

Capital Line South Extension

Project Update and Budget Approval

Recommendation

That Executive Committee recommend to City Council:

1. That the amendment to the Capital Line South LRT Concept Plan: Century Park to Allard/Desrochers, as outlined in Attachment 2 of the June 14, 2021, Integrated Infrastructure Services report IIS00553, be approved.
2. That Capital Profile 16-66-7018 (Capital Line South LRT: Century Park to Ellerslie Road) be amended to increase the budget in the amount of \$1,025,000,000, to reflect partner and municipal funding sources, as outlined in Attachment 3 of the June 14, 2021, Integrated Infrastructure Services report IIS00553, to fund delivery of the project, as outlined in the June 14, 2021, Integrated Infrastructure Services report IIS00553.

Executive Summary

The City of Edmonton has received funding commitments from the provincial government for the Capital Line extension south of Century Park. This is part of the \$1.47 billion previously committed to the City of Edmonton by both the federal and provincial governments for light rail transit expansion. The application is currently with the federal government for review and submission to the federal Treasury Board by the fall of this year. This project supports the strategic goals of The City Plan and ConnectEdmonton to create a Healthy City, vibrant Urban Places, support Regional Prosperity and Climate Resilience.

This report identifies the total partner funding committed to the project and seeks City Council approval for the amendment to the capital profile with a total cost of \$1,025 million funded with \$392 million of federal and \$300 million of provincial partner funding and the City's \$333 million contribution (including \$330.7 million tax-supported debt financing). Approval of the municipal funding share is the normal course of business after partner funding has been confirmed. Approval of the City's share of funding allows Administration to execute a Memorandum of Agreement, which is the final step in the process as well as commence early works such as procurement, land acquisition and utility relocations.

The LRT Crossing Assessment for the Capital Line South crossing of Ellerslie Road has concluded that a grade-separated crossing is warranted. On the basis of this conclusion, the Concept Plan requires an amendment to show the LRT crossing over Ellerslie Road and an elevated LRT station at the Heritage Valley Park and Ride location.

Report

Administration has advanced the design for the extension of the Capital Line from Century Park to Ellerslie Road and is ready to move to the procurement phase. Based on the size and scope of the work, the recommended approach would be a “construction manager at risk” procurement, similar to what is currently being used for the Metro Line extension into Blatchford. The scope would include an additional 4.5km of LRT service from Century Park to the Heritage Valley Park and Ride at Ellerslie Road, a station at Twin Brooks, a new LRT Operations and Maintenance Facility (OMF) and the purchase of 24 Light Rail vehicles.

Alignment with Plans and Initiatives

This Project aligns with a number of municipal, provincial and federal Plans:

- Edmonton City Plan
- ConnectEdmonton Plan
- The City’s LRT Network Plan
- *Reimagine*, the City’s strategic response to COVID-19
- The City’s Community Energy Transition Strategy
- The *Region’s Re-imagine, Plan and Build* Plan
- *Alberta’s Blueprint for Jobs Plan* - the Government of Alberta’s plan to create more than 10,000 jobs through investment in infrastructure
- The Government of Alberta’s plan to reduce greenhouse gas emissions, reduce methane emissions, and end coal consumptions within the province
- *Investing in Canada Infrastructure Program (ICIP)* - the Government of Canada’s initiative to build strong, dynamic and inclusive commutes through capital infrastructure investment)
- *Investing in Canada Plan* - the Government of Canada’s plan that specifically targets job creation and economic recovery and growth

Business Case Summary

Administration completed a Business Case for the project (Attachment 1), which has been submitted to and received approval from the provincial government. The document has advanced to federal officials for review and Administration is hoping for late summer/early fall approval. The key opportunities that this project provides as outlined in the Business Case include:

- Supports Edmonton's population growth
- Improves viability of future LRT investment
- Provides opportunities of scale for LRV purchases
- Leverages investment in the Heritage Valley Park and Ride
- Facilitates future expansion and planning for Edmonton hospitals
- Improves mobility and supports sustainable, affordable growth
- Creates employment and other business growth
- Supports a cleaner environment

The Business Case also confirms that the project provides a positive benefit-cost ratio (BCR). Even with a conservative approach to the benefit-cost modeling, rigorous sensitivity analysis, and the Project including the cost of an OMF, the benefit-cost ratio of the Project remains highly favorable.

