Amendment to Purchase Order No. 6045542 and Purchase Order No. 6045892 to AECOM Canada Ltd. for Professional Services for Sewer Rehabilitation Program Management, Design and Construction Services

Date:  May 27, 2020
To:  Infrastructure and Environment Committee
From: General Manager Toronto Water and Chief Purchasing Officer
Wards:  All

SUMMARY

The purpose of this report is to request the authority to amend Purchase Order No. 6045542 and Purchase Order No. 6045892 to AECOM Canada Ltd. for Professional Services for Sewer Rehabilitation Program Management, design services and construction services, respectively, awarded under Request for Proposal No. 9117-17-7047. These amendments are being requested for unanticipated additional services beyond base scope effort for the successful delivery of the planned Sewer Rehabilitation Program.

The amendments being requested includes an increase of $401,587 net of all taxes and charges to the design services purchase order (PO 6045542), and an increase of $3,639,189 net of all taxes and charges to the construction services purchase order (PO 6045892). These proposed amendments totaling $4,040,776 net of all taxes ($4,111,894 net HST recoveries).

RECOMMENDATIONS

The General Manager, Toronto Water and the Chief Purchasing Officer recommend that:

1. City Council, in accordance with section 71-11.1C of the City of Toronto Municipal Code Chapter 71 (Financial Control Bylaw), grant authority to amend Purchase Order No. 6045542 with AECOM Canada Ltd. for Professional Services for Sewer Rehabilitation Program Management, Design Services, awarded under Request for Proposal 9117-17-7047, by an additional amount of $401,587 net of all taxes and charges ($408,655 net of HST recovery), revising the current purchase order value from
$3,827,406 net of all taxes and charges ($3,894,768 net of HST recovery) to $4,228,993 net of all taxes and charges ($4,303,423 net of HST recovery).

2. City Council, in accordance with section 71-11.1C of the City of Toronto Municipal Code Chapter 71 (Financial Control Bylaw), grant authority to amend Purchase Order No. 6045892 with AECOM Canada Ltd. for Professional Services for Sewer Rehabilitation Program Management, Construction Services, awarded under Request for Proposal 9117-17-7047, by an additional amount of $3,639,189 net of all taxes and charges ($3,703,239 net of HST recovery), revising the current Purchase Order value from $11,054,045 net of all taxes and charges ($11,248,596 net of HST recovery) to $14,693,234 net of all taxes and charges ($14,951,835 net of HST recovery).

**FINANCIAL IMPACT**

Amendment of the Design Services Purchase Order No. 6045542 by an additional amount of $401,587 net of all taxes and charges ($408,655 net of HST recovery) will increase the purchase order from $3,827,406 net of all taxes and charges ($3,894,768 net of HST recovery) to $4,228,993 net of all taxes and charges ($4,303,423 net of HST recovery).

Amendment of the Construction Services Purchase Order No. 6045892 by an additional amount of $3,639,189 net of all taxes and charges ($3,703,239 net of HST recovery), will increase the current purchase order from $11,054,045 net of all taxes and charges ($11,248,596 net of HST recovery) to $14,693,234 net of all taxes and charges ($14,951,835 net of HST recovery).

Funding availability is included in the Toronto Water 2020 Approved Capital Budget and 2021-2029 Approved Capital Plan, as summarized in Table 1 below.

**Table 1: Financial Impact Summary**

<table>
<thead>
<tr>
<th>WBS Element</th>
<th>Description</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>Total (net of HST recoveries)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CWW465-09</td>
<td>Sewer Rehabilitation - CWD</td>
<td>$408,655</td>
<td>$2,962,591</td>
<td>$740,648</td>
<td>$4,111,894</td>
</tr>
</tbody>
</table>

The Chief Financial Officer and Treasurer has reviewed this report and is aware of the financial impact information.

