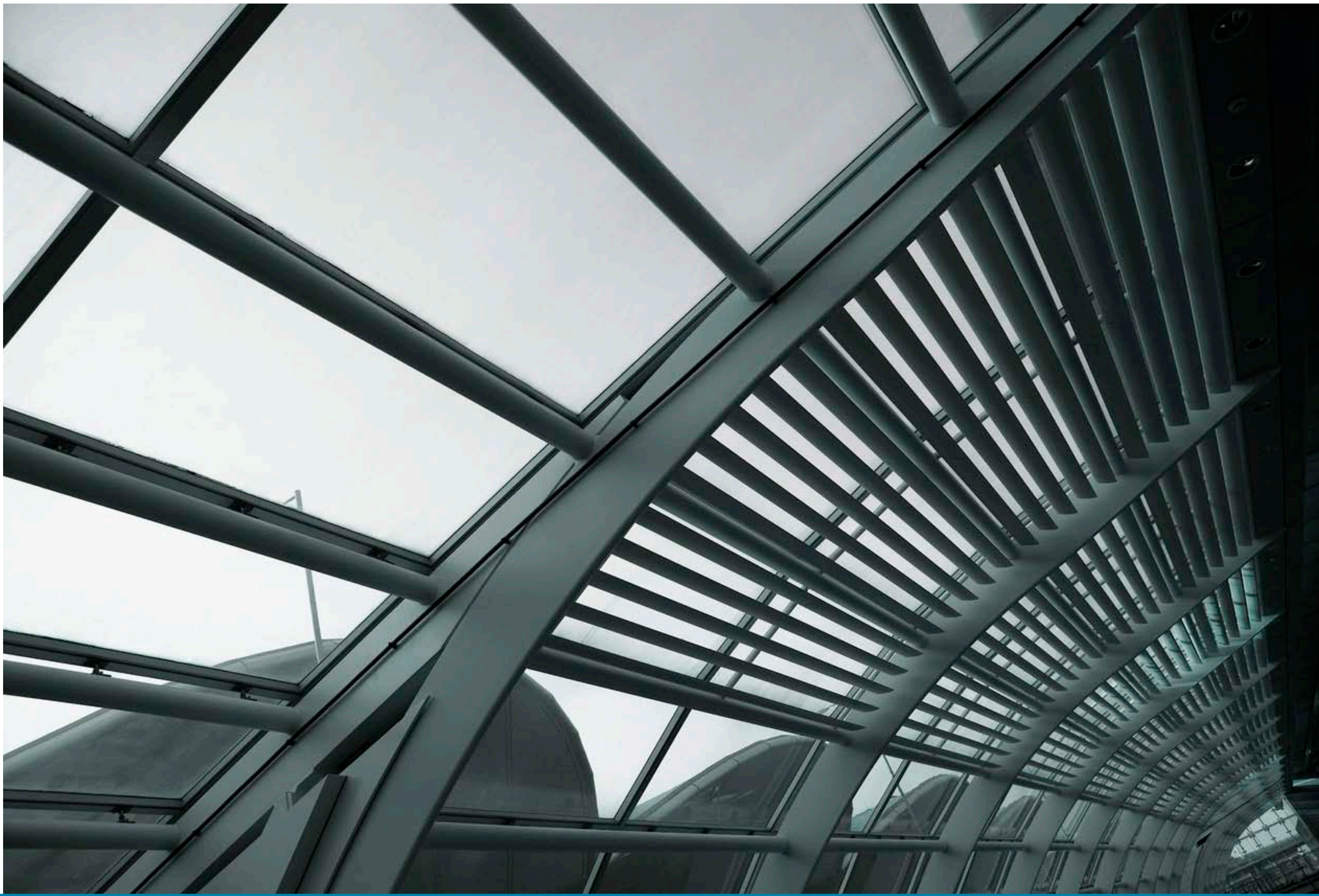

Alberta Treasury Board

March 2011

ALBERTA'S PUBLIC-PRIVATE PARTNERSHIP FRAMEWORK AND GUIDELINE

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Chapter 1

INTRODUCTION TO ALBERTA'S PUBLIC-PRIVATE PARTNERSHIP FRAMEWORK AND GUIDELINE

1.1 Introduction

Alberta's Public-Private Partnership Framework and Guideline is intended to be used as a guide within the Government of Alberta (GOA) in assessing capital projects for potential public-private partnerships (P3) procurement and, after the appropriate approvals, in procuring a capital project as a P3. The Framework and Guideline outlines Alberta's principles for P3s and the assessment and procurement frameworks for P3 projects. The P3 frameworks are consistent with and should be used with Alberta's Capital Planning Manual that guides the capital planning process.

The Framework and Guideline is designed to assist government of Alberta public servants and elected officials with assessing potential P3 projects and delivering them in accordance with established practices in the province.

1.2 Applicability

This Framework and Guideline applies to P3 projects of Government of Alberta (GOA) ministries and Supported Infrastructure Organizations that:

- require GOA capital and/or operating financial support;
- involve private financing; and
- are for the provision of capital assets and associated long term services.

Municipalities, housing authorities and other not-for-profit organizations not requesting provincial funding are not required to follow these principles but are encouraged to let these principles guide their P3 projects.

1.3 Development

This Framework and Guideline replaces the management frameworks developed by Infrastructure and Transportation in 2006. The update was done by the Alternative Capital Financing Office in the Strategic Capital Planning Division of Alberta Treasury Board and includes significant input from ministries with P3 experience.

1.4 Layout

The Framework and Guideline is divided into six chapters and sixteen appendices:

CHAPTER ONE: INTRODUCTION TO ALBERTA'S P3 FRAMEWORK AND GUIDELINE

Explains the Framework and Guideline's purpose, identifies departmental contacts and provides information on amendments.

CHAPTER TWO: PUBLIC-PRIVATE PARTNERSHIPS IN ALBERTA

Provides a definition of public-private partnerships (P3s), how P3s came to be used by the GOA and provides an overview of the characteristics of a traditional procurement approach and a P3 approach.

CHAPTER THREE: PUBLIC-PRIVATE PARTNERSHIP MANAGEMENT FRAMEWORKS

Provides the framework objectives and a brief overview of the P3 frameworks and their integration with the capital planning framework.

CHAPTER FOUR: PUBLIC-PRIVATE PARTNERSHIP PRINCIPLES

Sets out the principles that guide the assessment and procurement of P3 projects. The frameworks are consistent with the principles, but when the frameworks do not provide specific guidance, the principles will lead P3 decisions.

CHAPTER FIVE: MANAGEMENT FRAMEWORK: ASSESSMENT PROCESS

Sets out the assessment process to evaluate capital projects for P3 potential. There are three main steps in the assessment process: an initial assessment, an Opportunity Paper and a Business Case.

CHAPTER SIX: MANAGEMENT FRAMEWORK: PROCUREMENT PROCESS

Sets out the procurement process for Alberta public-private partnership projects.

APPENDICES

Contains policy documents, committee terms of reference, templates and processes which support public-private partnerships (see Table of Contents for a complete list).

1.5 Amendment Protocol

On occasion amendments will be made to this Framework and Guideline to update information or to expand on existing material. The most current version of this Framework and Guideline is available on the Alberta Treasury Board website (www.treasuryboard.alberta.ca).

If you have a question that is not covered in this Framework and Guideline, or suggestions for additions or clarifications, please contact the Executive Director, Alternative Capital Financing Office, Ministry of Treasury Board.

1.6 Tips on how to use this Framework and Guideline

This Framework and Guideline employs a user-friendly numbering protocol for ease of navigation and reference. Updates will be made by the Alternative Capital Financing Office, and to ensure users are looking at the most current version of the Framework and Guideline, a date-stamp can be found in the footer section of each page.

At the front of the Framework and Guideline is a Table of Contents as well as an Index of the figures and tables contained in the Framework and Guideline. The final section is a glossary that lists and defines terms and acronyms used in the Framework and Guideline.

Chapter 2

PUBLIC-PRIVATE PARTNERSHIPS IN ALBERTA

2.1 Definition of Government of Alberta P3s

For the purposes of GOA capital projects, a P3 is defined as an infrastructure project in which a private contractor provides some or all of the financing for the project; designs and builds the project, often providing operations and maintenance for the project, and receives payments from government over an extended period of time, subject to deductions for failing to meet contractually defined performance standards. The interplay between design, construction, operations and maintenance and performance creates an "extended warranty" over the term of the contract.

In a P3, one contractor is responsible for designing, constructing, maintaining and, for some types of infrastructure, also operating the asset for an extended period of time. The contractor must construct and maintain the facility to specified standards or the province can make deductions from its payments to the contractor. By bundling the services, the public sector gets, in effect, an extended warranty as the contractor is responsible for all aspects of the infrastructure over the agreement term. The public sector also gets the benefit of oversight from the private financiers. The financiers want to be repaid and earn their returns so they also provide project oversight to ensure the contractor's obligations under the project agreement are fulfilled. This oversight benefits both the financiers and the public sector.

For Alberta P3 projects, the public sector retains ownership of the infrastructure and remains accountable for providing services to Albertans. In this regard there is no difference between infrastructure procured either through a traditional or a P3 approach. For example, school boards own the schools procured under the Alberta Schools Alternative Procurement P3 project and deliver education as they do in any other school in the boards' jurisdictions.

2.2 Different Forms of P3 Agreements

For the GOA to classify a project as a P3 it must include some private financing, integration of design, construction and often operation/maintenance, risk sharing, a performance-based contract and payment over time for performance. The GOA does not include a design-build approach in its definition of P3s as it does not include private financing which helps to enforce the risk transfer defined in the agreement.

2.3 Background of P3s in Alberta

The Financial Management Commission[1] recommended that GOA and Supported Infrastructure Organizations (SIOs) should be allowed to enter into alternative funding arrangements for capital projects, under specific conditions and with appropriate guidelines in place. The GOA accepted this recommendation and amended the *Fiscal Responsibility Act* to allow alternative financing for government-owned capital projects. Previously all capital spending was funded on a pay-as-you-go basis. The *Fiscal Responsibility Act* was further amended in

[1] Recommendation 8 of "Moving from Good to Great – Enhancing Alberta's Fiscal Framework". Alberta Financial Management Commission, July 8, 2002, http://www.finance.alberta.ca/publications/other/2002_0708_fmc_final_report.pdf

2008 to clarify that alternative financing may be used both for GOA owned capital projects and for GOA supported projects owned by school boards, Alberta Health Services and post-secondary institutions.

On February 11, 2003 Cabinet established a process for approving capital projects and alternative financing of capital projects, including P3s (see Appendix A.1 for the Approval Process). Alternative financing can take different forms and could include P3s, capital leases, capital bonds and other borrowing. Under the process approved by Cabinet, an Advisory Committee on Alternative Capital Financing (the "Committee") was established and announced on May 21, 2003. The Committee's primary role is to provide recommendations to Treasury Board Committee on proposals for alternative financing for capital projects. (See Appendix C.5 for the Committee's Terms of Reference.) The Committee consists of private sector individuals with expertise in areas such as finance and investment management, real estate development and commercial law.

The Alternative Capital Financing Office (ACFO) was established in June 2007. The role of ACFO is to:

- Collaborate with stakeholders and other ministries and jurisdictions to develop opportunities to pursue alternative financing options such as P3s and implement where cost effective and feasible; and
- Lead the development of P3 guidelines to provide consistent standards, policies and accountabilities across capital projects and ministries.

2.4 Traditional and P3 Procurement

2.4.1 Traditional Procurement

In the past, Alberta Infrastructure and Alberta Transportation have used the traditional procurement model (design/bid/build model) to deliver priority infrastructure projects for government-supported and government-owned infrastructure. In this model, the government generally funds 100 per cent of the facility either by providing a capital grant to the SIO (partial funding, for post-secondary institutions) or by making progress payments for its own infrastructure. This traditional approach involves extensive design work before the project is procured and there is limited project-related risk transferred to a private contractor. Formal sets of guidelines and procedures are used throughout the three-stage process of planning, designing and implementing.

2.4.2 P3 Procurement

Experience within Alberta has shown that the Alberta P3 model may be most appropriate for capital projects with significant ongoing maintenance requirements. For these projects, the contracting entity can offer project management skills, innovative design and risk management expertise that can bring substantial benefits. Properly implemented, a P3 helps to ensure that desired service levels are maintained, that new services start on time, facilities are completed on budget, and that the assets built are of sufficient quality that will be maintained to a contracted quality over their service life. A P3 ensures that contractors are bound into long-term operational contracts and carry the responsibility for the quality of the work they do[2].

The benefits from a P3 are not automatic, but result from a well-planned and rigorously appraised business structure, procurement process and contract administration. The criteria and procedures for identifying and approving P3 projects are set out in this document to ensure that only suitable projects are selected for this process. Extensive planning and document preparation work is required for a successful P3 project.

The GOA has gained experience with P3 methods through the Edmonton and Calgary Ring Road design, build, finance, operate contracts and the design, build, finance, maintain contracts of the Alberta Schools Alternative Procurement projects to build schools in Edmonton, Calgary and surrounding areas.

2.5 Government of Alberta P3s

A GOA P3 contract has the following characteristics:

- The provision or enhancement of capital assets and associated services by a private sector "operator";
- A long term service contract between the public sector body and the operator;
- Monthly payments which cover investment, operations, maintenance and/or services;
- The integration of design, building, financing and often infrastructure operations and maintenance by the operator;
- The allocation of risk to the party best able to manage and price the risk;
- Service delivery measured against performance standards set out in a performance or output specification; and
- A performance related payment mechanism, where payments are reduced for poor or inadequate performance.

Because a P3 is often characterized by a long term whole-of-life commitment by the private sector to deliver and maintain new or expanded public infrastructure, it will only be suitable for certain types of projects. The feasibility of any potential P3 must be assessed to ensure that its use is appropriate in the given circumstances.

[2] "Review of Operational PFI and PPP Projects". 4Ps (now Local Partnerships), HM Treasury, UK, 2005 http://www.localpartnerships.org.uk/UserFiles/File/Publications/review_of%20_operational_PFI_PPP_schemes.pdf

Chapter 3

PUBLIC-PRIVATE PARTNERSHIP MANAGEMENT FRAMEWORKS

3.1 Framework Objectives

The objectives of the public-private partnership frameworks are:

- To guide the GOA approach to assessing and approving public-private partnerships (P3s) for capital infrastructure projects. The framework is intended to set the principles around which P3s are conducted in Alberta while allowing sufficient flexibility to appropriately structure individual projects;
- To ensure decisions on using P3s are made based on a value for money assessment consistently applied to all potential projects. A P3 approach should be cost-effective over the life of the proposed agreement as measured using a methodology that is consistent for Alberta projects;
- To ensure that all GOA P3 projects use a consistent approach using the approved Alberta method. Alberta has an approved P3 procurement approach and documentation that have delivered successful projects. In addition, potential bidders understand Alberta's documents and approach. The framework requires a consistent approach be used but allows for differences required for different types of infrastructure projects. The framework also allows changes to the methodology provided appropriate approvals are obtained; and
- To ensure that the approval process is understood and followed. P3s usually result in long-term contracts that obligate the province to make payments over a number of years. Given the potential implications of these long-term projects a formal approval process that includes Treasury Board Committee and Cabinet has been developed. Understanding the approval process and allowing sufficient time in the procurement to obtain the required approvals will help ensure timely completion of P3 procurements.

By establishing this P3 framework the GOA is defining what it considers a P3, setting out the principles on which P3 projects are based, establishing key criteria for projects that could be considered for P3 procurement, setting out the approval and procurement processes and defining key areas where judgment needs to be applied.

Identifying and delivering successful P3 projects depends on the cooperation and knowledge of a number of employees within various ministries with a range of skills. The initial identification of potential P3 projects commences with the Capital Planning Process (as set out in the Capital Planning Manual used internally by GOA). The Capital Planning Process is a key starting point for identifying potential P3 projects and evaluating them in a timely manner.

3.2 Framework Components

Alberta's P3 frameworks include P3 principles, an assessment framework and a procurement framework that interact with and are consistent with the Capital Planning Framework (set out in Alberta's internal Capital Planning Manual). The four inter-related components are (see Figure 1):

3.2.1 Alberta's Capital Planning Manual

Sets out a framework that ensures owned and supported infrastructure meets the priority needs of government, that capital investment decisions are made based on the best information, available alternatives, accurate costs, that capital maintenance needs are balanced with the demands for new infrastructure and provincial capital funding is used in the most effective and efficient manner. The framework establishes the process to identify and evaluate capital priorities. These capital priorities may generate value if delivered as a P3 and the framework incorporates the P3 evaluation process.

3.2.2 Public-Private Partnership Principles

Set out the underlying standards that guide decision-making in assessing and procuring P3 projects. They guide the assessment and procurement framework and set the guidelines when judgment must be applied.

3.2.3 Management Framework: Assessment Process (Chapter 5)

Is a guide to the GOA approach to assessing and approving P3s for capital infrastructure projects.

3.2.4 Management Framework: Procurement Process (Chapter 6)

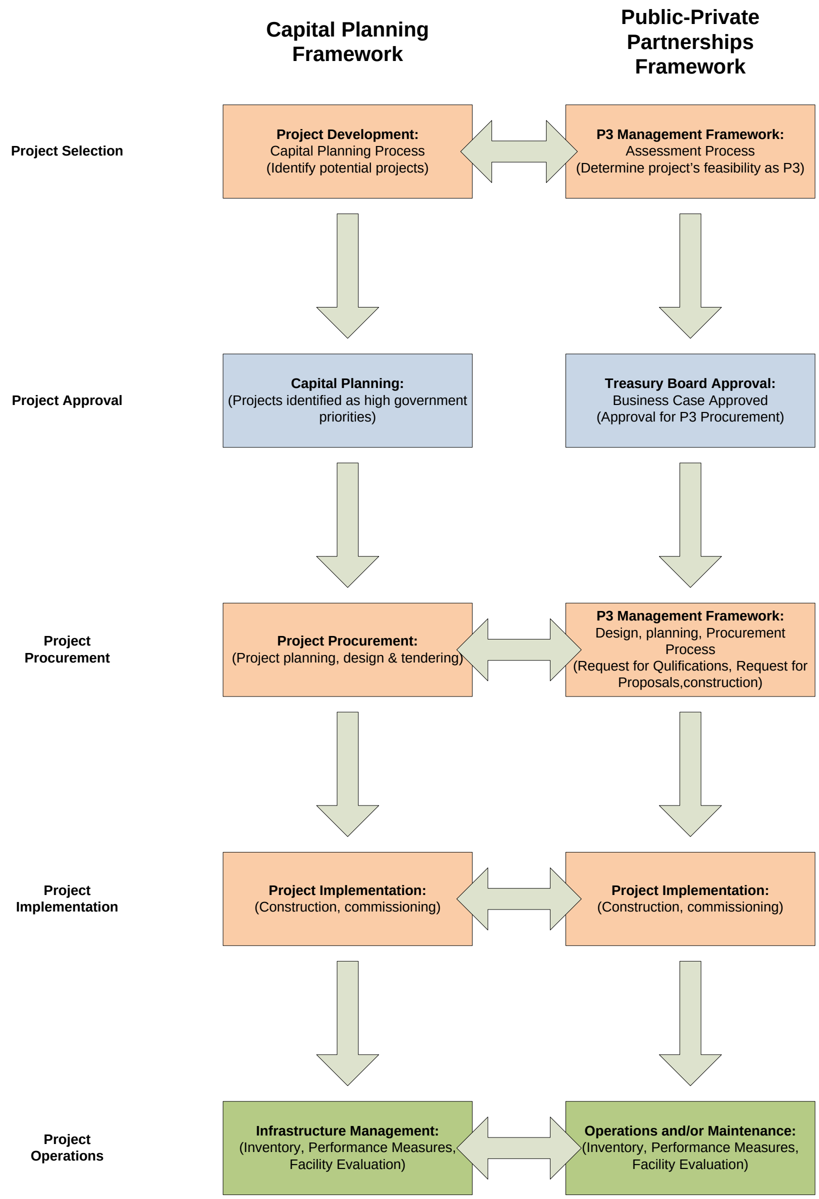
Is a guide to the GOA procurement process for P3s for capital infrastructure projects.

The Capital Planning framework defines a process for determining where capital funding will be allocated. The P3 frameworks set out the principles and process to assess the procurement options once the project is approved for funding and to conduct the P3 procurement.

As the frameworks cannot anticipate every event and P3s are complex projects, judgment needs to be applied within the P3 principles.

Figure 1 provides a visual overview of the components, systems and interactions required to achieve each of the objectives underlying the frameworks. As demonstrated in Figure 1, it is important to note that P3 assessment and procurement is aligned with the capital planning process.

Figure 1: Integration of Capital Planning and P3 Frameworks



Chapter 4

PUBLIC-PRIVATE PARTNERSHIP PRINCIPLES

4.1 Principles

These principles form the basis for the assessment and procurement frameworks for P3 projects. As the frameworks cannot anticipate every situation the principles can only provide broad direction. The Alternative Capital Financing Office in the Ministry of Treasury Board should be consulted when interpretation or direction is required.

The principles on which Government of Alberta P3s are selected and procured are described below.

4.2 Reasons for P3s

A P3 is an alternative procurement model for GOA ministries and Supported Infrastructure Organizations (SIOs) for providing infrastructure. A P3 is a method of:

- Encouraging innovation, collaboration, and appropriate risk sharing with the private sector, drawing on the expertise and strengths of the public and private sectors;
- Maximizing value for money by considering life-cycle costs, opportunities for third party provision of ancillary services, (e.g. caretaking, food service, etc.), risk allocations and third party revenue opportunities; and
- Enhancing ability to deliver projects on time and on budget.

4.3 P3 Project Assessment

The annual cross-government capital planning process can be used to identify potential P3 projects. During the capital planning process projects should be reviewed to determine whether value could potentially be generated by using a P3 approach. Principles for evaluating capital projects for potential P3 delivery include the following:

- The P3 approach, based upon value for money, represents an alternative way to deliver major capital projects such as roads, schools and other infrastructure projects;
- The P3 approach is not suitable for all capital projects and will only be considered for projects with the potential to provide value using the P3 delivery method;
- Projects must be a priority as determined by the capital planning process;
- Suitable projects may be considered for P3 applicability prior to inclusion in the Capital Plan, but a procurement process will not be undertaken until the project is approved in the Capital Plan;
- Project procurement and financing methods for P3 projects will be structured to provide best value for money over the project lifecycle. Factors to consider in maximizing value for money include how project objectives will be met, the amount and timing of any provincial capital contribution, risk transfer, opportunities for innovation and economic growth, and community issues;
- Projects proceeding to procurement must be accommodated within both the approved Capital Plan and the projected operating budget of the Program Ministries;
- The Capital Plan and Fiscal Plan impacts are not a valid way of selecting the procurement method; and

- The P3 approach recognizes that emerging projects with a limited window of opportunity should be reviewed but they must be considered within the principles applied to all potential P3 projects.

The characteristics of suitable P3 projects are shown in Section 5.2.

4.4 P3 Review and Approval

Principles for reviewing and approving P3 projects include the following:

- The P3 approach requires initiation, review, evaluation, and decision-making, as well as regular reporting to Treasury Board within the capital planning process;
- The P3 approach will result in a project Business Case that provides the parameters for delivery of the infrastructure, thereby allowing some flexibility to the Service Delivery Ministries to deal with minor adjustments. Treasury Board approval will be based on the risk profile and costing as outlined in the Business Case;
- Ministries are required to return to Treasury Board when, in accordance with the process approved by Cabinet, approvals are required, and when material changes are made to the project;
- Material changes (defined as a change that could impact a decision maker's decision on the project) include:
    - The reallocation of a significant risk, either a risk originally approved to be transferred to the private sector or a risk originally retained by the GOA;
    - Major changes to the project scope;
    - Change in ownership (as legally defined) of the capital asset from public to non-public;
    - Change in the provincial capital contribution from the range or amount originally approved;
    - Changes to the construction and/or financing markets;
    - Any significant budget changes that require additional funding; and
    - Any other change that could erode positive value for money for the P3 procurement
- If a material change occurs, the impact on value for money must be assessed and the project must be referred back to Treasury Board Committee and Cabinet (if Cabinet approval already granted) for re-approval; and
- The process approved by Cabinet requires that Cabinet approve the project as a P3 prior to the ministries entering into an agreement.

4.5 P3 Project Execution

Principles for executing P3 projects include the following:

- The P3 approach strives to provide both the province and proponents with as much certainty as possible at each stage, thereby strengthening the collaboration element of P3 procurement;

- The procurement process is open, competitive, timely, fair and transparent. Ideally, three proponent teams will be shortlisted to ensure sufficient competition exists to the end of the procurement process and each proponent has a reasonable chance of success;
- A realistic schedule is established prior to commencing the procurement to provide the province and proponents with timing certainty and sufficient time to be able to meet the project and procurement needs;
- The project agreement reflects the risk allocation as set out in the business case, with amendments to reflect agreed-to changes during the procurement process;
- Specifications are structured so the successful proponent has flexibility in determining how they will be met while providing the province with the infrastructure and services it requires. Specifications are generally structured as "output" specifications;
- Risks are assigned to the parties best able to manage them;
- The Project Agreement is finalized prior to submission of bids. To ensure competitive tension to the end of the procurement, there are no changes to the Project Agreement after final bids have been received; and
- The compliant bidder submitting the lowest bid, on a net present value basis, is the Preferred Proponent. This evaluation method reflects the "Alberta model" and may only be modified where there is significant value to be derived from innovation. A modification to this principle must ultimately be approved by Treasury Board Committee prior to commencing the procurement. Potential respondents should be informed of the change prior to commencement of the procurement or, at the latest, during the Request for Qualifications process.

4.6 Determination of Value for Money

Value for money must be determined through a net present value comparison of the comparable costs and risks of the proposed P3 project with the Public Sector Comparator (PSC). The PSC is the Traditional Procurement approach (Design-Bid-Build) and is compared to the P3 over the same life cycle, as demonstrated by the detailed Business Case. Other procurement options such as Design-Build approach may be considered for suitable projects where value can be derived by bundling of facilities as a single project delivery, but as the Design-Build is not yet a proven, sustainable procurement method for the province it is not used as the PSC.

4.7 Accounting and Budgeting for P3 Projects

4.7.1 Accounting

The accounting for P3 projects must reflect the substance of the transaction. The accounting treatment for P3 projects will be in accordance with the accounting policies and reporting practices of GOA, which follow the recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (s*ee Appendix A.2).*

4.7.2 Budgeting

The budgeting treatment is consistent with the accounting treatment. Budgeting is done in accordance with the relevant legislation (see Appendix A.3).

4.7.3 Accounting, Budgeting and Value for Money

The accounting and budgeting treatment does not affect the value for money (VFM) assessment of a P3 project. Accounting, budgeting and the VFM assessment occur at different time periods and for different purposes.

4.8 Third Party Revenues

Third party revenues arrangements may be considered as long as the associated uses are compatible with the GOA and SIOs uses of the infrastructure.

4.9 Roles and Responsibilities

Roles and responsibilities are assigned in accordance with legislation, policy, best practices, skills and expertise and ministry mandates. As alternatively financed procurements are highly integrated, knowledge of all disciplines (technical, legal, financial) and how they are related are key components to developing a successful project.

A single ministry needs to be accountable for leading the project, but other ministries fill critical functions. All participants in the project must work cooperatively to achieve the optimal result. There are key entities that have a stake in the P3 process, and their primary roles and responsibilities are:

A. **Cabinet** approves the ministries to enter into a P3 project agreement with the Preferred Proponent.

B. **Treasury Board Committee** receives recommendations from the Advisory Committee on Alternative Capital Financing, approves P3 projects to proceed to procurement and provides recommendations to Cabinet on approving ministries to enter into a P3 project agreement.

C. **Treasury Board Capital Planning Committee (TBCPC)** is a committee that consists of members of Treasury Board Committee. (See Appendix C.1 for the TBCPC Terms of Reference.) The TBCPC's primary responsibility relating to P3s is to assess the Deputy Ministers' Capital Planning Committee recommendations regarding the strategic direction of the capital plan, including alternative capital procurement options.

D. **Deputy Ministers' Oversight Committee (DMOC)** oversees the delivery of significant capital projects, including all potential and approved P3 projects. The committee includes a minimum of three deputy ministers from ministries with significant capital requirements plus the deputy ministers of Justice and Finance and Enterprise. The committee is chaired by the Deputy Minister of Treasury Board (see Appendix C.2 for the DMOC Terms of Reference).

E. **Deputy Ministers' Project Steering Committee (DMPSC)** is required for Cross Ministry Projects (projects involving more than 1 ministry or a ministry and a SIO). The committee is not required for Single Ministry Projects; at the discretion of the deputy minister responsible for the project the function of the DMPSC can be filled by that deputy minister. The chair of the DMOC determines whether a project is a Cross Ministry or a Single Ministry project. The DMPSC is comprised of a minimum of 3 Deputy Ministers from program departments with infrastructure interests and must include the deputy ministers of Justice and Finance and Enterprise. The DMPSC (see Appendix C.3 for the Terms of Reference) provides detailed project oversight and guidance on all approved and potential P3 projects. The DMPSC reports to the DMOC.

F. **Assistant Deputy Ministers' Project Review Committee (ADMPRC)** is required for all P3 projects and provides guidance and assistance to the Project Manager and project team on the technical requirements of significant capital projects and supports the DMPSC (see Appendix C.4 for the Terms of Reference).

G. **The Ministry of Treasury Board** establishes and oversees the overall P3 framework and budgeting for the GOA. The ministry is responsible for developing recommendations for a multi-year alternative capital financing plan, establishing criteria and processes to evaluate capital projects for P3 potential, maintains the P3 standards and guidelines and works with other ministries to deliver P3 projects.

H. **Advisory Committee on Alternative Capital Financing (ACACF)** advises the Ministry of Treasury Board on alternative capital financing options, and the feasibility and desirability of proposed P3 projects (see Appendix C.5 for the Terms of Reference).

I. **GOA P3 Committee** provides recommendations and guidance on P3 policy and processes including the development of new types of P3 projects, potential project selection, consultant engagement policies and standards and value for money approach (see Appendix C.6 for the Terms of Reference).

J. **Program Ministries** within the GOA are responsible for determining their individual program needs and the infrastructure required to support those program needs. Program Ministries are responsible for sponsoring a P3 project and ensuring it addresses their specific program needs, liaising with SIOs (when applicable), leading the communications strategy and working with the project team led by the Service Delivery Ministries to deliver the project. Program Ministries also work on P3 evaluations with the Service Delivery Ministries and the Ministry of Treasury Board.

Program Ministries collaborate with Service Delivery Ministries in relation to:

- o Developing the Business Case;
- o Bringing the project forward for approvals;
- o Signing the project agreement; and
- o Developing the hand-off requirements for operations and maintenance to ensure the contracted risk transfer is enforced by monitoring performance measures and applying payment adjustments as set out in the agreement.

Some Program Ministries provide programs through SIOs. The SIOs require capital infrastructure to deliver these programs. Where a project will be used by an SIO to deliver programs the SIO, working with the Program Ministries, will be involved in the project.

