

**Minutes – Standing Policy Committee on Finance – November 7, 2013**

**REPORTS**

**Minute No. 9            Plessis Road Twinning and Grade Separation at CN Rail – Financial  
Status Report No. 4 for the Period Ending September 30, 2013**

**STANDING COMMITTEE DECISION:**

The Standing Policy Committee on Finance concurred in the recommendation of the Winnipeg Public Service and received the financial status report of the Plessis Road Twinning and Grade Separation at CN Rail as information.

**Minutes – Standing Policy Committee on Finance – November 7, 2013**

**DECISION MAKING HISTORY:**

Moved by Acting Deputy Mayor Nordman,

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

Carried

Councillor Wyatt, Transcona Ward, submitted a communication dated October 23, 2013, with respect to the Plessis Road Twinning and Grade Separation at CN Rail.

## ADMINISTRATIVE REPORT

**Title: PLESSIS ROAD TWINNING AND GRADE SEPARATION AT CN RAIL – FINANCIAL STATUS REPORT NO. 4 FOR THE PERIOD ENDING SEPTEMBER 30, 2013**

**Critical Path: STANDING POLICY COMMITTEE ON FINANCE**

### AUTHORIZATION

| Author               | Department Head     | CFO               | CAO             |
|----------------------|---------------------|-------------------|-----------------|
| L. P. Deane, P. Eng. | B.W. Sacher, P.Eng. | P. Olafson, A-CFO | D. Joshi, A-CAO |

### RECOMMENDATIONS

That this financial status of the Plessis Road Twinning and Grade Separation at CN Rail as contained in this report be received as information.

### REASON FOR THE REPORT

Administrative Standard FM-004 requires quarterly reporting to the Standing Policy Committee on Finance.

### IMPLICATIONS OF THE RECOMMENDATIONS

The project completion date identified in the draft Building Canada Fund agreement of March 15, 2015, is not achievable. The project is on budget but costs that are ineligible for federal and provincial funding exceed the additional \$2,000,000 the City of Winnipeg has allocated to this project. It is expected that the City will need to contribute an additional \$5,600,000.

### HISTORY

On November 16, 2011, Council adopted a first charge of \$2 million in 2011 or prior to the adoption of the 2012 Capital Budget to allow for timely award of a Consulting Engineering Assignment to undertake the Preliminary Design Study and to initiate property acquisitions.

On December 13, 2011, Council adopted the 2012 Capital Budget which identified \$77,000,000 for the Plessis Road Twinning and Grade Separation at CN Rail, including contributions from the Building Canada Fund (Federal Government; \$25,000,000) and the Provincial Government (\$25,000,000).

On December 22, 2011, the City submitted the Plessis Road Underpass Project Application to the Government of Canada Infrastructure Funding to the Canada-Manitoba Infrastructure Secretariat.

On January 12, 2012, the City notified the rail authority of the application to the Building Canada Fund and requested that discussions commence as soon as possible. On July 16, 2012, the rail authority requested a proposal from the City demonstrating the need for a grade separation structure and substantiating that an underpass as opposed to an overpass is warranted. On May 31, 2013, the City of Winnipeg submitted the Plessis Road Underpass Project: Cost Apportionment Proposal to the rail authority as a starting point for negotiations pursuant to Canadian Transportation Agency guidelines. Since submitting the cost apportionment proposal, the rail authority has instructed the City and our contractors to vacate their property on two occasions. Negotiations are ongoing, however CN has not made themselves available to meet with the City since August 29, 2013. Once negotiations are final, a report will be submitted to Council for approval to increase the capital project budget.

On January 24, 2012, Professional Consulting Services were awarded to AECOM Canada Ltd. for a preliminary land drainage study which was completed on May 4, 2012.

