

Minutes – Standing Policy Committee on Finance – November 26, 2015

REPORTS

**Item No. 9 Winnipeg Police Service Headquarters Redevelopment Project –
Financial Status Report No. 11 for the Period Ending September 30,
2015**

STANDING COMMITTEE DECISION:

The Standing Policy Committee on Finance concurred in the recommendation of the Winnipeg Public Service and received as information the financial status of the Winnipeg Police Service Headquarters Redevelopment Project, as contained in the report.

Minutes – Standing Policy Committee on Finance – November 26, 2015

DECISION MAKING HISTORY:

Moved by Councillor Lukes,

That Rule 10(3) of The Procedure By-law No. 50/2007 be suspended in order that the following item, which was received less than 96 hours preceding the committee meeting, be considered by Committee.

Carried

Moved by Councillor Lukes,

That the recommendation of the Winnipeg Public Service be concurred in.

Carried

ADMINISTRATIVE REPORT

Title: WINNIPEG POLICE SERVICE HEADQUARTERS REDEVELOPMENT PROJECT – FINANCIAL STATUS REPORT NO. 11 FOR THE PERIOD ENDING SEPTEMBER 30, 2015

Critical Path: STANDING POLICY COMMITTEE ON FINANCE

AUTHORIZATION

Author	Department Head	CFO	CAO
B. Erickson G. Chartier	J. Kiernan D. Clunis	M. Ruta	D. McNeil

RECOMMENDATIONS

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

REASON FOR THE REPORT

Administrative Standard FM-004 requires quarterly reporting to the Standing Policy Committee on Finance.

EXECUTIVE SUMMARY

Since the last reporting to SPC Finance in June 2015, the following is an update as to the status of the WPS Headquarters project.

Occupancy/Move in Date

- The critical path item to this target is the completion of the building safeguards work. Work has been awarded and contractors are on site working in the building. For clarity, this work has been issued through separate procurement and is not being completed by Caspian Projects Inc.
- Work is on track to allow the WPS to begin the move process into the new WPS Headquarters on December 15, 2015.

GMP Contract

- The final invoicing on the contract has been received by the City and is under review by the City's consultant engineer.
- Total performance of this contract is expected to be submitted by the next reporting to Committee.

Occupancy Permit

- In order for final occupancy to be issued, minor life safety issues need to be addressed within the Office Tower at 266 Graham Avenue and the Winnipeg Public Service is diligently working to address these items.
- The Building Interim Occupancy permit has been extended to January 31, 2016.
- These remaining issues will not impact the commencement of the WPS move in scheduled to begin December 15, 2015.
- There are no life safety deficiencies in the WPSHQ building affecting our ability to receive the final occupancy permit.

Water Event Insurance Claim

- Change orders to address the remediation work related to the August 21, 2014 water event have been issued to the construction contractor. This work has been completed and is in the process of being certified by the City's consultant engineer.
- The insurance recovery report authorizing expenditures related to the water event limited expenditures to a maximum of \$2 million over and above amounts received from our insurers.
- Partial funds have been received from our insurers but only as interim payments until the insurance review is complete. Please note property insurance claims of this scope take a significant time to process/conclude.
- The City's Builders Risk insurance is expected to respond to a significant portion of the claim once all submitted costs are examined.
- The City is in the process of requesting additional interim funds from the insurers in order to pay the full amount of the change orders issued to the construction contractor.
- A final project report will be submitted once the insurance claim has been finalized.

IMPLICATIONS OF THE RECOMMENDATIONS

None – report is to be received as information.

HISTORY

In July 2011, Council approved an increase to \$162 million for the redevelopment of the 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 was \$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 \$16.2 million (*) bringing the total redevelopment cost to \$178.2 million and total project value (including purchase of the building) to \$209.8 million. (*) - The increase in construction costs of \$17.2 million was partially offset by a \$1.0 million reduction of construction period interest expense.

