



# REGIONAL MUNICIPALITY OF WATERLOO PLANNING AND WORKS COMMITTEE MINUTES

Tuesday, September 25, 2012  
11:22 A.M.  
Regional Council Chamber  
150 Frederick Street, Kitchener, Ontario

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Present were: L. Armstrong, J. Brewer, D. Craig\*, T. Cowan, R. Deutschmann\*, T. Galloway, J. Haalboom, R. Kelterborn, J. Mitchell, Acting Chair K. Seiling, S. Strickland, C. Zehr

Members absent: B. Halloran, G. Lorentz, C. Millar, J. Wideman

## **DECLARATIONS OF PECUNIARY INTEREST UNDER THE MUNICIPAL CONFLICT OF INTEREST ACT**

- a) K. Seiling declared a conflict with respect to Report E-12-098/F-12-079, Stage 1 Light Rail Project - Private Sector Financing and Operations, due to two of his adult children who own residential properties within the proposed light rail transit corridor:
- b) R. Deutschmann declared a pecuniary interest with respect to Report E-12-098/F-12-079, Stage 1 Light Rail Project - Private Sector Financing and Operations, due to a pecuniary interest since he and his spouse are shareholders of corporations that have an interest in a property at 10 Duke Street West, Kitchener.
- c) D. Craig declared a conflict with respect to Report E-12-098/F-12-079, Stage 1 Light Rail Project - Private Sector Financing and Operations, due to his son owning property within the area of a proposed station on the rapid transit system

## **DELEGATIONS**

- a) Craig Beattie Re: P-12-088/F-12-073, Brownfields Financial Incentive Program - Tax Increment Grant Program Application –The Breithaupt Block, City of Kitchener.

C. Beattie provided a brief update on the project and indicated that they are working toward finishing construction of phase one.

Committee members generally expressed support for the development project.

The corresponding Report was brought forward at this time.

- a) P-12-088/F-12-073, Brownfields Financial Incentive Program - Tax Increment Grant Program Application –The Breithaupt Block, City of Kitchener

MOVED by J. Haalboom  
SECONDED by T. Galloway

THAT the Regional Municipality of Waterloo take the following action regarding the properties municipally known as 51 Breithaupt Street, 20-24 Breithaupt Street, 2 and 12 Moore Avenue

and 47 Wellington Street (hereon collectively referred to as the Breithaupt Block) in the City of Kitchener:

- a) Approve a joint Tax Increment Grant for an amount not to exceed \$953,286 to be financed from the funding allocated to the Brownfield Financial Incentive Program as per the Financial Implications section of Report P-12-088/F-12-073.
- b) Provide the Tax Increment Grant subject to the completion of remediation and redevelopment on the properties (including the filing of a Record of Site Condition with the Ministry of the Environment) and upon final confirmation of any additional brownfield related financial assistance rendered under the Region's Brownfield Financial Incentive Program or through the City of Kitchener;
- c) Authorize the Region's Commissioner of Planning, Housing and Community Services and Chief Financial Officer to execute any associated agreements with the registered owner(s) of the Breithaupt Block and the City of Kitchener, as described in Report P-12-088/F-12-073, dated September 25, 2012, with the form and content of such agreement(s) to be satisfactory to both the Regional and City of Kitchener Solicitors.

CARRIED

## **REPORTS – TRANSPORTATION AND ENVIRONMENTAL SERVICES**

### **WASTE MANAGEMENT**

- b) E-12-088, Waste Management Master Plan Update

Received for information.

- c) Waste Management Master Plan – Public Information No. 1

Received for information.

### **WATER**

- d) E-12-089, Draft Source Protection Plan

MOVED by J. Haalboom

SECONDED by J. Mitchell

THAT the Regional Municipality of Waterloo continue to support the approach and policies that apply within the Region of Waterloo in the draft Source Protection Plan, as presented in Report E-12-089 dated September 25, 2012.

CARRIED

- e) E-12-091, Amendment to Phase 2 Tier 3 Water Budget and Water Quantity Risk Assessment

MOVED by L. Armstrong  
SECONDED by J. Haalboom

THAT the Regional Municipality of Waterloo amend the Engineering Services Agreement with AquaResource Inc. (ARI), for the Ministry of Natural Resources (MNR)-funded Pilot Tier 3 Water Budget and Water Quantity Risk Assessment (Tier 3 Project) as outlined in Report E-12-091, dated September 25, 2012, from \$2,045,000 to an upset limit of \$3,015,000 plus applicable taxes. This represents an increase of \$970,000, 100% of which is being funded by the Ministry of Natural Resources.

