



TOWNSHIP OF NORTH HURON

REPORT

Item No.

REPORT TO: Reeve Vincent and Members of Council
PREPARED BY: Sharon Chambers, CAO
DATE: 30/03/2016
SUBJECT: Utilities Department Restructuring/Veolia Contract Proposal
ATTACHMENTS: none

RECOMMENDATION:

THAT the Council of the Township of North Huron hereby accepts the report of the CAO regarding the Utilities Department Restructuring and Veolia Water Canada Contract Proposal for information purposes;

AND FURTHER THAT Council authorizes the CAO to finalize an Agreement with Veolia Water Canada for the Operation and Maintenance of the Township's water and wastewater systems using the negotiated method, in accordance with the Township's Purchasing and Procurement By-law;

AND FURTHER THAT the Clerk is instructed to prepare a by-law for the April 18th meeting to enter into an agreement with Veolia Water Canada for the Operation and Maintenance of the Township's Water and Wastewater systems.

EXECUTIVE SUMMARY

In response to the vacancy of the Chief Operator position, Council instructed the CAO to review options for the oversight of operation and maintenance of the Township's water and wastewater systems.

In January of 2016, Council authorized the CAO to investigate a contract with Veolia Water Canada (VWC) for the operation and maintenance of the Township's water and wastewater operations.

A draft contract document has been prepared and has been reviewed by the Township's insurers, solicitor and BM Ross and Associates, the Township's primary engineering consultant on water and wastewater related matters. The agreement has been reviewed by Council in closed session, and will not be presented in the open session unless authorized by Council, as per the recommendation in this report. The purpose of keeping the document confidential until authorized by council, is to avoid the public release of Veolia's bid in the event that Council rejects the recommendation and wishes to issue a Request for Proposals.

Following is a summary of the provisions within the Contract;
VWC will;

- Manage, operate and maintain Facilities in such a manner that they meet all regulatory requirements
- Perform all maintenance and repairs
- Transition all permanent full time employees and take on successor employee obligations, with a comparable compensation package
- Provide documentation that preventative maintenance is being performed.
- Annually, provide a listing of recommended capital improvements

Municipality will;

- Fund all capital expenditures and oversee capital projects
- Provide use of municipal equipment
- Maintain utilities buildings and grounds
- Maintain computer systems and computer networks

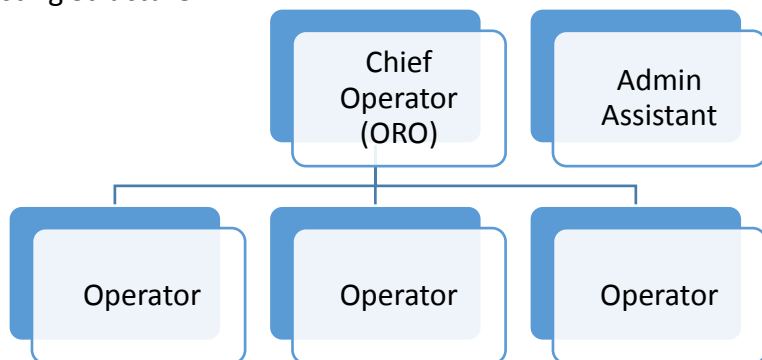
The agreement is for a 5 year term, which would extend past the end of the Shared Services Pilot project and term of Council.

Council has weighed the option to contract out water and sewer operations versus status quo. Below is a summary of considerations for continuing operations with Township personnel.

If Council opts to continue operating systems in-house with existing staff, a revised operating structure must be implemented to ensure compliance with the Safe Drinking Water Act and associated regulations and to address some key areas of concern and risk.

Below is a description of the existing and proposed structure for the Utilities Department;

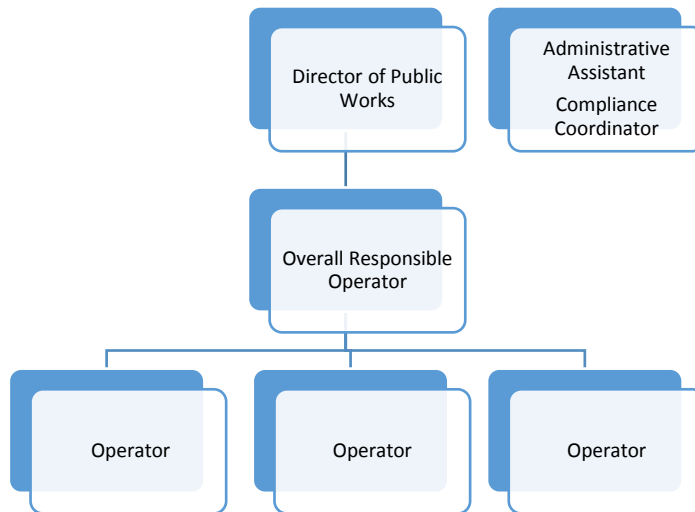
Existing Structure:



