

# Public Private Partnerships & LEDA



## Public-Private Partnerships

A public-private partnership is a government service or private business venture, which is funded and operated through a partnership of government and one or more private sector companies. These joint endeavors are sometimes referred to as PPP or P3. PPP involves a contract between a public sector and a private party, in which the private party provides a public service or project and assumes substantial financial, technical and operational risk in the project. The public sector can provide equipment, land, utilities, services or business opportunities.

## Local Economic Development Act (LEDA)

It is often a misconception that public entities are not allowed to provide financial resources or assistance to private businesses due to anti-donation clauses as part of NM law. This is not the case. Economic development related public-private partnerships are legal under the Local Economic Development Act (LEDA), which notes that:

Nothing in (the anti-donation clause) prohibits the state or municipality from creating new job opportunities by providing land, buildings or infrastructure for facilities to support new or expanding businesses if this assistance is granted pursuant to general implementing legislation...

Presently, 83 New Mexico communities have voted to pass LEDA locally, meaning they have adopted an ordinance creating an economic development organization and strategic plan. Under LEDA, state, counties or municipalities may contribute (land, buildings or infrastructure) to a project and that contribution must create new job opportunities or something of defined value to the community.

## Job Training Incentive Program (JTIP)

New Mexico has one of the most generous training incentive programs in the country. JTIP funds classroom and on-the-job training for newly-created jobs in expanding or relocating businesses for up to six months of the new hire.

The program reimburses 50-75 percent of employee wages. Custom training at a New Mexico public educational institution may also be covered. JTIP provides options for both existing businesses that wish to expand staffing and newly launched businesses.

Three categories of business are eligible for consideration:

- Companies that manufacture or produce a product in New Mexico
- Non-retail service companies that export a substantial percentage of services out of state (50 percent or more of revenues and/or customer base). Customer support centers and product testing laboratories are two examples of businesses that have qualified in this category
- Certain green industries

The company must be financially sound and must be creating new jobs as a result of expansion or relocation to the state of New Mexico.

## Get Creative

- Crowdsourcing campaigns such as Kickstarter allow potential new businesses, often providing an environmental or cultural benefit to a region, to create a video summarizing their project and requesting donations from the public to launch their endeavor. Recent successfully funded crowdsourcing campaigns in NM include artists in residency programs, short film productions and launching of a food product line.
- New Mexico Environment Department: Solid Waste Bureau Recycling and Illegal Dumping (RAID) grant –RAID grants are awarded to public entities on an annual basis for recycling infrastructure. Grants have supported a range of equipment from balers to collection containers to security cameras to mitigate illegal dumping. Businesses are not eligible, but organizations such as nonprofits and businesses can work with local governments to partner, securing funds that assist overall recycling endeavors.

For example, if a book recycling business wanted to collect books at the local transfer station, they could ask their county to write a RAID grant for the container to collect books and enter into a Project Participation Agreement (PPA) to be able to use the county's new collection container.

- Visit NM Economic Development Department at [www.gonm.biz](http://www.gonm.biz) for information about outlined programs and other assistance opportunities such as their Mainstreet program, tax incentives, rural jobs tax credit, business development technical



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## Public-Private Partnership Example

**South Central Solid Waste Authority (SCSWA)** based in Las Cruces utilizes public-private partnerships in a variety of ways that support local business. In the examples below, SCSWA provided infrastructure to the private entity in the form of owning and maintaining the grinder, in the second example the public entity simply released an RFP for services from a private business.

1. SCSWA contracts with Trails End Woodworks to process and manage all green waste diverted at their county drop-off facilities. SCSWA owns and pays the cost to maintain the grinder. SCSWA then contracts with Trails End Woodworks to operate the grinder converting the wood waste into mulch at the sites. This provides an ultimate cost savings to the SCSWA by the reduction in material transportation, transport vehicles and fuel.
2. SCSWA contracts with Friedman Recycling to collect and process recyclables for Las Cruces residences. This represents a cost savings as SCSWA estimated it cost about \$60/ton to manage the local recycling program before this partnership. With the private partnership, the costs to manage the program have been greatly reduced as the collection service cost is covered by residents as a monthly recycling fee on their solid waste bill and with this new system the SCSWA only handles a minimal amount of recyclables. On average, SCSWA does have a cost to Friedman of \$14/ton to process the recyclables collected.

### More Public-Private Diversion Examples

Public Entity	Private Entity	Relationship
City of Albuquerque	Private Entity Constructed and Operates Facility to Process Recyclables	City collects residential recyclables and brings to private entity.
Los Alamos County	Private Entity Recycles Concrete	Co-located at Transfer Station. Customers, including the concrete recycler, bring material into the Transfer Station and pay a tipping fee of \$5/ton. The County then sells the concrete material for up to \$1.88/ton to the private entity who then crushes and sells the material.
City of Santa Fe	Private Entity Collects Food Waste	City released an RFP for a partnership to allow an entity to collect food waste from businesses. City provided collection containers at a reduced rental rate.
Greentree Solid Waste Authority (Ruidoso Downs)	Private Entity Manages Green Waste	This material consists of a large percentage of the waste stream and helps the county to achieve one of the highest recycling rates in the state.
City of Farmington	City and private entity share collection, processing and transportation duties	Private entity awarded contract to collect recyclables and City raised funds through increased collection fees to process and bale recyclables that are then transported by the private entity.

## LEDA Example

In the fall of 2014 the **Santa Fe Brewing Company in Santa Fe County** announced an expansion that will increase their annual production capacity from 18,000 barrels of beer to 200,000 by the year 2020. The expansion will add up to 85 new jobs, increasing personnel on the company payroll to more than 100. The expansion is possible thanks to an investment of \$250,000 from the State of New Mexico's Economic Development Department through LEDA.

The LEDA funds will be used to design and implement a state-of-the-art wastewater treatment system, which includes connecting the system to the City of Santa Fe. The new wastewater treatment system will save the brewery up to \$70,000 per year in costs associated with pumping effluent.

The first phase of the planned expansion includes a laboratory, packaging hall, loading dock and a new beer garden with an expanded tasting room. Phase one includes the addition of 35 new jobs. Phase two entails a new brew house, additional warehouse space and the creation of up to 50 new jobs. The expansions will allow for national and international distribution of their products.

Current taxes (excise tax, gross receipts and payroll tax) paid to New Mexico by Santa Fe Brewing average about \$120,000 annually. After the expansion is complete, the taxes will amount to \$263,000 annually.

#### Benefits:

- State of New Mexico & Santa Fe County – substantive contribution from Santa Fe Brewing is 85 new jobs and the additional taxes associated with these jobs
- Santa Fe Brewing Company – ability to expand operations

#### Security:

- Santa Fe Brewing Company – Must create 85 new jobs within seven years
- Santa Fe County – Must update waste water infrastructure to meet additional capacity requirements from Santa Fe Brewing Company
- State of New Mexico – Security pledge from county, line of credit for \$250,000 to be paid back to the state if waste water infrastructure is not completed

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