
CITY OF KELOWNA

MEMORANDUM

Date: May 4, 2004
File No.: 5340-09-28A

To: City Manager

From: Wastewater Manager

Subject: **AWARD OF CONSTRUCTION CONTRACT TE 04-03**
Okaview Sanitary Sewer Specified Area No. 28A – Contract 2

RECOMMENDATION:

THAT the Contract for construction of the second phase of the Sanitary Sewer Specified Area No. 28A (Contract 2) be awarded to Greenleaf Enterprises Ltd. for the amount of \$ 2,250,079.00 which includes GST;

AND THAT the 2004 Financial Plan be amended by increasing total expenditures by \$1,000,000 with \$750,000 funded from the MFA Sewer Debt Reserve and a \$250,000 contribution from the Non-Arterial Roads Reserve;

AND FURTHER THAT the Mayor and City Clerk be authorized to execute the Contract on behalf of the City.

BACKGROUND:

The Okaview Sewer Specified Area 28A is a “pocket” in the overall Okaview area intended to service as many burned homes as reasonably possible in a short time period. The property owners in the Okaview area have “voted” to receive sewer service through a specified area process. City Council has adopted Bylaw 9088, which authorized the borrowing of approximately \$3.3 Million for providing sewer service for 252 properties in this area. The work was planned to be done in different stages. This contract is for construction of the second phase of the work which is predominately in the streets and lanes in the area, and which will have the most significant impact on traffic for the residents.

The Work to be performed in this Contract consists of approximately:

- 3,950 m of sewer main
- 75 manholes
- 142 service connections
- Restoration work

In response to the City's invitation to Tender TE-04-03, four (4) bids were received, as shown below in order of magnitude:

Greenleaf Enterprises Ltd.	\$ 2,250,079.00
Acres Enterprises Ltd.	\$ 2,349,417.89
R & L Excavating Ltd.	\$ 2,785,515.61
H & M Excavating Ltd.	\$ 2,796,765.84

Our Consultant has reviewed the bid submissions, checked for their arithmetic accuracy and provided the City with a tender analysis and recommendation. Greenleaf Enterprises Ltd. complied with the tender specifications, and included the specified Bid, Performance and Labour and Material Payment bonds.

There are some concerns related to this recommendation which are outlined in the attached letter of May 3, 2004, from Urban Systems Ltd. The low bidder, Greenleaf Enterprises is unknown to Wastewater Division staff and our Consultant, as a local Utilities Contractor. It appears as if this project is beyond the size and type of work that the Contractor is familiar with, however the people listed to be involved do have sewer installation experience. For a project such as this, with substantial interaction with the homeowners and tight time-lines, we had hoped to be able to award this Contract to a Contractor with more experience in work of this sensitivity, however we believe that Greenleaf is capable of carrying out the work. This award comes with some risk, as mentioned in our Consultants report, that the construction may not proceed as smoothly as hoped, the construction may suffer some delays and additionally the time devoted to inspection may increase. After some investigation and deliberation, our Engineering Consultant has recommended that the Contract be awarded to Greenleaf Enterprises Ltd.

Prior to advertising the Invitation to Tender, the Consultant had estimated the Construction costs for this Contract (Contract 2) to be \$2,075,164.37, which was more than our budget allowed for to construct the remaining sewer in the Spec area. The recommended Contractor's bid is above that amount. After this amount is added to the costs that we have incurred to date, the total costs for all components of this Spec Area are now projected to be approximately \$4,030,000 while the original budget was based on \$3,034,000.

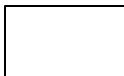
There are several reasons for the substantial increase in costs, but the most significant factor is the cost of re-building the roads in the area. The pre-design study that we had used to estimate project costs was based on the assumption of patching the roads upon completion. After detailed design work had been done it was apparent that so much of the road surface would be damaged that we would have to remove and replace the entire surface. Added to this is the fact that road gravel prices are 40% greater than the prices we are paying in Rutland. The effect of these road issues is an increase in costs in excess of \$600,000, above the initial estimates. Another factor that significantly increased costs was the amount required to secure rights-of-way to install sewer mains through private properties. The project cost estimate was established using the typical RoW costs in other locations in the City. The area of Okaview that is being sewered contains many burned homes so tracking down and contacting the owners took a great deal more effort and associated expense. In addition, the RoW's that were required contained large trees that had to be removed and in some cases there is extensive landscaping that is costly to restore. The cost of acquiring the required RoW's is expected to exceed the amount we budgeted for that component by more than \$200,000. To increase the project costs even further, it is apparent that the prices received for this Contract are generally higher than

Contracts awarded last year. There is a substantial amount of construction work in the Okanagan Valley at the present time and this seems to be reflected by higher prices.

The project costs will be interim financed until costs are recovered from the benefiting Property Owners, as usual. Funding for the project will be made available from the Spec Area Account Number 40-4940-SA28A, recovered from the affected property owners. In addition, when we were setting up the project we were not able to allocate funds to share in the road improvement work that often occurs in a sewer project. It has been determined that the appropriate share of road improvement costs to be contributed towards this project is \$250,000 for which the funding will be acquired from the non-arterial road reserve fund. Funding required in excess of the recovery from the Property Owners and the Road funding, estimated to be approximately \$750,000, will be acquired from the MFA Wastewater Debt Reserve. These additional funding sources will allow the project to proceed and keep the costs attributed to the owners at the same amount they voted to accept at the outset of the project.

The construction work for this Contract is anticipated to commence in a few weeks, and be completed by September, this year.

W.J. Berry, P.Eng.
Wastewater Manager



Approved for inclusion:
John Vos
Director of Works & Utilities

cc Director of Financial Services