

REGIONAL MUNICIPALITY OF OTTAWA-CARLETON  
MUNICIPALITÉ RÉGIONALE D'OTTAWA-CARLETON

REPORT  
RAPPORT

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Our File/N/Réf.           **31 02-97-0215-T**  
Your File/V/Réf.

DATE                        10 September 1997

TO/DEST.                 Co-ordinator  
Corporate Services and Economic Development

FROM/EXP.                Environment and Transportation Commissioner

SUBJECT/OBJET           **WATER ENVIRONMENT PROTECTION DIVISION (WEPD)  
PRIVATE SECTOR INVOLVEMENT OPPORTUNITIES  
STATUS UPDATE**

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### **DEPARTMENTAL RECOMMENDATION**

**That the Corporate Services and Economic Development Committee recommend Council direct staff to report on the status of actions taken to achieve efficiencies and on other items that may impact the Private Sector Involvement Opportunities evaluation process report, and that consideration of the evaluation process report be deferred until such time.**

### **BACKGROUND**

On 10 July 1996, Council approved a set of principles to govern a potential public-private partnership with the Water Environment Protection Division (WEPD). In considering the evaluation process that would be followed in assessing and recommending an appropriate operator, whether public or private, Council passed the following motion:

“Resolved that Council suspend for approximately nine (9) months the Water Environment Protection Division, Private Sector Involvement Opportunities Project.

Be it further resolved that this item be referred back to Corporate Services and Economic Development Committee in September 1997.”

In accordance with that motion, attached as Annex “A” is the report referenced as Water Environment Protection Division Private Sector Involvement Opportunities Evaluation Process.

This report was considered by Council on 23 October 1996 and 13 November 1996 through reconsideration.

## DISCUSSION

As indicated by the governing principles, the overall objective of the Private Sector Involvement Opportunities project is to determine the most cost effective means of delivering WEPD services while protecting the Region's investment and the health and safety of its citizens. In order to maximize the cost effectiveness that may ultimately be realized through pursuing alternative delivery opportunities, it is widely recognized that public organizations should optimize their efficiency internally first and then assess whether opportunities for further efficiency can be realized through additional use of the private sector.

Consistent with this approach, the Department has undertaken and is completing a number of initiatives aimed primarily at improving efficiency within WEPD.

These initiatives include the following items:

### Base Cost Assessment

A competitiveness assessment of the services and programmes delivered by WEPD was conducted by independent consulting firms who have extensive experience in objectively assessing similar operations. The competitive position of WEPD was evaluated from the perspective of the most cost effective utility operators. The assessment identified key strengths in WEPD and recommendations on how the best in class organizes to effectively operate and maintain their facilities. WEPD is implementing an action plan addressing those recommendations.

### Benchmarking

The Division participated in a benchmarking exercise that assessed the wastewater collection and treatment operations of six similar sized municipal operations in the United States. This exercise identified WEPD as the lowest overall based on total operation and maintenance cost per unit of effluent. Details of that benchmarking exercise are being evaluated to assist in further optimizing WEPD efficiency.

### Loss Control Audit

WEPD also conducted a Loss Control Audit of its operation aimed at improving the management techniques to prevent and reduce losses of resources whether they be harm to people, damage to property, loss to process or loss to the environment. WEPD is implementing an action plan that focuses on the key opportunities identified.

Competitive Action Plan/ 1998 Budget

Using the recommendations stemming from these recent efforts, WEPD is presently implementing a Competitive Action Plan which sets goals and actions aimed at delivering competitive services. A number of these initiatives have already been put in place and proven to be successful, enabling WEPD to further reduce its budget requirement. The Department is currently finalizing its 1998 budget.

Given the initiatives presently underway, as well as the potential impact the issue of the unified sewer system may have on this project, it is recommended that consideration of the evaluation process report be deferred until such time as WEPD prepares a report detailing the status of current efficiency efforts and outlining the factors potentially impacting the Private Sector Involvement Opportunities project.

*Approved by  
M.J.E. Sheflin, P. Eng.*

NBS/jp

Attach. (1)

Our File/N/Réf. 31 02-96-0210-T  
Your File/V/Réf.

