

Regional Municipality of Wood Buffalo
Regional Recreation Corporation
Shell Place Expansion Project
Summary of Claimed and Adjusted Amounts
For The Period December 6, 2012 – October 19, 2015

<u>Description</u>	<u>Reported Amount</u>		<u>Adjustments</u>	<u>Adjusted Amount</u>	<u>Funding Agreement (1)</u>
Construction Total	\$115,747,743	(2)	\$(155,444)	\$115,592,299	\$110,020,000
Kitchen/Concession Construction	808,667	(3)	86,030	894,697	
Consultant Fees (Shell Place)	6,710,902		-	6,710,902	6,700,000
Consultant Fees (Kitchen/Concession)	99,272		-	99,272	
Inspection Fees	691,572	(4)	(14,650)	676,922	1,430,000
Permits, Development, Landscaping	660,180	(5)	(7,293)	652,887	1,000,000
ATCO Electric – Design & Transformer	417,041		-	417,041	550,000
Project Management Fees	604,039	(6)	16,252	620,291	400,000
MIPC Fees	1,105,608	(7)	31,652	1,137,260	200,000
FF&E	1,019,238		-	1,019,238	2,500,000
Contingency	385,000	(8)	66,515	451,515	2,000,000
Softball – Construction, Design, FF&E	1,896,615	(9)	(1,590)	1,895,025	1,900,000
LEED	<u>4,292,725</u>	(10)	<u>(17,758)</u>	<u>4,274,967</u>	<u>2,200,000</u>
Total	134,438,602		3,714	\$134,442,316	<u>\$128,900,000</u>
Interest and Other Grants	(1,238,602)	(11)	(153,780)	(1,392,382)	
Totals	<u>\$133,200,000</u>		<u>\$(150,066)</u>	<u>\$133,049,934</u>	

The current funding shortfall of \$4,149,934 (\$133,049,934 Adjusted Amount - \$128,900,000 Authorized Amount) will change as project costs are finalized. Because the project is not complete, the final totals will likely change.

Notes:

1. The Funding Agreement line items were based on estimated amounts. We were unable to locate the documentation detailing the basis for these estimated amounts (e.g. contracts, quotes, etc.). We reviewed each of the reported line items for accuracy and supporting documentation during our review.

2. Construction Costs

Accommodation cost for vacant units	\$ 1,360,597
Change Order Increases (See Schedule 2)	7,478,227
Change Order Decreases (See Schedule 3)	(3,271,999)
Softball Signs	<u>5,474</u>
Total adjusted construction costs	5,572,299
Less Previously reported cost overrun	<u>(5,727,743)</u>
Adjustment to construction costs	<u>\$ (155,444)</u>

3. To increase the amount claimed to the actual amount. The contract was entered into on June 1, 2015 after the estimated amount (\$800,000) had been reported on April 17, 2015. \$ 86,030

4. To reduce the claimed inspection expenses to the actual amount according to the documentation on file. \$ (14,650)

5. To reduce the claimed permit expense to the actual amount according to the documentation on file. \$ (7,293)

6. To increase the project management expenses to the actual amount according to the documentation on file. \$ 16,252

7. To increase the Macdonald Island Park Corporation (MIPC) expenses to the actual amount \$ 31,652

8. Contingency amounts represent the difference between the Funding Agreement estimates and the adjusted amount. The RRC use the Contingency for all cost overruns and surpluses.

Construction Total	\$(5,572,299)
Kitchen/Concession Construction	(894,697)
Consulting Fees (Shell Place)	(10,902)
Consulting Fees (Kitchen/Concession)	(99,272)
Inspection Fees	753,078
Permit, Development, Landscaping	347,113
ATCO Electric – Design & Transformer	132,959
Project Management Fees	(220,291)
MIPC Fees	(937,260)
FF&E	1,480,762
Contingency	2,000,000
Softball – Construction, Design, FF&E	4,975
LEED	2,074,967
Interest	<u>1,392,382</u>
Net amount	\$ 451,515

Less the reported amount (385,000)

