

**REPORT TO ELECTORAL AREAS COMMITTEE
MEETING OF WEDNESDAY, JUNE 12, 2019**

**SUBJECT TRANSFER FROM CAPITAL RESERVE AND COMMUNITY WORKS FUND, TO
FULFORD WATER MAIN REPLACEMENT PROJECT**

ISSUE

To consider transferring sufficient funds from the Capital Reserve Fund and Community Works Fund to the project budget for the Fulford Water Main Replacement project.

BACKGROUND

The Fulford Water Utility is a semi-rural residential community located on Salt Spring Island. The Fulford Water Utility is comprised of 102 parcels of land with 91 of those parcels connected. Within those 91 parcels, there are 95 single family equivalents (SFE) as the use on some parcels represent more than one dwelling. The Fulford water system is comprised of a water treatment plant (WTP), water reservoir, pump station, various ancillary equipment, and distribution water mains.

One of these water mains is located along Morningside Rd, and crosses under Weston Creek. This water main is 4" diameter asbestos cement pipe. Unfortunately the section of pipe that crosses the creek has become exposed (no longer covered by fill material). This leaves the water main vulnerable to an increased chance of failure, and potentially to tampering/vandalism.

A design was completed to remove a 10 meter section of the water main (including the exposed section), and to install a new section of pipe deeper in the ground and sufficiently bedded.

On May 13, 2019 the Fulford Water Service Commission passed the following motion:

"That the Fulford Water Service Commission recommends to the Electoral Areas Committee that the Capital Regional District Board amend the Five Year Financial Plan to include additional funding for the Fulford Water Main Replacement project, and that \$12,100.00 be allocated from the Capital Reserve Fund in 2019 to fund the project, and that an application for \$11,500.00 from the Community Works Fund be made and subsequently allocated in 2019 to fund the project."

PROCUREMENT

An Invitation to Tender (ITT) procurement process was completed on Friday February 15th, 2019 (SSI 2019-003), for construction services, and four bids were received. All four bids were compliant with the ITT requirements, and are summarized below:

Contractor	Bid Total
Saanichton Development Ltd.	\$94,047.62
Ecklundson Construction Ltd.	\$56,606.35
Leuco Construction Inc.	\$53,986.04
IWC Excavation Ltd.	\$33,024.88

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In addition, CRD IWS Operations was approached to determine if they could take this work on, and what their estimated costs would be. Their cost estimate is summarized below:

Contractor	Estimated Total Cost
CRD IWS Operations	\$15,000.00

PROJECT BUDGET

Existing project budget and expenditures/commitments to date are as per below:

	Budget	Actuals	Remaining
Pre-Design	\$ 4,500.00	\$ 7,400.00	\$ (2,900.00)
Detailed Design and Admin	\$ 15,500.00	\$ 28,000.00	\$ (12,500.00)
Construction	\$ 17,000.00	\$ 0.00	\$ 17,000.00
Totals	\$ 37,000.00	\$ 35,400.00	\$ 1,600.00

Project budget overruns for Pre-Design, Detailed Design and Admin, can be attributed to unforeseen complexities around permitting and regulatory requirements. These regulatory requirements further complicated design and project administration, compounding the budget shortfall. Regulatory agencies involved in this project include Island Health Authority, Ministry of Transportation and Infrastructure, and Ministry of Forests Lands and Natural Resources. The above mentioned unforeseen complexities resulted from the combination of complicating factors: cutting/removing an asbestos cement pipe, which happens to be a water main, in a stream bed, on Ministry of Transportation right of way.

Further reasons for budget shortfall include unplanned administration costs for a rejected construction services procurement process in 2018, and costs associated with staff preparing for and attending the subsequent Electoral Area Services Meeting.

PROJECT FUNDING

Construction bids were higher than originally budgeted for in 2016. This is due again, to the unforeseen complexities around permitting and regulatory requirements, which have translated into more onerous construction practice requirements. Additionally, an incredibly busy construction market has driven costs for materials and labour much higher than originally anticipated.

