

Minutes - Standing Policy Committee on Finance - November 26, 2015

REPORTS

Item No. 3 Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass – Financial Status Report No. 4 for the Period Ending September 30, 2015

STANDING COMMITTEE DECISION:

The Standing Policy Committee on Finance concurred in the recommendation of the Winnipeg Public Service, and received as information the financial status of the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass project (“the Project”), as contained in the report.

Minutes - Standing Policy Committee on Finance - November 26, 2015

DECISION MAKING HISTORY:

Moved by Councillor Gillingham,

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

Carried

ADMINISTRATIVE REPORT

Title: *Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass – Financial Status Report No. 4 for the Period Ending September 30, 2015*

Critical Path: Standing Policy Committee on Finance

AUTHORIZATION

Author	Department Head	CFO	CAO/COO
S. Payne	D. Wardrop	P. Olafson	M. Jack COO

RECOMMENDATIONS

That the financial status of the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass project (“the Project”), as contained in the report, be received as information.

REASON FOR THE REPORT

Administrative Standard No. FM-004 requires quarterly reporting to the Standing Policy Committee on Finance.

EXECUTIVE SUMMARY

The Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Private-Public Partnership Project (P3) is comprised of significant infrastructure components in the southwest quadrant of the city including: the completion of Stage 2 of the Southwest Transitway, the addition of active transportation infrastructure, the renewal and expansion of the Pembina Underpass, and connections to the University of Manitoba and Investors Group Field.

The project will help accommodate anticipated population growth in southwest Winnipeg that is expected to lead to an estimated 40 percent traffic increase on Pembina Highway by 2030. Once completed, the project improvements, which are consistent with the Council-approved Transportation Master Plan (2011), will allow for transportation options (buses, active transportation, cars, and trucks) to operate in a more sustainable and integrated manner. These benefits will begin upon project completion and last well into the future.

IMPLICATIONS OF THE RECOMMENDATIONS

None

HISTORY

In October 2004, the Mayor appointed the Rapid Transit Task Force. It commenced its work in December 2004 and completed its final report in September 2005.

On February 22, 2006, Council adopted an administrative report entitled "*Implementation Plan for Rapid Transit Task Force Recommendations*" which outlined a transit improvement plan to be implemented over subsequent years. This plan included the completion of design work for Stage 1 of the Southwest Rapid Transit Corridor.

On October 22, 2008, Council adopted the plan for the Southwest Rapid Transit Corridor – Stage 1 in the amount of \$138,000,000 which was commissioned in April 2012.

On November 16, 2011, Council adopted the Transportation Master Plan, which includes the provision for the expansion of the Pembina Highway Underpass and five new transit corridors, the first being the southwest corridor.

On December 14, 2012, preliminary design for the Pembina Highway Underpass was completed.

On March 20, 2012, Council approved an amendment to the Transportation Master Plan which identifies Alignment 1B (through the Parker Lands and the Manitoba Hydro corridor) as the preferred alignment.

On June 25, 2014, Council approved the report submitted by the Transit Department entitled Capital Integration Project – Southwest Transitway (Stage 2) and Pembina Highway Underpass in which:

- A 2014 capital project was approved in the amount of \$590 million, subject to confirmation of federal and provincial funding.
- The Project was authorized to proceed based on a Design-Build-Finance-(Operate)-Maintain (DBF(O)M) Public-Private Partnership delivery model.
- The Chief Administrative Officer was authorized to approve, issue and award the Request for Qualifications and the Request for Proposals for the Project.

The Project has a total budget of \$590 million with funding being provided by all three levels of government. A portion of the funding will be financed through the private partner and paid back over 30 years. Annual service payments are expected to commence in 2020 for both the financing and maintenance of the project.

On July 15, 2015, Council approved additional borrowing authority of up to \$112 million to ensure sufficient funds are available at substantial completion to make the required payments.