CARRIED

- f) E-12-083, Biosolids from Waterloo Wastewater Treatment Plant Contract Extensions

In response to a members inquiry, Nancy Kodousek, Director, Water Services, advised that the contract provides temporary services while the permanent dewatering facility is being constructed in Waterloo and it is anticipated to be commissioned in the fall of 2013.

A member inquired about the status of the Kitchener plant.

MOVED by C. Zehr  
SECONDED by T. Cowan

THAT the Regional Municipality of Waterloo approve exercising an option to extend the contract with Tervita Corp (formerly American Process Group (Canada) Inc.) for the dewatering, haulage and disposal of biosolids from Waterloo Wastewater Treatment Plant for a twelve (12) month period, and further extend the contract for an additional six months (for a total of 18 months) at the current 2012 unit rate of \$31.34 per cubic metre (including all applicable taxes) with annual Consumer Price Index increases, as set out in Report E-12-083, dated September 25, 2012.

CARRIED

#### **INTER-DEPARTMENTAL REPORT**

- g) E-12-099/F-12-074, P2012-22 Grand River Transit Bus Purchase 2013 to 2017

MOVED by J. Haalboom  
SECONDED by T. Cowan

THAT the Regional Municipality of Waterloo take the following action regarding Grand River Transit's 2013 to 2017 bus purchases:

- a) accept the proposal of New Flyer Bus Industries Canada ULC for the supply of one hundred and twenty three (123) diesel buses between 2013 and 2017 based on a 2013 price per bus of \$490,420.00 including all applicable taxes with the understanding the quantity and price will be determined annually and subject to final Council approval in each of the five years.

- b) grant pre-budget approval for the purchase of eighteen (18) transit buses prior to the approval of the 2013 budget at a price of \$8,827,560.00 including all applicable taxes.
- c) approve the purchase of fifteen (15) transit buses at a purchase price of \$7,356,300.00 including all applicable taxes, subject to the approval of the 2013 budget.
- d) authorize the issuance of debentures in an amount not to exceed \$12,800,000 for a term not to exceed 10 years for these purchases.

CARRIED

\*D. Craig left the meeting at 11:34 a.m.

K. Seiling vacated the Chair and C. Zehr chaired the following item.

- h) E-12-098/F-12-079, Stage 1 Light Rail Project - Private Sector Financing and Operations

Craig Dyer, Chief Financial Officer, provided a [power point presentation](#). A copy is appended to the original minutes. He explained the basis for the assessment of the Financing and Operations portions of the project. C. Dyer updated Committee on the procurement process and advised that the Request for Qualification (RFQ) would be issued in early October to conclude in 2014.

Staff responded to Committee members questions regarding the recommended 25% of the capital cost and the RFQ process.

Staff were requested to provide a revised financing chart that breaks down the federal, provincial and financed portions for the Council meeting next week.

\*R. Deutschmann left the meeting at 11:55 a.m.

J. Haalboom requested a recorded vote on the motion.

MOVED by S. Strickland

SECONDED by L. Armstrong

THAT the Regional Municipality of Waterloo takes the following actions regarding the procurement of Stage 1 of the light rail project, as described in Report No. E-12-098/F-12-079, dated September 25, 2012:

Conflicts:  
K. Seiling  
D. Craig  
R. Deutschmann

- a) the financial evaluation threshold to pre-qualify respondents to the Request for Qualifications be an amount of long-term private financing equal to approximately 25% of total capital costs.
- b) indicate in the Request for Qualifications an initial term of ten years for the operations component of the approved procurement and delivery model with two to four renewal options to be exercised at the discretion of the Region so that the planned integration with future system expansion can be combined under a single operator; and
- c) direct staff to report back to Council with staff's recommendations on the final amount of private financing required, prior to the issuance of the Request for Proposal.

**CARRIED**

Yeas: L. Armstrong, T. Cowan, T. Galloway, R. Kelterborn, J. Mitchell, S. Strickland, C. Zehr

Nays: J. Brewer, J. Haalboom

Excused: R. Deutschmann, K. Seiling

K. Seiling resumed Chairing the meeting.

\*R. Deutschmann returned the meeting at 11:58 a.m.

**REPORTS – PLANNING, HOUSING AND COMMUNITY SERVICES****COMMUNITY PLANNING**

i) P-12-061, Monthly Report of Development Activity for August 2012

MOVED by J. Mitchell

SECONDED by L. Armstrong

THAT the Region of Waterloo accept P-12-061, Monthly Report of Development Activity for August, 2012, dated September 25, 2012.

