Minutes – Executive Policy Committee – July 13, 2022

Report – Standing Policy Committee on Property and Development, Heritage and Downtown Development – July 4, 2022

Item No. 1 **Award of Contract for the Construction of the North District Police Station at 100 Sinclair Street – Tender No. 442-2021B – Project No. 2017-108**
(Mynarski Ward)

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

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 Council approve an amended project budget for the North District Police Station of $31,730,000 and that the associated incremental project cost of $6,055,000 be funded by external debt as indicated in the capital detail sheet attached as Appendix A to this report.

2. That Council approve new capital external borrowing authority of $6,055,000 for 2022 tax-supported financing.

3. That, subject to approval of Recommendation 1, that the City award, enter into, execute and deliver a Contract for the Construction of the North District Police Station at 100 Sinclair Street to Penn-Co Construction Canada (2003) Ltd., the lowest responsive bidder meeting the requirements of the Tender, in the amount of $26,760,100.00 MRST included, GST extra ("Agreement") and such other agreements as determined necessary by the City solicitor / Director of Legal Services to implement the intent of the foregoing (the "Ancillary Agreements").

4. That authority be delegated to the Chief Administrative Officer to negotiate and approve the terms and conditions of the Agreement required and the Ancillary Agreements, in accordance with this report and such other terms and conditions deemed necessary by the City solicitor / Director of Legal Services to protect the interests of the City.

5. That, subject to approval of Recommendation 1 and 2, the Chief Administrative Officer be delegated the authority to approve contract over-expenditures for the Construction of the North District Police Station at 100 Sinclair Street project awarded pursuant to this report in the maximum amount of $1.6 million provided monies are available within the applicable capital budget as approved by Council.

6. That the Proper Officers of the City do all things necessary to implement the intent of the foregoing.

Minutes – Executive Policy Committee – July 13, 2022

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DECISION MAKING HISTORY:

Moved by Councillor Gilroy,

That the recommendation of the Standing Policy Committee on Property and Development, Heritage and Downtown Development be concurred in and forwarded to Council.

Yea:	Bowman, Allard, Browaty, Chambers, Gilroy, Mayes, Rollins	7
Nay:		0

Carried

STANDING COMMITTEE RECOMMENDATION:

On July 4, 2022, the Standing Policy Committee on Property and Development, Heritage and Downtown Development concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Title: Award of Contract for the Construction of the North District Police Station at 100 Sinclair Street – Tender No. 442-2021B – Project No. 2017-108

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	G. Patton	C. Kloepfer	M. Jack

EXECUTIVE SUMMARY

On June 2, 2022 a tender for the construction of North District Police Station, which included elements of scope reduction implemented to address ongoing project cost escalation concerns, concluded with a low bid amount exceeding the currently approved budget. Impacts to construction costs within the local market are attributable to supply chain disruption and increases in materials costs worldwide.

Subject to a proposed Budget amendment by Council to increase the project funding by $6,055,000, an award of contract to Penn-Co Construction Canada (2003) Ltd. in the amount of $26,760,100.00 is recommended to advance construction of the new North District Police Station.

The North District Police Station (NDPS) is the last station to be constructed in the Winnipeg Police Service Four District Model that was adopted in 2003. The NDPS is designed to duplicate the East District and West District stations with some minor operational changes. It is to be located at 100 Sinclair Street adjacent to Sergeant Tommy Prince Place and will replace the existing district station. The current station at 260 Hartford Avenue is beyond the end of service life, does not meet current operational requirements, and the building is in poor condition with the potential for an abrupt closure.

The new facility will comply with the City of Winnipeg's Universal Design and Green Building Policies and is targeting to achieve a LEED Silver certification.

The Recommendation included in this Report complies with the requirements of the various trade agreements and the City's Materials Management Policy.

RECOMMENDATIONS

1. That Council approve an amended project budget for the North District Police Station of $31,730,000 and that the associated incremental project cost of $6,055,000 be funded by external debt as indicated in the capital detail sheet attached as Appendix A to this report.

