



The Corporation of the Town of Tecumseh

Public Works & Engineering Services

To: Mayor and Members of Council

From: Phil Bartnik, Director Public Works & Engineering Services

Date to Council: June 27, 2023

Report Number: PWES-2023-44

Subject: Disaster Mitigation and Adaptation Fund
Phase 1: Scully-St. Mark's Pump Station and Riverside Drive
East Reconstruction Project - Construction Services Tender
Award

Recommendations

It is recommended:

That the tender for the Scully-St. Mark's Pump Station and Riverside Drive East Reconstruction Project in the amount of \$19,202,990.28, excluding HST, **be awarded** to Sterling Ridge Infrastructure Inc.;

And that By-law 2023-074 **be given** the first, second, third and final reading to authorize the Mayor and Clerk to execute an agreement, satisfactory in form to the Town's solicitor, with Sterling Ridge Infrastructure Inc.;

And further that funding allocations, reflecting a total budget requirement of \$23,346,900 with an \$11,900 increase to the original allocation **be accommodated** as follows:

- Road Lifecycle Reserve – increase from \$2,100,000 to \$2,626,700
- Watermain Reserve Fund – increase from \$0 to \$410,600
- Wastewater Sewer Reserve Fund – increase from \$635,000 to \$1,180,900
- Storm Sewer Lifecycle Reserve – decrease from \$20,600,000 to \$19,128,700

Background

As per previous reports to Council, the Town was successful in a funding application to the Government of Canada's 2020 Intake for the Disaster Mitigation and Adaptation Fund (DMAF), being a program that supports large-scale infrastructure projects to help communities better manage the risks of disasters triggered by natural hazards. The Town's 2020 application included a bundled project totalling \$26.75M (in 2019 dollars) which was approved for a total DMAF funding amount of \$10.7M. The bundled project includes the following:

Phase 1

- Construction of a new consolidated Scully-St. Mark's Storm Pump Station and Riverside Drive Trunk Storm Sewer;
- Decommissioning of the existing Scully and St. Mark's Storm Pump Stations; and

Phase 2

- Construction of a new P.J. Cecile Storm Pump Station

These improvements will enhance the level of service for the drainage areas and are a major step forward in the Town's long-term strategy to reduce flood risks due to climate change.

The Town's Consultants, Dillon Consulting Ltd. and WSP E&I Canada Limited, together with SSL Project Services Incorporated, completed the engineering designs and tender documents for the Phase 1 portion of this project.

Comments

In accordance with Article 6 of the Contribution Agreement between Canada and the Town, the Town must "ensure that Contracts are awarded in a way that is fair, transparent, competitive and consistent with value-for-money principles...".

In accordance with the Town's Purchasing Policy (Policy No. 17) and Schedule A of By-law 2021-60, a project with a value of greater than \$500,000 requires a formal tender process.

The tender documents for the Scully-St. Mark's Pump Station and Riverside Drive East Reconstruction Project were posted on the Town's Bids and Tenders portal on April 26, 2023, with an original closing date of May 25, 2023. The tender documents generally included the furnishing of all labour and materials necessary to carry out the following:

- Decommissioning of the existing Scully and St. Mark's storm pump stations and the construction of one (1) new consolidated storm pump station at the Scully site;
- Installation of a new pump station outfall into Lake St Clair for the new Scully-St. Mark's pump station;
- Installation of approximately 500 m of new trunk storm sewer on Riverside Drive between Grant Street and Arlington Boulevard (which includes the relocation of existing municipal infrastructure and utilities that may be in conflict) to provide conveyance capacity (i.e. to divert the stormwater flows) to the new consolidated Scully-St. Mark's pump station;
- The replacement of shoreline protection (i.e. breakwall) at the new Scully-St. Mark's pump station property;
- The replacement of shoreline protection (i.e. breakwall) at the St. Mark's pump station property;
- The installation of emergency backup power at the new Scully-St. Mark's pump station; and
- All restoration.

A number of questions were raised during the tender process and several bid takers requested an extension for the tender closing. Following discussions between Senior Administration and the Town's Consultant, the tender closing date was extended to June 8, 2023.

