

Minutes – Standing Policy Committee on Finance – September 11, 2014

REPORTS

**Minute No. 112 South End Water Pollution Control Centre (SEWPCC) Upgrading
and Expansion Financial Status Report No. 3 for the period from May
1, 2014 to July 31, 2014**

STANDING COMMITTEE DECISION:

The Standing Policy Committee on Finance concurred in the recommendation of the Winnipeg Public Service and received the report as information.

Minutes – Standing Policy Committee on Finance – September 11, 2014

DECISION MAKING HISTORY:

Moved by Councillor Nordman,

That the recommendation of the Winnipeg Public Service be concurred in.

Carried

ADMINISTRATIVE REPORT

Title: SOUTH END WATER POLLUTION CONTROL CENTRE (SEWPCC)
UPGRADING AND EXPANSION FINANCIAL STATUS REPORT NO. 3
FOR THE PERIOD FROM MAY 1, 2014 TO JULY 31, 2014

Critical Path: THE STANDING POLICY COMMITTEE ON FINANCE

AUTHORIZATION

| Author | Department Head | CFO | CAO |
|---|--|----------------------|------------------|
| G. K. Patton, P. Eng. Manager of Engineering Services | D. P. Sacher, P. Eng. Director, Water and Waste Department | G. Chartier A/CFO | M. Jack A/CAO |

RECOMMENDATIONS

That this report be received as information.

REASON FOR THE REPORT

At its meeting held on December 16, 1999, City Council adopted a policy whereby all capital projects with a total estimated cost of \$10 million or more be submitted by the associated Civic Department to the Standing Committee on Fiscal Issues (now the Standing Policy Committee on Finance) for review and recommendation prior to any bid solicitation being issued.

Administrative Directive No. FM-004 requires quarterly reporting to the Standing Committee on Fiscal Issues (now the Standing Policy Committee on Finance).

IMPLICATIONS OF THE RECOMMENDATIONS

Previous project cost estimates were based on different regulatory requirements than those of the current licence. Current Capital budget forecasting has provided for cost increases but will not be finalized until detailed design is completed.

HISTORY

DISCUSSION:

1. **MAJOR CAPITAL PROJECT STEERING COMMITTEE**

Administrative policy for projects with capital cost exceeding \$10 million requires formation of Major Capital Project Steering Committee. The Committee has been formed and its members are:

Deepak Joshi, Acting Chief Administrative Officer
Michael Ruta, Chief Financial Officer
Diane Sacher, Director of Water and Waste
Moirra Geer, Manager of Finance and Administration, Water and Waste
Jackie Veilleux, Project Director Winnipeg Sewage Treatment Program, Water and Waste

The Committee has reviewed this report and recommended that the report be sent to the Standing Policy Committee on Finance.

2. **RISKS AND RISK MITIGATION STRATEGIES**

An ongoing risk management strategy has been implemented for the project encompassing a proactive process of identifying and assessing project risk, defining appropriate risk handling strategies and plans, and monitoring those actions to completion.

Formal risk and opportunity analyses of the project are scheduled to be performed by the Winnipeg Sewage Treatment Program, the design consultant and key City stakeholders at the following project milestones:

- End of Project Definition design stage – this analysis has been completed
- End of Preliminary Design phase – this analysis has been completed
- At 60% and 90% completion of Detailed Design
- Prior to the start of construction and quarterly during construction
- Prior to the start of and at the end of commissioning

A project risk register is being kept throughout the project and will be updated by the formal analyses.

A Hazard and Operability Analysis for the Preliminary Design was performed in June 2014. A Value Engineering workshop on the Preliminary Design is scheduled to be completed in August 2014.

3. **CHANGES FROM LAST REPORT**

- The preliminary design, which commenced in November of last year, is nearing completion. In mid June 2014 the project consultant submitted a draft copy of the Preliminary Design Report. The report includes over 700 preliminary design drawings and over 1,600 pages of basis of design criteria and specifications. The report is under review by the program team.
- Manitoba Hydro confirmed that the power demand level of the upgraded SEWPCC necessitates that this facility power supply be provided as 66 kV as opposed to the current 12.47 kV. This requires that the City construct a voltage converting substation at the SEWPCC.

