Agenda – Executive Policy Committee – December 7, 2016

REPORTS

Item No. 6. Infrastructure Projects for Federal Funding Programs

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1) That the Public Service proceed with the projects listed in Appendix A subject to confirmation satisfactory to the Chief Financial Officer of federal and provincial funding for each respective project.

2) That the Public Service request the Province of Manitoba to address the $1.335 million shortfall in provincial funding for 2018 Transit buses, based on the program's funding formula, as outlined in Appendix B.

3) That Council authorize, in the 2017 capital budget, the advancement of the Transcona Water Main Reliability project from 2018 to 2017, including corresponding financing sources (Appendix B), in order to capitalize on the funding from the Federal Government and comply with the timelines in the agreement, subject to confirmation of federal and provincial funding as noted in recommendation 1.

4) That each project only proceeds to construction once a Class 3 cost estimate or better has been developed and there is sufficient approved budget and confirmed funding sources for such project.

5) That the City enter into, execute and deliver funding agreements with the Government of Canada and the Province of Manitoba with respect to the federal and provincial funding for each capital project listed in Appendix A, and that the CAO be authorized to negotiate and approve the terms and conditions of such funding agreements in accordance with this report and such other terms and conditions deemed necessary by the City Solicitor / Director of Legal Services to protect the interest of the City.

6) That the proper officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

ADMINISTRATIVE REPORT

Title **Infrastructure Projects for Federal Funding Programs**

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

AUTHORIZATION

Author	Department Head	CFO	CAO
Georges Chartier Chief Asset & Project Management Officer	Georges Chartier Chief Asset & Project Management Officer	M. Ruta	D. McNeil

RECOMMENDATIONS

1) That the Public Service proceed with the projects listed in Appendix A subject to confirmation satisfactory to the Chief Financial Officer of federal and provincial funding for each respective project.

2) That the Public Service request the Province of Manitoba to address the $1.335 million shortfall in provincial funding for 2018 Transit buses, based on the program's funding formula, as outlined in Appendix B.

3) That Council authorize, in the 2017 capital budget, the advancement of the Transcona Water Main Reliability project from 2018 to 2017, including corresponding financing sources (Appendix B), in order to capitalize on the funding from the Federal Government and comply with the timelines in the agreement, subject to confirmation of federal and provincial funding as noted in recommendation 1.

4) That each project only proceeds to construction once a Class 3 cost estimate or better has been developed and there is sufficient approved budget and confirmed funding sources for such project.

5) That the City enter into, execute and deliver funding agreements with the Government of Canada and the Province of Manitoba with respect to the federal and provincial funding for each capital project listed in Appendix A, and that the CAO be authorized to negotiate and approve the terms and conditions of such funding agreements in accordance with this report and such other terms and conditions deemed necessary by the City Solicitor / Director of Legal Services to protect the interest of the City.

6) That the proper officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

Council approval is required for capital projects and funding agreements with other levels of government.

EXECUTIVE SUMMARY

This report outlines the capital projects submitted to the Federal and Provincial governments for consideration of inter-governmental funding. Council approval is required in order to proceed with these capital projects. Federal and Provincial approval are also required. Applying to these federal funding programs reduces costs for the City to 25% of eligible costs depending on the federal program. All ineligible costs are paid for 100% by the City (land, city staff, financing costs).

The program criteria for the new transit fund and the new water/wastewater fund are very restrictive. Projects need to be incremental to the capital budget and they are expected to be completed by March 31st, 2018.

Although not ideal, it is not abnormal to seek budget approval for projects with a Class 4 or 5 cost estimate on condition a project would only proceed to construction once a Class 3 cost estimate or better was achieved and there was sufficient approved budget in place.

There are ongoing discussions with the Manitoba Strategic Infrastructure Secretariat regarding additional projects. A second report will be forthcoming to Council in the first quarter of 2017 which will outline the additional projects.

IMPLICATIONS OF THE RECOMMENDATIONS

Once Council approves this report, the Public Service will commence the projects but subject to prior approval of the Federal and Provincial governments.

Applying to these federal funding programs reduces costs for the City to 25% of eligible costs depending on the federal program. All ineligible costs are paid for 100% by the City (land, city staff, financing costs).

It will be a challenge to complete projects by March 31st, 2018. The City has indicated to the Provincial and Federal governments which projects require additional time (past March 31st, 2018) to complete the projects. Federal approval is required for later completion dates.

HISTORY/DISCUSSION

Chronology of Events

February 2016 – Mayor Bowman writes letter to Federal Minister Sohi requesting increased federal funding.

