

Structuring Public-Private Partnerships

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In today's world of constant change, requirements for dealing with the contradictions that arise from today's environment should encourage leadership in the public sector to think differently in structuring public-private partnership.

Most of us in the public sector focus our energies around the maintenance side of our jobs. These activities center around setting goals and monitoring results, planning and executing strategy and finding ways to reward the right kind of behaviors and in doing the above, meeting the needs of our customers, the citizens who live in our respective municipalities.

In our current challenging economic environment there needs to be a transformation side of leadership that aligns strategies and resources, has a vision for growth, finds partnership linkages, (built around a better understanding of our priorities and how they link into other organizations), that will add value to a community. Our state has experienced a number of economic development agreements that started with "high hopes," but due to the economic down-turn, have failed and left state, local and county governments with financial losses. One would ask why this is the case. The answer is quite simple. In the excitement and visibility of putting together a well-publicized boost to the community, there is little thought of failure. As a result an exit strategy is not considered or built into the agreement in most cases, and thus, there is little chance for recouping potential losses.

The City of Rolling Meadows, along with the State and Cook County developed an attractive package for the 3Com Corporation a number of years ago. The 3Com agreement, like most in Cook County, was very complex due to a less than attractive tax system, which is looked upon as an obstacle to overcome in attracting new business.

In the case of 3Com, the economic development agreement resulted in a vacant site being revitalized, new partnerships with area chambers of commerce, Harper College and local high schools, plus a one million dollar gift by 3Com into our technology initiative, the Rolling Meadows Metropolitan Network. We also received thousands of dollars in advertising that helped put Rolling Meadows on the map as a municipality that understands business and strategic partnerships between the Public and Private sectors.

This model for growth and change also made for a paradox situation, which is what many companies, like 3Com, find themselves in today. What appears to be "stability" in an organization, is really only a frozen moment in an ongoing process of growth or decline. The latter is where most public entities fail to realize that they must respond quickly to changing conditions and nurture their existing business relationships, so that they can partner with them in bad times as well as good.

The City's awareness and concern about economic trends and contractual obligations required us to keep current on how an ongoing economic downturn would effect our corporate partner. As 3Com revisited strategies and personnel,

we had to develop new relationships with new decision-makers to keep current on new plans being developed for survival. We actively searched for ways to assist them from revisiting sales tax sharing to exploring ways to market the property to lessen the fixed asset base and generate more liquidity.

The result was a win-win for everyone. 3Com sold the property but still has a presence at this site and we have new business partners in Spear Street Capital, UTStarcom and Harris Bank, all now located at the 3Com site. In addition, by developing a joint exit strategy and revisiting our contractual agreement, all of the 2.5 million in bonds were paid off by 3Com and the City netted an additional one million dollars in the transaction.

The message here is that developing ongoing strategic relationships with your business base is critical and understanding that business priorities and conditions can change is essential. This lends to developing the necessary tactics and linkages in a joint strategy that meets the needs of both the public and private sector parties. I believe we are one of the few municipalities that have successfully worked through this process. This proves that a good economic development strategy should also include the awareness of the need for an exit strategy that prepares a community for economic changes and provides the format for managing through these cycles now and in the future. ■