



REGIONAL MUNICIPALITY  
OF WOOD BUFFALO

## Oversight Committee

Council Chamber  
9909 Franklin Avenue, Fort McMurray

Tuesday, June 13, 2017  
4:00 p.m.

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## Agenda

### Call to Order

### Adoption of Agenda

### Minutes of Previous Meetings

1. Minutes of Oversight Committee Meeting - May 9, 2017

### New and Unfinished Business

2. Regional Recreation Corporation of Wood Buffalo re: Shell Place Project  
Close-out Report  
Presentation: Rachel Orser, Interim Chief Executive Officer

### Adjournment

**Unapproved Minutes of a Meeting of the Oversight Committee held in the Council Chamber at the Municipal Offices in Fort McMurray, Alberta, on Tuesday, May 09, 2017, commencing at 4:00 p.m.**

**Present:** J. Stroud, Councillor  
L. Bussieres, Councillor  
A. Vinni, Councillor (Alternate)

**Absent:** C. Voyageur, Councillor

**Administration:** A. Antoniak, Interim Chief Administrative Officer  
A. Rogers, Chief Legislative Officer  
E. Hutton, Chief Financial Officer  
R. Marshall, Legislative Officer

**Call to Order**

Chair J. Stroud called the meeting to order at 4:00 p.m.

**Adoption of Agenda**

Moved by Councillor L. Bussieres that the Agenda be adopted as presented.

CARRIED UNANIMOUSLY

**Minutes of Previous Meetings**

**1. Minutes of Oversight Committee Meeting - April 11, 2017**

Moved by Councillor L. Bussieres that the Minutes of the Oversight Committee meeting held on April 11, 2017 be approved as presented.

CARRIED UNANIMOUSLY

**Presentations**

**2. Henry Hunter, Therese Greenwood and Janna Folsom, Wood Buffalo Housing & Development Corporation re: 2016-2017 Update**

(4:02 p.m. – 4:28 p.m.)

**Henry Hunter, President and Chief Executive Officer, Janna Folsom, Director of Finance and Therese Greenwood, Chief Relationship Officer, Wood Buffalo Housing & Development Corporation**, provided an update and overview of the Corporation's 2017 business plan, noting a deficit reduction plan for 2017-2019.

**Adjournment**

As all scheduled business matters had been concluded, the Chair declared the meeting adjourned at 4:29 p.m.

\_\_\_\_\_  
Chair

\_\_\_\_\_  
Chief Legislative Officer

<b>Regional Recreation Corporation of Wood Buffalo</b>	<b><u>Shell Place Project Close-out Report</u></b>
<b>Department:</b> Administration	<b>Name:</b> Rachel Orser
<b>Date:</b> June 7, 2017	<b>Title:</b> Interim Chief Executive Officer

**BACKGROUND**

Following the Regional Recreation Corporation of Wood Buffalo’s (RRC) presentation to Council on June 9, 2015, regarding the cost overruns for the MacDonald Island Park Expansion (Shell Place) Grant, the Office of the Municipal Auditor was asked to conduct a preliminary survey to determine the actual allocation of the cost overruns and or determine whether additional audit or review work was required.

During this preliminary survey, the RRC and the Office of the Municipal Auditor could not obtain consensus on the allocation of the cost overrun. Given this, when the Office of the Municipal Auditor reported to the Oversight Committee on this survey the following recommendations were made and approved:

1. THAT the Committee recommend that Council request the Regional Recreation Corporation (RRC) to prepare and present a report to the Oversight Committee which documents:
  - a. the final costs of the MacDonald Island Park Expansion Project (Shell Place) upon project completion;
  - b. the lessons learned during the MacDonald Island Park Expansion Project (Shell Place).
  
2. THAT the lessons learned documented be incorporated into the development of the Municipality’s Capital Project Framework, as applicable.

**FINAL COSTS**

Funding received for the Shell Place project, inclusive of interest earned, totaled \$134,338,173.

The final cost for the Shell Place project is projected to be \$133,677,086. To-date, \$133,423,459 has been incurred on the project, \$97,627 is committed to be spent and \$156,000 is estimated to complete the project.

There is a surplus of grants received (inclusive of interest on the grants) relative to the total projected costs totaling \$661,087. Factors that contributed to this surplus relative to the total projected costs estimated in June 2015 include cancellation of proposed changes orders through negotiations, the actual cost of work left to complete being less than estimated, and the allocation of soft costs incurred to the utility scopes executed on behalf of the RMWB.

Scope committed primarily includes finishing work on the concession and associated design fees and furniture, fixtures and equipment.

Costs to complete the project include estimates for owner furniture, fixtures and equipment and owner identified deficiencies.

