

# A12



## CITY OF VANCOUVER

### ADMINISTRATIVE REPORT

Report Date: June 28, 2006  
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Meeting Date: July 11, 2006

TO: Vancouver City Council

FROM: Manager, Mountain View Cemetery in consultation with the  
Director of Facilities Design and Management

SUBJECT: Award of Tenders - Mountain View Cemetery Masonic Area Development

#### RECOMMENDATION

- A. THAT the budget for Phase I of the redevelopment of Mountain View Cemetery as approved by Council on July 8, 2004 be increased from \$12,204,000 to \$18,376,400 with the budget for the initial project to be \$14,976,400.
- B. THAT subject to the conditions set out in Recommendations D and E below, Council authorize the award of a construction contract for the Mountain View Cemetery Buildings to Smith Bros. & Wilson (B.C.) Ltd., in the amount of \$8,968,000 plus GST; source of funding previously approved in the Capital Finance Fund Loan.
- C. THAT subject to the conditions set out in Recommendations D and E below, Council authorize the award of a construction contract for the Masonic Area Landscape and Interment Improvements to Smith Bros. & Wilson (B.C.) Ltd. In the amount of \$ 3,161,569 plus GST, source of funding previously approved in the Capital Finance Fund Loan.
- D. THAT subject to the conditions set out in Recommendation E below, the Director of Facilities Design and Management be authorized to execute and deliver Notices of Award on behalf of the City, and the Director of Legal Services be authorized to execute and deliver the Forms of Agreements on behalf of the City.

- E. THAT no legal rights or obligations will arise or be created by Council's adoption of Recommendations B, C and D unless and until the Notices of Award have been (a) approved as to form by the Director of Legal Services and the Director of Facilities Design and Management, and (b) executed and delivered by the Director of Facility Design and Management Services.

#### **GENERAL MANAGER'S COMMENTS**

The General Manager of Community Services and the General Manager of Corporate Services recommend approval.

#### **CITY MANAGER'S COMMENTS**

The City Manager notes that the original intention of the Mountain View Cemetery Redevelopment Plan was to refurbish the existing cemetery, to reopen the cemetery to interments after a 20 year closure and to put the cemetery on an independent financial basis, eliminating the current Operating Budget subsidy. When the Plan and its supporting business case was developed in 2002/2003, best estimates of costs and revenues associated with the redevelopment were developed and formed the basis of Council's approval in July 2004. In the interim, significant cost inflation in the construction industry has driven costs higher and forcing the Cemetery Committee to re-evaluate the business plan. The Committee has scaled back the building program to the extent possible without jeopardising the viability of the plan and is looking at a number of additional revenue opportunities that were not included in the original business case. In the first instance, extending the current operating budget subsidy beyond the initial seven year period is proposed however, the committee is committed to reducing that extension through further cost containment or revenue opportunities.

The City Manager agrees with the Cemetery Committee that delaying these two building projects - which are fundamental to the business plan - will likely mean a significant time lag before the redevelopment initiative can begin again and extending even further the dependency the cemetery has on the Operating Budget. With the additional opportunities available to the Cemetery Committee, the City Manager believes the business plan can be achieved and is supportive of proceeding at this time. The City Manager, therefore, RECOMMENDS approval of A, B, C, D and E.

#### **COUNCIL POLICY**

Contracts are awarded on the basis of best value for the City.

Construction contracts with a value over \$300,000 are to be awarded by Council.

## BACKGROUND

Owned and operated by the City of Vancouver since 1887, Mountain View Cemetery was closed to the sale of new grave space in 1986. The City of Vancouver was approached in the 1990's by a group interested in purchasing the cemetery. In 1996 City Council decided to retain ownership and operation of the 105 acre site. A Vision Plan was completed in 1998 and in February 2000 Council adopted the subsequent Master Plan to form the foundation of the revitalization and continued operation of this important heritage landmark.

On July 8, 2004, Council approved the "Mountain View Cemetery Redevelopment Phase 1 Landscape and Architectural Plans" (the Development Plan) and the "Mountain View Cemetery Redevelopment Financial Plan" (the Financial Plan) to begin the implementation of the 100 year Master Plan.

The Development Plan focused on a 5 acre portion of the cemetery within the Masonic section and was comprised of two main construction projects. The first was a landscape and interment project to replace failing infrastructure, improve the landscape and to create new spaces for interment. The second part of the Development Plan was to replace two existing buildings and to create a third building to provide the necessary structures to support a modern and revitalized cemetery operation.

Council approved financing for Phase I totalling \$12.2 million (2004) to be funded by a loan from the Capital Financing Fund with repayment from increased cemetery revenues. The landscape and interment portion was budgeted at \$5,649,000 and the building portion was budgeted for \$6,555,000. The total of \$12,204,000 was to cover an estimated nine years of development with most of that work being completed within the first two years. This work would include all three buildings, and a majority of the landscape and interment work totalling \$9,974,000. The remaining \$2,230,000 would be used over the remaining seven years to complete new interment space as required.

The project and continued operation of the cemetery with respect to the Financial Plan would be done within the oversight of an expanded Cemetery Committee which now includes the Director of Financial Planning (Corporate Services Group) and the Director of Administrative Services (Community Services Group).

