

Toronto Fire Services - Amendment to the 2019 Approved Capital Budget and 2020-2022 Cash Flows - Station B (Downsview)

Date: May 2, 2019

To: Budget Committee and Executive Committee

From: Fire Chief and General Manager, Toronto Fire Services and Interim General Manager, Facilities Management

Wards: All

SUMMARY

On November 30, 2018, the City of Toronto's Purchasing and Materials Management Division (PMMD) issued tender number 286-2018 on behalf of Facilities Management (FM) and Toronto Fire Services (TFS) for the construction of a new fire station, located at 2945 Keele Street, Toronto (Station B - Downsview). The tender closed on January 15, 2019. PMMD received five bid submissions. The lowest compliant bid, received from MJ Dixon Construction Limited, totalled \$7.208 million, net of HST recoveries.

The 2019 Approved Capital Budget for Toronto Fire Services includes the project cost of \$10.885 million for Station B - Downsview, with \$6.438 million available for construction. The Bid Panel Award report to recommend the award of this contract is pending the approval of this in-year budget adjustment.

In order to fund the shortfall in the 2019 Budget for the cost of construction determined through the competitive bid process, this report requests that City Council approve an in-year adjustment that will increase the project cost for Station B - Downsview (CFR091-01) by \$0.800 million, increasing the project cost from \$10.885 million to \$11.685 million, and amend the 2019-2022 budgeted cash flows with additional funds provided by Development Charge Reserve Fund (XR2118). The additional funds are available in XR2118, and the increase complies with the funding policy included in the Development Reserve By-law.

RECOMMENDATIONS

The Fire Chief and General Manager, Toronto Fire Services and the Interim General Manager, Facilities Management recommend that:

1. City Council authorize an in-year budget adjustment to the 2019 Capital Budget for Toronto Fire Services to increase the project cost for the Station B - Downsview (CFR091-01) project by \$0.800 million, increasing the project cost from \$10.885 million to \$11.685 million, funded by the Development Charge Reserve Fund (XR2118);
2. City Council authorize an amendment to the budgeted cash flows for the completion of the fire station to reflect the following requirements: 2019 - \$0.905 million, 2020- \$5.435 million, 2021 - \$1.051 million, and 2022 - \$0.020 million.

FINANCIAL IMPACT

Project Cost

The lowest compliant bid, received on tender number 286-2018 from MJ Dixon Construction Limited, totalled \$7.208 million, net of HST recoveries.

The approved cost included in the 2019 Capital Budget for Station B-Downsview) is \$10.885 million, with \$6.438 million (CFR091-01) available for construction.

TFS is requesting an amendment to the project cost for an additional \$0.800 million, increasing the cost of the project from \$10.885 million to \$11.685 million to support the increase in the cost of construction.

This increase will be fully funded from the Development Charge Reserve Fund XR2118; the use of funds for this purpose complies with the policies in the Development Charge By-law, and sufficient funds are available in the reserve.

Table 1 - Project Cost & Funding

Station B - Downsview	2012 Project Cost	2018 In- Year Adjustment	2019 Project Cost	2019 In- Year Adjustment	2019 Revised Project Cost
	(\$000s)				
Debt	\$ 4,139.0		\$ 4,139.0		\$ 4,139.0
Development Changes	\$ 5,746.0	\$ 1,000.0	\$ 6,746.0	\$ 800.0	\$ 7,546.0
Total	\$ 9,885.0	\$ 1,000.0	\$ 10,885.0	\$ 800.0	\$ 11,685.0
% of Total Project Funded by DCs	58%		62%		65%

Revised Cash Flows

Based on revised construction timelines, the estimated completion of Station B-Downsview is Q2, 2021. The revised project cash flows are detailed below.

Table 2 - Project Cost

Station B - Downsview #144	Initial Approval	2019 Project Cost	Life to Date Expenditures as at Dec 31, 2018	2019 In-Year Adjustment	2019 Revised Project Cost
		(\$000s)			
2019 Approved Capital Budget	2012	\$ 10,885	\$ 4,274		
2019 Revised Capital Budget	2012	\$ 10,885	\$ 4,274	\$ 800	\$ 11,685

Table 3 - Project Cash Flows

Station B - Downsview #144	Cash Flow Budget				Project Total
	2019	2020	2021	2022	
	(\$000s)				
2019 Approved Capital Budget	\$ 4,611	\$ 2,000			\$ 10,885
2019 Revised Capital Budget	\$ 905	\$ 5,435	\$ 1,051	\$ 20	\$ 11,685

Operating Impacts of Capital

As part of the 2019 budget process, Council directed the Fire Chief and General Manager to report back to the Economic and Community Development Committee (ECDC), prior to the 2020 Budget process, on opportunities to develop strategies to enhance overall service delivery, including but not limited to effective and efficient staff deployment within the constraints of the Council Approved budget.

