

**REPORT TO:** 

Mayor and Council

FROM:

Daniel Horan, Director of Engineering Services

DATE:

November 14, 2016

RE:

Grant Opportunity - Clean Water and Wastewater Fund

# **EXECUTIVE SUMMARY**

The Clean Water and Wastewater Fund is a joint Canada/British Columbia infrastructure renewal program that provides up to \$373.6 million for capital and planning projects. Applications can be submitted for two projects. The applications can be for two capital projects, two planning projects or a combination of the two.

Engineering Services staff have identified the first phase of the Uplands Sewer Separation project as a suitable design and build project. Staff have also identified the Henderson Water Main extension as a suitable capital project. The Director of Engineering Services is seeking authorization from Council to submit applications to the Province of British Columbia for funding the first phases of the Uplands Sewer Separation Project, as well as the current phase and the next two phases of the Henderson Water Main Extension Project.

## **BACKGROUND**

The governments of Canada and British Columbia jointly launched the Clean Water and Wastewater Fund in September 2016. The fund will provide \$373.6 million for infrastructure projects, with Canada contributing up to \$225.1 million and the Province of British Columbia contributing up to \$148.5 million. The fund is intended to help accelerate short-term local government investments, specifically for construction-ready projects aiming to rehabilitate water, wastewater and stormwater infrastructure. The fund is also intended to accelerate project planning and design for future facilities and upgrades to existing systems. The fund offers a maximum of eighty-three percent (83%) of the total eligible project costs. Fifty percent (50%) is to be contributed by the Government of Canada and thirty-three percent (33%) by the Province of British Columbia.

Two major projects, the Uplands Sewer Separation and the Henderson Water Main extension, have been targeted in the past several years for grant funding applications. These two capital projects are expected to be more technically complex and therefore more costly than the remainder of the planned capital work for the District. Because of the expected cost and complexity of the projects, as well as the relative amount of completed planning work in these areas, they remain excellent candidates for funding from higher levels of government.

The Uplands Sewer Separation project is estimated to cost the District approximately \$15.1 million. With the Council decision to implement a new shallow storm sewer system in order to meet provincial government regulations, the project has moved from the options analysis phase into the beginning of the detailed design phase. The District's plan will be to apply for funding for the first phase of the Uplands project.

The Henderson Water Main extension is a multi-year project to address water system quality of service to south Oak Bay. The Henderson Road Water Main extension will extend a large water main starting at Neil Street/Henderson Road up to the Capital Regional District's main at Foul Bay Road/Lansdowne Road. The purpose of this water main extension is to provide a secondary source of water supply to south Oak Bay, which would address water system vulnerabilities that were first identified in an engineering study commissioned by Oak Bay in 1991.

There is currently one outstanding grant application for which the District has not yet received a final result. On April 25, 2016, Council authorized staff to submit an application for the New Building Canada Fund – Small Communities Fund, targeting the Uplands Sewer Separation project. This application is still being evaluated by provincial government staff and the results are expected to be announced in early 2017.

The Clean Water and Wastewater Fund was announced in late September 2016 and has an application deadline of November 23, 2016. The fund allows each District to submit applications to fund two projects. The two projects can be for two capital projects, two planning projects, or one capital project and one planning project. Projects that are eligible for Clean Water and Wastewater Fund support must have begun after April 1, 2016 and must be completed before 31 March, 2018. It is acceptable to break larger projects into phases for the purposes of this grant application.

## **ANALYSIS**

The detailed design phase of the Uplands Sewer Separation Project has begun with the work on this funding application. The next steps are the development of Request for Proposal, a competition for a contractor to complete a detailed design, and the commencement of the first phase of construction. The current approach will be to seek funding in order to complete the detailed design and then the first construction package in the Humber catchment. The fund will not be sufficient to cover the full costs of the detailed design; staff will proceed with the development of a Request for Proposal and the contractor selection process before end of 2016.

