

REVISED

AGENDA
SPECIAL MEETING OF MUNICIPAL COUNCIL
Bridgewater, NS
Wednesday, June 5, 2019 – 9:00 a.m.

Time & Page

1. CALL TO ORDER
2. PUBLIC INPUT (15 Minutes)
3. AWARDING OF TENDERS/RFPs
 - 3.1 Award of Tender # 2019-01-002 - Road Maintenance – Grading & Dust Suppression.....1-2
 - 3.2 Award of Phase 2, New Municipal Building (*Revised Report Attached*).....3-10
4. ADJOURNMENT



Municipality of the District of Lunenburg

REQUEST FOR DECISION

REPORT TO: Council

SUBMITTED BY: Jamie Burgess, P.Eng., Municipal Engineer

DATE: May 30, 2019

RE: Road Maintenance Tender Grading and Dust Suppression

RECOMMENDATION

That Council authorize staff to award Municipal Road Maintenance Grading and Dust Suppression TENDER 2019-01-002 to Town and Country Property Improvements Limited for \$211,302.10, plus HST.

BACKGROUND

Roads are a major priority in our Municipality. Well maintained, good quality roads are essential for our communities. The Municipality recognizes the importance of roads to our residents. In order to maintain these roads to an acceptable quality we must continually conduct maintenance work. As the Municipality does not have maintenance personnel or equipment, staff have prepared a tender for grading and dust suppression.

DISCUSSION

The tender document was issued on May 16, 2019 and closed at 2:00pm on May 30, 2019. Two (2) bids were received and accepted by the tender deadline. These bids are summarized in the table below:

Term	Estimated Contract Price for Gerald W. Veinot Excavation Co. Limited	Estimated Contract Price for Town & Country
Year 1: June 1, 2019 to March 31, 2020	\$117,982.30	\$68,956.00
Year 2: April 1, 2020 to March 31, 2021	\$120,342.40	\$70,351.90
Year 3: April 1, 2021 to March 31, 2022	\$122,749.21	\$71,994.20
Sub Total	\$361,073.91	\$211,302.10
Net HST	\$15,475.63	\$9,056.41
Total	\$376,549.54	\$220,358.51

There is a significant difference in price (\$156,191.03) between the two contractors.

Town and Country are a local contractor who have done this type of work for the Municipality in the past with satisfactory results.

CONCLUSION

Recommendation: That Council authorize staff to award Municipal Road Maintenance Grading and Dust Suppression TENDER 2019-01-002 to Town and Country Property Improvements Limited for \$211,302.10, plus HST.



May 30, 2019

Municipality of the District of Lunenburg
210 Aberdeen St.
Bridgewater, Nova Scotia
B4V 1S6

Attn: Stephen W. Pace, MBA, P. Eng.

Re: Recommendation to award Phase 2 tender, New Municipal Building Project

Stephen,

Further to our recent discussions on the above captioned project, we request that staff proceed to make the following recommendation to Council:

Background

On March 6th we sought approval from Council to go to tender for both the Phase 1 Site Development package as well as the main Phase 2 Building Construction package. Once approval was obtained, we went out to tender with the Phase 1 package and actively approached the contracting community to look at this tender and bid same. It was felt this was an opportune time to hit the streets as this was early in the construction season and would give a contractor looking to mobilize his equipment early in the season an opportunity to get a head-start. A pre-tender estimate for these works was developed by Catalyst which totaled \$315 K plus HST as per breakdown on next page but due to the inherently erratic nature of heavy civil construction works, we recommended an upset limit of \$400 K plus HST for the works.

The subsequent phase 1 low bidder was Dexter Construction for an amount of \$291K plus a 5% contingency for a total of \$305,500. This work has since been completed on time and on budget.

