KIEWIT INFRASTRUCTURE

Public Private Partnerships

Presented to TRANSPORTATION INFRASTRUCTURE REVENUE SUBCOMMITTEE

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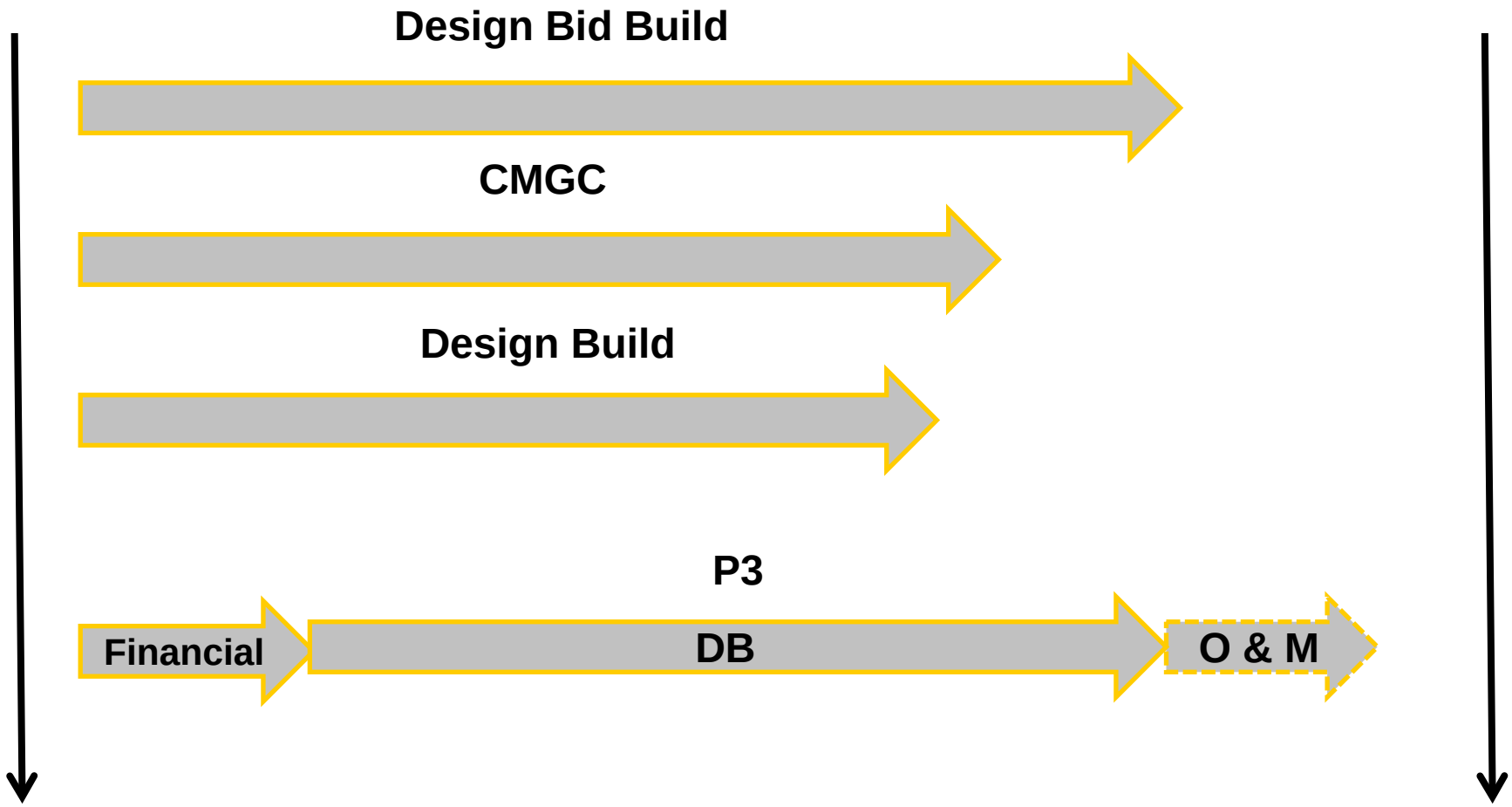
PERSISTENT BUDGET CHALLENGES: Transportation in the state is funded through a mix of sources including, but not limited to, fuel taxes, vehicle sales and registration taxes, property taxes, general sales taxes, special assessments, fares, advertising, private investment, and a variety of other fees. **Many of these revenue sources are anticipated to see little to no growth or to potentially decline.**