**ANNEX A**

DATE 18 September 1996

TO/DEST. Coordinator  
Corporate Services and Economic Development Committee

FROM/EXP. Commissioner  
Environment and Transportation Department

SUBJECT/OBJET **WATER ENVIRONMENT PROTECTION DIVISION  
PRIVATE SECTOR INVOLVEMENT OPPORTUNITIES  
EVALUATION PROCESS**

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**DEPARTMENTAL RECOMMENDATION**

**That the Corporate Services and Economic Development Committee recommend Council approve the evaluation process to be followed in assessing and recommending an appropriate operator, whether public or private, for each of the six business units within the Water Environment Protection Division.**

**BACKGROUND**

On 10 July 1996, Council approved a set of principles to govern a potential public-private partnership with the Water Environment Protection Division (WEPD). One of these principles established the requirement for the evaluation process to be approved by Council. On 10 July 1996, Council also approved the appointment of Raftelis Environmental Consulting Group, Inc. (RECG) to assist staff in the Private Sector Involvement Opportunities project.

**DISCUSSION**

A draft Evaluation Process report was prepared by RECG based on the governing principles and its own experience in managing public-private partnerships projects for other communities, including the Miami Conservancy District in Ohio, the City of Charlotte in North Carolina and the City of Jersey City in New Jersey. Discussions were also held with RMOC staff and Regional Councillors.

The three bargaining units represented within WEPD, eleven private sector proponents and the five external members of the Peer Review Committee were invited to comment on the draft Evaluation Process report. The Peer Review Committee provided verbal comments supporting the proposed evaluation process and written comments were received from seven of the private sector proponents and all three bargaining units.

The private sector comments highlighted the need to clarify some points such as budget protocol and vested obligations, and suggested to revisit some of the governing principles. While there was one isolated comment on potential conflict of interest for Regional staff, most parties agreed that the evaluation process was fair and transparent.

The comments from the bargaining units focused in general on the other alternatives available for achieving cost effectiveness, the high cost associated with this process and the need to consider human resources issues. The CUPE 503 Bargaining Unit requested to have formal representation in the process.

When clarification was required, amendments were made to the attached evaluation process report. Comments are also addressed in the attached RECG letter dated 27 September 1996.

#### PROJECT COST AND SCHEDULE

The overall objective in assessing the private sector involvement opportunities within WEPD has always been to determine the most cost effective means of delivering the services. While this overall objective will be the key consideration in the evaluation of the appropriate operator, it is also used as a key consideration in the overall procurement process. Accordingly, the recommended evaluation process has been developed with a view to also minimize the associated costs.

Initially, \$200,000 had been budgeted for this project to cover the external assistance required in the development of the Request for Proposal. At that time, it was anticipated that most of the remaining work would have been done with internal resources. The approach has since been modified based on the comments received by the private sector for additional independent reviews, resulting in additional cost for private sector consultation and independent consulting expertise.

In addition, certain costs were always anticipated to be incurred as part of the process of seeking a potential private sector partner. Confirmation of the need to undertake certain works, as well as the level of details required for these works, was also provided by RECG based on its extensive experience in this field. These requirements include a maintenance baseline assessment, human resources arbitration costs separate than the vested obligations as well as potential final contract negotiations.

After a preliminary review of these costs, it is estimated that the overall project will cost \$1.1 million. Of the additional costs identified by RECG for increasing the level of review and procedures beyond those proposed in the attached evaluation process report, only the costs of preparing this evaluation process report are recommended. It is however the Department's recommendation to absorb the report preparation and consultation costs within the existing contract authority.

The costs for the public-private partnership opportunities project will be confirmed after Council approval of the evaluation process and will be presented to Council during the capital budget process.

The various milestones of this project have all been met in accordance with the schedule previously presented to Council. The schedule included in the proposed evaluation process report continues to be consistent with the timeframe contemplated in previous Council decisions.

### CONSULTATION

All private sector parties who have actively expressed interest in the WEPD public-private partnership process have been given an opportunity to provide feedback on the proposed evaluation process. The bargaining units have also used this consultation opportunity to provide their comments.

### FINANCIAL IMPLICATIONS

The recommended evaluation process has been developed with a view to minimize the overall time and cost of this project while ensuring a fair and transparent process.

*Approved by  
M.J.E. Sheflin, P.Eng.*

Attach. ( 1 )