Agenda – Executive Policy Committee – May 22, 2024

Report – Standing Policy Committee on Community Services – May 8, 2024

Item No. 3 South Winnipeg Recreation Campus - New Recreation Centre Budget Status

STANDING COMMITTEE RECOMMENDATION:

On May 8, 2024, the Standing Policy Committee on Community Services did not concur in the recommendation of the Winnipeg Public Service and submitted the following to Council:

1. That Option 1, as outlined in the report of the Winnipeg Public Service be approved, and that the project budget be amended to include an additional $23 Million, financed through debt funding.

2. That, in an effort to defer additional use of debt, the Winnipeg Public Service be directed to continue consultations with the Provincial and Federal Governments with regards to ICIP funding and principles.

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

Agenda – Executive Policy Committee – May 22, 2024

Report – Standing Policy Committee on Community Services – May 8, 2024

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On May 8, 2024, the Standing Policy Committee on Community Services did not concur in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

1. That Option 1, as outlined in the report of the Winnipeg Public Service be approved, and that the project budget be amended to include an additional $23 Million, financed through debt funding.

2. That, in an effort to defer additional use of debt, the Winnipeg Public Service be directed to continue consultations with the Provincial and Federal Governments with regards to ICIP funding and principles.

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

David Grant submitted a communication with respect to the matter.

ADMINISTRATIVE REPORT

Title: South Winnipeg Recreation Campus - New Recreation Centre Budget Status

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

AUTHORIZATION

Author	Department Head	CFO	CAO
S. Sawatzky B. Piniuta	C. Fernandes G. Patton	J. Speidel, acting for C. Kloepfer	M. Jack

EXECUTIVE SUMMARY

The new recreation centre component of the South Winnipeg Recreation Campus (SWRC) Phase One project is forecast to be over-budget by approximately $23 million, based on a recently-received Class 4 estimate (range -30 percent to +60 percent) from the City's project consultant. The current approved budget for the recreation centre component is $71 million.

The increase in project cost is attributable to a number of factors, including establishing the budget in 2019 with a Class 5 estimate (range -50 percent to +100 percent), delay to secure an Investing in Canada Infrastructure Program (ICIP) funding commitment, and unprecedented cost escalation over a period of three years associated with the COVID-19 pandemic and related impacts on the construction industry.

The Public Service has identified three options to address the project budget shortfall for Council's consideration:

- Option 1 - The City would amend the project budget and solely fund the estimated $23 million budget shortfall through increased debt funding, as one possible funding source.
- Option 2 - The City would reduce the scope of the current project to match the approved budget and plan to introduce identified amenities in future phases.
- Option 3 - The City would continue discussions with the Federal and Provincial governments, which are partners in funding the SWRC-Phase One project, about increasing their financial commitment to the recreation centre component of the project in accordance with ICIP cost-sharing principles. If funding principles are consistent with the ICIP agreement, the City's share of the increased project cost is estimated to be up to $8 million.

The Public Service is seeking direction from Council on the preferred option to address the budget shortfall for the South Winnipeg Recreation Campus Phase One project.

Any changes in the project scope approved by Council will also require discussion and agreement with the Provincial and Federal governments.

The ongoing review of the project budget will impact the overall project schedule. The impact will be determined once the project scope and budget issues have been resolved. The project schedule and current Class 4 estimate are ongoing risks to the project.

RECOMMENDATIONS

1. That this report be received as information.

REASON FOR THE REPORT

Council approval is required for material changes to the project scope or budget of a previously approved capital project. The Public Service is seeking direction from Council on the budget and scope of the South Winnipeg Recreation Campus.

IMPLICATIONS OF THE RECOMMENDATIONS

Scope reduction will reduce amenities and service capacity of the recreation centre once it is operational. Identified amenities could be introduced in the future as directed by Council.

A change to scope will involve additional design work and an adjustment to the Prime Consultant's service contract. This will increase the duration and cost of design services and postpone current procurement timelines thereby extending the project schedule overall. Schedule impacts will be dependent on the nature of scope change adopted.

Agreement with the Provincial and Federal governments will be required for any project scope changes.

HISTORY/DISCUSSION

The South Winnipeg Recreation Campus (SWRC) is a new regional recreation facility that will be built on Bison Drive, west of Frontier Trail and east of Kenaston Boulevard. Communities in southwest Winnipeg are growing and a new recreation facility is needed to meet their needs. The facility is intended to serve a catchment area of four to six kilometres that will be home to more than 120,000 residents.

The City previously acquired 19 acres in Waverley West for the purpose of developing the SWRC. At full build-out, the vision for the site includes the development of a phased multi-use, multi-generational regional recreation facility with an aquatic component consisting of a leisure pool and lap tank, multiple gymnasiums and multi-purpose rooms, fitness space, a community library, a twin arena, a community spray pad, adjacent park space and athletic fields. The site is also to include a future new firehall to service this growing community. Phase One, the subject of this report, does not include the aquatic component, the library, or the twin arena.

