



AGENDA REPORT TO EXECUTIVE COUNCIL

MEETING DATE: September 2017

Item:	Spoke renovation
Author:	Carrie Passi, Senior Manager, Finance and Administration & Mark Leonard, Senior Manager, Hospitality Services
Purpose of Report:	FOR DECISION REPORT to outline Spoke renovation needs

Recommendation: For the Board to accept this agenda report as a for decision report, which outlines the increased needs required for the Spoke renovation. This report will also outline the changes being proposed to the capital plan in order to accommodate the increased money required for the renovation to continue. The decision required from the Board would be to approve an additional \$315,000 for the Spoke renovation

Legislative History:

Spoke renovation approval – Board

Capital Plan

Report:

Background:

When the Spoke renovation was approved, it was approved for \$1,135,000 which was meant to cover: kitchen renovation, new furniture for lounge area of Spoke, flooring and a self-serve coffee bar that opens onto the atrium. The USC engaged Western and a cost consultant to get an idea of how much the renovation would cost which was how the original amount was determined. However, when the construction bids and kitchen equipment lists came back, the amount required to complete the renovation was significantly higher. The new total to complete the renovation is \$1,450,000.

Report:

The Spoke renovation is comprised of two main pieces: kitchen equipment and construction/furniture. Each of these pieces are discussed in detail below.

Kitchen Equipment

The Kitchen equipment makes up one of the larger single pieces of the Spoke renovation as much of the kitchen infrastructure falls into this category. Given the fact that this project was set to proceed on an abbreviated timeline our Kitchen consultant Kaizen recommend that we use a single source for the equipment and avoid a lengthy tender process. Given the relationship that Kaizen has with Russell-Hendrix our project team did not have major concern with this. After receiving the initial quote from Hendrix at almost double the \$220,000 equipment budget Kaizen went into extreme cost cutting and greatly changed the quality and features on the equipment that was crucial to the project. At this point we had concern that we might not be getting the most competitive price from Russell-Hendrix and the decision was made to put the project out to tender. All of the cost savings efforts are outlined in this document and the steps taken to maintain the integrity of the equipment while pushing our suppliers for better prices and sacrificing option where it made sense to do so.

The first quote was from Russell-Hendrix \$401K – This first quote had all of the equipment that was recommended from Kaizen based on the design consultation phase. The specifications for each piece of equipment were determined by the consultant kaizen and were communicated to the restaurant equipment provider. This number was \$180K over the initial estimates for the project and this was due to a couple of factors. The first being that the scope of the kitchen renovation grew during the design phase. The specifications called for by Kaizen included unnecessary options and an extremely high level of quality, which is good but beyond what is called for in many kitchen projects. There were also a few very expensive pieces in the dish area that were wants and not needs and could be taken out and replace with standard versions. At this point Kaizen had recommended that we revert to cost cutting measures and look at economy models of the equipment to get the price down. Instead of a heavy duty griddle we would like at a commercial mid-level option. This was done for many of the pieces and we were able to get the total number for the project down to \$278K but were sacrificing a lot in terms of the features we wanted to have for maximum safety and efficiency

While this was happening we reached out to a trusted source at another foodservice equipment supplier and asked them to provide quotes on a dozen key pieces of the project to ensure that we were not being taken advantage of by the single source quote and that we were getting the most aggressive pricing. When this came back almost all of the pieces we sent out for a secondary look were 10-20% cheaper with STOP restaurant equipment. At this point the project team made the decision to put all of the equipment including the time sensitive hood and walk-in fridge boxes out to the tender process. The time sensitive larger pieces were quoted separately so we could get this order in ahead of the rest of the equipment to stay on timeline. STOP restaurant won the bid on the ventilation hoods and walk-in coolers with a bid of \$119500. A letter of intent was issued to STOP and these were ordered ahead of the project because of the 8-10 week lead time.

We then moved forward with the tender process on the rest of the equipment package. During this process we added back a lot of the original specifications from the original 400K quote with some strategic cost savings measures changing the design of the dish area reducing about \$70K just by doing that. When the Bids came in STOP's price was \$166K and Hendrix's number was \$188K for identical equipment. These were big savings from STOP plus the delivery and set in place costs were also lower \$14K vs \$19K. The original quote from Hendrix on the delivery etc. was \$32K. Once again proving that they were building a lot of profit into the delivery and set in place when compared to STOP on top of the fact that their pricing was less competitive.

