



Report to Council

Department: Infrastructure Services
Division: Environmental Services
Date: October 7, 2024
Prepared by: Kevin Girard, P.Eng., MBA
Director, Infrastructure Services
Kate Giurissevich, CPA, CA
Director, Corporate Services/Treasurer
Report Number: Environmental Services-2024-07
Subject: Housing Enabling Water Systems Fund Intake 2
Number of Pages: 7

Recommendation(s)

That Environmental Services-2024-07 entitled, "**Housing Enabling Water Systems Fund Intake 2**" prepared by Kevin Girard, Director, Infrastructure Services dated October 7th, 2024 be received, and

That Council direct Administration to **proceed** with an application to intake 2 of the Housing-Enabling Water Systems Fund for the construction of the Colchester Water Pollution Control Plant

OR

That Council **not proceed** with a second application to the Housing-Enabling Water Systems Fund for the construction of the Colchester Water Pollution Control Plant

Purpose

The purpose of this report is to notify Council of the second intake of the Housing Enabling Water Systems Fund (HEWSF) and make a recommendation to apply for the provincial funding.

Background and Discussion

At its regular meeting on April 2, 2024, Council received Council Report Environmental Services-2024-02 (attached) and resolved:

R 24-04-124

That Environmental Services 2024-02 entitled, Housing-Enabling Water Systems Fund Application prepared by Kevin Girard, Director, Infrastructure Services and Kate Giurissevich, Director, Corporate Services dated April 2, 2024 be received; and

That Council approve Option 1 as outlined below:

That Council direct Administration to make an application to the Housing-Enabling Water Systems Fund for the design and construction of the Colchester Water Pollution Control Plant;

That Council appoint Stantec Consulting Ltd. to provide engineering design services in the amount of \$2,143,065.60 (including non-refundable HST) to complete preliminary and detailed design of the Colchester Water Pollution Control Plant in accordance with the completed request under Section 22 of the Town of Essex Procurement By-Law 2129; and

That Council authorize the expenditure of \$2,453,433.60 (including non-refundable HST) to complete the design of the Colchester Water Pollution Control Plant with funding of 16% from Ward 3 Wastewater Reserve and 84% from the Development Charges Reserves.

Moved by Katie McGuire-Blais

Seconded by Rob Shepley
Carried

Since this motion, Administration applied for the HEWSF and as communicated through correspondence on August 12, 2024, the Town was unsuccessful in its application to the HEWSF. However, following this announcement, the province opened a second intake to the program with the exact same eligibility criteria as the previous intake.

The Water Pollution Control Plant (WPCP) Design Progress

In addition to approving the application to the HEWSF, Council also authorized \$2,143,065.60 including applicable taxes, to complete the design of the WPCP project. The Town has received the 30% submission and provided comments on the design back to the engineer for review. The next project milestone is the 60% submission which is planned for submission to the Town by the end of September.

As previously displayed in Table 2 of the attached report, this project is tracking to be on schedule. In addition, with the denial of the intake 1 application, the project deadlines can likely be safely shifted up to 60 days, meaning it is now tracking slightly ahead of schedule.

Given that the project design is only approximately 30% complete, a more refined project estimate is not possible at this time.

Financial Impact

The proposed funding model from the attached report is still applicable. As Council approved project design, an additional debt amount of nearly \$2 million will be incurred upon completion which is expected to be in 2025. This will be repaid through Development Charges and Wastewater Reserves.

Should the grant be submitted and approved, new debt of nearly \$9 million would be incurred and if not approved, construction would occur sometime after 2033 with total debt of \$40 million expected.

Debt

As per the Town's Debt Management Policy, Council must approve debt requests that fall outside of the approved Operating and Capital Budgets.

Long-term debt per the policy should be used once:

- 1) The Tax Rate/and or User Rate is considered: it is determined that the supported budget cannot accommodate the expenditure without a large fluctuation (rate shock) to the tax or user levy
- 2) Reserve Balances are evaluated: reserves must be evaluated, and their projected balance deemed not appropriate to fund the project
- 3) Potential Grant Revenue maximized: all grant sources have been identified, executed, and maximized.