Ministries with Supported Infrastructure Organizations (SIOs)

Advanced Education and Technology
Education
Health and Wellness
Housing and Urban Affairs
Municipal Affairs
Culture and Community Spirit
Seniors and Community Supports
Agriculture and Rural Development

K. **Service Delivery Ministries** lead the procurement process, and provides the Project Manager that will lead the project team. The Service Delivery Ministries also engage any consultants/advisors required for the project; lead the technical aspects of the project; develop expected project costs; lead development of the business case; maintain all project documentation; recommend the Preferred Proponent (with the Program Ministries); lead development of the Value for Money Assessment and Project Report; manage the project implementation; coordinate the transition to the operations and maintenance phase (to ensure contracted risk transfer is effected through monitoring of performance measures and application of payment adjustments); and lead the resolution process of any contract issues. The project team includes Program Ministries and SIOs (where applicable). Service Delivery Ministries also provide input into the P3 assessment criteria.

The Service Delivery Ministries are the Ministries of Infrastructure, Transportation, and Service Alberta, and have the responsibility for, respectively, vertical infrastructure, horizontal infrastructure, and information management and technology projects.

Service Delivery Ministries

Infrastructure
Transportation
Service Alberta

Service Delivery Ministries collaborate with Program Ministries in relation to:

- o Advising on project costs;
- o Preliminary engineering and design work to define project scope and cost sufficiently to tender the project;
- o Determining project potential for alternative financing, such as P3s;

- Leading the project team to deliver the capital projects;
- Submitting to Treasury Board Committee any requests for approvals to proceed to procurement; and
- Submitting to Cabinet any requests for approvals to enter into the agreement.

All members of the project team that are GOA employees must be formally advised of the sensitivity of the information related to a P3 project and reminded of their confidentiality and other obligations under the *Public Sector Act* oath and relevant Code of Conduct and Ethics provisions. Other project team members not obligated under the *Public Sector Act* oath and relevant Code of Conduct and Ethics provisions must sign a confidentiality agreement with the Service Delivery Ministries prior to accessing confidential information.

L. Supported Infrastructure Organizations (SIOs) are organizations which receive grants from the GOA for their infrastructure needs. SIOs are responsible for evaluating and determining their infrastructure needs. There are two types of SIOs.

Supported Infrastructure Organizations

School Boards
Alberta Heath Services Board
Post-Secondary Institutions
Municipalities
Housing Authorities
Some Not-for-Profit Organizations

The first type of SIO (where the GOA has assumed responsibility for new construction, maintenance and the renewal of existing facilities) includes: School Boards, the Alberta Health Services Board and Post-Secondary Institutions.

The second type of SIO (where the SIO is responsible for the development and implementation of capital projects and the GOA has no ongoing commitment or responsibility for the capital maintenance or renewal of SIO infrastructure they have funded) includes: municipalities, housing authorities, and other not-for-profit organizations. For these SIOs, the GOA would not lead a P3 project but would encourage the SIO to follow the guidance in this framework.

SIOs work with the Program Ministries to define the program requirements and will be involved with the project team led by the Service Delivery Ministries to develop and procure the project. SIO responsibilities include:

- contributing to project technical requirements that will meet the program needs;
- communicating project requirements and progress within the SIO;
- participating on evaluation and other teams to facilitate the procurement; and
- executing any agreements required to complete the project.

M. **The Ministry of Finance and Enterprise** provides input into P3 standards and guidance documents and participates in evaluating and delivering P3 projects. The ministry advises on the financing and risk management aspects of the projects and participates in the preparation of the business case, agreement development, procurement evaluations and leading responses on finance and credit matters.

N. **The Ministry of Justice** also provides input into P3 standards and guidance documents, participates in evaluating projects and leads the legal requirements for delivering P3 projects. The ministry also advises on procurement matters and leads the process to achieve commercial and financial close on the projects. The Ministry of Justice also advises on project agreement interpretation and enforcement.

O. **External Consultants/Advisors.** The project team must include expertise in all aspects of the procurement. The project team may retain external consultants and advisors to provide any expertise that is not readily available within the GOA. All external consultants should be retained immediately following approval to proceed with the P3 procurement and before the issuing of any project specific procurement documents. It is likely that some or all of the following external consultants will be retained.

Technical Consultants (Engineering/Architect) assist the Service Delivery Ministries in preparing the project specific documentation and participating in the P3 process. The Technical consultant will provide expert assistance to the project team regarding all phases of the work, from reviewing the draft documentation to assisting in the final preparation of the project specific documentation and assisting in the evaluation process.

Process Consultant assists the Service Delivery Ministries in successfully preparing the final procurement documents and assisting in the procurement stages. The Process Consultant will provide expert assistance to the project team regarding all phases of the work, including creating project specific P3 procedures, assisting in the review of the submissions, assisting in the review, managing the question and answer process and other documentation and reporting.

Financial Consultant assists in the risk identification and assessment and in providing advice to the team for the preparation of a financial model to assess value for money. The Financial Consultant also assists in the procurement, attends agreement meetings to address items of a financial nature, contributes to the Project Agreement on matters relating to project financing and value for money, and assesses the financial capacity of respondents to the request for qualifications (RFQ) and proponents involved in the Request for Proposals (RFP) process.

Capital Markets Advisor advises on the mix of public and private financing, attends agreement meetings to assist GOA in addressing items of a capital and financing market nature, and provides input into the Project Agreement on matters relating to capital markets and value for money.

As a result of a consultants' involvement on the project, the consultants, their affiliates and sub-consultants are not eligible to participate as members of any respondent or proponent team.

All members of the consultant teams must sign a confidentiality agreement with the Service Delivery Ministries. If a member of a consultant team leaves the employment of the firm, that member will not be allowed to work with any respondent or proponent team from the time of departure to the signing of the Project Agreement.

A **Fairness Auditor** is retained by the GOA through a competitive procurement and is appointed by and reports to the project's DMPSC (or equivalent). The Fairness Auditor must be independent of the GOA. The Fairness Auditor observes the GOA's conduct of the procurement process, considers whether the GOA is complying with the process set out in the procurement documents, and provides advice and recommendations to the GOA regarding the fairness of the procurement process. The Fairness Auditor should be retained as early as possible in the procurement process and must be retained prior to the issuance of the RFQ. The Fairness Auditor must have a professional designation (e.g. professional engineer, chartered accountant, lawyer, etc).

Additional details on the roles and responsibilities outlined above are provided in Appendix B.1

4.10 Fairness

Fairness in the conduct of a procurement means that:

- GOA followed the process set out in the RFQ and RFP;
- the evaluation criteria and evaluation procedures were defined and applied by GOA in accordance with the RFQ and the RFP;
- the procurement process and outcome were not influenced by any biases; and
- all respondents and proponents were treated consistently throughout the procurement process and in accordance with the RFQ and the RFP.

Chapter 5

MANAGEMENT FRAMEWORK: ASSESSMENT PROCESS

5.1 Introduction to Assessment and Approval

The guidelines and procedures described in this framework are intended to help Program Ministries, SIOs and private sector enterprises explore the possibility of setting up P3s related to capital infrastructure projects under the mandate of the Ministry of Treasury Board and the Service Delivery Ministries. Such partnerships would respond to the infrastructure needs of SIOs and Program Ministries. The goal of these partnerships is to better serve Alberta's infrastructure needs.

P3 procedures are designed to enable efficient and timely consideration of P3 proposals by the ministries. They are flexible enough to allow innovation, while ensuring that only needed projects are undertaken. The P3 potential of a project will be identified in the capital planning process set out in Alberta's internal Capital Planning Manual)). There are potentially three phases to the assessment process.

Phase 1: Initial Assessment

The first phase is an initial high-level feasibility assessment by the Alternative Capital Financing Office (ACFO), with the Program Ministry, to determine if there is any potential for value in a P3 procurement. The Program Ministry and ACFO will assess the feasibility analysis in accordance with the criteria in this framework and determine if the project should be further considered as a P3.

Phase 2: Opportunity Paper

Further evaluations will be performed by the Program Ministry, the Service Delivery Ministry, the SIO (if applicable) and ACFO. If the initial evaluation shows the project has P3 potential, these stakeholders may prepare an Opportunity Paper. The Opportunity Paper provides a more in-depth look at the project's P3 potential than the initial assessment, but does not require extensive work to complete. The preparation of an Opportunity Paper may not be required if, based on factors such as the Initial Assessment and project timing, a decision is made that the project will proceed directly to the Business Case phase, The Initial Assessment and Opportunity Paper analysis phases may be conducted before a project is included in the Capital Plan, but no procurement activities will take place until the project is in the approved Capital Plan.

Phase 3: Business Case

If, after completion of the Initial Assessment or Opportunity Paper the project is still a suitable P3 candidate, preparation of a Business Case is indicated. The Business Case is an in-depth analysis and generally uses the services of various consultants (technical, financial, capital markets) to complete.

5.2 Initial Assessment

Projects should go through an internal review to evaluate whether a P3 delivery would add value to the project. The identification of projects with P3 potential first occurs during the capital planning process. Program Ministries identify whether a potential project could offer value for money if delivered as a P3. This project could be identified by the ministry itself or by an SIO. This identification is performed in accordance with the guidance in Alberta's (internal) Capital Planning Manual. Projects are assessed against the P3 criteria noted below.

Generally, it is difficult for projects less than $50 million capital cost to generate value as a P3, but other factors must also be considered. For example, bundling smaller projects with commonalities into P3 procurement may generate value.

Suitability for P3 procurements is enhanced if:

- the project scope is well defined;
- there is a history of cost overruns in projects of this type;
- provision of the capital asset can be defined in a performance or output specification;
- for non-road projects, the asset is new infrastructure and does not include a retrofit or brown field development component;
- there is a potential opportunity to integrate design, construction and maintenance or to introduce innovation to achieve quality, cost savings and/or time advantages;
- there is a presence of significant associated ongoing operation, maintenance and/or service requirements;
- long-term operational or service needs can be clearly defined in a performance or output specification and are capable of being costed out on a life cycle basis;
- the asset is of an enduring, long-lived nature;
- performance requirements will be relatively stable throughout the duration of the contract;
- payment and/or revenue can be tied to performance;
- risks can be clearly identified and there are cost-effective opportunities to transfer some risk to the private sector;
- there are no legislative or other legal impediments to an alternative procurement;
- there is sufficient expertise and capacity in the private sector to conduct a competitive procurement;
- a fair, accountable and transparent selection process can be used;
- there is sufficient internal capacity and time to plan and draft documents, develop the procurement and manage an alternative procurement project;
- it is demonstrable that the P3 process is likely to offer greater value for money to the GOA or SIO compared to the, traditional form of procurement;
- on-time/on-budget delivery and protection against scope creep is important; and
- competitive private sector financing can be obtained, and the cost of private sector financing will be offset by delivery and/or user savings.

The use of a P3 will be unsuccessful where:

- Accountability in public service could not be met, as in most forms of frontline service delivery;
- Private sector investment is not available or cannot be obtained at an acceptable cost;
- The transaction costs of pursuing the P3 are disproportionate compared to the value of the investment;
- The fast pace of technological change make it too difficult to establish long term requirements, such as information and communications technology (ICT) requirements;
- High levels of systems integration make risk allocation difficult;
- There are substantial regulatory or other legal restrictions on the provision of the service;
- The form of the capital asset will be chosen through a design competition;
- There is insufficient support within the Program and Service Delivery Ministries and SIO to champion and resource the P3 procurement;
- Performance specifications are not adequately defined;
- Appropriate time is not allocated to accommodate the procurement.

Where projects satisfy a majority of the suitability criteria, ministries are required to contact ACFO to complete an initial assessment of the P3 potential of the project. The results of the initial assessment then form the basis to determine if an Opportunity Paper should be completed for the project.

5.3 Opportunity Paper

If the initial assessment shows that the project has P3 potential the Program Ministry may be required to complete an opportunity paper. The Opportunity Paper is a preliminary analysis that provides evidence that the project has sufficient potential to provide value for money when compared to Traditional Procurement. If a capital project continues to demonstrate P3 potential through these analyses the project may proceed to a Business Case assessment.

The P3 opportunity paper includes;

- a project description;
- strategic alignment information (including alignment to the capital plan and commentary on how well the project meets the scope of GOA P3s);
- business and operational impact information (including how the project meets the P3 prerequisites);
- a preliminary risk assessment and allocation;
- a preliminary value analysis (preliminary public sector comparator, shadow bid, and sensitivity analysis);
- the preliminary project schedule and team; and
- conclusions and recommendations.

Depending on factors such as the results of the Initial Assessment, project timing, size, asset class, scope and the details of the proposed project structure, an Opportunity Paper may not be required and the project may go directly to development of a Business Case.

The P3 Opportunity Paper Template may be found in Appendix D.1

5.4 Business Case

The Business Case is an in-depth analysis that provides evidence that the project should provide Value for Money when compared to a Traditional Procurement process and that the project warrants proceeding to market as a P3 procurement. The Business Case is used to obtain support from the external Advisory Committee on Alternative Capital Financing (ACACF) and Treasury Board Committee approval to proceed with the project as a P3.

The Business Case builds upon the Opportunity Paper, but must be able to stand alone as a complete justification for the recommended procurement approach. The focus of the Business Case is on further developing the assessment and allocation of risk, the value analysis and procurement implementation strategy.

As an input into the Business Case, industry consultation, possibly through the issuance of a Request for Expression of Interest or a market sounding may be used to ascertain private sector interest.

5.4.1 Business Case Format

The Business Case generally follows the GOA standard template and contains:

- Executive Summary;
- Business Need and Project Description;
- Strategic Alignment;
- Business and Operational Impacts;
- Project Risk Assessment (including operations assessment)
- Value Analysis (including financial analysis that includes detailed public sector comparator, shadow bid, sensitivity analysis and qualitative factors);
- Conclusions and Recommendations;
- Implementation Strategy; and
- Review and Approval.

The Business Case Template may be found in Appendix D.2 and includes guidance on completing each of the sections.

5.4.2 *Project Risk Assessment*

A key concept in P3s is the allocation of risks to the party best able to manage them. Risk transfer can be a significant contributor to value for money and the success of a P3 project so the identification, allocation and quantification of risks is an important component of the business case.

5.4.2.1 Risk Identification

When undertaking a P3 project it is important to understand all project risks. Project risks are factors or events that may jeopardize the GOA's and proponents' ability to achieve the anticipated benefits of the project or that may increase the cost of the project. It is essential to assess the probability and impact of each category of risk, and to determine how each risk will be mitigated or managed. The probability and impact of risks should be based on actual experience when appropriate using verifiable data .

The Business Case template (Appendix D.2) includes a table of typical risks for a GOA P3 project, but it must not be relied upon as a substitute for proper analysis. The identification, allocation and management of risk will ultimately be considered project by project.

Potential risks may be categorized as:

- Site risk including physical suitability, availability, environmental, historical resources, statutory approvals, First Nations' land use, geotechnical;
- Design, construction and commissioning risk;
- Contractual risk including that the private sector party (usually a special purpose vehicle created by a consortium) its sub-contractors or the government/SIO will not fulfil their contractual obligations;
- Financial risks including that private financing will not be available, that the project cannot be financed competitively, changes in the financial parameters before financial close or that the project fails financially later;
- Operating and performance risk;
- Industrial relations risk;
- Demand or usage risk;
- Asset ownership risk including latent defect, obsolescence, upgrade, residual and force majeure; and
- Change in law.

5.4.2.2 Risk Allocation

The allocation of risk will depend on the project and the method of procurement. There are many ways of allocating risks but the purpose is to clearly define risks and who bears that risk. There is generally little risk transfer to the private sector in a Traditional Procurement. For a P3, the risks that the private sector can price, mitigate and/or insure are appropriate risks to transfer. The government should retain those risks that it can manage more effectively than the private sector. Risks that are outside the control of either party should be shared or retained by the public sector.

The inappropriate transfer of risk to the private sector will impact the value for money offered by a P3. Transferring risk that the private sector should not carry will result in cost premiums; retaining risks with the government that should be transferred or shared will reduce private sector incentive.

5.4.2.3 Risk Quantification

The quantification of risks is an important factor in evaluating value for money over the life of the project. The risks retained by the public sector in a Traditional Procurement are not the same as the risks retained in a P3 procurement. As a result, the quantitative impact of the risks over the life cycle of the project under review must be evaluated for each procurement alternative.

For most identified risks the impact can be quantified by identifying the probability of the risk occurring and the cost if that risk occurs. The cost may only be quantifiable as a range. Both the probability and cost should be evaluated based on actual experience when sufficient verifiable information is available.

Statistical analysis is generally used to calculate the impact of the risk allocations. Statistical analysis may not be required when risk allocations have been standardized for that infrastructure type and the risk quantification based on historical data has been well developed for that infrastructure type.

Early, rigorous and realistic analysis of risk allocation is needed to achieve efficiencies in the P3 procurement. A risk register should be developed during the feasibility analysis and updated as the project moves through the approval process.

5.4.3 Value Analysis

The value analysis is a quantitative and qualitative comparison of a Traditional Procurement compared to a P3 procurement. Value in a P3 can be generated in a number of ways, including risk transfer, economies of scale, efficiencies, innovation, integration and price and schedule certainty.

Expert assistance will likely be required for the detailed costing analysis required to develop the cost estimates for the quantitative comparison. This may be provided by a Service Delivery Ministry branch or section, such as Cost Management, Capital Projects Division, or by external advisors. Any external advisors, e.g. financial, contractors or engineers, would be excluded from participating on proponent teams.

Financial models are developed for each procurement approach and compared to determine which approach generates the best value for money. The financial model for the Traditional Procurement is referred to as the “PSC” while the model for the P3 is referred to as the “Shadow Bid.”

5.4.3.1 Public Sector Comparator (PSC)

The PSC is used to establish the full and true cost of providing a facility and/or a service under a Traditional Procurement. The Traditional Procurement approach can vary by type of project depending on the procurement methods normally used to deliver the type of infrastructure. The procurement approach used as the PSC must be cost effective, viable, proven and sustainable and must have been successfully used to own, manage and deliver the type of infrastructure in the province on a sustainable basis. The PSC is normally the design-bid-build approach unless another approach meets the PSC criteria.

The PSC serves as a benchmark to evaluate the P3 alternative and to examine the impacts of changing key project parameters and inputs such as output specifications and risk allocation. Wherever possible, the costing for the PSC is based on previous infrastructure projects. The Service Delivery Ministry can provide benchmark costing that may help in identifying the costs. These costs should include the internal cost of undertaking the project.

5.4.3.2 Shadow Bid

The PSC is used to establish a benchmark for comparison purposes. However, the PSC alone does not allow an estimation of potential P3 costs/benefits when deciding which procurement alternative to pursue.

As part of the detailed P3 Analysis, the Shadow Bid is developed to estimate the costs to deliver the project as a P3 and to identify areas where expected benefits could occur. This Shadow Bid is developed by modelling the project as if it were delivered as a P3. The Shadow Bid should cover the same time period and the same scope as the PSC.

The Shadow Bid is used:

- As part of the VFM assessment of the P3 in a comparison of the PSC to determine the best procurement alternative; and
- As a benchmark to assess the RFP submissions in the procurement phase.

The detailed Shadow Bid should be prepared with assistance and expert input from professional advisors, where appropriate. Where advisors are engaged to provide input, they may not participate in any role on a proponent team.

The competitive multi-stage/low price proposal approach eliminates the need for a Shadow Bid at financial submission and evaluation. The competitive pricing will indicate the true market price for the project. A Shadow Bid may have some value when qualitative criteria are used depending on the price/quality weighting.

5.4.3.3 Components of the PSC and Shadow Bid

The PSC and Shadow Bid are made up of the following costs:

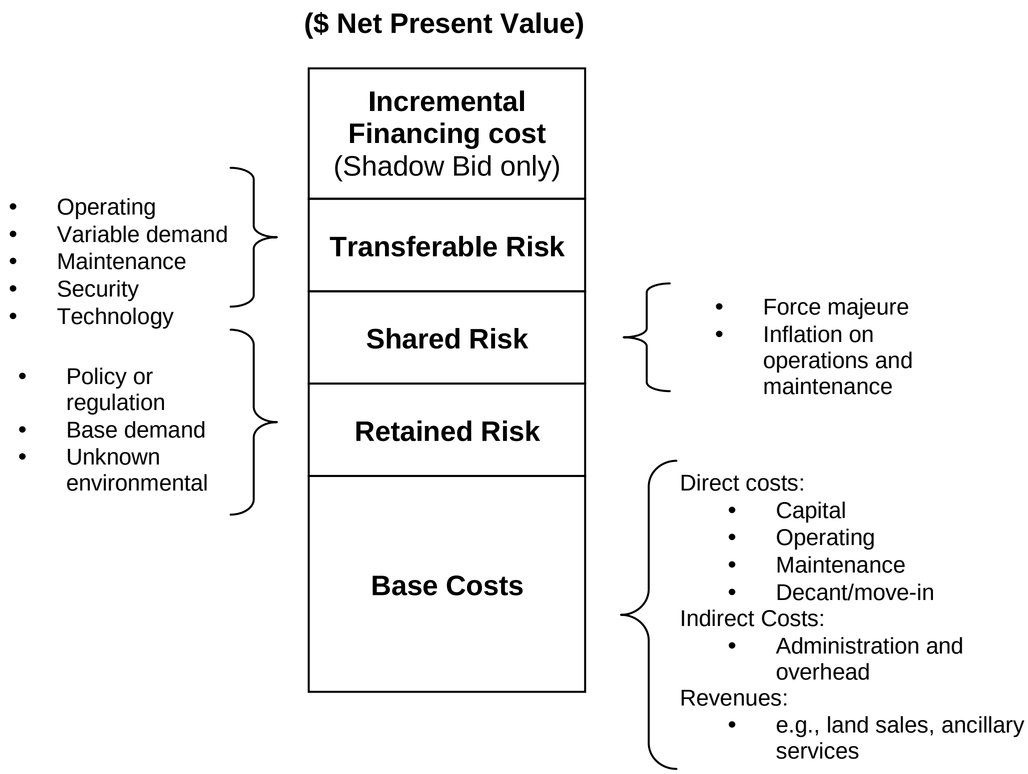
- Base Costs – represents the base cost to government of producing and delivering the project including those costs associated with design, construction and operation. In addition it should include those periodic costs associated with the delivery of services (e.g. major maintenance, rehabilitation and replacement of components). These base costs are generally the same between procurement alternatives.
- Retained Risk – those risks that government proposes to bear itself. The retained risks will vary between procurement approaches.
- Shared Risk – those risks that are jointly shared with government and private sector. The shared risks may vary between procurement approaches.
- Transferable Risk – those risks that are likely to be transferred to the private sector because they are best able to manage the risk and potentially at a lower cost. The transferable risks will vary between procurement approaches.

Financing Costs – the incremental cost of private financing for the P3 over GOA's cost of borrowing is included in the Shadow Bid.

The PSC and Shadow Bid are the Net Present Value (NPV) of each component added together to establish the total net present value of the procurement option.

The Ministry of Treasury Board may be consulted for further understanding/clarification around NPV and the discount rate used in calculating NPV. (See "Common questions about P3s in Alberta": http://www.treasuryboard.alberta.ca/1159.cfm.)

Figure 2: Components of the Public Sector Comparator (PSC) and Shadow Bid



5.4.4 Life Cycle Cost Analysis

Both the PSC and Shadow Bid will be based on a full life cycle cost analysis. All costs and expected benefits must be analyzed for each viable alternative. This methodology provides a total cost picture and includes both capital and operating expenditures.

The analysis should identify one-time costs of running the procurement, entering into contract(s) over the project life cycle, costs associated with monitoring the contract(s) over the project life cycle and resources required to liaise with contractors over the project life cycle. For the PSC, ongoing costs will include the costs to enter into multiple operating, maintenance and rehabilitation contracts over the life cycle of the project. For the Shadow Bid, one-time costs may include, but are not limited to financial and capital market consulting costs, costs of the Fairness Auditor and honoraria.

At this stage, the project definition should include pre-design studies such as the finalized functional design, preliminary design, project concept definition and/or schematic design. Detailed design should not be started. Definition of the technical and performance specifications should be underway.

5.4.4.1 Timeframe

The appropriate analysis timeframe should be used based on the type of capital project being considered (e.g. 30-year agreement term has been used for roads and schools). Factors to consider when establishing the appropriate timeframe could include the impact on value for money, cycle for requiring significant refurbishments, program requirements and the length of any regulatory licenses.

5.4.4.2 Costs

Cost Identification

Identify all relevant costs over the chosen project timeframe. Relevant costs are costs for work that is included in the scope of the project to be delivered by the P3 contractor and costs that differ between procurement models. An example of costs that are outside the scope of the financial bids but differ between procurement options (so need to be included in the analysis) are procurement costs. Procurement costs for a P3 are generally higher than for a conventional approach so should be included in a comparison between the PSC and Shadow Bid.

A consistent scope is required for the PSC, Shadow Bid and financial bids. Comparing the PSC and Shadow Bid will determine the most advantageous procurement option. Comparing the PSC to the financial bids will determine VFM for the project. When evaluating which costs to include in the PSC and Shadow Bid, consideration must be given to whether costs will be incurred within or outside the agreement. For example, school projects require furniture and equipment that is supplied and installed by the school boards. The costs for the furniture and equipment form part of the total project costs but would be excluded from the PSC and Shadow Bid as they are procured separately from the school building, do not vary between procurement options and the bidders will not include the cost of furniture and equipment in their bids. To ensure the cost comparison and VFM determination is meaningful, costs must be included consistently in the PSC, the Shadow Bid and the comparison of final bids to the PSC.

Costs and benefits may include:

Capital Items	
• Construction	• Change orders/scope changes
• Property, plant and/or buildings	• Demolition/site preparation
• Land/facility assets	• Decanting/occupant placement costs
• Specialized machinery/equipment	• Terminating any existing agreement or lease
• Information technology/specialized software	• Financing
• Fixtures and furnishings	

Annual Operating Items	
• Internal overhead (i.e. operations and maintenance salary and benefits)	
• Lease payments	• Administration costs
• Facility operating and maintenance	

Cyclical Items	Receipts
• Repairs and maintenance	• 3rd party lease revenue
• Information technology/software upgrades	• Parking or other revenue
• Fixtures and furnishings	• Gain on sale of land and/or buildings

Residual Value	
• Buildings	• Machinery and equipment
• Land	• Loss of sale of land or buildings

Benefits (should include both agency and user benefits)	
• Early completion	• User cost savings
• Capital savings	• Innovation
• Operational savings	• Reduced environmental impacts
• Revenue generation	

Consideration should be given to when the benefits will be achieved, who will be the recipient of the benefits and certainty of benefits.

Cost Valuation

Consideration should be given as to when the costs will be incurred, who will incur the costs and the certainty of costs. Costs should be based on a verifiable source and the basis for the cost estimates should be retained.

Typical sources of information and supporting evidence for key costs include the following:

- Capital, operating and maintenance and cyclical renewal/rehabilitation:
    - Planning studies;
    - Owner's Engineering Consultant estimators and quantity surveyors;
    - Internal government records of historical prices;
    - Review of past similar projects, procured either as a P3 or traditionally;
    - Private-sector information; and
    - Consultation with industry.

- Financing
    - Marketing sounding;
    - Comparison with other P3 projects;
    - Consultation with Alberta Finance and Enterprise; and
    - Consultant input (Capital Markets, Financial).

5.4.5 Net Present Value (NPV) and the Discount Rate

The timing and amount of cash flows will differ between the procurement options. To evaluate the impact of these differing cash flows and recognize the time value of money all costs are valued at a single date. Using the present value of cash flows that occur at different times is a standard method to compare the value of money over time as a dollar today is worth more than a dollar tomorrow because of interest and inflation. The present value is produced by applying an interest rate and an inflation rate (collectively called the "discount rate") to a future sum.

The discount rate is generally the government's cost of debt. The discount rate is calculated by Alberta Finance and Enterprise and is based on the rate the government will be required to pay for debt with a similar structure, term and payment stream and considers the cost of issuing that debt. The riskiness of the project is not factored in the discount rate as project risks are generally assessed and quantified outside of the discount rate, and increasing the discount rate by adding a risk premium would lead to illogical results when evaluating project costs as a riskier project (with a higher discount rate) would have a lower net present value cost than a less risky project (with a lower discount rate).

The discount rate for a project will be calculated by Alberta Finance and Enterprise based on capital markets and other factors at the time the analysis is done.

5.4.5.1 Sensitivity Analysis

The estimated NPV life cycle cost will be based on a number of inputs that come with an associated level of uncertainty. A sensitivity analysis should be undertaken to separate those inputs where the uncertainty is critical to the VFM estimate (and therefore critical to the decision making process) from those where the uncertainty is less important.

General steps to consider for the sensitivity analysis may include:

- Establishing the statistical and/or practical range of uncertainty for each input;
- Determining the significance each input has on value for money and ranking them accordingly; and

- Recognizing whether the inputs correlate negatively or positively with respect to value for money.

The selection of inputs to be analysed depends on the project, the financial and construction markets at the time the business case is prepared, and whether the risk of changes to the input has been evaluated in the risk assessment.

Value for money is impacted by the amount and cost of private financing and the risk of changes is generally not quantified in the risk assessment. Sensitivity analysis on financing inputs may therefore be required.

P3 projects benefit from an integrated design process to optimize lifecycle costs within a price-based competitive process. The efficiencies (construction and lifecycle) gained through this integrated process provide value for the P3 procurement. When significant value is assumed, sensitivity analysis around these inputs may be required.

P3 projects can also benefit from integrated construction methods that shorten the construction period. When significant value is generated from a shortened construction period (e.g. through reduced construction escalation or user benefits) it may be appropriate to test the impact of changing these inputs.

The following table provides examples of key inputs that may need to be evaluated through sensitivity testing:

Inputs	**Typical Sources of Information and Supporting Evidence for Valuing the Cost of Inputs**
Project Size and Capital Costs	Planning studies, Owner's Engineering Consultant estimators and quantity surveyors, internal government records of historical unit prices.
Operation and Maintenance and Cyclical Renewal /Rehabilitation Costs	Review of bids of similar past P3 projects, Owner's Engineering Consultant estimators and quantity surveyors, internal government records of historical unit prices, private-sector comparable information.
Risks	Risk workshops, review of similar past P3 projects, historical government data based on past project experience.
Construction Period and Operating Period Timelines	Review of past similar projects procured traditionally or as P3s.
Construction Escalation	Annual research conducted by ministries of Transportation and Infrastructure, consultation with industry.
Private Sector Efficiencies	Review of bids of similar past P3 projects, consultation with industry.
Provincial Contribution	Market sounding, comparisons between similar past P3 projects, evaluation of project hand-back risk.
Discount Rate and Inflation Rate	Consultation with Alberta Finance and Enterprise.
Return on Equity, Return on Debt, Leverage Ratio	Capital Markets Consultant, Financial Consultant, Alberta Finance and Enterprise, research on recently closed P3 transactions, market sounding.

The significance of the various inputs may not be the same from one project to the next. Furthermore, as the above list is not exhaustive, sensitivity analysis may be conducted on other inputs depending on the project, the financial and construction markets and risks quantified in the risk assessment.

Assessing the impact of all inputs is usually not necessary. The business case may include the results of changes in inputs that are significant and an explanation of the implications of any changes. The business case does not need to include all sensitivity analysis, but the results of all analysis should be retained in the project files.

Given that the business case is developed early in the project timeline, the accompanying sensitivity analysis should be revisited from time to time as the project evolves through the procurement process to determine if certain inputs and their related uncertainties have changed. Where changes are deemed material, the sensitivity analysis may require revisiting.

The relevance of the risk analysis relies on the robustness of the financial model through which the inputs are assessed. Expert advice in risk modelling may be required to determine the best analysis method to use for the specific project.

