

March 26, 2012

To: His Worship the Mayor  
and Members of City Council

Re: Executive Committee: Changes to the Regina Administration Bylaw No, 2003-69,  
Schedule D “Purchasing Policy”

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**RECOMMENDATION OF THE EXECUTIVE COMMITTEE  
- MARCH 21, 2012**

That the City Solicitor be instructed to prepare the necessary bylaw to amend The Regina Administration Bylaw No. 2003-69 as outlined in the body of this report.

*EXECUTIVE COMMITTEE – MARCH 21, 2012*

The following addressed the Committee:

Florence Stratton, representing the Friends of the Regina Public Library;  
Jim Elliott, representing the Council of Canadians – Regina Chapter; and  
Joanne Havelock, representing the Friends of the Regina Public Library

The Committee adopted a resolution to concur in the recommendation contained in the report.

Councillors: Louis Browne, Sharron Bryce, John Findura, Michael Fougere, Terry Hincks, Wade Murray and Mike O’Donnell were present during consideration of this report by the Executive Committee.

The Executive Committee, at its meeting held on March 21, 2012, considered the following report:

**RECOMMENDATION OF THE EXECUTIVE COMMITTEE  
- MARCH 7, 2012**

That the City Solicitor be instructed to prepare the necessary bylaw to amend The Regina Administration Bylaw No. 2003-69 as outlined in the body of this report.

*EXECUTIVE COMMITTEE – MARCH 7, 2012*

The Committee adopted a resolution to concur in the recommendation contained in the report.

Councillors: Louis Browne, Sharron Bryce, Fred Clipsham, John Findura, Jocelyn Hutchinson Michael Fougere, Terry Hincks, Wade Murray and Mike O’Donnell were present during consideration of this report by the Executive Committee.

The Executive Committee, at the PRIVATE session of its meeting held on March 7, 2012, considered the following report from the Administration:

### RECOMMENDATION

That the City Solicitor be instructed to prepare the necessary bylaw to amend The Regina Administration Bylaw No. 2003-69 as outlined in the body of this report.

### CONCLUSION

The Administration has determined that a Public Private Partnership (P3) delivery model should be considered as an alternative to traditional procurement, with suitability determined (see Appendix A "Conditions for P3") on a project by project basis. It is important for the City to ensure consistency in its approach to P3 procurement across the organization, and establish a reputation as a reliable sponsor of P3 projects, so that projects will attract competition from the market of service providers. As P3s are a procurement alternative, an amendment is required to the "Purchasing Policy", Schedule D of the Regina Administration Bylaw No. 2003-69.

### BACKGROUND

Public Private Partnerships are increasingly being pursued by all orders of government as an alternative financing source and delivery model for capital assets and associated long-term operations. The City of Regina's five year General Capital Program (2012-2016) has identified \$322 million in unfunded capital needs, and this number does not include major upcoming projects such as the Regina Revitalization Initiative or the Waste Water Treatment Plant. One financing alternative that the City would like to explore is the use of P3s as a means to take advantage of private sector risk transfer, spread costs over the useful life of the assets and allow for additional cost certainty, timeliness of project delivery and improved life cycle asset management. As well, in some cases, access to grants from the other orders of government may be contingent on the project considering a P3 as a method of delivery.

Deloitte was engaged to assist in the preparation of a P3 policy framework and administrative guidelines.

The following terms are used in the P3 framework:

1. **"Public Private Partnership (P3)"** means a long term contractual arrangement between the City of Regina and the private sector to deliver public purpose capital assets and some or all related services by proper allocation of resources, risks, rewards and responsibilities. The private sector will be responsible to design, build, operate and/or maintain the infrastructure and finance a portion of the capital cost of the infrastructure.
2. **"Value for Money (VfM)"** means a balanced assessment of qualitative and quantitative factors. The quantitative assessment of value for money is the difference between the risk-adjusted net costs to the City of traditional delivery and the P3 method using the net present value technique.

