

Infrastructure Ontario and AFP

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Infrastructure Ontario



**making projects
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www.infrastructureontario.ca

Alternative Financing and Procurement: Delivering Projects for Ontario

- **Over 50 projects and \$15 billion in capital at various stages of completion, construction and procurement**
- **Financially Closed 32 projects worth more than \$8.6 billion in a variety of sectors**
- **Opened the doors on 13 projects adding services to millions of Ontarians**
- **Worked with diverse market participants: major investors, advisors and stakeholders**
- **Standardized models, templates and processes for greater efficiency**

Infrastructure Ontario's Team of Experts



Infrastructure Ontario's Role

- **Execute assigned projects**
- **Drive scope detail post assignment**
- **Project costing prior to RFP release**
- **Manage procurement process**
- **Manage construction phase**
- **Hand over at construction completion**



Client Involvement

- **Functional Program** (prepared by Client)
- **Active participation in:**
 - Performance Output Specifications (prepared by a Planning and Design consultant with input from IO/Client)
 - RFQ Release / Evaluation
 - RFP Release
 - Bid Evaluation (Preferred Proponent selection)
 - Advisor Selection
 - Evaluation Committees
 - Technical
 - Financial
 - Compliance
 - Project Agreement documentation

DBFM Project Phases

Pre-Initiation	<ul style="list-style-type: none">• Business Case• Environmental Assessment	
Initiation	<ul style="list-style-type: none">• Preliminary Engineering• Treasury Board Approval• Retain Consultants (Capital Markets, Legal, Fairness, Process)• Identify Subject Matter Experts (Design)	} Key period of IO involvement
Transaction	<ul style="list-style-type: none">• Prepare and Issue RFQ• Prepare Design Requirements & Output Specifications• Prepare and Issue RFP• Confidential Consultation Meetings• Evaluate Design Submissions• Award Contract	
Implementation	<ul style="list-style-type: none">• Design Development• Construction• Works Committee Involvement• Occupancy, Operations and Maintenance• Hand-back after concession period	} IO oversight role

Benefits of AFP

- **Ownership and control retained by public sector**
- **Appropriate risks transferred to private sector to ensure “on time, on budget” delivery and offer value for money**
 - Design, construction, cost escalation, schedule delays, operations, maintenance, life cycle, financial risks
- **Increased capacity to bring projects to market**
- **Managing costs**
 - Optimal cost combination: combines capital, maintenance and life cycle costs
 - Integration of design and construction
- **Transparency and accountability**
 - Project documents, including value for money reports, posted on Infrastructure Ontario’s web site
- **Trusted broker as intermediary maximizes bidder participation**

Public vs. Private Financing

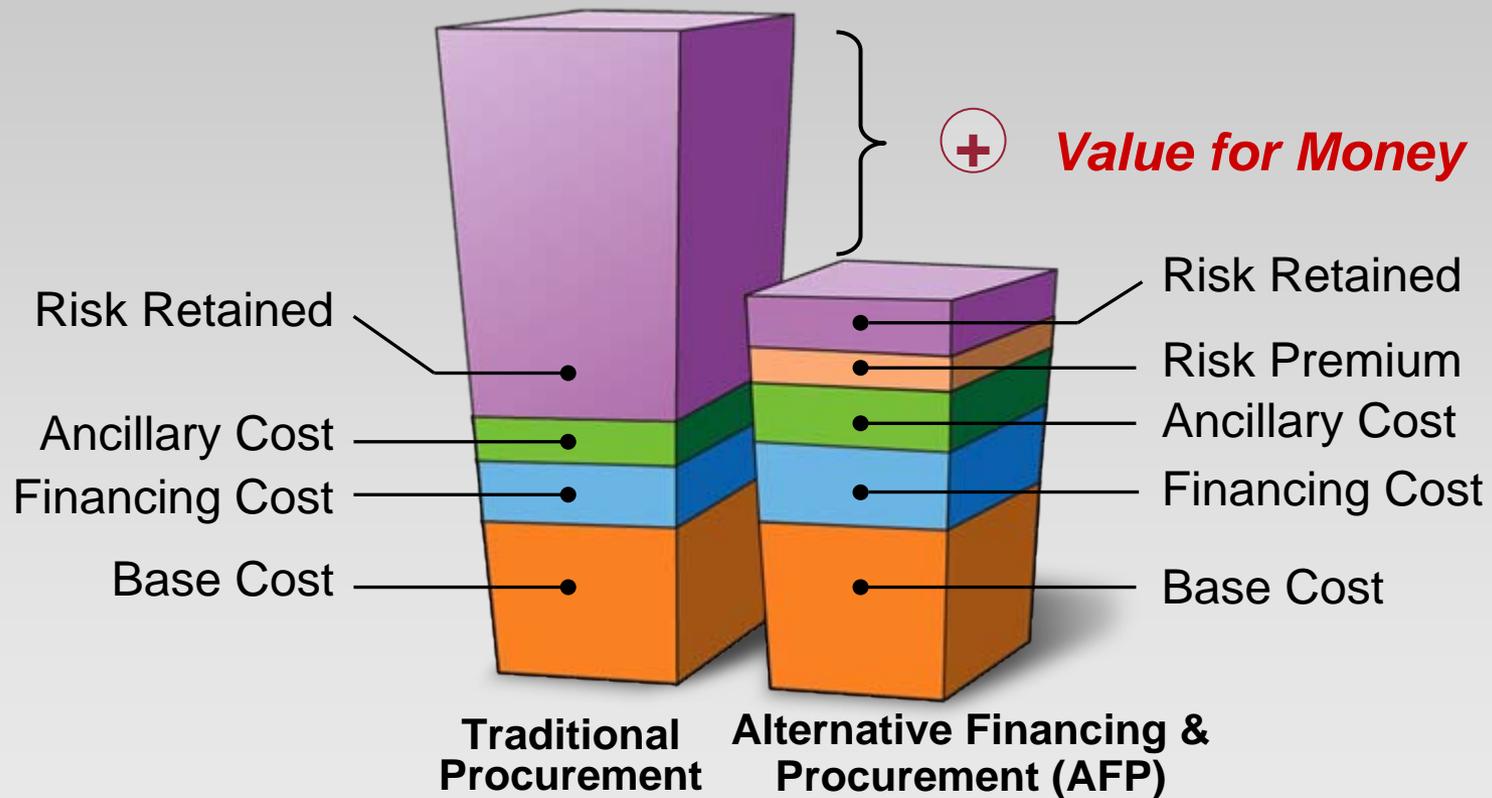
Myth: Governments can borrow at a lower rate than the private sector, meaning AFP cost more than traditional project delivery

