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# HOUSE BILL 299

# 52ND LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2015

### INTRODUCED BY

Larry A. Larrañaga

# AN ACT

RELATING TO PUBLIC PROJECTS; ENACTING THE PUBLIC-PRIVATE

PARTNERSHIPS ACT; ALLOWING THE STATE AND LOCAL GOVERNMENTS TO

ENTER INTO LONG-TERM PARTNERSHIPS WITH PRIVATE SECTOR PARTNERS

TO FACILITATE PUBLIC PROJECTS; PROVIDING POWERS AND DUTIES;

PRESCRIBING PENALTIES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

- **SECTION 1.** [NEW MATERIAL] SHORT TITLE.--This act may be cited as the "Public-Private Partnerships Act".
- SECTION 2. [NEW MATERIAL] DEFINITIONS.--As used in the Public-Private Partnerships Act:
- A. "department" means the general services department;
- B. "force majeure" means an uncontrollable force or natural disaster not within the power of the public or private .197648.4

partner;

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- C. "local government" means a municipality; a county; or a regional entity created by a joint powers agreement between one or more public agencies;
- "material default" means a failure of a private D. partner to perform any duties under a public-private partnership, which failure jeopardizes delivery of adequate service to the public and remains unsatisfied after a reasonable time and after the private partner has received written notice from the public partner of the failure;
- "private partner" means one or more persons who have entered into a public-private partnership with a public partner and who are not the federal government or any agency or instrumentality of the federal government; another state or territory of the United States; a sovereign or foreign government; or the state or an agency, branch, institution, instrumentality or political subdivision of the state;
- "public partner" means a local government, state agency, state institution or an instrumentality of the state;
- G. "public-private partnership" means an agreement between one or more public partners and one or more private partners for the design, development, financing, construction, operation or maintenance of a public project;
  - "public project": Η.
    - (1) means:

1	(a) a building or other facility and				
2	infrastructure, except affordable housing pursuant to the				
3	Affordable Housing Act, that meets a public purpose and is				
4	developed or operated for a public entity;				
5	(b) a building or other facility for a				
6	public school or a public post-secondary educational				
7	institution, including: 1) a functionally related and				
8	subordinate facility; 2) a stadium or other facility primarily				
9	used for school events; and 3) any depreciable property				
10	provided for use in a school facility that is operated as part				
11	of the public school system or a public post-secondary				
12	educational institution;				
13	(c) a hospital or a health care,				
14	behavioral health, hospice or other treatment facility;				
15	(d) cultural or recreational facilities,				
16	including theaters, museums, convention centers, lodging,				
17	community centers, stadiums, athletic facilities, golf courses				
18	or similar facilities;				
19	(e) parking lots or garages;				
20	(f) airports, railways, subways or other				
21	transportation facilities and roads;				
22	(g) improvements, together with				
23	equipment, necessary to enhance public safety and security of				
24	buildings to be principally used by a public entity;				
25	(h) utility, telecommunications,				

1	broadband, energy and other communications infrastructure that				
2	is ancillary to the development or operation of a public				
3	project;				
4	(i) infrastructure needed to conserve				
5	natural resources or generate utility savings;				
6	(j) a facility or infrastructure used in				
7	connection with the byproducts of watershed restoration or				
8	hazardous fuels reduction;				
9	(k) a project that involves habitat or				
10	environmental restoration, cleanup or reuse;				
11	(1) dams and reservoirs;				
12	(m) a sewerage or water treatment				
13	facility, power generating plant, pump station, natural gas				
14	compressing station or similar facility;				
15	(n) a sewerage, water, gas or other				
16	pipeline;				
17	(o) a transmission line;				
18	(p) a radio, television, cell or other				
19	tower;				
20	(q) improvements necessary or desirable				
21	to any unimproved state-owned or locally owned real estate; or				
22	(r) recycling facilities or solid waste				
23	management facilities that produce electric energy derived from				
24	solid waste; and				
25	(2) does not include a project that changes				
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the franchise rights or territory of a regulated public utility;

- I. "user fee" means a rate, fee or other charge imposed by a partner for use of all or part of a public project; and
- J. "utility" means a privately, publicly or cooperatively owned line, facility or system for producing, transmitting or distributing communications, cable television, power, electricity, light, heat, gas, oil, crude products, water, steam, waste, storm water not connected with highway drainage or any other similar commodity, including a fire or police signal system or street lighting system, which directly or indirectly serves the public; but "utility" does not include electric utilities and electric utility facilities that are subject to regulation by the public regulation commission.

