

City of Port Moody

Agenda

Finance Committee

Brovold Room
Tuesday, February 5, 2019
Commencing at 6:00pm

1. Call to Order

2. Adoption of Minutes

Minutes

Pages 3-6

2.1 Recommendation:

THAT the minutes of the Finance Committee meeting held on Tuesday, January 15, 2019 be adopted.

3. Unfinished Business

4. New Business

Civic Facilities Renewal Project – Civic Centre, Recreation Complex, and Arts Centre Budget

Pages 7-12

4.1 Report: Community Services Department – Facilities Division,
dated January 21, 2019
File: 02-0812-03/2011

Recommendation:

THAT up to \$685,740 be allocated from the Debt Reserve to complete the Civic Facilities Renewal Project as recommended in the report dated January 21, 2019 from the Community Services Department regarding Civic Facilities Renewal Project – Civic Centre, Recreation Complex, and Arts Centre Budget.

Draft 2019-2023 Five-Year Financial Plan – Department Summaries

Page 13

4.2 Presentation: Executive Leadership Team
Memo: Finance and Technology Department – Financial
Services Division, dated January 25, 2019
File: 05-1700-03-08/2019

Committee direction is requested.

5. Information

6. Adjournment

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City of Port Moody

Minutes

Finance Committee

Minutes of the Regular Meeting of the Finance Committee held on Tuesday, January 15, 2019 in Brovold Room.

Present:

Councillor M.P. Lahti, Chair
 Mayor R. Vagramov
 Councillor D.L. Dilworth
 Councillor A.A. Lubik (arrived at 4:39pm)
 Councillor H. Madsen
 Councillor S. Milani
 Councillor P.Z.C. Royer

In Attendance:

Tim Savoie – City Manager
 André Boel – General Manager of Planning and Development
 Raman Braich – Manager of Information Services
 Ron Coulson – Fire Chief
 Lesley Douglas – General Manager of Environment and Parks
 David Fleugel – Chief Constable, Port Moody Police
 Tyson Ganske – Manager of Financial Planning
 Jennifer Lester – Committee Coordinator
 Jeff Moi – General Manager of Engineering and Operations
 Angie Parnell – General Manager of Corporate Services
 Paul Rockwood – General Manager of Finance and Technology
 Tracey Takahashi – Deputy Corporate Officer
 Kate Zanon – General Manager of Community Services

1. Call to Order

Councillor Lahti called the meeting to order at 4:07pm.

2. Adoption of Minutes

Minutes

2.1 FC19/007

Moved, seconded, and CARRIED

THAT the minutes of the Finance Committee meeting held on Tuesday, January 8, 2019 be adopted.

3. Unfinished Business

4. New Business

**Draft 2019-2023
Five-Year Financial
Plan**

- 4.1 Memo: Finance and Technology Department – Financial Services Division, dated January 9, 2019
File: 05-1700-03-08/2019

Staff gave a presentation on the draft 2019-2023 Five-Year Financial Plan with an estimated tax rate increase of 5.7%.

Staff responded to questions from the Committee regarding the employer health tax, the Asset Renewal Levy and Reserves, the Community Grant Program, fleet management, funding for community events and festivals, funding for the Port Moody Police member position approved in 2018, costs for contracted legal services, proposed new staff positions, and prior year approved new services.

FC19/008

Moved, seconded, and DEFEATED

THAT Community Grants and Donations be removed from the Five-Year Financial Plan.

(Voting against: Councillors Madsen, Milani, and Royer, and Mayor Vagramov)

Councillor Lubik entered the meeting at this point.

FC19/009

Moved, seconded, and CARRIED

THAT the \$125,282 for the Port Moody Police Department member position approved in 2018 be funded 50% from the Port Moody Police Department 2018 Surplus.

(Voting against Councillors Dilworth and Lahti)

FC19/010

Moved, seconded, and CARRIED

THAT projects CCU19017, CCU19009, OEN19031, CEN19026, OOP19041, OPK19061, and CFD19002 be removed from the 2019 budget.

FC19/011

Moved, seconded and CARRIED

THAT a draft proposed net budget increase of \$2,259,859 (estimated as a tax rate increase of 5.55%) be used for the Public Budget Consultation on January 29, 2019.

5. Information

6. Adjournment

Councillor Lahti adjourned the meeting at 5:27pm.

Certified correct in accordance with section 148(a) of the
Community Charter.

T. Takahashi, Deputy Corporate Officer

Confirmed on the ___ day of _____, 2019.

Councillor M.P. Lahti, Chair

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City of Port Moody

Report to Finance Committee

Date: January 21, 2019 File No. 02-0812-03/2011

Submitted by: Community Services Department

Subject: Civic Facilities Renewal Project – Civic Centre, Recreation Complex, and Arts Centre Budget

Purpose / Introduction

To request authorization for final funding for the Civic Facilities Renewal Project.

