



SASKBUILDS CORPORATION

PUBLIC-PRIVATE PARTNERSHIP

PROJECT ASSESSMENT AND PROCUREMENT

GUIDELINE

May 13, 2014

ACKNOWLEDGEMENTS

SaskBuilds Corporation acknowledges the contributions of other agencies and/or jurisdictions to the development of this document. Sources include the following:

1. *Alberta's Public-Private Partnership Framework and Guideline*, prepared by Alberta Treasury Board, dated March 2011, printed from Alberta Treasury Board's website.
2. *Assessing Value for Money - A Guide to Infrastructure Ontario's Methodology*, dated 2007, printed from Infrastructure Ontario's website.
3. *Identifying P3 Potential A Guide for Federal Departments and Agencies*, printed from PPP Canada website.
4. *Interior Health Request for Proposals for Interior Heart and Surgical Centre Project*, dated August 3, 2011, printed from Partnerships BC website.
5. *PPP Canada Application Guide & Application Form Round Five April-June 2013*, printed from the PPP Canada website.
6. *PPP Canada P3 Business Case Development Guide*, printed from the PPP Canada website.
7. *Project Report: Interior Heart and Surgical Centre*, dated October 2012, printed from the Partnerships BC website.

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Appendices

No Appendices to report.

I. INTRODUCTION

A. **SaskBuilds Corporation - Formation and Mandate**

On October 17, 2012 the Government of Saskatchewan established SaskBuilds Corporation (“SaskBuilds”) as a new Treasury Board Crown corporation pursuant to *The Crown Corporations Act 1993*.¹

The Government of Saskatchewan formed SaskBuilds in connection with the *Saskatchewan Plan for Growth – Vision 2020 and Beyond*, issued on October 16, 2012.

SaskBuilds’ mandate includes driving innovation in infrastructure financing, design and delivery, including public-private partnerships (“P3s”), and providing a central focus within the provincial government to co-ordinate infrastructure planning and delivery.²

The scope and nature of SaskBuilds' role in respect of the province's infrastructure development are detailed in SaskBuilds specific objectives and purposes, which are:

- to establish a central process to advise upon, determine, plan, integrate, co-ordinate and prioritize the infrastructure needs of the Province of Saskatchewan which are funded in whole or part by Executive Government;
- to develop detailed business cases for such infrastructure projects and to implement annual and long term capital development plans for infrastructure projects;
- to advise upon, determine and recommend the most effective and appropriate methods for advancing infrastructure projects;
- to undertake, co-ordinate, develop, manage and oversee infrastructure development projects;
- to acquire and develop expertise on infrastructure development including innovative approaches to infrastructure development and alternative financing models such as public private partnerships; and
- to create, encourage and facilitate opportunities to further enhance infrastructure development to support the continued economic growth of the province.³

¹ Province of Saskatchewan Order in Council 550/2012 (“OC 550/2012”).

² *Saskatchewan Plan for Growth – Vision 2020 and Beyond*, issued on October 16, 2012, at page 32.

³ OC 550/2012.

B. Guideline Objectives and Applicability

In pursuit of its mandate, SaskBuilds developed this Guideline to set out SaskBuilds' P3 policies and general principles and to provide an approach to assessing projects for P3 suitability and procuring capital infrastructure projects as P3s. The purpose of this Guideline is to provide best practice guidance and methodologies for assessing, recommending and pursuing P3 delivery for Government of Saskatchewan capital infrastructure projects.

Prior to preparing this Guideline, SaskBuilds' undertook a review of the assessment and procurement practices of various Canadian jurisdictions with established P3 programs and guidance materials. Based on this review, policy elements reflecting best practices for P3 project assessment and procurement were reviewed and approved by the SaskBuilds Board. As Saskatchewan is entering the P3 market after other Canadian jurisdictions have developed experience and methodologies, Saskatchewan is in the unique position of being able to consider the assessment and procurement practices of these various jurisdictions, benefit from their lessons learned, adopt best practices and engage processes that are already known and understood by the private sector. In this regard SaskBuilds notes that the approaches to P3 project assessment and procurement described in this Guideline are modeled on the Government of Alberta's methods, with various adjustments to reflect practices developed by Partnerships BC, Infrastructure Ontario, and PPP Canada as well as SaskBuilds' choices.

Part I of this Guideline sets out background on SaskBuilds, the definition of a "P3" for Government of Saskatchewan infrastructure projects, the reasons for considering P3 delivery models, SaskBuilds' overarching policies applicable to assessing and procuring infrastructure projects through P3 models, and a summary of the process for approval of P3 projects.

Part II of this Guideline provides guidance and describes methodologies for assessing Government of Saskatchewan owned or funded infrastructure projects to determine if a P3 approach would be appropriate and would bring value to the taxpayers of Saskatchewan.

Part III of this Guideline provides guidance and describes methodologies for procuring infrastructure projects through a P3 model.

Part IV of this Guideline provides guidance on overall project governance structure and typical formation of a core project team.

This Guideline will form the basis for a consistent approach to decisions to proceed with P3 procurements and a consistent approach for executing P3 procurements for government-owned and government-funded infrastructure projects. As every project will have unique characteristics, the approaches set out in this Guideline are intended to be flexible to allow appropriate structuring of individual projects.

Prior to the development of this guideline, SaskBuilds had several projects in various procurement stages, therefore not all projects will have all the elements as prescribed in this guide.

SaskBuilds expects that, as Saskatchewan develops experience with the P3 method for infrastructure procurement and financing, this Guideline will evolve and be updated and refined by SaskBuilds from time to time.

The processes and methodologies set out in this Guideline are intended to apply to the assessment, procurement and implementation of all Government of Saskatchewan owned or Government of Saskatchewan funded P3 projects.

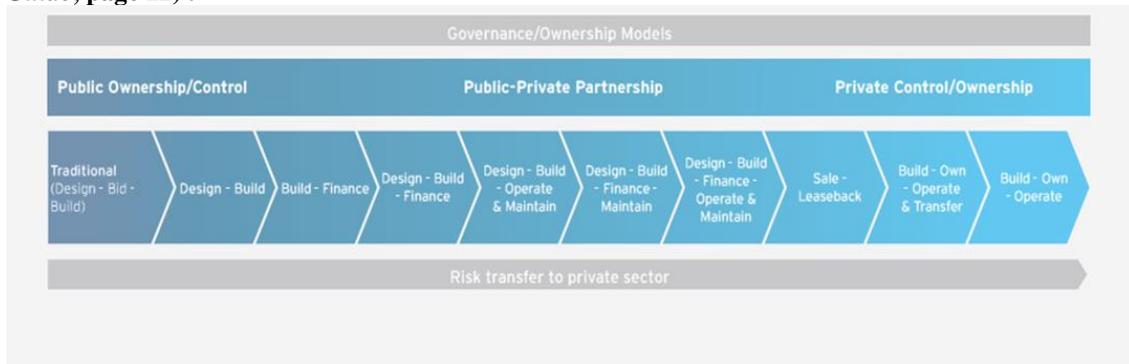
C. Definition of a P3 for Government of Saskatchewan Infrastructure Projects

A P3 is a non-traditional way for the public sector to develop capital assets.

Figure 1 sets out a spectrum of project delivery models. The design-bid-build approach, on the left side of the spectrum, is the traditional model of project delivery typically used to develop priority infrastructure projects for Government of Saskatchewan supported and government-owned infrastructure.

In a design-bid-build model, the design, construction, operation and maintenance of the infrastructure are handled separately. The public sector retains an architect or an engineer to design the infrastructure, and then hires a contractor to build the asset. The province pays for construction of the infrastructure through progress payments during construction for its own infrastructure, or through capital grants to government-supported entities responsible for procuring the project. Following construction, the public sector operates and maintains the asset through its own employees or through a series of operation and maintenance contracts with private sector entities.

Figure 1: Project Delivery Model Spectrum (from PPP Canada: P3 Business Case Development Guide, page 12) .



As illustrated in Figure 1, a P3 model involves bundling elements of the project together. The public sector owner enters into one contract with a private sector contractor where the contractor is responsible for each of the bundled elements, such as designing, building, financing and maintaining the infrastructure. In a P3 delivery model the private sector contractor may provide maintenance and/or operations through a lengthy term.

