

INNOVATIVE PROJECT DELIVERY

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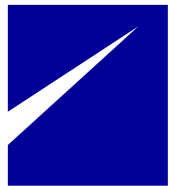
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P3 & DBFOM

Contracting Method:

- Public Private Partnership (P3)
- Design Build Finance Operate Maintain (DBFOM)



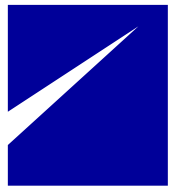
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Public Private Partnerships

Some Facts on P3

- In 1992, the United Kingdom initiated the Private Finance Initiative (PFI).
- Over the past two decades, 1400 P3 contracts were signed in the European Union.
- P3s are used for prisons, shipyards and even health care.



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Public Private Partnerships

What are Public Private Partnerships (P3)?

“A means to bring together public and private partners to satisfy social priorities by utilizing the skills of the private sector, while relieving government of the burden of large capital expenditure, and transferring the risk of potential cost overruns to the private sector.”



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So what does that all mean?

- Public sector makes an asset available.
- Public sector provides annual payment through tolls or combination of payments.



Public Private Partnerships

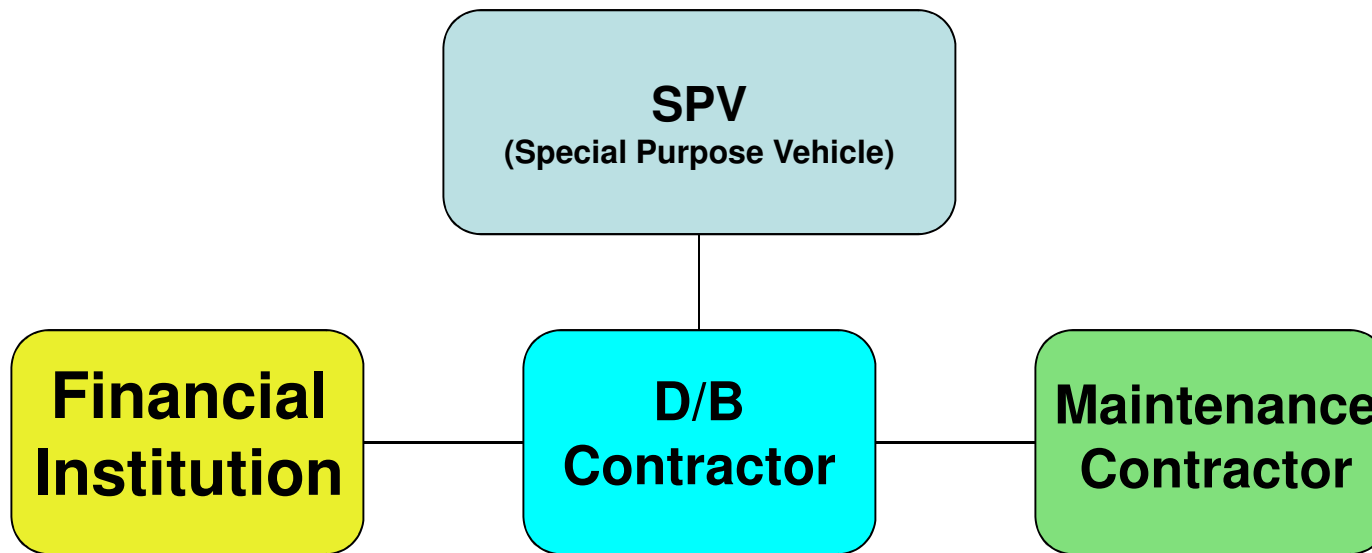
So what does that all mean?

- Private sector makes an offer to build or maintain asset.
- Private sector assumes risk for the period of the concession.



Public Private Partnerships

How do P3s work?



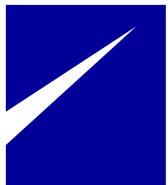
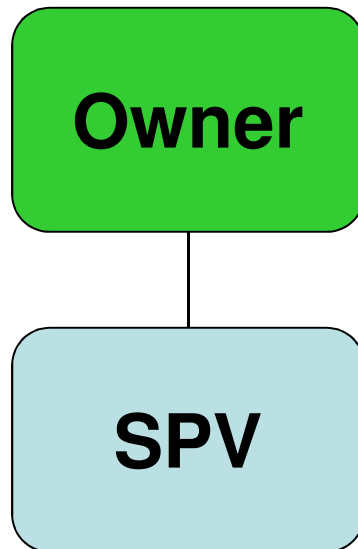
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How do P3s work?

Owner pays Concessionaire for leasing asset



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How are P3s transacted:

Common methods:

- Availability payments
- Tolling
- Combination of availability and tolls

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Common provisions found in P3 contracts:

- Agency - Owner sets standards for highway construction.
- Agency - Owner sets standards for highway maintenance.



