

**Corporate Planning & Financial Services Report to
Regular Meeting of Council
2024 September 17**

**ISC: UNRESTRICTED
C2024-1045**

Administration's Recommendations for the Green Line Wind-Down, Costs and Consequences

PURPOSE

The Green Line is an essential transit investment required to support a rapidly growing Calgary, it has been planned and designed with Calgarians and is currently under construction. A letter dated 2024 September 3 (Attachment 2) received from the Government of Alberta noted that “the Government is unable to support or provide funding for this revised Green Line Stage 1 scope as presented in the City’s most recent business case”. As a result, the current Green Line Stage 1 program approved by Council is no longer possible. The purpose of this report is to provide recommendations for the orderly winding down of the Green Line Stage 1 Program. This report summarizes the risks, costs and consequences of the wind down of the current Green Line Stage 1 program.

This report provides a corporate perspective, in addition to issues related to direct project impacts as provided by the Green Line Board per report C2024-1048. This report should be read together with C2024-1048 to give the reader a full understanding. These two reports are provided given the scope of responsibilities allocated by Council to Administration and to the Green Line Board.

This report provides the latest information known to Administration at the time of writing. The next steps, more details and information continue to evolve quickly. In the event material changes become known during the wind down period, Administration will return to Council for direction.

PREVIOUS COUNCIL DIRECTION

In a letter dated 2024 September 3 (Attachment 2), the Government of Alberta expressed concerns about the revised Green Line Stage 1 LRT Project Business Case, which reflected the 2024 July 30 Council approvals for the project. The letter indicated the Province’s inability to support or fund the project under the new scope. In response, a Special Meeting of Council was convened on 2024 September 4, to address the proposed changes. Council directed the Mayor to communicate with the Premier and the Government of Alberta regarding these changes and instructed Administration to present recommendations at the 2024 September 17 Regular Meeting of Council. These recommendations were to include a plan for winding down the project, an assessment of the current and future costs and risks associated with this process, and the transfer of project delivery and associated risks from the City of Calgary to the Government of Alberta.

Additional details on previous Council direction have been provided in Attachment 1.

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RECOMMENDATION(S):

That Council:

1. Thank Calgarians, partners, the Green Line Board, Green Line Executive team and City Administration for their many years of hard work, commitment and dedication in advancing this project.
2. Receive for the corporate record the information in this report, including confidential risk information in Attachment 3 and confidential financial information in Attachment 4.
3. Direct Administration to work with the Government of Alberta's Administration to ensure The City is made whole, considering both direct and indirect costs to date and into the future.
4. Direct Administration to preserve all current City funding sources and use the Green Line Stage 1 Program control Budget ID 869-000 to fund any interim, wind down and/or transfer costs until next steps and ultimate cost sharing is understood.
5. Authorize the Green Line Board and City Administration to wind down the Program, given the project can no longer proceed as a result of the communication from the Province of Alberta dated 2024 September 3 (Attachment 2), to make all decisions necessary to carry out actions contained:
 - a. In the Green Line report C2024-1048, including preserving assets and information.
 - b. In this report C2024-1045, with all activities to be carried out in a way that retains the highest value and benefit for Calgarians,
6. Give three readings to Proposed Bylaw 43M2024 (Attachment 5) to amend Bylaw 21M2020, the Green Line Board Bylaw.
7. Direct Administration, until Recommendation #4 of this report is complete, to provide regular Council updates as both part of The City's scheduled Progress Reporting and as part of the Principle Corporate Risk reports, twice per year, as appropriate.
8. Direct Administration to report to Executive Committee for a status update in 2025 January, or earlier should there be a material update or proposed change to the plan and to return to Council when further direction is required.
9. With respect to Bylaw 6B2024 (Attachment 6),
 - a. Reconsider giving first reading to bylaw 6B2024,
 - b. Rescind first reading to bylaw 6B2024, and
 - c. Abandon Bylaw 6B2024.
10. Direct Administration to stop work and declare all former Council direction as set out in Attachment 7 to be redundant.
11. Direct that any closed meeting discussions and confidential attachments 3 and 4 remain confidential pursuant to Sections 23 (Local public body confidences), 24 (Advice from officials), 25 (Disclosure harmful to economic and other interests of a public body), and 27 (Privileged information) of the Freedom of Information and Protection of Privacy Act, to be reviewed by 2025 January 31.

