Report - Standing Policy Committee on Public Works - June 10, 2003

Item No. 2 Alternative Project Delivery Strategies for Winnipeg's Water Treatment Plant
File GL-5.6.1

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On June 18, 2003, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Public Works, and submits the following to Council:

1. That the "construction management" project delivery strategy be utilized for design and construction of the water treatment plant, and that City forces operate the facility.

2. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing, including the execution of any documents related thereto.

Report - Standing Policy Committee on Public Works - June 10, 2003

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On June 18, 2003, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Public Works and submitted the matter to Council.

STANDING COMMITTEE RECOMMENDATION:

On June 10, 2003, the Standing Policy Committee on Public Works concurred in the administrative recommendation and submitted the matter to Executive Policy Committee and Council.

Re: Alternative Project Delivery Strategies for Winnipeg's Water Treatment Plant

For submission to: Standing Policy Committee on Public Works

Original report signed by: Barry D. MacBride, P.Eng.
Director
Water and Waste

Report date: March 13, 2003

In camera item: No

Recommendation(s):

It is recommended that the "construction management" project delivery strategy be utilized for design and construction of the water treatment plant, and that City forces operate the facility.

Report Summary

Key Issues:

- The issue of this report is who will control the design and construction process and subsequently operate the facility. In the recommended public service delivery approach, City staff control the design and operate the facility. In the alternative privatization approach, the City selects a private partner who would then design, build and operate the facility in a long-term (20 to 30 year) contract.

- With either alternative, the design services and construction services for the $214 million Water Treatment Plant will be provided by the private sector.

- Supporters of increased private sector involvement in the supply of drinking water believe that the private sector can design-build-operate water treatment facilities more economically and effectively than the public sector. Opponents of private sector involvement believe that the supply of drinking water should not be put into the control of private corporations. There are examples of successes and problems with either public or private service delivery. There are strong beliefs on both sides and the City can expect considerable debate on the issue.

- An issue exists as to the extent of public consultation and participation in a decision to privatize the water treatment plant. This report has been prepared with no public consultation. If Council chooses to give more consideration to privatization, a full public consultation process would normally occur. This would involve research on privatization, setting up a web site to provide public information, advertising and promotion of the issue to generate public understanding, public hearings by City Council, public opinion surveys, and finally bringing the issue to City Council.

- At the same time, it does not seem to make sense to proceed with an expensive and divisive public consultation process on privatization at a cost of $300,000 unless, at the outset, Council believes privatization of water treatment is an acceptable option.

- The Department is a public sector entity and as such has a bias to have control of the water treatment plant in the public sector. If Council proceeds to consideration of privatization and public consultation, a consultant independent of the Water and Waste Department should be engaged to assist Council.

- There are clearly arguments for and against public or private service delivery for water treatment in Winnipeg. At this point, there are no guarantees in either case. The Department is recommending public service delivery based on:

    - The degree of Council control over service delivery for water is higher under the public model; and
    - The benefits of additional process of public consultation and selection of a private partner are uncertain.

Implications of the Recommendation(s):

General Implications

	None
	For the organization overall and/or for other departments
X	For the community and/or organizations external to the City of Winnipeg
	Involves a multi-year contract

Comment:

- The private sector, including some large multinationals, would not be able to participate in a design build operate (DBO) project for the water treatment plant.

Policy implications

	No
X	Yes

Comment:

- The decision as to whether the water treatment plant is public or private may affect decisions about future projects.

Financial Implications

X	Within approved current and/or capital budget
	Current and/or capital budget adjustment required

Comment:

Report

Recommendation(s):

It is recommended that the "construction management" project delivery strategy be utilized for design and construction of the water treatment plant, and that City forces operate the facility.

Reason for the report:

Council requested that the Administration investigate and report on alternative project delivery strategies.

History:

1993 On December 15, Council approved the creation of the Water Treatment Reserve Fund to cash finance a portion of the cost of a water treatment plant.

