

Minutes – Standing Policy Committee on Finance – May 23, 2013

REPORTS

Minute No. 38 Plessis Road Twinning and Grade Separation at CN Rail – Financial Status Report No. 3 for the Period Ending March 31, 2013

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 Plessis Road Twinning and Grade Separation at CN Rail report.

Minutes – Standing Policy Committee on Finance – May 23, 2013

DECISION MAKING HISTORY:

Moved by Councillor Havixbeck,

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

Carried

ADMINISTRATIVE REPORT

Title: PLESSIS ROAD TWINNING AND GRADE SEPARATION AT CN RAIL - FINANCIAL STATUS REPORT NO. 3 FOR THE PERIOD ENDING MARCH 31, 2013

Critical Path: STANDING POLICY COMMITTEE ON FINANCE

AUTHORIZATION

Author	Department Head	CFO	CAO
L. P. Deane, P. Eng.	B.W. Sacher, P. Eng.	M. Ruta	D. Joshi

RECOMMENDATIONS

That this financial status of the Plessis Road Twinning and Grade Separation at CN Rail 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

The project schedule is aggressive and costs that are ineligible for federal and provincial funding may exceed the additional \$2,000,000 the City of Winnipeg has allocated to this project.

HISTORY

On November 16, 2011, Council adopted a first charge of \$2 million in 2011 or prior to the adoption of the 2012 Capital Budget to allow for timely award of a Consulting Engineering Assignment to undertake the Preliminary Design Study and to initiate property acquisitions.

On December 13, 2011, Council adopted the 2012 Capital Budget which identified \$77,000,000 for the Plessis Road Twinning and Grade Separation at CN Rail, including contributions from the Building Canada Fund (Federal Government; \$25,000,000) and the Provincial Government (\$25,000,000).

On December 22, 2011, the City submitted the Plessis Road Underpass Project Application to the Government of Canada Infrastructure Funding to the Canada-Manitoba Infrastructure Secretariat.

On January 12, 2012, the City notified CN Rail of the application to the Building Canada Fund and requested that discussions commence as soon as possible. On July 16, 2012, CN Rail requested a proposal from the City demonstrating the need for a grade separation structure and substantiating that an underpass as opposed to an overpass is warranted.

On January 24, 2012, Professional Consulting Services were awarded to AECOM Canada Ltd. for a preliminary land drainage study which was completed on May 4, 2012.

On June 18, 2012, the City was advised that the Government of Canada has identified the Plessis Road Underpass Project as a priority for funding consideration under the Building Canada Fund – Major Infrastructure Component. Under the program, the Government of Canada will consider an investment of up to one-third of the project's total eligible costs, to a maximum contribution of \$25,000,000, conditional upon the completion of a federal project review, fulfilling environmental and Aboriginal consultation requirements, and signing contribution agreements, amongst others.

On July 11, 2012, Professional Consulting Services were awarded to AECOM Canada Ltd. for Project Planning and Preliminary Design. Fees for future services (Detailed Design, Contract Administration and Post Construction Services) will be negotiated at key stages. Future services cannot commence until authorization is provided by the City.

On July 17, 2012, Manitoba Conservation and Water Stewardship confirmed this project will not require environmental assessment and licensing pursuant to the Environment Act.

On July 20, 2012, the Plessis Road Underpass Project Business Case was submitted to Transport Canada for federal project review.

On October 9, 2012, the Aboriginal Consultation Form was submitted to the Province of Manitoba recommending that consultation is not required as the Project does not adversely affect an Aboriginal treaty right.

On October 9, 2012, owner controlled Professional and Pollution Liability Insurance coverage were put in place.

On October 12, 2012, the Preliminary Environmental Review form was submitted to Transport Canada who will assess federal environmental assessment requirements.

On November 15, 2012, Professional Consulting Services were awarded for Third Party Contract Administration (Advisory and Public Participation Services) to MMM Group Limited.

In December 2012, the existing sewers were cleaned and televised where required. The tapes will be reviewed to identify and address any deterioration prior to construction.

