
Major Transportation Infrastructure Funding Plan

Recommendation

That the Executive Committee recommend to City Council:

1. That the proposed Major Transportation Infrastructure Funding Plan be approved in principle; and
2. That an updated Major Transportation Infrastructure Fund Plan be referred to the Annual Corporate Business Plan and Budget deliberations for approval.

Topic and Purpose

The purpose of this report is to obtain City Council's approval in principle of the overall transportation funding and financing strategy through a new proposed Major Transportation Infrastructure Funding Plan. In addition, this report outlines available funding under the programs in the New Building Canada Plan.

Report Highlights

1. The proposed Major Transportation Infrastructure Funding Plan sets out the funding plan for the North Commuter Parkway and Traffic Bridge, and also includes:
 - Boychuk Drive/Hwy 16 interchange;
 - McOrmond Drive/College Drive interchange;
 - an accelerated transit bus replacement program;
 - contributions towards the proposed Bus Rapid Transit (BRT) initiative;
 - gravel street upgrades; and
 - contributions to the Bridge Major Repair Reserve.
2. The Plan also delivers base funding for a new Transportation Infrastructure Reserve and provides for the operating impact of the new infrastructure.
3. Funding sources include mill rate funding for five years (2018 – 2023) of about 1.3% on average, as well as surpluses from Saskatoon Land (Evergreen and Kensington), Interchange Levy, developer contributions, the Province of Saskatchewan, Gas Tax Fund, Building Canada Fund, and new debt totalling \$46M.

Strategic Goal

The Major Transportation Infrastructure Funding Plan supports the 4-year priority of developing funding strategies for new capital expenditures and the long-term strategy of reducing the gap in the funding required to rehabilitate and maintain the City's infrastructure under the Strategic Goal of Asset and Financial Sustainability.

Background

There are increasing funding requirements for both new and replacement of major transportation infrastructure. To meet these demands, which include interchanges, a proposed BRT system, and the North Commuter Parkway and Traffic Bridge projects, a long-term funding strategy is needed.

Report

Proposed Funding Plan

The Administration has developed a funding and financing plan that provides/allocates funding for the following projects:

- North Commuter Parkway and Traffic Bridge
- two interchanges;
- contributions to both the Bridge Major Repair Reserve and the Bus Rapid Transit (BRT) initiative;
- an accelerated bus replacement program; and
- gravel street upgrades.

The timing of all of these projects in this Plan is 2015 – 2021 with a total cost of \$459.95M. The projects included in the Plan are listed in Table 1. Those projects identified with a ▼ symbol can be either adjusted or removed from the Plan which frees up funding for other uses. The other projects in the Table are either committed or at a stage that would make it difficult to adjust.

Table 1 – Major Transportation Infrastructure Projects

| Project | Cost | Notes |
|---------------------------------------|------------------|--|
| North Commuter Parkway/Traffic Bridge | \$252.6M | P3 Project – Three teams have been shortlisted to build the projects. It is expected to have the Project Agreement in place by October 2015. Construction will take place 2016 – 2018. |
| ▼ Bridge Major Repair Reserve | \$20.0M | Contributions over 2017 - 2020 |
| McOrmond/Hwy 5 Interchange | \$46.6M | 2015 - 2017 |
| Boychuk/Hwy 16 Interchange | \$44.55M | 2015 - 2017 |
| ▼ Transit Corridors/BRT | \$76.8M | Growing Forward, Shaping Saskatoon BRT (2017-2021+). This is a long-term strategy that will have short-term, medium-term and longer term phases. |
| ▼ Bus Replacements (Renewal Strategy) | \$16.4M | 2018 - 2021 |
| ▼ Gravel Street Upgrades | \$3.0M | Contributions over 2016 - 2021 |
| Total | \$459.95M | |

▼ indicates projects or reserves that can be adjusted or removed from this Plan

The funding plan for the projects listed in Table 1 comes from a variety of sources, including surpluses from Saskatoon Land (Evergreen and Kensington), the Interchange

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Levy, Developer contributions, the Province of Saskatchewan, the federal Gas Tax Fund and Building Canada Fund, and new debt totalling \$46M. To service this debt, the City will require mill rate funding for four years (2018 – 2021) of about 1.3% on average based on a borrowing term of 10 years.

The funding sources are listed in Table 2.

