Effective P3s are structured to optimize public agency objectives:

- Transparency and public awareness
- Prioritization of Objectives
- Quantitative Value for Money
- Identification of qualitative measures of suitability (legal/legislative authority, public protections, etc.) to supplement analysis
- Public agency retention of asset control, through binding specification of performance requirements and standards
- Contract mechanisms to ensure long-term standards are achieved, including financial and specific performance penalties
Public Agency acts as manager of all contracts and takes all risks related to delivery, financing, and operations of project.
Basic Public Private Partnership Model Structure (DBFOM)

P3 Agreement governs all Concessionaire responsibilities for the project
Overview of Public-Private Partnerships

Risk Apportionment by Project Delivery Option

Degree of Private Sector Involvement

Degree of Private Sector Risk

1. Traditional Model
2. Design - Bid - Build
3. Construction Manager at Risk, Fee
4. Design - Build
5. Design – Build – Operate - Maintain
6. Design – Build – Finance
7. Design – Build – Finance – Operate – Maintain - Availability Payments
8. Design – Build – Finance – Operate – Maintain - Availability Payments - Tolls/Fare Box
9. Asset Sale/Privatization

Alternate Delivery – Public Financing

Alternate Delivery – Private Financing
Examples of P3 Models

**Revenue/Demand Based** – Private sector controls and collects project revenues which serve as the only source of compensation to the private sector.

**Availability Payment Based** – Private sector is compensated on a periodic basis (e.g. quarterly or annually) only to the extent the project is performing and available for use as per the concession agreement.

**Shadow Fee/Fare** – This is a hybrid model which allows the Public sector the ability to set rates and revenue policy, but still expose the Private sector to demand risk for the project. The Private sector is paid a fixed fee per user of the facility, thus accepting demand (but not revenue collection) risk.
Overview of Public-Private Partnerships

Drivers of savings:
- Optimal allocation of risks
- Design and construction efficiencies
- Focus on whole life cycle costs
- Integrated planning and design
- Private sector management and control

Generating Value for Money through Efficiencies

Public Sector Comparator (D-B-B)  Adjusted Shadow Bid

A: Base Costs
B: Financing Costs
C: Retained Risks
D: Ancillary Costs

Value for Money

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