

TO:	CHAIR AND MEMBERS CIVIC WORKS COMMITTEE MEETING ON JULY 17, 2018
FROM:	KELLY SCHERR, P. ENG, MBA, FEC MANAGING DIRECTOR ENVIRONMENTAL & ENGINEERING SERVICES AND CITY ENGINEER
SUBJECT:	CLEAN WATER AND WASTEWATER FUND PROJECT BUDGET AMENDMENTS

RECOMMENDATION

That, on the recommendation of the Managing Director, Environmental & Engineering Services and City Engineer the following report with respect to housekeeping budget adjustments for Clean Water and Wastewater Fund (CWWF) Phase One projects **BE RECEIVED** for information.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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Civic Works Committee – October 24, 2017 – Vauxhall Wastewater Treatment Plant Flood Protection Construction Tender Award

Civic Works Committee – June 7, 2017 - Infrastructure Canada – Phase One Investments Clean Water & Wastewater Fund – Approved Projects

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

2016-2019 CORPORATE STRATEGIC PLAN ALIGNMENT

The following report supports the Strategic Plan through the strategic focus area of Building a Sustainable City by managing and improving water and wastewater infrastructure and services to provide robust infrastructure.

BACKGROUND

Purpose

The purpose of this report is to inform Council about housekeeping budget adjustments to the Clean Water and Wastewater Fund (CWWF) phase one projects approved by the Provincial Government on behalf of the Government of Canada. Housekeeping budget adjustments are normally presented to Municipal Council for information purposes with the bi-annual capital monitoring reports, but are being presented at this time due to the magnitude of the CWWF program’s contribution to the Corporation of the City of London’s (the City) water & wastewater capital budgets.

DISCUSSION

In the 2016 budget, 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.

Clean Water & Wastewater Fund (CWWF) Program Phase 1

Under CWWF Phase 1, the City applied and received approval for 23 projects in June 2017. Through the CWWF program, the City finances 25% of the work while the other 75% of the cost is claimable from the fund. The \$41.4 million in eligible CWWF projects includes Federal government funding of \$20.2 million, Province of Ontario funding of \$10.1 million and the City of London funding \$10.1 million. One project will also receive a \$900 thousand grant from the Independent Electricity System Operators (IESO). Excluding this grant, the Federal contribution is 50% of the funding, while the Province of Ontario and City share equally the remaining 50%.

The approved projects include both water (\$6.9 million) and wastewater & treatment (\$34.5 million) infrastructure projects further described below:

Table 1: CWWF Initial Approval Summary

	Wastewater	Water	Total
Total Project Cost	\$34.5M	\$6.9M	\$41.4M
CWWF Funding*	\$25.2M	\$5.2M	\$30.3M
Number of Projects	16	7	23

**Amounts subject to rounding*

In the spring of 2018 the deadline to complete all projects was extended from March 31, 2018 to March 31, 2020 and an opportunity was provided to amend the amount of the individual funding requests.

CWWF Project Budget Amendments

The initial project funding requests were based on preliminary cost estimates developed in 2016. These estimates have been further refined during the detailed design phase of each project which commenced following provincial/federal project funding approval. A number of the projects require less funding than initially estimated. The Province's amendment process allows the funding from these projects to be allocated to other approved projects as long as the change does not exceed the initial overall funding envelope. The following amendments were requested and subsequently approved by the Province:

Project Details		Revised Budget	Change
Wastewater Projects			
LON-003	ES2453 Applegate Stormwater Management Facility Retrofit - Construction	697,000	↑ 239,000
LON-004	ES6075 Power Generation and Waste Heat Recovery Systems & Biosolids Optimization - Purchase and Design (ORC)	5,899,000	↑ 200,000
LON-005	ES5403 East London - Sanitary Servicing Study	300,000	↓ (56,000)

