

Minutes - Standing Policy Committee on Finance - December 1, 2016

REPORTS

Item No. 10 Polo Park Infrastructure Improvements – St. Matthews Avenue, St. James Street, Ellice Avenue–Project # 1803000213– Financial Status Report No. 13 for the Period Ending September 30, 2016

STANDING COMMITTEE DECISION:

The Standing Policy Committee on Finance concurred in the recommendation of the Winnipeg Public Service:

1. That the financial status of the Polo Park Infrastructure Improvements Project, as contained in this report, be received as information.
2. That the Polo Park Infrastructure Improvements Financial Status Report No. 13 be accepted as the final quarterly financial status report for the project.

Minutes – Standing Policy Committee on Finance – December 1, 2016

DECISION MAKING HISTORY:

Moved by Councillor Lukes,

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

Carried

ADMINISTRATIVE REPORT

Title: Polo Park Infrastructure Improvements – St. Matthews Avenue, St. James Street, Ellice Avenue–Project # 1803000213– Financial Status Report No. 13 for the Period Ending September 30, 2016

Critical Path: Standing Policy Committee on Finance

AUTHORIZATION

Author	Department Head	CFO	CAO
B. Neirinck, P.Eng.	L.P. Deane, P. Eng.	M. Ruta	D. McNeil

RECOMMENDATIONS

1. That the financial status of the Polo Park Infrastructure Improvements Project, as contained in this report, be received as information.
2. That the Polo Park Infrastructure Improvements Financial Status Report No. 13 be accepted as the final quarterly financial status report for the project.

REASON FOR THE REPORT

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

EXECUTIVE SUMMARY

Outstanding work, beyond substantial completion, was carried out during the 2016 construction season with Total Performance of the construction contract issued on August 26, 2016. Minor progress has been made on property acquisitions.

The overall project is currently within the revised adopted budget and the major construction contract was completed on schedule. Delay in access to some properties has resulted in some minor work being delayed to warranty period or removed from the current construction contract. Property acquisitions/settlements are ongoing.

The project has reached Total Performance and is virtually complete from a construction perspective with only minor works remaining. At this time, the project is being forecast to be completed within budget and there are no known funding issues. Outstanding activities and unspent monies relate mainly to property acquisitions, which may not be completed for some time. Based on this, the Public Service is recommending that this be the last Quarterly Financial Status report to Standing Policy Committee on Finance.

IMPLICATIONS OF THE RECOMMENDATIONS

This will be the last report on this project to Standing Policy Committee on Finance.

HISTORY / DISCUSSION

On January 29, 2013, Council adopted the 2013 Capital Budget which included an amount of \$30,000,000.00 for the Polo Park Infrastructure Improvement Project.

On June 20, 2013, the Chief Financial Officer approved an award of contract to Morrison Hershfield Ltd. for Professional Consulting Services for the Project Planning and Preliminary Design for the Polo Park Infrastructure Improvements Project – St. Matthews Avenue, St. James Street and Ellice Avenue.

On October 18, 2013, the Director of Public Works approved an award of contract to Dillon Consulting Ltd. for Third Party Contract Administration Services for the Polo Park Infrastructure Improvements – St. Matthews Avenue, St. James Street, and Ellice Avenue.

On December 17, 2013, the 2014 Capital Budget was adopted and included an additional \$10,000,000 in provincial funding under the Manitoba Winnipeg Infrastructure Agreement (MWIA), as announced by the Province of Manitoba on June 12, 2013, to bring the total project funding to \$40,000,000.

On February 19, 2014, the Chief Financial Officer approved an award of contract to Morrison Hershfield Ltd. for professional fees for Detailed Design, Contract Administration and Post Construction for the Polo Park Infrastructure Improvements Project – St. Matthews Avenue, St. James Street and Ellice Avenue.

On February 26, 2014, Council approved the recommendation to initiate expropriation proceedings to acquire the land interests for the properties east of St. James Street, which are required for the Polo Park Infrastructure Improvements Project.

On May 20, 2014, Standing Policy Committee on Infrastructure Renewal and Public Works approved the award of contract for construction for Part 1 Work to Borland Construction Inc., in the amount of \$11,622,965.50.

