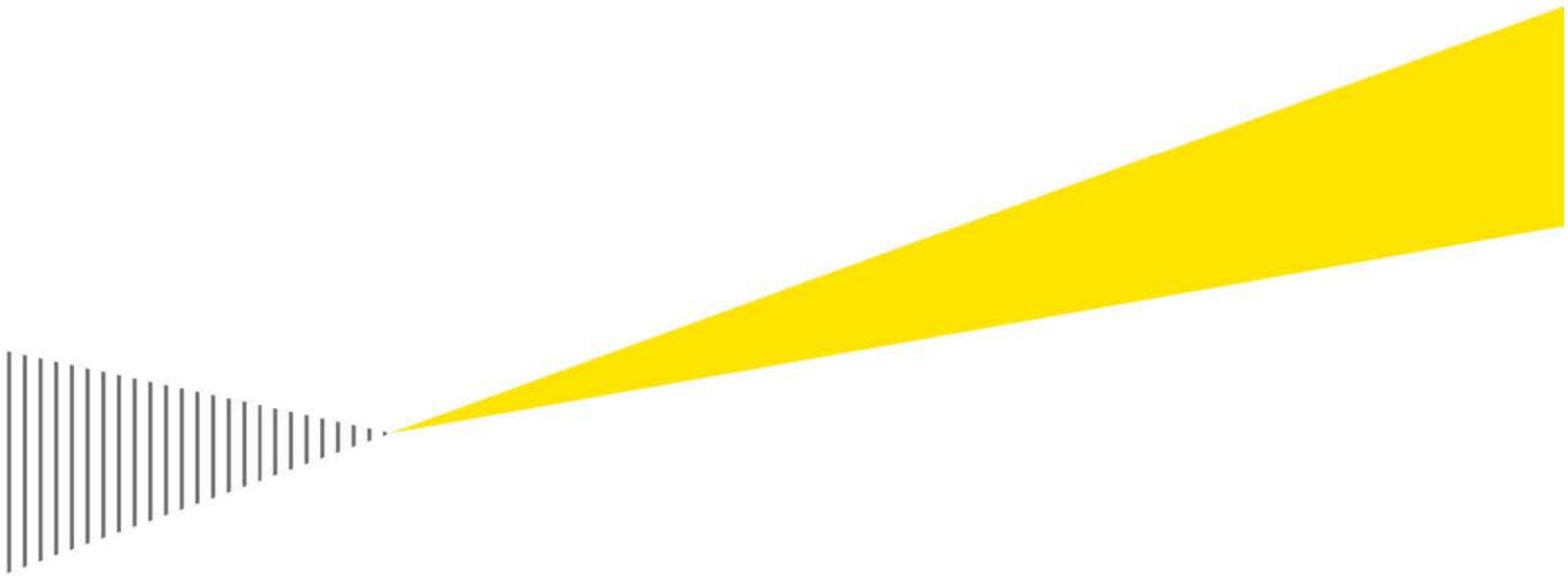
Confidential report to Winnipeg City Council

Re: New Fire Paramedic Stations Construction Project

October 7, 2013



EY

Building a better working world

1. INTRODUCTION 3

1.1 Background and Retainer of Ernst & Young 3
1.2 Scope of work (Methodology) 3
1.3 Restrictions on Use of this Report 3
1.4 Report Acronyms 4

2. EXECUTIVE SUMMARY AND RECOMMENDATIONS 5

2.1 Summary Chronology 5
2.2 Summary Findings 8
2.3 Recommendations 14

3. DISCUSSION OF CHRONOLOGICAL EVENTS 15

4. DETAILED FINDINGS & OBSERVATIONS 15

4.1 Detailed Findings and Observation Regarding Capital Budget Process 17
4.1.1 Council Approved Budget at July 21, 2011 17
4.1.2 Original Capital Budget by Station 18
4.1.3 Financial Reporting 20
4.2 Detailed Findings and Observation Regarding Procurement Processes 20
4.2.1 Program versus Project 22
4.2.2 The Original RFP 22
4.2.3 The Sage Creek RFP 24
4.2.4 Single Source Contracts 25
4.2.5 City Policy Allowing Substitutes 27
4.3 Detailed Findings and Observation Regarding Project Management/Contract Administration 28
4.3.1 Project Management 28
4.3.2 Station Size 29
4.3.3 Contracting Issues 29
4.3.4 Issues Related to Administrative Standards 31
4.3.5 CMHC Funding Deadline 31
4.4 Detailed Observations/Findings Proposed Land Exchange 32
4.4.1 The Proposed Land Exchange 32
4.4.2 Comments Regarding City Policies as They Relate to Land Transactions 34
4.4.3 Comments regarding the LOI 36
4.5 Detailed Findings and Observations as it Relates to Reporting to Council and Committee 36
4.5.1 Items not reported to Council 37
4.6 Detailed Findings and Observations Regarding Project Oversight 39
4.7 Detailed Findings and Observations Regarding Employee Conduct 40
4.7.1 Breach of City Policies 40
4.7.2 Good Business Practices 40

Appendix A Material review and parties interviewed

Appendix B Summary of Significant Chronological Events

Appendix C Letter of Intent Settlement (LOI)-Settlement of Compensation for the land Transfer of 1780 Taylor Ave., Winnipeg, MB-Unsigned

Appendix D Letter of Intent Settlement (LOI)-Settlement of Compensation for the land Transfer of 1780 Taylor Ave., Winnipeg, MB-Signed

Appendix E Riverbank Pathway System

Appendix F EY's Response to Draft Report Review Comments by City Management

Appendix G EY's Response to Draft Report Review Comments by Chief Winnipeg Fire and Paramedic Services

Appendix H City owned property on Taylor Avenue

Appendix I Email exchange between EY and City Legal Services regarding issues raised in interview

1. Introduction

1.1 Background and Retainer of Ernst & Young

In August and September of 2012, certain issues arose regarding the construction of four new Winnipeg Fire Paramedic Service ("WFPS") Stations in the City of Winnipeg ("City"). The four WFPS Stations included three suburban Stations; Station #18 located on Roblin Boulevard ("Roblin - Station #18"), Station #12 on Taylor Avenue ("Taylor – Station #12") and Station #27 located on Sage Creek Boulevard ("Sage Creek - Station #27"), and a fourth urban Station #11 located on Portage Avenue ("Portage - Station #11"). Some of the issues identified at the time included the following:

- A City owned fire station had a Shindico Realty Inc. ("Shindico"), "for lease" sign posted on it.
- The public was informed that there was a proposed land exchange planned involving three City owned properties, (1) Berry Street ("Berry") fire hall and (2) Grosvenor Avenue ("Grosvenor") fire hall and (3) a portion of a piece of land on Mulvey Avenue ("Mulvey") for 1780 Taylor Avenue on which Taylor – Station #12 had been built. The Taylor property was owned by a numbered company which was related to Shindico. Shindico was contracted by the City to construct the four new WFPS stations.
- As the land exchange had not been completed it was acknowledged that one of the four new WFPS Stations, Taylor – Station #12, which the City had paid for, had been built on land the City did not own.

In response to the issues raised, the City Auditor recommended that an independent review be conducted. The Mayor of the City accepted this recommendation on September 24, 2012. Ernst and Young LLP (EY) was retained to conduct said review. Specifically EY was asked to:

(a) review the original facility condition assessments that initiated the decision to replace/add these four Stations to confirm the necessity to replace/add the identified Stations;

(b) review the adequacy of capital project oversight for the Stations and evaluating if roles and responsibilities were appropriate and performed satisfactorily;

(c) review the capital budget processes for each of the stations to determine the adequacy of the budget established and compare the original capital budget amount along with the basis for that estimate (level of assurance in estimate) to the actual (or projected final) cost of the land and facility to determine the reasons for the cost overruns;

(d) review the procurement process from the initial Request for Qualifications ("RFQ"), the subsequent Request for Proposal(s) ("RFP") issued through to the sole source construction awards of the Stations for compliance with all governing authorities and to determine if roles and responsibilities were appropriate and performed satisfactorily and determine whether value for money was achieved;

(e) review whether policies, administrative standards and procedures with regard to the award of construction contracts were complied with and are adequate;

(f) review the construction contracts to determine whether the construction contracts were adequate and protect the City's interests;

(g) review the ongoing project management for the Stations to identify if the projects were properly managed, if roles and responsibilities were appropriate and performed satisfactorily and if proper approvals were obtained for such things as construction authorization and design change orders;

(h) review the processes that resulted in a Letter of Intent to exchange land to determine whether polices governing the disposal and acquisition of property (including land exchanges) were complied with and to determine whether polices and administrative standards governing land exchanges are adequate;

(i) conduct full appraisals on the four properties identified as 1780 Taylor Avenue, 409 Mulvey Avenue, 200 Berry Street, and 1710 Grosvenor Avenue to determine whether the proposed land exchange would achieve value for money; (this was amended to be a review of the appraisals that were done by the City)

(j) determine whether appropriate reporting to Ward Councillors, Committees of Council and Council regarding the project was conducted and that correct approvals were obtained;

(k) determining if there were any breaches of the City of Winnipeg Employee Code of Conduct or other governing authorities and provide recommendations for any disciplinary actions that might need to be taken;

(l) provide recommendations for process, control and policy improvement as necessary; and,

(m) prepare a final report summarizing the observations and recommendations resulting from the review for the City Auditor and present the report to Council.

This report provides EY's findings and recommendations as it relates to the above, where such findings are possible and recommendations appropriate.

1.2 Scope of work (Methodology)

In performing this review, EY has examined various documents as made available by departments within the City of Winnipeg. This documentation included a request of all relevant documents from Materials Management ("MM") (who had responsibility for procurement), all relevant documents from Legal Services (who had responsibility for the provision of legal services and advice), from WFPS (who were responsible for project management), and from Property, Planning and Development ("PP&D") (who have responsibility for all real estate related land transactions conducted by the City). It also included selected documents as required from the Office of the Chief Financial Officer ("CFO") /Corporate Finance. We have also identified relevant documents via the conduct of email "keyword" searches of the City email system.

In addition, we have also conducted interviews of a number of parties that were identified as possible sources of information that would be relevant to our review. Such persons were identified as a result of their names being included in relevant documentation we examined. It was also assumed that those parties who we have not identified but possessed relevant information would have brought such to the attention of the City Auditor given the publicity of our review. A listing of the sources of information reviewed and the parties interviewed is attached as Appendix A to this report. Appendix A also provides details on how these individuals are identified in our report.

1.3 Restrictions on Use of this Report

This report is confidential and has been prepared to assist City Council. Our report is based on the requested scope of work detailed above and may not be appropriate for use by third parties. Any use a third party may choose to make of this report is entirely at its own risk.

EY has not obtained any consents to the disclosure of any personal or confidential information detailed in this report. In the event you wish to disclose some or all of this report to third parties (or publically) we would caution that you may need to obtain appropriate legal advice as to any matters which may need to be redacted prior to disclosure (i.e. for privacy or contractual reasons). This report is based on our review of the documents available and representations made by those parties interviewed to date as described in this report. In the event further documents or other information becomes available that could impact our findings, we reserve the right to review such records and reconsider and amend the findings set out in this report.

1.4 Report Acronyms

The following provides a list of acronyms used in the report. This report has been prepared based on the positions currently held by the City Administration personnel. Included in Appendix B are the details regarding the dates under which they assumed their current position and the position previously held. The reader should consider the role held at the time certain actions were taken.

Acronym/Abbreviations	Name/Description
Berry	Former WFPS Station at 200 Berry Street
Caveat	At the time of signing the LOI, the City registered on the title of 1780 Taylor Avenue a caveat, which indicated that a purchase and sale agreement existed for the property
CCDC	Canadian Construction Document Committee
CFO	Current Chief Financial Officer
Current Chief WFPS or Chief WFPS	This refers to the Chief WFPS, who we understand is now no longer with the City with effect to September 2013
City	City of Winnipeg
CMHC	Canada Mortgage and Housing Corporation
COO	The Chief Operating Officer
Corporate Finance	Corporate Finance Department of the City
Council	Winnipeg City Council
Current CAO or CAO	The Current Chief Administrative Officer of the City
Director PP&D	The Director of PP&D
EPC	Executive Policy Committee of Council
Former CAO	The Former Chief Administrative Officer of the City
Former Chief WFPS	Former Chief WFPS
Grosvenor	Former WFPS Station at 1710 Grosvenor Avenue
Hunter	Henry Hunter of Williams Engineering (Former Head of Capital Projects for the City)
Legal Services	Legal Services for the City
LOI	Letter of Intent signed between the City of Winnipeg & Shindico regarding the Exchange of 1780 Taylor Avenue by Shindico for City owned properties Berry, Grosvenor and a portion of Mulvey
M&M	London based Architectural Firm retained by the City for design of three suburban stations, Murphy & Murphy Architects
MA	Municipal Accommodations part of PP&D
MM	Materials Management Division of the City
MMM	Manager of Materials Management
MMP	Materials Management Policy
MPM	Williams Engineering Meeting of Progress Minutes which tracked project process
MRE	The Manager of Real Estate within PP&D
Mulvey	City owned property at 409 Mulvey Avenue
P3	Private/Public Partnership
Portage -Station #11	WFPS Station #11 on Portage Avenue
PP&D	The Planning Property and Development Department of the City
Pre-Con	The firm retained by Shindico to undertake construction of stations, Pre-Con Builders Inc.

RFP	Request for Proposal
RFQ	Request for Qualifications
Roblin - Station #18	WFPS Station #18 on Roblin Boulevard
Sage Creek - Station #27	WFPS Station # 27 on Sage Creek Boulevard
Shindico	Shindico Realty Inc.
SPC on PCS	Standing Policy Committee on Protection and Community Service
SPCF	Standing Policy Committee on Finance
Taylor - Station #12	WFPS Station #12 at 1780 Taylor Avenue
WFPS	Winnipeg Fire Paramedic Service
Williams	Williams Engineering Canada

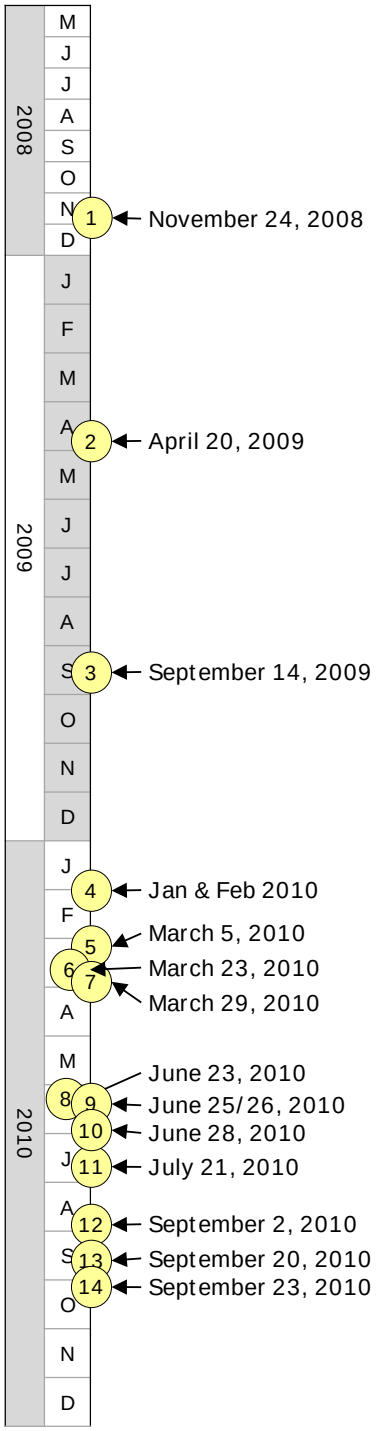
2. Executive Summary and Recommendations

2.1 Summary Chronology

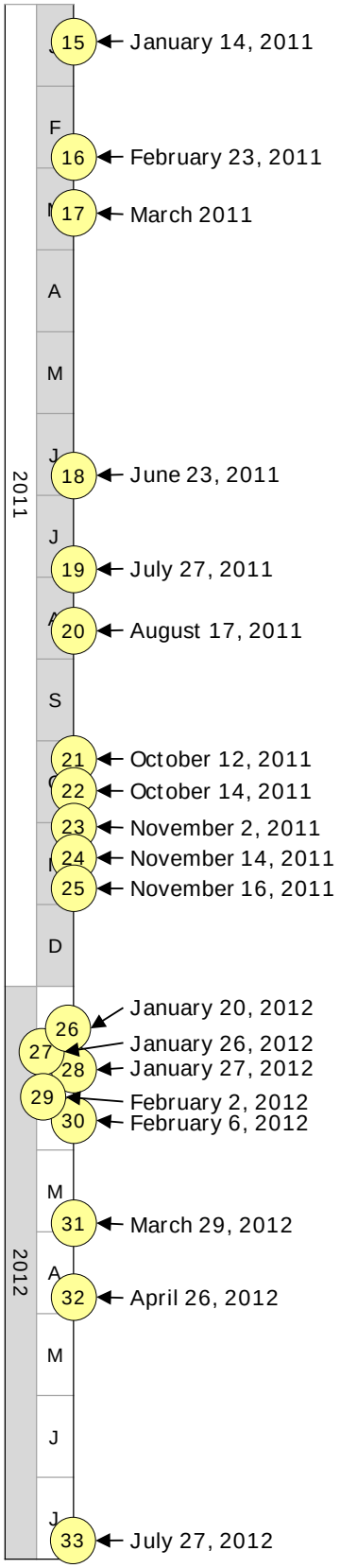
The following summary should be read in conjunction with the chronology section of the report attached as Appendix B. This summary is provided to assist in the review of our summary of findings which follow in section 2.2.

Management has provided certain comments regarding a previous draft version of this report. The areas on which Management commented are numbered and identified in this report with a reference (MC #). The reference is to Appendix F, in which we documented the Management Comments and the resulting comments and actions, if any, taken by EY. Where appropriate, we have also commented on the basis under which the specific item, generating the Management comment, was included in our report. Readers should refer to Appendix F for all items identified with (MC#) to familiarize themselves with the Management comments and EY's response to determine the weight to be placed on those items.

We have taken a similar approach in dealing with comments received from the Chief WFPS, whose comments are identified in the report with a reference (RDC#) to Appendix G.



1. Former CAO approves Phase One plan which includes a P3 initiative to replace 2 stations and build a new station. The current CAO, then Director of PP&D (MC#16) is asked by former CAO to assume oversight of project on approximately this date. Former Chief WFPS asks current Chief WFPS, then deputy chief, to take lead role on behalf of WFPS
2. City issues RFQ to qualify firms for the P3 project (RDC#18).
3. Former CAO requests that a number of individuals including current CAO and current Chief WFPS travel to London, Ont. to view possible station designs "Trip 1" (MC#15).
4. City receives approval for funding from CMHC and enters into contract with architect for design of 3 suburban stations.
5. City issues P3 RFP to P3 qualified firms, response due March 29, 2010.
6. City notifies bidders that the project will no longer be a P3 project.
7. City issues Addendum #2, replacing P3 RFP content with non P3, which includes prescribed design for three suburban stations and removes financing and maintenance components.
8. City receives one bid in response to RFP with a total cost exceeding $18.0 million. It is determined that the bid is too expensive.
9. CAO advises CFO that project will be completed for $15 million.
10. Material Management and WFPS decide to move forward with Shindico regarding development of their concepts for Portage Station # 11. (MC#17) Suburban stations are expected to be subject to public tender. Email indicates land to be acquired for stations #27 & #12
11. Council approves CMHC loan and "Project" Budget of $15,340,500.
12. Having just returned from meeting in London ON, "Trip 2" (MC#15(a)(b)), with WFPS and City's architect (M&M), Shindico notifies Chief WFPS, via email, that they are working on an alternative station design for suburban stations, based on a request from the City. Email notes Shindico's belief that M&M design can't be done for City's budget. Chief WFPS cautions regarding this approach, but gives go ahead regarding Station #11. Email exchange is forwarded to CAO by Shindico (MC#15(b)).
13. The intention of WFPS to enter into a land swap transaction with Shindico for the Taylor property is included in M&M's notes.
14. City receives construction estimate for M&M design for Sage Creek. Based on estimate all in costs will exceed City budget.



15 RFP for Sage Creek issued, based on M&M design.

16 Sage Creek RFP closes. Eights bid received, seven based on M&M design and one based on alternative design by Shindico. Seven based on RFP specifications are deemed too expensive.

17 CAO informs Chief WFPS that there is no choice but to do Shindico's alternative design due to requirement to have an operational firehall. CAO states commitment to alternative design will allow for concluding Station #12 Taylor land deal (MC#30).

18 Chief WFPS notifies a number of parties, including Shindico, of intention to single source Station #18 construction to Shindico. Email is forwarded to Shindico by CAO.

19 Representative of PP&D sends email to current COO, then Director PP&D, in regard to Station #12 Taylor proposed site. PP&D had done some preliminary research regarding Mulvey site to be exchanged for Taylor site. Portion of Mulvey property to be exchanged is apparently unknown. Plan includes need for consultation with Ward Councillors (MC#22).

20 Foundation permit issued for Shindico site on Taylor Avenue.

21 PP&D is informed by Shindico that a land exchange deal is in place involving whole Mulvey property for Taylor. Further Shindico has granted OK to start construction on the Taylor site.

22 Director PP&D, then acting Director, requests issuance of building permit for Taylor Station #12.

23 CFO provides conditional approval regarding construction for Station #12, upon satisfactory arrangements being made for acquisition of the 1780 Taylor site.

24 WFPS informs Legal Services that they thought CAO was negotiating land deal, but was not the case (MC#25).

25 Shindico grants rights to commence construction on Taylor property. Contract award by CFO was conditional on land deal completion. Construction starts in spite of this with knowledge of Legal Services.

26 Meeting held in CAO's office between Shindico, Chief of Police, Chief WFPS, COO and CAO regarding portion of Mulvey property to be maintained by Police.

27 Chief WFPS provides proposed land exchange to COO and CAO in email. CAO responds to email: "Get it done" and further responds with "I understand you got this issue resolved". Chief WFPS responds in email: "All done, thanks for your help" (MC#26)

28 Foundation Permit issued for Station #11.

29 In spite of legal advice not to do so, Chief WFPS signs land exchange LOI (MC#27)(RDC#1).

30 Legal services advises condition of "Subject to Council Approval"; as well as signature of Director of PP&D be added to LOI (MC#28).

31 PP&D determined that land exchange may result in $1 million excess value being transferred to Shindico. Director PP&D apparently advises issue be raised with CAO. MRE apparently discussed issue with CAO.

32 COO & CFO approve foundation only contract for Station # 11 (MC#29).

33 CAO & CFO are informed by Chief WFPS that the project will significantly exceed the approved capital budget.

2.2 Summary Findings

Our summary of findings from our review of the construction of the four new WFPS stations follows. This summary should be read in conjunction with the chronology at Appendix B and our detailed findings sections of the report. The following high level facts are relevant to the consideration of our findings:

- The project will be completed at a cost which exceeds the originally approved budget by at least $3.0 million.
- For the Project, station construction contracts, totaling in excess of $15,000,000 were awarded on a non-competitive basis to one firm. The two competitive processes conducted did not result in the award of a contract.
- A decision was made to begin construction of Taylor Station # 12 in advance of the City having an agreement in place to acquire the land. This decision effectively bound the City to some form of transaction with Shindico to obtain the Taylor lands. The construction of Portage Station was awarded based on two contracts. One contract for the foundation and one for the completion of the building. The commencement of the construction of Portage Station # 11 with a foundation only contract, effectively bound the City to the construction of a station with the size and resulting cost that was not within the approved Council approved budget.

In summary overall, our review has found:

- The project was not well managed by a number of parties within the City.
- Adequate oversight and appropriate due diligence were lacking for a project such as this.
- The project was assigned to an individual who did not have the appropriate expertise nor the resources within his department to manage it.
- Certain City policies were not followed and/or the interpretation of the policies may not have met the expectations of Council. Of greatest concern are:

  i. Splitting of contracts to circumvent a lack of Council budget approval;
  ii. Splitting of contracts which resulted in the avoiding of Council contract award authority;
  iii. The failure to establish a Major Capital Project Steering Committee; and
  iv. Commencing work / granting permission to proceed without appropriate contract award authorities in place

- The structure of the proposed land exchange/swap was known by the current COO and CAO in advance of the Letter of Intent being signed. Emails would indicate that the CAO directed the Chief WFPS to complete the deal. At the time negotiations had not been led by PP&D who have responsibility for land transactions at the City and no formal valuation had been performed of the Mulvey property that was to be included in the transfer to Shindico.
- The openness, fairness and transparency of the procurement processes used to contract for the construction of the four stations is in question. For the two attempted RFP's Shindico had information not available to other bidders and appears to have been encouraged by a City representative to develop an

alternative design which then formed the basis under which they were awarded single source contracts for the construction of the three suburban stations.

- There is a lack of a basis to determine value for money from single source contracting with Shindico

The following bullets and Section 4.0 provide further details.

- Our review indicates that the majority of project oversight, where oversight occurred, was done by the current CAO. The current CAO has taken an active role in the project since the early stages and was involved in the design and construction budgets, obtained status updates from the Chief WFPS, participated in negotiations, was consulted and apparently approved the proposed land exchange. The current CAO was also who the Chief WFPS reported to regarding the project progress and budget issues. The current CAO as the individual tasked with oversight was responsible for the Chief WFPS being tasked with managing the project and making decisions regarding building requirements and sizing. We believe that the Chief WFPS did not have the appropriate skills or training to do so. We note that the current CAO did attempt to supplement this lack of expertise via the retention of outside consultants.

- The original capital budget of $15,340,500, for a project to construct four stations, as provided to Council in July 2010, had a number of significant deficiencies and appears to be largely based on representations from the current CAO to the CFO that the project could be delivered for $15,000,000, and a high level review by Corporate Finance and PP & D. The budget was not based on any established construction costing methodology. This should be viewed as inadequate for a project of this magnitude.

- Financial information supplied by WFPS to Corporate Finance did not suggest a significant budget problem until the summer of 2012. We note that WFPS did have information in advance of this that, if analyzed appropriately, would have suggested a budget problem in October 2011 at the latest. The budget problem centered largely on the Portage- Station #11. WFPS and Corporate Finance at the time of setting up the per station budget in the Capital Project Reporting System had budgeted only $4.0 million, but had received costing of $6.0 million as part of Shindico's response to the original RFP. WFPS never looked to decrease the size of the station and received additional confirmation from Shindico in October 2011 that the station would cost at least $5.1 million before other additional costs were considered.

- There appears to have been a lack of appropriate oversight by Corporate Finance as it relates to the assessment of the capital budget information and financial reporting information received from WFPS by Corporate Finance. We would expect greater financial accountability and scrutiny for a project of this magnitude.

- Current total costs for the project, with $1 million assumed for the cost to acquire the Taylor property, are $18,575,102 as provided to us by Corporate Finance based on information available to us on June 10, 2013. This will exceed the original budget of $15,340,500, by $3,234,602.

- In respect to the project, there were two procurement processes where RFP's were issued which we examined as part of our review. In both cases, our review has determined that significant issues existed which bring into question the openness and fairness of the processes used. Open and fair procurement is critical to ensure the best value to the City. The following are the primary issues identified in respect of the two procurement processes:
  - In respect to the first RFP, the City's decision to only allow bids from P3 qualified firms for a project that was only for the construction of stations, combined with the requirement that the bidder(s) identify land in three areas of the City had the effect of significantly limiting the competitive nature of the original RFP and resulted in only one bid being received. This restrictive procurement approach can be linked directly to all contracts being eventually awarded to Shindico via non-competitive methods.

- MM and Legal Services indicate that the primary reason that the P3 bidders list was used was to allow for developers to bring forward potential sites for the new stations. We note that three of the four stations are now built on land the City owns or was in the process of acquiring prior to the RFP. In the case of the fourth, Taylor Ave, where the facility has been built on land not owned by the City, our review has identified a City owned site on Taylor Ave that may have been suitable for the station and therefore there would have been no requirement for the Shindico site. The restrictions placed on the competitive nature of the original RFP, a $15.0 million plus opportunity, do not appear justifiable as steps were not taken to ensure the six prequalified firms were the only possible sources of land options.
- For the original RFP and the Sage Creek RFP, Shindico had information not available to other proponents.
- In respect to the Sage Creek RFP, the City had information from two sources, one of which was Shindico, which suggested that the M&M design specifications, used as the basis under which bidders were asked to respond to the RFP, could not be built in Winnipeg for the City's budget prior to the issuance of the RFP. In spite of this the RFP was still issued. All bids received in response to the RFP, which were based on the M&M design, were deemed too expensive.
- The City received bids from seven firms in response to the Sage Creek RFP, indicating there was significant interest in this type of project and therefore a competitive environment should the City have sought competitive bids for other aspects of the project.
- Prior to the issuance of the Sage Creek RFP, it appears that Shindico discussed the preparation of a cheaper alternative design with a representative of the City. Shindico submitted an alternative design in response to the RFP. While it was determined to be non-responsive to the RFP requirements, it did form the basis under which the City then proceeded with single source negotiations with Shindico.
- As the City was willing to consider an alternative design, this should have been the subject of a separate RFP process to ensure the best alternative design at the best value to the City was identified.

- The City received a recommendation from M&M that it follow a best practice guideline, as published by the CCDC, to negotiate with the lowest priced compliant bidder from the Sage Creek RFP. It is not clear to us why the City chose to not proceed in this industry standard manner. The contract(s) awarded to Shindico for the construction of the four stations were negotiated on a single source basis. The City's Materials Management Policy ("MMP") allows for single source negotiations, under Section B4.1, which provides that the City may negotiate without solicitation of competitive offers when the CAO determines that the cost of solicitation of competitive offers is reasonably anticipated to exceed the benefits thereof. We have not been provided any analysis of the cost/benefits of single sourcing nor are we aware that such analysis exists. MM indicates that they examined each situation and were convinced that single source negotiations were the best course of action. There is also no basis under which the City can determine they received good value in not proceeding on a competitive basis. There are no comparable bids to test the pricing received from Shindico, nor did the City have any independent pricing performed. We do not believe that, given the restrictive nature of the original RFP and only having received one bid, that the City had done enough due diligence to justify the decision to single source. In the case of the Sage Creek RFP, if the City was willing to consider an alternative design, the City should have told the bidding community to ensure the City received the best alternative design possible at the best price.
- We are surprised by the delegated level of authority given to the CAO in a single source negotiation situation. In this case, the CAO had the authority to approve single source negotiations and then also the resulting contract for a number of multi-million dollar contracts to one supplier.
- We have been told that a number of decisions, including the decision to enter into single source negotiations, were at least partially made in order to attempt to comply with the completion deadlines imposed in the funding agreement with CMHC. There were concerns that CMHC could pull funding under the

terms of the lending agreement. We note that these decisions were made without having first discussed the potential of a project extension with CMHC. In all later attempts to obtain extensions, the extensions have been accepted by CMHC.

- In spite of Council being informed that the budget they were approving was for "a project" consisting of the constructions of four stations City administration has managed the "project", from a contracting delegated authority perspective, as if there were four separate projects.
- As each station contract was less than $10,000,000, MM and the CAO do not believe that Council Approval was required for any contracts awarded to Shindico related to this project. It would have been clear to those involved (Materials Management, CAO, Legal Services and WFPS) that the City would be awarding to Shindico contracts which in total were in excess of $10,000,000 of contract value. We believe that Council should have been informed of the intention to award contracts in excess of $10.0 million to Shindico. The splitting of the contract value into a number of contracts should not be a means to bypass Council Approval.
- The contract for Portage -Station #11 was split into two contracts, one for the foundation and one for the remainder of the building. We have been informed that one of the primary reasons for this was the fact that it was recognized by those involved that the remaining funding available under the Council approved budget was not sufficient to allow for the awarding of one contract for the whole building. By proceeding in this manner, Council's ability to appropriately consider a budget increase was effectively eliminated.
- The project does not appear to have complied with three requirements of The City Administrative Directive FM-004. The requirements include the establishment of a Major Capital Steering Committee for projects in excess of $10.0 million, having all P3 projects reviewed by the P3 Committee and have all projects with an estimated cost of $10.0 million submitted to the Standing Policy Committee on Finance prior to bid solicitation documents being issued. In particular, we are concerned that a Major Capital Steering Committee was not established by the current or former CAO. The project lacked appropriate oversight and such a Committee may have helped in that regard.
- Our review indicates that Legal Services was aware that WFPS had authorized work to take place on Taylor-Station #12 and Portage - Station #11 without contracts in place and without obtaining appropriate contract award authorizations.
- Legal Services functioned in a facilitator role rather than an oversight role as it related to the land exchange transaction, the splitting of contracts due to a lack of Council funding approval, the commencement of construction without contracts or contract authorities in place, and the construction on land that the City did not own. We do recognize the situation that Legal Services was placed in given their knowledge that the project was under the oversight of the CAO, however we would expect that Legal Services would have functioned more as a gate keeper and protector of the City's interest than was demonstrated for this project.
- The City commenced construction on the Taylor- Station #12 in advance of having an agreement in place to acquire the property on Taylor Avenue from Shindico. This fact was known by WFPS, Legal Services and apparently the CAO and COO. The conditional land exchange that was eventually negotiated was documented via a Letter of Intent ("LOI"), a land exchange agreement whereby the City would transfer three properties to Shindico for the Shindico site on Taylor Avenue. The condition contained in the LOI was that it had been signed by the City subject to Council approval. The LOI, which was drafted by Shindico, was signed on behalf of the City by the Chief WFPS and the Director PP&D.
    - Had PP&D been asked to do so they could have identified that the City owned property on Taylor Avenue that could possibly have been a site for Taylor- Station #12. Details on this property are provided as Appendix H to this report.
    - WFPS was expecting to undertake a land exchange regarding the property on Taylor Avenue in September 2010. Shindico preferred a land exchange over a cash purchase as they indicate that they are in the land development business. WFPS required a land exchange as it was a non-cash cost that would not have resulted in a charge against its approved capital budget for the project.
    - The negotiations for the land exchange were led by the Chief WFPS, not PP&D who has responsibilities for such transactions.

