



Staff Report

Report To: Dan Best, Chief Administrative Officer
From: **Don Giberson, General Manager of Infrastructure & Development**
Date: June 6 2022
Report: ESD.22.15 BUDGET AMENDMENT
Subject: Asphalt Cement (AC) Price increase for 2022 Paving Projects

Recommendations:

That South Huron Council receive the report from Don Giberson, General Manager of Infrastructure and Development RE: Asphalt Cement (AC) Price increase for 2022 Paving Projects AND;

That South Huron Council approves an increase in Lavis Contracting Co. Limited contract for Resurfacing Parr Line & Plugtown Line from \$948,357.02 (including HST) to \$1,117,930.92 (Including HST) AND;

That South Huron Council approves an "Amendment to the Budget" to increase the capital budget for the Parr Line Resurfacing from \$525,000 to \$560,074.32 and the capital budget for the Plugtown Line Resurfacing from \$420,269 to \$446,657.42

That South Huron Council authorize the use of savings from the Waterloo Street Reconstruction Project in the amount of \$61,462.42 to fund the additional costs associated with the asphalt cement (AC) price increase.

Purpose:

The purpose of this report is to notify Council of the significant Asphalt Cement (AC) Price increase for 2022 Paving Projects and obtain approval for the additional costs for resurfacing Parr Line & Plugtown Line.

Background and Analysis:

At the October 4, 2021 Council Meeting a contract was awarded to Lavis Contracting Co. Limited for Resurfacing Parr Line & Plugtown Line in the amount of \$948,357.02 (including HST). The contract specified that the work be carried out in 2022 and included a provision for an Asphalt Cement (AC) price adjustment if the AC index varied from \$800 per tonne by more than \$15 per tonne. The current AC price index is \$1156 per tonne and the contractor has advised of additional costs associated with the contract for resurfacing Parr Line & Plugtown Line.

At the March 15, 2022 Council Meeting a contract was awarded to Lavis Contracting Co. Limited for Resurfacing Corbett Line & Union Line in the amount of \$719,426.93 (including HST). The contract specified that the work be performed in 2022 and included a provision for an Asphalt Cement (AC) price adjustment if the AC index varied from \$1100 per tonne by more than \$15 per tonne. The current AC price index is \$1156 per tonne and the contractor has advised of additional costs associated with Resurfacing Corbett Line & Union Line.

The AC price increases are a result of supply & demand issues associated with the pandemic, world price of oil, embargo on Russian oil, and the war in Ukraine.

Operational Considerations:

No alternatives were considered.

South Huron's Strategic Plan:

Section 6.2.2 of the Municipality of South Huron 2015- 2019 Strategic Plan identifies key objectives that are reflective of the collective perspectives of the strategic planning process. The recommendations and actions outlined in this report are reflective of the following strategic objectives:

- ✓ Administrative Efficiency and Fiscal Responsibility
- ✓ Increased Communications and Municipal Leadership
- ✓ Transparent, Accountable and Collaborative Governance
- ✓ Dedicated Economic Development Effort

Financial Impact:

The asphalt cement (AC) costs for all 2022 resurfacing contracts have been analyzed and the additional costs are summarized as follows:

a) Parr Line (5630 tonne asphalt x 4.68% A/C) = 263.5 tonnes of AC

Additional AC cost is 263.5 tonne x (\$1156/t – (\$800/t + \$15/t) =
\$89,853.50

b) Plugtown Line (4400 tonne asphalt x 4.68% A/C = 205.9 tonnes of AC)
 Additional AC cost (205.9 tonne x (\$1156/t – (\$800/t + \$15/t) =
\$70,211.90

a) Corbett Line (2040 tonne asphalt x 4.68% A/C = 95.5 tonnes of AC)
 Additional AC cost (95.5 tonne x (\$1156/t – (\$1100/t + \$15/t) =
\$3,915.50

a) Union Line (4440 tonne asphalt x 4.68% A/C = 207.8 tonnes of AC)
 Additional AC cost (205.9 tonne x (\$1156/t – (\$800/t + \$15/t) =
\$8,519.80

Parr Line and Plugtown Line projects require a budget adjustment and additional funds to cover these additional costs. However, Corbett Line and Union Line do not as the additional costs are within the budgeted amounts and expected to be covered by the contract contingency and final contract quantities.

The impact on the Parr Line and Plugtown Line resurfacing contract is summarized as follows:

	Total Tendered Cost	Additional AC cost	Revised Total (Pre- HST)	Revised Contract Cost (including HST)
Parr Line Resurfacing	\$460,534.00	\$89,853.50	\$550,387.50	\$621,937.88
Plugtown Line Resurfacing	\$368,720.00	\$70,211.90	\$438,931.90	\$495,993.05
Contingency	<u>\$10,000.00</u>	<u>-\$10,000.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
Total	\$839,254.00	\$150,065.40	\$989,319.40	\$1,117,930.92

The impact on the Capital Budgets for Parr Line and Plugtown Line are summarized as follows:

	Approved Budget	Revised Contract Cost (including non- recoverable HST)	Net Difference (Budget vs Revised Contract Cost)
Parr Line Resurfacing	\$525,000.00	\$560,074.32	<u>-\$35,074.32</u>
Plugtown Line Resurfacing	<u>\$420,269.00</u>	<u>\$446,657.10</u>	<u>-\$26,388.10</u>
	\$945,269.00	\$1,006,731.42	-\$61,462.42

Legal Impact:

There are no legal implications for the Corporation resulting from the proposed recommendation.

Staffing Impact:

There are no staffing implications for the Corporation resulting from the proposed recommendation.

Communication Actions:

The amended contract amount will be communicated to the public through the publishing of the Council Minutes.

Policies/Legislation:

1. Approved Capital Budget
2. South Huron Asset Management Plan

Consultation:

Dan Best, Chief Administrative Officer; Sandy Becker, General Manager of Financial Services and Shane Timmermans, Manager of transportation Services.

Related Documents:

Respectfully submitted,

Don Giberson, General Manager of Infrastructure & Development