**Agenda - Executive Policy Committee - September 21, 2005**

**Report - Standing Committee on Fiscal Issues - September 13, 2005**

**Item No. 3 Public Safety Building Cladding Replacement and Four District Model Integration: Status and Adjusted Funding Requirement File FB-1.3**

STANDING COMMITTEE RECOMMENDATION:

On September 13, 2005, the Standing Committee on Fiscal Issues concurred in the administrative recommendation and recommends to Council:

1. That available funding from prior year adopted Capital Budgets approved for Public Safety Building (PSB) Cladding Replacement be used to fund the increased cost for the first Four District Model district station planned to commence construction in 2005. Construction of the first district station facilitates the relocation (decanting) of Public Safety Building occupants during Public Safety Building Cladding Replacement.

2. That construction of the second and third Four District Model district stations be delayed until 2010-2013.

3. That the Capital Estimates be revised to reflect the implementation schedules of the Public Safety Building Cladding Replacement project and the Four District Model district station construction project as recommended in the administrative report dated July 21, 2005.

4. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

**Agenda - Executive Policy Committee - September 21, 2005**

**Report - Standing Committee on Fiscal Issues - September 13, 2005**

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On September 13, 2005, the Standing Committee on Fiscal Issues concurred in the administrative recommendation and submitted the matter to the Executive Policy Committee and Council.

**Re: PUBLIC SAFETY BUILDING CLADDING REPLACEMENT AND FOUR DISTRICT MODEL INTEGRATION: STATUS AND ADJUSTED FUNDING REQUIREMENT**

**For submission to:** **Standing Policy Committee on Fiscal Issues**

**Original report signed by:** **Director of Planning, Property and Development**
**Chief of Police, Winnipeg Police Services**

**Report date:** July 21, 2005

**Recommendation(s):**

1. **That available funding from prior year adopted Capital Budgets approved for Public Safety Building (PSB) Cladding Replacement be used to fund the increased cost for the first Four District Model district station planned to commence construction in 2005. Construction of the first district station facilitates the relocation (decanting) of PSB occupants during PSB Cladding Replacement.**

2. **That construction of the second and third Four District Model district stations be delayed until 2010-2013.**

3. **That the Capital Estimates be revised to reflect the implementation schedules of the PSB Cladding Replacement project and the Four District Model district station construction project as recommended in this report.**

## REPORT SUMMARY

**Key Issues:**

- The sub-projects i.e., (a) PSB Cladding Replacement (b) Four District Model (c) PSB Decanting and (d) WPS Backup Communication Centre with Fire Paramedic Service (FPS) Dispatch Centre are in various stages of progress (e.g., programming, detailed design, etc.) as described in this report.

- Estimated construction costs for the PSB Cladding Replacement, Four District Model district stations, and WPS Backup Communication Centre with FPS Dispatch Centre have increased. The revised implementation schedule described in this report does not result in any increased budget requirement in the 2005 Capital Budget or the existing Capital Estimates.

- The Cost/Benefit Analysis associated with the WPS Four District Model has been updated as at the date of this report. The Four District Model as approved by Council remains the recommended alternative.

- The WPS would prefer that the Four District Model be implemented as approved by Council on July 21, 2004 i.e., all three planned district stations constructed by 2010 or the delayed implementation of only a single new station. However, these options would require significant increases to the existing Capital Estimates.

- Revising Capital Estimates as recommended in this report accomplishes the WPS accommodation initiatives with the least cost and greatest investment in assets with future economic value.

**Implications of the Recommendation(s):**

**General implications:**

| | |
|---|---|
| X | **None** |
| | **For the organization overall and/or for other departments** |
| | **For the community and/or organizations external to the City of Winnipeg** |
| | **Involves a multi-year contract** |

**Comment(s):**

- 

**Policy implications:**

| | |
|---|---|
| X | **No** |
| | **Yes** |

**Comment(s):**

- 

**Environmental implications:**

| | |
|---|---|
| X | **No** |
| | **Yes** |

**Comment(s):**

- 

**Human resources implications:**

| | |
|---|---|
| X | **No** |
| | **Yes** |

**Comment(s):**

- 

**Financial implications:**

| | |
|---|---|
| | **Within approved current and/or capital budget** |
| X | **Current and/or capital budget adjustment required** |

**Comment(s):**

___ That available funding from prior year adopted Capital Budgets approved for PSB Cladding Replacement be used to fund the increased cost for the first Four District Model district station planned to commence construction in 2005. That the Capital Estimates be revised to reflect the implementation schedules of the PSB Cladding Replacement project and the Four District Model district station construction project as recommended in this report.

**REASON FOR THE REPORT:**

Council approval is required to amend the Capital Budget and the Five-Year Forecast.

