

## CAPITAL INFRASTRUCTURE - PROJECT DELIVERY POLICY UPDATE

### Recommendation

That Executive Committee recommend to City Council:

That Council Policy C555A, Capital Infrastructure - Project Delivery, as set out in Attachment 1 of the November 27, 2024, Integrated Infrastructure Services report IIS02543, be approved.

|   |  |   |                                |
|---|--|---|--------------------------------|
| <b>Requested Action</b>   | Decision Required  |   |                                |
| <b>ConnectEdmonton's Guiding Principle</b>                                | <b>ConnectEdmonton Strategic Goals</b>   |   |                                |
| <b>CONNECTED</b><br>This unifies our work to achieve our strategic goals. | Urban Places   |   |                                |
| <b>City Plan Values</b>   | ACCESS   |   |                                |
| <b>City Plan Big City Move(s)</b>   | A rebuildable city   | <b>Relationship to Council's Strategic Priorities</b> | Conditions for service success |
| <b>Corporate Business Plan</b>  | Managing the Corporation   |   |                                |
| <b>Council Policy, Program or Project Relationships</b>                   | <ul style="list-style-type: none"> <li>• C591 - Capital Project Governance Policy</li> <li>• C556C - Sustainable Procurement</li> <li>• Standard A1406A - Project Management for Capital Projects</li> <li>• C555 - Private Public Partnerships (P3) Policy</li> </ul> |   |                                |
| <b>Related Council Discussions</b>  | <ul style="list-style-type: none"> <li>• February 21/23, 2024, IIS02122, Major Capital Project Update</li> <li>• June 11/12, 2024, IIS02382 Capital Project/Program Size Review</li> </ul>   |   |                                |

### Executive Summary

- The City of Edmonton is updating its Public Private Partnership (P3) Policy C555 to include all delivery models for large infrastructure projects.

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- This change aims to enhance transparency and understanding of the decision-making process for selecting different delivery models, which may include P3.
- Administration suggests that decisions relating to delivery models for infrastructure projects with budgets in excess of \$500 million will be reported to Council for information.
- This aligns with industry benchmarks for major projects as previously provided in Council reports and reflects the increasing complexity and risk profile of large-scale infrastructure endeavors.
- By implementing these changes, the City aims to leverage P3s and other alternative delivery models more effectively for projects that warrant them, while also promoting transparency, accountability and efficient use of resources.

## REPORT

At the February 21, 2024, City Council meeting, Administration presented the IIS02122 Major Capital Project Update report which included the findings of an external review, completed by academia and private industry, on the City's approach to project management of large infrastructure projects. As part of both the findings of this work and subsequent deliberations with Council, a motion was passed directing Administration to review and provide potential recommendations for establishing a maximum capital project and/or program budget threshold.

At the June 11, 2024 City Council meeting, Administration presented the IIS02382 Capital Project/Program Size Review report. This report suggested that, in lieu of a maximum project and/or program budget, Council would be better suited to consider adapting and updating the existing Public Private Partnership (P3) Policy C555 to capture a similar intent.

### C555 Policy Background

The City's Public Private Partnership (P3) Policy C555 was approved in 2010. The policy was created and approved to respond to increasing market interest and funding opportunities provided through grant providers (e.g. P3 Canada) to consider the P3 project delivery model for major infrastructure projects. The broader attractiveness of using the P3 model was the ability to leverage opportunities for third-party private financing on public infrastructure projects. For more information about P3 models please visit the Canadian Council for Public-Private Partnerships<sup>1</sup> website.

Policy C555 has not been updated since being approved. Since 2010, Council has approved new bylaws and policies which have made some aspects of Policy C555 inapplicable:

- Bylaw 12005, City Administration Bylaw was replaced by Bylaw 16620, City Administration Bylaw which significantly revised the delegated authority provided to the City Manager for competitive procurement agreements that are made in accordance with Council approved policies and budgets.
- Council approved Policy C591 - Capital Project Governance Policy pursuant to which Administration has implemented Standard A1406A - Project Management for Capital Projects.
- Council approved updates to Policy C556C - Sustainable Procurement

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<sup>1</sup> <https://www.pppcouncil.ca>

## **CAPITAL INFRASTRUCTURE - PROJECT DELIVERY POLICY UPDATE**

The current C555 policy includes:

- A minimum \$30 million threshold for when infrastructure projects should consider P3 delivery models.
- A framework for evaluating and screening the potential merit and financial benefits to inform a recommendation.
- A process for how the results and decisions are shared with Council for information and approval.

