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# HALDIMAND COUNTY

## Report FCA-02-2022 Budget Revision – Kohler Garage Addition & Office Renovation



For Consideration by Council in Committee on May 31, 2022

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### OBJECTIVE:

To seek Council approval for the budget revision required to proceed with the capital project for the Kohler Garage Addition & Office Renovation.

### RECOMMENDATIONS:

1. THAT Report FCA-02-2022 Budget Revision – Kohler Garage Addition & Office Renovation be received;
2. AND THAT the revised budget as outlined in Report FCA-02-2022 be approved.

**Prepared by:** Jessica Ignaszak, Project Manager, Facilities Capital & Asset Management

**Respectfully submitted:** Tyson Haedrich, M. Eng., P. Eng., General Manager of Engineering & Capital Works

**Approved:** Craig Manley, MCIP, RPP, Chief Administrative Officer

### EXECUTIVE SUMMARY:

The Kohler Garage Addition & Office Renovation project tender closed over the approved construction budget and requires Council approval for a budget revision to award the tender and proceed with the project.

### BACKGROUND:

The original scope of this project was tendered in 2021. The project included a renovation to the existing multi-level office building incorporating modifications to the main level office area and washrooms while on the second level providing for increased functionality of a larger training room and lunchroom along with change room and washroom upgrades.

Also included was a new building addition to allow for consolidated parts storage, along with existing shop repairs which included ventilation and plumbing upgrades and trench drain repairs/replacement.

The final component included a roof deck replacement and repairs to correct some health and safety issues identified with the existing roof access hatch.

The project was cancelled due to bid submissions that significantly exceeded the approved budget primarily due to pandemic impacts on contractor and material costs.

The project was re-evaluated and re-identified with additional scope and budget values for 2022. The revised project included the original scope of work along with incorporating separately identified projects already in the capital budget plan. These included window replacements to remedy infiltration and leak issues, an upgraded exhaust system to correct health and safety issues in the shop area along

with an entire HVAC system replacement to improve air distribution within the building and finally some minor asphalt work to the parking area on the property.

In order to ensure the project had qualified contractors a prequalification process was completed in January which resulted in seven contractors selected to submit bids.

## **ANALYSIS:**

The Kohler Garage Addition & Office Renovation (FCA-02-2022) tender closed on May 10, 2022 with the following three bids:

| <b>Bidder</b>                   | <b>Bid Price Received<br/>(including full HST)</b> |
|---------------------------------|--|
| Merit Contractors Niagara       | \$2,230,168.00                                     |
| Defaveri Group Contracting Inc. | \$2,289,973.25                                     |
| GEN_PRO/1320376 Ontario Ltd.    | \$2,330,060.00                                     |

The lowest acceptable bid for the tender was received from Merit Contractors Niagara in the amount of \$2,008,335.36 (including non-rebateable HST). The current available approved project budget for construction is \$1,655,300.00 resulting in a shortfall of approximately \$360,000 of which the total cash allowance and contingency is \$221,500.

It should be noted that, while only three contractors submitted bids, the bid pricing was very close indicating that the bids are fair and competitive. Of the four contractors that didn't submit bids, one did not submit in time and another indicated that they did not have the capacity to take on the work.

In accordance with Procurement Policy 2013-02, Council must approve the budget revision for a capital project with a budget shortfall of more than \$75,000 or 20% of the approved budget.

Based on the tender review and discussions with the project consultants and most recent project history, staff believe the higher than anticipated bid prices are primarily due to the material costs which have been trending higher this year due to supply and demand issues and the increased costs of construction work related to the pandemic.

It is important for this project to proceed in order for the Fleet Operations Division to have an appropriate building for the work they do on a daily basis. This project will address both the existing building condition deficiencies as well as addressing the health and safety issue related to the garage ventilation system.

## **FINANCIAL/LEGAL IMPLICATIONS:**

In order to proceed with the work a budget revision to the Kohler Garage Addition & Office Renovation project in the amount of \$353,040 is required. In order to cover this shortfall staff are recommending the following revisions to the 2022 Tax Supported Capital Budget and Forecast:

|  | Current Approved Budget | Change          | Proposed Revised Budget |
|--|-------------------------|-----------------|-------------------------|
| <b>Capital Expenditures:</b>   |                         |                 |                         |
| 318003 - Kohler Garage Addition & Office Renovation (Construction)       | \$1,655,300             | \$353,040       | \$2,008,340             |
| 318003 - Kohler Garage Addition & Office Renovation (Engineering/Design) | \$150,000               | \$0.00          | \$150,000               |
| 171010 - Renovation for H&SS Space                                       | \$227,050               | (\$227,050)     | \$0.00                  |
| 171003 - Roof Assessment Program   | \$106,750               | (\$106,750)     | \$0.00                  |
| <b>Total Capital Expenditures:</b>                                       | <b>\$2,139,100</b>      | <b>\$19,240</b> | <b>\$2,158,340</b>      |
| <b>Financing:</b>  |                         |                 |                         |
| 318003 - Kohler Garage Addition & Office Renovation (Construction)       | \$1,655,300             | \$353,040       | \$2,008,340             |
| 318003 - Kohler Garage Addition & Office Renovation (Engineering/Design) | \$150,000               | \$0             | \$150,000               |
| 171010 - Renovation for H&SS Space                                       | \$227,050               | (\$227,050)     | \$0                     |
| 171003 - Roof Assessment Program   | \$106,750               | (\$106,750)     | \$0                     |
| <b>Total Financing</b>   | <b>\$2,139,100</b>      | <b>\$19,240</b> | <b>\$2,158,340</b>      |

Staff have identified two projects with unallocated funds that can be used to fund the majority of the funding shortfall. The remaining \$19,240 in funding for this budget amendment is proposed to be funded from Capital Replacement Reserve – General. There are currently sufficient funds within this reserve fund to accommodate this increased cost.

Once the funding is approved, staff will proceed with the award of the tender through a purchase order.

## STAKEHOLDER IMPACTS:

Not applicable.

**REPORT IMPACTS:**

Agreement: No

By-law: No

Budget Amendment: Yes

Policy: No

**ATTACHMENTS:**

None.