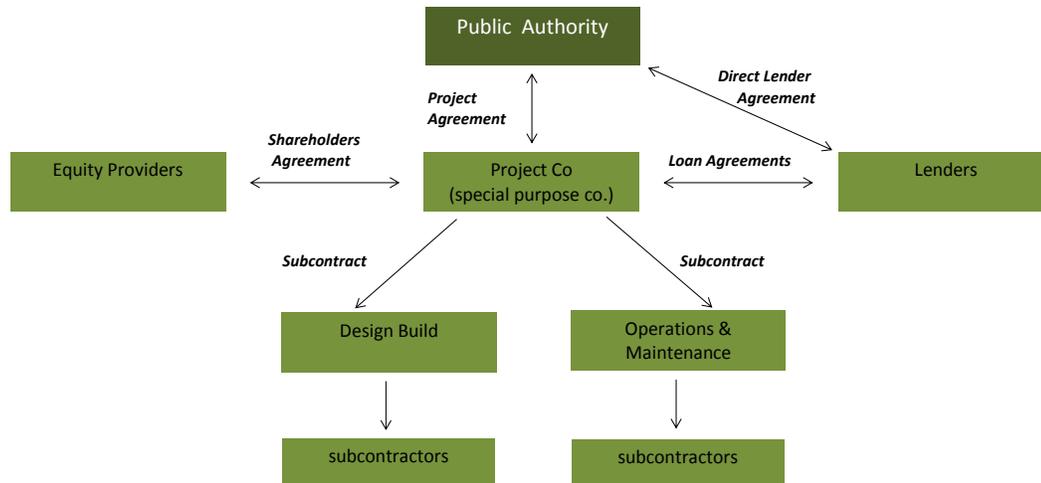
For SaskBuilds capital projects, a “P3” is a contractual arrangement between a public sector body and a private sector contractor where the contractor provides some or all of the financing for the infrastructure, designs and builds the infrastructure, may have long term responsibility for maintenance and may operate the infrastructure, and receives payments from the public sector entity over an extended period of time, subject to deductions for failing to meet contractually defined performance standards. A typical P3 contractual structure is illustrated in Figure 2.

For SaskBuilds to consider a project to be a P3 it must include private financing. In Government of Saskatchewan P3 projects, the public sector will own the asset throughout its construction, maintenance and operation.

SaskBuilds' definition of a P3 will typically include maintenance in the P3 model (design-build-finance-maintain) and depending on the project may include an operations component (design-build-finance-maintain-operate) models. Including private financing and the long term responsibility for maintenance will ensure that, for each P3 in Saskatchewan, the private sector is sufficiently motivated to build quality infrastructure and to properly maintain it over the life of the contract.

The definition of a P3 for the Government of Saskatchewan will not preclude ministries from pursuing other kinds of alternatives to traditional procurement.

Figure 2: Typical P3 Contractual Structure



D. Why Consider P3 Delivery Models?

As demonstrated by the formation and mandate of SaskBuilds⁴ and the *Saskatchewan Plan for Growth – Vision 2020 and Beyond*, the Government of Saskatchewan has determined that alternative methods for financing and procuring infrastructure should be considered.

Experience in other jurisdictions has shown that public-private- partnerships can effectively deliver large, complex infrastructure projects and can result in significant benefits for taxpayers.

Key benefits can include:

- projects are more likely to be completed on-time and on-budget;
- cost savings through optimal risk transfer;
- increased scope for innovation in the delivery of public infrastructure; and,
- improved long term maintenance of assets.⁵

A P3 delivery model is not suited to every Government of Saskatchewan capital infrastructure project. The feasibility of any potential P3 must be assessed to ensure that its use is appropriate in the given circumstances. This Guideline sets out criteria to be

⁴ Province of Saskatchewan Order in Council 550/2012 (“OC 550/2012”).

⁵ For descriptions of potential benefits to be derived through well executed P3s, as well as potential drawbacks, see *Dispelling the Myths: A Pan-Canadian Assessment of Public-Private Partnerships for Infrastructure Investments*, by M. Iacobacci, The Conference Board of Canada, January 2010; see also *Using Public-Private Partnerships to Improve Transportation Infrastructure in Canada*, by C. Lammam, H. MacIntyre and J. Berechman, Fraser Institute, May 2013.

considered in assessing whether projects are suited to the P3 model and are expected to produce the anticipated benefits of a P3 delivery.

In order to derive the ideal benefits from a P3 delivery, the project should be well planned, a great deal of up front work should be completed to develop the deal structure and the performance specifications, the procurement process should be well executed and structured to attract suitable bidders and generate competition, and the public sector should be properly resourced and prepared to administer the P3 project agreement through the maintenance/operation phase.

E. Overarching P3 Policies

The policies and principles set out below are intended as a guide for decision makers in assessing and procuring Government of Saskatchewan P3 projects. These policy elements form the basis for and are reflected throughout the more detailed guidance provided in the balance of this Guideline.

Project is a Government Priority

- Projects considered for P3 delivery should be a priority as determined by the capital planning process and be accommodated within the projected budget of the Ministry responsible for a project ("Responsible Ministry").
- Unsolicited proposals will proceed through the same decision-making and competitive procurement process as other P3 projects, assuming confirmation (by the relevant Responsible Ministry) of need and alignment with ministry and government priorities.

Project is of a Sufficient Size

- P3 assessments will generally be targeted at large-scale, complex projects, typically with a capital cost of \$100 million or greater.
- Projects with a capital cost of \$50 million or greater may be screened for potential P3 viability if there is a significant maintenance and, potentially, operations component.

Value for Taxpayers of Saskatchewan

- Prior to proceeding to a P3 procurement process there must be demonstrable evidence of value for money determined through a P3 business case developed under the guidance of SaskBuilds.

- Prior to proceeding to a P3 procurement process, it can be demonstrated that a P3 delivery:
 - will provide greater value for taxpayers' money than a traditional approach;
 - will deliver infrastructure that is qualitatively equal to or better than infrastructure delivered through a traditional approach; and,
 - will not compromise service delivery objectives.
- A conservative approach will be taken to assessing the potential value for money for a P3. In particular, the Government of Saskatchewan's long term borrowing rate will be used as the discount rate to compare the risk-adjusted, net present value costs of a P3 delivery to a traditional delivery.
- The value for money analysis that forms the basis of the decision to proceed with a P3 delivery model will be reviewed and updated at the business case stage, before Request For Proposal release and after Financial Close to reflect changes to the project.
- The finalized public sector comparator will be compared to the winning bid to determine whether there is positive value for money.

Competitive and Fair Process

- P3 procurement processes will be open, competitive, timely, fair and transparent.
- The P3 procurement process will include two distinct stages: the Request for Qualifications (RFQ) stage and the Request for Proposals (RFP) stage which includes financial close.
- At the RFP stage, selection of the preferred proponent will typically be based on the lowest adjusted price philosophy, on net present value basis, among compliant bidders meeting minimum technical requirements.
- Where a project has significant potential for qualitative or other added value through innovation in specific areas, a scoring system aligned with the low price wins philosophy may be developed to evaluate the proposals.

Transparency

- Saskatchewan will follow national best practice, which is to disclose as much as possible the details of P3s without compromising the Government of Saskatchewan's ability to achieve value for money for taxpayers and while protecting proprietary and commercially sensitive information.

- A value for money report will be published for each P3 project subsequent to the close of the procurement process.
- Saskatchewan will follow national best practice in developing a contract monitoring framework, which includes contract administration and monitoring.

On Book Accounting Treatment

- The accounting treatment for P3 projects will be in accordance with the accounting policies and reporting practices of the Government of Saskatchewan, which follow the recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.
- The accounting treatment for P3s will:
 - Be open and transparent;
 - Promote accountability by providing information to assess the government's use of resources and its financial position; and,
 - Follow the economic nature of the transaction.
- Public assets developed under P3s are reported on the government's books as an asset and expensed over time, with the obligation to pay for the asset reported as an offsetting liability.
 - Across Canada P3 projects are recognized on government balance sheets.
 - Off balance sheet treatment is not a motivation.
 - There is generally a payment made when the asset is completed, and the balance is paid for and expensed over the life of the asset (for example, over 30 years).
- All planning and procurement costs (business case development, legal and financial and other advisors, honorarium costs, etc.) are expensed when they occur.

