

Chapter 3: Develop the Implementation Plan

The purpose of this chapter is: To outline the steps the municipality should take prior to implementing a specific PPP project. They include:

- ❁ Establishing a project team
- ❁ Refining the project's scope
- ❁ Preparing a conceptual budget (shadow bid)
- ❁ Selecting a procurement process and evaluation criteria
- ❁ Preparing an implementation schedule
- ❁ Preparing and initiating a communications strategy
- ❁ Obtaining necessary approvals

Each of these steps relate to specific PPP projects chosen for implementation. A particular **project** will reach this stage either through the 'decision to partner' process outlined in *Chapter 2*, or through an alternate (ad hoc) approach taken by the municipality. No matter how implementation of a specific project has been chosen, the steps in this chapter, and the remainder of this document, apply to all types of PPP initiatives, regardless of their scope or intent.

Stages of The Partnership Building Process

1.
Establish the
Internal
Framework

2. The Decision
to Partner

3. Develop
the
Implementation
Plan

4. Selecting a
Preferred
Partner

5. Negotiating
the Contract

6. Working With
the Partner

3.1 Establish a project team

The role of the project team is to guide the PPP process from the planning stage through to negotiations and signing a contract. Even though it may be appointed by the PPP committee, it is **separate** and **distinct** from it. The specific responsibilities of the project team are:

- ❁ Determining if outside consultants are required and hiring them as needed;
- ❁ Developing an implementation plan for the partnership ;
- ❁ Selecting a preferred private partner (*Chapter 4*);
- ❁ Assisting in negotiating a service contract with the preferred partner (*Chapter 5*);
- ❁ Monitoring the private partner's performance and resolving any conflicts that arise (*Chapter 6*).

The municipality's PPP policy may require the project team to report directly to the PPP committee. However, this creates an additional layer of bureaucracy that can be avoided by having it report directly to council (or a committee of council).

Members of the project team should reflect the type of project. The same types of expertise required for the PPP committee will also be needed for the project team. However, this expertise will need to be more focused and developed in the project team.

The project team leader must be an individual who understands the service in question very well. It is possible that the ideal person is someone brought in on contract. That means that the person leading the team is working at arms-length from both the municipality and the partners, so they do not have a vested interest. They must have, however, enough authority within the municipality to give the project legitimacy. Otherwise, potential partners may not have enough confidence in the project's success to dedicate adequate time and resources to it.

Other things to consider when appointing the project team include:

- ❁ Making sure there is adequate **technical expertise** on the team. This will be very important when drafting the terms of reference for the project, writing Request For Qualifications and Request For Proposal documents, and evaluating proposals;
- ❁ Making sure the project team members are able to spend adequate **time** on the process;

- ❁ Looking for potential **conflicts of interest** among the team members. If any exist and are serious, or are seen to be serious, the person involved should not be included on the team;
- ❁ Assigning specific responsibilities to each team member;
- ❁ Establishing a process for **reporting** to senior management and council;
- ❁ Making sure the project team is given enough **authority** to complete the job;
- ❁ **Communicating** this authority to team members and potential private partners, and
- ❁ Considering the need for outside professional advisors (consultants).

Hiring outside advisors/consultants to assist project teams when required is considered a best practice. Areas where assistance may be needed include finance, contracts, accounting, environmental issues, engineering, insurance and law. Depending on the scale of the PPP, the cost of hiring these consultants is usually offset by the expertise and experience they provide.

Other reasons that the municipality should consider hiring consultants include:

- PPP is a complex and rapidly changing concept. Many of the issues involved will be outside the expertise of in-house staff. This will not be the case with those sitting on the other side of the negotiating table;
- Third party consultants can provide an unbiased opinion concerning whether PPP is the best option for the municipality. Opinions of in-house staff and the private sector are not necessarily free of self-interest;
- The presence of external advisors will help prove to potential private partners that the municipality is serious about PPP, not just conducting a 'fishing expedition.'
- The presence of impartial advisors will help eliminate criticism regarding equity and fairness in the selection process.

If the project team decides that outside consultants are needed, they should be brought on line as early in the process as possible. *Case study 3.1* illustrates how the Berwick Elec-

Case Study 3.1:

The Town of Berwick, N.S.

In May of 1996 the Berwick Electric Commission issued an RFP for consultancy services. The role of the consultant was divided into two phases:

Phase 1: Analyse the Commissions's existing hydroelectric generating system and make recommendations as to the desirability of a PPP for system enhancements;

Phase 2: If a PPP was deemed appropriate, assist the Commission in selecting a private partner and the negotiating a long-term construction and service contract.

The results of phase 1 concluded that a PPP was not a realistic option for the Commission at this time. As a result, phase 2 did not proceed and the Commission was saved considerable time and resources.

Contact: Mr. Don Regan (902)538-3724

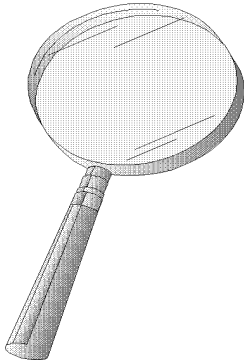
tric Commission saved considerable time and resources by including consultants from the very beginning.

