Minutes - Standing Policy Committee on Finance - October 15, 2015

REPORTS

Item No. 6  Biosolids – Alternative Disposal Delivery and Management System
Financial Status Report No. 3 for the Period from May 1 to July 31, 2015

STANDING COMMITTEE DECISION:

The Standing Policy Committee on Finance recommended:

1. That the first sentence of Section 3 on page three of the Winnipeg Public
   Service report be amended to read as follows: “Funding in the amount of $225.25 million
   is under consideration as part of the 2016 Capital Budget Process for transfer from the
   Biosolids – Alternative Disposal Delivery and Management System to the NEWPCC –
   Nutrient Removal/Upgrade project.”

2. That the amended report be received as information.

3. That financial status reporting be suspended until receipt of approval from Manitoba
   Conservation and Water Stewardship of the Biosolids Master Plan, or in any event no
   later than the third quarter of 2016.
Minutes - Standing Policy Committee on Finance - October 15, 2015

DECISION MAKING HISTORY:

Moved by Councillor Gillingham,

That the amended report of the Winnipeg Public Service be received as information and that financial status reporting be suspended until receipt of approval from Manitoba Conservation and Water Stewardship of the Biosolids Master Plan, or in any event no later than the third quarter of 2016.

Carried
ADMINISTRATIVE REPORT

Title: BIOSOLIDS – ALTERNATIVE DISPOSAL DELIVERY AND MANAGEMENT SYSTEM FINANCIAL STATUS REPORT NO. 3 FOR THE PERIOD FROM MAY 1 TO JULY 31, 2015

Critical Path: The Standing Policy Committee on Finance

AUTHORIZATION

<table>
<thead>
<tr>
<th>Author</th>
<th>Department Head</th>
<th>CFO</th>
<th>CAO/COO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manager of Engineering</td>
<td>Acting Director Water and</td>
<td></td>
<td>COO</td>
</tr>
<tr>
<td>Services</td>
<td>Waste.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

RECOMMENDATIONS

That this report be received as information.

That financial status reporting be suspended until receipt of approval from Manitoba Conservation and Water Stewardship of the Biosolids Master Plan, or in any event no later than the third quarter of 2016.

REASON FOR THE REPORT

Administrative Directive No. FM-004 requires quarterly reporting to the Standing Policy Committee on Finance.

EXECUTIVE SUMMARY

This program is for the award of contracts for a program that maximizes biosolids reuse. This capital project is financed from the approved 2015 Capital Budget for Biosolids – Alternative Disposal Delivery and Management System.

IMPLICATIONS OF THE RECOMMENDATIONS

The final treatment options for the Biosolids Master Plan are dependent on Regulatory approval. The plan was submitted to Manitoba Conservation and Water Stewardship (Regulator) in September 2014.

Because the City will not implement major capital expenditures until the Biosolids Master Plan has been approved by the Regulator it is recommended that future reporting be suspended until Manitoba Conservation and Water Stewardship approve the Biosolids Master Plan, or the third quarter of 2016.
DISCUSSION:

1. MAJOR CAPITAL PROJECT STEERING COMMITTEE

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

- Doug McNeil, Chief Administrative Officer
- Michael Ruta, Chief Financial Officer
- Diane Sacher, Director of Water and Waste
- Moira Geer, Manager of Finance and Administration, Water and Waste
- Jackie Veilleux, Project Director Winnipeg Sewage Treatment Program, Water and Waste

2. RISKS AND RISK MITIGATION STRATEGIES

An ongoing risk management strategy has been implemented for the Biosolids Composting Pilot. It includes a proactive process of identifying, performing qualitative and quantitative risk analyses, response plan strategies and risk control.

The detailed design and construction of the digestion facility upgrade is being implemented as part of the NEWPCC - Nutrient Removal/Upgrade and a risk analysis for the digestion upgrade will be delivered as part of that project. Formal risk and opportunity analyses of that project are scheduled to be performed by the Winnipeg Sewage Treatment Program (WSTP), the design consultant and key City stakeholders during conceptual and preliminary design.

A project risk register is being kept for the final biosolids treatment option(s) throughout the Biosolids Alternative Disposal Delivery and Management Program and will be updated by formal analyses.

