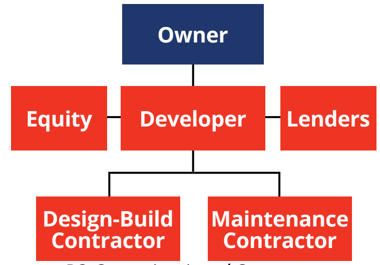
Public-Private Partnership (P3)

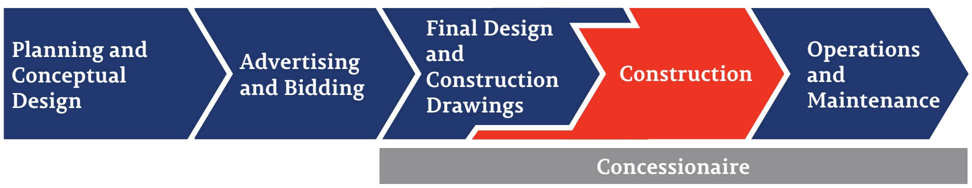
Overview



P3 Organizational Structure

Public-Private Partnerships (P3) are partnerships formed between public entities like the TDOT and private companies and can complement TDOT's other traditional and alternative delivery methods. Such partnerships allow Tennessee to better allocate the limited resources for transportation projects by leveraging private sector innovation and capital to design, build, finance, operate and maintain Choice Lanes. P3s bundle and award project lifecycle responsibilities to the private-sector partner, or concessionaire, following a procurement and negotiation process. P3s allow for shared risks, accelerate project delivery, provide access to additional capital, enable a longer-term view of asset management, and can reduce public cost and debt requirements. As a result, Tennessee can provide a powerful approach to address urban area congestion while preserving critical funds to address congestion-related challenges in rural areas, like widening the interstates to three lanes.

P3 Process



The LBJ TEXpress Lanes, Dallas, Texas

Choice Lanes with over 100 miles in Dallas, TX that utilized P3 to allow the state to not take on debt obligations.

When to use a P3 model

- The state doesn't want to take on debt
- The project will generate revenue through user fees
- There is a large and complex transportation project
- There is limited public funding
- There's a need for long-term contracting with price certainty

Advantages

- Most flexibility in risk transfer to the private sector
- Accelerates project delivery
- Private-sector partner/concessionaire bears financial risk
- Reduces the need for public funding and financing
- Frees up funds for other projects in Tennessee due to private equity and financing
- Provides more opportunities for innovation
- Better control of cost, schedule and performance
- The design is optimized for operations and maintenance

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