



**City of Lloydminster
Request for Decision (RFD)**

Subject Matter: Cenovus Energy Hub Request for Additional Funding

Department: Community Development Services

Presented By: Tracy Simpson

Council Meeting Date: December 11, 2023

Recommendation:

That Council approve the revised project budget for Cenovus Energy Hub Project No. 2074008 (formerly Lloydminster Place) in the amount of \$98,637,719 excluding GST with a contingency of \$2,668,457 excluding GST, to be funded by multiple revenue sources including reserves, grants, and additional borrowing.

That Council approve the amendment of the PCL Construction Management Inc. contract value in the amount of \$86,665,315 excluding GST to be funded from Capital Project No. 2074008 and that the Mayor and City Clerk be authorized to sign and seal all necessary documents.

Issue: The Cenovus Energy Hub project has progressed through detailed design and is now in the process of procuring vendors for the construction of the facility. With the largest elements of the project having been procured, the budget for the project has increased.

Background: On April 24, 2023, Council approved the Cenovus Energy Hub (formerly Lloydminster Place) project to proceed and set a total budget for the project at \$93,925,250. The project budget was based on a Class "B" estimation conducted by PCL Construction Management Inc. (PCL) in late 2022 and provided to the City on January 17, 2023. The estimations were based on the Class "B" drawing set provided by TBD Architecture + Urban Planning (TBD). The Class "B" estimated costs provided by PCL are based on traditional industry standards of -5% to +10% accuracy.

The procurement process for the project began at the end of June 2023, when PCL mobilized to site. While many scopes of work were close to the Class "B" budget presented to Council in April 2023, some of the larger scopes had a significant increase from Class "B" budgets. Some of the more significant overages came from concrete and reinforcing steel (\$775,000), masonry (\$400,000), structural steel and metals (\$1.7 million), roofing and cladding (\$745,000), drywall, flooring, and painting (\$420,000), and mechanical (\$2.8 million). These overages alone nearly add up to the entire amount of the additional request for funding.

The Core Project Team has diligently reviewed the scopes of work with the respective vendors to identify value engineering opportunities that will reduce costs. This review focused on several areas including evaluation of alternative materials, alternative equipment, alternative vendors, and potential reduction in cosmetic appearances of some items within the facility. The Team prioritized the value engineering opportunities on items that would not drastically impact the functionality or programming of the facility on opening day or the deferral of materials that could be added in the future. The total savings found through value engineering

was \$3,041,848. While this total is a result of savings across the majority of the scopes of work, the most significant savings were found in the following areas:

- Alternative Material for the main facility roof from a metal roof to a membrane roof. This requires slight redesign and is recommended to purchase an Alberta Roofing Contractors Association (ARCA) warranty that wasn't previously available for the metal roof. This cost has been included in the updated budget.
- Reduction in the length of the scarf that wraps from the front entrance to the north side. Reduction will be along the north side of the facility.
- Acceptance of an alternative vendor for the mechanical system controls.
- Change of some masonry walls to steel stud and drywall in appropriate locations.
- Acceptance of alternative materials and equipment, and a reduction in system requirements within the electrical system.
- Acceptance of alternative product for the acoustic panels.

Additionally, over \$300,000 in savings were achieved through the use of the pile load test which resulted in a redesign including a reduction in the number of piles and a reduction in the depth and width of the foundational piles.

The Class "B" budget approved by Council in April 2023, included a \$3,920,250 contingency. This contingency has been fully allocated to reduce the expense overages and an updated contingency has been added in the amount of \$2,668,457. Approximately 90% of the work has been tendered to date, therefore, the risk of the costs increasing has been reduced, resulting in a reduction in the required contingency. The updated contingency includes a 2% contingency for tendered scopes of work and a 10% contingency for the outstanding scopes to be tendered including underground utilities, full landscaping package and the audio-visual package. These tenders are expected to be procured in quarter one of 2024.

The updated budget presented to Council today reflects the value engineering savings and the updated contingency. Administration has provided four additional scope change options for Councils consideration that would result in further savings but more significant impacts to programming capabilities, future revenues, user experience and the functionality of the space.

1. Deferral of the Outdoor Rink Construction: This would include deferring the installation of the asphalt pad along the south side of the facility and purchasing of a set of dasher boards. The current Scotiabank Day in Canada boards system the City has in storage would be slightly altered and utilized in the Community Arena. Potential cost savings of \$500,000.
2. Deferral of the executive suite level fit out: This would include removing all suites walls and drink rail creating an open platform. The two rows of seats would remain with the addition of a guard rail for safety. The washrooms and media room would remain as well as the elevator access from both. Potential cost savings of \$200,000.
3. Removal of the Private Dressing Room Finishes: This would transfer the responsibility for flooring, benches, cubbies and hooks, and whiteboards to the private teams for completion. The construction would only finish the included washrooms. Potential cost savings of \$600,000.

