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| <b>TO:</b>      | <b>CHAIR AND MEMBERS<br/>CIVIC WORKS COMMITTEE<br/>MEETING ON JUNE 7, 2017</b>  |
| <b>FROM:</b>    | <b>KELLY SCHERR, P.ENG., MBA, FEC<br/>MANAGING DIRECTOR, ENVIRONMENTAL &amp; ENGINEERING<br/>SERVICES &amp; CITY ENGINEER</b> |
| <b>SUBJECT:</b> | <b>STAFF RESOURCING TO MEET THE DEMANDS OF THE CLEAN<br/>WATER AND WASTEWATER FUND PROGRAM</b>                                |

**RECOMMENDATION**

That, on the recommendation of the Managing Director, Environmental & Engineering Services and City Engineer and with the concurrence of the City Manager, with respect to staff resources for workload increases due to the Clean Water and Wastewater Fund program, the Civic Administration **BE DIRECTED** to:

- (a) initiate the increases in the staff complement in 2017 in accordance with this report; it being noted that temporary funding can be accommodated within existing operating and capital budgets;
- (b) include in the 2018 Annual Budget Update amendments resulting from the proposed staffing increases; and,
- (c) undertake all administrative acts that are necessary to give effect to these recommendations.

**PREVIOUS REPORTS PERTINENT TO THIS MATTER**

Corporate Services Committee - December 10, 2013 - State of the Infrastructure Report 2013.

Corporate Services Committee - August 26, 2014 - Corporate Asset Management Plan 2014.

Corporate Services Committee – December 1, 2015 - Corporate Asset Management Plan 2015 Review.

Civic Works Committee – October 4, 2016 – Infrastructure Canada Phase 1 Project Requests – Clean Water and Wastewater Fund

**2015-19 STRATEGIC PLAN**

The following report supports the Strategic Plan through a focus on *Building a Sustainable City* by addressing and managing our infrastructure gap, managing and improving services, and funding Climate Change adaption.

**BACKGROUND**

**Purpose**

The purpose of this report is to respond to a Municipal Council direction:

That, on the recommendation of the Managing Director, Environmental & Engineering Services and City Engineer, and the Managing Director, Corporate Services, and City Treasurer and Chief Financial Officer, the following actions BE TAKEN with respect to the Clean Water and Wastewater Infrastructure Fund:

- (c) the Civic Administration **BE DIRECTED** to report back on staff resourcing and a management structure to deliver an enhanced capital program.

The question of staff resources is important to the timely delivery of the most significant infrastructure funding program faced by the Water and Wastewater Service Areas, both in terms of value and duration.

## DISCUSSION

In Budget 2016, the Federal Government announced the implementation of a plan to invest more than \$120 billion in infrastructure over 10 years, including \$60 billion in new funding for public transit, green infrastructure, and social infrastructure, to better meet the needs of Canadians and better position Canada's economy for the future. Included is water and wastewater infrastructure funding that will be delivered via the provinces and territories.

The 10 year program has two phases. Phase 1, from 2016 - 18 (2 years - \$2 billion) is intended to address the state of repair of infrastructure. Phase 2, from 2018 – 26 (8 years - \$15 billion) is to make transformative investments in areas of interest to the Federal Government. Expected are measureable results in modernizing and renewing public infrastructure, supporting economic growth and providing environmental benefits. Generally speaking, these align with London's Strategic Plan and are considered compatible.

Further details on Phase 2 of the program were presented in the Federal 2017 Budget. It articulates three streams for funding a total of \$17 billion over the next 11 years.

### **Clean Water and Wastewater Infrastructure Fund (CWWF) Phase 1**

The initial Phase 1 funding envelope for the Clean Water Wastewater Fund is a \$2 billion Government of Canada investment to meet immediate priorities for clean water and wastewater to support a cleaner and healthier environment for communities. CWWF will focus on investing in projects that:

- Rehabilitate and optimize water, storm water and wastewater related infrastructure;
- Improve asset management approaches including pilots and studies;
- Plan for future upgrades to wastewater treatment and collection infrastructure; and,
- Include new construction projects like naturalized systems.

The federal cost sharing is 50%; this is higher than previous funding programs. The Province and City will equally share the remaining 50%. Eligible costs can be incurred as early as April 1, 2016.

The CWWF allocation for Ontario is \$569,642,000. London's Phase 1 program allocation resulted in a \$40M program, with \$20M from the Federal Government, \$10M from the Provincial Government and \$10M from the City. These projects must be complete by March 31, 2018.

On October 11, 2016, the Municipal Council approved a list of projects for application under Phase 1 of the funding program.

## **Basis for Staffing Increase**

Phase 1 is the beginning of an unprecedented extended term, multi-level government infrastructure program. All work is to be incremental to previous capital spending plans, meaning more and accelerated spending. Based on Phase 1 allocations, London could be eligible for up to a \$31 million increase in capital construction annually through the program. The existing capital program for Water / Wastewater over the next 10 years is over \$1 billion

Meeting time lines and the volume of work will require additional staff time that is not possible with available resources. Civic Administration has evaluated the program commitments and considered delivery models to prepare a staffing plan. Past responses to significant infrastructure programs have included additional staff, secondments and dedicated teams.

As with previous short term infrastructure spending programs, the City is able to prioritize staff activities to deliver Phase 1 projects that are already well defined and are in the near term budget forecast. However, the 2017 Federal Budget articulates three programs totaling \$17 billion over the next 11 years. Given that Phase 1 was a \$2 billion commitment over 2 years and resulted in approximately \$40 million in approved projects for the City, it is anticipated that Phase 2 could equate to a capital program increase of \$31 million per year. This represents a 29% increase in the Water / Sewer annual capital construction program from an average of \$105 million per year to \$136 million per year.

The extended nature of the 11 year infrastructure program requires the full utilization of technical staff to plan, coordinate, budget, make applications, account for and implement projects and programs, as opposed to short term funding programs that only require implementation.

Administration has evaluated the requirements of the announced infrastructure program and the implications of other initiatives that will require engineering technical staff effort: induced projects by Rapid Transit; Development Charges Study; Pollution Prevention and Control Plan; Back to the River / One River; and, the Domestic Action Plan. The concurrent work load effects of these were considered in arriving at the recommended additional staffing allocation plan.

The plan was costed and measured against the existing staffing resource allocation relative to the existing capital budget program to ensure value is maintained. The additional staffing cost is in line with that presently being experienced.

Additional Staffing Recommended:

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| Environmental and Engineering Services | up to 15 FTE (permanent)<br>up to 1.5 FTE (temporary) |
| Corporate Services                     | 2 FTE (permanent)<br>1 FTE (temporary)                |

The recommended staffing increase may not be permanent, but will be in place for up to 11 years. The service area will rely on attrition to manage staff resources over the long term, noting that attrition amongst technical staff is estimated to equal the increase now being proposed.

## **Underlying Regulatory Changes**

The estimated increase in capital construction program is the basis for forecasting staffing needs; however, the Federal and Provincial funding contributions are to support significant changes in regulations:

### ***F-5-5***

This is the Provincial guideline for managing overflows. In the latest Domestic Action Plan proposal, this guideline and others in a series on wastewater policies will be updated. London is presently in the final stages of completing its Pollution Prevention and Control Plan that will outline priority projects to reduce overflows to the present criteria.

### ***Low Impact Development (LID)***

The Province is in the final stages of completing a new guideline document (policy directive) on the mandatory use of this technology in new development and retrofit projects.

### ***Domestic Action Plan***

Drafts of the proposed plan indicate the CWWF as a source of funding to meet phosphorus reduction obligations. As reported last fall, the Thames is the target watershed and London is the largest municipality in it.

## **Other Costs to be Incurred**

The Water and Wastewater Budget also includes corporate resources and expenses, including office space. With capacity at City Hall being limited, space elsewhere will need to be found. A location very near City Hall is required for the additional staff because they will not only have to be integrated within a number of Engineering Divisions, but also be able to work between Divisions and other City service areas, as exists now.

Additional corporate labour costs include two full time and one temporary staff; all three are included in the cost analysis. Equipment costs are typically an initial one-time capital cost and an annual rental to cover operating costs and future replacement. The ongoing operating costs are about 5% of the annual staffing cost for office staff.

Corporate costs to support Water and Wastewater services are recovered by an administrative charge that ensures that the areas are self supporting, and not a burden on the the Property Tax supported Budget. The present charge is \$6.3 million.

## **Role of the 20 Year Plan**

As reported during the 2017 Budget Review, the influence of CWWF, completion of a number of infrastructure planning studies, pending directives on phosphorous discharge reductions and other regulatory changes, and induced Rapid Transit work will require an update to the 20 Year Water and Wastewater Plans. These plans are used to set rates in the near term. The update will include changes to both operating and capital forecasts. A future report will provide recommended principles for the Municipal Council to consider as part of its direction to the Civic Administration on priorities for 20 Year Plan development.

## **Financial Implications Summary**

For this extended infrastructure program, the increased annual operating costs would equate to approximately \$2.0 million per year once fully implemented in order to support an annual capital program increase of approximately \$31 million a year.

## **Next Steps**

Subject to the approval of the recommendations in this report, Civic Administration will start to ramp up staff resources, including retention, arrange for office space and outfitting.

The Civic Administration will monitor and manage overall resources in tandem with attrition.

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| <b>CONCLUSIONS</b> |
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This report recommends that the City of London increase its technical and administration staff complement in order to deliver up to \$340 million more in capital spending over the course of the 11 year Clean Water and Wastewater Fund. The level of effort in terms of operating cost to deliver capital remains the same as exists now. The level of staff resources will be managed through attrition over the longer term and to match the additional funding flowing through.

The additional capital funding also encompasses significant, pending regulatory changes that affect not only how much capital infrastructure work to expect, but also the type.

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| <b>SUBMITTED BY:</b>  | <b>SUBMITTED BY:</b>   |
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| <b>JOHN LUCAS<br/>DIRECTOR, WATER AND<br/>WASTEWATER</b>  | <b>IAN COLLINS<br/>SENIOR FINANCIAL BUSINESS<br/>ADMINISTRATOR</b> |
| <b>RECOMMENDED BY:</b>  | <b>CONCURRED BY:</b>   |
|   |  |
| <b>KELLY SCHERR, P.ENG., MBA, FEC<br/>MANAGING DIRECTOR,<br/>ENVIRONMENTAL &amp; ENGINEERING<br/>SERVICES &amp; CITY ENGINEER</b> | <b>MARTIN HAYWARD<br/>CITY MANAGER</b>                             |

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