



REPORT FOR INFORMATION

Additional Information on Amendment to Purchase Order No. 6044338 for Toronto City Hall Building Envelope Improvements

Date: April 9, 2019

To: General Government & Licensing Committee

From: Interim General Manager, Facilities Management & Chief Purchasing Officer

Wards: Ward 10 - Spadina-Fort York

SUMMARY

In response to a request from the General Government and Licensing Committee, this report provides further information about 1) the process used to determine project costs and the scope of work for heritage buildings, including the involvement of Heritage Preservation Services and 2) the manner in which project costs are accrued and monitored, including additional detail about the circumstances in which unanticipated project costs may arise.

This report highlights these processes using the Toronto City Hall Building Envelope Improvement project as an example. The project followed the regular heritage review process whereby preliminary reviews are conducted by Heritage Preservation Services at early stages of the project, with subsequently more detailed reviews occurring as design details are finalized and prototypes or mock-ups are fabricated (if required). The report notes efforts by staff to conserve heritage features while realizing the project goals, identifies delays that impacted the project schedule and cost, and acknowledges areas for improvement in the management of future projects in heritage facilities.

FINANCIAL IMPACT

There is no financial impact associated with the adoption of this report.

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

DECISION HISTORY

On November 23, 2016, Bid Committee Meeting BD111.12 adopted the recommendation to award Tender No. 300-2016 to Phoenix Restoration, for Toronto City Hall Building Envelope Improvements at 100 Queen Street West, being the lowest bidder meeting the requirements of the tender. The Bid Committee decision can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.BD111.2>

At its meeting on April 1, 2019, the General Government and Licensing Committee deferred consideration of GL3.3 "Amendment to Purchase Order Number 6044338 for Toronto City Hall Building Envelope Improvements" and requested the Interim General Manager, Facilities Management and Chief Purchasing Officer report back to the April 23, 2019 meeting of General Government and Licensing Committee with additional information about 1) the process used to determine project costs and the scope of work for heritage buildings, such as Toronto City Hall, including the involvement of Heritage Preservation Services and 2) how project costs are accrued and accounted for and why project costs are unanticipated. The General Government and Licensing Committee decision can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.GL3.3>

COMMENTS

Completion of projects in heritage facilities

Facilities Management regularly completes projects in designated heritage facilities; however, work that substantially impacts the building envelope and outward appearance of these facilities is infrequent. Most projects impact interior building systems (e.g. mechanical or electrical components) and do not alter the building's visual appearance. In cases where the work will alter the appearance of the building, the project team will consult with Heritage Preservation Services to obtain the required approvals.

Heritage Preservation Services review process

The official plan stipulates that (3.1.5.4) properties on the heritage register will be conserved and maintained consistent with the Standards and Guidelines for the Conservation of Historic Places in Canada (Standards and Guidelines) and for public works on and adjacent to such properties (3.1.5.5) will ensure that the integrity of the heritage property's cultural heritage value and attributes will be retained, prior to work commencing on the property and to the satisfaction of the City.

These Standards and Guidelines provide direction for evaluating alterations to heritage resources, including identification of the heritage values, evaluating their condition, and where intervention is necessary, preserving character defining elements and making alterations visually compatible with these elements.

Heritage Preservation Services implements this policy in following industry best practice. Initially, Heritage Preservation Services conducts a review of the initial project design and comments on what heritage values may be impacted and how to incorporate their mitigation within the project terms of reference.

Final approval from Heritage Preservation Services cannot be obtained prior to tender. Once a construction contract has been awarded to a general contractor, Heritage Preservation Services conducts a comprehensive review of the proposed design solution and provides guidance to refine the final design and implementation. This work cannot be completed prior to tender because a general contractor is required to produce the final technical shop drawings (which provide additional detail about the finishes and specifications of components) and fabricate and install mock-ups (if required). This is a standard practice for projects in heritage buildings.

Heritage review of the City Hall Building Envelope Improvement project

This heritage review process was followed in the case of the Toronto City Hall Building Envelope Improvement project. Heritage Preservation Services conducted a preliminary review of the project documentation and provided input that was incorporated into the tender documents.

Following tender award and as the project progressed, Heritage Preservation Services identified numerous concerns with some visual and physical impacts of the design, such as the new council chamber window framing system design and the addition of bird-friendly dots to the first, second, and third floor windows. At these points, Heritage Preservation Services requested additional information, mock-ups, and design modifications as a condition of their final approval.

These additional consultations had downstream impacts on the project schedule, contributing to delays in window manufacturing, adjustments to schedule to avoid disrupting council operations, and further delays due to the extension of the project schedule into the winter months. These delays contributed to additional contract administration costs reflected in the requested amendment.

Additional scope requested by stakeholders

Clients or stakeholders sometimes request the addition of items to a construction project after the project scope has been defined and a construction contract has been awarded. The project manager is required to assess the cost and time impacts of these requests before any changes are approved.

