



COMMITTEE OF THE WHOLE

For the **COMMITTEE OF THE WHOLE MEETING** of Council to be held on November 21, 2022 at 7:00 pm in the Council Chambers of City Hall, 424 – 3rd Avenue West, Prince Rupert, B.C.

1. CALL TO ORDER

2. ADOPTION OF THE AGENDA

Recommendation:

THAT the Agenda for the Committee of the Whole Meeting of November 21, 2022 be adopted as circulated.

3. PETITIONS & DELEGATIONS

Tom Kertes, Prince Rupert, BC Re: People for Public Infrastructure

4. REPORTS

- a) Director of Operations & Intergovernmental Relations Re: Water Treatment Facility Procurement & Operation Model
(attached)

5. QUESTIONS AND INQUIRIES FROM MEMBERS OF COUNCIL

6. ADJOURNMENT



People for Public Infrastructure

Supporting lower costs and local control for Prince Rupert's water and sewer system.

1415 7th Ave East
Prince Rupert, BC V8J4N1
778-884-5343
tomkertes@gmail.com
November 14, 2022

Rosamaria Miller, Corporate Administrator
City of Prince Rupert
City Hall Corporate Administration
424 – 3rd Avenue West
Prince Rupert, B.C.
Canada V8J 1L7
rosamaria.miller@princerupert.ca

Rosamaria Miller, Corporate Administrator:

I request to make a presentation to City Council at its upcoming Committee of the Whole meeting on Monday November 21, 2022, at 7:00 PM, on behalf of the community organization People for Public Infrastructure.

The topic of the presentation is public-private partnerships (P3 projects). The presentation includes recommendations when considering P3 projects and educational materials with background material on P3 projects.

Attached is a Power Point to accompany the presentation if technically possible. Thank you.

Tom Kertes,
Volunteer Organizer
People for Public Infrastructure

Asking the Right Questions: Should Prince Rupert privatize our water and sewer system?



Presentation to Prince Rupert City Council – Nov. 21, 2022
PeopleForPublicInfrastructure.org



Examples of Privatization

- Partial Privatization
 - P3 Project
 - A city agrees to a long-term contract with a company to design, build, and operate one part of its public utility system.
 - The fees and taxes paid by residents and businesses provide revenue that generate **profits** for the operator.
 - Often, once a company takes control over one part of a city's utility system it later seeks to take over other parts of the system as well.
- Total Privatization
 - Form a Private Company
 - A city sells the entire public utilities system to a private company that then controls the fees, financing, operation, and maintenance of the system into the future.
 - Even if a city wholly or partially owns this company, it would no longer be a municipal system and most oversight and other safeguards would be reduced or eliminated as a result of such a structure.

Costs of Privatization

- Higher Fees
 - Most municipal services are provided on a **monopoly** basis. This makes sense for water and sewer systems for obvious reasons.
 - Municipalities are forced to take advantage of the efficiencies that monopolies can provide – while also maintaining control over prices.
 - Private companies need to make a profit and exist outside of the municipality and public oversight.
- Less Local Control
 - Local control over our city's water and sewer system ensures that **our needs** as residents and businesses **come first** and foremost.
 - Through the continued operation and maintenance of the city's public utilities, we retain local knowledge and skills that ensure proper running of the system.
 - **We should retain control and independence**, avoiding dependance on an outside company.



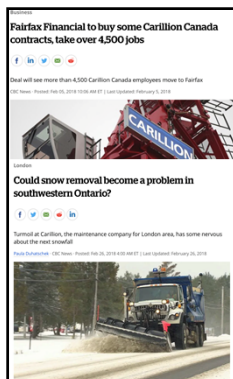
The privatization of Highway 407 offers lessons for all levels of government:

- Higher fees
- Less control
- Multi-national corporations
- Long-term fiscal impacts



Municipalities that rejected a P3 plan or reversed course (returning to public control and operation):

- Abbotsford, BC
- White Rock, BC
- Port Hardy, BC
- Sooke, BC
- Taber, AB
- Okotoks, AB
- Banff, AB
- Owen Sound, ON
- Hamilton, ON



Multinational corporations move decision making far away from Prince Rupert (or even Victoria or Ottawa):

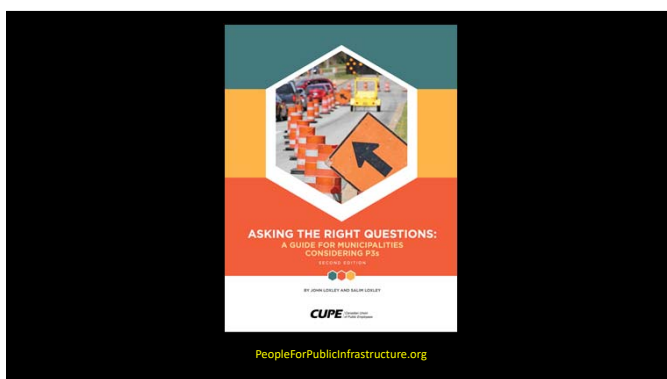
- When Carillion filed for bankruptcy in the UK this had direct impacts on local government services in cities throughout Canada