The first phase of the Henderson Water Main extension is almost complete. The work started this year at Neil Street, installing a new 20 inch water main to Mid-downe Road. Approximately \$490,000 of the \$600,000 allocated for water main extension in the 2016 budget will be used for the Henderson Water main extension. Staff intends to bring forward estimates for the follow on phases as part of the 2017 budget development process.

After reviewing the selection process and criteria contained in the Clean Water and Wastewater Fund guidance, staff conclude that the Uplands and Henderson projects remain the most appropriate candidates for an application to the fund.

#### STRATEGIC IMPACT

The Uplands Combined Sewer Separation project is part of the "Develop, maintain and protect our infrastructure" portion of Council's Strategic Plan. With respect to the Uplands Combined Sewer Separation project, the project concept and Council selection of a development concept has occurred. The next steps in the Strategic Plan center on development of a final design, as well as work around funding and development of a timeline for construction. Approving this request would allow staff to directly support Council's strategic aims in this area.

The Henderson Road Water Main extension is also part of the "Develop, maintain and protect our infrastructure" portion of Council's Strategic Plan. Water main upgrades are specifically mentioned as a key strategic aim for Council. Approving this request would allow staff to directly support next steps to meet Council's strategic aim.

## **OPTIONS**

1. The following two resolutions are requested if the option to proceed is selected as per the report of the Director of Engineering Services:

That the Director of Engineering Services be authorized, on behalf of the District of Oak Bay, to submit a Clean Water and Wastewater Fund application to the province of British Columbia for the beginning of the detailed design phase of the Uplands Sewer Separation project; and that \$135,440 from Capital be committed in order to cover the municipal portion of the full cost, that is, 17% of the full cost of the Humber catchment detailed design if the requested grant is awarded.

That the Director of Engineering Services be authorized, on behalf of the District of Oak Bay, to submit a Clean Water and Wastewater Fund application to the province of British Columbia for the remaining phases of the Henderson Water Main extension project; and that the approximately \$480,000 spent this year from the Water Capital Fund for the first phase of the project be used to demonstrate the District's commitment to cover the municipal portion of the full cost, that is, 17% of the full project cost.

- 2. That the Director of Engineering Services be directed to submit applications to fund different capital projects. This option is not recommended due to the immaturity of analysis related to other potential projects, as well as the impending application deadline of November 23, 2016.
- 3. That no applications be submitted for the Clean Water and Wastewater fund.

## FINANCIAL IMPACT

The District has already set aside \$7M for the Uplands Sewer Separation project. A successful grant application at this time will allow the District to more easily fund later phases of the project.

Water main projects were funded up to \$600,000 in 2016, with the majority of that budget being directed towards the first phase of the Henderson Water Main extension. Staff have brought forward estimates as part of the budget process to address the next two phases of the Henderson Water Main extension. In summary, the remaining two phases of the project (planned for 2017)

and 2018) is estimated to cost approximately \$1.4M. Any funding received for this project can be applied to the planned phases, but also to the current phase to be completed this year.

## RECOMMENDATION

The following two resolutions are requested if the option to proceed is selected as per the report of the Director of Engineering Services:

That the Director of Engineering Services be authorized, on behalf of the District of Oak Bay, to submit a Clean Water and Wastewater Fund application to the province of British Columbia for the beginning of the detailed design phase of the Uplands Sewer Separation project; and that \$135,440 from Capital be committed in order to cover the municipal portion of the full cost, that is, 17% of the full cost of the Humber catchment detailed design if the requested grant is awarded.

That the Director of Engineering Services be authorized, on behalf of the District of Oak Bay, to submit a Clean Water and Wastewater Fund application to the province of British Columbia for the remaining phases of the Henderson Water Main extension project; and that the approximately \$480,000 spent this year from the Water Capital Fund for the first phase of the project be used to demonstrate the District's commitment to cover the municipal portion of the full cost, that is, 17% of the full project cost.

Respectfully submitted,

Daniel Horan, Director of Engineering Services

With respect to the Financial Impact described in this report, I concur with the recommendation of the Director of Engineering Services.

Debbie Carter, Director of Financial Services

I concur with the recommendation of the Director of Engineering Services.

Helen Koning, Chief Administrative Officer