It is important to note that, if the project team is assisted by consultants in the planning stage, these same consultants should **not** be permitted to bid on the final contract. **They should be made aware of this prior to signing a contract with the municipality.** This will avoid having the municipality subjected to justifiable charges of conflict of interest.

3.2 Refine the scope of the project

Once the project team has been established, its first task is to refine the scope of the project and decide exactly what it hopes to achieve through a PPP. This allows the project team to prepare a conceptual budget for the project and provides the team with the information required to prepare the terms of reference which potential partners will use to write proposals.

Refining the scope of the project consists of the following steps:



- A. Conducting a detailed needs assessment;
- B. Identifying acceptable and unacceptable risks;
- C. Identifying preferred partnership structures, and
- D. Specifying the basic conditions of the partnership

The PPP Policy will have already limited the scope of any partnership in general terms. For example, a PPP Policy may state that the ownership of all facilities and infrastructure involved in providing public services will remain with the municipality. The project team then decides which PPP structure involving public ownership is best suited to the situation.

A. Conducting a detailed needs assessment

If the municipality chooses to perform the 'Decision to Partner' process outlined in *Chapter 2*, a preliminary needs assessment will have already been done. The project team must now look at the service in more detail to determine exactly the specific, measurable, and quantifiable objectives it hopes to achieve through a PPP. If the service in question, for example, is a facility, the basic design, technical specifications, location, size, level and type of services to be offered, insurance requirements etc. must be defined.

If the project relates to a program or service, the desired level of service must be specified. The municipality may require a fleet management system for its vehicles so the needs assessment will identify the number of vehicles involved and the outcomes required from the system (i.e. maintenance scheduling, performance measurement, life cycle cost modeling, capital acquisition etc.).

Whether the project relates to infrastructure or a service, the needs assessment should identify the required results rather than how they will be achieved. Determining how they will be achieved is the role of the private sector in a partnership.

Additional factors to consider when assessing the municipality's needs include:

- ⊗ The **legislative or regulatory** requirements the service must comply with;
- ⊗ The **financial objectives** the municipality hopes to achieve, e.g. reduced or capped operating deficit, avoidance of capital debt, increased revenues;
- ⊗ The **employment objectives** the municipality wish to

achieve, e.g., creation of highly skilled jobs, protection of existing municipal jobs, new training programs, and

- ❁ The **economic development** goals the municipality hopes to achieve, e.g., new industrial growth, development of new technologies, growth in secondary industries.

The results of the needs assessment will guide the project to completion. It will form the basis of the project's terms of reference to be used by potential partners in writing their proposals and the project team will use the results as a guide in evaluating how well each proposal meets its needs.

Finally, the results will be used to evaluate the performance of the private partner throughout the life of the contract. **Each of the municipality's needs should be clearly stated so private sector firms can comprehensively respond to them in their proposals.**

In some circumstances the project team may be able to identify a clear need but have no preconceived solution for achieving it. Examples of such needs include:

- ❁ An information technology system for a school board
- ❁ Creating safer neighbourhoods
- ❁ A cleaner environment