On February 21, 2014, the City signed a Supplemental Agreement with Caspian Projects Inc. establishing a Total Contract Price of \$156,374,911.67, which is within the funding authorized by Council.

The WPS Headquarters passed all life safety testing on July 29, 2014. The City was to take possession of the building the week of August 25, 2014, following final inspection on August 20, 2014. However, due to water damage from the rain event that occurred on August 21, 2014, the main electrical service equipment and life safety systems on the lower levels, under the City inspections "Order to Comply" had to be recertified or replaced before an occupancy permit could be issued.

On December 10, 2014, Council approved the Insurance Recovery Report providing interim/bridging costs to a maximum amount of \$ 2 million from the Insurance Reserve Fund in order to proceed with the required repairs in a timely matter and to cover any uninsured costs that may be required.

On February 12, 2015, the City signed a Second Supplemental Agreement with Caspian Projects Inc. for the remedial work related to water damage from the August 21, 2014 rain event.

In February 2015, Change Orders were issued to the contractor to address the water damage including architectural, mechanical and electrical remedial work.

The building passed the Building Code life safety testing on June 17, 2015. The Building Interim Occupancy permit was issued on June 19, 2015.

Certificate of Substantial Performance, as defined under Provincial Legislation was issued on June 29, 2015.

The Municipal Accommodations division took possession of the building on July 17, 2015.

MAJOR CAPITAL PROJECT ADVISORY COMMITTEE

The Project Director reports to the Committee on a regular basis (bi-weekly). The Committee has been formed and its members are:

Michael Jack, Chief Operating Officer

Mike Ruta, Chief Financial Officer

Devon Clunis, Winnipeg Police Service Chief

John Kiernan, Director of Planning, Property and Development (PPD)

Jason Ruby, Manager of Capital Projects – Corporate Finance

Reporting to the Committee are:

Jeff Dibley, PPD, Project Director

Abdul Aziz, Project Team Member – Winnipeg Police Service

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

PROJECT STATUS

The WPS Headquarters is 99% complete. The majority of furniture, fixtures and equipment have been installed. The firearms training facility (FTF) at Wyper Road is operational as of September 2012.

The remaining work on the construction GMP contract has been largely completed and is in the process of being certified by the City's consultant engineer.

The remedial work from water damage caused by the August 21, 2014 rainstorm has been completed and is in the process of being certified for payment by the City's consultant engineer.

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 firearms training facility at Wyper Road. For clarity, the following activities are not within the responsibility of the Project Director and Project Team:

- Purchase of the Mail Sorting Plant and Office Tower from Canada Post Corporation.
- Management of the Office Tower at 266 Graham Avenue.
- Disposal of the Public Safety Building.

When completed, the new WPS Headquarters will house 14 divisions and approximately 1,250 staff. All 6 floors, plus two below-grade parking levels, at 245 Smith Street will have been redeveloped and provide approximately 630,925 square feet of space. The building is being redeveloped to 'as-new' condition and has an estimated useful life of 50 years.

The new firearms training facility at Wyper Road includes a 9,000 sq. ft. building for classroom training and an outdoor shooting range comprised of 36 shooting lanes and 12 shotgun shooting lanes.

The total project budget for redevelopment is \$178.2 million, including construction period interest.

PROJECT SCHEDULE

The following is a summary of key project milestones.

Key Milestones	Target	Actual
Firearms Training Facility - occupancy	Summer 2012	September 24, 2012
WPS Headquarters available for occupancy	December 15, 2015	-

Construction commenced on the Firearms Training Facility at Wyper Road in the fall of 2011. The facility attained substantial completion in fall of 2012 and has been operational by WPS since this date. Construction on the WPS Headquarters building (245 Smith Street) started in the summer of 2012.

The critical path for the WPS Headquarters being available for occupancy is the completion of the building safeguards work. The work has been awarded and contractors are on site working

in the building. The schedule is aggressive but the work is on track to enable the WPS to begin their move process into the new WPS Headquarters building by mid-December.

