



## AGENDA

### PRIORITIES AND FINANCE COMMITTEE

May 5, 2020, 9:30 AM  
IN THE COUNCIL CHAMBER  
Members

Mayor N. Nenshi, Chair  
Councillor S. Chu, Vice-Chair  
Councillor G-C. Carra (CPS Chair)  
Councillor J. Davison (T&T Chair)  
Councillor J. Gondek (PUD Chair)  
Councillor W. Sutherland (UCS Chair)  
Councillor E. Woolley (Audit Chair)

#### ***SPECIAL NOTES:***

*Public are encouraged to follow Council and Committee meetings using the live stream <http://video.isilive.ca/calgary/live.html>*

*Public wishing to make a written submission may do so using the public submission form at the following link: [Public Submission Form](#)*

*Members will be participating remotely.*

1. CALL TO ORDER
2. OPENING REMARKS
3. CONFIRMATION OF AGENDA
4. CONFIRMATION OF MINUTES  
None
5. CONSENT AGENDA

5.1 DEFERRALS AND PROCEDURAL REQUESTS  
None

5.2 BRIEFINGS

5.2.1 Status of Outstanding Motions and Directions, PFC2020-0512

6. POSTPONED REPORTS  
(including related/supplemental reports)

None

7. ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

7.1 Financial Task Force - May (Verbal Report), PFC2020-0511

7.2 Solutions for Achieving Value and Excellence (SAVE) May (Verbal Report), PFC2020-0519

7.3 Public-Private Partnerships (P3) Policy Update, PFC2020-0464

7.4 Assessment and Tax Circumstances Report, PFC2020-0318

7.5 Douglasdale McKenzie Lake Slope Stability Update, PFC2020-0510  
Attachment 2 and Attachment 3, held confidential pursuant to Section 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*.

**Review By: 2020 May 25**

8. ITEMS DIRECTLY TO COMMITTEE

8.1 REFERRED REPORTS  
None

8.2 NOTICE(S) OF MOTION  
None

9. URGENT BUSINESS

10. CONFIDENTIAL ITEMS

10.1 ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES  
None

10.2 URGENT BUSINESS

11. ADJOURNMENT

# BRIEFING

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Item # 5.2.1

**Chief Financial Officer's Briefing to  
Priorities and Finance Committee  
2020 May 05**

**ISC: UNRESTRICTED  
PFC2020-0512**

## **Status of Outstanding Motions and Directions**

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### **PURPOSE OF BRIEFING**

Identify outstanding items for the Priorities and Finance Committee as of 2020 April 24.

### **SUPPORTING INFORMATION**

On 2012 April 03, the Priorities and Finance Committee directed Administration to provide the Committee with a schedule of Status of Outstanding Motions and Directions.

This report is in alignment with the mandate of the Priorities and Finance Committee.

This report tracks outstanding motions and directions from the Priorities and Finance Committee to Administration. No specific risks are associated with this report. Any risks associated with specific directions or motions will be dealt with in the context of the report on that direction or motion.

### **ATTACHMENT(S)**

1. Attachment 1 – Status of Outstanding Items for the Priorities and Finance Committee.



DATE BACK TO COMMITTEE	ITEM	DATE OF REQUEST	SOURCE	SUBJECT
2018 Q4	<b>PROPOSED CODE OF CONDUCT FOR ELECTED OFFICIALS BYLAW26M2018</b>	2018 May 28	PFC2018-0554	That with respect to PFC2018-0554, the following Motion arising be adopted:  That Council direct the Ethics Advisor to investigate how to enhance reporter protection, including but not limited Councillors staff and Report back to the Priorities and Finance Committee no later than Q4 2018.
2020 April 21  (Revised under C2020-0390) 2020 Q3	<b>GOLF SUSTAINABILITY FRAMEWORK Q1 2020 UPDATE</b>	2020 March 10	PFC2020-0251	That the Priorities and Finance Committee recommend that this report be forwarded to the 2020 March 16 Combined Meeting of Council as an item of Urgent Business; and  That Council refer Report PFC2020-0251 to Administration: <ol style="list-style-type: none"> <li>1. To investigate a shorter time frame option and expression of interest from the marketplace;</li> <li>2. To prepare a financial report on the closure of Richmond Green and options for stage 2 assessment; and</li> <li>4. That Recommendations 1 and 2 return to the April 21 Priorities and Finance Committee Meeting.</li> </ol>
2020 April 21  (Revised under C2020-0390) Strategic Council meeting April 30	<b>WORLD FINANCIAL SITUATION (VERBAL)</b>	2020 March 10	PFC2020-0367	That with respect to Verbal Report PFC2020-0367:  Administration be thanked for the update and that the issues discussed today be added to the Administration reports at the 2020 April 21 Priorities and Finance Committee and the 2020 April 30 Strategic Meeting of Council.

2020 April 21  (Revised under C2020-0390) Strategic Council meeting April 30	<b>CONVERSATION REGARDING EMERGING ISSUES (VERBAL)</b>	2020 March 11	CPS2020-0374	That with respect to Verbal Report CPS2020-0374, the following be approved:  Administration be thanked for the update and that the issues discussed today be added to the Administration reports at the 2020 April 21 Priorities and Finance Committee and the 2020 April 30 Strategic Meeting of Council.
2020 May	<b>NOTICE OF MOTION – IDENTIFYING A FUNDING SOURCE FOR PUBLIC REALM IMPROVEMENTS IN ESTABLISHED AREAS</b>	2020 February 03	PFC2020-0131	3. That this dedicated funding stream for the Established Areas Growth Strategy will further be allocated by Administration for priority areas and projects arising from the upcoming investment decision framework (which may include Main Streets or TOD opportunities) to be outlined through the <i>Established Area Growth and Change Strategy</i> report to be brought to the Priorities and Finance Committee in 2020 May. 8. That Administration report annually to Council through Priorities and Finance Committee on the status/balance, use and benefits of the dedicated funding stream for the Established Areas Growth Strategy through the <i>Growth Monitoring Report</i> .
2020 May          2020 Q4	<b>CITY PLANNING &amp; POLICY 2020 WORK PLAN</b>	2020 January 15	PUD2020-0016	That the Standing Policy Committee on Planning and Urban Development recommend that Council:  Adjust the reporting timelines for: i. The Established Area Growth and Change Strategy – Phase 1 (PUD2019-0305), to report to Council, through Priorities and Finance Committee no later than 2020 May.  Adjust the reporting timelines for: ii. The New Community Growth Strategy – Growth Management Overlay Policy Review (PFC2019-1062), to report to Council, through the Priorities and Finance Committee no later than 2020 Q4.

2020 Q2  (Revised under C2020-0390) 2020 Q3	<b>RESPONSE TO WATER FLUORIDATION IN THE CITY OF CALGARY REPORT</b>	2019 October 29	CPS2019-0965	That the Standing Policy Committee on Community and Protective Services recommends to Council that: 3. Direct Administration to undertake a full cost analysis for the potential reintroduction of fluoride into the water system including ongoing projected operational costs, City's authority and jurisdiction with regard to fluoridation, capital costs and possible utility rate impacts; and 4. Report back directly through Priorities and Finance Committee no later than Q2 2020.
No later than Q3 2020      2020 October 13	<b>2019 GROWTH STRATEGY MONITORING REPORT</b>	2019 November 05	PFC2019-1062	That the Priorities and Finance Committee recommends that Council direct Administration to:  5. Evolve the practice of looking at a direct incremental operating cost model to a full operating cost model, in conjunction with other stakeholders. A briefing on progress toward the new model will be presented at 2020 June 9 Priorities and Finance Committee meeting, with a targeted timeline for completion of <b>no later than Q3 2021</b> .  4. Review business cases by May 29, 2020, with subsequent dialogue with proponents and a summary of approved and rejected cases to be forwarded to <b>October 13 2020</b> Priorities and Finance Committee for review, discussion and recommendation. Recommendations will be forwarded to the following Council meeting for decision  7. Bring a 2020 Growth Strategy Monitoring Report to Council through Priorities and Finance Committee by no later than <b>2020 October</b> .
2020 Q2	<b>CIF APPLICATION: ON DEMAND TRANSIT</b>	2018 November 06	PFC2018-1291	That the Priorities and Finance Committee direct Administration to report back to PFC indicating how the money was spent and outcomes of the projects no later than Q2 2020.

2019 Q2	<b>ECONOMIC DEVELOPMENT INVESTMENT FUND GOVERNANCE AND TERMS OF REFERENCE</b>	2018 March 06	PFC2018-0187	7. As part of the proposed reporting process for the Wholly Owned Subsidiary, direct Administration to work with the EDIF Wholly Owned Subsidiary to bring a report to the Priorities & Finance Committee that reviews the pilot EDIF governance structure no later than 2019 Q2.
2020 June	<b>OPPORTUNITY CALGARY INVESTMENT FUND GOVERNANCE STRUCTURE</b>	2019 July 02	PFC2019-0828	Deferral.
2020 Q2	<b>RESILIENT CALGARY</b>	2019 June 17	PFC2019-0617	That with respect to Report PFC2019-0617, the following be adopted:  2. Direct Administration to report back with an update to the Priorities and Finance Committee no later than Q2 2020.
2020 September 08	<b>2020 ADJUSTMENTS TO THE ONE CALGARY SERVICE PLANS AND BUDGETS</b>	2019 November 29	C2019-1052	12. d. Present preliminary results and actions to the 2020 September 8 Priorities and Finance Committee to inform November 2020 budget deliberations.
2020 September	<b>KENSINGTON MANOR – BUILDING SAFETY STATUS AND PLANS</b>	2019 June 04	PFC2019-0739	That the Priorities and Finance Committee recommend that Council approve:  4. Directing Administration to report back to Council through the Priorities and Finance Committee, six months after demolition is complete, or if there is a material change on site but in any event, not later than September 2020.



Prior to November 2020 Mid-cycle Adjustments	<b>2020 ADJUSTMENTS TO THE ONE CALGARY SERVICE PLANS AND BUDGETS</b>	2019 November 29	C2019-1052	That with respect to Report PFC2019-1402, the following be approved: That Council direct Administration to report back to the Priorities and Finance Committee with indicative rates for 2021 and 2022 prior to the November 2020 Mid-cycle Adjustments.
2020 Q3	<b>CIF APPLICATION: ONE CALGARY POLICY REVIEW</b>	2018 November 06	PFC2018-1300	That the Priorities and Finance Committee direct Administration to report back to PFC indicating how the money was spent and outcomes of the projects no later than Q3 2020.
2020 May	<b>CITY PLANNING &amp; POLICY 2020 WORK PLAN</b>	2020 January 15	PUD2020-0016	That the Standing Policy Committee on Planning and Urban Development recommend that Council: B. Adjust the reporting timelines for: ii. The New Community Growth Strategy – Growth Management Overlay Policy Review (PFC2019-1062), to report to Council, through Priorities and Finance Committee no later than 2020 Q4.
2020 Q4	<b>NOTICE OF MOTION PROCESS FLOW AND CHECKLIST</b>	2019 September 30	PFC2019-0913	That Council:  4. Direct the City Clerk's Office to provide an update of this process to the Priorities and Finance Committee by Q4 2020.

2021 Q1	<b>SOCIAL PROCUREMENT UPDATE (NOW CALLED BENEFIT DRIVEN PROCUREMENT POLICY)</b>	2019 December 16	PFC2019-0384	That Council:  1. Approve the Social Procurement Advisory Task Force Terms of Reference, Scoping Report for the Pilot Projects and the Work Plan identified in Attachment 1; and  2. Direct Administration to return to the Priorities and Finance Committee with an update no later than <b>Q1 2021</b> .
2021 Q1	<b>2020 NON- RESIDENTIAL PROPERTY TAX RELIEF OPTIONS</b>	2020 February 03	PFC2020-0015	3. Direct Administration to come back with options for a transitional non-residential Phased tax program for 2021 if required to the Priorities and Finance Committee in Q1 2021 due to uncertainties relating to future market conditions and the 2021 assessment values.
2021 Q2	<b>UNIVERSITY OF CALGARY – CITIZEN SCIENTIST WEARABLES PROGRAM</b>	2019 September 30	PFC2019-1096	That with respect to Report PFC2019-1096, the following be adopted: That Council:  1. Approve this application for the Council Innovation Fund for the University of Calgary Citizen Scientist Wearable Program in the amount of \$57,500; and 2. Direct Administration to report back to Priorities and Finance Committee indicating how the money was spent and the outcomes of the projects no later than Q2 2021, as per the Council Innovation Fund Terms of Reference.
ANNUALLY	<b>CITY OF CALGARY CITIZEN PRIVACY DATA PRACTICES</b>	2020 January 27	C2020-0039	2. Direct the City Clerk/FOIP Head to provide an annual report to the Priorities and Finance Committee on The City's Privacy Management Program.

2022 Q4	<b>CIVIC CENSUS REVIEW</b>	2020 February 03	PFC2020-0094	3. Direct the Returning Officer to report back with an evaluation of discussions with Statistics Canada and the provincial government and the ongoing value of a civic census by Q4 2022.
2023 Q1	<b>COUNCIL INNOVATION FUND REQUEST FOR THE FUTURE OF STEPHEN AVENUE – ACTIVATE + EXPERIMENT</b>	2020 March 10	PFC2020-0274	That the Priorities and Finance Committee recommends that Council:  1.Approve this application to the Council Innovation Fund for The Future of Stephen Avenue: Activate & Experiment, in the amount of \$300,000; and 2.Direct Administration to report back to Priorities and Finance Committee on the outcomes of this project by Q1 2023 as per the fund guidelines.
2023 Q2	<b>ROADSIDE NATURALIZATION PILOT</b>	2020 February 24	C2020-0265	That with respect to Report C2020-0265, the following be adopted:  That Council:  4. Direct Administration to report back to the Priorities and Finance Committee on the outcomes of this project no later than Q2 2023, with interim reports on project progress and return-on-investment as information becomes available.



Chief Financial Officer's Report to  
Priorities and Finance Committee  
2020 May 05

ISC: UNRESTRICTED  
PFC2020-0464

## **Public-Private Partnerships (P3) Policy Update**

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### **EXECUTIVE SUMMARY**

This report provides a summary regarding updates to the Public-Private Partnerships (P3) Administration Policy FA-052 (Evaluating and Procuring Public-Private Partnerships) and Council Policy CFO011 (Public-Private Partnerships Policy).

Administration is in the process of completing an update to its P3 policies taking into consideration current industry best practices and knowledge gained through experience.

The purpose of the Council policy is to provide a framework for a consistent approach for the identification of potential P3 opportunities, assessment of P3 opportunities, decision-making, procurement processes related to P3s, and contract management and asset hand-back procedures for P3s.

The purpose of the complementary Administration policy is to guide the internal governance, roles, responsibilities, and processes of assessing, procuring, implementing, and managing P3 projects in a manner consistent with the Council Policy on P3s.

An updated P3 Guiding Principles and P3 Framework has also been developed in conjunction with the amendments to the P3 policies. This document is to provide Administration with background information on P3s to help improve decisions in the P3 process.

### **ADMINISTRATION RECOMMENDATION:**

That the Priorities and Finance Committee:

1. Forward to Council the Public-Private Partnerships (P3) Council Policy (CFO011) to the Combined Meeting of Council on 2020 May 25 with recommendation for Council's approval; and
2. Approve P3 Guiding Principles and P3 Framework April 2020 as a standalone administration document, supplemental to Administration's P3 policy, Assessing and Procuring Public-Private Partnerships (FA-052).

### **PREVIOUS COUNCIL DIRECTION / POLICY**

On 2020 April 14, The Administrative Leadership Team (ALT) approved the following recommendations:

1. Direct Administration to bring forward Public-Private Partnerships (P3) Council Policy (CFO011) to the Priorities and Finance Committee on 2020 May 05 for recommendation for Council's approval.
2. That ALT approve Administration's P3 policy, Assessing and Procuring Public-Private Partnerships (FA-052).
3. Approve P3 Guiding Principles and P3 Framework April 2020 as a standalone administration document, supplemental to Administration's P3 policy, Assessing and Procuring Public-Private Partnerships (FA-052).

On 2011 January 15, the Administration policy, FA-052 (Evaluating and Procuring Public-Private Partnerships) came into effect to highlight Administration roles and responsibilities in the P3 Project assessment process.

**Chief Financial Officer's Report to  
Priorities and Finance Committee  
2020 May 05**

**ISC: UNRESTRICTED  
PFC2020-0464**

## **Public-Private Partnerships (P3) Policy Update**

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On 2008 December 03, the SPC on Finance and Corporate Services recommended that Council adopt Attachment 1 contained in Report FCS2008-47, as The City of Calgary's ("The City") Public-Private Partnership Policy.