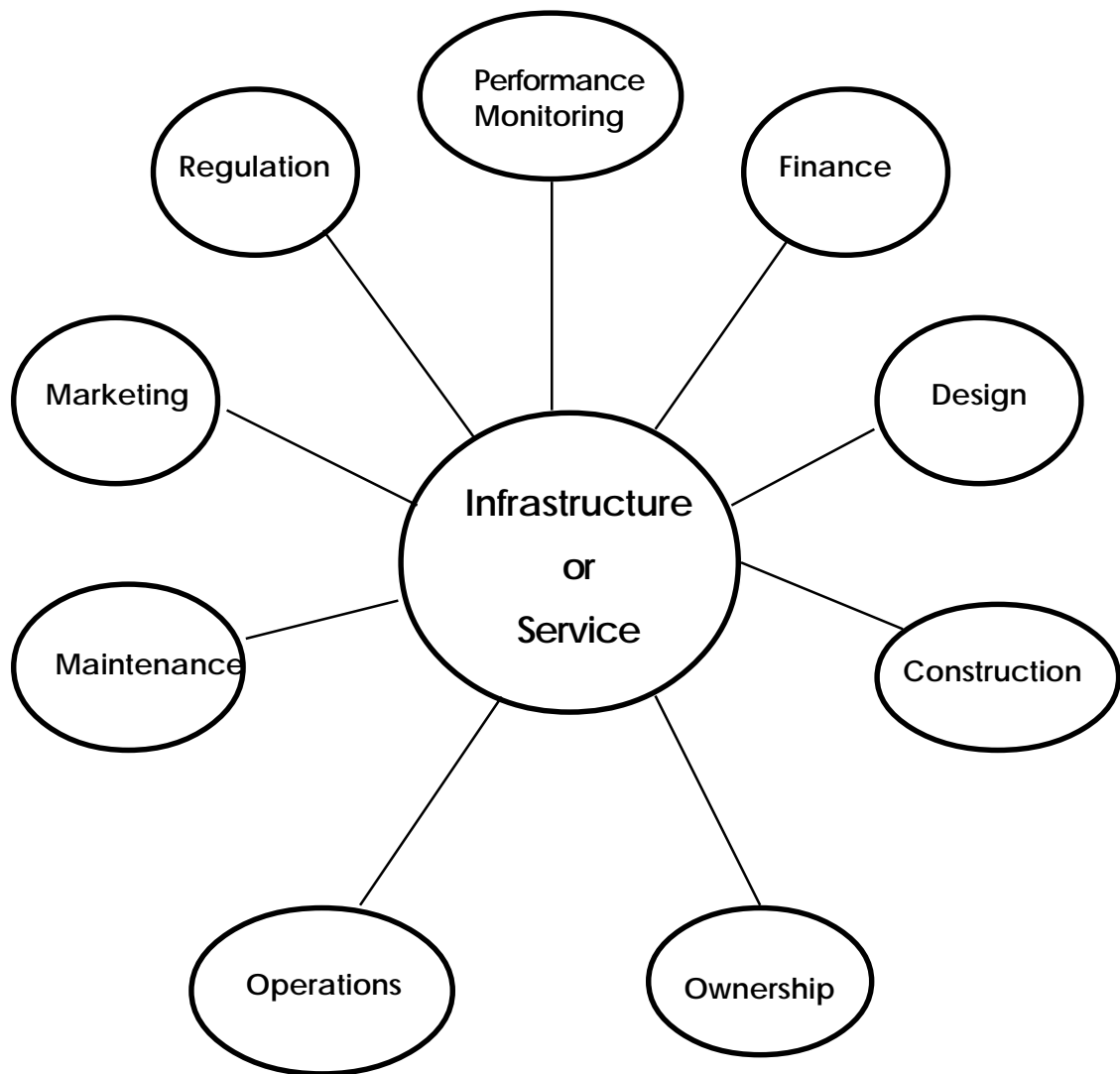
In situations where a need has been identified without a clearly defined solution, the completion of a detailed needs assessment and shadow bid may not always be possible so the project team might wish to hire a partner to assist in defining and communicating its needs. This is generally the approach taken by the **Cooperative Business Solutions** (CBS) process developed by the Province of Nova Scotia. More will be said on CBS later in the chapter.

B. Identifying and allocating risks

This document's introduction lists some of the general risks a municipality may experience when entering into a PPP. For the most part, these are risks the project team should try to eliminate. Loss of control, reduced service quality, and a perception of bias in the selection process, for example, are all undesirables that should not be present in any partnering agreement.

Not all risks **can** or **should** be transferred entirely. Risk is the foundation of all business. A PPP is simply a business agreement between two or more parties. The more risk a municipality transfers to its private partner, the greater the

Figure 3.1 Elements of municipal services to be analysed for risk transfer



level of compensation the partner requires in return. The challenge in any partnership is to share the risks in such a way that each partner receives the maximum benefit.

The final decision concerning the risks each partner assumes will be decided during the contract negotiation stage (*Chapter 5*). The role of the project team is to identify the full range of potential risks and determine which ones should be assumed by the municipality and which should be transferred to the private partner. It is important to maintain enough flexibility to allow innovative risk sharing suggestions from the private sector. Nothing should be written in stone until the contract is signed.

The following are some of the risks (and accompanying examples) the project team may wish to consider:

- **Standard insurable risks** (fire, flood, automobile, machinery, equipment, transit, worker's compensation, third party liability);
- **Design error or omissions;**
- **Delayed completion or start up date;**
- **Failure to supply product or service;**
- **Directors' and officers' liability;**
- **Insufficient demand** (lower than expected hook-ups to a private water system or lower revenues than expected from facility rentals/operation);
- **Environmental liability** (contamination of a water source or air pollution);
- **Employment practices liability** (fair hiring practices, equal opportunity or harassment);
- **Technology risk** (failure of proposed technology or inability to keep up with technological change);
- **Force majeure** (events beyond the control of either party such as changes in the law, expropriation, acts of God, etc.);
- **Business interruption** (strike, unplanned maintenance, insufficient operating capital);
- **Bankruptcy of private partner or subcontractor;**
- **Inflation or currency fluctuation;**

- **Permit compliance;**
- **Residual value of asset at conclusion of partnership;**
- **Political risk** (change of government, change in policies and priorities);

Some of these risks can be eliminated through insurance. This is especially true in the current market where competition among insurance companies has led to the emergence of new product lines, such as environmental or employment practices insurance. However, the cost associated with these products is often so high that it eliminates potential benefits they might provide.

Therefore, it is in the best interest of all parties to allocate risks to one or the other partner rather than incur the cost of eliminating them entirely. The structure of the PPP itself will dictate which partner is best suited to assume the greatest amount of risk. For example, if the service continues to be provided by municipal staff, employment practice risk should remain with the municipality. If ownership of a facility vests with the private partner, the risk associated with the value of the asset will likely remain with that partner.

