



**SASKBUILDS CORPORATION**

**PUBLIC-PRIVATE PARTNERSHIP**

**PROJECT ASSESSMENT AND PROCUREMENT**

**GUIDELINE**

*Updated February 2016*

## 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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## TERMINOLOGY

**Assessment Phase** – Refers to an early project consideration phase that determines if the project will proceed to procurement. Key steps include: high level screening, market sounding, and detailed business case development.

**Authority** – The public sector ministry/agency/organization responsible for the project. This may include multiple groups depending on the complexity of the project.

**Collaborative Meeting** – A structured meeting between the Authority and each Proponent (individually) held multiple times during the RFP Stage, that involves open dialogue between the Authority and Proponents and is an opportunity for Proponents to present information and receive feedback.

**Contact Person** – The single, central point of contact for the Authority during the Procurement Phase.

**Core Project Team** – Team of key representatives from each organization responsible for delivering and managing the project.

**Design and Construction Period** – Typically begins once Financial and Commercial Close are achieved, but may include design work at the Preferred Proponent Stage. This period continues until the asset receives formal signoff when the Operating Period commences.

**Final Draft Project Agreement** – Final draft version of the Project Agreement that is provided to Proponents near the completion of the Request for Proposals (RFP) Stage.

**Financial Submission** – A financial package of information submitted in the response to the RFP.

**Implementation Phase** – Begins once Financial and Commercial Close are achieved and includes the Design and Construction Period followed by the Operating Period.

**Initial Draft Project Agreement** – Initial draft version of the Project Agreement that is provided to Proponents at the start of the RFP Stage.

**Interested Parties** – Private sector teams interested in the project at the Request for Qualifications (RFQ) Stage.

**Operating Period** – Begins at the formal signoff of the asset from the Design and Construction Period and extends the full term of the Project Agreement, and concludes with the handback of the asset at the end of the term.

**Pre-Procurement Phase** – Intermediate phase including activities required in preparation for procurement, as well as other activities that may be required during the Assessment Phase.

**Preferred Proponent** – The highest ranked Proponent, based on the RFP evaluation, which is selected to proceed to negotiations with the intention of achieving Financial and Commercial Close.

**Procurement Phase** – Once approval is obtained, the procurement commences and involves multiple stages, including RFQ, RFP, Preferred Proponent, and Financial and Commercial Close.

**Project Agreement** – The final executed contract between the Authority and Project Co.

**Project Co** – Once Financial and Commercial Close are reached, the Preferred Proponent becomes Project Co, the entity with whom the Authority has entered into the Project Agreement with.

**Proponents** – Respondents that were shortlisted to proceed to and participate in the RFP Stage.

**Respondents** – Interested Parties that provided Submissions at the RFQ Stage.

**RFP Stage** – Begins with the release of the RFP and Initial Draft Project Agreement to the shortlisted Proponents from the RFQ Stage.

**RFQ Stage** – Begins with the release of the RFQ and Project Brief publicly to invite qualified teams to submit a response to proceed to the RFP Stage.

**Special Topic Meeting** – A structured meeting between the Authority and each Proponent individually, held as needed throughout the RFP Stage, which involves targeted discussion on various potential matters of importance.

**Steering Committee** – Committee of senior representatives from each organization responsible for oversight on the project.

**Submission** – A package of information submitted in response to the RFQ and/or other requests for information throughout the Procurement Phase.

**Technical Submission** – A technical package of information submitted in response to the RFP.

**Working Groups** – Specific groups of representatives responsible for various aspects of the project.

**ACRONYMS**

**NPV** – New Present Value

**P3** – Public-Private Partnership

**PSC** – Public Sector Comparator

**RFP** – Request for Proposals

**RFQ** – Request for Qualifications

**RRC** – Relationship Review Committee

**VFM** – Value for money

## 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*.<sup>1</sup>

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 (P3), and providing a central focus within the provincial government to co-ordinate infrastructure planning and delivery.<sup>2</sup>

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 P3s; and
- To create, encourage and facilitate opportunities to further enhance infrastructure development to support the continued economic growth of the province.<sup>3</sup>

### B. *Guideline Objectives and Applicability*

In pursuit of its mandate, SaskBuilds developed this Public-Private Partnership Project Assessment and Procurement Guideline (hereafter “the 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

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<sup>1</sup> Province of Saskatchewan Order in Council 550/2012 (OC 550/2012).

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

<sup>3</sup> OC 550/2012.

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. Having entered the P3 market after other Canadian jurisdictions, Saskatchewan is in a unique position 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 adapted from various jurisdictions' approaches, including the Government of Alberta, Partnerships BC, Infrastructure Ontario, and PPP Canada as reflecting modifications specific to SaskBuilds.

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 project delivery models, SaskBuilds' overarching policies applicable to assessing and procuring infrastructure projects through P3 project delivery models, and a summary of decision-making and roles and responsibilities.

Part II of this Guideline provides guidance on overall project governance structures through the various project phases.

Part III 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 IV of this Guideline provides guidance on pre-procurement activities required in preparation for the procurement process as well as other activities that may be applicable in the business case stage.

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

Part VI of this Guideline provides guidance on the Implementation Phase, post-procurement.

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.

SaskBuilds prepared the initial version of this Guideline in May 2014, while some project procurements had commenced, based on best practice in the industry. SaskBuilds will follow this Guideline on future projects.

SaskBuilds has continued to update this Guideline as more experience has been gained with P3 procurements. As a living document, this Guideline will 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 infrastructure projects.

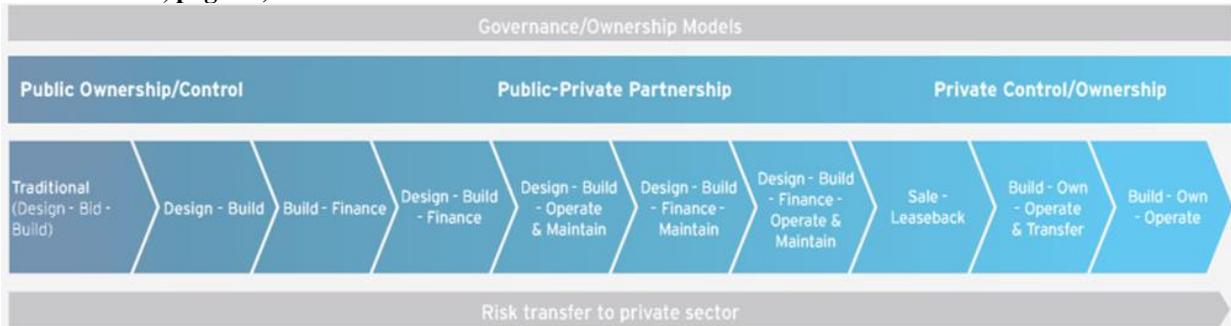
### ***C. Definition of a P3 for Government of Saskatchewan Infrastructure Projects***

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 project delivery model, 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 project delivery 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 general 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)**

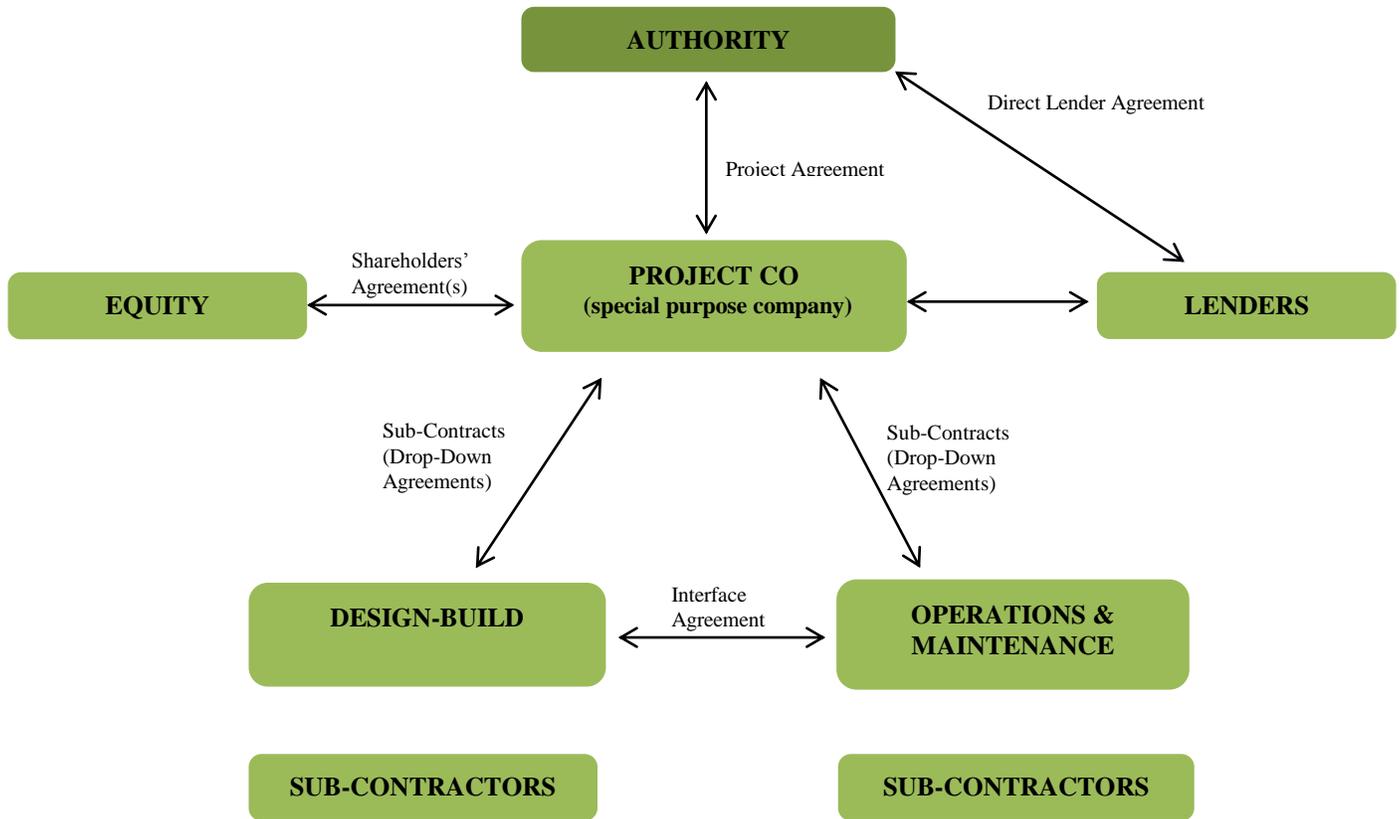


As illustrated in Figure 1, a P3 project delivery model involves bundling elements of the project together. The Authority enters into a Project Agreement with Project Co where the private sector partner is responsible for each of the bundled elements, such as designing, building, financing and maintaining the infrastructure.

For SaskBuilds capital projects, a P3 is a contractual arrangement between a public sector body and a private sector partner. The public sector will own the asset throughout the entire term. The private sector partner provides some or all of the financing for the infrastructure, designs and builds the infrastructure, and may have long term responsibility for maintenance and/or operation of the infrastructure. The private sector partner receives payments from the public sector entity over an extended period of time. The payments are subject to deductions where the private sector partner fails to meet contractually defined performance standards. A typical P3 contractual structure is illustrated in Figure 2.

Including private financing and the long term responsibility for maintenance will ensure that, for each P3, the private sector is sufficiently motivated to build quality infrastructure and to properly maintain it over the life of the Project Agreement. The definition of a P3 for the Government of Saskatchewan will not preclude Authorities from pursuing other kinds of alternatives to traditional procurement.

**Figure 2: Typical P3 Contract Structure**



#### **D. Why Consider P3 Project Delivery Models?**

As demonstrated by the formation and mandate of SaskBuilds<sup>4</sup> 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 P3s 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.<sup>5</sup>

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

<sup>5</sup> 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,

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

In order to derive the ideal benefits from a P3 project delivery model, the project should be well planned. Some of the critical planning elements include development of the deal structure and performance specifications, preparation of a procurement process suitable to attract bidders and generate competition, and the public sector should be properly resourced and prepared to administer the P3 Project Agreement through the entire term.

### ***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.

#### **1. Project is a Government Priority**

- Projects considered for P3 delivery should be a priority as determined by the integrated capital planning process and/or directed by Cabinet and be accommodated within the projected budget of the Authority.
- Unsolicited proposals will proceed through the same decision-making and competitive procurement process as other P3 projects, assuming confirmation (by the Authority) of need and alignment with government priorities.

#### **2. 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 maintenance and, potentially, operations component.

### **3. Value for Taxpayers of Saskatchewan (Value for Money)**

- Prior to proceeding to a P3 procurement process there must be positive evidence of value for money (VFM), determined through a P3 business case, developed under the guidance of SaskBuilds.
- Prior to proceeding with a P3 project delivery model, it can be demonstrated that a P3 will:
  - Provide greater value for taxpayers than traditional project delivery;
  - Deliver infrastructure that is qualitatively equal to or better than infrastructure delivered through traditional project delivery; and
  - Not compromise service delivery objectives.
- The P3 approach must demonstrate positive VFM, considering quantitative benefits, qualitative benefits and providing sensitivity analysis. If minimal value for money savings (less than 3%) exists on a project, sensitivity analysis should be incorporated as a major consideration in the recommendation.
- A conservative approach will be taken to assessing the potential VFM 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 (NPV) costs of a P3 delivery to a traditional project delivery.
- The VFM and sensitivity analysis that forms the basis of the decision to proceed with a P3 project delivery model will be:
  - Developed at the business case stage, using best available costs for the project and the current Government of Saskatchewan long term borrowing rate;
  - Reviewed and updated before RFP, using refined project costs and the current Government of Saskatchewan long term borrowing rate;
  - Reviewed and updated before the Preferred Proponent is announced, using the Preferred Proponent's project costs and the current Government of Saskatchewan long term borrowing rate if there is a material change from the previous/RFP rate; and
  - Reviewed and updated after Financial Close, using the Financial Cost interest rate(s) and the Government of Saskatchewan long term borrowing rate at Financial Close date to reflect changes to the project.
- The finalized Public Sector Comparator (PSC) will be compared to the winning bid to determine whether there is positive VFM, taking into consideration qualitative, quantitative and sensitivity analysis.

