



Council Report

Date: February 1, 2011 **From:** Mike Lai
Johnson Street Bridge Project Director

Subject: Johnson Street Bridge Project Charter

Executive Summary

The purpose of this report is to seek Council's approval for the Johnson Street Bridge Project Charter. Staff also wish to seek Council's approval for the final project scope relative to the rail component.

The Johnson Street Bridge Project focuses on providing:

- Improved amenities for cyclists and pedestrians;
- Improved safety and accessibility;
- Minimal disruption to the downtown;
- Creation of 900 jobs over the construction period.

A referendum was held on November 20, 2010 approving the borrowing of \$49.2 million for the Johnson Street Bridge replacement project. Staff have been working with the lead consultant, MMM Group to continue with the required detailed design work. A Project Charter is required to establish an understanding of the expected deliverables for the Project and to help guide both the City and consultant team in its management and successful completion by March 31, 2016. The Project Charter outlines the scope, schedule, budget, key milestones, project accountabilities, delivery strategy [for design/construction], and significant risks and mitigation strategies associated with the Project.

The presence of risks are typical of a construction project and are generally manageable. When managing a large capital project, the identification and understanding of external risks is critical to effective project delivery. Risks are effectively managed with the use of appropriate cost control measures and project management techniques. Over the past eight weeks, extensive analysis of the external risks, including steel prices, construction market conditions and competing construction projects, site conditions, and utility relocation, has resulted in strategic mitigation factors and a recommended *design assist* approach for bridge construction. The design assist method, in conjunction with early consultation with utility agencies and further geotechnical investigation, is intended to address the main external risks and advance the key decision points early in the project timeline.

Design Assist is a collaborative team-oriented project delivery method that capitalizes on the benefits of early engagement of design assist subcontractors. The major benefits of the Design Assist Delivery Method are faster project delivery; elimination of costs caused by inefficient and un-constructible designs, improved design document coordination, better control of the effects of design creep on the budget, and best value options and systems analysis. Design Assist allows designers and contractors to work as a collaborative team in the design phase, enabling them to detect and resolve design problems and constructability issues prior to construction.

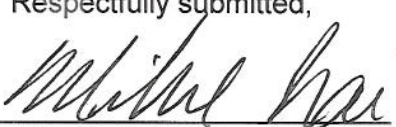
The City has made considerable efforts to secure other sources of funding for the rail component. An application has been submitted to the Union of BC Municipalities for \$6.5 million of the \$12 million required in funding from the General Strategic Priorities Fund of the Gas Tax Agreement towards the rail component of the Project. According to UBCM, a decision on City's funding application will not be made until late spring or summer. The City has also made written requests for funding contributions towards the balance of funding required [\$5.5 million] to neighbouring municipalities directly affected by future commuter rail service, the Province, potential provincial party leaders of the BC government and official opposition, and the Island Corridor Foundation. While the City continues to support the prospect of commuter rail, the City has not received any confirmation that funding can be secured for this component of the Project. Awaiting a funding decision on the City's application for the rail component will cause delay in the project schedule as detailed design will be delayed. The implication of delay could also impact the cost of the project and may jeopardize the \$21 million of federal funding. However, a rail corridor will be preserved for future use consistent with the City's Official Community Plan.

Recommendations:

It is recommended that:

1. The rail component will not be included at this time, but that a rail corridor will be preserved; and
2. The Project Charter attached to this report be approved.

Respectfully submitted,



Mike C. Lai, P. Eng.
Johnson Street Bridge
Project Director



Brenda Warner
Director of Finance



Katie Josephson
Director of Corporate
Communications



Peter Sparanese, P. Eng.
General Manager of
Operations

Report accepted and recommended by the City Manager:


Gail Stephens

Purpose

The purpose of this report is to seek Council approval for the Johnson Street Bridge Project Charter. Staff also wish to seek Council's approval for the final project scope

Background

A referendum was held on November 20, 2010 approving the borrowing of \$49.2 million for the Johnson Street Bridge replacement project. Staff have been working with the lead consultant, MMM Group, to continue detailed design work. A Project Charter is required to establish an understanding of the expected deliverables for the Project and to help guide both the City and consultant team in its management and completion.

The project will provide enhanced green transportation options, improved public safety; improved accessibility; and will continue to be supportive of the economic vitality of the downtown during the project (by remaining open to traffic; providing approximately 900 jobs during construction) and into the future. Further, the Urban Development Institute has indicated that with the new bridge, an estimated \$0.5 billion in development activities would not be impacted.

A Project Charter outlines the scope, schedule, budget, external dependencies and assumptions, key milestones and decisions for Council, project team and accountabilities, delivery strategy [for design/construction], and risks and mitigation strategies associated with the Project. This is outlined in the Project Charter attached to this report.

Issues & Analysis

The timing and outcome of key Council decisions rely on the effectiveness of major risk mitigation strategies to address the possibility of increasing steel prices and changing market conditions for construction. This project must be completed no later than March 31, 2016 to continue being eligible for federal funding under the Building Canada Fund program.

To achieve this, it will be necessary to employ a procurement strategy referred to as "design-assist" that allows a steel shop fabricator to join the design team when preliminary design has been completed. The unit price for steel can be secured using this strategy and allows the project to continue moving forward to secure a general contractor and commence construction.

Rail

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Borrowing for Rail

If Council wishes to borrow for the rail component at this stage in the process, Council would first have to rescind the resolution of August 12, 2010 that the City will not borrow for the rail component. Then, Council could consider either short [up to approximately \$4 million] or long-term borrowing [\$12 million].

Under the *Community Charter* any short-term borrowing would require repayment of the loan amount within 5 years. This would also result in tax implications and would require adoption of a borrowing bylaw and amendment to the City's financial plan.

Long-term borrowing [over a 20-year period] would involve amending the Loan Authorization Bylaw No. 10-055 to increase the amount of borrowing to \$61.2 million. Under the *Community Charter*, such an amendment requires the approval of the electorate either through the Alternate Approval Process [AAP] or by referendum. This would also result in tax implications and would require an amendment to the City's financial plan.

Another option would be to fund the rail component through a deferral of City programs. However, this is not recommended.

Options & Impacts

Rail

Council approval of the Charter outlined in this report is an important step for this Project moving forward. The project scope of work does not include the rail component. Should Council decide to wait for UBCM's review and decision on the City's gas tax application for funding towards the rail component of the Project, detailed design work will be delayed as decisions on the application are not expected until mid year. Consequently, it would be difficult to meet the intended schedule, which may risk the \$21 million federal funding contribution if the Project is not completed by March 31, 2016. Delays may also lead to higher costs associated with steel for the bridge and labour, should costs increase and / or City's priority project could be competing with others relative to the availability of steel and qualified labour.

Furthermore, timing is critical for this Project as it is located in an area regulated by federal fisheries work windows, which restrict in-water work to the period July 1st to February 15th annually. Delays could affect efforts to coordinate the schedule of in-water work activity with a particular fisheries window and result in overall schedule slippage.

