Municipality of the District of Argyle	Item: Revision to Municipal administrative building budget Date: April 29, 2019

VISION

We see Argyle as home to a healthy and thriving rural population. Our municipality promotes and supports economic and social opportunities for the region and engages in the active expression of our unique Acadian heritage. We are a place of choice for rural living and are widely recognized for our warm hospitality and joie de vivre. Surrounded by fresh air and cool ocean breezes, we work and play in the great outdoors. People choose to live in Argyle because of our commitment to each other, to our community and to our neighbors. Argyle is a place we are proud to call home.

Background:

Council has established budgets for the administrative building on two separate occasions. The first was to set a range of $2,400,000 to $2,750,000. his was initially set in August of 2017. This was prior to Council's decision to build a net zero energy building.

The second decision point came in March 27, 2018. Council approved an amount of $3,865,000, which sought to include the costs of the net zero energy components.

In both cases, the budget was intended to include construction and construction inspection costs. These costs are commonly known as soft costs. Since municipalities do not get 100% of the HST back from their expenditures, there is also a 4.285% HST cost that must be absorbed. This was not the impression received from our Architects initially, but we have since clarified. As you are aware, the bids came way over that figure, and Wildsalt met with the lowest qualified bidder to consider changes that would bring us within our budget. That did not result in enough reduction for the project.

Wildsalt engaged Catalyst Consulting to assess the current status of the project, and to reexamine the costing of the project. The conclusion was that the project in its current state would not meet our budget. Subsequent to this, Wildsalt has worked with staff to establish a new approach. Their approach includes a change in materials strategy which will allow for good quality, but less expensive. This will include new windows, doors, exterior and interior wood choices etc.

The roof will be simpler, and the council chamber will be amended to be more incorporated into the building. There will be adjustments to the size of the offices, and an elimination of the Library. The elimination of the library will cause other changes to occur. A full report shall be presented by Wildsalt once they have clear direction on their budget numbers. We are currently satisfied that Wildsalt's suggested changes thus far will result in considerable reductions in cost and is far more likely to be within our budget range.

MGA considerations:

The construction of an administration building is eligible under Section 65(x) of the Act. New legislation still has not been proclaimed; therefore, the prescriptive rules still apply.

Current project status: ____

Here is a high-level status update:

- Wildsalt has recommended we stay with a net zero energy approach. This recommendation has been supported by Catalyst during their work and is also recommended by staff. Here is why: - FCM grant and low operating costs. The low operating costs are still relevant to this project, and Council's decision to do so is still valid, even if we see it will be more expensive to build than we envisioned. The FCM grant of about $450,000 makes it worthwhile.
- In addition to that grant, the ability to apply Gas Tax to the project is considerably increased, as we are building an energy efficient building, which makes it qualify for Gas Tax (Federal) support.
- The building is at risk of being smaller. This is a concern from staff as the building was already considered snug for future growth or even existing use. We cannot confirm the magnitude of the change, what we know is that it is a consideration, in efforts to reduce the cost to meet budget.
- The construction will go out in 2 phases, the first will be landscaping and the construction of a public road. Based on Council's draft priority statement, the inclusion of a public road to accommodate growth in affordable/alternative housing is a priority. Technically, that project is separate from this one. Therefore, the costs associated with the Public road construction will be separate and will be handled directly by our Public Works Office. The landscaping and prep work required for the administrative building project will also be tendered in 2019, with the plan that the land will be construction ready before winter hits.
- The tender for construction will be issued in mid-January, no later than the end of January, in order to maximize the interest from the bidders.
- Wildsalt is officially requesting an updated budget figure for the project, one that includes construction inspection and construction costs. Please note that for the purposes of this request below, the budget request includes construction cost for the building and all furniture, fixtures, solar panels, landscaping, parking. It specifically excludes the cost of land, and architectural fees associated with the project which have already been substantially incurred.

Federal Gast tax allocation: ____

In order to maximize the success of this project, with an appropriately sized and functional building built for today and tomorrow, it appears prudent to recommend additional funds for the project. However, the overall goal of CAO and Council was to keep the amount used by reserves as a stable amount. To remind Council, our goal was that while net zero energy increased the overall budget, our plan was to use federal or other government funds to pay the difference. In short, we intend to protect municipal reserves.

We applied for funding from a variety of sources and anticipated future funding opportunities. We were either unsuccessful, or the potential funding didn't fit our criteria. (Some of these funding opportunities are annual, thus we may still qualify).

Which essentially leaves us with our confirmed funding (FCM-Green Municipal Fund) and Gas Tax. Staff undertook the initiative to understand how much Gas Tax would qualify for the project. Current budget estimated $1,100,000, which was our best estimate for additional costs due to the net zero requirements. There was no provision taken for architect fees, construction inspection fees, engineering, or other potential costs that would be incurred directly because of net-zero. Staff sought advice from the Province of Nova Scotia on the matter. Their response was that if the Architect writes to the appropriate authorities and confirms that the costs were incurred due to net-zero, then it would result in a qualified claim. This is good news for the project; in short, it means we can allocate more Gas Tax on the project.

Revised budget and plan:

Our revised budget and plan seek to resolve the following issues:

- Increased financial pressure from other competing capital projects (not qualifying for Gas Tax)
- Increased budget figure to ensure the proper construction and sizing of the new administrative building.

Please note that the costs below would not include current Architectural fees already paid, cost of land purchase, or project management.

In March of 2018, the following high-level budget information was presented to Council

Original Class B Estimate (excluding soft costs)		$3,865,000
Less: funding:		
Municipal Capital reserves	$ 2,301,200	
Federal Gas Tax allocation	1,100,000	
FCM Green Municipal Fund	463,800	
Total funding		$3,865,000

Staff is proposing the following amendment

Amount as previously approved	$ 3,865,000		
Add: proposed increase to budget to cover costs	350,000		
Total revised budget – cost (includes soft costs)			$4,215,000
Less: revised funding:			
Municipal Capital reserves		$ 2,151,200	
Federal Gas Tax allocation		1,600,000	
FCM Green Municipal Fund		463,800	
Total revised funding			$4,215,000

There is potential for further investment of Federal Gas Tax on this project, but that cannot be confirmed at this time. The $1,500,000 is our conservative estimate of the increased eligibility. The figures analyzed above propose an additional $250,000 to be invested in the building, and $100,000 invested in redesign costs. Also, there is a shift in funding to use more Gas Tax funds. Please note, the request for municipal capital reserves is at $2,151,200 under this scenario, which is lower than any amount we presented to the public in our engagement around the project.

CAO's Summary and Recommendation:

I would recommend an additional allocation of Gas Tax Funding for this project. My recommendation was certainly influenced by the Federal Government announcement of a one-time injection of Gas Tax funding that was not anticipated (total of $358,388 for Argyle).

Secondly, the Gas Tax Funding is annually funded, and equals about $358,000 per year. The eligibility criteria are specific to certain investments. It would be staff's priority to protect the capital reserve from being used if the project is otherwise eligible from Gas Tax, as the reserve is built up with municipal tax dollars, and the Gas Tax is federal tax dollars.

Council and staff often point to the Gas Tax Funds for various projects. In anticipation of questions regarding availability of these funds, I have prepared a 10-year projection for your review which is enclosed.

Suggested motion:

Move to revise the budget for our administrative building construction, and construction inspection to $4,215,000, and to increase the federal gas tax allocation from $1,100,000 to $1,600,000.

Move to request the lead project consultant to provide a revised design and breakdown of the budget costs considering the amended budget, for Council's approval.