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STAFF REPORT: Finance and IT Services



REPORT TO: Council
MEETING DATE: December 17, 2012
REPORT NO.: FIT.12.79
SUBJECT: Municipal Infrastructure Investment Initiative-Capital Program
PREPARED BY: Darcy Chapman, Capital Accountant
 Ruth Prince, Manager of Revenue

A. Recommendations

THAT Council receive Staff Report FIT.12.79 “Municipal Infrastructure Investment Initiative - Capital Program” for information purposes;

AND THAT the Council of The Blue Mountains hereby declares that the information in the Expression of Interest for the “Municipal Infrastructure Investment Initiative Capital Program” is factually accurate and The Blue Mountains is committed to developing a comprehensive asset management plan that includes all of the information and analysis described in “Building Together: Guide for Municipal Asset Management Plans” by December 31, 2013.

B. Background

On August 16, 2012, the Province of Ontario released the first phase of the Municipal Infrastructure strategy. The strategy begins by requiring municipalities that request provincial infrastructure funding to show how proposed projects fit within a comprehensive asset management plan (AMP).

On November 15, 2012, Minister Bob Chiarelli announced the MIII Capital Program which provides up to \$51 million to be available in 2013-14 and 2014-15 to address necessary road, bridge, water and wastewater projects identified as top priorities through a comprehensive AMP. All Expression of Interest must be submitted by January 9, 2013. The share of provincial funding that maybe requested is flexible up to a maximum of 90% of a total project or \$2 million. The objectives of the MIII Capital Program are to further strengthen municipal asset practices, to support the most critical roads, bridges, water and wastewater projects and to provide funding to municipalities that are unable to undertake projects without provincial support.

In cases where a municipality has only a partial AMP but has an urgent road, bridge, water or wastewater project that it cannot address on its own, a project maybe put forward for funding consideration, however the applicant must commit to completing a comprehensive AMP by Dec 31, 2013.

The MIII Capital program consists of a pre-screening and application process. The pre-screening process is to identify projects that have the greatest potential and to minimize the time to prepare a full application. Applicants whose Expression of Interest show high potential with the objectives of the MIII Capital Program will be invited to submit a full application.

The Town was made aware on December 3, 2012 that it had been successful in obtaining \$30,853.69 through the phase one application for the MIII program. As such, this funding must be used for the development of an AMP as set out in the Building Together document by December 31, 2013. This being the case, staff is certain that the plan will be completed in time to qualify for the current round of infrastructure funding.

Being that the Town does not yet have a completed AMP, staff reviewed all capital projects contained within the 2013 and 2014 plan to determine the best fit for the grant application. Although such projects as the Landfill expansion, Ravenna Public Works Yard, BVCC works, Harbour Upgrades and other such projects were looked at, these projects would not qualify as the program is specific to roads, bridges, water or wastewater projects. In this regard, staff reviewed eligibility of the Wensley Drive Reconstruction, Clendenan Bridge, Napier Street Resurfacing & Drainage, Heritage & Pioneer Street Resurfacing projects and determined that qualifying for grant money would be very hard. The projects all currently either have a plan to be fully funded, they do not pose a significant impact to the environment or public safety, are small scope projects and may not maximize available funding, or would pose a significant staffing resource issue if pushed forward.

In the end, staff are recommending that the Elma Street Reconstruction project be utilized for this grant. As can be seen from the attached application, the project shows the necessary need to qualify for both financing and environmental/public safety. Subsequently, for the past three capital budgets, the project has been highlighted as being a high priority however, the funding has always illustrated the need for upper tier funding.

C. The Blue Mountains' Strategic Plan

Strategic Goal #2

Addressing the Town's municipal infrastructure needs

2.1 Identifying existing deficiencies in the current municipal infrastructure.

Strategic Goal #5

Ensuring long-term financial sustainability

5.4 Develop a capital asset management plan

D. Financial Impact

Should the Town be successful in receiving grant funding to offset capital costs the potential savings could be in excess of \$1.6M. The grant money would ensure that the

reconstruction project could move forward with little impact to current tax rates or future debt capacity.

