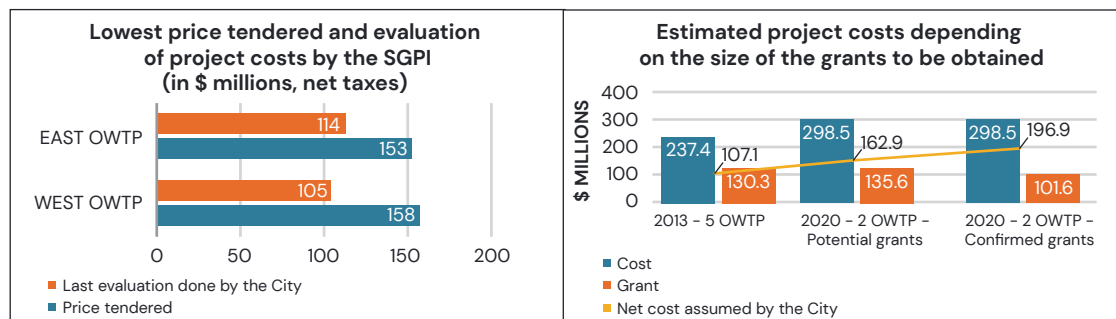


Organic Waste Treatment Plants

Background

In order to respond to the *Plan directeur de gestion des matières résiduelles de l'agglomération de Montréal 2010-2014* (PDGMR) and become self-reliant in organic waste management, the Ville de Montréal (the City) undertook studies in 2006 that led it, in January 2013, to present to the executive committee (EC) a massive project for the construction and commissioning of five Organic Waste Treatment Plants (OWTPs) including a Centre pilote de prétraitement (CPP). The cost of the project presented to the EC was approximately \$237 million (\$M), for which the City anticipated that it would obtain approximately \$130M in grants from the federal and provincial governments. All but one of the OWTPs was to be operational by the end of 2016; one OWTP was to be operational in 2021.

In 2018, the required investment grew to \$589M. In 2019, the City's EC authorized the granting of two contracts for the production of the West and East OWTPs at a cost of \$298.5M. The decision involved replanning the production of two other OWTPs and the CPP at unspecified future dates. As a result of delays in the project, the City could not obtain all the grants initially anticipated and is now under the obligation to negotiate new agreements with the governments. Thus, in 2020, as a result of increased project costs and reduced grants, the projected net cost of the project for the City should be between \$162.9M and \$196.9M and, as a consequence, might be nearly twice the amount that had been projected six years earlier for the five facilities,¹ while only two will be produced by the end of 2021.



Purpose of the Audit

The purpose of this audit was to ensure that the management of Organic Waste Treatment Plant construction projects is carried out as part of a rigorous process and is adequately monitored.

Results

In light of this overall finding of cost overruns and non-compliance with the timeline, which could have a considerable impact on the total grants originally anticipated from the federal and provincial governments, and considering that the Cadre de gouvernance des projets et des programmes de gestion des actifs municipaux ("Governance Framework") was not complied with completely, and that monitoring and the different accountability reporting processes are incomplete, we conclude that the OWTP construction project was not subject to a sufficiently rigorous process, given the complexity and scope of the project.

¹ In 2013, the net cost of the project to the City for the construction and operation of five OWTPs was to be \$107.1M (\$237.4M – \$130.3M), according to the best-case scenario. In 2020, with the grants confirmed, the net cost to the City should climb to \$196.9M (\$298.5M – \$101.6M) and cover only two OWTPs.

Main Findings

Project Management and Planning

- Some aspects of the Governance Framework pertaining to the planning of projects were not followed.
- Although it was based on studies and forecasts of the City's capacity for organic waste collection over time, it is clear that, the scenario put forth in 2013 was ambitious in terms of organic waste treatment needs, since fewer facilities were now initially required to meet the needs of the population. Thus, the original project, which took into account the requirements and constraints involved in obtaining the full grants from the provincial and federal governments, limited the City's ability to move some OWTP projects forward, while others were delayed.

Mechanisms for Monitoring the Progress of Projects

- Despite the impact of adding two years to the project timeline, the site relocation of the North OWTP from the Complexe environnemental Saint-Michel (CESM) to Rivière-des-Prairies-Pointe-aux-Trembles borough was not the subject of a presentation made to the governance committees to obtain a new execution mandate, as required by the Bureau des projets et programmes d'immobilisations.
- Few risks were identified for this large-scale project and we did not obtain evidence that a risk register was kept up to date.

Accountability Reporting

- While there is accountability reporting to the EC within the context of the project approval process, it was not comprehensive or accurate with respect to information on the differences between the estimated project costs and the bids obtained.
- Concerning the final decision to construct only two OWTPs, there were no quantified analyses of the advantages and disadvantages of the different options presented to the EC, and only the option that was recommended was presented favourably compared with the other options.

In addition to these results, we have made various recommendations to the business units, which are presented in the following pages. These business units were given the opportunity to agree to the recommendations.