The total approved construction budget was \$6,075,000 plus HST. Removing the Phase 1 contract from this total leaves a free balance of \$5,770,000 plus HST. Once we remove an amount for changes during construction (4%) and amounts for exterior & interior signage and miscellaneous minor items not covered / included in the Phase 2 scope of work / tender documents, the remaining amount for Estimated Tender Amount is \$5,500,000 plus HST.



Project Management & Owner's Representative Services

This total was developed initially as the budget and each subsequent design submission had an independent cost estimate performed which confirmed the anticipated pricing would fall within this envelope recognizing of course the estimates could not predict / guarantee the level of interest / competitiveness of the individual trades and/or general contractors available / interested in bidding this project. The estimates were based on rates / amounts from recently constructed relevant & comparable projects in the region.

The tenders received today were as follows:

Roscoe Construction \$6,562,793.64
 Avondale Construction \$6,831,400.00
 Maxim Construction \$7,035,000.00

In light of this +/- \$1.0 M variance, a further investigation was performed specifically focused on locating where the variance had occurred and why. The following is a comparison of the pre-tender estimate and the breakdown provided by the low bidder:

Element	Pre-Tender estimate	Low bidder	Variance	% variance
General Requirements	420,565	322,555	-98,010	-23.3%
Structure and foundation	2,713,200	2,777,832	64,632	2.4%
Earthworks & site services	736,034	746,696	10,662	1.4%
Millwork	118,800	281,245	162,445	136.7%
Mechanical	882,208	1,337,889	455,681	51.7%
Electrical	629,877	1,100,000	470,123	74.6%
Total =	5,500,684	6,566,217	1,065,533	18.3%

From this analysis, it is evident the **entirety of the variance occurred with 3 trades - specifically millwork, mechanical and electrical.**

This was presented as a **high risk** in the presentation of January 2019 (copy attached – reference slide 13 of 17). The issue is not that these 3 elements were underestimated but rather, the industry is exceedingly busy at this point in time and the prices being submitted are not reflective of the actual cost of doing the work but instead – the premium / maximum amount the industry feels it can put forward at this time.

The original estimated amounts of \$118,800, \$882,208 and \$629,877 for millwork, mechanical and electrical respectively were based on recent and relevant comparable projects of similar size, scope and complexity. These reflect what these trades SHOULD cost. In review of the scope of works included in each of these trade packages, the work is commensurate with the requirements for the building – nothing excessive nor extravagant has been included therein, therefore “value engineering” alone will not yield significant savings.

In terms of Total Project Cost (as opposed to just Construction cost), we offer the following as a summary to date:

Element	Pre-Tender estimate	Actual / projected	Variance
Design Consultant Team	600,000	593,166	-6,834
Project Management	140,000	135,000	-5,000
Phase 1 site development	315,000	305,500	-9,500
Phase 2 main building	5,500,000	6,562,794	1,062,794
Phase 2 construction phase contingencies	210,000	220,000	10,000
Signage & misc minor items	50,000	50,000	<i>Projected #</i>
FFE & misc disbursements	455,000	455,000	<i>Projected #</i>
Public Art	50,000	50,000	<i>Projected #</i>
Net HST	305,000	358,801	53,801
Total =	7,625,000	8,730,261	1,105,261

Value Engineering Potential & Decisions

In addition to the stipulated lump sum required from the bidders, we also identified a number of potential value engineering items in the event the lowest tendered amount exceeded the available funding envelope. These items included:

- a) Delete requirement for Performance and Labour & Materials Bonds
- b) Change the specified metal roofing to 40 year limited warranty asphalt shingle roofing (IJO Cambridge or equivalent plus IKO Armour Guard ice / water protection, ridge vent and IKO Stormtite underlayment) and delete the tower feature in its entirety and replace with sloped roofing as per adjacent structure.
- c) Change exterior brick masonry exterior to the same pre-finished wood used on the balance of the building with commensurate reductions in backup materials and foundation wall thickness.

