



Alternative Financing and Procurement

David Morley, Vice President, Infrastructure Ontario
National Governors Association
P3 Advisory Group Workshop
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AFP Ingredients for Success

Government Commitment

1. Five policy principles backed by political will and discipline
2. 10 year infrastructure plan
3. \$50 million project screen and Value for Money assessment enforced by central agency
4. Annual projects pipeline

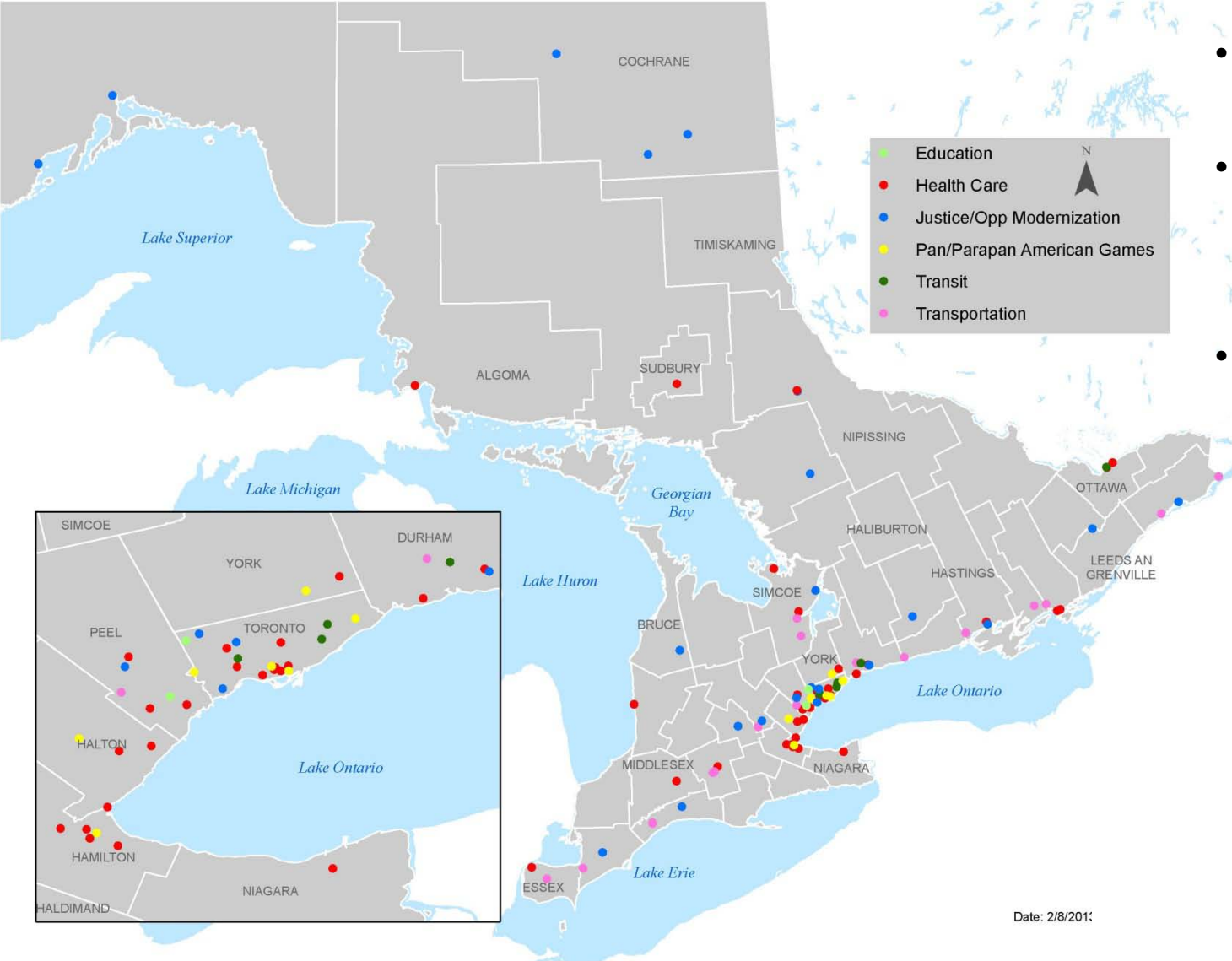
Agency Mandate

1. Clear authority to implement via a private sector-style board
2. Private sector staff from legal, financial and construction sectors
3. Robust competition, certainty through RFQ short-listing, incentive of design-bid fees for RFPs and reasonable returns for ProjectCo
4. Bankable transactions with 'A' ratings and strong financing market capacity