3. **“Traditional Procurement”** means the common form of procurement for projects where the owner (City of Regina) commissions consultants to prepare designs and specifications for works that are then tendered and awarded to a contractor for the construction of capital assets.

Public Private Partnerships are an alternative approach to acquiring and operating capital projects and are considered an alternative procurement process; therefore, the P3 framework will be incorporated into the Purchasing Policy, Schedule D of The Regina Administration Bylaw.

## DISCUSSION

A P3 framework describes the City’s approach to making the appropriate procurement model decision. The purpose of this framework is to provide a consistent approach to:

- Identifying, evaluating and pursuing potential P3 opportunities; and
- Decision-making and procurement processes related to P3s.

This P3 framework provides process certainty and clarity for all stakeholders throughout a P3s life cycle by ensuring a consistent framework for selection, evaluation, approval, delivery and monitoring of P3s.

The general objectives of the P3 framework are to:

- a) Accelerate project delivery and advance the capital plan;
- b) Enhance the ability to deliver projects on-time;
- c) Reduce exposure to construction cost over-runs;
- d) Ensure the proper long-term maintenance of assets;
- e) Ensure a high level of customer service;
- f) Encourage innovation and collaboration drawing on the respective expertise and strengths of the public and private sectors;
- g) Reduce overall project risks over the full lifecycle of a project; and
- h) Achieve value for taxpayers.

The City’s traditional “delivery model” for capital projects is to treat the design, construction, and operation and maintenance stages of a project as separate components. In each stage, the City may or may not involve the services of the private sector (e.g. consulting engineers, architects, construction contractors, etc.).

Public Private Partnerships are an alternative approach to acquiring and operating capital projects. P3 delivery entails combining two or more of the project stages into a single bundle, and utilizing a single private sector bidder to deliver the bundle. In addition, the private sector may finance some or all of the capital cost, rather than the City issuing debt. P3s are long term arrangements, incorporating not just the initial construction of a facility, but its ongoing maintenance and/or operations and/or service to the public, depending on the nature of the project. Some of the common P3 models (with increasing levels of private-sector commitment and risk) are as follows:

- Design-build-maintain (DBM);
- Design-build-operate (DBO);

- Design-build-finance-maintain (DBFM);
- Design-build-finance-operate (DBFO); and
- Design-build-finance-maintain-operate (DBFMO).

The names of the models indicate the scope of the services that are bundled together under each structure. For example, under DBO, one competitive process is used to secure a service provider that will design, build, and then operate a facility for many years. The difference between “maintain” and “operate” is that maintain restricts the role of the private partner to physical maintenance of capital asset (e.g. a fire hall), but does not have the private partner delivering programs, products, or services (e.g. firefighting) to the public or the City. The appropriateness of operate versus maintain will vary with each project.

The advantages P3s offer stem from the bundling of tasks and can include the following (depending on the nature of the project, and the form of the P3 model):

Potential Benefit	Description
Bring Construction Forward	P3s spread the cost of capital asset investment over the lifetime of the asset, which avoids the need of the public sector to accumulate funds in advance of initiating a capital project. Also the private sector has strong incentive to complete the project ASAP because it needs the stream of revenues at completion and/or over the operating period to repay the capital costs.
On-Time & On-Budget Delivery	Payments are aligned to the delivery of project outcomes – thus P3s have a solid track record of on-time or early construction completion.
Ensure Assets are Properly Maintained	Well-structured P3s help maintain capital assets by transferring maintenance requirements for a facility to the private partner, making maintenance a contractual obligation of both the City (payment) and the private partner (execution of maintenance and rehabilitation).
Cost Savings and Innovation	Shifting long-term operation and maintenance responsibilities to the private partner creates an incentive to ensure long term construction quality and to optimize lifecycle costs, as the partner is responsible for those costs many years down the road. Experience from several countries has also demonstrated savings from P3s during the construction phase of the contract due to efficiencies and innovation resulting from the full integration of design, construction, operation and maintenance.
Enables Public Sector to Focus on Outcomes & Core Business	Properly structured P3s enable governments to focus on outcomes, instead of inputs. Governments can focus leadership attention on the outcome-based public value they are trying to create.
High Level of Competition across all Stages of the Project	Procurement of P3 projects results in competition on the project design, construction, and operation stages.

