



Submission to Saskatoon Regional Health Authority

Date of Meeting: August 25, 2015

Submitted by: Dan Florizone – President & CEO
Jackie Mann – Vice President, Integrated Health Services
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SBAR Topic: Children’s Hospital of Saskatchewan – Main Building Construction Contract Award

Purpose of Submission: Decision/Approval

SITUATION

The first phase of construction for Children’s Hospital of Saskatchewan (CHS), as marked with the CHS Ground breaking event, was initiated in September 2014 and included the installation of pilings to provide structural support to the CHS main building. All pilings to be installed in Phase 1, and verified by an independent testing engineer, were successfully completed in March 2015.

While the first phase of construction was underway, construction blueprints and technical specifications for CHS main building were completed to provide required information for CHS main building tender. CHS main building tender, tender evaluation and recommendation stages have now been completed. The purpose of this decision item is to provide SRHA with summary results of the tender evaluation with the goal to approve Award of Construction Contract for CHS main building construction to the recommended proponent.

BACKGROUND

- Given the scale and complexity of the CHS project, in 2014, a Request for Qualification was issued by SRHA with the goal to pre-qualify general contractors who demonstrated the experience, financial capability and capacity to deliver a project of nature and scope of CHS.
- In February 2015, CHS main building construction blueprints and specifications for tender were completed and Ministry approval to proceed with CHS main building tender was received. The CHS Main Building Stipulated Sum Tender was publically advertised on Feb 11, 2015 with an identified tender closing date of April 24, 2015. The tender package included 11 volumes of construction working drawings and four volumes of technical specifications.
- In April 2015, approval of a three-week extension to the main building tender closing date was granted after requests for extension were received from bidders to allow additional time to review the complex project details and requirements to best ensure accurate pricing. The closing date for tender base bids was revised to May 14, 2015. Along with price, bidders were requested to provide the anticipated number of working days to complete construction of the main building.

ASSESSMENT

- All three companies submitted a bid, and in the opinion of the CHS Prime Architect, the bidding was reasonably competitive with the spread between the low and high bids at 6.19%. The spread in terms of schedule varied by less than five months from the shortest to the longest estimate of construction completion, with all bids indicating construction would take over three years.

- Several alternate prices were requested, to be reviewed and recommended within tender award recommendation. Variances in the alternate prices between bidders were not significant enough to alter determination of low bidder.
- The low bid was approximately 10% above the pre-tender cost estimate. Earlier cost estimates were completed at key milestones of the project, as design and then construction documents progressed. The potential contributing factors to elevate pricing compared to earlier cost estimates include:
 - Adjustments to final construction drawing design details. Adjustments to pricing due to current market conditions, which include cost of imported materials with the weaker Canadian dollar, along with the high level of major project activity in the Saskatchewan construction market and the availability of skilled construction labour in Saskatchewan.
 - Construction site constraints and logistics including minimal material laydown area
 - Increase to construction schedule.
- A 60-day bid acceptance period was identified within the tender specifications.

Tender Evaluation

- Representatives on CHS main building tender evaluation team included representatives from Saskatoon Health Region and Ministry of Health.
- Saskatoon Health Region engaged a retired Justice as a Fairness Monitor for the purpose of assuring that the Owner's evaluation, clarification, negotiation and award/rejection processes will be fair. The Fairness Monitor attended and witnessed all deliberations of the tender evaluation team.
- Key activities completed within tender evaluation process:
 - CHS architects and engineering consultants were requested to review and identify potential scope adjustments that would reduce the Contract Price and/or Schedule. These potential scope adjustments were reviewed and recommended scope adjustments to be adopted were issued through Post Tender Addendum to bidders to receive confirmation of pricing and/or schedule adjustment for each identified item.
 - A 45 day extension to the bid acceptance period was requested and confirmed by all three pre-qualified bidders. Bid pricing received would be honoured to August 27, 2015.
 - Owner's requirements were identified to all three pre-qualified bidders which included:
 - Confirmation of available main building construction budget
 - Request for each bidder to identify innovative ideas to reduce number of working days to achieve substantial performance of the work
 - Request for each bidder to identify innovative ideas and proposed scope adjustments to provide required Contract Price within available main building construction budget
 - Responses were received from all three pre-qualified bidders.
 - Identified Post Tender Addendum pricing, proposed innovative scope adjustments to reduce Contract Price and/or Schedule were reviewed and discussed in detail with each item categorized into Yes – recommended to be adopted, Maybe – potential for further consideration or No – not recommended to be adopted.
- Key outcomes of evaluation team process:
 - Based on review of Post Tender Addendum pricing, listing of recommended innovations and scope adjustments to be adopted and Alternate Prices to be accepted, reductions to projected Contract Price were identified.
 - The spread between the resulting revised two lowest bids was approximately 2%.