Market and Public Confidence

1. Stability and trust in process, efficiency with standard documents
2. Non-ideological public positioning particularly regarding unions
3. Open dialogue to consult industry on how to deliver and innovate
4. Transparency, fairness, audit and continuous improvement

Public Infrastructure: Public Ownership



- 93 AFP projects have been assigned to IO
- 36 AFP projects have reached substantial completion of construction
- Total construction cost value: \$6.5 billion

Partnering with the Private Sector for Better Public Services



HEALTH



- ✓ **10.5** million square feet + of new/renovated hospital space
- ✓ **81** new operating rooms
- ✓ **nine** new emergency rooms

- ✓ **Eight** new cancer treatment centres
- ✓ New **cardiac** and **dialysis** treatment centres across Ontario means less travel for treatments



JUSTICE



- ✓ Up to **96** new courtrooms in consolidated courthouses (at full capacity)
- ✓ **18** new OPP facilities



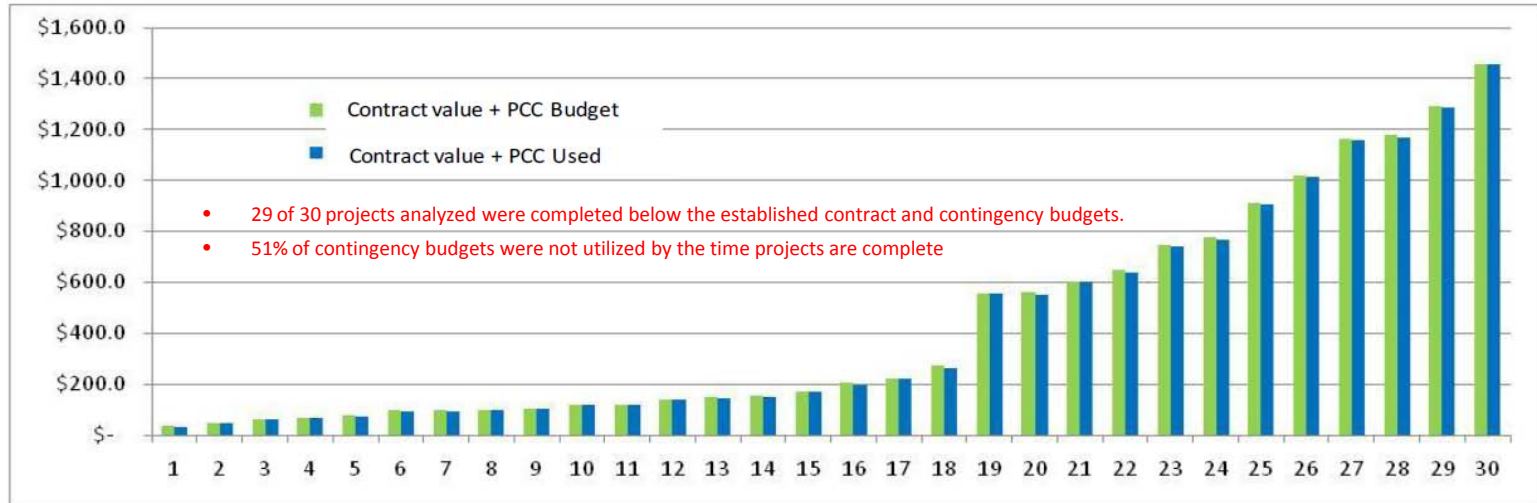
- ✓ Athletes' Village
- ✓ Union Pearson Express Line – on track to be completed for the 2015 Pan Am Games
- ✓ New stadiums and recreational facilities

