

Project Term Sheet

This Project Term Sheet sets out information regarding:

- Details on the “**Nutrient Removal Facilities Project**”, or “**Project**” at the “**North End Sewage Treatment Plant (NEWPCC)**” or “**NEWPCC**”
- Step 2 of the RFP (to be issued as RFP No. 925-2024B);
- the draft development phase agreement (“**Development Phase Agreement**” or “**DPA**”) that covers the work associated with the development phase (the “**Development Phase**”) of the Project and will be appended to Step 2 of the RFP; and
- the draft project agreement (“**Project Agreement**” or “**PA**”) that covers the work associated with the implementation phase (the “**Implementation Phase**”) of the Project and will be appended to the draft DPA.

This Project Term Sheet is provided to Proponents for information purposes only and constitutes the terms that the City currently anticipates being included in Step 2 of the RFP, the draft DPA and draft PA, which may be subject to change. This Project Term Sheet is not binding on the City in respect of any future Request for Proposals, Development Phase Agreements or Project Agreements.

	<u>Item</u>	<u>Details</u>
Overview		
1.	Procurement Model	The Project will be delivered using a progressive design-build model.
2.	Summary of Step 2 of RFP Process	After shortlisting a maximum of three (3) Proponents from Step 1 of the RFP Process, the City will conduct Step 2 of the RFP Process with the Shortlisted Proponents. The Step 2 Process will have at least two (2) Commercially Confidential Meetings to discuss the terms of the DPA and will culminate with the submission of a technical qualification and price proposal. The Shortlisted Proponent with the highest score in Step 2 of the RFP process will become the Preferred Proponent.
3.	Summary of Development Phase	At the conclusion of Step 2 of the RFP Process, the City and the Preferred Proponent (the “ Development Partner ”) will execute the DPA. The Development Partner will work collaboratively with the City to advance the design of the Project to the design level specified in the DPA and finalize the terms of the PA. The Development Phase activities will be delivered on an open-book basis, where the City will

	<u>Item</u>	<u>Details</u>
		<p>reimburse the Development Partner's actual eligible costs incurred, plus overhead and profit fees.</p> <p>At the conclusion of the Development Phase, the Development Partner will provide a fixed price for the Implementation Phase. If the fixed price is agreed to by the City, the City and Development Partner, now the design builder (the "Design Builder"), will execute the PA.</p>
4.	Timelines	<p>The following are estimated timelines for the Project:</p> <ul style="list-style-type: none">• RFP Step 2 Issuance: Q1 2026• Award of DPA: Q4 2026• Implementation Phase Substantial Completion date: Q4 2032• Implementation Phase Final Completion date: Q2 2033
5.	Funding and Budget	<p>In 2024, the total cost for the Project was estimated at \$1.491 billion. The budget for the Development Phase (by the Development Partner) and the Implementation Phase (by the Design Builder) is currently estimated at \$1.0–1.1 billion, inclusive of corporate overhead, profit, and risk & contingency. At present, \$28,894,000 has been approved within the City's Capital Budget. The remaining funding requirements are in progress and are expected to be met through a combination of debt financing, sewer rates, external funding, or other sources. The City confirms that the full project funding plan is under development and may be subject to a community benefits agreement such as a project labour agreement or Manitoba jobs agreement. The plan will be finalized and communicated by notice prior to the issuance of Step 2 of the RFP.</p>
6.	Related Work by City prior to Implementation Phase	<p>The City will complete work related to the Project that will mitigate risks and reduce the potential for delays to the Project. These works are anticipated to include:</p> <p><u>CPKC Crossings</u>: Underground pipeline crossings are required to connect NEWPCC facilities in Parcel A and Parcel B. The design of, required permitting for, and</p>

