

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

REPORTS

**Item No. 4 Expansion of Transit Vehicle Overhaul and Maintenance Facilities
Capital Project – Financial Status Report No. 9 for the Period Ending
December 31, 2016**

STANDING COMMITTEE DECISION:

The Standing Policy Committee on Finance concurred in the recommendation of the Winnipeg Public Service and received the report as information.

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

DECISION MAKING HISTORY:

Moved by Councillor Lukes,

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

Carried

ADMINISTRATIVE REPORT

Title: Expansion of Transit Vehicle Overhaul and Maintenance Facilities Capital Project – Financial Status Report No. 9 for the Period Ending December 31, 2016

Critical Path: Standing Policy Committee on Finance

AUTHORIZATION

Author	Department Head	CFO	CAO
S. Payne	D. Wardrop	B. Holsten Boyer A/CFO	D. McNeil

EXECUTIVE SUMMARY

The Expansion of the Vehicle Overhaul and Maintenance Facilities will address bus maintenance capacity deficiencies faced by the Transit Department, as increasing service demands, increased bus fleet, and technology changes are putting pressure on existing facility resources. The project will also address issues with the age and design of the Fort Rouge site electrical system and the provision of backup electrical service in the event of a power outage. Lastly, the opportunity to relocate some of the geographically remote Transit operations to the Fort Rouge Transit Base will be realized by repurposing the existing Public Works Traffic Services area.

The Public Service had developed a cost estimate based upon the City's Project Manual guidelines for a design-build project. This approach and the project definition and details completed to date were outlined extensively in written specifications rather than drawings. This estimate includes an overall 24% project contingency of \$10.1 million for a combined project cost estimate of \$53.2 million. The accuracy range of this estimate is between -20% and +30%.

This project will only proceed to construction upon confirmation that a Class 3 cost estimate or better has been developed and there is sufficient approved budget for the project.

A Request for Qualifications (RFQ) has been completed. The following three proponents have been shortlisted to participate in the request for proposals.

- PCL Constructors Canada Inc.
- Graham Design Builders LP
- Bockstael Construction Limited

The execution of the required project Federal and Provincial funding agreements have been delayed, continued delays may result in higher project costs and/or a cancellation of the project as currently proposed.

RECOMMENDATIONS

That the financial status of the Expansion of Transit Vehicle Overhaul and Maintenance Facilities project, as contained in the report be received as information.

REASON FOR THE REPORT

Administrative Standard No. FM-004 requires the department responsible for a capital project to report quarterly, or at any other interval, as determined by the Standing Policy Committee on Finance.

IMPLICATIONS OF THE RECOMMENDATIONS

None.

HISTORY / DISCUSSION

Transit's operations are housed at three primary locations in four buildings. The Fort Rouge Garage (FRG), at 421 Osborne Street, consists of two major buildings totaling 480,000 sq. ft. These buildings were completed in 1968 with a bus parking addition completed in 1978. FRG houses Transit's primary administrative offices, vehicle overhaul and maintenance facilities, bus parking and daily servicing facilities, support facilities and has a parking capacity for 420 buses.

North Garage (NG), located at 1520 Main Street, is 100,000 sq. ft. in size and was constructed, in two stages, between the late 1930s and mid-1950s. NG is a parking, servicing, and light maintenance garage with dispatch offices and has a capacity of 135 buses.

Brandon Garage (BG) at 600 Brandon Avenue is adjacent to FRG, is 135,000 sq. ft. in size and was completed in 2014. BG is a parking and servicing facility with dispatch offices and has a capacity of 153 buses.

The main facilities at FRG and NG are from 45 to 80 years of age. The maintenance of these facilities has been funded through the operating budget in the past; however, many of the building systems at both locations have reached the end of their economic lives.

The Transit Building Replacement/Refurbishment program began in 2007 with \$100,000 in funding allocated to complete a review of Transit's existing facilities and future requirements. Dillon Consulting Limited was the successful bidder and submitted a report in 2009 that concluded the facilities were being operated at capacity and that space deficiencies existed in bus parking, bus maintenance and operations support areas. The 2009 Dillon report also concluded that substantial facility upgrades and updates were required at FRG and NG to ensure continued long term operation and to meet projected service growth requirements. In response, the Brandon Garage facility was constructed and increased bus storage capacity until the replacement of North Garage could occur.

In 2015, at a cost of \$100,000, Dillon Consulting submitted a second study examining the replacement options for North Garage with the view to increase the long-term capacity to store

and maintain a bus fleet of 750 buses. The finding of these studies and increasing maintenance demands identified the need to proceed with the expansion of vehicle overhaul and maintenance facilities as the immediate facilities priority for Transit. By doing so Transit will increase bus maintenance capacity to better match the fleet storage capacity of 640 buses.

Expanding the vehicle overhaul and maintenance facilities at FRG is the preferred solution to the space deficiency issue as maintaining a centralized location will provide the greatest efficiency for staff, equipment and vehicle resources.

