Winnipeg | Audit

Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Audit

Final Report

For the Period of March 1, 2019 to November 30, 2019

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AUDIT AT A GLANCE

RECOMMENDATIONS

We have recommended to the Public Service to continue to perform a detailed analysis on any executed, subsequent amendments to the Contribution Agreement and report all potential material impacts to elected officials.

Project Background

Stage 2 of the Southwest Rapid Transitway and Pembina Highway Underpass ("the Project") is one of the largest capital projects that the City has embarked upon. Appropriate communication is important to allow key stakeholders to fulfill their roles in relation to the project; it also keeps the public informed on project performance.

The Audit Department has released quarterly audit reports providing assurance on the reporting processes and selected key project management areas throughout the construction of this project. The Audit Department is releasing this final audit report covering multiple quarters. Please refer to the Scope section in Appendix 2 for further details. This final audit report covers the following reporting periods:

1. 2019 Quarter 1 (2019 Q1), for the period ending May 31, 2019;
2. 2019 Quarter 2 (2019 Q2), for the period ending August 31, 2019; and
3. 2019 Quarter 3 (2019 Q3), for the period ending November 30, 2019.

Current State of the Project

Plenary Roads Winnipeg has taken responsibility for the design, construction, financing, operation, maintenance and rehabilitation of the infrastructure for the next thirty years. The City's project management team is responsible for project oversight.

On October 1, 2019, the project achieved Substantial Completion. Transit expects to achieve Total Completion in 2021 Quarter 3. The Transitway is in use during Total Completion activities.

Findings

The Public Service has produced all of the appropriate legislated and agreed upon reports, as well as financial status updates, for all reporting periods between March 1, 2019 and November 30, 2019.

On August 18, 2020, the Province proposed an amendment to the Provincial project contribution payment. The Public Service has analyzed the proposed amendments and has responded to the Province on October 7, 2020 seeking clarification. The Public Service has not signed the proposed amendment as of this report's date. Understanding this is the final audit report, we recommend on a proactive basis to the Public Service relating to analyzing and communicating to elected officials the second and any subsequent amendments to the Contribution Agreement between the City and the Province.

The Public Service has managed project risk in accordance with City project management requirements for all reporting periods between March 1, 2019 and November 30, 2019.

The Public Service has followed established process requirements for the review and approval of change orders; approved changes are within project budget and scope for each reporting period between March 1, 2019 and November 30, 2019.

AUDIT BACKGROUND

The audit of this Project is to provide timely assurance on key project management areas on a proactive basis.

- Stage 2 of the Southwest Rapid Transitway and Pembina Highway Underpass ("the Project") is one of the largest capital projects that Winnipeg has initiated to date. An audit of the Project was added to the City Auditor's *Audit Plan 2015 – 2018* in order to provide timely assurance on key project management areas on a proactive basis. Our audit work began after the procurement phase of the Project due to a fairness monitor being secured to provide oversight on the procurement process (a requirement of the now repealed *Public-Private Partnerships Transparency and Accountability Act*).
- The audit plan was adopted by Council on July 15, 2015.
- Background on the Project is included in **Appendix 1**.
- Our audit methodology is located in **Appendix 2**.
- **Appendix 3** provides a flowchart of the audit process.
- Our risk assessment criteria for each audit area are provided in **Appendix 4**.

AUDIT OBJECTIVES

We had three objectives for this quarterly audit.

- The objectives of this quarterly audit report were:
  - To provide assurance that appropriate reporting is occurring for the Project based on regulatory requirements, City policies and procedures.
  - To provide assurance that appropriate risk management is occurring in the Project.
  - To provide assurance that change orders are within project scope, budget and followed established review and approval processes.

CONCLUSIONS

As at this report date, the reports required by legislation, by-law, administrative standards, and contractual agreements have been issued by the Public Service. Upon completion of the analysis of any further amendments to the Contribution Agreement, the Public Service will communicate any potential material impacts to elected officials.

The Public Service has produced all the appropriate legislated and agreed upon reports for all reporting periods between March 1, 2019, and November 30, 2019.

We reviewed:

- the Quarterly Project Status Reports and the Contribution Agreement Update to the Standing Policy Committee on Finance (SPC on Finance) and related meeting videos
- Recorded videos of the Standing Policy Committee on Infrastructure Renewal & Public Works (SPC on IRPW) meetings during the period covered in this audit report to verify that the Public Service provided verbal reports and contingency fund updates to the Committee.

Financial costs reported to the SPC on Finance for the periods indicated above were found to be in accordance with the generally accepted accounting principles on cost reporting issued by Canada's Public Sector Accounting Board and, in our opinion, fairly presented in all material respects the actual costs incurred for the Project for each reporting period between March 1, 2019 and November 30, 2019.

