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EBAP/95/77

September 26, 1995

To: Members of the Executive Board

From: The Acting Secretary

Subject: Phase III Fitout Budget - Part One

Executive Directors will be aware that funds in the range of \$35 to \$40 million will be needed to complete the fitout of Phase III (EBAP/94/16, 3/15/94), and that the fitout budget will be requested in two parts (EBAP/95/27, 4/4/95; and EBAP/95/76, 9/15/95). The attached paper requests approval of the first part of the fitout budget, \$11.8 million, which will permit the renovation and expansion of the ground floor food service facility, and other planning services required for the development of Part Two of the fitout budget. The request for Part Two, relating to office space and other renovations in Phases I, II, and III, will be made in late 1996. There is no expectation at this date that the overall fitout budget will exceed the original estimate of \$35 to \$40 million.

Please note that the colored chart, which appears on page 8a, was not generated in-house, and its reproduction in this paper should not be seen as a precedent for other Board documents.

Remaining mindful of the pressures that face Executive Directors over the period through the Annual Meetings, and noting that the current request is consistent with earlier estimates provided to the Executive Board, I am forwarding the attached paper for consideration on a lapse-of-time basis. Should any Director wish to place the topic of fitout on the agenda for an Executive Board discussion, please notify my office by noon on Friday, September 29, 1995. In the absence of notice by that time, the draft decision that appears on page 8 will be deemed approved and it will be so recorded in the minutes of the next meeting thereafter.

Mr. T. Cole (ext. 38206) or Mr. Vaughan (ext. 38744) is available to answer questions relating to the paper, and to the project more generally.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Phase III Fitout Budget--Part One

Prepared by the Administration Department

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

Approved by T. Cole

September 25, 1995

I. Introduction

Early in 1994, a paper was circulated (EBAP/94/16, 3/15/94) to Executive Directors discussing, inter alia, the Fund's space needs, the history of funding associated with the Phase III building project, as well as the schedule and budget for the construction of the Phase III base structure. 1/ At that time, a decision was taken to proceed with the construction of the Phase III addition to the headquarters building with a total project budget of \$111,000,000. The paper also indicated that after the new base building was completed, it would need to be finished for occupancy (i.e., the construction, renovation and relocation of selected offices throughout Phases I, II, and III, as well as of other support areas such as the renovation of the existing cafeteria and furnishing of the new IMF Center). The cost of this work, termed "fitout," was excluded from the base building construction budget and was estimated to amount to an additional \$35 to \$40 million.

On April 4, 1995, a paper was circulated to Executive Directors (EBAP/95/27, 4/4/95) discussing the current status of the Phase III construction project, and outlining the two-part plan that is being followed for requesting authorization for the fitout budget. Part One of the fitout budget, which is being proposed for approval in this paper, involves the construction and renovation of the ground floor food service facility, portions of which are located in Phases I and II, as well as in the new Phase III of the headquarters building. The architectural drawings for the food service work were completed as part of the Phase III design package, and firm price bids have been received by the construction manager (CM) for

1/ Also reference: EBAP/94/16, Sup. 1 (3/22/94) Phase III Construction Budget; and EBAP/94/16, Sup. 2 (3/24/94) Phase III Construction Budget.

most of the work. 1/ Part One of the fitout budget also includes an appropriation for continued space planning and associated work that must be accomplished in order to prepare for Part Two of the Phase III fitout budget.

Part Two will involve the construction, renovation, and relocation of offices throughout Phases I, II and III. In addition to office space, Part Two will include the fitout of support space areas such as the IMF Center, the multipurpose room, etc. This second fitout budget will be submitted about twelve months from now, in late 1996, after detailed planning of all the departmental moves is completed and agreed to (which will define the full scope of the project), and after firm pricing is obtained for key elements of the work.

