

**REPORT TO CORE AREA LIQUID WASTE MANAGEMENT COMMITTEE
MEETING OF WEDNESDAY, 13 JUNE 2007**

SUBJECT **CORE AREA AND WEST SHORE SEWAGE TREATMENT PROJECT – BUSINESS ADVISORY SERVICES**

PURPOSE

To award the contract for the provision of business advisory services for the core area and West Shore sewage treatment project.

BACKGROUND

As noted on the attached press released issued by the office of the premier on 27 October 2006, the province of BC will contribute one-third of the funding required to provide effective sewage treatment for the Capital Regional District (CRD). However, a condition noted in the document is that the CRD and Partnerships BC examine the feasibility of the project being procured using a public-private partnership model.

Partnerships BC is a company wholly owned by the province of BC responsible to its shareholder, the minister of finance. Partnerships BC's mandate includes assisting public sector client agencies in identifying and managing public-private partnership opportunities. This includes providing specialized services, ranging from advice to project leadership/management to government and government agencies with respect to identifying opportunities for maximizing the value of public capital assets and developing public-private partnerships.

The company's clients are public sector agencies and authorities, post-secondary institutions and health authorities. In addition, Partnerships BC's clients include municipalities, regional districts and government entities outside of BC. Larry Blain, president, and Sue-Anne Fimrite, senior project consultant, are the staff responsible within Partnerships BC for this project and are reporting to the minister of community services, the potential funding ministry in BC.

In order to move forward with the review, a business plan for the wastewater treatment program is required. The plan must meet the requirements of Partnerships BC's best practices to qualify for funding consideration by both the provincial and federal governments. Key components of the business plan include:

1. preparation of a risk register and analysis of the risk profiles for each procurement option under consideration;
2. preparation of a multiple criteria analysis for each procurement option, including the establishment of evaluation criteria;
3. a detailed financial analysis, including the preparation of a public sector comparator for use in the assessment of delivery alternatives; and
4. market sounding of the private sector's capability and capacity to design and implement part or all of the wastewater treatment program.

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The preparation of the business plan, which includes the financial analysis, would be undertaken by a management consultant team with specific experience in this field. The risk factor analysis and the comparator would be undertaken jointly between CRD and Partnerships BC staff. However, the financial analysis, including the public sector comparator, would need to be prepared by a financial consultant.

CRD and Partnerships BC staff and advisors will be intimately involved in its preparation, including attendance at the risk workshops, vetting of financial data input to the financial model, agreement on the options to be evaluated and establishing the evaluation framework.

A request for proposals (RFP) was issued for business advisory services and submissions were received from the following firms:

Ernst & Young Orenda Corporate Finance Inc.
Deloitte & Touche LLP
KPMG LLP
PricewaterhouseCoopers LLP

In accordance with the CRD policy and procedure for engaging consultants, an internal selection committee comprised of Dwayne Kalynchuk (Environmental Services), Diana Lokken (Corporate Services) and Dan Telford (Environmental Services) evaluated the technical proposals and interviewed each firm. Independent advisors Sue-Anne Fimrite, Partnerships BC, and Jonathan Huggett and Peter Adams provided assistance during this evaluation process.

Based on these evaluations, Ernst & Young received the highest technical score, followed by Deloitte & Touche. Since both KPMG and PricewaterhouseCoopers did not receive scores within 15 percent of the top-ranked firm, their fee proposals remained unopened and will be returned to them after award of contract.

The fee proposal from Ernst & Young is \$306,360 for 1,500 hours of effort, while the Deloitte & Touche proposal is \$492,300 for 1,981 hours of effort. The selection committee, Partnerships BC representative and independent advisors all agreed that the level of effort proposed by the Ernst & Young team is sufficient to accomplish all tasks listed in the RFP.

The firm of Ernst & Young received the highest combined technical and fee proposal score for the business advisor RFP.

SCHEDULE

The provincial government has requested that a business plan be prepared and the present schedule is to complete this work by 30 November 2007. The business advisor will prepare interim reports, including requests for grant funding for project development work. It is anticipated that the interim reports will be shared with both the Core Area Liquid Waste Management committee and the Core Area and West Shore Sewage Treatment Technical and Community Advisory committee.