Heightened innovation, exploration of shared services, and other collaborative solutions will be needed.

- Excerpt from Minnesota GO Statewide Multimodal Transportation Plan

Alternative Delivery Comparison



Industry Cost to Pursuit
(Increases towards P3)

Risk Transfer to Private Sector
(Increases towards P3)

Benefits of Public-Private Partnerships

- Deliver value for money, through synergies from combining design, construction and O&M services
- Reduce public sector risk (with appropriate allocation)
- Access to capital – leverage future dollars
- Increase investment in public infrastructure
- Improve service delivery with clear performance standards
- Invites Innovation
- Pricing and timing certainty
- Well-structured P3 models very predictable and competitive

What is a P3 - Canadian version

- Public Private Partnerships (P3s) are a long-term performance-based approach to procuring public infrastructure where the private sector assumes a major share of the risks in terms of financing and construction and ensuring effective performance of the infrastructure, from design and planning, to long-term maintenance

- To be eligible for the P3 Canada Fund, a project will need to have meaningful private sector involvement in at least two of the following five structural elements:
  - design
  - build
  - operate
  - maintain
  - finance

- The preferred P3 model should be identified as the one that creates optimal value for money taking into account qualitative and quantitative factors

- Project size….$40M +/- minimum

Canadian P3 Sector

- Mature Market:
  - Over 200 projects in procurement, under construction or operational
  - Strong provincial and federal government support
  - Well established and experienced market participants

- Typical Projects:
  - Managed by experienced government procurement agencies
  - Availability Style DBFOM contract
  - Consistent precedent contract documents and procurement processes
  - RFQ stage qualifying shortlist of 3
  - RFP stage selecting preferred proponent based on technical compliance and lowest NPV and achieving affordability targets

Risk Allocation Comparison

Risk	Traditional		Availability Style DBFOM	
	Private Sector	Owner	Private Sector	Owner
Design		X	X	
Construction		X	X	
Asset management and condition for P3 Term (20 to 30 Years)		X	X	
Lane Availability		X	X	
Financing		X	X	X
Environmental Obligations	X	X	X	X
Geotechnical Conditions	X	X	X	X
Stakeholder Relations	X	X	X	X

- Significantly more risk passed to private sector in P3
- Risk allocation evolves through collaborative process during the procurement process

Project Evaluation Criteria

Category	Criteria
Policy	Strong legislation, regulations and agency commitment.
Need	Clear need. Strong local support. Good reason project hasn't been built.
Permits	Obtained or in progress. In relevant regional and state plans.
Financial	Adequate revenues and other funding sources.
Process	Design-build. Best value selection. Extensive industry input. Stipend.
Legal	Marketable agreement with strong developer, contractor and operator protections.
Risk	Equitable risk allocation. No unusual design, construction or operations risks.
Technical	Technical feasibility. No unusual construction or technology challenges.
Team	Strong team, including effective local partners, consultants and advisors.
Role	Able to self-perform substantial portion of work.
Budget	Affordable and prudent development costs. Equitable cost sharing arrangements.

P3 Take-Aways

- It's a delivery model
- Value for Money must exist
- Takes expertise and effort to:
  - structure (owner),
  - procure (owner & private sector)
  - deliver (private sector)
- Not for every project

DFW Connector; Open 8/20/13

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