



STAFF REPORT ACTION REQUIRED

Amendments to Contract 47017290, 47017308, 47017297 and 47017307 for Repairs of Water and Sewer Connections, Mains and Appurtenances in various Districts

Date:	May 28, 2014
To:	Public Works & Infrastructure Committee Budget Committee
From:	General Manager, Toronto Water Acting Director, Purchasing and Materials Management Division
Wards:	All Wards
Reference Number:	P:\2014\Cluster B\TW\pw14009

SUMMARY

The purpose of this report is to advise on the impact of the extreme cold weather during the 2014 Winter on Toronto Water Operations current contracts, and to seek authority to amend Contracts 47017290, 47017308, 47017297 and 47017307 for Repairs of Water and Sewer Connections, Mains and Appurtenances in various Districts to ensure business continuity to the end of 2014, as well as to seek authority to amend the approved 2014-2023 Capital Budget and Plan and 2014 Operating Budget for Toronto Water in order to allocate appropriate funding for requested contract amendments. It also reports on the cost impact of the volume increase to permanent restoration work to be carried out by Transportation Services in 2015/16.

RECOMMENDATIONS

The General Manager of Toronto Water and the Acting Director of Purchasing and Materials Management recommend that:

1. Public Works and Infrastructure Committee amend Contract 47017290 for Repairs of Water and Sewer Connections, Mains and Appurtenances Toronto East York District, Tender 254-2012, with OJCR Construction Ltd., by an additional amount of \$2,500,000.00 net of all taxes (\$2,544,000.00 net of HST recoveries) revising the

current value from \$11,786,948.43 to \$14,286,948.43 net of all taxes (\$14,538,398.72 net of HST recoveries), subject to approval of Recommendations 5 and 6 of this report.

2. Public Works and Infrastructure Committee amend Contract 47017308 for Repairs of Water and Sewer Connections, Mains and Appurtenances Etobicoke York District, Tender 255-2012, with OJCR Construction Ltd., by an additional amount of \$2,800,000.00 net of all taxes (\$2,849,280.00 net of HST recoveries) revising the current value from \$8,696,692.66 to \$11,496,692.66 net of all taxes (\$11,699,034.45 net of HST recoveries), subject to approval of Recommendations 5 and 6 of this report.
3. Public Works and Infrastructure Committee amend Contract 47017297 for Repairs of Water and Sewer Connections, Mains and Appurtenances North York District, Tender 256-2012, with Finch Paving (1993) Ltd., by an additional amount of \$900,000.00 net of all taxes (\$915,840.00 net of HST recoveries) revising the current value from \$7,083,696.28 to \$7,983,696.28 net of all taxes (\$8,124,209.34 net of HST recoveries), subject to approval of Recommendations 5 and 6 of this report.
4. Public Works and Infrastructure Committee amend Contract 47017307 for Repairs of Water and Sewer Connections, Mains and Appurtenances Scarborough District, Tender 257-2012, with 614128 Ontario Ltd. o/a Trisan Construction, by an additional amount of \$700,000.00 net of all taxes (\$712,320.00 net of HST recoveries) revising the current value from \$5,065,946.02 to \$5,765,946.02 net of all taxes (\$5,867,426.67 net of HST recoveries), subject to approval of Recommendations 5 and 6 of this report.
5. City Council amend the 2014 Capital Budget and 2015-2023 Capital Plan for Toronto Water by accelerating the 2015 approved cash flow for All District Water Service Replacement Project (CPW544-03) and Sewer Rehabilitation Project (CPW465-06) in the amount of \$1,550,000.00 and \$1,850,000.00 respectively, from 2015 to 2014, as outlined in Table 2 of this report, with no budget impact.
6. City Council amend the 2014 Operating Budget for Toronto Water by reallocating the 2014 approved funding for contribution to Toronto Water's Capital Financing Reserve Funds in the total amount of \$3,621,440.00 to the 2014 approved funding for contracted services as outlined in Table 2 of this report, with a \$0 net impact on the 2014 Approved Operating Budget.
7. City Council reverse the 2014 Operating Budget amendment in Recommendation 6, as part of the 2015 Operating Budget Process.
8. The General Manager, Toronto Water, include for consideration with the 2015 Operating and Capital Budget Process, any additional funding required in 2015 and future years resulting from the impact of the extreme cold weather during the 2014 winter.

Financial Impact

The four (4) contract amendment requests will increase the total contract values for all contracts combined by \$6,900,000.00 net of all taxes (\$7,021,440.00 net of HST Recoveries) as identified in the following table

Table 1 – Contract Values

	Contract 47017290	Contract 47017308	Contract 47017297	Contract 47017307	Total All Contracts
Tender Call	254-2012	255-2012	256-2012	257-2012	-
Vendor	OJCR Construction Ltd.	OJCR Construction Ltd.	Finch Paving (1993) Ltd.	614128 Ontario Ltd. o/a Trisan Construction	-
Award Value(s)	\$5,606,750.00	\$4,320,050.00	\$3,518,800.00	\$2,516,490.00	\$15,962,090.00
Amendments Yr 1.	\$500,000.00	\$0	\$0	\$0	\$500,000.00
Option Year 1 – 1.31% CPI increase	\$5,680,198.43	\$4,376,642.66	\$3,564,896.28	\$2,549,456.02	\$16,171,193.39
Total Current Value(s)	\$11,786,948.43	\$8,696,692.66	\$7,083,696.28	\$5,065,946.02	\$32,633,283.39
Requested Amendment	\$2,500,000.00	\$2,800,000.00	\$900,000.00	\$700,000.00	\$6,900,000.00
Revised Total Contract Value(s)	\$14,286,948.43	\$11,496,692.66	\$7,983,696.28	\$5,765,946.02	\$39,533,283.39