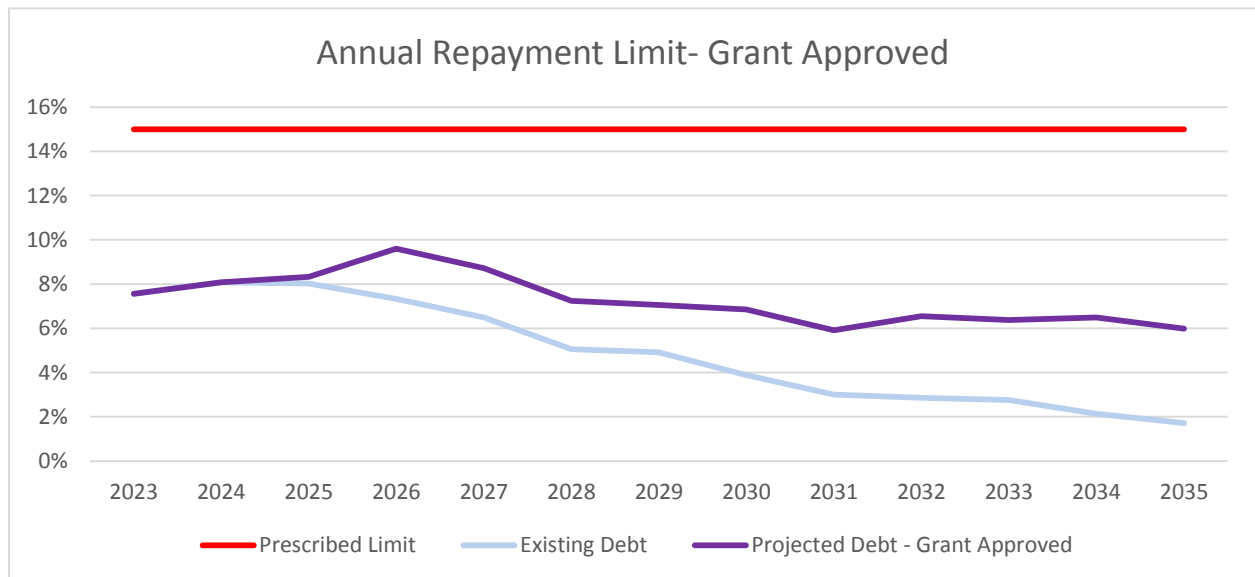
Administration has evaluated all three scenarios above and in relation to each formulated the below comments:

- 1) Given this is a user rate funded project, the need for debt was known and incorporated into the approved Water/Wastewater Rate Study.
- 2) The Water/Wastewater Rate Study examines the Water/Wastewater Reserves and dictates the need for external debt should the capacity to fund from reserves not be present. Given this is a rate funded project, other reserves would not be an eligible source of funding per the Reserve Management Policy.

- 3) The funding model for submitting the grant application incorporates the maximum eligible grant amount being 73% of the project cost.

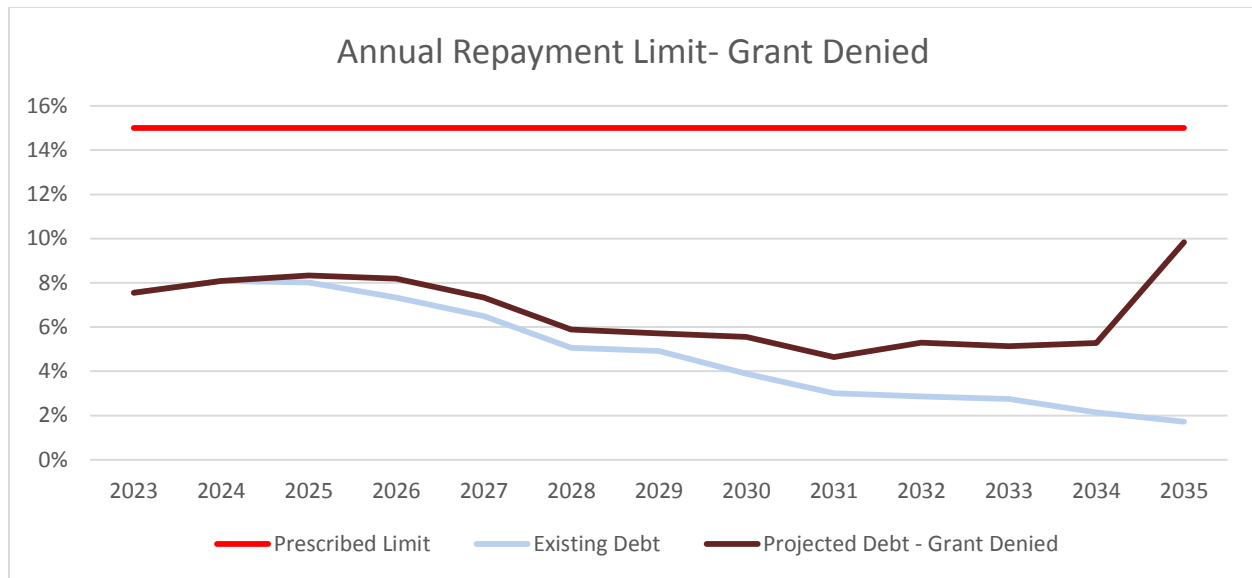
While not necessary per the Debt Policy, Administration also projected out the Town's internal annual repayment cap (IARC) per the debt policy (being 15% of own source revenues net of other long-term debt costs). With this debt the forecasted IARC is under the prescribed limit is as below:

Should Council approve the application and the Town be successful the debt levels would be as below:



This debt level would also be classified as moderate risk per the Debt Servicing Ratio as defined by the Ministry of Municipal Housing and Affairs.

Should Council deny applying for the grant and construction occur in 2035 as originally planned the debt forecast would be as below:



This debt level would also be classified as moderate to high risk in the year 2035 per the Debt Servicing Ratio as defined by the Ministry of Municipal Housing and Affairs.

Update to Development Charges

The updated development charge study prepared by Watson & Associates Economists Ltd. was presented to Council on August 12, 2024. The final by-law is planned to be passed on October 7, 2024 in accordance with the Development Charges Act.

Included within the background study report was the expenditure for the pollution control plant and pumpstation upgrades which would allow the Town to collect development charges on future development applications to fund the growth-related portion of these projects. It is important to note that the DC study is done over a 20-year planning period, with charges based on the first 10 year of capital needs. These Development Charges have not yet been collected and therefore external debt of \$8.9 million would be required in 2026. It would be repaid through Development Charges as collected, however there is risk that should development not come to fruition as anticipated, the funds for repayment would need to come from other sources such as taxation in the interim.

Update to Water & Wastewater Rate Study

The updated Water and Wastewater Rate study prepared by Watson & Associates Economists Ltd. was presented to Council and approved in principle on June 17, 2024.

As indicated in the attached report, included within the study report was the capital expenditure for the pollution control plant and pumpstation upgrades as well as the accompanying operating expenses. Should the plant not be constructed in 2026 and instead 2033 or onwards, the operating expenses would then shift further into the forecast as well. Any increases in the rates because of the expansion operating expenses would be instead dedicated to the lifecycle reserve to fund the eventual upgrade.

Consultations

There were no consultations as a result of this report

Link to Strategic Priorities

- ☒ Embrace asset management best practices to build, maintain, and continuously improve our municipally owned infrastructure.
- ☐ **Leverage our Town's competitive advantages to promote jobs and economic investment.**
- ☐ Take care of our natural environment and strengthen the sense of belonging to everyone **who makes Essex "home"**.
- ☐ Deliver friendly customer service in an efficient, effective, and transparent manner while providing an exceptional working environment for our employees.
- ☐ Build corporate-level and community-level climate resilience through community engagement and partnership and corporate objectives.

Report Approval Details

Document Title:	Housing Enabling Water Systems Fund Intake 2 - Environmental Services-2024-07.docx
Attachments:	- Report No. Environmental Services-2024-02 Housing- Enabling Water System Fund.pdf
Final Approval Date:	Oct 1, 2024

This report and all of its attachments were approved and signed as outlined below:



Kate Giurissevich, Director, Corporate Services - Sep 30, 2024 - 8:33 PM

No Signature - Task assigned to Doug Sweet, Chief Administrative Officer was completed by delegate Kate Giurissevich, Director, Corporate Services

Doug Sweet, Chief Administrative Officer - Oct 1, 2024 - 9:34 AM