

Minutes - Standing Policy Committee on Finance - September 15, 2016

REPORTS

**Item No. 14 Waverley Street at CN Mainline (Rivers) Grade Separation – Project
1805001413 - Financial Status Report No. 2 for the Period Ending
June 30, 2016**

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 project, as contained in the report.

Minutes - Standing Policy Committee on Finance - September 15, 2016

DECISION MAKING HISTORY:

Moved by Councillor Gillingham,

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. 02 for the Period Ending June 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

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.

EXECUTIVE SUMMARY

The project is forecast to be on time and on budget.

This is the second 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 \$1,775,686.07. Dillon Consulting Limited has been engaged for design and contract administration and is continuing work on the design. Construction is anticipated to begin in January 2017.

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.

The primary risk to the project at this time relates to reaching a crossing agreement with CN. The draft Federal Funding Agreement has stipulated that the City must have a crossing agreement in place with CN prior to any Federal monies flowing to the project. The City is currently negotiating a crossing agreement and associated cost apportionment settlement with CN. A timely settlement with CN is critical in order to maintain the project schedule.

Land related to the road and rail detour must be acquired by May 2017 to avoid a project delay. With Council approval of an expropriation by-law on July 13, 2016, and with the waiver of an expropriation inquiry hearing by the Province under the Expropriation Act, the City will be able to obtain the required lands in time to meet the project schedule.

In order to maintain traffic flow during the project, the City will construct a temporary roadway to the west of the current roadway. An adjacent property owner has advised that they are contemplating a construction project on their property at the same time as the Waverley Underpass Construction. Discussions with the land owner are on-going.

IMPLICATIONS OF THE RECOMMENDATIONS

No implications.

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.

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. The Committee members 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

The Steering Committee met on March 16, April 20 and August 10, 2016.

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 currently in the design phase of the project. Dillon Consulting has been engaged as the City's Professional Consulting Service Provider and will be 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.

It is currently envisioned that the project will be divided into two construction contracts with construction scheduled to begin in January 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.

The primary risk to the project at this time relates to reaching a crossing agreement with CN. The draft Federal Funding Agreement has stipulated that the City must have a crossing agreement in place with CN prior to any Federal monies flowing to the project. The City is currently negotiating a crossing agreement and associated cost apportionment settlement with CN. A timely settlement with CN is critical in order to maintain the project schedule. If a timely settlement cannot be reached, the Public Service will proceed with an application to the Canadian Transportation Agency for a ruling on the cost apportionment.

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. It is the City's preference to come to a negotiated settlement with impacted property owners, and the expropriation by-law is used as a "fall back" to ensure schedule is not adversely impacted should the City and land owner not come to a negotiated settlement on a timely basis. 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. Waiver of the expropriation inquiry hearing will result in the City being able to obtain the required lands in time to meet the project schedule.

Construction of the roadway and railway detours in 2017 is a critical component of the project schedule. In order to expedite the contract award process for construction contracts, the Administration will request Council to delegate their authority to the CAO to award competitively tendered construction contracts exceeding \$5,000,000 which are within the approved project budget. This may save more than five weeks in the construction contract award period, allow for reasonable design review and construction tendering timeframes, and provide some schedule certainty to this critical first year of construction.

In order to maintain traffic flow during the project, the City will construct a temporary roadway to the west of the current roadway. An adjacent property owner has advised that they are contemplating a construction project on their property at the same time as the Waverley Underpass Construction. Discussions with the land owner are on-going.