**HISTORY:**

On July 21, 2004, Council adopted the report of the Standing Policy Committee on Protection and Community Services regarding Public Safety Building Cladding Replacement and Winnipeg Police Service Accommodation Integration, namely:

1. *That construction of a new district station, as recommended in the Council approved "Winnipeg Police Service – Four District Model" occur a year earlier (2005) than as identified in the current Five-Year Capital Budget Forecast (2006).*

2. *That the City proceed with PSB Decanting Option 1C, as described in this report, to facilitate implementation of the PSB cladding replacement project.*

3. *That the City proceed with Backup Communication Centre Option 3, as described in this report, to facilitate implementation of the PSB cladding replacement project and establish a permanent Backup Communication Centre for the Winnipeg Police Service (WPS) with the Fire Paramedic Service (FPS).*

4. *That funding for Communication Centre equipment of $2,266,000 currently included in the WPS Five-Year Capital Budget Forecast in 2009 be advanced to 2005.*

5. *That additional Capital Budget funding of $8,651,000 be included in the Five-Year Capital Budget Forecast to achieve implementation of the various WPS accommodation initiatives described in this report.*

December 1, 2003, the Standing Policy Committee on Protection and Community Services recommended the following:

> *"that the Administration be requested to develop options to accommodate public safety operations during the Public Safety Building - Exterior Cladding project, once architectural reports, relocation options/strategies, and cost estimates are finalized, taking into consideration the Winnipeg Police Service - Four District Model Building Replacement… and report back to the Standing Policy Committee on Protection and Community Services by April, 2004."*

**DISCUSSION:**

## *Introduction*

Since Council approval of the various WPS accommodation initiatives on July 21, 2004 (and as described in this report), the Administration has undertaken preliminary design, Class "D"

costing estimates, and detailed analysis of the project management and logistics required to implement the following projects:

1. **PSB Cladding Replacement and Decanting**
2. **WPS Backup Communication Centre with FPS Dispatch Centre**
3. **WPS Four District Model**

Council's approval on July 21, 2004, integrated the PSB Cladding Replacement and Four District Model to implement these accommodation initiatives with the least cost and greatest investment in assets with future economic value and reduce expenditures for temporary accommodation or "throw away" cost. In addition, PSB Cladding Replacement requires relocating building occupants offsite prior to construction. The WPS and FPS require specialized facilities for service delivery. As utilization of an existing or newly constructed police facility has both financial and operational benefits, linking the Four District Model implementation with the PSB Cladding Replacement benefits both projects. Finally, the PSB Cladding Replacement project will provide a permanent "hot back-up" communication centre for both the WPS and FPS.

Detailed analysis associated with advancing these projects towards implementation has identified projected funding shortfalls. Cost increases have resulted from (1) cost increases in the construction industry (2) increased site development requirements (3) delays in project implementation associated with Capital Budget funding adjustments and (4) revisions to program(s) of requirements. Should the accommodation initiatives discussed in this report be further delayed, cost increases above and beyond those identified in this report will likely result.

As a result of estimated cost increases and projected funding shortfalls, revised financial analyses were performed on the integrated implementation plan approved by Council on July 21, 2004, and on competing implementation alternatives. Several alternatives were reviewed and analyzed from both financial and operational perspectives. For example, Four District Model alternatives for simply repairing the existing district stations, constructing additions to existing stations, and constructing fewer new stations than as proposed in the Four District Model were analyzed. For decanting implementation associated with PSB Cladding Replacement, the following alternatives were reviewed: (1) implementation integrated with the Four District Model, (2) utilizing existing civic facilities, (3) utilizing civic/leased properties, and (4) deferring PSB Cladding Replacement with scaffolding and netting the building facade.

The financial analysis performed again confirmed that integration of the Four District Model with the PSB Cladding Replacement project was the preferred option both financially and operationally. However, the Capital Budget required to implement this alternative with the existing implementation schedule would require significant increases to the existing Capital Estimates. As such, a further set of alternatives was analyzed to establish how the Four District Model with PSB Cladding Replacement alternative could be performed with the least impact on the existing Capital Estimates. Alternatives investigated included: (1) three new District Stations (existing implementation schedule as approved by Council), (2) three new District Stations with delayed implementation (delay for second and third new district station), (3) three new District

Stations with delayed implementation (delay for third new district station), (4) two new District Stations, and (5) One new District Station.

The recommended alternative to result in the least impact to the existing Capital Estimates is constructing three new District Stations with a delayed implementation schedule for the second and third stations until 2010-2013. This alternative provides the City with the ability to proceed as scheduled with both PSB Cladding Replacement and the first new District Station. The disadvantage is it requires a longer time period to complete both projects and proposes a long-term financial commitment beyond the present Capital Estimates (beyond 2006-2010).

Note that cost estimation associated with projects of this nature and magnitude are often subject to adjustment prior to project completion because of the time required for implementation and associated changes in market conditions and other risk factors. As such, the Administration is establishing a Fiscal Review Committee to monitor and report quarterly to the Standing Policy Committee on Fiscal Issues on the status of the projects contained in this report. A major role of the Fiscal review Committee will be to monitor any changes in cost estimates and re-assess the project Cost/Benefit Analysis and Capital Estimate cash flow implications.

## *1. PSB Cladding Replacement and Decanting*

The existing limestone cladding is deteriorating to the extent that a major structural repair is required. Failure to replace the exterior cladding would require long-term scaffolding and/or netting around the perimeter of the building. In addition, failure to repair the exterior cladding would reduce the life of the building.

