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Mulock Park Budget Update Information Report to Council

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In accordance with the Procedure By-law, any member of Council may make a request to the Town Clerk that this Report be placed on an upcoming Committee of the Whole agenda for discussion.

Executive Summary

Staff Report 2021-30 established a budget of \$40.0 million for the Mulock Park project, including design, soft costs, and a Council contingency, but excluding work for the Mulock House and offsite parking. This budget and Capital Spending Authority was approved in April 2021, based on a preliminary estimate to execute the work described in the Master Plan approved in Staff Report 2021-29.

As design has advanced, total estimated cost for the Park is \$46.4 million, representing a 24.3% variance from the delegated Capital Spending Authority. Review of market conditions demonstrates the majority of this cost increase is due to inflation in the global construction market. Town Staff and the Consultant undertook multiple value engineering reviews to change the design, while maintaining the amenities described in the approved Master Plan. These value engineering savings are already included in the cost estimates contained in this report.

After value engineering, a total increase in delegated Capital Spending Authority of \$8.0 million is proposed. This represents a cost variance below market inflation. Staff believe that this budget increase is required to meet the intent of the approved Master Plan, with reasonable contingencies for unforeseen events. The proposed approach ensures that there is no project impact on property tax rates.

Purpose

This report presents rationale for a budget increase to fund previously planned project work contained in the Mulock Property Master Plan. The anticipated funding need is driven by

construction market inflation beyond the Town’s control. Construction estimates indicate that the budget increase is necessary to fulfil the Council-approved Mulock Property Master Plan.

Background

Mulock Park Project

Phase 1 of the Mulock Property Master Plan was presented in Staff Report 2020-36. Phase 2 was presented in Staff Report 2021-29 and endorsed by Council in April 2021.

Delivery of the Master Plan is divided into four main projects:

1. **Mulock Park Project:** Design and construction of the park, skate trail, greenhouse conservatory, site servicing and maintenance building.
2. **Mulock House State of Good Repair Project:** Design and construction of roof and electrical upgrades.
3. **Mulock House Adaptive Re-Use Project:** Design and construction works to renovate the Mulock House and make it ready for tenancy and public occupancy.
4. **Mulock Park Off-Site Parking Project:** Design and construction of approximately 200 off-site parking spaces on the adjacent Hydro Corridor.

Preparation of detailed design documents for the park including contract drawings and specifications is nearing completion, with construction expected to commence in mid-2023 and be completed in late 2025.

Ongoing Project Cost Control

A \$40,000,000 budget capital spending authority for implementation of the Mulock Park project was established by Council approval of Staff Report 2021-30 in April 2021. This was based on a Class D¹ cost estimate for the scope established in the Master Plan, which is considered accurate to ± 30%.

Table 1 summarizes the approved budget breakdown as included in Staff Report 2021-30:

Table 1: Approved Mulock Park Budget from Staff Report 2021-30, April 2021

Mulock Park Budget	Approved Value
Construction	\$30,000,000
Design and Contract Administration	\$2,600,000
Other soft costs (project management, specialty consultants)	\$4,700,000
Delegated Capital Spending Authority	\$37,300,000
Project Management Contingency (Council authorization required for use)	\$2,700,000
Approved Budget	\$40,000,000

As part of good project management practice, the Mulock Park design team monitors design decisions continuously for cost control. At key milestones, a formal construction cost estimate is prepared in accordance with industry best practices by the consulting team’s Professional

¹ Joint Federal Government/Industry Cost Predictability Taskforce, *Guide to Cost Predictability in Construction: an Analysis of Issues Affecting the Accuracy of Construction Cost Estimates*, November 2012.

Quantity Surveyor (PQS) subconsultant. As the design is refined and more detail is provided, a more precise estimate can be provided. This approach proactively identifies and mitigates potential cost issues.

Global Market Inflation

Review of market statistics indicates Greater Toronto Area non-residential construction costs rose approximately 30% between Q1-2021 and Q3-2022². This indicates that the cost increase in the Mulock Park project is driven by market inflation beyond the control of the project team.

Key drivers for present global market inflation include supply chain impacts and pent-up demand for materials as COVID restrictions are lifted, coupled with petroleum cost increases and other impacts due to global conflicts and reactions. It is uncertain whether this inflation may be reduced by a future market correction.

Discussion

Value Engineering and Global Inflationary Impacts

At completion of the Design Development stage in June 2022, a Class B estimate was prepared to ± 15 percent accuracy. Table 2 shows that the initial Class B estimate exceeds the approved capital spending authority.

Table 2: Class B Estimate, May 2022 (\$ million)

Class B Estimate	Estimate	Approved	Variance
Construction	\$37.4	\$30.0	24.7%
Soft costs including Design & Contract Administration, project management, specialty consultants	\$9.0	\$7.3	23.3%
Total	\$46.4	\$37.3	24.3%

Staff identified a need to review costs to provide best value for money in light of the budget exceedance.

Value Engineering Response

Where cost variances were identified, “value engineering” (VE) was undertaken. Value engineering is defined as an organized effort directed at analyzing design features to achieve essential functions at the lowest life cycle cost consistent with required performance, quality, reliability, and safety³.