On June 18, 2012, the City was advised that the Government of Canada has identified the Plessis Road Underpass Project as a priority for funding consideration under the Building Canada Fund – Major Infrastructure Component. Under the program, the Government of Canada will consider an investment of up to one-third of the project's total eligible costs, to a maximum contribution of \$25,000,000, conditional upon the completion of a federal project review, fulfilling environmental and Aboriginal consultation requirements, and signing contribution agreements, amongst others.

On July 11, 2012, Professional Consulting Services were awarded to AECOM Canada Ltd. for Project Planning and Preliminary Design. Fees for future services (Detailed Design, Contract Administration and Post Construction Services) will be negotiated at key stages. Future services cannot commence until authorization is provided by the City. Fees for Detailed Design and Contract 1 Contract Administration were negotiated with the Director of Public Works on June 25, 2013; AECOM Canada Ltd. was authorized to proceed with these works on July 12, 2013, following approval of the Chief Administrative Officer.

On July 17, 2012, Manitoba Conservation and Water Stewardship confirmed this project will not require environmental assessment and licensing pursuant to the Environment Act.

On July 20, 2012, the Plessis Road Underpass Project Business Case was submitted to Transport Canada for federal project review.

On October 9, 2012, the Aboriginal Consultation Form was submitted to the Province of Manitoba recommending that consultation is not required as the Project does not adversely affect an Aboriginal treaty right.

On October 9, 2012, owner controlled Professional and Pollution Liability Insurance coverage were put in place.

On October 12, 2012, the Preliminary Environmental Review form was submitted to Transport Canada who will assess federal environmental assessment requirements. On May 1, 2013, Transport Canada confirmed that no further information is required.

On November 15, 2012, Professional Consulting Services were awarded for Third Party Contract Administration (Advisory and Public Participation Services) to MMM Group Limited.

In December 2012, the existing sewers were cleaned and televised where required. The tapes will be reviewed to identify and address any deterioration prior to construction.

On December 19, 2012, Transport Canada advised Mayor Katz of approval-in-principle of funding for the Plessis Road Underpass Project. The draft contribution agreement was received on April 16, 2013; negotiations are ongoing.

On February 12 and 13, 2013, a value engineering session was attended by subject matter experts and stakeholders. The purpose of the session was to ensure the City of Winnipeg is receiving value for our budget by identifying cost saving, risk reduction and schedule improvement opportunities.

On February 28 and June 19, 2013, Public Open Houses were held. Corporate Support Services provided translation services for the newsletter, advertisements and story boards.

On April 15, 2013, a letter of intent was submitted to the rail authority for the supply of safety flagging and track materials as well as the protection, design and relocation of their signals and fibre optics.

On April 16, 2013, the draft contribution agreement was received from the Government of Manitoba; negotiations are ongoing.

On May 7, 2013, approval-in-principle was received from the rail authority to construct water pipeline crossings subject to submitting evidence of insurance, signing and returning the crossing agreements and paying the associated fees. Final approval to proceed with the work was received from the rail authority on July 9, 2013.

On May 24, 2013, the City of Winnipeg signed and returned an oil authority Letter of Intent confirming both parties' mutual interest in proceeding with relocating their pipeline to accommodate the underpass. The Letter of Intent obligates the City of Winnipeg to pay for the oil authority's design work and both parties to prepare and negotiate an agreement within 60 days. The oil authority will prepare the initial draft agreement which, once executed, will supersede the Letter of Intent. The initial draft agreement has not been received. On July 8, 2013, the oil authority indicated that due to their capital project process they cannot continue to administer the design and relocation of their pipeline. The oil authority indicated that the City of Winnipeg will need to procure a design consultant and construction contractor to proceed with these works. On September 9 and 16, 2013, the oil authorities confirmed URS is an acceptable engineering firm to prepare the designs related to their plant relocations; AECOM Canada Ltd. will engage URS as a subconsultant.

On May 28, 2013, a settlement data sheet approving the temporary easement at Big Freight Systems Inc. was completed.

