

Minutes – Standing Policy Committee on Finance – March 13, 2014

REPORTS

**Minute No. 36 Winnipeg Police Service Headquarters Redevelopment Project –
Financial Status Report No. 4 for the period ending
December 31, 2013**

STANDING COMMITTEE DECISION:

The Standing Policy Committee on Finance concurred in the recommendation of the Winnipeg Public Service, received the financial status report of the Winnipeg Police Service Headquarters Redevelopment Project as information and requested that future reports include updates on square footage and the cost of borrowing for this project.

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DECISION MAKING HISTORY:

Moved by Councillor Havixbeck,

That the recommendation of the Winnipeg Public Service be concurred in and that future reports on this matter include updates on square footage and the cost of borrowing for this project.

Carried

ADMINISTRATIVE REPORT

ISSUE: WINNIPEG POLICE SERVICE HEADQUARTERS REDEVELOPMENT PROJECT – FINANCIAL STATUS REPORT NO. 4 FOR THE PERIOD ENDING DECEMBER 31, 2013

Critical Path: STANDING POLICY COMMITTEE ON FINANCE

AUTHORIZATION

Author	Department Head	CFO	CAO
J. Ruby	Chief D. Clunis	M. Ruta	D. Joshi A/CAO

RECOMMENDATIONS

That the financial status of the Winnipeg Police Service Headquarters Redevelopment Project as contained in this report be received as information.

REASON FOR REPORT

Administrative Standard No. FM-004 requires quarterly reporting to the Standing Policy Committee on Finance.

IMPLICATIONS OF THE RECOMMENDATIONS

The report reflects that an additional \$17.2 million in funding was required by the project, which was approved by Council on December 11, 2013. The project is currently on schedule.

This report is required to comply with the requirement of quarterly reporting.

The last reporting to SPC finance was for the period ended June 30, 2013. It should be noted that in that report, the forecast and events in that report were current to the date that the report was submitted, which was October 31, 2013. As reporting for the period ended September 30, 2013 would not be reflective of the report approved by Council on December 11, 2013, this report has been written to reflect the period ended December 31, 2013.

EXECUTIVE SUMMARY

This report provides an update on the status of the Winnipeg Police Service (WPS) Headquarters redevelopment which is currently on schedule. Investing in the relocation of the WPS to the former Canada Post building at 266 Graham Avenue commenced in 2009, to consolidate the core WPS functions that are currently dispersed at several locations throughout the City, to increase police presence and improve public safety in the downtown, and to provide the men and women of the police service with the ability and resources required to reduce crime across Winnipeg. Current and anticipated needs of the WPS cannot be achieved in the antiquated Public Safety Building at 151 Princess Street.

On July 20th 2011, Council approved the “Over expenditure Authorization for the Redevelopment of the Winnipeg Police Service Headquarters Building” which included:

The contractor has presented a guaranteed maximum price (GMP) of \$137.750 million. The contractor's submission includes several conditions involving remediation construction costs (caissons/piles, slab flooring, fire stopping/fire proofing, etc.) that may impact the final cost of redevelopment.

Council delegated authority to the CAO to enter into a Guaranteed Maximum Price (GMP) contract which was signed in November, 2011. Although the design was not 100% complete the City proceeded with construction to:

- mitigate the risk introduced by the long wait to complete the design (work would not have proceeded for 2 years)
- prevent cost increases due to construction inflation during two-year wait to commence work
- prevent manpower and tradesperson shortages during heightened construction project work availability during stadium, museum and airport projects ongoing simultaneously

The GMP Contract allowed for re-pricing based on 100% design.

A GMP transfers part of the total risk, however, does not provide absolute protection from cost escalations where risk belongs to the City. Responsibility for unanticipated requirements, design and scope change remained the City's. The final 100% design was completed in April 2013, at which time the contractor began to calculate costs based on the 100% design. The contractor provided the Project Director with an adjusted contract price in late August 2013. The detailed supporting documentation to allow the City's consultant engineers to evaluate the final pricing was received from the contractor in late September 2013.

A Council seminar reporting the financial status of the project was held on November 1, 2013.

The previous report to this committee on November 7, 2013 reported that the project was forecasted to be \$17.2 million over budget. The report contained actual costs to June 30, 2013 but the forecast and project events in that report were current to the date of the report, which was October 31, 2013.

On December 11, 2013, Council approved an “Over expenditure Authorization for the Redevelopment of the Winnipeg Police Service Headquarters Building” which increased the project budget by \$17.2 million.

