

Spring 2017 Supplemental Capital Budget Adjustment

Recommendation:

That adjustments to the 2015-2018 Capital Budget as outlined in Attachment 2 and the Capital Profiles as set out in Attachment 5 of the May 9, 2017, Financial and Corporate Services report CR_4496, be approved.

Report Summary

This report recommends a number of adjustments to the 2015-2018 Capital Budget.

Previous Council/Committee Action

Please refer to Attachment 1 for a chronology of Council motions related to the 2015-2018 Capital Budget.

Report

The Supplemental Capital Budget Adjustment is an integral component of the established budget adjustment process within the City of Edmonton. It provides City Council with an opportunity to adjust the Capital Budget in response to changing project needs, new funding opportunities and to respond to emerging issues and changing priorities.

Supplemental Capital Budget Adjustment Highlights**Funding Available for Reallocation:**

Administration has worked to ensure approved budgets are appropriate, and any surplus dollars are declared so they can be utilized for higher priority purposes. To this end, the Spring 2017 Supplemental Capital Budget Adjustment has made available \$16 million in funding, comprised of \$9.2 million in Pay-As-You-Go (PAYG) funding, \$5.6 million in Municipal Sustainability Initiative (MSI) funding and \$1.2 million of Neighbourhood Renewal funding. These funding releases are derived from a combination of tender savings, recosting and scope changes.

Pay-As-You-Go funding is also projected to increase as a result of a change in the City's investment earnings by \$3 million in 2017 and \$2.8 million in 2018, due to a modest improvement in the economic forecast.

Administration recommends that of the \$21.8 million of projected available funding, \$12.9 million be used to offset projected deficits for Pay-As-You-Go, Municipal Sustainability Initiative and Neighbourhood Renewal funding, with the remaining \$8.9 million being used to fund two new capital profile requests for the Glenridding Ravine Land Acquisition and Infrastructure, Planning and Design - Composite Growth (as discussed further below).

Administration is continuing to actively monitor the results of tendering. In the Fall Supplemental Capital Budget Adjustment, when 2017 tendering is complete and projects are underway, Administration will bring forward a recommendation for the use of any reconciled 2017 tender savings.

Impact of 2017 Provincial Budget:

The 2017-2018 Provincial Budget released on March 16, 2017, allocated \$260 million of Municipal Sustainability Initiative funding to the City of Edmonton for 2017, which equates to a \$4.8 million reduction from the \$264.8 million allocated to the City for 2016. This reduction is mainly due to the Basic Municipal Tax Grant portion of the total MSI funding which decreased by \$4.7 million in 2017 to \$95.1 million as a result of lower volumes of fuel sales in Alberta.

As part of the Spring 2017 Supplemental Capital Budget Adjustment, Administration has reduced its projected MSI funding by \$9.6 million in total based on the assumption the decrease in MSI funding by \$4.8 million to \$260 million for 2017 will continue for 2018 (in comparison to \$264.8 million previously projected for each of 2017 and 2018 as part of the Spring 2016 Supplemental Capital Budget Adjustment).

Current Funding Deficits:

Attachment 4 outlines the forecast funding deficits as at December 31, 2018, for the Neighbourhood Renewal Program Reserve, Municipal Sustainability Initiative, and Pay-As-You-Go after taking into account the Funding Available for Reallocation and the Impact of the 2017 Provincial Budget as discussed above.

Administration will continue to identify tender savings and other strategies to further reduce the funding deficits and provide an update at the Fall 2017 Supplemental Capital Budget Adjustment.

2016 Carry Forwards:

Of the \$2.42 billion total capital budget available for 2016, expenditures for the year were \$1.13 billion. Through the 2016 year-end process \$1.29 billion was carried forward to 2017 in order to complete ongoing projects.

Capital Budget Adjustments

Attachment 2 sets out Capital Budget adjustments that require City Council approval as follows:

- 2.1. New Profiles Recommended for Funding
- 2.2. Scope Changes
- 2.3. Recosting
- 2.4. Historical Adjustments
- 2.5. Approved Profiles with Changes in Funding
- 2.6. Transfers in Excess of \$2 million Between Profiles
- 2.7. Transfers from Capital to Operating
- 2.8. Transfers from Operating to Capital

Please see Attachment 3 for a summary of the 2015-2018 approved Capital Budget to date and the impact of the proposed changes.