Two tenders were received on June 8, 2023, and were opened virtually in the presence of Administration and the Director Financial Services & Chief Financial Officer. The Tender results are summarized as follows:

Company Name/Tenderer	Total Tender Price (excluding HST)
Sterling Ridge Infrastructure Inc.	\$19,202,990.28 ¹
Kingdom Construction Ltd.	\$22,873,847.89 ¹

¹Denotes corrected totals

Mathematical errors were noted in both submitted tenders. These mathematical errors were identified and corrected by Dillon Consulting Ltd., with the respective updates reflected in the above table. The corrected Total Tender Prices did not change the original standing of the Tenderers. There were no other irregularities identified in the tenders received for this work. Dillon Consulting Ltd.'s June 14, 2023 Tender Review and Recommendation Letter is included as Attachment 1.

Administration, in consultation with Dillon Consulting Ltd., recommends that Council award the Tender for the Scully-St. Mark's Pump Station and Riverside Drive East Reconstruction Project in the amount of \$19,202,990.28, excluding HST, to Sterling Ridge Infrastructure Inc.

Consultations

Financial Services

Dillon Consulting Services

Financial Implications

Report [PWES-2023-01](#) provided an estimated project cost of \$23,335,000 with the total approved funding as follows:

Lifecycle Reserve Fund	Amount
Road Lifecycle Reserve	\$2,100,000
Watermain Reserve Fund	\$0
Wastewater Sewers Reserve Fund	\$635,000
Storm Sewer Lifecycle Reserve	\$20,600,000
Total	\$23,335,000

The tendered/projected costs are summarized below:

Cost Item	Amount
Construction (tender)	\$19,202,990 ²
Engineering	\$2,217,900
Indigenous Consultation	\$8,300
Legal Services	\$4,550

Cost Item	Amount
Approvals (MECP, ERCA)	\$5,400
Utility Locates	\$3,130
DMAF project signs	\$830
Budgetary Contingency	\$1,500,000
Sub-total	\$22,943,100
Non-rebated HST (1.76%)	\$403,800 ²
Total²	\$23,346,900

² Denotes rounded total

Notwithstanding the DMAF grant awarded, it is customary to request allocation for the full project cost in order to secure authorization to pay for the works upfront and seek reimbursement from the funding agency afterwards. Accordingly, based on the distribution of costs within the tender, reserve funding is to be adjusted as detailed in the following table:

Lifecycle/Reserve Fund	Project Budget	Tendered / Projected Costs	Change
Road Lifecycle Reserve	\$2,100,000	\$2,626,700	\$526,700
Watermain Reserve Fund	\$0	\$410,600	\$410,600
Wastewater Sewers Reserve Fund	\$635,000	\$1,180,900	\$545,900
Storm Sewer Lifecycle Reserve	\$20,600,000	\$19,128,700	(\$1,471,300)
Totals	\$23,335,000	\$23,346,900	\$11,900

As previously stated, the Town received federal funding from the 2020 DMAF Intake for the Town's bundled Climate Change and Flooding Resiliency Project which included the Scully-St. Mark's storm pump station project. Based on the 2020 project estimates, the anticipated contributions for DMAF and the Town were as follows:

DMAF Project Phase	2020 Project Estimate	DMAF (40%)	Town (60%)
Scully St. Mark's Pump Station	\$17,050,000	\$6,820,000	\$10,230,000
P.J. Cecile Pump Station	\$9,700,000	\$3,880,000	\$5,820,000
Totals	\$26,750,000	\$10,700,000	\$16,050,000

As described in the above sections of this report, the current tendered/projected cost for the Scully-St. Mark's Pump Station and Riverside Drive East Reconstruction Project is \$23,346,900 which is \$6,296,900 higher than the original 2019 DMAF estimate.

In anticipation of high tender costs, Administration previously reached out to DMAF Staff to discuss the potential for additional project funding to account for current inflation and related market trends. In response, Administration was advised that the DMAF program will not be offering additional funding for previously approved projects. It is Administration's further understanding that a time extension for the completion of the project may be requested from DMAF, however, in order to satisfy the funding requirements, DMAF requires the entire approved project to be completed (i.e. both the Scully St. Mark's Pump Station and the P.J. Cecile Pump Station).

