



The Corporation of the Town of Tecumseh

Public Works & Environmental Services

To: Mayor and Members of Council

From: Phil Bartnik, Director Public Works & Environmental Services

Date to Council: February 9, 2021

Report Number: PWES-2021-03

Subject: Disaster Mitigation and Adaptation Fund
Agreement for Climate Change and Flooding Resiliency Project
Storm Infrastructure Improvements

Recommendations

It is recommended:

That a by-law **be prepared** to authorize the Mayor and Clerk to sign the Agreement for Climate Change and Flooding Resiliency Project between Her Majesty the Queen in Right of Canada, as represented by the Minister of Infrastructure and Communities ("Canada") and The Corporation of the Town of Tecumseh ("Town"), in a form satisfactory to the Town's Solicitor, financial content satisfactory to the Town's Chief Financial Officer and technical content satisfactory to the Town's Engineer, for the grant received from the Disaster Mitigation and Adaptation Fund for the flood resiliency project that includes the following:

- 1) Construction of a new consolidated Scully and St. Mark's Pump Station and a Riverside Drive Trunk Storm Sewer;
- 2) Decommissioning of the existing St. Mark's Storm Pump Station; and
- 3) Construction of a new Peter J. Cecile Pump Station.

And that the Town's portion of the total project costs, being \$16.05M of the total \$26.75M, **be funded** through a combination of Lifecycle Stormwater Reserves and Debt with up to \$15M of Debt to be incurred.

Executive Summary

In a news release published October 26, 2020, the federal government announced its largest federal investment in Tecumseh's history to protect the Town from flooding:

"The safety and well-being of Canadians remains the Government of Canada's top priority as the COVID-19 pandemic continues. The federal government is taking decisive action to support families, businesses and communities, and continues to look ahead to see what more can be done. Investing in infrastructure to create jobs and strengthen local economies is a key part of these initiatives."

The Government of Canada is investing \$10.7 million in the Town's climate change and flooding resiliency project through the Disaster Mitigation and Adaptation Fund. The Town is also contributing approximately \$16.05 million to the project.

The project work involves the construction of and improvements to four infrastructure assets: decommissioning of the St. Mark's Pump Station; construction of a new consolidated Scully and St. Mark's Pump Station; improvements to the Peter J. Cecile Pump Station and; improvements to the storm sewers at two locations to move storm water runoff to the consolidated Scully and St. Mark's pump station. A map illustrating the location of the storm pump stations is provided in Attachment No. 1.

An agreement must be executed between Her Majesty the Queen in Right of Canada, as represented by the Minister of Infrastructure and Communities and The Corporation of the Town of Tecumseh respecting the grant received from the Disaster Mitigation and Adaptation Fund for the Climate Change and Flooding Resiliency Project – the storm pump station improvements and associated works.

Background

The Government of Canada launched the Disaster Mitigation and Adaptation Fund (DMAF), a national merit-based program that will invest \$2 billion to support large-scale infrastructure projects to help communities better manage the risks of disasters triggered by natural hazards. DMAF projects will support the Government of Canada's objectives laid out in the Pan-Canadian Framework on Clean Growth and Climate Change.

Under the DMAF program, the Federal Government funds up to 40% of eligible costs of a project (or bundled projects) that are a minimum of \$20M total value and provides a ten-year period (2018-2028) for projects to be completed.

Town of Tecumseh 2019 DMAF Applications

The Town was unsuccessful in its 2019 applications to the **DMAF 2019 Intake No.1** (which included bundled projects totalling \$30.70M) and the **DMAF Special Spring 2019 Flooding Intake** (which included bundled projects totalling \$26.75M).

Town of Tecumseh 2020 DMAF Application

The Town submitted an application to the **DMAF 2020 Intake No.3** in July 2020 for a bundled project totalling \$26.75M. On October 21, 2020, the Town received a letter from the Honourable Catherine McKenna, Minister of Infrastructure and Communities, congratulating the Town of Tecumseh of the funding approval, in principle, of the Climate Change and Flooding Resiliency Project submitted under DMAF. A copy of the letter is provided in Attachment No. 2. The news release announcing the federal investment in Tecumseh's flood-related project is provided in Attachment No. 3.

The bundled projects that were included in the Town's DMAF 2020 Intake No.3 included:

1. Construction of a new consolidated Scully & St. Mark's Storm Pump Station & Riverside Drive Trunk Storm Sewer [\$17.05M]

Both the Scully and St. Mark's pump stations are reaching their end of service life. The Scully pump station was put into operation in 1974 and the St. Mark's pump station was constructed in 1957.

