Agenda – Council – May 6, 2020

Report – Standing Policy Committee on Property and Development, Heritage and Downtown Development – April 20, 2020

Item No. 2 Delegation of Authority for Approval of Contract Over-Expenditures (Change Orders), Tender No. 230-2019B – Project No. 2016-117

STANDING COMMITTEE RECOMMENDATION:

On April 28, 2020, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Property and Development, Heritage and Downtown Development and submitted the following to Council:

1. That the Chief Administrative Officer be delegated the authority to approve over-expenditures, to a maximum of $800,000.00 of over-expenditures, for Readying the Lands at 151 & 171 Princess Street for Redevelopment Opportunity, Tender No. 230-2019B.

2. That the Winnipeg Public Service be directed to provide monthly verbal updates to the Standing Policy Committee on Property and Development, Heritage and Downtown Development on the status of the project.

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

Report – Standing Policy Committee on Property and Development, Heritage and Downtown Development – April 20, 2020

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On April 28, 2020, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Property and Development, Heritage and Downtown Development and submitted the matter to Council.

STANDING COMMITTEE RECOMMENDATION:

On April 20, 2020, the Standing Policy Committee on Property and Development, Heritage and Downtown Development concurred in the recommendation of the Winnipeg Public Service, with the following amendments:

- In Recommendation 1, delete "$2,178,676.00" and replace with $800,000.00"

- Add the following new Recommendation 2 and renumber the remaining recommendation accordingly:

    2". That the Winnipeg Public Service be directed to provide monthly verbal updates to the Standing Policy Committee on Property and Development, Heritage and Downtown Development on the status of the project."

and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Title: Delegation of Authority for Approval of Contract Over-Expenditures (Change Orders), Tender No. 230-2019B – Project No. 2016-117

Critical Path: Standing Policy Committee on Property and Development, Heritage and Downtown Development – Executive Policy Committee – Council

AUTHORIZATION

Author	Department Head	CFO	CAO
B. Erickson	J. Kiernan	P. Olafson, Interim CFO	M. Ruta, Interim CAO

EXECUTIVE SUMMARY

On March 2, 2020, the Standing Policy Committee on Property and Development, Heritage and Downtown Development adopted the recommendation for a contract over-expenditure of $1,400,000 for extra work to Rakowski Cartage & Wrecking Ltd., for Readying the Lands at 151 & 171 Princess Street for Redevelopment Opportunity, Tender No. 230-2019B.

Contract work will be ongoing through September 2020 and subsequent over-expenditure(s) to address unforeseen incremental scope may arise due to the inherent nature of demolition work, particularly in a project of this scale and complexity. With delegated authority, future scope change can be dealt with quickly avoiding potential claims on project delays (potential work shut downs).

It would be advantageous to delegate approval authority to the Chief Administrative Officer to approve any potential over-expenditure reports, provided the original Council approved Capital Budget is not exceeded.

RECOMMENDATIONS

1. That Council delegate, to the Chief Administrative Officer, the authority to approve over-expenditures, to a maximum of $2,178,676.00 of over-expenditures, for Readying the Lands at 151 & 171 Princess Street for Redevelopment Opportunity, Tender No. 230-2019B.

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

REASON FOR THE REPORT

Pursuant to the Materials Management Policy Administrative Standard No. FM-002, the Chief

Administrative Officer has the authority to approve over-expenditures, where the accumulated amount for each contract, including over-expenditures, does not exceed $5,000,000.

Council has the authority to delegate additional authority to the Chief Administrative Officer in accordance with The City of Winnipeg Charter.

IMPLICATIONS OF THE RECOMMENDATIONS

If Recommendation No.1 is adopted, the approval process for over-expenditures which do not exceed the Council-approved budget will be expedited, and work can progress in a timely manner.

Should Recommendation No.1 not be adopted, the City would potentially be at risk to receive delay claims by the Contractor associated with extended time (due process) to approve time-sensitive work. Incremental cost(s) and schedule delays in the project may result.

HISTORY/DISCUSSION

On September 20, 2018, Council concurred with the recommendation of the Public Service to establish a total project budget of $12.09 million for Readying the Former Public Safety Building and Civic Centre Car Park Lands for Redevelopment. Funding was subsequently approved with the adoption of the 2019 Capital Budget on March 20, 2019.