- Both the CAO and the COO were informed by the Chief WFPS of the specifics of the land exchange and the CAO told the Chief WFPS, via email to "Get it done". The current CAO was subsequently informed by the Chief WFPS that it was done and the current CAO was thanked for his help.
- The Chief WFPS signed the LOI after receiving direction not to do so by Legal Services. The Chief WFPS believed that he received the approval to do so from either the CAO or the Manager of Real Estate with PP&D ("MRE"), but both deny the Chief WFPS's position.
- Both the signature of the Director of PP&D and addition of "Subject to Council Approval" were added to the LOI after the Chief WFPS had signed it. In the case of the Director of PP&D, his signature was not obtained until after Legal Services had registered a caveat on the Taylor Property and the CFO had been informed that he could sign the construction contract. The CFO's contract award approval was conditional on a satisfactory arrangement being made for the acquisition of the Taylor Property.
- The caveat registered was for a land purchase agreement, not a land exchange, as documented in the LOI.
- The law firm Fillmore Riley was retained by the City to examine the LOI and the registering of the caveat by the City. Given Fillmore Riley's findings regarding flaws in the LOI, the caveat registered, and the fact that transaction never closed, it is reasonable to assume that the CFO's condition regarding a satisfactory acquisition arrangement being in place was never met and he should not have been advised by Legal Services that is was.
- It was known from the time of signing the LOI that excess value was being transferred to Shindico. WFPS initially believed that this would be dealt with via a reduction in the cost to construct Portage - Station #11. After the LOI was signed, PP&D apparently informed the CAO that the excess value transfer to Shindico could be as high as $1.0 million. Eventually the gap was reduced to approximately $250,000 to $500,000 in 2012. We have no basis to believe the valuation gap is any greater than that range.
- Prior to signing the LOI, PP&D had not provided valuation information concerning the Mulvey site to the Chief WFPS, nor was such information available to the CAO at the time he apparently directed the Chief WFPS to conclude the proposed land exchange.

2.3 Recommendations

As a result of our review we make the following recommendations:

1. The City needs to examine the basis under which they allow single source contracting. We believe that Council needs to consider at what threshold single source negotiation decisions are brought to their attention. Council also should consider the contract award delegation limits as it relates to single source contracts.
2. Currently City procurement policies allow for proponents to propose substitutes for City RFP specifications during the procurement process. We concur that proponents should be encouraged to offer suggestions or substitutes to be considered by the City. We however, suggest that the City change its current approach of not informing other proponents during the bidding process, of the City's acceptance of a substitute. A truly open and transparent process requires such.
3. Shindico was provided information not available to other proponents in respect to both RFP's. Prior to issuance of a RFP, MM should obtain the details of all discussions that have taken place with proponents from the user departments in order to develop a strategy to inform all proponents of information that may not be known and not disclosed in the RFP. Such action is required to ensure all proponents are bidding from a level playing field.
4. The competitive nature of the original RFP was considerably limited by the City's desire to try and identify properties to be used for construction of new stations. We recommend that the City, via PP&D, conduct a detailed assessment of City owned properties potentially available and/or conduct land only acquisitions in advance of similar future RFP's. The use of design/build or build only RFP's rather than ones that include the provision of land will create a more competitive environment that should help ensure good value to the City.
5. Project management of real estate construction projects and the lead in all real estate transactions should reside with PP&D. If capacity constraints exist, a plan to address such needs should be developed.
6. We are concerned that certain policies such as the establishment of a Major Capital Steering Committee and delegations established by Council, including the authority to enter into contracts above $10 million can be by passed if a project is split into a number of smaller contracts. Council should make a clear statement to the Public Service in respect to their expectations in this regard.
7. Clear policies must be established which document expected disclosure to Council, when transactions have not occurred in a manner that is established by City Policies. For example, disclosure to Council should be required when the following situations occur: the commencement of construction in advance of contract award, splitting of contracts due to lack of approved funding, real estate transactions not having been led by PP&D, and Legal agreements not having been approved by Legal Services.
8. PP&D needs to develop, for Council approval, a policy regarding land exchange transactions that will speak to the timing and basis under which land valuations are to be done and the means under which any value gaps determined are to be dealt with.
9. Legal Services should establish clear policies regarding:
    - Land acquisition agreements;
    - Construction contracts related to land acquisition; and
    - Authorities to be sought for LOI or similar documents
10. We do not believe that Legal Services acted in a manner to sufficiently protect the interests of the City. Additionally we believe at least part of this was caused by the reporting structure at the City. The Legal Services "gatekeeper" function would be enhanced if Legal Services reported to City Council rather than the City Administration, via the CAO. This is the structure in place for at least one major city in Canada.

11. Prior to issuing building permits on City projects, PP&D should be required to obtain from MM signed statements that appropriately awarded contracts are in place and from Legal Services that all ownership rights in the subject property are unconditionally held by the City.
12. We recommend that City policies regarding real estate transactions, including the declaration of surplus properties, be clarified as to identify at what stage of a proposed transaction Council Approval is to be sought.
13. Corporate Finance should determine a standardized protocol for the challenging of capital budget submissions and project reporting.
14. Corporate Finance should develop a means under which non cash transactions, such as a land exchange, are captured so that the true costs of projects can be reported against the approved capital budget.

3. Discussion of Chronological Events

We discuss chronological events that we believe are significant in relation to the processes followed in contracting for, and the building of the new WFPS stations attached as
Appendix B. City Management has certain comments regarding Appendix B. We reference the reader to the Management comments attached as Appendix F to this report.

4. Detailed Findings & Observations

The following sections detail our findings and observation as they related to:

- Section 4.1 Capital Budgeting Process
- Section 4.2 The Procurement Process(es)
- Section 4.3 Project Management/Contract Administration
- Section 4.4 The Proposed Land Exchange
- Section 4.5 Reporting to Council Committee
- Section 4.6 Project Oversight
- Section 4.7 Employee Conduct

Management has provided certain comments regarding a previous draft version of this report. The areas on which Management commented are numbered and identified in this report with a reference (MC #). The reference is to Appendix F, in which we documented the Management Comments and the resulting comments and actions, if any, taken by EY. Where appropriate, we have also commented on the basis under which the specific item, generating the Management comment, was included in our report. Readers should refer to Appendix F for all items identified with (MC#) to familiarize themselves with the Management comments and EY's response to determine the weight to be placed on those items.

We have taken a similar approach in dealing with comments received from the Chief WFPS, whose comments are identified in the report with a reference (RDC#) to Appendix G.

4.1 Detailed Findings and Observation Regarding Capital Budget Process

4.1.1 Council Approved Budget at July 21, 2011

The original capital budget for the project, composed of the construction of four stations, for a total cost of $15,340,500, was approved by Council, as part of the CMHC loan approval on July 21, 2010. The budget figures presented to Council, at July 21,2010 were not presented in a manner that would have shown the budget for each individual station. (MC#31)

In the table below we have presented this lump sum budget based on analysis done by a Corporate Finance representative in conjunction with a representative of PP&D as captured in an email dated June 28, 2010. The contents of the specific email are included at Appendix B. Expected costs are based on amounts provided to us by Corporate Finance as of June 2013.

Station	Original Budget[1]	Expected Cost	<Over>/Under
Station #11Portage	$6,000,000	$6,289,163	<$289,163>
Station #12 Taylor	$2,950,000	$4,613,602[2]	<$1,663,602>
Station #18 Roblin	$2,300,000	$3,644,865	<$1,344,865>
Station #27 Sage Creek	$3,700,000	$4,027,472	<$327,472>
Other	$390,500		$390,500
Total	$15,340,500	$18,575,102	<$3,234,602>

- The capital budget was not determined based on recognized construction budgeting methodology which we would have expected for a project of this size. Professional Construction Project Management was not retained until well after the commencement of the project. (MC#33)
- Documentation available for our review including station age analysis, discussion of station conditions, review of facility condition reports, and review of information regarding new station requirements for the Sage Creek area all suggest the need for a facilities replacement/relocation program and in particular the project that was undertaken.

[1] Based on Corporate Finance Analysis as identified by Management.
[2] Includes estimate $1.0 million of land.

- Prior to the analysis by Corporate Finance on June 28, 2010 with assistance from PP&D, the CFO had questioned the current CAO on the budget amount to be provided to Council for approval given Shindico's bid for the first RFP of approximately $18.0 million. The current CAO informed the CFO via email "Already covered my friend we will bring it in under $15 million" (MC#32) (MC#34).
- The analysis performed by Corporate Finance appears to have been done based on cost estimates supplied by WFPS that had been largely developed from the Shindico bid, as well as, an incorrect assumption that the M&M designed suburban station could be built for $2.0 to $2.4 million based on construction costs for a similar station in Ontario. The Corporate Finance analysis was based on the $15,000,000 figure not the $15,340,500 figure approved by Council. While it is unclear why the additional amount of $340, 500 may have been added it may have been done so to the account for those costs (infrastructure) that Corporate Finance identified as not being included in the $15,000,000 amount.
- The budget overage above can be largely explained by the difference of $2.3 million cost per suburban station assumed in the Corporate Finance analysis and the approximate $3.5 million cost per suburban station actually incurred.
- The disconnect between what WFPS wanted to build, a station with the look, feel and functionality of the M&M design, and the $2.3 million per suburban station cost assumption was not identified by the Corporate Finance/PP&D analysis. Note that Shindico had bid a cost of approximately $3.7 million per suburban station based on the M&M design. The failure to detect this discrepancy can be directly linked to the current budget overrun.
- The project, as of June 2013, has an amended budget of $17,886,368. Corporate Finance has reported to us that the total cost incurred is $15,403,291, with additional commitments of $2,171,811, leaving available funding of $311,266 as of June 2013. We note that this does not include any cost for the acquisition of the Taylor property, which we understand will likely exceed $1.0 million. Using the figure of $1 million for the cost of the Taylor acquisition means that project costs will exceed the original Capital Budget approved on July 21, 2010 by at least $3,234,602.

4.1.2 Original Capital Budget by Station

The following table is a presentation of expected costs as of June 2013, per Corporate Finance, versus the $15,340,500 council approved budget as it was established in the Open Capital Reporting System. (MC#31)

Station	Original Budget[3]	Expected Cost	<Over>/Under
Station #11	$4,170,250	$6,289,163	<$2,118,913>
Station #12	$3,170,250	$4,613,602[4]	<$1,443,352>
Station #18	$3,000,000	$3,644,865	<$644,865>
Station #27	$5,000,000	$4,027,472	$972,528
Total	$15,340,500	$18,575,102	<$3,234,602>

Corporate Finance has provided the following information regarding the presentation of the individual station Capital Budget information and respective information supplied to Council:

- For purposes of tracking the costs for each fire station separately (support project management and monitoring, and asset capitalization needs), the approved budget was broken down into four separate projects within PeopleSoft based on budgets derived by WFPS. This is a practice employed with other program budgets (eg./traffic engineering improvements, athletic fields.) The four stations have been reported separately in semi-annual Open Capital Projects reporting to SPC on Finance Committee dating back to the April 30, 2011 report. This reporting structure was set up shortly after Council's third reading of the associated borrowing by-law.

The above table demonstrates a number of issues and/or fundamental flaws in the original budget setting process as recorded in the Open Capital Reporting System.

[3] As presented in the Capital Financial Reporting System in early 2011.
[4] Includes estimated $1.0 million of land.

- The Portage - Station #11 budget was not realistic given the desire of WFPS to build a station similar to that included in the Shindico original RFP response. We note that the Chief WFPS has indicated that from early on in the project the intention was to add additional space to Portage - Station #11 to accommodate the Hazmat unit. Without the Hazmat unit space, Shindico's bid for an 11,564 sq. ft. building was $5,991,500. This issue was apparently not identified by Corporate Finance. The significant change in the structure of the per station budget between the analysis done by Corporate Finance in June 28, 2010 and that entered into the Open Capital Reporting System should have provided notice of potential budget problems to Corporate Finance.

- There were no land costs identified in respect of Station #12 as the construction costs for Taylor-Station #12 were thought to be $3.0 million plus $170,000 for architectural and site costs. This lack of land acquisition cost likely reflected the assumption very early in the project that WFPS planned to use a land exchange in respect to Taylor - Station #12. This would support Shindico's position as outlined in an email from Mr. R.G (Bob) Downs of Shindico to the MRE on September 2, 2012 where it states:

  From May of 2009 until spring of 2010, circumstances changed. The city had identified favorable funding from CMHC and had decided they wanted to own the stations. Because we had the only suitable property in the defined area, we decided to participate in the process but only on the understanding that we would receive land in exchange for our property on which Station 12 was to be built. As developers, we do not sell land, we develop it. We are aware of the positive impact our developments have on the city's assessment rolls and wqe(sp) take pride in the additions we have made to the city's revenue base.

- Current expected costs of $18,575,102 are similar in cost to the original Shindico bid of $18,745,000 (when the Sage Creek land acquisition is included). We note that the Shindico bid was based on the more expensive M&M design and also included the costs of land for Taylor -Station# 12. Further the Shindico RFP response was based on costing in 2010.

4.1.3 Financial Reporting

Based on our review of the information provided by WFPS, Corporate Finance was not in possession of information that would have notified them of the significant gap in costs to complete versus approved capital funding until July 2012. This was caused largely by WFPS not providing a reasonable estimate of future costs for Portage - Station #11. (RDC #2)

- A request for up to date cost estimates for Portage Station #11 from the contracted Project Manager, Williams, would have allowed Corporate Finance to detect the budget shortfall at a much sooner date.

4.2 Detailed Findings and Observation Regarding Procurement Processes

In total five contracts have been awarded in respect to the construction of the four stations. There were individual construction contracts for stations #27, #12 and #18, as well as a foundation only contract for Portage - Station #11, followed by a contract for the construction of the remainder of Portage - Station #11. All contracts were awarded based on single source negotiations with Shindico. Two procurement RFP processes were attempted by the City. The original RFP which sought bids for all four stations generated only one bid from Shindico. The second was the Sage Creek RFP which generated a number of responses, however those bids which met the requirements of the RFP were deemed too expensive by the City. Our review has identified a number of concerns regarding the

procurement processes followed, including both the RFP processes and those contracts awarded on a single source basis. Our concerns are described below and in section 4.3. In summary they include the following items:

- RFP processes which lacked openness , fairness and transparency (MC#35)
- Splitting of contracts to circumvent a lack of Council budget approval (MC#36)
- Splitting of contracts to avoid Council contract award authority (MC#37)
- Commencing work / granting permission to proceed without appropriate contract award authorities in place (MC#38)
- A contracting policy which allows bidders to use substitutes which could form the basis of procurement manipulation (MC#39)
- The lack of a basis to determine value for money from single source contracting with Shindico

4.2.1 Program versus Project

A number of concerns raised in our report, such as contracting splitting or the need to comply with the City policy for the establishment of a Major Capital Project Steering Committee centre our belief that the construction of the four Stations should be viewed as a single project. Our position is based on the information provided to Council in July 2010 where funding from CMHC and a budget was approved for a "project" described as consisting of four stations. Specifically it was described as a "Facilities Replacement and Relocation Program project". In our meetings with City management and in their comments concerning this report, the position taken is that each station represents a separate project and the four stations were part of a program. As such, contracting delegations and administrative policies should be considered on a station by station basis. We do not concur with this position and believe that the project should have been administered on the basis it was presented to Council.

4.2.2 The Original RFP

The first procurement process was the original process which consisted of a Request for Qualifications ("RFQ") stage and a Request for Proposal ("RFP") stage. The RFQ sought to qualify bidders for what was then identified as a form of a Public, Private Partnership ("P3") where the City was seeking qualified bidders to design, build, finance and maintain ("DBFM") the four new stations. Under this scenario the City, was to pay the developers via a lease arrangement. After developing a list of qualified P3 firms (MC#40), the City issued a P3 RFP to the list of P3 qualified bidders. Within less than a month of issuing the P3 based RFP, the City issued amendments to the RFP which replaced the P3 RFP content in its entirety (MC#42)with non-P3 RFP content that called for the construction of 3 suburban stations based on the M&M design and the design and construction of an urban station Portage – Station #11. All references to financing and maintaining the stations were removed. In spite of no longer being a P3 project, the RFP was still only open to the P3 qualified firms. (MC#43) Critical to bidding on the RFP was the ability of the firms to identify properties that could be used for construction of three of the four stations. The properties had to be within boundaries defined by the City. The RFP process generated only one bid from Shindico. The City did not award a contract based on this RFP. Our concerns regarding the process followed in regard to the original RFP are identified in the following bullets.

- The RFQ process, in advance of the original RFP, resulted in a prequalified list of P3 bidders for the RFP, which consisted of entities that were in the business of and capable of undertaking a P3 like project which included DBFM capabilities. By the time the RFP was issued, the City knew it was likely that the project would be only a design and build for one station and a build for the other three stations given the plan to use the M&M design for the three suburban stations and financing to be provided by CMHC. This change in scope had two potential impacts:

    i. *One as identified in an email dated May 10, 2011 by the MMM "All Fire/Paramedic Stations were tendered under a different process, design, build, finance and maintain. That process was changed several times while the original documents were out for bidding, resulting in a bid/build process, which made most bidders (developers) walk away from the process."*

    ii. Design/Build and just Build firms were eliminated as a result of not offering all P3 components sought by the RFQ process. This elimination of potential bidders would have a direct effect on the competitive nature of the RFP.(MC#41)

- The explanation given as to why the procurement for the original RFP continued with the P3 qualified list as opposed to opening the procurement to other firms as supplied by MMM, was the need to have the bidders identify three sites for the construction of the Stations. We note that with their bid, Shindico identified a site they owned, a site the City was in discussions to acquire, and two City owned sites. Additional efforts by the City to identify sites and/or attempt to acquire sites would have significantly

improved the competitive nature of the procurement process. Identifying suitable, available and affordable land in the boundaries defined by the City would have represented a significant challenge to the proponents. We note that at least one proponent withdrew from the process "primarily based on site-specific challenges".

- It is not clear as to why the City would have issued a P3 RFP and within a month issue amendments to the RFP which replaced the P3 requirements of financing and maintaining the stations with non P3 requirements of building 3 M&M designed stations and designing and building Portage –Station #11. At the time the first version of the original RFP was released to potential bidders, the City would have known it was highly unlikely they would be proceeding with the P3 approach as CMHC had approved funding and an architect, M&M, had been retained for station design work. We note that the fundamental change in the City's approach did not result in the City opening up the procurement process to non-P3 firms which would have increased the competitive nature of the procurement process. (MC#45)

- In responding to the original RFP, Shindico indicated that Sage Creek- Station #27 would be built on land the City was about to acquire. The information regarding the City's intention to acquire the property in the Sage Creek development was known to Shindico but was not provided to the other proponents during the procurement process. (RDC #3)

- The City did not conduct any detailed structured study of potential City owned lands on which the stations could have been built. While we have not done such a study we have noted during our review that the City owns a piece of essentially vacant property on Taylor Avenue that may have been suitable for the Taylor Station. (MC#44)

4.2.3 The Sage Creek RFP

The second procurement process was for the Sage Creek -Station # 27 construction. The RFP sought firms to build a M&M designed facility on a piece of property the City acquired, after the close of the original RFP, in the Sage Creek Development. The bidding on the RFP was open to all firms. In response to the RFP the City received eight bids, seven based on the M&M design and a bid based on an alternative design proposed by Shindico. The City rejected all eight bids as the seven for the M&M design were all deemed to be non-compliant and/or too expensive and the alternate design was not in compliance with the RFP. While a contract was not awarded under the Sage Creek RFP, the City then commenced negotiations, almost immediately, with Shindico related to their alternative design. Our concerns regarding the Sage Creek RFP process include the following:

- After the original RFP for all four stations closed, the City, via WFPS (and perhaps others), continued ongoing discussion with Shindico in advance of the Sage Creek RFP in spite of the understanding from MM that the three suburban stations would be subject to a public tender. These discussions included Shindico attending a meeting with WFPS and the architects in London Ontario, discussions on the total project budget, and the budget for the individual suburban stations. In addition, Shindico was apparently encouraged by a City representative, currently unknown (MC#47) (RDC#4), to develop an alternative plan. Had the above information been made available to the other bidders for the Sage Creek RFP, and had such bidders been directed to develop alternative designs, as Shindico apparently was, the outcome of the process and ultimately who built the Sage Creek- Station #27and the related Roblin - Station #18 may have been different.

- WFPS was informed by Shindico as well as by the estimate prepared by A.W. Hooker, a firm that specializes in construction estimates, that the cost to construct the M&M design in Winnipeg would exceed the City's budget of $3 million per suburban station. In spite of this information, the City provided the M&M specifications to bidders for the Sage Creek RFP. The Bidders, other than Shindico, were not aware of the City's $3 million budget nor were they aware of the alternate design possibility, both of which had been discussed with Shindico. (MC#48)

- Shindico was the most expensive of the seven bids received in respect of the M&M design specifications included in the Sage Creek RFP. When the City was negotiating with Shindico for the cost to construct, no independent and/or other assessment was done of the Shindico cost proposal to determine if the Shindico cost proposal represented good value to the City. We note that Williams was brought on to assist with project management after the award of the Sage Creek - Station #27 contract. Hunter, formerly of Williams, has indicated that the only costing review performed by Williams was a cost reduction exercise in respect to Portage - Station #11. As a result, the City had no way of knowing if they received good value in single sourcing with Shindico. We do note that in the amounts paid to Shindico for Sage Creek - Station # 27 was a fee of $195,563 plus a fee of [redacted] for Pre-Con Construction. These fees represent [redacted] of the total cost. Shindico's fees for Roblin - Station #18 & Taylor - Station #12 were $300,000 and $326,600 respectively. Pre-Con's fees were [redacted] per Station resulting in fees that were [redacted] of the total cost for Roblin - Station #18 and [redacted] of the total cost for Taylor Station #12. No explanation has been provided for the increase in fees paid to Shindico. We note that Pre-Con was responsible for the construction, while Shindico was responsible for project coordination including design, budgeting and financial reporting for the stations. In competitive situations it is possible that the City would have avoided paying two sets of fees as fees would have only been paid to the firm responsible for the construction of the Station. (MC#46) (MC#49)

- During the course of our review, we have been told by a number of City representatives that certain decisions were made due to completion deadlines established in the CMHC funding agreement. M&M made clear

recommendations with regard to how to proceed after the compliant bids received for Sage Creek were deemed too expensive. M&M recommended negotiations on reduced specifications with the lowest priced compliant bidder for two reasons:

i. It would be the approach recommended by the "CCDC". The Canadian Construction Documents Committee (CCDC) is a national joint committee responsible for the development, production and review of standard Canadian construction contracts, forms and guides. Formed in 1974, the CCDC included two owner representatives from each of the public and private sectors, as well as appointed volunteer members of the following four national organizations:
    a. Association of Canadian Engineering Companies (ACEC)
    b. Construction Specifications Canada (CSC)
    c. Canadian Construction Association (CCA)
    d. Royal Architect Institute of Canada (RAIC)

ii. M&M, who had experience in design and construction of fire and paramedic stations, believed this would be the quickest way to start construction as the building permit for the M&M design had already been issued. The City chose to go with just Shindico's alternative approach that required a major redesign. M&M's expected negotiations could result in a cost to the City of $3.15 to $3.3 million based on the reductions in scope proposed by M&M which is in the range of the single sourced contracts negotiated with Shindico.

We note that the City has indicated, via Legal Services, that they do not necessarily work to comply with CCDC policies. We believe that compliance with such standards will enhance and support the City's procurement decisions and public perception. (MC#50)

4.2.4 Single Source Contracts

Shindico was awarded a contract for Station #27 based on sole source/single sourced (single source) negotiations which resulted from the alternative design they had proposed in response to the Sage Creek RFP. Later in the process, Shindico was also awarded contracts for Stations #18 and #12 based on the Station # 27 alternate suburban station design on a single source basis. Shindico was also awarded a single source contracts for the urban Station #11 based on revisions to their Station #11 design from the original RFP.

In respect to whether the single source negotiations used to contract with Shindico were in compliance with City policies and contract award delegations, we have been informed that the negotiations that took place for all four contracts are thought by MM to be supported with the following sections of the Material Management Policy (MMP). (MC#51)

- B8.1 Subject to The City of Winnipeg Charter, City by-laws and this Policy, the Chief Administrative Officer shall have authority to:

(e)Determine that it is in the best interest of the City to not make an award of contract;

- B4.1 A supply to be made to the City may be negotiated without the solicitation of competitive offers where the Chief Administrative Officer determines that, it is appropriate/necessary and that:

(e) the cost of solicitation of competitive offers is reasonably anticipated to exceed the benefits thereof; (MC#51)

- With regard to compliance with City Policy regarding the exercising of contract award authorities the ability to award contracts up to $10,000,000 has been provided to the CAO in the following section of the MMP.

  B8.2 The Chief Administrative Officer shall have authority to approve and award a contract where:

  (a) the contract is for a supply to the City, where the value of the contract does not exceed $10,000,000., and there are sufficient funds for the monetary consideration to be paid by the City in a budget therefor approved by Council;

  The award authority is further delegated to the CFO and COO via administrative standard FM-002.

While the policy would allow for single source negotiations we are not aware of how the assessment of costs versus benefits required by the policy for single source negotiations was determined (MC#51). In the only instance where Shindico bid against others on the same specifications, the Sage Creek RFP, they were the most expensive. A.W. Hooker, who was retained to do a costing estimate for the M&M design for Taylor - Station #27, notes the following critical statement as it relates to costs in a non-competitive situation as used by the City for all stations when discussing the basis of their estimated costs.

It was assumed for the preparation of this estimate that the project would be tendered to a prequalified list of bidders with a standard Lumpsum contract. Pricing is based on competitive tender results with a minimum of four (preferably six tender submissions) at general contractor and major trade level. Pre-qualification with a restrictive list of contractors or subcontractors may result in a higher tendered cost due to the inherent reduction in competitiveness. Tenders receiving two or less submissions (occasionally three) historically tend to have a much higher risk of over an overrun in cost when compared to the budget established in an estimate. Ensuring adequate bonafide bidders is prerequisite for competitive bidding scenarios, on which the estimate is predicted.

We further note that the policy referenced above and used to justify the use of single source negotiations leaves a great deal of discretion to the CAO (MC#52). This may be an area which Council should examine to determine if authorities granted are in keeping with their expectations, Council may desire to have different contract award authorities for a competitive versus non-competitive situations.

Specific issues related to the single source contracts issued are addressed in the Project Management section 4.3.1 of this report. In summary our concerns are:

- The lack of ability of the City to establish that they received good value via the single sourcing approach. The City received bids from seven firms in response to the Sage Creek RFP. This shows that there was interest in such projects from the Winnipeg construction community and therefore a reasonable assumption can be made that a competitive environment existed. We further note that in response to the specifications in the Sage Creek RFP, Shindico was the most expensive of the bidders and was some 15% more expensive than the lowest price bidder.

- As part of the Sage Creek Station #27 contract, the City owned the rights to the Shindico Station design. We have assumed the City had or could have obtained such rights at the time Shindico agreed to the City's Letter of Intent related to the construction of Sage Creek Station #27 in April 2011. As a result, the City could have used this design as the basis to then conduct open procurement processes for the other stations. The City, MM, and the CAO chose not to do this. (MC#53)

- Once the City determined that they were willing to accept an alternative design for the Sage Creek RFP rather than negotiate based on the lowest price response to the M&M design specifications, there should have been a new RFP process. Such a process would have helped ensure that the best design at the best value was available for the City's consideration. (MC#54)

- Government procurement is based largely on the concept of open, fair and transparent processes. Single source negotiations as conducted for this project do not correspond to these concepts.(MC#55)

4.2.5 City Policy Allowing Substitutes

The City did not award a contract to Shindico under the Sage Creek RFP, rather they entered into single source negotiations based on the alternative bid received in response to the Sage Creek RFP. During our review, it was brought to our attention that the City could have accepted an alternative bid under City standard RFP provisions found under Section B6 of the Sage Creek RFP "Substitutes". In regard to the City's policy to allow bidders to bid using substitutes (i.e. alternative designs) we note: (MC#56)

- Substitutes are to be determined to be acceptable to the City by the "Contract Administrator" in this case the Chief WFPS. We further note that after approving a substitute the City will not notify other potential bidders of the acceptability of the substitution per Section B6.6. This is apparently done to protect the secrecy of the proponent's novel idea.

- This lack of exchange of information to all potential bidders has the potential to lead to significant procurement manipulation on the part of a contract administrator and a bidder. In a truly open and transparent process, substitutes would be disclosed to all bidders, with those suggesting the substitute would understand that if requested, the substitute would be disclosed. Such is the policy of the Government of Canada.

- In Government procurement situations that we are familiar with, it would not be typical for a complete alternative design to be considered as a substitute.

4.3 Detailed Findings and Observation Regarding Project Management/Contract Administration

4.3.1 Project Management

The following additional information is provided to support our concerns regarding project management as documented in our summary of findings

- We understand that the former Chief WFPS made the decision to have the current Chief WFPS take responsibility for the project on behalf of WFPS. We further understand that the former CAO asked that the current CAO assume oversight of the project while he was Director of PP&D.

- We understand that the current CAO was directly involved in the decision that put the Chief WFPS in charge of managing the project with assistance from Williams. While we understand the need to engage the user department, in the process to ensure the user needs are met, expecting the Chief WFPS to

manage a project which involved negotiating construction costs as well as land transactions seems to be outside the scope of the Chief WFPS's expertise. (MC#57) (MC#58) We understand that Municipal Accommodations (MA), part of PP&D, may not have had the human resources available to manage the project. We have been told that due to the costs (allocation/fees) charged by MA this option was not pursued for the project. This decision was apparently made by the former Chief WFPS and the CAO. (MC#61) (RDC #5)

- The CAO has indicated that he tried to supplement the Chief's expertise with the hiring of Williams to provide project management expertise. Most significant project decisions were made in advance of the hiring of Williams. We note that Williams was not retained until after the project budget had been established and the Sage Creek contract had been negotiated. The Sage Creek contract established the standard design and costing for the suburban stations. Further, Williams was hired until June 2011 and had no role in the decision making to continue with the development of Shindico's Portage - Station #11 concept which started in June 2010, nor did Williams play a role in the capital budgeting exercise or financial reporting or land negotiations. (MC#59)

- Based on a review of materials available and interviews conducted, the Chief WFPS reported to the CAO from the commencement of the project. After his appointment in 2011, the current COO was also part of the reporting updates provided by the Chief WFPS. We understand from the CAO and COO that project updates were delivered verbally and normally consisted of a construction status update and commentary on the project budget. (RDC #6).

- Overall, project management was lacking for a project of this significance. Those with such expertise with the City should have been more actively engaged, including MA.

4.3.2 Station Size

We provide the following additional information regarding how station sizes were determined and who was responsible for those final decisions.

- The size of the suburban station(s) did not change significantly from the sizing identified in the original RFP. It is our understanding that WFPS was allowed full operational decision making by the CAO for the sizing of the stations.

- The sizing of Portage - Station #11 did change significantly as a result of WFPS eliminating the museum component and adding space for the Hazmat unit. The original RFP specified a station of approximately 10,000 sq. ft. To meet the specification requested in the original RFP, Shindico's response included a station design that was 11,564 sq. ft. The final design for Portage - Station #11 was 14,459 sq. ft. (RDC#8)

- There was failure by the Chief WFPS to link the impact of the size, complexity and resulting costs of Portage - Station #11 with the funding limits established in the Council approved budget. Prior to commencing construction of Station #11, WFPS was in possession of pricing estimates from Shindico that exceeded the budgeted amount for Portage - Station #11. It appears that the Chief WFPS assumed that there were additional funds in the project budget that would have offset the increase in Portage – Station #11. (RDC#7)

4.3.3 Contracting Issues

In respect to the contracts issued to for the four stations we note the following:

- For both Taylor - Station #12 and Portage - Station #11, Legal Services and WFPS understood that Shindico was undertaking the construction of the stations without appropriate contract award authorization in place.
- In respect to Portage - Station #11 contracting, we have been informed by both Williams and Legal Services (MC#62) that one of the reasons the contract was split into two components, the foundation and the remainder of the building, was because sufficient Council approved funding was not available to allow for an award for the full value of construction costs. This would be against City Policy. Council Minutes approving the MMP on March 24, 2004 state:

  > *The new Materials Management Policy does not change the current policy wherein approval must be obtained from the appropriate Standing Committee or Council when sufficient funding is not available in an approved budget.*

- Legal Services represented to the CFO that the condition regarding the acquisition of 1780 Taylor Avenue had been met via the LOI and registering the caveat. Given the transaction has yet to close and the problems identified with the LOI as outlined in the report by Fillmore Riley dated September 24, 2012, the representation to the CFO likely should not have been made. We note that Legal Services was uncomfortable enough with the LOI to provide legal advice to the Chief WFPS that the LOI should not be signed. Legal Services indicated that the instance on the inclusion of "Subject to Council Approval" provided protection to the City. It did not however provide assurance for the acquisition of 1780 Taylor, which the CFO sought.
- The City authorized the commencement of work regarding Taylor - Station #12 before a contract had been agreed to. This was done with the apparent full knowledge of Legal Services, the Chief WFPS, as well as likely the CAO and COO (MC#63), who received regular updates on the project as well as the issues associated with the contractor not being paid due to the Taylor land agreement not being finalized. (MC#63)
- Our review has indicated that the CAO, COO and Legal Services were aware that Taylor - Station #12 was being constructed on land the City did not own.
- It is unclear as to the point in time that the CAO, COO and Legal Services were aware that Portage - Station #11 was being constructed without a contract and/or appropriate contract award authorities in place. MM, the CAO, CFO and COO were aware a contract was not in place by the end of August 2012 based on the content of the following email from the MMM.

