Minutes – Executive Policy Committee – May 18, 2021

REPORTS

Item No. 13 Single Source Negotiation for Professional Consulting Services to Undertake a Private-Public Partnership Market Sounding and Analysis for the North End Sewage Treatment Plant Upgrades – Biosolids and Nutrient Removal Facilities Project – Materials Management Reference No. 386-2021

EXECUTIVE POLICY COMMITTEE DECISION:

The Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service, as amended, namely:

1. That the current Operation and Maintenance of Winnipeg's sewage treatment utility shall remain public and that the Operation and Maintenance not be included as part of the P3 market sounding.

2. That a single source contract be approved with Deloitte LLP of up to $400,000 to conduct a market sounding for a Design, Build and Financing P3 for Phases 2 and 3 of the NEWPCC upgrades.

3. That the Public Service report back to Council on the results of the market sounding and analysis.

4. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

DECISION MAKING HISTORY:

Moved by Councillor Gillingham,

That Rule 10(3) of The Procedure By-law No. 50/2007 be suspended in order that the following item, which was received less than four business days preceding the committee meeting, be considered by Committee.

Carried

Moved by Councillor Gillingham,

WHEREAS upgrades to the North End Water Pollution Control Centre (NEWPCC) are essential to ensure the long-term health of Lake Winnipeg, to support growth in the City of Winnipeg and are ultimately a provincial regulatory requirement;

AND WHEREAS Winnipeg City Council unanimously endorsed the Headworks (Phase1) and the Biosolids (Phase 2) of the NEWPCC upgrades for federal and provincial funding under the Investing in Canada Infrastructure (ICIP) Program in 2019;

AND WHEREAS it is critical that the City of Winnipeg obtain funding from other levels of Government for the NEWPCC upgrades to ensure that Winnipeg ratepayers do not bear the full cost of these significant projects;

AND WHEREAS Council's ICIP funding application for Phase 2 of the NEWPCC upgrades is based on a Design Bid Build procurement approach for these projects;

AND WHEREAS the Province of Manitoba has requested the City of Winnipeg explore a P3 market sounding to gage interest from the private sector in pursing a Design Build Finance Operate Maintain (DBFOM) model for Phase 2 of the NEWPCC upgrades as well as Phase 3 of this project which involves nutrient removal;

AND WHEREAS the Public Service advises that the DBFOM is the most complex of P3 arrangements, that requires the private sector to be involved in the capital upgrades, and financing thereof, but also the long term operating and maintenance of the NEWPCC;

AND WHEREAS the Province has advised the City that a market sounding of the DBFOM approach is a pre-requisite of its financial support of Phase 2 of the NEWPCC upgrades;

AND WHEREAS a DBFOM approach would result in outsourcing the operations and maintenance of the entire sewage utility given the integrated nature of the 3 sewage treatment plants;

DECISION MAKING HISTORY (continued):

AND WHEREAS the Winnipeg Public Service, with the advice of external consultants does not believe that outsourcing operations and maintenance of the sewage utility will produce cost savings or operating efficiencies, and to the contrary, could introduce significant risk to the safe operation of this critical utility;

AND WHEREAS the City could also conduct a market sounding of a less complex P3 arrangement involving only the Design, Build and Financing of the capital upgrades for Phases 2 and 3 of the NEWPCC upgrades, and exclude the operating and maintenance components.

THEREFORE BE IT RESOLVED that the recommendation of the Winnipeg Public Service be concurred in with the following amendments:

- Delete Recommendation 1 in its entirety and replace it with the following:

  "1. That the current Operation and Maintenance of Winnipeg's sewage treatment utility shall remain public and that the Operation and Maintenance not be included as part of the P3 market sounding."

- Add the following new Recommendation 2 and renumber the remaining recommendations accordingly:

  "2. That a single source contract be approved with Deloitte LLP of up to $400,000 to conduct a market sounding for a Design, Build and Financing P3 for Phases 2 and 3 of the NEWPCC upgrades."

