



AGENDA SPECIAL MEETING OF CITY COUNCIL

Tuesday, September 8, 2015, 1:00 p.m.
Council Chamber, City Hall

Pages

1. CALL TO ORDER

2. CONFIRMATION OF AGENDA

Recommendation

That the agenda be confirmed as presented.

3. DECLARATION OF PECUNIARY INTEREST

4. REPORTS FROM ADMINISTRATION AND COMMITTEES

4.1 Transportation and Utilities Department

4.1.1 Capital Project #2407 – IS North Commuter Parkway and Traffic Bridge – Award of Project Agreement

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Recommendation

1. That City Council approve the award of the Project Agreement for the North Commuter Parkway and Traffic Bridge to Graham Commuter Partners; and
2. That His Worship the Mayor and the City Clerk be authorized to execute and deliver the Project Agreement and all other agreements and documents required to reach Commercial Close and Financial Close.

5. ADJOURNMENT

Capital Project #2407 – IS North Commuter Parkway and Traffic Bridge – Award of Project Agreement

Recommendation

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2. That His Worship the Mayor and the City Clerk be authorized to execute and deliver the Project Agreement and all other agreements and documents required to reach Commercial Close and Financial Close.

Topic and Purpose

The purpose of this report is to:

- (a) Award the Project Agreement related to the Request for Proposal (RFP) for the North Commuter Parkway and Traffic Bridge to the Preferred Proponent, Graham Commuter Partners, who will design, build, finance and maintain the project for a 30 year concession period; and
- (b) Authorize the execution and delivery of the Project Agreement and other documents required to reach Commercial Close and Financial Close.

Report Highlights

1. Technical and Financial submissions were received from all three of the prequalified Proponents.
2. All three submissions passed the technical and financial evaluations.
3. Graham Commuter Partners submitted the lowest price (net present value) and it was within budget, and as a result, is selected as the Preferred Proponent.
4. Administration will work with Graham Commuter Partners to achieve a target of Commercial Close and Financial Close on or around October 23, 2015.

Strategic Goals

The construction of the North Commuter Parkway and Traffic Bridge supports the Strategic Goal of Moving Around as it will optimize the flow of people and goods in and around the city.

Background

At its meeting held on March 31, 2014, City Council approved that the North Commuter Parkway and Traffic Bridge project use a public-private partnership (P3) delivery model, subject to the City's approval of a funding application to PPP Canada.

On June 9, 2014 the Government of Canada, through the PPP Canada Fund, announced a contribution of up to \$66M and the Province of Saskatchewan announced a contribution of \$50M for the project.

Capital Project #2407 – IS North Commuter Parkway and Traffic Bridge – Award of Project Agreement

At its meeting held on June 9, 2014, City Council approved the funding plan for the project and also approved the Administration proceeding with issuing a Request for Qualifications for the procurement of the project.

The Request for Qualifications was issued on July 21, 2014 and closed on September 10, 2014. Three Proponents were shortlisted for the RFP stage on October 3, 2014.

On August 19, 2014, Administration presented a report to the Standing Policy Committee on Transportation which described the physical extents and division of responsibility for operations, maintenance and rehabilitation of the infrastructure associated with the project over the 30-year concession period.

At its meeting held on December 15, 2014, City Council approved that the RFP be issued to the three qualified Proponents.

Report

The RFP was developed in conjunction with the City's external advisors. During a normal tender process, the City would provide detailed specifications for construction of the asset. Using a P3 procurement process, the City provides performance-based end-product and performance specifications, which allows for greater innovation and creativity from the private sector.

The RFP was issued by Administration to the three pre-qualified Proponents on December 16, 2014. The RFP outlined requirements for technical and financial proposals to demonstrate how each Proponent will design, build, and finance the project, as well as, operate, and maintain the project for a 30-year period following construction.

All three Proponents submitted technical and financial proposals. The Technical Evaluation Team, which included representatives from the City as well as external consultants, evaluated and scored the Technical Submissions. Submissions had to achieve a 70% score, based on well-documented criteria within the RFP, in order to 'pass'. After each evaluator assigned individual scores to all three submissions, the Technical Evaluation Team and the Fairness Advisor met in order to achieve Technical Consensus. It was at these meetings that it was confirmed that all three of the Technical Submissions passed.

Following confirmation that all three Technical Submissions had passed, the Financial Evaluation Team, which included representatives from the City as well as external consultants, scored the Financial Plan Submissions. After each evaluator assigned individual scores to all three submissions, the Financial Evaluation Team and the Fairness Advisor met in order to achieve Financial Consensus. Again, at these meetings it was confirmed that all three of the Financial Submissions passed.

As the final step in the evaluation process, the Financial Evaluation Team opened each Proponent's Price Submission and Financial Model for the base scope of the Project.

Capital Project #2407 – IS North Commuter Parkway and Traffic Bridge – Award of Project Agreement

The Price Submissions and Financial Models were verified by the City's Financial and Business Advisor for the project, KPMG. The Financial Evaluation Team determined the Preferred Proponent based on the lowest price. The Fairness Advisor confirmed the final determination of the Financial Evaluation Team.

