**Report - Standing Committee on Fiscal Issues - September 9, 2003**

**Item No. 3 Millennium Library Project Funding**
**File L(32.1)**

STANDING COMMITTEE RECOMMENDATION:

On September 17, 2003, the Executive Policy Committee concurred in the recommendation of the Standing Committee on Fiscal Issues, as amended by the Executive Policy Committee and submits the following to Council:

1. That the revised budget and reallocation of funds for the construction of the Millennium Library Project (as outlined in the attached administrative report dated August 29, 2003) be approved, with $468,000.00 of said funding being a first charge against the 2004 Capital Budget.

2. That the previously approved Capital funds in 1992 and 2000, in the amount of $468,000.00, be cancelled.

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

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DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On September 17, 2003, the Executive Policy Committee concurred in the recommendation of the Standing Committee on Fiscal Issues as amended, namely:

- Amend Recommendation 1 by adding the following words "with $468,000.00 of said funding being a first charge against the 2004 Capital Budget" at the end of the recommendation

- Add the following as Recommendation 2
  2. That the previously approved Capital funds in 1992 and 2000, in the amount of $468,000.00, be cancelled.

  Renumber the remaining Recommendation,

and submitted the matter to Council.

On September 17, 2003, the Executive Policy Committee also requested the Chief Administrative Officer to provide clarification and assurance that this reallocation of funding for the Millennium Library Project is indeed a reallocation of existing funds, versus new borrowed money.

STANDING COMMITTEE RECOMMENDATION:

On September 9, 2003, the Standing Committee on Fiscal Issues concurred in the administrative recommendation and submitted the matter to Executive Policy Committee and Council.

## REPORT

RE: Millennium Library Project Funding

FOR SUBMISSION TO: Standing Committee on Fiscal Issues

ORIGINAL REPORT SIGNED BY: Rick Walker, Acting Director
Community Services Department

Ian McKay, Acting Director, Planning Property and Development Department

REPORT DATE: August 29, 2003

RECOMMENDATION(S):

That Council approve the revised budget and reallocation of funds for the construction of the Millennium Library Project.

## REPORT SUMMARY

KEY ISSUES:

- The Centennial Library is planning to undergo a major renovation and expansion as part of the Millennium Library Project with construction beginning in late 2003/ early 2004.
- The Architect hired to design the expansion and renovation, and the Construction Manager hired to provide a pre-construction estimate for the work designed, have provided a pre-tender estimate that is $1.626 million greater than the July 18, 2001 City Council approved budget for the project.
- A value engineering exercise to help reduce costs was completed.
- The Community Services and Planning, Property & Development Departments have proposed reassigning funds from their existing operating, reserve, and capital budgets to cover the increased costs of the project.
- City Council approval is required to change the terms of the Council approved Millennium Library Project report dated July 18, 2001 should there be a policy will to increase the overall budget for the project.

Implications of the Recommendation(s):

General Implications

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

Comment: The Millennium Library Project is a significant private - public partnership working to improve library services for the citizens of Winnipeg. If the project does not proceed it will have a negative impact on future partnership opportunities for the City and the improvement of library services for the citizens of Winnipeg.

Policy implications

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

Comment:

Environmental implications

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

Comment:

Human Resources implications

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

Comment:

Financial Implications

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

Comment:

The original estimate provided to the City in 2001, for the hard construction costs associated with the expansion and renovations to the Millennium Library, was $11.7 million. The Architect/Consultant team and Construction Manager have

recently returned an updated pre-construction price of $13.75 million. This increase [net of the $424,000 contingency] is $1.626 million. The Community Services and Planning, Property and Development Departments have identified existing funding sources that can be diverted to cover this increase over the next three years [2003, 2004, and 2005]. No additional City funds are required.

