

**Minutes – Standing Policy Committee on Finance and Economic Development –
October 10, 2024**

REPORTS

**Item No. 3 North Garage Replacement
 Project ID: 4210000421
 Quarterly Project Status Report No. 05
 For the Period Ended June 30, 2024**

STANDING COMMITTEE DECISION:

The Standing Policy Committee on Finance and Economic Development concurred in the recommendation of the Winnipeg Public Service and received the financial status of the North Garage Replacement (“the Project”), as contained in this report, as information.

**Minutes – Standing Policy Committee on Finance and Economic Development –
October 10, 2024**

DECISION MAKING HISTORY:

Moved by Councillor Lukes,

That the recommendation of the Winnipeg Public Service be concurred in.

Carried

ADMINISTRATIVE REPORT

Title: North Garage Replacement
Project ID: 4210000421
Quarterly Project Status Report No. 05
For the Period Ended June 30, 2024

Critical Path: Standing Policy Committee on Finance and Economic Development

AUTHORIZATION

Author	Department Head	CFO	CAO
J. Crowder	G. Ewankiw	T. Graham	S. Armbruster, Interim CAO

EXECUTIVE SUMMARY

Project On Schedule: Yes No

Project On Adopted Budget: Yes No

Percent of Schedule Complete:

Percent of Adopted Budget Spent:

This is the fifth quarterly report to the Standing Policy Committee on Finance and Economic Development for this project.

The City has possession of the required private properties. Land assembly and expropriation negotiations are ongoing.

The building design is now 66 percent complete, and a Class 3 estimate has been provided by the design consultant. Based on this estimate, the project is forecasted to be over budget by approximately \$105 million due to a number of factors. The Public Service has come up with three potential options to address the project budget shortfall by amending the budget or deferring scope of the project to future phases. Each option has impacts to the City's borrowing capacity or operational impacts to Transit. The Public Service is recommending an option to defer elements of the project scope and bring the estimated budget shortfall down to \$80 million funded through borrowing.

The Advisory Committee has reviewed this report and recommends that the report be sent to the Standing Policy Committee on Finance and Economic Development.

RECOMMENDATIONS

1. That the financial status of the North Garage Replacement ("the Project"), as contained in this report, be received as information.

REASON FOR THE REPORT

Major Capital Projects are required to report quarterly to the Standing Policy Committee on Finance and Economic Development. The threshold for reporting is reviewed at the beginning of each multi-year budget cycle and revised, if required, for Council consideration. For the 2024-2027 multi-year budget cycle Council approved that the threshold be maintained at \$25 million. The Standing Policy Committee on Finance and Economic Development may also request reporting on any capital project.

IMPLICATIONS OF THE RECOMMENDATIONS

No implications.

HISTORY/DISCUSSION

See Appendix C – Key Project Events (History)

Design Phase (Update from last report)

The Project team continues to work with the consulting team, Transit stakeholders, other City departments, and Provincial agencies on the detailed design.

An application to Manitoba Hydro (Hydro) for a Load Interconnection Feasibility Study (LFIS) to bring the required power to the site has been completed and the feasibility study is now underway.

In April 2024, the project's design consultant submitted a revised drawing package for the 33 percent design and associated Class 3 cost estimate.

Transit stakeholders reviewed the design with a focus on constructability and budget considerations, made modifications, and approved the design to move to the 66 percent phase. Updated 66 percent phase drawings are being developed.

However, based on the 66 percent design and updated Class 3 estimate (range -20 percent to +30 percent) the project is forecasted to be over-budget by approximately \$105 million.

The current approved budget for the North Garage Replacement is \$200.066 million. The increase in project cost is due to a number of factors including:

- Establishing the budget in 2019 with a Class 5 estimate (range -50 percent to +100 percent);
- The delay in approval for the Investing in Canada Infrastructure Program (ICIP) funding commitment;
- Cost increases related to supply chain issues and related impacts on the construction industry;
- The requirements for the Transition to Zero Emission Bus program;
- The remediation of impacted soil; and

- Updates to building and energy codes.

