



THE CORPORATION OF THE CITY OF VERNON

MEMORANDUM

TO: Will Pearce, Chief Administrative Officer **FILE:** 1220-23-01-REC

PC: Debra Law, Director, Financial Services **DATE:** December 2, 2022
Patti Bridal, Chief Administrative Officer

FROM: Chris Sheel, Manager, Procurement Services
Doug Ross, Director, Recreation Services

SUBJECT: ACTIVE LIVING CENTRE INTEGRATED PROJECT DELIVERY

Following the approval of the referendum on October 15, 2022 by the citizens of Vernon, the Active Living Centre (ALC) is on its way to becoming a reality for Vernon. Mayor and Council, at their November 28, 2022 Regular Meeting, adopted Loan Authorization Bylaw 5908 to borrow up to \$121,000,000, inclusive of all costs, for the construction of the Active Living Centre.

The purpose of this memo is to provide Council with a high-level briefing relating to the design and construction of the ALC using the Integrated Project Delivery (IPD) model. This memo explains the attributes and benefits of the IPD structure and includes a cost estimate for city staffing resource requirements associated with delivering this important project. We are currently in a period of higher than usual labour shortages, supply chain issues and cost escalations. While construction of the ALC is not scheduled to begin until the spring of 2024, these challenges are real and motivate us to follow industry best practices and apply lessons learned to the ALC project achieved through many years of procurement experience.

Procurement Services has reviewed various construction project delivery methods and has determined that the IPD model is the best way to achieve key ALC project objectives. The IPD process has been adopted for an increasing number of public sector projects. The Canadian construction industry has been developing considerable capacity and valuable experience applying IPD for a wide range of major projects. An important aspect of IPD is the model merges all parties into a single shared multi-party contract. It transforms the traditional Design-Bid-Build, low bid, change order, adversarial relationship, into one that is team focussed and value added. IPD motivates the team using shared financial interests instead of 'us' and 'them'.

IPD is a highly collaborative process that is designed to encourage behaviours that lead to exceptional project performance and value. IPD selects and merges the architect, general contractor and the trade partners early on to form a core team that together conduct a validation phase. Owner's representatives are imbedded and work closely with the core team using Target Value Design (TVD) and Building Improvement Modelling (BIM) to firmly establish facts and figures regarding project design, cost and schedule. The validation phase is conducted over an approximate 4-month time period and all project partners together perform preliminary design, intensive cost estimating and agree upon a Target Cost to Owner for the project. This process delivers the kind of detailed and committed budget certainty early on that the City of Vernon requires for this high-profile project.

IPD not only establishes full participation and accountability from all contracted parties, it creates the necessity by imbedding five structural elements. They are: early involvement of key participants, shared risk and reward based on project outcome, joint project control, reduced liability exposure and jointly developed and validated targets. In selecting and utilizing IPD, Procurement Services can advise a higher level of confidence in ensuring the prioritization and delivery of the following objectives as identified by Council:

1. Achieve the goal of the *Greater Vernon Active Living Centre Feasibility Study*, “to find an indoor facility mix that meets the current and future needs of a growing community and has the opportunity to attract new residents and visitors to the Greater Vernon area”.
2. The facility is accessible, inclusive, fun, family oriented and designed for participants of all ages and abilities and includes all facility features as proposed in the *Greater Vernon Active Living Centre Feasibility Study* and provided to the public during the referendum communication campaign.
3. Sustainability features incorporating BC Energy Step Code.
4. Rick Hansen Foundation Accessibility Gold Rating.
5. Budget not exceeded.
6. Projected facility opening date by September 2026.

The above objectives are the priorities for the City of Vernon as the Owner. IPD agreements tie compensation to achievement of project objectives as identified by the Owner. Although formulas vary, all or part of the participants’ profit is placed at risk and profit may be augmented if project performance is met or exceeded. Individual profit is not a function of the amount of work performed, or of individual productivity, but is proportionate to overall project success. Tying profit to project performance discourages self-interested actions. Participants become open and aware of how they can optimize the whole project, not just a single system or element. IPD is a project delivery system for delivering value. Value often includes consideration of issues other than pure cost. With the ALC budget adherence determined early and design implication costs quantified, the focus for the project can then prioritize value added features.

Owner leadership, timely decision making and engaged participation are the make or break factors to any project success. As the IPD owner, the City is actively involved in the development and analysis of options and solutions. This level of involvement and control is, in fact, one of the major advantages of IPD for owners. In no other project delivery method does the owner have such a strong role in fashioning the project to meet its needs. With IPD, the City is directly informed and aware of the projection and tracking of costs that are critical to project success.

This high-level involvement by the City requires the commitment of sufficient capable resources authorized to make reliable decisions. IPD requires considerable advance work, facilitation and necessary resources to properly prepare and execute. That is why the average minimum project cost threshold for the IPD model is typically the ten-million-dollar mark. Projects of lesser value are being executed using IPD but usually only after owners have gained experience and confidence in delivering a major project. The City of Kamloops is an excellent example of using experience from a past successful IPD pool project and applying it to civil construction.

Analysis of IPD related industry information, case studies and professional advice is available to estimate the workload and requirements for a properly staffed Owner team. The estimated length of the ALC project is four years and the intended City dedicated staffing allocation is 2.5 Full Time Equivalent’s. (FTE). The roles and support costs are summarized in the tables below.

City of Vernon Staff Title	FTE	Function
Program Manager	0.5	Recreation and Program Content (Doug Ross)
Project Manager	1.0	Owner Representative (Chris Sheel)
Project Support	1.0	Procurement, BIM & Costing Analysis (TBD)

Description	4 Year Cost	Notes
City Team Staffing Cost	\$1,850,000	Includes benefits, education & support expenses.
Project Office / Technology	\$ 100,000	Estimated cost of meeting facility & technology.
Total Cost	\$1,950,000	Included in approved ALC total budget.

* Estimate based on four-year project delivery

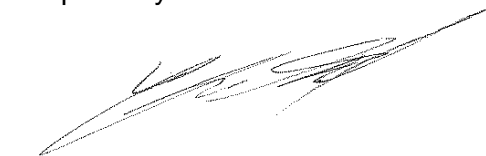
The Active Living Centre, located in the Kin Race Track Athletic Park, will be a centrepiece legacy project unparalleled in this city's history and its impact on the quality of life for Vernon and area citizens cannot be overstated. The final outcome of this project and the continued operation of the ALC facility will define the City of Vernon for many years to come. Administration believes the best way to achieve the projects desired goals is to move forward with the IPD model.

RECOMMENDATION:

THAT Council receive for information the memorandum titled "Active Living Centre Integrated Project Delivery" dated December 2, 2022 and respectfully submitted by Chris Sheel, Manager, Procurement Services and Doug Ross, Director, Recreation Services.

AND FURTHER, that Council approve the proposed Integrated Project Delivery process, and the related 4-year budget, source of funds Active Living Centre capital budget.

Respectfully submitted:



Chris Sheel,
Manager, Procurement Services



Doug Ross
Director, Recreation Services