



Corporation of the Municipality of Temagami

Memo No.
2016-M-021

Memorandum to Council

Staff
 Committee

Subject:	Spruce Drive Project – Project Scope
Agenda Date:	Special Council Meeting - March 23, 2016
Attachments:	1. Letter from exp dated March 22, 2016 - Spruce Drive Reconstruction Cost Saving Analysis 2. Options 4 and 5

RECOMMENDATION

1. Whereas Council directed staff to work with exp and Pedersen Construction (2013) Inc. to prepare the Articles of Agreement for the Spruce Drive Project; and whereas Council requested that a report be provided indicating the recommended items to remove from the scope of the project in order to bring the project within the original budget set for the project; now therefore be it resolved that Council acknowledges receipt of Memo No. 2016-M-021; and further that Council approve proceeding with Option 5 – to remove asphalt paving from the contract and replace with surface treatment and to shorten the limits on the side streets.
2. Be it resolved that Council authorize and direct the transfer of the “Future Improvements Town Roads” reserve into the 2016 budget for use towards the Spruce Drive Project.
3. Be it resolved that Council authorize and direct the Chief Administrative Officer and Mayor to execute all necessary contract documents for the Spruce Drive Project; And direct staff to bring a by-law to confirm the contract at the next regular meeting.
4. Whereas exp was the successful bidder on the RFP for the engineering for the spruce drive project; and whereas their hourly rates for project management were the lowest; now therefore be it resolved that council appoint exp as the project managers on this project.

BACKGROUND

Council received Memo 2016-M-012 at the Special Council Meeting held on March 3, 2016 and directed staff to work with exp and Pedersen Construction to prepare articles of agreement and bring a report back to Council on how to reduce the scope of the project in order to bring the cost down within the original budget set for the project.

Staff discussed with exp and Pedersen Construction and exp has provided the attached letter outlining options to reduce the scope of the project to lower the cost to within the budget.

INFORMATION

The 2015 budget included a total project budget of \$1,857,059 with 90% of it funded by the Province through the application based component of the Ontario Community Infrastructure Fund (OCIF). We also budgeted to use the \$25,000 received through the formula based component of the OCIF. The project budget included all construction, engineering and project management and our portion of the HST (22% of the 8% PST) that we don't get reimbursed. The bid from Pedersen Construction (2013) Inc, came in at \$2,019,719 plus HST totaling approximately \$2,055,266 after our HST rebate. The project bid includes a \$100,000 project contingency. We have charged approximately \$30,000 of

engineering fees to that project budget to date leaving an approximate shortfall of \$228,207 plus any additional engineering and project management costs.

Options for Reducing Scope

Options are outlined in exp's attached letter of March 22, 2016 with an additional option (Option 4 attached). Note that in order to reduce the cost of the project, exp has proposed to remove the \$100,000 contingency or a portion of it. I have included all options to reflect our costs after HST rebate below and excluding contingency of \$100,000:

Option 1 - \$1,797,740.47

Option 2 - \$1,823,507.02

Option 3 - \$1,879,010.61

Option 4 - \$1,998,002.45

Option 5 - \$1,742,484.72 – \$1,797,740.47

With rebate and including \$100,000 contingency:

Option 1 - \$1,899,500.47

Option 2 - \$1,925,267.02

Option 3 - \$1,980,770.61

Option 4 - \$2,099,762.45

Option 5 – \$1,844,244.72 - \$1,899,500.47

Given the direction from Council to bring back a report to reduce the scope in order to bring the project to within the original budget of \$1,857,059 and the actual tender results for the project, I must recommend Option 5, to replace paving with surface treatment and reduce the extents on the side streets. As a second option, I would recommend Option 1 as indicated by exp to remove paving and replace with surface treatment.

I also recommend that we allocate the "Future Improvements Town Roads" reserve towards this project in order to maintain a contingency. The reason for this is to allow the project to proceed without having to come back to Council for each change order in the event that issues arise during the project. Coming back to Council for each change order slows down the project and depending on the urgency of the issue, may stop the project until such time as the change order is approved by Council.

I would also recommend that the Municipality engage exp in the project management and contract administration for the Spruce Drive project. They were hired using a RFP process and were found to have the lowest rate at the time. Part of the reasoning behind hiring them for the engineering and tendering was due to their rates and that if we were to proceed with them for the contract administration, their rates would be favorable going forward.

Budget

The original budget for the project was estimated at \$1,857,059. Incurred \$51,796.17 for design and tender and geotechnical study leaving \$1,805,262.83 remaining.

We have populated a reserve called "Future Improvements Town Roads" which currently has \$110,000 in it. This amount has been collected over the past few years to use towards future road improvements such as the Spruce Drive Project. If we add this reserve to use towards the project, we will have \$1,915,262.83 remaining towards the project.

Project management and contract administration is estimated to cost \$86,215 plus HST (\$11,207.95) for a total of \$97,422.95. Actual factoring our HST rebate is \$87,732.38. Updated cost including Project Management and Contract Administration below:

With rebate and including \$100,000 contingency Project Management and Contract Administration:

Option 1 - \$1,987,232.85

Option 2 - \$2,012,999.40

Option 3 - \$2,068,502.99

Option 4 - \$2,187,494.83

Option 5 – \$1,931,977.10 - \$1,987,232.85

Project Scope

The original scope of the Spruce Drive project is replace water and sewer mains, replace road base and bring to industry standard and road including pavement, ditching to appropriate grade (deeper in most cases), replace all affected service connections and fire hydrants and repair driveways affected by construction.

Items brought forward during tender preparation and included in the tender documents were increasing construction limits on most side streets, realigning Goward Avenue to go around the pump station compound, removing the faulty fire hydrant in the arena parking lot and placing it near the entrance to the parking lot and installing a valve on Cedar Avenue to isolate the feed to the standpipe.

Other items brought forward during tender preparation and not included in the project were reduction in size of watermain from 8" to 6".

Possible Concerns

Reducing the surface from pavement to surface treatment could be considered a downgrade and may not be popular with residents. The option of using surface treatment will make difficult to use the grader in the townsite as the surface can be damaged by the weight of the equipment the blades used for snow removal.

Prepared and Submitted by:

Reviewed by:



Patrick Cormier, Chief Administrative Officer

Name, Position

Attachment 2 to Memo 2016-M-021

Option 4

There is another option (referred to in this memo as Option 4) that is a combination of some of the options in exp's letter. It would include shortening the limits of construction on the side streets but including all of Spruce Drive (starting near the tracks). Using the values in Option 2 of exp's letter, this would result in a contract savings of \$54,300.06.

Street	Old Limit	New Limit	Length Removed	Value Removed
Birch Street East	3+014	3+042	28.38	\$19,065.74
Birch Street West	3+018	3+028	10.45	\$7,018.72
Hazel Street	5+014	5+024	10.00	\$6,718.00
Cedar Street	4+047	4+015	32.00	\$21,497.60

Original contract price with HST and \$100,000 contingency is \$2,282,282.47.

Original contract price without HST and without \$100,000 contingency is \$1,919,719.

Contract price revised with Option 4 without HST and without \$100,000 contingency is \$1,865,175.36.

Contract price revised with Option 4 with HST (\$242,472.80) and without \$100,000 contingency is \$2,107,648.16.

Contract price revised with Option 4 with HST (\$255,472.80) and with \$100,000 contingency is \$2,207,648.16.

Option 5

A combination of Option 1 and Option 4. Surface treatment and shortening the limits of construction on the side streets but including all of Spruce Drive (starting near the tracks). This would result in a contract savings of between \$153,071.03 and \$207,371.09.

Original contract price with HST and \$100,000 contingency is \$2,282,282.47.

Original contract price without HST and without \$100,000 contingency is \$1,919,719.

Contract price revised with Option 5 without HST and without \$100,000 contingency is between \$1,712,347.41 and \$1,766,647.47.

Contract price revised with Option 5 with HST (\$222,605.16 – \$229,664.17) and without \$100,000 contingency is between \$1,934,952.57 and \$1,996,311.64.

Contract price revised with Option 5 with HST (\$235,605.16 – \$242,664.17) and with \$100,000 contingency is between \$2,047,952.57 and 2,109,311.64.