2.1 New Profiles Recommended for Funding

Administration is recommending Council approve the Tax Supported New Capital Profiles and Utility Services New Capital Profiles contained in Attachment 5 for funding. A summary of each profile is as follows:

A. Tax Supported New Capital Profiles

2.1-01 Infrastructure, Planning and Design - Composite Growth (CM-99-0001)

This profile will deliver concept planning and preliminary design work for projects within three infrastructure types of Transportation, Facilities and Open Space.

- Transportation Planning and Design will include various Arterial Road rehabilitation and upgrading, Arterial Road widening, Streetscapes, LRT and Transit planning and other transportation and safety related improvements.
- Facilities Planning and Design will include Expansion and Renewal of Library Branches, Recreation Facilities, Fire Stations, and City Operations and Maintenance Facilities.
- Open Space Planning and Design will include various renewal and growth of District, River Valley, School and Neighbourhood Parks.

This concept planning and preliminary design work will develop the necessary details to create well informed and confident funding requests for budget approval with more refined cost estimates and timelines of delivery. This approach is consistent with Administration's implementation of the Project Development & Delivery Model as well as the Capital Project Governance Policy that was approved by City Council on April 25, 2017, (Integrated Infrastructure Services report

CR_4270).

The request of \$6.6 million for Infrastructure concept planning and preliminary design is recommended to be funded by PAYG.

2.1-02 Glenridding Ravine Land Acquisition (17-17-1030)

To fulfill the intent of the Glenridding Ravine Neighbourhood Structure Plan approved by City Council in December 2016, Administration requests \$6.4 million of funding for the purchase of parcels of land that straddle the common boundary between the Glenridding Neighbourhood Structure Plan and the adjacent North Saskatchewan River Valley Area Redevelopment Plan. These lands are comprised of:

- Terrace lands within Whitemud Creek Ravine that are developable under the Municipal Government Act;
- Lands required for the 170 Street Highway Penetrator right-of-way; and
- Remnant lands between ravine terraces and the penetrator right-of-way.

This \$6.4 million profile will be funded from a combination of Parkland Purchase Reserves (\$4.1 million) as well as PAYG (\$2.3 million).

Please refer to Attachment 8 which provides further details on this project.

2.1-03 Edmonton Soccer Association South Soccer Centre Expansion (17-21-1000)

Expansion of the existing South Indoor Soccer Centre, owned by the City but operated by Edmonton Soccer Association (ESA), consists of adding a new adjacent facility on the existing site containing two additional fields for completion in 2018. Initial schematic design for the expansion was funded by ESA and is now complete. Administration is recommending that funding be approved for detailed design in order to prepare design drawings for construction tendering.

The total request in this profile is \$2 million, which will be funded by the Enterprise Reserve. After completion of the design phase, Administration will request additional funding based on an updated estimate of construction costs.

Previously Approved Stand-Alone Profiles with additional Funding & Scope

The following profiles propose additional funding be added to these approved profiles to cover additional scope for further development from what was originally approved. In many cases this will be the result of the next phase of the profiles. Also, if indicated, it will request an adjustment to the completion date of the profile to accommodate the added scope or next phase of work.

2.1-04 Fort Edmonton Park - Utilities & Enhancements (15-21-6973)

This profile was originally approved for \$70.8 million to address the repair,

replacement and upgrade of utility infrastructure at Fort Edmonton Park. Subsequent to approval, the Fort Edmonton Park Management Company was successful in receiving additional funding to advance various planned enhanced amenities and park features in the amount of \$91.3 million (Federal Grants - \$47.8 million, Provincial Grants - \$33.5 million, as well as Partnership Funding - \$10 million). As a result of this change in funding and scope, Administration is recommending the profile be increased to \$162.1 million and the timeline for completion of the profile be extended to Fourth Quarter 2021.

2.1-05 Lewis Farms Community Recreation Centre and Library (15-21-5785)

This profile is for the development of a community recreation centre at Lewis Farms District Park including a training aquatic venue, fitness centre, gymnasium, multipurpose spaces, twin arenas, access and parking. In December 2014, and the Fall 2015 Supplemental Capital Budget Adjustment, Council approved \$3.7 million to fund schematic design.

