



Corporate Report

NO: R211

COUNCIL DATE: September 12,

2005

REGULAR COUNCIL

TO: DATE: **September 8,
2005**

Mayor & Council

FROM: **General
Manager,
Engineering** PROJECT FILE: **1705-004/11**

SUBJECT: **Contract Contingency Allowance**

RECOMMENDATION

1. That Council approve a new City policy for change orders and the associated expenditure authorizations for City Capital Works contracts.
2. That the authority for payment be increased on already awarded Capital Works contracts as listed in Appendix 1 to include an appropriate contingency allowance.

INTENT

To adjust payment authorities and establish a City policy for dealing with contingency allowances and scope changes to Capital contracts that will align with the new Purchase and Expenditure By-law.

DISCUSSION

The Purchase and Expenditure Authorization By-Law that was recently adopted requires new policies and procedures to deal with the use of contingency allowances for change orders on Capital Works contracts. Previous Departmental policies and procedures allowed for an increase of up to 5% of the contract value to cover minor changes within the original scope of work through the use of a contingency allowance by the General Manager, and included such an allowance in the budget for the project. Future Capital Works contract award reports will address this issue by including the contingency allowance in the expenditure authorization. In the interim, adjustments are required on

contracts that were awarded earlier this year and are listed in Appendix 1.

Authority to Use Contingency

Council's approval is requested to establish the following policy: for changes within the original scope of work, the staff may approve an increase in the contract amount up to a maximum of the contingency included in the expenditure authorization up to the limit of their signing authority; for amounts above the staff's signing authority, the General Manager shall authorize the increase in the contract amount within the expenditure authorization. In order to enact this under the new Purchase and Expenditure Authorization By-Law, the contingency and allowance of a contract will be included in the expenditure authorization.

For contingency amounts in excess of the Council approved expenditure authorization, City Manager or Council approval would be required in accordance with the Purchasing and Expenditure By-law.

Authority for Increases in Scope of Work

For an increase in contract amount due to a change in scope of work in total, and subject to approved funding, the General Manager, Engineering, or the Division Manager, may authorize the expenditures up to their signing authority or a maximum of \$200,000. For an increase in contract amount beyond \$200,000, a report must be prepared for the City Manager's consideration to approve the increase or where such approval would exceed the City Manager's signing authority, a report will be forwarded to Council for their approval.

Scope additions shall be made based on the accepted tender rates or, where no applicable rate is included in the tender, demonstrate that the proposed prices are consistent with other equivalent competitive tendered prices or otherwise be shown to represent good value for the City.

CONCLUSION

By adopting a practice of including the project contingency in the expenditure authorization, to be approved by Council, we will minimize unnecessary paper work to support minor changes to awarded contracts while following the principles of the Purchase and Expenditure Authorization By-Law.

Paul Ham, P.Eng.
General Manager, Engineering

VL/PZ/rdd
Attachment

c.c. - GM Finance, Technology & HR Dept.

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Capital Works Contracts

Appendix One

Contract	Description	Report	Award Date	Contract Value	Contingency Allowance	Revised Expenditure Authorization
MS 1703-009-1	Pkg R03/09 Fr Hwy: 160 Street - 168 Street	R102	3-May-04	\$6,393,250	\$319,663	\$6,712,913
MS 1705-007-11	Pkg R07/05 Arterial Paving	R022	7-Feb-05	\$5,697,124	\$284,856	\$5,981,980
MS 1705-004-	Pkg R04/05 64 Avenue:	R051	14-Mar-	\$4,960,331	\$248,017	\$5,208,348

11	13600 - 14300 Block		05			
MS 4703-506-11	Rosemary Height Siphon	R115	18-May-05	\$4,127,669	\$206,383	\$4,334,052
MS 1704-008-81	Pkg R08/04 Campbell Heights - Road Works/Utilities	R142	13-Jun-05	\$3,580,755	\$179,038	\$3,759,793
MS 1705-014-11	Pkg R14/05 Fraser Highway: 17900 - 18500 Block	R169	11-Jul-05	\$8,510,928	\$425,546	\$8,936,474
MS 1705-001-1	Pkg R01/05 Fraser Highway: 168 Street - 17900 Block	R176	18-Jul-05	\$3,979,116	\$198,956	\$4,178,072

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