



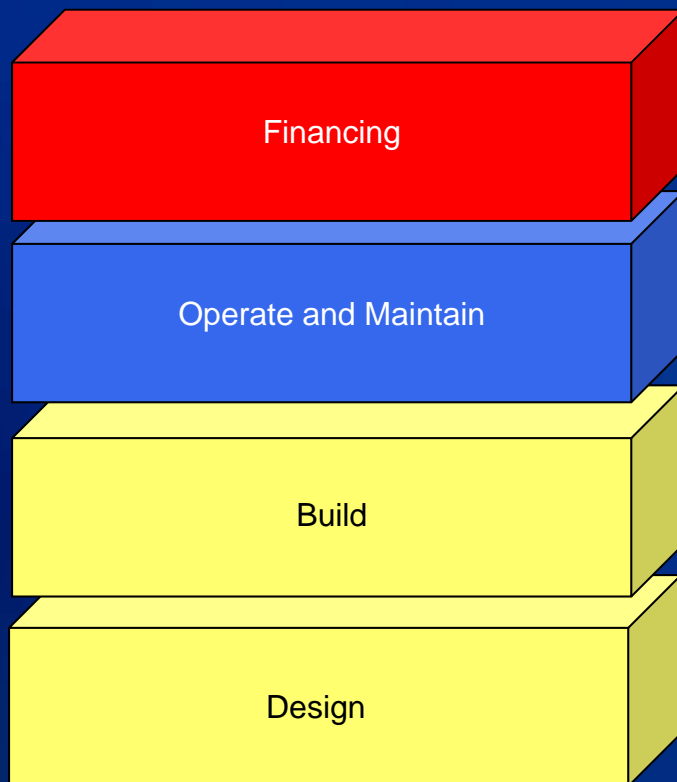
# City of Greater Sudbury Biosolids Project

## Section II – Alternative Procurement Overview

# Alternative Procurement

## *Alternative Procurement Defined*

- Under traditional procurement options, a significant portion of project-related risks are retained by the City



Owner is responsible for financing capital costs

Owner is responsible for the ongoing operation and maintenance of the facility.

Third-party undertakes the construction of the project based on the owner's design, with change orders issued for changes in scope.

Owner undertakes the design of the project (either through own resources or consultants) and assumes all risk of design issues.

- Alternative procurement involves approaches that transfer more risk than conventional procurement options

# Alternative Procurement Options Available

## Design-Build (DB)

- Owner outsources design of project to third-party consortium that is also builder
- Transfers design-related risks
- Reduces time as design and construction are undertaken concurrently

### Risk anchor

Performance bond

## Design-Build-Operate-Maintain (DBOM)

- DB with outsourcing of operations and maintenance to consortium
- Transfers operating and life-cycle risks
- Enhances risk transfer as design and construction issues will impact on operations and maintenance

### Risk anchor

Performance bond plus letter of credit, corporate guarantee and/or surety bond

## Design-Build-Operate-Maintain-Finance (DBFOM)

- DBOM with private sector financing provided by consortium
- Enhances level of risk transfer by placing consortium financing at risk

### Risk anchor

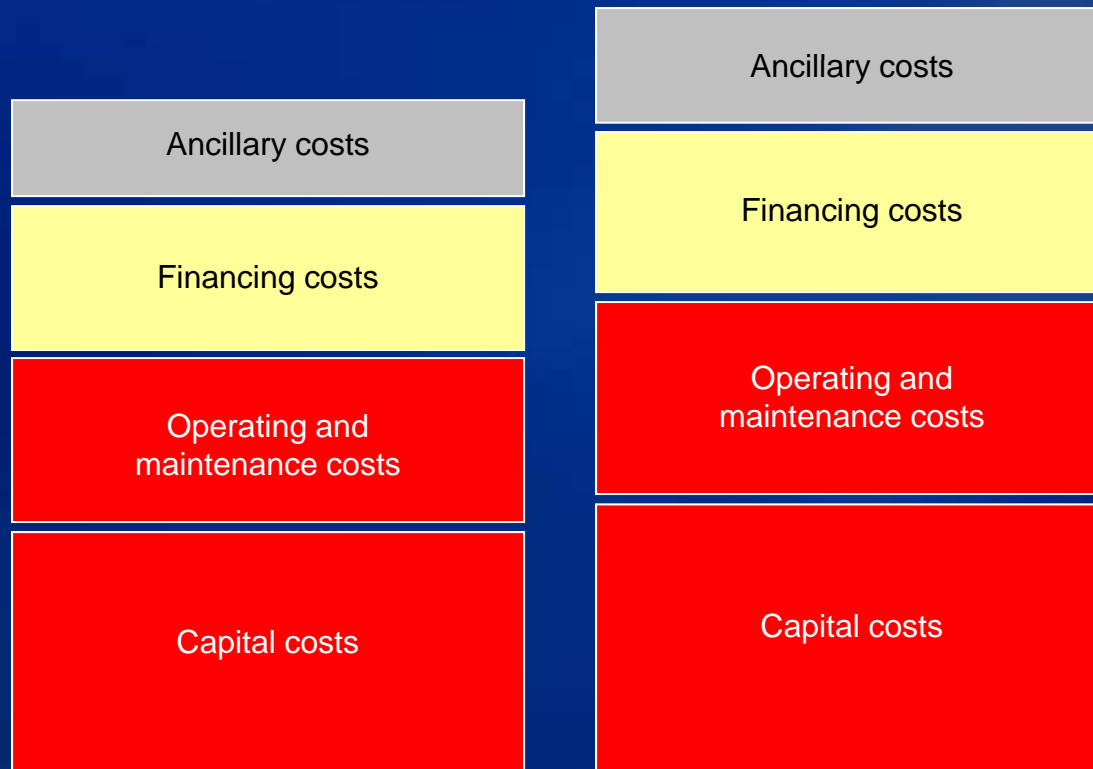
Performance bond plus consortium financing throughout concession period

Level of risk transferred to the private sector increases



# Determining the Recommended Approach

## *Illustrative Example*



Differential reflects premium charged by private sector provider for risks transferred from the public sector as well as differential in interest costs

Traditional Approach

Alternative Procurement

# Determining the Recommended Approach

## *Illustrative Example*

