

## Report to Civic Works Committee

**To:** Chair and Members  
Civic Works Committee  
**From:** Kelly Scherr, P.Eng., MBA, FEC  
Deputy City Manager, Environment & Infrastructure  
**Subject:** Contract Price Increase: 2021 Infrastructure Renewal  
**Date:** July 26, 2022

## Recommendation

That, on the recommendation of the Deputy City Manager, Environment and Infrastructure, the following actions **BE TAKEN** for the noted three projects: Saskatoon Street, Brydges Street and Wavell Street Active Transportation Improvement; Wonderland Road South Watermain Installation; and the Wortley Road Reconstruction:

- a) Wonderland Road South Watermain Installation (Tender T21-40) contract value with Bre-Ex Construction Inc. **BE INCREASED** by \$220,000.00 to \$1,299,999.99 (excluding HST) in accordance with Section 20.3 (e) of the Procurement of Goods and Services Policy;
- b) Wortley Road Reconstruction (Tender T21-05) contract value with Bre-Ex Construction Inc. **BE INCREASED** by \$200,000.00 to \$3,049,388.03 (excluding HST) in accordance with Section 20.3 (e) of the Procurement of Goods and Services Policy;
- c) Saskatoon Street, Brydges Street and Wavell Street Active Transportation Improvement (Tender T21-89) contract value with J-AAR Excavating Ltd. **BE INCREASED** by \$170,000.00 to \$2,829,631.75 (excluding HST) in accordance with Section 20.3 (e) of the Procurement of Goods and Services Policy;
- d) the financing for this project **BE APPROVED** as set out in the Sources of Financing Report attached hereto as Appendix 'A', 'B', 'C', respectively;
- e) the Civic Administration **BE AUTHORIZED** to undertake all the administrative acts that are necessary in connection with this project; and
- f) the Mayor and City Clerk **BE AUTHORIZED** to execute any contract or other documents, if required, to give effect to these recommendations.

## Executive Summary

The Renew London Infrastructure Construction Program manages the sustainability of city infrastructure through a combination of road, bridge, bicycle, sewer, water, sidewalk, and intersection improvements. The program addresses existing lifecycle needs, system improvements, and growth-related priorities.

Large infrastructure projects can sometimes encounter unforeseen infrastructure and schedule challenges not anticipated by the contractor, consultant, or the City. When the budget implications of those challenges exceed the contract contingency, a contract amendment is required in accordance with City's Procurement of Goods and Services Policy.

The March 29, 2022 Civic Works Committee agenda provided a review of the 2021 Renew London Infrastructure Construction Program together with companion reports outlining projects recommended for contract amendments. The Renew report also

flagged additional projects to be closely monitored as they completed carry over work into 2022. The project teams evaluated all options to keep these projects within budget, however three 2021 carry over projects will require a contract value amendment.

## **Linkage to the Corporate Strategic Plan**

The following report supports the Strategic Plan through the strategic focus areas of Building a Sustainable City, Growing Our Economy and Leading in Public Service by helping to manage the infrastructure gap, improving our water, wastewater and stormwater infrastructure and services, and enhancing safety for all road users.

Renew London is committed to delivering excellent customer service and providing great customer experiences to residents, businesses, and visitors by communicating projects in advance and coordinating all work to help build and deliver efficient infrastructure and minimize delays and inconveniences to the public during construction.

## **Analysis**

### **1.0 Background Information**

#### **1.1 Previous Reports Related to this Matter**

Civic Works Committee – March 29, 2022 – 2022 Renew London Infrastructure Construction Program and 2021 Review

### **2.0 Discussion and Considerations**

The City managed approximately \$100 million in infrastructure construction project work in 2021. The Construction Administration (CA) Team takes great pride in delivering London's annual construction program on time and on budget.

With an annual construction program of this scale, there can be projects that encounter budget impacts that exceed the available contingency. The following carry over projects from 2021 were impacted by budget pressures that exceeded the awarded contract value. The combined value of these contract increase requests reflects an overall budget variance of 0.59%.

