David M. Sanders, M.A., LL.B.

July 15, 2014

Chair and Members
Executive Policy Committee
The City of Winnipeg
510 Main Street
Winnipeg MB

Re: Executive Policy Committee – 3:30 p.m. Tuesday, July 15, 2014

AUDIT COMMITTEE

1. Winnipeg Police Service Headquarters Quantity Survey and Construction Project Audit - Status Updates – April 23, 2014

2 Winnipeg Police Service Headquarters Quantity Survey and Construction Project Audit - Status Updates – May 16, 2014

3. Quantity Survey Review of the Winnipeg Police Headquarters Construction Project

4. External Audit of the Winnipeg Police Headquarters Construction Project

My name is David Sanders and I am appearing as a private citizen to comment on the above listed agenda items.

1. Winnipeg Police Service Headquarters Quantity Survey and Construction Project Audit - Status Updates – April 23, 2014

I would like to begin by thanking whoever "located" these three Project Status Reports, which the City Auditor said last week that he had submitted to the offices of the Mayor and the Chief Administrative Officer on April 23rd, almost three months ago, and May 16th, two months ago.

I have been asking the Council and the City Auditor for these monthly status reports, which had been ordered by City Council, since March 24th. Because I had received no response until I raised the issue again at EPC on July 9th, I trust you will forgive me for beginning to think that someone was suppressing the publication of these reports.

I keep having to remind myself that whenever I start looking for conspiracies, I should never underestimate the effect of incompetence. But since I presume that the staff of the Mayor and the CAO are competent people, I must conclude that someone prevented the submission and publication of these reports.

As further supporting evidence for that conclusion, I am attaching copies of the following:

a) June 13 email to City Council and the City Auditor, re the Contracted External Audits; and
b) April 24th email to City Council and the City Clerk, attaching my letter of April 17 with regard to a number of outstanding reports, including the Monthly Status Reports for the New Police Headquarters Audits specifically. The Mayor's Office never acknowledged or replied to my April 17th request.

So it is not good enough to tell me now that the mandatory Monthly Status Reports have been "found," and to have them published just before the Final Audit Reports are submitted and published this afternoon.

I would like both the Mayor and the CAO to explain how and why these reports were withheld from Council and the public all this time, and what the consequences are for those who have obstructed the work of Council in this way. I would also like to know why the City Auditor apparently made no inquiries and took no action to ensure that these reports were actually received by the members of Council, as required.

Now with respect to the April 15th Status Report for the Turner and Townsend Quantity Survey, if Council had received that report when expected, I would have asked for clarification of the costs to be included in the analysis.

The Anticipated Project Construction Costs are given as $155 million (pet $137.1 GMP plus $17.2 million). But the Revised Budget, excluding the cost of acquiring the Canada Post Building, is $178.2 million. That includes $15,891,000 for engineering, design and other costs, plus $6 million representing construction period interest.

For the benefit of EPC, I am attaching a copy of Financial Status Report No. 5 for the Period ending March 31, 2014, submitted to SPC Finance on June 19, 2014.

At that time, I commented as follows:

a) If the new shooting range at Wyper Road was substantially complete in the fall of 2012, why is the contractor still having to correct deficiencies in the spring of 2014?
b) If the Headquarters Building project is on schedule, with the building available for occupancy in the "summer of 2014," why will the Police Services not start moving in until the fall of 2014?

c) The Winnipeg Police Services recently stated in its 2014 First Quarter Financial Report that:

> "The costs for buildings, managed by the City of Winnipeg Municipal Accommodations Branch, will be increasing in 2014. The original budgeted increase was predicated on a July 1, 2014 move in date. Current scheduling of the move is later….."

So is the building redevelopment "on schedule," or not?

d) As previously reported, the budget for furniture and furnishings was greatly reduced in response to construction cost overruns. Exactly how many million dollars will now be charged to the Police Service operating budget to provide the furniture and furnishings required?

e) Has the City made any effort to recover any part of the $5 million paid to AECOM Inc. for engineering design work which had to be redone by AAR Limited, who took over the design project in December of 2011?

f) The Report makes no mention whatsoever of either of the two audits ordered by City Council in January, requiring monthly progress reports to Council and final reports to Council within 150 days, by next week:
   a. KPMG Audit of the Winnipeg Police Service Headquarters Construction Project (RFP 87-2014)
   b. Turner & Townsend Quantity Surveying and Cost Consulting Services engaged to review the Winnipeg Police Service Headquarters Construction Project (RFP 105-2014)

Will those final audit reports be published next week, as directed by City Council? If not, why not? And if not next week, when?

As usual, I received no answers to my questions at Committee.

2 Winnipeg Police Service Headquarters Quantity Survey and Construction Project Audit - Status Updates – May 16, 2014

With respect to the May 15th Project Status Report #2, Turner & Townsend still say they are dealing with anticipated construction costs of $155 million, and Police HQ Substantial Completion in the Spring of 2014.

KPMG's first Monthly Status Report indicates that the firm was awarded the contract only on April 22, 2014, and that as of May 16th the consultants wished to reschedule the submission of their Final Report to July 9th, last week.

Personally, I think a meaningful Status Report would have at least provided a copy of the Engagement Schedule and Proposed Report Structure which KPMG did submit to the City Auditor on May 1st.

