



THE CORPORATION OF THE CITY OF COURTENAY

STAFF REPORT

To: Council
From: Director of Engineering Services
Subject: Sandwich Watermain Funding Reallocation

File No.: 5335-20
Date: June 28, 2023

PURPOSE:

The purpose of this report is to secure the additional funds required to complete the Sandwich Watermain Upgrades project by reallocating \$203,250 from the Water Utility Operating Fund into the Sandwich Watermain Upgrades Capital project budget in 2023.

BACKGROUND:

The Sandwich Watermain Upgrades project was identified by city staff as a necessary capital expenditure due to insufficient fire hydrant coverage in existing north Courtenay residential neighbourhoods. This project will ensure that the neighbourhood meets provincial regulatory design standards for the coverage area of a fire hydrant in relation to occupied buildings.

These neighbourhoods, once serviced by the Sandwich Water District supply system, were connected to the City of Courtenay water distribution system in recent years, through the Sandwich Water Conversion project. Analysis of these newly connected water distribution networks indicated insufficient number of fire hydrants and lack of capacity to deliver the necessary water flow rate for additional fire hydrants.

The project work consists of the installation of six new fire hydrants with the necessary upgrade of the supporting watermains and property service connections. Detailed design was carried out in 2022 with the creation of a Class B cost estimate. This estimate was used to secure the \$1,376,500 project budget in the 2023 five year capital plan, with council direction to proceed into construction for the project in 2023. Later, in spring of 2023, a more refined Class A cost estimate confirmed the validity of the Class B estimate used for budgeting, with their two values being within 1% of one another. With this information, the City felt confident proceeding to tender with available budget.

DISCUSSION:

Construction tender bidding closed on June 8, 2023. All received bids have exceeded the allocated 2023 budget, with the lowest being \$203,250 over. The three lowest bid values are within 10% of each other providing a strong indication of the current market rates, and that the received bid pricing is fair. The following table summarizes the tender results.

Tenderer	Tender Price (excl. GST)
Hazelwood Construction Services Inc.	\$1,261,455.26
Edgett Excavating Ltd.	\$1,270,660.00
Copcan Holdings Ltd.	\$1,382,542.25
Ridgeline Mechanical Ltd.	\$1,941,549.52

The estimate created during detailed design phase was based on actual 2022 construction prices, escalated to the 2023 year, with a 30% contingency added for the degree of design accomplished at the time of 2023 financial planning. Construction market cost rates have been volatile in recent years following the COVID-19 pandemic and have yet to settle into predictable trends.

Removing project scope was considered to bring the project into alignment with the 2023 budget. However, this leaves the remaining necessary project work to be completed in a later year, potentially exposing the works to further escalation and/or inflation. Further, carry-over projects with smaller scope often receive reduced interest from contractors, and therefore less competition and worse pricing. Therefore, budget reallocation is recommended to complete the project in its entirety this year.

The estimated project costs compared to the actual costs received in bidding are summarized in the table below.

Project Budget Item	Estimated Project Budget	Revised Project Budget	Difference
Finalize Detailed Design and Tender Prep	\$11,423.09	\$11,423.09	\$0.00
Construction Costs	\$937,490.00	\$1,261,455.26	\$323,965.26
Construction Admin (Consulting)	\$100,000.00	\$100,817.00	\$817.00
Contingency	\$327,586.91 ¹	\$206,054.30 ²	-\$121,532.61
Total	\$1,376,500.00	\$1,579,749.65	\$203,249.65

1: 30% Contingency on Construction and Consulting Admin Costs for 2023 budgeting

2: 15% Contingency on market received Construction and Consulting Admin Costs

After receiving fair market pricing through competitive bidding, the revised project budget total is \$1,579,750 which includes a 15% contingency. With the previously allocated budget of \$1,376,500, there remains a discrepancy of \$203,250 needed to complete the entire project work.

Staff recommend the reallocation of \$203,250 from the Water Utility Operating Fund to the capital project budget.

FINANCIAL IMPLICATIONS:

The 2023-2027 Water Fund Financial Plan was approved by council in May, 2023 which included the \$1,376,500 water capital budget allocated for the Sandwich Watermain Upgrades project.

The Water Utility Operating Fund currently has \$5,920,905 available funding. It is proposed that the additional \$203,250 required to complete the Sandwich Watermain Upgrades project in its entirety be reallocated from the Water Utility Operating Fund.

ADMINISTRATIVE IMPLICATIONS:

The Sandwich Watermain Upgrades project is being led by Engineering Services, with support from other City Departments. Consultants with technical knowledge specific to this work have been utilized in developing the detailed design and to support the administration of the construction contract. The estimated costs associated with external consultants are included in the project budget.

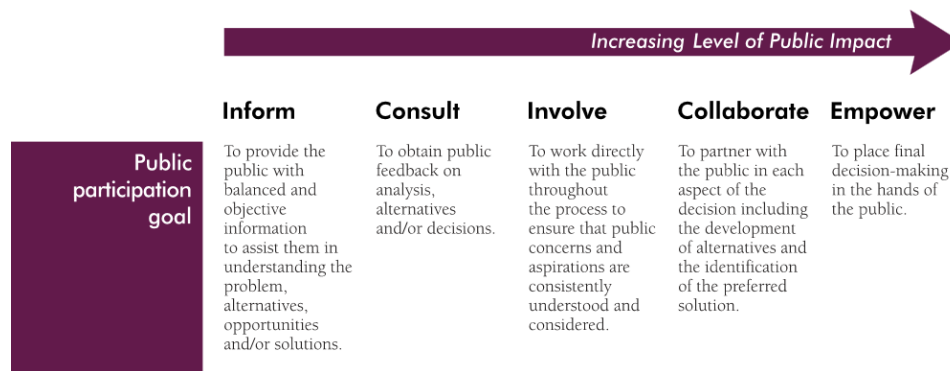
STRATEGIC PRIORITIES REFERENCE:

This recommendation addresses the following strategic priority:

- Public Safety - Build capacity for emergency planning and local response

PUBLIC ENGAGEMENT:

Staff would Inform the public based on the IAP2 Spectrum of Public Participation:



© International Association for Public Participation www.iap2.org

OPTIONS:

1. THAT Council direct staff to reallocate \$203,250 from the Water Utility Operating Fund into the Sandwich Watermain Upgrades capital project fund in 2023.
2. THAT Council provide alternative direction to staff.

Prepared by: Garret Wright, Engineering Technologist
Reviewed by: Chris Davidson, P.Eng, PMP, Director of Engineering Services
Reviewed by: Adam Langenmaier, BBA, CPA, CA, Director of Financial Services (CFO)
Concurrence: Geoff Garbutt, M.PI., MCIP, RPP, City Manager (CAO)