

ADMINISTRATIVE RESPONSE TO VALLEY LINE LRT AUDIT

Recommendation

That the September 22, 2023, Integrated Infrastructure Services report IIS02020, be received for information.

Requested Action	Information only		
ConnectEdmonton's Guiding Principle	ConnectEdmonton Strategic Goals		
CONNECTED This unifies our work to achieve our strategic goals.	Urban Places		
City Plan Values.	ACCESS. LIVE.		
City Plan Big City Move(s)	A Community of Communities Greener as we Grow	Relationship to Council's Strategic Priorities	Mobility Network Climate Adaptation and Energy Transition
Corporate Business Plan	Transforming for the future		
Council Policy, Program or Project Relationships	<ul style="list-style-type: none"> • The City Plan • Mass Transit Network • Valley Line Southeast LRT • Valley Line West LRT 		
Related Council Discussions	<ul style="list-style-type: none"> • N/A 		

Executive Summary

- The Office of the City Auditor conducted an audit of the Valley Line LRT Public Private Partnership (P3) projects in 2023.
- The objective of the audit was to determine if the LRT Expansion and Renewal Branch is managing the Valley Line LRT projects to achieve cost-effective and service delivery expectations. The audit included whether the:
 - P3 procurement was done in a fair, open and transparent manner;

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- Project agreement was designed to clearly allocate risk between the City and the Project Company, and to protect the City's interests; and
- Branch is overseeing the project without taking on additional risk.
- The audit did not include:
 - The selection of the P3 delivery model, concept plans and preliminary design, route planning, and feasibility studies;
 - Technical components of the projects' design and construction; and
 - Work performed by the private partners, including their project management processes.
- The Office of the City Auditor did not make any formal recommendations as part of this audit.
- Administration will continue to manage the delivery of the Valley Line Southeast and Valley Line West projects in accordance with their project agreements, hold its contractors accountable, apply lessons learned including those from other jurisdictions, and strive to deliver these transformational projects in a way that protects Edmontonians' interests while achieving value for money.

REPORT

The Valley Line LRT is an urban-style 27 kilometre light rail line that will operate between Mill Woods in southeast Edmonton and Lewis Farms in west Edmonton. The line is being built in two segments: Valley Line Southeast from downtown to Mill Woods and Valley Line West from downtown to Lewis Farms.

The Valley Line Southeast is a 13 kilometre light rail line that will operate between Mill Woods and downtown and is being delivered as a design-build-vehicle supply-finance-operate-maintain (DBVFO) P3 project. TransEd, the consortium responsible for the work, is in the final stages of testing and commissioning and will operate and maintain the line until December 2050.

The Valley Line West is a 14 kilometre extension that will connect to the Valley Line Southeast downtown and run west to Lewis Farms. It also includes an expansion of the Gerry Wright Operations and Maintenance Facility that was constructed as part of the Valley Line Southeast project. The line is being delivered as a design-build-finance (DBF) project with Marigold Infrastructure Partners as the consortium responsible for the work. Hyundai Rotem Company has been contracted to provide additional light rail vehicles (LRVs) for Valley Line under a separate contract with the City of Edmonton. When complete, the Valley Line will offer a seamless single-seat urban-style LRT service from Mill Woods to Lewis Farms.

The Office of the City Auditor noted that the single party to provide operation and maintenance of the entire Valley Line is not identified at this time. Administration has a plan in place to procure and select a single party to provide operation and maintenance of the entire Valley Line.

Public Private Partnerships and Risk Transfer

In 2010, City Council adopted Policy C555 - Public Private Partnerships (P3) requiring all large scale public infrastructure projects to consider a P3 delivery model under specific conditions. The P3 guidelines supporting the policy state that P3s will only be considered when the following conditions are met:

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- Alignment with City priorities is achieved;
- Public interest is protected;
- Value for money is demonstrated;
- Risks are identified, effectively shared and managed;
- Private sector is appropriately engaged; and
- Appropriate governance and accountabilities are established.

The initial screening, secondary screening and business case originally completed for the Valley Line Southeast project indicated that the project would achieve the goals of the policy and provide positive value for money for the City. Several P3 delivery models were assessed and ultimately, the DBVFOM model was selected as it provided the following advantages:

- A single entity responsible for all key elements of the project (i.e., a single point of accountability for the integration of the design, build, vehicle supply, finance, operations and maintenance);
- Opportunity for innovation;
- Optimization of whole-of-life outcomes;
- Long-term warranty (over the life of the contract);
- Optimal risk allocation between public and private sector significantly reducing public sector risk exposure;
- Cost certainty for the City and value-for-money to the City's residents; and
- Schedule certainty with regard to project delivery.

