

LRT Governance Board - Semi Annual Report

Recommendation:

That the LRT Governance Board recommend to City Council:

That the LRT Governance Board semi-annual report, as outlined in the April 14, 2016, Integrated Infrastructure Services report CR_3405, be received for information.

Report Summary

This semi-annual report is the fifth and final joint report by the Chair and City Manager on the key decisions and progress made throughout the Valley Line LRT Stage 1 Project procurement pursuant to Bylaw 16766.

Report

Background

The LRT Governance Board is a committee of City Council with a mandate for oversight of the Public - Private Partnership (P3) procurement stage of the Valley Line – Stage 1 Project. The LRT Governance Board (Governance Board) was established by City Council in February 2012 through Bylaw 15659. In July 2014, Bylaw 16766 was approved by City Council, ensuring the continuation of the LRT Governance Board with a revised mandate, terms of reference and authorities.

The mandate of the Governance Board is to employ its expertise in the financing, design, construction, operations and maintenance aspects of light rail transit systems and P3 arrangements to approve the terms of the City's Request for Proposals, including the form and content of the P3 Project Agreement for the LRT Project.

The Governance Board is comprised of five members including:

- Al Maurer, Former City Manager, City of Edmonton (Chair)
- Tracey Ball, Former Executive Vice President & Chief Financial Officer, Canadian Western Bank
- Kate Chisholm, Senior Vice President, Legal, Regulatory & Government Relations, Capital Power Corporation
- Don Hickey, Vice President, Facility and Operations, University of Alberta (Vice-Chair)
- Ivan Ing, President and Special Advisor, Rocklynn Capital Inc.

The first meeting of the Governance Board was held on December 18, 2012. All Governance Board meetings are held in public. Bylaw 16766, agendas and meeting minutes can be accessed on-line at www.edmonton.ca.

LRT Governance Bylaw (16766), Part III, Board Powers, Duties and Functions, 11, requires that the Chair and City Manager jointly report to City Council semi-annually, or as required, on key decisions and progress made on the LRT Project procurement.

This fifth and final semi-annual report fulfills the requirements outlined in LRT Governance Board Bylaw 16766, and covers the period from January 1, 2016, to April 14, 2016.

Governance Board provided a new model of project governance

The Governance Board provided the Valley Line Project with a new model for project governance.

This new model was able to address the unique requirements of the Valley Line project while meeting the City's obligations of proper levels of accountability and transparency. A key consideration was the high level of specialized expertise that private sector members brought to the Governance Board with respect to project finance, risk transfer and long term legal obligations. Public access to information was maintained through the Governance Board operating in a similar manner as other Council Committees.

Observations from Governance Board Members

The Governance Board members wish to express their appreciation to City Council for supporting a separate board to oversee the Valley Line.

In addition, Governance Board members provide the following observations and comments:

- The recruitment criteria for members resulted in individuals being selected with a good cross section of expertise and knowledge.
- Both Administration and the Project's consulting team were very thorough in bringing detailed reports to the Governance Board. This allowed the Governance Board to delve into matters in a more substantive way than would be customary for a Council Committee.
- The division of responsibilities between Council and the Governance Board was appropriate. Council maintained its responsibility to the public and for the alignment decisions and funding arrangements, while the Governance Board focused on the content of the P3 agreement and ensuring the process was fair to all involved.
- Overall, the Governance Board concept worked well and Governance Board members were able to provide objective advice and guidance separate from the political sensitivities of an elected council.
- The Governance Board was able to provide another layer of expertise and support to the Project, apart from that of the specialty consultants hired by the City.

- The Governance Board meeting format, which featured formal reports from Administration, followed by time for in-depth questioning after each report, was useful.
- For future consideration, the Governance Board mandate could be expanded to include budget oversight.
- In addition, the Governance Board could benefit from the opportunity to meet in a less structured setting to allow better dialogue.
- Governance Board members recommend that Council consider using this model of oversight again for any future P3 procurements.

Semi-Annual Review

During the period January 1, 2016, to April 14, 2016, the Governance Board convened twice, on February 23 and April 14, 2016. The agendas included Semi-Annual Reports, Project Updates, Commercial and Financial Close Activity Update, Final Executive Summary of Project Agreement, Public Communications and Disclosure Commitments, Value for Money Updates, and a Procurement Summary Report.

Project Updates

At the February 23, 2016, LRT Governance Board meeting a report was provided on Valley Line LRT project status including procurement summary, land, early works and public engagement, budget, funding and risk update.

Commercial and financial close for the procurement phase was reached on February 11, 2016, and the preferred proponent TransEd Partners executed the project agreement which allocates the risks and responsibilities of the Project between them and the City.

Since then, the honoraria amount of \$2 million, excluding GST, has been distributed to the two unsuccessful proponents and formal debriefings are being scheduled for April and May 2016. In addition, the City has developed the final value for money report, which together with the final project agreement (redacted for commercially sensitive information), will be released to the public in April 2016 to fulfil its responsibility for accountability, disclosure, and transparency to the public.

The project team has continued its mobilization efforts in preparing for the construction phase.

Land acquisition required for the Project is reported to be near completion and as of February 23, 2016, only one outstanding parcel was required.

The Project procurement stage has concluded and was on time and on budget.

Following financial close, the transfer of various project risks to TransEd Partners was completed. An updated risk matrix is being developed to focus on any of the City's

retained risks, such as City utilities, and access to lands.

The Fairness Monitor was kept informed of all progress and aspects of the evaluation and monitored the process for fairness. The Fairness Monitor will conclude the assessment of the fairness of the procurement phase on April 14, 2016.

2016 Board Meeting Schedule

According to Bylaw 16766 - LRT Governance Board Bylaw, the LRT Governance Board must provide its annual meeting schedule to the City Manager. The April 14, 2016, LRT Governance Board meeting is the final meeting of the Board, and accordingly no further meeting dates are scheduled.

Others Reviewing this Report

D. Wandzura, General Manager, City Operations