### **Project Delivery Overview**

The first project considered for P3 eligibility by the City of Edmonton was the Terwillegar Community Recreation Centre (now named Booster Juice Recreation Centre). This facility ultimately was not selected as a suitable candidate for a P3 delivery model and was delivered under a combination of a Construction Management and Design-Bid-Build model. Since this time, Administration has evaluated (per Policy) a number of projects for viability as a P3 and has reported the results of the screening efforts with Council. The only projects that have been advanced under a P3 model have been related to the delivery of the Valley Line LRT (Southeast and West).

The varying types of Project Delivery models have evolved considerably over the years since the C555 policy was created and approved, and so has the City's experience and application of these different models. These models can vary widely based on unique scope attributes and risk factors associated with the project. For more information about different project delivery models, an overview is provided in the IIS02382 Capital Project/Program Size Review report.

### **Recommendations**

The current Policy C555 is specific and uniquely referenced towards the disclosure and reporting on major procurement planning decisions for P3 projects exclusively. As noted above, there exists in practice a wide variety of delivery models that are used by the City to mitigate and enhance the probability of project success based on the individual characteristics and needs of each unique project. Administration is recommending changes to the policy to be inclusive of all delivery models for infrastructure projects. This change will enhance transparency by Administration with Council to enhance trust, and also create opportunities for an enhanced understanding of the decision making process associated with the selection of these different delivery models.

The current policy, established in 2010, set the threshold for P3 consideration and reporting at \$30 million. The analysis included in the IIS02122 Major Capital Project Update report made recommendations related to bolstering the processes relating to major projects including the recommendation to amend the minimum threshold for major projects to a larger value. Administration supports the recommendation and proposes to increase the threshold to \$500 million for reporting to Council on delivery model decisions for major infrastructure projects. This value aligns with the industry benchmarks for major projects and better reflects the scale and complexities involved in large-scale infrastructure. By adjusting the threshold, the City can

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leverage P3s, and other alternative delivery models, more effectively while also acknowledging the increasing risk profile of larger endeavours. In addition, there is a minimum cost (Level 1 Screening estimated \$75,000) associated with completing the screening for P3s. Foregoing this requirement for projects under \$500 million will lead to project savings.

### **Community Insight**

Fostering a collaborative approach to city building, the City maintains ongoing communication with industry associations to gather feedback on shared priorities. For unique and large, complex projects, Administration conducts market sounding to inform procurement due diligence, including how best to mitigate risk and achieve maximum value for both industry and the City.

### **GBA+**

Even though applying GBA+ to capital projects is a developing area, the City is dedicated to upholding the principles of equity, inclusion, and accessibility for all contractors, particularly those in P3 projects. Evolving best practices, public engagement and research will guide the City in embedding equity considerations into infrastructure projects, with proactive GBA+ reviews during a project's planning and design phases.

### **Environment and Climate Review**

As Policy C555 undergoes revision to reflect best management practices in evaluating and pursuing large capital asset (infrastructure) projects, opportunities exist to ensure the development of priority infrastructure supports City growth and renewal incorporates climate-related risks. Specifically, the process outlined in section 2.2 of Policy C555, that is applied in decision making, procurement, and awarding of contracts for financing Public Private Partnerships (P3), is of note:

- Consider how climate related-risks are a part of the methodology applied in decision making to assess and approve P3 projects. In keeping with the guiding principles of Policy C555, investment for capital infrastructure should anticipate the impacts of climate change as a key risk to the project's life-cycle due to complex, long-term contractual arrangements which govern several activities. This consideration will support priority infrastructure climate resilience.
- Consider how competing bids during the procurement processes can mainstream climate resilience (i.e both mitigation action during construction or adaptation action throughout the project's life cycle).
- Consider how contract performance and management activities clarify and allocate responsibilities regarding climate related risks in the project's life-cycle. The choice of when to apply the discount rate to the project cost will affect the weight placed on potential future climate impacts relative to those in the near-term.

### **Attachments**

1. Council Policy C555A - Capital Infrastructure - Project Delivery
2. Procedure - Capital Infrastructure Project Delivery