Administration is recommending that additional funding of \$17.7 million be approved to complete the design of the recreation centre, library, and district park (please refer to Integrated Infrastructure Services report CR_3377 received for information by Executive Committee on April 21, 2017). Of this \$17.7 million, \$16.8 million would be funded from tax-supported debt, with an additional \$0.9 million in partnership funding. If this request is approved, total funding for this profile will be \$21.4 million. As this additional phase of work is approved, timelines for completion of the profile have been extended to Third Quarter 2019.

2.1-06 Traffic Signals - Pedestrian & Vehicle Safety (CM-66-2520)

This profile provides funding for the installation of new traffic signals, pedestrian activated signals, crosswalks, and signal enhancements such as left turn arrows and vehicle detection (please refer to City Operations report CR_4264 received for information by City Council on March 21, 2017).

Administration is recommending the approval of \$4.8 million for these additions, to be funded by the Traffic Safety Automated Enforcement Reserve. Council has previously approved \$14.9 million for this profile. If approved, the total amount approved for the profile will be \$19.7 million.

New Stand-Alone Profiles with Funding Transferred from Composites

The following capital profiles propose funding derived from the transfer of existing funding from approved composite capital profiles. They describe projects originally within the scope of the approved composite profiles that are being moved out to be compliant with Capital Budget rules (\$2 million or greater for growth and \$5 million or greater for renewal projects). This results in a net zero adjustment to the 2015-2018 Capital Budget.

2.1-07 Bonnie Doon Pool Rehabilitation (17-99-2010)

This profile allocates funding to complete major rehabilitation work at Bonnie Doon Pool. The City completed a building condition assessment in 2012. The scope of work includes a modernization of the buildings major structural, mechanical and electrical components as well as site improvements.

Administration is recommending that funding in the amount of \$9.7 million be reallocated from existing approved funding sources to a standalone profile to proceed with this work. The completion date for this profile would be Fourth Quarter of 2018. This profile will be funded by transfers from the following previously approved profiles: Building and Facility Rehabilitation - \$8.1 million; Facility Energy Retrofits and Greenhouse Gas Reduction - \$1.5 million; Safety and Security - \$0.1 million.

2.1-08 Century Place Base Building Rehabilitation & Tenant Improvements (17-99-2001)

This profile allocates funding to address the building rehabilitation and tenant improvement work at Century Place. A building condition assessment was completed in May 2010. The report identified several deficiencies to the buildings electrical, mechanical and structural systems, noting that many of the building systems and components are original to its construction, nearly 42 years ago. As such, the critical systems are overdue for major upgrades and rehabilitation.

Administration is recommending the standalone capital profile of \$19.7 million be reallocated from existing approved renewal funding approved to complete required critical and emergent rehabilitation work at Century Place. This profile will be funded by transfers from two previously funded profiles (Building & Facility Rehabilitation, IT Infrastructure Renewal).

2.1-09 Civic Precinct Surface and Fountain Renewal (17-99-1022)

This project is focused on providing the funding for the renewal and the first phase of a two-phase construction for the Civic Precinct surface and City Hall Fountain. The Civic Precinct encompasses Sir Winston Churchill Square, Centennial Plaza, Stanley A. Milner Library, and City Hall Plaza. This project includes rehabilitation of infrastructure to ensure that the City can maintain the physical condition and functionality of the site to support safety and accessibility.

Administration is recommending approval of \$13 million to be funded by the transfer of funds from previously approved profile CM-75-0100 Building and Facility Rehabilitation.

New Stand-Alone Profiles with Funding from Existing Sources

The following profiles propose funding derived from the transfer of existing funding from approved capital profiles or other current funding sources. This results in a net zero adjustment to the 2015-2018 Capital Budget.

2.1-10 Jasper Avenue New Vision Phase 2 (17-74-4103)

This profile begins implementation of the next phase of the Jasper Avenue New Vision Project. The project will feature streetscape improvements to Jasper Avenue including a review of the drainage, sidewalks, street furnishings and lighting, trees and public art. Funding for this project of \$3.4 million will be transferred from two existing Capital Profiles previously approved: The Quarters Downtown Phase II (15-74-4031) and Initial Phase Jasper Avenue New Vision (15-74-4103).