Reports for the periods indicated above were compared to the guidance given for such reports and were found to meet the standards of said guidance.

The Public Service has accurately reported the terms of the First Amendment to elected officials in the SPC on Finance meetings during this period.

Audit performed a preliminary review of the proposed second amendments to the Contribution Agreement. We believe some provisions may be considered material and could have an impact to the City.

The Administrative Standard FM-004 (Asset Management) requires open and transparent reporting to Council on capital projects. The report must disclose all material facts to enable elected officials to make informed decisions. We have recommended to the Public Service continue to perform a detailed analysis on any executed, subsequent amendments to the Contribution Agreement and report all potential material impacts to elected officials.

Project management activities have met risk management requirements provided in the City's Project Management Manual.

The risk management activities have met the requirements outlined in the City's Project Management Manual.

We reviewed:

- Documentation and verbal updates discussing and tracking risks, including meeting minutes and the issue log.
- The project management team's risk management plan
- The risk allocation summary in the Fairness Monitor's Report. It summarizes the risk distribution for the Project. We have included a reproduction of the summary in **Appendix 5**.
- The private partner for the Project has also developed a risk management plan and risk registry, which is being updated on a timely basis.

Reviews and approvals of change orders have followed established processes.

We observed that approved change orders were reasonable based on the intended scope of the Project and established processes.

The total approved change orders of $6,565,588 consists of $6,988,141 in COs for capital costs and credits of $422,553 for operations and maintenance. The total approved COs represent 9.52 percent of the contingency fund, and 1.41 percent of the overall project budget.

PROJECT REPORTING ANALYSIS

1.1 Reporting Requirements

Issue

- Has the Public Service communicated the proper reports required by legislation, by-laws, City of Winnipeg policies and standards, and project agreements?

Conclusions

- The Public Service has published all reports required by legislation, by-laws, policies, standards and agreements for all the periods reviewed for this audit report.

- We have performed limited testing on the information in the reports released and outlined below, and have found the information tested to be accurate.

- Understanding that this is the final audit report, we recommend on a proactive basis, the Public Service continue to analyze fully the terms of any subsequent, signed amendments to the Contribution Agreement between the City and the Province, and to communicate all potential material impacts to elected officials.

Analysis

- For the period of March 1, 2019 to November 1, 2019, the Public Service provided the reports below to elected officials.
    - Administrative Standard FM-004 (Asset Management) required these reports below. These reports present significant project updates and the financial position as of period end.
        - "Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass – Quarterly Project Status Report, Project ID: 4230010514, Quarterly Project Status Report No. 18, for the Period Ended May 31, 2019"[1]
        - "Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass – Quarterly Project Status Report, Project ID: 4230010514, Quarterly Project Status Report No. 19, for the Period Ended August 31, 2019"[2]
        - "Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass – Quarterly Project Status Report, Project ID: 4230010514, Quarterly Project Status Report No. 20, for the Period Ended November 30, 2019"[3]

[1] Submitted as information to the SPC on Finance in the October 11, 2019 meeting
[2] Submitted as information to the SPC on Finance in the January 10, 2020 meeting
[3] Submitted as information to the SPC on Finance in the April 27, 2020 meeting

- An Executive Policy Committee (EPC) motion made on June 29, 2016 required verbal project status updates to SPC on IRPW. A motion of SPC on IRPW, passed February 27, 2018, required a status update of the Project's contingency fund.
  - Verbal project status updates to the SPC on IRPW[1]
  - Contingency fund status updates to the SPC on IRPW[2]
- "Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass and Provincial Project Contribution Agreement Update"[3]

♦ Our audit work included examination of outputs in relation to the legislated, regulated or agreed-upon requirements to communicate reports. Limited testing of the accuracy of information included in each report was also completed based on our risk assessment of whether such information could be misstated.

♦ We audited the cumulative actual costs, as of November 30, 2019, in the quarterly status update report to the SPC on Finance (see **Appendix 6**). In our opinion, the actual costs reported were fairly presented in all material respects, and were reported in accordance with generally accepted accounting principles issued by the Canadian Public Sector Accounting Board.
  - The cumulative actual costs, as of November 30, 2019, includes costs incurred in 2019 Q1, 2019 Q2, and 2019 Q3. We verified the listing's completeness as part of our audit procedures.
  - The total transactions incurred, before the credits, during 2019 Q1 to 2019 Q3 is $216,486,273. A total of $133,133 in credits also occurred during this period. We selected transaction amounts above our performance materiality as key samples and any amounts below the performance materiality as representative samples. We selected samples from each reporting period to obtain coverage for our audit procedures.
  - We tested one key and 10 representative samples. The total of the samples tested is $213,023,002, which is 98% of the total transactions incurred during 2019 Q1 to 2019 Q3.
  - We tested a transaction on October 2019 worth $208,651,458 as a key sample. This transaction relates to the agreed-upon substantial completion payment to Plenary Roads Winnipeg. The representative samples sum to $4,371,544.
  - We also tested a credit transaction during this period. The total credits were below our performance materiality. As such, we determined to test one sample to determine the reasonability of the credit transactions. This transaction occurred on June 2019.
  - These transactions appear reasonable and properly supported based on the work performed.