The submission from Graham Commuter Partners was within budget and had the lowest price, and as a result, Graham Commuter Partners has been selected as the Preferred Proponent for the project. Graham Commuter Partners is a consortium comprised of:

- Gracorp Capital Partners LP
- Graham Infrastructure
- Buckland & Taylor
- Tetra Tech
- Clifton
- ASL Paving
- BBGI
- National Bank Financial

The RFP also included a draft Project Agreement (PA), which binds both the City and Graham Commuter Partners. The PA defines the end-product and performance specifications for the design, construction, operation and maintenance of the project, including the financial penalties for not achieving these requirements. The PA (as summarized in the attachment) is approved and His Worship the Mayor and the City Clerk are authorized to execute and deliver the PA with such amendments as they determine to be necessary and to do all further acts including the execution and delivery of all other documents required to reach Commercial Close and Financial Close as may be necessary. The PA also outlines the Commercial Close and Financial Close process, which Administration will now commence, targeted to be achieved on or around October 23, 2015.

Public and/or Stakeholder Involvement

Stakeholder involvement will be required at various stages of the project. Community events will be planned in order to engage and educate the citizens. The Administration will coordinate with applicable stakeholders as necessary.

Communication Plan

Graham Commuter Partners has developed a communication plan as part of their RFP submission, and the City and Graham Commuter Partners will coordinate execution of the plan as appropriate. The plan will include communications with the community and the general public regarding the project and construction updates.

Financial Implications

The PA is a contract to design, build, finance, and maintain the North Commuter Parkway and Traffic Bridge for a period of 30 years following construction. The construction-related and ongoing capital payments to the Preferred Proponent are considered a long-term

liability for the City, and as a result, have been treated as debt, requiring City Council to pass a borrowing bylaw. This debt requirement is planned debt and is fully accommodated within the \$558M debt limit that has been approved by the Saskatchewan Municipal Board.

The approved funding plan supports annual payments to the Preferred Proponent of \$10.8M per year for the 30-year term. These payments, which are similar to a fixed-rate mortgage with maintenance and repair expenses, include design and construction of the project, and provision of operations, maintenance and rehabilitation services to the infrastructure over a 30-year term following completion of construction.

PPP Canada will fund 25% of the eligible capital costs up to \$66M, and \$50M from the Province of Saskatchewan is being used to cover capital costs; the annual payment above reflects receipt of this grant (see Attachment 1 for Financial Highlights and Payment Obligations).

The Financial Submission from Graham Commuter Partners is within this budget.

Commercial Close and Financial Close are targeted for on or around October 23, 2015. Until that date, the final financial offer is subject to changes due to fluctuations in the financial markets (credit rates). Once the details of the PA are finalized, the Administration will present an update report, which includes the final price, for City Council's information.

Other Considerations/Implications

There are no options, policy, environmental, privacy, or CPTED implications or considerations.

Due Date for Follow-up and/or Project Completion

Following City Council approval of the PA Award, Administration will work with Graham Commuter Partners to achieve Commercial Close and Financial Close on or around October 23, 2015. Construction will start shortly thereafter with Substantial Completion currently targeted for October 1, 2018.

Public Notice

Public Notice for the City borrowing that is part of the project was required pursuant to Section 3 of Policy No. C01-021, Public Notice Policy, which forms part of City Council Bylaw No. 8171, The Public Notice Policy Bylaw, 2003. Administration has submitted a separate City Council (Matters Requiring Public Notice) report entitled North Commuter Parkway and Traffic Bridge – Intent to Borrow. The following Public Notice was given for that report:

- Advertised in The StarPhoenix on Saturday August 8, 2015;
- Posted on the City Hall Notice Board on Friday August 7, 2015; and
- Posted on the City of Saskatoon's website on Friday August 7, 2015.

Attachment

1. North Commuter Parkway and Traffic Bridge – Financial and Payment Obligations Highlights, and Risk Matrix

Report Approval

Written by: Dan Willems, Special Projects Manager, Major Projects
Kari Smith, Manager of Financial Planning

Reviewed by: Mike Gutek, Director of Major Projects

Approved by: Celene Anger, Acting/General Manager, Transportation & Utilities Department

Council DW-KS - NCP and Traffic Bridge - Award of Project Agreement

North Commuter Parkway and Traffic Bridge Financial Highlights

Substantial Completion and Capital Payments

The City will pay Graham Commuter Partners up to \$120 Million when Substantial Completion has been achieved (expected date is October 2018), as confirmed by an Independent Certifier. This payment is made up of the grant funding from PPP Canada and the Province of Saskatchewan as well as funding from the Neighbourhood Land Development Fund surplus and borrowing. This Substantial Completion payment is the only payment made to Graham Commuter Partners during construction, meaning a significant value of the Project Agreement remains unpaid and at risk to Graham Commuter Partners during and after construction, which means this risk holds them accountable to meet the performance requirements as outlined in the Project Agreement.

The remaining capital construction costs will be paid in monthly payments for 30 years (starting the month of Substantial Completion).

