

# Capital Projects 1813 and 1814 Financial Closeout – Construction of the Art Gallery of Saskatchewan and Parkade

### ISSUE

What is the current financial status of Capital Project 1813 – Art Gallery of Saskatchewan and Capital Project 1814 - River Landing Parkade and what is the funding strategy to complete financial closeout of these capital project budgets?

### RECOMMENDATION

That the funding strategy outlined in this report to complete financial closeout of Capital Project 1813 – Art Gallery of Saskatchewan and Capital Project 1814 – River Landing Parkade be approved.

### BACKGROUND

City Council approved the development of a new art gallery in Saskatoon in River Landing [in November 2009](#). Smith Carter Architects and Engineers Inc. (now Architecture49) was hired by the City of Saskatoon (City) in 2010 to design, tender, and manage construction. The City tendered and awarded the construction contract in 2013 to EllisDon Corporation (EllisDon) with a target for completion in 2016. The Art Gallery of Saskatchewan (AGS) opened in October 2017.

Capital Project 1813 – Art Galley of Saskatchewan was approved for funding in the amount of \$82,634,160. Capital Project 1814 – River Landing Parkade was approved for funding in the amount of \$19,469,000.

The Administration last reported publicly on this project [in June 2017](#). That report estimated the project overage at between \$2,500,000 to \$4,500,000. Since that time, a number of outstanding claims on cost and delay with EllisDon were settled, and additional costs were incurred related to claims preparation and repair of some building deficiencies that were not able to be attributed to contractor or designer failure.

### DISCUSSION/ANALYSIS

The Administration's typical process is to conclude the project fully before closing the project, which would include all construction costs and the result of all outstanding legal claims. If additional budget is required to be approved through City Council, reports are taken at the appropriate time.

Claims regarding the architect remain outstanding.

Because resolution of this claim has taken substantially longer than anticipated, the Administration is proposing to complete financial closeout of the capital project budget at this time. Any funds secured and paid to the City would be returned to the Civic Facilities Funding Plan (CFFP).

The project accounts for these capital projects are a combined total of \$8,221,060 over budget, with Capital Project 1814 being underspent by \$239,000 and Capital Project 1813 being overspent by \$8,460,060. This does not include additional tenant improvements (e.g., the main floor restaurant, shell gallery) that were executed outside of the capital project budget and funded through the gallery's own fundraising.

The majority of the overspend (~70%) is related to design continuation and the construction contract with EllisDon and the balance (~30%) is related to additional design, inspection, and third-party claim management services required due to delay in project completion and support services with respect to the City's claims with EllisDon and the architect.

There were planning and execution challenges at several levels and decision points over the course of this project that led to Capital Project 1813 being overspent. Numerous lessons were learned over the seven years (2010-2017) of design and construction of this project.

The Administration made fundamental changes to project management of major projects as a result of this project. Examples include:

- a revised approach to contingency budgeting to be more in line with industry standards to help with the provision of a sufficient budget to address unforeseen change requirements;
- development and deployment of a corporate project management framework with enhanced and standardized documentation employed for all major projects to provide adequate project planning, monitoring, and reporting, and to also help enhance knowledge transfer;
- a review and revision of the contract documents used for major projects;
- eliminating situations where the City is overly relying on third party consultants for project oversight and ensuring sufficient qualified City resources are assigned to closely direct and monitor the work of contractors and consultants on major projects; and
- enhanced project governance structures for major projects (e.g., Downtown Event and Entertainment District) to establish clear roles and responsibilities for various internal and external stakeholders, as well as any project partners, and to clearly establish that for City projects, City Council is the sole decision-making authority for scope decisions that affect the total capital budget.

Further, the Administration consolidated responsibility for major capital projects under the Technical Services department. Technical Services is responsible for (or provides strategic input to) all major new-build construction projects; a recent successful example being the Chief Mistawasis bridge, connecting roadways, and the Traffic Bridge project that was completed ahead of schedule and on budget. The General Manager of Transportation and Construction has joined the City since this project, who brings added private and public sector major-project experience to the division.