**Decanting**

As the entire cladding structure of the PSB has to be removed, there will be significant disruption to building occupants. Critical to the PSB cladding replacement project, is the need to maintain 24 hour, 7 day/week operations for the WPS and FPS. As such, a significant number of building occupants have to be relocated (decanted) during construction. A Project Committee consisting of LM Architectural Group, WPS, FPS, and the Planning, Property and Development Department conducted an analysis of the building occupants requiring temporary relocation and their accommodation needs. Upon identification of their accommodation needs, alternate facilities were assessed for suitability and decanting alternatives were developed.

In July 2004, Council approved advancing implementation of a single district station as recommended in the WPS Four District Model for the purposes of accomplishing PSB decanting as this decanting option resulted in the least cost and greatest investment in assets with future economic value. Revised cost estimates for PSB decanting options as at the date of this report are included in **Appendix A**. Appendix A also provides a financial comparison of PSB Cladding Replacement with and without the Four District Model and discussion of the following decanting alternatives:

1. **Four District Model Options** - PSB decanting utilizing vacated police stations, which have relocated to a new District Station.

2. **Civic Facilities Options** – PSB decanting utilizing vacant civic buildings.
3. **Civic/Leased Facilities Option** – PSB decanting utilizing vacant civic buildings and temporary leased facilities to remove all PSB occupants.
4. **Scaffolding/ Netting Option** – Deferring PSB Cladding Replacement by installing scaffolding and netting.

Note that, after accounting for adjustments to physical requirements and cost factor increases since the original analysis, advancing implementation of a single district station remains the recommended decanting option.

**PSB Cladding Replacement**

The Class "D" construction cost estimate for PSB cladding replacement received from LM Architectural Group has been revised to reflect cost increases in the construction industry. After accounting for soft costs and burdens (consulting, finance and administration, etc.), total construction cost is currently estimated as follows:

| Sub-Project Description | Construction Year | Original Estimated Contract Value | Revised Estimated Contract Value |
|---|---|---|---|
| PSB Cladding Replacement | 2005-2009 | $9,910,000 | $11,393,000 |
| PSB Decanting | 2006-2008 | $4,554,000 | $5,237,000 |
| **Total** | | **$14,464,000** | **$16,630,000** |

Note that because of the specialized nature and building function, total building replacement cost for the PSB is estimated at $40 to $45 million. As such, PSB cladding replacement remains the recommended option.

## *2. WPS Backup Communication Centre With FPS Dispatch Centre*

The WPS Communication Centre is currently located on the 4th floor of the PSB.

The Communication Centre requires temporary relocation to an alternate location during PSB cladding replacement. Further, co-locating the WPS Communication Centre operations with the FPS Dispatch Centre operations (both requiring relocation) is recommended because of the strong operational linkages regarding the 911 Response System.

The Project Committee is finalizing Communication Centre requirements prior to proceeding with the detailed design phase of the project. After accounting for soft costs and burdens (consulting, finance and administration, tax, etc.), total construction cost is currently estimated as follows:

| Sub-Project Description | Construction Year | Original Estimated Contract Value | Revised Estimated Contract Value |
|---|---|---|---|
| WPS Backup Communication | 2005-2006 | $2,237,000 | $2,698,000 |

| | | | |
|---|---|---|---|
| FPS Dispatch Centre | 2005-2006 | $490,000 | $564,000 |
| **Total** | | **$2,727,000** | **$3,262,000** |

**Existing Capital Budget Funding: PSB Cladding Replacement and WPS Backup Communication with FPS Dispatch Centre**

A Capital Program was previously approved for PSB Cladding Replacement and WPS Backup Communication with FPS Dispatch Centre. In addition, WPS had $2,266,000 approved in the 2005 Capital Budget for technology and communications equipment required for the Backup Communications Centre. Total available funding for these projects from current and prior year adopted Capital Budgets as well as forecasted for 2006–2010 is as shown below:

| PSB Cladding Replacement 2005-2010 Capital Budget & Estimates | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Prior Years** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** | **Total** |
| $4,444,000 | $0 | $5,419,000 | $6,722,000 | $510,000 | $0 | $0 | $17,095,000 |

As shown in the section below entitled *Capital Budget Adjustment and Financial Impact*, it is recommended that Capital Estimate funding for PSB Cladding Replacement be revised.

## *3. Winnipeg Police Services - Four District Model*

On July 23, 2003, Council approved implementation of the "Winnipeg Police Service – Four District Model". The current WPS six district service delivery model is based on a municipal structure which existed prior to 1971. Contemporary policing issues led the WPS to review this service delivery structure and recommended realignment from six to four districts.

On October 5, 2004, the Standing Policy Committee on Property and Development approved demolition of the facility at 501 Panet to allow for construction of the WPS new east district station. On October 27, 2004, Council approved closing of the public road east of Panet Road and south of Regent Avenue for "the new public purpose of constructing and maintaining a police station…"

A Class "D" construction cost estimate for district station construction was received on January 14, 2005, from Number Ten Architectural Group. After accounting for soft costs and burdens (consulting, finance and administration, tax, etc.), revised project estimates are as provided below.
Note that completion of the new East District Station is a requirement for the preferred decanting option necessary to relocate PSB occupants during construction of the PSB cladding replacement.

