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**REPORT TO MAGIC LAKE ESTATES WATER AND SEWER LOCAL SERVICES COMMITTEE
MEETING OF WEDNESDAY, OCTOBER 6, 2014**

SUBJECT MAGIC LAKE ESTATES WATER SYSTEM FINAL IMPROVEMENTS

ISSUE

Identify any final improvements that could be realized within the current water system improvement project.

BACKGROUND

At its meeting of November 19, 2013, the Magic Lake Estates Water and Sewer Local Services Committee (Committee) approved the transfer of funding from the sewer system to the water system with the intent of completing additional water system improvements consistent with the scope of the funding agreement with the Province of British Columbia. It was proposed to allocate \$400,000 to construction, \$50,000 for contingency, and \$50,000 for engineering services. An engineering services contract was awarded to AECOM Canada Ltd. (AECOM) in the amount of \$44,507 as per the Committee's resolution at its meeting of August 12, 2014, for contract administration and inspection services.

AECOM's water main designs were received and presented to Rohl Enterprises Ltd.'s (Rohl) for pricing with the intent of negotiating a change to the existing contract subject to the prices being of good value to the water service. Rohl completed water main work in 2012 and although the Capital Regional District (CRD) obtained tendered unit prices for the original water main work, it was expected that Rohl's prices would change, respecting that Rohl had demobilized their excavation equipment and costs may have increased since 2012. The CRD received pricing from Rohl on September 9, 2014, for an all-inclusive average cost of approximately \$1,200 per metre of water main installed.

Only one of the four projects (Project 2- Capstan Lane/Privateers Road/Galleon Way) is within budget (construction and contingency amount which is discussed in Alternative 1 below) and only allows for 368 metres of water main installation as opposed to the expected 1 kilometre. In addition, Rohl has included several conditions that add risk to the project (only one project complete by December 31, 2014, no fire restrictions, and paving may have to be done spring 2015).

At its meeting of September 15, 2014, the Committee requested that the CRD review options to fully utilize the provincial and federal grant funding.

ALTERNATIVES

1. That the Magic Lake Estates Water and Sewer Local Services Committee direct Capital Regional District staff to issue a change order to Rohl Enterprises Ltd. (Contract No. 2012-693) in the amount of \$427,419 excluding GST for Project 2, with funding provided

from the \$500,000 budget item allocated in the Magic Lake Estates Water System Capital Upgrade Project and allocate an additional \$30,000 from the current water treatment plant budget surplus to maintain the \$50,000 construction contingency to bring the total budget to \$530,000.

2. That the Magic Lake Estates Water and Sewer Local Services Committee direct Capital Regional District staff to tender the proposed water main work by way of public tender in accordance with the CRD's Procurement Policy and revise AECOM's scope to include tendering services.
3. That the Magic Lake Estates Water and Sewer Local Services Committee direct Capital Regional District staff to obtain auxiliary power generators (gensets) at the Buck Lake pump station and Magic Lake Treatment Plant sites.
4. That the Magic Lake Estates Water and Sewer Local Services Committee direct Capital Regional District staff to not proceed with any additional work.

IMPLICATIONS

Alternative 1 – At the request of the Committee, CRD staff contacted Rohl to renegotiate pricing, however, Rohl indicated that due to the time of year and the scope of work (under \$500k) they are not open to negotiate their offer. Having Rohl complete the work in the amount of \$427,419 excluding GST, may not represent best value, but one of the water main projects may be completed, but with some risks.

Previously, \$400,000 was allocated for the construction of the water mains, but with the pricing received from Rohl, the budget for construction should be increased to \$430,000 as well as maintaining the \$50,000 construction contingency for a total of \$530,000. Should a Change Order be prepared and issued to Rohl by mid-October, construction could commence in early November and proceed into December with a pause during the holiday season and be substantially completed in January with restoration in early 2015. Should the Committee not pursue this alternative, it is expected that the opportunity to award this work to Rohl will be lost.

Procurement

- | | <u>Weeks</u> |
|--|--------------------------|
| • Committee Approval to Proceed | 1 week (October 6, 2014) |
| • Prepare & issue Change Order to Rohl | 1 week |

Construction

- | | <u>Weeks</u> |
|---|----------------|
| • Contractor procures materials, mobilize, etc. | 2 weeks |
| • Construction (pipe work, testing, paving, etc.) | 12 weeks |
| • Construction Contingency | 2 weeks |
| • Invoicing and Wrap up | <u>2 weeks</u> |

Summary - total number of weeks for procurement and construction = 20 weeks (last week of February 2015), with little to low risk since the tasks and approvals have been identified.

