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Item No. 8.1
Halifax Regional Council
October 12, 2010

REVISED

TO: Mayor Kelly and Members of Halifax Regional Council

Original Signed by 

SUBMITTED BY: _____
Mike Labrecque, Acting Chief Administrative Officer

DATE: October 4, 2010

SUBJECT: Borrow Pit A2 Access Road, Otter Lake

ORIGIN

MIRROR Nova Scotia Limited, operator of HRM Otter Lake mixed waste processing and disposal facility.

RECOMMENDATION

It is recommended that Halifax Regional Council approve:

1. an increase to the 2010/11 Project Budget in the amount of \$944,080 to project number CWU01066 - Cell 6 Construction;
2. a \$723,140 withdrawal from the Waste Resources Capital Reserve (Q123) and a \$220,940 withdrawal from the Regional Capital Cost Charges Reserve (Q137) in order to fund the above budget increase; and
3. the construction of the Borrow Pit A2 Access Road for a maximum price of \$944,080 (inclusive of environmental contingencies and net HST).

BACKGROUND

The July 1997 contract between HRM and MIRROR Nova Scotia Limited, as approved by Regional Council, provides the basic elements for the operation of the waste processing and disposal facilities at Otter Lake. This contract includes and provides for MIRROR Nova Scotia Limited utilizing Dexter and Dillon Consulting (as Mirror's design engineers) to:

- design and construct each new cell (and cell closure); and
- provide for the maintenance, repair or replacement of stationary and mobile equipment at the facilities.

Annually, staff identifies (in consultation with MIRROR Nova Scotia) and incorporates all known projects for the coming year into the HRM business plan and budget process. Project No. CWU01066, Construction of Cell 6, is contained in the 2011/2012 Project Budget.

Section 16 of the 1997 contract agreement with MIRROR Nova Scotia Ltd., provides for the construction of capital improvements at the facility. Section 15 of the 1997 contract agreement with MIRROR Nova Scotia Ltd., provides for the construction (and closure) of each cell. MIRROR Nova Scotia (with their subcontractors, Dexter and Dillon) submits a design and construction cost proposal for review. A cost substantiation review of the design and construction of Cell 6 (as has been done for the previous five cells) will be completed by HRM Solid Waste Resources staff and CBCL Ltd., owner's engineer for HRM. The initial costing estimate for Cell 6 is \$16,600,000 (including net HST).

DISCUSSION

The current construction schedule anticipates Cell 6 construction in the 2011 construction season for use in early 2012 when Cell 5 reaches capacity. Failure to construct Cell 6 in 2011 will likely result in Cell 5 reaching capacity in 2012 without a new cell to continue normal waste disposal operations.

In order to construct Cell 6 commencing in the spring of 2011, access to a new clay deposit was identified as a priority. HRM staff, anticipating this issue, requested Mirror conduct clay deposit surveys in the areas surrounding the Otter Lake facility with the intent of identifying a new borrow pit to support future clay requirements.

A drumlin, identified as A2, has the closest proximity to the site and was estimated with air photos, stereoscopic techniques, and test excavation pits to exceed clay requirements of cells 6 through 9 for construction and closure projects. Drumlin A2 is approximately 1.5 km from the facility and can currently only be accessed by a single lane logging road. The existing road requires significant improvement to facilitate heavy equipment and haulage of the clay.

The initial assessment of clay deposit is in the order of a 25 year supply. This clay borrow pit access road will be used in all future construction projects requiring clay at the site and therefore the road cost and benefits are shared across multiple cell construction and closure projects.

Staff requested Mirror develop a three option project proposal to complete the access road. The three possible options: a one lane road, a two lane road, and a two lane road completed over two phases were assessed. The one lane road was determined to not meet operational requirements of actively excavating the drumlin site and transporting the clay to the landfill site. The two phased road resulted in a higher cost which was deemed unsupportable. The recommended option was the one phase two lane road. In addition, given the natural wetness of the area, especially during the spring thaw, the construction of the borrow pit road during the fall 2010 was assessed as the most cost effective time period.