On May 29, 2013, Council passed expropriation by-law 56/2013 and made the corresponding Declaration of Expropriation. Notices of Intended Expropriation were submitted to the Winnipeg Land Titles Office and owners and encumbrancers. Two objections to the intended expropriations were received; however, one has been withdrawn and the other was removed in an Amended Declaration of Expropriation. A hearing before the Inquiry Officer is not required.

On May 29, 2013, Council concurred with the Executive Policy Committee's recommendation that the Chief Administrative Officer be delegated the authority to award construction contracts exceeding \$10,000,000.00, including multi-year contracts not exceeding 5 years, associated with the Plessis Road Twinning and Grade Separation at CN Rail Project, within the Council approved budget.

On June 3, 2013, the City of Winnipeg engaged River East Transcona School Division to provide additional crossing guards at Bernie Wolfe Community School during construction.

On June 11, 2013, the acquisitions of 1168 and 1172 Plessis Road were approved by Standing Committee.

On June 13, 2013, the City of Winnipeg engaged Intergraphics Decal Ltd. to fabricate infrastructure signage for the project.

On June 14, 2013, Hy-Way Construction Inc. was awarded Contract 1: Rail Shoofly Grade Preparation and Miscellaneous Wastewater Sewer, Watermain and Land Drainage Works (Bid Opportunity No. 342-2013).

On June 25, 2013, a Request for Service was sent to the Traffic Signals Branch for the design, supply and installation of traffic signals.

On June 27, 2013, Contract 2: Shoofly Track Installation and Permanent Track Construction (Bid Opportunity No. 539-2013) was advertised on the Materials Management website. On July 19, 2013, Materials Management indicated that no bids were received. On October 2, 2013, the Chief Operating Officer approved the Single Source Negotiation and Award to Cando Contracting Ltd.

On June 28, 2013, detailed design drawings were submitted to the rail authority for comment. Feedback has not been received.

On July 9, 2013, the rail authority confirmed they cannot supply track materials. The supply of the majority of these materials has been included in Contract 2; the remainder is anticipated to be included in Contract 3.

On July 15, 2013, Enter and Construct agreements were executed with Fresh Water Fish Marketing Corporation and the rail authority.

On July 15, 2013, the rail authority indicated they do not have the available staff to supply safety flagging and the City would need to procure these services. In the interim works in the rail authority's right of way could not commence. The City's contractor has been supplying a safely flagger since July 29, 2013.

On July 16, 2013, the temporary construction easement was executed with Big Freight Systems Inc.

On July 17, 2013, Council approved the land exchange for the temporary easement with East Side Self Storage.

On July 28, 2013, Plessis Road was closed between Dugald Road and Kernaghan Avenue and is expected to open in December, 2014.

On August 7, 2013, the City requested that the Federal Government consider costs incurred prior to approval-in-principle, contracts signed prior to approval-in-principle, and services delivered by employees of the City as eligible costs. On August 27, 2013, the Federal Government confirmed that services delivered by employees of the City are eligible, however any cost incurred and/or contract awarded prior to the approval-in-principal date of December 19, 2012 is not eligible for reimbursement by Canada.

### **MAJOR CAPITAL PROJECT STEERING COMMITTEE**

Administrative Standard for projects with capital cost exceeding \$10 million requires formation of Major Capital Project Steering Committee. The Committee members include:

Brad Sacher, Director of Public Works  
Diane Sacher, Director of Water and Waste  
Dave Wardrop, Director of Transit  
Jason Ruby, Manager of Capital Projects  
Blake Kibbins, Streets Project Engineer

### **PROJECT STATUS**

The project is on budget but costs that are ineligible for federal and provincial funding exceed the additional \$2,000,000 the City of Winnipeg has allocated to this project.

### **DESCRIPTION OF PROJECT**

The existing at-grade crossing of Plessis Road at the CNR Redditt Subdivision will be replaced with an underpass grade separation structure, including earth retaining structures, to provide improvements in road safety, mobility, and sustainability. The underpass will be designed to accommodate four through lanes and auxiliary lanes where warranted. The pavement and bridge structure will support the addition of two through lanes in the future without modification to the bridge structure, retaining structures or embankment slopes.

