Agenda – Executive Policy Committee – March 17, 2021

Moved by Councillor

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 four business days preceding the committee meeting, be considered by Committee.

ADDENDUM REPORTS

Item No. 22 Update on North End Sewage Treatment Plant (NEWPCC) Upgrade: Headworks and Biosolids Facilities Projects

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That the Government of Canada and the Province of Manitoba be requested to provide confirmation of approval of Investing in Canada Infrastructure Program Funding (ICIP) for the NEWPCC Upgrade Projects: Headworks Facility project and Biosolids Facility project.

2. That the Province of Manitoba be requested to confirm the City's recommended procurement methodology for the Biosolids project.

3. That the Public Service be directed not to proceed with detailed engineering design for the Biosolids Facility design-bid-build project, in the amount of $15.334 million, as approved by Council on January 30, 2020, until such time as the confirmation requested in Recommendations 1 and 2 have been received.

4. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

ADMINISTRATIVE REPORT

Title: UPDATE ON NORTH END SEWAGE TREATMENT PLANT (NEWPCC) UPGRADE: HEADWORKS AND BIOSOLIDS FACILITIES PROJECTS

Critical Path: Executive Policy Committee - Council

AUTHORIZATION

Author	Department Head	CFO	CAO
M. L. Geer, CPA, CA Director, Water and Waste	M. L. Geer, CPA, CA Director, Water and Waste	N/A	M. Ruta, Interim CAO

EXECUTIVE SUMMARY

This report is to highlight schedule and cost risks for the NEWPCC Headworks and Biosolids Facilities Projects due to delays in the confirmation of Investing in Canada Infrastructure Program (ICIP) funding.

This report recommends that the Public Service not proceed with spending $15.334 million on detailed engineering design for the Biosolids Facility design-bid-build, until such time that the Provincial and Federal governments approve the Investing in Canada Infrastructure Program (ICIP) funding and that the Province confirms the procurement methodology for the Biosolids project.

The existing NEWPCC Biosolids Facilities has a finite capacity and these delays could result in the City and serviced Rural Municipalities having to cease development until a new facility is commissioned.

RECOMMENDATIONS

1. That the Government of Canada and the Province of Manitoba be requested to provide confirmation of approval of Investing in Canada Infrastructure Program Funding (ICIP) for the NEWPCC Upgrade Projects: Headworks Facility project and Biosolids Facility project.

2. That the Province of Manitoba be requested to confirm the City's recommended procurement methodology for the Biosolids project.

3. That the Public Service be directed not to proceed with detailed engineering design for the Biosolids Facility design-bid-build project, in the amount of $15.334 million, as approved by Council on January 30, 2020, until such time as the confirmation requested in Recommendations 1 and 2 have been received.

4. That the proper officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

To seek confirmation of ICIP funding for Headworks and Biosolids Projects and procurement methodology for Biosolids.

The Public Service is also requesting not to proceed with the Biosolids project without the approval of funding under ICIP or approval of procurement methodology, contrary to the January 30, 2020, Council approved the Public Service recommendation, namely:

"11. That spending of $15.334 million be authorized from the 2019 Capital Budget for the NEWPCC Upgrade Project 2: Biosolids Facilities to proceed with engineering services for the project."

The Public Service is also advising Council of the potential delays and cost increases to NEWPCC projects.

IMPLICATIONS OF THE RECOMMENDATIONS

The NEWPCC Headworks and Biosolids Facilities may be delayed.

This could result in increased costs and the City and serviced Rural Municipalities having to cease development until a new biosolids facility is commissioned.

HISTORY/DISCUSSION

On February 28, 2019, Council approved the North End Sewage Treatment Plant Biological Nutrient Removal Upgrade Project report recommending the NEWPCC Upgrade Project would be split into three separate capital projects to mitigate the risk associated with a single large, complex and lengthy project. The project was amended to: 1) NEWPCC Upgrade Project: Power Supply and Headworks Facilities; 2) NEWPCC Upgrade Project: Biosolid Facilities; 3) NEWPCC Upgrade Project: Nutrient Removal Facilities. Executing the upgrades as three separate capital projects would provide opportunities to better manage the overall project scope and cost.

The report prioritized that the Power Supply and Headworks as first priority due to process critically and Biosolids as second priority. It was also identified, at that time, the existing Biosolids Facility would be nearing capacity in five to ten years.

The Power Supply project is scheduled for completion in Q1 2021. The award of the construction of the Headworks facility is scheduled for Q1 2021 according to the procurement milestone.

On September 26, 2019, Council approved a 2019 capital budget of $552,712,000 for the NEWPCC Upgrade: Biosolids Facilities project, subject to final written confirmation of Federal and Provincial funding satisfactory to the Chief Financial Officer. This report approved the

Public Service to submit the Headworks and Biosolids Facilities projects, among others, for Provincial and Federal funding under the ICIP program.

In October 2019, the Public Service submitted the funding application for the Headworks and Biosolids Facilities projects to the Province of Manitoba, as they are administering the ICIP funding program on behalf of the Federal government under a bilateral agreement.

On January 30, 2020, Council approved $15,223,000.00 for the Biosolids Facilities project budget to secure engineering services within the 2020 to 2023 Water and Sewer Rate report to undertake detailed engineering to proceed with a design-bid-build. This engineering work has not yet started, as the Province has requested that the City undertake a review of a P3 project procurement methodology, which is ongoing.

On September 30, 2020, City Council approved the transfer of $321.4 million of Federal funding under ICIP from the Public Transit Infrastructure to the Green Infrastructure Stream to fund the Federal government's portion for the Headworks and Biosolids project.