3. CHANGES FROM LAST REPORT

Funding in the amount of $225.25 million has been transferred from the Biosolids – Alternative Disposal Delivery and Management System to the NEWPCC – Nutrient Removal/Upgrade project. These funds are associated with the digester upgrades, which is now being done as part of the NEWPCC – Nutrient Removal/Upgrade project. The reallocated funds will be reported as part of the NEWPCC Upgrade Financial Status Report.

The two-year pilot biosolids composting program started May 4, 2015. A contract for testing the quality of the final compost product has been awarded to A & L Canada Laboratories.

4. ISSUES/RISKS REQUIRING FURTHER ATTENTION

SCHEDULE AND REPORTING
The final treatment option(s) for the biosolids that are recommended in the Biosolids Master Plan require regulatory approval. They cannot be implemented until the Regulator approves
the Biosolids Master Plan and issues appropriate environmental licences. Currently there is no regulatory defined deadline for implementing the Biosolids Master Plan.

Because the City will not implement major capital expenditures until the Biosolids Master Plan has been approved by the Regulator it is recommended that future reporting be suspended until the plan is approved by the regulator, or no later than the third quarter of 2016. The City anticipates regulatory approval by the third quarter of 2016.

**COST RISK**
The estimates for this work, as described within the Biosolids Master Plan are based on a Class 5 cost estimate with an expected accuracy range of between -50% and + 100%, as defined by the Association for the Advancement of Cost Engineering (AACE) International.

Cost estimates for the final treatment option(s) are subject to future licence requirements, which will be established by the Regulator after they have approved the Biosolids Master Plan. Cost estimates will be refined after the Regulator has issued a biosolids licence.

It is AACE International accepted practice that cost estimates are adjusted as design progresses.

5. **WINNIPEG SEWAGE TREATMENT PROGRAM (WSTP)**

Under the WSTP Veolia is to provide advice to the City of Winnipeg in the development of the Biosolids – Alternative Delivery and Management System. As indicated in the WSTP Annual Report (tabled at City Council on July 15, 2015), Veolia is delivering value to the City of Winnipeg. In this project, the City of Winnipeg is benefitting from:

- Provision of expert advice on sludge and biosolids treatment technologies
- 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:

<table>
<thead>
<tr>
<th>Request for Proposal or Bid Opportunity</th>
<th>Description</th>
<th>Current Status</th>
<th>Contract Value (GST and MRST extra as applicable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>153-2012</td>
<td>RFP for Professional Consulting Services for a Leaf and Yard Waste Composting Facility and a Pilot Biosolids Composting Facility at BRRMF</td>
<td>Awarded</td>
<td>$478,781.00&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td>839-2012</td>
<td>Construction of the BRRMF Leaf and Yard Waste and Pilot Biosolids Composting Facility</td>
<td>Awarded</td>
<td>$6,560,839.00&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td>89-2014</td>
<td>Professional Consulting Services for RFP Development and Recommendation for a Struvite Vendor</td>
<td>Awarded</td>
<td>$79,840.00</td>
</tr>
<tr>
<td>Request for Proposal or Bid Opportunity</td>
<td>Description</td>
<td>Current Status</td>
<td>Contract Value (GST and MRST extra as applicable)</td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>------------------------------------------------------------------------------</td>
<td>----------------</td>
<td>--------------------------------------------------</td>
</tr>
<tr>
<td>92-2014 ext 1</td>
<td>Award of Contract for Supply and Delivery of Wood Chips for the Biosolids Compost Facility</td>
<td>Awarded</td>
<td>$367,200.00</td>
</tr>
<tr>
<td>473-2015</td>
<td>A &amp; L Canada Laboratories</td>
<td>Awarded</td>
<td>$23,730.00</td>
</tr>
</tbody>
</table>

1Represents portion of contract funded from the Biosolids – Alternative Disposal Delivery and Management System Account

Future Major Bid Opportunities:

- A contract for servicing electrical and mechanical components of the pilot compost facility is pending. The estimated value for the contract is $60,000.

