

MUNICIPALITY OF CHATHAM-KENT

CHIEF ADMINISTRATIVE OFFICE

TO: Mayor and Members of Council

FROM: Gerry Wolting, B. Math, CA
Acting Chief Administrative Officer

DATE: January 28, 2008

SUBJECT: Project Priority List for Municipal Infrastructure Investment Initiative
Grant Program

RECOMMENDATIONS

It is recommended that:

1. Administration be authorized to submit a \$7.0 million application under the Municipal Infrastructure Investment Initiative (MIII) in respect of the Capitol Theatre.
2. Administration be authorized to enter into such agreements as outlined in this report to transfer ownership of the Capitol Theatre to the Municipality, with all associated costs to be borne by the Capitol Theatre Association.

BACKGROUND

The province recently announced the new Municipal Infrastructure Investment Initiative (MIII) – a one-time \$300 million grant program that supports investments in local infrastructure projects. The objective of the MIII is to direct new infrastructure funding to support the construction or renewal of municipally owned infrastructure assets.

Grants under the MIII will be awarded based on applications evaluated on a competitive basis against the criteria outlined by the province for this funding program. Capital investments in all types of municipally owned infrastructure are eligible for funding, except for public transit, which is being supported through other provincial initiatives. Municipalities have significant discretion to seek funding for their local priorities. No preference will be given to applications in one category over another.

Under the MIII, municipalities can apply for up to 100% of the project costs and successful applicants will receive exactly the grant amount requested (i.e. each application will either be completely successful or completely unsuccessful). There is no requirement for the municipality to match the funding awarded under this program. Both rehabilitation/renewal and new construction projects are eligible for funding under this initiative.

Eligible infrastructure categories under the MIII include:

- Water
- Wastewater
- Roads
- Bridges
- Solid waste management
- Long-term care facilities
- Social housing
- Culture (including libraries)
- Tourism
- Recreation

Other types of municipally owned infrastructure (i.e. docks, flood control infrastructure, accessibility improvements) are also eligible. The province has specifically adopted a broad approach to eligible investments in recognition of the fact that municipalities have many types of infrastructure needs and require the discretion to identify their own priorities for their MIII application. **Only one project will be considered from each eligible municipality. The deadline for applications is 5:00 p.m. (EST) on Friday, February 15, 2008.**

In order to be eligible for funding under the MIII, a project must be “construction ready”. For a project to be deemed construction ready the applicant municipality must have completed, or be in position to soon complete, all required studies and approval processes (such as environmental assessments) to allow the project to proceed to tendering and construction.

Projects will not be eligible if construction work (i.e. physical changes to land or buildings above or below ground level) has started prior to the approval of the funding application. Project-related studies, including planning, feasibility and environmental assessment (EA) studies, will not be eligible for funding under the MIII. Operating costs of municipally owned infrastructure assets will also be ineligible for funding under this program.

Under the MIII, projects will be selected for funding through a competitive, merit-based evaluation process. That evaluation will be conducted in two stages. The first stage of the evaluation is a compliance review to determine if the application meets the basic eligibility requirements of the MIII. This compliance review will be based on:

- Submission of a complete application
- Project meets the eligibility criteria as defined in the MIII program guideline
- Project has not already started construction
- Submission of a council by-law in support of the application.

All applications deemed compliant after the first stage review will be considered candidates for funding and will be evaluated further. The second stage of the evaluation

process will be used to determine which applications will receive MIII funding. The criteria to be used in the second stage are as follows:

- Construction readiness
- Alignment with provincial policy objectives
- Benefits of the project to the community, region and province, including:
 - Economic or commercial benefits, including benefits to economically depressed areas of Ontario
 - Environmental or sustainability benefits
 - Health and safety benefits
 - Social and community benefits
- Demonstration that the project helps to implement a council-adopted plan or strategy
- Regional distribution of projects around the province.

Under the MIII guidelines, particular consideration will be given to projects which have not previously received provincial government funding.

