Agenda – Executive Policy Committee – April 22, 2025

Report – Standing Policy Committee on Water, Waste and Environment – April 11, 2025

Item No. 2 Request for Budget Revision for the South End Sewage Treatment Plant (SEWPCC) Nutrient Removal/Expansion Capital Project

On April 11, 2025, due to a lost vote, the Standing Policy Committee on Water, Waste and Environment submitted the matter to the Executive Policy Committee and Council without recommendation.

Agenda – Executive Policy Committee – April 22, 2025

Report – Standing Policy Committee on Water, Waste and Environment – April 11, 2025

DECISION MAKING HISTORY:

On April 11, 2025, due to a lost vote, the Standing Policy Committee on Water, Waste and Environment submitted the matter to the Executive Policy Committee and Council without recommendation.

Dennis Burman submitted a communication in opposition to the matter.

ADMINISTRATIVE REPORT

Title: Request for Budget Revision for the South End Sewage Treatment Plant (SEWPCC) Nutrient Removal/Expansion Capital Project

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, Engineering Services	T. W. Shanks, M. Eng., P. Eng. Director, Water and Waste Department	T. Graham	S. Armbruster, Interim CAO

EXECUTIVE SUMMARY

The South End Sewage Treatment Plant (SEWPCC) Nutrient Removal/Expansion project is almost complete, and the plant currently meets licence requirements for all effluent nutrients under all flow conditions. However, the project has not achieved substantial performance. A number of outstanding items and deficiencies remain unresolved. In mid-February the contractor advised they would demobilize from the site by May 2, 2025. There is significant risk to the City if the contractor defaults on the contract and doesn't complete the scope of work.

The Department will continue to support the contractor's effort to complete as much work as possible prior to any demobilization from the site and/or issuing any default. However, to manage risk, the Department needs to be ready to engage consultants and contractors directly to finish the outstanding work and provide critical call out support on an as needed basis. The estimated cost is $10 million.

The Department anticipates close to full cost recovery. This will come from the expected surety, a reduction in scope to the C4 contract, and from the total performance holdback. Recovery of these costs will take time. To bridge the gap in available funds and be ready for possible default, a budget adjustment is required.

The Department is recommending a capital budget increase of $10 million to the SEWPCC Nutrient Removal/Expansion project to engage contractors and consultants for this work. Following the approval of the budget amendment, the Chief Administrative Officer will negotiate and award single source contracts where the total cumulative contract value does not exceed $10 million.

Financing for this budget amendment will come from approved 2025 CSO Program funds. Tender No. 286-2024B for the Rutland trunk combined sewer separation work in the Ferry Road combined sewer district, part of the CSO Program, is $33 million below the pre-tender estimate. As a result, there are sufficient residual funds available in the program to temporarily fund this

budget increase. No projects would be deferred or displaced as a result. Both the CSO Program and the SEWPCC Nutrient Removal/Expansion project are funded from the Environmental Projects Reserve. All funds recovered will be returned to the CSO Program.

RECOMMENDATIONS

1. That a capital budget increase of $10,000,000 be approved for the SEWPCC Nutrient Removal/Expansion Project. The total Capital Budget increase will be funded from approved 2025 funds in the Environmental Projects Reserve.

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

REASON FOR THE REPORT

Council approval is required to modify the Capital Budget of a project.

IMPLICATIONS OF THE RECOMMENDATIONS

Funds in the amount of $10 million will be temporarily transferred from approved 2025 funds in the CSO and Basement Flood Management Strategy Program, Account Distribution No. 444 181000 200752 20380001YY Contractex.

Failure to increase the overall budget for the SEWPCC Nutrient Removal/Expansion project may inhibit the ability to effectively and efficiently operate and maintain the upgraded plant. This, in turn, could result in failure to meet provincial regulatory requirements.

Following the approval of the budget amendment, the Chief Administrative Officer will negotiate and award single source contracts where the total cumulative contract value does not exceed $10 million.

HISTORY/DISCUSSION

The SEWPCC Nutrient Removal/Expansion project (Project) is a significant milestone in Council's commitment to protecting our rivers and Lake Winnipeg. The Project is approaching completion. The plant currently meets licence requirements for all nutrients under all flow conditions, however substantial performance has not yet been achieved.

On February 14, 2025, the City received a letter from the contractor advising they would demobilize from the site by May 2, 2025. While the letter states the contractor will have achieved substantial performance by this date, current progress on completing work indicates otherwise.

On March 7, 2025, the City responded to the contractor's letter advising the contractor that its plan to achieve substantial performance by May 2, 2025, is neither reasonable nor realistic. The City also advised the contractor that the City will exercise its right to file a claim against the

Performance Bond provided to the City jointly by the contractor and its Surety if they breach the Contract with the City.

Further, if the contractor continues to not perform satisfactorily, the City also reserves the right to find them in default of the contract.