1999 On May 26, Council approved a process for public consultation on whether or not to proceed with a water treatment plant.

1999 On October 6, a Council Seminar was held to present a summary of water quality guidelines, public health risks and consequences, recommended water treatment process, cost and financing of a water treatment plant.

1999 October 21 & 28, Special Meetings of Executive Policy Committee (EPC) were held to hear from the public on the need to construct a water treatment plant.

2000 On November 22, Council adopted the following recommendations:

1. The City proceed with treatment of the water supply as described herein.
2. Design and construction activities be undertaken so that the water treatment plant be operational in the year 2006.
3. That the water treatment process as identified through the pilot testing and described herein be adopted as the baseline process for comparison to alternatives and new technologies.
4. The Administration:

a) Investigate and report on emerging technologies such as ultraviolet disinfection and membranes;
b) Investigate and report on alternative project delivery strategies;
c) Prepare documents in support of any application by Council for Federal and Provincial funding.

2002 On July 17, Council adopted the following recommendations:

1. That the baseline water treatment process approved by Council be amended to include ultra violet (UV) light disinfection.
2. That the schedule for implementation of water treatment approved by Council be amended to facilitate staged implementation, with construction

of a UV disinfection facility to be operational in 2004, construction of a chloramination facility to be operational in 2005, and construction of the balance of the water treatment plant to be operational in 2007.

3. That membrane filtration not be considered for water treatment in Winnipeg, due to the high cost of the technology.

Discussion:

Preliminary design of the water treatment plant has now been completed and value-engineering relating to the preliminary design has been undertaken. Design of the UV disinfection works is underway with the objective of completing these works and having them operational in accordance with the Council mandated schedule of 2004. The Water Treatment Program is on schedule and on budget. Value engineering of the preliminary design was recently completed and identified potential savings of about $35 million relative to the preliminary design estimate. These suggestions are being evaluated.

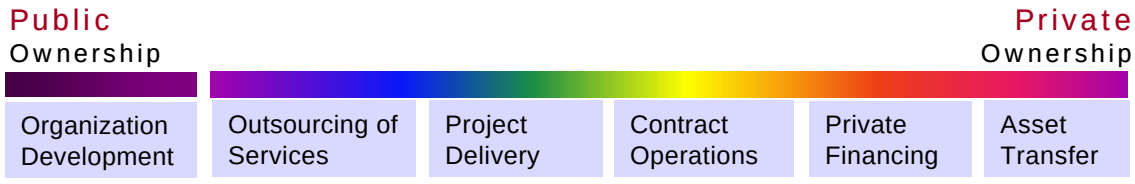
The immediate next steps involve following up on value engineering and preparation of environmental impact materials.

This report is submitted pursuant to recommendation 4. b) of the report adopted by Council on November 22, 2000, wherein the administration was directed to investigate and report on alternative project delivery strategies for design, construction and operation of Winnipeg's water treatment plant.

The report is based upon discussions with management consulting firms that provide advice on public private partnerships (PPP's), consulting engineers, design builders, contractors, and utility managers, as well as a review of literature relating to PPP's, and the Department's own experience. The Department is a public sector entity and as such has a bias to have control of the water treatment plant in the public sector.

Background

The spectrum of public - private service delivery as identified in the study is shown in the chart below[1].



Organizational Development refers to implementation of internal improvements in order to be competitive with private operators. The Water and Waste Department has undertaken Organizational Development of the type shown on the left side of the spectrum, with excellent results. The seven-day workweek in is an example of organizational development which:

[1] *Balanced Evaluation of Public Private Partnerships*, 1999, American Waterworks Association Research Foundation

- Reduced the operating budget by $1.3 million per year
- Reduced the liability of the equipment reserve by $3.5 million
- Facilitated the sale of surplus assets (1750 Sargent Avenue) with a value of $1.5 million

The Department is in the process of implementing a computerized work management system, skill based compensation, a cross-trained flexible work force and improved work practices. The savings resulting from these initiatives will exceed those of the seven-day workweek, with a projected reduction of staff complement of approximately 50 FTEs within the Water Services Division (down from 315) and no change in service levels.