On 2008 September 22, Council approved Report FCS2008-29 Guiding Principles for Public-Private Partnerships. This report directed Administration to prepare a council policy based on the guiding principles presented in the report and report back by 2008 December.

### **BACKGROUND**

Since the initial adoption of the P3 policies in 2008 (CFO011) and 2011 (FA-052), The City of Calgary (The City) has gained hands on experience. The City has assessed a number of potential P3 projects and two P3 projects that have achieved financial close and completed construction include, the Organics Composting Facility, and the Stoney Compressed Natural Gas Bus Storage and Transit Facility.

From 2017 November to 2018 March, Blakes Law Firm was engaged to review the Administration policy, FA-052 and Council policy, CFO011. As part of the review, Blakes Law Firm engaged with stakeholders from across The City.

On 2018 March 06, Council approved P3 delivery of the largest infrastructure Project in The City's history, the Green Line LRT, a Design-Build-Finance (DBF).

### **INVESTIGATION: ALTERNATIVES AND ANALYSIS**

Revisions to The City's existing P3 policies were made based on the following due diligence activities:

- Review of revisions proposed from the 2017 policy review performed by Blakes Law Firm and City of Calgary Administration;
- Review of P3 policies in other jurisdictions including federal, provincial, and other municipalities;
- Ensure no inconsistencies or inappropriate overlap between The City's P3 Council policy and P3 Administration policy;
- Align P3 policies with applicable City Administration and capital construction policies;
- Ensure alignment with government programs; and
- Engagement with internal stakeholders from The City.

Refer to Attachment 4 for material revisions identified that have been reflected in the Council and Administration policies.

### **Stakeholder Engagement, Research and Communication**

These policies have been developed through collaboration with Administration, research of P3 policies in other jurisdictions, and review of relevant Administration and capital construction policies to ensure alignment, where appropriate.

Chief Financial Officer's Report to  
Priorities and Finance Committee  
2020 May 05

ISC: UNRESTRICTED  
PFC2020-0464

## **Public-Private Partnerships (P3) Policy Update**

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### **Strategic Alignment**

The recommendation supports The City's commitment to ensure accountability and transparency by providing guidance to Administration in the assessment and decision-making process of P3s.

These policies ensure alignment with The City's capital construction policies including the Corporate Project Management Framework. Additionally, Infrastructure Calgary has been included as a participant in the P3 assessment process, as required.

These policies outline processes that align with The City's commitment to citizens by investing in infrastructure and services in prudent ways and demonstrating value for the services The City offers.

These policies will align The City with the Province's outlook given the recent provincial budget is focused on delivering projects through P3s or other public-private arrangements.

### **Social, Environmental, Economic (External)**

These policies ensure Administration is in-line with industry best practice and has a consistent approach when procuring a P3 capital investment in order to maximize value, while reducing risks, for the programs and services the City offers to citizens.

### **Financial Capacity**

#### ***Current and Future Operating Budget:***

There are no direct impacts currently to the operating budget resulting from this report; however, P3s can result in The City assuming long term liabilities which can impact future operating costs and The City's financial capacity. As well, the assessment of P3s will require dedication of significant internal and external resources.

#### ***Current and Future Capital Budget:***

There are no direct impacts currently to the capital budget resulting from this report; however, P3s can result in The City assuming long term liabilities which can impact future operating costs and The City's financial capacity. As well, the assessment of P3s will require dedication of significant internal and external resources.

### **Risk Assessment**

It is critical to follow a P3 process in order to manage the long-term and short-term risks inherent in P3s. An updated P3 policy will facilitate good governance and prudent stewardship to minimize reputational and financial risks to The City by being transparent and following best practices.

### **REASON(S) FOR RECOMMENDATION(S):**

Changes are required to the Public-Private Partnerships (P3) Council Policy in order to align the Council Policy with the approved changes to the Administrative Policy.

Chief Financial Officer's Report to  
Priorities and Finance Committee  
2020 May 05

ISC: UNRESTRICTED  
PFC2020-0464

### **Public-Private Partnerships (P3) Policy Update**

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#### **ATTACHMENT(S)**

1. Attachment 1 – Public-Private Partnerships (P3) Council Policy (CFO011)
2. Attachment 2 – Assessing and Procuring Public-Private Partnerships Administration Policy (FA-052)
3. Attachment 3 – P3 Guiding Principles and P3 Framework (April 2020)
4. Attachment 4 – Proposed Material Revisions



## Council Policy

**Policy Title:** **Public-Private Partnerships (P3) Policy**  
**Policy Number:** **CFO011**  
**Report Number:** **FCS2008-29, FCS2008-47, PFC2020-0464**  
**Adopted by/Date:** **Council / 2008 December 15**  
**Effective Date:** **2008 December 15**  
**Last Amended:** **To be updated by City Clerk's Office**  
**Policy Owner:** **Finance**

### 1. POLICY STATEMENT

- 1.1. The City of Calgary (The City) shall use a consistent governance model and selection criteria when assessing, procuring, implementing, and managing Public-Private Partnerships (P3) as an alternative financing and procurement approach for infrastructure, or services, or both.
- 1.2. The City will adhere to the following guiding principles for P3s:
  - 1.2.1. The public interest is paramount.
  - 1.2.2. Appropriate public control must be preserved.
  - 1.2.3. Accountability and good governance must be maintained.
  - 1.2.4. The Project must be a priority as determined by the capital plan.
  - 1.2.5. The Project must have Council approved Capital Budget and the Projects operating impact of capital must be known or approved.
  - 1.2.6. The P3 procurement process must be competitive, consistent, equitable, transparent and timely. The City must hire an independent fairness professional to ensure that the selection process adheres to the high standards of openness, fairness, and transparency.
  - 1.2.7. The P3 must provide best value for money over the Project lifecycle with appropriate consideration of risk transfer, opportunities for innovation, and community impacts.

### 2. PURPOSE

- 2.1. To provide a framework for a consistent approach for the identification of potential P3 opportunities, assessment of P3 opportunities, decision-making, procurement processes related to P3s, and contract management and asset hand-back procedures for P3s.
- 2.2. To define the roles of Council and Administration in the P3 approval process.

### **3. DEFINITIONS**

- 3.1. Financial Close: the time when the Project Agreement and all financing and other agreements related to the Project have been executed and delivered and all conditions to the effectiveness of the Project Agreement and Project financing agreements have been satisfied.
- 3.2. P3 Model: The integration of multiple Project elements into one performance-based contract. These elements may include Design, Build, Finance, Operate, Maintain, or a combination thereof.
- 3.3. Project: as applied in this Council policy, a capital investment that falls under one of these categories:
  - 3.3.1. Capital project that is planned, delivered and evaluated on its own merit and has a well-defined scope, cost and schedule resulting in new or substantially improved assets;
  - 3.3.2. Capital program that is a grouping of capital projects that are related and benefit from being planned and managed together; or
  - 3.3.3. Annual investment program that is a recurring capital program focused on maintaining or upgrading current, in-service assets or for ongoing purchases of similar assets.
- 3.4. Project Agreement: The contractual arrangement between The City and the P3 partner.
- 3.5. Public-Private Partnership (P3): A contractual agreement between a public authority and a private entity for the provision of infrastructure or services, or both in which:
  - 3.5.1. The private sector participant assumes the responsibility for financing part or all of the Project;
  - 3.5.2. The City seeks to transfer risks that it would normally assume, based on the private sector participant's ability to better manage those risks;
  - 3.5.3. The arrangement extends beyond the initial capital construction of the Project; or
  - 3.5.4. All or any combination of the above

### **4. APPLICABILITY**

- 4.1. This Council policy applies to all City of Calgary departments, business units, and service lines.

### **5. LEGISLATIVE AUTHORITY**

- 5.1. Council has authority to approve all Projects that are to progress as P3 Projects, specifically, the P3 Business Case. Refer to Section 6.3. for the P3 Approval Process.
- 5.2. The authority to execute a Project Agreement or other contract entered into during the course of a P3 Project may be delegated by Council in accordance with the *Municipal*

*Government Act (Alberta), RSA 2000 Chapter M26 (the “MGA”) or by the City Manager under the authority delegated to him or her by Council in accordance with the MGA.*

- 5.3. Procurement practices and activities at The City are governed as described in the *Procurement Policy*.
- 5.4. The alignment of this Council policy with Infrastructure Calgary will be considered when determining capital investment priority.
- 5.5. Associated Procedures and Standards
  - 5.5.1. *Administration P3 Policy (FA-052)*
  - 5.5.2. *P3 Guiding Principles and Framework*
  - 5.5.3. *Administration Procurement Policy*
  - 5.5.4. *Corporate Project Management Framework*

## **6. PROCEDURE**

### **6.1. Identification of P3 Opportunities**

- 6.1.1. A P3 Project is an alternative delivery model to traditional procurement. Consideration should be given to the Corporate Project Management Framework and the standard Capital Budget approval process before proceeding through the P3 Project Assessment Process.
- 6.1.2. Projects in the relevant business unit's proposed capital investment budget, shall be identified as potential P3s and be subject to the P3 Project Assessment Process if they meet at least one of the following criteria:
  - 1. They are considered eligible for P3 Project Assessment, based on standards established in the *Administration P3 Policy (FA-052)*; or
  - 2. There is a requirement through a funding grant from either the Government of Alberta or the Government of Canada that requires an assessment of the Project for its potential to be delivered as a P3.
- 6.1.3. Other Projects that do not meet the above criteria but are aligned with other major policy objectives of The City may be considered for assessment as a P3; however, the resources needed to perform the assessment relative to the benefit must be considered by the Director of the business unit sponsoring the Project, prior to beginning the assessment process.
- 6.1.4. The City will not consider unsolicited P3 proposals.

### **6.2. P3 Project Assessment Process and P3 Business Case**

- 6.2.1. The P3 Project Assessment Process will have three components, based on standards established in the *Administration P3 Policy (FA-052)*, which together will form the P3 Business Case:
  - 1. Initial Project Screen;
  - 2. Strategic Assessment; and

3. Value-for-Money (VFM) Assessment.

- 6.2.2. A Steering Committee will be formed at the Strategic Assessment phase, based on standards established in the Administration *P3 Policy* (FA-052). This Steering Committee will provide oversight throughout the assessment, decision-making process and P3 procurement process.
- 6.2.3. Each component will be carried out consecutively with the results used to determine whether the Project is viable up to that point, and whether proceeding to the next assessment step is recommended.
1. With documented supporting rationale and at the discretion of the Director of the Business Unit responsible for the Project, the Initial Project Screen may be waived and further assessment of the Project as a P3 discontinued.
  2. Depending on the characteristics of the Project and the findings of the Strategic Assessment, it may be clear which P3 Model is most suitable for the Project and the completion of the VFM Assessment will be unnecessary. This will be considered only an exception basis and requires approval by the Steering Committee.
- 6.2.4. The completed P3 Business Case will be the basis for a recommendation by Administration to Council, communicated through the standard process for Council approval on whether to proceed with the Project using a P3 delivery method and begin the procurement process.
1. The P3 Business Case will include a recommended P3 Model.
  2. Should the Project proceed as a P3, the results of the final VFM Assessment (if performed) will be documented and made available to the public no later than 90 days after Financial Close.

**6.3. P3 Approval Process**

- 6.3.1. Council will approve P3 delivery for Projects and the P3 Model prior to the beginning of any procurement activities.
- 6.3.2. Administration will disclose, provide advice and seek Council approval for budget impacts of the P3 Project, including the following information:
1. The capital, operating, lifecycle and financing costs during the term of the Project Agreement, especially when the P3 Model includes lifecycle and operating costs; and
  2. Borrowing bylaw(s) for all debt related to the P3 Project in accordance with the MGA.
- 6.3.3. Administration will disclose, and provide advice regarding funding, financing and budget impacts of the P3 Project, including the following information:

1. Estimated impacts to The City's debt and financial capacity limits; and
2. The estimated dollar value of lifecycle and operating costs of the Project, where the P3 Model does not include these elements.

**6.4. P3 Procurement Process**

- 6.4.1. Procurement is governed according to The City's *Procurement Policy*.
- 6.4.2. Administration is responsible for the management and execution of the procurement process, including the selection of any successful proponent.

**6.5. P3 Project Management and Asset Handback**

- 6.5.1. Administration is responsible for:
  1. Establishing reporting requirements for the P3 that align with the Project Agreement;
  2. Monitoring the performance of the P3 partner during the construction period and throughout the life of the Project Agreement; and
  3. Establishing handback procedures such that The City receives the asset in the prescribed condition at the end of the Project Agreement term.

**7. AMENDMENT(S)**

Date of Council Decision	Report/By-Law	Description

**8. REVIEWS(S)**

Date of Policy Owner's Review	Description
2010	Council policy number change from FCS014 to CFO011 due to department reorganization



**Category: Administration Policy**

**Policy Title:** **Assessing and Procuring Public-Private Partnerships (P3)**  
**Report Number:** **TBD**  
**Adopted by:** **Administrative Leadership Team**  
**Effective Date:** **TBD**  
**Last Amended:** **TBD**  
**Policy Owner(s):** **Finance**

**1. PURPOSE**

- 1.1 The purpose of this policy is to guide the internal governance, roles, responsibilities, and processes of assessing, procuring, implementing, and managing Public-Private Partnerships (P3) Projects in a manner consistent with the Council Policy on P3s.

**2. POLICY STATEMENT**

- 2.1 The City of Calgary shall use a consistent governance model and selection criteria when assessing, procuring, implementing, and managing P3s as an alternative financing and procurement approach for infrastructure or services, or both.

2.2 *P3 Project Identification Process*

- 2.2.1 Business Units shall review their proposed capital plan to identify potential P3 Projects. Consideration should be given to the Corporate Project Management Framework and the standard Capital Budget approval process before proceeding through the P3 Project Assessment Process.

- 2.2.2 A Project shall be identified as a potential P3 if it meets at least one of the following criteria:

- a. Cost exceeds \$100 million on a Net Present Value (NPV) basis, either as a capital project, a bundled capital project as part of a capital program, or an annual investment that includes the delivery of various components within a given geographic area;
- b. There is a requirement through a funding grant from either the Government of Alberta or the Government of Canada that requires an assessment of the Project for its potential to be delivered as a P3; or
- c. The Director of the Sponsoring Business Unit (SBU) has considered the Project to be a potential P3; however, the resources needed to perform the P3 Project Assessment Process discussed in section 2.3 must be considered by the SBU relative to the benefit prior to beginning the assessment process.

- 2.2.3 The City will not consider unsolicited proposals for P3s.

2.2.4 Projects identified as potential P3s shall be subject to the P3 Project Assessment Process.

2.3 *P3 Project Assessment Process*

2.3.1 The P3 Project Assessment Process has three components, which together form the P3 Business Case:

- a. Initial Project Screen;
- b. Strategic Assessment; and
- c. Value-for-Money Assessment (VFM Assessment).

2.3.2 Each component of the P3 Project Assessment Process will be carried out consecutively with the results used to determine whether the Project is viable up to that point, and whether proceeding to the next assessment step is recommended.

2.3.3 If any component of the P3 Project Assessment Process does not receive the required approvals, the P3 Project Assessment Process will be discontinued, and the Project will not proceed using a P3 delivery model.

2.4 *P3 Project Approval*

2.4.1 The P3 Business Case will be forwarded to the ALT for approval. Once the ALT has approved the P3 Business Case, it will be presented to Council communicated through the standard process for Council approval under the terms of the P3 Council Policy.

2.4.2 Administration will disclose, provide advice and seek Council approval for budget impacts of the P3 Project, including the following information:

- a. The capital, operating, lifecycle and financing costs during the term of the Project Agreement especially when the P3 Model includes lifecycle and operating costs; and
- b. Borrowing bylaw(s) for all debt related to the P3 Project in accordance with the MGA.

2.4.3 Administration will disclose, and provide advice regarding funding and budget impacts of the P3 Project, including the following information:

- a. Estimated impacts to The City's debt and financial capacity limits; and
- b. The estimated dollar value of lifecycle and operating costs of the Project, where the P3 Model does not include these elements.