On December 17, 2020, City Council approved the Biosolids Capacity Report that highlighted the City's remaining biosolids capacity of 90,000 population equivalent that could be consumed within the next five to nine years. This limitation impacts development in both the City and the Winnipeg Metro Region.

Despite all the Council decisions since September 26, 2019, there has been no commitment of funding from either the Provincial or Federal government. To expedite the funding approval City Council approved the transfer of Federal funding from the Public Transit Infrastructure to the Green Infrastructure Stream, as required. The Province requires an analysis of the feasibility of a private-public partnership (P3) procurement methodology for the NEWPCC Biosolids and Biological Nutrient Removal projects before submitting the funding application to the Federal government. These discussions have been ongoing since July 2020 with no resolution.

The first enquiries the Public Service received on the Headworks or Biosolids Facilities ICIP funding applications occurred in October 2020. Since that time the Public Service has expedited responses to all Provincial and Federal government questions.

Headworks Project

The Provincial and Federal governments have made several enquiries regarding the application and the Public Service has been expeditiously providing data such as a climate lens assessment, business case and detailed costing information. The Federal government's most recent enquiry was February 25, 2021. It is the Public Service's understanding that the application has not yet been forwarded to the Federal Treasury Board for approval.

This project is being delivered as a design build. The procurement process is near completion with an expected contract award milestone of March 31, 2021. The Province of Manitoba has advised that if the City awards the contract before funding approval, no cost sharing would apply which would mean ratepayers would carry the burden of an additional $221 million.

The City requested pre-approval of Federal funding so the City can proceed and the Province denied this request. Given that Canada and Manitoba are supportive of protecting Lake

Winnipeg the Public Service deemed this a reasonable request.

Failure to award by March 31, 2021 will result in a minimum one-year delay due to loss of winter construction activity in 2021/2022 as certain works can only be undertaken in low flow season.

Failure to award by June 12, 2021 could nullify the procurement process, forcing the City to pay penalties of $1 million to each of the pre-qualified bidders as compensation costs incurred and restarting the procurement process. There is potential to extend the award date but could increase the project cost. This could result in a delay of two years or more.

Headworks is the critical first upgrade needed before Biosolids or Nutrient Removal Facilities can be commissioned.

This contract will not be awarded until ICIP funding is approved.

Biosolids Project

The City's planned procurement model is a traditional design-bid-build. The Public Service undertook a procurement option review and determined this methodology would produce the greatest value for rate payers and expedite the construction schedule.

The Province advised that the ICIP funding approval was conditional on completing a P3 analysis on project delivery for both Biosolids and Nutrient Removal Facilities projects even though Nutrient Removal is not in scope for the ICIP application as this project is currently projected to be complete beyond the time frame of the ICIP funding program.

The Public Service is recommending not to advance the Biosolids Project engineering as intended with Council's approval of the $15.334 million budget in January 2020. The design was intended to advance engineering design to enable the award of construction contracts under a design-bid-build procurement model. If the City is required to pursue a P3 model the proponent would complete their own design work and the $15 million would be throw away. In addition, any costs incurred before funding approval would not be eligible for cost sharing.

The Public Service has been advised that the Biosolids funding application has not been submitted to the Federal government pending the procurement methodology review and the Province has further advised that the Federal approval process could take as long as eight months – it is very possible that approval may not happen until 2022. The current Biosolids project schedule assumed funding decisions would have concluded at the end of 2020 with the initiation of detailed design under a design– bid– build procurement mythology in Q1 2021.

The Public Service commenced discussions with the Province in July 2020. Seven months later, the procurement methodology issue is still not resolved to the Province's satisfaction. The Public Service has been trying to advance the application. Since the initial discussion, the Public Service has:

- Presented the City's position on the proposed design-bid-build delivery model for Biosolids and the Province subsequently asked for expert advice (September 2020)
- Engaged Deloitte to conduct an independent, expert procurement review (October 2020)

- Convened two meetings with the Province for Deloitte to present their findings and to respond to detailed Provincial queries (December 2020 and January 2021)

The next step in the process is for Deloitte to conduct a market sounding to determine how best to proceed with Biosolids but the Province has not yet agreed to the scope of the review.

The City will incur costs of approximately $100,000 to complete the P3 and Market Sounding, both conditions of the funding application imposed by the Province, and none of which are eligible for cost sharing.

The City could run out of biosolids capacity and stop development in the areas serviced before a new facility is commissioned.

The ICIP agreement expires March 31, 2028 with projects being substantially complete by October 31, 2027. Project delays beyond this point would put funding at risk.

FINANCIAL IMPACT

Financial Impact Statement **Date:** March 11, 2021

Project Name:

UPDATE ON NORTH END SEWAGE TREATMENT PLANT (NEWPCC) UPGRADE PROJECTS: HEADWORKS AND BIOSOLIDS FACILITIES

COMMENTS:

There are no financial impacts associated with the recommendation of this report.

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

CONSULTATION

This Report has been prepared in consultation with:

Infrastructure Planning Office

OURWINNIPEG POLICY ALIGNMENT

This report is in accordance with the OurWinnipeg policies through Section 02-2 Environment as it will reduce the environmental impact of our citizens on the Red River and the downstream lakes and rivers. It is in collaboration with the Regulatory Licence requirements issued by the Province of Manitoba.

OurWinnipeg Reference: Section 02-2 Environment

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

N/A

SUBMITTED BY

Department: Water and Waste
Division: Director's Office
Prepared by: Moira Geer, CPA, CA., Geoffrey Patton, P. Eng.
Date: March 12, 2021
File No.: S-972