The Public Service and project team are working on strategies to address the budget shortfall and will present options through a separate administrative report at the Standing Policy Committee on Public Works meeting on September 12, 2024. The Public Service will present three options for consideration:

- Option 1 - Amend the project budget and solely fund the estimated \$105 million budget shortfall through increased debt funding, as one possible funding source.
- Option 2 - Defer elements of the scope of the current project to bring the estimated budget shortfall to \$80 million and plan to deliver deferred amenities in future phases. The scope changes associated with this option may include:
 - Reducing the bus storage space by 39 40-ft equivalent spaces from 246 to 207,
 - Reducing the maintenance bays by 8 from 20 to 12,
 - Revising the heating, cooling and ventilation systems while keeping the facility net-zero carbon ready, and
 - Revising the bus servicing area by deferring installation of one wash rack.

The operational impacts of this option include:

- The facility running out of bus storage space in approximately eight to 10 years; and
- Deferring future purchases of 60-ft articulating buses, due to a lack of storage space, which were planned to support the new Transit network and may adversely impact ridership and service.
- Option 3 - The City would substantially reduce the scope of the current project to match the approved budget and plan to introduce removed elements in future phases. The scope changes associated with this option may include:
 - The same reductions/deferrals as Option 2,
 - The complete removal of the maintenance bays, and
 - Modifications to other aspects of the facility such as elimination of access from Hyde Avenue, further revision of the heating and cooling systems or deferring the installation of the electrical substation.

The operational impacts of this option include:

- The same operational impacts as Option 2,
- The inability to service any of the buses stored at the facility, which would lead to increased operational costs of transporting buses back and forth to Fort Rouge Garage for repair.

- A delay to the Transition to Zero Emission Bus program as the reduced scope of the facility would not be able to support additional zero emission buses until future phases are built.

The elimination of bus maintenance at the new facility would be considered very high risk to Transit operations and the ability to provide service to the public.

The Public Service is recommending Option 2.

Revisions to the 66 percent design to incorporate a reduced scope and cost are progressing with an estimated submission by the end of August, along with an updated Class 2 estimate. However, the final design and construction tender cannot be completed until Council direction is provided on the project budget. Council will provide direction regarding the above options at its September meeting.

A Request for Qualification to create a short list of General Contractors qualified to build the new facility will be posted in Q3 2024.

A tender for goods that are expected to have long lead times such as electrical transformers is expected to be posted in Q4 2024.

Table 1 – Contracts

Bid Opportunity #	Company Name	Description	Original Contract Award Value (GST & MRST extra as applicable)	Total Approved Over-Expenditures (Over-Expenditure amount only)	Date of Award	Date of Total Completion	Estimated % Complete
980-2022	Dillon Consulting Ltd.	Professional Consulting Services for Owner Advocate Project Manager for North Garage Replacement	\$ 1,060,000.00	\$ 224,680	Feb 28, 2023		43%
520-2023	AECOM Canada Ltd.	Professional Consulting Services for Detailed Design, Tender for Construction and Contract Administration of the North Garage Replacement project	5,781,268.00	-	Nov 9, 2023		36%
Total			\$ 6,841,268.00	\$ 224,680			

Upcoming Procurements:

Description	Anticipated Award Date
Professional Consulting Services for Construction and Post-Construction of the North Garage Replacement Project	2024 Q4
Tender for Construction of the North Garage Replacement	2025 Q1

Schedule (Update from last report)

The key schedule milestones for the Project have been updated in Table 2.

Table 2 – Milestones

Milestones					
	Deliverable	Original Targeted Completion Date	Revised Targeted Completion Date	Actual Completion Date	Estimated % Complete
1	Design Consultant Contract	2023 Q3	2023 Q4	10-Nov-23	100%
2	Preliminary Design	2024 Q1	2024 Q1	28-Mar-24	100%
3	Detailed Design	2024 Q2	2024 Q4		40%
4	Construction Contract	2024 Q3	2025 Q1		0%
5	Substantial Performance	2026 Q4	2027 Q1		0%
6	Total Performance	2027 Q1	2027 Q2		0%

Risk (Update from last report)

A new risk related to the Canadian Standards Association code requirements for the storage of Fuel Cell Battery Electric Buses (FC-BEB) has been added to the major project risks in Table 3.