2.4.4 Council will approve P3 delivery for Projects and the P3 Model.

2.5 *Procurement Process*



- 2.5.1 Procurement of a P3 Project must be managed in accordance with The City's Procurement Policy and include the following:
- a. A communications plan, consistent with The City's Customer Service and Communications Engage! Policy and Engage Framework, that ensures appropriate stakeholder involvement will be developed and adhered to;
  - b. An independent fairness professional to be hired by The City to ensure that the selection process adheres to the high standards of openness, fairness, and transparency;
  - c. The prequalification of a shortlist of private entities that meet all the technical and financial requirements to deliver the Project. Shortlisted proponents from the prequalification process will be invited to submit bids;
  - d. An Evaluation Committee, which is established by the Steering Committee. The Evaluation Committee will contain City internal technical, financial and commercial experts and may be supplemented by external advisors, where deemed necessary. The Evaluation Committee will be independent from the Steering Committee meaning it will be free from influence in the evaluation process; and
  - e. The Evaluation Committee shall confirm that the proponents possess the technical, commercial and financial capability to execute their proposals.
- 2.5.2 The Evaluation Committee must confirm that the proponents are not in dispute with, or debarred by, The City, and that proposals are compliant and complete.
- 2.5.3 The selection of the successful proponent by the Evaluation Committee will be based on a multi-stage process whereby the shortlisted proponents will submit technical proposals and financial proposals. The selection of the successful proposal will be based on an evaluation of technical and financial criteria (including price) which may include qualitative criteria or other value-added criteria (or both) as set out in the procurement documents.
- 2.5.4 The recommended proponent will be presented to the Steering Committee by the Evaluation Committee for information only. Execution of the Project Agreement will then proceed. Any exception to the above will require approval of the Director of Supply Management and Chief Financial Officer (or City Manager).

## 2.6 *P3 Project Management*

- 2.6.1 Reporting requirements, aligned with the Project Agreement, will be established for each P3. At a minimum, these will include a clearly defined implementation and monitoring schedule, consistent with existing asset management policies and processes, to ensure that the performance objectives and other terms of the contract are being met.

- 2.6.2 The performance of the P3 partner will be monitored by the SBU during the construction period and throughout the life of the Project Agreement.
- 2.6.3 For P3s with terms that extend beyond the initial capital construction of the Project, handback procedures will be established in the Project Agreement to ensure that The City receives the asset in the prescribed condition at the end of the Project Agreement term.

### 3. **DEFINITIONS**

#### 3.1 In this Administration Policy:

- a. **Administrative Leadership Team (ALT)** means the most senior group of administrative officials in The City;
- b. **Finance P3 Workgroup** means the Corporate and Innovative Finance team in the Finance business unit that reports to The City Treasurer and CFO;
- c. **Net Present Value (NPV)** means the value of a Project found by adding the present value of expected future cash flows and the cost of the initial investment;
- d. **P3 Model** means the integration of multiple Project elements into one performance-based contract and may include Design, Build, Finance, Operate, Maintain, or a combination thereof;
- e. **Project** means a capital investment that falls under one of these categories: capital project that is a planned, delivered and evaluated on its own merit and has a well-defined scope, cost and schedule resulting in a new or substantially improved assets; capital program that is a grouping of capital projects that are related and benefit from being planned and managed together; or annual investment program that is a recurring capital program focused on maintaining or upgrading current, in-service assets or for ongoing purchases of similar assets;
- f. **Project Agreement (PA)** means the contractual arrangement between The City and the P3 partner;
- g. **Public-Private Partnership (P3)** means a contractual agreement between a public authority and a private entity for the provision of infrastructure or services, or both in which the private sector participant assumes the responsibility for financing part or all the Project, The City seeks to transfer risks that it would normally assume, based on the private sector participant's ability to better manage those risks, the arrangement extends beyond the initial capital construction of the Project, and all or any combination of the above;
- h. **Public-Sector Comparator** means the risk-adjusted cost estimate of a Project assuming the most efficient form of traditional government delivery. It includes the best estimate of full lifecycle costs, benefits and risks over the contract term;
- i. **Shadow Bid** means the risk adjusted cost estimate to The City if the Project is delivered under a P3 Model(s). This is done through cash flow modeling of the

private entity's financial approach and may consider expected private sector efficiencies in capital, lifecycle, and operating costs, as well as the cost of private financing. It includes the best estimate of full lifecycle costs, benefits and risks over the contract term;

- j. **Sponsoring Business Unit (SBU)** means the City business unit or most senior Project representative which is responsible for the Project;
- k. **Value-for-Money (VFM)** means the difference between the Public-Sector Comparator and the Shadow Bid. There is positive Value-for-Money using a P3 when the cost to deliver the P3 is less than the Public-Sector Comparator.

#### **4. APPLICABILITY**

4.1 This policy applies to all City of Calgary departments, business units, and service lines.

#### **5. LEGISLATIVE AND ADMINISTRATIVE AUTHORITY**

- 5.1 Council has authority to approve all projects that are to progress as P3 Projects, specifically the P3 Business Case, in accordance with the Council P3 Policy.
- 5.2 The authority to execute a Project Agreement or other contract entered into during a P3 Project may be delegated by Council in accordance with the Municipal Government Act (Alberta), RSA 2000 Chapter M26 (the "MGA") or by the City Manager under the authority delegated to him or her by Council in accordance with the MGA.
- 5.3 Procurement practices and activities at The City are governed as described in the Procurement Policy.
- 5.4 The alignment of this Administration policy with Infrastructure Calgary will be considered when determining capital investment priority.

#### **6. ROLES AND RESPONSIBILITIES**

6.1 *Sponsoring Business Unit (SBU) is responsible for the following:*

- a. Leading the P3 Project Assessment Process including:
  - Coordination and scheduling;
  - Document management and control;
  - The provision of all technical and cost input;
  - The establishment of the Steering Committee;
  - Ensuring all approvals are obtained as outlined in Section 6.3 in the P3 Council Policy;
  - The management and coordination of any technical consultants, including their procurement in accordance with The City's Procurement Policy, and

- Funding all costs of the P3 Project Assessment Process, including the costs of retaining any external consultants and professional service providers;
- b. Coordinating the drafting of the procurement documents for the Project, working with Law, the Finance P3 Workgroup, Supply Management, and others in the Project working group;
- c. Hiring, in conjunction with Supply, a fairness professional during the Procurement Phase;
- d. Developing any communication plans, in conjunction with the Customer Service & Communications business unit; and
- e. Facilitating the P3 Project management phase, including the construction period and throughout the life of the Project Agreement, specifically including:
  - Establishing Project reporting requirements;
  - Monitoring the performance of the P3 partner to ensure that it is compliant with the Project Agreement and initiating allowable remedies provided for in the Project Agreement should this not be the case; and
  - Ensuring handback procedures, where established, are followed.

*6.2 Finance P3 Workgroup is responsible for the following:*

- a. Providing support and financial advisory services to the SBU and will assist with other relevant analysis and information that the Finance Business Unit or the SBU may recommend;
- b. Providing support to the SBU for preparing the P3 Business Case for potential P3 Projects and is responsible for ensuring that the assessment process of P3 suitability is consistently followed;
- c. Providing support and advice along with other enabling services during the Procurement Phase, including assisting in the selection of qualified bidders, the financial assessment process, commercial and financial close; and
- d. Hiring and coordination of external financial advisor(s) including capital markets advisor(s), as required.

*6.3 Law is responsible for the following:*

- a. Hiring and coordination of an external legal advisor in accordance with the City Solicitor's Bylaw.

*6.4 Supply is responsible for the following:*

- a. Providing recommendations, in consultation with the SBU, for hiring of an external procurement advisor, as required.

### 6.5 *Infrastructure Calgary*

- a. Participating in the P3 Project Assessment Process, in consultation with the SBU and Finance P3 Workgroup, as required.

### 6.6 *Steering Committee*

- a. Performing oversight throughout the assessment, procurement and decision-making process, particularly in terms of the strategic and policy implications of the P3 Project, consistent with best practices;
- b. Consists of senior staff members from the following business units; however, an alternate governance structure may be established with ALT approval:
  - SBU – Chair (Director or General Manager of the department under which the SBU falls);
  - Finance;
  - Law;
  - Supply Management; and
  - Others, as deemed necessary by the Steering Committee.
- c. Determining whether a proposal submission fee will be provided to compliant unsuccessful bidders on a case by case basis, based on current market standards and the complexity and resources involved in submitting a proposal.; and
- d. Determining whether a break fee will be provided to proponents if The City terminates a P3 procurement prior to proposals being submitted, on a case-by-case basis.

## 7. **CONSEQUENCES OF NON-COMPLIANCE**

- 7.1 The City will take appropriate action in response to any non-compliance or transgression of this Administration Policy. Procurement misconduct will be reported, reviewed and may result in disciplinary action being taken against the employee, up to and including dismissal from employment, seeking restitution, commencement of civil action, criminal prosecution, instructing the employee to divest themselves of the outside interest, transferring the employee to another position or any combination thereof.

## 8. **PROCEDURES**

### 8.1 *P3 Project Assessment Process*

#### 8.1.1 Initial Project Screen

- 8.1.1.1 Identified potential P3 Projects are assessed against an Initial Project Screen, which is a series of questions used to determine whether delivery using a P3 Model may be advantageous.

- 8.1.1.2 Projects will be assessed using a questionnaire and against criteria identified by the Finance P3 Workgroup as outlined in the P3 Guiding Principles and Framework.
- 8.1.1.3 The Finance P3 Workgroup may, at its discretion, supplement the identified criteria on a case-by-case basis.
- 8.1.1.4 With documented supporting rationale and at the discretion of the Director of the SBU, the Initial Project Screen may be waived and all further consideration of the Project as a P3 discontinued.
- 8.1.1.5 The Project will proceed to Strategic Assessment and a Steering Committee will be formed upon fulfilment of both of the following criteria:
  - a. The Director of the SBU determines that the Initial Project Screen has established that P3 delivery for this Project is potentially viable; and
  - b. A potential funding source and proposed capital investment budget for the Project has been identified.
- 8.1.2 Strategic Assessment
  - 8.1.2.1 The Strategic Assessment considers a series of strategic criteria assigned by the Finance P3 Workgroup and outlined in the P3 Guiding Principles and Framework.
  - 8.1.2.2 At a minimum, the following components are to be included:
    - a. Project Description;
    - b. Description of Costs;
    - c. A preliminary list of P3 Models to be considered for the project;
    - d. A review of any project-specific objectives or constraints;
    - e. A qualitative risk assessment;
    - f. A review of the market for service providers;
    - g. A review of any relevant precedent projects or similar projects; and
    - h. A determination of the preferred P3 delivery model(s).
  - 8.1.2.3 The results of the Strategic Assessment will be presented to the Director of the SBU, the Director of Finance, and the Steering Committee. All three must approve the results to proceed to the next step, as follows:

- a. If the Strategic Assessment supports the use of P3 delivery for the Project, the P3 Project Assessment Process will continue to the VFM Assessment; and
- b. On an exception basis, depending on the characteristics of the Project and the findings of the Strategic Assessment, it may be very clear which delivery model (i.e. traditional, or a specific P3 model) is most suitable for the Project. Under these circumstances, the VFM Assessment may be deemed unnecessary and waived subject to approval of the Director of the SBU, Director of Finance, and the Steering Committee. A P3 Business Case will then be presented without a VFM Assessment for approval to the Administrative Leadership Team (ALT) under section 2.4.

#### 8.1.3 Value-for-Money Assessment (VFM Assessment)

- 8.1.3.1 The VFM Assessment considers a series of strategic and value-for-money criteria assigned by the Finance P3 Workgroup and outlined in the P3 Guiding Principles and Framework.
- 8.1.3.2 The VFM Assessment shall include the following components:
  - a. Estimation of the Public-Sector Comparator;
  - b. Estimation of the Shadow Bid; and
  - c. Comparison of the Public-Sector Comparator to the Shadow Bid to determine the potential VFM, if any, offered by the Shadow Bid.
- 8.1.3.3 If the procurement process results in new information that impacts the assessment of the Project, the VFM Assessment will be revised to include the new information and the resulting recommendation will be revised accordingly.
- 8.1.3.4 Should the Project proceed as a P3, based on Council approval under the terms of the P3 Council Policy, the results of the final VFM Assessment will be documented and made available to the public no later than 90 days after Financial Close.
- 8.1.3.5 The results of the VFM Assessment, including the recommendations of the SBU and the Finance P3 Workgroup, will be presented to the Director of the SBU, the Director of Finance, and the Steering Committee. Approval of all three is required to recommend ALT direction to seek Council approval to advance the Project as a P3.

8 **AMENDMENT(S)**

Date	Report Number	Description
2010/01/15	N/A	New Policy

9 **REVIEW(S)**

Date	Description



# PUBLIC-PRIVATE PARTNERSHIPS GUIDING PRINCIPLES AND P3 FRAMEWORK

**The City of Calgary**  
**April 2020**

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## 1. Introduction

The purpose of this Public Private Partnerships (P3) Guiding Principle and Framework document is to provide you with background information on P3s to help improve decisions in the P3 process. This document is provided as a tool to assist with the implementation of The City of Calgary's Public-Private Partnerships.

This document is intended to be used in tandem with the following policies:

- Council policy CFO011, Public-Private Partnerships (P3) Policy; and
- Administration policy FA052, Assessing and Procuring Public-Private Partnerships (P3)

The goal of the P3 policies is to outline the criteria for considering, assessing, procuring, implementing, and managing P3s in a manner that is applied consistently throughout The City. These documents outline processes that align with The City's commitment to citizens by investing in infrastructure and services in prudent ways in an effort to maximize value for the programs and services The City offers.

The ultimate goal is to provide Administration with a broad knowledge of P3s that will enable Administration to be consistent, competitive, equitable, transparent and timely throughout the P3 process.

## 2. P3 Background Information

P3s should be considered as one option for delivering infrastructure and services. In the past, access to grants from the other orders of government were contingent on the Project considering a P3 as a method of delivery.

Not all infrastructure and services are suited to P3s and other factors such as market conditions will impact the viability of P3s for the infrastructure and services which would normally provide opportunities for successful P3s.

Great care needs to be taken in the evaluation and structure of any P3 The City undertakes to ensure the maximum benefit accrues to The City, while appropriately mitigating the risks to The City through optimal risk transfer. This is important due to the following:

- Ensuring consistency in its approach to P3 procurement across all business units to establish a streamlined process, maintain a standard across all business units, and allow Administration to understand and follow best and effective practices.
- Establishing and maintaining a reputation as a reliable and "bankable" sponsor of P3 Projects so that Projects will attract competition from the market of service providers.

- Avoiding failed P3 procurements, which typically occur because insufficient analysis and consensus-building among stakeholders has been done prior to initiating the process. Failed procurements can increase the private sector's perceived riskiness of partnering, which will ultimately result in a higher risk premium and thus higher cost of P3s. Failed procurements may arise if bids exceed affordability, or if there is insufficient market interest in the potential P3 Project or its structure.

## 2.1. P3 Delivery Models

P3s are generally categorized according to the degree and type of private sector involvement. The names of the various models indicate the scope of the services that are bundled together under each structure. The Canadian Council for Public-Private Partnerships has prepared a list of terms and definitions commonly used to describe partnership agreements in Canada.

- **Operation & Maintenance Contract (O&M):** A private operator, under contract, operates a publicly-owned asset (e.g. water/wastewater treatment plant) for a specified term. Ownership of the asset remains with the public entity.
- **Design-Build-Finance (DBF):** The private sector designs, constructs, and finances an asset. Financing is for the capital cost only during the construction period.
- **Design-Build-Finance-Maintain (DBFM):** The private sector designs, builds and finances an asset and provides hard facility management or maintenance services under a long-term agreement.
- **Design-Build-Finance-Maintain-Operate (DBFMO):** The private sector designs, builds, finances and provides maintenance services under a long-term agreement. Operation of the asset is also included in Projects such as bridges, roads and water treatment plants.
- **Concession:** A private sector concessionaire undertakes investments and operates the facility for a fixed period of time after which the ownership reverts to the public sector.

Ownership of the asset always remains with The City, with the exception of a Concession P3 delivery model.

This list should not be considered a definitive or complete listing as each P3 is unique and is subject to legal agreements negotiated between parties.

