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**Item No. 12.2.1**  
**Audit & Finance Standing Committee**  
**May 17, 2023**

**TO:** Chair and Members of Audit & Finance Standing Committee

**SUBMITTED BY:** - Original Signed -

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Cathie O'Toole, Chief Administrative Officer

**DATE:** May 12, 2023

**SUBJECT:** **Contract Amendments - PO #2070834773 and PO #2070856766 – Keshen Goodman Library Renovations**

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**ORIGIN**

This report originates from a need to increase the contract beyond 20% or \$20,000 of its original value.

**LEGISLATIVE AUTHORITY**

On December 11, 2012 Halifax Regional Council directed that all reports related to budget increases be presented to the Audit and Finance Standing Committee prior to submission to Regional Council.

*Halifax Regional Municipality Charter, S.N.S. 2008, c. 39 provides:*

Section 93(1) The Council shall make estimates of the sums that are required by the Municipality for the fiscal year;

Section 79 The Municipality may spend money for municipal purposes in accordance with this section;

Section 35(2)(d)(i) The CAO can only authorize budgeted expenditures or within the amount determined by Council by policy;

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

Halifax Regional Municipality Reserve Policy: No reserve funds will be expended without the CAO's recommendation and Council approval

**RECOMMENDATION ON PAGE 2**

**Administrative Order 2022-012-ADM, The Procurement Policy**

Section 32 of the Procurement Policy provides that Regional Council may approve a contract amendment of any amount.

**RECOMMENDATION**

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

1. Approve a transfer of \$1,175,000 (net HST included) from Project Account No. CB190003 – Halifax North Memorial Public Library;
2. Approve a budget increase of \$1,175,000 (net HST included) to Project Account No. CB190010 - Keshen Goodman Library Renovations;
3. Approve an increase of \$362,359 (net HST included) to RFP 19-188, PO #2070834773 for changes to the contracted scope of work; and
4. Approve an increase of \$10,550 (net HST included) to PO #2070856766 for changes in contracted scope of work, as outlined in the Financial Implications section of this report.

**BACKGROUND**

Keshen Goodman Public Library provides critical social infrastructure in the rapidly expanding Clayton Park area. The branch typically welcomes over 400,000 visitors a year, providing 70,000 computer bookings, facilitating over 225,000 Wi-Fi connections, and offering over 1,500 free library programs. Keshen Goodman also circulates a high volume of books and other materials. The branch is 20% of the size of the Halifax Central Library but circulates 85% of its material volume.

Keshen Goodman Library serves a very diverse community, providing space for collaboration, connection, reading, tutoring, language learning support and community volunteering. The library's proximity to Halifax West High School means that many teens spend their lunch and outside-of-class hours at the branch. The surrounding neighbourhood includes many apartment and condominium buildings which house a high proportion of seniors and many newcomer families.

The overarching goals of the project are to provide enhanced branch services for this growing community, to improve building accessibility, and to advance energy efficiency. The renovation will include a building addition, providing an updated workspace and delivery service area for Halifax Public Libraries staff. There will be exterior improvements to the outdoor library and parking lot, enhancing accessibility and providing further outdoor programming opportunities for the community.

The HalifACT action plan outlines initiatives to reduce emissions for all communities within the Municipality. The Keshen Goodman Library renovation project has received \$330,000 of funding from the Investing in Canada Infrastructure Program's climate mitigation stream. These funds will support the incorporation of a new air handling unit and energy management systems into the design of the renovation and addition.

Request for Proposal No. 19-188, Design Services - Dartmouth North Library and Keshen Goodman Library Interior Renovation, was awarded to the highest scoring proponent, Fathom Studio Inc., at a cost of \$245,208 (net HST included) in January 2020.

Tender #22-163 – Keshen Goodman Library Renovation was awarded to Avondale Construction at a cost of \$7,183,609 (net HST included) in July 2022. The project was funded through the Keshen Goodman Library Renovations Account and the Energy Efficiency Initiatives Account. As part of the award, the Keshen Goodman Library Renovations Account (CB2190010) was increased by \$2,765,310 (net HST included) using re-allocated funds from C1200002 Finance & HR Business Foundations. The increase at that time was anticipated to be the result of supply chain issues, rapidly rising inflation and complexities due to project phasing to ensure continuous operations.

Challenges that have arisen during the construction phase include unforeseen existing conditions not noted on the as-built drawings, supply chain issues for materials and equipment, labour shortages, and ongoing alterations to the branch to maintain occupancy and functionality throughout project phasing. Additional design services are required to provide essential design and construction administration services that keep the project on schedule while also minimizing disruption of library services. The renovation is anticipated to be completed in winter 2024.

## **DISCUSSION**

### **Transfer of funding between capital projects**

Staff recommend a transfer of funds from CB190003 - Halifax North Memorial Public Library to CB190010 – Keshen Goodman Library Renovations to continue the renovations. Funding is available within this account as the Halifax North Memorial Public Library renovation project is currently in the project planning and scope definition phase. The budget availability has been confirmed by Finance.