** All contract values net of HST.

The cost of the requested amendments to the City is \$7,021,440.00. The approved 2014-2023 Capital Budget and Plan and the approved 2014 Operating Budget for Toronto Water does not include any funding allocation for amendments of the above contracts, since amendments relate to additional, previously unanticipated repair work, resulting from the extreme cold weather during the winter of 2014.

It is recommended that additional funding requirements of \$7,021,440.00 be accommodated by accelerating the approved 2015 cash flow (\$3,400,000.00) from 2015 to 2014, and by reallocating the approved 2014 Operating Budget funding for contribution to Toronto Water's capital financing reserve funds (3,621,440.00) to the contracted service expenditures, with a zero budget impact.

The required budget adjustments are shown in Table 2 below. A detailed breakdown of funding requirements by contract is provided in Appendix 1.

Table 2 – Recommended Budget Adjustments

2014 Capital Budget and 2015-2023 Capital Plan Adjustments		
Project/Sub-Project Name	2014	2015
All District Water Service Replacement (CPW544-03)	\$1,550,000.00	-\$1,550,000.00
Sewer Rehabilitation (CWW465-06)	\$1,850,000.00	-\$1,850,000.00
Total Capital Budget and Plan	\$3,400,000.00	-\$3,400,000.00
2014 Operating Budget (and 2015 Outlook) Adjustments		
Cost Centre/Cost Element	2014	2015
TW8000 - 6030	-\$3,621,440.00	\$3,621,440.00
TW2025, TW2030, TW2035, TW2040 - 4424	\$3,621,440.00	-\$3,621,440.00
Total Operating Budget	\$0.00	\$0.00

In addition to the repairs, there will be a need for permanent restoration of approximately 1600 excavations resulting from those repairs. It is estimated that this represents an additional impact of approximately \$4,000,000.00 to be incurred over the next two to three years, starting in 2015. Any future funding requirements for the restoration of additional excavations, as well as any other work resulting from the extreme winter weather conditions experienced in 2014 will be included for consideration with the 2015 Operating and Capital Budget Process.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

On January 2, 2013, by authority of Bid Committee, Contracts 47017290, 47017308, 47017297 and 47017307 were awarded to three (3) vendors for the Repairs of Water and Sewer Connections, Mains and Appurtenances in each of the four districts. Each contract was issued to cover the period from January 1, 2013 to December 31, 2013, with one (1) additional option year, which the City exercised in January 2014. Contract unit rates for each contract were amended in 2014 by 1.31% reflecting the CPI increase year over year.

The following is the link to the Bid Committee approval:

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getMinutesReport&meetingId=7045>

ISSUE BACKGROUND

Toronto Water issued four (4) contracts to provide services for main sewer repairs/drain repair and replacement, broken water mains and leaking water services as the need arises to supplement operational needs across all four operational areas.

During the 2014 winter (January to March), Toronto Water experienced an unprecedented number of water main breaks; leaking and frozen water services, not seen in 20 years. The cold weather typically impacts the water distribution system. As an illustration Table 3 summarizes the actual completed number of repairs carried out by Toronto water for water main breaks; leaking water services and frozen water services.

Table 3 - Total Number of Repairs Completed by Toronto Water Staff and Contractors in the First Quarter by Year

Activity	Q1 – 2012	Q1 – 2013	Q1 - 2014
Water Main Break Repairs	342	672	1008
Water Service Leak Repairs/Replacements	376	415	1041
Frozen Water Service Repairs/Replacement	2	7	558
Total	720	1094	2607

Table 4 illustrates the breakout of the repairs carried out under the General Repair Contracts by Contractors (totals already included in Table 3).

Table 4 - Total Number of Repairs Completed by Contractors in the First Quarter by Year

Activity	Q1 – 2012	Q1 – 2013	Q1 - 2014
Water Main Break Repairs	3	18	69
Water Service Leak Repairs/Replacements	119	60	223
Frozen Water Service Repairs/Replacement	0	0	558
Total	122	78	850

The amendments requested in Table 2 represent the estimated funds required to carry the division through to the end of the current contracts, December 31, 2104, based on historic needs. The \$7,021,440.00 (net of HST Recoveries) represents an overall increase of 43% of the total contract value for 2014 of \$16,171,193.39 (net of all taxes).

In addition these repairs have generated an additional 1600 excavations that will require permanent restoration by the Transportation Services Division. It is estimated that this represents an additional impact of approximately \$4,000,000.00 to be incurred over the

next two to three years to the IDC – Transportation Services for the utility cut repairs. These costs will be included for consideration with the 2015 Operating and Capital Budget Process.

COMMENTS

The amendments requested in this report represent the estimated funds required to carry the division through to the end of the current contracts, December 31, 2014, based on historic needs. The amendments will ensure business continuity through to the end of 2014.

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ATTACHMENTS

Appendix 1: Funding Requirements by Contract