Risk allocation can be complex, therefore the project team may wish to consider the assistance of an insurance advisor. Legal advice at this stage in the process may not be generally recommended as the role of the solicitor is to minimize or eliminate the risk to the client. Important legal concerns can and should be addressed at the contract negotiation stage.

C. Identifying preferred partnership structures

PPPs are defined by the various components of service provision allocated to each partner in the service contract (see *p. 7*). The first step in deciding which PPP structures are best suited to the service in question is to separate the service into components. Then the project team must decide which components can and should be transferred to the private sector under a PPP. Since the PPP policy may prevent the transfer of certain components to the private sector, this is the first place to look.

Things to consider when looking at each service component include:

⊗ **The decision to provide a service:** This is a municipal responsibility that can seldom be transferred to the private sector;

⊗ **Management and regulation:** Ultimate responsibility

for service provision and quality should remain with the municipality;

❁ **Project design:** This is an area where the private sector can bring significant benefits. The municipality can define the required outputs and allow the private sector to find creative ways of achieving them;

❁ **Procurement and construction:** The private sector can usually procure goods and services faster and cheaper than government. However, fairness and equity issues must be addressed.

There are significant advantages to combining design and construction in the hands of the private sector including faster implementation and transferring cost and scheduling overrun risks;

❁ **Finance:** Public sector financing is generally less expensive than private sector financing. But, the wider range of financing mechanisms and flexibility available to the private sector may negate this.

The municipality may be unwilling or unable to borrow for a project. **Municipalities in Nova Scotia are not currently permitted to borrow for assets which they will not own (under review);**

❁ **Ownership:** This is the most important factor in determining the structure of the partnership. Advantages of public ownership include control and accountability, tax advantages, and access to public financing.

Advantages of private ownership include ongoing maintenance and capital investment, expanded property tax base, and off-balance sheet capital financing.

The transfer of existing municipal assets to the private sector may not be permitted under existing legislation and regulations (under review);

❁ **Operations:** The private sector is often able to provide many services more efficiently than government. Municipal jobs and in-house expertise may be sacrificed and the risk of service interruption is also greater under private operators;

❁ **Maintenance:** If the private sector operates but does not own a facility, or if ownership reverts to the municipality following the contract, the private partner may not be motivated to perform adequate ongoing and preventative maintenance (unless it is regulated by the contract).

❁ **Marketing:** If marketing is a critical element of the partnership, the private partner may be in a better position to undertake this responsibility. There is a risk that certain socioeconomic segments of society will be neglected.

Although many of the above service elements go naturally together (e.g. finance and ownership, operations and maintenance, design and construction), a partnering arrangement can include any combination permitted under the PPP policy. If these categories need to be subdivided into further components, the project team should not feel constrained. They are only intended to provide a framework.

The decision on which components of service provision may be transferred to the private sector will narrow the range of potential PPP structures. For example, if public sector ownership is identified as a requirement, each of the PPP structures involving private ownership (Build-Own-Operate, Build-Own-Operate-Transfer, Build-Transfer-Operate and Lease-Purchase) can be eliminated from further consideration.

Other factors to consider when identifying preferred PPP structures include:

- Is the municipality able and willing to service additional debt?
- Does the municipality have an existing asset that it wishes to include in a partnership?
- Is speed of implementation a critical factor?
- Is the creation of new employment a key consideration?
- Is the municipality in need of design capabilities that lie outside its own abilities?
- Does the municipality have the in-house expertise to provide the service?
- Does the municipality wish to obtain a current or future asset?
- Is the municipality interested in creating new and innovative technologies?

By deciding which components of the service should be transferred to the private sector and by answering the above questions, the project team should have a fairly good idea of which PPP structures best match the service in question. As always, it is best to allow some flexibility for innovative suggestions from the private sector.

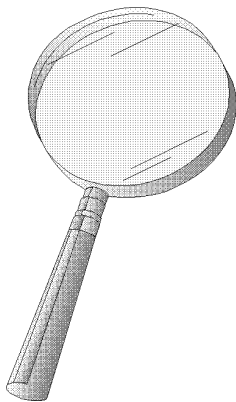
D. Specifying the basic conditions of the partnership

The last step in refining the scope of the project involves identifying the basic conditions of the partnership that have not been specified in the preceding three steps. These conditions will be detailed in the Request For Proposal document and may include the following:

- ❁ The preferred length of the partnership;
- ❁ Ownership of related assets during and after the partnership;
- ❁ Explicit performance specifications, standards, and expectations, including the roles and responsibilities of each partner;
- ❁ The process for measuring the partner's performance and monitoring those measurements for compliance;
- ❁ The terms and conditions under which confidential information is to be shared and the penalties for misuse;
- ❁ Treatment of existing employees (i.e. successor rights, fair wage and benefits policy);
- ❁ Profit and cost sharing provisions, and
- ❁ Performance bond requirements.