The Business Case Template may be found in Appendix D.2

5.5 Approval of P3 Projects

The key components of the business case are the consideration of life cycle costs and risks that are borne by the public sector (Public Sector Comparator) relative to the project costs when risks are transferred to the private sector (Shadow Bid). This comparison of value for money together with consideration of project risks and public sector impacts form the basis for approval of a P3 project.

When the business case demonstrates that approved projects have P3 potential, the completed detailed business case and lifecycle cost assessment is submitted to the Deputy Ministers' Capital Planning Committee (DMCPC) for review. If the review is positive, DMCPC will recommend approval of P3 procurement for the project to Treasury Board.

Treasury Board refers all P3 proposals to the Advisory Committee on Alternative Capital Financing (ACACF) which provides independent, expert assessment of all alternatively financed capital proposals. The President of Treasury Board may also refer the proposal to the Treasury Board Capital Planning Committee (TBCPC) for comment on the strategic implications of P3 procurement of the project.

Treasury Board will review the submission and the comments provided by the DMCPC, the ACACF and the TBCPC. Based on its review of the materials and comments provided, Treasury Board has the discretion to:

- Approve the business case, risk profile and funding envelope;
- Authorize entering into an agreement for completion of the project; and
- Require the ministries/SIO to submit reports to Treasury Board.

The Terms of Reference for the Treasury Board Capital Planning Committee, the Deputy Ministers' Capital Planning Committee and the Advisory Committee on Alternative Capital Financing may be found in Appendices C.1, C.3 and C.5

Chapter 6

MANAGEMENT FRAMEWORK: PROCUREMENT PROCESS

6.1 Overview of the Procurement Process

The procurement process usually includes the following stages:

- Request for Qualifications (RFQ) which announces the start of the procurement process. The RFQ involves an open call for qualified teams to submit a response. The RFQ process should generally result in the 3 most qualified respondent teams being short listed to participate in the Request for Proposals stage of the procurement.
- Request for Proposals (RFP) stage is usually limited to the 3 proponent teams selected through the Request for Qualifications phase. The limit is used to allow each proponent team a reasonable chance of success in the procurement while ensuring there is sufficient competition to generate the best value for the GOA.
- Commercial and Financial Close during which the project documents, including the Project Agreement, are executed and the Preferred Proponent meets all requirements to secure the private financing.

The following chart provides high-level overview of a typical GOA P3 procurement process. The indicative timelines are those for a large, complex P3 project and include Request for Qualifications and Request for Proposals stages. These timelines may be adjusted depending on the nature of the project and the specific details of the procurement process. The timelines do not include issuing a request for expressions of interest (REOI). An REOI may be issued during the P3 assessment and approval stage.

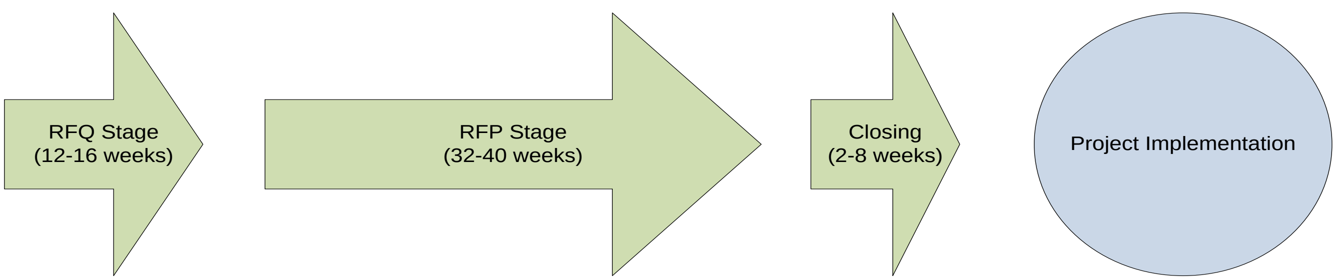


Figure 3: Procurement Process (with indicative timing)

- Hire consultants and advisors
- Prepare draft agreement and schedules
- Hire Fairness Auditor

- Announce transaction
- Issue RFQ
- Hold information meeting
- Open RFQ electronic data room
- Receive RFQ submissions
- Evaluate submissions
- Conduct interviews
- Shortlist 3 Respondents

- Confidentiality undertaking with shortlisted Proponents
- Issue RFP
- Open RFP electronic data room
- Site access
- Receive and evaluate (staged) submissions (Pass/Fail)
  - Concept/ Innovations
  - Preliminary technical
  - Detailed technical

- Receive comments on draft Project Agreement
- Issue final Project Agreement
- Receive and evaluate final submission, including financial offer
- Select Preferred Proponent

- Execute Project Agreement
- Financing close

- Commence design-build
- Prepare for operations and maintenance
- Contractor delivers project

To ensure a fair and competitive transaction process, the following guidelines are considered in the development and execution of the procurement:

- All interested parties, respondents and proponents have reasonable access to the opportunity.
- All interested parties, respondents and proponents have the same opportunity made available to them to access information and that information is sufficient for them to fully understand the opportunity.
- The criteria established in the procurement documents reflect the needs and objectives in respect of the project.
- The evaluation criteria and the evaluation process are established prior to the evaluation of submissions.
- The evaluation criteria, RFQ/RFP, and evaluation processes are internally consistent.

6.2 Project Oversight and Governance

P3 projects can have long-term implications for government as the operations and maintenance period can extend for a long period (30 year agreements have been used for roads and schools). To help ensure that the expected project benefits are received, the project procurement is efficiently and effectively conducted and responsibilities and accountabilities are clearly understood and decision-making is made at the appropriate level, a governance structure must be in place for each project. The governance structure can vary between projects depending on a number of factors including project size, the complexity of the project, the number of organizations involved in the procurement, market conditions and the skills and experience of the project team.

Projects are either a “Single Ministry” or a “Cross Ministry” project. A Single Ministry project affects only that one ministry responsible for the program under which the asset will be used, and the single ministry will own, operate and maintain the infrastructure (i.e. one ministry is both the Program Ministry and Service Delivery Ministry and no SIOs are involved). A roads project is an example of a Single Ministry P3. A Cross-Ministry project impacts more than one ministry. For example, the program delivery may be the responsibility of one ministry while developing, operating and maintaining the infrastructure to deliver that program is the responsibility of a second ministry. SIOs may also be involved in the project. As there are more stakeholders in a Cross Ministry project, developing and delivering the project is more complex and the Cross Ministry project requires a more robust governance structure. The Chair of the Deputy Ministers’ Oversight Committee determines whether a project is a Single Ministry or Cross Ministry project.

The governance structures for a Single Ministry and Cross Ministry project are described as follows:

- A Single Ministry project is not required to establish a Deputy Ministers’ Project Steering Committee (DMPSC). At the discretion of the Deputy Minister responsible for the project, the function of the Deputy Ministers’ Project Steering Committee can be filled by that Deputy Minister. An Assistant Deputy Ministers’ Project Review Committee (ADMPRC) is required for the project and report to the DMPSC (or the Deputy Minister if no DMPSC is in place).

- A Cross Ministry project will establish a Deputy Ministers' Project Steering Committee to provide detailed project oversight and guidance. An Assistant Deputy Ministers' Project Review Committee (ADMPRC) is required for the project and reports to the DMPSC.

The Project Manager is responsible for managing the project team and delivering the project in accordance with the scope, budget, timelines and other guidelines established by the ADMPRC. The Project Manager reports to the ADMPRC (see Appendix C.7 for the Project Manager Roles and Responsibilities).

Potential organizational structures are shown in Figure 9 (in Appendices C.2, C.4 and C.7). The structure used for a project should fit the project's scope, complexity and risk.

6.3 The Request for Qualifications Stage

The RFQ stage serves the following purposes:

- Officially signaling the intent of the Program Ministry to proceed with the project and heighten its profile.
- Marketing the project to a wide audience to encourage participation and competition.
- Presenting an overview of the proposed scope and structure of the opportunity to interested parties.
- Allowing interested parties to assemble the requisite resources and form teams as appropriate.
- Allowing respondents (teams that respond to the RFQ) access to the RFQ electronic data room and all relevant project related information.
- Requesting respondents demonstrate their technical and financial capability to assume the roles and responsibilities expected by the province.
- Short-listing respondents to proceed to the RFP stage based on pre-established evaluation criteria and in accordance with the guidelines in Sections 6.10 and 6.11.

In response to the RFQ, respondents are asked to demonstrate their experience and approach in the following areas (as appropriate):

- Design
- Construction
- Operations and Maintenance
- Financing

Based on established evaluation criteria, respondents are ranked by a Deputy Ministers' Project Steering Committee. The top three respondents are typically invited to respond to the RFP.

6.4 The Request for Proposals Stage

The RFP stage requires the development of documents that reflect GOA's risk transfer positions. The RFP stage serves the following purposes for the project:

- Providing proponents the opportunity to demonstrate their understanding of the project, as well as their respective role and responsibilities.
- Allowing proponents access to the sites, the RFP data room and all relevant project related information.
- Providing proponents with the opportunity to develop their technical and financial proposals for evaluation by the province.
- Allowing proponents to review and comment on the draft Project Agreement that will be signed by the Preferred Proponent and includes requirements for the design, construction, operation and maintenance of the project as well as the payment mechanism.
- Selecting the preferred proponent.

It is Alberta's preference to use a multi-staged submission process and a question and answer mechanism. The intention is to provide early feedback to proponents to minimize the possibility of unacceptable technical proposals and optimize the effort expended by the proponent.

6.4.1 Evaluation Criteria – The "Alberta Model"

For most projects the preferred proponent will be the team with a compliant bid that submits the lowest cost. The lowest cost is on a net present value basis and includes all project requirements as set out in the RFP and other documents. The technical proposals are to be evaluated on a pass/fail basis prior to proponents submitting financial proposals. Among the proponents with acceptable technical proposals, the Preferred Proponent is selected based on the best financial (price) proposal (unless Treasury Board has approved another basis – see Section 4.5). The province will subsequently execute the Project Agreement with the Preferred Proponent.

This technical pass/fail, low-net-present-value-price-wins approach is an open, accountable, objective, competitive and transparent process that is the "Alberta model" for selecting the preferred proponent. Using this approach, the province selects the proponent that meets or exceeds the minimum acceptable requirements for the best price. It requires the project team to clearly define these requirements. It does not recognize any intangible/qualitative additional value that a proponent may be able to offer. For example, a proponent may offer to provide an on-site fitness centre with a discounted membership for government employees. The revenue from the fitness centre should be accounted for in the financial proposal, but the added value for employee wellness would not impact the evaluation of the proponent's bid.

6.4.2 Evaluation Criteria – Other

For projects with significant potential for qualitative or other added value, a scoring system may be used to evaluate the proposals. The scoring system must be carefully developed to reflect the goals of the project and must be approved prior to commencing the procurement. Sufficient communication to potential proponents must occur to notify and inform them that the evaluation system is unique to the project. The evaluation team will score proposals against predetermined criteria, clearly articulated to the proponents in the procurement documents. Under this type of evaluation system it is imperative that:

- The appropriate approvals are obtained in advance of commencing the procurement. The use of a qualitative scoring system must be approved by Treasury Board Committee with the approach approved by the Deputy Ministers' Project Steering Committee and the ADM Project Review Committee (see section 6.8.6 and 6.8.7 for discussion of the committees) The reasons for adopting this type of approach are to be recorded in the project documentation.
- Potential proponents are informed of the evaluation criteria and the change in the province's approach early in the process.
- Proponents are not re-evaluated on qualitative factors already considered at the RFQ stage.
- The evaluation criteria and weighting are provided in the RFP document and the evaluation team uses only the criteria communicated to the proponents.
- Sufficient time must be allowed during the evaluation to ensure the criteria are consistently interpreted and applied.
- Sufficient information on the evaluation should be retained to provide feedback to proponents in accordance with Section 6.26.

6.4.3 RFP Process Changes

Any changes to the RFP process must be approved by the Deputy Ministers' Project Steering Committee with the details of the approach approved by the ADM Project Review Committee (see section 6.8.6 and 6.8.7 for discussion of the committees). The reasons for adopting this type of approach are to be recorded in the project documentation.

Preparing a detailed proposal is time consuming and costly for proponents. Potential proponents are reluctant to commit resources to preparing a response if they do not consider that they have a reasonable chance of success (usually more than three proposals) or do not have a clear understanding of how they will be evaluated. Also, evaluating RFPs is a detailed and time consuming task for the project team. Consequently, single stage procurements using an open RFP call (no RFQ) are not used on the GOA's P3 projects.

6.5 Updates to Business Case and PSC

During the procurement process there may be non-material changes in scope and/or risk allocations from that described and valued in the business case used by Treasury Board Committee to approve the P3 procurement. (Note that material changes must be approved by Treasury Board Committee as described in Section 4.4.) If there are changes that impact the business case, it must be updated to reflect the final project scope and risk allocations. The final Business Case will include an updated Public Sector Comparator (PSC). To ensure it is not altered, the updated PSC is provided to Justice in a sealed envelope that is not opened until after the financial bids are received.

The updated PSC is subject to a further adjustment prior to being compared to the financial bids submitted by proponents. Two business days prior to the date financial bids are submitted the discount rate is finalized by Finance and Enterprise and applied to the updated PSC. The finalized discount rate is the same rate that is to be used to by proponents in preparing their financial bids. No other changes are made to the PSC; only the financing inputs are updated to be consistent with the inputs used by the proponents. The finalized PSC is compared to proponents' financial bids to determine the value for money.

6.6 Comparison to Business Case

A detailed Business Case forms the basis of Treasury Board approval to proceed with P3 procurement. The final submission from the Preferred Proponent must be compared to the business terms as described in the Business Case and to the finalized PSC, to ensure that the GOA is receiving the anticipated value for money. Award of the P3 contract must be referred back to Treasury Board Committee for consideration and approval if the anticipated value for money is not realized.

6.7 Trade Agreements

The procurement must comply with the provisions of all trade agreements including the Agreement on Internal Trade (AIT), the Trade, Investment and Labour Mobility Agreement (TILMA) and the New West Partnership Trade Agreement (NWPTA). The RFQ should be widely advertised on Alberta Purchasing Connection to encourage participation in the procurement process.

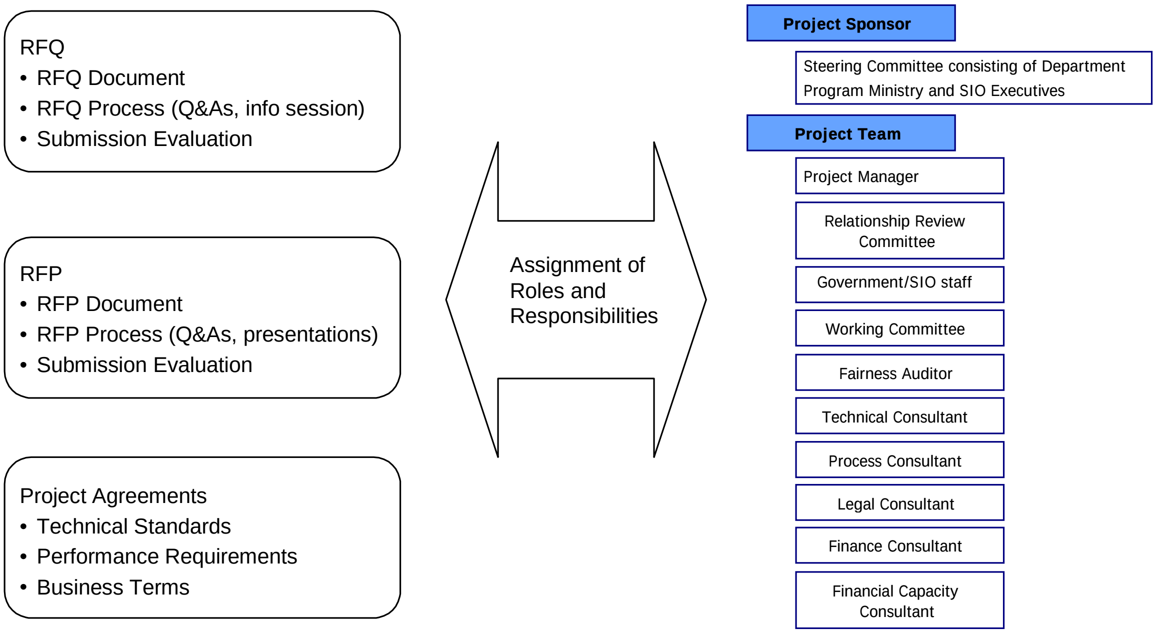
6.8 Honoraria

The Service Delivery Ministry may pay an honorarium to the unsuccessful proponents who submit a compliant final submission to partially offset their pursuit costs.

6.9 Project Tasks and Project Team Roles and Responsibilities

Three key streams of work and various parties involved in the transaction process are shown in Figure 4.

Figure 4: Project Team Roles and Responsibilities



Each stream of work contains tasks and sub-tasks that require participation from various parties. "Task organizations" are formed to carry out individual tasks.

6.9.1 Summary of RFQ Tasks

Key RFQ tasks are:

A. Prepare and issue RFQ:

- Draft and review RFQ – refine and revise as required to reflect specific project requirements and highlight any changes in GOA's RFP process, if applicable.
- Develop evaluation criteria and scoring system.
- Establish evaluation teams.
- Prepare an appropriate training process.
- Develop and implement a marketing strategy.
- Obtain necessary approvals.

B. Run RFQ process:

- Hold information meetings.
- Respond to questions from interested parties.
- Set up the evaluation office.
- Finalize internal RFQ evaluation score sheets and checklists ensuring consistency with RFQ document.

- Conduct training for the evaluation teams.
- Prepare for receipt of submissions.

C. Evaluate and approve short-listed respondents:

- Formally receive RFQ submissions.
- Evaluate completeness (RFQ Completeness Team).
- Review for conflict of interest.
- Evaluate technical capability (RFQ Technical Team).
- Evaluate financing capability (RFQ Financing Team).
- Evaluate financial capacity (RFQ Financial Capacity Team).
- Interview any or all of the respondents.
- Summarize evaluation and create recommended shortlist (approximately three respondents).
- Present results internally and obtain necessary approvals.

D. Issue notification letters and formally announce the short-listed respondents.

E. Hold debriefing session with unsuccessful Respondents who request a debriefing session.

6.9.2 Summary of RFP Tasks

Key RFP tasks are:

A. Prepare and issue RFP:

- Draft RFP and complete project agreement including technical and performance specifications. Refine and revise submission requirements required to reflect specific project requirements.
- Complete final evaluation criteria and scoring system.
- Establish evaluation teams.
- Prepare appropriate training process.
- Obtain necessary approvals.

B. Run RFP process:

- Hold information meetings.
- Respond to questions from proponents.
- Set up the evaluation office.
- Finalize RFP evaluation scoring system and checklists.
- Conduct training for the evaluation teams.
- Prepare for receipt of submissions.

C. Evaluate Proponents based on staged submission requirements (see Appendix C.8 for a description of the staged submission requirements) and select and approve Preferred Proponent:

  - Formally receive RFP submissions.
  - Evaluate completeness (RFP Completeness Team).
  - Review conflict of interest.
  - Evaluate technical proposal (RFP Technical Team).
  - Evaluate financing proposal (RFP Financing Team).
  - Evaluate financial capacity as appropriate (RFP Financial Capacity Team).
  - Hold technical and agreement meetings with the Proponents.
  - Summarize evaluation and select Preferred Proponent.
  - Present results internally and obtain necessary approvals.
  - Obtain necessary approvals from Treasury Board Committee and Cabinet.

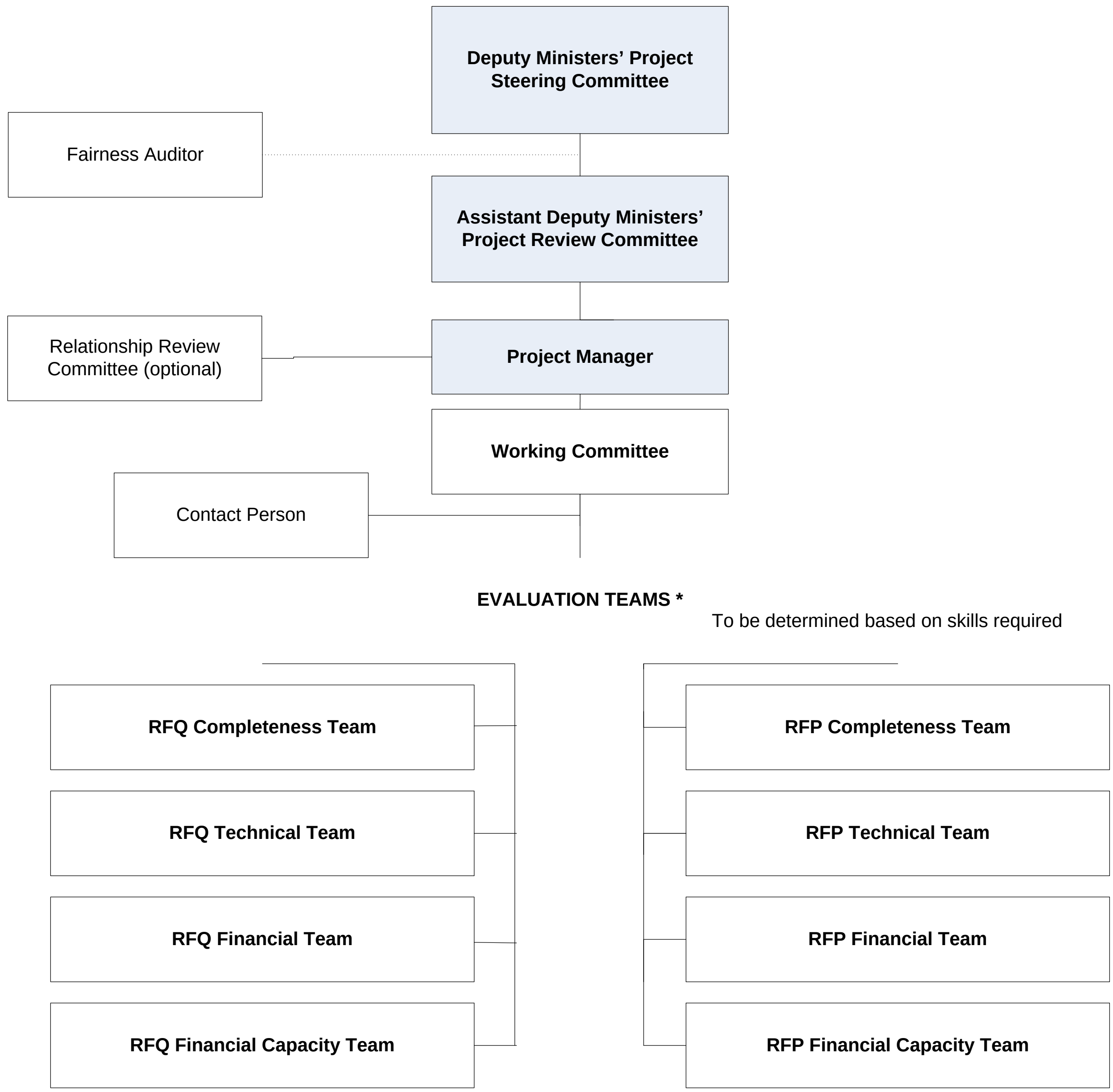
D. Issue notification letters and formally announce the Preferred Proponent.

E. Hold debriefing session with unsuccessful proponents who request a debriefing session.

6.9.3 RFQ/RFP Project Organization

For the RFQ/RFP process and submission evaluation, an organization similar to that shown in Figure 5 should be used.

Figure 5: RFQ/RRP Project Organization



6.9.4 Summary of Membership of Key Roles

Table 1 outlines the typical membership of the key roles within the Project. Actual make-up will vary with the project specifics.

Table 1: Summary of Membership of Key Roles

	Key Role	Membership
(i)	Deputy Ministers' Project Steering Committee	• DM, Service Delivery Ministry • DM, Program Ministry/SIO (if applicable) • DM, Treasury Board • Other Deputy Ministers and key Stakeholder Senior Officers (e.g. SIO senior officer) • minimum 3 members
(ii)	Assistant Deputy Ministers' Project Review Committee	• Deputy Minister, Service Delivery Ministry • Assistant Deputy Minister, Program Ministry (as applicable) • Other key Assistant Deputy Ministers • Alberta Finance and Enterprise, Treasury Management Representative • Alberta Justice and Attorney General Representative
(iii)	Fairness Auditor	• Independent non-government resource
(iv)	Relationship Review Committee (optional committee – functions may be fulfilled by Project Manager)	• Project Manager • Senior Manager, Service Delivery Ministry • Senior Manager, Program Ministry or SIO
(v)	Project Manager	• Service Delivery Ministry
(vi)	Working Committee	• Project Manager Representatives from: • Service Delivery Ministry, program area • Service Delivery Ministry, P3 Policy • Service Delivery Ministry, Finance branch • Program Ministry • SIO • Alberta Treasury Board • Alberta Justice (legal consultant) • Alberta Finance and Enterprise (Treasury Management and Risk Management and Insurance) • Process Consultant • Financial Consultant • Capital Markets Advisor • Technical Consultant
(vii)	Contact Person	• Project Manager or individual authorized by the Project Manager
Evaluation Teams		
(viii)	RFQ/RFP Completeness Team	• Administrative officer (Service Delivery Ministry) • Administrative assistant (Service Delivery Ministry)
(ix)	RFP Concept/ Innovation Team	• Project Manager • Service Delivery Ministry, Representative • Program Ministry/SIO Representative
(x)	RFQ/RFP Technical Team	• Subject matter experts in all required project disciplines including design, construction, operations, maintenance,

	Key Role	Membership
		service, quality control/assurance, regulatory requirements, project management and communication. • Service Delivery Ministry Roll-up team
(x)	RFQ/RFP Financial Team	Representatives from: • Financial Consultant • Alberta Finance and Enterprise • Service Delivery Ministry (finance area) • Program Ministry, Finance
(xi)	RFQ/RFP Financial Capacity Team	Representatives from Financial Consultant (at least 2)

6.9.5 Deputy Ministers' Project Steering Committee

The Deputy Ministers' Project Steering Committee (DMPSC) provides detailed project oversight and guidance on all aspects of the delivery of significant capital projects, including all approved and potential projects delivered under a public-private partnership (P3) model.

For projects selected for oversight and to be delivered as a P3, the DMPSC is mainly responsible for:

- Ensuring all necessary project approvals from Treasury Board, the Advisory Committee on Alternative Capital Financing and Cabinet are obtained;
- Providing direction and guidance to the Chair, ADM Project Review Committee on any issues that impact the project deliverables; and
- Monitoring the project budget, schedule and the planned scope;

Prior to the commencement of the RFQ the DMPSC approves the business case and recommends the business case proceed to Treasury Board for approval to proceed with the procurement.

At the RFQ Stage the role of the DMPSC includes:

- Approving key procurement documents prior to their release, evaluation criteria and proponent selection; and
- Appointing of the Fairness Auditor.

The DMPSC participates directly in the evaluation of submissions received. The DMPSC shortlists the respondents (who then become the proponents for the RFP stage) based on pre-established criteria, using:

- Review of results and synopses from detailed evaluation by the evaluation teams;
- Review of the preliminary scoring by the evaluation teams;
- Additional research or clarification to be performed by the evaluation teams as requested by the DMPSC;

- Direct review of submission material (all submissions should be supplied to each member of the DMPSC), clarification questions and answers with respondents, and other material received and developed during the evaluation process, as necessary; and
- Interviews with respondents, if deemed necessary. Results of the respondent presentations and interviews are included in the evaluation results. The DMPSC can determine the format of, and attendance at, the interviews.

The DMPSC assigns the final evaluations to the respondents and may amend the recommendations from the evaluation teams. The DMPSC decisions will be documented and the Chair must sign off on the decisions.

At the RFP Stage, the DMPSC approves the final business case and value for money analysis, provides decisions on any changes to business terms from the initial business case and determines the key commercial terms incorporated into the final contract documents, including the provincial capital contribution, and approves all public communications strategies and plans.

The DMPSC reviews and approves evaluation results of the evaluation teams at the various stages of the RFP process. The DMPSC verifies that the Preferred Proponent offers value for money in accordance with the business case and approves nomination of the Preferred Proponent, provided the proposal falls within the price range determined by the Public Sector Comparator as set out in the business case.

6.9.6 ADM Project Review Committee

The ADM Project Review Committee (ADMPRC) is responsible for:

- Providing oversight, guidance and decisions to the Project Manager and project team on any aspects of the project deliverables;
- Endorsing all project deliverables including procurement documents, key terms and conditions, risk allocations, schedules and project cost estimates and budget; and
- Advising the Project Manager of all direction and decisions received from the DM Steering Committee.

The ADMPRC provides strategic and policy input to the transaction process. It also decides on issues as brought forward by the Project Manager. Members of the Committee also serve as part of the expert panel for the Project Manager to consult on an as-needed basis for technical matters.

The ADMPRC is responsible for due diligence with regard to the following aspects of the transaction process:

- RFQ/RFP evaluation criteria, and
- RFQ/RFP evaluation process.

The Project Manager presents the evaluation criteria and process to the ADMPRC for review and approval and determines that adequate resources have been allocated to the process to allow for a fair evaluation. With respect to the evaluation process, the ADMPRC reviews the presentation to assess whether:

- The pre-established evaluation process has been followed;
- The pre-established evaluation criteria have been applied diligently;
- The pre-established evaluation criteria have been applied consistently; and
- The pre-established evaluation criteria have been applied without bias.

6.9.7 Fairness Auditor

The Fairness Auditor's role is to ensure the procurement process is conducted in accordance with the pre-established process and evaluation criteria. The Fairness Auditor's process will include, but is not limited to, the following:

- Review any transaction documents at the Auditor's discretion, including invitation documents and their addenda, the process framework and evaluation worksheets;
- Attend meetings where evaluation findings and recommendations are formally presented and monitor the fairness of such proceedings and the findings made there, and attend and monitor any other meetings related to the fairness of the process at the Auditor's discretion; and
- Participate in meetings in person and by telephone as scheduled, identify priority fairness-related issues and fairness-related critical path. Constraints, and manage his/her assignment in a timely and cost-effective manner.

6.9.8 Project Manager

The Project Manager is responsible for delivering the project and oversees the entire transaction process and manages work tasks and work teams (see Appendix C.7 for the Project Manager Roles and Responsibilities). The Project Manager is supported by the Service Delivery Ministry, Program Ministry and SIO staff, and external consultants.

Issues arising from the transaction process are brought to the attention of the Project Manager, who decides how best to resolve the issues within the process framework.

The Project Manager is responsible for the development of the RFQ and RFP documents, the evaluation criteria, the evaluation process (including relationship reviews), the draft and final legal agreements, proposed new legislation (as required), and any addenda or amendments to any of the foregoing.

The relationship review process is set up to:

- Review relationships disclosed by project team members or that are generally learned of and determine whether there are conflict of interest issues;

- Determine the list of parties to be excluded from joining respondent/proponent teams (namely, parties that would provide a proponent team with a material unfair advantage); and
- Review relationships disclosed by proponents in their submissions; and
- Take appropriate action regarding conflict of interest issues (e.g., exclusion from process, mitigating strategies).

The Project Manager is responsible for ensuring the project receives the appropriate approvals from the ADMPRC, DMPSC, the Advisory Committee on Alternative Capital Financing (ACACF), and ultimately, Treasury Board Committee (and Cabinet, in the case of the signing of the Project Agreement) prior to engaging in procurement or contracting activities.

The Project Manager approves all communications to interested parties, respondents, and proponents, as well as all public communications.

