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**MEETING TYPE AND DATE:** REGULAR COUNCIL MEETING – JANUARY 18, 2022

**AUTHOR:** UTILITIES DEPARTMENT

**SUBJECT:** INVESTING IN CANADA INFRASTRUCTURE GRANT APPLICATION

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**ESSENTIAL QUESTION:** Does Council support submitting a grant application to aid in funding the Wastewater Treatment Plant Phase 5 upgrades to the District’s wastewater collection and treatment system, with the updated project costs.

**OPTIONS:**

- A. THAT a grant application be submitted to the Investing in Canada Infrastructure Program for the Phase 5 Wastewater Collection and Treatment System with an updated total project cost of \$19,250,000. AND THAT the 2022-2026 Financial Plan be amended to include borrowing \$5,133,975 in funds to cover the District’s 26.67% portion of the project, contingent on the grant application being successful.
  
- B. THAT a grant application is NOT submitted to the Investing in Canada Infrastructure Program

**EXECUTIVE SUMMARY:**

On December 7<sup>th</sup>, 2021 Council endorsed Staff with a resolution for the application of the Investing in Canada Infrastructure Program (ICIP) - Green Infrastructure – Environmental Quality Program. This grant application was for the amount of \$15,000,000, with the District’s portion amounting to \$4,000,500.

Staff have recently received updated project cost estimates which have increased significantly due to cost escalations from continued market condition pressures. The updated cost estimate for the forcemain outfall has increased from \$6,500,000 to \$10,500,000. This can be attributed in part to extreme escalations in cost of materials such as PVC pipe, which has been constrained in production creating a shortage; meaning pricing has grown to record highs.

A \$3,000,000 contingency for the project has been included. The updated estimate amounts to a \$19,250,000 project cost, with 26.67% of funding to be provided by the District. The District’s portion would amount to \$5,133,975.

A certified resolution from Council supporting the grant application is required with each submitted application as part of the ICIP Green Infrastructure – Environmental Quality grant program; therefore a certified resolution from Council is required which includes the project’s updated cost.

**Key Information:**

The District can only submit one grant application under the Investing in Canada Infrastructure Program – Green Infrastructure – Environmental Quality; the application for which has a deadline of January 26<sup>th</sup>, 2022.

**Relevant Observations:**

For the District to meet the objectives within the Official Community Plan, senior government funded grants must be utilized to ensure that the District can continue to grow in a sustainable, environmentally conscious manner.

**Strategic Questions:**

What are the key improvements required to ensure effective treatment? The identified program is deemed the most effective way forward, as identified in the LWMP. This application for grant funding is the next step in a broader program that will be needed to support community sewer expansion both for growth and servicing existing areas of the community.

**Strategic Relevance & Community Sustainability:**

Wastewater treatment is vital to protecting public health and the environment. Limiting flows is not practical or even possible once users are connected. The District is expected to reach capacity limits by 2025, with regards to future development.

**Key Result:**

Increased capacity and redundancy of the wastewater treatment facility, while creating a long-term, sustainable path forward for treated water to be safely returned to Okanagan Lake

**Desired Benefit of Key Result:**

Sustainable growth of the community's wastewater system, which helps to ensure future growth and retrofit sewer programs.

**Requisites:**

N/A

**Unintended Outcomes:**

It is possible that a successful grant application may hinder future infrastructure grant applications; however, these required upgrades have been identified as the District's largest risk to infrastructure servicing.

**BACKGROUND/HISTORY**

A resolution was adopted by Council on December 7<sup>th</sup>, 2021 THAT a grant application be submitted for the amount of \$15,000,000 for the Phase 5 of the Wastewater Collection and Treatment System project; and AND THAT the 2022-2026 Financial Plan be amended to identify borrowing in the amount of \$4,000,500 to cover the District's 26.67% portion of the project, contingent on the grant application being successful.

**DISCUSSION/ANALYSIS****Legislation & Applicable Policies**

A resolution from Council supporting the grant application is required with each submitted application as part of the ICIP grant program.

**Technical Considerations:**

- **Impact on Infrastructure and Other Municipal Services**
  - Failure to pursue senior government grant programs will have a detrimental impact on District sewer infrastructure and by extension, Municipal Services.
  
- **Impact on Staff Capacity and Financial Resources (Cost/Benefit Analysis)**
  - Capital infrastructure projects of this size and magnitude do put increased strain on Staff, as it takes large amounts of time, effort, and technical skill to execute these projects successfully. That being considered, current staffing levels will be sufficient to complete this project.
  - The District's 26.67% portion of the project represents a \$5,133,975 commitment. A 20-year loan to cover these costs would result in estimated annual debt payments of \$345,733, \$2,792,882 in total interest and \$6,914,650 in total payments over the life of the loan at the Municipal Finance Authority's current 20 year interest rate of 2.72%.

- The cost of borrowing would be recovered through Development Cost Charges (DCC's) to reflect the fact that expansion in capacity from this project is to support future development in the District. Municipalities may borrow to finance a project before receiving sufficient development cost charges. In the event where future DCC's are insufficient to cover debt repayment, Council may consider alternative debt repayments at that time including borrowing from reserves or an increase or implementation of taxation.
- In order to proceed with this loan, a loan authorization bylaw would need to be approved by the Inspector of Municipalities and approval of the electors would be required before adoption of the bylaw. Sections 623 and 760 of the *Local Government Act* require a one month quashing period after approval of the electors has been received, where an application can be made to the Supreme Court to set aside the loan authorization bylaw before final approval will be provided by the Inspector of Municipalities. Section 182 of the *Community Charter* restricts local governments to financing long term debt with their local regional district through the Municipal Finance Authority of British Columbia (MFA).

**Comments from Other Government Agencies, Council Committees and Relevant Stakeholders:**

As District Staff continue to complete an approved Liquid Waste Management Plan (LWMP), other government agencies, Council committees and all other relevant stakeholders have been engaged and notified of the District's current and future plans for the Wastewater Treatment Plant; this includes the return of treated water to Okanagan Lake. All parties hold an understanding of the current state of wastewater treatment and disposal, with little-to-no negative feedback received.

**Consultation, Public Feedback, and Communication to and from the Public and the Applicant:**

As mentioned previously, the District continue to work toward completion of an approved LWMP, which includes full, meaningful consultation and engagement with all stakeholders. In fully discussing the current state of the District's wastewater treatment and disposal, little-to-no negative feedback has been received.

**ANALYSIS OF OPTIONS FOR CONSIDERATION:**

Council can support the grant application for the update project cost, or not support a grant application.

Respectfully Submitted,

Ryan Niddery, *AScT, RSE, LEED AP BD+C*  
ENGINEERING TECHNICIAN  
UTILITIES DEPARTMENT

This report has been prepared with the collaboration of the following individuals:

COLLABORATORS	
TITLE	NAME

This report has been prepared in consultation with the following departments:

CONCURRENCES

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<b>DEPARTMENT</b>	<b>NAME</b>
Chief Administrative Officer	Tanya Garost
Director of Utilities	Greg Buchholz
Director of Finance & Administration	Trevor James

ATTACHMENTS:

Attachment A -