COMMENTS

Municipal staff consisting of members of the Executive Management Team, Senior Management Team and Project Managers have met to identify, review and rank projects that satisfy the eligibility requirements of the MIII program.

As a consequence of that review, 13 projects were identified as candidates for a Chatham-Kent application to the MIII program. Those 13 projects were further considered by the Executive Management Team, which broke them down into 3 categories (buildings; water/wastewater; and bridges) and evaluated them against the criteria being used by the province. As a result of that evaluation, the Capitol Theatre and the Gable Rees Rotary Pool were identified as the priority projects for Chatham-Kent. Attachment "A" sets out the results of the EMT project ranking exercise.

Administration has investigated the possibility of "bundling" the Capitol Theatre and the Gable Rees Rotary Pool projects together under a single MIII application. Those investigations have determined that such "bundling" would not meet the province's criteria and would disentitle such application from further consideration. Given the relatively modest funding required to complete the project (versus the funding available under the MIII), a stand-alone Gable Rees Rotary Pool application is not recommended.

In addition to the projects listed in Attachment "A", EMT considered the possibility of submitting an application relating to the CSX rail line. However, it was determined that that project would not be eligible for funding under the MIII, as the Municipality will not own the rail line at the province's deadline date of February 15, 2008.

Capitol Theatre

Approximately \$7.0 million is required to complete construction of the Capitol Theatre. The MIII specifically extends to municipally owned cultural assets and imposes no cap on the amount of funding which can be requested.

Regarding the size of the recommended grant request, administration has undertaken a review of previous, comparable, provincial infrastructure funding programs. As an example, under the 2007 Rural Infrastructure Investment Initiative, a \$140 million grant program, 9 grants between \$2 million and \$5 million were awarded, including 4 grants over \$3 million. In addition, numerous municipalities received grants which, when broken down on a per capita basis, totaled between \$200 and \$900 per capita. In this context, a \$7 million request by Chatham-Kent under the MIII would be consistent with previous provincial infrastructure grant practice in absolute dollar terms and, at \$65 per capita, would be well within acceptable provincial infrastructure funding parameters.

In order for the Capitol Theatre to be considered for funding under the MIII, ownership will have to be transferred to the Municipality. **Under the MIII program guidelines, that ownership transfer would have to be completed by February 15, 2008.** In transferring ownership, a number of issues will have to be addressed, including the following:

- Payment of land transfer taxes;
- Negotiating operating agreements which insulate the Municipality from responsibility for operating shortfalls, should they occur. These agreements would be subject to Council's approval.

Administration has consulted with the Capitol Theatre Association. As a result, they held a special board meeting to facilitate the proposed application. The Board enthusiastically endorsed the proposal and asked that the following points be addressed when finalizing the necessary agreements:

1. That all naming opportunities sold to date, including seat sponsorships be honoured.
2. That the CCTA continue to have the right to raise funds by pursuing other naming opportunities and that those funds already committed through outstanding pledge payments accrue to the CCTA.
3. That the CCTA act as the principal project managers in the design, budget and execution of the reconstruction process and that the project proceeds based on the design developed to date including the construction of the fly tower.
4. That in consideration of the potential interest of the Municipality in the management of the Capitol, the Board of the CCTA will reserve a designated Board seat for a representative of Municipal Council to act as a regular voting member of the Board.

5. That the CCTA will be allowed to continue working with the MTCU and Job Creation participants in completing the decorative work required for the completion of the theatre as has been the case with this project since its inception.
6. That in the event that the Municipality is unable to commence construction within a mutually agreed upon time frame, the ownership of the Capitol revert to the CCTA.

This project has been ongoing for a number of years and its proponents have struggled to raise the funds necessary for completion from traditional funding sources. The completion of the Capitol Theatre will have a substantial impact on the quality of life for residents across Chatham-Kent. In addition, it is expected to draw substantial numbers of tourists to the community and to accelerate the renaissance of Chatham's downtown core.