  > *For everyone's sake and peace of mind, we need to determine the approvals that are in place, or not, for these Fire Stations.*
  >
  > *This topic was briefly discussed at the CAO's office today, but it is clear that the City is well underway building at least one $6 million dollar station with approval for only <$1 million.*

- Contracts which exceed $10,000,000 are to receive Council Approval. We note that at this point in time, the decision was made to single source Roblin - Station #18. It would have been clear to all parties involved that the City would be, at that point in time, awarding in excess of $10,000,000 of contract value to Shindico for Roblin - Station #18, Taylor-Station #12 and Portage - Station#11. Splitting this contract value into a number of contracts should not be a means to circumvent Council Approval authority especially in a situation where they are being awarded on a non-competitive basis. (MC#64) (RDC#9)

4.3.4 Issues Related to Administrative Standards

Our review identified a number of instances where City Standards appear to have not been complied with, or the interpretations of such policies are in question.

- The project was initially proposed as a P3 project. Administrative Directive FM-004 for the City requires that all P3 initiatives be subject to full review by the P3 Committee. We found no indication or involvement of a P3 Committee in the early stages of the development, as required by City Administrative Directive FM-004. The CFO has informed us that such a review did not take place. We do not believe this had a significant impact on the project as the project did not proceed as a P3.
- Administrative Directive FM-004 also requires that Major Capital projects expected to exceed $10 million require the formation of a Major Capital Project Steering Committee (Committee). The CAO at the time (MC#65) is responsible to make appointments with the Committee which must operate from the beginning to the end of the project. The RFQ, original RFP and Council's July 21, 2010 project approval establishes that the City viewed the construction of the four stations as a "project". The City was also aware that if one contract was issued, the value would exceed $10 million. It is noted in FM-004 that "projects considered routine, ongoing capital works and where the individual components could be completed in isolation at a cost of substantially less that $10 million would be excluded". The City, via the current CAO, takes the position that this exclusion provided the basis under which a Major Capital Project Steering Committee was not established. Given the initial project approach was a P3 (MC#66) project which then turned into a build/design project on lands owned by the City as well as lands to be supplied by a developer, we believe it is reasonable to assume this was not a routine project. As such, the project should have had the oversight of a Major Capital Project Steering Committee (MC#67). Such a committee is to be established no later than the time a project is included in the capital budget. We believe that this was a significant issue as it relates to this project. Oversight of the project was lacking and the establishment of such a committee, if functioning properly, could have provided a higher level of oversight
- FM-004 also requires that all projects with a total estimated cost of $10 million or more must be submitted to the Standing Policy Committee on Finance (SPCF) prior to any bid solicitation documents being issued. No record could be located that this did in fact occur. It should be for Council to determine the significance of this finding.

4.3.5 CMHC Funding Deadline

The completion time limit established in the CMHC funding agreement is mentioned as a major reason for decisions made regarding the original single source negotiations with Shindico regarding Sage Creek - Station #27 and Roblin - Station #18 as well as the issue previously identified relating to Portage - Station #11 and Taylor - #12. We note that early on the City recognized the existence of penalties, including loss of funds were possible with the failure to complete the project by March 31, 2012. We note that no attempt to contact CMHC about the acceptability of extensions appear to have taken place until well after most significant project decisions had been made, including proceeding with Shindico for the construction of all four stations on a single source basis. CMHC was not contacted until November 2011. In all cases when asked CMHC provided extensions. (MC#68)

We note that City Management has indicated that there were also pressures to provide a station in South Winnipeg.

4.4Detailed Observations/Findings Proposed Land Exchange

4.4.1 The Proposed Land Exchange

We provide below our specific observations and findings as it relates to the proposed land exchange.

- In their submission to the original RFP, Shindico identified a site on Taylor Avenue as being available to the City for a new WFPS station. In their submission, Shindico had included a proposed price of $900,000 for the land. While not accepting the Shindico offer as presented in their RFP response, it is clear that WFPS moved forward with the intention of building a new station on Shindico's Taylor Avenue site. Shindico's original RFP response was dated June 23, 2010, and records indicate that WFPS was giving directions regarding building on the Taylor site to M&M by September 2010. On September 30, 2010, the Chief WFPS directs M&M via email to "please proceed with the survey and Geotech on the Taylor Avenue property ASAP. I'll need that for the funding application."
- The concept of a land exchange for the Taylor site was identified as the means of proceeding as early as September 2010. The original Capital Budget includes no apparent funding for Taylor - Station #12 land acquisition, indicating WFPS's intention for a land exchange transaction very early in the project.
- The land exchange concept was preferred by Shindico. WFPS also preferred the option as it allowed for them to attempt to stay on budget as there would be no required cash outflow. Documents reviewed indicated that the $15 million project budget included some $13 million for construction costs. With the suburban stations budgeted at $3 million plus and the urban station budgeted at $5 million based on Shindico's original RFP, the only way to stay on budget would have been to eliminate the land acquisition costs.
- Grosvenor and Berry were always part of the planned exchange. A property on Mulvey Avenue was apparently identified as a possible way to close the perceived value gap between the Berry and Grosvenor properties and the Taylor property. The Chief WFPS has indicated to us that he identified the property on Mulvey as it was a property that WFPS felt they had ownership of as a result of the EPC motion of joint use of the site to both WFPS and the Winnipeg Police Service (WPS).
- The Mulvey site was originally to be used for the relocation of Station #4. The current location of Station #4 was determined to be better and renovations more cost effective for WFPS as reflected in the February 8, 2010 report to SPC on PCS.
- The results of our review indicate clearly that the PP&D group, who has responsibility for land transactions within the City, was not actively involved in negotiating the terms of the land exchange transaction. Both the CAO and COO had knowledge that the negotiations were being undertaken by the Chief WFPS. The Chief WFPS does not appear to have the experience necessary to negotiate such a transaction. The transaction was being negotiated with a knowledgeable real estate firm. Why PP&D was not trusted with the responsibility for the transaction is unknown. The CAO has told us that he assumed PP&D was actively involved. (RDC#10)
    - We note that at the meeting held in the CAO's office on January 20, 2012, with Shindico regarding the land exchange, PP&D was not included. (MC#69)
    - Further we note that when a proposed deal was provided to the CAO and COO, the CAO provided the Chief WFPS with the direction to "Get it done". (MC#70) We reference the reader to the full email exchange at January 26, 2012 at Appendix B. This email exchange documented:
        i. The Chief WFPS was negotiating the deal
        ii. The CAO's acceptance of such negotiations
        iii. The CAO's understanding that is was now resolved
        iv. The Chief WFPS indicating it was "done" and thanking the CAO for his help
- The Chief WFPS signed the LOI in spite of receiving legal advice that it should not be signed. As previously noted, the Chief WFPS has represented to us that he received the direction to do so from either the MRE or the CAO. Both deny this (MC#71). This action was apparently taken due to the pressure caused by payment delays resulting from commencing the construction of Taylor - Station #12 without a contract in place. Without the contract the City could not make payments to Shindico for construction work undertaken.
- While aware that negotiations were taking place, PP&D had not done a valuation of the Mulvey Lands in advance of the LOI being signed. Therefore when negotiating the land exchange transaction, those involved

including the Chief WFPS, the CAO, and the COO had no formalized understanding of the value of the Mulvey Lands being offered in exchange for Taylor. PP&D records indicate that valuations had been done for the Berry and Grosvenor properties.(MC#72)

- The concept that excess value was being transferred as part of the land exchange was known by WFPS at the time that the LOI was signed. The plan to deal with the excess value was a reduction in the cost of Portage - Station #11. It is difficult to understand how the City could have ensured that they actually received such a reduction had this been the method used to account for the value gap.
- When PP&D did an initial appraisal, the excess value of the transaction in the LOI was thought to be more than $1 million (MC#73). This differential was brought to the attention of the CAO in April, 2012. While the direction the CAO gave, if any,(MC#74) is not clear, PP&D continued to examine their appraisal and eventually reduced the value gap. In a Draft Administrative Report titled ***Review of the proposed land exchange transaction and related processes with reference to the construction on a fire station on Taylor Avenue*** prepared by the CFO (CFO Draft Report), it is indicated that at September 17, 2012, the City's appraiser had identified a likely value gap of $500,500 and an independent appraisal review conducted by Colliers suggested a likely value gap of $354,020.
- We are surprised that the transaction was not halted by the CAO when he was informed that a discrepancy in the value of land to be exchanged benefitted Shindico. While the excess value may not have been the $1.0 million the CAO was initially informed of, the valuation gap always remained substantial.
- EY has not conducted a formal valuation, however, our appraisal professionals have examined the basis of the valuation gaps described in the above bullets and have determined there is no basis to believe that the valuation gap is greater than the range of $250,000 to $500,000.
- In an Administrative Report prepared by the CFO in September 2012 he concluded that the land exchange transaction should have been submitted to Council in the Fall of 2011. This would have then occurred prior to construction commencing on Taylor Station #12 which effectively bound the city to some form of deal with Shindico. Even if the land exchange did not take place, a purchase of Taylor would also have had to go to Council as there were no sufficient funds in the approved budget to allow for a purchase.
- We have not done a study of City owned land in the boundaries established for Taylor - Station #12, as identified in the original RFP. However, during the course of our review, it has come to our attention that the City owns a 1.6 acre vacant lot on Taylor Boulevard in the 1500 block that from a size perspective would have been large enough to house Taylor - Station # 12 (MC#75).

4.4.2 Comments Regarding City Policies as They Relate to Land Transactions

- Council minutes of December 6, 2006, indicate the adoption of the City's "Offer to Purchase City Owned Property Policy". We also note the policy establishes that the two guiding principles are:
  - Obtaining the best value for the citizens of Winnipeg
  - Transparency and full public access

Based on the historical events documented above, it would appear that these principles did not guide the land exchange transaction as planned. (MC#76)

- The policy clearly indicates that PP&D is the department with the responsibility for the sale of City owned property including:

The Department may act on unsolicited offers for City-owned property that involves an exchange of land, where the privately owned land is required by a City Department for public use or to facilitate a Council approved land acquisition program, subject to the City land being declared surplus.

This should have been understood by both the CAO and COO. (MC#77)

- Further, the policy establishes that such transactions can only be completed when the land has been declared surplus. The lands were not declared surplus and as a result would not have met the requirements of the policy. We note that our review indicates that other properties, not associated with WFPS Stations, are going to Council for consideration as being surplus after PP&D had negotiated a conditional deal to dispose of the lands. (MC#78)
- The above noted policy resulted directly from a Real Estate Management Audit Report in March 2000. The audit included two key recommendations detailing the sale of surplus properties. This would include land exchanges based on the 2006 policy.
  - *The Planning, Property and Development Department should take a leadership role to ensure that the corporate process to identify, declare and record surplus property is being followed;*
  - *The (Real Estate) Division should then develop a plan that prioritizes its resources to develop, market and dispose of surplus property;*
- PP&D has established procedures regarding the disposal and marketing of property. As noted above, PP&D did not take the leadership role for the proposed exchange. PP&D procedures establish that the Ward Councillor is to be consulted prior to lands being brought to Council for approval as surplus. (MC#79) We located no evidence that Ward Councillor(s) were consulted regarding the three properties being declared surplus. We understood that under PP&D operating practices such consultations support this finding where it, along with consultations with other departments, is to occur prior to Council approval being sought. The CFO Draft Report indicates:

  The Area Councillors were not consulted with respect to final recommendations regarding the three City properties by PPD although certain Councillors had met with the CAO to discuss the Berry St. Transaction. Agreement from the Area Councillors should have been obtained before proceeding further with a letter of intent with Shindico.

- PP&D operating practices would also have included consultation with other City Departments with regard to issues that should be known when considering a property to be surplus. This also was not completed until after the LOI was signed and construction started on the Taylor site. (MC#80)
- We further note that City Organization Bylaw (7100.97) establishes at clause 3 (1) (1), that Council only has the authority to declare properties surplus. We note that the concept of a land exchange for the Taylor property was known at least as far back as September 2010, some 16 months in advance of the LOI with the inclusion of the Mulvey property at least 6 months in advance. There should have been sufficient time for PP&D to have followed its policies and provided the results for Council consideration in advance of an appropriate transaction document being executed for the land exchange transaction before the City was bound to some form of transaction by the commencement of building on the Taylor site.
- The properties to be transferred had not been declared surplus by Council. No information was provided to Council that would have suggested that any of the three properties were to be subject to a land exchange until the fall of 2012. The July 2010 submission regarding the CMHC loan and capital budget did suggest the Berry and Grosvenor properties were to be sold.

4.4.3 Comments regarding the LOI

- The "Subject to Council Approval" addition to the LOI was made after it had been signed by the Chief WFPS.

- The signature on the LOI by the Director of PP&D was obtained after the CFO was informed by Legal Services that the contract for Taylor - Station #12 could be approved (i.e. a satisfactory acquisition arrangement regarding the Taylor property was in place).
- Legal Services understood the weaknesses of the LOI document, however, believed the City was protected via the registering of the caveat on the Taylor property. The registered caveat was for a purchase and sale agreement, not the transaction described in the LOI. We do not express a legal opinion on the legal issues related to the LOI but do reference the reader to comments by Fillmore Riley referenced in this report at Appendix B – Chronology at September 2012. From a financial aspect, in their comments, Fillmore Riley has noted that the City will now be subject to significantly higher land transfer taxes as a result of the value attached to the building at Taylor – Station #12 which will now be included in the transfer value, rather than the taxes that would have been payable on raw land only.
- As a result of registering the caveat and the signing of the LOI, Legal Services agreed to Shindico's request to have a clause in the Taylor - Station #12 agreement removed which stated "The contractor acknowledges and agrees that no payment will be made by the City to the contractor until satisfactory arrangements are made to transfer ownership of the lands to the City". (MC#81)

4.5 Detailed Findings and Observations as it Relates to Reporting to Council and Committee

The extent of reporting to Council and related committees was limited prior to the fall of 2012. The reporting identified consisted of:

- Yearly WFPS capital budget requests that provided limited information on the Facilities Replacement and Relocations Program.
- The February 8, 2010 concurrence of the SPC on PCS to the "Replacement of Three Fire Paramedic Stations and the Building of One New Facility in the Southeast Quadrant of the City" report dated February 3, 2010. This report did not go to Council or other Committee(s) as is apparently appropriate within the City's structure. (MC#82)
- The Reporting to Council regarding the Capital Budget Amendment and approval of CMHC funding which occurred July 21, 2010. Concerns regarding the Capital Budget have been discussed earlier in this report.
- The approval of single source negotiations for a replacement architectural firm by EPC on May 18, 2011. This approval was sought due to M&M resigning from the project. The architectural firm that was expected to replace M&M was Nejmark Architect Inc, the firm already working with Shindico. No contract was ever awarded for their services. (RDC#11)
- June 27, 2012, Council approved an additional $60,954.22 of funding related to the Sage Creek -Station #27. At this time, WFPS was aware that the whole project would be over budget. The extent of how over budget was not clear as final pricing for Portage - Station #11 had not yet been received from Shindico. As we noted early in this report at the time the foundation contract for Portage - Station #11 was awarded, Legal Services and WFPS were aware that Council had not approved funds sufficient to complete Portage - Station #11. (MC#83) WFPS chose to deal with the Sage Creek's budget increase without notifying Council that additional funding would be required to complete Portage - Station #11. (RDC#12)

In the Fall of 2012, there were the following significant reporting to Council/Council Committee(s) which included:

- In September 2012, a debriefing was provided by the CFO to informal EPC regarding the major issues known regarding the project. This included the anticipated costs overrun, and details surrounding the proposal land exchange transaction.

On October 3, 2012, an Administrative Report entitled "To Seek Council Approval to Declare Three City-Owned Properties Surplus to the Needs of the City pursuant to the Fire Paramedic Facilities Replacement and Relocation Program" was discussed at an informal EPC meeting. The report described the proposed land exchange, including identifying the excess value of $254,000 to be transferred to Shindico. The report also noted that the land deal was unconditional and the appraised value did not and could not account for the unconditional value of the proposed transaction. This was reported so that readers were made aware that the appraisals that determined excess value were based on comparable sales that would have typically included conditions such as zoning and the property being free of contamination. The appraised values used had not considered whether the unconditional nature of the proposed transaction/land exchange, would result in an increase or decrease in the calculated difference in value being transferred.

- The reporting to Council regarding the increase in budget for Portage - Station #11 occurred on November 14, 2012. Council approved additional funding totaling $2,296,589. This approval was based on the October 29, 2012 report from the SPC on PCS and the November 7, 2012, recommendation by the EPC.

    i. We note that the budget increase, as approved by Council, does not include additional funding required to complete the Taylor - Station #12 land acquisition.

As we understand there has been no additional reporting to Council/Committee. We have not reviewed the decision making that occurred at a Council/Committee level.

4.5.1 Items not reported to Council

The following represents items that we believe should have been reported to Council and/or should have been reported to Council on a more timely basis:

- As noted elsewhere in this report, we believe that the awarding of in excess of $10.0 million of contract value to Shindico should have been brought to Council's attention prior to contract award. The splitting of a project into a number of contracts should not be the basis under which Council approval is bypassed. (MC#84)

- At the time the decision was made to split the Portage – Station #11 contract into two pieces, the foundation contract and the contract for the rest of the building it was known that the completion of Portage – Station #11 would result in the project exceeding the Council approved budget. Rather than awarding the foundation only contract, the budget shortfall should have been brought to Council's attention.

- The land exchange transaction should have also been brought to Council's attention at the time it was contemplated and prior to the commencement of construction on the Taylor site. Council's consideration of the value of the exchanged properties to be transferred to Shindico was required as well as a Council decision regarding the declaration of the City owned properties as surplus. (MC#85)

In addition to the above bullets, the land exchange transaction raises a key question regarding capital budget reporting to Council. As the land exchange transaction was to be a non-cash transaction, the financial impact of the transaction was not to be reported against the Capital Budget cost of the project. This situation would have resulted in the true cost of the project not being reported to Council.

4.6 Detailed Findings and Observations Regarding Project Oversight

- The current CAO has been involved with the Project since the early stages when the former CAO at the time asked that he take oversight of the Project. Records reviewed have indicated that the current CAO has taken an active role in the project since the beginning, including reviewing station designs in Ontario (London Trip #1), discussing construction designs and budgets with Shindico, receiving updates on progress from the Chief WFPS, and participating in negotiations and approving the structure of the proposed land exchange. The oversight provided did not include ensuring that Chief WFPS had the appropriate skills and support to undertake a project of this magnitude. The Chief WFPS did not have the necessary expertise in the construction contract negotiations, negotiations of land deals, or budget setting and related financial reporting. The CAO recommended the retention of Williams, however, this only dealt with the construction management deficiencies in the Chief WFPS's skill set. (MC#86)
- It appears that both the CFO and COO provided little to no oversight in regard to the Project. With the role played by the CAO, the lack of COO involvement is understandable. For the CFO, there is a lack of oversight as it relates to the establishment of the Capital Budget provided to Council and the monitoring of such budget. As noted in the report, the capital budget provided to Council as part of the CMHC funding approval appears to have been based largely on the representations from the CAO that the project could be completed for $15 million. As discussed, this budget was significantly flawed as it relates to Portage - Station #11. The CFO's office, Corporate Finance, appears to have not exercised a challenge function on the budget setting exercise nor ensured the accuracy of subsequent financial reports. Corporate Finance knew, based on the initial budget assessment that Portage Station #11 should cost at least $6 million. However, the per station budget was set at $4.0 million. A simple request for Williams on the latest costing for Station #11 estimate would have identified a budget problem. (MC#87)
- Legal Services made attempts to protect the City's interest via the addition of the "Subject to Council Approval" addition to the LOI and the registering of the caveat. Several areas of concern regarding Legal Services involvement with the project included:
  - Weaknesses in the LOI as previously discussed, were known, yet Legal Services allowed the LOI to be returned to Shindico after being signed by the City.
  - Legal Services was aware of the splitting of the Portage - Station #11 contract due to a lack of Council approved funding.
  - Stations were being constructed without appropriate approval authorities in place and/or contract(s) awarded.
- With regard to the Director of PP&D, he was aware that the proposed land exchange was being discussed, but he did not ensure that PP&D took the lead in the negotiations of the exchange or ensure the PP&D policies were adhered to.

4.7 Detailed Findings and Observations Regarding Employee Conduct

A number of breaches or potential breaches of City policies, procedures and/or good business practices are discussed in the proceeding findings and observations section and include:

4.7.1 Breach of City Policies

- The failure to establish a Major Project Steering Committee, which is the responsibility of the CAO both current and former. (MC#88)
- Failure to have the initial P3 project reviewed by the P3 Committee. Responsibility for this could be with MM and/or the Chief WFPS and ultimately the responsibility for P3 and other major Capital projects rests with the CFO. While the policy is clear that this was required we do not believe that this had any impact on the project. The CFO has provided a sound basis for why it was not established and if not was not for the precise wording of the policy we would not raise this as an issue. (MC#89)
- Failure to have the project reviewed by the SPC Finance prior to issuance of the procurement documents. We assume that this would be something that should have been confirmed by MM prior to release of the procurement documents and should also have been known by the CFO who is responsible for major capital projects. Failure to ensure appropriate contract award authorities were in place prior to starting construction of the stations. This issue was known by both Legal Services as well as Chief WFPS.
- The splitting of contracts due to a lack of Council approved funding. This issue was known by both Legal Services as well as Chief WFPS. (MC#92) (RDC#13)
- The splitting of contracts which resulted in avoiding delegated authorities. Many parties had knowledge of this including the CAO, MM, Legal Services and the Chief WFPS. (MC#91)

4.7.2 Good Business Practices

While we may not be able to link this directly to existing City Policies we believe to protect the interest of the City the following items are of concern.

- Failure to ensure open, fair and transparent procurement processes which within the City is the responsibility of MM.allowing the Chief WFPS to take the lead in the negotiations of land transactions rather than PP&D. This was understood by the CAO. (MC#93)
- The extensive use of single source contract when options were available that would have assisted in ensuring the City received good value. MM provided advice that single source contracting was appropriate and acceptable.
- Failing to conduct appropriate studies of possible station locations prior to engaging in procurement activities. The CAO had oversight of the project and overall project management resided with the Chief WFPS.
- Failure to ensure that appropriate budgeting and financial reporting was undertaken. The responsibility for which should have been Corporate Finance. (MC#90)

EY | Assurance | Tax | Transactions | Advisory

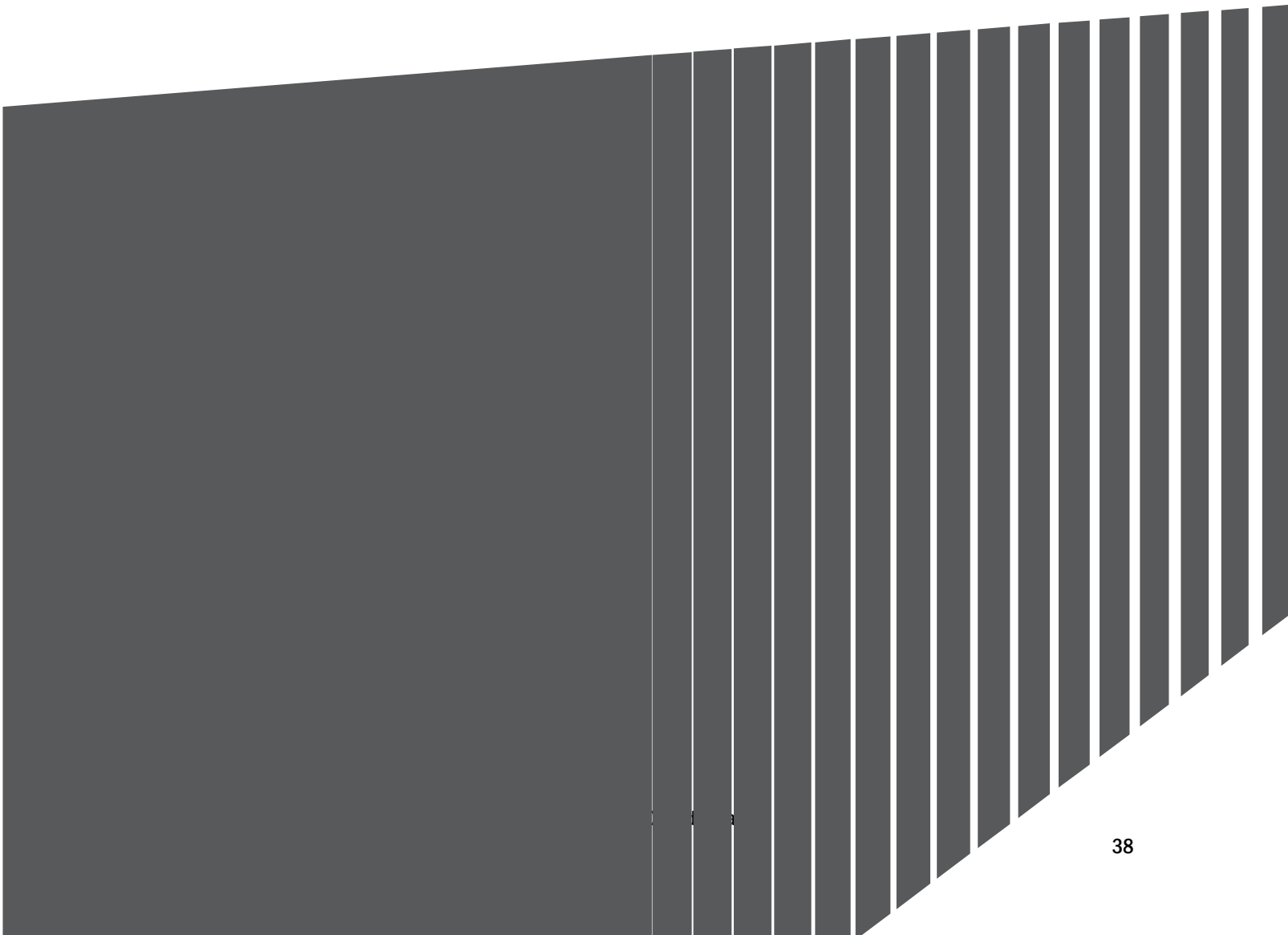
About EY

EY is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 130,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve potential.

For more information, please visit ey.com/ca.

ey.com/ca

© 2013 Ernst & Young LLP. All Rights Reserved.
A member firm of Ernst & Young Global Limited



APPENDIX A

Materials reviewed:

In undertaking our review we have examined numerous documents provided to us by the City. In general terms the nature of the documents reviewed are identified below. Where we have relied on specific information contained in a document the identification of such document is made in our report.

1. City of Winnipeg Materials Management Department maintained files identified as relevant and or related to the contracting activities for the four WFPS stations
2. City of Winnipeg Legal Services materials and contracts files provided to EY as being related to the legal services, including legal advice, given in respect to the four WFPS stations
3. City of Winnipeg Planning Property and Development files as identified to EY, relating to the properties located at 1780 Taylor Avenue, 409 Mulvey Avenue, 5000 Roblin Boulevard, 1710 Grosvenor Boulevard, Portage Avenue, 200 Berry Street, as well as lease details concerning a City owned property on Taylor Avenue
4. Emails provided to us by the City of Winnipeg based on a search of archived emails maintained by the City using "key word" search terms provided by EY
5. Financial information concerning the budgeting and costs for the construction of the four WFPS stations as provided by the Office of the Chief Financial Officer of the City (CFO)
6. Appraisal Review prepared by Colliers International Valuation and Advisory Services, dated September 17, 2012, concerning properties located at 1780 Taylor Avenue, 409 Mulvey Avenue, 200 Berry Avenue and 1710 Grosvenor Avenue
7. Fillmore Riley Memorandum Draft No.1, dated September 13, 2012 from Lionel J Martens to Michael Ruta CFO, regarding Fire Station Review
8. Various documents as compiled by the City Auditors office for purposes of our review.
9. Responses to a draft version of our report as received from City Administration and The Chief WFPS

Parties interviewed:

The following are a listing of those parties who we have interviewed and utilized information obtained from them in this report:

1. The Chief Administrative Officer of the City (CAO), Phil Sheegl
2. The Chief Operating Officer of the City (COO), Deepak Joshi
3. The Chief Financial Officer of the City (CFO), Mike Ruta
4. The Fire and Paramedic Chief of the WFPS (Chief), Reid Douglas
5. Project Coordinator for the WFPS station project(s) and member of the Paramedic Service, Kristine Friesen
6. The following representatives of the City Legal Services Department, Diane Papst McMenemy (Solicitor), Wolfgang Tiegs (Solicitor), James Carter (Solicitor) and Michael Jack Director of Legal Services and City Solicitor
7. The Director of Planning Property Development for the City (Director of PP&D), Barry Thorgrimson
8. The Manager of Real Estate (MRE), part of the Planning, Property and Development (PP&D) department of the City, John Zabudney
9. Land Appraiser, Property Acquisitions for the City , (part of the PP&D department) , Karen Cann
10. The Acting Manager of Municipal Accommodations (part of PP&D Department) for the City, Iain Day
11. Administor Technical Services of Municipal Accommodations Department , Rob Loudfoot
12. The Manager of Materials Management for the City , Barb D'Avignon
13. Contracts Supervisor for the City , Catherine Green
14. Development Manager of Shinico, R.G (Bob) Downs
15. The President of Shindico, Sandy Shindleman

16. Henry Hunter, formerly of Williams Engineering
17. Glen Laubenstein, former CAO of the City
18. Chair of the Standing Policy Committee on Protection and Community Services for Winnipeg City Council, Councillor Havixbeck
19. Former Chief of Police of the City of Winnipeg, Keith McCaskill

Fire Paramedic Station Construction Project

Appendix B

Summary of Significant Chronological Events

Date	Event
2006	City's approved Capital Budgets for 2006 includes $1,030,000 for the Facilities Replacement and Relocation Program
March 2007	Facility condition assessments were performed for Roblin - Stations #18 and Portage – Station #11. The assessments indicated that Portage - Station #11 required approximately $800,000 of work, of which $450,000 plus was classified as critical or potentially critical. They also indicated that Roblin - Station #18 required approximately $190,000 of work, of which $124,000 was classified as critical or potentially critical.
APR 2007	Former Chief WFPS, Jim Brennan appointed as Chief WFPS April 2007-Nov5, 2011
APR 2 2008	Former CAO, Glen Laubenstein appointed CAO (until Sept. 2010-retirement Nov 13, 2010)
APR 28, 2008	Former CAO Laubenstein appoints current CAO Phil Sheegl as Director, PPD (until Nov. 2008)
NOV, 2008	Former CAO appoints 3 Deputy CAOs-CFO, current CAO and Alex Robinson
NOV. 2008	Current COO Deepak Joshi Appointed Director PPD
2008	City's approved Capital Budgets for 2008 includes $1,792,000 for the Facilities Replacement and Relocation Program
November 19, 2008	City Council approved funding for a new fire station in the southeast quadrant in the 2009 capital budget. (Now Sage Creek - Station #27)
November 24, 2008 (RDC#17)	The Former CAO accepted the recommendations of the Former Chief of WFPS regarding a two phase plan to replace, relocate or build new fire and paramedic stations. Phase One (2009) was to include: i. the relocation of Portage - Station #11 to a site on Portage Avenue that was a former gas station (it is noted that PP&D were seeking to acquire the property for the City. We understand that subsequently it was determined that the cost of the property was more than what the City was willing to pay), ii. the reconstruction of Roblin - Station #18 on its existing site and the construction of a new facility in the southeast quadrant of the City, Sage Creek - Station #27. In respect to Sage Creek - Station #27, the report indicated that a site had been identified and that the owners were interested in a private/public partnership. ► Phase Two (2010-2012) was to be the relocation of four stations, a rebuild of one station and the construction of a new station. Included in these stations was the relocation of Station # 12, located at 1710 Grosvenor, to a site either owned by a private developer or a site owned by the province.

