

The Corporation of the City of Kawartha Lakes

Council Report

Report Number PUR2018-003

Date: January 30, 2018

Time: 2:00 p.m.

Place: Council Chambers

Ward Community Identifier: All Wards

Subject: Tender 2013-71-OT for the Operation and Maintenance
Services Agreement for Water and Wastewater Treatment
Facilities

Author Name and Title: Marielle van Engelen, Buyer
David Kerr, Manager of Environmental Services

Recommendation(s):

That Report PUR2018-003, **2013-71-OT for the Operation and Maintenance Services Agreement for Water and Wastewater Treatment Facilities**, be received; and

That the option to renew Tender 2013-71-OT for the Operation and Maintenance Services Agreement for Water and Wastewater Treatment Facilities for an additional term of two (2) years, with an annual Consumer Price Index (CPI) increase, until February 28, 2021 with Ontario Clean Water Agency, be approved; and

That the Purchasing Division be authorized to issue a Purchase Order.

Department Head:_____

Financial/Legal/HR/Other:_____

Chief Administrative Officer:_____

Background:

As background, the Ontario Clean Water Agency (OCWA) is an Agency of the Crown and that does not operate like a private company. OCWA is a licensed operating authority and is currently under contract to operate and maintain twenty (20) of the City's twenty-one (21) municipal drinking water plants and all six(6) of the City's wastewater plants. OCWA also operates and maintains the pumping stations, standpipes and water towers associated with the plants. City Staff operate and maintain the underground water distribution and wastewater collection pipes for all systems and Lindsay/Oakwood drinking water treatment system.

OCWA's operation and maintenance work is administered through a five (5) year contract with the City which will be expiring February 28th, 2019. The contract is worded such that there are two-2 year optional extensions to this contract. Staff are recommending that Council consider approving the first two (2) year extension based on the good service that the City has received from OCWA. The following text provides a chronological history on the OCWA contract and further details to support extending the contract

At the Council Meeting of August 22, 2013, Council adopted the following resolution:

Moved by Councillor Warren, seconded by Councillor Strangway,

RESOLVED THAT Report PUR2013-051, **Operation and Maintenance Services Agreement for Water and Wastewater Treatment Facilities**, be received;

THAT the Confidential Attachment to Report PUR2013-051, **Operation and Maintenance Services Agreement for Water and Wastewater Treatment Facilities**, be received;

THAT Ontario Clean Water Agency of One Young Street, Suite 1700, Toronto, Ontario be selected for the award of Tender 2013-71-OT (including Option 1 - Provisional item A-3) for the Operation and Maintenance Services Agreement for Water and Wastewater Treatment Facilities for the tender price of \$24,098,322.00 over five years plus \$3,132,781.86 HST for a total tendered amount of \$27,231,103.86;

THAT Council be advised of the option to renew for an additional two terms of two years each to be reported prior to the conclusion of the original agreement, and to be approved in accordance with the Table of Authority 4.05 of the Purchasing Policy, should the vendor performance meet the City's requirements;

THAT subject to receipt of the required documents, the Mayor and Clerk be authorized to execute the contract to award this tender;

THAT the Purchasing Division be authorized to issue a Purchase

Order;

THAT the necessary By-law be forwarded to Council for adoption;
THAT the CAO be directed to convene a working committee to meet with representatives of the Ontario Clean Water Agency, staff and a maximum of three (3) members of Council to review efficiencies throughout the term of the agreement; and
THAT the CAO report to Council quarterly to provide updates on efficiencies achieved to the operations during the term of the contract.

CARRIED CR2013-771

Recorded Vote was requested by Councillor McGregor.

Voting Member

Councillor Ashmore		No	
Councillor Campbell			Absent
Councillor Dunn		No	
Councillor Elmslie	Yes		
Councillor Hodgson			Absent
Councillor James		No	
Councillor Junkin	Yes		
Councillor Luff	Yes		
Councillor Macklem	Yes		
Councillor McGregor	Yes		
Councillor O'Reilly	Yes		
Councillor Stauble			Absent
Councillor Strangway	Yes		
Councillor Villemaire	Yes		
Councillor Warren	Yes		
Councillor Yeo			Absent
Mayor McGee	Yes		
Total	Favoured:	10	
	Against:	3	

This report addresses that direction.

On January 14, 2014, a report to Council was approved to add additional Water Treatment Plants to the original contract by way of an amending agreement.

At the Council Meeting of January 14, 2014

Moved by Councillor McGregor, seconded by Councillor Dunn,
RESOLVED THAT Ontario Clean Water Agency of One Yonge Street, Suite 1700, Toronto, Ontario be approved to provide

Operation and Maintenance services (additional to those previously approved August 22, 2013), for the Janetville, Manorview, Woodfield, Pinewood, Victoria Glen and Birch Point Water Treatment Plants;

THAT the Mayor and Clerk be authorized to execute any documents and agreements required by the approval of this agreement; and

THAT the necessary by-law be presented to Council.

CARRIED CR2014-008

On June 23, 2015, a second report to Council was approved to add the Lindsay Water Pollution Control Plant and associated pumping stations.

At the Council Meeting of June 23, 2015

Matters from Closed Session

Staff was given instruction with respect to an amendment to the Operational and Maintenance Services Agreement with the Ontario Clean Water Agency.

At the Council Meeting of July 7, 2015, Council adopted the following resolution:

A by-law to authorize the execution of an Amending Agreement between the Ontario Clean Water Agency (OCWA) and the Corporation of the City of Kawartha Lakes for operation and maintenance services of the Lindsay water pollution control plant and associated pumping stations.

