

Alberta Treasury Board

March 2011

**Alberta’s Public-Private Partnership**

**Framework**

**and Guideline**

October 2010

Table of Contents

[Chapter 1 5](file:///M:\BusFunctions\SCP\Alternative%20Capital%20Financing\Policy\Draft%20Documents\Combined%20Frameworks\UPDATED%20and%20FORMATTED\01%20P3%20Frameworks%20V110301-Lisa.docx#_Toc287537252)

[INTRODUCTION TO aLBERTA’S pUBLIC-pRIVATE pARTNERSHIP fRAMEWORK AND gUIDELINE 5](file:///M:\BusFunctions\SCP\Alternative%20Capital%20Financing\Policy\Draft%20Documents\Combined%20Frameworks\UPDATED%20and%20FORMATTED\01%20P3%20Frameworks%20V110301-Lisa.docx#_Toc287537253)

[1.1 Introduction 6](#_Toc287537254)

[1.2 Applicability 6](#_Toc287537255)

[1.3 Development 6](#_Toc287537256)

[1.4 Layout 6](#_Toc287537257)

[1.5 Amendment Protocol 7](#_Toc287537258)

[1.6 Tips on how to use this Framework and Guideline 7](#_Toc287537259)

[Chapter 2 8](file:///M:\BusFunctions\SCP\Alternative%20Capital%20Financing\Policy\Draft%20Documents\Combined%20Frameworks\UPDATED%20and%20FORMATTED\01%20P3%20Frameworks%20V110301-Lisa.docx#_Toc287537260)

[pUBLIC-pRIVATE pARTNERSHIPS IN aLBERTA 8](file:///M:\BusFunctions\SCP\Alternative%20Capital%20Financing\Policy\Draft%20Documents\Combined%20Frameworks\UPDATED%20and%20FORMATTED\01%20P3%20Frameworks%20V110301-Lisa.docx#_Toc287537261)

[2.1 Definition of Government of Alberta P3s 9](#_Toc287537262)

[2.2 Different Forms of P3 Agreements 9](#_Toc287537263)

[2.3 Background of P3s in Alberta 9](#_Toc287537264)

[2.4 Traditional and P3 Procurement 10](#_Toc287537265)

[2.5 Government of Alberta P3s 11](#_Toc287537266)

[Chapter 3 12](file:///M:\BusFunctions\SCP\Alternative%20Capital%20Financing\Policy\Draft%20Documents\Combined%20Frameworks\UPDATED%20and%20FORMATTED\01%20P3%20Frameworks%20V110301-Lisa.docx#_Toc287537267)

[pUBLIC-pRIVATE pARTNERSHIP mANAGEMENT fRAMEWORKS 12](file:///M:\BusFunctions\SCP\Alternative%20Capital%20Financing\Policy\Draft%20Documents\Combined%20Frameworks\UPDATED%20and%20FORMATTED\01%20P3%20Frameworks%20V110301-Lisa.docx#_Toc287537268)

[3.1 Framework Objectives 13](#_Toc287537269)

[3.2 Framework Components 13](#_Toc287537270)

[Chapter 4 16](file:///M:\BusFunctions\SCP\Alternative%20Capital%20Financing\Policy\Draft%20Documents\Combined%20Frameworks\UPDATED%20and%20FORMATTED\01%20P3%20Frameworks%20V110301-Lisa.docx#_Toc287537271)

[pUBLIC-pRIVATE pARTNERSHIP Principles 16](file:///M:\BusFunctions\SCP\Alternative%20Capital%20Financing\Policy\Draft%20Documents\Combined%20Frameworks\UPDATED%20and%20FORMATTED\01%20P3%20Frameworks%20V110301-Lisa.docx#_Toc287537272)

[4.1 Principles 17](#_Toc287537273)

[4.2 Reasons for P3s 17](#_Toc287537274)

[4.3 P3 Project Assessment 17](#_Toc287537275)

[4.4 P3 Review and Approval 18](#_Toc287537276)

[4.5 P3 Project Execution 18](#_Toc287537277)

[4.6 Determination of Value for Money 19](#_Toc287537278)

[4.7 Accounting and Budgeting for P3 Projects 19](#_Toc287537279)

[4.8 Third Party Revenues 20](#_Toc287537280)

[4.9 Roles and Responsibilities 20](#_Toc287537281)

[4.10 Fairness Principles 25](#_Toc287537282)

[Chapter 5 26](file:///M:\BusFunctions\SCP\Alternative%20Capital%20Financing\Policy\Draft%20Documents\Combined%20Frameworks\UPDATED%20and%20FORMATTED\01%20P3%20Frameworks%20V110301-Lisa.docx#_Toc287537283)

