



BERKELEY
iurd INSTITUTE OF URBAN AND
REGIONAL DEVELOPMENT

Improving California's Infrastructure Services:

The California Infrastructure Initiative (CII)

David E. Dowall
Institute of Urban and Regional Development
University of California, Berkeley

March 6, 2008

Structure of Presentation



- **The Rationale for the CII White Paper**
- **Overview of the California Infrastructure Initiative (CII)**
- **CII Current Context and International Best Practices**
- **Implementing the CII**
- **Conclusions**



BERKELEY
iurd INSTITUTE OF URBAN AND
REGIONAL DEVELOPMENT

Rationale for the CII White Paper

Rationale for the CII White Paper



- **California's infrastructure services need improving**
- **Multiple proposals complicate policy discussions**
- **Provide clarity by defining an overarching policy framework for improving infrastructure services**
- **Illustrate best practice examples for improving infrastructure services**
- **Provide a road map for implementing the CII**
- **Recommend steps for moving forward**



BERKELEY
iurd

INSTITUTE OF URBAN AND
REGIONAL DEVELOPMENT

Overview of the California Infrastructure Initiative (CII)

- **Infrastructure services are critical determinants of California's well-being**
- **Decisions about infrastructure planning, delivery and management should be guided by outcome oriented measures**
- **Infrastructure policy should adopt flexible and performance based approaches for determining project delivery**

CII Operates at 4 levels



- **Helps set investment priorities for new infrastructure in ways that meet the state's strategic goals**
- **Identifies the most efficient method for providing services**
- **Determines the most effective method for project delivery**
- **Ensures that existing services are provided efficiently**

Advantages of CII



- **Focuses on infrastructure outputs**
- **Customer-oriented**
- **Looks for the best method for building or procuring projects**
- **Provides greater accountability in public and private sectors**
- **Taps new sources of capital to finance infrastructure**

- **Visioning, priority setting and cross sector coordination**
- **Determining what infrastructure services are needed**
- **Choose the best method of project delivery**
- **Ensure value for money**

- **Promote demand aggregation**
- **Provide technical and policy assistance**
- **Help Negotiate**
- **Share Knowledge**

Visioning, Priority Setting & Cross Sector Coordination



- **California does not vision, set priorities or coordinate—we all recognize this**
- **Climate for change is excellent**
- **International best practice examples:**
 - **Canada**
 - **British Columbia**
 - **Victoria and New South Wales**
 - **Washington State**
 - **New York City**

International Best Practices: Visioning



Growing Victoria Together

- **Guides planning and decision making between 2001 - 2011**
- **Outlines 10 broad goals, supported by progress measures**
- **Linked to budgeting and long-term capital plan through Building One Victoria, a framework for investment planning**
- **Community engagement ensured consumer-based service delivery and earned public support**

**GROWING VICTORIA
TOGETHER**
A VISION FOR VICTORIA
TO 2010 AND BEYOND



International Best Practices: Visioning



Advantage Canada

- **Est. in 2006 with input from all government levels**
- **Outlines priority areas the government will focus on:**
 - **Tax, Fiscal, Entrepreneurial, Knowledge & Infrastructure Advantage**
- **Linked to Building Canada, a framework for:**
 - **Coordinating across government levels & managing federal funding**
 - **Capacity building, technical assistance & knowledge management**
 - **Alternative project delivery mechanisms**



BUILDING CANADA



Advantage Canada

Determining What Infrastructure Services are Needed



- **California can do this**
 - **AB 1473**
 - **Performance and Results Act of 1993**
- **International best practice examples:**
 - **GAO-OMB**
 - **Spain**
 - **New South Wales**
 - **New York City**

International Best Practices: Deciding the Best Way to Achieve Goals



U.S. GAO and OMB Capital Programming Guide

- **Developed in 1997 to assist federal agencies in planning, budgeting, acquisition and management of capital assets**
- **Recommends that agencies consider alternative approaches to satisfy needs before constructing capital assets, including:**
 - **User fees and regulation**
 - **Human capital**
 - **Applying grants**
- **Encourages cost-benefit and/or risk analysis of all options**

International Best Practices: Deciding the Best Way to Achieve Goals



Spain's Strategic Plan for Infrastructure & Transport

- **Developed in 2004 to address transport challenges and promote economic and social goals**
- **Engaged in alternative scenarios testing to develop the plan**
 - **Explored implied actions, potential impacts, barriers and uncertainties**
 - **Used to justify future investments**

Choose the Best Method of Project Delivery



- **Governor's Office is proposing a PBI California Initiative**
- **International best practice examples:**
 - **United Kingdom**
 - **Canada**

International Best Practices: Selecting the Best Method for Project Delivery



The UK's Private Finance Initiative (PFI)

- **Vehicle for assessing viability of and facilitating P3s**
 - Creates opportunities for private involvement in service provision
 - Sets standards to protect public interest
 - Transfers risks of public service projects to the private sector
- **Linked with Partnerships UK, a private company that assists the public sector in procuring and implementing PFI**
 - Creates procurement joint ventures
 - Assists public sector clients in procurement and negotiation
- **500+ PFI projects in operation – 10-15% of service provision**
 - Ensures more value for money
 - Finds opportunities for generating cost and time efficiencies
 - Can leverage private sector financing