HISTORY

In July 2011, Council approved an increase to \$162 million for the redevelopment of the Winnipeg Police Services (WPS) Headquarters building comprised of \$155 million for construction and construction period interest charges of \$7 million. The total approved budget for the project as approved by Council in July 2011 and disclosed in the 2012 Capital Budget is \$193.567 million, which included \$31.567 million for the purchase cost of the building. The purchase cost of the building is not included in this report as it is not within the responsibilities of the Project Director and Project Team. The purchase cost of the building has been recorded in the City's financial statements with \$12.6 million being allocated to the Mail Sorting Plant at 245 Smith Street and \$18.967 million being allocated to the office tower at 266 Graham Avenue.

In July 2011, Council also delegated authority to the CAO to enter into a Guaranteed Maximum Price (GMP) contract. On November 18, 2011, the City entered into a GMP contract with Caspian Projects Inc. for \$137.1 million.

In December 2013, Council increased the project budget by \$17.2 million bringing the total redevelopment cost to \$178.2 million and total project value (including purchase of the building) to \$209.8 million.

MAJOR PROJECT STEERING COMMITTEE

The project team reports to an Oversight Committee on a regular basis (bi-weekly). The Committee has been formed and its members are:

Deepak Joshi, Acting Chief Administrative Officer
Mike Ruta, Chief Financial Officer
Devon Clunis, Police Chief
Ossama AbouZeid, Project Director (*)
Randy Benoit, Project Team Member – Winnipeg Police Services
Jason Ruby, Project Team Member – Corporate Finance

The Committee has reviewed this report and recommended that the report be submitted to the Standing Policy Committee on Finance.

(*) - Ossama AbouZeid was on the Steering Committee until December 31, 2013.

PROJECT STATUS

The building is 88% complete, the shooting range is open and in service, the security portion of furniture, fixtures and equipment has largely been installed and remaining items have been ordered.

DESCRIPTION OF PROJECT

- This project is for the redevelopment of the former Canada Post mail sorting plant (which is now known as 245 Smith Street) and the construction of a new shooting range facility at Wyper Road. For clarity, the following activities are not within the responsibility of the Project Director and Project Team:

- Purchase of the Building from Canada Post Corporation.
- Management of the office tower at 266 Graham Avenue.
- Disposal of the Public Safety Building.
- When complete, the new police headquarters will house 14 divisions and approximately 1,250 people. All 6 floors at 245 Smith Street will be redeveloped and have approximately 606,000 square feet of space.
- The building is being redeveloped to ‘as-new’ condition and has an estimated useful life of 50 years.
- The outdoor shooting facilities at Wyper Road include a 9,500 sq. ft. building for classroom training and an outdoor shooting facility comprised of 36 gun shooting lanes and 12 shotgun shooting lanes.
- As at December 31, 2013 (i.e. – the date of this report) the project budget was \$178.2 million comprised of \$172.2 million for redevelopment plus \$6.0 million of corporate charges that are meant to represent construction period interest.

PROJECT SCHEDULE

The following is a summary of key project milestones.

Key Milestones	Target	Actual
Range occupancy	Summer 2012	Sept 24, 2012
Building – available for occupancy	Summer 2014	-

Construction commenced on the range facility at Wyper Road in the late fall of 2011. The range reached substantial completion in fall 2012 and is now being used by the WPS. The City is working with the contractor to correct the remaining deficiencies with the range facility when weather permits.

Construction commenced on the main headquarters building (245 Smith Street) in Summer 2012.

The building is currently on schedule with the target date above.

MAJOR CONTRACTS

The following is a list of major contracts awarded.

Bid Opportunity	Awarded To	Description	Award Date	Completion Date	Award/Contract Value
66-2010 Phase 1-3	AECOM Inc.	Professional Consulting Services for the Design and Development of the Winnipeg Police Service Headquarters at 266 Graham Avenue (former Canada Post Building) in Winnipeg	Aug 19, 2010	Feb 24, 2012	\$2,520,092.00
66-2010 Phase 4	AECOM Inc.	Professional Consulting Services for the Design and Development of the Winnipeg Police Service Headquarters at 266 Graham Avenue (former Canada Post Building) in Winnipeg	Jan 4, 2011	Feb 24, 2012	\$2,820,446.00 (*)
833-2010 Phase 1	Caspian Projects Inc. & Akman	Construction Management Services for the Design and Development of the Winnipeg Police Service Headquarters	Feb 10, 2011	June 5, 2012	\$50,000.00

