



2019 February 19

James K. Gray, O.C., A.O.E.  
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Mr. Gray,

Thank you for your letter dated February 4, 2019 RE: Green Line and for your continued commitment to making Calgary a great City.

Your letter eloquently articulates the risks associated with delivery of mega projects, and The City of Calgary agrees that mega projects present a significant risk which must be managed differently from traditional projects. I wanted to share what The City is specifically doing to manage and deliver the project and how it aligns to the five recommendations which you outline on Page 2 of your letter.

*Recommendation 1) A complete review of Stage One of the Green Line alignment, scope, design, and funding must be conducted before construction is initiated.*

**City Response 1)** Aligned with your recommendation The City is currently undergoing a review of the alignment, scope, design, and funding. This process will continue through to the ultimate decision to award the main construction contract which will happen in 2020. As Administration identifies new information we continue to evolve the project to deliver the greatest outcomes for Calgarians.

*Recommendation 2) Managers must never contract anything or commit any future funding for anything that is not fully funded, i.e., known cost plus anticipated risks. It is irresponsible in the extreme to contract out work on unfunded projects. Taxpayers would be justly outraged if The City were to do so.*

**City Response 2)** Administration is in complete agreement. Administration's procurement process does not allow for the contracting of work which is not fully funded.

*Recommendation 3) Other alignments to cross the Bow are possible (elevated, i.e., bridge, alignments vs. deep risky expensive tunnels). Such a change in scope might be funded within the currently approved funding envelope for Stage One, i.e. \$4.65 billion including a shorter construction period.*

**City Response 3)** There are dozens of options for alignments for the project through the downtown, across the river, and north through Calgary. Over the last five years Administration has reviewed these options, discussed them with the public and stakeholders, and presented them to Council through public forums such as the Transportation and Transit Committee where

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the public provided feedback both positive and negative which were taken into consideration by Council, before Council made its decision on the alignment.

Funding for construction of Stage 1 is actually just under \$5 Billion. Two funding announcements highlight this funding: On December of 2016 the Federal Government, Provincial Government, and The City of Calgary announced over \$360 million in funding for the enabling works projects associated with Stage 1 of the project. Then in January of 2019 the Provincial Government, Federal Government and The City of Calgary made a second announcement for the finalization and signing of the funding agreement for \$4.65 billion, which finalized all funding commitments for Stage 1. It should be noted that the \$5 billion in funding includes land acquisition, purchase of new light rail vehicles, a new maintenance and storage facility, utility relocations, design and engineering, and construction of 20km of LRT track including 14 stations and all associated works, cost escalation and commissioning.

Administration is committed to delivering Stage 1 within the approved \$5 billion funding. The City has selected a Design Build finance procurement model to deliver the majority of the project. The procurement process provides Administration with the ability to work with bid teams independently to evaluate the affordability of the Stage 1 scope. If changes to the scope are required to ensure that it is delivered within the \$5 billion funding, Administration can make those changes through the development of the designs and management of the procurement process with an affordability cap. In this way Administration can confirm the scope and cost for the main component of Stage 1 prior to issuing the main project for construction.

*Recommendation 4) If no further funds, i.e., additional \$2 billion, can be found to fully fund Stage One, and no changes in design are allowed, the project should be cancelled.*

**City Response 4)** Stage 1 will not proceed if the cost is going to be over \$5 billion. Administration is not and will not be looking for additional funding to deliver Stage 1.

*Recommendation 5) To date, approximately \$300 million\* has been spent on this project, principally on land acquisition for Stage One. Common sense would suggest that these expenditures be reduced where practical until final alignment and design, together with cost and funding certainty have been attained.*

*\*Note: The oft-quoted cost and approved funding for Stage One of \$4.65 billion has been committed to taxpayers as 'the full cost of Stage One'. The re-direction of \$300 million from 'other' budgets is inappropriate.*

**City Response 5)** In the December 2018 Green Line Q4 2018 Update to the Transportation and Transit Committee, Administration identified that it had committed \$211 million as of October 2018. The next quarterly update to the Transportation and Transit Committee will update the committed costs to date. Spending to date has included expenditures for five years of planning, design and community consultation (Stage 1 of the project impacts 15 communities over the 20km of length), relocation of long lead items such as utilities, and construction of immediate works which provide value to Calgarians such as bus improvements at the existing

Douglas Glen station, etc. Purchasing land takes many years and The City will continue to finalize purchasing the required land as delaying the purchase will increase costs significantly if land needs to be purchased on a shorter timeframe. The procurement strategy includes a number of smaller supplemental contracts which will get Calgarians working today while the larger contract procurement goes through the process. Note that we are not expecting construction on the larger construction contract to start until late 2020 at the earliest.

Funding for the project is finalized and approved. As stated above, Administration will not proceed with Stage 1 if the cost is going to be over the approved \$5 billion in funding. Administration is not and will not be looking for additional funding to deliver Stage 1. Also to your note, money has not been "re-directed" from other budgets; expenses to date have been part of the approved project budget.

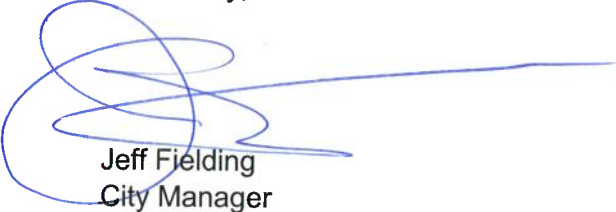
### **Next Steps**

The Green Line Stage 1 project is moving into procurement as indicated above. This will give Administration the most certainty with respect to the scope and the respective cost. The main project contract will be a fixed price contract, so Administration will understand the risk and the costs associated with the price for which the construction industry commits to delivering the project.

As indicated above the funding for the project is finalized and approved. Administration will not proceed with Stage 1 if the cost is going to be over the approved \$5 billion in funding and Administration is not and will not be looking for additional funding to deliver Stage 1.

Thank you for sharing your concerns and recommendations with us. Please be assured that we are taking this project very seriously as we move forward.

Yours truly,



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