The Project Manager reviews and accepts the recommendations and evaluation results presented by the evaluation teams or requests additional clarification from the teams.

The Project Manager may delegate responsibilities to committees or working groups but remains ultimately responsible for the delegated activities.

6.9.9 Working Committee

The Working Committee is responsible for the day-to-day working requirements. The main responsibility is to review major issues, options and provide recommendations that require Steering Committee direction. This group meets weekly throughout the planning and procurement phases of the project.

6.9.10 Contact Person

The Contact Person serves as the single point of contact between the Province and interested parties, respondents, and proponents. The Contact Person is listed in the documents issued by the project team with respect to the project. The Project Manager may authorize a Contact Person for a specific aspect of the transaction (e.g. legal review).

6.9.11 Question and Answer (Q&A) Team (optional)

The Q&A Team reviews incoming questions from interested parties and determines appropriate responses. It coordinates with other project team members in developing answers as necessary and seeks approval from the Project Manager before answers are issued to Respondents or Proponents.

If a Q&A Team is not used, the Project Manager assumes the responsibilities of the team.

6.9.12 Evaluation Teams - RFQ/RFP Completeness Team

The role of the RFQ/RFP Completeness Team is to:

- Determine completeness requirements and develop checklists based on the RFQ/RFP documents';
- Evaluate whether the submissions meet the pre-established completeness requirements; and
- Compile the list of parties on the team of each respondent/proponent (to facilitate relationship review).

6.9.13 Evaluation Teams - RFQ/RFP Technical Teams

The role of the RFQ/RFP Technical Team is to:

- Conduct a detailed review of technical submission materials and prepare synopses for the Deputy Ministers' Project Steering Committee as required;
- Conduct research on respondents and proponents as necessary;
- Apply the technical criteria against the RFQ and RFP submissions received;
- Assign each submission a preliminary score at the RFQ stage. This score is based only on the documentation received and does not include any consideration of the presentations made to the Deputy Ministers' Project Steering Committee;
- Assign each submission a score or pass/fail as appropriate at the RFP stage;
- Present evaluation results to the Project Manager and the Deputy Ministers' Project Steering Committee as required; and
- Raise, and assist in resolving, technical issues that arise throughout the transaction process.

The Technical Team should include members of the team that developed the technical specifications, which may include external consultants.

6.9.14 Evaluation Teams - RFQ/RFP Financial Team

The role of the RFQ/RFP Financial Team is to:

- Conduct a detailed review of the financing submission material and prepare synopses for the Deputy Ministers' Project Steering Committee as required;
- Conduct research on Respondents and Proponents as required;
- Apply the financing criteria against the RFQ and RFP submissions received;
- Assign each submission a preliminary score at the RFQ stage. This score is based only on the documentation received and does not include any consideration of the presentations made to the Deputy Ministers' Project Steering Committee;
- Assign each submission a score or pass/fail as appropriate at the RFP stage;
- Present evaluation results to the Project Manager and the Deputy Ministers' Project Steering Committee as required; and

- Raise and assist in resolving financing issues that arise throughout the transaction process.

The Financial Team should include members of the team that developed the financing criteria, which may include external consultants.

6.9.15 Evaluation Teams - RFQ/RFP Financial Capacity Team

The role of the RFQ/RFP Financial Capacity Team is to:

- Apply the financial capacity criteria against the RFQ and RFP submissions received;
- Assign each submission a score or pass/fail as appropriate;
- Present evaluation results to the Project Manager; and
- Raise and assist in resolving financial capacity issues that arise throughout the transaction process.

The Financial Capacity Team should include members of the team that developed the financial capacity criteria, which may include external consultants.

6.10 Project Plan and Schedules

6.10.1 Project Plan

The project plan is intended for internal use within the Working Committee to clarify the scope and responsibility of each entity's work for various tasks throughout the project.

The project plan is updated by the project team or the Process Consultant, with the approval of the Project Manager, on an as-needed basis and is circulated to members of the Working Committee.

Issues or items identified but not yet on the project plan should be brought to the attention of the Project Manager. The Project Manager will initiate discussions within the Working Committee to determine how to resolve various issues or document the items in the project plan.

6.10.2 Schedule

The project team will establish a transaction schedule at the start of the project which will be updated as necessary. A sample schedule is shown in Table 2.

Any change to the schedule will be communicated to all individuals involved in the project. Where appropriate, the respondents/proponents are notified of the revised schedule in writing.

Table 2: Sample Project Schedule

Key Milestones	Tentative Date
Issue RFQ	
Closing of RFQ	
Approval and announcement of short-listed Respondents	
Issue RFP	
Technical Meeting #1	
Agreement Meeting #1	
Closing of Concept/Optional Innovation Submissions	
Closing of Preliminary technical submission	
Technical Meeting #2	
Agreement Meeting #2	
Closing of Detailed technical submission	
Issuance of final draft version of Agreement	
Closing of Final submission	
Notification of Preferred Proponent	
Legal Agreement execution	
Design and construction	
Facility open	

Detailed schedules are included in the RFQ and RFP documents.

6.11 Evaluation Process Guidelines

To ensure a fair and competitive transaction process, the following guidelines are followed in determining the appropriate evaluation criteria and in establishing the appropriate evaluation process:

- The evaluation criteria and evaluation process are set out in the RFQ and RFP so are established prior to any submissions being reviewed;
- The evaluation criteria, evaluation process, and transaction documents are internally consistent; and
- The pre-established evaluation criteria and evaluation process are consistently applied in an unbiased manner.

The evaluation teams will undertake the evaluation of submissions subject to:

- Appropriate skills and qualifications – Selection of evaluators is based on the skills and qualifications that they possess. Additional subject experts may be consulted on an as-needed basis;
- No conflict of interest – Evaluators are free from conflict of interest issues;
- Development of evaluation criteria – Evaluation criteria should be based on requirements of the Province and SIO, and be practical;
- Training – Evaluators participate in training sessions covering the material required for evaluation process. This includes project orientation and the principles of the GOA P3 model;
- Application of evaluation criteria – Evaluation criteria should be applied consistently and in an unbiased manner to all submissions;
- Thorough and careful review of submissions – All evaluators should familiarize themselves with the entire submission, regardless of whether their evaluation roles cover the entire submission or specific elements;
- Validation of information supplied – Evaluators are to satisfy themselves as to the accuracy of information provided. Evaluators may conduct reference checks and research publicly available sources as appropriate;
- Use of reasonable professional judgment – The application of evaluation criteria is not intended to be a purely mechanical exercise;
- Clarification questions – Clarification questions to respondents or proponents may be required to properly evaluate their submissions. The intention is not to generate new information and hence typically the timeframe for responses is short (e.g., two business days);
- Unanimous decisions – The scores or ratings assigned to each submission should be unanimous. If this is not possible, a majority vote shall decide. The Deputy Ministers' Project Steering Committee during the RFQ stage is required to confirm in writing their decision. The Evaluation Teams during the RFP stage are required to confirm in writing their decisions; and
- Role of Evaluation Team Chair – A chairperson is to be nominated for each Evaluation Team. The chairperson is responsible for facilitating discussion and the documentation of evaluation results.

6.11.1 Training for Evaluators

The primary objective of the training is to help evaluators prepare for the responsibility of evaluating the submissions by providing them with information on the transaction in general and the evaluation process in specific. The training for evaluators mainly consists of two components: a training package containing pertinent documentation and background materials; and a training session where evaluators will learn about the transaction process and their role as the evaluators.

Separate training sessions are held for the evaluation of the RFQ submissions and RFP submissions. The Project Manager, with the assistance of the Process Consultant and Evaluation Team chairs, leads the training sessions.

At the end of a briefing session, evaluators will be familiar with the following:

- The project, which may include a visit to critical sites on the project;
- The principles of the GOA P3 model and public-private partnerships;
- The RFQ/RFP documents including the stated evaluation criteria;
- The transaction process, including the objectives and the structure of the transaction;
- The roles and responsibilities of the Evaluation Teams and the evaluators; and
- The process for evaluating the submissions, including how to make decisions and how to apply the evaluation criteria.

To the extent practicable, all evaluators should attend the training together. For those unable to attend, a separate briefing session can be held by the Project Manager. All evaluators should go through the training prior to the commencement of the evaluation process.

6.11.1.1 Training Packages

The training packages will provide evaluators with the relevant sections from the following documents, if required, that are also available to Respondents/Proponents for preparing their evaluation of the submissions:

- RFQ/RFP and all addenda;
- Q&A documents; and
- Documents within the electronic data room, if applicable.

The training packages should also contain, but not be limited to the following:

- Training objectives and structure and background of the project;
- Transaction process;
- Evaluation process; and
- Evaluation criteria and score sheets.

The confidentiality of the bidding information should be considered in providing information to evaluators. There needs to be consideration given to limiting access to confidential information and providing the evaluators with all the relevant information so they can complete the evaluation.

6.11.1.2 Training Sessions

The Project Manager will make arrangements for the training sessions and the agenda for the training session must include the following:

- Objectives of the training session;
- Description of the project including major technical issues;
- Description of the GOA P3 model and contractual structure of P3s;
- Description of the selection process (e.g., the two stages – RFQ and RFP) and a discussion of the requirements and the scoring system;
- The transaction process (specifically the RFQ or RFP process depending which stage the training is for);
- Evaluation team structure;
- Scope of work for evaluators; and
- Project schedule.

6.12 RFQ Evaluation Process

The RFQ evaluation process is typically conducted as described below.

6.12.1 Completeness Evaluation

During the RFQ stage, the evaluation of completeness of the submissions will follow these procedures:

- All submissions are to be submitted to the project Contact Person;
- The Completeness Team will open the submissions in the evaluation office. The Completeness Team will keep the financial submission sealed, and the Completeness Team will transfer the sealed financial submission to the Financial Consultant;
- The Completeness Team will create a list of all Respondents, including both corporations and individuals;
- The Completeness Team will provide the list of all Respondents to the Project Manager;
- All members of the evaluation teams will declare any relationships they have with the Respondents;
- Any evaluation team member who cannot be cleared of conflict of interest will be excused from the evaluation process;
- The Completeness Team will assess the completeness of each submission according to the Completeness Checklist. If the Completeness Team requires any clarification, it will consult with the Project Manager to determine whether clarification questions are necessary. If so, the clarification process will be followed;
- The Financial Consultant will open the financial submissions and check for compliance with requirements; and

- The Completeness Team will transfer the basic respondent information onto the evaluation score sheets for use by the technical evaluators.

6.12.2 Review of Submissions

During the RFQ stage, the evaluation of the submissions (other than completeness and financial capacity) will follow these procedures:

- The Evaluation Team will access the already-opened submission or response packages in the evaluation office;
- All the evaluations conducted by the Evaluation Teams will take place in the evaluation office. None of the submissions will be allowed to be taken outside the designated evaluation offices without the express consent of the Project Manager;
- The Evaluation Teams will review all the submissions and document their evaluations in the evaluation score sheets;
- Each Evaluation Team will prepare a preliminary scoring for their aspect of the evaluation. Evaluation Teams will not share their preliminary scoring with the other teams except the Roll-Up Evaluation team;
- The Evaluation Teams will establish their own work schedule provided they complete their work within the overall project schedule;
- The Evaluation Teams will follow the clarification procedures on an as-needed basis;
- The Roll-Up Evaluation Team (which may consist of some of the Evaluation Team leads) will initiate the reference check procedures based on their own progress through the evaluation process and at the request of the other evaluation teams;
- The Roll-Up Evaluation Team will compile the preliminary scorings and validate any apparent inconsistencies between team scorings; and between individual respondent scores and the associated commentary;
- Upon completion of the evaluation, the Roll-Up Evaluation Team will summarize its findings in a report format for submission to the Project Manager. This report will include briefing and presentation materials to the Evaluation Committee. The report will append the complete detailed evaluation score sheets. The Roll-Up Evaluation Team will verify with the chairs of the other teams that the summary accurately reflects the consensus of that team;
- The Project Manager, the Roll-Up Evaluation Team and chairs of the other Evaluation Teams will brief the Deputy Ministers' Project Steering Committee on their findings; and
- Members of the Roll-Up Evaluation Team and Chairs of the other Evaluation Teams may be asked to attend the respondent presentations to the Deputy Ministers' Project Steering Committee as advisors to the selectors.

6.12.3 *Review of Financial Capacity Submissions*

The Financial Capacity Team will follow the following procedures:

- The Financial Capacity Team will receive the unopened submissions from the Financial Consultant, review the financial capacity submissions and document their evaluation in the evaluation score sheets;
- The Financial Capacity Team will initiate the reference check procedures based on their own progress through the evaluation process;
- The Financial Capacity Team will establish its own work schedule provided it completes its work within the overall project schedule;
- The Financial Capacity Team will follow the clarification procedures on an as-needed basis; and
- Upon completion of the evaluation, the Financial Capacity Team will report its findings to the Project Manager.

The Financial Capacity Team will conduct its financial capacity evaluation in a separate room from the Evaluation Teams to protect the confidentiality of the Respondents' financial information.

6.13 Reference Checks

The Evaluation Team will be responsible for satisfying itself as to the accuracy and comprehensiveness of the information provided in the submissions in both the RFQ and RFP phases. The members of the team will do so by contacting the references provided by proponents, by researching publicly available sources (e.g., media, web sites) and by using any other means as necessary. Reference checks are mainly for the corporate and staff experience sections of the RFQ evaluation.

Information collected through the verification work will be considered in the evaluation of the submissions. The information collected through the verification process will be designed solely to verify the accuracy and comprehensiveness of the information submitted, in order to accurately apply the evaluation criteria.

The Evaluation Team will determine if any information collected through the verification process indicates that the proponent has submitted false or misleading information that is material to the evaluation of the submissions. Depending on the significance of the issues, the Evaluation Team will determine whether the proponent should be recommended for disqualification.

The evaluators will be responsible for conducting reference checks during the evaluation process by following the procedures below:

- Evaluators will check at least one reference for the key staff put forward in the RFQ submission. The key staff normally includes the concessionaire and construction team managers. The number of references required for each staff depends on whether the evaluators are satisfied with the truthfulness and comprehensiveness of the information provided.

- Evaluators will determine which reference(s) to contact for each of the key staff members. The selection of the reference(s) is based on projects that demonstrate the following characteristics:
    - Relevant to the project;
    - Requiring clarification; and
    - Representative of the staff's overall experience.
- Reference checks should be conducted via telephone. The evaluator(s) will identify themselves to the reference and briefly introduce the project, including the reference check process.

The questions used during the reference check will be determined by the evaluators. However, the following questions may be considered:

<u>Technical qualifications:</u>

- Confirm the facts with respect to specific projects;
- Confirm the staff responsibility with respect to specific projects;
- Verify that the project listed by the staff has been completed satisfactorily (e.g., on budget and on time);
- Verify whether the project listed by the staff is considered as a success by the reference; and
- Verify the performance of the staff on the specific project.

<u>Financial qualifications:</u>

- Confirm the figures reported in the Lead Team Member's financial statements; and
- Identify, as practical to do so, any off-balance sheet financing arrangement.

The evaluators will document all the information provided by the reference as part of the evaluation. The evaluators will incorporate the information collected through reference checks into the evaluation. In the event that none of the references for a particular staff could be available for reference checks or evaluators require additional references to satisfy themselves, evaluators will request alternative or additional references from the respondent through the clarification process. To the extent practical, references should be contacted only once, in case the same reference is used by multiple respondents/proponents and/or for multiple projects.

6.14 RFP Evaluation Process

The RFP may require four or more submissions for evaluation:

- Optional concept/innovation submission;
- Preliminary technical submission;
- Detailed technical submission;
- Completed technical submission; and
- Financial offer.

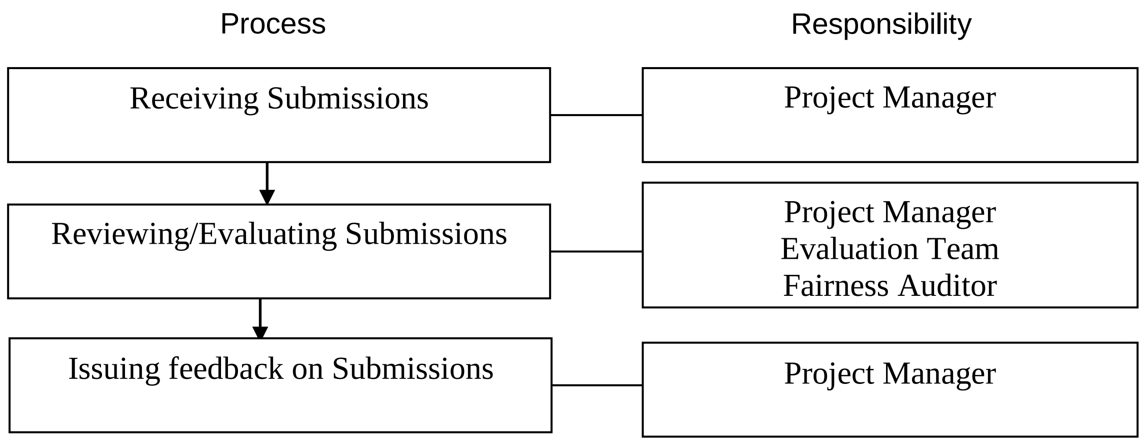
6.14.1 Review of Submissions

Submissions will comply with the process as follows:

- All submissions are to be submitted to the project Contact Person or to the Office of the Tender Administrator as specified in the RFP;
- All submissions will be reviewed for completeness;
- All members of the Evaluation Teams will declare any relationships they have with the Proponents;
- Any Evaluation Team member who cannot be cleared of conflict of interest will be excused from the evaluation process;
- All submissions are to be reviewed by the Evaluation Teams simultaneously to ensure consistency;
- All submissions will be reviewed based on pre-established evaluation criteria;
- The Evaluation Team may ask clarification questions to Proponents regarding any submission through the clarification process;
- Access to submissions will be limited those directly involved in the evaluation as approved by the Project Manager to ensure strict confidentiality is maintained;
- The Roll-Up Evaluation Team will compile the evaluations and validate any apparent inconsistencies between Evaluation Teams or between evaluations and the associated commentary;
- Feedback to all submissions is to be drafted by the Evaluation Teams with the assistance of the Process Consultant as a batch to ensure fairness and consistency; and
- Upon completion of the evaluation, the Roll-Up Evaluation Team will summarize its findings in a report format for submission to the Project Manager. The summary will include recommendations on the pass/fail (or score) of the submissions. The Roll-Up Evaluation Team will verify with the chairs of the other teams that the summary accurately reflects the consensus of that team.

The process of evaluating submissions is summarized in Figure 6.

Figure 6: Submission Evaluation



6.14.2 Technical and Agreement Meetings

These meetings are opportunities for individual proponents to discuss particular terms of the agreement or technical specifications. Revisions are discussed rather than negotiated. Individual meetings will be held to discuss the agreement or the technical specifications on the following basis:

- Each individual meeting will cover the submission from that proponent only;
- The Fairness Auditor will attend the meetings; and
- Meeting are not recorded and minutes are not taken. This protocol is stated to proponents at the start of the meeting.

6.14.2.1 Technical Meetings

One or more rounds of technical meetings may be held to discuss design issues, the innovation submission (if submitted) and other technical matters. GOA, at its discretion, may or may not revise the specifications or other technical matters. Revisions, if any, are issued to all proponents by the way of addendum to the RFP.

6.14.2.2 Agreement Meetings

To achieve an optimal agreement GOA invites proponents to suggest modifications to the draft agreement. The suggested modifications are to be submitted in a prescribed format that includes an explanation as to how the suggested modification enhances value for money for the project. Feedback on the agreement comments will only be provided to the proponent providing the comments. GOA may hold one or more rounds of meetings with proponent teams to discuss the comments. Following the completion of all proponent agreement meetings GOA, at its sole discretion, may or may not revise the project agreement. Revisions, if any are incorporated in subsequent drafts of the project agreement that are issued to all proponents by the way of addendum to the RFP.

6.14.3 Confidentiality

The following steps should be used to ensure the confidentiality and integrity of the submission and evaluation process:

- All information included in the submissions must be kept in strict confidence. None of the contents in the submissions will be shared with other proponents;
- Only the appropriate Evaluation Team will have access to the information in the particular submissions. None of the contents in the submissions will be shared with those outside the Evaluation Team, unless explicitly authorized by the Project Manager; and
- Should the Evaluation Team require outside assistance in its review, only the relevant portions of the submissions will be revealed on an anonymous basis to those outside the Evaluation Team.

6.14.4 Technical Submissions

For projects with a pass/fail technical evaluation, proponents who have passed the technical evaluation will be notified of their option to continue in the process Proponents that fail to comply will be notified of their termination in the process.

6.14.5 Indicative Financial Plan

If the RFP requires the submission of an indicative financial plan and financial model prior to the final submission, the evaluation of the indicative financial plan will be conducted independently of the technical evaluation. Technical Team Members will not have access to the indicative financial plan or the indicative financial model. Access will be limited to individuals directly involved in the evaluation of the Proponent’s financial plan or model as approved by the Project Manager.

No feedback or evaluation will result from the review of the indicative financial plan or model. The review only serves to assist the Financial Team in expediting its evaluation of the final financial submission.

6.14.6 Final Submission

A complete technical resubmission that includes all required clarifications must be submitted prior to submission of the financial (price) proposal. This technical resubmission must consolidate all previous submissions and include all clarifications and addenda. It must be reviewed for completeness and compliance as this submission populates schedules to the project agreement. The Technical Team will provide a report to the Project Manager.

The financial submission and proposal is reviewed by the Financial Team. The Financial Team evaluates the submissions for compliance with the submission requirements and calculates the net present value of the financial offers used to rank the compliant proponents.

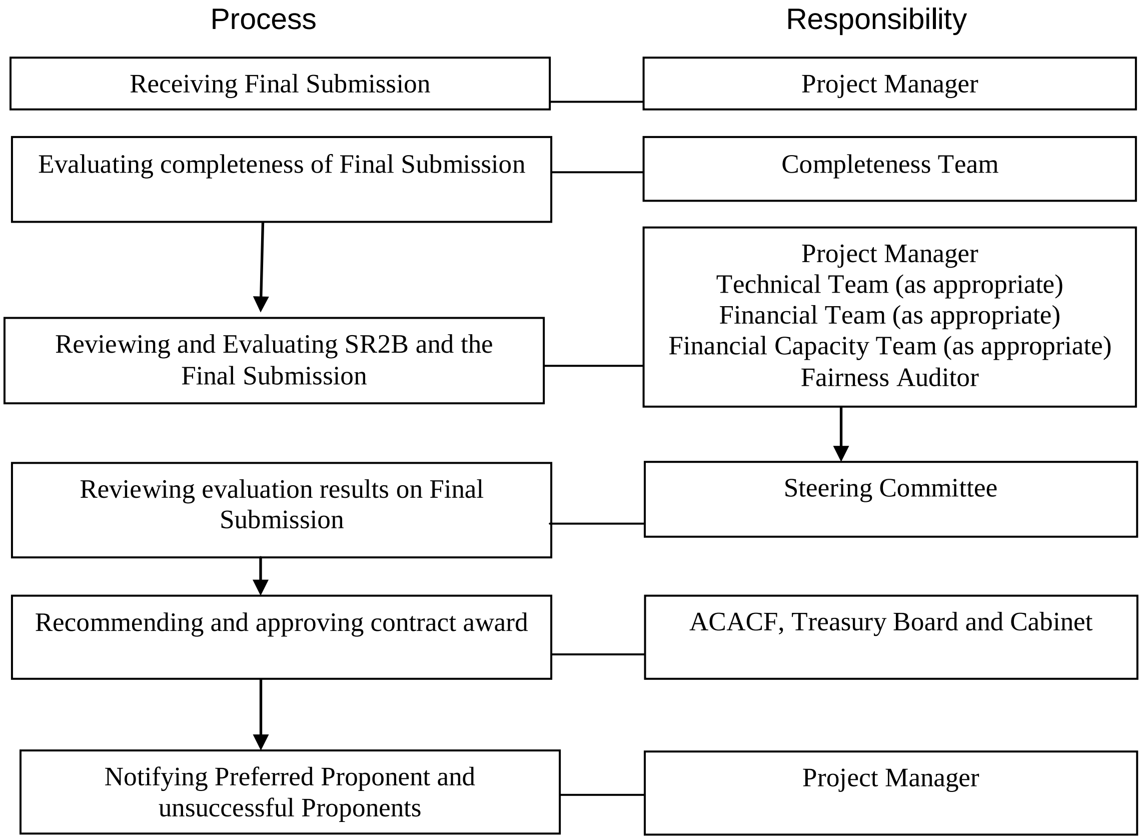
The proponent that has passed the evaluation of technical resubmission and has presented the lowest net present value in its financial offer will be selected as the Preferred Proponent unless the selection criteria is not based on lowest bid, in which case the Preferred Proponent is selected based on the evaluation criteria as set out in the RFQ and RFP.

The Financial Team will assess the Preferred Proponent's financial offer against the Public Sector Comparator and will summarize its findings in a report to the Project Manager.

Technical Teams may cross-reference the final financial plan to check for consistency between capital costs/operation and maintenance costs and the proposed design-build-maintain and/or operate work.

The process of evaluation of the Final Submission (including the technical resubmission) is summarized in Figure 7.

Figure 7: Final Submission Evaluation



6.15 Clarification Process

Clarification questions will be sent to respondents or proponents as necessary so the Evaluation Teams fully understand the information submitted by proponents. All clarification questions are to be prepared by the Evaluation Team and submitted to the Project Manager to approve and send the respondent/proponent. The clarification question process will follow the same process as the Question and Answer from the respondent/proponent. To the extent possible, clarification questions will adhere to the following guidelines:

- Respondents/proponents will be required to respond to clarification questions in writing (including fax or e-mail);
- Respondents to the RFQ should not be asked to submit substantial, new information not contained in their original submission. The intent is that the Evaluation Teams clarify information in the original submission that is insufficient, ambiguous or inconclusive so the Evaluation Teams can conduct a fair evaluation;
- In the event the Evaluation Teams cannot locate specific information for the evaluation, clarification questions should ask proponents to point out where such information is located, rather than providing new information;

- Clarification questions should refer to specific sections in the RFQ/RFP to reiterate the requirements of the RFQ/RFP; and
- Clarification questions should be consistent, particularly when similar questions are posed to different respondents/proponents. If one proponent is asked to clarify on a particular issue, another respondents/proponent with the same or similar issue should be asked the same clarification question.

All Evaluation Teams will determine whether clarification questions are needed and draft the clarification questions they need to pose to the respondents/proponents.

Respondents/proponents need to have a reasonable amount of time (generally two business days) to prepare their responses to clarification questions. The amount of time may vary depending on the nature and complexity of the clarification questions. The Evaluation Teams may reduce the response time if the clarification questions are deemed sufficiently simple. If respondents/proponents request additional time, the Evaluation Teams will need to be prepared to address such requests from the fairness perspective.

For convenience, questions from the Evaluation Teams will be batched prior to issuance to respondents/proponents.

The process of sending clarification questions to respondents/proponents and receiving clarification answers from respondents/proponents should follow these procedures:

- The Evaluation Teams will send clarification questions to the Project Manager, who will review them with the Process Consultant or other project team member delegated the responsibility for managing the clarification process;
- The Process Consultant will receive, review and file those questions. The Process Consultant will assign a number to each clarification question indicating:
    - which evaluation team is asking the clarification question;
    - which respondent/proponent each clarification question is for;
    - when each clarification question is sent to respondents/proponents; and
    - when the clarification answer is received from respondents/proponents.
- If a clarification question is not sent, this fact is to be noted and the reason for not sending the clarification question specified;
- The Process Consultant will, on a frequent basis as determined appropriate:
    - Prepare a consolidated set of clarification questions for each respondent/proponent, using the numbers assigned in step (1); and
    - Propose any necessary changes to wording to ensure fairness and consistency;
- The Project Manager will distribute the clarification questions to respondents/proponents by email to the designated respondent/proponent contact person;
- The email will clearly specify the deadline to provide answers to the Project Manager;

- Respondents/proponents may be given around two business days to provide clarification answers in writing by fax or email to the Project Manager. In the event that respondents/proponents request additional time, the Project Manager will consult with the consultants and the Fairness Auditor to ensure that the project objective and process probity are not materially compromised by granting the request;
- Answers received by the Project Manager will be distributed to the Evaluation Teams that posed the clarification questions;
- The evaluators will incorporate the clarification answers into the evaluation process;
- In the event that the clarification answers are deemed insufficient, follow-up clarification questions will be sent according to the same procedures;
- If a respondent/proponent fails to provide clarification answers by the specified deadline, the Project Manager will contact the respondent/proponent to confirm whether the clarification answers should be expected; and
- If the respondent/proponent confirms that it has no intention of providing the clarification answers, the Project Manager will notify the Evaluation Teams that clarification answers from the respondent/proponent will not be included in the evaluation process. In this case, the evaluation teams will continue the evaluation process based on information already available.

6.16 Interviews

Interviews may be conducted with respondents and proponents at the RFQ and RFP stage, respectively. The objective of conducting interviews with respondents during the RFQ process is to allow respondents to present their qualifications to the DMPSC and allow the DMPSC to interview the respondent team members. The objective of conducting interviews with proponents during the RFP process is to clarify materials found in the RFP submissions.

The interviews with respondents/proponents are conducted according to the following protocol:

- The interviews are not intended as a forum for respondents/proponents to provide any substantive additional information to their submissions;
- While the interviews may be used to clarify information specific to the submissions of respondents/proponents, the interviews are intended to be conducted as consistently as possible among different respondents/proponents;
- All the information exchanged during the interviews shall be treated as part of the particular respondent/proponent’s submission and evaluated accordingly; and
- All information exchanged during an interview related to an RFP submission shall be recorded.

6.17 Documentation

The documentation of the RFQ evaluation process includes, but is not limited to, the following:

- Record of receiving the RFQ submissions;
- RFQ Completeness Checklist;
- RFQ Evaluation Score Sheet;

- Confidentiality documentation signed by all relevant project team members and evaluators;
- Disclosure of Relationships Forms completed by all relevant project team members and evaluators;
- Documentation of the reference checks;
- Documentation of the clarification questions and answers;
- Documentation of the interviews with Respondents;
- Summary document including DMPSC briefing materials; and
- Final Respondent ranking signed off by the chair of the DMPSC.

The documentation of the RFP evaluation process includes, but is not limited to, the following:

- Record of receiving the RFP submissions;
- RFP Completeness Checklist;
- RFP Evaluation (Score) Sheet;
- Confidentiality undertakings executed by all relevant project team members and evaluators;
- Disclosure of Relationships Forms completed by all relevant project team members and evaluators;
- Documentation of the clarification questions and answers; and
- Approval of Preferred Proponent signed off by the Chair of the DMPCS.

6.18 Confidentiality and Security

All communications, documents and electronic files will be properly secured and stored in order to preserve confidentiality.

Confidential information will be shared on a need-to-know basis to minimize potential breaches and to minimize the number of individuals and firms that will have restrictions placed on their involvement with the Project.

A higher level of security will be required once submissions are received at the RFQ or RFP stage. The evaluation process will remain strictly confidential.

6.18.1 Access and Protection

The physical and electronic protection of information must be preserved.