Operation, Maintenance and Rehabilitation Payments

In addition to the capital payments, operation, maintenance and rehabilitation payments are made on a monthly basis for 30 years (starting the month of Substantial Completion), and are indexed by inflation each year. These payments are subject to payment adjustments under the Payment Mechanism process contained in the Project Agreement. The Payment Mechanism and the Technical Requirements detail the penalties for Quality Failures, Service Failures and Availability Failures. All of these types of Failures result in financial deductions from the monthly payments.

North Commuter Parkway and Traffic Bridge Payment Obligations Highlights

ITEM	PROJECT AGREEMENT SECTION REFERENCE	SUMMARY OF CITY PAYMENT OBLIGATION	SUMMARY OF PROVISION
1.	Section 11.1(1)	Substantial Completion Payment	The City is obligated to pay Graham Commuter Partners the Substantial Completion Payment, plus applicable GST no later than 5 business days following the Substantial Completion Date.
2.	Sections 11.2 – 11.4	Monthly Payments	The City is obligated to pay Graham Commuter Partners Monthly Payments subject to any adjustments (including Deductions) as set out in the Payment Mechanism.
3.	Section 11.12	Interest	The City is obligated to pay interest at a rate of Prime plus 2% without compounding on late payments.
4.	Section 11.13	GST	The City is obligated to pay Graham Commuter Partners all GST payable in accordance with paragraph 168(3)(c) of the <i>Excise Tax Act</i> (Canada).
5.	Section 19.7	Monthly Payment upon City Termination of Project Agreement	Upon termination of the Project Agreement by the City, by Graham Commuter Partners or upon Force Majeure, the City is obligated to pay a prorated portion of the Monthly Payment.
6.	Schedule 10	Payment to Independent Certifier	The City and Graham Commuter Partners shall each pay one-half of the fee to the Independent Certifier.
7.	Schedule 15	Construction Period Termination	The City has a payment obligation if the City terminates the Project Agreement prior to Substantial Completion as a result of the

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			occurrence of a Termination Event.
8.	Schedule 15	Operations, Maintenance and Rehabilitation (OMR) Period Termination	The City has a payment obligation if the City terminates the Project Agreement during the OMR Period as a result of the occurrence of a Termination Event.
9.	Schedule 17	Change Orders and Change Directives	The City has a payment obligation if the City confirms a Change Order or issues a Change Directive.

North Commuter Parkway and Traffic Bridge Risk Matrix

ITEM	PROJECT AGREEMENT SECTION REFERENCE	SUMMARY OF CITY OBLIGATION	SUMMARY OF PROVISION
1.	Article 5	Non-interference with the Site	Graham Commuter Partners is entitled to access to the site. If the City materially interferes with Graham Commuter Partners' access to the site, Graham Commuter Partners may claim delay, compensation or right to a change order.
2.	Section 5.4	Condition of the Site	Graham Commuter Partners shall be responsible for any Environmental Damage except if the Environmental Damage was not disclosed or readily inferable from the Project Background Information or the Environmental Damage is caused by the City or any City Party.
3.	Section 6.7	Design Plan Review	Graham Commuter Partners shall provide detailed designs to City. The City has 10 business days to respond to the submission.
4.	Section 6.16	Environmental Remediation	Graham Commuter Partners must rehabilitate known environmental contamination in the project area. In the event the mass of contaminated material exceeds the mass estimated by the City's consultant, Graham Commuter Partners is entitled to reimbursement at a rate of \$50 per tonne for each excess tonne.
5.	Section 6.17	Utility Relocations	Graham Commuter Partners is responsible for relocation of all existing utilities to accommodate the new infrastructure. Should costs for utility relocations exceed \$2.5M, the City and Project Co will share the excess costs.

ITEM	PROJECT AGREEMENT SECTION REFERENCE	SUMMARY OF CITY OBLIGATION	SUMMARY OF PROVISION
6.	Article 14	Force Majeure	Force Majeure is defined as any war, invasion, insurrection, armed conflict, act of foreign enemy, revolution, terrorist act, interference by military authorities, nuclear explosion, contamination by ionizing radiation, pressure waves caused by an object travelling at supersonic speed, epidemic, or quarantine restriction. If provisions of the section are met, then Graham Commuter Partners may be entitled to schedule relief and/or compensation.
7.	Article 15	Relief Events	<p>Section 15.1 of the Project Agreement contains a list of relief events that are outside the control of Project Co. If the conditions of the section are met, Graham Commuter Partners may be entitled to schedule relief and/or compensation. Some of the relief events defined include:</p> <ul style="list-style-type: none"> • Breach of any provision of this Project Agreement by the City; • A Designated Change in Law coming into effect after the Technical Submission Deadline; • Any Environmental Damage or Degradation for which the City is responsible; • A presence of Heritage Finds which was not identified in the Background Information; • Protest action at the site; • A general strike or labour disruption that is applicable to the road and bridge construction industry. <p>For a complete list of relief events please see Section 15.1.</p>
8.	Schedule 17	Change Orders	The Project Agreement specifies a change order process. Change orders may affect construction schedule and will entitle Graham Commuter Partners to additional compensation.