

Municipality of Lakeshore – Report to Council

Operations

Corporate Leader - Operations



To: Mayor and Members of Council

From: Krystal Kalbol, P. Eng., Corporate Leader - Operations

Date: October 1, 2024

Subject: 2024 Water Wastewater Master Plan (WWMP) Update – Draft Final Report

Recommendation

Receive the 2024 Water Wastewater Master Plan Update – Draft Final Report prepared by Jacobs Consultancy Canada Inc.;

Direct the Corporate Leader - Operations to utilize this plan as a reference document to support the Municipality of Lakeshore's infrastructure improvements and to incorporate the implementation plan, as recommended, into future budget submissions for Council consideration; and

Direct the Corporate Leader- Chief Financial Officer to undertake a Development Charge Study Update and a Water Wastewater Rate Study update at a cost of \$95,000 as recommended, in the report for Council consideration, as presented at the October 8, 2024 Council meeting.

Strategic Objectives

This report supports one of the key Strategic Objectives of Council:

1b) Building and Stewarding Municipal Infrastructure - Complete infrastructure delivery plans for the Water/Wastewater Master Plan and Stormwater Master Plan, including development of a stormwater levy

Background

The WWMP Update was conducted under the Municipal Class Environmental Assessment (MCEA) process.

Council awarded the WWMP Update to Jacobs on November 29, 2022.

The following Public Information Centre's (PIC) were held as part of the MCEA process and as part of the Public, Agency, and First Nations Consultation and Engagement plan as outlined in the Draft Final Report:

- PIC #1 was held on June 28, 2023. This PIC provided an overview of the Municipality's water and wastewater systems, identified the existing constraints, and the projected growth of the Municipality that is required to be serviced;
- PIC #2 was held on November 22, 2023. This PIC provided an overview of the alternatives for wastewater. The main focus of the WWMP Update was related to the current constraints on growth related to lack of sanitary capacity (treatment and conveyance) in most serviced areas of Lakeshore; and
- PIC #3 was held on June 10, 2024. This PIC provided an overview of the alternatives for water as well as confirmed the preferred alternatives for wastewater and water. This PIC also presented the implementation plan along with a list of general recommendations that will help assist Lakeshore with future planning of water and wastewater resources.

The Master Plan's goal is to support healthy communities and the formation of new communities by identifying long-term strategies, initiatives, programs and infrastructure projects to meet water and wastewater servicing needs for a 20-year planning horizon (in this case to 2042).

As projected in the plan, Lakeshore is expected to grow to 60,000 people by 2042. In order to accommodate this growth, to address Lakeshore's evolving communities and to stay current with the changing needs of the future, it is important to review and update the plan every five years.

As part of the Public Information Centre #3 (held on June 10, 2024 as noted above) and at a subsequent Committee of the Whole on June 11, 2024, the Implementation Plan was presented to the Public and Council respectively.

The Implementation Plan identifies a total of \$261,746,000 of project costs (in 2024 dollars) to be completed over the next 20 years to maintain the existing infrastructure and provide opportunity for growth.

It should be highlighted that this plan shows extremely heavy investment over the first/next 5 years, due to projects that were identified in previous Master Plans (2008 and 2018) that were never funded. These projects are key in providing reliable infrastructure to existing residents and to accommodate growth.

Comments

The Implementation Plan was finalized, and the 2024 WWMP Update Draft Final Report (Attachment 1) was completed. The attached report will be filed with the Notice of Completion to the Ministry for the required 30-day final review period. It anticipated that this report will be accepted as Lakeshore’s 2024 WWMP Update - Final Report.

The following items from the Implementation Plan are being requested to be funded in the 2025 Budget:

Item	Description	Costs
Property for Future Denis St. Pierre WPCP Expansion	Future lands for the required expansion that is projected to be required in 2042	Costs are not known and to be determined
Common Sewage Treatment Facility at Stoney Point Schedule C EA	Environmental Assessment for the new plant (previous MCEA has expired)	\$350,000
Wastewater Conveyance Group 3	BR Forcemain & PS Upgrades - Engineering Design	\$545,000
Wastewater Conveyance Group 2	County Road 22 - Sanitary Trunk & PS Upgrades - Engineering Design	\$3,067,920
Comber Sideroad Watermain Replacement	Construction costs for Comber Watermain - Phase 1B	\$8,000,000
Total		\$11,963,320

Approval and commencement of the above EA (for the treatment plant in the east) and Engineering Design (to support two key sanitary conveyance projects) will allow for projects to be put in a position to be “shelf” ready. It is more likely these projects will receive grant funding (as per the recommendations in the Financial Impacts section) if the EA and detailed design are underway/complete.

Further, Comber Sideroad Phase 1A is tender ready (construction already funded by Council in 2024 budget) and detailed design for 1B is already completed. This project

can be tendered as one project to obtain better costs and to commence with completion of projects that will provide more reliable servicing.