Public Private Partnerships

Common provisions found in P3 contracts:

- Agency - Owner sets standards for highway for Handback Requirements.



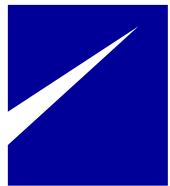
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Common performance requirements found in P3 contracts:

- Agency - Owner sets standards for annual pavement performance:
 - IRI – International Roughness Index
 - Friction (SN)
 - Annual or Bi-annual Pavement Survey



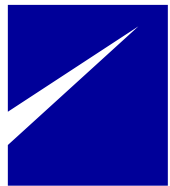
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Pavement Type Selection on P3 Projects

- **LCCA** – Is performed, but decision making is not always based on outcome of analysis.
 - Concessionaire can and may use different maintenance and rehab cycles than agency.
 - No User Delay Costs are typically used.
 - Non-typical rehab/maintenance strategies may be developed.



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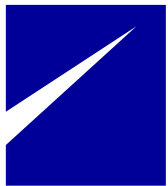
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Pavement Type Selection on P3 Projects

- **LCCA –**

- Rehab and maintenance strategies are based on optimal treatments which will **minimize overall cost and reduce risk.**
- No justification is required by Owner on pavement type selected (unless pavement type is prescribed).



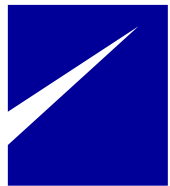
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Pavement Type Selection on P3 Projects

- Builder (contractor) may not always share concession risk.
- Sponsor/Concessionaire will weigh in on acceptability of risk.
- Typically contractor carries some short term warranty risk but does not carry long term maintenance risk.



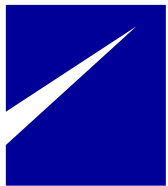
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P3 – Cons

- Agency may lose some control.
- Agency may have to accept new design processes.
- Agency may have to accept different maintenance strategies.
- Agency could have an equity firm default.



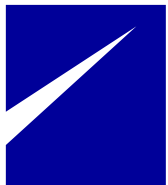
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P3 – Pros

- Agency reduces risk in funding that section of highway.
- Agency transfers risk for building and maintaining the facility to equity firm.
- Agency reduces risk for up to 30 years or greater.
- Agency gets a proven asset at the end of concessionary period.



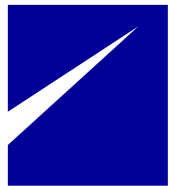
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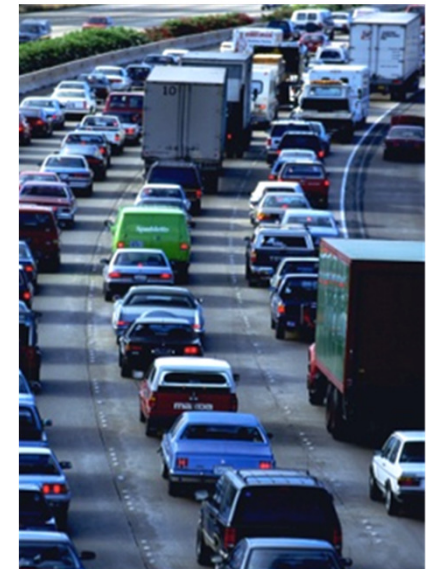
P3 – Basics for Contractor/Suppliers

- Typically does not have to be exclusive.
- May not need to sign a NDA if confidential ideas are not shared.



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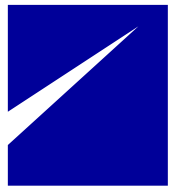
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P3 – Things to consider

- Ask questions about schedule and production rate expectations.
- Question Lien Rights, Performance Bonds and prompt payment.
- Initial expectation and actual amount of service.



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Maryland I495/270 P3

December 11, 2018 MDOT submitted a pre-solicitation report for I-495 & I-270 Program to the Budget Committees, State Treasurer, Comptroller, and DLS for review and comment.

We haven't seen any information on PBW's decision.



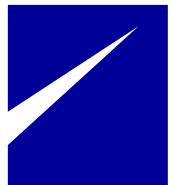
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MD I495/270 P3

MILESTONE	DATE
Industry forum held for potential teaming partners	December 2018
BPW approval of P3 Designation	February 2019
RFQ released to industry	April 2019
Shortlist of qualified teams announced	Q2 2019
Draft RFP released to shortlisted teams	Q3 2019
Final RFP released to shortlisted teams	Q1 2020
Technical/Financial proposals due	Q3 2020
Selection of preferred bidder	Q3 2020
BPW approval of P3 Agreement(s)	Q4 2020
P3 Agreement(s) executed	Q4 2020
Financial close target	Q4 2020

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QUESTIONS?



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