The submitted budget is an upset (maximum) price from MIRROR Nova Scotia to cover all aspects of the road construction. This access road to the borrow pit will be constructed pursuant to the provisions of Section 16 of the contract agreement and is estimated to cost \$944,000. The road allows us to use clay from on site (i.e., HRM owned land and material) and eliminates the need to purchase and transport clay from suppliers up to an hour away. It is estimated that accessing our own source of clay will eliminate future increased costs of about \$1,400,000 per landfill cell.

BUDGET IMPLICATIONS

This construction of the road was not budgeted for in 2010/11. Funding for Cell 6 construction is currently budgeted for 2011/12, estimated at \$16,600,000. The construction of this two lane access road is expected to increase the total project cost estimate to \$17,544,080.

The stated purpose of the Waste Resources Capital Reserve (Q123) is to “provide funding for the construction of landfill cells and purchase of equipment”. While the cost of the road is clearly a cost of the cell construction, the reserve business case does not specifically use the words “construction of roads”. We are highlighting this issue to Council to ensure Council is fully aware of the interpretation we are making and are requesting Council approve reserve funding.

This expenditure will enable HRM to source it’s own clay and as a result mitigate future expenditures of approximately \$5 million over the construction of the next 5 cells.

The quote to construct the road is \$820,940 consisting of: Dexter Constructions price to construct the road (\$656,000) + 8% engineering (\$52,840) + margin to MIRROR (\$78,720) + net HST (\$33,740). An additional 15% (\$123,140) has been added to the project budget as an environmental contingency bringing the total request to \$944,080.

Budget Summary: Project No. CWU01066, Cell 6 Construction (Access Road)

Opening Balance	\$ 0
Add: Funding from	
Regional Capital Cost Charges Reserve (Q137)	\$220,940
Add: Funding Waste Resources Reserve (Q123)	\$723,140
Less: Requirement for the Project	(\$944,080)
Balance:	<u>\$ 0</u>

Budget Summary: Q137 Regional Capital Cost Charges Reserve

Current projected balance at March 31, 2011	\$1,009,372
Proposed Withdrawal	<u>(\$ 220,940)</u>
Projected balance at March 31, 2011	<u>\$ 788,432</u>

Budget Summary: Q123 Waste Resources Capital Reserve

Current projected balance at March 31, 2011	\$8,639,143
Proposed Withdrawal	<u>(\$ 723,140)</u>
Projected balance at March 31, 2011	<u>\$7,916,003</u>

Staff from Financial Services has confirmed the availability of funding from Reserves.

FINANCIAL MANAGEMENT POLICIES/BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, budget, policies and procedures regarding withdrawals from the utilization of Project and Operating reserves, as well as any relevant legislation. If approved, this will increase the gross 2010/11 Project budget and withdrawals from Reserves.

COMMUNITY ENGAGEMENT

Community engagement was undertaken through consultation with the Community Monitoring Committee (CMC) in accordance with the motion passed during the September 28th Halifax Regional Council meeting which deferred the Borrow Pit A2 Access Road report for one week pending staffs briefing to the CMC. CMC provided approval to go ahead with this project without reservation.

ALTERNATIVES

Council could choose not to approve the withdrawal from the Waste Resources Capital Reserve (Q123) and other Reserve for the access road required for Project No. CWU01066. The result would be the requirement for HRM to purchase clay for construction purposes at the above noted cost which is currently not in the project cost. This option is not recommended.

Council could also choose to tender the construction of the two lane access road. However, given the amount of remaining construction time in this season, it is assessed that a tendering process would result in the road work not commencing until the 2011 construction season. In addition, due to the wetness of the route and terrain, it is also assessed that construction would be delayed further into the 2011 season while winter wetness dried up to allow for construction to commence. It is also assessed that a spring start would increase the cost of the road. A delay in construction and completion of the borrow pit road would delay access to the clay deposit to support on time construction of cell 6. Any negative affect on cell construction time lines results in an increase in overall cost of building Cell 6 based on time constraints and time line compression. There is also the factor of potential extra costs of diverting waste to alternate sites while awaiting access to the new cell. The delayed construction of the two lane road would put the construction schedule for Cell 6 in jeopardy, and run the risk of it not being operational before the closure of Cell 5. This option is not recommended.

ATTACHMENTS

N/A

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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