- An award has been made to Veolia Water Solutions & Technologies Canada Inc. for RFP 873-2013 Supply and Delivery of High Rate Clarification Equipment for the South End Water Pollution Control Centre.
- Detailed design for Bid Opportunity 333-2014 for Contract 1 - Site Preparation Works has been completed and the Bid Opportunity has been issued for public tender through Materials Management with a closing date of August 6, 2014. The contract scope includes site preparation of construction access, fencing, existing utilities and site drainage modifications, major foundation excavations and major foundation piling.
- Proposals were received in response to issued RFP 353-2014 For Construction Cost Consulting Services for SEWPCC Upgrading/Expansion Project. The scope of the contract is for third party construction costing of the project construction. The received proposals are under evaluation.
- Bid Opportunity 572-2014 Provision for the Purchase or Lease of a Trailer for Office Space has been issued for tender with a closing date of July 31, 2014. The contract scope is for the provision of site construction office trailers.

4. ISSUES/RISKS REQUIRING FURTHER ATTENTION

Cost Risk

A preliminary construction cost estimate review is underway. Once the construction cost estimate is finalized it will be used to assess the need for any project budget adjustments, as part of the 2015 budget process.

As per the Program Agreement between the City and Veolia, the preliminary design documents will also be submitted to an independent third party cost consultant for costing of the project construction. This cost will form part of the Capital Project Target Cost identified in the Program Agreement and will be used for gainshare/painshare allocation between the Program partners.

Schedule

The SEWPCC Environment Act Licence No. 2716 RR received on April 18, 2012 requires the plant to meet more stringent discharge effluent requirements on and after December 31, 2015. On May 2, 2012, in a letter to the Regulator, the Department advised that as per the plan it submitted to the Regulator, the December 31, 2015 date was not achievable and requested that the construction completion date of October 31, 2016 be reflected in the licence, consistent with the submitted and approved plan. The project schedule is under discussion with the Regulator. Project updates are provided every six (6) months to the Regulator as per the Environment Act Licence.

Current Planned key schedule milestones are:

| Milestone Description | Timeline | |
|---|-----------------|-------------------------|
| | Previous Report | This Report |
| Complete Project Definition Report | May 2014 | May 2014 ⁽¹⁾ |
| Complete Preliminary Design Report | July 2014 | August 2014 |
| Start Detailed Design | March 2014 | March 2014 |
| Start Construction of Site Preparation and Piling | October 2014 | October 2014 |
| Start Construction of BNR Bioreactor | May 2015 | May 2015 |
| Complete Commissioning of essential components | October 2016 | October 2016 |

⁽¹⁾ Substantially complete, consultant issuance of the final report is outstanding.

The project consultant has developed a detailed project schedule as part of the Preliminary Design Report. The schedule is under review by the Program Team.

Sewage Treatment Program Funding

The sewage treatment plant upgrades, including the SEWPCC received and will receive funding from the provincial and federal governments. Funds flow from an existing agreement under the Canadian Strategic Infrastructure Fund (CSIF), as well as an agreement to be developed under the Green Infrastructure Fund (GIF). The Province has also made a funding commitment in the 2007 Throne Speech.

Canadian Strategic Infrastructure Funding (CSIF)

This Agreement stipulates that Canada and Manitoba agree to pay a contribution to the City of Winnipeg towards the total Eligible Costs of the defined Project at the three wastewater treatment facilities. The Project components consist of the NEWPCC Centrate treatment facility, the WEWPCC biological nutrient reduction facility, and the SEWPCC biological nutrient reduction facility. Costs incurred prior to November 28th, 2005, which was the date of federal ministerial approval, are ineligible for cost sharing. The maximum contributions under the agreement are \$42 million from Canada and \$25 million from Manitoba.

The NEWPCC Centrate treatment facility and WEWPCC biological nutrient reduction facility projects are now complete. As a result Manitoba has fulfilled its total commitment of \$25 million and Canada has fulfilled \$10 million of the \$42 million committed for these projects.

SEWPCC biological nutrient reduction facility is the only component remaining eligible for funding and is eligible for the remaining Canada commitment of \$31.34 million.

