



**The Corporation of the City of St. Catharines
CITY COUNCIL AGENDA
Special Meeting, Monday, February 1, 2016
Council Chambers, City Hall, 6:00 PM**

His Worship Mayor Walter Sendzik takes the Chair and opens the meeting

1. Opening Remarks, Mayor Sendzik

2. Adoption of Agenda

3. Declarations of Interest

4. Presentations

- 4.1 Brian York, Manager of Economic Development
Re: Setting the Stage, Canada Infrastructure Funding Programs

5. Discussion Items

- 5.1 Establish List of Infrastructure Projects and Prioritization for Federal
Funding Opportunities

6. Adjournment

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CITY OF
ST. CATHARINES

Corporate Report

Report from Office of the Chief Administrative Officer, Administration

Date of Report: January 22, 2016

Date of Meeting: February 1, 2016

Report Number: CAO-049-2016

File: TBA

Subject: Future Infrastructure Funding Opportunities

Recommendation

That Council receive the report “Future Infrastructure Funding Opportunities” from the Chief Administrative Officer; and

That staff report back to council for consideration a complete list of infrastructure projects, including any and all items included in the City’s capital forecast, and the associated values based on the evaluation criteria contained in this report, prior to submission for any Federal or Provincial funding opportunities.

Summary

The Federal government has indicated its intention to launch a funding program to assist municipalities with infrastructure investments. Prior to submitting an application the City should evaluate all of its infrastructure needs including any and all items included in its Capital Forecast, in an effort determine what projects are priorities and are most likely to be successful under the Federal infrastructure program.

Background

Background information for this report can be found in “Federal Infrastructure Program Update” which is attached in Appendix 1.

Report

Opportunities for municipalities to access infrastructure funding from upper levels of government are rare, so care should be taken to ensure all projects which may qualify for funding under the Federal infrastructure program are considered. Projects which are identified as priorities and best meet the criteria of the program stand should be submitted when the application phases of the program begins.

To ensure the City is ready with a list of projects that qualify and are priorities, it is recommended that the list of projects emanating out of the meeting be referred to staff to evaluate alongside any and all projects in the City’s Capital Forecast. Staff will use a matrix to evaluate each project using the below criteria:

- Eligibility compliance with detailed funding program criteria
- Alignment with the Strategic Plan
- Alignment with Federal government priorities
- Readiness
- Cost avoidance of future capital expenditures
- City ownership
- Funding source available from other levels of government to reduce costs to the City

This process will allow staff and members of council to objectively evaluate and determine which projects are priorities and which meet the program criteria. With this information projects which should be the subject of an application to the Federal infrastructure funding program, can be identified.

Financial Implications

There are no financial implications as a result of the recommendations of this report. However because it is anticipated the new infrastructure funding program will be structured similarly to previous programs, the City will be required to fund a portion of any project that receives Federal funding. Information on the City's Debt Management Strategy and debt capacity is available in Appendix 1.

Relationship to Strategic Plan

Early indications are that the Federal infrastructure program will have three areas of focus:

- Public transit
- Social infrastructure, including affordable housing, seniors facilities, early learning and child care, cultural and recreation infrastructure
- Green Infrastructure, including investments, in local water and wastewater facilities, clean energy, climate resilient infrastructure (such as flood mitigation systems), and infrastructure to protect against the changing weather.

Federal Government representatives have maintained these areas will complement economic growth that is clean and inclusive, and not compete with it.

There are significant similarities between these priorities and the Strategic Plan's pillars of economic, social, environmental and cultural sustainability. As a result, the infrastructure funding program provides an opportunity for the City to make progress on its strategic goals and those action items which require significant financial resources.

Conclusion

Given the infrastructure needs that exist in St. Catharines, it may be difficult to determine which projects should be given priority for potential funding under the anticipated Federal funding program. Establishing an evaluation which objectively assigns each project a value can assist council in this process.

Prepared by:
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Manager of Corporate Communications

Submitted & Approved by:
Dan Carnegie
Chief Administrative Officer

January 22, 2016

Appendix 1

Future Infrastructure Funding Opportunities Background

There is a growing infrastructure crisis in Canadian cities.

According to the Canadian Infrastructure Report Card issued earlier this year by the Federation of Canadian Municipalities almost 60 per cent of Canada's core infrastructure is owned and maintained by municipal governments. The value of infrastructure assets owned by municipal governments is estimated at \$1.1 trillion or about \$80,000 per household.

