



GC2020-0616
Green Line Budget and Financing Approval
2020 June 01

CITY OF CALGARY
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JUN 02 2020
ITEM #7.3 GC2020-0616
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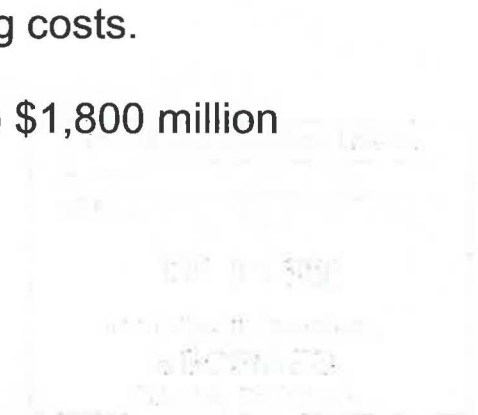




Summary of Objectives

That the Green Line Committee recommends that Council:

1. Approve an incremental capital budget of \$4,739.9 million for the Green Line Stage 1 Program, including all related capital and financing costs.
2. Give first reading to a bylaw to incur indebtedness of up to \$1,800 million associated with the Stage 1 Program.



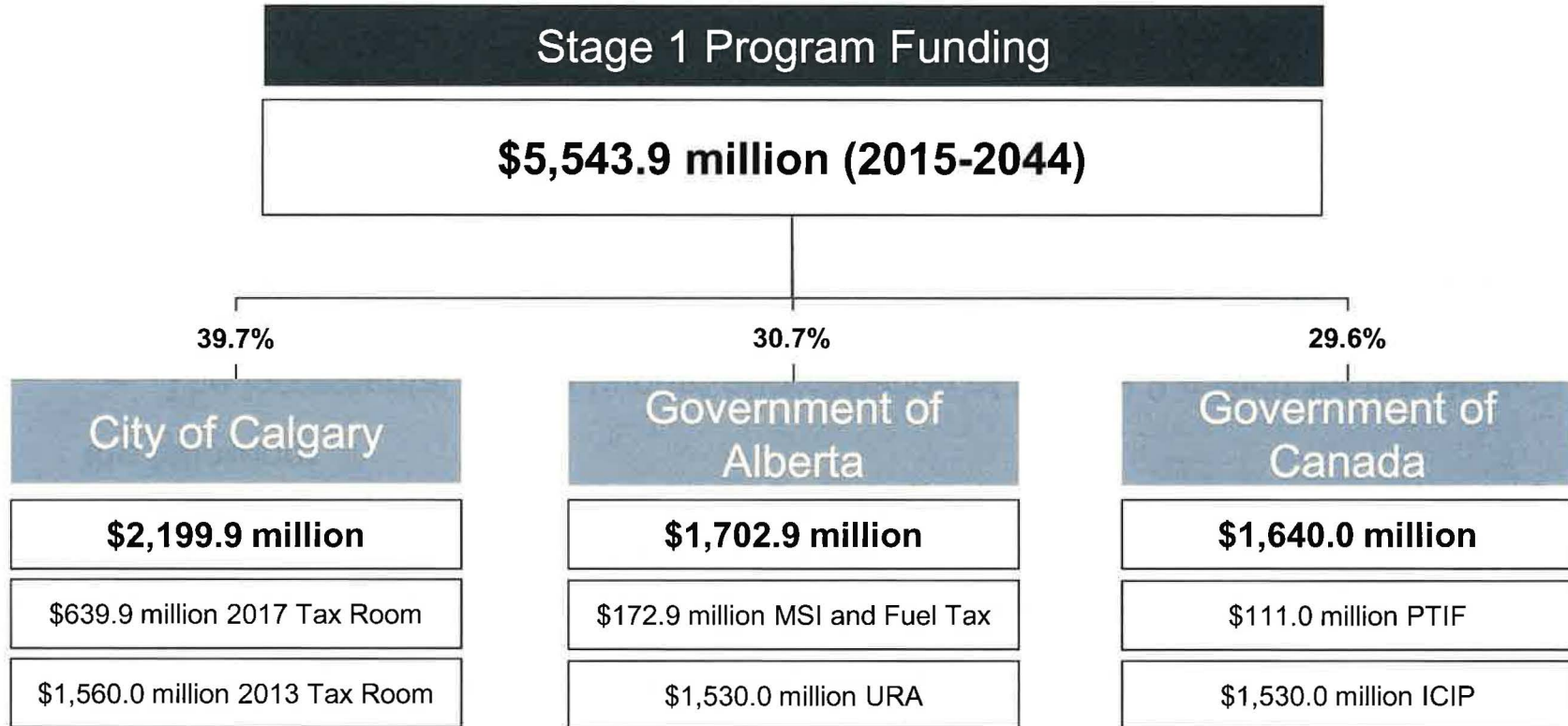


Green Line Financial Update

- Existing capital budget appropriation for the Stage 1 Program is \$803.9 million.
- Total funding committed to the Program is \$5,543.8 million.
- Following approval of the Segment 1 updated alignment and station locations and Segment 2 alignment and station locations for the Stage 1 Program in Report GC2020-0583 (Green Line Update Stage 1 Report), Council approval is required for the following:
 - The incremental capital budget appropriation of \$4,739.9 million for the Stage 1 Program, including financing costs, and
 - A bylaw to incur indebtedness of up to \$1,800 million for the Stage 1 Program.



