

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

REPORTS

**Item No. 5 Southwest Rapid Transitway (Stage 2) and Pembina Highway
Underpass – Financial Status (Project No. 4230010514) 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: Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass – Financial Status (Project No. 4230010514) Report No. 9 for the Period Ending December 31, 2016

Critical Path: Standing Policy Committee on Finance

AUTHORIZATION

Author	A/Department Head	CFO	CAO
S. Payne	G. Ewankiw	B. Holsten-Boyer A/CFO	D. McNeil

EXECUTIVE SUMMARY

The Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Public-Private Partnership Project (P3) is comprised of significant infrastructure components in the southwest quadrant of Winnipeg 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.

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.

IMPLICATIONS OF THE RECOMMENDATIONS

None.

HISTORY / DISCUSSION

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 (CAO) was authorized to approve, issue and award the Request for Qualifications (RFQ) and the Request for Proposals (RFP) for the Project.

Project funding is 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 June 24, 2016, the City and Plenary Roads Winnipeg reached financial close and the CAO awarded Plenary Roads Winnipeg the contract to Design, Build, Finance, (Operate) and Maintain the City of Winnipeg's Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass project.

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:

Doug McNeil, Chief Administrative Officer
Michael Ruta, Chief Financial Officer
Michael Jack, Chief Operating Officer
Georges Chartier, Chief Asset and Project Management Officer
Lester Deane, Director of Public Works
John Kiernan, Director of Planning, Property and Development
Dave Wardrop, Chief Transportation and Utilities Officer
Greg Ewankiw, Acting Director of Transit
Moirra Geer, Acting Director of Water and Waste
Scott Payne, Manager, Asset Management Office, 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 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 Boulevard, Clarence Avenue, and Chevrier Boulevard before crossing 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 grade separation at the CN Letellier Subdivision south of Chevrier Boulevard
- an overpass of Bishop Grandin Boulevard

To make way for the construction of the Transitway, 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 SCHEDULE

Project Timeline

Construction began on August 8th, 2016 and is proposed to be completed in late 2019. The Transitway would then be introduced into service in early 2020, following a period of commissioning and training.

The overall Project timelines are:

- Early Access Works completion – May 30, 2017
- Substantial Completion – October 1, 2019
- Total Completion – November 30, 2019

RISK AND MITIGATION STRATEGIES

Risk Matrix	
Risk Statement and Explanation	Mitigation
Lands values for the expropriated properties continues to be negotiated.	The City will continue to negotiate the expropriated land transactions. Properties that fail to reach a settlement are tabled at the Land Value Appraisal Commission (LVAC)
Property acquisitions where the City does not have the ability to exercise its rights as an Expropriation Authority (i.e., Canadian National Railways, other levels of Government).	Enter and Construct Agreements have been entered into with all of the affected property owners in which the City does not have the ability to expropriate. Agreements in principle on the Purchase/Sale of these properties have been reached with all of the affected owners.,
Innovative designs proposed by Project Co must be approved by the authorities having jurisdiction.	Project Co. must follow pre-defined plan review and approval processes.
The timeline for the completion of the early access works at IGF station for the Canada Summer Games is aggressive.	Project Co. has focused all of their attention on this element of work and has undertaken a portion of the design and planning ahead of receiving award of the contract. The City has in place liquidated damages in the event this work is not completed on schedule.
The Province of Manitoba has not formally approved the operating budget that supports the ongoing maintenance and operations of the Transitway.	The Administration continues to work with the Province of Manitoba to finalize the operating budget agreement.
Stakeholder interests in changing or opposition to, the project scope. (scope creep)	Project Co. is required to set up a joint Communications Committee with representation from Project Co. and the City, to manage public information and continue stakeholder engagement.
The City's capacity to provide timely plan reviews and approvals necessary to meet our contractual obligations. The volume and complexity of the reviews will be in addition to the normal City plan review workloads.	Transit has been meeting with the affected departments providing information and developing processes for the review and approvals. Plan review and tracking software has been implemented to assist with the City's obligation.
The project is required to coordinate and obtain approvals from the Winnipeg Football Club and Triple B Stadium Inc. for work activities adjacent to and in support of the stadium operations.	Both the City and Project Co. meet with the Winnipeg Football Club and Triple B Stadium Inc. to provide designs for their review.
The project requires the Utility companies' timely participation in plan approvals and the relocation of existing infrastructure necessary for the project alignment.	The City has identified to all affected utilities the relocation requirements and their participation in the project. The City has where possible entered into agreements with utilities to pre-design much of the relocation works. The City's Owners Advocate will monitor the progress of the Utilities during the life of the project and the City will intervene when problems occur.
Public concerns over construction noise are anticipated.	Project Co. must follow the City of Winnipeg Noise bylaw.
Contract interpretation	If in dispute the project agreement has a number of dispute resolution processes, they include; the use of an independent certifier or arbitration.
Coordination of project construction with the Canada Summer Games activities and transportation movements on U of M Lands	Meeting with the University, Transit, Project Co and Canada Summer Games staff to minimize project impacts.