On May 27, 2014, Council approved the recommendation to initiate expropriation proceedings to acquire properties west of St. James Street.

On July 16, 2014, Council approved an increase in the capital budget in the amount of \$4,300,000.00 plus an additional \$1,000,000.00, to include Developer funded obligations, to bring the total project funding to \$45,300,000.

On July 16, 2014, Council approved the award of contract for construction for Part 2 Work to Borland Construction Inc., in the amount of \$7,877,705.00.

On September 24, 2014, Council confirmed the expropriation of lands required for the Project, east of St. James Street.

On March 25, 2015, Council confirmed the expropriation of lands required for the Project, west of St James Street.

Substantial Completion of the major Construction work was achieved on November 23, 2015, when all roadways were opened to traffic.

Total Performance was issued on August 26, 2016 (i.e. construction activities are virtually complete with only some minor works remaining).

MAJOR CAPITAL PROJECT STEERING COMMITTEE

Administrative Standard FM-004 states that the projects with capital cost exceeding \$20 million require formation of 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 appointed with the following members:

Lester Deane, Director, Public Works Department
John Kiernan, Director, Planning, Property and Development Department
Linda Burch, Director, Corporate Support Services*
Jason Ruby, Manager of Finance and Administration, Public Works Department
Bonnie Konzelman, Project Manager, Public Works Department
**with the retirement of Linda Burch, Steve West, Acting Director of Corporate Support Services, has joined the PPII Steering Committee, effective May 2, 2016.*

PROJECT STATUS

Bid Opportunity 210-2014 was advertised on the Materials Management website with a closing date of April 30, 2014. Borland Construction Inc. was the successful contractor and construction was started the week of May 26, 2014. Substantial Completion of the major construction work was achieved on November 23, 2015, when all roadways were opened to traffic. Total Performance was issued on August 26, 2016.

Expropriation proceedings for required properties have been completed and property settlement negotiations are ongoing, with settlements reached on three of fourteen properties. Three properties, under the ownership of Manitoba Hydro, cannot be expropriated. Title has transferred to the City for two of the three Hydro properties. Negotiations are proceeding for acquisition and settlement for the third Hydro property.

Construction costs and property acquisition costs are expected to be within the adopted capital budget for the project. Although property acquisition costs are expected to be within budget, there is a risk that these costs may increase as a result of the expropriation and negotiation process.

Construction work was largely completed in 2014/2015, with some outstanding items completed in 2016. Property acquisitions have had some progress, with most settlements still outstanding on eleven private properties and one property owned by Manitoba Hydro. The construction contract has entered the warranty period, which is 2 years on most works, and 5 years on some localized pavement areas in the vicinity of open trench land drainage sewer.

Since Total Performance for the Construction Contract has been issued, and the project is expected to be within budget, and risks (other than property settlements), have been addressed, the Committee is recommending that the Polo Park Financial Status Report No. 13 be accepted as the final quarterly financial status report for this project.

DESCRIPTION OF THE PROJECT

Project parameters for the Polo Park Infrastructure Improvements within this project, include; the extension of St. Matthews Avenue, from St. James Street to Madison Street; improvements to St. Matthews Avenue, between Empress Street and Route 90 - including related intersection improvements along St. Matthews Avenue; improvements to St. James Street between Maroons Road and Ellice Avenue, and improvements to St. James Street/Ellice Avenue intersection. A brief description of the work includes:

- New and existing pavement/sidewalk infrastructure improvements and related works;
- Additions and improvements to the existing land drainage system;
- Watermain renewals;
- Connections to existing and future active transportation corridors;
- Relocation and/or protection of several utilities, including but not limited to fiber optic cables, gas mains, distribution poles, street lights, MTS, Shaw Cable, and hydro plant;
- Coordination of related City of Winnipeg work with other City of Winnipeg departments (i.e. Water & Waste, Traffic Signals, etc.)

