



City of St. Albert  
**CITY COUNCIL POLICY**

Public Private Partnership (P3)

AUTHORITY	APPROVED	Res. No.	mm dd	REVISED	Res. No.	mm dd
City Council		C311-2012	05 28			

### Purpose

To guide the City's approach to identification, evaluation and pursuit of potential Public Private Partnerships (P3's).

### Policy Statement

The City of St. Albert is committed to achieving value for money in public infrastructure and service delivery while ensuring the public interest is protected and Council's priorities are met. Public Private Partnerships (P3's) shall be considered where the P3's will serve to:

1. deliver improved services and value for money through appropriate allocation of resources, risks, rewards and responsibilities between the City and private sector partners;
2. enhance public benefits through clearly articulated and managed outcomes;
3. leverage private sector expertise and innovation opportunities through a competitive and transparent process;
4. create certainty around costs, schedule, quality and service delivery, and
5. optimize use of the asset and included services over the life of the P3.

The Public Private Partnership (P3) Policy shall apply to public infrastructure projects that have a potential to generate the efficiency gains needed to offset the fixed costs incurred by the public and private partners during the development and procurement phases.

### Definitions

"Net Present Value (NPV)" means the sum of the present values of all aspects of the project (design, construction, operation and/or maintenance, and financing) expressed in today's dollars.

"P3 Project Business Case/Development" means a document prepared for the City of St. Albert to support decision making by describing the need, costs and benefits of a project, the procurement method and the financial and other impacts the project may have. P3 Business Case Development involves acquiring external expertise to conduct a detailed review of, among other things, whether a P3 approach will deliver Value for Money, whether there is a sound procurement strategy and transaction structure and whether it is financially viable.

"Private Entity" means any non government organization from which the City may procure infrastructure and/or services. Not-for-profit partnerships are not considered Private Entities in this policy.



“Private Financing” means cash flow advanced in the form of debt or equity investment in the project by the Private Entity to fund any portion of the capital costs and operating or associated carrying expenditures of the P3 project.

“Public Private Partnership (P3)” means a long term contractual arrangement between the City of St. Albert and a Private Entity to deliver priority infrastructure and some or all related services by proper allocation of resources, risks, rewards and responsibilities. The Private Entity partner shall be responsible to design, build, operate and/or maintain the infrastructure and provide a component of Private Financing. A long term Design Build Operate and/or Maintain Project without private financing is not considered a P3. However, the development and management of such a project may follow this policy as Administration deems necessary.

“Public Sector Comparator (PSC)” means a risk adjusted estimate of a project’s costs and benefits as if it were delivered under the most efficient form of traditional delivery model by the City. It includes the best estimate of full life cycle costs, benefits and risks over the contract term.

“Shadow Bid” means a risk adjusted estimate of a project’s costs and benefits to be developed as if the project were delivered as a P3. It includes the best estimate of full life cycle costs, benefits and risks over the contract term.

“Value for Money (VfM)” means the quantitative and/or qualitative benefits to the public expected from a particular procurement method. Quantitative value is achieved through lower cost of a particular procurement method, whereas qualitative value is achieved when a procurement method better supports the goal of the project without costing more.

## **Responsibilities**

1. Council shall:
  - a. approve all projects to be included in the Capital Plan;
  - b. approve any financial impacts on the Capital or Operating Budgets as part of the P3 Project Business Case development and approval process; and
  - c. approve P3 delivery for projects and the initiation of the P3 procurement process.
2. Administration shall:
  - a. consider P3’s as a capital project procurement method and conduct the assessment of potential P3 projects based on, but not limited to the approved Capital Plan by Council;
  - b. seek the approval of Council whenever the Project Business Case leads to a recommendation that a project be developed as a P3; and
  - c. provide advice and seek Council approval for any financial impacts on the Capital or Operating Budgets as part of the P3 Project Business Case development and approval process.

## **Standards**

1. Guiding Principles form the foundation of this policy to guide the project selection, evaluation and tendering process; P3’s shall only be considered when the following conditions are met:
  - a. Alignment with City priorities is achieved  
The project shall be aligned with the City’s corporate plans, priorities and strategies.



b. Public Interest is protected

Delivery of public infrastructure and services by a Private Entity including the appropriate engagement of stakeholders shall be considered only when the public interest can be protected. The assessment of public interest includes the impact of the P3 on service objectives and quality, affordability, public access, health and safety, user rights, security, privacy and public input.

c. Value for money is demonstrated

A P3 shall be pursued if it is likely to deliver better value for money for the City and the users than traditional delivery methods. The measure (quantitative assessment) in demonstrating if value for money is demonstrated shall be the difference between the risk-adjusted net costs to the City of traditional delivery (Public Sector Comparator) and the P3 method (Shadow Bid) using the net present value technique.

d. Risks are identified, effectively shared, and managed

All project risks shall be identified and assessed to ensure effective risk management, allocated to the party best able to manage the risk at the least cost and the party has discretion on how to address the risk. Risk allocation between the parties shall be clear and enforceable with consequential financial outcomes.

e. Private sector is appropriately engaged

Private sector confidence shall be maintained through efficient and timely assessment, project authorizations, and competitive procurement processes. P3 processes and outcomes shall be transparent, protect commercial confidentiality, and meet legislated privacy requirements.

f. Appropriate governance and accountabilities are established

P3 governance (Council, administration, and/or other external resources acquired by the City) shall be established and perform policy conformity review and oversight to ensure transparency, due diligence, and the protection of the public interest.

2. Pursuit and delivery of P3's shall follow a three phase process:

Phase 1 Assessment and Approval (identify possible projects; critically assess/screen high potential projects; determine if a P3 Project Business Case Development is warranted; obtain Council approval)

Phase 2 Procurement (undertake rigorous competitive process; award contract)

Phase 3 Contract Management (delivery, ongoing performance management and end of contract strategy)

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**Cross References:** A-FS-13 Competitive Bid Policy, C-FS-03 Debt Management Policy