**CARRIED****COMMITTEE REPORTS**

a) Well Interference Appeals Committee – September 19, 2012

MOVED by L. Armstrong

SECONDED by R. Kelterborn

THAT no compensation be provided at 23 Queen Street, Branchton in response to a claim of well interference, for the following reasons:

- a) Historical data that indicated the well is outside of the influence of municipal pumping;
- b) Long term water level data collected on a monthly basis from nearby monitoring wells;
- c) The complaint regarding impact at 23 Queen Street was viewed as being an unsupported complaint within a Groundwater Taking Policy Area as outlined in the Well Interference Policy as there was no technical basis for linking the well problems with the pumping of municipal wells;

as outlined in Report E-12-095 dated September 19, 2012.

**CARRIED**

**OTHER BUSINESS**

## a) Council Enquiries and Requests for Information Tracking List

J. Brewer inquired about the timeline for the signals and pedestrians within Roundabouts on Franklin Boulevard. Staff indicated that they have delayed that report so that the outcome of the Roundabouts workshop in November can be incorporated into the Franklin Boulevard project.

Received for information.

Thomas Schmidt, Commissioner, Transportation and Environmental Services, announced that Darshpreet Bhatti has been hired as the new Director of Rapid Transit.

**NEXT MEETING** – October 16, 2012

**ADJOURN**

MOVED by J. Brewer

SECONDED by L. Armstrong

THAT the meeting adjourn at 12:02 p.m.

CARRIED

**COMMITTEE ACTING CHAIR**, *K. Seiling*

**COMMITTEE CLERK**, *J. Reid*

# **STAGE 1 LIGHT RAIL PROJECT**

## **Private Sector Financing And Operations**

September 25, 2012

# BACKGROUND

- In February 2012, Council approved a recommendation to proceed with a Design-Build-Finance-Operate-Maintain (DBFOM) procurement and delivery model.
- A 30 year term for the long-term private financing (F) and maintenance (M) components was approved and staff were directed to review the operating (O) term.



# PURPOSE OF TODAY'S REPORT

- To seek approval from Committee on two specific matters related to the approved DBFOM delivery model:
  1. The amount of long-term private sector financing, and
  2. The proposed term for the operations component
  
- To provide an update on the procurement process for the Request for Qualifications.



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# LONG-TERM PRIVATE FINANCING

- Traditionally, the Region would pay for the full cost of construction during the construction period.
- In the DBFOM model, a portion of the capital cost is withheld and paid out over the length of the contract.
- The DBFOM team finances this withheld money by borrowing (using a combination of debt and equity).

## Benefits to the Region

- Private financing acts as insurance/incentive to:
  - Ensure the quality of construction, and
  - Ensure proper operations and maintenance in the long term

## Costs to the Region

- Private sector will have a higher cost of borrowing than the Region and this cost will be reflected in each team's RFP response.
- **The question is: How to balance the benefits and costs? Put another way: How to quantify the amount of capital costs to be withheld and paid out over the life of the contract?**

- A number of financing scenarios were assessed based on:
  - Affordability
  - Risk transfer and Securing Performance
  - Region's up-front share of capital costs
  - Market Acceptability



# LONG-TERM PRIVATE FINANCING CONT'D

Region of Waterloo

## Affordability

- The higher the amount of private financing, the less affordable the project becomes, since private sector financing costs are higher.
- The right balance is needed between Regional borrowing and private sector financing.



# LONG-TERM PRIVATE FINANCING CONT'D

Region of Waterloo

## Risk Transfer & Securing Performance

- A sufficient amount of private sector financing is needed to transfer the long-term maintenance risk to the DBFOM contractor.
- The lower the amount of private financing, the less risk is transferred.
- The amount has to be high enough to prevent the contractor from walking away from the project, but not so high that it adversely affects Region's affordability.

## Region's Upfront Costs

- More private financing lowers the Region's upfront share of capital costs.
- However, it adds to the long-term contract costs.
- i.e. It shifts debenture servicing costs to a long term contract cost.



## Market Acceptability

- If the amount of private financing is too low, the private sector investors and lenders may not be interested.
- If the amount of private financing is too high, it may limit the number of companies that can compete for this project.



# LONG-TERM PRIVATE FINANCING CONT'D

Region of Waterloo

## Findings

Private Finance	Risk Transfer	Region's Upfront Share	Market Acceptability	Price Compression to offset cost
Low (~10%)	Poor	\$202 M	Caution	2.5%
Medium (~25%)	Fair	\$117 M	Good	5%
High (~40%)	Good	\$53 M	Good	11%

These numbers are approximate only.



