



STAFF REPORT INFORMATION ONLY

Report on Over Expenditure to Contract 47011438 - Toronto Water Contract 06TEEY-305WS Tender Call 249-2005

Date:	March 7, 2007
To:	Public Works and Infrastructure Committee
From:	General Manager, Toronto Water Director, Purchasing & Materials Management
Wards:	All Wards in Toronto / East York and Etobicoke / York Districts
Reference Number:	P:\2007\Internal Services\pmmd\pw07005pmmd (AFS #3904)

SUMMARY

The purpose of this report is to advise on the over expenditures under Contract 47011438 for the Emergency Repairs of Water and Sewer Services and Mains in Toronto / East York and Etobicoke / York Districts, and how future contracts will be managed to avoid such over expenditures.

FINANCIAL IMPACT

A summary of the contract over expenditure of \$3,237,312.76 (net of GST), representing 158% of the original value, is set out in the table below.

Contract Number	Original Contract Amount	Total Spent to December 31, 2006	Variance
47011438	2,050,720.00	5,288,032.76	3,237,312.76

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 over-expenditure will not impact the 2007 Approved Capital and Operating Budgets.

ISSUE BACKGROUND

Toronto Water issues contracts to provide emergency services for repairs to collapsed drains, leaking water services, collapsed main sewers and leaking or broken water mains as the need arises to supplement operational needs in the Toronto / East York and Etobicoke / York communities. Contract 06TEEY-305WS - Tender Call 249-2005, was issued to OJCR Construction Ltd. to cover the period January 1, 2006 to November 30, 2006 in the amount of \$2,050,720.00 net of GST.

As a result of the increased number of emergency repairs carried out by contract services during the duration of the contract, an over expenditure of \$3,237,312.76 resulted, representing 158% of the original contract value.

All costs associated with these repairs are covered in the 2006 Operating Budget. Funds associated with leaking water service upgrades under the Water Service Repair and Drain Replacement Sewer Rehabilitation Programs are also included in the 2006 Capital Budget.

COMMENTS

The over expenditure under this contract for the emergency repairs to water and sewer infrastructure resulted from underestimating the needs of the operating unit in 2006. Prior year emergency repairs were imbedded in contracts providing water and sewer servicing installations for homeowners, developers and builders requiring servicing for newly constructed buildings. In 2006 Toronto Water separated the type of work in the contracts and issued separate contracts to provide emergency services on their own to the various areas within the operations. In order to issue these contracts prior year estimates were used by Toronto Water staff in determining the estimated quantities of work to be undertaken; however, as this work was imbedded with the new servicing work, the estimates produced by staff fell short of actual work undertaken.

New contracts were issued by the Division and awarded on November 29, 2006 to cover the period December 1, 2006 to December 31, 2007. In order to improve on contract management, the new contracts include more realistic estimates of anticipated work as the actual work undertaken under this contract was analyzed for establishing proper estimates for 2007. Following award, the contracts were executed and work on the new contracts began on December 18, 2006. As a result, the total value of work undertaken throughout the duration of the original contract January 1, 2006 to November 30, 2006 resulted in an over expenditure of \$3,049,475.32, with an additional expenditure of \$187,837.44 covering the period December 1, 2006 to December 18, 2006.

Toronto Water will 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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