



Report to: General Committee

Date Report Authored: October 24, 2011

SUBJECT: Contract Extension (029-T-07) for Routine & Emergency
Sewer and Watermain Repairs

PREPARED BY: Eddy Wu, ext. 2445
Anna Ruberto, ext. 2011

RECOMMENDATION:

- 1) THAT the report entitled “Contract Extension (029-T-07) for Routine & Emergency Sewer and Watermain Repairs” be received;
- 2) AND THAT Contract 029-T-07 for Routine & Emergency Sewer and Watermain Repairs be extended to Finch Paving (1993) Inc. for two (2) additional years (January 1, 2012 to December 31, 2013) at a 5% reduction compared with 2010 unit pricing in the estimated annual contractual value of \$895,266 inclusive of HST;
- 3) AND THAT the tendering process be waived in accordance with Purchasing By-Law 2004-341, Part II, Section 7 (1) (c) which states “when the extension of an existing contract would prove more cost-effective or beneficial”;
- 4) AND THAT funds be provided from the Budget Accounts as listed in the Financial Considerations section in the annual amount of \$895,266, inclusive of HST;

And further that Staff be authorized and directed to do all things necessary to give effect to this resolution.

EXECUTIVE SUMMARY:

Not applicable

PURPOSE:

The purpose of this report is to obtain approval to extend Contract 029-T-07 for “Routine & Emergency Sewer and Watermain Repairs” for an additional two (2) years at a 5% price reduction from the 2010 itemized pricing.

BACKGROUND:

The Routine and Emergency Sewer and Watermain Repairs contract is an essential service for the immediate repair of watermain breaks to restore the system to service for fire and domestic needs. It also includes emergency sanitary and storm sewer repairs to mitigate sewer backups into homes, properties and the environment.

The contract requires the contractor to be on call to the Town of Markham 24 hours a day with no compensation in terms of stand-by rate with a response time of one hour for emergency services.

OPTIONS/ DISCUSSION:

In June 2007, Council approved the award of contract 029-T-07 to the lowest priced bidder, Finch Paving (1993) Inc. (Finch Paving) for a period of July 1, 2007 – December 31, 2010.

Subsequently in 2010, Council approved an extension for a 6 month period (Jan 1, 2011 – June 30, 2011) as per original bid documents and also within the same report awarded an additional 6 month extension (July 1, 2011 – December 31, 2011) under the Town's Purchasing By-law 2004-341, Part II, Section 7 (1) (c).

This extension approved in 2010 allowed the 2011 unit pricing to be the same as the 2010 unit rates and through negotiations with Purchasing, Finch Paving agreed to forgo the annual 3% escalation included within the contract or approximately \$40,000 for 2011. Staff believes it's in the best interests of the Town to extend contract 029-T-07 with Finch Paving for a further 2 years with a 5% reduction in unit costs from the 2010 prices.

Rationale:

Staff has tendered the Routine and Emergency Sewer and Watermain Repairs contract on 4 separate occasions (1998, 2003, 2004 & 2007) with Finch Paving being the lowest priced bidder on all these competitive tenders.

The Routine and Emergency Sewer and Watermain Repairs contract's major component of costs are labour and fuel. In the last two tender bids (2004 & 2007), the Town received bid prices higher than the previous contract.

- 2004 low bid prices were 12% higher than 2003 prices
- 2007 low bid prices were 23% higher than 2004 prices

Since, 2007 Construction labour indices have increased by 12% and fuel by approximately 30% as identified in Statistics Canada – Consumer Price Index¹.

Additionally, since 1998 the Town has received a limited number of contractors bidding on this type of work. The bid response has ranged between 2 to 4 bid submissions for each tender.

Through negotiations completed by Purchasing for this extension, Markham will achieve an approximate cost decrease of \$50,000 annually through the 5% reduction with the ability to maintain unit prices for 2 years without price increases.

The option to extend the existing contract aligns with Part II Section 7(1) c of Purchasing Bylaw 2004-341 which states “the Town 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 or beneficial.”

FINANCIAL CONSIDERATIONS AND TEMPLATE:

The financial considerations for this report are outlined in the following table. The 2012 & 2013 awards are subject to Council approval of the respective years' Operating Budget.

1. CPI reference: Construction Labour - <http://www40.statcan.ca/101/cst01/econ144b-eng.htm> & Fuel - <http://www40.statcan.ca/101/cst01/ECON154A-eng.htm>

Account Number	Account Name	2012 & 2013 Annual Budget Amount*	Budget Allocated to Routine & Emergency Repairs	Budget Available
WATER				
760-100-5300	W1BRK Construction	\$422,030.00	\$307,830.00	\$114,200.00
760-111-5300	W1TDR Construction	\$183,825.00	\$97,035.00	\$86,790.00
760-112-5300	W1TDI Construction	\$29,827.00	\$23,876.00	\$5,951.00
760-113-5300	W1TDV Construction	\$93,575.00	\$55,227.00	\$38,348.00
760-114-5300	W1TDC Construction	\$61,718.00	\$61,718.00	\$0.00
760-115-5300	W1TDH Construction	\$82,415.00	\$80,415.00	\$2,000.00
<i>Sub-total</i>		<i>\$873,390.00</i>	<i>\$626,101.00</i>	<i>\$247,289.00</i>
SEWER				
760-500-5300	S1BRK Construction	\$40,883.00	\$36,883.00	\$4,000.00
760-510-5300	S1TDM Construction	\$142,000.00	\$17,000.00	\$125,000.00
760-511-5300	S1TDR Construction	\$94,600.00	\$80,100.00	\$14,500.00
760-512-5300	S1TDI Construction	\$30,386.00	\$25,886.00	\$4,500.00
760-560-5300	S1MAN Construction	\$21,296.00	\$21,296.00	\$0.00
<i>Sub-total</i>		<i>\$329,165.00</i>	<i>\$181,165.00</i>	<i>\$148,000.00</i>
STORM SEWER				
700-101-5399-12227	Emergency Repairs	\$108,000.00	\$88,000.00	\$20,000.00
<i>Sub-total</i>		<i>\$108,000.00</i>	<i>\$88,000.00</i>	<i>\$20,000.00</i>
TOTAL		\$1,310,555.00	\$895,266.00	\$415,289.00

* Subject to Council approval of the 2012 & 2013 Operating & Capital Budget

Balance remaining on the listed accounts will be used towards other contracts as budgeted under each respective account.

HUMAN RESOURCES CONSIDERATIONS

Not applicable

ALIGNMENT WITH STRATEGIC PRIORITIES:

Not applicable

BUSINESS UNITS CONSULTED AND AFFECTED:

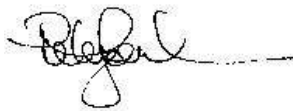
Not applicable

RECOMMENDED BY:

29/11/2011

11/28/2011

X



Peter Loukes
P.Eng Director, Environmental Services

X



Brenda Librecz
Commissioner Community & Fire Services