

ITEM SUPPL 18
MANAGER'S REPORT NO. 7
COUNCIL MEETING 88/01/25

RE: BONSOR RECREATION CENTRE CONSTRUCTION PROJECT

MUNICIPAL MANAGER'S RECOMMENDATION:

1. THAT the recommendation of the Chairman, Civic Building Project Co-ordination Committee be adopted.

* * * * *

TO: Municipal Manager 1988 January 20

FROM: Chairman,
Major Civic Building Project Co-ordination Committee

SUBJECT: BONSOR RECREATION CENTRE CONSTRUCTION PROJECT
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RECOMMENDATION:

1. THAT this report be received for the information of Council.

REPORT

At its regular meeting of 1988 January 04, Council expressed some concerns over rumoured delays and problems associated with the subject construction project. Council requested a report on the progress of the project with a response to specific questions put forward at that time.

Those questions were forwarded to the project architect and the contractor and reviewed in detail by staff. They are listed herein followed by the appropriate response in each instance.

1. Is the project on budget?

The architect has reviewed the additional costs on the project due to site conditions and consultant's requests and finds that they are less than 1% of the total contract price and well within the normal limits on a contract of this magnitude. Even with the changes requested by the owner, the project is within the normal limits and on budget.

2. Will there be a further delay (beyond February) in the opening of the centre?

The general contractor, Wilson Industries Inc., has presented a schedule update of 1988 January 15 in which they show completion by approximately the end of February. This will not include exterior site work and the pool addition.

Wilson Industries is currently in the process of updating the schedule again and a copy of their detailed letter of explanation dated 1988 January 20 giving specific completion dates for the exterior site work and the pool addition is attached (Attachment I). They advise that they are able to maintain the completion dates given earlier and are still aiming for substantial performance of the building proper by the last week of February.

The architect has advised that he believes Wilson's anticipated substantial performance by the end of February is on the optimistic side by perhaps one to two weeks. He also believes, however, that partial occupancy prior to the end of February is entirely achievable and that the scheduled official opening date of 1988 April 09 is still realistic. In other words, there would exist a continuum of occupancies by stages and, as specific areas are completed, staff would move in and set up.

3. Will there be any additional expense incurred by the municipality as a result of the delay?

The architect advises that there will be a request for consideration of addition fees payable to the design team as a result of delay in the project completion and the extension of field services required. The amount involved has not as yet been determined.

4. Was the subcontractor responsible for placing structural concrete suitably qualified and is that part of the project built properly?

Wilson Industries Inc. advises that the normal screening process and tenderer's statement of abilities were filled in by Richland Construction prior to awarding the subcontract for forming and placing the structural concrete. Wilson also advises that the subcontractor is presently still working on other high-rise buildings in the Vancouver area.

The architect has given assurance that the concrete structure meets all of the design requirements and is so certified by the consulting structural engineer for the project.

5. Is the quality of workmanship on the project up to standard?

In general, the workmanship on the project is of the customary standard of the industry and is satisfactory. The architect advises that in some cases where the quality of workmanship is not of an acceptable standard, remedial work has been called for and is being carried out to ensure that all work meets the intent of the specifications. The work will not be accepted and final payment made until we are satisfied that the work meets the specifications.

6. What are the wage and benefit rates paid to workers on the project and do they have appropriate trade qualification certificates?

The contractor advises that the rates paid by Wilson Industries vary from \$10.00 to \$12.50 per hour for labourers and from \$15.00 to \$18.00 per hour for carpenters. Fringe benefits are paid in addition to these hourly rates including U.I.C., C.P.P., W.C.B. and statutory holidays, etc.

The project is being handled by union and non-union trades with an approximate 67%/33% split. Included in the 33% non-union component is the electrical subcontractor who has journeymen electricians working for him. There are also other non-union subtrades that have either card-carrying union employees or ex-union employees on staff. The contractor estimates that upward of 60% of the 33% non-union group would be former union employees. Trade qualification certificates issued by the Provincial Ministry of Labour are also carried by tradesmen independent of their union or non-union affiliation.

7. What impact did the conduct and loss of the previous project manager have on the project?

The architect advises that the loss of a project manager does have an adverse affect on a project and can cause delay. The individual referred to was of concern to the architect because of his inability to expedite the project. The contractor brought in a much superior individual who did a lot to get the project back on track.

