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INCREASE TO THE TOTAL PROJECT BUDGET AUTHORITY FOR THE SOURCE SEPARATED ORGANIC WASTE TREATMENT FACILITY- PROJECT 71335

The Environmental Services Committee recommends the adoption of the recommendations contained in the following report dated May 20, 2010, from the Commissioner of Environmental Services.

1. RECOMMENDATION

It is recommended that:

1. Regional Council authorize an amendment to the 2010 Capital Budget to increase the Total Project Budget Authority for this project from \$31,200,000 to \$46,255,000 with the additional funding required for construction of this project in 2012.
2. The Chief Administrative Officer be authorized to award a contract for the design, construction and operation of a source separated organics facility to the proponent that has achieved the highest overall score or, if applicable, the lowest dollar cost per technical point. This authorization is subject to confirmation from the Regional Treasurer that adequate funds are available to award the contract.

2. PURPOSE

The purpose of this report is to seek authorization to amend the 2010 Capital Budget to increase the Total Project Budget Authority for this Source Separated Organic Waste Treatment Facility project from \$31,200,000 to \$46,255,000.

3. BACKGROUND

New facility to be delivered through a Design, Build and Operate Contract

On February 11, 2010, York Region and the County of Dufferin issued a Request for Proposals (RFP) for the Design, Build and Operation of a Source Separated Organic (SSO) Waste Treatment Facility (P-09-101) to treat SSO waste from the Region and the County. This RFP closed on June 3, 2010.

Facility will treat 50,000 tonnes per year of Source Separated Organic Waste and produce category AA compost

The Facility will have an initial processing capacity of 50,000 tonnes per year but will be designed and constructed to facilitate a future expansion to 100,000 tonnes per year.

The Facility will produce compost that meets Category AA criteria as set out in Ministry of the Environment (MOE) of the draft “Guidelines for Composting Facilities and Compost Use in Ontario.” Compost leaving the Facility shall be ready for intended end use and shall require no further treatment, curing or storage to meet the Category AA classification for compost in Ontario.

Facility incorporates current design and operational objectives

The SSO waste treatment sector has matured considerably in the last few years both in terms of regulation development and corresponding implications on facility planning, design, construction, operations and cost.

These recent changes have led the Region to emphasize the following objectives in the SSO waste treatment Design, Build and Operation RFP:

- Ownership and operational control
- Long term value and stability for treatment of SSO waste
- Maintaining a positive public legacy in the local community
- Maintain the value of the facility throughout the life of the asset
- Application of LEED principles
- Compliance with Region’s ISO 14001 certification

These objectives are reflected in the design and construction requirements for the Region’s new facility that include:

- A large facility building sized to ensure the SSO waste receiving, treatment, curing and storage processes all occur in an enclosed environment
- Capture, treat, and control all odours generated from within the facility which includes maintaining a negative pressure environment
- Built-in redundancy for the odour control system
- Backup power for critical process and treatment functions
- Facility building and equipment designed to resist deterioration in a composting environment
- On-site treatment of all process water and liquid waste
- Communication and SCADA system permitting Region monitoring and auditing of key processes and performance

Pre-consultation meetings with the MOE have contributed to the development of specific facility features intended to respond directly to current concerns and performance expectations. The previous cost estimate developed in 2007 did not fully accommodate the above noted requirements. Once these and other facility requirements were incorporated into the RFP, the Region’s consultant prepared an updated cost estimate which confirmed the need to increase the total project budget.

Facility to be constructed by the end of 2012

The Design, Build and Operation RFP tender period closed on June 3, 2010. While there is some dependence on the number and nature of submissions received, it is expected that award of the Design, Build and Operation contract will take place this summer or by September 2010 if award of an alternative proposal is recommended. The RFP anticipates a design, approvals, construction and commissioning period of 26 months. Assuming the “Notice to Proceed” is issued shortly after award it is expected that the facility will be substantially completed by the end of 2012.

4. ANALYSIS AND OPTIONS

Latest construction estimate increases total project costs

The breakdown of the estimated total project costs are shown in Table 1 below:

Table 1
Estimated Total Project Costs

Project	Cost
Owner's Project Management, Administration and Land	
Owner's Engineer	
Facility Design Build:	
Site Design and Development	\$5,000,000
Equipment (Supply and Installation)	\$17,800,000
Building	\$15,520,000
Commissioning	\$450,000
Project Subtotal	\$42,050,000
10% Contingency	\$4,205,000
Total Project Cost	\$46,255,000

A comparison of this updated cost estimate was also made against a recent municipal SSO processing facility project and the two were found to be within the same range. The comparison of total project costs is shown in Table 2.

Table 2
Comparison of Total Project Costs

Project	Processing Capacity (tonnes per year)	Total Project Cost	Estimated Unit Cost (\$ per tonne)
Proposed York-Dufferin Joint SSO Facility	50,000	\$46,255,000	\$925
City of Guelph	30,000	\$32,800,000	\$1,093

Based on the proposed York-Dufferin Joint SSO total project cost, and a 20 year debt repayment term, the capital component of the annual cost per tonne for the proposed SSO facility is in the order of \$50.00.

A comparison may also be made with the results of the previous York-Dufferin SSO Processing Design, Build and Operate Request for Proposal that closed on January 23, 2008. Through this procurement the Region sought to own a facility with a processing capacity of 50,000 tonnes per year. The capital costs resulting from this previous procurement were in the range of \$30 million to \$70 million.

5. FINANCIAL IMPLICATIONS

The estimated cost for the proposed work is approximately \$46,255,000 excluding taxes. Currently, funding for the project is included in the Region's approved 2010 Capital budget in the amount of \$31,200.00. Additional funding for construction of this project will be required in 2012. Dufferin County will assume approximately 10% of the facility capacity and associated cost.

The business case, including a review of operation costs, for this facility will be assessed during the evaluation of responses to the Design, Build and Operate Request for Proposal.

6. LOCAL MUNICIPAL IMPACT

By increasing the total budget authority for the Source Separated Organic Waste Treatment Facility project the Region's local municipalities will be provided a new, third SSO processing option, that is owned by the Region, and offers 45,000 tonnes of SSO processing capacity with added processing / market certainty.

7. CONCLUSION

It is recommended that the total project budget authority of the Source Separated Organics Waste Treatment Facility be increased to \$46,255,000 excluding taxes.

For more information on this report, please contact Daniel Kostopoulos, Director, Capital Planning and Delivery, Environmental Services at extension 5070.

The Senior Management Group has reviewed this report.