Region of Waterloo

# LONG-TERM PRIVATE FINANCING CONT'D

**Based on the analysis, the recommended amount of long-term private financing is approximately 25%.**

# OPERATIONS

- Similar to the financial analysis, multiple options were evaluated to identify a shorter term for the Operations component.
- **The objective is to identify a term length that maintains flexibility for future system expansion under a single operator.**

# OPERATIONS CONT'D

- Options were assessed based on:
  - Long-term Warranty
  - Operational Flexibility
  - Vehicle Supply and Lifecycle
  - Bundling of Vehicle Operations & Maintenance
  - Market Acceptability
  - Employee Stability
  
- **An initial term of 10 years, followed by 2 to 4 renewal periods is being recommended for the operations component.**



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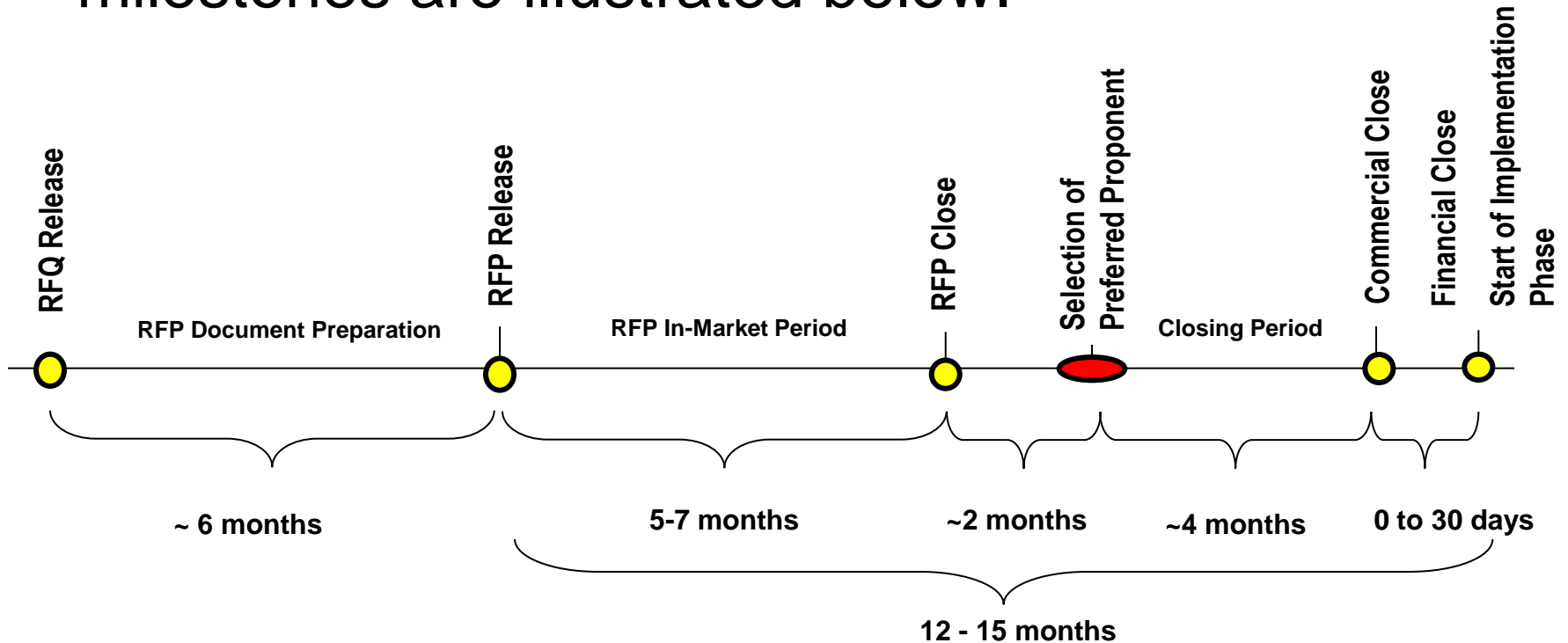
# PROCUREMENT PROCESS

- Request for Qualifications (RFQ) to be issued in the first week of October, 2012.
- RFQ will evaluate both Technical and Financial Capabilities of the bidders. In particular, it will assess each team's approach and experience on:
  - Project Partnering and Development
  - Finance
  - Design and Construction
  - Maintenance and Operations



# PROCUREMENT PROCESS CONT'D

- Up to three pre-qualified bidders will be short-listed.
- The anticipated procurement timeline and milestones are illustrated below.



# PROCUREMENT PROCESS

- The procurement process will employ a Fairness Monitor to ensure that:
  - the established process is followed appropriately, and
  - the evaluation is undertaken in an unbiased and consistent manner.
  
- Infrastructure Ontario (IO), in consultation with the Region, will be awarding this assignment to P1 Consulting and will accommodate the associated fees in their contract.



Questions?