	The briefing note further indicates that the intention to fulfill the plan is to utilize a P3 arrangement under which the design, construction and financing would be left to a developer, with the City entering into a lease for the use of the new stations.
2008 /2009 – exact date unknown	The Former CAO asked the Current CAO to assume oversight of the WFPS project. The Current CAO was at the time the Director of PP&D.
April 20, 2009 (RDC#18)	The City issued a RFQ document seeking to prequalify firms to bid on a contract opportunity described as follows *"Specifically, the City is inviting submissions from private sector firms, individually, or in consortium for the innovative options for financing, design, construction (inclusive of site work) and lease (inclusive of select operations and maintenance) of the four (4) Fire Paramedic Stations "the Project"*. The RFQ indicates that the stations are to be in the range of 7000 to 9000 square feet in size. With regard to location of the stations, the RFQ states that Roblin - Station #18 will be rebuilt on the existing site on Roblin and the other three will be built on sites to be proposed by the proponent in the following Request for Proposal (RFP). Maps depicting the boundaries of the possible locations for the three new locations were included with the RFQ.
August 5, 2009	Six proponents were advised that the RFQ process had qualified them to submit a response to the forthcoming RFP (the original RFP).
September 2009	Based on the request from the Former CAO; the Current CAO, Current Chief WFPS and others including a union representative go to London Ontario (TRIP #1) to view possible station designs. The M&M design is identified during this trip (MC #15).
October 2009	The City applied for financing from CMHC for the construction of the four stations.
December 4, 2009	Shindico informed the Current CAO of a property located in the Sage Creek development that could be available as a station site.
December 15, 2009	Council approved the 2010 Adopted Capital Budget and 2011-2015 five year forecast includes $11,658,000 for a project called "Facilities Replacement and Relocation Program."
January 2010	City entered into a contract with M&M for the design of 3 suburban stations.
February 11, 2010	CMHC approved the financing requested by the City.
FEB 2010	Report for funding and update to SPC PCS includes discussion on Mulvey land
MAR 5, 2010	City Issues RFP for qualified proponents, response closes June 23rd, 2010
March 5, 2010	The City issued the original Request for Proposal to the proponents qualified via the RFQ, based on a P3 approach for the design, build, financing and maintenance of four stations. RFP 200-2009B, the original (RFP) was for "INNOVATIVE OPTIONS IN DESIGNING, BUILDING, FINANCING AND MAINTENANCE OF FOUR FIRE PARAMEDIC STATIONS". The RFP described what the City was requesting via the RFP and states *"Specifically, the City is requesting submissions from private sector firms, individually or in consortium, for:* *(a) design, construction (inclusive of site work), and/or lease (inclusive of select operations and maintenance);* *(b) construction (inclusive of site work), and/or lease (inclusive of select operations and*

	maintenance);of up to four (4) 750-930 square metre (8,000-10,000 square foot) facilities for the purpose of providing fire and paramedic service operations." The City was to pay for use of stations via a lease arrangement. Closing date for the RFP was March 29, 2010. The RFP specified that bidders were to identify sites within defined boundaries for 2 of 3 suburban stations (#12 ,# 18,#27) and for one core station (#11).
March 23, 2010	The City issued Addendum #1, which notified proponents that significant changes to the RFP would be issued, including any reference to a P3 project be eliminated.
MAR 29, 2010	City issues Addendum #2 for 3 stations as a Design Build
March 29, 2010 (MC#17) (RDC#15)	The City issued Addendum #2 to the original RFP. The addendum was in effect a replacement of the original RFP. The following is taken directly from the Addendum #2 document: *B2.1 The Request for Proposals (RFP) contained herein documents the City of Winnipeg's (City) invitation to organizations (Bidders) to present Proposals in accordance with the requirements identified in this RFP for the development of up to four (4) newly developed Fire Paramedic Stations ("the Project" or "WFPS Station") for the Winnipeg Fire Paramedic Service (WFPS).* *Specifically, the City is requesting submissions from private sector firms, individually or in* *consortium, for:* *(a) construction (inclusive of site work) Sections A and B; and/or* *(b) design, and construction (inclusive of site work) Section C;* *of up to four (4) 750-930 square metre (8,000-10,000 square foot) facilities for the purpose of providing fire and paramedic service operations.* *In defining Sections A, B, and C the RFP now stated* "*SECTION A. One Suburban Fire Paramedic Station in the Vicinity of 5000 Roblin Boulevard* *SECTION B.* *Two Suburban Fire Paramedic* *Stations* *- one in the vicinity of Grant Avenue* *and Waverley Street; and* *- one in the vicinity of Bishop* *Grandin Boulevard and Lagimodiere* *Boulevard* *SECTION C.* *One Core Fire Paramedic Station in* *the vicinity of Portage Avenue and* *Berry Street* The RFP required that the bidders provide the locations under which they intend to build the stations identified in sections B and C. Further, the RFP indicated that the specifications for Sections A & B would be identified by a later addendum. The RFP also provided specifications for the design for section C which specified a building including a museum component with a total size of at least 9,742 sq ft.

	Subsequent Addendums provided the design for stations in Section A and B (the suburban stations) as developed by M&M and extended the closing date until June 23, 2010.
MAY 2010	Current Director PP&D, Barry Thorgrimson appointed Acting Manager of Economic Development and Real Estate
June 23, 2010	Shindico was the only bidder for the RFP. In respect to the three suburban stations Shindico's Bid stated the following: ► With regard to what is now the Roblin *"The costs to develop the Suburban Station at 5000 Roblin Boulevard including demolition of the existing station is $3,782,000 or $509.22 per square foot. .....We believe we can develop a LEED Silver design build facility for approximately $275 per square foot".* ► With respect to what is now the location of the Taylor Station, the response to the RFP stated "*Shindico is authorized by 3177751 Manitoba Ltd., owner to utilize a 1.16 acre parcel of land located on the south side of Taylor .....The cost to develop the Suburban Station on Sage Creek Boulevard is $3,738,000 or $503.29 per square foot..... We believe we can develop a LEED Silver design build facility for approximately $275 per square foot.....With respect to the parcel of land, we are proposing that the price be $900,000 plus the costs of subdivision". (*We assume the reference to Sage Creek was a cut and paste error). ► With respect to what is now known as the Sage Creek Station, the response to the RFP stated "*Shindico is pleased to propose a new Fire and Paramedic Station on a site the City proposes to purchase from Qualico on Sage Creek Boulevard..... The cost to develop the Suburban Station on Sage Creek Boulevard is $3,674,000 or $498.68 per square foot..... We believe we can develop a LEED Silver design build facility for approximately $275 per square foot".* With respect to the core or urban station that the proponents were asked to locate, design and build the response from Shindico stated: *"To replace the firehall located at Portage Avenue and Berry Street, Shindico's proposing the new Fire Paramedic Station be incorporated into the green space located immediately adjacent to the west side of the southbound lane of Route 90 on the north side of Portage Avenue. The property is owned by the City of Winnipeg. .....The Cost to develop the Core Station on Portage Avenue is $5,991,500 or $518.11 per square foot ....The Core Station is more complex than the Suburban Stations"* Based on this statement the design for the Core station, as proposed by Shindico ,was to be 11,564 square ft . The cost of the four buildings plus the land proposed on Taylor Avenue resulted in a total bid cost of $18,085,500. This excluded any costs associated with the City acquiring the Sage Creek site from another proponent as discussed in the Shindico bid.

June 23-30, 2010	Decision is reached to not proceed with the Shindico bid as it was deemed too expensive.
June 25-26, 2010 (MC#94)	There is an email exchange between the CFO and the Current CAO regarding the budget for the project to be provided to council. The Current CAO indicates that the project will be brought in at under $15 million. Specific quotes from the emails include: o CFO to CAO *"Phil-I understand we had only 1 bid and its quite high. Can we bring this pricing back to the 8-10 million range otherwise we might have problems on the operating side".* o CAO to CFO "Already covered my friend we will bring it in under $15 million". o CFO to CAO "*sounds good but what number should we use for the report".*
June 28, 2010 (MC#95)	Corporate Financial Officials discuss the base of the budget estimate to be prepared for Council. Specific quotes from the email exchange include: o *In terms of the pricing, I haven't seen anything yet. Paul was discussing the pricing with Reid and it would seem that there is the ability to adjust some of the design specs to slightly mitigate* o *Paul-haven't looked yet but what amt are we using for construction cost. Phil says that the value will be less than 15 million. Tks Mike.* o *We then talked about the basis upon which the report had been developed, being the $15M in cost. The City received one response to its RFP. Included in the $15M cost are estimates for land purchases for Sage Creek ($650K) and Taylor ($900K) as well as Taylor subdivision costs ($500K). As such, the construction cost estimate is closer to $13M for the four facilities. The three suburban facilities, at approximately $300/sq ft., come to approximately $2.3M each. The Berry facility is larger and more complex, approximately $6M. It would appear that these cost estimates do not directly provide for infrastructure costs like traffic signals, data fibre, furniture, geotech, etc. Each of the stations will be located in established areas of the City, already having hard services (water, sewer, roads, etc.)* *Mitigating against this are "next steps" to reduce the costs bid - procurement method, design modifications, negotiation. There would seem to be a very good chance that the costs bid will come in lower. At this time, $15M is a reasonable estimate of the facilities' cost.*
June 28, 2010 (Approximately) (MC#17)	A meeting is held between M&M and WFPS where it is agreed that the plan to move forward with the project will consist of: *Reid,*

	We discussed the next steps four weeks ago. What you have done since the meeting in June? *The following is what was discussed with Barb, Catherine, Kristine and Reid, on approximately June 28:* *1. Proceed with phase 2 submission for Section C – Portage & Berry replacement.* *-no contractual risk* *-financial risk??* *2. Write a "no award" report for Sections A & B.* *-too expensive* *-alternative not acceptable as M&M design has been accepted by City and Unions, etc.* *-no contractual risk* *3. Obtain property for Section B.* *4. Contact M&M to see if City can purchase design and have modifications to structure made at local Architect;* ***OR*** ***5.*** *Obtain* ***completed*** *design & drawings from M&M to proceed to tender for Sections A & B.* *-Shindico would have no legitimate complaint because of the excessive costs and the alternative offered by Shindico does not meet spec.* *We discussed the risks of direct negotiation with Shindico. Other builders could complain that the City did not provide an opportunity to compete in a bid build process.* We note that handwritten notation on the email provided to us will confirm that the references to A,B,C are consistent with original RFP definitions at March 29, 2010 above. (MC#17)
July 2010	The City reached an agreement to acquire the land at Sage Creek for $650,000. The purchase was approved by Council on December 15, 2010.
July 21, 2010	Council approved CMHC loan funding of $9.678 million as well as amended the capital budget to set the total project costs at $15,340,500.
August 19, 2010 (RDC#16)	The Current Chief WFPS informs both MM and Legal Services that it is WFPS's intention to invite Shindico to meetings with M&M in London, Ontario.
August 23-25, 2010	Meetings were held in London Ontario involving M&M, WFPS, Shindico and Pre-Con Builders (Pre-Con), the construction firm that would be retained by Shindico to construct the four stations. The meetings related to the design elements of the suburban stations as well as site specific discussions related to Taylor, Roblin and Sage Creek.
September 2, 2010 9:51 pm	Mr. Bob Downs of Shindico (Downs) sent an email to the Current Chief WFPS subject line "Firehalls" the email indicated:

(MC#15(b)) (MC#47) (MC#96)	*Reid we have been asked to provide a design that we can build within your budget of $15 Million. We have started today to do that and will do all that we can to create firehalls that meet your expectations and are within your budget. We will use our consultants in the process. To that end it is important to stop spending on the London team. Their visit planned for this month should be cancelled as soon as possible.* *We are of the opinion that we cannot adjust the London plan to reach budget goals. Radical surgery is essential.*
September 3, 2010 2:56 pm (MC#15(b)) (MC#47) (MC#96)	The Current Chief WFPS responded to Down's indicating: *I am only able to legally negotiate on the specification that was put out to all the bidders. That specification is the Murphy and Murphy specification for the 3 suburban fire paramedic stations. To do anything else at this time puts the city in a position of serious risk from the other bidders.* *Station 11 is a different animal as it had not accompanying design and falls under its own category of negotiation. That is certainly open to further discussion.* *I would suggest Bob that before your company expends a lot of time and energy designing a new building, we resolve some of these issues first.* *Lets go full steam ahead on the 11 Station project though. I will meet with materials management on Tuesday to begin phase 2 of that process and let you know the result.*
September 3, 2010 4:02 pm (MC#15) (MC#47) (MC#96)	Shindico forwards to Current CAO the email exchange noted above at September 2 (9:51 pm) and September 3 (2:56 pm), with subject line "FYI."
SEPT 17, 2010	Former CAO steps down
September 20, 2010	M&M issued a report in respect to the results of a meeting held September 14/15, 2010, between M&M and WFPS regarding the status of Sage Creek - Station #27, Roblin - Station#18 and Taylor - Station#12. The report discussed the fact that the Taylor site has not yet been acquired as part of the land swap. In addition it referenced the fact that estimated independent pricing has been received which puts the cost of constructing Sage Creek - Station #27 within the City's $3.0 million budget, however, an estimate from A.W. Hooker was yet to be received.
SEPT 22, 2010	CFO is appointed Acting CAO by City Council-effective November 16, 2010
September 23, 2010	A.W. Hooker Quantity Surveyors issued a Class A Estimate report regarding Sage Creek Station # 27. The Report concludes that the estimated hard construction costs for the station as designed by M&M will be $3,072,000. The report excludes soft costs and taxes. This was confirmation of Shindico's previous position that all costs, for the suburban stations, would exceed the City's $3 million per station budget if the M&M design was used.
November 15, 2010	CFO appointed Acting CAO
November 26, 2010	Foundation stage permit issued for Sage Creek – Station #27. Based on the

	M&M design.
January 14, 2011	RFP 966-2010 for the construction of a "New Fire Paramedic Station No. 27, Sage Creek BLVD" (Sage Creek RFP) 2011. The Sage Creek RFP was for the construction of the M&M designed facility on the Sage Creek property purchased by the City.
January 14, 2011	A formal no award report for the Sage Creek portion of the original RFP was approved by the acting CFO.
February 23, 2011	In response to the Sage Creek RFP, the City received eight bids. Seven of the bids were based on the M&M building design specifications including one from Shindico. In addition Shindico submitted a bid for an alternative design. The seven bids based on the M&M design specifications ranged from $3,838,694 to $4,413,927. Shindico was the most expensive of the seven bids. Shindico's bid for an alternative design was $2,873,000. Both of Shindico's bids and a bid from another company were deemed non-responsive to the RFP. The five other bids were deemed responsive but exceeded the City's budget of $3.0 million.
March 4, 2011 (MC#24)	The Acting CAO (Current CFO) approves an Administrative Report requesting permission to not award a contract for Sage Creek RFP and to commence single source negotiations with Shindico, based on Shindico's alternative bid. The City's Administrative Report previously approved by Legal Services and MM titled **"No Award of Contract for Bid Opportunity 966-2010 New Fire Paramedic Station No. 27, Sage Creek Blvd and Single Source Negotiation for the Construction of a New Fire Paramedic Stations at Sage Creek Blvd."**indicated the following concerning the five responsive bids: *The budgeted amount for the Sage Creek Fire Paramedic Station is approximately $3 million.* *The City is exercising its right to not award a contract under the terms of B16.2.19 (a) of the Bid Opportunity which states:* *B16.2.19 Without limiting the generality of B16.2, the City will have no obligation to award Contract where:* *(a) The prices exceed the availability City funds of the Work.* The report goes on to request single source negotiations with Shindico based on their alternative bid and states the following: *The request to single source is based on the fact that the City has unsuccessfully solicited bids over a period of time. Re-issuance of the Bid Opportunity will only delay the project further and may not result in a satisfactory outcome.* *Shindico Realty Inc. submitted an alternative bid that is priced in the $3 million range. Although the bid submitted by Shindico Realty Inc. was determined to be non-responsive, the City could explore the alternative bid for acceptability under the provision of single source negotiation.* *The Materials Management Policy allows for single source negotiations pursuant to B4.1 (j) (v) the receipt of unacceptable or uncompetitive bids.*
March 7, 2011	M&M sent an email to the City. In the email M&M recommended that the City follow the Canadian Construction Documents Committee (CCDC) Document 23.

	"A Guide to Bid Calling and Awarding Construction Contracts" *We recommend following this Best Practice Guideline prior to proceeding with the various negotiation options for the project.* *We recommend proceeding with the low bidder Nova-Con Projects Ltd for a number of reasons. Construction can commence immediately using the existing Building Permit documents which is the fastest way to break ground by the end of March 2011. A proposed selected list of reductions in scope is enclosed which would be augmented by Nova-con to reach the owner budget target 3.15-3.3 million range.*
March 10, 2011 (MC#30)	The Current Chief WFPS sent an email with the subject line "Taylor Property" to the Current CAO which states: *Can we move on this ASAP?*
March 10, 2011 (MC#30)	In response to the Current Chief WFPS email, the Current CAO responded with: *As soon as we commit to the alternate plan with them I'm sure we can conclude Taylor. WE ARE DOING THE ALTERNATE PLAN WE HAVE NO CHOICE otherwise all bets are off and we have no Sage Creek station and 20 firefighters for that non station approved in the 2011 operating budget.*
March 14, 2011	The Current CAO and the Current Chief WFPS meet with Shindico.
April 26, 2011	The acting CAO (Current CFO) approves the award of a contract to Shindico for the construction of their alternative design on the Sage Creek property. Subsequently the City issued a Letter of Intent which is agreed to by Shindico.
April 27, 2011	A meeting was held between Legal Services, WFPS and MM to discuss the process moving forward. Legal Services notes from the meeting indicated the following: ► *Negotiations are ongoing in respect of Station #11 (Portage).* ► *Land survey's are required in respect to Station (12) Taylor prior to contracting.* ► *Station (18) Roblin is to be subject of a new bid opportunity.*
May 10, 2011	The MMM sent an email to the Acting CFO (Moira Geer) indicating: *All Fire/Paramedic Stations were tendered under a different process, design, build, finance and maintain.* *That process was changed several times while the original documents were out for bidding, resulting in a bid/build process, which made most bidders (developers) walk away from the process.* *Because we had not explored the market as a bid/build, to be fair to the business community, and to receive better pricing for the City, it was determined that a new tender would be best.* *These were the reasons for the Sage Creek tender, and Roblin falls into that category.*
MAY 25, 2011	Current CAO appointed by Council as CAO
June 4, 2011	M&M resigned from the project due to health problems and the city's decision to proceed with the alternative design.

June 14, 2011	Williams Engineering Canada (Williams) was retained to provide project management assistance to WFPS. This retainer was apparently at the suggestion of the Current CAO. William's key representative was to be Henry Hunter (Hunter), former head of Capital Projects for the City.
June 17, 2011	We understand a meeting took place in the Current CAO's office and in attendance at the meeting were the Current CAO, Hunter, the Current Chief WFPS, and Shindico. At the meeting Hunter raised the issue of the Taylor land having to be acquired before the construction contract could be awarded for Taylor - Station #12. At the meeting it was apparently agreed that Shindico and the Current CAO would negotiate a deal.
June 21, 2011	The Current Chief WFPS sent an email to MM stating: *In discussion with Phil et al we have decided to put the RFP out as a design build using the original drawings as a representation of the Fire Paramedic station we intend to build with the amended specifications for the change in construction as the next addendum to be included. I am just cleaning up the specs in a word document and will forward them to you tomorrow morning. The tender is to be open for 2 weeks maximum with no extensions.*
June 21, 2011	Emails between a Corporate Finance representative regarding the requirements of the CMHC funding which conclude with an email from the CFO to the Current CAO which states: *Phil-We've asked legal to have a look at this as well but the key word in the contract is that CMHC **MAY** call the entire loan. As a result, there would appear to be some room to negotiate this with them. Once we hear back from Legal, I would recommend that we setup an internal meeting with Fire and ourselves to determine how best to proceed. Mike*
June 23, 2011	The Current Chief WFPS sent an email to a number of parties including; Hunter of Williams, the Current CAO, the MMM, Pre-Con, and Shindico stating the following regarding Station #18: *I am going to sole source the Charleswood Station and negotiate with Shindico for its construction. If you are doing any work on the specifications for the Bid-Op, you can stop now. I am preparing a report for the CFO for approval to negotiate and award a single source contract.*
June 23, 2011	The Current CAO forwarded the Current Chief WFPS's email noted above to Shindico.
June 24, 2011	Prior to granting approval for single source negotiations in respect to Roblin - Station #18, the CFO emailed the MMM to request her thoughts on the Current Chief WFPS's request to sole source negotiations with Shindico. The response received is as follows: *Yes, as you were aware, we recommend this single source to Phil and he agreed. I told Reid he needed the Chief Financial Officer's approval prior to proceeding and to ask if he could proceed and follow later with the official Report. I think you are safe to approve, conditional on the Report being submitted in a timely manner.*
July 7, 2011	"Meeting of Progress Minutes" (MPM) prepared by Williams tracked project process via MPM(s). MPM # 2 indicated that by July 7, 2011 the design to Portage - Station#11 was 90% complete.

July 15, 2011	The CFO provided single source negotiations approval for Roblin - Station #18 on July 15, 2011.
July 27, 2011 (MC#22) (MC#72) (MC#77) (MC#97)	A representative of PP&D sent an email to the Current COO stating: *The Real Estate Division has conducted preliminary research of the City-owned property on Mulvey being considered for proposed land exchange to accommodate the above noted project and has determined the following:* • *The property is currently under Parks Department jurisdiction.* • *The site is currently used as a Public Works Yard-extent still to be determined.* • *Winnipeg Police Services had indicated an interest in this site for potential emergency response boat docking site* • *The property is impacted by a riverbank pathway and may potentially require easement to accommodate an active transportation plan* • *A preliminary appraisal on a 1 acre property requirement to accommodate the proposed WFPS station is estimated at approximately $850,000.* • *The property has not been declared surplus to the City's needs.* *As we have yet to see the proposed site dimensions (i.e. full site or portion thereof) can you please confirm that we are moving forward with the proposed actions as outlined below?* *Thank you.* *Sara* *Actions Resulting from Meeting:* 1. ***Opportunity to relocate building on site*** *(a) It was determined that the proposed site location for the building was suitable conditional on appropriate permit application review. No further action required.* *(b) Approaches were reviewed. Sara to pursue discussions with Public Works to determine suitable of approaches and approvals required.* 2. ***Public Consultation Process*** *(a) Reid Douglas* will pursue discussions with Ward Councillor *(b) Shindico will pursue a public information session* i. *Proposed location: Old #12 Station - Grosvenor Fire Station* ii. *Proposed Date: 2nd week of August (two weeks notice)* (c) Area planner should be consulted to address sound mitigation, other potential issues prior to public consultation. (d) Potential for additional sessions as may be required 3. ***Purchase & Sales Agreement/Land Exchange Agreement*** a) *Proposed site identified for land exchange agreement* b) *Copy of final drawing identifying site to be provided to John Zabudney* c) *Shindico to provide letter of authorization and enter and construct agreement* d) *Report will be required to go forward to Standing Policy Committee*

	on Property & Development to declare lands surplus and pursue appropriate authorities ***4. Subdivision*** a) *Subdivision to be incorporated into land exchange agreement* b) *Shindico to pursue subdivision following building construction to ensure completion by March 2012 to benefit from funding commitment*
AUG 15, 2011	Current CAO appoints COO
AUG 15, 2011	Director PP&D appointed Acting Director PP&D
August 17, 2011	Foundation stage permit issued for Taylor.
September 2011	William's MPM indicates that cost savings for Portage - Station#11 were being considered including the relocation of the building on the site.
October 6, 2011	Legal Services emailed the Current Chief WFPS. Included in the email is the following statement: *With respect to the Taylor (River Heights) station, what is the status of the acquisition of the land? If it is still unresolved, then any award of contract will have to be delayed or be conditional on the purchase of the land being approved. For this station, WFPS will need to get approval for "no award" pursuant to RFP No. 200-2009B, single source negotiations with Shindico and then the award of contract. This can all be combined into one report to the CAO.*
October 11, 2011 (MC#63)	Legal Services had a telephone call with a PP&D Negotiator, the notes of the call indicate the following regarding a land exchange transaction and starting construction on the Taylor site for Taylor - Station #12: *-has heard about land exchange agree't* *-hasn't received a copy* *-Shindico has given us permission to apply for permits*
October 12, 2011 (MC#98)	A Negotiator in the PP&D Group received a telephone call from Bob Downs of Shindico. Notes from the call indicate that Downs has informed her that there is a land exchange agreement regarding the Taylor property which includes the Mulvey property. Notes further indicate that the MRE and the Acting Director of PP&D (Current Director of PP&D) are aware of the deal. Apparent ok by Shindico to start construction on Taylor site. The Negotiator is told by the MRE not to do anything until PP&D hear more.
October 13, 2011 (MC#63)	Legal Services notes reflect a telephone conversation took place between the PP&D Negotiator and Legal Services. Contents of notes indicate: - she hasn't got any details about the land exchange/acquisition - may be being negotiated between CAO & Shindico - it is her understanding that Shindico has authorized the City to enter & construct – she will look to see if she has copy
October 14, 2011 (MC#63)	Legal Services notes reflect a telephone conversation took place between the WFPS Project Coordinator and Legal Services. Contents of notes indicate: Taylor: - starting construction next week - land exchange but it has not been submitted for approval - thinks we have permission to enter & construct – asked her to send me copy if she can find one
October 14, 2011	William's MPM of this date indicates that the cost estimate for Portage - Station

	#11 is $5.1 Million.
October 14, 2011	The Director of PP&D (The Acting Director) requested that a building permit be issued for the construction of Taylor - Station #12. The Current COO is cc'd on this email.
October 19, 2011	Foundation stage permit issued for Roblin – Station # 18.
October 25, 2011	The CFO approved the contract for Roblin - Station #18.
November 2, 2011	The CFO reviewed and provided conditional approval with respect to the following Administrative Report. ***No Award (200-2009B), Single Source Negotiations and Award of a Contract for the Construction of a New River Heights No. 12 Fire Paramedic Station at 1780 Taylor Avenue:*** *1. That the Chief Financial Officer approve the no award of contract for the new River Heights No. 12 Fire Paramedic Station at 1780 Taylor Avenue due to bid prices that exceed available funding.* *2. That single source negotiations be approved and if negotiations are successful, award of contract, to Shindico Realty Inc. in the amount of $3, 249, 457.00 plus G.S.T., under substantially the same terms and conditions of RFP 200-2009B be approved, for the construction of a new Fire Paramedic Station No. 12 at 1780 Taylor Avenue,* ***conditional upon satisfactory arrangements being made for the acquisition of the 1780 Taylor Avenue site.***
NOV 5, 2011	Former Chief WFPS retires
November 14, 2011 (RDC#19)	Legal Services spoke to the WFPS Project Coordinator. Per notes from Legal Services, WFPS indicated that the price of the land exchange was still being negotiated. WFPS thought that the Current CAO was negotiating the deal but now were aware that was not the case.
November 14, 2011	Final building permit issued for Sage Creek – Station #27.
November 16, 2011 (MC#63)	Shindico sends the following formal notification to the City: 1780 Taylor Avenue, Winnipeg Manitoba Please accept this letter as confirmation that we do grant to the City of Winnipeg the right to commence construction of a Fire and Paramedic Station on lands with the municipal address of 1780 Taylor Avenue. We grant this authority to you in anticipation of the completion of transfer of title to the lands to the City pursuant to the sale of the lands to the city.
November 17, 2011	Legal Services sends email indicating: - The contract price is $3,249.457.00 plus GST. The date for Total Performance is March 31, 2012.
December 1, 2011	Final building permit issued for Taylor – Station #12.
DEC 5, 2011	Current Chief Appointed Chief WFPS
DEC 19, 2011	Current MRE appointed Acting Manager, Real Estate; Previous Position Title- Supervisor of Sales and Acquisition
December 22, 2011	Legal Services held a discussion with the Current Chief WFPS regarding Taylor - Station # 12 and the proposed land exchange. Legal Services informed WFPS that no payments could be made in respect of the Taylor - Station #12

	construction until the land transaction was finalized to the point that something could be registered against title. Legal Services notes also indicate that the Current Chief WFPS had met with PP&D and that there were concerns with the exchange of the Mulvey property, specifically: ▶ The land was considered prime development property ▶ There was a Harbour Master Building on site As a result the proposed exchange would be the Grosvenor property plus cash.
January 5, 2012	Legal Services sent a contract for the design and construction of Taylor - Station #12 to Shindico.
January 20,2012 12:57pm (MC#69)	The Current COO sends an email to the CFO, the Current CAO, and the Current Chief WFPS indicating the intention to cancel the bi-weekly meetings.
January 20, 2012 2:02pm (MC#69)	The Current CAO responds to the email at 12:57pm with email to the Current COO, the Current Chief WFPS, and Mr. Downs of Shindico (note CFO is not included in response). The Current CAO states in email "We need to meet today to discuss land swap on this."
January 20, 2012 3:00pm (MC#69)	A meeting took place in the Current CAO's office regarding the "Land Swap-Mulvey Land". In attendance at the meeting were the Current CAO, the Current COO, the Current Chief WFPS, Downs of Shindico, and the Winnipeg Police Chief (since retired). It is not clear as to what was agreed to at the meeting, however the Chief of Police has indicated that the focus of the meeting was the Police Services need for the Harbour Master building on the Mulvey Property and what access rights to the building would be required if development was to occur on the other portion of the Mulvey property.
January 23, 2012	The Current COO left a message with Legal Services which indicated "*Taylor for lands on Mulvey.*" "*Part near by police will be subdivided off.*"
January 26, 2012 3:46 pm (MC#26) (MC#70) (RDC#20)	The Current Chief WFPS sent an email to the Current CAO and the Current COO *Gentlemen,* *My proposal to Bob for the Taylor site is as follows:* *We give them---Mulvey, Berry and Grosvenor including a 100k forgive on the monies owing on Grosvenor residual.* *They give us---the Taylor property in its entirety.* *In my estimations it is 1M saw off.*
January 26, 2012 5:09 pm (MC#26) (MC#70)	The Current CAO responded to the above email with "Get it done".
January 26, 2012 5:36 pm (MC#26) (MC#70)	The Current CAO responds a second time to the Current Chief WFPS with: *Lets meet on this tomorrow morning, how about 10 A.M.?*
January 26, 2012 6:02 pm (MC#26) (MC#70)	The Current CAO sends a further response: *Hi Reid,* *I understand you got this issue resolved so no need to meet tomorrow. Thanks*
January 26, 2012 7:57 pm	The Current Chief WFPS responds to the Current CAO's 6:02 pm email with :

(MC#26) (MC#70)	All done. Thanks for your help.
January 27, 2012	Foundation stage permit issued for Portage – Station #11.
January 31, 2012	Legal Services received a call from the Current Chief WFPS indicating that the land exchange deal was done.
February 1, 2012	Legal Services received an unsigned letter of intent (LOI) from the Current Chief WFPS for the proposed land exchange that would result in the City obtaining title to 1780 Taylor Avenue.
February 1, 2012	In response to the draft LOI, Legal Services sent an email to the Current Chief WFPS which indicated: *I have copied Wolfgang Tiegs with this email as he is the real property lawyer who will have conduct of the transaction, and copied John Zabudney who is A/Manager of Real Estate. They will provide advice to you on the process for the approval and signing of the LOI-and the land exchange transaction itself. It is my understanding that Council approval will be required to declare the City owned lands surplus before they can be transferred to new owners pursuant to the land exchange, and that Council approval will also be required for the "purchase" of 1780 Taylor Avenue. There will be details to be negotiated, such as who is responsible for any subdivision of land required and what fixtures the City can remove from Berry Street and Grosvenor Street stations. Payments may be made to Shindico for its construction work on the No. 12 Station when the land exchange transaction has been approved and documented to a stage that the City has been able to register a caveat on the land title for 1780 Taylor Avenue. Otherwise the City will be paying money for a building on land that it doesn't own or lease. I'll ask Wolfgang to let me know when the caveat has been registered.*
February 2, 2012	At approximately 3:34 pm, the WFPS Project Coordinator brought to Legal Services two copies of the LOI which had been executed by Shindico and signed on behalf of the City by the Current Chief WFPS. Legal Services was told that the Director of Legal Services and the Current Chief WFPS needed to deal with the signing of the LOI as WFPS needed to release monies to Shindico.
FEB 6, 2012	Legal advises "condition to subject to Council approval" be added to LOI; as well as signature of Director PPD
February 6, 2012	A meeting was held between Legal Services, the MRE, the Current Chief WFPS and the WFPS Project Coordinator. During the meeting the following was discussed: ► The builder, Pre-Con was going bankrupt and needed payment for the Taylor property. ► There was an understanding that the proposed land exchange transferred excess value to Shindico. Such excess value was to be dealt with via a price reduction on Portage Station #11. ► Shindico was okay with the City registering a caveat on 1780 Taylor which would recognize the City's interest in the site. Legal services would prepare and file such a caveat. ► The LOI signed by the Current Chief WFPS would be signed by the Current Director of PP&D and a notation would be added "Subject to Council Approval." This was done to apparently acknowledge that such a deal was not able to take place without Council approval.
February 7, 2012	The LOI was sent to the Current Director of PP&D for signature.

Fire Paramedic Station Construction Project

February 8, 2012	Legal Services registered a caveat on title for 1780 Taylor Avenue, which indicated that there was a purchase sale agreement in place regarding the property.
February 16, 2012	Final building permit issued for Roblin- Station #18.
February 23, 2012	William's issued a MPM which included a new cost estimate from Shindico for Portage - Station #11, at $5.7 million before signage and permits.
March 1, 2012	The LOI, now signed by the Current Director of PP&D was returned to Legal Services
MAR 6, 2012	Appointment of Current Director, PPD
March 19, 2012	CMHC granted an extension to complete Portage - Station #11 by September 30, 2012.
March 28, 2012	The MRE requested an in house appraisal be done of the Mulvey site as timing is "critical".
MAR 29, 2012	Appointment of Manager, Real Estate
March 29, 2012 (MC#72) (MC#99)	An negotiator within the PP&D group sent an email to the MRE indicating: *John,* *As per our discussions this morning the fire/paramedic dept. has negotiated a land exchange whereby the City is to trade 3 sites for 1, namely the firehalls at 1710 Grosvenor and 200 Berry plus 409 Mulvey along the river for a privately owned property at 1780 Taylor.* *All properties have been appraisal with the exeption of Mulvey. On December 2/11 John Cormack has provided* *Kristine Friesen (fire dept) with the following values:* *Grovsvenor $264,000 to $297,000* *Berry $175,000 to $215,000* *Lorne completed an appraisal on July 28/11 on the Taylor site coming in at $675,000.* *John C is currently appraising the site on Mulvey (1.13 acres). He has advised me, based on other values in the area ($20-$30 per square foot) we are looking at probably over 1m for the property.* *How do you want to proceed at this point? Should John take the time to complete an appraisal?*
March 29, 2012	The MRE sent an email to the Current Director of PP&D Indicating: *I need some coaching Boss.* *How are we going to justify this land exchange. This deal favours Shindico by about $1.03M.* *We did advise Reid early on not to include the Mulvey site and rather just include the other two fire falls and pay the balance in cash. Also, there are complications with Mulvey (ie., lane widening required, variances, subdivide out Harbour Master)*
March 29, 2012 (MC#100)	In response to the above email the Current Director of PP&D apparently advised the MRE to meet with the Current CAO.

