

TO:	CHAIR AND MEMBERS COMMUNITY & PROTECTIVE SERVICES COMMITTEE MEETING ON AUGUST 23, 2016
FROM:	JOHN KOBARDA FIRE CHIEF LONDON FIRE DEPARTMENT
SUBJECT:	No. 11 FIRE STATION PROJECT NO. F011-PP1088 TENDER NO. T16-67

RECOMMENDATION

That, on the recommendation of the Fire Chief and the concurrence of the Managing Director of Neighbourhood, Children and Fire Services:

- (a) The bid submitted by Aveiro Constructors Limited, 40 Hudson Drive, Dorchester, Ontario N0L 1G5, at its tendered price of \$2,094,000.00 (HST excluded) for No. 11 Fire Station Relocation, **BE APPROVED**; it being noted that this is an Irregular Result under Section 8.10(a) of the Procurement of Goods and Services Policy;
- (b) The financing for this project **BE APPROVED** as set out in the Sources of Financing Report attached hereto as Appendix "A";
- (c) The Civic Administration **BE AUTHORIZED** to undertake all the administrative acts which are necessary in connection with this project;
- (d) The approval given herein **BE CONDITIONAL** upon the Corporation entering into a formal contract with the contractor for the work; and,
- (e) The Mayor and City Clerk **BE AUTHORIZED** to execute any contract or other documents, if required, to give effect to these recommendations.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
--

- February 25, 2009 - Station 14 Update
- April 29, 2009 - Fire Master Plan - Organization & Resource Deployment Analysis for the London Fire Services
- April 29, 2009 - Fire Master Plan - Organization & Resource Deployment Analysis for the London Fire Services
- June 3, 2009 — Fire Master Plan (presentation)
- July 19, 2011 - Update of London Fire Department Redeployment Strategy
- May 13, 2014 - New Fire Station No. 11, Property Acquisition
- November 17, 2015 - Architect to Act as Prime Consultant For The New No. 11 Fire Station Request for Proposal No. RFP15-10, Project No. F011- PP1088

BACKGROUND

PURPOSE

The purpose of this report is to seek Council approval to enter into a formal contract with Aveiro Constructors Limited for the construction of a new Fire Station at 3970 Savoy Street to replace the existing No. 11 Fire Station located at 7109 Westminster Drive.

The City recently released Tender T16-67 to relocate Fire Station 11. The City received eight bids with Aveiro Constructors Limited being the lowest bidder. The analysis of the bid

submissions showed the price spread across the four lowest bidders being \$62,200, which equates to 2.97% differential. The two lowest bids were within 0.29% of each other. Unfortunately, the lowest bid exceeds the approved construction budget of \$1,872,408.

Therefore, the budget deficit creates an Irregular Result, as defined in Section 8.10(a) of the Procurement of Goods and Services Policy. The difference represents a construction budget shortfall of \$258,446. It should be pointed out that the bid submitted by Aveiro Constructors Limited meets the City's specifications and requirements in all other areas. Additionally, it should be noted that collaborative initiative between the LFD and Stormwater Management Unit (SMU), which is discussed below, resulted in a contribution to the project from SMU of \$24,125, thereby reducing the shortfall to \$234,321.

Design Approach

Since 2006, the LFD and the Facilities Division as a standard practice apply Value Engineering principles to the design of all new stations from the onset of the project. Examples include Station 13 ("Fire House" - Fanshawe Rd. E east of Adelaide St., N.), Station 14 – (Integrated Fire & EMS station - Hyde Park) and Station 7 (Webster St. near Huron St.). Based on the success of the Station 7 design that combines form and function through an operationally efficient and cost conscientious approach, the Station 11 Design Team (Team) looked to replicate a nearly identical design for Station 11. Operational differences between the two stations enable the LFD to use a smaller station, although the design and the amount of land acquired permits future growth. Further to the above, the Team further value engineered the design resulting in the following amendments:

- Reduced parking spaces and asphalt area;
- Changed the structural members from wood to steel to reduce labour costs;
- Incorporated more cost effective exterior finishes;
- Reduced overall height of the building by lowering roof lines to provide a simplified roof design to reduce costs;
- Limited Information Technology Services (ITS), Corporate Security, Building Automation Systems (BAS) requests to only essential items;
- Changed to more economical HVAC rooftop units on the building; and,
- Reduced the size of the mechanical room.