Yea:	Bowman, Browaty, Gillingham, Mayes	4
Nay:	Allard, Gilroy, Rollins	3

Carried

ADMINISTRATIVE REPORT

Title: **SINGLE SOURCE NEGOTIATION FOR PROFESSIONAL CONSULTING SERVICES TO UNDERTAKE A PRIVATE-PUBLIC PARTNERSHIP MARKET SOUNDING AND ANALYSIS FOR THE NORTH END SEWAGE TREATMENT PLANT UPGRADES: BIOSOLIDS AND NUTRIENT REMOVAL FACILITIES PROJECT**
MATERIALS MANAGEMENT REFERENCE NO. 386-2021

Critical Path: **Executive Policy Committee**

AUTHORIZATION

Author	Department Head	CFO	CAO
M. L. Geer, CPA, CA, Director, Water and Waste Department	M. L. Geer, CPA, CA, Director, Water and Waste Department	C. Kloepfer	M. Ruta, Interim CAO

EXECUTIVE SUMMARY

This report is for the approval of single source negotiations with Deloitte LLP to conduct a market sounding for a private-public partnership (P3 Model) for the delivery of the North End Sewage Treatment Plant (NEWPCC) Upgrade: Biosolids (Phase 2) and Nutrient Removal Facilities (Phase 3). Even though the ICIP application is only for Biosolids (Phase 2), the City has been asked to review a P3 model for phases 2 and 3 of the NEWPCC Upgrade. Funds for the single source contract can be accommodated for within the existing Council approved budget for NEWPCC Upgrade: Biosolids Facilities Project.

The Public Service recently received confirmation that the Province of Manitoba requires the City of Winnipeg to test the feasibility of a Design Build Finance Operate Maintain (DBFOM), which is the most complex P3 model whereby the private sector is responsible for the capital upgrades, the operations of the facility for a specified period of time (often 30 years), as well as sharing in the financing of the project between the public and private sector. The Public Service, with the assistance of external consultants, has advised the Province this is not a feasible solution, but the City has still been directed by the Province to test the market.

The DBFOM market sounding will apply to the entire sewage treatment system at the three sewage treatment plants within the City, South End, West End and North End. The network's main control systems are housed at the largest plant, the NEWPCC and a full out DBFOM model would apply to the entire network.

The single source assignment is being recommended as Deloitte LLP has completed a preliminary analysis for the City of Winnipeg and the ICIP funding application is time sensitive. This work will be undertaken in stages. The City needs to proceed with the NEWPCC Upgrade: Biosolids Facilities project as soon as possible as Biosolids capacity is limited and could halt development in the City of Winnipeg.

Approval of this consultant assignment is recommended to complete the P3 analysis to advance the ICIP funding application to the Government of Canada as quickly as possible. If the single source is not authorized a public bidding process would create a delay of a minimum six months, duplication of work and increased costs.

Following the approval of the Recommendations of this Report, a subsequent Report will be submitted to an appropriate Award Authority for approval of Award of the Contract.

The Recommendations of this Report are compliant with the Materials Management Policy, and with the applicable Trade Agreements (as detailed in the History/Discussion section).

RECOMMENDATIONS

1. That single source negotiations be approved for a contract with Deloitte LLP to provide Professional Consulting Services to undertake a private-public partnership market sounding and analysis for the NEWPCC Biosolids and Nutrient Removal Facilities Projects as required by the Province of Manitoba for the Investing in Canada Infrastructure Program (ICIP) Funding Application for the City of Winnipeg at an estimated cost not to exceed $400,000.00, GST and MRST extra as applicable.

2. That the Public Service report back to Council on the results of the market sounding and analysis.

3. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

Approval of Executive Policy Committee is required for any single source negotiation for Consulting Services where the estimated value of any Consultant Services exceeds $75,000.00 in total, including all phases of any given project, pursuant to Administrative Standard No. FM-002.

IMPLICATIONS OF THE RECOMMENDATIONS

Funds in the amount of $15,334,000.00 are included in the approved 2020 Capital Budget for NEWPCC Upgrade: Biosolids Facilities Project, Account Distribution No. 444 181000 200752 203110028B Exconsult.

HISTORY/DISCUSSION

On February 28, 2019, Council approved the North End Sewage Treatment Plant Biological Nutrient Removal Upgrade Project report recommending the NEWPCC Upgrade Project would be split into three separate capital projects to mitigate the risk associated with a single large, complex and lengthy project. The project was amended to: 1) NEWPCC Upgrade Project: Power Supply and Headworks Facilities; 2) NEWPCC Upgrade Project: Biosolids Facilities; 3) NEWPCC Upgrade Project: Nutrient

Removal Facilities. Executing the upgrades as three separate capital projects would provide opportunities to better manage the overall project scope and cost.

