

Minutes – Standing Policy Committee on Finance – April 13, 2017

REPORTS

**Item No. 3 Waverley Street at CN Mainline (Rivers) Grade Separation – Project
#1805001413 – Financial Status Report No. 4 for the Period Ending
January 31, 2017**

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 Waverley Street at CN Mainline (Rivers) Grade Separation, as contained in the report.

Minutes – Standing Policy Committee on Finance – April 13, 2017

DECISION MAKING HISTORY:

Moved by Councillor Gerbasi,

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

Carried

ADMINISTRATIVE REPORT

Title: Waverley Street at CN Mainline (Rivers) Grade Separation – Project #1805001413 - Financial Status Report No. 04 for the Period Ending January 31, 2017

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

EXECUTIVE SUMMARY

The project is forecast to be on schedule and within Class 3 cost estimate ranges.

This is the fourth quarterly report to SPC Finance on this project. Council approved this project on February 24, 2016. This report is being submitted as required by Administrative Standard FM-004.

The project is currently at a Class 3 Estimate with an expected level of precision of -20% to + 30%. Expenditures to date total \$5,380,348.95. Borland Construction Inc. has been awarded Contract 1 for preliminary underground work and construction is progressing. At the time of writing, the bid-opportunity for Contract 2 is being advertised.

Funding has been announced and commitment letters have been received from Infrastructure Canada and the Province of Manitoba. The Public Service is working with the other levels of government to finalize the funding agreements. On December 14, 2016 Council approved a cost-sharing arrangement for CN Rail to contribute \$9,500,000.00 as their cost apportionment for the project, to be used as a part of the City's portion of project funding. The City is currently finalizing the details of a crossing agreement and associated cost apportionment settlement with CN.

On January 12, 2017 the City of Winnipeg obtained possession of permanently expropriated lands, and the right to enter and construct on lands subject to expropriated easements. However, on February 10, 2017 the City was advised that CN property required for the project was sold to a private company. The land was identified as CN land at the start of the expropriation process, and was therefore not subject to expropriation because CN land cannot be expropriated. At that time, an interest in the required lands was expected to be obtained via the forthcoming crossing agreement between the City and CN. At writing, the City is pursuing purchase of the required lands. Failure to obtain the required land may result in a one year delay to the project schedule.

Significant relocation of overhead and underground electrical distribution lines is required by Manitoba Hydro in several areas of the project. An overhead line running along the south side

of the CN Mainline is required for construction of the rail detour, as is an underground line which crosses the CN Mainline east of Waverley Street. Relocation of both is critical to the project schedule.

RECOMMENDATIONS

That the financial status of the Waverley Street at CN Mainline (Rivers) Grade Separation 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

N/A

HISTORY/DISCUSSION

Project updates are detailed in the following sections below.

Key Project Events

Key project events that have occurred are as follows:

- On January 29, 2013 Council approved the 2013 Capital Budget that included an amount of \$1.2 million to undertake the preliminary engineering study for the Project.
- On April 20, 2014 Dillon Consulting Limited was awarded the consulting services for a preliminary engineering study under RFP 66-2014.
- On June 25, 2014 Council concurred with the Executive Policy Committee (EPC) that Waverley Underpass be identified as one of the City's top six highest priority major capital projects.
- On December 9, 2014 a public open house was held as part of the ongoing public engagement during the preliminary engineering study phase of the project.
- On March 24, 2015 EPC established Waverley Underpass as the City's highest ranking project of four significant capital projects.
- On March 25, 2015 Council approved the prioritization established by EPC.
- On May 19, 2015 the Administration submitted an application for infrastructure funding to the New Building Canada Fund.
- On January 15, 2016 the Province of Manitoba provided approval-in-principle for their portion of funding to a maximum amount of \$45.9 million under the New Building Canada Fund.
- On January 20, 2016 the Federal Government provided approval-in-principle for their portion of the funding to a maximum amount of \$45.882 million under the New Building Canada Fund.

