



Corporate Report

NO: R050

COUNCIL DATE: April 20, 2009

REGULAR COUNCIL

TO: Mayor & Council DATE: April 20, 2009
FROM: General Manager, Engineering PROJECT FILE: 1706-017
SUBJECT: Increase in Expenditure Authorization
Contract M.S. 1706-017-11/02
156 Street/Highway 1 Underpass

RECOMMENDATION

The Engineering Department recommends that Council approve an increase of \$250,000 in the expenditure authorization for Contract M.S. 1706-017-11/02 (156 Street/ Highway 1 Underpass) from \$18,835,000 (including 5% GST) to \$ 19,085,000 (including 5% GST).

INTENT

In November 2007, Council approved the award of Contract M.S. 1706-017-11/02 (Council Resolution No. R07-2972) to BA Blacktop Ltd. for the design and construction of the 156 Street underpass of Highway No. 1. The purpose of this report is to obtain Council approval for an increased expenditure authorization for the contract so as to allow for an increase in the costs of the contract due to project delays related to the relocation of the Kinder Morgan pipeline.

DISCUSSION

Construction of the 156 Street underpass is over 95% complete. It is expected that the project will be completed and open to traffic by the end of April 2009.

To accommodate the underpass profile of 156 Street, an existing Kinder Morgan pipeline required lowering. Kinder Morgan through their contractors carried out the majority of this work with the costs charged to the project. The schedule for completion of this pipeline relocation work was provided to the Design-Build bidders at the time of tendering, and subsequently became one of the conditions of the City's contract with the successful bidder, BA Blacktop Ltd.

Kinder Morgan took longer to complete their work in comparison to the schedule they provided prior to the initiation of the project. Under the provisions of the National Energy Board Act, Surrey is responsible for all costs of the pipeline relocation and, based on a legal review, it will be very difficult and costly to try to hold Kinder Morgan financially responsible for the costs of the delay. Although the Engineering Department and BA Blacktop worked cooperatively to modify and adjust the construction approach and scheduling to mitigate some of the impact of this delay, the City's contractor suffered increased costs as a result of the delay in the Kinder Morgan work.

The extended duration of the project increased the contractor's fixed costs related to insurance, bonding, site office rental, site security, and quality control. Under the terms of the contract, the City's contractor is entitled to reimbursement for these additional costs incurred beyond their control.

The B.C. Ministry of Transportation & Infrastructure, through the North Surrey Interchanges Project Agreement with Surrey, is committed to fund 60% of the project, including any increases due to delays in project completion. As such, of the estimated \$250,000 of increased costs, the City will be responsible for approximately \$100,000 with the Province responsible for the remainder.

Funding for the City's share (up to \$100,000) of the increased expenditure authorization as recommended in this report is available in the approved 2009 Engineering Department capital budget.

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