**Revised Four District Model Project Estimates**

The following project cost estimates have been revised as at the date of this report:

| Sub-Project Description | Construction Year | Original Estimated Contract Value | Revised Estimated Contract Value |
|---|---|---|---|
| New East District Station | 2005 | $5,184,000 | $8,975,000 |
| New West District Station | 2009 | $5,287,000 | $9,694,000 |
| New North District Station | 2010 | $5,649,000 | $10,214,000 |
| **Total** | | **$16,120,000** | **$28,883,000** |

The revised contract value results from:

1. Cost increases in the construction industry. Specifically, since 2001 there has been an approximate 25% increase in construction costs.
2. Increased site development requirements from location change and increased space needs. Specifically, the original location planned for the new East District Station was rejected. Revised site configuration has resulted in additional site servicing and paving requirements. The current site (corner of Lagimodiere and Regent) is now recommended for its operational benefits and public visibility.
3. Implementation delays associated with Capital Budget funding adjustments.
4. Increased facility needs since development of the original program of requirements. Examples are increased security requirements and adjustments resulting from changes in police operations.

Total available funding for these projects from current and prior year adopted Capital Budgets as well as forecasted for 2006–2010 is as shown below:

| Four District Model 2005-2010 Capital Budget & Estimates | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Prior Years** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** | **Total** |
| $535,000 | $4,755,000 | $0 | $0 | $0 | $4,859,000 | $5,175,000 | $15,324,000 |

**Revised Four District Model Cost/Benefit Analysis**

The Cost/Benefit Analysis has been revised as at the date of this report and is included in **Appendix B**. Specifically, Appendix B revisits the following alternatives for District Station improvement/replacement:

1. **Code Compliance** – Maintains the existing Six District Police Station concept, repairing only building deficiencies and meeting existing building codes.
2. **Renovate Buildings** – Maintains the existing Six District Police Station concept, renovating/constructing additions to existing stations to improve the buildings functionality and physical condition.
3. **Four District Model** – Establishes the Four District Police Station concept, building three new stations and maintaining the PSB.

Even with an increased construction cost estimate for the new district stations, the Four District Model remains the best option. Specifically, while the Four District Model no longer results in a

positive net present value benefit as under the original analysis ($2,483,000), it does result in the lowest net present value cost to the City of $557,000.

**Four District Model Implementation Alternatives**

Increased project costs (shown above) for PSB Cladding Replacement, Four District Model, and WPS Backup Communication Centre with FPS Dispatch Centre have made the existing implementation schedule for these projects no longer feasible given the approved 2005 Capital Budget and 2006 – 2010 Capital Estimates. As such, **Appendix C** analyzes alternatives to establish how the Four District Model with PSB Cladding Replacement alternative could be performed with the least impact on the existing Capital Estimates. Alternatives investigated included:

1. **Three New District Stations (A)** - Existing implementation schedule as approved by Council.
2. **Three New District Stations (B)** - Implementation schedule delay for second and third new district station.
3. **Three New District Stations (C)** - Implementation schedule delay for third new district station.
4. **Two New District Stations** - Existing implementation schedule for only two new district stations.
5. **One new District Station** - Existing implementation schedule for only one new district station.

As shown in Appendix C, the recommended alternative based on the Cost/Benefit Analysis is constructing all three new District Stations but delaying construction of the third district station until 2012-2013 (Option 3C). Specifically, this alternative results in the greatest net benefit to the City of $1,015,000.

However, it is only $285,000 better than Option 4 at $730,000, and $424,000 better than Option 3B at $591,000 and would require an increase to the existing Capital Estimates of $4,519,000.

While Option 4 is $139,000 better than Option 3B, it does not replace the existing North District Station. Not replacing this station only improves physical deficiencies and achieves code upgrade requirements. Not replacing this station also results in greater risk associated with security and building system failure. In addition, Option 4 requires an increase to the existing Capital Estimates of $4,880,000 as compared to $0 increase associated with Option 3B.

From an operational perspective, the WPS would prefer that the Four District Model be implemented as approved by Council on July 21, 2004. That is, all three planned district stations would be completed by 2010 (Option 3A). Alternatively, the WPS would next prefer that only a single new district station be delayed (Option 3C). However, Options 3A or 3C would require an increase to the existing Capital Estimates of $14,733,000 or $4,519,000, respectively.

Therefore, the recommended alternative is constructing all three new District Stations but delaying construction of the second and third district stations until 2010-2013 (Option 3B). Specifically, this alternative recommends delaying construction completion of the second district station from 2009 to 2011 and delaying the third district station from 2010 to 2013. This is the only alternative that results in no required increase to the existing Capital Estimates.

## *Capital Budget Adjustment and Financial Impact*

**Table 1** below contains implementation cost cash flow estimates and the Capital Budget funding cash flow associated with implementation cost.