In the above structure, the Chief Operator/ORO's duties were divided between operational duties, documentation/compliance (with the assistance of the Administrative Assistant) and management duties. The following issues were observed under the existing structure;

- Operational requirements of the ORO position made it difficult to balance operational duties and management function
- Compliance and Drinking Water Quality Management Standard requirements were being met with the assistance of a part time administrative assistant. This is not a sufficient allocation of resources toward compliance.
- Long term capital planning and financial planning for infrastructure was not adequately being addressed.
- Capital projects were often not completed due to underestimation of internal resources.
- Insufficient time for human resources matters such as performance evaluation and succession planning for operator positions.

Proposed Structure (Transitional):



The Director of Public Works will be responsible for overall management of the department including budgeting, reporting to Council (Owner), planning for and overseeing capital projects, long term asset management planning and capital planning for utilities infrastructure, working with Developers on servicing proposals for water and sewer servicing for development and overseeing the staff to ensure operations meet the requirements of the Safe Drinking Water Act and associated regulations.

The Administrative Assistant to the Director would perform general administrative tasks for the Department.

An Overall Responsible Operator position would have to be added, since the existing staff has indicated that they do not wish to assume this role. The ORO would supervise all operational staff and oversee the Administrative Assistant/Compliance Coordinator on Compliance matters.

Upon retirement of one of the operators, a Compliance Officer position could be added with Operator credentials to oversee compliance matters, including the requirements of the Drinking Water Quality Management Standard. A three operator complement is not sufficient during busy summer maintenance/construction season.

Under the proposed Veolia contract, a complement of three operators is slated to operate North Huron Water and Wastewater Systems, with sharing of Morris Turnberry Contract operators during peak times and operator holidays.

DISCUSSION

The Shared Services Project will add a significant workload to the Senior Management Team, support staff and CAO over the next two years. In order to achieve a manageable workload for a new Director of Public Works, it is recommended that Council proceed with the outsourcing of the water and sewer systems to Veolia Water Canada by negotiated method. The rationale for investigating a single source contract by negotiated method is;

- VWC has experience with the systems as the O&M services partner from 2004 to 2007
- VWC is currently contracted to provide an Overall Responsible Operator for North Huron water and wastewater systems

- VWC will transition all existing North Huron Utilities Staff to their employment and retain them in their current capacity operating North Huron systems. This is very desirable to the Township, as they are pleased with operational staff and wish to maintain existing knowledge of systems.
- VWC is currently contracted by the Municipality of Morris Turnberry to operate the Belgrave Water System and is willing to blend the contract with North Huron for potential savings.
- Negotiated purchase method would save the cost of preparing Terms of Reference to issue an RFP and transition could be done in a more timely manner due to the current management gap resulting from the vacancy of the Chief Operator position.
- It is unknown when the Director of Public Works hire will be finalized, and VWC has been providing departmental management support via the ORO and former North Huron Chief Operator who is now employed by VWC.
- The Shared Services Pilot Project with Morris Turnberry will have a significant workload for a new Director of Public Works over the next two to three years to combine the two existing PW departments, consolidate policies and service levels, investigate and implement new processes to achieve operational efficiencies. There is a high likelihood of additional vacancies within Utilities Department due to retirements within the Pilot Project Timelines. Outsourcing of systems operation and maintenance will provide stability within the Utilities Division during this time of significant transition.

FINANCIAL IMPACT

Council viewed a financial analysis of the Veolia proposal in closed session, while the contract was still under negotiation. Initially it was projected that the annual cost of contracting out the service versus the 2016 proposed budget prepared by the Chief Operator before his departure amounted to an increase of \$40,000. Upon review of the budget figures, it was discovered that the amount budgeted for wages was lower than the actual spending in 2015 and did not include CPI. The adjusted budget figures for status quo versus the cost of contracting out operations under Veolia's contract proposal is approximately \$5,500 higher annually than operating under the existing structure. Additionally, Veolia offers Out of Scope engineering services for their clients at a very competitive rate, which could achieve significant savings. It is anticipated that addition of a Director of Public Works with civil engineering expertise to oversee the contract could result in additional cost savings through improved planning and innovative solutions, such as energy efficiency programs.

FUTURE CONSIDERATIONS

Council may wish to issue an RFP at the end of the contract term to determine if they are receiving competitive pricing.

RELATIONSHIP TO STRATEGIC PLAN

Goal #4 – Our administration is fiscally responsible and strives for operational excellence.