On July 18, 2019, Council approved the award of contract for Readying the Lands at 151 & 171 Princess Street for Redevelopment Opportunity – Tender No. 230-2019B to Rakowski Cartage & Wrecking Ltd. in the amount of $6,783,824.00 plus GST. The contract price resulted in an approximate $2.9 million savings to the City relative to the forecasted $9.7 million total construction costs (Class 1 Cost Estimate) as part of the project capital budget. At the time of award, the Public Service recommended the funding savings be retained as a contingency to manage any incremental costs arising due to changes in work which are inherent to projects of this scope and characteristics, i.e. unknown site conditions.

On March 2, 2020, the Standing Policy Committee on Property and Development, Heritage and Downtown Development approved a contract over-expenditure of $1,400,000 for incremental scope associated with the discovery of previously unknown asbestos conditions in the Public Safety Building.

The Public Service anticipates that unforeseen work with associated incremental cost may arise as demolition progresses, as originally foreseen at project inception given project scope and characteristics. Such necessitates potential future over-expenditure approval(s). To address future change in work to ensure no delay associated incremental cost, it would be advantageous to delegate approval authority to the Chief Administrative Officer to approve any potential over-expenditure reports provided the original Council approved Project Budget is not exceeded. Alternately stated, the Chief Administrative Officer would have delegated authority to approve contract over-expenditures not to exceed the total Council approved Budget of $12.09 million.

Within the Council adopted project capital funding of $12,090,000, a contingency fund totaling an estimated $3,578,676 to manage unforeseen costs which may arise during the project is available based on the total value of current contracts as awarded plus other costs.

As contingency funding in the amount of $1,400,000 was previously approved by the Standing Policy Committee on Property and Development, Heritage and Downtown Development on March 2, 2020, the remaining contingency funds available in the project total $2,178,676. If these contingency monies are fully expended, expenditures of the project budget of $12,090,000 will be as follows:

Project costs (known/estimated)	
Original award of demolition contract by Council July 18, 2019	$ 6,783,824
Consultant services contract (estimated)	$ 775,000
Administrative charges, fees & interest (estimated)	$ 530,200
Ancillary costs (secondary contracts, permits, fees - estimated)	$ 422,300
Total project costs (estimated)	$ 8,511,324
Project contingency funding	
Contract over-expenditure approved March 2, 2020	$ 1,400,000
Maximum over-expenditure authority recommended in this report	$ 2,178,676
Total contingency funding	$ 3,578,676
Total project budget:	$12,090,000

FINANCIAL IMPACT

Financial Impact Statement

Date: March 27, 2020

Project Name:

First Year of Program 2020

Delegation of Authority for Approval of Contract Over-Expenditures (Change Orders), Tender No. 230-2019B – Project No. 2016-117

	2020	2021	2022	2023	2024
Capital					
Capital Expenditures Required	$ 2,178,676	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	2,178,676	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ -	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	195,870	-	-	-	-
Net Cost/(Benefit)	$ (195,870)	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	(195,870)	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Capital Expenditures in 2020 consist of a contract contingency amount of $1,982,806 plus Divisional admin costs of $29,828, asset management overhead of $100,632 and Corporate Finance and admin costs of $65,411. The latter amount is offset by a recovery in the current budget of the Corporate Finance Department while the divisional and asset management overheads are offset by an equal recovery in the current budget of the Municipal Accommodations (PPD) Division.

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

CONSULTATION

This Report has been prepared in consultation with: n/a

OURWINNIPEG POLICY ALIGNMENT

01-2a Collaborate to Make Safe Communities
Direction 3: Promote Safety in Buildings

03-2 Vitality
Direction 1: Strive to Eliminate Derelict Building

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

Waste Reduction and Diversion – A targeted 95% of building and site materials including limestone, concrete, and metals will be salvaged for re-use or recycling.

SUBMITTED BY

Department: Planning, Property and Development
Division: Municipal Accommodations
Prepared by: Tracy Stople, Project Coordinator
Date: March 27, 2020