

Private Capital Project Budget Request

The budget request and information included in this attachment relates to a negotiation that is considered open and ongoing at the time of disclosure of this report. This attachment is being held in private so as to not interfere or encumber those discussions. The following FOIP sections that apply include;

- Section 16 Harmful to the business interests of a third party
- Section 19 Confidential evaluations
- Section 24 Advice from officials
- Section 25 Disclosure harmful to economic and other interests of a public body
- Section 29 Information that is or will be available to the public

Background

Yellowhead Trail is part of the Trans Canada Yellowhead Highway, a core transportation route within the National Highway System that connects goods movement across four western provinces. Within the City of Edmonton, Yellowhead Trail is a 25 km section that currently includes 10 interchanges, eight signalized intersections, as well as various non-signalized intersections and private property access locations. It is a vital link within the City of Edmonton Inner Ring road and is recognized as the most heavily used truck route in the Goods Movement Strategy. Yellowhead Trail is also a Dangerous Goods Route and 24-hr Truck Route. The Yellowhead Trail Strategic Plan (2011) and Goods Movement Strategy (2014) confirmed the need to improve the corridor's safety, operational capacity and level of service.

On February 10, 2015, Council passed a motion designating the Yellowhead Trail Freeway Conversion as the City's priority project under the National Infrastructure Component of the Federal Government's New Building Canada Fund, recognizing the national significance of Yellowhead Trail as part of the Trans Canada Highway.

On December 8, 2016, the Federal Treasury Board approved the Federal government's contribution of up to \$241.6 million, and on December 13, 2016, an Approval in Principle for these funds was granted Ministerial approval. In a letter dated October 25, 2016, the provincial government's commitment of up to \$241.6 million of match funding, was confirmed. On February 21, 2017, Council approved: (1) the capital profiles and funding sources (including the Federal Building Canada Fund and provincial match funding) and (2) new tax-supported debt (\$510.8 million) and Pay-As-You-Go (\$8.7 million) for a total \$1.0 billion. This budget was approved prior to the approval of Capital Governance Policy C591 which includes the Project

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Develop and Delivery Model (PDDM). Applying the PDDM model retroactively, the project development would have been considered primarily at checkpoint 1.

At the time of capital funding approval, concept planning was complete only for the segment of Yellowhead Trail from 156 Street to St. Albert Trail and for widening Fort Road from Yellowhead Trail to 66 Street. Concept planning, including the initial stages of technical design and analysis, public engagement and identification and acquisition of land requirements, was not completed for the remainder of the corridor. Upon funding approval, it was estimated that planning, design and land acquisition could take up to five years to complete, followed by construction to be phased in up to another 10 years.

Since 2017, the original program budget of \$1.0 billion has been reduced to \$984 million as a result of the following adjustments:

- Budget increase due to funding transferred from capital profile CM-24-0000 Transportation: Bridges & Auxiliary Structures - Renewal to capital profile 21-24-9300 Yellowhead Trail - Noise Attenuation System (97 Street -Fort Rd) (\$10.9 million);
- Budget decrease due to transfer to fund capital profile 21-10-9105 Fire Station #8 Relocation - Blatchford (\$28.8 million); and
- Budget decrease from other minor cumulative budget adjustments (\$1.1 million).

Program Progress Update

As of October 2024, the majority of individual projects supporting the freeway conversion program are near to, or have been completed. The remaining work includes 1) the construction of the St. Albert Trail to 97 Street project, and 2) the design and construction of the Yellowhead Trail from 82 Street to 61 Street. The majority of the 82 Street to 61 Street project work will focus on the removal of the 66 Street at-grade intersection and include removal of any remaining direct access to Yellowhead Freeway.

Project	Concept Planning	Preliminary Design	Detailed Design	Construction
156 Street to St. Albert Trail	COMPLETE	COMPLETE	COMPLETE	2021-2024 (Near completion)
St. Albert Trail to 97 Street	COMPLETE	COMPLETE	COMPLETE	2023-2028
97 Street to 82 Street	COMPLETE	COMPLETE	COMPLETE	COMPLETE

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82 Street to 61 Street	COMPLETE	2025	2025	2026
Fort Road Widening (YHT to 66 Street)	COMPLETE	COMPLETE	COMPLETE	2021-2024 (Near completion)
Yellowhead Trail East Widening	COMPLETE	COMPLETE	COMPLETE	COMPLETE

As of October 2024

Program Financial Update

As projects have now progressed through the Project Development and Delivery Model (PDDM), and as milestones for project planning and design have been achieved, Council has incrementally approved standalone capital profiles providing for improved reliability, accuracy and transparency of the performance monitoring for budget and schedule.