2.1-11 Alley Renewal, Medium (CM-99-4800)

In conjunction with this Supplemental Capital Budget Adjustment, Council Report CR_4638 Alley Renewal Strategy Update will be presented which considers two levels of service: medium and medium-high. Based on the recommendation included in Report CR_4638, the medium-level of service related profile has been included in Attachment 2. This profile will fund preliminary design work by transferring \$0.5 million of Neighbourhood Renewal funds from the NRP NBHD - Composite CM-66-4000.

B. Utility Services New Capital Profiles

The following three requests were reviewed by Utility Committee on April 24, 2017, (City Operations report CR_4543) and recommended to proceed for City Council's approval in this Supplemental Capital Budget Adjustment:

2.1-12 Utilities, Planning and Design - Composite Growth (CM-99-0002)

This profile will deliver preliminary planning and design work on utility infrastructure capital projects prior to budget approval. This approach is consistent with Administration's implementation of the Project Development & Delivery Model as well as the Capital Project Governance Policy that was approved by Council. This profile will support preliminary planning and design work for the following utility areas: Downtown Servicing, Flood Mitigation, Stormwater Quality Enhancement and Odour Control Strategy.

Administration is recommending the approval of \$1.3 million to be funded through Utility Rates.

2.1-13 West Jasper Place Trunk Sewer Rehabilitation (17-23-9806)

This profile funds rehabilitation of three deep sanitary trunk sewers in the West Jasper Place neighbourhood. The total cost of the rehabilitation is estimated to be \$24.0 million and includes: the original repair at the West Edmonton Sanitary Sewer Stage W13 connection, rehabilitation of a connecting chamber downstream of the original repair, rehabilitation of the 1500 mm trunk on 151 street, rehabilitation of the 1200 mm/1500 trunk on 99 Avenue, and rehabilitation of the 1950 mm trunk along 100 Avenue.

Administration is recommending approval of \$24 million to be funded through Utility Rates.

2.1-14 Mill Creek Stormwater Management (17-23-9807)

The City must acquire portions of land in southeast Edmonton (the Riske Lands) to lower and naturalize Mill Creek. The City's Meadows Community Recreation Centre was designed and constructed with a storm trunk that drains towards Mill Creek at lower elevations that are in accordance with existing statutory plans. For the time being, these storm flows are pumped from the terminal manhole up and into Mill Creek. The lands should be acquired as soon as possible to facilitate the required construction, landscaping, and reclamation activities before expiration of the City's Water Act approval.

Administration is recommending approval of \$2.3 million to be funded through Utility Rates.

2.2 Scope Changes

Scope changes in this Supplemental Capital Budget Adjustment will result in a net \$5.7 million reduction of funding. Noted profiles with a change in scope include the following:

Jasper Place Leisure Centre Renewal (15-21-2180)

As the design advanced, a universal change room was identified as a requirement to be added at deck level since the existing change rooms are in the basement and not accessible. This \$0.6 million expenditure will be funded by the Enterprise Reserve.

Utilities - Sanitary & Stormwater

A \$6.3 million scope decrease is being requested for three profiles to defer capital work to the 2019-2022 Capital Budget: (please refer to City Operations report CR_4543 presented to Utility Committee on April 24, 2017):

- Creek Erosion Protection (CM-31-9604) - \$2.6 million,
- Sewer System Upgrading (CM-23-9703) - \$2.5 million, and
- River for Life (CM-23-9640) - \$1.2 million.

2.3 Recosting

The 2015-2018 Capital Budget is proposed to be decreased by \$26.5 million due to recosting. There are several types of recosting budget requests being brought forward, the most significant of which are highlighted below:

Information Technology Profile - Composites

Release of \$6.9 million from four composite profiles for 2017-2018. Re-prioritization and assessment identified several initiatives as being under budget or projected to underspend. The funding source is PAYG.

Roof Rehabilitation and Replacement (CM-75-0103)

Release of MSI funding of \$4.5 million and PAYG funding of \$0.5 million.

Neighbourhood Park Development Program - Renewal (CM-28-7055)

Release of PAYG funding of \$1.8 million.

