

REGIONAL DISTRICT OF NANAIMO

**SPECIAL BOARD MEETING
TUESDAY, JULY 12, 2011**

**CIRCULATED REPORT
FOR AGENDA**

PAGES

ADMINISTRATOR'S REPORTS

2-4 Nanoose Bay Fire Hall Construction. (All Directors – One Vote)



**REGIONAL
DISTRICT
OF NANAIMO**

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BOARD	✓ July 12/11

MEMORANDUM

TO: C. Mason
Chief Administrative Officer

DATE: July 11, 2011

FROM: W. Idema
Acting General Manager, Finance & Information Services

FILE:

SUBJECT: Nanoose Bay Firehall Construction Tender Results

PURPOSE:

To provide information regarding the tender results and obtain approval to negotiate with the lowest qualified bidder for the general contractor work for the Nanoose Bay Firehall project.

BACKGROUND:

In March 2011, the Board approved borrowing bylaws allowing for up to \$3.2 million to be borrowed as long term debt for the construction and related work of the Nanoose Bay Firehall. Tendering of the Nanoose Bay Firehall construction in conjunction with the Nanoose Bay Water Treatment Plant construction occurred between May 3 and June 8, with bids received for construction of each project separately and as a joint project. The results indicated a lower price could be obtained by completing the two projects separately, and a total of six responses related to the firehall were received as follows.

W.J. Murphy Contracting Ltd	\$2,937,935
C&M Development Inc	\$3,030,614
Windley Contracting Ltd.	\$3,070,111
Saywell Contracting Ltd	\$3,099,890
AFC Construction	\$3,159,511
Maple Reinders Inc	\$3,531,000

All of the bid submissions were compliant with respect to a bid bond and evidence of labour and materials performance bonds.

The estimated budget for this construction component of the project based on consultant advice was \$2,733,260 with \$226,722 allowed for a contingency. The lowest bid received was from W.J. Murphy Contracting Ltd; however, at \$2,937,935 it exceeds the budget estimate by \$204,675 excluding any contingency estimate. Additionally, our consultant, Johnston Davidson Architecture + Planning have advised that a 10% construction contingency of \$293,793 should be allocated due to the nature of the construction with possible unknown issues arising during demolition of the existing structure. Including a 10% contingency results in the actual construction tender plus contingency estimate totalling \$3,231,728 which exceeds the original budget by \$271,746.

Although the total borrowing authorization for the project is \$3.2 million, that amount includes this construction component as well as consultant fees, permit and development cost charge fees, landscaping, other equipment and insurance costs.

ALTERNATIVES:

1. To reject all bids for the Nanoose Bay Firehall construction tender and to direct staff and the project consultants to approach the lowest qualified bidder that is prepared to negotiate, to determine whether project requirements and bidder price can be negotiated to ensure the project cost is within the established budget and borrowing authority.
2. To reject all bids for the Nanoose Bay Firehall construction tender and retender the project with reduced scope.
3. Provide alternate direction to staff.

FINANCIAL IMPLICATIONS:

Alternative 1

If the Board selects Alternative 1, all bids for the project will be rejected and staff will work with project consultants and the current lowest qualified bidder (W.J. Murphy Contracting Ltd) to reduce the scope of the project.

Discussions have been held with Johnston Davidson Architecture + Planning as well as representatives of the fire department, and all parties have agreed that if the lowest bidder is willing to negotiate its price, it is possible to reduce the project scope accordingly to complete the project within budget. Based on the price submitted by the lowest qualified bidder, this will result in a reduction of \$250,000 to \$270,000 to be in line with construction budget estimates of \$2,733,260 plus contingency.

As well, Nanoose Bay Fire Department volunteers have expressed a willingness to carry out some of the work themselves in order to ensure the project can be completed as planned.

Alternative 2

Advice from consultants indicates that it is feasible to reduce project scope and remain within budget, and that it is standard practice to negotiate with the lowest bidder to restructure the specifications to meet the budget estimates. As such staff believe that retendering the project would result in greater costs and delays than to proceed with Alternative 1.

SUMMARY/CONCLUSIONS:

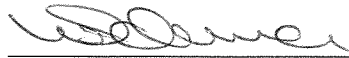
Tendering of the Nanoose Bay Firehall construction in conjunction with the Nanoose Bay Water Treatment Plant construction occurred between May 3 and June 8, with bids received for construction of each project separately and as a joint project. The results indicated a lower price could be obtained by completing the two projects separately, and a total of six responses related to the firehall were received.

The tender values were all higher than the budget estimate of \$2,733,260 with W.J. Murphy Contracting Ltd having the lowest bid at \$2,937,935. With the inclusion of a 10% construction contingency, total estimated costs based on tender results exceed the budget estimate by \$271,746.


Discussions have been held with Johnston Davidson Architecture + Planning as well as representatives of the fire department, and all parties have agreed that if the lowest bidder is willing to negotiate its price, it is possible to reduce the project scope accordingly to complete the project within budget. As well, Nanoose Bay Fire Department volunteers have expressed a willingness to carry out some of the work themselves in order to ensure the project can be completed as planned.

RECOMMENDATIONS:

1. That all bids for the Nanoose Bay Firehall construction tender be rejected; and further;
2. That staff and the project consultants be directed to approach the lowest qualified bidder that is prepared to negotiate, to determine whether project requirements and bidder price can be negotiated to ensure the project cost is within the established budget and borrowing authority.



Report Writer



C.A.O. Concurrence