Report – Executive Policy Committee – July 11, 2007

Item No. 5 Spray Pad Funding Shortfall - $43m Recreation and Leisure Capital Program
File PR-1

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On July 11, 2007, the Executive Policy Committee concurred in the administrative recommendation and submits the following to Council:

1. That an additional expenditure of up to $286,598.00 in 2007, be approved prior to the adoption of the 2008 capital budget, as a first charge from the 2008 Capital Spray Pad/Park Investment Fund Budget to fund projected budget shortfalls associated with construction of four spray pads specifically approved in the Recreation and Leisure Facilities Capital Program.

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

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DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On July 11, 2007, the Executive Policy Committee concurred in the administrative recommendation and submitted the matter to Council.

RE: SPRAY PAD FUNDING SHORTFALL
$43 MILLION RECREATION AND LEISURE CAPITAL PROGRAM

FOR SUBMISSION TO: **Executive Policy Committee**

ORIGINAL REPORT SIGNED BY: **L.S.W. Larkin, P. Eng., Director Public Works**

REPORT DATE: **June 22, 2007**

RECOMMENDATION:

That Council approve the following:

1. That an additional expenditure of up to $286,598 be approved in 2007, prior to the adoption of the 2008 capital budget, as a first charge from the 2008 Capital Spray Pad/Park Investment Fund Budget, to fund projected budget shortfalls associated with construction of four spray pads specifically approved in the Recreation and Leisure Facilities Capital Program.

Report Summary

Key Issues:

- In March 2006 Council approved in the 2006 Capital and 2007 – 2011 Five Year Capital funding in the amount of $43 million for the Recreation and Leisure Program. This funding included an allocation for a series of spraypad/park projects comprised of $850,000 in the 2006 Capital budget and $650,000 in the 2007 Capital budget.
- A total of $900,000 was allocated to the four spray pad projects and the remaining $600,000 allocated to other spray pad/park projects.
- The projects were tendered as a package in March 2007, and received only one unresponsive bidder. As such, a contract was not awarded.
- Continued project delays will result in additional project price creep, inflation and substantial political and community frustration.
- Authority is being requested to single source the project due to the lack of interest expressed during the Bid Opportunity process and the availability of a qualified, experienced local contractor/designer team who can perform the work.
- In order for the projects to be built in 2007, additional funds in the amount of $286,598 are required to fund the budget shortfall on the projects.

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

General Implications

( ) None
(**x**) For the organization overall and/or for other departments
(**x**) For the community and/or organizations external to the City
( ) Involves a multi-year contract

Comment(s):
Additional funding sources for the construction of the projects need to be identified and approved in order to construct the projects in 2007.

Policy Implications

(**x**) No
( ) Yes

Comment(s):

Regulatory Implications

(**x**) None
( ) Eliminates or reduces regulatory impact
( ) Proposes regulatory impact

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):
Additional funding sources of $286,598 for the project need to be identified and approved in order for the proposed projects to proceed in 2007.

Report

REASON FOR THE REPORT:

Council approval of additional funding sources is required in order to construct the four spray pads as identified in the $43 million Recreation and Leisure Program.

HISTORY:

In March 2006 Council approved in the 2006 Capital and 2007 – 2011 Five Year Capital funding in the amount of $43 million for the Recreation and Leisure Program. This funding included a total of $900,000 from both the 2006 and 2007 Capital budget for the construction of the four spray pad projects. The capital allocation for the projects is as follows:

a. River/Osborne C.C. (Fort Rouge Park) Spray Pad Conversion - $250, 000
b. River Heights Spray Pad Conversion - $250,000
c. Provencher Spray Pad Conversion - $200,000
d. St Norbert C.C. Spray Pad - $200,000

On March 9, 2007 a Bid Oppportunity (36-2007) was issued for the design/construction of the four spray pads.

On March 27, 2007, the bid opportunity closed with only one bidder. This bid was deemed unresponsive by Materials Management and the City Legal Services Division.

