Minutes - Executive Policy Committee – May 17, 2006

Minute No. 416
Report - Standing Policy Committee on Infrastructure Renewal and Public Works – May 9, 2006

Item No. 1 Award of Contract for the Winnipeg Water Treatment Program - Water Treatment Plant Foundations and Concrete Structures File WS-7

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Infrastructure Renewal and Public Works and submits the following to Council:

1. That a contract for Bid Opportunity No. 583-2005 be awarded to PCL Constructors Canada Inc., the lowest evaluated responsive bidder meeting the specifications in the amount of $55,997,000.00, GST extra as applicable.

2. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Minutes - Executive Policy Committee – May 17, 2006

Report - Standing Policy Committee on Infrastructure Renewal and Public Works – May 9, 2006

DECISION MAKING HISTORY:

Moved by Councillor Clement,

That the recommendation of the Standing Policy Committee on Infrastructure Renewal and Public Works be concurred in and forwarded to Council.

Carried

STANDING COMMITTEE RECOMMENDATION:

On May 9, 2006, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the administrative recommendation and submitted the matter to the Executive Policy Committee and Council.

Further on May 9, 2006, the Standing Policy Committee on Infrastructure Renewal and Public Works received the administrative report, dated May 1, 2006 with respect to the Water Treatment Program Financial Status Report No. 7 for the period December 30, 2005 to March 30, 2006, as information.

STANDING COMMITTEE DECISION:

On February 7, 2006, the Standing Committee on Fiscal Issues concurred in the administrative recommendation contained in the report dated February 3, 2006 regarding the Water Treatment Program Financial Status Report No. 6 for the period from September 30, 2005 to December 30, 2005.

RE: AWARD OF CONTRACT FOR WINNIPEG WATER TREATMENT PROGRAM - WATER TREATMENT PLANT FOUNDATIONS AND CONCRETE STRUCTURES, BID OPPORTUNITY NO. 583-2005

FOR SUBMISSION TO: THE STANDING POLICY COMMITTEE ON INFRASTRUCTURE RENEWAL AND PUBLIC WORKS

ORIGINAL REPORT SIGNED BY: The Director of the Water and Waste Department

REPORT DATE: April 21, 2006

RECOMMENDATION(S):

That a contract for Bid Opportunity No. 583-2005 be awarded to PCL Constructors Canada Inc., the lowest evaluated responsive bidder meeting the specifications in the amount of $55,997,000.00, GST extra as applicable.

Report Summary

KEY ISSUES: With the continued escalation in prices for components of the project, it is anticipated that the overall cost of the Water Treatment Program will exceed funding currently authorized by Council.

IMPLICATIONS OF THE RECOMMENDATION(S):

General Implications

X	None
	For the organization overall and/or for other departments
	For the community and/or organizations external to the City of Winnipeg
	Involves a multi-year contract

Comment:

Policy Implications

X	No
	Yes - Comment(s)

Regulatory Implications

X	None
	Eliminates or reduces regulatory impact
	Proposes regulatory impact

Comment(s):

Environmental Implications

X	No
	Yes - Comment(s)

Human Resources Implications

X	No
	Yes - Comment(s)

Financial Implications

X	Within approved current and/or capital budget
	Current and/or capital budget adjustment required

Comment: Funds for this award are included in the approved Capital Budget. Additional funding for the Water Treatment Plant project will be required in the 2007 Capital budget.

REPORT

REASON:

The total bid amount exceeds $10,000,000.00, therefore the award must be approved by The Standing Policy Committee on Infrastructure Renewal and Public Works pursuant to the Materials Management Policy.

HISTORY:

Funding in the amount of $227,342,000.00 has been approved in the 1994 to 2006 Capital Budget to undertake the Water Treatment Program. The account distribution for this project is 443 181000 200751 2002432700.

DISCUSSION:

The work of this contract consists of the construction of a reinforced concrete water treatment plant structure including concrete tanks for the dissolved air flotation, ozonation, filtration and residuals management processes. Approximately 32,000 cubic metres of concrete will be required for this structure which will be very similar in size to the MTS Centre. Also, the work consists of the construction of a concrete conduit between the water treatment plant structure and the clearwell presently under construction as well as three aqueduct bridging structures.

The Bid Opportunity closed on March 31, 2006, with bids being received as follows:

PCL Constructors Canada Inc.	$55,997,000.00
Kenaiden Contracting Ltd.	$62,970,000.00
Bird Construction Company	$80,500,000.00

The total cost of the contract including the contract works and an allowance of 10.4% for Engineering, will be $61,820,688.00 which is within the budget funds provided.

The bid price in the amount of $55,997,000.00 is approximately 14.3 percent higher than the pre-bid estimate of $49,000,000.00. From the prospective bidder inquiries during the bid period, the current labour shortages and high volume of work available in the construction industry have adversely affected the bid prices. This construction market is projected to persist for the next 5 years or so, and cost escalation may occur on future components of the WTP. Accordingly, the Department and its consultants have undertaken value engineering analysis of this and upcoming bid packages and have conducted a review of the overall project schedule. An overall budget review is also underway. It is anticipated that the overall cost of the Water Treatment Program will exceed funding currently authorized by Council. A report will be submitted to the Standing Committee on Fiscal Issues concerning the status of the project funding requirements as soon as supplementary information has been developed, concurrent with this report.

