Minutes – Executive Policy Committee – October 17, 2023

Report – Standing Policy Committee on Community Services – October 5, 2023

Item No. 5 St. James Civic Centre Expansion Project – Construction Cost Escalation

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Community Services and submitted the following to Council:

1. That the St. James Civic Centre Expansion Capital Budget (capital account project no. 6362800121) be increased by $3,000,000 from $14,006,000 to $17,006,000, funded by debt.

2. 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 Community Services – October 5, 2023

DECISION MAKING HISTORY:

Moved by Councillor Duncan,

That the recommendation of the Standing Policy Committee on Community Services be concurred in and forwarded to Council.

Carried

STANDING COMMITTEE RECOMMENDATION:

On October 5, 2023, the Standing Policy Committee on Community Services concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Title: St. James Civic Centre Expansion Project – Construction Cost Escalation

Critical Path: Standing Policy Committee on Community Services – Executive Policy Committee – Council

AUTHORIZATION

Author	Department Head	CFO	CAO
S. Sawatzky	C. Fernandes	L. Szkwarek, Acting CFO	M. Jack

EXECUTIVE SUMMARY

This report requests approval to increase the St. James Civic Centre (SJCC) Expansion project budget by $3,000,000.

The SJCC Expansion project Class 2 Estimate was received on May 15, 2023, with an estimated project cost of $17,100,000; of which $14,006,000 is funded. Based on current market conditions, the estimated construction costs exceed the available budget by $3,094,000. Cost saving measures of approximately $75,000 to $100,000, have been identified to date through value engineering. This reduces the estimated funding shortfall to $3,000,000.

The recommended budget increase associated with the required $3,000,000 can be funded through debt. The Recommendations included in this report comply with the requirements of the signed Contribution Agreement for the Investing in Canada Infrastructure Program.

RECOMMENDATIONS

1. That the St. James Civic Centre Expansion Capital Budget (capital account project no. 6362800121) be increased by $3,000,000 from $14,006,000 to $17,006,000, funded by debt.

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

Council approval is required to increase or amend the value of capital project budgets.

IMPLICATIONS OF THE RECOMMENDATIONS

The capital budget for the SJCC Expansion project will be amended and increased from $14,006,000 to $17,006,000 funded through debt, to reflect the additional funding of $3,000,000. Approval of the recommended debt allocation in order to increase the SJCC Expansion Budget will enable the City to finalize design and continue with the project.

HISTORY/DISCUSSION

Originally constructed in 1967, located at 2055 Ness Avenue, the St. James Civic Centre (SJCC) is one of the larger multi-use recreation facilities operated by the City of Winnipeg (the City). It serves the West End of Winnipeg and features an indoor arena, a swimming pool, a 350-seat auditorium, a fitness room, a multi-purpose classroom, and administrative spaces. The facility recently underwent major capital renovations valued at $10.5 million. The work included a building systems upgrade and repairs and upgrade to the indoor rink slab and crawlspace.

The St. James Assiniboine 55+ Senior Centre (SJA55+) has been working collaboratively with the City on the SJCC Expansion project. The organization is planning to relocate to the SJCC once the renovation and expansion work is complete. The approximately 9,500 square feet of renovated area and 15,000 square feet of expansion will include several multi-purpose program and meeting rooms as well as dedicated administrative space for the SJA55+. Additional facility renovations including improvements to the auditorium, main building entry, parking lot, and development of a community kitchen are part of the approved project scope.

On September 26, 2019, Council approved an application to the Investing in Canada Infrastructure Program - Community, Culture and Recreation Infrastructure Stream (ICIP). On July 2, 2021, project funding for the SJCC Expansion project was approved through ICIP. Under ICIP, the Government of Canada and the Province of Manitoba are contributing a combined total of $9,694,226 towards the SJCC Expansion project, while the City is contributing $4,311,774. The project has an approved total budget of $14,006,000 and the ICIP Contribution Agreement was fully executed on August 30, 2022. Section 6.3 of the executed ICIP Contribution Agreement limits changes to the project scope and requires that the City notify the Province promptly if the total costs of the project will differ materially from the amount identified in the agreement.

The SJCC Expansion project design progress is currently 66 percent complete. The current Class 2 estimated project cost is $17,100,000 and only $14,006,000 is funded. Based on current market conditions, the estimated construction costs exceed the available budget by $3,094,000. The increase in the estimated construction cost is attributable to ongoing volatility in the construction market. Deferring the work until a future date may result in further construction cost escalation.