Identified as the recommended solution within the Tecumseh Storm Drainage Master Plan 2019, the construction of a new pump station at the Scully pump station site to handle flow from a consolidated service area of the Scully and St. Mark's pump stations is to take place. The new station would utilize vertical submersible axial flow pumps. The station would be located north of the existing structure and will require a new inlet and outfall pipe and expanded outfall structure. The existing pump stations would be kept in service during construction.

Storm trunk sewer improvements and the redirection of storm drainage along Riverside Drive are required between Arlington Boulevard and the proposed consolidated storm pump station on the Scully pump station site to convey flows from the existing St. Mark's storm pump station service area. The new consolidated Scully pump station will have an enhanced level of service and provide 6-times more capacity than that of the existing pump station. The sizing of the proposed trunk storm sewer along Riverside Drive ranges from 1350mm to 1500mm in diameter.

2. Construction of a new Peter J. Cecile Storm Pump Station [\$9.70M]

The Peter J. Cecile pump station has two vertical turbine pumps both equipped with 40 hp motors. No upgrades have been completed since the station was put into operation in 1974. The electrical equipment is approaching the end of its life.

Identified as one of the recommended solutions within the Tecumseh Storm Drainage Master Plan 2019, the construction of a new pump station at the Peter J. Cecile pump station site is to take place. Due to the site restraints, the new pump station is to be constructed over the footprint of the existing structure. The new station would utilize vertical submersible axial flow pumps and have an increased capacity of 8-times to accommodate the growing frequency of heavy rainfall events. The installation of temporary pumps using portable pump stations will provide servicing during the

construction. A new outfall pipe will be constructed to provide increased flow capacity. The new outfall will be extended to the norther end of the jetty bank to eliminate additional flow from entering the Beach Grove harbour, which is the location of the existing outfall. The inlet pipe to the pump station will be replaced with a larger diameter pipe in the existing alignment.

Comments

Agreement for Climate Change and Flooding Resiliency Project

An agreement must be executed between Her Majesty the Queen in Right of Canada, as represented by the Minister of Infrastructure and Communities, and The Corporation of the Town of Tecumseh respecting the grant received from the Disaster Mitigation and Adaptation Fund for the Climate Change and Flood Resiliency Project.

A draft agreement has been prepared by Canada and is currently being reviewed by Administration and the Town's Solicitor. The agreement will be finalized following evidence that Tecumseh Town Council has approved the execution of the agreement and that the Town provides evidence that all project funding other than the federal contribution has been secured (via Council Resolutions).

The final agreement will be brought to Council for approval and execution by means of a future by-law.

With the approval in principle, eligible costs as determined under the terms and conditions of the DMAF and incurred as of the date of the October 21, 2020 letter [sent from the Minister of Infrastructure and Communities], will be eligible for federal reimbursement subject to the timely execution of a contribution agreement. Once signed, the contribution agreement represents the final federal approval of the Project.

Consultations

Corporate Services & Clerk
Financial Services
Town Solicitor

Financial Implications

Federal funding of the Project from the DMAF will be up to 40 percent of the total eligible project costs, to a maximum federal contribution of \$10.7M under this program.

The Town is required to provide evidence that all Project funding has been secured. The following table outlines the recommended Project timelines and distribution of costs. Administration is recommending to complete the Project construction by the end of 2026. This will leave an additional year, 2027, should construction be delayed or prolonged for various reasons and ensuring that the Project falls within the eligibility timelines of the Agreement.

Year / Project (\$M)	Scully & St Marks Storm PS Improvements	P.J. Cecile Storm PS Improvements	Totals	Federal Contributions (40%)	Town Contributions (60%)
2021	\$1.294	\$0.500	\$1.794	\$0.718	\$1.076
2022	\$6.773	\$1.000	\$7.773	\$3.109	\$4.664
2023	\$8.683	\$0.568	\$9.251	\$3.700	\$5.551
2024	\$0.300	\$0.332	\$0.632	\$0.253	\$0.379
2025	-	\$2.920	\$2.920	\$1.168	\$1.752
2026	-	\$4.380	\$4.380	\$1.752	\$2.628
2027	-	-	-	-	-
2028*	-	-	-	-	-
Totals	\$17.05	\$9.70	\$26.75	\$10.70	\$16.05
*Up to March 31, 2028					

As part of previous PWES Capital Works Plans, Council has already approved the allocation of a portion of the project funds from lifecycle reserves for the Project in order to initiate the detailed design as outlined below:

- \$1,297,250 for the Scully & St. Mark's Storm Pump Station (Motions: RCM-361/18 & RCM-375/20); and
- \$500,000 for the Peter J. Cecile Storm Pump Station (Motion: RCM-375/20)

Funding for the Town's portion of costs will come from a combination of Lifecycle Stormwater Reserves and Debt. The total amount borrowed is not anticipated to be affected by the fact that grant funding will be released by regular reporting periods, i.e. not advanced.

