Agenda – Executive Policy Committee – November 9, 2011

Report – Standing Policy Committee on Infrastructure Renewal and Public Works – November 4, 2011

Item No. 5 First Call Expenditure on the 2012 Capital Budget - Preliminary Engineering and Property Acquisition for the Plessis Road Twinning and Grade Separation at CN Rail Reddit Line

STANDING COMMITTEE RECOMMENDATION:

On November 4, 2011, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the recommendation of the Winnipeg Public Service and submits the following to Council:

1. That a new capital project entitled Plessis Road Twinning and Grade Separation at CN Rail Redditt Line to include $77,000,000 in the 2012 Capital Budget for a total, not to exceed $77,000,000, subject to a funding commitment, satisfactory to the City, by the Building Canada Fund equal to two-thirds of the total cost by Canada and the Province of Manitoba governments, be approved.

2. That subject to approval of Recommendation 1, the City financing required for this project be referred to the 2012 Capital Budget Process.

3. That authorization be granted for expenditures of $2,000,000 in 2011 or prior to the adoption of the 2012 Capital Budget as a first charge, in accordance with Subsection 288(2) of The City of Winnipeg Charter, to allow for timely award of a Consulting Engineering Assignment to undertake the Preliminary Design Study and to initiate property acquisitions.

4. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Agenda – Executive Policy Committee – November 9, 2011

Report – Standing Policy Committee on Infrastructure Renewal and Public Works – November 4, 2011

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On November 4, 2011, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Title: **AUTHORIZATION TO INCLUDE $77,000,000.00 IN THE 2012 CAPITAL BUDGET SUBMISSION AND FOR FIRST CALL EXPENDITURES RELATED TO PRELIMINARY ENGINEERING AND PROPERTY ACQUISITION FOR THE PLESSIS ROAD TWINNING AND GRADE SEPARATION AT CN RAIL REDDIT LINE**

Critical Path: **Standing Policy Committee on Infrastructure Renewal and Public Works, Executive Policy Committee and Council**

AUTHORIZATION

Author	Department Head	CFO	CAO
L. Deane, P. Eng. Manager of Engineering	B.W. Sacher, P.Eng. Director of Public Works	M. Ruta Chief Financial Officer	D. Joshi, Chief Operating Officer

RECOMMENDATIONS

1. That Council approve a new capital project entitled *Plessis Road Twinning and Grade Separation at CN Rail Redditt Line* and include $77,000,000.00 in the 2012 Capital Budget for a total, not to exceed $77,000,000.00, subject to a funding commitment, satisfactory to the City, by the Building Canada Fund equal to two-thirds of the total cost by Canada and the Province of Manitoba governments.

2. That subject to approval of recommendation 1, the City financing required for this project be referred to the 2012 Capital Budget Process.

3. That authorization be granted for expenditures of $2,000,000.00 in 2011 or prior to the adoption of the 2012 Capital Budget as a first charge, in accordance with Subsection 288(2) of The City of Winnipeg Charter, to allow for timely award of a Consulting Engineering Assignment to undertake the Preliminary Design Study and to initiate property acquisitions.

REASON FOR THE REPORT

Council approval is required for new capital projects and for a first charge for an expenditure of capital funds prior to the adoption of the Capital Budget.

IMPLICATIONS OF THE RECOMMENDATIONS

The authorization requires the inclusion of $77,000,000.00 in the 2012 Capital Budget Submission and to authorize expenditure of $2,000,000.00 as a first charge on the 2012 Capital Budget to allow the award of the consulting contract prior to the adoption of the 2012 Capital Budget and to commence property acquisition, in accordance with Subsection 288(2) of The City of Winnipeg Charter.

The preliminary expenditure of $2,000,000.00 may not be considered as qualifying for cost sharing.

An estimated project value of $75,000,000.00 is assumed to be cost-shared on a one-third basis between Canada, Manitoba and the City of Winnipeg. However, any project costs which are determined to be ineligible under the Building Canada Fund agreement will be the responsibility of the City of Winnipeg.

External borrowing must be approved by the Minister of Finance and a borrowing by-law will be required.

HISTORY

Recorded traffic volumes on Plessis Road between Dugald Road and Pandora Avenue exceed 14,000 vehicles in a twelve hour period. From a traffic volume perspective, the existing two lane section of Plessis Road is a high priority location for widening from two lanes to four lanes. It has the highest a.m. and p.m. peak hour volumes of any two lane widening candidates. In addition, improvements to the Plessis Road/Dugald Road intersections associated with the widening would increase traffic capacity and decrease delays.