Increase to Contingency Account \$ 66,515

9. To reduce the claimed softball expenses to the actual amount according to the documentation on file. \$ (1,590)

10. To reduce the claimed LEED costs which are not be supported. \$ (16,700)
To reduce overbilled amount on LEED change orders. (1,058)
\$ (17,758)

11. Interest reported 2014 Audited Financial Statements \$ 1,018,948
CFEP grant received 2015 109,225
CFEP grant received 2014 125,000
Interest January to August 2015 on Municipal Grant 139,209
\$1,392,382

Less reported amount (1,238,602)

Adjustment (increase) to reported interest \$ 153,780

Regional Municipality of Wood Buffalo
Regional Recreation Corporation
Shell Place Expansion Project
Summary of Change Order Additions
For The Period December 6, 2012 – October 19, 2015

<u>1. Description</u>	<u>Number of Change Orders</u>	<u>Value</u>
2. Construction and Architecture	144	\$4,393,749
3. Electrical Upgrades	8	231,503
4. Insurance	1	190,913
5. Lighting	4	521,200
6. Material Haul-Off	1	399,052
7. Miscellaneous	10	806,335
8. Plumbing and Heating	1	19,087
9. Sound System	1	111,970
10. Stadium Seating	<u>2</u>	<u>804,418</u>
	<u>172</u>	<u>\$7,478,227</u>

Notes:

1. A total of 172 changer orders increased the construction total. All change orders were added to the Guaranteed Maximum Price (GMP) agreement.

The GMP was not be descriptive enough to allow us to determine what work was contemplated when estimating the original work to be completed. Because we could not determine what work was originally in the contract, we cannot determine the validity or appropriateness of the changes adding to the cost of the contract.

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|----|--|--------------------|
| 2. | Changes to structure, doors, ceiling, walls, interior partitions, floor finishes and railings. | <u>\$4,393,749</u> |
| 3. | Electrical upgrades to the main service size, supply and install additional circuits, power to microphone ticket window, and electrical doors. | <u>\$ 231,503</u> |
| 4. | To purchase wrap-up insurance. | <u>\$ 190,913</u> |

5.	Additional costs for performance canopy lighting. Musco Lighting in football stadium revised for temporary seating. Additional circuits for signage on football stadium building. Lighting fixtures.	\$ 335,625 164,852 2,035 <u>18,688</u> <u>\$ 521,200</u>
6.	Labour and equipment for the loading of trucks for material haul off.	<u>\$ 399,052</u>
7.	Addition of game lines in fieldhouse Relocate sound poles to accommodate temporary seating. Add baseball scoreboard frame. Add installation of artificial turf. Add barbeque gas line. Changes to artificial turf edges, flush ports, and quick couplers. Weather incident dewatering hours– flooding from heavy rainfall. Construction worker hours waiting for hotel rooms to be ready. Changes to baseball fencing.	\$ 6,274 36,095 52,159 516,643 23,255 110,198 47,786 1,992 <u>11,933</u> <u>\$ 806,335</u>
8.	Changes due to ventilation and electrical requirements in various areas.	<u>\$ 19,087</u>
9.	Additional costs to supply and install fieldhouse sound system and badminton sound system. Original audio package carried a \$220,000 allowance. Cost of Sound System Less Allowance Carried	 \$ 331,970 <u>(220,000)</u> <u>\$ 111,970</u>
10.	The GMP called for aluminum benching to be installed in both the football and baseball stadium. Change orders were executed to upgrade seating. Change Order 8 Cost of Seating - 4,290 Football and 314 Baseball Allowance Credited to Change Order 8 Change Order 79 Revise Seating Count – 4,384 Football	\$1,108,946 (332,965) 28,437 <u>\$ 804,418</u>

Regional Municipality of Wood Buffalo
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Shell Place Expansion Project
Summary of Change Order Deletions
For The Period December 6, 2012 – October 19, 2015

