

DATE: 16 September 2009

## COUNCIL REPORT

TO: Mayor Compton and Members of Council  
FROM: Warren Brinkman  
Karen Brown  
RE: Emergency Services Facility

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### Background

As a result of the discussions held at the Emergency Services Committee this past Tuesday, Rick Perchuk, Kevin Robertson, David Nelson, Bill Preisenz, Warren Brinkman and Karen Brown met early yesterday morning to determine a final recommendation for project costs and related financing for the construction of an Emergency Services Facility.

The discussion focused around ensuring that the recommendation to Council represented the lowest end cost to the City without compromising building integrity or function. The discussion focused on a few key principles, specifically ensuring items negotiated out of the original contract did not affect building integrity or function, would not result in higher operating costs that could justify a reasonable payback period for performing the expenditure, and would not need to be performed independent of the contract at a higher cost. In particular, it was recognized that the negotiations already undertaken to reduce project costs had left the building construction very lean, with little to no room to address issues that could arise during the construction period without the allocation of some contingency dollars.

As a result of this discussion, the following was recommended:

- Total building construction costs be amended from the original recommendation to add the following:
  - Heat Recovery Ventilation (HRV) System – incremental cost of \$49K, with anticipated funding of 100% through Union Gas, and with a 10 year repayment period for the expenditure
  - Hose Lift System – incremental cost of \$20K. Upon further review it was determined that this item is required. When installed at a future date, this item would cost more than the credit that the City would receive with this reduction.
  - Flag Pole – incremental cost of \$5.5K
- The project would be coordinated through an oversight committee, as recommended at the Emergency Services Committee Meeting, similar to the structure used for other City construction projects.
- The City Kenora Fire Station Reserve be identified as a potential contingency for this project, including funding of contract management fees of 2% as identified by David Nelson's office, as follows:
  - 4% Contingency - \$240,000
  - 2% Contract Management Fees - \$120,000

The combined total represents \$360,000 of the current Kenora Fire Station Reserve. With a current projected balance of \$498,000 in the Kenora Fire Station Reserve in 2010 prior to these appropriations, this will leave a balance of approximately \$138,000 in this reserve that could be used to help address fit and finish related items. Any use of funds targeted as contingency would need to be approved firstly by the project oversight committee, and subsequently by Council through a budget amendment.

In order to reflect these changes, the building construction project costs, before contingency and contract management fees, now represent a combined \$5.975 million. This has been further analyzed under the Sources of Financing section.

Sources of Financing

The following is an analysis of project costs related to the new Emergency Services Facility, and recommended sources of financing, based on anticipated funding sources.

		<u>Total Costs</u>	<u>Financing Source Comments</u>
<b>Detailed Design:</b>			
David Nelson - Actual Costs to Date	304,211		Fire Station Reserve
Estimated Residual - 6%	<u>54,289</u>		(already approved by Council)
		358,500	
<b>Recommended Construction Costs:</b>			
Original Tender Document	6,390,000		
Reductions per W. Brinkman Report	<u>(451,909)</u>		
	5,938,091		
Items Recommended for Reinstatement			
HRV System	49,000		Union Gas Funding
Hose Lift	20,000		
Flag Pole	<u>5,500</u>		
Revised Tender Price	<u>6,012,591</u>		
Negotiated Revised Tender Price		5,975,000	NOHFC Long Term Debt Issue for balance
<b>Contract Administration</b>			
David Nelson - 2% of Construction Costs		120,000	Fire Station Reserve
<b>Contingency Allocation - 4%</b>			
		240,000	Fire Station Reserve
<b>Fit &amp; Finish</b>			
		138,000	Fire Station Reserve
		<u>6,831,500</u>	
<b>Combined Anticipated Project Costs</b>			
		<u><u>6,831,500</u></u>	
<b>Anticipated Funding Sources:</b>			
Long Term Debt Issuance	4,176,000		
Proceeds of Sale of Station 1	250,000	*	* estimate only
Union Gas Funding	49,000		
NOHFC	1,500,000		
Kenora Fire Station Reserve	<u>856,500</u>		
		<u><u>6,831,500</u></u>	

Communication Plan / Notice By-law Requirements

A budget amendment By-law will be required to reflect the approval of this project and related funding, and notice will be required in accordance with the City's notice By-law. By-laws will also be required for the related contracts with both Jarnel Contracting and Nelson Architecture.

Amended Recommendation

THAT the following tenders for the supply and delivery of the construction of one Emergency Services Facility be received:

1. Finn Way General Contractor- \$6,920,000
2. Jarnel Contracting Ltd.- \$6,390,000; and

THAT negotiations were conducted between the City and the lowest bidder to reduce the total amount of the contract; and

THAT the reduced tender of Jarnel Contracting Ltd., in the amount of \$5,975,000 be hereby accepted; and

THAT in accordance with the Notice By-Law 144-2007, public notice is hereby given that Council intends to amend its 2009 Operating & Capital Budget at its September 21, 2009 meeting, to authorize the construction of a new Emergency Services Facility in the amount of \$5,975,000, plus applicable contract administration fees, less any applicable funding and /or proceeds of disposition from the current Station 1 facility, with the balance of construction costs to be financed through a long term debt issuance and total contract administration fees to be funded through an offsetting appropriation from the Kenora Fire Station Reserve; and further

THAT Council of the City of Kenora hereby approves entering into a contract with Jarnel Contracting Ltd. In the amount of \$5,975,000 for the construction of a new Emergency Services Facility; and

THAT Council of the City of Kenora hereby approves entering into a contract with Nelson Architecture for contract administration for the construction of a new Emergency Services Facility; and

That Council hereby gives three readings to a by-law to amend the 2009 budget for this purpose.

cc: Bill Preisentanz  
Rick Perchuk