

APPENDIX 4

Agenda – Standing Policy Committee on Finance – December 3, 2012

Moved by Councillor

That Rule 10(3) of The Procedure By-law No. 50/2007 be suspended in order that the following item, which was received less than 96 hours preceding the committee meeting, be considered by Committee.

ADDENDUM REPORTS**Item No. 10 Winnipeg Police Headquarters Redevelopment Project – Financial Status Report No. 1 for the period ending September 30, 2012****WINNIPEG PUBLIC SERVICE RECOMMENDATION:**

That the financial status of the Winnipeg Police Service Redevelopment Project as contained in this report be received as information.

ADMINISTRATIVE REPORT

**ISSUE: WINNIPEG POLICE HEADQUARTERS REDEVELOPMENT PROJECT –
FINANCIAL STATUS REPORT NO. 1 FOR THE PERIOD ENDING
SEPTEMBER 30, 2012**

Critical Path: STANDING POLICY COMMITTEE ON FINANCE

AUTHORIZATION

Author	Department Head	CFO	CAO
J. Ruby	Acting Chief A. Stannard	Mike Ruta, CFO	D. Joshi COO

RECOMMENDATIONS

That the financial status of the Winnipeg Police Service Redevelopment Project as contained in this report be received as information.

REASON FOR REPORT

Administrative Standard No. FM-004 requires quarterly reporting to the Standing Policy Committee on Finance.

IMPLICATIONS OF THE RECOMMENDATIONS

The project is currently within budget.

HISTORY

In the 2011 Adopted Capital Budget, Council authorized \$105 million for the redevelopment of the Winnipeg Police Headquarters building and \$22.1 million to consolidate a number of improvements to and/or consolidate various WPS facilities into the headquarters building

In July 2011, Council approved an increase to \$162 million (*) for the redevelopment of the Winnipeg Police Services Headquarters building and delegated authority to the CAO to enter into a GMP contract. For clarity, this is a redevelopment budget of \$155 million and internal construction period interest charges of \$7 million.

On November 18, 2011, the City entered into a GMP contract with Caspian Projects Inc. for \$137.1 million.

(*) - The total approved and forecasted budget for the project as disclosed in the 2012 Capital Budget is \$193.567 million, comprised of \$31.567 million relating to the purchase cost of the building and \$162 million relating to the renovation of the building and construction of the shooting range at Wyper Road. The purchase cost of \$31.567 million is not included in this report as it is not within the responsibilities of the Project Director and Project Team. For clarity, the \$31.567 million purchase cost of the building has been recorded in the City's financial statements with \$12.6 million being allocated to the Mail Sorting Plant at 245 Smith Street and \$18.967 million being allocated to the office tower at 266 Graham Avenue.

MAJOR PROJECT STEERING COMMITTEE

The project team reports to an Oversight Committee on a regular basis (bi-weekly). The Committee has been formed and its members are:

Phil Sheegl, Chief Administrative Officer
 Deepak Joshi, Chief Operating Officer
 Mike Ruta, Chief Financial Officer
 Keith McCaskill, Police Chief/now represented by Devon Clunis
 Ossama AbouZeid, Project Director
 Randy Benoit, Project Team Member – Winnipeg Police Services
 Jason Ruby, Project Team Member – Corporate Finance

The Committee has reviewed this report and recommended that the report be submitted to the Standing Policy Committee on Finance.

PROJECT STATUS

The project is currently within budget.

