

Minutes – Standing Policy Committee on Finance – September 11, 2014

REPORTS

**Minute No. 128 Winnipeg Police Service Headquarters Redevelopment Project –
Financial Status Report No. 6 for the period ending June 30, 2014**

STANDING COMMITTEE DECISION:

The Standing Policy Committee on Finance concurred in the recommendation of the Winnipeg Public Service and received the report as information.

Minutes – Standing Policy Committee on Finance – September 11, 2014

DECISION MAKING HISTORY:

Moved by Councillor Havixbeck,

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

Carried

ADMINISTRATIVE REPORT

ISSUE: WINNIPEG POLICE SERVICE HEADQUARTERS REDEVELOPMENT PROJECT – FINANCIAL STATUS REPORT NO. 6 FOR THE PERIOD ENDING June 30, 2014

Critical Path: STANDING POLICY COMMITTEE ON FINANCE

AUTHORIZATION

Author	Department Head	CFO	CAO
J. Ruby	Devon Clunis/Barry Thorgrimson	Paul Olafson A/CFO	M. Jack 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

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

Since the last reporting to SPC Finance, the project has achieved internal milestones as follows:

- Life and safety testing was successfully completed on July 29, 2014
- Inspections for occupancy were held on August 19 and 20th 2014 and the contractor was in the process of applying for the Interim Occupancy Permit, which would have transferred control of the building from the contractor to the City when the building experienced a rain event on August 21, 2014.
- The transfer of control of the building was set for the week of August 25, 2014, which has now been delayed; best estimate for the new Interim Occupancy date is September 2014.

- After the Building transfers to City control, the contractor will work to address remaining deficiencies.
- Once contractors have left the site, a team of WPS staff will begin readying the building for the move in.
- Once readied, the Winnipeg Police Service will begin moving into the building staged by Division over a period of several months

The project cost is forecasted to be within the amended budget.

EXECUTIVE SUMMARY

This report provides an update on the status of the Winnipeg Police Service (WPS) Headquarters redevelopment. 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.

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.

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.

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.

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.

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
Barry Thorgrimson, Director of Planning, Property and Development (PPD) (*)
Jason Ruby, Project Team Member – Corporate Finance

Reporting to the Committee are

Iain Day, Project Director (**)
Abdul Aziz, Project Team Member – Winnipeg Police Services (**)

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

(*) – The Director of PPD has been added to the Committee since the last reporting to SPC Finance.

(**) – Team members report to the Committee as recommended by the City Auditor.

PROJECT STATUS

The building is 99.8% 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 plus two the sub-grade parking levels at 245 Smith Street will be redeveloped and have 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 outdoor shooting facilities at Wyper Road include a 9,000 sq. ft. building for classroom training and an outdoor shooting facility comprised of 36 gun shooting lanes and 12 shotgun shooting lanes.
- The project budget for redevelopment is \$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.

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

The Building passed all life and safety testing on July 29, 2014. The Building was to be handed over to the City the week of August 25, 2014. However, due to the rain event that occurred on August 21, 2014, the handover has been revised to September 2014.

Once the contractors are off-site, an advance WPS team will begin readying the building for the divisional moves. Once readied, the Winnipeg Police Service will begin moving into the building staged by Division over a period of several months.

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 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
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	Ongoing	\$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.	In process	Aug 21, 2014	\$11,500
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	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.

RISK AND MITIGATION STRATEGIES

As previously reported, a Supplemental Agreement has been signed establishing a Final Contract Price of \$156,374,911.67, which is within the funding authorized by Council. This Supplemental Agreement transferred risk for all design or code deficiencies to Caspian. Specifically, Caspian, having thoroughly reviewed the Plans and Specification at 100% completion, is responsible for correcting at its sole expense, all design or code deficiencies in order to allow the City occupancy of the building for it to be used in its intended purpose as a Police Headquarters.

Per the Supplemental Agreement, any additional Change Orders initiated by the City and not required to correct code deficiencies will be borne by the City. As mitigation to this risk, both parties have agreed in principle to not make any further changes unless required to permit occupancy. Further, Change Orders (if any are permitted) will only be valid if signed in advance by the Chief Financial Officer, Project Director and Caspian Projects Inc.

As at the preparation date of this report (September 2, 2014), no additional changes orders have been approved.

Schedule risk reported in the last report was significantly reduced on July 29, 2014 when all Life Safety tests were completed.

Hand-off risk has been greatly reduced by the City using a Commissioning Agent to ensure building systems are properly functioning. As disclosed in previous reports (contracts table), a Commissioning Agent has been involved with the project on an ongoing basis since 2012. In addition, the City's Owner's Engineer and the contractor conducted an inspection to determine a deficiencies listing, which is a listing of minor items that require additional work. There is a holdback to ensure the deficiencies are completed, which is consistent with normal practice.

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.

Regarding the rain event that occurred on August 21, 2014, the final cost of the damage is still being determined and claims have been initiated with both the City's and contractor's insurance companies.

COST PER SQUARE FOOT

In the meeting of SPC 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.

