

Minute No. 537

Report – Executive Policy Committee – September 21, 2020

Item No. 17 Transfer Federal Funding Allocation under the Investing in Canada Infrastructure Program from the Transit Stream to the Green Stream to fund NEWPCC Projects

COUNCIL DECISION:

Council concurred in the recommendation of the Executive Policy Committee and adopted the following:

1. That the City of Winnipeg agrees to transfer \$321.24 million of federal funding under the Investing in Canada Infrastructure Program (ICIP) from the Public Transit Infrastructure Stream (PTIS) to the Green Infrastructure Stream (GIS) to fund the Federal Government's funding portion for the NEWPCC Upgrade: Headworks Facilities project and the NEWPCC Upgrade: Biosolids Facilities project as per the Province of Manitoba's requirement, subject to the following:
 - A. The Province of Manitoba committing the total proposed provincial funding portion of \$267.68 million for the NEWPCC Upgrade: Headworks Facilities project and the NEWPCC Upgrade: Biosolids Facilities project.
 - B. The Province of Manitoba committing to no further reductions to Winnipeg's allocation of the remaining Public Transit Infrastructure Stream federal allocation of \$203.61 million and committing to provide the provincial funding portion to match the reduced PTIS federal allocation as per the cost sharing terms of the Manitoba Canada ICIP bilateral agreement.
 - C. The Federal and Provincial governments to waive clause 3.f) from the Manitoba Canada ICIP Bilateral agreement in order to not delay funding approval for the projects.
2. That the City of Winnipeg continue with the current project procurement methods such that the Headworks project be delivered as a Design-Build and the Biosolids be delivered as a Design-Bid-Build in order to not delay the completion of the projects.
3. That the City of Winnipeg agrees to Recommendation 1 subject to conditions satisfactory to the interim Chief Administrative Officer.
4. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

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DECISION MAKING HISTORY:

Moved by His Worship Mayor Bowman,

That the recommendation of the Executive Policy Committee be adopted

The motion for adoption of the item was put.

His Worship Mayor Bowman called for the yeas and nays which were as follows:

Yea: His Worship Mayor Bowman, Councillors Allard, Browaty, Chambers, Eadie, Gillingham, Gilroy, Klein, Lukes, Mayes, Nason, Orlikow, Rollins, Santos, Schreyer and Sharma. 16

Nay: 0

and the motion for the adoption of the item was declared carried.

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On September 21, 2020, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submitted the matter to Council.

ADMINISTRATIVE REPORT

Title: Transfer Federal Funding Allocation under the Investing in Canada Infrastructure Program from the Transit Stream to the Green Stream to fund NEWPCC Projects

Critical Path: Executive Policy Committee - Council

AUTHORIZATION

Author	Department Head	CFO	CAO
D. Tooth, Acting Manager, Major Capital Projects Oversight	G. Chartier, Chief Asset and Project Management Officer	P. Olafson, Interim CFO	M. Ruta, Interim CAO

EXECUTIVE SUMMARY

On July 6, 2020, the Public Service received a letter from the Province of Manitoba advising that in order to access inter-governmental Investing in Canada Infrastructure Program (ICIP) funding for “the Headworks and Biosolids projects will require the City of Winnipeg’s agreement to transfer \$321.24M of its Public Transit Infrastructure Stream (PTIS) federal allocation to Green Infrastructure Stream (GIS) to accommodate the federal share of these projects.”

Agreeing to this transfer would result in PTIS federal funding to the City being reduced from \$524.85 million to \$203.61 million.

The full NEWPCC Upgrade is required under the Environmental Act Licenses and timely ICIP approval is critical to moving forward with both the Headworks Facility (project 1) and the Biosolids Facility (project 2). Delay in funding approvals cause schedule delays as the Headworks Facility cannot proceed to the final stage without funding approval. Development in the City and the Metro region is hindered by limited biosolids capacity – the biosolids facility cannot proceed until funding is approved.

The City’s ICIP provincial funding request for the Headworks and Biosolids projects totals \$267.67 million. As per Minister Squires recent announcement of \$126.6 million and with the previously advanced \$56.2 million, the total provincial announced funding for the two projects would now total \$182.8 million. This would result in receiving the full ICIP provincial contribution funding for the Headworks Facilities Project and approximately 50% ICIP provincial contribution funding for the Biosolids Facilities Project.

Due to the transfer between streams, the bilateral agreement March 31/21 clause could delay approval of the federal and provincial ICIP funding of these NEWPCC projects.

