Minutes – Standing Policy Committee on Finance – December 1, 2016

REPORTS

Item No. 13  Biosolids – Alternative Disposal Delivery and Management System
Financial Status Report No. 5 for the Period from July 1, 2016 to September 30, 2016

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 – December 1, 2016

DECISION MAKING HISTORY:

Moved by Councillor Lukes,
   That Rule 10(3) of The Procedure By-law No. 50/2007 be suspended in order that the following item, which was received less than 96 hours preceding the committee meeting, be considered by Committee.

           Carried

Moved by Councillor Lukes,
   That the recommendation of the Winnipeg Public Service be concurred in.

           Carried
ADMINISTRATIVE REPORT

Title: BIOSOLIDS – ALTERNATIVE DISPOSAL DELIVERY AND MANAGEMENT SYSTEM FINANCIAL STATUS REPORT NO. 5 FOR THE PERIOD FROM JULY 1, 2016 TO SEPTEMBER 30, 2016

Critical Path: The Standing Policy Committee on Finance

AUTHORIZATION

<table>
<thead>
<tr>
<th>Author</th>
<th>Department Head</th>
<th>CFO</th>
<th>CAO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manager of Engineering Services</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

EXECUTIVE SUMMARY

This report identifies the financial status and significant events for the Biosolids Alternative Disposal Delivery and Management System. This capital project is financed from the approved 2016 Capital Budget for Biosolids – Alternative Disposal Delivery and Management System.

The Project is currently on schedule and within budget.

RECOMMENDATIONS

That this report be received as information.

REASON FOR THE REPORT

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

IMPLICATIONS OF THE RECOMMENDATIONS

The Biosolids Master Plan (BMP) was approved by the Manitoba Sustainable Development Department (formerly known as Manitoba Conservation and Water Stewardship) on March 10, 2016.

The Water and Waste Department intends to implement the BMP according to the schedule approved by Manitoba Sustainable Development.
1. THE PROJECT

Biosolids are the treated sludge and solid residuals leftover from wastewater treatment. On June 16, 2011, the Water Protection Act (Act) was amended to include the following for the City’s biosolids, which are generated at the North End Water Pollution Control Centre (NEWPCC):

- Nutrients must be recovered and recycled to the maximum extent possible through application of the best available technologies.
- Biosolids and wastewater sludge remaining after the treatment process must be reused.

On October 2, 2012, Manitoba Conservation and Water Stewardship sent a letter to the City requiring that a Biosolids Master Plan that considered opportunities to recycle nutrients and beneficially reuse biosolids, be submitted by October 2, 2014. The City’s current practice, landfilling, is not considered beneficial reuse.

On September 30, 2014, the Winnipeg Sewage Treatment Program (WSTP) submitted the City of Winnipeg Biosolids Master Plan. The plan focuses on nutrient recovery and reuse by focusing on disposal options that utilize nitrogen and phosphorous contained within the biosolids. These options include land application, soil manufacturing, and land reclamation. A new sludge digestion facility with nutrient recovery will produce a low-pathogen biosolids product. Construction of the new facility is part of the NEWPCC Biological Nutrient Removal Upgrade.

The plan also proposed interim strategies for beneficial biosolids reuse before the new digestion facility is completed. The interim strategies are a biosolids composting pilot with landfill reclamation and seasonal land application.

The Biosolids Master Plan was approved by the Regulator on March 10, 2016.

The Adopted Budget to date for the Biosolids – Alternative Disposal Delivery and Management System includes the following Project Identification:

<table>
<thead>
<tr>
<th>Project ID</th>
<th>Project Year</th>
<th>Adopted Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>2031000400(^1)</td>
<td>2000</td>
<td>600,000</td>
</tr>
<tr>
<td>2031000403(^1)</td>
<td>2003</td>
<td>200,000</td>
</tr>
<tr>
<td>2031000404(^1)</td>
<td>2004</td>
<td>994,031</td>
</tr>
<tr>
<td>2031000407(^1)</td>
<td>2007</td>
<td>146,714</td>
</tr>
<tr>
<td>2031000411</td>
<td>2011</td>
<td>3,000,000</td>
</tr>
<tr>
<td>203210002B</td>
<td>2012 - 2016</td>
<td>11,963,286</td>
</tr>
<tr>
<td><strong>Total Project Budget</strong></td>
<td></td>
<td><strong>$16,904,031</strong></td>
</tr>
</tbody>
</table>

