



Association for the Improvement of American Infrastructure

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Case Study: The \$100 Million Infrastructure Project

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Understanding Public Project Delivery Options: DBB v DBFOM

Simply stated - traditionally, governments and other public entities have relied on the conventional Design-Bid-Build (DBB) project delivery method to get an asset built. The DBB approach requires three sequential project phases: design, procurement (bid) and construction. First, a government entity hires an engineer or architect to **design** a project based on its specifications. The government entity or its consultants will also perform environmental investigations, obtain permits and host public hearings. Once completed, the government then releases a **bid** package to interested contractors, who then submit bids (schedule and cost) to build the project. The government usually selects the contractor based on low bid. Once selected, the final step is for the contractor to **build** the asset in accordance with the contract documents. The project is typically funded, or paid for, through taxpayer-guaranteed municipal bonds. Maintenance is not usually included in the budget process and construction costs must be paid as they are incurred.

In comparison, a Design-Build-Finance-Operate-Maintain (DBFOM) or P3 is a more comprehensive approach.

In a P3/DBFOM, the procurement starts at an earlier stage of project development, generally at a 30% level of design. The selected team of architects, engineers, construction firms, private investors and maintenance specialists work together to integrate design, construction, financing, operations and maintenance functions under a single contract, known as a concession. Concessions have terms which are typically 30-50 years long. A key value of this model is taxpayer protection, which functions like insurance, known as risk transfer. The concession incentivizes the private company to keep the project on time and on budget, and ensure it is maintained properly over its lifetime. Otherwise, they don't get paid.

KEY DIFFERENCES BETWEEN DBB AND DBFOM PROJECT DELIVERY

PARAMETER	DBB	DBFOM
Lifecycle Maintenance	Long-term maintenance and renewal funding likely uncertain	Long-term (30-50 year) maintenance and renewal funding included and guaranteed
Risk Transfer	Taxpayer is responsible for paying cost overruns, price increases due to delays, and poor design and maintenance	Private companies and investors assume various risks - protecting taxpayers from unforeseen events and potential bailouts
Role of Private Capital	None	Invested in the project's successful and timely completion, and its long-term (30-50 year) maintenance