This paper presents the proposal for Part One of the Phase III fitout budget. Section II reviews the background for the two part presentation, the construction schedule for the cafeteria renovation, and the reasons why it is important to proceed now as originally planned. Section III describes the scope of work for the Part One fitout budget, including information about the basis for the new food service design, and information about the various options considered. Section IV presents the proposed budget for Part One of the Phase III fitout scope of work. Section V presents a summary of the overall Part One fitout budget proposal, including a discussion of the financial controls that will apply. The final section contains the proposed decision.

II. Background and Schedule

The existing ground floor food service facility in the headquarters building must be expanded to accommodate the 600 staff who will return upon the completion of Phase III. Because a substantial portion of the equipment in the existing facility, which was constructed in 1972, is reaching the end of its useful life, it will need to be replaced. Moreover, a major portion of the existing Phase II serving line and seating area must be demolished in order to construct the Phase III addition. In addition to these considerations, current capacity is often not sufficient to meet peak demands of the current building population. A major renovation of the existing food service facility is required, therefore, and it is important for both financial and logistical reasons to accomplish this work in conjunction with construction of the Phase III base building. The additional ground floor space provided by Phase III enables the overall food

1/ The architectural drawings for the proposed food service work, as well as the drawings for the IMF Center, Fitness Center, and other areas integral to the design and construction of the Phase III base building addition were prepared in accordance with EBAP/91/159 (6/20/91) Headquarters Building - Need for Phase III; EBAP/93/10 (3/12/93) The Provision of Office Space for the Fund; and EBAP 94/129 (3/15/94) Phase III Construction Budget.

service facility to be renovated in a manner that will make better use of the available space, addressing current and prospective overcrowding problems in a cost-effective way, while allowing food service operations to remain in service during the renovation and construction period, albeit in a somewhat limited fashion.

As previously noted, there are several reasons to move forward now with the renovation and expansion of the food service facility. The most important of these is lower construction costs. The CM has received competitive fixed price bids on the most complex portions of the food service construction project (the mechanical, electrical, plumbing and kitchen equipment) which represents approximately 50 percent of the value of the work. These prices were received in conjunction with bids submitted for the Phase III base building, and are guaranteed through October 1995. By taking advantage of these prices, it is estimated that the Fund will save approximately \$1 million over the cost of performing the work later as a separate project. There are several reasons for these savings:

(1) the subcontractors and the CM will use much of their existing on-site and office supervisory personnel to manage both the Phase III and the cafeteria renovation project in parallel, enabling the work to be performed more efficiently;

(2) there are many physical connection points where the mechanical, electrical and plumbing systems must connect with the new work in Phase III, as well as existing systems in Phases I and II, and it will be more efficient for the various trades to do the work while the systems are exposed and accessible; it is estimated that this will generate approximately \$800,000 in savings;

(3) the architect's construction administration services can be performed more efficiently in conjunction with the base building work; and

(4) the cost of the construction work is estimated to increase by some three percent per annum over the next few years.

Another important consideration is that it will be less disruptive to manage the overall renovation in a gradual, phased manner tied closely to the Phase III base construction schedule. Proceeding now and moving gradually will enable the existing food service operation to continue to function, though in a somewhat curtailed fashion, throughout the food service construction process, which is scheduled to take approximately 25 months. The work must commence soon, however, if the new food service facility is to be completed on schedule with the planned occupancy of Phase III.

Attachment I contains the base building construction schedule, including the schedule for the food service work. This chart is in the same format as the chart presented to Executive Directors in Quarterly Status

Report No. 3 1/ with two changes, namely, the addition of a 25-month duration bar depicting the food service work, and a second new bar depicting the estimated 18-24 month duration for the office fitout and occupancy project.