ALTERNATIVES

1. That the contract for Core Area and West Shore Sewage Treatment Business Advisory Services be awarded to Ernst & Young, in the amount of \$306,360.

2. That the CRD not retain the services of a business advisor and leave the public-private partnership review to Partnerships BC.

FINANCIAL IMPLICATIONS

The funding for the business advisory services will be from borrowing Bylaw No. 3072, a bylaw to authorize the borrowing of \$2,110,000 for the estimated cost of works relating to wastewater treatment facilities. \$758,675 is available under this bylaw as of 30 April 2007.

The cost of this contract will be included in a request to both levels of government later this summer for project development cost sharing.

SUMMARY/CONCLUSIONS

Premier Campbell has committed the support of the provincial government for sewage treatment in the CRD. However, the premier has requested Partnerships BC and the CRD to examine whether or not the project can be completed as a public-private partnership. This examination is done as a business case, jointly with both CRD and Partnerships BC staff. The business case will also be useful for submission to the federal government.

Based on the evaluation of the technical and fee proposals submitted, it is the recommendation of the selection committee that the business advisory services contract be awarded to Ernst & Young Orenda Corporate Finance Inc. with a budget upset figure of \$306,360.

RECOMMENDATIONS

That the Core Area Liquid Waste Management committee recommend to the Board that:

1. the contract for Core Area and West Shore Sewage Treatment Business Advisory Services be awarded to Ernst & Young Orenda Corporate Finance Inc. in the amount of \$306,360; and
2. the cost of the work be charged to borrowing Bylaw No. 3072, which had \$758,675 available remaining as of 30 April 2007.

Dwayne Kalynchuk, PEng
General Manager, Environmental Services

Kelly Daniels
CAO Concurrence

COMMENTS

DK:cp
Attachment: 1

NEWS RELEASE

For Immediate Release
2006OTP0154-001303
Oct. 27, 2006

Office of the Premier

PROVINCE TO HELP FUND VICTORIA SEWAGE TREATMENT

VICTORIA – The Province will contribute one third of the funding required to provide effective sewage treatment for the Capital Regional District (CRD), Premier Gordon Campbell announced today in his speech to the annual convention of the Union of B.C. Municipalities.

“The lack of sewage treatment for our provincial capital is an embarrassment to British Columbians, and it’s time we work together with the federal government and the CRD to provide proper sewage treatment in Greater Victoria,” Campbell said. “For decades, experts and scientists told the people of Victoria that Mother Nature was doing what needed to be done to deal with Victoria’s sewage, but we now know that’s just not viable anymore. In July we directed the CRD to come up with a plan to implement sewage treatment, and today we’re committing to share the cost of providing that treatment.”

The CRD discharges coarse screened, raw sewage into the Strait of Juan de Fuca through two outfalls, one at Clover Point and one at Macaulay Point. A report produced for the Ministry of Environment by an independent consultant concluded that both outfalls are contaminated sites. The Province has asked the CRD to submit a preliminary report by this December outlining treatment options, the potential location of treatment facilities, potential costs and an implementation schedule.

Premier Campbell said that the Province will work with the CRD and the federal government to find the best, lowest cost solution for sewage treatment in Victoria with the one condition that Partnerships BC take a hard look at whether or not the project can be completed as a public-private partnership.

“Our experience has shown us that public-private partnerships save money, transfer risk and add value through design innovations and ingenuity,” Campbell said. “Providing sewage treatment for the CRD is going to be a major capital project. We owe it to the people of Victoria to make sure it’s done right and done affordably, and a P3 model may well be the best route to deliver on those goals.”

Premier Campbell said P3’s will become the new capital standard. In future, all provincially-funded capital projects with a value of over \$20 million will be considered first by Partnerships BC to be built as public-private partnerships unless there is a compelling reason to do otherwise. Public-private partnerships to date have resulted in significant benefits, including \$131 million in addition benefits on the Sea-to-Sky Highway, \$92 million in benefits for the new Canada Line, \$39 million in benefits on the Abbotsford Hospital and Cancer Centre, and \$25 million in benefits from the new William R. Bennett Bridge.

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1 backgrounder(s) attached.

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