

**1.0 The risk that insufficient capacity/capability exists in the City to effectively manage the Kingston Regional Sports and Entertainment capital project**

CURRENT ISSUES IDENTIFIED – September 22/06	IMPACT	POTENTIAL MITIGATION	ACTIONS TAKEN BY THE CITY OF KINGSTON – up until February 14/07
<ul style="list-style-type: none"> <li>• Key deliverables have not been provided or approved in a timely fashion, including: insurance, construction contract, operator contract, site plan presentation deck, noise plan, risk management plan, master project plan, etc.</li> <li>• Various Operator comments on the Draft drawings have been received and are currently being considered that may impact on the plans, cost and timing and need to be analyzed and assessed soon</li> <li>• “Owner rep” was absent for an extended period of time due to medical reasons</li> <li>• Acting “Owner rep” is new to the City and is currently operating at a level beyond capacity because of other work requirements</li> <li>• Limited expertise exists within the City with respect to this type of project</li> <li>• Numerous capital projects are ongoing and there are limited City resources that have been assigned to the management of these projects on a full-time basis</li> <li>• During the interviews, signs of excessive stress were observed</li> </ul>	<ul style="list-style-type: none"> <li>• Potential employee/ manager burnout and/or turnover due to the excessive levels of stress</li> <li>• Certain key activities may not be completed or may be completed at an insufficient level of quality resulting impacts on the timing and cost of the project</li> <li>• The prime contractor may not be held to account for achieving the performance expected/ accountabilities</li> </ul>	<ul style="list-style-type: none"> <li>• Hire a dedicated and experienced Owners Rep with preference given to experience in the construction of Sports and Entertainment facilities, City of Kingston (or other municipalities in Ontario) and/or with the Prime Contractor</li> <li>• Refocus the energies, efforts and priorities of certain current City management to the Sports and Entertainment project in order to accomplish various time sensitive activities (see above)</li> <li>• Complete a robust process to identify the required actions and activities (City and Contractors) with key milestones. This should be documented in a project master plan and milestones, etc. should be consistent with the project requirements</li> <li>• If required, specialist contractors should be hired to provide the critical analysis and due diligence necessary to hold key contractors to account for their responsibilities and assess contractor billings</li> </ul>	<ul style="list-style-type: none"> <li>• In October 2006, a full-time project manager was assigned to the Sports and Entertainment Centre.</li> <li>• In October 2006, the City retained the services of PMX Inc. as an owner's representative. PMX Inc. was retained through a purchase order to complete the first phase of project management work. Phase 1 was completed in January 2007 and PMX is moving into phase 2.</li> <li>• Insurance coverage was implemented through the City on September 27, 2006. It provides coverage for Builder's Risks, Contractors Pollution Liability and Project Wrap Up Liability. EllisDon provides its own Commercial Liability Insurance as well as coverage for its equipment.</li> <li>• The thorough review of the construction contract was continued by the Legal Services Division with the assistance of Osler, Hoskin &amp; Harcourt LLP which had been retained in January 2006. Reviews of the contract were provided by Revay and Associates, a firm specializing in construction project management. Design drawings and submissions were reviewed for architectural, electrical, mechanical and LEED components with changes being incorporated into the contract. Sections were added to the contract to address concerns related to environmental and archaeological conditions on the site. The City did not sign the contract until EllisDon agreed to the insertion of these sections. The contract was signed on October 24<sup>th</sup>, 2006. The sections on archaeology and environment were considered to be an extreme risk for additional costs to the city if they had not been inserted into the contract prior to signing.</li> <li>• The Operator contract was reviewed by the Finance Department, Corporate Services Department and the Legal Department. Meetings were held with the operator to finalize negotiations. Detail was requested and reviewed regarding contractor and operator responsibilities for Food and Beverage as well as Furnishing, Fixtures and Equipment. The contract was signed December 19<sup>th</sup>, 2006.</li> <li>• Staff have been involved with all aspects of site plan approval process. The concert noise study was reviewed by Valcoustics Canada Ltd. as required by the Planning Department. The mechanical noise study will be reviewed within the next week. It should be noted that some of the mechanical noise study could not be addressed until EllisDon had completed its mechanical equipment selection. Staff also retained the services of Brian Forsyth Architects to provide support with the development of solutions for the accessible parking and drop off/pickup locations. Staff have worked with the consultant and the Municipal Accessibility Committee members to develop recommendations to address concerns of the accessibility community. These recommendations were presented and supported with minor amendments by the Municipal Accessibility Committee at its February 9<sup>th</sup> meeting.</li> <li>• A risk management plan has been developed identifying detailed risks and</li> </ul>