Since the approval of the funding in 2017 almost eight years ago, the construction sector has experienced higher-than-expected market inflation affecting the cost (actual and projections) of individual projects and the program overall. The overall increase in construction prices for supplies, labour, materials as well as increased land costs has resulted in cost pressures to the overall program. The planning and design activities which have informed the scope development for the program have largely been informed by the program’s goals and objectives while also balancing the available approved program budget, where possible.

Presently, a program funding shortfall of approximately \$105.0 million is forecasted above the current approved budget of \$984 million, for a total \$1.1 billion. This represents a variance of approximately 10 per cent when compared to the original 2017 approved budget of \$1.0 billion.

Yellowhead (St. Albert Trail to 97 Street)

This project covers over 3.5 km of the Yellowhead Trail from St. Albert Trail to 97 Street. The corridor is bounded by the existing residential communities of Sherbrooke and Prince Charles to the south and the growing community of Blatchford. To the north, the corridor is bound by the Hagmann Estate Industrial area and the CN Walker Yard. In addition, the project is also immediately adjacent to the Beechmount Cemetery and is influenced by the CN mainline that runs parallel to the project corridor.

Project work includes removal of the existing signalized at-grade intersections at 127 Street, 124 Street, 121 Street and 107 Street. Construction of new interchanges at 127 Street and 115 Street, an extension of 107 Street to the new 115 Street Interchange, connections to 121 Street, 120 Avenue and 125 Avenue, and service

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roads between 127 Street and St. Albert Trail to maintain access to local businesses and adjacent communities.

Concept planning was completed in 2021. The design phase commenced shortly thereafter and was completed late in 2023. Construction on this segment of the corridor is anticipated to extend to the end of 2027.

The delivery model for the project was selected to be delivered under a Construction Manager at Risk (CMAR). The selection of this project delivery model was largely influenced by the ability to include construction expertise during the later stages of design to identify potential design and construction efficiencies as well as include a higher confidence in cost modeling for the project. The CMAR contract consists of three phases; Pre-Construction, Construction, and Post-Construction.

The project is nearing the completion of the pre-construction phase. Of note, approximately \$100 million of preliminary work has been awarded during the pre-construction phase to maintain the critical path for the overall construction schedule for the project. The work includes utility relocations, building demolitions, road detours and bridge piling to facilitate the construction of the 127 Street and 115 Street Interchanges.

The Yellowhead Trail - St. Albert Trail to 97 Street has reached Checkpoint 4 of the Project Development and Delivery Model (PDDM) and requires approval of a new standalone capital profile with an overall estimated cost of \$636,724,827 (which includes all costs for land acquisition as well as planning, design, and construction), with funding allocated as follows:

Actuals to Date (2023, and prior years)		\$106,261,889
Remaining Forecast (2024, and future years)		\$530,462,938
CM-99-0060 (unallocated)	\$56,235,587	
CM-99-9600 (unallocated)	\$344,277,351	
20-20-9201 (savings)	\$250,000	
20-20-9202 (savings)	\$3,000,000	
21-20-9301 (savings)	\$1,250,000	
21-20-9302 (savings)	\$8,250,000	
CM-24-0000	\$12,200,000	

NEW TAX SUPPORTED DEBT	\$105,000,000	
TOTAL		\$636,724,827

Construction Price

On May 27, 2024, the project team received an initial price submission for the St. Albert Trail to 97 Street project. Key cost drivers in the construction price submission are:

- Direct labour (craft and field personnel) and indirect labour (management and administration) costs are approximately \$30 million and \$43 million, respectively.
- Drainage work, which includes two km of bore tunneling, main trunk sewer replacement along Yellowhead Trail and integration with Blatchford, is estimated to cost \$110 million.
- Roadworks (removals, earthworks, pavement structure) are estimated to cost \$101 million.
- Structures (bridges and retaining walls) are estimated to cost \$118 million.

Through an iterative process of negotiation, the project team and contractor continue to review and assess estimated costs, finalize quantities, and project assumptions to ensure scope clarity, correct any discrepancies, and confirm risk allocation assumptions. Additionally, efforts to reduce project costs continue through value engineering (redesign), scope reduction or deferrals, cost concessions and risk mitigation and transfer. These efforts have resulted to date in a final cost submission of approximately \$65 million below the initial cost submission, reducing the new tax-supported debt budget request from \$170 million to \$105 million.

Recommendation and Alternatives Considered

Administration is recommending to Council that the standalone capital profile for the Yellowhead Trail - St. Albert Trail to 97 Street project be approved, including the additional \$105.0 million in additional Tax Supported Debt funding required in addition to transfers of existing approved budgets. Significant review has been completed to assess potential opportunities for reduced costing through scope reviews, value engineering, evaluation of alternative materials and products, and other cost savings ideas - without impacting the program objectives. To date, this has represented partial cost savings, however further funding is still required. Alternatively, if the funding was not approved, all unclaimed grant funding (\$252.7 million) would be forfeited, and the grant providers would have the right to request

that all grant funding previously claimed by the City to date (\$230.5 million) also be returned. In this scenario, based on the costs incurred there could be a requirement to still require additional tax-supported debt in order to fund all expenditures incurred to date for the entire Yellowhead Freeway Conversation program.

Administration has considered canceling the project and deferring it to a later date, however it is not expected that future funding opportunities may be available by other partners to advance this work in the future. Also, Administration does not anticipate that going to the market for updated pricing in the future, with the same scope of work, will generate a lower cost based on future projections for inflation on heavy civil infrastructure projects.

Recommended Budget Adjustment

The Yellowhead Trail - St. Albert Trail to 97 Street project has reached Checkpoint 4 of the Project Development and Delivery Model (PDDM) and requires approval of a new standalone capital profile with an overall estimated cost of \$636,724,827.

Of the estimated cost to complete the project, \$106,261,889 has already been incurred to date (in 2023, and prior years) under the "CM-99-0060 Yellowhead Trail Freeway Conversion: Project Development" and "CM-99-9600 Yellowhead Trail Freeway Conversion: Project Delivery" profiles. These costs were related to design, land acquisition, and early works.

The remaining \$530,462,938 will be funded from the "CM-99-0060 Yellowhead Trail Freeway Conversion: Project Development" (\$56,235,587), "CM-99-9600 Yellowhead Trail Freeway Conversion: Project Delivery" (\$344,277,351), and "CM-24-0000 Transportation: Bridges & Auxiliary Structures - Renewal" (\$12,200,000). Further, funding will also come from transfers from "20-20-9201 Yellowhead Trail - 123 Avenue: 156 Street to 142 Street" (\$250,000), "20-20-9202 Yellowhead Trail East Widening (61 St to North Saskatchewan River)" (\$3,000,000), "21-20-9301 Yellowhead Trail - 156 Street to St Albert Trail" (\$1,250,000), and "21-20-9302 Yellowhead Trail - Fort Road Widening" (\$8,250,000) due to lower than estimated construction costs. This leaves a request of \$105,000,000 of new Tax-Supported Debt financing for the project.

Detailed Capital Budget Adjustment Table

Profile (\$millions)	Funding Source	2024	2025	2026	2027	2028	Total
24-20-9350 Yellowhead Trail - St Albert Trail to 97 Street	Federal Bldg Canada Fund	22.2	64.2	39.0	-	-	125.4

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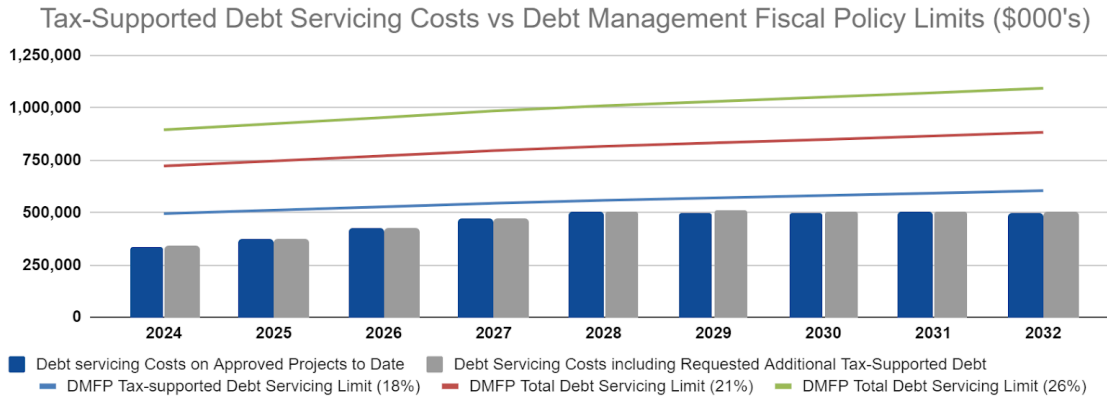
	Provincial BCF - matching	22.2	64.2	57.6	-	-	144.1
	Tax-Supported Debt	21.2	30.8	62.5	106.1	26.5	247.1
	Local Government Fiscal Framework	12.2	-	-	-	-	12.2
	Pay-As-You-Go	1.7	-	-	-	-	1.7
20-20-9201 Yellowhead Trail - 123 Avenue: 156 Street to 142 Street	Federal Bldg Canada Fund	(0.2)	-	-	-	-	(0.2)
20-20-9202 Yellowhead Trail East Widening (61 St to North Saskatchewan River	Tax-Supported Debt	(3.0)	-	-	-	-	(3.0)
21-20-9301 Yellowhead Trail - 156 Street to St Albert Trail	Federal Bldg Canada Fund	(1.3)	-	-	-	-	(1.3)
21-20-9302 Yellowhead Trail - Fort Road Widening	Federal Bldg Canada Fund	(6.6)	-	-	-	-	(6.6)
	Tax-Supported Debt	(1.7)	-	-	-	-	(1.7)
CM-24-0000 Transportation: Bridges & Auxiliary Structures - Renewal	Local Government Fiscal Framework	-	(12.2)	-	-	-	(12.2)
CM-99-0060 Yellowhead Trail Freeway Conversion: Project Development	Pay-As-You-Go	-	-	-	(1.7)	-	(1.7)
	Tax-Supported Debt	-	(5.2)	(36.1)	(13.2)	-	(54.5)
CM-99-9600 Yellowhead Trail Freeway Conversion: Project Delivery	Federal Bldg Canada Fund	(3.1)	(47.6)	(46.8)	(19.7)	-	(117.3)
	Provincial BCF - matching	-	(81.0)	(63.1)	-	-	(144.1)
	Tax-Supported Debt	(78.9)	(4.0)	-	-	-	(82.9)
Total		(15.3)	9.2	13.1	71.5	26.5	105.0

Budget/Financial Implications

The City can accommodate the \$105 million of additional tax-supported debt recommended in this attachment within the limits set forth in City Policy C203D - Debt Management Fiscal Policy. When factoring in this debt, the City would still be within its most restrictive 18 per cent tax-supported debt limit, allowing room for additional debt funded projects that are ineligible to exceed the 18 per cent limit.

Impacts to Debt Service Limits of Additional Tax Supported Debt

The below graph shows that in 2028 when debt servicing comes closest to the most restrictive limit of 18 per cent of tax-supported net operating expenditures, the additional debt servicing recommended for Yellowhead Trail - St. Albert Trail to 97 Street project would result in \$53.9 million of debt service room still remaining, which would equate to the ability to borrow an additional \$727 million of tax-supported debt prior to 2028 and remain within the 18 per cent restricted limit.



Operating Impact of Additional Tax-Supported Debt

The annual cost of servicing \$105 million in new tax-supported debt is estimated to be \$8.4 million, phased in from 2027 to 2030. This would equal an estimated 0.33 per cent total tax levy increase (2027: 0.04 per cent, 2028: 0.18 per cent, 2029: 0.10 per cent, 2030: 0.01 per cent). These amounts would be brought forward as part of the 2027-2030 Operating Budget.

Other Operating Impacts of Capital

Incremental operating impacts of capital related to the increase/changes to assets maintained by the PARS Branch from the Yellowhead Trail - St. Albert Trail to 97 street project will be brought back to Council within the 2027-20230 operating budget. Operating impacts will be in relation to changes in service required from:

- Net increase in lane kilometres for:
 - Asphalt Road Maintenance (including line painting)
 - Auxiliary Maintenance (including concrete bollards)
 - Snow and Ice Control
 - Street Sweeping
 - Streetlight Maintenance
- Net increase in green (horticulture, trees, etc)
 - Horticulture

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- Forestry
- Net increases in shared use paths
 - Maintenance of path way
 - Snow and Ice Control of pathway (higher service level than sidewalks)
- Inventory Increase of new Bridge Infrastructure
 - Maintenance
- Net decrease for Signal
 - decrease OIC for the reduction of Signals

Appendix A - Capital Profile

CAPITAL PROFILE REPORT

PROFILE NAME:	YELLOWHEAD TRAIL - ST ALBERT TRAIL TO 97 STREET	RECOMMENDED
PROFILE NUMBER:	24-20-9350	PROFILE STAGE: Council Review
DEPARTMENT:	Integrated Infrastructure Services	PROFILE TYPE: Standalone
LEAD BRANCH:	Infrastructure Delivery	LEAD MANAGER: Jason Meliefste
PROGRAM NAME:		PARTNER MANAGER: Pascale Ladouceur
PARTNER:	Infrastructure Planning and Design	ESTIMATED START: January, 2025
BUDGET CYCLE:	2023-2026	ESTIMATED COMPLETION: December, 2027

Service Category:	Yellowhead Trail Freeway Conversion	Major Initiative:
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GROWTH	RENEWAL	PREVIOUSLY APPROVED:	-
100		BUDGET REQUEST:	530,463
		TOTAL PROFILE BUDGET:	530,463

PROFILE DESCRIPTION

This profile supports the delivery phases of a single project (Yellowhead Trail St Albert Trail to 97 Street) that has reached Checkpoint 4 of the Project Development and Delivery Model (PDDM) on the Yellowhead Trail Freeway Conversion Program.

Identified in the City's proposed 2023-2026 Capital Budget as a transformational project, the freeway conversion program will upgrade Yellowhead Trail to improve the safety, operational capacity, and level of service for this key inter-city, inter-regional and inter-provincial goods movement corridor. The Program includes a number of projects in support of upgrading Yellowhead Trail to a freeway. The Yellowhead Trail freeway will consist of six core lanes with a target operating speed of 80 km/hr.

The Yellowhead Trail: St Albert Trail to 97 Street project includes the removal of direct access to and from Yellowhead Trail at 127 Street, 126 Street, 124 Street, 121 Street, and 107 Street. Construction of two new interchanges at 127 Street and 121 Street. Additionally, the scope of the project includes improvement to the drainage system, construction of a new shared pathway in conjunction with the replacement of the noise wall on the south side of Yellowhead Trail

PROFILE BACKGROUND

The total cost for the Yellowhead Trail Freeway Conversion Program is estimated to be approximately \$1 billion (escalated). On December 8, 2016, the Federal Treasury Board approved the Federal government's contribution of up to \$241.6 million, and on December 13, 2016, an Approval in Principle for these funds was granted Ministerial approval. In a letter dated October 25, 2016, the Provincial government's commitment of up to \$241.6 million of match funding, starting in 2023, was confirmed.

On February 21, 2017, the Council approved: (1) the capital profiles and funding sources (including the Federal Building Canada Fund and provincial match funding) for the various portions of the Yellowhead Trail Freeway Conversion Program; and (2) new tax-supported debt of \$510,793,000.

PROFILE JUSTIFICATION

To adhere to the PDDM, this stand-alone profile will fund project delivery (detail design and construction) in support of the Yellowhead Trail Freeway Conversion Program. As such, the Administration can provide the Council with better information regarding the scope, schedule, and budget, reducing the risk of cost overruns, schedule issues, and other issues.

STRATEGIC ALIGNMENT

This profile aligns with the council's goals of Urban Shift, Energy and Climate, and Open & Effective Government.

ALTERNATIVES CONSIDERED

There are no alternatives for the business case as this follows the corporate process as approved by the Council to follow the Project Development and Delivery Model (PDDM).

COST BENEFITS

PDDM provides better information to the City Council to make capital investment decisions:
 A structured process to evaluate readiness, scope, and prioritization.
 Increased confidence around budget and schedule estimates

KEY RISKS & MITIGATING STRATEGY

Current mitigation is the ongoing reporting to the City Council regarding capital priorities.