On October 28, 2015, Council approved the report submitted by the Transit Department entitled Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass – Project Authority in which:

- The City of Winnipeg enter into agreements with the University of Manitoba, Triple B Stadium Inc. and the Winnipeg Football for the implementation of proposed works related to the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass project, and
- The authority be delegated to the CAO to negotiate and approve the terms and conditions of the agreements.

MAJOR CAPITAL PROJECT STEERING COMMITTEE

Administrative policy for projects with capital costs exceeding \$20 million requires formation of a Major Capital Project Steering Committee. This threshold was approved by Council on October 28, 2015. Any project reporting to SPC Finance under the previous \$10 million threshold will continue to report. The Committee has been formed and its members are:

Chief Financial Officer
Chief Operating Officer
Director of Public Works
Director of Planning, Property and Development
Director of Transit
Manager of Capital Projects, Corporate Finance
Project Manager, Transit

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

OVERALL PROJECT STATUS

The project is within budget and on time.

DESCRIPTION OF PROJECT

Southwest Transitway Stage 2 – Project Overview

Stage 2 of the Southwest Transitway (SWT) will be a dedicated corridor that will extend from Pembina Highway and Jubilee Avenue to the University of Manitoba and to Markham Road. The alignment of Stage 2 will extend westward through the Parker Lands, then southeast along a Manitoba Hydro right-of-way, crossing McGillivray, Clarence Avenue and Chevrier Boulevard before passing under the CN Letellier subdivision. The transitway will then run parallel to the CN railway as it crosses Bishop Grandin Boulevard and Chancellor Drive. An access to Southpark Drive will allow some routes to enter the University of Manitoba/Investors Group Field via the Southwood Lands. The transitway will extend as far south as Markham Road, where routes serving Waverley West, Fort Richmond, Richmond West and St. Norbert will enter/exit the transitway.

In addition to nine new Rapid Transit stations, the Project is proposed to include the following new transitway grade separations:

- an overpass of Pembina Highway
- an underpass of the CN Letellier Subdivision rail lines near Jubilee Avenue
- an overpass of McGillivray Boulevard
- a tunnel beneath the CN Letellier Subdivision south of Chevrier Boulevard
- an overpass of Bishop Grandin Boulevard

To make way for the construction of the Transitway, the existing CN rail bridge over Bishop Grandin Boulevard will be relocated west of its current location. Furthermore, track relocations of the CN Letellier Subdivision and CN Rivers Subdivision will be necessary in the vicinity of Jubilee Avenue. Relocation of the CN Letellier Subdivision track 5.6 metres to the west, between Plaza Drive and Markham Road., is also required to construct the Transitway alignment. Reconstruction of the track bed, upgraded rail, ties, and ballast, and construction of a noise attenuation wall on the west side of the CN Letellier Subdivision south of Bishop Grandin Boulevard are expected to reduce railway noise and vibrations below existing levels for adjacent residents.

Pembina Highway Underpass Widening – Project Overview

Combined with the construction of the Transitway will be the widening of the Pembina Highway underpass which will include the following roadway improvements: addition of third northbound traffic lane to allow for three lanes in each direction; increased lane width; improved left turn lane; and the construction of bicycle and pedestrian facilities on both sides of Pembina Highway through the Pembina Highway underpass.

To accommodate the widening of the Pembina Highway underpass, associated railway works will include the relocation of the existing CN rail bridge over Pembina Highway and track relocation on the CN Letellier Subdivision and the CN Rivers Subdivision near Jubilee Avenue.

Project Re-Scoping Price Adjustment

To ensure the City is able to maintain the annual service payments to the P3 proponent at \$22.05 million or less, a re-scoping price adjustment will be introduced into the Request for Proposal. The re-scoping price adjustment will be a mechanism to delete certain items from the project scope in a pre-determined order so that proponents can bid to them in advance. Therefore, if bids received result in an annual payment in excess of \$22.05 million the re-scoping price adjustment will be utilized to remove items from the bids of each of the proponents and the pricing adjusted.