Some of these conditions may be subject to further discussion during the contract negotiation phase. The benefit of specifying them at this stage is that they communicate the type of partnership the municipality is seeking. The conditions should not be written in a manner that may discourage some eligible firms from bidding.

E. Preparing a conceptual budget



Once the scope of the project has been narrowed, the project team must find out how much it will cost to provide the service in-house. This process is commonly known as a “shadow bid”. There are three basic reasons for conducting a shadow bid:

- A. To determine what the municipality can afford;
- B. To assess whether or not a PPP will result in real savings;
- C. To communicate to potential partners the in-house costs they must compete with.

Preliminary benchmark costs may already been known if the municipality conducted the ‘Decision to Partner’ stage

outlined in *Chapter 2*. A more detailed analysis must now be conducted by the project team. Outside consultants may be required if the project team or other municipal staff members do not possess the expertise required to calculate these costs.

The method used to calculate benchmark costs will differ depending upon whether the proposed partnership is an infrastructure project (e.g. a water treatment plant, a bridge or an arena) or a municipal service (e.g. water treatment plant operations and maintenance, bridge repair or a summer recreation program).

If the proposed partnership involves a new facility or infrastructure, the total capital and facility operating costs must be calculated as if the municipality was doing the work itself through traditional tendering practices. Costs can be estimated through the use of published data, industry standard costs or comparable costs incurred by other municipalities. The help of outside consultants may be required to calculate benchmark costs.

Some preliminary design work may be required at this stage. The purpose of this design work is simply to allow the project team to prepare its shadow bid. When the time comes to select a private partner, potential bidders will be encouraged to suggest innovative design alternatives.

It is important that the municipality outlines what it considers to be capital costs and that both parties understand the municipality's definition before the final agreement is signed, in order to avoid miscommunication later on.

E.(i) Capital costs: The capital and facility operating costs which should be included in the shadow bid are:

- Land value
- Site preparation
- Design
- Construction costs
- Design and construction contingencies
- Consultants'/professional fees
- Other fees (tendering, advertising etc.)
- Inspection and testing

- Commissioning
 - Furniture and equipment
 - Interim financing costs
 - Cost of borrowing (MFC)
 - Insurance
 - Performance security
 - Start-up costs
 - Available capital funding programs
 - Taxes
- E. (ii) Facility operating costs:
- **Maintenance:** Including custodial, garbage removal, supplies, and general maintenance;
 - **Grounds:** Including snow removal and lawn or parking lot maintenance;
 - **Service and Maintenance:** Relating to mechanical, alarm, and communications systems;
 - **Utilities:** Including furnace oil, electricity, water, and sewer;
 - **General Expenses:** Including audit fees, salaries and benefits for maintenance staff, management fees, and insurance;
 - **Capital Repairs and Maintenance:** In the form of a reserve fund for facility maintenance and repair;
 - **Furniture and Equipment:** In the form of a reserve fund for furniture and equipment.

If the proposed partnership involves a service currently being provided by the municipality, the project team must calculate the 'true' cost of providing this service. True costing involves including all costs that a private service provider would incur if it was providing the service. Sometimes public sector operating budgets do not reflect true costs. For example, maintenance costs are covered in the public works budget so they don't appear in an individual department's accounts.

True costing includes the following:

- **Program Capital Costs** - facility lease or rental charges, equipment, and rolling stock;
- **Salaries** of all staff involved in delivering the service - instructional staff, human resources managers, medical staff, maintenance workers etc.;
- **Staff Benefits**;
- **Telephone** - costs associated with telephone, fax, conference calls, etc.;
- **Training** - ongoing, yearly training of existing and new staff;
- **Office Equipment** required on a yearly basis;
- **Postal/Courier** costs associated with the service;
- **Vehicle Rental and Maintenance** costs associated with vehicle purchases, rentals, and maintenance;
- **Travel** for staff, including meals, accommodation, mileage allowances, etc.;
- **Office Supplies** required to operate the facility on a day to day basis;
- **Advertising, Promotion, and Public Relations Activities**
- **Other Supplies** required to provide the service;
- **Overhead Costs** - a proportion of all costs (15 per cent for example) related to the use of such items that are currently provided by the municipality e.g. accounting and payroll systems, engineering, procurement, etc.;
- **Contracted Service** costs required to operate the facility.



True costs must also take into account revenues such as gate receipts or user fees for programs.

The purpose of the true costing exercise is not to provide a benchmark that the private sector must beat. Rather, the purpose of true costing is to allow the private sector to compete with the municipality's in-house operation on an even footing.

In some cases, a project team will be unable to refine the scope of the project enough to allow the calculation of these costs. This is especially true when the project deals with new or developing technologies or processes. The Cooperative

Business Solutions (CBS) approach adopted by the Province of Nova Scotia deals with such situations reasonably well.

3.3 Select procurement process

Prior to preparing a detailed implementation schedule, the project team must decide on the process it will employ to select a preferred private partner. In general, there are three processes that can be followed to select a private partner:

- A. Invitation to tender
- B. Request for proposals
- C. Cooperative Business Solutions (CBS) Process

The process that best suits a particular partnership will depend upon the number of potential partners interested in competing for the service, the municipality's time constraints, and the degree to which the project team has been able to define the its needs and the means to satisfy them.