The Department routinely outsources services when it is efficient to do so. Examples include garbage collection, recycling, biosolids application, water main renewals, cathodic protection, sewer cleaning, and sewer televising.

Capital project delivery have always used private sector resources, which include facilities design and contract administration by consulting engineers and construction by contractors. The record with respect to budget and schedule is good. By way of example, the ten-year $50+ million aqueduct renewal project is nearing completion. It is on schedule and within budget.

The City has experience with private financing and operations. The supply of oxygen for the sewage treatment process at the North End Water Pollution Control Centre in 1984 is an example of a long-term public private partnership. The Charleswood Bridge is another example.

City forces have always operated the water supply system and have a history of responsive, reliable and effective operation.

Water Treatment Plant – Alternative Project Delivery Options

The alternative project delivery strategies possible for implementation of Winnipeg's water treatment plant (WTP) range from conventional design and construction with operation by City forces to outright divestiture (asset transfer), where the WTP would be owned and operated by a private company.

The literature and experience elsewhere indicate that there is some potential to achieve savings in the design, construction and operation of the WTP through the use of PPP's. These PPP solutions would increase private sector involvement in project delivery and facility operation. They focus on the elements to the right of "outsourcing of services" in the above PPP spectrum.

Project delivery strategies that were reviewed for Winnipeg's WTP are summarized in Table 1. The strategies include:

- "Conventional" service delivery
- "Construction management'
- "Design build" (DB)
- "Design build operate" (DBO)
- "Design build finance operate" (DBFO)

Table 1 – Project Delivery Strategy and Responsibility Matrix

Project Delivery Strategy	Functional Design	Detailed Design	Management Of Subcontractors	Construction	Quality Assurance	Operation	Financing	Consider?	Remarks
Conventional "General Contractor"	City's Engineer	City's Engineer	Low Bidder – General Contractor	Low Bidder	City's Engineer	City Forces	City	No	Size of contract will limit Competition
Construction Management	City's Engineer	City's Engineer	City's Agent	Low Bidder(s)	City's Engineer	City Forces	City	Yes	City takes on additional responsibilities to coordinate smaller contracts
Design Build (DB)	City's Engineer	Design Builder's Engineer	Design Builder	Design Builder	City's Engineer	City Forces	City	No	Unacceptable Operating Risk
Design Build Operate (DBO)	City's Engineer	Design Build Operator	Design Build Operator	Design Build Operator	City's Engineer & DBO	Design Build Operator	City	Yes	Labour Issues and Risk
Design Build Finance Operate (DBFO)	City's Engineer	Design Build Operator	Design Build Operator	Design Build Operator	City's Engineer & DBFO	Design Build Operator	Design Build Operator	No	Economics Higher financing costs

At a screening level, three of the five strategies reviewed are not recommended for further consideration for Winnipeg as follows:

- "Conventional" service delivery is "tried and proven" and the department has a proven track record with respect to delivery of large complex capital projects. Under this strategy, the City engages a consulting engineer to undertake functional and detailed design of the WTP. Construction is undertaken by a general contractor and after project commissioning, the City begins to operate the facility.

  However, the WTP project is so large that very few general contractors in Winnipeg will be able to secure bonding. A similar situation existed recently in Winnipeg, resulting in only one qualified bidder, notwithstanding efforts to secure the interest of qualified out-of-town general contractors. Lack of competition on a large project can significantly impact bid prices. For this reason, this strategy is not recommended for further consideration. "Construction Management" is an alternative procedure developed to deal with very large projects.

- Design build (DB) has the advantage of transferring the risk associated with cost and schedule to the provider early in the project.

  However, when compared to "design build operate" (DBO), operational risks increase because the design-builder is detached from any operational responsibility and has less incentive to consider lifecycle costs or operational convenience. Operating costs and reliability are significant issues in the operation of the WTP. For this reason, DB is not recommended as a service delivery strategy for the WTP. DBO is a privatization alternative that overcomes the concern with DB.

