



Counting upwards

By Rob Walker, Chief Deputy County Executive, Nassau County, and Zachary Klein, Associate, Pannone Lopes Devereaux & West

September 16, 2015

In recent years, Nassau County, New York, like many municipalities throughout the US, has combated fiscal challenges resulting from declining tax revenues, increased expenses through rising pension costs and other state and federal mandates. It has also crafted lean budgets designed to maximize the results for county residents without increasing their financial burden.

To address these challenges, the county has sought innovative financing and project delivery methods to help meet their obligations in a cost-effective manner. This effort, led by County Executive Edward P. Mangano, has resulted in numerous successful P3s, with additional deals on the horizon.

A few of the county's notable recent P3 projects include the redevelopment of the Nassau Veterans Memorial Coliseum, the private operation and maintenance of the Nassau County sewer system, the private operation of the county's public bus system and the provision of inmate healthcare services at the County Correctional Center.

Following more than a decade of unsuccessful attempts to redevelop the Nassau Veterans Memorial Coliseum, including a failed public bond referendum, in 2012, the county sought a P3 partner that could privately finance and redevelop the Coliseum site into a first-class, state-of-the-art sports and entertainment destination center.

The county selected Nassau Events Center (NEC), an affiliate of Forest City Ratner Companies, to lead the redevelopment efforts at the Coliseum site in Uniondale.

NEC is investing more than \$260m in private funds to renovate the existing Coliseum and plans to build eight buildings, including three restaurants, two retail sites, three recreation centers and a movie theater on 188,000 square feet of property in their first phase of site development as an entertainment plaza adjacent to the Coliseum. The project will result in zero tax liability to the residents of Nassau County and generate over \$300m in direct revenue over the full 49-year term of the lease.

In addition, the county recently implemented a successful P3 for its sewer system. In 2011, Nassau County initiated a two-part procurement process for a P3 involving the county's sewer system designed to transition to the private operation and maintenance of the system while also soliciting interested financiers to enter into a concession agreement.

The county issued a request for qualifications and request for proposals for the private operation of the system and a request for information for interested financiers before Superstorm Sandy hit Long Island, forcing a delay in the county's efforts for the implementation of the project.

In 2013, the county elected to move forward with the private operation aspect of the sewer P3, selecting United Water as its partner to operate, maintain and manage the county's entire wastewater treatment system that is expected to save more than \$233m over 20 years, with additional projected synergy savings of \$14m, for a total saving of \$378m. United Water commenced operation and maintenance of the sewer system in January 2015.

This operation and maintenance agreement is the largest water-related P3 to date in the US with a value of more than \$1.2bn. With the private operator of the system in place, the county may now look to implement the concession aspect of the sewer P3 in the near future.

Moreover, in 2012, the county entered into a P3 for its public bus transportation system that had previously been operated by New York's Metropolitan Transit Authority (MTA). Threatened with MTA demands for an additional \$26m to maintain the then current service level or face cuts of 56% of routes coupled with a \$9m cost increase, the county sought a P3 partner to maintain the existing level of bus service and provide costs savings.

A deal was struck with Veolia Transportation to operate the newly coined Nassau Inter-County Express (NICE) Bus system which links communities via 49 routes in Nassau County, western Queens and eastern Suffolk County. This P3 resulted in \$32.4m in annual savings, the restoration of planned route cuts, the preservation of Able-Ride service and the creation of a Nassau County Resident Transit Committee comprised entirely of Nassau County residents.

In 2012, Nassau County also entered into a successful P3 involving inmate healthcare. When an inmate needed care at the Nassau County Correctional Center, it previously required a trip to the local hospital and clinic. That required residents to pay for two correction officers per inmate to stay at the hospital during the entire visit. Now, healthcare services are provided at the jail by private health care professionals. This has resulted in 4,000 clinic runs being reduced to 200 – a 95% reduction. Moreover, 400 hospital visits have been reduced to a mere 50 – an 87% reduction. Taxpayers are saving nearly \$7m annually.

As these projects demonstrate, the county has had a successful track record of implementing P3 projects that have benefited residents with little or no taxpayer expense. Building on these P3 projects, the county is exploring several additional P3 opportunities for energy and wastewater-related projects.

The county is currently exploring a P3 transaction involving the sale, lease or private operation of its District Energy System, which consists of a combined heat and power facility and central utility plant providing thermal and electrical energy to the marketplace.

Following the issuance of a request for expression in 2015, a request for proposals is now expected for the project before the end of the year.

In addition, the county is once again exploring a P3 transaction that may consist of the concession, lease, or other similar arrangement involving the county's sewer system, including but not limited to, a P3. This will involve a P3 transaction with a concessionaire, who would enter into a binding concession agreement and be assigned the existing operations and maintenance contract with United Water.

The county is currently exploring the feasibility and benefits that such an arrangement could offer residents, such as rate stabilization and appropriate capital management of the system, while also offering the opportunity to shift some of the system risk to a private P3 partner. The county remains in the exploration phase for this transaction and could go to market in 2016.

Also related to its sewer system, the county is exploring various opportunities to construct an ocean outfall pipe from its Bay Park wastewater treatment plant into the Atlantic Ocean. Badly damaged during Superstorm Sandy, Bay Park currently discharges into Reynolds Channel, an area with poor water quality due to nitrogen discharges on Nassau's South shore. During Superstorm Sandy, Bay Park discharged nearly 2.2 billion gallons of partially treated wastewater into Reynolds Channel.

To address the nitrogen discharge and improve water quality, the county is seeking to build a \$550m outfall pipe into the Atlantic Ocean, where the wastewater could discharge safely in compliance with all federal and state standards. The county is currently exploring possible financing and implementation methods for this project, including P3 opportunities, which may include design-build.

Nassau County is utilizing P3 projects to deliver necessary services and public amenities to county residents in a cost-effective manner. With several recent P3s already yielding dividends, the county will look to implement additional P3 opportunities that could continue to deliver successful results. Nassau County Executive Ed Mangano remains on the forefront of P3 implementation and could serve as a model of success for municipalities throughout the US.

The *Partnerships Bulletin* and *P3 Bulletin* are magazines and websites providing in-depth updates on partnership working between the public and private sector to procure, build and manage public infrastructure. The media properties are targeted to industry professionals to help them make informed decisions and remain at the cutting edge of partnerships and infrastructure business information.