Table 2 – Source of Funding For Major Transportation Infrastructure Funding Plan

| Source of Funding | Amount | Notes |
|--|------------------|--|
| P3 Canada (NCP/TBR) | \$63.165M | 25% of eligible costs. |
| P3 Debt | \$121.4M | P3 payments for debt funded by Gas Tax as part of the Gas Tax Plan as identified in the Gas Tax Allocation Report. |
| Property Realized Reserve | \$10.0M | Allocation made and held in 2012 for Traffic Bridge Replacement Project. |
| Evergreen NLDF* Dividend | \$20.0M | 2016 |
| Kensington NLDF* Dividend | \$19.5M | 2018 |
| Province of Saskatchewan - NCPP | \$38.0M | Funding is confirmed at \$50M but \$12M expected to be used to finance NCPP payments. Waiting confirmation on the cash flow timing of these funds. |
| Interchange Levy | \$19.4M | \$4.0M for Boychuk & Hwy 16 interchange and remainder allocated for McOrmond and College Drive Interchange. |
| Developer Contributions from a Special Levy Collected for Rosewood Flyover | \$11.5M | Reallocated to Boychuk and Hwy 16 interchange. |
| Building Canada Fund PTIC** | \$29.04M | Federal and Provincial funding for Boychuk and Hwy 16 interchange. |
| Building Canada Fund NIC*** | \$38.4M | Proposed share of funding required for BRT – this is tentative and does not guarantee funding for this initiative. |
| Developer Contributions | \$21.86M | To McOrmond and College Drive interchange (estimate). |
| Debt for Funding Plan | \$46.0M | Estimated \$26M in 2019 and \$20M in 2021 – funded by mill rate and Gas Tax as identified in the Gas Tax Allocation Report. |
| Federal Gas Tax Direct Funding | \$7.98M | From previous years available Gas Tax funds |
| Major Transportation Infrastructure Reserve | \$13.7M | Proposed new reserve to be funded through mill rate contributions. |
| Total | \$459.95M | |

NLDF* = Neighbourhood Land Development Fund

PTIC** = Provincial/Territorial Infrastructure Component

NIC*** = National Infrastructure Component

Attachment 1 is a summary of the proposed projects to be funded through the Plan.

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In 2013, a guideline for distribution of neighbourhood surpluses from Saskatoon Land was developed. In this guideline, 65% of the total surplus was to fund growth related projects. This plan uses \$20.0M from the Evergreen neighbourhood to fund the NCPP/TBR Project and \$19.5M from the Kensington neighbourhood for the remainder of the plan.

As part of the North Commuter Parkway Project, the P3 debt will be \$121.4M funded through future Gas Tax funds as identified in the Gas Tax Allocation Report. The project is also funded through P3 Canada funding of \$63.165M, Province of Saskatchewan funding of \$50.0M, and \$10.0M of funds held in the Property Realized Reserve.

Under the initial Gas Tax Fund allocation, federal government funding of \$7.98M is being applied to the funding plan of which \$5.0M is to fund the initial costs related to the NCPP/TBR Project. The remaining \$2.98M is being incorporated as a general funding source to the overall Plan. This is the last of the unallocated Gas Tax funds under the old Gas Tax Fund.

As recently reported, the New Building Canada Fund contributions of \$14.52M from the federal government and \$14.52 from the provincial government funding is being allocated to the Boychuk Drive and Highway 16 interchange, as well as \$4.01M from the interchange levy and \$11.5M from the reallocation of funds collected by developers for the Rosewood Flyover which has been cancelled.

Building Canada Plan

In May 2015, the Province of Saskatchewan indicated that the City would receive \$70.2M under the New Building Canada Fund – Provincial/Territorial Infrastructure Component (PTIC). City Council, at its meeting on June 22, 2015, approved the application for funding under the program for the Boychuk Drive and Highway 16 interchange. This would require \$14.52M of federal and \$14.52M of provincial government BCF funds leaving about \$41M to be allocated to future eligible projects. This remaining allocation of these available funds based on City Council's priorities will be presented to City Council in the near future for consideration.

Under the National Infrastructure Component (NIC) of the New Building Canada Plan, projects are funded on a merit basis and as such, there is no pre-determined allocation of these funds. At this time, only one project is being considered under the NIC component, which is for 50% funding of the BRT/Transit Corridors initiative. Other projects will be considered for funding as priorities warrant. Table 3 on the following page outlines the planned allocation of the New Building Canada Funds.

