Agenda – Executive Policy Committee – April 20, 2022

Report – Standing Policy Committee on Water and Waste, Riverbank Management and the Environment – April 4, 2021

Item No. 1 Delegation of Authority for Over-Expenditures Related to Change Orders Required for the Design Build Agreement for the NEWPPC Upgrade – Headworks Facility Project Request for Proposal No. 659-2018B

On April 4, 2022, due to a tie vote, the Standing Policy Committee on Water and Waste, Riverbank Management and the Environment submitted the matter to the Executive Policy Committee and Council without recommendation.

Agenda – Executive Policy Committee – April 20, 2022

Report – Standing Policy Committee on Water and Waste, Riverbank Management and the Environment – April 4, 2021

DECISION MAKING HISTORY:

On April 4, 2022 due to a tie vote, the Standing Policy Committee on Water and Waste, Riverbank Management and the Environment submitted the matter to the Executive Policy Committee and Council without recommendation.

ADMINISTRATIVE REPORT

Title: **DELEGATION OF AUTHORITY FOR OVER-EXPENDITURES RELATED TO CHANGE ORDERS REQUIRED FOR THE DESIGN BUILD AGREEMENT FOR THE NEWPCC UPGRADE: HEADWORKS FACILITY PROJECT REQUEST FOR PROPOSAL NO. 659-2018B**

Critical Path: **Standing Policy Committee on Water and Waste, Riverbank Management and the Environment – Executive Policy Committee – Council**

AUTHORIZATION

Author	Department Head	CFO	CAO
C. D. Wiebe, P. Eng., CAMP, Manager Engineering Services	M. L. Geer, CPA, CA, Director, Water and Waste Department	C. Kloepfer	M. Jack

EXECUTIVE SUMMARY

This report will set out the delegation of contract specific over-expenditures related to change orders required for the Design Build Agreement of The North End Sewage Treatment Plant Upgrade: Headworks Facility (NEWPCC Upgrade: Headworks Facility). All contract over expenditures will remain within the existing contingency allowance ($18,674,000.00) for the Council approved capital budget for the Headworks Project. In the current approval process, for a contract with a value over $5M, approval by the appropriate Standing Policy Committee for any contract over expenditures within approved budgets, for any amount over $1, is required. Only Council can delegate additional authority to the Chief Administrative Officer.

The NEWPCC Upgrade: Headworks Facility is the first of three major sewage treatment plant upgrade projects required to replace end of life equipment and to meet Environment Act Licence requirements. The NEWPCC Headworks Facility Design Build Agreement cost of $271,611,000.00 is included in the overall “Power Supply & Headworks Facilities Project” approved Capital Budget of $473,380,000.00. This budget includes funds for four projects: the nearly complete Power Supply Upgrades, the NEWPCC Headworks Facilities, the Primary Clarifier Upgrades and the Digital Control Systems (DCS) Migration.

On May 27, 2021 Council approved that Aecon Water Infrastructure Inc. and Oscar Renda Contracting of Canada, Inc., an Aecon Oscar Renda Joint Venture, doing business under the name of “Red River Solutions”, be selected as the Preferred Proponent in the amount of $271,611,000.00. The NEWPCC Headworks Facility Project has a contingency allowance of $ 18,674,000.00.

An appropriate governance process and delegation for the timely approval of contract over-expenditures within the contingency allowance is required to fulfill the City’s obligations under the Design Build Agreement. The Design Build Agreement requires the City to respond to the Design Builder within 15 days from receipt of an estimate. By delegating authority to approve

contract over-expenditures, up to a maximum cumulative amount of $10 million, to the Chief Administrative Officer, the Public Service will avoid significant delays on responses for, and potential claims from, the Design Builder. All changes and over-expenditures on the project will be reported to SPC Finance on a quarterly basis.

RECOMMENDATIONS

1. That authority be delegated to the Chief Administrative Officer to approve contract over-expenditures, up to a maximum cumulative amount of $10 million, within the contingency allowance, for the NEWPCC Upgrade: Headworks Facilities project provided the contract value plus the over-expenditure does not exceed the Council approved budget for the NEWPCC Upgrade: Headworks Facilities project.