The Lifecycle Stormwater Reserve has an estimated 2020 year-end balance of \$(1,129,000). The annual allocation to this reserve effective 2021 is \$1,227,700 with a target annual allocation of \$2,000,000.

As this project will take several years to complete, the amount to be borrowed will depend on the timing of expenditures and available reserve balances, i.e. impact of other Stormwater capital projects. It is anticipated that the Town will borrow up to \$15 million towards this project.

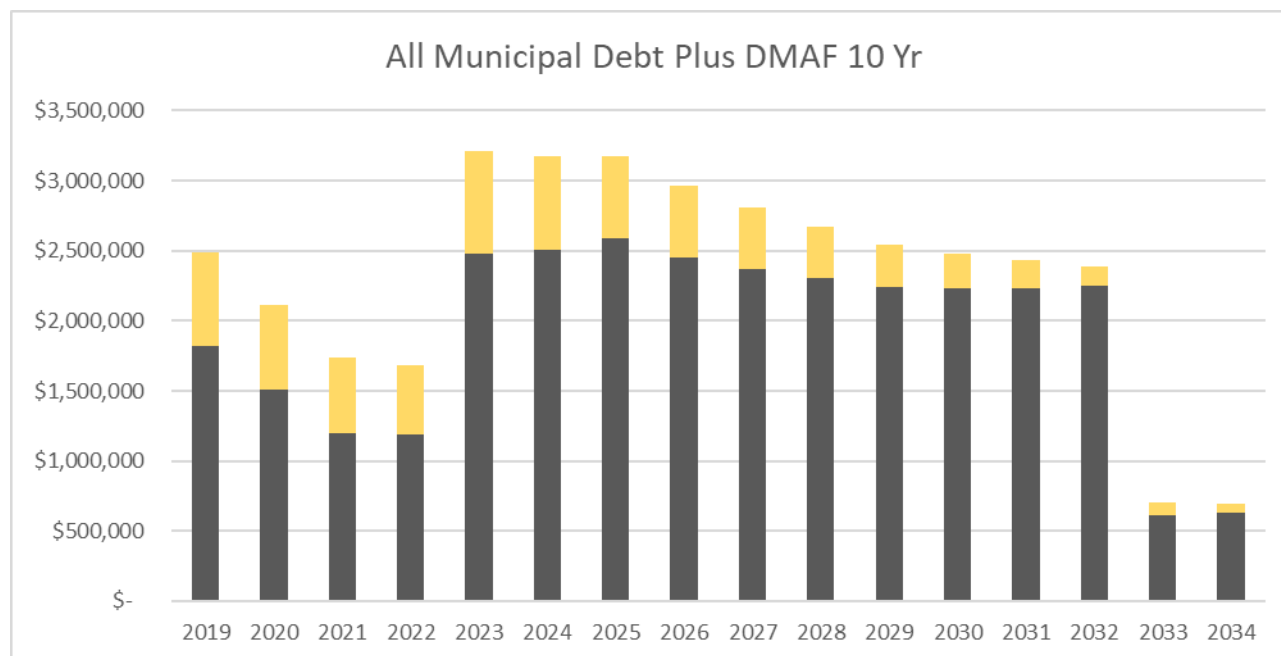
The Town currently has \$13.6 million in outstanding long-term debt at 2020 year-end (\$15.0 million in 2019). The Town's 2019 Debt Servicing Costs of \$2.3 million represent 5.4% of Total Revenues as per our latest Provincial Financial Indicator Review. A measure less than 5% is considered Low risk, greater than 5% but less than 10% is considered Moderate risk and greater than 10% is considered High risk.