3. Quantity Survey Review of the Winnipeg Police Headquarters Construction Project

The contract for 105-2014 (Cost Consulting) was not awarded to Turner & Townsend until March 26, for $165,000.

Again, I presume I am the only person in the room who has not been able to read or at least scan the actual report. **I trust the full report will be posted on the City's website shortly, today, so that I may read it before commenting on the actual report at City Council tomorrow morning, as I have requested.**

4. External Audit of the Winnipeg Police Headquarters Construction Project

The contract for RFP 87-2014 (Audit) was not awarded to KPMG until April 22, for $199,500.

I presume I am among the few people in the room who has not been able to read or at least scan the actual Audit report. **Again, I trust the full report will be posted on the City's website shortly, today, so that I may read it before commenting on the actual report at City Council tomorrow morning, as I have requested.**

I was particularly upset by the time it took to launch the KPMG Audit, and therefore I will be truly amazed if the auditors have been able to do a thorough job, especially when the City Auditor was not prepared to use his investigative powers granted by *The City of Winnipeg Charter.*

Thank you.

David M. Sanders MA LLB
River Heights-Fort Garry
DMS/bm

Subject: Fw: Contracted External Audits and Related Consultant Reports

From: David Sanders (westhawk41@yahoo.ca)

To: SKatz@winnipeg.ca; REadie@winnipeg.ca; SFielding@winnipeg.ca; JGerbasi@winnipeg.ca; PHavixbeck@winnipeg.ca; BMayes@winnipeg.ca; GNordman@winnipeg.ca; JOrlikow@winnipeg.ca; MPagtakhan@winnipeg.ca; DSharma@winnipeg.ca; HSmith@winnipeg.ca; TSteen@winnipeg.ca; JSwandel@winnipeg.ca; DVandal@winnipeg.ca; RWyatt@winnipeg.ca;

Cc: BWhiteside@winnipeg.ca; BMansky@winnipeg.ca;

[redacted]

Date: Friday, June 13, 2014 7:07:22 PM

Members of City Council:

I was very disappointed this afternoon to read the posted agenda for next week's EPC meeting, and to see none of the items listed below in my email addressed to the City Auditor.

Where is the Ernst & Young Real Estate Management Audit Report? Apparently E&Y were paid $211,325.00 for that Audit by December 31, 2013. It is now almost six months after that, and still no report has been published.

As of December 31, 2013, E&Y had been paid $246,099.99, in full, for the original Fire Paramedic Stations Construction Project Audit. On October 22, 2013, Council directed that E&Y conduct and report on interviews with all present Councillors and all former Councillors involved with that project, but no further report has been published as yet, eight months later.

In January, Council gave firm directions that the firms conducting the two special audits ordered for the New Police Headquarters Redevelopment Project were to submit monthly reports to Council, and Final Reports to Council by June 25th. No reports have been published so far.

On a related matter, I note that five months has now passed since the first "Quarterly Status Report – Public Service response to the Report on New Fire Paramedic Stations Construction Project" was produced on January 10th. I was expecting to see the second "quarterly" report, as ordered by City Council, in late April. But now another two months have passed.

What are the citizens of Winnipeg supposed to think of all this?

I hope we will all receive a good explanation soon.

Regards,
David M. Sanders

----- Forwarded Message -----
From: David Sanders <westhawk41@yahoo.ca>
To: "Mansky, Bryan" <BMansky@winnipeg.ca>
Cc: "Whiteside, Brian" <BWhiteside@winnipeg.ca>
Sent: Friday, June 13, 2014 3:36:33 PM
Subject: Re: Contracted External Audits and Related Consultant Reports

Gentlemen:

I have just reviewed the agenda for next week's EPC meeting on June 18, 2014, and I see no audit reports on that agenda.

I believe the EPC agenda should include the following:

1. Report of the Ernst & Young Real Estate Management Audit. (RFP 784-2012A)

2. The mandatory Monthly Report and the Final Report on the Audit of the Winnipeg Police Service Headquarters Construction Project by June 25, 2014. (RFP 87-2014)

3. Turner & Townsend's mandatory Monthly Report to Council and the Final Quantity Surveying and Cost Consulting Report by June 25, 2014. (RFP 105-2014)

4. "A full cost breakdown of each existing audit requested by Council including the original contract values and any additional appropriations."

5. Ernst & Young's additional Audit Report on their examination of the roles and responsibilities of the Mayor and Council with respect to the Fire Paramedic Stations Construction Project.

6. The City Auditor's 2014 1Q Accountability Report.
Please advise why none of these appear on the agenda.

Thank you.

David M. Sanders MA LLB

From: "Mansky, Bryan" <BMansky@winnipeg.ca>
To: 'David Sanders' <westhawk41@yahoo.ca>
Cc: "Whiteside, Brian" <BWhiteside@winnipeg.ca>
Sent: Tuesday, April 22, 2014 3:22:16 PM
Subject: RE: Contracted External Audits and Related Consultant Reports

Good afternoon,

The reporting to Audit Committee and Council of the various matters you have referred to in your email is expected to occur over the next several weeks. Please refer to the Decision Making Information System page on the City's Website for the publication of these reports and the dates these matters will be dealt with by Audit Committee and Council.

