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**CORE AREA LIQUID WASTE MANAGEMENT COMMITTEE
MEETING OF FEBRUARY 8, 2017**

SUBJECT **Report from the Core Area Wastewater Treatment Project Board – February 2017**

ISSUE

To provide the Core Area Liquid Waste Management Committee (**CALWMC**) with the January 2017 status report describing the work of the Core Area Wastewater Treatment Project Board (**Project Board**) and the Core Area Wastewater Treatment Project (**Project**).

BACKGROUND

Under its Terms of Reference, the Project Board provides monthly status reports to the Capital Regional District (**CRD**). This is the report for January 2017, which describes work since December 14, 2016 (the date of CALWMC's last meeting).

IMPLICATIONS

The Project continues to progress on several fronts. Since December 14, 2016, the Project Board and Project team have focused on the following activities:

- Establishing the Project management office;
- Continuing the recruitment of Project management office staff;
- Continuing consultation with the Songhees and Esquimalt Nations;
- Continuing engagement with the Township of Esquimalt and the City of Victoria in land-use processes;
- Continuing engagement with senior levels of government to finalize the funding agreements;
- Continuing engagement with Harbour Resource Partners (HRP), the contractor for the construction of the wastewater treatment plant, to finalize the project agreement;
- Progressing the procurement of the residuals treatment facility; and
- Continuing meeting with Core Area municipalities, stakeholders and residents groups.

This report provides an update on these activities, with particular emphasis on:

- Land use permitting
- Project budget
- Next steps.

Land Use Permitting

Work continues in accordance with the schedule the Project Board and the municipalities developed in November 2016. The schedule contemplates a conclusion before the end of February 2017, which in turn allows the Project Board to enter into its Project Agreement with

HRP for the wastewater treatment plant in early March, so that construction can begin shortly thereafter.

In Victoria, the matter is the application by the CRD to rezone the Clover Point pump station site to allow for the expansion of the existing pump station. Associated with this rezoning are two licenses of occupation, one for the Clover Point pump station and one for the Clover Point forcemain. The "*Committee of the Whole Report, January 12, 2017*" for the Committee of the Whole (COW) meeting of January 26, 2017 in support of the Clover Point rezoning application is attached as Attachment 1. The Committee recommendation to Council was positive. The Council meeting schedule for the re-zoning is summarized in Attachment 2.

The January 26 COW meeting followed several community meetings hosted by the Project Board or community associations, in accordance with the usual process in the City of Victoria. Ultimately, the decision to re-zone is within the discretion of City Council; however, the Project Board is optimistic that it will occur as scheduled.

In Esquimalt, there are two land use matters: a *Township-initiated* re-zoning application for its Bylaw 2888 and an application by the CRD for a Development Permit for the wastewater treatment plant. The report for the rezoning recommending first and second reading, which includes the draft agreements for amenities (which provide for amenities valued at approximately \$20 million, as contemplated by the Project business case approved by the CRD Board on September 14, 2016), was issued on February 3, 2017. It is attached as Attachment 3 (the "Rezoning Report"). There will also be a report on February 17 containing background information for the public hearing. The staff report for the rezoning, third reading, and adoption will be issued February 24. The staff report for the Development Permit will also be issued on February 24. The Township of Esquimalt meeting schedule for the rezoning and the development permit is attached as Attachment 4.

The Project Board hosted open houses in Esquimalt and on the Department of National Defence Base in January. On January 23 the Township of Esquimalt hosted an open house on the amenity package. The Township's Design Review Committee and the Advisory Planning Commission also reviewed the Plant design and new draft zoning bylaw respectively. Ultimately, the decision to rezone and to issue the Development Permit is within the discretion of Township Council; however, the Project Board is optimistic that the process will continue to progress as planned and the rezoning and issuance of the development permit will occur as scheduled.

Project Budget

The Project control budget of \$765 million, as established in the Business Case approved by the CRD Board on September 14, 2016, remains unchanged. Work is underway to finalize the details of elements of the budget. One of those elements is the budget to manage the Project. The Project Director and Deputy Project Director presented to the Project Board, for approval, the budget for the Project management office (the PMO budget), including appropriate contingency, of \$75.8 million. KPMG carried out an exercise to review and benchmark the PMO budget against industry standards, and found that the PMO budget is within industry standards. A summary of the PMO budget is attached as Attachment 5.

Project Management Team

As noted in the last report, the Project Board recruited the Project Director and Deputy Project Director.

The Project Director and Deputy Project Director have:

- Recruited two of the senior management team positions;
- Progressed procurement processes to appoint the key program advisors, including the business advisor, communications and engagement advisor and insurance advisor; and
- Established the Project management office in Victoria, and a satellite support office in Vancouver.

The Project Director and Deputy Project Director are now:

- Finalizing the organizational structure of the Project management office; and
- Recruiting the remaining senior management team positions, as well as the Project support positions as required.

