Agenda - Council – July 20, 2011

Report - Standing Policy Committee on Property and Development – July 15, 2011

Item No. 8 Consolidation of Various Capital Projects/Programs, Reserves Funding to a Distinct "Sturgeon Heights Community Centre Amalgamation" Capital Project Budget (St. James-Brooklands Ward)

STANDING COMMITTEE RECOMMENDATION:

On July 15, 2011, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Property and Development and submits the following to Council:

1. That up to $220,000 in interim financing be transferred from the Land Operating Reserve Fund to the Sturgeon Heights Community Centre Amalgamation project budget.

2. That the requirement for net proceeds from the sale of the Silver Heights site to be reinvested into the Community Centre Investment Fund, as per the City of Winnipeg Recreation, Leisure and Library Facilities Policy, be waived in this instance.

3. That $30,000 and $186,000 be transferred from the Community Services and the Planning, Property and Development Departments' Non-Specified Capital Accounts respectively to the Sturgeon Heights Community Centre Amalgamation project budget.

4. That subject to approval of Recommendations # 1 and # 2, that the consolidation of various capital project and/or program and reserve budgets to a Distinct "Sturgeon Heights Community Centre Amalgamation" Capital Project Budget as set out in the Winnipeg Public Service report be approved.

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

Report - Standing Policy Committee on Property and Development – July 15, 2011

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On July 15, 2011, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Property and Development and submitted the matter to Council.

STANDING COMMITTEE RECOMMENDATION:

On July 15, 2011, the Standing Policy Committee on Property and Development concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Title: Consolidation of Various Capital Projects/Programs, Reserves Funding to a Distinct "Sturgeon Heights Community Centre Amalgamation" Capital Project Budget

Critical Path: Standing Policy Committee on Property and Development - Executive Policy Committee - Council

AUTHORIZATION

Author	Department Head	CFO	CAO
M. McGinn	D. Joshi	M Ruta CFO	P Sheegl CAO

RECOMMENDATIONS

1. That up to $220,000 in interim financing be transferred from the Land Operating Reserve Fund to the Sturgeon Heights Community Centre Amalgamation project budget.
2. That the requirement for net proceeds from the sale of the Silver Heights site to be reinvested into the Community Centre Investment Fund, as per the City of Winnipeg Recreation, Leisure and Library Facilities Policy, be waived in this instance.
3. That $30,000 and $186,000 be transferred from the Community Services and the Planning, Property and Development Departments' Non-Specified Capital Accounts respectively to the Sturgeon Heights Community Centre Amalgamation project budget.
4. Subject to approval of Recommendations # 1 and # 2, that the consolidation of various capital project and/or program and reserve budgets to a Distinct "Sturgeon Heights Community Centre Amalgamation" Capital Project Budget as set out in this report be approved.

REASON FOR THE REPORT

Council approval is required to amend capital budgets and/or to transfer amounts between funds.

IMPLICATIONS OF THE RECOMMENDATIONS

- The budget for the Sturgeon Heights Community Centre Amalgamation project ("the project") will increase from $4,532,200 to $5,541,113.

- As a result of scope increases to the project, an amendment to the capital budget is required. However, subject to the approval of Recommendations #1 and #2, sufficient funding has been identified for the amended budget.
- The Land Operating Reserve Fund ("LOR") will be the funding source for $220,000 of the increase to the project budget while contributions from the Sturgeon Heights Community Centre will fund the remaining $62,913.
- The City of Winnipeg is currently in discussions with the Province of Manitoba regarding an additional contribution of $186,000 toward the cost of this project. Upon confirmation, this $186,000 will form a portion of the funding of the total budget of $5,541,113 and funding from the Land Operating Reserve Fund will be reduced by $186,000.
- The capital *program* and reserve budgets to be consolidated are being expended for the purposes for which they were approved by Council; consolidation within a capital *project* budget simply makes accounting for and reporting on the financial status of the project less complex and more transparent.
- Consolidation of budgets (and actual amounts spent to-date) will enable the Public Service to more effectively and efficiently track progress on and the final cost of the project.
- Consolidation of budgets will also enable the expenditure of funding provided through provincial and federal government programs as well as contributions from the Community Centre.

HISTORY

Capital projects involving the renovation and expansion of an existing facility provide unique challenges in terms of both budgeting and design. While it is relatively complex to establish the budget for the construction of a new facility, the complexity is compounded when the "new" facility is an expansion and/or renovation of an existing facility. It is very difficult to predict with reasonable certainty the condition of an existing facility until it is "opened up". This in turn makes it very difficult to prepare a budget for this type of project.

To compensate for the unknown condition of an existing facility, an adequate budget contingency is required (in the range of 10% to 25% dependent on the specific circumstances of the facility involved). Historically, adequate contingencies and funding to match the projects scope have not always been included in *project* budgets. Rather, capital *program* funds were used to address these expenditures. It is important to note that all such capital program expenditures were made for the purpose for which the related budget was approved by Council.

This practice had the effect of understating the final cost of a given capital project as only those costs charged against the capital *project* budget (i.e. the budget explicitly approved by Council for the project) would be included. Costs charged against capital *program* budgets would not be captured in the final total. To address this situation, capital project budgets now include an adequate contingency (in accordance with guidelines provided by the Manager of Capital Projects) and capital program budgets are allocated to the specific locations described in the capital budget detail sheets as approved by Council.

The Sturgeon Heights Community Centre Amalgamation is an example of a project requiring renovations to an existing building or site. In some instances, consistent with past practice, the

Public Service has allocated funding from numerous, appropriate capital programs to these types of projects. It is recommended that these funds be consolidated in an individual capital project budget for the purposes of transparency and completeness of costs.