Design changes and the timeliness of plan reviews by CN	Regular design meetings with CN, use of Canadian Transportation Agency (CTA) design standards; CN has hired a third party consultant to review plans.
Timeline for completion of Calrossie-Cockburn Stormwater Retention Basin to facilitate construction of SWT2 drainage system	On-going meetings with Transit, Plenary and Water & Waste to determine mitigation strategies and opportunities to reduce or eliminate delays to SWT2 project. Water and Waste plan to seek delegated authority for award of contract in order to maintain schedule.

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 and the details regarding the timing and method of this funding were agreed upon 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 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.

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 22, 2016, Council approved an additional \$16.5 million of external debt in replacement of Public Private Partnership debt.

With the original \$10.55 million in cash combined with the \$31 million of interim financing and \$16.5 million in external debt, sufficient authority exists (\$58.05 million) to fund the upfront costs (\$51.55 million) and any interest incurred prior to receiving partner funding.

On May 12, 2016, the City and Province of Manitoba signed the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Project Contribution Agreement.

On January 19, 2017, the City and Federal Government executed the project Federal Funding Agreement.

Based on current forecasted project costs, the funding share of all three partners have been reduced from the original amounts committed above.

On December 13, 2016, Council approved that external borrowing authority of \$23,550,000 for the 2016 Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass capital

project be approved in replacement of \$23,550,000 of debt previously approved as part of the Public Private Partnership.

Note: This will make the external borrowing amount equal to \$16,500,000 plus \$23,550,000 for a total of \$40,050,000 in 2016 with all related debt and finance charges to be repaid from the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Payment Reserve. A portion of this external debt is to be utilized to fund the City's portion of the \$69 million contingency, and therefore may not all be required.

PROJECT DETAIL

Total contracts awarded for upfront costs including all change orders and excluding applicable taxes to December 31, 2016.

Sub-Project	Description	Contract Awards to Date	Estimated Completion Date	Total Contract Amount
1	Technical & Procurement Advisor	Dillon Consulting Limited	June 2016	\$3,013,346
2	Fairness Monitor	P1 Consulting Inc.	June 2016	\$67,500
3	Legal Advisor	Blakes, Cassels, Graydon LLP	December 2017	\$790,624
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	June 2016	\$6,255,000
7	Capital Markets Advisor	JCRA Financial LLC	June 2016	\$338,306
8	Tree Removal at University of Manitoba	Green Drop Ltd.	March 2016	\$35,000
9	Legal Opinion	Aikins, MacAulay & Thorvaldson LLP	March 2016	\$20,000
10	Owners Advocate	Dillon Consulting Limited	December 2019	\$4,024,575
11	Independent Certifier	WTP Property Consultants	December 2019	\$121,420
	Total Issued Contract Value			\$15,165,771

FINANCIAL ANALYSIS

Project Component	Revised Budget	Value/Cost Estimate	Variance Revised Budget to Value/Cost Estimate	Change in Variance from Last Report
Upfront Costs				
Professional Services	\$11,306,366	\$11,306,366	-	(\$1,693,634)
Property and Utilities	33,000,000	33,000,000	-	10,000,000
Other	7,243,634	7,243,634	-	1,693,634
Total Upfront Costs	\$51,550,000	\$51,550,000	-	\$10,000,000
Construction Costs	\$346,750,000	\$346,750,000	-	(\$130,000,000)
Contingency	\$69,000,000	\$69,000,000	-	-
Total Costs	\$467,300,000	\$467,300,000	-	(\$120,000,000)

- Budget has been updated to reflect Revised Budget. Change in variance from last report reflects this change in budget, forecasted expenditures remain unchanged.

Summary

Contracts Issued to Date
\$15,165,771

Unawarded Amounts:
\$36,384,229

Forecast for Upfront Costs:
\$51,550,000

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

FUNDING SOURCES

(Based on forecasted expenditures)

Cost Estimates are in \$ millions	2015	2016	2017	2018	2019	2020 and Beyond	Total
Federal Government (all cash)							
- PPP Canada, Completion Payment					\$ 91.2		\$ 91.2
Province of Manitoba							
- Upfront Cost & Project Payments		\$ 13.1	\$ 2.3	\$ 1.9	\$ 96.9	\$ 73.8	\$ 188.1
City of Winnipeg							
- Reserve Funding	\$ 4.2						\$ 4.2
- CN Rail		\$ 5.6					\$ 5.6
- Interim Financing		\$ 7.2	\$ 6.7	\$ 5.7	\$ 48.1	-\$ 67.7	\$ -
- Debt					\$ 178.2		\$ 178.2
Total Estimated Project Costs							\$ 467.3

* Annual Service Payments for 2020 is estimated to be \$14.46 million, with the City share of \$13.45 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.

FINANCIAL IMPACT

Financial Impact Statement

Date: March 7, 2017

Project Name:

Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass – Financial Status
(Project No. 4230010514) Report No. 9 for the Period Ending December 31, 2016

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

02-2 Environment

“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.”

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

05-1 Public Transit System

“Winnipeg has a high quality and efficient public transit system characterized by its focus on key corridors and incremental improvements to service. Sustainable Transportation will take these improvements to the next level, providing improved transit access across the city. We envision that public transit in Winnipeg will be structured into a hierarchy of three main categories: Rapid Transit, Transit Quality Corridors and Conventional Transit Service.”

Key Direction > The inclusion of rapid transit in this vision is necessary, since only rapid transit, with its high levels of service frequency and absence of congestion delays, can make public transit fast and convenient enough to compete with the private automobile. In a balanced transportation system, public transit should be an easy and convenient option for moving people.

SUBMITTED BY

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

Appendix I

SOUTHWEST RAPID TRANSITWAY (STAGE 2) & PEMBINA HIGHWAY UNDERPASS
TRANSIT DEPARTMENT
As of December 31, 2016

Project Component	Capital Budget			Capital Expenditure Forecast						Surplus (Deficit) From Revised	Variance Last Report	Change in Variance	
	Original	Council Approved Changes	Revised	Actual Costs To Dec 31, 2016	Forecast				Total Forecast				
					2017	2018	2019	2020					2021 to End of Contract
UPFRONT COSTS													
PROFESSIONAL SERVICES	\$ 13,000,000	(1,693,634)	\$ 11,306,366	\$ 5,127,951	\$ 2,309,168	\$ 1,952,144	\$ 1,917,103			\$ 11,306,366	-	1,693,634	(1,693,634)
PROPERTY AND UTILITIES	23,000,000	10,000,000	\$ 33,000,000	23,970,109	5,023,571	\$ 4,006,320	\$ -			\$ 33,000,000	-	(10,000,000)	10,000,000
OTHER	5,550,000	1,693,634	\$ 7,243,634	926,395	1,667,239	\$ 1,650,000	\$ 3,000,000			\$ 7,243,634	-	(1,693,634)	1,693,634
TOTAL UPFRONT COSTS *	\$ 41,550,000	\$ 10,000,000	\$ 51,550,000	\$ 30,024,455	\$ 8,999,978	\$ 7,608,464	\$ 4,917,103	\$ -	\$ -	\$ 51,550,000	-	(10,000,000)	10,000,000
CONSTRUCTION COSTS	\$476,750,000	(130,000,000)	\$346,750,000				\$346,750,000			\$ 346,750,000	-	130,000,000	(130,000,000)
CONTINGENCY	\$ 69,000,000		\$ 69,000,000	\$ 49,320			\$ 68,950,680			\$ 69,000,000	-	-	-
TOTAL PROJECT COSTS	\$587,300,000	\$ (120,000,000)	\$467,300,000	\$ 30,073,775	\$ 8,999,978	\$ 7,608,464	\$420,617,783	\$ -	\$ -	\$ 467,300,000	-	130,000,000	(120,000,000)
ANNUAL SERVICE PAYMENTS	719,547,000	(226,447,000)	\$493,100,000		350,000	350,000	1,780,000	14,460,000	476,160,000	\$ 493,100,000	-	226,447,000	(226,447,000)

Explanatory Notes

- In addition to the upfront costs, cash payments of approximately \$189.4 million from the Province of Manitoba and \$88.5 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 \$185.2 million of debt to be assumed by the City. The total forecasted capital value of the project is \$467.3 million which includes the upfront costs of \$51.55 million.
- 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 forecasted amount for the Annual Service Payments in 2020 is \$14.46 million for debt service, operation and maintenance and other annual expenditures.
- Of the total forecast for Annual Service Payments of \$493.1 million, \$353.0 million relates to debt service payments, \$123.9 million relates to operation and maintenance of the corridor over the 30 years, and \$16.2 million relates to other annual expenditures.
- Note: the Capital Expenditure Monthly Report (CEMR) posted on the City's website shows the Amended budget for this project as \$58,050,000 which includes Upfront Costs and the maximum Council authority for external borrowing approved with the 2016 Capital Budget. Amendments approved with the 2017 Capital Budget are not yet reflected in the CEMR Amended Budget.
- Change in variance reflects a change in the Approved Capital Budget, forecasted expenditures are unchanged.