

Walterdale Bridge Finance Strategies

Debt Borrowing

Recommendation:

1. That the Capital Project Profile 12-66-1466 Walterdale Bridge, be funded with tax-supported debt, and that the resulting available funds of \$132.0 million be redirected to fund the priority unfunded Capital Projects as outlined in Attachment 1, of the November 25, 2011, Financial Services report 2011CF5737.
2. That Capital Project Profile 11-21-7321 Abbotsfield Recreation Centre, be decreased by \$600,000, and that the \$600,000 be allocated toward funding the Priority Unfunded Projects as outlined in Attachment 1, of the November 25, 2011, Financial Services report 2011CF5737.
3. That \$3 million in funding within 12-66-1020 Arterial/Primary Highway Renewal be re-allocated from Pay-As-You Go to the City Transportation Fund grant.
4. That Capital Project Profile 09-28-3001 Utilities and Access Renewal, be decreased by \$4.277 million, and that the \$4.277 million be allocated to Capital Project Profile 12-28-7050 Neighbourhood Parks and Outdoor Aquatics Strategy.

Report Summary

This report provides a response to a Council inquiry regarding financing strategies for the Walterdale Bridge project 12-66-1466.

Previous Council/Committee Action

During the presentation of the 2012-2014 Proposed Capital Budget on November 9, City Council directed Administration to answer the following questions:

1. How much capital funding was reallocated from the Neighbourhood Renewal Program to fund the Walterdale Bridge and other critical projects?
2. If funding for the \$132 million Walterdale Bridge project was revised to 100% tax-supported debt, how much funding could be reallocated to other projects?

Report

Renewal priorities were set using the Risk-based Infrastructure Management System (RIMS) model to allocate funding across all asset classes. However, the allocation of significant funding to one project like the Walterdale Bridge affects the optimal timing of other renewal projects unless funding is accumulated over time or unless larger projects are debt financed.

During the development of the 2012-2014 Capital Budget, the Walterdale Bridge Project was funded using a reallocation of MSI, Fuel and Pay-As-You-Go rather than debt. This resulted in reductions to a number of other projects.

In addition to Walterdale Bridge, three other key projects were identified that needed to be funded:

• Walterdale Bridge	\$132.0 m
• Shaw Escalators	12.3 m
• WorkSpace Edmonton	6.1 m
• SECLA Skate Park	<u>0.4 m</u>
	\$150.7 m

Walterdale Bridge Funding

Currently, the \$132 million Walterdale Bridge project is funded with \$8 million in Pay-As-You-Go funding and \$124 million from the City Transportation Fund (Provincial Fuel Tax) grant. If financing for Walterdale were to shift to tax-supported debt, the City Transportation Fund grant would need to be reallocated to other eligible projects within the Transportation Services' Capital Program. This reallocation would free up MSI funds for use elsewhere.

The \$8 million in Pay-As-You-Go would be available for reallocation to other projects.

Pay-As-You Go Implications

Pay-As-You-Go is the only truly non-constrained financing source available for capital projects and is used to fund grant ineligible expenditures for predominantly grant funded projects and projects that are totally ineligible for grants such as lower value projects within composite profiles such as Parks with individual projects under \$1 million.

If the Walterdale Bridge were to be funded through tax supported debt, the projects that could be added back into the 2012-2014 Capital Plan would be constrained by the amount of Pay-As-You-Go available.

In addition to funding freed-up as a result of the Walterdale Bridge, two other changes in funding are also identified:

1. Replacement of \$3 million in Pay-As-You-Go funding for Project 12-66-1020 Arterial/Primary Highway

Renewal with City Transportation Fund

2. \$600,000 reduction in 11-21-7321, Abbotsfield Recreation Centre, to correct an error in funding requirements.

Neighbourhood Renewal

Although no projects related to the Neighbourhood Renewal Program were directly reduced to fund the Walterdale Bridge project, City Transportation Funding was moved from other bridge and arterial road projects to fund the Walterdale. In order to lessen the impact to bridge and arterial road projects MSI funding was moved from the Neighbourhood Renewal Program, leaving the program approximately \$30 million short of previously planned funding levels.

In order to return the level of funding in the Neighbourhood Renewal Program to previous levels, \$28.1 million of freed up MSI funds released through the recommended reallocations associated with the Walterdale Bridge project is recommended to be redirected to the Neighbourhood Renewal Program. As well, the report on the Westwood Transit Garage recommends the reallocation of \$1.874 million to the Neighbourhood Renewal Program to bring the total reallocation to Neighbourhood Renewal Program up to \$30 million.

This strategy makes up the Neighbourhood Renewal Program shortfall over 2012–2014. Therefore, if approved this strategy would eliminate the need to increase the dedicated tax levy from 1.5% to 2.0% each year for neighbourhoods. With the additional funds, the following changes would be

made to the Transportation Renewal Program:

- Dovercourt restored from 2013 to 2012
- Terrace Heights restored from 2013 to 2012
- Grovenor and Hazeldean restored from 2014 to 2013
- Laurier Heights restored from 2015 to 2014

Administration has provided a list of recommended renewal projects that could be financed by these freed-up funds. The list includes the \$28.1 million for Neighbourhood Renewal Program and is provided in Attachment 1 for Council consideration.

It should be noted that the Neighbourhood Renewal Program is not eligible for City Transportation Fund.