Frequent traffic delays occur due to train crossings at this location. Due to the close proximity of the Dugald Road intersection, it can take several traffic light cycles at the Plessis Road/Dugald Road intersection for traffic to return to normal after a train has passed.

On April 28, 2010, Council concurred in a recommendation of the Executive Policy Committee that eleven infrastructure projects be endorsed as City of Winnipeg priorities (listed in no particular order) for intergovernmental funding through the Building Canada Fund (Major Projects Component). One of those projects was the Plessis Road Twinning with grade separation at the CNR Rail Line.

Canada and The Province of Manitoba have committed to funding one-third each of the cost of the Plessis Road twinning and underpass to benefit residents and businesses in northeast Winnipeg.

Capital funding in the amount of $2,000,000.00 is required to undertake a preliminary engineering study and initiate property acquisition. It should be noted that this preliminary expenditure may not qualify as an eligible cost for reimbursement by the Federal and Provincial Governments. The current high level estimate for the project is $75,000,000.00. The preliminary engineering study will determine the complexity of the project and develop a more detailed and accurate capital budget requirement for the construction of the works.

To issue the Preliminary Design Study Request for Proposal in 2011, $1,500,000.00 is required as part of the first charge against the 2012 Capital Budget. The other part of the first charge is $500,000.00, to initiate property acquisition for a total of $2,000,000.00.

Debt Strategy Impact and Borrowing Authority

On June 22, 2011, Council adopted the Debt Strategy report for tax supported, utilities and total City borrowing. The project requires an incremental $27 million in long-term debt financing.

The impact of this debt financing falls within the City debt limits established in the Council report as outlined in the table below.

Debt Financing Impact

Total City net debt as a percentage of revenue maximum of 85%
Forecasted peak rate including proposed debt from this report 81.2%

Tax Supported net debt as a percentage of revenue maximum of 60.0%
Forecasted peak rate including proposed debt from this report 58.7%

Total City debt servicing as a percent of revenue maximum of 11%
Forecasted peak rate including proposed debt from this report 9.0%

Tax Supported debt servicing as a percent of revenue maximum of 10%
Forecasted peak rate including proposed debt from this report 8.0%

FINANCIAL IMPACT

Financial Impact Statement **Date:** October 26, 2011

Project Name: **First Year of Program** **2012**

AUTHORIZATION TO INCLUDE $77,000,000.00 IN THE 2012 CAPITAL BUDGET SUBMISSION AND FOR FIRST CALL EXPENDITURES RELATED TO PRELIMINARY ENGINEERING AND PROPERTY ACQUISITION FOR THE PLESSIS ROAD TWINNING AND GRADE SEPARATION AT CN RAIL REDDIT LINE

	2012	2013	2014	2015	2016
Capital					
Capital Expenditures Required	$77,000,000	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$77,000,000	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - External	$27,000,000	$ -	$ -	$ -	$ -
Building Canada Fund:	-	-	-	-	-
(Governments of Canada/Manitoba - 50/50)	50,000,000	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$77,000,000	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$77,000,000				
Total Additional Debt Required	$27,000,000				
Current Expenditures/Revenues					
Direct Costs	$ 640,000	$ 2,700,000	$2,700,000	$2,700,000	$ 2,700,000
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ 640,000	$ 2,700,000	$2,700,000	$2,700,000	$ 2,700,000
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ 640,000	$ 2,700,000	$2,700,000	$2,700,000	$ 2,700,000

Additional Comments:

The Plessis twinning and grade separation project was not included in the Public Works Department's 2012-2016 Forecast of the 2011 Capital Budget adopted by Council on February 22, 2011. The $77 million additional capital required in 2012 is a high level estimate and assumes that $75 million of the costs will be considered eligible for cost sharing with the Federal and Provincial Governments through the Building Canada Fund which will result in the total costs being shared equally by all three levels of government at 33.3%. Any project costs which are determined to be ineligible costs under the Building Canada Fund agreement will be the responsibility of the City of Winnipeg to fund. The recommendations of this report also recommend a first charge of $2 million for the award of a consulting engineering assignment to undertake the Preliminary Design Study and to initiate required property acquisitions.

The City share of the project costs are assumed to be funded by external debt. The servicing costs associated with this external debt will need to be added to the City's operating budget.

"Original Signed by D. Stewart, CA"

D. Stewart CA
Manager of Finance and Administration

CONSULTATION

In preparing this report there was consultation with: n/a

SUBMITTED BY

Department:	Public Works
Division:	Engineering
Prepared by:	B. Neirinck, P. Eng.
Date:	October 27, 2011
File No.	11-A-02
File Name:	L:\Admin\Reports 2011\B Neirinck\September\Plessis Underpass Funding and First Charge Report Sept 12 11.doc