Additionally, the City will not receive any of the original \$451.79 million of federal funding allocated to Manitoba under the ICIP Green Infrastructure Stream for the NEWPCC Upgrades projects. The Province has indicated that they have received significantly more ICIP funding requests than available ICIP funding. However, to date according to the federal ICIP website, only two projects in Manitoba have been approved for federal and provincial contribution funding under the ICIP Green Infrastructure Stream.

RECOMMENDATIONS

1. That the City of Winnipeg agrees to transfer \$321.24 million of federal funding under the Investing in Canada Infrastructure Program (ICIP) from the Public Transit Infrastructure Stream (PTIS) to the Green Infrastructure Stream (GIS) to fund the Federal Government's funding portion for the NEWPCC Upgrade: Headworks Facilities project and the NEWPCC Upgrade: Biosolids Facilities project as per the Province of Manitoba's requirement, subject to the following:
 - A. the Province of Manitoba committing the total proposed provincial funding portion of \$267.68 million for the NEWPCC Upgrade: Headworks Facilities project and the NEWPCC Upgrade: Biosolids Facilities project.
 - B. the Province of Manitoba committing to no further reductions to Winnipeg's allocation of the remaining Public Transit Infrastructure Stream federal allocation of \$203.61 million and committing to provide the provincial funding portion to match the reduced PTIS federal allocation as per the cost sharing terms of the Manitoba Canada ICIP bilateral agreement.
 - C. the Federal and Provincial governments to waive clause 3.f) from the Manitoba Canada ICIP Bilateral agreement in order to not delay funding approval for the projects.
2. That the City of Winnipeg continue with the current project procurement methods such that the Headworks project be delivered as a Design-Build and the Biosolids be delivered as a Design-Bid-Build in order to not delay the completion of the projects.
3. That the City of Winnipeg agrees to Recommendation 1 subject to conditions satisfactory to the interim Chief Administrative Officer.
4. 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

The Province of Manitoba advised that in order to access inter-governmental Investing in Canada Infrastructure Program (ICIP) funding for “the Headworks and Biosolids projects will require the City of Winnipeg’s agreement to transfer \$321.24M of its Public Transit Infrastructure Stream (PTIS) federal allocation to Green Infrastructure Stream (GIS) to accommodate the federal share of these projects.”

Council approval is required to amend and enter into funding agreements with the Federal and Provincial governments.

IMPLICATIONS OF THE RECOMMENDATIONS

That \$321.24 million of federal funding under ICIP will be transferred from the Public Transit Infrastructure Stream to the Green Infrastructure Stream and allocated to fund the NEWPCC Upgrades projects subject to the provincial funding commitment \$267.68 million.

The City of Winnipeg’s Public Transit Infrastructure Stream federal funding allocation will be reduced from \$524.85 million to \$203.61 million.

HISTORY/DISCUSSION

Federal Infrastructure Funding Program

The Investing in Canada Infrastructure Program (ICIP) is the current major 10-year federal infrastructure funding program (2018 to 2027). The City of Winnipeg could access funding under three infrastructure streams:

- Green Infrastructure (environmental)
- Community, Culture & Recreation Infrastructure
- Public Transit Infrastructure

Green Infrastructure Stream

The objective of the Green Infrastructure Stream is to support greenhouse gas emission (GHG) reductions; enable greater adaptation and resilience to the impacts of climate change and climate-related disaster mitigation; and ensure that more communities can provide clean air and safe drinking water for their citizens.

The federal government has allocated \$452 million of federal funding to Manitoba under this stream of ICIP.

Community, Culture and Recreation Infrastructure Stream

The objective of the Community, Culture and Recreation Infrastructure Stream is to build stronger communities and improve social inclusion.

The Federal government has allocated \$61 million of federal funding to Manitoba under this stream of ICIP.

Public Transit Infrastructure Stream

The objective of the Public Transit Infrastructure Stream is to primarily build new urban transit networks and service extensions that will transform the way that Canadians live, move and work.

The federal government has allocated \$546 million of federal funding to Manitoba under this stream of ICIP. This funding allocation is based on transit ridership of which Winnipeg's allocation is approximately \$525 million.

On July 18, 2019, the Province provided information relating to the Public Transit Infrastructure Stream including there is no deadline for submissions for Transit projects – the submission process remains continuously open. But under this stream, a Public Transit Infrastructure Stream Strategic Plan must be provided to the Province and is to identify the City's long-term objectives of its transit funding allocation along with how it will complement the future transit capital planning and goals. This strategic plan is required prior to the City submitting Transit projects.