8. Did staff review the financial status of the contractor prior to awarding the contract?

The fact that the customary Bid Bond, Performance Bond and Labour and Material Payment Bond undertakings were in place under the company seal of the Alta Surety Company of Montreal was viewed as sufficient evidence of financial stability by both the architect and Burnaby staff. The owner is protected against the additional costs to complete the project in the event that the bonded contractor defaults.

The Director Finance has reviewed the matter of bonding with Burnaby's insurance broker and the attached letter from Reed Stenhouse Limited dated 1988 January 14 identifies the value of the bonding process to owners such as Burnaby (Attachment 2).

9. Did staff review the Great Northern Way housing project before awarding the contract?

Staff were not aware of the fact that Wilson Industries Inc. was the general contractor for the Great Northern Way housing project when the Bonsor contract was awarded.

10. At what level did staff review the Forest Grove School project with the School Board and were staff aware of any deficiencies before the contract was awarded?

The architect checked with the architect responsible for the Forest Grove School as the most current project undertaken by Wilson Industries and obtained a very favourable report as to the capability of the contractor. Senior staff also reviewed the Forest Grove School project with the Secretary of the Burnaby School Board and again, a very positive recommendation was received. At that time, the school project had not reached the Substantial Performance stage and deficiencies, if they existed, had not been identified.

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The answer to an eleventh question pertaining to the Corporation's opportunity to pursue litigation, is contained in a separate In-Camera report this evening.

This report is for the information of Council.


E. E. OLSON, CHAIRMAN
PROJECT CO-ORDINATION COMMITTEE


A. L. PARR, DIRECTOR PLANNING
& BUILDING INSPECTION


D. GAUNT, DIRECTOR RECREATION
& CULTURAL SERVICES


FRM/jce
Attach.

cc: Chief Building Inspector

ATTACHMENT 1

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COUNCIL MEETING 88/01/25



4940 CANADA WAY, #519
BURNABY, B.C., V5G 4K6

(604) 239-0644

CARLBERG, JACKSON PARTNERS
#301 - 6th Street
New Westminster, B.C.
V3L 3A7

RECEIVED

JAN 21 1988

Building Inspection Division
Planning & Building Ins. Dept.

ATTENTION: Mr. Brian Hulme

Register No.

Attachments

15:45h

January 20th, 1988
5007/2.1.1

Dear Sir:

RE: SCHEDULE FOR BONSOR PARK RECREATIONAL COMPLEX

The following is a detailed explanation of our Schedule and projected dates of completion for the Bonsor project.

1. 2nd floor will be completed this week with the exception of the small amount on line which has been delayed because the product has not been shipped by the manufacturer, but should be installed by the 1st week of February.
2. Main floor should be completed by February 20th. We could have a minor over-run in time in two areas:-
 - a) New Pool Addition
 - b) Banquet Room area of the building.
3. Basement area will be completed by February 20th, with a possibility of a minor time over-run in the Raquet Courts.
4. The exterior concrete work on the building will be completed by February 20th.
5. Exterior landscaping, parking, paving & sidewalks will commence work before the end of January, and most of these areas should be advanced to a stage giving good access to the building by the end of February, weather permitting.
6. The building should be totally secured with all exterior doors in place, lockable and permanent heat should be throughout the whole building area.
7. Most areas in the building will be occupiable at this time. There will however, be deficiencies to be cleaned up in some of these areas, but none of these deficiencies should interfere with the occupancy of the building.

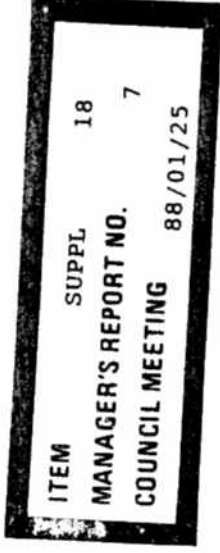
Yours truly,
WILSON INDUSTRIES INC.