[1] Provided to the SPC on IRPW in the following meetings: a) March 6, 2019, b) April 2, 2019, c) May 2, 2019, d) May 28, 2019, e) June 25, 2019, f) September 12, 2019, g) October 1, 2019, and h) November 4, 2019

[2] Provided to the SPC on IRPW in the following meetings: a) March 6, 2019, b) April 2, 2019, c) May 2, 2019, d) May 28, 2019, e) June 25, 2019, f) September 12, 2019, g) October 1, 2019, and h) November 4, 2019

[3] Submitted as information to the SPC on Finance in the November 8, 2019 meeting

- The Public Service reported in quarterly project status reports that the Province of Manitoba will not contribute to the Transitway's operations and maintenance for the next 30 years after completion.
    - Transit informed us that in their opinion, the Province notified the City about the exclusion of the cost sharing in the draft First Amending Agreement forwarded in 2017. They further advised that the Public Service continued to pursue the operations and maintenance funding discussion with the Province until such time as a formal agreement was signed and in place that specifically precluded the operations and maintenance cost sharing.
    - The Public Service provided evidence of continuing discussions with Provincial officials about the cost sharing for the project's operations and maintenance.
    - The signed and executed First Amending Agreement, dated October 3, 2019, specifically states that costs of general repairs and maintenance of the Project and related structures are ineligible costs. The Public Service considers that the "general repairs and maintenance" in the amendment relate to operations, maintenance, and rehabilitation of the Transitway.
    - Subsequently, the Public Service plans to fund the Province's share of the Transitway's operations and maintenance using City funds. The Public Service reported the plan to elected officials in the past. For instance, the Public Service verbally reported to elected officials during the SPC on Finance meeting on October 11, 2019 about using the Transit Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Payment Reserve fund to cover the entire amount of the operations and maintenance costs.

- For the First Amending Agreement, we reviewed the quarterly project status reports and the Contribution Agreement Update. We observed the amendment terms were communicated to elected officials. We also reviewed the First Amendment to the Contribution Agreement, dated October 3, 2019 and verified the accuracy of terms communicated to elected officials. We concluded that the terms communicated by the Public Service appear consistent to the signed agreement.

- Public Service has informed us that the Province sent a proposal for a Second Amendment, at the time of finalizing this report. For the proposed Second Amending Agreement, we reviewed the Province's letter to the City. We observed some potentially material items or items, which could have an impact to the City.
    - Consistent to quarterly project status reports, the Public Service appears to be in ongoing discussions with the Province on obtaining a resolution to the Provincial funding issues.
    - We have not reviewed the Public Service's analysis and response to the Province on their proposal.
    - The Administrative Standard FM-004 (Asset Management) requires open and transparent reporting to Council on capital projects. The report must disclose all material facts related to the capital project. This enables elected officials to make informed decisions.
    - We also considered the best practices for capital project monitoring and reporting issued by the Government Finance Officers Association (GFOA) of which the City of Winnipeg is a member. This guidance recognizes that high profile projects often require more extensive reporting. It also recommends the report to highlight significant changes to project funding.

- Understanding that this is the final audit report, we recommend that on a proactive basis the Public Service continue to analyze fully the final terms of any subsequent amendments to the Contribution Agreement and to communicate all potential material impacts of the analysis to elected officials.

- For the verbal reports, we reviewed recorded video of SPC on IRPW meetings to verify communication.
  - We found that Public Service provided a verbal status update as required for all reporting periods between March 1, 2019 and November 30, 2019. We also found that Public Service provided contingency fund update as required during the verbal status updates to SPC on IRPW for all reporting periods between March 1, 2019 and November 30, 2019.

