Agenda – Council – November 25, 2015

Report – Executive Policy Committee – November 18, 2015

Item No. 8 Funding Plan for Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On November 18, 2015, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submitted the following to Council:

1. That subject to confirmation satisfactory to the Chief Administrative Officer of funding from the Province of Manitoba ("Province") in the amount of $1.7 million per year commencing in 2016 (the "Provincial Grant") on terms and conditions satisfactory to the Chief Administration Officer:

    A. Council rescind the 2015 Operating Budget Recommendation O(ii) approved by Council on March 23, 2015, which read as follows:

    A one-time 5 cent fare increase implemented in 2016, over and above any regular fare increase, to flow annually directly into the new reserve above, and that the City negotiate with the Province of Manitoba that the full amount of this fare increase be available annually to fund the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass annual service / financing payments.

    B. The City enter into an amendment to its Transit Funding Agreement with the Province which sets out the terms and conditions of the Provincial Grant, and the Chief Administrative Officer be delegated the authority to negotiate and approve the terms of such amending agreement in accordance with this report and such other terms and conditions deemed necessary by the Director of Legal Services and City Solicitor to protect the interests of the City.

    C. That these Provincial monies be dedicated to the Bus Replacement Reserve for bus purchases, thereby enabling the application of an equal funding amount from the City to be dedicated to the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Payment Reserve to fund the annual service payments for the Southwest Rapid Transit (Stage 2) and Pembina Highway Underpass capital project.

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

Report – Executive Policy Committee – November 18, 2015

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On November 18, 2015, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submitted the matter to Council.

ADMINISTRATIVE REPORT

Title: ***Funding Plan for Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass***

Critical Path: **Executive Policy Committee – Council**

AUTHORIZATION

Author	Department Head	CFO	CAO
T. Yanchishyn	D. Wardrop	M. Ruta	D. McNeil

RECOMMENDATIONS

1. That subject to confirmation satisfactory to the Chief Administrative Officer of funding from the Province of Manitoba ("Province") in the amount of $1.7 million per year commencing in 2016 (the "Provincial Grant") on terms and conditions satisfactory to the Chief Administration Officer.

    A. Council rescind the 2015 Operating Budget Recommendation O(ii) approved by Council on March 23, 2015, which read as follows:

    A one-time 5 cent fare increase implemented in 2016, over and above any regular fare increase, to flow annually directly into the new reserve above, and that the City negotiate with the Province of Manitoba that the full amount of this fare increase be available annually to fund the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass annual service / financing payments.

    B. The City enter into an amendment to its Transit Funding Agreement with the Province which sets out the terms and conditions of the Provincial Grant, and the Chief Administrative Officer be delegated the authority to negotiate and approve the terms of such amending agreement in accordance with this report and such other terms and conditions deemed necessary by the City Solicitor / Director of Legal Services to protect the interests of the City.

    C. That these Provincial monies be dedicated to the Bus Replacement Reserve for bus purchases, thereby enabling the application of an equal funding amount from the City to be dedicated to the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Payment Reserve to fund the annual service payments for the Southwest Rapid Transit (Stage 2) and Pembina Highway Underpass capital project.

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

REASON FOR THE REPORT

Council must approve changes to the Funding Plan for the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass.

EXECUTIVE SUMMARY

As part of the negotiation with the Province of Manitoba to exempt the 5 cent increase originally proposed to fund a part the City's portion of the annual service payment, the Province has proposed an alternative. This alternative includes increasing the eligibility of certain expenses under the Transit Funding Agreement previously deemed ineligible. The result is an increased operating grant in the Transit System Fund that would enable the required transfer to the Southwest Rapid Transit (Stage 2) and Pembina Highway Underpass Payment Reserve without requiring the extra 5 cent fare increase or increased property taxes.

IMPLICATIONS OF THE RECOMMENDATIONS

As a result of the negotiations, the incremental 5 cent fare increase will not proceed for 2016, limiting the 2016 fare increase to the standard inflationary increase seen each year.