Recommendations with respect to the start date of the 21 additional positions required for the opening of the Station B - Downsview, with total operating costs identified as \$2.529 million will be considered with the report to ECDC, and will be reviewed as part of the 2020 and future-years' budget review process.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

As part of the 2012 Capital and Operating Budget Process, City Council approved capital funding for the Station B-Downsview (CFR091-01) project.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.BU21.1>

As part of the 2018 Approved Operating Budget, 21 firefighter positions required for the opening and operation of Station B-Downsview were approved.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.BU41.1>

<https://www.toronto.ca/wp-content/uploads/2018/06/9093-TFS-2018-Ops-Public-Book-Alt-text.-docx.pdf>

As part of the Capital Variance Report for the Nine-Month Period Ended September 30, 2018, City Council approved an in-year adjustment to the 2018-2027 Approved Capital Budget and Plan by increasing the Station B-Downsview capital project cost by \$1.0 million.

<https://www.toronto.ca/legdocs/mmis/2019/cc/bgrd/backgroundfile-122393.pdf>

As part of the 2019 Operating and Capital Budget approvals, the hiring of the 21 firefighters was deferred to October 1, 2019 to align with the anticipated station opening.

<https://www.toronto.ca/legdocs/mmis/2019/bu/bgrd/backgroundfile-123851.pdf>

COMMENTS

The Station B-Downsview project, located on Keele Street between Wilson and Sheppard, was approved in 2012 with a project cost of \$9.885 million. The project experienced various delays since approval, including a 2 year delay in acquiring the land, issues with tender drawings due to floor plan changes, street-scaping re-design, and the delay in the receipt of Site Plan Approval.

As six years had passed since the project was approved, Facilities Management engaged a Consultant in August, 2018 to provide the most current project cost estimate.

The consultant's estimate included a 10% contingency, typically allocated for new construction and made special note of the price impact due to Canada Customs, primarily related to recently imposed U.S tariffs on steel and aluminum, and projected the following cost increases:

5-10% to mechanical and electrical

2.5-4% for structural steel

3-8% in overall construction cost

The Class A pre-tender estimate rendered an estimated cost of construction of approximately \$6.614 million, while the available funding for construction in September 2018 was \$5.613 million. The budget shortfall of \$1.0 million prevented TFS from proceeding to tender. As part of the Capital Variance Report for the Nine-Month Period Ended September 30, 2018, an in-year budget adjustment was approved by City Council. The total project cost was increased by \$1.0 million from \$9.885 million to \$10.885 million, funded by Development Charges.

On November 30, 2018, the City of Toronto's Purchasing and Materials Management Division (PMMD) issued tender number 286-2018 on behalf of Facilities Management and TFS for the construction of Station B - Downsview (Fire Station #144). The tender closed on January 15, 2019. PMMD received a total of five bid submissions. The lowest compliant bid, received from MJ Dixon Construction Limited, totalled \$7.207 million, net of HST recoveries. The 2019 Approved Capital Budget for TFS includes \$6.438 million for construction of Station B, resulting in a \$0.800 million budget shortfall.

The Class A pre-tender estimate was not intended to predict the low bid price of the tender. It provided the projected average value of a competitive tender, with an expected range of +/- 5% to 8%. Tendering resulted in a competitive market bid within the expected range, but higher than current available budget by \$0.409 million. In addition, the low bid tender included additional labour costs to be completed against allowances of \$0.355 million. As a result, the market response was not aligned with the pre-tender estimate by \$0.800 million.

TFS and Facilities Management is requesting an in-year adjustment to TFS Capital Budget that will increase the project cost by an additional \$0.800 million, funded by the Development Charges Reserve Fund XR2118. In addition, revised cash flows to reflect the new timelines are also being requested. The Bid Panel Award report to recommend the award of this contract is pending the approval of this in-year budget adjustment.

The timely completion of the new fire station is dependent on securing additional funding and awarding the contract for construction. The station's substantial completion is now revised to Q2, 2021.

Recommendations with respect to the implementation of the 21 additional positions and other operational costs required for the opening of the new Downsview fire station will be considered in the forthcoming report, which is scheduled for Q3, 2019, and will be reviewed as part of the 2020 and future years' operating budget process.

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