Further to the above reductions and changes, the Team also anticipated lower site preparation costs than those experienced at the Station 7 site. Because the land is open space, the costs associated with demolition and site remediation do not exist.

In addition to the above cost containment efforts, the Team eagerly agreed to pilot an innovative on site storm water management design using a Bio Retention Cell to meet low impact development strategies. This initiative was championed and funded by the Stormwater Management Unit and allows for the removal of a mechanical filtering device.

Analysis

As a foundation for the cost analysis in this report, it is important to note that in 2013 the City competitively sourced the construction work for Station 7. The successful contractor bid a price that translates into \$242/ square foot. Before releasing the Station 11 tender, a consultant estimated a cost of \$270/ square foot. Recognizing the City received the Station 7 bid early in 2013, all future references to cost will include those applicable to 2013 and also assume a four-year period. Based on the same, the consultant's estimate equates to an overall increase of 11.6% or an annual increase of 2.8%. In comparison, the lowest tendered bid for Station 11 is \$324/ square foot - a 33.9% overall increase, which represents an annually compounded increase of 7.6%.

Options

On receiving the tender summary, the Design Team met with the Legal and Purchasing Departments to review potential options. The first option, retendering the project immediately, required that the scope of the project change by 15%. On the assumption that the cost/ square foot would not change, the Team would need to reduce the size of the fire station by almost 1,200 square feet (19% reduction). This fire station incorporates value-engineering principles and is an efficient design. Such a change would impact the operational functionality of a facility designed to be in operation for over 50 years.

The next option explored included waiting nine months and retendering the same design. The risks here are twofold. If the 2017-tendered price exceeds \$275/ square foot next year, which is possible due to inflationary pressures, the project would once again be over budget. In addition, if \$324/ square foot is a solid number, one could expect a further inflationary increase, thereby increasing the shortfall even further.

The final option, which is the recommended action, is to accept the lowest bid and commence construction in 2016.

FINANCIAL IMPACT

As described above, the current shortfall on this project is \$234,321. LFD has worked with Finance to minimize budgetary impacts by reallocating \$78,229 from existing approved capital funds, as identified in the Source of Financing in Appendix A. As this project is approximately 66.7% growth related, the remaining \$156,092 will be funded by development charges (City Services Reserve Fund). To mitigate the impact of this additional pressure on the City Services Reserve Fund, the LFD and Finance recommend that capital projects for Station 15 and a new aerial truck, originally planned for 2019 and 2020, be delayed to 2020 and 2022 respectively.

There are no additional operating costs associated with the new building given the scenario of transfer of active service from existing to the new building.

Additional financial impacts will result in from the need to maintain the existing property at 7109 Westminster Drive. This cost will result in an annual operating cost of approximately \$35,000 for Fire Services. These costs are attributed to a combination of utilities and maintenance assuming no occupancy. This cost will be absorbed into the current annual LFD operating budget with no request for additional operating funding as a result of this report.

SUMMARY

The LFD submitted through the capital budget process a request to relocate the current Station 11. The purpose of the project is twofold. First, relocating the station will improve current emergency response times to Lambeth and surrounding communities. Second, it will support future emergency service arising from the growth associated with the South West Area Plan. The City released Tender T16-67 to build a new fire station at 3970 Savoy Street. Eight bidders responded with Aveiro Constructors Limited being the lowest bidder at \$2,094,000.00 (HST excluded). Analysis of the bid submissions showed the price spread across the four lowest bidders being \$62,200. That being said, the lowest bid exceeds the approved budget by \$258,446 creating an Irregular Result, as well as a funding shortfall. A collaborative initiative between the LFD and Stormwater Management Unit (SMU) has resulted in a contribution of \$24,125 to the project, thereby reducing the budget shortfall to \$234,321.