The Southwest Rapid Transit (Stage 2) and Pembina Highway Underpass Payment Reserve will be in the same financial position as previously described in Appendix 7 of the 2015 Budget approved by Council.

HISTORY

On June 25, 2014, Council approved the report submitted by the Transit Department entitled Capital Integration Project – Southwest Transitway (Stage 2) and Pembina Highway Underpass in which:

- A 2014 capital project was approved in the amount of $590 million, subject to confirmation of federal and provincial funding.
- The Project was authorized to proceed based on a Design-Build-Finance-(Operate)-Maintain (DBF(O)M) Public-Private Partnership delivery model.
- The Chief Administrative Officer was authorized to approve, issue and award the Request for Qualifications and the Request for Proposals for the Project.

The Project budget of $590 million was approved with funding being provided by all three levels of government. A portion of the funding will be financed through the private partner and paid back over 30 years. Annual service payments are expected to commence in 2020 for both the financing and maintenance of the project. Although the final allocation between project components will ultimately be established by the successful proponent's proposal submission, the estimated cost of project components was forecast as follows:

Item	Cost
Pembina Highway Underpass widening	$72.5 million
Southwest Transitway – Stage 2	$407.8 million
Associated Land Drainage Works	$39.9 million
Construction Contingency	$69.4 million
Total	**$590 million**

On March 23, 2015, Council adopted the 2015 Operating Budget with Recommendation O(ii) – A one-time 5 cent fare increase implemented in 2016, over and above any regular fare increase, to flow annually directly into the new reserve above, and that the City negotiate with the Province of Manitoba that the full amount of this fare increase be available annually to fund the Southwest Transitway (Stage 2) and Pembina Highway Underpass annual service / financing payments.

Through negotiation with the Province of Manitoba, the Province has proposed an alternative to the 5 cent fare increase to fund a part of the City's portion of the annual servicing payment through a modification of the existing Transit Funding Agreement.

The existing Transit Funding Agreement deems transfers to reserves as an ineligible expense. The proposed modification would enable the City to claim up to $3.4 million of transfers to the Bus Replacement Reserve for bus purchases as an eligible expense, resulting in an additional $1.7 million of funding to be received annually from the Province of Manitoba. This additional funding will allow Transit to apply an equal amount of its existing budget each year to finance Stage 2 of the Southwest Transitway, and thereby offset the need to increase bus fares by 5 cents for this purpose.

The agreement with the Province to provide this additional $1.7 million in funding in lieu of Council's decision to increase transit fares by an additional 5 cents is separate and independent of the annual inflationary increases that are at the approval discretion of the Chief Financial Officer under the Fees and Charges By-law.

FINANCIAL IMPACT

Financial Impact Statement

Date: November 13, 2015

Project Name:

Funding Plan for the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass

First Year of Program **2016**

	2016	2017	2018	2019	2020
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	$ 1,700,000	$ 1,700,000	$ 1,700,000	$ 1,700,000	$ 1,700,000
Less: Incremental Revenue/Recovery	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Direct costs represent the transfer to the Southwest Rapid Transit (Stage 2) and Pembina Highway Underpass Payment Reserve is required. This transfer is offset by increased revenue to be received from the Province of Manitoba.

original signed by

Tanis Yanchishyn, CPA, CA
Manager of Finance and Administration

CONSULTATION

Legal Services Department

OURWINNIPEG POLICY ALIGNMENT

The Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass project is in accordance with Our Winnipeg, section 02-2, Environment that states: "Our environment is the foundation for our economic and social health, and collectively, we need to continue to take responsibility for it. Our actions should contribute to the protection of the natural environment locally, regionally and globally, both for our own well-being and for future generations.

Direction - Reduce the environmental impact of our activities, through strategies such as planning for sustainable energy use and greenhouse gas reduction.

SUBMITTED BY

Department:	Transit
Division:	Finance & Administration
Prepared by:	Tanis Yanchishyn, Manager of Finance & Administration
Date:	November 13, 2015