Minutes – Executive Policy Committee – April 18, 2023

REPORTS

Item No. 19 Reallocation of Capital Budgets and Request for Approval of a Contract Over-Expenditure for Building Systems Upgrade – St. James Civic Centre – 2055 Ness Avenue – Tender No. 1176-2019 Project No. 2015-058 (St. James Ward)

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and recommended to Council:

1. That the St. James Civic Centre – Facility Renewal Capital Budget (capital account no. 6362500217) be increased by $450,000, from $10,073,800 to $10,523,800, funded by the reallocation of the following existing, Council-approved capital budgets, as documented in this report:

    A. Recreational Facility Safety, Security and Accessibility Improvements
    B. Fitness Equipment Upgrade Program
    C. Library Facility Redevelopment – St. James Library
    D. Repair and Renovation of Pan Am Pool Universal Change Rooms

2. That, subject to approval of Recommendation 1, a second contract over-expenditure be approved for Gateway Construction and Engineering Ltd., in the amount of $687,000 or approximately 9.6%, of the current approved contract amount for construction services in the Building Systems Upgrade phase of the project at St. James Civic Centre, 2055 Ness Avenue, Tender No. 1176-2019 for a total revised contract value of $7,832,474 (MRST included, GST extra) which is approximately 34% more than the initial contract value.

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

DECISION MAKING HISTORY:

Moved by Councillor Browaty,

That the recommendation of the Winnipeg Public Service be concurred in and forwarded to Council.

Carried

ADMINISTRATIVE REPORT

Title: Reallocation of Capital Budgets and Request for Approval of a Contract Over-Expenditure for Building Systems Upgrade – St. James Civic Centre – 2055 Ness Avenue – Tender No. 1176-2019 Project No. 2015-058

Critical Path: Executive Policy Committee – Council

AUTHORIZATION

Author	Department Head	CFO	CAO
B. Erickson	G. Patton	C. Kloepfer	M. Jack

EXECUTIVE SUMMARY

This report requests approval to increase the project budget by $450,000 to accommodate a second over-expenditure to the contract for Gateway Construction & Engineering Ltd., in the additional amount of $687,000 for construction services in the Building Systems Upgrade phase of the project at St. James Civic Centre, 2055 Ness Avenue. The expected final contract amount is $7,832,474 (MRST included, GST extra) with a total contract over-expenditure of $1,987,000 or approximately 34.0%.

The initial/first contract over-expenditure of $1,300,000 was accommodated in the identified project contingency amount. Such additional project cost contributed to required renewal of building systems past their rated useful life, thereby reducing related system failures and avoidance of potential facility closures. Further, total project investment has contributed to more energy efficient equipment resulting in an estimated 30% reduction in greenhouse gas emissions (GSG) at this facility.

The recommended budget increase associated with this second over-expenditure is to be funded through a reallocation of existing Council-approved Community Services Department capital program or project budgets. As such, no incremental (unfunded) budget appropriation is warranted. Further, the amount of the requested budget increase ($687,000) is mitigated by the application of liquidated damages under the contract with Canotech Consultants Ltd. which are accruing and currently amount to $648,000 as at January 31, 2023.

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

RECOMMENDATIONS

1. That the St. James Civic Centre – Facility Renewal Capital Budget (capital account no. 6362500217) be increased by $450,000, from $10,073,800 to $10,523,800, funded by

the reallocation of the following existing, Council-approved capital budgets, as documented in this report:

A. Recreational Facility Safety, Security and Accessibility Improvements
B. Fitness Equipment Upgrade Program
C. Library Facility Redevelopment – St. James Library
D. Repair and Renovation of Pan Am Pool Universal Change Rooms

2. That, subject to approval of Recommendation 1, a second contract over-expenditure be approved for Gateway Construction & Engineering Ltd., in the amount of $687,000 or approximately 9.6%, of the current approved contract amount for construction services in the Building Systems Upgrade phase of the project at St. James Civic Centre, 2055 Ness Avenue, Tender No. 1176-2019 for a total revised contract value of $7,832,474 (MRST included, GST extra) which is approximately 34% more than the initial contract value.

3. That the proper Officers of the City of Winnipeg do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

As the recommended reallocation of funds provided in a capital budget exceeds the lesser of $100,000 or 25% of the base budget, pursuant to 37.1 of the City Organization By-law (7100/97), the approval of the appropriate Standing Committee is required. As the capital budget items included fall under the purview of two Standing Committees, the critical path for this report is Executive Policy Committee and Council.

