Minutes – Executive Policy Committee – January 21, 2015

Report – Standing Policy Committee on Infrastructure Renewal and Public Works – January 16, 2015

Item No. 1 Capital Integration Project – Increase of Delegated Award Authority for Manitoba Hydro Early Works

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Infrastructure Renewal and Public Works and submitted the following to Council:

1. That, in order to account for the change in scope of the Manitoba Hydro Early Works and the increase in the cost estimate for Manitoba Hydro's Early Works, Recommendation no. 11 from the Capital Integration Project report approved by Council on June 25, 2014 be changed from the following:

   > That approval be delegated to the Chief Financial Officer to negotiate and award a sole source contract up to $4.25 million (included in the project budget) in 2014 with Manitoba Hydro for early works required to prepare the Hydro Corridor before construction of the Transitway begins in 2016.

   to the following:

   > That approval be delegated to the Chief Financial Officer to negotiate and award sole source contracts up to $7.25 million (included in the project budget) in 2014 and 2015 with Manitoba Hydro for early works required to prepare the Hydro Corridor before construction of the Transitway begins in 2016.

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

Report – Standing Policy Committee on Infrastructure Renewal and Public Works – January 16, 2015

DECISION MAKING HISTORY:

Moved by Councillor Lukes,

That the recommendation of the Standing Policy Committee on Infrastructure Renewal and Public Works be concurred in and forwarded to Council.

Carried

David Sanders submitted a communication dated January 21, 2015, with respect to a Capital Integration Project – Increase of Delegated Award Authority for Manitoba Hydro Early Works.

STANDING COMMITTEE RECOMMENDATION:

On January 16, 2015, 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.

David Sanders submitted a communication dated January 16, 2015, in opposition to the Capital Integration Project – Increase of Delegated Award Authority for Manitoba Hydro Early Works. Portions of this submission are on file in the City Clerk's Office.

ADMINISTRATIVE REPORT

Title: **Capital Integration Project – Increase of Delegated Award Authority for Manitoba Hydro Early Works**

Critical Path: **SPC on Infrastructure Renewal & Public Works - EPC - Council**

AUTHORIZATION

Author	Department Head	CFO	CAO
B. Radstrom	D. Wardrop	M. Ruta	D. Joshi

RECOMMENDATIONS

That, in order to account for the change in scope of the Manitoba Hydro Early Works and the increase in the cost estimate for Manitoba Hydro's Early Works, Recommendation no. 11 from the Capital Integration Project report approved by Council on June 25, 2014 be changed from the following:

> That approval be delegated to the Chief Financial Officer to negotiate and award a sole source contract up to $4.25 million (included in the project budget) in 2014 with Manitoba Hydro for early works required to prepare the Hydro Corridor before construction of the Transitway begins in 2016.

to the following:

> That approval be delegated to the Chief Financial Officer to negotiate and award sole source contracts up to $7.25 million (included in the project budget) in 2014 and 2015 with Manitoba Hydro for early works required to prepare the Hydro Corridor before construction of the Transitway begins in 2016.

REASON FOR THE REPORT

The above recommendations require Council approval.

IMPLICATIONS OF THE RECOMMENDATIONS

The cost estimate for the Manitoba Hydro Early Works has increased by $3 million from $4.25 million to $7.25 million but can be accommodated through the existing project budget. Therefore, no increase in the project budget is required.

HISTORY

On February 22, 2006, Council adopted an administrative report entitled *"Implementation Plan for Rapid Transit Task Force Recommendations"* which outlined a transit improvement plan to be implemented over subsequent years. This plan included the completion of design work for Stage 1 of the Southwest Rapid Transit Corridor.

On October 22, 2008, Council adopted the plan for the Southwest Rapid Transit Corridor – Stage 1 in the amount of $138,000,000 which was commissioned in April 2012.

On November 16, 2011, Council adopted the Transportation Master Plan, which includes the provision for the expansion of the Pembina Highway Underpass and five new transit corridors, the first being the southwest corridor.

On December 14, 2012, preliminary design for the Pembina Highway Underpass was completed.