2. That Council approve new capital external borrowing authority of $6,055,000 for 2022 tax-supported financing.

3. That, subject to approval of Recommendation 1, that the City award, enter into, execute and deliver a Contract for the Construction of the North District Police Station at 100 Sinclair Street to Penn-Co Construction Canada (2003) Ltd., the lowest responsive bidder meeting the requirements of the Tender, in the amount of $26,760,100.00 MRST included, GST extra ("Agreement") and such other agreements as determined necessary by the City solicitor / Director of Legal Services to implement the intent of the foregoing (the "Ancillary Agreements").

4. That authority be delegated to the Chief Administrative Officer to negotiate and approve the terms and conditions of the Agreement required and the Ancillary Agreements, in accordance with this report and such other terms and conditions deemed necessary by the City solicitor / Director of Legal Services to protect the interests of the City.

5. That, subject to approval of Recommendation 1 and 2, the Chief Administrative Officer be delegated the authority to approve contract over-expenditures for the Construction of the North District Police Station at 100 Sinclair Street project awarded pursuant to this report in the maximum amount of $1.6 million provided monies are available within the applicable capital budget as approved by Council.

6. That the Proper Officers of the City do all things necessary to implement the foregoing.

REASON FOR THE REPORT

Council approval is required to increase the North District Police Station capital budget.

The Public Service is requesting delegated authority for potential contract over-expenditures which can only be provided by Council.

IMPLICATIONS OF THE RECOMMENDATIONS

Financial Implications

The funding for this project is provided from Winnipeg Police Service Capital Account 003-181000-220663-6322003016. Sufficient funding will be available for the project to proceed with the award of Tender No. 442-2021B, subject to Recommendation 1 being approved by Council.

The lowest responsive bid of $26,760,100.00 exceeds the Class 1 Cost Estimate of

$24,850,800 obtained prior to Tender in February, 2022. Despite this, both the Assets and Project Management Department as the procurement agent and Winnipeg Police Service as the budget holder, are of the opinion there will be sufficient funding within an amended project capital budget of $31,730,000 to award the proposed Contract and proceed with the project, subject to the approval of Recommendation 1. Contingencies within the approved funding will be the source used to address any unforeseen costs.

Economic Impact Analysis (EIA)

The estimated direct and indirect economic impact of this expenditure is:

Economic Impact	Manitoba	Rest of Canada
Gross Domestic Product (GDP)	$14.9 million	$5.1 million
Person Years of Employment	161	40
Federal Government Tax Revenue	$1.9 million	$0.5 million
Provincial Government Tax Revenue	$2.0 million	N/A

Source: Statistics Canada. Table 36-10-0594-01 Input-output multipliers, detail level.

The evaluated expenditure for this project is $28.3 million. The expenditure and estimated impacts are in 2022 dollars. Contingency and internal staff costs are excluded from the analysis. Some additional elements of the expenditure may be excluded to align with macroeconomic accounting principles.

The 2018 GDP at basic prices simple multiplier for non-residential building construction [BS23B000] was used to assess this investment. Federal and provincial government tax revenue estimates include GST, MRST, personal income taxes, corporate income taxes and other sources of taxes and fees. These are estimated using the multipliers noted above in conjunction with effective tax rates calculated from the economic accounts produced by Statistics Canada.

HISTORY/DISCUSSION

On July 23, 2003, Council approved implementation of the WPS Four District Model. The current WPS six district service delivery model is based on a municipal structure which existed prior to 1971. Contemporary policing issues led the WPS to review this service delivery structure and recommend realignment from six to four districts. The Four District Model encompasses replacement of five existing police stations with three newly constructed police stations within realigned service districts. East District Police Station (EDPS) located at 1750 Dugald Road was substantially completed in September 2007. West District Police Station (WDPS) located at 2321 Grant Avenue followed with substantial completion occurring in November 2013. The Downtown District Station opened as part of the new Police Headquarters facility, 245 Smith Street, in October 2016.

Upon adoption of the 2017 Capital Budget on December 13, 2016, Council approved funding for the North District Police Station and Archival and Exhibit Building in the amount of $20 million for the facility build plus $3.13 million for land assembly. An additional $0.25 million for

incremental planning and site preparation was allocated to the project as part of the 2018 Capital Budget, for a total approved funding amount of $23.379 million.