April 10, 2012	The MRE received an email regarding the appraised value of the Mulvey lands. The email stated: *John,* *John C. has now completed an appraisal of the Mulvey lands. The final estimate of value is $1m.* *I now have all the info I need to write the report to Council, with the exception of how you want me to proceed with the difference in values.* *I need some direction here.*
April 10, 2012	The MRE responded to the above email with: *"I am speaking to Phil this morning"*
April 2012 (MC#101)	We also understand that in April 2012, Corporate Finance received from WFPS the Financial Status of the project (the four stations) as at December 31, 2011. The report received indicated that total costs were expected to be $15,779,300 or $438,800 over the established capital budget of $15,340,500. The budget for Portage - Station #11 is $4 million versus reported expected costs of $4.3 million. Often WFPS approved funding was available for transfer and was sufficient to cover the overage identified here.
April 26, 2012	The Current COO and CFO approved the foundation only contract for Portage - Station #11.
May 7, 2012	An appraiser within PP&D met with the MRE. Notes of the meeting indicate: ► *Mulvey has to come in at around $433,000.* ► *John Z has instructed to make this work Mulvey having minimal frontage value should be decreased. Spoke with John C to review Mulvey appraisal.* ► *John Z advised Shindico think Mulvey is worth $600,000 maybe value as industrial land Check Stabilization.*
May 18, 2012	An internal City appraisal report was issued May 18, 2012 which set the value of the 1.13 acres at the Mulvey site at $700,000. The highest and best use was established to be a medium to high rise condominium project.
June 4, 2012	The Committee Clerk provided an opinion that the Council budget approval on July 21, 2010, that included the following statement: *"that proceeds from the disposition of the properties to be vacated be applied against the capital cost of the project",* could not be viewed as Council approval that the properties had been declared surplus.
June 22, 2012	Legal Services is informed by the Current Chief WFPS that: *Taylor land still being negotiated-Mulvey land more valuable than originally thought* *-other City groups interested in Grosvenor land*
June 27, 2012	Council approved an additional $60,954.22 in funding related to costs overruns on the Sage Creek - Station #27.
July 27, 2012	We understand from the CFO that a meeting was held in the Current CAO's office

	where the Current Chief WFPS informed the CFO, the Current CAO, and other senior management that he was expecting the project to exceed the approved Capital Budget by approximately $800,000. As Council was prorogued in August 2012, the Current Chief WFPS was directed to review his calculations to ensure there wasn't a greater deficit. The Current Chief WFPS was directed that a report should be prepared for Council for consideration in September 2012.
August 30, 2012	A meeting was held in the Current CAO's office, where apparently the MMM informed the Current Chief WFPS that the WFPS were building the Portage Avenue station without proper award authorities in place.
September 17, 2012	The CFO completed a Draft Administrative Report, titled "Review of the proposed land exchange transaction and related processes with reference to the construction of a fire station a Taylor Avenue". We understand the draft report was discussed at an informal meeting of the Executive Policy Committee of Council (EPC). The report raised a number of concerns regarding the land exchange transaction as well as a $2.3 million budget shortfall for the project.
September 18, 2012	Corporate Finance sends an email to CFO regarding attempts to try and understand basis of original $15.34 million budget. *Mike, the attached table includes the costs bid by Shindico under RFP 200-2009B (bids closed June 23rd). Specifically, on the first page you'll note that bid prices accumulate to $17.2 million (I've also included the square footage bid as well as final bids and square footage). Shindico did add to their bid that they questioned whether the spec included in the RFP would result in a LEED bldg. and that they could offer a LEED building on the three suburban stations at $275 sq. ft.- that is the quantification noted on the second tab. At that, this comes in at $14.2 million total, including property and subdivision estimates. The RFP also provided the City wide rights to negotiate so although I'm only speculating, WFPS may have used this to support the adequacy of a budget of $15.34 million. The admin report that went to Council in July 2010 was submitted into the RIS on June 28th.-*
September 19, 2012	Corporate Finance sent email to CFO indicating: *Mike, here is an updated draft of the report. This considers the information provided in the spreadsheet and the information provided by Reid by way of email and meeting earlier today. It is a moving target - from what Reid is now saying, the budget for the three suburban stations construction was too low - he references $2 to $2.4 million in his email, based on the St. Thomas experience. Assuming he budgeted $2.2 million for these stations, the overall budget of $15.34 million works. This would also be supported by the fact at the same time, the City had received responses back from Shindico on 200-2009B that the buildings could be delivered for $275 per square foot ($6.1 million total). As the stations actually came in at, on average, $3.1 million each, that puts the budget $2.8 million short.* *Here are the issues:* *-why if Shindico said we could do the three suburban stations for $275 per square foot (Barb, can I quote this?) did we come in over $400?* *-WFPS has a bigger problem now - if they knew these final costs were well over budget (a year ago plus?), why are they only now coming forward for the*

	overexpenditure? *-what were the redesign efforts on 11 that took place to save $1.2 million?* *-the budgets used for this comparison will not align with the individual stations in PS. Reid did say that they made sure they allocated plenty to Sage Creek as it was first off the blocks.*
September 19, 2012 (MC#36) (MC#92)	CFO sends an email to a WFPS accountant. *when did we find out we were over budget - was this after the award for the foundation. Mike*
September 20, 2012 (MC#36) (MC#92)	The accountant responds to the CFO's email above with: *No; at the time, we knew that we were going to be over budget; but not by how much. We planned to take a first call on 2013 budget to complete the project.* *At the time, we thought that we had sufficient budget dollars for substantial completion by the end of the year. We thought that the over expenditure would be paid for in 2013.*
September 20, 2012 (MC#36) (MC#92)	CFO responds to the WFPS accountant: *The problem is we shouldn't have made the award if we knew we were over-budget. Was this in the award report.*
September 24, 2012	The law firm of Fillmore Riley issued a report to the City regarding a "Review of the Land Swap Transaction related to the Construction of Four Fire Stations." Some key points from the document are as follows: • *Although stated to be "a binding letter of intent", the LOI has a number of deficiencies, may not contain sufficient certainty as to its terms or all the essential elements required for a binding agreement, contemplates formal Transaction Document to be prepared and contains a true condition precedent to the City's acceptance and obligation to perform under the LOI, that being "Council Approval".* • *If the LOI <u>is not</u> a binding agreement but rather a non-binding letter of intent, then arguably neither party thereto has any legally enforceable rights and obligations under the LOI with respect to the matters addressed therein.* • *If the LOI <u>is</u> a binding agreement, then it appears to be subject to a true condition precedent, that being Council Approval, which remains to be satisfied or removed by the City. If that condition precedent is not satisfied or removed by the City, then the LOI would presumably cease to have any force or effect. It would then be unclear as what the rights and obligations of the parties are with respect to the matters addressed in the LOI and, in particular, the status of the City's occupancy of the Taylor lands.* • *The City has filed a Caveat against the Taylor lands giving notice of its interest in these lands pursuant to the LOI. There is currently no mortgage registered against 3177751's title to the Taylor lands. The Caveat simply gives notice of the City's interest in the Taylor lands and*

	the rights it derives from such Caveat are only as good as the underlying rights the City has pursuant to the LOI of which such Caveat gives notice. • *The City required early access to the Taylor lands, prior to the subdivision and its acquisition of those lands, for the construction of Fire Station 12 thereon in order to get the new fire hall operational as soon as possible, to commence construction before the colder winter months and to facilitate the full draw down of the CMHC loan for this project prior to CMHC's March 31, 2012 deadline for substantial completion of the project.* • *The City requested and was granted the right of access to the Taylor lands by 3177751 to commence construction of First Station 12 in November, 2011 and commenced construction on the Taylor lands before the LOI was entered into in Februar , 2012, without a formal agreement in place to acquire the Taylor lands, before the City's condition (Council Approval) to acquire the Taylor lands had been satisfied, without a formal early access agreement in place to address the rights and obligations of the parties during and after completion of construction and without an agreement addressing the City's rights and status as an occupier of the Taylor lands prior to this acquisition of those lands and what would happen if 3177751 could not convey title to those lands to the City.* • *It would be highly unusual for a purchaser of commercial property to substantially improve land on its own:* o *without satisfying itself that the commercial benefits of improving the land, prior to acquiring the land, significantly outweighed the inherent risks in substantially improving the land,* o *without first having in place a formal agreement of purchase and sale with the vendor of the land with most of the vendor's and purchaser's conditions under such an agreement having been removed or satisfied (with the only conditions remaining to be satisfied being those which are fully anticipated to be performed by the parties),* o *without first having a formal comprehensive early access agreement in place and* o *without a contingency plan (i.e. such as a long term lease) in place if the subdivision of the lands to be acquired for some reason did not proceed.* • *If and when the City acquires title to the Fire Station No. 12 Land, it will pay substantially more land transfer tax that it would have paid had it acquired title to the First Station No. 12 Land as raw, unimproved land.*
October 3, 2012	An Administrative Report titled "To Seek Council Approval to Declare Three City owned properties surplus to the Needs of the City pursuant to the Fire Paramedic Facilities Replacement and Relocation Program" was discussed at an informal meeting of EPC. The Administrative Report outlines the details of the proposed land exchange and identified a calculated excess value transfer to Shindico of $254,000 and an explanation by WFPS as to why this excess value could be supported.
October 2012	Municipal Accommodation, part of PP&D were asked to take over the completion

	of Portage - Station #11.
November 14, 2012	Council approved an additional $2,496,589 of funding, the majority of which was attributed to design changes on Portage -Station #11.
November 21, 2012	Final building permit issued for Portage – Station #11.
March 7, 2013	The Current COO approved the contract award for the remainder of Portage - Station #11 in the amount of $4,930,101 plus GST and a letter of intent to contract was sent to Shindico.
April 5, 2013	The contract for the remainder of Portage - Station # 11 was signed.

Private & Confidential – Not for public release. Prepare for consideration by Mayor & City Council only.

Shindico
Succeeding By Helping Others Succeed

January 31, 2012

City of Winnipeg
2nd Floor - 185 King Street
Winnipeg MB R3B 1J1

RE: **Letter of Intent (LOI) – Settlement of Compensation for the Land Transfer of 1780 Taylor Ave., Winnipeg, MB**

Further to our recent discussions, we are pleased to provide this binding letter of intent summarizing the terms and conditions in regard to the above noted transaction:

Owner:	3177751 Manitoba Limited ("**3177751**").
City of Winnipeg:	City of Winnipeg (the "**City**").
Purchaser of 1710 Grosvenor:	3829716 Manitoba Limited ("**3829716**").
Purchaser of 200 Berry:	4405651 Manitoba Limited ("**4405651**").
Purchaser of Mulvey Lands:	4405669 Manitoba Limited ("**4405669**").
Fire Hall No. 12 Lands:	The Lands located at 1780 Taylor, Winnipeg, MB outlined in red on Schedule "A" (the "**Fire Hall No. 12 Lands**").
1710 Grosvenor Ave.:	The Lands and building currently known as Fire Hall No. 12, located on 1710 Grosvenor Ave., Winnipeg, MB ("**1710 Grosvenor**").
200 Berry Rd.:	The Lands and building currently known as Fire Hall No. 11, located on 200 Berry St., Winnipeg, MB ("**200 Berry Rd.**").
Mulvey Lands:	The Lands located on the Mulvey Ave., north east of Osborne St., as shown outlined in red on Schedule "B", excluding such Lands as are currently occupied by the building on the North East Corner of the Lands, such area to be determined by the mutual agreement of the parties. ("**Mulvey Lands**").
Land Transfers and Other Rights:	1. 3177751 will transfer to the City the Fire Hall No. 12 Lands. 2. The City will transfer to 3829716 the title to 1710 Grosvenor;

3. The City will transfer to 4405651 the title to 200 Berry;

4. The City will transfer to 4405669 the title to the Mulvey Lands; and

Closing: The transaction(s) contemplated herein shall be completed 30 days following the later of the date upon which the Mulvey Lands Subdivision and Zoning has been completed or the Fire Hall No. 12 Lands Subdivision has been completed. ("**Closing Date**").

Mulvey Lands Subdivision: The City shall arrange, at its cost, for the following to be prepared by a Manitoba land surveyor:

(i) a plan of subdivision reasonably acceptable to 4405669; and

(ii) such other plans of survey as necessary to confirm the dimensions and status of the Mulvey Lands and any encumbrances or other issues affecting such lands.

The City shall apply forthwith at its own expense for and diligently pursue any required consents under the applicable subdivision legislation to create titles to the Mulvey Lands capable of being conveyed to 4405669 in a form and manner acceptable to 4405669.

Fire Hall No. 12 Lands Subdivision: 3177751 shall arrange, at its cost, for the following to be prepared by a Manitoba land surveyor a plan of subdivision reasonably acceptable to the City;

3177751 shall apply forthwith at its own expense for and diligently pursue any required consents under the applicable subdivision legislation to create titles to the Fire Hall No. 12 Lands capable of being conveyed to the City in a form and manner reasonably acceptable to the City.

Formal Agreement: The formal land transfer documents, including any land exchange agreement, and any other agreements will be prepared by 3829716, 4405651, and 4405669 incorporating the terms contained herein and shall be executed by the City at least five (5) days of prior to the Closing Date (the "**Transaction Agreements**").

Disclosure: The Purchaser discloses that one or more of the owners of 3829716, 4405651, and 4405669 are licensed real estate brokers/agents in the Province of Manitoba.

We look forward to discussing this matter with you further and finalizing the necessary legal documentation to bring this matter to a successful conclusion.

Yours truly,

SHINDICO REALTY INC.

per:

Sandy G. Shindleman, CCIM, SIOR
President

CITY OF WINNIPEG ACCEPTANCE

We hereby accept the terms and conditions of this Letter of Intent this ____ day of _____, 20___, in the City of _____, in the Province of _____.

CITY OF WINNIPEG

Per: _____
Name:
Title:

4405651 MANITOBA LIMITED ACCEPTANCE

We hereby accept the terms and conditions of this Letter of Intent this ____ day of _____, 2012, in the City of Winnipeg, in the Province of Manitoba.

4405651 MANITOBA LIMNITED

Per: _____
Name:
Title:

3829716 MANITOBA LIMITED
ACCEPTANCE

We hereby accept the terms and conditions of this Letter of Intent this _____ day of _____, 2012, in the City of Winnipeg, in the Province of Manitoba.

3829716 MANITOBA LIMITED

Per: _____
Name:
Title:

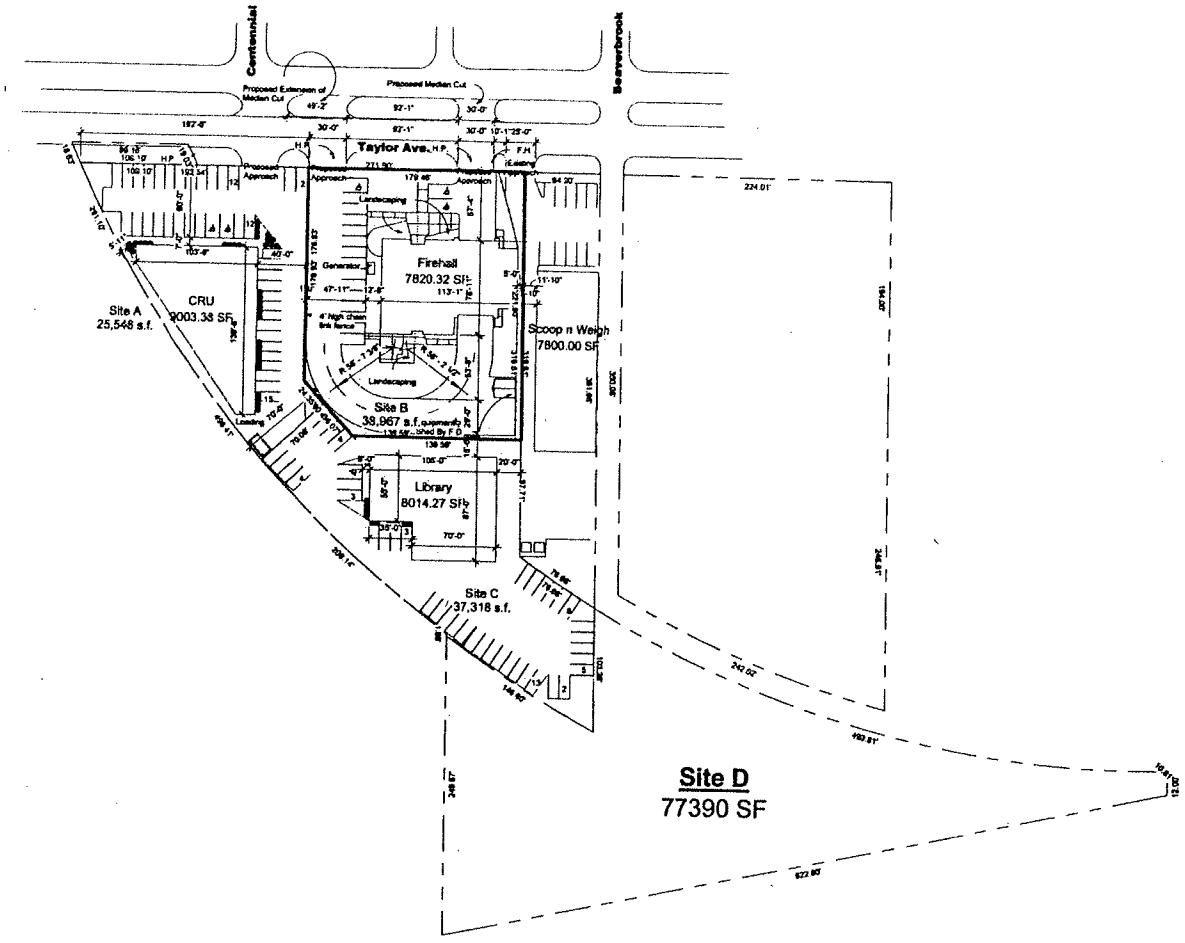
4405669 MANITOBA LIMITED
ACCEPTANCE

We hereby accept the terms and conditions of this Letter of Intent this _____ day of _____, 2012, in the City of Winnipeg, in the Province of Manitoba.

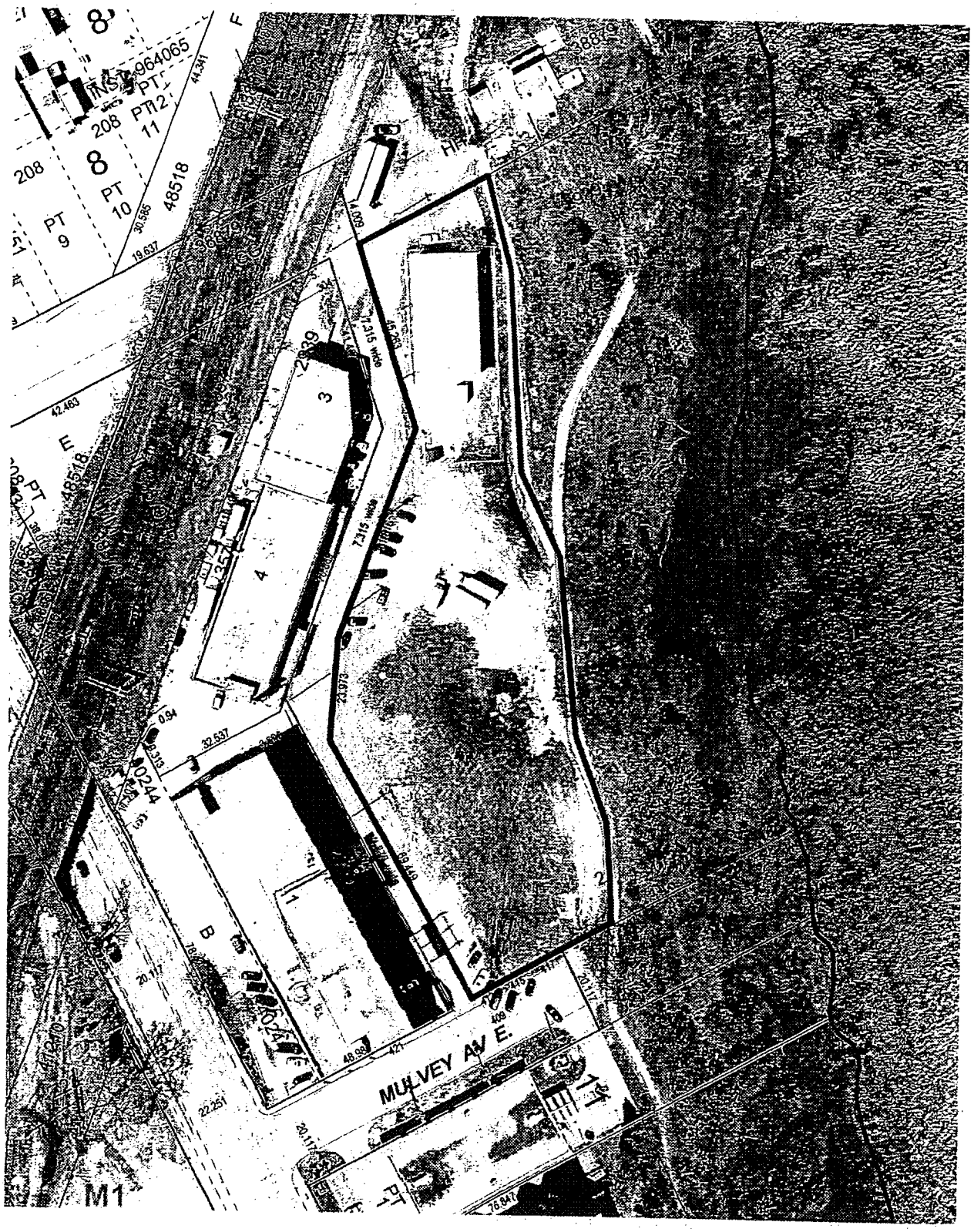
4405669 MANITOBA LIMNITED

Per: _____
Name:
Title:

SCHEDULE "A"
SITE PLAN 1780 Taylor Ave.



SCHEDULE "B"
SITE PLAN MULVEY LANDS



Shindico
Succeeding By Helping Others Succeed

January 31, 2012

City of Winnipeg
2nd Floor - 185 King Street
Winnipeg MB R3B 1J1

RE: **Letter of Intent (LOI) – Settlement of Compensation for the Land Transfer of 1780 Taylor Ave., Winnipeg, MB**

Further to our recent discussions, we are pleased to provide this binding letter of intent summarizing the terms and conditions in regard to the above noted transaction:

Owner:	3177751 Manitoba Limited ("**3177751**").
City of Winnipeg:	City of Winnipeg (the "**City**").
Purchaser of 1710 Grosvenor:	3829716 Manitoba Limited ("**3829716**").
Purchaser of 200 Berry:	4405651 Manitoba Limited ("**4405651**").
Purchaser of Mulvey Lands:	4405669 Manitoba Limited ("**4405669**").
Fire Hall No. 12 Lands:	The Lands located at 1780 Taylor, Winnipeg, MB outlined in red on Schedule "A" (the "**Fire Hall No. 12 Lands**").
1710 Grosvenor Ave.:	The Lands and building currently known as Fire Hall No. 12, located on 1710 Grosvenor Ave., Winnipeg, MB ("**1710 Grosvenor**").
200 Berry Rd.:	The Lands and building currently known as Fire Hall No. 11, located on 200 Berry St., Winnipeg, MB ("**200 Berry Rd.**").
Mulvey Lands:	The Lands located on the Mulvey Ave., north east of Osborne St., as shown outlined in red on Schedule "B", excluding such Lands as are currently occupied by the building on the North East Corner of the Lands, such area to be determined by the mutual agreement of the parties. ("**Mulvey Lands**").
Land Transfers and Other Rights:	1. 3177751 will transfer to the City the Fire Hall No. 12 Lands. 2. The City will transfer to 3829716 the title to 1710 Grosvenor;

3. The City will transfer to 4405651 the title to 200 Berry;

4. The City will transfer to 4405669 the title to the Mulvey Lands; and

Closing: The transaction(s) contemplated herein shall be completed 30 days following the later of the date upon which the Mulvey Lands Subdivision and Zoning has been completed or the Fire Hall No. 12 Lands Subdivision has been completed. ("**Closing Date**").

Mulvey Lands Subdivision: The City shall arrange, at its cost, for the following to be prepared by a Manitoba land surveyor:

(i) a plan of subdivision reasonably acceptable to 4405669; and

(ii) such other plans of survey as necessary to confirm the dimensions and status of the Mulvey Lands and any encumbrances or other issues affecting such lands.

The City shall apply forthwith at its own expense for and diligently pursue any required consents under the applicable subdivision legislation to create titles to the Mulvey Lands capable of being conveyed to 4405669 in a form and manner acceptable to 4405669.

Fire Hall No. 12 Lands Subdivision: 3177751 shall arrange, at its cost, for the following to be prepared by a Manitoba land surveyor a plan of subdivision reasonably acceptable to the City;

3177751 shall apply forthwith at its own expense for and diligently pursue any required consents under the applicable subdivision legislation to create titles to the Fire Hall No. 12 Lands capable of being conveyed to the City in a form and manner reasonably acceptable to the City.

Formal Agreement: The formal land transfer documents, including any land exchange agreement, and any other agreements will be prepared by 3829716, 4405651, and 4405669 incorporating the terms contained herein and shall be executed by the City at least five (5) days of prior to the Closing Date (the "**Transaction Agreements**").

Disclosure: The Purchaser discloses that one or more of the owners of 3829716, 4405651, and 4405669 are licensed real estate brokers/agents in the Province of Manitoba.

We look forward to discussing this matter with you further and finalizing the necessary legal documentation to bring this matter to a successful conclusion.

Yours truly,

SHINDICO REALTY INC.

per:

Sandy G. Shindleman, CCIM, SIOR
President

THE CITY OF WINNIPEG

Per:
Director
Planning, Property and Development

CITY OF WINNIPEG ACCEPTANCE

We hereby accept the terms and conditions of this Letter of Intent this 2 day of FEBRUARY, 2012, in the City of WINNIPEG, in the Province of MANITOBA
Subject to Council Approval

CITY OF WINNIPEG

Per:
Name: REID F. DOUGLAS
Title: CHIEF - FIRE PARAMEDIC SERVICE

4405651 MANITOBA LIMITED ACCEPTANCE

We hereby accept the terms and conditions of this Letter of Intent this 31 day of January, 2012, in the City of Winnipeg, in the Province of Manitoba.

4405651 MANITOBA LIMNITED

Per:
Name: Sandy G. Shindleman
Title: President

3829716 MANITOBA LIMITED
ACCEPTANCE

We hereby accept the terms and conditions of this Letter of Intent this ____ day of _____, 2012, in the City of Winnipeg, in the Province of Manitoba.

3829716 MANITOBA LIMITED

Per: _____
Name: Sandy G. Shindleman
Title: President

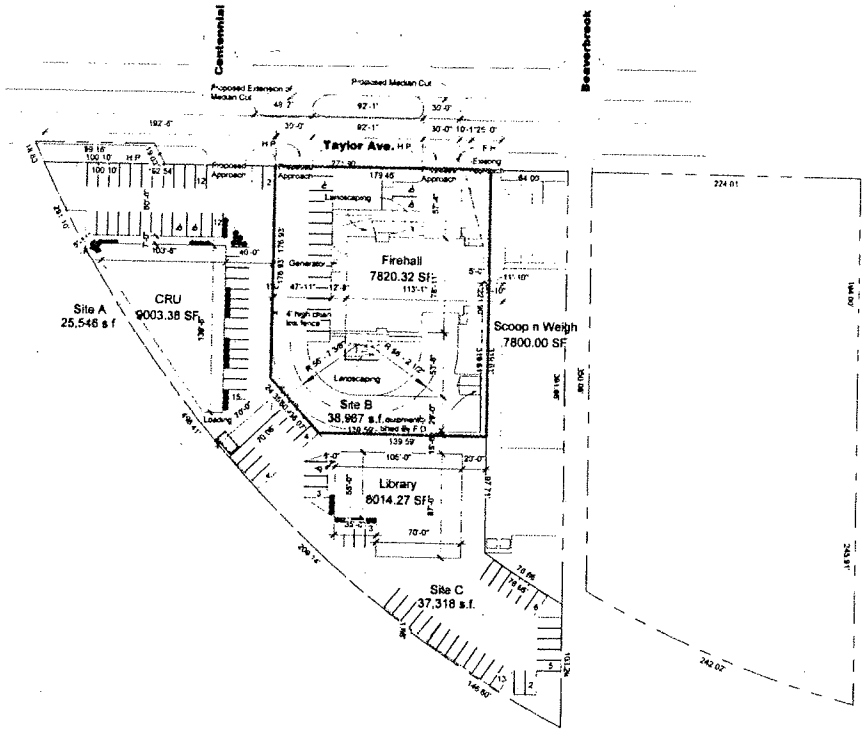
4405669 MANITOBA LIMITED
ACCEPTANCE

We hereby accept the terms and conditions of this Letter of Intent this 31 day of January, 2012, in the City of Winnipeg, in the Province of Manitoba.

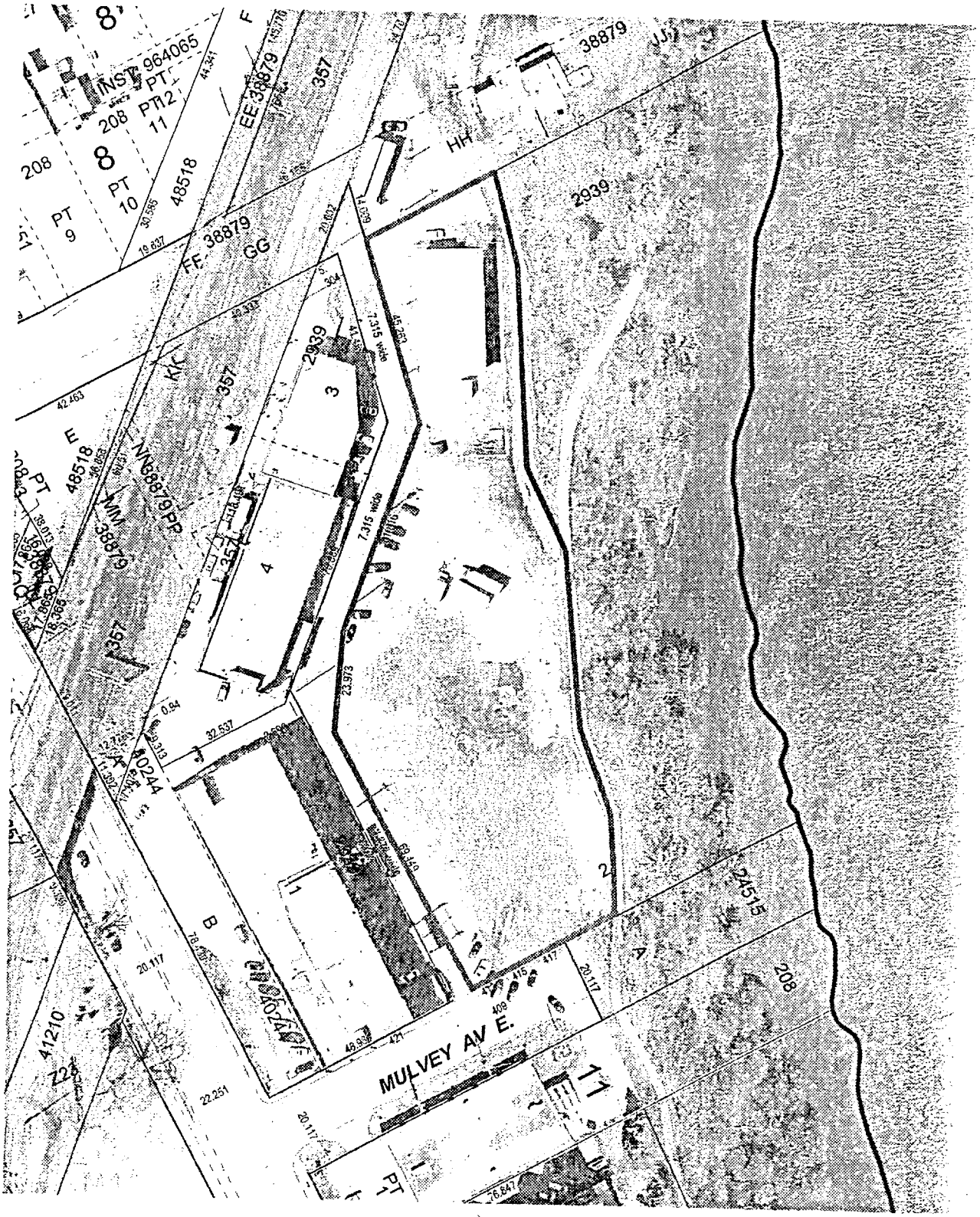
4405669 MANITOBA LIMNITED

Per: _____
Name: Sandy G. Shindleman
Title: President

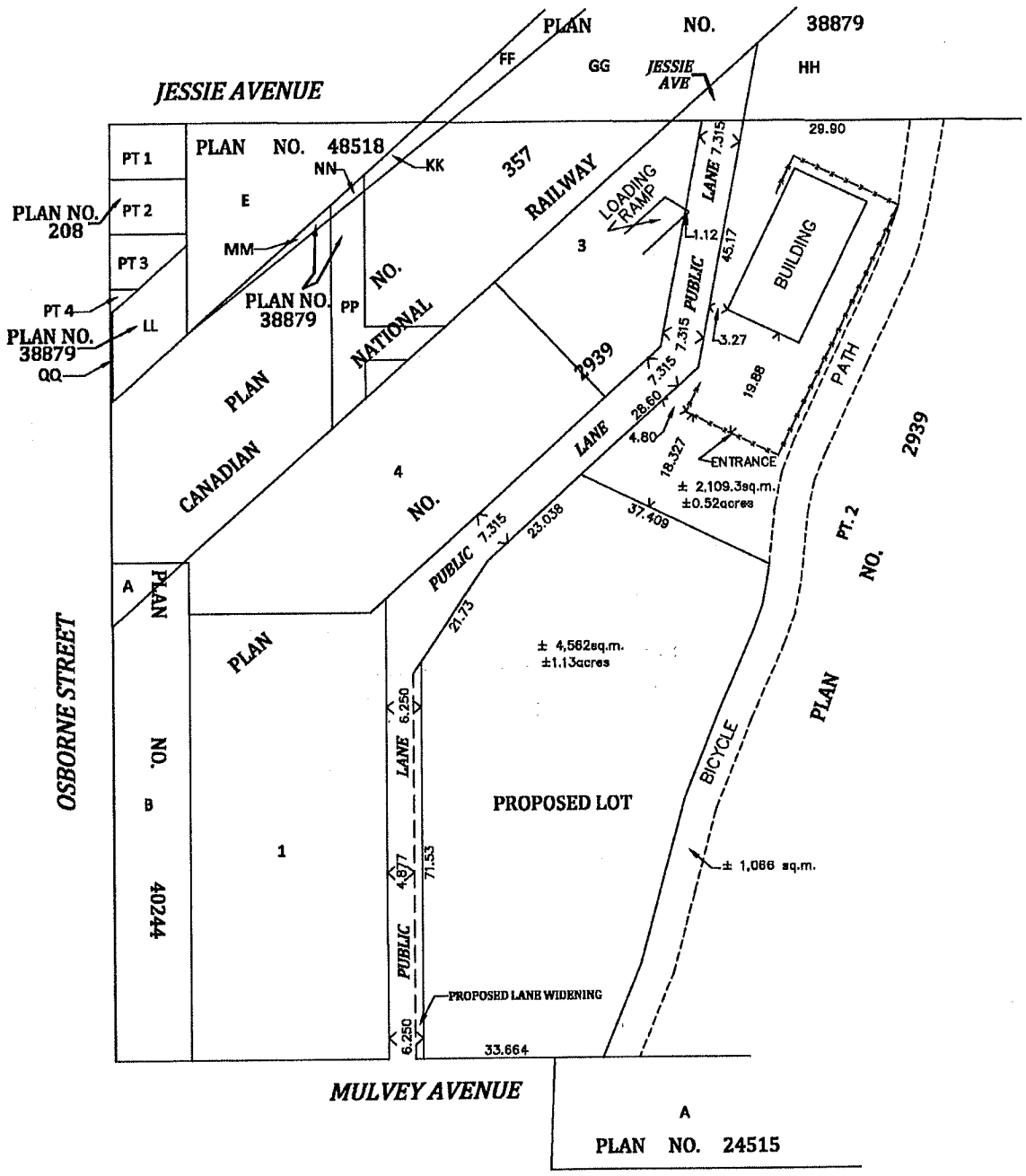
SCHEDULE "A"
SITE PLAN 1780 Taylor Ave.



