

MEMORANDUM

TO: Mayor and Council

FROM: Director of Engineering Services

DATE: June 22, 2015

RE: Grant Opportunity- Federal Gas Tax Fund Strategic Priorities Fund (SPF)- Uplands Combined Sewer Separation Project
(Revised Application)

BACKGROUND:

Earlier this year, a grant opportunity was offered through the Union of BC Municipalities called the **Federal Gas Tax Fund Strategic Priorities Fund (SPF)**. The municipality submitted two grant applications. One for \$3.9 M for a **Pavement Management Program**, the second which was prepared by Kerr Wood Leidal, on the municipality's behalf, for \$1.5 M for the **Uplands Combined Sewer Separation Project**, which included public outreach and engineering design costs but did not include any capital works (construction costs). UBCM representatives have reviewed the application for the project and invited the municipality to resubmit its application to include a capital works component to increase its chances of a more favourable evaluation.

DISCUSSION:

As Council is aware, the District recently awarded a contract to McElhanney Consulting Services Ltd. (MCSL) to undertake a pre-design study that will examine options for separating the existing 100 year-old combined sewer and stormwater pipe in the Uplands area. This work has begun.

The plan moving forward is to continue with MCLS who are expected to present their findings and options to Council in early fall. Oak Bay residents will be invited to participate in a community engagement process to review the concepts, ask questions and provide input. Upon the conclusion of a comprehensive review with the community, Council would ask staff to proceed to detailed design for one option. Originally, it would be at this stage that staff would actively seek government funding to advance this project to construction.

With the recent developments regarding our previous grant application we find ourselves with a revised funding opportunity now and have seized the opportunity to request some overall project cost estimates to resubmit an application. Staff also learned that there is no maximum grant amount under the program, the largest grant however, provided under the predecessor to the SPF was \$10 million. With this information staff requested Kerr Wood Leidal Associates Ltd (KWL) (the engineering firm that provided some preliminary work for the District on this project in previous years), to provide general costing-estimates to support an application for this funding.

The report attached from KWL suggests that the overall project cost estimate to include in the application is \$20.7 million, based on the highest-cost alternative (previously provided), inflated to year 2018 and includes a 30% contingency and 20% for engineering and project management costs. This may not however be the final project costs, as we have not yet selected the potential option to undertake this project. It is also important to note that this application does not prevent the District from seeking other grant funding as we move forward in the planning of this project.

Much of the confirmed project details are yet to be determined (e.g. option chosen, confirmed costing, funding sources, project timelines...) however, submitting an application for partial funding demonstrates that the District has been proactive in planning to fund the project, and is an opportunity for a large portion of this project to be potentially funded by grants.

OPTIONS:

1. That staff be authorized to re-submit an application to the Union of BC Municipalities for a grant for funding of \$10,000,000 for the engineering design, public outreach and construction of the Uplands Combined Sewer Separation Project.
2. That the current application remains as originally submitted despite UBCM's assessment of low success likelihood.

FINANCIAL IMPACT:

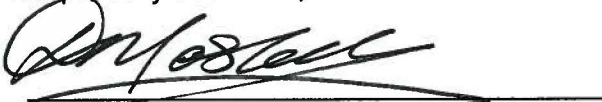
The requested revision of the grant application will not affect the time line of the project, and therefore an amendment to the Financial Plan Bylaw is not required by the change in scope. A successful application for the Uplands Combined Sewer Separation engineering and construction costs means that the Municipality would have to fund approximately \$10 million.

To meet this funding requirement, we have been putting the annual gas tax transfer into a reserve and at December 31, 2014 the total reserved was \$4,228,000. We expect to receive another \$530,000 in 2015, which will be similarly reserved. In addition, through the sewer consumer charges, another \$1,660,000 has been reserved and we are budgeting to add \$475,000 in 2015. This will bring the total reserved monies to \$6,893,000. The outstanding required funding is anticipated to come from long term debt, with the money that the sewer consumer charges currently being reserved being instead used to support the debt payments. Using the current 15 year debt repayment schedule, the annual repayments are currently estimated to be in the range of \$320,000.

RECOMMENDATION(S):

That staff be authorized to re-submit an application to the Union of BC Municipalities for a grant for funding of \$10,000,000 for the engineering design, public outreach and construction of the Uplands Combined Sewer Separation Project.

Respectfully Submitted,



D. Marshall B.Sc., A.Sc.T.
Director of Engineering Services

Source of Funds/ I concur with the recommendation of the Director of Engineering Services



Patricia Walker
Municipal Treasurer

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



Helen Koning
Chief Administrative Officer



KERR WOOD LEIDAL
consulting engineers

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Technical Memorandum

DATE: June 17, 2015

TO: Mr. Dave Marshall, B.Sc., ASCT
Director of Engineering Services
The Corporation of the District of Oak Bay

FROM: Colwyn Sunderland, ASCT

RE: DISTRICT OF OAK BAY
Uplands Sewer Separation – Gas Tax Strategic Priorities Fund Application Resubmission
Our File 0547.047

1. Issue

The District has engaged Kerr Wood Leidal to undertake the grant application process on its behalf and submit a grant application to the Union of BC Municipalities (UBCM) for a grant under the Gas Tax Strategic Priorities Fund (SPF) – Capital Projects Component, for design of separate sanitary and storm sewer infrastructure for the Uplands community. Since a separation method has not been selected, the overall project cost is uncertain (although estimates from previous studies provide some insight into what range of costs might be appropriate). Funding of \$1.5 million was requested for the design phase of the separation project.