Community Engagement

The Project Board and the Project team continue to engage with stakeholders. The Project Board presented a three-stage plan to the CALWMC on November 9, 2016, for the communication of Project information and community engagement. The Project Board and Project team are now working through the activities in Phase 2 (which are focused around the development of a Community Engagement Program), and will proceed to Phase 3 (implementation of the Community Engagement Program) shortly.

The Project Board's Chair, Vice Chair and Project team continue to meet with representatives of the various municipalities, Department of National Defence (DND), the Greater Victoria Harbour Authority (GVHA), First Nations, community associations, residents and other stakeholder groups. Attachment 6 is a list of the significant meetings held in the reporting period.

While the immediate focus has been on the land use permits and construction planning for activities in Esquimalt and Victoria, where construction is scheduled to begin in late spring 2017, the Project Board is also committed to continue to meet with the District of Saanich, anticipating construction on the conveyance and residual solids elements of the Project in 2018. Meetings are currently being scheduled for March or April.

Senior Government Funding:

The Project Board is finalizing funding agreements with P3 Canada, Infrastructure Canada, and the Province. On January 23 the Project team met with representatives from Infrastructure Canada and the Province, and hosted the Infrastructure Canada representative for a Project site tour. All parties are continuing to work toward finalizing agreements in February 2017; at this point the Project Board anticipates meeting that schedule.

Wastewater Treatment Plant:

The Project Board and Project team have continued to engage with HRP, the contractor for the construction of the wastewater treatment plant. HRP are currently engaged in design and geotechnical field work under an Early Works agreement that is in place pending the finalization of the Project Agreement. These early works are necessary to maintain the schedule for completion of the wastewater treatment plant in 2020.

Procurement of Residuals Treatment Facility:

The Project team is progressing the procurement of the Residuals Treatment Facility to be located at Hartland landfill. The Project team hosted a Project information webinar on December 14, 2016 for interested parties. The webinar was well attended with 59 participants. The procurement is continuing on schedule; the next milestone is the submission of responses to the Request for Qualifications. Submissions are due February 9, 2017.

The project team have appointed two positions related to the procurement process:

- Fairness Advisor to monitor the procurement. The Fairness Advisor will act as an independent observer of the fairness of the implementation of the Competitive Selection Process, up to the selection of a Preferred Proponent. The Fairness Advisor will provide a written report to the CRD, which will be public;
- Conflict of Interest Adjudicator to provide decisions on conflicts of interest or unfair advantage issues related to the procurement of the Residuals Treatment Facility.

The Project Board has approved terms of reference for a due diligence panel, to review aspects of the competitive selection process for the Residuals Treatment Facility, and is currently in the process of appointing members to the panel.

Meeting/Reporting and other Administrative Matters:

The Project Board continues to have regular meetings at which delegations are received.

As noted in earlier reports, monthly reports from the Project Board to the CALWMC will include correspondence received during the preceding month. The Project Board has not received official correspondence since the last meeting of the CALWMC. The Project team continues to receive correspondence as summarized in each open meeting of the Project Board.

The Project Board Terms of Reference specify that, in addition to monthly progress reports, the Project Board will provide the Committee with a comprehensive quarterly report which will address Project scope, budget, schedule and risk. As noted, the first quarterly report will be for Q1 2017, and will be available at the end of Q1. The report will include a status report of expenditures against the Project Control budget. In the interim, attached as Attachment 7 is a draft summary of program expenditures to the end of December 2016. The attached summary is presented in draft as year-end procedures are still ongoing. There could be adjustments to the summary upon conclusion of the year-end procedures (e.g. as a result of suspense accounts being cleared, bank reconciliations, etc.) but it is not anticipated that these adjustments will be material.

The expenditures summarized in Attachment 7 are within the control budget of \$765 million.

NEXT STEPS

Over the next few months the Project will continue to progress on many fronts. The Project team will be particularly focused on the following activities:

- finalizing the land use permitting;
- acquiring other permits as required;
- signing the funding agreements;
- signing the project agreement for the wastewater treatment plant;
- finalizing and communicating the community engagement plan for construction;
- preparing for the start of construction; and
- progressing the design and initiating procurements for the collection and conveyance components of the Project.

CONCLUSION

The Project Board is continuing its work in accordance with the Terms of Reference approved by the CRD Board. This report provides an update on that work.

RECOMMENDATION

That the Core Area Liquid Waste Management Committee recommend to the Capital Regional District Board:

That this report be received for information.

Submitted by:	Jane Bird, Chair, Core Area Wastewater Treatment Project Board
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Attachments: 7

1. Rezoning Documents related to the Clover Point Pump Station: Committee of the Whole Report, January 12, 2017
2. Council Meeting Schedule for the Clover Point Pump Station Re-Zoning
3. Rezoning Report related to the McLoughlin Point Wastewater Treatment
4. Township of Esquimalt Meeting Schedule for the Re-zoning and the Development Permit for the Wastewater Treatment Plan
5. Summary of the PMO Budget
6. Significant Stakeholder Meetings held in the Reporting Period
7. Draft Summary of Expenditures to December 31, 2016