The Administration has determined that P3 delivery models should be considered as an alternative to traditional procurement, with suitability determined on a project by project basis. It is important for the City to ensure consistency in its approach to P3 procurement across all departments, and establish a reputation as a reliable and “bankable” sponsor of P3 projects, so that projects will attract competition from the market of service providers. It is important to avoid P3 procurement failure, which typically occurs because of insufficient analysis and lack of consensus-building among stakeholders prior to initiating the procurement process.

### Conditions for P3

A P3 delivery model will only be considered when the following conditions are met. For details of each condition, see Appendix A.

1. The project is aligned with the City’s priorities and strategies serving the community.
2. The public interest is protected.
3. Project risks are diligently identified and effectively shared and managed.
4. Value and affordability is demonstrated.
5. The private sector is appropriately engaged.
6. Public sector employees are fairly treated.
7. Appropriate governance and accountabilities are established.

### **Three Phase Process**

The City has identified a three phase process within the P3 framework as described in detail in Appendix B, which includes:

- Phase 1: The Delivery Model Assessment Process:
  - Screening Assessment;
  - Strategic Assessment; and
  - Value for Money Assessment
- Phase 2: The Procurement Process
- Phase 3: The Contract Management

The process for the Administration to obtain City Council approvals runs in parallel and potentially spans all three phases.

### **Approval Process**

There are at least three key approval points in the progression of a P3 project where endorsement from City Council is paramount for both a public interest and market interest standpoint. These key approval points are at the beginning of the strategic assessment stage of the delivery model analysis process; at the conclusion of the delivery model analysis process should the City wish to proceed with the P3 procurement; and prior to release of the RFP and draft P3 project agreement. The specific approval asks are:

- In the first instance, approval to proceed with the delivery model analysis and expend City resources to carry out the analysis;
- In the second instance, approval to proceed with the P3 procurement and expend City resources to plan and undertake the procurement; and
- In the third instance, approval to delegate authority to the Deputy City Manager for the division responsible for the project to enter into a P3 project agreement with a preferred proponent subject to achieving the project and procurement objectives as determined in the delivery model analysis and subject to the Administration having run an open, fair and transparent P3 procurement process.

The second and third approval from Council could be combined as a single request.

In terms of serving public interest, the first and second approval points ensure political support before expending City resources in terms of staff time and incurring direct costs which can be significant for the planning and implementation of the procurement. The third approval point ensures that the City only enters into a P3 contract that provides value for money and crystallizes risk transfer as defined in the draft project agreement.

From a market perspective, the first approval point is an important signal for the market to begin putting potential bid teams together. Also, senior levels of government that may have a role in funding the project will take comfort in this first approval point as a sign that the City is seriously considering a P3 project. The third approval point is absolutely required by market

before it will invest resources in participating in a procurement process. The third approval point will contribute to a robust procurement as bidders will have the added confidence that the P3 project agreement can be executed so long as the terms are satisfied.

Detailed roles and responsibilities of the City's organizational units in conducting the delivery model assessments and the P3 procurement process are outlined in Appendix B.

### RECOMMENDATION IMPLICATIONS

#### Financial Implications

There are no financial implications to this report.

#### Environmental Implications

None related to this report.

#### Strategic Implications

The P3 policy framework will guide the City's approach to evaluating and pursuing potential P3s. The framework provides process certainty and clarity for all stakeholders throughout the P3s life cycle by ensuring a consistent framework for selection, evaluation, approval, delivery and monitoring of P3s.

#### Other Implications

None related to this report.

#### Accessibility Implications

None related to this report.

### COMMUNICATIONS

Public notice is required as per Section 101(2) of *The Cities Act* considering any report establishing or amending the City's Purchasing Policy.