### **4. 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 RFQ stage and the RFP stage.

## **5. Transparency**

- A VFM report will be published for each P3 project within 120 days after Financial Close.
- Saskatchewan will follow national best practice, which is to disclose as much as possible, consistent with freedom of information and privacy legislation, without compromising the Government of Saskatchewan's ability to achieve VFM for taxpayers and while protecting proprietary and commercially sensitive information.

## **6. Accounting Treatment**

- Across Canada, P3 projects are recognized on government balance sheets. Off balance sheet treatment is not a motivation.
- 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.
- 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 (business case development) and honoraria costs are expensed/amortized 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 assessment and procurement of a project. Typically the responsibilities include:

Key Party	Responsibilities
<b>SaskBuilds</b>	<ul style="list-style-type: none"> <li>• Undertakes high level screening of projects that may be suited to P3 delivery</li> <li>• Makes recommendations on projects to the SaskBuilds Board</li> <li>• Leads P3 business case development</li> <li>• Leads P3 procurement</li> <li>• Provides oversight post-Financial Close through construction and Implementation Phase</li> </ul>
<b>Authority</b>	<ul style="list-style-type: none"> <li>• Participates with SaskBuilds in:               <ul style="list-style-type: none"> <li>○ High level initial screening of projects that may be suited to P3 delivery;</li> <li>○ P3 business case development; and</li> <li>○ P3 procurement.</li> </ul> </li> <li>• Leads post-Financial Close through the entire Implementation Phase, including the Design and Construction Period and Operating Period</li> </ul>
<b>SaskBuilds Board</b>	<ul style="list-style-type: none"> <li>• Reviews all P3 business cases</li> <li>• Provides recommendations to Treasury Board and Cabinet</li> </ul>
<b>Treasury Board</b>	<ul style="list-style-type: none"> <li>• Reviews decision items jointly submitted by SaskBuilds and the Authority</li> <li>• Provides recommendations to Cabinet on projects prior to the P3 business case stage</li> <li>• Reviews P3 business cases for those projects recommended by the SaskBuilds Board to be approved for P3 procurement</li> <li>• Provides recommendations to Cabinet on projects identified as possible candidates for P3 procurement</li> </ul>
<b>Cabinet</b>	<ul style="list-style-type: none"> <li>• Approves projects to proceed to the P3 business case stage</li> <li>• Approves budgets for P3 business case development and P3 procurement</li> <li>• Approves projects to proceed to the P3 procurement stage</li> </ul>

Cabinet approval is required to proceed to P3 business case development, to proceed with a P3 project delivery model and to commence the procurement.

In addition to the above high level responsibilities, more information on project governance is included in the following section.

Once a P3 procurement has been approved by Cabinet, SaskBuilds may proceed through the procurement process, without returning to Cabinet for direction, provided that the project is not materially changed from the approval point and provided that the Preferred Proponent's bid results in positive VFM. Updates are brought forward to the SaskBuilds Board and Cabinet throughout the project, which is discussed in more detail in subsequent sections.

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 VFM to be achieved, 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 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 the provincial capital contribution from the range or amount originally approved;
- Significant changes to the construction and/or financing markets;
- Any significant budget changes that require additional funding; and
- Any other change that could erode positive VFM for the P3 procurement.

#### ***G. SaskBuilds' Role in Provincial P3 Projects***

SaskBuilds' role is to lead the development of P3 infrastructure projects in the Province of Saskatchewan. This should 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.

Through the integrated capital planning process, 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 procurement planning, P3 business case development and VFM 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 and Commercial Close completion, and oversee the successful transition to the Authority or to its funded entity (e.g. regional health authority; school division) for the Implementation Phase of the project. SaskBuilds will oversee and monitor all P3 agreements to ensure risk transfer to Project Co is successfully achieved.

The Authority will be responsible for all technical work (e.g. functional program, land acquisition, environmental studies) and the approved project once the agreement is signed (with SaskBuilds' oversight).

The Authority will sign the agreement with Project Co and will ultimately be accountable for the project. The Authority will make the provincial capital contribution (if applicable), progress payments (if applicable), and the annual service payments. See the chart below for a summary of the roles and responsibilities of SaskBuilds and the Authority in the delivery of a P3 project.

SaskBuilds	Authority
<b>ASSESSMENT PHASE</b>	
<p><b>Leads Assessment and Approvals</b></p> <ul style="list-style-type: none"> <li>Leads project assessment for P3 delivery including development of P3 business case</li> <li>Leads market sounding process</li> <li>Seeks required approvals and prepares decision-making documents</li> <li>Seeks recommendation from SaskBuilds Board</li> </ul>	<p><b>Determines needs and priorities</b></p> <p><b>Leads Technical Work</b></p> <ul style="list-style-type: none"> <li>Determines project scope</li> <li>Develops functional program, if applicable</li> <li>Undertakes any studies required (e.g. traffic, geotechnical, environmental)</li> <li>Handles land acquisition</li> <li>Handles site preparation and utility planning</li> </ul>
<b>PROCUREMENT PHASE</b>	
<p><b>Leads Procurement</b></p> <ul style="list-style-type: none"> <li>Hires and manages advisors needed for P3 procurement, which may include fairness, financial, legal, insurance, procurement, cost consultant, etc.</li> <li>Develops project documentation (RFQ, RFP, Project Agreement)</li> <li>Handles updates to VFM analysis as required through procurement</li> <li>Assists in the hire of the independent certifier</li> </ul>	<p><b>Assists with Procurement</b></p> <ul style="list-style-type: none"> <li>Provides subject matter expertise throughout all phases</li> <li>Participates in all meetings and activities, as required</li> </ul> <p><b>Accountable for the Project</b></p> <ul style="list-style-type: none"> <li>Hires and manages technical advisors</li> <li>Jointly hires the independent certifier with Project Co</li> <li>Signs Project Agreement</li> </ul>
<b>IMPLEMENTATION PHASE: DESIGN AND CONSTRUCTION PERIOD</b>	
<p><b>Provides oversight</b></p> <ul style="list-style-type: none"> <li>Oversees transition of responsibility to Authority</li> <li>Provides guidance and expertise</li> <li>Consulted in regards to changes and amendments to the Project Agreement</li> <li>Oversees contract administration</li> </ul>	<p><b>Pays for and manages project</b></p> <ul style="list-style-type: none"> <li>Manages entire design process</li> <li>Manages change order process and any amendments to the Project Agreement</li> <li>Makes provincial contribution, if applicable, and annual service payments</li> <li>Contract administration</li> <li>Contract monitoring</li> <li>Ensures risk transfer is maintained</li> </ul>

SaskBuilds	Authority
<b>IMPLEMENTATION PHASE: OPERATING PERIOD</b>	
<b>Provides oversight</b> <ul style="list-style-type: none"> <li>Oversees contract monitoring and administration</li> </ul>	<b>Manages project</b> <ul style="list-style-type: none"> <li>Manages commissioning and transition to the Operating Period</li> <li>Contract administration</li> <li>Contract monitoring</li> <li>Manages handback at end of contract term</li> </ul>

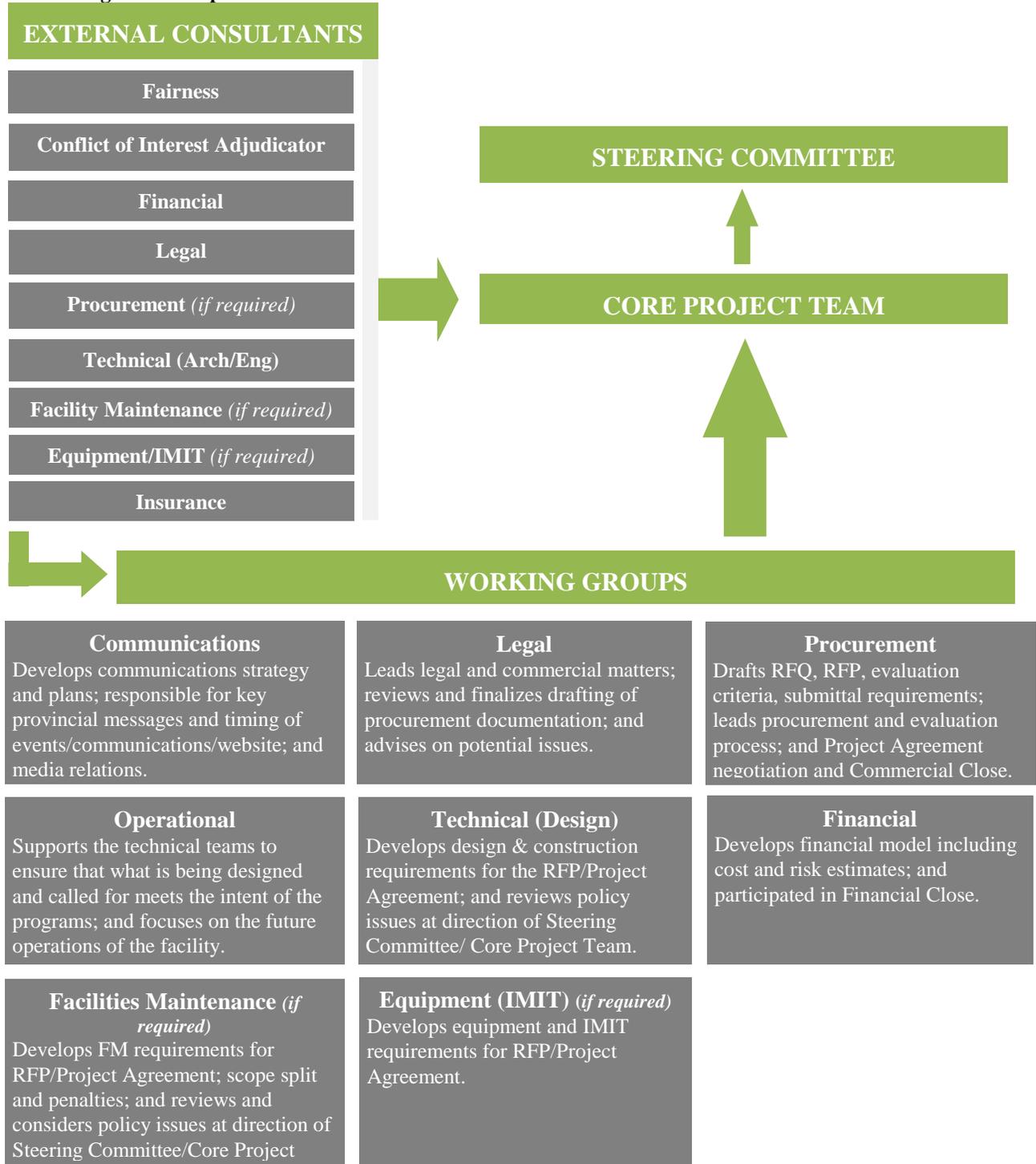
Note that some projects may differ from the standard, based on resources and project complexity.

## II. PROJECT GOVERNANCE

A governance structure must be established for all projects that are proceeding to the Assessment Phase. The governance structure will vary between projects depending on a number of factors including project size, project complexity, number of organizations involved in the project, and the skills and experience of the project team. The structure used for a project should fit the project’s scope, complexity and risk, and be responsive to the needs of the project at various phases, which may result in different governance structures at different phases of the project, including assessment, procurement, and implementation.

Figure 3 below shows a sample project governance structure for the Procurement Phase. At the Assessment Phase, this may be simplified and include only the Steering Committee, Core Project Team, and a few key external consultants critical to that phase of the project. At the Implementation Phase, the Procurement Phase governance may again be simplified and focused on core work that is to occur during the Design and Construction Period, which may require modifications again once a project transitions into the Operating Period. As part of the establishment of the governance structure, terms of reference will be developed and approved for the Steering Committee, and as required for other roles within the structure.

**Figure 3: Sample Procurement Phase Governance Structure**



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

<b>Role</b>	<b>Responsibility</b>
<b>Steering Committee</b>	<p>Provides high level direction and oversight, with particular reference to governance, scope, budget, schedule and procurement. Responsible for the overall project, and provides oversight and direction to the Core Project Team during all phases.</p> <p>Key responsibilities include:</p> <ul style="list-style-type: none"> <li>• Ensuring necessary project approvals are obtained;</li> <li>• Providing strategic level advice and decisions regarding scope, schedule, cost and quality;</li> <li>• Providing guidance on decisions that may impact programmatic outcomes;</li> <li>• Providing oversight for procurement evaluation decisions as well as receiving reports on due diligence and fairness;</li> <li>• Providing oversight of communications and risk management planning;</li> <li>• Leading and/or participating in key stakeholder meetings, if required; and</li> <li>• Ensuring the Core Project Team is provided with the resources necessary to complete the project, including assignment of staff.</li> </ul>
<b>Core Project Team</b>	Responsible for delivering the project within the approved parameters and managing all aspects of delivery, including managing the Working Groups to achieve desired results.
<b>Working Groups</b>	Responsible for the delivery of work and documentation within their subject area, as well as across Working Groups, to ensure adequate coordination of project requirements. This work involves utilizing External Consultant expertise, as required for each Working Group.
<b>External Consultants and Advisors</b>	Provide specialized advice for the project, as required. May have responsibility over Project Agreement development and documentation within their subject area. Participate in Working Groups, as needed.

