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Item No. 4.1
Audit & Finance Standing Committee
November 14, 2017

TO: Chair and Members of Audit & Finance Standing Committee

SUBMITTED BY: Original Signed

Jacques Dubé, Chief Administrative Officer

Original Signed

Kelly Denty, Acting Director, Planning & Development

DATE: October 26, 2017

SUBJECT: **Contract Amendments – Various Contracts, Integrated Mobility Plan**

ORIGIN

On May 4, 2016, the Chief Administrative Officer awarded RFP P16-062, Integrated Mobility Plan, Program Manager to McPhail Transportation Planning Services Ltd at a cost of \$102,061, net HST included.

In July, 2016, O2 Planning & Design were retained to provide public consultation and related services for the Integrated Mobility Plan, at a cost of \$90,557.00, HST included.

LEGISLATIVE AUTHORITY

Pursuant to section 8 of Appendix B of Administrative Order 2016-005-ADM, the *Procurement Policy*, Halifax Regional Council is required to approve all contract amendments that exceed \$20,000 and 20% of the originally approved contract amount.

Pursuant to section 8 of the Audit & Finance Standing Committee Terms of Reference, “The Audit and Finance Standing Committee shall review and make recommendations on proposals coming to the Council outside of the annual budget or tender process including ...(d) the commitment of funds where there is insufficient approved budget ...”

RECOMMENDATION

It is recommended that the Audit and Finance Standing Committee recommend that Regional Council:

1. Approve a contract amendment to McPhail Transportation Planning Services in the amount of \$51,000 to complete work associated with the Integrated Mobility Plan; and,
2. Approve a contract amendment to O2 Planning & Design in the amount of \$61,000 to complete work associated with the Integrated Mobility Plan.

BACKGROUND

Several contracts issued as part of the Integrated Mobility Plan (IMP) have recently been identified as not being in compliance with Administrative Order 2016-005-ADM, the “Procurement Policy” and exceed budgeted allotments from operating sources. Both are discussed separately below.

The purpose of this report is to seek approval of the contract amendments for consulting services that are needed to complete the Integrated Mobility Plan.

DISCUSSION

McPhail Transportation Planning Services

The initial engagement was a sole source award for assistance with Phase 1 of the Integrated Mobility Plan, in the amount of \$5,520, including full HST.

RFP P16-062, Integrated Mobility Plan – Program Manager for Phase 2 of the IMP, closed on May 5, 2016. McPhail Transportation Planning Services (MTPS) were the successful proponent.

The proposal from MTPS acknowledged that challenges would arise throughout the study and the work schedule was purposely left very open. Notwithstanding the initial term of the contract was for an engagement of 16 weeks at an estimated cost of \$80,000 plus expenses for a total cost of \$102,061, including net HST, the nature of the program was such that both the proponent as well as HRM understood that an additional period of engagement was almost a certainty.

The initial 16-week engagement required MTPS to maintain a full-time presence in the Municipality. The detailed scope of work required MTPS to identify a staff support team, prepare terms of reference for consultants to undertake technical analysis, and consult with regulatory bodies, stakeholder groups, other levels of government, and members of the community as required.

When the initial engagement ended, two of three rounds of public engagement were completed, and completing the Integrated Mobility Plan (IMP) has required on-going engagement of MTPS on a part time basis.

Administrative Order 35, the former procurement policy only identified the authority limits on increases to contract for construction contracts. In the absence of clear policy direction, Professional services contracts could be amended by a Director, if the amendment was in the best interest of the Municipality and funding was available. Although in compliance with the procurement policy, this practice was not consistently applied, and some business units applied the limits stipulated for construction contracts to all contract engagements.

Administrative Order 2016-005-ADM, Administrative Order on Procurement adopted on February 7, 2017 clarified that all contract amendments are subject to specified authority level approval.

Although the new procurement policy was approved by Regional Council in February, for practical reasons business units needed at least one month to respond to the new administrative process, depending on the nature of the work underway. In the case of the MTPS contract, work was carried out under the former policy until the end of March 2017. Between May 2016 and March 2017 the contract to MTPS was amended from \$102,061 to \$248,680. There is no documentation on file as to how this overage was intended to be funded.

Since the end of March 2017, two separate purchase orders were issued to cover invoices for April, 2016 and May 2016, in the amounts of \$25,710.21 and \$17,866.42, respectively.

Between June and August, 2017, approximately \$37,600 in services have been received from MTPS, and it is estimated that \$13,000 will be required to complete the Integrated Mobility Plan, up to and including

presentation of the IMP to Regional Council.

