

CALWMC Core Area Liquid Waste Management Committee Meeting March 24 2010 Report by Bill Dancer

There were, by my count, between 95 and 105 members of the public in attendance at this meeting (a record number). Their main interests were a) No P3 (Public, Private Partnerships) and b) Save Haro Woods.

There were 9 presentations (again in my experience over 15 months, a record number) as follows:

David Langley spoke of differences in costs between the Westshore and Core Area Business Cases, the cause of which was explained by Dwayne Kalynchuk later. He also spoke to the fact that the proposed large McLoughlin Point site, by CRD figures, seemed close to 5 times more cost effective than the two smaller proposed plants at Saanich East North Oak Bay (SENOB) and Westshore. He suggested that, if the Westshore plant be operationally exclusive from the Core Area plants, there may be cost savings from less outfalls and the need of the SENOB plant.

Bob Furber asked why resource recovery was still being factored into the Business Case and how a \$60 Million capital expenditure and an annual \$2.3 million operating budget to hopefully make annually a \$1 million revenue was practical or cost effective. He also felt that the SENOB plant was not required.

Stuart Hertzog found the Business Case full of inaccuracies throughout. He felt there was no rationale for the position taken and that it was misleading in regard to claimed environmental benefits. He indicated to elected politicians that the public was watching carefully.

Jim Lloyd, speaking as a retired wastewater plant operator, wanted to know why the Westshore plant is indicated as going the P3 procurement route. In his experience, going that route had many inherent drawbacks particularly when things go wrong.

Terry Huntington felt that P3 was the wrong way to go. He noted the decision power was with the CALWMC and they should not be swayed by pressure from other government levels.

Ron Parks said he did not reside in the CRD area and was an accountant by trade. He queried many of the assumptions made in the Business Case and stated, from his perspective, that the Traditional method was the way to go.

Keith Reynolds represented CUPE and gave the CRD a couple of plaudits. He then listed some of the recent P3 disasters both locally and elsewhere and wondered why private industry was no great user of this avenue. He gave as an example Terasen Gas, who is presently trying to get out of a P3 situation on the grounds it is not a cost effective option for them.

Ron Rayner, a citizen of Langford, wanted a Traditional, not a P3 approach, to the Westshore project for similar reasons given by the accountant and to benefit local contractors.

Frank Neate, a retired Saanich Waste Water engineer, did not like P3 and was of the opinion that by environmental law (Part 27 subsection 1 was mentioned) the Minister could not just go ahead and that

the project may have to have a full environmental study. (I would note that others are not of this opinion).

Shaun Peck talked to the Business Case and pointed out that in the present environment, Ministers may not welcome a Cadillac system but rather a more simple and less costly option. He mentioned he did not see the regulations as a 'you must not' but rather as explaining in quantifiable terms (parts per billion as an example) what is permitted, so that maybe installing 2mm screens, for example, may be a solution.

Agenda Item 5 - This was routine and involved the replacement of Dwayne Kalynchuk who has another job (see T.C. of 24th March) with another person as Project Director.

Agenda Items 6 and 7 - Dealt with the Business Case for Westshore and Core Area. This made for long debate and I will highlight some of the important messages, some that have been there for a long time but bare repeating, that I picked up.

A: This Business Case is NOT the final word. There are lots of 'unknowns', probably more 'unknowns' or 'not decideds' than 'knowns' at this time. For example, we do not know where the Westshore site will end up. There are several possibilities. The option exists to change both SENOB and McLoughlin sites and there is still the question of an Upper Harbour Biosolids processing site. No specific equipment has been identified and the list goes on.

What the present Business case represents is the first step in engaging into discussion with the Province and the driving force is to get both Provincial and Federal Governments commitment to their respective one third share of the costs in that order, since Federal input kicks in after a Provincial acceptance. In this matter there are both time constraints and the matter of if sufficient funds are left.