PAN AM GAMES PROJECTS

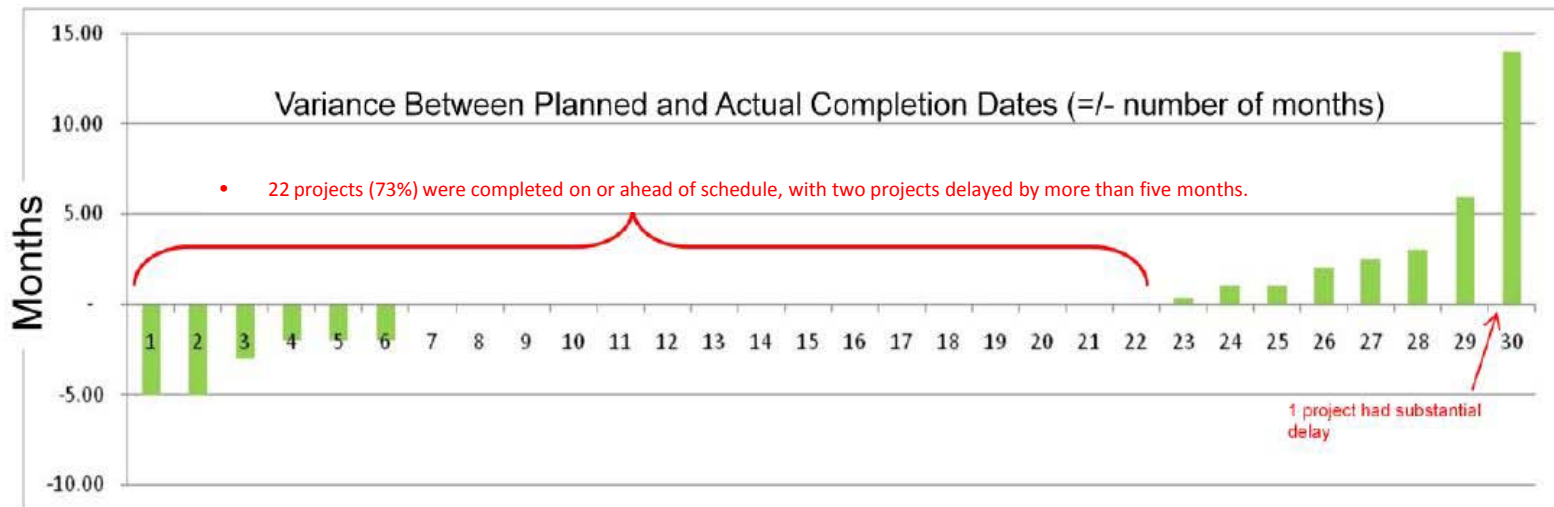


Track Record: On-Time and On-Budget

On-Budget Analysis



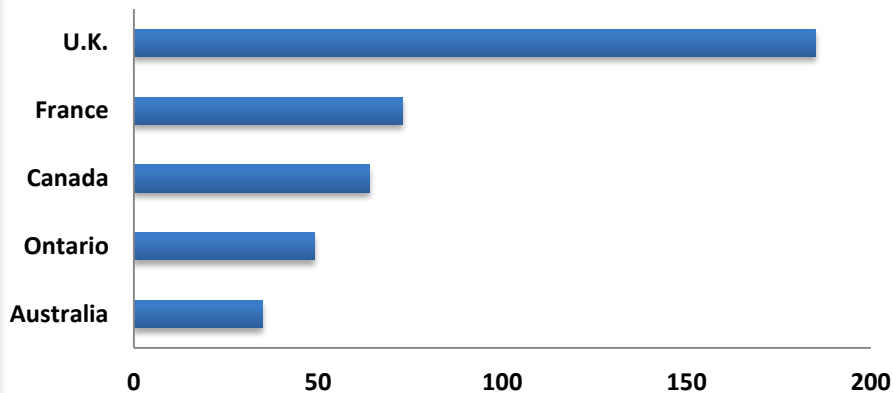
On-Time Analysis



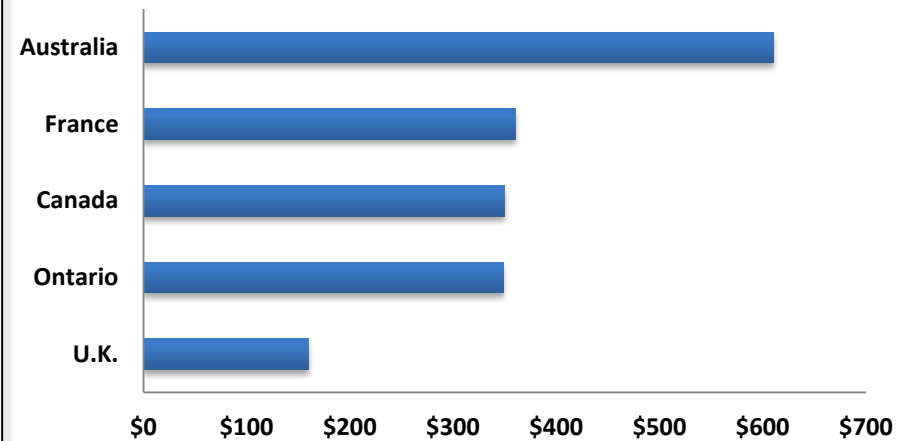
The Big Picture: Ontario in the Global Context