In early April, meetings were held with the Manager of Materials Management to discuss the process for single source negotiations with a contractor/design team. Agreement was given to pursue the single source negotiations with a qualified contractor/design team with experience in spray park construction.

In May 2007, the contractor/design team presented a proposal that includes the conceptual design of each pad, quote and schedule for the delivery of all four pads in 2007.

DISCUSSION:

Budget Shortfall
The prices were reviewed using comparative costs to the similar spray pads currently being built. (Kleyson-Lindenwoods Spray Pad, and Norquay Spray Park) The project estimate is in line with the costs being realized on those projects.

The cost presented plus contingencies exceed the approved project funds by approximately $286,598.

Project	Budget	Project Estimate	Shortfall
River Osborne/Fort Rouge Spray pad	$250,000	$ 287,092	$ 37,092
River Heights Spray Pad	$250,000	$ 281,577	$ 31,577
Provencher Spray Pad	$200,000	$ 264,482	$ 64,822
St Norbert C.C. Spray Pad	$200,000	$ 294,133	$ 94,133
	$900,000	$1,127,284	$227,284
Project Contingency			$ 42,716
Overheads (Interest & Admin Costs)			$ 16,598
			$286,598**

**Costs are based on a fall 2007 construction start. Cost escalation beyond this time frame would need to be added if the projects are delayed.

The $286,598 shortfall for the projects is attributed to:

- Construction costs since 2005 have escalated by 18-30% per year.
- The work is specialized and limits the number of contractors interested in the projects.

The option to reduce the scope of the projects to meet the budget has been explored and found not to be advisable as both the definition and the play value for the patrons of the pads would not be achieved.

It is recommended that the $286,598 shortfall be funded by a first charge from the Spray Pad/Park Investment Fund identified in the 2008 preliminary Capital Budget. The Investment Fund has $1.1 million budgeted and does not have any projects identified as of yet

A June/July award will allow completion of the spray pads prior to winter 2007. The design drawings and lead time for delivery of the components is in the range of 8 weeks with the anticipated construction date to begin in late August.

Financial Impact Statement

Date: June 1, 2007

Project Name:

Recreation and Leisure Capital Program: Spray Pad Funding Shortfall.

First Year of Program 2007

	2007	2008	2009	2010	2011
Capital					
Capital Expenditures Required	$ 1,186,598	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	900,000	-	-	-	-
Additional Capital Budget Required	$ 286,598	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal		$ -	$ -	$ -	$ -
External	-	-	-	-	-
Grants (Identify)	-	-	-	-	-
Reserves, Equity, Surplus, Other	286,598	-	-	-	-
Total Funding	$ 286,598	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ 286,598				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ -	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	16,598	-	-	-	-
Net Cost/(Benefit)	$ (16,598)	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	(16,598)	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments:

The project estimated cost including a project contingency is $1,170,000. With overheads the total cost is $1,186,598. $900,000 has been budgeted to be funded from 2006 and 2007 Approved Capital: 2006 Capital Account Number 003-181000-180680-1889000606 and 2007 Capital Account Number 003-181000-180680-1889000407. The shortfall of $286,598 (project costs of $270,000 plus overheads of $16,598) requires an additional source of funding. The recommendation is that this amount be funded by a first charge from the Spray Park/Pad Investment Fund of $1,100,000 identified in the 2008 preliminary capital budget. There are no debt and financing charges as in the years 2006, 2007and 2008 as the Recreation and Leisure Facility projects are financed by the following sources: General Purpose Reserve; Canada Strategic infrastructure Fund; and Transfer from Sewer Disposal Utility Capital Program.

Original Signed by Darcy Stewart

Manager of Finance & Administration

IN PREPARING THIS REPORT THERE WAS:

Internal Consultation With and Concurrence By:
Community Services
Planning Property and Development

External Consultation With:
Canada Manitoba Infrastructure Secretariat

THIS REPORT SUBMITTED BY:

Department: Public Works Department
Division: Building Services Division
Prepared by: John D'Ignazio, Project Coordinator, Building Services Division
File No.: 07034-Spray Pad Funding Shortfall. $43 Million Recreation and Leisure Capital Program FIS