F. Decision Making Processes, Roles and Responsibilities

There are several key parties that are involved in the decision to undertake a P3 project. The following table outlines the responsibilities of the key parties involved during the planning, assessment and procurement stages of a project. Typically the responsibilities include:

Key Party	Responsibilities
SaskBuilds [staff]	<ul style="list-style-type: none"> • Undertakes high level screening of projects that may be suited to P3 delivery • Leads P3 business case development • Leads P3 procurement • Makes recommendations on projects to the SaskBuilds Board • Provides oversight post financial close through construction and concession phase
Responsible Ministry	<ul style="list-style-type: none"> • Participates with SaskBuilds in:⁶ <ul style="list-style-type: none"> ○ High level initial screening of projects that may be suited to P3 delivery ○ P3 business case development ○ P3 procurement • Monitors post financial close through construction and concession phase
SaskBuilds Board	<ul style="list-style-type: none"> • Reviews all P3 business cases • Provides recommendations to Treasury Board and Cabinet
Treasury Board	<ul style="list-style-type: none"> • Reviews decision items jointly submitted by SaskBuilds and the Responsible Ministry recommending to proceed to the P3 business case stage • Reviews P3 business cases for those projects recommended by the SaskBuilds Board to be approved for P3 procurement • Provides recommendations to Cabinet on projects identified as possible candidates for P3 procurement
Cabinet	<ul style="list-style-type: none"> • Authorizes projects to proceed to the P3 business case development stage • Authorizes projects to proceed to P3 procurement stage • Authorizes budgets for P3 business case development and P3 procurement

⁶ See the table in section G of this part that summarizes the roles of SaskBuilds and Responsible Ministries, respectively.

Treasury Board and Cabinet approval are required to proceed to P3 business case development and to P3 procurement.

In addition to the above responsibilities, P3 Project Governance roles and responsibilities are identified under the P3 Project Governance section of this document (see Part IV – P3 Project Governance).

Once a P3 procurement has been authorized by Cabinet, SaskBuilds may proceed through the procurement process (RFQ stage, RFP stage and closing), without returning to Treasury Board or to Cabinet for direction, provided that the project is not materially changed from that approved by Treasury Board and Cabinet and provided that the selected proponent's bid results in positive value for money. Information items or decision items, such as value for money before financial close, may be brought to the SaskBuilds Board, Treasury Board or to Cabinet upon direction from the board. If at any point during the procurement process there is a material change in the project, to the project funding requirements or to the anticipated value for money to be achieved through a P3 delivery, then SaskBuilds will return to the SaskBuilds Board, then to Treasury Board and then to Cabinet for direction.

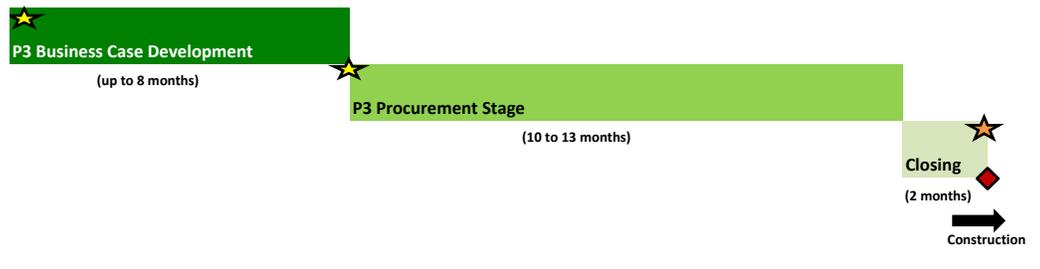
Material changes (defined as a change that could impact a decision maker's decision on the project) include:

- 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 public sector;
- 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.

Subject to the foregoing, to streamline the closing process as much as possible, the SaskBuilds Board may recommend to the Minister responsible for the project that the Minister sign the P3 project agreement at closing.

Key decision points are illustrated in Figure 3.

Figure 3: Key decision points



- ★ SaskBuilds Board recommendation, Treasury Board recommendation and Cabinet approval
- ★ SaskBuilds to recommend to Treasury Board to recommend to Cabinet for approval if VfM is not achieved as recommended
- ◆ SaskBuilds Board recommendation to Responsible Ministry that Project Agreement can be signed

G. SaskBuilds' Role in Provincial P3 Projects

SaskBuilds' role in the development of infrastructure projects in the Province of Saskatchewan needs to be understood in connection with the continued roles and responsibilities of provincial ministries, crown corporations, regional health authorities, school divisions, post-secondary institutions and municipalities in the development of infrastructure projects.

SaskBuilds will make recommendations regarding prioritizing the provincial government's infrastructure spending. SaskBuilds will also provide advice and recommendations for advancing major infrastructure projects through innovative approaches to infrastructure development and alternative financing models such as P3s.

SaskBuilds will lead the planning, business case development and value for money process to determine whether a potential project is a good candidate for P3 delivery. If the project is approved to proceed to procurement as a P3 project, SaskBuilds will lead the P3 procurement process up to financial close completion, and oversee the successful transition to the Responsible Ministry or to its funded entity (e.g., regional health authority; school division) for the construction and concession phase of the agreement. SaskBuilds will oversee and monitor all P3 agreements to ensure risk transfer to the contractor is successfully achieved.

The Responsible Ministry will be responsible for all of the technical work (e.g., functional plan, land acquisition, environmental studies), and the approved project once the agreement is signed and construction commences (with SaskBuilds' oversight).

The Responsible Ministry will sign the agreement with the preferred proponent and will ultimately be accountable for the project. The Responsible Ministry will make the provincial capital contribution (if applicable) and the annual service payments. See the chart below for a summary of the roles and responsibilities of SaskBuilds and Responsible Ministries in the delivery of a P3 project.

Roles and Responsibilities in a P3 Project

SaskBuilds	Responsible Ministry (and/or funded entity)
PLANNING	
<p>Assessment and Approvals</p> <ul style="list-style-type: none"> - Leads project assessment for P3 delivery including development of P3 business case - Leads market sounding process - Seeks required approvals and prepares decision-making documents - Seeks input from SaskBuilds Board 	<p>Determines needs and priorities</p> <p>Responsible for Technical Work</p> <ul style="list-style-type: none"> - Develops functional plan/design/scope (e.g., core school design) - Undertakes any special studies required (e.g., traffic studies) - Undertakes environmental reviews - Deals with land acquisition - Handles site preparation and utility moves
PROCUREMENT (through to financial close and signing of project agreement)	
<p>Leads Procurement</p> <ul style="list-style-type: none"> - Hires and manages advisors needed for P3 procurement (fairness advisor, financial advisor, legal advisor, procurement advisor, insurance advisor, cost consultant, 	<p>Accountable for the Project</p> <ul style="list-style-type: none"> - Hires and manages technical advisors (e.g., owner's engineer) - Hires the independent certifier and commissioning agent

SaskBuilds	Responsible Ministry (and/or funded entity)
etc.) <ul style="list-style-type: none"> - Assists in the hire of the independent certifier and commissioning agent, etc. - Handles updates to value for money analysis as required through P3 procurement - Develops project documentation (e.g., Request for Qualifications, Request for Proposals, Draft Project Agreement) - Sets up internal data room (a secure, confidential site that contains project materials) 	<ul style="list-style-type: none"> - Signs Project Agreement - Assists in the subject matter expertise
CONSTRUCTION PHASE	
Provides oversight <ul style="list-style-type: none"> - Oversees transition of responsibility to Responsible Ministry - Provides guidance and expertise - Consulted in regards to change orders and amendments to the Project Agreement - Provides oversight post financial close through construction - Oversees contract administration 	Pays for and manages project through the construction and concession phase <ul style="list-style-type: none"> - Manages project from start of construction through to end of concession phase (operations/maintenance phase) - Manages change order process and any amendments to the Project Agreement - Makes provincial contribution, if applicable, and annual service payments - Monitors contract administration
OPERATIONS/MAINTENANCE PHASE	
<ul style="list-style-type: none"> - Provides oversight post construction through concession phase - Oversees contract monitoring and administration 	<ul style="list-style-type: none"> - Contract administration - Contract monitoring

II. P3 PROJECT ASSESSMENT

A. Identifying Capital Projects for Assessment

A P3 approach to procurement and financing will not suit every government-owned or government-funded infrastructure project. The suitability of a P3 delivery needs to be carefully assessed on a project-by-project basis. A P3 will only be used if enhanced value for money and quality infrastructure can be demonstrated.

SaskBuilds, in consultation with the Responsible Ministry, as applicable, will undertake a high level screening of the infrastructure project to determine if there is any potential for value in a P3 procurement. P3 screening assessments will be targeted at large-scale, complex projects, typically with a capital cost of \$100 million or greater. Projects with a capital cost of \$50 million or greater may be screened for potential P3 viability if there is a significant maintenance and, potentially, operations component.

The high level P3 screening assessments will assess those projects that meet the project size requirement (as noted above) based on a variety of criteria that impact the project's viability as a P3. The table below lists issues and criteria that may be considered in the initial high level screening of a project for P3 suitability.