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 Ltd. *assigned to Caspian Projects Inc.	Construction Management Services for the Design and Development of the Winnipeg Police Service Headquarters at 266 Graham Avenue (Former Canada Post Building) in Winnipeg	Feb 10, 2011	June 5, 2012	\$50,000.00
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	Caspian Projects Inc.	Guaranteed Maximum Price Contract for the redevelopment of 245 Graham Avenue and firearm training facility at Wyper Road	Nov 18, 2011	Ongoing	\$137,100,000.00

GMP					
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
Over-expenditures (833-2010)	Caspian Projects Inc.	The City and Caspian Projects Inc. signed a Supplemental Agreement to the GMP Contract establishing a Final Contract Price of \$156,374,911.67.	Feb 21, 2014	Ongoing	\$18,478,947.55
Single Source	Adjeleian Allen Rubeli Limited	Professional Engineering Services required by the City of Winnipeg Police Headquarters (Canada Post) Project	Dec 23, 2011	Jan 1, 2014	\$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	Jan 1, 2014	\$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	Jan 1, 2014	\$260,000.00
Over-expenditure	Adjeleian Allen Rubeli Limited	Professional Engineering Services required by the City of Winnipeg Police Headquarters (Canada Post) Project for services from January 1, 2014 to July 31, 2014 with follow-up in November 2014.	Mar 24, 2014	Feb 18, 2015	\$470,000.00
Over-expenditure	Adjeleian Allen Rubeli Limited	Professional Engineering Services required by the City of Winnipeg Police Headquarters (Canada Post) Project for additional trip for Final Inspection - August 17, 2014 to August 21, 2014.	Aug 21, 2014	Aug 21, 2014	\$11,500

201-2012	Integrated Designs Inc.	Commissioning of the Winnipeg Police Headquarters at 266 Graham Avenue	Jun 19, 2012	Dec 30, 2013 (original estimate)	\$375,000.00
Over-expenditure	Integrated Designs Inc.	Contract extension to continue testing building systems until June 2015	Dec 3, 2014	June , 2015	\$64,800
Direct Assignment	Duboff Edwards Haight & Schachter	Legal Services in the development of the GMP for the Winnipeg Police Services Headquarters and Second Supplemental Agreement	Jul 21, 2011	Ongoing	Services up to \$100,000.00 (\$44,690.21 paid)
Direct Assignment	Dunmore Corporation	Project Management Services for the Winnipeg Police Headquarters Project	Jun 1, 2011	December 31, 2013	\$267,961.32

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

The following table lists the major contracts awarded relating to remedial work from the water damage caused by the August 21, 2014 rain storm. These costs are being submitted as they are incurred to the insurers as part of the City's insurance claim.

Bid Opportunity	Awarded To	Description	Award Date	Completion Date	Award/Contract Value
Over-expenditure	Adjeleian Allen Rubeli Limited	Professional Engineering Services required by the City of Winnipeg Police Headquarters (Canada Post) Project related to the remedial work	Jan 14, 2015	Ongoing	(*)
Over-expenditure	Caspian Projects Inc.	A Second Supplemental Agreement for construction services related to the remedial work	Feb 12, 2015	Ongoing	(**)
1029-2014 Direct Assignment	QPS Evaluation Services Inc.	The assessment, testing and CSA recertification services of electrical equipment and systems related to the remedial work	Oct 22, 2014	Ongoing	Up to \$58,000

(*) – The AAR contract is for time and materials. Amount paid to date is \$659,711.11.

(**) – The Supplemental agreement establishes the dates for construction completion, with change orders to be issued by the City on an individual item basis. Change orders issued to the date total \$6,587,500.59.

RISK AND MITIGATION STRATEGIES

The final invoicing on the GMP contract has been received by the City and is under review by the City's consultant engineer. The contract is forecast to be within the Final Contract Price of \$156,374,911.67. This does not include the water remediation work.