Reality:

- AFPs transfer more risks to the private sector, can reduce lifecycle costs and improve service
- Only if value for money is achievable will AFP be used to deliver an infrastructure project

What is Value for Money?

Compares the cost of delivering a project using Traditional procurement versus AFP to determine lower estimated total project cost



Third-party Validation of AFP

- **Selected findings from recent Conference Board of Canada study:**
 - AFP Change Order Protocol reduces number of expensive change orders
 - Transaction costs declining as more documents are standardized
 - Average incremental transaction costs for projects that reached financial close in 2007 were 2% of AFP budget
 - 2008: 1.7%; 2009: 1.5%
 - Consistent RFP-to-financial close timelines

Source: "Dispelling the Myths: A Pan-Canadian Assessment of Public-Private Partnerships for Infrastructure Investments"

Alternative Transit Delivery Models

- **Design, Build, Finance, Maintain**
 - Typically the proponent would bid on the design, build, construction financing, plus long term maintenance
 - Capital costs during construction are paid at substantial completion
 - Maintenance contract terms range from 5 years to 35 years with a typical term of 15 years with a 15-year renewable option
- **Design Build Finance Operate and Maintain**
 - There are two variations of this model:
 - Availability based payment (no ridership risk)
 - Ridership risk – Concessionaire relies on fare box revenues to fully or partially cover costs
- **Build, Own, Operate, Transfer**
 - Proponent builds, owns and operates the project for a specified amount of time, usually 25 to 30 years, after which ownership is transferred to the government without compensation
 - Users are charged a fee in order to generate a commercially acceptable rate of return

Metrolinx AFP Projects

DBFM:

- Sheppard/SRT Maintenance & Storage Facility
- Eglinton Crosstown MSF
- Finch West MSF
- VIVA “Gold Bundle”

DBF:

- Scarborough RT Replacement and Extension
- Finch West LRT

The road ahead: Infrastructure Ontario and Metrolinx

- **Working with Metrolinx on the procurement of the Sheppard Maintenance and Storage Facility**
 - RFQ issued May 31, 2010
 - Targeted notification of prequalified parties late summer 2010
 - RFP issue Fall 2010
 - RFP close Winter 2011
 - Financial Close Late Summer 2011
- **Continuing to work with sponsor's project teams to ensure project readiness for all projects identified as AFP Candidates (Scarborough RT, Finch West LRT, Finch MSF, Eglinton MSF)**
 - 30% design completion
 - Utilities, traffic, construction strategies
 - Ring fence open ended risks
 - Development of AFP estimates and schedules
 - Lessons learned from first "Transit" AFP – Sheppard MSF
 - Development of the project specific output specifications meet specific project requirements

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