

October 1, 2014

To: Members,
Executive Committee

Re: Regina Wastewater Treatment Plant Upgrade Project - Value for Money

RECOMMENDATION

That this report be forwarded to the October 14, 2014 meeting of City Council for information.

CONCLUSION

This report provides the results of a post-award value for money (VFM) analysis for the wastewater treatment plant upgrade project (the "Project"). The VFM is a cost comparison of the net present value (NPV) of the Design, Build, Finance, Operate and Maintain (DBFOM) procurement model against the Design, Bid and Build (DBB) procurement model traditionally used for public sector projects.

The City has entered into a 30-year DBFOM agreement with EPCOR Water Prairies Inc. (EPCOR) on July 3, 2014. Since that time, construction has progressed well and the City transitioned operating responsibility for the wastewater treatment plant (WWTP) to EPCOR on August 1, 2014. Under the agreement between the City and EPCOR, prices are fixed for the next 30 years with the City continuing to set utility rates for the entire water, wastewater and storm water systems. The City retains full ownership of the WWTP.

As a requirement of *The P3 Canada Fund Financial Agreement* between the City and PPP Canada, the City is required to make public the value for money report for the Project. Following financial close, the City updated the VFM analysis to reflect the terms of the contract with EPCOR. The total VFM savings resulting from the use of a DBFOM procurement model, including funding from PPP Canada Ltd., is \$138.1 million or 29.3% over the DBB model.

BACKGROUND

On February 25, 2013 City Council approved the DBFOM delivery model for the procurement of the WWTP Upgrade Project. On July 3, 2014, the City entered into the DBFOM Project Agreement with EPCOR for the Project. Appendix A provides an overview of the approvals and documents that have resulted in the work that is currently underway.

DISCUSSION

An important indicator of the success of DBFOM procurement relates to the savings it may provide over more traditional procurement methods. With the conclusion of procurement, a report summarizing the value for money associated with the arrangement between the City and EPCOR has been independently prepared. This report is presented in Appendix B and is entitled: *City of Regina Wastewater Treatment Plant Expansion & Upgrade Project Value for Money Report*.

The report calculates net present value (NPV), which is the present value of expected future cash flows and expenses to the cost of initial investment. The NPV for the Project is then evaluated against the estimates for a comparator project using conventional procurement. In simplest terms, the difference represents the value for money for the P3 procurement method.

When the agreement with EPCOR, as well as the City's costs, was evaluated against the City's comparator project, a savings of \$94.6 million NPV or 20.1% was achieved. The above figures do not take into account the benefit to the City associated with \$48.2 million in funding from PPP Canada Ltd. The total savings including funding from PPP Canada Ltd. are \$138.1 million, or 29.3% over the conventional procurement model.

RECOMMENDATION IMPLICATIONS

Financial Implications

The significant savings for the Project and the benefit of receiving funding from PPP Canada Ltd. will provide the City with the ability to address other infrastructure demands and community priorities.

Environmental Implications

The upgraded WWTP will meet new regulatory requirements by December 31, 2016. It will treat effluent to higher standards that will better protect public health and the environment and improve downstream water quality.

Policy and/or Strategic Implications

The WWTP Upgrade Project is a 30-year agreement that assures a high quality of wastewater treatment to the residents of Regina at a substantial savings than if the Project had been undertaken as a DBB procurement model. The savings mean that the City will use less debt to complete the Project, allowing contemplation of other initiatives that would have previously not been available under the City's current borrowing restrictions.

Other Implications

None associated with this report.

COMMUNICATIONS

During the procurement phase of the Project, it was necessary to keep information confidential in order to ensure that the City would be able to negotiate a contract that provided good value to the community and ensured the integrity of the procurement process. Now that the procurement process has concluded, the City can release a number of documents through its Open Government website, allowing public access to this information.

Appendix C provides a summary of the documents that have been made available on Open Government.

DELEGATED AUTHORITY

This report will be forwarded to City Council for information.

Authority was delegated to the Deputy City Manager & COO to award the contract for the WWTP Upgrade Project and to enter into the Project Agreement and all related documentation in Council Reports CR13-26 and CM13-12.

Respectfully submitted,



Brent D. Sjoberg
Deputy City Manager & COO

Respectfully submitted,



Glen B. Davies,
City Manager & Chief Administrative Officer