III. Phase III Food Service Fitout--Scope

As noted above, the scope of Part One of the Phase III fitout budget mainly involves the construction of the food service facility on the ground floor of the headquarters building. It also includes, however, funding for the continuation of space planning and design work in preparation for Part Two of the Phase III fitout budget. The scope of the food service renovation project is shown in the schematic floor plan in Attachment II. Regarding this scope, the following points should be kept in mind:

1. The proposed food service work is consistent with the scope presented to Executive Directors in February 1991, as depicted on the approved zoning drawings. In this regard, the new ground floor food service facility has been designed in keeping with the standard and style of the existing facility.
2. During the planning stage for the new ground floor food service facility, a detailed Fund-wide survey was conducted, and four specific design options were identified.
 - (1) demolish the existing facilities in Phases I and II in their entirety and create a new single large serving line area, with a total seating capacity of 685;
 - (2) retain the existing Phase I serving line area as is and create a new large serving line where the existing Phase II serving line is located, with a total seating capacity of 677;
 - (3) renovate the existing main serving line area to correct its problems and create a second limited service serving line area in Phase II, with a total seating capacity of 725;
 - (4) modify the existing main serving line and create a second full service serving line in Phase II, with a total seating capacity of 670.

1/ EBAP/95/76, 9/15/95. This colored chart was not generated in-house, and its reproduction in this paper should not be seen as a precedent for other Board documents.

The food service design option chosen, Option Three, provides the maximum number of seats, improves the flow through the serving and cashier lines, and has the lowest cost of the options addressing all functional needs. It also minimizes disruption to existing food service operations which is an important consideration for existing building occupants.

As noted, the Part One fitout scope also involves on-going fitout planning and design in connection with the new office layouts, the IMF Center, the Fitness Center, a Video Teleconferencing Center, and other support spaces. This on-going work is essential to the development of a reliable Part Two fitout budget. It is important to have the design work for Part Two of the fitout budget substantially complete in order to obtain firm pricing, before preparing a budget proposal for this portion of the job. ^{1/} Those cost estimates need to be carefully analyzed and cost-saving alternatives explored. While the precise budget will be completed in about twelve months time, the Part Two fitout is currently estimated at between \$23 and \$28 million. As shown in Attachment I, the office occupancy phase is scheduled to commence in December 1997 and to be completed within 18-24 months thereafter.

IV. Phase III Fitout, Part One--Budget

The budget for Part One of the Phase III fitout project involves the construction of the food service facility on the ground floor and the continuation of necessary space planning and design work in preparation for estimating Part Two of the fitout budget. The Part One budget comprises the following three categories:

• Food Service Construction	\$ 8.1 million
• Design Services	\$ 0.8 million
• Project Operations	<u>\$ 2.9 million</u>
Total	\$11.8 million

The Food Service Construction budget category is \$8.1 million. As previously noted, the CM has received competitive lump sum fixed price bids on approximately 50 percent of the value of the construction scope. The CM has provided detailed cost estimates for the items that have not been let for competitive bidding (such as architectural millwork, flooring, and various other types of furnishings). Competitive bids will be received on these items in due course, where possible in conjunction with receiving bids on similar items in the base building scope in order to achieve economies of scale. The food service construction work is the largest portion of the

^{1/} In this connection, it should be noted that between 300,000 and 500,000 square feet in Phases I and II will need to be renovated as part of the Phase III fitout project. This must be done to maximize the overall use of space in headquarters as a result of the movement of staff into the additional space gained by the Phase III addition.

fitout budget proposed in this paper, and was developed after drawings were complete, and, as noted above, after firm competitive bids were received on the most complex portions of the work. A thorough understanding of the construction issues has been achieved at this stage, reducing the risk of unreliable estimates or cost overruns. In the course of this project, some staff and functions will need to be temporarily relocated elsewhere on the concourse while piping and associated work is performed. These costs are included in the budget estimates.

The food service construction budget can be broken into two major parts, the construction of the cafeteria itself, and necessary renovations on the concourse to accommodate the disruption that cafeteria construction will inevitably cause. The work on the concourse is estimated to cost \$400,000 and will cover an area of roughly 10,000 square feet. The actual food service construction covers an area of 34,645 square feet and will cost \$7.7 million, resulting in an average cost per square foot of \$222. The architect has indicated that first rate corporate food facilities cost in the range of \$225-260 per square foot. The food facility in the Bank's new addition is currently estimated at between \$200 and \$220 per square foot. While the budget proposed in this paper does contain a small premium for evening and weekend work in order to accommodate building occupants, estimated costs appear to fall well within industry standards.