If accepted by Council the recommendations made above would necessitate the transfer of ownership of a significant property in the community of Chatham. While such recommendations (i.e. recommendations dealing with property matters) would normally be brought forward in closed session, the unique nature of the contemplated transaction and the close working relationship between the Municipality and the Capitol Theatre substantially dilute the normal rationale for treating such matters as confidential. It was determined that the strong community interest in the Capitol Theatre outweighed any potential confidentiality concerns, and the decision was therefore made to bring this report forward in open session.

Other Ranked Projects

In order to provide Council with the information necessary to properly consider the recommendations in this report, Attachment "B" provides project summaries for the projects considered by EMT and ranked below the Capitol Theatre. Attachment "B" does not refer to the fire stations, as they are not construction ready and are therefore not eligible for funding under the MIII.

COMMUNITY STRATEGIC PLAN

The recommendations in this report support the following objectives and strategic directions:

A: Health – We are a healthy community.

B: Economy – We are a prosperous community.

D: Culture – We are a cultural community.

E: Civic Engagement – We are an engaged community.

F: Learning

The recommendations in this report also support Council's Strategic Directions, the recently received Economic Development Strategy and the recently received Cultural Strategy.

CONSULTATION

Municipal projects were reviewed and prioritized by the General Manager, Infrastructure and Engineering Services, the General Manager and Senior Level PUC Advisor of Water and Wastewater Services, the Director, Engineering and Transportation, Infrastructure and Engineering Services, Manager, Infrastructure and Transportation Engineering, Infrastructure and Engineering Services, and the Manager, Infrastructure and Development Engineering, Infrastructure and Engineering Services. The Manager, Partnership Development was consulted regarding the terms of the MIII program. The Acting Manager, Recreation Facilities was consulted regarding the Gable Rees Rotary Pool. Projects meeting the threshold MIII criteria were reviewed and ranked by EMT.

FINANCIAL IMPLICATIONS

The financial implications of the recommendations made in this report are set out above.

Prepared by:

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Acting Chief Administrative Officer

Attachment "A" – Chatham-Kent Project Ranking Matrix
Attachment "B" – Project Descriptions

Attachment "A"

MIII Chatham-Kent Evaluation Matrix			
Rank	Project/Category	Cost	Construction Ready
1	Capitol Theatre -- Building	\$7.0 million	YES
1	Gable Rees Rotary Pool – Building	\$.7 million	YES
2	Bothwell Sewers and Bothwell/Thamesville Water – Water and Wastewater	\$15.5 million	YES
3	Dresden Storm Sewer Upgrades – Wastewater	\$2.7 million	YES
3	Ridgetown Wastewater Treatment Plant -- Wastewater	\$9.0 million	YES
3	Moraviantown Bridge Queens Line/Raleigh Plains Bridge Queens Line/Gov. Drain Bridge	\$2.8 million (total for the 3 bridges)	YES
4	Chatham-Kent Firehalls (4)	Unknown	NO

* The above rankings were determined based upon the provincial MIII criteria as set out at page 3 of this Report.

Attachment "B"

Bothwell Sanitary Sewers and Water Supply

Sanitary Sewers

The community of Bothwell does not have communal sewerage works (collection and treatment). Sewage disposal continues to be provided by individual on-site septic systems. Studies dating back to the 1960's have revealed problems with aging and failing septic systems, inadequately sized properties for effective leaching bed disposal and elevated water tables. Sampling of groundwater, stormwater catchbasins and ditches indicated the presence of bacterial contamination of the groundwater and stormwater from sewage.

Recommendations for communal water supply and sewage treatment were made in the 1960's, 1970's, 1980's and 1990's. In response to this, in 1995 a municipal water supply system was extended to the community of Bothwell with the intent that wastewater collection and treatment would be implemented in the future. While the construction of a new water supply system protected the residents of Bothwell from contaminated drinking water, it did not address ongoing contamination of the natural environment (groundwater and surface water).

