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Municipality responsible for private operator's actions

County learns about risks on Hamilton trip

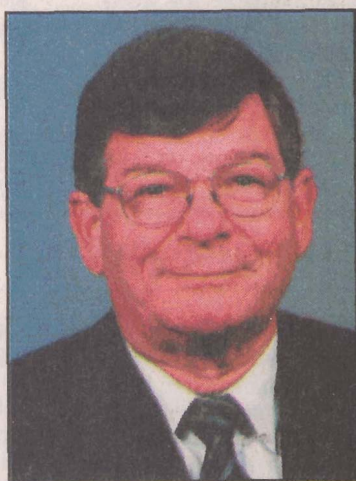
By Sean Tomlinson
Gazette Staff

When Peter Mertens returned from a trip to Hamilton last week he had refocused his thinking regarding the Picton wastewater treatment plant replacement project.

The financial risk associated with contracting plant operations to a private partner had become a concern for the Wellington councillor.

"For me, it focused my thinking and thought process on the risk factors," Mertens told *The Gazette*. "When we're looking down the line at the design, build, operate (DBO) option versus our original design-build option, risk and who assumes the bulk of it will become a very large part of the analysis."

Mertens was part of a group of Prince Edward County councillors and municipal staff that traveled to Hamilton last Wednesday to visit the city's wastewater treatment plant. The purpose of the trip was to see the other side of the DBO debate and visit a site that, reportedly, had a negative experience with wastewater privatization.



PETER MERTENS

public ownership of the plant. Since that point the city has experienced positive returns financially.

"They got good results," said Carroll. "Council permitted [the public works department] to take it over and they're meeting all the same performance requirements that they were expecting to impose upon the private contractor."

In the three years since moving away from private ownership, Hamilton has experienced \$4.49 million in budgetary savings.

Mayor Leo Finnegan, councillors Kevin Gale, Barry Turpin and Bev Campbell, public works commissioner Steve Carroll, director of water and wastewater services Matt Tracey, project manager Lynn Morgan and Concerned Citizens of Prince Edward representative David Larkin also made the trip.

Campbell had suggested that council visit the Hamilton plant, saying that both the DBO success stories and failures must be given even consideration in council's evaluation of DBO as an option moving forward in the replacement of Picton's wastewater treatment plant.

Finnegan, Tracey, and Carroll traveled to Edmonton last month to attend a DBO conference. In Alberta, they visited several wastewater treatment plants that have experienced success under DBO agreements.

The purpose of the Hamilton trip was two-fold. The group wanted to learn more about DBO agreements from a municipality with first-hand experience and also find out why Hamilton chose to privatize their wastewater plant to begin with, then decided to bring operations back under public ownership in 2004.

What they found, said Mertens, was that Hamilton did not necessarily have a negative experience with private ownership. In fact, as Mertens says, city officials were happy with their arrangement and originally had no intentions of taking control back after their 10-year contract expired in 2004.

Hamilton's original plan was to tender a new contract after changing the operational performance requirements they expected of the private partner.

"They really had no difficulty with the way it was operated under contract," said Mertens. "What happened is they put the new contract out for tender and the tenders came in substantially higher than anticipated."

When bids for the new contract came in \$14 million higher than originally estimated, Hamilton opted to take back

getary savings.

Modifications made to performance requirements and the operational risk that came with these changes are what drove the price of Hamilton's new contract substantially higher, said Mertens.

He said the contracted company had to increase its asking price in order to cover the risk it would be facing.

This discussion of risk and its impact on the operation of a wastewater facility made the trip worthwhile, according to Mertens. He described operational risk simply as the cost of operating a facility rising over time. This could be due to a variety of factors, including the rising cost of chemicals and utilities, liabilities, staffing issues or breakdowns.

It is a vital concept in the direction of the Picton project.

"In our design-build option the municipality controls the design right from the get-go," said Mertens.

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