

Minutes - Standing Committee on Fiscal Issues - September 12, 2006

REPORTS

**Minute No. 46 North End Water Pollution Control Centre (NEWPCC) Wastewater
Disinfection Financial Status Report No. 6 for the period from
February 1, 2006 to July 31, 2006
File WS-7.1**

STANDING COMMITTEE DECISION:

The Standing Committee on Fiscal Issues concurred in the administrative recommendation and received the report as information.

Minutes - Standing Committee on Fiscal Issues - September 12, 2006

DECISION MAKING HISTORY:

Moved by Councillor Swandel,

That the administrative recommendation be concurred in.

Carried

**RE: NORTH END WATER POLLUTION CONTROL CENTRE (NEWPCC)
WASTEWATER DISINFECTION FINANCIAL STATUS REPORT NO. 6
FOR THE PERIOD FROM FEBRUARY 1, 2006 TO JULY 31, 2006**

FOR SUBMISSION TO: THE STANDING COMMITTEE ON FISCAL ISSUES.

ORIGINAL REPORT SIGNED BY: The Director of Water and Waste Department.

REPORT DATE: September 5, 2006.

RECOMMENDATION(S): That this report be received as information.

REPORT SUMMARY

KEY ISSUES:

- Manitoba Conservation issued Environment Act Licence No. 2684 dated June 1, 2005 and revisions, Environment Act Licence No. 2684 R dated August 17, 2005 and Environment Act Licence No. 2684 RR dated June 1, 2006. Environment Act Licence No. 2684 RR requires that the City of Winnipeg disinfect its NEWPCC secondary effluent through the construction and commissioning of an ultraviolet (UV) disinfection facility on or before July 31, 2006.
- The NEWPCC UV Disinfection Facility was put into operation on July 31, 2006
- The project commissioning process is nearing completion with control system troubleshooting ongoing to optimize UV disinfection performance and provide consistent coliform reductions.

IMPLICATIONS OF THE RECOMMENDATION(S):

General Implications

- None
 For the organization overall and/or for other departments
 For the community and/or organizations external to the City of Winnipeg
 Involves a multi-year contract
Comment(s):

Policy Implications

- No
 Yes – Comment(s):

Regulatory Implications

- None
 Eliminates or reduces regulatory impact
 Proposes regulatory impact
Comment(s):

Environmental Implications

- None
 Yes – Comment(s): For information: Year round disinfection of NEWPCC Secondary effluent commencing July 31, 2006

Human Resources Implications

<input checked="" type="checkbox"/>	No
<input type="checkbox"/>	Yes – Comment(s):

Financial Implications

<input checked="" type="checkbox"/>	Within approved current and/or capital budget
<input type="checkbox"/>	Current and/or capital budget adjustment required

REPORT

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 for review and recommendation prior to any bid solicitation being issued.

HISTORY:

- 2001 Council approved Capital funding in the amount of \$6,480,000 for the NEWPCC disinfection facility.
- 2002 Council approved Capital funding in the amount of \$8,520,000 for the NEWPCC disinfection facility.
- 2004 On December 13, Council approved Capital funding in the amount of \$11,500,000 for the NEWPCC projects comprised of \$5,000,000 for UV disinfection facility and \$6,500,000 for outfall upgrades.
- 2006 On March 22, Council approved the transfer of funds from NEWPCC Outfall Capacity and Flood Protection and NEWPCC Wastewater Disinfection Project to WEWPCC Effluent Disinfection and Nutrient Removal (BNR) Project and NEWPCC Centrate Nutrient Reduction Project.
- 2006 On April 11, the Standing Committee on Fiscal Issues received as information Financial Status Report No. 5 for the NEWPCC UV Disinfection Facility.

DISCUSSION:

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:

- Barry D. MacBride, Director and Chair
- Mike Ruta, Corporate Controller
- Bill Larkin, Director of Public Works
- Harry Finnigan, Director of Planning, Property and Development

The Committee has reviewed this report and recommended that the report be sent to Fiscal Issues Committee.

DESCRIPTION OF PROJECT

The project provides UV Disinfection to reduce fecal coliform content in the final effluent in accordance with Environment Act Licence No. 2684 RR dated June 1, 2006.

The facility construction project is currently in the final stages of completion. Construction is ongoing with total performance expected in late September 2006.

RISKS AND RISK MITIGATION STRATEGIES

- Project risks are low as the project is nearing completion.

CHANGES FROM LAST REPORT

Cost Risks

- The Project cost remains unchanged from the last report with the current construction estimate indicating that the project will be completed for \$19,043,000.