PROJECT SCHEDULE

Project Timeline

Construction is proposed to begin in summer of 2016 and conclude in late 2019. The Transitway would then be introduced into service in early 2020, following a brief period of commissioning and training.

In September 2013, under Bid Opportunity 685-2013, a contract for \$1,894,000 was awarded to Dillon Consulting Limited for Phase I (Functional Design) and Phase II (P3 Business Case and VFM Analysis) services. Phase I and Phase II of this contract award were paid out of a previous capital project budget and are not part of the costs of this project. In July 2014, a contract for \$2,380,000 was awarded to Dillon Consulting for Phase III (Procurement), which commenced the development of the Request for Qualification and continues until the end of the Request for Proposals period.

In August 2014, under Request for Proposal 471-2014, a contract for \$67,500 (\$72,900 including PST) was awarded to P1 Consulting Inc. to serve as a Fairness Advisor for the project. A fairness monitor has been appointed to ensure that the procurement process is conducted with openness, transparency, integrity and accountability. This is also a requirement of The Public-Private Partnerships Transparency and Accountability Act.

In September 2014, the Request for Qualification was released with responses received in November 2014.

In October 2014, under Request for Proposal 601-2014, a contract for \$301,784 was awarded to Blake, Cassels & Graydon LLP for legal advisory services.

In October 2014, under Materials Management Reference 981-2014, a contract for \$200,000 was awarded to Manitoba Hydro for consulting services related to an environmental assessment for the Manitoba Hydro early works.

In January 2015, Council approved an increased sole source delegation of authority to Manitoba Hydro for the Manitoba Hydro Early Works of up to \$7.25 million. In January and February 2015, the Chief Financial Officer approved award of contracts of \$300,000 and up to \$6,750,000 million respectively. In 2015, two separate of agreements were entered into with Manitoba Hydro a total of \$6,755,000 leaving \$495,000 authorized for award but not yet included as part of an agreement with Manitoba Hydro.

In February 2015, three shortlisted proponents from the Request for Qualification were approved by the Chief Administrative Officer. The following three shortlisted proponents will be responding to the Request for Proposal (RFP) that was issued on July 17, 2015;

- Red River Infrastructure Group
- WinnCity Transportation Partners
- Plenary Roads Winnipeg

On July 17, 2015, the CAO approved the release of RFP 201-2014B to the three shortlisted pre-qualified parties. The RFP open period will be approximately six months, with an award to the successful proponent expected in mid 2016.

Expropriation hearings to acquire the necessary project lands were held between August 4, 2015 and September 4, 2015. The final report from the Inquiry Officer is expected on November 16, 2015.

RISK AND MITIGATION STRATEGIES

Manitoba Hydro needs to ensure their work on the relocated Hydro transmission towers is complete before June 2016 to allow construction by the successful proponent to begin on time.

The City and Manitoba Hydro have completed an agreement for Hydro to design and construct the new Hydro Transmission towers as early works.

In addition, construction agreements with Manitoba Hydro and CN have been executed. The land negotiations between the City, CN, University of Manitoba and Manitoba Hydro are on schedule. Additional private land requirements were discussed as part of the expropriation hearings in 2015.

In April 2014, the City made application for, and received, an Environmental Act License for the Project, from the Province of Manitoba. In April 2015, the Province requested, as part of the appeals process for the Environmental Act License, that the City provide additional information and their drainage management plan for the project effects on the Parker Lands. On June 18, 2015, the City reported back to the Environmental Approvals Office with the requested information.

Delays in receiving the Provincial funding details delayed the RFP release; this may result in additional schedule risks to the project completion date.

Also, due to a 30 day delay in receiving the Expropriation hearings, Inquiry Officer's report, the timeline to submit the final expropriation report to Council and make any necessary changes to the RFP, if required, will be challenging.

PROJECT FUNDING

On February 9, 2015, the Federal Government through PPP Canada, announced its commitment to the project in the amount of \$137.3 million to be provided at substantial completion.

