



Report to: General Committee

Date Report Authored: March 15, 2013

SUBJECT: Contract Extension (045-T-09) for Cathodic Protection of Iron Watermains

PREPARED BY: Ernie Ting, Manager of Infrastructure, ext. 3650
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RECOMMENDATION:

- 1) THAT the report “Contract Extension (045-T-09) for Cathodic Protection of Iron Watermains” be received;
- 2) AND THAT contract 045-T-09 for Cathodic Protection of Iron Watermains be extended for a further one-year term from May 1, 2013 to April 30, 2014 to C.P. Systems (same itemized pricing as 2009) for an estimated annual amount of \$420,909 inclusive of HST;
- 3) AND THAT a contingency amount of \$42,090 inclusive of HST be established and that Director of Environment Services be authorized to approve expenditure of this contingency amount up to the specified limit in accordance with the Expenditure Control Policy;
- 4) AND THAT in accordance with Purchasing By-Law 2004-341, Part II, Section 7 (1)(c), Non-Competitive Procurement, whereby “When the extension of an existing contract would prove more cost-effective and beneficial”, the tendering process be waived;
- 5) AND THAT this project be funded from the Waterworks Department’s Capital Account 053 6150 13705 005 (2013) Cathodic Protection of Iron Watermains, as shown in the financial consideration section;
- 6) AND THAT Staff be authorized and directed to do all things necessary to give effect to this resolution.

PURPOSE:

The purpose of this report is to obtain approval to extend the contract with C.P. Systems for cathodic protection of iron watermains, for a one-year term from May 1, 2013 to April 30, 2014.

BACKGROUND:

External corrosion of iron watermains is the leading cause of municipal watermain breaks. Waterworks cathodic protection of iron watermains is an annual preventative maintenance program for controlling the corrosion rate in Markham watermains, thus reducing costly watermain breaks and extending watermain pipe life expectancy. As part of the program, magnesium anodes are installed using auger drilling device or vacuum

excavation, and are wired to the iron pipe to inhibit the electrochemical corrosion process in the pipe, so to protect the pipe itself from corrosion. Anodes are estimated to last for 20 years, depending on field conditions.

In the last 20 years of cathodic protection program, Waterworks has successfully installed magnesium anodes to protect a total of 260 km of ductile and cast iron watermain. Since the start of the program in 1993, annual number of watermain breaks in Markham has declined, from 132 in 1994 to 32 in 2012.

The 2013 program will include cathodic protection of 19km of iron watermain located in various locations in the City, as shown in the attached map.

OPTIONS/ DISCUSSION:

In April 2009, Council approved the award of contract 045-T-09 to the lowest priced bidder, C.P. Systems, for a contract period of May 1, 2009 to April 30, 2013. Staff had been in discussions internally on whether or not to negotiate an extension with the incumbent, or issue a new tender to the market.

The City may negotiate contracts outside the competitive contracting process, when negotiations can reasonably be expected to lead to price savings and/or operation efficiencies for the City, which could not be reasonably expected as achievable through competitive bidding process.

Prior to entering into these negotiations, staff considers whether the same bidder has been awarded the contract through a competitive process over the past ten (10) years, the bidder turnout and whether the same bidders responded to the tender.

Staff has tendered the Cathodic Protection of Iron Watermain contract on three (3) separate occasions over the past ten years (2003, 2005 and 2009). C.P. Systems has been the lowest priced bidder on the last two (2) competitive tenders. See table below:

Year	Number of Bids received	Lowest Priced Bidder	Price Comparison
2003*	2	Taunton Construction	n/a
2005	1	C.P. Systems	1% increase over 2003 price
2009**	3	C.P. Systems	2% lower than 2005 price

* In 2003, C.P. Systems provided cathodic protection services for Markham through the City's main contractor, Taunton Construction Ltd.;

** In 2009, C.P. Systems price was 42% lower than the second lowest priced bidder;

Over the past ten years, the competitive process for cathodic protection of iron watermain had yielded low bidder turnout, and the same Bidder was awarded the contract. By negotiating this contract extension, the City will be able to maintain the same 2009 prices and avoid any potential market increases.

This option to extend the existing contract aligns with Part II, Section 7(1) (c) of the City Purchasing Bylaw 2004-341, whereby “the City may negotiate a contract for the supply of goods and services without a competitive process, when the extension of an existing contract would prove more cost-effective and beneficial”. Purchasing will undertake a competitive procurement process to award a long-term contract for cathodic protection of iron watermain in 2014.

FINANCIAL CONSIDERATIONS AND TEMPLATE: (external link)

The contract for the cathodic protection of iron watermain will be extended for a one-year term from May 1, 2013 to April 30, 2014 to C.P. Systems, for a total amount of \$462,999, which includes the contract award of \$420,909 plus 10% contingency of \$42,090. The funding for the contract will be as follows:

Account	Description	Budget	a	b	c=a-b
			Budget Available	2013 Award Amount	Budget Remaining*
53-6150-13705-005	2013 Cathodic Protection of Iron Watermain Program	493,000	493,000	462,999	30,001

* Balance remaining in the 2013 Cathodic Protection of Iron Watermain Program will be used to fund a field staff as budgeted for in the project.

HUMAN RESOURCES CONSIDERATIONS

Not Applicable

ALIGNMENT WITH STRATEGIC PRIORITIES:

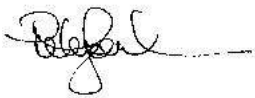
Cathodic protection of iron water main ensures longevity of water main life cycle and maintains the quality of waterworks services.

BUSINESS UNITS CONSULTED AND AFFECTED:

Purchasing and Finance departments has been consulted and contributed to this report.

RECOMMENDED BY:

01/05/2013

X 

Peter Loukes, P.Eng
Director of Environmental Services

4/30/2013

X 

Brenda Librecz
Commissioner of Community and Fire Services

ATTACHMENT:

[Extension \(045-T-09\) for Cathodic Protection of Iron Watermain – Attachment- 2013 Project Location Map](#)