UBCM has conducted an initial review of the grant application and has advised that the application as submitted would likely not be approved on the basis that the program requires that the project that is the subject of the application will result in the construction or material improvement of a tangible asset owned by the local government. However, UBCM has invited the District to revise and resubmit its application to include construction works.

2. Background

The provincial government, through its Municipal Wastewater Regulation (MWR), has mandated that combined sewer and storm water overflows must be eliminated. This means that all coastal communities must take the appropriate action to separate storm water flow from sanitary sewage flow in municipalities where single pipe systems occur. The Capital Regional District (CRD) Core Area Liquid Waste Management Plan (CALWMP) also requires sewers in the Core Area (which includes the District of Oak Bay) to be separated, and limits sewer overflows to the 1 in 5 year storm event.

Currently in Oak Bay, most of the Uplands neighbourhood has a single pipe system to accommodate both sanitary sewer and storm water flows. The system consists of approximately 12.6 km of combined gravity sewers installed approximately 100 years ago, 2 lift station overflow outfalls (the lift stations are owned by the Capital Regional District), and 390 service laterals (approximately 2.5 km total) from single-family dwellings. The project area consists of two catchments known as Rutland and Humber. The system is inefficient in operation and provides relatively poor environmental performance, requiring large volumes of rainwater to be pumped through the CRD sewer system causing overflows into Cadboro Bay and off Cattle Point several times per year. Separating the Uplands sewer system will require the construction of a new system of collection mains and service laterals either for sanitary sewer or storm drainage.



The District was previously awarded a federal/provincial grant for separating the Uplands sewer system. The funded project, a low-cost solution involving small pumps at each connection and pressurized sewers, was resisted by some members of the Oak Bay community and was ultimately not approved by Council. The District identified the need for an additional predesign study and community consultation to identify a separation strategy that will cost-effectively meet the community's expected service levels, and issued an RFP for these services in March 2015.

The predesign study will include evaluation of a range of options for separating the Uplands sewer system. All options would involve the construction of roughly 13-15 km of new pipe. The District has awarded a contract for pre-design consulting services to select a method (or methods) of sewer separation, supported by a community engagement process. It is expected that a recommended option will be presented to the community for consultation in late 2015.

The District retained KWL in March 2015 to prepare an application under the SPF program for design of a sewer separation project for Uplands. An application for a \$1.5 million grant for design of the sewer separation project was prepared and submitted April 15, 2015 and endorsed by a Council resolution dated March 23, 2015. Although projects funded under capital infrastructure grant programs typically include construction works, discussions with Ministry staff as well as grant package documentation, provided some impression that the design-only application could be successful. The application included a Class D overall project cost estimate of \$20.7 million based on the highest-cost option considered in a previous project feasibility assessment.

UBCM contacted the District May 27, 2015 to advise that the application had been reviewed but that without a capital works component the likelihood of success would be low. UBCM invited the District to revise and resubmit the application with a capital works component. At the District's request, KWL contacted UBCM to confirm details of the opportunity to resubmit the application.

3. Options

1. Seek Council resolution to resubmit the Gas Tax – Strategic Priorities Fund application based on the full scope of the Uplands Sewer Separation Project, including engineering design, public outreach and construction, with a requested grant amount of \$10 million; or
2. Leave the existing application in place.

4. Analysis

The overall project cost estimate included with the application of \$20.7 million is uncertain, but is based on the highest-cost alternative, inflated to year 2018, and includes a 30% contingency and 20% for engineering and project management.

Although the actual cost of the Uplands sewer separation project is uncertain, it is unlikely that more than \$10 million would be contributed under the SPF program toward the project regardless of the actual project cost. Although there is no maximum grant amount under the program, the largest grant provided under the predecessor to the SPF was \$10 million. The total funding available under the SPF program over the next five years, open to all local governments in BC outside Metro Vancouver, is \$145.2 million. Submitting an application for partial funding of the project demonstrates that the District has been proactive in planning to fund the project.



When project cost estimates are refined based on predesign, the District may request a revision to the project cost to reflect the most current cost estimate. If a grant is awarded based on the original request, it is unlikely that an increase in the grant amount would be approved.

5. Recommendation

It is recommended that the District resubmit the Gas Tax – Strategic Priorities Fund application based on the full scope of the Uplands Sewer Separation Project, including engineering design, public outreach and construction, with a requested grant amount of \$10 million.

KERR WOOD LEIDAL ASSOCIATES LTD.

Prepared by:

Colwyn Sunderland, ASCT
Specialist, Asset and Demand Management

Reviewed by:

Rob Warren, P.Eng.
Principal

Statement of Limitations

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This document represents KWL's best professional judgement based on the information available at the time of its completion and as appropriate for the project scope of work. Services performed in developing the content of this document have been conducted in a manner consistent with that level and skill ordinarily exercised by members of the engineering profession currently practising under similar conditions. No warranty, express or implied, is made.

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Revision History

| Revision # | Date | Status | Revision | Author |
|------------|---------------|--------|------------------------------|--------|
| 1.0 | June 17, 2015 | Final | Per District review of draft | CPS |
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