



STAFF REPORT INFORMATION ONLY

Report on Over Expenditure to Purchase Order 6020052 Toronto Water Contract 06TE-326WS Tender Call 122-2006

Date:	August 17, 2007
To:	Public Works and Infrastructure Committee
From:	General Manager, Toronto Water Director, Purchasing & Materials Management
Wards:	All Wards in Toronto East York District
Reference Number:	P:\2007\Internal Services\pmmd\pw07030pmmd

SUMMARY

The purpose of this report is to advise on the over expenditures against Purchase Order 6020052 issued against Contract 06TE-326WS - Tender Call 122-2006 for the Replacement of Water Service Connections in Toronto - East York District.

FINANCIAL IMPACT

A summary of the contract over expenditure of \$533,920.77 (net of GST), representing 36% of the original value is set out in the table below.

Contract Number	Original Contract Amount	Total Spent	Variance
6020052	\$1,493,905.00	\$2,027,825.77	\$533,920.77

All work under this contract has now been completed and all invoices and payments, up to the contract value have been processed. The over expenditure reflected in the variance amount has not yet been released and therefore final payment to the contractor has not been made. There is sufficient funding available in the 2007 Approved Capital Works Account CPW544-01 to cover the contract over expenditure.

ISSUE BACKGROUND

Under the City of Toronto Water Service Connection Replacement Policy, the City would replace at no cost to the homeowner, substandard water service connections within the road allowance which were defined as non copper material (lead or galvanized iron) and water service connections which transmitted a flow of less than 18 litres per minute, measured at the water meter, with a new water service connection in accordance with current water service connection standards for size and materials (19mm copper pipe). The City has been replacing approximately 6,000 services annually under this policy.

As part of the implementation of this policy, Toronto Water issued contracts to replace substandard water service connections for homeowners, on an on demand basis. As a result of Contract Number 06TE-326WS - Tender Call 122-2006, a purchase order was awarded to Vipe Construction Ltd., having been the lowest bidder meeting specifications in the amount of \$1,493,905.00, net of GST.

In accordance with the policy, the property owner has the option to request a 25 mm water service connection in lieu of the standard 19mm connection. In order to receive this upgrade the property owner must satisfy the requirements of the policy and obtain approval for the upgraded size from Toronto Water staff before installation is carried out. Toronto Water received more requests of this nature than anticipated, and as a result, the number of 25 mm diameter water services installed under this contract exceeded the estimate.

As a result of the increased number of homeowners requesting larger diameter services (upgrade to 25mm in diameter) over the duration of the contract, an over expenditure of \$533,920.77 net of GST resulted, representing 36% of the original contract value.

COMMENTS

The over expenditure under this contract, resulted from an increase of requests made by property owners for larger diameter water services (25mm services) covered as an option under the Water Service Repair Policy.

Estimates from previous years were employed to establish the 2006 estimate. However, the actual quantity of service installations is dependant on individual requests from the homeowners. All work under this contract has now been completed. The amendment to the Purchase Order is required in order to make the final payment for work received under this contract.

In order to prevent this over expenditure in future, the 2007 contracts include an estimate anticipating homeowners requesting the upgraded or larger diameter service.

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SIGNATURE

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