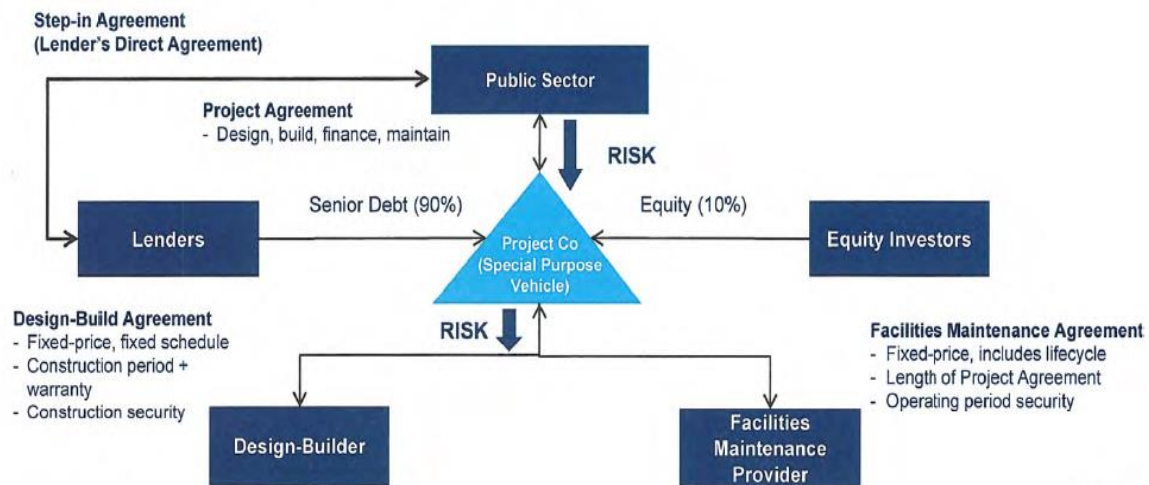
Refer to **Appendix 2** for further details on P3 Models.

## 2.2. Typical P3 Contract Structure

P3 Projects are financed through a mix of private sector equity and private sector debt. Private financing is an essential component to risk transfer. Illustrated below is a typical

transaction structure used by a private bidder for a DBFM Project. Key contracts and contributions among the parties are highlighted.

Example of Contract Structure:



Source: PPP Canada

### 3. P3 Project Process and P3 Business Case

#### 3.1. Identification of P3 Opportunities

The process of identifying and assessing P3s for infrastructure and service delivery begins with a clear articulation of the goals of the Project, as defined by the Sponsoring Business Unit (SBU). The goals should focus on the desired outcomes of the Project (i.e. the infrastructure and service provided). Based on those goals, an assessment of how a P3 can assist in achieving those goals can be performed.

P3 delivery models should be considered as an alternative to traditional procurement, with suitability determined on a Project by Project basis. As a comparator, the base case should always be the most efficient form of traditional delivery The City would otherwise use.

The criteria outlined in the P3 Administration Policy (FA-052) must be considered when assessing potential P3 delivery.

The P3 evaluation process involves three levels of assessment which are based on best practices. These steps are generally completed sequentially and are described as follows:

Assessment Level	Description	Possible Outcomes
1 - Initial Project Screen	High-level comparison of Project characteristics against criteria to assist in determining potential suitability of a Project for	<ol style="list-style-type: none"> <li>1. Flag as potential P3 Project</li> <li>2. Flag for traditional procurement</li> </ol>

	P3 delivery.	
2 - Strategic Assessment	A more detailed qualitative examination of the risks, costs, market of service providers, and objectives and constraints to identify, at the strategic level, if a Project should be procured as a P3, which P3 delivery model(s) is most suitable, and whether or not further assessment is justified.	<ol style="list-style-type: none"> <li>1. Recommendation for traditional procurement</li> <li>2. Recommendation to procure Project as a P3, including recommended P3 delivery model*</li> <li>3. Recommendation to undertake VFM Assessment prior to deciding on delivery model.</li> </ol>
3 – VFM Assessment	An extension of the strategic assessment, including quantification of Project risks and a preliminary comparison of the relative cost of traditional procurement and P3 procurement through cash flow modelling.	<ol style="list-style-type: none"> <li>1. Recommendation for traditional procurement</li> <li>2. Recommendation to procure Project as a P3, including recommended P3 delivery model.</li> </ol>

\* Best practice is to complete a VFM Assessment when moving forward as a P3 Project. Moving forward to procurement based on a Strategic Assessment should only be considered on an exception basis and requires steering committee approval.

### 3.2. Initial Project Screen

Initial Project Screen is the comparison of capital Projects against relevant high-level criteria to determine if a Project is a candidate for a P3 delivery model. Projects should be screened against the initial Project screening criteria soon after they are identified and added to the queue of potential Projects in each business unit's capital plan, prior to seeking budget approval. This will enable the delivery model business cases to be conducted in a timely manner with integration into the capital planning process.

The criteria against which each Project should be screened include high level descriptions of factors such the stability of demand for the infrastructure, the service life, the market for bidders and legal considerations. It is recommended the SBU use the detailed initial Project screen presented in **Appendix 4**.

The screening criteria may require an understanding of ranges of P3 delivery models, knowledge of the P3 service providers market, and judgment based on P3 experience. The Initial Project Screen is generally completed internally; however, in some cases external advisors may be engaged to assist in the process. The SBU representatives will lead the Initial Project Screen with assistance from the Finance P3 Workgroup. The SBU and the Finance P3 Workgroup should arrive at a consensus on the outcome of the assessment.

If the screening indicates that a Project may be suitable for P3, then it may be examined in greater detail in the strategic assessment.

Refer to **Appendix 4** for the Initial Project Screen.

### **3.3. Strategic Assessment**

The strategic assessment may be thought of as a preliminary delivery model business case. It requires the Project to be relatively well-defined, and a planning-level cost estimate (order of magnitude) should be available.

During this assessment, a communications and engagement strategy should also be developed and implemented. The level of engagement will depend on the nature of the Project.

Depending on the characteristics of the Project, and the findings of the strategic assessment, it may be very clear which delivery model (i.e. traditional, or a specific P3 Model) is most suitable for the Project, and to therefore proceed to procurement without completing a VFM Assessment. However, best practice is to complete a VFM Assessment when moving forward as a P3 Project. Moving forward to procurement based on a Strategic Assessment should only be considered on an exception basis and requires steering committee approval.

It may be determined that more definitive information is required to finalize the decision between traditional delivery and the preferred P3 delivery model resulting in a VFM assessment. This may be the case for very large, highly strategic, or publicly-sensitive Projects, where selection of a delivery model needs the most support possible. It is also more relevant for P3 Models that include a component of private financing (i.e. DBF, DBFM and DBFMO).

Refer to **Appendix 4** for the main components included in the Strategic Assessment.

### **3.4. Value-for-Money (VFM) Assessment**

The VFM Assessment builds on the strategic assessment. The term “Value-for-Money” is used to describe the difference in risk-adjusted cost to The City between traditional procurement and P3 procurement. The premise of the VFM Assessment is that by including the cost of all risks to The City under each model, they can be compared on a financial basis to determine the optimal approach. However, the VFM results should be considered alongside the strategic findings. While the VFM approach is a highly illustrative tool, it should not be considered in isolation.

The VFM assessment will be one of the main indicators used to determine if the Project should proceed as a P3. As such, it is extremely important that it be done carefully and as objectively and transparently as possible.

The VFM Assessment should be based on the best available cost estimates, and may warrant some additional engineering, architectural, and costing work depending on the state of the Project’s estimates. The need to improve upon existing estimates must be examined on a case-by-case basis, but ideally the Project would have been life cycle costed at the preliminary design stage or earlier. There is a need to establish a balance between being specific enough for a good quality cost estimate, while not creating

barriers to private sector innovation. Caution should be exercised in over-advancing Project designs, because design costs can be made partially or fully redundant if a Project proceeds as a P3.

Value may not necessarily mean a savings in cost over traditional procurement. Cost savings are just one of the factors to be considered when determining an appropriate delivery model. Non-cost factors such as increased quality or reliability may be equally important in the assessment of value. In addition, differences in the social and environmental impacts of the Project as a P3, relative to traditional delivery, need to be considered. In this way, a Triple Bottom Line approach to the VFM comparison can be taken.

Refer to **Appendix 4** for more details on the VFM Assessment.

## 4. Risk Assessment and Quantification

Developing the list of risks specific to the Project (referred to as the “Risk Register”), as well as determining the appropriate risk transfer and estimating the risk valuation parameters (likelihood of risk occurrence and potential effect) is typically conducted during a risk workshop.

The ability to share and allocate risk between the public and private sectors in infrastructure and service delivery is a key characteristic of P3s. A brief discussion of the risk assessment process contained within the strategic and VFM Assessments is warranted because of the importance of appropriate risk identification and transfer.

The initial identification and assessment of Project specific risks under both a traditional and P3 delivery model (undertaken in the strategic assessment phase), followed by a quantification of all measurable and material risks to the Project under both delivery models will facilitate the VFM analysis.

While many of the Project specific risks will be known to the Project sponsors (as managers of The City’s assets), detailed knowledge of P3 agreements and of similar Projects is useful to ensure the Risk Register is comprehensive and that the likely risk allocation for the P3 Model is well understood. This step requires careful attention in order to develop and then validate data collection on the likelihood and impact of risks. For this reason, risk workshop participants may include the following:

- SBU representatives; and
- Internal and/or external advisors including legal, finance, supply management (procurement), risk (insurance), technical and cost consultants.

Refer to **Appendix 7** for detailed risk register categories



## 5. Procurement, Implementation and Contract Management, and Handback

Once the assessment process is complete and a decision to move forward with a P3 has been made, the P3 essentially becomes another contract to be awarded using The City's procurement processes. The contract between The City and the P3 partner is referred to as the "Project Agreement (PA)".

Procurement is governed according to The City's Administration *Procurement Policy*.

Refer to **Appendix 6** for further details on specific P3 procurement components.

### Roles, Responsibilities and Resources

Due to the long-term nature of some P3 Models, continuing resources must be available during the contract management phase. The SBU is responsible for monitoring compliance with the PA provisions and any best practices mentioned herein. The SBU will be supported by Law, Finance, Supply Management, and potentially external consultants, as required.

Refer to **Appendix 5** for a detailed list of potential external consultants and advisors.

It is essential to define roles, responsibilities and accountabilities between the P3 partner and The City to ensure there is ongoing consistent understanding as job changes occur and to manage any joint issues that may arise. A kickoff partnering session to discuss this is recommended. P3s are often long-term contracts, and there will be many people involved in the contract during the term; therefore, documenting roles and responsibilities will prevent issues developing related to turnover. These documents also define the interdependencies of both organizations and accountabilities through the term of the PA.

Consideration should be given to developing a comprehensive document to effectively track and monitor compliance to the PA concurrent with the drafting of the PA. The comprehensive document should outline key details of the PA and highlight:

- Important obligations and ongoing rights of all parties;
- Which party is responsible for fulfilling each obligation or enforcing each right;
- Dates each obligation must be fulfilled or when each right may be enforced; and
- A process for dealing with situations that are not specific to the PA, and which could have a financial impact on The City.

The purpose of this document is to aid in the administration of the contract over the life of the agreement; therefore, the document should be kept up to date.

## **Reporting**

Parties must establish the necessary reporting for monitoring the quality of services required by the PA(s), such as financial reporting, building condition reports, property maintenance and lifecycle repairs, and other reports required to satisfy stakeholders. Regular reporting highlights performance issues that may trigger financial remedies for non-performance of service, or issues that need to be escalated to the appropriate staff for resolution.

## **Compliance Audits**

In a P3 PA, The City must retain the right to audit the partner's reports at any time, at its sole discretion. Reports may include financial reports and performance reporting (based on key performance indicators). This is over and above the requirements for regular reporting and the responsibility for the cost associated with a compliance audit will be defined within the PA

## **Transitioning the Asset or Service Back to The City at Termination**

For long term P3s, the PA will ensure that the partner develops and provides The City with a transition plan prior to hand-back, which should, at a minimum, include:

- The proposed transition organization structure, including names, profiles and duties of proposed resources;
- A schedule of activities and sub-activities to be undertaken during the transition, including at a minimum proposed start and end dates and duration (i.e. level of effort); assigned resources, priority and dependencies, and the proposed date of transfer of the facility and/or services to The City;
- Human resources strategy, including but not limited to, retention plan relating to employees providing the services; vacancies relating to employees providing the services; impacts of applicable legislation, etc.;
- Transition of history and detailed data (electronic and paper); and
- Mapping table to underlying Project information including any necessary definitions.

## **6. Unsolicited Proposals**

The City will not consider unsolicited P3 proposals.

## **7. Governance Structure**

A P3 governance structure needs to articulate the roles and responsibilities for the different resources required, in particular the responsibility for decision-making. Without a clear delineation of roles and responsibilities, experience from other jurisdictions has shown there is a greater likelihood of P3s not reaching financial close, due to the intensity and resource demands of P3 Project lifecycles (planning, transaction and operations). A

failed P3 (and conventional delivery methods) can have a very detrimental effect on subsequent Projects and The City's approach to subsequent Projects.

1. **Council:** has a vital role in the decision to deliver infrastructure through P3s. Council must approve all Projects to be included in the capital investment plan and shall approve P3 delivery for Projects and the initiation of the P3 procurement process.
2. **Steering Committee:** It is recommended that a steering committee composed of senior administration staff from relevant business units be formed at the beginning of the strategic assessment phase, unless another governance structure is approved by ALT. The steering committee:
  - a) Performs oversight throughout the assessment and decision-making process, particularly in terms of the strategic and policy implications of the Project, consistent with best practices.
  - b) At its discretion, may wish to appoint an independent external advisory panel, composed of leading experts from industry, academia and other areas to provide advice on the P3 Business Case and assist in the decision-making process.

## 8. Conclusion

P3s provide the opportunity to deliver needed infrastructure Projects; however, they are not a solution for solving all The City's financial resourcing issues. To realize the potential benefits of P3s while appropriately mitigating the risks to The City, a comprehensive evaluation of the Project is necessary.

The P3 evaluation process is a time and resource intensive exercise. Failure to commit to evaluations diligently and follow a rigorous public procurement process exposes The City to a significant risk of being encumbered with costly long-term contracts that have high public profiles. The evaluation process presented in this document follows best practices to mitigate this risk. It is necessary to be selective in the Projects that are evaluated due to the high cost of the overall evaluation process.

## 9. Appendices

### Appendix 1 – Public Private Partnerships Overview

Governments have a long history of working with the private sector under the traditional model for government service delivery. The City’s traditional “delivery model” for capital Projects is to treat the design, tender, construction, and operation and maintenance stages of a Project as separate components. In each component, The City may or may not involve the services of the private sector (e.g. consulting engineers, architects, construction contractors, etc.).

In contrast, P3 delivery entails combining two or more of the Project stages into a single bundle, utilizing a single private sector bidder to deliver the bundle. In addition, the private sector may finance some or all of the capital required, rather than a City issuing debt or using other financing sources. However, it is important to note that the P3 partners long term debt and equity contributions to the P3 Project are viewed as debt to The City.

P3s tend to be long term arrangements and may include incorporating not just the initial construction of a facility, but its ongoing maintenance, operations or service to the public, depending on the nature of the Project. While the focus is often on using P3s for the capital infrastructure, an important component of certain P3s can also be the delivery of programs and services.

#### Benefits of P3s

The Conference Board of Canada has identified numerous benefits to the P3 approach, including on time, on-budget delivery of outputs-based infrastructure, leveraging of private sector innovation, risk transfer, and whole life-cycle considerations.

Potential Benefit	Description
Time Savings	Accelerated construction of P3 projects compared with traditional public procurement counterparts regarding earlier availability of service to the public. Rigour and discipline involved in the public-sector planning process can result in a streamlined and fully thought-through project.
Optimization of Spending—Life-Cycle Focus	Optimization of spending over the course of the project and better designed projects that will appropriately meet the long-term needs of the services.
Long-Term Guarantees on Service and Maintenance	The inclusion of an operations and maintenance (O&M) phase in many P3 project contracts can result in greater certainty with respect to timely maintenance and continued service levels.
Innovative Solutions	P3 projects are often cited as creating room for innovative solutions (beyond those that are simply geared to reducing costs) more often due to their results-oriented (output-based) set-up.
Cost Savings According to VFM Assessment	Transferring the risk to the party best equipped to deal with that risk was cited as a source of savings by multiple respondents.
Checks and Balances in Contracting	The contracting of P3s includes detailed checks and balances that result in drivers (often financial penalties) for contract adherence.

Source: Conference Board of Canada

### Drawbacks or Additional Costs of P3s

In addition to the benefits associated with P3s, the Conference Board of Canada has identified several drawbacks or additional costs that underline the need to proceed cautiously with P3s. These concerns can include the following (depending on the nature of the Project, and the form of the P3 Model):

Potential Concern	Description
Private Financing Rates	Financing costs for the private sector participant tend to be higher than the financing available to The City when viewed in isolation of the risks retained and/or transferred by The City.
Risk Premium	Higher cost is also associated with transferring a portion of the risk to the private sector. The risk is therefore “insured,” with a risk premium charged by the private sector partner. It is important that the risk to be assigned to a party is the party best able to manage it.
Higher Transaction Costs	These are large and complex projects that bring together many parties that have competing and sometimes conflicting interests. The transaction costs reflect the essential time and energy needed to make sure that the set-up side of the P3 project is appropriate and sufficient
Lengthy Lead Times	It is essential to get the appropriate planning and set-up for P3 projects to appropriately optimize the benefits of such projects. This upfront planning, though, can take some time to complete.
Non-Effective Risk Transfer	Risk that is supposed to be transferred to the project team but is ultimately retained by the public sector. Should risks be ineffectively transferred, there is a chance that the public-sector partner will have to absorb some of the costs.