On March 20, 2012, Council approved an amendment to the Transportation Master Plan which identifies Alignment 1B (through the Parker Lands and the Manitoba Hydro corridor) as the preferred alignment.

On June 25, 2014, Council approved the Capital Integration Project (Southwest Transitway (Stage 2) and Pembina Highway Underpass), according to conditions set out in Council Minute no. 608 of 2014.

Manitoba Hydro Early Works

In order for construction of the Transitway to begin in 2016, a Manitoba Hydro high voltage transmission line must be moved from its existing location. The initial estimate provided by Manitoba Hydro for the costs to the City (inclusive of contingencies and construction inflation) was approximately $4.25 million, which is included in the project budget.

Manitoba Hydro has since refined the scope and cost estimate for the Early Works, and has increased the cost estimate to approximately $6.755 million. The $7.25 million total award authority requested includes a contingency allowance of $0.495 million and is based on the following:

- A change in scope for the Early Works to add an environment act license, a more comprehensive geotechnical study, additional design work, and additional sleeving around piles being installed near the City's aqueduct.
- A significant escalation in the cost of the procurement and construction of transmission towers, based on market pricing observed on other Manitoba Hydro projects so far in 2014.

In order to align the contracts the City is awarding to Manitoba Hydro with the contracts Manitoba Hydro will tender, Manitoba Hydro has requested that the City enter into smaller contracts with Manitoba Hydro to carry out the early works, including (but not limited to):

- obtaining an environment act license from the Province of Manitoba for the new transmission towers
- geotechnical studies
- design work
- material, construction and installation of the transmission towers

Contracts for some of the Early Works have been or are in process of being awarded to Manitoba Hydro under existing award authorities in the following amounts:

- $200,000 to obtain an environment act license
- $100,000 for geotechnical studies
- $200,000 for design work (included in the construction costs outline by Manitoba Hydro)

In 2015, Manitoba Hydro will issue tenders for procurement and construction of the transmission towers, expected to total approximately $6.255 million.

The total for all Manitoba Hydro Early Works (environment act license, geotechnical studies, design work, procurement of materials, construction) is estimated by Manitoba Hydro at $6.755 million. A contingency of $0.495 million has been included, bringing the value of the Early Works award authority requested to $7.25 million.

Manitoba Hydro will perform the work required for the environment act license, the geotechnical studies and the project design ($0.5 million). The remainder of the work involves the supply of materials and construction carried out by contractors to be engaged by Manitoba Hydro. Although the estimate for these works is $6.255 million, Manitoba Hydro will invoice the City of Winnipeg for the exact costs paid by Manitoba Hydro to its contractors.

In order to maintain the timeline for the Capital Integration Project, including beginning construction in early 2016, Manitoba Hydro requires that Council approve the increased scope and cost of this work at its meeting on January 28, 2015.

Approval of this report does not require an increase in the overall budget for this project as the increased costs of $3 million for the Manitoba Hydro Early Works can be accommodated within the approved budget; however, the construction contract cannot be awarded without Council approval as the total value of all contracts exceeds the current delegated award authority.

FINANCIAL IMPACT

Financial Impact Statement

Date: December 12, 2014

Project Name:

Capital Integration Project - Increase of Delegated Authority for Manitoba Hydro Early Works

First Year of Program **2015**

	2015	2016	2017	2018	2019
Capital					
Capital Expenditures Required	$ 3,000,000	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	3,000,000	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs			$ -	$ -	$ -
Less: Incremental Revenue/Recovery			-	-	-
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts					
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Estimates for the cost of the Manitoba Hydro Early Works have increased by $3 million from $4.25 million to $7.25 million. This increase can be accommodated within the project budget.

original signed by:

Tanis Yanchishyn, CA
Manager of Finance & Administration

CONSULTATION

In preparing this report there was consultation with:

Legal Services (as to legal issues)
Materials Management
Manitoba Hydro

SUBMITTED BY

Department	Transit
Division	Service Development
Prepared by:	Bjorn Radstrom, P. Eng., Manager of Service Development
Date:	December 12, 2014