#### **2.1 RFT21-40 – Wonderland Road South Watermain Installation**

The Wonderland Road South Watermain Installation project was originally scheduled to begin in September 2021 and be completed in October 2021. Leading up to the start of the project in July and August, challenges were encountered around material availability, the specific type of watermain that was to be used and how the new material would interface with the existing water infrastructure.

Once the project team determined a path forward it was decided that the project could not proceed in 2021 without jeopardizing the completion of the project before winter. It was decided that the best path forward to ensure that a section of this critical road was not left unfinished for the winter was to start the project in spring of 2022.

As work began in the spring of 2022, an unknown condition with the existing water infrastructure was discovered, which delayed a portion of the project for several weeks. The project team worked well to adapt and minimize damages, however this unforeseen delay reinforced that it was the correct decision to delay the start of the project until 2022. Had this delay been encountered in the fall of 2021, it would have certainly left the project incomplete over the winter months.

It has been determined that the cost increases due to the project being completed in 2022, rather than 2021 will require additional funds in excess of the project contingency.

## **2.2 RFT21-05 – Wortley Road Reconstruction**

In April 2021, the City began construction on Wortley Road to replace sewers and watermain, along with surface works including sidewalk, curb, and asphalt replacement. The project progressed well until September, when a shipment of PVC watermain pipe was delivered to site that did not meet appear to City specification. Following an internal review of the specification informed by a City-commissioned external report, it was determined that the PVC watermain pipe originally delivered to site was acceptable and could be installed, without impact to the quality or safety of the pipe. Both the contractor and City staff worked diligently to come to a timely solution. However, there was a delay in site activity requiring project work originally scheduled for 2021 to be completed in 2022. The requested contract price amendment is to cover the increased costs of shifting added work to spring/summer of 2022. The increase in contract price also covers some additional temporary work that was required in the late fall of 2021 to leave the site in a safe and tidy state over the winter months.

## **2.3 RFT21-89 – Saskatoon Street, Brydges Street and Wavell Street Active Transportation Improvement**

The tender for the Saskatoon Street, Brydges Street and Wavell Street Active Transportation Improvement project closed on August 12, 2021, and the contract was approved through Administrative Approval on August 20, 2021.

It is standard practice for the City of London to include a project contingency on all major infrastructure projects. A typical project contingency is around 10% of the estimated project cost. Following approval and execution of this contract, the project team realized that a project contingency had not been included in the original tender.

The tender estimate for this project was \$2,900,000, with a successful bid price for J-AAR Excavating Ltd. of \$2,659,631.75. As such, a contingency of \$290,000 should have been included for this project.

While every effort has been made to cut costs and complete the project within the contract value as awarded without a contingency, the project team has confirmed that a contract amendment will be required. Additional costs due to unforeseen conditions and additional design changes typical of any infrastructure project have caused a need for increased funds.

While the project would have typically contained a \$290,000 contingency, the additional funds needed to complete this project are \$170,000, well within a normal project budget had the contingency not been omitted at the time of tender.

## **3.0 Financial Impact/ Considerations**

### Wonderland Road South Watermain Installation

An additional \$220,000.00 is requested to cover the additional costs due to completing the project in 2022, rather than 2021.

### Wortley Road Reconstruction

An additional \$200,000.00 is requested to cover the additional costs to complete the temporary works in 2021 and to complete the remaining work in 2022.

Saskatoon Street, Brydges Street and Wavell Street Active Transportation Improvement

An additional \$170,000.00 is requested to cover the additional costs due to a project contingency not be included in the original tender.

This funding is available in the approved water, sanitary, and stormwater capital budgets per the Sources of Financing attached as Appendices A, B and C.

**Conclusion**

In accordance with Section 20.3 (e) of the Procurement of Goods and Services Policy, it is recommended that the contract value be amended for infrastructure renewal projects. These projects require additional funds primarily associated with unforeseen design issues and schedule challenges.