Green Infrastructure Fund (GIF)

The federal and provincial governments have confirmed their funding commitments of \$11 million each towards the Wet Weather Flow components of the SEWPCC project. The City of Winnipeg will work with each level of government to finalize the contribution agreements in a timely manner.

Provincial Funding Commitment from the 2007 Throne Speech

In 2007 the Province of Manitoba committed funds to the sewage treatment program in the amount of \$206 million, beyond the \$25 million under the CSIF program and \$3.8 million under the 2004 UCPA program, bringing the total commitment to \$234.8 million.

Funding for the SEWPCC and the WSTP is outlined in Appendix 1.

5. WINNPEG SEWAGE TREATMENT PROGRAM (WSTP)

Under the WSTP Veolia is to provide advice to the City of Winnipeg in the design and construction of the SEWPCC project. As indicated in the latest WSTP Annual Report (tabled at City Council on June 25, 2014), Veolia is delivering value to the City of Winnipeg. In this project, the City of Winnipeg is benefitting from:

- Savings from reduced rates in consulting services
- Provision of expert advice on BNR upgrade and expansion
- Share in the risks of the capital project delivery.

6. FINANCIAL ANALYSIS

The status of current Requests For Proposal and Bid Opportunities are as follows:

| RFP or Bid Opportunity | Description | Current Status | Contract Value (GST and MRST extra as applicable) |
|------------------------|--|-------------------|---|
| 871-2013 | Procurement of Free-Floating Media and Associated Appurtenances | Under evaluation | |
| 873-2013 | Procurement of High Rate Clarification Equipment | Awarded | \$2,052,500.00 |
| 333-2014 | Contract 1- Site preparation works –SEWPCC Upgrading/Expansion Project | Issued for tender | |
| 353-2014 | For Construction Cost Consulting Services for SEWPCC Upgrading/Expansion Project | Under evaluation | |
| 572-2014 | Provision for the Purchase or Lease of a Trailer for Office Space | Issued for tender | |

Future major Bid Opportunities are:

- Contract 2 - Major Concrete Works
- Contract 3 – For the remaining works including mechanical, electrical and automation

Project funding

The approved capital and 2014 projected budget are as follows:

| YEAR | CAPITAL PROGRAM | ACTUAL + PROJECTED CASH FLOWS | CUMULATIVE CAPITAL BUDGET REMAINING |
|-------------|--------------------------|--------------------------------------|--|
| Up to 2014 | 247,250,000 ¹ | 29,102,088 | 218,147,912 |
| 2015 | 13,000,000 ² | 92,473,436 | 138,674,476 |
| 2016 | 12,500,000 ² | 105,213,006 | 45,961,470 |
| 2017 | | 45,961,470 | 0 |
| | | | |
| Total | 272,750,000 | 272,750,000 | |

¹Capital Budget approved by Council

²Capital Program requirements included in the 2014 - 2019 Capital Budget Estimates

A summary of the budget to forecast comparison is contained in Appendix 2.

Project funding sources are as follows:

This project will receive \$31.34 million in Canadian Strategic Infrastructure funding. The balance of \$241.41 million will be funded using a combination of cash, Environmental Projects reserve and debt funding. Each these sources are internally funded by rates as forecast in the Council approved rate report.

FINANCIAL IMPACT

Financial Impact Statement

Date: **August 6, 2014**

Project Name:

**SOUTH END WATER POLLUTION CONTROL CENTRE (SEWPCC) UPGRADING
AND EXPANSION FINANCIAL STATUS REPORT NO. 3 FOR THE PERIOD FROM**

COMMENTS:

As this report is submitted for informational purposes only, there is no financial impact associated with this recommendation.

"Original signed by M. L. Geer, C. A."

Moira L. Geer, C. A.

