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October 23, 1998

To: Members of the Executive Board

From: The Secretary

Subject: **Phase III Construction Project—Pre-Closeout Report**

Attached for the information of Executive Directors is the pre-closeout report on the Phase III construction project. A summary appears on page 5.

Ms. Prebensen (ext. 36313) is available to answer technical or factual questions relating to this paper.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Phase III Construction Project—Pre-Closeout Report

Prepared by the Administration Department

**(In consultation with the Legal Department, Office of Budget and Planning,
and Treasurer's Department)**

Approved by Inger E. Prebensen

October 23, 1998

I. INTRODUCTION

1. When the construction budget of \$111 million for the Phase III addition to the headquarters building was approved,¹ a commitment was made to report on the status of the project on a regular basis.² This is a pre-closeout report on the Phase III Construction Project. Section II summarizes progress within each major cost category. Section III discusses highlights of the cost tracking report as of September 30, 1998 (Attachment). Section IV summarizes the status of the Phase III fitout budget totaling \$38.9 million.³ Section V summarizes the overall progress of the Phase III Construction Project.

¹Reference: EBM/94/27 (3/30/94).

²Reference: EBAP/94/16, Supplement 1 (3/22/94), memorandum of May 27, 1994 from the Managing Director to Messrs. Evans, Posthumus, Schoenberg, Smee, and Waterman, and Ms. Lissakers (distributed to all Executive Directors).

³Of the total original approved amount of \$39.1 million, \$200,000 was included as a contingency reserved for future costs associated with possible relocation of the headquarters cafeteria smoking lounge. This was subsequently rejected by the Executive Directors in EBAP/97/78 (8/4/97). Therefore, the total approved fitout budget is \$38.9 million. Part One-EBAP/95/77 (9/26/95), Part Two-EBAP/97/22 (3/13/97), and Part Three-EBAP/97/72 (7/21/97).

II. CONSTRUCTION SCHEDULE AND PROGRESS

2. This section reviews events that affect the \$107 million⁴ total construction budget for the Phase III addition excluding the \$4 million management contingency. The \$107 million is divided into the following three major cost categories: (i) \$95 million for construction services; (ii) \$4.5 million for design services; and (iii) \$7.5 million for project operations. Progress within each category is summarized as follows:

A. Construction Services (\$95 million budget)

3. The budget of the construction services cost center consists of the following three major elements: (i) the budget for construction of the base building in the amount of \$91 million; (ii) a separate Administration Department (ADM) contingency in the amount of \$1.5 million; and (iii) a second management contingency of \$2.5 million. This cost center covers construction of the Phase III addition and exterior landscape and sitework, as well as work on the 19th Street entrance.

Phase III building addition

4. All office areas within Phase III were complete as of June 1998. Moves of staff into the new premises began on February 27, 1998 and the first tenants took occupancy on March 2, 1998. Occupancy of departments and the Offices of Executive Directors, on all floors of the Phase III addition, has been completed, with the exception of a few minor areas. The auditorium completion date has slipped from mid-September to November and the atrium from September to late-November/early December due to demands placed on the manufacturer of the acoustical fabric panels to be installed. The IMF has directed Tompkins to order shift work and overtime to the extent feasible to minimize the impact on the schedule. The multipurpose room was substantially complete in September 1998 and the IMF Center and video-teleconferencing room are scheduled for completion in December 1998.

⁴Effective March 19, 1994, the Executive Board approved an overall project budget of \$111 million for the construction of Phase III. Of this total, \$107 million was originally established for design services, construction services, and project operations, including a \$4 million ADM contingency amount reserved to meet unexpected costs during the normal course of the construction process. An additional \$4 million contingency account was set-up under the exclusive control of management, subject to approval by the Managing Director. Given the advanced stage of construction and fewer uncertainties on projected costs as compared to the beginning of the project, the ADM contingency included in the construction budget was reduced by \$2.5 million from \$4 million to \$1.5 million. The budget reduction of \$2.5 million has been transferred to a second management contingency under the control and approval of management.

Exterior landscaping and sitework

5. The work at the 19th Street main entrance was completed in mid-September, which enabled it to open in time for the Annual Meetings.
6. Sitework continues on G, H, 19th, and 20th Streets and is scheduled for completion by end December 1998.

B. Design Services (\$4.5 million budget)

7. The Architect continues to review work performed by the CM. In addition, the Architect's full-time on-site representative continues to perform quality control and to assist the CM in resolving conditions that arise on the job site as well as settling outstanding subcontractor change order requests. Work in this category is expected to exceed the budget by approximately \$800,000, bringing the total to \$5.3 million. This increased cost is largely due to the extended schedule beyond December 1997. The over run is offset by the estimated decrease of \$900,000 in the estimated costs of the Project Operations budget, as noted below.

C. Project Operations (\$7.5 million budget)

8. The Project Operations budget funds the services that support the design and construction efforts. These services include ADM project management and space planning, independent environmental monitoring for the safety of staff working in the existing building, leased space to house staff who must be temporarily moved out of headquarters due to major construction related disruption, and relocations to offices within headquarters to house staff for short periods of time. Security and office cleaning services in the existing building have also been supplemented with additional staff to help deal with the effects of Phase III construction activity. In addition, outside consultants specializing in analyzing subcontractor change order requests are used on the larger and more complex claims. Overall, work in the Project Operations category is expected to be completed at an approximate total of \$6.6 million (\$900,000 under budget).