Thank you, Bryan

From: David Sanders [mailto:westhawk41@yahoo.ca]
Sent: Friday, April 18, 2014 6:48 PM
To: Mansky, Bryan
Cc: Whiteside, Brian
Subject: Re: Contracted External Audits and Related Consultant Reports

Hi Bryan:

I have received no response to my emails below as yet.

I would appreciate it very much if you would advise me on Tuesday, April 21 as to the following:

1. When should we expect publication of the Report of the Ernst & Young Real Estate Management Audit? (RFP 784-2012A)

2. When should we expect the award of the contract for the Audit of the Winnipeg Police Service Headquarters Construction Project to be announced publicly? May we expect Council to receive the mandatory Monthly Report on May 28 and the Final Report by June 25, 2014? (RFP 87-2014)

3. Will Turner & Townsend be providing the mandatory Monthly Reports to Council on April 30 and May 28 and the Final Quantity Surveying and Cost Consulting Report by June 25, 2014? (RFP 105-2014)

4. When will the City Auditor provide "a full cost breakdown of each existing audit

requested by Council including the original contract values and any additional appropriations"?

5. When may we expect to see publication of Ernst & Young's additional Audit Report on their examination of the roles and responsibilities of the Mayor and Council with respect to the Fire Paramedic Stations Construction Project?

6. When may we expect to see publication of the report and findings of the Legal Review of the Fire Paramedic Stations Construction Project, being conducted by Procurement Law Office Professional Corporation (RFP 904-2013)

Is it your intention to produce a City Auditor's 2014 1Q Accountability Report shortly?

I looking forward to hearing from you on Tuesday.
Thank you.

David M. Sanders MA LLB

From: David Sanders <westhawk41@yahoo.ca>
To: Bryan Mansky <BMansky@winnipeg.ca>
Cc: Brian Whiteside <BWhiteside@winnipeg.ca>
Sent: Tuesday, April 1, 2014 10:14:11 AM
Subject: Fw: Winnipeg Police Service Headquarters - Audit and Cost Study

Hi Brian:

I have not yet received a reply to my email from a week ago, although I see that the Cost Study contract has been awarded now.
However, I am becoming really concerned about the Audit assignment, and the possibility of meeting Council's deadline for the final report at the end of June.
Could you please advise what is happening with the Audit assignment?

Thank you,
David Sanders

----- Forwarded Message -----
From: David Sanders <westhawk41@yahoo.ca>
To: Bryan Mansky <BMansky@winnipeg.ca>
Cc: Brian Whiteside <BWhiteside@winnipeg.ca>
Sent: Monday, March 24, 2014 8:12:55 AM
Subject: Winnipeg Police Service Headquarters - Audit and Cost Study

Good morning, Bryan:

I see there are no monthly reports for either the Audit or the Cost Study on the agenda for City Council's meeting on Wednesday, March 26.

According to the City's Closed Bid Website, the RFP's for 87-2014 (Audit) and 105-2014 (Cost Consulting) closed at the end of February, and the successful proponents were to be selected by March 7, 2014, more than two weeks ago.

However, as of this morning, the Website states that contracts have not yet been awarded.

Could you please advise if there is any problem with either of these audit projects, and whether you still expect the consultants to be able to deliver final reports to City Council by the time of its June 25th meeting, before the summer break?

I would very much appreciate receiving your response before Wednesday morning.

Thanks,

David M. Sanders MA LLB
907-885 Wilkes Avenue
Winnipeg MB
R3P 1J3
204-232-2875

Subject: Fw: Request to Speak on Certain Subjects Which May Not Be Placed on Council Agenda, April 30, 2014

From: David Sanders (westhawk41@yahoo.ca)

To: JBrowaty@winnipeg.ca; JGerbasi@winnipeg.ca; SFielding@winnipeg.ca; MPagtakhan@winnipeg.ca; DVandal@winnipeg.ca; BMayes@winnipeg.ca; RWyatt@winnipeg.ca; JSwandel@winnipeg.ca; TSteen@winnipeg.ca; HSmith@winnipeg.ca; DSharma@winnipeg.ca; GNordman@winnipeg.ca; REadie@winnipeg.ca; JOrlikow@winnipeg.ca; PHavixbeck@winnipeg.ca;

Cc: MYO-Mayor@winnipeg.ca;

Date: Thursday, April 24, 2014 3:26:16 PM

To: Members of City Council

Please see the attached letter, in which I requested to speak at City Council on certain subjects which may not be placed on the agenda for the City Council meeting at 9:30 a.m. on Wednesday, April 30, 2014.

The City Clerk has advised me that my letter was forwarded to the Office of the Mayor, who will decide which matters, if any, will be placed on any Committee agendas.
Since none of these matters were on the agenda for EPC on April 23, I presume none will be on the Council agenda for April 30th.

I do note that the contract for the Police HQ Audit was finally awarded on April 22 and posted today, for KPMG LLP for $199,500. What does this mean for the mandatory June report deadline?

I have also now been advised by the City Auditor's Office that reports on all of the audit matters should be before Council within the next several weeks. I trust they will be made public immediately.

In the meantime, I believe the citizens of Winnipeg would appreciate hearing much more about these issues.