CR2015-792

On June 1, 2016 a third amending agreement was signed to replace tender pricing from a fluctuating annual fee based on specialty maintenance items to a Consumer Price Index (CPI) increase with administrative accounting adjustments. This was done to secure budget stability for the City.

The current contract with Ontario Clean Water Agency (OCWA) is five (5) years which commenced March 1, 2014 and expires February 28, 2019. The contract states that if the City wishes to extend the Term of the Agreement, it shall provide the contractor with one (1) year's prior written notice, at which time the Contractor shall have thirty (30) days to respond in writing. Council approval of the extension is required in accordance with the purchasing policy. Therefore, the City must provide notification to OCWA prior to February 28, 2018 in order to have a continued service contract in place for March 1, 2019. The current request for a 2-year extension would expire on February 28, 2021. A subsequent report would be required prior to the end of February 2020 to review the potential of a further extension under the existing contract.

Vendor Performance has been excellent.

Rationale:

Staff recommends the option to renew Tender 2013-71-OT for the Operation and Maintenance Services Agreement for Water and Wastewater Treatment Facilities for an additional term of two (2) years with Ontario Clean Water Agency. Staff notes that OCWA's vendor performance has been excellent to date. Since 2011, the average inspection rate for OCWA operated facilities is 99.5%. There have been no drinking water non-conformances from external auditors and there have been no provincial orders. There is adequate rationale to support the extension under the current contract.

Through the two year contract extension, Staff plan to continue to review the current hybrid service model (internal vs contracted services) to ensure the City is receiving the best value for its investment. The goal is to ensure an appropriate balance of work ensuring full utilization of internal resources and adequate support for emergency situations.

Other Alternatives Considered:

Other alternatives were reviewed by Staff in preparation of this report. Those include:

1) Single Source

OCWA has submitted a proposal in lieu of a two year extension that a 10 year single source be awarded. There are financial benefits to the municipality identified within this proposal. Over the course of the 10-year proposal, the City would see savings when compared to extending the current contract over the same period in the estimated amount of ~\$547,000.

It should be noted that several municipalities around the province have been faced with similar situations and through their committee evaluations have chosen to enter into long term relationships with OCWA for the services they chose to contract out. For instance, the Region of Peel established an advisory group in 2017 to review contract renewal alternatives and they determined "Based on the finding of the Advisory Group, the preferred option is to negotiate a long term contract with OCWA ...", and "A long term contract would serve as a platform to achieve Peel's long term strategic business initiatives". The Region of Waterloo, City of Stratford and City of Belleville also passed similar resolutions.

Staff would be supportive of Council authorizing Staff to enter into negotiations for a single source for a long term contract similar to the municipalities listed above.

If Council wishes to select this alternative, the Recommendation(s) shall be replaced with the following:

RESOLVED THAT Report PUR2018-003, **2013-71-OT for the Operation and Maintenance Services Agreement for Water and Wastewater Treatment Facilities**, be received;

THAT the Staff be authorized to enter into direct negotiations for a renewed long term contract with the Ontario Clean Water Agency for operation of facilities currently under contract, to commence upon expiry of the existing contract; and

THAT Staff report back to Council for approval of the negotiated terms, or failing successful negotiations, with recommended options for the future operations of the City's water and wastewater facilities.

2) Do not pursue the options to renew and retender

Staff cannot recommend this alternative for several reasons.

The current contract was developed with the intention in mind of extending the contract upon a successful performance evaluation of the contractor. Over the duration of this 5 year contract OCWA has provided excellent service to the City and has ensured regulatory compliance of the water and wastewater facilities in all aspects. They have and continue to serve the Corporation and public well. As their annual cost to the municipality remains stable and in accordance with CPI water and wastewater staff recommend extending their contract for at least 2 years.

The tendering process is costly for the City. During the last tendering process, the City invested approximately \$60,000 for legal and engineering fees to create a tender document and agreement for services.

It is noted that several municipalities who had retained OCWA have recently issued competitive tenders or requests for proposal for operations contracts. OCWA had nine municipal clients that went out to an RFP process from 2014-2016. In four of those nine cases, OCWA was the only bidder. OCWA's has a strong base of satisfied clients with 95% or more renewing their contracts with them as opposed to re-advertising through an RFP process.

No alternative resolutions are provided as this is not a viable alternative when compared to the recommendations in this report.

Financial/Operation Impacts:

Attached as Appendix 'A' to this report is a summary of the annual costs from 2014 – 2017 by facility. These expenses only include those received from OCWA. For each year there is the annual operations fee which was set in the

original contract and is adjusted annually by CPI. There is also additional services which are services performed outside the scope of the agreement and are budgeted on an annual basis.

There is adequate budget within the 2018 operational budget to award the extension of this contract. The long term asset management plan accounts for the annual CPI increased in contract amounts.

Relationship of Recommendation(s) To The 2016-2019 Strategic Plan:

The recommendation in this report contributes to council's adopted strategic plan namely:

Goal 1 -A Vibrant and Growing Economy. OCWA has centralized their operations within the City, having offices in both Bobcaygeon and Lindsay where they service CKL and other municipalities outside of our municipal borders. Through their operations they have added to the economic diversity and employment within the City

Goal 3 - A Healthy Environment. OCWA continues to ensure water and wastewater are treated and meet regulatory limits ensuring public health and a clean environment. The recommendations in this report will ensure this Goal will continue to be met.

Consultations:

Supervisor, Water and Wastewater Operations

Attachments:

Appendix A – OCWA Summary of Costs 2014 - 2017



Appendix A OCWA -
Summary of Costs 2014 - 2017

Department Head E-Mail: brobinson@kawarthlakes.ca

Department Head: Bryan Robinson, Director of Public Works

Department File: 2013-71-OT