

Project Ice - Lessons Learned Review

Town of North Rustico

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Background and Objectives

MNP LLP (“MNP”) was retained by the Town of North Rustico (“the Town”) to complete a Lessons Learned review of the Eliyahu Wellness Centre Canada Games Place (the “Centre”). The objective of the review was to identify root cause factors associated with schedule delays, budget increases, and to provide lessons learned recommendations for future projects. The results of our work is summarized in the next two slides.

Project Overview and Description

For over 50 years, the North Star Arena had served 13 communities of North Rustico and surrounding municipalities. In 2019, a decision was made to replace the outdated arena with a new facility.

In 2020, two significant opportunities to further expand the arena replacement project arose:

- To host the 2023 Canada Games in Prince Edward Island (“PEI”), the arena replacement project was expanded into a “Wellness Centre” that included an Olympic sized ice pad.
- The Town negotiated a relocation of the Mount Academy (a private preparatory and athletic academy) into the Wellness Centre.

The original 2020 budget for the replacement project was \$9.93 million. However, by early 2021, the pre-construction budget for the project had increased to \$20.6 million.

Construction commenced in 2021 and, despite construction and supply chain challenges of COVID-19 (pandemic), the Wellness Centre was opened in time to accommodate the Canada games, with a final cost that was 4.2% above the revised and increased pre-construction budget.

Key Findings

Root Cause Analysis of Project Cost Increase

An underestimated initial cost and the expanded building size/scale (to accommodate larger rooms and the Mount Academy) were the primary root causes of the estimated project cost increasing from \$9.93M to over \$20M between 2020 and 2021.

- The wellness center, two kitchens (kitchen and canteen), walking track, hospitality room, and gym, were included in original cost estimate, but the scale was underestimated.
- The 2019 plan did not include the Mount or a lot of the commercial finished components (e.g., classroom and change rooms). Offices and hospitality were included but configuration had to change.
- The original 2020 cost estimate was missing items such as a Zamboni, permits, adequate contingencies and financing. Other costs were significantly underestimated.
- The gross floor area (GFA) of the building was increased from 42,000 square feet (SF) in the original 2019 feasibility study (45,000 SF in the June 2020 ICIP funding agreement) into a 69,000 SF facility by late 2020. Much of this significant increase was for finished commercial areas.

The estimated impact of the pandemic may account for at most \$2M - \$3M of the overall \$10 million increase, however stipulated price contracts should have shielded the Town from the majority of this inflationary impact.

Once the project got underway there were numerous change orders and on-site challenges - but these were funded from the pre-construction budget contingencies. Problems during construction led to a 4.2% overrun of the 2021 pre-construction project budget of \$20.6M, which is modest given the challenges created by the pandemic, fixed completion date requirement, staff turnover, and complexity of the facility's design and mechanical components.

Governance, Communication & Project Management Challenges

Overall, the project governance was not effective in ensuring adequate oversight, decision making, and change management, such as:

- Absence of a governance plan to clarify roles and responsibilities, accountability, delegation of authority, documentation requirements, and communication expectations.
- Infrequent and inaccurate project progress reporting.
- Insufficient oversight, risk management and on-site project management.
- Limited quality assurance of financial assumptions, including updating the Business Plan to assess the sustainability of a much more expensive facility.
- An unclear record of how project decisions were made to approve a larger and more expensive facility.
 - In late 2020, designs were prepared and approved for a facility that was 64% larger than the original 2019 feasibility study, and more expensive than the budget available under the June 2020 ICIP funding agreement.
 - However, we did not find evidence that this likely funding shortfall was clearly communicated to Council in 2020 in terms of scale and quantification. Instead, close to \$6.6 million of construction tenders were issued and awarded, contractually committing the Town to begin a project that it had not yet secured full funding for.
 - In March 2021, the Town approved a motion to pay its portion of eligible costs (\$4.8 million), plus any other costs not deemed eligible.
 - However, at the same time it was decided by Town and Provincial representatives not to apply for additional Federal ICIP funding which meant that the Town's funding obligation was in fact \$9.9 million.
 - In March 2021 Council was briefed about this significantly increased financial obligation, and that the new financial obligation exceeded the Town's borrowing limits.
- The largest project contracts were publicly tendered, but there were also many sole-source procurements.

Lessons Learned



The Wellness Centre is a modern facility, which was completed in time for the Canada Games, but over budget. All parties involved worked diligently to achieve this result, especially considering the challenges created by the pandemic. Despite this success, there were numerous challenges that suggest “Lessons Learned” which should be used to guide future projects. Key factors and associated lessons learned include:

Summary of Key Factors	Summary of Lessons Learned
Original budget estimates were missing or underestimated numerous items that should have been included.	More due diligence should be performed on initial project budgets to confirm their validity, completeness and accuracy prior to project approval and commencement.
The business plan was not updated to reflect a larger more expensive facility. Also, it was not subject to an independent review to validate accuracy or completeness.	Due diligence should be exercised on a project Business Plan to confirm its validity prior to project approval, and the business plan and financial model should be updated to assess the implications and sustainability of significant changes to the project size and complexity.
A Project Charter and Governance Plan was not developed as part of the planning phase of the project.	A Project Charter / Governance Plan should be prepared prior to project commencement to clearly define roles, responsibilities, authorities, accountabilities, and communications and change and risk management protocols.
The Town lacked the required skills and experience to execute a project of this magnitude.	Sufficient technical support expertise and oversight should be provided to ensure that they have sufficient knowledge and expertise to successfully deliver large complex infrastructure projects. Consideration should be given to an independent project manager to ensure objectivity.
The Town did not have the financial resources to assume funding obligations associated with this project.	Project funders (Provincial and Federal) should review the delivery and financial capabilities of municipalities. When these capabilities are limited, additional oversight and support should be provided to ensure that projects remain operationally and financially viable.
Multiple large contracts were tendered and signed prior to an assessment of the increased budget implications of a much larger facility. This meant that the Town and Province had less ability to pause, alter or cancel the project when faced with a significant budget increase.	Active monitoring of project cost implications must accompany any recommendations to enter into significant construction contracts. In the event that estimated costs increase, and exceed approved budgets, no contract should be agreed to prior to a re-analysis of budget implications and assurances that adequate funds are available to cover the higher-than-expected costs.