Would like more details on the Value for Money analysis that you show briefly in a bar along the bottom. Will you use independent expertise outside of the P3 office being established etc?

- a. **Yes, recognizing the need for third party validation of financial assumptions, the Department of Finance (DOF) issued an RFP for financial advisory services. Arup was selected to help with creating the P3 program and Ernst and Young to separately validate assumptions and calculations (including the value for money analysis) related to any future project work. Both firms, as municipal advisors to the City, have a fiduciary responsibility to act in the City's best interest and are registered with the SEC and regulated by the Municipal Securities Rulemaking Board. Just like the City's other municipal advisors, EY is under contract with the DOF.**
 - b. **Value for money guidelines developed by Arup, will be provided as part of the next iteration of documents, which will also be provided to Council.**

- 3) Haven't seen answers to CM New's questions yet about Council role, but as we have discussed at every check in, I agree that the development of the role of the Council will be an important consideration in Arup's continuing work and I look forward to hearing more details on *how* you will be incorporating that. I reviewed the slides you sent and still don't see any new/additional detail on how you/Arup will be working with us specifically in the process after the contract is approved?
 - a. **As part of the second phase contemplated in the contract amendment to compete the P3 program, additional engagement and involvement with Council will include:**
 - i. **Providing Council a revised draft of P3 program documents based on feedback received to date**
 - ii. **Workshop #2- Cover program and communications strategy with Council in detail**
 - iii. **1:1 opportunities to brief Council on status of program development and allow Council to ask questions as the program is refined.**
 - iv. **Pre-external Launch briefing to provide finalized program to City Council.**
 - v. **Budget appropriation requests- will provide initial P3 Office funding plan to Council before program launches.**

- 4) Lastly, I will just flag that one of the challenges Denver is experiencing on issues of worker protections is that many of our ordinances are out of date. We heard clearly from every concessionaire that these expectations "are not a problem" and "are no barrier to doing P3s" but that they need to be clear. Our living wage ordinance for example hasn't been updated in about 15-20 years and may lag the minimum wage depending on how the numbers change. We haven't yet gotten an updated policy on worker retention beyond a couple categories of workers. We don't yet have a clear signal from the Mayor's office on targeted hiring and training for construction. If we go full speed into P3s where more functions are provided by private party employees instead of public employees, than the fact our ordinances and policies are out of date is more urgent than it might have felt up until now. I'd like to hear where the Administration is at in making sure that our worker protection policies are clear and up to date so we can deliver the clarity of up to date expectations that the P3 community says they have no problem working with in other jurisdictions or projects?
 - a. **Some of these issues are currently under discussion and being addressed through a parallel track. Currently, this team has not been asked to work on these issues as they must be addressed on a city-wide basis by the appropriate and impacted agencies.**