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**REPORT TO HIGHLAND WATER AND SEWER LOCAL SERVICES COMMISSION
AND FERNWOOD WATER LOCAL SERVICE COMMISSION
MEETING OF WEDNESDAY 05 OCTOBER 2011**

SUBJECT HIGHLAND AND FERNWOOD WATER TREATMENT PLANT AWARD OF CONTRACT (TENDER REF. NO. 2011-519)

ISSUE

A contract is required for the construction of a water treatment plant for the Highland and Fernwood service areas on Salt Spring Island.

BACKGROUND

The Capital Regional District (CRD) recently issued a public tender for the construction of the water treatment plant to replace the two existing plants servicing the communities of Highland and Fernwood. This project was the subject of a previous contract with Ridgeline Mechanical Ltd., which resulted in termination and negotiated settlement.

The engineering design has been updated and reissued for tender and two bids were received by the CRD's Purchaser by the closing time on August 18, 2011. They are summarized as follows:

TENDERER	SUBMITTED TENDERED PRICE (excluding provisional work)
1. Brunnell Construction Ltd. (Brunnell)	\$1,332,520.00
2. Ridgeline Mechanical Ltd. (Ridgeline)	\$1,252,308.70

The CRD's engineering consultant on this project, Genivar Consultants Inc., has conducted a detailed evaluation of the tenders and have concluded that the submission from Brunnell Construction Ltd. (Brunnell) is the lowest eligible bid. The tender considered two work options, provisional work items and included HST at 12%, resulting in a total proposed contract amount of \$1,347,304.00. Ridgeline's bid did not include either of the two undertakings of surety for the Performance Bond and Labour and Material Payment Bond as required by the tender. Legal advice from the CRD's lawyers concluded that the Ridgeline bid is therefore noncompliant. The tender acceptance period will expire on October 17, 2011.

The proposed contract amount exceeds the available funding by \$321,263. An option is proposed whereby the budget is supplemented by funding from the Community Works Fund (CWF) and that Highland reallocate budgeted capital funds from other capital projects to this project.

ALTERNATIVES

1. That the Highland Water and Sewer Local Services Commission and the Fernwood Water Local Service Commission recommend to the CRD Board that a contract for construction of the water treatment plant (Tender Reference No. 2011-519) be awarded to Brunnell Construction Ltd. in the amount of \$1,347,304.00, including HST, subject to the following:
 - a. That an amount of \$160,000.00 from the Community Works Fund for Salt Spring Island is allocated to the project, of which \$72,063.00 is allocated to the Fernwood Water Service and \$87,937.00 is allocated to the Highland Water and Sewer Service; and

- b. That Highland capital project funding of \$161,263.00 be reallocated to the project by reducing the budget for distribution upgrades from \$363,000.00 to \$201,737.00.
2. That the Highland Water and Sewer Local Services Commission and the Fernwood Water Local Service Commission receive this report for information.

IMPLICATIONS

Alternative 1

In order for the project to proceed, additional funding of \$321,263 is required and it is proposed to supplement the project budget with 1. funding from the CWF and 2. by reallocating funds from Highland's capital budget. Refer to Attachment 1 for proposed funding details.

Community Works Fund - The Salt Spring Island Electoral Area Director has requested that \$160,000.00 be allocated to the project from the Salt Spring Island Electoral Area CWF. The request has been made by way of a recommendation to the Electoral Area Services Committee to be considered at its meeting of October 5, 2011. The distribution of the \$160,000 between Highland and Fernwood would be \$87,937.00 and \$72,063.00 respectively. Although the split is inequitable in accordance with the funding ratio of 76% and 24% as determined by taxable folios, Fernwood does not have any additional funds or ability to borrow and therefore, the amount does not require Fernwood to raise additional funds.

Highlands Capital Budget - Further, after applying the CWF amount there is still a funding shortfall of \$161,263 and it is proposed that the Highlands service reallocate funds that were originally intended for distribution upgrades (\$363,000.00 as described in the budget at the time of the March 2009 referenda to borrow funds) at 100% to make up the shortfall and allow the project to proceed to construction. The \$201,737.00 remaining budget for Highland distribution upgrades would enable high priority distribution improvements to proceed, but is insufficient to replace all customer meters as proposed in the 2009 referendum information.

Alternative 2

If a construction contract is not awarded, the treatment upgrade will not proceed. The process equipment package would need to be returned or resold. The water quality, operation and maintenance issues experienced in recent years would remain. The Highland water treatment plant, which is at the end of its useful life, would need to be replaced as a separate project.

CONCLUSION

The bid received from Brunnell for \$1,347,304.00 including HST, meets the terms of the tender, and the project budget, including proposed amendments, is sufficient.