The building hand-off risk has been greatly reduced by the City using a Commissioning Agent (Integrated Designs Inc. (IDI)) to ensure building systems are functioning properly. As disclosed in previous reports (contracts table), IDI has been involved with the project on an ongoing basis since 2012.

The remaining project budget related to furniture, fixtures and equipment is sufficient to achieve building occupancy. Any additional work, finishes or building system safeguards will be completed using funds set aside in the annual capital budget.

Change orders required to address the remediation work related to the August 21, 2014 water event have been issued to the construction contractor. The work has been completed and is in the process of being certified by the City's consultant engineer. City is in the process of requesting additional interim funds from the insurers in order to pay the full amount of the change orders.

There is a possibility that the insurers will not cover all related costs/losses the City has incurred due to the August 21, 2014 water event. The Insurance Reserve Fund has set aside up to \$2.0 million to cover any interim/ bridging costs or any uninsured costs. A final project report will be submitted once the insurance claim has been finalized.

COST PER SQUARE FOOT

In the meeting of SPC on Finance on March 13, 2014, it was requested that the Public Service include the cost per square foot in the next status report and every report thereafter.

Cost per Square Foot - Detailed Calculation (*)					
			11-Dec-13	30-Jun-15	30-Sep-15
			Report to Council	Quarterly Status to SPC Finance	Quarterly Status to SPC Finance
WPSHO - Project Budget - Redevelopment			\$ 178,200	\$ 178,200	\$ 178,200
Building purchase			\$ 31,567	\$ 31,567	\$ 31,567
			\$ 209,767	\$ 209,767	\$ 209,767
less:					
Office Tower - <i>final</i>			\$ (18,967)	\$ (18,967)	\$ (18,967)
Gun range - <i>forecast</i>			\$ (7,421)	\$ (8,103)	\$ (8,103)
Construction interest - <i>forecast</i>			\$ (6,000)	\$ (5,513)	\$ (5,513)
Redevelopment cost (**)	A		\$ 177,379	\$ 177,184	\$ 177,184
Building size (sq. ft.)	B		606	631	631
Cost per square foot	A divided by B		\$ 293	\$ 281	\$ 281
(*) - in thousands except for 'Cost per Square Foot', which is in dollars.					
(**) - includes land & FFE / does not include construction interest					

As the building is not yet complete, the cost per square footage is based on both forecasted costs as well as estimated square footages available at the time of report. However, as the building is nearing completion, cost per square foot is not expected to change significantly.

Forecasted costs, as well as estimated square footages may be updated in future reporting and may be subject to change. Once the building has been constructed, the building is expected to be physically measured to determine as-built square footage.

COST OF BORROWING

In the meeting of SPC on Finance on March 13, 2014, it was requested that the Public Service include the Cost of Borrowing in future quarterly reports.

<i>Cost of Borrowing, amounts in thousands</i>				
	Amount	Issue Date	Maturity	Rate
<i>Issued</i>				
	\$ 50,000	7/3/2012	11/15/2051	3.85%
	\$ 8,586	10/4/2012	11/15/2051	3.76%
	\$ 43,992	8/20/2013	11/15/2051	4.39%
	\$ 52,568	9/12/2014	11/15/2051	3.91%
	<u>\$ 155,146</u>			
			<i>Weighted average rate for debt issued</i>	4.02%

All authorized borrowing on the project has now been completed.

FINANCIAL ANALYSIS - as at September 30, 2015 (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	\$ 16,715	\$ 824	\$ -
Construction				
- Building redevelopment	\$ 135,808	\$ 135,895	\$ 87	\$ -
- Shooting range facility	\$ 8,097	\$ 8,103	\$ 6	\$ -
- Furniture, fixtures & equipment (including security)	\$ 10,569	\$ 10,459	\$ (110)	\$ -
	\$ 154,474	\$ 154,457	\$ (17)	\$ -
Office Tower renovations charged to project	\$ 1,835	\$ 1,515	\$ (320)	\$ -
sub-total	\$ 172,200	\$ 172,687	\$ 487	\$ -
Corporate charges - to represent construction period interest	\$ 6,000	\$ 5,513	\$ (487)	\$ -
Total	\$ 178,200	\$ 178,200	\$ -	\$ -

note: Office Tower renovations of \$1,918 less \$403 allocated to the Office Tower based on square footage.

