



Staff Report

Report To: South Huron Council

From: **Dan Best, Chief Administrative Officer/Deputy Clerk**

Date: August 21 2017

Report: CAO.17.24

Subject: Grand Bend Sewage Treatment Facility & Pumping Station 2 projects

Recommendations:

That South Huron Council receives the report from D. Best, Chief Administrative Officer/Deputy Clerk re: Grand Bend Sewage Treatment Facility & Pumping Station 2 projects;

AND that South Huron Council authorizes that the debt costs related to the 20% capital project costs deferred to future development be recovered from all sewer system users across the municipality through user fees;

AND That South Huron Council authorizes that any required financing will be by debenture through Infrastructure Ontario with a debenture term of 20 years;

AND That South Huron Council authorizes the Treasurer to commence the loan application process through Infrastructure Ontario;

AND That South Huron Council authorizes that payment options offered will be; a) that the full cost recovery amount is due and payable by October 16, 2017; or b) if full amount is not paid by October 16, 2017, the full cost recovery amount will be debentured over 20 years.

Purpose:

Council authorization to finalize the financing of the above noted projects.

Background and Analysis:

At the July 11, 2017 Committee of the Whole meeting, the committee was presented a Cost Recovery for the Grand Bend Sewage Treatment Facility and PS2 projects backgrounder report which included; background information on previous reports and Council resolutions, final project costs, cost per household equivalency, FCM loan and grant information and financial comparison of financing through FCM and Infrastructure Ontario.

The following motion (CW30-2017) was adopted;
That South Huron Committee of the Whole hereby directs the CAO to bring a report to the next Council meeting with recommendations for Council's consideration for the following;

- 1. Clarify 20% of the total project costs is deferred to future development to be paid by all sewer system users across the municipality and that 80% of the total project costs will be recovered from the benefiting property owners in the defined service area of Phase 1 of the Grand Bend Sewage Treatment facility project, as set out on page 11 of the CAO's background report;*
- 2. Determine the amortization period to be a 20 year term;*
- 3. Schedule a Community Information Session;*
- 4. Clarify financing to be through Infrastructure Ontario.*

In reference to #1 of resolution above, at the October 20, 2014 council meeting Motion 297-2014 was adopted that directed staff to proceed with 80% capital cost recovery, with 20% deferred to future development. It was noted in that report that the debt costs related to the deferred amount would be recovered from all sewer system users across the municipality through user fees. The recommendation contained in this report will authorize this recovery method.

In reference to #2 of resolution above, at the July 11, 2017 COW meeting Council recommended that the amortization period would be a 20 year term. The recommendation contained in this report will authorize this term.

In reference to #3 of resolution above, at the July 11, 2017 COW meeting an information session was scheduled for Tuesday, August 22, 2017.

In reference to #4 of resolution above, the report presented at the July 11, 2017 COW meeting provided details on the FCM loan/grant. It was determined that utilizing FCM financing was not a feasible option due to a combination of factors; FCM interest rate is higher than Infrastructure Ontario; as full payment by some customers is probable, we do not anticipate maximum amount will be borrowed, therefore will not realize

maximum grant amount and that we will not likely be successful in receiving the grant as we may not achieve the required environmental benefits within the required timeline.

Operational Considerations:

Cost recovery options have been reviewed and discussed at various Council and Committee meetings.

Next Steps:

- Commence loan application process with Infrastructure Ontario
- Prepare and adopt cost recovery by-law
- Send letters out to benefiting customers advising of the amount owing and date due, and that if the amount owing is not paid by date due it will be debentured over 20 years
- Once financing amount is determined, prepare and adopt borrowing by-law authorizing financing through Infrastructure Ontario
- Finalize loan application and notify Infrastructure Ontario of request to debenture
- Prepare and adopt Infrastructure Ontario Debenture by-law
- Prepare and adopt amended cost recovery by-law for those who did not pay amount in full

South Huron's Strategic Plan:

Section 6.2.2 of the Municipality of South Huron 2015-2019 Strategic Plan identifies key priorities and strategic directions. The following elements are supported by the actions outlined in this report;

√ Transparent, Accountable and Collaborative Governance

Financial Impact:

The full financial impact will not be known until we can determine the amount that will need to be financed and what the interest rate will be at the time of financing.

Legal Impact:

Legal opinion was received from Municipal Solicitor in regards to the enforcement and viability of the recovery of costs through the utility bill.

Staffing Impact:

There are no staffing implications for the Corporation resulting from the proposed recommendation.

Policies/Legislation:

Municipal Act, Part XII – Fees and Charges
Utility Billing and Collection Procedure
Updated ARL

Consultation:

Sandy Becker, Financial Services Manager/Treasurer
Don Giberson, Environmental Services Director

Related Documents:

Previous staff reports and resolutions from meetings of September 29, 2014,
October 20, 2014, November 3, 2014, June 1, 2015, September 8, 2015,
September 21, 2015, May 16, 2016
Cost Recovery Backgrounder report of July 11, 2017
FCM Agreement
Infrastructure Ontario Loan

Respectfully submitted,

Dan Best, Chief Administrative Officer/Deputy Clerk