Considerations	Criteria
Technical	Can definable and measurable technical output/service/performance specifications for the project be developed?
	Are the long term operation or service needs and performance requirements relatively stable and/or predictable?
	Can mechanisms be established to monitor private sector performance?
	Can technical constraints be effectively addressed by the private sector?
	Is there the potential to transfer technical risks from the public sector to the private sector?
	Are there opportunities for private sector innovation in design, construction, operation and maintenance?
	Are there opportunities to enhance service performance through use of a P3?
	Are there opportunities to advance timing of delivery of needed infrastructure through use of a P3?
	Does the private sector have superior skills and experience that can be expected to reduce costs or increase benefits?

Considerations	Criteria
	Are there opportunities for the private sector to implement life-cycle management practices in the design, construction, operation and maintenance of the project?
Duration and Technological Change	Is the capital asset of an enduring, long-lived nature and is the service life of the asset at least 20 years?
Operation and Maintenance	Can the private sector undertake the operation and maintenance? (Are there jurisdictional or liability related issues that require the public sector to undertake the operation and/or maintenance?)
Legal	Is the proposed P3 approach for the provision of the service free of any potential conflict with legislation or regulations (that cannot be changed in the short term?)
	Is there legislative authority to undertake the project?
Financial	Can it be expected that the higher financing costs associated with private sector financing will be offset by the P3 benefits (e.g. efficiencies, economies of scale, innovation, etc.) and by the value of the risks being transferred from the public sector?
	Is it possible to establish equitable and effective payment mechanisms that include appropriate incentives and controls based on clear outcomes?
	Can financial issues or risks be managed by the private sector?
	Does the project have revenue sources? (e.g. user fees, ancillary fees)
	If the project has revenue sources, is there the opportunity to transfer the revenue risk to the private sector?
Acceptability	Is the public willing to accept the proposed role of the private sector in the project?
	Are other stakeholders (e.g. elected officials, current users) willing to accept the proposed role of the private sector in the project?
	Will the private sector accept the public's need for disclosure, openness and fairness?
Procurement	Have projects of a similar nature been successfully procured using a P3 approach?
	Is there sufficient expertise, capacity and interest in the private sector to conduct a competitive procurement?
	Can a fair, accountable and transparent selection process be used?
	If relevant, can a successful plan of transition to the private sector be developed?

Considerations	Criteria
	Will the public sector entity have adequate resources to effectively procure, deliver and monitor the project?
	Is it demonstrable that the P3 process is likely to offer greater value for money to the Government of Saskatchewan compared to the traditional form of procurement?
Project Risk	Are there risks associated with traditional procurement that might be better managed by a private partner?
Land	Is the land for the project being provided by the public sector entity?
Project Stage	Is the project new build/greenfield? Renovations are, in general, less suitable for P3, however every case is different.
Integration	Is the project relatively independent of other projects, infrastructure, or control systems?
Human Resources	Does the project, if delivered by a private partner, affect any current public sector staff positions?
Timing	Are the timelines adequate to develop specifications and contract documents and to undertake a P3 procurement?
	Can the issues raised in the items above be addressed in the project timelines?

Adapted from PPP Canada Application Guide and Application Form Round Five April-June 2013, pp. 47-48.

Note: Additional reference and guidance can be located on the PPP Canada website, from the "Identifying P3 Potential A Guide to Federal Departments and Agencies" guide.

As the P3 business case development process is resource intensive, the intent of the initial high level P3 screening assessment is to ensure that the P3 business case development efforts are focused only on those projects that are good candidates for P3 delivery. If a project has been identified through the high level P3 screening assessment (i.e., may occur through collaborative meeting with stakeholders) as having high P3 delivery potential, then SaskBuilds will seek direction from decision makers as to whether to proceed to the P3 business case development stage, and if so, to obtain funding for business case development.

Projects that are found, through the high level P3 screening assessment, to not be suited to P3 a delivery will be further considered by SaskBuilds and/or the Responsible Ministry for traditional procurement or other alternatives to traditional procurement.

B. Unsolicited Proposals

Unsolicited proposals will proceed through the same assessment, approval and procurement process as other P3 projects, assuming confirmation by the relevant Responsible Ministry of need and alignment with ministry and government priorities.

C. P3 Business Case

A P3 business case is an in-depth analysis that assesses whether the project would provide value for money if delivered through a P3 model when compared to a traditional procurement process and whether the project warrants proceeding to market as a P3 procurement. The P3 business case for a project will provide the parameters for delivery of the infrastructure. The recommendations and approvals provided by the SaskBuilds Board, Treasury Board and Cabinet in respect of a project will be based on the risk profile and costing outlined in the P3 business case.

A Canadian public authority P3 business case template will be used as a starting point for SaskBuilds' P3 business case template. As an input into the Business Case, industry consultation through a market sounding may be used to, among other things, assess the viability of the project as a P3, gain an understanding of key business risks and financial terms necessary to attract market interest in the project and identify any market constraints.⁷ A market sounding can be a useful exercise in developing the P3 business case, and ultimately structuring the deal.

Typically the expertise of various consultants (technical, financial, capital markets) will be required for the detailed costing analysis, risk analysis and development of financial assumptions required in connection with the development of a P3 business case. This expertise may be provided by the Responsible Ministry, SaskBuilds or by external advisors. Any external advisors would be excluded from participating on proponent teams.

Where the P3 business case indicates that a P3 delivery is not the optimal delivery method for a project, then that project will be further considered by the SaskBuilds and/or Responsible Ministry for traditional procurement or other alternatives to traditional procurement.

1. Value for Money Analysis - Quantitative Comparison

The value for money ("VFM") analysis is a quantitative comparison of a traditional procurement and a P3 procurement. The VFM analysis involves estimating and comparing the risk adjusted cost of a traditional project delivery and a P3 project delivery.

The VFM analysis will identify the procurement option that provides the greatest value, from a quantitative perspective, through the design, construction and operation/maintenance (if applicable) phases of the project. Each procurement option is evaluated considering whole life cost estimates over the analysis period. This allows for the comparison of the different procurement options over the useful life of the asset

⁷ See PPP Canada *P3 Business Case Development Guide* at pp. 13-14 for a useful summary of market sounding objectives.

using comparable cost components, timeline and output specifications to provide a like-for-like comparison of the procurement options.

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 “Public Sector Comparator” or the “PSC” while the model for the P3 procurement is referred to as the “Shadow Bid.”

Comparing the PSC and Shadow Bid through the VFM analysis will determine the most advantageous procurement option. Comparing the PSC to the financial bids will determine VFM for the project.

a) Public Sector Comparator or PSC

The PSC is an estimate of the full and true cost to government for meeting the output specifications through a traditional procurement delivery method. 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 Responsible Ministry can provide benchmark costing that may help in identifying the costs. These costs should include the internal cost of undertaking the project.

b) Shadow Bid

While the PSC establishes a benchmark for comparison purposes, the PSC alone does not allow an estimate of potential P3 costs/benefits.

As part of the VFM 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 modeling 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:

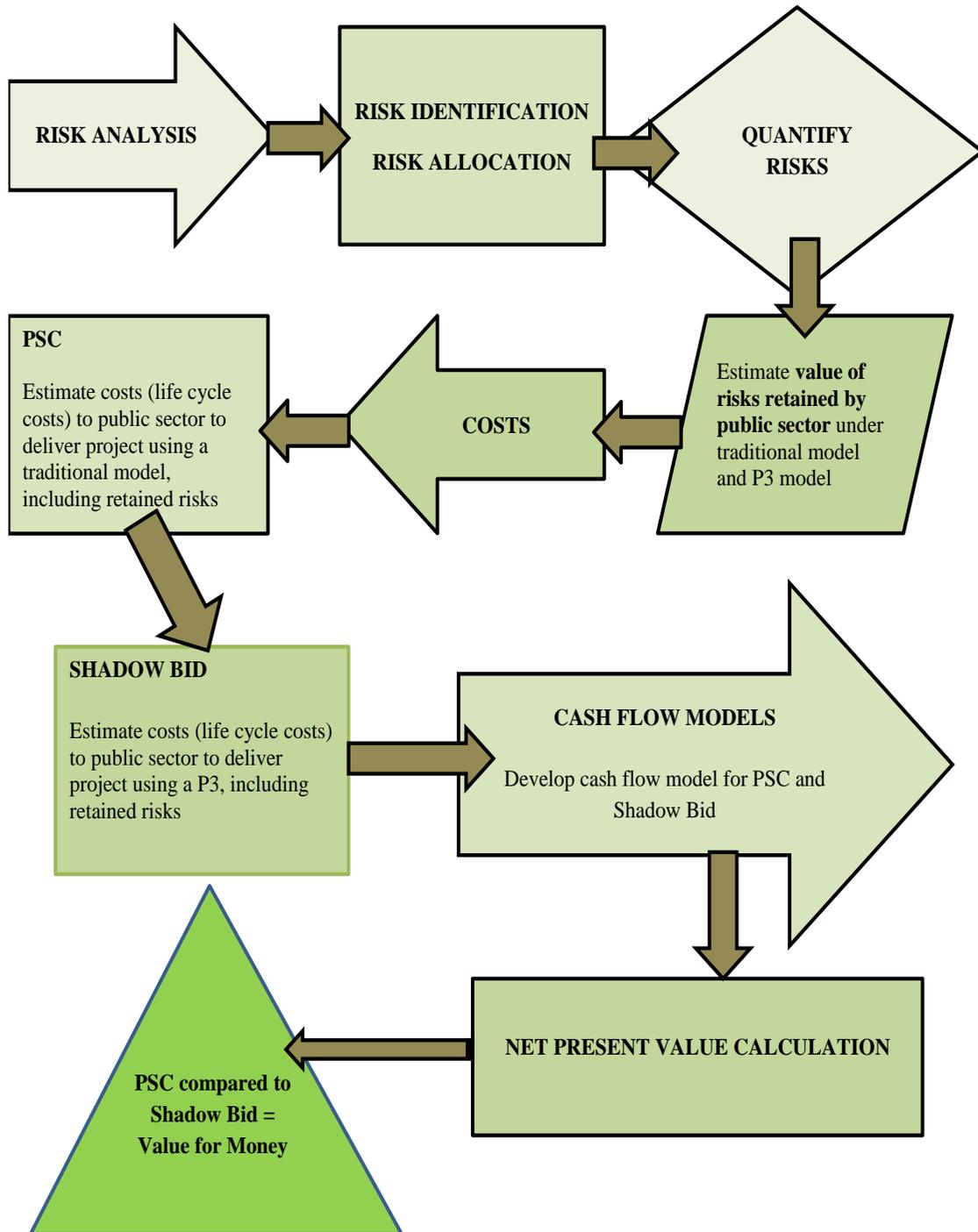
- As part of the VFM assessment of the P3 in a comparison of the PSC to determine the best procurement alternative; and,

- As a benchmark to assess the RFP submissions in the procurement phase.

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. 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 will be useful at financial submission and evaluation where qualitative criteria are used in the evaluation process.

A general summary of the VFM analysis process is illustrated in Figure 4, and the following sections provide further guidance.

Figure 4: General summary of the value for money assessment process:



c) **Project Risk Assessment**

To accurately estimate and compare the total costs of using a traditional delivery method compared to a P3 delivery model, the risks that will be retained by the public sector entity under each model must be identified and quantified. Appropriate risk allocation 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.

(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 Government of Saskatchewan's and the proponent's ability to achieve the anticipated benefits of the project or that may increase the costs 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 identification, allocation and management of risk is considered on a project by project basis.

While not an exhaustive list, potential risks may be categorized as follows:

- site risk including physical suitability, availability, environmental, historical resources, statutory approvals, traditional land use, geotechnical, permitting risk;
- design, construction and commissioning risk;
- contractual risk including that the private sector party, its sub-contractors or the public sector 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.

The PPP Canada *P3 Business Case Template* includes a table of typical risks for a P3 project, but must not be relied upon as a substitute for an in-depth project specific analysis. The identification, allocation and management of risk must be considered on a project-by-project basis.

(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. 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.

(3) Risk Quantification

Quantification of risks is an estimate of the value of the risks. These estimates are added to estimated project costs to arrive at the risk adjusted cost of the traditional and the P3 delivery options.

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 early in the project planning stages and updated as the project moves through the approval process.

d) Estimation of Costs for PSC and Shadow Bid

A summary of the costs included in the PSC and the Shadow Bid is set out in the table below, and further guidance is provided in the sections that follow.

Summary of Costs included in PSC and Shadow Bid

Cost Category	Description
Project Costs	<ul style="list-style-type: none"> • represents the base cost to government of procuring and delivering the project including those costs associated with design, construction and operation • includes periodic costs associated with the delivery of the project such as major maintenance, renewal and rehabilitation and replacement of components • includes, for the PSC, a competitive neutrality adjustment related to the differences in tax treatment and approach to insurance between the public and private sector; the effect of the adjustment is to add costs to the PSC even though public sector may be exempt from the taxes or may self-insure, for example
Transaction Costs	<ul style="list-style-type: none"> • represents the soft costs associated with project delivery such as procurement costs including legal advisors, financial advisors, architectural and engineering services, and other professional service fees; project management and contract management costs through the term of the contract • includes the honorarium for the Shadow Bid
Retained Risk	<ul style="list-style-type: none"> • represents those risks that public sector entity will be responsible for under the PSC and the Shadow Bid, including a portion of any shared risks (typically at 50%) • The retained risks will vary between procurement models
Incremental Financing Cost	<ul style="list-style-type: none"> • represents incremental cost of private financing for the P3 over Government of Saskatchewan's cost of borrowing - included in the Shadow Bid

(1) 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 Advisor 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.

(2) Timeframe

The appropriate analysis timeframe should be used based on the type of capital project being considered. 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.

(3) 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.

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, land acquisition costs, or furniture and equipment that is supplied and installed by the public sector entity, would form part of the total project costs but would be excluded from the PSC and Shadow Bid as they are procured separately from the building, do not vary between procurement options and the bidders will not include the land acquisition costs or cost of furniture and equipment in their bids.

Consideration should be given to whether a competitive neutrality adjustment should be made to the PSC. A competitive neutrality adjustment reflects differences in the two models related to taxes and insurances and is intended to ensure a like-for-like comparison. The purpose of a competitive neutrality adjustment is to account for differences between the two models that arise because of the different tax treatments for public and private sectors and/or the different approaches to insurance in the two sectors. While a competitive neutrality adjustment needs to be considered on a project by project basis, competitive neutrality adjustments are usually made for taxes collected by the government and for insurance premiums payable by the private partner.

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

Costs may include:

- Capital costs
- Operating costs
- Routine maintenance
- Capital maintenance
- Other costs
- Receipts and revenues
- Residual value

Consideration should be given to when the costs will be incurred, who will incur the costs and certainty of costs.

Benefits should include both user and agency benefit and may include:

- Early completion
- Capital savings
- Operational savings
- Revenue generation
- User cost savings
- Innovation
- Reduced environmental impacts

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

(4) Assumptions and Cost Valuation

The VFM analysis should be based on best available cost estimates 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
 - Market sounding;
 - Comparison with other P3 projects;
 - Consultation with SaskBuilds, Responsible Ministry, Ministry of Finance; and,
 - Consultant input (capital markets, financial).

Key assumptions will be incorporated into the financial models for the PSC and the Shadow Bid. These need to be carefully considered and understood. Assumptions may include: inflation rate, construction escalation rate, discount rate, timing of cash inflows and outflows, financing costs and Shadow Bid financing structure. Sensitivity analyses should be performed on key assumptions to ensure that VFM does not drop or become negative if key assumptions prove to be incorrect.⁸

(5) Efficiencies

Innovation can often be generated through a competitive process and the integration of design, construction, finance and operation/maintenance in a P3 model, which translates into efficiencies and savings.

A conservative approach should be taken to including efficiencies. If efficiencies cannot be demonstrated by reliable data or are otherwise uncertain, it is best practice to exclude them from the analysis. If efficiencies are included, sensitivity testing should be performed to ensure that VFM will not drop or become negative if the efficiencies are not realized.

(6) Risk Premium

The values of the risks from the risk workshop will be factored into the VFM analysis.

⁸ See subsection (g) below on sensitivity analyses.

e) Net Present Value (“NPV”) and 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. Simply put, the discount rate is a rate applied to a future sum to value differing cash flows as of a single date.

The PSC and the Shadow Bid cash flows differ because the construction costs are entirely funded by construction completion for the PSC while they are financed over the long term for a P3 delivery. Discounting allows the present value of these cash flows that occur at different times to be compared on a like for like basis.

A discount rate can be risk free, or it can include a risk adjustment. The selection of the discount rate can have a significant impact on the value for money analysis. The higher the discount rate the lower the value attributed to future cash flows. The higher the discount rate the less expensive the Shadow Bid looks relative to the PSC and the greater the value for money appears. Therefore, careful attention must be paid to the discount rate used in the VFM analysis.