RECOMMENDATION			
Administrative Standard FM-004 (Asset Management) requires open, transparent, and full disclosure reporting to elected officials on all material facts related to the capital project. Understanding that this is the final audit report, we recommend that on a proactive basis the Public Service continue to analyze fully the impact of any subsequent amendments to the Contribution Agreement between the City and the Province and communicate all potential material impacts of the analysis to the elected officials.			
RISK AREA	Information Resources	**ASSESSMENT**	Moderate
BASIS OF ASSESSMENT	Reports that are not distributed or that contain inaccurate information, affect stakeholders' ability to perform their roles and could also affect legal compliance or funding agreements. To mitigate this risk, the Public Service has formed an experienced project management team that works closely with all interdependent departments to address all project management knowledge areas that require reporting.		
MANAGEMENT RESPONSE			
Transit agrees with Audit's final report and recommendations for the period ending November 30, 2019. We believe the audit process has provided value to citizens, as well as our project team, through a transparent and collaborative approach undertaken by the Audit Department.			
IMPLEMENTATION DATE	To be determined.		

PROJECT MANAGEMENT KEY AREAS ANALYSIS

2.1 Risk Management Activities

Issue

- Has the project management team followed the risk management guidance given in the City's Project Management Manual?

Conclusions

- The project management activities carried out have met the requirements of the City's Project Management Manual.

Analysis

- The City's Project Management Manual ("PMM") is required to be applied to all capital projects undertaken by the Public Service. The PMM details a project management methodology, and also states that the methodology used should be tailored to the specific project.

- Under a public-private partnership arrangement, the majority of the risks for costs, scope, schedule, and quality are transferred to the private partner. This leaves the City with a limited amount of risk. The City still retains risks on regulatory changes related to construction of the transitway, scope changes requested by the City, termination of agreement, maintenance of connecting roadways, and bus operations on the transitway. We have reproduced the Fairness Monitor's illustration of the risk distribution for the Project in **Appendix 5**.

- The risk management guidance in the PMM focuses on identifying, planning for, managing, and communicating risks. We observed that the City's Project Management team has an issues log that is regularly updated. We observed through meeting minutes that project risks are regularly discussed in project team meetings and Major Capital Project Steering Committee meetings. These practices are consistent with the guidance of the City's Project Management Manual.

- We observed that Plenary Roads Winnipeg has provided the Public Service with a Project Risk Management Plan and monthly reports that outline the anticipated risks in the project, the mitigation strategies for the risks, and the estimated residual risks remaining after the mitigation strategies. This practice is consistent with generally accepted project management practices (such as the *Project Management Book of Knowledge* issued by the Project Management Institute) and is also consistent with the City's Project Management Manual.

RECOMMENDATION			
No recommendation accompanies this analysis.			
RISK AREA	Business Process	**ASSESSMENT**	Moderate
BASIS OF ASSESSMENT	Inadequate risk management could reduce the projected value for money savings for the Project.		

2.2 Change Order Status

Issue

- Has the project management team followed established processes for the review and approval of change orders, and have change orders been within the intended project scope and budget?

Conclusions

- The project management reviews and approvals of change orders have met established process requirements for these activities. Approved changes were within budget and intended project scope.

Analysis

- Change orders (COs) are part of the scope management and cost management processes. If change orders are not properly managed, they can pose significant risks for a project.

- As of November 30, 2019, COs, totaling $6,565,588 have been approved. $6,988,141 of the total COs are for capital costs, while $422,553 in credits are for operations and maintenance. The total approved COs represent 9.52 percent of the contingency fund, and 1.41 percent of the overall project budget.

- COs related to capital costs have increased by $3,437,784 from the previous period. This increase represents 4.98 percent of the total contingency fund, and 0.74 percent of the overall project budget.

- COs related to operations and maintenance costs have decreased by $559,714 from the previous period. This decrease represents 0.81 percent of the total contingency fund, and 0.12 percent of the overall project budget.

- The total COs for the period was below our audit's performance materiality. As such, we determined our sample COs based on their nature and significance. We tested the largest two COs approved in this period. Both COs relate to capital costs. Both COs add to $3,286,232. This total is 96 percent of the total COs related to capital costs. We observed that these approved change orders appear reasonable and properly supported.

- A summary of COs is not provided in this final audit report due to conditions in the Project Agreement prohibiting the publication of detailed commercial transactions of the Project.

RECOMMENDATION			
No recommendation accompanies this analysis.			
RISK AREA	Business Process	**ASSESSMENT**	Moderate
BASIS OF ASSESSMENT	Inadequate review and approval of change orders could have a negative impact on the Project's budget and/or scope.		

INDEPENDENCE

The Audit Department is classified as an independent external auditor under *Government Auditing Standards* due to statutory safeguards that require the City Auditor to report directly to Council, the City's governing body, through the Audit Committee.

The Audit Department team members selected for the audit have all attested that they do not have any conflict of interest related to the audit's subject matter.

ACKNOWLEDGEMENT

The Audit Department wants to extend its appreciation to all of the stakeholders who participated in this audit and especially to City's project team for their time and cooperation.