PROJECT SCHEDULE

Construction commenced the week of May 26, 2014 and continued through the 2014/2015 construction seasons, with some outstanding work completed in the 2016 construction season. Borland Construction Inc. was the general contractor. The St. Matthews Avenue extension was open to vehicular traffic in November 2015. Most of the outstanding sidewalk, median and landscape work was completed during the 2016 construction season. Some minor work is left to be completed on St. Matthews Avenue, upon completion of Hydro/MTS utility relocation work in the areas of Kensington Street and Madison Street, as well as modifications to a driveway approach where access to a private property has not yet been granted. Final utility construction works are expected to be completed within the next year with sidewalk patching and minor landscaping to be done during the warranty period.

Property settlement negotiations are ongoing. Expropriation of Lands proceedings have been completed for the properties required for the work and the City has possession of all expropriated lands, except for Hydro properties, which cannot be expropriated. Agreements have been executed with Manitoba Hydro for construction on those lands and negotiations are still in process for settlement of the last Hydro property.

Major Professional Consultant Service Contracts awarded as of the date of this report are as follows (MRST extra as applicable):

Bid Opportunity	Awarded To	Description	Award Date	Completion Date	Award Value
RFP No. 236-2013	Morrison Hershfield Ltd.	Professional Consulting Services – Planning and Preliminary Design	June 21, 2013	February 29, 2014	\$549,000.00
RFP No. 236-2013	Morrison Hershfield Ltd.	Professional Consulting Services – Detail Design & Contract Administration	February 29, 2014	On-going for post-construction services	\$3,091,480.00
RFP No. 599-2013	Dillon Consulting Limited	Professional Consulting Services – Third Party Contract Administrator	October 21, 2013	On-Going for wrap-up activities	\$259,800.00

Major construction contracts awarded as of the date of this report are as follows:

Bid Opportunity	Awarded To	Description	Award Date	Completion Date	Award Value	Revised Contract
Bid Opportunity 210-2014	Borland Construction Inc.	Part 1 Work – 2014 Construction Season	May 20, 2014	November 23, 2015	\$11,622,965.50	\$12,148,238.41
		Part 2 Work – 2015 Construction Season	July 16, 2014	August 26, 2016	\$7,877,705.00	\$8,152,432.09

Major utility contracts authorized as of the date of this report are as follows (taxes extra as applicable):

Shaw Communications – 2014 Works	\$663,664.00
Manitoba Hydro – 2014/2015 Work	\$3,500,000.00
MTS Inc. – 2014 Works.....	\$166,285.00
Shaw Communications – 2015 Works	\$209,215.92
MTS Inc. – 2015 Works.....	\$265,158.85

RISKS AND RISK MITIGATION STRATEGIES

The majority of risks, which are associated with property acquisition, have been minimized with the procurement of all properties required. Three major properties required for the St. Matthews extension have reached a settlement, and settlement details of other expropriated properties are still outstanding.

There is a low risk that property acquisition costs may increase as a result of the expropriation and settlement negotiation process. This could require an increase in project budget, should settlements exceed expected amounts.

The Manitoba-Winnipeg Infrastructure Agreement (MWIA) was signed on January 14, 2014. Provincial funding available for the project is equal to 50% of project costs up to the maximum \$20 million Provincial contribution (assumes eligible costs are at least 50% of the total project costs) based on claims from the City of Winnipeg for eligible costs. The City's share covers the remaining project costs, including all property acquisition costs and others deemed ineligible by the Province. The entire \$20 million of funding has been received from the Province of Manitoba based on total projected expenditures reaching \$40 million by 2018 (not including developer funded obligations of \$5.3 million). Should the project be completed below budget, Provincial funding will be reduced proportionally based on the cost sharing agreement.

In accordance with Administrative Standard FM-004, the design consultant had prepared a framework for the Risk Analysis and Evaluation in accordance with the Risk Management Process Tools developed by the City of Winnipeg Audit Department and the major identified risks related to property acquisition timing and uncertainty of their costs. With the majority of construction completed, the risk associated with construction cost uncertainties has been eliminated.