SCHEDULE "B"
SITE PLAN MULVEY LANDS



METRIC



DATE: 2012-AUG-29
DISTRICT: CC
FILE: 5472/A V.3
SCALE: NTS
REQUESTED BY: KC
DRAWN BY: KP

CHAIN LINK FENCE IS SHOWN THUS ___ -x-x-x-x-x-

BICYCLE PATH IS SHOWN THUS _____ ----------

NOTE:
Information displayed hereon has been compiled or computed from a variety of sources and should be used as a general guide only. No warranty is expressed or implied regarding the accuracy of such information.

Winnipeg

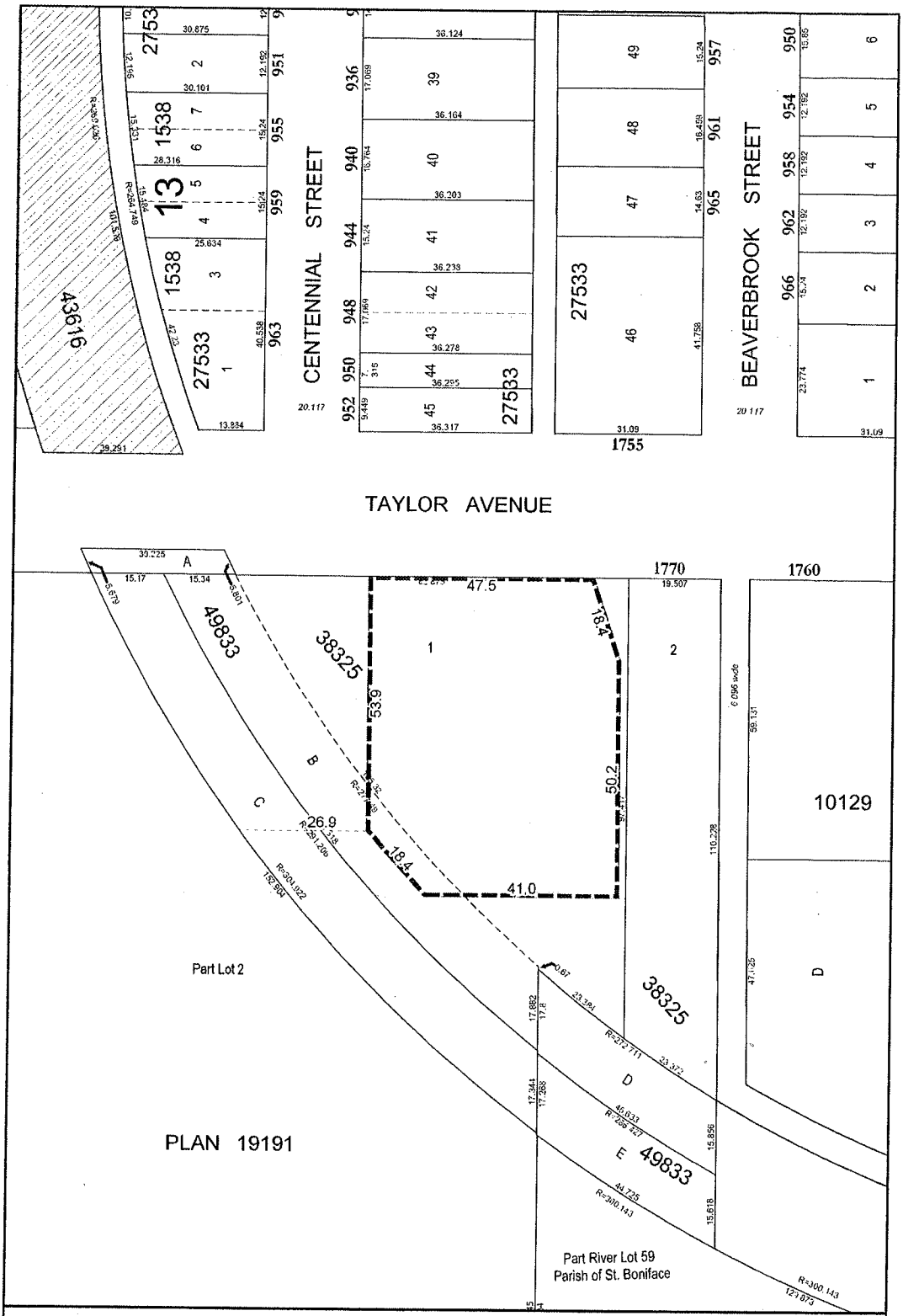
Planning, Property and Development Dept. – Service de l'urbanisme, des biens et de l'aménagement
Development and Inspections Division – Division de l'aménagement et des inspections
Geomatics Branch – Direction de la géomatique

Embrace the Spirit • Vivez l'esprit

2nd Floor, 65 Garry Street – 65, rue Garry, deuxième étage – Winnipeg – Manitoba R3C 4K4
http://www.winnipeg.ca/pdd/

© The City of Winnipeg, Planning, Property and Development Dept., 2009.
All rights reserved. No person may copy, reproduce, transmit or alter this document and no person may distribute or store copies in whole or in part.

MISC. PLAN NO. 14234/1



Date: 2011-JULY-27
District: CC
File: 8813
Scale: 1:1000

METRIC

NOTE:
Information displayed hereon has been compiled or computed from a variety of sources and should be used as a general guide only. No warranty is expressed or implied regarding the accuracy of such information.

CITY OF WINNIPEG
PLANNING, PROPERTY AND DEVELOPMENT DEPT.
LAND INFORMATION & MAPPING SERVICES

MISC. PLAN NO. 14096

Fire Paramedic Station Construction Project

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
1	3	2	*…we have conducted interviews of a number of parties that were identified as possible sources of unknown information…*	Remove these references as they are based on hearsay, assumptions, unproven information;	The term "unknown" was used to speak to information that could not be fully garnered from the documents available for our review. We have removed the term "unknown"
2	3	1.4 Report Acronyms	*List of acronyms used in this report:* *Chief WFPS – Current Chief WFPS*	The explanation of the Report Acronyms includes descriptions that "Chief WFPS" is the CURRENT Chief WFPS, it is inconsistently used throughout the report, misrepresenting the actual duties and responsibilities of individuals within the chronology provided as a key to understanding the findings. Example: #17 in the Summary Chronology noting: March 2011, "CAO informs CHIEF WFPS…". If the reference is in fact the current CAO informing the current WFPS Chief, neither was performing in the capacity of, or with the responsibilities of CAO or WFPS Chief in March of 2011. For accuracy, fairness and clarity, all parties noted in the report should be also be noted in their role and title at the time in the chronology. Additionally, we request that the Summary Chronology include all pertinent retirements, appointments, and acting capacities of the involved parties to provide accuracy to a project spanning more than four years, three CAOs, three deputy CAOs, two WFPS Chiefs, and three directors of PP & D - all of whom had degrees of responsibilities as	Our report has been written based on the current position held by an individual. We have done so to allow the reader to determine whom, not the position we are referencing. We have taken this approach rather that continuing to repeat an individual's name. For clarity we have added the period that each individual held a specific position to Appendix B. For example the position held by the current Chief WFPS in March 2011 is provided in Appendix B if it is of interest to the reader. Where an individual is not specifically identified in Appendix B we have noted the name of the individual at the time.

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
				this project evolved dependent on the dates of events. This omission is deceptive in its approach and unethically misrepresents the history of the decision-making regarding the Replacement Program. ***Additional Clarification Sought by EY*** Please provide the details of all persons who occupied the following position acting or otherwise during the period January 1, 2008 to December 31, 2012. Such information should include date of appointment and date they no longer held the title 1. CAO 2. Deputy CAO 3. COO 4. CFO 5. Manager Materials Management 6. Chief WFPS 7. Deputy Chief WFPS 8. Director of PP&D 9. Manager Real Estate ***Additional Management Response*** Please see Summary Chronology Including all appointments and Retirements attached	

Fire Paramedic Station Construction Project

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
3	4	1.4 Report Acronyms	*List of acronyms used in this report:* *COO – The Chief Operating Officer*	For accuracy, fairness and clarity, all parties noted in the report should be also be noted in their role and title at the time in the chronology.	See above
4	4	1.4 Report Acronyms	*List of acronyms used in this report:* *Current CAO or CAO – The Current Chief Administrative Officer of the City*	Example: #17 in the Summary Chronology noting: March 2011, "CAO informs CHIEF WFPS…" If the reference is in fact the current CAO informing the current WFPS Chief, neither was performing in the capacity of, or with the responsibilities of CAO or WFPS Chief in March of 2011. References regarding the current CAO, regarding events that occurred while serving in three different roles over 4 years is not identified in the Acronyms or Chronology and occurs no less than 22 times throughout the report; for accuracy, fairness and clarity, all parties noted in the report should be also be noted in their role and title at the time in the chronology. Again, this is to be addressed in the Summary Chronology	See above
5	4	1.4 Report Acronyms	*List of acronyms used in this report:* *Former Chief WFPS – Former Chief WFPS*	This reference is misused in numerous instances interchangeably with "Chief WFPS", inaccurately depicting roles/responsibilities of two separate individuals	We are comfortable that our reference to former Chief WFPS is accurate as noted above there were only two individuals who held the position Chief WFPS, the current and former.

Fire Paramedic Station Construction Project

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
6	4	1.4 Report Acronyms	*List of acronyms used in this report: Former CAO – The Former Chief Administrative Officer for the City*	This reference is unused in numerous instances interchangeably with "CAO", inaccurately depicting roles/responsibilities of two separate individuals	For reporting purposes all references to the Former CAO relate to the Former CAO as identified in Appendix B
7	4	1.4 Report Acronyms	*List of acronyms used in this report: OMITTED Former Deputy CAO*	This role/title is to be included to maintain clarity, consistency and accuracy. References regarding the current CAO, regarding events that occurred while serving in three different roles over 4 years is not identified in the Acronyms or Chronology occurs no less than 22 times throughout the report; for accuracy, fairness and clarity, all parties noted in the report should be also be noted in their role and title at the time in the chronology.	The various roles held by the current CAO are now described in Appendix B. We believe it is important that the reader understand the specific individual who took some action rather than the title. We believe the reader will be confused if the reference to the current position held is not used
8	4	1.4 Report Acronyms	*List of acronyms used in this report: OMITTED Former Director of PPD*	This role/title is to be included to maintain clarity, consistency and accuracy. References regarding the current CAO as well as references to the COO regarding events that occurred while two separate individuals both served in this role at different times – both moving to other roles different roles over 4 years is not identified in the Acronyms or Chronology and are required to provide clarity and accuracy.	See above

Fire Paramedic Station Construction Project

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
9	4	1.4 Report Acronyms	*List of acronyms used in this report: OMITTED Former Deputy Chief WFPS*	This reference is required to distinguish the role and responsibility of the Current Chief as he served in this capacity as well which is not referenced or clarified.	See above
10	5	2.1 Summary Chronology	*Omitted from timeline*	Appointment of Former CAO Glen Laubenstein	Such information now provided in Appendix B
11	5	2.1 Summary Chronology	*Omitted from timeline*	Appointment of Former Director of PPD, Phil Sheegl	See above
12	5	2.1 Summary Chronology	*Omitted from timeline*	Appointment of Deputy CAOs Phil Sheegl, Alex Robinson, Michael Ruta	See above
13	5	2.1 Summary Chronology	*Omitted from timeline*	Retirement of Former CAO Glen Laubenstein	See above

Fire Paramedic Station Construction Project

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
14	5	2.1 Summary Chronology	*Omitted from Timeline*	Appointment of Acting CAO Michael Ruta	See above
15	5	2.1 Summary Chronology	*Omitted from Timeline*	Clarification AND inclusion into Summary Chronology of two separate and unrelated trips made to Ontario: It has been omitted in the EY report to note the difference between the two – and they have been blended throughout the draft, inaccurately, as one trip. The first, for inclusion into the Chronology, was in the Spring of 2008, at the request of then CAO Glen Laubenstein, attended ONLY by Phil Sheegl (Director of PPD), Alex Forrest, Christine Friesen, Reid Douglas (Deputy Chief WFPS) (MC#15(a)) The second, for inclusion ALSO into the Chronology, has documentation already provided to EY from WFPS; this trip was unrelated to the first and occurred September 2010, under direction of then CAO Glen Laubenstein and in attendance was shindico, WFPS – The current CAO had no knowledge of this trip nor was he in attendance in any capacity. This must be clarified for accuracy. (MC15(b))	In our report we have addressed this two part comment as MC #15(a) and MC #15 (b) which we respond to below. In respect to MC #15 (a) we have add to Summary Chronology #3 further detail in Appendix B based on wording provided in comment. We note that the actual trip reference occurred in September 2009 not 2008. We have now referred to the trips as trip #1 and #2 in the report. MC #15 (b) EY references the reader to the email exchange between Downs of Shindico and the Current Chief WFPS, on September 2, 2010 at 9:51 pm and September 3, 2010 at 2:56 pm which was forwarded to the CAO

Fire Paramedic Station Construction Project

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
				Additional Clarification Sought by EY Please provide date in Spring of 2008 ***Additional Management Response*** First trip is confirmed: September 14, 2009. Mr. Sheegl attended as the Deputy CAO for the first day in London only and in Attendance as well were Alex Forrest, Dave Naaykens (WFPS), Kristine Friesen and Reid Douglas. Please see calendar document attached	with "FYI" at 4:02 pm on September 3, 2010
16	5	2.1 Summary Chronology	*1* - …The Current CAO is asked to assume…	Correct to read Former Director of PPD	We will add the Current CAO's position at the time, but have left the reference to the Current CAO as we believe it is important to understand the individual not the position that is asked to assume oversight
17	5	8 (Now #9)	*Suburban stations are expected to be subject to public tender*.	Sage Creek was the subject of "public tender" because the land was now owned by the City. There was always a land requirement for Station 12. If that statement was made, it should have read: *2 of the 3 suburban stations are expected to be subject to public tender*. Circumstances changed over time that led to decisions regarding the proper way to handle awards for Station 18. ***Additional Clarification Sought by EY***	We refer the reader to the details of a meeting held between MM and WFPS on approximately June 28, 2010 as documented in Appendix B of our report. We are not aware of any information available, within 5 days of the close of the original RFP that would have ruled out the possibility of the acquisition of the Shindico Taylor property and/or other properties in the area. We also note that during our review a City owned property on Taylor Avenue was brought to our attention that

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
				Rational for how could the City have concluded within 5 days of the RFP closing that the Taylor property or other in required area could not be acquired and the three projects tendered. Please provided any evidence to support such. ***Additional Management Response*** The RFP had been issued and closed, structured for the Proponent to build a facility on property provided by the Proponent. The Proposal received from Shindico included the land as part of the offer to build Station #12. Already having received this Proposal, it would not be fair to purchase the proposed property and re-issue an RFP. It's a well-known principle of procurement that the owner cannot use a Proponent's idea for its benefit and allow others to bid using that idea.	may have been suitable. Information on this property is included at Appendix H.
18	6	2.1 Summary Chronology	*Omitted from Timeline*	Retirement of Former Chief WFPS Jim Brennan	This information has been added to Appendix B. Our review has not indicated that this was a significant event, beyond additional responsibilities now residing with the Current Chief WFPS as such we have not added it to the Summary Chronology.
19	6	2.1 Summary Chronology	*Omitted from Timeline*	Appointment of current Chief WFPS Reid Douglas	See above, added to Appendix B

Fire Paramedic Station Construction Project

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
20	6	2.1 Summary Chronology	*Omitted from Timeline*	Appointment of Current CAO Phil Sheegl	No change has been made. We believe the critical event was the request of the former CAO for Phil Sheegl to assume oversight of the project. Our review indicates via documentation and interviews that Mr. Sheegl's oversight continued through the life of the Project regardless of the position held. We note that we have included positions held by individual elsewhere in the report
21	6	2.1 Summary Chronology	*Omitted from Timeline*	Appointment of current Director PPD Barry Thorgrimson	This information has been added to Appendix B. Our review has not indicated that this was a significant event. As such we do not believe it is necessary to include in this summary.
22	6	2.1 Summary Chronology	*Omitted from Timeline*	Email from PPD – July 2011 – outlines intent to bring to Council and proceed with consultations. ***Additional Clarification Sought by EY*** Documents/Information that would suggest that the items in the plan described, in particular consultations with the Ward Councilor(s) were completed at the time the LOI was signed. ***Additional Management Response*** July 2011 email notes that WFPS Chief Reid Douglas will pursue discussions with Councillor during public consultation process.	A portion of this email was in Appendix B we have added remainder of email there. As Management believes that PP&D acknowledgement of a plan is important we have added it to the 2.1 Summary as #19. We agree that it is important as City Management understood that certain activities were required to take place prior to a land exchange.

Fire Paramedic Station Construction Project

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
23	6	2.1 Summary Chronology	*Omitted from Timeline*	Station 27 Sage Creek opens with formal ceremony and dignitaries October 2011	No change has been made. Section 2.1 is a summary of key events as EY sees them.
24	6	16	*Acting CAO…design*.	Should read: *Acting CAO approves single source negotiation with Shindico based on their alternative design, acting only with concurrence from LS and MM.*	We have removed this item as it is not critical to our report. We have left it in Appendix B at March 4, 2011 in the report.
25	6 (Now Page 7)	2.1 Summary Chronology	*24*	Remove - hearsay	No change has been made. This item is based on Legal Services notes provided to us. The content of the note and the WFPS belief were confirmed with both parties identified in the note during our review.
26	6 (Now Page 7)	2.1 Summary Chronology	*26* *(Now Item #27)*	Out of context: get the <u>stations</u> done is context as noted by CAO to EY during interview	This item documents an email exchange. We have changed the point to reflect the facts and wording of email more precisely. The reader should refer to the exact wording of the emails as presented in the Appendix B at January 26, 2012
27	6 (Now Page 7)	2.1 Summary Chronology	*28* *(Now Item #29)*	Inaccurately summarized: CAO/COO were unaware LOI existed, never mind signed – as noted in interview process.	Consistent with our treatment of MC #26, this is a statement of fact and no reference to CAO/COO is made. In addition we have not added the Chief WFPS's position that he received the OK from either CAO or MRE, (at RDC #1 and as stated to us previously in our interview of The Chief WFPS) both the CAO and MRE have denied this to us during our interviews and we have identified such in our report

Fire Paramedic Station Construction Project

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
28	6 (Now Page 7)	2.1 Summary Chronology	*28* *(Now Item #30)*	Inaccurately summarized: this is a normal part of process at City for LOIs to be signed at director/Chief level. ***Additional Clarification Sought by EY*** Are we correct to assume this is a reference to item #29. ***Additional Management Response*** We cannot answer this without a copy to refer to - As requested, on September 13th, we returned all hard copies E & Y provided.	We assume this is actually a reference to #29. This is a statement of fact. The point is that the LOI at the time of signature by the Chief WFPS and Shindico did not include "Subject to Council Approval" nor a signature block for the Director of PP&D. We have slightly changed wording as we assume that there is some confusion regarding what we are saying. We are comfortable that this was not a normal situation as "part of the process at City for LOIs"
29	6 (Now Page 7)	2.1 Summary Chronology	*31* *(Now Item #32)*	Remove. Hearsay ***Additional Clarification Sought by EY*** Is the City Administration denying the existence and reliability of a contract summary document provided to us by MM. This document includes a April 26, 2012 email from Janet Thomas which documents the COO and CFO's approval. ***Additional Management Response*** We believe that we may have erred here in the chronology number we are referring to – possibly in reference to #30 – we cannot confirm without a copy of the draft to cross reference.	No change has been made This is a statement of fact supported by official contract award approval documentation and summary report of all contracting activities provide by Material Management and as such we have not removed it.

Fire Paramedic Station Construction Project

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
30	6 (Now Page 7)	2.1 Summary Chronology	*CAO informs Chief WFPS* *(Now Item #17)*	Refer to email March 10 – out of context; urgency is that there will not be a public safety structure (Firehall) in place	We have added additional wording and reference the reader to the email exchange at March 10, 2011
31	13 (Now Page 16)	4.1 1st paragraph	Budget figures did not show budget for each station	The budget numbers by project were provided publicly to Finance Committee in early 2011 in the Open Capital Projects report	The Budget provided and approved by Council for the "project" on July 21, 2010 did not have a cost per station budget included. As stated this did not occur until 2011. We have changed our report to clearly identity the two distinct budget activities. Section 4.1.1 deals with the lump sum budget approval by Council at July 21, 2010 and Section 4.1.2 deals with the establishment of the per station budgets as reported in the Open Capital Projects reporting system.
32	14 (Now Page 17)	Second bullet	CAO could deliver project for $15m	See discussion on page reference 33 below relating to an email from Paul Olafson. Additional due diligence was performed to ensure that the $15m amount discussed with the CAO was reasonable. – EY received this document previously. ***Additional Clarification Sought by EY*** 1. With regard to budget analysis conducted by the CFO's office, please provide all such analysis including	We have modified the wording to identify statement by the CAO and the analysis performed by Corporate Finance in section 4.1.1 of our report

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
				explanations obtained for changes in budget allocations. For example the email from Paul Olafson on June 28, 2010, what if any analysis was done beyond that described in the email and in particular what support there was for the pricing of the suburban stations beyond the Shindico Bid. In addition what work was done to understand the change in the budget for station #11 from the $6 million in the June 28, 2010 email and the per station budgets entered in the City's Capital Financial Reporting System People Soft where the value of Station #11 was set at $4.170 million ***Additional Management Response*** • As noted in our previous response, the CFO requested the Corporate Controller to conduct a further review which is summarized on his June 28, 2010 email. As mentioned the review involved other professionals and discussions with the Chief and Project Manager from WFPS. After the meeting, the Corporate Controller indicated that the budget of $15m would be reasonable on the basis of further negotiation.	

Fire Paramedic Station Construction Project

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
				• The Manager of Capital Projects at the time would have also done some diligence on the budgets going forward in the CMHC application in Fall 2009. • As noted previously, it is the City's understanding that the budgets were supported by the information obtained from the visit made to St. Thomas to view recently constructed suburban stations. The architect for those stations was engaged to adapt this design with adjustments required to suit Winnipeg. At the time the Council report was being prepared, RFP 200-2009B had just closed. No awards were made under this RFP at this time as prices were deemed excessive but it would have provided an indication of the approximate budget for the four stations. • The pricing from the Shindico bids were not inconsistent from the information known above with the ability to reduce through some further design changes. • The change to Station 11 was previously described in a document sent to E&Y. The	

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
				department set up a higher value in the Station 27 budget as it was the first being delivered with a view that budget dollars would be reallocated to the other three stations as cost details firmed up. • As reported already, information received from WFPS indicated on three occasions that projects were on target or over budget slightly. Where over budget, solutions were identified to rectify through other available budgets. • The Corporate Controller also remained active in obtaining updates concerning progress with the stations by virtue of his regular contacts with CMHC. • As a final comment each of these projects was relatively small and generally the project managers in the departments capably manage and run these projects with input from the departmental controllers. Corporate would not necessarily continue to provide significant oversight	

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
				especially where no problems were identified during completion of each project. However, in a separate document provided with the City's last submission, a detailed schedule was provided supporting the discussions that occurred.	
33	14 (Now Page 17)	Second paragraph (now bullet 1 in section 4.1.1)	Construction budget was not based on construction budgeting methodologies	The City's capital budget is $375 million. There are many capital projects and budget setting is the responsibility of the project managers responsible for the project in discussion with the departmental director. The City's financial professionals assist in the compilation of the capital budget, measuring of actual expenditures against budget and financial reporting. While they provide their professional opinions, our accounting professionals cannot be expected to have the project management experience of engineers and others who manage these projects	No change has been made. Our belief is that Corporate Finance should ensure that a budget has been prepared, not necessarily by Corporate Finance, using some structured recognized approach. If such expertise does not reside in a specific department i.e. WFPS it should be obtained. For this project such expertise was not engaged until June 2011
34	14 (Now Page 18)	Paragraph 2 – bullet 2	As noted the above figure appears	Inaccurate and "appears" indicates assumption	See response at (MC # 32)

Fire Paramedic Station Construction Project

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
35	16 (Now Page 21)	4.2 (1)	*RFP processes…transparency*	FRP 200-2009B still required a land component which was only normally available from developers. The RFP was accurate at the time, with the information we had at the time. The City was only aware that we would receive only one bid, AFTER the submission deadline. When land was identified for Sage Creek, RFP 966-2010 was issued to the open market, open to all bidders. If some bidders had more information than others, it was not common knowledge at that time.	No change has been made. EY stands by this position. The reasons for such are discussed in the report.
36	16 (Now Page 21)	4.2. (2)	*Splitting…approval*.	**FALSE** – normal practice – award authority is based on the value of **each** contract. **ALL** Award Reports are always processed through the same due diligence with MM and LS reviewing for accuracy, including evaluation performed in accordance with the tender requirements and adherence to policy, which includes confirming the availability of budget and proper award authority.	No change has been made. EY stands by this statement as it occurred. The situation is clearly identified in an email exchange between the CFO and WFPS accountant (see Appendix B at September 19 & 20 2012). We wish to point out that our finding is not directed at MM as we have no information, beyond a comment made by the Chief WFPS regarding our report at Appendix G (RDC # 13), that MM was aware of the situation. With regard to Legal Service and their knowledge or lack thereof we discuss this further in response to (MC #62)

Fire Paramedic Station Construction Project

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
37	16 (Now Page 21)	4.2 (3)	*Splitting…authority*	4.2 (2) answers this statement. At the City of Winnipeg, we take pride in assuring due diligence which in turn provides assurance to the CAO/COO/CFO/Directors that, when they approve an Award Report, which should always be accompanied by comment memos from MM and LS, it is accurate and safe to approve. Further, Many tenders are issued with award "as a whole" or "by item". (Dozens of examples available on request.) RFP 200-2009B 28.4 (f) "…contracts may be awarded by section or separately…" 28.4.1 "The Bidder…not required to Bid on all…" ***Additional Clarification Sought by EY*** This comment is not exclusive to MM. Please provide documentation to support the splitting a contract Station #11 when sufficient budget does not exist is ok. ***Additional Management Response*** CFO CMHC funding agreement required (all) stations to be completed by March 31, 2012. Loan agreement provided for call on loans (or a portion thereof) along with a penalty in the	No change has been made. We identify it as a concern because we question whether City Council would agree with the interpretation being taken by City Administration. Public Works and Government Services Canada defines contract Splitting as "Awarding multiple contracts to the same contractor either simultaneously or at regular intervals where each contract contains a Statement of Work that represent or could be interpreted as being individual phases of a larger project." Council approved budget for "the project which consisted of the construction of four stations. It was evident at the point the decision was made to single source Shindico, in respect of Station #18 Roblin, that contract value in excess of $10 million would be going to a single supplier in a situation where the work to be undertaken could clearly be viewed to be parts of a project.

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
				event not complied with. • January 2012: City requested CMHC to extend the deadline for Station #11 to September 30, 2012; • March 19, 2012: Letter from CMHC dated granted requested extension; • April 26, 2012: approval to award foundation only for Station #11. A foundation only contract was negotiated to allow construction to commence while the design was refined and the balance of the contract was being negotiated. The financial impact statement in the award report indicated there was sufficient funds to make the award; • June 3, 2012: notified CMHC that Station #11 completion delayed to December 31, 2012 and City requested an extension until that time. • Oct 15, 2012: Reported to CMHC on costs to September 30, 2012 for completed works on stations. CMHC was satisfied that as long as sufficient spending made on eligible costs by September 30, knowing that the other three	

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
				stations were complete by then, no loan advance calls would be made. (Extension of time not required based on CMHC being satisfied). This was the first referral was made to have completed by stated deadlines (first March 31, 2012, then September 30, 2012). • April 15, 2013: CMHC confirms acceptance of October 15, 2012 report and that all requirements satisfied in respect of the MILP loans. • On September 27, 2013, E&Y provided further emails dated in September, 2012 which corresponds to the time when the City was asked to review the transactions. In particular there is an email from the Controller of WFPS concerning timing of the budget shortfall and first call discussions. The Controller has advised that her September email related to her recollection of events over the previous 8 month period. She recalls at the time the foundation report was being submitted that the Chief had advised he would be able to negotiate completion of Station 11 within budget. She also	

Fire Paramedic Station Construction Project

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
				recalls that First Call discussions occurred in July, 2012. The Chief first notified the CAO, COO and CFO on July 27, 2012 concerning a budget shortfall and his suggestion to consider a First Call. This is further evidenced by the Chief's email to E&Y dated July 2, 2013. The CFO does not recall discussing First Call options before that date. MMM Legal Services Award Report Approval Memo commented that WFPS revise the Reason for the Report to include a statement that WFPS had sufficient funding in a Council approved budget for the complete design and construction of the Station at 1705 Portage Avenue. Accordingly, based on Legal Service's understanding that there was an approved budget available for the entire building, it would not be concerned that a second award report would flow to the same award authority after negotiations for the building were completed. Further, the risks associated with splitting the contract would have been discussed with WFPS which	

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
				included: • will foundation match main floor configuration? • will design fit the available budget to complete the building? • once the contractor has part of the building under contract, does this give the contractor a license to charge whatever for the rest of the building? • contractor could walk away after installing foundation as there is nothing to hold him to the additional work; • different contractor for balance of building could cause finger pointing and blame for other contractor's work.	
38	16 (Now Page 21)	4.2 (4)	*Commencing work…place*	MM is not aware of departments that may grant permission to contractors to proceed without the proper authority in place. If we were aware, we would stop the process. This is a Contract Administration responsibility that does not fall under *Procurement Processes*.	No change has been made. This comment is not directed at MM.
39	16 (Now Page 21)	4.2 (5)	*A contracting…manipulation.*	In a recent KPMG review of PW, it is a recommendation of theirs to continue with alternative designs on bids as it is innovative and can save millions of dollars on Capital projects This clause saves the City money on many occasions over the years. The potential for manipulation is low because of the oversight of MM and LS on all tenders.	No change has been made. We don't disagree with KPMG; we disagree with the way it is being done at the City. Bidders need to be clearly informed that the City is seeking innovative ideas and that bids will be evaluated on such. The inclusion of a substitute's clause is not an indicator that the City is seeking a complete redesign which was the case with the Shindico

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
					Alternative bid. The non-disclosure to all proponents, of the specific willingness to allow a specific change to a technical or other specification lacks openness and transparency. In addition we do not believe that MM and Legal should be expected to identify technical or other specification manipulation.
40	16 (Now Page 22)	4.2.1 (Now 4.2.2)	The term "*qualified P3 firms*" show in many places	That language is not included in the RFQ. Should read: "*qualified Proponents*"	No change has been made. The electronic version of the RFQ supplied is clear in indicating that requirements contained in the RFQ are based on those for P3 firm qualifications. Further the RFQ is qualifying firms for a potential DBFM model which is referenced as the basis for other successful P3 projects in Canada. The evaluation criteria is also based on a DBFM model (P3 model).
41	17 (Now Page 23)	ii.	*Design/Build…*	The elimination of the P3 components did not relieve the requirement for land on 2 of the 3 Stations. "just Build firms" do not provide land, developers do. The City was only aware that we would receive only one bid, **AFTER** the submission deadline. Further, in the next paragraph, the "City site" identified by Shindico for Station 11 was not on the radar for the City. Shindico offered the idea for consideration. ***Additional Clarification Sought by EY***	No change has been made. The outcome of the process, one bidder, speaks to the lack of the completive nature of the RFP. It is essentially MM's position that the six pre-qualified firms were the only possible sources of suitable land. There was a clear option to open up the process to allow for partnerships (between a land owner and a builder) or break the RFP in two or more pieces. As noted by the fact that three of the stations were built on City properties the requirement for land was over emphasized. Non P3 firms could have been invited to identify potential City or other sites. The City could have acquired land separately or

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
				Any and all documents/studies that would confirm that the City made attempts to ensure that the "developers" that were exclusively invited to bid on the original RFP were the best sources of possible land in the City with the boundaries sought at the time the original RFP process was conducted. We note that certain "developers were not based in the City. What , if any attempt made to determine that the "developer's" had other suitable land available beyond the Sage Creek property and the Taylor property of which we are aware of. ***Additional Management Response*** The City issued a public RFQ which did not discriminate (all RFPs are made publically available locally and internationally). A mix of 17 builders and developers were notified of the RFQ posted on our website. The RFQ responses would be evaluated based on the criteria of boundaries set by WFPS and included in the RFQ. The City would select from the responses to the RFP and not initiate research of other available properties at this point in time.	could have identified City's sites to eliminate the land requirement all together.