Source: Conference Board of Canada

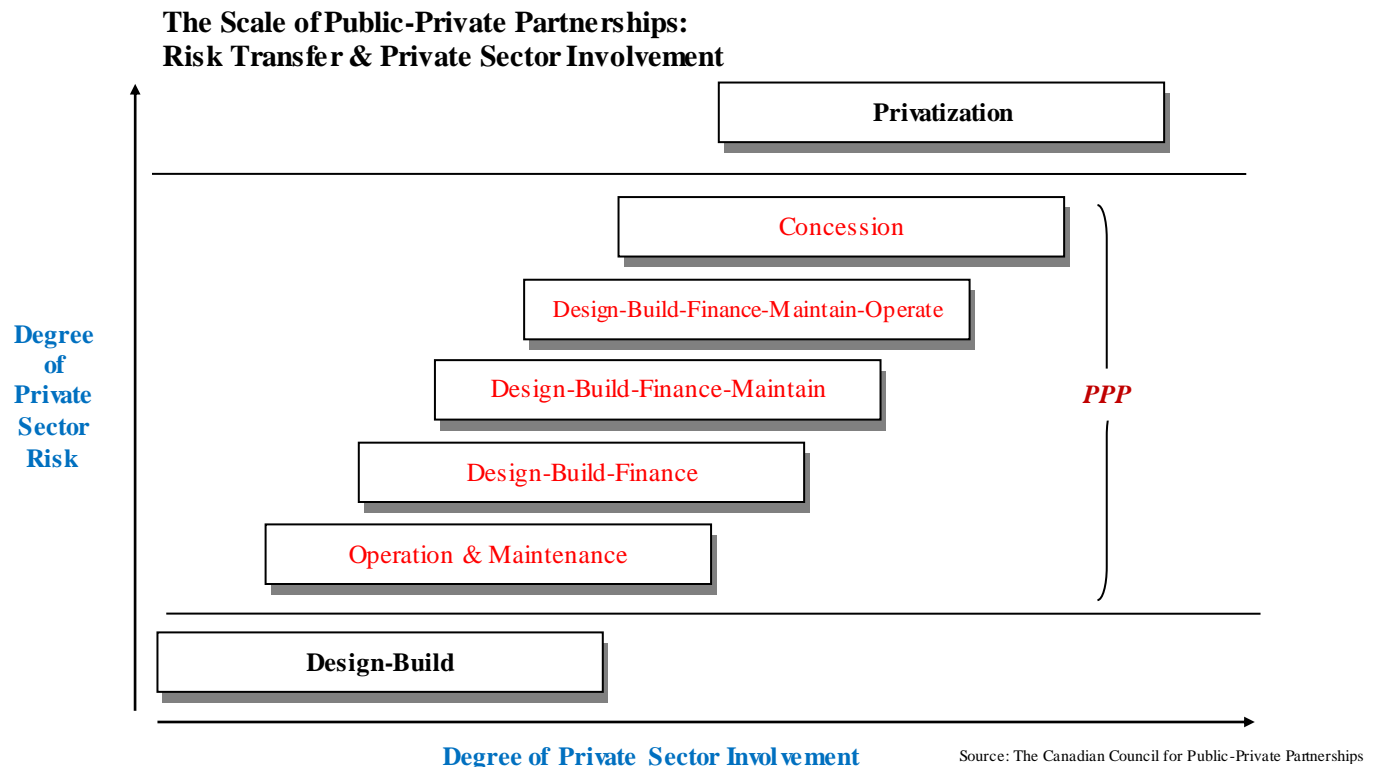
### Success Factors for P3s

P3s can be a successful tool in achieving value for The City; however, certain key structures should be in place before embarking on this direction. Below are key success factors based on research of experiences from other jurisdictions:

Success Factors	Description
Regulatory Environment	There is certainty around the policy and legislative framework that guides the overall P3 development process, as well as in the sector-specific regulation for a proposed project
Performance-Based approach	The project is focused on the performance needs rather than exact specifications of what is to be built to allow the maximum amount of technical innovation on the part of the P3 partner
Transparent Process	There is a clear, open, and fair process in place, the availability of accurate information, and a clear rationale as to why the project is being considered under non-traditional procurement
Risk capital financing	the ability of the private partner to secure non-government sources of financing once all the risks are understood and allocated will demonstrate the strength and marketability of the project business case
Lifecycle perspective	Understanding of the impact of the project on existing infrastructure systems, the regulatory environment, costs to operate and maintain over time and other potential peripheral costs and benefits.

## Appendix 2 – P3 Delivery Models

The graph below illustrates the spectrum of possible models that could be considered P3s, although there is not universal agreement on all models. The different arrangements result in varying degrees of risk and responsibility that the private sector assumes.



Design-Build (DB) is a model in which the private sector designs and builds infrastructure to meet public sector performance specifications, often (though not necessarily) for a fixed price. DBs **do not** fall under The City’s definition. A DBF, however, where the P3 partner provides construction period financing **does** fall under The City’s definition of a P3.

The difference between maintain and operate is that maintain restricts the role of the P3 partner to physical maintenance of a capital asset (e.g. a fire hall), but does not have the P3 partner delivering programs, products, or services (e.g. firefighting) to the public or The City.

P3 Models with more components (i.e. DBFMO) are referred to as “deeper” P3 Models. Many consider deeper P3 Models as having greater opportunity to generate VFM due to their larger scope, as well as providing better protection due to the longer-term nature of the arrangement, and the P3 partners financial exposure (usually in the form of both debt and equity). Lenders to the P3 partner provide oversight as their repayment is tied to compliance with the PA, with no direct recourse to the City owned assets.

### **Appendix 3 – The City’s Experience with P3s**

The City has had some experience with using P3s for infrastructure and service delivery. Several P3 opportunities have been assessed with two Projects having been procured and in operation:

**1) The Organics Composting Facility Project**

- a. DBFO: design, build, finance the Project throughout construction, and operating the facility for 10 years post-construction.

**2) The Stoney Compressed Natural Gas Bus Storage and Transit Facility**

- a. DBFM: Design, build, long term finance and facility maintenance, including building operations, for 30 years post construction.
- b. Substantial completion occurred on January 31, 2019 at which time the 30-year facility maintenance period began. Bus operations commenced at the facility in March 2019.

Results and feedback from Project stakeholders and managers to date indicate both are viewed as being successful Projects; however, both Projects are in the early stages of longer term contracts, the overall success of which will ultimately need to be assessed post-handback to The City.

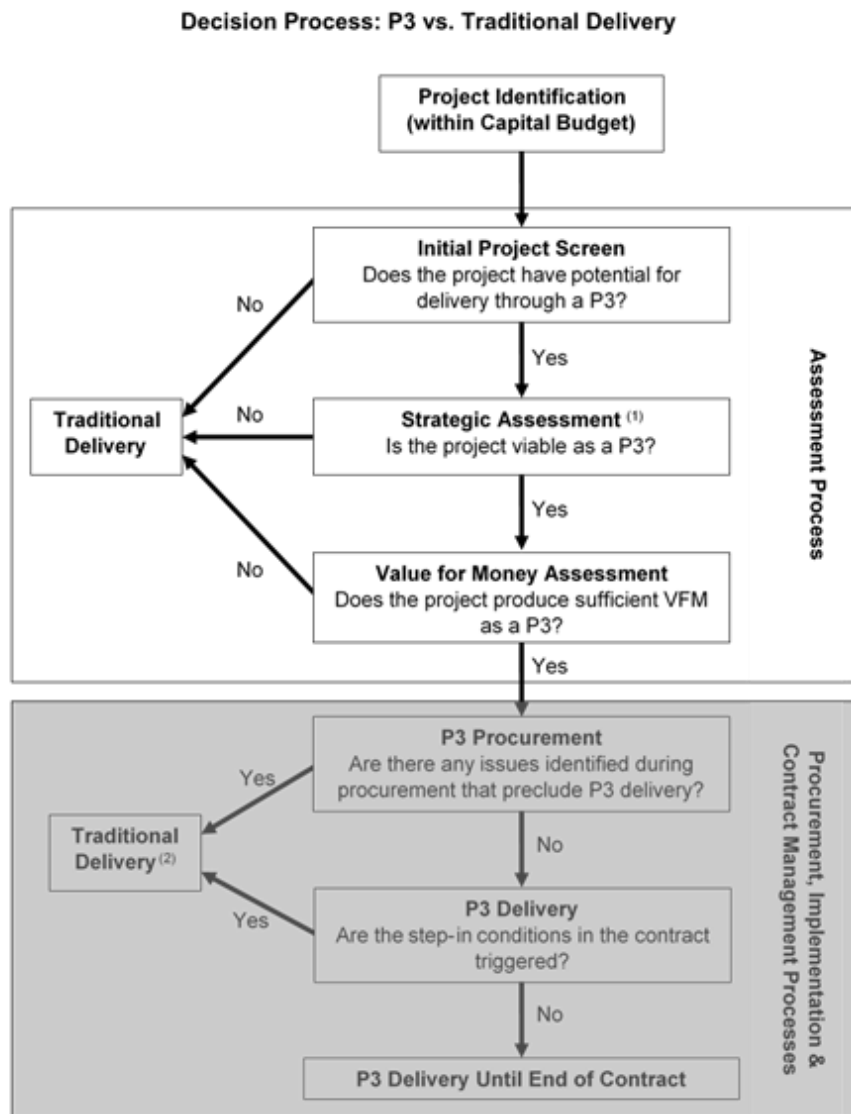
In 2018, Council approved P3 delivery of the largest infrastructure Project in The City’s history, the Green Line LRT, a Design-Build-Finance (DBF).

## Appendix 4 – P3 Project Assessment Process and P3 Business Case

The Project assessment process will have three components, which together form the P3 Project Case:

1. Initial Project Screen;
2. Strategic Assessment; and
3. VFM Assessment

Below is an illustration of the decision process when moving through the P3 Project Assessment Process and P3 Business Case.



(1) On an exception basis the findings of the strategic assessment may be clear on which delivery model is most suitable for the project, and completion of the VFM Assessment may not be necessary.

(2) Form of traditional delivery model depends on when step-in rights are triggered.



## Initial Project Screen

Refer below to the criteria that each Project must be screened against:

Criteria Category	Criteria
Demand	<ul style="list-style-type: none"> <li>Are the long-term operation or service needs relatively stable and/or predictable?</li> </ul>
Duration	<ul style="list-style-type: none"> <li>Is the service life of the capital asset at least 20 years?</li> <li>Is there a long-term maintenance, operation, or service need associated with the capital project?</li> </ul>
Innovation	<ul style="list-style-type: none"> <li>Is there scope for innovation in the design of the solution and/or the provision of operation, maintenance, and services?</li> </ul>
Legal Barriers	<ul style="list-style-type: none"> <li>Are there any legislative or regulatory prohibitions to a P3 approach for the project (that cannot be changed in the short term)?</li> <li>What are the opportunities and challenges from a legal perspective?</li> </ul>
Market	<ul style="list-style-type: none"> <li>Are there likely to be at least 3 bidders for the project if it is procured as a P3?</li> <li>Are there precedent projects (examples of similar projects) in other jurisdictions?</li> <li>Has The City received unsolicited non-competitive proposals for P3-style delivery of the project, or similar projects?</li> <li>Does the private sector have the expertise to deliver on the performance specification?</li> </ul>
Payment	<ul style="list-style-type: none"> <li>Can payment be tied to measured performance?</li> <li>Is there a potential revenue opportunity for the private sector participant?</li> </ul>
Project Risk	<ul style="list-style-type: none"> <li>Are there risks associated with traditional procurement that might be better managed by a private partner?</li> </ul>
Project Size	<ul style="list-style-type: none"> <li>Is the estimated project cost significant enough to attract the market? <ul style="list-style-type: none"> <li>\$100M or more, market has definite interest</li> <li>Between \$20M and \$100M, market interest may vary based on the asset class (e.g. water projects, buildings may be suitable)</li> </ul> </li> <li>Can the project be bundled with one or more other similar projects to achieve a larger project size more suitable for P3?</li> </ul>
Specifications	<ul style="list-style-type: none"> <li>Can the capital asset and related services be defined in a performance or output specification?</li> </ul>
Land	<ul style="list-style-type: none"> <li>Is the land for the project being provided by The City?</li> </ul>
Current State	<ul style="list-style-type: none"> <li>Is the project new build or greenfield? Renovations are, in general, less suitable for P3; however, every case is different.</li> </ul>
Integration	<ul style="list-style-type: none"> <li>Is the project relatively independent of other City projects, infrastructure, or control systems?</li> </ul>
Human Resources	<ul style="list-style-type: none"> <li>Does the project, if delivered by a private partner, obviate any current City staff positions?</li> </ul>
Asset Complexity	<ul style="list-style-type: none"> <li>How complex is the asset with respect to construction, operations, and maintenance?</li> <li>Is there potential to combine delivery of different asset classes into one contract?</li> </ul>
Life-Cycle Costs	<ul style="list-style-type: none"> <li>Can most of the full lifecycle costs of the asset, including construction and fit up (i.e. project costs), long term operations and maintenance, be quantified upfront with reasonable assumptions and/or availability of historic data?</li> </ul>
Revenue Generation	<ul style="list-style-type: none"> <li>Does the planned investment have inherent scope to generate any revenue?</li> </ul>
Potential for Contract Integration	<ul style="list-style-type: none"> <li>Which elements of the potential P3 (i.e., design, build, finance, maintain, operate) can be integrated into one contract?</li> </ul>
Is the Project a Council Priority	<ul style="list-style-type: none"> <li>To what extent does the project respond to departmental and Council priorities and budgets?</li> </ul>
Sufficient City Resources	<ul style="list-style-type: none"> <li>Does The City have the resources and expertise to undertake a P3 approach?</li> </ul>
Other	<ul style="list-style-type: none"> <li>Other questions or comments by the SBU or Finance P3 Workgroup that are relevant to the Project and the Project as a P3.</li> </ul>

If the balance of the answers to these criteria is positive toward P3 delivery, then the Project may be suitable for a P3 delivery model and worthy of more in-depth analysis in the strategic assessment. It may be possible at this stage to identify the most likely suitable P3 model as well.

The Finance P3 Workgroup may supplement the Initial Project Screen with additional questions and approaches based on the nature of the Project being considered, as well as the continuing evolution of P3 assessments in the market.

### **Strategic Assessment**

The main components of the strategic assessment are as follows:

- Project description through the full life cycle (design, construction, operations and maintenance, and decommissioning if applicable);
- Description of cost components, and estimates if available, for each phase of the Project life cycle;
- A preliminary list of P3 Models to be considered for the Project;
- A review of any Project-specific objectives or constraints The City may have with respect to the Project;
- A *qualitative* risk assessment, which:
  - identifies which risks are of importance in selecting a delivery model for the Project
  - assesses the risk (i.e. likelihood and severity) the *Project* is exposed to under both traditional delivery, *and* the P3 Models under consideration
  - applies each P3 Model's risk allocation to assess the risk to The City under each model
- A review of the market of service providers and assessment of the likely interest of the market in bidding competitively for the Project (and optionally, a market sounding as described under VFM Assessment);
- A review of any relevant precedent Projects or similar Projects;
- A preliminary comment on the potential for cost savings, based on precedent/similar Projects, other relevant experience of The City and its advisors, and the findings of the qualitative risk assessment;
- A review of any requirements associated with funding agreements with other levels of government that will provide funding for the Project;
- A determination of the preferred P3 delivery model; and

- A distillation of the above into a determination of preferred delivery model for the Project (i.e. either traditional, or the preferred P3 Model). Best efforts should be made to reduce the number of delivery models to one traditional and one P3 Model at this stage; however, it is possible that more than one P3 delivery model be carried forward for further consideration.