2. That the Proper Officers of the City be authorized to do all things necessary to implement the foregoing.

REASON FOR THE REPORT

The Chief Administrative Officer has the authority to approve contract over-expenditures, where the accumulated amount for each contract, including over-expenditures, does not exceed five million dollars ($5,000,000), provided monies are available within the applicable capital or operating budget as approved by Council. Council has the authority to delegate additional authority to the Chief Administrative Officer in accordance with The City of Winnipeg Charter.

IMPLICATIONS OF THE RECOMMENDATIONS

Given the Design Build Agreement for the NEWPCC Upgrade: Headworks Facilities project is over $5 million, in the current over-expenditure process, even an over expenditure of only $1 would require approval by The Standing Policy Committee of Water and Waste, Riverbank Management and the Environment.

Delegation of authority to the Chief Administrative Officer to approve contract over-expenditures, up to a maximum cumulative amount of $10 million, within the approved contingency budget for the Design Build of the NEWPCC Upgrade: Headworks Facilities Project will expedite over-expenditure processes, thereby avoiding potential lengthy delays to project timelines and potential increased project costs. Over-expenditures will not be approved without funds being available in the budget approved for this project.

HISTORY/DISCUSSION

History of NEWPCC Upgrade

The NEWPCC has been in operation since 1937 and treats about 70 percent of sewage in Winnipeg. It is the largest and most complex of the three sewage treatment plants serving Winnipeg. It also provides primary and secondary activated sludge treatment and sludge processing for all of the City's sewage treatment plants.

The objectives of the NEWPCC Upgrade are:

- to meet the requirements of the Province of Manitoba regulatory licence and Water Protection Act
- to address end-of-life assets
- to expand the solids processing capacity for future growth within the City and for applicable service sharing agreements with rural municipalities
- to manage wet weather flows

As approved by Council on February 28, 2019, the NEWPCC Upgrade will be implemented in three capital projects:

1. NEWPCC Upgrade: Power Supply* and Headworks Facilities
2. NEWPCC Upgrade: Biosolids Facilities
3. NEWPCC Upgrade: Nutrient Removal Facilities

*The NEWPCC Upgrade: Power Supply Facility was initiated as a separate independent early work project; it is substantially complete and not included in the scope of the Design Build of the NEWPCC Upgrade: Headworks Facilities Project.

NEWPCC Upgrade Headworks Facilities Design Build Project

The Headworks Facilities project consists of upgrades to the existing infrastructure that are at end-of-life, such as the raw sewage pump station, screens, and grit removal processes. Implementing the Headworks Facilities project will improve the performance of the downstream processes in the scope of work for the NEWPCC Upgrade: Biosolids Facilities and Nutrient Removal Facilities projects. The two latter projects are required to meet regulatory requirements for the NEWPCC.

The two-stage Request for Qualifications and Request for Proposal process started on March 6, 2019, when the City issued a Request for Qualifications (RFQ) for the Headworks Facilities project. During the RFP open period, the proponents were invited to participate in four (4) pre-scheduled commercially confidential meetings to provide feedback to the City on the Design Build Agreement as well as submit design information for feedback from the City on their compliance with the technical requirements of the project. Proposals were received from both prequalified proponents on January 13, 2021. Red River Solutions, the proponent with the highest overall score, received a pass on the technical evaluation and submitted a contract price of $271,611,000.00.

On May 27, 2021 Council concurred with the recommendation of the Standing Policy Committee on Water and Waste, Riverbank Management and the Environment that Aecon Water Infrastructure Inc. and Oscar Renda Contracting of Canada, Inc., an Aecon Oscar Renda Joint Venture, doing business under the name of Red River Solutions, be selected as the Preferred Proponent for the Design Build of the NEWPCC Upgrade: Headworks Facilities Project. Upon received funding approval from the Federal government and the Province of Manitoba, the Chief Administrative Officer approved entering into the Design Build Agreement. A Design Build Agreement in the amount of $271,611,000.00 was executed on June 11, 2021 between the City of Winnipeg and Aecon Water Infrastructure Inc. and Oscar Renda Contracting of Canada, Inc., (doing business under the name of Red River Solutions, and Aecon-Oscar Renda GP). A contingency allowance of $18,674,000.00 was estimated for the project.