On September 26, 2019, Council approved submitting a $71.009 million South Winnipeg Recreation Campus: Phase One – Recreation Centre project to the Investing in Canada Infrastructure Program (ICIP). Subsequently, on July 23, 2020, Council amended the previously approved direction on the South Winnipeg Recreation Campus: Phase One – Recreation Centre

project to include a child care centre and vocational building, with an amended project budget of $89.039 million based upon a Class 5 estimate of project costs.

Through the August 2021 approval of the ICIP application, the Government of Canada has committed $31.655 million towards the project. The Province of Manitoba is contributing $31.190 million. The City's contribution to the project is $26.194 million, of which $9.901 million is considered to be ineligible costs under the terms of the ICIP agreement.

The ICIP Contribution Agreement has not been fully executed. However, Section 6.3 of the draft 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.

A summary of the past decision-making and project implementation is attached as Appendix A.

Current status:

Schematic design of the recreation centre and child care centre was completed in October 2023 followed by receipt of a Class 4 cost estimate the following month. The proposed recreation centre is approximately 90,000 square feet. In alignment with the ICIP application, the design incorporates three gymnasiums, a 200 metre walking track, fitness areas, multi-purpose rooms, associated change rooms and administrative spaces along with an outdoor spray pad.

The Class 4 estimate indicates that the new recreation centre will be over-budget by approximately $23 million at the time of procurement. The increased project cost is attributable to a number of factors including:

- Establishing the project budget with a Class 5 cost information in order to leverage external funding opportunities via ICIP.
- Schedule delay attributable to when ICIP funding was established. At the time of the application to ICIP, it was estimated that construction would commence in 2022. ICIP funding was not confirmed until August of 2021, and a draft funding agreement was not received from the Province of Manitoba until February 2023. This delay, coupled with a pause on advancing design work until direction is provided to the Public Service concerning the budget deficit, results in construction now likely to begin no earlier than Q1 2025.
- Unprecedented cost escalation over a period of three years associated with the COVID-19 pandemic and related impacts on the construction industry.

The cost difference between the Class 5 and Class 4 estimates is within the margin of accuracy established by the City's cost estimate classification system.

The City has updated the Province of Manitoba on the current status of the project. Under the current ICIP Contribution Agreement, the City is responsible for all incremental costs related to the recreation centre.

The other asset components of the project being built in phase one, namely the child care centre and vocational building, which will be owned by the Province of Manitoba/Pembina Trails School Division once completed, are also forecast to be over-budget. Manitoba has confirmed their commitment to the City of Winnipeg for the construction of the child care centre and vocational building and will work with the City as any increased costs are realized on these project elements.

Options to address the increased project cost of the recreation centre:

The subject of this Administrative Report is solely the over-budget status of the recreation centre. Cost increases for the child care centre and vocational building will be addressed separately by the Province of Manitoba.

Options to address the increased project cost of the recreation centre include:

- Option 1 - The City would amend the project budget and solely fund the estimated $23 million budget shortfall through increased debt funding, as one possible funding source.
- Option 2 - The City would reduce the scope of the current project to match the approved budget and plan to introduce identified amenities in future phases.
- Option 3 - The City would continue discussions with the Federal and Provincial governments, which are partners in funding the SWRC-Phase One project, about increasing their financial commitment to the recreation centre component of the project in accordance with ICIP cost-sharing principles. If funding principles are consistent with the ICIP agreement, the City's share of the increased project cost is estimated to be up to $8 million.

Next steps:

Each option presented will include value engineering as a process to control overall project costs. Value engineering, is a process to adopt changes in design, construction methodology, and/or material specification that is intended to reduce the overall project cost. Value engineering, by itself, will not address the estimated shortfall in recreation centre funding, under the original project scope. Examples of value engineering include choosing steel over concrete structures, reducing the percentage of exterior glazing (windows), selecting more economical building finishes and fixtures, etc.

