Minutes – Executive Policy Committee – June 19, 2013

Minute No. 340
Report – Standing Policy Committee on Property and Development – June 11, 2013

Item No. 8 Police Building Replacement - Funding Strategy and Approval for Purchase at Total Performance of the South District Police Station

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Property and Development and submitted the following to Council:

1. That the City of Winnipeg exercise the option to purchase the South District Police Station facility (SDPS) at Total Performance from Shelter Canadian Properties Limited (SCPL) and 6485171 Manitoba Ltd. at a purchase price of $15,640,000 (MRST included, GST extra as applicable).

2. That the following amendments to the 2013 Capital Budget be approved:

    A. Increase the "South District Police Station Lease" project (# 6331002913) from $585,000 to $16,593,000 (the "Project");

    B. Finance the $16,008,000 increase in the Project's budget with external debt.

3. That borrowing authority in an amount of up to $16,008,000 for this project be authorized and that the Director of Legal Services and City Solicitor be requested to submit the necessary borrowing by-law(s) to Council.

4. That the appropriate amendments to the operating and capital budgets be referred to the 2014 budget process.

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

Minutes – Executive Policy Committee – June 19, 2013

Report – Standing Policy Committee on Property and Development – June 11, 2013

DECISION MAKING HISTORY:

Moved by Councillor Browaty,

That the recommendation of the Standing Policy Committee on Property and Development be concurred in and forwarded to Council.

Carried

STANDING COMMITTEE RECOMMENDATION:

On June 11, 2013, the Standing Policy Committee on Property and Development concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Title: POLICE BUILDING REPLACEMENT - FUNDING STRATEGY AND APPROVAL FOR PURCHASE AT TOTAL PERFORMANCE OF THE SOUTH DISTRICT POLICE STATION

Critical Path: Standing Policy Committee on Property and Development
Executive Policy Committee
Council

AUTHORIZATION

Author	Department Head	CFO	CAO
I. Day	B. Thorgrimson	M. Ruta	D. Joshi

RECOMMENDATIONS

1. That Council approve that the City exercise the option to purchase the South District Police Station facility (SDPS) at Total Performance from Shelter Canadian Properties Limited (SCPL) and 6485171 Manitoba Ltd. at a purchase price of $15,640,000 (MRST included, GST extra as applicable).

2. That Council approve the following amendments to the 2013 Capital Budget:

    A. Increase the “South District Police Station Lease” project (# 6331002913) from $585,000 to $16,593,000 (the “Project”);
    B. Finance the $16,008,000 increase in the Project’s budget with external debt.

3. That Council authorizes borrowing authority in an amount of up to $16,008,000 for this project and that the Director of Legal Services and City Solicitor be requested to submit the necessary borrowing by-law(s) to Council.

4. That subject to Council approval of Recommendations 1 to 3, the appropriate amendments to the operating and capital budgets be referred to the 2014 budget process.

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

EXECUTIVE SUMMARY

In June 2012, Council approved development of the SDPS utilizing a P3 Lease methodology. The associated P3 Project Contract provides the City with a Purchase Option for the SDPS at Total Performance at November 30, 2013, (as well as at the end of years 10, 20, and 30). This report recommends exercising the option to purchase the SDPS at Total Performance resulting in an estimated total net savings of $9,665,000 (average annual savings of $322,000) during the 30 P3 Lease term.

In June 2012, the City's incremental borrowing rate was approximately 4.00%. The City's best estimate of future borrowing costs was 5.25%. Borrowing rates have decreased since June 2012. Based on today's rates, it is estimated that the City could borrow at 3.90%.

In the event interest rates advanced above 4.75% (5.25% as estimated in June 2012), the City would have realized a benefit associated with securing an interest rate below prevailing market conditions and the Public Service would recommend continued development of the SDPS utilizing a P3 Lease methodology.

By exercising the Purchase Option, the City will acquire ownership of the facility currently under construction (approximately 60% complete) and will perform all maintenance and assume associated risk for the building throughout it's useful life. There is no change in the scope or characteristics of the project associated with the recommended acquisition.

REASON FOR THE REPORT

Council approval is required to amend Capital and/or Operating Budgets and to authorize borrowing by the City.