As the Contract amount exceeds five million ($5,000,000) and sufficient funds have been identified in an alternate budget approved by Council, pursuant to sub-paragraph B8.2.1(b) of the Materials Management Policy, the appropriate Standing Policy Committee has the authority to approve the over-expenditure to the Contract.

IMPLICATIONS OF THE RECOMMENDATIONS

The St. James Civic Centre – Facility Renewal Capital Budget (capital account no. 6362500217) will be increased by $450,000, from $10,073,800 to $10,523,800.

The contract with Gateway Construction & Engineering Ltd., will increase by $687,000, or approximately 9.6% of the current approved contract amount, for a total revised contract value of $7,832,474 (MRST included, GST extra).

HISTORY/DISCUSSION

Originally constructed in 1967, the St. James Civic Centre serves the west end of Winnipeg and features an indoor arena, a swimming pool, a 350-seat auditorium, a weight room, a multi-purpose classroom, and administrative spaces.

During the period while the facility was closed to the public for repairs and renovation, two significant silica dust releases occurred within the building associated with contractor services for repairs and upgrade to the rink slab and crawlspace. As a result of those releases, additional contractor and consultant costs were incurred due to requirements for silica dust clean-up and associated delays in resuming construction work.

Contract details associated with both Project 2015-058 Building Systems Upgrade and Project 2018-093 Repairs and Upgrade to Rink Slab and Crawlspace, both occurring at St. James Civic Centre, 2055 Ness Avenue, are pertinent to this Administrative Report.

Project 2015-058 – Building Systems Upgrade

- **Contract Details Related to this Report**

GATEWAY CONSTRUCTION & ENGINEERING LTD.

A Class 2 cost estimate completed in July 2019 estimated the Building Systems Upgrade construction costs at $6,728,715.

On March 2, 2020, the Standing Policy Committee on Property and Development, Heritage and Downtown Development approved an award report recommending a contract be awarded to Gateway Construction & Engineering Ltd. in the amount of $5,845,474 (MRST included, GST extra) for Building Systems Upgrade – 2055 Ness Avenue, Tender No. 1176-2019. Purchase Order No. 578787 was subsequently issued to Gateway Construction & Engineering Ltd.

On October 13, 2021, the Standing Policy Committee on Property and Development, Heritage and Downtown Development approved a contract over-expenditure (OE #1) in the amount of $1,300,000 (MRST included, GST extra) or approximately 22%, for the following categories of work summarized in Table 1:

Table 1: OE #1 Summary of Scope Changes by Category:

Category	Estimated Amount
Regulatory	$48,750
Design Deficiencies	$84,500
Design Improvements	$143,000
Site Conditions	$299,000
Owner Changes	$724,750
TOTAL	**$1,300,000**

A second over-expenditure (OE #2) is now being recommended for approval, in the additional amount of $687,000 or approximately 9.6% of the current approved contract amount, for the following additional scope changes summarized in Table 2.

Table 2: OE #2 Summary of Scope Changes by Category:

Category	Actual Amount for OE #2
Regulatory	$0
Design Deficiencies	$54,170
Design Improvements	$26,043
Site Conditions	$0
Owner Changes	$0
Silica Dust Issue	$597,640
Other - Crawlspace Contractor	$9,140
TOTAL	**$687,000**

Details of Changes:

1. Regulatory:
   No Regulatory changes are included in this report.

2. Design Deficiencies:
   During construction a number of design deficiencies were identified. The deficiencies included missing integration of existing Arena security devices into the new intrusion system, missing chemical treatment system components for the cooling system, vandalism protection for a pipe in a vulnerable area, and design updates needed to maintain correct flow in the cooling system. The costs associated with these deficiency items identified during construction, as received from the Contractor, were deemed reasonable by the Project Team.

3. Design Improvements:
   During construction several design improvements were identified. These changes included improvements to the safety, accessibility and functionality of some spaces within the facility.

4. Existing Site Conditions, unknown at the time of Tender and uncovered as the project progressed:
   No site condition changes are included in this report.

5. Owner Changes:
   No owner changes are included in this report.

6. Silica Dust Issues:
   The two significant silica dust releases that occurred within the building resulted in additional contractor and consultant costs due to requirements for silica dust clean-up and associated delays in resuming construction work

The total revised contract value is expected to be $7,832,474 (MRST included, GST extra).