A detailed review of the sewage collection system options identified a conventional gravity sewer as the preferred alternative. This type of system has low annual maintenance requirements and costs and best accommodates future sewer connections, including those of greater depth.

A detailed review of the treatment options resulted in the recommendation that the sewage collected be pumped to Thamesville for treatment at the existing municipal treatment plant. Pumping to Thamesville was determined to be a feasible option due to the availability of existing capacity and the fact that the facility is under the control of the Municipality of Chatham-Kent. A preliminary assessment of the existing facility was conducted to determine the potential implications of co-treating Bothwell sewage at the existing facility. A number of facility upgrades would be required to bring the 25-year-old facility up to current standards.

It is estimated that the total capital cost of pumping Bothwell sewage to Thamesville for co-treatment is \$6.6 million and the increase in annual operating costs would be approximately \$78,000. The pumping to Thamesville alternative provides some opportunity for operating cost savings since there will be only one STP to operate.

The current estimate for the total project is \$13,000,000. This figure includes the cost of the full upgrades to the Thamesville Water Pollution Control Plant (WPCP) which are estimated at approximately \$1,600,000.

Water Supply

The current water supply for the community of Bothwell is purchased from Southwest Middlesex Utilities. The PUC purchases this water from Southwest at a higher rate and charges the customers the current C-K water rate which is substantially lower. The water rates from Southwest Middlesex have increased significantly over the last 6 years.

The Master Plan for Water and Wastewater recognizes the need to eventually supply Bothwell and the Moravian of the Thames areas with potable water from a C-K supply. The preferred solution includes servicing this area from the South Chatham-Kent WTP via a transmission main line from Blenheim, through Ridgetown to Thamesville and then to Bothwell. The estimated cost of the entire project is \$2.5 million. Dillon Consulting Limited has completed the engineering for the Thamesville Water Supply and has completed a preliminary review for the servicing of the Moravian of the Thames.

The direct cost impact to the PUC and rate payers would be \$1,500,000. The remainder would be recovered through localized assessment and partnership with the Moravian of the Thames unless funding was received.

Sanitary and Water Project

The project estimated costs are listed in the following table.

Project Component	Estimated Cost
Assessable Cost Per Connection	\$13,900
PUC Cost	\$6,670,000
Total Sanitary Cost	\$13,000,000
Total Watermain Cost	\$2,500,000
Total Cost to PUC and Rate Payers	\$15,500,000

It is important to note that the Bothwell Sanitary Sewers Project previously was denied funding under the Canada-Ontario Municipal Rural Infrastructure Fund (COMRIF) 1 program. As well, the public does not have confidence in the current study completed and as such, Council requested that additional water sampling be conducted before Council approval for this project is given.

Dresden Storm Sewer Upgrades

The Dresden Northwest Quadrant Storm Sewer Upgrades project consists of the installation of new storm sewers, including catch basins for road drainage and private drain connections, along with the replacement upgrades of new water mains including fire hydrants and services.

The total water funding required for this project is \$0.7 million with the additional \$2.0 million required for the storm sewers. These projects were being funded from their respective lifecycle budgets. However, due to budget constraints and priorities these projects are currently being moved forward through a multi-year and phasing of construction approach. The first phase of construction commenced in 2007 and the \$2.7 million is the additional funding required for the remaining 3 phases. Grant funding would allow for expediting construction to minimize the construction impacts and inconvenience to area residents.

The northwest quadrant of the community of Dresden has historically experienced flooding and poor drainage caused by fluctuating water levels in the Sydenham River, heavy rainfall events and an inadequate storm sewer system.

The former Town of Dresden had investigated the problem and initiated improvements prior to amalgamation with the installation of a new 900mm storm sewer along James Street and a 900mm outlet to the Sydenham River south of James Street at Camden Street, along with some storm sewer branches. Aside from this infrastructure, this area is serviced by additional undersized storm sewers and tile drains including approximately six outlets ranging in size from 200mm to 400mm, which cannot provide adequate drainage. Some of these outlets cross private lands without easement designations and are under buildings in some instances.