Based on the success of the new Station 7, which successfully combines form and function through a cost efficient design, the Design Team decided to replicate the design. In 2013, Station 7 cost \$242/square foot. Recognizing operational differences, the Design Team reduced the floor plate by 1,000 square feet. However, the design does provide for growth in the future when the need arises. Based on the same; the Team believed the budgeted amount equalling \$275.88/square foot would be sufficient. A review of information from several sources including the Altus Group, Statistics Canada, and the architects cost consultant also suggested the budget amount was adequate to fund the project. The bid price of \$324/square foot represents a 33.9% increase from 2013 to 2016. Including 2013 in the calculation, this represents an annualized increase of 7.6% - well above inflationary factors.

The Design Team explored several options including significantly changing the station design (requires a 15% change of scope), retendering the identical design (requires that the City wait nine months) and accepting the bid, as tendered. The latter option is the one recommended to Council. If accepted, \$234,321 in additional funding is required. It should be noted that 66.7% of the project is funded by development charges. The LFD has worked with Finance to fund its portion of the shortfall by allocating funding from previously approved capital projects. The remainder of the funding shortfall, or \$156,092, would be funded through development charges through the City Services Reserve Fund. Appendix A summarizes the Source of Financing. It should also be noted that to mitigate the impact of this additional funding request on the City

Services Reserve Fund, the LFD and Finance have also worked together by recommending the delay of the Station 15 and new aerial truck projects by one year and two years respectively.

RECOMMENDED BY:	REVIEWED BY:
JOHN KOBARDA FIRE CHIEF	TIM WELLHAUSER DIVISION MANAGER, FACILITIES
REVIEWED AND CONCURRED BY:	REVIEWED AND CONCURRED BY:
ANNA LISA BARBON, CPA, CGA DIRECTOR, FINANCIAL SERVICES	LYNNE LIVINGSTONE MANAGING DIRECTOR, NEIGHBOURHOOD, CHILDREN & FIRE SERVICES

Appendix A – Sources of Financing
Appendix B – Summary of Bids

C. M. Hayward
 J. Freeman
 D. Diegel

APPENDIX A
SOURCES OF FINANCING

Appendix 'B'
SUMMARY OF BIDS

T16-67 Summary – No 11 Fire Station

	Aveiro Constructors Limited	Norlon Builders London Limited	Reid & Deleye Contractors Ltd.	K & L Construction (Ontario) Ltd
	40 Hudson Dr Dorchester, ON, N0L 1G5	151 York St London, ON, N6A 1A8	P.O. Box 272, RR#1 #4926 Hwy 59 S Coutland, ON, N0J 1E0	27 - 1615 North Routledge Park London, ON, N6H 5N5
Sub Total - Contract Price	\$2,094,000.00	\$2,100,000.00	\$2,138,338.00	\$2,156,200.00
HST	\$272,220.00	\$273,000.00	\$277,983.94	\$280,306.00
Total Contract Price	\$2,366,220.00	\$2,373,000.00	\$2,416,321.94	\$2,436,506.00

	Wellington Builders Inc.	Niacon Limited	SDI Builders 2010 Ltd.	MJ Dixon Construction Limited
	6372 Townsend Line Forest, ON, N0N 1J0	3659 Stanley Ave Niagara Falls, ON	234 Riverside Dr London, ON, N6H 1E6	2600 Edenhurst Drive, Suite 200 Mississauga, ON, L5A 3Z8
Sub Total - Contract Price	\$2,172,000.00	\$2,362,193.00	\$2,415,000.00	\$2,434,000.00
HST	\$282,360.00	\$307,085.09	\$313,950.00	\$316,420.00
Total Contract Price	\$2,454,360.00	\$2,669,278.09	\$2,728,950.00	\$2,750,420.00