## **VFM Assessment**

The general methodology for a VFM assessment is as follows:

- Determine the full schedule of the Project and, through cash flow modelling, the life cycle cost of traditional delivery of the Project (including design, construction, operations, maintenance, recapitalization/renewal, service provision, and financing) to provide the “raw cost estimate.” This may be a high-level order of magnitude estimate or more a detailed estimate, depending on the Project profile;
- Quantify the risks (i.e. determine expected cost) to The City of traditional delivery, which when added to the life cycle cost provide the “risk-adjusted cost estimate”, also known as the “Public-Sector Comparator”;
- Using the raw cost estimate as the baseline, estimate the costs to The City if delivered under the P3 Model(s). This is done through cash flow modelling of the private partner’s financial approach and may consider expected private sector efficiencies in capital, life-cycle, and operating costs, as well as the cost of private financing. The results are known as a “Shadow Bid”; and
- Compare the Public-Sector Comparator to the Shadow Bid to determine the VFM, if any, offered by the Shadow Bid.

The VFM assessment should reflect, and attempt to price, the Project based on The City’s expected service standards.

The main components of the VFM assessment, in addition to those that are part of the strategic assessment, are as follows:

- The preferred potential P3 Model, as determined by the strategic assessment (i.e. the VFM assessment should focus on one specific P3 Model if possible, however, more than one P3 Model may be carried into the VFM assessment if the outcome of the strategic assessment does not result in the clear identification of only one P3 Model);
- A quantitative risk assessment, which builds on the qualitative risk assessment done in the strategic assessment, and:
  1. Quantifies as best possible the likelihood and impact of all risks that The City faces under traditional procurement; and

2. Quantifies as best possible the likelihood and impact of all risks that The City faces under P3 delivery (the likelihood and impact will change due to risk transfer to the P3 partner).
- A market sounding of relevant service providers (i.e. discussion of the Project characteristics, costs, schedule, etc.) to obtain direct market input on issues of risk allocation, financing, procurement concerns, and competitive interest that affect the VFM assessment or the overall conclusions, or both. This may sometimes be done as part of the strategic assessment;
  - Development of a cash flow model for the raw cost estimate;
  - Development of the risk-adjusted cost estimate, or Public-Sector Comparator;
  - Development of a cash flow model for the Shadow Bid;
  - The Public-Sector Comparator and Shadow Bid are in NPV terms to enable comparison. The discount rate for the NPV calculations should generally be The City's long-term cost of borrowing. When deviating from this, the rationale for using a different discount rate shall be documented.
  - An analysis of the difference between the Public-Sector Comparator and the Shadow Bid, resulting in an assessment of VFM. This analysis generally includes sensitivity analysis on significant VFM inputs. Sensitivity analysis is particularly important in instances where the VFM proposition is relatively small (i.e. < 3%); and
  - A distillation of strategic factors and VFM to select the recommended delivery model, which may be traditional or a P3 Model.

The final step discussed above is key in cases where important considerations identified in the strategic assessment either balance or complement the primarily financial results of the VFM analysis.

## Appendix 5 – External Consultants and Advisors Engagement

Additional expertise will be required that may not be readily available through internal resources. The engagement of external consultants will require following the current *Procurement Policy*. The following external consultants may be retained through a procurement, depending on the Project needs:

- **Technical Advisors:** May be involved at the business case stage and will provide expertise and technical resources to The City regarding all phases of the procurement work, which will include:
  - Functional program finalization;
  - Technical specification writing;
  - Project Agreement review and preparation of specific technical sections;
  - Responding to or assisting in the responses to inquiries;
  - Aid during the assessment processes;
  - Participate in the design and construction period with The City as the compliance team;
  - The Technical Advisors may include architects, engineers, information technology experts, equipment planners, facilities maintenance consultants, insurance advisors, and any other technical expertise required; and
  - If possible, all consultants should be under one Technical Advisor lead for ease of coordinating related Project requirements and expertise. The exceptions to this are the facilities maintenance consultant and insurance advisor, who may report separately to The City as their roles do not have a direct relationship with the other technical consultants' roles.
- **Quantity Surveyor:** May be engaged at the business case stage and will provide expertise in the cost estimates of the Project.
- **Financial Professional:** Will be engaged at the business case stage generally at the time of proceeding to the strategic assessment phase and may include the following:
  - During the VFM phase risk quantification, the Financial Advisor will conduct Monte Carlo analysis of potential risk outcomes, using risk modeling software;
  - Provide expertise regarding financial matters during the Procurement Phase, which may include:
    - a. Assist in the market sounding;
    - b. Preparation of the financial details for the Project;
    - c. Assist in the preparation of the procurement documents, and Project Agreement;
    - d. Assist in the assessment processes;
    - e. Responding to or assisting in the responses to select inquiries;

- f. Update the VFM analysis from the business case stage, Procurement Phase, Preferred Proponent selection, to Financial and Commercial Close;
  - g. Prepare the final VFM Assessment Report for public release within 90 days from signing of the PA; and
  - h. Provide expert financial advice throughout the procurement.
- **Legal Advisor:** Will provide expertise regarding legal matters during the Procurement Phase, including:
  - Assisting in the drafting of the procurement documents, PA and related schedules;
  - Responding to or assist in the responses to select inquiries; and
  - Lead the legal aspects of the procurement and closing process.
- **Fairness Professional:** Will be engaged prior to release of procurement documents and be involved throughout the remainder of the Procurement Phase to ensure that it is conducted in accordance with the processes as agreed to and described in the procurement documents.
  - Will generally issue two written reports:
    - i. The first at the selection of the shortlisted Proponents under the procurement process; and
    - j. The second at the completion of the selection of the Preferred Proponent.
- **Capital Markets / Interest Rate Advisor:** May be retained leading up to Financial Close to provide rate setting advice to The City during rate setting processes. This may also extend to advice on credit spread protection, if the procurement documents contain such a mechanism.
- **Procurement Advisor (if required):** May be engaged at the business case stage and may provide expertise and resources regarding procurement matters during the Procurement Phase, including:
  - Assisting in the preparation of the Project plan and schedule;
  - Assisting in the drafting of the procurement documents, and PA;
  - Responding to or assist in the responses to inquiries;
  - Assisting in the assessment processes; and
  - Providing expert procurement advice throughout the procurement process.
- **Clerk of the Works Clerks of the Works (also known as Quality Site Inspectors):** may be hired as an owner representative to ensure proper oversight of materials or services incorporated into the Project and for quality control in P3 models which include design-build.

## **Appendix 6 – P3 Procurement Process**

To assist in reducing the likelihood of bids coming in over budget, the procurement documents may include an “Affordability Ceiling” coupled with a “Scope Ladder”. The Affordability Ceiling quantifies the maximum price The City will pay and can be based on the overall NPV of the bid, including all elements of the P3 (i.e. DBFMO), or select P3 elements only. The Scope Ladder identifies successive levels of scope that can be eliminated in order for the bid to come in under the Affordability Ceiling.

The City will hire an independent Fairness Professional to ensure that the selection process adheres to the high standards of openness, fairness, and transparency.

The successful winning proposal will be based on an evaluation of technical and financial criteria (including price) which may include qualitative criteria or other value-added criteria (or both) as set out in the procurement documents.

The terms of the finalized contract will be based on the specifications identified during the assessment process and the procurement process; however, any changes made during the procurement process need to be assessed in terms of the impact on the VFM assessment. During the procurement process, issues may arise that cause The City to abandon the P3 and move back towards a traditional delivery model. An important consideration in this decision is the impact on future P3s.

### **Commercial Close**

Once the approval process and negotiations are complete, the contract is awarded to the successful Proponent. A suitable date and location is identified for contract execution, where the City’s representative signs the contracts after all other parties have signed. The PA should address potential gaps in operating practices between The City and the P3 partner in areas such as training, bilingualism, public safety and community access.

### **Financial Close**

Bids normally assume that the cost of debt financing reflects an agreed margin above a reference rate, rather than a prescribed interest rate. This is due to the timing of the drawdown of funds being difficult to determine while interest rates move daily.

The risk allocation reflected in the procurement documents normally indicates that the risk of movements in interest rates between the submission of bids and financial close are to be borne by The City. This is commonly referred to as base rate protection. This means that the periodic payments (often referred to as the “Annual Service Payment” (ASP)) to the P3 partner included in the PA are finalized and settled at, or following, financial close. Recalculation of the ASP is performed within the financial model that was provided with the bid. The means of applying the model for this purpose needs to be agreed with the P3 partner prior to financial close. At financial close, the ASP can be

recalculated using the actual interest rates and these are then inserted into the relevant schedules to the PA.

Given that the risk of interest rate movements generally remains with The City until financial close, the length of time from the submission of proposals to financial close can have a material impact on the ultimate price of the proposal. This is further incentive to ensure that the process from submission of proposals is as timely and efficient as possible.

As the P3 Model evolves, new features may be added. Recently, P3 transactions have provided the P3 partner with credit spread protection in addition to base rate protection. A credit spread is the risk premium add-on to the base interest rate used when pricing corporate debt issues. Credit spread protection protects the P3 partner from widening credit spreads between the time of financial bid submission and financial close. It is recommended that The City engage an external capital markets advisor to assist with both base rate and credit spread protection as these are complex features, requiring up to date subject matter expertise.

At contract execution there may be a small number of matters that financiers need to resolve before unreservedly committing their finances to the Project. It is important that the number of such matters left outstanding at contract execution is kept to a minimum to prevent delay between contract execution and financial close. When these matters have been resolved, financial close can occur.

At financial close, the ASP under the contract can also be finalized. Usually, changes to the ASP depends on changes in interest rates in the period between bid submission and financial close.

### **VFM Refresh**

Should the Project proceed as a P3, the VFM report is updated based on the actual successful proposal at financial close. The result is referred to as the final VFM assessment which will be documented and available to the public no later than 90 days after financial close.

### **Lessons Learned Process**

A debriefing discussion among the Project team on the lessons learned from the Project should be undertaken at this point.



## Appendix 7 – Risk Register Categories

Below is a table of risk register categories (including sample risks within each category), as they relate to a capital Project from the planning through to the procurement, construction and operations/maintenance phases.

Each Project will require its own risk register, as every Project is different, and depending on the delivery models being assessed, certain risks may be managed / mitigated differently.

Risk Register Category	Sample Risks	Cost Base	Resources Required to Identify Risk and Determine Value
Policy & Strategy	<ul style="list-style-type: none"> <li>Risk of delay in procurement process</li> <li>Risk of procurement process failing</li> </ul>	Total contract value (excluding financing)	SBU, representatives from finance, integrated risk management ("IRM"), legal
Design	<ul style="list-style-type: none"> <li>Risk that technology proves inadequate to meet project requirements</li> <li>Risk that design is insufficient to deliver services at required levels</li> </ul>	Design + construction	SBU, representatives from IRM, technical/design advisor
Site Information	<ul style="list-style-type: none"> <li>Risk that geotechnical and/or environmental information provided to bidders is incomplete</li> <li>Risk of unforeseen geotechnical and/or environmental conditions</li> </ul>	Design + construction	SBU, representatives from IRM, technical advisor
Procurement	<ul style="list-style-type: none"> <li>Risk that lack of interested bidders results in smaller number of bids</li> <li>Risk that procurement documentation is incomplete</li> <li>Risk of resource capacity within City to undertake/oversee procurement</li> <li>Risk that City projects compete for bidders</li> </ul>	Design + construction	SBU, representatives from finance & supply, IRM, legal, financial and technical advisors
Construction	<ul style="list-style-type: none"> <li>Risk of construction delays</li> <li>Risk of cost overruns</li> <li>Risk of latent defects</li> <li>Risk of City-initiated change orders</li> </ul>	Design + construction	SBU, representatives from IRM, legal, financial and technical advisors
Permits & Approvals	<ul style="list-style-type: none"> <li>Risk of not receiving building permits, environmental approvals</li> </ul>	Design + construction	SBU, representatives from IRM, legal, technical advisor
Commissioning	<ul style="list-style-type: none"> <li>Risk of late delivery</li> </ul>	Design + construction	SBU, representatives from IRM, financial and technical advisors
Life-cycle and Residual (Maintenance)	<ul style="list-style-type: none"> <li>Risk of asset being run down</li> <li>Risk of higher-than-expected maintenance costs</li> </ul>	Maintenance	SBU, representatives from IRM, finance, supply management, financial and technical advisors
Operations	<ul style="list-style-type: none"> <li>Risk of not meeting performance specifications</li> <li>Risk of higher-than-expected operating costs</li> <li>Labour supply risk</li> <li>Risk of professional/legal liability</li> </ul>	Operating	SBU, representatives from IRM, finance, supply management, legal, financial and technical advisors
Political	<ul style="list-style-type: none"> <li>Risk of public resistance to private sector involvement in infrastructure/service delivery</li> </ul>	Total contract value	SBU, representatives from IRM, finance & supply, legal, financial and technical advisors
Reputation	<ul style="list-style-type: none"> <li>Risk of P3 failing</li> </ul>	Total contract value	SBU, representatives from IRM, finance & supply, legal, financial and technical advisors
Other	<ul style="list-style-type: none"> <li>Other risks identified important to the Project, on a case by case basis</li> </ul>	Case by case basis	Any representatives identified as involved in the P3 Project including the ones identified in this table

## Appendix 8 – Definitions

- **Administrative Leadership Team (ALT):** Refers to the most senior group of administrative officials in The City.
- **Commercial Close:** once the approval process and negotiations are complete, the Project Agreement is executed by the successful Proponent and The City.
- **Finance P3 Workgroup:** The Corporate and Innovative Finance team in the Finance business unit.
- **Financial Close:** the time when the Project Agreement and all financing and other agreements related to the Project have been executed and delivered and all conditions to the effectiveness of the Project Agreement and Project financing agreements have been satisfied.
- **Minimum Value Threshold:** \$100 million on a Net Present Value basis which may be subject to change in conjunction with future policy updates.
- **Net Present Value (NPV):** The value of a Project found by adding the present value of expected future cash flows and the cost of the initial investment.
- **P3 Model:** The integration of multiple Project elements into one performance-based contract. These elements may include Design, Build, Finance, Operate, Maintain, or a combination thereof.
- **Procurement Phase:** The phase of a P3 Project that begins with Council approval of a P3 Model and ends when the Project Agreement has been fully executed.
- **Project:** as applied in this document, a capital investment that falls under one of these categories:
  - Capital project that is a planned, delivered and evaluated on its own merit and has a well-defined scope, cost and schedule resulting in new or substantially improved assets; or
  - Capital program that is a grouping of capital projects that are related and benefit from being planned and managed together; or
  - Annual investment program that is a recurring capital program focused on maintaining or upgrading current, in-service assets or for ongoing purchases of similar assets.
- **Project Agreement (PA):** The contractual arrangement between The City and the P3 partner.
- **Proponent:** a competing consortium, typically consisting of a sponsor, design-builder, finance provider, maintainer or operator, or a combination thereof.

- **Public-Private Partnership (P3):** A contractual agreement between a public authority and a private entity for the provision of infrastructure or services, or both, in which:
  - The private sector participant assumes the responsibility for financing part or all of the Project; or
  - The City seeks to transfer risks that it would normally assume, based on the private sector participant's ability to better manage those risks; or
  - The arrangement extends beyond the initial capital construction of the Project; or
  - All or any combination of the above.
- **Public-Sector Comparator:** The risk-adjusted cost estimate of a Project assuming the most efficient form of traditional government delivery. It includes the best estimate of full lifecycle costs, benefits and risks over the contract term.
- **Shadow Bid:** The risk adjusted cost estimate to The City of the Project if delivered under a P3 model(s). This is done through cash flow modeling of the private entity's financial approach and may consider expected private sector efficiencies in capital, lifecycle, and operating costs, as well as the cost of private financing. It includes the best estimate of full lifecycle costs, benefits and risks over the contract term.
- **Sponsoring Business Unit (SBU):** The City business unit or most senior Project representative which is responsible for the Project.
- **Value-for-Money (VFM):** The difference between the Public-Sector Comparator and the Shadow Bid is referred to as the VFM. There is said to be positive Value-for-Money by procuring a Project using a P3 when the cost to deliver the P3 is less than the Public-Sector Comparator.



## **MATERIAL REVISIONS**

Based on feedback from stakeholder engagement and the research performed, the material revisions identified in the table below have been reflected in the Council and Administration policies.

