



**City of Kingston  
Report to Council  
Report Number 16-129**

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**To:** Mayor and Members of Council  
**From:** Jim Keech, President and CEO, Utilities Kingston  
**Resource Staff:** Mark Van Buren, Director of Engineering  
**Date of Meeting:** April 19, 2016  
**Subject:** Third Crossing Action Plan – Phase 3 (Financial/Business Plan)  
Update

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**Executive Summary:**

An Action Plan to move the Third Crossing project to a “shovel-ready” status has been previously approved by Council in 2015. Phase 3 of the action plan identified the need to prepare a financial plan for the project. This work item is more appropriately considered a ‘business’ plan and will be referred to as such on a go-forward basis. The following report will provide Council with an understanding of the business plan development for the Third Crossing project and the various components of the plan. One of the important components of the business plan for the Third Crossing project will be the analysis and evaluation of various project delivery models. This work will consider both traditional and non-traditional procurement models, and undertake both qualitative and quantitative analysis in order to provide appropriate recommendations with respect to the preferred procurement model. Staff are recommending a single source contract with Infrastructure Ontario, to complete this component of the business planning work, under provisions of the City’s Purchasing By-Law. This report to council will also provide supporting reasons for a single source contract with Infrastructure Ontario.

**Recommendation:**

**That** Council authorize the Mayor and Clerk to enter into a contract in a form satisfactory to the Director of Legal Services with Infrastructure Ontario, to support the business plan development of the Third Crossing project and undertake the analysis and evaluation of various project delivery models.

**That** Council authorize the Mayor and Clerk to provide a formal letter of request to the Ontario Minister of Economic Development, Employment and Infrastructure to direct Infrastructure

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Ontario to provide services to the City of Kingston for the business plan development of the Third Crossing project

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**Authorizing Signatures:**

ORIGINAL SIGNED BY PRESIDENT & CEO, UTILITIES KINGSTON

**Jim Keech, President & CEO, Utilities Kingston**

ORIGINAL SIGNED BY CHIEF ADMINISTRATIVE OFFICER

**Gerard Hunt, Chief Administrative Officer**

**Consultation with the following Commissioners:**

Cynthia Beach, Corporate & Strategic Initiatives	Not required
Lanie Hurdle, Community Services	Not required
Denis Leger, Transportation, Facilities & Emergency Services	Not required
Desiree Kennedy, Chief Financial Officer & City Treasurer	

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**Options/Discussion:***Background*

On September 15, 2015 staff provided Kingston City Council with an Action Plan update to move the Third Crossing project to a “shovel-ready” status. Phase 1 of the action plan has been completed with the conclusion of updates to both the Development Charges By-Law (2014) and the Kingston Transportation Master Plan (2015). Work is currently underway on Phase 2 of the action plan with efforts focused on the advancement of preliminary design and updated construction cost estimates for the Third Crossing project. Phase 3 of the action plan is the preparation of a financial plan for the project to be developed in parallel with the preliminary design work for the bridge crossing. Phase 3 is more appropriately considered a business plan and will be referred to as such on a go-forward basis. Council approved a total budget of \$2.95 million to complete both Phases 2 and 3 of the Action Plan. The work associated with both Phases 2 and 3 will conclude with a report to Council that will provide a summary of preliminary design information, updated construction cost estimates, and the first three components of the four component business plan for the Third Crossing project as described below.

*Why are we Developing a Business Plan and What are the Components?*

A business plan for the Third Crossing project provides an opportunity to build upon work already completed in the Third Crossing Environmental Assessment process and provide further analysis to support the economic feasibility of the project and the recommended approach to project implementation. The preparation of a business plan will also support grant applications for this project at both the Federal and Provincial government levels. A traditional business plan for a large-scale capital infrastructure project typically focusses on assessing the public need for the infrastructure, and also gives consideration to the economic and technical feasibility of the project. The Third Crossing Environmental Study Report (2012) addressed the needs justification for the project and also examined the technical feasibility of the project based on information and findings related to the preferred crossing location, associated environmental impacts, and impact mitigation measures. The Environmental Study Report also provided conceptual level (Class D) construction cost estimates and a brief overview of project delivery models such as traditional (e.g. design/bid/build) and non-traditional (e.g. public-private partnership) procurement models.

