

NORTH DAKOTA  
LEGISLATIVE COUNCIL



# North Dakota

## LEGISLATIVE COUNCIL

Public Private Partnerships

Water Topics

Overview Committee

June 13, 2018

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# General Definition

- Public private partnership (P3) is a flexible model of financing the design, renovation, construction, operation, maintenance, or management of a public facility using private entity funding.
- Common components include:
  - Contract between a private entity and a public entity
  - Public entity retention of facility ownership
  - Ongoing revenue generation to repay the private entity's investment

# Basic Types of P3 Projects

- DB – design and build
- OM – operate and maintain
- DBOM – design, build, operate, and maintain
- DBFM – design, build, finance, and maintain
- DBFOM – design, build, finance, operate, and maintain
- Lease and concession
- Permutations of these types also exist.

# Preliminary Considerations

- P3 models have been used for various water projects. Preliminary considerations for such projects include:
  - Is there enabling legislation?
  - Is there public and political support?
  - Is the future financial impact on residents understood?
  - Is there a reasonable deadline?
  - Is there a willingness to clarify and share roles, responsibilities, risks, and rewards with private sector partners over a long-time period?
  - ***Is there a mechanism for generating a long-term revenue stream?***

# Possible Benefits of P3

- Public entities transfer some risk to private entities.
- Public entities access private funding streams and may reduce public debt.
- Public entities may be able to reallocate budgets to fund other projects.
- Public entities may be able to draw upon private sector expertise to increase efficiency and improve outcomes.

# Possible Drawbacks of P3

- Project financing may be subject to higher interest rates than public projects.
- Public entities do not retain sole control.
- Public entities do not retain all revenues.
- Residents or users may end up subject to higher fees than they would for public projects.
- Projects may have significant transaction costs when coordinating among multiple parties.

# Project Examples

- Wastewater treatment facilities
- Water supply systems
- Desalination plants
- Storm water system upgrades