**Prepared by:** **Ugo DeCandido, P.Eng., Division Manager, Construction Administration**

**Submitted by:** **Jennie Dann, P.Eng., Director, Construction and Infrastructure Services**

**Recommended by:** **Kelly Scherr, P. Eng., MBA, FEC, Deputy City Manager, Environment and Infrastructure**

**Attach:** Appendix 'A' – Sources of Financing, Wonderland Road South Watermain Installation (Tender T21-40)  
Appendix 'B' – Sources of Financing, Wortley Road Reconstruction (Tender T21-05)  
Appendix 'C' – Sources of Financing, Saskatoon Street, Brydges Street and Wavell Street Active Transportation Improvement (Tender T21-89)

**cc:** Aaron Rozentals, Division Manager, Water Engineering  
Kyle Chambers, Acting Division Manager, Sewer Engineering  
Garfield Dales, Division Manager, Transportation Planning and Design  
Gary McDonald, Budget Analyst, Finance & Corporate Services

## Appendix "A"

#22110

July 26, 2022

(Contract Increase)

Chair and Members

Civic Works Committee

RE: RFT21-40 - Contract Increase: Wonderland Road South Watermain Installation

(Subledger WS21C003)

Capital Project EW3625 - Wonderland Road Watermain - Exeter to Hamlyn

Bre-Ex Construction Inc. - \$220,000.00 (excluding HST)

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### Finance Supports Report on the Sources of Financing:

Finance Supports confirms that the cost of this project can be accommodated within the financing available for it in the Capital Budget and that, subject to the approval of the recommendation of the Deputy City Manager, Environment and Infrastructure, the detailed source of financing is:

<b>Estimated Expenditures</b>	<b>Approved Budget</b>	<b>Committed To This Date</b>	<b>This Submission</b>	<b>Balance for Future Work</b>
Engineering	198,394	198,394	0	0
Construction	1,545,968	1,078,089	223,872	244,007
<b>Total Expenditures</b>	<b>\$1,744,362</b>	<b>\$1,276,483</b>	<b>\$223,872</b>	<b>\$244,007</b>

### Sources of Financing

Drawdown from Water Works Renewal Reserve Fund	87,218	63,824	11,194	12,200
Drawdown from City Services - Water Reserve Fund (Development Charges) (Note 1)	1,657,144	1,212,659	212,678	231,807
<b>Total Financing</b>	<b>\$1,744,362</b>	<b>\$1,276,483</b>	<b>\$223,872</b>	<b>\$244,007</b>

### Financial Note:

	<b>Total</b>
Contact Increase	\$220,000
Add: HST @13%	28,600
Total Contract Price Including Taxes	248,600
Less: HST Rebate	-24,728
Net Contract Increase	\$223,872

**Note 1:** Development charges have been utilized in accordance with the underlying legislation and the approved 2019 Development Charges Background Study and the 2021 Development Charges Background Study Update.

**Note 2:** The initial award of this contract for \$1,080,000 was completed through Administrative Approval of Tender Acceptance Contract Award process in the Source of Financing 21084.

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Jason Davies  
Manager of Financial Planning & Policy

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**Appendix "B"**

#22111  
 July 26, 2022  
 (Contract Increase)

Chair and Members  
 Civic Works Committee

RE: RFT21-05 - Contract Increase: Wortley Road Reconstruction  
 (Subledger WS21C00E)  
 Capital Project ES241422 - Infrastructure Renewal Program - Sanitary Sewer  
 Capital Project ES254021 - Infrastructure Renewal Program - Stormwater Sewers and Treatment  
 Capital Project EW376521 - Infrastructure Renewal Program - Watermains  
 Capital Project TS301422 - Road Network Implements (Local and Rural)  
 Bre-Ex Construction Inc. - \$200,000.00 (excluding HST)

**Finance Supports Report on the Sources of Financing:**

Finance Supports confirms that the cost of this project can be accommodated within the financing available for it in the Capital Budget and that, subject to the approval of the recommendation of the Deputy City Manager, Environment and Infrastructure, the detailed source of financing is:

<b>Estimated Expenditures</b>	<b>Approved Budget</b>	<b>Committed To Date</b>	<b>This Submission</b>	<b>Balance for Future Work</b>
<b>ES241422 - Infrastructure Renewal Program - Sanitary Sewer</b>				
Engineering	2,000,000	556,343	0	1,443,657
Construction	10,409,529	1,321,289	37,142	9,051,098
City Related Expenses	25,000	630	0	24,370
<b>ES241422 Total</b>	<b>12,434,529</b>	<b>1,878,262</b>	<b>37,142</b>	<b>10,519,125</b>
<b>ES254021 - Infrastructure Renewal Program - Stormwater Sewers and Treatment</b>				
Engineering	1,505,609	1,505,609	0	0
Construction	10,411,542	9,423,836	37,142	950,564
Land Acquisition	210,537	205,321	0	5,216
City Related Expenses	6,571	6,571	0	0
<b>ES254021 Total</b>	<b>12,134,259</b>	<b>11,141,337</b>	<b>37,142</b>	<b>955,780</b>
<b>EW376521 - Infrastructure Renewal Program - Watermains</b>				
Engineering	1,797,676	1,633,590	0	164,086
Construction	16,330,496	14,189,524	96,672	2,044,300
City Related Expenses	249,241	249,241	0	0
<b>EW376521 Total</b>	<b>18,377,413</b>	<b>16,072,355</b>	<b>96,672</b>	<b>2,208,386</b>
<b>TS301422 - Road Network Improvements (Local and Rural)</b>				
Construction	9,525,105	5,630,313	32,563	3,862,229
City Related Expenses	200,000	200,000	0	0
<b>TS301422 Total</b>	<b>9,725,105</b>	<b>5,830,313</b>	<b>32,563</b>	<b>3,862,229</b>
<b>Total Expenditures</b>	<b>\$52,671,306</b>	<b>\$34,922,267</b>	<b>\$203,519</b>	<b>\$17,545,520</b>

## Appendix "B"

#22111  
 July 26, 2022  
 (Contract Increase)

Chair and Members  
 Civic Works Committee

RE: RFT21-05 - Contract Increase: Wortley Road Reconstruction  
 (Subledger WS21C00E)  
 Capital Project ES241422 - Infrastructure Renewal Program - Sanitary Sewer  
 Capital Project ES254021 - Infrastructure Renewal Program - Stormwater Sewers and Treatment  
 Capital Project EW376521 - Infrastructure Renewal Program - Watermains  
 Capital Project TS301422 - Road Network Implements (Local and Rural)  
 Bre-Ex Construction Inc. - \$200,000.00 (excluding HST)

### Sources of Financing

#### ES241422 - Infrastructure Renewal Program - Sanitary Sewer

Capital Sewer Rates	7,934,529	0	0	7,934,529
Drawdown from Sewage Works Renewal Reserve Fund	2,250,000	0	0	2,250,000
Canada Community-Building Fund	2,250,000	1,878,262	37,142	334,596

<b>ES241422 Total</b>	<b>12,434,529</b>	<b>1,878,262</b>	<b>37,142</b>	<b>10,519,125</b>
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#### ES254021 - Infrastructure Renewal Program - Stormwater Sewers and Treatment

Capital Sewer Rates	820,480	820,480	0	0
Drawdown from Sewage Works Renewal Reserve Fund	9,012,284	8,019,362	37,142	955,780
Canada Community-Building Fund	2,250,000	2,250,000	0	0
Other Contributions	51,495	51,495	0	0

<b>ES254021 Total</b>	<b>12,134,259</b>	<b>11,141,337</b>	<b>37,142</b>	<b>955,780</b>
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#### EW376521 - Infrastructure Renewal Program - Watermains

Capital Water Rates	11,922,161	11,922,161	0	0
Drawdown from Water Works Renewal Reserve Fund	5,844,701	3,539,643	96,672	2,208,386
Canada Community-Building Fund	601,017	601,017	0	0
Other Contributions	9,534	9,534	0	0

<b>EW376521 Total</b>	<b>18,377,413</b>	<b>16,072,355</b>	<b>96,672</b>	<b>2,208,386</b>
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#### TS301422 - Road Network Improvements (Local and Rural)

Capital Levy	630,000	630,000	0	0
Drawdown from Transportation Renewal Reserve Fund	800,000	800,000	0	0
Canada Community-Building Fund	8,295,105	4,400,313	32,563	3,862,229

<b>TS301422 Total</b>	<b>9,725,105</b>	<b>5,830,313</b>	<b>32,563</b>	<b>3,862,229</b>
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<b>Total Financing</b>	<b>\$52,671,306</b>	<b>\$34,922,267</b>	<b>\$203,519</b>	<b>\$17,545,520</b>
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**Appendix "B"**