**DECISION HISTORY**

The Bid Award Panel adopted Item No.BA33.3 at its meeting held on July 26, 2017, thereby authorizing the award of Request for Proposal 9117-17-7047 to AECOM Canada Ltd. for Professional Services for Sewer Rehabilitation Program Management, in the amount of $14,726,409 as the upset limit net of all taxes and charges for the base scope term, plus an option to extend for up to two (2) additional optional terms.
The contract consists of three (3) purchase orders: design, construction, and post construction services.

The Bid Award Panel decision can be found at: http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.BA33.3.

Both optional terms have been exercised under the design services and construction services purchase orders. The current purchase order values for design services and construction services are $3,827,406 and $11,054,045 respectively based on actual CPI adjustments.

COMMENTS

1. Sewer Rehabilitation Program

Toronto Water maintains sanitary (3,726 km), combined (1,517 km) and storm (4,983 km) sewers. The purpose of the Sewer Rehabilitation Program is to maintain the existing sewer network in a state of good repair. Toronto Water’s 2020 Approved Capital Budget and 2021-2029 Approved Capital Plan has a total of over $750 million assigned to the Sewer System Rehabilitation Program.

The City retained AECOM Canada Ltd. (AECOM) to provide overall program management. As the base scope of work, AECOM is responsible for the planning, coordination, public notification and management, specification and tender documents preparation, construction inspection and post construction services for an estimated $40 million per year program. The construction work includes trenchless Cured-In-Place-Pipe (CIPP) sewer main structural lining, mechanical cleaning and flushing, spot repairs, connection replacements, and maintenance hole rehabilitation.

Under its scope of work, AECOM is required to prepare between 6 and 8 new tenders during each design period of the program and be responsible for between 6 and 8 simultaneously active contracts that require construction and contract administration services during each construction period of the program. The number and value of the contracts may vary based on the available budget for the year. The City reserves the right not to proceed to construction and defer and/or replace any or all of the initially provided assignments at any stage prior to issuing tender documents.

2. Amendment of Purchase Order No. 6045542 - Design Services

Since the start of work under this assignment, issues arose that require AECOM to perform additional work as summarized below.

(i) Additional Design Services for Development of a Negotiated Request for Proposal

The Purchasing & Materials Management’s Procurement Transformation section proposed strategic sourcing initiatives for the 2020 Sewer Rehabilitation Program as an alternative procurement approach in order to help reduce procurement costs, improve
relationships with vendors, maximize value, and meet program delivery targets through efficiencies.

As part of this effort, Toronto Water decided to transition a portion of the annual 2020 Sewer Rehabilitation Program from a traditional Request for Tender (RFT) to a Multi-Year Negotiated Request for Proposal (NRFP) procurement approach. The multi-year approach will also allow Toronto Water to maximize delivery within the program years given that staff will not have to go through the procurement process each year.

Additional work was required to participate in the market sounding exercise, develop new multi-year specifications, quantity estimates and evaluate the submitted proposals. The cost of this additional work was $74,052, net of all taxes.

(ii) Additional Design Services Related to Toronto & Region Conservation Authority

Following award of the assignment, sewer repairs were identified within Toronto & Region Conservation Authority (TRCA) regulated areas and additional detailed design drawings were required to obtain TRCA permit approvals. There are ten (10) individual construction areas containing repairs that were identified within regulated areas.

The additional work is related to management and coordination meetings and the development of detailed design drawings prepared for each of the work areas to address necessary civil work and slope stability items required to allow construction equipment to access remote sewer maintenance holes within these sensitive areas. The cost of this additional work was $93,207 net of all taxes and charges.

(iii) Additional Contingency Allowance

During the management of the Sewer Rehabilitation Program unforeseen extras have already surfaced. This purchase order currently does not have provisional or contingency funds, consequently Toronto Water is requesting a Contingency Allowance in the amount of $234,329 be added to account for any unforeseen extras beyond base scope that may be required until the completion of the program.