The low bidder has provided credit prices of \$25 K, \$125 K and \$65 K for these three value engineering suggestions for a total of \$215 K. In addition, they have suggested that the millwork price could be reduced by \$75 K if certain quality assurance accreditations were deleted from the contract requirements.

If all of these options were adopted and a replacement for the tower was added back in (as a stand-alone structure), the net savings would be in the range of \$240 K. **This can only be finalized after we meet with the Contractor to review their numbers in detail.**

There is also the option to further review and value engineer the project through a series of meetings with the low bidder and all of the sub-trades. This is permitted under our contract – we specifically included language in the tender allowing us to do same prior to formal award.

In addition and as the entire overage is attributed to 3 specific sub-trades, there may well be an opportunity to award the contract to the general contractor for all elements EXCEPT these 3 sub-trades which would be further value engineered and/or re-tendered by the GC in order hopefully reduce these exaggerated costs without significantly reducing scope and/or quality. This will require 3-4 weeks to execute fully but could yield significant benefit.

Therefore, our recommendation is as follows:

- I. Obtain authority to award for a maximum contract value of \$6,562 K as submitted by Roscoe Construction plus a change order contingency of \$220 K for a total maximum contract amount of \$6,782 K. **This will allow the contract to be awarded to Roscoe and allow construction to commence immediately and thereby ensure the in service date of March 31, 2020 as previously committed to.**
- II. We commit to a contract with Roscoe for all elements EXCEPT millwork, mechanical and electrical subtrades. We then endeavour over the next 6 weeks to find means to reduce these 3 over-priced sub-trades if possible. The contractor and all sub-trades are bound by the tender documents we produced to **hold their prices for 60 days** so in the unlikely event we can't find meaningful reductions or reductions which are agreed to by Council, **we will still have the fall back of the prices submitted for these 3 sub-trades – ie we are guaranteed of never going above the \$6,562 K submitted today.**
- III. We present the full gamut of ALL possible cost reduction / value engineering options to Council in 4 weeks time and then finalize the contract with Roscoe based on what was / wasn't accepted. These would include the ones previously noted herein (bonds, metal roof, tower, brick) as well as all new ones which are developed over the next 4 weeks.

By awarding the contract to Roscoe IN PART, it permits us to get construction started immediately but by not committing to the costs submitted for millwork, mechanical and electrical it allows us to keep the competitive process alive for these sub-trades in hopes of finding means to reduce costs by traditional value engineering and/or by possibly having the GC re-tender these three packages in hopes of obtaining bids more in line with historical costing precedents for these works. Worse case scenario is we can't reduce these but we are not exposed to potentially higher costs as the sub-trades are bound to hold their costs for 60 days. This sets a ceiling which can't be exceeded. At the end of the requested 4 week period, we present all options to Council, obtain direction on what is / isn't acceptable and then completely finalize the contract with Roscoe at that point.

Realistically though, the superheated market which clearly exists for millwork, mechanical and electrical will likely not change dramatically in the next 4 weeks so we must temper our expectations of what can be realized. If we can reduce these overages by 25% and find an additional \$200 K in acceptable non millwork, mechanical and electrical changes, it is possible we could expect a reduction of +/- \$450 K in total overage, thereby making the project total \$ 8.3 M (incl net HST and **before the proceeds of sale of existing asset as well as any 3rd party revenue inputs such as grants**)

Alternatives considered

1. Re-design and re-tender at a later date – Typically when a project is over budget, there is an option to cancel the tender and re-design to trim the costs. This typically would include reductions in both scope and quality but in our specific case, there has been an ongoing effort to maintain a scope and level of quality commensurate with the drivers of the project and requirements of the Owner. There is very little to be “cut” in this project and re-tendering would in no way guarantee a lower cost from the 3 trades which were excessive during this round. In addition, there is a real risk of alienating the contractors which bid this time and they could choose not to re-offer. Accordingly, we do not recommend proceeding with this option.
2. The second option for solving the accommodations issue for MODL municipal operations was to renovate existing and build an addition. For perspective, this option was \$1.5 M more extensive than the recommended (current) option of New Construct. The difference, based on the current tender result, is \$1.1 M so the option of New Construct is still less expensive than the option of renovate existing and build an addition. It is also important to note that the renovate / add option included the same assumed rates for millwork, mechanical and electrical therefore the actual cost of this option would be subject to the same additional cost pressures as the new construct option. Accordingly, we do not recommend proceeding with this option.

