

**2021 Capital Budget Amendment –North of Yellowhead****Report Purpose**

To amend the 2021 Capital Budget to increase the cost of the North of Yellowhead project due to higher-than-anticipated land, utility, and construction costs.

**Recommendation**

THAT an amendment to the 2021 Capital Budget to increase the North of Yellowhead project in the amount of \$4,645,000 (from \$40,410,000 to \$45,055,000), to be funded from third-party funding, be approved.

**Our Prioritized Strategic Goals**

Goal 3 - Responsible Development

Goal 3 Priority - Growth and development that prioritizes community well-being and economic benefits

Goal 3 Priority - Investment in our infrastructure that supports development and complete communities

**Report**

On May 25, 2021, a Capital Budget amendment was approved to provide funding for the North of Yellowhead project, which includes construction of the Canadian National (CN) Railway overpass on Range Road 231 north of Highway 16, and signalization improvements at Township Road 534 and Highway 21. This work supports the Cambrian Crossing development and was a requirement of the Tripartite Infrastructure Agreement between Strathcona County and the Cambrian Crossing developers. As a part of this agreement, the County is obligated to undertake and contribute to the servicing of Cambrian Crossing, related to arterial roads and associated stormwater management infrastructure, water infrastructure, and wastewater infrastructure. The transportation portion of the budget created in the May 25, 2021, capital budget amendment totals \$40,410,000, which consists of County funds of \$2,810,000 and Developer funds of \$37,600,000.

On September 2, 2022, an agreement was executed between the County and Canadian National Railway Company (CN Rail), to cover the cost sharing responsibility for CN Rail per the terms of the *Railway Safety Act*. This agreement requires CN Rail to contribute up to \$4,645,000 towards the cost of construction, with issuance of payment being made upon construction completion. The initial understanding was that the addition of CN Rail funds would result in a reduction to the developer funding at the close of the project.

In early 2022, construction of the transportation infrastructure began, with 2023 being the second year of a planned two-year project. Regular project updates with developers have been occurring in two-week intervals since the project began. During the pursuit of the project there were various areas that incurred an increase in costs, primarily related to costs of franchise utility coordination and construction. In addition, there were increases in construction costs related to area-wide industry economic impacts. Some of the increased costs related to utility and land procurement delays are still in negotiation. Because of these cost increases, the CN Rail funds will be applied to the cost increase, instead of reducing the developer contributions.

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Lead Department: Transportation Engineering and Operations

Due to anticipated overages, this Capital Budget amendment is needed to increase project funding. Note that land negotiations and delay claims are still ongoing, and although the County is applying its best efforts to complete this project in an efficient and cost-effective manner, final project costs may continue to increase which may require another future Capital Budget amendment.

Failure to move forward on this capital budget amendment would result in truncating the scope of the project, resulting in an inability to complete the full scope of required improvements.

Year	2023			Total
Expenditure by Year	\$4,645,000			\$4,645,000

**Council and Committee History**

May 25, 2021

Council approved:

THAT an amendment to the 2021 Capital Budget to construct the North of Yellowhead Stage I transportation improvements, in the amount of \$40,410,000 to be funded \$2,810,000 from Municipal Reserves and \$37,600,000 from third party contributions, be approved.

THAT an amendment to the 2021 Capital Budget to construct the North of Yellowhead Water Transmission System, in the amount of \$13,000,000 to be funded \$13,000,000 from Levy Debt (with interim financing from Utilities Reserves if required for levy debt payments), be approved.

THAT an amendment to the 2021 Capital Budget to construction the North of Yellowhead Wastewater Collection, in the amount of \$14,500,000 to be funded \$11,455,000 from Levy Debt (with interim financing from Utilities Reserves if required for levy debt payments) and \$3,045,000 from Utilities Reserves, be approved.

**Other Impacts**

**Policy: FIN-001-024: Financial Reserves; FIN-001-027: Tangible Capital Assets**

**Financial Reporting Policy**

**Legislative/Legal: N/A**

**Financial/Budget:** This amendment is a net zero financial impact to the County, increasing project funding with an additional source of third-party funding to cover cost increases.

**Interdepartmental:** Corporate Finance

**Master Plan/Framework:** N/A