<b>Topic</b>	<b>Policy</b>	<b>Proposed Update</b>	<b>Current Policy</b>
<b>Funding Approvals</b>	CFO011 and FA052	Expanded Council approval/disclosure to include the following activities: <ul style="list-style-type: none"> <li>• Estimated impacts to The City's debt and financial capacity limits</li> <li>• Capital, operating, lifecycle and financing costs during the term of the Project Agreement</li> <li>• Estimated dollar value of lifecycle and operating costs of the project, where the P3 Model does not include these elements</li> <li>• Borrowing bylaw(s) for all debt related to the P3 Project in accordance with the MGA</li> </ul>	<ul style="list-style-type: none"> <li>• Administration will seek the approval of Council whenever the Project Business Case leads to a recommendation that a project be developed as a P3</li> <li>• Administration will also provide advice and seek Council approval for any financial impacts on the Capital or Operating Budgets</li> </ul>
<b>Roles and Responsibilities</b>	CFO011 and FA052	Expanded and updated roles, responsibilities and approvals among Administration and Council, specifically: <ul style="list-style-type: none"> <li>• Sponsoring Business Unit (SBU)</li> <li>• Supply Management</li> <li>• Law</li> <li>• Finance P3 Workgroup</li> <li>• Steering Committee</li> <li>• Evaluation Committee</li> </ul>	Defined roles, responsibilities and approvals among Administration and Council, specifically: <ul style="list-style-type: none"> <li>• P3 Unit</li> <li>• External Advisory Committee</li> <li>• Administration</li> <li>• Council</li> </ul>
<b>Evaluation Criteria</b>	CFO011 and FA052	Expanded evaluation of bids to allow flexibility by stating an evaluation of technical and financial criteria (including price) which may include qualitative	Winning bid selected based on technical compliance with lowest net present value (NPV)

		criteria or other value-added criteria (or both) as set out in the procurement documents	
<b>P3 Finance Workgroup</b>	FA052	<ul style="list-style-type: none"> <li>• Clear description and criteria for identifying potential P3 projects</li> <li>• Aligned responsibilities based on current practices</li> </ul>	P3 Unit was defined, and responsibilities were broad with the intention to have a dedicated P3 Unit for The City
<b>P3 Screen</b>	FA052	Screening Assessment may be waived at discretion of the Director of the SBU	Not included
<b>P3 Project Management</b>	CFO011 and FA052	<ul style="list-style-type: none"> <li>• Expanded to include standards for full P3 Project Management such as reporting requirements, monitoring a P3 partner, and asset handback procedures</li> <li>• Management of Project Agreement responsibility changed to sponsoring business unit</li> </ul>	<ul style="list-style-type: none"> <li>• Brief paragraph on preparation of an implementation and monitoring plan</li> <li>• Supply was responsible for management of the Project Agreement</li> </ul>
<b>Procurement</b>	CFO011 and FA052	Referenced The City's Procurement Policy and removed any procurement activities that are not P3 specific	Described procurement activities including Request for Qualifications, and Request for Proposals
<b>Unsolicited Proposals</b>	CFO011 and FA052	The City will not consider unsolicited proposals for P3s	Unsolicited proposals may be considered for P3s and will be directed to and documented by the P3 Unit

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## **Assessment and Tax Circumstances Report**

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### **EXECUTIVE SUMMARY**

Council approval is required to cancel taxes accrued on individual tax accounts. This report includes the applicable 2018-2019 taxes accrued on property accounts that meet Administration's criteria for prior year tax cancellation. This report also includes the applicable 2016-2019 municipal property taxes for non-profit organizations that applied and qualified for tax cancellations under the *Non-Profit Tax Mitigation Policy*. In some cases, these tax cancellations address properties that were taxed in error due to issues that arose such as the timing of when information was received, incorrect data, technical and human error and timing of appeals. This report is presented to Council twice annually and this is the first report this year.

### **ADMINISTRATION RECOMMENDATION:**

That the Priorities and Finance Committee recommend that Council under the authority of section 347 of the *Municipal Government Act*:

1. Cancel property taxes for the amounts listed in the Attachment 1.
2. Cancel municipal property taxes for the qualifying non-profit organizations for the amounts listed in Attachment 2.

### **PREVIOUS COUNCIL DIRECTION / POLICY**

This report is presented to Council twice annually and the most recent report was presented at the 2019 October 21 Combined Meeting of Council.

### **BACKGROUND**

Section 305 of the *Municipal Government Act* (MGA) does not allow assessors to change the property assessment value after the end of the tax year to which the assessment applies. In certain circumstances, Administration will recommend that Council considers exercising its discretionary taxation power under section 347 of the MGA to cancel taxes that correspond to property assessment rolls of prior tax years.

At the 2014 December 15 Regular Meeting of Council, through C2014-0919, Council adopted the *Non-Profit Tax Mitigation Policy* to cancel the property taxes of non-profit organizations that paid tax during the construction period of their facility and whose subsequent use of the property met the criteria for property tax exemption. The *Policy* is administered using the Assessment and Tax Circumstances Report for administrative efficiency.

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**Assessment and Tax Circumstances Report**

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Tax Cancellations Related to Prior Years' Assessment Rolls

Section 305 of the MGA allows corrections or amendments to the property assessment roll during the current tax year. A current year amendment to an individual assessment triggers a corresponding adjustment to the current year taxes for that account.

Property owners have a responsibility to inform the municipality of assessment errors or changes to their property in a timely manner in order for Administration to make the relevant changes to the property assessment accounts within the current taxation year. Administration does not have the ability to alter property assessment rolls of prior years.

Inaccuracies in assessment rolls may result from a number of factors, including but not limited to: operational considerations associated with year-end assessment roll production, timing of communication between business units, and incorrect data or mailing address information.

Generally, valid cancellation requests are for tax amounts that were levied as a result of the following circumstances:

- an incorrect issuance of a property assessment
- a property assessment correction error
- a tax exemption processing error

Typically, the inaccuracy must be reported within two years after the inaccuracy occurred for the tax cancellation request to be considered for inclusion in this report. Manager approval is required for requests outside of this timeframe.

Exempt Organizations and the *Non-Profit Tax Mitigation Policy*

The *Non-Profit Tax Mitigation Policy* adopted by Council through C2014-0919 provides criteria for circumstances in which Administration may recommend Council to cancel municipal taxes that correspond to a period when an eligible non-profit property was under construction or under renovation.

Property tax exemptions are governed by the MGA and the *Community Organization Property Tax Exemption Regulation* (COPTER). Provisions in the legislation differ based on the use of the property and the nature of the organization which holds it. One of the differences is the tax treatment of non-profit-held property that is not in use because of construction or renovation. Property held by specific entities such as public institutions (e.g. hospitals, public colleges and universities) is exempt from property tax when it is under construction/renovation. Property that is held by non-profit organizations and societies and is to be used for an approved activity (e.g. places of worship, chambers of commerce, food banks, and under certain conditions, arts and cultural activities) is not property tax exempt until it is actually in use for these purposes.

To be considered for municipal property tax cancellation under the *Non-Profit Tax Mitigation Policy*, organizations must attain property tax exemption for the property under the provincial legislation. Until the property is completed and occupied, and being used for the exempt purpose, applicants pay municipal and provincial property taxes. Once the *Policy* criteria are met, up to four years of the municipal taxes paid over the construction period are subject to retroactive cancellation.



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## **Assessment and Tax Circumstances Report**

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For administrative efficiency/timeliness, the *Policy* has been implemented using the Assessment and Tax Circumstances Report as the mechanism to bring these to Council for approval.

### **INVESTIGATION: ALTERNATIVES AND ANALYSIS**

#### **Tax Cancellations Related to Prior Years' Assessment Rolls**

Property owners are encouraged each year to review and ask questions about their property assessments before the end of the 67-day Customer Review Period that follows each assessment notice mailing. This self-reporting allows Administration to use its authority under MGA section 305 to amend the assessment roll for the current year.

Assessment sometimes receives requests for the cancellation of taxes from prior tax years; these may come from Assessment, directly from taxpayers, or from other City business units. The investigation of each request includes researching internal communications and records, speaking directly to the affected taxpayer and working with other relevant City staff.

Administration uses the following criteria to determine if the circumstances and corresponding property or business tax amounts should be brought forward to Council in this biannual report:

- typically, the inaccuracy was reported within two years of the occurrence; and
- Assessment was advised of the inaccuracy within the year the inaccuracy occurred, but the correction was either not processed or incorrectly processed; or,
- the taxpayer was not aware and/or was not notified of the change in assessment and was unable to bring the inaccuracy to the assessor's attention within the Customer Review Period; or,
- the property or business assessment account was set up in error, and the assessment notice was sent to the wrong party; or,
- another City department(s) was notified by the taxpayer of a change to the business and Assessment was not notified during the applicable taxation year.

The recommended adjustments to the property tax accounts due to assessment roll corrections would cancel or reduce both the municipal and provincial property taxes. Upon cancellation, the provincial portion of the property tax is a cost to The City as the provincial government does not refund its portion. It would be recovered through the provincial property taxes the following year.

Any tax cancellations in this report supported by Council will be funded through the 2019 tax cancellation budget. If Council chooses not to support the recommendation, the tax liabilities and amounts owed will remain as originally billed.

Individual requests for prior years' tax cancellation that met these criteria are listed in Attachment 1.

#### **Tax Cancellations Related to the *Non-Profit Tax Mitigation Policy***

To assist non-profit organizations in applying for prior year tax-relief under the *Non-Profit Tax Mitigation Policy*, Administration provides information about the *Policy*, how to qualify and the application process on [Calgary.ca](http://Calgary.ca), via email and by phone year-round.

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### **Assessment and Tax Circumstances Report**

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Requests for the cancellation of prior year municipal taxes related to exemptible property held during periods of construction or renovation come from non-profit organizations on an ongoing basis.

The *Policy* ensures that tax cancellations for properties and/or facilities that are under construction are conducted in an equitable and consistent manner through an open and transparent process. The following criteria are used to determine if the circumstances and corresponding municipal property tax amounts should be brought forward to Council:

- a building permit for the site was issued after 2013 January 01, the date established in the *Policy*; and
- the organization has filed the necessary application form to request tax cancellation under the *Policy* to Assessment; and
- the property and/or facility construction has been completed; and
- the property and/or facility is occupied by the organization and is being used for an exemptible purpose; and
- upon completion and occupancy, the organization has filed an application for property tax exemption under the MGA or COPTER to Assessment and the application has been approved.

The non-profit organization must meet all the above criteria to qualify for a tax cancellation under the *Policy*.

The value of the cancellation amount is based on the municipal tax levied during the eligible period the property was under construction and is retroactive to the organization attaining property tax exemption under provincial legislation. The eligible period begins the year that the required application is submitted to Assessment. If the application is submitted the same year the building permit is issued, the period begins as of the date the permit is issued. If the application is submitted at any point thereafter, the eligible period begins January 01 of the year in which the application is received by Assessment. The period ends either four years from the date that the eligible period begins or when the property becomes exempt from taxation, whichever is earlier.

At the time this report was prepared, three (3) properties held by non-profit organizations met the criteria for prior year tax cancellation under the *Policy*. Applicants that meet all requirements in the future will be brought forward to Council for tax cancellation consideration on future reports.

The recommended adjustments due to the *Non-Profit Tax Mitigation Policy* would cancel or reduce only the municipal property taxes in each organization's account. If Council chooses not to support the recommendation, the tax liabilities and amounts paid will remain as originally billed.

The individual tax amounts to be cancelled for each of the qualifying *Non-Profit Tax Mitigation* applicants are listed in Attachment 2.

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## **Assessment and Tax Circumstances Report**

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### **Stakeholder Engagement, Research and Communication**

This report is a collaborative effort between Assessment and Finance. Throughout the circumstance report process, the business units are in communication, ensuring appropriate investigation and analyses are conducted for an accurate reflection of the tax cancellations proposed.

Taxpayers and non-profits are contacted by City staff subsequent to their initial inquiry if additional information is needed to establish whether individual circumstances meet the tax cancellation criteria.

For tax cancellation requests related to prior years' assessment rolls, Assessment advises property owners listed in Attachment 1 that their requests are included in the report. A second letter advises them of Council's decision.

For tax cancellations related to the *Non-Profit Tax Mitigation Policy*, non-profits are advised of eligibility during the application or circumstance report process and those listed in Attachment 2 will be advised of Council's decision.

The accounts of approved tax cancellations are then adjusted by Finance and a refund is issued when necessary.

### **Strategic Alignment**

The recommendations are in alignment with One Calgary 2019-2022 Service Plans and Budgets and with the *Non-Profit Property Tax Mitigation Policy*.

### **Social, Environmental, Economic (External)**

The taxpayers who own or hold the properties listed in Attachment 1 and 2 will receive tax cancellations or refunds if Council approves the recommendations in this report.

### **Financial Capacity**

#### ***Current and Future Operating Budget:***

The total taxes recommended for cancellation are \$616,624.25. Finance has confirmed that there are sufficient funds to accommodate the tax cancellations for the accounts proposed in Attachment 1 and 2. The total budget for the prior years' property tax cancellations is \$1,000,000. The total budget for municipal tax cancellations proposed in Attachment 2 under the *Non-Profit Tax Mitigation Policy* is an additional \$1,000,000. At this time, no adjustments to future budget allocations are required to meet the tax cancellation requests set out in this report.

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**Assessment and Tax Circumstances Report**

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<i>Type of Tax</i>	<i>2020 Tax Cancellations (This Report)</i>
Property Tax - Non-NPTM Related	\$48,959.77
Property Tax - NPTM Related	\$567,664.48
<b>Total</b>	<b>\$616,624.25</b>

**Current and Future Capital Budget:**

There are no implications to the capital budget, as a result of this report.

**Risk Assessment**

No implications were identified.

**REASON(S) FOR RECOMMENDATION(S):**

Administration is prevented by legislative constraints from (1) making corrections to tax accounts relating to prior years' assessment and tax rolls, and (2) providing tax exemptions to otherwise eligible non-profit organizations whose properties are under construction. The accounts brought forward to Council were identified using the criteria within this report. The tax liabilities and amounts owed will remain as originally billed without Council approval.

**ATTACHMENT(S)**

1. Attachment 1 – List of Tax Cancellations Related to Prior Years' Assessment Rolls
2. Attachment 2 – List of Tax Cancellations Related to the *Non-Profit Tax Mitigation Policy*

List of Tax Cancellations Related to Prior Years' Assessment Rolls

Issue #	Roll Number	Account Address	Tax Cancellation (\$)	Reasons
<b><u>PROPERTY TAX CANCELLATIONS</u></b>				
<b>2018</b>				
<b>1</b>	068247311	15 4 ST NE	\$23,649.16	Category IV: Another City department(s) was notified by the taxpayer of a change to the business and the Assessment business unit was not notified accordingly during the applicable taxation year to correct the assessment.
<b>2</b>	200420560	2825 24 AVE NE	\$1,904.67	Category III: The property or business assessment account was set up in error, and the assessment notice was sent to the wrong party.
<b>2019</b>				
<b>3</b>	055041404	1810 10 Avenue NE	\$3,345.99	Category I: The property owner was not aware and/or was not notified of the change in assessment and so was unable to bring the error to the assessor's attention within the Customer Review Period.
<b>4</b>	068116508	305 10 Avenue SE	\$2,676.99	Category II: The Assessment Business Unit was advised within the Customer Review Period in the year the assessment error occurred but failed to process the correction.
<b>5</b>	070031216	1001 BARLOW Trail SE	\$358.83	Category I: The property owner was not aware and/or was not notified of the change in assessment and so was unable to bring the error to the assessor's attention within the Customer Review Period.

