

## Report to Council

<b>Report Title:</b>	Water/Wastewater Systems Operator Contract Renewal		
<b>Prepared By:</b>	Nicholas Schnurr, Director of Operations		
<b>Department:</b>	Utilities		
<b>Date:</b>	June 4, 2024		
<b>Report Number:</b>	UT2024-07	<b>File Number:</b>	C11UT
<b>Attachments:</b>	By-Law 2020-128 Amended Veolia Services Agreement		

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### **Recommendation:**

That the Council of the Municipality of Brockton hereby receives Report Number UT2024-07 - Water/Wastewater Systems Operator Contract Renewal, prepared by Nicholas Schnurr, Director of Operations and in doing so approves the extension of the contract with Veolia Canada for an additional five (5) year term.

### **Report:**

#### **Background:**

Back in 2005-2006, Brockton was looking to cut costs and save residents money by tendering the contract to run and operate all three of our water systems in Walkerton, Chepstow and Lake Rosalind as well as the Walkerton Wastewater Treatment Plant. Council was concerned with the price the operating authority was charging and the cost, at the time, of water to residents.

The monthly cost for the previous operator, in 2006, was \$87,702. Using the Bank of Canada inflation calculator, that is equivalent to approximately \$130,000/month in 2024. At the time, residents were paying \$2.25/cubic meter for water.

During the 2024 municipal budget deliberations, members of council indicated that they would like to see the contract retendered with the end goal of saving operating costs and providing better value to residents.

#### **Analysis:**

The current operator charges \$68,985/ month to operate the same four systems. The Walkerton system, in particular, has grown substantially since 2006, with added infrastructure and responsibilities. The current water rates are \$1.54/cubic meter and become cheaper as usage increases for each household.

The existing contract term is from July 1, 2021 to June 30, 2026 with a five year renewal option. The contract allowed adjustment for inflation based on the Consumer Price Index (CPI) between March of the current year

and March of the prior year. The amended contract for the Veolia Services Agreement is attached to this report.

Brockton is able to benefit through economy of scale, given the current operator has two other contracts it manages in neighbouring municipalities. Through sharing of specialized equipment, Brockton benefits by not having to purchase processing/preventative maintenance software, hydraulic valve turners, etc. for usage within our systems and instead relies on the operator to perform those tasks with equipment/software that they have purchased.

The current operator staff's local residents, who are familiar with the system, familiar with the residents and have no qualms about responding to complaints, alarms or main breaks at any time of the day or night, even in negative 30 degrees. They take pride and ownership of the work they provide the community and their obligations to provide safe drinking water to the residents. The staff are familiar with the water and wastewater systems and regularly provide input to Brockton staff on studies, grant applications and contract drawings. Contractor staff have also greatly assisted the CAO during the transition through three Director of Operations in Brockton over the past 5 years. They continue to assist with providing information on what projects should be completed for the following budget year and beyond. They contribute as if they were directly employed by Brockton and take pride in providing this service.

Current operator staff go above and beyond to satisfy Brockton's obligations as described in the *Safe Water Drinking Act* and as required by the Ministry of Environment, Conservation and Parks (MECP). The first call, if something needs attention, is to the Director of Operations and the MECP inspector, working together with Brockton and MECP to ensure no issues arise and any restorative actions are completed. This proactive service is provided with no additional cost to Brockton.

As Council is aware from monthly reports, Brockton has been consistently obtaining 100% compliance ratings from MECP as a direct result of the work and dedication that is shown by operating staff. While overall price is certainly important, the component of reliably clean, fresh and compliant drinking water has such importance that it would be impossible to put a value on. Brockton and the Town of Walkerton have become the go-to place for new development, attracting people and businesses to a place they can call home and not have to worry about water quality. Walkerton itself has gained a reputation for the best drinking water to be found anywhere.

Due diligence, duty and standard of care rests on the operators, municipal staff, and council. Everyone can be confident in the team that has helped create an outstanding reputation and maintained this most vital service to our residents.

### **Costs to Tender**

Municipal staff have completed some research into the current contract and the cost to retender with the potential of securing a more competitive operating price.

Given the extent of the water and wastewater systems, in Brockton or any municipality, it would be necessary to hire a consultant to catalog every task that needs completing and every system that needs to be operated to ensure that all operating companies have the same, reliable information to bid on. It also ensures that bids are competitive and detailed, removing the element of uncertainty. The estimated cost to hire a consultant is

in the range of \$60,000. This cost would be unavoidable if Brockton were to put out a tender or request for proposal for a new operator. Ensuring a thorough due diligence review of the tender submissions by the consultant would be part of this process. The existing contracts contain this clause:

Termination of the existing contract would adhere to section 1 of the amendment to the agreement:

*“The Municipality may, subject to 4.2(b), extend the Initial Term or any renewal term for another five (5) year term (the “Renewal Term”), provided that the Municipality shall provide notice to the Supplier of such proposed extension at least six (6) months before the expiry of the Initial Term or the then current Renewal Term. Should the Municipality elect not to extend the Agreement beyond the then current Renewal Term, the Municipality shall pay to the Supplier, no later than the last day of the then current Renewal Term, an amount equal to all of the Supplier’s demobilization costs, together with a termination fee equal to the profits the Supplier would have made during the subsequent five-year Renewal Term, the whole as evidenced by an invoice from the Supplier to the Municipality in this regards.”*

While this is not unreasonable given the amount of staff, and equipment required to run a community water/waste water system there will be added costs should potential in the proposal amount, plus the costs to demobilize if an RFP route was taken.

Competitors also charge for “optional services”, which include hourly rates for sewer backup, water main repairs on top of the monthly charges to operate the system. These items add significant cost that are not predictable, especially when there is a sewer backup or watermain break, it becomes time and material, plus markup. While they are offered as optional, they are in fact necessary and vital for continued operations. The current operator includes this service in their contract price.

The timeline to retender would see staff contacting a consultant in the later part of 2024 to start preparing documentation and coordinate site visits. Actual release of the RFP document would be in the first quarter of 2025 to allow time for a thorough and fair process as well as sufficient notice to be provided to the current operator.

After analysing of the options available and with knowledge of the trust and diligence we have in the existing contractor staff recommend that the agreement with Veolia Canada be extended by a period of five (5) years as per the agreement.

### **Strategic Action Plan Checklist:**

What aspect of the Brockton Strategic Action Plan does the content/recommendations in this report help advance?

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|-----------------------------------------------------------------------------------------|-----|
| • Recommendations help move the Municipality closer to its Vision                       | Yes |
| • Recommendations contribute to achieving Heritage, Culture, and Community              | Yes |
| • Recommendations contribute to achieving Quality of Life                               | Yes |
| • Recommendations contribute to achieving Land Use Planning and the Natural Environment | N/A |
| • Recommendations contribute to achieving Economic Development                          | Yes |
| • Recommendations contribute to achieving Municipal Governance                          | Yes |

**Financial Impacts/Source of Funding:**

- Do the recommendations represent a sound financial investment from a sustainability perspective? Yes

There is no additional cost to what has been budgeted to operate the water/wastewater systems for 2024.

**Reviewed By:**

Trish Serratore, Chief Financial Officer

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**Respectfully Submitted by:**

Nicholas Schnurr, Director of Operations

**Reviewed By:**

Sonya Watson, Chief Administrative Officer