



P.O. Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

Item No. 14.2.3
Halifax Regional Council
October 2, 2018

TO: Mayor Savage and Members of Halifax Regional Council

Original Signed

SUBMITTED BY: _____
Councillor Bill Karsten, Chair, Audit & Finance Standing Committee

DATE: September 20, 2018

SUBJECT: Budget Increase to St. Andrew Community Centre Renovation (CB000011)

ORIGIN

September 19, 2018 meeting of the Audit & Finance Standing Committee, Item No. 12.4.3.

LEGISLATIVE AUTHORITY

Section 8(c) of the Standing Committee's 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 proposed changes in any operating or project budget items'.

RECOMMENDATION

That Halifax Regional Council:

1. Approve an increase to Project Account No. CB000011 – St. Andrew's Community Centre Renovation in the amount of \$1,950,000; and
2. Approve an unbudgeted withdrawal in the amount of \$1,950,000 from the Capital Fund Reserve, Q526 as outlined in the Financial Implications section of the staff report dated September 19, 2018.

BACKGROUND

A staff report dated September 19, 2018 pertaining to a budget increase to Project Account No. CB000011 – St. Andrew's Community Centre Renovation was before the Audit & Finance Standing Committee for consideration at its meeting held on September 19, 2018.

For further information, please refer to the attached staff report dated September 19, 2018.

DISCUSSION

The Audit & Finance Standing Committee considered the September 19, 2018 staff report and forwarded the recommendation to Halifax Regional Council as outlined in this report.

FINANCIAL IMPLICATIONS

Financial implications are addressed in the attached staff report dated September 19, 2018.

RISK CONSIDERATION

Risk consideration is outlined in the attached staff report dated September 19, 2018.

COMMUNITY ENGAGEMENT

The Audit & Finance Standing Committee meetings are open to public attendance, a live webcast is provided of the meeting, and members of the public are invited to address the Committee for up to five minutes at the end of each meeting during the Public Participation portion of the meeting. The agenda, reports, minutes, and meeting video of the Audit & Finance Standing Committee are posted on Halifax.ca.

ENVIRONMENTAL IMPLICATIONS

Not applicable.

ALTERNATIVES

The Audit & Finance Standing Committee did not discuss alternative recommendations. Alternatives are outlined in the attached staff report dated September 19, 2018.

ATTACHMENTS

Staff report dated September 19, 2018.

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.

Report Prepared by: Krista Vining, Legislative Assistant, Office of the Municipal Clerk, 902.490.6520



P.O. Box 1749
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B3J 3A5 Canada

Item No. 12.4.3
Audit & Finance Standing Committee
September 19, 2018

TO: Chair and Members of Audit & Finance Standing Committee

Original Signed

SUBMITTED BY:

Jane Fraser, Director, Corporate and Customer Services

Original Signed

Jacques Dubé, Chief Administrative Officer

DATE: September 19, 2018

SUBJECT: **Budget Increase to St. Andrew's Community Centre Renovation
(CB000011)**

ORIGIN

The approved 2017/18 Capital Project Budget, Supplement Report Page R50 St. Andrew's Community Centre Renovation – CB000011.

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Council approved, December 11, 2012, that all budget increases are to be presented to the Audit and Finance Standing Committee, prior to submission to Council.

Halifax Charter, section 93(1) - The Council shall make estimates of the sums that are required by the Municipality for the fiscal year; Halifax Charter, section 79(1) - Specifies areas that the Council may expend money required by the Municipality; Halifax Charter, section 35(2)(d)(i) - The CAO can only authorize budgeted expenditures or within the amount determined by Council by policy; Halifax Charter, section 120(6) - The Municipality may maintain other reserve funds for such purposes as the Council may determine; Halifax Regional Municipality policy on Changes to Cost Sharing for Capital Projects - Changes requiring Council approval; and the Halifax Regional Municipality Administrative Order 2014-15 Respecting Reserve Funding Strategies (5) , The Audit and Finance Standing Committee shall review and recommend to the Council for its consideration all impacts to the Reserve, (6) The Chief Administrative Officer may recommend to the Council that Reserve funds be expended.

RECOMMENDATION

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

1. Approve an increase to Project Account No. CB000011 – St. Andrew's Community Centre Renovation in the amount of \$1,950,000; and
2. Approve an unbudgeted withdrawal in the amount of \$1,950,000 from the Capital Fund Reserve, Q526 as outlined in the Financial Implications section of this report.

BACKGROUND

St. Andrew's Community Centre is located in west end Halifax and was originally constructed as a school. HRM renovated the building for recreation needs in 1983. Although programming is being delivered in the best way possible, the building is an old school with limited windows, poor lighting, old electrical and mechanical infrastructure, and no outdoor play / community space. The driveway and parking to the facility is also in need of repair. In 2013, the project scope was to complete a renovation to this centre, however this was determined not to be best value due to programming, accessibility, and the needs of the community. The new facility is to be welcoming, functional to community needs, flexible and inclusive. A few highlighted areas include a double gymnasium, multi-use space, a community kitchen and preschool.