Council approval is required for the City to exercise the option to purchase the SDPS at Total Performance.

IMPLICATIONS OF THE RECOMMENDATIONS

- As shown in Appendix C, the total net savings during the 30 year P3 Lease term that would result from exercising the option to purchase at Total Performance is estimated at $9,665,000 (average annual savings of $322,000).
- Council previously approved a P3 Lease for development of the SDPS. By exercising the option to purchase the SDPS at Total Performance, the City will acquire ownership of the facility currently under construction (approximately 60% complete). There is no change in the scope or characteristics of the project associated with the recommended acquisition.
- The capital lease (recorded as debt on the City's balance sheet) will be replaced with traditional debt.
- By exercising the purchase option upon Total Performance, technical maintenance/capital replacement (asset life-cycle costs) and associated risk factors will be transferred to the City.
- Forecasted savings associated with debt financing (exercise of the purchase option) exceed the estimated operating and asset life-cycle costs that were transferred to Shelter Canadian Properties Limited and 6485171 Manitoba Ltd. under the P3 Lease. As such, continuing with the P3 lease presently results in negative Value-for-Money (VFM).
- The Winnipeg Police Service (WPS) annual accommodation budget will decrease by approximately $615,000 in 2013 compared to the amount included in the operating budget financial forecast and by $280,000 in 2014 (see Appendix D).
- The P3 payment authorization over the 30-year term totaling $44,454,000 will be replaced by $16,593,000 authorization (see Appendix C) in 2013 for the purchase of the SDPS upon Total Performance.
- The amended 2013 capital project budget of $16,593,000 will be funded by $585,000 in existing Cash-to-Capital and $16,008,000 in external debt.

- Additional debt financing is within the City debt limits established in the Debt Strategy report for tax supported, utilities, and total City borrowing approved by Council on June 22, 2011.

HISTORY

Background

On June 27, 2012, Council approved the award to SCPL for its Proposal "Alternative 1 - Form C: P3 Offer to Lease" pursuant to RFP No. 1-2011B, and delegated authority to the Chief Administrative Officer to finalize and approve the terms and conditions of the Project Contract and leases related to RFP No. 1-2011B to achieve the intent of Council.

The SDPS is currently under construction on City owned land. The SDPS facility is comprised of the building and all equipment and chattels therein not already belonging to the City. The Project Contract provides that Total Performance is to be achieved by November 30, 2013.

The Project Contract provides the City with an option to purchase the SDPS at Total Performance for $15,640,000 (MRST included, GST extra as applicable). Further, the P3 Lease provides purchase options exercisable at the discretion of the City at the end of years 10, 20, and 30 of the initial 30 year lease term.

Procurement Strategy - Evaluation of Options as at April 27, 2012

Procurement strategy alternatives in RFP No. 1-2011B included the following:

1. P3 Offer to Lease for a Public Private Partnership to build, finance & maintain the SDPS (Alternative 1):
2. Conventional Offer to Lease to build, finance & maintain solely building structural elements of the SDPS (Alternative 2); and,
3. Purchase upon Total Performance associated with solely building the SDPS (Alternative 3).

The Proposal from SCPL was the highest scoring submission for each of Alternatives 1, 2 and 3.

Based on the Comparative Financial Cost/Benefit Analysis (see Appendix A) and other considerations contained in the report considered by Council on June 27, 2012, at that time it was in the best interest of the City to award the contract to SCPL for Alternative 1 - Form C: P3 Offer to Lease.

The Comparative Financial Cost/Benefit Analysis contained in Appendix A was based on the City's best estimate of borrowing costs (5.25%) should the City elect at a future date to exercise the Purchase Option reflecting the anticipated financing plan for this option. The estimated cost of borrowing of 5.25% was determined using independent forecasts of Canada bonds to approximate 3.45% in Quarter three of 2013 plus the City's spread over Canada bonds that may approximate 180 basis points for a total cost of 5.25%. The rate of 5.25% used in the VFM analysis as at April 27, 2012 was consistent with the VFM methodology used for establishing discount rates for the VFM analyses associated with the Disraeli Bridges project and the Chief Peguis Trail Extension project.