- The Conference Board of Canada's August 2013 report notes that Canada has come to be known as one of the most stable and mature P3 markets globally
- Infrastructure Ontario is cited as a global leader in delivering public investment with the private sector
- The Ontario government, through IO, is delivering over 80 projects using the AFP model, valued at about \$35 billion. This includes over 50 projects completed or under construction with an estimated \$3 billion in value-for-money savings.

**P3 Projects Reaching Financial Close:
2007-2011**



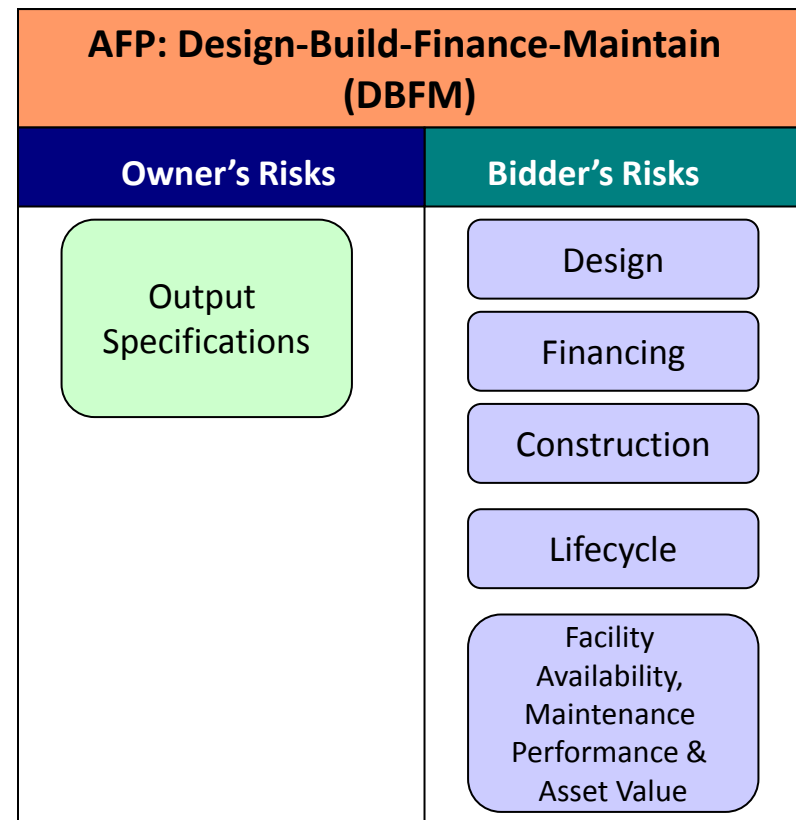
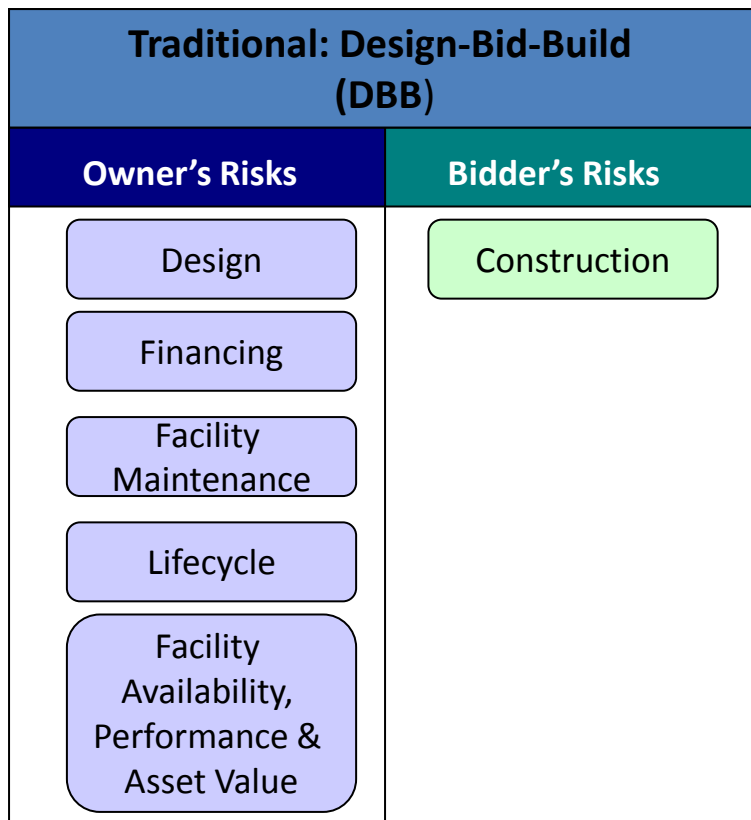
Average P3 Project Size (mil.): 2007-2011