All contract additions or deletions were reviewed in detail by the Contract Administrator and determined to be acceptable and reflective of the Contractor's material and labour costs.

Financial Status of Contract - Gateway Construction and Engineering Ltd.:

Contract Award (includes MRST)			$	5,845,474
Previous Over-Expenditure	$	1,300,000		
Amount of this Recommendation	$	687,000		
Total Estimated Value of Extra Work	$	1,987,000	$	1,987,000
Estimated Final Contract Amount			$	7,832,474

Project 2018-093 - Repairs and Upgrade to Rink Slab and Crawlspace

- **Contract Details Related to this Report**

CANOTECH CONSULTANTS LTD.

On March 2, 2021, the Director of Assets and Project Management approved an award report recommending a contract be awarded to Canotech Consultants Ltd. in the amount of $1,068,700.32 (MRST included, GST extra) for Repairs and Upgrade to Rink Slab and Crawlspace – 2055 Ness Avenue, Tender No. 591-2020. Purchase Order No. 611384 was subsequently issued to Canotech Consultants Ltd.

Contract Liquidated Damages of $2,000 per Working Day have been accruing for over 15 months due to Canotech Consultants Ltd. continued failure to achieve Substantial Performance. Note Contractor may dispute Contract Liquidated Damages and/or alternate Contract terms and conditions.

Financial Status of Contract – Canotech Consultants Ltd.:

Contract Award (includes MRST)		$1,068,700
Previous Over-Expenditure	$0	
Estimated Value of Extra Work	$192,273	
Estimated Value of Liquidated Damages to Jan. 31, 2023	($648,000)	
Total Estimated Value of Extra Work	($455,727)	($455,727)
Estimated Final Contract Amount		$612,973

OVERALL SUMMARY

Financial Status Summary

Authorized Consolidated Capital		$10,073,800
Total Administration Costs to Date[1]	$557,333	
Project 2015-058		
Previous Awards & Expenditures	$8,350,816	
Amount of this Expenditure	$687,000	
Total Project Costs	$9,037,816	
Project 2018-093		
Previous Awards & Expenditures	$1,208,270	
Amount of this Expenditure	($331,922)	
Total Project Costs	$876,348	$10,471,497
Shortfall		$397,697
Less Offset - Unencumbered Budget		($1,390)
Total Budget Shortfall		$396,307
Estimated Administration Costs on Additional Funds		$51,050
Provision for Rounding		$2,643
Total Additional Budget Required		$450,000

Capital Program Budget Funding to be Reallocated

The Community Services Department capital program budgets to be reallocated to the St. James Civic Centre – Facility Renewal Capital Budget are as laid out in the table below.

Capital Account No.	Description	Amount
6250000119	Recreational Facility Safety, Security and Accessibility Improvements	$ 14,545
6250000121	Recreational Facility Safety, Security and Accessibility Improvements	$170,000
6250000221	Fitness Equipment Upgrade Program	$176,980
6362100319	Library Facility Redevelopment – St. James Library	$ 31,475
6362400521	Repair and Renovation of Pan Am Pool Universal Change Rooms	$ 57,000
Total		**$450,000**

[1] Note regarding Estimated Total Administration Costs: Initial Administration Costs were estimated at $862,874, which included recovery of AMO salaries, benefits and other costs. However effective 2022, AMO position costs are no longer recovered from capital, but are funded in the tax-supported operating budget. As a result, actual Administration Costs are significantly reduced from the initial estimated amount.

The additional budget requested is recommended to be realigned from the following capital projects and programs:

- Library Facility Redevelopment – St. James Library capital funding was approved in 2019 to undertake a land transfer and building assessment of St. James Library. This work has been completed under budget and the remaining funds are available to be reallocated.

- Pan Am Changeroom Renovation was approved for $940,000 in 2021. The project is substantially under budget with the renovations nearing completion. A portion of the remaining budget is available to be reallocated while still allowing sufficient contingency to complete the project.

- Both the Fitness Equipment Upgrade Program and the Recreation Facility Safety, Security & Accessibility Program are ongoing capital programs that supports a mix of investment needs at recreation facilities. All of the planned investments will still occur but will be prioritized for subsequent budget years. The department has 2022 funding available in both programs to continue with planned investments.