SaskBuilds will generally use as a discount rate the Government of Saskatchewan’s cost of debt. An example of not using the Government’s discount rate would be in the case of using an accepted practice VFM procurement methodology analysis such as using the internal rate of return (IRR) similar to that used by Partnerships BC and recognized by PPP Canada.

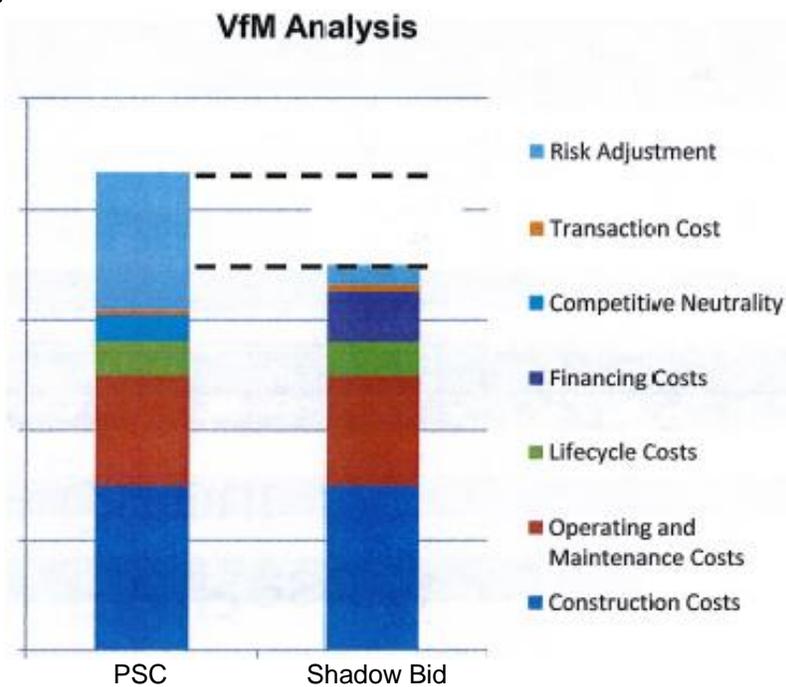
The discount rate is calculated by the Ministry of Finance and is based on the rate the Government of Saskatchewan will be required to pay for debt with a similar structure, term and payment stream and considers the cost of issuing that debt. The riskiness of the project is not factored into the discount rate as project risks are generally assessed and quantified outside of the discount rate during the risk analysis component of the VFM analysis.

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

f) Sample Value For Money Assessment Results

The results of a sample value for money assessment are illustrated in Figure 5.

Figure 5:



g) Sensitivity Analysis

The estimated net present value life cycle cost will be based on a number of inputs that come with an associated level of uncertainty and in respect of which assumptions have been made. A sensitivity analysis should be undertaken to show the effects of different assumptions on the relative value for money of the procurement options. This analysis should be used to identify the changes in assumptions that are significant enough to potentially change the recommendations.

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	Statistics Canada, Ministry research and consultation with industry.
Private sector efficiencies	Review of bids of similar past P3 projects, consultation with industry, cost consultant and Owner's Engineer.
Provincial contribution	Market sounding, comparisons between similar past P3 projects, evaluation of project hand-back risk.
Discount rate and inflation rate	Consultation with Ministry of Finance and

Inputs	Typical Sources of Information and Supporting Evidence for Valuing the Cost of Inputs
	Statistics Canada and Owner's Engineer.
Return on equity, return on debt, leverage ratio	Capital markets consultant, financial consultant, Ministry of Finance, 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 analyses, but the results of all analyses 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.

2. Qualitative Analysis – Non-Financial Benefits & Costs

The purpose of a qualitative analysis is to account for benefits and risks that are not directly quantifiable (difficult to attach a dollar value). Basing the decision solely on quantitative factors may lead to the selection of a procurement model that does not address all the specific requirements, and fails to consider key elements that may be critical to an investment decision.

Examples of non-financial benefits typically associated with a P3 alternative are:

- Societal benefits of on time, on budget delivery
- User satisfaction
- Improved service quality
- Increased innovation resulting in more effective and/or efficient delivery of service
- Additional social and economic benefits
- Risk transfer as a benefit

Examples of non-financial costs typically associated with a P3 alternative are:

- Loss of control or accountability
- The change associated with partnering
- Loss of in-house expertise
- Risk transfer as a liability

SaskBuilds may utilize the results of this qualitative analysis in order to shortlist project delivery models for quantitative analysis.

3. Value Analysis

The value analysis pulls together the quantitative and qualitative comparisons of a traditional procurement and a P3 procurement in order to identify the optimal delivery methodology to be used to procure the project.

It is important to ensure that there is no double counting of the qualitative and quantitative expected benefits of the project.

The preferred procurement option conclusion may differ in the qualitative and quantitative reports. The procurement model with the lowest risk adjusted net present cost may not be the most suitable qualitatively due to multiple factors. Conversely, the procurement model that seems to be the most suitable qualitatively may have a net present cost too high to be considered affordable. It is therefore important to analyze the qualitative and quantitative results together to reach conclusions about the preferred procurement model. This analysis will form the integrated recommendation from SaskBuilds.

III. P3 PROJECT PROCUREMENT

A. *General Overview of the P3 Procurement Process*

The P3 procurement process begins when Cabinet approves a project for P3 delivery. SaskBuilds will lead the procurement, in consultation with the Responsible Ministry.

SaskBuilds is committed to establishing procurement processes that are open, competitive, timely, fair and transparent, while creating competitive tension and preserving the Government of Saskatchewan's negotiating position and ability to generate value for money for taxpayers.

This Part of the Guideline describes SaskBuilds' approach to P3 procurement.

Figure 6 provides a high-level overview of a typical P3 procurement process. These timelines may be adjusted depending on the nature of the project and the specific details of the procurement process. As illustrated in Figure 6, the procurement process will typically include the following stages:

- **Request for Qualifications (RFQ) stage**, which publicly 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

The recommended approach is to fully develop the project agreement including technical specifications before issuing the RFP. Upfront development of project documentation will ensure that the project documentation reflects the public sector's intent and sets out a carefully considered and commercially reasonable deal structure. Further, this approach will result in a more streamlined and efficient procurement process minimizing the need for extensive clarifications and addenda.

SaskBuilds' P3 procurement will also include the following elements:

- **Fairness Advisor** –A Fairness Advisor will be retained during the planning stages of the procurement and prior to issuance of the RFQ. The Fairness Advisor will report to the Steering Committee. The Fairness Advisor will observe the procurement process and report on whether the process described in the procurement documents was followed. The Fairness Advisor will advise the Core Project Team as needed and prepare reports on the RFQ stage and the RFP stage.
- **Multi-stage submission process** – the RFP process will typically include a multi-staged submission process that may include one or more technical submissions, opportunity to engage in a clarification process with proponents regarding their submissions, followed by the final submission comprising the financial offer. Staged submissions allow early feedback to proponents to minimize the possibility of unacceptable technical proposals and to optimize the effort expended by the proponent.
- **Selection** - based on compliant bids meeting minimum acceptable technical requirements and using a best value scoring methodology for design, construction and financial submissions.

B. Request for Qualifications (“RFQ”)

The RFQ stage:

- Officially signals the intent of the Government of Saskatchewan to proceed with the project and heighten its profile.
- Markets the project to a wide audience to encourage participation and competition.
- Presents an overview of the proposed scope and structure of the opportunity to interested parties.
- Allows interested parties to assemble the requisite resources and form teams as appropriate.

- Allows respondents (teams that respond to the RFQ) access to the RFQ electronic data room and all relevant project related information.
- Requests that respondents demonstrate their technical and financial capability to assume the roles and responsibilities expected by the province.
- Short-lists respondents to proceed to the RFP stage based on pre-established evaluation criteria.

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

- Design
- Construction
- Operations
- Maintenance
- Financing

Based on established evaluation criteria, respondents are presented to the Steering Committee. The top three respondents are typically invited to respond to the RFP.

C. Request for Proposals (“RFP”)

The RFP stage:

- Provides proponents with the opportunity to demonstrate their understanding of the project, as well as their respective role and responsibilities.
- Allows proponents access to the project site(s), the RFP data room and all relevant project related information.
- Provides proponents with the opportunity to develop their technical and financial proposals for evaluation by the province.
- Allows 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.
- Sets out the method for selecting the preferred proponent.

As noted above, during the RFP stage, proponents are required to make one or more multiple submissions. A proponent's continued participation in the RFP process is dependent on meeting SaskBuilds' requirements for each submission.

Submission requirements will generally include the following, but may be modified based on the requirements of the project.