A. Invitation to tender

Tendering is nothing new to municipalities in Nova Scotia. Also referred to as a request for bids or a request for quotations, the tender process awards the contract to the supplier meeting all the municipality's requirements **at the lowest cost**.

It is best used in situations where the municipality is able to define **exactly** what it requires and **exactly** how it should be provided. The tender document describes the specifications to be met and the terms and conditions that apply under a partnership. Bidders are not encouraged to suggest innovative alternatives to these specifications.

B. Request for proposals

When the project team is able to define exactly what it requires but detailed specifications are not available, a request for proposals (RFP) process should be used. The RFP invites responses from the private sector for evaluation against a preset list of criteria established by the project team. **Best value**, as opposed to lowest cost, is the key to selecting a partner in the RFP process. The RFP process is recommended in circumstances where:

- ⊗ Creative solutions are expected to be a key element of procurement;
- ⊗ The municipality expects the private sector to assume

substantial risk, such as financing risks or permitting risks;
and

- ❁ The private partner will be expected to provide investment capital for the project.

The RFP process should not be used to select a private partner when the tender process will work (i.e. the exact specifications are known). Table 3.1 summarizes the conditions under which the invitation to tender and the RFP processes are best suited.

B. (i) One stage process

The RFP process can be conducted in one stage or two. The one-stage approach involves using a single, detailed RFP document that can be issued to all interested parties or to a select number of potential partners. A one-stage process is appropriate when:

- ❁ There are very few potential suppliers;
- ❁ The timing for implementation is tight;
- ❁ It is not obvious on what basis a potential partner would be pre-qualified

Table 3.1: When to use the Invitation to Tender vs. the RFP process:

	Issue Invitation to Tender	RFP Process
Scope of work clearly defined	X	
Scope of work unclear		X
Municipality has adequate in-house expertise to design specifications	X	
Municipality wants control over design	X	
Requirement for complex system with many components		X
Requirement for 'leading edge' technology and/or programs		X
Cost appears unaffordable and innovation is required		X

- ❁ The cost of the process is an issue (a two-stage process is generally more expensive than a one-stage process);
- ❁ All potential partners need to have an opportunity to submit a detailed proposal;; and
- ❁ The cost for a potential partner to prepare a proposal is relatively low.

B (ii) Two stage process

A two-stage approach is used when the project team wants to develop a short list of potential partners and issue the RFP only to this select group. It is appropriate when:

- ❁ Access to a wide audience of potential partners is important;
- ❁ The expense of preparing a proposal is relatively high;
- ❁ There is a concern that certain qualified potential partners will not incur the expense of writing a proposal if the number of eligible competitors is very high, and
- ❁ When it is desirable to restrict the circulation of detailed and possibly confidential data to a short list of candidates.

The two-stage process allows the project team to conduct a detailed evaluation of a limited number of proposals, rather than going through proposals from every company that shows an interest. This also prevents unqualified companies from devoting significant time and resources to drafting a full proposal and increases each of the short listed potential partner's chances of success.

In a two-stage process, the RFP can be preceded by either a request for expressions of interest (RFI), or a request for qualifications (RFQ) document. Despite the apparent similarity of these two approaches, each serves a unique purpose and should only be used only appropriate conditions exist.

As mentioned in *Chapter 2*, an RFI can be used to test the feasibility of a partnership by gauging the level of private sector interest. At the partner selection stage, an RFI can be used when the project team is unsure of its needs or the best way of fulfilling them. The RFI includes a brief description of the project's requirements and solicits responses from potential partners who believe they have the ability to do the job. Potential partners are then invited to a bidders' meeting where possible solutions are discussed and strategic alliances are encouraged.

The information gathered from the RFI process can then be used by the project team to draft the detailed RFP. In this respect, the RFI is an information-gathering tool for the project team and the potential partners as opposed to a pure short-listing tool.

The RFQ is used when the scope of the project is well defined but it is not known which potential partners, if any, have the skills required to complete the work in the specified time frame. Proposals are evaluated on their qualifications, experience, management approach, financial viability, and references as opposed to how they would provide the service in question. The RFQ proposals are used to develop a short list of potential partners which are subsequently issued with the full RFP document.

It is important to remember that responding to both RFIs and RFQs is a costly process for the private sector. Neither should require so much detail and effort that potential partners are discouraged from participating. **The municipality should never use an RFI or RFQ to simply ‘test the waters’ with no real commitment to entering into a partnership.**

In most cases, either the invitation to tender or the request for proposal approaches will meet the municipality’s needs. However, some problems have been identified with these selection methods, particularly in relation to the acquisition of services. These include:

- Poor planning in the initial stages by the project team may lead to issuing a tender call or RFP even though the project is not feasible;
- The requirement for the potential partner to meet the legal obligations of the tender or contract even though the municipality’s needs may change or evolve;
- Inadequate resources on the part of the project team in the area of project management;
- An inability to anticipate advances in technology because specifications or requirements are determined too far in advance, and
- A lack of commitment from top management to devote sufficient resources to assure adequate user input into the project solution.