\(^1\) Does not appear in the Capital Expenditures Monthly Report as the funds have been expended and it is designated as a closed Project ID.
The Executive Project Sponsor is the Director of Water and Waste. The Project Manager is Michelle Paetkau, M. Sc., P.Eng.

2. MAJOR CAPITAL PROJECT STEERING COMMITTEE

Administrative policy for projects with capital cost exceeding $20 Million requires formation of Major Capital Project Steering Committee. This threshold was approved by Council on October 28, 2015. Any project reporting to Standing Policy Committee on Finance under the previous $10 Million threshold will continue to report. The Committee has been formed and its members are:

Doug McNeil, Chief Administrative Officer
Georges Chartier, Chief Asset and Project Management Officer
Moira Geer, Acting Director, Water and Waste
Lucy Szkwarek, Acting 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.

3. 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.

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.

Critical risks associated with the BMP include:

<table>
<thead>
<tr>
<th>Biosolids Risk Matrix¹</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Risk Statement and Explanation</strong></td>
</tr>
<tr>
<td>The phases of the BMP are linked to other large infrastructure projects, such as the North End Sewage Treatment Plant upgrade and the South End Sewage Treatment Plant upgrade. Delays in their schedule may impact the BMP implementation</td>
</tr>
<tr>
<td>There may be high public interest in biosolids, their products, and their disposal options.</td>
</tr>
</tbody>
</table>

¹Risk Matrix is arranged vertically from higher to lower assessed risk
4. **CHANGES FROM LAST REPORT**

**Land Application Program**
Request for proposal (RFP) No. 619-2016 for Biosolids Land Application closed on September 23, 2016. The scope of work includes public engagement and an application for a new Environmental Act License. Capital funds will be provided for the public engagement and license application. These funds are included in this financial status report (FSR). The operating budget for Wastewater Services includes $479,500 for a land application pilot. The City is currently evaluating bids.

Manitoba Sustainable Development has requested that the land application plan be developed for implementation in 2017. The Land Application Program is an operating program.

**Biosolids Compost Pilot**
The compost pilot has a goal of composting 20% biosolids. Due to operating issues the facility was inoperable from January to May 2016. In the 2015 operating period the facility composted approximately 10% of the City’s biosolids.

The finished compost is being used as cover material within Brady Road Resource Recovery Centre, reducing top soil requirements for the landfill.

**Sludge Dewatering for the South End Water Pollution Control Centre (SEWPCC)**
The SEWPCC will have a facility to thicken the sludge from 6% thickness to 15-20% thickness to reduce hauling costs to the NEWPCC. This project will be initiated after the SEWPCC Upgrading and Expansion Project and the NEWPCC – Nutrient Removal/Upgrade project have been completed. Funds for this work are included in the five-year capital budget forecast.

5. **ISSUES/RISKS REQUIRING FURTHER ATTENTION COST**
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 will be refined further after the Regulator has issued a biosolids license.

