
To: Utilities Committee

From: Fred Nenninger, Manager, Policy, Planning, Analysis and WWTP Upgrade

Date: September 26, 2013 Meeting Date: October 3, 2013

Subject: **Lions Gate Secondary Treatment Plant – Proposed Subcommittee to Review the Value-for-Money Analysis**

RECOMMENDATION

That the Utilities Committee request the Board Chair to create a subcommittee consisting of five Committee members, with representation from Utilities, Finance, and Intergovernmental and Administration Committees, and senior Metro Vancouver staff to review and make recommendations through the Utilities Committee to the Board on the business case and value-for-money assessment for procurement of design and construction, undertaken as part of the Project Definition Phase for the new Lions Gate Secondary Wastewater Treatment Plant.

PURPOSE

To consider the establishment of a subcommittee comprising Committee members and staff to review the business case and value-for-money assessment of options for the procurement of design and construction for the new Lions Gate Secondary Wastewater Treatment Plant.

BACKGROUND

At the Utilities Committee Special Workshop held on September 24th (which included members of the Utilities, Finance and Intergovernmental and Administration Committees), staff presented the initial findings of the value-for-money analysis on options for the design and construction of the new Lions Gate Secondary Wastewater Treatment Plan. Based on feedback received at the Workshop, it was clear that additional work and analysis is required on this component of the project. To ensure that the Board is fully engaged in the development of the value-for-money analysis, it is proposed that a subcommittee of Directors and Metro Vancouver senior staff be formed to review this work and to develop recommendations for the Utilities Committee and the GVS&DD Board consideration.

Requirement for Public-Private Partnership Analysis

Regulations require that the new secondary treatment plant be operational by the end of 2020. Work is nearing completion on the Project Definition Phase, which includes the development of an indicative design that fully scopes the project requirements and also includes an assessment of the procurement options for the design and construction phase.

Project funding is a key consideration for the upgrading of the Lions Gate Treatment Plant to secondary level treatment. Both the Provincial and Federal governments require a business case assessment to be undertaken to determine the applicability of a public-private partnership approach for the procurement of large public infrastructure projects. The Lions Gate Treatment Plant upgrade falls in this category and this is a requirement if grant funding is being sought from the senior governments.

The technical team has substantially completed the analysis required for the business case, including the key component – a value-for-money assessment that compares alternative delivery options to the base case of traditional design-bid-build procurement. This assessment identified two alternative delivery options for procurement for this project – design-build with an extended warranty period (DBf) and a full public-private partnership comprising design-build-finance-operate-maintain (DBFOM). The results of the assessment were presented at the Utilities Committee Special Meeting Workshop held on September 24, 2013.

Grant funding for the Lions Gate upgrade is essential to help offset the impact on sewer rates in the region. There are limited programs available for grant funding and the options available will be based on the business case results that need to be fully considered by the Board.

It is proposed that a subcommittee comprising Committee members and staff be formed to review the analysis completed to date on the business case, procurement options and grant funding opportunities with the objective of developing recommendations for the Utilities Committee and the Board that will satisfy the federal and provincial requirements to secure grant funding.

ALTERNATIVES

1. That the Utilities Committee request the Board Chair to create a subcommittee consisting of five Committee members, with representation from Utilities, Finance and Intergovernmental and Administration Committees, and senior Metro Vancouver staff to review and make recommendations through the Utilities Committee to the Board on the business case and value-for-money assessment for procurement of design and construction, undertaken as part of the Project Definition Phase for the new Lions Gate Secondary Wastewater Treatment Plant.
2. That the Committee provide alternate direction to staff.

FINANCIAL IMPLICATIONS

There is minimal financial impact associated with the time required for deliberation by the proposed subcommittee.

SUMMARY / CONCLUSION

Work has been substantially completed on the business case analysis including the value-for-money assessment that compares two alternative delivery options (design-build and design-build-finance-operate-maintain) to the traditional design / construction procurement approach of design-bid-build. The business case is important given that it is required to secure senior government grant funding. To best understand the options and decision implications it is proposed that a subcommittee consisting of five Committee members, with representation from Utilities, Finance and Intergovernmental and Administration Committees and senior Metro Vancouver staff, be formed to review and make recommendations through the Utilities Committee to the Board on the business case and value-for-money assessment for procurement of design and construction, undertaken as part of the Project Definition Phase for the new Lions Gate Secondary Wastewater Treatment Plant.