Many of these problems can lead to an adversarial relationship between the municipality and its potential private part-

ner; to numerous changes in the original contract with no competitive opportunities; and, ultimately, to the abandoning of the project all together.

C. Cooperative Business Solutions (CBS) Process

The Cooperative Business Solutions (CBS) approach was designed to address many of the shortcomings in the invitation to tender and RFP processes. It is best suited to cases where a general need has been defined by the municipality but it is unclear as to the steps required for satisfying this need.

Under the CBS approach, the private partner is selected very early in the partnership building process. Both partners then work together to define the solution and institute an implementation plan. Periodic 'off ramps' are made available to both partners to end the relationship with no penalty.

The CBS approach should only be used in place of the invitation to tender or the RFP process when the municipality has a well defined need with no preconceived solution. This approach is somewhat risky as the municipality enters into the partnership without an indication of how much providing the service might cost or if it can even be provided at all.

If the project team decides that a CBS approach is appropriate for a particular project, it should consult the Government of Nova Scotia document *A Process to Develop Cooperative Business Solutions*, 1994. It is available at the Nova Scotia Government Bookstore, (902) 424-7580, or toll-free at 1-800-526-6575.

Since municipalities in Nova Scotia are generally familiar with the invitation to tender process, the remainder of this document (particularly *Chapter 4*) will assume that an RFP process has been chosen to select a private partner. However, this is not always the best or the most cost-efficient way to form a partnership.

3.4 Preparing an implementation schedule

Once the project team has refined the project scope, prepared a conceptual budget, and selected a procurement process, it has the information required to prepare a detailed implementation schedule to guide the project team through the remainder of the PPP process.

Scheduling requirements will vary from project to project depending on the scope and the procurement process selected. In general, preparing an implementation schedule consists of the following steps:

- A. Identifying time constraints;
- B. Identifying remaining tasks and anticipated implementation times;
- C. Determining the critical path and confirming a schedule.
- D. Prepare and initiate a communications strategy

A. Identifying time constraints



Timing may be a critical consideration for the municipality. Regulatory requirements, deteriorating infrastructure, or public pressure may limit the amount of time the project team has to implement a partnership. Critical timings may also exist at different stages in the partnership building process.

If critical time constraints do not exist, the project team should still establish a preferred date for the commencement of a partnership. This date should be far enough away to allow a well thought-out implementation plan, but not so far off that it discourages prospective partners/consortia from taking an active interest in the project. Potential private sector partners may become concerned that the project schedule is unrealistic or poorly defined. This may jeopardize the successful completion of a partnership.

B. Identifying remaining tasks and timings

The project team must now identify the major tasks leading to a successful partnership and the amount of time required to complete each one. Tasks common to most partnerships include:

- ◆ Securing necessary approvals and permits (council, municipal, regulatory, provincial, or federal);
- ◆ Establishing a proposal evaluation team and evaluation criteria;
- ◆ Drafting, advertising, and issuing RFI/RFQ documents (allow 30-60 days for submission);
- ◆ Hosting bidders' meeting;
- ◆ Evaluating RFI/RFQ submissions and establishing a short list;
- ◆ Drafting and issuing RFP document (allow 60-90 days for completion);
- ◆ Evaluating proposals, including interviews with short listed

proponents, and selecting the preferred partner (within 30 days of proposal submission date);

- ◆ Debriefing unsuccessful proponents;
- ◆ Negotiating a draft service contract;
- ◆ Securing final approvals (council, legal, regulatory, provincial, federal); and

Figure 3.1
Critical Path Elements

Start: 01/01/XX	Establish evaluation team and criteria	Finish: 15/01/97
Start: 15/01/XX	Draft RFP document	Finish: 01/02/97
Start: 01/02/XX	Advertize RFP	Finish: 15/02/97
Start: 01/02/XX	Issue RFP document & required addenda (Proposal Submission Deadline)	Finish: 15/03/97
Start: 15/03/XX	Evaluate proposals and establish short list	Finish: 22/03/97
Start: 01/04/XX	Interview short listed proponents and select preferred partner	Finish: 08/04/97
Start: 08/04/XX	Negotiate draft contract	Finish: 08/05/97
Start: 08/05/XX	Secure final approvals and make required changes to draft contracts	Finish: 22/05/97
Start: 22/05/XX	Project roll out	Finish: 01/01/98

Non-Critical Path Elements

Start: 01/01/XX	Develop/initiate communications strategy	Finish: 08/01/97
Start: 01/01/XX	Secure necessary permits	Finish: 01/06/97
Start: 08/04/XX	Debrief unsuccessful proponents	Finish: 08/05/97

- ◆ Full project roll out, in phases if appropriate.

Contingencies should be used to offset the uncertainty associated with the timing of some of these tasks (e.g. approvals, contract negotiation, construction delays).