Fire Paramedic Station Construction Project

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
42	17 (Now Page 22)	First paragraph (Section 4.2.2)	*Replaced the P3 RFP in its entirety*	Based on CMHC funding requirements – not at City's discretion to make that change ***Additional Clarification Sought by EY*** Provide support that CHMC limited the City's ability to cancel an RFP and issue a new RFP. ***Additional Management Response*** We retract this correction request	It was not a CMHC requirement to stay with the existing RFP and not open it up to a broader base of potential bidders. See further discussion at (MC #41 above)
43	17 (Now Page 22)	First paragraph (Section 4.2.2)	*Still only open to P3 qualified firms*	Incomplete – inaccurate information as only developers who had land could bid ***Additional Clarification Sought by EY*** Any and all documents/studies that would confirm that the City made attempts to ensure that the "developers" that were exclusively invited to bid on the original RFP were the best sources of possible land in the City with the boundaries sought at the time the original RFP process was conducted. We note that certain "developers were not based in the City. What , if any attempt made to determine that the "developer's" had other suitable land available beyond the Sage Creek property and the Taylor property of which we are aware of.	No change has been made. Only the qualified firms were invited to bid. The firms qualified were based on a P3 project which was not what actually required. The process was not opened to other firms who owned or could identify City land to build on.

Fire Paramedic Station Construction Project

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
				Additional Management Response The City issued a public RFQ which did not discriminate (all RFPs are made publically available locally and internationally). A mix of 17 builders and developers were notified of the RFQ posted on our website. The RFQ responses would be evaluated based on the criteria of boundaries set by WFPS and included in the RFQ. The City would select from the responses to the RFP and not initiate research of other available properties at this point in time.	
44	18 (Now Page 23)	Third bullet (Now Bullet #4)	*The City did not conduct*	Remove – this is an assumption of EY ***Additional Clarification Sought by EY*** Any documents and studies conducted (in particular by PP&D), we have been told during our interviews that they do not exist and were not done, regarding possible sites for the new stations within the boundaries for the two areas where land was required, ie Station #11 and Station #12 that were conducted prior to the issuance of the original RFP. If they were done an explanation of how the City own property on Taylor avenue which we have identified was eliminated from consideration. ***Additional Management Response***	No change has been made. This is not based on an assumption we inquired of the MRE who informed us it did not occur. We have attached the City's plan for the City owned property on Taylor, as well as a Google map as Appendix H. Based on this plan the site does not have the restrictions noted by Management regarding the rail lines and is not significantly different from the Taylor Shindico site used.

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
				We are suggesting that it was E&Y's assumption that this study would be normal practice. The method used is acceptable practice in determining land use; E&Y's assumptions are inappropriate regarding city-owned lands for development from the City's perspective due to land suggested by EY being bound by rails on 2 sides and are currently leased – cancellation of which would require one year's notice.	
45	18 (Now Page 23)	Top of page (Mid Page)	*We note…process*	Always the issue of requiring property ***Additional Clarification Sought by EY*** What work was done to ensure the City that only the 6 prequalified firms were the only firms with land that could build a station and that others didn't exist who did not participate when the project was P3 or participated but did not qualify ***Additional Management Response*** The City issued a public RFQ which did not discriminate (all RFPs are made publically available locally and internationally). A mix of 17 builders and developers were notified of the RFQ posted on our website. The RFQ responses would be evaluated based on the criteria of boundaries set by WFPS and included in the RFQ. The City would select from the responses to the RFP and not initiate	Please see EY response at (MC #41)

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
				research of other available properties at this point in time. In addition to the response for 17 ii as reproduced above, once the City issues and receives responses to a public bid solicitation, the City, proceeded to negotiate/award to the most advantageous Proponent.	
46	19 (Now Page 25)		Information re: Pre-Con (a subcontractor) *We note that Pre-Con was responsible for the construction…*	The City has no contract with Pre-Con and what they charged is Shindico's concern. We receive an invoice from Shindico. We may have issues with the fees, but we have no issue directly with Pre-Con. Shindico is responsible for construction and all aspects of the contract.	No change has been made. The point being made is to allow the reader to be aware of the two levels of fees paid
47	19 (Now Page 24)	First bullet	Shindico was apparently encouraged by a City representative, currently unknown to develop an alternative	Remove. False and based on unknown and unproven information	No Change has been made. We reference the reader to the email exchange between Shindico and the Chief WPFS at September 2, 2010 and September 3, 2010 that was forward to the Current CAO with "FYI" by Shindico. We have asked Mr. Downs via email who from the City gave the direction referenced in his September 2, 2010 email and included in his response to us the following statement. *"Again, don't recall who asked but I would expect, given the fact we were the only bid and the open book basis of the relationship, that we would have learned the budget on or around the London trip and Reid may have reacted to our insistence that their design was too*

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
					expensive and asked if we could meet their budget with an alternate design." The Chief WFPS denies he gave the direction. At the time WFPS still wanted the M&M design.
48	19 (Now Page 24)	Second bullet	…the cost to construct the M&M design would exceed…	As identified by in interviews, MM, CFO and CAO were unaware of this information ***Additional Clarification Sought by EY*** Is the CAO denying knowledge of an email exchange forwarded to him by Shindico on September 2, 2010. Bob Downs email clearly speaks to Shindico being in London and the M&M design not being possible within the City's budget. ***Additional Management Response*** We are stating that the CAO and CFO were unaware of the second trip to London until after the trip occurred. Email from Bob Downs was passed along on September 2, 2010, whereas information that had been divulged in London occurred on August 22-26, 2010; WFPS, M &M, Shindico and Pre-Con Builders ONLY in attendance. MM advised WFPS not to proceed with negotiations with Shindico. Once MM learned there was potentially another trip to London, MM advised not to proceed with negotiations with Shindico and to consult with Legal Services.	No change has been made. EY does not state in this section of the report that any of the parties noted in the column to the left were aware of the A.W Hooker document. We do note, however that all parties were aware of Shindico's bid price on the M&M design in the Shindico response to the original RFP. Further we again reference the reader to the email exchange between Shindico and the Chief WPFS at September 2, 2010 and September 3, 2010 that was forward to the Current CAO with "FYI" by Shindico. This exchange speaks to Shindico's position on the budget versus the M&M design

Fire Paramedic Station Construction Project

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
49	19 (Now Page 25)	3rd bullet (Now Top of Page)	Entire paragraph	Please refer to letter from City Solicitor regarding City's liabilities' disclosing third-party proprietary information	No change made. Our report has been prepared for the Mayor and City Council consideration. If the City chooses to release it is the City's responsibility to remove any third party information that should not be disclosed. We reference the reader to our report disclaimer at Report Section 1.3
50	20 (Now Page 25)	4th paragraph	*We note that the City…procurement decisions*	The City has, in past years, and again recently, reviewed CCDC documents. The documents may have some advantages, but clearly look after the contractor's interests over the Owner's interests. A survey of contractors indicated that the City contracts are preferred as they are consistent and easy to interpret. The lack of litigation against City contracts supports this theory. The City continues to attend CCDC seminars to keep up with their forms. ***Additional Clarification Sought by EY*** Provide support for the statement - A survey of contractors indicated that the City contracts are preferred as they are consistent and easy	No change has been made. We are not commenting on the City's contracts. We are commenting on how the City chose to deal with bids received. Rather than negotiating based on a compliant bid the City choose to sole source based on an Alternative Design that was not clearly asked for in the RFP.

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
				to interpret. Please also provide any survey's or other information that would suggest that firms would prefer the City not follow CCDC in instances where the City is making decisions on how to proceed with the outcome of a construction tender. ***Additional Management Response*** Please see copy of the Report, including the survey results attached.	
51	20 (Now Page 26)	4.2.3 Single Source Contracts – 2nd paragraph (Now 4.2.4)	*…negotiations that took place for all four contracts are thought by MM to be supported with the MM policy*	False. Not "thought" …supported by the MM Policy	No change has been made. We are stating MM's position on this issue. We have not concluded that the position is incorrect, but do question whether sufficient analysis was done to justify the use of B4.1 (e) for single source award. As stated in the report, Shindico was the most expensive bidder, based on the City's published requirements, in response to the Sage Creek RFP. How can the City be sure that if other firms were asked to provide alternative designs that the benefits of such would not exceed the costs of a competitive solicitation?
52	21 (Now Page 27)	3rd last paragraph (Bottom of Page)	*We further note…discretion of the CAO*	Similar to Award Reports, Reports requesting approval of single source negotiations are always processed through the same due diligence with MM and LS reviewing for accuracy and adherence to policy. CAO/COO/CFO know that, when they approve a request for single source	We question whether Council would like to consider different award authority levels under competitive and non-competitive situations and have clarified our report to reflect such.

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
				negotiations, which should always be accompanied by comment memos from MM and LS, the information is accurate and the Report is safe to approve.	
53	22 (Now Page 27)	1st bullet	*As part...the City owns the rights to the Shindico design*.	City did not own design until after the halls were awarded – October 2011 ***Additional Clarification Sought by EY*** Did the LOI signed in April 2011 not provide the City the same rights as the resulting contract We note that we have been referenced to the fact that the Sage Creek Station opened in October 2011. Please indicated why the City would not have had or could not have obtained the legal rights to the plans well in advance of the October 2011 "official" award date. ***Additional Management Response*** The LOI was signed only by the City and not by the contractor. The rights to the design were not specifically mentioned in the LOI. Although the legal rights to the design were included in the signed contract dated October 2011, until the signed contract was returned to the City, the City had no written assurance	At the time Shindico agreed to the City's letter of Intent in April 2011 it is reasonable to assume the City could have been obtained rights to the design. We have modified our comment in the report to reflect such. As noted in (MC #23) above, the official opening of the Sage Creek Station #27 was in October 2011. It is reasonable to assume that construction drawings would have been available well in advance of this date.

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
				from the contractor of the assignment of the design rights. The contract for station #27 was awarded April 29, 2011 (date of LOI). The City did not have written documentation that it owned the rights until the final contract was signed, which was October 2011. The City could have negotiated to obtain the rights to the design as a separate contract, earlier, but it is questionable whether that would have been possible or practical to separate it from the main design and construction contract.	
54	22 (Now Page 27)	2nd bullet	*Once the City… process*.	We offered a design in the first RFP for Sage Creek. We offered the ability to propose an alternate design. (Substitutes clause in place since 1988) What would we have offered in a second RFP? Not someone else's design. (under the assumption that we did not own the design) We would only delay the project further. ***Additional Clarification Sought by EY*** In respect to Station #27 and #18, any analysis that was conducted that would demonstrate that the "the cost of solicitation of competitive offers is reasonably anticipated too exceed the benefits thereof" ***Additional Management Response***	No change. Our position is that Shindico was the only bidder that was aware the City would consider an alternative design. The Sage Creek RFP was very prescriptive in describing the design and technical specification that the bidders were responding too, the M&M design. The RFP in no way, beyond the City's standard Substitutes Clause, suggested to bidders that the City would consider a complete redesign of the station.

Fire Paramedic Station Construction Project

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
				Based on our 30+ years of procurement experience, a determination was made that the City would only delay the building of the stations by reissuing an RFP, not expecting different results.	
55	22 (Now Page 27)	3rd bullet	*Government is based … processes. Single source negotiations do not correspond to these concepts.*	Disagree. The City's policy allowing for single source is carefully constructed and closely aligns with the Agreement on Internal Trade. Single Source is only granted after careful thought and consideration, with concurrence from MM & LS. Each single source is unique and must be considered on its own merit. ***Additional Clarification Sought by EY*** As above ***Additional Management Response*** Original response remains the same	We have added additional wording to stipulate "in respect to this project". The issues concerning openness, fairness and transparency are well documented in the report.

Fire Paramedic Station Construction Project

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
56	22 (Now Page 27)	4.2.4 (Now 4.2.5)	*City Policy Allowing Substitutes*	The City, with rare exception, allows for substitutions. Substitution is further explained in tenders as an "equal" or an "alternative". This clause saves the City money on many occasions over the years. The potential for manipulation is low because of the oversight of MM and LS on most tenders. Disclosing one bidder's innovative idea to all bidders would mean not receiving innovative ideas and paying the price for the same-old, same-old. Just because the Feds do it, does not mean that it's good. It should be noted, that probably 50% of request for substitutes are not approved. Contract Administrators must document legitimate reasons why they do not approve a substitute.	No change has been made. We believe that the possibility of manipulation is high and that MM and Legal services should not be expected to have the technical expertise to identify such. Complaints from other bidders would likely flag manipulation of a specification which is why we suggest the notification of all bidders of the acceptability of a substitute. Creative ideas can be sought and evaluated without secretive specification substitutions, if the RFP clearly describe that the City is seek creative ideas and will evaluate bidders on such.
57	23 (Now Page 28)	4.3.1 1st bullet	*We have been informed…mistake*	This is taken out of context. From day one, the MMM tried to get another person to head this program. This is no secret. **This concern had nothing to do with the issues in this Report.** In early 2009, the former CAO invited the MMM to a meeting in his office to discuss a new Fire Paramedic Station for the Island Lakes area of the City. The area Councillor was asking that it be built soon and the CAO was determined to have the ground breaking in the fall of 2009. I assured him we could achieve the dates under normal circumstances. A meeting was held shortly	We have removed this statement

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
				after with many in attendance to kick-start the project. (Sage Creek only) It was then determined that 4 stations would be included. At that meeting, it was determined the WFPS would head up the tender process. When MM first started working on the RFQ with Chief Douglas, it was strongly recommended that the Chief's name not be the contact for the RFQ, or the RFP. The reason was: the person named in the any tender document must be available at all times to respond to enquiries. A Chief of any department is not that accessible. We had no concern if it was a Fire Paramedic employee, but it had to be someone accessible. We voice this concern on any tender. Further into the process, it was clear that the Chief did not have the time to attend to administration items required to get the buildings built. His expertise was in running a Fire Paramedic Department and he was extremely busy in that responsibility. We expressed concerns to the Chief and others that the Chief required some additional help to fulfill our goal of getting Sage Creek built in a timely manner. The so-called "*mistake*" had nothing to do with the issues of this Audit.	

Fire Paramedic Station Construction Project

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
58	23 (Now Page 28)	4.3.1 Procurement Management	*2nd paragraph - entirely*	Remove as the muddying of roles which would have been then CAO Glen Laubenstein and Then WFPS Chief Brennan is misleading and innacurate regarding the responsibilities of the then director of PPD and then Deputy WFPS Chief.	We have modified the paragraph to more clearly reflect the facts as we know them.
59	23 (Now Page 29)	4.3.1 Procurement Management, *3rd bullet*	Further, Williams was not in place	Inaccurate - Hunter **left** ***Additional Clarification Sought by EY*** Please clarify what is meant by this we understand that Williams was hired with effect to June 2011. ***Additional Management Response*** Hunter left Williams to go and work with former CAO Laubenstein in Wood Buffalo AB.	We have clarified our wording to reflect that the decision to move forward with the Portage Station #11 design concept which occurred shortly after the receipt of the original RFP in June 2010.
60	23	4.3.1 Procurement Management, *2nd bullet*	We have been informed that the MMM advised the CAO that this was a mistake	Remove – false information	We have removed this see (MC # 57) above

Fire Paramedic Station Construction Project

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
61	23 (Now Page 28)	4.3.1 Procurement Management, *2nd bullet*	This decision was apparently made by the Chief WFPS and the CAO	Should read Former CHIEF WFPS	Change made.
62	24 (Now Page 30)	4.3.3 Contracting Issues	We were informed by Willams and Legal Services	False – Legal Services did not represent this to EY ***Additional Clarification Sought by EY*** Is Legal denying the content of an interview of Dianne Papst in which this representation was made. This representation was then restated to Ms. Papst in an email exchange between Dianne Papst and EY concluded on July 17, 2013 with a cc on all parts to Michael. ***Additional Management Response*** Per Dianne Papst: The award report memo that I approved in April 2012 included a comment drafted by me to amend the Reason to read: "As the potential contract for the complete design and construction of the new core fire paramedic station at 1705 Portage Avenue is estimated not to exceed $10M and there are sufficient funds in a Council approved budget, the COO has the authority to approve the single source negotiations and the award of contract pursuant to authority delegated to him by the Chief Administrative Officer on February 21, 2012." The award report also contained a	No change. The reader should be informed that our statement regarding Legal Services is made based on the following: (1) The statement was made to two EY representatives during an interview with the City Solicitor responsible for contracts. Notes taken at the time reflect such. (2) We sent an email to the City Solicitor indicating what we understood her statement to be and requested that she provided the specific City Policies under which this would be a problem. This email was cc'd to the Head of Legal Services. The City Solicitor respond to our email twice (both cc'd to the Head of Legal Services) and the second response spoke to the Policy information we were seeking. In both response received by EY no indication was given that what we believe the City Solicitor told us was in accurate

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
				statement that the foundation only contract had been negotiated so that construction could commence while the balance of the contract was being negotiated. The award report memo would have been prepared based on my knowledge at that time. The award report memo was submitted to WFPS and it amended the wording in the award report accordingly. No one contacted me to say that I was wrong in my assumption that the estimated cost to complete construction did not exceed the budget funds. By August/September 2012 I knew that additional funds would be required for the award of contract for the balance of the construction. A March 21, 2013 CBN from PP&D to CAO indicates that it was not until February 2013 that agreement was reached on the final contract price. With all that information in mind it is possible that I misspoke during the interview about how a foundation only contract could have been approved and didn't reference E&Y back to my understanding at the time of the award report memo. My email to Steve Whitla on July 17, 2013 only addressed his question about the specific City policy and not the reason for the foundation only contract.	

Fire Paramedic Station Construction Project

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
63	24 (Now Page 30)	4.3.3 Contracting Issues	Last paragraph	Remove – assumption	No change made. We have not concluded on the COO or CAO's knowledge. The COO, CAO and Chief WFPS have all indicated to us that the Chief WFPS's gave updates on all project aspects to the COO and CAO. The Chief WFPS has further confirmed the extent of such meetings in his response to this report at Appendix G (RDC #6). With regard to Legal Services, we have added the word "apparent", and additional information in our Appendix B. Our position on Legal Services is supported by the following facts: (1) Notes provided by Legal Services clearly reflect the fact that information was shared with them by WFPS and PP &D in Mid-October 2011 indicting that Shindico had granted permission to enter and construct.(see Appendix B) (2) Legal was also aware that the CFO had granted contract award authority on a conditional basis. Legal felt that condition was not met until February 2012 when they notified the CFO of such. (3) Legal was aware that on November 16, 2011, Shindico had granted access to commence construction. (4) Legal was aware that expected completion for the station was to be March 31, 2012

Fire Paramedic Station Construction Project

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
64	25 (Now Page 31)	4.3.3 Last paragraph	*Splitting this contract … to **circumvent** Council Approval authority.*	Remove – already addressed See **16 - 4.2 (2)** and **16 - 4.2 (3)** above	No change made. This is our opinion. It is clear that in excess of $10 million of contract value was going to be awarded to Shindico. Council Authority should have been sought especially in a situation where the award(s) are to be based on non-competitive basis. Please see (MC # 37) for a definition of contract splitting
65	25 (Now Page 31)	4.3.4 Issues Related to Administrative Standards	The CAO is responsible to make appointments	Clarify: the Former CAO Glen Laubenstein was responsible to make the appointments from the beginning – current CAO from appointment to the end.	This point has been clarified.
66	25 (Now Page 31)	4.3.4 – last bullet	P3 discussion	The project changed from a P3 to a direct construction project when the report amending the capital budget was submitted to Council for approval. It should be noted that under B12.1 of the rfq the City had the ability to change its procurement methodology. Under B36.2 of this same document the City reserves the right to change the scope of work or launch a new or amended procurement process. Similarly B36.3 allows the City the right and full power to amend the RFQ or procurement process. Although there was interest in the design build finance maintain alternative, the City had the ability to change the procurement methodology and did so when CMHC financing was obtained.	No change is made. Our point in this bullet is that this was not a routine project that could be excluded from the requirements of a Major Capital Steering Committee. We believe the Management Comment received supports our position.

Fire Paramedic Station Construction Project

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
67	26 (Now Page 31)	P3 discussion at top of the page	The project should have had the oversight of a Major Capital Project Committee	The Public Service disagrees with this statement. We contend that each of the 4 projects form part of a program of replacements as setout in the capital budget for Fire stations. On page 3-95, the capital budget is entitled "Facilities Replacement and Relocation Program" and includes other capital projects planned in future years including Whytewold andAutumnwood. Each of the future capital projects have construction values less than $10m. It would not be the intention of the Public Service to require these future projects to be reported because of their small construction estimates. Individuallyit was anticipated that each project would be awarded at a cost of around $3 m, well less than the $10m threshold. As a result they do not require a major capital project steering committee or reporting to Finance Committee. This is similar to how other Programs including Local and Regional Streets are handled. Each project, because of its limited size and relative consistency of design was considered routine in nature. Further separate awards were made treating each station as individual projects. ***Additional Clarification Sought by EY*** Any and all documents within the City that would define the term Program and contrast it with the term Project. As well any reasons why the Original RFP would have described the	No change has been made. We respectful disagree with this position. The project was provided and approved by Council as "a project" consisting of the construction of four stations.

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
				building of the four stations as a "project" if it was not to be considered a project. ***Additional Management Response*** The City reviewed FM-004, the Norwood Bridges Audit and the Capital Project Management audit reports. There were no references to programs and projects with the exception of the Capital Project Management Report which speaks about programs being comprised of a series of smaller projects and does reference to "capital projects and programs". The Capital Project Management audit report prepared by the City Auditor in November, 2008 is a public document and on February 18, 2009 it was submitted to Council. The City was unable to find other references defining programs and projects. Each of the four stations were identified in the capital budgets prior to the final report to Council in July, 2011. Station 11 was identified in 2008 and information regarding Stations 12, 18 and 27 were included in the 2010 capital budget. From the Manager of Materials, the use of the word "project" in the RFQ and the RFP was merely used to abbreviate "four (4) Fire Paramedic Stations" and was not used in the sense of differentiating it from the term program.	

Fire Paramedic Station Construction Project

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
				To reiterate the City's position previously stated: The City awarded each project individually. The average cost of each project was in the range of $3 m which is significantly less than the $10m threshold. Each of the four projects was constructed in separate locations over an extended period. It was not construction in one location for a total project value in excess of $10 m. The capital budget detail sheet identifies these projects in one budget document named "Facilities Replacement and Relocation Program." The Program commenced in 2005. In 2006-2007, Station 21 was constructed for approximately $2.4 m. This was not reported to Finance Committee because the amount of this individual project included in the replacement program was well less than $10 m. Similarly there are other fire station projects planned in future budget years with budgets well below the $10 m threshold. As previously stated, there are other examples of programs which are not reported to Finance Committee by virtue of the small individual	

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
				size of their project budgets which are less than $10 m. The Residential and local street renewals budget is one example of this. The 2013 program budget is $50.4 m made up of 20 plus individual projects. None of these individual projects exceed $10 m. As noted previously as well, the Fire Station projects were small in size and were considered routine capital projects.	
68	26 (Now Page 32)	4.3.5 CMHC Funding Deadline	First paragraph	False /incomplete – CMHC was not only reason – public safety throughout has remained the priority and providing citizens in South Winnipeg with Emergency response services was always paramount – in addition, as identified in the interview – Berry was condemned.	Additional wording added to reflect and acknowledge the South Winnipeg requirement.
69	27 (Now Page 33)	5th bullet	Meeting held in the CAOs office regarding the land exchange	False – meeting was regarding Police Service need/requirements for Harbourmaster on Mulvey property.	No change made as the electronic calendar entry identifies this meeting a "Land Swap – Mulvey Land". In addition we have added email correspondence regarding this in Appendix B.
70	27 (Now Page 33)	5th bullet	Get it done	Out of context – as identified, Get the Stations done	In response to this we have added additional email exchanges relating to this issue in Appendix B and reference the reader to such. In addition we have added comments (iii) and (iv) in the report.

Fire Paramedic Station Construction Project

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
71	27 (Now Page 33)	6th bullet	2nd sentence	Remove – not accurate and invalidated. AS has been stated on numerous occasions to EY, but not represented within the draft, CAO and COO were unaware LOI existed signed or otherwise	No change made. No indication has been made in our report that the CAO and COO were aware of the LOI. We also reference the reader to EY's response to (MC#70)
72	27 (Now Page 33)	Last bullet	…in advance of the LOI being signed	False – signed in 2012 – refer to email from PPD July 2011. ***Additional Clarification Sought by EY*** In regards to the reference to the July 27, 2011 email by Sara Cianflone which outlined a plan in relation to a Proposed WFPS station on Taylor Avenue. Please provide any valuation work that was done of the Mulvey property in advance of the LOI being signed We also note that the value represented in this email relates to the "proposed site" which is clearly described in the ' Re' of the email as the Taylor Site. If it is felt that this linkage is not correct please provide any documentation that would link the $850,000 valuation to the value of the Mulvey property and indicate how a value could have been determined when the size of Mulvey property to be swap is unknown based on the last line in the email. ***Additional Management Response*** Upon further review, it appears there was confusion over sites regarding our request.	No change made. We reference the reader to the email referred to at July 27, 2011 in Appendix B. Our read of this email indicates that the value discussed on $850,000 relates to the proposed WFPS station site (which would be the Taylor site owned by Shindico) not the Mulvey property owned by the City that was being consider for exchange. We also reference the reader to an email on March 29, 2012 which indicates that PP&D had not yet valued the Mulvey property. In addition we note in that in a Administrative Report prepared by the CFO in September 2012, the CFO concludes that the value used was the tax assessed value not a formal valuation.

Fire Paramedic Station Construction Project

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
73	28 (Now Page 33)	2nd bullet	1st sentence	We have current 2013 appraisals that prove the difference in value of properties exceeds $1 Million in favour of the City	No change made as the value determine in 2013 is not relevant to the information that was assessed and the decisions made in 2012. We note that the portion of Mulvey currently offered for sale by the City is 37,463 sq. ft. When the $1 million excess value transferring to Shindico, referenced in our report, was calculated, in March 2012, the size of the Mulvey site used was 1.13 acres or 49,223 sq.ft.. We also assume that the Management comment favoring the City, by $1.0 million would be based on an appraisal for Taylor which the City does not currently agree with.
74	28 (Now Page 33)	2nd bullet	While the direction he CAO gave is not clear	Remove – false – no direction given	We have added the words "if any"
75	28 (Now Page 34)	Last sentence		Remove – out of the scope of EY's investigation	No change made. EY believes this is directly relevant as the City now finds itself in a difficult situation of having to negotiate for the purchase of land on which the Taylor station sits. This situation possibly could have been avoided by building on a piece of land the City already owned. It also

Fire Paramedic Station Construction Project

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
					supports our position that options existed to open up the procurement process if land other than Shindico's had been identified.
76	29 (Now Page 34)	First paragraph	Based on the historical events, it would appear these principles did not guide…	Remove /reevaluate this statement utilizing corrected information contained herein	No change. This is EY's opinion which we believe is clearly supported by the information available during our review and the situation the City currently finds themselves in regarding trying to now acquire the Taylor property.
77	29 (Now Page 34)	3rd bullet	The Policy clearly indicates ….this should have been understood	Remove – inaccurate given the information provided in the email reference of July 2011 which clearly demonstrates intent to declare the property surplus at Council and conduct consultations ***Additional Clarification Sought by EY*** Please provide proof the plan was actually undertaken prior to the LOI being signed and construction starting on the Taylor property. ***Additional Management Response*** We stand by our original response which indicates a clear intent to consult prior to being brought to Council.	We do not concur with management regarding this issue. The email in July 2011, which was sent to the COO, indicates that PP&D understood there was a number of issues that had to be dealt with. The point of our report being that they were not done in advance of construction starting on the Taylor site which effectively bound the City to some form of land transaction with Shindico. Additional wording on a report prepared by the CFO has been added.

Fire Paramedic Station Construction Project

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
78	29 (Now Page 35)	5th bullet	After PPD had negotiated a conditional deal	Remove – this is entirely appropriate, follows policy and is standard operating procedure	No change made. The reader should determine if this is appropriate. EY is not concluding either way. The point of the report is that if conditional deals are being entered into and then other actions are being taken, i.e. the building on a property that is subject to a conditional deal then this PP&D policy is not appropriate and Council should be consulted before such.
79	29 (Now Page 35)	last bullet	The Ward Councillor is to be consulted prior to lands being brought to Council	Remove – already addressed – refer to email July 2011 indicating there was a plan to bring to Council and consult. ***Additional Clarification Sought by EY*** Please provide proof the plan was actually undertaken prior to the LOI being signed and construction starting on the Taylor property. ***Additional Management Response*** We stand by our original response which indicates a clear intent to consult.	No change see response at (MC#77)
80	30 (Now Page 35)	1st bullet	entire	Remove – false – as provided to EY, departments were consulted ***Additional Clarification Sought by EY*** Please provide all evidence that all relevant and required departments were consulted in advance of the LOI and the reasons why	The statement is not false. PP&D records clearly indicate that a number of consultations did not take place until after construction had started on the Taylor property and the LOI had been signed. The wording has been changed to reflect this.

Fire Paramedic Station Construction Project

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
				consultations were under taken between February and May 2012. ***Additional Management Response*** WFPS Chief Douglas proceeded to sign LOI in spite of legal advice which he clearly did not have the authority for. The Public Service has amended the process for signing LOIs going forward – as identified in our letter dated September 13, 2013.	
81	30 (Now Page 36)	last bullet	As a result of registering the caveat…	Again, please reference that as noted, CAO/COO were not aware of LOI, signed or otherwise	No change made as EY has made no reference to the CAO or COO.
82	31 (Now Page 36)	second bullet	The February 8, 2010 report did not go to Council or other committees	Remove – or clarify - The critical path of reports is not determined by the administration – this is determined by the reporting structure laid out in the Charter/organizational by-law	We have added wording "as is apparently appropriate".
83	31 (Now Page 37)	fifth bullet	clarify	Only WFPS was aware project was over budget – remove Legal Services – false inclusion	No change made please see (MC# 62).

Fire Paramedic Station Construction Project

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
84	32 (Now Page 38)	4.5.1	last sentence – first bullet	Remove – already addressed above – regarding splitting of contracts ***Additional Clarification Sought by EY*** Please provide the City's definition of contract splitting ***Additional Management Response*** Where the tender allows for an award by item (in this case each fire paramedic station separately) this is not considered "contract splitting"; accordingly we have no definition for "contract splitting"	No change made please see (MC# 64).
85	32 (Now Page 38)	4.5.1	Third bullet – Land exchange discussion	Inaccurate: LE transactions are brought to Council one recommendations have been determined and are negotiated "Subject to Council Approval" ***Additional Clarification Sought by EY*** Is it City Administration's position that the CFO was wrong in his September 17, 2012 report to Informal EPC where he, at page 3 concludes that ""the land exchange should have been submitted to Council for approval in the fall of 2011…." ***Additional Management Response***	No change made.

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
				The City Administration's position is not that the CFO is wrong – this project should have been submitted to Council for approval before construction; Land exchange agreements themselves, however, are negotiated "Subject to Council approval".	
86	33 (Now Page 39)	4.6	First Bullet	False: remove. Oversight of project is based on hearsay – also – at no time are the two trips to Ontario distinguished as separate and unrelated instances by EY. The Current CAO had no knowledge whatsoever of the SECOND trip to Ontario that included Shindico. This was a distinctly different trip than that requested by Former CAO Glen Laubenstein for then Director of PPD Phil Sheegl to attend (only others in attendance were Reid Douglas, Alex Forrest, Ms. Friesen). This is never clarified by EY and this is misleading without doing so. ***Additional Clarification Sought by EY*** Beyond clarification of two trips. Please identify which other part is not accurate and the CAO denies ***Additional Management Response*** We do not have a draft copy available at this time – we cannot review origin of	No change made other than identifying the "trip 1".