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Table 3 – Plan for the Use of New Building Canada Funds

| Project | Amount (2014 - 2020) | Notes |
|---|-------------------------|---|
| Project Applications | | |
| City of Saskatoon Allocation under NBCF – PTIC is estimated at \$70.2M | | |
| Boychuk/Highway 16 Interchange | \$29.04M | \$14.52M federal government share \$14.52M provincial government share |
| Remaining BCF Funds = \$41.16M (to be allocated in a future report) | | |
| Projects to be Considered Under the NBCF-NIC | | |
| Transit Corridors/BRT | \$38.4M | Growing Forward, Shaping Saskatoon |

Mill Rate Impact

A key element of this Plan is a mill rate impact resulting from the need to build the base budget for a new Major Transportation Infrastructure Reserve, as well as to cover debt payments to fund an expected \$46M in debt. This increase in property taxes would average about 1.3% per year from 2018 – 2023 based on a borrowing term of 10 years. A lower mill rate impact of about 0.35% could be achieved extending the term to 15 years, but this ties up funds for a longer period and requires the City to pay more in interest costs.

By the end of 2023, the proposed new reserve would have an annual contribution of about \$8.8M to fund future transportation infrastructure requirements. Also, funds would be allocated to increase the base contribution to the Bus Replacement Reserve by \$2.7M per year by 2023. Another component of the increase is to fund the operating impact from new interchanges by adding up to \$560,000 per year by 2023.

Options to the Recommendation

There are a number of variations of this Plan where City Council can “turn the dials” on some of the funding sources (e.g. property tax).

An option to increase the borrowing term to 15 years from 10 years on the identified debt would have a 0.35% reduction in the mill rate impact, but would cost nearly \$5 million more in interest costs for the first loan of \$26M.

The option to reduce or eliminate mill rate contributions from the operating budget to this Plan would have the impact of not being able to fund the planned debt repayments and/or provide direct contributions to the projects, the Bridge Reserve and new Major Transportation Infrastructure Reserve.

Projects such as the P3 North Commuter Parkway and Traffic Bridge Replacement Project have little flexibility for funding within this Plan. Other projects that were identified with the ▼ symbol in Table 1 can be adjusted or removed from the Plan which could free up funding for other uses. These total just over \$116M and include:

| | |
|--------------------------------------|---------|
| ▼Bridge Major Repair Reserve | \$20.0M |
| ▼Transit Corridors/BRT | \$76.8M |
| ▼Bus Replacements (Renewal Strategy) | \$16.4M |
| ▼Gravel Street Upgrades | \$3.0M |

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Any reduction to or elimination of these projects provide the ability to reallocate the funds to other projects or reduce the need for mill rate increases to cover debt payments on debt required to meet the needs of the plan.

Any reduction to, or elimination of, these projects provide the ability to reallocate the funds to other projects or reduce the need for mill rate increases to cover debt payments on debt required to meet the needs of the Plan. For example, by not borrowing the estimated \$46M for the Plan, this would reduce annual debt payments of nearly \$2.6M per year and decrease the impact to the mill rate. This would reduce the need or amount of the proposed average mill rate increase of 1.3% per year for five years to meet the debt requirements and contributions to the proposed reserves.

Other options would be to reallocate project funding for these identified projects to other priority projects.

Financial Implications

The financial implications are outlined within the body of this report.

Other Considerations/Implications

There are no policy, environmental, privacy or CPTED implications or considerations. Neither public and/or stakeholder involvement nor a communication plan is required.

Due Date for Follow-up and/or Project Completion

As projects are finalized and updated estimates for future projects are obtained, the Plan provisions will be reviewed and updated as required and brought forward to the Executive Committee. At a minimum, the status of the Plan would be presented during the annual Business Plan and Budget review.

Public Notice

Public Notice will be required at the appropriate time for any projects included in this Plan that result in borrowing funds.