per: Ed Bachman
Construction Manager

C.C. Mr. F. Mehling
Corp. of Burnaby

EB/gb

ATTACHMENT 2



REED STENHOUSE

Reed Stenhouse Limited
 A Member of the Alexander & Alexander Group
 900 Howe Street
 P.O. Box 3228
 Vancouver, Canada V6B 3X6
 604-688-4442 Telex 04-51381
 Telefax 604-682-4026

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January 14, 1988

Corporation of the District of Burnaby
 4949 Canada Way
 Burnaby, B.C.
 V5G 1M2

Attention: Mr. H. Karras, Director of Finance

Dear Sirs:

Contract Bond Information

During our discussion of January 13, 1988, you asked that I outline briefly the value of bonding to the District. As discussed, this is a difficult thing to do briefly as bonding is a very complex subject, but the following is at least an attempt:

1. Bid Bond

This has two values to you, first, prequalification, the bonding companies investigate those contractors they bond including the ownership, reputation, integrity, finances, equipment/fixed assets, work in progress, relationships with creditors, etc. If the surety feels there is even a slight chance of default, they will refuse to issue a bond to the contractor. Second, financial, if the successful bidder is unwilling or unable to enter into a contract with the District then up to the full value of the contractor's bid bond is available to the District to compensate you for additional costs in selecting an alternative contractor.

2. Performance Bond

As well as the continued prequalification benefit (see above), the primary benefit of this bond is financial. The District is protected against the additional costs to complete a bonded project in the event that the bonded contractor defaults.

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 FINANCE.....
 (letter) File Diary ANS

JAN 15 1988

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JAN 13 1988

Building Inspection Division
 Planning & Building Ins. Dept.

Register No.

Attachments:

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3. Payment Bond

Many small businessmen when working on any Government project (e.g., supplying goods, labour, or acting as a subcontractor to a general contractor) assume that all payments to them are "guaranteed". This is so but only if a Labour and Material Payment Bond is in place and, of course, subject to a maximum of the limit of the bond. Claims arising from unpaid contractors' bills have constituted approximately 66% of all surety claims in North America in the past five years and this percentage is continually increasing.

I am enclosing some informative brochures for you to retain as a reference source for interested parties. I can also supply a detailed reading list as well as information on available educational seminars and courses if anyone is interested.

If there is sufficient interest, Reed Stenhouse Limited also has a multi-slide projector presentation on construction bonding which we would be pleased to put on for the District. This presentation runs approximately twenty minutes and you should also allow a further thirty minutes for a question and answer session.

We discussed the acceptability of bonding companies. For obvious reasons, there is no such thing as a "black list". The language you read from the District specifications requiring that the surety company be both licensed and authorized to do business in British Columbia and that it be acceptable to the District gives you the protection and flexibility you need. I am enclosing a list of companies acceptable to the Canadian Federal Government, however, as discussed, this is not a comprehensive list as it essentially excludes all companies unless they are Federally incorporated or specially licensed (e.g., all U.S. companies). It also includes a large number of companies who are technically licensed but who do not do

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business in British Columbia. If you or your staff are in any doubt as to the viability of a bonding company, we are only a telephone call away and do have access to Provincial and Federal licensing information. We are also liaison members of the Insurance Bureau of Canada - Surety Division, which monitors bonding companies closely. I must caution you that there was a recent fraud conviction against a Vancouver contractor who invented his own fictitious bonding company. In the past forty years, there has only been one bonding company failure in Canada and that company's bonds were all honoured by a consortium of all of the other licensed surety companies, so we believe that your risk of surety failure or of accepting a worthless bond is very low.

The last major topic we discussed was claims handling. Enclosed are copies of both the "Surety Claims Code of Ethics" and "Principles of Conduct for the Surety Industry". Both of these are documents subscribed to by the members of the Insurance Bureau of Canada which includes most, but not all, of the major bonding companies doing business in Canada. The surety industry's only tangible product is the way it conducts itself in the unfortunate event of a claim. Poor or antagonistic claims settlement is simply unacceptable and should you ever experience such problems, we would be only too pleased to attempt to intercede on your behalf.

I hope this information is of some help and I look forward to any further questions you may have and/or to putting on an educational presentation for the District.

Yours very truly,

REED STENHOUSE LIMITED



David C. Dykes
Vice-President

A0406

cc: Bruce Sibbald
Branch Manager