	Construction Ltd. *assigned to Caspian Projects Inc.	at 266 Graham Avenue (Former Canada Post Building) in Winnipeg			
833-2010 Phase 1 – Over expenditures	Caspian Projects Inc.	During the design process, the design engineer determined that additional invasive testing/inspection on the building was necessary to further the design process	Dec 20, 2011	June 5, 2012	\$276,020.61
833-2010 Phase 1 – Over expenditures	Caspian Projects Inc.	During the design process, the design engineer determined that additional invasive testing/inspection on the building was necessary to further the design process	June 5, 2012	June 5, 2012	\$113,937.99
833-2010 Phase 2&3 GMP	Caspian Projects Inc.	Guaranteed Maximum Price Contract for the redevelopment of 245 Graham Avenue and shooting range at Wyper Road	Nov 18, 2011	Ongoing	\$137,100,000.00
Over-expenditures (833-2010)	Caspian Projects Inc.	GMP Contract extended for the relocation/construction of new office space to accommodate an existing tenant in the Office Tower at 266 Graham Avenue displaced by the WPSHQ lobby and other renovations to the Office Tower at 266 Graham Avenue.	July 4, 2013 (**)	Ongoing	\$795,964.12
Single Source	Adjeleian Allen Rubeli Limited	Professional Engineering Services Required by the City of Winnipeg Police Headquarters (Canada Post) Project	Dec 23, 2011	On going	\$4,400,000.00 (\$2,600,000.00 original contract) (\$1,800,000.00 over-expenditure April 25, 2012)
Over-expenditure -	Adjeleian Allen Rubeli Limited	Professional Engineering Services Required by the City of Winnipeg Police Headquarters (Canada Post) Project	June 8, 2012	Ongoing	\$150,000.00
Over-expenditure	Adjeleian Allen Rubeli Limited	Professional Engineering Services related to additional design services and revisions to contract drawings related to tower / link requirements and building code standards.	July 19, 2013	Ongoing	\$260,000.00
201-2012	Integrated Designs Inc.	Commissioning of the Winnipeg Police Headquarters at 266 Graham Avenue	Jun 19, 2012	Ongoing	\$375,000.00
Direct Assignment	Duboff Edwards Haight & Schachter	Legal Services in the development of the GMP for the Winnipeg Police Services Headquarters	Jul 21, 2011	April 3, 2012	Services up to \$100,000.00 (\$33,989.48 paid)
Direct Assignment	Dunmore Corporation	Project Management Services for the Winnipeg Police Headquarters Project	Jun 1, 2011	December 31, 2013	\$262,580.67

(*) – plus \$81,866.84 paid to close out services.

It should be noted that the contract with Caspian Projects Inc. (833-2010) is in the process of being adjusted to reflect the additional funds approved by Council on December 11, 2013. The contract with AAR concluded on December 31, 2013 and in the process of being extended.

RISK AND MITIGATION STRATEGIES

In the previous report, the risk in GMP Agreement related to the re-pricing of the drawings at 100% design stage was listed as a risk as well as the construction contingency items. These are no longer risk items as the cost is known. These items have resulted in additional costs of \$17.2 million.

As at the date of this report, there is still approximately 5 months of construction left. As the design is complete and the construction being at an advance stage of completion, the probability of a significant issue is regarded as being low. As such, there is a small contingency in the project.

The CFO has received written confirmation from the contractor and consultant engineer that the current project budget is sufficient to complete the project without requiring any additional monies from the City. On December 11, 2013, Council delegated authority to the Chief Financial Officer to approve all contract over-expenditures necessary to the Guaranteed Maximum Price (GMP) Agreement with the contractor provided that monies are available within the project budget as adjusted.

The remaining budget related to furniture fixtures and equipment is thought to be sufficient to achieve building occupancy but is less than optimal. It is expected that some items will have to be purchased over time out of existing annual budgets.

Project management services provided by Dunmore Corporation concluded on December 31, 2013. A Project Director from Municipal Accommodations Division has been assigned commencing January 1, 2014 to manage the project for the City until completion.

Completing the job on schedule is also essential to staying within revised budget as additional time would result in additional engineering and insurance costs to the City.

Subsequent Events Note

Subsequent to the finalization of this report, on February 21, 2014, the City signed a Supplemental Agreement with Caspian Projects Inc. establishing a Total Contract Price of \$156,374,911.67. This amount is within the funding authorized by Council. The Major Contracts section and various Financial Schedules will be revised in the next quarterly report to reflect the amounts in the Supplemental Agreement.