The functions of the various groups above may require further revision based on the anticipated approach through the project procurement.

SaskBuilds will lead P3 procurements, and as a result the SaskBuilds Board will provide oversight on the project during the Procurement Phase. 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.

### III. P3 PROJECT ASSESSMENT

#### A. *Identifying Capital Projects for P3 Assessment*

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

SaskBuilds, in consultation with the Authority, 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 maintenance and/or an 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
<b>Technical</b>	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?
	Are there opportunities for the private sector to implement life cycle management practices in the design, construction, operation and

Considerations	Criteria
	maintenance of the project?
<b>Duration and Technological Change</b>	Is the capital asset of an enduring, long-lived nature and is the service life of the asset at least 20 years?
<b>Operation and Maintenance</b>	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?)
<b>Legal</b>	Is the proposed P3 project delivery model 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?
<b>Financial</b>	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?
<b>Acceptability</b>	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?
<b>Procurement</b>	Have projects of a similar nature been successfully procured using a P3 project delivery model?
	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?
	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 VFM to the Government compared to traditional project delivery?

Considerations	Criteria
<b>Project Risk</b>	Are there risks associated with traditional project delivery that might be better managed by a private partner?
<b>Land</b>	Is the land for the project being provided by the public sector entity?
<b>Project Stage</b>	Is the project a new build/greenfield? Renovations are, in general, less suitable for P3, however every case is different.
<b>Integration</b>	Is the project relatively independent of other projects, infrastructure, or control systems?
<b>Human Resources</b>	Does the project, if delivered by a private partner, affect any current public sector staff positions?
<b>Timing</b>	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, or alternative process, 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 a P3 delivery will be further considered by SaskBuilds and/or the Authority for traditional project delivery or other alternatives.

### ***B. Unsolicited Proposals***

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

### **C. P3 Business Case**

A P3 business case is an in-depth analysis that assesses whether the project would provide VFM if delivered through a P3 project delivery model when compared to a traditional project delivery model and whether the project warrants proceeding to market as a P3. 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. Market Sounding**

As an input into the Business Case, industry consultation through a market sounding may be used, among other things, to 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.<sup>6</sup> A market sounding can be a useful exercise in developing the P3 business case, and ultimately structuring the deal.

Market sounding is an opportunity to gather information from the market on a variety of topics. Some information that may be gathered includes project parameter items (e.g. scope, procurement and construction timelines, technical challenges, etc.); business case items (e.g. procurement type, market conditions, market readiness, etc.); and procurement documentation items (e.g. technical specifications, opportunities for private sector innovation, RFQ/RFP requirements, risk transfer, etc.).

The market sounding itself is typically a series of one-on-one meetings between SaskBuilds, the Authority and various private sector firms. SaskBuilds presents information on the project, timelines, procurement processes, and other critical information before entering into a feedback exercise with the participating firms. A list of key questions should be prepared as a first step. This will allow SaskBuilds to understand what firms need to be invited to the market sounding in order to receive appropriate feedback. Following the market sounding sessions, a summary document is prepared to reflect the information gathered during the sessions. This information helps to inform decisions related to the project, procurement process, and related documents.

#### **b. Additional Inputs**

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 Authority, SaskBuilds or by external advisors. Any external advisors would be excluded from participating on Proponent teams.

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<sup>6</sup> See PPP Canada *P3 Business Case Development Guide* at pp. 13-14 for a useful summary of market sounding objectives.

### **c. Results**

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

#### **1. Value for Money Analysis – Quantitative Comparison**

The VFM analysis is a quantitative comparison of traditional project delivery and P3 project delivery. The VFM analysis involves estimating and comparing the risk adjusted cost of traditional project delivery and P3 project delivery.

The VFM analysis will identify the procurement option that provides the greatest value, from a quantitative perspective, through the Design and Construction Period and Operating Period of the project. Each procurement option is evaluated considering whole life cost estimates over the analysis term. This allows for the comparison of the different procurement options over the useful life of the asset 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 project delivery model and compared to determine which model generates the best VFM. The financial model for traditional project delivery is referred to as 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 winning financial bid will determine the VFM for the project.

#### **d. Public Sector Comparator (PSC)**

The PSC is an estimate of the full and true cost to government for meeting the output specifications through traditional project delivery. Traditional project delivery can vary by type of project depending on the procurement methods normally used to deliver the type of infrastructure. The project delivery model used as the PSC should be cost effective, viable, proven and sustainable and should have been successfully used to own, manage and deliver the type of infrastructure in the province in the past. The PSC is normally the design-bid-build project delivery model unless another delivery model 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 Authority can provide benchmark costing that may help in identifying costs. These costs should also include the internal cost of undertaking the project.

**e. 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.

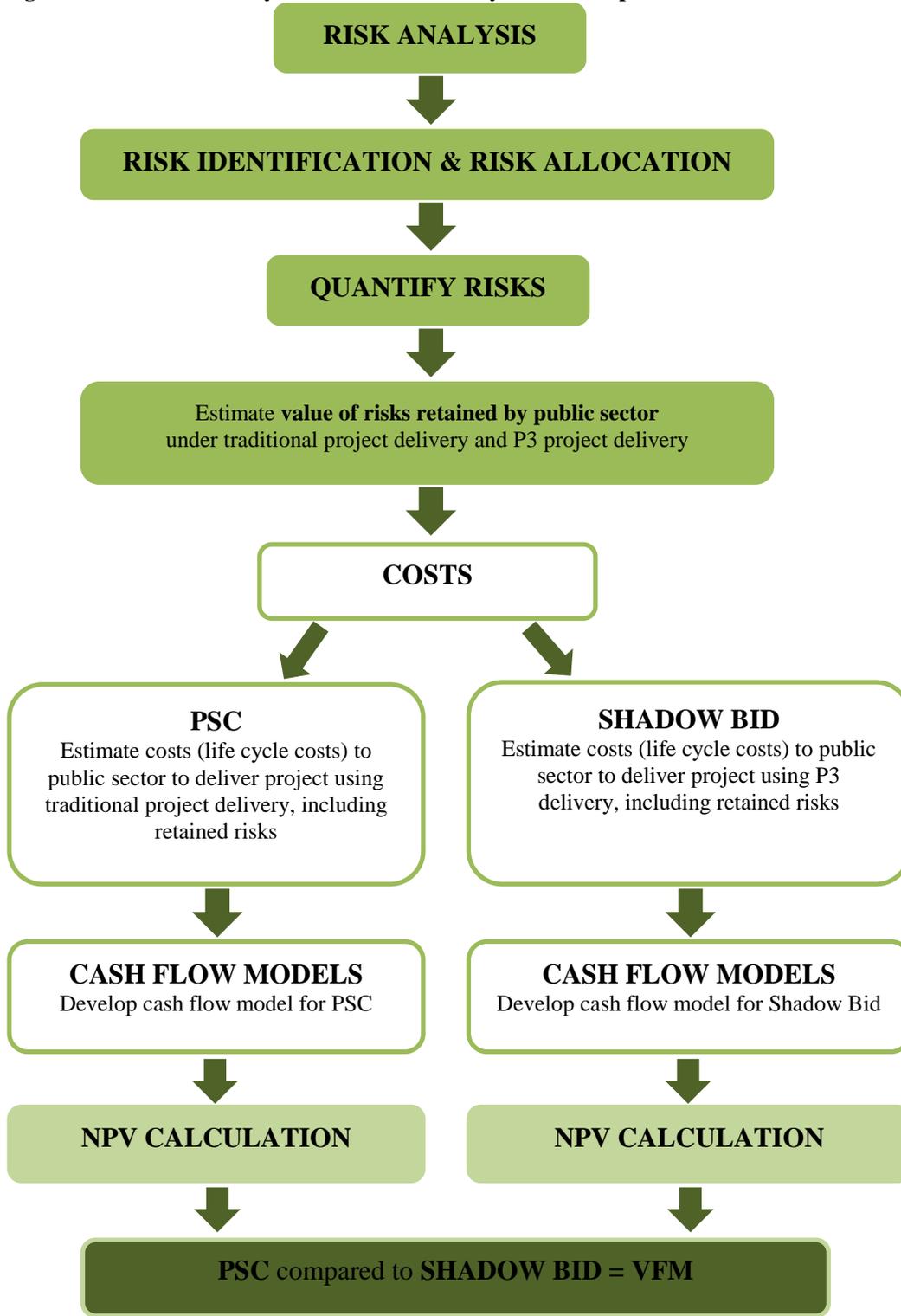
The Shadow Bid is used as:

- Part of the VFM assessment of the P3 in a comparison to the PSC to determine the best project delivery model; and
- 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 winning financial bid will determine the VFM for the project. The competitive multi-stage/price-based competitive process eliminates the need for a Shadow Bid at financial submission and evaluation. The competitive pricing indicates the true market price for the project. A Shadow Bid is 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



## f. Project Risk Assessment

To accurately estimate and compare the total costs of using traditional project delivery compared to P3 delivery, 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 VFM and the success of a P3 project; 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 Authority's and Project Co'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 past experience, backed by historical data where available. 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 uses, statutory approvals, zoning, geotechnical, and permitting risk;
- Design, construction and commissioning risk;
- Contractual risk, including if the private sector party, its sub-contractors or the public sector do not fulfil their contractual obligations;
- Financial risks, including unavailability of private financing, uncompetitive financing, or changes in the financial parameters prior to Financial Close;
- 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 including responsibility for each risk. For a P3, the risks that the private sector can price, mitigate and/or insure are the appropriate risks to transfer. The Authority 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 VFM offered by a P3. Transferring risk that the public sector should retain may result in cost premiums and may reduce private sector incentive.

## (3) Risk Quantification

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

The risks retained by the public sector in traditional project delivery are not the same as the risks retained in a P3 delivery. 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 past experience, backed by historical data where available.

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 project planning and updated as the project moves through the approval process.

### **g. 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 the PSC and Shadow Bid**

<b>Cost Category</b>	<b>Description</b>
<b>Project Costs</b>	<ul style="list-style-type: none"> <li>• Represents the base cost to government of procuring and delivering the project over the term of the agreement</li> <li>• Includes periodic costs associated with the delivery of the project, such as major maintenance, renewal and rehabilitation and replacement of components</li> </ul> <p>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 the Authority may be exempt from the taxes or may self-insure, for example</p>
<b>Transaction Costs</b>	<ul style="list-style-type: none"> <li>• Represents the soft costs associated with project delivery, such as procurement and advisor costs as well as contract management costs through the term of the contract</li> <li>• Includes the honoraria for the Shadow Bid</li> </ul>
<b>Retained Risk</b>	<ul style="list-style-type: none"> <li>• Represents those risks that the Authority will be responsible for under the PSC and the Shadow Bid, including a portion of any shared risks (typically at 50%)</li> <li>• The retained risks will vary between project delivery models</li> </ul>
<b>Incremental Financing Cost</b>	<ul style="list-style-type: none"> <li>• Represents incremental cost of private financing for the P3 over the Government of Saskatchewan long-term borrowing rate (included in the Shadow Bid)</li> </ul>

(4) Life Cycle Cost Analysis

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

The analysis should identify one-time costs of running the procurement, entering into contract(s) over the project life cycle, costs associated with monitoring the contract(s) over the project life cycle and resources required to liaise with Project Co, the private sector partner, 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 and costs of the Fairness Advisor, Independent Certifier and honoraria.

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

(5) Timeframe

An appropriate analysis timeframe should be used based on the type of capital project under consideration. Factors to consider when establishing the appropriate timeframe could include the impact on VFM, cycle for requiring significant refurbishments, program requirements and the length of any regulatory licenses.

(6) 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 Project Co and costs that differ between the project delivery 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 traditional project delivery and 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 are supplied and installed by the Authority, 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 these costs 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 project delivery models related to taxes and insurance 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 project delivery 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 analysed and compared to the costs and benefits of the 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
- Cyclical renewal and replacement

- 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 Authority benefit and may include:

- Early completion
- Capital savings
- Operating 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.

#### (7) 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 may include the following:

- Capital, operating, maintenance and cyclical renewal/replacement:
  - Planning studies;
  - Technical Advisor estimators and quantity surveyors;
  - Internal government records on 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, the Authority, and Ministry of Finance; and
  - External advisor 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) Efficiencies

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

A conservative approach should be taken in the inclusion of efficiencies. If efficiencies cannot be demonstrated by past experience and/or 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.

(9) Risk Premium

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

**h. 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 in calculating VFM, 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 VFM 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 Shadow Bid cash flows differ because the construction costs are fully 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 VFM 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 VFM appears. Therefore, careful attention must be paid to the discount rate used in the VFM

analysis. SaskBuilds will use as a discount rate equivalent to the Government of Saskatchewan’s cost of debt<sup>7</sup>.