Neighbourhood Park Development Program

Indirectly, by funding Walterdale Bridge with debt, funding sources totaling \$4.277 million from 09-28-3001 Utilities and Access Renewal can be reallocated to fund 12-28-7050 Neighbourhood Parks and Outdoor Aquatics Strategy. The rationale for this recommendation is supported in the Neighbourhood Park Development Program Report 2011CF3635. Approval of the first recommendation of this report would accomplish that transfer of funding.

Policy

Funding of Walterdale Bridge through debt complies with the City of Edmonton's Debt Management Fiscal Policy.

Corporate Outcomes

This report concentrates on the Corporate Goal of Ensuring Edmonton'

Financial Sustainability by contributing to the following Corporate Outcomes:

- The City has well managed and sustainable assets and services
- The City has a resilient financial position
- The City has balanced revenue streams that are sustainable

Budget/Financial Implications

- Shifting the funding for Walterdale Bridge to tax-supported debt will increase future debt servicing costs.
- The debt servicing would occur in years 2013 and 2014 with an estimated impact of borrowing \$132 million over 20-years requiring a 1.0% tax increase.

Justification of Recommendation

1. Debt financing Walterdale Bridge will result in Pay-As-You-Go funding and MSI funding being available to fund priority renewal projects.
2. A duplication of Pay-As-You-Go funding was identified upon review of capital profiles.
3. Freeing-up additional Pay-As-You-Go funding provides greater flexibility when developing project recommendations for Council consideration.
4. Reallocation to the Neighbourhood Park Development Program will enable the City to continue to partner with community organizations to construct new, local park and water features and amenities for the 2012-2014 capital planning cycle.

Attachments

1. Recommended Projects for Freed Up Funds

Recommended Projects for Freed Up Funds

Program	Profile#	Project	(\$000)				TOTAL
			PAYG	MSI	Fuel	Debt	
<u>FUND WALTERDATE WITH DEBT</u>						-	
Roads	12-66-1466	Walterdale Bridge	(8,000)	-	(124,000)	132,000	-
<u>OTHER FUNDING ADJUSTEMENTS</u>						-	
Roads	12-66-1042	82 Ave / Argyll Road		(228)	228		-
Roads	10-66-1484	41 Ave / Highway 2 Interchange		(55,000)	55,000		-
Transit	11-66-1668	SE to W LRT Preliminary Engineering		(24,000)	24,000		-
Parks	09-28-3001	Utilities & Access Renewal	-	(4,277)	-	-	(4,277)
CFS	11-21-7321	Abbotsfield Rec Centre	(600)	-	-	-	(600)
Roads	12-66-1020	Arterial / Primary Highway Renewal	(3,000)	-	3,000	-	-
FUNDING FREED-UP			(11,600)	(83,505)	(41,772)		(136,877)
<u>RECOMMENDED USE OF FUNDS</u>						-	
B&LS	09-41-0100	Building & Facility Rehabilitation	360	-	-	-	360
B&LS	12-75-5001	Building & Facility Rehabilitation	1,186	-	-	-	1,186
B&LS	12-75-5003	Roof Rehabilitation	1,188	-	-	-	1,188
CFS	12-21-6973	Fort Edmonton Utilities Master Plan	10	2,059	-	-	2,069
FIRE	12-70-0201	Fire Rescue Training Tower	-	619	-	-	619
PARKS	12-28-7055	NPDP & OAS Renewal	144	-	-	-	144
PARKS	12-28-1001	Park Renewal	-	784	-	-	784
PARKS	12-28-2001	Tree Planting & Naturalization	338	-	-	-	338
PARKS	12-28-7050	Nbhd Parks & Outdoor Aquatic Strategy	4,277	-	-	-	4,277
PARKS	12-28-6050	River Valley Renewal	-	780	-	-	780
PARKS	12-28-3001	Utilities & Access Renewal	-	1,590	-	-	1,590
EPL	12-20-0050	IT Infrastructure Renewal	101	-	-	-	101
EPS	12-60-1433	Police IT Systems - Infrastructure (comp)	160	-	-	-	160
EPS	12-60-1460	Police IT Systems - Applications (comp)	168	-	-	-	168
EPS	12-60-1423	Telecom Life Cycle (Comp)	99	-	-	-	99
FLEET	12-25-3003	Mechanical Shop Hoist Replacement	341	-	-	-	341
IT	12-18-0001	Information Management Infrastructure	767	-	-	-	767
IT	12-18-0014	Enterprise Infrastructure Applications	157	-	-	-	157
IT	12-18-0406	Enterprise Business Applications	649	-	-	-	649
IT	12-18-0500	Non-Enterprise Business Applications	576	-	-	-	576
ROADS	12-66-1056	Neighbourhood Renewal	-	28,126	-	-	28,126
ROADS	12-66-1020	Arterial/Primary/Highway Renewal	-	13,000	7,394	-	20,394
ROADS	12-66-1210	Traffic Control Rehabilitation	569	2,600	-	-	3,169
ROADS	12-66-1260	Streetlighting Rehabilitation	-	11,010	-	-	11,010
ROADS	12-66-1950	Environmental Issues - Partial Funding	510	510	-	-	1,020
TRANSIT	12-66-1270	LRT Fleet, Facilities & Equipment Renewal	-	17,407	4,970	-	22,377
TRANSIT	12-66-1281	Bus Fleet & Equipment Renewal	-	4,000	22,194	-	26,194
TRANSIT	12-66-1410	Bus Facilities Renewal - Partial Funding	-	-	7,214	-	7,214
TRANSIT	09-66-1280	LRV Rehab Package - Partial Funding	-	1,020	-	-	1,020
REALLOCATION OF FUNDS			11,600	83,505	41,772		136,877
NET FUNDING AVAILABLE						-	