Table 3 – Significant Risks and Mitigations Strategies

Significant Risks and Mitigation Strategies	
Risk Statement and Explanation	Risk Mitigation Management Plan
New:	
Codes for storing and repair FC-BEBs in garages not completed yet	Working with the design consultants to incorporate features to have the facility ready for FC-BEBs anticipating future codes.
Ongoing:	
Cost of remediation of impacted soil.	Undertake further soil tests during construction, modify design to minimize impact and request keeping impacted soil on-site.
New building code will bring stricter rules in regards to sustainability, energy efficiency and carbon zero, among others.	New requirements may increase cost. Energy modelling is required to understand the full impact.
Delay in project approval has resulted in inflationary cost increases.	Request budget adjustment. Alternatively, reduce scope of work or procurement of process equipment to offset additional costs.
Mitigated:	
Access from Hyde Avenue entails the opening and improvement of the road, which may require widening and purchase of the adjacent private property.	Evaluate alternatives for a narrower cross-section and avoid or minimize required land acquisition.
The scope of the project has changed to include an electrical sub-station and charging infrastructure for 24 buses.	Initiate discussions with MB Hydro to determine power requirements. Include new scope of work in detailed design RFP. Monitor additional costs and, if required, reduce other scope on areas to offset.

Financial (Update from last report)

For further information, refer to Appendix B – Financial Forecast.

As of June 30, 2024, the City of Winnipeg has submitted four financial claims to the Province of Manitoba for payment totaling \$949,205.31 for the Manitoba and Canada portion and the City has received \$243,059.48.

Funding (Update from last report)

The total current adopted budget is presented in Table 4 below.

For additional information, refer to Appendix C- Key Project Events for historical details.

Table 4 – Project Funding Forecast

Funding Forecast				
Funding Source	Adopted Budget ¹ (in thousands)	Amended Budget (in thousands)	Forecasted Budget (in thousands)	Committed ² (in thousands)
Class of Estimate	Class 5			
City of Winnipeg				
Cash to Capital	450	450		450
Retained Earnings	4,500	4,500		4,500
External Debt	60,542	60,542	705	61,247
Federal Government of Canada				
Investing in Canada Infrastructure Program (ICIP)	72,217	72,217	806	73,023
Province of Manitoba				
Investing in Canada Infrastructure Program (ICIP)	60,174	60,174	672	60,846
Total	197,883	197,883	2,183	200,066

¹ 2021 - 2024 adopted budgets.

² Total committed approved by Council on April 29, 2021.

Property Acquisition (Update from last report)

The City has possession of the required private properties. Land assembly and expropriation negotiations are ongoing.

Stakeholder Engagements/Communications (Update from last report)

The project website was launched on May 13, 2024 with project information, a comment form, and ways to stay informed about the project.

On May 27, 2024, the City hosted a Resident and Business Owner meeting, and a public Information Session where people could learn about the project and ask questions to the project team.

A second information session will occur at 100 percent design, timing and format of the session (in person or virtual) is still to be determined.

Project signage at the Oak Point Highway property has been installed.

The Public Service sent letters to seven Indigenous Governing Bodies to inform them about the scope and location of the North Garage Replacement Project, as well as the assessment report

from the Historic Resources Branch of the Province of Manitoba. The letters stated that no concerns were identified and provided an invitation to meet if they consider it necessary.

Subsequent Events after Report Period End Date

An administrative report presenting options to address the project budget shortfall will be presented on September 12, 2024, to the Standing Policy Committee on Public Works.

Pending final direction from Council, the Public Service is preparing revisions to the project's design that will significantly reduce the scope of the project to match the approved budget (Option 3 in the above-mentioned report). The plan would be to introduce removed elements in future phases.

FINANCIAL IMPACT

Financial Impact Statement **Date:** [September 6, 2024](#)

Project Name:
North Garage Replacement
Project ID: 4210000421
Quarterly Project Status Report No. 05
For the Period Ended June 30, 2024

COMMENTS:

There is no financial impact from the recommendation in this report as it is for information only.

Laurie Fisher *September 6, 2024*
Laurie Fisher, CPA, CA
Manager of Finance & Administration

CONSULTATION

This Report has been prepared in consultation with:

N/A

OURWINNIPEG POLICY ALIGNMENT

Goal: Environmental Resilience

Objective 2: Prioritize sustainable transportation as the mobility options of choice

Policy: Prioritize sustainable transportation as the mobility options of choice. Transition to a sustainable transportation system that safely and efficiently moves people, goods and services, increases access to a variety of affordable mobility choices, encourages less reliance on personal vehicle travel, reduces travel time, mitigates congestion and related greenhouse gas emissions, and supports the development of denser, better-connected, healthy and complete communities.

