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Item No. 12.2.2
Audit & Finance Standing Committee
June 16, 2021

TO: Chair and Members of Audit & Finance Standing Committee

SUBMITTED BY: - original signed -
Brad Anguish, Executive Director, Transportation & Public Works

- original signed -
Jacques Dubé, Chief Administrative Officer

DATE: June 1, 2021

SUBJECT: Budget Changes - Composting Facilities Recapitalization

ORIGIN

2021/22 capital budget including projects CW000009 - Ragged Lake Composting Recapitalization and CW190005 – Burnside Composting Facility Repairs, and Interim Services Agreement between HRM and AIM HCR to operate the two existing composting facilities commencing on April 1, 2021.

LEGISLATIVE AUTHORITY

Halifax Regional Municipality approved December 11, 2012, that all budget increases are to be presented to the Audit and Finance Standing Committee, prior to submission to Council. Halifax Charter, section 93(l) – The Council shall make estimates of the sums that are required by the Municipality for the fiscal year; Halifax Charter, section 79(l) – Specifies areas that the Council may expend money required by the Municipality; Halifax Charter, section 35(2)(d)(i) – The CAO can only authorize budgeted expenditures or within the amount determined by Council by policy; Halifax Charter, section 120(6) – The Municipality may maintain other reserve funds for such purposes as the Council may determine and the Halifax Regional Municipality Administrative Order 2014-15 Respecting Reserve Funding Strategies (5), The Audit and Finance Standing Committee shall review and recommend to the council for its consideration all impacts to the Reserve, (6) The Chief Administrative Officer may recommend to the Council that Reserve funds be expensed.

RECOMMENDATION

It is recommended that the Audit and Finance Standing Committee recommend that Halifax Regional Council:

1. Approve a budget increase to the 2021/22 approved gross capital budget, to increase Project Account No. CW190005 Burnside Composting Facility Repairs in the amount of \$539,000; and
2. Approve an unbudgeted reserve withdrawal of \$539,000 from Q556, Solid Waste Facilities Reserve to fund this increase, as outlined in the Financial Implications section of this report.

BACKGROUND

On December 1, 2020, RFP 19-060 Organic Management Infrastructure and Long-Term Operating Contract was awarded to Harbour City Renewables (HCR). As part of the award, AIM HCR, an affiliate of HCR, was awarded an agreement to operate HRM's two existing composting facilities commencing April 1, 2021 until the new facility was commissioned (interim operating period). As part of the interim operating agreement, an independent facility assessment of both composting facilities was completed to identify repairs required for the interim operating period. Any capital upgrades that are needed to continue operating the two existing facilities during the interim operating period will be paid for by HRM. The facility assessment work was completed at the beginning of February 2021 and was not completed in time to be used as part of developing the capital estimates for fiscal year 2021/2022. As the 2021/22 capital budget was due on January 25, 2021 the estimated amounts brought forward for Project Accounts CW190005 – Burnside Composting Facility Repairs and CW000009 – Ragged Lake Composting Recapitalization were based on previous estimates and information staff had available at that time.

DISCUSSION

The facility assessment at the Burnside Composting Facility included an increase in scope for the replacement and repairs to the building structural beams, costing approximately \$418,000, to ensure a safe workplace and the ongoing operation of the facility. The inclusion of some non-routine maintenance items for the processing and mobile equipment during the interim period was added due to the age of the equipment, costing approximately \$225,000. This was offset by a reduction of approximately \$104,000 in originally envisioned maintenance items for the processing and mobile equipment that was no longer needed. Overall, the facility assessment at the Burnside Composting Facility resulted in a budget increase of \$539,000.

The increase at the Burnside Composting Facility is partially offset with reduced costs at the Ragged Lake Composting Facility. For the Ragged Lake Composting Facility one major equipment replacement was eliminated (screener), however, several major equipment retrofits were added (screener and shredder) ultimately resulting in a total reduction of costs by approximately \$270,000.

FINANCIAL IMPLICATIONS

The decreased cost requirements for CW000009 – Ragged Lake Composting Recapitalization will be addressed during Fiscal Year 2021/2022 by reducing the Q556 – Solid Waste Facilities Reserve withdrawals by \$270,000 and reflecting the reduction in cost spending expectation in the quarterly capital projections.

The cost increase for CW190005 – Burnside Composting Facility Repairs can be summarized as follows:

Budget Summary, Project Account No. CW190005 – Burnside Composting Facility Repairs

Cumulative Uncommitted Budget	\$1,076,183
Plus: Funding from Solid Waste Facilities Reserve	539,000
Less: Increased Expenditures	(539,000)
Balance	<u>\$1,076,183</u>

Budget Summary, Solid Waste Facilities Reserve, Q556

Projected Balance in Reserve, April /21	\$10,449,374
Less: Withdrawal Per Recommendation	\$ (539,000)
Revised Projected Net Available Balance, March 31, 2022	<u>\$ 9,910,374</u>

RISK CONSIDERATION

HRM's composting facilities are aged infrastructure (20+ years) and operate in a very corrosive atmosphere and continual work must be completed to maintain the structural safety of the buildings. It is critical that HRM continue to maintain both composting facilities to ensure safe conditions and sustain service levels.

COMMUNITY ENGAGEMENT

There was no community engagement undertaken for this report.

ENVIRONMENTAL IMPLICATIONS

The repair work to the two facilities ensures continued operations and compliance with Provincial requirements (e.g., diverting organic waste from landfill disposal), including compliance with operating approvals.

ALTERNATIVES

The Audit and Finance Standing Committee could recommend not proceeding with the changes to the capital budgets and transfer from the Solid Waste Facilities Reserve. This alternative is not recommended as this would create a non-safe work environment and put the facilities at risk of not being compliant with operating approvals.

ATTACHMENTS

None.

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

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