Ellerslie Crossing Assessment

Administration reviewed the Ellerslie Road LRT crossing in accordance with the LRT crossing assessment methodology. The assessment took into account a number of new factors since the original pre-screening which took place in 2018. These recent considerations include:

- Completion of the Heritage Valley Neighbourhood Structure Plan #14
- Completion of Edmonton City Plan and any relevant Policies
- Results of the Mobility Network Assessment
- Requirements to access the South Edmonton Hospital and Heath Campus
- Future requirements to cross the utility corridor just south of Ellerslie Road

The result of this assessment is the recommendation for an LRT grade separation over Ellerslie Road and an elevated station at the Heritage Valley Park and Ride. The summary of the Concept Plan amendment can be found in Attachment 2.

Reallocation of Funding for Montrose LRV Storage Facility

With the approval of the Capital Line South extension to Ellerslie Road and the construction of a new LRT Operations and Maintenance Facility (OMF) in Heritage Valley, there is no immediate need for an LRV Storage Facility in Montrose.

Construction of the Montrose facility was included to support the Metro Line north extension into Blatchford, however the development of a new OMF in Heritage Valley would support the requirements for both the Metro Line and Capital Line extensions. The OMF included in the Capital Line Business Case was a scaled down version of the ultimate facility required at Heritage Valley. By reallocating approximately \$60 million from the proposed Montrose LRV Storage Facility to the Capital Line project, the Heritage Valley OMF could be expanded to more closely align with the ultimate plan. This would provide capacity for future LRV fleet expansion required to increase capacity on the existing Capital and Metro Lines.

Since changes to the scope of the Metro Line project will require an amendment to the funding agreement with other orders of government, Administration will not bring forward an amendment to the Capital Profile 16-66-7013 for the Metro Line extension from NAIT into Blatchford until these changes have been confirmed by the provincial and federal governments.

Light Rail Vehicles (LRVs) Considerations

The purchase of 24 Light Rail Vehicles (LRVs) has been included for operation of this project, accounting for a suitable spare ratio.

Funding for the purchase of six LRVs is included in the Metro Line (NAIT to Blatchford) extension project. By combining the procurements for the Metro Line and Capital Line extensions, there would be efficiencies with LRV purchasing for both projects. This procurement could also include options for future LRV purchases in the event the budget becomes available for either fleet expansion or fleet replacement initiatives.

Conversations between the City of Edmonton and City of Calgary will continue to determine the feasibility of a combined procurement between the two municipalities.

Procurement

Procurement readiness, including preliminary design, was advanced for the Capital Line South (Century Park to Allard/Desrochers) from 2017 to 2020 under the Public Transit Infrastructure Fund (PTIF) program.

The recommended approach for the delivery of the Capital Line South extension is construction manager procurement, similar to what is currently being used for the Metro Line extension into Blatchford. The procurement of the Construction Manager will include a Request for Qualifications, shortlisting, release of the Request for Proposals, and selection of a Preferred Proponent. The Construction Manager procurement process is anticipated to take four to six months to complete, and would commence upon receiving all project approvals.

The timing of final funding approvals will influence whether construction is able to begin in the Spring/Summer of 2022.

Partner Funding Overview

Partner governments will invest up to a total of \$2.94 billion for LRT network expansion in Edmonton, which includes the province's \$1.47 billion contribution as outlined in the *Public Transit and Green Infrastructure Project Act* and the \$1.47 billion earmarked for Edmonton through the federal Investing in Canada Infrastructure Plan. To date, a total of \$2.25 billion has been approved for the Valley Line West and Metro Line extension projects; the remaining balance of approximately \$695 million that will see the Governments of Canada and Alberta contributing up to \$394.2 million and \$300 million, respectively, towards the Capital Line South expansion project.