- Proponent information, general management plan and communications plan.
- As applicable, detailed plans for design, construction, traffic/site management, commissioning, operations, maintenance, safety audit, renewal/whole-life management (preservation and rehabilitation), condition monitoring, quality management, environmental management, LEEDTM certification, public communication, safety, project schedule, collaboration, insurance, confirmation of financial capacity and indicative financial model.
- Additional submissions may be requested with all components clarified, indicative financing plan and letter indicating will comply with technical requirements.
- Final financial model, final financing plan and final financial offer.

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

D. Evaluation Model

1. Lowest Adjusted Price Wins Philosophy

Selection of the preferred proponent will generally be based on the lowest adjusted price by using a scored elements approach from among technically compliant bids that meet minimum acceptable requirements demonstrated through one or more submission processes. However, depending on asset class, lowest price among technically compliant bids that meet minimum acceptable requirements may be used. Net present value will be determined and will include all project requirements set out in the RFP and other documents.

The scored elements approach is used to incentivize innovation in specific areas of interest and encourage higher quality designs and other benefits. This approach has flexibility to encourage more innovative designs that lead to better project outcomes. With the scored elements approach, specific areas of interest are identified, and each area of interest is assigned a maximum number of points. Each point is worth a pre-determined dollar value. The total dollar value awarded for scored elements is then deducted from the bid price. This effectively results in a “lowest adjusted price wins” evaluation. It should be noted that the lowest adjusted price approach means that the successful proponent will not necessarily have the lowest price.

2. Innovation and Qualitative Value Added Concepts

For projects with significant potential for qualitative or other added value through innovation in specific areas, an augmented scoring system may be used to evaluate the proposals. Incentivizing innovation in specific areas of interest encourages higher quality designs and leads to better project outcomes.

E. Summary of Additional Best Practices for the Development and Execution of P3 Procurements

This section summarizes various best practices, in addition to those reflected elsewhere in this Guideline, for developing and executing an open, fair and competitive procurement process:

- 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 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.
- Ideally, three proponent teams are 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.
- 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.
- The project agreement is finalized prior to submission of bids and there are no changes to the Project Agreement after final bids have been received.
- A strict code of conduct is in place for government officials and "no lobbying" clauses are included in the procurement documents prohibiting bidders from lobbying and contacting government officials to influence the outcome of the process.

F. Procurement Process Changes

Any material changes to the procurement process described in this Guideline must be approved by the SaskBuilds Board.

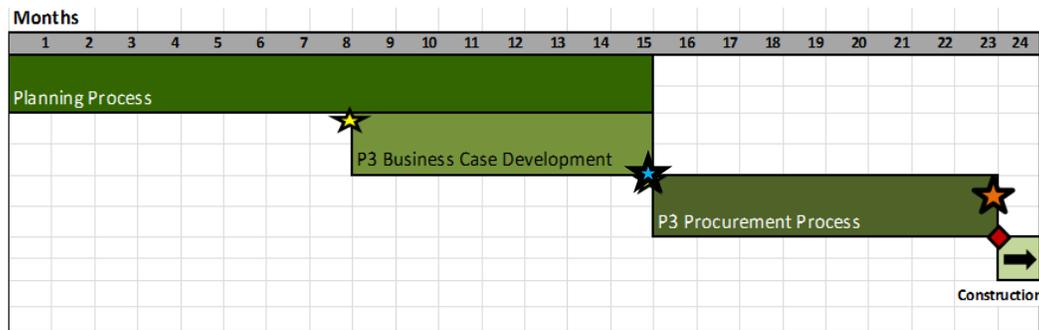
G. Updates to the Value for Money Analysis

During the procurement process there may be changes in scope and/or risk allocations from that described and valued in the P3 business case that formed the basis of the approval to proceed to P3 procurement. Material changes must be approved by SaskBuilds Board, Treasury Board and Cabinet and must be incorporated into an updated value for money analysis.

The finalized PSC is compared to proponents’ financial bids to determine the value for money.

Figure 7 indicates when the VFM analysis is updated during the procurement process.

Figure 7: VFM analysis



-  VFM at Business Case.
-  VFM before RFP release.
-  VFM update after Financial Close.

H. Award of Contract

The P3 Business Case forms the basis of SaskBuilds Board's, Treasury Board's and Cabinet's approval to proceed with P3 procurement. The final submission from the preferred proponent must be compared to the business terms as described in the P3 Business Case and to the finalized PSC, to ensure that the Government of Saskatchewan is receiving the anticipated value for money. Award of the P3 contract must be referred back to SaskBuilds Board, Treasury Board and Cabinet for notification. Material changes require further consideration and approval of the committees.

I. Trade Agreements

The procurement must comply with the provisions of all applicable trade agreements including the *Agreement on Internal Trade (AIT)* and the *New West Partnership Trade Agreement (NWPTA)*. The RFQ should be widely advertised to encourage participation in the procurement process.

J. Honoraria

An honorarium may be paid to the unsuccessful proponents who submit a compliant final submission to partially offset their pursuit costs. The amount of the honoraria will depend on the size and complexity of the project. Payment of an honoraria is intended to attract bidders to participate in the procurement thereby generating competition, and to incent proponents to develop high quality proposals.

K. No Lobbying

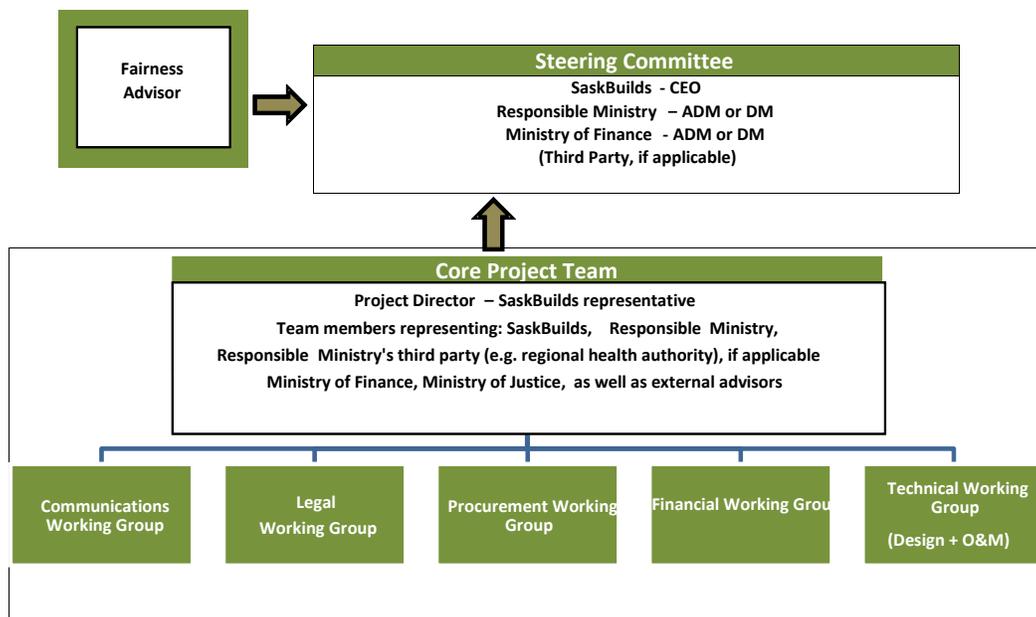
"No lobbying" clauses are included in the procurement documents prohibiting bidders from lobbying and contacting government officials to influence the outcome of the process.

IV. P3 PROJECT GOVERNANCE AND FORMATION OF CORE PROJECT TEAM

A. P3 Project Governance

P3 projects can have long-term implications for government as the operations and maintenance period can extend for a long period. 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. Figure 8 sets out a sample project governance structure for a P3 procurement.

Figure 8: Sample project governance structure for a P3 procurement.



The structure used for a project should fit the project’s scope, complexity and risk.

The chart below sets out suggested roles and responsibilities of the various parties represented in the foregoing project governance chart.