FINANCIAL ANALYSIS - as at June 30, 2013

(All figures are in \$000)

Project Component	Revised Budget	Value/Cost Estimate	Variance Revised Budget to Value/Cost Estimate	Change in Variance from Last Report
Engineering, design and other costs	\$ 15,891	\$ 15,891	\$ -	\$ 887
GMP Agreement				
- Building redevelopment	\$ 135,808	\$ 135,808	\$ -	\$ (22,076)
- Shooting range facility	\$ 8,097	\$ 8,097	\$ -	\$ (848)
- Furniture, fixtures & equipment (including security)	\$ 10,569	\$ 10,569	\$ -	\$ 4,837
	\$ 154,474	\$ 154,474	\$ -	\$ (18,087)
Office Tower renovations charged to project	\$ 1,835	\$ 1,835		\$ -
sub-total	\$ 172,200	\$ 172,200	\$ -	\$ (17,200)
Corporate charges - to represent construction period interest	\$ 6,000	\$ 6,000	\$ -	\$ -
Total	\$ 178,200	\$ 178,200	\$ -	\$ (17,200)

Summary

For a full discussion of the financial status of the project, please refer to the 'Over-Expenditure Authorization for the Redevelopment of the Winnipeg Police Service Headquarters Building' report approved by Council on December 11, 2013.

The revised renovation budget of \$172.2 million is the same as reported to Council in the December 11, 2013 report. In comparison to that report, some monies have been reallocated between the GMP Agreement and the Engineering, Design and Other Costs for building infrastructure required to install the furniture, fixtures and equipment. It is expected that there may be some minor reallocations between the categories above to reflect the finalized Supplemental Agreement and other small adjustments as the job progresses to completion. It should be noted that the Furniture, Fixtures and Equipment line item above includes security items as security was included in the original GMP Furniture, Fixtures and Equipment budget amount of \$14.3 million.

The reduction of \$1.0 million from the previous report to SPC Finance reflects that \$1.0 million of the short fall was dealt with by reduction of internal charges meant to represent construction period interest. This reduced the project value by \$1.0 million and reduced the additional funding required by \$1.0 million.

FINANCIAL IMPACT

Financial Impact Statement

Date: **October 25, 2013**

Project Name:

First Year of Program

2011

Winnipeg Police Headquarters Development Project

Comments:

There is no financial impact as this report is for information only.

As noted in the body of this report, a separate over-expenditure report was approved by Council on December 11, 2013.

"Original Signed By"

Mike McGinn, CA

Manager of Finance

CONSULTATION

In preparing this Report there was consultation with:

N/A

SUBMITTED BY

Department: Winnipeg Police Services
Prepared by: Jason Ruby – Corporate Finance, Manager of Capital Projects

Date: February 6, 2014
File No.:

Winnipeg Police Services Headquarters Project

as at Dec 31, 2013

Project Component	Capital Budget			Capital Expenditure Forecast			Surplus (Deficit)	Variance Last Report	Change in Variance
				Actual Costs		Total			
	Original	Adjustment	Revised	To Dec 31 2013	2014	Forecast	From Revised Budget		
Engineering, design and other costs	\$ 17,900	\$ (2,009)	\$ 15,891	\$ 13,551	\$ 2,340	\$ 15,891	\$ -	\$ 887	\$ (887)
GMP Agreement									
- Building	\$ 116,227	\$ 19,581	\$ 135,808	\$ 119,532	\$ 16,276	\$ 135,808	\$ -	\$ (22,076)	\$ 22,076
- Range	\$ 6,573	\$ 1,524	\$ 8,097	\$ 7,092	\$ 1,005	\$ 8,097	\$ -	\$ (848)	\$ 848
- Furniture, fixtures, equipment (including security)	\$ 14,300	\$ (3,731)	\$ 10,569	\$ 1,738	\$ 8,831	\$ 10,569	\$ -	\$ 4,837	\$ (4,837)
	\$ 137,100	\$ 17,374	\$ 154,474	\$ 128,362	\$ 26,112	\$ 154,474	\$ -	\$ (18,087)	\$ 18,087
Office Tower renovations charged to project (*)	\$ -	\$ 1,835	\$ 1,835	\$ 653	\$ 1,182	\$ 1,835		\$ -	\$ -
sub-total	\$ 155,000	\$ 17,200	\$ 172,200	\$ 142,566	\$ 29,634	\$ 172,200	\$ -	\$ (17,200)	\$ 17,200
Corporate charges - to represent construction period interest	\$ 7,000	\$ (1,000)	\$ 6,000	\$ 3,443	\$ 2,557	\$ 6,000	\$ -	\$ -	\$ -
Total	\$ 162,000	\$ 16,200	\$ 178,200	\$ 146,009	\$ 32,191	\$ 178,200	\$ -	\$ (17,200)	\$ 17,200

Explanatory Notes:

- This project is for redevelopment of the former Canada Post Mail Sorting Plant at 266 Graham Avenue and for the development of a new shooting range at Wyper Road.

For clarity, the scope of this project does not include the purchase of the Building at 266 Graham Avenue, management of the office tower at 266 Graham Avenue or the disposal of the Public Safety Building.

(*) - Office Tower renovations of \$2,238 less \$403 allocated to the Office Tower based on square footage.

All figures are in \$000