



## Administrative Report

### Office of the Director, Infrastructure & Planning Services

**To:** Warden McNamara and Members of Essex County Council  
**From:** Allan Botham, P.Eng.  
Director, Infrastructure & Planning Services  
**Date:** Wednesday, May 18, 2022  
**Subject:** Asphalt Escalation Impact to 2022 Paving Program  
**Report #:** 2022-0518-ISD-R16-AB

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#### Purpose

The purpose of the subject report is to provide County Council with an update on the annual road rehabilitation program and the impact of inflating asphalt cement (AC) prices.

#### Background

Earlier in 2022, Council approved the award of three asphalt road rehabilitation programs, which included work at the Sun Parlor Home and for the Town of Essex. (please refer to Table 1).

**Table 1**

<b>Rehabilitation Program</b>	<b>Estimated Cost (Incl Net HST)</b>
2022 Cold In Place Recycling (CIREAM)	\$1,859,394
2022 Hot Mix Asphalt over CIREAM	\$3,944,046
2022 Hot Mix Overlay and Mill and Pave	\$7,761,551
<b>Total</b>	<b>\$13,564,991</b>

At the time tenders closed, the AC cost was \$915.50/tonne. It is expected that the AC price at the time of paving will be approximately \$1,300/tonne.

With the cost of construction materials increasing, Administration reviewed the impact to recent tenders within the State of Good Repair program. The State of Good Repair program includes bridges, culverts, road rehabilitation, paving and paved shoulders.

## **Discussion**

To date the bridge and culvert tenders have closed with prices within the approved 2022 Budget. Paving projects also closed within the approved budget, all as reported in earlier reports to Council.

Language is included in paving tenders such that all pricing will be locked in for the duration of the contract, save and except the AC portion of the road rehabilitation contracts. An "asphalt escalation" clause provides language and formulae to address both increases and decreases depending on the current pricing in the AC industry.

Pricing of AC typically fluctuates during the year, high in summer and low in the winter, while the average annual price is trending upward since 2005. The AC price in the 2021/22 winter season did not drop as expected, but continues to rise monthly.

Contingency allowances are included in tenders to manage small fluctuations, but the 2022 AC inflation is larger than expected.

To mitigate the impact of inflation, \$300,000 worth of paving will be cut from the OCIF program list presented in report [2022-0119-ISD-R01-AB](#). Particularly 350m of County Road 27 north of County Road 8, and County Road 23 (Gosfield Townline to County Road 8). These projects were scheduled for future years and brought forward after the County of Essex received notice and confirmation of the 2022 OCIF amount. Administration will put the cut projects back into their previously held position in the five-year forecast.

Administration recommends that the remainder of the 2022 Rehabilitation Program contracts remain intact. The County road network is vast and pavement preservation is a priority. At this time, Administration expects that AC escalation cost will be large, but manageable.

## **Financial Implications**

Generally, AC in an asphalt mix design makes up 4-7% of the total tonnage of asphalt. Using estimated tonnages from the three contracts, the impact due to inflation will be approximately \$680,000 as described in Table 2. This represents an increase of approximately 5% to the total tender prices.

**Table 2**

<b>Item</b>	<b>Cost/Budget</b>
<b>Budget</b>	
Total 2022 Rehabilitation Budget (Roads, Sun Parlor Home, Paved Shoulders, Lower Tier Projects)	\$13,624,975
<b>Subtotal (A)</b>	<b>\$13,624,975</b>
<b>Contract Prices</b>	
2022 Cold In Place Recycling (CIREAM)	\$1,859,394
2022 Hot Mix Asphalt over CIREAM	\$3,944,046
2022 Hot Mix Overlay and Mill and Pave	\$7,761,551
Quality Control during Construction	\$100,000
<b>Subtotal</b>	<b>\$13,664,991</b>
Segments removed from OCIF project list	(\$300,000)
<b>Subtotal (B)</b>	<b>\$13,364,991</b>
<b>(B)-(A)</b>	<b>(\$259,984)</b>
Expected Asphalt Escalation	\$680,000
<b>Estimated Variance</b>	<b>\$420,016</b>

Administration recommends that, if necessary, the variance of \$420,016 due to asphalt escalation, be funded from the Rate Stabilization Reserve.

## **Consultations**

The subject report was prepared in consultation with the County of Essex Financial Services department.

## **Recommendation**

That Essex County Council receive Report number 2022-0518-ISD-R16-AB and approve additional funding from the Rate Stabilization Reserve, up to \$420,016, to mitigate the cost of escalating asphalt cement prices.

## **Approvals**

Respectfully Submitted,

*Allan Botham*

Allan Botham, P.Eng., Director, Infrastructure and Planning Services

Concurred With,

*Mike Galloway*

Mike Galloway, MBA, CMO, Chief Administrative Officer