E. In Consultation With

Robert Cummings, Director of Finance
Troy Speck, CAO
Reg Russwurm, Director of Engineering

F Attached

1. Municipal Infrastructure Investment Initiative Funding for Asset Management – Expression of Interest.

Respectfully submitted,

Darcy Chapman, Capital Accountant

Ruth Prince, Manager of Revenue

Robert Cummings, CMA
Director of Finance & IT Services

For more information, please contact:

Darcy Chapman
519-599-3131 x274
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Municipal Infrastructure Investment Initiative Capital Program – Expression of Interest

On August 16, 2012, the Province of Ontario launched the Municipal Infrastructure Investment Initiative (MIII) as part of the Municipal Infrastructure Strategy. Through the MIII Capital Program, up to \$51 million will be made available to address necessary road, bridge, water and wastewater projects identified as top priorities through comprehensive asset management plans. Funding will be targeted to municipalities and Local Services Boards (LSBs) that are unable to pay for proposed projects without provincial assistance.

Ontario municipalities and LSBs that own roads and/or bridges and/or water systems and/or wastewater systems are eligible. In addition, municipalities that have not done so already must submit their 2011 Financial Information Return to the Ministry of Municipal Affairs and Housing by January 9, 2013.

The MIII Capital Program includes both a pre-screening and an application process. To begin, municipalities and LSBs may submit this Expression of Interest form for pre-screening. Completed expression of interest forms must be submitted by 5 p.m. EST on January 9, 2013. Municipalities and Local Services Boards that pass the pre-screening process will be given the opportunity to submit a detailed application.

For more information, see the **Municipal Infrastructure Investment Initiative Capital Program manual** and **Building Together: Guide for Municipal Asset Management Plans**.

If submitting this form by email, please save the completed form to your desktop and send as an attachment to miii@ontario.ca

If submitting by mail please print the completed form and send to:

Municipal Infrastructure Investment Initiative Secretariat
c/o Rural Programs Branch
Ontario Ministry of Agriculture, Food and Rural Affairs
1 Stone Road West, 4th Floor
Guelph ON N1G 4Y2

<http://www.ontario.ca/municipalinfrastructure>

Please fill in all fields on this form that apply to your municipality or LSB.

Section 1 – Municipality/LSB Contact Information

Municipality/LSB Name*

The Corporation of the Town of The Blue Mountains

Authorized Contact

Last Name Cummings		First Name Robert	Middle Initial W
Position Director of Finance	Telephone Number 519 599-3131	Email Address rcummings@thebluemountains.ca	

*Note if this is a joint project, please include all municipalities and LSBs that are part of the project, but only the contact information for the lead municipality/LSB.

Mailing Address

Unit Number	Street Number 32	Street Name Mill Street	PO Box 310
City/Town Thornbury		Province Ontario	Postal Code N0H 2P0

Section 2 – Project Information

Project Name

Elma Street Reconstruction

Project Type (road, bridge, water or wastewater)

Road, Water, Wastewater, Stormwater, Streetlights, Sidewalks

Project Financial Information

Total Project Cost \$2,500,000.00	Amount of Provincial Funding Request \$1,635,000.00
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Section 2 – Project Information (Cont'd)

List the sources of financing for the project other than the provincial funding requested.

Funding Source	Amount
Water User Fees/Reserves	\$375,000.00
Wastewater User Fees/Reserves	\$375,000.00
Tax Levy (2013)	\$75,000.00
Roads Reserves	\$40,000.00

Project Location			
Unit Number	Street Number	Street Name	PO Box
		Elma Street	
City/Town Thornbury		Province Ontario	Postal Code N0H 2P0
Latitude 44.56086		Longitude -80.45773	

Section 3 – Asset Management Planning

Please describe your municipality's or LSB's progress to date toward completing a comprehensive asset management plan according to the key elements outlined in **Building Together: Guide for Municipal Asset Management Plans**. Where possible, please provide supporting documentation.

