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**REPORT TO HIGHLAND WATER AND SEWER LOCAL SERVICES COMMITTEE
AND FERNWOOD WATER LOCAL SERVICE COMMITTEE
MEETING OF TUESDAY 13 APRIL 2010**

SUBJECT **HIGHLAND AND FERNWOOD WATER SYSTEMS – INSTALLATION OF WATER TREATMENT FACILITY– AWARD OF CONTRACT 09-1645**

PURPOSE

To seek approval for the award of installation of a water treatment facility at St. Mary Lake, Salt Spring Island to benefit the Highland and Fernwood water systems.

BACKGROUND

The Highland water service applied for and was awarded a British Columbia Community Water Improvement Program infrastructure grant in 2006 for the construction of a water treatment facility and associated works, including an underwater pipeline to interconnect the Highland and Fernwood water systems. The grant is for \$959,334; approximately two-thirds of the project budget. In March 2009, both the Highland and Fernwood water service area residents and electors voted to borrow up to \$581,600 to cover the cost of the initial project, as well as other works. The total budget for the approved project is \$1,918,900, of which the Highland and Fernwood water services will contribute \$739,013 and \$220,553 respectively, with the Province providing the balance of \$959,334 as an infrastructure grant.

Through transfers of 2008 and 2009 operating surplus to the reserve and capital funds, additional funding of \$70,539 from the Highland service and \$12,211 from the Fernwood service is available to increase the overall project budget of \$2,001,650 (Attachment 1). If the service areas are to merge as planned in 2011 for the purpose of operation and future capital work, these funds should be applied to the current capital work.

The main component of the project is to construct a new water treatment plant for the Highland - Fernwood water system. Although the Highland and Fernwood systems are currently operated as two separate water systems, the new plant will supply treated water to both systems once they are interconnected to create a single service area. The treatment plant and distribution system improvements were designed by Genivar, consulting engineers, who prepared the tender drawing and specifications for the water treatment project.

Tenders for Contract 09-1645 *Highland-Fernwood Water Treatment Plant* were received on 04 March 2010 as follows:

<u>Company</u>	<u>Tender Price</u>
Ridgeline Mechanical Ltd.	\$831,229.35
G & E Equipment Rentals Ltd.	\$910,350.00
Tri-City Contracting Ltd.	\$948,780.00
Bowerman Excavating Ltd.	\$1,110,265.50
NAC Constructors Ltd.	\$1,460,000.00
Western Industrial Contractors Ltd.	\$1,574,551.65

The tenders were reviewed for content and accuracy. The low tender from Ridgeline Mechanical Ltd. complies with the Instructions to Tenderers.

ALTERNATIVES

1.
 - a) That the Highland Water and Sewer Local Services Committee approve a project budget increase of \$70,539 including \$18,114 from reserves and \$52,425 from 2009 operating surplus;
 - b) That the Fernwood Water Local Service Committee approve a project budget increase of \$12,211 including \$2,019 from reserves and \$10,192 from 2009 operating surplus; and
 - c) That the Highland Water and Sewer Local Services Committee and the Fernwood Water Local Service Committee recommend to the Capital Regional District (CRD) Board that Contract 09-1645 *Highland-Fernwood Water Treatment Plant* be awarded to Ridgeline Mechanical Ltd., in the amount of \$831,229.35; and that funding be provided from the revised capital project budget of \$2,001,650 for the Highland Fernwood water project.
2. That the Highland Water and Sewer Local Service Committee and the Fernwood Water Local Service Committee recommend to the Capital Regional District Board that Contract 09-1645 *Highland-Fernwood Water Treatment Plant* be awarded to Ridgeline Mechanical Ltd., in the amount of \$831,229.35; and that funding be provided from the capital project budget of \$1,918,900 for the Highland Fernwood water project.
3. That the Highland Water and Sewer Local Services Committee and the Fernwood Water Local Service Committee receive this report for information.

