

Non-Competitive Contract with Sanscon Construction Ltd., for Construction Services for Watermain and Water Service Replacement on O'Connor Drive

Date: September 18, 2023

To: General Government Committee

From: Chief Engineer and Executive Director, Engineering and Construction Services and Chief Procurement Officer, Purchasing and Materials Management

Wards: 19 (Beaches-East York)

SUMMARY

The purpose of this report is to seek City Council authority to enter into a non-competitive contract with Sanscon Construction Ltd., for the replacement of the existing 300-millimetre cast iron watermain on O'Connor Drive between Sandra Road and Bermondsey Road in the estimated amount of \$5,500,000 net of all taxes and charges (\$5,596,800 net of Harmonized Sales Tax recoveries).

The total estimated cost of \$5,500,000 net of all taxes and charges (\$5,596,800 net of Harmonized Sales Tax recoveries) will be funded by Toronto Water. A non-competitive contract is necessary to enable an accelerated replacement of the existing watermain and water services on O'Connor Drive, given that the new green infrastructure under the current Contract 20ECS-LU-03FP is planned to be constructed directly above the existing watermain. This new green infrastructure could be damaged in the event of future watermain breaks and this damage likely would not be covered by the construction contract warranty.

City Council approval is required in accordance with Municipal Code Chapter 195-Purchasing, where the current request exceeds the Chief Purchasing Officer's authority of the cumulative five-year commitment for each Supplier, under Article 7, Section 195-7.3 (D) of the Purchasing By-law or exceeds the threshold of \$500,000 net of Harmonized Sales Tax allowed under staff authority as per the Toronto Municipal Code, Chapter 71-Financial Control, Section 71-11A.

RECOMMENDATIONS

The Chief Engineer and Executive Director, Engineering and Construction Services, and the Chief Procurement Officer, Purchasing and Materials Management, recommend that:

1. City Council grant authority to the Chief Engineer and Executive Director, to negotiate and enter into a non-competitive contract with Sanscon Construction Ltd., to replace the existing 300-millimetre watermain and related infrastructure on O'Connor Drive, between Sandra Road and Bermondsey Road, in the amount of \$5,500,000 net of all taxes and charges (\$5,596,800 net of Harmonized Sales Tax recoveries), on terms and conditions satisfactory to the Chief Engineer and Executive Director, Engineering and Construction Services, and in a form satisfactory to the City Solicitor.

FINANCIAL IMPACT

The total estimated cost for the new 300-millimetre watermain on O'Connor Drive between Sandra Road and Bermondsey Road, identified in this report is \$5,500,000 net of all taxes and charges (\$5,596,800 net of Harmonized Sales Tax recoveries).

Funding for the non-competitive contract is available in the 2023-2032 Approved Capital Budget and Plan for Toronto Water, as summarized in Table 1 below.

Table 1 - Financial Impact Summary of Contract

WBS Element	SAP Account Description	2023	Total (net harmonized sales tax recoveries)
CPW542-27-25	2022-2024 Watermain Replacement	\$5,596,800	\$5,596,800

The Interim Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

On September 28, 2022, by authority of the Bid Award Panel, Ariba Document Number 3426526826, Contract Number 20ECS-LU-03FP for construction of Sewer Improvements, Road Reconstruction and related Civic Improvements for Basement Flooding Protection Program Phase 4, Assignments 1-01A/02 on O'Connor Drive, Bermondsey Road and St. Clair Avenue, was awarded to Sanscon Construction Ltd., in the amount of \$14,703,817 net of all taxes and charges. Purchase Order Number 6053938 for construction services in the amount of \$14,703,817 net of all taxes and

charges was subsequently issued to Sanscon Construction Ltd. A copy of the Bid Award Panel Decision Document can be found at:

<https://www.toronto.ca/legdocs/mmis/2022/ba/bqrd/backgroundfile-229576.pdf>

COMMENTS

Since May 2000, the City has experienced multiple extreme storm events that has resulted in flooding of more than 14,000 homes, erosion in ravines and watercourses and damage to City infrastructure. Following the August 2005, extreme storm event, which exceeded the 100-year design storm intensity in areas north of Highway 401, Council established the Basement Flooding Protection Program. This program was initially focused on areas impacted during the May 2000 and August 2005 storms. The Basement Flooding Protection Program was extended citywide in 2013, to address the basement flooding impacts associated with the extreme storm event of July 8, 2013.

Construction of the Basement Flooding Protection Program Phase 4, Contract Number 20ECS-LU-03FP in Ward 19, began in November 2022, with an expected completion date of March 2024. Work on Contract 20ECS-LU-03FP includes storm sewer upgrades, major road reconstruction, traffic signals, layby parking and replacement of sidewalks on O'Connor Drive. The contract also includes installation of streetscape improvements, including low impact green infrastructure, such as raised planters and permeable paving with soil cells. As work progressed on O'Connor Drive, it was discovered during construction, that sections of the existing 300-millimetre cast iron watermain were in extremely poor condition. Many watermain breaks were occurring and multiple repair clamps were visible.