Incurring \$15 million in new debt with a 10-year term at current borrowing rates will increase our annual debt servicing costs by approximately \$1,670,000. As some existing debt will expire while new debt would be incurred as needed during the seven-year construction period, annual

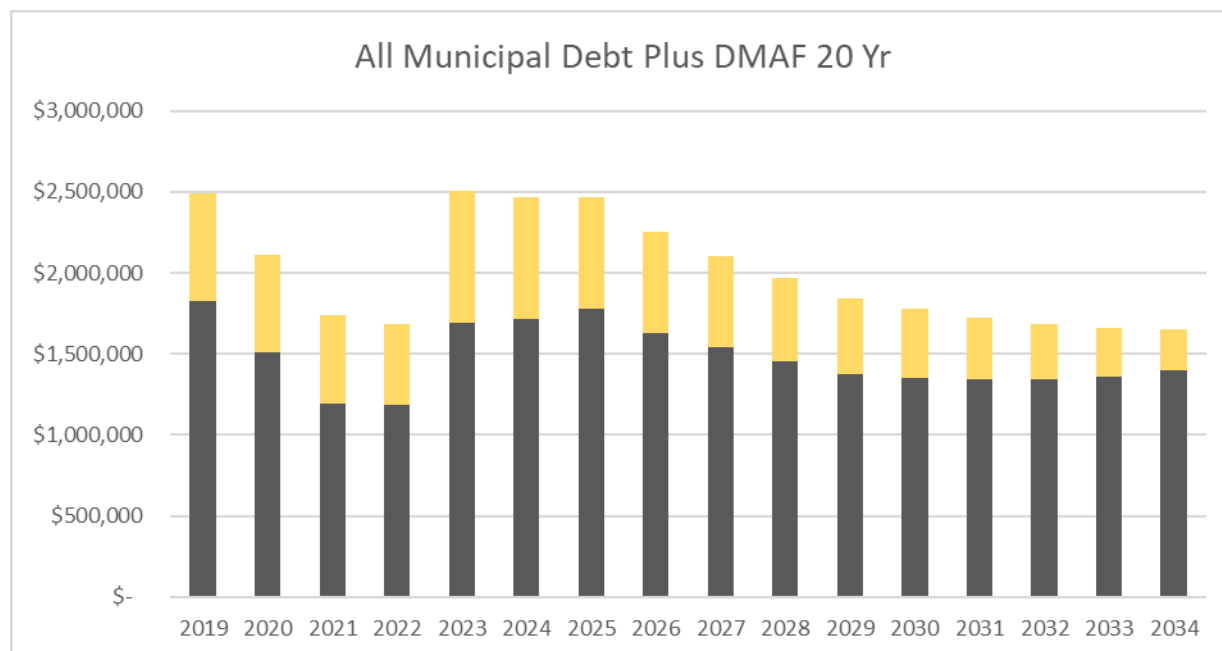
debt servicing costs would peak in 2023 at approximately \$3.2 million. Administration estimates that this would bring our Debt Servicing Cost measure to between 7% - 8%.

It should be noted that this estimated measure is affected by Town revenues. Growth in revenue (primarily assessment) would help to reduce the Debt Servicing Cost measure.

The chart below projects annual debt servicing costs assuming the addition of \$15 million in debt in 2022 with a 10-year payment term.



Alternatively, borrowing over a 20-year payment term would increase the annual debt servicing costs by \$960,000. Debt servicing costs would peak in 2023 at approximately \$2.5 million. The estimated Debt Servicing Cost measure would be between 5.5% - 6.5%. Debt payments under this scenario are illustrated in the following chart.



Link to Strategic Priorities

Applicable

2019-22 Strategic Priorities

- ☐ Make the Town of Tecumseh an even better place to live, work and invest through a shared vision for our residents and newcomers.
- ☒ Ensure that Tecumseh's current and future growth is built upon the principles of sustainability and strategic decision-making.
- ☒ Integrate the principles of health and wellness into all of Tecumseh's plans and priorities.
- ☒ Steward the Town's "continuous improvement" approach to municipal service delivery to residents and businesses.
- ☒ Demonstrate the Town's leadership role in the community by promoting good governance and community engagement, by bringing together organizations serving the Town and the region to pursue common goals.

Communications

Not applicable ☒

Website ☐

Social Media ☐

News Release ☐

Local Newspaper ☐

This report has been reviewed by Senior Administration as indicated below and recommended for submission by the Chief Administrative Officer.

Prepared by:

Cheryl Curran, BES
Project Technician

Reviewed by:

Laura Moy, Dipl. M.M., CMMIII HR Professional
Director Corporate Services & Clerk

Reviewed by:

Tom Kitsos, CPA, CMA, BComm
Director Financial Services & Chief Financial Officer

Reviewed by:

Phil Bartnik, P.Eng.
Director Public Works & Environmental Services

Recommended by:

Margaret Misek-Evans, MCIP, RPP
Chief Administrative Officer

Attachment Number	Attachment Name
1	Location Map – storm pump stations
2	Approval in Principle Letter from the Minister of Infrastructure and Communities, October 21, 2020
3	News release published October 26, 2020