State of local infrastructure

In December 2012, The Town was provided with funding through MIII to aid in the creation of an AMP. The funding will be utilized to purchase software. The Town entered in to a contract with Weave Incorporated (formerly Direct IT) to provide a software solution in the fall of 2012 and the initial phase of data loading and user training has been completed as of December 14, 2012 for the base module. Subsequently, the Town has been maintaining and updating the database (Great Plains Asset Module) that was originally established in 2008 to meet PSAB requirements. The Town also regularly reviews asset condition using information in the most current roads needs studies, bridge assessment reports and staff reports which assess various non linear assets. As well, staff routinely assess assets under their control to determine necessity for replacement or improvement. All of these processes are then meshed into a five year capital replacement and improvement plan.

Expected levels of service

Between January and September 2012 Town Council undertook a process of service delivery review with all departments. This exercise provided staff with long term direction on over arching policy directives.

Asset management strategy

In April 2011 Council passed a long term Asset Management Plan (as attached). The document provides for over arching direction, outlining the need for long term planning and establishing procedures and policy, to guide staff in the creation of department/asset type specific AMP's.

Financing strategy

To date, the Town has created a 100 year forecast with a specific 20 year plan for the Water Division as a requirement under the DWQMS legislation. The Town has also created a similar 25 year plan for the Emergency Services department which was passed in early 2012. Work has been ongoing to complete a long range plan for the Wastewater division as well.

Please explain in detail your community's workplan for completing a comprehensive asset management plan according to the key elements outlined in **Building Together: Guide for Municipal Asset Management Plans**.

State of local infrastructure

The vast majority of assets have been loaded in to the software. A gap analysis has shown the need for updates to the roads needs study and bridge assessments reports which will be completed in 2013. Subsequently, condition rating of water mains, sewer trunks and facilities will also commence in 2013 for those assets that the Town requires greater understanding of. As well, the Town recognizes a deficiency in the storm sewer assets and an engineering exercise

will have to be completed to provide GIS mapping and current value costing of all assets within this class to ensure there is a complete listing of all assets under the Town's control. All required tasks to ensure that the State of Local Infrastructure section of the Town's AMP will be finalized prior to the December 31, 2013 deadline.

Expected levels of service

Incorporating the directives provided by Council through the 2012 service delivery exercise along with legislation such as minimum roads standards, bridge assessment requirements, Drinking Water Quality Management Standards, MOE wastewater and storm water requirements and other such upper tier directives will form the basis of the level of service standards put forth to the public. It is anticipated that a basic "levels of service" document will be provided to the public in mid 2013 with many opportunities for public consultation and stakeholder input. This process along with industry leading best practices will form the long term framework that will be included in the Town's AMP. All required tasks to ensure that the Expected Levels of Service section of the Town's AMP will be finalized prior to the December 31, 2013 deadline.

Asset management strategy

As part of the deliverable provided by Weave Inc, the software will allow condition ratings to be incorporated to allow for a full understanding of the assets under the Town's control. The Town will incorporate existing condition reports, roads needs studies, bridge assessments and other related "local" information to generate the asset condition assessments. This rating, along with annual operations and maintenance programs will provide the basis for completing the management strategy. Industry standards, municipal best practices, legislation and Town specific data will be incorporated into the software and subsequent asset management plan to ensure that annual maintenance dollars are maximized to ensure full life cycle investments are met. The long term strategy will provide staff with direction on assessing priorities and ensuring asset renewal and refurbishment dollars are invested on those projects that are of highest priority for failure, safety, health, economic or environmental impact reasons. All required tasks to ensure that the Asset Management Strategy section of the Town's AMP will be finalized prior to the December 31, 2013 deadline.