The report prioritized the Power Supply and Headworks Facilities due to process critically and Biosolids Facilities as second priority. It was also identified, at that time, the existing Biosolids Facility would be nearing capacity in five to ten years.

On September 26, 2019, Council approved a 2019 Capital Budget of $552,712,000 for the NEWPCC Upgrade: Biosolids Facilities project, subject to final written confirmation of Federal and Provincial funding satisfactory to the Chief Financial Officer. This report approved the Public Service to submit the Headworks and Biosolids Facilities projects, among others, for Provincial and Federal funding under the ICIP program.

In October 2019, the Public Service submitted the funding application for the Headworks and Biosolids Facilities projects to the Province of Manitoba, as they are administering the ICIP funding program on behalf of the Federal government under a bilateral agreement.

On January 30, 2020, Council approved $15,334,000 for the Biosolids Facilities project budget to secure engineering services within the 2020 to 2023 Water and Sewer Rate report to undertake detailed engineering to proceed with a design-bid-build. This engineering work has not yet started, as the Province has requested that the City undertake a review of a P3 project procurement methodology, which is ongoing.

On September 30, 2020, City Council approved the transfer of $321.24 million of Federal funding under ICIP from the Public Transit Infrastructure to the Green Infrastructure Stream to fund the Federal government's portion for the Headworks and Biosolids Facilities projects.

On December 17, 2020, City Council approved the Biosolids Capacity Report that highlighted the City's remaining biosolids capacity of 90,000 population equivalent that could be consumed within the next five to nine years. This limitation impacts development in both the City and the Winnipeg Metro Region.

On March 25, 2021, Council approved the Update on North End Sewage Treatment Plant (NEWPCC) Upgrade: Headworks and Biosolids Facilities Projects recommending not to proceed with detailed design and to request that the Province of Manitoba confirm the procurement methodology for the Biosolids Facilities Project.

On March 30, 2021 the Province directed the Public Service to proceed with a private-public partnership (P3) market sounding with a specific focus on Design Build Finance Operate Maintain (DBFOM) methodology in addition to other forms of P3.

Despite all the Council decisions since September 26, 2019, there has been no commitment of funding from either the Provincial or Federal government as Provincial funds are dependent on Federal approval. To expedite the funding approval Council approved the transfer of Federal funding from the Public Transit Infrastructure to the Green Infrastructure Stream, as required. The Province requires an analysis of the feasibility of a private-public partnership (P3) procurement methodology for the NEWPCC Biosolids and Nutrient Removal Facilities projects before submitting the funding application to the Federal government. These discussions have been ongoing since July 2020 and just recently the Province confirmed the scope of the review the City must undertake.

Scope of Review

The recommended consultant assignment will be delivered in stages.

The initial stage will test the market feasibility of a DBFOM. This type of P3 would essentially be privatization of the entire sewage treatment system in the City of Winnipeg. While the review is directed at the NEWPCC Biosolids and Nutrient Removal Facilities, the entire system must be in scope due to integration of the sewage treatment network and the shared resources. This would encompass operating, maintenance and support staff for all three sewage treatment plants.

The NEWPCC is the largest plant in the City of Winnipeg that hosts the main control systems that operate all three sewage treatment plants. The South End and West End Sewage Treatment Plants are staffed on weekdays and the rest of the time are operated and controlled from the NEWPCC headquarters.

The initial stage will guide next steps in the study. If there is market interest in a DBFOM, then the Public Service will continue with a value for money analysis to determine if this is the best option for rate payers in terms of cost and schedule.

If there is no interest in a DBFOM, then the consultant will continue to proceed with a market sounding to determine if there is interest in a design build/finance (DBF) procurement method versus a traditional design-bid-build (DBB).

The DBFOM and DBF/DBB market soundings cannot be undertaken concurrently as the targeted audience is vastly different.

At the conclusion of the study the Public Service will report back to Council on the findings.