Thank you,
David M. Sanders
River Heights-Fort Garry

----- Forwarded Message -----
From: David Sanders <westhawk41@yahoo.ca>

To: Richard Kachur <RKachur@winnipeg.ca>
Cc: Lemoine Marc <MLemoine@winnipeg.ca>
Sent: Thursday, April 17, 2014 4:17:31 PM
Subject: Request to Speak on Certain Subjects Which May Not Be Placed on Council Agenda, April 30, 2014

Gentlemen:

Please see the attached letter, in which I am requesting to speak at City Council on certain subjects which may not be placed on the agenda for the City Council meeting at 9:30 a.m. on Wednesday, April 30, 2014.

If any of them are in fact on the agenda, then please register me to speak to them now.

If not, please refer the requests to the Executive Policy Committee and/or other committee of Council as has jurisdiction over each one.

As EPC meets next on Wednesday, April 23, I would be happy to speak to all of these subjects first there.

Thanks,
David M. Sanders MA LLB
907-885 Wilkes Avenue
Winnipeg MB R3P 1J3
204-232-2875

David M. Sanders, M.A., LL.B.
907-885 Wilkes Avenue
Winnipeg MB R3B 1J3

April 17, 2014

Mr. Richard Kachur
City Clerk
The City of Winnipeg
510 Main Street
Winnipeg, MB

Dear Richard:

Re: Request to Speak on Certain Subjects
Which May Not Be Placed on the Agenda
For the City Council Meeting – 9:30 a.m., Wednesday, April 30, 2014

I wish to speak on certain subjects which may not be placed on the agenda for the next City Council meeting on April 30, 2014.

Accordingly, pursuant to Section 51(2) of the City's Procedure By-law, No. 50/2007, I hereby request that you refer my request to appear as a delegation on each of the following subjects, to such committee of Council as has jurisdiction over each of the subject matters.

I have organized my list of requested subjects in reference to each committee of Council which I believe has jurisdiction over those matters.

Executive Policy Committee – Audit Committee

1. Report of the Ernst & Young Real Estate Management Audit, being prepared as instructed by City Council on September 27, 2012:

   "That an external and objective Real Estate Management audit be conducted, going back a minimum of 5 years, which will review the processes and policies used for all major land Acquisition, Sales, Transfers and External leasing activities including all transactions where commissions or management fees were paid with City of Winnipeg funds."

   The audit contract (RFP 784-2012A) was awarded on December 20, 2012. No report has been published as yet, 16 months later.

2. Monthly Reports to Council on the Audit of the Winnipeg Police Service Headquarters Construction Project (RFP 87-2014), and the Turner & Townsend Quantity Surveying and Cost Consulting Services engaged to review the Winnipeg Police Service Headquarters Construction Project (RFP 105-2014).

On January 29, 2014, City Council agreed:

"1. That the City Auditor be instructed to engage an external auditor and such other professionals (collectively, the "External Auditors") as may be required to conduct an independent audit and a quantity survey review of the Winnipeg Police Headquarters construction project (the "External Audit").

2. That the City Auditor be granted the authority to expend one-time funding of up to $500,000 to engage the External Auditors and carry out the External Audit, as well as fund other existing audits as requested by Council beyond the existing scope of the audit, and that an additional appropriation for this amount be approved.

3. That the City Auditor provide a full cost breakdown of each existing audit requested by Council including the original contract values and any additional appropriations.

4. That the City Auditor report back to Council with the results of the External Audit within 150 days.

That there be monthly updates provided to Council on the status of the Audit."

The Turner & Townsend consulting contract was awarded on March 26, 2014.

As of today, no contract has been awarded for the Audit of the Winnipeg Police Service Headquarters Construction Project (RFP 87-2014).

After more than two months, the City Auditor has not yet provided "a full cost breakdown of each existing audit requested by Council including the original contract values and any additional appropriations."

3. Report to Winnipeg City Council - New Fire Paramedic Stations Construction Project

   a. Quarterly Status Report (Q1 2014) – Public Service response to the Report on New Fire Paramedic Stations Construction Project , and

   b. Ernst & Young's additional Audit Report on their examination of the roles and responsibilities of the Mayor and Council with respect to the Fire Paramedic Stations Construction Project.

   c. Legal Review of the New Fire Paramedic Stations Construction Project Audit Report (RFP 940-2013).

   d. Release of the complete Stantec Traffic Study related to the Fire Hall located at 1705 Portage Avenue.

   On October 22, 2013, Council instructed:

   That the report be revisited by Ernst and Young (Auditor) all members of Council be interviewed and the results incorporated into the report, and

   "That regular quarterly reporting be provided to Council about the implementation of the recommendations" of Ernst & Young, including regular Council Seminars over the next year.

   On October 23, 2014, Council instructed:

   "That City Council send the entire Fire Paramedic audit to outside legal counsel that specializes in the law of competitive public tendering processes and procurement practices of government and quasi-government entities, for review to determine potential illegal activity by the civic administration as well as potential legal and financial liability by the City of Winnipeg; and

   That the findings of outside legal counsel be shared with the entire Council."

   On February 7, the contract for the Legal Review was awarded to Procurement Law Office Professional Corporation of Toronto.