1. <u>Description</u>	Number of <u>Change Orders</u>	<u>Total</u>
2. Construction and Architecture	23	\$ (472,450)
3. Boat House	1	(430,482)
4. Landscaping	5	(321,312)
5. Lighting	2	(4,426)
6. Mobilization	1	(7,651)
7. Office Changes	3	(112,092)
8. Ropes Course	1	(127,906)
9. Seating	1	(18,709)
10. Trail System	1	(1,159,061)
11. Transit Terminal	2	(437,325)
12. Turf Changes	1	(16,071)
13. Underground Storm Drain Infrastructure	<u>1</u>	<u>(164,514)</u>
	<u>42</u>	<u>\$(3,271,999)</u>

Notes:

- 42 change orders decreased the construction amount of the Guaranteed Maximum Price (GMP) Contract. When we reviewed the original contract we were not able to determine the specific components that made up each line item in the original estimate. As these Change Orders reduced the overall amount of the GMP, we accepted them as being in the original estimate.

See Schedule 4 for a listing of Change Orders that increased the amount of the GMP contract.

The GMP was found to not be descriptive enough to determine work to be completed. As a result, we were unable to make audit adjustments as it could not be determined if the costs should have been included in the GMP.

- Changes to structure, doors, ceiling, walls, interior partitions, floor finishes and railings. \$(472,450)
- As per the CFO, the boat house was removed from the GMP agreement because there was already a boat area at the Snye. \$(430,482)

4.	To delete performance canopy fence behind stage area. To credit use of owner supplied shale. To delete park area between football and baseball stadiums. To delete soil and seeing behind stage area. To credit use of owner supplied topsoil.	\$ (98,272) (160,506) (32,116) (19,385) (11,033) <u>\$ (321,312)</u>
5.	To relocate existing light pole and LED strip lights for millwork.	<u>\$ (4,426)</u>
6.	To credit mobilization of jobs which could be completed together.	<u>\$ (7,651)</u>
7.	To delete electrical floor boxes in reception areas and offices. To delete walls and doors for larger office space. To delete bar millwork and two reception desks.	\$ (5,818) (10,823) (95,451) <u>\$ (112,092)</u>
8.	As per the CFO the decision to remove the ropes course was made by the RRC leadership table. The RRC did not want to compete directly with Vista Ridge Recreation Association WildPlay course which consists of a ropes course.	<u>\$ (127,906)</u>
9.	To delete steel railing where the baseball netting is located, and to add 18 chairs to baseball stadium seating.	<u>\$ (18,709)</u>
10.	As per the CFO the interpretive trails was removed from Clark Builders scope as there was a concern regarding the amount of work to be completed for the trails within one season. The CFO advised that the trails were subsequently tendered and completed by Wilco. Wilco was not charged to the Shell Place Project through a change order.	<u>\$(1,159,061)</u>
11.	To delete asphalt and curb work due to the deletion of the transit terminal. As per the CFO, Municipal administration had made the decision to remove the transit terminal from the project.	<u>\$ (437,325)</u>
12.	To remove painting of game lines from the GMP. Artificial turf came from the supplier with lines already painted.	<u>\$ (16,071)</u>
13.	To delete the Underground Storm Drain Infrastructure which was deemed not required for the Shell Place Project. The storm drain was initially added to service future development North of MacDonald Island Drive.	<u>\$ (164,514)</u>

**Subject: MacDonald Island Expansion Grant (Shell Place)****APPROVALS:**
 Ralph Timleck, Director
 Bob Couture, Executive Director
 Marcel Ulliac, Chief Administrative Officer
Administrative Recommendation(s):

1. That the overrun for the Shell Place Expansion be reported as follows:

Construction cost overrun amount	\$5,727.743
Net favorable variance of other accounts, including contingency	<u>-\$2,281.866</u>
Net cost overrun amount before LEED amounts;	<u>\$3,445.877</u>
 LEED costs submitted by the RRC	 \$4,292.725
Less: LEED Silver costs funded by the Municipality	<u>-\$2,200,000</u>
LEED Gold Cost overruns	<u>\$2,092.725</u>
 Total cost overrun	 \$5,538,062
Less: Amounts funded by RRC (Interest and other grants)	<u>-\$1,238,602</u>
Net overrun amount/funding shortfall	<u>\$4,300,000</u>

2. THAT additional review or audit work on the Shell Place expansion be undertaken to confirm the source, and the actual overrun amounts; and
3. THAT detailed periodic reports be provided to the newly established Council Oversight Committee by future Capital Grant recipients.