- Design build finance operate (DBFO) transfers the risk associated with cost, schedule, operations, and financing to the proponent.

  However, studies and experience elsewhere indicate that private sector borrowing costs are higher than public sector borrowing costs. The higher borrowing costs associated with the strategy make DBFO uneconomical relative to a design build operate (DBO) strategy. Accordingly, there is no advantage to pursuing this strategy.

Another option, not listed in the Table 1, which has been used, is the managed competition model where the public sector "bids" against the private sector. This is an expensive alternative in that both the public model and private model have to carried through to the bid stage. The cost of this approach may be in the millions of dollars when such a large capital project is involved. Accordingly, it is not recommended for the construction of the plant. Managed competition is more suited to ongoing operation of an existing facility.

The remaining two strategies, which are viable options for delivery of Winnipeg's WTP, include "construction management" (the public option) and "design build operate" (DBO) (the private option).

The risk profiles and the responsibilities of the City and the proponent are quite different for the project delivery strategies under consideration. They each have unique advantages, disadvantages and public policy issues.

"Construction Management" Public Service Delivery

This is a public strategy in that control of design and the operation is done by the public sector. There are many examples of successful publicly built and operated water treatment plants across North America.

Construction management is preferred over the conventional general contractor approach because of the large size of the project ($214 million), which would limit competition.

Under the "construction management" service delivery strategy, the City engages a consulting engineer to undertake functional and detailed design of the WTP. A construction manager is then engaged by the City on a fee-for-service basis to manage construction of the WTP. The construction manager assists the City in coordinating tenders for the work, usually by sub trade, and coordinates construction of the work. After project commissioning, the City operates the facility.

"Construction management" service delivery is widely used for large complex projects, and there are a number of well-qualified experienced construction management firms in Winnipeg. Construction industry representatives indicate that the fee-for-service charged by construction managers is usually less than or equal to the mark-up by general contractors. There is a greater potential for cost savings from innovation using this delivery option than with a general contractor, because the construction manager can deal directly with the major subcontractors concerning potential changes. Further, the general contractor mark-up is avoided on changes to the work. The savings resulting from this service delivery option reflect the premium that is paid to the general contractor to assume the construction risk under the "conventional" service delivery strategy.

DBO Private Service Delivery

This is a privatization strategy where control over the design and the operation is by a private partner.

Under the DBO service delivery strategy, the City finances and owns the facilities but other decisions are left to the DBO service provider. A prominent example of a successful DBO would be the water treatment plant in Seattle, Washington. Recently, Halifax, Nova Scotia selected DBO for three new wastewater treatment plants. Closer to home, the Cartier water treatment plant on the Assiniboine River, west of Winnipeg, is an example of a privatized water plant.

Two years ago, the Greater Vancouver Regional District originally chose DBO to build a water treatment plant and began the process to select a private partner. There was a public reaction to this that led to public meetings and eventually the GVRD decided not to privatize the plant.

There exists large well-qualified and well-financed companies that have the ability to design, construct and operate a WTP for Winnipeg. Some of the organizations have access to

proprietary equipment, research and operating experience that may result in a more innovative and cost effective design. These companies have a larger breadth of experience in the operation of WTPs than the City, although it is likely that they would also have to invest in training of local labour to operate the facility upon start-up.

Typically, the City engages a consulting engineer to undertake functional design of the WTP. With functional design available, requests for qualifications and terms of reference are then prepared for DBO proposals. After the qualifications step, a short list of qualified firms is selected to submit proposals. In recognition of the work required to submit a bid, a significant fee is paid to those firms providing a legitimate proposal.

A careful selection procedure is critical to selecting a competent team to provide the services. The successful design build operator undertakes design and construction of the WTP and operates it upon completion, for a stipulated period of time.