The report considered by Council on June 27, 2012 (containing the analysis as presented in Appendix B) further noted that P3 projects under a capital value of $50 million generally result in high sensitivity based on the selected discount factor for analysis. Specifically, lower discount factors tend to favour a purchase option while higher discount rates tend to favour a P3 option. The report included the following table representing a sensitivity analysis associated

with the P3 and Purchase Options utilizing various City borrowing rates (Note: Adjusted as at the date of this report to include borrowing rates less than 4.25%):

RFP No. 1-2011: South District Police Station
P3 VFM Savings - Sensitivity Analysis

Date	City Borrowing Rate	VFM Savings
April 9, 2013	3.90%	(7.0%)
	4.25%	(3.7%)
	4.75%	0.4%
April 27, 2012	5.25%	4.3%
	5.75%	7.9%
	6.00%	9.6%

SDPS Evaluation of Purchase at Total Performance as at April 9, 2013

Borrowing (interest) rates have decreased since June 2012. Based on today's rates, it is estimated that the City could borrow at 3.90%. The following chart summarizes comparison of the three procurement strategies that were considered in April, 2012, using the current borrowing rate of 3.90%:

RFP No. 1-2011: South District Police Station
Procurement Strategy: Evaluation of Options
Comparative Financial Cost/Benefit Analysis[1,2]
As at April 9, 2013

Cost Factor	Purchase Option	P3 Lease	Conventional Lease
3.90%, 30 Year Term			
Purchase Option/Lease Cost[3]	$15,783,000	$24,640,000	$23,293,000
Operations & Maintenance Cost	$8,644,000	$6,657,000	$8,250,000
Tenant Improvements (Year 7,14, & 21)	$1,411,000	$0	$0
Building System Replacement Cost (Year 20)	$2,296,000	$0	$2,296,000
Structural Element Replacement Cost (Year 20)	$1,148,000	$0	$0
Net Tax Cost	$0	$3,374,000	$3,374,000
Purchase Option Buyout (Year 30)	$0	$1	$1
Base Net Present Value Cost	**$29,282,000**	**$34,671,000**	**$37,213,000**
Net Option Financial Benefit	**$5,389,000**		
Risk Retained by the City	$3,457,000	$346,000	$2,938,000
Total Net Present Value Cost	**$32,739,000**	**$35,017,000**	**$40,151,000**
Net Financial Benefit		**($2,278,000)**	
VFM Savings		**(7.0%)**	

Note 1: The "Notes to Accompany the Comparative Financial Cost/Benefit Analysis" are an integral part of this analysis. "Comparative Financial Cost/Benefit Analysis: Key Assumptions are contained in Appendix B.

Note 2: The purpose of the Comparative Financial Cost/Benefit Analysis is to estimate the net present value difference between the Alternatives presented. Readers' are cautioned that the information may not be appropriate for other purposes.

Note 3: Purchase Option Cost present value exceeds the exercise price at Total Performance as it includes a development contingency and finance and administration costs.

Based on the City's current estimate of borrowing costs at the date of future exercise of the purchase option at Total Performance (3.90%), and reflecting the anticipated financing plan for this option, the estimated Value-for-Money (VFM) savings of exercising the purchase option at Total Performance is $2,278,000 or 7.0% when compared to the 30 year term of the existing P3 Lease. As such, it is in the best interest of the City to exercise the option to purchase at Total Performance from SCPL and 6485171 Manitoba Ltd. at a purchase price of $15,640,000.00 (MRST included, GST extra as applicable).

SDPS Funding Implications of Exercise of Purchase at Total Performance

Council previously approved development of the SDPS utilizing a P3 Lease methodology and associated 30 year payment stream. Proceeding with this option would commit the City to a 30 year payment stream totaling $42,950,000. Factoring in a 3.5% contingency for development risk during the construction period, the total 30 year payment stream increases to $44,454,000. Note the P3 Lease would also require the City to fund provincial education taxes and levies.

Exercising the option to purchase at Total Performance results in replacement of the 30 year P3 Lease payment stream with a purchase financing payment stream for the acquisition cost of the SDPS (interest expense on external borrowing and principal repayment i.e., sinking fund payment), future tenant improvements, operating requirements, and technical maintenance and capital replacement (asset life-cycle costs) in accordance with prescribed condition standards.
The estimated increase in total operating costs, tenant improvements, and asset life-cycle costs from exercise of the purchase option at Total Performance is less than the forecasted savings associated with debt financing and provincial education taxes and levies (for additional detail, see Appendix C).

