

## **Municipality Of Chatham-Kent**

### **Finance, Budget, Information Technology & Transformation**

#### **Administration**

**To:** Mayor and Members of Council

**From:** Gord Quinton, MBA, CPA, CGA  
Chief Financial Officer / Treasurer /  
GM, Finance, Budget, Information Technology & Transformation

**Date:** September 1, 2020

**Subject:** Rural Fibre Backbone Agreement

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#### **Recommendations**

As part of the previously approved \$6.5 million investment in fibre backbone facilities ("Funds") for Chatham-Kent in 2018, it is recommended that:

1. Chatham-Kent enter into an agreement for a \$6.5 Million forgivable loan with TekSavvy Solutions Inc. to fund TekSavvy to build five (5) fibre backbone facilities in all rural wards of Chatham-Kent in accordance with a plan presented to Council and Administration in Closed Session.
2. Administration bring a report to the October 19, 2020 Council meeting with funding recommendations.

#### **Background**

In 2018, Council approved investing \$6.5 million towards Canada's "Connect to Innovate" program application, which at the time was a joint application between Entegrus and TekSavvy. The application was not approved. Currently, Entegrus is not investing in fibre connectivity in Chatham-Kent.

At the May 29, 2020 Council meeting, a motion was passed to support TekSavvy on a proposal to the CRTC Broadband Fund and recommended a legal agreement be drafted to support the fibre backbone throughout Chatham-Kent. Administration has completed its due diligence and is ready to proceed with the binding legal agreement.

No specific funding source has been identified to date.

#### **Comments**

There are no competitive market capabilities to support building fibre through to small communities across Chatham-Kent without government financial support. TekSavvy has applied to several higher level grant programs, recently including the CRTC Broadband Fund, the ICON fund referenced in another report on tonight's agenda, and has

indicated it will be applying to the SWIFT RFP currently offered. Chatham-Kent has previously agreed to support TekSavvy in the investment of the backbone fibre network that is essential to connect rural areas, facilitating economic development and job creation, while bringing fibre to local communities and Chatham-Kent public facilities.

Over the past three months, administration has negotiated a detailed agreement with TekSavvy regarding the funding and construction of the backbone fibre network to connect rural communities within Chatham-Kent. The full details of these plans are commercially sensitive and subject to a Non-Disclosure agreement. As a result, those details have been shared with Council in Closed Session, as permitted under the Municipal Act, 2001.

The funds will be provided so that TekSavvy can build backbone fibre facilities within Chatham-Kent. TekSavvy is required to provide fibre-to-the-home internet access to homes and businesses along the backbone routes. Construction of the backbone will also facilitate TekSavvy's intention to build further networks within the communities at the end of each line. In addition, TekSavvy will make these backbone fibre facilities open-access over time, as specified in the agreement. The loan will be forgiven when the milestones in the agreement are reached; and if the backbone lines are not constructed, the funds will be repaid.

### **Areas of Strategic Focus and Critical Success Factors**

The recommendation in this report supports the following areas of strategic focus:

Economic Prosperity:

Chatham-Kent is an innovative and thriving community with a diversified economy

A Healthy and Safe Community:

Chatham-Kent is a healthy and safe community with sustainable population growth

People and Culture:

Chatham-Kent is recognized as a culturally vibrant, dynamic, and creative community

Environmental Sustainability:

Chatham-Kent is a community that is environmentally sustainable and promotes stewardship of our natural resources

The recommendation in this report supports the following critical success factors:

Financial Sustainability:

The Corporation of the Municipality of Chatham-Kent is financially sustainable

Open, Transparent and Effective Governance:

The Corporation of the Municipality of Chatham-Kent is open, transparent and effectively governed with efficient and bold, visionary leadership

- Has the potential to support all areas of strategic focus & critical success factors
- Neutral issues (does not support negatively or positively)

### **Consultation**

The Solicitor and Manager, Legal Services were consulted and involved in negotiation of the agreement, and reported to Council in Closed Session. The CAO was involved in the negotiations.

### **Financial Implications**

In 2018, the Council of the day did not fund this commitment as it was considering a future revenue stream from the then joint investment with Entegrus that did not materialize.

Council has the option of pulling the funds immediately from reserves. However, given the analysis ongoing concerning current upper level grant opportunities, it is recommended that the funding decision be delayed until the October 19<sup>th</sup> Council meeting when more detailed reports are forthcoming on the 2020 operational deficit.

Prepared by:

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Gord Quinton, MBA, CPA CGA  
Chief Financial Officer  
General Manager  
Finance, Budget, Information Technology & Transformation

Consulted and confirmed the content of the consultation section of the report by:

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Emily Crawford  
Solicitor

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Dave Taylor  
Manager, Legal Services

Attachments: none

C: Emily Crawford  
Dave Taylor

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