14
CONTRACT VALUE INCREASE
TRAFFIC SIGNAL AND STREETLIGHTING MAINTENANCE

The Transportation Services Committee recommends the adoption of the recommendation contained in the following report dated September 8, 2010, from the Commissioner of Transportation Services.

1. RECOMMENDATION

It is recommended that:

1. Regional Council approve an increase in the contract value of $1,500,000 for traffic signal and streetlighting maintenance to Stacey Electric Company Limited from $9,153,197.54 to $10,653,197.54 excluding taxes.

2. PURPOSE

This report seeks Regional Council authorization to increase Contract T-08-05 for traffic signal and streetlighting maintenance.

The Region's Purchasing By-law requires Regional Council authorization to increase the value of a purchase order in excess of 15% for contingencies and 20% for additional scope activities. The original traffic signal and streetlighting maintenance contract value has already been increased by 35% through delegated Regional staff authority (20% scope change and 15% contingency). An additional $1.5M increase is required in order to continue with traffic signal and streetlighting maintenance activities through to the end of the existing contract in March 2011.

3. BACKGROUND

Stacey Electric Company Limited was awarded contract T-08-05, for traffic signal and associated streetlighting maintenance which commenced April 1, 2008 and expires March 31, 2011 based on their low bid price of $6,780,146.32.

In June 2010, Regional staff activated the 20% scope change, permitted under the Purchasing By-law, to increase the contract value by $1,356,029 to a new total of $8,136,176. In August 2010, the contract was further increased by the 15% contingency allotment for a new total of $9,153,197.54.

An additional increase in the contract value, beyond the authority permitted by the Purchasing By-law, is necessary in order to continue with traffic signal and streetlighting maintenance to the end of the current contract in March of 2011.

The total contract value increase from the low bid of $6,780,146.32 to the end value of $10,653,197.54 is $3,873,051.22 or 57% of the original contract value.

Within the scope of this contract, the contractor is required to carry out routine and emergency maintenance service of traffic signal and streetlighting equipment on a 24-hour, seven day a week basis.

4. ANALYSIS

Actual spending on traffic signal and streetlighting maintenance is expected to exceed the initial contract value by approximately $3.8M over a three year period. This increase in cost is due to an increase in the number of maintenance activities being performed that were not anticipated when the original contract was issued in April of 2008.

The increase in cost is due to higher than anticipated need for transit signal priority repairs, electrician labour, pay duty police for traffic control and traffic signal pole replacements

The tender for this contract is structured as a series of bid unit prices for which the contractor was required to assign fixed dollar amounts for labour, equipment and materials necessary to undertake traffic signal and streetlighting repairs in the Region. In preparation of the tender documents, Regional staff estimates quantities for each item in the contract based on past experience. The total contract value is determined based on the bid unit prices submitted by the contractor and the quantities for each item estimated by staff.

All invoicing submitted by the contractor conforms to the bid unit prices as specified in the contract documents. The increase in the total contract value is a direct result of an underestimation by staff of the quantities for several of the items.

All participating contractors submitted bid unit prices based on the same estimated quantities. The increase in the total contract value is due to an increase in quantities and not a change in any bid unit pricing within the contract.

Table 1 summarizes the estimated and actual quantities for some of the more significant cost bid items contained in the traffic signal and streetlighting maintenance contract. It should be noted that the total added cost shown in the table is more than the increase being asked for because some bid item quantities in the tender documents were over estimated.

The largest increases in quantities were for transit signal priority maintenance, labour and pay duty police costs.

Table 1
Estimated and Actual Traffic Signal and Streetlighting Maintenance Quantities and Associated Costs

Item	Estimated Quantity*	Price	Actual Quantity	Price	Approximate Added Cost
Transit Signal Priority Repairs	255	$3450	400	$3450	$500,000
Labour (Electricians)	11,500 hours	$61.73	18,000 hours	$61.73	$400,000
Pay Duty Police	6,000 hours	$50	13,000 hours	$50	$350,000
Red/Red Conflict Flash Conversions	0	N/A	750	N/A	$200,000
Pole Replacements	380	$1500	460	$1500	$120,000
Audible Pedestrian Signals	24	$1785	80	$1785	$100,000
Pedestrian Countdown Signals	20	$289.00	280	$289.00	$75,000
					$1,745,000

*** Estimated quantities reflect original contract plus additions made under delegate staff authority for scope change and contingencies.**

Staff considered options to terminate the existing contract early versus extending the contract value

Regional staff considered two options to address the over expenditures on this contract. One possibility was to terminate the existing contract early. The original contract value was approximately $6.7M dollars for a 36-month term. Based on current spending projections, the total $6.7M contract value was exceeded by the end of May 2010. By activating the 20% scope change allowable under the Region’s Purchasing By-law, the new contract value of $8.1M is expected to be exceeded by the end of September 2010. The additional 15% contingency increased the value to $9.1M which will carry the contract through to the end of December 2010. The existing contract is scheduled to expire in March of 2011.

Terminating the existing contract early is not recommended due to:

- Legal implications of terminating an on-going service contract and retaining a second contractor before the existing contract expires.
- Evidence that the current over-expenditures are not related to any inappropriate activity by the existing contractor.
- Timelines required to prepare and issue new contract documents.
- Unit prices in the contract are fixed and based on bid items competitively tendered in 2008
- Traffic signal and streetlighting maintenance costs are not expected to decrease under a new contract.

Extending the contract value of the existing contract with Stacey Electric Company Limited is the preferred alternative.

Anticipated spending on traffic signal and streetlighting maintenance until the end of the current contract is based on average monthly costs over the first two years of the contract

Average monthly spending for traffic signal and streetlighting maintenance has been approximately $325,000. The current contract value, as increased through delegated staff authority, is expected to exceed its current limit by the end of December 2010 leaving three months of maintenance work unfunded. This gap requires an additional $975,000 in funding to take the existing maintenance contract to the end in March of 2011. In order to ensure we have sufficient purchasing authority to run the contract to completion, we are requesting an additional $1.5M in the contract value.

During the next several months, Regional staff will be preparing and tendering a new contract for traffic signal and streetlighting maintenance which will commence on April 1, 2011 once this contract has expired.

5. FINANCIAL IMPLICATIONS

Funds for traffic signal and streetlighting maintenance will be included within the Transportation Services 2011 Business Planning and Budget process.

6. LOCAL MUNICIPAL IMPACT

There are no local municipal impacts associated with this report. Traffic signal and streetlighting maintenance provides timely response to emergency maintenance requirements on a 24-hour, seven day a week basis. In addition, preventative maintenance is completed to minimize emergency maintenance requirements.

7. CONCLUSION

The contract T-08-05 for traffic signal and streetlighting maintenance carried out by Stacey Electric Company Limited should be increased by $1.5M from $9,153,197.54 to $10,653,197.54 excluding HST in order to ensure the continuous provision of traffic signal and streetlighting maintenance services in the Region.

For more information on this report, please contact Steven Kemp, Director, Traffic Management and Intelligent Transportation Systems at extension 5226.

The Senior Management Group has reviewed this report.