Summary:

The financial information contained in this Report is based on the information included on the attached spreadsheet (Attachment 1) prepared by Community Services using the amounts provided by the Recreational Recreation Corporation on April 17, 2015 (Attachment 2).

At the June 2, 2015 Administrative Briefing, the above information was presented to Council in Camera by Administration. At the following Council Meeting on June 9, 2015 Council was advised by the Regional Recreation Corporation (RRC) that the entire cost overrun for the project (\$4,300,000) was a result of the direction from Administration to move from LEED Silver to LEED Gold. Administration and the RRC were unable to achieve consensus on the reasons for the cost overruns, each having a differing opinion on the cause.

At the request of Council during an Administrative Briefing on June 16, 2015 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 Municipal Auditor was unable to obtain consensus on the allocation of the cost overrun.

Background:

On July 12, 2012 a presentation was made to Council by the RRC, outlining the total proposed design and related construction costs (\$127,000,000) for Shell Place. Included in the \$127,000,000 was \$2,200,000 for “LEEDS Accreditation Fees”. Later that year (October 23, 2012) the RRC applied to Council for a development permit for Shell Place. The supporting Council Report document indicated that the facility would be built to LEED Gold certification standards in accordance with the requirements of the City Centre Area Redevelopment Plan and the City Centre Land Use Bylaw (Green Building Standards). Unfortunately the information contained within this report was partly inaccurate. In 2012 the City Center Land Use Bylaw did not nor does it apply to MacDonald Island today. However in 2012 the City Center Area Redevelopment Plan did. Specifically, the plan calls to “implement green development standards based on international best practices”, however it does not require LEED compliance specifically.

On October 31, 2012 the former CEO of the RRC wrote to the then CAO advising that the RRC Board of Directors had approved the transition of the expansion project from LEED Silver to LEED Gold. At that time the RRC estimated that the cost of achieving LEED Gold would be \$3,000,000. Concurrently the estimated accreditation fees estimate was reduced from \$2,200,000 to \$400,000, providing a \$1,800,000 surplus that could be used for to achieve the Gold Standard. The CEO stated that the additional \$1,200,000 required would be funded from projects savings and external grant opportunities.

On June 9, 2015 the Board Chairman of the RRC advised Council that the RRC managed the project by transferring surplus amounts to the “Contingency Account”. The balance of funds in the Contingency Account was used to pay cost overruns. One of the “surplus” accounts transferred to “contingency” by the RRC was the \$2,200,000 for “LEED Silver Accreditation”. Because the project was revised from LEED Silver to the LEED Gold Standard after the initial project funding had been obtained the RRC tracked the \$4,300,000 LEED Gold costs outside of the project budget.

Administration believes that regardless of whether or not the standard is “Silver” or “Gold” the \$2,200,000 allocated for LEED costs should be disbursed for LEED costs.

Alternatives:

Accept the entire overrun amount of \$4.3 million as LEED Gold costs.

Budget/Financial Implications:

This amount has already been funded. No additional costs are anticipated.

Rationale for Recommendation(s):

Additional review or audit work on the project would determine the actual cause of the cost overrun. The Regional Recreation Corporation remains adamant that the overrun is a result of changing from LEED Silver to LEED Gold after the project costs had already been estimated. The RRC position is not supported by the documentation submitted by the RRC on April 17, 2015.

The project has already been completed and paid. Additional audit or review work limited to determining the cause of the overrun would not change the amount (\$4,300,000) of the overrun. The additional work would only identify the cause(s) of the overrun.