The RFP to select an Owner Advocate/Project Manager for the FRG Vehicle Overhaul and Maintenance Facility Expansion project closed on February 11, 2016, and on April 7, 2016 was awarded to Colliers Project Leaders in the amount of \$759,918.00.

On December 14, 2016, Council approved a report submitted by Transit titled Expansion of Transit Vehicle Overhaul and Maintenance Facilities Capital Project.

- That the Expansion of Transit Vehicle Overhaul and Maintenance Facilities Capital Project be approved with an approved 2017 capital budget of \$53.2 million.
- That the Winnipeg Public Service be authorized to proceed with the Expansion of Transit Vehicle Overhaul and Maintenance Facilities Capital Project as a Design-Build delivery model.
- That the Standing Policy Committee on Infrastructure Renewal and Public Works be delegated authority to approve the contract, upon confirmation satisfactory to the Chief Financial Officer of federal and provincial funding.

MAJOR CAPITAL PROJECT STEERING COMMITTEE

Administrative policy for projects with capital costs exceeding \$20 million requires formation of a Major Capital Project Steering Committee. The Committee has been formed and its members are:

Georges Chartier, Chief Asset & Project Management Officer, Office of the CAO
John Kiernan, Director of Planning, Property and Development
Dave Wardrop, Chief Transportation and Utilities Officer
Scott Payne, Manager, Asset Management Office

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

OVERALL PROJECT STATUS

A cost estimate and conceptual plans has been developed for this project through the City's Owner Advocate/Project Manager.

Environmental Site Assessments (Phase I and II) were conducted on the site, as well as a geotechnical site investigation.

A Request for Qualifications (RFQ) has been completed. The following three proponents have been shortlisted to participate in the request for proposals.

- PCL Constructors Canada Inc.
- Graham Design Builders LP

- Bockstael Construction Limited

The Request for Proposal (RFP) was issued on March 7, 2017. Award and construction mobilization remain subject to confirmation of Federal and Provincial funding, as well as confirmation that a class 3 cost estimate or better has been developed for the project.

DESCRIPTION OF PROJECT

The vehicle overhaul and repair shop at FRG is the primary vehicle maintenance facility operated by Winnipeg Transit. Approximately 95% of the maintenance activities that support fleet operations are housed at this location and as a result, ensuring efficient and effective operations are critical to meeting Transit service requirements.

The project will be delivered using a design-build model and the project scope will include;

- An increased shop floor area to 174,000 sq. ft., from the existing area of 113,000 sq. ft.
- The stores/inventory space will also be increased from 26,000 sq. ft. to 30,000 sq. ft.
- Eighteen additional in-floor hoists - twelve for 40' buses, six can accommodate 60' buses as well as 30' and 40'.
- Consolidating and relocating the refurbishment area service, which includes; the welding shop, the fabrication shop, the body shop and paint operations to the expansion area. These changes will optimize the existing services and improve overall efficiencies of the refurbishment process.
 - Approximately 4,500 sq. ft. of welding shop/body shop storage space.
 - The original Stores area will be reconfigured to accommodate the future needs of the Transit maintenance group.
 - New paint booths with current bake technology to improve efficiency.
 - New preparation booths.
- Construction of a parking area to replace the current parking displaced by the expansion.

Additional projects are included in the scope of the building expansion project in order to take advantage of design and construction efficiencies, these include:

- Electrical System Upgrade
- Backup Generator Installation
- Relocation of a Transit division to the Traffic Services Area

PROJECT COST AND FUNDING

The Public Service's cost estimate classification system for capital projects is based on the recommended practices of the Association for Advancement of Cost Engineering (AACE). Strictly based on AACE guidelines, this project is classified as a Class 4 estimate, due to AACE's reliance on drawings to outline the design definition.

The Public Service had developed a cost estimate based upon the City's Project Manual guidelines for a design-build project. This approach and the project definition and details completed to date were outlined extensively in written specifications rather than drawings. This estimate includes an overall 24% project contingency of \$10.1 million for a combined project cost estimate of \$53.2 million. The accuracy range of this estimate is between -20% and +30%.

This project will only proceed to construction upon confirmation that a Class 3 cost estimate or better has been developed and there is sufficient approved budget for the project.

In July 2016, the Federal government announced funding of 50% of the eligible expenses for this project through the Public Transit Infrastructure Fund of \$24.5 million. In addition, it announced additional amounts for a Power Backup Generator at 421 Osborne, for a total expected combined contribution of \$26 million. This new Federal funding has provided an opportunity to integrate previously identified Transit building improvement projects with the Expansion project.

The Province of Manitoba through previous announcements has committed to 25% of eligible project expenses and will utilize the funding previously committed towards the Transit Building Replacement/ Refurbishment program through the Manitoba/Winnipeg Infrastructure Agreement. The provincial share of the project costs is estimated to be \$13 million.

On December 13, 2016, Council adopted the 2017 Capital budget which included authorization of \$53.2 million for the Expansion of Transit Vehicle Overhaul and Maintenance Facilities contingent on Federal and Provincial contributions.

