

**GREATER VANCOUVER REGIONAL DISTRICT
UTILITIES COMMITTEE
SPECIAL WORKSHOP**

Minutes of the Special Workshop of the Greater Vancouver Regional District (GVRD) Utilities Committee held at 1:34 p.m. on Tuesday, September 24, 2013 in the 10th Floor Conference Centre, 5945 Kathleen Avenue, Burnaby, British Columbia.

PRESENT:

Chair, Director Darrell Mussatto, North Vancouver City**
Vice Chair, Director Richard Stewart, Coquitlam (arrived at 1:41 p.m.)
Director Wayne Baldwin, White Rock*
Director Malcolm Brodie, Richmond***
Director Derek Corrigan, Burnaby**
Director Ernie Daykin, Maple Ridge*** (departed at 4:17 p.m.)
Director Maria Harris, Electoral Area A
Director Linda Hepner, Surrey
Councillor Robin Hicks, North Vancouver District (departed at 4:33 p.m.)
Councillor Trish Panz, West Vancouver
Director Tim Stevenson, Vancouver (arrived at 2:02 p.m.)

OTHERS PRESENT:

Finance Committee:

Councillor Rod Clark, North Vancouver City
Director Lois Jackson, Delta** (departed at 3:59 p.m.)
Director Barinder Rasode, Surrey
Director Mae Reid, Coquitlam
Director Andrew Stone, Bowen Island

Intergovernmental and Administration Committee:

Chair, Director Raymond Louie, Vancouver
Director Heather Deal, Vancouver (arrived at 3:10 p.m.)
Director Wayne Wright, New Westminster (departed at 3:55 p.m.)

ABSENT:

Director Jack Froese, Langley Township*
Councillor Jaimie McEvoy, New Westminster

* Also member of Finance Committee

** Also member of Intergovernmental and Administration Committee

*** Also member of Finance Committee and Intergovernmental and Administration Committee

STAFF:

Tim Jervis, General Manager, Water Services
Simon So, General Manager, Liquid Waste Services

STAFF (Continued):

Carol Mason, Commissioner/Chief Administrative Officer

Janis Knaupp, Assistant to Regional Committees, Board and Information Services,
Corporate Services

1. ADOPTION OF THE AGENDA

1.1 September 24, 2013 Special Workshop Meeting Agenda

It was MOVED and SECONDED

That the Utilities Committee:

- a) amend the agenda for its special workshop meeting scheduled for September 24, 2013 by adding the following on-table items:
 - i. Item 2.1a - presentation material titled "GVS&DD Tier I & Tier II Review Guiding Principles and Cost Allocation Methodology";
 - ii. Item 2.1b - GVS&DD Guiding Principles;
 - iii. Item 2.2 - presentation material titled "Utilities Committee Special Workshop Meeting Indicative Design";
 - iv. Item 2.3 - presentation material titled "Utilities Committee Special Workshop Meeting Project Procurement Options Analysis";
 - v. Item 2.4 - presentation material titled "Utilities Committee Special Workshop Meeting Community Engagement and Next Steps"; and
- b) adopt the agenda as amended.

CARRIED

2. REPORTS FROM COMMITTEE OR STAFF

2.1 GVS&DD Cost Allocation - Presentation

Carol Mason, Commissioner/Chief Administrative Officer, provided members with a presentation regarding Greater Vancouver Sewerage and Drainage District cost allocation highlighting: guiding principles (background; purpose; and suggested changes); Greater Vancouver Sewerage and Drainage District (GVS&DD) cost allocation (Tier I and Tier II capital cost definitions; comparison of Annacis Island Wastewater Treatment Plant (Annacis), Lulu Island Wastewater Treatment Plant (Lulu), Lions Gate Wastewater Treatment Plant (Lions Gate) and Iona Island Wastewater Treatment Plant (Iona) projects); conclusions and Board recommendations from the Regional Administrative Advisory Committee.

1:41 p.m. Director Stewart arrived at the meeting.

Comments were offered about inconsistent comparisons to the Annacis and Lulu projects, due to Annacis and Lulu being upgrades of existing systems whereas Lions Gate and Iona projects are system replacements/new builds.

In response to questions, members were informed about:

- RAAC's conclusions on cost allocation
- A suggestion at RAAC to investigate a broader scope of Tier I and Tier II definitions and allocating operating costs separately
- Prior considerations given to the decision to allocated costs for upgrades at Annacis and Lulu as Tier II

2:02 p.m. Director Stevenson arrived at the meeting.

