



# INFORMATION REPORT

<b>TO:</b>	Mayor and Members General Issues Committee
<b>COMMITTEE DATE:</b>	November 17, 2017
<b>SUBJECT/REPORT NO:</b>	Woodward Upgrade Project - Services During Construction Fees (PW17092) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Dan Chauvin (905) 546-2424, Extension 5988
<b>SUBMITTED BY:</b>	Dan Chauvin Director, Woodward Upgrade Project Public Works
<b>SIGNATURE:</b>	

## Council Direction:

Not Applicable

## Information:

In 2017 the Woodward Upgrade Project (Project) reached significant milestones in that two of the three main construction contracts have been tendered and awarded (C1-Main Pumping Station Project and C2- Electrical Upgrades Projects). The sum value of these awards was \$150 million representing costs that are approximately 12% below their approved budget. Additionally, both contracts have begun construction and are on schedule to meet the substantial completion deadline of January 2022 as stipulated in the \$200 million Green Infrastructure Fund (GIF) Agreement. In addition, the closing of the above referenced construction tenders provided key information required to update and validate the actual construction duration for the Project, identifying a project alert that is the basis of this Information Report relating to a pending requirement to extend consulting fees for services during construction.

As background, direction was provided by Council through Report PW08131/FCS08107 to proceed with retaining engineering consulting services for the Woodward Upgrade Project using the Request for Proposals (RFP) process. As such, RFP C11-28-09 was tendered and awarded to CH2M HILL Canada Limited (CH2M) in 2009 for a total purchase order value of \$43,570,793 for engineering services related to Project Management, Design, Tendering and Services during Construction.

In the process of developing the RFP, a number of unknowns related to service during construction impacted the City's ability to provide clear requirements for proponents to bid (such as number of contracts, duration and complexity). As a result, a stipulated

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*OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.*

*OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.*

hours approach was applied within the Form of Proposal as to establish fees that relate specifically to construction oversight (Residence Engineers, Construction Managers, Site Inspectors, etc.). This approach is standard practice for RFPs of this type as it provides a consistent and fair basis when comparing proposal bids. Therefore, the framework of the RFP included stipulated hours that were based on the assumption of a 30 month construction duration (4800 hours) having two separate construction contracts delivered over the same period, for a total of 9600 stipulated hours for key disciplines related to construction oversight. For this Project, the total service during construction fee was established at \$12.7 million, of which \$7.9 million was directly related to the stipulated hours for construction oversight services. Based on a 30 month construction period this translates to an average fee of approximately \$263,000 per month.

Based on information developed throughout 2017 related to; detailed designs, independent constructability reviews, associated construction phasing plans and awarded tenders, the total construction duration was redefined to 54 months, resulting in a 24 month extended period from that which was estimated in the original RFP. Based on the average monthly fee of \$263,000 per month and accounting for the extended construction duration of 24 months, an overall increase in fees is forecast to be approximately \$6.3 million. Although sufficient funds exist in the Project account, Council approval would be required to expand the purchase order pursuant to the requirements of Procurement Policy 11 - Non-competitive Procurements.

However, considering the third and main contract under the Woodward Upgrade Project (C3-Tertiary Treatment Upgrades) is not scheduled to be tendered until Q4 2018, and considering sufficient funds exist within the existing purchase order to support the effort for services during construction for C1 and C2 until that time, staff are delaying making a request of Council to add funding to the associated purchase order at this time. The preferred approach is to monitor the effort for services during construction throughout 2018, and identify efficiencies that can be considered to mitigate the adjusted fee while also account for actual construction duration resulting from the award of the C3 tender. A final adjustment in fees for services during construction will then be validated, and a recommendation report with updated values will be brought forward for Council consideration in 2019 or sooner pursuant to the requirements of Procurement Policy 11 - Non-competitive Procurements. Sufficient funds are available in the Project account for the Woodward Avenue Wastewater Treatment Plant (WWTP) Expansion from account 5160866801 Woodward WWTP - Clean Harbour, and the recommendation will be related directly to an expansion of an existing purchase order.

### **Appendices and Schedules Attached**

Not Applicable