Analysis of Construction Management and DBO

The recommended service delivery strategy must meet the need of the community for safe and reliable water treatment. The following considerations are important in determining the best service delivery option for Winnipeg.

- Financial -- the selected service delivery option should maximize value for money.
- Competency of the organization -- the service providers must have the necessary resources and experience to deliver the project and provide competent operating services.
- Risk and control –risk should be minimized or controlled for all phases of the project. The City must have appropriate control with respect to the quality of and size of the WTP and service levels during operation.
- Economic Benefits to the community -- benefits to the business interests of Winnipeg should (to the extent practicable) be maximized.
- Labour relations -- damage to labour relations resulting from the implementation of the project should be minimized.
- Customer relations -- customer confidence and service levels should not be negatively impacted as a result of this initiative.
- Timeliness – the selected service delivery option should minimize the potential for delays.

For each of the criteria, proponents of public or privatized facilities make the argument that the selected strategy is best.

Financial:

Construction and operating costs for the new WTP both represent a significant financial commitment for Winnipeg.

It is difficult to separate the "wheat from the chaff" when surveying public/private cost comparisons, and determining the relative merits of public versus private service delivery. Proponents on either side of the "public/private" fence are equally passionate. Private sector organizations make a compelling case for private sector operation of water treatment facilities.

At the same time, concerns raised by Water Watch and CUPE generate significant public concern and on occasion have caused the decision to use a private operator to be overturned.

The favourable literature indicates that the costs of DBO projects are lower than the public with claims of savings between 6% and 35%. The wide range reported is due to several factors. Typically, cost savings are calculated by comparing the bid price for the successful DBO proposal to a "reference bid".

Comparing a tendered price for a DBO with a "reference bid" based upon a cost estimate that is usually developed early in the design process is a bit of an "apples and oranges" exercise. The level of savings calculated depends upon the precision of the estimate used to generate the "reference bid". A carefully designed project that has been subjected to value engineering, carried to 100% design and bid competitively may yield significantly lower savings if any.

The City has invested significant resources to ensure that the water treatment process selected provides the appropriate water quality and quantity for Winnipeg now and in the future. Proponents of public control would say that the treatment process is an important economic and quality of life decision for the City, and should not be left to the marketplace to decide.

If the City controls process design, the potential for innovation and savings through DBO, will be reduced and similar to “construction management”, provided that value engineering is implemented at appropriate times during the design process. Value engineering of the preliminary design was recently completed and identified potential savings of about $35 million relative to the preliminary design estimate.

Based on experience elsewhere, the capital cost for well managed "construction management" implementation strategy should be competitive with a DBO, for projects of similar scope and quality.

The potential operating cost savings associated with DBO project delivery depend upon the level of automation of the facility, how well it has been designed and the level of expertise and effectiveness of the DBO provider as compared to the public operator.

The Department is already implementing the best practices relating to the operation and maintenance of its facilities. Accordingly, the potential for savings in this area is significantly lower than what might be experienced in other jurisdictions. The cost composition of the estimated operating budget for the WTP and potential areas where savings could result through the DBO service delivery strategy are shown in Table 2.

The main areas where savings appear feasible are “chemicals and consumables” and “residuals management”. It is likely that similar savings relating to chemicals and consumables can be achieved through partnerships and strategic purchasing arrangements. Residuals management is currently contracted out for our wastewater treatment facilities and a similar strategy could be employed for the WTP if savings appear likely.

Table 2 –Operating Cost Estimate

Cost component	$ Millions
Power/natural gas	2.25
Chemicals and consumables	4.00
Operating staff	0.70
Residuals management	0.60
Plant maintenance	1.40
Inflation	1.80
Property taxes	2.00
Total	12.75

The cost of oversight and contract administration must be included for the DBO option. Due to the size and complexity, this will require well-qualified City staff and ongoing attention.

Competency of the Organization:

City forces would operate the WTP under the “construction management” project delivery strategy. Under the DBO project delivery strategy the private sector would operate the WTP.