In order to meet the provincial requirement, the City would plan to submit a Council approved ICIP Transit Strategic Plan upon the completion of the Transit Master Plan in 2021. In order to apply for projects in the short term, the City requests the Province eliminate the requirement for an ICIP Transit Strategic Plan.

Projects Submitted to Date

The Public Service has submitted four Council approved projects for ICIP funding as shown in Table 1.

Table 1 – Projects for Federal and Provincial ICIP Funding (Council report July 23/20)

Project Name	Class of Estimate	Proposed Funding (\$000s)						
		Total Project Costs	Total Eligible Project Costs	Federal	Provincial	City (Eligible)	City (Ineligible)	City Total
NEWPCC Upgrade: Headworks Facilities *	3	\$ 356,099	\$ 300,932	\$ 120,373	\$ 100,300	\$ 80,259	\$ 55,167	\$ 135,426
NEWPCC Upgrade: Biosolids Facilities	3	\$ 552,712	\$ 502,182	\$ 200,873	\$ 167,377	\$ 133,932	\$ 50,530	\$ 184,462
Total Green Infrastructure		\$ 908,811	\$ 803,114	\$ 321,246	\$ 267,677	\$ 214,191	\$ 105,697	\$ 319,888
Total Green Infrastructure Federal and Provincial Funding				\$588,923				
South Winnipeg Recreation Campus: Phase One - Recreation Centre	5	\$ 89,039	\$ 79,138	\$ 31,650	\$ 31,190	\$ 16,298	\$ 9,901	\$ 26,199
St James Civic Centre - Facility Expansion	4	\$ 14,006	\$ 13,220	\$ 5,288	\$ 4,406	\$ 3,526	\$ 786	\$ 4,312
Total Community, Culture and Recreation Infrastructure		\$ 103,045	\$ 92,358	\$ 36,938	\$ 35,596	\$ 19,824	\$ 10,687	\$ 30,511
Total Community, Culture and Recreation Infrastructure Federal and Provincial Funding				\$72,534				
Total		\$ 1,011,856	\$ 895,472	\$ 358,183	\$ 303,273	\$ 234,015	\$ 116,384	\$ 350,399
Total Federal and Provincial ICIP Funding				\$661,457				

* Excludes the Power Supply component of the previously approved project as the Power Supply component is currently under construction.

A June 10, 2020 provincial news release announced “\$230 million earmarked for the provincial share of projects under the Investing in Canada Infrastructure Program (ICIP).”

Provincial Request to Transfer ICIP Funding

On July 6, 2020, the Public Service received a letter from the Province of Manitoba advising that in order to access inter-governmental Investing in Canada Infrastructure Program (ICIP) funding for “the Headworks and Biosolids projects will require the City of Winnipeg’s agreement to transfer \$321.24M of its Public Transit Infrastructure Stream (PTIS) federal allocation to Green Infrastructure Stream (GIS) to accommodate the federal share of these projects.”

Agreeing to this transfer would result in PTIS federal funding to the City of Winnipeg being reduced to \$203.61 million. This report also recommends the Province commits to no further reductions to Winnipeg’s allocation of the remaining Public Transit Infrastructure Stream federal allocation of \$203.61 million and also commit to provide the provincial funding portion to match the reduced PTIS federal allocation as per the cost sharing terms of the Manitoba Canada ICIP bilateral agreement.

The full NEWPCC Upgrade is required under the Environmental Act Licenses and timely ICIP approval is critical to moving forward with both the Headworks Facility (project 1) and the Biosolids Facility (project 2). Delay in funding approvals cause schedule delays as the Headworks Facility cannot proceed to the final stage without funding approval. Development in the City and the Metro region is hindered by limited biosolids capacity – the biosolids facility cannot proceed until funding is approved.

Additionally, the City of Winnipeg will not receive any of the original \$451.79 million of federal funding allocated to Manitoba under the ICIP Green Infrastructure Stream for the NEWPCC Upgrades projects. The Province has indicated that they have received significantly more ICIP funding requests than available ICIP funding. However, to date according to the federal ICIP website, only two projects in Manitoba have been approved for federal and provincial contribution funding under the ICIP Green Infrastructure Stream:

- Portage la Prairie’s Water Pollution Control Facility project received approval for \$60 million in federal funding.
- Manitoba Hydro’s Birtle Transmission Line project received approval for \$19 million in federal funding.