FINANCIAL ANALYSIS

Project Funding

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

Year	Capital Program	Actual & Projected Cash-flows	Cumulative Capital Budget Remaining
2013	\$30,000,000	\$ 434,759	\$29,565,241
2014	\$15,300,000	\$14,388,548	\$30,476,693
2015		\$18,421,904	\$12,054,789
2016		\$ 5,754,789	\$ 6,300,000
2017/2018		\$6,300,000	\$0
Total	\$45,300,000	\$45,300,000	

The 2014 Capital Program shows a total of \$10,000,000; in addition to this amount \$5,300,000 of funding for developer obligations to be completed within the project construction works has been approved by Council as a capital budget increase. Amounts of \$4,300,000.00 plus an additional \$1,000,000.00, which was associated with Developer obligations specific to 1465 Maroons Road Servicing Agreement AG514/2013. These works were completed within the project construction works and were funded by the City under existing construction and consulting contracts.

The Developer obligations, as required by the service agreement AG514/2013 include all costs associated with specific works on St. James St and St. Matthews Av adjacent to 1465 Maroons Rd, new traffic signals, and 23.86% of all costs associated with the extension of St. Matthews Av from Empress St to Century St. Initial cost projections are indicating that there may be a reduction in the required contribution from the Developer. Since all costs have not been finalized (i.e. utilities and outstanding work on the St. Matthews extension), the final amount for developer-required funding has not been completed. As these funds are identified in the budget as a funding source, unexpended funds would be unavailable for reallocation to other activities in the project.

A summary of the budget to forecast comparison is contained in the Appendix A.

FINANCIAL IMPACT

Financial Impact Statement **Date:** [November 15, 2016](#)

Project Name:

**POLO PARK INFRASTRUCTURE IMPROVEMENTS – ST. MATTHEWS AVENUE,
ST. JAMES STREET, ELLICE AVENUE – PROJECT # 1803000213 – FINANCIAL STATUS
REPORT NO. 13 FOR THE PERIOD ENDING SEPTEMBER 30, 2016**

COMMENTS:

There is no financial impact associated with the recommendation of this report.

"Original signed by J. Ruby, CPA, CA"

J. Ruby, CPA, CA

Manager of Finance & Administration

CONSULTATION

In preparing this Report there was consultation with: N/A

OUR WINNIPEG POLICY ALIGNMENT

N/A

SUBMITTED BY

Department: Public Works
Division: Engineering
Prepared by: B. Konzelman, P.Eng. Streets Project Engineer
Date: November 14, 2016

ATTACHMENTS:

Appendix A: Polo Park Infrastructure Improvements Project as at September 30, 2016

APPENDIX A

POLO PARK INFRASTRUCTURE IMPROVEMENTS PROJECT

PeopleSoft Project ID 1803000213

As of September 30, 2016

Project Component	Capital Budget			Capital Expenditures Forecast			Surplus (Deficit)	Variance Last Report	Change in Variance	
	Original	Council Approved Change	Revised	Actual Costs	Remainder	Total	From Revised Budget			
				To September 30, 2016		Forecast				
A	Professional Services	\$1,900,000	\$2,600,000	\$4,500,000	\$3,221,725	\$1,278,275	\$4,500,000	\$0	\$0	\$0
B	Construction Work	9,800,000	8,750,000	18,550,000	18,507,803	792,197	19,300,000	(750,000)	(750,000)	0
C	Utilities & Other	4,200,000	1,850,000	6,050,000	5,841,863	208,137	6,050,000	0	0	0
D	Property	11,000,000	1,750,000	12,750,000	6,573,670	6,176,330	12,750,000	0	0	0
E	Overheads	1,300,000	350,000	1,650,000	919,598	730,402	1,650,000	0	0	0
F	Contingency	1,800,000		1,800,000		1,050,000	1,050,000	750,000	750,000	0
	Total**	\$30,000,000	\$15,300,000	\$45,300,000	\$35,064,659	\$10,235,341	\$45,300,000	\$0	\$0	\$0
** Note: Includes \$5,300,000 in developer funded obligations										
* Additional \$1,100,000 Water & Waste Watermain Renewal funding is available to offset watermain renewal costs not included in expenditure forecast										
* Construction Work Variance is a result of additional pavement reconstruction, underground works, and other incidental scope changes.										