#22111  
 July 26, 2022  
 (Contract Increase)

Chair and Members  
 Civic Works Committee

RE: RFT21-05 - Contract Increase: Wortley Road Reconstruction  
 (Subledger WS21C00E)  
 Capital Project ES241422 - Infrastructure Renewal Program - Sanitary Sewer  
 Capital Project ES254021 - Infrastructure Renewal Program - Stormwater Sewers and Treatment  
 Capital Project EW376521 - Infrastructure Renewal Program - Watermains  
 Capital Project TS301422 - Road Network Implements (Local and Rural)  
 Bre-Ex Construction Inc. - \$200,000.00 (excluding HST)

<b>Financial Note:</b>	<b>ES241422</b>	<b>ES254021</b>	<b>EW376521</b>	<b>TS301422</b>
Contract Price	\$543,241	\$543,241	\$1,398,896	\$614,159
Less Amount previously approved	506,741	506,741	1,303,896	582,159
	\$36,500	\$36,500	\$95,000	\$32,000
Add: HST @13%	4,745	4,745	12,350	4,160
Total Contract Price Including Taxes	41,245	41,245	107,350	36,160
Less: HST Rebate	-4,103	-4,103	-10,678	-3,597
Net Contract Price	\$37,142	\$37,142	\$96,672	\$32,563

<b>Financial Note:</b>	<b>Total</b>
Contract Price	\$3,099,537
Less Amount previously approved	2,899,537
	200,000
Add: HST @13%	26,000
Total Contract Price Including Taxes	226,000
Less: HST Rebate	-22,481
Net Contract Price	\$203,519

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Jason Davies  
 Manager of Financial Planning & Policy

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**Appendix "C"**

#22112  
 July 26, 2022  
 (Contract Increase)

Chair and Members  
 Civic Works Committee

RE: RFT21-89 - Contract Increase: Saskatoon Street, Brydges Street and Wavell Street Active Transportation Improvement  
 (Subledger RD210004)  
 Capital Project TS173919 - Active Transportation  
 J-AAR Excavating Ltd. - \$170,000.00 (excluding HST)

**Finance Supports Report on the Sources of Financing:**

Finance Supports confirms that the cost of this project can be accommodated within the financing available for it in the Capital Budget and that, subject to the approval of the recommendation of the Deputy City Manager, Environment and Infrastructure, the detailed source of financing is:

<b>Estimated Expenditures</b>	<b>Approved Budget</b>	<b>Committed To Date</b>	<b>This Submission</b>	<b>Balance for Future Work</b>
Engineering	1,083,252	982,750	0	100,502
Construction	9,657,338	7,811,445	172,992	1,672,901
City Related Expenses	9,938	6,687	0	3,251
<b>Total Expenditures</b>	<b>\$10,750,528</b>	<b>\$8,800,882</b>	<b>\$172,992</b>	<b>\$1,776,654</b>

**Sources of Financing**

Capital Levy	391,425	391,425	0	0
Debenture By-law W.-5654-291	4,951,602	3,972,646	86,863	892,093
Drawdown from City Services - Roads Reserve Fund (Development Charges) (Note 1)	5,352,477	4,381,787	86,129	884,561
Other Contributions	55,024	55,024	0	0
<b>Total Financing</b>	<b>\$10,750,528</b>	<b>\$8,800,882</b>	<b>\$172,992</b>	<b>\$1,776,654</b>

**Financial Note:**

	<b>Total</b>
Contract Price	\$2,829,632
Less Previous Price Including Taxes	2,659,632
	<u>\$170,000</u>
Add: HST @13%	22,100
Total Contract Price Including Taxes	192,100
Less: HST Rebate	-19,108
Net Contract Price	<u>\$172,992</u>

**Note 1:** Development charges have been utilized in accordance with the underlying legislation and the approved 2019 Development Charges Background Study and the 2021 Development Charges Background Study Update.

**Note 2:** The initial award of this contract for \$2,659,632.00 was completed through Administrative Approval of Tender Acceptance Contract Award process in the Source of Financing 21157.

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 Jason Davies  
 Manager of Financial Planning & Policy  
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