



Corporate Report

NO: R271

COUNCIL DATE: DECEMBER 18, 2006

REGULAR COUNCIL

TO: **Mayor & Council** DATE: **December 12, 2006**
FROM: **General Manager, Engineering** FILE: **3802-001/11**
SUBJECT: **Contract Extension M.S. 10-03-01, Cobra Electric Ltd.**

RECOMMENDATION

1. That the City's electrical maintenance contract with Cobra Electric Ltd. (Contract M.S. 10.03.01) in the amount of \$1,564,155.98 (including 6% GST) be extended until June 30, 2007.
2. Set the expenditure authorization for Contract M.S. 10.03.01 at \$1,650,000.

BACKGROUND

The Contract with Cobra Electric involves the ongoing maintenance of over 280 traffic signals and 19,000 street lights within the City. The contract increases in value by approximately 4% annually, due to the continued growth of the traffic signal and streetlight inventory.

The electrical maintenance contract with Cobra Electric Ltd. expires on December 31, 2006. Cobra Electric has been maintaining the City of Surrey's traffic signals and streetlights since the mid 1980's and their performance has been very good. Cobra Electric Ltd. has agreed to extend the current contract until June 30, 2007.

During the contract extension with Cobra Electric Ltd., Engineering staff will prepare and tender a new electrical maintenance contract which will run from mid-2007 until 2010. The delay in tendering a new electrical maintenance contract has been due to an extensive assessment of our current contract and the addition of:

- A pre-qualification process for electrical contractors; and
- Implementing a quality management system.

DISCUSSION

Cobra Electric Ltd. has agreed to extend Contract M.S. 10.03.01 until June 30, 2007 subject to the following contract rate adjustments:

<u>Item</u>	<u>Rate Increase</u>
All labour & equipment	5%
Plastic conduit	10%
Traffic signal & streetlight poles	12%
Electrical wire	13%
All other materials	5%

Engineering staff has reviewed the proposed rates and agree the increases reflect current market and material cost. Cobra Electric's proposed labour and equipment cost increases are consistent with current wage increases and fuel prices. Conduit, pole and wire cost increases are consistent with increases in product manufacturing costs. The overall unit rate cost increase for the contract extension will be 5.8%, representing a required budget increase for the 2007 contract extension of \$73,441.97. An additional \$53,708.93 will be required due to the 4% increase in traffic signal and streetlight inventory.

New Contract Tendering Format

The electrical maintenance contract was last tendered in 2002. Five years have passed since the contract was awarded, Engineering staff has been reviewing options for tendering a new electrical maintenance contract. Proposed improvements in the new electrical maintenance contract include a pre-qualification process for electrical contractors, and the addition of a quality management system (QMS).

Traffic signal and streetlight maintenance is specialized work, requiring highly trained staff. The intent of the pre-qualification process would be to include all qualified contractors in the 2007 tender process, while eliminating contractors that fail to qualify prior to the tender process.

The intent of the QMS is to maintain quality control and quality assurance. The proposed QMS is a significant change from the current contract administration methods, and will reduce the need for City staff to inspect the contractor's work, and improve monthly reporting and budget forecasting. Engineering staff has been reviewing the effectiveness of the BC MoT's recent experience with QMS based electrical maintenance contracts. Surrey will be the first city in the Lower Mainland to implement an electrical maintenance QMS.

The proposed schedule for tendering the 2007 electrical maintenance contract is summarized as follows:

<u>Work Item</u>	<u>Completion Date</u>
Request for Qualifications	January 31
Qualifications Review	February 15
Issue Tender	February 28
Tender Close	March 21
Corporate Report to Council	April 2

Cobra Electric Ltd. is aware of the tendering schedule for 2007 and the City and Cobra Electric Ltd. have agreed to limit the contract extension to June 30, 2007 when the new electrical maintenance contract is awarded.

FUNDING

Funding is available in the 2007 Traffic Operations Operating Budget.

SUMMARY

It is recommended that the electrical maintenance contract M.S. 10.03.01 be extended with Cobra Electric Ltd. until June 30, 2007. It is expected that a new electrical maintenance contract will be prepared and tendered during the contract extension with Cobra Electric Ltd.

Paul Ham, P. Eng.
General Manager, Engineering

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c.c. - General Manager, Finance, Technology & HR Dept.