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CHIEF ADMINISTRATIVE OFFICER/GENERAL MANAGER COMMENTS

The Green Line Stage 1 project is a visionary city shaping project for The City and all Calgarians. The approvals and funding provided by Council on 2024 July 30 provided certainty in advancing this critical project. The letter from the Government of Alberta dated 2024 September 3 gave Council, the Green Line Board the Green Line Executive Team and City Administration no choice but to wind down the project if support and funding could no longer be provided. It has been only a few short weeks, and this report presents early information on what a wind down means for Calgary. More information will become known with time and Administration will return to Council when appropriate.

HIGHLIGHTS

It has been a long-standing commitment of The City to Calgarians to provide high-quality transit service that strategically connects communities, employment hubs, and key destinations for Calgarians who live and work across the city. Green Line is a city shaping initiative that will meet this commitment. Calgarians, especially from the north central and the southeast communities, have been engaged for over a decade as the vision, plans, concepts and designs for the Green Line were collaboratively developed. Over the last decade Calgarians have demonstrated immense support and patience while the project was developed. Many hours of citizens, partners, industry, city and technical experts were spent in shaping this project. With project construction underway and contracts being finalized, the 2024 September 3 letter from the Government of Alberta removed the funding certainty that was required to proceed with the project. Continued uncertainty has led to the winding down of the Project. This has had an impact on all Calgarians.

To provide recommendations for a plan to orderly wind down project activities, transfer of risks and costs and a potential future project, the first critical step is to have discussions with The Government of Alberta's Administration.

All next steps will be conducted with dignity and respect, in an orderly, ethical and fair manner, and as expeditiously as possible. Many matters will need to remain confidential due to commercial sensitives, personnel matters, and legal advice.

DISCUSSION

KEY ASSUMPTIONS

As of the writing of this report, there are likely more unknowns than knowns. Several assumptions have been made. More dialog with the Government of Alberta at the Administrative level is required to understand their future vision of the project and The City's role going forward. Material assumptions considered for this report are:

- A high-quality transit facility providing north-south connection, in some form and over time, is still a priority for The City and the Government of Alberta.
- The work done to date has value now and into the future to the overall vision of The City
- The predominant financial risk mitigation strategy at this time would be to wind down the current project.

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- It is the expectation of Administration that The City be made whole, for all costs to date and direct or indirect consequential costs.
- The Government of Alberta will work quickly with City Administration to ensure funds to cover costs to date and any future wind down or transfer costs can be reimbursed.
- In the interim, there is a need for funds to settle costs of wind down in a timely way. Funds already committed by Council for the Green Line will be required to support the orderly wind down of the project and remain in place until full wind down or transfer is completed.
- Should these funds, alongside the amounts already spent, prove insufficient to cover all obligations, including potential financing costs due to cash flow shortfalls, it is the expectation of City Administration that the Government of Alberta will provide additional funding solutions to make The City whole.
- All funds received and/or submitted for grant claims from the Government of Alberta and Government of Canada will remain with The City, although the funds are technically ineligible under the existing terms and conditions of the grants.
- Any required actions to ensure any funding received and submitted will remain with The City from The Government of Canada will be the sole responsibility of the Government of Alberta.
- Issues and amounts in this report will change as the project evolves, Administration will provide updates to Council as needed.
- Any further requirements or needs of The Province are unknown currently.

FINANCIAL CONSIDERATIONS

Administration is in the process of evaluating the total current and anticipated future costs related to the required winding down of the project. At the time of writing this report, the future steps are unknown and therefore, the approach of Administration is to provide a range of activities that are anticipated to occur to determine financial impact of this decision.

1. Preserve all approved City funding for the Green Line LRT project to mitigate the cost of financing interim shortfalls due to any wind-down and transfer costs.
2. Inform the Government of Alberta to preserve the funding commitments between The Province and the federal government, including the steps to align the agreements with the new project scope and delivery model. Decisions about the wind-down and transfer of the project should be made assuming the Government of Alberta will negotiate sharing the costs with other funding partners.
3. Cancel future engagements with Council on financial matters that assume The City as project sponsor of the Green Line LRT, including but not limited to:
 - i. Reconsider first reading of Bylaw 6B2024 and abandon Bylaw 6B2024 for The City to incur indebtedness for the "Building the Core" phase of the Green Line LRT project.