3. Amendment of Purchase Order No. 6045892 - Construction Services

The anticipated schedule at the start of the program management assignment was to carry out design services for the 2018, 2019 and 2020 program years one year in advance (i.e. during 2017, 2018 and 2019) and construction services for the same program years during the construction seasons of 2018, 2019 and 2020.

(i) Delays to the 2018 Program

Although design services proceeded in 2017, significant delays were encountered which prevented the start of the 2018 construction contracts. These delays were primarily due to the City's introduction of the Certification of Recognition (COR) program. As part of its construction contract management and construction tendering process, as well as its ongoing commitment to health and safety, the City endorsed and adopted the Certificate of Recognition (COR) program to reaffirm and demonstrate the commitment to safety.
and the provision of safe working environments for contractors, employees and residents.

In 2018, several bidders did not meet the mandatory requirement to have COR certification. In some cases, the low bidder did not meet the requirement for COR certification but were given time to prove that they had an equivalent program. In one case, the low bidder was not able to prove this and the contract was ultimately awarded to the next lowest bid with the valid COR certification (i.e. lowest compliant bid). In other cases, delays were due to the bidders not satisfying other mandatory requirements in a timely manner during the period after tender closing and prior to award. By the time these issues were resolved, the 2018 contracts were not able to be awarded until late 2018 and early 2019. As a result, AECOM was not able to perform construction services for the 2018 contracts during the 2018 construction season as originally anticipated.

As a result of this delay, the cash flow for the Sewer Rehabilitation Program was reprogrammed to allow for 2018 contracts to be completed in 2019. Projects originally planned for 2019 and 2020 were reprogrammed for the 2020 and 2021 construction season.

(ii) Transfer of Scope from the 2017 Program

In order to take advantage of the AECOM resources assigned to the purchase order for 2018 construction season, it was decided to transfer the construction services scope of work for 5 contracts that were tendered and awarded as part of the 2017 program. These contracts were originally assigned to the firm retained for the previous program management assignment for the 2015, 2016 and 2017 program years. This transfer allowed the firm retained under the previous assignment to focus its resources on completing outstanding work from prior years and AECOM to focus on 2017 contracts during the 2018 construction season in an attempt to maximize the resources available to the City.

In addition to the 5 contracts from 2017 program, several high priority locations were identified and added to the scope of work for AECOM's assignment resulting in a construction value of approximately $40 million which is equivalent to one full program year under the construction services assignment.

(iii) Strategic Approach to the 2021 Program Year

Due to the delays incurred to the start of the 2018 contracts, the reprogramming of the projects into future years and the transfer of scope for construction services from the 2017 contracts, the purchase orders to AECOM for design services and construction services are no longer aligned to the same program years. The design services are now associated with the 2018, 2020 and 2021 program years and the construction services are now associated with the 2017, 2018 and 2020 program years. As a result, there is currently a gap in construction services for the 2021 program year and there is a need to amend the construction services purchase order to AECOM to add a full program year. This will allow continuity in ownership from design phase through to the end of construction.
Toronto Water is currently preparing a new Request for Proposals (RFP) for the next program management assignment associated with the 2022, 2023 and 2024 program years. This contract is expected to be awarded towards the end of 2020 allowing design services to proceed in 2021.

Amending the Purchase Order No. 6045892 is an interim measure for one year which will allow the City to bridge the gap in services and allow sufficient time to prepare the RFP and award the next program management assignment. In addition, the Sewer Rehabilitation Program is operationally complex due to the various types of work included and the high number of locations and there is a longer learning curve than for most construction projects. If the City were to issue an RFP to administer the 2021 program as a separate stand-alone assignment, there would not be compatibility with the design services and insufficient time for the new firm to learn the details behind the structure of the payment items and specifications. The new firm would be much less efficient than AECOM is now.

The cost to amend the construction services purchase order to AECOM to add a full program year is $3,414,372 base scope plus an additional $224,816 contingency allowance, totaling $3,639,189 net of all taxes and charges.

CONTACT

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SIGNATURE

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