

Public-Private Partnerships (P3s)

House Committee on Transportation

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What is a Public-Private Partnership?

General Definition: Contractual agreements between a public agency and a private entity that allow for greater private participation in the delivery of transportation projects. Typically, this participation involves the private sector taking on additional project risks, such as design, construction, finance, long-term operation, and traffic revenue.

VT Definition per 19 V.S.A. § 2612 : An alternative project delivery mechanism that may be used by the Agency to permit private sector participation in a project, including in its financing, development, operation, management, ownership, leasing, or maintenance.

What are Public-Private Partnerships?

- Generally speaking P3 refer to any number of contracting arrangements involving risk-sharing, bundled services, with an asset life-cycle focus.
- Contracts are differentiated by risk allocation and scope of services.

Infrastructure Delivery Spectrum of Options



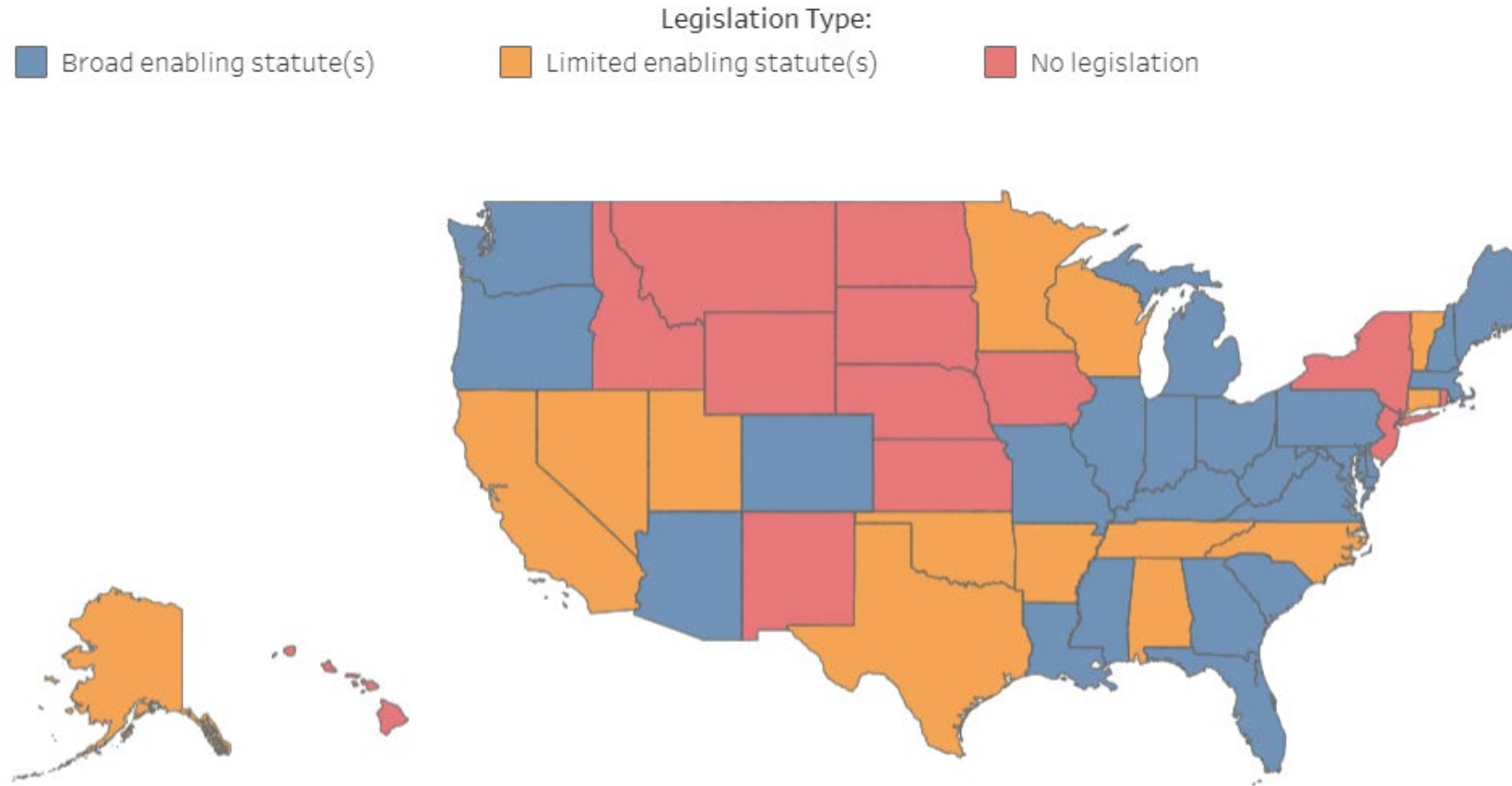
Three Components to Public-Private Partnerships

**Identifying,
evaluating, and
developing
potential projects**

**Conducting
Procurement**

**Monitoring &
Oversight**

Type of Public Private Partnership Legislation by State



SOURCE: U.S. Department of Transportation, Federal Highway Administration, Highway Trust Fund, available at <https://www.fhwa.dot.gov/ipd/p3/legislation/> as of December 2020.

VT's Public-Private Partnership Pilot Program

Statutory Authority. Act 158 of 2018 amended, 19 V.S.A Chapter 26, § 2611-2615, and established a five-year pilot program, which will expire on **July 1, 2023**, authorizing the Vermont Agency of Transportation to enter into Public-Private Partnership (P3).

Background. There was a growing focus on P3s under the previous federal Administration which tied to some of the competitive grant programs, awarding higher evaluation points for grant applications with P3s.

Purpose. The P3 pilot is intended to permit private entities to establish a mutually beneficial relationship with the State of Vermont in developing alternative mechanisms for the delivery, maintenance, operation, and/or financing of projects related to transportation infrastructure.

Outcome. At this time, no P3 engagements have occurred, however, the Agency continues to believe that having this tool in the toolbox is a useful strategy for the future.

Does Vermont Use Public-Private Partnerships for Transportation?

Some forms of Public-Private Partnerships are currently undertaken by VTrans:

- Highway design-build contracts and property leases
- Rail operating agreement with private railroads; the 3-Way program
- Airport leases to fixed-based operators
- Intercity bus services provided by private carriers

P3 Program Application & Guidance Materials:

<https://vtrans.vermont.gov/contract-admin/bids-requests/public-private-partnerships>

Possible Types of Public-Private Partnerships for Vermont

Investment Outcome (by Contract)

Hypothetical example:
Public investment in Rail
infrastructure for a private operator
to build a transload facility

Joint Financing

Hypothetical example:
Joint public-private financing of
expensive intersection projects;
construction of new interchange

Traditional P3 Model

Hypothetical example:
Construction, maintenance, and
operation of electric vehicle
charging stations on state property

What are the Advantages and Limitations of P3s?

Advantages

- May accelerate project delivery
- May enable longer term view of asset management
- May provide access to additional capital
- May reduce public cost and/or debt requirements

Limitations

- Requires more resources for administrative cost, time to develop, analyze, procure, and monitor
- Requires revenue streams to work
- May not be the most cost-effective or appropriate procurement model for projects if the public sector can deliver better value without it

Questions / Comments?

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