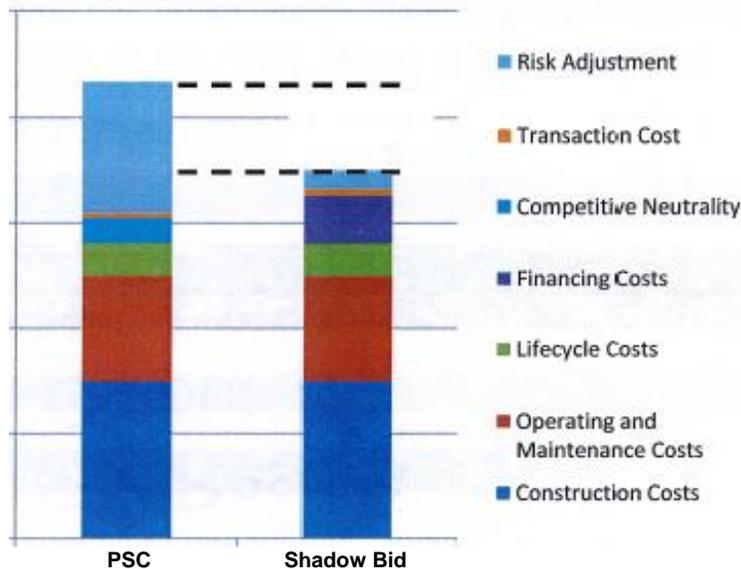
The discount rate is calculated by the Ministry of Finance and is based on the rate the Government of Saskatchewan will be required to pay for debt with a similar structure, term and payment stream and considers the cost of issuing that debt. The riskiness of the project is not factored into the discount 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.

**i. Value for Money (VFM) Assessment**

The results of a sample VFM assessment are illustrated in Figure 5.

**Figure 5: Sample VFM Analysis**



<sup>7</sup> Previous to adopting this methodology, SaskBuilds utilized 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.

## **j. Sensitivity Analysis**

The estimated NPV 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 VFM 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 range of uncertainty for each input;
- Determining the significance each input has on VFM and ranking them accordingly; and
- Recognizing whether the inputs correlate negatively or positively with respect to VFM.

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.

VFM is impacted by the amount and cost of private financing and the risk of changes are 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 life cycle costs within a price-based competitive process. The efficiencies (construction and life cycle) 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 Design and Construction Period. When significant value is generated from a shortened Design and 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 evaluation through sensitivity analysis:

<b>Inputs</b>	<b>Typical Sources of Information and Support</b>
<b>Project size and capital costs</b>	Planning studies, Technical Advisor information on costing, quantity surveyors, internal government records of historical unit prices.
<b>Operation and maintenance and cyclical renewal and replacement costs</b>	Review of bids of similar past P3 projects, Technical Advisor information, quantity surveyors, internal government records of historical unit prices, private-sector comparable information.
<b>Risks</b>	Risk workshops, review of similar past P3 projects, historical government data based on past project experience.
<b>Design and Construction Period and Operating Period timelines</b>	Review of past similar projects delivered traditionally or as P3s.
<b>Construction escalation</b>	Statistics Canada, Authority research and consultation with industry.
<b>Private sector efficiencies</b>	Review of bids of similar past P3 projects, consultation with industry, cost consultant and Technical Advisor.
<b>Provincial contribution</b>	Market sounding, comparisons between similar past P3 projects, evaluation of project handback risk.
<b>Discount rate and inflation rate</b>	Consultation with Ministry of Finance, Statistics Canada, Financial Advisor, Technical Advisor, and quantity surveyor.
<b>Return on equity, return on debt, leverage ratio</b>	Capital markets consultant, Financial Advisor, Ministry of Finance, research on recently closed P3 transactions, and market sounding.

The significance of the various inputs may not be the same from one project to the next. 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 the full sensitivity analysis, but the results of the full analysis should be retained as back-up.

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 Phase to determine if certain inputs and their related uncertainties have

changed. Where changes are deemed material, the sensitivity analysis may require updating.

## **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 project delivery model that does not address the specific project requirements, and fails to consider key elements that may be critical to an investment decision.

Examples of qualitative 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 to the private sector as a benefit

Examples of qualitative costs typically associated with a P3 alternative are:

- Control
- The change associated with partnering
- In-house expertise
- Risk transfer to the private sector 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 traditional project delivery and P3 project delivery 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 anticipated benefits of the project.

The preferred procurement option conclusion may differ in the qualitative and quantitative reports. The project delivery model with the lowest risk adjusted NPV may not be the most suitable qualitatively due to multiple factors. Conversely, the project delivery model that seems to be the most suitable qualitatively may have a NPV too high to be considered affordable. It is therefore important to analyze the qualitative and

quantitative results together to reach conclusions about the preferred project delivery model. This analysis will form the integrated recommendation from SaskBuilds.

#### **4. Additional Funding Implications**

Also required as part of the overall project assessment is the inclusion of any other funding implications inherent in the project, which could include long-term operational funding implications.

There are a number of key operational expenses that need to be assessed to understand the long-term implications of a new capital project or replacement/expansion of an existing asset. These costs may include:

- Program operating costs (e.g. staff, equipment, etc.)
- Facility operating costs (e.g. heating, cooling, power, etc.)
- Facility maintenance costs
- Facility rehabilitation costs (HVAC, windows, flooring, re-paving roads, etc.)
- Offsetting savings (e.g. lease costs reductions)

### **IV. P3 PRE-PROCUREMENT**

The pre-procurement process includes activities required in preparation for the procurement process as well as other activities that are integral to the business case stage. It is ideal if this work is started early in P3 Project Assessment, however the timing of this work will vary by project and may require additional work dependent on a specific decision on the scope, timing, or funding of the project.

#### **A. *Engagement of External Consultants and Advisors***

Additional expertise will be required that is not readily available through internal resources. The following external consultants may be retained, depending on the project needs:

- Procurement Advisor, if required:
  - May be engaged at the business case stage.
  - Will provide expertise and resources regarding procurement matters during the Procurement Phase, including:
    - Assisting in the preparation of the project plan and schedule;
    - Assisting in the drafting of the RFQ, RFP, and Project Agreement;
    - Responding to Enquiries;
    - Assisting in the evaluation processes; and
    - Providing expert procurement advice throughout the Procurement Phase.

- Financial Advisor:
  - Will be engaged at the business case stage to conduct Monte Carlo analysis of potential risk outcomes, using risk modeling software.
  - Will provide expertise regarding financial matters during the Procurement Phase, including:
    - Assisting in the preparation of the financial details for the project;
    - Assisting in the preparation of the RFP and Project Agreement;
    - Assisting in the evaluation processes;
    - Responding to select Enquiries;
    - Updating the VFM analysis from the business case stage to the RFP stage to Preferred Proponent to Financial and Commercial Close;
    - Will issue the VFM Assessment Report for public release within 120 days from signing of the Project Agreement; and
    - Providing expert financial advice throughout the procurement.
- Legal Advisor:
  - Will provide expertise regarding legal matters during the Procurement Phase, including:
    - Assisting in the drafting of the Project Agreement and related schedules;
    - Providing responses to select Enquiries; and
    - Leading the legal aspects of the closing process.
- Technical Advisors:
  - May be involved at the business case stage.
  - Will provide expertise and technical resources to the Authority and SaskBuilds regarding all phases of the procurement work, which will include:
    - Functional program finalization;
    - Technical specification writing;
    - Project Agreement review and preparation of specific technical sections;
    - Responding to Enquiries; and
    - Providing assistance during the evaluation processes.
  - The Technical Advisor will also move forward into the Design and Construction Period with the Authority as the compliance team.
  - The Technical Advisor may include: architects, engineers, IMIT experts, equipment planners, facilities maintenance consultants, insurance advisors, and any other technical expertise required.
  - If possible, all consultants should be under one Technical Advisor lead for ease of coordinating related project requirements and expertise. The exceptions to this are the facilities maintenance consultant and insurance advisor, who should report separately to SaskBuilds as their roles do not have a direct relationship with the other technical consultants' roles. Depending on the project and Authority and any pre-existing relationship with the technical resources, the Authority may hold the contract with the Technical Advisor.

- Quantity Surveyor:
  - May be engaged at the business case stage; and
  - Will provide expertise in the cost estimates of the project.
- Fairness Advisor:
  - Will be engaged prior to RFQ release and be involved throughout the Procurement Phase to ensure that it is conducted in accordance with the processes as agreed to and described in the procurement documents.
  - Will issue two written reports:
    - The first at the completion of the shortlist under the RFQ process; and
    - The second at the completion of the selection of the Preferred Proponent under the RFP process.
- Conflict of Interest Adjudicator:
  - Will be retained for the duration of the Procurement Phase to review any matters as referred to them by the Steering Committee, Core Project Team, or Relationship Review Committee (RRC).
- Interest Rate Advisor
  - May be retained leading up to Financial Close to provide rate setting advice to SaskBuilds during rate setting processes.
- Post names and roles of external consultants and advisors on SaskBuilds website as they are procured.

### ***B. Functional Programming***

A functional program is a pre-design document describing the functional requirements of a building or renovation in sufficient detail to initiate a schematic design. A functional program lays out the space needs and functions of the building and provides a basis for undertaking preliminary costing. A functional programming consultant, which often is the same as an architectural firm that has experience in the specific asset type, is hired to complete the functional program through consultation with the key stakeholders/user groups.

The development of the functional program is key to later work on costing, design and construction specifications, and may also contribute to facilities maintenance and/or operations specifications, if applicable to the project.

### ***C. Lean 3P Integration***

Lean 3P is a lean process that stands for ‘Production Preparation Process’ and can be utilized at an early stage in design concept planning, after functional programming is done, but prior to the development of design and construction specifications. Typically this process was used in manufacturing as a method for product and production design in an attempt to develop an efficient product/process while reducing waste.

Typically, multi-day 3P events occur with rapid multi-disciplinary teams problem solving and creating potential design solutions for specific areas or service lines, taking into consideration flows and waste. Various alternatives are generated and evaluated – the intent is to get participants thinking outside the box and then to evaluate the alternatives.

While the actual 3P events may differ between sectors, it is important to ensure that participants are aware that what they are designing in the individual 3P events is only one design solution – the ideas generated may be distilled down into design and construction specifications, with the essence or goals of the work maintained. The specifications developed may not look the same as the 3P work or generate the same design as was produced during the 3P event(s). Setting participant expectations are key to ensuring a successful transition from 3P events to later parts in the design and construction process.

The Authority is responsible for any 3P events, including acquiring consultants, if applicable.

**D. Project Schedule**

The Project Director, with the assistance of the Procurement Advisor, will establish a high level project schedule, which will be updated as necessary and circulated to members of the Core Project Team. A sample schedule is shown below.

**Sample Project Schedule**

Key Milestones	Date
Issue RFQ	
Closing of RFQ	~45-75 days from issue
Announcement of shortlisted Respondents	~45-75 days from close
Issue RFP	same time as shortlist
Kickoff Meeting	~20-40 days from RFP issuance
Business-to-Business Networking Event	Same or within a few days of kickoff
Collaborative Meeting #1	~45 days from RFP issue
Collaborative Meeting #2	~30-45 days from CM#1
Interim Financial Submissions due	~60-90 days from RFP issuance
Collaborative Meeting #3	~30-45 days from CM#2
Collaborative Meeting #4 (if required)	~30-45 days from CM#3
Issue Final Draft Project Agreement	~5 months from RFP issuance
Initial interest rate Submissions due	~2 months prior to Financial Close
Technical Submissions due	~4 weeks after Final Draft Project Agreement
Interim interest rate Submissions due	~4 weeks from Initial interest rate Submissions
Invitation to Submit Financial Submissions	~5 weeks after Technical Submissions due

Key Milestones	Date
Final interest rate Submissions due	<i>~3 weeks from Interim interest rate Submissions</i>
Financial Submissions due	<i>~6 weeks after Technical Submissions due</i>
Announcement of Preferred Proponent	<i>~3 weeks after Financial Submissions due (pending approvals)</i>
Financial and Commercial Close	<i>~6-8 weeks after Preferred Proponent notification</i>
Construction Start	<i>Within 1 month of Financial and Commercial Close (site mobilization) (unless an Early Works Agreement is in place, or a Site Preparation and Access Agreement – then earlier)</i>
Substantial Completion	<i>Dependent on project scope/type</i>
Service Commencement	<i>Dependent on project scope/type</i>
Authority Move-In	<i>Dependent on project scope/type</i>

Any change to the schedule will be communicated to the Core Project Team and all necessary consultants and advisors. Where appropriate, the Respondents/Proponents are notified of the revised schedule in writing.

Detailed schedules will be included in the RFQ and RFP documents. Seasons are appropriate in terms of later dates, including construction start for example, as this will depend on Project Co's schedule.

**E. Project Plan**

The detailed project plan is intended for internal use by the Core Project Team to clarify the scope and responsibility of each entity's work for various tasks throughout the project, providing more detail to the overall project schedule. The project plan is updated by the Project Director, and/or Procurement Advisor, on an as-needed basis, and is circulated to members of the Core Project Team and all necessary external consultants and advisors.

A detailed project plan may be created in Microsoft Office that shows the detailed tasks and deadlines required throughout the Procurement Phase to ensure the Core Project Team and all necessary external consultants and advisors are aware of all meetings and deliverables.

Included in the project plan are the necessary approvals required throughout various phases of the procurement. Note: approval may not be required at each point, depending on the results and parameters of prior approvals:

- Prior to RFQ release;
- Prior to RFQ shortlist announcement and RFP release;
- Prior to Preferred Proponent announcement; and

- Prior to Financial and Commercial Close.

## V. 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 Authority.

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 VFM for taxpayers.

### B. *Stages of the Procurement*

Figure 6 below 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. However, the procurement process will typically include the stages as described below.

