

NO: **R136**

COUNCIL DATE: **June 25, 2012**

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## REGULAR COUNCIL

TO: **Mayor & Council**

DATE: **June 21, 2012**

FROM: **General Manager, Engineering**

FILE: **3807-001/11**

SUBJECT: **Extension of Contract No. M.S. 1220-20-03-07 with Cobra Electric Ltd. for the Maintenance of Roadway Electrical Systems**

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## RECOMMENDATION

The Engineering Department recommends that Council:

1. Approve an extension to Contract M.S. 1220-20-03-07 with Cobra Electric Ltd. for the maintenance of roadway electrical systems from August 1, 2012 to December 31, 2012 in the amount of \$2,000,000.00 (including HST); and
2. Set the expenditure authorization limit for Contract M.S. 1220-20-03-07 at \$3,250,000.00; including HST, which is necessary to cover anticipated additional costs that will be incurred due to on-going copper wire theft.

## BACKGROUND

Cobra Electric won the last competitive bid in relation to the contract to maintain the City's traffic signal and streetlight system. That contract was awarded for a 5-year term with August 31, 2012 being the termination date.

## DISCUSSION

A new street light and traffic signal maintenance contract would have typically been tendered and awarded before the current contract expires; however, staff is currently undertaking an extensive review of street light wire theft mitigation measures the results of which are expected to impact the scope and nature of the new maintenance contract. As such, staff is proposing that the tendering and award of a new maintenance contract be postponed until the wire theft strategy has been fully developed and adopted.

A 5-month extension to the current contract to the end of 2012 will allow time to complete the wire theft mitigation strategy and tender a new electrical maintenance contract that will incorporate wire theft mitigation measures. This will also simplify accounting and reporting as the contract will be aligned with the City's financial reporting period, being the calendar year.

Staff has had discussions with Cobra Electric Ltd about such an extension. Cobra has agreed to extend the current contract through to December 31, 2012 and maintain the current unit prices through that additional period of time. These prices are favourable in comparison to similar contracts in neighbouring jurisdictions.

### **Budget Adjustment for Increases in Electrical Systems Inventory**

Budget adjustments to cover the cost of the contract are necessary to account for growth in the number of electrical devices and street lights over the last year of the contract. In this regard, a 3% adjustment is necessary, which prorated for the 5 month extension of the contract amounts to \$58,000 (including HST).

### **Costs of Wire Theft**

Wire theft losses have been approximately \$240,000 per month since the beginning of 2012. Although considerable steps have been taken to mitigate theft, including physical deterrents, public education, labelling of street light wire, policing efforts and provincial legislative changes related to how metal recycling businesses must manage their receipt of metal, copper wire theft continues to be extensive and widespread.

The Engineering Department has introduced the following recent changes to combat/mitigate the potential for wire theft.

1. All new street light additions are now being installed with aluminum wire conductors instead of copper wire conductors.
2. Where copper wire conductor is stolen from the City's street light system it is being replaced with aluminum wire conductor.

Aluminum has only 10% of the value of copper in relation to its salvage value.

The noted changes appear to be curbing theft in those areas where the aluminum conductors are installed. In consideration of this outcome, staff is now evaluating the efficacy of replacing the remaining copper wire in the street light system throughout the City. This will be the subject of a separate report to Council in due course.

Wire theft losses are expected to continue to cost \$250,000 per month for the foreseeable future based on the high value of salvaged copper. As such, an additional allocation of \$1,250,000.00 is necessary for the term of the above-described 5-month contract extension with Cobra.

## FUNDING

Funding for the subject contract extension is available in the approved 2012 Engineering Operating Budget. The wire replacement allocation is funded from the City's Self Insurance Reserve.

## CONCLUSION

Based on the above discussion it is recommended that Council:

- Approve an extension to Contract M.S. 1220-20-03-07 with Cobra Electric Ltd. for the maintenance of roadway electrical systems from August 1, 2012 to December 31, 2012 in the amount of \$2,000,000.00 (including HST); and
- Set the expenditure authorization limit for Contract M.S. 1220-20-03-07 at \$3,250,000.00; including HST, which is necessary to cover anticipated additional costs that will be incurred due to on-going copper wire theft.

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