**WPS ACCOMMODATION INITIATIVES**
**Table 1: Projected Capital Budget Cash Flow**
**As At June 30, 2005**

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | Total |
|---|---|---|---|---|---|---|---|
| **Implementation Cost[1]:** | | | | | | | |
| PSB Cladding Replacement and Decanting | $ 259,000 | $ 2,657,000 | $ 6,722,000 | $ 2,133,000 | $ 4,859,000 | $ - | $ 16,630,000 |
| Four District Model | $ 8,975,000 | $ - | $ - | $ - | $ - | $ 5,175,000 | $ 14,150,000 |
| Backup Communication Centre/Dispatch Centre[2] | $ 500,000 | $ 2,762,000 | $ - | $ - | $ - | $ - | $ 3,262,000 |
| **Total Implementation Cost** | **$ 9,734,000** | **$ 5,419,000** | **$ 6,722,000** | **$ 2,133,000** | **$ 4,859,000** | **$ 5,175,000** | **$ 34,042,000** |
| ***Cumulative Implementation Cost*** | ***$ 9,734,000*** | ***$ 15,153,000*** | ***$ 21,875,000*** | ***$ 24,008,000*** | ***$ 28,867,000*** | ***$ 34,042,000*** | |
| **Estimated Capital Budget Cash Flow[3]:** | | | | | | | |
| Approved Capital Budget (2005 and Prior Years) | $ 9,734,000 | $ - | $ - | $ - | $ - | $ - | $ 9,734,000 |
| Forecasted Capital Budget[4] | $ - | $ 5,419,000 | $ 6,722,000 | $ 2,133,000 | $ 4,859,000 | $ 5,175,000 | $ 24,308,000 |
| Available Capital Budget Unspent in Prior Year | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Required Capital Budget Adjustment | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Total Capital Budget Funding** | **$ 9,734,000** | **$ 5,419,000** | **$ 6,722,000** | **$ 2,133,000** | **$ 4,859,000** | **$ 5,175,000** | **$ 34,042,000** |
| ***Total Cumulative Capital Budget Funding*** | ***$ 9,734,000*** | ***$ 15,153,000*** | ***$ 21,875,000*** | ***$ 24,008,000*** | ***$ 28,867,000*** | ***$ 34,042,000*** | |

**Note:**
1. The analysis above includes taxes, disbursements, and financing and administration fees.
2. Backup Communication Centre cost represents facility construction cost only and does not include communication equipment or specialized furnishings required to operate a Communication Centre. Funding for such equipment of $2,266,000 is included in the current Five-Year Capital Budget Forecast.
3. All Capital Budget funding identified above is within the authority of the Planning, Property and Development Department.
4. Forecasted cashflows as approved in the 2005 Capital Budget and forecasted in the 2006-2010 Capital Estimates.

## Conclusion

The funding projection identified above results in the greatest economic benefit to the City as it accomplishes all WPS accommodation requirements with the least cost and greatest investment in assets with future economic value. Specifically, this alternative permits the City to proceed with linking the Four District Model implementation to the PSB Cladding Replacement which produces synergies for both projects as well as provide a permanent "hot back-up" communication centre for both the WPS and FPS. Further, this implementation plan results in the smallest capital outlay for temporary accommodations, which, by their nature, have little or no future economic value. Finally, all WPS accommodation initiatives are ultimately completed.

The disadvantage of this alternative is it delays implementation of the second and third new District Stations and requires a long-term financial commitment beyond the present 2006 – 2010 Capital Estimate period. Specifically, this long-term financial commitment to construct the second and third new District Stations is as follows:

| Future Forecasted Five-Year Capital Estimate Requirement[1] | | | |
|---|---|---|---|
| **2011** | **2012** | **2013** | **Total** |
| $4,606,000 | $5,312,000 | $5,312,000 | $15,230,000 |

***Note:***
1. Additional capital required represents funding for completion of the second station (West District Station) in 2011and total construction of the third station (North District Station) in 2012 and 2013.

Finally, completion of the PSB Cladding Replacement project will be delayed from the planned completion of 2008 to 2009. This delay does result in greater risk that temporary netting and/or scaffolding may be required. However, scaffolding may be required prior 2008 anyway to minimize the risk of injury from limestone falling from the building.

Total prior and revised estimates and available funding requirements for all projects combined are shown in the Project Funding Summary included in **Appendix D**. Should the accommodation initiatives discussed in this report be further delayed, cost increases above and beyond those identified in this report will likely result.

## Monitoring of Costs and Risk Management

Cost estimation associated with projects of this nature and magnitude are often subject to adjustment prior to project completion because of the time required for implementation and associated changes in market conditions and other risk factors.

As stated in the *Notes to Financial Impact Analysis*, the analyses contained in this report present a potential future financial requirement to the City of Winnipeg, which may be higher or lower than as identified herein, and a precise estimate of total financial impact to the City cannot be determined.

In efforts to ensure all changing financial factors are accounted for in a timely manner, the Administration is establishing a Fiscal Review Committee to monitor and report quarterly to the Standing Policy Committee on Fiscal Issues on the status of the projects contained in this report. A major role of the Fiscal Review Committee will be to monitor any changes in cost estimates and re-assess the project Cost/Benefit Analysis and Capital Estimate cash flow implications.

In addition, in efforts to mitigate the risk associated with project cost increases, the Administration will use techniques such as value engineering and quantity survey estimation at various project stages.