To support this work, staff will make an application for additional funding. The Electoral Area Director has proposed a contribution of up to \$50,000 from the Community Works Fund to cover eligible costs of the water main replacement project. The proposed works meet the CWF Agreement terms. However internal staff time (for example CRD IWS Operations personnel, or CRD Admin) is not eligible. Parts and materials needed to complete the work are eligible.

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The estimated costs to complete construction (and the project) are detailed in the table below:

	CWF Eligible	Non CWF Eligible	Line Item Total
CRD IWS Operations - Staff Time	\$0.00	\$7,500.00	\$7,500.00
CRD IWS Operations - Parts and Materials	\$7,500.00	\$0.00	\$7,500.00
Consultant Change Order – Project Close Out	\$4,000.00	\$0.00	\$4,000.00
Admin	\$0.00	\$1,200.00	\$1,200.00
Contingency (may not be needed)	<u>\$0.00</u>	<u>\$5,000.00</u>	<u>\$5,000.00</u>
Total Additional Funding Needed	\$11,500.00	\$13,700.00	\$25,200.00
Funding Remaining in Project Budget	\$0.00	\$1,600.00	
Total CWF Funds Needed	\$11,500.00		
Transfer from CRF Needed		\$12,100.00	

Please note that the above Contingency will not be spent unless unforeseen circumstances are encountered, and may not be needed.

An application for additional funding from the Community works fund will be made for an amount of \$11,500.00.

It is proposed that the remaining required amount of \$12,100.00 will come from the service's Capital Reserve Fund. There are sufficient funds in the Capital Reserve to apply toward the above works without impacting the current 5-year Capital Expenditure Plan.

The total estimated project costs for completion of these works are below:

Design and Admin Costs	\$40,600.00
Construction Costs	\$20,000.00
Project Total Costs	\$60,600.00

ALTERNATIVES

Alternative 1

That the Electoral Areas Committee recommends that the Capital Regional District Board amend the Five Year Financial Plan to include additional funding for the Fulford Water Main Replacement project, and that \$12,100.00 be allocated from the Capital Reserve Fund in 2019 to fund the project, and that an application for \$11,500.00 from the Community Works Fund be made and the funding subsequently allocated in 2019 to fund the project.

Alternative 2

That the Electoral Areas Committee recommends that the Construction of the Fulford Water Main Replacement project be deferred.

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IMPLICATIONS**Alternative 1:**

By completing the work now, within the existing permitted work window using CRD IWS Operations, we are seeing some savings on contractor overhead costs, and completing the needed repairs.

Alternative 2:

Due to concerns expressed by the Island Health Authority, the Ministry of Forests Lands and Natural Resources, and CRD Operations Personnel, it is the view of the CRD that deferring the work presents an unacceptable level of risk. As such funding to complete these works would be referred to the Electoral Area Services Committee to transfer funds from the Fulford LSA Capital Reserve Fund to the Fulford Water Main Replacement project.

CONCLUSION

The Fulford Water Distribution system includes a water main that is located on Morningside Rd, which runs under a creek. This water main is currently exposed, leaving it vulnerable to increased risk of failure, or tampering/vandalism. A design, and subsequent ITT procurement process for construction services were completed. In addition CRD IWS Operations was approached to possibly take on the work. Estimated Costs will exceed current available project budget. The Capital Reserve Fund currently has adequate resources to fund the project budget shortfall, in conjunction with funding from the Community Works Fund. The Fulford Water Service Commission has agreed to proceed with the water main replacement project.

RECOMMENDATION

That the Electoral Areas Committee recommends that the Capital Regional District Board amend the Five Year Financial Plan to include additional funding for the Fulford Water Main Replacement project, and that \$12,100.00 be allocated from the Capital Reserve Fund in 2019 to fund the project, and that an application for \$11,500.00 from the Community Works Fund be made and subsequently allocated in 2019 to fund the project.

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