

Subject: 2023 Road Rehabilitation Program Budget Exceedance

Recommendation:

BE IT RESOLVED THAT Council receive Report # 2023-0172 2023 Road Rehabilitation Program Budget Exceedance, for information;

AND THAT Council approve the award of the 2023 Road Rehabilitation Program to Walker Construction Limited in the amount of \$1,099,319 without Provisionals and plus applicable net taxes of \$19,348, for a total project cost of \$1,118,667;

AND THAT Council approve a budget increase of \$118,667 for project RD 09-23 (cost centre 300643);

AND THAT Council approves the additional funding for the 2023 Road Rehabilitation transferred from the Roads Reserve.

Background:

In December of 2022, Council approved the capital project for the rehabilitation of roads in Pelham under capital project RD 09-23 Road Rehabilitation in the amount of \$1,000,000.

The road rehabilitation and reconstruction program focus on improving the Town's road network in order to allow for the safe and reliable movement of vehicular and pedestrian traffic.

In 2023 staff retained the services of Applied Research Associates Inc. (ARA) to complete a visual inspection of the town's road network and prepare an overall condition report based on their inspections. The Pavement Condition Index (PCI) is a metric used by staff to determine which roads should be selected for rehabilitation and/or reconstruction.

The average PCI of the Town's road network is 65 out of 100. A decrease from the 2019 average PCI of 69. In the 2023 Pavement Condition Study ARA recommended that in order to maintain the average PCI at its current level an annual investment

of \$8 million is required. Without this level of spending the average PCI of the network will decrease over time.

Based on the 2023 Pavement Condition Index (PCI) Study and road patrols, the project this year focuses on sections with PCI ratings of 40 to 45, indicating that the road sections require full rehabilitation or reconstruction.

Analysis:

As part of the 2023 capital budget Council approved capital project RD 09-23 Road Rehabilitation in the amount of \$1,000,000 (including taxes).

On June 27th staff initiated the public tendering process in accordance with the Town's procurement policy (P303-00). On July 11th staff closed the request for tender (RFT). The Town received two (2) bid submissions from Walker Construction and Circle P Paving Ltd. The unofficial tender results are as follows:

- 1) Walker Construction: \$1,284,132.00 (plus applicable taxes, including provisional items)
No Provisionals: \$1,099,319.25 (plus applicable taxes)
- 2) Circle P Paving Ltd.: \$1,301,979.75 (plus applicable taxes including provisional items)
No Provisionals: \$1,124,755.00 (plus applicable taxes)

The two (2) bids exceed the approved 2023 Capital Budget amount for construction. The unofficial low bid for this project was received from Walker Construction Limited in the amount of \$1,284,132.00 (plus HST). Staff recommends awarding the project without provisional items for a total of \$1,099,319 (plus net HST of 1.76%). Therefore, the total estimated project cost is \$1,118,667. As a result, the budget shortfall for RD 09-23 is \$118,667 (a 12 % increase).

Recent increases in the cost to complete construction projects have been realized in the last year. It is safe to say that the costs associated with construction projects have increased by approximately 30% over the previous years. Much of the increase in cost is related to supply chain issues of material and the increasing price of petroleum-based products and fuel. As a result of these increases, there is a budget shortfall for RD 09-23.

Based on the condition of the Town's current rural road network it is imperative that this contract be completed. The Town has experienced increased operational maintenance costs as a result of the poor condition of the road network. In

addition, staff are receiving public service requests (PSRs) at an increasing rate related to road conditions specifically potholes. Maintaining minimum maintenance standards is becoming more difficult, which ultimately places the corporation at risk.

Financial Considerations:

Council approved a budget of \$1,000,000 (including the non-recoverable portion of applicable taxes) for the 2023 Road Rehabilitation project under capital account RD 09-23. The lowest bidder has submitted a tender price of \$ \$1,284,132 including provisional items. The total project cost including provisional items and the non-recoverable portion of HST (1.76%) is \$1,306,732. This results in budget shortfall of \$306,732.

Staff's recommendation is to proceed with the award of this project in the amount of \$1,118,667 (including applicable net taxes – excluding provisional items) and to adjust the budget for project RD 09-23 and increase it by \$118,667 funded from the Roads Reserve.

The Roads Reserve will be able to fund the budget shortfall of \$118,667. It is important to continue to fund the Road Rehabilitation Program based on the recommendations from the PCI Study in order to ensure road safety.

Alternatives Reviewed:

Council may decide to not approve the additional expenditure above the original budget amount. This would result in the 2023 Road Rehabilitation project being canceled until a sufficient budget is approved through future capital budget requests. Staff is not supportive of this course of action seeing that the annual investment into the Town's road network is considerably lower than the recommended \$8M annual investment (see 2023 Pavement Condition Study).

Another option staff explored is to issue a Post-Tender Addendum and reduce the scope of work to fit the 2023 budget for RD-09-23. However, the application of Binder course asphalt shall not proceed after the first full week of October, it imposes a time sensitivity for completing the project in accordance with the Provincial and Niagara Peninsula Standard Contract Document. In addition, if a post-tender addendum was issued the town cannot guarantee that pricing will be as competitive as previously submitted due to the availability and workload of the contractors.

If Council directs staff to move forward with the awarding of the full project, \$1,306,732.73 (Plus net HST) including provisional items, the total budget shortfall is \$306,732.73.

Strategic Plan Relationship: Infrastructure Investment and Renewal

The Town's infrastructure benefits from the timely replacement of our aging infrastructure and is critical to ensuring the Town maintains a safe and efficient transportation network.

Consultation:

Consultation was undertaken with the Director Corporate Services and Treasurer regarding the financial and budgetary considerations for this report.

Other Pertinent Reports/Attachments:

2023-0134 Town of Pelham 2023 Pavement Condition and Road Need Study, June 21, 2023.

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