SECTION 3. [NEW MATERIAL] PROJECT DELIVERY METHODS-PROPOSALS.--A public partner may provide for the development of
a public project using a variety of project delivery methods,
which methods shall be documented in written agreements. The
methods may include:

- A. predevelopment agreements leading to other implementing agreements;
  - B. design-build agreements;
  - C. design-build-finance agreements;
  - D. construction manager at risk;

1	E. agreements that provide for the private partner					
2	to design, build, manage, maintain, operate or lease a public					
3	project; or					
4	F. other project delivery methods or agreements or					
5	combination of methods or agreements that the public partner					
6	determines is most advantageous to the public interest.					
7	SECTION 4. [NEW MATERIAL] PROJECT DEVELOPMENT					
8	PROCUREMENT					
9	A. A public partner may:					
10	(1) procure a public project using any of the					
11	following:					
12	(a) requests for proposals in which the					
13	public partner describes a class of public project or a					
14	geographic area in which a person is invited to submit					
15	proposals to develop a public project;					
16	(b) solicitations using requests for					
17	qualifications, short-listing of qualified proposers, requests					
18	for proposals, negotiations or other procurement procedures;					
19	(c) procurements seeking development and					
20	finance plans that are most advantageous to the public partner					
21	and suitable for the public project;					
22	(d) best-value selection procurements					
23	based on price or financial proposals, or both, or other					
24	factors; and					
25	(e) other procedures that the public					
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partner determines may further the implementation of the Public-Private Partnerships Act; and

- (2) consider an unsolicited proposal if the public partner determines that there is sufficient merit to pursue the unsolicited proposal and a reasonable opportunity for other persons to submit competing proposals for consideration.
- B. For a procurement in which the public partner issues a request for qualifications or similar solicitation document or following a public partner's decision to consider an unsolicited proposal, the public partner shall issue a request that generally sets forth the factors that will be evaluated and the manner in which responses will be evaluated.
- C. In evaluating proposals, the public partner and the department, if required, shall:
- (1) consider a range of factors they deem appropriate to obtain the best value for the state or local government; and
- (2) require specific justification and support for a proposal that may affect:
  - (a) public employees' employment; or
  - (b) the cost of public service delivery.
- D. The public partner may charge and retain a reasonable administrative fee for the evaluation of an unsolicited project proposal and for the cost of experts that

are consulted pursuant to Subsection E of this section; provided that the administrative fee shall not exceed the reasonable cost of evaluating the proposal.

- E. The public partner shall consult with in-house or contracted financial, legal or other experts to assist in the evaluation, negotiation and development of public-private partnership agreements for a public project.
- F. If contractor insurance is required for services procured pursuant to this section, the insurance shall be placed with an insurer authorized to transact insurance in New Mexico or with a surplus lines insurer approved by the office of superintendent of insurance or its successor agency.
- G. Before a public-private partnership is formed, the public partner shall hold at least one public hearing and may hold additional public hearings, all of which shall be preceded by at least thirty days' notice.
- H. Each request for proposals issued pursuant to the Public-Private Partnerships Act shall require the proposer to include with its proposal an executive summary covering the major elements of its proposal that do not address the proposer's price, financing plan or other confidential or proprietary information or trade secrets that the proposer intends to be exempt from disclosure. The executive summary shall be subject to release and disclosure to the public at any time. Notwithstanding other provisions of law, in order to

maximize competition, no part of a proposal or other formal procurement or evaluation document, other than the executive summary, shall be subject to release or disclosure by the public partner before the public-private partnership award is made and the conclusion of any protest or other challenge to the award, absent an administrative or judicial order requiring release or disclosure. After the public-private partnership is awarded and the conclusion of any protest or other challenge to the award, the Inspection of Public Records Act applies to any release of any part of the proposal. An unsolicited proposal shall contain a similar executive summary and be afforded the same protections as a requested proposal.