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- ii. Funding update and advocacy plan on funding future phases of the Stage 1 of the Green Line LRT (Recommendation #8, [EC2024-0871](#) and Recommendation #4, [EC2024-0485](#)).
- iii. Preparation of cost estimates and an advocacy position for completion of the full Green Line as approved by Council in May 2017, with a scoping report no later than Q2 2025 (Recommendation #9, [EC2024-0871](#)).
4. Rescind Council direction on 2024 July 30 related to the financial framework for the “Building the Core” phase of Stage 1 of the Green Line LRT project that assumed The City as the project sponsor.
5. Await next steps by the Government of Alberta to understand the goals and objectives of their proposed project.

Costs

The Green Line LRT project has stopped incurring costs associated with advancing the current alignment, unless unavoidable. The total costs incurred as of 2024 August 30 is \$1,308.2 million. There is also approximately \$300 million in committed costs. In addition, the types of costs associated with the wind down are expected to include but are not limited to:

- The unmitigated costs to be incurred given the advanced state of the works of certain activities.
- Contract obligations and termination costs associated with those outstanding agreements.
- Claims and potential litigation and demobilization costs.

An indicative estimate of the wind down costs at this early stage is hundreds of millions of dollars. More work and time is needed to fully understand the full picture.

In the ordinary course of wind down, various loss claims and lawsuits may be brought against The City. City Administration believes that the settlement of these actions may result in material liabilities. Final accounting for all outstanding transactions will happen in the years to come and will be recorded, as appropriate, in the consolidated financial statements and reported according to the recommendations of this report.

Funding

Table 2.0 – Current Approved Funding (\$ millions)

Source	Capital Funding (2020)	Capital Funding (2024)	Financing Funding (2020)	Total Funding	% of Total
Federal	1,640	-	-	1,640	26%
Provincial	1,703	-	-	1,703	27%
Municipal	1,560	705	640	2,905	46%

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Total	4,903	705	640	6,248	100%
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Borrowing Bylaw

The financial commitment and associated debt financing program for the Green Line LRT project was the largest in The City’s history. In 2020, Council provided authorization to borrow up to a maximum amount of \$1,800 million for Stage 1 of the Green Line LRT. An amended borrowing bylaw was presented to Council in July 2024 for first reading of the changes associated with the delivery model, maximum interest rate and repayment options. Given the recent decision, Administration is proposing to reconsider, rescind and abandon first reading of the amended borrowing bylaw and seek relinquishment of the original borrowing authority approved in 2020 at a future date.

Updated Financial Strategy

The early draft update financial strategy and liquidity needs of The City are based on the assumptions summarized above, including but not limited to:

- Amount and timing or indicative cost estimates for the wind down.
- Maintaining the funding from all partners and seek reimbursement of all costs, and commitments, to date and into the future.
- Types of cash sources and investments used to interim finance any shortfall.

The indicative analysis suggests that The City will require interim sources of approximately \$300 million to finance the timing difference of when funding is needed to wind down the project compared to when the majority of the remaining City funding is received from 2026-2044. The preliminary sources of funding will consist of using the Green Line Fund (per the recommendations of this report), however, in the event The City cannot transfer financial costs to The Province in a timely way, other reserves and increasing our short-term borrowing program will need to be utilized. The most cost-effective cash sources will be prioritized, but this strategy may reduce future interest income generated from these cash sources for Green Line that would have been invested as part of The City’s investment program. Administration will return to Council if further direction is required.

The proposed funding and financing decisions in this report are made the context of their impact on the corporation’s financial position. This wholistic approach to financial decision making is consistent with the financial strategy principles approved by Council for the Green Line and under the guidance of the Chief Financial Officer, municipal fiscal policy and treasury management best practices.

Financial Reporting

As a result of the letter from the Government of Alberta (Attachment 2), there will be significant impacts to properly account and record current and future year transactions in the consolidated financial statements that are audited by our external auditor, Deloitte. Additional external auditor costs will be applicable.