Financing strategy

Again, the software solution provided by Weave Inc will allow for a fully integrated financing strategy to be developed. This process will ensure that various scenarios can be developed using all available sources of financing including taxation, user fees, reserves, debt, partnerships, etc. As well, the software will provide gap analysis to determine where the Town's greatest weakness is relating to failing infrastructure as it relates to the desired levels of service. Upon completion of the install and training on the base module, further modules will be incorporated to allow for management and tracking of maintenance and operations, inquiry tracking, fleet and equipment management and human capital. All of these modules will integrate with the Town's General Ledger to provide a robust financial analysis tool. All required tasks to ensure that the Financing Strategy section of the Town's AMP will be finalized prior to the December 31, 2013 deadline.

Section 4 – Problem Description

The problem description should clearly describe the public health and/or safety problem arising from the current situation and the impact of the problem on the municipality or LSB (e.g., number of people affected).

The project includes the removal and reconstruction of both sanitary trunks and water mains which were originally installed between the late 1960's and early 1970's. There have been multiple sewer trunk breaks within the past decade and one water main break. As well, internal camera monitoring has shown infiltration within the sewer pipes and tree root penetration from as early as 1998.

The main concern relating to public health with this project is associated with old and damaged sewers which lead to ex-filtration that potentially contaminates the groundwater aquifer and ultimately may make its way to Georgian Bay. Subsequently, blockage in pipes can lead to back up into basements potentially placing people in contact with sewage. As well, compromised waterlines can permit infiltration of potentially contaminated groundwater into the drinking water system if the water pressure fluctuates. In this regard, the project directly affects 25 homes or 58 people (25*2.3/house) however, the services have implications for the entire population particularly to those connected to the water system as it relates to cross contamination. To a lesser degree, the integrity of the travelling surface of the road is needed to ensure that road surface is suitable for the travelling public (vehicles and cyclists). The sidewalk has and will continue to develop trip hazards as it ages which increases the risk of trip hazards for pedestrians. Lastly, increasing sewer capacity to municipal standards ensures that water does not create ponding on roadways or areas

adjacent to roadway that adversely affects travelling public. Improved water removal from the roadway aids in drainage of adjacent properties to avoid potential flooding damage.

Section 5 – Project Description

The project description should outline the scope of the project.

The work is being completed on Elma Street from Arthur Street (Highway 26) to Alfred Street (Grey Road 113). Removal and replacement of approximately 120 meters of 250mm, 150 meters of 300mm and 220 meters of 450mm Vitrified Clay Tile (VCT) sewer trunk with new PVC piping along with six maintenance access holes. Removal and replacement of 25 wastewater service connections. Removal and replacement of approximately 500m of 150mm substandard Cast Iron water main with new 200mm PVC piping including eight valves and three fire hydrants. Removal and replacement of 22 water service connections. Reconstruction of 570m of asphalt roadway, including curb, gutter and storm sewer. Removal and replacement of 725 meters of concrete and/or asphalt sidewalk and 11 streetlights.

Section 6 – Project Rationale

Please describe how the project would reduce or eliminate the public health and/or safety problem.

Completion of the project will ensure that aging water and wastewater services are reconstructed to current standards utilizing PVC piping. This will ensure that both infiltration and ex-filtration of sewers will cease. It will also ensure a safe supply of drinking water to properties directly connected to the line but also to the entire user base of the water system by reducing potential contaminant infiltration. To a lesser degree, replacement of the sidewalks will eliminate trip hazards to pedestrians and the replacement of the asphalt will ensure a smooth surface for cyclists and motorists. Lastly, properly reconstructed storm sewers will ensure adequate removal of water thereby lessening potential flooding and standing water/pooling.

Section 7 – Project Readiness

Describe your workplan to complete the project by Dec. 31, 2014, including obtaining any necessary approvals (e.g., Environmental Assessment).

The Town will undertake the engineering of this program through a Request for Proposal in March 2013. A contract for design and contract supervision would be entered in to by June 2013. Tender documents including final design drawings would be completed by January 2014. A tender for works relating to the project would be released in February with award to the successful bidder by no later than the middle of May 2014. Construction is anticipated to start with mobilization in May and works beginning in June upon the lifting of half loading on local roads. The contract would include the requirement for all in ground works to be completed by October 2014 with paving no later than November 15, 2014.

