



Staff Report for City Manager Delegated Authority

Date: August 5, 2020
Report Number: SREIS.20.004

Department: Environment and Infrastructure Services
Division: Infrastructure Delivery Services

Subject: **SREIS.20.004 Additional Budget Request for the Reconstruction of Powell Street and Wright Street**

Purpose:

To seek City Manager's approval to increase the 2020 construction budget for the Reconstruction of Powell Street and Wright Street in order to award the tender and start construction in 2020.

Recommendation(s):

- a) That the 2020 construction budget for the Reconstruction of Powell Street and Wright Street be increased by \$650,000.

Contact Person:

Mohammad Kashani, Manager, Design and Construction, Extension 5479

Report Approval:

Submitted by:

FOR: Paolo Masaro, P. Eng., PMP
I/Commissioner of Environment and Infrastructure Services

Approved by:

Mary-Anne Dempster, City Manager

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All reports are electronically reviewed and/or approved by the Division Director, Treasurer (as required), Town Solicitor (as required), Commissioner and City Manager. Details of the reports approval are attached.

Background:

Powell Street and Wright Street from Mill Street to Hall Street, which is approximately 345m in length, are scheduled to be reconstructed in 2020 as a Local Improvement project according to the City's 2020 capital program. The scope of work includes reconstruction of the rural roads to urban standards with new asphalt pavement, curbs, gutters and storm sewers. The existing sidewalk will be reconstructed and extended. The existing road illumination will also be upgraded. In addition to the road improvements, the existing watermain will be replaced and sections of the existing sanitary sewers will be replaced due to age and condition.

In January 2020, the Notice of Intention was issued to notify the property owners of the Local Improvement process. A Public Information Drop-in Centre was held on February 10, 2020. The deadline for property owners to submit petitions was on February 24, 2020. There were sufficient petitions to support the project and Council subsequently approved the construction phase of the project on April 8, 2020. As a result, By-law number 31-20 was enacted to authorize the reconstruction of Powell Street and Wright Street as a Local Improvement project.

Bid Results and Analysis

Differences between the lowest bid and budget are primarily attributed to the construction cost inflation as a result of the restrictions and additional safety measures required in response to COVID-19.

The Request for Quotation (RFQ) for the Supply of All Labour, Materials and Equipment for the Reconstruction of Powell Street and Wright Street (RFQ-2010150) was released on June 1, 2020 and closed on June 22, 2020. A total of 6 bids were received, however one bidder did not meet the requirements for Stage 2 evaluation (i.e. Reference Projects) and was not considered for Stage 3 evaluation (i.e. Submitted Pricing).

The approved 2020 construction budget for this project is \$1,296,800. The remaining 2019 design budget is \$40,000. The total available budget for the construction phase is \$1,336,800. The Engineer's Estimate of the construction cost is \$1,235,310.

All 5 bids received are found to be higher than the available construction budget. The lowest bid is \$1,760,160, which is 42% higher than the Engineer's Estimate.

The lowest bid was analyzed by comparing to the Engineer's Estimate. It was noted that the unit prices of majority of the tender items in the lowest bid are higher than the Engineer's Estimate. The unit prices used in the Engineer's Estimate were mainly based on the historical road construction projects. The unit price differences between the lowest bid and Engineer's Estimate could be attributed to the construction cost inflation

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as a result of the restrictions and additional safety measures required in response to COVID-19.

Another possible reason for the inflated construction costs could be due to the timing of tender release. Typically, the bid prices for tenders released in Spring (i.e. prior to the construction season) are lower than the tenders that are released in Summer (i.e. during the construction season). The tender for this project was originally scheduled for April 2020. However, due to the COVID-19 pandemic, the tender was deferred to June 2020 when the construction season has already begun.

Among all the unit price differences observed, the tender items related to *Earth Excavation* have the largest difference between the lowest bid and Engineer’s Estimate. It should be noted that the existing road granular on Powell Street and Wright Street was found to be contaminated through the geotechnical investigations. The contaminated soils can only be disposed of at MECP registered receiving site. MECP recently updated the Excess Soil Management regulation. The requirements for the registered receiving site have become more stringent due to the new regulation, which could be a factor for the increased cost for contaminated soil disposal.