On February 26, 2014, Council instructed:

"That the Winnipeg Public Service provide to all Members of Council information relating to the Stantec Traffic Study in accordance with the Freedom of Information and Protection of Privacy Act (FIPPA), and

That the Winnipeg Public Service report back in an appropriate time period to Standing Committee an evaluation and update on the new traffic signalization system at the Fire Hall located at 1705 Portage Avenue (Station 11)

4. Progress Report on the Hiring of a New Chief Administrative Officer, assisted by Organization Consulting Limited of Toronto, Ontario.

5. Progress Report on the Establishment of an Ethics Officer for City Council.

6. City Auditor's 2014 1Q Accountability Report

Standing Policy Committee on Finance

7. Quarterly Financial Status Report - Capital Integration Project (Southwest Rapid Transit Corridor, Jubilee Underpass, and Hugo-Calrossie Sewer Projects)

   On March 13, 2014, the Standing Policy Committee on Finance recommended that Winnipeg Public Service provide a presentation on the Capital Integration Project at its next meeting on April 10, 2014. The WPS provided only a verbal report at that time. The Quarterly Status Report (Q1 2014) is due for the period ending March 31, 2014.

8. Quarterly Financial Status Report No. 5 – Winnipeg Police Service Headquarters Construction Project, for the Q1 2014 period, ending March 31, 2014.

   On March 13, 2014 the Standing Policy Committee on Finance recommended that the Winnipeg Public Service provide a schedule, at every meeting of Committee, of all reports pertaining to Administrative Directive FF004 which includes all projects and date of next report. The CFO did not present such a schedule at the next Finance Committee meeting, on

My understanding is that none of the above subjects would be prohibited from inclusion on the agenda of City Council's April 30th agenda, per section 51(8) of the Procedure By-law.

Thank you.

Yours truly,



David M. Sanders, M.A., LL.B.
River Heights – Fort Garry

DMS/bm

Agenda – Standing Policy Committee on Finance – June 19, 2014

REPORTS

Item No. 12 **Winnipeg Police Service Headquarters Redevelopment Project – Financial Status Report No. 5 for the Period Ending March 31, 2014**

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

That the financial status of the Winnipeg Police Service Headquarters Redevelopment Project as contained in this report be received as information.

ADMINISTRATIVE REPORT

ISSUE: **WINNIPEG POLICE SERVICE HEADQUARTERS REDEVELOPMENT PROJECT – FINANCIAL STATUS REPORT NO. 5 FOR THE PERIOD ENDING March 31, 2014**

Critical Path: **STANDING POLICY COMMITTEE ON FINANCE**

AUTHORIZATION

Author	Department Head	CFO	CAO
J. Ruby	Chief Clunis/ B. Thorgrimson	Mike Ruta	Deepak Joshi A/CAO

RECOMMENDATIONS

That the financial status of the Winnipeg Police Service Headquarters Redevelopment Project as contained in this report be received as information.

REASON FOR REPORT

Administrative Standard No. FM-004 requires quarterly reporting to the Standing Policy Committee on Finance.

IMPLICATIONS OF THE RECOMMENDATIONS

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

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

EXECUTIVE SUMMARY

This report provides an update on the status of the Winnipeg Police Service (WPS) Headquarters redevelopment which is currently on schedule. Investing in the relocation of the WPS to the former Canada Post building at 266 Graham Avenue commenced in in 2009, to consolidate the core WPS functions that are currently dispersed at several locations throughout the City, to increase police presence and improve public safety in the downtown, and to provide the men and women of the police service with the ability and resources required to reduce crime across Winnipeg. Current and anticipated needs of the WPS cannot be achieved in the antiquated Public Safety Building at 151 Princess Street.

On July 20th 2011, Council approved the "Over expenditure Authorization for the Redevelopment of the Winnipeg Police Service Headquarters Building" which included:

> *The contractor has presented a guaranteed maximum price (GMP) of $137.750 million. The contractor's submission includes several conditions involving remediation construction costs (caissons/piles, slab flooring, fire stopping/fire proofing, etc.) that may impact the final cost of redevelopment.*

Council delegated authority to the CAO to enter into a Guaranteed Maximum Price (GMP) contract which was signed in November, 2011. Although the design was not 100% complete, the City proceeded with construction to:

- mitigate the risk introduced by the long wait to complete the design (work would not have proceeded for 2 years)
- prevent cost increases due to construction inflation during two-year wait to commence work
- prevent manpower and tradesperson shortages during heightened construction project work availability during stadium, museum and airport projects ongoing simultaneously

The GMP Contract allowed for re-pricing based on 100% design.

A GMP transfers part of the total risk, however, does not provide absolute protection from cost escalations where risk belongs to the City. Responsibility for unanticipated requirements, design and scope change remained the City's. The final 100% design was completed in April 2013, at which time the contractor began to calculate costs based on the 100% design. The contractor provided the Project Director with an adjusted contract price in late August 2013. The detailed supporting documentation to allow the City's consultant engineers to evaluate the final pricing was received from the contractor in late September 2013.

A Council seminar reporting the financial status of the project was held on November 1, 2013.

On December 11, 2013, Council approved an "Over expenditure Authorization for the Redevelopment of the Winnipeg Police Service Headquarters Building" which increased the project budget by $17.2 million.

On February 21, 2014, the City signed a Supplemental Agreement with Caspian Projects Inc. establishing a Total Contract Price of $156,374,911.67, which is within the funding authorized by Council.