**FINANCIAL IMPLICATIONS**

The Administration’s proposed funding strategy to fund the budget shortfall is summarized in the following table:

Table 1 – Proposed Funding Strategy

| <b>Funding Source</b>                                | <b>Amount</b>      | <b>Implication</b>  |
|--|--------------------|---|
| Capital Project 1814 – River Landing Parkade         | \$ 239,000         | Allocates funding that otherwise would be returned to source/reserve.   |
| Reserve for Capital Expenditures (RCE)               | \$ 900,000         | Amount has been held in RCE since 2018 to fund a portion of construction overages. As such, minimal implications to this allocation other than use for other RCE-eligible projects if not required to fund this overage.  |
| Civic Facilities Funding Plan (CFFP)                 | \$4,500,000        | \$3,000,000 previously held in CFFP for AGS overages. This source increases CFFP contribution to \$4,500,000, which may require extension of the plan and its funding beyond 2026.  |
| Reallocation Contingency                             | \$ 365,150         | City fully utilized Municipal Economic Enhancement Program (MEEP) funding for eligible projects, resulting in some City funding being held in reallocation reserve. Reallocation reserve balance is currently \$365,150, available for allocation to this project |
| Capital Project 1584 – Civic Operations Centre (COC) | \$2,455,910        | Allocation utilized contingency dollars from COC. Implication: removes any contingency from COC P3 operating requirements and may require operating funding allocations in the future if inflationary increases are higher than planned.                          |
| <b>Total Funding</b>                                 | <b>\$8,460,060</b> |   |

No property tax increase is required to support this funding strategy and any amounts received through the litigation claims from the architect will be returned to the CFFP, which would lower the budget overage.

The total funding contributions have been updated based on the recommended close-out approach and are summarized in Table 2 below. This compares to an estimated \$31.0 million (2012 dollars) investment required to renovate the old art gallery, which would have required an estimated \$26.6 million in City funding and resulted in 84,000 ft<sup>2</sup> less space than ultimately provided by the new Art Gallery of Saskatchewan.

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Table 2 – Summary – Total Funding Contributions:

| <b>Item Description</b>                                    | <b>Amount</b>  |
|--|----------------|
| Capital Project 1813 – Art Gallery of Saskatchewan         |                |
| Final Cost   | \$92.1 million |
| Funding:   |                |
| Federal  | \$13.0 million |
| Provincial   | \$16.7 million |
| Fundraising  | \$22.1 million |
| City   | \$39.8 million |
| AGS Loan from City for Kitchen Equipment                   | \$ 0.5 million |
| Capital Project 1814 – Parkade                             |                |
| Final Cost   | \$19.2 million |
| Funding:   |                |
| Provincial   | \$ 0.4 million |
| City (including borrowing repaid through parking revenues) | \$18.8 million |

In addition to the \$22.1 million raised through the initial capital campaign to support the shared project, the AGS reports that a further \$8.2 million has been contributed by private donors and companies to the gallery since the building opened. The Frank and Ellen Remail Foundation has pledged donations over \$100 million including the transformational gift of Admission by Donation for 20 years, and the iconic Picasso linocut collection.

**OTHER IMPLICATIONS**

There are no privacy, legal, social, or environmental implications identified.

**NEXT STEPS**

In 2022, deficiencies in the AGS building’s roof system were identified. The Facilities Management department has completed a series of internal and external investigations. Some repairs have been completed and further upgrades are in the process of being planning and executed. In addition to completing the near-term repairs, a comprehensive roof condition assessment is being undertaken to evaluate the condition of the AGS building’s roofing system to develop a long-term phased approach to managing the asset. The assessment will also include an investigation into the viability of solar panels and other ‘green’ roof options.

The City will be pursuing reimbursement for these roof deficiencies from the appropriate parties responsible. In the interim, the repairs will be funded through existing funding from the Civic Building Comprehensive Maintenance (CBCM) Reserve, and no additional new funding would be required.

The City has a long-standing asset-management program in place for civic facilities. Necessary repairs and upgrades are funded through the CBCM reserve, which receives annual funding through a formula calculation. A percentage of building replacement value is contributed to the reserve through the annual budget considered by City

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Council. For example, \$944,000 was included in the 2023 operating budget as a contribution to the CBCM Reserve on behalf of the AGS and parkade to fund maintenance and repair requirements as part of the overall asset management plan for the building. Although the CBCM Reserve is not managed per building (it is managed as a wholistic reserve for all buildings), it should be noted that including the 2023 contribution, \$3.5 million has been put into this reserve for the addition of the AGS building since its completion.

**Report Approval**

Written by: Dan Willems, Director of Technical Services  
Kari Smith, Director of Finance

Reviewed by: Clae Hack, Chief Financial Officer and General Manager, Corporate Financial Services  
Angela Gardiner, General Manager, Utilities and Environment  
Terry Schmidt, General Manager, Transportation and Construction  
Cindy Yelland, City Solicitor

Approved by: Jeff Jorgenson, City Manager

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