

TO:	CHAIR AND MEMBERS CIVIC WORKS COMMITTEE MEETING OF MAY 24, 2016
FROM:	JOHN LUCAS, P.ENG. DIRECTOR - WATER AND WASTEWATER
SUBJECT:	ELGIN-MIDDLESEX PUMPING STATION OPERATION & MAINTENACE SERVICES AGREEMENT REVIEW OF CONTRACT TERM EXTENSION

RECOMMENDATION

That, on the recommendation of the Director - Water and Wastewater, with respect to the Services Agreement between Partner Municipalities and the Ontario Clean Water Agency for Contracted Operations at the Elgin-Middlesex Pumping Station, the Civic Administration **BE DIRECTED** to notify the Ontario Clean Water Agency of the Municipal Council's intent to review and consider extending the term of the current services agreement, undertake contract renewal negotiations with Partner Municipalities and report back to the Municipal Council with recommendations.

PREVIOUS REPORTS PERTINENT TO THIS MATTER

[“Services Agreement between Partner Municipalities and the Ontario Clean Water Agency for the Contracted Operations at the Elgin-Middlesex Pumping Station”, Civic Works Committee, June 19, 2012, Agenda item #5.](#)

2015-19 STRATEGIC PLAN

The proposed extension of the contract terms between the partnering municipalities and the contracted operator supports the Strategic Plan through the strategic focus area of *Leading in Public Service* by being proactive in financial management services and procurement policies.

CONTEXT

An existing water system operating contract is reaching the end of its term. It requires notification to the contractor one year in advance of the initial term. This report recommends that such notice be given thereby enabling the opportunity to consider extending the contract, subject to negotiation.

BACKGROUND

The Elgin-Middlesex Pumping Station (EMPS) and Reservoir facility is generally located in northeast St. Thomas, near the intersection of Highbury Avenue South and South Edgeware Road.

Three municipalities (London, Aylmer, and St. Thomas) share ownership of the EMPS facility along with the Elgin Area Primary Water Supply System. Various processes, pumping units, electrical and ancillary equipment within the building structure are specifically identified and owned by the municipal partners. Some components are shared between municipalities, such as the standby power generation equipment, which only serves the Aylmer and St. Thomas systems. As well, the site has some other

components (such as the reservoir) which are under the ownership and responsibility of the Board of Management for the Elgin Area Primary Water Supply System.

In July 2012, the City of London entered into a four-party agreement with the partnering municipalities of Aylmer and St. Thomas, for services provided by OCWA. The Town of Aylmer is designated as the Administering Municipality for the Aylmer Area Secondary Water Supply System Board of Management; likewise, the City of St. Thomas for the St. Thomas Area Secondary Water Supply System Board of Management. Together, the municipalities collaboratively developed a contract with the Ontario Clean Water Agency (OCWA), for the operation, maintenance, and management of the EMPS.

The contracted operation of the EMPS facility was awarded to OCWA through a distinct agreement which paralleled (with respect to time) an agreement for services entered into by the Board of Management for the Elgin Area Primary Water Supply System, also with OCWA. In both cases, the respective agreements for contracted services commenced on July 1, 2012 for an initial term of five (5) years.

Within the terms and conditions of the *Services Agreement between Partner Municipalities and the Ontario Clean Water Agency for Contracted Operations at the Elgin-Middlesex Pumping Station*, there is an option to extend the agreement for an additional five (5) year term, at the discretion of the partnering municipalities. The agreement requires that notification be given to OCWA prior to one (1) year remaining on the initial term, being June 30, 2016.

Staff of the Boards of Management for both the St. Thomas Secondary Water Supply System and the Aylmer Secondary Water Supply System are concurrently seeking their respective authorizations to enter into discussions and negotiations with OCWA, with a potential to extend the current term for an additional five (5) years.

At its meeting on March 3, 2016, the Elgin Area Primary Water Supply System Board of Management authorized the Board's Chief Administrative Officer to notify OCWA of its intention to extend their operating contract an additional five (5) years, including a review of the terms and conditions of their agreement. OCWA has indicated that it is interested in providing services for a five (5) year renewal term.

DISCUSSION

The current Services Agreement with OCWA is a two-tier cost system that includes a base operating and maintenance component coupled with an additional services/Capital Works component. Any additional services and/or capital requirements beyond the tasks identified within the base component become the responsibility of the benefiting owner to administer, with the associated costs borne by the owner requesting the work. The base cost for the period July 2017 to July 2017 is \$187,652.

The fixed cost for the base operating and maintenance fee has been historically split between the owners of the three (3) water supply systems on the basis of water consumption amounts derived for the original agreement developed in 2004:

- City of London: 61.0%
- City of St. Thomas: 28.5%
- Town of Aylmer: 10.5%

OCWA has developed a strong maintenance management regime, including identification of specific tasks performed for each of the partner municipalities. OCWA has greatly improved the process of documenting the various operating and maintenance costs and attributing them to each particular owner/supply system. It has successfully developed and implemented an Operational Plan, and has conducted numerous Drinking Water Quality Management System audits, both internally and externally. They continue to meet

all regulatory compliance requirements, annual inspections, etc., and report the results to the partnering municipalities promptly and thoroughly.

SUMMARY

OCWA currently has an agreement between the partnering municipalities of London, Aylmer, and St. Thomas, for the contracted operation and maintenance of EMPS. It is approaching its fifth year of a five (5) year initial term. Under the terms and conditions of the agreement, there is a provision for an extension of additional five (5) year term, subject to concurrence by all parties.

OCWA has indicated an interest in extending its contracted services, and the other municipal partners are willing to discuss modifications to the current agreement (if any are necessary), and negotiate pricing for the renewal term. The recommendations in this report provide Municipal Council's endorsement for Civic Administration to participate in those negotiations.

Concurrently, the Elgin Area Primary Water Supply System Board of Management has endorsed activities related to extending its renewal term option for an additional five (5) year period, and staff are currently actively engaged with OCWA in this regard.

A future report will be brought to Municipal Council, with recommendations related to whether the City of London will endorse an extension to the services agreement with OCWA, including outlining of its pricing, and terms and conditions.

PREPARED BY:	RECOMMENDED BY:
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REVIEWED & CONCURRED BY:	
JOHN BRAAM, P.ENG. MANAGING DIRECTOR OF ENVIRONMENTAL AND ENGINEERING SERVICES AND CITY ENGINEER	

CC:

- Mr. R. Johnson – Aylmer Secondary Water Supply System
- Mr. J. Lawrence - St. Thomas Secondary Water Supply System
- Mr. T. Bender - Ontario Clean Water Agency
- David Mounteer – Solicitor II, City Solicitors Office
- Andrew Henry – Division Manager, Regional Water Supply
- Dan Huggins – Water Quality Manager – Water Operations
- Roland Welker – Division Manager, Water Engineering