Agenda – Executive Policy Committee – September 20, 2017

REPORTS

Item No. 14 Additional Infrastructure Projects for 2016 Federal Funding Programs

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That Council approve new 2017 capital projects and funding implications for future years as outlined in the Capital Budget Detail Sheets included in Appendix C, with total project costs of $34,800,000, subject to written confirmation satisfactory to the Chief Financial Officer of federal funding.

2. That expenditures of up to $2,250,000 from the 2018 Pedestrian and Cycling Program be authorized in 2017 or prior to the adoption of the 2018 Capital Budget, as a first charge against the General Capital Fund, in accordance with Subsection 288(2) of The City of Winnipeg Charter, for the Protected Bike Lanes: McDermot Avenue/Bannatyne Avenue (Phase 2) project.

3. That Council approve additional borrowing authority in the amount of $1,700,000 for the City's portion of the tax supported project costs and include the corresponding operating impacts including debt and finance charges of $63,000 in the 2018 Operating Budget process as outlined in the Financial Impact Statement in this report.

4. That the City Solicitor/Director of Legal Services be requested to submit the necessary borrowing by-law directly to Council.

5. That the City enter into, execute and deliver the necessary funding agreements with the Government of Canada and/or the Province of Manitoba (as program administrator) with respect to the federal funding, and that the Chief Financial Officer 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 interests 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 Additional Infrastructure Projects for 2016 Federal Funding Programs

Critical Path: Executive Policy Committee – Council

AUTHORIZATION

Author	Department Head	CFO	CAO
Rob Taylor, Manager, Major Capital Project Oversight	Georges Chartier, Chief Asset & Project Management Officer	M. Ruta	D. McNeil

EXECUTIVE SUMMARY

There are two 2016 Federal funding programs: the Public Transit Infrastructure Fund (PTIF) and the Clean Water Wastewater Fund (CWWF). The Federal Government will fund up to 50% of eligible project costs.

Due to the uncertainties surrounding provincial funding at this time, the Public Service has assumed no provincial funding will be available to fund the projects outlined in this report. If incremental provincial funding becomes available for these projects, the funding would be offset against the City funding, thus reducing the City's contribution.

Due to the City's current constrained debt situation, the upcoming challenges in balancing the 2018 budgets, and the uncertain provincial incremental funding, the Public Service has re-evaluated the projects submitted for inter-governmental funding. At the time, the projects submitted were lower on the priority list as they were required to be incremental and additional to the 2016 Capital Budget. In addition, the City has several upcoming high priority projects which will require usage of debt funding.

During the 2018 budget process, following the asset management process, the departments have re-prioritized the projects. As a result, the Public Service is recommending proceeding with seven (7) of the fifteen (15) projects listed in Appendix A. Only one project requires external debt. Thus the Public Service is requesting Council's approval for additional long term borrowing authority in the amount of $1,700,000 for the City's portion the project cost. The information on the seven projects recommended can be found in Appendix B.

Recommended projects were selected by considering several constraints, the City's asset management process and for active transportation projects, the Pedestrian and Cycling Strategies Policy. Constraints included:

- federal program criteria
- leveraging City's existing capital budget funding to access federal funding;
- City's constraint financial position – limit the use of long term debt funding

Projects passing the above constraints were then prioritized.

Council approval is contingent upon and subject to confirmation satisfactory to the Chief Financial Officer of Federal approval of funding as detailed in the appendices.

RECOMMENDATIONS

1) That Council approve new 2017 capital projects and funding implications for future years as outlined in the Capital Budget Detail Sheets included in Appendix C, with total project costs of $34,800,000, subject to written confirmation satisfactory to the Chief Financial Officer of federal funding.

2) That expenditures of up to $2,250,000 from the 2018 Pedestrian and Cycling Program be authorized in 2017 or prior to the adoption of the 2018 Capital Budget, as a first charge against the General Capital Fund, in accordance with Subsection 288(2) of The City of Winnipeg Charter, for the Protected Bike Lanes: McDermot Avenue/Bannatyne Avenue (Phase 2) project.

3) That Council approve additional borrowing authority in the amount of $1,700,000 for the City's portion of the tax supported project costs and include the corresponding operating impacts including debt and finance charges of $63,000 in the 2018 Operating Budget process as outlined in the Financial Impact Statement in this report.

4) That the City Solicitor/Director of Legal Services be requested to submit the necessary borrowing by-law directly to Council.

5) That the City enter into, execute and deliver the necessary funding agreements with the Government of Canada and/or the Province of Manitoba (as program administrator) with respect to the federal funding, and that the Chief Financial Officer 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 interests 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 to authorize new 2017 capital projects, additional external borrowing and new funding agreements with other levels of governments.

IMPLICATIONS OF THE RECOMMENDATIONS

Upon federal funding confirmation, the Public Service will commence these projects.