- Consensus recommendation of tender evaluation team was to pursue recommendation for CHS main building Construction Contract Award to the low bidder at revised Contract Price of **\$214,221,684**.
- Opinion of fairness monitor was that all pre-qualified bidders had been provided fair and equal opportunity in CHS main building tender evaluation process.
- With the conclusion of the tender evaluation process, a gap of \$24.9M still existed between available funding and projected total costs.
- Children’s Hospital Foundation of Saskatchewan (CHFS) support has been unwavering for this hospital, and as such the Foundation has committed to raise the funds for the additional \$24.9 million dollars required for construction.
- With this additional support, this increases the contribution from Children’s Hospital Foundation of Saskatchewan from a capital commitment totalling \$50 million to \$74.9 million.
- As partners in this state of the art maternal and children’s hospital, the CHFS continues to demonstrate their mandate of improving the health of children, pregnant women, mothers and families across this province.

CHS Costs and Sources of Funding

CHS total project cost, which includes architectural and design fees, phase 1 pilings construction, parkade demolition, new parkade entrance, construction access road, confirmed phase 2 main building construction cost, contingencies and estimated moving costs, is forecasted at **\$285.2 million**.

FUNDING SOURCES - Construction	
Provincial Funding	\$235.5M
Saskatoon Health Region Funding (anticipated interest from SHR investment of provincial capital funding)	\$21.4M
Children’s Hospital Foundation of Saskatchewan Funding \$3.4M hospital construction enhancements \$24.9M expansion of capital campaign	\$28.3M
TOTAL FUNDING	\$285.2M

CHS Furniture, Fixtures and Equipment

	Cost Estimate
CHS Equipment Cost Estimate All areas of Children’s Hospital of Saskatchewan, with exception of Adult Emergency Furnishings, Fixtures & Equipment (April 2015)	\$46.2M
CHS Equipment Cost Estimate - Adult Emergency Furnishings, Fixtures & Equipment (Apr 2015)	\$4.7M



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Children's Hospital Foundation of Saskatchewan

CHS Equipment and Enhancements Estimates \$3.4M hospital construction enhancements \$46.2M equipment and enhancements	\$50.0 million
Children's Hospital Foundation of Saskatchewan – expansion of capital campaign	\$24.9 million
Total Children's Hospital Foundation of Saskatchewan - funding commitment	\$74.9 million

Royal University Hospital Foundation

Adult ED equipment and enhancements estimates	\$4.7 million
Royal University Hospital Foundation – funding commitment	\$5.0 million

RECOMMENDATION

- It is recommended Saskatoon Regional Health Authority approve the Award of CHS Main Building Construction Contract to Graham Construction and Engineering LP, and proceed to issue a Letter of Intent to enter into a Contract in the amount of \$214,221,684.

R	President & CEO	(Recommender - the person who initiates or drives the process)
A	President & CEO	(Individual who needs to Agree or Approve a decision)
P	Vice President, Integrated Health Services Director, CHS Construction	(Perform - person who carries out the decision)
I	Ministry Senior Leadership Team Children's Hospital Foundation of Saskatchewan	(Input - who must be considered before a decision is made. Does not have a vote or veto but has the right to be heard)
D	SRHA	(Decide - has the final authority and can commit the organization to action)