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All assets for the Green Line LRT project will need to be reviewed by 2024 December 31 to determine if they are required, no longer required or can be retained for other future purposes. The result could be an increase in expenditures for previously capitalized costs, having a negative bottom-line impact on the annual positive variance or surplus in the Statement Of Operations. Additionally, The City would need to understand how it can be reimbursed and remain whole considering the sunk costs.

Any further information received by 2024 December 31 will require an assessment from an accounting perspective and reflection in the consolidated financial statements. These transactions will be accounted for in accordance with Public Sector Accounting Standards and Administrations Tangible Capital Asset Policy. Future year financial reporting impacts will also continue to be assessed into the future, and further information will be communicated with the Audit Committee as appropriate.

Proposed Green Line Board Bylaw Amendments

The Board's continued expertise is required for an effective and efficient wind down of the Green Line Project. The Board's current mandate is limited to delivery of the project. The purpose of the proposed revisions to the Green Line Board Bylaw is to enable the Board to remain in place and provide them with the mandate and authority to wind down the project.

Impacts to Future Transit Service

Uncertainty around the development of the Light Rail Transit Network will impact future transit service delivery. The transit network will need to cope with the missing link by using less efficient and cost-effective means. Service quality will continue to lag in the Green Line catchment areas as less effective bus service will be used in the interim. Past reviews of the project with the Government of Alberta identified that the Council approved alignment delayed future investments in the Red Line tunnel under 8th Ave by 15-20 years. Changes to the Green Line alignment in the downtown may accelerate the need for this tunnel.

Any new alignment proposed by Government of Alberta needs to be integrated into City's infrastructure and depending on the design, significant revisions might be needed for City Transit Service and other infrastructure.

EXTERNAL ENGAGEMENT AND COMMUNICATION

- | | |
|---|---|
| <input type="checkbox"/> Public engagement was undertaken | <input checked="" type="checkbox"/> Dialogue with interested parties was undertaken |
| <input checked="" type="checkbox"/> Public/interested parties were informed | <input type="checkbox"/> Public communication or engagement was not required |

City Administration has had initial conversations with the Provincial Administration to address the matters outlined in the correspondence.

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IMPLICATIONS

Social

Calgary is in critical need of housing and citizens are faced with many affordability difficulties. In addition, Calgary is Canada's fastest growing major city. Currently, The City of Calgary is growing at the pace of adding approximately the population of Medicine Hat every year. Calgarians need services, including equitable and efficient transportation. Transit Oriented Development (TOD) scoping and planning was conducted with Green Line's pre-design process and community-based visioning in 2015 and informed the Phase 1 alignment. Areas were identified based on the highest development potential for multi-family developments and complete transit-oriented development by 2045. Phase 1, as approved by Council, supports much needed housing and will keep current and future businesses and public places within walking distance. On opening day, 70,000 Calgarians would have lived within a 10 minute walk of a Green Line station and 190,000 jobs would have been within the station catchment areas of the Phase 1 alignment.

Winding down the project means much needed housing, affordability and services may no longer be possible in the way originally envisioned. Future plans by the provincial government could provide the same implications as envisioned, but the certainty and timeframe the Phase 1 project gave citizens and businesses may no longer be possible in the near term.

Environmental

Phase 1 of the Green Line LRT would have shifted 4.8 million trips from vehicles to transit, reducing greenhouse gases by 26,750 tonnes annually. The investment approved by Council provided benefits beyond the reduction of GHGs. Light Rail Transit is energy efficient. At maximum passenger capacity, Light Rail Transit is 58 times more energy efficient than travel by car. Improved higher quality transit service and complete communities also attract higher levels of ridership decreasing the environmental impacts associated with urban travel but also support compact growth which in turn provides health benefits. Reduction in greenhouse gases and social health benefits are therefore realized by maximizing transit investments.

Winding down the project means these benefits may no longer be possible in the way originally envisioned. Future plans by the provincial government could provide the same implications as envisioned, but the certainty and timeframe the Phase 1 project gave citizens and businesses may no longer be possible in the near term.

Economic

Leveraging the transit investment maximizes the economic return through land use with the intent of providing new and redevelopment opportunities along the corridor. This reduces the fiscal impact of growth and promotes integrated and sustainable development. The investment in transit provides the opportunity to attract global corporations in innovative industries to promote a diversified economy in Calgary. As a result, more population and activity generate sustained ridership and economic growth thereby creating a multiplier effect of the infrastructure investment.