Key Party	Responsibilities
Steering Committee	<ul style="list-style-type: none"> • The Steering Committee is collectively responsible for the project; • The Steering Committee provides oversight and direction to the Core Project Team; • Key responsibilities include: <ul style="list-style-type: none"> ➤ Ensuring all necessary project approvals are obtained; ➤ Strategic level advice and decisions; ➤ Reviewing key project procurement documents and oversight of the procurement evaluation; ➤ Oversight of the communications and risk management plans; ➤ Resolution of major project issues including scope, budget, schedule and/or communications management; and, ➤ Lead and/or participate in key stakeholder meetings when/where required. • Typically, appoints Fairness Advisor and receives reports of Fairness Advisor.
Fairness Advisor	<ul style="list-style-type: none"> • The Fairness Advisor's role is to observe the procurement process and report on whether the process described in the procurement documents was followed and to advise the Core Project Team as needed on fairness issues. The Fairness Advisor's process will include, but is not limited to, the following: <ul style="list-style-type: none"> ➤ Review any transaction documents at the Fairness Advisor'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 Fairness Advisor's discretion; ➤ Participate in meetings in person and by telephone

Key Party	Responsibilities
	<p>as scheduled, identify priority fairness-related issues and fairness-related critical path and constraints;</p> <ul style="list-style-type: none"> ➤ Manage his/her assignment in a timely and cost-effective manner; and, ➤ Prepare and submit RFQ and RFP reports to the Steering Committee.
Project Director	<ul style="list-style-type: none"> • The Project Director: <ul style="list-style-type: none"> ➤ delivers the project and oversees the entire transaction process and manages work tasks and work teams; ➤ is supported by SaskBuilds, the Responsible Ministry and the staff of the Responsible Ministry's, [funded entity], if applicable, and external consultants; ➤ decides how best to resolve, within the parameters of this Guideline, issues arising from the transaction process; ➤ oversees 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; ➤ ensures the project receives the appropriate approvals from the Steering Committee, the SaskBuilds Board and ultimately, Treasury Board and Cabinet; ➤ monitors all communications to interested parties, respondents, and proponents, as well as all public communications; ➤ engaged in developing the recommendations and evaluation results presented by the evaluation teams or requests additional clarification from the teams; and, ➤ may delegate responsibilities to committees or working groups but remains ultimately responsible for the delegated activities.
Core Project Team	<ul style="list-style-type: none"> • Responsible for delivering the project within approved parameters and managing all aspects of its delivery; • Responsible for the day-to-day working requirements; and, • Review major issues, options and provide recommendations

Key Party	Responsibilities
	that require Steering Committee direction. This group meets throughout the planning and procurement phases of the project.
Communications Working Group	<ul style="list-style-type: none"> • Develop communications strategy and plan; • Key provincial messages and timing for each stakeholder group; • Monitor stakeholder reaction and address issues; • Liaising with funding partners as appropriate; and, • Announcements, news releases, website.
Legal Working Group	<ul style="list-style-type: none"> • Lead legal and commercial matters throughout procurement, selection and closing; • Lead or collaborate on the drafting of all procurement documentation and the project agreement; and, • Review aspects of submissions as required to advise on potential issues.
Procurement Working Group	<ul style="list-style-type: none"> • Lead market sounding; • Lead risk workshop; • Secure consultants and advisors; • Lead or collaborate on the drafting of RFQ, RFP, evaluation criteria, submission requirements; • Lead procurement and evaluation processes; • Evaluate proposals; and, • Lead contract finalization and financial close in close collaboration with the legal working group.
Financial Working Group	<ul style="list-style-type: none"> • Assist with securing Treasury Board and other funding approvals; • Develop financial model including capital, operating and risk estimates; • Assist in development of payment structure including payment adjustments; and, • Evaluate financial content of proposals.
Technical Working Group (Design + O&M)	<ul style="list-style-type: none"> • Provide support during the development and evaluation of the RFQ; • Develop technical requirements (including output specifications), performance standards and payment adjustments for the RFP/Project Agreement; • Review and consider policy issues at direction of Steering Committee and/or Core Project Team;

Key Party	Responsibilities
	<ul style="list-style-type: none"> • Liaison with the quantity surveyor and procurement working group; and • Evaluate technical submissions

The functions of the various "groups" above will require some further revision based on your anticipated approach through a project procurement.

SaskBuilds will lead P3 procurements and as a result the SaskBuilds Board will provide oversight and direction to the Steering Committee and the Core Project Team during the project planning and procurement process stages. The Steering Committee and the Core Project Team will work within the parameters of the project as detailed in the P3 business case which formed the basis for the approval to proceed with a P3 procurement. Further, reports will be made to the SaskBuilds Board periodically throughout the procurement and prior to each significant milestone or decision point, or otherwise as requested by the SaskBuilds Board.

B. Comments on Formation of Project Team

1. Transition to Construction and Operations Maintenance

To facilitate the transition from procurement to construction, and the transition from construction to operations/maintenance, it is best practice for the Responsible Ministry to include on the Core Project Team for the P3 planning and procurement process those key personnel who will be responsible for managing and administering the project agreement through the construction period and through the operations/maintenance period. Continuity in personnel will enhance the Responsible Ministry's ability to realize the value for money anticipated in undertaking a P3 procurement.

a) Contact Person

A Contact Person needs to be identified. The Contact Person could be the Project Director or individual authorized by the Project Director.

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

b) External Consultants and Advisors

The Core Project Team must include expertise in all aspects of the procurement. SaskBuilds and the Responsible Ministry should retain external consultants and advisors to provide any expertise that is not readily available within the Saskatchewan Government.⁹

The following external consultants may be retained:

- **Technical Consultants.** May be involved in the business case stage and further the technical consultants will provide expert assistance to the Responsible Ministry and to SaskBuilds regarding all phases of the procurement work from reviewing the draft project specific documentation, to assisting in the final preparation of the project specific documentation and assisting in the evaluation process.
- **Procurement and Financial Consultants.** May be involved in the business case stage and further the financial and procurement consultants will provide expert assistance to SaskBuilds and the Responsible Ministry regarding all phases of the procurement work from updating the project specific P3 procedures from start to finish, assisting in the review of the submissions, assisting in the review documentation and reporting.
- **Legal Consultants.** The legal consultants will provide expert assistance to the department regarding any legal matters, particularly the drafting of the project agreement.
- **Fairness Advisor.** The role of the Fairness Advisor is to observe the procurement process to ensure that it is conducted in accordance with the processes described in the procurement documents. The Fairness Advisor reports directly to the Steering Committee.

Consultants, their affiliates and sub-consultants are not eligible to participate as members of any Respondent/Proponent Team.

c) Additional Team Subgroups

Depending on the particular project and its overall complexity, the Core Project Team, together with additional evaluators (such as subject matter experts, if needed), can be organized into further subgroups to address a variety of issues. Examples of additional subgroups that may be considered are summarized in the table below.

Key Role	Proposed Team Members	Responsibilities
Relationship Review	<ul style="list-style-type: none"> • Project Director 	<ul style="list-style-type: none"> • The Relationship Review

⁹ See Part I section G regarding the respective responsibilities of SaskBuilds and the Responsible Ministry.

Key Role	Proposed Team Members	Responsibilities
Committee	<ul style="list-style-type: none"> Responsible Ministry Representative Legal Consultant/ Ministry of Justice and Attorney General Representative 	<p>Committee manages conflicts of interest matters with the support of the Project Director.</p> <ul style="list-style-type: none"> The Relationship Review Committee advises the Project Director on action to be taken regarding conflict of interest issues.
EVALUATION TEAM		
RFQ/RFP Completeness Team	<ul style="list-style-type: none"> Procurement Team Lead and other team resources directed. 	<ul style="list-style-type: none"> Determine completeness requirements and develop checklists based on the RFQ/RFP documents. Evaluate whether the submissions meet the pre-established completeness requirements. Compile the list of parties on the team of each respondent/proponent (to facilitate relationship review).
RFQ/RFP Technical Team	<ul style="list-style-type: none"> Subject matter experts in all required project disciplines including design, construction, operations, maintenance, service, quality control/assurance, regulatory requirements, project management and communication. Technical Consultants SaskBuilds Representative Responsible Ministry Representative and/or funded entity 	<ul style="list-style-type: none"> Conduct a detailed review of technical submission material. Conduct research on respondents and proponents as necessary. Apply the technical criteria against the RFQ and RFP submissions received. Present evaluation results to the Project Director and the SaskBuilds Board/Steering Committees required. Raise and assist in resolving technical issues that arise throughout the transaction process.
RFQ/RFP Financial Team	<ul style="list-style-type: none"> Financial Consultant Ministry of Finance representative 	<ul style="list-style-type: none"> Conduct a detailed review of the financing submission material. Conduct research on respondents

Key Role	Proposed Team Members	Responsibilities
	<ul style="list-style-type: none"> • SaskBuilds Representative • Responsible Ministry Representative and/or funded entity 	<p>and proponents as required.</p> <ul style="list-style-type: none"> • Apply the financing criteria against the RFQ and RFP submissions received. • Present evaluation results to the Project Director and the SaskBuilds Board/Steering Committee as required. • Raise and assist in resolving financing issues that arise throughout the transaction process.