Red River Solutions began work immediately after project execution and has been progressing quickly as anticipated. Site mobilization began August 19, 2021 and the 30 percent detailed design package was received by the City on August 26, 2021. Currently the Design Builder is submitting 60 percent design packages.

Administration of Design Build Contract

Using contingency allowance for change orders will likely be required on the Headworks Facilities project as with any design and construction project. This includes any changes with financial implication regardless of monetary value.

The City is obligated in the Design Build Agreement, as soon as practicable, and in any event not more than 15 Business Days after the City receives an estimate for a change, to agree on adjustment to the contract price and project schedule. Should the City fail to act reasonably and in sufficient time, extra costs and schedule delays could be incurred to the Project. An appropriate governance process and delegation for the timely approval of over-expenditures in the Design Build Agreement is required to fulfill the City's obligations under the agreement.

All changes and over-expenditures on the project will be reported to Standing Policy Committee Finance on a quarterly basis.

Forecasted Costs: Power Supply & Headworks Facility Project -

		Total Forecasted Costs		**Comments**
		($'000s)	($'000s)	
Engineering, Design and Other			**54,237**	
	Headworks	24,479		
	Power Supply	3,908		
	Primaries	2,201		
	DCS Migration	2,761		
	Others	20,888		Examples: IST, fairness advisor, legal, etc.
Construction			**358,510**	
	Headworks	271,611		
	Power Supply	38,675		
	Primaries	7,111		
	DCS Migration	13,220		
	Other minor	27,893		Tower move, site prep, UV upgrade, traffic signals
Internal Financing/Overhead Costs		**17,493**	**17,493**	
Contingency			**43,140**	
	Headworks	18,674		
	Power supply	0		Project reaching total completion.
	Primaries	1,448		
	DCS Migration	2,690		
	Other minor	12,753		Professional Contracts, Tower move, site prep, UV upgrade, traffic signals, maintenance bldg.
	Project Unknowns	7,575		Unknowns in all areas of projects
Total		**473,380**	**473,380**	

FINANCIAL IMPACT

Financial Impact Statement

Date: February 9, 2022

Project Name:

DELEGATION OF AUTHORITY FOR OVER EXPENDITURES RELATED TO CHANGE ORDERS FOR THE DESIGN BUILD AGREEMENT FOR THE NEWPCC UPGRADE: HEADWORKS FACILITY PROJECT
REQUEST FOR PROPOSAL NO. 659-2018B

COMMENTS:

Delegation of authority to the Chief Administrative Officer to approve contract over-expenditures within the approved contingency budget for the Design Build of the NEWPCC Upgrade: Headworks Facilities Project will expedite over-expenditure processes, thereby avoiding potential lengthy delays to project timelines and potential increased project costs. Over-expenditures will not be approved without funds being available in the budget approved for this project.

L Szkwarek

Lucy Szkwarek, CPA, CGA
Manager of Finance and Administration

CONSULTATION

This Report has been prepared in consultation with:

Legal Services Division (as to legal issues)

OURWINNIPEG POLICY ALIGNMENT

This report is in accordance with the OurWinnipeg policies through protecting the environment. This overall upgrade of the NEWPCC Facility will reduce the environmental impact of our citizens on the Red River and the downstream lakes and rivers.

OurWinnipeg Reference: Section 02-2 Environment

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

Not applicable to NEWPCC Upgrade: Headworks Facilities project as it is an end-of-life facility and equipment project. The NEWPCC Upgrade: Biosolids Facilities project aligns with the Strategic Opportunity #6 Waste Reduction and Diversion.

WINNIPEG POVERTY REDUCTION STRATEGY ALIGNMENT

N/A

SUBMITTED BY

Department: Water and Waste
Division: Engineering Services
Prepared by: Bronwyn Jones, P. Eng.
Date: February 24,2022
File No.: S-1208