The City of Winnipeg Recreation, Leisure, and Libraries Facilities Policy adopted by Council on May 18, 2005 states that *"proceeds from property sales that may arise as a result of Community Centre mergers will be reinvested in the Community Centre system"*. Consistent with this policy, the net proceeds of the sale of the existing Silver Heights Community Centre, upon its disposition, are to be reinvested in the Sturgeon Heights Community Centre. In order for the project to proceed on a timely basis, it is recommended that up to $220,000 in interim financing from the Land Operating Reserve Fund be transferred to the SHCC project budget. Estimated proceeds of disposition are in excess of the amount of interim financing from the LOR.

Consolidation of the multiple funding sources will enable the Winnipeg Public Service, once the project is complete, to better answer the question "What was the total cost of the project?" Because funding sources are widely distributed it is difficult to answer this question without first consolidating the relevant accounts. Consolidation would also facilitate improved project management and administration as the Project Manager would be accountable for one project budget rather than numerous different ones and this will simplify the tracking of costs-to-date versus available budget.

FINANCIAL IMPACT

Financial Impact Statement **Date:** July 4, 2011

Project Name: **First Year of Program** **2011**

Consolidation of Various Capital Projects/Programs, Reserves Funding to a Distinct "Sturgeon Heights Community Centre Amalgamation" Capital Project Budget

	2011	2012	2013	2014	2015
Capital					
Capital Expenditures Required	$ 5,541,113	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	4,532,200	-	-	-	-
Additional Capital Budget Required	$ 1,008,913	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ 426,000	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Provincial Share of BCI	50,000	-	-	-	-
Reserves, Equity, Surplus	470,000	-	-	-	-
Other - Contribution from S.H.C.C.	62,913	-	-	-	-
Total Funding	$ 1,008,913	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ 1,008,913				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ -	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: The recommendation is that various Council-approved capital project/program and reserve budgets amounts as well as contributions from the SHCC be consolidated into a distinct Sturgeon Heights Community Centre Amalgamation capital project budget. Funding sources have been identified for the $1,008,913 increase to the budget, which will total $5,541,113. See attached Appendix 1 for details.

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

CONSULTATION

In preparing this report there was consultation with:

Corporate Finance

Community Services

General Council of Winnipeg Community Centres

SUBMITTED BY

Department: Planning, Property and Development
Division: Financial Services
Prepared by: Mike McGinn – Manager of Finance
Date: July 4, 2011
File No.

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APPENDIX 1

Consolidation of Budgets for Sturgeon Heights Community Centre

The Sturgeon Heights Community Centre Amalgamation project ("the project") involves the amalgamation of the existing Sturgeon Creek Community Centre and the Silver Heights Community Centre at one location. The scope of the project includes a new facility of approximately 15,000 square feet in size complete with a regulation size gymnasium, office, canteen, a central kitchen, dressing rooms, and a skate change room with rink viewing area, gym equipment storage and garage.

Coincident with the amalgamation project, additional works are being undertaken at the site including the demolition of the existing community centre facility & backfilling of the building footprint, relocation of the existing zamboni garage & garage slab demolition, reconstruction of the existing parking lot complete with asphalt pavement and dedicated fire access lane, parking lot fencing and landscaping (site grading, tree planting, sod and walkways). These site works, estimated at approximately $391,000, are mutually beneficial to both the amalgamation project and a splash pad project to be funded by the Building Communities Initiative II capital program. As such, $100,000 in budget has been transferred to this project from BCI.

Funding for the project, which totals $5,541,113, is currently included in one capital *project* budget, four capital *program* budgets and two reserve budgets. Consolidation of these funds into a single capital *project* budget will facilitate transparency and ease of recordkeeping and reporting related to the work performed at this site.

STURGEON HEIGHTS COMMUNITY CENTRE AMALGAMATION

Capital Project #	Description	Council-Approved Budget	Portion Related to Sturgeon Heights C.C.
Approved by Council - March 25, 2009:			
210-543010-638020-63270	Land Dedication Reserve - Green Space Development at Sturgeon Heights C.C.	32,200 [1]	32,200
Approved by Council - May 19, 2010:			
6399000310	Sturgeon Heights Community Centre	4,500,000	4,500,000
		4,532,200	4,532,200
Approved by BCI Policy Committee - September 21, 2010:			
6351930010	Building Communities II - St. James/Brookland Park	600,000	100,000
Approved by Assiniboia Community Committee (approval date in parentheses):			
210-543010-638020-63280	Land Dedication Reserve - New Facility at Sturgeon Heights C.C. *(6/15/10)*	100,000	100,000
210-543010-638020-63280	Land Dedication Reserve - New Facility at Sturgeon Heights C.C. *(5/10/11)*	150,000	150,000
6251000110	Community Incentive Grant Program *(7/13/10)*	2,774,000	60,000
		3,024,000	310,000
Approved by the Director of PP&D - March 28, 2011:			
63970000NS	PPD Non-Specified Capital Account	100,000	100,000
Sub-Total		8,256,200	5,042,200
Additional Funding Sources to be Consolidated:			
62970000NS	CmS Non-Specified Capital Account	30,000	30,000
63970000NS	PPD Non-Specified Capital Account	1,378,461	186,000
209-xxxxxx-638xxx	Interim Financing from the Land Operating Reserve	220,000	220,000
n/a	Contribution from Sturgeon Heights C. C.	62,913	62,913
Total Funding		**9,947,574**	**5,541,113**

[1] *Included as a condition of approval of DAZ 237/2008.*