**Figure 6: Typical P3 Procurement Phase**



### C. *Procurement Document Development*

This stage involves all of the preparation work to issue the RFQ and RFP packages. The development of the procurement documents should be well underway prior to the release of the RFQ. This approach will ensure better alignment of the RFQ with the RFP and Project Agreement, and it will reduce the likelihood of project delays with RFP and Project Agreement issuance once the RFQ evaluation process is complete.

The bulk of the preparation work will involve finalizing the functional program, developing the performance output specifications, revising the standard RFQ and RFP documents, as well as updating the standard Project Agreement with project-specific information. This stage can take upwards of 6 months for complex projects, especially for the Project Agreement, which includes the performance output specifications outlining all of the project-specific requirements.

The key to developing effective performance output specifications is ensuring that performance is described versus prescribing solutions to meet the desired performance. For example, stating that a specific room is required to accommodate up to 100 people versus prescribing the size of the room, unless the room must be a specific size for some reason. By developing performance-based specifications, the private sector has the ability to innovate and bring their extensive knowledge and experience and design a solution to best meet the needs of the Authority. This also contributes to effective risk transfer in design.

Preliminary meetings should occur with relevant municipalities and/or provincial utilities to ensure that the project documentation aligns with local processes and other work. See section V.I.3 for more information on municipal/provincial utility meetings.

Site investigation work may be required to determine site conditions or explore conditions on site. A preliminary geotechnical report and topographical survey are generally provided as information at RFP stage, as well. See section V.I.4 for more information on site investigation work.

An Internal Electronic Data Room will be required to be setup for all participants involved in the process in order to share and provide feedback on documents through the procurement process. See section V.I.2 for more information on the Internal Electronic Data Room.

The procurement must comply with the provisions of all applicable trade agreements, including the *Agreement on Internal Trade* and the *New West Partnership Trade Agreement*.

#### **D. RFQ**

This stage publicly announces the start of the procurement, which includes an open call for qualified teams to submit a response, with up to three qualified respondents being shortlisted to proceed to the RFP stage, which aligns with market feedback on pursuits – given the significant investment in P3 pursuits, market players are not likely to invest significant time and resources if more than three respondents are shortlisted to the RFP stage.

The RFQ requests that respondents demonstrate their technical and financial capability to assume the roles and responsibilities as required for the project, which includes providing information on past projects, key individuals, their design-build experience and capacity, and their service provider experience and capacity.

General tasks involved in preparing for the RFQ release date:

- Draft and review the RFQ and Project Brief. Refine and revise the standard draft RFQ, as required, to reflect specific project requirements and highlight any changes in SaskBuilds' process, if applicable.
- Determine the Contact Person individual. This individual can be from the Authority, SaskBuilds, or an external consultant resource. The Contact Person will be the central point of contact for Respondents throughout the procurement. The Contact Person will also send out any subsequent Addenda or information.
- Develop a draft evaluation manual. Refine and revise the standard draft RFQ evaluation manual, as required, to reflect specific project requirements in alignment with the final RFQ.
- Develop and implement a communications strategy to prepare for the release of the RFQ.
- 'No Lobbying clauses are included in the procurement documents prohibiting interested parties from lobbying and/or contacting government officials or those involved in the project in an attempt to influence the outcome of the process. This is in place throughout the procurement process.
- Obtain necessary approvals for RFQ release.

General tasks involved during the RFQ stage:

- Release the RFQ and Project Brief, including posting the documents on SaskTenders and SaskBuilds websites.
- Concurrently issue a news release to publicly announce that procurement has begun for the project.
- Hold a web-based kickoff meeting for interested parties that have returned a Receipt Confirmation Form to provide interested parties with key project information from the documentation and allow an opportunity for a question and answer period. See section V.I.5 for more information on information meetings.
- Respond to Enquiries from interested parties through the Contact Person.
- Finalize the evaluation manual ensuring consistency with the RFQ document.
- Select evaluation participants and conduct the mandatory evaluation orientation session(s) for all evaluation participants.
- Schedule evaluation meetings for evaluation participants.
- Setup the evaluation location(s).

General tasks involved in the RFQ evaluation are noted below with additional detail provided in the subsequent Evaluation section (section V.J).

- Receive RFQ submissions.
- Conduct the Completeness Review on all submissions.

- Conduct the relationship review process, which includes clearing evaluation participants for access to Responses. See section V.J.5.c. for more information on the relationship review process.
- Evaluation Teams meet.
- Interview Respondents, as required.
- Evaluation Teams reach consensus and Evaluation Team Chairs present to the Evaluation Committee, which includes the selection of no more than three Respondents.
- Evaluation Committee meets and reaches consensus.
- Evaluation Report prepared with shortlisted Respondents identified.

The RFQ shortlist recommendation then flows through various channels prior to finalization. The Evaluation Committee will present the results of the RFQ evaluation to the Steering Committee. Once the Steering Committee has endorsed the recommendation, the shortlist is presented to the SaskBuilds Board for approval, including the timing of the public shortlist announcement and subsequent RFP release. While proceeding through the approvals process, a draft notification to Cabinet is also be prepared, in alignment with the approval parameters established for the project.

Once approvals are in place, and timing finalized, notification letters are issued to all Respondents in conjunction with the public announcement. The news release will announce that procurement is advancing to the RFP stage, the number of bids received, the names of the three teams (and their composition) invited to move forward, and the Fairness Advisor's first report, applicable to the RFQ stage of the procurement, which is made available on the SaskBuilds website. The website will require updating with the appropriate information from the news release, including the Fairness Advisor's report. For more information on the Fairness Advisor's reports, see section V.I.7.

Respondents, both successful and unsuccessful, are free to request a debriefing session, as per the RFQ. These may be scheduled within a few weeks following the announcement. See section V.I.8 for more information on debriefings.

#### ***E. RFP***

This stage allows the shortlisted Proponents from the RFQ stage to proceed to the invitation only RFP stage. Through the RFP stage, Proponents develop preliminary design solutions and plans for the project to satisfy the submission requirements as stated in the RFP, including a financial submission stating the Proponent's bid price.

General tasks involved in preparing for the RFP release date:

- Finalize the functional program.
- Draft and review the RFP and Project Agreement. Refine and revise the standard draft RFP and Project Agreement, as required, to reflect specific project requirements and highlight any changes in SaskBuilds' process, if applicable.

Note that a decision on honoraria is required, including the amount for eligible Proponents. This is used as an incentive to attract bidders to participate in the procurement and generate competition. Proponents use this to partially offset their pursuit costs. The amount is typically based on the size and complexity of the project.

- Develop a draft evaluation manual. Refine and revise the standard draft RFP evaluation manual, as required, to reflect specific project requirements in alignment with the final RFP.
- Update the VFM and sensitivity analysis. See section V.I.1 for more information the VFM refresh.
- Setup the External Electronic Data Room for Proponents to access necessary documentation. See section V.I.10 for more information on the External Electronic Data Room for Proponents.

General tasks involved during the RFP stage (note a summary of the Project Agreement revision process is included in section V.I.9):

- In conjunction with the RFQ shortlist announcement, release the RFP and Initial Draft Project Agreement to Proponents, including providing access to the External Electronic Data Room where additional information is stored.
- Respond to Enquiries from Proponents throughout the entire RFP stage through the central point of contact, the Contact Person.
- Issue addenda as appropriate, based on Enquiry information or other information requiring revision/addition discovered throughout the process.
- Hold an in-person kickoff meeting with the Authority and Proponents. See section V.I.5 for more information on information meetings.
- Schedule a business-to-business networking and information event(s) with Proponents and local businesses. See section V.I.5.c for more information on industry events.
- If applicable, based on the Authority and the project-specific needs, hold multiple User Group sessions the week prior to Collaborative Meetings to review advance submission materials from Proponents to ensure adequate feedback is provided at the Collaborative Meetings to assist Proponents in furthering their design solutions.
- Hold multiple Collaborative Meetings with Proponents. This is an opportunity for open dialogue to ensure that the Proponents understand the intent of the Draft Project Agreement and specifications and to assist the Authority/SaskBuilds in clarifying anything not clear in the documentation through subsequent addenda prior to the Final Draft Project Agreement issuance. The number of Collaborative Meetings depends on the complexity of the project and project schedule. Generally three to four meetings is appropriate.
- Hold any necessary Special Topic Meetings with Proponents, as required, including any municipal or provincial utility meetings. Special Topic Meetings may be focused on commercial matters, insurance, facility maintenance,

- engineering issues, specific innovations, etc. See section V.I.3 for more information on municipal/provincial utility meetings.
- Allow any relevant site investigation work by Proponents. See section V.I.4 for more information on site investigation work.
  - Receive and analyze the Interim Financial Submissions – this is an opportunity for the Proponents to provide preliminary financial information to the Authority to signal their current status in terms of affordability.
  - Update the SaskBuilds Board and Cabinet, as required.
  - Revise the Initial Draft Project Agreement by way of Addenda throughout the RFP stage.
  - Issue the Final Draft Project Agreement approximately one month prior to the deadline for Technical Submissions.
  - Receive the Initial, Interim, and Final AIRS Submissions, if applicable, and perform analysis on the submissions as required.
  - Finalize the RFP evaluation manual.
  - Select evaluation participants and conduct the mandatory evaluation orientation session(s) for all evaluation participants.
  - Setup the evaluation location(s).

General tasks involved in the RFP evaluation are noted below with additional detail provided in the subsequent Evaluation section of this Guideline.

- Receive Technical Submissions.
- Conduct the Completeness Review on all submissions.
- Conduct the relationship review process, which includes clearing evaluation participants for access to Responses. See section V.I.6 for more information on the relationship review process.
- Evaluation Teams meet.
- Evaluation Team Chairs issue, through the Contact Person, requests for clarification to Proponents, as required.
- Evaluation Teams reach consensus on whether the Proponents substantially meet the requirements of the RFP and Final Draft Project Agreement and Evaluation Team Chairs present to the Evaluation Committee.
- Evaluation Committee meets and reaches consensus on which teams will be issued invitations to submit Financial Submissions.
- The Authority issues a request to submit Financial Submissions to those Proponents that substantially meet the requirements as outlined in the RFP and Final Draft Project Agreement.
- If scored elements are a component of the evaluation, the Scored Element Evaluation Team meets and reaches consensus on scoring and the Evaluation Team Chair presents to the Evaluation Committee.
- Evaluation Committee meets and reaches consensus on scoring.
- Receive Financial Submissions.
- Financial Evaluation Team meets and reaches consensus, with the Evaluation Team Chair presenting the results to the Evaluation Committee.

- Evaluation Committee meets and reaches consensus.
- Evaluation Report prepared with Preferred Proponent identified.
- Update the VFM and sensitivity analysis to ensure that the costs fall within approved parameters for the project. See section V.I.1 for more information the VFM refresh.
- Note: If the Preferred Proponent's bid exceeds the approved parameters for the project, negotiation is required at the Preferred Proponent stage, prior to Financial and Commercial Close.

The Preferred Proponent recommendation then flows through various channels prior to finalization. The Evaluation Committee will present the results of the RFP evaluation to the Steering Committee. Once the Steering Committee has endorsed the recommendation, the evaluation results are presented to the SaskBuilds Board for approval, including the timing of the Preferred Proponent announcement. While proceeding through the approvals process, a draft notification to Cabinet is also prepared, in alignment with the approval parameters established for the project.

Once approvals are in place, and timing finalized, notification letters are issued to all Proponents in conjunction with the public announcement. The news release will announce that a Preferred Proponent has been selected, the composition of the team, and that the Fairness Advisor's second report, applicable to the RFP stage of the procurement, is available on the SaskBuilds website. If an Early Works Agreement is required for the project, this will also be included in the news release. The website will require updating with the appropriate information from the news release, including the Fairness Advisor's report. For more information on the Fairness Advisor's reports, see section V.I.7.

#### ***F. Preferred Proponent Stage***

There are two steps in the closing process, Financial and Commercial Close. Financial Close involves the final interest rate setting process, the final financial model, and official finalization of the financial details in the Project Agreement. Commercial Close involves the finalization and execution of the Project Agreement. Timing of these two steps is determined in consultation with the Preferred Proponent.

Negotiations occur during the Preferred Proponent stage, prior to reaching Financial and Commercial Close. Depending on the project, negotiations may occur on design matters, various Project Agreement language items, removal of specific project components if affordability based on the project's approved parameters are breached, as well as financial matters, such as rate setting. It is key to ensure that any items requiring negotiation are done so prior to Financial and Commercial Close.

Design work may be advanced prior to Financial and Commercial Close. The Preferred Proponent may require participation from the Authority to being design consultations to advance the design work in order to maintain the project schedule in all areas or specific

items on the critical project timeline. If this occurs, the kickoff meeting with the Preferred Proponent may occur during this stage versus after Financial and Commercial Close. See section V.I.5.d for more information on the final kickoff meeting.

Throughout the Preferred Proponent stage, the financial assumptions require updating, including Financial Close interest rates, Government of Saskatchewan long-term borrowing rate and then rerunning the VFM and sensitivity analysis to ensure that the project stays within the approved financial parameters for the project.

Various other activities may also occur, depending on the project. This may include signing of a Site Preparation and Access Agreement or Early Works Agreement. These agreements would be applicable if the Preferred Proponent's schedule requires advancement of work prior to Financial and Commercial Close. The two types of agreements are applicable to different scenarios and are negotiated on project-specific basis, if required.

A Site Preparation and Access Agreement is applicable to relatively minor work, generally specific to site mobilization (e.g. setting up trailers, erecting fencing, blocking roads, preparing traffic rerouting signage, etc.), and is at the Preferred Proponent's cost and risk. This is generally a very short agreement (e.g. six weeks or less) that requires the Preferred Proponent to remove all items from the site and return the site to the original site condition, if Financial and Commercial Close are not reached by a specific date. There is no risk to the Authority in signing this agreement, nor is there any compensation for any work on site if Financial and Commercial Close are not reached.

