



STAFF REPORT INFORMATION ONLY

Report on Over Expenditure to Contract 47011436 - Toronto Water Contract 06NYSC-306WS Tender Call 250-2005

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| Date: | March 7, 2007 |
| To: | Public Works and Infrastructure Committee |
| From: | General Manager, Toronto Water Director, Purchasing & Materials Management |
| Wards: | All Wards in North York and Scarborough Districts |
| Reference Number: | P:\2007\Internal Services\pmmd\pw07006pmmd (AFS #3892) |

SUMMARY

The purpose of this report is to advise on the over expenditures under Contract 47011436 for the Emergency Repairs of Water and Sewer Services and Mains in North York and Scarborough Districts, and how future contracts will be managed to avoid such over expenditures.

FINANCIAL IMPACT

A summary of the contract over expenditure of \$1,084,849.2 (net of GST), representing 112% of the original value, is set out in the table below.

| Contract Number | Original Contract Amount | Total Spent to December 31, 2006 | Variance |
|-----------------|--------------------------|----------------------------------|--------------|
| 47011436 | 964,825.15 | 2,049,674.57 | 1,084,849.42 |

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 North York and Scarborough communities. Contract 06NYSC-305WS - Tender Call 250-2005, was issued to OJCR Construction Ltd. to cover the period January 1, 2006 to November 30, 2006 in the amount of \$964,825.15 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 \$1,084,849.42 resulted representing 112% 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 Program 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. All work under this contract has now been completed and all invoices and payments processed.

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 \$912,892.21, with an additional expenditure of \$171,957.21 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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