### DELEGATED AUTHORITY

The recommendations in this report require Council approval.

Respectfully submitted,

EXECUTIVE COMMITTEE

  
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Joni Swidnicki, Secretary

## Conditions for P3

A P3 delivery model will only be considered when the following conditions are met.

### 1. The project is aligned with the City's priorities and strategies serving the community.

- a. The project must meet well-founded community and user needs considering the entire range of possible solutions.
- b. The project must be a priority as determined by the City's capital plan.
- c. The project must be accommodated within both the approved capital plan and the projected operating budget of the relevant department.

### 2. The public interest is protected.

- a. Appropriate public control must be preserved.
- b. Stakeholders have to be appropriately engaged to examine potential impacts of the P3 delivery model on service objectives and quality, affordability, public access, health and safety, user needs, security, privacy and public input.
- c. The community has been appropriately informed about the project and the obligations of the City and the private sector partner through a well-defined communication process.
- d. The private sector has to be committed to deliver the desired service outcomes through clear and enforceable performance specifications.
- e. Appropriate mechanisms have to be established to address changing needs of the community over time.
- f. Provisions must be made for monitoring, dispute settlement mechanisms and contract termination.

### 3. Project risks are diligently identified and effectively shared and managed.

- a. Key project risks have to be identified and analyzed to establish a cost-effective mitigation strategy and to ensure continuous and effective risk management.
- b. Project risks have to be allocated in alignment with the project goals to the party (i.e. the City or the private partner) who can best manage them. When appropriate, risks have to be shared to accomplish the project goals.
- c. The contracted project risk allocation between public and private sector has to be clear, transparent and enforceable.

**4. Value and affordability is demonstrated.**

- a. The selected P3 delivery model must provide better value over the project lifecycle than traditional delivery methods considering risk transfer, transaction costs, and opportunities for innovation, economic growth, and community issues.
- b. The City's financial capacity to fund the project over the long term has to be demonstrated.

**5. The private sector is appropriately engaged.**

- a. Strong private sector interest, confidence and participation have to be promoted by transparent, effective and timely project assessment and authorizations.
- b. The P3 procurement process and outcome have to be competitive, equitable, transparent, accountable and timely.
- c. Subject to the City's access to information and privacy information legislation, the right to commercial confidentiality of the private partner must be respected.

**6. Public sector employees are fairly treated.**

- a. Public bodies must ensure that public-sector employees who agree to work for private partners have working conditions that are equivalent to those offered within their current work environment.
- b. All current obligations as stipulated under The Trade Union Act such as collective bargaining rights must be transferred to the private partner.

**7. Appropriate governance and accountabilities are established**

- a. Public sector accountability for service delivery must be maintained;
- b. Depending on the size of the project, the Executive Committee will have the governance and oversight function;
- c. A multidisciplinary project team, led by a project manager, assesses, procures, delivers, monitors and reports on the P3 and has to be tailored to the differing needs of each phase of the P3 process;
- d. An Administration/Internal Steering Committee will be established to provide strategic direction and ensure that the project team has adequate resources and direction for project delivery; and
- e. An Independent Fairness Advisor (external to the City) may be appointed to observe the P3 procurement process reporting to the Steering Committee. At minimum, the final RFQ and RFP fairness advisor reports are provided to the City Manager. In turn, the City Manager reports final results of the Fairness Advisor's review to Council.



## Delivery Model Assessment Process

There are three levels of assessment that may be applied to determine if a project should be approved for P3 delivery, described as follows:

Assessment Level	Description	Possible Outcomes
1 - Screening Assessment	High-level comparison of project characteristics against criteria to assist in determining potential suitability of a project for P3 delivery.	Opportunity Paper 1. Flag as potential P3 project 2. Flag for traditional procurement
2 - Strategic Assessment	A more detailed 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.	Strategic Assessment Report 1. Recommendation for traditional procurement 2. Recommendation to procure project as a P3, including recommended P3 delivery model 3. Recommendation to undertake Value for Money Assessment prior to deciding on delivery model
3 - Value for Money 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.	Value for Money Report 1. Recommendation for traditional procurement 2. Recommendation to procure project as a P3, including recommended P3 delivery model

As shown, it may be possible for a project to proceed to P3 procurement without undertaking a *value for money* assessment, but no project should proceed to P3 procurement without a strategic assessment.