Attachment

1. Major Transportation Infrastructure Funding Summary – June 30, 2015

Report Approval

Written by: Kerry Tarasoff, CFO/General Manager, Asset & Financial Management
Department

Approved by: Murray Totland, City Manager

**Major Transportation Infrastructure Funding Summary
as at June 30, 2015**

Purpose:
To fund a number of major transportation infrastructure projects

| Project | Budget | Year | Sources of Funding | | | | | | | | | |
|--|---------------|-------------|--|----------------------------|-------------------------------|-----------------------|---------------------|--------------|---------------------|--|--|--|
| North Commuter Parkway/Traffic Bridge | 252,600,000 | 2016-2018 | Property Realized Reserve Funds (Traffic Bridge) | | | | | | | | | |
| Bridge Major Repair Reserve | 20,000,000 | 2017-2020 | P3 Canada Funding | | | | | | | | | |
| Boychuk Drive/Hwy 16 Interchange | 44,550,000 | 2015--2017 | Evergreen Neighbourhood Land Development net proceeds | | | | | | | | | |
| McOrmond/Hwy 5 Interchange | 46,600,000 | 2016--2017 | Provincial Funding (\$50M with \$12M held for debt payments) | | | | | | | | | |
| Transit Corridors (BRT) | 76,800,000 | 2017+ | Developer Contributions | | | | | | | | | |
| Bus Purchases | 16,400,000 | 2018-2021 | Federal Building Canada Fund | | | | | | | | | |
| Gravel Road Upgrades | 3,000,000 | 2016-2021 | Provincial Building Canada Fund | | | | | | | | | |
| | | | Interchange Levy | | | | | | | | | |
| | | | Gas Tax Funding | | | | | | | | | |
| | | | Building Canada - National Infrastructure Component (Transit) | | | | | | | | | |
| | | | Kensington Neighbourhood Land Development net proceeds | | | | | | | | | |
| | | | Major Transportation Infrastructure Reserve | | | | | | | | | |
| | | | P3 Debt | | | | | | | | | |
| | | | City Debenture | | | | | | | | | |
| | | | 10,000,000 | | | | | | | | | |
| | | | 63,165,000 | | | | | | | | | |
| | | | 20,000,000 | | | | | | | | | |
| | | | 38,000,000 | | | | | | | | | |
| | | | 33,360,000 | | | | | | | | | |
| | | | 14,520,000 | | | | | | | | | |
| | | | 14,520,000 | | | | | | | | | |
| | | | 19,400,000 | | | | | | | | | |
| | | | 7,980,000 | | | | | | | | | |
| | | | 38,400,000 | | | | | | | | | |
| | | | 19,500,000 | | | | | | | | | |
| | | | 13,700,000 | | | | | | | | | |
| | | | 121,400,000 | | | | | | | | | |
| | | | 46,000,000 | | | | | | | | | |
| Cash Flow | | | In addition to the above-noted sources of funding, phased-in operating budget increases are also required. This will build a base for the Transportation Infrastructure Reserve and Bus Replacement Reserve and debt repayment | | | | | | | | | |
| | | | Gas Tax Trsr frm Bus | Transport Infra Res | Operating Interchanges | Bus Replacemnt | Debt Payment | Total | Prop Tax % * | | | |
| | | 2018 | | 1,218,000 | 174,000 | 348,000 | 0 | 1,740,000 | 1.00% | | | |
| | | 2019 | | 1,339,800 | 191,400 | 382,800 | 0 | 1,914,000 | 1.10% | | | |
| | | 2020 | (1,800,000) | 1,282,965 | 21,540 | 421,080 | 2,087,000 | 2,012,585 | 1.27% | | | |
| | | 2021 | | 1,567,218 | 231,594 | 463,188 | 0 | 2,262,000 | 1.30% | | | |
| | | 2022 | | 1,671,740 | 254,753 | 509,507 | 0 | 2,436,000 | 1.67% | | | |
| | | 2023 | | 1,769,315 | 280,229 | 560,457 | 0 | 2,610,001 | 1.50% | | | |
| | | 2024 | | 0 | 0 | 0 | 0 | 0 | | | | |
| | | 2025 | | 0 | 0 | 0 | 471,600 | 471,600 | 0.25% | | | |
| *Note Property tax increase based on 2015 year | | | | | | | | | | | | |
| Notes to Cash flow | | | | | | | | | | | | |
| 2018 - Transfer of \$750,000 from Transportation Infrastructure Expansion Reserve to Major Transportation Infrastructure Reserve plus \$1,218,000 in mill rate | | | | | | | | | | | | |
| 2020 - Transfer of \$1,800,000 for bus purchases to the gas tax Plan to help offset payment for debt of \$2,087,000 (estimated \$26M debenture at 3.25% for 10 years | | | | | | | | | | | | |
| MajorInfraFundingPlanSummary June2015.xls June 30, 2015 | | | | | | | | | | | | |