Bryan Mansky, MBA, CPA, CMA, CIA
City Auditor

October 26, 2020
Date

APPENDIX 1 – Project Background

The Southwest Rapid Transitway (Stage 2) and Pembina Underpass Project

- Stage 2 of Winnipeg's first rapid transit corridor, and the expansion of Pembina Highway under the Jubilee Overpass, ("the Project") was approved by Council on June 25, 2014. The Project is being delivered under a public-private partnership methodology.
- After a competitive bidding process, an agreement was signed with Plenary Roads Winnipeg to design, build, finance, operate and maintain the infrastructure at an estimated total cost of $467 million.
- The scope of the Project includes the extension of the current southwest transit corridor (Stage 1) from Jubilee Avenue to the University of Manitoba. This extension is approximately 7.6 kilometers long and will include the construction of three new bridges (one for a railway and two for the transitway), two overpasses (for the transitway over McGillivray Boulevard and the CN Letellier rail line and spur lines), the reconstruction of Southpark Drive, two new drainage pump stations, a new pedestrian ramp at Investor's Group Field, a reconstructed bus staging area at the University of Manitoba, two new "Park and Ride" facilities, nine new transit stations, and an active transportation pathway along the entire length of the transitway.
- The Project also includes the widening of the northbound side of Pembina Highway under the Jubilee overpass from two to three lanes along with pedestrian and cycling facilities on both sides of Pembina Highway.

Project Funding

- The financing for the Project is:

Contributing Party	Contribution	Percent
City of Winnipeg	$ 187,000,000	40%
Province of Manitoba	187,000,000	40%
Government of Canada	93,300,000	20%
Total	$ 467,300,000	

Reporting

- The following reports are ongoing or are forthcoming for the Project for legislated and contractually agreed upon matters:
  - Actions that are outside the delegated authority of the Public Service (such as expropriation of lands, procurement in excess of delegated authority, or over-expenditure reports)
  - Quarterly reporting to the SPC on Finance
  - Verbal reporting to the SPC on IRPW

APPENDIX 2 – Audit Methodology

MANDATE OF THE CITY AUDITOR

- The City Auditor is a statutory officer appointed by City Council under *The City of Winnipeg Charter*. The City Auditor is independent of the Public Service and reports directly to Executive Policy Committee, which serves as the City's Audit Committee.
- The City Auditor conducts examinations of the operations of the City and its affiliated bodies to assist Council in its governance role of ensuring the Public Service's accountability for the quality of stewardship over public funds and for the achievement of value for money in City operations.
- Once an audit report has been communicated to Council, it becomes a public document.

PROJECT RISK ANALYSIS

- Communication is essential for successful projects. Some of the most important communication in large-scale public capital projects occurs in the form of public reporting; however, few industry organizations give guidance on what exactly should be included in project performance reports. Reporting is mainly left to be agreed upon by project stakeholders, and much is left to the professional judgment of the project management teams. Improper communication can hold up projects or cause wasted efforts. Therefore, proper communication practices are essential to ensure that projects run smoothly and efficiently.
- Individual audit area risk assessments are provided for each issue discussed. The assessments discuss and detail the residual risk for issues after considering the City's mitigating risk controls.

SCOPE

- The scope of our audit includes project communication management over the course of the project. The scope of our quarterly audit reports also includes the reporting on key management areas (such as risk, quality, schedule, and cost) as the Project progresses.
- Our audit runs concurrently with the project over the duration of the project, and reports are released on a quarterly basis.
- In 2018 Quarter 3, the project management team adjusted its reporting schedule to accommodate the municipal election held in October 2018. Our audit reports subsequent to that period mirror the adjustment and the reporting periods in project status reports to the SPC on Finance.
- We provide this final audit report related to the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Capital Integration Project. This final audit report covers three reporting periods between March 1, 2019, and November 30, 2019.
- We have observed in the prior and current audits that the project team managed the Project well. There were some recommendations in the past audit reports. However, the Public Service agreed and made the recommended changes. The Project has also reached Substantial Completion on October 1, 2019, on schedule. Therefore, we determined a final audit report covering multiple reporting periods more appropriate. This will ease the review of the audit report for elected officials.
- This report covers three reporting periods. However, we determined the cut-off date for our procedures to be October 1, 2019, the Substantial Completion Date. We were not aware of any significant events that require our attention, except for the First Amendment to the Contribution Agreement, dated October 3, 2019. Additionally, Transit identified that the Province proposed a second amendment to the Contribution Agreement on August 18, 2020; the Public Service has analyzed the proposed amendments and has responded to the Province on October 7, 2020 seeking clarification. Transit added that there are no other significant events after October 1, 2019 to bring to our attention.

