Minutes – Executive Policy Committee – February 18, 2025

Report – Standing Policy Committee on Water, Waste and Environment – February 3, 2025

Item No. 3 Delegations of Authority for the NEWPCC Upgrade Capital Projects

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Water, Waste and Environment and submitted the following to Council:

1. That authority be delegated to approve contract over-expenditures for NEWPCC Upgrade: Power Supply and Headworks Facilities projects where the accumulated contract over-expenditure does not exceed the following:

    A. the Chief Administrative Officer, up to the contingency allowance

    B. the Chief Financial Officer, up to 15% of the initial contract value

    C. the Director of Water and Waste, up to 10% of the initial contract value

2. That authority be delegated to approve contract over-expenditures for the Owner's Advocate Engineer (RFP No. 182-2015) where the total contract value does not exceed the following:

    A. the Chief Financial Officer, up to $150 million

    B. the Director of Water and Waste, up to $100 million

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

Report – Standing Policy Committee on Water, Waste and Environment – February 3, 2025

DECISION MAKING HISTORY:

Moved by Councillor Eadie,

That the recommendation of the Standing Policy Committee on Water, Waste and Environment be concurred in and forwarded to Council.

Carried

STANDING COMMITTEE RECOMMENDATION:

On February 3, 2025, the Standing Policy Committee on Water, Waste and Environment concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Title: Delegations of Authority for the NEWPCC Upgrade Capital Projects

Critical Path: Standing Policy Committee on Water, Waste and Environment – Executive Policy Committee – Council

AUTHORIZATION

Author	Department Head	CFO	CAO
C. D. Wiebe, P. Eng., CAMP, Manager of Engineering Services	Tim W. Shanks, M. Eng., P. Eng., Director of Water and Waste Department	T. Graham	S. Armbruster, Interim CAO

EXECUTIVE SUMMARY

This Public Service recommends delegation of authority to the Chief Administrative Officer, Chief Financial Officer, and Director of Water and Waste to approve specific contract over-expenditures for the North End Sewage Treatment Plant (NEWPCC) Upgrade: Power Supply and Headworks Facilities capital project and for the Owner's Advocate Engineer (RFP No. 182-2015) contract, which is for all NEWPCC Upgrade projects.

It was identified in the recent NEWPCC Audit that current City contract approval processes do not align with industry best practices for mega projects. The proposed delegations will streamline the processes so the City can meet contract terms and conditions, match the pace of construction, limit risks associated with delayed decisions, and deliver the project as efficiently as possible. This delegation of authority aligns with the audit recommendation.

The requested authority for NEWPCC Upgrade: Power Supply and Headworks Facilities is up to the existing contingency allowance, which currently has approximately $12.3 million remaining.

The requested authority for the Owner's Advocate Engineer (RFP No.182-2015) is for the estimated remaining to-be-awarded amount of $78 million (for a total cumulative contract amount of $150 million).

Contract awards and over-expenditures will not be approved without funds being available in the Council-approved budgets.

RECOMMENDATIONS

1. That authority be delegated to approve contract over-expenditures for NEWPCC Upgrade: Power Supply and Headworks Facilities projects where the accumulated contract over-expenditure does not exceed the following:

    A. the Chief Administrative Officer, up to the contingency allowance

    B. the Chief Financial Officer, up to 15% of the initial contract value

    C. the Director of Water and Waste, up to 10% of the initial contract value

2. That authority be delegated to approve contract over-expenditures for the Owner's Advocate Engineer (RFP No. 182-2015) where the total contract value does not exceed the following:

    A. the Chief Financial Officer, up to $150 million

    B. the Director of Water and Waste, up to $100 million

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

REASON FOR THE REPORT

Council has the authority to delegate authority to the Chief Administrative Officer, Chief Financial Officer, and Director of Water and Waste in accordance with The City of Winnipeg Charter.

IMPLICATIONS OF THE RECOMMENDATIONS

The recommended delegations of authority will expedite approval timelines. Approvals are subject to funds being available in the Council approved budgets.

HISTORY/DISCUSSION

The NEWPCC requires upgrading to meet the effluent quality limits set out in its Environment Act Licence and the Water Protection Act.

The NEWPCC Upgrade is being implemented in three capital projects:

1. NEWPCC Upgrade: Power Supply***** and Headworks Facilities (Power Supply and Headworks)
2. NEWPCC Upgrade: Biosolids Facilities (Biosolids)

3. NEWPCC Upgrade: Nutrient Removal Facilities (Nutrient Removal)

***** *Power Supply was initiated as a separate project and is complete.*

Headworks is currently under construction; it also includes other support projects such as the Distributed Control System Migration, Ultraviolet Light Upgrade, and Primary Clarifier Upgrades that are either in construction or will be tendered shortly. Biosolids is in the design/development phase and Nutrient Removal is in the pre-procurement phase.