Goal: Environmental Resilience

Objective 3: Promote low-carbon, energy-efficient buildings through low-energy building design, construction and retrofitting

Policy: Reduce energy demand, consumption and greenhouse gases associated with new and existing buildings, working towards carbon-neutral buildings. Provide facilitative tools, resources, and incentives, to support green building.

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

Strategic Opportunity #5: Low Carbon and Energy Efficient Buildings. In order to lower energy and greenhouse gases used in Winnipeg's new and existing buildings, the City and community need to find better ways to understand the energy use and emissions from buildings and provide builders with the tools and resources (where needed and feasible) to support these retrofits and designs.

Strategic Opportunity #3: Advancing Sustainable Transportation. Direction 3.1 Increase Use and Efficiency of Public Transit Systems.

WINNIPEG POVERTY REDUCTION STRATEGY ALIGNMENT

Goal 5(b) Transportation System Equity is Enhanced – improvements to transportation and transit infrastructure and services prioritize areas of higher poverty, and increased interconnectivity to employment and affordable goods and services.

SUBMITTED BY

Department: Transit
Division: Asset Management Office
Prepared by: Adolfo Laufer, Project Manager
Date: September 6, 2024

Appendices

- Appendix A – Key Project Facts
- Appendix B – Financial Forecast
- Appendix C – Key Project Events (History)

Appendix A – Key Project Facts

Project Sponsor	Greg Ewankiw
Department Responsible for Project Delivery	Transit
Consultant Engineer (Company Name)	Dillon Consulting Ltd.
Adopted Budget	\$200.066M
Class of Estimate (Adopted)	5
Range of Estimate (Adopted)	-50% to +100%, \$100.033M to \$400.132M
Amended Budget	N/A
Class of Estimate (Amended)	N/A
Range of Estimate (Amended)	N/A
<u>Project Scope</u>	
North Garage Replacement - Project Overview	
<p>The North Garage Replacement project consists of the relocation and replacement of the existing North Garage facility located at 1520 Main Street. The project involves the construction of an approximately 39,500 square metre energy efficient bus storage and maintenance facility that is planned to include space for approximately 225-265 buses, indoor fueling stations, bus washing station, parts and storage receiving area, as well as bus maintenance and repairs shops. The facility will be designed to accommodate a new fleet of zero-emission buses and the required infrastructure for their fueling, maintenance and operation. Once completed, the Project will result in the improved capacity of public transit infrastructure and improved quality, and/or safety of existing and/or future public transit.</p>	
<p>North Garage is Winnipeg Transit's oldest facility, having opened in the 1950's as a streetcar storage facility called North Car House. The facility is functionality obsolete, and is in poor condition. The risk of North Garage becoming unusable due to further deterioration of the facility is likely Winnipeg Transit's most significant operational risk. North Garage was designed for vehicles of another era, and cannot accommodate articulated buses, buses with bike racks, or even the newer buses in Transit's fleet equipped with roof-mounted air conditioners. It cannot be upgraded to accommodate zero-emission buses. The design and construction of a new Transit bus parking, servicing, maintenance and repair garage to replace North Garage is vital in order to mitigate the current risks to Winnipeg Transit's operations, to allow for the replacement of 40-foot buses with 60-foot buses, and to allow for the expansion of the zero-emissions bus fleet beyond 2027. The added capacity of a replacement for North Garage is also needed for Winnipeg Transit to consider the adoption of new vehicle types. The land and design will have the required infrastructure for two dozen zero emission buses as well as provisions for a full electrified garage.</p>	

Appendix A – Key Project Facts

Appendix A - Key Project Facts - Continued
Major Capital Projects Advisory Committee Membership:
<p>The Asset Management Administrative Standard FM-004 requires all projects with a total estimated cost of \$25 million (2023) or more report quarterly to the Standing Policy Committee on Finance. This threshold is adjusted for construction inflation as part of the Multi Year Budget process. The Standing Policy Committee on Finance and Economic Development may also request reporting on any capital project.</p>
<p>Greg Ewankiw, Director, Transit (chair) Tracy Graham, Chief Financial Officer Jesse Crowder, Manager, Asset Management Office, Transit Geoffrey Patton, Director, Assets and Project Management Danny Tooth, A/Manager, Major Projects Oversight Matt Dryburgh, Senior Manager, Economic Development and Policy Tim Shanks, Director, Water and Waste Marc Pittet, Manager, Real Estate and Land Development, Planning, Property & Development Cindy Desjardine, Traffic Assessment Engineer, Public Works</p>