Strategic Plan Linkages:

Pillar 1 – Building Responsible Government

Attachments:

1. Detailed cost overrun spreadsheet prepared by Community Services
2. Cost information provided by the RRC to Community Services on April 17, 2015

MacDonald Island Expansion Project (Shell Place)
Summary of Project Costs
As at April 17, 2015

Attachment 1

	[A] Funding Agreement	[B] Actual	[C] Committed	[D] Cost to Complete	[E] Total Cost = [B+C+D]	Variance [F] = (G - H)
10 Construction Guaranteed Price **	107,900,000	112,961,307	274,435	2,512,001	115,747,743	- 5,727,743
20 Parking Expansion **	2,100,000	Included above			Included above	Included above
30 Hazardous Substance **	20,000	Included above	-	-	Included above	Included above
Construction Total	110,020,000	112,961,307	274,435	2,512,001	115,747,743	- 5,727,743
40 Kitchen/Concession Construction	-	39,689	558,978	210,000	808,667	- 808,667
50 Consultant Fees (Shell Place)	6,700,000	6,331,533	379,369		6,710,902	- 10,902
60 Consultant Fees (Kitchen/Concession)	-	47,415	51,857		99,272	- 99,272
70 Inspection Fees	1,430,000	606,481	65,091	20,000	691,572	- 738,428
80 Permits	750,000	585,180			585,180	- 164,820
90 Development Permit	50,000					- 50,000
100 Landscaping Development Permit	200,000	75,000			75,000	- 125,000
110 ATCO Electric - Transformer	400,000	417,041			417,041	- 17,041
120 ATCO Electric - Design	150,000					- 150,000
130 Project Management Fees	400,000	567,624	36,415		604,039	- 204,039
140 MIPC Fees	200,000	1,031,906		73,702	1,105,608	- 905,608
150 FF&E	2,500,000	109,702	84,536	825,000	1,019,238	- 1,480,762
160 Contingency	2,000,000			385,000	385,000	- 1,615,000
170 Softball - Construction	1,900,000	1,022,331	688,317	30,000	1,740,648	- 159,352
180 Softball - Design	-	97,750	18,217		115,967	- 115,967
190 Softball - FF&E	-	-	-	40,000	40,000	- 40,000
	<u>16,680,000</u>	<u>10,931,652</u>	<u>1,882,780</u>	<u>1,583,702</u>	<u>14,398,134</u>	<u>2,281,866</u>
Total amounts before LEED	126,700,000	123,892,959	2,157,215	4,095,703	130,145,877	- 3,445,877
200 LEED - Construction		3,595,345			3,595,345	- 3,595,345
210 LEED - Design		240,022	123,439		363,461	- 363,461
220 LEED Accreditation Fees	2,200,000	66,927	13,117		80,044	- 2,119,956
230 Traffic Demand Management		64,883	13,117		78,000	- 78,000
240 Project Management Fees		25,875			25,875	- 25,875
250 LEED Verification Fees	-	-	-	150,000	150,000	- 150,000
LEED Total	2,200,000	3,993,052	149,673	150,000	4,292,725	- 2,092,725
TOTAL	128,900,000	127,886,011	2,306,888	4,245,703	134,438,602	- 5,538,602
Less: RRC funding from own sources (Interest and Other Grants)						<u>1,238,602</u>
Net Shortfall/Funding Request						4,300,000

This spreadsheet was prepared by Community Services based on information provided by the Regional Recreation Corporation on April 17, 2015.



Prepared For: Toni Elliott, Community Investment Supervisor (RMWB)	Project Manager: Rachel Orser
Title: LEED Gold Upgrade Cost / Reconciliation	Title: Director of Capital Projects and Procurement
Date: April 17, 2015	

BACKGROUND

A Council Report was prepared by RMWB Administration on October 23, 2012 that recommended that Development Permit 2012-DP-01712 for Lots 1-3, Block 1, Plan 1879 TR be approved. This was Development Permit for the Shell Place Project (then referred to as the MacDonald Island Park Expansion Project). Within this report, Administration noted: "This development will also be registering with the Canada Green Buildings Council with the aim of achieving LEED Gold certification. Administration supports the aim of achieve LEED Gold certification. This is further supported by Policy 5.1 of the City Centre Area Redevelopment Plan (The Sustainability Plan [Land Use and Infrastructure]) and section 9.7.11 of the City Centre Land Use Bylaw (Green Building Standards).

At the October 29, 2012 MacDonald Island Park Corporation (MIPC) Board of Directors meeting it was unanimously approved that the Shell Place project transitions from the original LEED Silver target to the newly proposed LEED Gold standard (motion 12-10-29.08).