DESCRIPTION OF PROJECT

- This project is for the redevelopment of the former Canada Post mail sorting plant (which is now known as 245 Smith Street) and the construction of a new range facility at Wyper Road. For clarity, the following activities are not within the responsibility of the Project Director and Project Team:
 - Purchase of the Building from Canada Post.
 - Management of the office tower at 266 Graham Avenue.
 - Disposal of the PSB Building.
- When complete, the new police headquarters will house 14 divisions and approximately 1,250 people. All 6 floors will be redeveloped and have approximately 606,000 square feet of space.
- The building is being redeveloped to 'as-new' condition and has an estimated useful life of 50 years.
- The outdoor shooting facilities at Wyper road include a 9,500 sq. ft. building for classroom training and an outdoor shooting facility comprised of 36 gun shooting lanes and 12 shotgun shooting lanes.
- Overall, the project budget is \$162 million comprised of \$155.0 million for redevelopment plus \$7.0 million of corporate charges that are meant to represent construction period interest.

PROJECT SCHEDULE

The following is a summary of key project milestones.

Key Milestones	Target	Actual
Range occupancy	Summer 2012	Sept 24, 2012
Building – available for occupancy	Summer 2014	-

Construction commenced on the range facility at Wyper Road in the late fall of 2011. The range reached substantial completion in fall 2012 and is now being used by the WPS. There are a small number of deficiencies outstanding on the range facility.

Construction commenced on the main headquarters building (245 Smith Street) in Summer 2012.

MAJOR CONTRACTS

The following is a list of major contracts awarded.

Bid Opportunity	Awarded To	Description	Award Date	Completion Date	Award/Contract Value
66-2010 Phase 1-3	AECOM Inc.	Professional Consulting Services for the Design and Development of the Winnipeg Police Service Headquarters at 266 Graham Avenue (former Canada Post Building) in Winnipeg	Aug 19, 2010	Feb 24, 2012	\$2,520,092.00
66-2010 Phase 4	AECOM Inc.	Professional Consulting Services for the Design and Development of the Winnipeg Police Service Headquarters at 266 Graham Avenue (former Canada Post Building) in Winnipeg	Jan 4, 2011	Feb 24, 2012	\$2,820,446.00 (*)
833-2010 Phase 1	Caspian Projects Inc. & Akman Construction Ltd. *assigned to Caspian Projects Inc.	Construction Management Services for the Design and Development of the Winnipeg Police Service Headquarters at 266 Graham Avenue (Former Canada Post Building) in Winnipeg	Feb 10, 2011	June 5, 2012	\$50,000.00
833-2010 Phase 1 – Over expenditures	Caspian Projects Inc.	During the design process, the design engineer determined that additional invasive testing/inspection on the building was necessary to further the design process	Dec 20, 2011	June 5, 2012	\$276,020.61
833-2010 Phase 1 – Over expenditures	Caspian Projects Inc.	During the design process, the design engineer determined that additional invasive testing/inspection on the building was necessary to further the design process	June 5, 2012	June 5, 2012	\$113,937.99

833-2010 Phase 2&3 GMP	Caspian Projects Inc.	Guaranteed Maximum Price Contract for the redevelopment of 245 Graham and shooting range at Wyper road	Nov 18, 2011	On going	\$137,100,000.00
Single Source	Adjeleian Allen Rubeli Limited	Professional Engineering Services Required by the City of Winnipeg Police Headquarters (Canada Post) Project	Dec 23, 2011	On going	\$4,400,000.00 (\$2,600,000.00 original contract) (\$1,800,000.00 over-expenditure April 25, 2012)
Over- expenditure -	Adjeleian Allen Rubeli Limited	Professional Engineering Services Required by the City of Winnipeg Police Headquarters (Canada Post) Project	June 8, 2012	Ongoing	\$150,000.00
201-2012	Integrated Designs Inc.	Commissioning of the Winnipeg Police Headquarters at 266 Graham Avenue	Jun 19, 2012	Ongoing	\$375,000.00
Direct Assignment	Duboff Edwards Haight & Schachter	Legal Services in the development of the GMP for the Winnipeg Police Services Headquarters	Jul 21, 2011	April 3, 2012	Services up to \$100,000.00 (\$33,989.48 paid)
Direct Assignment	Dunmore Corporation	Project Management Services for the Winnipeg Police Headquarters Project	Jun 1, 2011	On going	\$262,580.67

(*) – plus \$81,866.84 paid to close out services.