APPROACH AND CRITERIA

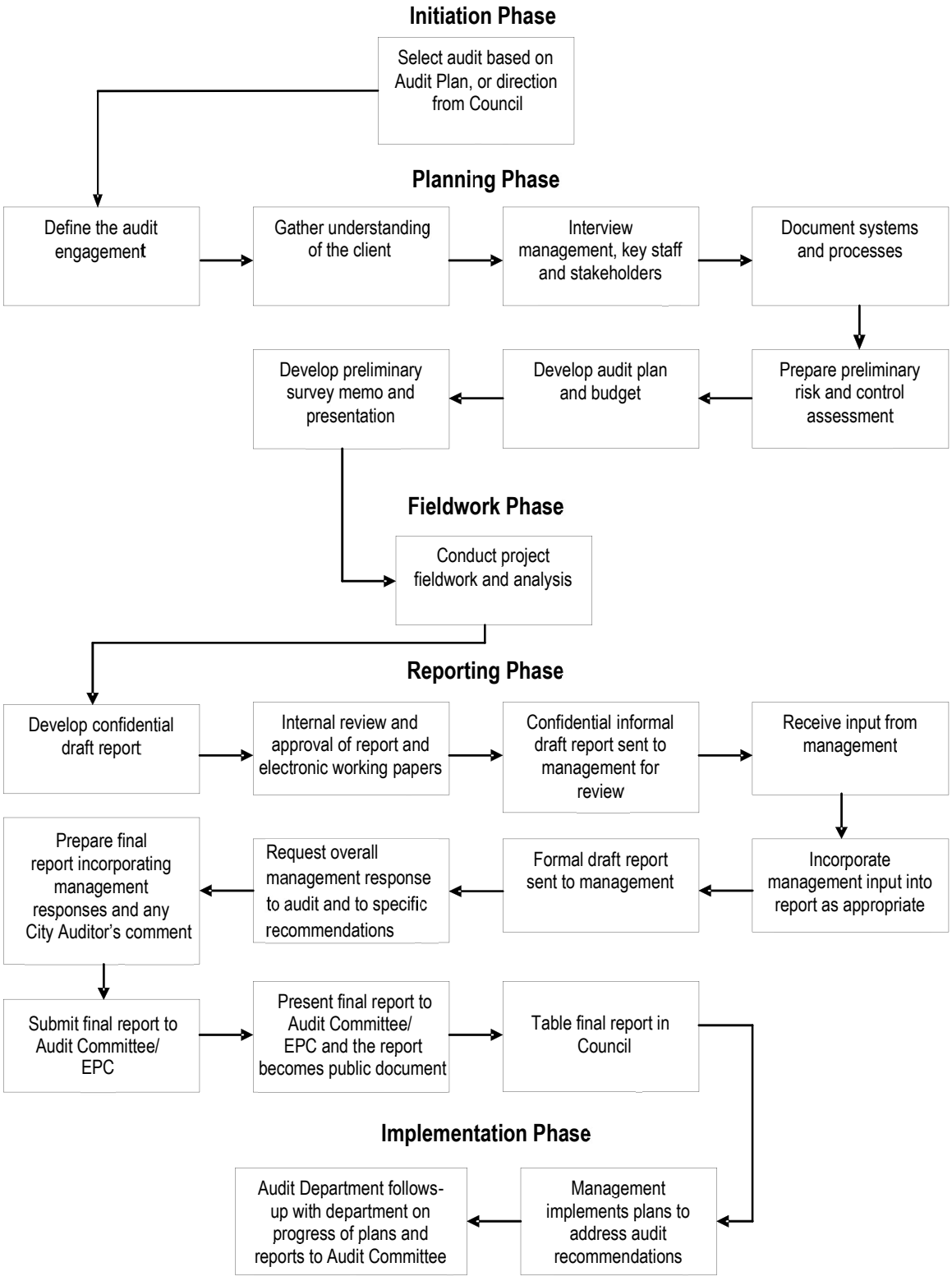
- We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient appropriate evidence to provide a reasonable basis for our observations and conclusions, based on our audit objectives. We believe the evidence we have obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

- To gather sufficient appropriate evidence for our audit, we reviewed Manitoba's legislated requirements for public-private partnership reporting, the City of Winnipeg's documented guidance for capital project reporting, and the public reporting requirements set out in funding and capital project management agreements. We also researched industry standards and guidance on capital project monitoring and reporting. We then conducted our fieldwork, which compared the public reporting for the project for the period covered by this audit report to all of the outlined guidance.