The remaining funds in CB190003 will be used for design services and project planning for the Halifax North Memorial Public Library Renovation. The amount being reallocated to the Keshen Goodman Library Renovation will in no way delay the progress of the community engagement and design work for the Halifax North Memorial Public Library that is anticipated to be completed this fiscal year.

During the 2024/25 capital budget planning cycle, all Halifax Public Libraries projects will be assessed to update schedule and budget assumptions. The required funding to progress the Halifax North Memorial Public Library renovation project will be based on an updated scope and schedule outline.

### **Increase to CB190010 – Keshen Goodman Library Renovations**

With the above noted transfer of funding, staff recommend an increase to CB190010 – Keshen Goodman Library Renovations in the amount of \$1,175,000 (net HST included). This increased funding would allow the successful completion of the renovation through increases to two existing contracts:

- Increase to PO # 2070834773 - Fathom Studio Inc.; and
- Increase to PO #2070856766 - Outside! Landscape Architects Inc.

The original capital project (CB190010) plan did not include sufficient budget to fund the following items to which the remaining budget will be allocated:

- Furniture, Fixtures, and Equipment (FF&E) for public service spaces and Halifax Public Libraries staff areas;
- New shelving for collections;
- HRM Corporate Security Equipment - supply and installation;
- Accessible signage package; and
- Construction contingency amount to account for unforeseen site conditions and phasing requirements throughout the remainder of the construction period.

**Increase to PO # 2070834773 - Fathom Studio Inc.**

Staff also recommend an increase to PO # 2070834773 - Fathom Studio Inc. for changes to the contracted scope of work in the amount of \$362,359 (net HST included). The requested amount of \$362,359 (net HST included) is broken out by discipline:

Architectural Consulting Services	\$172,459 (net HST included)
Mechanical and Electrical Consulting Services	\$170,075 (net HST included)
Structural Consulting Services	\$ 19,825 (net HST included)

A summary of the funding changes are as follows:

PO Award (net HST included)	\$245,208
CO increases approved to date	\$ 88,955
<b>Request for Increase (net HST included)</b>	<b><u>\$362,359</u></b>
New Contract Value (net HST included)	<u>\$696,522</u>

The total amount of changes (approved and pending) is \$451,314 (net HST included), which represents a cumulative increase of 184% to the original contract value of \$245,208.

Increases in design scope for this contract include:

- Design solutions to accommodate unforeseen existing site conditions not shown on as-built drawings.
- Design solutions to maintain building occupancy and branch functionality throughout all phases of construction.
- Construction administration services for replacement of the existing air handling unit and associated mechanical, electrical, and roofing systems.
- Additional design fees for furniture coordination and custom millwork items that were not outlined in the original scope of work.
- Additional design and construction administration fees to accommodate an extended, phased project schedule and increased construction budget that was not outlined in the original scope of work.

**Increase to PO #2070856766 - Outside! Landscape Architects Inc.**

Staff recommend an increase to PO #2070856766 - Outside! Landscape Architects Inc. for changes to the contracted scope of work in the amount of \$10,550 (net HST included). A summary of the changes are as follows:

Original PO Value (net HST included)	\$19,763
CO increases approved to date (net HST Included)	\$15,562
<b>Request for Increase (net HST included)</b>	<b><u>\$10,550</u></b>
New Contract Value (net HST included)	<u>\$45,875</u>

The total amount of changes (approved and pending) is \$26,112 (net HST included), which represents a cumulative increase of 132% to the original purchase order value of \$19,763 (net HST Included).

Increases in design scope for this contract include:

- An issued for construction drawing set that was not outlined in the original scope of work.
- Additional construction administration services and site visits to accommodate project phasing and

sequence of construction for the outdoor library components.

### **FINANCIAL IMPLICATIONS**

**Budget Summary:**      **Project No. CB190003 – Halifax North Memorial Public Library**

Cumulative Unspent Budget	\$ 6,322,052
Less: Transfer to Project #CB190010	\$ -1,175,000
Balance	\$ 5,147,052

**Budget Summary:**      **Project Account No. CB190010 – Keshen Goodman Library Renovations**

Cumulative Unspent Budget	\$ 259,409
Plus: Approved Increase	\$ 1,175,000
<b>Less: PO 2070834773 Increase</b>	<b>\$ -362,359</b>
<b>Less: PO 2070856766 Increase</b>	<b>\$ -10,550</b>
Balance	\$ 1,061,500

The total project cost is estimated to be \$7,440,310 (net HST included).

### **RISK CONSIDERATION**

The risks associated with this recommendation rate low. To determine this, consideration was given to financial, reputational, and operational matters. The recommendation mitigates risks the project would otherwise incur due to insufficient funding to fully complete the work.

### **COMMUNITY ENGAGEMENT**

No community engagement was required.

### **ENVIRONMENTAL IMPLICATIONS**

No environmental implications were identified.

### **ALTERNATIVES**

Audit and Finance Standing Committee could choose not to recommend that Regional Council approve the outlined requests. Reduction of scope is possible, but this would impact HalifACT initiatives, accessibility goals, security requirements and quality of branch services.

### **ATTACHMENTS**

No attachments.

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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.

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