Recommended Resolution

THAT up to \$685,740 be allocated from the Debt Reserve to complete the Civic Facilities Renewal Project as recommended in the report dated January 21, 2019 from the Community Services Department regarding Civic Facilities Renewal Project – Civic Centre, Recreation Complex, and Arts Centre Budget.

Background

A detailed envelope assessment for the Civic Centre and Recreation Complex was completed by Elemental Architecture in April 2015. The assessment was initiated due to building failures that were occurring, such as leaking roofs and damaged brick. The assessment methods included intrusive testing in key locations and on-site inspections to determine the health of the civic facilities. The results of this work found moderate to severe deterioration and challenges from the original construction design. To address these findings, the City initiated a facilities envelope project, called the Civic Facilities Renewal Project (CFRP) with a goal of stopping further deterioration and damage to these buildings. The CFRP scope also included other envelope lifecycle replacements to save money on construction mobilization costs and to improve energy efficiencies.

In 2015-2016, Colliers Project Leaders was hired to manage the construction tender process and to provide project management services. LDR Engineering was also hired to design the necessary rehabilitation to the three buildings. At the same time, the City began the loan authorization process to finance the necessary repairs to the Civic Centre, Recreation Complex, and Arts Centre; the loan authorization also included \$500,000 for a separate bridge construction project.

The CFRP was tendered in early 2017 and ICE Developments was the only bidder despite significant efforts to obtain more bids. After a review of their bid submittal and reference checks, ICE Developments was awarded the project. Site mobilization began in early

Report/Recommendation to Finance Committee

Civic Facilities Renewal Project – Civic Centre, Recreation Complex, and Arts Centre Budget
January 21, 2019

June 2017 with construction starting at the end of the month. The original forecasted project timeline was one year. This project timeline was ambitious and did not account for possible changes to scope from site conditions or contractor challenges.

Discussion

The Civic Facilities Renewal Project was a complex project from the onset, involving three municipal buildings. The project scope included replacement of a variety of elements, some of which were experiencing premature failure, as well as some that were at their natural end of life. Many elements of this project can be equated to a leaky condo project. These types of projects are complex and often require amendments once construction has started to address conditions found on site. A change to project timelines has also historically been experienced with these types of projects. The CFRP timeline has been extended beyond the original one-year timeline. This extension has been required for a variety of reasons including: challenges to scheduling trades, changes in trades mid-project, a demanding construction market, additional building envelope deterioration, project scope changes, and additional design requirements.

The initial funding for this project was authorized in 2015 with a funding envelope of \$9,475,000 which included borrowing and a \$500,000 provincial grant. The funding also included a 5% loan contingency which was the maximum allowed by the Province. In 2017, after the tender process, the funding approval increased to \$12,560,000 designating additional funding from the Debt Reserve, the Water Capital Reserve, the Sewer Capital Reserve, and the Asset Reserve.

Through the course of the project, change orders have been required to address conditions found on site, product availability, and required design amendments. Additional consulting fees have also been required to address the conditions found on site and overall project management.

Following is a summary of the costs from 2015 through 2019 for the CFRP.

Report/Recommendation to Finance Committee

Civic Facilities Renewal Project – Civic Centre, Recreation Complex, and Arts Centre Budget

January 21, 2019

CFRP Cost Summary:

	Civic Centre	Recreation Complex	Arts Centre	Total
<u>2015 Cost Estimates</u>				
Cost Estimate at Assessment 2014-2015	\$5,200,000	\$3,575,000	\$700,000	\$9,475,000
<u>2016 Loan Authorization</u>				
Loan Authorization Bylaw Approved (\$9,475,000 CFRP construction projects; \$500,000 bridge repair project; 5% loan contingency \$525,000)				\$10,500,000
<u>2017 Awards and Budget</u>				
Contract Award Construction Costs	\$5,083,531	\$4,265,313	\$924,351	\$10,273,195
Contract Award Consulting Costs	\$554,865	\$408,350	\$175,850	\$1,139,065
Construction Contingency	\$256,469	\$273,687	\$118,649	\$648,805
Consultant Contingency	\$245,135	\$146,650	\$(25,850)	\$365,935
Project Budget after Tender Process	\$6,140,000	\$5,094,000	\$1,193,000	\$12,427,000
Unallocated Loan Contingency				\$133,000
Total Budget Envelope 2017				\$12,560,000
<u>Summary of Changes</u>				
Approved Change Orders	\$597,782	\$326,562	\$20,258	\$944,602
Estimated Remaining Change Orders	\$67,000	\$60,000	\$0	\$127,000
Estimated Additional Consulting Fees	\$372,763	\$351,273	\$37,842	\$761,878
Estimated Total Cost Changes	\$792,390	\$591,185	\$83,970	\$1,833,480
<u>2019 Final Costs</u>				
Estimated Total Costs 2019				\$13,245,740
Less Construction Award				-\$10,273,195
Less Consultant Award				-\$1,139,065
Less Project Contingency				-\$648,805
Less Consultant Contingency				-\$365,935
Less Loan Contingency				-\$133,000
Additional Budget Required 2019				\$685,740