6.18.1.1 Physical Information Security

The security of the physical information is protected according to the following protocol:

- All project team members with offices will have doors that lock, and at times when these individuals are not in their offices, the offices will remain locked (e.g. at night, during out-of-office meetings, etc.) unless the office is in a secure area;

- A secure location will be available for team meetings and a secure common work area (project office) will be provided with telephones and computers;
- All RFQ and RFP documents will be stored in lockable cabinets. No information is to be removed from the common work area. All RFQ and RFP documents are to be locked in the cabinets overnight;
- Any staff with keys to the project office will sign a key registry or will be provided with a programmable key card;
- Copies of office and filing cabinet keys will be tracked and restricted to team members and other designated individuals who have permission to access the offices or cabinets;
- All paper documents related to the project will be stored in a locked cabinet or office;
- An appropriate records management protocol regarding shredding will be established and adhered to;
- A “clean desk” policy will be adhered to where possible;
- All final materials integral to the transaction process will be appropriately retained and filed in accordance with GOA records retention policies; and
- All other documents that are not integral to the official transaction process record may not need to be retained (such as duplicate copies, rough notes and preliminary drafts used to develop the official record); these documents must be disposed of in accordance with GOA records management policies.

6.18.1.2 Electronic Information Security

The security of the electronic information is protected according to the following protocol:

- All project information will be stored on portions of the Service Delivery Ministry server(s) that have restricted access. For information stored off-site, access to the portions of the server(s) or computer(s) is restricted;
- The preferred method of electronic document storage is through the use of a government-operated SharePoint Server, which will be managed by a member of the project team with a designated backup, both of whom must have completed a government-authorized SharePoint Server training program;
- Appropriate back-up procedures of this information will be conducted on a regular basis (at least weekly) and those individuals involved in back-up must adhere to at least the same level of confidentiality as the project team;
- Where appropriate and practical, all documents sent via e-mail should be sent via the Alberta Government server, or through a messaging service on the SharePoint site;

- All documents sent via servers other than those of the Alberta Government will be password-protected. The Project Manager will determine the password and notify the appropriate individuals of the password. Passwords must change on a regular basis;
- Information with a high level of sensitivity will not be sent via e-mail but sent by registered mail or courier; and
- Password-protected screensavers will be implemented on all computers used by project team members.

6.18.1.3 Additional Measures for Evaluation

In addition to the above protocols, additional measures should be implemented during the evaluation stage.

- A separate and dedicated space(s) will be made available for the evaluation process (“evaluation offices”);
- All evaluation related activity will take place in the evaluation offices;
- All Evaluation Team meetings will take place at the evaluation offices;
- No one other than the evaluation Chairs and the Project Manager will have the keys or electronic key cards to the evaluation offices;
- Keys will not be made available to cleaning or security staff during the evaluation;
- Only those individuals involved in the evaluation process will be permitted to enter the evaluation offices;
- Each Evaluation Team member must sign in and out of the office;
- All evaluation material (including electronic material) will remain in the evaluation office and be stored in locked cabinets at the end of each day;
- Only the designated administrative assistant(s) and Project Manager will have the keys to the cabinets where evaluation materials are stored;
- Electronic materials will only be saved on computers made available to the evaluation teams in the evaluation office;
- Once the evaluation is complete, one copy of all evaluation files will be saved on CD-ROM or DVD-ROM disks;
- The hard drives of the computers and any back-up disks will be formatted;
- Each copy of submissions will be numbered and tracked via the document log;
- The administrative assistant(s) will be responsible for monitoring all movement of submission documents; and
- Formal checklists and supporting working papers will be filed and stored in the evaluation office.

6.18.2 *Confidentiality Undertaking*

To ensure that all individuals involved in the project are aware of the confidentiality provisions for the project, the following protocol must be implemented:

- Confidentiality undertakings will be signed by all individuals privy to confidential information. All members of the project team that are GOA employees must be formally advised of the sensitivity of the information related to a P3 project and reminded of their confidentiality and other obligations under the *Public Service Act* oath and relevant Code of Conduct and Ethics provisions. This should be done in the form of a memo that attaches the *Public Service Act* oath and relevant Code of Conduct and Ethics provisions. Each employee should be asked to acknowledge by signature that they have been so advised and have reviewed the attachments to the memo;
- Firms or individuals that serve as consultants, advisors or process auditors must execute confidentiality undertakings; and
- The Project Manager is responsible for ensuring that all project team members and Consultants have executed their confidentiality undertaking.

6.18.3 *Freedom of Information and Protection of Privacy*

All requests for access to project information under the *Freedom of Information and Protection of Privacy Act* will come through the ministry's Freedom of Information and Protection of Privacy office and will be addressed by the Project Manager, who notifies appropriate personnel in the Service Delivery Ministry and, if necessary, other departments.

All requests are documented, along with decisions made regarding the request, and any documentation sent to the requester.

6.19 Communications

All communications must be managed in order to preserve the confidentiality of transaction information and to maintain the integrity of the transaction process.

Communications with interested parties, respondents and proponents will be through a single point of contact. To the extent possible, communications will be in writing. Interested parties, respondents and proponents will be informed that all other forms of communications will not be binding and should not be relied upon.

All provincial employees and project team members will be instructed to direct all external inquiries regarding the project to the Contact Person.

Respondents and proponents must follow the communication process as outlined in the RFQ and RFP.

6.19.1 *Communication among Project Team Members*

For the purpose of this procurement process framework, internal communication is referred to as communication among individuals who are directly involved in the project and have executed confidentiality undertakings specifically for the project. The internal communications among project team members is conducted according to the following protocol:

- All internal communications are conducted on need-to-know basis. Information is only circulated to individuals who are required to have the information;
- No project specific information will be discussed in a public place;
- Project team members should be cognizant of their discussions within the office environment;
- Meetings must take place in offices and meeting rooms out of the general earshot of non-project team members;
- Confidential and project specific information discussed via cell phones will be minimized and cell phone use should be disclosed at the start of the conversation; and
- Faxes, incoming mail, and photocopies will be handled in a fashion such that no confidential information is viewed by non-project team members.

6.19.2 *External Communication*

External communication relating to the project may not take place between project team members and the following parties:

- Individuals within the appropriate Service Delivery Ministry or other ministries and the SIO who are not directly involved in the project and have not executed confidentiality undertaking specifically for the project;
- Interested parties, respondents and proponents; and
- The general public and the media.

External communications are conducted according to the following protocol:

- All requests for communication from external parties are directed to the Project Manager or the Contact Person. Communication is only to take place between external parties and the Project Manager or the Contact Person;
- With respect to communication within the GOA and SIO, the Project Manager determines and documents the appropriate information to release on the need-to-know basis;
- If confidential information is deemed necessary for a particular individual, the Project Manager ensures that a confidentiality undertaking is executed by such individual prior to releasing the confidential information;
- All communication external to the project team but within the GOA and SIO is documented by the Project Manager;

- Individuals other than the Project Manager are not authorized to release any information with respect to the Project to interested parties, respondents, proponents, the general public or the media, unless otherwise explicitly specified;
- Communications with respondents/proponents are conducted only through the Contact Person. All communications with respondents/proponents are documented. Unless specified in the RFQ/RFP, individual meetings or discussions with respondents/proponents are not allowed; and
- All requests for communication from the general public or the media are directed to the Project Manager, who notifies appropriate personnel in the appropriate Service Delivery Ministry and if necessary, other ministries and the SIO to determine whether or not a request is granted. All requests are documented, along with the decision to grant the request or not, and any information released to the requester.

6.19.3 Official Announcements

Official announcements with respect to the short-listing results and the award of the contract are normally released jointly through the Ministers' offices of the Service Delivery Ministry and the Program Ministry and, where appropriate, the SIO executive office. Official announcements will be coordinated by the communications branches of the ministries and SIO (if applicable) and coordinated through the Public Affairs Bureau, if required.

6.20 Conflict of Interest (Relationship) Review

All individuals working on the Project are required to disclose their relationships with the respondents (at the RFQ stage) and proponents (at the RFP stage) as soon as they are identified by the Completeness Team, or prior to starting work on the project, if later.

The Relationship Review Committee (RRC) is responsible for reviewing all relationships disclosed by members of the project team or evaluation team to determine whether any relationship constitutes a real or perceived conflict of interest. The Steering Committee is responsible for reviewing all relationships disclosed by respondents/proponents to determine whether any relationship constitutes a real or perceived conflict of interest.

Conflict of interest must be managed from two perspectives:

- Internal project team perspective – The project team or evaluation team must not include individuals who have a known relationship with a respondent or proponent or member thereof, be placed in a position of influence over decisions regarding the relative competitive position of a respondent or proponent (e.g. setting of evaluation criteria and process, actual evaluation of submissions, or setting of transaction parameters); and
- External parties' perspective – Proponents must comply with the Alberta *Conflict of Interest Act*. Proponents and their advisors should not have an unfair advantage by virtue of access to material non-public information that is not made available to all proponents.

Respondents and proponents are to declare no conflict of interest or disclose potential issues and relationships that may constitute conflicts of interest. Individuals who are privy to material non-public information must be prohibited from discussing this information with or joining interested parties, Respondents, or proponents.

6.20.1 Internal Review

The review of relationships between project team members and respondents/proponents is conducted according to the following protocol:

- As soon as the RFQ/RFP submissions are received and opened by the Completeness Team, the Completeness Team will prepare a list of respondents and proponent teams:
    - All respondent teams, team members, key personnel, consultants and advisors identified in RFQ responses (after RFQ submissions are received).
    - All proponent teams, team members, key personnel, consultants and advisors identified in RFP responses (after RFP submission are received).
- A relationship disclosure form together with the list of respondent/proponent teams will be sent to relevant project team members before commencing evaluation of the RFQ or RFP submissions. Relevant project team members include members of the working committee, the Steering Committee, the evaluation teams, and consultants and advisors on the project, as well as the Fairness Auditor;
- Relevant project team members will complete the relationship disclosure form and forward it to the RRC (if used) or the Project Manager. Relevant relationships will be disclosed without self-assessment as to whether or not a conflict of interest or other problem exists;
- The RRC or Project Manager may make such investigations, including conducting interviews as are necessary to assess whether a conflict of interest exists;
- The RRC or Project Manager will make decisions and, where a conflict of interest or problem exists, notify the relevant person of results;
- The RRC or Project Manager may recommend mitigating measures such as information barriers if appropriate, and may make such investigations as are necessary to explore possibilities to manage conflicts of interest;
- The RRC will notify the Project Manager of conflicts of interest or problems and how they will be managed; and
- Individuals found to have a conflict that cannot be managed will be excluded from the evaluation process.

6.20.2 External Parties

In the RFQ/RFP responses, respondent and proponent teams will be asked to declare no conflict of interest and disclose relationships and issues that could be viewed as conflict. The Steering Committee will consider the relevant forms in each RFQ/RFP Submission received and decide if a conflict exists. The Steering Committee may seek clarification from a respondent or a proponent (either information about the relationship, or information about mitigating measures such as information barriers that are or can be put in place) before making a decision.

Among other options, the Steering Committee may decide that a potential conflict can be managed without disqualification by an information barrier or through other steps. Such a respondent or proponent team will be required to undertake to comply with the conflict of interest requirements before its submission will be considered by the evaluation teams.

The Contact Person will notify the respondent or proponent of the decision.

Respondents/proponents may appeal decisions made by the Steering Committee in writing within ten business days of being notified. The Deputy Minister of the Service Delivery Ministry will review the appeal of the respondent/proponent and make the final and binding decision.

6.20.3 Relationship Review Committee (RRC)

If an RRC is established, the review of relationships of the RRC Committee members is performed by the RRC in the following manner:

- Based on the list of respondents/proponents prepared by the Completeness Team, members of the RRC will complete the relationship disclosure form;
- The RRC will review the relationships and determine whether any relationship presents a conflict of interest;
- The RRC may suggest mitigating measures such as information barriers if appropriate, and may make such investigations as are necessary to explore possibilities to manage conflicts of interest; and
- The RRC will notify the Project Manager of conflicts of interest or problems found by the RRC and how they will be managed.

If an RRC is not established and the function is performed by the Project Manager, the Steering Committee will perform the function of the RRC solely relating to the Project Manager.

6.21 Questions and Answers

Questions from interested parties, respondents and proponents regarding the RFQ/RFP or the transaction are allowed up to a specified time before a submission date. Questions of a substantive nature received after the deadline will not be answered. Questions of a logistical nature will be answered as appropriate.

In providing answers the intention is to clarify information already provided in the RFQ/RFP documents, rather than to provide new information. The Project Manager will delegate responsibility to the Process Consultant or other project team member to collect and monitor all incoming questions and draft responses as appropriate (authorized delegate).

Answers will be approved by the Project Manager prior to being released. The authorized delegate will assist the Project Manager in processing the incoming questions and disseminating answers.

The GOA reserves the right, but is not the obligated, to circulate answers to all parties. In general, answers to questions that contain information relevant to all parties will be circulated. Care is taken to treat questions from each party as confidential but the impact on the fairness of the procurement must be considered.

6.21.1 Protocol

Process:

- Respondents and proponents must submit all questions in writing to the Contact Person as indicated in the RFQ/RFP;
- All questions and answers will be filed by the Contact Person's authorized delegate. The delegate will assign numbers to questions, indicate which interested party asked each question, indicate when each question was received and when the corresponding response was issued, and cross-reference the outgoing question number. If a written response was not provided, this fact is to be indicated and the reason for not providing a written response specified;
- It is GOA's intent to issue all responses and the corresponding questions to all proponents. GOA may decide to not issue a response or to treat a question as confidential and issue a response to only the proponent posing the question (see 6.21.2)
- The Contact Person's authorized delegate will serve as the clearing house for questions and answers.

Drafting answers:

- The Contact Person's authorized delegate will draft answers to questions with input from appropriate team members. The initial answers will be reviewed by key individuals from the process, legal, technical and financial perspectives. Additional individuals or experts could be accessed on an as-needed basis;
- Question and answer conference calls may be conducted as required to discuss and finalize initial answers;
- The Fairness Auditor will review the questions and answers from the fairness perspective and Justice will review from the legal perspective to avoid creating legal risk through particular answers; and
- The Project Manager will review all Q&A documents and provide final approval prior to issuance.

6.21.2 Confidential Questions:

A proponent may request that a question be deemed confidential, which would result in the response going only to the proponent posing the question. GOA determines if the question is confidential and anticipates that only in exceptional circumstances will a question be deemed confidential. The following process will be used:

- The proponent requesting that a question be deemed confidential must provide an explanation as to why it considers the question confidential; and

- GOA will consider the request. If GOA agrees the question should be confidential it will direct the response to only the proponent posing the question. If GOA does not agree that the question should be confidential it will advise the proponent of its view and the proponent has the option of withdrawing the question or proceeding with it on a non-confidential basis.

6.22 Site Investigation

Proponents may be permitted access to the site(s) where the Project will be constructed to conduct site investigations. Site investigation provides proponents with the opportunity to personally review the site, where the Project will be constructed and satisfy themselves regarding the technical aspects of the Project.

Site investigation will be arranged according to the following protocols:

- Proponents will request access to the site for site investigation through the Service Delivery Ministry (if owned by the province) or the SIO (if owned by the SIO). Proponents must submit a written plan outlining what tests or investigations are to be performed and the requested dates of access;
- Proponents will be required to meet the insurance requirements of the entity granting access to the site(s);
- Proponents may be allowed to conduct site investigation up until the final submission deadline for the RFP;
- Proponents may be allowed to visit the site more than once for site investigation. Nonetheless, the Service Delivery Ministry and the SIO reserve the right to limit the number of site visits to ensure fairness of the process;
- Proponents may be required to enter into an agreement with the entity granting access to the site for the site investigation. The agreement must be executed prior to access to the site being granted to proponents. The terms and conditions should be identified in the RFP;
- The Service Delivery Ministry or the SIO will endeavour to accommodate the date and time of preference for proponents to access the site; and
- Proponents are required to report any accidents that have occurred during their site investigation.

6.23 Information Meetings

Information meetings for respondents/proponents are conducted according to the following protocol:

- Any information meetings for respondents/proponents are announced to all respondents/proponents in writing;
- Respondents/proponents are provided a reasonable period of time to make travel arrangement;
- Respondents/proponents are required to sign up or register their intent to attend the information meeting;
- Information presented by the Service Delivery Ministry, the Program Ministry or SIO in the information meeting shall be consistent with the RFQ/RFP. Information presented by the Service

Delivery Ministry, the Program Ministry or SIO in the information meeting constitutes official communication with respondents/proponents;

- Information presented or exchanged during the information meeting is documented and disseminated to all respondents/proponents via the electronic data room (see 6.24);
- The Fairness Auditor will review the transcripts of the questions and answers for the information meeting; and
- The Process Consultant will draft the summary of the information meeting to be distributed to respondents/proponents via the electronic data room.

A separate meeting(s) may be held for the proponents with utility companies, municipalities and other stakeholders. The utility companies, municipalities and other stakeholders will be asked to present their key requirements for the Project. The same protocol as the information sessions shall be followed.

Proponents may be allowed to contact utility companies, municipalities and stakeholders on their own and pose their questions directly. Information directly provided by utility companies/ municipalities/stakeholders is not binding on the Service Delivery Ministry, the Program Ministry or SIO.

6.24 Electronic Data Room

6.24.1 Procedures

The control of access to the electronic data room will follow these procedures:

- Site Access - Only registered respondents and members of the Working Committee are provided access to the electronic data room during the RFQ stage. Only proponents and members of the Working Committee are provided access to the electronic data room during the RFP stage;
- All respondents/proponents are notified via e-mail as soon as new information has been added to the electronic data room;
- No respondents/proponents may transfer their access to the electronic data room to individuals who are not part of their project team;
- It is the responsibility of the respondents/proponents to investigate the material made available in the electronic data room; and
- All documentation required by the respondents/proponents, as determined by GOA, to respond to the opportunity will be posted in the electronic data room.

6.24.2 Contents of Electronic Data Room

- Documents informative to the project, as determined by GOA, will be posted in the electronic data room;
- Subsequent additions or changes to the documents will be added directly to the electronic data room; and
- Respondents/proponents will be notified by e-mail when new information has been posted or added to the electronic data room.

6.24.3 *Review of Electronic Data Room before Opening*

- Disclosure – All material data should be included;
- Confidentiality – Personal data are not to be included. If such data are necessary, they will be blacked out or protected in order to keep the data anonymous and confidential; and
- Sufficiency – Sufficient data should be included to allow respondents to develop substantive statements of qualifications, and to allow proponents to develop binding proposals. Also, sufficient data are to be included to ensure a level playing field (e.g., maintenance contracts).

6.24.4 *Confidential Information in Electronic Data Room*

Proponents are not required to complete separate confidentiality undertakings to be granted access to the electronic data room during the RFP stage although, new members of the proponent teams' who need to access the data room are required to sign the confidentiality form.

6.25 Project Agreement

The Working Committee, led by the Project Manager and Alberta Justice, will be responsible for the development of the Project Agreement, including the incorporation of comments from proponents. The Fairness Auditor will participate to ensure the maintenance of fairness in the revisions. Comments on the draft Project Agreement from proponents are processed according to the following procedures:

- Proponents submit their comments on the draft Project Agreement and the related portions of the output/performance specifications to the Contact Person in writing by the specified deadline;
- The Working Committee will meet to discuss the comments and consider revisions to the Project Agreement;
- As part of the process, individual meetings may be conducted with each of the proponents to clarify their comments;
- Alberta Justice will draft the revisions to the draft Project Agreement as agreed by the Working Committee;
- The Project Manager will present the recommended changes to the Steering Committee;
- The updated draft of the Project Agreement will be issued to all proponents via the electronic data room;
- The above six steps of this section will be repeated for the second round of comments from proponents on the second draft of the Project Agreement;
- The penultimate draft form of the Project Agreement will be reviewed by the Steering Committee;
- The penultimate draft of the Project Agreement will be issued to all Proponents via the electronic data room;

- Steps 1 to 3, 5 and 6 of this section will be repeated for any further comments from proponents on the penultimate draft of the Project Agreement and only written comments are permitted; and
- The final draft of the Project Agreement will be issued to all proponents via the electronic data room.

6.26 Approval Process

The Project Manager is responsible for overseeing the approval process and ensuring that the approvals are obtained.

All approvals shall be in accordance with the current version of Alberta's P3 Management Framework: Assessment Process.

6.27 Debriefings

Debriefings will be available to respondents and proponents at the RFQ and RFP stage after the announcement of the shortlist and the preferred proponent, respectively. If requested, a debriefing is conducted according to the following framework:

- Debriefs after the RFQ of unsuccessful proponents is usually delayed until after the RFP is completed;
- Prior to the debriefing session, the debriefing panel (selected depending on the issues of the particular submission) will review the evaluation of the respondent's RFQ submission or the proponent's RFP submission;
- The debriefing session is intended to provide useful feedback to respondents/proponents while not disclosing commercially confidential information. The objective is to review the evaluation process and provide comments on the respondent's/proponent's submission;
- The focus of the debriefing session is to emphasize the integrity of the evaluation process, not to disclose or discuss specific scores of any particular submission;
- The debriefing session is not intended for debating the evaluation results with the respondent/proponent. The Service Delivery Ministry will not alter its evaluation results as a result of the debriefing session;
- All respondents/proponents (whether they attend debriefing sessions or not) are to be treated fairly and consistently. Information shared during the debriefing sessions is not intended to give any particular respondent/proponent material advantage over others; and
- The Fairness Auditor will attend all debriefings.

6.27.1 Guidelines for Debriefing Meetings

  - Limit the length of each debriefing session to approximately two hours;
  - Limit up to five attendees from each respondent/proponent;
  - Discuss the evaluation process, instead of specific scoring;

- Do not discuss submissions or results of other respondents/proponents. Do not compare one submission to another, but rather the specific submission against the evaluation criteria;
- While highlighting areas for improvement, focus on how the respondent/proponent may choose to better address certain evaluation criteria or project requirements. Do not draw examples from other respondents' proposals or submissions as suggestions. Do not endorse specific firms, organizations or individuals;
- Do not disclose any information from any other respondent/proponent or submission;
- Do not allow the respondent/proponent to debate the evaluation results or to try to make the project team change the evaluation results;
- Provide feedback to all respondents/proponents consistently in terms of the level of details and the breadth of discussion. If multiple respondents/proponents have similar issues in their submissions, feedback to them is to be consistent and similar; and
- The Fairness Auditor will attend the debriefing sessions.

6.28 Records Management

Records management is the maintenance of the documents created during the course of the transaction. This section should be referred to in parallel with the Confidentiality and Security section.

Records management must be in accordance with the GOA's and the project team's records retention and disposition schedule.

6.28.1 Electronic Mail

The Project Manager maintains the current list of project team members and their e-mail addresses to ensure that e-mail is sent to the intended recipients.

At the conclusion of the transaction, project team members are to forward any key e-mail to the Project Manager.

The Project Manager compiles a hard copy master record of key e-mail.

6.28.2 Handwritten Notes and "Personal" Records

Project team members should maintain their own handwritten and personal notes related to the project. Such personal notes may include calendars, discussion notes, meeting notes, phone messages, etc.

Care must be taken to ensure that key information is maintained.

At the conclusion of the transaction, project team members are to forward any key personal notes to the Project Manager.

The Project Manager compiles a master record of key notes.

6.28.3 *Key Documents for Record*

Throughout the transaction, copies of the following key documents are forwarded to the Project Manager as a record of the transaction:

- Record of decisions (such as the determination of evaluation criteria, evaluation results), including (but not limited to) the following:
    - Date of the meeting;
    - Purpose and nature of the decision;
    - Agenda of the meeting;
    - The decision;
    - Names of individuals present at the meeting (including, their roles at the meeting); and
    - Items for next steps or action.
- Issue identification and discussion papers, including a description of an issue identified and discussed by project team members and the resolution of the issue;
- Position paper and briefing notes produced by project team members for any committee or team within the project or for individuals within the GOA or SIO but outside the project;
- Minutes of regular conference calls;
- Transaction Process Framework document and protocols;
- Publicly released documents, including documents only released to interested parties, respondents or proponents; press or media releases; announcements; documents released under a Freedom of Information request; etc., and
- Data and information used to develop and support assumptions used in the business case.

6.29 Transparency and Accountability

The Alberta government is committed to open, transparent and accountable procurement. The aim is to disclose as much as possible in the public interest without impacting the government's ability to generate value for money for taxpayers.

While the goal of transparency in P3s is important, openness must not harm the competitive process or the government's negotiating position, and it must not discourage bidders.

6.29.1 *Disclosure Guidance*

Table 3 describes the recommended disclosures. Disclosure would generally be through the Service Delivery Ministry's website but may be on the Program Ministry's website.

Table 3: Disclosure Guidance

Milestone	Guidance
Opportunity Paper	Do not disclose. Disclosure would jeopardize government's position and harm the competitive process.
Business Case	Do not disclose. Disclosure would jeopardize government's position and harm the competitive process
Request for Expression of Interest (REOI) document	Disclose. Publicly available document.
Name & number of parties who respond to REOI	Disclose number. Do not disclose names as unlikely to be meaningful.
Request for Qualifications (RFQ) document	Disclose. Publicly available document.
Number of parties who respond to RFQ	Disclose.
Name and number of parties who are short-listed at the RFQ stage and receive the Request for Proposals (RFP)	Disclose.
RFP document	Disclose.
Final form of Project Agreement	Disclose.
Name and number of Proposals received	Disclose.
Name of Preferred Proponent	Disclose.
Report of the Fairness Auditor (if applicable)	Disclose.
Value for Money Assessment and Project Report	Disclose.
Proposals received from proponents	Do not disclose. Commercially confidential information.
Executed agreement	Do not disclose commercially confidential information (see recommendation on disclosing final form of agreement).

6.30 Value for Money Assessment and Project Report

The Value for Money Assessment and Project Report is a concise and informative project summary of the procurement process for the general public showing how value for money is achieved. The report is prepared by the project team and published by the Program Ministry within six months following execution of the Project Agreement.

6.30.1 Content

The report should consist of:

1. Summary of the report;
2. Background information;
3. Value for money assessment, including quantitative and qualitative measures of value and major risk allocations including examples of key risk allocations (e.g. construction cost, schedule);
4. Project report, including project goals and outcomes, approaches considered, the selection process, a summary of key terms of the agreement (i.e. DBFO, DBFM), payment adjustments and monitoring during and after construction;

5. Information on winning proponent team (names of consortia firms);
6. Financial summary showing aggregate NPV of all bids and Public Sector Comparator;
7. Aggregate of total required payments under the agreement (total of capital, operations and maintenance and rehabilitation payments);
8. Accounting treatment; and
9. Consultant opinions - Fairness Auditor, Technical Consultant, Financial Consultant opinion on VFM.

The report template may be found in Appendix D.3.

Appendix A.1

Approval Process for Alternatively Financed Projects

The assessment and approval process can be summarized as follows:

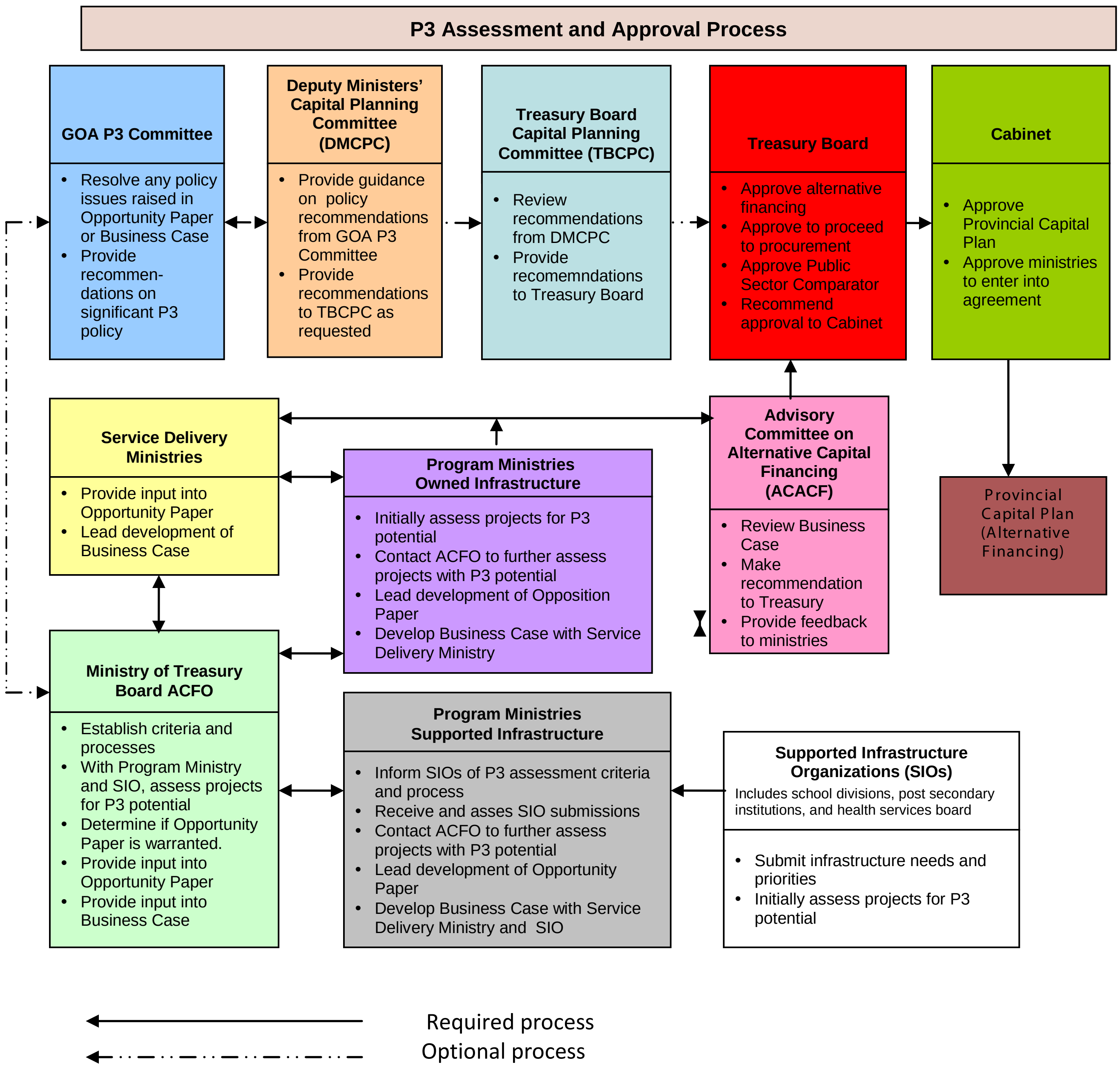
- Program Ministries and Supported Infrastructure Organizations identify project with P3 potential. An initial evaluation is conducted with the Ministry of Treasury Board;
- If the project has public-private partnership (P3) potential an Opportunity Paper will be prepared with the input of the Service Delivery Ministry;
- The GOA P3 Committee will provide input into the Opportunity Paper if there are policy matters to be addressed. The GOA P3 Committee may make a recommendation to the Deputy Ministers' Capital Planning Committee on the policy matters and the resulting impact on the assessment of the potential project as a P3;
- The Program Ministry and Service Delivery Ministry will complete the Business Case. The Business Case could proceed directly to Treasury Board but, if there are policy or other significant challenges identified in the Business Case, it may be reviewed by other committees as follows:
    - The Deputy Ministers' Capital Planning Committee provides recommendations to the Treasury Board Capital Planning Committee; and
    - The Treasury Board Capital Planning Committee provides recommendations to Treasury Board
- Treasury Board refers the Business Case to the Advisory Committee on Alternative Capital Financing for a review and recommendation on the P3 proposal;
- Treasury Board receives the recommendation from the Advisory Committee on Alternative Capital Financing. Treasury Board approves the project to proceed to procurement as a P3 and approves the Public Sector Comparator;
- The Service Delivery Ministry leads the procurement team for the project. If there are any significant changes to the project during the procurement the project must return to Treasury Board for their review and decision;
- Once the financial bids are received, Treasury Board reviews the bid results as compared to the Public Sector Comparator. Treasury Board may refer the review to the Advisory Committee on Alternative Capital Financing for their review and recommendation. Treasury Board approves the Service Delivery Ministry and the Program Ministry to enter into the project agreement with the

Preferred Proponent, subject to the approval of Cabinet. Treasury Board provides a recommendation to Cabinet;

- Cabinet approves the Service Delivery Ministry and the Program Ministry to enter into the project agreement with the Preferred Proponent.