In order to further support the work completed in the Third Crossing Environmental Study Report, staff will be preparing a business plan for the project that will include the four components as identified below. Staff anticipates that the completion of the first three components of the business plan together with summary information from the bridge preliminary design work will complete Phase 3 of the Third Crossing Action Plan and enable the preparation of a report to Council. The report to Council will provide a recommendation and decision-point prior to proceeding the final phase of the Action Plan.

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### 1. Social-economic cost-benefit analysis

A social-economic cost-benefit analysis will further assist the City and Federal/Provincial governments with the investment decision for the Third Crossing. This work will be led by Collins Barrow Infrastructure Advisory Group through a purchase order meeting the requirements of the City's purchasing bylaw. Collins Barrow will develop an economic model to estimate the cost-benefit ratio of investing in the project. The model will develop, quantify and monetize various socio-economic factors such as travel time, harmful gas emissions (e.g. greenhouse gases, air contaminants, and volatile organic compounds), vehicular accidents, vehicular operational expenses, response times for emergency services, and other socio-economic factors. The model will also assess on a qualitative manner the potential for additional economic development within the impact area. The methodology used to conduct the cost-benefit analysis will be based upon similar analyses conducted for other major transportation infrastructure projects in North America. Public consultation will be included as an integral part of this work to ensure understanding of the model, socio-economic factors to be considered, and the data requirements to support the model. The results of this work will provide additional information to assist Council in the decision making process and whether to proceed with Phase 4 of the Third Crossing Action Plan.

### 2. Procurement option analysis and evaluation

The Environmental Assessment for the Third Crossing provided a preliminary review of various procurement options for the project implementation and made recommendation for a more detailed evaluation as part of the business plan development for the project. The procurement options analysis and evaluation will consider, analyze and evaluate all viable project delivery models for project implementation. Staff recommends that Infrastructure Ontario should lead this work based on supporting reasons provided further in this report. This work will involve a qualitative analysis of traditional project delivery models including (a) design/bid/build and (b) design/build, and non-traditional models that include private sector involvement in two or more of the following components: (a) design, (b) build, (c) finance, (d) operate, and (e) maintain (note: one of which must be 'operate', 'maintain' or 'finance'). These models are often referred to as Alternative Finance Procurement or Public-Private Partnership (P3) models. This work will also involve a preliminary market sounding of the private sector to better understand project risks, timelines, and private sector interest. Quantitative analysis of short-listed project delivery models will utilize a 'Value for Money' methodology that will rely on project cost estimates and risk analysis/quantification. Public consultation will be included in this work to ensure understanding of the various project delivery models, methods used to analyze and evaluate, and recommendation(s) associated with the preferred model.

### 3. Project financing

City staff will lead the preparation of the project financing component of the overall business plan. This work will be based upon information being generated via the preliminary design work as the opinion of probable costs for construction and land acquisition requirements progress. This work will review all available sources and uses of funds including municipal tax, development charges, user fees, and grants.

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#### 4. Procurement Strategy & Implementation Plan – Action Plan (Phase 4)

A procurement strategy and implementation plan will be developed as part of the Third Crossing business plan. This work will take place at a later date and only proceed if Kingston City Council provides direction to staff to proceed with Phase 4, the final phase of the Third Crossing Action Plan. If under these circumstances Council elects to proceed with a non-traditional project delivery model, then work to complete the project business plan would entail the development of a project charter including assembly of a project implementation team, procurement governance structure, and templates that will be used as a basis for development of Request for Qualifications, Request for Proposals, and Project Agreements. Given the scale and complexity of the project, it is possible that any recommended procurement model would be beyond the contemplation of the Purchasing Bylaw but would be governed by proper procurement practices. The implementation plan will detail status of necessary project approvals, project schedule including critical path elements and key project milestones, on-going stakeholder engagement and communications, and the proposed contract administration. If Council elects to proceed with a traditional project delivery model, then the work to complete the business plan would entail a brief summary of the proposed method of construction procurement and contract administration, status of project approvals, and project schedule.