It should also be noted that the original construction budget did not account for sanitary sewer replacement. During the design phase, the sanitary sewer condition was reviewed and it was discovered that approximately two thirds of the existing sanitary sewers required replacement. The contingency in the original construction budget is insufficient to cover both the sanitary sewer replacement and the unforeseen inflated construction costs due to COVID-19.

In order to continue with the Local Improvement process and deliver the infrastructure improvements, it is recommended that an additional budget of \$650,000 be approved under the City Manager’s Delegated Authority as set out in Section 6.26 of the Financial Control By-Law No.114-16 to cover the various cost items as detailed in Table 1 below.

Table 1

2020 Construction Budget	\$1,296,800
Remaining 2019 Design Budget	\$40,000
Total Available Budget	\$1,336,800
Lowest Bid	\$1,760,160
10% Construction Contingency	\$176,016
Geotechnical Inspection	\$20,000
Civil Consultant Support	\$15,000
Miscellaneous	\$15,000
Total Estimated Cost	\$1,986,176

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Total Additional Budget Required (rounded to the nearest 1,000)	\$650,000
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Financial/Staffing/Other Implications:

An additional \$650,000 will need to be allocated to the Powell Street and Wright Street reconstruction. In light of Tax Supported Reserve Fund pressures, it is recommended to allocate Federal Gas Tax funds for the tax-supported portion. The revised funding is shown in Table 2 below.

Table 2

Funding Source	Design Budget	Construction Budget	Total Budget	Original Split	Request	Revised Funding	Revised Split
Cash to Capital	\$91,934	-	\$91,934	6%	-	\$91,934	4%
Transportation Network Reserve	\$85,501	\$694,200	\$779,701	49%	-	\$779,701	35%
Federal Gas Tax	-	\$135,900	\$135,900	9%	\$323,550	\$459,450	21%
Sanitary Sewer R&R	\$7,859	\$7,500	\$15,359	1%	\$195,850	\$211,209	9%
Watermain R&R	\$56,241	\$243,400	\$299,641	19%	\$86,800	\$386,441	17%
Water Quality Protection	\$27,565	\$123,600	\$151,165	10%	\$43,800	\$194,965	9%
Local Improvement	\$17,400	\$92,200	\$109,600	7%	-	\$109,600	5%
Total	\$286,500	\$1,296,800	\$1,583,300	100%	\$650,000	\$2,233,300	100%

Relationship to the Strategic Plan:

The implementation of the Powell Street and Wright Street reconstruction is aligned with Goal Two of the Strategic Plan – Better Choices in Richmond Hill by identifying and preparing for necessary infrastructure projects to support better transportation, and Goal Four of the Strategic Plan – Wise Management of Resources in Richmond Hill by serving as a role model in municipal management.

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Conclusion:

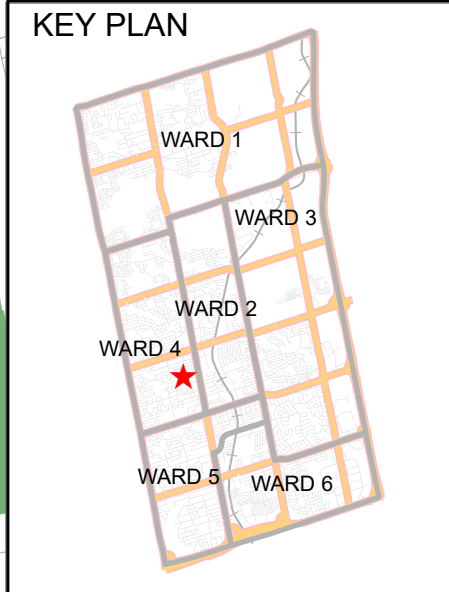
Powell Street and Wright Street Reconstruction is a Local Improvement project which has been approved by Council. The project was tendered but cannot be awarded to the lowest bidder due to insufficient budget. Staff recommends an additional \$650,000 budget be approved so that the construction phase of the Local Improvement project can be delivered.

Attachments:

- Attachment 1 – Location Map

SREIS.20.004 - Attachment 1

Reconstruction of Powell Street and Wright Street



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