Figure 9 shows the flow of the P3 assessment approval process.

Figure 9: P3 Assessment and Approval Process



Appendix A.2

Accounting Treatment of Government of Alberta P3s

The accounting treatment for P3 projects will be in accordance with the accounting policies and reporting practices of the Government of Alberta (GOA), which follow the recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. There is no specific guidance on accounting for P3s so the guidance in PS 3250, *Tangible Capital Assets*, and PSG-2, *Leased Tangible Capital Assets*, is specifically referred to in establishing the appropriate accounting treatment.

1 VALUE OF ASSET ACQUIRED AND LIABILITY INCURRED

The accounting treatment is based on the business structure of a specific project, so it may vary between projects. For the ring road and schools projects to date, the GOA acquired assets, (roads and bridges) or had assets constructed for a Supported Infrastructure Organization (SIO) to be owned by the SIO (for example, school boards). Accordingly the GOA recognizes assets (roads and bridges) or capital expenses (schools) and the corresponding liabilities. The assets or capital expenses were recognized as construction progressed. This is because the ownership of the land and all improvements belong to the public entity, and GOA has an obligation to compensate the proponent for work performed to date (see project contracts for details). By the time construction is complete, the assets or capital expenses and the corresponding liabilities are fully recognized. The value of the assets or capital expenses is determined by the provisions of PSG-2 plus the book value of any provincial capital contributions. PSG-2 states that "the value of the leased tangible capital asset and the amount of the lease liability, recorded at the beginning of the lease term, would be the present value of the minimum lease payments."[1]

2 PROCUREMENT COSTS

Procurement costs for GOA assets may also be capitalized in accordance with GOA's accounting policy.

3 PROVINCIAL CAPITAL CONTRIBUTIONS

For projects to date, GOA has paid some of the capital construction costs to reduce the amount of private financing required for the project. These provincial capital contributions are part of the cost of the capital asset or capital expense.

[1] *Public Sector Accounting Handbook*, Canadian Institute of Chartered Accountants, PSG-2 Leased Tangible Capital Assets, section 14

4 PAYMENTS

As part of the financial bid process, the GOA receives a breakdown on the types of payments required by the bidders at the time the financial bid is made.

4.1 Capital Payments

When the project is complete and monthly capital payments are made to the proponent, a portion of the payment reduces the liability, and the interest portion is a debt servicing cost.

4.2 Operations and Maintenance and Major Rehabilitation

Operations and maintenance payments are paid and expensed when service is rendered. Major rehabilitation is either capitalized or expensed, depending on the nature of the work performed, in the period in which the work is performed. The obligation for these payments is disclosed in the notes to the financial statements.

5 AMORTIZATION

Assets owned by GOA are amortized in accordance with the ministry's amortization policy for capital assets of that nature.

Appendix A.3

Budgeting Treatment of Government of Alberta P3s

As for all capital projects, budgeting corresponds with the accounting treatment.

1 OPERATING LEASES

For P3s that are classified, for accounting purposes, as an operating lease, the payments are a voted, budgetary expense under the Expense and Equipment/Inventory Purchases vote at the time the payments are due.

2 CAPITAL LEASES

2.1 Capital Payments

For P3s that are classified, for accounting purposes, as a capital lease and are signed by the Province of Alberta, the budgeting impacts are as follows:

- The acquisition value of the asset is equal to the net present value of the lease payments plus any Government of Alberta (GOA) capital contribution, which includes interest accumulated during the construction period. This value is recorded as a capital asset (or capital expense if the asset is owned by a school board, post-secondary institution or Alberta Health Services) upon acceptance of the asset by the GOA or as the asset is constructed, depending on the terms of the agreement.
- The acquisition value of the capital asset/capital expense is statutory and, as such, is not included in the Ministry voted appropriations.
- Both the liability and the asset acquisition itself are recorded in the ministry balance sheet.
- The principal portion of payments is a voted, non-budgetary expenditure. Principal repayment reduces the liability corresponding with the asset acquisition.
- The interest portion of payments is a voted, budgetary debt servicing expense under the Expense and Equipment/Inventory Purchases vote.

2.2 **Operations and Maintenance and Major Rehabilitation**

Operations and maintenance payments are voted, budgetary expenses in the year in which the service is rendered.

Major rehabilitation is a voted expenditure that, depending on the nature of the work, could be budgetary or non-budgetary in the year in which the service is rendered.

3 AMORTIZATION

Assets owned by GOA are amortized in the GOA financial statements. Amortization is a voted, budgetary expense under the Expense and Equipment/Inventory Purchases vote.

Appendix B.1

Public-Private Partnerships Project Roles and Responsibilities

Cabinet	▪ Receive recommendations from Treasury Board Committee on alternative financing of capital projects ▪ Approve the ministries to enter into the Project Agreement with the Preferred Proponent
Treasury Board Committee	▪ Approve projects to proceed using a P3 procurement ▪ Approve the amount of alternative financing ▪ Approve the PSC ▪ Recommend approval to Cabinet for the ministries to enter into the Project Agreement with the Preferred Proponent
Advisory Committee on Alternative Capital Financing	▪ Provide recommendations to Treasury Board Committee on alternatively financed projects ▪ Evaluate Business Cases and proposals referred by Treasury Board Committee and provide feedback to ministries
Treasury Board Capital Planning Committee	▪ Provide recommendations to Treasury Board Committee on alternatively financed projects in context of the Capital Plan
Deputy Ministers Capital Planning Committee	▪ Provide recommendations to Treasury Board Capital Planning Committee on alternatively financed projects ▪ Make decision to proceed to a Business Case for a project with P3 potential

Ministry of Finance and Enterprise	▪ Provide input into project evaluation criteria (assessment for P3 suitability) ▪ Participate in project evaluation at Opportunity Paper stage and provide advice related to financing and capital markets ▪ Participate in development of the Business Case, particularly to provide financial expertise to project team, give insight on current financial market conditions and provide insurance and risk management advice ▪ Participate in the evaluation process (Request for Qualifications and Request for Proposals) ▪ Provide input into standard business terms ▪ Assess and advise on contract terms relating to financing, payment terms and insurance ▪ Develop and implement the interest rate adjustment process ▪ Participate in agreement meetings with proponents ▪ Lead responses on financial/credit matters ▪ Provide discount rate used in VFM determination ▪ Evaluate VFM of final bids and comparison of NPV of bids ▪ Assist in financial close ▪ Provide input into VFM report
Service Delivery Ministries	▪ Provide input into project evaluation criteria (assessment for P3 suitability) ▪ Participate in project evaluation (starting at Opportunity Paper stage) ▪ Lead development of, and sign off on Business Case ▪ Lead the project team conducting the procurement ▪ Develop project technical requirements ▪ Lead the evaluation process (Request for Qualifications and Request for Proposals) ▪ Provide input into standard business terms ▪ Engage the Fairness Auditor ▪ Engage required consultants (financial, process, capital markets, cost, etc.) ▪ Recommend Preferred Proponent (with Program Ministry) and request approval to enter into the Project Agreement ▪ Sign the Project Agreement (with Program Ministry) ▪ Lead development of VFM Report ▪ Maintain all project documentation, including technical, procurement,

	financial, approval, etc. in accordance with GOA record retention policies ▪ Manage project implementation ▪ Coordinate hand-off for operations and maintenance phase (if handled by Program Ministry or SIO) ▪ Lead working group if contract issues arise
Ministry of Justice	▪ Provide input into project evaluation criteria (assessment for P3 suitability) ▪ Advise on legal implications of procurement approach ▪ Participate in project evaluation at Opportunity Paper stage ▪ Participate in development of the Business Case ▪ Participate in the evaluation process (Request for Qualifications and Request for Proposals) ▪ Provide input into standard business terms ▪ Lead development of the Project Agreement ▪ Advise on matters relating to the procurement process ▪ Participate in agreement and technical meetings ▪ Lead process to achieve commercial and financial close ▪ Provide input into VFM report ▪ Advise on Project Agreement interpretation and enforcement ▪ Advise on redacted Project Agreement for public posting ▪ Maintain all project legal documentation, including executed agreements
Supported Infrastructure Organizations (when GOA is leading the procurement)	▪ Work with Program Ministry to develop program requirements ▪ Work with project team on project design, as required, to ensure program requirements are met ▪ Work with the project team to develop technical requirements ▪ Participate as requested on evaluation, liaison or other teams to further the procurement ▪ Communicate project progress as required within the SIO ▪ Obtain approvals required to complete the procurement ▪ Execute agreements required to complete the procurement ▪ Work with Service Delivery ministry to facilitate hand-off for operations and maintenance phase

Ministry of Treasury Board (ACFO)	▪ Develop recommendation for multi-year alternative financing plan; ▪ Establish criteria and processes to evaluate for alternative procurement ▪ Review alternative procurement evaluations and lead process to provide recommendations on suitability for P3 procurement ▪ Develop and maintain alternative financing standards and guidelines ▪ Provide input into Business Case, VFM report, communications ▪ Participate on project team as required ▪ Facilitate Treasury Board Committee and ACACF approval processes ▪ Lead committee to establish standard business terms
Program Ministries	▪ Identify program needs ▪ Sponsor project ▪ Work with ACFO on project evaluation for alternative procurement ▪ Liaise with SIOs (when applicable) ▪ Participate in Business Case development and sign off on Business Case ▪ Participate on project team ▪ Participate in the evaluation process (Request for Qualifications and Request for Proposals) ▪ Recommend Preferred Proponent (with Service Delivery Ministry) and request approval to enter into the Project Agreement ▪ Sign the Project Agreement (with Service Delivery Ministry and SIO, where appropriate) ▪ Lead development and execution of communications strategy ▪ Provide input into VFM report ▪ Work with Service Delivery Ministry on hand-off for operations and maintenance phase ▪ Participate in working group if agreement issues arise
External Consultants/Advisors	
- Technical and Engineering and/or Architect	▪ Assist the Service Delivery Ministries in preparing project specific documentation ▪ Assist in the evaluation process
- Process	▪ Assist in preparing final procurement documentation

	▪ Assist in all stages of procurement ▪ Assist in review of submissions ▪ Assist in documentation review and reporting
- Financial Consultant	▪ Assist in risk identification and assessment ▪ Advise on financial model preparation ▪ Assist in the procurement ▪ Attend agreement meetings to address matters of a financial nature ▪ Contribute to development of the project agreement in matters relating to project financing and value for money ▪ Assess financial capacity of the respondents to the Request for Qualifications and the proponents in the Request for Proposals
- Capital Markets Advisor	▪ Advise on mix of public and private financing ▪ Attend agreement meetings to address matters of a capital and financing market nature ▪ Provide input into the project agreement in matters relating to capital markets and value for money
Fairness Auditor	▪ Observe the GOA's conduct of the procurement process; ▪ Consider whether the GOA complied with the process set out in the procurement documents; and ▪ Provide advice and recommendations to the GOA regarding the fairness of the procurement process.

Appendix C.1

Treasury Board Capital Planning Committee Terms of Reference

A. GENERAL

Detailed herein are the Terms of Reference for the Treasury Board Capital Planning Committee, hereafter referred to as “the Committee”.

B. MEMBERSHIP

1. The Committee will consist of 5 Standing Members, one of which will be Chair, appointed by the President of Treasury Board.
2. A Vice-Chair may be appointed at the discretion of the Chair.
3. The following shall be Ex-officio members of the Committee, who shall be available to assist the Chair and to attend meetings of the Committee at the request of the Chair:
   - the Deputy Minister of Treasury Board; and
   - the Assistant Deputy Minister, Strategic Capital Planning for the Ministry of Treasury Board.

C. ROLES AND RESPONSIBILITIES

The Chair will report to the President of Treasury Board and provide Treasury Board with advice and make recommendations related to the Alberta Capital Plan and capital expenditures. The Committee will:

1. Develop recommendations regarding:
   - the allocation of funding to capital program envelopes;
   - the alternative procurement of capital projects (which may include alternative financing); and
   - in-year funding requests and changes to the Government of Alberta Capital Plan.
2. Receive direction from Treasury Board on the availability of and priorities for funding.
3. Assess the Deputy Ministers’ Capital Planning Committee (DMCPC) recommendations regarding the strategic direction of Government’s Capital Plan and adjustments to approved projects in the approved Capital Plan.
4. Review the appropriateness of the process(es) used to develop the prioritized list of projects for both the Ministries and the overall Capital Plan.

D. ORGANIZATION

1. The Committee will convene at the call of the Chair, or at the direction of the President of Treasury Board.
2. A quorum shall be constituted with the attendance of not less than three Standing Members, one of whom shall be the Chair or his designate.
3. Expenses related to official meetings of the Committee shall be paid from within the existing budget of the Ministry of Treasury Board – Strategic Capital Planning.
4. These Terms of Reference may be revised, added to, and/or otherwise altered only with the approval of the President of Treasury Board.

Appendix C.2

Deputy Ministers' Oversight Committee (DMOC) Terms of Reference

A. GENERAL

The Deputy Ministers' Oversight Committee (the "Committee") provides high-level oversight of the delivery of significant capital projects, including all approved and potential projects delivered under a public-private partnership (P3) model.

Detailed and specific project oversight and guidance is provided by deputy ministers through the Deputy Ministers' Project Steering Committee – see the separate Terms of Reference for the steering committee.

B. PROJECT SELECTION

Projects under the mandate of the Committee may be assigned by Treasury Board Committee or the Deputy Ministers' Capital Planning Committee (DMCPC).

Assigned projects will be high-profile, high risk projects that have a significant impact on the Provincial capital plan. These are typically projects with a greater than $200 million provincial capital contribution and/or use an "alternative delivery" method.

All P3 projects, both approved and potential projects where planning activities are underway, fall within the mandate of the Committee.

C. RESPONSIBILITIES

The Committee is responsible for overseeing the following project aspects:

- Organizational structure,
- Project scope throughout the project period,
- Project schedule,
- Project cost,
- Scope changes requiring Treasury Board approval are to be presented to the Committee to obtain support,
- Advising Treasury Board on overall progress of the project and obtaining necessary guidance from Treasury Board,
- Short-listed and selected projects for alternative financing, and
- A 5-year plan of P3 projects, including proposed procurement schedules giving due consideration to market, industry and public service capacity.

P3 projects are either undertaken by a “Single Ministry” or a “Cross Ministry” team. A Single Ministry project affects only that ministry, which is responsible for the program under which the asset will be operated, no other ministry is directly affected by the operations and the single ministry will own, operate and maintain the infrastructure being developed under the P3 agreement. A roads project is an example of a “Single Ministry” P3. A “Cross-Ministry” project impacts more than 1 ministry. For example, the program delivery may be the responsibility of 1 ministry while developing, operating and maintaining the infrastructure to deliver that program is the responsibility of a second ministry. Other organizations, such as health regions, school boards and post-secondary institutions may also be impacted by the project. As there are more stakeholders in a Cross Ministry project, developing and delivering the project is more complex, so an appropriate organizational structure needs to be in place to ensure all stakeholder needs are met.

The difference between the project organization for a “Single Ministry” and “Cross Ministry” project is as follows:

- A “Single Ministry” project is not required to establish a Deputy Ministers’ Project Steering Committee. At the discretion of the Deputy Minister of the ministry responsible for the project, the function of the Deputy Ministers’ Project Steering Committee can be filled by that Deputy Minister. An RFQ Selection Committee will still be required for the project in accordance with *Alberta’s Public-Private Partnership Framework and Guideline.*
- A “Cross Ministry” project will establish a Deputy Ministers’ Project Steering Committee to provide detailed project oversight and guidance.

The Committee Chair will conclude as to whether a project is a “Single Ministry” or “Cross Ministry” project.

D. PROCESS

The Committee will determine the process it will use to discharge its responsibilities. The process may include:

- Meeting with responsible Deputy Minister, project team members, (which could include supported infrastructure organizations and municipalities), and
- Receiving regular and ad-hoc reporting on projects, including status updates regarding schedule, budgets and scope,
- Authorizing task groups, delegates or independent reviewers.

E. ORGANIZATION

The committee will be chaired by the Deputy Minister of Treasury Board. The organization is shown on Figure 10. The Committee will consist of the Chair and standing Deputy Minister Members. The members will be drawn from:

- Chair - Deputy Minister, Treasury Board,
- Deputy Minister, Infrastructure,
- Deputy Minister, Transportation,
- Deputy Minister, Service Alberta,
- Deputy Minister, Advanced Education and Technology,
- Deputy Minister, Education,
- Deputy Minister, Health and Wellness,
- Deputy Minister, Finance and Enterprise,
- Deputy Minister, Justice and Attorney General

A minimum of three members are required.

A Vice-Chair may be appointed at the discretion of the Chair who will act for the Chair in the Chair's absence or at the discretion of the Chair.

The following individuals are available to assist the Committee:

- Assistant Deputy Minister, Strategic Capital Planning, Ministry of Treasury Board
- Executive Director, Strategic Capital Planning, Ministry of Treasury Board
- Executive Director, Alternative Capital Financing Office, Ministry of Treasury Board

The Committee will convene at the call of the Chair, at the direction of the President of Treasury Board or at the request of the Chair, Deputy Ministers' Project Steering Committee.

Committee recommendations will normally be reached by consensus. In the absence of consensus, a majority decision will prevail. The Chair and all members are eligible to vote.

Committee members may designate alternates to attend meetings on their behalf; however, alternates are not entitled to vote on Committee recommendations. Alternates may participate in the discussion relating to any recommendation.

The provision of a Secretary to the Committee and administrative support to the Committee will be the responsibility of the Assistant Deputy Minister, Strategic Capital Planning for the Ministry of Treasury Board.

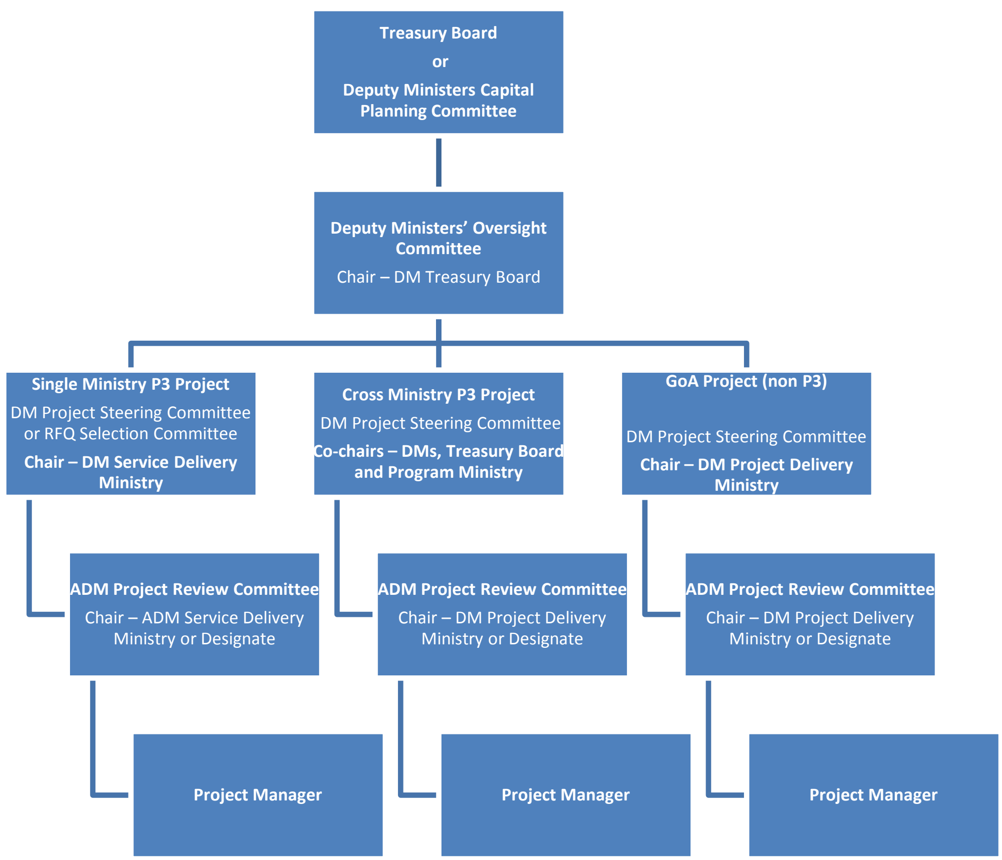
Figure 10 – Potential Organization

The Chair, Deputy Ministers’ Oversight Committee will conclude as to whether a project is a “Single Ministry” or “Cross Ministry” project.

Single Ministry Projects are projects where 1 ministry is the program and infrastructure delivery ministry and the results of that project affect only that 1 ministry.

Cross Ministry Projects are projects affecting more than 1 ministry and include projects for supported organizations such as health boards, post-secondary institutions and school boards.

Government of Alberta (GoA) projects include any non-P3 infrastructure project run by a ministry and include projects for government-owned infrastructure, such as roads and buildings, and infrastructure for Supported Infrastructure Organizations such as Alberta Health Services, post-secondary institutions and school boards.



Appendix C.3

Deputy Ministers’ Project Steering Committee (DMPSC) Terms of Reference

A. GENERAL

The Deputy Ministers’ Project Steering Committee (DMPSC) (the “Committee”) provides detailed project oversight and guidance on all aspects of the delivery of significant capital projects, including all approved and potential projects delivered under a public-private partnership (P3) model.

The DMPSC reports to the Deputy Ministers’ Oversight Committee, which provides overall oversight on all significant capital projects. See the separate Terms of Reference for the oversight committee.

B. PROJECT SELECTION

Projects under the mandate of the Committee may be assigned by Treasury Board Committee, the Deputy Ministers Capital Planning Committee (DMCPC) or the Deputy Ministers’ Oversight Committee.

Assigned projects will be high-profile, high risk projects that have a significant impact on the Provincial capital plan. These are typically projects with a greater than $200 million provincial capital contribution and/or use an “alternative delivery” method.

All P3 projects, both approved and potential projects where planning activities are underway, fall within the mandate of the Committee.

C. RESPONSIBILITIES

For projects selected for oversight, the Committee is responsible for:

- Advising the Oversight Committee on overall progress of the project and obtaining necessary guidance,
- Ensuring all necessary project approvals from Treasury Board, the Advisory Committee on Alternative Capital Financing and Cabinet are obtained,
- Stakeholder management (including Cabinet, Caucus, supported infrastructure organizations, unions),

- Approving all public communications strategies and plans,
- Sponsoring any required enabling legislation,
- Addressing resource requirements (human, physical and financial),
- Providing direction and guidance to the Chair, ADM Project Review Committee on any issues that impact the project deliverables,
- Providing decisions to the Chair, ADM Project Review Committee on any issues, identified by that committee that may impact the delivery of any project deliverables,
- Monitoring the project budget, schedule and the planned scope, and
- Reporting to the Deputy Ministers' Oversight Committee on the status of all projects under the Committee's purview, including any scope and/or cost changes that need to be considered.

For P3 projects, the Committee is also responsible for approving:

- The business case and requesting the business case proceed to Treasury Board for approval to proceed with the procurement recommendation,
- Key procurement documents prior to their release,
- Evaluation criteria and proponent selection,
- Key commercial terms, including the provincial capital contribution, and
- Appointment of the Fairness Auditor.

D. PROCESS

The Committee will determine the process it will use to discharge its responsibilities. The process may include:

- Meeting with project team members, departments and stakeholders (which could include supported infrastructure organizations and municipalities),
- Receiving regular and ad-hoc reporting on projects, including status updates, and information on existing and emerging issues, key milestones, market feedback, legal matters, communications, stakeholder feedback and budgets, and
- Authorizing task groups, delegates or independent reviewers.

E. ORGANIZATION

Due to the variable delivery expertise, scope and variability of projects and responsibilities/authority there are various possible organizational structures; the project organization will be determined by the Deputy Ministers' Oversight Committee. The organization possibilities and Chairs/Co-Chairs are shown in Figure 1.

The DMPSC will consist of the Chair and standing Deputy Minister Members. The members will be drawn from:

- Deputy Minister, Treasury Board,
- Deputy Minister, Infrastructure,
- Deputy Minister, Transportation,
- Deputy Minister, Service Alberta,
- Deputy Minister, Advanced Education and Technology,
- Deputy Minister, Education,
- Deputy Minister, Health and Wellness,
- Deputy Minister, Finance and Enterprise,
- Deputy Minister, Justice and Attorney General,
- Member from Institution (Health Board, Post-Secondary Institution, School Board, etc).

For Cross Ministry and Government of Alberta projects, a minimum of three members are required and for Cross Ministry P3 projects the Deputy Minister of Finance and Enterprise and the Deputy Minister of Justice will be members of the committee.

A Vice-Chair may be appointed at the discretion of the Chair who will act for the Chair in the Chair's absence or at the direction of the Chair.

The Chair may add additional Deputy Minister Members or external members (e.g. City Manager) for specific projects and may request the attendance and assistance of other Deputy Ministers, or such other persons as recommended by the Deputy Minister responsible for managing the project for the Chair and/or the Committee, to carry out their responsibilities.

The Committee will convene at the call of the Chair, at the direction of the President of Treasury Board or at the request of the Chair, ADM Project Review Committee.

Committee recommendations will normally be reached by consensus. In the absence of consensus, a majority decision will prevail. The Chair and all members are eligible to vote.

Committee members may designate alternates to attend meetings on their behalf; however, alternates are not entitled to vote on Committee recommendations. Alternates may participate in the discussion relating to any recommendation.

The provision of a Secretary to the Committee and administrative support to the Committee will be assigned by the Chair/Co-chair.

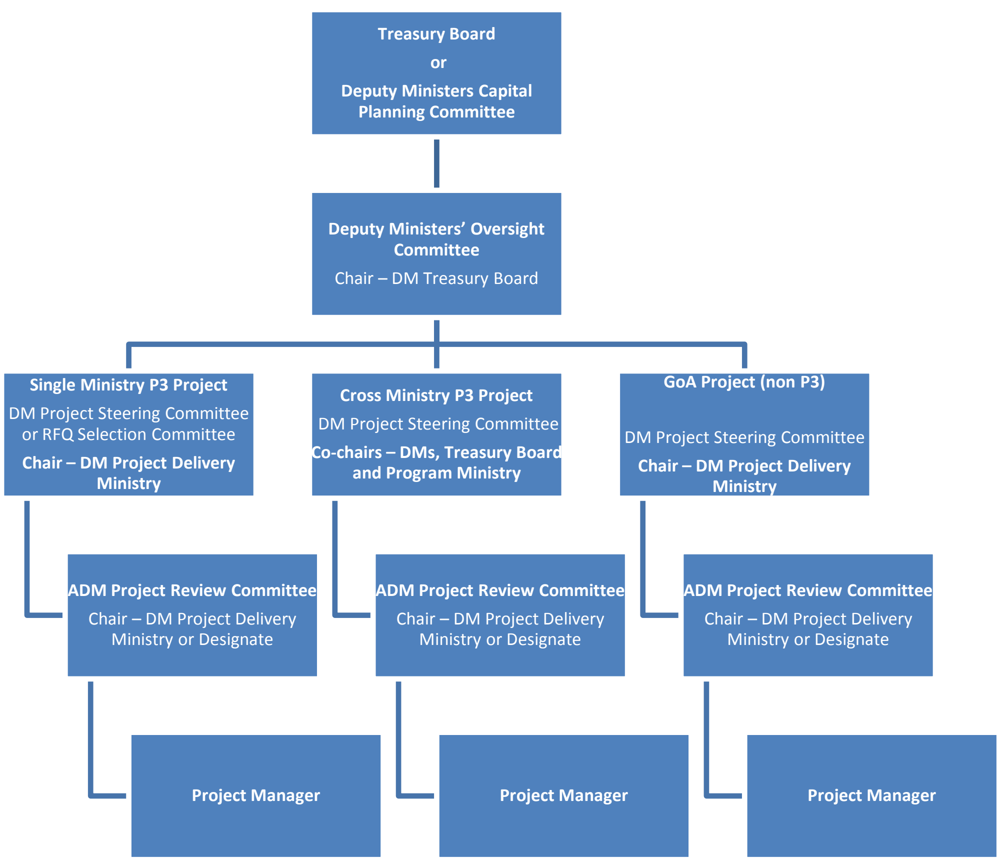
Figure 1 – Potential Organization

The Chair, Deputy Ministers' Oversight Committee will conclude as to whether a project is a "Single Ministry" or "Cross Ministry" project.

Single Ministry Projects are projects where 1 ministry is the program and infrastructure delivery ministry and the results of that project affect only that 1 ministry.

Cross Ministry Projects are projects affecting more than 1 ministry and include projects for supported organizations such as health boards, post-secondary institutions and school boards.

Government of Alberta (GoA) projects include any non-P3 infrastructure project run by a ministry and include projects for government-owned infrastructure, such as roads and buildings, and infrastructure for Supported Infrastructure Organizations such as Alberta Health Services, post-secondary institutions and school boards.



Appendix C.4

Assistant Deputy Ministers' Project Review Committee Terms of Reference

A. GENERAL

The Assistant Deputy Ministers' Project Review Committee (the "ADM Committee") provides support to the Deputy Ministers' Project Steering Committee (the "DM Committee"). The ADM Committee provides guidance and assistance to the Project Manager and Project Team on the technical requirements of significant capital projects, including all approved and potential projects as assigned by the DM Committee.

B. ROLE

The ADM Committee reviews and oversees the development of the technical requirements (including operations/maintenance requirements as appropriate) of capital projects selected by the DM Committee. The ADM Committee also supports the Project Manager as required or as requested.

C. PROJECT SELECTION

Projects will be selected by the DM Project Steering Committee.

D. RESPONSIBILITIES

The ADM Committee is responsible for:

- To provide oversight, guidance and decisions to the project manager and project team on any aspects of the project deliverables,
- Endorsement of all project deliverables as directed by the DM Committee. Typical deliverables could include procurement documents, key terms and conditions, risk allocations, schedules and project cost estimates and budget,
- To identify to the DM Committee, all social, socio-economic and political issues that may impact the delivery of any project deliverables,

- To seek direction and decisions from the DM Committee on any issues that impede the completion of the project deliverables within the project schedule and to notify the DM Committee, through the ADM Chair of any issues beyond the control of the ADM Committee, project manager and project team that will delay the project schedule and/or negatively impact the approved capital budget,
- To advise the project manager of all direction and decisions received from the DM Steering Committee,
- To ensure the project manager and project team are provided will all resources necessary to complete the project deliverables within the project schedule and budget,
- To ensure a fair, open and transparent competitive procurement process,
- Reviewing and recommending for approval any project documentation (including the business case) that will be provided to the DM Committee for Treasury Board, Cabinet and the Advisory Committee on Alternative Capital Financing,
- Identifying any required enabling legislation and sponsoring legislative or regulatory changes, and
- Reviewing and recommending for approval any communication strategy or plan.