- I. A solicited or unsolicited proposer shall identify those portions of a proposal or other submission that the proposer, with the public partner's concurrence, considers to be a trade secret or confidential commercial, financial or proprietary information. For trade secrets and confidential and proprietary information to be exempt from disclosure, the proposer must do all of the following:
- (1) invoke exclusion on submission of the information or other materials for which protection is sought;
- (2) identify with conspicuous labeling the data or other materials for which protection is sought;
- (3) state the reasons why protection is necessary; and

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(4) fully comply with any applicable state law with respect to information that the proposer contends should be exempt from disclosure.

### SECTION 5. [NEW MATERIAL] PROCUREMENTS--RESTRICTIONS.--

- The resident preferences provided in Sections 13-1-21 and 13-1-22 NMSA 1978 apply to procurements pursuant to the Public-Private Partnerships Act. The construction of a public project is a public works for the purposes of the Public Works Minimum Wage Act, the Subcontractors Fair Practice Act, any other provisions of Chapter 13, Article 4 NMSA 1978 and the Public Works Apprentice and Training Act.
- В. Before it may be awarded, every public-private partnership shall include an operating agreement that defines the roles and responsibilities of the partners. A private partner may require that a public project be operated and maintained to the private partner's standards and specifications as set out in the agreement.
- Should a public project include building maintenance, as to the maintenance activities, the public partner or department shall not approve a project that replaces an existing government employee unless the employee is offered alternate equivalent employment.
- [NEW MATERIAL] DEPARTMENT--POWERS AND DUTIES--SECTION 6. ASSISTANCE WITH DUTIES. --
  - The department shall:

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- (1) in consultation with the state purchasing agent, the New Mexico finance authority, the economic development department, the department of finance and administration, the office of the state engineer and any other person that the department deems necessary, develop a minimum set of guidelines to implement the provisions of the Public-Private Partnerships Act, including the process that the department shall follow with respect to the public-private partnership agreements that the department is required to review and approve and the information that is required to be included in an executive summary provided for in Subsection H of Section 4 of that act;
- (2) before a public-private partnership may be established, review and approve all public-private partnership agreements that include:
- (a) a total public project cost that is greater than fifty million dollars (\$50,000,000); or
- (b) a public-private partnership term that is longer than thirty-five years;
- (3) in evaluating public-private partnership agreements, consider whether projects should be developed as public-private partnerships or using traditional procurement and funding methods;
- manage public communication and education, (4) including public hearings, regarding the scope, cost and .197648.4

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impacts of proposed public-private partnerships in order to maximize the opportunity for public input on proposals;

- (5) promote the Public-Private Partnerships Act to encourage maximum competition among private entities to pursue the development and operation of public-private projects in the state;
- (6) serve as a resource for the legislature and its staff regarding the policy and financial impacts of proposals and the implications of proposed or pending public project agreements on the credit or other obligations of the state;
- (7) provide technical assistance to local governments and regional entities on the use of public-private partnerships to meet their needs; and
- on or before December 1 of each year, (8) submit a report to the legislature on any pending, proposed or completed public-private partnership agreements that the department is required to review and approve. The report shall specifically name the public-private project, its proposed scope, the proposed finance plan, the status of permitting and land acquisition and a summary of any public project agreements pending at the time of the report.
  - В. The department or a local government may:
- retain, as necessary, financial, legal and other experts to assist it in carrying out its duties pursuant .197648.4

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to the Public-Private Partnerships Act, including assistance with the review of public-private partnership agreements;