An Early Works Agreement is for more substantial and costly work and would require compensation to the Preferred Proponent if Financial and Commercial Close is not achieved.

On Projects with aggressive construction schedules, the Authority may consider advancement of specific aspects of construction work to help avoid seasonality challenges and assist the Preferred Proponent in achieving key milestones that will enable them to work effectively through the winter season. The specific terms of the Early Works Agreement will be project dependent.

As part of both agreements, the following provisions are to be included:

- The Preferred Proponent (or Early Works Contractor) will perform Early Works in accordance with the terms of the Project Agreement;
- The Project Agreement will supersede and replace the Early Works Agreement upon its' execution; and
- The Preferred Proponent will be responsible for all costs.

Concurrent with these activities, the Independent Certifier may require tender and award prior to Closing. This process should therefore begin immediately after announcing the Preferred Proponent.

### ***G. Closing***

Financial Close involves locking in rates and reaching Financial Close between the two parties, Project Co and the Authority. Financial assumptions will be updated, including Financial Close interest rates, Government of Saskatchewan long-term borrowing discount rate at the Financial Close date and re-running the VFM and sensitivity analysis.

Commercial Close involves the finalization of the Project Agreement through negotiation with Project Co. The project's Legal Advisor will review and provide advice on changes to the Project Agreement requested by the Preferred Proponent. Any changes of significance to the Project Agreement are required to be brought forward to the Authority prior to signing.

These two components may occur on the same day or within a few days of each other, depending on the project closing timeline agreed to during the Preferred Proponent stage.

A news release to announce that Project Agreement signing has occurred will be issued following Closing. The news release will contain the project VFM savings (dollar and percentage), as well as general timelines. Detailed information is not issued at this time but follows within 120 days of Closing.

### ***H. Post-Closing***

Unsuccessful Proponents are provided with information to obtain any honoraria that are owed to them, which includes signing a waiver/release before the honoraria can be issued, as defined in the RFP, as well as filling out any forms to facilitate the payments. This also includes provisions for intellectual property rights for the submissions/designs, as stated in the RFP.

Unsuccessful Proponents are also provided with information on requesting and scheduling a debriefing session, as per the RFP. Debriefings are generally scheduled within a few weeks following the announcement of the Closing. See section V.I.8 for more information on debriefings.

A subsequent news release is issued within 120 days of Closing that includes the release of the VFM Assessment Report, redacted RFP and redacted Project Agreement, with the documents posted on the SaskBuilds website. Prior to release, the RFP and Project Agreement will require redaction. SaskBuilds may hire a legal firm to prepare the Project Agreement redaction and will work with the Authority and Project Co to ensure that all appropriate redactions are completed. The reason that information is redacted is to

protect personal information (*The Freedom of Information and Privacy Act*) and commercially sensitive information.

## ***I. Additional Information on Specific Processes***

### **1. Updates to Value for Money (VFM) 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 the SaskBuilds Board and must be incorporated into an updated VFM and sensitivity analysis.

At a minimum, the VFM analysis is to be updated at the business case stage, pre-RFP release, Preferred Proponent stage and post-Financial Close. Included in the update are the financial assumptions, including refined project costs and the Government of Saskatchewan long-term borrowing discount rate, which requires that the VFM analysis be rerun with sensitivity analysis.

### **2. Internal Electronic Data Room**

An Internal Electronic Data Room will be established, if required, for the Core Project Team and all those involved in the project, including Authority /stakeholder staff, consultants and advisors. Access will be restricted to those individuals specifically involved in the project. The data room will assist with version control issues.

### **3. Municipal/Provincial Utility Meetings**

An introductory meeting with the Project Director and Authority and the municipal government and/or provincial utilities responsible for permitting and approvals for the project should occur early on in the process, preferably prior to RFQ release, however later in the process may still provide the necessary information to the agencies involved. Subsequent meetings may also be beneficial, depending on the nature of the project and required works by municipalities or provincial utilities. These meetings should provide information on the P3 process and rules around contact with Respondents/Proponents during the RFQ/RFP stages, including directing all communication to the Contact Person.

Municipal/provincial utility meetings may also be requested by Proponents during the RFP stage to gather more information on the permitting and approval processes, discuss specific municipal requirements, as well as for early relationship building. Project Directors should ensure that the Proponent has valid questions prior to approving the meeting request. Proponents should provide detailed agendas and avoid occupying excessive meeting time, given that municipalities and provincial utilities generally involve all areas of planning, building, and engineering disciplines in the meetings.

If Proponents have fairly straightforward and minor questions, these can be handled through the Enquiry process to limit the number of meetings requested. Any follow-up material coming out of the municipal meetings with Proponents during the RFP stage should be posted for all Proponents in the External Electronic Data Room.

#### **4. Site Investigation**

The Authority will conduct appropriate due diligence on the site, including topographical surveys and geotechnical surveys, as appropriate for the project. This information is to inform the Technical Advisor in the preparation of the technical specifications, including alerting the Core Project Team of any unforeseen conditions that may have adverse effects on the design. This work should be done as soon as possible in the RFP preparation process to better inform the technical specifications. This information is also required for Proponents during the RFP stage to limit the amount of duplicate work required on site. During the RFP stage, this information should be posted to the External Electronic Data Room for all Proponents.

Proponents may be permitted access to the Site(s) to conduct additional site investigation work, including topographical surveys, geotechnical surveys, etc. Site investigation provides Proponents with the opportunity to conduct additional due diligence to augment the findings of the Authority.

Proponents are allowed to investigate the Site on their own, up until the Preferred Proponent announcement. The Authority will grant access to the Site, depending on the Proponent request, pending the signing of an access agreement, which provides protection to the Authority and also stipulates that any results must be submitted to the Authority, in confidence.

#### **5. Information Meetings**

Internal information meetings for the Authority will be held at various stages throughout the project. Once a project is approved, an internal information meeting will be held to educate those that are and/or will be involved in the project on next steps and process to ensure everyone is on the same page. Due to the volume of information and the variation in participants throughout the duration of the project, information meetings will generally be held at each stage of the project, including RFQ, RFP, and Implementation Phase, as the focus of the meetings will be most applicable to the closest stage.

External meetings will also be held at various points, including RFQ stage, RFP kickoff, Industry event(s), and Preferred Proponent/Project Co kickoff.

**a. RFQ Webinar**

The information presented by SaskBuilds or the Authority during the RFQ stage, held for all interested parties, must be consistent with what is in the RFQ and Project Brief. Information relevant to the project that is presented or exchanged during the meeting must be documented and disseminated to all interested parties.

**b. RFP Kick-Off Meeting**

The Authority will coordinate a kickoff meeting with the shortlisted Proponents approximately one month following the issuance of the RFP and Initial Draft Project Agreement. Timing of the kickoff meeting should occur soon after the RFP release, but also provide sufficient time for Proponents to conduct a preliminary review of the RFP and related materials. The kickoff meeting will provide Proponents with a high level introduction to the RFP procurement process, including the Authority team members and Advisors, project schedule, collaborative meeting approach, and overall evaluation process. The kickoff meetings should also provide an overview of the Authority's pre-procurement design planning and any related information. A site tour may coincide with the kickoff meeting, or alternatively a site overview presentation may be presented as part of the meeting. The Fairness Advisor may attend the kickoff meeting to provide an overview of the procurement process fairness protocols, otherwise the Fairness Advisor will provide this information at the first Collaborative Meeting.

**c. Industry Event(s)**

Following the selection of the Proponents at the RFQ stage, SaskBuilds will coordinate and host an industry event(s) (referred to as business-to-business networking). The purpose of the event is to provide local businesses with information about the project as well as an opportunity to engage in preliminary discussions about potential business opportunities on the project with the shortlisted Proponents.

The industry event is set up as a rotation format to ensure equal time with each Proponent, if desired. SaskBuilds coordinates the public communications regarding the date, time and registration information. This information is provided to local business associations and chambers of commerce, as well as posted publicly on the SaskBuilds website.

**d. Preferred Proponent/Project Co Kickoff Meeting**

Prior to starting the design process with Project Co, or the Preferred Proponent if design is advancing prior to Financial and Commercial Close, a kickoff meeting is an opportunity to have the Authority key stakeholders meet the Preferred Proponent/Project Co and share in an understanding of each other's roles as part of building the foundation for a solid relationship for the coming years of design, construction, and operations. It is

helpful to have Project Co present where they're at in the design process, present information on their design and construction schedule, and highlighted expectations from the Authority. It may also be helpful to hold a partnership building session at this time, or soon after.

## **6. Relationship Review**

SaskBuilds is committed to a fair, open and transparent procurement process for each Project. Relationship reviews and conflict of interest considerations are important elements of SaskBuilds' policy as it pertains to its own employees, and of the procurement process for each project. Decisions related to relationship reviews and conflict of interest considerations must be made on a case-by-case basis, within the context of the specific circumstances and timing of each project.

Conflicts of interest can be actual, perceived or potential. Some factors to consider include direct versus indirect, materiality of relationship, personal interest, and unfair advantage. SaskBuilds has detailed internal processes in place on relationship review.

Prior to project procurement, a RRC is established and individuals are appointed. The RRC remains intact throughout the procurement process up to Financial and Commercial Close.

A key task of the RRC is reviewing any challenges to restricted persons identified in the RFQ documentation from the public, as well as clearing evaluators for RFQ and RFP evaluations. The RRC reviews and makes decisions on all evaluators, and any other matters referred to the committee.

The RRC may refer an item to the Conflict of Interest Adjudicator, if required.

## **7. Fairness Advisor Reports**

The Fairness Advisor will issue two reports, one for the RFQ stage and one for the RFP stage, that assess the fairness and transparency of the procurement process and its participants (e.g. Authority, SaskBuilds, and private sector teams). Each report should contain the following information:

- Scope of Fairness Advisor's review;
- Summary of Fairness Advisor's monitoring activities;
- Summary of Fairness Advisor's findings; and
- Final conclusions/qualifications of the procurement process.

The reports will be issued at the end of each Procurement Phase and posted publicly on the SaskBuilds project website.

## **8. Debriefings**

Debriefings will be available, by request, to Respondents/Proponents at the RFQ and RFP stages after the announcement of the RFQ shortlist and execution of the Project Agreement. The debriefing session is intended to provide useful feedback while not disclosing commercially confidential information. The objective is to provide useful feedback on the submission in order to assist with future projects.

Prior to the debriefing session, the debriefing panel (selected depending on the issues of the particular submission and those involved in the evaluation) will review the evaluation material and prepare notes. The length will be limited for each debriefing session; generally a half hour is appropriate as the feedback should be kept relatively high level.

Specific scores or ranking are not to be discussed during a debrief, but general indications of scoring well versus poorly can be indicated. The debriefing session is not intended for debating the evaluation results and will not alter the evaluation results. Other submissions will not be discussed with the Respondent/Proponent receiving the debrief, nor will specific firms, organizations or individuals be endorsed. While information from any other Respondent/Proponent is not to be disclosed, RFP debriefs can provide approximate ranges on the financial results over/under the winning bidder to provide order of magnitude on costing to the Proponent.

All feedback provided to various Respondents/Proponents will be consistent in terms of the level of details and the breadth of discussion. If multiple respondents/proponents have similar issues from the evaluations, feedback to them will be consistent.

## **9. Project Agreement**

The Core Project Team will be responsible for the development and finalization of the Project Agreement, including any amendments required throughout the RFP process, either due to Authority-initiated revisions or Proponent feedback. Feedback from proponents on the Initial Draft Project Agreement and any subsequent amendments are handled according to the following procedures:

- Proponents submit any enquiries on the Initial Draft Project Agreement and any subsequent amendments to the Contact Person in writing;
- The Core Project Team and applicable consultants meet to discuss the comments and consider revisions to the Project Agreement;
- As part of the process, individual meetings may be conducted with Proponents to clarify their comments or discussion may occur at collaborative meetings;
- If an amendment is required, the Project Director will direct the legal, financial or technical advisor to make the necessary changes to the Project Agreement, either by way of addendum or in a version of the Project Agreement; and
- Any addendum or reissuance of the Project Agreement will be issued to all Proponents via the External Electronic Data Room.

The Final Draft Project Agreement will be issued to all Proponents via the External Electronic Data Room, as per the RFP schedule. No further revisions are envisioned after the issuance of the Final Draft, unless a change of significant to the overall project arises. Any remaining revisions after the Final Draft Project Agreement is issued are held until Preferred Proponent stage for negotiation with the Preferred Proponent. The Authority may issue a note to Proponents, if required, during this stage to ensure all Proponents are aware of any new/revised information that may impact their Technical or Financial Submission.

#### **10. External Electronic Data Room for Proponents (RFP Stage only)**

The External Electronic Data Room is for Proponents bidding on the project only, with limited Authority access to ensure adherence to set processes in place for posting information to Proponents. Proponents are not allowed to transfer their access to the External Electronic Data Room to individuals who are not part of their team.

Generally, any documents that are informative to the project, as determined by SaskBuilds and the Authority, will be posted in the data room, as well as documentation/templates required to respond to the RFP. Additions/changes to documents are added directly to the data room, with notifications to Proponents included as part of the process.

Proponents are not required to complete separate confidentiality undertakings to be granted access to the External Electronic Data Room during the RFP stage.