Final Contract Price of \$156,375 = \$154,457 (above) + \$1,918.

SUMMARY

The project is forecasted to be within the amended budget as costs related to the water damage, caused by the August 21, 2014 rain storm, are being submitted under an insurance claim under the City's Course of Construction policy.

There has been no change in forecast from the previous report to Committee.

Expenditures since last reporting to Committee on this project have been minimal. However, final invoicing on the GMP contract has been received by the City and is under review by the City's consultant engineer. Total performance of this contract is expected by the next reporting to Committee.

The change orders to the construction contractor and payments related to the City's insurance claim are not reflected in the financial analysis above. A separate reporting on the costs of the water event is required at the completion of work.

The ongoing building safeguard work is not included in this project and therefore not reflected in the financial analysis above.

FINANCIAL IMPACT

Financial Impact Statement Date: [November 18, 2015](#)

Project Name:

Winnipeg Police Headquarters Redevelopment Project

COMMENTS:

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

"Original Signed By"

Mike McGinn, CA
Manager of Finance

CONSULTATION

None required.

OURWINNIPEG POLICY ALIGNMENT

N/A

SUBMITTED BY

Department: Planning, Property & Development / Winnipeg Police Service

Prepared by: Jeff Dibley – PPD – Project Director

Jason Ruby – Corporate Finance, Manager of Capital Projects

Date: November 25, 2015

Winnipeg Police Services Headquarters Project

as at September 30, 2015

Project Component	Capital Budget			Capital Expenditure Forecast			Surplus (Deficit) From Revised Budget	Variance Last Report	Change in Variance
				Actual Costs		Total			
	Original	Adjustment	Revised	To Mar 31 2015	2015	Forecast			
Engineering, design and other costs	\$ 17,900	\$ (2,009)	\$ 15,891	\$ 15,214	\$ 1,501	\$ 16,715	\$ (824)	\$ (824)	\$ -
Construction									
- Building	\$ 116,227	\$ 19,581	\$ 135,808	\$ 135,895	\$ -	\$ 135,895	\$ (87)	\$ (87)	\$ -
- Range	\$ 6,573	\$ 1,524	\$ 8,097	\$ 8,103	\$ -	\$ 8,103	\$ (6)	\$ (6)	\$ -
- Furniture, fixtures, equipment (including security)	\$ 14,300	\$ (3,731)	\$ 10,569	\$ 10,029	\$ 430	\$ 10,459	\$ 110	\$ 110	\$ -
	\$ 137,100	\$ 17,374	\$ 154,474	\$ 154,027	\$ 430	\$ 154,457	\$ 17	\$ 17	\$ -
Office Tower renovations charged to project (*)	\$ -	\$ 1,835	\$ 1,835	\$ 1,515	\$ -	\$ 1,515	\$ 320	\$ 320	\$ -
sub-total	\$ 155,000	\$ 17,200	\$ 172,200	\$ 170,756	\$ 1,931	\$ 172,687	\$ (487)	\$ (487)	\$ -
Corporate charges - to represent construction period interest	\$ 7,000	\$ (1,000)	\$ 6,000	\$ 5,513	\$ -	\$ 5,513	\$ 487	\$ 487	\$ -
Total	\$ 162,000	\$ 16,200	\$ 178,200	\$ 176,269	\$ 1,931	\$ 178,200	\$ -	\$ -	\$ -

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 \$1,918 less \$403 allocated to the Office Tower based on square footage.
Final Contract Price of \$156,375 = \$154,457 (included in construction above) plus \$1,918.

All figures are in \$000