Given this number it is clear municipal governments understand the importance of infrastructure. What is also becoming clear, is that these same local governments are struggling to maintain the existing infrastructure and failing to make the necessary annual investments to keep infrastructure in good condition.

FCM estimates 35 per cent of municipal infrastructure assets are in fair, poor or very poor condition. Yet annual investments in these areas fall short of targets set by asset management professionals. The result is a decline in the overall physical condition of municipally-held assets across Canada.

St. Catharines infrastructure deficit

The situation in St. Catharines is no different.

Currently the City of St. Catharines infrastructure deficit is \$140 million in core infrastructure areas. This means there is \$140 million worth of work that has not been done on roads, bridges, water mains and sanitary sewers. Like the situation across the country, annual investment in this area is \$14 million less than is necessary to maintain these assets. As a result the City's infrastructure deficit continues to grow every year.

It is easy to overlook the importance of infrastructure. Much of it is hidden underground or in areas that go unseen by most people. People traveling to work or school are more concerned with getting there, and rarely think about the roads and sidewalks they travel on. By its nature, the general public only seriously considers infrastructure when there is a problem.

Yet proper infrastructure ensures safe roadways, clean drinking water as well as proper wastewater and storm water systems. But infrastructure also extends to public transit, allowing people to travel within their communities without relying on a car, and recreation facilities to maintain healthy and active lifestyles.

Well-maintained infrastructure supports communities as they grow, both in terms of its population and its economy, increasing its stability and its strength. And strong communities, build a strong country.

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Federal infrastructure funding program

It appears the new Federal government understands this important connection and is prepared to work with municipalities to invest in infrastructure.

In mandate letters to his newly appointed ministers, Prime Minister Trudeau has made it clear that his government will develop a 10-year plan to provide significant new funding to provinces, territories and municipalities for investments in infrastructure and long-term support of provincial, territorial and municipal priorities. The government is also committing to improving access and governance of existing infrastructure programs, and will promote better asset management of infrastructure in Canada. Additionally the government will work to establish a Canada Infrastructure Bank, which will provide low-cost financing (including loan guarantees) for new municipal projects.

According to published ministerial mandate letters, campaign commitments and public statements the Federal infrastructure investment plan will focus on three main areas:

- Public transit
- Social infrastructure, including affordable housing, seniors facilities, early learning and child care, cultural and recreation infrastructure
- Green Infrastructure, including investments, in local water and wastewater facilities, clean energy, climate resilient infrastructure (such as flood mitigation systems), and infrastructure to protect against the changing weather.

Although the specifics of the program are not available at this time, comments from senior government officials and local Members of Parliament provide some insight into what these might be.

Minister of Infrastructure and Communities Amarjeet Sohi said during a speech to the Toronto Board of Trade on Jan. 21, 2016 that the Federal government will spend an additional \$60 billion on infrastructure over the next 10 years and an additional \$10 billion over the next two years.

Minister Sohi explained that the government is considering a two-phased approach to deliver this funding, with the first two-years laying the foundation for the next 10-year strategy based on the priorities listed above. It appears in the first phase, funding will focus on shovel-ready projects that are also considered shovel worthy, meaning they further the government's long-term objectives. The government will also make investments to "enhance municipal planning, asset managements and data collection capacity" in the first year.

During his speech Minister Sohi acknowledged that under the previous federal government little attention was paid to infrastructure "recapitalization and repairs," and that a failure to fix infrastructure leads to further costs down the road.

Further insight on the Federal government's approach was given during meetings with Parliamentary Secretary of Finance, Francois-Phillipe Champagne, Niagara Centre MP Vance Badawey and St. Catharines MP Chris Bittle. At each of these sessions

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government representatives provided an overview of the federal priorities, which was consistent with the ministerial mandate letters.

Combined these statements and commitments make it clear that municipalities can expect a funding program to assist them in addressing new infrastructure and deferred infrastructure maintenance needs.

St. Catharines Strategic Plan

As St. Catharines considers the anticipated Federal funding program and its areas of focus – public transit, social infrastructure and green infrastructure – it finds itself in the unique position of having a Strategic Plan which closely reflects federal priorities.

