



P.O. Box 1749  
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**Item No. 12.4.3**  
**Audit & Finance Standing Committee**  
**September 19, 2018**

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

Original Signed

**SUBMITTED BY:**

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Jane Fraser, Director, Corporate and Customer Services

Original Signed

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Jacques Dubé, Chief Administrative Officer

**DATE:** September 19, 2018

**SUBJECT:** **Budget Increase to St. Andrew's Community Centre Renovation  
(CB000011)**

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**ORIGIN**

The approved 2017/18 Capital Project Budget, Supplement Report Page R50 St. Andrew's Community Centre Renovation – CB000011.

**LEGISLATIVE AUTHORITY**

Halifax Regional Municipality Council approved, December 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(1) - Specifies areas that the Council may expend money required by the Municipality; 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 Administrative Order 2014-15 Respecting Reserve Funding Strategies (5) , The Audit and Finance Standing Committee shall review and recommend to the Council for its consideration all impacts to the Reserve, (6) The Chief Administrative Officer may recommend to the Council that Reserve funds be expended.

**RECOMMENDATION**

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

1. Approve an increase to Project Account No. CB000011 – St. Andrew's Community Centre Renovation in the amount of \$1,950,000; and
2. Approve an unbudgeted withdrawal in the amount of \$1,950,000 from the Capital Fund Reserve, Q526 as outlined in the Financial Implications section of this report.

## **BACKGROUND**

St. Andrew's Community Centre is located in west end Halifax and was originally constructed as a school. HRM renovated the building for recreation needs in 1983. Although programming is being delivered in the best way possible, the building is an old school with limited windows, poor lighting, old electrical and mechanical infrastructure, and no outdoor play / community space. The driveway and parking to the facility is also in need of repair. In 2013, the project scope was to complete a renovation to this centre, however this was determined not to be best value due to programming, accessibility, and the needs of the community. The new facility is to be welcoming, functional to community needs, flexible and inclusive. A few highlighted areas include a double gymnasium, multi-use space, a community kitchen and preschool.

During the design phase, the Province of Nova Scotia, Special Places Division, advised of the historical significance of the site in terms of the potential for unmarked burials. Archeological consultants were engaged to perform a study and to monitor test excavations. These test excavations have been completed and did not find anything of significance. Ongoing monitoring during construction will also be performed.

The tender for construction is planned to be issued for October 2018, with the new facility scheduled to open in January 2020.

## **DISCUSSION**

A \$6,100,000 multi-year budget was approved by Regional Council for this project during the 2017/18 Budget process. In September 2017, consultants were hired and the design progressed through schematic design and design development. Through the 2018/19 capital budget, increased funding was requested as a result of the Class C estimates presented during design development in the amount of \$2,850,000 bringing the total approved budget to \$8,950,000. (This includes previous costs of \$250,000 in 2013/14, \$700,000 in 2017/18, and the current budget of \$8,000,000.) Class B estimates provided by the consultants in April 2018, resulted in a project cost estimate of \$9,688,169 (net HST included) which exceeded the approved budget. With the addition of the soft costs, furniture, fixtures & equipment, and contingency this results in a shortfall of \$1,950,000 (net HST included).

On May 30, 2018 a value engineering workshop was held with architects, mechanical & electrical consultants, civil consultants, costing consultant, property manager, Corporate Facility Design & Construction staff and Parks & Recreation staff. A detailed drawing by drawing review was performed to identify potential cost savings. While it was not recommended to reduce programming space such as the gymnasium and multi-purpose room, some reductions / efficiencies were found. The adjustment of the reduction is reflected in the above noted Class B estimates.

Cost drivers which contributed to the increase between Class C and Class B estimates include the unknown condition of the underground services, programming requirements and increased demolition costs estimates.

## **FINANCIAL IMPLICATIONS**

The current project estimate is as follows:

• Class B construction estimate:	\$9,688,169	Net HST included
• Soft costs:	\$820,731	Net HST included
• FFE:	\$182,500	Net HST included
• Additional contingency:	\$208,600	Net HST included
• Total project estimate:	\$10,900,000	Net HST included
• Current approved funding:	\$8,950,000	Net HST included
• Shortfall:	\$1,950,000	Net HST included

**Budget Summary: Project No. CB000011 – St. Andrew's Community Centre Renovation**

Cumulative Unspent Budget	\$ 8,177,941
Plus: Budget increase	<u>\$ 1,950,000</u>
Balance	\$10,127,941

\*As this is a multi-year project, the cumulative unspent budget includes 2019/20 project budget of \$5.2m for the construction costs.

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

Balance in reserve at August 31, 2018	\$ 16,473,370
Projected revenue to March 31, 2019	\$ 4,494,882
Commitments to March 31, 2019	<u>\$ (12,791,344)</u>
Projected net available balance, March 31, 2019	\$ 8,176,908
Withdrawal per recommendation	<u>\$ (1,950,000)</u>
Revised projected net available balance March 31, 2019	\$ 6,226,908

**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.

The recommendation has a negative effect on the projected balance as this is an unbudgeted withdrawal. In reviewing a five-year capital budget plan in relation to withdrawals from this reserve, there are sufficient funds to accommodate this unbudgeted withdrawal, without impacting the current five year planned withdrawals for this reserve.

**RISK CONSIDERATION**

The following risks have been identified which could further escalate the project costs:

- Unknown site conditions associated with demolition
- Extensive archeological requirements – exploratory trenching is underway to identify potential unmarked burials on site. Pending results could have further financial and archeological implications for additional site work.
- Cost estimate increase due to design developing to tender (i.e. Class B to Class A)
- Market conditions at the time of tendering

**COMMUNITY ENGAGEMENT**

Community engagement was not undertaken as part of this report.

**ENVIRONMENTAL IMPLICATIONS**

No environmental implications were identified.

**ALTERNATIVES**

1. The Audit & Finance Standing Committee could consider programming reduction by reducing a double court gymnasium to a single court gymnasium or reducing other programming space. The potential cost savings is approximately \$1,400,000. This is not recommended by staff as it will not meet the programming requirements for the facility.
2. The Audit and Finance Standing Committee may choose not to approve the recommendations in this report, however, this is not recommended by staff as the funds are required to provide the programming needs identified for the community.

**ATTACHMENTS**

There are 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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