[Management fRAMEWORK: ASsessment Process 26](file:///M:\BusFunctions\SCP\Alternative%20Capital%20Financing\Policy\Draft%20Documents\Combined%20Frameworks\UPDATED%20and%20FORMATTED\01%20P3%20Frameworks%20V110301-Lisa.docx#_Toc287537284)

[5.1 Introduction to Assessment and Approval 27](#_Toc287537285)

[5.2 Initial Assessment 27](#_Toc287537286)

[5.3 Opportunity Paper 29](#_Toc287537287)

[5.4 Business Case 30](#_Toc287537288)

[5.5 Approval of P3 Projects 40](#_Toc287537289)

[Chapter 6 42](file:///M:\BusFunctions\SCP\Alternative%20Capital%20Financing\Policy\Draft%20Documents\Combined%20Frameworks\UPDATED%20and%20FORMATTED\01%20P3%20Frameworks%20V110301-Lisa.docx#_Toc287537290)

[MANAGEMENT fRAMEWORK: pROCUREMENT pROCESS 42](file:///M:\BusFunctions\SCP\Alternative%20Capital%20Financing\Policy\Draft%20Documents\Combined%20Frameworks\UPDATED%20and%20FORMATTED\01%20P3%20Frameworks%20V110301-Lisa.docx#_Toc287537291)

[6.1 Overview of the Procurement Process 43](#_Toc287537292)

[6.2 Project Oversight and Governance 44](#_Toc287537293)

[6.3 The Request for Qualifications Stage 45](#_Toc287537294)

[6.4 The Request for Proposals Stage 46](#_Toc287537295)

[6.5 Updates to Business Case and PSC 48](#_Toc287537296)

[6.6 Comparison to Business Case 48](#_Toc287537297)

[6.7 Trade Agreements 48](#_Toc287537298)

[6.8 Honoraria 48](#_Toc287537299)

[6.9 Project Tasks and Project Team Roles and Responsibilities 48](#_Toc287537300)

[6.10 Project Plan and Schedules 59](#_Toc287537301)

[6.11 Evaluation Process Guidelines 60](#_Toc287537302)

[6.12 RFQ Evaluation Process 63](#_Toc287537303)

[6.13 Reference Checks 65](#_Toc287537304)

[6.14 RFP Evaluation Process 67](#_Toc287537305)

[6.15 Clarification Process 71](#_Toc287537306)

[6.16 Interviews 73](#_Toc287537307)

[6.17 Documentation 73](#_Toc287537308)

[6.18 Confidentiality and Security 74](#_Toc287537309)

[6.19 Communications 77](#_Toc287537310)

[6.20 Conflict of Interest (Relationship) Review 79](#_Toc287537311)

[6.21 Questions and Answers 81](#_Toc287537312)

[6.22 Site Investigation 83](#_Toc287537313)

[6.23 Information Meetings 83](#_Toc287537314)

[6.24 Electronic Data Room 84](#_Toc287537315)

[6.25 Project Agreement 85](#_Toc287537316)

[6.26 Approval Process 86](#_Toc287537317)

[6.27 Debriefings 86](#_Toc287537318)

[6.28 Records Management 87](#_Toc287537319)

[6.29 Transparency and Accountability 88](#_Toc287537320)

[6.30 Value for Money Assessment and Project Report 89](#_Toc287537321)

List of Figures and Tables

[Figure 1: Integration of Capital Planning and P3 Frameworks 15](#_Toc287429487)

[Figure 2: Components of the Public Sector Comparator (PSC) and Shadow Bid 35](file:///M:\BusFunctions\SCP\Alternative%20Capital%20Financing\Policy\Draft%20Documents\Combined%20Frameworks\UPDATED%20and%20FORMATTED\01%20P3%20Frameworks%20V110301-Lisa.docx#_Toc287429488)

[Figure 3: Procurement Process (with indicative timing) 43](#_Toc287429489)

[Figure 4: Project Team Roles and Responsibilities](#_Toc287429490) 49

[Figure 5: RFQ/RRP Project Organization 52](#_Toc287429491)

[Figure 6: Submission Evaluation 68](#_Toc287429492)

[Figure 7: Final Submission Evaluation 71](#_Toc287429493)

Figure 8: P3 Assessment and Approval Process \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Appendix A.1

Figure 9: Potential Organization \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Appendix C.2

[Table 1: Summary of Membership of Key Roles 53](#_Toc287429475)

[Table 2: Sample Project Schedule 60](#_Toc287429476)

[Table 3: Disclosure Guidance](#_Toc287429477) 89

Appendices

A.1 Approval Process for Alternatively Financed Projects

A.2 Accounting Treatment of Government of Alberta P3s

A.3 Budgeting Treatment of Government of Alberta P3s

B.1 Roles and Responsibilities

C.1 Treasury Board Capital Planning Committee: Terms of Reference

C.2 Deputy Ministers’ Oversight Committee

C.3 Deputy Ministers’ Project Steering Committee: Terms of Reference

C.4 Assistant Deputy Ministers’ Project Review Committee: Terms of Reference

C.5 Advisory Committee on Alternative Capital Financing: Terms of Reference

C.6 GOA P3 Committee Terms of Reference

C.7 Project Manager Roles and Responsibilities

C.8 Staged Submission Requirements

D.1 Opportunity Paper Template

D.2 Business Case Template

D.3 Value for Money Assessment and Project Report Template

E Glossary

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 ProcessSets 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]](#footnote-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 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]](#footnote-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.