Over the course of this project, Heritage Preservation Services identified new opportunities to complete work that would restore City Hall in compliance with the Standards and Guidelines while achieving its modernization, including a proposal to replace non-original spandrel panels between the first and second floors. Corporate Security also requested the addition of security window film, as part of a broader effort to enhance security at City Hall.

The project team approved the inclusion of supplemental items in the project scope because it would be cost efficient and expedient to complete work using the existing contract and avoid the need to retender the work at a later date. However, the spandrel panel replacement was subsequently removed from the project scope due to the associated additional costs.

Lessons learned

A retrospective review of this project has identified certain points at which Facilities Management and Heritage Preservation Services could have expedited work, such as in the preparation of mock-ups or the review of design elements. In other cases, delays were incurred due to factors outside the control of the project team or Heritage Preservation Services, including contractor timelines for manufacturing and installing mock-ups (e.g. sourcing materials, identifying fabricators), City Hall and Nathan Phillips Square operations, concealed site conditions, staff availability (e.g. leaves of absence), and weather conditions. Consequently, the additional costs associated with project delays cannot be attributed to a single party or issue.

Through this review, Facilities Management has also identified that the original project schedule was overly optimistic and provided insufficient flexibility to account for possible delays. If the project team had developed a more realistic schedule, the original purchase order could have better reflected the contract value required to complete the work. The project team has shared the lessons learned from this project with all Facilities Management Project Management Office staff so that they can be applied on subsequent projects.

Facilities Management has worked in partnership with Heritage Preservation Services on previous projects, including projects that impacted the appearance of City Hall. Both divisions will work together on actions (e.g. establishing project terms of reference) to more effectively identify and assess the visual impact of construction projects in the early stages of a project and avoid costly delays or scope changes following tender award.

Project cost forecasting and tracking process

Project planning and costing

As a standard practice, staff develop project budgets based on past experience and similar projects, site or building condition assessments, stakeholder requirements and input from independent cost consultants. Project managers are expected to assess the risk of various cost and schedule impacts, including any delays in obtaining the requisite approvals, and carry sufficient contingency in their budget.

Once staff have determined the project budget, capital funding is either identified in the approved capital budget/plan or requested through the budget process. The work is tendered and the construction contract is generally awarded to the lowest compliant bidder. Subsequently, an agreement is executed and a Purchase Order is issued to the approved bidder, provided that they meet all requirements of the City's procurement process, such as providing the proper performance bond and insurance.

The estimated contract value may differ from the overall project budget. For higher risk projects where additional contingency is required (e.g. projects in heritage buildings), the allocated funding in the budget will be higher than the contract value. This contingency is not included in the contract in order to shield the exact project budget from the general contractor.

Given this distinction between project budget and contract value, a request for additional contract value (Purchase Order Amendment) does not necessarily mean that the project team has exceeded the capital budget funding allocated to that project. In the case of the City Hall Building Envelope Improvement project, the requested contract amendment remains within the overall approved capital funding allocation of \$9.125 million.

Cost tracking and forecasting

Over the course of a given project, actual spending is tracked in relation to the overall project budget and reviewed regularly so that corrective measures can be implemented if required. Spending against the contract is also tracked. Unanticipated costs may result from client or stakeholder requests for additional scope post-tender award, concealed or unforeseen site conditions, and delays caused by the City (e.g. delays in obtaining required approvals).

In the case of the City Hall Building Envelope Improvement project, the project team should have alerted management earlier to the impact that approval delays and added scope would have on the project timelines and cost. This would have allowed management to decide whether to de-scope the project or seek approval for additional contract value at the time the changes were requested.

Improvements to project cost forecasting and tracking

Since this project was initiated, Facilities Management has implemented a project management process manual that outlines the steps that project managers are expected to undertake when planning and executing projects. If applied correctly, these tools and processes will help reduce risk of unanticipated costs, ensure that stakeholder or client requests for changes are properly vetted and approved in advance, and ensure that all aspects of the project are properly documented.

In light of the lessons learned from this project, the Facilities Management project management process has been further revised to ensure 1) that clients and stakeholders are made aware of the financial impact of requested changes and the client or senior management approve changes in advance and 2) that additional contract value (where required) is authorized before work is started. The division will make an exception in cases where work is required to address an emergency or urgent need, whereby the General Manager, Facilities Management (or their designate) must authorize the work before it is started.

CONTACT

Frank Molinari, P. Eng.
Acting Director, Project Management Office
Facilities Management
Tel: 416-392-1558
Email: Frank.Molinari@toronto.ca

Sabrina Dipietro
Acting Manager, Construction Services
Purchasing & Materials Management
Tel: 416-397-4809
Email: Sabrina.Dipietro@toronto.ca

Mary MacDonald
Senior Manager, Heritage Preservation Services
City Planning
Tel: 416-338-1079
Email: Mary.MacDonald@toronto.ca

SIGNATURE

Patrick Matozzo
Interim General Manager, Facilities Management

Mike Pacholok
Chief Purchasing Officer

ATTACHMENTS