April 2016 – Federal Minister Sohi writes letter to Premier Pallister outlining the funding distribution by Province and the funding criteria for the new infrastructure funds: Public Transit Infrastructure Fund (PTIF) and Clean Water Wastewater Fund (CWWF) but also provides information on the modified New Building Canada Fund (NBCF).

June 2016 – Province meets with City to review federal funding programs.

July 2016 – In order to meet federal funding program requirements, CAO submits the first list of projects (A list) to the federal and provincial governments for consideration. The A list represents projects which were included in the 2017-2021 capital forecast from the 2016 budget process.

July 2016 – CAO informs Council via email with particulars of the federal funding programs and the projects on the A list.

July 2016 – Federal and Provincial governments announce projects from the A list: 4 transit projects and 1 water project.

September 2016 – In order to meet federal funding program requirements, CAO submits a second list of projects (the B list) to the federal and provincial governments for consideration. The B list represents projects which were not in the 2017-2021 capital forecast from the 2016 budget process.

September 2016 – CAO informs Council via email with update on the federal funding programs and the additional projects submitted on the B list.

September through November – several meetings occurred between Provincial and City staff to review suggested projects and work through providing requested information.

New Federal Funding Programs

There are two new Federal funding programs: the Public Transit Infrastructure Fund (PTIF) and the Clean Water and Wastewater Fund (CWWF). The federal government will fund up to 50% of eligible project costs, while the provincial government has indicated it will fund 25% of eligible project costs, leaving the City to cover the remaining 25% of eligible costs, in addition to all ineligible costs. Ineligible costs are typically for land, city staff, project financing and any other internal City costs.

Although all federal infrastructure programs are helpful and welcomed, these 2 new programs have restrictive program criteria. Capital projects need to be:

- incremental to the capital budget for years 2016 and 2017;
- substantially completed by March 31st, 2018;
- consideration will be given to some projects with completion dates past March 31st, 2018

The federal funding available under the federal transit fund is based on ridership and thus Winnipeg's allocation is just over $76.6 million in federal funding. There is no specific allocation for Winnipeg for the water / wastewater fund.

The City of Winnipeg has over $1 billion of ongoing sewage treatment plant work, but because of the program criteria, the City cannot access this federal funding to help pay for this expensive infrastructure work.

There are ongoing discussions with the Manitoba Strategic Infrastructure Secretariat regarding additional projects. A second report will be forthcoming to Council in the first quarter of 2018 which will outline the additional projects.

Standing Senate Committee on National Finance

The Canadian Senate's Standing Committee on National Finance is currently studying the federal government's multi-billion dollar infrastructure funding program. The Senate Committee is seeking opinions from across Canada including from municipalities. On October 18, 2016, Winnipeg's Chief Administrative Officer, Doug McNeil and Chief Asset and Project Management Officer, Georges Chartier, participated in a meeting with several Senators via video conferencing. In the course of this meeting, they explained the City of Winnipeg's urgent infrastructure needs and some of the obstacles presented by the current criteria of the Public Transit Infrastructure Fund, and the Clean Water and Wastewater Fund.

The CAO and Mr. Chartier provided commentary on past federal programs which worked well, and regarding those which needed improvements, along with what an ideal federal program might look like. The Federal Gas Tax program was suggested as a good model to expand in order to achieve predictable and sustainable long-term infrastructure funding. This would allow the City to maximize the benefits of good asset management planning and incorporate projects proactively in an expanded multi-year capital budget.

FINANCIAL IMPACT

Financial Impact Statement Date: November 18, 2016

Project Name: Infrastructure Projects for Federal Funding Programs

COMMENTS:

The implications of Appendix B are budget neutral (compared to preliminary 2017 budget) only impacting the timing of the Transcona Water Main Reliability project, subject to provincial and federal funding. Once partner funding has been confirmed, amendment to financing sources may be required.

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

CONSULTATION

Consultation with:

- Transit
- Water and Waste
- Public Works
- Corporate Finance
- Communications
- Legal Services (as to legal issues)

OURWINNIPEG POLICY ALIGNMENT

Provide efficient and focused civic administration and governance. (p49)

- Continue to implement life-cycle costing for capital projects and consider all relevant financing and delivery options.

Maintain strong intergovernmental cooperation. (p50)

- Pursue cost-effective sharing agreements with other governments and with the private sector for priority infrastructure projects.

SUBMITTED BY

Department: Office of the CAO
Prepared by: Georges Chartier, Chief Asset and Project Management Officer
Date: November 22, 2016

Appendix A: List of Projects Announced
Appendix B: Summary of Financing

ATTACHMENTS:


Appendix A - List of Projects Announced.x


Appendix B - Summary of Financing