B: Here briefly is how the debate went. First Dwayne Kalynchuk, assisted by consultants from Ernst & Young and Stantec, went through the Business Case options (Traditional, Hybrid and P3). He went on to describe the pros and cons of each option, the impact risk transfer has for each option and bundling which is the splitting of the project to allow more competition (only few companies world wide could take on the whole project) and to allow local firms to benefit more. Gary Morrison, the Ernst & Young consultant, talked to The Peer Review critique of the Business case, including their identification of another P3 option whereby with very tight contracts you could have a Design, Build and Operate funded by government money rather than from a Bank or other financial institution. A big loss in this would be loss of the strict monetary control that banks exercise when funding a project. Normally this is monthly, line by line of the contract. He also indicated that only the Provincial Government portion of the costs would be impacted as CRD and Federal funding would come from municipalities and the appropriate Federal funding mechanism respectively. He then went on to explain the importance of governance and how this was impacted by each procurement option. This led to Sensitivity which addresses how a small change in circumstance in any part of the project (eg interest rates, technology advances) can change the preferred procurement option.

C: Committee members' comments were as follows:

- a) Director Hill liked the Risk Transfer analysis and bundling and wanted to know if policies like Buy America may impact. Dwayne indicated that it would not. Like Hill, Director Brice liked the idea of bundling.
- b) Director Herbert could not see any betterment of the environment as there were no comparative studies between today and when the project was finished. He thought all numbers were theoretical and therefore costs open to doubt. On page 12 of the latest draft of the Business Case he thought 'will' lead to cost recovery through selling recovered water and heat should be changed to 'may'. He did not like the fact that \$30 million would be spent on the Clover Point wet weather plant which in his opinion would typically only operate for 30 days per year. He did support the idea of bundling but would only support forwarding the Business case in its present form if presented as an interim report, not final.
- c) Director Wegeland wanted to know how accurate costing was and asked about contingency funding. Dwayne replied he felt it represented a Class C estimate. Director Wegeland then added the public obviously don't like the P3 option.
- d) Director Saunders said Westshore did not necessarily want to go P3. What they wanted is to see all bids on all options before committing to any contract. This position was supported by Director Blackwell. Director Saunders went on to stress we must move forward as the Provincial and Federal funding will not be around forever.
- e) Director Lucas said, in his opinion, P3 was not needed. He pointed out various P3 fiascos and mentioned private industry works on a profit margin. He then put a motion on the floor that the only procurement method should be Traditional. Director Blackwell disagreed and again supported Director Saunders position.
- f) Director Young suggested a compromise in which both Westshore and the Biosolids components should in the present approved method have P3 and, in addition, Traditional procurement options.
- g) Director Hill stated the committee was striving to do things better but that, at present, we were not meeting the Minister's criteria, does not represent the best option, only addresses liquid waste and not all waste and fails to recognize that Dockside Green developments reduce flow. (Flow increases were based on present flow numbers). He stated that he was unable to support Director Lucas' motion. Director Desgardins agreed.
- h) Directors Herbert and Saunders stated they would not support Director Lucas' motion.
- i) Director Derman did not believe the Business Plan met the Minister's criteria and did not like it for many other reasons and would not vote for it.
- j) Director Fortin said it was imperative that we moved forward so as to obtain Provincial and Federal funding. Without it, cost to local taxpayers would be in the \$750 to \$1350 range.
- k) Directors Brice, Saunders and Wegeland indicated they would support Director Young's amended motion
- l) On voting, Director Lucas' motion was defeated with only Director Lucas for. Director Young's motion was carried which had Traditional procurement added to P3 in the case of Westshore and Biosolids components of the project.

The table now reads	Traditional		Hybrid Delivery Without Operations		P3
	DBB	CMAR	DB	DBO	DBFO
McLoughlin Point/ Clover Point			X		
Westshore	X	X		X	X
Saanich East		X			
Energy Centre			X		
Resource Recovery Centre				X	X
Outfall + Tunnels			X		
Conveyance	X				
(Trunk Sewers + Pumping Stations)					

(DBB – design-bid-build, CMAR - construction management at risk, DB – design-build, DBO – design-build-operate, DBFO – design-build-finance-operate)

We are now getting into a period of time where the start of the lengthy decision making occurs. You can follow the action on the CRD web site (crd.bc.ca) by looking in the Agenda and Minutes Files.