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 impact of this debt financing falls within the City debt limits established in that Council report as outlined 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 64.3%

- Tax Supported net debt as a percentage of revenue maximum of 60.0%
- Forecasted peak rate including proposed debt from this report 58.3%

- Total City debt servicing as a percent of revenue maximum of 11%
- Forecasted peak rate including proposed debt from this report 6.6%

- Tax Supported debt servicing as a percent of revenue maximum of 10%
- Forecasted peak rate including proposed debt from this report 6.1%

- Total City debt per capita not to exceed maximum of $2,050
- Forecasted peak rate including proposed debt from this report $1,690

- Tax Supported debt per capita not to exceed maximum of $1,050
- Forecasted peak rate including proposed debt from this report $1,046

Note any external borrowing will require approval by the Minister of Finance and a borrowing by-law will have to be approved by Council.

Summary

The estimated Value-for-Money (VFM) cost associated with not exercising the purchase option is $2,278,000 or 7.0% for the 30-year term under study. Based on prevailing financial market conditions, the Winnipeg Public Service recommends the City exercise its option to purchase the SDPS at Total Performance.

Appendices:

1. Appendix A contains “Comparative Financial Cost/Benefit Analysis: As at April 27, 2012”.

2. Appendix B contains “Comparative Financial Cost/Benefit Analysis: Key Assumptions”.

3. Appendix C contains “Funding Implications of Exercise of Purchase Option of SDPS at Total Performance”.

4. Appendix D contains “Additional Detail to the Financial Impact Statement”.

FINANCIAL IMPACT

Financial Impact Statement

Date: May 1, 2013

Project Name: **First Year of Program** **2013**

POLICE BUILDING REPLACEMENT - FUNDING STRATEGY AND APPROVAL FOR PURCHASE AT TOTAL PERFORMANCE OF THE SOUTH DISTRICT POLICE STATIONSOUTH DISTRICT POLICE STATION

	2013	2014	2015	2016	2017 to 2043
Capital					
Capital Expenditures Required	$ 16,593,000	$ -	$ -	$ -	$ 9,663,000
Less: Existing P3 Authorization	585,000	1,170,000	1,170,000	1,170,000	40,359,000
Additional Capital Budget Required	$ 16,008,000	$ (1,170,000)	$ (1,170,000)	$ (1,170,000)	$ (30,696,000)
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	16,008,000	-		-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ 16,008,000	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ 16,008,000				
Total Additional Debt Required	$ 16,008,000				
Current Expenditures/Revenues					
Direct Costs	$ 824,000	$ 1,534,000	$ 1,547,000	$ 1,560,000	$ 59,209,000
Less: Incremental Revenue/Recovery	406,000	-	-	-	-
Net Cost/(Benefit)	$ 418,000	$ 1,534,000	$ 1,547,000	$ 1,560,000	$ 59,209,000
Less: Existing Budget Amounts	1,073,000	1,814,000	1,859,000	1,905,000	73,843,000
Net Budget Adjustment Required	$ (655,000)	$ (280,000)	$ (312,000)	$ (345,000)	$ (14,634,000)

Additional Comments: Capital expenditures in 2013 consist of the purchase price of $15.64 million + a development contingency of $547,000 + short-term financing costs of $324,000 + corporate admin fees of $82,000; the latter two amounts being offset by recoveries in the Corporate Finance Department's current budget. Capital expenditures beyond 2016 consist of tenant improvements ($2,400,000), building systems replacement ($4,842,000) and structural elements replacement ($2,421,000). Existing budgeted costs represent payments that would be incurred under the P3 lease option ($44.454 million). With a budget in 2013 of $585,000, $16.008 million in external debt is required to purchase the SDPS upon total performance.