List of Tax Cancellations Related to Prior Years' Assessment Rolls

Issue #	Roll Number	Account Address	Tax Cancellation (\$)	Reasons
6	073989949	374 6220 17 AVE SE	\$106.87	Category I: The property owner was not aware and/or was not notified of the change in assessment and so was unable to bring the error to the assessor's attention within the Customer Review Period.
7	200151322	3625 SHAGANAPPI Trail NW	\$6,330.18	Category II: The Assessment Business Unit was advised within the Customer Review Period in the year the assessment error occurred but failed to process the correction.
8	200411767	2417 53 Avenue SW	\$2,659.37	Category I: The property owner was not aware and/or was not notified of the change in assessment and so was unable to bring the error to the assessor's attention within the Customer Review Period.
9	200411775	2419 53 Avenue SW	\$2,637.86	Category I: The property owner was not aware and/or was not notified of the change in assessment and so was unable to bring the error to the assessor's attention within the Customer Review Period.
10	201610276	340 13 AVE SW	\$4,296.22	Category III: The property or business assessment account was set up in error, and the assessment notice was sent to the wrong party.
11	202351185	9818 15 ST SE	\$550.54	Category III: The property or business assessment account was set up in error, and the assessment notice was sent to the wrong party.
12	202462370	4303 17 Avenue SE	\$443.09	Category I: The property owner was not aware and/or was not notified of the change in assessment and so was unable to bring the error to the assessor's attention within the Customer Review Period.
			<b>\$48,959.77</b>	<b>Total Property Tax Cancellation</b>

List of Tax Cancellations Related to the Non-Profit Tax Mitigation Policy

Issue	Roll Number	Account Address	Tax Cancellation (\$)	Reason
<b>2017</b>				
<b>1</b>	202262887	2775 116 AV NE	\$45,745.61	<p>The municipal property tax cancellation is for Canadian Blood Services/Societe Canadienne du Sang, which meets the criteria for property tax exemption under section 362(1)(n)(iii)(B) charitable and benevolent and owned by a non-profit.</p> <p>The cancellation is from the date of the Building Permit Application on June 21, 2017 to August 31, 2019.</p>
<b>2018</b>				
<b>2</b>	202262887	2775 116 AV NE	\$239,504.74	<p>The municipal property tax cancellation is for Canadian Blood Services/Societe Canadienne du Sang, which meets the criteria for property tax exemption under section 362(1)(n)(iii)(B) charitable and benevolent and owned by a non-profit.</p> <p>This is the same cancellation as above and is from the date of the Building Permit Application on June 21, 2017 to August 31, 2019.</p>
<b>2019</b>				
<b>3</b>	202262887	2775 116 AV NE	\$268,153.16	<p>The municipal property tax cancellation is for Canadian Blood Services/Societe Canadienne du Sang, which meets the criteria for property tax exemption under section 362(1)(n)(iii)(B) charitable and benevolent and owned by a non-profit.</p> <p>This is the same cancellation as above and is from the date of the Building Permit Application on June 21, 2017 to August 31, 2019.</p>

List of Tax Cancellations Related to the Non-Profit Tax Mitigation Policy

Issue	Roll Number	Account Address	Tax Cancellation (\$)	Reason
4	202538385	3910 Seton DR SE	\$13,253.82	<p>The municipal property tax cancellation is for Wellspring Calgary, which meets the criteria for property tax exemption under section 362(1)(n)(iii)(B) charitable and benevolent and owned by a non-profit.</p> <p>The cancellation is from January 1, 2019 to August 31, 2019.</p>
5	040174104	7732 Bowness RD NW	\$1,007.15	<p>The municipal property tax cancellation is for HomeSpace Society, which meets the criteria for property tax exemption under section 362(1)(n)(iii)(B) charitable and benevolent and owned by a non-profit.</p> <p>The cancellation is from the date of the Building Permit Application on March 25, 2019 to August 14, 2019.</p>
			<b>\$567,664.48</b>	<b>Total NPTM Municipal Tax Cancellation</b>



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## **Douglasdale McKenzie Lake Slope Stability Update**

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### **EXECUTIVE SUMMARY**

This report provides an update on TT2015-0816 Douglasdale/ McKenzie Lake Slope Stability and pathway project, as requested by Council in an Administrative Inquiry from the 2019 November 18 Council Meeting.

The value of the work that has been done to date is \$21.6M and the estimated cost at completion is \$28M.

Slope stability and pathway work in the high priority zones is underway and is nearly complete. The two high priority zones are located along a section of regional pathway adjacent to Mt Alberta View (zone 7) and along a section of regional pathway north of 130 Avenue SE (zone 2). Extra work that was not anticipated was undertaken in both high priority zones due to slope movement and conditions.

As the work in the high priority zone is nearing completion (summer 2020), Administration recommends that confidential portions of the TT2015-0816 be released to the public.

### **ADMINISTRATION RECOMMENDATION:**

That the Priorities and Finance Committee direct:

1. That Attachment 2 and Attachment 3, containing materials pertaining to TT2015-0816, Douglasdale McKenzie Slope Report, considered at the 2015 December 14 meeting of Council; remain confidential pursuant to Section 24 (1)(a) and (g) of the *Freedom of Information and Protection of Privacy Act*; and
2. That Council release Attachment 2 and Attachment 3 as a public document once Report PFC2020-0510 is adopted.

### **PREVIOUS COUNCIL DIRECTION / POLICY**

On 2019 November 18, Council approved a \$3M increase in funding and made the following Administrative Inquiry:

#### **ADMINISTRATIVE INQUIRY RE: Douglasdale – McKenzie Slopes Project Update**

In attachment 5a of our 2020 budget adjustment documents there is a line item representing a \$3M transfer to the Douglasdale/McKenzie Slopes project.

1. What is the value of the work that has been done to date and estimated cost at completion of the work?
2. Can Administration return to Council no later than Q1, 2020 to provide an in-camera update of the project authorized by Council in the Douglasdale McKenzie Slope Report (TT2015-0816) with consideration and recommendations as to what of the 2015 report or attachments can be made public immediately following the project update?

On 2015 December 14, Council adopted recommendations and approved funding for the purpose of slope stabilization and repair of The City's regional pathway system infrastructure. An excerpt from the minutes of the regular meeting of Council is included in Attachment 1.

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## **Douglasdale McKenzie Lake Slope Stability Update**

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### **BACKGROUND**

Since the flood of 2005, slope movements on the escarpment east of the Bow River adjacent to the communities of Douglasdale and McKenzie Lake have damaged The City's primary pathway along a 3.5 km section.

The City has worked with Golder Associates (Golder) and Tetra Tech EBA (Tetra Tech) to monitor, investigate and develop remediation options in accordance with the Slope Stability Management Framework. In 2015 August, Golder completed a report entitled *Feasibility Study Bow River Regional Pathway Douglasdale/ McKenzie Lake, Calgary AB*, (Feasibility Study). The Feasibility Study presents recommendations and cost estimates for the long-term stabilization of sections of the slope and remediation of the pathway. The Feasibility Study presents conceptual designs and cost estimates and was attached to report TT2015-0816 which was presented in a Closed Meeting to Council on 2015 December 14. Council adopted recommendations and approved funding for the purpose of slope stabilization and repair of The City's regional pathway system infrastructure.

### **Project Update**

The Feasibility Study divided the pathway into nine (9) zones and categorized them into low, medium, and high priority. A map showing the zones is included in Attachment 4. The most damaged section of pathway was adjacent to Mt. Alberta View SE (zone 7) and was identified as a high priority zone in the feasibility study. Following heavy rains in July 2016, slope failure regressed further and encroached up on and beyond the pathway. The pathway was extensively damaged, and the pathway was closed for safety. Photographs of the site are included in Attachment 5.

Emergency response for slope monitoring and temporary remedial stabilization was initiated. Over 90 shoring piles and 340 micropiles were installed which mitigated regression of the slope failure, provided temporary ground stabilization and facilitated mobilization of construction equipment for the long-term scope of work.

Considering the nature of slope movements in this area (zone 7), the planning, engineering analyses, and construction for long-term stabilization for the entire subject site was undertaken at the earliest opportunity. In 2017 September, final executed agreements were obtained from the homeowners and in 2017 October all easements were registered. Construction for the long-term stabilization commenced in 2017 December. The slope stabilization and associated work consists of over 230 anchored piles, 200 micropiles, retaining wall, habitat restoration and pathway. The work is substantially complete, and the pathway was opened on 2019 September 17. Photographs of the site during and post construction are included in Attachment 6.

The next high priority zone is the zone located north of 130 Avenue (zone 2). Designs for the slope stabilization were completed and the necessary Water Act Approval was received on 2019 February. Construction commenced in 2019 June.

During the course of construction at north of 130 Avenue SE (zone 2), areas with signs of soil movement/cracks and groundwater seepage were observed at the site. Considering the slope movements and groundwater seepage impacts, the design of the slope stabilization was

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upgraded. Construction is on-going, and the construction completion and reopening of the pathway is anticipated for summer 2020. Photographs of the site are included in Attachment 7.

As part of the ongoing slope monitoring program, all other zones of the pathway will continue to be monitored for slope movement as part of the ongoing slope monitoring program. Future work may be required to address other sections of the pathway if there is further regression of the slope and damage to the pathway.

### **INVESTIGATION: ALTERNATIVES AND ANALYSIS**

N/A

#### **Stakeholder Engagement, Research and Communication**

Transportation Infrastructure has been in communication with property owners adjacent to high priority zones during detailed design and construction. Transportation Infrastructure held information sessions and delivered information notices to the residents of Mt Alberta View, Mt Douglas Close and Douglasdale Point. Information is also updated on the project website.

#### **Strategic Alignment**

N/A

#### **Social, Environmental, Economic (External)**

#### **Financial Capacity**

##### ***Current and Future Operating Budget:***

N/A

##### ***Current and Future Capital Budget:***

On 2019 November 18, Council approved a \$3M increase in funding to the project to complete the high priority work on the slope. The work in the high priority zones were impacted due to the changes in the slope conditions at both Mt. Alberta View (zone 7) and north of 130 Avenue SE (zone 2).

The estimated cost at completion for the stabilization and pathway work is \$28 million. The costs to date for the work completed is \$21.6 million.

Future budget may be required to address other sections of the pathway if there is further regression of the slope and damaged pathway. At this time, it is anticipated this would be funded through a hill slides program budget that is set aside to do this work. Small slope stabilization projects are undertaken with available funding and large projects are presented in front of Council for approval.

#### **Risk Assessment**

N/A

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## **Douglasdale McKenzie Lake Slope Stability Update**

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### **REASONS FOR RECOMMENDATIONS:**

1. Administration is providing an update on the slope stabilization and associated work for the high priority zones along a 3.5 km stretch of the regional pathway system east of the Bow River adjacent to the communities of Douglasdale and McKenzie Lake. Construction in the high priority zones is anticipated to be substantially complete in 2020.
2. As substantial completion for the high priority zones is nearing completion, Administration recommends releasing Confidential Attachments to execute release of confidential materials pertaining to TT2015-0816, Douglasdale McKenzie Slope Report, considered at the 2015 December 14 meeting of Council and detailed as follows:
  - a. Attachment 2 - TT2015-0816 Attachment 1 – Feasibility Study Bow River Regional Pathway Douglasdale McKenzie Lake, Calgary AB
  - b. Attachment 3 - TT2015-0816 Attachment 3 – Feasibility Study Boundary, Timeline of Closures and Slope Failures

### **ATTACHMENT(S)**

Attachment 1 – Excerpt from the Minutes of Regular Meeting of Council Held 2015 December 14

Attachment 2 – TT2015-0816 Attachment 1 – Feasibility Study Bow River Regional Pathway Douglasdale McKenzie Lake, Calgary AB (Confidential)

Attachment 3 – TT2015-0816 Attachment 3 – Feasibility Study Boundary, Timeline of Closures and Slope Failures (Confidential)

Attachment 4 – Map of Regional Pathway Showing Zones and Priority

Attachment 5 – Photographs of Site – Mt Alberta View (Zone 7) 2016 Emergency Response

Attachment 6 – Photographs of Site – Mt Alberta View (Zone 7) Slope Stabilization Construction

Attachment 7 – Photographs of Site – North of 130 Avenue (Zone 2) Slope Stabilization Construction

**ATTACHMENT 1:****EXCERPT FROM THE MINUTES OF REGULAR MEETING OF COUNCIL HELD 2015  
DECEMBER 14****9.7     DOUGLASDALE MCKENZIE SLOPE REPORT, TT2015-0816**

ADOPT, Moved by Councillor Demong, Seconded by Councillor Keating, that with respect to Report TT2015-0816, the following be adopted:

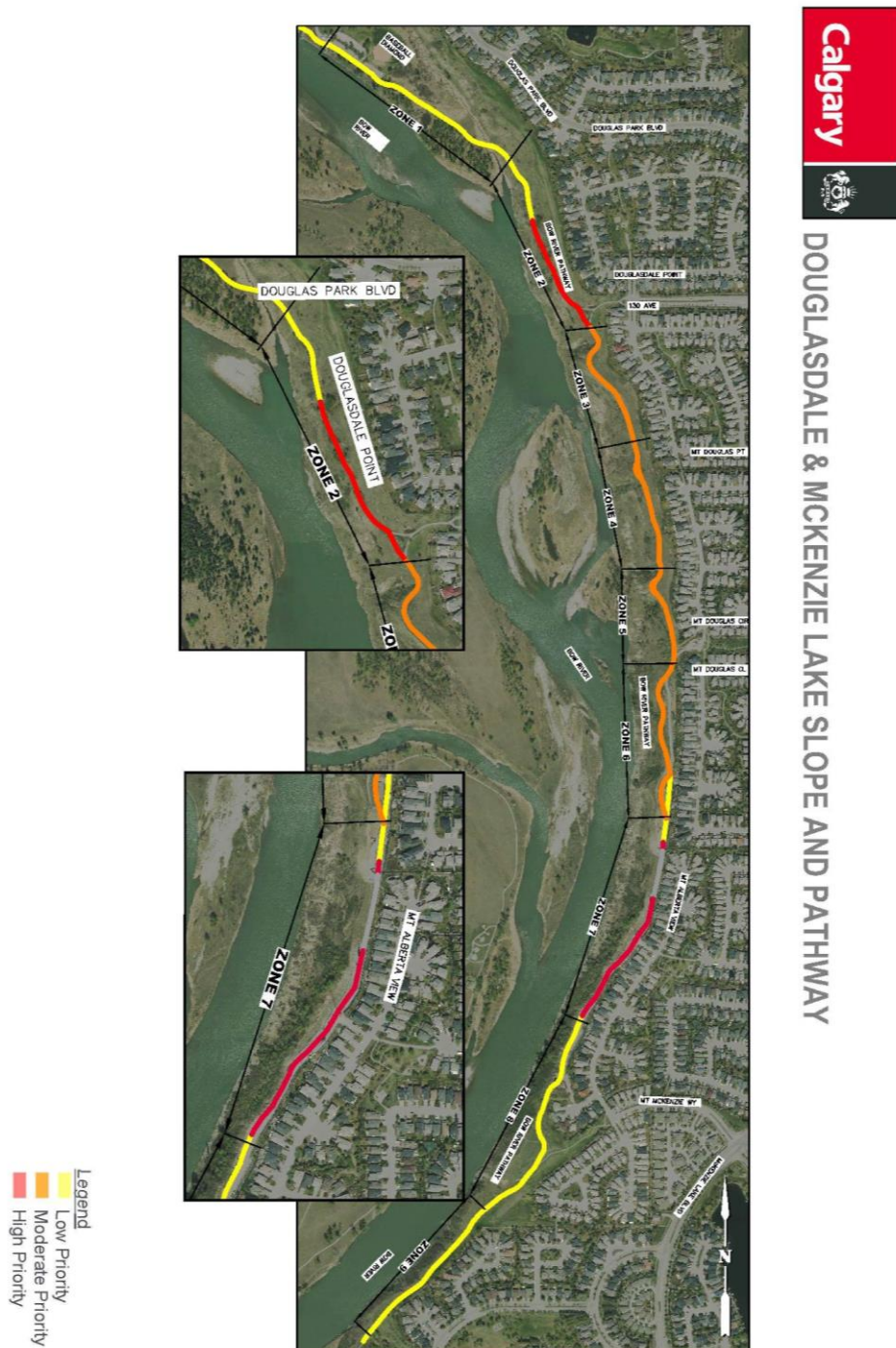
That Council:

1. File the Recommendations contained in Report TT2015-0816;
2. Approve funding from the Reserve for Future Capital Fund to the maximum amount specified in Option 1 outlined in Attachment 2 for the purpose of slope stabilization and repair of The City's regional pathway system infrastructure;
3. Subject to the Director of Roads releasing Attachment 1 to any consultant, contractor or other person he determines requires the same for the purpose of carrying out Option 1 in Attachment 2, direct that Attachment 1 remain confidential pursuant to Sections 24(1)(a) and (g) of the *Freedom of Information and Protection of Privacy Act*, until the project is completed;
4. Direct that Attachment 2 remain confidential pursuant to Section 27(1)(a) of the *Freedom of Information and Protection of Privacy Act*;
5. Direct that Attachment 3 remain confidential pursuant to Section 24(1)(a) of the *Freedom of Information and Protection of Privacy Act*, until the project is completed;
6. Direct that Attachment 4 remain confidential pursuant to Section 17(1) of the *Freedom of Information and Protection of Privacy Act*; and
7. Direct that Administration pursue funding for this project from all other relevant sources and orders of government and further direct that any funding received be reimbursed to the Reserve for Future Capital Fund.

CARRIED



## MAP OF REGIONAL PATHWAY SHOWING ZONES AND PRIORITY







**ATTACHMENT 5:**

**PHOTOGRAPHS OF SITE – MT ALBERTA VIEW (ZONE 7) 2016 EMERGENCY RESPONSE**







**ATTACHMENT 6:**

**PHOTOGRAPHS OF SITE – MT ALBERTA VIEW (ZONE 7) SLOPE STABILIZATION  
CONSTRUCTION**















**ATTACHMENT 7:**

**PHOTOGRAPHS OF SITE- NORTH OF 130 AVENUE SE ( ZONE 2) SLOPE STABILIZATION  
CONSTRUCTION**