Ultimately, it was confirmed by Toronto Water that the section of watermain within the limits of Contract 20ECS-LU-03FP (approximately 1.2 kilometers on O'Connor Drive between Bermondsey Road to 150 meters south of Sandra Road) should be replaced now, to avoid damaging the green infrastructure being installed under Contract 20ECS-LU-03FP. The new watermain will be placed in the road, away from the east curb line on O'Connor Drive. Completing the watermain before installation of the green infrastructure and road reconstruction is completed will extend the service life of the road and result in cost saving due to reduced maintenance of the existing watermain.

City staff have examined options to achieve an accelerated watermain rehabilitation or replacement. These options included re-lining the watermain later, traditional competitive procurement and a non-competitive procurement.

Toronto Water determined the option to re-line the watermain later was not feasible due to the possibility of an interim break in the existing watermain that could damage newly installed infrastructure under Contract 20ECS-LU-03FP. The traditional competitive procurement process was not considered a realistic option due to the significant time required for a standard public tender process, which would cause additional delay to the road reconstruction on O'Connor Drive and reinstatement of permanent traffic signals, which have been adjusted temporarily for Contract 20ECS-LU-03FP. The delay would also impact community expectations for continuous delivery.

The traditional competitive procurement process would take between six (6) to eight (8) months to award the project, furthering a delay to the reinstatement of the permanent traffic signals and bus stop locations which would impact community expectations for continuous delivery of the current contract, 20ECS-LU-03FP. Additionally, delays to Contract 20ECS-LU-03FP will significantly delay the upcoming construction of Assignment 1-01C for road reconstruction and cycling improvements on St. Clair Avenue, which cannot commence until the completion of work on O'Connor Drive. Consequently, City staff are recommending a non-competitive procurement to expedite the delivery of the watermain replacement on O'Connor Drive, taking advantage of Sanscon Construction Ltd.'s existing construction contract work on O'Connor Drive in the same area. Sanscon Construction Ltd.'s performance on Contract 20ECS-LU-03FP has been good and they have been completing the scope of work in a timely fashion. Their current presence on-site means that they can start almost immediately, offering significant efficiencies.

Since the existing Contract 20ECS-LU-03FP does not include the scope or contingency for watermain replacement, the city's Purchasing and Material Management Division has advised Engineering and Construction Services that the existing contract cannot be amended by a Purchase Order Amendment authorized by a standing committee of Council. Engineering and Construction Services Staff are recommending authorization of this non-competitive procurement to award a new contract for this watermain replacement work on O'Connor Drive between Sandra Road and Bermondsey Road to Sanscon Construction Ltd.

In conclusion, the decision to select Sanscon Construction Ltd., for the O'Connor watermain replacement through a non-competitive procurement offers project continuity and efficient solution that will also save time, thereby minimising traffic delays and community impacts.

Subject to approval and subsequent award to Sanscon Construction Ltd., the O'Connor watermain replacement could proceed on the east side of the road, while the road reconstruction continues in the opposite west side lanes, resulting in considerable time savings. With a single general contractor in the area, both the road reconstruction and watermain replacement work can be readily coordinated with minimal risk and optimal resource sharing.

Considering the above, City staff requested Sanscon Construction Ltd., to provide a cost estimate on the following watermain replacement scope of work:

- Watermain replacement along O'Connor Drive from Bermondsey Road to 150 metres south of Sandra Road.
- Water services replacement along O'Connor Drive from Bermondsey Road to 150 metres south of Sandra Road.

The quote from Sanscon Construction Ltd., was received in the amount of \$4,853,050 and has been reviewed by the City's Engineering Consultant, who confirmed that the unit rates proposed by Sanscon Construction Ltd., are in line with current pricing for this type of work and lower than estimated by the City's engineering consultant.

However, Sanscon Construction Ltd., stated within their submission that some sub-contractor and site trailer costs were not yet accounted for in their total cost and would need to be included later. Therefore, Staff are requesting an additional contingency amount of \$646,950 to cover off the possible additional costs. The total request of \$5,500,000 net of all taxes and charges (\$5,596,800 net of Harmonized Sales Tax recoveries) is broken down as follows:

- Base Scope Cost of \$4,853,050 net of all taxes and charges (\$4,938,464 net of Harmonized Sales Tax recoveries), covering all labour, material and equipment.
- Contingency cost of \$646,950 net of all taxes and charges (\$658,336 net of Harmonized Sales Tax recoveries).

The cost estimate from Sanscon Construction Ltd., is deemed fair, reasonable and representative of the required work considering current market conditions. Toronto Water has reviewed the project scope and the cost estimate and have confirmed a funding commitment to proceed with this scope. A construction agreement between the City and Sanscon Construction Ltd., based on the City's standard form will be drafted setting out roles and responsibilities for the delivery of the watermain replacement on O'Connor Drive. The agreement will be executed following Committee approval of award of the work to Sanscon Construction Ltd.

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SIGNATURE

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