Geometric and capacity improvements at the intersection of Plessis Road and Dugald Road are required. Plessis Road will be reconstructed between Pandora Avenue and Dugald Road. This section of Plessis Road is part of the City of Winnipeg Strategic Road Network as identified in the Winnipeg Transportation Master Plan and will be widened to four lanes.

Connections to the existing pedestrian and active transportation facilities on Pandora Avenue and Dugald Road will be provided on Plessis Road.

Provision of an underpass pumping facility is required.

Construction of the underpass will require the relocation of several utilities, including but not limited to water mains, sewers, fibre optic cables, gas mains, distribution poles, street lights and Manitoba Telecom Services plant.

Imperial Oil Limited and Shell Canada have pipelines and a valve station in the vicinity of the proposed underpass. The pipelines will need to be relocated or lowered.

A temporary rail detour will be required to direct rail traffic around the bridge construction. Disruption to rail operations during construction will be minimized.

**PROJECT SCHEDULE**

Professional Service Contracts pending and awarded as of the date of this report are as follows:

| <b>Bid Opportunity</b> | <b>Awarded To</b> | <b>Description</b>                          | <b>Award / Authorization Date</b> | <b>Completion Date</b> | <b>Award Value</b> |
|------------------------|-------------------|---|-----------------------------------|------------------------|--------------------|
| Direct Assign          | AECOM Canada Ltd. | Preliminary Land Drainage Study             | January 24, 2012                  | May 4, 2012            | \$65,985.00        |
| 142-2012               | AECOM Canada Ltd. | Planning and Preliminary Design Services    | July 11, 2012                     | On-going               | \$1,114,282.00     |
| 518-2012               | MMM Group Limited | Third Party Contract Administration         | November 15, 2012                 | On-going               | \$469,307.00       |
| 142-2012               | AECOM Canada Ltd. | Detailed Design Services                    | July 12, 2013                     | On-going               | \$2,682,642.00     |
| 142-2012               | AECOM Canada Ltd. | Contract 1 Contract Administration Services | July 12, 2013                     | On-going               | \$389,001.00       |

Construction Contracts pending and awarded as of the date of this report are as follows:

| <b>Bid Opportunity</b> | <b>Awarded To</b>        | <b>Description</b>                                      | <b>Award Date</b> | <b>Completion Date</b> | <b>Award Value</b> |
|------------------------|--------------------------|---|-------------------|------------------------|--------------------|
| 342-2013               | Hy-Way Construction Inc. | Contract 1: Rail Shoofly Embankment and Water Utilities | June 14, 2013     | On-going               | \$2,059,412.00     |
| 539-2013B              | Cando Contracting Ltd.   | Contract 2: Track Installation                          | October 4, 2013   | On-going               | \$6,892,352.84     |

## **RISKS AND RISK MITIGATION STRATEGIES**

In accordance with Administrative Standard FM-004, the design consultant is responsible for developing a Risk Management Plan identifying risks and appropriate mitigation strategies as they relate to the successful completion of the project. Tools developed by the City of Winnipeg Audit Department were employed and the following risks have been identified:

### Schedule

- The proposed 2014 completion date is aggressive. The bridge is expected to be operational in Fall 2014, and one direction of Plessis Road is expected to be opened to two-way traffic before the end of 2014