- On February 24, 2016 Council approved the addition of the Waverley Underpass project in the 2016 Capital Budget in the amount of \$155.082 million including the Provincial and Federal funding.
- On February 29, 2016 Dillon Consulting Limited was awarded consulting services for detailed design, contract administration, and post-construction services for the Project.
- On March 22, 2016 Council approved the 2016 Capital Budget which includes the Waverley Street at CN Mainline (Rivers) Grade Separation project as noted above.
- On June 15, 2016 Council approved the expropriation of lands related to the project.
- On July 13, 2016 Council approved By-Law No. 89/2016 for the expropriation of lands related to the project.
- On July 29, 2016 the City was informed by the Province of Manitoba that a waiver of the expropriation inquiry hearing had been granted by the Lieutenant Governor at the Cabinet meeting held on July 27, 2016.
- On September 6, 2016 the Director of Planning Property and Development approved Offers of Compensation for land acquisitions under \$25,000.
- On September 20, 2016 Standing Policy Committee on Property and Development, Heritage, and Downtown Development approved Offers of Compensation over \$25,000, to be made to land owners and other interested parties.
- On September 28, 2016 Council approved the consolidation/registration of land assembly corresponding to the expropriation, By-law 89/2016.
- On October 6, 2016 a public open house was held as part of the ongoing public engagement during the detailed design phase of the project.
- On October 17, 2016 Contract 1 was posted to the City of Winnipeg Bid-Opportunities website.
- On October 26, 2016 Council approved the delegation of authority to the Chief Administrative Officer to award competitively tendered construction contracts exceeding \$5,000,000, and the delegation of authority to the Chief Administrative Officer for negotiation and award of single source contracts with the Canadian National Railway Company exceeding \$5,000,000.
- On October 26, 2016 Council approved By-law 105/2016 for the opening of parts of Waverley Street and Taylor Avenue for the purposes of construction.
- On November 3, 2016, Bid-Opportunity 472-2016 closed, and the City received six responsive bid submissions for the work of Contract 1 – Preliminary Underground Works and Security Fencing.
- On November 23, 2016 Borland Construction Inc. was awarded Bid-Opportunity 472-2016 for the Waverley Street Underpass at CN Mile 3.89 Rivers Sub: Contract 1 – Preliminary Underground Works and Security Fencing, in the amount of \$2,088,994.00.
- On December 14, 2016 Council approved a cost-sharing arrangement for CN Rail to contribute \$9,500,000 as their cost apportionment for the project, to be used as a part of the City's portion of project funding.
- On January 9, 2017 Contract 2 was posted was posted to the City of Winnipeg Bid-Opportunities website.
- On January 12, 2017 the City of Winnipeg obtained possession of permanently expropriated lands, and the right to enter and construct on lands subject to expropriated easements.
- On February 13, 2017 the City of Winnipeg awarded a Single Source Purchase Order (Materials Management reference number 98-2017) to CN for the supply of rail materials.

Major Capital Project Steering Committee

The Administrative Standard for projects with a capital cost exceeding \$20 million requires the formation of a Major Capital Project Steering Committee. Committee members currently include:

Lester Deane, Director of Public Works
Jason Ruby, Manager of Finance and Administration
John Zabudney, Manager of Real Estate Division
Tim Shanks, Manager of Water Services
Brad Neirinck, Manager of Engineering
Georges Chartier, Chief Asset and Project Management Officer

The Steering Committee met on March 16, April 20, August 10, October 19, 2016 and March 2, 2017.

Construction

The project is being delivered using the Design, Bid, Build (DBB) approach, which is the normal project delivery method for the City. The project is in the design phase, currently transitioning to the construction phase. Dillon Consulting has been engaged as the City's Professional Consulting Service Provider and is designing the facility as well as acting as the City's Contract Administrator during the project.

Project Scope includes the following:

- Underpass bridge structure, land drainage including pump station, roadways, active transportation pathways, and landscaping;
- Temporary roadway and railway detours to facilitate underpass construction;
- Twinning of Taylor Avenue from Waverley Street to Lindsay Street, and twinning of Hurst Way from Waverley Street to approximately 45 Hurst Way;
- Improvements to Waverley Street from Wilkes Avenue to Grant Avenue, including intersection improvements;
- Professional services for detailed design, contract administration, and post-construction services;
- Land acquisition; and
- Utility relocations.

The project has been divided into two construction contracts designated Contract 1 and Contract 2.

