

TALISMAN CENTRE FLOOD RECOVERY BUDGET INCREASE

EXECUTIVE SUMMARY

This report is to request Council's approval for revisions to the previously approved capital budget for the 2013 Talisman Centre Flood Project due to higher than anticipated costs to repair the flood damage incurred at Talisman Centre. Costs will be reimbursed through insurance coverage.

ADMINISTRATION RECOMMENDATION(S)

That the Priorities and Finance Committee recommend that:

1. Council approve an increase to the capital budget appropriation, Capital Program 956 (Talisman Flood Project) of \$3 million;
2. Council approve the continuation of work and approve, if Administration determines it is required, an additional increase to a maximum of \$1 million to the capital budget appropriation, Capital Program 956, for this project that is covered by insurance and that Administration advise Council of this information at the mid-year budget review or year end financial reporting period; and
3. This report be forwarded as an item of urgent business to the 2014 July 21 meeting of Council.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2013 November 25, Council approved Proposed Adjustments to the 2014 Business Plans and Budgets (C2013-0668) amendments to the Capital and Operating Budgets during the Business Plan and Budgets Adjustments. In Attachment 1, Program 956 was approved for an appropriation of \$2.7 million for repair of flood damage at the Talisman Centre.

On 2013 December 10, Council approved Capital and Operating Budget Revisions for the Period 2013 January 01 to June 30, with Flood Expenditure Update (PFC2013-0634) and approved a net \$95.6 million increase to the approved 2013-2014 Capital Budget (flood related revisions). In Attachment 3, Program 956 was approved for an appropriation of \$7.3 million for repair of flood damage at the Talisman Centre.

On 2014 April 28, Council adopted Capital and Operating Budget Revisions for the Period 2013 July 01 to December 31 (PFC2014-169). In Attachment 1, Program 956 was approved for an appropriation of \$2 million for repair of flood damage at the Talisman Centre.

BACKGROUND

On 2013 June 20, Talisman Centre evacuated the facility in response to The City of Calgary evacuation notice and flood warnings. Talisman Centre moved quickly to mitigate impact by initiating restoration and clean up efforts including pumping water out of its 150,000 square foot basement, which houses its electrical and mechanical equipment. At its peak, water levels in the basement reached four feet.

As a result of the 2013 Floods, Talisman Centre had significant damage to structural, electrical and mechanical infrastructure. At this time, it was estimated that damage requiring a combination of restoration, repair and replacement would cost \$10 million.

TALISMAN CENTRE FLOOD RECOVERY BUDGET INCREASE

On 2014 April 12, Council adopted Administration's recommendations to revise Capital and Operating Budgets which included an increase to the 2013 Talisman Centre Flood Project, reflecting an increased cost estimate of \$12 million.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Work is progressing well at the Talisman Centre, however, the costs have been higher than anticipated by The City. The approved \$12 million budget will soon be depleted as a result of a change in the scope of the estimated work due to the need for the replacement of the chilled water system, overhead ducts, lower level restoration, and additional engineering costs. The total net increase recommended by Administration to the 2013 Talisman Centre Flood Project capital budget is \$3 million to bring the total budget of \$15 million. Costs will be reimbursed through insurance coverage.

To ensure the continuation and reduce any delay of restoration, repair and content replacement that may arise following this report, Administration has recommended the pre-approval of up to a maximum of \$1 million to the capital budget appropriation. The pre-approval is conditional that all costs will be reimbursed through insurance coverage. Administration will advise Council of any such expenditures as well as any issues or challenges at the mid-year budget review or year end financial reporting period.

It is requested that this report be forwarded as an item of urgent business to the 2014 July 21 Council meeting to ensure work at the Talisman Centre can continue without delay.

Stakeholder Engagement, Research and Communication

Department budget actions are predicated on direction received from Council during the 2012-2014 Business Plan and Budget deliberations and from the Adjustment process in 2012 and 2013. The 2013 flood created an additional layer of capital projects and budgets that were developed based on assessments undertaken immediately following the flood, when a precise understanding of the scope and magnitude of impact by the flood on the property was not evident. Actions also reflect current Council direction and actual spending patterns as flood recovery and repair takes place.

Strategic Alignment

This report summarizes budget revisions that align with departmental strategic results and Council Priorities in the approved 2012-2014 Business Plans and Budgets. This report meets the requirements of the *Municipal Government Act* (Alberta) (MGA) that require Council approval for the Capital and Operating Budgets.

Social, Environmental, Economic (External)

The Talisman Centre provides recreational and community networking opportunities for Calgary citizens and visitors and is an important facility to the overall recreation program and services offered by The City.

Financial Capacity

Current and Future Operating Budget:

Not Applicable

TALISMAN CENTRE FLOOD RECOVERY BUDGET INCREASE

Current and Future Capital Budget:

Capital budget revisions reflect recommended changes, to align with higher than anticipated costs to repair the flood damage at the Talisman Centre, as well as previously approved revisions. Administration is requesting Council's approval of a net increase of \$3 million to Capital Program 956 (Talisman Centre Flood Project).

Costs will be reimbursed through insurance coverage.

Risk Assessment

Without Council approval of the funds, the 2013 Talisman Centre Flood Project may be delayed, reduced in scope, cancelled and/or the payment of contractor invoices may be delayed. Administration monitors capital programs as they progress and will bring back issues, challenges and recommendations within the budget reporting process.

REASON(S) FOR RECOMMENDATION(S):

Administration is providing the recommendation for approval of \$3 million to Capital Program 956 to ensure timely alignment of cash flow with the 2013 Talisman Centre Flood Project work scope. Costs will be reimbursed through insurance coverage. As well to ensure the continuation and reduce any delay of restoration, repair and content replacement that may arise following this report, Administration is providing the recommendation of the pre-approval of up to a maximum of \$1 million which is conditional on all costs being reimbursed through insurance coverage.

Administration requests that this report be forwarded as an item of urgent business to the 2014 July 21 Council meeting to ensure work at the Talisman Centre can continue without delay.

ATTACHMENT(S)

None