- Option 1 – If Council amends the project budget and solely funds the estimated $23 million budget shortfall, design work would continue, under the original project scope, utilizing value engineering processes to address the ongoing risk of the current Class 4 estimate.
- Option 2 – If Council directs the reduction of the scope of the current project to match the approved budget. the Public Service would work with the design consultant on building floor area reductions which would result in building a smaller, scaled back centre resulting in a general reduction to some or all areas and/or programmatic scaling such as the omission of a meeting room, a gymnasium, canteen, etc. Reducing floor area represents the single greatest opportunity to realign the building cost with approved/available funding. A reduction in building floor area of up to 20 percent, or 18,000 square feet, may be needed to address the forecasted budget shortfall. To achieve the reduction in facility size that would be required, one of the three gymnasiums and approximately half of the multi-purpose/programming rooms would need to be removed from the recommended space program. Proposed changes to investment levels and/or scope redefinition as a means of addressing the over-budget status of the recreation centre will materially impact the ICIP Agreement and require review and amendment with governments of Manitoba and Canada before the City can procure any of these facilities. As such, amendment of the ICIP Agreement poses an ongoing risk to the project.
- Option 3 – The City would continue discussions with the Federal and Provincial governments, which are partners in funding the SWRC-Phase One project, about increasing their financial commitment to the recreation centre component of the project in accordance

with ICIP cost-sharing principles. The project would be paused to allowed for the discussions to continue which would have an impact to the project schedule.

If Council directs the increase in debt funding to maintain the current defined scope of the project (Option 1), the following debt strategy is applicable.

Debt Strategy

On February 22, 2024, Council adopted an updated Debt Strategy for total City borrowing.

If Council decides to fund this project through additional debt, additional borrowing authority of $23 million is required leaving $79 million of remaining City borrowing capacity (based on 2024 borrowing estimates).

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

Total City net debt as a percentage of revenue not to exceed	100%
Forecasted peak rate including proposed debt from this report	96.9%

Requested Changes

An earlier draft of this administrative report was reviewed by Mayor's Office staff and the following revisions were requested:

- Include options and additional information for the budget, beyond de-scoping the project, for the consideration of the Standing Policy Committee, Executive Policy Committee and Council.

At a Reports Briefing on April 24, 2024, an earlier draft of this administrative report was reviewed by members of the Executive Policy Committee and the following revisions were requested:

- Include in Executive Summary commitments made from other levels of government and their status, as per information contained on page 4.
- Clarify implications of options being presented by Public Service.

FINANCIAL IMPACT

Financial Impact Statement

Date: April 26, 2024

Project Name:

South Winnipeg Recreation Campus - New Recreation Centre Budget Status

COMMENTS:

There are no financial implications associated with this report.

Ozzy Garret, CPA, CGA - April 26, 2024
Mike McGinn April 26, 2024

Ozzy Garrett, CPA, CGA - Mgr of Finance CMS
Mike McGinn, CPA, CA - Mgr of Finance PPD, APM

CONSULTATION

This Report has been prepared in consultation with: N/A

OURWINNIPEG POLICY ALIGNMENT

Goal: Leadership and Good Governance

- **Objective:** Establish and implement priority actions through evidence-informed decision-making processes.
- **Policy 1.7 Equitable Service Access** – Identify and provide access to, a base level of municipal services to everyone, directly or facilitated through partnerships. Remove systemic barriers to participation, based on race, national or ethnic origin, colour, religion, age, sex, sexual orientation, gender identity or expression, marital status, family status, physical or mental ability, official language used, citizenship status, socio-economic status, geographic location or climate change vulnerability.

Goal: Environmental Resilience

- **Objective:** Prioritize the transition to a resilient, low-carbon future through demonstrated organizational and community leadership, and collaborative actions that mitigate and adapt to a changing climate.
- **Policy 2.1 Climate Action Targets** – Meet and exceed greenhouse gas emissions reduction targets of 20 percent by 2030, relative to 2011, and net zero by 2050, by working towards partnerships with the community, businesses, and government bodies including Indigenous, Federal and Provincial governments.
- **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 use and performance measures; and low-carbon construction, retrofit and demolition methods that maximize the lifecycle of buildings.

Goal: Good Health and Well-Being

- **Objective:** Support positive health outcomes through the built and natural environment.
- **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.

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

Key Directions (Short-Term Implementation):
1.3 Implement Low Carbon and Energy Efficient City Facilities and Buildings - p.6
5.2 Improve Energy Performance of New Buildings - p.8

WINNIPEG POVERTY REDUCTION STRATEGY ALIGNMENT

The development of the South Winnipeg Recreation Campus aligns with the following Goals and Objectives of the Winnipeg Poverty Reduction Strategy (2021 – 2031), including:

Goal 1: Equity and a Culture of Caring are Demonstrated through Strategy Implementation and Systems Change
Related 10-year Objectives:

- **C.** C.Equity and a Culture of Caring are factored into all service planning and budget decisions, resulting in City-wide systems change.

Goal 6: All City Services are Equitable, Inclusive and Accessible:
Related 10-year Objectives:

- **A.** A.Residents have equitable access to City services, in particular demographic groups who experience marginalization.