A project has to be analyzed with a *value for money* assessment if the strategic assessment does not provide clear direction, and/or if the project is sufficiently large, strategic, or publicly-contentious (with respect to delivery model and/or project scope) that it deserves the highest level of analysis possible. It is expected that the City will wish to subject all potential P3 projects to a *value for money* analysis until it gains a degree of comfort with making the decision strictly at the strategic level.

If a project proceeds as a P3, it is common practice to continue to update the *value for money* analysis at certain stages of the procurement process, with a final update after the bid is awarded to document value achieved.

### Screening Assessment

Delivery model screening is the comparison of capital projects against relevant high-level criteria to determine if a project is a candidate for a P3 delivery model. If the screening indicates that a project may be suitable for P3 procurement, then it may be examined in greater detail in the strategic assessment. Projects should be screened against the P3 delivery model screening criteria early (ideally, as they are

identified and added to the queue of potential projects in each department's capital plan) so that a shortlist of potential P3 projects can be maintained, and so the delivery model assessments can be conducted in a timely manner that is integrated with the capital planning process.

Following are the **P3 project screening criteria** that each project should be screened against.

Criteria Category	Criteria
Demand	<ul style="list-style-type: none"> <li>Are the long term operation or service needs and performance requirements relatively stable and/or predictable?</li> </ul>
Duration and Technological Change	<ul style="list-style-type: none"> <li>Is the capital asset of an enduring, long-lived nature and is the service life of the asset at least 20 years?</li> <li>Is there a significant long term maintenance, operation, or service need associated with the capital project?</li> <li>Are the capital asset and service needs sustainable and the risk of technological change minimal over the entire service life of the P3?</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, which may lead to cost efficiencies?</li> </ul>
Legal Barriers	<ul style="list-style-type: none"> <li>Is the proposed P3 approach or the provision of the service free of any potential legal conflict with legislative or regulatory prohibitions or substantial restrictions (that cannot be changed in the short term)?</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 proposals for P3-style delivery of the project, or similar projects?</li> <li>Does the private sector have the expertise and capacity to deliver on the performance specification?</li> </ul>
Procurement	<ul style="list-style-type: none"> <li>Is there enough time available for a P3 procurement process?</li> </ul>
Availability Payments, Revenue Potential, Affordability	<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 partner, which can be also tied to performance?</li> <li>Does the City have the financial capacity to undertake the project?</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 capital 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 economies of scale and 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>
Project Stage	<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, affect any current City staff positions?</li> </ul>

If all the answers to these criteria are “YES”, 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. Any “NO” answers point to areas that would need to be further investigated and/or addressed to make the project suitable for a P3.

Some of the screening criteria are quite straightforward, based on a comparison of readily-available project characteristics as developed through the traditional capital project planning process. However, some of the screening criteria require an understanding of a range of P3 delivery models, knowledge of the market of P3 service providers, and judgment based on experience.

As a result, it may take some time for a sponsoring department to build the experience “in-house” to successfully apply the criteria on a routine basis and come to the appropriate conclusion. In the meantime, consultants and advisors experienced in P3 projects (P3 advisor) can assist in the application of the criteria. Technical advisors (engineers, architects, quantity surveyors) may also provide useful input to the application of screening criteria.

