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July 8, 2011

Members of the California State Assembly Committee on Local Government
State Capitol, Room 3162
Sacramento, CA 95814

Re: Senate Bill 475, as amended – SUPPORT

Dear Assembly Members:

The undersigned members of the Regional Economic Association Leaders (R.E.A.L.) Coalition, an association of California's most influential business and economic development entities, representing more than 11,000 employers providing more than 3 million jobs, respectfully ask that you support Senate Bill 475 (Wright), as amended (SB 475) — a measure that incentivizes the use of public-private partnerships (P3s) by removing some of the ambiguity that exists in the current statute and by providing local governments with greater flexibility and broader authority to utilize P3s going forward.

Specifically, SB 475 addresses some of the central defects of Government Code Section 5956 (GC 5956), which was enacted in 1996 through Assembly Bill 2660 (AB 2660) to provide public agencies with the authority to use P3s. In short, AB 2660 authorized local government agencies to enter into agreements with private entities to study, plan, design, develop, finance, construct, maintain, rebuild, improve, repair, or operate—or any combination thereof—fee-producing infrastructure projects. AB 2660 also allowed for the fee-producing infrastructure projects either to be owned by the governmental agency—with lease options to the private sector—or to be leased by the private entity for up to 35 years.

Despite having the authority to pursue true public-private partnerships since 1996, California's local agencies have for the most part been unable to avail themselves of the statute's intended infrastructure development, financing and delivery benefits due to the statute's manifest ambiguity, inconsistency, and overall restrictive nature. While SB 475 does not address all of GC 5956's shortcomings, it does correct a number of its weaknesses which will provide public agencies with more tools and greater capacity to harnesses the capital, technical expertise, efficiencies, and entrepreneurial spirit of the private sector and leverage those advantages with the environmental, quality of life, and job creation goals of the public sector—all of which are absolutely critical to solve our state's critical infrastructure needs at a time when there are significantly fewer resources to do so.

Above all, SB 475 does the following:

- Clarifies that private sector financing (and capital) can take several different forms, e.g., cash, carrying costs, in-kind contributions, loans, etc.—rather than the more-limiting “investment capital” definition used in the existing statute.

- Provides greater flexibility in the selection of a private sector financing partner by eliminating the requirement that “demonstrated competence and qualifications” be the primary selection criteria and by adding additional criteria that must be considered, such as technical approach, life cycle costs and safety record.
- Designates sanitary sewer systems as an additional eligible project under the definition of “fee-producing infrastructure projects.”
- Clarifies that the public sector has the authority to co-invest in the infrastructure project.
- Makes clear that there are several types of post-construction operations and “control” methods that the private sector and public sector can utilize—rather than being limited to leasing or ownership. This opens up additional options that may better fit the structure of the partnership.

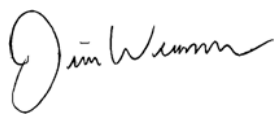
Additionally, we support the continued strengthening of GC 5956 to further incentivize the use of P3s in California. Particularly, we urge you to consider the following additional—yet complementary—proposals:

- Eliminate completely the (current 35-year) time requirement for lease, ownership, or other use by a private sector entity.
- Apply the P3 authority to “non-revenue producing” infrastructure assets as well.
- Broaden P3 applicability to the state government—rather than to local agencies only.
- Establish a center of excellence for P3s, so local governments have a base of best management practices expertise to consult when considering P3s.

There are hundreds of billions of dollars in private investment capital available both in the United States and abroad that we can attract to solve our state’s critical infrastructure problems and help move vital trade, transportation, energy, water, waste, and information projects forward to ensure that the state remains globally competitive. But to access this capital, we need broad, dynamic and flexible public-private partnership programs that combine the energy of the private sector with the function of the public sector to maximize public benefit and service with faster project delivery times, reduced operating costs, and improved customer satisfaction. SB 475 provides additional opportunities to ensure that these necessary public-private partnership benefits become reality.

We urge you to take a critical step forward to maintaining and improving California’s economy and quality of life by supporting this necessary bill to help us build a 21st Century infrastructure here in California.

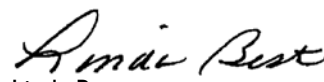
Sincerely,



Jim Wunderman
President & CEO
Bay Area Council



Ron Addington
President & CEO
Business Council, Inc.



Linda Best
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Al Smith
President & CEO
Greater Fresno Area Chamber of
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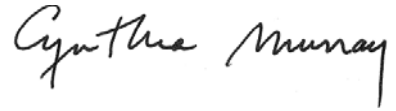
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cc: Senator Rod Wright