The July 6, 2020 letter reaffirmed the Province’s previous contributions of \$56.2 million for the Headworks facilities project, but did not provide any further information on the City’s total provincial funding request of \$268 million for the Headworks Facilities and Biosolids Facilities project. Thus, this report recommends conditional approval of the provincial request of the transfer subject to provincial funding of the \$268 million for the two NEWPCC projects.

The Province also identified that “further discussion will be required in relation to flowing these funds within the City of Winnipeg’s annual strategic infrastructure basket from the Province of Manitoba that has been committed to remain at at least current levels over the medium term.” The proposed provincial ICIP funding will use up the great majority of the forecasted \$75.3 million annual strategic infrastructure basket.

On August 29, 2020 Minister Squires announced the NEWPCC Upgrades projects would receive further investment of \$126.6 million.

In further discussions, the Province indicated they will contribute an additional \$126.6 million towards the two NEWPCC ICIP projects. With the previous \$56.2 million, the provincial contribution would total approximately \$182.8 million. This would result in receiving the full ICIP provincial contribution funding for the Headworks Facilities Project and approximately 50% ICIP provincial contribution funding for the Biosolids Facilities Project. This funding would be incremental to the City of Winnipeg's annual strategic infrastructure basket from the Province of Manitoba and would be funded from the \$230 million earmarked for ICIP projects as per the June 10, 2020 provincial news release.

The ICIP bilateral agreement includes the clause 3.f): "Canada agrees to consider requests from Manitoba to transfer contribution funding under the public transit stream to the green infrastructure stream...after March 31st, 2021." Due to the transfer between streams, this March 31/21 clause could delay approval of the federal and provincial ICIP funding of these NEWPCC projects. This report recommends this clause be waived in order to not delay funding approval for the projects.

The transfer would result in the City's federal allocation of PTIS funding being reduced as shown in Table 2. To note, with the City's limited debt borrowing capacity, the City would be challenged to fund its original share of over \$400 million over the next 7 years.

Table 2 – PTIS Federal Funding Available Before and After Transfer

(\$ millions)	Before transfer	After transfer
Federal	524.85	203.61
Required Provincial	437.33	169.66
Required City	415.55	161.21
Total	1,377.73	534.48

Additional Information on NEWPCC Upgrades Projects

Table 3 below provides a funding status of the NEWPCC Upgrades projects.

Table 3 - NEWPCC Upgrades

(\$ millions)	Cost	Notes
Power Supply	52.28	City funded
Headworks	356.10	Applied for ICIP funding
Biosolids	552.71	Applied for ICIP funding
Nutrient Removal	828.06	Unfunded, does not meet ICIP timeframe*
TOTAL	1,789.15	

* The ICIP bilateral agreement states “that all Projects are Substantially Completed by October 31st, 2027.”

Additionally, the July 6 Provincial letter indicated the Province’s interest “...to explore the feasibility of utilizing a P3 model for the Biosolids project...” The City is currently delivering the NEWPCC Biosolids Facilities project as a Design-Bid-Build. Council has already approved funding for the detailed design work. At this point in time, changing the project’s delivery procurement method would delay the project. The City has significant concerns with limited treatment capacity at the NEWPCC and thus delaying the project would limit growth in the City and also affect the project’s ICIP timeframe eligibility. This report recommends continuing with the current project procurement methods.

FINANCIAL IMPACT

Financial Impact Statement**Date:** September 11, 2020

Project Name:**Transfer Federal Funding Allocation under the Investing in Canada Infrastructure Program from the Transit Stream to the Green Stream to fund NEWPCC Projects****COMMENTS:**

There are no immediate financial implications with the recommendations to this report. Total project costs remain unchanged.

Federal funding allocated to the City of Winnipeg of \$321.24 million is being transferred from an allocation for Public Transit Infrastructure to an allocation for Green Infrastructure to enable federal funding to two NEWPCC Upgrade Projects.

Agreeing to the transfer would result in PTIS federal funding to the City being reduced from \$524.85 million to \$203.61 million.

electronically signed by *T. Yanchishyn*

Tanis Yanchishyn, CPA, CA
Manager of Finance (Campus)
Corporate Finance Department

CONSULTATION

This Report has been prepared in consultation with:

- Corporate Finance
- Legal Services
- Customer Service & Communications

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.

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

N/A

SUBMITTED BY

Department: Office of the CAO
Division: Infrastructure Planning Office
Prepared by: Danny Tooth, Acting Manager, Major Capital Projects Oversight
Date: September 11, 2020

Attachment:

Appendix A – July 6/20 DM Sinclair letter to iCAO