

June 11, 2012

To: His Worship the Mayor
and Members of City Council

Re: Wastewater Treatment Plant Major Upgrades and Refurbishments – Project Delivery

**RECOMMENDATION OF THE EXECUTIVE COMMITTEE
- JUNE 6, 2012**

1. That the Deputy City Manager of City Operations be authorized to conduct any necessary analysis into alternative procurement options for the Waste Water Treatment Plant (WWTP), ranging from construction management to public-private partnership (P3).
2. That, as part of the assessment of P3 as a procurement option, the Deputy City Manager of City Operations be authorized to submit an expression of interest application to the **P3 Canada Fund** to determine if the WWTP project would be eligible for funding.
3. That the Deputy City Manager of City Operations return to Council by the end of 2012 to recommend a procurement method.

EXECUTIVE COMMITTEE – JUNE 6, 2012

The Committee adopted a resolution to concur in the recommendation contained in the report.

Councillors: Louis Browne, Sharron Bryce, Fred Clipsham, John Findura, Michael Fougere, Jocelyn Hutchinson, Wade Murray, Mike O'Donnell and Chris Szarka were present during consideration of this report by the Executive Committee.

The Executive Committee, at the **PRIVATE** session of its meeting held on June 6, 2012, considered the following report from the Administration:

RECOMMENDATION

1. That the Deputy City Manager of City Operations be authorized to conduct any necessary analysis into alternative procurement options for the Waste Water Treatment Plant (WWTP), ranging from construction management to public-private partnership (P3).
2. That, as part of the assessment of P3 as a procurement option, the Deputy City Manager of City Operations be authorized to submit an expression of interest application to the **P3 Canada Fund** to determine if the WWTP project would be eligible for funding.
3. That the Deputy City Manager of City Operations return to Council by the end of 2012 to recommend a procurement method.

CONCLUSION

The Administration will review a number of options to deliver the project, including, but not limited to Construction Management, Construction Management at Risk and P3. Section 69 of *The Regina Administration Bylaw* requires that Council approve the decision to carry out a delivery model assessment process for P3's. A key component of assessing a P3 option is determining its eligibility for funding through the **P3 Canada Fund**. The **P3 Canada Fund** is an application and merit driven process that provides up to 25% of a project's direct construction costs.

The City is required to submit an application to PPP Canada as a prerequisite for future funding consideration. Applications must be submitted by June 15, 2012. If the City does not submit an application by June 15, 2012, it would not be eligible for consideration for potential funding for this intake. Such a delay would effectively remove P3 from the list of procurement options. It is important to note that submitting an application at this stage would not bind the City into pursuing a P3. A decision to pursue a P3 or other alternative delivery option must be approved by City Council.

BACKGROUND

In 2008, the Administration received approval by City Council to engage professional engineering services for the pre-design, detailed design and construction engineering for the WWTP upgrades. The City awarded Professional Engineering Services to AECOM to provide Administration with preliminary design options for an upgraded facility. The 2008 report also provided the Administration with authority to review the construction engineering and delivery of the WWTP project. Since 2008, however, there have been a number of changes, primarily the establishment of PPP Canada in 2009 and City Council approval of *The Regina Administration Bylaw* No. 2003-69, CR12-30, which amended the "Purchasing Policy" to include P3s as a procurement alternative.

DISCUSSION

Design of a New WWTP

For the past several years, the City has been planning a significant investment in the WWTP to meet new regulatory requirements. In addition, many components within the existing WWTP are reaching the end of their economic lifecycle, and capital investments are required to ensure the plant continues to operate reliably.

In recent months, the WWTP Upgrade project has made significant progress. A conceptual design has been selected and the Saskatchewan Ministry of Environment (MOE) has defined the future treatment standards in the June 2012 WWTP Permit to Operate. The Permit also requires the City to complete the upgrade by December 31, 2016.

The conceptual design recommends a non-proprietary BNR (biological nutrient removal) process, which is a modern WWTP design used by most Western Canadian cities. This design concept includes significant savings from the reuse of existing concrete structures with a substantial new construction component.

