

Memo



Date: August 31/09
File: # 5380-03
To: City Manager
From: Manager, Strategic Projects
Subject: Kelowna -Vernon Biosolids Composting Facility, Phase 2 Contract TE 09-08

Recommendation:

THAT Council approves the additional \$2.6 million for tender TE 09-08 (Kelowna-Vernon Biosolids Facility).

AND THAT Council authorize the source of funding being, \$914,356 from the Wastewater Utility and \$1,685,644 from the DCC Wastewater Reserve (R750) and that the 2009 Financial Plan be amended.

AND THAT Council direct staff to renew the "Memorandum of Understanding: Regional Biosolids Composting Facility" and the "Regional Biosolids Composting Facility Joint Operating Agreement" with Vernon for Council consideration.

AND FINALLY THAT Council request Vernon City Council to consider the RDCO's request to become a tipping fee customer of the expanded facility.

Background:

The Kelowna-Vernon Biosolids Facility located on Commonage Road in the North Okanagan Regional District has been undergoing design for an upgrade since July 2008. The process was preceded by a complete review of current operational practices. City Council approved the design of the facility in the 2008 budget (\$100,000) with funding coming from the City of Kelowna, the City of Vernon and from Regional District of Central Okanagan (RDCO). Council also approved continuing with the design and construction in the 2009 budget (\$2.4 million). This estimate was based on the preliminary 2008 expansion estimates of \$5-5.5 million with funds to be sourced from the wastewater utility and DCC (\$2.4 million), funds from partnership with Vernon (\$ 1.1 million), as well as an expected partnership amount from the RDCO (\$1.8-2.2 million).

Design continued through 2009 with additional money also spent on operational improvements to control odours. The design process determined that by advancing a significant portion of the future primary aeration (originally planned for 2015), the facility would have enough primary aeration for Kelowna, Vernon and RDCO until 2024. Secondary aeration expansion would be necessary in 2015-2017. While the total project cost over a 5 year period has remained unchanged, more is now projected to be spent in 2010 than in 2015.

The following summarizes the public processes, timing of the project, costs and rationale for moving forward:

- As a result of continuing odour complaints in the Commonage Road area, Vernon City Council requested at their regular meeting of Nov. 10/2008, that loading to the facility be reduced and that a 6 month monitoring period be put in place to assist in determining next steps.

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- Senior staff and management from Kelowna, Vernon and RDCO met on Nov. 28/ 2008 and agreed that until a pilot program was completed to the satisfaction of each jurisdiction, the final design and construction could not move forward.
- An Odour and Best Management Practices Assessment and Pilot Program was implemented in Feb 2009 to determine best operational practices and design criteria for odour controls and process improvement. The results of the pilot program proved that existing primary aeration capacity was not adequate, and that increasing this primary aeration as part of the new design would provide significantly improved process and aeration capacity for many years.
- A public process in Vernon included 3 public meetings over the last year. The Kelowna Vernon-Biosolids Committee (City Councillors from COK and COV) also held regular meetings in order to keep Councils' updated in each jurisdiction of the studies, the associated costs and improvements to the design.
- The final cost estimate for the remaining project including tendering for construction and other works was completed in mid-August and has increased to \$6.7 million. The cost increase of \$1.9 million reflects a higher degree of odour control including dedicated monitoring stations, additional biofilters and scrubbers, other site modifications, engineering costs for design completion, best management practices, tendering and construction management.
- The new estimated cost per partner is based on current loading from contributing facilities. Kelowna's share of the upgrade has increased due to a higher percent loading related to the higher relative share of regional growth in recent years as well as the previously referenced additional works. City of Kelowna total costs are now estimated at \$4.85 million.
- Vernon City Council, as a result of their Aug. 10, 2009 resolution, agreed to move forward with the upgrade but rejected the proposed partnership with RDCO. This created a deficiency of expected capital that would have been used to offset Kelowna's and Vernon's Capital expenditure for expansion (\$1.7 million).

Staff is recommending the accelerated time schedule for this project for the following reasons:

- 1) There are operational costs and regulatory issues resulting from the temporary disposal of biosolids at local landfills and the associated risk of odour complaints from adjacent residents.
- 2) The Greater Vernon citizens, as a result of Vernon's Councils resolution, expect the early commencement of the construction of the expanded facility so that it is fully operational in early spring 2010.
- 3) A delay in tendering will likely result in additional costs for winter construction (heating and hoarding) as well as for an increasingly compressed construction period.

Internal Circulation:

General Manager -Community Sustainability

Legal/Statutory Procedural Requirements:

The current "Memorandum of Understanding: Regional Biosolids Composting Facility" expired on July 15, 2009 and needs to be renewed. The "Regional Biosolids Composting Facility Joint Operating Agreement" dated April 4, 2007 needs to be revised regarding equipment schedules, land uses, and biosolids supply acceptance criteria.

TABLE 1: Cost/Budget Analysis for 2009-2010 Design/Construction

Partner Use Analysis	Kelowna	Vernon	CORD	Total
Biosolid volumes (tonnes)	19,719	8,322	3,627	31,668
Original Project w/CORD as Partners	62%	26%	12%	100%
Base Budget (prelim eng)	2,642,000	1,108,000	512,000	4,262,000
Upgrades	496,000	208,000	96,000	800,000
Engineering	292,000	122,000	56,000	470,000
TOTAL	3,430,000	1,438,000	664,000	5,532,000
Original Project w/o CORD as Partners	70%	30%	0%	100%
Base Budget (prelim eng)	3,630,000	1,555,000	0	5,185,000
Upgrades	476,000	204,000	0	680,000
Engineering	345,000	150,000	0	495,000
Contingency (13%)	599,000	256,000	0	855,000
TOTAL	5,050,000	2,165,000	0	7,215,000
Change in \$ contribution	1,620,000	727,000	-664,000	1,683,000
Total Budget Required	\$ 5,050,000			
Budget Approved - 2008	-\$ 50,000			
Budget Approved - 2009	-\$ 2,400,000			
Budget Required - 2009	\$2,600,000			

The Operations Agreement allows CORD, upon mutual agreement of the partner's, to become a tipping fee customer once the expansion is complete and until they have found other options for the disposal of their biosolids. It is recommended that Council approach the Council of Vernon to consider RDCO's request. This would provide additional revenue in excess of \$350,000 per year and provide RDCO with time to identify options for the re-use or disposal of biosolids from West Kelowna.

Financial/Budgetary Considerations:

The project is consistent with the long range capital plan for the facility, but the cash flow has changed to result in a \$2.6 million dollars request. The \$2.6 million request is recommended to be funded from the wastewater utility (\$914,356) and DCCs \$1,685,644 .

The utility reserve will be replenished over the next 5 years. The loss of the CORD partnership and changed costs related to the recent operational adjustments to address odours may need to be recovered through minor rate adjustments. Staff will return with a report on any proposed rate changes for 2010 budget consideration.

Considerations not applicable to this report:

Legal/Statutory Authority:

Existing Policy:

Personnel Implications:

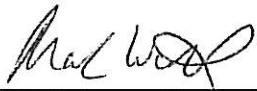
Technical Requirements:

External Agency/Public Comments:

Communications Considerations:

Alternate Recommendation:

Submitted by:



M. Watt, Manager, Strategic Projects, Infrastructure Planning



Approved for inclusion:

J. Paterson, General Manager
Community Sustainability

CC:

General Manager, Community Sustainability
General Manager, Citizen Services
General Manager, Corporate Sustainability
Director, Infrastructure Operations
Director, Design and Construction