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
				comments/concern to respond accurately.	
87	33 (Now Page 39)	Second bullet	Lack of oversight by the CFO	Please see comments concerning construction budgets above which is the responsibility of Departmental Project Managers at the City. The City disagrees with the comments made by E&Y. While on holidays, the CFO asked for a more substantial review of the final number included in the report in support of discussions by email with the Deputy CAO. E&Y has a copy of the email issued on June 28, 2010 by Paul Olafson where a meeting was held with the Chief of WFPS, Barb, Paul, Christine and Brad Erickson. Brad Erickson is employed by Municipal Accommodations and is their financial analyst who reviews costing for renovations and building of City Facilities. He attended as a resource to review the budget included in the report to Council The full contents of this email have not been disclosed in Appendix B under theJune 28, 2010 reference. In particular Paul states: "Mitigating against this are "next steps" to reduce the costs bid, procurement method, design modifications, negotiation. There would seem to be a very good chance that the costs bid will come in lower. At this time $15m is a	We have changed the wording to more clearly reflect our concerns regarding lack of the realization there was major problems with the budget at an earlier date.

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
				reasonable estimate of the facilities cost." As a result the statement that the CFO and Corporate Finance appears to have not exercised a challenge function on the budget is incorrect. A further inaccuracy relates to the statement that no one ensured the accuracy of the financial reports. Every department in the City is assigned a Controller (accredited accountant) who is responsible for the financial accounting, operating and capital budgeting, financial reporting and internal controls of the department. This controller has a relationship with the Corporate Controller as directed by the CFO. On any capital project, project costing and estimates are provided to the Controller by the Project Manager and there is dialogue between the Controller and Project Manager in terms of reporting these capital projects to Finance Committee through the Corporate Controller. The following oversight steps were undertaken: All award reports submitted to the CFO for approval include a financial impact statement. Each report indicated that the individual projects were within budget. Attached is a document setting out other procedures followed together with documents that were sent to E&Y providing detailed	

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
				information regarding the reports issued It should be noted that the Controller exchanged regular financial information with the Project Manager and no concerns were expressed. Based on all of this information and regular meetings held with the Chief of WFPS by senior management there was considerable financial scrutiny over the information provided.	
88	34 (Now Page 40)	4.7 – first bullet	Major project steering committee	Not required as noted in detail above ***Additional Clarification Sought by EY*** Please provide an official interpretation document approved by Council that would support this position. ***Additional Management Response*** By way of background, City Council establishes policy and periodically the Public Service prepare Administrative Standards to help interpret policy or provide guidance on administrative matters. For example, the Materials Management Policy was adopted by Council but the Materials Management Administrative Standard FM-002 was written	We believe it was required as described in the report. Council approved a project consisting of four stations with a budget of $15 million. This could not be viewed as a routine project and therefore a committee was required.

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
				by the Public Service and approved by the CAO for use in administering Council's intent under the Materials Management Policy. Similarly In 1999 City Council adopted a policy regarding projects exceeding $10 m. In the Administrative Standard FM-004 approved by the CAO at that date, the CAO required formation of Major Capital Project Committees for major capital projects exceeding $10m. The Administrative Standard sets out what capital projects are excluded from this reporting. Programs comprised of projects less than $10m are not required to report. Replacement of Fire Stations established in the capital budget in 2005 is a Program of replacements comprised of individual capital projects less than $10m which is exempt from this reporting by virtue of the exemption allowed in the Standard. In summary, Council has not provided guidance in terms of what constitutes a program. However, the Administrative Standard approved by the CAO provides this guidance. As mentioned above this process is not dissimilar to how Council approves policy and permits the Public Service to set administrative standards to provide more detailed guidance reflecting the intent of Council. Administrative Standards guide the	

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
				administration's work at all levels in order to: • ensure clear and consistent direction; • minimize organizational risk; and • help staff do their jobs efficiently and effectively.	
89	34 (Now Page 40)	4.7 – second bullet	P3 Committee	Remove – not required. Please see the discussion above (page 25). This was a relatively small series of projects as distinct from other large P3 projects involving Disraeli and ChiefPeguis with values of $200m and $195m. The decision was made by the former CAO to include a P3 option in discussion with the Deputy CAO's and the Chief of WFPS. By default because the former CAO and CFO were part of the discussions this could be considered the P3 Committee for purposes of this procurement. As previously mentioned to E&Y, this was originally considered to be a lease with a maintenance component which is a lesser form of P3. Also as noted above the Public Service viewed this to be a series of individual projects and part of a program of replacements not forming a major capital project. Further the P3 ended and was replaced with traditional financing and construction. As a result no bids were received using a P3 model resulting in no further requirements with respect to P3 input. The Public Service does not believe that this	We have added commentary and believe this, while technically not in accordance with the policy requirement, did not have any impact on the outcome of the project.

Fire Paramedic Station Construction Project

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
				is a failure. ***Additional Clarification Sought by EY*** Any and all documentation that would provide the exclusion of any P3 project from the requirements of a P3 Committee and /or allow the default position of only having the CFO and CAO as a defacto committee. ***Additional Management Response*** Setup of the P3 Committee is contemplated in Administrative Standard FM-004. The CAO who is responsible for the Standard is authorized to appoint members to the committee. On page 9 of FM-004, under the terms of reference it states "All proposed major capital projects would be referred to the P3 Review Committee for further evaluation." Since the Fire Station program was not considered to be a major capital project it did not appear necessary for the CAO to appoint a P3 Committee. Further Materials Management Administrative Standard FM-002 because of the small size of the individual projects, for expediency purposes, discussion occurred between the CAO at that time, the Deputy CAO's including the CFO and the Project Manager from the WFPS concerning a design, build, finance maintain option. This option really took the form of a lease with a maintenance	

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
				component. As noted in previous information provided, the rfq allowed the City to decide on other procurement methodologies. By the time the report was submitted to Council for approval in July, 2010, it was decided to move forward by this same group with CMHC financing offered at a very attractive rate during the time when the Federal government wanted to provide an economic stimulus to municipalities. As a result, the projects were not approved as P3's but instead as regular construction projects. It should be noted that the Manager of Infrastructure Planning is now responsible for asset management at the City and the Public Service will be suggesting changes to the Standard to incorporate best practices currently under development and the results of the Public Private Partnerships Transparency and Accountability Act that received assent from the Province of Manitoba in 2012.	
90	34 (Now Page 41)	4.7 – Last bullet	Failure concerning budgeting and financial reporting.	As stated in two other sections above the Public Service does not consider this to be a failure. Corporate Finance undertook an active position in monitoring the projects both in the department and at the Corporate level. It was not until July, 2012 when the CFO, CAO and COO were notified of the over-budget situation.	We believe the outcome of the project and the significant flaws in the original budget set speak for themselves. There was a failing in the budgeting and financial reporting at the City related to this project and the ultimate responsibility lies with Corporate Finance.

Fire Paramedic Station Construction Project

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
91	34 (Now Page 40)	4.7 – 6th bullet	The splitting of contracts	Already addressed, inaccurate remove	EY disagrees with Management's position. Please see discussion at MC#64
92	34 (Now Page 40)	4.7 – 7th bullet	The splitting of contracts	Already addressed, inaccurate remove	EY disagrees with Management's position. The Portage Station #11 contract was split and it was split to avoid a lack of council approved funding. This is documented in an email exchange at September 19/20, 2012. We were also told such by Legal Services (see discussion at MC #62)
93	34 (Now Page 41)	4.7 – 8th bullet	This was understood by the CAO	This is misleading – this decision was made by Former CAO Glen Laubenstein, not the current CAO.	We do believe this to be misleading as the current CAO took oversight of the project well in advance of the land transaction negotiations commencing. The Current CAO also played a role and apparently provided direction to the Chief WFPS.
94	Appendix B	June 25-26, 2010	Email references	Misleading – CAO in June 2010 was not CAO but a deputy – the CAO in June 2010 was Glen Laubenstein	No change made as these were the parties that exchanged emails. The Current CAO's title at the time can be found elsewhere in Appendix B.
95	Appendix B	June 28, 2010	Email references	Incomplete references to Paul Olafson email as detailed above which provides insight into additional work done on evaluating the budget for the assignments.	Complete content of email exchange has been added

Fire Paramedic Station Construction Project

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
96	Appendix B	September 2, 2010	Email references	Misleading - Chief WFPS in Sept 2010 was Jim Brennan, deputy Chief WFPS was Reid Douglas	No change made. As previously noted EY believes, the individuals involved in the email exchange are the critical issue not the titles held at the time. EY has provided elsewhere in the Appendix B positions held by various persons during the life of the project.
97	Appendix B	July 27, 2011	Email references	Incomplete references to illustrate/demonstrate intent to go to Council and proceed with a public consultation process – where is the rest of this email?	Full content of email added.
98	Appendix B	October 12, 2011	Email references	False – "that there is land exchange agreements" is misinterpreted by EY – should read: "that there is a land exchange PROPOSAL"	No change made. Notes are clear in using "agreement" vs. management suggestion of a "proposal". Contents of notes were confirmed with party who took them.
99	Appendix B	March 29,2012	Email references	False information - Not an appraiser – individual is a negotiator	Change made to Negotiator.
100	Appendix B	March 29,2012	Email references	Remove – assumption: "In response to the above email, the Director of PPD apparently advised…"	No change. The word apparently is used as the information obtained regarding this is inconsistent. The actions taken by the MRE support that this was the direction received.

Fire Paramedic Station Construction Project

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
101	Appendix B	April 2012	Email references	Paul Olafsons notes previously sent to E&Y are attached for reference above. The over-budget situation was covered by approved transfers.	Point expanded to include such.
102	32	4.5.1 1st bullet	*The splitting of a project…which Council approval is bypassed.*	See above - **4.3.3**	No change.
103	34	4.7 2nd bullet	*Responsibility for this…CFO*.	MM is not aware of projects, major capital or otherwise until the project is in an advance stage and tenders are required. MM does get involved early on in the development of some tenders, but again, the project is already underway.	No change.
104	34	4.7 3rd bullet	*We assume that…projects.*	MM receives assurances from the department issuing the tender that proper approved funding is in place. In some cases it is not and the document will reflect that. If funding is not in place, or special language is not included, the tender will not be issued. It is the department's responsibility to ensure they have the proper funding.	No change.
105	34	4.7 4th bullet	*Failure to ensure…responsibility of MM.*	Agree. We operate on the basis of the knowledge we have at the time. In this case the MMM will take responsibility for missing some critical information that we were informed of. This should not change any current	No change.

Appendix F

City Management's Comments Regarding a Review of Ernst & Young Draft Report dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY'S Response to City Administration Concern
				processes. We are diligent at all times to ensure an open, fair and transparent procurement process.	
106	6	August 19, 2010		Throughout process, MM inaccurately assumed there was only one Ontario meeting/trip. This should be clarified throughout the draft report as Current CAO had no knowledge second trip, which included Shindico, occurred and he did not attend in any capacity. It should be noted, however, that the trip to London does not benefit Shindico as their alternative bid was based on their own design, not an additional design from M&M.	No change, CAO received email which spoke to second trip. MM has acknowledged they were aware of the second trip.
107	10	June 24, 2011		Should add to this: *This course of action was recommended only after careful thought, reviewing all of the information at hand and in consultation and concurrence with LS on what approach to take for Station 18.*	No change.

Fire Paramedic Station Construction Project

Appendix G

Chief WFPS's Comments Regarding Review of Ernst & Young Draft Report Dated September 5, 2013

Comment Number	Page Reference	Paragraph # Reference/ bullet #	Specific Report Wording	Explanation as to why the statement is inaccurate	EY's Response to Chief WFPS Concern
1	6 (Now Page 7)	REF #28 (Now #29)	In spite of Legal Advice Signs Land Exch	Chief would have had to receive O.K. from CAO/PPED.	No Comment
2	16 (Now Page 20)	Bullet 1 (Section 4.1.3)	Based on our review.	-No cost provided by Shindico/No Contract until July 2012 in spite of repeated requests.	No Comment
3	18 (Now Page 22)	Bullet 1 (Now Bullet #3)	In responding to the original RFP.	Qualico was aware of land and offered it to city for purchase.	No Comment
4	19 (Now Page 23)	Para 1 (Now Bullet #1)	Shindico was encouraged by a City representative currently unknown…	WFPS and M&M were against a new design as we had concerns it would not meet post disaster requirements.	No Comment
5	23 (Now Page 27)	4.3.1 Bullet 3	This decision was apparently made by the Chief WFPS & the CAO.	MA fees were far too expensive not in budget. Were told by MA that they had no resources to manage this project. We (Hunter) contacted CAO with proposal. CAO directed WFPS Chief to hire we and take it out of our budget. $100k	No Comment

Fire Paramedic Station Construction Project

Appendix G

Chief WFPS's Comments Regarding Review of Ernst & Young Draft Report Dated September 5, 2013

6	23	4.3.1 Bullet 4	…..Project updates were delivered…..	Also included discussions on every facet of the project including concerns and land/site issues.	No Comment
7	24	4.3.2 Bullet 3	It appears that the Chief WFPS assumed…..	-The budget was set up by finance to front load the projects as the funds would cascade from project to project as they were completed. The inability of Shindico to provide a final price created uncertainty. Stopped construction over Winter to conserve funding.	No Comment
8	24	4.3.2 Bullet 2	The sizing of.Portage. Station II	Original design w/museum was rejected by public works as a traffic distraction. It was assumed the sq ft of museum elimination would translate to a 4th bay. This requires additional accommodation in crew space as well thus increasing overall 3000 sf for apparatus bay and living space.	No Comment
9	25	4.3.3 Bullet 3 on Pg.	Contracts which exceed $10M	Contracts were not split to circumvent council approval, Chief WFPS was advised by MMM that this was normal practice & acceptable recommended this process as 4 separate projects under one program budget. RFP was for 1-2-3 or 4 stations. Thus it was represented to me that we could have 4 different builders of the stations.	No Comment
10	27	Bullet 5	The results of our review…	MRE/PP&D real estate was involved from the initial land exchange proposal. Met with John Zabudney & Karen Cann@ RE, 65 Garry to outline Shindico proposal. WFPS Chief conversations with Shindico involved WFPS willingness to part with certain sites. As many different City sites were proposed by Shindico, WFPS Chief had no way to negotiate properties not under WFPS	No Comment

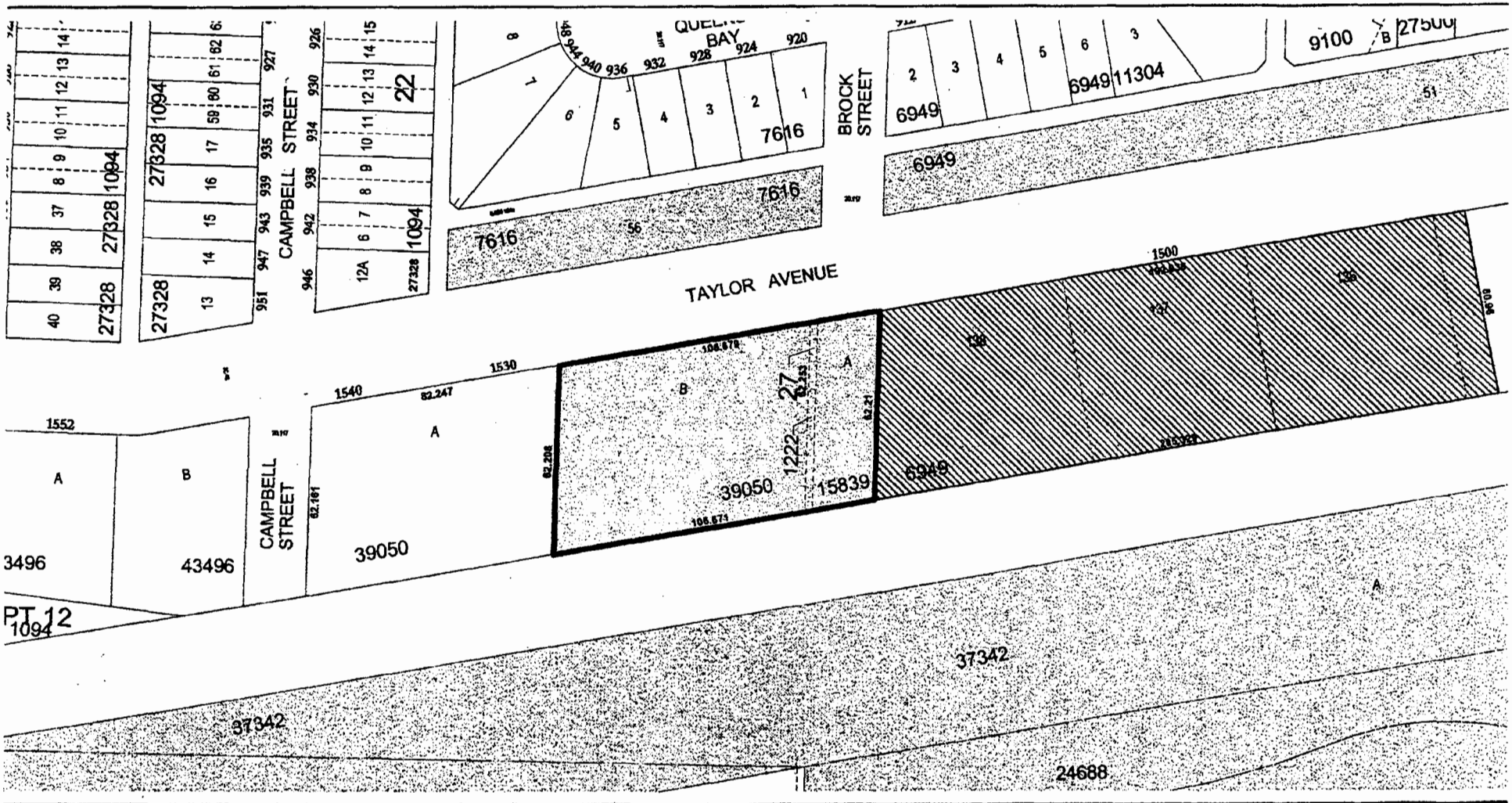
				jurisdiction. Appraisal for all Dept. Sites were requested of MRE. Prior to any discussion with Shindico on value. CAO was involved in negotiations. WFPS Chief asked CAO to intervene when negotiations stalled. Response :I'll talk to them" meaning Shindico.	
11	31 (Now Page 35)	4.5 Bullet 4	The Architectural Firm that was expected to replace M&M was Nejmark Arch	No discussion occurred with Shindico on Nejmark Architects for the suburban stations. It was WFPS understanding that Pre-Con would undertake that function in-house which they did..	No Comment
12	31 (Now Page 35)	Bullet 5	WFPS chose to deal with the Sage Creek	WFPS was instructed to go to council with the $60k over expenditure on the contracted amount by corporate finance Paul Olafson.	No Comment
13	34 (Now Page 39)	4.7 Bullet 7 (Now Bullet #5)	The splitting of contracts due to lack of funding.	Issue also know by MMM who recommended the foundation only & CFO who advised a first call on 2013 capital be held of til Fall as was normal process & the exact shortfall would be known for sure.	No Comment
14	Appendix A		Parties involved Project Manager Kristine Friesen.	Williams Eng. Was the Project Manager. Ms. Friesen was the client advocate project coordinator.	Change Made
15	Appendix B	March 29 2010	Section B One in the vicinity of Grant & Waverley	Maps were provided in RFP with sites within a certain geographical area to enhance response times.	No Comment

Fire Paramedic Station Construction Project

Appendix G

Chief WFPS's Comments Regarding Review of Ernst & Young Draft Report Dated September 5, 2013

16	Appendix B	August 19 2010	The Chief WFPS	Shindico went on their own as was their plan. WFPS went at the same time to ensure accuracy of discussions.	No Change
17	Appendix B	November 24,2008		Nov 24/08 Initial Meeting-Requested 3 Stations 11-18-#27 current CAO asked of intent for Grosvenor. -Grosvenor rebuilt CAO Q "What are you doing w/old station" A "Surplus-can be sold" CAO Resp. "Lets do that one too" F CAO "Fine then Mike give him funding for that one too"	No Change
18	Appendix B	April 20, 2009		Private Discussion with WFPS Chief and Current CAO in CAO Office when RFQ released in 2009 Current CAO "I want Shindico to build these firehalls" WFPS Chief "then lets hope they're the low bidder then"	No Change
19	Appendix B	November 14, 2011		Nov 14/2011 Should read "WFPS Project Liaison"-Not Project Manager.	Change Made
20	Appendix B	Jan 26/2012		"The Chief WFPS sent an email" -The intent was for "Taylor Avenue in it's entirety "Not a subdivided portion of the property. That would save the City adjacently to federal properties and thus first right of purchase should they come up for sale.	No Change



EC-06

N
W E
S

Thereon has been
d from a variety of sources
s a general guide only.
ised or implied
y of such information.

CITY OWNED PROPERTY

OWNER: Unicity Racquet Club Ltd
± 12134.7 m² (± 130617 ft² - 3.0 acres)

CITY OWNED PROPERTY LEASED to Unicity Racquet Club Ltd
Area: ± 6498.5 m² (± 69949 ft² - 1.6 acres)

METRIC

CITY OF WINNIPEG
PLANNING, PROPERTY AND DEVELOPME
LAND INFORMATION & MAPPING SER

MISC. PLAN NO. 9732 / 2

RE: Taylor Property Lease to Unicity Racquet Club
Zabudney, John to: 'Steve.Whitla[redacted] 23/05/2013 10:17 AM

History: This message has been replied to.

1 attachment



MiscPlan09732_02.tif

Lessee: Unicity Racquet Club

Term: Feb 3, 2006 to February 2, 2011

Rent: Year 1 - 6,562.00 + GST
Years 2-5 - $11,000 + GST

Realty Taxes: Yes

Cancellation: 365 Days' notice by either party

Appears to be in an "over holding" position.

John S. Zabudney, FRI (E), CLO, CRA
Manager of Real Estate

City of Winnipeg
Planning, Property and Development
Real Estate Division
2 - 65 Garry Street
Winnipeg, MB R3C 4K4

[redacted]

This communication is intended only for the person to whom it is addressed, and may contain information that is confidential. Any other use, distribution, copying or disclosure is strictly prohibited. If you have received this communication in error, please notify the sender immediately by phone [redacted] or reply to the message and then delete and destroy any copies of it.

-----Original Message-----
From: Steve.Whitla[redacted]
Sent: Wednesday, May 22, 2013 6:11 PM
To: Zabudney, John
Subject: Re: Taylor Property Lease to Unicity Racquet Club

That would be great

----- Original Message -----
From: "Zabudney, John" [redacted]
Sent: 05/22/2013 10:42 PM GMT
To: Steve Whitla

Subject: Re: Taylor Property Lease to Unicity Racquet Club

First thing in the morning ok?

John S. Zabudney, FRI (E), CLO, CRA
Manager of Real Estate
City of Winnipeg
Planning, Property and Development Department
[redacted]

Sent from my iPad

On 2013-05-22, at 4:54 PM, "Steve.Whitla[redacted]<
[redacted]

John
The city owns a piece of land on Taylor that is leased to a Racquet Club. Land you get me the details on the property and lease terms please
<mime-attachment.gif> Steven A Whitla | Partner | Fraud Investigation & Dispute Services

Ernst & Young LLP
[redacted]
Thank you for considering the environmental impact of printing emails.

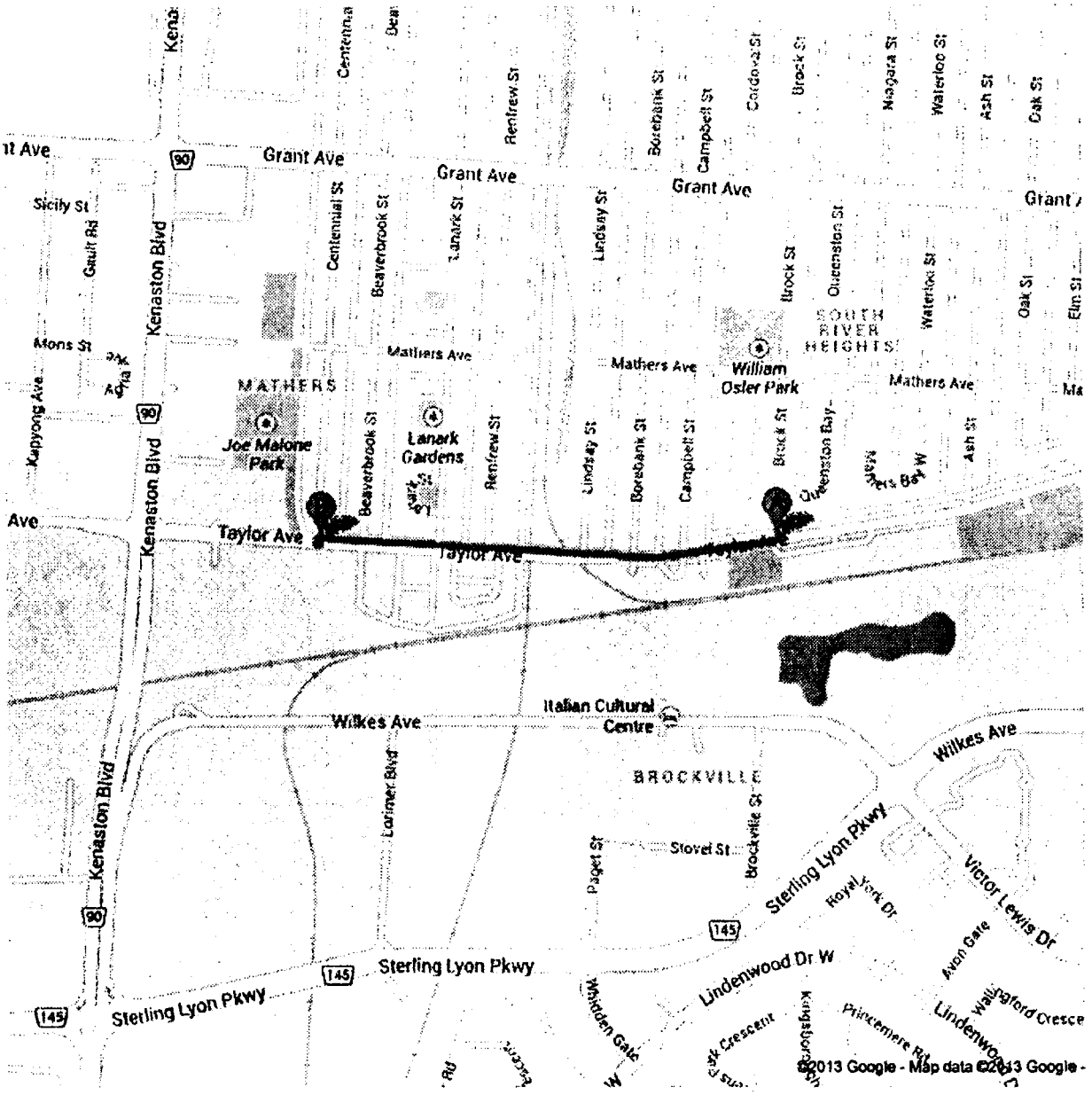
This message (including any attachments) is CONFIDENTIAL and may be PRIVILEGED. If you are not an intended recipient you are hereby notified that any distribution, copying or use by you of this information is strictly prohibited. If you have received this message in error please immediately notify the sender and delete all copies of this information from your system. // L'information contenue dans le présent courriel (y compris les pièces jointes, le cas échéant) est CONFIDENTIELLE et peut être PRIVILÉGIÉE. Si vous n'êtes pas le destinataire prévu, vous êtes par la présente avisé(e) que toute diffusion, copie ou utilisation de ladite information est strictement interdite. Si vous avez reçu cette communication par erreur, veuillez nous en aviser immédiatement en répondant à l'expéditeur et effacer de votre ordinateur toute trace de cette information.

Any U.S. tax advice contained in the body of this e-mail was not intended or written to be used, and cannot be used, by the recipient for the purpose of avoiding penalties that may be imposed under United States federal, state or local tax law. // Tout conseil de fiscalité américaine contenu, le cas échéant, dans le présent courriel ne visait pas à éviter des pénalités pouvant être imposées en vertu des lois fiscales fédérales, étatiques ou locales des États-Unis, n'a pas été rédigé dans ce but et ne doit pas être utilisé à cette fin par le destinataire.

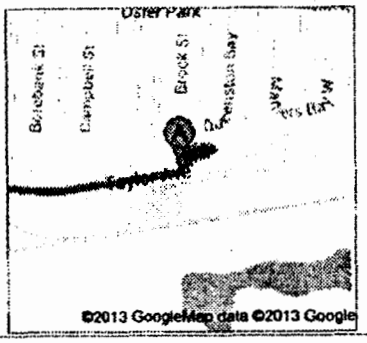
This message (including any attachments) is CONFIDENTIAL and may be

Google

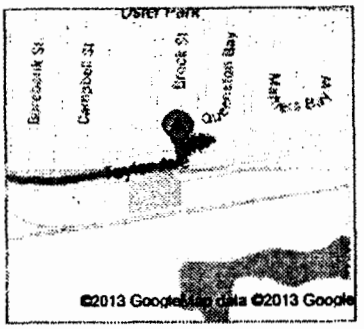
Directions to 1780 Taylor Ave, Winnipeg, MB R3N 0N8
950 m – about 2 mins



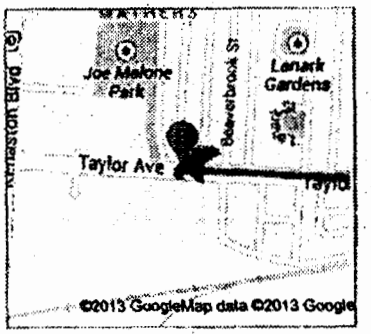
1520 Taylor Ave, Winnipeg, MB R3N 1Y1



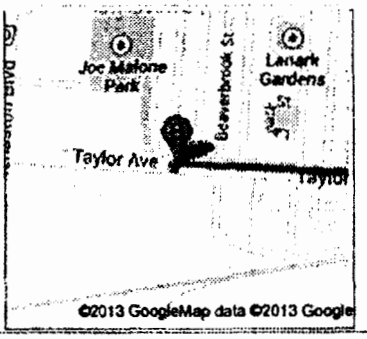
1. Head **west** on **Taylor Ave** toward **Brock St**
   About 1 min — go 900 m, total 900 m



2. Make a U-turn at **Centennial St**
   Destination will be on the right
   About 1 min — go 17 m, total 950 m



1780 Taylor Ave, Winnipeg, MB R3N 0N8



These directions are for planning purposes only. You may find that construction projects, traffic, weather, or other events may cause conditions to differ from the map results, and you should plan your route accordingly. You must obey all signs or notices regarding your route.

Map data ©2013 Google

Directions weren't right? Please find your route on maps.google.ca and click "Report a problem" at the bottom left.



City of Winnipeg - Fire Paramedic Station Review
Papst, Diane
to:
'Steve.Whitla[redacted]'
17/07/2013 01:23PM
Cc:
"Jack, Michael"
Hide Details
From: "Papst, Diane" [redacted]
To: "'Steve.Whitla[redacted]"' <Steve.Whitla[redacted]>,

Cc: "Jack, Michael"
[redacted] History: This
message has been forwarded.

Hello Steve;

In your email below, you asked for the specific City Policy that speaks to contracting only when the funds exist in the Council approved budget. The Materials Management Policy is the applicable policy. 88.2(a) of the Materials Management Policy provides as follows:

88.2 The Chief Administrative Officer shall have the authority to approve and award a contract where:

(a) The contract is for a supply to the City, where the value of the contract does not exceed $10,000,000., and there are sufficient funds for the monetary consideration to be paid by the City in a budget therefor approved by Council; or

88.2(b) provides an exception to that requirement for sufficient funds in a Council approved budget, for contracts that are less than $10,000,000, less than five years in duration and which do not create an absolute commitment for funds not yet approved by Council. 88 2(c) delegates award authority to the Chief Administrative Officer when the contract is for a supply by the City.

In Administrative Standard FM-002, the Chief Administrative Officer has further delegated his authority to approve and award contracts pursuant to 88.2(a) of the Materials Management Policy with the same restriction that there are sufficient funds for the monetary consideration to be paid by the City in a budget therefor approved by Council.

Please let me know if I can be of further assistance or if you require a copy of the Materials Management Policy.

Regards

DIANE McMENEMY PAPST
BARRISTER & SOLICITOR
CITY OF WINNIPEG LEGAL SERVICES DEPARTMENT
3rd Floor - 185 King Street Winnipeg MB R3B 1J1
[redacted]

This electronic message is intended only for the party to whom it is addressed and may contain information which is privileged or confidential. Any other delivery, distribution, copying or disclosure is

strictly prohibited and is not a waiver of privilege or confidentiality. If you have received this message by error, please notify the sender immediately by phone [redacted] or return the message and destroy it.

From: Papst, Diane
Sent: Wednesday, July 03, 2013 2:45 PM
To: 'Steve.Whitla[redacted]'
Cc: Jack, Michael
Subject: City of Winnipeg- Fire Paramedic Station Review

Hello Steve;

I'm just back in the office following a 3 week vacation. I'll respond to your question before the end of the week.

Regards...Diane

DIANE McMENEMY PAPST
BARRISTER & SOLICITOR
CITY OF WINNIPEG LEGALSERVICES DEPARTMENT
3rd Floor- 185 King Street Winnipeg MB R38 1J1
[redacted]

This electronic message is intended only for the party to whom it is addressed and may contain information which is privileged or confidential. Any other delivery, distribution, copying or disclosure is strictly prohibited and is not a waiver of privilege or confidentiality. If you have received this message by error, please notify the sender immediately by phone [redacted] or return the message and destroy it.

From: Steve.Whitla[redacted]
Sent: Tuesday, June 11, 2013 4:13PM
To: Papst, Diane
Cc: Jack, Michael
Subject: Re: City of Winnipeg- Fire Paramedic Station Review

Diane
Thank you for this.
I have an additional question for you which I hope you can help with. During our interview you mentioned that one of the reasons that the Portage station went with a foundation only contract is the fact that council had not provided spending authority to a limit that would have allowed for the full contract. Can you reference the specific City Policy that speaks to contracting only when the funds exist in the Council approved budget

Steven A Whitla 1 Partner 1 Fraud Investigation & Dispute Services
Ernst & Young LLP
[redacted]