# At $1.9 billion over 30 years, LRT is ‘now a done deal’

Waterloo Region Record By Paige Desmond

**LRT on track**

*The Region of Waterloo's ambitious light rail transit system is on track for a launch in 2017.*

May 09, 2014

WATERLOO REGION — It's official. It's final. Regional taxpayers are now bound to light rail construction consortium Grand Linq for the next 30 years at a cost of about $1.9 billion.

Friday marked the completion of financial documents for a contract between the Region of Waterloo and the consortium to design, build, finance, operate and maintain a 19-kilometre light rail transit system from Conestoga Mall in Waterloo to Fairview Park mall in Kitchener.

"It's now a done deal," Coun. Jim Wideman said. "Any talk of stopping it or cancelling it now would be at anybody's peril."

With commercial close came certainty on the final interest costs associated with the project, slated to be completed in 2017.

As part of a public-private partnership, about $131 million of the awarded contract is being held back from the consortium and paid out over a 30-year period.

The money is being withheld to encourage the team to invest in its work.

Grand Linq will take on debt to cover the money it has to put up until the region pays it back.

Until Friday, it wasn't known what interest rate Grand Linq would get on the debt and in turn what the region's annual payments to the consortium would be.

"It's always a bit of a gamble when you're playing with interest rates," Coun. Tom Galloway said.

Low interest rates shaved about $11.2 million over 30 years off what the region expected to pay. The consortium received a financing rate of 4.77 per cent.

"We've been on pins and needles for a while," Galloway said. "This could have gone the other way."

Construction financing costs are also about $2.5 million lower than expected.

Private construction consortium GrandLinq bid $532 million to build the system. It falls within a larger $818-million budget that also pays for consultants, utility locations and other related costs.

The region has already issued $100 million in debt to help pay capital costs of rapid transit. It was split into two 30-year debentures in the spring of 2013 and 2014.

Interest on those two items will cost about $4.1 million annually, according to a regional report.

A planned tax increase of up to 12.9 per cent spread over a period from 2011 to 2019 for light rail and bus expansion will cover costs of financing, operations and maintenance, officials say.

Galloway said it's possible that, with the lower financing costs, the region could scale back planned transit taxes — although he said it may be prudent to wait until all the construction bills are in.

"We may simply let it ride for now," he said.

Since 2011, the average regional taxpayer paid $219 toward launching rail transit and expanding bus service.

If transit tax rates go unchanged by 2019, it's estimated the average regional taxpayer will have paid more than $1,000, and annual taxes will be about $200 per year higher than in 2011.

The provincial government committed up to $300 million toward the $818-million capital budget. The federal government has committed up to $265 million.

pdesmond@therecord.com ; Twitter: @DesmondRecord