



**REPORT TO CORE AREA LIQUID WASTE MANAGEMENT COMMITTEE
MEETING OF WEDNESDAY, FEBRUARY 11, 2015**

SUBJECT BIOSOLIDS FUNDING AGREEMENT

ISSUE

This report identifies potential funding implications for the Biosolids Energy Centre Treatment Facility (\$83.4M) in light of recent communications with PPP Canada, and upcoming deadlines.

BACKGROUND

At the September 10, 2014 closed meeting of the Committee, a motion was passed to pause the Seaterra Program, while other sewage treatment options were explored on the basis of obtaining agreement in principle with both the Provincial and Federal governments to preserve the existing funding agreements.

The current "Conditional Financial Agreement (CFA)" between the CRD and PPP Canada was signed in January 2013. The CFA is an interim agreement that sets out key dates to enable finalization of a definitive Financial Agreement for the funding of the project.

The following deadlines are currently identified in the current CFA:

CFA Effective Date: July 1, 2011
CFA Closing: November 28, 2014
CFA Expiry: March 31, 2015

As per the CFA, CRD and PPP Canada had agreed to work in good faith to negotiate and enter into the Financial Agreement by November 28, 2014 or such later date as may be agreed in writing by both parties.

If the Financial Agreement has not been entered into by March 31, 2015 the CFA shall be deemed expired and funding support revoked by PPP Canada without further notice or liability to the CRD.

In light of the Board's decision to pause the Seaterra Program, work on the Biosolids Energy Centre project is currently delayed; therefore, the CFA could not be signed by November 28, 2014.

At the September 2014 meeting, the Board also considered the legal and financial implications of pausing the Seaterra Program, with a rise and report action delegated to the Board Chair to enable staff and the Chair to pursue meetings with Federal and Provincial officials to ensure that the funding agreements were not jeopardized.

In order to maintain funding, pursuant to the agreement, discussions took place between staff at PPP Canada and the CRD, resulting in the letter from the CRD Chief Administrative Officer (CAO) to PPP Canada, requesting an extension of the Closing Date of November 28, 2014 to coincide with the Expiry Date of March 31, 2015. This was intended to provide some additional time for signing of the Financial Agreement.

The CFA provides for amendments by written agreement of the parties, which amendment may be evidenced by an exchange of signed letters between the Chief Administrative Officer (CAO) for the CRD and the Chief Executive Officer for PPP Canada. The PPP Canada Financial Agreement will have to be approved by the Board.

The extension of the closing date in the agreement to the expiry date was deemed to administratively acceptable to PPP Canada staff, as this would not be considered a material change to the agreement or result in an overall review,

However, PPP Canada has responded to the request for an extension of the CFA closing, with a proposal outlining the conditions under which they will agree to an extension of the CFA expiry date (from March 31, 2015 to March 31, 2016). Both letters have been distributed to the Board, and the PPP Canada response letter is included in the agenda package.

The PPP Canada proposal requires the CRD to provide the following:

- An updated timeline and critical path reflecting a more accurate closing date, such as March 31, 2016.
- An enhanced understanding of the overall implications to the Project's scope and timing given the delays in the construction of the wastewater treatment plant at McLoughlin Point.

The PPP Canada proposal also stipulates that in the event the CRD cannot identify and obtain necessary approvals for the site locations associated with wastewater treatment on or before March 31, 2016, PPP Canada will need to reconsider the funding associated with this Project.

The current agreement with PPP Canada expires in two months (March 31, 2015). Given the PPP Canada correspondence, the following alternatives are identified:

ALTERNATIVES

1. To agree to the existing terms and timelines in the current CFA, and enter in to a Financial Agreement by March 31, 2015.
2. Accept PPP Canada revised proposal for a one year extension to the CFA with the full knowledge of the new terms and conditions as identified in the proposal.
3. Direct staff to commence discussions with PPP Canada to explore enhancements to both the above alternatives, and report back to the Committee with implications and recommendations to move forward while maintaining the existing funding agreement.

IMPLICATIONS

Alternative 1 requires the Board to reconsider its pause status for the Seaterra program and allow initiation of the Biosolids Energy Centre treatment facility project at Hartland. The Biosolids Energy Centre procurement was paused following the Request for Qualification (RFQ) phase, and the announcement of the four shortlisted teams in May 2014.

Alternative 2 requires Seaterra and the CRD to complete in one year work which is projected to take longer than one year based on the revised Seaterra Project Implementation Schedule (recognizing the Westside/Eastside process) (Attachment A). Seaterra staff have provided a detailed timeline indicating various approvals and technical work that will be required to meet the criteria in the PPP Canada proposal. The timelines indicate the challenges in committing to the stated PPP conditions for a one year extension.

Alternative 3 enables discussions to explore mutual benefits to the CRD and PPP Canada while maintaining the existing funding commitments, working towards a successful outcome. In order to avoid the expiration of the CFA on March 31, 2015 a written agreement between the parties would need to be signed prior to that date.

CONCLUSION

The Seaterra project is currently paused, and work is being undertaken by the West and the East side committees. Further discussion and agreement with PPP Canada is required to preserve the existing funding commitment.

