

June 23, 2014

To: His Worship the Mayor
and Members of City Council

Re: Wastewater Treatment Plan Upgrade – Notification of Preferred Proponent

**RECOMMENDATION OF THE EXECUTIVE COMMITTEE
- JUNE 11, 2014**

That this report be received and filed.

EXECUTIVE COMMITTEE – JUNE 11, 2014

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

Councillors: Sharron Bryce, Bryon Burnett, John Findura, Jerry Flegel, Shawn Fraser, Bob Hawkins, Terry Hincks, Wade Murray, Mike O'Donnell and Barbara Young were present during consideration of this report by the Executive Committee.

The Executive Committee, at its meeting held on June 11, 2014, considered the following report from the Administration:

RECOMMENDATION

That this report be forwarded to the June 23, 2014 meeting of City Council for information.

CONCLUSION

The Administration has now completed the evaluation process for the *Regina Wastewater Treatment Plant Upgrade Project RFP 2245*. As a result, EPCOR Saskatchewan Water Partners has been notified that they have been identified as the preferred proponent to work with the City to complete the design, build, finance, operate and maintain (DBFOM) for the wastewater treatment plant (WWTP) upgrade project (the "Project"). The City will now begin working with EPCOR Saskatchewan Water Partners to finalize the contract known as the "Project Agreement". It is anticipated that the City and EPCOR Saskatchewan Water Partners will sign the Project Agreement and complete financial close in July 2014.

BACKGROUND

At the February 25, 2013 meeting of City Council, the DBFOM delivery model for the procurement of the WWTP Upgrade was approved (CR13-26). As part of this approval, City Council authorized the Deputy City Manager of City Operations to:

- prepare and issue a Request for Qualifications (RFQ) to identify short-listed proponents who could deliver the Project;

- award an opportunity to participate in the Request for Proposals (RFP) process to the three highest scoring proponents identified by the RFQ process; and
- prepare and issue a RFP to identify the Preferred Proponent who will deliver the Project.

In addition, City Council also approved the funding (CR13-26) for the DBFOM procurement for the Project. The approval required that the Project receive funding through the P3 Canada Fund.

On October 15, 2013, City Council reassigned the authorities granted to the Deputy City Manager of City Operations in City Council Report CR13-26 to the City Manager or his or her delegate (CM13-12). On October 16, 2013 the City Manager delegated this authority to the Deputy City Manager and Chief Financial Officer, Corporate Services. As a result of organizational change, on January 1, 2014 the City Manager maintained consistent executive leadership through delegated authority to the same individual as the Deputy City Manager and Chief Operating Officer.

On May 14, 2013 the City issued the Project RFQ (No. 2153). During the RFQ process the City of Regina held a Referendum on September 25, 2013 with the question determining the delivery model for the Project. The Referendum supported the February 25, 2013 decision of City Council, and the City was able to proceed with delivering the project through a DBFOM delivery model. The RFQ process was originally scheduled to conclude in July 2013, but was halted during the referendum period, and was concluded on October 16, 2013 with the announcement of the proponent shortlist. The following three proponents, in alphabetical order, were shortlisted in the RFQ process:

- EPCOR Saskatchewan Water Partners;
- Prairie Water Partners; and
- Wascana Environmental Partners.

On October 16, 2013 the City issued the RFP for the Project. The RFP process resulted in selecting the preferred proponent, EPCOR Saskatchewan Water Partners, to deliver the Project. The selection process for the RFP was based on the evaluation of the submissions and the ranking of the financial offers. The proponent whose technical submission met all the technical and financial requirements and provided the financial offer with the lowest total cost on a net present value (NPV) basis was selected as the preferred proponent.

On June 21, 2013, PPP Canada Inc. announced that the Project had been approved for funding under the P3 Canada Fund. The Project would be eligible for the lesser of 25% of the eligible capital costs of the WWTP upgrade, as determined by PPP Canada Inc. or \$58.5 million. On October 16, 2013, the City and PPP Canada Inc. entered into the Conditional Financial Agreement and the Final Financial Agreement on May 26, 2014.

DISCUSSION

The purpose of this report is to inform City Council that through the RFP process a preferred proponent has been selected, and the Administration is working with that preferred proponent, EPCOR Saskatchewan Water Partners, to finalize the Project Agreement and reach financial close for the transaction.

The RFP submission deadline was May 22, 2014. The evaluation team included representatives from the City of Regina, as well as a number of external technical and business advisors. The team evaluated each proponent's design, construction schedule, financial offer, and 28 management plans, including plans for construction, operation, asset management, permitting, and safety.