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

6. **SCHEDULE**
Updates on the BMP are reported annually to Manitoba Sustainable Development. The timeframe for the BMP components are as follows:
- The digestion and nutrient recovery facility as part of the NEWPCC – Nutrient Removal/Upgrade project
- A land application pilot program is proposed to start in the fall of 2017
- A biosolids compost report by the end of 2017
- SEWPCC sludge dewatering is dependent on the completion of the SEWPCC upgrades
## 7. 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>$478,781¹</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>$6,584,769¹</td>
</tr>
<tr>
<td>89-2014</td>
<td>Professional Consulting Services for RFP Development and Recommendation for a Struvite Vendor</td>
<td>Completed</td>
<td>$79,840</td>
</tr>
<tr>
<td>92-2014</td>
<td>Award of Contract for Supply and Delivery of Wood Chips for the Biosolids Compost Facility</td>
<td>Awarded</td>
<td>$367,200</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</td>
</tr>
<tr>
<td>92-2014 ext 2</td>
<td>Award of Contract for Supply and Delivery of Wood Chips for the Biosolids Compost Facility</td>
<td>Awarded</td>
<td>$367,200</td>
</tr>
<tr>
<td>473-2015</td>
<td>A &amp; L Canada Laboratories</td>
<td>Awarded</td>
<td>$23,730</td>
</tr>
<tr>
<td>619-2016</td>
<td>Biosolids Land Application</td>
<td>Evaluation</td>
<td></td>
</tr>
</tbody>
</table>

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

Future Major Bid Opportunities: N/A
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>As of September 2016</td>
<td>16,904,031</td>
<td>11,311,905</td>
<td>5,592,126</td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td>1,050,000</td>
<td>4,542,126</td>
</tr>
<tr>
<td>2018</td>
<td>22,050,000</td>
<td>550,000</td>
<td>26,042,126</td>
</tr>
<tr>
<td>2019</td>
<td></td>
<td>3,100,000</td>
<td>22,942,126</td>
</tr>
<tr>
<td>2020</td>
<td></td>
<td>6,600,000</td>
<td>16,342,126</td>
</tr>
<tr>
<td>2021</td>
<td>1,000,000</td>
<td>6,550,000</td>
<td>10,792,126</td>
</tr>
<tr>
<td>Beyond 2021</td>
<td></td>
<td>10,792,126</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>39,954,031</td>
<td>39,954,031</td>
<td></td>
</tr>
</tbody>
</table>

The project will be funded using a combination of cash, and environmental projects reserve. 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.

8. OTHER

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 Standing Policy Committee on Water and Waste, Riverbank Management and the Environment meeting September 8, 2016), 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
Financial Impact Statement Date: November 1, 2016

Project Name: BIOSOLIDS – ALTERNATIVE DISPOSAL DELIVERY AND MANAGEMENT SYSTEM
FINANCIAL STATUS REPORT NO. 5 FOR THE PERIOD FROM JULY 1, 2016 TO SEPTEMBER 30, 2016

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

"Original signed by Lucy Szkwarek, CPA, CGA"
Lucy Szkwarek, CPA, 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: November 1, 2016
File No.: S-928

c: Major Capital Project Steering Committee (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 September 30, 2016

### COSTS | PROJECTED COSTS TO COMPLETE | TOTAL | VARIANCE | NOTE
--- | --- | --- | --- | ---
**Components** | Approved Budget To Date 1 | Costs Incurred up to last report | Costs submitted this report | Total Costs Incurred to Date | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Total Costs Remaining to Complete | Total Project Cost | Variance from Budget (Unfavourable)
--- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | ---
PROFESSIONAL SERVICES | 7,817,808 | 3,965,808 | 3,965,808 | 2,000 | 50,000 | 550,000 | 1,100,000 | 1,100,000 | 550,000 | 500,000 | 7,817,808 | 0 | 2
CONSTRUCTION | 30,183,358 | 6,391,232 | 6,391,232 | 2,000,000 | 5,500,000 | 6,000,000 | 10,292,126 | 10,292,126 | 30,183,358 | 0 | 2
Pilot Composting Operational Costs | 1,952,865 | 452,865 | 57,884 | 510,749 | 442,116 | 1,000,000 | 1,952,865 | 1,952,865 | 1,952,865 | 1,952,865 | 1,952,865 | 0 | 2
**TOTALS** | 39,954,031 | 10,809,905 | 57,884 | 10,867,789 | 444,116 | 1,050,000 | 550,000 | 3,100,000 | 6,600,000 | 6,550,000 | 10,792,126 | 39,954,031 | 0 | 2

Percentage Complete 27%

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1 Total budget of $39,954,031 Million includes 2016 Budget requirements for the Biosolids Alternative Disposal Delivery Program; 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, overhead and administration charges.