



Utilities Subcommittee on Lions Gate Wastewater Treatment Plant

Thursday, December 12, 2013 @ 1:00pm – 3:00pm

3rd Floor Boardroom, 4330 Kingsway, Burnaby, BC

PRESENT:

- Director Darrell Mussatto, City of North Vancouver (Chair)
- Director Richard Stewart, Coquitlam
- Director Derek Corrigan, Burnaby
- Director Raymond Louie, Vancouver
- Director Barinder Rasode, Surrey

STAFF:

- Carol Mason, Commissioner/Chief Administrative Officer
- Phil Trotsuk, Chief Financial Officer
- Simon So, General Manager, Liquid Waste Services
- Fred Nenninger, Manager, Policy Planning Analysis and WWTP Upgrade
- Paul Dufault, Senior Engineer, Policy Planning Analysis and WWTP Upgrade

MEETING NOTES

Item No.	Meeting Date	Original Action	Action Assigned To	Discussion / Status
4.	2013-12-12	Provide Subcommittee members w/ a copy of the risk register	Fred	
4.	2013-12-12	Request of Staff to begin drafting a Committee report re Lions Gate Secondary Wastewater Treatment Plant project procurement	Staff	
4.	2013-12-12	Distribute the draft Committee report to the Subcommittee members for review	Fred	

1. Adoption of the Agenda
 - The agenda was adopted by the Utilities Subcommittee as circulated.
2. Introduction
 - Subcommittee members and staff introduced themselves;
 - There are four key work streams that must be finalized before the Lions Gate project can transition to design and construction. Two streams that have already been completed are:
 - The indicative design for the Lions Gate WWTP Secondary Upgrade project received Board Endorsement in November 2013
 - The Cost Allocation formula was reviewed by RAAC and their recommendation was accepted by Board Resolution in November 2013
 - Two work streams that are outstanding are:
 - Decision regarding approach for Project Procurement and
 - Application for available Government Infrastructure Programs
 - Staff presented a PowerPoint presentation (attached) regarding project procurement for the Lions Gate Secondary WWTP.

3. Available Grant Funding Programs (Reviewed slides 3 – 9)
 - From a list of key procurement approaches, three options have been identified:
 - Design-Bid-Build (DBB) approach that represents the Public Sector Comparator (PSC). This approach is reflective of Metro Vancouver’s historical / current practices
 - Design-Build-finance (DBf) which involves contracting a single entity for design and construction and includes an extended holdback and warranty (the financial component)
 - Design-Build-Finance-Operate-Maintain (DBFOM) which is considered a full P3 with an “operate / maintain” component included in the long-term contract as performance security and a level of equity financing by the proponent;
 - Currently, the two options for funding are in the Federal realm: P3 Canada Fund and Building Canada Fund. P3 Canada is a merit based program designed to provide incentive for the use of P3 procurement in the delivery of public infrastructure projects. Applications are called for annually and the next round will potentially open in spring 2014. A full P3 (DBFOM) is required to qualify for this program. Building Canada Fund is a 10 year program that provides support for infrastructure projects Canada-wide. It includes federal and provincial agreements where the Province identifies priority projects and provides financial contribution. Access to the funding is prescriptive and projects with capital costs worth more than \$100 million are required to be screened to determine if better value for money could be achieved through P3 procurement. The application process for the Building Canada Fund has not been established at this time but is expected to be made available in early 2014.
4. Business Case Requirements of Senior Governments (Reviewed slides 10 – 13)
 - The P3 assessment / business case process has prescriptive requirements with the main focus being the value for money analysis;
 - Staff reviewed the capital investment costs (DBB) and annual operating costs on a life-cycle basis.
5. Value for Money Analysis (Reviewed slides 14 – 19)
 - A Value for Money (VFM) analysis was conducted as part of the procurement options analysis (required as part of the business casing work for federal and provincial funding). The alternative procurement options (DB and DBFOM) were compared against DBB –the approach historically used by Metro Vancouver. In the analysis, the cost of the project was calculated under each of the procurement methods. A financial model was used to determine the cost as Net Present Value (NPV). The VFM analysis included identification of assumed discount rate, identification of capital, operating and maintenance and life-cycle costs, identification and assessment of risks and efficiencies;
 - Discount rates applied at Metro Vancouver reflect the expected average borrowing rates over the amortization period for the project financing. A sensitivity analysis was conducted to assess the impact due to changing the discount rate. Largely due to the efficiencies / expertise gained through operating five wastewater treatment plants, the DBf procurement model achieves the lowest NPV and the highest value for money;
 - Fred to provide Subcommittee members with a copy of the risk register;
 - Request of Staff to begin drafting a Committee report regarding procurement for the Lions Gate Secondary Wastewater Treatment Plant project;
 - Fred to distribute the draft Committee report to the Subcommittee members for review.