A $1,626,000 budget amendment to reallocate existing funding includes:

- Operating budget reallocations totaling $433,000:
- $258,000 from PP&D 2003 mechanical budget;
- $100,000 from the 2004 Library materials budget;
- $75,000 from the 2005 Library materials budget,
- The GMEF grant of $50,000 in 2004,
- A Library Reserve Fund reallocation of $300,000 in 2004
- A Library Reserve Fund reallocation of $300,000 in 2005
- A $75,000 Library trust funds reallocation in 2004, and
- A capital reallocation of $468,000 in 2004 from the PP&D roof project (previously approved Capital funds in 1992 and 2000)

REASON FOR THE REPORT:

City Council approval is required to change the terms of the Council approved Millennium Library Project report dated July 18, 2001 in order to increase the overall budget for the project.

HISTORY:

On July 18, 2001, City Council approved the Millennium Library Project report and attached Term Sheet outlining the governance, project costs, financial terms and key policy parameters for the project. The cost of the project was determined to be approximately $17 million, including $14 million in renovations, expansion and contingency costs, $1.25 million in new library materials, $1.5 million in new library equipment, shelving and furniture, and $250,000 in new technology. The $14 million also included consulting and construction management fees with $11.7 million budgeted for hard construction costs.

The City of Winnipeg's contribution was $4 million, the Federal and Provincial government's contribution was $3 million each, and the private sector contribution was $7 million towards the total cost of $17 million.

In September 2002, the City of Winnipeg hired LM Architectural Group/Patkau Architects Inc. as the project Architect/Consultant team based on their conceptual

design, qualifications and its conformity to the facility program. The design was presented to EPC for endorsement in November 2002.

In April 2003, the City awarded Man-Shield Construction Inc. the pre-construction services for the Construction Management of the Centennial Library – Millennium Project.

In July 2003, the Architect/Consultant team and Construction Manager returned a pre-construction estimate to the City of approximately $13,750,000 hard construction costs for the expansion and renovations to the Library.

It is anticipated that pre-construction services will be complete by the end of November 2003 with award of the construction contract in December 2003.

DISCUSSION:

The Centennial Library – Millennium Project is a significant public-private partnership that will see all three levels of government, as well as the private sector through a significant investment, work together to achieve a common goal of improving library services for the citizens of Winnipeg.

This project will redevelop and expand the current Centennial Library, 251 Donald Street. The new library will be a modern, dynamic, accessible facility and an exciting destination point in the heart of Winnipeg's downtown. The redevelopment and expansion will also provide an opportunity for the library to address existing functional inadequacies in its collections, services and programs.

A dynamic and creative design for the Millennium Library is essential and will enhance the changing role of libraries in society, as well as compliment the redevelopment and excitement occurring in Winnipeg's downtown.

The design developed by the architects envisions an addition of approximately 40,000 sq. ft (fourth floor addition and reading terrace) and the partial renovation of the existing interior (139,000 sq. ft) and a portion of the exterior spaces (Reading Garden).

The Architect/Consultant team and Construction Manager have returned a pre-construction price to the City of approximately $13,750,000 hard construction costs for the expansion and renovations to the library. This cost is higher than the previous estimates provided to the City by the Architect/Consultant team through a construction Quantity Surveyor.

The Architectural Consultant and Construction Manager have attributed the project cost escalations to the following component increases:

a) Mechanical system – several items have increased the costs in this area, such as higher costs to provide a sprinkler system to the existing library than anticipated, mechanical labour costs have increased dramatically in Manitoba in a short period of time due to labour shortages, and increased Provincial taxation requirements.
b) Vision Wall – the company that is to supply the window system for the southern reading terraces has provided a supply price that has increased from $1 million to $1.5 million.
c) Structural – foundation and piling requirements were higher then anticipated once the existing structure was more thoroughly evaluated, and the cost of pre-cast concrete has increased.
d) Electrical – Similar to the mechanical in that, local costs have increased due to labour shortages and increased Provincial taxation requirements.

The shortfall between the amount originally budgeted for hard construction of $11,700,000, plus a $424,000 contingency, and the amount of the current estimate $13,750,000 is $1,626,000.