FINANCIAL IMPLICATIONS

The low bid from Ridgeline Mechanical Ltd., in the amount of \$831,229.35, includes a \$30,000 contingency amount and GST. The overall available budget for this portion of the project is \$1,275,900. When costs of equipment purchase, engineering, contingency and regulatory approvals are taken into consideration, it is estimated that the overall cost of the water treatment facility will be approximately \$1,440,500, requiring an increase of \$164,600. In order to provide this increase in the plant construction, the Highland/Fernwood meter replacement component of the distribution system works will be eliminated and a portion of the budget for distribution upgrades will be reassigned to the treatment plant project. The cost share formula for plant construction between the two services is based on ratio of total folios with Highland funding 76.5% and Fernwood 23.5%. The shortfall in the budget for water treatment plant construction would be recovered proportionately from both services. See Attachment 1 for financial detail.

SUMMARY

Tenders have been received for the construction of a new water treatment plant for the Highland-Fernwood water system. The low bid of \$831,229.35 has been received from Ridgeline Mechanical Ltd., and is in compliance with the Instructions to Tenderers. For the scope of work included in the tender, as well as equipment purchase, consulting engineering services, CRD staff time, contingency and approvals, a project budget of \$1,440,500 has been set.

RECOMMENDATION

1. That the Highland Water and Sewer Local Services Committee approve a project budget increase of \$70,539 including \$18,114 from reserves and \$52,425 from 2009 operating surplus;

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Re: Award of Contract 09-1645

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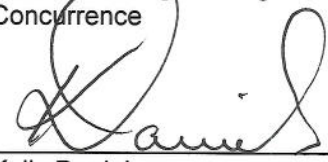
2. That the Fernwood Water Local Service Committee approve a project budget increase of \$12,211 including \$2,019 from reserves and \$10,192 from 2009 operating surplus; and
3. That the Highland Water and Sewer Local Services Committee and the Fernwood Water Local Service Committee recommend to the Capital Regional District Board that Contract 09-1645 *Highland-Fernwood Water Treatment Plant* be awarded to Ridgeline Mechanical Ltd., in the amount of \$831,229.35; and that funding be provided from the capital project budget for the Highland Fernwood water project.



Ted Robbins, BSc, CTech
Senior Manager, Water Management



J.A. (Jack) Hull, MBA, PEng
General Manager, Integrated Water Services
Concurrence



Kelly Daniels
CAO Concurrence

COMMENTS

Highland – Fernwood Revised Budget, Cost Share and Funding Sources

Water Treatment Plant	Original Project Budget	Revised Estimates	Budget Surplus (Shortfall)	Highland Share (76.5%)	Fernwood Share (23.5%)
Actual expenses to date		\$259,612			
Commitments		\$273,395			
Consultant Services (construction)		\$85,000			
Contract 09-1645		\$807,475			
Internal labour		\$15,000			
Sub Total WTP	\$1,275,900	\$1,440,482			
(Grant)	(\$850,600)	(\$850,600)			
Net Cost to Service Areas	\$425,300	\$589,882	(\$164,582)	(\$125,905)	(\$38,677)

Interconnect Water Main	Original Project Budget	Revised Estimates	Budget Surplus (Shortfall)	Highland Share (76.5%)	Fernwood Share (23.5%)
Contract 09-1630		\$212,000			
Archeologist services		\$3,000			
Internal labour		\$5,000			
Sub Total IWM	\$200,000	\$230,000			
Grant	\$108,733	\$108,733			
Net Cost to Service Areas	\$91,267	\$121,267	(\$30,000)	(\$15,000)	(\$15,000)

Referendum	\$10,000	\$10,000			
Distribution works	\$433,000	\$433,000			

<i>Total All Projects</i>	\$1,918,900	\$2,113,482			
Grant	\$959,333	\$959,333			
Net Costs to Service Areas	\$959,567	\$1,154,149	(\$194,582)	(\$140,905)	(\$53,677)

Additional Available Funding				Highland	Fernwood	Total
Contingency-Ops 2010				\$52,425	\$10,192	\$62,617
Capital reserve balances				\$18,114	\$2,019	\$20,133
Total Available				\$70,539	\$12,211	\$82,750
Net Funding Deficit				(\$70,366)	(\$41,466)	(\$111,832)
Original Distribution Budget	\$433,000			\$363,000	\$70,000	
Proposed Reduced Distribution Budget*		\$331,168		\$292,634	\$28,534	

* Proposed reduction in scope of Distribution Works can be achieved by eliminating meter replacement at \$500/connection.

Highland: 240 service connections at \$500/each = \$170,000

Fernwood: 73 service connections at \$500/each = \$ 36,500