

**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

Author	Department Head	CFO	CAO/COO
G. K. Patton, P. Eng. Manager of Engineering Services	T. Shanks, P. Eng., Acting Director Water and Waste.	M. Ruta	M. Jack COO

## 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.

## HISTORY / DISCUSSION

### 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  
Moirra 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:

Request for Proposal or Bid Opportunity	Description	Current Status	Contract Value (GST and MRST extra as applicable)
153-2012	RFP for Professional Consulting Services for a Leaf and Yard Waste Composting Facility and a Pilot Biosolids Composting Facility at BRRMF	Awarded	\$478,781.00 <sup>1</sup>
839-2012	Construction of the BRRMF Leaf and Yard Waste and Pilot Biosolids Composting Facility	Awarded	\$6,560,839.00 <sup>1</sup>
89-2014	Professional Consulting Services for RFP Development and Recommendation for a Struvite Vendor	Awarded	\$79,840.00

Request for Proposal or Bid Opportunity	Description	Current Status	Contract Value (GST and MRST extra as applicable)
92-2014 ext 1	Award of Contract for Supply and Delivery of Wood Chips for the Biosolids Compost Facility	Awarded	\$367,200.00
473-2015	A & L Canada Laboratories	Awarded	\$23,730.00

<sup>1</sup>Represents 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:

YEAR	CAPITAL PROGRAM	ACTUAL + PROJECTED CASH FLOWS	CUMULATIVE CAPITAL BUDGET REMAINING
2015	16,404,031 <sup>1</sup>	12,404,031	4,000,000
2016 <sup>2</sup>	10,500,000	3,500,000	11,000,000
2017 <sup>2</sup>		8,000,000	3,000,000
2018 <sup>2</sup>	22,050,000	5,000,000	20,050,000
2019 <sup>2</sup>		10,000,000	10,050,000
2020 <sup>2</sup>		7,000,000	3,050,000
Beyond 2020	1,000,000	4,050,000	0
Total	49,954,031	49,954,031	

<sup>1</sup>Approved 2015 Capital Budget, as of September 2015

<sup>2</sup>Submitted 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**

Components	COSTS				PROJECTED COSTS TO COMPLETE						TOTAL	VARIANCE	NOTE	
	Approved Budget To Date <sup>1</sup>	Costs Incurred up to last report	Costs submitted this report	Total Costs Incurred to Date	2015	2016	2017	2018	2019	2020	Total Costs Remaining to Complete	Total Project Cost	Variance from Budget (Unfavourable)	
A PROFESSIONAL SERVICES	12,500,000	3,960,808	3,000	3,963,808	400,991	500,000	500,000	350,000	600,000	700,000	450,000	7,464,799	0	<sup>2</sup>
B CONSTRUCTION	37,454,031	6,370,622	20,610	6,391,232	548,000	2,000,000	7,000,000	4,650,000	9,400,000	6,300,000	3,600,000	39,889,232	0	
C Pilot Composting Operational Costs			25,000	25,000	1,075,000	1,000,000	500,000					2,600,000		
<b>TOTALS</b>	<b>49,954,031</b>	<b>10,331,430</b>	<b>48,610</b>	<b>10,380,040</b>	<b>2,023,991</b>	<b>3,500,000</b>	<b>8,000,000</b>	<b>5,000,000</b>	<b>10,000,000</b>	<b>7,000,000</b>	<b>4,050,000</b>	<b>49,954,031</b>	<b>0</b>	

Percentage Complete

21%

<sup>1</sup> 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.

<sup>2</sup> Professional Services include Professional Engineering Services, other expert design and cost review, overhead and administration charges