

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

**ISC: UNRESTRICTED
PFC2020-0464**

Public-Private Partnerships (P3) Policy Update

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.

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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.

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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.

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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