RECOMMENDATION

That the Highland Water and Sewer Local Services Commission and the Fernwood Water Local Service Commission recommend to the CRD Board that a contract for construction of the water treatment plant (Tender Reference No. 2011-519) be awarded to Brunnell Construction Ltd. in the amount of \$1,347,304.00 including HST, subject to the following:


- a. That an amount of \$160,000.00 from the Community Works Fund for Salt Spring Island is allocated to the project, of which \$72,063.00 is allocated to the Fernwood Water Service, and \$87,937.00 is allocated to the Highland Water and Sewer Service; and

**Highland Water and Sewer Local Services Commission
and Fernwood Water Local Service Commission – 05 October 2011**

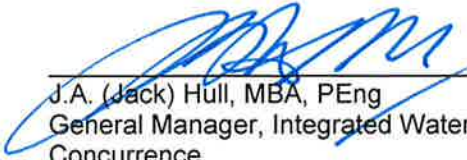
Re: Award of Contract 2011-519

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- b. That Highland capital project funding of \$161,263.00 be reallocated to the project upgrade by reducing the budget for distribution upgrades from \$363,000.00 to \$201,737.00.



Scott Mason, BSc, PEng
Manager, Regional Infrastructure



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



Kelly Daniels
CAO Concurrence

SM:ls

COMMENTS:

ATTACHMENT 1

Capital Regional District - Integrated Water Services
Highland and Fernwood Water Treatment Upgrade Project
Financial Update

September 29, 2011

PROJECT FUNDING AND EXPENSE SUMMARY		HIGHLAND	FERNWOOD	TOTAL
PROJECT FUNDING				
1	Total Project Funding to Date (grants, reserve, loans)	\$ 1,966,149	\$ 618,033	\$ 2,584,182
2	Gas Tax Grant (See Line 13, Table A)	\$ 87,937	\$ 72,063	\$ 160,000
3	TOTAL PROJECT FUNDING	\$ 2,054,086	\$ 690,096	\$ 2,744,182
ESTIMATED PROJECT EXPENSE				
4	Actual Expense to August 10, 2011	\$ (706,412)	\$ (280,048)	\$ (986,460)
5	Construction Contract 2011-519 (See Table B)	\$ (901,477)	\$ (322,524)	\$ (1,224,002)
6	Other Commitments and Estimated Costs to Complete (See Table C)	\$ (244,461)	\$ (87,524)	\$ (331,984)
7	TOTAL ESTIMATED PROJECT EXPENSE	\$ (1,852,350)	\$ (690,096)	\$ (2,542,446)
8	ESTIMATED PROJECT SURPLUS (SHORTFALL)	\$ 201,737	\$ -	\$ 201,737

TABLE A - GAS TAX CALCULATION		HIGHLAND	FERNWOOD	TOTAL
9	Revenue less Expense to August 10, 2011 (line 1 less line 4)	\$ 1,259,737	\$ 337,985	\$ 1,597,722
10	Construction Contract 2011-519 (See Table B)	\$ (901,477)	\$ (322,524)	\$ (1,224,002)
11	Other Commitments and Estimated Costs to Complete (See Table C)	\$ (244,461)	\$ (87,524)	\$ (331,984)
12	Available Revenue Minus Estimated Cost to Complete (lines 9+10+11)	\$ 113,799	\$ (72,063)	\$ 41,737
13	PROPOSED GAS TAX GRANT*	\$ 87,937	\$ 72,063	\$ 160,000

* RATIONALE: The total Gas Tax available for the project is \$160,000. In order for the project to proceed, Fernwood needs to overcome its funding shortfall. It is proposed to contribute sufficient Gas Tax to overcome the Fernwood shortfall, and contribute the balance to

TABLE B. CONSTRUCTION CONTRACT 2011-519		HIGHLAND	FERNWOOD	TOTAL
14	Base Bid	\$ 802,600.88	\$ 287,149.13	\$ 1,089,750
15	Provisional items 1 and 2	\$ 9,721.80	\$ 3,478.20	\$ 13,200
16	Contingency Allowance	\$ 36,825.00	\$ 13,175.00	\$ 50,000
17	Prime Sum Allowance	\$ 36,825	\$ 13,175	\$ 50,000
18	Subtotal	\$ 885,972.68	\$ 316,977.33	\$ 1,202,950
19	HST (net 1.75%)	\$ 15,504.52	\$ 5,547.10	\$ 21,052
20	TOTAL CONSTRUCTION CONTRACT AMOUNT	\$ 901,477	\$ 322,524	\$ 1,224,002

TABLE C. OTHER COMMITMENTS AND ESTIMATED COSTS		HIGHLAND	FERNWOOD	TOTAL
21	Corix - treatment process equipment package	\$ 22,406	\$ 8,078	\$ 30,484
22	Staples McDannold Stewart - legal services	\$ 8,838	\$ 3,162	\$ 12,000
23	Genivar's effort for 2010 - Construction related	\$ 57,447	\$ 20,553	\$ 78,000
24	Genivar - reduction related to settlement	\$ (22,095)	\$ (7,905)	\$ (30,000)
25	Genivar 2011 - Contract for Design Update	\$ 19,149	\$ 6,851	\$ 26,000
26	Genivar 2011- additional request not approved	\$ 55,606	\$ 19,894	\$ 75,500
27	Consultant Construction effort	\$ 51,555	\$ 18,445	\$ 70,000
28	CRD Construction Effort	\$ 29,460	\$ 10,540	\$ 40,000
29	CRD Services and Supplies	\$ 22,095	\$ 7,905	\$ 30,000
30	TOTAL OTHER COMMITMENTS AND ESTIMATED COSTS	\$ 244,461	\$ 87,524	\$ 331,984