Pavement Management Relocation (12-66-1073)

Release of project cost savings of \$1.2 million to be returned to the Neighbourhood Renewal Reserve for this completed project.

91st Street 25 - 41 Ave (12-66-1454)

Profile costs are expected to be higher than planned mainly due to higher club root mitigation costs and unexpected soil conditions for mainline sewer work. This request is for an additional \$0.8 million to be funded by Developer ARA.

Stormwater & Sanitary Utilities

City Operations report CR_4543 report presented to Utility Committee on April 24, 2017 specified projects where updated estimates were provided. The total amount of funding reductions as a result of this update is \$12 million:

- Mill Woods Double Barrel Replace/SESS (South Edmonton Sanitary Sewer) SA1 (08-23-9202) of \$10 million, and
- Ekota Dry Pond and Menisa Storm Relief (16-23-9801) of \$2 million.

2.4 Historical Adjustments

This type of adjustment occurs when a change in a funding source in past years requires an adjustment to the overall budget of a profile. For example, changes in projected partnership funding or developer financing could occur throughout the lifetime of the capital profile, or the City may receive additional grant funding.

Further details of historical adjustments, with funding sources are provided in Attachment 6.

2.5 Approved Profiles with Changes in Funding

This type of adjustment is similar to a historical adjustment, but in this case the change in funding source requiring a change in profile budget is identified in current or future years instead of in past years.

Approved profiles with changes in funding will decrease the Capital Budget by \$1.2 million, with funding from a variety of sources, as shown in Attachment 6.

2.6 Transfers in Excess of \$2 million Between Profiles

Approved profiles with transfers between them that exceed \$2 million need to be approved by City Council. The net result is an overall adjustment of \$0 to the total

Capital Budget.

2.7 Transfers from Capital to Operating

\$2.1 million of capital funding for approved profiles is required to be transferred to operating, since these amounts are classified as operating expenses for accounting purposes.

2.8 Transfers from Operating to Capital

Approved profiles require a transfer of \$1.2 million of Operating funding to Capital expenditures.

Unprioritized Emerging Projects

Attachment 7 provides additional details for emerging projects that have been identified since the Fall 2016 Supplemental Capital Budget Adjustment approval.

Corporate Outcomes

This report supports all the Corporate Outcomes in *The Way Ahead* by providing the Capital resources necessary to advance Council's Strategic Plan.

Risk Assessment

This report falls under a list of report types that, due to their nature, do not require a risk assessment and, as such, there is no risk assessment in this report.

Metrics, Targets and Outcomes

Metrics	Targets	Outcomes
<ul style="list-style-type: none"> A total Capital Budget for 2015-2018 of \$6.657 Billion With the recommendations in this report, the total projected deficit of Neighbourhood Renewal, Municipal Sustainability Initiative and Pay As-You-Go funding sources is \$62.1 million 	<ul style="list-style-type: none"> There is no target for the total Capital Budget amount \$0 deficit in Neighbourhood Renewal, MSI and Pay-As-You-Go funding sources 	<ul style="list-style-type: none"> The City of Edmonton has a resilient financial position.

Justification of Recommendation:

Approval is required to make adjustments to the 2015-2018 Capital Budget as identified in Attachment 2 and the Capital Profiles as set out in Attachment 5 of the May 9, 2017, Financial and Corporate Services report 4496, so that work can proceed.

Attachments

1. Previous Council/Committee Action
2. Spring 2017 SCBA's
3. Impact Summary – Spring 2017 Supplemental Capital Adjustment
4. 2015-2018 Funding Balances Update
5. New Profiles Recommended for Funding
6. Funding Source Breakdown for Historical Adjustments and Approved Profiles with Changes in Funding
7. Unprioritized Emerging Projects – Spring 2017 (unfunded)
8. Glenridding Ravine Land Acquisition

Others Reviewing this Report

- T. Burge, Chief Financial Officer and Deputy City Manager, Financial and Corporate Services
- R. G. Klassen, Deputy City Manager, Sustainable Development
- A. Laughlin, Deputy City Manager, Integrated Infrastructure Services
- R. Smyth, Deputy City Manager, Citizen Services
- C. Campbell, Deputy City Manager, Communications and Engagement
- D. Jones, Deputy City Manager, City Operations