#### **11. Economic Impact Modelling**

Once the bids are received and a Preferred Proponent is identified, economic impact modelling should be performed, to identify project benefits (e.g., direct, indirect and induced jobs during the construction of the asset). A consultant with appropriate expertise and experience will be retained to perform the modelling. The scope of services to be provided includes complete economic modelling of a construction project. Results of the modelling may be incorporated in news releases and other public communications, where applicable

#### ***J. Evaluations***

##### **1. Evaluation Process Guidelines**

The evaluation participants will undertake the evaluations subject to:

- **Appropriate skills and qualifications** – Selection of evaluation participants is based on the skills and qualifications that they possess, as well as ensuring adequate representation across the Authority team. Additional subject matter

experts may be consulted on an as-needed basis. Participants may include external consultants and advisors as well as SaskBuilds and Authority representatives.

- **No conflict of interest** – No participant will have a conflict of interest or perceived conflict of interest with respect to any member of a Respondent /Proponent team; this will be ensured through the relationship review process.

Guidance for evaluation participants includes the following:

- **Training** – All participants will attend an evaluation orientation session that covers the information contained in the evaluation manual to familiarize them with their roles and responsibilities in the evaluation. Separate sessions are held for the RFQ and RFP evaluations, as participants may change from one stage to the next, and the information presented differs from one stage to the next.
- **Guiding Principles** – The evaluation manual sets out the guiding principles, which include transparency, fairness, confidentiality, consensus decisions, based on the Authority’s project objectives, effective communications, alignment with evaluation criteria, and one definitive record.
- **Application of evaluation criteria** – Submissions will be evaluated in accordance with the RFQ/RFP. The evaluation will be restricted to the information submitted, plus any additional information received in response to clarification questions, or other information invited or discovered by the Authority in accordance with the RFQ/RFP.
- **Validation of information supplied** – Participants are to satisfy themselves as to the accuracy of the information provided. Participants may research publicly available sources as appropriate. With the guidance and oversight of the Evaluation Committee and Evaluation Management Team, reference checks may be conducted.
- **Use of reasonable professional judgment** – The application of evaluation criteria is not intended to be a purely mechanical exercise.

## 2. Evaluation Manual

An evaluation manual is prepared for each stage, both the RFQ and RFP, and will align with the RFQ/RFP document. The evaluation manuals state the purpose, organization structure, administrative procedures, communications, and evaluation process. The evaluation manuals also include the evaluation worksheets for each Evaluation Team to conduct and document their review.

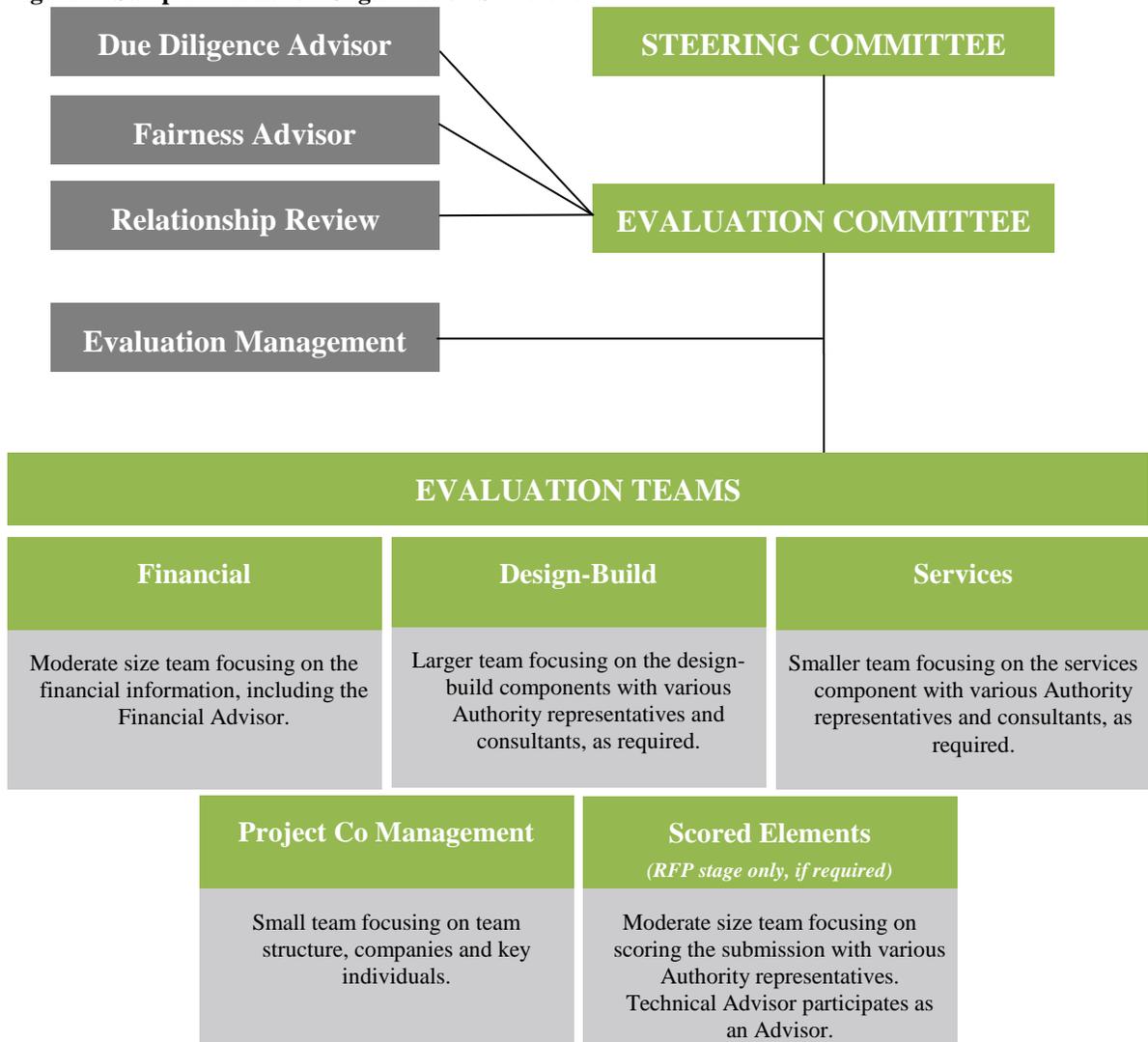
Previous evaluation manuals are a good starting point to ensure consistency in evaluations across projects, while updating the information to match project-specific requirements.

The evaluation manuals should be complete and reviewed by the Fairness Advisor, as well as the Evaluation Committee, prior to submission deadlines.

### 3. Evaluation Organization Structure

An evaluation organization structure will be established for the RFQ and RFP. A sample evaluation organization structure is shown in Figure 7. This will include an Evaluation Committee, Evaluation Teams, Evaluation Management Team, and Due Diligence Advisor, as well as the project’s Fairness Advisor and any other additional components required by the project.

**Figure 7: Sample Evaluation Organization Structure**



Each Evaluation Team will have a Chair and Secretary who will represent them in discussions with other Evaluation Teams and the Evaluation Committee. The Evaluation Committee will also have a Chair and Secretary who will represent them to the Steering

Committee upon the finalization of the Evaluation Report at the conclusion of the evaluation process.

#### 4. Evaluation Process Overviews

More details on the key steps note in Figure 8 are included in the subsequent sections.

**Figure 8: RFQ and RFP Evaluation Processes**

RFQ Evaluation Overview	RFP Evaluation Overview
<i>Submissions received</i>	<i>Technical Submissions received</i>
<i>Completeness Review</i>	<i>Completeness Review</i>
<i>Relationship Review</i>	<i>Relationship Review</i>
<i>Evaluation of Submissions</i>	<i>Technical Submission evaluation</i>
<i>Clarifications, Interviews, Reference Checks</i>	<i>Clarifications</i>
<i>Evaluation Team consensus</i>	<i>Evaluation Team consensus</i>
<i>Due Diligence review</i>	<i>Due Diligence review</i>
<i>Presentation to Evaluation Committee</i>	<i>Presentation to Evaluation Committee</i>
<i>Evaluation Committee consensus</i>	<i>Evaluation Committee consensus</i>
<i>Presentation to Steering Committee</i>	<i>Invitation to submit Financial Submissions</i>
	<i>Scored Elements evaluation, if applicable</i>
	<i>Presentation to Evaluation Committee</i>
	<i>Evaluation Committee consensus</i>
	<i>Financial Submissions received</i>
	<i>Financial Submission evaluation</i>
	<i>Due Diligence review</i>
	<i>Presentation to Evaluation Committee</i>
	<i>Evaluation Committee consensus</i>
	<i>Presentation to Steering Committee</i>

## **5. Evaluation Process – Standard Steps (RFQ and RFP)**

### **a. Completeness Review**

The Completeness Review includes two stages:

- A review of the contents of the Submission for inclusion of the documents requested in the RFQ/RFP; and
- A high level completeness test of the components requested.

The focus of the first stage is on the inclusion of the requested information or documentation, not the quality, and will be documented on the Completeness Review Checklist, which is contained in the evaluation manual. The second stage is the high level completeness test where items are reviewed to ascertain whether the Submissions appear to have been completed in accordance with the RFQ/RFP requirements.

Once the Completeness Review is provisionally concluded, the findings will be presented to the Evaluation Committee Chair. Based on these findings, the Evaluation Committee Chair will determine whether each Submissions is deemed to be substantially complete, or authorize further action to be taken. Only those Submissions for which the Completeness Review has been approved by the Evaluation Committee Chair will proceed to the next stage of evaluation. Any issues that arise during the Completeness Review will be forwarded to the Evaluation Committee Chair for consultation as to what is appropriate in resolving the issue.

### **b. Distribution and Control of Responses**

The Evaluation Management Team will be responsible for the distribution of Submissions for use during the evaluation and for ensuring the documents are dealt with appropriately at the end of the evaluation. The Evaluation Management Team will keep the original unbound copy of each Submission in a secure place for reference purposes. The remaining copies of the Submissions will be distributed to the Evaluation Location(s). All Evaluation Locations must be locked with security personnel designated for permitting access into the room. Electronic access to the Submissions can also be made available, depending on the needs of the evaluation participants. Further information on the Evaluation Locations and electronic access will be provided in the evaluation manuals.

### **c. Relationship Review**

Once Submissions are received, the Evaluation Management Team will compile a list of all companies and individuals named by each Respondent/Proponent and circulate this list to every person involved in the evaluation together with a copy of the necessary

forms, as described in the evaluation manual. These forms must be completed and returned to the Evaluation Management Team.

Where potential conflicts are identified, the forms will be reviewed by the RRC. The RRC may refer persons with possible or actual conflicts to the COI Adjudicator for review and judgment, if required. The COI Adjudicator will review those declarations and determine whether there are any conflicts and report back to the RRC.

Evaluation participants will not be allowed access to the evaluation material until they are cleared by the RRC. The RRC will inform the Evaluation Management Team of the results of all reviews. In the case of individuals who have received RRC or COI remedial action requirements, the RRC will advise the Evaluation Management Team of those actions. The Evaluation Management Team will ensure compliance with any specified conditions.

If Respondent/Proponent team composition changes occur over the course of the evaluation process, the disclosure process is to be followed with respect to any additions.

Throughout the evaluation process, evaluation participants are to notify the Evaluation Management Team and Evaluation Committee as soon as they become aware of any relationship that may constitute an actual or potential conflict of interest. Evaluation participants will act prudently and excuse themselves from the evaluation if there is any doubt as to whether these additions to team membership would result in an actual or potential conflict, pending resolution of the matter.

The RRC may seek clarification from a Respondent/Proponent, or external company or individual, before making a decision; this may include requesting information on the relationship that exists, past work that was completed, information that was shared, etc. The RRC may consider the management of a potential conflict through mitigation measures or other steps, such as information barriers/firewalls. The Respondent/Proponent or external company or individual would then be required to undertake and comply with the conflict of interest requirements throughout the procurement process.

#### **d. Requests for Clarification**

Clarification questions should be sent to Respondents/Proponents, as necessary, so the Evaluation Teams fully understand the information submitted. To the extent possible, clarification questions should adhere to the following guidelines:

- Respondents/Proponents will be asked to respond to clarification questions in writing via e-mail;
- Respondents/Proponents should not be asked to submit substantial, new information not contained in their original submission. The intent is that the

Evaluation Teams clarify information in the original submission that is insufficient, ambiguous or inconclusive;

- In the event the Evaluation Teams cannot locate specific information for the evaluation, clarification questions should ask Respondents/Proponents to identify where the relevant information is located, not requesting them to provide new information;
- Clarification questions should refer to specific sections in the RFQ/RFP; and
- Clarification questions should be consistent, particularly when similar questions are posed to multiple Respondents/Proponents.

All Evaluation Teams determine whether clarification questions are needed and draft the clarification questions. Respondents/Proponents should be allowed a reasonable amount of time (generally two business days) to prepare their responses. The amount of time may vary depending on the nature and complexity of the clarification question. If Respondents/Proponents request additional time, the Evaluation Teams will need to review and ensure fairness and consistency for all Respondents/Proponents in their reply.

For convenience, questions from the Evaluation Teams may be batched, if possible, prior to issuance.

#### **e. Due Diligence Review**

The Due Diligence Advisor will conduct due diligence throughout the evaluations, including reviewing the evaluation worksheets of the various Evaluation Teams and providing advice back to the Evaluation Teams as to whether the information presented is sufficient. The Due Diligence Advisor will provide a report (either verbal or written) to the Evaluation Committee and Steering Committee as to whether, in their opinion, the Evaluation Teams have followed the pre-established evaluation process, including diligent, consistent and unbiased application of the pre-established evaluation criteria. This will occur at the end of the RFQ evaluation as well as at the end of the technical and financial evaluations during the RFP stage.

