



## STAFF REPORT INFORMATION ONLY

### Report on Over Expenditure to Contract 47011275 - Toronto Water Contract 06TE-301WS Tender Call 235-2005

<b>Date:</b>	March 5, 2007
<b>To:</b>	Public Works and Infrastructure Committee
<b>From:</b>	General Manager, Toronto Water Director, Purchasing & Materials Management
<b>Wards:</b>	All Wards in Toronto / East York District
<b>Reference Number:</b>	P:\2007\Internal Services\pmmd\pw07007pmmd (AFS #3905)

#### SUMMARY

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The purpose of this report is to advise on the over expenditures under Contract 47011275 for the Installation of Water and Sewer Service Connections in Toronto / East York District, and how future contracts will be managed to avoid such over expenditures.

#### FINANCIAL IMPACT

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A summary of the contract over expenditure of \$1,914,607.21 (net of GST), representing 59% of the original value, is set out in the table below.

Contract Number	Original Contract Amount	Total Spent to December 31, 2006	Variance
47011275	3,250,519.00	5,165,126.21	1,914,607.21

All work under this contract has now been completed and all invoices and payments processed. There was sufficient funding available in the 2006 Approved Capital and Operating Budgets at the project and cost centre levels to cover the contract over expenditure. The above over expenditure will not impact the 2007 Approved Capital and Operating Budgets.

## **ISSUE BACKGROUND**

Toronto Water issues contracts to install water and sewer service connections for builders, homeowners and developers as the need arises to supplement development in Toronto. Toronto Water contract 06TE-301WS - Tender Call 235-2005, was issued to Rabcon Contractors to cover the period January 1, 2006 to December 31, 2006 in the amount of \$3,250,519.00 net of GST.

As a result of the increased number of water and sewer service applications and installations, carried out by contract services during the duration of the contract, an over expenditure of \$1,914,607.21 net of GST resulted, representing 59% of the original contract value.

All costs associated with the installation of the new service connections are covered in the 2006 Operating Budget. In addition, Toronto Water charges fees to recover the cost of installation, and as such, the operating expenditures are offset by revenues collected for this work.

## **COMMENTS**

The over expenditure under this contract resulted from underestimating the number of service connections that were installed for new homes, industrial, commercial and institutional building in the Toronto East York community. Prior year estimates were used to establish the 2006 estimate but the actual quantity of service installations is dependant on development demands which are difficult to project over a year by year basis. In addition, complex servicing projects may drive the total price of the contract over estimated levels.

A contract was issued by the Division and awarded on December 22, 2006 to cover the period January 1, 2007 to March 31, 2008. In order to improve on contract management, the new contract includes more realistic estimates of anticipated work as the actual work undertaken under this contract was analyzed for establishing proper estimates for the 2007 contract. Further, Toronto Water will in future continue to monitor the expenditure

of contracts and will issue new contracts in advance of exceeding the contract value regardless of the duration of the contract.

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## **SIGNATURE**

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