During the design phase, the Province of Nova Scotia, Special Places Division, advised of the historical significance of the site in terms of the potential for unmarked burials. Archeological consultants were engaged to perform a study and to monitor test excavations. These test excavations have been completed and did not find anything of significance. Ongoing monitoring during construction will also be performed.

The tender for construction is planned to be issued for October 2018, with the new facility scheduled to open in January 2020.

DISCUSSION

A \$6,100,000 multi-year budget was approved by Regional Council for this project during the 2017/18 Budget process. In September 2017, consultants were hired and the design progressed through schematic design and design development. Through the 2018/19 capital budget, increased funding was requested as a result of the Class C estimates presented during design development in the amount of \$2,850,000 bringing the total approved budget to \$8,950,000. (This includes previous costs of \$250,000 in 2013/14, \$700,000 in 2017/18, and the current budget of \$8,000,000.) Class B estimates provided by the consultants in April 2018, resulted in a project cost estimate of \$9,688,169 (net HST included) which exceeded the approved budget. With the addition of the soft costs, furniture, fixtures & equipment, and contingency this results in a shortfall of \$1,950,000 (net HST included).

On May 30, 2018 a value engineering workshop was held with architects, mechanical & electrical consultants, civil consultants, costing consultant, property manager, Corporate Facility Design & Construction staff and Parks & Recreation staff. A detailed drawing by drawing review was performed to identify potential cost savings. While it was not recommended to reduce programming space such as the gymnasium and multi-purpose room, some reductions / efficiencies were found. The adjustment of the reduction is reflected in the above noted Class B estimates.

Cost drivers which contributed to the increase between Class C and Class B estimates include the unknown condition of the underground services, programming requirements and increased demolition costs estimates.

FINANCIAL IMPLICATIONS

The current project estimate is as follows:

• Class B construction estimate:	\$9,688,169	Net HST included
• Soft costs:	\$820,731	Net HST included
• FFE:	\$182,500	Net HST included
• Additional contingency:	\$208,600	Net HST included
• Total project estimate:	\$10,900,000	Net HST included
• Current approved funding:	\$8,950,000	Net HST included
• Shortfall:	\$1,950,000	Net HST included

Budget Summary: Project No. CB000011 – St. Andrew's Community Centre Renovation

Cumulative Unspent Budget	\$ 8,177,941
Plus: Budget increase	<u>\$ 1,950,000</u>
Balance	\$10,127,941

*As this is a multi-year project, the cumulative unspent budget includes 2019/20 project budget of \$5.2m for the construction costs.

Budget Summary: Capital Fund Reserve, Q526

Balance in reserve at August 31, 2018	\$ 16,473,370
Projected revenue to March 31, 2019	\$ 4,494,882
Commitments to March 31, 2019	<u>\$ (12,791,344)</u>
Projected net available balance, March 31, 2019	\$ 8,176,908
Withdrawal per recommendation	<u>\$ (1,950,000)</u>
Revised projected net available balance March 31, 2019	\$ 6,226,908

Obligation Reserve - Capital Fund Reserve, Q526

The reserve is funded by the sale of land in HRM, other than Business/Industrial Parks or sale of land conveyed to HRM for parks, playgrounds or similar public purposes. Several other large properties are now excluded from deposit to this reserve and are being redirected to the Strategic Capital Reserve, Q606. The Capital Reserve Fund Reserve is governed by the Halifax Regional Municipality Charter Section 120 (1), (3), and (4). Withdrawals from the reserve are for capital expenses for which the Municipality may borrow.

The recommendation has a negative effect on the projected balance as this is an unbudgeted withdrawal. In reviewing a five-year capital budget plan in relation to withdrawals from this reserve, there are sufficient funds to accommodate this unbudgeted withdrawal, without impacting the current five year planned withdrawals for this reserve.

RISK CONSIDERATION

The following risks have been identified which could further escalate the project costs:

- Unknown site conditions associated with demolition
- Extensive archeological requirements – exploratory trenching is underway to identify potential unmarked burials on site. Pending results could have further financial and archeological implications for additional site work.
- Cost estimate increase due to design developing to tender (i.e. Class B to Class A)
- Market conditions at the time of tendering

COMMUNITY ENGAGEMENT

Community engagement was not undertaken as part of this report.

ENVIRONMENTAL IMPLICATIONS

No environmental implications were identified.

ALTERNATIVES

1. The Audit & Finance Standing Committee could consider programming reduction by reducing a double court gymnasium to a single court gymnasium or reducing other programming space. The potential cost savings is approximately \$1,400,000. This is not recommended by staff as it will not meet the programming requirements for the facility.
2. The Audit and Finance Standing Committee may choose not to approve the recommendations in this report, however, this is not recommended by staff as the funds are required to provide the programming needs identified for the community.

ATTACHMENTS

There are no attachments.

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.

Report Prepared by: Shauna Blundon, Project Manager, Corporate Facility Design & Construction,
902.292.4080