Contract 1 consists primarily of the installation of underground utilities required in advance of the underpass construction. On October 17, 2016 Contract 1 was posted to the City of Winnipeg Materials Management website as Bid Opportunity 472-2016. Contract 1 was awarded to Borland Construction Inc. (Borland) on November 23, 2016. Borland mobilized to site and started construction on January 3, 2017. Borland continues work on Contract 1.

Contract 2 consists of all the major components of the underpass project including: the underpass bridge structure; pump station; temporary detour roadways; installation of water and sewer infrastructure; and extensive improvements to the surrounding transportation network.

Construction is scheduled to begin in May of 2017. On January 9, 2017, Contract 2 was posted to the City of Winnipeg Materials Management website as Bid Opportunity 473-2016. At writing, the bid-opportunity is expected to close on March 16, 2017.

Risk

A Class 3 Estimate was in place when Council approved the project on February 24, 2016. The Class 3 Estimate has an expected level of accuracy of -20% to +30%. To mitigate the financial risk of the project, the project is carrying risk-specific contingencies which total approximately 38% of total project costs.

Schedule remains a substantial risk to the project. Land related to the road and rail detour must be acquired by May 2017 to avoid a project delay. To mitigate this risk, an expropriation by-law was submitted to Council and was approved on July 13, 2016. On January 12, 2017 the City of Winnipeg obtained possession of permanently expropriated lands, and the right to enter and construct on lands subject to expropriated easements. However, on February 10, 2017 the City was advised that CN property required for the project was sold to a private company. The land was identified as CN land at the start of the expropriation process, and was therefore not subject to expropriation because CN land cannot be expropriated. At that time, an interest in the required lands was expected to be obtained via the forthcoming crossing agreement between the City and CN. At writing, the City is pursuing purchase of the required lands. Failure to obtain the required land may result in a one year delay to the project schedule.

Several utilities will be undertaking works related to the project. These third party utilities bear an important financial and schedule risk. Significant relocation of overhead and underground electrical distribution lines is required by Manitoba Hydro in several areas of the project. An overhead line running along the south side of the CN Mainline is required for construction of the rail detour, as is an underground line which crosses the CN Mainline east of Waverley Street. Relocation of both is critical to the project schedule. Only high level cost estimates for the relocation of Manitoba Hydro infrastructure were possible during initial project planning. While the project budget includes contingencies for utility relocation, until more detailed relocation designs and cost estimates for these works are produced by Manitoba Hydro, there is a high degree of cost uncertainty. To mitigate the risk of potential conflicts, a comprehensive soft-dig program was undertaken to determine third party utility locations with a high degree of accuracy in both alignment and elevation. A detailed utility conflict matrix is being maintained to identify and deal with potential utility conflicts.

The renewal of a large diameter water distribution feedermain is required where it passes under the CN Mainline. Renewal of this feedermain will be performed with trenchless installation methods to minimize the schedule impacts of the work. During constructability and risk reviews, it was identified that the specialized large diameter feedermain pipe and casings require significant lead time. Having these items supplied under Contract 2 would likely result in the successful contractor not having sufficient time to supply these materials. As such, the City is proceeding with procuring these items as a Change Work Order under the existing Contract 1 works, and will be supplied to the successful contractor for Contract 2 for installation only.

The risk of failing to reach an agreement with CN has largely been resolved. With Council approval of CN's \$9.5M financial contribution to the project, and the soon to be finalized crossing agreement between the City and CN, the risk of delay due to lack of an agreement is minimal. Based on the agreement CN will be responsible for rail works, as well as signals and communications works related to the operations of the railway.

The major project risks are identified in Table 1 below.

Table 1 – Project Risks and Mitigation Strategies

Risks	
Risk Statement and Explanation	Mitigation Strategy
Failure to assemble the required property may delay the project.	At time of writing, the City is seeking to purchase the required lands formerly owned by CN.
Failure to relocate critical utilities may delay the project.	Early engagement has occurred with third party utilities to coordinate relocation work. A comprehensive soft-dig program has been completed and detailed utility conflict matrix developed.
Lead time for feedermain pipe and casing supply could delay the project.	Seek to supply these materials under Contract 1 in advance of installation.
Change in project scope increases costs and/or delays the project.	Regular monitoring and verification of the scope by the project management team.