This project will be financed through a combination of the following:

Government of Canada – Public Transit Infrastructure Fund - \$26 million

Province of Manitoba – Manitoba Winnipeg Infrastructure Fund - \$13 million

City of Winnipeg – Retained Earnings and Cash to Capital - \$14.2 million

Early indications suggest that a project completion date of March 2019 may be specified in Provincial and Federal funding agreements. A March 2019 completion date would be challenging to achieve, and as such, should be reviewed prior to the finalization of any funding agreements. The City has provided suggested project completion dates for consideration and approval by all parties.

PROJECT SCHEDULE

The project will be complex as it will have to be completed while the existing vehicle overhaul and repair facility remain in operation. Detailed schedules will be established as part of the Owner Advocate/Project Manager’s assignment; however, at this early stage of the project, an aggressive schedule is desired.

The delivery of the project is being accomplished through separate contracts as shown below.

Bid Opportunity Number	Description	Date of Contract Award	Estimated Completion Date	Award Amount
1158-2015	Colliers Project Leaders – Owner Advocate/Project Manager	April 7, 2016	December 2018	\$842,340

RISKS AND MITIGATING FACTORS

Risk Matrix¹	
Risk Statement and Explanation	Mitigation
Schedule risk to meet the deadline of March 2019 for Public Transit Infrastructure Fund.	Release RFQ in advance of Council budget approval. Transit has initiated the planning of the project in advance of Council Approval of the project details.
The timely execution of the Federal and Provincial funding agreements.	Efforts to expedite formalization of Provincial and Federal funding agreements are underway.
Employee parking will be displaced by the building expansion. Temporary parking off-site needs to be prepared.	Identify potential sites and initiate temporary parking approvals and installation.
The maintenance facility operates 24 hours per day, 365 days per year, and the efficiency of this operation cannot be compromised.	Place a high level of emphasis on project staging in the RFP specifications, bid evaluations and management of the construction phases of the project.
Budget risk from drop in value of Canadian dollar as much of the equipment originates off-shore, such as hoist, cranes, paint booths and fluid dispensing systems.	Making appropriate decisions on the type and amount of equipment specified during the definition phase of the project.
Area residents may be concerned with the proposed expansion and impacts on neighborhood traffic.	The project will be designed to minimize impacts on the neighborhood. The project will also undertake a number of Public Engagement events which will include direct stakeholder meetings and Public Open House.

¹Risk Matrix is arranged vertically from higher to lower assessed risk

FINANCIAL ANALYSIS

Only one contract has been awarded to date as identified above.

Summary

Contracts including Amendments Issued to Date:	\$842,340
Spent to Date:	\$333,121
Remaining Costs:	\$509,219

The project cash flow is included in Appendix 1 (attached).

FINANCIAL IMPACT

Financial Impact Statement

Date: **March 7, 2017**

Project Name:

First Year of Program **2013**

Expansion of Transit Vehicle Overhaul and Maintenance Facilities (Formerly Transit Building Replacement/Refurbishment) – Financial Status Report No. 9 for the Period Ending December 31, 2016

Comments:

There is no financial impact associated with the recommendations to this report.

Original signed by:

Tanis Yanchishyn, CPA, CA
Manager of Finance & Administration

CONSULTATION

In preparing this report there was consultation with:

None

OURWINNIPEG POLICY ALIGNMENT

01-1b Key Directions for the Entire City- Key directions for connecting and expanding our sustainable transportation and infrastructure network.

>Provide transportation infrastructure that is well maintained.

SUBMITTED BY

Department: Transit
Division: Asset Management Office
Prepared by: Scott Payne, Manager of Asset Management Office
Date: March 7, 2017
File No. 2.1.1.4

Appendix I

**EXPANSION OF TRANSIT VEHICLE OVERHAUL AND MAINTENANCE FACILITIES
TRANSIT DEPARTMENT
As of December 31, 2016**

Project Component	Capital Budget			Capital Expenditure Forecast				Surplus (Deficit) From Revised Budget	Variance Last Report	Change in Variance
	Council Approved Changes			Actual Costs	Forecast		Total			
	Original		Revised	To Dec 31, 2016	2017	2018	Forecast			
A CONSTRUCTION COSTS	\$ 41,500,000	\$ -	\$ 41,500,000	\$ -	\$26,746,000	\$ 14,754,000	\$ 41,500,000	-	-	-
B PROFESSIONAL SERVICES	1,100,000	-	1,100,000	333,121	766,879	-	1,100,000	-	-	-
C OVERHEADS AND OTHER	500,000	-	500,000	50,239	249,761	200,000	500,000	-	-	-
D CONTINGENCY	10,100,000		10,100,000	-	-	10,100,000	10,100,000	-	-	-
	\$ 53,200,000	\$ -	\$ 53,200,000	\$ 383,360	\$27,762,640	\$ 25,054,000	\$ 53,200,000	-	\$ -	\$ -

Explanatory Notes