III. BASE BUILDING PROJECT COSTS

9. The cost tracking report (Attachment) provides a summary of project costs in each of the following major cost accounts: Construction Services, Design Services, and Project Operations. Cost tracking reports are included in the monthly status reports used by ADM project management, OBP, and TRE to monitor and control costs,⁵ and are based on a variety of inputs, including a detailed construction cost commitment register that the CM is required to

⁵Reference: EBAP/94/16 (3/15/94). ADM's cost tracking report is used by TRE and OBP in conjunction with their own internal documents.

maintain. The "estimates of future commitments" column of the report (Column N) includes ADM project management's best estimate, arrived at in consultation with the CM and architect, of costs implied by design changes or unforeseen site conditions that could result in future construction cost increases. The cost-to-complete estimates are also reviewed by OBP, TRE, and OIA.

10. At the end of September 1998, committed subcontract amounts totaled \$75.5 million. For the most part, these awards were subject to competitive bidding and are within budget. General conditions, estimated change orders, and the CM's fee total \$15.4 million—bringing total commitments to \$90.9 million. Notwithstanding any unforeseen events, and reflecting all current information available on awarded bids, invoices, and change orders, the total cost of construction is anticipated to be within the approved budget of \$95 million. The largest variable in estimating the final cost of construction at completion is the matter of outstanding subcontractor claims for delays and alleged changes in scope resulting in requests for change orders. Whereas, Tompkins current calculations of all outstanding subcontractor claims and change orders is approximately \$5.7 million, the Architect and ADM Project Management are of the view that these are only worth approximately \$3.3–4.2 million. Disagreements and uncertainties regarding change orders are not uncommon at the end of large construction projects where subcontractors attempt to recover costs. ADM project management continues to closely monitor the potential for future change orders so that appropriate action can be initiated to reduce the costs and remain within budget. The estimated cost at completion is \$105.7 to \$106.8 million—based on settlement of outstanding future change orders at \$3.3 to \$4.2 million and settlement of future change orders at \$100,000 to \$250,000.

IV. FITOUT

11. ADM project management issues a separate monthly cost tracking report summarizing the status of project activities and the combined design, construction, and project operations costs approved in the total amount of \$38.9 million.

12. The total construction costs covered under the fitout budget amount to approximately \$26 million. This work consists of the renovation of the cafeteria areas located in Phases I and II, and the new area in Phase III, as well as changes to offices in Phases I and II related to moves, and the construction of the offices in Phase III—including the additional costs associated with the new work space standards. Of the total fitout budget, \$28.8 million has been committed to date. The fitout work of the cafeteria has been delayed due to permit delays as well as technical problems due to unforeseen conditions. The new IMF Center and the video teleconferencing center are expected to be completed by December 1998. All fitout work and moves in Phases I, II, and III, including the new cafeteria, are to be completed by mid-1999. Current estimates show that the project will be completed within budget.

V. SUMMARY—PHASE III CONSTRUCTION PROJECT

13. The base building construction work, including the sitework, will be complete in December 1998 and related work in Phases I and II by mid-1999.

14. Current estimates indicate that the base building project is likely to be completed within budget. However, until final receipt, completion, and settlement of all subcontractor change order and claims, there is a degree of uncertainty related to the final project cost and the possible use of the management contingency.

15. It is anticipated that the next report will be a final project summary report and will be issued in mid to late 1999, when it is anticipated that the sitework, tenant fitout for Phases I, II, and III, and the renovation of the ground floor cafeteria will be completed; as well as settlement of a substantial portion of outstanding subcontractor claims and change orders. As with other capital projects, the status of the Phase III project will continue to be included in the capital budget reviews provided to the Executive Board at midyear, in the annual budget document, and after year end.

Attachment

Phase III - Project 544
Monthly Cost Tracking Report #48
SEPTEMBER 1998

SUMMARY BY ACCOUNT
DATA AS OF 9/30/98

B	C	D	H	I	J	K	L	M	N	O	P	Q
Cost Center Description (Account/Cost Center Number)	Original Working Budget (4/94)	Current Working Budget (6/94)	PO/Contract Amount And Other Fund Commitments	Tompkins Commitments to Subcontractors	Uncommitted Design Develop. Allowance & C/O Amounts	Paid Amounts	Balance On Open PO's (H-K)	Available Balance to Commit (D-H)	Estimates of Future Commitments	Estimated Cost at Completion (H+N)	Current Variance Over/(Under) (O-D)	Variance in Previous Monthly Report Over/(Under) (O-D)
ADM TOTAL	\$107,000,000	\$107,000,000	\$101,513,661	\$89,235,159	\$1,205,317	\$95,582,548	\$5,931,113	\$5,485,339	\$4,206,601	\$105,720,262	(\$1,279,738)	(\$1,700,000)
Construction Services 20-3000	\$95,000,000	\$95,000,000	\$90,870,518	\$89,235,159	\$1,205,317	\$85,573,646	\$5,296,872	\$4,129,482	\$2,949,744	\$93,820,262 ^{1/}	(\$1,179,738) ^{1/}	(\$1,500,000) ^{1/}
Design Services 20-1000/ADMASF544A	\$4,500,000	\$4,500,000	\$4,685,075			\$4,542,182	\$142,913	(\$185,075)	\$614,925	\$5,300,000	\$800,000	\$700,000
Project Operations 20-2000/ADMASF544B	\$7,500,000	\$7,500,000	\$5,958,068			\$5,466,740	\$491,328	\$1,541,932	\$641,932	\$8,800,000	(\$900,000)	(\$900,000)

1/ The Construction Manager's Commitment Register indicates \$96.9 Mil., but does not compensate for ADM's estimates. ADM's estimate of the Total Cost at Completion is \$93.7 Mil., which includes \$.1 Mil. for future changes orders.