Direct costs in 2013 represent the WPS' accommodation charges (revenues to Municipal Accommodations) for 210 Lyle & 1350 Pembina and the SDPS pro-rated for a projected occupancy date of Sep. 1, 2013. Direct costs from 2014 onward represent accommodation charges for the full year. Municipal Accommodations' offsetting costs consist of annual external debt servicing payments of $1,012,000 plus other costs of approximately $522,000. The 2013 amount has been pro-rated for a Sept. 1 occupancy date. There will be a net mill rate savings of ~ $655,000 in 2013, $280,000 in 2014 and $312,000 & $345,000 in 2015 & 2016 respectively. Amounts beyond 2016 have been increased by an annual inflation factor of 2.5%. **See Appendix D for additional detail on amounts presented above in the "Current Expenditures/Revenues" section.**

"Original signed by"
Mike McGinn, CA
Manager of Finance

CONSULTATION

In preparing this Report there was consultation with:

1. Winnipeg Police Service
2. Corporate Finance Department - Materials Management & Treasury
3. Legal Services Department (as to legal issues)
4. Shelter Canadian Properties Limited and 6485171 Manitoba Ltd.

SUBMITTED BY

Department:	Planning, Property and Development
Division:	Municipal Accommodations
Prepared by:	Brad Erickson, Portfolio Strategies Coordinator Mike McGinn, Manager of Finance Jason Ruby, Manager of Capital Projects, Corporate Finance Department
Date:	May 17, 2013
File No.	O:\Reports Directive\Municipal Accommodations\SDPS PO - May 17 2013 MA2013-049.doc

MA2013-049

APPENDIX A: Comparative Financial Cost/Benefit Analysis: As at April 27, 2012

RFP No. 1-2011: South District Police Station
Procurement Strategy: Evaluation of Options
Comparative Financial Cost/Benefit Analysis[1,2]
As at April 27, 2012

Cost Factor	Purchase Option	P3 Lease	Conventional Lease
5.25%, 30 Year Term			
Purchase Option/Lease Cost[3]	$16,651,000	$20,596,000	$19,473,000
Operations & Maintenance Cost	$7,167,000	$5,520,000	$6,840,000
Tenant Improvements (Year 7,14, & 21)	$1,192,000	$0	$0
Building System Replacement Cost (Year 20)	$1,785,000	$0	$1,785,000
Structural Element Replacement Cost (Year 20)	$893,000	$0	$0
Net Tax Cost	$0	$2,797,000	$2,797,000
Purchase Option Buyout (Year 30)	$0	$1	$1
Base Net Present Value Cost	**$27,688,000**	**$28,913,000**	**$30,895,000**
Net Option Financial Benefit	**$1,225,000**		
Risk Retained by the City	$2,801,000	$280,000	$2,381,000
Total Net Present Value Cost	**$30,489,000**	**$29,193,000**	**$33,276,000**
Net Financial Benefit		**$1,296,000**	
VFM Savings		**4.3%**	

Note 1: The "Notes to Accompany the Comparative Financial Cost/Benefit Analysis" are an integral part of this analysis. "Comparative Financial Cost/Benefit Analysis: Key Assumptions are contained in Appendix B.

Note 2: The purpose of the Comparative Financial Cost/Benefit Analysis is to estimate the net present value difference between the Alternatives presented. Readers' are cautioned that the information may not be appropriate for other purposes.

Note 3: Purchase Option Cost present value exceeds the exercise price at Total Performance as it includes a development contingency and finance and administration costs.

APPENDIX B: Comparative Financial Cost/Benefit Analysis: Key Assumptions

1. The Comparative Financial Cost/Benefit Net Present Value (NPV) Analysis performed as at April 27, 2012, utilized a discount factor of 5.25% which represented the City's best estimate of long-term borrowing costs at that time.

   The Comparative Financial Cost/Benefit Net Present Value (NPV) Analysis performed as at April 9, 2013, utilized a discount factor of 3.90% which represents the City's best estimate of current long-term borrowing costs.

   Lease payments over the 30 year term of either the P3 Option or Conventional Lease Option are fixed per the associated bid response. The estimated interest rate implicit in both the P3 and Conventional Lease options is 4.85%.

2. Development cost estimates includes all factors required to estimate material costs to the City necessary to implement the Proposal or otherwise prepare asset(s) ready for use for the intended purpose including, but not limited to, a representative amount for all contractor fees, consulting fees, taxes, and associated contingencies and burdens (e.g., finance & administration, etc.).