Recommended Motion

In light of discounting the two alternatives listed above and if Council wishes to accept the award recommendations noted previously herein than the following motion is in order:

That Municipal Council award tender #2019-05-002 Municipal Services Building, Cookeville up to a maximum contract value of \$6,562,793.64 as submitted by Roscoe Construction plus a change order contingency of \$220,000 for a total maximum contract amount of \$6,782,793.64 plus HST; and, that Council authorize the Project Manager to negotiate on value engineering options to reduce the project total..

If you have any questions related to any aspect of this project, please feel free to contact the undersigned at your convenience.

Sincerely,

CATALYST CONSULTING ENGINEERS INC.



Andrew Amos, P.Eng.
Senior Partner

ADA/lsm



Municipality of the District of Lunenburg

REQUEST FOR A DECISION

REPORT TO: Municipal Council

SUBMITTED BY: Elana Wentzell, CPA, CMA

DATE: June 5, 2019

RE: Municipal Building Construction Tender Impact on 5-Year Financial Strategy

RECOMMENDATION

It is recommended that Municipal Council approve the withdrawal of an additional \$1,105,261 from the General Operating Reserve to offset the additional construction costs of the Municipal Services building based on the building tender recommendation.

EXECUTIVE SUMMARY

A report from the Project Manager and Engineering staff is recommending Council approve a maximum contract value for the construction of the main building in excess of the approved budget. This report will focus on the effect this cost overage has on the 5-Year Financial Strategy.

BUDGET IMPLICATIONS

The 5-Year Financial Strategy includes projections for Operating, Capital and Reserves Budgets. The tender award for construction of the building is \$1,105,261 over budget. This figure includes the \$220,00 contingency budget for change orders and represents maximum cost before value engineering and sub-trade negotiations, which may decrease the total actual cost.

Staff have input the increased capital budget into the financial model. The operating reserves budget can accommodate the additional costs, with no effect on the existing operating budget or projected tax rates. The attached graph of Projected Reserves shows that the operating reserves will still exceed Provincial established guidelines of 10% of operating revenue.

OPTIONS

Staff have looked at what reserves can accommodate these additional costs. The approved budget for the building was \$6,544,000 which was funded through various reserves as follows:

General Capital Reserves	1,962,901
Reserve from Sale of Golf Course	226,392
General Operating Reserves	348,804
Depreciation Reserves	4,005,903
	<hr/>
	6,544,000

The General Operating Reserves (above) has a projected balance of \$4,461,584 at March 31, 2020. These reserves are budgeted to be used for the payout of the Economic Development loan when it comes due next fiscal year. Based on the 5-year budget projections there will still be \$2,933,127 in this reserve in 2024. Staff are recommending that the additional costs be taken from this reserve, leaving a projected balance of \$1,826,866.

There are other operating reserves that could be used for this cost overage, but staff feel that is appropriate to use the general operating reserve which has been building up based on past operating budget surpluses.

STRATEGIC PRIORITES

The financial model in the 5-Year Financial Strategy is proving effective for making determinations of what options are available when unanticipated budget overages occur.

CONCLUSION

Staff have used the 5-Year Financial Strategy financial model to determine that there are sufficient operating reserves to accommodate the additional construction costs based on the tenders received.

Department: Finance and Administration

Report Prepared By: Elana Wentzell

Date: June 4, 2019

Report Approved By: _____

Date _____

Reviewed By CAO: _____

Date _____

Projected Reserves