SUBMITTED BY

Department: Community Services and Assets & Project Management
Division: Asset Management Office and Municipal Accommodations
Prepared by: S. Sawatzky, B. Piniuta
Date: April 29, 2024

Attachments: Appendix A: Project Decision-Making & Implementation History

Appendix A: Project Decision-Making & Implementation History

On May 9, 2009, Council adopted in principle, the General Council of Winnipeg Community Centres (GCWCC) Plan 2025, which noted the Riel District, including Waverley West, will lead Winnipeg's population growth in the next decade, and recommends developing a new regional facility to accommodate this growth.

On December 13, 2013, Council adopted the 2014 Capital Budget including $350,000 in the Recreation Facility Replacement - New Infrastructure Capital Program to commission a feasibility study to determine the scope and estimated capital cost for the development of an integrated multi-use Community Campus in the expanding Waverley West Community.

On October 13, 2014, the South Winnipeg Recreation Initiative: Final Report completed by consultant BRAID Solutions Inc. provided several recommendations regarding residents' needs and desires for a regional recreation facility in this area.

On November 25, 2015, Council received the South Winnipeg Recreation Initiative: Final Report as information and mandated that the CAO coordinate participation of all relevant City of Winnipeg departments involved in the South Winnipeg Recreation Initiative with community stakeholders, to confirm community recreation needs and community engagement strategies, and explore governance model options including fee-for-service delivery models and private fundraising opportunities. The Public Service was subsequently directed to investigate potential partnerships and stakeholder collaboration required for the implementation of a recreation campus and Council allocated up to $350,000 from the Recreation Facility Replacement - New Infrastructure Capital Program to support:

- conceptual site planning of the recreation campus;
- a Secondary Planning process (Neighbourhood Area Structure Plan);
- and consultant support to coordinate key stakeholders collaborating in the development of a conceptual site plan and partnership agreement.

Council further directed that the funding required to enable the acquisition of land for the proposed recreation campus be referred to the 2016 Capital Budget process. On March 22, 2016, Council approved the 2016 Capital Budget which authorized an expenditure of up to $3.8 million for Recreation Facility Replacement – New Infrastructure to facilitate land acquisition for the South Winnipeg Recreation Campus. The budget was subsequently increased to $4.114 million in the 2017 Capital Budget.

In April 2016, the Public Service commenced negotiations with multiple property owners in an effort to acquire land for the South Winnipeg Recreation Campus.

On December 13, 2016, Council adopted the 2017 Capital Budget which in part included $4.114 million for land acquisition.

On February 22, 2018, Council approved an expropriation proceeding for 262 Cadboro Road, a 19-acre site, adjacent to the Pembina Trails School Division site, to acquire the land required by the City for the South Winnipeg Recreation Campus.

On September 17, 2018, the Public Service contracted with Gibbs Gage Architects to undertake a South Winnipeg Recreation Campus Feasibility Study.

On July 12, 2019, the Public Service contracted with Colliers Project Leaders to develop a business case for the South Winnipeg Recreation Campus, which was subsequently completed in October 2020.

On September 26, 2019, Council approved submitting a $71.009 million South Winnipeg Recreation Campus: Phase One – Recreation Centre project to the Investing in Canada Infrastructure Program (ICIP). Subsequently, on July 23, 2020, Council amended the previously approved direction on the South Winnipeg Recreation Campus: Phase One – Recreation Centre project to include a daycare and vocational building with an amended project budget of $89.039 million based upon a Class 5 estimate of project costs.

On February 27, 2020, the Public Service contracted with f-BLOK Architecture Inc. to refine the conceptual development plan, so as to reflect ongoing scope refinement undertaken in coordination with the Public Schools Finance Board of the Province of Manitoba.

On July 23, 2020, Council amended the previously approved South Winnipeg Recreation Campus: Phase One – Recreation Centre project to include a daycare and vocational building. Council also approved submitting the amended $89.039 million project for federal and provincial funding consideration through ICIP.

On August 12, 2021, the South Winnipeg Recreation Campus: Phase One – Recreation Centre was approved for federal and provincial funding under the Investing in Canada Infrastructure Program – Community, Culture and Recreation Infrastructure Stream.

On November 15, 2021, Corporate Finance established the project capital account with associated funding, allowing procurement work to proceed.

On September 8, 2021, the Public Service contracted with Colliers Project Leaders for Professional Project Management Services for South Winnipeg Recreation Campus – Phase 1. The work associated with this contract is presently underway and ongoing.

On June 20, 2022, the Chief Financial Officer approved a contract award for Prime Design Consultant Services for South Winnipeg Recreation Campus (SWRC) – Phase 1 – RFP 746-2021 to Diamond Schmitt Architects Incorporated in the amount of $4,190,168.00 (MRST included, GST extra). The work associated with this contract is presently underway and ongoing.

On February 15, 2023, the City of Winnipeg received the first-issue draft of the South Winnipeg Recreation Campus Funding Contribution Agreement from the Province of Manitoba.