Alternative 2 - Tendering the work to other contractors will require additional effort from AECOM and the CRD related to tendering. Depending on the amount of work tendered

(\$400K), anticipated cost savings may not be significant, adequate tenders may not be received and due to time constraints, it does not appear feasible to complete the work required to utilize the provincial and federal funding. An estimated timeline for tendering and constructing the water main project:

<u>Tendering/Procurement</u>	<u>Weeks</u>
• Committee Approval to Proceed	1 week (October 6, 2014)
• Negotiate change to AECOM scope	1 week
• Prepare Tender Documents (AECOM/CRD)	2 weeks
• Public Tender (AECOM/CRD)	3 weeks
• Tender Review/Evaluation (AECOM/CRD)	1 week
• Staff Report and approval from MLE Committee (CRD)	1 week
• Staff Report and CRD Board Approval (CRD)	1 week (Dec. 10 or Jan. 14)
• Notice of Award (CRD/Contractor)	2 weeks
• Bonding/Insurance document submission (Contractor)	2 weeks
<u>Construction</u>	<u>Weeks</u>
• Notice to Proceed (CRD/Contractor)	1 week
• Construction (Est. –materials, work, testing, etc.)	12 weeks
• Construction Contingency	2 weeks
• Invoicing and Wrap up	<u>2 weeks</u>

The total number of weeks required for tendering and constructing a similar length project as Alternative 1 is estimated at 31 weeks. 31 weeks from a start date of October 6 results in a completion date of May 2015, which exceeds the grant agreement deadline of March 31, 2015. This alternative is considered high risk due to the tendering/procurement tasks and approvals and anticipated completion date.

However, should the Committee wish to pursue this alternative, a tender could be prepared with the requirement for a work completion date of March 13, 2015 and an upset tender sum of \$400,000. The tenderers would indicate how much of the water main work could be completed with these conditions and the Committee would decide how to proceed.

As requested by the committee, the CRD staff contacted the Province's grant coordinator regarding the potential of an agreement extension. As a reminder, the agreement had previously been extended by one-year (March 2014 to 2015) and the BCF program ends in 2015. The Province has indicated that they will entertain a request in early March 2015 for a minor deadline extension.

Alternative 3 – If the committee pursues to utilize the funds to obtain gensets, this will allow the Committee to utilize the provincial and federal government funding provided it meets the funding criteria and timelines. The CRD has undertaken a preliminary assessment of procuring two gensets for the Buck Lake pump station and Magic Lake treatment plant sites. This alternative would require a change in AECOM's scope.

Based on the timeline identified below it appears feasible to procure the equipment within the funding timeline. The cost estimate to procure the gensets (material only) should be less than \$200,000. The CRD staff could then complete the installation for an estimated \$25,000 which

would need to be funded 100% by the MLE Water service area, as staff time is ineligible for the grant the construction time frame would not affect the grant. This alternative would not fully utilize the provincial and federal government funding (\$500k). An estimated timeline for procuring gensets is shown below:

<u>Tendering/Procurement</u>	<u>Weeks</u>
• Committee Approval to Proceed	1 week (October 6, 2014)
• Document Production (AECOM/CRD)	3 weeks
• Issued for Quotation/Tender (AECOM/CRD)	3 weeks
• Quotation/Tender Review (AECOM/CRD)	1 week
• Staff Report and Approval from MLE Committee (CRD)	1 week
• Staff Report and CRD Board Approval (CRD) if required	1 week (Dec 10/Jan 14)
• Notice of Award (CRD/Supplier)	2 weeks
• Supply of Genset (Estimated)	10 weeks
• Invoicing and Wrap up	<u>2 weeks</u>

Total number of weeks for Tendering and Construction is 24 weeks (late March 2015) with low to medium risk due to the change in scope with AECOM and procurement tasks.

Alternative 4 – By not preceding with any additional work, the MLE water service may not fully utilize the provincial and federal grant. The balance (1/3rd) would remain as a capital reserve for the service.

CONCLUSION

By issuing a change order to Rohl and supplementing the budget from the unallocated project budget for additional water main construction appears to be the best option to fully utilize the available provincial and federal funding. This alternative has the least risk for maximizing the grant funding within the funding agreement deadline.

RECOMMENDATION

That the Magic Lake Estates Water and Sewer Local Services Committee direct Capital Regional District staff to issue a change order to Rohl Enterprises Ltd. (Contract No. 2012-693) in the amount of \$427,419 excluding GST for Project 2, with funding provided from the \$500,000 budget item allocated in the Magic Lake Estates Water System Capital Upgrade Project and allocate an additional \$30,000 from the current water treatment plant budget surplus to maintain the \$50,000 construction contingency to bring the total budget to \$530,000.

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