<u>Cost per Square Foot - Detailed Calculation (*)</u>						
				31-Dec-13	31-Mar-14	30-Jun-14
			11-Dec-13	Quarterly Status	Quarterly Status	Quarterly Status
			Report to Council	SPC Finance	SPC Finance	SPC Finance
WPSHQ - Project Budget - Redevelopment			\$ 178,200	\$ 178,200	\$ 178,200	\$ 178,200
Building purchase			\$ 31,567	\$ 31,567	\$ 31,567	\$ 31,567
			\$ 209,767	\$ 209,767	\$ 209,767	\$ 209,767
less:						
Office Tower - <i>final</i>			\$ (18,967)	\$ (18,967)	\$ (18,967)	\$ (18,967)
Gun range - <i>forecast</i>			\$ (7,421)	\$ (8,097)	\$ (8,103)	\$ (8,103)
Construction interest - <i>forecast</i>			\$ (6,000)	\$ (6,000)	\$ (6,000)	\$ (6,000)
Redevelopment cost (**)	A		\$ 177,379	\$ 176,703	\$ 176,697	\$ 176,697
Building size (sq. ft.)	B		606	606	631	631
Cost per square foot	A divided by B		\$ 293	\$ 292	\$ 280	\$ 280
(*) - 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.

Forecasted costs may vary slightly within the various categories above while the project remains within the amounts authorized by Council. For example, if monies within the project were reallocated to the gun range vs. the rest of the building, the redevelopment cost forecast above would change thereby changing the cost per square foot. The cost of the building purchase and allocation between the WPSHQ building and Office Tower is a past event and will not vary for the remainder of the project.

There has been no change in forecast from the prior report.

The method of estimating square footage in the building that is used in the reporting above is gross floor area, not including the square footage of the external wall area above the P1 level (i.e. – does not include the square footage of the outside wall, which is an additional 86,453 sq. ft.). Per consultation with the City's owner's engineer AAR, the square footage of the outside wall would normally be included in the square footage for purposes of calculating construction costs per square foot. The quantity surveyor Turner & Townsend measured square footage to

the mid-point of the external wall in their reporting (i.e. –included 50% of the external wall in the determination of square footage).

However, in the interest of being conservative in our estimates of cost per square foot, and being a renovation project that was only recladding the exterior wall/not building an external wall, the square footage of the external wall was not included in prior square footage estimates. For consistency and conservatism, this method of not including the square footage of the exterior wall has been continued in the estimate above. Adjusting the estimates above to include the square footage in the external wall or 50% of the square footage in the external wall would increase square footage and decrease the cost per square foot.

The estimate of square footage in the building is based on the latest AutoCAD drawings.

Forecasted costs as well as estimated square footages will 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 Finance on March 13, 2014, it was requested that the Public Service include the Cost of Borrowing in future quarterly reports.

Cost of Borrowing, amounts in thousands				
	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%
	\$ 102,578			
<i>To be issued</i>				
	\$ 52,568			
	\$ 155,146			
		<i>Weighted average rate for debt issued</i>		4.07%

There has been no borrowing since the last report to SPC Finance.

FINANCIAL ANALYSIS - as at June 30, 2014

(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	\$ 16,228	\$ 337	\$ -
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	\$ 172,200	\$ -	\$ -
Corporate charges - to represent construction period interest	\$ 6,000	\$ 6,000	\$ -	\$ -
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 forecast in the last report was based on financials after the City had signed the Supplemental Agreement with Caspian Projects Inc. establishing a Final Contract Price of \$156,374,911.67. There have been no change orders authorized since the last report to SPC Finance; therefore there is no change in the forecast from the prior report.

The project is being forecasted to be within amended budget.

FINANCIAL IMPACT

Financial Impact Statement

Date: August 5, 2014

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.

"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: September 2, 2014
File No.:

Winnipeg Police Services Headquarters Project

as at June 30, 2014

Project Component	Capital Budget			Capital Expenditure Forecast			Surplus (Deficit)	Variance Last Report	Change in Variance
				Actual Costs		Total			
	Original	Adjustment	Revised	30-Jun 2014	2014	Forecast	From Revised Budget		
Engineering, design and other costs	\$ 17,900	\$ (2,009)	\$ 15,891	\$ 14,855	\$ 1,373	\$ 16,228	\$ (337)	\$ (337)	\$ -
Construction									
- Building	\$ 116,227	\$ 19,581	\$ 135,808	\$ 135,583	\$ 312	\$ 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	\$ 9,105	\$ 1,354	\$ 10,459	\$ 110	\$ 110	\$ -
	\$ 137,100	\$ 17,374	\$ 154,474	\$ 152,791	\$ 1,666	\$ 154,457	\$ 17	\$ 17	\$ -
Office Tower renovations charged to project (*)	\$ -	\$ 1,835	\$ 1,835	\$ 1,490	\$ 25	\$ 1,515	\$ 320	\$ 320	\$ -
sub-total	\$ 155,000	\$ 17,200	\$ 172,200	\$ 169,136	\$ 3,064	\$ 172,200	\$ -	\$ -	\$ -
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	\$ 172,579	\$ 5,621	\$ 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 (above) + \$1,918.

All figures are in \$000