The P3 delivery model significantly changes the traditional roles and responsibilities of the various parties when compared to more traditional project delivery methods. In a P3 model the single point of accountability for design, construction, vehicles, financing, operations and maintenance rests with the P3 proponent and the City's role focuses on monitoring the performance of the Project Company and enforcing the contract as opposed to directly managing the day-to-day design and construction activities. The value of having a robust contract that clearly sets out the risks and responsibilities of the various parties, as well as having a single point of accountability for design and construction, was demonstrated throughout the contract and was particularly evident when TransEd, the consortium responsible for the Valley Line Southeast LRT, was fully responsible and accountable for the costs to repair the piers for the elevated guideway and also to replace the signal cabling that was not functioning as intended.

Continuous Improvement

The Valley Line Southeast project agreement was developed based on industry standard P3 agreements as well as the City's project-specific goals and requirements. Throughout the life of the project, the agreement has proven to be robust and it has repeatedly protected the interests of Edmontonians. In addition to monitoring and enforcing the Valley Line Southeast contract, Administration has been continually seeking opportunities to learn from the project and from experiences in other jurisdictions, in order to apply lessons learned on an ongoing basis.

For example, there were over 300 lessons learned from the Valley Line Southeast contract that were incorporated into the Valley Line West project agreement. Administration also engages regularly with other major project owners and jurisdictions to share experiences and lessons

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learned and apply them to our projects. Administration has studied the findings and recommendations from the Ottawa LRT project inquiry conducted in 2022. While many of the recommendations had already been addressed in the City's contracts, others are relevant and will be incorporated into ongoing LRT and major construction projects going forward.

Budget/Financial Implications

Value for Money

Value for money is a balanced assessment of quantitative and qualitative factors (i.e., economic environment, private sector expertise, risk profile, administrative considerations) when completing a project. The quantitative assessment of value for money is the difference between the risk-adjusted net costs to the City of the traditional delivery and the P3 method.

Value for money assessments were undertaken for the Valley Line Southeast project in 2011, 2012 and again when competitive bids were received in 2016. Each assessment indicated the City was likely to achieve positive value for money using the P3 delivery method. That meant that the P3 delivery method was expected to deliver better value for money for the City than if a traditional project delivery method was used.

While the schedule delays on the Valley Line Southeast have been challenging for the City, TransEd and Edmontonians, the project is currently on budget. As a result, the City is expected to achieve the positive value for money that was anticipated when the project was initiated.

Community Insight

This report is a response to an internal audit, and Administration has not conducted community engagement for the purposes of this report.

Public input has played an essential role in shaping the Valley Line LRT, and over the project's lifespan, thousands of Edmontonians have been engaged through a wide variety of public engagement opportunities, including meetings, presentations, open houses and online.

The City hosted a series of public workshops, open houses and small group meetings with stakeholders in the southeast, west and downtown sections of the alignment. Additionally, Valley Line teams regularly meet with Citizen Working Groups (CWG) along the alignment. These groups are part of how the City works with communities to share information, identify issues and seek opportunities to minimize impacts related to construction. The groups are designed to be neighbourhood-focused and organized to reflect the common characteristics and interests of communities along the corridor as the project progresses.

Throughout the Valley Line project, the goal of the City has always been to be prudent stewards of public funds, while providing value to Edmontonians when building transformational infrastructure. While the ongoing delays have negatively impacted public perceptions of the Valley Line, the City has endeavoured to provide relevant and timely information to Edmontonians through different communication channels including social media, quarterly reports and the public inquiry process.

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GBA+

Edmonton Transit Service ridership consists of diverse riders who hold a range of identity factors and lived experiences. Travel behaviours in recent years have shown there are more riders who identify as women using transit than other genders. Newcomers, essential workers, seniors, people with accessibility needs, students and families rely on transit to connect with their community, employment, education and medical needs. Service-related decisions for Valley Line will take into consideration the impacts on transit riders, ensuring equitable access and integration with the broader transit system as riders move throughout the city.

The City has engaged various groups throughout the project to understand how Valley Line can better serve transit users of all needs and abilities. Valley Line teams have hosted members of accessibility advisory groups to share information about rider safety and the accessibility features available at platforms and on trains. In April 2023, Valley Line West teams hosted a series of user testing groups to help guide the build and design of Valley Line West LRVs. Participants represented multiple demographics, including riders with physical and cognitive impairments, mobility aids and devices and parents travelling with young children and strollers.