## DISCUSSION

### 1. Award of Contracts

Council approved the contract to begin the detailed design work for these projects on July 8, 2004. During the two years it has taken to complete this work costs within the construction industry have escalated significantly. Costing of this project during the detailed design phase could only predict some of this escalation. However, steps were taken by the Cemetery Committee during the process to adjust the building design to reduce costs without compromising the requirements of the renewed cemetery operation.

An open request for expressions of interest in these projects resulted in five prequalified bidders for the buildings and five for the landscape and interment project. Prior to the release of the tender some prequalified bidders withdrew and others did not submit bids. The bids closed on June 6, 2006 for the buildings and June 8, 2006 for the landscape and interment work. The following completed bids were received:

#### Buildings

Ledcor	no bid
Dominion Fairmile	\$10,788,000
Smith Bros. Wilson	\$8,968,000

#### Landscape and Interment

Ledcor	no bid
Wilco Construction	\$3,671,650
Bynett Construction	\$3,350,000
Smith Bros. Wilson	\$3,241,069

On the basis of best value, it is recommended that the both contracts be awarded to Smith Bros & Wilson (B.C.) Ltd., the low bidder. The recommendation for award of contract for the Buildings is in the amount of \$8,968,000 plus GST. Subsequent to the tender analysis, the City and Smith Bros. Wilson have negotiated an additional reduction of \$79,500 for the Landscape and Interment work by recognizing cost savings in general conditions achievable with the award of both contracts to the same contractor. Therefore, the award of contract for Landscape and Interment is recommended in the amount to \$3,161,569.

All bidders have been advised of these recommendations.

### 2. Adjustment to the Financial Plan

Using the low bids from each project the costs to complete the overall project now exceed the budget amount initially approved by Council in July 2004. The following table shows the comparison:

	July 2004 Budget	July 2006 Updated Budget
<b>Initial Project Costs</b>	<b>\$ 9,973,800</b>	<b>\$ 14,976,400</b>
Landsc/Inter (Year 5 & 8)	\$ 2,230,200	\$ 3,400,000
<b>TOTAL PROJECT COST</b>	<b>\$ 12,204,000</b>	<b>\$ 18,376,400</b>

The implication of these increased costs was that the original financial plan had to be revisited and adjusted to reflect this new reality. Since this project relies on internal borrowing of funds alternative financing arrangements are possible.

The Financial Plan approved by Council in July 2004 suggested maintaining the current \$820,000 annual subsidy for the first seven years of re-opening the cemetery. A review of the financial plan with the bid costs shows that extending the current subsidy beyond the originally projected seven years will maintain the long-term viability of this project. The updated financial plan indicates the current subsidy level of \$820,000 would need to be maintained for 12 years in order for the goal of financial self-sufficiency to be achieved within 25 years. Although requiring a longer duration of the current level of subsidy this alternative does not require any increase in taxpayer subsidy while still allowing the cemetery to reopen and provide significantly increased service to the citizens of Vancouver.

Mountain View Cemetery has now been closed to the sale of interment space for more than 20 years. The annual deficit required to support the cemetery has grown in this period to more than \$800,000 in 2004. At that time the subsidy amount was capped as the Financial Plan, impending development and re-opening of the cemetery meant that new revenues would be able to offset any annual increases expenditures.

The two projects, while separately bid, are both integral to reopening and revitalizing the cemetery. The Landscape and Interment project enables the cemetery to reopen to the sale of new space and generates the revenue to fund the development and to reduce the continued reliance on tax payer subsidy. The Building project provides the necessary infrastructure to support a modern active cemetery and meet the needs and demands of the families that will use these services today and for the duration of the 100 year Master Plan.

Delaying or not proceeding with all or part of this project will mean delaying the opening of the cemetery and the corresponding revenues. Increases in the current subsidy will not be able to be offset and the burden on the taxpayer for operating the cemetery will increase. Without new revenue, the cemetery's reliance on tax payer funds will only increase in the future.

The recommendation is to proceed with both of these projects to the successful bidders of Smith Bros. Wilson for both the buildings and the landscape and interment project.

## **FINANCIAL IMPLICATIONS**

Proceeding with this project now would increase the cash flow and borrowing requirements but not significantly impact the Capital Financing Fund. The major impact would be in extending the continued subsidy of the cemetery at the current level for at least the next 12 years. This continued subsidy would enable the cemetery to meet its repayment obligations as well as to begin to build a reserve fund sufficient to fund both annual shortfalls as well as future development projects.

Other financial measures may be taken to mitigate the impact of the higher cost on the financial stability of the cemetery operation including lengthening loan amortizations, adjusting the timing of certain product releases and ensuring that prices are set at market

rates. Opportunities also exist for revenues beyond those considered in the Financial Plan including specific markets such as those interested in mausoleum entombment. Other improvement projects have already been approved or are being considered that could increase the revenues of the cemetery and help in meeting these financial obligations.

## CONCLUSION

Continued operation of Mountain View Cemetery will require subsidy. The duration and amount of that subsidy can only be reduced by developing the cemetery and creating new interment space for sale to the public. Even with the continued requirement for subsidy into the near future, continuing with this project will at least enable that subsidy to stop growing.

With the recent dramatic increase in construction costs this project represents an opportunity to move forward with a major project that can and will be financially self-sustaining. More importantly, after more than 20 years of not being able to provide a final resting place for many of Vancouver's citizens, approval of this project will see that period finally come to an end - at least for another 100 years.

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