### **Strategic Assessment**

The strategic assessment may be thought of as a preliminary delivery model assessment. It requires the project to be relatively well-defined, and a planning-level cost estimate (order of magnitude) should be available. The main components of the strategic assessment are as follows:

- Business need and strategic alignment;
- Project description through the full project 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 comparison of traditional and P3 delivery models against multiple qualitative criteria/objectives that the City has for the project (e.g. environmental, social, timeliness, cost, service quality, flexibility, etc.);
- Business and operational impacts of the project including a preliminary list of P3 models to be considered for the project (or project components) based on the optimal risk allocation;
- A review of any project-specific objectives or constraints the City may have;
- A *qualitative* risk assessment, which:
  - identifies risks (over the full project life cycle) that are of importance in selecting a delivery model for the project;
  - identifies which party (i.e. City or private partner) is best able to manage each risk (or, which party is typically responsible for this risk in a P3 arrangement);
  - for each risk, assesses the risk (i.e. likelihood and severity) the project is exposed to under both traditional delivery, and the P3 models under consideration;
- 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 Value for Money 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 determination of the preferred P3 delivery model based on the findings of the preceding steps; and
- Conclusions and recommendations, which include a distillation of the above into a determination of preferred delivery model for the project (i.e. either traditional, or the preferred P3 model).

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.

However, it may be determined that more definitive information is required to finalize the decision between traditional delivery and the preferred P3 delivery model. This may be the case for very large, highly strategic, or publicly-sensitive projects, where selection of an unfamiliar delivery model needs the most support possible. It is also more relevant for P3 models that include a component of private financing, i.e. DBFM, DBFO and DBFMO, or projects that have a senior government funding need.

### ***Value for Money Assessment***

The *value for money* 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 *value for money* 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 optimum approach. However, the *value for money* results should be considered alongside the strategic findings, because while the *value for money* approach is a highly illustrative tool, it is not perfect and should not be considered in isolation.

The *value for money* 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 level or better. However, 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.

The general methodology for a *value for money* assessment is as follows:

1. Quantify the risks both retained by the City and transferred to the private partner for the traditional model and the P3 delivery model;
2. Determine the life cycle cost of traditional delivery of the project (including design, construction, operations, maintenance, and rehabilitation) including the cost of quantified risks. This is referred to as the *Public Sector Comparator (PSC)*;
3. Similarly, determine the life cycle cost of the P3 delivery model including the cost of quantified risk. This is referred to as the *shadow bid*;
4. Compare the *PSC* to the *shadow bid* to determine “*value for money*”, if any, offered by the *shadow bid*.

The main components of the *value for money* 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 *value for money* assessment should be focused on one specific P3 model in most cases);
- 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 magnitude of project risks under traditional procurement; and
  2. Quantifies as best possible the likelihood and magnitude of project risks under P3 delivery (the likelihood and magnitude of some risks may change due to risk transfer to the private 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 value for money assessment and/or the overall conclusions. This may sometimes be done as part of the strategic assessment;
  - Development of a cash flow model for the *PSC*;
  - Development of a cash flow model for the *shadow bid*;
  - An analysis of the difference between the *PSC* and the *shadow bid*, resulting in an assessment of *value for money*; and
  - A distillation of strategic factors and *value for money* to select the recommended delivery model, which may be traditional or a P3 model.

## Roles and Responsibilities

Following are the specific roles and responsibilities of the City's organizational units in conducting the delivery model assessments, and in the P3 procurement process.