On September 4, 2020, the City submitted its project business case to Alberta Transportation for review, approval of provincial funding and endorsement for federal Investing in Canada Infrastructure Program (ICIP) Green Infrastructure Stream funding. On March 11, 2021 the Government of Alberta approved the project (and its share of the funding) and endorsed it for federal Investing in Canada Infrastructure Program (ICIP) Green Infrastructure Stream funding. On March 26, 2021, the Government of Alberta submitted the project application to Infrastructure Canada (INFC) for review and approval of the federal share. Projects seeking over \$50 million in federal funding require federal Treasury Board approval, a process that typically takes between seven to nine months, in addition to regular project review times. INFC has advised that due to the federal government's efforts to respond to the COVID-19 pandemic and other competing priorities, the project is not expected to be approved by the Treasury Board before fall 2021. INFC, however, has indicated that they are agreeable to work to complete this process in five to six months, to aim for a late summer/early fall Treasury Board date.

While the City's two most recent LRT projects (Valley Line West and Metro Line Extension) received federal funding approval prior to receiving Council's budgetary approval, there are a number of considerations in the case of the Capital Line South extension project that make it beneficial to seek Council's approval in advance of the federal approval:

- The federal government typically requests all non-federal project funding sources be approved before granting federal funding approval or in the absence of that requires that all funding sources are approved immediately after federal approval and prior to the execution of a funding agreement. Approval of the municipal funding component would demonstrate to the federal Government the City's commitment towards this project and work to remove any barriers to securing an early fall Treasury Board date and to mitigate any project viability concerns that Treasury Board might have.
- Having Council approval now will allow Administration to execute the funding agreement immediately upon Infrastructure Canada's approval of the project.
- Potential difficulty in meeting the federal program end date:

- Under the ICIP, all projects must be substantially completed by October 31, 2027.
- Assuming a late summer/early fall federal approval, a September/October project start would allow the project to take advantage of at least half of the 2022 construction season as well as ordering long-lead items to help mitigate anticipated commodity price increases.
- A December 2021/January 2022 project start would jeopardize works planned for the 2022 construction season, likely resulting in a one year delay to project completion to 2027; with the project completion date bumping up so close to the program completion date (October 31, 2027) there is also the risk of requiring an extension to the funding agreement, which would require the approval of both the provincial and federal governments.
- Delays to the construction start are expected to lead to overall project cost escalations, resulting in either an increased budget request, or an adjustment to scope to fit within the existing budget request.

While not directly related to the sequencing of municipal and federal funding approvals, INFC has expressed a preference in reviewing the proposed scope change of reallocating approximately \$50-\$60 million from the Metro Line Extension project's proposed Montrose LRV Storage Facility to the Capital Line South Extension project in parallel with the Capital Line South Extension application. The approval of the project and the proposed scope change to the Metro Line project each require federal Treasury Board approval and going to Treasury Board once for both approvals is viewed by INFC as more efficient and expedient.

Debt Implications

This report recommends the approval of \$330.65 million of tax-supported debt to match grant funding from other orders of government to proceed with the complete delivery of the Capital Line South project to the Heritage Valley Park-and-Ride. Based on expected timing of grants, the City will need to borrow a higher proportion earlier in the project.

The financing of this project can be accommodated within the debt limits set by the *Municipal Government Act* and the City's Debt Management Fiscal Policy. Attachment 5 shows the impact of project financing to the City's most conservative limit, which is the Tax-Supported Debt Servicing limit established under the City's Debt Management Fiscal Policy.

The projections in Attachment 5 do not factor in the potential for short-term borrowing that may be required to accommodate timing differences between project expenditures and the receipt of grant funding. Administration will continue to monitor the cash flow projections for both projects and will bring forward a short-term financing strategy for Council consideration, if required.

Tax Levy Impact

Attachment 5 shows the estimated tax levy impact of funding the debt servicing costs of the Capital Line South project.

It is currently estimated that a total tax levy increase of 1.02 percent would be required to fund debt servicing costs of Capital Line South, phased in over the period of 2022-2027. Annual debt servicing costs would be approximately \$0.7 million in 2022, increasing to \$19.2 million in 2027, and continuing at this amount until 2046. After 2046, the debt servicing will gradually decrease until the debt is fully paid off in 2051. This estimate does not include the interest impacts of any short-term borrowing required as discussed above, which may further impact the tax-levy requirements.

When applying a per km operating and maintenance cost rate from similar LRT extensions, the current high level estimate of the annual operating and maintenance costs in the first year of revenue service is \$11.7 million. These costs would be partially offset by additional revenue generated by the line. This figure does not include any fixed costs attributed to the new OMF facility nor operational savings from the elimination of the Century Park bus shuttle and a more effective dispatch of trains and maintenance personnel.