- solicit the expertise of state agencies, state institutions, state instrumentalities and local governments to assist the department or local government in carrying out its duties pursuant to the Public-Private Partnerships Act, including reviewing public-private partnership proposals; and
- (3) receive appropriations and money from any other source, including other state agencies or local governments, regional organizations or the federal government, to carry out its duties pursuant to the Public-Private Partnerships Act.
- C. All state agencies, state institutions, state instrumentalities and local governments, as appropriate, shall cooperate with the department or a local government and assist it in carrying out its duties by providing technical assistance, analysis and other services as requested by the department or a local government.
- SECTION 7. [NEW MATERIAL] DEPARTMENT--ADVICE AND ASSISTANCE--REVIEW AND APPROVAL OF AGREEMENTS. -- With respect to public-private partnership agreements that the department is required to review and approve, and before approving a publicprivate partnership, the department shall:
- assist the public partner in negotiating .197648.4

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agreements	•

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- В. assist the public partner in preparing any documents related to a specific agreement;
- identify, and advise the public partner regarding, any relevant federal securities or other laws and related disclosure requirements; and
- identify, and advise the public partner regarding, accounting, investment and tax requirements applicable to specific public projects.
- SECTION 8. [NEW MATERIAL] EVALUATION CRITERIA.--Before entering into a public-private partnership, the public partner and the department, if required, shall consider:
- the ability of the public project to meet the Α. needs of the community in which it is to be located, including improving and streamlining services to the public; providing or enhancing educational, cultural and recreational opportunities; promoting economic growth or job creation; or otherwise serving a public purpose;
- the proposed cost and financial plan for the public project;
- the performance benchmarks contained in the proposal;
- the estimated operating costs of the public D. project;
- the financial commitment of the private partner; Ε. .197648.4

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2	G. the general reputation, qualifications, industry
3	experience and financial capacity of the proposer;
4	H. the compatibility of the public project with
5	local and regional land and water plans or other infrastructure
6	plans;
7	I. the feasibility and proposed design and
8	management of the public project;
9	J. the degree of innovation; efficiency; and
10	technical, scientific, technological and socioeconomic merit of
11	the proposal;
12	K. comments from potential users, local citizens,
13	affected jurisdictions and other interested persons;
14	L. benefits to the public, including improvements
15	in economic growth, job creation, public safety and quality of
16	life;
17	M. the safety record of the proposer;
18	N. efforts to be made through the public-private
19	partnership to retain and train New Mexico residents in
20	occupations and professions related to planning, design,
21	construction, project management, general management,
22	administration, legal, accounting and other areas of the public
23	project over the life of the public-private partnership;
24	O. the commitment to use New Mexico building

F. the risk of proposed financing;

materials and manufactured goods and local services to the

extent possible;
P. green building design and construction
certification by a nationally recognized organization;
Q. innovations in energy efficiency or generation;
and
R. other criteria that the public partner and the
department deem appropriate for consideration.
SECTION 9. [NEW MATERIAL] PUBLIC-PRIVATE PARTNERSHIP
AGREEMENTSREQUIREMENTSPENALTIES
A. In a public-private partnership, the public
partner, and the department with respect to public-private
partnership proposals that it reviews, shall require an
agreement to include provisions as applicable that:
(1) authorize the public partner or the
private partner to establish and collect user fees, rents,
advertising and sponsorship charges, service charges or other
charges allowed in the agreement, including provisions that:
(a) specify how revenue will be
(a) Specify now revenue will be
collected, accounted for and audited;
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collected, accounted for and audited;
collected, accounted for and audited;  (b) establish circumstances under which
collected, accounted for and audited;  (b) establish circumstances under which the public partner may receive all or a share of revenue from
collected, accounted for and audited;  (b) establish circumstances under which the public partner may receive all or a share of revenue from such charges; and
collected, accounted for and audited;  (b) establish circumstances under which the public partner may receive all or a share of revenue from such charges; and  (c) govern enforcement of user fees,

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and provisions that allow the private partner access to relevant public databases for enforcement purposes. Negligent use of the data contained in the databases, including unauthorized disclosure of the data, shall result in a civil penalty of ten thousand dollars (\$10,000) for each violation;