E. PROCESS

The ADM Committee will:

- Meet regularly with the Project Manager and project team members;
- Meet with departments and other stakeholders, as required;
- Receive regular reporting on projects, including status updates, and information on existing and emerging issues, key milestones, market feedback, legal matters, communications, stakeholder feedback and budgets;
- Provide direction and advise to the project manager on matters within its mandate;
- Escalate matters outside its control or mandate to the DM Committee through the ADM Chair; and
- Seek the advice of other parties (subject matter experts) within or external to government as required.

The ADM Committee may determine any other procedures it requires to discharge its responsibilities.

F. ORGANIZATION

The ADM Committee will report to the DM Committee through the Chair.

The organizational possibilities and Chairs are shown on Figure 10. The Committee will consist of the Chair and standing Deputy Minister Members. The members will be drawn from:

- Chair;
    a. Deputy Minister of Transportation, or
    b. Deputy Minister of Infrastructure, or
    c. Deputy Minister of Service Alberta, or
    d. their Designate depending upon which Ministry is providing the project management,
- Assistant Deputy Minister, Transportation and Civil Engineering (Transportation),
- Assistant Deputy Minister, Capital Projects (Infrastructure),
- Assistant Deputy Minister, Enterprise Services (Service Alberta),
- Assistant Deputy Minister, Strategic Capital Planning (Treasury Board),
- Program Ministry Assistant Deputy Minister (Advanced Education and Technology, Education, Health and Wellness),
- Assistant Deputy Minister, Treasury and Risk Management, (Finance and Enterprise),
- Assistant Deputy Minister, Legal Services Division, (Justice and Attorney General),
- Other Assistant Deputy Ministers, as determined by the project type and appointed by the DM Committee,
- Other members, as determined by the project type and appointed by the DM Committee.

For assigned projects a minimum of three members are required and for P3 projects the Assistant Deputy Minister of Finance and Enterprise and the Assistant Deputy Minister of Justice should be members of the committee.

A Vice-Chair may be appointed at the discretion of the Chair who will act for the Chair in the Chair’s absence or at the direction of the Chair.

The Chair may request the attendance and assistance of other Assistant Deputy Ministers, or such other persons as deemed necessary, for the Chair and/or the ADM Committee to carry out their responsibilities.

The Chair will consult with the Project Manager on a regular basis.

The ADM Committee will convene at the call of the Chair, as directed by the DM Committee or at the request of the Project Manager through the Chair.

Committee recommendations will normally be reached by consensus. In the absence of consensus, a majority decision will prevail. The Chair and all members are eligible to vote.

The provision of a Secretary to the Committee and administrative support to the Committee will be the responsibility of the Chair.

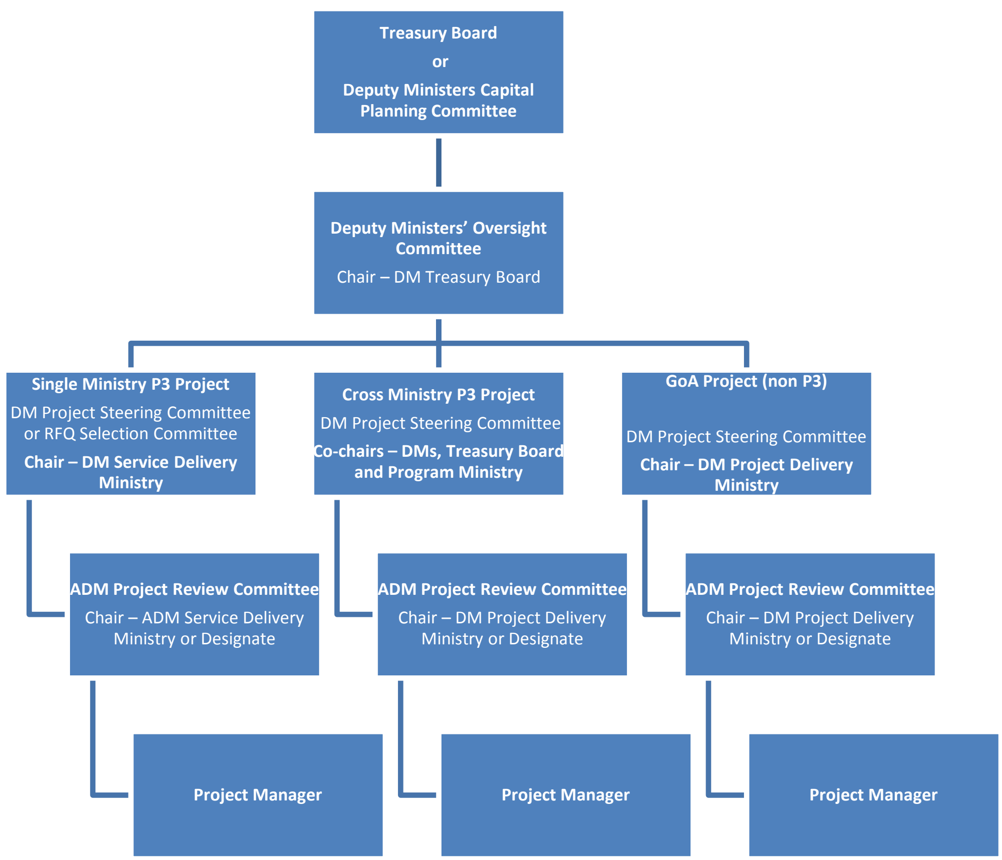
Figure 10 – Potential Organization

The Chair, Deputy Ministers' Oversight Committee will conclude as to whether a project is a "Single Ministry" or "Cross Ministry" project.

Single Ministry Projects are projects where 1 ministry is the program and infrastructure delivery ministry and the results of that project affect only that 1 ministry.

Cross Ministry Projects are projects affecting more than 1 ministry and include projects for supported organizations such as health boards, post-secondary institutions and school boards.

Government of Alberta (GoA) projects include any non-P3 infrastructure project run by a ministry and include projects for government-owned infrastructure, such as roads and buildings, and infrastructure for Supported Infrastructure Organizations such as Alberta Health Services, post-secondary institutions and school boards.



Appendix C.5

Advisory Committee on Alternative Capital Financing Terms of Reference

The Advisory Committee on Alternative Capital Financing will report to Treasury Board as required and will:

- Provide recommendations to Treasury Board on proposals for alternative financing for capital projects;
- Maintain an ongoing overview of public policy developments, both nationally and internationally, concerning the various funding approaches supporting public infrastructure development; and
- Evaluate capital projects and supporting business cases referred by Treasury Board and provide feedback to Ministries on alternative capital financing proposals.

Appendix C.6

GOA P3 Committee Terms of Reference

A. GENERAL

The GoA P3 Committee (the Committee) facilitates the development of public-private partnerships (P3s) in the Province of Alberta by providing recommendations and guidance to the ADM, Strategic Capital Planning for consideration as P3 implementation policy and processes for the Province of Alberta.

B. ROLE

The Committee provides recommendations and guidance on all aspects of P3 projects, including (but not limited to) the development of new types of P3 projects, P3 potential project selection, information disclosure policies, communication approaches, consultant engagement policies and standards, value-for-money approach, and general P3 policy and processes.

C. RESPONSIBILITIES

The Committee is responsible to:

- Guide the development of general P3 policy, which includes:
  - Management frameworks;
  - Specific policy as required (disclosure, value-for-money approach, communication, consultant engagement, agreements, etc).
- Provide recommendations related to the further development of P3 projects, which includes:
  - Assessing the types of infrastructure that could generate value as P3 projects;
  - Recommending a process to develop the framework and documents for that infrastructure type; and
  - Seeking the advice of other parties (subject matter experts) within or external to government as required.
- Keep appropriate persons within their ministry informed of Committee actions and results.

The Committee may determine any procedures it requires to discharge its responsibilities.

D. Organization

The Committee reports to the ADM, Strategic Capital Planning who is an ex-officio member of the Committee.

The Committee Chair is the Executive Director, Alternative Capital Financing Office. The Committee will consist of the Chair and standing members drawn from:

- Infrastructure
- Transportation
- Finance
- Justice
- Treasury Board

Each ministry will appoint 1 member to the Committee.

A Vice-Chair may be appointed at the discretion of the Chair who will act for the Chair in the Chair's absence or at the direction of the Chair.

The Chair may request the attendance and assistance of other persons as deemed necessary for Committee to carry out its responsibilities.

The Committee will meet quarterly or at the call of the Chair or as directed by the ADM, Strategic Capital Planning.

Committee recommendations will normally be reached by consensus. In the absence of consensus, a majority decision will prevail. The Chair and all members are eligible to vote.

Appendix C.7

Project Manager
Roles and Responsibilities

A. GENERAL

The Project Manager (PM) is responsible for delivering the assigned project including public-private partnership (P3) capital project in accordance with the scope, budget, timelines and guidelines established by the Assistant Deputy Ministers' Project Review Committee (ADM Committee).

B. ROLE

The PM provides project leadership, is accountable for all aspects of project development and delivery.

C. RESPONSIBILITIES

For assigned projects, the PM is responsible:

- To identify all resources and support (human, physical, financial) required to achieve the project objective and deliverables,
- To develop and complete all interim and final deliverables and any other necessary tasks in a manner and time that will achieve the project objective,
- Develop and implement an effective project communications plan, including planning, monitoring and adapting to address any communications needs throughout the project,
- To identify, in a timely manner, to the ADM Committee all social, socio-economic and political issues that may impact the delivery of any deliverables,
- To seek direction and decisions, in a timely manner, from the ADM Committee on any issues that impede the completion of the deliverables within the project schedule and budget,
- To notify the Chair, ADM Committee of any issues beyond the control of the project manager and team that may delay the project schedule or negatively impact the approved budget,
- To meet with the Chair, Deputy Ministers' Project Steering Committee (DM Committee) and Chair, ADM Committee on a regular basis to review any or all aspects of the project,

- To liaise with all stakeholders, partners and interested parties on the project,
- To manage all aspects of the project, project team members and all support resources, advisors and consultants in a way to achieve the project objective,
- Develop a business case with supporting analysis and recommendations, and
- Prepare reports and other communications for the DM Committee, ADM Committee, Treasury Board, Cabinet, the Advisory Committee on Alternative Capital Financing and other users, as required.

D. PROCESS

The PM will:

- Use project management best practices and methods to ensure a successful delivery of the project deliverables and outcomes,
- Attend all ADM Committee and DM Committee meetings, and
- Engage consultants and experts, as approved in the project plan and budget, to assist in executing the PM's responsibilities.

The PM may determine any other procedures he/she requires to discharge the responsibilities.

E. ORGANIZATION

The PM will report to the ADM Committee (Figure 10).

The PM will establish a project organization and governance structure best suited to the project type and phase (e.g. planning & development, procurement, delivery).

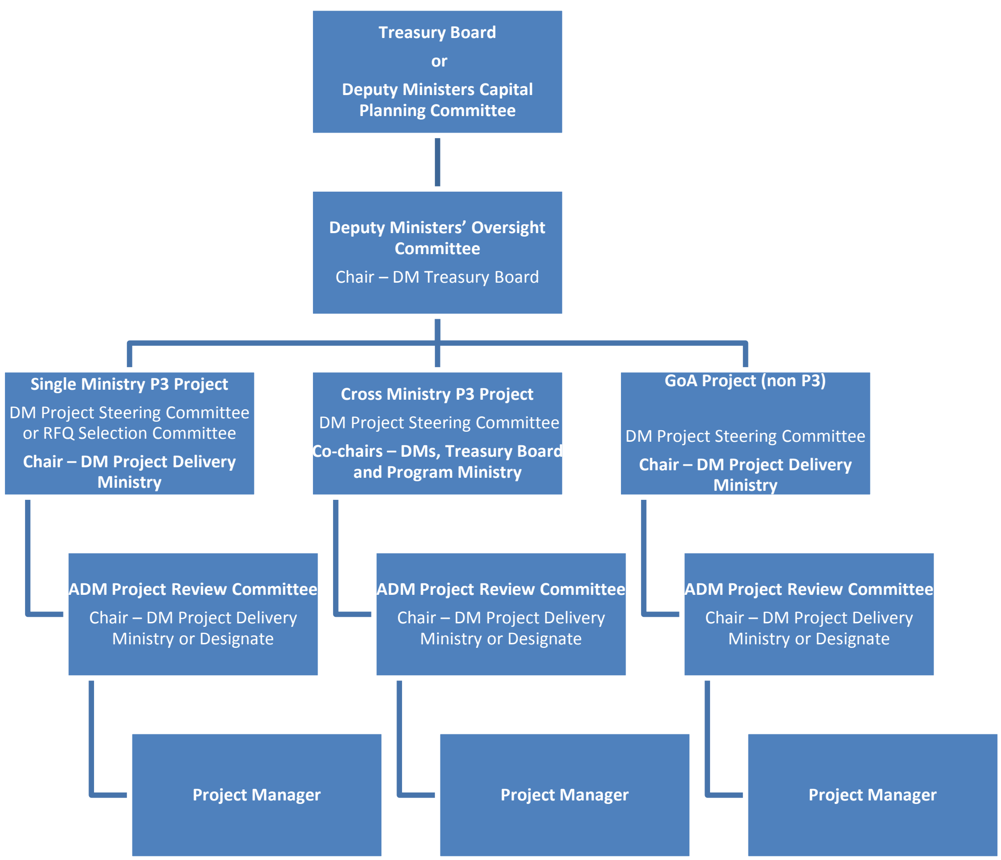
Figure 10 – Potential Organization

The Chair, Deputy Ministers' Oversight Committee will conclude as to whether a project is a "Single Ministry" or "Cross Ministry" project.

Single Ministry Projects are projects where 1 ministry is the program and infrastructure delivery ministry and the results of that project affect only that 1 ministry.

Cross Ministry Projects are projects affecting more than 1 ministry and include projects for supported organizations such as health boards, post-secondary institutions and school boards.

Government of Alberta (GoA) projects include any infrastructure project run by a ministry and include projects for government-owned infrastructure, such as roads and buildings, and infrastructure for supported organizations such as health boards, post-secondary institutions and school boards.



Appendix C.8
Staged Submission Requirements

A. GENERAL

During the Request for Proposals (RFP) stage proponents are required to make submissions. Proponents' continued participation in the RFP process is dependent on meeting the Government of Alberta's (GOA) timing and criteria for each submission.

B. SUBMISSION REQUIREMENTS

Submission requirements generally are as follows, but may be modified based on the requirements of the project.

1. Package Submission Requirement ("SR") 1 – proponent information, general management plan and communications plan;
2. Package SR 2 – as applicable, detailed plans for design, construction, traffic/site management, commissioning, operations, maintenance, safety audit, renewal/whole-life management (preservation and rehabilitation), condition monitoring, quality management, environmental management, LEED™ certification, public communication, safety, project schedule, collaboration, insurance, confirmation of financial capacity and indicative financial model;
3. Package SR2B - restated SR2 package with all components clarified, indicative financing plan and letter indicating will comply with technical requirements; and
4. Package SR 3 – final financial model, final financing plan and final financial offer.

C. OPTIONAL SUBMISSION

In addition to the submission requirements, GOA generally invites proponents to participate in an optional innovation submission and feedback process. This submission would include non-binding information on innovative solutions being considered and identify departures from the solutions presented in the functional plan/technical requirements provided by GOA.

Government of Alberta ■

Department Address

Opportunity Paper Template

Project Name

NOTE TO READER:

This document is to be used to assess the potential of using P3 procurement for a capital project and is the first of several steps required to obtain P3 approval. It is to be completed for all projects that may have P3 potential prior to inclusion in the Capital Plan and for unsolicited P3 proposals.

Table of Contents

Section 1 Project Description

[Project Name]

Provide a brief description of the project including:

a) A brief description clearly defining the problem or opportunity the project will address;
b) A brief description of the project and how it will address the business problem/opportunity:
c) An outline of the program and infrastructure objectives of the project;
d) Brief description of what is in scope;
e) Brief description of what is out of scope; and
f) Identify stakeholders that are involved or impacted by the project.

Project Objectives

This section outlines what the project will accomplish, in clear and measurable terms within a specified time frame. It will also provide high level information regarding functional program requirements.

Scope/Deliverables

This section defines parameters of the project, including cost, time, tasks and results at a high level. The definition should make it clear what is within scope and what is excluded.

Stakeholders

Identify any preliminary stakeholders that may only be involved in certain procurement alternatives. Include any information that may indicate the level of interest from the private sector to participate in a P3 approach.

Stakeholders	Overview of Business Requirements
	•
	•

Section 2 Strategic Alignment

Describe how the project aligns with the Capital Plan and the government, department, program ministry and Supported Infrastructure Organization strategic directions.

Outline why undertaking a P3 approach will further support the strategic alignment.

Alignment with GOA Ministry Business Plans

Ministry Goals and Strategies	**Level of Impact**	**Explanation (if required)**

Describe how well the project meets the scope of a Government of Alberta P3:

- Require GOA capital or operating financial support
- Opportunity for private financing
- Provision of capital assets and associated long term services
- The capital project of sufficient size and complexity

Section 3 Procurement Options

This section should consider all procurement approaches that could deliver the project. It should also include the methodology adopted and preliminary information of delivering the services over the life of the project.

The different approaches should be compared to each other and include a qualitative description of the benefits and drawbacks of the adopted approach.

The preliminary assessment of benefits and drawbacks should be identified

Traditional Procurement	P3 procurement approach
•	•
•	•
•	•
•	•
•	•

Section 4 Business & Operational Impact Assessment

Assess the P3 potential of the project in terms of business and operational impacts using the following criteria**:**

Technical

- Does the project have any inherent technical constraints that cannot be solved by a private/not for profit sector partner?
- Can the public sector develop appropriate performance/output specifications for the project?
- Can appropriate mechanisms be established to monitor the private/not for profit sector partner's performance?
- How will the bundling of design, build and operate result in expedited completion of the capital asset and reduced costs?
- Can payment and/or revenue be tied to performance?
- Does the project offer opportunities for innovation by a private sector partner?
- Is the project free of jurisdiction and liability issues that prevent a public body from using a P3 approach?

Operational

- Can a public sector organization develop appropriate operating standards for the project?
- Are there any operational and accountability issues that cannot be realistically addressed by a private/not for profit sector partner?
- Can the private/not for profit sector partner be held accountable for appropriate performance?

Acceptability

- Is there potential for objections to the use of a P3 approach and the involvement of a private/not for profit sector partner in the project by the public, elected officials, public sector staff, unions or other stakeholders?
- Where applicable, is the use of a P3 supported by the Supported Infrastructure Organization (SIO)?

I**mplementation**

- Does the private sector have the expertise to deliver?
- Is there sufficient interest in the private sector to generate meaningful competition in P3 procurement?
- Can a fair, accountable and transparent selection process by used?
- Can an internal project champion be found?
- Can the project champion access the resources necessary to be a competent partner?
- Can a successful transition plan from construction phase to operations/maintenance phase be developed?

Timing

- Are the timelines adequate to develop operating specifications, contract documents and to undertake a P3 solicitation and evaluation?
- Can the issues raised in the items above be addressed in the project timelines?

Stakeholders	Impacts	Traditional Procurement	P3 procurement approach

Section 5 Preliminary Project Risk Assessment

This Section provides a high level understanding of the risks that are related to the delivery model alternatives and how these risks may vary by viable alternative. Risks should be organized into the general categories of design, construction, operations & maintenance, rehabilitation, and financing and be evaluated in terms of P3 delivery and traditional delivery. This section should include a potential risk mitigation strategy for each risk, where possible.

Provide a preliminary risk profile and allocation identifying which risks will be;

- transferred to the private sector
- shared and
- retained by the public sector

Identify how the P3 approach may lead to more effective risk management. Also identify all risks that may relate to undertaking the project as a P3.

Risk	Probability	Magnitude	Risk Transfer	Mitigation Strategy
	e.g. Low, Medium, or High	e.g. Low, Medium, or High	e.g. Transferred, Retained, or Shared	

The section may also include discussion around procurement schedule risks and market risks relative to the procurements.

Section 6 Preliminary Value Analysis

The section should provide the reader with preliminary information regarding the total project costs including costs of risks. Preliminary set of assumptions relative to each procurement method should be highlighted.

Preliminary Public Sector Comparator

Prepare a cost estimate based on the assumption that the project is carried out by the traditional method of providing the proposed facilities, ongoing maintenance, operations (if applicable), cyclical renewal and program delivery (if applicable).

Preliminary Shadow Bid

Identify opportunities where the P3 may result in achieving:

a) cost savings
b) improved efficiency
c) improved quality of service
d) impact on the timeline for implementation
e) innovations

Prepare an initial shadow bid modeling the project as if it were delivered as a P3.

Value for Money

Both the PSC and Shadow Bid will be full NPV life-cycle cost analyses.

Early assumptions around preliminary planning, architectural and design work, and financial projections will be required to complete these cost estimates. These estimates should only be high-level and not overly complex at this stage but should be supported by previous procurements wherever possible. The assumptions will be further refined in the business case.

Item	($millions)		
Item	**Traditional**		**P3**
	(PSC)		**(Shadow Bid)**
NPV of Capital Payments			
NPV of Provincial Payments			
Total NPV of Capital			
NPV of O&M Annual			
NPV of Major Rehab			
Total NPV of O&M and Rehab			
Grand Total NPV			
Total Estimated Value for Money			
As % of PSC NPV			
Opening Date for all Facilities			

Provide an initial sensitivity analysis identifying the key assumptions that are significant enough to change the value for money estimate.

Qualitative Analysis

Provide a description of the expected non-quantifiable costs and benefits for each alternative.

Section 7 Preliminary Project Schedule

Provide an overview of the project schedule, including key milestones.

Provide an overview of the implementation schedule for both traditional procurement and P3 procurement.

Identify the Project Champion and the likely resources required to procure the project as a P3.

Section 8 Conclusions & Recommendations

Provide a conclusion as to why undertaking the project as a P3 will or will not result in the most effective and efficient approach to achieving the objectives of the project from both a program delivery and infrastructure view.

Identify specific recommendations that are required to move the project forward.

Government of Alberta ■

Department Address

APPENDIX D.2

P3 Business Case Template

Project Name

NOTE TO READER:

This document is to be used to justify a P3 approach to a project. Projects should have government commitment through the Capital Planning Process. It is an extension of the analysis and ideas submitted in the P3 Opportunity Paper.

Table of Contents

Section
1
Executive Summary

[Project Name]

Purpose of an Executive Summary:

The purpose of an Executive Summary is to provide a concise summary of the key highlights of the P3 Analysis. The reader should have a brief description of the project and understand how the project improves the overall efficiency and/or effectiveness of the public sector if delivered by a P3 procurement method.

Description:

While the Executive Summary appears at the beginning of the P3 analysis, it is written last.

The Executive Summary will describe the objective of the project, the current state of the problem and the resulting P3 opportunity. It outlines the scope of the project, provides a brief description of the business impact, and the risks of undertaking the project as P3 procurement. Finally, it concludes with recommendations and the financial impact of the project. This summary should also be written with the media in mind as this is often the only part of a report that the media read. The Executive Summary is also often used to prepare a press release.

The summary should be a maximum of 2 pages in length.

Checklist for Executive Summary:

1. Does it provide an overall summary of the contents of the P3 Analysis?
2. Does it contain any information that is not contained in the body of the P3 Analysis? (should not)
3. Is the Executive Summary less than 2 pages?
4. Can the Executive Summary be treated as a stand-alone document?

Section 2 Business Need & Project Description

Business Problem / Opportunity

Briefly, outline the underlying business problem or opportunity that the project will address. This may originate from either a program or infrastructure perspective. For example, the need for a new building may be based primarily on increasing cost to maintain or may be primarily based on supporting a program need. Include both program and infrastructure needs.

Project Description

Describe the project. Include how the project will address the business problems/opportunity.

Project Objectives

This section outlines what the project will accomplish, in clear and measurable terms within a specified time frame.

Scope

This section defines parameters of the project, including cost, time, tasks and results.

Out of Scope

This section includes items that are specifically excluded from the project from both a program and infrastructure perspective.

Stakeholders

Identify any stakeholders that may only be involved in certain procurement alternatives. Include any information that may indicate the level of interest from the private sector to participate in a P3 approach.

Project Team

Identify the proposed project team that will be responsible for the project. Identify any prior P3 procurement experience.

Checklist for Business Need & Project Description Section:

1. Is it clear what the project will accomplish from both a program and infrastructure perspective?
2. Are the general project elements understood in enough detail to provide the reader with adequate context?
3. Is it clear what is not included in the project and what it will not accomplish from both a program and infrastructure perspective?

Section 3 Strategic Alignment

Purpose of the Strategic Alignment Section:

The reason for writing the Strategic Alignment Section is to provide the reader with an understanding of how the project aligns with the Capital Plan and the overall business plan of the ministry. The project should align with the business plan goals for the service delivery ministry, the program ministry and, where appropriate, the Supported Infrastructure Organization (SIO). This section should clearly identify that the project is supported by all stakeholders and contributes to their long-term business direction and strategy. The section also identifies how a P3 would further support the goals of the department, program ministry/SIO and why other forms of alternate financing, such as capital bonds or debt financing are not appropriate.

Description:

Review the business plans of all internal stakeholders and identify specific goals that the project will help achieve. Identify the extent to which the project will help achieve the various business plans' goals by scoring it using the following guidelines:

- 1 indicates a high extent.
- 2 indicates a medium extent.
- 3 indicates a relatively low extent.

Goal from Ministry Business Plan	Level of extent	Explanation (if required)

Describe why undertaking a P3 approach will further support the strategic direction.

Describe how well the project meets the scope of a Government of Alberta P3. Describe why other alternatives to traditional procurement are not appropriate.

Checklist for Strategic Alignment:

1. Have business plan goals from both the service delivery and the program ministry/SIO been included?
2. For goals that have been assigned a high level of impact, is the project truly critical to achieving the goal?
3. Does the explanation support the evaluation of how the project impacts the goal?
4. Does the project align with the current Capital Plan, business strategy and business plan?
5. Will there be support for this project using a P3 approach?
6. Does the explanation support the elimination of other forms of alternative capital funding?

Section 4 Procurement Options

Purpose of the Procurement Options Section:

This section should consider all procurement approaches that could deliver the project. It should include the methodology adopted including the detailed information on delivering the services. The different approaches should be compared to each other and include a qualitative description of the benefits and drawbacks of the adopted approach.

This section should clearly identify that the approaches considered are viable to deliver the project within the allowable time frame and financial constraints.

The benefits and drawbacks should be clearly identified

Traditional Procurement by GOA	Design-Build approach by GOA	P3 procurement as Design-Build-Finance-Operate/Maintain approach
•	•	•
•	•	•
•	•	•
•	•	•
•	•	•

Section 5 Business & Operational Impacts

Purpose of the Business & Operational Impacts Section:

The Business & Operational Impacts Section provides the reader with a list of all business and operational impacts for each stakeholder. Each impact is described and analyzed for each alternative (P3 and traditional).

Description:

For each stakeholder (outlined in Section 2) identify all impacts from the project. For a capital project these will include the following categories of impacts: technical, operational, acceptability, implementation and timing.

For each impact identify the magnitude of impact (high, medium, low, or none) for each alternative using the following guidelines:

> **High** indicates that the magnitude of impact is significant and stakeholder support and preparation is critical to the alternative's success
> **Medium** indicates that there is a manageable impact to the stakeholder
> **Low** indicates the alternative will have a minor impact to the stakeholder
> **None** indicates that the stakeholder will not be impacted by the alternative

If necessary, document the rationale for the evaluation.

Impact & Description	Alternative 1	Alternative 2	Alternative 3
Stakeholder 1:			
Technical Impacts			
Operational Impacts			
Acceptability Impacts			
Implementation Impacts			
Timing Impacts			
Stakeholder 2:			

Checklist for Business & Operational Impacts Section:

1. For each stakeholder, have all business & operational impacts been identified?
2. Has the magnitude of impact been accurately evaluated for each alternative?
3. Have all stakeholders been considered?
4. Have risks that specifically relate to each alternative been included?

Section 6 Project Risk Assessment

Purpose of the Project Risk Assessment Section:

The Project Risk Assessment Section provides the reader with an understanding of the risks that are related to the P3 and traditional model alternatives and how these risks may vary by viable alternative. This section includes a risk mitigation strategy for each risk.

Description:

Identify and allocate all risks that may relate to each alternative (P3, traditional). A risk is a factor or event that may jeopardize the project from achieving the anticipated benefits or increase the cost of the project.

Risk Identification

Project risks have been identified and categorized by other agencies. The following table provides a checklist in helping to identify the risks a project can present.

Risk Category	Description of risk
Commissioning risk	The risk that the infrastructure will not receive all approvals to satisfy an output specification, such as expected changes in legislation which allow for a specific output specification not materializing
Construction risk	The risk that the construction of the assets required for the project will not be completed on time, budget or to specification
Demand (usage) risk	The risk that actual demand for a service is lower than planned
Design risk	The risk that the proposed design will be unable to meet the performance and service requirements in the output specification
Environmental risk	The risks that the project could have an adverse environmental impact, which affects project costs not foreseen in the environmental impact assessment
Financial risk	The risk that the private sector overstresses a project by inappropriate financial structuring
Force majeure risk	An act occasioned by an unanticipated, unnatural or natural disaster such as war, earthquake or flood of such magnitude that it delays or destroys the project and cannot be mitigated
Industrial relations risk	The risk that industrial relations issues will adversely affect construction costs, timetable and service delivery
Latent defect risk	The risk that an inherent defect exists in the structure being built or equipment used, which is not identified upfront and which will inhibit provision of the required service
Operating risk (service under-performance)	The risks associated with the daily operation of the project, including an unexpected change in operation costs over budget
Performance risk	The risk that the operator will not perform to the specified service level, such as a power generator supplying less power than demanded
Change in law risk	The risk that the current regulatory regime will change materially over the project or produce unexpected results
Residual value risk	The risk that the expected realizable value of the underlying assets at the end of the project will be less than expected
Technology obsolescence risk	The risk that the technology used will be unexpectedly superseded during the term of the project and will not be able to satisfy the requirements in the output specification

Upgrade risk	The risks associated with the need for upgrade of the assets over the term of the project to meet performance requirements

Having identified and allocated the risks engendered by a project the next task is to establish the expected value of those risks. A possible approach to estimating the value of the risks could include assessing their costs and probability of the risks. These costs should be reflected in the Value Analysis Section.

For each risk, identify the probability of the risk occurring and the financial impact it may have on each alternative, using the following guidelines:

Impact of Risk ($)
High indicates that the event has a significant impact to the project
Medium indicates that the event will impact the project
Low indicates that the impact is relatively minor to the project
None indicates that the risk will not impact the project

Probability of Risk (%)
High indicates that the event is high likely to occur
Medium indicates that the event is likely to occur
Low indicates that the event is not likely to occur

Expected Value ($)
Is the weighted average of dollar value impacts
(i.e. [High Impact ($) x High Probability (%)] + [Med Impact ($) x Med Probability (%)] + [Low Impact ($) x Low Probability (%)] = Expected Value ($))

Allocation
Government – Government retains responsibility for managing the risk.
Private Sector – Risk is transferred to the Private Sector. They are responsible for managing the risk.
Shares – Government and Private Sector shares responsibility for managing the risk

If necessary, document the rationale for the evaluation. Typical risk to consider in capital projects would be: commission risks, construction risks, demand (usage) risks, design risks, environmental risks, financial risks, force majeure risks, industrial relations risks, latent defect risks, operating (service under-performance) risks, performance risks, change in law risks, residual value risks, technology obsolescence risks, and upgrade risks.