Based on these estimates, the total annual operating impacts considering the debt servicing and operating and maintenance cost when the Capital Line South is fully operational would be over \$30 million.

Administration will return to Council to fund the operating impacts of the Capital Line South project through future operating budget discussions.

Summary and Next Steps

Approval of the municipal funding component for the Capital Line extension from Century Park to Ellerslie Road would demonstrate to the federal government the City's commitment towards this project. Nominal funding will be used initially for early works which would allow Administration to begin to line up resources, continue land negotiations with the Province, engage the local construction market and begin working on Requests for Proposals to facilitate a construction start up in 2022. With approval of the recommendations contained in this report the following next steps would commence:

- Capital Profile 16-66-7018 will be amended to reflect the modified project scope and the new estimated completion date of December 2027
- Bring forward a borrowing Bylaw for Council's Consideration at the next regular scheduled City Council meeting

- Work with federal administration to finalize the business case and funding agreements including any amendments to the agreements for the Metro Line pertaining to the Montrose OMF
- Continue negotiations with the Province regarding land purchases and agreements required for the OMF and crossing of Anthony Henday Drive.
- Continue discussions with other orders of government on their interest in a scope change to extend to the Heath Campus or Heritage Valley Town Centre
- Assemble internal project management team to develop procurement documents, RFQ, etc. utilizing approximately \$250,000 of City funding in 2021
- Work with utility companies to arrange for relocations subject to their respective Franchise Agreements
- Prepare amendments to the Metro Line Capital Profile 16-66-7013 to transfer budget pertaining to the Montrose OMF for the 2021 Fall SCBA

Public Engagement

Public engagement programs were undertaken for the Capital Line South Concept Plan (2008) and preliminary design (2010). Further public engagement was completed between 2017-2019. Feedback from this engagement helped shape the preliminary design. Further information on the most recent public engagement program undertaken for this project can be found in Attachment 4.

Corporate Outcomes and Performance Management

Outcome(s)	Measure(s)	Result(s)	Target(s)
Edmontonians use public transit and active modes of transportation.	Transit ridership (rides/capita)	89.6 (2018)	105 (2019)
	Journey to work mode (percent of survey respondents who select auto passenger, transit, walk, cycle or other)	26.1% (2016)	25.9% (2018)
Edmonton is attractive and compact.	Edmontonians' assessment: Well-designed, attractive city (percent of survey respondents who agree/strongly agree)	53% (2017)	55% (2018)
The City of Edmonton has sustainable and accessible infrastructure.	Edmontonians' assessment: Access to infrastructure, amenities and services that improve quality of life (percent of survey respondents who agree/strongly agree)	68% (2017)	70% (2018)
Customer Satisfaction	Customer Satisfaction of ETS	78.8 percent	79 percent
The City of Edmonton has a resilient financial position.	City Asset Sustainability (actual expenditure on capital infrastructure divided by required expenditure)	0.94 (2017)	1.00 (2018)

Risk Assessment

Risk Element	Risk Description	Likelihood	Impact	Risk Score (with current mitigations)	Current Mitigations	Potential Future Mitigations
Financial	Federal government does not approve funding	2 Unlikely	4 Severe	8 Medium	Continue to support federal review of the business case	Additional political advocacy efforts
Competition	Insufficient market capacity to deliver project	2 Unlikely	2 Low	4 Low	Continue to engage consulting and construction partners	
Project Management	Delayed efforts to advance procurement	2 Unlikely	3 Moderate	6 Low	Support project with existing staff resources	

Attachments

1. Business Case Summary
2. Capital Line South LRT Concept Plan Amendment
3. Capital Profile 16-66-7018 - LRT Prelim Design: Capital Line, Century Park to 41 Ave
4. Capital Line Public Engagement Summary
5. Impact From Borrowing on City Tax-Supported Debt Servicing Room and Tax Levy

Others Reviewing this Report

- G. Cebryk, Deputy City Manager, City Operations
- M. Persson, Chief Financial Officer and Deputy City Manager, Financial and Corporate Services
- S. McCabe, Deputy City Manager, Urban Planning and Economy
- C. Owen, Deputy City Manager, Communications and Engagement
- K. Fallis-Howell, Acting City Solicitor