The private sector organizations likely to submit acceptable proposals for a project of this scale will possess greater capacity and knowledge with respect to operation of water treatment facilities than will City forces. It will be necessary for the City to invest in personnel and training in order to develop the necessary capacity to operate the WTP. This is quite achievable but will involve nominal start-up costs and an investment in staff.

Risk and Control:

Risk and control is a key area of difference with respect to the options.

Under the "construction management" public project delivery strategy the City has control of all design decisions and is therefore exposed to risk relating to the capital budget until the project is complete. During the design phase, controlling scope creep, undertaking value engineering, and performing rigorous cost estimates mitigate this risk. Trade-offs with respect to quality and costs are under the City's control. Ensuring that the contract documents are comprehensive and complete will minimize exposure to contract changes during construction.

During the construction phase, the City is exposed to risks relating to the overall project cost and schedule. The City's agent, who manages the construction phase, will manage this risk. In this model, implementing alternative designs during the construction phase can mitigate risks associated with cost increases. Similarly, alternative construction strategies can be considered if necessary to advance schedule. Decisions with respect to these measures remain under the City's control.

At start-up, the City is exposed to the risk that the plant will not perform as designed. However, this risk is shared by the design engineer and the contractors and can be mitigated through legal remedies.

After start-up, the City is exposed to risks relating to the operating budget that may result from increases in input costs, mechanical breakdowns and the like. There is also risk that additional investment will be required in the future if water quality regulations are changed or unpredicted changes in raw water quality or demand occur. The City is also exposed to risks with respect to the quality of the product water and must ensure competent reliable operation.

The foregoing risks are a normal part of the operation of the water utility, and the City possesses the necessary resources to manage these risks.

Under the DBO privatized project delivery strategy, the design build operator assumes the risks relating to the design of the facility, the cost of the facility and the schedule for construction, as well as for operation and maintenance of the facility for the duration of the operating contract. In theory, this minimizes the City's risk exposure with respect to project delivery. However, the City's control over the design of the facility is significantly lower. Some risks are not transferred. For example, the City is at risk in either case for raw water quality or water quality regulations change, or unpredicted water demands.

A lengthy operating contract makes the design build operator more accountable for producing a facility that is reliable and economical to operate and maintain. However, lengthy operating contracts can have disadvantages if unforeseen eventualities unfold in the future. The City is at risk of cost adjustments due to changes in the contract over time.

Disputes can evolve relating to the appropriate design, operation, level investment to preserve the assets, and whether or not quality objectives have indeed been met. There is no question that consumers will hold the City accountable for water quality, regardless of who delivers the service.

There are some risks that are specific to the DBO service delivery strategy that should be identified:

- Delays in the procurement process to select a private partner -- difficulties can arise during the PPP procurement process. This procurement is not required in the "construction management" strategy. This procurement may impact the project delivery date.

- Dissatisfaction with the service -- it may become apparent sometime after the PPP agreement is signed that the service from the private partner is not satisfactory. The City will have less control over the service level.

- Cost increases due to changes in requirements -- the private partner is committed to providing services as defined by contract; no more and no less. If changes in service level are required these must be negotiated.

- Bankruptcy or default – there is a risk that the private partner can go bankrupt and stop providing service. Contractual provisions can be included which allow the City to take over the assets and operate them in this eventuality.

- Free trade issues -- proponents against PPP's have argued that entering into a DBO arrangement would allow access by American multinationals to Canadian water through NAFTA. Legal opinions have been prepared on both sides of this issue. It would appear that although it is unlikely that water rights would be prejudiced by a DBO arrangement, it is impossible to provide a definitive answer on this issue at the present time.

- Liability caps -- often the private sector uses insurance and guarantee bonds to manage risks and these have an upper limit after which any further liability falls back on the municipality.

Economic Benefits to the community:

As stated earlier, the potential for local contractors to compete for work related to the WTP is greater with "construction management" than with "conventional" project delivery due to the scale of the project.