	<u>Item</u>	<u>Details</u>
		<p>construction of these crossings is anticipated to be completed prior to the execution of the PA.</p> <p><u>Contaminated Soil</u>: Investigations to delineate and remove contaminated soil on Parcel A and Parcel B is anticipated to be completed prior to execution of the PA.</p> <p><u>Heritage Resource Impact Assessment</u>: Investigations to understand the potential of historical artifact finds, and pre-discussions with Manitoba on processes needed for chance finds encounters.</p> <p><u>Existing Infrastructure Assessments</u>: Investigations for existing infrastructure anticipated to be reused in the NRF Upgrade are anticipated to be completed prior to execution of the DPA.</p> <p><u>Laydown Site Preparation</u>: Extension of Highland Avenue and access to the west side of NEWPCC Parcel A from the north for construction access is anticipated to be completed prior to execution of the PA.</p> <p><u>CPKC Construction Crossing</u>: Application and construction of a temporary construction crossing of the CPKC to connect NEWPCC Parcel A and Parcel B is anticipated to be completed prior to execution of the PA. This crossing agreement would be held by the City and used by all ongoing construction projects.</p>
7.	Tri-Party Agreements	<p>During the Development Phase, the City and Development Partner will jointly engage a third-party to provide an independent peer review of the cost estimate for the Implementation Phase (Item 18).</p> <p>During the Implementation Phase, the City and Design Builder will jointly engage:</p> <ul style="list-style-type: none">• an Independent Certifier for payment certification services; and• a Referee for dispute resolution services.

Proposal Submission for Step 2 of RFP		
8.	Evaluation of Step 2	<p>The Step 2 evaluation will consist of the following, with the respective weightings in the overall evaluation noted below:</p> <ul style="list-style-type: none">• Technical Submission – 65%<ul style="list-style-type: none">○ Consisting of:<ul style="list-style-type: none">▪ Key Individual Qualifications and Experience (including social procurement Key Individuals), and▪ Project Management Methodology (including team organization and social procurement methodologies).▪ For clarity, there is no design evaluation as part of Step 2.• Price Proposal – 15%<ul style="list-style-type: none">○ See Items 10 and 11 below for further details.• Interview – 20%
9.	Social Procurement	Step 2 of the RFP (Proposal Submission) will have additional social procurement requirements that will require a minimum passing threshold. The social procurement score will also count towards the overall scoring of the Proposal Submission.
10.	Price Proposal	The Price Proposal for RFP Step 2 will consist of: <ul style="list-style-type: none">• Rates for corporate overhead and profit (expressed as a percentage of reimbursable eligible costs) for the Development Phase; and• Rates for corporate overhead and profit (expressed as a percentage of actual implementation costs incurred) for the Implementation Phase.
11.	Eligible Costs	For the Development Phase, eligible costs will represent costs reasonably and actually incurred by the Development

		<p>Partner in connection with the scope of work in the Development Phase, aligned with market precedent, such as:</p> <ul style="list-style-type: none">• Project team payroll;• Financial costs (e.g. letter of credit);• Insurance premiums for Project related insurance;• Corporate office's staff (principally engaged in the Project, e.g. 50% or greater)• Project-specific recruitment costs;• Project-specific training costs;• Labour only subcontracts;• Project offices (rent, operations, repair, maintenance);• Essential supplies;• Hardware/software; and• Security, phones, etc. <p>The corporate overhead costs will cover costs such as corporate office overheads, non-Project specific staff costs (i.e. not principally engaged on the Project), travel, accommodations and subsistence costs for site personnel and designated design team staff (beyond amount included in eligible costs), etc.</p> <p>Detailed tables of eligible costs and corporate overheads will be provided in the draft Development Phase Agreement in Step 2 of the RFP.</p>
12.	Proposal Submission Fee	The City will offer a lump-sum Proposal Submission Fee in the amount of \$150,000 plus applicable taxes, which will be paid to unsuccessful Proponents who actively participate in the RFP Process and who submit a full and proper Step 2 Submission that meets any minimum scoring thresholds set out in the RFP.
13.	Break Payment	The City will offer a lump-sum Break Payment up to the amount of \$150,000 plus applicable taxes to each Shortlisted Proponent in the event that the procurement process is terminated by the City, with the amount dependent on the point in the Step 2 Process that cancellation occurs, in accordance with the principles set out in the RFP Data Sheet. Proponents will not be eligible for payment of both the Proposal Submission Fee and the Break Payment.

Development Phase Scope		
14.	Scope of Work	<p>The scope of work for the Development Phase will include:</p> <ul style="list-style-type: none">• Development of Management Plans for both the Development Phase and Implementation Phase• Business case evaluations to select process treatment technologies to be used in the Nutrient Removal Facilities, including biological nutrient removal, pump selection, WAS thickening, and blowers.• Design of the Nutrient Removal Facilities with major submittals of the Preliminary (approx. 30%) and Intermediate (approx. 60%) design levels, including design reports, engineering drawings and construction specifications• HIRA, HAZOP and Asset Criticality reviews• Special studies and models for the design• Additional site investigations as required• Development of Risk Register• Implementation Phase schedule development• Implementation Phase open-book cost estimates, including risk and contingency amounts• Development of the PA for execution for the Implementation Phase, including the agreed to fixed price for the Implementation Phase• Stage Gates at major decision points
15.	Collaborative Working Groups	<p>Collaboration between the City and Development Partner throughout the Development Phase is a key feature of this Project. The City and Development Partner will participate in several collaborative working groups during the Development Phase as the project progresses. Working group topics could include:</p>