#### **f. Evaluation Committee**

After each of the Evaluation Teams has completed its relevant draft evaluation worksheets, the Chair and Secretary of each of the Evaluation Teams will present the results of their evaluation to the Evaluation Committee. The Evaluation Committee may raise questions or clarifications and require further work by the evaluation team. The Evaluation Committee may request an Evaluation Team to consider changes to their draft evaluation worksheets before they are approved by the Evaluation Committee. Evaluation Committee approval of the evaluation worksheets will be a consensus decision.

The Evaluation Committee will consider the information provided by the Evaluation Teams and generate an evaluation report (one for the RFQ stage and one for the RFP stage, which may be split into separate components for ease of administration).

For the RFQ, the evaluation report will be the official record of the evaluation of the submissions and will include a recommendation as to which Respondents should be shortlisted. Once the evaluation committee has approved the report, it will be presented to the Steering Committee, who will determine whether to endorse or reject the Evaluation Committee's recommendation. The results are then presented to the SaskBuilds Board and Cabinet.

For the RFP, the technical evaluation component of the report will include the official record of the evaluation regarding satisfaction with the Technical Submissions and will include a recommendation as to which Proponents may be invited to submit a Financial Submission. The Evaluation Committee will then submit a summary of the evaluation to the Steering Committee and the Steering Committee will determine whether to endorse or reject the Evaluation Committee's recommendation as to which Proponents will be invited to submit a financial submission.

The financial evaluation component of the report will include the official record of the scored elements evaluation, if applicable, and the results of the financial evaluation, with a recommendation on the selection of the Preferred Proponent. The Steering Committee will receive a summary of the financial evaluation component of the report and endorse or reject the evaluation committee's recommendation relating to the Preferred Proponent. The results are then presented to the SaskBuilds Board and Cabinet.

## **6. Evaluation Process – RFQ-Specific Steps**

### **a. Respondent Interviews**

Evaluation Teams or the Evaluation Committee may, in their discretion, request that an interview(s) be conducted to clarify any questions or considerations based on the information included in the Submissions. Generally, the Evaluation Management Team will conduct any reference checks with Evaluation Team participation, as appropriate.

The Evaluation Teams and Evaluation Committee may rely on information obtained as a result of any interviews conducted.

### **b. Reference Checks**

Evaluation Teams or the Evaluation Committee may, in their discretion, request that a reference check(s) be conducted relevant to the project with any or all of the references cited in a Submission to verify any and all information regarding a Respondent.

Generally, the Evaluation Management Team will conduct any reference checks with Evaluation Team participation, as appropriate.

The Evaluation Teams and Evaluation Committee may rely on information obtained as a result of any reference checks conducted.

**c. Submission Scoring**

The table below provides an example of numerical scoring criteria for the RFQ stage. The evaluation worksheets provide further information for participants with regard to scoring.

In conducting the evaluation, the Evaluation Teams will put together recommended scores for each Respondent. The Evaluation Committee will then have the final decision on the application of the evaluation criteria and the translation of the Evaluation Team recommendations into scoring as required by the RFQ.

Score	Description
5	Excellent – Far exceeds Evaluation Criteria
4	Very Good – Exceeds Evaluation Criteria
3	Average – Satisfies Evaluation Criteria
2	Fair – Does not satisfy some of the Evaluation Criteria
1	Poor – Does not satisfy most of the Evaluation Criteria
0	No Response

**7. Evaluation Process – RFP-Specific Steps**

The RFP process differs from the RFQ process in that it requires multiple submissions for evaluation:

- Technical Submission, including Design and Construction, Maintenance and Operations (if applicable) and Scored Elements (if applicable); and
- Financial Submission, including Advance Interest Rate Submissions/Rate Set Protocol Submissions.

The process described below aligns with a multi-stage submission process with an award based on the lowest adjusted price by using a scored elements approach from among submissions that substantially meet minimum acceptable requirements. However, depending on the asset class, a lowest price approach may be used. Note that scored elements may not be used on all projects; the use of scored elements is based on the project specific requirements and opportunities for innovation.

#### **a. Technical Submission Evaluation**

Technical Submissions are the first submission received. The purpose of the technical evaluation is to ensure that the Technical Submission substantially meets the requirements of the RFP and Final Draft Project Agreement. This will involve a variety of technical experts reviewing both the Design and Construction as well as Maintenance and Life Cycle information, if applicable.

There may be clarifications with the Proponents on specific items contained in their Technical Submissions or to request supplemental information that further shows that requirements are being met.

If a Proponent substantially meets the requirements of the RFP and Final Draft Project Agreement, the Proponent will be invited to submit a Financial Submission, as per the process established in the RFP. If a Proponent does not substantially meet the requirements of the RFP and Final Draft Project Agreement, they will not be invited to submit a Financial Submission.

#### **b. Scored Element Evaluation (if applicable)**

A scored elements package is required with the Technical Submission, which may either be evaluated concurrently with the Technical Submission or after the invitation to submit a Financial Submission has been completed. Regardless of when the scored elements package is evaluated, the scores must be finalized prior to the deadline for receipt of Financial Submissions to ensure transparency in scoring.

The scored element evaluation follows the process as established in the RFP and evaluation manual for the project and involves scoring various elements as to the extent that these specified elements have been achieved in the design solution. Scoring is applied based on the established criteria, with appropriate rationale provided in the evaluation worksheets for the scoring.

#### **c. Financial Submission Evaluation**

Financial Submissions are evaluated in accordance with the RFP and evaluation manual. Due diligence is performed to ensure that the financial information submitted is correct, prior to ranking the Proponents.

The Proponent with the lowest adjusted price or lowest price, as applicable, as determined by the methodology in the RFP and further explained in the evaluation manual is selected as the highest ranked Proponent and moves forward in the process as the Preferred Proponent.

## **8. Evaluation Documentation**

The evaluation document includes records of receipt, completeness review documentation, confidentiality documentation, relationship disclosure forms, documentation of clarifications throughout the evaluation, as well as evaluation worksheets and the evaluation reports. Additional items may be included in the evaluation documentation, dependent on the specific project.

### ***K. Confidentiality and Communications***

#### **1. Confidentiality and Security**

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

A higher level of security will be required during evaluations to ensure that information and results remain strictly confidential.

To ensure that all individuals involved in the project are aware of the confidentiality provisions for the project, firms or individuals that serve as consultants or advisors must execute confidentiality undertakings.

#### **2. Communications**

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

SaskBuilds is the central point of communication during procurement for P3 projects. Any public communication regarding the projects will be made through SaskBuilds. Authorities may make public announcements regarding their specific projects, but the message will be coordinated with SaskBuilds prior to release.

All relevant parties are involved in the development and updates to the project communications plan.

##### **a. Internal Communication**

Confidentiality of internal project communications are covered by the confidentiality agreements of participants signed as a term of their employment with their organization. All external consultants and advisors are required to sign confidentiality agreements prior to the release of any information. All internal communications are conducted on a need-to-know basis. Information is only circulated to individuals who are required to have the information in order to perform their responsibilities.

**b. External Communication**

Communications with Interested Parties, Respondents and Proponents will be through a single point of contact, the Contact Person. To the extent possible, communications will be in writing. Interested Parties, Respondents and Proponents will be informed that all other forms of communications will not be binding and should not be relied upon. The communication process for Respondents and Proponents to follow will be outlined in the RFQ/RFP. All staff from the Authority will be instructed to direct all external inquiries regarding the project to the Contact Person.

Outgoing communications will be made solely through the Contact Person. Communications with the media and general public are handled through SaskBuilds.

**c. Official Announcements**

Official announcements with respect to the RFQ release, RFQ shortlist, RFP release, Preferred Proponent announcement, and Project Agreement signing are generally released jointly through SaskBuilds and the Authority.

**3. Transparency and Accountability**

The Government of Saskatchewan is committed to open, transparent and accountable procurement. The aim is to disclose as much as possible in the public interest without impacting the government’s ability to generate VFM for taxpayers.

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

The chart below describes the documents that are disclosed publicly, either in their entirety or with redactions. Disclosure would generally be through the SaskBuilds website.

<b>Documents</b>	<b>Guidance</b>
P3 Business Case	Not disclosed. Internal document for approvals only.
RFQ and Project Brief	Disclosed. Publicly available document upon release.
Number of parties who responded to RFQ	Disclosed when shortlist is announced.
Number of parties, including names, who are shortlisted at the RFQ stage and proceed to the RFP stage	Disclosed when shortlist is announced.
RFQ Fairness Advisor Report	Disclosed when shortlist is announced.
Conformed RFP ( <i>redacted</i> )	Disclosed within 120 days after Financial Close.

Documents	Guidance
Name of Preferred Proponent	Disclosed when Preferred Proponent is announced.
RFP Fairness Advisor Report	Disclosed when Preferred Proponent is announced.
Final (executed) Project Agreement ( <i>redacted</i> )	Disclosed within 120 days after Financial Close.
VFM Assessment and Project Report	Disclose within 120 days after Financial Close.

#### 4. Value for Money (VFM) Assessment Report

The VFM Report provides key information about the project, which includes an overview of the project and describes the process for selecting the procurement delivery method. Additionally, the report outlines the competitive selection process and provides key information about the Project Agreement and VFM assessment. The report is prepared by the Financial Advisor and published by SaskBuilds within 120 days after Financial and Commercial Close.

The report should, include at a minimum:

- Executive summary prepared by SaskBuilds;
- Project overview, including background, goals, and design innovations;
- Project delivery options, including the methodology and procurement options;
- Competitive selection process, including the RFQ and RFP stages, which identifies the Proponents that participated in the procurement process, as well as the project timeline;
- Project Agreement overview, including an overview of the private sector partner, key terms of the Project Agreement, project costs, quality and performance monitoring and a risk allocation summary;
- VFM assessment in NPV terms, including quantitative and qualitative measures of value; and
- Independent Fairness Advisor Reports for the procurement, including RFQ and RFP stages.

#### *L. Records Management*

Records management is the maintenance of documents created during the course of the procurement process. Records management must be in accordance with SaskBuilds' and the Authority's records retention and disposition schedule.

## VI. P3 PROJECT IMPLEMENTATION

### A. *Transition to Implementation*

Preparation for the Implementation Phase begins prior to Financial and Commercial Close. Preparation work includes finalizing governance structures for the Implementation Phase and ensuring that key roles, such as the Project Lead, are in place. SaskBuilds may assist the Authority in this preparation work, as required. SaskBuilds will ensure that a Project Implementation Plan is completed for the project and that targeted education and training sessions are provided to Authority staff.

### B. *Project Implementation Plans*

Each project will require an Implementation Plan that will provide general guidance and information on the Project Agreement and contract management. The Implementation Plan is not intended to be a comprehensive document on the Project Agreement or to be used as a replacement for the official Project Agreement and other documents pertaining to the Project Agreement. The objectives of the Implementation Plan are outlined below:

- Provide a resource to assist the Authority in planning for and implementing a successful project;
- Promote best or established practices that will contribute to successful project implementation;
- Ensure governance structures are established for the Design and Construction Period and Operating Period, with clear articulation of roles, responsibilities, and reporting relationships;
- Ensure key tasks and activities are assigned to the appropriate Authority team member;
- Ensure effective risk management, including risks retained, shared, and transferred;
- Ensure effective implementation and management of the Project Agreement;
- Ensure the Project is delivered on time, on budget and in accordance with the Project Agreement;
- Ensure project accountability through established performance monitoring and reporting processes;
- Ensure all project-related documentation is captured and retained where appropriate;
- Ensure Authority team members are knowledgeable of the Project Agreement as it relates to their roles in the Design and Construction Period, transition to operations and Operating Period; and
- Ensure lessons learned throughout each project phase are documented for future projects.

SaskBuilds will work with the Authority to update and refine the Implementation Plan template to the specific project requirements. This work should take place a few months

prior to Financial and Commercial Close, with the final draft completed by the Authority after the Project Agreement has been finalized. The Authority will update and maintain the plan throughout the Project Agreement term.

***C. Education & Training***

In conjunction with the Project Implementation Plans, SaskBuilds may prepare and deliver presentations to the Authority on topics relating to the Project Agreement. SaskBuilds will coordinate with the Authority in scheduling and selecting any topics for the presentations based on the Authority's needs. The purpose of the presentations is to assist the Authority in developing familiarity with the Project Agreement. It is expected that presentations will occur on an as-needed basis, at various stages throughout the project.

***D. Design and Construction Period***

During the Design and Construction Period, SaskBuilds will be involved in monitoring and oversight activities, including attendance at design and construction and operating meetings, as well as at Steering Committee Meetings. SaskBuilds will receive monthly reports from Project Co. SaskBuilds will continue to be involved in risk and issues management.

SaskBuilds may provide support to the Authority in the progression of the project design. Involvement may include: design-development, user group consultations, change record review, and submittal review. As well, SaskBuilds may provide advice and guidance, as required by the Authority, on document management, performance management, and financial management activities.

***E. Operating Period***

During the transition to the Operating Period, SaskBuilds will provide assistance to the Authority, as required, to prepare for Service Commencement and start-up/move-in. SaskBuilds will continue to be involved in project monitoring and oversight, project communications and risk and issues management.

For the first year of the Operating Period, SaskBuilds will continue to be directly involved with the project and assist the Authority, where required, with contract monitoring, performance monitoring, risk and issues management. After the first year, SaskBuilds will transition to a higher level oversight role, receiving regular updates and communications from the Authority on the project.