



Staff Memo

Report To: South Huron Council

From: **Dan Best, Chief Administrative Officer/Deputy Clerk**

Date: June 6 2022

Report: CAO 15.2022 BUDGET AMENDMENT

Subject: SHRC Phase 1 Upgrades Scope and Budget Amendment

Recommendations:

That the memo of D. Best, Chief Administrative Officer dated June 6, 2022 regarding the South Huron Recreation Centre (SHRC) Phase 1 Upgrades Scope and Budget Amendment be received; and

That after further investigation of the SHRC roof systems, no capital work is required to be incorporated as part of the SHRC Phase 1 Upgrade project; and

That any proposed roof system future work will be incorporated as part of a future capital budget request; and

That the replacement of the steel façade on the lower west and lower southern area of the building be added to the scope of the project; and

That the steel façade on the upper west and upper southern area of the building be coated to match/complement the lower and upper sections being replaced; and

That the steel work be added to the scope of the project; and

That the revised budget for the SHRC Phase 1 project be amended to an upset limit of \$5,347,000.00; and

That the existing Infrastructure Ontario debt application be amended to include an additional \$818,150.00 in debt financing.

Purpose:

Approval

Background and Analysis:

In a review of the SHRC Phase 1 Upgrades project, the issue of the condition of the roof continued to be an item for discussion from external sources and within the SHRC Construction Team.

In addition, it would appear that the lower steel cladding has not weathered well and with the addition being added, the SHRC Construction Team strongly feels that the southern and western exposures should be addressed as part of the current Phase 1 project. Any future works would be incorporated as part of Phase 2 deliberations.

SHRC Roof

This element of the building has been subject to much debate. Decisions regarding the scope of the project were identified in 2021. The basis to not include the roof at that time in the project was based on a BM Ross report dated March 2021. The recommendations appear to support a maintenance plan and monitoring .

In March 2022, EXP was engaged to provide a survey of the roof. The conclusions of this report were as follows:

- Arena roof a restoration is recommended in 0-2 years
- Recreation Centre roof is recommended for restoration in 0-3 years

EXP's report called for a thermal scan to really determine the roof status.

In May 2022, Garland Canada who has provided ongoing maintenance support regarding roof systems conducted a thermal scan of the roof systems at the SHRC. The scan came back "positive" with insulation samples good and the cuts conducted dry.

From an asset management perspective, some form of restoration will be required. At this time a definitive plan has not been finalized but is currently being scoped based on the investigations and findings for the 2023 capital budget cycle.

Steel Cladding

As stated previously, the cladding is starting to reflect its age. Given the investment into the project, from the SHRC Construction Team perspective, the steel cladding at the south and west portion of the building should be replaced and coated as described to provide a revised look to the front of the facility and assist in the useful life of the building. Any future steel work would be subject to Council deliberations on Phase 2 and future capital budget cycles.

Financial Impact:

The original budget approved by Council was \$4.5M. The implications of COVID, supply chain, sub-trades and change of scope has resulted in a revised upset budget of \$5.347M. The overall \$5,347,000.00 (rounding) project is broken down as follows:

SHRC PROJECT				
Item	Cost	Credit	HST	Net Cost
Tender				
Elgin Contracting and Restoration Item 1	\$ 4,440,000.00			
Elgin Contracting and Restoration Item 2 (Contingency)	\$ 444,000.00			
Elgin Contracting and Restoration Tender Total	\$ 4,884,000.00		\$ 634,920.00	\$ 4,884,000.00
Change Orders				
Fire Alarm Panel Upgrade Estimate	\$ 8,000.00		\$ 1,040.00	\$ 8,000.00
Steel Replacement (south and west)	\$ 144,172.00		\$ 18,742.36	\$ 144,172.00
Steel Coating (south and west)	\$ 33,900.00		\$ 4,407.00	\$ 33,900.00
Roof Overlay - (defer until 2023 based on timing and results from thermal scan)				
Soft Costs				
Invizij Contract Administration	\$ 227,870.67		\$ 29,623.19	\$ 227,870.67
Independent T&I (1%)	\$ 48,920.00		\$ 6,359.60	\$ 48,920.00
Contingency				
Project Cost Revised				
Revised Project Cost	\$ 5,346,862.67		\$ 695,092.15	\$ 5,346,862.67
TOTAL COST	\$ 5,346,862.67			\$ 5,346,862.67

Revenues for the project are as follows:

SOURCE	AMOUNT
Recreation Capital Replacement Reserve	\$300,000.00
Kraft Hockeyville	\$27,551.38
Hayter Donation (Mike)	\$1,300.00

Debt Finance	\$5,018,148.62
TOTAL	\$5,347,000.00

At this time it is recommended to proceed as interest rates are beginning to rise which can impact the Municipality's borrowing capacity. In addition the SHRC Construction Team has already scaled the project and reported back to Council on the scaling. The likelihood of reduced costs by delaying the project are undetermined but unlikely.

It should be noted that the borrowing for this project does not contravene the Debt Management Policy and would put our debt servicing limit at approximately 12%. We should be able to achieve our 10% borrowing capacity level by 2030 even though the rates have increased from 2.78% to 4.28% as of June 1st.

The following are assumptions Council would need to consider for the future:

- The debt management policy (Bylaw 80-2021) set the **debt servicing limit at 12.5%** with the intention of reducing the maximum debt servicing limit to 10% by the year 2030.
- At that time the interest rates for a 30 year term was 2.78%, which meant we would likely have been able to borrow approximately \$12M. The estimate at today's borrowing rate means we could likely borrow \$8.6M which would take our debt servicing limit to 12.5%.
- The IO interest rate for a 30 year term is presently at 4.28% and this is likely to climb higher than that before we finalize these projects and debenture.
- The calculations on the debt servicing limit are estimates only and will vary, depending on actual revenues for the year and any change in the interest rate.
- If we borrow the maximum amount to take us to the 12.5% debt servicing limit by 2023, and if our revenues increase by 1% per year and taking into consideration retiring debt in years 2024, 2028, we would meet the target of reducing the debt servicing limit to 10% by the year 2030. However, if the next amount of debt is borrowed later than 2023, the target of 2030 will be impacted relative to the timing of the debt being incurred.

Legal Impact:

There are no legal implications to the Corporation as a result of the actions outlined in this memo.

Staffing Impact:

There are no staffing implications to the Corporation as a result of the actions outlined in this memo.

Consultation:

IRC Building Sciences Group
EXP Services Inc.
Garland Canada Inc.
Tremco
SHRC Design and Construction Team

Related Documents:

Garland Canada Inc. Report
BM Ross Structural Review
EXP Services Inc. Roof Condition Assessment

Respectfully submitted,

Dan Best, Chief Administrative Officer/Deputy Clerk