		<ul style="list-style-type: none">• Review of the Enhanced Preliminary Design• Technical design topics such as:<ul style="list-style-type: none">◦ Nutrient removal treatment technology selection◦ Mass and energy balance◦ Pumping◦ Blowers◦ WAS thickening◦ Site power• Risk management, including pricing of risk• Cost modeling and estimates• Value engineering• Constructability• Construction schedule, sequencing, and tie-ins• Commissioning planning• O&M topics• Implementation Phase pricing• Social procurement
16.	Site Investigations	<p><u>Subsurface Investigations</u>: The City has carried out additional geotechnical and hydrogeological investigations. The reports from these investigations will be provided as part of the background information to the DPA.</p> <p><u>Environmental Investigations</u>: Soil samples from subsurface investigations have been tested for contamination. The reports from these investigations will be provided as background information to the DPA.</p> <p><u>Archeological Investigations</u>: A Heritage Resource Impact Assessment(s) has been carried out on the site. These reports will be provided as background information to the DPA.</p> <p><u>Subsurface Investigations during Development Phase</u>: The Development Partner will be allowed to conduct and coordinate additional subsurface investigations during the Development Phase as necessary to complete its design.</p> <p><u>Condition Assessments during Development Phase</u>: The Development Partner will be allowed to conduct and coordinate additional condition assessments on existing</p>

		infrastructure during the Development Phase as necessary to complete its design.
17.	Risk Register	The City and Development Partner will collaboratively develop the Risk Register throughout the Development Phase and will identify and develop strategies for the effective management of project risks, seeking to assign risk appropriately to the Party best able to manage the risk.
18.	Cost Estimating	The Development Partner will provide the City with open-book cost estimates at regular intervals during the Development Phase (using the overhead and profit rates from the Step 2 Price Proposal), and for the final Implementation Phase Proposal. The open-book cost estimates will include risk and contingency amounts.
19.	Design Level	The Development Partner will advance the design of the Project to at least the 60% design level for all design elements prior to providing their Implementation Phase Proposal.
20.	Proposal for Implementation Phase	At the end of the Development Phase, once the design has been advanced and accepted by the City, the Development Partner will provide the City with a proposal for the Implementation Phase. The proposal will include a fixed price to complete the design, construct the Project, provide all required training and commissioning, a specified completion date, and an acceptance of the terms of the PA.
21.	Termination of DPA	Consistent with market precedent in Canada, in the event the Development Partner and City cannot agree on a fixed price, construction schedule or terms and conditions of the PA, either party will have the right to terminate the DPA. In the event this termination is invoked, the City will have the right to enter a separate contract with the design team to complete the design of the Nutrient Removal Facility. The City's expectation is that if the DPA is terminated prior to execution of the PA, the Development Partner, or a subcontractor of the Development Partner responsible for design work, would remain liable for the City's reasonable use of all deliverables produced during the Development Phase in accordance with good industry practice. The Development Phase deliverables may not be complete nor finalized, may not be fully detailed and may not be ready for construction, and the City's "reasonable use" of any of Development Phase deliverables will be interpreted accordingly.

		<p>The City is open to discussions with Proponents during Step 2 regarding potential alternatives to a right to assignment of the design subcontract(s) upon early termination of the Development Phase Agreement provided that any alternative is consistent with the City's right to maintain the ability to have reasonable use of deliverables produced during the Development Phase and ensures the City receives value for money in relation to the Development Phase.</p>
Commercial Terms for Development Phase		
22.	Payments	<p>The Development Partner will be paid monthly based on a cost expenditure plan for the eligible costs anticipated to be incurred by the Development Partner, which shall be reconciled based on actual eligible costs incurred for the month in a subsequent payment.</p>
23.	Insurance	<p>During the Development Phase, the Development Partner will be required to obtain and maintain the following evidence of insurance:</p> <ul style="list-style-type: none">• Commercial general liability insurance• Professional liability insurance• Automobile liability insurance• Property insurance for equipment and tools• Evidence of worker's compensation coverage <p>Ensure that any and all subcontractors provide comparable evidence of insurance to that as listed above.</p>
Technical Requirements for Implementation Phase		
24.	Baseline Site Conditions	<p>At the beginning of the Development Phase, the City will have baseline site conditions, that will be based on background information including the various investigations described in Item 6 and 16. Working collaboratively through the Development Phase, including agreeing on additional site investigations, the City and Development Partner will agree on the risk allocation for the site conditions that will apply to the Implementation Phase. For geotechnical conditions, the City and Development Partner will collaboratively agree to what geotechnical data may be relied upon in a Geotechnical Baseline Report.</p>
25.	Process Performance Guarantees	<p>Process performance guarantees will not be required. Design Builder will be responsible for performance testing prior to meeting Substantial Completion. The Design Builder</p>