On December 19, 2012, Transport Canada advised Mayor Katz of approval-in-principle of funding for the Plessis Road Underpass Project. On December 20, 2012, Transport Canada indicated they would submit a draft contribution agreement in early 2013; the draft contribution agreement has not been received.

On February 12 and 13, 2013, a value engineering session was attended by subject matter experts and stakeholders. The purpose of the session was to ensure the City of Winnipeg is receiving value for our budget by identifying cost saving, risk reduction and schedule improvement opportunities.

On February 28, 2013, a Public Open House was held. Corporate Support Services provided translation services for the newsletter, advertisements and story boards.

Planning, Property & Development is preparing plans and appraisals to accompany their expropriation report.

MAJOR CAPITAL PROJECT STEERING COMMITTEE

Administrative Standard for projects with capital cost exceeding \$10 million requires formation of Major Capital Project Steering Committee. The Committee appointments are ongoing and currently include:

Brad Sacher, Director of Public Works
Diane Sacher, Director of Water and Waste
Dave Wardrop, Director of Transit
Blake Kibbins, Streets Project Engineer

PROJECT STATUS

The project schedule is aggressive and costs that are ineligible for federal and provincial funding exceed the additional \$2,000,000 the City of Winnipeg has allocated to this project.

DESCRIPTION OF PROJECT

The existing at-grade crossing of Plessis Road at the CNR Redditt Subdivision will be replaced with an underpass grade separation structure, including earth retaining structures, to provide improvements in road safety, mobility, and sustainability. The underpass will be designed to accommodate four through lanes and auxiliary lanes where warranted. The pavement and bridge structure will support the addition of two through lanes in the future without modification to the bridge structure, retaining structures or embankment slopes.

Geometric and capacity improvements at the intersection of Plessis Road and Dugald Road are required. Plessis Road will be reconstructed between Pandora Avenue and Dugald Road. This section of Plessis Road is part of the City of Winnipeg Strategic Road Network as identified in the Winnipeg Transportation Master Plan and will be widened to four lanes.

Connections to the existing pedestrian and active transportation facilities on Pandora Avenue and Dugald Road will be provided on Plessis Road.

Provision of an underpass pumping facility is required.

Construction of the underpass will require the relocation of several utilities, including but not limited to water mains, sewers, fibre optic cables, gas mains, distribution poles, street lights and Manitoba Telecom Services plant.

Imperial Oil Limited and Shell Canada have pipelines and a valve station in the vicinity of the proposed underpass. The pipelines will need to be relocated or lowered.

A temporary rail detour will be required to direct rail traffic around the bridge construction. Disruption to CN Rail operations during construction will be minimized.

PROJECT SCHEDULE

Professional Service Contracts pending and awarded as of the date of this report are as follows:

Bid Opportunity	Awarded To	Description	Award Date	Completion Date	Award Value
Direct Assign	AECOM Canada Ltd.	Preliminary Land Drainage Study	January 24, 2012	May 4, 2012	\$65,985.00
142-2012	AECOM Canada Ltd.	Professional Engineering Consulting Services	July 11, 2012	On-going	\$1,114,282.00 (Planning and Preliminary Design)
518-2012	MMM Group Limited	Third Party Contract Administration	November 15, 2012	On-going	\$469,307.00

RISKS AND RISK MITIGATION STRATEGIES

In accordance with Administrative Standard FM-004, the design consultant is responsible for developing a Risk Management Plan identifying risks and appropriate mitigation strategies as they relate to the successful completion of the project. Tools developed by the City of Winnipeg Audit Department were employed and the following critical and high risks have been identified:

Critical Risks:

- Property Acquisitions
 - Property requirements have been finalized and Planning, Property & Development has assembled the draft expropriation report. The anticipated possession date of expropriated properties is December, 2013. Negotiations with affected property owners are ongoing and contingency plans (e.g. temporary utility connections) have been developed, where possible, if negotiations are unsuccessful
 - An easement is required at 2125 Dugald Road for the rail shoofly; there is no contingency plan for this work. City staff and our design consultant have met with the owner on several occasions to discuss the construction impact to the business and gather and address concerns. This easement needs to be successfully negotiated by May, 2013, otherwise the delay to constructing the rail shoofly will delay bridge construction
 - Other property requirements that must be successfully negotiated to accommodate construction in 2013 include CN Rail, Fresh Water Fish Marketing Corporation, and 2129 Dugald Road
- Schedule
 - The proposed 2014 completion date is aggressive
 - Construction of the rail shoofly is anticipated to commence in Spring 2013 and bridge construction is expected to commence immediately after the shoofly is put into service. The bridge is expected to be operational in Fall 2014, and removal of the rail shoofly, excavation and works below the structure would need to be completed under potentially unfavorable weather conditions prior to the end of 2014
 - The construction works are being consolidated into as few contracts as practical to minimize procurement periods as well as coordination between contractors
 - Inclusion of early completion incentives for construction will be reviewed
 - A report delegating the authority to award contracts greater than \$10,000,000 to the CAO is in circulation to minimize procurement periods
- Costs
 - The additional \$2,000,000 the City of Winnipeg is contributing to this project may not be sufficient to cover ineligible costs identified by the Building Canada Fund, which may include:
 - Overheads and Other - costs incurred prior to federal approval-in-principle (owner controlled insurance coverage and sewer televising; \$400,000); overhead and administration expenditures (\$2,200,000)
 - Any and all expenditures related to contracts signed prior to federal approval-in-principal (Professional Service Contracts; \$1,650,000)
 - AECOM Canada Ltd.'s contract includes future services for which fees need to be negotiated and approved by the City
 - Expenditures incurred after the project completion date (outstanding works beneath structure, outstanding landscaping, associated professional services; \$3,500,000) (these could be mitigated through an extension similar to one negotiated for the 2010 Infrastructure Stimulus Fund AT Program)
 - The cost of purchasing land and associated fees (\$2,650,000)
 - Expenditures relating to services delivered directly by permanent employees of the City (\$1,500,000)
 - Once the draft contribution agreements are received from the federal and provincial governments, clarification may be required regarding costs incurred prior to approval-in-principal, contracts signed prior to approval-in-principal, the project completion date, and services delivered by employees of the City. The Project Business Case identified Traffic Signals, Traffic Services, Geomatics, Forestry and Underground Structures as eligible costs

High Risk:

- CN Rail
 - CN Rail is supplying rail track for the project and has indicated it will take six months for delivery. To expedite the supply while an agreement is outstanding, CN Rail was provided with a Purchase Order Number for their works in January, 2013. In late March, 2013, CN Rail requested a Letter of Intent from the City of Winnipeg before ordering the materials. A Single Source Negotiation and Award Report for these works will be submitted to the CFO for approval. The rail needs to be delivered to the site prior to September 1, 2013
 - CN Rail requires sealed drawings for all pipeline crossings, including the temporary shoofly. To expedite the approvals, all utilities have been instructed to notify our design consultant when the drawings are submitted who will follow-up with CN Rail's approvals office in Edmonton
- Shell Canada
 - Shell Canada's pipeline needs to be relocated by the end of 2013
 - Shell Canada has indicated that they will not proceed with their design works until the City of Winnipeg signs the Letter of Intent submitted on March 26, 2013. Once the letter is signed and returned to Shell Canada Limited, an agreement to finalize the design and relocate the pipeline needs to be negotiated within 60 days
- Imperial Oil Limited
 - Imperial Oil Limited indicated they do not have the resources to design and relocate their pipeline, and the City needs to procure these services. Imperial Oil Limited recommended an engineering consultant for these works. The City of Winnipeg requested a proposal from our design consultant identifying Imperial Oil Limited's recommended consultant as a subconsultant
 - At the value engineering workshop, a concept was proposed to avoid relocating Imperial Oil Limited's pipeline. The concept has been further developed by our design consultant but requires further review by Imperial Oil Limited's recommended consultant
 - Imperial Oil Limited's pipe crosses the rail track and may need to be encased beneath the rail shoofly

FINANCIAL ANALYSIS

Project Funding

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

Year	Capital Program (in 000's)	Actual + Projected Cashflows	Cumulative Capital Budget Remaining
2012	\$77,000 ^{1,2,3}	\$ 957	\$76,043
2013		33,266	42,777
2014		42,777	NIL
Total	\$77,000	\$77,000	

- (1) Includes Building Canada Fund (Federal Government) funding of up to \$25,000,000
- (2) Includes Provincial Government funding of up to \$25,000,000
- (3) On November 16, 2011 Council adopted a first charge of \$2 million in 2011 or prior to the adoption of the 2012 Capital Budget to allow for timely award of a Consulting Engineering Assignment to undertake the Preliminary Design Study and to initiate property acquisitions

Financial Analysis

A summary of the budget to forecast comparison is contained in the Appendix. The comparison does not differentiate between costs that may be eligible or ineligible for Federal and Provincial funding which will be clarified once the draft agreements have been received.

FINANCIAL IMPACT

Financial Impact Statement Date: April 29, 2013

Project Name:

PLESSIS ROAD TWINNING AND GRADE SEPARATION AT
CN RAIL - FINANCIAL STATUS REPORT NO. 3 FOR THE
PERIOD ENDING MARCH 31, 2013

COMMENTS:

As this report is submitted for informational purposes only, there is no financial impact associated with this recommendation.

"Original Signed by D. Stewart, CA"
D. Stewart, CA
Manager of Finance & Administration

CONSULTATION

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

SUBMITTED BY

Department: Public Works
Division: Engineering
Prepared by: B.S. Kibbins, P. Eng.
Processed by: J. Curti
Date: April 29, 2013
File No. 12-G-02
Filename: L:\Admin\Reports 2013\B Kibbins\February\Plessis Underpass Financial Status Report #2 Feb 6 13.doc

Attachment: Appendix: Financial Analysis - Plessis Road Twinning and Grade Separation at CN Rail

APPENDIX
PLESSIS ROAD TWINNING AND GRADE SEPARATION AT CN RAIL
As of March 31, 2013

Project Component	Capital Budget			Capital Expenditures Forecast				Surplus (Deficit)	Variance Last Report	Change in Variance
	Original	Council Approved Change	Revised	Actual Costs		Total				
				To March 31, 2013	Remainder of 2013	2014	Forecast	From Revised Budget		
A Professional Services	\$10,000,000		\$10,000,000	\$561,578	\$5,109,495	\$3,078,927	\$8,750,000	\$1,250,000	\$1,250,000	\$0
B Construction Work	43,500,000		43,500,000		13,635,933	36,682,067	50,318,000	(6,818,000)	(7,950,000)	1,132,000
C Rail and Utility	15,000,000		15,000,000		11,066,000	1,616,000	12,682,000	2,318,000	3,450,000	(1,132,000)
D Property	5,000,000		5,000,000	1,658	2,648,342		2,650,000	2,350,000	2,350,000	0
E Overheads and Other	3,500,000		3,500,000	416,023	783,977	1,400,000	2,600,000	900,000	900,000	0
	\$77,000,000	\$0	\$77,000,000	\$979,259	\$33,243,747	\$42,776,994	\$77,000,000	\$0	\$0	\$0

Notes:

Project Planning and Preliminary Design is ongoing. The risk of exceeding the project budget due to the increased construction work forecast has been mitigated by identifying cost reduction opportunities in other project components.

1. Professional Services - anticipate lower consulting expenses
2. Construction Work - anticipate lower construction costs since the previous forecast
3. Rail and Utility - anticipate higher railway costs since the previous forecast
4. Property - anticipate less property acquisition on Dugald Road and the east side of Plessis between Pandora Avenue and Kernaghan Avenue
5. Overheads and Other - anticipate lower miscellaneous and internal charges