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 reach crossing agreement and settlement with CN could delay the project	Prioritize negotiations with CN. Submit to Canadian Transportation Agency if agreement cannot be reached.
Failure to relocate critical utilities may delay the project.	Early engagement with third party utilities to coordinate relocation work.
Proposed development at the current site of the Reh-Fit Centre may affect the project	Early engagement with this stakeholder to determine project impacts.
Failure to assemble the required property may delay the project.	Prioritize land acquisition process.
Maintaining the project schedule	Develop a schedule to include contingency, regular review of project schedule by the project management team, delegation of award authority to CAO for competitively tendered construction contracts exceeding \$5,000,000 and within the project budget.
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 budget. The financial forecast is disclosed in Appendix A. Expenditures for the current quarter (April 1 to June 30) were \$715,962.80 and primarily consist of Professional Services for Detailed Design work. Expenditures to date total \$1,775,686.07.

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, no new financial commitments were established.

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 (GST & MRST 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	\$ 50,000
RFP 150-2016 *	Consulting Services for Detailed Design, Contract Administration, and Post-Construction Services	Awarded to Dillon Consulting Limited	\$ 11,368,000	\$ -
		Total	\$ 12,379,904	\$ 50,000

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

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. Contributions from the railway are to be negotiated with CN and will be reflected in the funding forecasts when determined at a later date.

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. Cost apportionment discussions have been initiated with CN and are currently underway.

In the event that the City and CN are unable to come to a mutually agreed upon cost apportionment, the amount would be decided by the Canadian Transportation Agency who has jurisdiction over these matters. However, going this route is a lengthy time-consuming process and may require extension of the project schedule.

Property

Approximately 22 properties 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 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, is expected to be submitted to the Standing Policy Committee on Property and

Development, Heritage, and Downtown Development in September, 2016. An administrative report requesting approval for Offers of Compensation under \$25,000 is expected to be submitted to the Director of Planning Property and Development also in September, 2016.

Schedule

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

Finalizing the crossing agreement and associated project funding with CN have the potential to delay the project up to 12 months. Council approval of expropriations and the Province's waiver of an expropriation inquiry hearing were critical to mitigating the risk of project delays due to land acquisitions.

Communications

A project website (www.winnipeg.ca/WaverleyUnderpass) was released on April 21, 2016. An Open House is planned for the Fall of 2016.

FINANCIAL IMPACT

Financial Impact Statement **Date:** *August 25, 2016*

Project Name:

**Waverley Street at CN Mainline (Rivers) Grade Separation – Project #
1805001413 - Financial Status Report No. 02 for the Period Ending June 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 and Administration

CONSULTATION

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

OUR WINNIPEG 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: August 18, 2016

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 June 30, 2016**

Project Component	Budget (in thousands)			Expenditure Forecast (in thousands)								Surplus (Deficit) From Revised Budget	Variance Last Report	Change in Variance
	Original	Adjustment	Revised	Actual Costs To June 30, 2016	Remainder of 2016	2017	2018	2019	2020	Total Forecast				
Professional Services	13,389	\$ -	\$ 13,389	\$ 1,746	\$ 3,716	\$ 2,126	\$ 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	\$ 8	\$ 1,525	\$ 14,011	\$ 70	\$ 1,449	\$ -	\$ 17,063	\$ -	\$ -	\$ -	
Subtotal	\$ 125,367	\$ -	\$ 125,367	\$ 8	\$ 1,525	\$ 37,369	\$ 59,020	\$ 26,256	\$ 1,189	\$ 125,367	\$ -	\$ -	\$ -	
Land Acquisition	\$ 7,344	\$ -	\$ 7,344	\$ -	\$ -	\$ 2,500	\$ 2,500	\$ 2,344	\$ -	\$ 7,344	\$ -	\$ -	\$ -	
Overheads and Financing	\$ 10,182	\$ -	\$ 10,182	\$ 22	\$ 1,029	\$ 1,600	\$ 2,840	\$ 3,780	\$ 911	\$ 10,182	\$ -	\$ -	\$ -	
	\$ 156,282	\$ -	\$ 156,282	\$ 1,776	\$ 6,270	\$ 43,595	\$ 68,348	\$ 34,055	\$ 2,238	\$ 156,282	\$ -	\$ -	\$ -	