- The guiding documents we used include:
  - *The Public-Private Partnerships Transparency and Accountability Act* of Manitoba
  - *The Environment Act* of Manitoba
  - *The City of Winnipeg Charter* for Council's and its committees' legislated roles in relation to capital project decision making
  - *Administrative Standard FM-004: Asset Management* (and its precursors throughout the project)
  - Agreements with federal and provincial funding partners (P3 Canada, and the Province of Manitoba) and contracted service providers (Plenary Roads Winnipeg Transitway LP)

- Industry capital project monitoring and reporting practices we researched included:
  - Recommended practices 17R-97 and 56R-08 of The Association for the Advancement of Cost Engineering (AACE)
  - Accounting principles published by CPA Canada
  - *Effectiveness Reporting and Auditing in the Public Sector* published by the Canadian Comprehensive Auditing Foundation (CCAF)
  - Publicly available reporting information for the National Project Management System (NPMS)
  - *A Guide to the Project Management Body of Knowledge (PMBOK® Guide) Fifth Edition*
  - Projects IN Controlled Environments (PRINCE2)
  - GFOA Best Practices guidance, *Capital Project Monitoring and Reporting*

APPENDIX 3 – Audit Process



APPENDIX 4 – Risk Assessment Worksheet

Potential Impacts / Likelihood	Insignificant - None or minor change in services, project or processes - Very limited exposure of sensitive information - Very minor, non-permanent environmental damage - Financial impact < $100K	Minor - Minor change in achievement of service objectives - Limited exposure of sensitive information - Minor, non-permanent environmental damage - Financial impact $100K – $500K	Moderate - Moderate change in delivery of essential services - Exposure of limited amount of confidential information - Moderate environmental damage - Financial impact $500K – $1M	Major - Significant change in delivery of essential services - Exposure of significant amount of confidential information - Significant change in quality of life indicators - Major environmental damage - Financial impact $1M – $10M	Extreme - Unable to perform essential services for extended period Exposure of critical confidential information - Very significant change in quality of life indicators - Significant damage to environment - Financial impact >$10M
Almost certain (Excepted to occur unless circumstances change)	M	M	H	C	C
Likely (Probably occur in most circumstances)	M	M	H	C	C
Possible (Might occur under different circumstances)	L	M	M	H	H
Unlikely (Could occur if circumstances change)	L	L	M	H	H
Rare (May occur in exceptional circumstances)	L	L	M	M	M

Legend

C Critical risk:	Requires urgent action, monitor and review at least weekly by Senior Management and COO, inform CAO and Committee of Council
H High risk:	High impact, monitor and review at least quarterly by management, inform COO
M Moderate risk:	Monitor and review at least quarterly by management
L Low risk:	Review periodically, no explicit action required.

APPENDIX 5 – Risk Allocation Summary

Risk	Retained by City	Transfer to Project Co	Shared	Notes on Any Changes to Risk as Previously Proposed
A. General				
1. Compliance with applicable law and standards		✓		N/A
2. Designated change in law	✓			
3. Changes in applicable law		✓		N/A
4. Changes in standards			✓	N/A
5. Permits, Licenses and Approvals (Including CN and Manitoba Hydro approvals)			✓	N/A
6. Access to Lands, Encumbrances, Liens			✓	N/A
7. Geotechnical		✓		N/A
8. Contamination			✓	N/A
9. Defects in Existing Infrastructure			✓	N/A
B. Design and Construction				
10. Design development (Detailed design)		✓		N/A
11. Construction management delays		✓		N/A
12. Construction latent defects		✓		N/A
13. Construction warranty for Maintenance-Exempt Work		✓		N/A
14. Scope changes initiated by City during construction	✓			N/A
15. Adverse weather conditions		✓		N/A
16. Labour relations			✓	N/A
17. Safety and security		✓		N/A
18. Stadium Access Works		✓		N/A
19. Utility Work			✓	• Project Co is responsible for all utility work for the Project, including Manitoba Hydro utility relocation work, however a cost sharing regime is in place as described below. o The City is responsible for reimbursing Project Co for certain utility costs that exceed a pre-determined baseline amount established by the City, subject to Project Co's obligation to mitigate such costs. o Project Co is entitled to relief from the City in the event that Manitoba Hydro fails to perform its obligations in accordance with the applicable utility agreement and causes delay to Project Co in achieving Substantial Completion.