Schedule Risks

- In the last report schedule risk analysis indicated that the expected project completion date would be June 26, 2006. The concern that the contractor would not meet the completion date was confirmed with elevated spring river levels delaying required connections to the outfall. This together with contractor coordination performance and the delivery of incorrect contractor supplied transformer equipment have caused the schedule to be revised to early September 2006.
- The Licence requirement for UV Disinfection of plant effluent to commence on July 31, 2006 was achieved. However the UV Disinfection system is now undergoing

performance adjustments/tuning that are required as coliform reductions have to date been intermittent.

Mitigation

- The financial implication of not achieving the completion is being mitigated by the implementation of Liquidated Damages on the Contractor. This action is mitigating the costs of maintaining inspection staff on site for the additional period up to and including the project completion.

ISSUES/RISKS REQUIRING FURTHER ATTENTION

The project has received two claims from the Facility Construction Contractor that are expected to require consideration following completion of the contract. The claims indicated below have been refuted by the Contract Administrator based on initial assessment and are awaiting additional information to support the contractors claim before final determinations can be made. The value of these outstanding claims is approximately \$300,000.

- One claim relates to the extent of shoring required by the contract administrator over the Contractor proposed shoring required to safely support the treatment plant outfall pipe during excavation and construction of the facility.
- A second claim relates to the supply of dry transformers and the contractor's interpretation of the specification that conflicted with the interpretation of the contract administrator.

FINANCIAL ANALYSIS

All Tenders have been issued and no others are pending as of the date of this report.

257-2004	Trojan Technologies	UV Equip. supply	6,591,200	6,450,476	(140,724)	-2.1%
89-2005	KSB Pumps	Axial flow pumps	1,470,000	1,397,420	(72,580)	-4.9%
440-2005	Manitoba Hydro	Transformer supply	759,700	764,990	-	0.0%
74-2005	Gateway Construction	Facility construction	15,059,000	7,252,202	(7,806,798)	-51.8%
	Total		23,879,900	15,865,088	(8,014,812)	-33.6%

TENDERS TO BE ISSUED

Estimated Date of issue	Description	Budget
None	None	-
Total		-

Total Tendered Amount & Un-issued Pre-tender Estimate	\$ 23,879,900
Items Not Issued by Tender	2,620,100
Surplus Budget funds transferred to other accounts	<u>(7,457,000)</u>
Total Approved Budget	<u><u>\$ 19,043,000</u></u>

Project funding

The approved capital and projected budget are as follows:

PROJECT FUNDING (\$000s)

Year	Capital Program	Actual + Projected Cashflows	Cumulative Capital Budget Remaining
Up to (1) 2003	15,000	-	15,000
(1) 2004	11,500		26,500
2005		9,964	16,536
(2) 2006	(7,457)	9,079	-
2007	-	-	-
2008	-	-	-
Total	19,043	19,043	-

(1) Capital Budget approved by Council

(2) Council approved transfer of funds to other projects

Financial Analysis

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

FINANCIAL IMPACT:

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

Manager of Finance & Administration

IN PREPARING THIS REPORT THERE WAS:

Internal Consultation With and Concurrence By: N/A

External Consultation with: N/A

THIS REPORT SUBMITTED BY:

Department: Water and Waste Department
Division: Engineering Division
Prepared by: Dwight Gibson, P. Eng/Terry Holding C.E.T
File No. 020-17-08-09-01

**APPENDIX 1
CAPITAL PROGRAM
As of July 31, 2006**

Project Component	Capital Budget				Capital Expenditure Forecast					Surplus (Deficit)	Variance Last Report	Change in Variance
	Original	Approved contract changes	Council approved change - 22 Mar. 2006	Revised	Actual Costs		Projected Costs		Total			
					To July 31, 2006	2006	2007	2008	Forecast	From Revised Budget		
A Engineering	\$ 2,919,000	\$ (106,559)		\$ 2,812,441	\$ 2,126,801	\$ 685,640	\$ -	\$ -	\$ 2,812,441	\$ -	\$ -	\$ -
B UV Equipment supply	6,414,000	36,476		6,450,476	4,837,857	1,612,619	-	-	6,450,476	-	-	-
C Pumping Equipment supply	1,397,420	-	-	1,397,420	1,187,807	209,613	-	-	1,397,420	-	-	-
D Facility Construction	15,059,580	(350,378)	(7,457,000)	7,252,202	6,630,328	621,874	-	-	7,252,202	-	59,746	(59,746)
E Transformer supply	710,000	54,990		764,990	746,316	18,674			764,990	-		-
F COC Insurance/misc costs	-	255,421	-	255,421	255,421	-			255,421	-		-
G Contingency	\$ -	\$ 110,050		110,050	\$ -	\$ 110,050	\$ -	\$ -	110,050	-	\$ (153,716)	153,716
	\$ 26,500,000	\$ -	\$ (7,457,000)	\$ 19,043,000	\$ 15,784,530	\$ 3,258,470	\$ -	\$ -	\$ 19,043,000	\$ -	\$ (93,970)	\$ 93,970

Notes: