

5

AWARD OF CONSTRUCTION SERVICES CONTRACT FOR THE SOUTHEAST COLLECTOR SANITARY TRUNK SEWER PROJECT

The Environmental Services Committee recommends the adoption of the recommendation contained in the following report dated June 1, 2011, from the Commissioner of Environmental Services.

1. RECOMMENDATION

It is recommended that this report be received for information.

2. PURPOSE

This report seeks to inform Council of the low bid in the amount of \$290,639,439 excluding taxes submitted by Strabag Inc. for the Southeast Collector Sanitary Trunk Sewer construction contract and to notify Council that award of the contract will proceed upon resolution of the Provincial Annual Repayment Limit financial requirements.

3. BACKGROUND

Four contractors were pre-qualified to bid on the contract

Due to the complexity and planned value of the Southeast Collector Sanitary Trunk Sewer Project, four general contractors were pre-qualified to bid on the sewer project. The pre-qualification process enabled identification of contractors with experience completing earth pressure balance tunneling projects exceeding \$100,000,000. The following four firms were qualified to submit tenders:

- Dragados Canada Inc./Technicore Underground Inc. (Construction Joint Venture)
- Jay Dee Contractors Inc. and Michels Canada Co. (Joint Venture)
- Kiewit Corporation, McNally International Inc. and AECON Constructors, a division of AECON Construction Group Inc. (Joint Venture)
- Strabag Inc.

Southeast Collector construction contract was tendered with several innovative approaches

To ensure contractor interest and competitive bids for this critical project, many innovative approaches were adopted by the project team and reflected in contract specifications. Application of these innovative approaches resulted in moving some activities into owner control instead of assigning them to the contractor as is common

procurement practice. This assignment of work activities was based on a detailed consideration of which party (i.e. owner or contractor) was in the best position to manage risk associated with carrying out some project activities. By retaining control of selected activities, the Region is better positioned to ensure execution according to regulatory permits and the stringent reporting conditions imposed on the project. This also facilitated competitive bids on the construction tender. By removing activities that are typically subcontracted by the construction contractor, the Region avoided risk and cost premiums.

Advanced procurement has optimized construction duration

To mitigate protracted timelines associated with procurement of specialized equipment and materials, the Region completed advanced procurement of time sensitive equipment, materials and infrastructure improvements prior to tendering the main contract. Examples of work already underway or completed include:

- Procurement of tunnel boring machines
- Procurement of precast concrete segmental tunnel liners
- Pre-purchase of inorganic biofilter equipment for the odour control facility
- Upgrade of haul roads to be used by the contractor in York and Durham Regions
- Archeological investigations and pre-clearance of shaft sites
- Relocation of utilities and installation of power supply to all mining sites

Proactively commencing and completing these activities with the support of the Southeast Collector Team has reduced schedule risk during construction by ensuring principle equipment and materials are ready for shipping to project sites as soon as required by the contractor. This advance work has resulted in a project expenditure of approximately \$70,000,000 to date.

Completion of the Southeast Collector project is necessary to accommodate continued growth

The major constraint to permit growth beyond 2013 is conveyance capacity limitations in the existing Southeast Collector Trunk Sewer. Currently, local municipalities have an ability to maintain their forecast growth rates beyond 2013 into 2014 which is in line with the current targeted commissioning date for the new Southeast Collector Trunk Sewer. This schedule is premised upon contract award in June 2011. Timely commencement of this contract is necessary to ensure capacity requirements are met and to ensure targeted growth rates are not affected.

4. ANALYSIS AND OPTIONS

Four compliant bids were received for Contract T-09-61 and bids remain valid until September 2, 2011

The project was tendered on January 18, 2011 and closed on May 6, 2011. A summary of bids received is provided in Table 1.

Table 1
Southeast Collector List of Bidders and Bid Amounts

Firm	Bid Amount (\$)
Strabag Inc	290,639,439
Dragados Canada Inc./Technicore Underground Inc.	312,881,985
Kiewit Corporation, McNally International Inc. and AECON Constructors	313,846,000
Jay Dee Contractors Inc. and Michels Canada Co.	395,766,000

Note: Bids remain valid until September 2, 2011

The current project schedule, which calls for commissioning of the sewer in late 2014, is based upon award of the contract by the end of June 2011. Further delay of award will impede the contractor's ability to complete the work per the planned construction schedule.

5. FINANCIAL IMPLICATIONS

Southeast Collector project is forecasted to be completed within existing total project budget authority

The 2011 Council approved Total Project Budget Authority for the Southeast Collector Sanitary Trunk Sewer Project is \$546,087,000. On the basis of the low bid received, the Southeast Collector Project is forecasted to be completed within the existing total project budget authority. Award of the contract will proceed upon resolution of Provincial Annual Repayment Limit financial requirements.

6. LOCAL MUNICIPAL IMPACT

The Southeast Collector Sanitary Trunk Sewer Project is a critical infrastructure component that will provide necessary wastewater capacity for growth across the Region. Construction of the Southeast Collector is required to support forecasted growth within the Region, as established by *Places to Grow* and reflected in the Region's Official Plan (June 2009). The plan establishes forecasts for each local municipality for the plan period. Further, as envisioned in the Province of Ontario's *Growth Plan for Greater Golden Horseshoe* (2006), there will be a requirement to service 1.5 million people and an employment population of 800,000 people by year 2031. To achieve this, a new Southeast Collector Sanitary Trunk Sewer is required to be in service by 2014 to provide sanitary servicing capacity for continued growth in York Region to 2036 as identified in the Region's Official Plan.

7. CONCLUSION

Four tenders for this project were received and evaluated in accordance with Regional procedures. It is recommended that Strabag Inc. be awarded the Southeast Collector Sanitary Trunk Sewer construction contract in the amount of \$290,639,439 excluding taxes. Award of the contract cannot occur until after resolution of the Provincial Annual Repayment Limit financial requirements.

For more information on this report, please contact Daniel Kostopoulos, Director, Capital Planning and Delivery, Environmental Services at (905) 830-4444 Ext. 5070.

The Senior Management Group has reviewed this report.