It should be noted that the food service construction work was included in the scope of the original competitive bidding for the selection of the CM, and as such, the food service work is covered by the same contractual terms and conditions governing construction of the base building. All subcontract work over \$5,000 must be competitively bid and awarded by the CM on a lump sum fixed price basis, unless otherwise specifically approved by the Fund and the Architect. This approach enables the Fund to achieve a high level of transparency by reviewing all bid proposals in advance of commitments being made, and it enables the Fund to benefit from savings on bids that come in under budget.

The Design Services budget category is \$800,000. As noted earlier, the design of the new food service facility has already been completed. The funding in this budget proposal is limited to the scope of design work during the construction phase, such as, inter alia, the on-going construction administration services of the Architect and its consultants in approving shop drawings, performing on-site inspections of the quality of the work, certifying monthly construction progress invoices, and addressing various unforeseen conditions that arise on major renovations like this one.

The Project Operations budget category is \$2.9 million. Of the \$2.9 million, \$1.6 million is for project management and furnishings directly related to the food service work. The balance of \$1.3 million is for on-going space planning and associated fitout detailing operations over the next 12 months related to the development of Part Two of the Phase III fitout budget. This is a period of very intensive activity during which the final space utilization plan for the entire headquarters building will be

developed, so that a firm and accurate budget for the office fitout portion of the Phase III project (Part Two) can be formulated.

V. Summary

Based on the \$11.8 million proposal for Part One of the Phase III fitout budget (food services), and on current estimates of \$23-28 million for Part Two of the Phase III fitout budget (offices), the overall estimate for the entire Phase III fitout budget remains in the range of \$35 to \$40 million as previously reported to Executive Directors. 1/ Authorizing Part One of the Phase III Fitout project to proceed now will achieve three important objectives:

- it will save approximately \$1 million and considerable disruption by proceeding with the work in conjunction with base building construction rather than as a separate project later;
- it will ensure that the expanded food service capacity is in place by the time Phase III occupancy is completed; and
- it will enable Part Two of the Phase III fitout budget to continue to be accurately planned and priced based on competitive bidding.

Budget control mechanisms similar to those now in place for the Phase III base building construction budget (EBAP/94/15, 3/14/94) will also apply to this project. They are designed to ensure that no commitment or expenditure will be made that would exceed the authorized budget ceilings.

Consistent with established practice, 2/ the proposed expenditures will be capitalized and depreciated over the estimated useful life of the facilities, part of which are estimated to have the same life span as the building (30 years) while other parts, such as certain pieces of equipment, will have a useful life span of approximately 5 years. When the building is ready for its intended use, the fitout costs will be charged to income over 5 or 30 years, depending on the nature of the asset. 3/

1/ EBAP/94/16, 3/15/94 and EBAP/95/27, 4/4/95.

2/ Reference EBS/93/40 (3/15/93) Financing of Capital Expenditures in the Fund.

3/ There would be a marginal increase in operational expenditures as the Fund would pay somewhat higher remuneration to the extent that currency used in the acquisition (i.e., U.S. dollars) results in higher remunerated positions than otherwise would have been the case.

VI. Proposed Decision

The following draft decision is proposed for adoption by the Executive Board:

1. Appropriations for the construction of Part One of the Phase III Fitout work associated with the base construction of the Phase III addition to the headquarters building and associated design services and project operations, as described in EBAP/95/77 (9/26/95), are approved in the total amount of \$11,800,000.