Green Line Stage 1 Program – Funding Sources





Key Financial Analysis Assumptions

These are the key financial assumptions reflected in developing the capital budget **and** borrowing requirements for the Green Line Stage 1 Program:

- Capital expenditure forecasts are based upon the Green Line Stage 1 Program estimate, profiled over the construction period.
- Cost estimate adjusted to account for the contract payment mechanisms (for Segment 1, Segment 2 and LRV contract). The contract payment mechanism adjustments include the private financing portion of the Segment 1 and Segment 2 DBF construction costs.
- Canada and Alberta will each fund up to 40% of eligible expenditures, with Alberta's contributions not to exceed the contribution profile set out in the URA and updated through Alberta Regulation 189/2019.
- Canada and Alberta Contributions are adjusted in the financial analysis to account for the claims submission process and funding partner payment holdbacks (i.e. when all reporting requirements are met).
- The City will require debt financing to manage the timing difference between Program expenditures and funding contributions.



Green Line Stage 1 Program – Capital Budget Summary

Funding Source	Capital Funding (\$ M)	Financing Funding (\$ M)	Total Capital Budget (\$ M)
Federal: Public Transit Infrastructure Fund ("PTIF")	111.0		111.0
Provincial: GreenTRIP, Municipal Sustainability Initiative ("MSI") and Fuel Tax	172.9		172.9
City: 2013 Tax Room (2015-2024)	520.0		520.0
Previously Approved Capital Budget	803.9	0.0	803.9

A

Incremental Capital Funding for Capital Budget Approval	Capital Funding (\$ M)	Financing Funding (\$ M)	Total Capital Budget (\$ M)
Federal: Investing in Canada Infrastructure Program	1,530.0		1,530.0
Provincial: Ultimate Recipient Agreement	1,530.0		1,530.0
City: 2013 Tax Room (2025-2044)	1,040.0		1,040.0
Incremental Capital Budget (Capital Costs) – Requiring Approval	4,100.0	0.0	4,100.0
City: 2017 Tax Room (2018-2044)	0.0	639.9	639.9
Incremental Capital Budget (Capital and Financing Costs) – Requiring Approval	4,100.0	639.9	4,739.9
Total Stage 1 Program - Capital Budget	4,903.9	639.9	5,543.9

B

A+B



Green Line Stage 1 – Total Capital Budget and Funding Profile

- The tables below identify the total capital budget profile and funding sources for the Green Line Stage 1 Program. Highlighted is the incremental capital budget appropriation request and funding sources.

Total Stage 1 Program – Capital Budget (\$ M)	Pre - 2020	2020	2021	2022	2023	2024	2025	2026	2027	2028	Total (2020-2028)	2029-2044	Total
Capital Expenditures	524.8	167.1	355.2	271.4	403.0	796.1	773.8	859.8	717.9	34.8	4,903.8		4,903.8
Financing Costs	-	0.2	9.7	18.7	31.4	49.9	59.4	63.1	57.0	11.3	300.7	339.2	639.9
Total Capital Budget	524.8	167.3	364.9	290.1	434.4	846	833.2	922.9	774.9	46.1	4,400.7	339.2	5,543.8

Total Stage 1 Program – Capital Funding Sources (\$ M)	Pre-2020	2020	2021	2022	2023	2024	2025	2026	2027	2028	Total (2020-2028)	2029-2044	Total
PTIF - Federal	96.9	14.1											111.0
GreenTRIP – Provincial	165.8	7.1											172.9
LMUR – Municipal 2013 Tax Room⁽²⁾	262.1	49.9	52.0	52.0	52.0	52.0							520.0
ICIP – Federal⁽¹⁾			120.5	80.0	80.6	225.4	316.6	252.9	361.1	92.9	1,530.0		1,530.0
URA – Provincial				25.0	50.0	291.0	291.0	291.0	291.0	291.0	1,530.0		1,530.0
LMUR – Municipal 2013 Tax Room⁽²⁾							52.0	52.0	52.0	52.0	208.0	832.0	1,040.0
LMUR – Municipal 2017 Tax Room⁽³⁾		71.1	23.7	23.7	23.7	23.7	23.7	23.7	23.7	23.7	260.7	379.2	639.9
Total Capital Funding	524.8	142.2	196.2	180.7	206.3	592.1	683.3	619.6	727.8	459.6	4,332.6	1,211.2	5,543.9

Notes:

(1) Based on Administration's estimate on Federal contributions. Federal front load funding yet to be finalized.

