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<b>TO:</b>	<b>GENERAL COMMITTEE</b>
<b>SUBJECT:</b>	<b>FUNDING REQUEST FOR DUCKWORTH STREET NEW TRANSMISSION WATERMAIN AND ROW EXPANSION (PROJECT EN1166)</b>
<b>WARDS:</b>	<b>1 AND 2</b>
<b>PREPARED BY AND KEY CONTACT:</b>	<b>D. FOX, P. ENG., ENGINEERING PROJECT MANAGER, EXT 4301</b>
<b>SUBMITTED BY:</b>	<b>S. DIEMERT, P. ENG., DIRECTOR OF INFRASTRUCTURE</b>
<b>GENERAL MANAGER APPROVAL:</b>	<b>B. ARANIYASUNDARAN, P. ENG., GENERAL MANAGER OF INFRASTRUCTURE AND GROWTH MANAGEMENT</b>
<b>CHIEF ADMINISTRATIVE OFFICER APPROVAL:</b>	<b>M. PROWSE, CHIEF ADMINISTRATIVE OFFICER</b>

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### **RECOMMENDED MOTION**

1. That the approved budget for project EN1166: Duckworth Street New Transmission Watermain and ROW Expansion (the "Project") for 2024, be increased by \$2,425,000 with the funding sources outlined in the Financial section of Staff Report INF006-23.

### **PURPOSE & BACKGROUND**

#### **Report Overview**

2. Project EN1166 will fully reconstruct Duckworth Street and replace all underground infrastructure from Melrose Avenue to Bell Farm Road including watermain, storm sewers and sanitary sewers. The Project also includes new pavement, sidewalks, traffic signals, streetlights, and bike lanes from St. Vincent Street to Bell Farm Road.
3. The purpose of this report is to request additional project funds to proceed with awarding the construction contract for the Project.
4. The Project was tendered for construction in March 2023 and closed on April 19, 2023. The lowest bid for Duckworth Street is \$13.8 million.
5. The lowest bid is approximately \$2 million more than the construction estimate used to develop the 2023 Capital Budget.
6. The Additional budget of \$2,425,000 is required to address the shortfall and build in additional contingencies for the construction phase.

### **ANALYSIS**

7. The budget in the approved 2023 Capital Budget was based on engineer's cost estimates available in May 2022.

8. The engineer's estimate was based on the best available information from historical bid prices and as is typical, it did not account for escalation in prices past January 2022.
9. The Project underwent design changes after preparation of the 2023 Capital Budget which expanded the stormwater management scope to meet current Regulatory requirements.
10. Additionally, the construction industry has experienced higher than expected inflationary increases in the past two years with increases over 10% in each of the last 2 years. While the City's budget process adjusts for inflation on a yearly basis, 10% increases in two consecutive years has resulted in bid prices that were significantly higher than the budgets included in the 2023 Capital Plan.
11. Though higher than the pre-tender estimate, the lowest bid still provides value to the City for the planned work. It is noted that the second lowest bid was \$16 million.

#### **ENVIRONMENTAL AND CLIMATE CHANGE IMPACT MATTERS**

12. The following environmental and climate change impact matters have been considered in the development of the recommendation:
  - a) The Project will replace aging infrastructure and improve accessibility for cyclists and pedestrians on Duckworth Street.

#### **ALTERNATIVES**

13. The following alternatives are available for consideration by General Committee:

##### **Alternative #1**

General Committee could choose to alter the recommended motion by not approving the additional funding required to continue with the award of the Project.

- a) This alternative is not recommended as investments have been made in preparatory works such as utility relocations and tree clearing that have already disturbed the area. Any deferral would delay much needed replacement of aging infrastructure. Additionally, given that the second lowest bid of \$16 million is 16% more than the lowest bid, deferring the project could result in even higher costs in the future, with current inflation rates.

#### **FINANCIAL**

14. Project EN1166 (Duckworth Street New Transmission Watermain and ROW Expansion) is included in the 2023 approved capital budget. A total project budget of \$23,039,000 is required to cover all costs associated with construction, contract administration, staff time and contingencies. Therefore, an additional \$2,425,000 is required to move forward with the project.
15. The 2024 Capital Project budget adjustments are as follows:
  - a) The EN1166.23.10 – New Road Construction be increased by \$1,425,000
  - b) The EN1166.23.22 – New Storm Construction be increased by \$600,000
  - c) The EN1166.23.26 – New Sanitary Construction be increased by \$400,000

16. The current and proposed funding plan for the Project are shown in the table below along with the impact of the proposed changes:

Funding Source	Current	Proposed	Change
Debenture Proceeds - DCs	\$8,304,164	9,672,414	\$1,368,250
DC Roads Reserve	\$2,026,702	\$2,026,702	\$0
DC Water Dist FMB Reserve	\$944,640	\$944,640	\$0
Tax Capital Reserve	\$6,104,721	\$6,933,471	\$828,750
Wastewater Capital Reserve	\$1,665,697	1,893,697	\$228,000
Water Capital Reserve	\$1,568,076	\$1,568,076	\$0
<b>Total</b>	<b>\$20,614,000</b>	<b>\$23,039,000</b>	<b>\$2,425,000</b>

**LINKAGE TO 2022-2026 STRATEGIC PLAN**

17. The recommendations included in this Staff Report support the following goals identified in the 2022-2026 Strategic Plan.
- ☒ Community Safety
  - ☒ Thriving Communities
  - ☒ Infrastructure Investments
18. The Project will upgrade City infrastructure and make Duckworth Street more accessible for pedestrians and cyclists as well as improve safety for the motoring public and residents along Duckworth Street.