The Centennial Library is a signature building in the heart of Winnipeg's downtown and the plans for the renovation and expansion of the facility envisioned by the architect has created an impressive design that will ensure the Library continues to be an important destination in the downtown. Without an increase to the approved $11.7 million budget, dramatic alterations to the architectural design of the facility and the scope of the renovations to the library would be required.

The civic project team has worked with the Architect/Consultant team and Construction Manager to find ways to reduce the costs associated with the construction of the original design. The Library Service Division has conducted a detailed review of the proposed plans and eliminated, changed or reduced some aspects of the project that will have limited impact on the functionality of the library. The civic project team has also undertaken two major exercises associated with this project: a value engineering exercise to help reduce costs and a review of other approved city funding that could be diverted to this project.

Value Engineering

The value engineering exercise was performed with the civic project team, the Architect/Consultant team, the engineering sub-consultants involved in design development, and the Construction Manager. This exercise reviewed how the cost of construction could be reduced by methods such as changing materials, re-designing or deleting certain project items.

The civic project team believes that the value engineering exercise successfully identified a number of solutions, changes or reductions that could be made without significantly impacting the design of the building or the functionality of the library. Value engineering was done in several phases, with the final phase reducing the budget for hard construction costs to $13,750,000.

Over $2 million in savings were found through the value engineering process to get to the $13,750,000 estimate. Savings were found in almost all aspects of the renovation design through the value engineering process, without significantly altering the architectural design. Altering the materials used, changing the complexity of the design, and changing the construction methodology accommodated most of the reductions.

The project cost has been estimated by the Construction Manager based on the detailed drawings provided to date. Once all tenders for each section of work for the project are received, the Construction Manager will provide the City of Winnipeg, with a final guaranteed contract price for the project. It is anticipated that this will occur in November 2003.

This contract price will then be used as the basis of the award report for the construction of the project and the Phase 2 Construction and Post Construction services to be provided by the Construction Manager. Since the projected contract price will be more than one million dollars, it will require City Council approval to award. It is anticipated that this report will come forward to Council in December 2003.

Additional Sources of Funding

To manage the $1.626 million increase in the construction budget for the project, the Community Services and Planning, Property and Development Departments have reviewed the Construction Manager's estimate and their existing budgets to determine if there were previously approved Departmental funds that could be diverted to this project.

The following funds have been identified that could be diverted to the Millennium Library Project:

- $468,000 – Planning Property & Development Department Capital Funds for repairing the 3rd floor roof at Centennial Library, which is not required as a 4th floor is being constructed.
- $258,000 - Planning Property & Development Department Current Funds for mechanical and electrical upgrades required at the Centennial Library, that should the renovations not proceed would be required within the next couple of years (i.e. escalator, lighting, door actuators, etc.).
- $900,000 – Community Services Department, Library Reserve Fund and current budget funds that could be used for furnishings, materials and technology related costs so that funds originally set aside for these purposes in the $3 million portion of the Millennium Library budget can be diverted to the "hard construction" costs of the project.

- Total Funds that can be diverted from the above sources = $1.626 million

City Council approval is required to change the terms of the Council approved Millennium Library Project report dated July 18, 2001 should there be a policy will to increase the overall budget for the project.

Administration recommends this as a viable option, as it does not require additional capital funds to be brought to the project and it does not dramatically alter the functional or design intent of the project.

FINANCIAL IMPACT STATEMENT:

The original estimate provided to the City in 2001, for the hard construction costs associated with the expansion and renovations to the Millennium Library, was $11.7 million. The Architect/Consultant team and Construction Manager have recently returned an updated pre-construction price of $13.75 million. This increase [net of the $424,000 contingency] is $1.626 million. The Community Services and Planning, Property and Development Departments have identified existing funding sources that can be diverted to cover this increase over the next three years [2003, 2004, and 2005]. No additional City funds are required.

