

Valley Line LRT Funding Update

Recommendation:

That the October 5/6, 2015, Financial Services and Utilities report CR_2954, be received for information.

Report Summary

This report provides an update on the current funding approved for Stage 1 of the Valley Line LRT.

Report

The October 5, 2015, Financial Services and Utilities report CR_2833 - Valley Line LRT Funding Plan, contains the details of the Funding Plan for Stage 1 of the Valley Line LRT P3 project, which requires Council approval prior to awarding the P3 agreement. The October 5, 2015, Financial Services and Utilities report CR_2833 must remain private, as it contains confidential information on the anticipated financial terms of the winning P3 proponents bid, that could interfere with contractual negotiations, prejudice the City's competitive position, and compromise the fairness of the Request for Proposal procurement process.

The funding plan referred to in the above mentioned private report outlines the amount of additional funding projected to be required to fund the operating impacts of capital of the Valley Line. The amount of the operating impacts of capital is impacted by the percentage of total funding the City is responsible for contributing to the capital component of the project.

Current Funding Breakdown

Attachment 1 shows the breakdown of the \$1.8 billion in currently approved capital funding by order of government. The federal and provincial governments are each currently budgeted to fund 22.2% of the total capital requirement of the Valley Line Stage 1, which brings total partner funding to 44.4%. The City is budgeted to fund the remaining 55.6% of total capital. This funding ratio between the three orders of government in the Valley Line model, which sees the City fund a disproportionate amount, is not sustainable for future LRT lines.

Federal Government Funding Contribution

The federal government's contribution includes \$250 million from the P3 Canada Fund and \$150 million from the Building Canada Fund. The federal commitment is estimated to be 25% of the total eligible construction costs and what was previously the P3 funding cap under both the P3 Canada and Building Canada Fund.

With the recent launch of a new Public Transit Fund – a permanent and dedicated source of funding to provinces and municipalities for major transit projects starting in 2017-18 – the federal government committed to fund up to one-third of the total eligible project costs under this new fund and increase the level of support provided under the P3 Canada Fund from 25% to 33.3%. This policy change was not extended to P3 procured projects under the New Building Canada Fund, which remain capped at 25%. Given the Valley Line Stage 1 project is partially funded through the Building Canada Fund, the project continues to be subject to the program's P3 contribution limits.

Impact to City if Federal Funding Contribution was 33.3% for Valley Line Stage 1

Attachment 1 illustrates that if the federal government contribution towards the Valley Line Stage 1 was increased to 33.3% of total eligible capital expenditures, it would result in an additional \$133.3 million of federal funding. This would reduce the City's funding contribution by \$133.3 million, bringing the total municipal funding percentage down from 55.6% to 48.2%.

The reduction in the City's funding contribution of \$133.3 million would come from a reduction in tax supported debt required to finance the project. It is projected that by not incurring this \$133.3 million in tax supported debt, the City would save a total of \$200 million in debt servicing costs over the life of the P3 agreement.

The October 5, 2015, Financial Services and Utilities report CR_2833 - Valley Line LRT Funding Plan (Private report) outlines the current projected tax levy increase required to be phased in over time to fund all Valley Line Stage 1 operating impacts of capital. It is currently forecast that the \$200 million reduction in debt servicing costs outlined above, would reduce the overall tax levy impact by a total of 0.51% over the period of 2016 to 2022.

Provincial Government Funding Contribution

The provincial government's contribution includes \$250 million of Green Trip funding and \$150 million of Building Canada Fund match funding. It is anticipated that the province's GreenTRIP contribution to the Valley Line will be topped up with any unallocated or unspent funds from the Capital Region's \$800 million GreenTRIP allocation.

The provincial government also committed to provide a ten year interest free loan up to \$200 million that the City could use towards the Valley Line project. Since tax levy is currently projected to be required to fund the debt servicing costs on this loan, it has been treated as part of the municipal contribution to the project. Specific details on the mechanisms for accessing the loan have not been finalized, however there has been correspondence between the City and the Province to finalize these details.

Municipal Government Funding Contribution

The municipal government's \$1 billion funding contribution consists of \$944 million of tax supported debt (which includes the Province's \$200 million interest free loan) and \$57.2 million of various other funding sources allocated by the City (including Municipal Sustainability Initiative grant funding, fuel rebate, and a direct LRT reserve draw).

Budget/Financial Implications

City Council has approved \$1.8 billion in funding for Stage 1 of the Valley Line LRT. This funding was approved in capital profiles 11-66-1668 (Preliminary Engineering), and 11-66-1673 (Valley Line LRT).

Any potential changes to the sources of funding within the approved capital profile would require Administration to analyze what impacts those changes may have on the approved P3 agreement.

Attachment

1. Valley Line Stage 1 Funding Source Breakdown

Others Reviewing this Report

- D. Wandzura, General Manager, Transportation Services