HISTORY

In July 2011, Council approved an increase to $162 million for the redevelopment of the Winnipeg Police Services (WPS) Headquarters building comprised of $155 million for construction and construction period interest charges of $7 million. The total approved budget for the project as approved by Council in July 2011 and disclosed in the 2012 Capital Budget is $193.567 million, which included $31.567 million for the purchase cost of the building. The purchase cost of the building is not included in this report as it is not within the responsibilities of the Project Director and Project Team. The purchase cost of the building has been recorded in the City's financial statements with $12.6 million being allocated to the Mail Sorting Plant at 245 Smith Street and $18.967 million being allocated to the office tower at 266 Graham Avenue.

In July 2011, Council also delegated authority to the CAO to enter into a Guaranteed Maximum Price (GMP) contract. On November 18, 2011, the City entered into a GMP contract with Caspian Projects Inc. for $137.1 million.

In December 2013, Council increased the project budget by $17.2 million bringing the total redevelopment cost to $178.2 million and total project value (including purchase of the building) to $209.8 million.

On February 21, 2014, the City signed a Supplemental Agreement with Caspian Projects Inc. establishing a Total Contract Price of $156,374,911.67, which is within the funding authorized by Council.

MAJOR PROJECT STEERING COMMITTEE

The project team reports to an Oversight Committee on a regular basis (bi-weekly). The Committee has been formed and its members are:

Deepak Joshi, Acting Chief Administrative Officer
Mike Ruta, Chief Financial Officer
Devon Clunis, Police Chief
Iain Day, Project Director (*)
Abul Aziz, Project Team Member – Winnipeg Police Services (**)
Jason Ruby, Project Team Member – Corporate Finance

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

(*) – Iain Day assumed Project Director responsibilities on January 1, 2014.
(**) – Abdul Aziz replaced Randy Benoit, who retired from the Winnipeg Police Service in February 2014.

PROJECT STATUS

The building is 95% complete, the shooting range is open and in service, the security portion of furniture, fixtures and equipment has largely been installed and remaining items have been ordered.

DESCRIPTION OF PROJECT

- This project is for the redevelopment of the former Canada Post mail sorting plant (which is now known as 245 Smith Street) and the construction of a new shooting range facility at Wyper Road. For clarity, the following activities are not within the responsibility of the Project Director and Project Team:
  - Purchase of the Building from Canada Post Corporation.
  - Management of the office tower at 266 Graham Avenue.
  - Disposal of the Public Safety Building.
- When complete, the new police headquarters will house 14 divisions and approximately 1,250 people. All 6 floors plus two the sub-grade parking levels at 245 Smith Street will be redeveloped and have approximately 630,925 square feet of space.
- The building is being redeveloped to 'as-new' condition and has an estimated useful life of 50 years.
- The outdoor shooting facilities at Wyper Road include a 9,000 sq. ft. building for classroom training and an outdoor shooting facility comprised of 36 gun shooting lanes and 12 shotgun shooting lanes.
- The project budget for redevelopment is $178.2 million, comprised of $172.2 million for redevelopment plus $6.0 million of corporate charges that are meant to represent construction period interest.

PROJECT SCHEDULE

The following is a summary of key project milestones.

Key Milestones	Target	Actual
Range occupancy	Summer 2012	Sept 24, 2012
Building – available for occupancy	Summer 2014	-

Construction commenced on the range facility at Wyper Road in the late fall of 2011. The range reached substantial completion in fall 2012 and is now being used by the WPS. The City is working with the contractor to correct the remaining deficiencies with the range facility when weather permits.

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

The building is currently on schedule with the target date above.

The Winnipeg Police Service will begin moving into the building in the fall of 2014. The move is staged by Division and will occur over a period of several months.

MAJOR CONTRACTS

The following is a list of major contracts awarded.

Bid Opportunity	Awarded To	Description	Award Date	Completion Date	Award/Cont Value
66-2010 Phase 1-3	AECOM Inc.	Professional Consulting Services for the Design and Development of the Winnipeg Police Service Headquarters at 266 Graham Avenue (former Canada Post Building) in Winnipeg	Aug 19, 2010	Feb 24, 2012	$2,520,092.00
66-2010 Phase 4	AECOM Inc.	Professional Consulting Services for the Design and Development of the Winnipeg Police Service Headquarters at 266 Graham Avenue (former Canada Post Building) in Winnipeg	Jan 4, 2011	Feb 24, 2012	$2,820,446.00
833-2010 Phase 1	Caspian Projects Inc. & Akman Construction Ltd. *assigned to Caspian Projects Inc.	Construction Management Services for the Design and Development of the Winnipeg Police Service Headquarters at 266 Graham Avenue (Former Canada Post Building) in Winnipeg	Feb 10, 2011	June 5, 2012	$50,000.00
833-2010 Phase 1 – Over expenditures	Caspian Projects Inc.	During the design process, the design engineer determined that additional invasive testing/inspection on the building was necessary to further the design process	Dec 20, 2011	June 5, 2012	$276,020.61
833-2010 Phase 1 – Over expenditures	Caspian Projects Inc.	During the design process, the design engineer determined that additional invasive testing/inspection on the building was necessary to further the design process	June 5, 2012	June 5, 2012	$113,937.99
833-2010 Phase 2&3 GMP	Caspian Projects Inc.	Guaranteed Maximum Price Contract for the redevelopment of 245 Graham Avenue and shooting range at Wyper Road	Nov 18, 2011	Ongoing	$137,100,000.0
Over-expenditures (833-2010)	Caspian Projects Inc.	GMP Contract extended for the relocation/construction of new office space to accommodate an existing tenant in the Office Tower at 266 Graham Avenue displaced by the WPSHQ lobby and other renovations to the Office Tower at 266 Graham Avenue.	July 4, 2013 (**)	Ongoing	$795,964.12
Over-expenditures (833-2010)	Caspian Projects Inc.	The City and Caspian Projects Inc. signed a Supplemental Agreement to the GMP Contract establishing a Final Contract Price of $156,374,911.67.	Feb 21, 2014	Ongoing	$18,478,947.55

