

Procurement

Public Private Partnerships (P3) is a Viable Alternative Delivery Method

Background:

Public Private Partnerships (P3) is a method of delivering public infrastructure through a partnership between government and private entities. This process can be applied to a great variety of projects including buildings, transportation (roads, bridges, airports, rail, etc) as well as energy and water/wastewater infrastructure to name a few, As public funding for public projects becomes increasingly hard to come by, the investment by private sector entities can move projects forward that otherwise may not be done or languish for years.

In the P3 process, the private party works jointly with the government entity to develop a project. This effort can include defining the project scope/goal, the project's initial costs, the ongoing operations & maintenance expenses, and the financing costs. The private party provides project financing and assumes the project risk over the life-span of the project. The government entity establishes a contractually agreed-upon method for the private party to recoup their investment typically through a long-term contract.

Advantages to the government entity can include:

- 1.) Projects have the potential to be delivered in a timelier manner,
- 2.) Public/Government entities can avoid large, one-time capital expenditures while deferring costs to a contractually agreed-upon project life cycle (term).
- 3.) Innovation in project design/construction is promoted by leveraging an ownership mindset in the delivery team.

Disadvantages to government entities may include:

- 1) Long term financial obligations that could negatively affect the government entity in later periods.
- 2) Currently the roster of P3-capable, private sector companies is smaller than the traditional organizations that support government project design and construction.
- 3) P3 often includes allowing the private entity operational control of the project over its lifespan. Some public entities may be unwilling to accept this limited input into the project's long-term operation.

ACEC/MN Position

ACEC/MN supports the use of P3's as option for the delivery of public projects. The legislation should include a requirement for a report to the legislature to evaluate the process after those projects have been constructed and in operation.

Action Requested:

Contact your legislators and explain the value and pitfalls of using the (P3) process. Urge them to pass limited authorization for this process that will allow the state to evaluate its effectiveness and benefit to the Minnesota.

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