Comments were offered about the need to:

- Recognize that the current regulatory framework differs from that of 1994
- Consider a long-term regional perspective to decision-making
- Further consider the material presented on-table
- Better understand the history, costs and upgrades at Annacis and how they compare with upgrades at other wastewater treatment facilities

Request of Staff

Staff was requested to report back to the Utilities Committee with further details on upgrades at the Annacis Island Wastewater Treatment Plant.

In response to questions, members were informed about:

- A history of Metro Vancouver wastewater treatment plant investments, cost allocation formula considerations, and related Board policy
- Challenges with presenting cost allocation on a per-capita basis due to differing formulas used at the municipal level to calculate rates
- Capital costs and debt charges associated with upgrades at Lions Gate being factored into projections up to 2020; For Iona, projected from 2022 to 2030
- Range of costs associated with primary, secondary and tertiary treatment
- Staff efforts to communicate to senior government that funding support is required in order to proceed beyond the project definition phase
- Required replacement of Iona and Lions Gate due to lifecycle stage/condition and lands perspectives

On-table presentation titled "GVS&DD Tier I and Tier II Review Guiding Principles and Cost Allocation Methodology" and on-table "GVS&DD Guiding Principles" are retained with the September 24, 2013 Utilities Committee special workshop agenda.

It was MOVED and SECONDED

That the Utilities Committee receive for information the September 24, 2013 presentation from Carol Mason, Commissioner/Chief Administrative Officer, titled "GVS&DD Cost Allocation".

CARRIED

2.2 Lions Gate Secondary Wastewater Treatment Plant - Indicative Design - Presentation

Fred Nenninger, Manager, Policy Planning Analysis and Wastewater Treatment Plant Upgrades, provided members with a presentation on the indicative design for the Lions Gate Secondary Wastewater Treatment Plant highlighting: key project objectives; approach; review of liquid and solids management treatment comparisons; indicative design; Lions Gate wet weather flow and capacity staging.

In response to questions, members were informed that the initial build is expected to serve North Shore communities until mid-century with deep tanks optimizing capacity to serve these communities for the remainder of the century.

Rick Bitcon, AECOM, provided members with a presentation on the indicative design for the Lions Gate Secondary Wastewater Treatment Plant highlighting: indicative design plant layout; plant layout; district energy; reclaimed water; biogas utilization; integrated resource recovery; odour control schematic; biotowers; activated carbon; and odour control system.

In response to questions, members were informed about:

- Existing and projected wet weather flow rates
- Deadlines to meet regulatory requirements
- Potential future district energy projects including surplus heat opportunities

Scott Wolf, Miller Hull, provided members with a presentation on the related to indicative design for the Lions Gate Secondary Wastewater Treatment Plant highlighting: a) massive strategies (Scenario B; context – nearby businesses and communities); basic plant massing (engaging the public; reducing apparent height; developing clean unified expression; site plan; and site layout including: plans related to site, circulation and program); and visualizations.

3:10 p.m. Director Deal arrived at the meeting.

In response to questions, members were informed about:

- The decision to design a north-facing public corridor due to south aspect conflicts with rail/industry and a desire to tie together east-west improvements and existing pedestrian, bike and car corridors
- Concrete design and size driven by tankage and construction requirements; opportunities to add texture while ensuring durability
- A detailed cost breakdown to be presented to committee in November

Presentation material titled “Lions Gate Secondary Wastewater Treatment Plant Utilities Committee Special Workshop Meeting Indicative Design” is retained with the September 24, 2013 Utilities Committee special workshop agenda.

It was MOVED and SECONDED

That the Utilities Committee receive for information the September 24, 2013 presentation from Fred Nenninger, Manager, Policy Planning Analysis and Wastewater Treatment Plant Upgrades, Rick Bitcon, AECOM, and Scott Wolf, Miller Hull, titled "Lions Gate Secondary Wastewater Treatment Plant – Indicative Design".

CARRIED

2.3 Lions Gate Secondary Wastewater Treatment Plant Procurement Options Analysis - Presentation

Fred Nenninger, Manager, Policy Planning Analysis and Wastewater Treatment Plant Upgrades, provided members with a presentation regarding the analysis of procurement options related to the Lions Gate Secondary Wastewater Treatment Plant highlighting: background; public-private-partnership (P3) assessment business case process; participants; overview of procurement models; package bundling review; procurement options; multi criteria assessment; multi criteria analysis summary; short listing of procurement options for Value-for-Money (VfM) analysis; market sounding; VfM assessment; cost basis for VfM analysis; risk register; risk identification and assessment; efficiency assessment and results; financial modeling; sensitivity analysis including results; and initial findings.