Exhibit B

			<p>mitigation measures. This plan will be reviewed and amended as needed.</p> <ul style="list-style-type: none"><li>• All project schedules have been gathered except for the procurement schedule. Staff will be incorporating all schedules within the next two weeks.</li><li>• City staff and/or owner's representative attend all design meetings with EllisDon, subcontractors and the Operator. Minutes of these meetings are tracked and items are followed up on a bi-weekly basis.</li><li>• The City has retained the services of Parkin Architects to review the architectural drawings submitted by EllisDon at 60% and 90% completion. This review is to ensure that EllisDon is providing program space as defined in the RFP and the submission and to ensure that design is compliant with Ontario Building Code.</li><li>• Building Inspection staff are heavily involved in the review of plans and inspection of site. Staff conduct two to three site inspections per week.</li></ul>
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**2.0 The risk that roles, responsibilities and accountabilities are unclear, potentially leading to duplication of efforts and/or key actions not being completed**

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<ul style="list-style-type: none"> <li>• KPMG was advised that roles and responsibilities are unclear at the governance level and at the “owner rep” level</li> <li>• Too many people are involved in the decision making and management of project, however, decisions are not being made in a timely and organized fashion (see above)</li> <li>• The Master plan/schedule is not detailed enough to identify all of the roles and, as a result, it becomes hard to direct the activities of City representatives and hold the Prime Contractor to account for their responsibilities</li> <li>• There has been some turnover of management within the City</li> <li>• Most of the management and staff involved in the project are not dedicated, increasing the importance of clear responsibilities because of the diversity and variation in responsibilities</li> <li>• Quality of deliverables appears to have resulted from a lack of understanding of respective internal and external roles, such as, site plan presentation</li> </ul>	<ul style="list-style-type: none"> <li>• Delays may result from untimely decision-making</li> <li>• Delays and cost over-runs may result from inconsistent direction that may also effect quality</li> <li>• Inefficient/ineffective use of already limited City staff and management time</li> <li>• The prime contractor will not be held to account for achieving the performance expected/accountabilities</li> <li>• The City may perform work that is the responsibility of the Prime Contractor and effectively reduce their perceived accountability</li> </ul>	<ul style="list-style-type: none"> <li>• Complete a robust process to identify the required actions and activities (City and Contractors) with key milestones. This should be documented in a project master plan and milestones, etc. should be consistent with the project requirements</li> <li>• Assign clear roles, responsibilities and accountabilities in general and for each action in the project master plan</li> <li>• Document and communicate roles, responsibilities and accountabilities in a transparent fashion. Communication channels may include contracts with contractors and job descriptions</li> <li>• Hire a dedicated and experienced Owners Rep with preference given to experience in the construction of Sports and Entertainment facilities, City of Kingston (or other municipalities in Ontario) and/or with Prime Contractor</li> </ul>	<ul style="list-style-type: none"> <li>• A project charter with a detailed organizational chart has been developed.</li> <li>• Recommendations from the KPMG report provided on the Grand Theatre project in relation to on-going project management are being implemented as introduced into the design build contract in the summer of 2006.</li> <li>• Roles and responsibilities for all parties involved in the project have been developed within the project charter and these roles were clarified with parties where appropriate.</li> <li>• The Project Director was identified as the point of contact for the City with the design builder and operator. This is also the main contact with the media and the public. This has been established to eliminate confusion and duplication.</li> <li>• Notification was provided to the contractor that no change notices would be accepted by the City without a written change notice being provided.</li> <li>• Schedules for EllisDon’s work, City’s tasks and Arcturus has a pre-opening schedule covering the marketing and promotion work to be completed prior to the Centre opening its doors have been gathered. These schedules will be integrated within a master schedule.</li> <li>• In October 2006, a full-time project director was assigned to the Sports and Entertainment Centre.</li> <li>• In October 2006, the City retained the services of PMX Inc. as an owner’s representative. PMX Inc. was retained through a purchase order to complete the first phase of project management work. Phase 1 was completed and PMX is moving into phase 2.</li> <li>• The City has established a regular communication process with the public and key stakeholders. Monthly newsletters are posted on the website and distributed to key stakeholders. The website is updated on a regular basis with news and pictures of the project. A webcam was recently installed on the site. The public can monitor the construction progress by accessing the webcam from the City of Kingston website.</li> <li>• The Director of the project has held a number of meetings in the last few months with key stakeholders such as the Kingston &amp; District Sports Hall of Fame, Kingston Frontenacs, Downtown Kingston BIA, Kingston Accommodation Partners, the Municipal Accessibility Committee, etc.</li> <li>• A formal change notice process is in the contract. With the contract being executed, the contractor must comply with the written change notice process. City staff and the owner’s representative attend design meetings along with appropriate operator staff.</li> </ul>