Project Details		Revised Budget	Change
LON-006	ES6078 Wastewater Treatment Plants - Improvement Studies	171,000	↑ 39,000
LON-007	ES5085 Treatment Plant Energy Reduction With Turbo Blowers	1,157,576	↑ 339,000
LON-008	ES3042 Vauxhall PCP Climate Change Resiliency - Design & Construction	4,683,000	↑ 1,630,000
LON-009	ES5019 Treatment Plants Odour Control Upgrades - Design & Construction	3,334,000	↓ (228,000)
LON-010	ES5432 SCADA and Security Upgrades at Treatment Plants	1,500,000	↓ (1,100,000)
LON-011	ES6076 Sanitary Pump Stations - Variable Frequency Drives	658,000	↓ (665,000)
LON-013	ES3043 Mornington Area Storm Drainage Servicing - Environmental Assessment	129,600	↓ (318,400)
LON-014	ES2331 Sewer Separation Program Acceleration	10,496,281	↑ 905,630
LON-015	ES2334 Sewer Separation and Infrastructure Renewal - Planning and Design for future projects	2,689,769	↑ 2,139,769
Water Projects			
LON-017	EW3506 Arva Water Pumping Station Optimization & Energy Efficiency - Study	183,000	↓ (224,000)
LON-018	EW2410 Trunk Watermain, Syphons, and Pipeline - Inspections and Condition Rating	1,185,000	↓ (850,000)
LON-020	EW3548 Watermain Cleaning & Relining	1,053,000	↓ (2,000,000)
LON-023	EW3539 Springbank Reservoirs 1 & 3	51,000	↓ (51,000)
Difference (Water and Wastewater)			\$0.00

At its October 31, 2017 meeting, Council approved an increase to the budget for the Vauxhall PCP Climate Change Resiliency project in conjunction with the construction tender award. At that time, only \$3.1M of the total \$4.7M project cost was approved by the CWWF program resulting in a \$1.6M shortfall. This was addressed through additional funding from the Sewage Works Reserve Fund. However, the end result was a partially approved CWWF project with a budget split out of alignment with the aforementioned CWWF federal/provincial/municipal program splits of 50/25/25. In its previous state the City was funding 51% (\$2.4M) of the total project cost while receiving \$49% (\$2.3M) of the project cost via CWWF funding. With the recent Provincial approval the full \$4.7M project cost of LON008-Vauxhall PCP Climate Change Resiliency project is now approved for CWWF funding. This allows administration to bring the sources of financing for the full project cost into alignment with the CWWF program splits, return previously approved City funding sources to their origin, and reallocate funding within the approved CWWF Phase One projects. This new approval and subsequent amendments result in a net zero effect on the CWWF program funding.

The approved projects now consist of both Water (\$3.8 million) and Wastewater & Treatment (\$37.6 million) projects further described below:

Table 2 CWWF Amended Approval Summary

	Wastewater	Water	Total
Total Project Cost	\$37.6M	\$3.8M	\$41.4M
CWWF Funding*	\$27.6M	\$2.8M	\$30.3M
Number of Projects	16	7	23

**Amounts subject to rounding*

The effect of the required housekeeping budget adjustments reduces funding for projects where it is no longer required and allocates the funding to projects where it can be completely utilized prior to the March 31, 2020 funding deadline. A summary and rationale for these budget changes has been provided in Appendix 'A' CWWF Funding Amendment Rationale.

CONCLUSION

The City of London is approved for project funding of \$41.4M under the CWWF Phase One program. This comprises \$30.3M of combined Federal/Provincial funding and \$10.1M of City funding. Subsequent Provincial approvals within the CWWF program have resulted in \$3.1M in funding being reallocated from Water projects to Wastewater projects. This includes an adjustment for the approval of the full cost of the Vauxhall PCP Climate Change Resiliency project, resulting in previously approved City funding sources being returned to their origin and subsequently replaced via reallocation of funding within the approved CWWF Phase One projects. With Federal/Provincial approval of these funding amendments, the City is in an excellent position to fully utilize the maximum CWWF approved value before the deadline of March 31, 2020.

Acknowledgements

This report was prepared with assistance from Debbie Gibson Financial Business Administrator.

SUBMITTED BY:	REVIEWED & CONCURRED BY:
SCOTT MATHERS, P.ENG., MPA DIRECTOR, WATER AND WASTEWATER	JASON DAVIES, CPA, CMA MANAGER III, FINANCIAL PLANNING & POLICY
RECOMMENDED BY:	
KELLY SCHERR, P.ENG., MBA, FEC MANAGING DIRECTOR, ENVIRONMENTAL & ENGINEERING SERVICES AND CITY ENGINEER	

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Cc: