

# 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 February 23, 2016, Transportation Services report CR\_3389, be received for information.

### **Report Summary**

**This semi-annual report is the fourth joint report by the Chair and City Manager on the key decisions and progress made on the Valley Line LRT Project procurement pursuant to LRT Governance Board 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 (The 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 LRT Governance Board is to employ its expertise in the financing, design, construction, operations and maintenance aspects of light rail transit systems and Public-Private Partnership arrangements to approve the terms of the City's Request for Proposals, including the form and content of the Public-Private Partnership 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 LRT Governance Board meetings are held in public. LRT Governance Board Bylaw 16766, agendas and meeting minutes can be accessed on-line at [www.edmonton.ca](http://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 fourth semi-annual report fulfills the requirements outlined in LRT Governance Board Bylaw 16766, and covers the period from July 1, 2015, to December 31, 2015.

### Semi-Annual Review

During the period July 1, 2015, to December 31, 2015, the LRT Governance Board convened five times, on July 9, August 26, September 4 (Special meeting), November 9 (Special meeting), and November 25. The agendas included a review of the third Semi-Annual Report under LRT Governance Board Bylaw 16766, and several other Project Updates and Reports, including the Technical Proposal Evaluation Results, Financial Proposal Evaluation Results, and Identification of the Preferred Proponent.

### Request for Proposal Activities

On September 10, 2014, the Request for Proposal was issued to all three shortlisted proponents, including Instructions to Proponents, and a draft Project Agreement.

Following the collaborative process which included three rounds of confidential collaborative meetings and project agreement commentary from each proponent, the City issued the third and final draft Project Agreement on July 10, 2015. After this date, The Project Agreement was subject to minor addenda to clarify technical matters (that were highlighted through the technical proposal evaluation process) and for the insertion of specific information relating to the preferred proponent once known.

During the period from July 1 to December 31, 2015, proponents were requested to submit a number of submissions as outlined below. Each of these submissions was evaluated by members of the Project Team with feedback provided to the Proponents following the evaluation.

Technical Proposals (VLS-2) were submitted on June 2, 2015. The technical proposals were evaluated in accordance with the Request for Proposals to assess compliance with the provisions of the draft project agreement. The evaluation was conducted between June and August 2015, and included numerous requests for clarification by the Project Team which were addressed with further submissions by Proponents. All Technical Proposals were evaluated as having passed and the results communicated to Proponents on September 4, 2015.

Having passed VLS-2, all proponents were invited to submit a final technical proposal on September 22, 2015 (VLS-2B). VLS-2B represented the final technical proposal (inclusive of clarification) that would be utilized for the creation of Proposal Extracts to be bound into the Project Agreement for the Preferred Proponent. On September 29, 2015, the proponents submitted a further supplemental proposal, which contained their draft financial model and financing plan, for information only. All Technical Proposals (VLS-2B) were evaluated as having passed and the evaluation results and feedback was provided to proponents on October 9, 2015.

Having passed VLS-2B, all proponents were invited to submit their financial proposal, in two stages. The first financial proposal with hard capital and operating costs was submitted on October 20, 2015 (VLS-3), and the second financial proposal with committed financing costs was submitted on November 19, 2015 (VLS-3B). The City initiated a base interest rate protection regime (whereby it protects the proponents from movements in base interest rates during the price hold period of 90 days), on November 17, 2016. The financial proposals were evaluated in accordance with the Request for Proposals to determine the proponent that offered the City a compliant technical and financial proposal with the lowest net present value cost. On November 25, 2015, the Preferred Proponent was nominated to be TransEd Partners. Following the nomination, the City entered into the financial and commercial close process with TransEd Partners, with the expectation of achieving financial and commercial close on or before February 11, 2016.

The technical and financial evaluation process was overseen by the Evaluation Due Diligence Committee, which confirmed the pre-established process had been followed and reviewed the findings of the evaluation.

The Fairness Monitor was kept informed of all progress and aspect of the evaluation and monitored the process for fairness. The Fairness Monitor presented a report to the November 25, 2015, LRT Governance Board meeting indicating that the RFP process and evaluation process was open, unbiased, transparent, consistent in approach, and fair.

### 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.

At the November 25, 2015 Governance Board meeting, two proposed meeting dates for the LRT Governance Board for 2016 were presented and accepted by the Board and the meetings have been scheduled as follows: February 23, 2016, and April 14, 2016. These will be the final two meetings of the LRT Governance Board, whose mandate expires after Financial Close in accordance with Bylaw 15659.

### Other reports

The LRT Governance Board was presented with verbal Valley Line Project Updates which included information on RFP activity, land acquisition, early works, public engagement, budget & funding, and risk. Additional reports presented at the July 9, August 26, November 9 and November 25, 2015, LRT Governance Board meetings, included:

- Request for Proposal Activity Updates
- VLS 2 Technical Evaluation Update
- VLS-SUI-2B Evaluation Results
- Project Agreement Updates
- Technical Proposal (VLS-2) Evaluation Process Overview
- Technical Proposal Evaluation Results Report
- Value for Money Update
- Financial Proposal Evaluation and Contract Closing Process Overview
- Evaluation Committee Recommendations – Technical Evaluations
- Financial Proposal Evaluation Process Update
- Communications Plan for Announcement of Preferred Proponent
- Fairness Monitor Update
- Financial Process Evaluation/Identification of Preferred Proponent
- Financial and Commercial Close Process

Several of these reports remain private pursuant to sections 24 and 25 of the *Freedom of Information and Protection of Privacy Act*.

### Other activities

The procurement process, early works, and land acquisition remained on schedule, with the objective of awarding the P3 contract in early 2016 and having the corridor ready for LRT construction to start immediately following award. Procurement activity and early works costs were tracked monthly using Earned Value Analysis to measure performance against budget. During the period from July to December 2015 the earned value analysis indicated a slight budget underrun trend, primarily caused by the City team saving time and resources on the technical evaluation process compared to the original expectation. The ability to reduce efforts during this phase of the procurement was due in part to a review and refinement of submission requirements, the strong level of prior engagement with Proponents, and the thorough review and evaluation of early submissions. As of the end of 2015, the procurement phase is projected to be completed within the adjusted budget.

### Notification of Preferred Proponent and Closing Activities

Following the LRT Governance Board meeting on November 25, 2015, all three Proponents and key stakeholders were notified of the results. The City held a public announcement of the Preferred Proponent on November 25, 2015. The City met with the Preferred Proponent, TransEd Partners, on December 4, 2015 to discuss the

closing agenda and other related matters. A roadmap to Financial Close was laid out and agreed upon by the City and TransEd Partners.

### **Others Reviewing this Report**

- D. Wandzura, General Manager, Transportation Services