




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

**Item No. 11.1.4**  
**Halifax Regional Council**  
**August 18, 2020**

**TO:** Mayor Savage and Members of Halifax Regional Council

**SUBMITTED BY:**

Original Signed by 

Jane Fraser, Acting Chief Administrative Officer

**DATE:** July 17, 2020

**SUBJECT:** Budget Increase to Mackintosh Depot Replacement Account - CB000089

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### **ORIGIN**

The approved 2018/19 Capital Budget, Supplemental Report Page R28 (Mackintosh Depot Replacement – CB000089). This report originates from a need to increase this tender beyond 20% of its original award and the need to increase the multi-year funding by \$3,500,000 (net HST Included) in fiscal year 2022/23.

### **LEGISLATIVE AUTHORITY**

Halifax Regional Municipality Council approved, Dec 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 – The Municipality may spend money for municipal purposes in accordance with this section; 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 Reserve Policy - No reserve funds will be expended without the CAO's recommendation and Council approval.

Under the HRM Charter, Section 79A (1) Subject to subsections (2) to (4), the Municipality may only spend money for municipal purposes if

- (a) The expenditure is included in the Municipality's operating budget or capital budget or is otherwise authorized by the Municipality;

Appendix B of 2016-005-ADM, the Procurement Administrative Order, provides that contract amendments that exceed the greater of 20% of the original award amount or \$20,000, must be approved by Council for funds to be issued.

**Recommendation on next page**

## **RECOMMENDATION**

It is recommended that Halifax Regional Council:

1. Approve an unbudgeted withdrawal in the amount of \$3,500,000 (net HST included) from the Capital Fund Reserve, Q526;
2. Increase the multi-year funding for Project Number CB000089 – Mackintosh Depot Replacement by \$3,500,000 (net HST Included) in fiscal year 2022/23 as outlined in the Financial section of this report.
3. Increase Purchase Order No. 2070799716 by \$181,970 (net HST included) for EXP Services Inc. from Project No. CB000089 – Mackintosh Depot Replacement as outlined in the Financial Implications section of this report.

## **BACKGROUND**

The existing Mackintosh Depot located at 3825 Mackintosh Street was constructed in the 1960s for the Former City of Halifax Operations. There are three buildings located on the property, a combination of paved and gravel parking, roadways, and storage areas. The site contains a vehicle refueling station, a salt dome, and a weigh scale for winter maintenance vehicles. Since its construction, the scope of service and geographic area that the depot serves has more than tripled in size.

RFP #18-169 was awarded to EXP Services Inc. on September 4, 2018 with the scope of designing a new purpose-built facility that is energy efficient, and better suited to the size of the operation. The contract included providing consulting services for the demolition tender, construction tender, and contract administration services for the new Mackintosh Depot.

The original concept for the building included room for staff expansion, however, developments have caused the expansion allowance to be re-evaluated. Specifically, current Agreements with the Province regarding road transfers and continued strong greenfield development within HRM will potentially result in a 20 to 25 percent increase in road assets over the next decade. The estimated staff complement to service this future growth substantially exceeds the space available in the current design to date. EXP Services Inc. completed a study to provide expansion options and the best value option is to add a third floor to the office area of the new building. Where the Mackintosh facility needs to be rebuilt in any event, it is most cost effective to address the growth requirements now. It is estimated that an additional \$3.5M will need to be added to the project budget to build the new building and accommodate growth. These funds are required for the 22/23 fiscal year as this is a multi-year project.

Not included in the scope of the new Mackintosh Depot is the Traffic Division that is currently located in the Mackintosh Depot Annex. The Traffic Division will be relocated before the new Mackintosh building opens in Fall 2022. The relocation date will be determined once a suitable location is found. Estimated annual leasing costs of \$440K and one-time fit-up costs of 250K to support the relocation and equipment requirements are allocated in capital account CB200015 - HRM Depot Upgrades.

An increase to EXP Services' PO in the amount of \$181,970 (net HST included) is required for the completion of the third floor office design documents.

The projected tender date is September 2020, with a building occupancy scheduled for September 2022.

**DISCUSSION**

Staff has recommended an increase to PO # 2070799716 in the amount of \$181,970 (net HST included). A summary of the changes are as follows:

PO Award (net HST included)	\$653,735
CO increases approved to date (net HST included)	\$ 79,251
Request for Increase (net HST included)	\$181,970
New Contract Value (net HST included)	\$914,956

The total amount of changes (approved and pending) is \$261,221 (net HST included), which represents a cumulative increase of 40%. A further increase for contract administration services will be included at the time of construction tender award.

**FINANCIAL IMPLICATIONS**

To continue design and construction on the new Mackintosh Depot staff is requesting an unbudgeted withdrawal of funds from the Capital Fund Reserve, Q526 to fund Project CB000089. The budget availability has been confirmed by Finance.

**Budget Summary: Capital Fund Reserve, Q526**

Balance in reserve at June 30, 2020	\$ 33,514,147
Withdrawal per recommendation	<u>\$ (3,500,000)</u>
Revised projected balance March 31, 2020	\$ 30,014,147

**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. This is an unbudgeted withdrawal.

Based on the quoted price of \$181,970 (net HST included) for PO 2070799716 funding is available from CB000089. The budget availability has been confirmed by Finance.

**Budget Summary: Project No. CB000089 – Mackintosh Depot Replacement**

Cumulative Unspent Budget	\$16,745,621
<b>Less: Increase to PO 2070799716</b>	<u>\$ 181,970</u>
Balance	\$16,563,651

The overall project including construction and consulting is expected to be \$21,000,000 (net HST Included).

**RISK CONSIDERATION**

N/A

**COMMUNITY ENGAGEMENT**

N/A

**ENVIRONMENTAL IMPLICATIONS**

There are no environmental implications.

**ALTERNATIVES**

Halifax Regional Council could choose not to approve the recommendations in this report and direct staff to research alternative approaches to staff accommodation. This is not recommended by staff as additional space is required to accommodate the revised staffing numbers and growth expectations, and there are health and safety challenges with the current building that need to be addressed soon.

**ATTACHMENTS**

N/A

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A copy of this report can be obtained online at [halifax.ca](http://halifax.ca) or by contacting the Office of the Municipal Clerk at 902.490.4210.

Report Prepared by: Nick Allen, Project Manager, Corporate Facility Design & Construction, 902.293.3527

Report Approved by: Original Signed  
John MacPherson, Manager, Corporate Facility Design & Construction, 902.209.0763

Procurement Review: Original Signed  
Jane Pryor, Manager, Procurement, 902.490.4200

Report Approved by: Original Signed  
Brad Anguish, Director, Transportation and Public Works, 902.490.4855

Report Approved by: Original Signed  
Jerry Blackwood, Director, Corporate and Customer Services, 902.490.6470

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