Appendix B – Financial Forecast

Appendix B - North Garage Replacement Financial Forecast As at June 30, 2024

Project Component Deliverables	Budget (in 000's)			Expenditure Forecast (in 000's)					Surplus (Deficit) From Amended Budget	Variance Last Report	Change in Variance	
	Adopted Budget *	Council Approved Change	Amended Budget *	Actual Costs To June 30, 2024	Projected Costs							Total Forecasted Costs
					2024	2025	2026	2027				
Engineering, Design and Other	\$ 32,123	\$ -	\$ 32,123	\$ 2,670	\$ 2,774	\$ 11,841	\$ 7,809	\$ 7,029	\$ 32,123	\$ -	\$ -	
Construction	\$ 115,601	\$ -	\$ 115,601	\$ -	\$ 50	\$ 27,406	\$ 51,860	\$ 36,285	\$ 115,601	\$ -	\$ -	
Land Acquisition	\$ 9,835	\$ -	\$ 9,835	\$ 7,724	\$ 2,111	\$ -	\$ -	\$ -	\$ 9,835	\$ -	\$ -	
Internal Financing/Overhead Costs	\$ 6,198	\$ -	\$ 6,198	\$ 443	\$ 470	\$ 1,284	\$ 2,319	\$ 1,682	\$ 6,198	\$ -	\$ -	
Contingency	\$ 36,309	\$ -	\$ 36,309	\$ -				\$ 36,309	\$ 36,309	\$ -	\$ -	
Total Project Budget	\$ 200,066	\$ -	\$ 200,066	\$ 10,837	\$ 5,405	\$ 40,531	\$ 61,988	\$ 81,305	\$ 200,066	\$ -		
% of Project Budget Spent (Actual Costs to Date / Adopted & Amended Budget)	5%		5%									

Project budget of \$200,066 as approved by Council on April 29, 2021

Project #	Adopted Budget ¹ (in thousands)	Forecasted Budget (in thousands)	Total Budget (in thousands)	Actual Costs (in thousands)
4210000421 ¹	197,883		197,883	10,837
4210000425		2,183	2,183	
Total	197,883	2,183	200,066	10,837

¹ 2021, 2022, 2023, and 2024 approved capital budgets consolidated into project 4210000421.

Appendix C – Key Project Events (History)

On April 29, 2021, Council directed the Public Service to submit the North Garage Replacement project to the Investing in Canada Infrastructure Program (ICIP) for Federal and Provincial funding under the Public Transit Infrastructure Stream (PTIS), subject to written confirmation of Federal and Provincial funding that is satisfactory to the Chief Financial Officer, including the 2021 Adopted Capital budget and 2022 to 2026 Five-Year forecast be amended to include \$200.066M for the project.

On December 16, 2021, Council approved the 2022 Capital Budget, and amended the 2023 to 2027 Five-Year budget to include \$198.415M allocated to the North Garage Replacement. The project total of \$200.066M also includes \$1.651M from the approved 2021 budget.

On November 16, 2022, the City received notification from the Province that the North Garage Replacement was approved for Federal and Provincial funding under the ICIP-PTIS stream. The notification outlined maximum eligible costs of \$182,557,000 with a maximum \$73,022,800 Federal and \$60,846,248 Provincial contribution, respectively.

On December 5, 2022, the Province provided interim information regarding the project contribution agreement, including an effective start date of October 25, 2022. Only expenditures signed on or after this date are eligible for reimbursement, with the exception of Climate Lens Assessments.

On January 9, 2023, the Standing Policy Committee on Property and Development approved the acquisition of the 4-acre property required for the project located at 100 Oak Point Highway.

On June 1, 2023, the Standing Policy Committee on Property and Development approved a report for the expropriation of the 10-acre property required for the project; lots 52, 56 and 57 Plan 24342 on the south side of Selkirk Avenue, west of Oak Point Highway.

On September 29, 2023, Council confirmed the expropriation of the 10-acre property required for the project; lots 52, 56 and 57 Plan 24342 on the south side of Selkirk Avenue, west of Oak Point Highway.

On November 9, 2023, the Standing Policy Committee on Public Works approved a report for the award of contract for Professional Consulting Services for Detailed Design, Tender for Construction and Contract Administration of the North Garage Replacement to AECOM Canada Ltd.

The Contribution Agreement under the Investing in Canada Infrastructure Program was signed by the City and the Province on March 19, 2024.