Organizational Unit	Roles and Responsibilities
<b>City Council</b>	<p><b>Planning</b></p> <ul style="list-style-type: none"> <li>• Approves capital budget, which identifies potential and approved P3 projects</li> <li>• Approves the Administration to undertake P3 delivery model assessment for potential P3 projects</li> <li>• Approves the Administration to proceed with P3 procurement of specific projects and award subject to meeting certain requirements</li> </ul>
<b>Deputy City Manager of the Sponsoring Division</b>	<p><b>Planning</b></p> <ul style="list-style-type: none"> <li>• Provides Council with information on potential P3 projects</li> <li>• Ensures Council's decisions and policies with regard to P3 projects are executed</li> </ul> <p><b>For Approved P3 Projects</b></p> <ul style="list-style-type: none"> <li>• Provides Council with information on approved P3 projects</li> <li>• Ensures Council's decisions and policies with regard to P3 projects are executed</li> </ul>
<b>Finance Department of the Corporate Services Division</b>	<p><b>Planning</b></p> <ul style="list-style-type: none"> <li>• Maintains database of City P3 projects and delivery model assessments</li> <li>• Assists departments with delivery model assessments</li> <li>• Monitors/scans capital budget to ensure all potential P3 projects have been identified</li> <li>• Provides input to delivery model business assessments, particularly with regard to accounting and financial matters</li> <li>• Develops a repository of P3 best practices, policies, and procedures</li> <li>• Coordinates the procurement of outside P3 advisors</li> </ul> <p><b>For Approved P3 Projects</b></p> <ul style="list-style-type: none"> <li>• Assists departments with P3 procurements</li> <li>• Updates financial plan in accordance with P3 commitments</li> <li>• Makes payments to private partners as authorized by sponsoring departments</li> </ul>
<b>Sponsoring Division</b>	<p><b>Planning</b></p> <ul style="list-style-type: none"> <li>• Screens projects in capital plan to identify potential P3 projects</li> <li>• Conducts screening assessments to identify potential P3 projects</li> <li>• Conducts strategic assessments and value for money assessments to determine project delivery models</li> <li>• Assess internal capacity and capability to implement the P3 procurement</li> </ul>

## Organizational Unit

## Roles and Responsibilities

**For Approved P3 Projects**

- Plans P3 procurements for approved P3 projects
- Implements procurement of approved P3 projects
- Implements P3 contracts
- Monitors P3 private partner performance and approves payments

**Office of the City Solicitor****Planning**

- Provides input to delivery model assessments, particularly with regard to the City's ability to transfer certain responsibilities and risks
- Provides legal advice to sponsoring departments on contract and other legal issues
- Coordinates the procurement of outside legal advisors
- Provide risk management and insurance advice

**For Approved P3 Projects**

- Provides legal advice to sponsoring departments on structuring and evaluation of legal terms for P3 projects
- Provides assistance to sponsoring departments during procurement and implementation phases of P3 projects

**Human Resources,  
Corporate Services Division****Planning**

- Provides input to delivery model assessments, particularly with regard to human resources and collective agreement issues

**For Approved P3 Projects**

- Develops and implements any necessary staff transition plans

**Communications Branch,  
Governance & Strategy****For Approved P3 Projects**

- Develops and implements project-specific external and internal communication plans

## Procurement Process

The City of Regina is committed to an open, fair, and transparent P3 procurement process. The aim is to create a robust competition and generate value for money for taxpayers. The procurement process will be in line with the Purchasing Policy for The City of Regina (Bylaw 2003-69 Schedule D).

The P3 procurement process will be subdivided into a Request for Qualifications (RFQ) stage, a Request for Proposals (RFP) stage, and a closing stage leading to project implementation. The process will be managed and administered by the City employing dedicated resources:

During the **RFQ stage** the City will develop and issue the RFQ document, hold group information meetings with potential respondents (depending on the nature of the project), receive and evaluate submissions, conduct interviews (depending on the nature of the project) and as the key output of the RFQ stage short list two to three respondents. The RFQ stipulates the P3 deal structure as determined through the delivery model assessment process. The RFQ stage officially signals the intent to proceed with the P3 project and markets the project to a wide audience to create a robust competition. The RFQ stage allows interested parties to assemble the requisite resources and form teams as appropriate, requests respondents to demonstrate their technical and financial capability and capacity to assume the role and responsibilities required by the P3 contract. Based upon pre-established evaluation criteria, respondents are evaluated and ranked. The top two to three respondents will be selected as proponents to respond to the RFP.

During the **RFP stage** the City will develop the RFP documents and draft project agreement, issue them to the proponents, provide additional documentation and addenda if needed, hold pre-scheduled bi-lateral meetings to discuss the project agreement, hold pre-scheduled bi-lateral meetings to discuss technical project issues, update the RFP and project agreement as deemed necessary, and receive and evaluate proponent submissions. The output of the RFP process will be the selection of the preferred proponent. The RFP stage allows the proponents to access all relevant project related information and provides them with the opportunity to develop their technical and financial proposals.