## Financial Impact Statement

**Date:** July 12, 2005

**Project Name:**

PUBLIC SAFETY BUILDING CLADDING REPLACEMENT AND FOUR DISTRICT MODEL INTEGRATION: STATUS AND ADJUSTED FUNDING REQUIREMENT

**First Year of Program** 2011

| | 2011 | 2012 | 2013 | 2014 | Beyond 2014 |
|---|---|---|---|---|---|
| **Capital** | | | | | |
| Capital Expenditures Required | $ 4,606,000 | $ 5,312,000 | $ 5,312,000 | $ - | $ - |
| Less: Existing Budgeted Costs | - | - | - | - | - |
| Additional Capital Budget Required | $ 4,606,000 | $ 5,312,000 | $ 5,312,000 | $ - | $ - |
| **Funding Sources:** | | | | | |
| Debt - Internal | $ 4,606,000 | $ 5,312,000 | $ 5,312,000 | $ - | $ - |
| External | - | - | - | - | - |
| Grants (Identify) | - | - | - | - | - |
| Reserves, Equity, Surplus, Other | - | - | - | - | - |
| Total Funding | $ 4,606,000 | $ 5,312,000 | $ 5,312,000 | $ - | $ - |
| Total Additional Capital Budget Required | $ 15,230,000 | | | | |
| Total Additional Debt Required | $ 15,230,000 | | | | |
| **Current Expenditures/Revenues** | | | | | |
| Direct Costs | $ - | $ 414,540 | $ 892,620 | $ 1,370,700 | $ 24,736,140 |
| Less: Incremental Revenue/Recovery | 134,155 | 154,719 | 107,793 | - | - |
| Net Cost/(Benefit) | $ (134,155) | $ 259,821 | $ 784,827 | $ 1,370,700 | $ 24,736,140 |
| Less: Existing Budget Amounts | - | - | - | - | - |
| Net Budget Adjustment Required | $ (134,155) | $ 259,821 | $ 784,827 | $ 1,370,700 | $ 24,736,140 |

**Additional Comments:**

The WPS accommodation initiatives described in this report are currently in progress. However, for the subject of this report and the associated purposes of this analysis, there is no financial impact until 2011 when additional funding in the Capital Estimates is required. Note that the Planning, Property and Development Department (PPD) is re-directing funding contained in the Capital Estimates (2008) to the PSB Cladding Replacement project. It is the opinion of the PPD that funding for these initiatives can be implemented under alternate schedules with nominal resulting service impact.

"Original signed by"
Mike McGinn, CA
Manager of Finance

**IN PREPARING THIS REPORT, THERE WAS CONSULTATION WITH AND CONCURRENCE BY:**

Winnipeg Police Services

**THIS REPORT SUBMITTED BY:**

Planning, Property and Development Department and Winnipeg Police Services
Prepared by: Brad Erickson, Jerry Comeau
PPD File #: CAD 2005-006

cc: Jack Ewatski, Chief of Winnipeg Police Services
Wes Shoemaker, Fire & Paramedic Chief

Document name: o:\reports directive\civicaccommodations\psbrecladdingintegrationstatus205.doc

# Appendix A

**WINNIPEG POLICE SERVICE PSB DECANTING ALTERNATIVES**
**COMPARATIVE COST SUMMARY**
**AS AT JUNE 9, 2004 & JUNE 30, 2005**

| Original Decanting Alternatives – June 9, 2004 | | | | | |
|---|---|---|---|---|---|
| ***Four District Model*** | | | ***Civic Facilities*** | | ***Civic\Leased Properties*** |
| **Option 1A** | **Option 1B** | ***Option 1C***[1] | **Option 2A** | **Option 2B** | **Option 3** |
| $4,196,000 | $5,113,000 | *$4,554,000* | $4,433,000 | $3,958,000 | $8,578,000 |

***1. Approved by Council on July 21, 2004.***

Factors considered in Council's approval of Option 1C were as follows:

- Options 1B and 3 were eliminated based on their significantly higher cost.
- Option 2A and 2B were eliminated based on their significant investment for only a temporary and partial use of 700 Assiniboine Park Drive ($1,914,000) or 100 Main ($1,741,000). A significant investment in either of these properties is not recommended because (a) there is no known civic re-use potential and (b) such investment would likely not result in any marginally incremental value from any disposition. Therefore, such investment would result in little, no, or negative return on investment (ROI). Making such investment is sometimes termed "throw away".
- Option 1C results in the WPS Executive remaining in the PSB during the entire PSB cladding replacement project. Having the WPS Executive remain in the PSB would help maintain critical operational and functional consistencies.

| Revised Decanting Alternatives – April 30, 2005 | | | | | | |
|---|---|---|---|---|---|---|
| ***Four District Model*** | | | ***Civic Facilities***[1] | | ***Civic\Leased Properties*** | ***Scaffolding/ Netting***[2] |
| **Option 1A** | **Option 1B** | **Option 1C** | **Option 2A** | **Option 2B** | **Option 3** | **Option 4** |
| $4,825,000 | $5,880,000 | $5,237,000 | $5,098,000 | $4,552,000 | $9,865,000 | $8,153,000 |

1. Upon detailed study since the original analysis on June 9, 2004, PP& D and WPS have concluded that the "Civic Facilities" options which would utilize existing city owned facilities to achieve PSB decanting are likely not feasible. Specifically, the existing civic properties that were proposed for use under Options 2A and 2B are neither necessarily (1) large enough to accommodate all WPS needs or (2) can be retrofitted with all security requirements. As such, the cost estimates provided above are subject to greater financial risk.

Finally, as discussed above, making the significant investment necessary to utilize civic facilities for PSB decanting is not recommended because (a) there is no civic re-use potential and (b) such investment would result in little/no/negative ROI and, therefore, could be termed "throw away".

