Agenda – Executive Policy Committee – December 2, 2015

REPORTS

Item No. 10 Request for First Charge against 2016 Capital Budgets for P3 Contract Monthly Payments

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

That Council authorizes expenditures of up to $4,807,500 in 2016 prior to the adoption of the 2016 Capital Budget, as a first charge against the General Capital Fund, in accordance with Subsection 288(2) of the City of Winnipeg Charter, in order to make scheduled payments on the three P3 contracts outlined in this report.

ADMINISTRATIVE REPORT

Title: **Request for First Charge against 2016 Capital Budgets for P3 Contract Monthly Payments**

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

AUTHORIZATION

Author	Department Head	CFO	CAO/COO
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RECOMMENDATIONS

That Council authorizes expenditures of up to $4,807,500 in 2016 prior to the adoption of the 2016 Capital Budget, as a first charge against the General Capital Fund, in accordance with Subsection 288(2) of the City of Winnipeg Charter, in order to make scheduled payments on the three P3 contracts outlined in this report.

REASON FOR THE REPORT

Council approval is required on a first call for an expenditure of capital funds prior to the adoption of the 2016 Capital Budget.

EXECUTIVE SUMMARY

The East District Police Station, Disraeli Bridge and Overpass and the Chief Peguis Trail Extension projects were delivered using the Public Private Partnership (P3) approach. The City is obligated to make on-going monthly lease payments under 30-year contracts that cover the capital cost as well as the maintenance of the facilities. These 2016 monthly payments are funded through the 2016 Capital Budget.

As the 2016 Capital Budget is not anticipated to be approved prior to the end of the year, a first charge on the 2016 Capital budgets, in accordance with Subsection 288(2) of the City of Winnipeg Charter Act, is required in order to make the required monthly payments until the 2016 Capital Budget is approved by Council.

IMPLICATIONS OF THE RECOMMENDATIONS

The authorization of a first charge on the 2016 Capital Budgets will allow the Public Service to make the scheduled monthly payments on existing P3 contracts prior to the adoption of the 2016 Capital Budget.

HISTORY

The City currently has three Public Private Partnership (P3) contracts in place which require a first charge:

- East District Police Station (2008)
- Chief Peguis Trail Extension (2011)
- Disraeli Bridge and Overpass Facility (2012)

Each project has a 30-year contract with the P3 Company. As required under the contracts, the City must make monthly payments to each company for repayment of a portion of the capital value of the project and the maintenance of the facilities.

All three of these projects are budgeted annually in the Capital Budget. In anticipation of the approval of the capital budget extending into 2016, the budget authorizations will not be in place for the beginning of the year and the City will not be able to make the scheduled payments required under these contracts unless a first charge is approved.

Subsection 288(2) of the City of Winnipeg Charter states:

> *Before the City's operating or capital budget for a fiscal year is adopted, Council may authorize expenditures to be made of amounts for operating or capital expenses, not exceeding in total 30% of the expenditures estimated in the City's operating or capital budgets for the previous fiscal year.*

Table 1 – Summary of P3 Projects Requiring First Charge Funding on 2016 Capital Budget

Project	Scope	2016 Forecast	First Charge on the 2016 Budget
East District Police Station	P3 Payments	$ 990,000	$ 247,500
Disraeli Bridge and Overpass Facility	P3 Payments	$ 18,400,000	$ 3,000,000
Chief Peguis Trail - Henderson Highway to Lagimodiere Blvd.	P3 Payments	$ 7,150,000	$ 1,560,000
Total		**$ 26,540,000**	**$ 4,807,500**

Some of these projects were also partially funded by City issued debt that is being repaid over 40 years. However, debt servicing on City issued debt is not due until May 15, 2016; therefore no first charge on capital is being sought for repayment of City issued debt.

Also, the Charleswood Bridge is not included as the contract requires a yearly lump-sum payment to be made in October.

On a go-forward basis the call for a first charge for these projects will be requested on the capital project detail sheet in order to expedite this request.

Financial Impact Statement

Date: November 23, 2015

Project Name: **First Year of Program** **2016**

Request for First Charge against 2016 Capital Budgets for P3 Contract Monthly Payments

	2016	2017	2018	2019	2020
Capital					
Capital Expenditures Required	$ 4,807,500	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ 4,807,500	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Federal Gas Tax	4,560,000	-	-	-	-
Cash to Capital	247,500	-	-	-	-
Total Funding	$ 4,807,500	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ 4,807,500				
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:

1. A first charge of $4,807,500 on the 2016 Capital Budget, in accordance with Subsection 288(2) of the City of Winnipeg Charter, is requested in order to make scheduled monthly P3 payments in advance of the approval of the 2016 Capital Budget.

2. Subsection 288(2) of the City of Winnipeg Charter states:
Before the City's operating or capital budget for a fiscal year is adopted, Council may authorize expenditures to be made of amounts for operating or capital expenses, not exceeding in total 30% of the expenditures estimated in the City's operating and capital budgets for the previous fiscal year.

(Original signed by R. Hodges)
Ramona Hodges
Manager of Finance (Campus)
Corporate Finance Department

CONSULTATION

Public Works Department

Planning, Property & Development Department

Winnipeg Police Service Department

Legal Services (as to legal issues)

OURWINNIPEG POLICY ALIGNMENT

01-3 Prosperity Direction 1: Provide Efficient and Focused Civic Administration and Governance. This report demonstrates the commitment by the Public Service to meet our financial obligations relating to investments in our assets.

SUBMITTED BY

Department: Corporate Finance
Division: Infrastructure Planning
Prepared by: D. Tooth/J. Ruby
Date: November 23, 2015