There are a number of outstanding items that are required to meet substantial performance, including:

- 650 deficiencies remain to be cleaned up
- 31 Non-Conformance Reports to be addressed
- 44 outstanding Field Instructions to be addressed
- 13 operating manuals are outstanding
- 4 process areas require handover to the City
- 2 process areas are still in active commissioning and pending optimization and correction of issues
- 30-day plant-wide Performance Guarantee is outstanding
- Other items still to be addressed: spare parts handover, as-built drawings, final cleanup of the plant and many other outstanding documentations

The SEWPCC must continue to operate during the upgrades. The contractor leaving, or being found in default of the contract, prior to achieving substantial performance poses a significant risk to the City – including compromising City staff's ability to effectively operate the plant and meet licence compliance.

To mitigate this risk, the City may need to engage consultants and contractors directly to finish the outstanding work and provide critical call out support for emergent issues on an as-needed basis. The estimated cost of the outstanding contractual work is $6 million, the estimated cost of potential consultant support is $2 million, an additional $2 million in contingency has been included.

The Department is recommending that an increase of $10 million be approved for the Project capital budget to engage contractors and consultants for this work. This would amend the capital budget for this project to $385.6 million.

Following the approval of the budget amendment, the Chief Administrative Officer will negotiate and award single source contracts where the total cumulative contract value does not exceed $10 million.

The Chief Administrative Officer has the authority to negotiate and approve a single source contract where the total contract value does not exceed $10 million pursuant to B8.1 (j) of the Purchasing Policy.

Following the approval of the budget amendment, a separate Report will be forwarded to the Chief Administrative Officer for approval of the negotiations and award of single source contracts where the total cumulative contract value does not exceed $10 million, pursuant to the delegated authority granted by B8.1(j) of the Purchasing Policy, which states that:

“Subject to The City of Winnipeg Charter, City by-laws and this Policy, the Chief Administrative Officer shall have authority to:

“approve single source negotiations in accordance with B4. where the estimated value of the contract to be negotiated does not exceed $1,000,000, except in the case of an emergency, pursuant to B4.1 (j), which contract amount is not anticipated to exceed the dollar limits set out in B8.2”

B4.1 (j) (iv) of the Purchasing Policy provides that the frustration of breach of a contract amounts to an emergency, allowing the Chief Administrative Officer to approve a single source negotiation and award of contract up to a value of $10 million.

Applicable Trade Agreements contain similar exceptions, which will be provided in detail in the subsequent report to the Chief Administrative Officer referenced above.

Financing for this budget amendment will come from approved funds in the 2025 CSO Program. Tender No. 286-2024B for the Rutland trunk combined sewer separation work in the Ferry Road combined sewer district, part of the CSO Program, was awarded for $33 million below the pre-tender estimate. As a result, there are sufficient residual funds available in the program to temporarily fund this budget increase. No projects are being deferred or displaced as a result of this, as there are no other CSO related projects that could be currently tendered. Both the CSO Program and the SEWPCC Upgrade are funded from the Environmental Projects Reserve.

The Department anticipates recouping all or most of any costs expended from the surety, through a reduction in scope to the C4 contract, and/or from the total performance holdback. All funds recovered will be returned to the CSO Program.

The City will continue to support the contractor in its endeavors to complete as much work as possible prior to any demobilization from the site and/or issuing any default. We will also continue to work with the contractor towards collaborative resolution of the remaining appeals.

FINANCIAL IMPACT

Financial Impact Statement

Date: March 21, 2025

Project Name:

First Year of Program **2025**

REQUEST FOR BUDGET REVISION FOR THE SOUTH END SEWAGE TREATMENT PLANT (SEWPCC) NUTRIENT REMOVAL/EXPANSION CAPITAL PROJECT

	2025	2026	2027	2028	2029
Capital					
Capital Expenditures Required	$ 10,000,000	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ 10,000,000	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	-	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	$ 10,000,000	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ 10,000,000	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ 10,000,000				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ -	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Funds in the amount of $10 million will be temporarily transferred from approved 2025 funds in the CSO and Basement Flood Management Strategy Program, Account Distribution No. 444 181000 200752 20380001YY to the SEWPCC Nutrient Removal/Expansion Project, Account Distribution No. 444 181000 200752 203210002B. The total cost of the capital budget increase will be funded from the Environmental Projects Reserve.

Lucy Szkwarek, FCPA, FCGA

bah
21-Mar-25

Lucy Szkwarek, FCPA, FCGA
Manager of Finance and Administration

CONSULTATION

This Report has been prepared in consultation with:

- Legal Services Department

OURWINNIPEG POLICY ALIGNMENT

This report is in accordance with the OurWinnipeg 2045 policies Policy 2.17 Regional Water Resource Management, by protecting local and regional watershed resources from the negative impacts of development, flooding and pollution.

> Objective: Protect and value ecosystems as essential components to quality of life through municipal activities and urban environment.

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. 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. It was determined that the WPRS is not applicable to this specific report.

SUBMITTED BY

Department: Water and Waste
Division: Engineering Services
Prepared by: Cynthia Wiebe. P. Eng., CAMP
Date: March 21, 2025
File No.: S-926

ATTACHMENTS:

Appendix A: 2025 Capital Budget Detail Sheet for SEWPCC Nutrient Removal/Expansion Project