Winding down the project has an immediate impact and a longer term impact. In the immediate term, all work to advance the project will stop. This has a significant impact on direct and

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indirect employment, jobs, and an economy that supports Calgarians and Calgary families. In addition, the volatility of the Green Line's future, particularly since the project was well underway, makes for a higher risk environment for potential suppliers and other economic partners in Calgary. This means the ability to attract and retain supply and economic partners becomes harder and likely will increase the cost of any future projects. Rebuilding trust will be critical.

In the longer term it means these benefits may no longer be possible in the way originally envisioned. Future plans by the Provincial Government could provide the same implications as envisioned, but the certainty and timeframe the Phase 1 project gave citizens and businesses may no longer be possible in the near term.

Service and Financial Implications

Any new alignment proposed by Government of Alberta needs to be integrated into City's infrastructure and depending on the design, significant revisions might be needed for City Transit Service and other infrastructure. These improvements can range from slight modifications (to service and infrastructure) to large construction projects needing to be accelerated and requiring additional capital and operational funds. This will likely result in cost implications due to the need to also fund the orderly wind down of the current project.

Recommendation 3 of this report directs Administration to work with the Government of Alberta's Administration to ensure that The City is made whole, considering both direct and indirect costs to date and into the future. The infrastructure and service delivery costs identified above are examples of costs that The City expects the Government of Alberta to fund in order to make The City whole.

RISK

The principal corporate risks impacted by the next steps of this Program are:

- **Capital Infrastructure Risk**
There would be potential implications for capital infrastructure. These include the possibility of impacts on other city initiatives, considerations for managing existing assets and infrastructure, and the necessity of revisiting long-term infrastructure plans.
- **Service Delivery Risk**
This may affect anticipated transit capacity, which could have implications for service levels and existing infrastructure. This may require adjustments to Calgary Transit operations and could influence public perception. Additionally, the overall transit strategy may need to be revisited in light of any project changes.
- **Financial Sustainability Risk**
This will result in sunk costs and could impact the city's budget and financial stability. There's also the potential for contractual liabilities and challenges in securing funding for future initiatives. Additionally, the decision might influence investor confidence and necessitate adjustments to other capital projects.

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- **Legal Risk**
This might lead to contractual disputes and claims, requiring careful navigation of legal and funding agreements to avoid potential liabilities. Additionally, there may be legal implications related to employment, land acquisition, and land stewardship that require attention.

- **Sustainable City Risk**
This might influence the pace of economic development and housing options along the planned route. There's also the potential for impacts on the city's sustainability goals, transportation equity, and emissions targets.

- **Reputational Risk**
This might influence public perception and the city's reputation, potentially impacting trust in leadership and relationships with interested parties. Moreover, we must not overlook the "People Risk" inherent in this decision. The emotional toll on affected individuals, the possibility of layoffs, and the broader impact on employee morale and community well-being are crucial factors that need to be acknowledged and addressed.

Key corporate risks are discussed in Attachment 3 and throughout this report.

ATTACHMENTS

1. Previous Council Direction
2. Letter from the Province
3. Risk Analysis - Green Line Impact on PCRs (Confidential)
4. Financial Considerations (Confidential)
5. Proposed Green Line Board Bylaw
6. Proposed Bylaw 6B2024, to amend the Green Line Borrowing Bylaw 5B2020
7. Council Direction Proposed to be Rescinded
8. Presentation

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
David Duckworth, Chief Administrative Officer	Chief Administrative Office	Approve
Carla Male, CFO and General Manager	Corporate Planning & Financial Services	Approve
Stuart Dalglish, Chief Operating Officer	Chief Operating Office	Approve
Doug Morgan, General Manager	Operational Services	Approve

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Michael Thompson, General Manager	Infrastructure Services	Approve
Jill Floen, City Solicitor & General Council	Law, Legislative Services & Security	Approve
Chris Arthurs, General Manager	People, Innovation & Collaboration Services	Approve
Debra Hamilton, General Manager	Planning & Development Services	Inform
Katie Black, General Manager	Community Services	Inform

Author: Corporate Planning & Financial Services, Operational Services and Law