On October 31, 2012, the MIPC Administration communicated this decision and strategy to the RMWB Administration. This communication identified that making changes to design once the project was in construction would be complicated, given that MIPC was working in a Guaranteed Maximum Price scenario. The intent of the Board for MIPC was to manage this financial risk within the existing contract budget and find external grant opportunities to finance the upgrade to LEED Gold. The estimated cost of achieving LEED Gold was \$3M.

UPDATE

The cost of achieving LEED Gold is approximately \$4.3M (hard cost - \$3,595,334; soft cost – \$724,236), which represents 3.4% on the total project budget of \$127M.

As requested by RMWB Administration, a reconciliation of the funding received for the Shell Place Project is provided at the end of this briefing note.

The RRC Administration continues to explore Provincial and Federal funding for the LEED Gold upgrade scope. To-date RRC Administration have yet to be successful in securing any additional external funding. This presents a financial risk to the project and will have an impact to the project's cash flow should additional funding not be secured.

RECOMMENDATION

The RRC is requesting that the RMWB Administration requests a budget amendment for the Shell Place Project to cover the cost incurred and expected to be incurred for the upgrade from LEED Silver to LEED Gold certification. Should external funding be secured by the RRC for the upgrade to LEED Gold, the funds not required would be returned to the RMWB.

RECONCILIATION

Below is a reconciliation of the funding received for Shell Place, relative to how it was actually incurred or is anticipated to be incurred.

	Funding Agreement	Actual	Committed	Cost to Complete
Construction Guaranteed Price	\$107,900,000	\$112,961,307	\$274,435	\$2,512,001
Parking Expansion	\$2,100,000	Included above	\$-	\$-
Hazardous Substance	\$20,000	Included above	\$-	\$-
Kitchen / Concession Construction	\$-	\$39,689	\$558,978	\$210,000
Consultant Fees (Shell Place)	\$6,700,000	\$6,331,533	\$379,369	-
Consultant Fees (Kitchen / Concession)	\$-	\$47,415	\$51,857	\$-
Inspection Fees	\$1,430,000	\$606,481	\$65,091	\$20,000
Permits	\$750,000	\$585,180	\$-	\$-
Development Permit	\$50,000	\$-	\$-	\$-
Landscaping Development Permit	\$200,000	\$75,000	\$-	\$-
ATCO Electric - Transformer	\$400,000	\$417,041	\$-	\$-
ATCO Electric - Design	\$150,000	\$-	\$-	\$-

Project Management Fees	\$400,000	\$567,624	\$36,415	\$-
MIPC Fees	\$200,000	\$1,031,906	\$-	\$73,702
Contingency	\$2,500,000	\$109,702	\$84,536	\$825,000
Softball - Construction	\$1,900,000	\$1,022,331	\$688,317	\$30,000
Softball - Design	\$-	\$97,750	\$18,217	\$-
Softball - FF&E	\$-	\$-	\$-	\$40,000
Subtotal	\$126,700,000	\$123,892,958	\$2,157,213	\$4,095,703
LEED - Construction	\$-	\$3,595,345	\$-	\$-
LEED - Design	\$-	\$240,022	\$123,439	\$-
LEED Accreditation Fees	\$2,200,000	\$66,927	\$13,117	\$-
Traffic Demand Management	\$-	\$64,883	\$13,117	\$-
Project Management Fees	\$-	\$25,875	\$-	\$-
LEED Verification Fees	\$-	\$-	\$-	\$150,000
LEED Total	\$2,200,000	\$3,993,052	\$176,529	\$150,000
TOTAL	\$128,900,000	\$127,886,009	\$2,333,742	\$4,245,703

If amounts were not used in for the particular line items they were budgeted for they were placed into the project contingency budget. These funds have been used to pay for value engineering initiative not realized and for facility enhancements to make Shell Place a performance stadium.

The RRC is requesting a budget amendment in the amount of \$4,319,581. Should any funding be received from external funding sources for the LEED Gold upgrade, the RRC would return funds not required to the RMWB. Further, any amounts not incurred in the anticipated cost to complete would also be returned to the RMWB.