**3.0 The risk that the current risk management plan has not identified all key risks and/or the current and planned mitigation is not sufficient to mitigate risk to the City's level of risk tolerance**

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<ul style="list-style-type: none"> <li>• Current risk management plan is incomplete</li> <li>• Current risk management plan has been developed with limited consultation of either City management or Prime Contractors</li> <li>• Current risks and action plan has not been communicated and a related process for communicating accountability and monitoring related actions has not been established</li> <li>• A reporting template for risk management communication and monitoring has not been established</li> </ul>	<ul style="list-style-type: none"> <li>• Major risks may be unknown and therefore key management risk mitigation actions may not be completed on a timely basis</li> <li>• Key risk mitigation actions may not be implemented as a result of a lack of process to communicate and monitor risk and related actions</li> </ul>	<ul style="list-style-type: none"> <li>• Complete a robust process to identify and communicate key risks and risk mitigation actions</li> <li>• Define and implement a communication and monitoring mechanism for risk management</li> </ul>	<ul style="list-style-type: none"> <li>• A risk management plan identifying major risks and mitigation measures has been developed and is being implemented.</li> <li>• Project Director had meetings with the design builder, the operator and internal staff to clearly define the risks of the project.</li> <li>• Risks are reviewed and identified on a monthly basis within the progress report which is distributed to Council and is accessible publicly.</li> </ul>

**4.0 The risk that the current budget is inconsistent with actual commitments to date and/or is not complete**

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<ul style="list-style-type: none"> <li>• Current budget is incomplete, for example, environmental remediation, archeological remediation, various changes from Operator, etc.</li> <li>• The budget has not been systematically compared to other contracts/commitments, such as, Prime Contract and Operating contracts to identify any inconsistencies</li> <li>• Consultations have identified that the budget may have been prepared with insufficient consultation</li> <li>• Consultations identified that there are numerous changes that have been suggested by the Operator</li> <li>• The budget contains a limited amount of contingency</li> </ul>	<ul style="list-style-type: none"> <li>• Without sufficient analysis, the opening budget and possible deviations may not be known early enough to mitigate any negative impacts on the overall cost</li> <li>• Changes in cost will need to be evaluated against revenue and financing considerations as their impact may be substantial</li> </ul>	<ul style="list-style-type: none"> <li>• Compare the current budget to the approved budget and other current information with respect to changes in forecasted costs, contracts, etc.</li> <li>• Consider having an independent assessment of project design and related costs</li> <li>• Identify a process to communicate potential budget changes and centralize their approval and processing (this should include a defined process for change orders)</li> <li>• Identify, communicate and implement a format and process for the ongoing review and assessment of the budget and actual cost</li> </ul>	<ul style="list-style-type: none"> <li>• City has developed an internal financial tracking system which includes approved budget, detailed breakdown of all invoices processed, commitments through purchase orders and contracts as well as the balance of funds remaining. Data are reviewed at least once a month basis and compared to the detailed print out provided by the Finance Department.</li> <li>• City and the project management firm undertook a complete and a detailed review of all approved budget amounts for the Sports and Entertainment Centre.</li> <li>• City and the project management firm consulted the design builder, the operator, a number of private companies, internal departments such as Corporate Services, Finance, Legal and Community Services. City and project management firm received detailed estimates to review the approved budget and the actual required budget and identify any variances.</li> </ul>