Agenda – Executive Policy Committee – September 23, 2009

REPORTS

Item No. 4 Disraeli Bridge and Overpass Facility – External City Borrowing eFile SB-3

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That Council approve external borrowing of up to $75 million to provide a substantial completion payment relating to the Disraeli Bridge Overpass Facility (Disraeli) to replace, in part, private borrowing contemplated through the Design/Build/Finance/ Maintain (DBFM) model.

2. That Council approve the use of the payment stream identified in the Capital Investment Fund and extension of those amounts for a 30 year period as set out in the 2009 Capital Budget commencing in 2010 for the purpose of making payments to the successful proponent with respect to the Disraeli and that the capital authorizations and payment descriptions be adjusted accordingly to reflect the final costs determined when the bid process is complete.

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

ADMINISTRATIVE REPORT

ISSUE: **Disraeli Bridge and Overpass Facility – Approval for external City borrowing to provide a substantial completion payment in place of other financing previously contemplated**

CRITICAL PATH: Executive Policy Committee - Council

AUTHORIZATION

Author	Department Head	CFO	CAO
Michael Ruta	Michael Ruta	Michael Ruta, Deputy CAO/CFO	G Laubenstein

RECOMMENDATIONS

1. That Council approve external borrowing of up to $75 million to provide a substantial completion payment relating to the Disraeli Bridge Overpass Facility (Disraeli) to replace, in part, private borrowing contemplated through the Design/Build/Finance/Maintain (DBFM) model.

2. That Council approve the use of the payment stream identified in the Capital Investment Fund and extension of those amounts for a 30 year period as set out in the 2009 Capital Budget commencing in 2010 for the purpose of making payments to the successful proponent with respect to the Disraeli and that the capital authorizations and payment descriptions be adjusted accordingly to reflect the final costs determined when the bid process is complete.

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

IMPLICATIONS OF THE RECOMMENDATIONS

- The international credit crises has impacted financing rate spreads between private and public borrowers. To improve the value for money proposition to the City, the Public Service in discussion with its financial advisors, are recommending the replacement of private financing with City borrowing up to the amount noted above.

- Funding for the Disraeli was originally set aside in two accounts - the Disraeli account and the Capital Investment Fund account. The latter account was established to provide additional funding for financing payments in the event it was later determined that additional costs would be incurred with respect to the rehabilitation of the bridge. The City is considering both a rehabilitation and new bridge option which would require access to the funding included in the Capital Investment Fund.

- The City has extended the RFP submission deadline for Disraeli from June 26, 2009 to September 1, 2009.

HISTORY

- Council approved construction of Disraeli as a DBFM on May 14, 2008. Normally the proponents are a consortium of a financier, designer, contractor and maintenance provider. The consortium is responsible for financing, designing, constructing and maintaining the project over a specific period. Using this model the City transfers the design, construction and maintenance risks as well as market and time related risks to the consortium which provides greater cost certainty to the City. The City pays a premium for the risk transferred to protect against the significant costs associated with the risks, much like an insurance policy. When the reports were prepared, the Public Service estimated that the Value For Money (VFM) could result in cost savings of up to 16%.

- On September 24, 2008, Council approved the recommendation that Concept Modified A be approved as the minimum requirement for Disraeli. The CAO was delegated the authority to award the multi-year contract. Further the report indicated that funding from the Capital Investment Fund would be required and both rehabilitation and new bridge options would be considered. A pedestrian bridge was added to the bridge concept originally contemplated.

- From the end of 2008 into 2009, credit markets have changed dramatically resulting in increased spreads in interest rates between private and public borrowers. In many cases, private borrowers have not been able to secure financing beyond ten years for large sized projects. As a result, the VFM has fallen for Disraeli to the 8% range. With City financing of $50 million, the VFM would improve to the 14% range. The City is in the process of evaluating the financial impact on the VFM of extending its borrowing position to $75 million. In consultation with its advisors, the Public Service is confident that the proposed City borrowing levels will not impact the risk transfer opportunities itemized above thereby still supporting a DBFM model. However, the Public Service will continue to monitor spreads to obtain the maximum advantage for the City at the appropriate level of borrowing.

- Financing for Disraeli is identified in the 2009 Capital Budget. Further financing streams for Disraeli are included in the Capital Investment Fund. The Fund was established to provide an additional payment stream in the event that further rehabilitation was identified with respect to the Bridge. When the September report to Council was approved, the Capital Investment Fund was identified as a source of funding to finance the Modified Concept A option which included the pedestrian bridge. The recommendations above request Council approval to use this payment stream to fund either the rehabilitation or new bridge options for a 30 year period. It should be noted that construction costs relating to the Modified Concept A option were estimated to be $140 million. Although the competitive bid process is not yet complete, the cost of construction may be higher to provide for extended access to the bridge.

FINANCIAL IMPACT

Financial Impact Statement **Date:** June 22, 2009

Project Name: Disraeli Bridge and Overpass Facility Approval for External City Borrowing

First Year of Program 2010

	2010	2011	2012	2013	2014
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
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: There is no additional financial impact as all financing for payments required under the DBFM has been budgeted.

Original Signed By Michael Ruta
Chief Financial Officer

CONSULTATION

In preparing this Report there was consultation with:

Public Works
Legal Services

SUBMITTED BY

Department: Corporate Finance
Division: CFO
Prepared by: Michael Ruta
Date: June 30, 2009
File No.