#### *Who is Infrastructure Ontario and What Services Will They Provide?*

Infrastructure Ontario is a Crown corporation of the Government of Ontario that reports to the provincial Ministry of Economic Development, Employment and Infrastructure. Infrastructure Ontario provides a range of services that aim to support the provincial strategy to modernize and maximize the value of public infrastructure and public real estate. One of the four main business lines for Infrastructure Ontario is Major Projects. Within this area, Infrastructure Ontario manages large, complex public infrastructure projects with a specialization in the evaluation and use of Alternative Financing and Procurement project delivery models.

City staff have had numerous discussions with Infrastructure Ontario regarding item 2 of the Third Crossing business plan as described above. Infrastructure Ontario has reflected these discussions in a scope of services to undertake a procurement options analysis and evaluation for the Third Crossing project. The services provided by Infrastructure Ontario to assist the City in completing this critical component of the business plan have been offered at a price of eighty thousand dollars (\$80,000). The provision of Infrastructure Ontario services is predicated on the City requesting permission of the parent Ministry of Economic Development, Employment and Infrastructure in writing. Upon receipt of the request, the Ministry of Economic Development, Employment and Infrastructure will provide Infrastructure Ontario with a Letter of Direction to proceed with the requested services.

#### *What is the Rationale for Single Source Procurement?*

City staff are recommending a single source contract be awarded to Infrastructure Ontario. The City Purchasing By-Law describes a single source as “more than one source in the open market but for reasons of function, service, unique technology or proprietary interest only one Vendor is recommended for consideration”. Staff contends that the services that Infrastructure Ontario is

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offering to the City meet the criteria for a single source contract. Two primary reasons support this recommendation. First, Infrastructure Ontario operates on a government-to-government basis and their services are provided on a cost recovery only basis. Second, the 'Value for Money' model that Infrastructure Ontario uses for quantitative analysis as part of the project delivery model evaluation is a proprietary model that has been accepted at both the Federal and Provincial government level. As a result, this would limit additional future work and increase efficiencies when applying for upper level grant funding programs to be announced.

Beyond the aforementioned reasons that support a single source contract, Infrastructure Ontario has considerable 'in-house' expertise to help analyze and evaluate, in a non-biased and objective manner, both traditional and non-traditional project delivery models. Infrastructure Ontario staff also have experience in undertaking procurement options analysis for other major transportation infrastructure projects in the Province including, the Gardiners Expressway in the City of Toronto and the Light-Rail Transit Systems in both the City of Ottawa and the Region of Waterloo.

**Existing Policy/By Law:**

By-Law No. 2000-134 – A By-Law to Establish Purchasing Policies and Procedures.

**Notice Provisions:**

Not applicable.

**Accessibility Considerations:**

This report is available in alternate formats by request directed to the City Clerk.

**Financial Considerations:**

At the September 15, 2015 meeting of Council, budget approval in the amount of \$2,950,000 was provided to complete the preliminary design and financial plan for the Third Crossing project. There are sufficient funds in the approved budget to undertake the business planning work and therefore no further budget approvals are required. The business planning work to be completed in Phase 3 of the Third Crossing Action Plan will help to position the project for upper tier government funding when the specifics of the infrastructure funding programs are announced at both the Federal and Provincial government levels.

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**Other City of Kingston Staff Consulted:**

Desiree Kennedy, Chief Financial Officer & City Treasurer

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Alan McLeod, Senior Legal Counsel

**Exhibits Attached:**

Not applicable.