

1982 April 30.

TO: MAYOR AND MEMBERS OF THE MUNICIPAL COUNCIL
FROM: SPECIAL COMMITTEE STRUCK TO REPORT ON B.N.R. PROJECT COSTS

SUBJECT: B.N.R. OVERPASS

Madam and Gentlemen:

At the regular council meeting of 1982 April 26, the Council approved a recommendation that:

- (1) a Council Committee be struck chaired by Alderman Stusiak and members being Alderman B. Nikolai and Alderman T. Constable.
- (2) this Committee meet with the Management Committee and report back to Council the justification for this overrun.

This is to advise that the Committee met. Present for discussion were:

- a) Members of the Burnaby Management Committee.
- b) Associated Engineering Services Limited represented by Mr. Bryan Ellis, Chairman of the Board, Mr. Bill Stewart, P. Eng., Group Manager Transportation and Mr. Norman Diandrea.

The Committee discussions were specific to this project and to the three items referred from report Supplementary Item 13, Manager's Report No. 29, 1982-04-26.

The Committee reviewed extensive files.

The Committee considered numerous questions which are listed below.

QUESTION #1 - Was the project cost of \$20,716,896 a valid cost?

COMMENT - The project as designed was subject to market competition by submission to tender and the normal bid process. The Committee accepts that the figure indicated would be the project cost.

QUESTION #2 - Was the May 19, 1981 estimate submitted to Council in the amount of \$13,206,162 a valid estimate?

COMMENT - The Committee is of the opinion that the figure was too low and that the consultant should have worked harder to qualify the figures because of the very volatile inflation forces in place at the time of the report.

QUESTION #3 - Did the final design contribute to the cost difference?

COMMENT - The Committee agrees that the final design was a factor in the increased costs. See consultant's letter of April 12, 1982 for some of the suggested reasons. The Committee does not agree or disagree with the consultant's explanations but does agree that final design required certain technical considerations which added costs to the original estimate.

QUESTION #4 - Did the site contribute to a cost difference?

COMMENT - The Committee accepts that the project is located on a site that could contribute to unforeseen costs and unpredictable increases.

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MANAGER
DIRECTOR ENGINEERING.
DIRECTOR PLANNING & BLDG INSP.
DIRECTOR RECREATION & CULT SERV.
TREASURER.

QUESTION #5 - Was there adequate communication between the consultant and our Engineering Department with regard to project changes and the resultant cost revisions to the project.

COMMENT - The Committee has determined that there was very little communication with reference to a changing cost impact on the project. The consultant was apparently only concerned with providing a sound, safe, quality project. There is no evidence that the consultant felt a need to advise Burnaby of changes that would affect the original estimate. The Committee can find no specific evidence that the municipality had informed the consultant that the municipality must be advised of any possible cost changes.

The Committee is of the opinion that this lack of communication is the single most significant factor in the review of this project. Proper communication relative to cost updates would not have significantly changed the end cost. The cost was inherent in the site and the design requirements. With proper budget information, the decision to phase construction and arrange budget sharing with senior governments could have been established before the fact. The need to know the amount of funding is paramount for a project of this magnitude. There is no evidence in writing, after completion of drawings, from the consultant to the Corporation advising of a cost increase to the project. The consultant states that we were advised verbally in December 1981. Our Director Engineering denies knowledge of the statement.

Report Item #2, December 21, 1981 from the Municipal Engineer to the Municipal Manager and submitted to Council for information purposes states: "up to date cost information magnitude and timing will be presented to Council in 1982 mid January (approximately)". This update was never received.

The Committee feels that the apparently casual and cavalier performance with regard to cost updates by the Director Engineering and municipally involved members of the Engineering Department and their respective counterparts at Associated Engineering Services Ltd. should not pass without comment.

The Committee recommends that the personal records of the involved employees have attached thereto a copy of this report.

QUESTION #6 - Were the explanations outlined in the letter from AESL of April 12, 1982 valid?

COMMENT - These explanations were submitted after the fact and are useful as information. Many of them should have been considered before proceeding to tender.

QUESTION #7 - Is the consultant liable for the difference?

COMMENT - No.

QUESTION #8 - What can be done to reduce cost?

COMMENT - Very little. The costs were confirmed by competitive bid process.

The Committee has been informed of some modest design changes plus some control costs that reduced the project cost by approximately \$1.1 Million. About \$700,000 to \$800,000 of this would be offset because of phased construction over longer period. It is possible that phased construction arranged in smaller bid units will invite more competitive bids.

QUESTION #9 - Should the project be a phased project?

COMMENT - This project qualifies for provincial revenue sharing. Provincial budgets are committed only for a budget year. The cost and application of funds shows an assumed contribution of \$7,871,890 received over a 3 year period with approximately \$4,000,000 spread over year 2 and 3.

While provincial contribution is not necessarily assured for years 2 and 3, the Committee agrees with the recommendation of the Manager that the contribution is more likely on a phased project.

QUESTION #10- Should the project proceed?

COMMENT - The Committee polled members of the Management Committee and of the Council members of the Committee. The unanimous verdict was that the project should proceed.

QUESTION #11- Should the consultant continue on the project?

COMMENT - Yes, for the technical reasons stated in the report of the Director Engineering. However, the consultant will do the necessary changes to bid specifications and drawings for phased bidding plus redesign of the walk plus supervision of phased construction at no additional cost to Burnaby.

Further, the consultant will supply to the Municipal Manager a detailed cost breakdown of phased construction.

QUESTION #12- Will the Committee recommend the Loan Authorization Bylaw?

COMMENT - Yes, for the reasons stated in the Report Supplementary 13, 1982-04-26.

QUESTION #13- Do we have a system or control process to verify budgets for capital projects?

COMMENT - Not in any one specific method. The normal process for in-house projects is to identify end cost before proceeding for approval. The Committee strongly recommends that the Manager submit a report with a full control procedure for all future major capital projects.

The Committee recommends:

1. THAT this report be received and recommendations therein implemented.
2. THAT Council give favourable consideration to Recommendations 2, 3 and 4 contained in Supplementary Item 13, Manager's Report No. 29, 1982 April 26.
3. THAT final reading of the bylaw proceed subject to confirmation of a detailed cost estimate to be provided by Associated Engineering Services Ltd. to the Municipal Manager. This detailed cost shall show the amount of work each year, the type of work and the estimated cost to each portion and shall be subject to provincial approval.

Victor V. Stusiak

Alderman V.V. Stusiak, Chairman

Alderman T. W. Constable, Member