		shall demonstrate that the secondary effluent meets the City's effluent requirements over a ninety (90) day period, subject to specific influent criteria established by the City.
26.	Commissioning	<p><u>Commissioning Planning:</u> During the Development Phase, the City and Development Partner will engage in collaborative workshops to develop the scope, assign resources, and determine risk allocation for Commissioning. A Commissioning Lead for the Development Partner will be proposed in their Step 2 submission.</p> <p>During Commissioning in the Implementation Phase, the City will provide licenced operations staff and Design Builder will bring experienced process commissioning resources to form a team under the supervision of the Commissioning Lead.</p> <p>The scope of the Commissioning is expected to be:</p> <ul style="list-style-type: none">• demonstrating correct installation (Equipment Checkout);• electrical load testing and testing equipment with clean water (Functional Testing);• testing systems with the process flows (System Operational Testing); and• a full test of the entire facility (Performance Testing). <p>Successful completion of Commissioning will be a condition of the achievement of Substantial Completion.</p>
27.	Existing NEWPCC Site	<p>The Project will occur on a brownfield site, with allocated greenspace for new facilities on Parcel A and B. Interface between the Project and existing NEWPCC operations and the Biosolids Facilities Project will be required.</p> <p>Connections to upstream and downstream processes will be needed, as well as possible retrofits of existing spaces.</p>
28.	Warranty Period	The City will require a 2 year Warranty on all work that will commence on Substantial Completion, subject to customary exclusions.
29.	Permits	<p>Design Builder will be required to obtain the standard permits relating to the design and construction of the Project. The City will obtain any permits relating to work in Item 6 (e.g. permits for the CPKC crossings).</p> <p>The City will be responsible for updating the Provincial Environmental Act License.</p>

30.	Permanent Utilities	<p>Design Builder will coordinate with the City for telecommunication connection.</p> <p>If needed, Design Builder will be responsible for natural gas extension on the NEWPCC property, with coordination directly with Manitoba Hydro.</p> <p>Electrical supply will be through upgrading existing servicing at NEWPCC and connected on-site by Design Builder.</p>
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Commercial Terms for Implementation Phase

31.	Payments	<p>Payments to Design Builder will be made monthly based on progress of work properly performed. The monthly Progress Payments will be certified by an Independent Certifier.</p> <p>Progress Payments will have an advance payment for long-lead procurement items.</p>
32.	Insurance	<p>During the Implementation Phase, in addition to the requirements listed in Item 23, the Design Builder will be required to obtain and maintain the following evidence of insurance:</p> <ul style="list-style-type: none"> • Project specific professional liability insurance • Project specific contractor's pollution liability insurance <p>The City, during the Implementation Phase, will provide and maintain the following evidence of insurance:</p> <ul style="list-style-type: none"> • Wrap up liability insurance • Builders risk insurance • Property insurance and equipment breakdown insurance on the existing infrastructure
33.	Contract Security	<p>Contract Security will be required from Design Builder as follows:</p> <p><u>Performance Bond</u>: 50% of Contract Price</p> <p><u>Labour and Material Payment Bond</u>: 50% of Contract Price</p> <p><u>Legislated Holdback</u>: 7.5% based on <i>The Builders' Liens Act</i>.</p> <p><u>Warranty Letter of Credit</u>: \$7.5 million, submitted as a condition of Substantial Completion.</p>
34.	Limits of Liability	<p>The PA will limit liability of both the City and the Design Builder, subject to customary exclusions. Consistent with market precedent and previous City major projects, neither the City nor the Design Builder will be liable to the other for</p>

		indirect losses (including consequential losses). The City and the Development Partner will negotiate the quantum of the limitations on liability as part of the negotiation of the terms and conditions of the final PA during the Development Phase.
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