3:55 p.m. Director Wright departed the meeting.

In response to questions, members were informed about:

- Borrowing rates and amortization periods considered
- Risk allocation associated for each procurement option
- Design Build finance (DB(f)) extended warranty/holdback provisions
- Calculations used and factors/consideration given to discount rates in the sensitivity analysis

3:59 p.m. Director Jackson departed the meeting.

- Current borrowing rates being irrelevant given record low interest rates; consideration given to project timing and other external factors affecting the rate over time
- The need to meet expectations of a P3 model to align with funding programs
- Current project expenditures
- Retained versus transferred risk; non-performance and financial security
- 4% of the 6% discount rate being calculated on capital expenditures, and 2% inflation on operations and maintenance

Concerns were expressed about additional procurement costs associated with projects delays due to the requirement for development of a P3 business case.

4:17 p.m. Director Daykin departed the meeting.

Comments were offered about:

- The need to consider merits between capital and operating inflation
- Regarding a P3 model, concerns about the lack of ability to exercise control over a system and costs associated with changes; value not being assigned to control

In response to questions, members were informed about:

- Values not being assigned to components in the short listing phase
- P3 Canada wanting an option that considers equity funding for P3 companies
- In efficiencies results, risk transfer being low for operations and maintenance as Metro Vancouver operates plants and is aware of costs
- Change orders not factored into analysis; focus is on financial cash flow
- Regarding project control, the importance of including policy flexibility in contracts in advance to mitigate potential costs over the long-term

4:33 p.m. Councillor Hicks departed the meeting.

Concerns were expressed about:

- The need to compare procurement options on an environmental and social/community basis
- The transition from a quantitative to qualitative analysis being problematic
- A Design Build Finance Operate Maintain (DBFOM) model being shortlisted over a Design Build Operate (DBO) model due to P3 Canada expectations
- In order to proceed with a P3 Canada application, potential for Metro Vancouver to proceed with a more expensive DBFOM model
- Senior government requirements to present a P3 business case which may not be cost effective; only being able to present two models, one being a P3

In response to questions, members were informed about:

- The VfM analysis intended to provide information rather than a recommendation
- The P3 Canada requirement that a project be presented with the assumption no senior government support is being provided
- The requirement for the DBFOM model to be a lower cost than the DBB model when presenting the business case analysis

Members expressed the need to further consider procurement options and suggested a task force or sub-committee be established to report back to the Utilities Committee.

Request of Staff

Staff was requested to consider comments provided at the September 24, 2013 Utilities Committee Special Workshop, and report back with recommendations

on a process going forward on procurement of the Lions Gate Wastewater Treatment Plant Secondary upgrades.

Presentation material titled “Lions Gate Secondary Wastewater Treatment Plant Utilities Committee Special Workshop Meeting Project Procurement Options Analysis” is retained with the September 24, 2013 Utilities Committee special workshop agenda.

It was MOVED and SECONDED

That the Utilities Committee receive for information the September 24, 2013 presentation from Fred Nenninger, Manager, Policy Planning Analysis and Wastewater Treatment Plant Upgrades, titled “Lions Gate Secondary Wastewater Treatment Plant Procurement Options Analysis”.

CARRIED

2.4 Community Engagement and Next Steps - Presentation

Marie Griggs, Public Involvement Division Manager, Liquid Waste Services, provided members with a presentation regarding community engagement and next steps related to the Lions Gate Secondary Wastewater Treatment Plant Upgrades highlighting the overview of the consultation process and political review of the indicative design and procurement options.

Presentation material titled “Lions Gate Secondary Wastewater Treatment Plant Utilities Committee Special Workshop Meeting Community Engagement and Next Steps” is retained with the September 24, 2013 Utilities Committee special workshop agenda.

It was MOVED and SECONDED

That the Utilities Committee receive for information the September 24, 2013 presentation from Marie Griggs, Public Involvement Division Manager, Liquid Waste Services, titled “Community Engagement and Next Steps”.

CARRIED

Members were further informed about next steps related to project definition.

4. **ADJOURNMENT/TERMINATION**

It was MOVED and SECONDED

That the Utilities Committee conclude its special workshop meeting of September 24, 2013.

CARRIED

(Time: 4:51 p.m.)



Janis Knaupp,
Assistant to Regional Committees



Darrell Mussatto, Chair