3.1 Framework Objectives

Chapter 3

pUBLIC-pRIVATE pARTNERSHIP mANAGEMENT fRAMEWORKS

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:

1. **Cabinet** approvesthe ministries to enter into a P3 project agreement with the Preferred Proponent.
2. **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.
3. **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.
4. **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).
5. **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.
6. **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).
7. **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.
8. **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).
9. **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).
10. **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:

* + Developing the Business Case;
  + Bringing the project forward for approvals;
  + Signing the project agreement; and
  + 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.

**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

Transportation

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.

1. **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:

* + Advising on project costs;
  + Preliminary engineering and design work to define project scope and cost sufficiently to tender the project;
  + 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.

**Supported Infrastructure Organizations**

School Boards

Alberta Heath Services Board

Post-Secondary Institutions

Municipalities

Housing Authorities

Some Not-for-Profit Organizations

1. **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.

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.

1. **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.
2. **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.
3. **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

**Retained Risk**

**Base Costs**

**Shared Risk**

**Transferable Risk**

Direct costs:

* Capital
* Operating
* Maintenance
* Decant/move-in

Indirect Costs:

* Administration and overhead

Revenues:

* e.g., land sales, ancillary services
* Policy or regulation
* Base demand
* Unknown environmental
* Force majeure
* Inflation on operations and maintenance
* Operating
* Variable demand
* Maintenance
* Security
* Technology

**Incremental Financing cost** (Shadow Bid only)

**($ Net Present Value)**

*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

Steering Committee consisting of Department

Program Ministry and SIO Executives

Project Manager

Government/SIO staff

Fairness Auditor

Technical Consultant

Process Consultant

Legal Consultant

Finance Consultant

RFQ

•

RFQ Document

•

RFQ Process (Q&As, info session)

•

Submission Evaluation

RFP

•

RFP Document

•

RFP Process (Q&As, presentations)

•

Submission Evaluation

Project Agreements

•

Technical Standards

•

Performance Requirements

•

Business Terms

Assignment of

Roles and

Responsibilities

**Project Team**

**Project Sponsor**

Working Committee

Relationship Review

Committee

Financial Capacity

Consultant

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:

1. 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.
2. 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.
3. 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.
4. Issue notification letters and formally announce the short-listed respondents.
5. Hold debriefing session with unsuccessful Respondents who request a debriefing session.

*6.9.2 Summary of RFP Tasks*

Key RFP tasks are:

1. 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.
2. 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.
3. 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.
4. Issue notification letters and formally announce the Preferred Proponent.
5. 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, 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.
    1. *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.

* + 1. *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.

* + 1. *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).

* + 1. *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.

* + 1. *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).
    1. *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.

* + 1. *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.

* + 1. *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.

* 1. 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.
  1. 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.

* 1. 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:

Technical qualifications:

* 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.

Financial qualifications:

* 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.

* 1. 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

Responsibility

Process

Project Manager

Receiving Submissions

Issuing feedback on Submissions

Project Manager

Reviewing/Evaluating Submissions

Project Manager

Evaluation Team

Fairness Auditor

*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

Responsibility

Process

Project Manager

Receiving Final Submission

Evaluating completeness of Final Submission

Completeness Team

## 

## 

Project Manager

Technical Team (as appropriate)

Financial Team (as appropriate)

Financial Capacity Team (as appropriate)

Fairness Auditor

Reviewing and Evaluating SR2B and the Final Submission

## 

Reviewing evaluation results on Final Submission

Steering Committee

Steering Committee

## 

ACACF, Treasury Board and Cabinet

Steering Committee

Recommending and approving contract award

Project Manager

Steering Committee

Notifying Preferred Proponent and unsuccessful Proponents

* 1. 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.
  1. 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.
  1. 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.
  1. 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.

* 1. 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.

* 1. 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.

* + 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.
    1. *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.

* + 1. *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.

* 1. 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.

* + 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.
    1. *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.
  1. 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.
  1. 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.

* 1. 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.

* 1. 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.
  1. 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.

* 1. 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.
  1. 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.
  1. 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). |

* 1. 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.

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> [↑](#footnote-ref-1)
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 [↑](#footnote-ref-2)