

October 23, 2016

Premier Rachel Notley
Office of the Premier
307 Legislature Building
10800 – 97 Avenue
Edmonton, Alberta T5K 2B6

RE: Train in Ten – A Provincial Funding Proposal For Calgary’s Green Line LRT

Dear Premier,

Since its inception in the spring of 2014, The LRT on the Green Foundation has worked in partnership with nineteen community groups in Calgary with the goals of advancing construction of the Green Line LRT and maximizing the positive community impact the project will have for the 300,000 Calgarians that live along the 40 km light rail line.

With an estimated opening day ridership of 140,000 daily riders, the Green Line will have a positive impact on Calgary’s transportation network and offers the City of Calgary a powerful tool in combating carbon emissions. It will also create 23,000 construction jobs, improve major north-south goods movement by reducing traffic on Highway 2, open up inner city communities for increased development thereby reducing urban sprawl and offers an opportunity for new affordable housing.

The \$1.53 billion promised towards the project by the federal government represents one of the largest federal investments in Alberta’s history. However without a matching contribution from the Alberta government, the minimum funding threshold to begin construction on the Green Line LRT will not be reached and this investment risks being lost. The LRT on the Green Foundation certainly appreciates the tough financial realities facing our province today however it is felt the upcoming carbon levy offers an opportunity to resolve the funding issue.



LRT on the Green

To allow construction to begin, the LRT on the Green Foundation would like to challenge your government to 'deliver the train in ten'. Our proposal would see the Government of Alberta commit \$1.53 billion of funding towards the Green Line LRT over a period of ten years. Funding would begin in 2017 and the amount would be scaled up over time to acknowledge the current fiscal reality in Alberta. Due to the project's significant potential impact on reducing vehicle trips and carbon emissions, the funding would come from the Alberta Carbon Levy.

The reasoning and details to our funding proposal can be broken down as follows;

Question of Cost:

1. OPTIMAL ESTIMATED CONSTRUCTION COST - NORTH POINTE TO SETON IN MILLIONS (PRELIMINARY, 2015 AUGUST):

2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	TOTAL
\$20.00	\$225.00	\$382.00	\$617.00	\$907.00	\$907.00	\$897.00	\$717.00	\$277.00	\$51.00	\$5,000.00

Assumes construction costs equal \$5 billion, which does not factor interest expense, which could be up to 1/3 of cost.

*Green Line: Update on Funding, Staging and Delivery – City of Calgary, December, 2015

- ✓ Key take-away: Estimated annual construction costs are variable and begin to peak in 2019

Question of revenue:

- Provincial Carbon Levy: Starting January 1, 2017, the carbon levy will be applied at a rate of \$20 per tonne. On January 1, 2018, the carbon levy will be applied at a rate of \$30 per tonne.
- Provincial Funding Strategy: Over the next five years a portion of the levy will be reinvested in the economy with an amount of \$2.2 billion designated for green infrastructure like transit.
- Proposed Federal Carbon Levy: The price on carbon pollution will start at a minimum of \$10 per tonne in 2018 and rise by \$10 a year to reach \$50 per tonne in 2022.



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- ✓ Key take-away: The Alberta Government has already created a funding envelope that could be used to fund the Green Line. The federal carbon levy will surpass the provincial targets in 2020 which means more than \$2.2 billion should be available for green infrastructure investment during the five year time horizon. The increased revenue stream would continue beyond the 2022 time horizon.

Proposed Funding Break Down:

Proposed 'Train in Ten' Annual Provincial Funding Breakdown (Total Contribution \$1.53 Billion)									
2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
\$52 M	\$52 M	\$75 M	\$100 M	\$125 M	\$150 M	\$275 M	\$275 M	\$225 M	\$200 M

- ✓ Initial annual investment is low and begins by matching the City of Calgary's \$52 million annual Green Line funding.
- ✓ Over the next 5 years the total Provincial investment would total \$554 million. This is roughly one quarter of the planned \$2.2 billion investment in green infrastructure. This opens up the potential for a similar amount to be invested in the city of Edmonton and roughly half of the total amount to be invested in initiatives benefiting the rest of the province.
- ✓ Annual investment amount begins to scale up in coordination with the planned increases to the proposed mandatory federal carbon levy.
- ✓ Annual investment amount is designed to follow the general curve of the optimal annual construction cost to try and minimize the amount of borrowing required to maximize capital investment in the project.
- ✓ Allows time for the recovery of the provincial economy before large annual investment increases are required.
- ✓ Links the provincial carbon levy to critical infrastructure investment in Calgary which offers an opportunity to improve the public perception of the value of the carbon levy and pushes the largest portions of the investment beyond the 2019 time horizon of the next provincial election making it more difficult for opposition parties to argue against investments made from the carbon levy.

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The LRT on the Green Foundation feels that our proposal offers the right balance between responsible investment and fiscal reality. Adopting it would represent the final key piece needed to move forward with the Green Line LRT, the largest public transit investment in Alberta's history. No better opportunity exists to demonstrate how strategic investment from a carbon levy can deliver the critical infrastructure required to move our province forward. The Foundation encourages your government to 'deliver the train in ten' and allow construction to begin on a project that will shape the lives of Calgarians for decades to come.

Sincerely,



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CC: Hon. Joe Ceci, Minister of Finance
CC: Hon. Brian Mason, Minister of Transportation and Infrastructure
CC: Alberta NDP Calgary Caucus
CC: His Worship, Mayor Naheed Nenshi
CC: Calgary City Councillors



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