Schedule 1 contains a detailed listing of the total project cost. The allocation between categories differs from that previously submitted to RMWB Administration and RMWB Council, as modifications had been made between pre-construction and construction funding to mirror the audited financials. Modifications have also been made between the construction categories to ensure incurred costs are captured in the appropriate category.

### **LESSONS LEARNED**

For the MacDonald Island Park Expansion (Shell Place) project a Guaranteed Maximum Price (GMP) contract was utilized, which is a cost-type contract where the construction manager is compensated for actual cost incurred plus a fixed fee subject to a ceiling price. The construction manager is responsible for cost overruns, unless the GMP has been increased via a formal change order, which would only be as a result of additional scope approved by the owner, and not for price overruns, errors or omissions. This arrangement provides incentive for project cost savings by incorporating the contract manager's innovative ideas in both design and construction.

The GMP approach was extremely affective in achieving cost certainty early on in a public project timeline, which allowed for an early approval to proceed with the project while allowing for design work to be completed. With this approach, transparency was maintained throughout the entire process and proved to be a beneficial procurement strategy over the conversion to a stipulated price approach.

The GMP contract value was established when design was approximately 25% complete. Given that this percentage of design did not contain sufficient project information and data for full construction and completion of the work, the owner should have included a design development allowance for unforeseen risks as design evolved. Recommended design development allowance should be 3% - 5% of the cost of construction. Further, it is recommended that the owner construction allowance should be 5% - 7% of the cost of construction, where it was 1.8% on the Shell Place project.

It would have also been beneficial to have a guiding document prepared for the construction manager's consideration when determining the GMP contract value that outlined allowable contingency expenditures versus items that should be reasonable inferred. Such a document may be helpful in minimizing conflict at future points in a project.

The drive to project completion was a bit too aggressive, as project scope was still being determined after the GMP was committed to. It would be advisable to pre-determine key milestone requirements with associated design, costing exercises and construction execution to achieve an overall more controllable project schedule.

The transparent team environment between the owner, consultant and construction manager was crucial to the project success. The partnering spirit and close working relationship amongst all the project stakeholders were critical factors in driving the project success. A partnering session and project charter establishing clear project objects at the onset of the project would have been beneficial. At this session the roles and responsibilities of team members and lines of communications / approval process should

have been established. On the Shell Place project, an Alignment Committee of key stakeholders that met monthly was established when the project was approximately 30% complete. This Committee should have been established when the project funding was approved.

There should have been a kick-off meeting with the project sponsor at the onset of the project to ensure that the terms of the grant agreement were interpreted the same by both parties. Amendments should have been made to the grant agreement when significant scope changes were approved. There should have been regular meetings (for instance, at minimum bi-annually) with the project sponsor to review the project status with open dialogue on project successes and challenges being encountered.

There should have been dedicated operational expertise more involved during the design and construction of the project, focusing on the finer details of operations. This would have aided in the detection of owner identified deficiencies prior to the completion of the project.

Schedule 1

Shell Place Project Cost				
	Incurred	Committed	Cost to Complete	
<b>Construction (GMP)</b>	\$115,252,003	\$ -	\$ -	
<b>Kitchen / Concession Construction</b>	\$ 1,353,838	\$ 42,283	\$ -	
<b>Consultant Fees (Shell Place)</b>	\$ 6,586,638	\$ -	\$ -	
<b>Consultant Fees (Kitchen / Concession)</b>	\$ 162,122	\$ 13,049	\$ -	
<b>Inspection Fees</b>	\$ 579,220	\$ -	\$ -	
<b>Permits, Development, Landscaping</b>	\$ 552,995	\$ -	\$ -	
<b>ATCO Electric - Design &amp; Transformer</b>	\$ 417,041	\$ -	\$ -	
<b>Project Management Fees</b>	\$ 646,390	\$ -	\$ -	
<b>MIPC Fees</b>	\$ 1,050,051	\$ -	\$ -	
<b>FF&amp;E</b>	\$ 743,065	\$ 23,079	\$ 99,000	
<b>Softball - Construction, design, FF&amp;E</b>	\$ 1,883,063	\$ 11,751	\$ -	
<b>LEED</b>	\$ 4,197,035	\$ 7,465	\$ 10,000	
<b>Operation Noted Deficiencies</b>	\$ -	\$ -	\$ 47,000	
<b>Project Total Costs</b>	<b>\$133,423,459</b>	<b>\$ 97,627</b>	<b>\$ 156,000</b>	<b>\$ 133,677,086</b>
<b>Grants Received / Interest on Grants</b>				<b>\$ 134,338,173</b>
<b>Project Funding Surplus</b>				<b>\$ 661,087</b>