



PUBLIC-PRIVATE PARTNERSHIPS

Municipal Projects and Issues

Mark Bain

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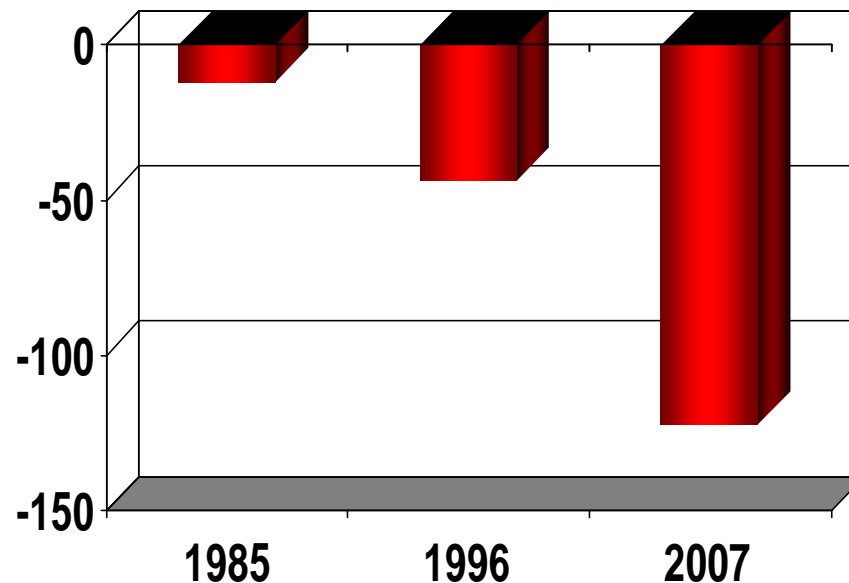
- Overview of Municipal P3
- Pathfinder Municipal P3 Transactions
- Future Directions
- Policy Issues
- Market Development Issues
- Key Commercial Issues
- Project Agreement – Key Provisions
- Balancing Confidentiality and Transparency

Overview of Municipal P3

- To date, majority of Canadian P3 activity has been provincial
- Municipalities are a growing sector for P3
- Need is significant at >\$100 billion
- P3 Canada program will be a catalyst for municipal projects

Infrastructure Need – Canada's Infrastructure Backlog

Municipal Infrastructure Backlog (\$CAD Billions)*



- Current municipal backlog at \$123 billion*
- \$115 billion in new municipal infrastructure needed*
- \$40 billion needed in Ontario water and wastewater alone
- \$15 billion annual spending (2008) will not catch up
- Total national public infrastructure deficit estimated to be \$400 billion by 2020**

*Federation of Canadian Municipalities, *Danger Ahead: The Coming Collapse of Canada's Municipal Infrastructure* (November 2007)

** M. Saeed Mirza and M. Murtaza Haider, *The State of Infrastructure Policy in Canada* (2003)

Pathfinder Municipal P3 Projects

- Disraeli Bridge
- Ottawa LRT
- Alberta Schools
- John Labatt Centre
- Montreal Concert Hall
- Prospera Place
- Orleans Town Centre
- Hamilton Wastewater
- CRD Water/Wastewater
- Goderich Harbour
- Moncton Water
- Pan Am American Athletes' Village
- Waterfront Toronto
- City of Calgary Rec Centres
- Pembroke Ambulatory Healthcare
- Building Bancroft
- Winnipeg Wastewater

- Expect increased municipal P3 activity in:
 - > local transit
 - > water and wastewater
 - > municipal buildings
 - > recreational centres (public facilities vs. private sports arenas)

- Many stakeholder perspectives
- Municipal borrowing limits
- Need for credible offtaker to achieve project financing
 - > availability payment vs. user demand risk

- Some municipal services (water) do not reflect a pass-through of full cost to users (private financing is challenging because of the subsidy)
- Market confidence – certainty of approvals and political support
- Electoral cycles can challenge long term planning
- Potential bundling of smaller projects

- P3/AFP/alternatives need a catalyst to overcome inertia
 - > Political (UK)
 - > Fiscal (Australia)
 - > Combined (California)
- Canadian municipal experience with P3 currently limited beyond a few cities
- P3 Canada may be a catalyst for Canadian municipal projects
- Don't invent a new model (adapt, not adopt)

- Success factors for a robust municipal P3 market are common to many new P3 markets:
 - > Developing Pilot Projects
 - > Developing an Appropriate Financing Model
 - > Identifying Champions
 - > Capable Private and Public Sector Proponents (“Intelligent Client”)
 - > Proving Value for Money
 - > Risk Identification, Allocation and Management
 - > Engaging Prospective Bidders
 - > Legislative Reform

- Strike an appropriate and achievable balance in risk allocation
- Test VFM
- Develop a scaleable approach for smaller projects
- Shift to whole-life costing approach
- First Nations have severe infrastructure needs but more limited available financing tools

- Output Specifications
- Payment commencement (no payment until infrastructure available)
- Payment mechanism (performance-based payments/deductions)
- Dispute Resolution Procedure
- Events of Default
- Compensation on Termination

Project Agreement – Key Provisions

- Variations/Change Orders/cost and scope overruns
- Supervening events
- Change of law

- To maintain a competitive procurement process, need confidential process during the procurement to generate innovation and achieve benefits of competitive tension
- Ultimately seek a transparent and publicly disclosed outcome of the process
- Recognize need to protect confidential information, subject to FIPPA and MFIPPA

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Toronto	416.865.0040
New York	212.880.6000
Calgary	403.776.3700