In view of the bid prices being significantly above the pre-bid estimate, options available to the City were evaluated.

1. Do Not Award the Contract and Re-issue a Bid Opportunity

   The first option is to not award a contract and to post on the Materials Management website a revised bid opportunity document in an attempt to reduce the project cost. The risks associated with this approach are as follows:

   - the bidders that submitted bids for this bid opportunity may not submit bids for the revised bid opportunity;
   - it is unlikely that there will be new additional bidders competing for the revised bid opportunity because of the size, complexity and schedule for the work;
   - it is unlikely that any cost savings will be realized due to the active construction market; and
   - the project schedule will be delayed.

2. Do Not Award the Contract and Re-Issue a Number of Smaller Bid Opportunities

   The second option is to not award a contract and re-issue a number of smaller bid opportunities. This option would require substantial reconfiguration to the plant foundations and structures bid opportunity to package the works into bid opportunities having smaller values thereby introducing significant delay to the schedule. The risks associated with this approach are as follows:

   - the bidders that submitted bids for this opportunity may not submit bids for the revised smaller bid opportunities;
   - it is unlikely that any cost savings will be realized due to the active construction market wherein contractors are competing for limited labour and material resources;
   - a considerable effort will be required to coordinate the various contractors;
   - the project schedule will be delayed; and
   - the project's construction manager had considered this approach but strongly recommended against it.

Therefore an award of the contract to PCL Constructors Canada Inc. is recommended. The Department and its consultants will undertake a value engineering exercise in conjunction with the contractor prior to the commencement of construction. The objective will be to identify the factors which caused the bid price to be so high and to analyze methods to reduce costs.

Engineering staff of this Department is satisfied that the low Bidder has the necessary resources to perform all of the work in accordance with the requirements of the specifications. The low Bidder has satisfactorily carried out previous construction works of a similar nature.

The recommended Contractor has a Certificate of Recognition provided by the Construction Safety Association of Manitoba, Certification No. 22107-05-6.

The Manager of Materials Management Branch has advised that each of the bid submissions was accompanied by a bid bond and an agreement to bond, which have been certified by the Legal Services Division.

The financial status of the Water Treatment Program is as follows:

Authorized Capital		$227,342,000.00
Amount of Previous Awards or Expenditures	$ 73,669,427.00	
Amount of this Award	$ 55,997,000.00	
Estimated Engineering Costs (Earth Tech)	$ 5,823,688.00	
Total Estimated Cost	$135,490,115.00	$135,490,115.00
Estimated Residual for Remaining Projects		$ 91,851,885.00

The bid recommended for acceptance is the low bid meeting all requirements of the specifications. This offer is open for acceptance until May 30, 2006.

FINANCIAL IMPACT:

The following financial impact statement for this project has been prepared in accordance with the recommendation adopted by Council on December 13, 2000.

Financial Impact Statement

Date: April 12, 2006

Project Name: **First Year of Program** **2006**

WINNIPEG WATER TREATMENT PROGRAM - WATER TREATMENT PLANT FOUNDATIONS AND CONCRETE STRUCTURES BID OPPORTUNITY NO. 583-2005

	2006	2007	2008	2009	2010
Capital					
Capital Expenditures Required	$ 17,309,793	$ 29,673,930	$ 14,836,965	$ -	$ -
Less: Existing Budgeted Costs	17,309,793	29,673,930	14,836,965	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ -	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Funds for this project are included in the approved Capital Budget and are financed by the Water Treatment Reserve fund.

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Moira L. Geer C.A.
Manager of Finance & Administration

5008

IN PREPARING THIS REPORT THERE WAS:

Internal Consultation With and Concurrence By:

Corporate Services, Legal Services Division
Corporate Finance, Materials Management Branch

THIS REPORT SUBMITTED BY:

Water and Waste Department
Engineering Division
Prepared by: Ron Sorokowski, P, Eng.
Processed by: Brenda Mark

Attachment

c: Manager of Legal Services/City Solicitor, Corporate Services Department
Manager of Materials, Corporate Finance Department
N. Vollrath, Finance and Administration, Water and Waste Department
J. Elias, C.E.T., Water and Waste Department

THE CITY OF WINNIPEG
WATER AND WASTE DEPARTMENT

BID TABULATION

WINNIPEG WATER TREATMENT PROGRAM

WATER TREATMENT PLANT FOUNDATIONS AND CONCRETE STRUCTURES

Bid Opportunity No 583-2005 **File No. W-580(B1)**

Bidder	Total Bid Price	Completion Date	Deposit	Remarks
PCL Constructors Canada Inc.	$55,997,000.00	September 30, 2008	Bid Bond	
Kenaiden Contracting Ltd.	$62,970,000.00	September 30, 2008	Bid Bond	
Bird Construction Company	$80,500,000.00	September 30, 2008	Bid Bond	

Approved Capital	$227,342,000.00
Amount of Previous Awards	$ 73,669,427.00
Pre-Bid Estimate	$ 49,000,000.00
Recommended Amount	$ 55,997,000.00