

PFC2020 - 0464

Public-Private Partnership Policy Update

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CITY OF CALGARY
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Why Is This Important For Committee and Citizens?

- Define the roles of Council and Administration in the P3 approval process through the P3 Council Policy.
- Guide the internal governance, roles, responsibilities, and processes of assessing, procuring, implementing, and managing P3 projects in a manner consistent with the Council Policy through the Administration Policy.
- 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.
- 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.

P3 Definition

The City has adopted the following definition of a P3:

- **Public-Private Partnership:** 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; or
 - All or any combination of the above.

City Experience

- Since the original approval of the P3 policies The City has procured two P3 projects, both of which are now in operation:
- **Composting Facility Project**
 - Design, Build, Finance, Operate (DBFO): P3 partner designing, building, financing the project throughout construction, and operating the facility for 10 years post-construction
- **Stoney Compressed Natural Gas Bus Storage and Transit Facility**
 - Design, Build, Finance, Maintain (DBFM): P3 partner designing, building, providing long term financing, and facility maintenance for 30 years post-construction
 - The federal government provided grant funding for 25% of eligible capital costs. Substantial completion occurred on January 31, 2019. Bus operations commenced at the facility in March 2019

Research and Stakeholder Engagement

The following due diligence was performed in order to ensure revisions to The City's existing P3 policies were consistent and in line with current industry best practices:

- 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 P3 Council policy and P3 Administration policy;
- Align P3 policies with The City's Administration policies;
- Align P3 policies with The City's capital construction policies including the Corporate Project Management Framework;
- Ensure alignment with government programs; and
- Engagement with internal stakeholders from The City.

Proposed Material Policy Updates

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

Proposed Material Policy Updates

Topic	Policy	Proposed Updates	Original
P3 Finance Workgroup	FA052	'P3 Unit' was removed and replaced with P3 Finance Workgroup which is defined as the Corporate and Innovative Finance Team. Responsibilities were aligned with current practices	P3 Unit was defined and responsibilities were broad with the intention to have a dedicated P3 Unit for The City
P3 Screen	CFO011	Screening Assessment may be waived at discretion of the Director of the SBU	Not included
P3 Project Management	FA052	<ul style="list-style-type: none"> Expanded to include standards for full P3 Project Management such as reporting requirements, monitoring a P3 partner, and asset handback procedures Management of Project Agreement responsibility changed to Sponsoring business unit 	<ul style="list-style-type: none"> Brief paragraph on preparation of an implementation and monitoring plan Supply was responsible for management of the Project Agreement
Procurement	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
Unsolicited Proposals	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

Recommendations

That the Priorities and Finance Committee (PFC):

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).

Reason(s) for Recommendation:

- To align updates in the Council Policy with the approved changes to the Administrative Policy.

Thank You