Since awarding STOP both pieces of the Kitchen equipment bids we have worked with them to realize further savings by fine tuning all of the pieces and also looking further at the specifications from Kaizen and lowering the gauge of the stainless steel in areas that would not have an impact. This number has now been brought down to \$249000 without sacrificing any of the must haves to the kitchen project. A savings of \$150K from the original single source estimate.

Overall we have been very happy where we have been able to get the kitchen equipment number to. Although slightly higher than the \$220K estimate we also have to consider that we have also since added in additional pieces for the café express that were not in the original scope. Café express pieces total \$13K.

Construction Costing

The second large cost of the Spoke renovation is the actual construction piece.

Planning for the Spoke renovation has been a very up and down process. The abbreviated

timeline for planning and design and our schedule for approvals had our consultants estimating costs at several different points through the planning and design phase to ensure we were on point and even went as far as to hire a 3rd party cost consultant to ensure accuracy in the project costs. During this process we were able to manage the design, construction and equipment pieces of the budget to ensure that we were tracking to our approved funds for the project. AT several points over the past 3-4 months we scaled back design and balanced wants vs needs to ensure we were tracking to budget. This can be seen in the Marshall Murray reports – the second of which highlights the savings expected in construction as well as an improved equipment number.

Like any major project on campus there are several fees that eat up a large amount of the project budget. Contingency, Consultant fees, facilities soft costs, 3.5% extra UWO HST and building permits total almost \$250K or ¼ of the project. Unfortunately although costs consultants are usually within 5% of actual cost market conditions and how busy the sub-trades are during a given period can really drive up the costs of the bids. We are at the mercy of this and we have continued to work with the lowest bid Tonda to evaluate a breakdown of costs. We have gone as far as to provide outside millwork estimates as this was one area that varied the most from the cost consultant. Westerns procurement policies are very strict and really limit our ability to requote and renegotiate. In addition to the millwork we are need to upgrade electrical and natural gas services in order to provide the power to the needs of the new Spoke.

Through all of this the project team has worked very hard to get the lowest pricing and cut scope and design along the way to keep in line with budgets our consultants were providing.

- Cost estimates based on original Scope and design came in during the months of January and February between \$1115000 and \$1180000. During this time the café piece was added and the scope of work in the bathrooms was significantly downgraded.
- During this process there were two pieces that were affecting the budget on the project. The estimates on the proposed kitchen equipment and the FOH design features. We were very mindful of budget but also very aware that the design features in the dining area would be the most impactful to students outside of the service improvements.
- Once the final design was approved by the team it was the recommendation of our consultant that we go out to a cost consultant. We approved this and received a full breakdown of every pieces of the project from demolition to the cost of drywall and flooring. The first estimate from Marshall Murray had the total project cost at \$1265000 about \$130000 over budget. We worked with Tillman Ruth our Architect to modify the design and we were able to remove about \$70K from the design and lowered our contingency to 65K as we had already reduced the risk of some of the unknowns and were already pieced to upgrade gas and electrical.
- On Tuesday April 18th we opened 5 sealed bids from local construction companies. All of the bids scope of work in the bathrooms was significantly downgraded.
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Overall

At this point it is the recommendation of the project team that we increase the budget in order to complete the initial scope presented to the board of directors. Cutting the pieces that will be most noticeable and impactful to students is counterproductive to our mission and will leave students wondering how their dollars were spent. The ROI on this project is very good and the payback on the overall investment is currently projecting out at about 3 years. The Spoke is a heavily used student space and students will benefit from its reimagining and the USC will capitalize on the revenue growth this renovation will provide.

Financial Implications:

In order to fully allocate funds, inclusive of the additional funds required, to the Spoke renovation, it has been necessary to revisit the Capital Plan and reallocate how those funds will be spent. This work has already been conducted and the revised plan is attached.

We have been able to reallocate the funds to accommodate the increased ask for the Spoke renovation within the existing funds for capital for the upcoming year and within the decreased funds for future years due to the new affiliate agreement.

The USC will be able to weather the increased cash flow needs as well without putting the organization into financial stress as the renovation will be paid for over two fiscal years.

Project Team:

Carrie Passi, Senior Manager Finance and Administration

Mark Leonard Senior Manager Hospitality Services

Jeff Armour, Chief Operating Officer

Attachments:

Revised Capital Plan

Spoke renovation cost spreadsheet

Sign-Offs:

Author:	Carrie Passi & Mark Leonard	
Financial Review:	Carrie Passi, Senior Manager, Finance & Administration	
Legislative Review:	Nick Soave, Senior Manager Advocacy and Government Services	
COO Review:	Jeff Armour, Chief Operating Officer	