FINANCIAL IMPACT

Financial Impact Statement

Date: March 9, 2023

Project Name:

First Year of Program 2023

Reallocation of Capital Budgets and Request for Approval of a Contract Over-Expenditure for Building Systems Upgrade – St. James Civic Centre – 2055 Ness Avenue – Tender No. 1176-2019 Project No. 2015-058

	2023	2024	2025	2026	2027 & 2028
Capital					
Capital Expenditures Required	$ 723,068	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	273,068	-	-	-	-
Additional Capital Budget Required	$ 450,000	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	450,000	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ 450,000	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ 450,000				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ 10,940	$ 34,351	$ 34,351	$ 34,351	$ 34,351
Less: Incremental Revenue/Recovery	36,068	-	-	-	-
Net Cost/(Benefit)	$ (25,128)	$ 34,351	$ 34,351	$ 34,351	$ 34,351
Less: Existing Budget Amounts	(25,128)	34,351	34,351	34,351	34,351
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Capital expenditures represent the contract over-expenditure amount + short-term financing charges & corporate admin fees of $22,328 and Municipal Accommodations overhead of $13,740. The latter two amounts are offset by equal recoveries in the current budget of the Corporate Finance Department and Municipal Accommodations Division respectively. The additional capital budget required represent the proposed reallocation of existing, approved budget, all of which is funded by external debt. Direct cost represent principal & interest payments on that $450,000 and on the portion of the $273,068 St. James Civic Centre - Facility Renewal budget funded by external debt. Overall, no additional budget is required; simply a realloction of existing budget from the Community Services Department to the Municipal Accommodations Division.

Mike McGinn Mar. 9, 2023

Mike McGinn, CPA, CA
Manager of Finance

CONSULTATION

This Report has been prepared in consultation with:

- Community Services Department

OURWINNIPEG POLICY ALIGNMENT

Goal: Leadership and Good Governance
Objective: Achieve community-responsive service delivery through an aligned, integrated, collaborative and results-oriented organizational culture.
Policy 1.4 Integrated Knowledge and Resources
Coordinate inter-departmental systems, project and resources, making the best use of internal and external expertise to better understand service needs, find the most appropriate solutions, optimize resources, and maximize community outcomes.

Goal: Environmental Resilience
Objective: Promote low-carbon, energy-efficient buildings through low-energy building design, construction and retrofitting.
Policy 2.12 Eliminate Fossil Fuel Dependence
Reduce greenhouse gas emissions from existing and new buildings, including municipally-owned buildings and facilities, and associated infrastructure, through the promotion of renewable energy sources; energy efficiency uses and performance measures; and low-carbon construction, retrofit and demolition methods that maximize the lifecycle of buildings.

Goal: Economic Prosperity
Objective: Make strategic use of community and regional assets to optimize local economic competitiveness.
Policy 3.16 Optimize Facility Access
Maximize the use of existing municipal assets to promote recreation, community development, and social interaction, while optimizing equitable access, infrastructure reinvestments, service delivery methods and resource management.

Goal: Good Health and Well Being
Objective: Support positive health outcomes through the built and natural environments.
Policy 4.8 Building Safety
Enforce compliance with building codes and property maintenance standards, to ensure housing quality, safe building occupancy, and extended building lifecycles.

Policy 4.9 Inclusive Public Places
Provide and promote the amenities, and the design and maintenance standards, necessary to ensure accessible, safe and sanitary conditions in gathering spaces frequented by the public.

Goal: Social Equity
Objective: Uphold human rights so that no one is left behind.
Policy 5.1 Equitable Service Access
Provide municipal services through an age-friendly lens that promotes equitable access for all, with a focus on the youngest, oldest, and systemically disadvantaged members of the community.

Goal: Social Equity
Objective: Build social cohesion through community development solutions, coordinated, effective partnerships, and responsive delivery.
Policy 5.7 Community Cohesion
Promote opportunities for life-learning and cross-cultural, inter-generational relationship-building, as a means of preventing social isolation, discrimination and racism.

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

Strategic Opportunity #5 – Low Carbon and Energy Efficient Buildings
Direction 5.1 Increase Energy Performance of Existing Buildings

WINNIPEG POVERTY REDUCTION STRATEGY ALIGNMENT

Section 5. Poverty Reduction Goals and Objectives
Goal 6: All City Services are Equitable, Inclusive and Accessible

SUBMITTED BY

Department: Assets and Project Management
Division: Municipal Accommodations
Prepared by: Kathy Roberts, Project Officer
Date: March 9, 2023
File No: MA2023-004

Attachments: N/A