Confirmation of federal funding reduces the City's share of the projects to 50% for the projects included in the capital budget detail sheets as set forth on the Capital Project Detail sheets in Appendix C.

HISTORY/DISCUSSION

Chronology of Events

March 2015 – Council adopts the following motion:

"That the priorities for the Building Canada Fund applications be set as follows:

- Waverley Street Underpass
- Marion Street Widening/Grade Separation and Improvements – Archibald Street to Lagimodiere Boulevard
- Chief Peguis Trail – Main Street to Route 90
- Kenaston Boulevard Widening."

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 programs: 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, the 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 – 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.

January 2017 – Province provides funding letter outlining which projects the Province would participate in funding and that the remaining projects, if they were approved by the Federal Government, would be cost-shared by the Federal Government and the City on a 50/50.

February 2017 – Manitoba Strategic Infrastructure Secretariat advised the City that separate rationales must be submitted for all City of Winnipeg approved- and submitted- projects that go beyond March 31, 2018, to a date of no later than March 31, 2019.

March 2017 – CAO submits request for extensions to Infrastructure Canada for Projects on the A and B Lists.

April 2017 – Manitoba Strategic Infrastructure Secretariat advised the City that Infrastructure Canada will not approve project extensions beyond March 31, 2019 and requested additional project information to secure project extensions.

April 2017 – Provincial Government presents provincial budget which has resulted in significant grant funding uncertainties for the City.

June 2017 – Manitoba Strategic Infrastructure Secretariat informs the City of Winnipeg the Federal Government approval process is nearing completion.

Federal Funding Programs

There are two 2016 Federal Funding programs: the Public Transit Infrastructure Fund (PTIF) and the Clean Water Wastewater Fund (CWWF). The Federal Government will fund up to 50% of eligible project costs.

The federal funding available under the PTIF 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 CWWF.

Asset Management Review and Financial Uncertainties

Due to the uncertainties surrounding provincial funding at this time, the Public Service has assumed no provincial funding will be available to fund the projects outlined in this report. If incremental provincial funding becomes available for these projects, the funding would be offset against the City funding, thus reducing the City's contribution.

Further to the City's current constrained debt situation, the upcoming challenges in balancing the 2018 budgets, and the uncertain provincial incremental funding, the Public Service has re-evaluated the projects submitted for inter-governmental funding. At the time, the projects submitted were lower on the priority list as they were required to be incremental and additional to the 2016 Capital Budget. In addition, the City has several upcoming high priority projects which will require usage of debt funding.

During the 2018 budget process, following the asset management process, the departments have re-prioritized the projects. As a result, the Public Service is recommending proceeding with seven (7) of the fifteen (15) projects listed in Appendix A as several of those projects had been proposed in the 2018 budget process with the benefit of leveraging 50% funding from the Federal Government. One project requires external debt. The information on the seven recommended projects can be found in Appendix B.

To fund the City's portion of the Rapid Transit Master Plan and Prioritization Study under the PTIF, the Public Service is requesting additional borrowing authority in the amount of $1,700,000 for the City's portion of the tax supported project costs and include the corresponding operating impacts including debt and finance charges of $63,000 in the 2018 Operating Budget process as outlined in the Financial Impact Statement in this report.

As there have been delays in receiving Federal and Provincial approvals, the 2017 construction season has been lost for most of the weather-dependent components of these projects. Formal requests have been submitted to Infrastructure Canada seeking extensions beyond the imposed completion date of March 31, 2018. In addition, several projects have been dropped from the federal application due to completion dates now past March 31, 2019.

Recommended projects were selected by considering several constraints, the City's asset management process and for active transportation projects, the Pedestrian and Cycling Strategies Policy. Constraints included:

- federal program criteria
    - Improving pedestrian and bicycle infrastructure to access transit will increase multi-modal transportation choices and help to extend the reach of our public transit
    - Incremental projects
    - 2018 / 2019 completion dates;
- leveraging City's existing capital budget funding to access federal funding;
- City's constraint financial position – limit the use of long term debt funding

Projects passing the above constraints were then prioritized based on the most favorable cost-benefit point ratio or for active transportation projects, based on the prioritization of Council approved Pedestrian and Cycling Strategies – Bicycle Network Priorities.

Council approval is contingent upon and subject to confirmation satisfactory to the Chief Financial Officer of federal funding being approved for the project outlined in the appendices report.

Standing Senate Committee on National Finance

The Canadian Senate's Standing Committee on National Finance studied the Federal Government's multi-billion dollar Infrastructure Funding Program. The Senate Committee sought 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 Clean Water Wastewater Fund.

Doug McNeil and Georges 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.