Existing Delegations of Authority

There are existing delegations of authority for award of contracts, over-expenditure approval for Headworks, terms and conditions and single source negotiations for Manitoba Hydro Power Supply Agreements, and award of Early Works contracts for Biosolids. Delegations of authority were also in place for the Power Supply project; however, as this project is now complete, these delegations are no longer applicable.

With the exception of the delegations for Biosolids Early Works and Manitoba Hydro Power Supply Agreements, the existing delegations require updating and further delegation of authority is recommended.

NEWPCC Audit Findings

The City Auditor recently initiated an audit of the NEWPCC Upgrade capital projects. The audit found that industry practice is to assign accountability and authority, including financial authority, to the project team to allow efficient project delivery.

Recommendation 2 of the audit highlighted that misaligned authority can hinder schedule-sensitive projects, like NEWPCC, where delayed decisions can have high financial and reputational consequences.

> *"Revise the decision and financial delegation of authority in alignment with project specific governance structure, including more delegated authority to empower the Project team to make timely decisions in support of project objectives, schedule, and contract requirements.…Considerations should include approval of contingency use within stage approval constraints and phased awards of contract scope (e.g., the planned phases for the AECOM contract)"*

Delayed decisions can result in project delays, increased costs, potential for claims, and potential reduction in market interest for procurements. As a result, updates to the delegation of authority was recommended.

Recommended Delegation of Over-Expenditure Approvals

The proposed delegations will streamline the contract over-expenditure approvals process so the City can meet contract terms and conditions, match the pace of construction, limit risks associated with delayed decisions, and deliver the project as efficiently as possible. The recommendations increase the City's ability to meet regulatory timeframes and align with the audit findings.

Contract over-expenditures will not be approved without funds being available in the Council-approved budgets. As part of the NEWPCC Audit recommendations, the Public Service is developing improvements in reporting process and frequency for these projects, and any use of this delegated authority will be reported to Council.

Recommendation 1

The original $10 million in delegated authority for over-expenditure approval for Headworks has been exhausted, primarily due to contaminated soils and the Northwest Interceptor failure. As a result, all over-expenditures (even an over-expenditure for $10) are now approved at Standing Policy Committee on Water, Waste and the Environment.

The current approval timelines do not comply with the timelines stipulated in the Design Build Agreement which may result in additional costs and schedule delays. Additional delegation of over-expenditure approval authority up to the established contingency allowance is recommended.

The current remaining contingency allowance in the Power Supply and Headworks project is $12.3 million. Any over-expenditure beyond the contingency allowance would require Standing Policy Committee on Water, Waste and Environment approval. The status of the contingency allowance will be reported in the Quarterly Project Status Reports to Standing Policy Committee on Finance and Economic Development.

Recommendation 2

The work of the Owner's Advocate Engineer includes design, procurement, and oversight of the three NEWPCC Upgrade projects as well as multiple support contracts. This is a large contract that is awarded in phases as the upgrades progress. It was decided to administer the contract this way in order to limit the amount of capital funds encumbered and allow the phases to be defined as the entire project progressed.

Currently, additional phases of the contract are awarded by Standing Policy Committee on Water, Waste and the Environment via over-expenditure.

The current over-expenditure approval process is lengthy and has an impact on project delivery timelines. As a result, it is recommended that authority be delegated to award future phases of the Owner's Advocate Engineer contract via over-expenditure. The amount of $150 million listed in the recommendation for over-expenditure approval by the Chief Financial Officer reflects the anticipated final value of the Owner's Advocate Engineer contract after award of all supplemental contracts. The estimated value of the remaining supplemental contracts that would be awarded under this authority is $78 million.

FINANCIAL IMPACT

Financial Impact Statement **Date:** 13-Dec-24

Project Name:

APPROVAL OF DELEGATIONS FOR THE NEWPCC UPGRADE CAPITAL PROJECTS

COMMENTS:

This report is regarding delegations of authority. There is no financial impact.

Lucy Szkwarek, CPA, CGA

Lucy Szkwarek, CPA, CGA
Manager of Finance and Administration

CONSULTATION

This Report has been prepared in consultation with:

- Legal Services Department
- Purchasing Division

OURWINNIPEG POLICY ALIGNMENT

This report is in accordance with the OurWinnipeg 2045:

Goal: Environmental Resilience

Objective 5: Protect and value ecosystems as essential components life.

Policy 2.17 Regional Water Resource Management.

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

Consideration was given as to whether this report connects to the Winnipeg Climate Action Plan (WCAP) and its Goals and Objectives, and it was determined that the WCAP is not applicable to this specific report.

WINNIPEG POVERTY REDUCTION STRATEGY ALIGNMENT

Consideration was given as to whether this report connects to the Winnipeg Poverty Reduction Strategy (WPRS) and its Goals and Objectives, and it was determined that the WPRS is not applicable to this specific report.

SUBMITTED BY

Department: Water and Waste
Division: Engineering Services
Prepared by: A. Weiss, P. Eng.
Date: January 20, 2025
File No.: S-1208, S-1192, S-972