Section 8 – Alternative Options Considered

Please describe other options considered to address the problem.

The Town regularly looks at alternative measures to remedy failing infrastructure. In many cases, roads projects may include rehabilitation efforts whereby the top layer of asphalt is removed through grinding and a new top "cap" layer is placed thereby extending the surface life an additional 10-15 years without touching the road base. For water and sewer projects, the use of re-lining may be considered when the above ground infrastructure is still in good shape. In this instance however, all of the infrastructure contained within the transportation corridor is at, or very near, the end of it's useful life. In this instance the Town has found through prior experience that a full reconstruction using an excavated trench to remove and replace in ground water, sewer and storm sewer services has actually provided a more favorable price than trench-less technologies.

Section 9 – Funding Need

Explain why your municipality or LSB requires the amount of provincial funding requested above and why it cannot implement the project on its own.

Although the Town has partial funding available for this project, current projections completed through the water financial plan suggest an annual funding gap of \$600,000 to which the Town has a long term (20 year) plan to bridge. Subsequently a similar plan for the wastewater system indicates a gap in excess of \$1M yearly. Bridging the gap in one year would require a +/- 25% increase to water rates and a +/- 40% increase to wastewater rates. As well, the Town is aware of a funding gap for tax supported infrastructure of at least \$2.4M annually based solely on the assets amortization at historical cost. Bridging this gap would mean an immediate increase in taxes of more than 20%. The Town also has various asset replacement reserve funds of +/- \$15M which will aid in our financial plans but will cover

less than 5% of the costs associated with our asset inventory. Although plans are in place to systematically increase rates to fund these capital expenditures, government funding will help to alleviate the immediate pressures facing the Town. Along with this project, the Town is also facing other major infrastructure projects in the next 5 years including a landfill mining and expansion project, a wastewater treatment plant expansion and the construction of two water reservoirs. These projects will require in excess of \$20M in funding of which the vast majority will be debt. The Town currently holds debt with an accumulated annual repayment of \$1.6M and through long term planning must ensure it does not exceed the ARL currently set at \$3.75M. For this reason, funding the Elma Street reconstruction project by way of long term financing is not a preferred option as the Town needs to balance it's overall liabilities.

Section 10 – Declaration

Each Expression of Interest must be accompanied by a declaration. For municipalities, the declaration can be made by a resolution or letter from municipal council. For LSBs, the declaration must be made by resolution from the LSB board.

I certify that:

- the information in the Expression of Interest is factually accurate; and
- the municipality or LSB has a comprehensive asset management plan that includes all of the information and analysis described in **Building Together: Guide for Municipal Asset Management Plans** in place; or
- the municipality or LSB is committed to developing a comprehensive asset management plan that includes all of the information and analysis described in **Building Together: Guide for Municipal Asset Management Plans** by December 31, 2013.

I have the authority to bind the municipality/LSB.

Full Name (Last name, first name)	Position	Date (yyyy/mm/dd)
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If submitting an electronic copy of the resolution or by-law, please attach this document to the email submitted.

Section 11 – Submission

Expressions of Interest must be received by 5 p.m. EST on January 9, 2013.

Questions? Call 1 888 588-4111 or send an email to miii@ontario.ca.

Mailing address:

Municipal Infrastructure Investment Initiative Secretariat
 c/o Rural Programs Branch
 Ontario Ministry of Agriculture, Food and Rural Affairs
 1 Stone Rd West, 4th Floor
 Guelph ON N1G 4Y2

Section 12 – Documents Submitted With This Expression of Interest

Please outline any files or documents (e.g., asset management plan) you will be submitting along with this Expression of Interest.

If you are submitting this form by email, write a description of the file's contents to the left and indicate the file name or hyperlink to the right.

Attach all documents to the same email as this form.

If you are submitting this form by mail, simply write a description of each document you are submitting along with this Expression of Interest, in the left-hand column.

Description of File or Document Attached	File Name or Hyperlink