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TAMRMS#: B09

Ray Gibbon Drive Capital Project Reconciliation

Presented by: Diane McMordie, Director of Financial Services

RECOMMENDATION(S)

That Standing Committee of the Whole recommend to Council that \$6,736,728 currently committed to the Ray Gibbon Drive (RGD) project be uncommitted within the Capital Reserve to be available for future RMR or Growth capital projects in 2018 and beyond.

PURPOSE OF REPORT

To un-commit funds currently allocated to the Ray Gibbon Drive project to make these funds available for future capital needs.

COUNCIL (OR COMMITTEE) DIRECTION

N/A

BACKGROUND AND DISCUSSION

The construction of RGD was undertaken by the City beginning in 2004 over three stages and was completed at the end of 2016.

Highlights include:

- A joint initiative with the Province of Alberta, where special funding was provided for their portion of construction.
- The City was responsible for the land and road construction of the first two lanes between 137th Avenue and Villeneuve Road. The Province was responsible for all the surplus lands required to accommodate upgrades to a future eight lane freeway.
- RGD was considered an Offsite Levy Project that was undertaken/front-ended by the City.
- Funding for the project included:
 - \$36.8 million - Special Grant from the Province (equal to their estimated portion)
 - \$6.9 million - Alberta Municipal Infrastructure Program (AMIP)
 - \$72.2 million - Debentures

- For stages 1 and 2, debentures were utilized to fund the initial expenditures, while the Province provided the grant funds on a claimant basis. Prior to the start of stage 3, the Province paid the remaining balance owed in a lump sum (based on a projected cost estimate) for their portion that enabled the City to utilize the funds and avoid the use of the debenture.
- Overall project surplus was mainly due to stage 3 as a result of:
 - Tendering construction results came in lower than anticipated.
 - Original estimates included an urban cross section. A redesign resulted in converting the urban cross section to a rural cross section. This resulted in major savings due to the elimination of storm sewer, curb and gutter/concrete and reduced earthwork required.

As a result, the reconciliation of the Province's portion indicated:

Total Provincial Contribution	\$36,799,900
Total Costs - Provincial Portion	\$36,654,187
Refund Due	\$125,713

A letter was sent to the Province on February 6, 2017, to inform them of a potential refund, and we are now awaiting direction on how to proceed.

In relation to the City's portion, the City incurred all required costs and an overall surplus for stage 3 was realized, of which, the use of remaining reimbursed funds of \$6.7 million from the Province was not required.

From a cash flow perspective, the final lump sum payment from the Province was provided to the City as reimbursement for their share of construction that the City had to incur upfront with the use of debentures. As the project is now closed and final reconciliation has been complete, the remaining funds of \$6.7 million that resides in the Capital Reserve can now be utilized in several ways:

- Un-commit the funds and allocate to the City's capital budget deficit.
- Set aside for other capital initiatives, such as establishing new lifecycle plans.
- Pay down the debenture owed on RGD (financial implications could be provided if option is chosen).

IMPLICATIONS OF RECOMMENDATION(S)

Financial: An additional \$6.7 million dollars will become available for allocation towards current and/or future capital projects for RMR and/or growth. Funding recommendation for the capital plan will be presented as part of the 2018 proposed budget.

Legal / Risk: None at this time

Program or Service: None at this time

Organizational: None at this time

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1:

With the approval of year 1 funding for the Long Term Capital Financial Plan (LTCFP), Administration has started a significant process of identifying deficiencies in our capital asset inventory. As the remaining assets in the city are inventoried and life cycled, there will be a need to establish additional life cycle reserves to fund the future RMR requirements for these assets. Council could choose to continue to hold these one-time funds to use as initial contributions for the establishment of these lifecycle reserves when they are required. While it is known that there will be a future funding requirement for these reserves, the work is not complete as of yet therefore it is recommended that these one time dollars are not held until the need can be more clearly defined.

Alternative 2:

While Administration is recommending that these one-time surplus dollars be allocated to the capital reserve effectively providing an offset to the current and future deficit, Council could consider allocating the funds to retire one of the debentures associated with Ray Gibbon Drive. A financial analysis of this option is provided in an attachment entitled "Ray Gibbon Drive Debenture Retirement Analysis".

With a high likelihood that Council will embark on various new borrowings over the next several years, the analysis shows that there is no financial benefit to pursuing this option.

Alternative 3:

Do nothing. Funds will remain committed within the capital reserve and be unavailable for allocation to other projects

Report Date: May 8, 2017

Author(s): Diane McMordie, Director of Financial Services

Committee/Department: Financial Services

General Manager: Maya Pungur-Buick, GM of Corporate Services

City Manager: Kevin Scoble