Under a DBO project delivery strategy, the potential for local participation is likely to be lower, due to the use of in-house expertise and/or firms with long-term relationships with the design build operator. Further, City purchasing policies will not govern the private partner and costs are likely to be negotiated, which may impact margins.

Labour relations:

Labour issues -- there is no question that private operation of the WTP will have a significant, negative impact on labour relations with the Canadian Union of Public Employees. (CUPE) is on record as vehemently opposing private sector operation of the WTP. CUPE has a national campaign called “Water Watch” to defend against privatization of water and wastewater services.

Customer relations:

Surveys indicate that our customers have a high level of satisfaction with respect to water services. If the City proceeds on public consultation with respect to privatization, a public debate will ensue between labour on one side and large multinationals on the other that will be vigorous and rancorous. The customer may be left wondering whom to believe and consumer confidence may decline as a consequence.

Timeliness:

It is possible to complete and commission the WTP using the "construction management" project delivery strategy by 2007. The complexity of the public consultation, proposal process, and contract negotiations associated with a DBO, and the delays that are likely to occur pursuant to debates between opposing factions concerning this initiative could delay the completion of the facility by up to one year.

Conclusion

Table 3 summarizes the above discussion on the comparison of the two alternatives. There are clearly arguments for and against public or private service delivery for water treatment in Winnipeg. At this point, there are no guarantees in either case. The Department is recommending public service delivery based on:

- The degree of Council control over service delivery for water is higher under the public model; and
- The benefits of additional process of public consultation and selection of a private partner are uncertain.

Alternative

The recommendation of this report is the use of the public sector model.

An issue exists as to the extent of public consultation and participation in a decision to privatize the water treatment plant. This report has been prepared with no public consultation. If Council believes that more consideration should be given to privatization, or that more public consultation is required on public operation, a full public consultation process would normally occur. This would involve research on privatization, setting up a web site to provide public information, advertising and promotion of the issue to generate public understanding, public hearings by City Council, public opinion surveys, and finally bringing the issue to City Council.

For this alternative, it is recommended that an consultant be engaged independent of the Water and Waste Department to undertake an alternative service delivery study concerning WTP, and that the terms of reference for the study include public consultation concerning the matter. If this option is selected it may be necessary to extend the completion date for the facility by one year.

Table 3 - Project Delivery Strategies and Stakeholder Needs Evaluation

Criteria	Construction Management (Public)	Design Build Operate (Private)
Financial	• Capital Cost same as DBO; • Operating cost may be slightly higher than DBO;	• Capital Cost same as CM; • Operating Cost may be slightly lower than City operation;
Competency	• Skills to operate WTP must be developed; • Management skills exist	• DBO firms are experienced in WTP operation;
Risk and control	• Risk is under the City's control and manageable;	• Control is private which exposes City to different risks.
Economic Benefits to the community	• Purchasing policies followed	• No requirement to follow public purchasing policies
Labour relations	• Positive impact	• Significant negative impact

Customer relations	• No change	• Risk - debate could undermine confidence
Timeliness	• Can be implemented by 2007	• One year delay for public consultation and partner selection
In all cases the City is fully accountable for the delivery of safe drinking water and must ensure performance of the entity responsible for water treatment.		

Process

In the course of preparing this report, the Administration reviewed the City's "Policy and Framework for Alternative Service Delivery in the City of Winnipeg." It appears that an analysis of alternative project delivery strategies for the water treatment plant fall outside the intended scope of that policy. For clarity, it was and will be assumed that the processes set out in that document are not intended to apply to these issues unless Council chooses to specifically refer the matter to the ASD review process by inclusion on an ASD Review Agenda.

Financial Impact:

There is no financial impact associated with this report.

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Moira L. Geer
Manager of Finance and Administration

In preparing the report, there was consultation with and concurrence by: the Materials Management Division and Legal Services.

This Report Submitted By:

Department: Water and Waste
Division: Water Services
Prepared by: Tom Pearson
File No. 020-18-29-05-00 and 010-18-29-05-00

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