

Amendment to Purchase Order Number 6052120 with Black & McDonald Limited for Rehabilitation and Upgrades of Seven Group Five Sewage Pumping Stations at Various Locations

Date: August 29, 2024

To: General Government Committee

From: General Manager, Toronto Water and the Chief Procurement Officer

Wards: 4 (Parkdale-High Park), 10 (Spadina-Fork York)

SUMMARY

The purpose of this report is to request authority to amend Purchase Order Number 6052120 issued to Black & McDonald Limited to provide continued construction services for the Rehabilitation and Upgrade of Seven (7) Group 5 Sewage Pumping Stations (SPS) at Various Locations Throughout the City of Toronto awarded as a result of Request for Tender 273-2016.

The amendment is required due to the lack of progress by the initial contractor in undertaking the work and the process of having the construction contract assigned and assumed by a new contractor (Black & McDonald Limited), significantly delayed the project. As a result, additional bypass pumping, project management, and sub-contractor costs are associated with the delay.

The total value of the Purchase Order Amendment being requested is \$3,889,568 net of all applicable taxes and charges (\$3,958,024 net of HST recoveries), revising the current Purchase Order value from \$9,707,509 net of all applicable taxes and charges (\$9,878,361 net of HST recoveries) to \$13,597,077 net of all applicable taxes and charges (\$13,836,385 net of HST recoveries).

RECOMMENDATIONS

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

1. The General Government Committee, 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 Number 6052120 issued to Black & McDonald Limited for additional bypass pumping, project management and sub-contractor costs associated with the current delay for this project by increasing the overall value by \$3,889,568 net of all applicable taxes and charges (\$3,958,024 net of HST recoveries) revising the current Purchase Order value from \$9,707,509 net of all applicable taxes and charges (\$9,878,361 net of HST recoveries) to \$13,597,077 net of all applicable taxes and charges (\$13,836,385 net of HST recoveries).

FINANCIAL IMPACT

The total value of the Purchase Order Amendment identified in this report is \$3,889,568 net of all applicable taxes and charges (\$3,958,024 net of HST recoveries).

Funding is available in the 2024 Capital Budget and 2025-2033 Capital Plan for Toronto Water. Funding details are summarized in Table 1 below.

Table 1 - Financial Impact Summary (net of HST Recoveries)

WBS Element	Description	2024	Total
CWW465	Group 5 Sewage Pumping Station Upgrades	\$3,958,024	\$3,958,024

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the information as presented in the Financial Impact Section.

DECISION HISTORY

At its meeting of May 17, 2017, the Bid Award Panel adopted Item Number BA22.1, authorizing the Award of Request for Tender Call Number 273-2016. for the Rehabilitation and Upgrade of Seven (7) Group 5 Sewage Pumping Stations (SPS) at Various Locations Throughout the City of Toronto to Gowing Contractors Ltd. The Bid Award Panel decision can be found at:

[Agenda Item History - 2017.BA22.1 \(toronto.ca\)](#)

COMMENTS

1. Sewage Pumping Station Upgrades

Sewage pumping stations are critical components of the City's wastewater collection system, ensuring that wastewater is effectively moved through the system and delivered to treatment facilities.

Also known as lift stations because they pump wastewater from lower to higher elevations, a pumping station collects and stores wastewater in an underground pit equipped with electrical instrumentation to detect the level of wastewater present. When the wastewater level rises to a predetermined level, a pump is activated to push the sewage through a pressurized pipe system (force mains) to other areas of the wastewater collection system and eventually to a wastewater treatment plant.

Toronto Water is currently responsible for operating and maintaining 96 wastewater pumping stations and approximately 39 km of associated sewer force mains. The pumping stations vary in age, capacity, and complexity.

Toronto Water's approved 2024 Capital Budget and 2025-2033 Capital Plan includes \$143.350 million for Sewage Pumping Station Upgrades. The purpose of these projects is to ensure compliance with regulatory requirements, maintain infrastructure in a state of good repair, and accommodate growth and improved service.

In 2014, the City retained WSP Canada Incorporated (WSP) to provide engineering services related to the rehabilitation and upgrade of seven (7) sewage pumping stations referred to as Group 5. In 2017, the City executed an agreement with Gowing Contractors Ltd. (Gowing) for the rehabilitation and upgrade of the Group 5 stations.

The seven stations included in Group 5 are: Strachan SPS, Ellis SPS, Southport SPS, Vallemede SPS, Riverside SPS, Brule Gardens SPS and Skydome SPS. The scope of work included removal of existing equipment, civil modifications, process equipment upgrades, electrical and instrumentation upgrades and HVAC system upgrades at each station.

2. Assignment and Assumption Agreement

On February 5, 2021, Zurich Insurance Company Ltd. (Zurich), which guaranteed Gowing's work under the construction contract, directed that any remaining payments under the contract be made to BBCG Claims Services. Zurich and Gowing also requested that the City transfer the construction contract to Black & McDonald Limited (Black & McDonald), meaning Black & McDonald would take over the responsibilities of completing the work.

On April 12, 2021, Gowing, Zurich, Black & McDonald, and the City of Toronto executed an assignment and assumption agreement in which Black & McDonald was assigned and assumed the balance of the construction contract, effective November 1, 2020.

In May 2023, the contract achieved substantial completion and final completion was achieved in December 2023. This work satisfies the City's objectives of maintaining compliance with legislated and regulatory requirements, achieving a state of good repair, and enhancing the stations to accommodate growth and development.

3. Amendment of Purchase Order Number 6052120

As part of the assignment and assumption agreement, Purchase Order Number 6052120 was issued to Black & McDonald in the amount of \$9,707,509 net of all taxes and charges. This amount was adjusted by subtracting the \$7,419,991 that had already been spent under the original Purchase Order Number 6045090, which had initially been valued at \$17,127,500, excluding taxes and charges.

In May 2021, Black & McDonald requested an extension of 1,059 days and \$5,733,920 due to previous contractor's lack of progress. In May 2023, a second claim was submitted, extending the project by 53 weeks and increasing total delay-related damages to \$10,428,362, citing unforeseen conditions at several stations as the cause of the delay.

The largest attributable factor to the additional costs related to the delay were additional bypass pumping expenses associated with construction at Strachan, Skydome, Riverside and Brule stations. Other significant factors included project management, and costs associated with civil and electrical instrumentation work.

Toronto Water negotiated with the contractor and the claim was adjusted to \$4,138,164. Consequently, an amendment to Purchase Order Number 6052120 is needed, increasing the purchase order from \$9,707,509 to \$13,597,077, net of all applicable taxes and charges (\$9,878,361 to \$13,836,385 net of HST recoveries).

The breakdown of the agreed upon costs into ten driving factors are listed in Table 2:

Table 2 - Top Ten Cost Drivers

Driver	Amount
Additional Bypass Pumping Costs	\$1,454,865
Additional Project Staff	\$1,117,169
Subcontractor Costs related to Civil Works	\$517,799
Subcontractor Costs related to Electrical and Instrumentation	\$511,206
Application of Liquidated Damages to the City	(\$311,500)
Unabsorbed Overheads	\$327,389
Equipment and Site Setup	\$277,982

Driver	Amount
Skydome Maintenance	\$72,555
Holdback Financing	\$57,119
Labour Cost Escalation	\$51,944

CONTACT

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SIGNATURE

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General Manager, Toronto Water

Geneviève Sharkey
Chief Procurement Officer