*Risks are arranged vertically from higher to lower assessed risk

Financial

The project is currently being forecast to be within Class 3 cost estimate range. The financial forecast is disclosed in Appendix A. Expenditures for the current reporting period (October 1, 2016 to January 31, 2017) were \$1,781,421.10 and primarily consist of Professional Services for Detailed Design work. Expenditures to date total \$5,380,348.95.

The total project budget of \$156.282 million includes \$1.2 million for the preliminary engineering study approved by Council as a first charge on the 2013 Capital Budget on December 12, 2012, as well as \$155.082 million for detailed design and construction, approved by Council on March 22, 2016.

During the reporting period, the following new financial commitments were established.

- Borland Construction Inc. was awarded Contract 1 in the amount of \$2,088,994.00.
- Canadian National Railway Company was awarded a contract for supply of rail materials in the amount of \$6,800,000.00.

Major contracts awarded to date are identified in Table 2 below.

Table 2 – Major Contracts Table

Request for Proposal or Bid Opportunity	Description	Current Status	Original Contract Award Value (G.S.T & M.R.S.T extra as applicable)	Total Approved Over-Expenditures (Over-Expenditure amount only)
RFP 66-2014	Consulting Services for Preliminary Engineering Study	Awarded to Dillon Consulting Limited	\$ 1,011,904.00	\$ 50,000.00
RFP 150-2016 *	Consulting Services for Detailed Design,	Awarded to Dillon	\$ 11,368,000.00	\$ 158,530.00

	Contract Administration, and Post-Construction Services	Consulting Limited		
Single Source	Independent Road Safety Audit	Awarded to Fireseeds North Infrastructure	\$ 62,347.50	\$ -
Bid-Opp 472-2016	Contract 1 – Preliminary Underground Works and Security Fencing	Awarded to Borland Construction Inc.	\$ 2,088,994.00	\$ -
Single Source**	Supply of Rail Materials	Awarded to Canadian National Railway Company	\$ 6,800,000.00	
		Total	\$ 21,331,245.50	\$ 208,530.00

*Authority delegated to the CAO to award Single Source Consulting Engineering Services approved by Council, February 24, 2016, Recommendation #7

**Authority delegated to the CAO to award Single Source Contracts to CN, approved by Council October 26, 2016, Recommendation #2

Funding

The project is being funded by the three levels of government with the City's share being budgeted at 41% of total project costs factoring in ineligible cost not covered by the other levels of Government. It should be noted that funding for the project has been budgeted without reliance on contributions from the railway. On December 14, 2016 Council approved a cost-sharing arrangement for CN Rail to contribute \$9,500,000.00 as their cost apportionment for the project. With this contribution, the City's share of project costs is estimated to be 35%.

The majority of the City's share of project cost is to be funded by debt. No debt has been issued to date on the project. Contribution agreements are currently under negotiation with Infrastructure Canada and the Province of Manitoba.

Property

Approximately 22 property parcels will be impacted by the project. The impacts include partial takings, temporary easements, and permanent easements. Meetings were held with individual property owners during the preliminary engineering study, and ongoing meetings are occurring as the land acquisition process progresses.

Council approved an administrative report on June 15, 2016 for the expropriation of lands and passed the expropriation by-law 89/2016 on July 13, 2016.

An administrative report requesting approval for Offers of Compensation over \$25,000, to be made to land owners and other interested parties, was approved by the Standing Policy Committee on Property and Development, Heritage, and Downtown Development on September 20, 2016. On September 6, 2016 the Director of Planning Property and Development approved Offers of Compensation under \$25,000.

Council approved an administrative report on September 28, 2016, for the consolidation/registration of land assembly corresponding to the expropriation by-law. This is the final approval required from Council in the expropriation process.

On January 12, 2017 the City of Winnipeg obtained possession of permanently expropriated lands, and the right to enter and construct on lands subject to expropriated easements.

On February 10, 2017 the City was advised that CN property required for the project was sold to a private company. The land was identified as CN land at the start of the expropriation process, and was therefore not subject to expropriation because CN land cannot be expropriated. At that time, an interest in the required lands was expected to be obtained via the forthcoming crossing agreement between the City and CN. At writing, the City is pursuing purchase of the required lands. Failure to obtain the required land may result in a one year delay to the project schedule.