Provincial funding of \$225 million was originally announced in 2014, the details regarding the timing and method of this funding was agreed upon by both parties on July 9, 2015. The Province will provide a combination of \$18 million toward upfront costs, \$95 million at substantial completion, and \$112 million post construction.

On July 15, 2015, Council approved additional borrowing authority of up to \$112 million to ensure sufficient funds are available at substantial completion to make required payments to the P3 Proponent. This additional borrowing authority is part of an agreement with the Province of Manitoba to bridge the Province's financial contribution to the project. The interest costs associated with the additional borrowing authority will be fully funded by the Province of Manitoba.

On March 23, 2015, Council approved \$31 million of interim financing. The project currently has a total of \$10.55 million in cash, contributed from the Southwest Rapid Transit Corridor Reserve and the Province of Manitoba.

Combined with the \$31 million of interim financing, sufficient authority exists to fund the upfront costs estimated at \$41.5 million.

PROJECT DETAIL

Total contracts awarded including all change orders and excluding applicable taxes to September 30, 2015.

Sub-Project	Description	Contract Awards to Date	Estimated Completion Date	Total Contract Amount
1	Technical & Procurement Advisor	Dillon Consulting Limited	March 2016	\$2,617,870
2	Fairness Monitor	P1 Consulting Inc.	March 2016	\$67,500
3	Legal Advisor	Blakes, Cassels, Graydon LLP	March 2016	\$740,624
4	Environmental Act Licence	Manitoba Hydro	December 2015	\$200,000
5	Hydro Early Works Geotechnical Studies & Design Work	Manitoba Hydro	January 2015	\$300,000
6	Hydro Early Works Construction	Manitoba Hydro	February 2016	\$6,255,000
7	Capital Markets Advisor	JCRA Financial LLC	March 2016	\$314,799
	Total Issued Contract Value			\$10,495,793

FINANCIAL ANALYSIS

Project Component	Budget	Value/Cost Estimate	Variance Budget to Contract Value/Cost Estimate	Change in Variance from Last Report
Upfront Costs				
Professional Services	\$13,000,000	\$11,306,366	(\$1,693,634)	-
Property and Utilities	23,000,000	23,000,000	-	-
Other	5,500,000	7,193,634	1,693,634	-
Total *	\$41,500,000	\$41,500,000	-	-

- * In addition, cash payments of \$225 million from the Province of Manitoba and \$137.3 million from the federal government will be made. The rest of the consideration towards project capital will be made by the City as \$4.2 million of cash and \$220.8 million of debt to be assumed by the City. The total stated value of the project is \$587.3 million which includes the upfront costs of \$41.5 million. This is down from the previously budgeted amount of \$590 million due to the amount of the federal contribution being slightly less than the \$140 million budgeted.
- * 'Other' costs have been updated to include interim financing costs. This adjustment can be accommodated by reducing the budget for Professional Services with no overall change to the project budget.

Summary

Contracts Issued to Date	\$10,495,793
Unawarded Amounts:	\$31,004,207
Budget for Upfront Costs:	\$41,500,000
Budget for Operating Period Payments:	\$22,050,000

Note: Operating Period Payments are in place for 30 years and will be determined through the RFP Process. A component of the operating period payment is subject to annual inflation.

FUNDING SOURCES

Cost Estimates are in \$ millions	2015	2016	2017	2018	2019	2020 and Beyond	Total
Federal Government (all cash)							
- PPP Canada, Completion Payment					\$ 137.3		\$ 137.3
Province of Manitoba							
- Upfront Cost & Project Payments	\$ 8.9	\$ 4.1	\$ 1.6	\$ 1.6	\$ 99.3	\$ 109.5	\$ 225.0
City of Winnipeg							
- Cash to Project	\$ 4.2						\$ 4.2
- Interim Financing	\$ 8.6	\$ 7.1	\$ 1.0	\$ 1.0	\$ 90.9	-\$ 108.6	\$ -
- Debt to P3 Proponent					\$ 220.8		\$ 220.8
Total Estimated Project Costs							\$ 587.3

- * P3 Lease Payment for 2020 is estimated to be \$22.05 million, with the City share of \$19.7 million.
- * On July 15, 2015 Council approved additional borrowing authority of up to \$112 million.
- * Operation and Maintenance P3 Payments increase with inflation.
- * Province expected to cost share 50% of Transit related Operation and Maintenance P3 payments. P3 lease payments are for 30 years.