- (2) if user fees and other charges are allowed, the agreement shall provide for a maximum negotiated rate of return on the private partner's investment, including:
- (a) fees and charges that may be collected directly by the private partner or a third party engaged by the private partner for that purpose;
- (b) a formula for the adjustment of user fees and other charges during the term of the public-private partnership;
- (c) for an agreement that does not include a formula described in Subparagraph (b) of this paragraph, provisions regulating the private partner's return on investment; or
- (d) other strategies that the public partner or the department deems appropriate;
- (3) allow for payments to be made by the public partner to the private partner, including availability payments or performance-based payments;
- (4) allow the public partner to accept payments and share revenue with the private partner; .197648.4

1	(5) address how the public and private				
2	partners will share management of the risks of the public				
3	project;				
4	(6) specify how the public and private				
5	partners will share the costs of development of the public				
6	project;				
7	(7) allocate financial responsibility for cost				
8	overruns to the partner or partners that were responsible for				
9	the cost overruns;				
10	(8) establish the damages to be assessed for				
11	nonperformance;				
12	(9) establish performance criteria or				
13	incentives, or both;				
14	(10) address the acquisition of property				
15	interests that may be required, including provisions that allow				
16	the public or private partner to acquire real property,				
17	including acquisition by exchange of other real property that				
18	is owned by the state, a local government or the federal				
19	government;				
20	(ll) establish recordkeeping, accounting and				
21	auditing standards to be used for the public project;				
22	(12) for a public project with a term that is				
23	longer than twenty-five years, address responsibility for				
24	reconstruction or renovations that are required so that the				
25	public project meets all applicable government standards before				
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the public project reverts to the public partner;

- (13) provide for responsibilities for law enforcement on public projects;
- (14) identify public partner specifications that must be satisfied, including provisions allowing the private partner to request and receive authorization to deviate from the specifications on a showing satisfactory to the public partner that the deviation is necessary;
- either directly or through the principal contractor who is in charge of the project, performance and payment bonds as required by Section 13-4-18 NMSA 1978 for those components of a public project that involve construction. For components that do not involve construction, require parent company guarantees, letters of credit or other acceptable forms of security or a combination of any of these, the penal sum or amount of which may be less than one hundred percent of the value of the contract involved based on the public partner's or the department's determination of what is required to adequately protect the public partner, made on a project-by-project basis;
- (16) provide clawback or recapture provisions that protect the public investment; and
- (17) specify remedies available to the parties and dispute resolution procedures to be followed.
- B. The public-private partnership agreement shall .197648.4

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include a clear statement of which partner will own any real property pertaining to the public project when the project reverts to the public partner based on the terms of the agreement.

- The term of initial agreements entered into pursuant to the Public-Private Partnerships Act may be for a term not to exceed fifty years, and such agreements may be extended for additional terms; provided that an extension shall be subject to the same review and negotiation process as the original agreement.
- The public-private partnership agreement shall contain a provision by which the private partner expressly agrees that it is prohibited from seeking injunctive or other equitable relief to delay, prevent or otherwise hinder the public partner or any other jurisdiction from developing, constructing or maintaining a public project that was planned and that would or might affect the revenue that the private partner would or might derive from the public project developed pursuant to the Public-Private Partnerships Act, except that the agreement may provide for reasonable compensation to the private partner for the adverse effect resulting from development, construction and maintenance of an unplanned facility that affects the public project's revenue.
- The state board of finance shall approve the assignment, transfer or sale of assets or investment in a .197648.4

public project.