Debt Strategy

On October 28, 2015, Council adopted a Debt Strategy for Tax Supported, Utilities and total City borrowing. This report requires an incremental $1,700,000 in long-term Debt Financing. $175 million of tax supported borrowing capacity will remain if Council approves this Borrowing Authority. The impact of this Debt Financing falls within the debt limits established in the Council policy as outlined in the table below.

Tax Supported net debt as a percentage of revenue not to exceed	80%
Forecasted peak rate including proposed debt from this report	59.6%
Utilities net debt as a percentage of revenue not to exceed	220%
Forecasted peak rate including proposed debt from this report	133.8%
Total City net debt as a percentage of revenue not to exceed	90%
Forecasted peak rate including proposed debt from this report	81%
Tax Supported debt servicing as a percent of revenue not to exceed	10%
Forecasted peak rate including proposed debt from this report	5.4%
Utilities debt servicing as a percent of revenue not to exceed	20%
Forecasted peak rate including proposed debt from this report	17.4%
Total City debt servicing as a percent of revenue not to exceed	11%
Forecasted peak rate including proposed debt from this report	9.1%
Tax Supported Debt per Capita not to exceed	1,500
Forecasted peak rate including proposed debt from this report	1,019
Utilities Debt per Capita not to exceed	1,500
Forecasted peak rate including proposed debt from this report	1,217
Total City Debt per Capita not to exceed	2,800
Forecasted peak rate including proposed debt from this report	2,289

FINANCIAL IMPACT

Financial Impact Statement

Date: August 31, 2017

Project Name: **First Year of Program** **2017**

Additional Infrastructure Project for 2016 Federal Funding Programs

	2017	2018	2019	2020	2021
Capital					
Capital Expenditures Required	$ 34,800,000				
Less: Existing Budgeted Costs	1,300,000				
Additional Capital Budget Required	$ 33,500,000	$ -	$ -	$ -	$ -
Funding Sources:					
Cash to Capital	$ -	$ 2,250,000	$ 4,770,000	$ 770,000	$ 770,000
Debt - External	1,700,000				
Federal Clean Water Wastewater Fund	5,200,000				
Federal Public Transit Infrastructure Fund	11,100,000				
Retained Earnings	5,400,000				
Interim Financing	7,850,000	-	(4,770,000)	(770,000)	(770,000)
Total Funding	$ 31,250,000	$ 2,250,000	$ -	$ -	$ -
Total Additional Capital Budget Required	$ 33,500,000				
Total Additional Debt Required	$ 1,700,000				
Current Expenditures/Revenues					
Direct Costs		$ 82,000	$ 163,000	$ 163,000	$ 163,000
Less: Incremental Revenue/Recovery	33,000	474,000	147,000	-	-
Net Cost/(Benefit)	$ (33,000)	$ (392,000)	$ 16,000	$ 163,000	$ 163,000
Less: Existing Budget Amounts					
Net Budget Adjustment Required	$ (33,000)	$ (392,000)	$ 16,000	$ 163,000	$ 163,000

Additional Comments:

1. Capital Expenditures Required above represent the total capital budget authorization, including interest and administrative overhead and applicable taxes, for the seven projects in Appendix A to this report. Projects in Appendix A are subject to confirmation satisfactory to the Chief Financial Officer of federal approval of funding for each respective project. Cash to Capital funding amounts represent a first charge of $2.25 million on the 2018 Capital Budget, as well as repayment of interim funding for 2019 and onward.

2. Direct Costs above represent incremental operating costs and external debt and finance charges related to implementation of the seven projects in Appendix A to this report. Debt will be issued in 2018. Cash to Capital funding authorization for 2018 and onward will not impact direct costs, as the funding will be reallocated from within overall cash to capital contributions in the adopted in principle 2018 to 2022 Five Year Capital Forecast. Once the projects have been approved, operating budgets for the affected departments will need to be adjusted.

3. The Incremental Revenue/Recovery represents capital overheads charged to the project and recovered to the General Revenue Fund.

4. The forecasted 2018 shortfall from last year's tax-supported budget process is almost $89 million.

Original signed by G. Resnik for
Ramona Hodges
Manager of Finance (Campus)
Corporate Finance Department

CONSULTATION

Consultation with:

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

OURWINNIPEG POLICY ALIGNMENT

Provide efficient and focused civic administration and governance. (p.49)

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

Maintain strong intergovernmental cooperation. (p.50)

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

SUBMITTED BY

Department: Infrastructure Planning Office
Prepared by: Rob Taylor, Manager, Major Capital Projects Oversight
Date: September 14, 2017

Appendix A – PTIF CWWF Project Listing
Appendix B – PTIF CWWF Project Information
Appendix C – Summary of Financing and Capital Project Detail Sheets

ATTACHMENTS:



Appendix A - PTIF CWWF Proj Listing Au



Appendix B - PTIF & CWWF Project Inforn



Appendix C - PTIF CWWF Summary of Fi