

EDMONTON PUBLIC SCHOOLS

May 13, 2003

TO: Board of Trustees

FROM: A. McBeath, Superintendent of Schools

SUBJECT: Process for Developing a District Position Regarding Facility Procurement through P3 Initiatives

ORIGINATOR: A. Habinski, Executive Director School and District Services

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INFORMATION

**Purpose**

This report is intended to provide information on the process to develop a district position on the issue of alternative procurement of school facilities, commonly referred to as P3s. This reference can be applied to alternative approaches to finance and deliver schools and other public facilities through partnership with the private sector. It is anticipated that criteria and processes for the review of alternative procurement of school facilities will be developed and encouraged by the province in the near future. A district position regarding necessary conditions to consider P3s is required in order to deal with such approaches if they are endorsed and promoted by the provincial government.

**Background**

Alberta Infrastructure's 'Minister's Symposium on School Facilities' was initiated in 2001, and the issue of alternative procurement was identified as one of five key issue areas to be reviewed. The Coordination Committee established to review the key issue areas assigned the alternative procurement or P3 study to a subcommittee to conduct the review in the fall of 2002. A final report was submitted to the Symposium Coordination Committee on January 31, 2003. The Coordination Committee forwarded the Final Recommendations on Alternative Procurement Opportunities to the Minister of Infrastructure in April 2003 (Attachment I). Alberta Infrastructure is now working to address the impediments to P3 projects for school facilities identified in the final report.

In March of 2003, the Minister of Infrastructure forwarded information to school districts throughout the Province explaining some of the merits of P3s (Attachment II). In the months leading up to the announcement of the provincial budget, there were a number of statements made by MLAs, Cabinet Ministers and the Premier regarding the possibility of securing provincial infrastructure through alternative procurement methods, primarily through the private sector participation. Such a direction is subject to the fiscal policies of the provincial government, which bear the responsibility for funding public school infrastructure in Alberta.

The issue of infrastructure funding needs in Alberta received media exposure in the past six months, which generated a public discussion regarding funding approaches. Broader community and stakeholder input is recommended to ensure that decisions on future district directions in this area are based on recommendations and principles that have been developed considering input from a broad range of stakeholders.

The district needs a broad understanding of the complexities of P3 facilities and the impacts that such an approach might have on the organization and the community, prior to adopting a position to consider P3 projects. The administration will continue to collect and assess information regarding experiences and practices in the area of alternative procurement, factoring in the district's own experiences in securing educational space in privately-owned buildings.

### **Process**

Collection and review of information on P3s is underway to assist in identifying potential issues. An input session was held on March 11, 2003 with local and national representatives of the district's collective bargaining groups to obtain their views and positions on the concept of alternative procurement.

By the end of August, a draft P3 criteria will be developed based on review of accumulated information and input, in order to stimulate discussion through the remainder of the process. This draft will focus on necessary conditions under which proposed P3 projects could be screened for acceptability. A broad consultation process with staff group representatives, parents, and the broader community will occur in the fall of 2003 regarding the issue of P3 procurement and draft criteria.

This input will be reviewed and be considered in the development of a final draft for criteria. A recommendation on adoption of necessary conditions under which proposed P3 projects could be screened will be presented to the Board for consideration by the end of November 2003.

### **Research and Input Collected to Date**

There is a growing global inventory of initiatives in various sectors of public facility and service delivery. Information has been collected and reviewed regarding past and present practices in other jurisdictions and countries, both in education and other public service areas. Information includes research, analysis and opinion developed by public and private sector stakeholders, government bodies, academics, agencies and associations.

Some examples of Canadian P3 projects that involved private sector facility delivery, and operation in some instances, include the Confederation Bridge project linking Prince Edward Island with New Brunswick, several federal government office buildings across Canada, education facilities in New Brunswick and 38 privately-funded public schools in Nova Scotia. Our own projects such as Centre High, Woodside Central, Amiskwaciy Academy, Outreach sites, and the various Metro Community College locations inform us directly through experience.

Organizations such as the Canadian Council for Public-Private Partnerships promote expansion of the private sector's role in public sector service and facility delivery. Membership includes the property development and management industry, the real estate industry, the financial sector and the engineering and consulting industry. Suggested benefits include:

- Delivering more facilities when needed given a limited amount of capital availability
- Better value for money for construction and operation
- Greater flexibility for innovation in design, construction and operation
- Assumption of a reduced public risk associated with owned facilities by the private sector
- Greater opportunities to share a facility with appropriate partners and service providers
- Educational bodies can focus on education delivery and leave facility operation to others

In terms of assessment, public sector unions and public service advocacy groups have reviewed and assessed projects and initiatives at various levels across the country. Some specific studies raise the following concerns:

- Districts can lose control over maintaining their standards and policies regarding facilities, especially in the areas of access, monitoring of staff providing services, other tenants in a multi-tenant facility, etc.
- Districts can lose the decision making authority regarding the need for a school at the end of lease periods
- Maintenance and operation services by the private sector in leasing situations will compromise union staff positions
- School district facility and maintenance staff knows the business of school facilities better than the private sector, and does it most efficiently and effectively
- Shorter life-expectancy buildings likely mean lower standards for buildings components
- Public funding is the best value for the tax payer over the long term, and private provision factors in a profit margin that could be directed to public facility delivery
- Leasing leaves districts and the taxpayer with no long-term community asset
- There can be increased costs related to risks and legal costs to resolve disputes
- Administrative resources are still required to advocate with landlords over issues that arise during the course of a lease
- School districts can be opened to private sector risks if a landlord sells a lease interest, or becomes insolvent as a business
- The private sector is driven by maximizing return for private stakeholders and are accountable to them rather than to the public as are school districts
- The private sector typically only strives to meet minimum contractual obligations
- There is the possibility that developers may request schools built in neighbourhoods that would represent the interest of developers, rather than priority needs expressed by the school districts

## **Outstanding Issues**

A number of issues require review and resolution before the district could consider P3 projects, as identified in the Symposium Coordination Committee's Final Recommendations (Attachment I). There are restrictions in place around use and access to reserve designated lands by private interests. As one of the representatives of a P3, municipalities have interests and control of these lands through provincial legislation and bylaws. School construction on reserved land would require municipal acceptance and cooperation, and may require amendments to the existing Joint Use Agreement with the City of Edmonton.

Public policy on the appropriate methods to finance school infrastructure and procure needed facilities is the responsibility of the province. If the overall cost to deliver facilities under a P3 approach proves costlier than traditional methods, it will be up to the provincial government to rationalize the approach, be it fiscal or philosophical.

The district will need to ensure that issues of transparency and equal access to opportunities to deliver P3 projects are addressed through policies and procedures, if endorsed.

## **Summary**

It is important to fully review and assess issues related to such a complex concept as alternative procurement for school facilities, and to collect appropriate input prior to determining if the approach could be endorsed given certain conditions.

The province has not indicated that they have completed development of policies or legislative amendment to evaluate and facilitate P3 proposals, or to require consideration of this approach to deliver school infrastructure through the capital plan submission process. Development of a district position, which identifies necessary conditions under which P3 projects could be considered would enable the district to respond in the best interests of the public should this kind of procurement be endorsed by provincial policies.

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ATTACHMENT I - Alternative Procurement Report to the Minister of Infrastructure

ATTACHMENT II - Letter From the Minister of Alberta Infrastructure on P3s