Schedule

The project is currently forecast to be on schedule. Construction on Contract 1 began in January of 2017. Work on Contract 2 is anticipated to start in May of 2017. Risks relating to schedule have been previously discussed in the Risks section of this report.

Communications

A project website (www.winnipeg.ca/WaverleyUnderpass) was released on April 21, 2016. On September 22, 2016, a website update occurred, providing notification of the Open House event, posting the open house materials including display boards, and posting a link for viewers to provide feedback through an online survey.

A website update on October 6, 2016 included the posting of three 3D animated flythrough videos of the project including existing conditions, detour operation, and ultimate configuration.

An Open House event occurred on October 6, 2016. Two sessions were held at the Caboto Center at 1055 Wilkes Avenue, one from 3:30 pm to 5:30 pm, and a second session from 7:00 pm to 9:00 pm. The event was attended by approximately 500 members of the community. Feedback on the project was provided to the project team members.

Ongoing project newsletters and project website updates are summarized as follows:

- On February 1, 2017 the first of several electronic newsletters was issued, providing the public with an update on construction of the project.

FINANCIAL IMPACT

Financial Impact Statement

Date: **March 20, 2017**

Project Name:

**Waverley Street at CN Mainline (Rivers) Grade Separation - Project # 1805001413 -
Financial Status Report No. 04 for the Period Ending January 31, 2017**

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 and Administration

CONSULTATION

This Report has been prepared in consultation with: N/A

OURWINNIPEG POLICY ALIGNMENT

01-3 Prosperity Direction 1: Provide efficient and focused civic administration and governance.

This report supports demonstration of accountability through service performance measurement and reporting.

SUBMITTED BY

Department: Public Works
Division: Engineering
Prepared by: C.D. Ward, P. Eng., Bridge Projects Engineer
Date: March 13, 2017

Attachment - Appendix A – Financial Forecast

Appendix A – Financial Forecast (in thousands)

**Waverley Street at CN Mainline (Rivers) Grade Separation Financial Forecast
Peoplesoft Project ID 1805001413
As at January 31, 2017**

Project Component	Budget (in thousands)			Expenditure Forecast (in thousands)							Surplus (Deficit) From Revised Budget	Variance Last Report	Change in Variance
	Original	Adjustment	Revised	Actual 2016	Actual Costs To January 30, 2017	2017	2018	2019	2020	Total Forecast			
Professional Services	\$ 13,389	\$ -	\$ 13,389	\$ 4,693	\$ 5,106	\$ 2,482	\$ 3,988	\$ 1,675	\$ 138	\$ 13,389	\$ -	\$ -	\$ -
Construction	\$ 108,304	\$ -	\$ 108,304	\$ -	\$ -	\$ 23,358	\$ 58,950	\$ 24,807	\$ 1,189	\$ 108,304	\$ -	\$ -	\$ -
External Utilities	\$ 17,063	\$ -	\$ 17,063	\$ 5	\$ 5	\$ 15,539	\$ 70	\$ 1,449	\$ -	\$ 17,063	\$ -	\$ -	\$ -
Subtotal	\$ 125,367	\$ -	\$ 125,367	\$ 5	\$ 5	\$ 38,897	\$ 59,020	\$ 26,256	\$ 1,189	\$ 125,367	\$ -	\$ -	\$ -
Land Acquisition	\$ 7,344	\$ -	\$ 7,344	\$ 5	\$ 5	\$ 2,500	\$ 2,500	\$ 2,339	\$ -	\$ 7,344	\$ -	\$ -	\$ -
Overheads and Financing	\$ 10,182	\$ -	\$ 10,182	\$ 235	\$ 264	\$ 2,387	\$ 2,840	\$ 3,780	\$ 911	\$ 10,182	\$ -	\$ -	\$ -
	\$ 156,282	\$ -	\$ 156,282	\$ 4,938	\$ 5,380	\$ 46,266	\$ 68,348	\$ 34,050	\$ 2,238	\$ 156,282	\$ -	\$ -	\$ -