This procurement is subject to the New West Partnership Trade Agreement ("NWPTA"), which incorporates the requirements of the Canadian Free Trade Agreement ("CFTA"), and the Comprehensive Economic and Trade Agreement ("CETA"). Article 2(g), Section C, Part V of NWPTA states that single source procurement may be used in situations where it can be demonstrated that only one supplier, which supplier has provided previous related services for the City and thereby has unique background knowledge and can meet the urgency of the work without duplicated time and cost, and accordingly is able to meet the requirements of the procurement. There is an equivalent exception in Article 513(1) (c) of CFTA and Article 19.12(1) (c) of CETA. There is an equivalent exception in Section B4.1(f) of the Materials Management Policy.

In November 2020, Deloitte LLP was awarded a single source contract in the amount of $52,250 to complete a high-level analysis of the P3 market to create a comparative assessment of the strengths and weaknesses to deliver the NEWPCC Upgrade: Biosolids and Nutrient Removal Facilities projects under a variety of P3 deal structures, as compared to a DBB approach.

On March 30, 2021 the Province directed the City to proceed with a P3 Market sounding with a specific focus on the use of a Design-Build-Finance-Operate-Maintain (DBFOM) P3 approach. The Province specifically outlined that the approach should not only consider the Biosolids Facilities, but also the Nutrient Removal Facilities Project and should reach regulatory

compliance before the end of 2030, which is two years earlier than current project schedule forecasts.

The new scope of the DBFOM market sounding services following Deloitte's previous market sounding study contract, is reasonable due to interoperability with the services that have been performed under the existing market sounding contract. In addition to the requirement of interoperability of the services with those of the initial procurement, retention of an alternate service provider for the DBFOM services would cause a substantial delay and duplication of costs for the City.

In light of the urgency to proceed with the NEWPCC upgrade projects any duplication of effort or delay in the process is highly undesirable.

The financial status of the NEWPCC Upgrade: Biosolids Facilities Project is as follows:

Authorized Capital		$ 15,334,000.00
Amount of Previous Awards or Expenditures	$ 1,438,579.00	
Amount of this Over-Expenditure	$ 400,000.00	
Total Estimated Cost	$ 1,838,579.00	$ 1,838579.00
Estimated Residual for Remaining Projects		$ 13,495,421.00

FINANCIAL IMPACT

Financial Impact Statement

Date: May 13, 2021

Project Name: **First Year of Program** **2021**

SINGLE SOURCE NEGOTIATION FOR PROFESSIONAL CONSULTING SERVICES TO UNDERTAKE A PRIVATE-PUBLIC PARTNERSHIP MARKET SOUNDING AND ANALYSIS FOR THE NORTH END SEWAGE TREATMENT PLANT UPGRADES: BIOSOLIDS AND NUTRIENT REMOVAL FACILITIES PROJECT

MATERIALS MANAGEMENT REFERENCE NO. 386-2021

	2021	2022	2023	2024	2025
Capital					
Capital Expenditures Required	$ 400,000	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	400,000	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ -	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Funds for this project are included in the approved Capital Budget for NEWPCC Upgrade: Biosolids Facilities Project, Account Distribution No. 444 181000 20752 203110028B.

L Szkwarek

Lucy Szkwarek, CPA, CGA
Manager of Finance and Administration

js/bah
16-Mar-21

CONSULTATION

This Report has been prepared in consultation with:

Materials Management, Corporate Finance Department
Legal Services Department (as to legal issues)

OURWINNIPEG POLICY ALIGNMENT

This report is in accordance with the OurWinnipeg policies through Section 02-2 Environment as it will reduce the environmental impact of our citizens on the Red River and the downstream lakes and rivers. It is in collaboration with the Regulatory Licence requirements issued by the Province of Manitoba.

OurWinnipeg Reference: Section 02-2 Environment

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

This project will align with the Strategic Opportunity #6 Waste Reduction and Diversion found on page 50 of the Climate Action Plan approved by Council on September 20, 2018.

Key Direction and Actions 6.4 Support Integrated Resource Recovery Opportunities:

- Work to ensure alignment between the Biosolids Master Plan and future investments into key wastewater infrastructure, in particular the North End Sewage Treatment Plant to maximize emission reduction opportunities.

SUBMITTED BY

Department: Water and Waste
Prepared by: Moira L. Geer, CPA, CA
Date: May 13, 2021
File No.: S-972