Envelope projects are complex. The scope for these projects is often based on spot intrusive testing which only provides a snapshot of the work required. The full extent of the work required cannot be realized until after demolition occurs. As a result of this complexity, there is a higher level of risk in budgeting for envelope projects than new build construction projects. To account for this risk, contract award contingencies for envelope projects are generally recommended in the 15-18% range.

The CFRP budgeted an appropriate contingency in the project design and loan authorization phase in 2015. Due to changing prices in the construction industry from 2015-2017, the project bid came in higher than anticipated. In 2017, the decision was made to use a portion of the contingency to fund the contract for the bid amount and stay within the dedicated budget envelope of \$12,560,000. To increase the budget envelope, the City would have needed to increase the size of the loan which was not an option due to processing time, borrowing limits, and debt servicing budget. In addition, any further delay would have resulted in further building deterioration and an anticipated further increase to project costs. Therefore, the CFRP moved

Report/Recommendation to Finance Committee

Civic Facilities Renewal Project – Civic Centre, Recreation Complex, and Arts Centre Budget
January 21, 2019

forward with a construction/consulting contingency of \$1,014,740 rather than the envelope project standard of \$1.56-\$1.87 million of contract costs.

Overall, even with the many challenges experienced, the CFRP exceeded the 2017 total budget envelope of \$12,560,000 by only 5.45%.

Other Options

No other options are being presented at this time.

Financial Implications

The additional \$685,740 to complete the Civic Facilities Renewal Project can be funded from the Debt Reserve. The current balance of this reserve is \$750,000.

The current Debt Reserve balance has grown since 2017 as a result of the CFRP timeline extension and capital requirements. Built into the City's base operating budget is an annual loan servicing fee of \$625,000. This fee was originally established to service the original debt related to the 2006 Recreation Complex expansion. When Recreation Complex expansion debt was retired in 2016, the debt servicing capacity, already built into the City's base budget, was repurposed for the CFRP. Due to construction time frames, the City did not require these funds in 2017 and required only part of the funds in 2018 to service the interest on the short-term debt related to the project. As a result, the savings were transferred into the Debt Reserve. These funds were also used in 2017 to address part of the shortfall between the original \$10,500,000 project and the required \$12,560,000.

Communications / Civic Engagement

There are no communications or civic engagement initiatives associated with the recommendation in this report.


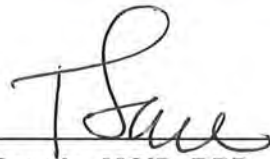

Council Strategic Plan Objectives

Completion of the CFRP aligns with the Council Strategic Plan goals related to Community Planning and Service Excellence.

Report/Recommendation to Finance Committee

Civic Facilities Renewal Project – Civic Centre, Recreation Complex, and Arts Centre Budget

January 21, 2019

Prepared by:	
 _____ Kate Zanon General Manager of Community Services	
Reviewed for Form and Content / Approved for Submission to Finance Committee:	
<i>City Manager's Comments</i>	
 _____ Tim Savoie, MCIP, RPP City Manager	
Corporate Review	Initials
Finance and Technology (Financial Services, Information Services)	

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Memorandum

To:	Finance Committee	File #:	05-1700-03-08/2019
		Date:	January 25, 2019
From:	Finance and Technology Department – Financial Services Division		
Subject:	Draft 2019-2023 Five-Year Financial Plan – Department Summaries		

At the January 8, 2019 Finance Committee meeting, the Committee considered staff's original budget proposal and provided direction for additional budget deliberations for the January 15, 2019 Finance Committee meeting, where the Committee approved the following resolution:

FC19/011

THAT a draft proposed net budget increase of \$2,259,859 (estimated as a tax rate increase of 5.55%) be used for the Public Budget Consultation on January 29, 2019.

At the February 5, 2019 Finance Committee meeting, staff will be presenting detailed department summaries of the draft 2019-2023 Five-Year Financial Plan.

The 2019 draft Financial Plan has been prepared to maintain the same level of service as the 2018 Financial Plan, with the exception of the identified proposed new services. As in previous financial plans, the 2019 Five-Year Financial Plan presented some unique challenges as were discussed at previous Finance Committee meetings.

There are no recommended resolutions associated with this memo; however, the Committee could choose to provide direction to be incorporated into the draft Financial Plan and future budget deliberations.

Committee direction is requested.