It should be noted that the WWMP Implementation Plan (and costs) does not include some of the general recommendations that are noted in the report (i.e. flow monitoring to update/create water and sanitary models, future WWMP updates every 5 years, Inflow and Infiltration programs, sanitary reserve allocation policy, etc.). These are considered more minor in nature, do not rely on the EA process and should be expected to be brought forward in future budgets to allow for proper planning and assessment of infrastructure. These recommendations will also assist with more responsible management of water and wastewater resources in the future.

At the request of Council during the Committee of the Whole that was held at the June 11, 2024 Council meeting, this report also outlines the future projected costs as well as the financial impact of delivering the Implementation Plan, as per the timelines proposed.

Others Consulted

Jacobs was consulted as part of this report.

Financial Impacts

As noted, the total estimated cost to deliver the WWMP Implementation Plan is approximately \$262 million (in 2024 dollars).

The following Key Financial Assumptions were made to adequately assess the financial impacts of the implementation plan over the proposed time period:

- Development charge collections must meet at least 80% of projected growth targets;
- General inflation, estimated at 2.5%, has been applied to current revenues and expenditures;
- Construction-specific inflation, estimated at 5%, has been applied to lifecycle and capital costs;
- Housing starts have been forecasted based on the growth projections in the master plan;
- Lifecycle costs from the 2022 Asset Management Plan have been incorporated into the 20-year outlook to ensure long-term financial sustainability; and
- A cost of \$20 million has been included for project management, sampling and testing, financial oversight, and other unexpected and risk adverse costs.

Considering the Key Financial Assumptions above and the proposed timing of projects, the finance scenarios and the Consolidated Development Charge, Water and Wastewater Analysis (Attachment 2) used a total estimated cost of approximately \$465 million to implement the plan over 20 years.

Given the Municipality's current debt capacity and the annual repayment limit, the Municipality of Lakeshore has a remaining borrowing capacity of \$150 million. This imposes constraints on how the Municipality can finance the necessary capital works.

Three scenarios have been analyzed to determine the potential impact of grant funding on the Municipality's ability to proceed:

Scenario 1): Assumes no grant funding. In this case, there would be a substantial funding shortfall, making it difficult to finance the projects solely through development charges and rates.

Scenario 2): Assumes the municipality secures 25% in grant funding. While this would alleviate some pressure, it would still result in significant gaps in financing.

Scenario 3): Assumes the municipality secures 50% in grant funding. This scenario is the most feasible, as it reduces the reliance on additional debt and allows for more manageable financing through development charges and rates.

As demonstrated in Attachment 2, without at least 50% in grant funding, financing the projects outlined in the plan would place unsustainable pressure on development charges and water and wastewater rates. Additionally, the use of debt capacity for these projects would significantly limit the municipality's ability to fund other necessary capital works in the future.

Additional Financing Considerations

Potential future debt financing could result in additional costs ranging from \$100 million to \$125 million, depending on loan terms and interest rates. Furthermore, any acceleration of project timelines due to regulatory requirements not being met could impose cash flow constraints, leading to further financial pressure.

The current rate structure for water, wastewater, and development charges is insufficient to support the capital investments required over the next 20 years. It is recommended that a new Development Charge (DC) Study, mandated by legislation for 2025, and a new water and wastewater rate study be conducted. The estimated cost for both studies is \$95,000 (\$60,000 for the DC Study and \$35,000 for the rate study). It should be noted that the DC Study can be funded using previously collected DC charges and will not impact the municipal tax levy.

Conclusion

Given these factors, attracting substantial grant funding is essential to avoid placing undue financial burdens on the Municipality.

Since this is the case, Administration recommends that Council support funding projects to be “shelf” ready in order to be considered more eligible for funding opportunities (as noted above) and placing more resourcing and attention to future grant opportunities as a strategy to assist with implementation of the plan.

Other various strategies will also be reviewed and delivered to assist with this, including but not limited to, outreach to obtain letters of support for grant funding by various agencies/regional bodies (i.e. MECP), risk assessments of applications by third party consultants and awareness of grant applications and tools for Council to provide support for submitted applications at the provincial and federal level.

Further, it is also recommended that an updated Water and Wastewater Rates Study be conducted to address the significant funding gap in the projected cashflows. Additionally, a new Development Charge Study should be undertaken in 2025 to incorporate the projects outlined in the updated Master Plan, as some projects are currently included while others have been omitted.

Attachments

Attachment 1 - 2024 Water Wastewater Master Plan Update – Draft Final Report

Attachment 2 - Consolidated Development Charge, Water and Wastewater Analysis

Report Approval Details

Document Title:	Water Wastewater Master Plan - Draft Final Report 2024.docx
Attachments:	- Attachment 1 - WaterWasteWaterMasterPlanReport-AODA.pdf - Attachment 2 - Consolidated Development Charge, Water and Wastewater Analysis.pdf
Final Approval Date:	Oct 1, 2024

This report and Attachment 2 were approved and signed as outlined below:

Prepared by Krystal Kalbol

Approved by the Corporate Leadership Team

Attachment 1 was approved by Krystal Kalbol