Risk	Impact ($)			Probability (%)			Expected Value ($)	Allocation
	High	Med	Low	High	Med	Low		
P3								
Risk 1 /Risk 1 Mitigation								
Risk 2 /Risk 2 Mitigation								
Risk 3 /Risk 3 Mitigation								
etc								
Traditional								
Risk 1 /Risk 1 Mitigation								
Risk 2 /Risk 2 Mitigation								
Risk 3 /Risk 3 Mitigation								
etc								

Checklist for Project Risk Assessment

1. Have all risks been identified?
2. Have all risks specific to each alternative been identified?
3. For each risk has the specifics of each alternative been taken into consideration when evaluating the probability and impact?
4. Has the value and allocation of each risk been supported?
5. Has a risk mitigation strategy been identified for unacceptable levels of risk?

Section 7

Value Analysis

Public Sector Comparator:

Wherever possible, the costing for the public sector comparator (PSC) is based on previous infrastructure projects. The service delivery ministry can provide benchmark costing that may help in identifying the costs. These costs should include the internal cost of undertaking the project. The public sector comparator alternative is used to establish the full and true cost of providing a facility and/or a service under a traditional procurement model. It will serve as a "benchmark" to evaluate the P3.

The PSC is an extension of the preliminary analysis completed during the feasibility assessment

Shadow Bid

The PSC establishes a benchmark for comparison purposes. However, the PSC alone does not allow an estimation of potential P3 costs/benefits. As part of the Detailed P3 Analysis, the detailed Shadow Bid is developed to estimate the potential costs and to identifying areas where expected benefits could occur. This Shadow Bid is developed by modeling the project as if it were delivered as a P3 procurement. The analysis should include one-time costs of establishing the partnership, including the procurements process, as well as, costs associated with monitoring the contract and liaising with the partner through the life of the contract.

The detailed shadow bid should be prepared with the assistance from experts in financial modeling, cost management and project delivery. Private sector advisors may be used but they cannot then participate on a Proponent team.

The shadow bid is an extension of the preliminary analysis completed during the feasibility assessment

Quantitative Analysis – Financial Cost & Benefit:

Full Life Cycle Cost Analysis

The detailed analysis will include a full life cycle cost analysis. All costs and expected benefits resulting from the P3 alternative should be analyzed and compared to the costs and benefits of a PSC. This methodology provides the reader with a total cost picture and includes both capital and operating expenditures.

The full life cycle cost analysis is an extension of the preliminary analysis completed during the feasibility assessment.

Sample of a Summary Cost Benefit Template:

Summary of Quantitative Cost/Benefit	**PSC**	**P3**
Capital Items		
Annual Items		
Leases		
Program		
Building Operations		
Cyclical Items		
Receipts		
Residual Value		
Total NPV over 25 years		

Sample Costing Template for each Alternative:

Quantitative Analysis – Alternative 1	Year 0	Year 1	Year 2	…	Year 25
Capital Items:					
Planning and bridging					
Construction					
Building Purchases					
Land Purchases					
Specialized equipment					
Information Technology					
New Furnishings					
Change Orders/Scope Changes					
Annual Operating Items:					
Program Salary and Benefits					
Program Supplies and Services					
Leases					
Building Operations					
Cyclical Items:					
Building maintenance					
Information Technology					
Furnishings					
Receipts:					
3rd Party Lease Revenue					
Parking Revenue					
Sale of existing land					
Sale of existing buildings					
Residual Value:					
Buildings					
Land					
Net Cost (Revenue):					
Net Present Value (X%):					

Provide a projection of the total annual payments, including annual operating and maintenance costs, which would be incurred over the concession period and how these costs will be accommodated within the Ministry's Business Plan and the government's fiscal plan.

Sensitivity Analysis

The estimated NPV life cycle cost will be based on a number of assumptions. A sensitivity analysis should be undertaken to show the effects of different assumptions on the relative value for money of the procurement options. This analysis should be used to identify the changes in assumptions that are significant enough to potentially change the recommendations. The analysis should assess the change to one or other of the procurement options (traditional or P3) but not both at the same time. The assessment should also identify which assumptions are most likely to change, the level of uncertainty and whether these assumptions are significant in the value for money estimate.

The business case should include a summary of the impact of changes in assumptions that are significant. A table is often effective in illustrating the impact. Separate tables should be used to illustrate the impact of changing assumptions and could be presented in the following format.

[Description of Table (e.g. Expected NPV with Different Credit Spread and Debt/Equity Ratio)]

[Description of Assumption that will be Changed]	Base Case		Assumption Change A (e.g. debt/equity ratio)		Assumption Change B (e.g. debt/equity ratio)	
	VFM	%VFM	VFM	%VFM	VFM	%VFM
Assumption Change 1 (e.g. credit spread)						
Assumption Change 2						
Etc.						

There should be a written explanation of the results of the analyses.

Qualitative Analysis – Non-Financial Benefits & Costs:

Some of the costs and benefits may not be quantifiable (difficult to attach a dollar value).

Examples of non-financial benefits typically associated with a P3 alternative are:
- Improved service quality
- Increased innovation resulting in more effective and/or efficient delivery of service
- Additional social and economic benefits
- Risk transfer as a benefit

Examples of non-financial costs typically associated with a P3 alternative are:
- Loss of control or accountability
- The change associated with partnering
- Loss of in-house expertise
- Risk transfer as a liability

All non-financial benefits and costs should be outlined for each alternative

Qualitative Summary	Description	Stakeholder(s) Impacted
Benefits:		
Benefit 1	Description of benefit 1	
Benefit 2	Description of benefit 2	
Costs:		
Cost 1	Description of Cost 1	
Cost 2	Description of Cost 2	

Assumptions

All assumptions used to determine, both quantitative and qualitative, costs and benefits should be clearly documented. This would include general assumptions as well as assumptions specific to each alternative. Any assumptions used to forecast the status quo, develop the public sector comparator, and establish the P3 alternative should be well documented. These assumptions will be re-visited as the project moves through the various stages of implementation and may be changed or removed.

Checklist for Cost/Benefit Analysis Section

1. Has a Public Sector Comparator been included for comparative purposes?

2. Are assumptions applied equally across alternatives?
3. Has the discount rate been identified and consistently applied to each alternative?
4. Has an inflation factor been used fairly and consistently across each alternative?
5. Is sensitivity analysis required and, if so, has it been conducted and the results documented and explained?

Section 8 Conclusions & Recommendations

Purpose of the Conclusion & Recommendation Section:

The Conclusion & Recommendation Section provides the reader with a selected alternative based on an overall evaluation of the alternatives in terms of impact, risk, and cost/benefit. Specific recommendations for moving the project forward are also presented.

Conclusions

Description:

This section will recap each of the alternatives based on their Business & Operational Impact, Project Risk Assessment, and Value Analysis. Based on these results, a conclusion on which alternative should be chosen is made.

	Traditional	**P3**
Business & Operational Impact	Describe overall assessment	Describe overall assessment
Risk Assessment	Describe overall assessment	Describe overall assessment
Quantifiable Value Analysis	Describe overall assessment	Describe overall assessment
Non-quantifiable Value Analysis	Describe overall assessment	Describe overall assessment

Choose the recommended alternative based on the above recap, selecting the alternative that maximizes the effectiveness and efficiency, minimizes the government’s exposure to risk, and clearly shows value for money.

Identify how payments will be accommodated within the Ministry's Business Plan and the government's fiscal plan.

Recommendations

Description:

This section will make specific recommendations on proceeding with the project using a P3 approach.

The extent of the recommendation may range from recommending approval for full project implementation to recommending a more detailed requirements analysis be done to validate some key P3 analysis components.

Section 9 Implementation Strategy

Purpose of the Implementation Strategy Section:

The Implementation Strategy Section is to ensure that those approving the P3 Analysis understand the resources they must allocate (people, dollars, time) to complete the recommended next steps of the project, and ensure successful implementation of the project.

Description:

Outline the proposed implementation plan for the recommended next steps at a high level.

This section should include:
- Major project phases
- High-level work plan, deliverables and target dates for completion
- Costs ($) required to carry out the implementation plan
- Personnel (departments, roles, competencies) required
- Outside resources required (consultants, etc)
- Proposed implementation project structure
- Assign responsibility for implementing and monitoring the risk mitigation strategies.
- Post Implementation Review approach

Section 10 Review & Approval

Purpose of the Review & Approval Process Section:

The purpose of writing the Review & Approval Section is to clearly present the reader with whom and how the business case has been reviewed and approved. This section will also contain the final outcome of the business case. If the business case is approved the evidence of the approval should be included. If the business case is not approved, the business decision behind either rejecting the project or deferring the project should be documented.

Review Process

Description:

Who will review the business case?

Approval Process

Description:

What is the approval process and who is involved?

Business Case Signoff

Description:

The business case should be signed and dated by the approving person(s), indicating whether or not the business case is approved. If applicable, approval conditions should be identified. If the business case is not approved, reasons for the decision should be documented.

Appendix D.3

Government of Alberta

P3 Value for Money Assessment and Project Report Template

<Insert Name of Project Here>

[G1]

<Insert publication date (Month Year format)>

Alberta

<Insert Table of Contents on this page>

Value for Money Assessment and Project Report on Public Private Partnership (P3) for *<short name of project>*

<Insert Date of Publication (Month Year format)>

1. Summary: *<Describe what question you are answering with this report>*

<Provide a very short (300-400 words) executive summary here of the key messages you want the document to convey. Typical statements that you should make here include:

(1) An overview of the value for money analysis outcomes (NPV dollars (and percentage) saved, total NPV value of contract, etc.)

(2) A very brief overview of the project; discuss the project scope in very general terms, and what the impact was on project schedule versus traditional procurement. Was the use of a P3 model the right approach to take?

(3) A brief overview of the project's official inception (announcement by Minister, or Treasury Board approval to move ahead as a P3)

(4) Any special features that make the project unique or innovative in any way (e.g. core school designs, etc.). How did this project align with the overall goals of the GOA or the Ministry (safer roads for Albertans, schools where children live, better health outcomes, etc.)

(5) A brief statement about the signature of the agreement (who are the major parties to the agreement? Ministry/name of SPV). When was it signed? How long is the term? What is Availability date?

- *A synopsis on how the savings were derived (5 or 6 bullets discussing economies of scale, construction efficiencies, innovations, etc.>*

This report explains what a P3 is and why it may be used, provides a value for money assessment of the P3 for *<short name of project>*, and provides a project report.[1] *<Provide a footnote discussing which Ministries were responsible for the report preparation, as shown below>*

---

[1] This report was developed by *<Provide Name of Ministry or Ministries>* following the value for money methodology in the Government of Alberta's *Management Framework: Assessment Process*.

2. Background

What is a P3?

<This section briefly discusses what a P3 is, and why Alberta does them (150-200 words). >

A P3 is a different, non-traditional way for government to create capital assets (such as roads, schools, and other types of government facilities). In the case of *<short name of project>*, the government entered into one agreement with a contractor, responsible for designing, building, *<partially>* financing and *<operating/maintaining>* the *<asset type>* over a *<number of years of contract>*-year period (*<number of years>* years design and construction; *<number of years>*years *<operations/maintenance>*). [2]

A P3 can save time, money and reduce risk to the government by having one contractor design, build, finance, and *<operate/maintain>* a *<facility/road/other(describe)>*. For Alberta P3 projects, the public sector owns the facility and provides public services to Albertans, the same as it does with a traditional approach. In this P3, the *<name of asset owner>* own*<(s>)* the *<description of asset>* and deliver*<(s>)* *<program description>* as they do in their other *<asset description>*.

What is a traditional approach?

<This section briefly discusses what the traditional approach looks like and includes references to the government's long-term maintenance obligation for the asset, and how it is paid for (150-200 words).>

In a traditional approach, the public sector hires an architect to design a *<asset description>*.or other *<facility/road/other(describe)>*, and then hires a construction contractor to build it. Once the *<facility/road/other(describe)>* is built, the public sector operates it *<and maintains it>,* typically by awarding numerous individual contracts for repairs and renewal. The government pays for the construction of the *<facility/road/other(describe)>* by making progress payments (for its own infrastructure) or by making capital grants to entities such as school boards, health authorities, and post-secondary institutions. *<Government/Grant>* funding is also used to operate and maintain the facility.

What does a Value for Money (VFM) Assessment do?

*<Use the same, or similar wording as shown below (100-150 words)>*A VFM assessment measures whether a P3 is the best option for a particular project. In the case of *<name the project, and describe the two procurement methods compared>*. The VFM for a project is the difference between the two costs. The goal of a P3 is to provide value; to do so, the P3 must cost less – measured by net present value – than the traditional method over the life of the contract.

[2] For detailed discussion on P3s, see the Annual Report of the Auditor General of Alberta 2003–2004, at pages 49 to 72 (www.oag.ab.ca/files/oag/ar2003-2004.pdf).

What is net present value?

*<Use the same, or similar wording as shown here (100-150 words)>*Net present value is the current value of a future sum of money. It is a standard method to compare the value of money over time (a dollar today is worth more than a dollar tomorrow because of interest and inflation) to assess long-term projects. It is produced by applying an interest rate and an inflation rate (collectively called the “discount rate”) to a future sum. The amount and timing of cash flows differ in the two options for producing the *<name the asset class>* (traditional and P3) and the calculation of net present value accounts for those differences. The net present value of the cost to produce and maintain a facility using the traditional approach is called the Public Sector Comparator, or PSC.

---

3. VFM Assessment of the P3 used for *<describe the asset class>*

Money and time saved by using P3: Quantitative measures of value

This VFM assessment uses net present value as of *<insert date of bid submission>*, when bids were received. It includes the costs to *<describe the component activities design/build/finance/maintain/operate, etc. and the agreement term>*. It also includes the impact of risk transfer (as discussed later in this section) but excludes costs common to both methods, such as *<describe any major exception items that were not included in the VFM analysis>*.[3]

<provide a brief summary – max. 50 words – of the financial outcomes, both as a lump sum and a percentage of the PSC. If a financial advisor was involved in the calculation of the numbers on bid day, attach a copy of the advisor's summary report in Appendix A and refer to it here>

<Insert a very simple graphical representation of the value for money here as "Figure 1" – an Excel histogram chart will suffice. Ensure that the scale for the NPV axis starts as zero, otherwise there can be a perception that the government is manipulating the figures to show only part of the picture.>

Private financing by the contractor costs more than public financing by government, but in the case of *<insert the project name here>*, that cost was more than offset by the following factors:

<Provide a numbered list here of the top 3-5 items that offset borrowing costs, e.g. risk allocation, innovations, schedule savings, etc. Include an explanation of how the item generated quantitative value (max. 100-150 words per item) >

Qualitative measures of value

<If there are any qualitative measures of value that can be illustrated, provide a numbered list of them here. Include an explanation of how the item generated qualitative value (max. 100-150 words per item) >

Major risks allocated in P3 contract

An important factor in the delivery of P3 projects is an acceptable allocation of risks to the party or parties best able to manage them. In some cases, the contractor is the appropriate party to manage a risk; in others, the government can better manage the risk; in yet a third case, the risk may be best shared between the two parties.

---

[3] Capital and renewal costs for both methods were developed by *<name the consultant that prepared the base cost estimates>*. Inflation and discount rates were provided by the Ministry of Finance and Enterprise. *<Name the consultant, if any, that provided the financial modeling>* developed the financial model.

Table 1 (Appendix B) shows a sample of the risk allocation between the government and the contractor in the P3 contract and schedules. This list is not comprehensive. The P3 contract shows all the allocated risks.

<Provide a numbered list here of 5-7 of the key risks that can be explained in simple terms. Try to get a selection of risks that are transferred, retained, or shared. Include a brief explanation of the risk and to which party it is allocated (max. 50-100 words per risk) >

---

4. Project report

Project goals

<Provide a bulleted list here of the top 4-5 strategic GOA or Ministry goals with which the project is intended to align. Much of this information will be available in the Business Case, and can be paraphrased or pasted directly here.>

Table 2 (Appendix C) *<describes/lists> <high level project description here. Include a list of locations, map, etc. that provides details and potentially a visual of the project>*.

<Provide a bulleted list here of any specific exclusions from the project costs that should be itemized: honoraria, furniture and equipment, cost of procurement team, etc.>

Project outcomes

<Provide a bulleted list here of the top 4-5 strategic outcomes that can be expected as a result of the project. Much of this information will be available in the Business Case, and can be paraphrased or pasted directly here.>

Approaches considered

The government considered two alternative approaches to deliver the *<describe the asset in ten words or less>*:

<Insert a bulleted list of the two alternatives that were considered for project delivery, including a brief description on how funding would flow to the project over the 30+ years, and the contracting process in each case. The two alternatives will be traditional design-bid-build and DBFM or DBFO (basis of P3)>

Selection process

<Insert a brief statement on the fairness of the process (include the word, or variations on the words "transparency" and "fairness">. A Fairness Auditor, *<insert name of Fairness Auditor here>*, prepared a report on the fairness of the process (Appendix D) *<Insert the Final Fairness Auditor's Report in Appendix D>*.

A Request for Qualifications was publicly issued on *< Date: Month Day, Year>*. *<Total number of respondent teams>* teams responded and were evaluated on experience, personnel qualifications, past performance and financial capability. The three teams asked to submit proposals were *<Insert the names of the bid teams – ensure the names are correct>*.[4]

The Request for Proposal (RFP) process ran from *<Insert dates in Month Day, Year format>*. The "made-in-Alberta" approach to P3s ensures the process is competitive throughout. During the RFP process, the teams made financial and technical submissions to ensure that they met the project's minimum specifications. The government issued a draft form of the

[4] The companies that make up the teams are listed in Table 5 (Appendix E).

contract during the RFP process. The teams provided comments on it. Before receiving financial bids, the government issued the final form of the contract that the successful proponent signed. There were no negotiations on this contract after financial bids were received.

Once the three teams provided RFP submissions, they all submitted financial bids based on the final form of the contract. These bids are summarized in Table 3 (Appendix F). *<Insert the name of the proponent submitting the lowest NPV bid>* submitted the lowest price, on a net present value basis, and won the contract. *<If the name of the low bidder changed when it signed the agreement, describe how the low bidder(X) created a special purpose company (Y) to carry out the work of the contract.>*

Key terms of P3 contract

What the government must pay: The total cost of the *<Insert the full duration of the contract term here>* -year contract is about *<Insert the nominal sum of cash flows in hundreds of millions, or billions>* or in *<specify the month year of the discount date>* dollars, about *<Insert the discounted sum of cash flows in hundreds of millions, or billions>*.

<Describe the fundamental payment terms here in bulleted format. (Lump sum at availability or milestones / progress payments; provincial contribution (if any); any early completion bonuses, etc.>

Capital payments are fixed, while maintenance and renewal payments are indexed[7]. *<Describe the formula used to calculate the index factor in the footnote>*

<Briefly describe, in layman's terms, the payment mechanism around the completion of the project, including a high-level description of what happens if the contractor does not meet Total Availability by Target Total Availability Date>

What the contractor must do: The *<Insert the length of the term here>* year contract between the government and the contractor has a *<Insert length of construction project here>* construction period and a *<Insert length of maintenance/operating period here>* maintenance *<or maintenance/operating>* period. It requires the contractor to:

- *<Briefly describe the contractor's obligations in bullet form here>*

Payments reduced for non-performance: *<Briefly describe the key terms of the payment mechanism here. Refer the reader to the appropriate Schedule in the project documents, which should be up on the website by the time this report is released>*

<Refer the reader to the sample of payment adjustments in Appendix G>

<Refer the reader to the procurement documents and redacted copy of the Agreement on the website>

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[7] *<Describe the formula and data sources used to calculate the index factor here>*

<Take this opportunity to discuss any potentially controversial contract terms or other aspect of the project that have presented themselves during the procurement, e.g., who owns the asset? What happens at the end of the agreement term? How do we know the contractor will stay around for the duration of the contract? Etc.>

Monitoring during and after construction

<Describe how construction monitoring will be carried out, and by whom. Explain the monthly reporting obligation placed on the contractor>

<Describe how monitoring will be carried out during the maintenance/operations period, and how the province reserves the right to conduct inspections and testing. Also, explain how the lender will engage a consultant to review the contractor's performance.>

Accounting treatment

The accounting treatment for P3 projects follows generally accepted accounting principles set out by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The obligation is "on-book", so the province records the obligation as the asset is built and records the cost of building the asset as a capital expense. *<Depending whether the asset is owned by the province or by a SIO or grant funded entity, there may be some differences in accounting treatment to work through. Treasury Board can provide the appropriate wording to this section.>*

Project schedule

The P3 contract was signed on *<Date: Month day, year>* and construction started on some sites by *<Date: Month year>*. The contractor must deliver the *<asset name>* by *<Date: Month day, year>* or face a payment reduction. An independent certifier will certify when the *<asset name>* are available for use. The *<asset(s)>* will open to *<name of the end-users: students, traffic, patients, etc.>* by *<Date: Month day, year>*.

The *<operation/maintenance>* period starts after the *<asset(s) is/are>* available and continues until *<Last month of Agreement>*, when the license granted to the contractor to access the *<asset(s)>* for <*operation/maintenance*> and renewal activities will expire. The contractor must hand back the responsibility for *<maintenance and/or operations>* and *<renewal or rehabilitation>* of the *<asset(s)>* in the condition specified in the contract. The government and the contractor will assess the *<asset(s)>* to ensure *<it is/they are>* in the condition specified in the contract when the contract expires. After the contract expires, the *<name of the end-users>* will be responsible for operating, maintaining, and renewing the *<asset>*.

Appendix A: Commentary by <name of financial advisor>

<Attach Value for Money Analysis prepared by financial advisor>

Appendix B: Sample of risk allocations

Table 1: Sample of Risk Allocations between Government of Alberta and Contractor [8]

<Amend table for specifics of this project and complete allocations

	Traditional		P3	
	GOA	**Contractor**	**GOA**	**Contractor**
Construction Risks				
Design interaction with site conditions				
Construction interaction with site conditions				
Site safety				
Construction methodology				
Construction costs				
Unforeseen site conditions				
Labour issues				
Material issues				
Design errors				
Schedule issues				
Construction quality issues				
Scope changes				
Delayed site access				
Material inflation				
Wage inflation				
Not meeting agreed milestone dates				
Adverse weather conditions				
Labour disputes				
Fire during construction				
Vandalism/theft/arson during construction				
Damage and/or injuries to third party				
Damage to work				
Damage and/or loss to utilities				
Defective materials				
Public interface				
Workplace health and safety				
Insufficient performance bonding				
Subcontractor insolvency				
Land acquisition				
Life cycle management				
Stakeholders management				
Coordination and approvals through users				
Third party objections				
Patent infringement				
GOA supplied data – accuracy				
GOA supplied data – sufficiency				
GOA supplied data – interpretation				
Utilities hook up/connections				
Concept approvals – environmental				

	Traditional		P3	
	GOA	Contractor	GOA	Contractor
Development permits				
Building permits				
Occupancy permits				
Environmental permits				
Utilities crossing requirements				
Regulatory requirements				
Building Code compliance				
Land Use approvals				
Utilities approvals				
Municipal requirements				
Environmental Risks - Known				
Geotechnical				
Contamination				
Archaeological				
Flood plain analysis				
Environmental Risks - Unknown				
Geotechnical				
Contamination				
Archaeological				
Flood plain analysis				
Technical Risks				
Core school design				
Modular design and performance				
Structure safety				
Design quality issues				
Material behaviour				
Construction process innovation				
Construction performance specification risks				
Operation performance specification risks				
Lack of building system integration				
Aggressive schedule				
Delayed schedule				
Future IT risk				
Financial and Economic Risks				
Sourcing of capital – construction				
Allocation of capital – operations				
Cash flow management – construction				
Cash flow management – operations				
Inflation risks prior to financial close				
Exchange rate risks				
Base interest rate changes before Agreement signed				
Interest rate changes after closure				
Inflation on operations, maintenance and renewal				
Inflation on construction				
Insurance				

	Traditional		P3	
	GOA	Contractor	GOA	Contractor
Change orders				
Government withdrawing from P3s	n/a			
Demand Risks				
Modular additions above original projections				
Modular additions (escalation impact)				
Growth in student population over design capacity				
Changes in school programming				
Under-utilized school facilities				
Appropriateness of schools				
Operations and Maintenance Risks				
Changes in legislation				
Damage to property				
Increased maintenance costs				
Performance issues				
Change in performance standards				
Labour issues				
Material issues				
Non-availability of facility or portions thereof				
Vandalism during O&M period				
Fire damage				
Flood and other natural disasters				
Water, air and/or soil pollution				
Labour disputes				
School security issues				
Unplanned major replacements				
Soft maintenance issues				
School Board labour relations				
Consequential damage due to contractor non-performance				
Facility condition risk at 20/25/30 years				
Third party damages risk				
Liability insurance				
Business Risks				
Bankruptcy of contractor				
Subcontractor default				

[8] The project agreement should be consulted for a comprehensive allocation of risks between the parties. The final form of the project agreement is available a*t <insert URL here>*.

Appendix C: Project Scope

Table 2: ***<provide a description of the scope of the project here>***

<If possible and appropriate, provide a map of the project location>

Appendix D: Commentary by Fairness Auditor

Appendix E: Proponent Teams

Table 3: Composition of proponent teams invited to participate in RFP process

Appendix F: Summary of bids received

Table 4: Financial bids received from proponents on *<Date: Month Day, Year>*

Item	Public Sector Comparator ($million)	P3 Procurement ($million)		
			s	
Total net present value of design, construction, finance and operations and maintenance				
Value for money of P3 procurement $ %	 Not applicable Not applicable			

[10]*<Insert name of successful low NPV bidder>* was the proponent group that developed and submitted the successful proposal. Once the RFP process was completed, the project leads for *<Insert name of successful low NPV bidder>* formed a special purpose organization, *<Insert name of contractor>* to carry out the work of the contract.

Appendix G: Payment adjustments

Table 5: Sample of key payment adjustments included in P3 contract [9]

Issue	Payment Adjustment

[9] The project agreement should be consulted for details on all payment adjustments. The final form of the project agreement is available at *<Insert URL>*

Appendix E
Glossary

Advisory Committee on Alternative Capital Financing

A committee of appointed private sector individuals appointed by the President of the Treasury Board to provide advice on the feasibility and cost-effectiveness of alternative financing proposals including Public-Private Partnerships (P3s).

Alternative Capital Financing Office

The unit within the Ministry of Treasury Board responsible for identifying and analyzing potential P3 opportunities and other alternative capital financing proposals.

Alternative Financing

Alternative Financing includes private financing through P3 contractual arrangements and financing arranged for capital project development by the Government of Alberta (GOA) or by Supported Infrastructure Organizations (SIO). Alternative funding can take different forms and could include P3s, capital leases, capital bonds and other borrowing but excludes direct government borrowing not raised specifically for an identified project or asset.

Capital Plan

The current approved capital expenditure plan that has been approved by the Treasury Board documenting projects approved to commence in the next three years and the accompanying cash flow requirements necessary to complete each project.

Cross Ministry Projects

Cross Ministry Projects are projects affecting more than 1 ministry and include projects for Supported Infrastructure Organizations such as Alberta Health Services, post-secondary institutions and school boards.

Deputy Ministers' Capital Planning Committee

The Deputy Ministers' Capital Planning Committee (DMCPC) is a committee established by the Government of Alberta with responsibilities to oversee GOA capital planning and to advise the Treasury Board on matters related to capital projects, capital programs, capital plans, and capital planning strategies for government owned and supported infrastructure. *(See Appendix C for Terms of Reference).*

Deputy Ministers' Oversight Committee

The Deputy Ministers' Oversight Committee (DMOC) is chaired by the Deputy Minister, Treasury Board and includes at least 2 additional Deputy Ministers. DMOC provides high-level oversight of the delivery of significant capital projects, including all approved and potential projects delivered under a P3 model.

Net Present Value

The current value of a future sum of money. It is a standard method to compare the value of money over time (a dollar today is worth more than a dollar tomorrow because of interest and inflation) to assess long-term projects. It is produced by applying an interest rate and an inflation rate (collectively called the "discount rate") to a future sum.

Preferred Proponent

The proponent team that is notified by the Service Delivery Ministry that it has been selected as the successful bidder in a P3 procurement and will be required to enter in the Project Agreement with the Province as a result of the Request for Proposals process.

Program Ministry

The ministry (or ministries) responsible for the program for which the infrastructure is being delivered.

Project Agreement

The agreement into which the Program Ministries with the Service Delivery Ministries and the Preferred Proponent will enter into for the project.

Project Manager

The Project Manager is the individual responsible for delivering the project in accordance with the scope, budget, timelines and guidelines established by the Assistant Deputy Ministers' Project Review Committee.

Public-Private Partnerships (P3)

A cooperative venture based on contractual obligations between one or more public/private/not for profit partners that meets clearly defined public needs for the provision of infrastructure through appropriate allocation of resources, risks and rewards.[1] The term can be used to describe a wide variety of working

[1] The Canadian Council for Public-Private Partnerships. http://pppcouncil.ca/resources/about-ppp/definitions.html

arrangements from loose, informal and strategic partnerships to design build finance and operate/maintain (DBFO/M) type contracts and formal joint venture companies.[2]

For the purposes of Government of Alberta capital projects, a Public Private Partnership (P3) is defined as a form of procurement for the provision of capital assets and associated long term operations that includes a component of private finance. Payment to the contractor is performance based.

Public Sector Comparator (PSC)

An estimate of the hypothetical risk adjusted cost (using net present value), if a project were to be financed, owned and implemented by government (i.e. the full and true cost to government for meeting the output specification under a Traditional Procurement delivery method). The PSC is used in the Value for Money assessment.

Service Delivery Ministry

The ministry that leads the infrastructure procurement process. For P3s, the Service Delivery Ministries are Infrastructure, Transportation or Service Alberta.

Shadow Bid

An estimate of the hypothetical risk adjusted cost (using net present value), if a project were to be financed, owned and implemented as a P3. The Shadow Bid is used in the Value for Money assessment.

Single Ministry Projects

Single Ministry Projects are projects where 1 ministry is the Program Ministry and Service Delivery Ministry and the results of that project affect only that 1 ministry.

Supported Infrastructure Organization (SIO)

Include school boards, Alberta Health Services, post secondary institutions and any other boards and agencies that are eligible for GOA capital and operating budget support. Supported agencies do not include municipalities and other levels of government.

Traditional Procurement

The project ownership, management and procurement process that is normally employed by the ministry or SIO in accordance with their existing procurement practices. This is generally a design/bid/build process for developing infrastructure using private sector consultants and contractors. The process must have been successfully used to own, manage and deliver this type of infrastructure in the province and is a practical, not theoretical, approach.

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[2] Local Partnerships (Public private partnership program). HM Treasury, UK

Treasury Board (Committee)

A legislated committeewith a role, as set out in the Financial Administration Act, to “formulate general management policies relating to the business and affairs of the Crown and Provincial agencies, and do any acts it considers necessary to ensure that those policies are carried out.“[3]

Treasury Board Capital Planning Committee (TBCPC)

A committee established by Treasury Board Committee to provide Treasury Board Committee with advice and make recommendations related to the Alberta Capital Plan and capital expenditures, including the alternative procurement of capital projects (which may include alternative financing).

Value for Money (VFM)

A quantitative comparison of the project lifecycle costs under a P3 and Traditional Procurement approach. The quantitative assessment includes the impact of risk transfer.

Value for Money Assessment and Project Report

A publicly issued report demonstrating how Value for Money is achieved on a P3 project.

[3] *Financial Administration Act*, Section 5(1)