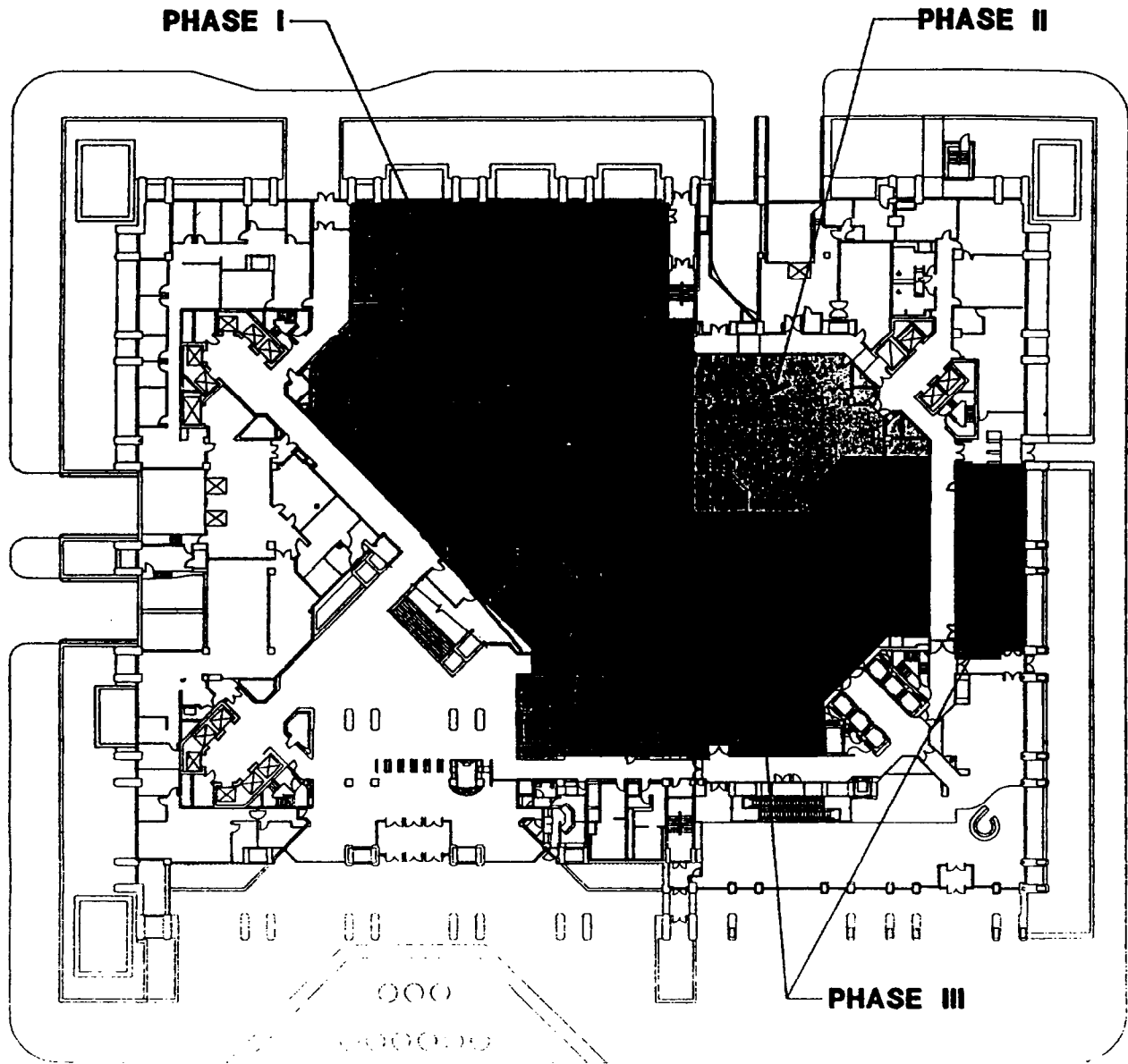
2. No commitment will be made that causes the total budget of \$11,800,000 for Part One of the Phase III Fitout to be exceeded without prior approval by the Executive Board.

Attachments

Project Start	15.07.2004	Ready Start
Project Finish	22.10.2009	Target Milestone
Start Date	06.02.2005	Progress Bar
End Date	06.03.2010	Critical Activity



PHASE III FITOUT - PART 1 FOOD SERVICE CONSTRUCTION AREAS



HEADQUARTERS BUILDING GROUND FLOOR PLAN

JUNE 2, 1995

