

Staff Report for Decision

DATE OF MEETING JANUARY 19, 2022

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SUBJECT INVESTING IN CANADA INFRASTRUCTURE ENVIRONMENTAL
QUALITY PROGRAM

OVERVIEW

Purpose of Report

To obtain a Council resolution for the proposed submission to the Investing in Canada Infrastructure Quality Program.

Recommendation

That the Finance and Audit Committee recommend that Council:

1. approve submission for grant funding for the Millstone Trunk North Sanitary Sewer project through the Investing in Canada Infrastructure Environmental Quality program;
2. supports the project and commits to its share (\$1,950,874) of the project, as well as any cost overruns, funded from the City's Sewer Asset Management Reserve Fund; and,
3. approve increasing the Millstone Trunk North Sanitary Sewer project in the 2022 – 2026 Financial Plan by \$1,245,295 as per the most recent cost estimate.

BACKGROUND

Canada and British Columbia governments are investing up to \$270 million in the third intake of the Investing in Canada Infrastructure Environmental Quality Program (ICIP-EQ) to support infrastructure projects in communities across the province. The ICIP-EQ program will assist communities in developing well planned community infrastructure that will protect public health and environment, promote climate change resilience, and support broad public benefits and service sustainability.

A project must meet at least one of the following outcomes to be eligible:

- Increase the capacity to treat and/or manage wastewater or storm water;
- Increase access to potable water;
- Increase the capacity to divert or manage solid waste (including landfill gases);
- Increase capacity to reduce and/or remediate soil and/or pollutants through remediation.

The project must start by 2024-JAN-26 and be complete by 2026-DEC-31. Funding may be used for all costs considered to be direct and necessary for the successful implementation of an eligible

project. Eligible costs date is the project approval date. Costs incurred before this date are not eligible. Each municipality can submit one application.

A cost share between the federal and provincial government provides funding and their combined maximum contribution is 73.33%. Stacking rules apply to this funding. Therefore 73.33% is the maximum that could be funded from senior government sources including the Canada Community Building Funds (formerly the Federal Gas Tax Fund) received by the City annually.

The grant application deadline is **2022-JAN-26**. Final project approvals are anticipated in the spring of 2023.

DISCUSSION

Staff have identified the Millstone Trunk North Sanitary Sewer project as the candidate for submission for a \$3,164,421 grant (73.33% of eligible portion of project) under the Investing in Canada Infrastructure Environmental Quality program. This project is included as part of the approved 2022-2026 Provisional Financial Plan, at a planned cost of \$3,870,000 and meets the criteria of the program. Total project costs have increased from the estimates used in the approved 2022-2026 Provisional Financial Plan by \$1,245,295 to \$5,115,295.

MILLSTONE TRUNK NORTH SANITARY SEWER

The Millstone Trunk Sewer generally parallels with the Millstone River on the west side of the City, from Brannen Lake to the Nanaimo Harbour, with a distance of about 12 km. The entire Millstone Trunk Sewer catchment area is approximately 1,900 ha.

This sewer was constructed in 1978 and has performed well over the years; however, the increased loading from both domestic sewage and unwanted rain or groundwater has challenged the system.

The City has replaced a number of the sections over the years; however, there are several sections that still require upgrading. One of the sections that requires upgrading is approximately 2.2 km long along Maxey Road. In this location, the sewer main can be as close as 15 m from the top of the bank of the Millstone River.

The aging pipe material and increased rainfall intensities as well as growth in the catchment have contributed to greatly increase sanitary flows in the Millstone Trunk Sewer. Recent analysis has shown that sections of the original sewer in the Lower Millstone Valley are at capacity.

Rainfall, environmental risk, and deterioration of the main has elevated the priority of this main and it is now being driven by the utility as a core need today.

FINANCIAL IMPACT

Staff is scheduled to begin design and planning in 2023, with construction in 2025. The project is currently part of the approved 2022-2026 Provisional Financial Plan with a total project budget of \$3,870,000 including \$350,000 for design in 2023, and \$3,520,000 for construction in 2025. Total project costs have increased from the estimates used in the approved 2022-2026 Provisional Financial Plan by \$1,245,295 to a revised total project cost of \$5,115,295. The project is currently part of the City's approved DCC Bylaw with the DCC portion of the funding currently

budgeted to be funded by external borrowing. If the grant application is successful, the project will be removed from the City's DCC Bylaw and the external borrowing will no longer be required.

OPTIONS

1. That the Finance and Audit Committee recommend that Council:
 1. approve submission for grant funding for the Millstone Trunk North Sanitary Sewer project through the Investing in Canada Infrastructure Environmental Quality program;
 2. supports the project and commits to its share (\$1,950,874) of the project, as well as any cost overruns, funded from the City's Sewer Asset Management Reserve Fund; and,
 3. approve increasing the Millstone Trunk North Sanitary Sewer project in the 2022 – 2026 Financial Plan by \$1,245,295 to \$5,115,295 as per the most recent cost estimate.
 - The advantages of this option: A successful application for this grant would fund the replacement of the sewer trunk section that is at the greatest risk of surcharging into the Millstone River and possibly flooding of nearby, private properties. Replacing this pipe would also reduce the loading of unwanted rain and groundwater to the RDN pollution control central.
 - Financial Implications: This project is included in the approved 2022-2026 Provisional Financial Plan, at a total project cost of \$3,870,000 scheduled for \$350,000 spending in 2023 and \$3,520,000 for 2025. Total project costs have increased from the estimates used in the approved 2022-2026 Provisional Financial Plan by \$1,245,295 to \$5,115,295. The revised project budget will be included in the 2022 – 2026 Final Financial Plan. If the grant application is successful, the grant funding will replace the DCC funding for the project which was to be funded through external borrowing, and the project will be removed from the DCC Bylaw.
2. That Council provide alternative direction to Staff for a project to submit an application to the Investing in Canada Infrastructure Environmental Quality Program.]

SUMMARY POINTS

- The City will apply for a grant with a maximum value of \$3,164,421 from the Investing in Canada Infrastructure Environmental Quality program.
- Funding announcements are expected in the spring of 2023.
- Municipalities can submit one application.

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