
CITY OF KELOWNA

MEMORANDUM

Date: July 14, 2008
File No.: 5400-20
To: City Manager
From: Transportation Manager
Subject: Payment of Late Fortis Bills

RECOMMENDATION:

THAT Council approve an additional \$91,000 from the Sector B (SW Mission) Roads DCC Reserve for the Gordon Dr upgrades between Old Meadows and Stonybrook Rd completed in 2006 to cover a Fortis Utilities invoice in excess of the pre-authorized purchase order.

AND THAT the 2008 Financial Plan be amended accordingly

BACKGROUND:

Late in 2007 and early in 2008, Fortis Utilities submitted approximately 10 invoices for work they did on City projects between 2004 and 2007. City staff have dealt with and were able to make payment for all but two of these late invoices. This included this one for Gordon Dr and one for the Okaview Sewer project for which they had no PO.

One of these invoices, however, was for work Fortis did in conjunction with the City's Gordon Dr upgrade between Old Meadows Rd and the Mission Hollow subdivision. City staff had thought that Fortis had completed their Gordon Dr improvements in 2006. The City issued a purchase order to Fortis Utilities for these works in 2005 for the amount \$93,532. The invoice submitted to the City in late 2007 was for \$200,686. So in addition to being submitted after the project was thought to have been completed, the invoice was for an increased amount of \$107,154.

Fortis advises that although the invoice was not received until the end of 2007, work was not complete on the project until the spring of 2007. They attribute the increased costs to market increases (inflation), design changes, construction staging (requirement for traffic control due to public use during construction), relocation of services and coordination problems with the City's contractor and other utility companies.

Much discussion has taken place between City and Fortis staff over this and the other invoices they submitted. Fortis has advised the City of the following steps they're taking to avoid the situation being repeated in the future:

- Projects greater than \$100,000 will be billed monthly on actual costs.
- No work will be approved for construction without it being within the limits of a valid City PO.
- Fortis' estimating procedure/tool has been reviewed and updated to reflect increased material and labour costs.



- They will be adding a 30% contingency factor to their estimates to account for unforeseen events.

Staff have no basis by which to further review and approve the invoice as submitted. Although it is beyond the authorized spending limit, Fortis claims the amount is an accurate cost of works and services provided by them. They in turn also note that these costs should not be passed on to their customers since they were costs resulting from work done specifically for the City of Kelowna.

Should Council approve staffs' recommendations for payments of the subject invoice, a budget amendment will be necessary. Funds would come from the DCC program, Sector B.

FINANCIAL/BUDGETARY CONSIDERATIONS:

The 2008 budget must be amended to include funding from the SW Mission Roads DCC sector to cover the additional payment to Fortis.

INTERNAL CIRCULATION TO:

Finance Department: Financial Planning Manager

CONSIDERATIONS NOT APPLICABLE TO THIS REPORT:

LEGAL/STATUTORY AUTHORITY
LEGAL/STATUTORY PROCEDURAL REQUIREMENTS
EXISTING POLICY
PERSONNEL IMPLICATIONS
TECHNICAL REQUIREMENTS
EXTERNAL AGENCY/PUBLIC COMMENTS
COMMUNICATIONS CONSIDERATIONS

ALTERNATE RECOMMENDATION: N/A

Submitted by:



R. Westlake, P.Eng.
Transportation Manager

Approved for Inclusion:



J. Vos, Director of Works & Utilities

Cc: Financial Planning Manager