

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