The MTPS contract is a professional services contract, structured under the procurement policy in place prior to February, 2017. The new procurement policy did not contain any grandfathering provisions, and therefore Council approval is required to complete the work as an amendment to the original contract with MTPS. If approved, the total amount of the contract will be \$353,803.44, broken down as follows (incl. HST):

Approvals to Date

PO 2070740920: April 2016	\$ 5,520.00
PO 2070745079: May 2016 – March 2017	\$254,069.17
PO 2070768628: April 2017	\$ 25,710.21
PO 2070771043: May 2017	<u>\$ 17,866.42</u>

Total Purchase Orders to date (incl. HST)	\$303,165.80
Less HST adjustments on expenses	<u>\$ -5,389.56</u>
Net Payable (April 2016 – May 2017)	\$297,776.24

Total Paid since April 2016	\$297,776.24
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Approval Required

Unpaid invoices (for period June – August 2017)	\$ 37,637.64
Estimated cost to complete	<u>\$ 13,000.00</u>

Additional Approval Required	\$ 50,637.64
Total Purchase Orders to date (incl. HST)	<u>\$303,165.80</u>

Estimated total cost of contract (incl. HST)	<u>\$353,803.44</u>
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Based on the above, approval of an additional \$50,637.64 (\$37,637.34 + \$13,000.00) is needed to complete MTPS contract, incl. HST.

O2 Planning & Design

O2 Planning & Design (O2) was initially retained to provide public consultation for the Centre Plan, and the original contract amount was \$673,327.30, (incl. HST, PO 2070729385). This Purchase Order was increased under Director authority for O2 to undertake similar work for the IMP, in the amount of \$90,557.00 (incl. HST), with funding from Strategic Study – Integrated Mobility Plan. The value of work completed exceeds the purchase order value by **\$9,166.50** (incl. HST).

A Second Purchase Order (PO 2070760846) for O2 in the amount of \$42,882.00 (incl. HST) was approved as a Director's award, with funding from Strategic Study – Integrated Mobility Plan. On May 29th, 2017, a request was made for an extension of \$5,865.05 (incl. HST). There is no record of this request for extension being approved but the work has been completed, and therefore exceeds the Purchase Order by **\$5,865.05**.

In July 2017, O2 was engaged to help restructure the draft IMP document, and a contract extension for **\$45,562.55** (incl. HST) was approved by the Director. O2 was directed to begin this work prior to being issued a PO. It was later determined that the contract amendment required approval from the CAO, subject to available funding. This will increase the total contract work by O2 on the IMP project to \$194,033.10 (incl. HST).

Based on the above, approval of an additional \$60,594.10 (\$9,166.50 + \$5,865.05 + \$45,562.55) is needed to complete the O2 contract, incl. HST.

Integrated Mobility Plan Summary

In February 2016, \$350,000 of Strategic Studies Reserve funding was approved by Regional Council for the IMP project. Expenditures to complete the IMP – including costs for public consultations and

communications – are now estimated to total \$550,000 (incl. net HST). This includes expenditures in both fiscal 2016-17 and 2017-18.

The contract amendments described in this report are required so that work on the Integrated Mobility can be completed.

FINANCIAL IMPLICATIONS

Significant vacancies in the Infrastructure Growth group of operating cost centres were largely unfilled in the first two quarters of 2017, and it is projected that the \$112,000 in additional funds for the MTPS and O2 contracts will be offset by a positive compensation variance projected of \$117,000 for 2017-18. Nonetheless, the second quarter projection for Planning and Development is estimated at a deficit of \$1.25 million for the 2017-18 fiscal year, due to a departmental revenue shortfall of \$1.33 million. The additional expenditures identified in this report are included in this projection.

RISK CONSIDERATION

If either of the contract engagements are not continued, the Integrated Mobility Plan will need to be completed by staff. This will delay both completion of the Plan, and a key integration opportunity with the Budget and Business Planning cycle for implementing the IMP will be missed.

COMMUNITY ENGAGEMENT

N/A

ENVIRONMENTAL IMPLICATIONS

No environmental risks were identified.

ALTERNATIVES

1. Audit & Finance Standing Committee could agree not to recommend that regional Council approve the contract amendment to one or both of McPhail Transportation Services and/or O2 Planning & Design. This is not recommended for the reasons outlined in the report.

ATTACHMENTS

None

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

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Original Signed

Financial Approval by:

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