International Best Practices: Selecting the Best Method for Project Delivery



Canada's P3 Fund

- **Newly established flagship program of Building Canada**
- **CND \$1.25B Fund established to:**
 - **Develop and facilitate opportunities for P3s to deliver infrastructure**
 - **Attract private sector investments**
 - **Increase knowledge and expertise in alternative financing at all levels**
- **Newly established Federal P3 Office**
- **Requires all projects seeking C \$50M+ of Federal funding to assess viability of a P3 option**

Ensure Value for Money



- **California does not have explicit legislation requiring VfM assessments, PBI California could do this**
- **International best practice examples:**
 - **Washington State**
 - **Victoria**
 - **United Kingdom**

International Best Practices: Ensuring Value for Money



UK PFI - VfM Assessment Process

- **Private Finance Initiative (PFI) incorporates VfM**
- **3 Stage assessment process to test if P3 is the best option**
 1. **Qualitative and quantitative analysis of all potential PFI programs**
 2. **Detailed analysis and Business Case for each individual program**
 3. **Continuous appraisal until financial close based on market conditions**
- **Guidance materials provided to assist public partners**

International Best Practices: Ensuring Value for Money



Building One Victoria

Victoria's framework for investment planning, based on Growing Victoria Together plan. Critical pieces include:

- **Public Sector Comparator Tool**
 - **Estimates the cost of different forms of delivery to determine VfM**
- **Gateway Initiative**
 - **Independent review of key projects at critical stages**
 - **Reduces risk of cost and time overruns**
 - **Ensures alignment with strategic objectives**
 - **46 projects reviewed since 2003, AUS\$ 6.5 billion**

Promote Demand Aggregation



- **Demand aggregation is not extensively practiced in California, PBI California can do this**
- **International best practice examples:**
 - **United Kingdom**

International Best Practices: Promoting Demand Aggregation



UK PFI - Bundling Program

- **Introduced as part of PFI in 2003 to enable small projects to partake in and benefit from PFI**
- **Several projects executed successfully throughout England via bundling, including:**
 - **£1.5 B Invested into 2,000 schools through a joint partnership on behalf of Church of England primary schools**
 - **National body created to manage a £5 B combination PFI and traditional strategic renewal of all English secondary schools**

Provide Technical and Policy Assistance



- **California has no explicit program, but PBI California could perform this role**
- **International best practice examples:**
 - **Canada**
 - **United Kingdom**
 - **Victoria**

International Best Practices: Providing Technical and Policy Assistance



Partnerships UK – Operational Taskforce

- **Established in 2000 to support new methods of service delivery and procurement**
- **Operational Taskforce offers technical assistance to public sector in assessing and executing P3 projects**
 - **“Helpdesk” provides free and fee-based services for partners involved in all stages of the P3 process**
 - **Formal training available to equip partners with technical skills and knowledge base to launch, manage and evaluate P3s**

- **California has no explicit program, but PBI California would perform this role**
- **International best practice examples:**
 - **Canada**
 - **United Kingdom**
 - **Victoria**

International Best Practices: Helping Negotiate



Building Canada – P3 Office

- **Established a Federal P3 Office to facilitate broad use of P3s**
 - **Guides use of a C \$1.25 B fund to finance and delivery projects**
 - **Assists in procurement negotiations at local levels**
- **Designed to build capacity at the provincial and local levels to encourage and facilitate use of alternative delivery methods**

- **California has no explicit program, but PBI California would perform this role**
- **International best practice examples:**
 - **United Kingdom**
 - **Canada**
 - **Victoria**

International Best Practices: Sharing Knowledge



Partnerships UK

- **Departmental Private Finance Units**
 - Responsible for implementation of PFI policy within each department
 - Structured to disseminate best practice and implementation support
 - Provide strategic management of each department's PFI portfolio
 - Serve as expertise centers on PFI policy
- **PFI Operational Taskforce**
 - Provides greater guidance to public sector in managing PFI projects, including knowledge transfer of best practices
 - Provides operational support to public sector project managers

International Best Practices: Sharing Knowledge



Victoria's Lifecycle Guidance Program

- **Part of the Gateway Initiative, modeled after similar UK program**
- **Provides supportive materials for government & partners to establish a consistent, best-practice approach to investment**
 - **Guidance material provides performance benchmarks for private sector**
 - **Facilitates development of consistent business cases for P3 proposals**
 - **46 projects reviewed since 2003-savings to date 5 percent**



BERKELEY
iurd INSTITUTE OF URBAN AND
REGIONAL DEVELOPMENT

Implementing the CII

Implementing CII in California



California has platform to build on:

- **AB 1473, AB 857, and AB 32 provide legislative groundwork**
- **2006 Strategic Growth Plan ignited a rebuilding campaign**
- **Unprecedented voter support with \$43 B in new bonds**
- **Broad recognition that California can do better**



BERKELEY
iurd INSTITUTE OF URBAN AND
REGIONAL DEVELOPMENT

Conclusions

- **Build agreement on how to utilize existing legislation and introduce new laws as needed**
- **Agreement on how to adopt and use CII's 8 elements and consider step-by step implementation**
- **Move on Governor's Performance Based Infrastructure Initiative as a critical first step**