4. Alternative Seating Options: Changing the seating in the Community Arena and the end of the bowl on the Performance Arena (west side) to bench seating from individual bucket seats. Potential cost savings of \$80,000.

The Core Project Team is continuously and actively seeking grant opportunities that can add additional revenue to the project, offsetting the impact on borrowing. Currently the Team is working on an application to the Enabling Accessibility Fund from the Government of Canada which has potential funding of \$500,000 to \$3 million per project if approved. This funding opportunity focuses on making facilities more accessible for persons with disabilities. Additionally, the Team is working on an application to the Government of Canada's Tremendous Tree Grant, which may result in funds for the trees within the project site.

The Friends of Cenovus Energy Hub Committee have been working on a strategic plan to formalize upcoming fundraisers and are working on a sponsorship package that will be distributed to local businesses for sponsorship opportunities within the facility.

The updated budget presented to Council includes the \$5,000,000 for the required development of infrastructure adjacent and off the project site. The City Engineering Services Department has been working to complete the final geometric design of both the 41-street urbanization and the 36-street extension, estimated to be completed in mid-December of this year. Detailed design work will proceed shortly thereafter, and tendering will commence in early 2024. Once the geometric design has been completed, 41-street and 36-street intersection signalization on 40th avenue design-build package will be developed with an estimated project completion of Q4 2024. The 40-avenue water main connection will be completed by PCL Construction Management during the construction of 39-avenue (on-site), and the 41-street water and sewer upgrades will be completed in 2025 to limit the possibility of contractor conflicts. The proposed \$5 million budget for all these activities is still anticipated to be needed, and Engineering Services will be working to manage all activities within the approved budget while maintaining the required level of service. More information will be provided in the 2024 quarterly project updates to Council.

The Core Project Team has completed a thorough and exhaustive analysis of the construction components and has presented cost savings that are responsible and that will not negatively impact the functionality or quality of the facility. The value engineering process aligned with the values of the project, ensuring the quality and sustainability of the facility that meets the needs of our community today and for future generations.

Options:

1. That Council approve all motions as indicated in the Recommendation above.
2. That Council does not approve allocating additional funds to the Cenovus Energy Hub project.
3. That Council request further information and that the item be brought forward to a future Regular Council Meeting for decision.



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Alignment with Strategic Plan: This item is in alignment with the following strategic area: Managing our Environment and Infrastructure. Design, planning, and construction of a new event facility as part of an entertainment district within the City.

Legal Review: N/A

Governance Implications: N/A

Budget/Financial Implications: Table 1 below provides a detailed breakdown of the project expenditures including the Class "B" from April 24, 2023, and the budget presented today.

Table 1. Cenovus Energy Hub Project Costs		
Components	Class "B" Budget April 24, 2023	Updated Budget December 11, 2023
Event Arena		
Groundwork and Foundations	\$18,161,854	\$19,567,129
Building Envelope	\$21,689,425	\$23,686,216
Building Systems	\$14,876,779	\$16,917,736
Arena Construction	\$7,485,547	\$6,316,302
Interior Finishings	\$5,875,172	\$5,730,153
General Construction Expenses	\$8,579,447	\$11,171,318
Furniture, Fixtures & Equipment	\$2,000,000	\$1,804,400
Audio Visual - Cash Allowance	<i>included in interior finishing</i>	\$1,416,890
Construction Manager Fee	\$1,736,776	\$1,859,571
Total Event Arena Costs	\$80,405,000	\$88,469,715
Offsite Infrastructure	\$5,000,000	\$5,000,000
Project Soft Costs	\$4,600,000	\$5,168,004
Construction Contingency	\$3,920,250	\$2,668,457
Total	\$93,925,250	\$101,306,176
Difference from Class B to Current		\$7,380,926

Table 2 below provides the funding structure for the project showing the allocation of additional funds totaling \$7,380,926 to be funded from various sources including additional reserve allocations, future grants, and additional borrowing.

Table 2. Cenovus Energy Hub Project Funding Sources

Funding Source	April 24, 2023 Approved Sources	Current Funding Sources
Special Arena Reserve (1-700-740-36114)	\$11,796,742	\$11,796,742
Borrowing Bylaw (Bylaw No. 03-2022)	\$33,000,000	\$33,000,000
ICIP Funding – Federal	\$16,463,508	\$16,463,508
ICIP Funding – Saskatchewan	\$16,665,000	\$16,665,000
Fundraising/Sponsorship	\$8,000,000	\$8,000,000
Commercial Retail Unit Sales	\$5,000,000	\$5,000,000
Other Government Funding	\$3,000,000	\$3,000,000
Reserves, grants, additional borrowing		\$7,380,926
Total	\$93,925,250	\$101,306,176

Environmental Implications: All environmental assessments for the site have been completed.

Report Approval Details

Document Title:	Cenovus Energy Hub Request for Additional Funding.docx
Attachments:	
Final Approval Date:	Dec 7, 2023

This report and all of its attachments were approved and signed as outlined below:

Tracy Simpson

Doug Rodwell

Dion Pollard