The Administration's estimate to construct the facility is \$153 million +/- 20% (2012 dollars). In addition, there are likely to be cost construction escalations based on general economic inflation and future market conditions.

Delivery of the Project

The Administration is investigating a number of alternative service delivery options for the WWTP upgrade project including Construction Management, Construction Management at Risk and P3. There are a number of factors that support the use of alternative service delivery for the WWTP project, including: internal capacity, permit requirements, cost, and future operating constraints.

Internal Capacity

This project is unique in its significant size and complexity. The City is not equipped to deliver it through traditional means. Therefore, alternative options are favourable to deliver this project with increased flexibility and capacity.

Permit Requirements

The MOE has issued a Permit to Operate requiring the City to meet new effluent standards by the end of 2016. The City will not meet these requirements without upgrades to the WWTP. A delivery and procurement process must be able to deliver the project within the permit timeline. In order to keep the option of a P3 open for consideration, the City needs to initiate an application process to PPP Canada to determine if the WWTP would be eligible for funding. The application deadline is June 15, 2012. Submitting the application is not a commitment for P3 delivery, but would put the City in line to be considered for funding following the submission of a successful business case. If the City does not meet this application deadline, the opportunity for a P3 is not viable.

Cost

The upgraded plant is estimated to cost \$153 million +/- 20% (2012 dollars). The Utility has increased rates over the last several years in an effort to address ageing infrastructure and plan for this significant investment. The Utility Reserve contributions will not be sufficient to fund the entire project. In the absence of external funding, the City will be required to use debt to pay for a large portion of the project.

One of the drivers for considering alternative procurement options is the ability to control cost through financial certainty and an accelerated construction schedule. In addition, P3 is the only delivery option with the possibility of an external funding source through the **P3 Canada Fund**.

Future Operating Constraints

The current WWTP facility has served the City of Regina well and has reached its life expectancy. In addition, the equipment and processes are obsolete. A new plant will utilize contemporary technology that will need additional staff training and increased skills.

Procurement Policy

City Council amended *The Regina Administration Bylaw* in 2012 to provide Council with an additional tool to assess the procurement of large scale infrastructure projects, specifically, a process to examine P3's. Section 69 of that Bylaw requires the Administration to obtain Council approval before it can proceed with a delivery model assessment to determine if a project may be

delivered as a P3. The information requested as part of the **P3 Canada Fund** application is materially similar to the information contained in screening and strategic assessments (Section 69 (a)(i) & (ii) of the Bylaw). The Administration will be required by policy to return to Council with its recommendation on the method of delivery for the WWTP project.

RECOMMENDATION IMPLICATIONS

Financial Implications

Should the City's expression of interest receive favourable consideration, PPP Canada will require the preparation of a business case to assess the P3 option in sufficient detail. The cost for this is approximately \$250,000 and will take approximately five months to complete, with up to 25% of the cost being funded by PPP Canada. Investigation of this procurement process is within the current approved consulting services agreement that the City has with its consultant, AECOM.

The largest financial risk to the WWTP upgrade is the cost of project inflation. In addition, there are likely to be other cost construction escalations based on future market conditions.

Environmental Implications

The treated effluent will meet or exceed the MOE permit requirements and contribute to an improved environmental condition of receiving waters.

Strategic Implications

The assessment of alternative procurement methods will take into consideration the various factors discussed in this report that are seen as constraints in the WWTP project. Exploring alternative procurement and service delivery options is one of the objectives of Strategic Focus 2012.

Other Implications

None with respect to this report.

Accessibility Implications

None with respect to this report.

COMMUNICATIONS

Public notice is not required as per Section 101(2) of *The Cities Act*.

A communications plan has been developed to provide information on the WWTP upgrade. The communications plan will be revised once a procurement option has been selected.

Although Administration is in a preliminary stage of reviewing procurement options, the possibility of a P3 project for the WWTP may generate significant public interest.

DELEGATED AUTHORITY

City Council authorization is required to include P3s as one of the alternative procurement options to be examined and to submit a funding application to PPP Canada.

Respectfully submitted,

EXECUTIVE COMMITTEE

A handwritten signature in cursive script that reads "Joni Swidnicki".

Joni Swidnicki, Secretary