RISK AND MITIGATION STRATEGIES

Several significant project risks continue to be monitored with mitigating actions implemented as possible.

- Cost – the GMP Agreement with Caspian Projects Inc. is for \$137.1 million, which protects the City from the majority of cost overruns. Included in the GMP is a construction contingency allowance to cover a small number of construction items. The City is at risk for overages on these items and obtains the benefits if these item is less than budget. In the event of an overage, other design changes or reprioritization from furniture, fixture and equipment within the GMP contract will be used to maintain the GMP amount of \$137.1 million. A professional project manager with extensive construction industry project management experience has been hired to oversee the project.
- Scope – The design has been based on the program requirements of the WPS that were provided in the fall of 2011. Any changes from this program would not be covered by the GMP. There is some risk that there will be changes to the program and to mitigate this risk, a senior officer from the WPS has been assigned to the project and project team continuity has been maintained in the area of program requirements. The main strategy for dealing with program changes would be to decline design changes unless they created critical functionality problems. For design changes deemed critical, other design changes would first be sought followed by reprioritization within the GMP from furniture, fixture , equipment and contingencies.
- Cost – The building at 245 Smith Street is physically attached to the office tower building at 266 Graham Avenue. As the two buildings are attached, there are certain requirements to meet code and satisfy tenants in the office tower building at 266 Graham. In some instances, it may be difficult to determine if a cost is a project cost or a rental property cost.

It should be noted that significant due diligence and testing has taken place on the foundation of the building. Based on this work, the foundation appears to be in good condition and therefore is not being listed as a significant project risk.

The current order of precedent for decision making purposes in the project is cost, scope/quality followed by schedule.

FINANCIAL ANALYSIS - as at September 30, 2012

(All figures are in \$000)

Project Component	Budget	Value/Cost Estimate	Variance Budget to Value/Cost Estimate	Change in Variance from Last Report
Engineering, design and other costs	\$ 17,900	\$ 17,900	\$ -	n/a
GMP Agreement				
- Building redevelopment	\$ 116,227	\$ 118,369	\$ (2,142)	n/a
- Shooting range facility	\$ 6,573	\$ 7,266	\$ (693)	n/a
- Furniture, fixtures & equipment	\$ 14,300	\$ 11,465	\$ 2,835	n/a
	\$ 137,100	\$ 137,100	\$ -	n/a
sub-total	\$ 155,000	\$ 155,000	\$ -	n/a
Corporate charges - to represent construction period interest	\$ 7,000	\$ 7,000	\$ -	n/a
Total	\$ 162,000	\$ 162,000	\$ -	n/a