### Costs

- The additional \$2,000,000 the City of Winnipeg is contributing to this project is not sufficient to cover ineligible costs identified by the Building Canada Fund, including:
  - Overheads and Other - costs incurred prior to federal approval-in-principle (owner controlled insurance coverage and sewer televising; \$400,000); overhead and administration expenditures (\$2,200,000)
  - Any and all expenditures related to contracts signed prior to federal approval-in-principle (Professional Service Contracts; \$1,650,000)
  - Expenditures incurred after the project completion date (outstanding works beneath structure, outstanding landscaping, associated professional services; \$3,500,000)
  - The cost of purchasing land and associated fees (\$2,650,000)
  - **Total estimate of potential ineligible costs (\$10,400,000).**
  - **The City's contribution to the project is anticipated to be \$32,600,000 rather than \$27,000,000.**

|                        |                   |
|------------------------|-------------------|
| Total Projected Costs  | 77,000,000        |
| Less: Ineligible Costs | <u>10,400,000</u> |
| Total Eligible Costs   | <u>66,600,000</u> |

|  |                          |
|--|--------------------------|
| Provincial Funding (1/3 of eligible costs) | 22,200,000               |
| Federal Funding (1/3 of eligible costs)    | 22,200,000               |
| <b>Required City Funding</b>               | <b><u>32,600,000</u></b> |
| Total Project Budget                       | <u>77,000,000</u>        |

- Similar to the 2010 Infrastructure Stimulus Fund AT Program, consideration will be requested of Federal and Provincial funding partners for an extension to the project completion date.
- Any additional City funding required will be addressed once agreements with Federal and Provincial funding partners are finalized.

### Rail

- Agreement negotiations are ongoing and need to be finalized as soon as possible
- Construction of the rail shoofly embankment (Contract 1) cannot be completed until the rail authority completes the relocation of their communication lines. The embankment construction must be complete prior to freezing conditions
- Installation of the shoofly track (Contract 2) cannot commence until the shoofly embankment is complete
- Installation of the shoofly track (Contract 2) cannot be completed until the rail authority confirms the availability and duration of track blocks
- The rail authority's signals need to be relocated before the shoofly can be put into service
- Contract 3 (structures, roadworks, pump station and landscaping) cannot be advertised until the rail authority approves the detailed design



### Oil Pipelines

- The pipelines are shallow where they cross the tracks and need to be lowered before the shoofly can be put into service
- The pipeline is shallow north of the proposed structure and must be relocated. The pipeline easement is located in properties that cannot be expropriated
- These relocations are behind schedule due to difficulties engaging a design team acceptable to the oil authorities

### Property Acquisitions

- Access to all properties associated with 2013 works has been received
- There are four outstanding property requirements for 2014 works, two of which cannot be expropriated, including the oil pipeline easement and negotiations are not progressing

### Groundwater

- Groundwater elevation has been identified as a concern for the lift station construction (Contract 3). The successful bidder will be required to provide evidence of similar experience and a shoring and dewatering plan prior to commencing construction
- A groundwater user suggested construction activities have impacted the groundwater quality but will not provide evidence. The City has indicated it will deny any compensation until evidence is provided. The City is implementing a groundwater monitoring program

## **FINANCIAL ANALYSIS**

### **Project Funding**

The approved capital and projected budget surplus/deficit are as follows:

| <b>Year</b> | <b>Capital Program<br/>(in 000's)</b> | <b>Actual + Projected<br/>Cashflows</b> | <b>Cumulative Capital<br/>Budget Remaining</b> |
|-------------|---------------------------------------|---|--|
| 2012        | \$77,000 <sup>1,2,3</sup>             | \$ 957                                  | \$76,043                                       |
| 2013        |                                       | 12,822                                  | 63,221   |
| 2014        |                                       | 59,721                                  | 3,500  |
| 2015        |                                       | 3,500                                   | NIL  |
| Total       | \$77,000                              | \$77,000                                |  |

(1) Includes Building Canada Fund (Federal Government) funding of up to \$25,000,000

(2) Includes Provincial Government funding of up to \$25,000,000

(3) On November 16, 2011 Council adopted a first charge of \$2 million in 2011 or prior to the adoption of the 2012 Capital Budget to allow for timely award of a Consulting Engineering Assignment to undertake the Preliminary Design Study and to initiate property acquisitions

### **Financial Analysis**

A summary of the budget to forecast comparison is contained in the Appendix. The comparison does not differentiate between costs that may be eligible or ineligible for Federal and Provincial funding which will be clarified once the agreements have been finalized.