Manager of Finance and Administration

CONSULTATION

In preparing this report there was consultation with:

SUBMITTED BY

Water and Waste Department
Division; Engineering
Prepared by: N. A. Harrington, P. Eng.
Date: August 8, 2014
File No. 020-17-08-25-01, S-926

APPENDIX 1

1) Funding for the SEWPCC is as follows:

| SEWPCC BNR AND EXPANSION (in \$millions) | Total Cost | Funding Received | | Funding Receivable | | Total Funding | | City Share of Costs |
|---|-------------------|-------------------------|-----------------|---------------------------|-----------------|----------------------|-----------------|--------------------------------|
| | | Canada | Manitoba | Canada | Manitoba | Canada | Manitoba | |
| Funding Agreement | | | | | | | | \$ 110.00 |
| CSIF | | \$ 0.29 | \$ 6.07 | \$ 31.05 | | \$ 31.34 | \$ 6.07 | \$ 92.59 |
| GIF | | | | \$ 11.00 | \$ 11.00 | \$ 11.00 | \$ 11.00 | \$ 11.00 |
| Estimated Program Costs | \$ 273.00 | \$ 0.29 | \$ 6.07 | \$ 42.05 | \$ 11.00 | \$ 42.34 | \$ 17.07 | \$ 213.59 |

2) Funding for the Winnipeg Sewage Treatment Program is as follows:

| WSTP All Projects (in \$millions) | Total Cost | Funding Received | | Funding Receivable | | Total Funding | | City Share of Costs |
|--|-------------------|-------------------------|-----------------|---------------------------|------------------|----------------------|------------------|--------------------------------|
| | | Canada | Manitoba | Canada | Manitoba | Canada | Manitoba | |
| WEWPCC Biological Nutrient Removal | \$ 33.00 | \$ 5.07 | \$ 8.19 | | | \$ 5.07 | \$ 8.19 | \$ 19.74 |
| NEWPCC Centrate and UV Disinfection | \$ 52.00 | \$ 5.59 | \$ 14.54 | | | \$ 5.59 | \$ 14.54 | \$ 31.87 |
| SEWPCC BNR and Expansion | \$ 273.00 | \$ 0.29 | \$ 6.07 | \$ 42.05 | \$ 11.00 | \$ 42.34 | \$ 17.07 | \$ 213.59 |
| NEWPCC Upgrade and Expansion | \$ 466.00 | | \$ 13.70 | | \$ 181.30 | | \$ 195.00 | \$ 271.00 |
| Estimated Program Costs | \$ 824.00 | \$ 10.95 | \$ 42.50 | \$ 42.05 | \$ 192.30 | \$ 53.00 | \$ 234.80 | \$ 536.20 |

Notes:

- WEWPCC Biological Nutrient Removal and NEWPCC Centrate and UV Disinfection have been completed.
- NEWPCC Upgrade and Expansion cost is only for the biological nutrient removal and expansion components.

**SEWPCC UPGRADING/EXPANSION PROJECT
WATER AND WASTE DEPARTMENT - ENGINEERING DIVISION
APPENDIX 2
As at July 23 , 2014**

| Components | COSTS | | | | PROJECTED COSTS TO COMPLETE | | | | TOTAL | VARIANCE | NOTE | |
|-------------------------|--------------------------------------|----------------------------------|-----------------------------|--|-----------------------------|-------------------|--------------------|-------------------|-----------------------------------|--------------------|---------------------------------------|---|
| | Approved Budget To Date ¹ | Costs Incurred up to last report | Costs submitted this report | Total Costs Incurred to Date (per G/L) 23-Jul-14 | 2014 | 2015 | 2016 | 2017 | Total Costs Remaining to Complete | Total Project Cost | Variance from Budget (Unfavourable) | |
| A PROFESSIONAL SERVICES | 42,013,399 | 10,480,327 | 755,478 | 11,235,805 | 6,544,711 | 11,553,436 | 8,528,006 | 4,151,442 | 0 | 42,013,399 | 0 | 2 |
| B CONSTRUCTION | 230,736,600 | 5,082,572 | 0 | 5,082,572 | 6,239,000 | 80,920,000 | 96,685,000 | 41,810,028 | 0 | 230,736,600 | 0 | |
| TOTALS | 272,750,000 | 15,562,899 | 755,478 | 16,318,377 | 12,783,711 | 92,473,436 | 105,213,006 | 45,961,470 | 0 | 272,750,000 | 0 | |

Percentage Complete

6%

¹ Total budget of \$272.75 Million for the SEWPCC Upgrade/Expansion Project; Distribution of costs to Components A) and B) was done by the Water and Waste Department.

² Professional Services include Professional Engineering Services, other expert design and cost review, CSIF Funding Audits, Municipal Corporate Utility Model review, overhead and administration charges