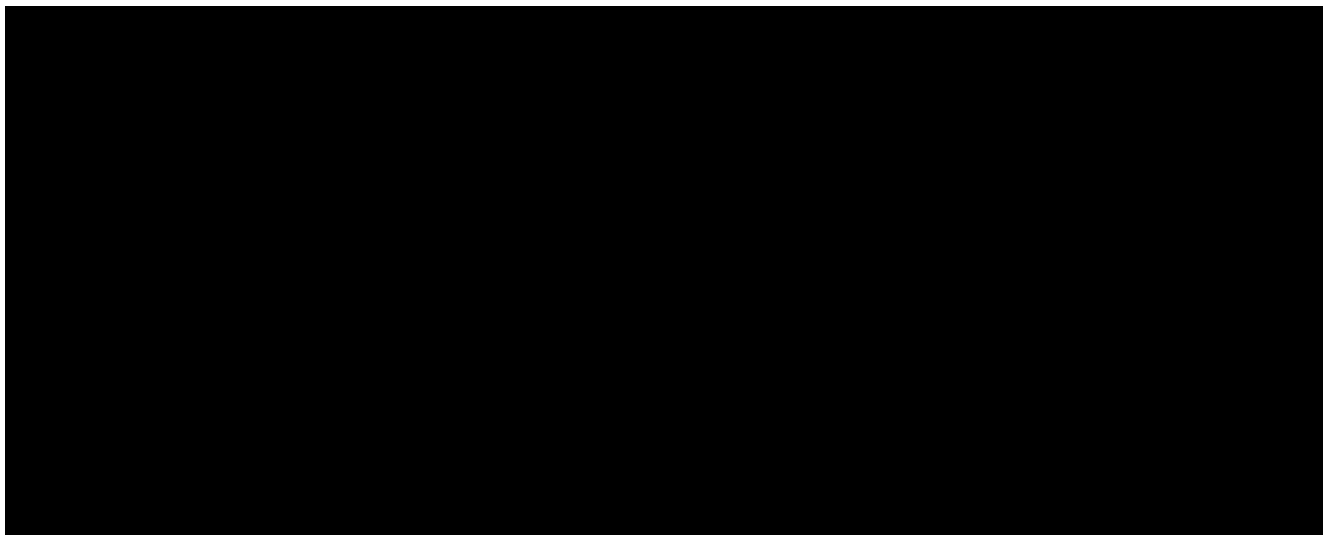
Summary

The project budget has been redistributed within the GMP contract to allow for changes to the building and range. These changes have been funded by reprioritizing monies within the GMP contract from furniture, fixtures and equipment and contingencies.

The changes to the building relate to two items, being the south wall replacement and replacement of the floor on Level P2. The south wall replacement was approved to achieve a higher integrity of the building envelop as recommended by the building envelop consultant. The floor on Level P2 was reconstructed raising vehicle height clearance to allow the parking of the maximum number of police cars.

The majority of the increase in the range facility relates to the construction of roadway from the perimeter highway to the building, as requested by the Provincial government having authority over the area.

There is currently a small amount of project contingency in the project but the main budgetary control would involve either reprioritizing monies between areas of the GMP contract or scope refinements within the building.



CONSULTATION

In preparing this Report there was consultation with:

Ossama AbouZeid – Project Director.

SUBMITTED BY

Department: Winnipeg Police Services
Prepared by: Ossama AbouZeid – Project Director
Randy Benoit – Inspector, Winnipeg Police Services
Jason Ruby – Corporate Finance, Manager of Capital Projects

Date: November 27, 2012
File No.:

Winnipeg Police Services Headquarters Project

as at September 30, 2012

Project Component	Capital Budget	Capital Expenditure Forecast					Surplus (Deficit)	Variance Last Report	Change in Variance
		Actual Costs				Total			
	Original	To Sept 30 2012	remainder of 2012	2013	2014	Forecast	From Revised Budget		
Engineering, design and other costs	\$ 17,900	\$ 8,289	\$ 877	\$ 4,628	\$ 4,106	\$ 17,900	\$ -	n/a	n/a
GMP Agreement	\$ 137,100	\$ 25,314	\$ 20,000	\$ 60,000	\$ 31,786	\$ 137,100			
sub-total	\$ 155,000	\$ 33,603	\$ 20,877	\$ 64,628	\$ 35,892	\$ 155,000			
Corporate charges - to represent construction	\$ 7,000	\$ -	\$ 1,400	\$ 5,600	\$ -	\$ 7,000	\$ -	n/a	n/a
Total	\$ 162,000	\$ 33,603	\$ 22,277	\$ 70,228	\$ 35,892	\$ 162,000	\$ -	n/a	

Explanatory Notes:

- This project is for redevelopment of the former Canada Post Mail Sorting Plant at 266 Graham Avenue and for the development of a new shooting range at Wyper Road. For clarity, the scope of this project does not include the purchase of the Building at 266 Graham Avenue, management of the office tower at 266 Graham Avenue or the disposal of the Public Safety Building.

All figures are in \$000