The project cash flow is included in Appendix 1.

FINANCIAL IMPACT

Financial Impact Statement

Date: November 18, 2015

Project Name:

Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass -
Financial Status Report No. 4 For the Period Ending September 30, 2015

Comments:

There is no financial impact as this report is for information only.

Original signed by:

Tanis Yanchishyn, CPA, CA
Manager of Finance & Administration

CONSULTATION

In preparing this Report there was consultation with:

None

OURWINNIPEG POLICY ALIGNMENT

The Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass project is in accordance with Our Winnipeg, section 02-2, Environment that states: "Our environment is the foundation for our economic and social health, and collectively, we need to continue to take responsibility for it. Our actions should contribute to the protection of the natural environment locally, regionally and globally, both for our own well-being and for future generations.

Direction - Reduce the environmental impact of our activities, through strategies such as planning for sustainable energy use and greenhouse gas reduction.

SUBMITTED BY

Department:	Transit
Division:	Major Projects
Prepared by:	Scott Payne, Manager of Major Projects
Date:	November 18, 2015
File No.	

Appendix I

SOUTHWEST RAPID TRANSITWAY (STAGE 2) & PEMBINA HIGHWAY UNDERPASS
TRANSIT DEPARTMENT
As of September 30, 2015

Project Component	Capital Budget	Capital Expenditure Forecast									Surplus (Deficit)	Variance Last Report	Change in Variance	
		Actual Costs		Forecast						Total				
		Original	To Sept 30 2015	2015	2016	2017	2018	2019	2020	2021 to End of Contract				Forecast
UPFRONT COSTS														
PROFESSIONAL SERVICES	\$ 13,000,000	\$ 1,472,287	4,073,190	\$ 2,078,932	\$ 1,070,794	\$ 1,042,830	\$ 1,568,333			\$ 11,306,366	1,693,634	1,693,634	(0)	
PROPERTY AND UTILITIES	23,000,000	3,312,945	11,847,936	7,839,119						\$ 23,000,000	-	-	-	
OTHER	5,500,000	274,325	770,462	1,334,220	\$ 1,497,743	\$ 1,538,663	\$ 945,340	\$ 832,881		\$ 7,193,634	(1,693,634)	(1,693,634)	0	
TOTAL UPFRONT COSTS *	\$ 41,500,000	\$ 5,059,557	\$16,691,588	\$ 11,252,271	\$ 2,568,537	\$ 2,581,493	\$ 2,513,673	\$ 832,881		\$ 41,500,000	(0)			
ANNUAL SERVICE PAYMENTS	719,547,000								22,050,000	697,479,000	\$ 719,529,000			

Explanatory Notes

- In addition to the upfront costs, cash payments of \$225 million from the Province of Manitoba and \$137.3 million from the federal government (P3 Canada) will be made. The remainder of the consideration towards project capital will be made by the City as \$4.2 million of cash and \$220.8 million of debt to be assumed by the City. The total stated capital value of the project is \$587.3 million which includes the upfront costs of \$41.5 million. This is down from the previously budgeted amount of \$590 million due to the amount of the federal contribution being slightly less than the \$140 million budgeted.
- Annual service payments on debt for 30 years starting in 2020. The Annual Service Payments will be funded by the City of Winnipeg for the amount related to debt repayment and jointly by the City and Province of Manitoba for the amount related to operation and maintenance. The budget for the Annual Service Payments in 2020 is \$22.05 million for both debt service and operation and maintenance.
- Of the total budget for Annual Service Payments of \$719.5 million, \$495.6 million relates to debt service payments and \$223.9 million relates to operation and maintenance of the corridor over the 30 years.