3. The Purchase Option assumes the City will maintain the building according to Original Equipment Manufacturers' (OEM) specifications i.e., in prescribed condition.

4. Under the P3 Option, the private sector landlord is responsible for maintaining all major building systems and structural elements over the associated 30 year term.

5. Under the Conventional Lease Option, the private sector landlord is responsible for maintaining solely structural elements. All remaining maintenance including building systems is the responsibility of the City.

6. Under the Purchase Option, upon expiry of associated warranty period(s), all maintenance becomes the City's responsibility.

7. Operating and maintenance (O&M) costs represent (a) ongoing costs for goods/services and (b) routine/periodic asset servicing performed to retain the asset in prescribed condition. Operating and maintenance costs include utilities, building system and structural element repair and maintenance of a non-capital nature e.g., less than $100,000 and a useful life less than one (1) year. Major retrofitting and rehabilitative capital investment such as building system replacement or overhaul (e.g., mechanical system, roof membrane, etc.) are not included in O&M costs.

8. For operating and maintenance costs as well as net taxes, inflation factor of 2.5% per annum was utilized to approximate general inflation.

9. For capital or technical maintenance, 5.0% per annum was utilized to approximate construction inflation.

APPENDIX B (Continued): Comparative Financial Cost/Benefit Analysis: Key Assumptions

10. This analysis includes projected future tax expense resulting from lease alternatives. Such future taxes have been estimated using assumptions that reflect the Public Service's judgment as to probable subject property development and future economic conditions. Net taxes represent the (a) School Tax Levy and (b) Provincial Education Taxes (non-municipal portion of property taxes) forecasted under the P3 Option or Conventional Lease Option.

11. Financial risk has been estimated based on potential quantifiable civic financial exposure to account for associated procurement strategy alternative uncertainty. Other risks presently not quantifiable associated with alternatives presented may exist. However, such risks cannot be reasonably estimated and, therefore, have not been included in this analysis.

12. The analysis includes developmental and operational contingencies which are estimated using assumptions that reflect planned courses of action given judgment as to the most probable set of economic conditions, together with one or more hypotheses which are assumptions that are consistent with the purpose of the analysis but are not necessarily the most probable. In addition, risk exists under purchase or lease options which could result in budget over-expenditure(s).

    Further, given the length of the term and other factors inherent under study, the analysis is sensitive to even small adjustment in variables. Finally, given the uncertainties inherent in predicting future conditions and actions, readers are cautioned that actual results may vary from the information presented and the variation may be material in nature.

APPENDIX C: Funding Implications of Exercise of Purchase Option of SDPS at Total Performance

South District Police Station - Budget Implications

Estimated Total Capital Budget Requirement for Procurement including Contingency & Overheads:

Construction Cost / Purchase Price	$ 15,640,000	
Development Contingency @ 3.5%	547,000	
Sub-total	$ 16,187,000	
Finance (2%) & Admin Fees (1%)	406,000	$ 16,593,000
Existing Capital Budget *		$ 585,000
Additional Budget / External Financing Required		$ 16,008,000

* *(i.e. cash-to-capital) included in capital account # 6331002913 - South District Police Station Lease)*

P3 Lease Option vs P3 Purchase Option - 30 Year Payment Stream Comparison

P3 Lease Option

5-Year Period	P3 Lease Payment	Operations & Maintenance	Property Taxes	Total
Years 1 to 5	$ 5,263,200	$ 1,351,416	$ 684,911	$ 7,299,527
Years 6 to 10	6,453,250	1,689,736	856,376	8,999,362
Years 11 to 15	6,939,900	1,911,781	968,910	9,820,592
Years 16 to 20	7,591,750	2,163,005	1,096,233	10,850,989
Years 21 to 25	8,311,050	2,447,242	1,240,287	11,998,579
Years 26 to 30	9,894,850	3,066,821	1,554,296	14,515,967
Total	$ 44,454,000	$ 12,630,001	$ 6,401,014	$ 63,485,015

