P3 Glossary of Terms

**Base Costs** – costs required for the construction of the asset and maintenance over the project’s useful life. These include hard and soft construction costs, regular maintenance and operations costs and life-cycle maintenance costs.

**Procurement Costs** – costs associated with up-front procurement costs, legal, technical and advisory fees, project management costs and contract management over the life of the project.

**Financing Costs** – costs associated with borrowing and financing a project. Financing costs are typically higher for the private sector than for the public sector. However, savings in other aspects of the project tend to result in a net savings to the public sector.

**Risk Premium** – the monetary value assigned to risks associated with the project. In the case of P3 procurement, these risks are carried by the private sector partner.

**Retained Risks** – additional, unplanned costs that may occur over the project term due to unforeseen events, like construction delays. In the case of P3 procurement, the financial consequences of retained risks are carried by the private sector partner.

**Value for Money** – the net value or savings that can result when the costs of traditional and P3 procurement are compared and a project’s total costs (life-cycle costs) are taken into consideration.

For more information, visit the City of Saskatoon website and look under “P” for “Public – Private Partnerships.”

[www.saskatoon.ca](http://www.saskatoon.ca)
The City of Saskatoon is using P3 procurement to build the Civic Operations Centre and keep pace with our growing city over the next 25 years and beyond.

P3 Partnerships

A “PPP” or “P3” is a public-private partnership where the government and a private sector partner enter into an agreement to design, build, finance and/or maintain a piece of infrastructure. A P3 agreement can include any combination of these functions; one size does not fit all.

Civic Operations Centre (COC)

We will procure the new Civic Operations Centre as a P3 – a public-private partnership. The COC and surrounding site will be developed in phases, co-locating many of our City’s key operations and services.

Phase One will involve the construction and relocation of the City’s Transit Operations and the construction of a permanent Snow Storage Decontamination Facility for the city’s southwest quadrant. Phase Two will involve the relocation of the City Yards.

In addition to designing, building and financing the COC, our P3 partner will also be responsible for maintaining the Transit Facility, and maintaining and operating the Snow Storage Decontamination Facility. Our partner will handle these responsibilities for 25 years, turning responsibility back over to the City when our agreement ends. Throughout the 25-year period, the City will retain full ownership, control and accountability for the service delivered through the new COC. No net jobs will be lost, meaning no civic employees will be laid off or replaced because we have enlisted a P3 partner.

Projects delivered on time, on budget

Properly constructed P3 agreements offer many advantages, but three stand out. First, well-managed P3 agreements ensure on-time, on-budget delivery of large projects. Second, fixed payments over the life of the agreement make it easier for governments to plan and budget accurately. Third, P3s enable governments to transfer much of the financial risks associated with public infrastructure away from the taxpayer.

Alternative procurement, like P3, will allow us to pursue other priorities faster like the North Commuter Bridge and renewing the north downtown.

Savings and service...sooner

Public-private partnerships provide a way to finance needed facilities that may not be affordable for the City to deliver on its own. It means that state-of-the-art facilities can come on stream faster, address resident needs sooner, and minimize the impact on resident taxes. And, it means that any savings can be used to fund other core services or offset other costs.

Better value for money

Dollar for dollar, P3s tend to deliver better “value for money” over the long term – when all the construction costs, risks and ongoing repairs associated with a project are accounted for. The diagram below shows how a typical P3 stacks up to the traditional way cities build and maintain infrastructure.

How do public-private partnerships stack up?

“Value for Money” is a useful way to compare P3 and traditional ways of building and maintaining large-scale infrastructure projects. When the life-cycle costs, risks and repairs of an asset are considered, it is often more cost-effective for cities to deliver projects with a private-sector partner than building and maintaining facilities on their own.

Case Example: Civic Operations Centre (COC)

The Value for Money calculation for Phase One of the COC is projected to be 12% to 15%, achieving a savings up to $51 million.

Alternative procurement, like P3, will allow us to pursue other priorities faster like the North Commuter Bridge and renewing the north downtown.

The first phase of construction of the new COC will cost $128 million plus interest, financing, and transaction fees. This project has been approved by the federal government through PPP Canada which will fund 25% of these costs, up to $42.9 million. The remaining construction costs and maintenance costs will be paid to our P3 partner over a 25-year period.

The Value for Money calculation for Phase One of the COC is projected to be 12% to 15%, achieving a savings up to $51 million.