Sources: Conference Board of Canada, European PPP Expertise Centre, PFI Data, PPP in France, PricewaterhouseCoopers, KPMG, CCPPP database

Ontario's Alternative Financing and Procurement (AFP)

*AFP delivers lower costs and schedule risks.
Risks are transferred to the party best able to manage them.*

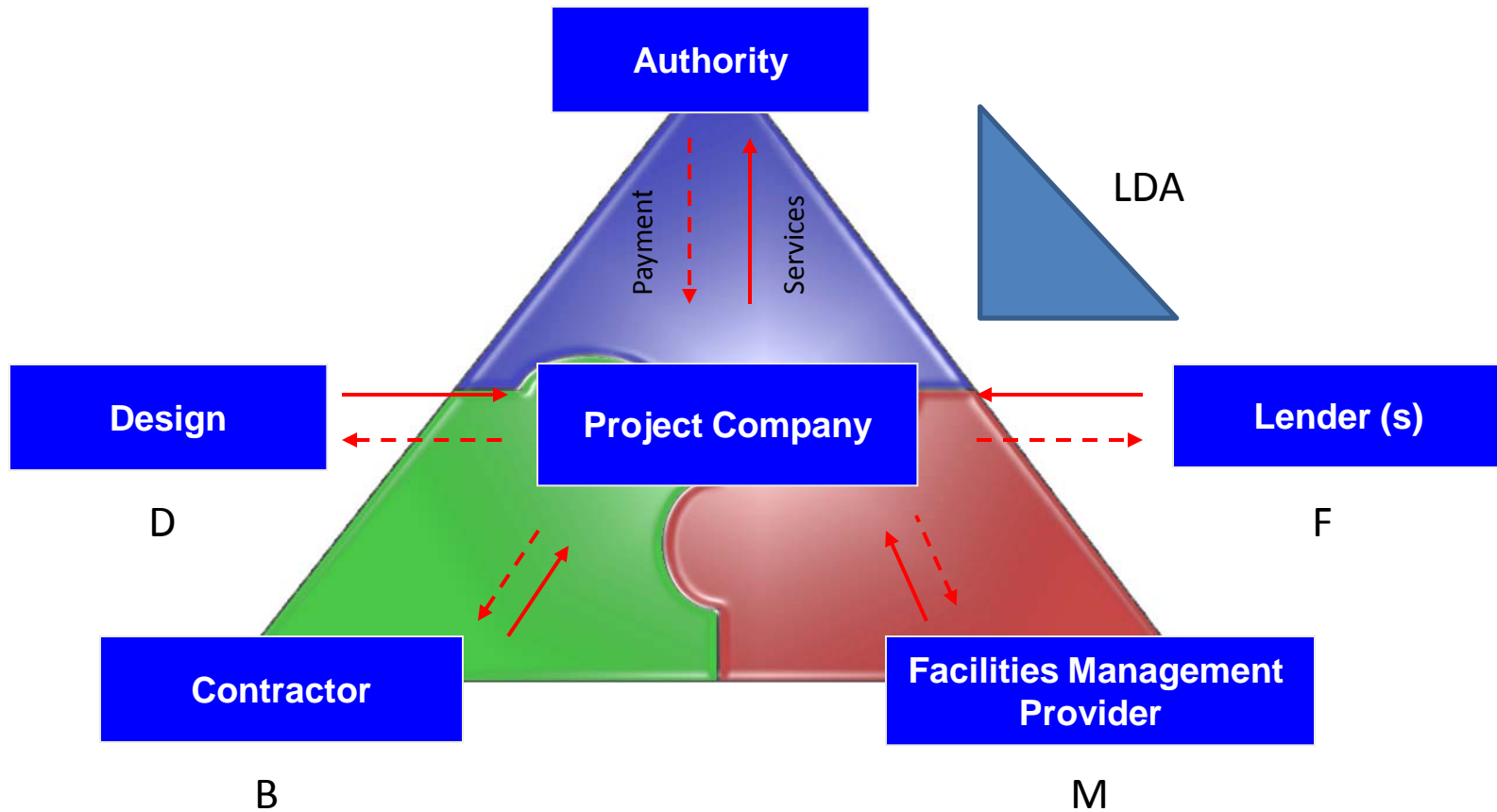


AFP Project Types

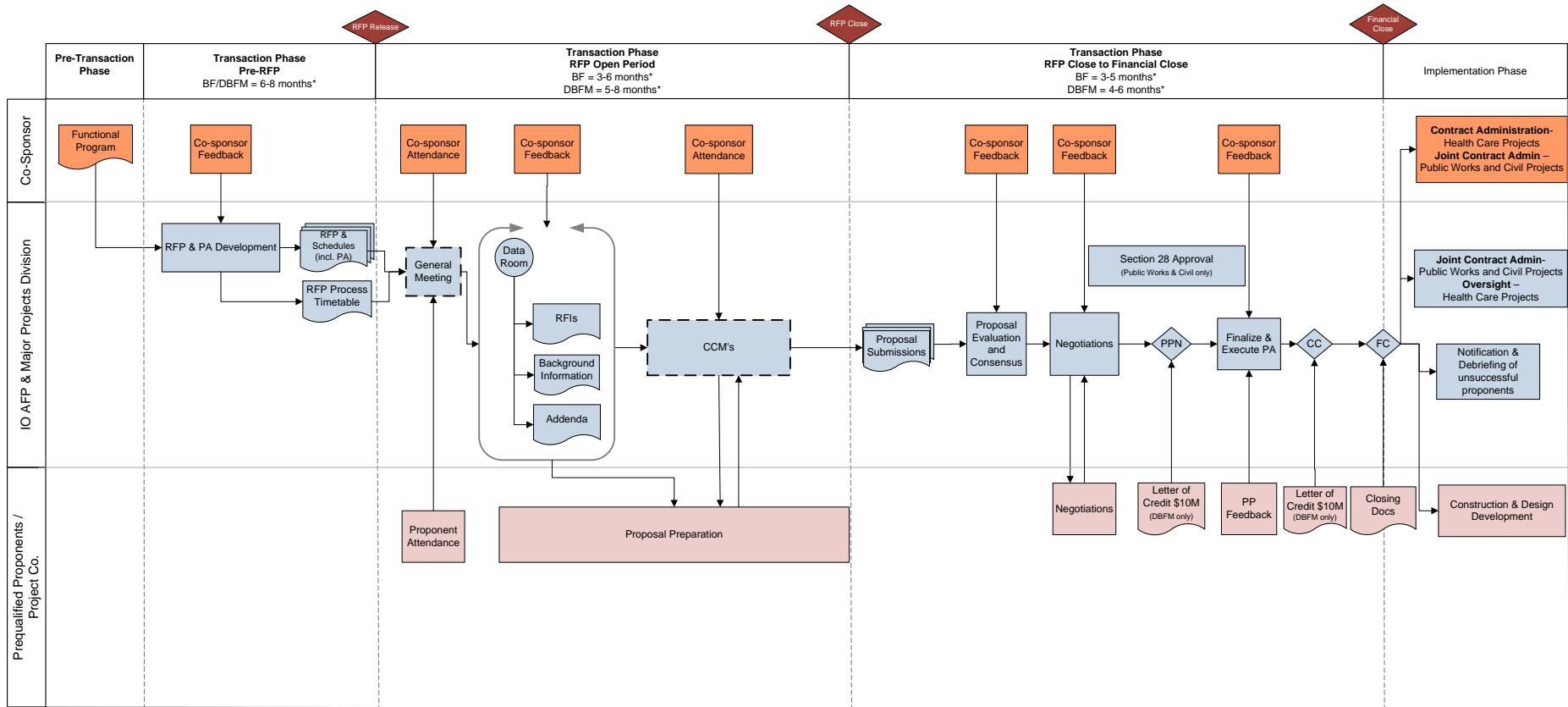
- Three primary project types used by IO's major projects group:
 - Design, Build, Finance Maintain – achieves greatest level of risk transfer as maintenance period helps define the design
 - Design, Build, Finance – must ensure the specs are adequate to address long term maintenance requirements of sponsors
 - Build, Finance – most like a traditional construction contract, but with deferred payment and schedule risk transfer
- Assessment performed on each proposed project to determine the best project type for the project.
 - Assessment is based on numerous factors, including available budget, scope of provision of services and integration of operation
- Assessment also considers value for money the project will deliver to the taxpayer – based on public sector comparators