RESOURCES

Projects will be delivered using a combination of internal and external resources. Where possible, internal forces will be used to manage and undertake the work. All procurement of external resources will follow relevant corporate procurement directives and policies.

CAPITAL PROFILE REPORT

CONCLUSIONS AND RECOMMENDATIONS

Capital funds have been approved to advance the delivery of the Yellowhead Trail Freeway Conversion Program in order to adhere to the Project Development and Delivery Model and improve project schedule and budget estimates through an increased level of design to ensure realistic expectations are set prior to project tendering and construction. Approval of this capital profile is required to align funding for detailed design and construction work in adherence to the PDDM process.

CAPITAL PROFILE REPORT

PROFILE NAME: **Yellowhead Trail - St Albert Trail to 97 Street**

RECOMMENDED

PROFILE NUMBER: **24-20-9350**

PROFILE TYPE: **Standalone**

BRANCH: **Infrastructure Delivery**

CAPITAL BUDGET AND FUNDING SOURCES (000's)

APPROVED BUDGET		Prior Years	2024	2025	2026	2027	2028	2029	2030	2031	2032	Beyond 2032	Total
	Approved Budget	Original Budget Approved	-	-	-	-	-	-	-	-	-	-	-
	Current Approved Budget	-	-	-	-	-	-	-	-	-	-	-	-

BUDGET REQUEST	Budget Request	-	79,569	159,139	159,139	106,093	26,523	-	-	-	-	-	530,463
	Revised Funding Sources (if approved)												
	Federal Bldg Canada Fund	-	22,232	64,208	38,972	-	-	-	-	-	-	-	125,412
	Local Government Fiscal Framework	-	12,200	-	-	-	-	-	-	-	-	-	12,200
	Pay-As-You-Go	-	1,688	-	-	-	-	-	-	-	-	-	1,688
	Provincial BCF - matching	-	22,232	64,208	57,644	-	-	-	-	-	-	-	144,084
	Tax-Supported Debt	-	21,218	30,723	62,523	27,616	-	-	-	-	-	-	142,080
	Unfunded	-	-	-	-	78,477	26,523	-	-	-	-	-	105,000
	Requested Funding Source	-	79,569	159,139	159,139	106,093	26,523	-	-	-	-	-	530,463

REVISED BUDGET (IF APPROVED)	Revised Budget (if Approved)	-	79,569	159,139	159,139	106,093	26,523	-	-	-	-	-	530,463
	Requested Funding Source												
	Federal Bldg Canada Fund	-	22,232	64,208	38,972	-	-	-	-	-	-	-	125,412
	Local Government Fiscal Framework	-	12,200	-	-	-	-	-	-	-	-	-	12,200
	Pay-As-You-Go	-	1,688	-	-	-	-	-	-	-	-	-	1,688
	Provincial BCF - matching	-	22,232	64,208	57,644	-	-	-	-	-	-	-	144,084
	Tax-Supported Debt	-	21,218	30,723	62,523	27,616	-	-	-	-	-	-	142,080
	Unfunded	-	-	-	-	78,477	26,523	-	-	-	-	-	105,000
	Requested Funding Source	-	79,569	159,139	159,139	106,093	26,523	-	-	-	-	-	530,463

CAPITAL BUDGET BY ACTIVITY TYPE (000's)

REVISED BUDGET (IF APPROVED)	Activity Type	Prior Years	2024	2025	2026	2027	2028	2029	2030	2031	2032	Beyond 2032	Total
	Construction	-	61,314	154,504	154,504	103,003	25,189	-	-	-	-	-	-
Design	-	5,230	-	-	-	-	-	-	-	-	-	-	5,230
Follow Up Warranty	-	-	-	-	-	200	-	-	-	-	-	-	200
Land	-	11,029	-	-	-	-	-	-	-	-	-	-	11,029
Other Costs	-	1,996	4,635	4,635	3,090	1,135	-	-	-	-	-	-	15,491
	Total	-	79,569	159,139	159,139	106,093	26,523	-	-	-	-	-	530,463

OPERATING IMPACT OF CAPITAL

Type of Impact:

Branch:																
	Rev	Exp	Net	FTE	Rev	Exp	Net	FTE	Rev	Exp	Net	FTE	Rev	Exp	Net	FTE
Total Operating Impact	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-