On November 26, 2020, Council adopted the Public Service's recommendation to construct North District Police Station at the Old Ex Grounds site using an optimized development plan, and to increase the project budget to $25.675 million from the previously approved $23.379 million. The Winnipeg Police Service Archival and Exhibit Building was also separated out from the North District Police Station capital project for standalone procurement.

On January 8, 2021, a Request for Proposal for professional Consulting Services for the Design and Contract Administration of the North District Police Station was sent to Number Ten Architectural Group. On May 19, 2021, through RFP 902-2020, a contract award was made to Number Ten Architectural Group for the amount of $1,249,458.24 MRST included, GST extra.

On September 20, 2021, Request for Qualification (RFQ) No. 442-2021A was posted on the Materials Management website for Construction of the North District Police Station. Materials Management advised that the top three (3) proposals were shortlisted out of a total of nine (9) submissions as per the criteria set in the RFQ documents. The three shortlisted companies which were qualified to proceed into the second phase of the procurement process, that being the Invitation to Tender, were the following in alphabetical order:

(a) Bird Construction Ltd.
(b) Graham Construction Ltd.
(c) Penn-Co Construction Canada (2003) Ltd.

In February, 2022, the Public Service received a Class 1 cost estimate for the project which forecasted an anticipated construction contract value of $24,850,000, exceeding previous cost projections. As a result, the project design team was given direction by the project manager, on behalf of the Winnipeg Police Service, to reduce the scope of the NDPS program with a goal of reducing its overall cost. Reductions included the following scope at an estimated cost savings of $175,000:

- Overall site development area downsized from 4.9 acres to 4.59 acres
- Operational vehicle parking reduced from 178 stalls to 156 stalls
- Minor floor area reduction respecting operational requirements
- Value engineering decisions implemented respecting fixtures, finishes
- Reduced landscaping

A construction tender including the package of scope reduction was issued on April 21, 2022. Three (3) tender proposals were subsequently received by the submission deadline of June 2, 2022, as follows:

1.	Bird Construction Ltd.	$28,073,000.00	Tender Compliant Bid
2.	Graham Construction Ltd.	$27,140,000.00	Tender Compliant Bid
3.	Penn-Co Construction Canada (2003) Ltd.	$26,760,100.00	Tender Compliant Bid

Subsequent to tender close and the receipt of bids, anecdotal information provided by the project cost consultant indicates that prevailing world economic conditions and issues such as supply chain disruption have impacted the local market such that construction costs have increased by approximately eleven percent in the past year, with as much as nine of the eleven

percent occurring within the past six months. Similar conditions are expected to continue through the current year and potentially beyond.

For the project to advance, $6.055 million in additional project funding is required to award this construction contract. As part of the proposed total project budget of $31.73 million, $1.6 million is established as contingency funding for any unforeseen costs that arise during construction.

The tender proposals remain open for acceptance until August 1, 2022, that is sixty (60) Calendar Days following the Submission Deadline as per paragraph 11 of Form A: Submission included in the Tender document.

The Manager of Materials has advised that each of the bid submissions was accompanied by an acceptable bid security.

The Contract Administrator has verified that Penn-Co Construction Canada (2003) Ltd. is COR certified with the Construction Safety Association of Manitoba (Certificate # 11603-03). Penn-Co Construction Canada (2003) Ltd. is in good standing with the Workers Compensation Board of Manitoba, under registration number 1409259. The competency of all above mentioned proponents to execute this contract efficiently has been verified through the RFQ process within RFQ No. 442-2021A. In the opinion of the Assets and Property Management Department, the proposed contractor has the skills and resources to satisfactorily complete the Work.

Construction will not commence prior to the award of Contract.

Borrowing Authority
Incremental borrowing authority of $6.055 million is required for the project detailed in this report.

Debt Strategy
On October 28, 2015, Council adopted a Debt Strategy for Tax Supported, Utilities and total City borrowing.

In addition to the debt implications from this report, this Debt Strategy section has been prepared considering two other reports having debt implications:

- Loan Guarantee for The Convention Centre Corporation
- Reporting on Snow Clearing and Ice Control Policy

Subject to approval of the recommendations of this report, additional borrowing authority of $6,055,000 is required.