2. The original analysis detailed in the subject report dated June 9, 2004, did not include Option 4 (Scaffolding/Netting) shown in the above table because this option only postpones or defers PSB cladding replacement which would result in a greater future cladding replacement cost and the necessity to incur a future (higher) decanting cost. However, this option represents an eligible alternative. The costs shown under Option 4 represent the total cost to defer PSB cladding replacement for five years.

***Comparison of PSB Cladding Replacement With and Without the WPS Four District Model***

Should the City select to perform PSB cladding replacement independent of the Four District Model, the total cost inclusive of decanting and backup communication and selecting the most cost effective alternative, would be $48,090,000. Alternatively, should the City select to perform PSB cladding replacement integrated with the Four District Model, the total cost would be $48,775,000 or $685,000 more than independent implementation.

However, the most cost effective decanting option under independent implementation is Option 2B which results in a significant investment of $2,002,000 in 100 Main. Note the property at 100 Main has (a) no future planned civic use (b) is scheduled to become surplus and available for sale and (c) with an investment of $2,002,000, would likely not result in any marginally incremental proceeds from disposition upon sale. Therefore, such an investment could be deemed "throw away". In addition, advancing the Capital Budget funding for a single district station associated with the Four District Model a year forward would result in a net benefit of $316,000. This benefit results from salary savings and operational efficiencies in both service delivery and occupancy costs.

Based on the above analysis, the net benefit to performing PSB cladding replacement integrated with the Four District Model is approximately $1,557,000 as shown below:

| **Financial Comparison of PSB Cladding With & Without the Four District Model (4DM)** | | |
|---|---|---|
| **PSB Cladding with 4DM** | **PSB Cladding without 4DM** | **Difference** |
| $48,775,000 | $48,090,000 | ($685,000) |
| ***Less:*** | | |
| Uneconomic investment in civic facility | | $2,002,000 |
| Net benefit associated with advancing 4DM implementation | | $240,000 |
| **Total Benefit of PSB Cladding with 4DM** | | **$1,557,000** |

***Note:*** **The Accompanying *Notes to Financial Impact Analysis* are an integral part of the above Analyses.**

# Appendix B

**WINNIPEG POLICE SERVICE**
**FACILITY REMEDIATION ALTERNATIVES**
**COST/BENEFIT ANALYSIS COMPARATIVE SUMMARY**
**AS AT JUNE 30, 2005**

| **Original Analysis July, 2003** Present Value @ 6.5%, 10 Years | **Option #1** ***Code Compliance*** | **Option #2** ***Renovate Buildings*** | **Option #3** ***Four District Model*** |
|---|---|---|---|
| Total Cost | $2,331,000 | $9,956,000 | $12,475,000 |
| Total Benefit | $1,235,000 | $3,337,000 | $14,958,000 |
| **Net (Cost)/Benefit** | **($1,096,000)** | **($6,619,000)** | **$2,483,000** |
| **Revised Analysis April, 2005** Present Value @ 6.0%, 10 Years | **Option #1** ***Code Compliance*** | **Option #2** ***Renovate Buildings*** | **Option #3** ***4 District Model*** |
| Total Cost | $2,915,000 | $11,577,000 | $22,245,000 |
| Total Benefit | $1,235,000 | $4,714,000 | $21,688,000 |
| **Net (Cost)/Benefit** | **($1,680,000)** | **($6,863,000)** | **($557,000)** |

***Note:*** **The Accompanying *Notes to Financial Impact Analysis* are an integral part of the above Analyses.**

# Appendix C

## WINNIPEG POLICE SERVICE FOUR DISTRICT MODEL IMPLEMENTATION ALTERNATIVES COST/BENEFIT ANALYSIS COMPARATIVE SUMMARY AS AT JUNE 30, 2005

| Four District Model | | | | | |
|---|---|---|---|---|---|
| **April, 2005** Present Value @ 6.0%, 10 Yrs. | **Option #3A** *Three Stations* | **Option #3B** *Three Stations* *(Two Station Delay)* | **Option #3C** *Three Stations* *(One Station Delay)* | **Option #4** *Two Stations* | **Option #5** *One Station* |
| Total Cost | $22,245,000 | $21,037,000 | $21,544,000 | $15,616,000 | $9,773,000 |
| Total Benefit | $21,688,000 | $21,628,000 | $22,559,000 | $16,346,000 | $8,648,000 |
| **Net (Cost)/Benefit** | **($557,000)** | **$591,000** | **$1,015,000** | **$730,000** | **($1,125,000)** |