DBFM Project Agreement - Overview

Typical DBFM Transaction Structure:



Overview of AFP Legal Process



AFP Procurement Process Milestones

- Request for Qualifications:
 - Establishes the capability of applicants to perform the project
 - Must determine what submission requirements are important to the Sponsor, while taking into consideration any trade restrictions (ie. trade agreements, inter-governmental agreements, etc.)
 - IO evaluates both technical capability and financial capacity of applicants
 - Process is governed by principles of fairness and is a “fair, open and transparent” process
 - Sponsors have a legal duty of fairness to applicants while also being bound to certain governmental directives for public procurements
 - Procurement, beginning at RFQ stage, is overseen by an independent fairness monitor
 - Listed on MERX, where all IO procurements are listed – is an open forum upon subscription where public procurements are posted

AFP Procurement Process Milestones

- Request for Proposals:
 - Only those who qualify based on the RFQ evaluation are invited to participate in the RFP; normally limited to three participants in a DBFM or DBF
 - Process is run through eBuilder, a restricted access electronic data room
 - The RFP explains the process by which Proponents may submit questions, comments, statements, etc.
 - RFP also prescribes the process by which the Proponents and Sponsors interact through the open period, including design presentation meetings and commercially confidential meetings on discrete matters and contract terms.
 - The best projects are those which have the most comprehensive preparation prior to release of the RFP

Fairness and Transparency in the RFP Open Period

- CCMs are a non-binding forum with proponents where discussion around discrete matters take place, including discussion of the terms of the project agreement (which forms part of the RFP)
- DPMs are an opportunity for the proponents to present their design to the Sponsors. Feedback from the Sponsors speaks only to compliance with the output specifications
- Both CCMs and DPMs are overseen by a fairness monitor who ultimately provides a fairness opinion upon completion of the RFP (once the evaluation of the RFP has been completed)
- Requests for Information (RFIs) can be submitted to the Sponsors who are obligated to reply if within the allocated time frame.
 - RFIs can be either general or commercially confidential in which case only the proponent submitting the RFI will receive a response

Procurement Process Success Factors – Evaluation stage

- An evaluation framework document that describes and outlines the evaluation process is developed for each Request For Proposal:
 - Safeguards the interests of IO by ensuring that the evaluation process will be fair, applied consistently, and free of conflicts of interest;
 - Provides multiple levels of due diligence to ensure that all material facts have been considered;
 - Ensures that an appropriate document control process is applied to create a record of the evaluation process; and
 - Ensures that the evaluation process is consistent with best practices and industry expectations.
- Consensus score must be reached by evaluators prior to ranking of proponents

AFP Procurement Process Milestones

- **Commercial and Financial Close:**
 - Evaluation of RFP submissions will provide the ranking of Proponents
 - Sponsor will enter into limited negotiations with the First Ranked Proponent to ensure all matters of compliance are addressed by the proponent prior to award of the contract (Preferred Proponent)
 - The Preferred Proponent is required to deliver to the Authority (IO or Co-Sponsor) a letter of credit in the amount of \$10 million shortly after it is identified as the Preferred Proponent
 - Upon Commercial Close Project Co is obliged to deliver to the Authority another letter of credit in the amount of \$10 million as security to achieve Financial Close
 - Financial Close means when funding is first available under the lending agreements.

Procurement Process Success Factors – Award Stage

- Disclosure of information about the award is provided to all bidders
- Unsuccessful bidders are provided with a comprehensive debriefing that provides relevant information on why they did not win the procurement