Project funding

The approved capital and projected budget are as follows:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>CAPITAL PROGRAM</th>
<th>ACTUAL + PROJECTED CASH FLOWS</th>
<th>CUMULATIVE CAPITAL BUDGET REMAINING</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>16,404,0311</td>
<td>12,404,031</td>
<td>4,000,000</td>
</tr>
<tr>
<td>2016</td>
<td>10,500,000</td>
<td>3,500,000</td>
<td>11,000,000</td>
</tr>
<tr>
<td>2017</td>
<td>8,000,000</td>
<td></td>
<td>3,000,000</td>
</tr>
<tr>
<td>2018</td>
<td>22,050,000</td>
<td>5,000,000</td>
<td>50,050,000</td>
</tr>
<tr>
<td>2019</td>
<td>10,000,000</td>
<td>10,000,000</td>
<td>10,000,000</td>
</tr>
<tr>
<td>2020</td>
<td>7,000,000</td>
<td></td>
<td>3,050,000</td>
</tr>
<tr>
<td>Beyond 2020</td>
<td>1,000,000</td>
<td>4,050,000</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>49,954,031</td>
<td>49,954,031</td>
<td>0</td>
</tr>
</tbody>
</table>

1Approved 2015 Capital Budget, as of September 2015
2Submitted 2016 Capital Budget

The project will be funded using a combination of cash, environmental projects reserve and debt funding. Each of these sources are internally funded by rates as forecasted in the Council approved rate report.

A summary of the budget to forecast comparison is contained in Appendix 1.
FINANCIAL IMPACT

Financial Impact Statement	Date: August 25, 2015

Project Name:
BIOSOLIDS – ALTERNATIVE DISPOSAL DELIVERY AND MANAGEMENT SYSTEM
FINANCIAL STATUS REPORT NO. 3 FOR THE PERIOD FROM MAY 1 TO JULY 31, 2015

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

"Original signed by L. Szkwarek, CPA, CGA"
Lucy Szkwarek, C.P.A., CGA
Acting Manager of Finance and Administration

CONSULTATION
In preparing this report there was consultation with:
N/A

OURWINNIPEG POLICY ALIGNMENT
This report is in accordance with the OurWinnipeg policies through environmental compliance.
OurWinnipeg Reference: Environment

SUBMITTED BY
Department: Water and Waste
Division: Engineering Services
Prepared by: M. Paetkau, P. Eng.
Date: October 6, 2015
File No.: S-928

c: Major Capital Project Steering Committee (email)
   J. Veilleux, P. Eng. Water and Waste Department (email)
   Michelle Paetkau, P. Eng., Water and Waste Department (email)

ATTACHMENTS:
Appendix 1: Costs for Biosolids - Alternative Disposal Delivery and Management System
## Biosolids - Alternative Disposal Delivery and Management System
### WATER AND WASTE DEPARTMENT - ENGINEERING DIVISION
#### APPENDIX 1
##### As of July 20, 2015

<table>
<thead>
<tr>
<th>Components</th>
<th>Approved Costs</th>
<th>Incurred up to last report</th>
<th>Submitted Incurred to Date</th>
<th>Projected Costs to Complete</th>
<th>TOTAL Costs</th>
<th>Remaining Costs to Complete</th>
<th>Total Project Variance</th>
<th>NOTE</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Professional Services</td>
<td>12,500,000</td>
<td>3,960,808</td>
<td>3,000</td>
<td>3,963,808</td>
<td>400,991</td>
<td>500,000</td>
<td>350,000</td>
<td>600,000</td>
</tr>
<tr>
<td>B Construction</td>
<td>37,454,031</td>
<td>6,370,622</td>
<td>20,610</td>
<td>6,391,232</td>
<td>548,000</td>
<td>2,000,000</td>
<td>7,000,000</td>
<td>4,650,000</td>
</tr>
<tr>
<td>C Pilot Composting</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>25,000</td>
<td>25,000</td>
<td>1,075,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>TOTALS</td>
<td>49,954,031</td>
<td>10,331,430</td>
<td>48,610</td>
<td>10,380,040</td>
<td>2,023,991</td>
<td>3,500,000</td>
<td>8,000,000</td>
<td>5,000,000</td>
</tr>
</tbody>
</table>

Percentage Complete 21%

1 Total budget of $49,954,031 Million includes 2015 Budget requirements for the Biosolids Alternative Disposal Delivery Program; Distribution of costs to Components A), B) and C) was done by the Water and Waste Department.

2 Professional Services include Professional Engineering Services, other expert design and cost review, overhead and administration charges.