(2) LMUR – Municipal funding noted above includes the 2013 Tax Room (\$52 million per year) in a specified year.

(3) LMUR – Municipal funding noted above includes the 2017 Tax Room (\$23.7 million per year) in a specified year.



Borrowing Bylaw

- A bylaw to incur indebtedness of up to \$1,800 million for the Stage 1 Program:
 - Maximum cumulative Program indebtedness at any point in time over the life of the Stage 1 Program (including all short-term and long-term debt issued); and
 - Actual debt issuance requirements may be lower.
- Third reading and approval of Bylaw 5B2020 is anticipated on July 20, 2020 and will provide Administration with the necessary financial authority to debt finance any capital expenditures for the Program.



Corporate Financial Risks

Risk Area	Risk Area Description	Key Current Risk Response(s)
Capital Budget Overruns	<p>Program budget based on a fixed amount of funding from the Government of Canada and Government of Alberta to deliver a defined project scope. City is liable for funding any capital budget overruns associated with material changes to project scope and schedule.</p>	<ul style="list-style-type: none"> • Detailed financial assessment of cost forecasts and project schedule • Integration of key financial stakeholders into funding partner discussions, budget development and financial/ commercial decisions • Evaluate market capacity and contract affordability mitigation strategies
Capital Funding Timing and Shortfalls	<p>Changes from current expectations may impact affordability of the Program and result in additional City debt financing.</p> <p>City of Calgary may be unable to secure front-loaded funding from the Government of Canada.</p> <p>Alberta can terminate their Ultimate Recipient Agreement (URA) funding commitment at any time without cause with a minimum of 90 days' notice.</p> <p>Funding partner commitments may be at risk if substantial completion of the Program is not achieved by October 31, 2027 as per the URA.</p>	<ul style="list-style-type: none"> • Routine assessments of the impact of changes to the funding profile • Proactive engagement with the funding partners to ensure terms and commitments of the funding agreements are met and final federal Treasury Board approval is received to release funding commitments
Financing Cost Funding	<p>City debt issuance (or the proponents Design-Build-Finance (DBF) financing) over an extended design and construction period may impact Program affordability given the exposure to interest rate fluctuations.</p>	<ul style="list-style-type: none"> • Maintain and update detailed forecasts of The City and third-party debt issuance • Structure the DBF contract to optimize third-party financing • Monitor market interest rates, market conditions and available financing structures



Corporate Financial Risks (continued)

Risk Area	Risk Area Description	Key Current Risk Response(s)
Operations and Maintenance Cost Funding	<p>Operations and maintenance (“O&M”) costs for the Program are material recurring expenditures and are currently not funded.</p> <p>Cost estimation and escalation risk related to forecasting long-term annual operating expenditures in advance of the revenue service date.</p>	<ul style="list-style-type: none"> Refinement of the O&M cost estimate with design and delivery of the Program Ongoing assessment and determination of potential funding sources
Major Maintenance and Renewal Cost Funding	<p>Major rehabilitation and renewal (“R&R”) costs for the Program are material expenditures required over a long-term operations period and are currently not funded.</p> <p>Cost estimation and escalation risk related to forecasting long-term renewal expenditures.</p>	<ul style="list-style-type: none"> Refinement of the R&R cost and schedule estimate with design and delivery of the Program Ongoing assessment and determination of current and future funding sources
Financing Availability	<p>The City’s ability to borrow from the Province and access its available financing structures could change. The City does not have its own long-term debt issuance program and if one is implemented, financing costs will increase.</p>	<ul style="list-style-type: none"> Engagement with financial stakeholders from the Province of Alberta Evaluation of direct debt issuance
The City’s Credit Ratings	<p>The quantum of debt financing issued for the Program could affect The City’s credit rating or rating outlook and increase future borrowing costs for The City and its subsidiaries.</p>	<ul style="list-style-type: none"> Ongoing assessment of The City’s credit rating and engagement with credit rating agencies, including for Program indebtedness



Administration Recommendation

That the Green Line Committee recommends that Council:

1. Approve an increase in Capital Budget ID 869-00 of \$4,739.9 million for the Green Line Stage 1 Program, including all related capital and financing costs, as listed in Attachment 4, to be funded by:
 - a. \$1,530.0 million in federal funding for Green Line;
 - b. \$1,530.0 million in provincial funding for Green Line;
 - c. \$1,679.9 million in municipal funding consisting of:
 - i. \$52.0 million per annum for 20 years (2025-2044) from the 2013 tax room;
 - ii. \$23.7 million per annum for 27 years (2018-2044) from the 2017 tax room.
2. Give first reading to Bylaw 5B2020, being a bylaw of The City authorizing The City to incur indebtedness for financing of capital costs associated with the Green Line Stage 1 program;
3. Direct that Attachment 2 of Report GC2020-0616 remain confidential pursuant to Exceptions to Disclosure Sections 23, 24 and 25 of the Freedom of Information and Protection of Privacy Act (Alberta) to be reviewed by 2027 December 31.



Questions