



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

Item No. 12.2.2
Audit & Finance Standing Committee
February 23, 2023

TO: Chair and Members of Audit & Finance Committee

SUBMITTED BY: - Original Signed -

Cathie O'Toole, Chief Administrative Officer

DATE: February 14, 2023

SUBJECT: Increase to Contract – RFQ-21-002, Two (2) 2021 Model Refuse Transfer Trailers c/w Top Opening Door and Auxiliary Gasoline Engine

ORIGIN

The approved 2021/22 Capital Budget, including Supplemental Report for Project Account CW200003 – Rural Depots.

The staff report dated November 17, 2021 presented and approved at the Audit & Finance Standing Committee meeting on December 15, 2021 with respect to: "Increase to contract – RFQ-21-002, Two (2) 2021 Model Refuse Transfer Trailers c/w Top Opening Door and Auxiliary Gasoline Engine". Additionally approved by Regional Council on January 11, 2022 (Item 15.2.1).

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.

Reserve Business Case, Q556 (Solid Waste Facilities Reserve).

RECOMMENDATION ON PAGE 2

RECOMMENDATION

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

1. Approve a budget increase to Project Account No. CW200003 – Rural Depots in the amount of \$26,121 (net HST included) to accommodate increases in the US exchange rate; and
2. Approve an unbudgeted reserve withdrawal of \$26,121 (net HST included) from Q556, Solid Waste Facilities Reserve to fund this increase.

BACKGROUND

The award of a contract to Spector Manufacturing Inc (Spector) for the provision of two (2) mobile refuse trailers per the specifications of Request for Quotation # 21-002 was approved by the Chief Administrative Officer on May 12, 2021. After the award and the issuance of the purchase order, HRM was informed by the supplier that they were unable to provide the trailers without an additional \$34,008 USD surcharge per trailer to compensate for dramatic increases in raw materials costs. On December 15, 2021, a report to increase the project funding was approved by the Audit & Finance Standing Committee and on January 11, 2022, Regional Council approved the increase for the contract (Item 15.2.1).

The original increase to this contract budget assumed a 1.30 exchange rate (\$CAD to \$USD), based on anticipated exchange rates at that time.

DISCUSSION

The value of the award to Spector was \$300,126 plus net HST of \$12,863 USD for a total price of \$312,989 USD, assuming an exchange rate of 1.30 (\$CAD to \$USD), per the report presented to the Audit & Finance Committee submitted on December 15, 2021.

The value of the Purchase Order issued to Spector was \$305,243 USD plus net HST of \$13,083 USD, for a total of \$318,326 USD. The increase was related to further unplanned price escalations. At the time of issuing a Purchase Order in August 2022, staff assumed an exchange rate of 1.27 (\$CAD to \$USD) based on market conditions, with sufficient available funds in capital account CW200003 (\$406,887 CAD).

As result of market fluctuations, including an actual exchange rate of approximately 1.36 (\$CAD to \$USD) applied at the time of making payment to Spector in September 2022, there was a cost overrun of \$26,121 CAD against capital account CW200003.

FINANCIAL IMPLICATIONS

Budget Summary: Project Account No. CW200003 – Rural Depots

Cumulative Uncommitted Budget	\$406,887
Less: Final Invoice for PO 2070860007 (includes exchange rate with Net HST)	\$433,008
Shortfall	\$ 26,121
Add: Funding provided from Q556	<u>\$ 26,121</u>
Balance	\$ 0

Budget Summary: Solid Waste Facilities Reserve, Q556

Projected Balances in Reserve, Q3	\$15,377,862
Less: Unbudgeted withdrawal per recommendation	<u>\$ 26,121</u>
Revised projected net available balance, March 31, 2023	\$15,351,741

RISK CONSIDERATION

Not providing the funding from Reserve Q556 would leave a shortfall in Account No. CW200003 – Rural Depots for Fiscal 2022/23.

COMMUNITY ENGAGEMENT

No community engagement was required.

ENVIRONMENTAL IMPLICATIONS

The consolidation of the refuse collected curbside in these rural areas allows for efficient transport in larger trailer loads to the Otter Lake Waste Processing and Disposal Facility. Without these trailers, individual smaller collection trucks would be required to make the long trip into the facility, both delaying the waste collection and adding to the production of greenhouse gases.

ALTERNATIVES

The Audit and Finance Standing Committee could recommend not proceeding with the changes to the capital budget and transfer from the Solid Waste Facilities Reserve. This alternative is not recommended based upon the rationale provided within this 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.

Report Prepared by: Barry Nickerson, P.Eng., Waste Resources Engineer, 902.476.9735