C. Determining critical path and finalizing the project schedule

The final step in preparing an implementation schedule is to identify those tasks in Step B that must take place in sequence, order them, and assign start and finish dates.

The project team is now provided with a timeline outlining each of the critical elements of the implementation process. Start and finish dates for other tasks not on the critical path can then be inserted, creating a comprehensive schedule. *Figure 3.1* provides a simplified example of what a PPP's implementation schedule might look like.

D. Preparing and initiating a communications strategy

History has shown that PPP initiatives are met with increased resistance in the absence of open and early consultation with affected parties. The importance of good communications cannot be overstated. Not only does it reduce the fear and uncertainty that typically comes with change, it is also a means of gathering good ideas and information from user groups that have an intimate knowledge of the service.

A municipality's PPP policy must contain a broad communications strategy that will apply to all partnering initiatives. At this stage, the project team must also develop a communications strategy related specifically to the project in question. Its purpose is to solicit input from and convey accurate information to the following:

- ⊗ Council and the PPP committee
- ⊗ Department managers
- ⊗ The public - users of the facility & the general public
- ⊗ Union leaders
- ⊗ Affected staff
- ⊗ Media
- ⊗ Other agencies or governments that regulate, fund, or benefit from the service in question

Communication with private sector proponents and the

selected private partner is discussed in *Chapters 5 and 6*.

The communications strategy can take many forms and have many possible components. In some cases the project team should use in-house expertise (where available) or they may wish to seek the support of a communications specialist to assist in its development.

In any case, the strategy should:

- ◆ Explain the reasons why the municipality is considering the PPP process and the benefits it anticipates will accrue;
- ◆ Clearly present the goals and objectives of the partnership;
- ◆ Outline the potential risks of adopting this new method of service delivery and the steps that the municipality is taking to eliminate or reduce them;
- ◆ Describe the decision-making process including the role of the PPP committee, the project team and any third party consultants;
- ◆ Outline the PPP structures under consideration and the broad implications of each;
- ◆ Include the implementation schedule and any other process information that is not confidential;
- ◆ Describe the opportunities for public involvement in the remaining process;
- ◆ Describe how the municipality will keep the public informed of progress towards selecting a partner and negotiating a contract,
- ◆ Allow public input so that there is a two-way flow of information.

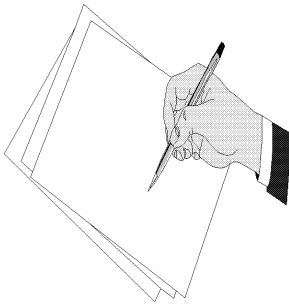
The communications strategy should be founded on this basic principle “if you want to build awareness, use the mass media; if you want to build trust, do it face-to face”. Therefore the communications strategy should include a mix of:

- News releases, radio and television interviews, and newspaper articles;
- Advertisements;
- Published phone numbers - voice mail, fax, 1-800, where the public can obtain information;

- Fact sheets, brochures, and information packages;
- Regularly scheduled newsletters;
- Regularly updated information on the municipality's web site, complete with an e-mail loop back to the municipality
- Open houses and public meetings, and
- Small, regularly scheduled briefing sessions for councillors and other stakeholders (employees, user groups, community groups, opinion leaders in the community).

The communications strategy must stress openness and transparency. **If there is bad news or the potential for negative implications, get it out in the open as early as possible.** By managing the flow of information to its different internal and external audiences, the municipality can take a proactive as opposed to a defensive position to problem solving.

3.8 Obtain necessary approvals



At this point, the project team may wish to report to council to obtain approval on the proposed implementation plan. Items which council may be most concerned about include:

- the proposed allocation of risk, preferred partnership structures;
- the basic conditions of the partnership;
- the proposed conceptual budget;
- the procurement process;
- the project's time line, and
- the communications strategy.

Changes to each may be required following this meeting.

Required permits and approvals from regulatory agencies should be sought at this stage, as these can take several months to obtain.

BEST PRACTICES

- ◆ Comparing public and private costs requires a full understanding of all the current costs of service provision including direct and indirect costs.
- ◆ Project teams for specific PPP projects must be separate and distinct from the municipality's PPP committee. These teams must have adequate time, experience, and authority to successfully complete the project.
- ◆ Prepare a conceptual budget (or shadow bid) to determine:
 - what the municipality can afford;
 - whether a PPP can result in real savings and create the intended results sought by the municipality from both a cost and management point of view, and
 - to communicate to potential partners the in-house costs they are competing against.
- ◆ Employ the selection process that best suits the type of project being considered.
- ◆ Use the two-step selection process to select financially sound and technically qualified firms. The RFI/RFQ process helps narrow down the number of qualified firms and tests the feasibility of the PPP. The RFP process then gives the project team a manageable number of proposals to evaluate.
- ◆ Use a Request for Information (RFI) when objectives are known by the municipality but the solution is not.
- ◆ Make a detailed schedule to map out all phases of the PPP from beginning to end.
- ◆ Implementing an effective communications strategy helps reduce the fear and uncertainty that comes with change.
- ◆ Communicate, communicate, communicate.