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#### SECTION 10. [NEW MATERIAL] FUNDING AND FINANCING. --

- Any lawful source of funding may be used for the development or management of a public project pursuant to the Public-Private Partnerships Act, including:
- proceeds of grant anticipation revenue (1) bonds, private activity bonds, revenue bonds or other bonds allowed by federal or state law;
- grants, loans, loan guarantees, lines of credit, revolving lines of credit or other arrangements as allowed by federal or state law;
  - (3) other federal, state or local revenues;
- user fees, lease payments, availability payments, gross or net receipts from sales, proceeds from the sale of development rights, franchise charges, permit charges, advertising and sponsorship charges, service charges or any other lawful form of consideration; and
- other forms of public and private capital (5) that are available.
- As security for the payment of financing described in this section, the revenues from the public project may be pledged, but no pledge of revenues or property constitutes in any manner or to any extent a general obligation of the state or local government, unless explicitly agreed to by the state or local government. Financing may be structured

on a senior, parity or subordinate basis to any other financing.

- C. The public partner may accept money from the United States or any of its agencies to carry out the provisions of the Public-Private Partnerships Act, whether the money is made available by grant, loan or other financing arrangement. The public partner assents to any federal requirements, conditions or terms of any federal funding accepted by the public partner pursuant to this subsection. The public partner may enter into agreements or other arrangements with the United States or any of its agencies as may be necessary to carry out the provisions of that act.
- D. The public partner may accept from any source any grant, donation, gift, conveyance of land, other real or personal property or other thing of value made to the public partner for the purposes of a public project.
- E. A public project may be funded in whole or in part by contributions of money or property made by a private person, a private entity or the state or any agency, institution, instrumentality or political subdivision of the state.
- F. Federal, state and local money may be combined with private sector money for public project purposes as allowed by law or by the grant, gift or donation provisions.
- G. Any revenue bonds issued as a result of the .197648.4

Public-Private Partnerships Act are not general obligations of this state or any local government and are not secured by or payable from any money or assets of the state or any local government other than the money and revenues specifically pledged to the repayment of the revenue bonds.

SECTION 11. [NEW MATERIAL] USER FEES AT END OF AGREEMENT PERIOD. -- The public partner may continue or cease collection of user fees after the end of the term of the public-private partnership agreement, based on a determination of the public project's future operations.

SECTION 12. [NEW MATERIAL] REVERSION OF PUBLIC PROJECT TO PUBLIC PARTNER.--If the public-private partnership is terminated, the powers and duties of the private partner cease, except for any duties and obligations that extend beyond the termination as provided in the public-private partnership agreement, and the public project reverts to the public partner and shall be dedicated for public use.

# SECTION 13. [NEW MATERIAL] MATERIAL DEFAULT--REMEDIES.--

A. Upon the occurrence and during the continuation of material default by the private partner, not related to an event of force majeure, the public partner may:

(1) elect to take over the public project, including the succession of all right, title and interest in the public project, subject to any liens on revenue previously granted by the private partner; and

- (2) terminate the public-private partnership and exercise any other rights and remedies that may be available.
- B. If the public partner elects to take over a public project pursuant to Subsection A of this section, the public partner:
- (1) shall collect and pay any revenue that is subject to lien to satisfy an obligation;
- (2) may develop and operate the public project, impose user fees for the use of the public project and comply with any service contracts; and
- (3) may solicit proposals for the maintenance and operation of the public project as provided in the Public-Private Partnerships Act for original proposals.

SECTION 14. [NEW MATERIAL] POLICE POWERS--VIOLATIONS OF LAW.--All law enforcement officers of the state or local government have the same powers and jurisdiction within the limits of the public project as they have in their respective areas of jurisdiction and access to the public project at any time to exercise such powers and jurisdictions.

SECTION 15. [NEW MATERIAL] UTILITY CROSSINGS.--Subject to the requirements of federal and state laws, contractual agreements and land conveyance documents, a public or private partner and any utility whose facility is to be crossed or relocated shall cooperate fully in planning and arranging the .197648.4

manner of the crossing or relocation of the utility facility.

SECTION 16. [NEW MATERIAL] PENALTIES.--A person who fails to pay a user fee required for the privilege of using property included in a public project is guilty of a petty misdemeanor and shall be sentenced as provided in Section 31-19-1 NMSA 1978.

SECTION 17. EFFECTIVE DATE.--The effective date of the provisions of this act is July 1, 2015.

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