Dillon Consulting was retained to complete a study of this area to investigate the existing drainage and provide recommendations on improvements required. Dillon has also completed a Schedule 'B' Class Environmental Assessment (EA) process to construct a new outfall to service the southeast half of the northwest quadrant. In addition, Dillon has already completed a majority of the design and this project could be tendered by late spring of 2008, with construction completion by fall of 2008.

Ridgetown Wastewater Treatment Plant

The Municipality is proposing to upgrade and expand the Ridgetown Sewage Treatment Lagoons in order to service current and future growth within the community of Ridgetown. The current Sewage Treatment Lagoon System is in non-compliance with its Certificate of Approval (C of A). Limitations in storage capacity are also being experienced with the current treatment facility. The Municipality is considering the replacement of the existing sewage treatment

facility with a conventional sewage treatment plant capable of meeting the 20-year growth projections in the community of Ridgetown.

The current treatment facility is operating at approximately 85% to 90% on an average daily basis and is experiencing constraints in terms of its effluent discharge quality. As a result of the limitations in its hydraulic capacity, a minimal amount of additional growth will be permitted within the community of Ridgetown prior to the need to implement a development freeze throughout the community.

On January 10, 2007, the federal and provincial governments announced that this project will receive a total of \$5,333,332 under the COMRIF program towards eligible costs for the upgrade of the Ridgetown Wastewater Treatment Plant. The eligible costs for the COMRIF grant total \$8 million and relate exclusively to expenses for upgrading, not due to growth. The COMRIF funding amounts to two-thirds of this \$8 million figure. Costs to expand for future growth were not eligible for COMRIF funding.

Associated Engineering Ltd. / Todgham & Case Associates Inc. (Associated) was retained in February 2007 to undertake the Municipal Class Environmental Assessment (Class EA) as well as the preliminary design, detailed design and construction administration for the project. Associated have completed the Pre-Detailed Design Report.

At the Chatham-Kent Public Utilities Commission meeting on May 24th, 2007 the Commission approved the Environmental Study Report (ESR) for the proposed Ridgetown Wastewater Treatment Plant (WWTP).

The planning and design process for this project has been conducted according to the requirements for a "Schedule C" project as identified in the Municipal Engineers Association's Class EA document. The Class EA document specifies a five-phase process to be followed. The first four phases have been completed and the project is in phase five now, which includes detailed design, tendering, construction and environmental monitoring of the project.

The Ridgetown Wastewater Treatment Plant (WWTP) project involves the following:

- Upgrade to the existing sanitary pumping station
- New mechanical wastewater treatment plant
- New site services (potable water, roadway, fencing) for the new plant
- Decommissioning of some existing lagoon cells

The latest cost estimate, based on detailed information contained in the Pre-Detailed Design Report, is \$14,400,000. Currently there is a shortfall of \$9,066,668 that will have to be carried by the PUC to fund this project.

Project Component	Estimated Cost
Total Project Cost	\$14,400,000
COMRIF 3 Funding	\$5,333,332
Total Cost to PUC	\$9,066,668

As noted above, the Ridgetown Wastewater Treatment Plant Project did receive funding through the COMRIF program. While the MIII program guidelines permit funding under the MIII for projects that have received COMRIF funding, those guidelines state that particular consideration will be given to projects that have not previously received any provincial government (including COMRIF) funding.

Bridges

The bridge projects recommended by the Infrastructure and Engineering Services division, and reviewed and ranked by EMT, were as follows:

- Moraviantown Bridge over Thames River, Deck Replacement (\$1.3 million)
- Queens Line over Raleigh Plains Drain, Deck Replacement (\$1.0 million)
- Queens Line over Government Drain, ½ Parapet Wall Replacement (\$.5 million).

All of these projects are construction ready.