Single Source	Adjeleian Allen Rubeli Limited	Professional Engineering Services Required by the City of Winnipeg Police Headquarters (Canada Post) Project	Dec 23, 2011	Jan 1, 2014	$4,400,000.00 ($2,600,000.00 original contrac ($1,800,000.00 over-expenditu April 25, 2012)
Over-expenditure -	Adjeleian Allen Rubeli Limited	Professional Engineering Services Required by the City of Winnipeg Police Headquarters (Canada Post) Project	June 8, 2012	Jan 1, 2014	$150,000.00
Over-expenditure	Adjeleian Allen Rubeli Limited	Professional Engineering Services related to additional design services and revisions to contract drawings related to tower / link requirements and building code standards.	July 19, 2013	Jan 1, 2014	$260,000.00
Over-expenditure	Adjeleian Allen Rubeli Limited	Professional Engineering Services Required by the City of Winnipeg Police Headquarters (Canada Post) Project for services from January 1, 2014 to July 31, 2014 with follow-up in November 2014.	Mar 24, 2014	Ongoing	$470,000.00
201-2012	Integrated Designs Inc.	Commissioning of the Winnipeg Police Headquarters at 266 Graham Avenue	Jun 19, 2012	Ongoing	$375,000.00
Direct Assignment	Duboff Edwards Haight & Schachter	Legal Services in the development of the GMP for the Winnipeg Police Services Headquarters	Jul 21, 2011	Ongoing (**)	Services up to $100,000.00 ($44,690.21 pai
Direct Assignment	Dunmore Corporation	Project Management Services for the Winnipeg Police Headquarters Project	Jun 1, 2011	December 31, 2013	$267,961.32

(*) – plus $81,866.84 paid to close out services.
(**) – this item was listed as complete in the prior report. Additional legal services were required in relation to the Supplemental Agreement with Caspian Projects Inc.

RISK AND MITIGATION STRATEGIES

As reported as a subsequent event item in the previous report, a Supplemental Agreement has been signed establishing a Final Contract Price $156,374,911.67, which is within the funding authorized by Council.

This Supplemental Agreement also transfers risk for all design or code deficiencies to Caspian. Specifically, Caspian, having thoroughly reviewed the Plans and Specification at 100% completion, is responsible for correcting at its sole expense, all design or code deficiencies in order to allow the City occupancy of the building for it to be used in its intended purpose as a Police Headquarters.

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

As at the preparation date of this report (May 22, 2014), construction is on target to be completed by the middle of summer. As the design is complete and the construction being at an advance stage of completion, the probability of a significant issue is regarded as being low. As such, there is a small contingency in the project.

The remaining budget related to furniture fixtures and equipment is thought to be sufficient to achieve building occupancy but is less than optimal. It is expected that some items will have to be purchased over time out of existing annual budgets.

The various commissioning tests, required to permit building occupancy, have commenced and depending on the results, could have an impact on the schedule.

Completing the job on schedule is also essential to staying within revised budget as additional time would result in additional engineering and insurance costs to the City.

COST PER SQUARE FOOT

In the meeting of SPC Finance on March 13, 2014, it was requested that the Public Service include the cost per square foot in the next status report and every report thereafter.

Cost per Square Foot - Detailed Calculation (*)

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

(*) - in thousands except for 'Cost per Square Foot', which is in dollars.
(**) - includes land & FFE / does not include construction interest

As the building is not yet complete, the cost per square footage is based on both forecasted costs as well as estimated square footages available at the time of report.

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

The increase in the forecast for the gun range was due to one item in the GMP adjustments relating to the gun range. The original forecast of $7,421 used in the December 11, 2013 report to Council was the forecasted amount from the June 30, 2013 report to SPC Finance. Construction period interest is also a forecast and actual costs may vary slightly from forecast.

The method of estimating square footage in the building that is used in the reporting above is gross floor area, not including the square footage of the external wall area above the P1 level (i.e. – does not include the square footage of the outside wall, which is an additional 86,453 sq. ft.). Per consultation with the City's owner's engineer AAR, the square footage of the outside

wall would normally be included in the square footage for purposes of calculating construction costs per square foot. There are also other industry practices that would measure square footage to the mid-point of the external wall (i.e. – would include 50% of the external wall in the determination of square footage, which is an additional 43,227 sq. ft.).

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

The estimate of square footage in the building has been updated from the prior report and is based on the latest AutoCad drawings. The increase is approximately 4%.

Forecasted costs as well as estimated square footages will be updated in future reporting and may be subject to change. Once the building has been constructed, the building is expected to be physically measured to determine as-built square footage.

COST OF BORROWING

In the meeting of SPC Finance on March 13, 2014, it was requested that the Public Service include the Cost of Borrowing in future quarterly reports.

Cost of Borrowing, *amounts in thousands*

	Amount	Issue Date	Maturity	Rate
Issued				
$	50,000	7/3/2012	11/15/2051	3.85%
$	8,586	10/4/2012	11/15/2051	3.76%
$	43,992	8/20/2013	11/15/2051	4.39%
$	102,578			
To be issued				
$	52,568			
$	155,146			
		Weighted average rate for debt issued		4.07%

FINANCIAL ANALYSIS - as at March 31, 2014

(All figures are in $000)

Project Component	Revised Budget	Value/Cost Estimate	Variance Revised Budget to Value/Cost Estimate	Change in Variance from Last Report
Engineering, design and other costs	$ 15,891	$ 16,228	$ 337	$ 337
Construction				
- Building redevelopment	$ 135,808	$ 135,895	$ 87	$ 87
- Shooting range facility	$ 8,097	$ 8,103	$ 6	$ 6
- Furniture, fixtures & equipment (including security)	$ 10,569	$ 10,459	$ (110)	$ (110
	$ 154,474	$ 154,457	$ (17)	$ (17
Office Tower renovations charged to project	$ 1,835	$ 1,515	$ (320)	$ (320
sub-total	$ 172,200	$ 172,200	$ -	$ -
Corporate charges - to represent construction period interest	$ 6,000	$ 6,000	$ -	$ -
Total	$ 178,200	$ 178,200	$ -	$ -

note: Office Tower renovations of $1,918 less $403 allocated to the Office Tower based on square footage.
Final Contract Price of $156,375 = $154,457 (above) + $1,918.

Summary

The forecast in the last report was based on the best estimates that were available as at the date of that report, which was February 6, 2014. That report also noted that minor reallocations between the various categories were expected as the job progresses to completion. Since that date (February 21, 2014), the City has signed a Supplemental Agreement with Caspian Projects Inc. establishing a Final Contract Price of $156,374,911.67.

The forecast above has been updated for the Supplemental Agreement and has not resulted in any material changes from the prior forecast. The Supplemental Agreement with Caspian Projects Inc. was settled for $320 thousand less than previously forecast, which has resulted in reclassification of funds between categories above.

The project is being forecasted to be within amended budget.

FINANCIAL IMPACT

Financial Impact Statement **Date:** May 28, 2014

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

Winnipeg Police Headquarters Development Project

Comments:

There is no financial impact as this report is for information only.

"Original Signed By"

Mike McGinn, CA

Manager of Finance

CONSULTATION

In preparing this Report there was consultation with:

N/A

SUBMITTED BY

Department:	Winnipeg Police Services
Prepared by:	Jason Ruby – Corporate Finance, Manager of Capital Projects
Date:	May 22, 2014
File No.:	

Project Component	Capital Budget			Capital Expenditure Forecast			Surplus (Deficit)	Variance Last Report	Change in Variance
				Actual Costs		Total			
	Original	Adjustment	Revised	To Mar 31 2014	2014	Forecast	From Revised Budget		
Engineering, design and other costs	$ 17,900	$ (2,009)	$ 15,891	$ 14,391	$ 1,837	$ 16,228	$ (337)	$ -	$ (337)
Construction									
- Building	$ 116,227	$ 19,581	$ 135,808	$ 128,411	$ 7,484	$ 135,895	$ (87)	$ -	$ (87)
- Range	$ 6,573	$ 1,524	$ 8,097	$ 7,824	$ 279	$ 8,103	$ (6)	$ -	$ (6)
- Furniture, fixtures, equipment *(including security)*	$ 14,300	$ (3,731)	$ 10,569	$ 7,328	$ 3,131	$ 10,459	$ 110	$ -	$ 110
	$ 137,100	$ 17,374	$ 154,474	$ 143,563	$ 10,894	$ 154,457	$ 17	$ -	$ 17
Office Tower renovations charged to project (*)	$ -	$ 1,835	$ 1,835	$ 1,466	$ 49	$ 1,515	$ 320	$ -	$ 320
sub-total	$ 155,000	$ 17,200	$ 172,200	$ 159,420	$ 12,780	$ 172,200	$ -	$ -	$ -
Corporate charges - *to represent construction period interest*	$ 7,000	$ (1,000)	$ 6,000	$ 3,443	$ 2,557	$ 6,000	$ -	$ -	$ -
Total	$ 162,000	$ 16,200	$ 178,200	$ 162,863	$ 15,337	$ 178,200	$ -	$ -	$ -

Explanatory Notes:

- This project is for redevelopment of the former Canada Post Mail Sorting Plant at 266 Graham Avenue and for the development of a new shooting range at Wyper Road. For clarity, the scope of this project does not include the purchase of the Building at 266 Graham Avenue, management of the office tower at 266 Graham Avenue or the disposal of the Public Safety Building.

(*) - Office Tower renovations of $1,918 less $403 allocated to the Office Tower based on square footage. Final Contract Price of $156,375 = $154,457 (above) + $1,918.

All figures are in $000