$127 million of Tax Supported and $115 million of Utilities borrowing capacity will remain if Council approves the recommendations of all three reports (based on 2022 borrowing estimates).

The impact of this debt financing falls within the debt limits established in the Council Policy as outlined in the table below:

Tax Supported net debt as a percentage of revenue not to exceed	80%
Forecasted peak rate including proposed debt from this report	58.8%
Utilities net debt as a percentage of revenue not to exceed	220%
Forecasted peak rate including proposed debt from this report	105.4%
Total City net debt as a percentage of revenue not to exceed	90%
Forecasted peak rate including proposed debt from this report	77.5%
Tax Supported debt servicing as a percent of revenue not to exceed	10%
Forecasted peak rate including proposed debt from this report	5.4%
Utilities debt servicing as a percent of revenue not to exceed	20%
Forecasted peak rate including proposed debt from this report	9.8%
Total City debt servicing as a percent of revenue not to exceed	11%
Forecasted peak rate including proposed debt from this report	7.5%
Tax Supported Debt per Capita not to exceed	1,500
Forecasted peak rate including proposed debt from this report	1,128
Utilities Debt per Capita not to exceed	1,500
Forecasted peak rate including proposed debt from this report	1,168
Total City Debt per Capita not to exceed	2,800
Forecasted peak rate including proposed debt from this report	2,069

FINANCIAL IMPACT

Financial Impact Statement

Date: June 10, 2022

Project Name:

First Year of Program **2022**

Award of Contract for the Construction of the North District Police Station at 100 Sinclair St – Tender No. 442-2021B – Project No. 2017-108

	2022	2023	2024	2025	2026
Capital					
Capital Expenditures Required	$ 27,663,863	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	21,608,863	-	-	-	-
Additional Capital Budget Required	$ 6,055,000	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	6,055,000	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ 6,055,000	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ 6,055,000				
Total Additional Debt Required	$ 6,055,000				
Current Expenditures/Revenues					
Direct Costs	$ -	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	903,763	-	-	-	-
Net Cost/(Benefit)	$ (903,763)	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	(903,763)	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Capital expenditures consist of the proposed contract amount of $26,760,100 + short-term financing charges and corporate admin fees (i.e. maximum of $100,000) of $769,003 and Municipal Accommodations overheads of $134,760 (including project management overhead of $80,000 - maximum $40,000/annum for 2022 & 2023). The latter two amounts are offset by equal recoveries in the current budget of the Corporate Finance Department and Municipal Accommodations Division respectively. Existing budgeted capital costs of $21,608,863 represents that portion of the overall project budget earmarked for construction costs and related capital overheads.

Mike McGinn June 10, 2022

Mike McGinn, CPA, CA
Manager of Finance

CONSULTATION

This Report has been prepared in consultation with:
Winnipeg Police Service
Legal Services Department (as to legal issues)
Materials Management Division

OURWINNIPEG POLICY ALIGNMENT

1.7 Equitable Service Access – p.19
1.15 Community Capacity Development – p.20
2.12 Eliminate Fossil Fuel Dependence – p.23
3.16 Optimize Facility Access – p.26
4.6 Community Safety – p.27

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

1.3 Implement Low Carbon and Energy Efficient City Facilities and Buildings - p.29
5.2 Improve Energy Performance of New Buildings - p.47

WINNIPEG POVERTY REDUCTION STRATEGY ALIGNMENT

The information and recommendations presented in this report align with and advance the Winnipeg Poverty Reduction Strategy (2021-2031) as follows:

They embody the following Guiding Principles:

- We will Uphold Human Rights
- We will Honor Relationships and Reconciliation with Indigenous Peoples

They align with the following Goal and Objectives:
Goal 6: All City Services are Equitable, Inclusive and Accessible

Related 10-year Objective:

Residents have equitable access to City services, in particular demographic groups who experience marginalization

SUBMITTED BY

Department: Assets and Project Management
Division: Municipal Accommodations
Prepared by: Iain Currie, Project Coordinator
Date: June 10, 2022
File No: MA2022-069

Attachments: Capital Budget Detail Sheet