All proponents met the technical requirements for the Project and all financial offers were within the authority granted by City Council (CR13-26). The lowest NPV financial offer was provided by EPCOR Saskatchewan Water Partners and as a result, it has been identified as the preferred proponent for the DBFOM for the Project. The City will now begin working with EPCOR Saskatchewan Water Partners to finalize the Project Agreement. It is anticipated that the City and EPCOR Saskatchewan Water Partners will sign the Project Agreement and complete financial close in July 2014.

EPCOR Saskatchewan Water Partners includes:

- **EPCOR Water Services Inc.** – EPCOR currently provides services to more than 85 communities across Western Canada. EPCOR specializes in delivering water and wastewater solutions and has over 100 years of experience in water and wastewater system operation and maintenance. EPCOR is a municipally-owned organization with a long history of stable and cooperative relationships with CUPE and other unions.
- **Graham Infrastructure LP** – Graham Infrastructure delivers project services to clients across North America. The company started in Moose Jaw and has a permanent office in Regina.
- **Lockerbie Stanley Inc./ AECOM** – Lockerbie Stanley's primary business is management, procurement, construction and commissioning.
- **Stantec** – Stantec is an international, multi-disciplinary architecture and engineering firm.
- **Gracorp Capital Advisors** – Gracorp Capital Advisors provides finance planning, development, financing and long-term asset management services to Canadian infrastructure projects.

EPCOR Saskatchewan Water Partners' proposal included an Early Works option. This option will allow for construction to begin in June with site fencing, road access, site clearing and excavation. This option is intended to maximize the summer 2014 construction season and allow greater certainty in meeting the December 31, 2016 construction Substantial Completion deadline.

The City contracted J D Campbell & Associates as its Fairness Advisor. J D Campbell & Associates monitored the procurement process and has certified that the process was fair, as is required by the City's P3 Policy and *The Regina Administration Bylaw*, No. 2003-69. Refer to Appendix A for this certification.

Next Steps:

- *Financial Close:* During the next eight weeks, the City will proceed to finalize the Project Agreement and related documents with EPCOR Saskatchewan Water Partners. This process will be led by the City of Regina's legal advisor, Torys LLP, and supported by a number of internal and external technical and business advisors.
- *Announcement of Contract Award:* Pending the successful execution of the Project Agreement and financial close, an announcement will be made.
- *Design Development:* Design development is expected to occur throughout the remainder of 2014 and into early 2015 and happen concurrently with construction.
- *Full Construction and Operations Transfer:* Early Works will transition into full construction in August 2014 and EPCOR Saskatchewan Water Partners will be operating the WWTP.

RECOMMENDATION IMPLICATIONS

Financial Implications

The future achievement of financial close will result in a 30 year fixed price contract that is within the project budget for capital construction, and long term operations and maintenance.

Environmental Implications

None related to this report.

Policy and/or Strategic Implications

The procurement process was implemented as is required by the City's P3 Policy and *The Regina Administration Bylaw*, No. 2003-69.

J D Campbell & Associates was contracted as the City's Fairness Advisor to monitor and provide fairness throughout the Project procurement process. The Fairness Advisor has certified that the procurement process was conducted in a fair manner. Refer to Appendix A for this certification.

Other Implications

Legal: Until financial close is achieved, the City remains in an active procurement process. To maintain the integrity of the procurement process, the City cannot share specific information about the process, the proposals received or the outcomes of the evaluation. This information is privileged and confidential and must remain confidential to those involved within the process. A failure to maintain this confidentiality could put the City at risk of a challenge to the process and could result in the proponent's commercially confidential and proprietary information being released publicly.

To mitigate risk, the City of Regina has one spokesperson on the notification of preferred proponent. The City spokesperson is Brent Sjoberg, Deputy City Manager and Chief Operating Officer.

Accessibility Implications

None related to this report.

COMMUNICATIONS

A public announcement on the preferred proponent was made on May 29, 2014. No other details about the preferred proponent or its proposal will be released at this time, as the procurement process remains active until financial close is achieved with the preferred proponent.

DELEGATED AUTHORITY

This report will be forwarded to City Council for information.

Authority was delegated to the Deputy City Manager and Chief Operating Officer to award the contract for the Project to the successful proponent selected by the RFP (CR13-26 & CM13-12).

Respectfully submitted,

EXECUTIVE COMMITTEE



Jim Nicol, Secretary

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