Cost saving measures, of approximately $75,000 to $100,000, that will have minimal affect on the overall project, have been identified through value engineering, however the project still remains $3,000,000 over budget. Further scope reductions to fully address the remaining $3,000,000 shortfall would require reducing the size of the expansion. As a result, the

programming spaces needed to serve this area of Winnipeg would not be realized and the project would no longer conform to the scope in the ICIP Contribution Agreement.

The City has updated the Province of Manitoba on the current status of the SJCC Expansion project. The City has exhausted all third party opportunities to fund the $3,000,000 shortfall. As such, debt funding is recommended for this project as the City responsible for all incremental costs. Approval of the recommended debt allocation in order to increase the SJCC Expansion Budget will enable the City to finalize design and continue with the project.

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, the Debt Strategy section has been prepared considering the debt implications of the Winnipeg Comprehensive Urban Forest Strategy (not yet approved by Council). Subject to approval of the recommendations of this report, net additional borrowing authority of $3,000,000 is required.

$47 million of Tax Supported and $15 million of Utilities borrowing capacity will remain if Council approves the recommendations in this report. (based on 2023 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	58.0%
Utilities net debt as a percentage of revenue not to exceed	220%
Forecasted peak rate including proposed debt from this report	119.5%
Total City net debt as a percentage of revenue not to exceed	90%
Forecasted peak rate including proposed debt from this report	87.7%
Tax Supported debt servicing as a percent of revenue not to exceed	10%
Forecasted peak rate including proposed debt from this report	5.1%
Utilities debt servicing as a percent of revenue not to exceed	20%
Forecasted peak rate including proposed debt from this report	10.2%
Total City debt servicing as a percent of revenue not to exceed	11%
Forecasted peak rate including proposed debt from this report	7.6%
Tax Supported Debt per Capita not to exceed	1,500
Forecasted peak rate including proposed debt from this report	1,153
Utilities Debt per Capita not to exceed	1,500
Forecasted peak rate including proposed debt from this report	1,354
Total City Debt per Capita not to exceed	2,800
Forecasted peak rate including proposed debt from this report	2,419

FINANCIAL IMPACT

Financial Impact Statement

Date: September 8, 2023

Project Name:

St. James Civic Centre Expansion Project - Construction Cost Escalation

First Year of Program **2023**

	2023	2024	2025	2026	2027
Capital					
Capital Expenditures Required	$ 17,006,000	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	14,006,000	-	-	-	-
Additional Capital Budget Required	$ 3,000,000	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - External (Additional)	$ 3,000,000	$ -	$ -	$ -	$ -
Debt - External (Current)	4,312,000	-	-	-	-
ICIP - Federal Government	5,288,000	-	-	-	-
ICIP - Provincial Government	4,406,000	-	-	-	-
Total Funding	$ 17,006,000	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ 3,000,000				
Total Additional Debt Required	$ 3,000,000				
Current Expenditures/Revenues					
Direct Costs	$ -	$ 120,600	$ 193,200	$ 193,200	$ 193,200
Less: Incremental Revenue/Recovery	431,490	-	-	-	-
Net Cost/(Benefit)	$ (431,490)	$ 120,600	$ 193,200	$ 193,200	$ 193,200
Less: Existing Budget Amounts	(431,490)	-	-	-	-
Net Budget Adjustment Required	$ -	$ 120,600	$ 193,200	$ 193,200	$ 193,200

Additional Comments: Capital funding of $17,006,000 represents the revised estimated cost of the St. James Civic Centre Expansion project, an increase of $3,000,000 over the current Council approved capital budget of $14,006,000. As per recommendation 1 in the report, additional debt funding of $3,000,000 is required to facilitate the capital budget increase.

Direct costs represent debt and finance charges on the incremental debt required based on the estimated time of borrowing.

Incremental revenue is the interest and administrative overhead charges on the revised project costs and are offset by recoveries in the current budget of the Corporate Finance department.

Ozzy Garrett - September 8, 2023

Ozzy Garrett, CPA, CGA
Manager of Finance

CONSULTATION

This Report has been prepared in consultation with:

- Assets and Project Management

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: 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.

Policy 4.11 Equitable Service Access
Prioritize equitable access to recreation and parks systems, services, and infrastructure, in order to: enable active living; connect people and nature; create supportive environments; build community capacity; and achieve desired health outcomes, with a focus on children and youth.

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.

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: Community Services
Division: Asset Management Office
Prepared by: P. Skutnik, Investment Planner
Date: September 8, 2023
File No: CMS-2023-25