A multi-staged RFP submission process that includes preliminary technical submissions and a final submission including the financial offer is preferred. The preliminary submission(s) will provide early feedback to proponents and minimize the possibility of unacceptable technical proposals as well as optimize the effort expended by the proponents. Preliminary technical proposals should be evaluated on a pass-fail basis as referenced to the project specifications (part of the project agreement) with failing aspects to be addressed in the final submission. Then, among the proponents with acceptable technical proposals, the preferred proponent is selected based on the best financial proposal. For projects with significant potential for qualitative added value a scoring system may be used to evaluate the technical proposals rather than a pass/fail approach.

During the **Closing stage** the City and the preferred proponent will execute the P3 project agreement and close the financing.

Throughout the P3 procurement process an **Independent Fairness Advisor** will ensure that the transaction is conducted fairly and consistently. The Fairness Advisor will ensure that all interested parties, respondents and proponents have the same opportunity made available to them to access information and that pre-established evaluation criteria and evaluation processes are followed and the evaluation criteria and process are consistently applied to all submissions.



## Contract Management

The importance of P3 project agreement (contract) management to the success of the City's P3 projects, and to the partnership between the City and its P3 contractors, should not be underestimated. P3 contract management is all about having effective mechanisms in place to manage the implementation and execution of the P3 contract to ensure the contract performance requirements are met.

Responsibilities and tasks that need to be undertaken when carrying out P3 contract management can be divided into the following process groups:

- **Relationship management** involves the development of processes to ensure accountability and to manage the relationship between the City and the P3 contractor. Relationship management ensures management of stakeholders' expectations, trust and attitudes, facilitates communication and information sharing, allows relationship assessment and enables early and effective dispute resolution.
- **Service delivery management** can be described as the systems and procedures designed to manage risk and performance. Risk management involves keeping the exposure of the project to any potential threats at an acceptable level by taking appropriate action. Performance management is concerned with ensuring that the P3 project remains affordable for the City and manages service delivery, value for money, quality and performance.
- **P3 contract administration** relates to the execution of the administrative processes required to ensure that both the City's and the contractor's obligations, as dictated by the contract, are being met. P3 contract administration can be subdivided into processes related to variation management, performance monitoring and effective financial administration:
- Variation management relates to the contractual mechanisms which enable changes to the P3 contract to be made. Such changes may be necessary as a result of a change in circumstances that could not be anticipated or quantified when the P3 contract was signed. Variations may involve changes to works, services or the form of delivery.
- Contractor performance monitoring are the procedures for measuring and documenting the performance of the P3 contractor against the contractual performance measures that are the basis for payment to the contractor and which define the service quality received by the public and/or the City.
- Effective financial administration involves the development of systems and procedures to make and receive financial payments, and to keep records of financial transactions. In preparing the P3 contract, the City should include procedures for: making payments to the P3 contractor; administering penalty deductions; calculating inflation; dealing with late payments; and receiving performance reports linked to payments.

To facilitate effective P3 contract management, the City will develop a contract management plan. The contract management plan sets out a summary of the proposed systems and procedures for variation management, P3 agreement maintenance and/or performance monitoring and financial administration and the roles and responsibilities of the City of Regina and the contractor in relation to these processes. The plan will define processes which are able to assure

- a) Measuring the outputs/performance of the P3 contractor;
- b) Monitoring and controlling the implementation of the P3 contract;

- c) Liaising with the contractor;
- d) Resolving disputes and differences with the contractor;
- e) Generally overseeing the day-to-day management of the P3 contract; and
- f) Reporting annually on the performance of the P3 contractor.

The City must ensure that the contract management plan is effectively implemented, and that the P3 agreement management team has the resources and expertise necessary to deliver the plan.