Purchase Option

5-Year Period	Purchase Cost	Interest on External Debt	Operations & Maintenance	Building Systems, Structural Elements & TI's	Total
Years 1 to 5	$ 16,593,000	$ 2,933,451	$ 1,939,270	$ -	$ 21,465,720
Years 6 to 10	-	2,564,156	2,194,106	800,000	5,558,262
Years 11 to 15	-	2,103,948	2,482,429	800,000	5,386,377
Years 16 to 20	-	1,530,444	2,808,641	7,262,768	11,601,854
Years 21 to 25	-	815,755	3,177,719	800,000	4,793,474
Years 26 to 30	-	645,482	4,369,174	-	5,014,656
Total	$ 16,593,000	$ 10,593,235	$ 16,971,340	$ 9,662,768	$ 53,820,343

Net Savings over 30 Year Payment Stream **$ 9,664,672**

APPENDIX D: Additional Detail to the Financial Impact Statement

Current Expenditures/Revenues

	($ Thousands)					
Direct Costs:	**2013**	**2014**	**2015**	**2016**	**2017**	
Market Rents on Two Stations Currently Occupied by WPS	316					*a*
Operating Costs of Two Vacated Stations	32	96	98	100	103	*b*
Market Rent on new South District Police Station	476	1,438	1,449	1,460	1,471	*a*
	824	1,534	1,547	1,560	1,574	
Existing Budget Amounts:						
Market Rents on Two Stations Currently Occupied by WPS	119					*c*
Operating Costs of Two Vacated Stations	72	96	98	100	103	*d*
Market Rents on new South District Police Station	1,289	1,718	1,761	1,805	1,850	*c*
Short-term Financing/Admin Costs - Recovered from Capital	(406)					
	1,073	1,814	1,859	1,905	1,953	
Incremental Revenue/Recovery						
Short-term Financing/Admin Costs - Recovered from Capital	(406)					
	(406)	0	0	0	0	
Net Budget Adjustment Required:	**(655)**	**(280)**	**(312)**	**(345)**	**(379)**	*e*

a In 2013, represents market rents on existing facilities at 210 Lyle and 1350 Pembina occupied by WPS until August 31 ($317,000) plus market rent on the new SDPS from the assumed occupancy date of September 1 ($476,000). In 2014, represents market rent for a full year for just the new SDPS. A 2.5% inflation factor on other components of accommodations costs (i.e. excluding market rent) is assumed in each of 2015, 2016 and 2017.

b Beginning Sept 1, 2013 operating costs will be incurred to "moth ball" the two vacated stations. The rate / sq. ft. for moth-balled facilities is one-third the normal operating rate, which for the purposes of this analysis have been estimated to be $11.50 per sq. ft. Total square footage of the two facilities is approximately 25,000. Moth ball costs for 2013 are estimated to be $32,000 (i.e. 25,000 s.f. x $11.50 / 3 = $96,000 prorated for Sept to Dec = $32,000). Projected actuals for 2014 are for the full year. An annual 2.5% inflation factor has been applied to 2015, 2016 & 2017. The sale of the vacated properties is assumed to occur after 2017. The costs are included in Municipal Accommodations operating budget.

c Existing budget amounts in 2013 represent accommodation charges for the two existing stations; the 2013 budget is for the first quarter only. Accommodations charges budget for the new SDPS in 2013 of $1.289 million is based on the previously estimated P3 payment stream and was prorated for an occupancy date of April 1. The 2014 budget is the same as 2013 but is for the full year. Amounts for 2015, 2016 and 2017 have been increased by an annual inflation factor of 2.5%.

d In 2013, existing budget for operating costs to "moth ball" the two vacated stations was based on an assumed vacancy date of April 1. Moth ball costs were estimated to be $32,000 (i.e. 25,000 s.f. x $11.50 / 3 = $96,000 prorated for April to December = $72,000). Costs in 2014 were budgeted for the full $96,000 while an annual inflation factor of 2.5% has been applied to 2015, 2016 & 2017.

e In 2013, estimated mill rate savings of $655,000 are comprised of i) a $615,000 reduction in the WPS' accommodation costs and, ii) a $40,000 reduction in general mill rate support to the Municipal Accommodations Division of PPD for vacant space. Savings from 2014 to 2017 represent a reduction to WPS' accommodation costs.