APPENDIX 5 – Risk Allocation Summary (Continued)

Risk	Retained by City	Transfer to Project Co	Shared	Notes on Any Changes to Risk as Previously Proposed
20. CN Rail Interface			✓	• Project Co is responsible for all interface with CN Rail to compel them to fulfil their obligations, with the City required to provide assistance to resolve non-performance by CN. • Project Co is entitled to relief from the City in the event that CN Rail fails to perform its obligations that causes delays to Project Co in achieving Substantial Completion.
21. Traffic Management		✓		• Project Co is subject to payment deductions for lane closures during the construction period that exceed their target number of closure days as per their proposal.
22. Rectification of deficiencies		✓		N/A
23. Commissioning		✓		N/A
C. Maintenance and Rehabilitation				
24. Operational and preventive maintenance (Stage 1 and Stage 2)		✓		N/A
25. Rehabilitative maintenance – Stage 1	✓			N/A
26. Rehabilitative maintenance – Stage 2		✓		N/A
27. Winter Maintenance		✓		N/A
28. Bus operations – Stage 1 and Stage 2	✓			N/A
29. Maintenance of roadway connections between the Transitway and street system	✓			N/A
30. Default of Operator or Project Co		✓		N/A
31. Inflation risk			✓	N/A
32. Asset residual		✓		N/A
D. Force Majeure				
33. Force Majeure			✓	N/A
E. Relief Events				
34. Relief Events			✓	N/A
F. Termination of Project Agreement				
35. Termination for convenience of City	✓			N/A
36. Termination for default of Project Co		✓		N/A
37. Termination for Force Majeure			✓	N/A

Source: P1 Consulting (2016). *City of Winnipeg Request for Proposals to Design, Build, Finance, (Operate) and Maintain the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass: Fairness Monitor's Report*. Retrieved from winnipegtransit.com.

APPENDIX 6 – Actual Costs Presented in the Project Status Report to the Standing Policy Committee on Finance

Appendix B – Financial Forecast

Appendix B - Southwest Rapid Transitway (Stage 2) & Pembina Highway Underpass Financial Forecast *
As at November 30, 2019

Project Component Deliverables	Budget (in 000's)			Actual Costs To November 30, 2019*	Expenditure Forecast (in 000's)					Surplus (Deficit) From Amended Budget	Variance Last Report	Change in Variance
					Projected Costs							
	Adopted Budget	Council Approved Change**	Amended Budget*		2019	2020	2021	2022 and Beyond	Total Forecasted Costs			
Engineering, Design and Other [5]	$ 13,000	$ (1,694)	$ 11,306	$ 10,983	$ 495	$ 1,523	$ -	$ -	$ 13,001	$ (1,695)	$ -	$ (1,695)
Construction [1 & 4]	$ 476,750	$ (130,000)	$ 346,750	$ 208,651	$ 1,392	$ 8,350	$ 8,350	$ 121,009	$ 347,752	$ (1,002)	$ -	$ (1,002)
Land Acquisition	$ 23,000	$ 10,000	$ 33,000	$ 29,118	$ (17)	$ 3,899	$ -	$ -	$ 33,000	$ -	$ -	$ -
Internal Financing/Overhead Costs	$ 5,550	$ 1,694	$ 7,244	$ 3,694	$ 461	$ 3,089	$ -	$ -	$ 7,244	$ -	$ -	$ -
Contingency [2]	$ 69,000	$ -	$ 69,000	$ -	$ 390	$ -	$ -	$ 12,555	$ 12,945	$ 56,055	$ 52,905	$ 3,150
Change Order	$ -	$ -	$ -	$ 6,959	$ -	$ -	$ -	$ -	$ 6,959	$ (6,959)	$ (6,505)	$ (454)
Total Project Budget [3]	**$ 587,300**	$ (120,000)	$ 467,300	$ 259,405	$ 2,721	$ 16,861	$ 8,350	$ 133,564	$ 420,901	$ 46,399		
% of Project Budget Spent (Actual Costs to Date / Adopted & Amended Budget)	44%		56%									

* Amended budget and actual costs to date have been agreed to the City's general ledger and Monthly Capital Expenditures Report.
** Amended Budget as reflected in Transit's 2019 Adopted Capital Budget.

1) Construction projection represents the estimated payment at substantial completion (60%) and the repayment of the remaining capital portion (40%) stated in nominal dollars over the 30 year maintenance period.

2) Change Orders in the amount of $6.988 million (capital) and $432k in credits (operating & maintenance) have been approved with Plenary Roads Winnipeg of which $6.959 million has been processed and reflected above. The remaining approved Change Orders will be reflected above as completed.

3) The 30-year Annual Service Payments (ASP) are not included in Total Project Budget with the exception of the capital portion of 40% nominal construction amount (Note 1). The City no longer anticipates cost sharing with the Province of Manitoba related to operations and maintenance. The forecasted amount for the total ASP in 2020 is $14.46 million for debt service, operation and maintenance and other annual expenditures. Operation and maintenance payments increase with inflation.
Of the total forecast for ASP 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.

4) Total constructions costs represent actuals at Substantial Completion which was achieved on October 01, 2019.

5) Reallocation of budget to account for anticipated costs.

Source: *Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass – Quarterly Project Status Report, Project ID: 4230010514, Quarterly Project Status Report No. 20, for the Period Ended November 30, 2019*