Administration initially contemplated borrowing up to \$15M towards the DMAF project (both phases), which at the time represented all but \$1M of the Town's share of the total projected costs. Consideration of up to \$15M in long-term debt at that time was based on two factors: Stormwater Lifecycle Reserve balance essentially at \$0 and very favourable borrowing rates. \$1M was to be funded from the Town's Infrastructure Reserve.

Since that time, the Stormwater Lifecycle Reserve has improved marginally, however borrowing rates and estimated project costs have increased significantly.

The Roads Lifecycle Reserve, Watermain Reserve Fund and Wastewater Sewers Reserve Fund have sufficient funding to support their respective tendered costs and as such, consideration of borrowing for all or a portion of these amounts is no longer advantageous.

Administration recommends the borrowing of up to \$10M towards Phase 1 costs in support of the \$19.13M Stormwater costs. Administration further recommends the use of \$2M in accumulated OCIF grant funds towards Phase 1. With DMAF funds of \$6.82M towards Phase 1 anticipated and \$1M to be funded from the Town's Infrastructure Reserve, borrowing should be approximately \$9.4M.

Further borrowing will be required to complete Phase 2 of this project, likely in the range of an additional \$5-\$7M. This is based on updated Phase 2 (PJ Cecile) project cost of \$11.6M and remaining DMAF funding of \$3.88M. An extension to the timing of Phase 2 may be beneficial and will be considered.

The Town's current debt servicing cost as a percentage of total revenues is 3.5%. The Town's Financial Management Policy, policy number 102, does not specify a limit to borrowing other than reference to the provincial limit of 25%, however in practice the Town has generally limited current debt servicing cost to less than 10% of total revenues. The province considers current debt servicing costs of 5%-10% as Moderate Risk, whereas less than 5% is considered Low Risk. Greater than 10% is considered High Risk.

The Town's estimated debt servicing cost, assuming the need for up to \$15M in new long-term debt over the course of the next few years, will exceed the 10% threshold in 2024, peak at 12.6% in 2025, remain above 10% up to 2031 and will influence future potential corporate borrowing.

Annual repayment amount of approximately \$400,000 to start, will grow to \$1.2M and will be funded from the Stormwater Lifecycle Reserve, which has a current annual budget allocation of \$1.35M. The target annual budget allocation for this reserve is \$2M and future annual budget increases will be necessary to work towards that target to satisfy future capital programs and debt servicing costs.

The Town's series of Roads and Bridges long-term debt will begin to expire in 2026 with the last to expire in 2033, which will free up some corporate debt capacity and provide some budgetary relief.

Link to Strategic Priorities

Applicable	2019-22 Strategic Priorities
<input type="checkbox"/>	Make the Town of Tecumseh an even better place to live, work and invest through a shared vision for our residents and newcomers.
<input checked="" type="checkbox"/>	Ensure that Tecumseh's current and future growth is built upon the principles of sustainability and strategic decision-making.
<input type="checkbox"/>	Integrate the principles of health and wellness into all of Tecumseh's plans and priorities.
<input checked="" type="checkbox"/>	Steward the Town's "continuous improvement" approach to municipal service delivery to residents and businesses.
<input type="checkbox"/>	Demonstrate the Town's leadership role in the community by promoting good governance and community engagement, by bringing together organizations serving the Town and the region to pursue common goals.

Communications

Not applicable

Website

Social Media

News Release

Local Newspaper

This report has been reviewed by Senior Administration as indicated below and recommended for submission by the Chief Administrative Officer.

Prepared by:

Cheryl Curran, BES
Project Technician

Reviewed by:

John Henderson, P.Eng.
Manager Engineering Services

Reviewed by:

Tom Kitsos, CPA, CMA, BComm
Director Financial Services & Chief Financial Officer

Reviewed by:

Phil Bartnik, P.Eng.
Director Public Works & Engineering Services

Recommended by:

Margaret Misek-Evans, MCIP, RPP
Chief Administrative Officer

Attachment Number	Attachment Name
1	Tender Review and Recommendation Letter