Table 3 summarizes impact of approved value engineering cost reductions on project cost. The resulting increase in the construction cost estimate is well below reported construction price inflation.

These additional changes in materials, dimensions, and design approaches yielded an estimated additional \$3.3 million in savings, and were endorsed by the Mulock Property Task

² Statistics Canada. *Table 18-10-0135-01, Building construction price indexes, by type of building* <https://doi.org/10.25318/1810013501-eng>, December 21, 2022.

³ United States General Services Administration. *Value Engineering*. <https://www.gsa.gov/real-estate/design-and-construction/engineering-and-architecture/value-engineering>, August 31, 2022.

Force. These savings are over and above \$8.6 million savings identified by value engineering at the previous Class C estimate stage. Further value engineering reductions would likely require deferring or eliminating an amenity described of the Master Plan.

Proposed Adjustments to Budget and Capital Spending Authority

Table 3 summarizes the proposed adjustments to the Mulock Park budget from Staff Report 2021-30. Recognizing that a Class A Estimate ($\pm 10\%$) is expected by mid-February, an \$8.0 million contingency is proposed to account for potential variances. This Class A estimate will be available prior to final capital budget approval.

Table 3: Proposed Budget Adjustment, 2023 (\$ million)

Mulock Park Budget	Previously Approved Value 2021	Class B Estimate after VE, 2022	Est. Variance after VE	Proposed Budget Value 2023	% Budget Increase
Construction	\$30.0	\$34.7	\$4.7	\$36.0	20.0%
Design and Contract Administration	\$2.6	\$3.0	\$0.4	\$3.1	19.2%
Other soft costs (project management, specialty consultants)	\$4.7	\$5.4	\$0.7	\$5.7	21.2%
Delegated Capital Spending Authority	\$37.3	\$43.1	\$5.8	\$44.8	20.1%
Project Management Contingency (Council authorization required for use)	\$2.7	\$3.2	\$0.5	\$3.2	18.5%
Approved Budget	\$40.0	\$46.3	\$6.3	\$48.0	20.0%

Funding for Proposed Capital Spending

In consultation with Financial Services staff, funding sources have been identified as summarized in Table 4, below:

Table 4: Additional Funding Sources

Funding Source	ADDITIONAL EXPENDITURE (\$ million)				
	2022	2023	2024	2025	Total
Development Charges	\$0.0	\$2.9	\$0.9	\$2.0	\$5.8
Reserves	\$0.0	\$0.1	\$2.1	\$0.0	\$2.2
Total	\$0.0	\$3.0	\$3.0	\$2.0	\$8.0

* Previously approved

Funding sources from reserves include \$660,000 plus pending contributions from the Public Art Reserve for the art installations, \$230,000 from the Playground Equipment Reserve for the Natural Discovery Playscape, and pending contributions from the Climate Change Reserves for the geothermal system and solar parking lot shades.

Ontario Bill 23, the *More Homes Built Faster Act, 2022* will impact future funding from Development Charges. The Provincial Government may mitigate some of this impact. Staff are presently reviewing the future impact on the capital program.

The proposed approach would ensure that there is no project impact on property tax rates.

In addition to these approaches, staff will identify and apply for external grant funding opportunities which may potentially reduce impact on the funding sources in Table 4.

Conclusion

A detailed value engineering process undertaken from June 2022 to present has identified substantial savings beyond those identified at prior project stages. This reduces the proposed increase in Capital Spending Authority to an amount below prevailing market inflation. Staff propose a combined \$8.0 million increase in Capital Spending Authority and Project Management Contingency required to maintain the previously approved Master Plan.

Funding is available to support the proposed \$8.0 million increase. This increase will maintain previous Council commitments to the level of service and vision described in the Mulock Property Master Plan.

Business Plan and Strategic Plan Linkages

Providing budget and spending authority furthers Council's Strategic Priority for Extraordinary Places and Spaces, by authorizing funding and spending authority for interim stages necessary to implement the Mulock Property Master Plan.

These forecasts further Long-Term Financial Sustainability by working towards multi-year capital budgets.

Additionally, the Mulock Park Project furthers vibrancy on major corridors through providing a critical anchor to the urban centres as they develop.

Consultation

The content of this report has been developed in collaboration with Financial Services, Parks & Facilities Services, and Engineering Services.

Human Resource Considerations

None.

Budget Impact

Operating Budget

The Mulock Park can be built with no additional tax impact, and the operating budget required to support the park is being phased in annually by a planned incremental allotment of \$250,000 of

assessment growth each year for 5 years. Operating costs will be verified at completion of the Design Development phase and further confirmed before the Park becomes operational.

This estimate does not include programming costs. At this time, it is assumed that these costs will be offset by user fees and assessment growth. These could be dealt with in future budgets starting in 2024.

Capital Costs

Net increase in Capital Spending Authority is \$7.5 million (20.1% of previously approved budget). An increase to the Council-controlled Project Management Contingency of \$500,000 is also recommended for a total budget increase request of \$8.0 million.

Discussions with Financial Services indicate that the proposed adjustments can be funded from the previously designated sources without impact on other capital projects.

Attachments

None.

Contact

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Approval

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