Recommendations to City Council

- Seek **widespread public consultation** before moving forward on any plans for a P3 project (partial privatization) or plans for total privatization of the city's water and sewer system.
- Make sure that elected officials are **fully informed of the alternatives** and that this information can be freely shared with the public.
- Calculate the full (for the lifetime of the project) costs. Be sure to factor in how the discount rate and future inflation will impact the cost of fees and **the total paid by the public over the long-term.**
- Before proceeding, consider how the project would affect local businesses and local workers. Ask: **What are the risks and what impacts might it have on the local economy?**

1. Help us find alternatives and solutions together by engaging with the whole community from the start.
2. Meet with us to learn more. We are open to meeting with people from all sides on the issue.
3. Visit our website to download the booklet "Asking the Right Questions".





MEMORANDUM TO COUNCIL

DATE: November 17, 2022
TO: Dr. Robert Buchan, City Manager
FROM: Richard Pucci, Director of Operations & Intergovernmental Relations
SUBJECT: WATER TREATMENT FACILITY PROCUREMENT & OPERATION MODEL

Through the City Manager:

The City of Prince Rupert (City) is currently in the process of conducting engineering works for a new water treatment plant (WTP) using an alternative model for operation once the facility is built. The City is proposing this option due to concerns regarding available operator capacity, as well as challenges that have already emerged for the City to finance this important work. Earlier in 2022, Council approved the directive for Senior Staff to move forward with a Design-Build-Finance-Operate-Maintain (DBFOM) approach using a Municipality Controlled Corporation (MCC) for designing, building, financing, operating, and maintaining the service.

The City's WTP is proposed to operate as a Municipally Controlled Corporation (MCC) and will be the treated water utility provider for Prince Rupert residents, with the possibility of expanding into wastewater treatment. Since the City is expecting a \$12-18M shortfall in funding for the WTP, the City must ask itself the question, "how do we pay for it".

There is a great deal of variety in DBFOM arrangements, especially the degree to which financial responsibilities are actually transferred. One commonality that cuts across all DBFOM projects is that they are either partly or wholly financed by debt-leveraging revenue streams dedicated to the project. Direct user fees are the most common revenue source and would be the source of revenue associated with the MCC.

Future revenues are leveraged to issue financing that provides funds for capital and project development costs. Often, and in the City's case, they are also supplemented by public sector grants in the form of money or contributions in kind.

Because the public agency retains full ownership of the facility and the debt through the MCC, it is vital to select a private partner that can perform the duties specified in the agreement. Therefore, procuring this partner requires thorough planning and execution.

The MCC will develop a delivery structure that meets the following core objectives:

- The ownership of assets, raw/treated water, the financial benefit of ownership, and control of the MCC are all retained by the City
- Capitalize on an early contractor involvement program that enables early collaboration between the designer, constructor, operator, and Northern Health Authority to ensure the best value.
- Leverage private-sector expertise to supplement City resources and enable successful project delivery.
- No conflict with the Union, as it is a new service and operators will have to abide by our existing Union Agreement.
- Added resources to Public Works.

The MCC is effectively structured as a publicly controlled utility provider and it is the intention of the Senior Staff to expand the MCC to cover and fill resource gaps within the entire water utility as needed. This is beneficial for the City as the current Staff is concerned that we do not have the capacity as a Department to maintain the infrastructure we have. Knowing that there may be Union concerns regarding this approach, Staff have specified that the MCC partner is a CUPE-friendly employer and joins our Union.

Further, the economic benefits of the MCC will remain in the community over the long term, with any rate surplus flowing back into the City's side of a private partnership as per the terms of the partnership agreement. Additionally, the rate-setting recommendation will be retained with the City Council for final approval of the rates.

The MCC would function as a service provider that is created and controlled by the municipality, with approval from Council for the City's water treatment service. However, as previously stated, the MCC structure, unfortunately, does not remove the financial implications on the City but does allow the City to retain ownership of the infrastructure and the raw/treated water, which is a pre-requisite of Provincial and Federal grants already awarded for this project

Water treatment plants are no longer traditional plants monitoring on taste, color, and odor. Water treatment plants are infinitely more complex nowadays. New technologies have emerged, raw water is more difficult to treat, the treatment requires more innovative solutions, there is an increasing demand for services,

diminishing resources, rising service expectations of customers, and increasingly stringent regulatory requirements.

This all leads to analyzing and enhancing the way we look at operation and maintenance in water treatment plants and how they should be developed and expanded to accommodate these dramatic changes. This coupled with our staff shortages and inability to hire highly skilled operators leaves the City in the complicated position of “who will run it”.

By creating this MCC and executing this Project as a DBOFM, we answer the questions of “how do we pay for it” and “who will run it”. The MCC by service contract will ensure that the community has consistent clean water that meets or exceeds the standards of the day.

Regards,

Richard Pucci,
Director of Operations &
Intergovernmental Relations