RECOMMENDATIONS

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

That staff be directed to commence discussions with PPP Canada to explore enhancements to both the above alternatives, and report back to the Committee with implications and recommendations to move forward while maintaining the existing funding commitment.



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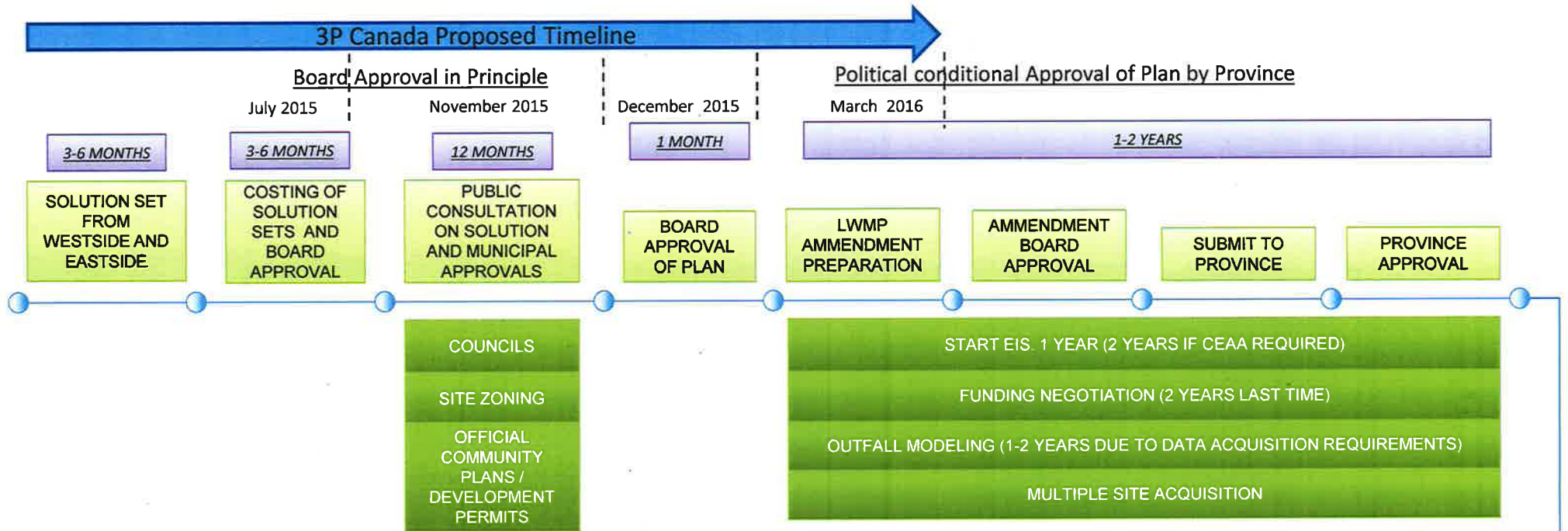
Diana E. Lokken, CPA, CMA
General Manager, Finance & Technology Dept.
Concurrence



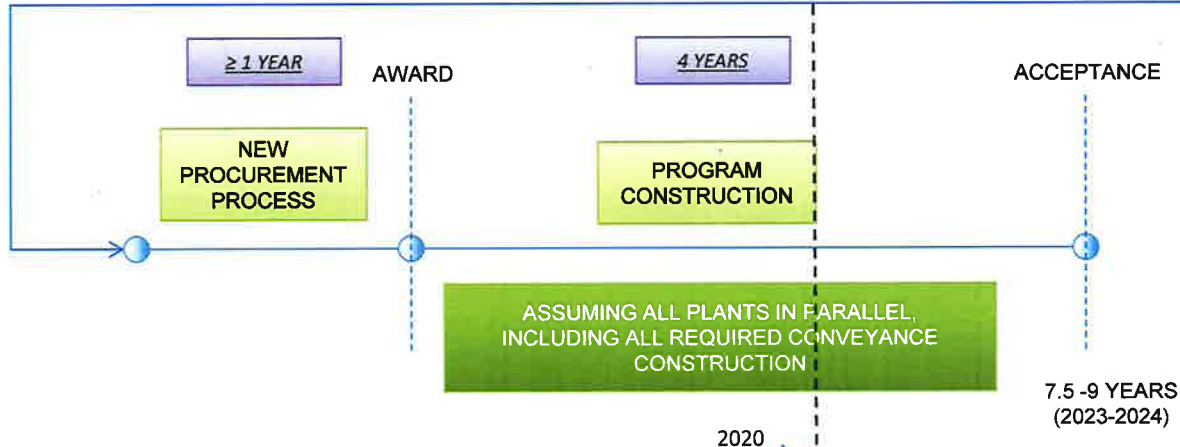
Robert Lapham, MCIP, RPP
Chief Administrative Officer
Concurrence

3P Canada Proposal in Consideration of Westside/Eastside Process

Revised Seaterra Project Implementation Schedule – Feb 2015



New timeline assumes renegotiated conditional acceptance of project implementation & funding



Federal Transitional Authorization Commitment