A $1,626,000 budget amendment to reallocate existing funding includes:

- Operating budget reallocations totaling $433,000:
- $258,000 from PP&D 2003 mechanical budget;
- $100,000 from the 2004 Library materials budget;
- $75,000 from the 2005 Library materials budget,
- The GMEF grant of $50,000 in 2004,
- A Library Reserve Fund reallocation of $300,000 in 2004
- A Library Reserve Fund reallocation of $300,000 in 2005
- A $75,000 Library trust funds reallocation in 2004, and
- A capital reallocation of $468,000 in 2004 from the PP&D roof project (previously approved Capital funds in 1992 and 2000).

**Financial Impact Statement** **Date:** August 29, 2003

**Project Name:** Millennium Library Project Funding **First Year of Program** **2002**

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 and Beyond |
|---|---|---|---|---|---|---|
| **Capital** | | | | | | |
| Capital Expenditures Required | $ 1,400,000 | $ 7,600,000 | $ 9,251,000 | $ 375,000 | $ - | $ - |
| Less: Existing Budgeted Costs | 1,400,000 | 7,600,000 | 9,251,000 | 375,000 | - | - |
| Additional Capital Budget Required | $ - | $ - | $ - | $ - | $ - | $ - |
| **Funding Sources:** | | | | | | |
| Debt - Internal | | | | $ - | $ - | $ - |
| Debt - External | - | - | - | - | - | $ - |
| Grants GMEF | | | 50,000 | - | - | - |
| Library Reserve | 400,000 | 600,000 | 300,000 | 300,000 | - | - |
| Library Operating Budget (Materials) | | | 100,000 | 75,000 | | |
| PP&D Operating Budget (Mechanical) | | | 258,000 | | | |
| Equity in Capital Assets Fund | 1,000,000 | 1,000,000 | 1,000,000 | | | |
| Winnipeg Library Foundation | | 3,000,000 | 4,000,000 | | | |
| Province of Manitoba | | 1,500,000 | 1,500,000 | | | |
| Government of Canada | | 1,500,000 | 1,500,000 | | | |
| PP&D Capital Budget (Roof) | | | 468,000 | | | |
| Other - Trust Funds | - | | 75,000 | | - | - |
| Total Funding | $ 1,400,000 | $ 7,600,000 | $ 9,251,000 | $ 375,000 | $ - | $ - |
| Total Additional Capital Budget Required | | $ - | $ - | $ - | $ - | $ - |
| Total Additional Debt Required | | $ - | $ - | $ - | $ - | $ - |
| **Current Expenditures/Revenues** | | | | | | |
| Direct Costs | $ - | $ - | $ - | $ - | $ - | $ - |
| Less: Incremental Revenue/Recovery | - | - | - | - | - | - |
| Net Cost/(Benefit) | $ - | $ - | $ - | $ - | $ - | $ - |
| Less: Existing Budget Amounts | - | - | - | - | - | - |
| Net Budget Adjustment Required | $ - | $ - | $ - | $ - | $ - | $ - |

**Additional Comments: The total revised project cost of $18.626 million exceeds the original approved estimate of $17.0 million by $1.626 million.** As detailed in the report the $1.626 million increase is totally attributed to an change in the original construction estimate of $12.124 (construction of $11.7 million plus contingency of $.424 million) to $13.750 million. The increase of $1.626 million will be funded by the following reallocation of existing resources. A capital reallocation of $468,000 (from the PP&D roof project), operating budget reallocations of $433,000, ($258,000 from PP&D mechanical budget & $175,000 from Library materials budget), Library Reserve Fund reallocation of $600,000, a $75,000 trust funds reallocation and the GMEF grant of $50,000.

Clive Wightman, Manager
Finance & Administrative Services

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

THIS REPORT SUBMITTED BY:
Department: Community Services and Planning Property and Development
Prepared by: Rick Walker, Jerry Comeau, John D'Ignazio, and Arthur Cohen
File No.