## WINNIPEG POLICE SERVICE FOUR DISTRICT MODEL IMPLEMENTATION ALTERNATIVES FIVE-YEAR CAPITAL BUDGET FORECAST ADJUSTMENT COMPARATIVE SUMMARY AS AT JUNE 30, 2005

| OPTION 3A: *THREE STATION ORIGINAL IMPLMENTATION SCHEDULE* | | | | | | |
|---|---|---|---|---|---|---|
| **2005** | **2006** | **2007** | **2008** | **2009** | **2010** | **Total** |
| $0 | $0 | $0 | $0 | $9,694,000 | $5,039,000 | $14,733,000 |

| OPTION 3B: *THREE STATIONS: TWO STATION DELAYED IMPLMENTATION* | | | | | | |
|---|---|---|---|---|---|---|
| **2005** | **2006** | **2007** | **2008** | **2009** | **2010** | **Total** |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 |

| OPTION 3C: *THREE STATIONS: ONE STATION DELAYED IMPLMENTATION* | | | | | | |
|---|---|---|---|---|---|---|
| **2005** | **2006** | **2007** | **2008** | **2009** | **2010** | **Total** |
| $0 | $0 | $0 | $0 | $9,694,000 | ($5,175,000) | $4,519,000 |

| OPTION 4: *TWO STATIONS* | | | | | | |
|---|---|---|---|---|---|---|
| **2005** | **2006** | **2007** | **2008** | **2009** | **2010** | **Total** |
| $361,000 | $0 | $0 | $0 | $9,694,000 | ($5,175,000) | $4,880,000 |

| OPTION 5: *ONE STATION* | | | | | | |
|---|---|---|---|---|---|---|
| **2005** | **2006** | **2007** | **2008** | **2009** | **2010** | **Total** |
| $1,551,000 | $0 | $0 | $0 | $0 | ($5,175,000) | ($3,624,000) |

***Note:*** **The Accompanying *Notes to Financial Impact Analysis* are an integral part of this Analysis.**

## ***Notes to Financial Impact Analysis:***

1. **The purpose of this analysis is to provide an order of magnitude of potential cost and benefit associated with implementation and 10 year operation of the options presented.** Specifically, this analysis presents a potential future financial requirement to the City of Winnipeg which may be higher or lower than as identified herein. The inability to estimate or project full cost/benefit to the City of Winnipeg results from (1) uncertainty as to Winnipeg real estate market conditions, (2) uncertainty of financial market conditions, and (3) other risk factors associated with increasing the years under study in any financial analysis beyond a year. As such, a precise estimate of total financial impact to the City of Winnipeg cannot be determined.

2. The estimated likely benefit to be derived from proceeds of vacated property dispositions has been included in this analysis. In addition, the economic value of assets remaining at the end of the period under study is included in this analysis.

   Economic Value represents the present value to the City of the remaining useful life of an asset at the end of the period under study (10 years). Although economic value does not represent a cash inflow or cash value, it is prudent to include it as, clearly, there is greater value to the City in 10 years with 10 year old facilities compared to significantly older renovated facilities.

3. Estimates identified in the analysis contained herein are based on prior year or current incurred costs and quotes/opinions obtained from City of Winnipeg Administration staff professionals, external consultants, and/or external service providers based on their training and experience related to the items requiring estimate.

4. The following costs/benefits have not been estimated as they are not presently quantifiable:

   1. Incremental property/business tax revenue from properties sold or future development,
   2. Cruiser car area alignment with neighbourhood boundaries and improved logistics for vehicle patrol,
   3. 6 Additional front line members deployed each day of prime time holidays,
   4. Increased police visibility and public interaction,
   5. Balanced supervisory span of control,
   6. Increased patrol deployment flexibility,
   7. Increased member morale, and,
   8. Cost savings from newer technology efficiencies.

5. The costs/benefits of indirect factors such as decreased staff efficiency during relocation, negotiation and property sales duties, etc. are not material or not traceable and, therefore, not contained in this analysis.

6. Options 2 (Renovate Buildings) and 3 (Four District Model) both meet the functional as well as the physical space requirements of the WPS. Option 1 (Code Compliance) only improves physical deficiencies and achieves code upgrade requirements.

***Financial Definitions:***

1. **Net (Cost)/Benefit [Present Value Basis]** – Estimated cost or benefit to the City of Winnipeg in today's dollars from implementation of the Option. Present Value Net (Cost)/Benefit is based on (1) a 10 year period of study and (2) the City of Winnipeg incremental borrowing rate representing the discount factor.

# Appendix D

## WINNIPEG POLICE SERVICE FOUR DISTRICT MODEL
## PROJECT FUNDING SUMMARY
## AS AT JUNE 30, 2005

| Project | Prior Estimates | Revised Estimates[1] | Capital Budget Funding Available | Additional Capital Funding Required |
|---|---|---|---|---|
| **Four District Model** | **$16,120,000** | **$29,380,000** | **$15,324,000** | **$14,056,000** |
| **PSB Cladding Replacement:** | | | | |
| 1.Decanting/Reconstruction | 14,464,000 | 16,630,000 | | |
| 2.Backup Com. Centre | 2,727,000 | 3,262,000 | | |
| **Subtotal** | **$17,191,000** | **$19,892,000** | **$17,095,000** | **$2,797,000** |
| **PP&D Capital Estimates[2]** | **N/A** | **N/A** | **$1,623,000** | **($1,623,000)** |
| **Total** | **$33,311,000** | **$49,272,000** | **$34,042,000** | **$15,230,000** |

***Note:***

1. Revised Estimates include cost increases of $497,000 for construction of the second (West District Station) and third (North District Station) stations scheduled for 2010-2013 as proposed under the delayed implementation plan.
2. Note that the Planning, Property and Development Department (PPD) is re-directing funding contained in the Capital Estimates (2008) to the PSB Cladding Replacement project. It is the opinion of the PPD that funding for these initiatives can be implemented under alternate schedules with nominal resulting service impact.