## FINANCIAL IMPACT

**Financial Impact Statement**

**Date:**

**October 17, 2013**

**PLESSIS ROAD TWINNING AND GRADE SEPARATION AT CN RAIL – FINANCIAL  
STATUS REPORT NO. 4 FOR THE PERIOD ENDING SEPTEMBER 30, 2013**

**COMMENTS:**

As this report is submitted for information purposes only, there is no financial impact associated with this recommendation.

The current forecast expenditures for this project continue to identify that the project will be completed within the \$77 million capital budget adopted by Council. However, the report identifies under the Risks and Risk Mitigation Strategies that estimated ineligible costs will total \$10.4 million. This amount will increase the city's required funding to \$32.6 million, an increase of \$5.6 million to the previously approved \$27 million.

*"Original Signed by D. Stewart, CA"*

D. Stewart, CA

Manager of Finance & Administration

## CONSULTATION

**In preparing this report there was consultation with:** N/A

## SUBMITTED BY

Department: Public Works

Division: Engineering

Prepared by: B.S. Kibbins, P. Eng.

Processed by: J. Curti

Date: October 24, 2013

File No. 12-G-02

Filename: L:\Admin\Reports 2013\B Kibbins\February\Plessis Underpass Financial Status Report #2 Feb 6 13.doc

Attachment: Appendix: Financial Analysis - Plessis Road Twinning and Grade Separation at CN Rail

**APPENDIX**  
**PLESSIS ROAD TWINNING AND GRADE SEPARATION AT CN RAIL**  
As of September 30, 2013

| Project Component              | Capital Budget |                               |              | Capital Expenditures Forecast |                      |              |             | Surplus<br>(Deficit) | Variance Last<br>Report | Change in<br>Variance |                           |
|--------------------------------|----------------|-------------------------------|--------------|-------------------------------|----------------------|--------------|-------------|----------------------|-------------------------|-----------------------|---------------------------|
|                                | Original       | Council<br>Approved<br>Change | Revised      | Actual Costs                  |                      |              | Total       |                      |                         |                       |                           |
|                                |                |                               |              | To<br>September<br>30, 2013   | Remainder<br>of 2013 | 2014         | 2015        | Forecast             |                         |                       | From<br>Revised<br>Budget |
| <b>A Professional Services</b> | \$10,000,000   |                               | \$10,000,000 | \$3,363,096                   | \$2,159,061          | \$2,996,124  | \$521,719   | \$9,040,000          | \$960,000               | \$1,250,000           | (\$290,000)               |
| <b>B Construction Work</b>     | 43,500,000     |                               | 43,500,000   | 374,456                       | \$1,994,544          | 47,087,719   | 2,778,281   | 52,235,000           | (8,735,000)             | (6,818,000)           | (\$1,917,000)             |
| <b>C Rail and Utility</b>      | 15,000,000     |                               | 15,000,000   | 55,307                        | 2,060,696            | 8,108,997    | 100,000     | 10,325,000           | 4,675,000               | 2,318,000             | \$2,357,000               |
| <b>D Property</b>              | 5,000,000      |                               | 5,000,000    | 620,355                       | 1,729,645            | 300,000      |             | 2,650,000            | 2,350,000               | 2,350,000             | \$0                       |
| <b>E Overheads and Other</b>   | 3,500,000      |                               | 3,500,000    | 663,958                       | 758,041              | 1,228,001    | 100,000     | 2,750,000            | 750,000                 | 900,000               | (\$150,000)               |
|                                | \$77,000,000   | \$0                           | \$77,000,000 | \$5,077,172                   | \$8,701,987          | \$59,720,841 | \$3,500,000 | \$77,000,000         | \$0                     | \$0                   | \$0                       |

**Notes:**

The risk of exceeding the project budget due to the increased construction work forecast has been mitigated by identifying cost reduction opportunities in other project components.