There are significant similarities between the Federal priorities and the Strategic Plan's pillars of social, environmental and cultural sustainability. With reference to the Strategic Plan's fourth pillar, economic sustainability, Minister Sohi has said the Federal government wants to support economic growth that is clean and inclusive, and noted that economic growth, social inclusion and a climate change agenda complement, not conflict with each other. The Federal government has further indicated that economic development and environmental sustainability will be viewed and pursued as mutually-compatible objectives.

Given this, the Federal funding program represents an opportunity for the City to make progress on its strategic goals and those action items which require significant financial resources.

St. Catharines must fund its portion

While detailed criteria of a future Federal infrastructure funding program has yet to be announced, it will likely be similar to past programs in that it will require matching funding from the provincial and municipal governments, with each partner paying one-third of the project costs.

However, even with the federal and provincial governments funding up to two-thirds of the costs, the City's ability to use the program to invest in its infrastructure will be limited by its ability to fund its portion. As such, Council should consider the City's financial commitments, current budget and debt management strategy when considering infrastructure priorities for applications.

Financing infrastructure investments

Funding for infrastructure investments can be generated through one of three ways: assessment growth, inclusion in the operating budget, and debt financing.

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In recent history growth in St. Catharines has not been significant enough to allow an increase in assessment to be a viable source of infrastructure funding. Although efforts are underway that will encourage assessment growth, it is too early to rely on this as a source of funding. Including infrastructure costs in the operating budget – also known as a pay-as-you-go option – means adding the costs of infrastructure investments to the annual operating budget. While this approach avoids interest payments and debt issuance costs, it puts the burden for infrastructure on current taxpayers instead of spreading the costs for long-range infrastructure investments across all taxpayers who will benefit from them. It also creates wide fluctuation in property tax rates from year to year depending on changing infrastructure needs.

Debt financing allows for a more manageable impact on the operating budget and allows for the payments to be spread over a longer term which is appropriate for assets with a longer life expectancy. For this reason, the City uses debt financing to ensure the City continues to be financially responsible.

Debt Management Strategy

The City's debt management strategy provides guidance for debt financing and provides direction on what capital projects are eligible for debt financing, identifies a sustainable level of borrowing and deals with debt repayment.

The City's policy is to recommend debt financing only for infrastructure purposes, specifically, for large projects that provide well-defined benefits to the community, have long asset lives and the ability to leverage additional financing elsewhere. Projects that do not meet these criteria would not be eligible for debt financing.

For those projects that do qualify for debt financing, the City has a 10% down payment strategy which reduces the amount to be borrowed and associated debt financing costs. The down payment is funded through the operations budget.

To ensure a sustainable level of borrowing the City has adopted a policy aimed at containing debt charges at approximately 10% of the City's total own expenditures. This ensures debt service costs will not become an increasing burden and a larger portion of the City's operating budget.

Municipal Act Debt Guideline

In addition to City policies governing debt financing for capital projects, the Municipal Act requires municipalities to have a five-year capital financing forecast. Ontario Regulation 403/02 limits annual debt charges to no more than 25 per cent of the City's net revenue fund revenues.

Using this guideline, the City could increase its debt by approximately a further \$76.5 million based on an interest rate of seven per cent, which is the rate which the Ministry of Municipal Affairs uses for illustrative purposes.

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Using the City's current estimated borrowing rate of five per cent, the City's additional debt capacity would be \$85.5 million. Given that the details of the anticipated federal infrastructure program are not known it is impossible to predict what financial commitment will be required from the City. However this figure does indicate that the City has significant capacity available should debt financing be required to participate in the program.

Preparing for the program

As it appears all but certain that the Federal government will announce a funding program to assist municipalities with their infrastructure needs, it is imperative the City position itself so that it can take advantage of the opportunity.

Minister Sohi has already indicated that the government will be looking for shovel-ready and shovel-worthy projects. Based on past experience with funding programs, this means projects in which much of the planning and engineering work has been complete to allow construction to begin in a short period of time.

Shovel-worthy projects, based on the information available, are understood to be projects which support the Federal government's key objective as stated in the ministerial mandate letters. These are:

- Helping families make ends meet, ensuring they are provided the necessary conditions to succeed, and helping Canadians achieve their goal of a secure retirement.
- Supporting those who need it most – in particular, those working hard to join the middle class.
- Making the right investments in infrastructure to create jobs, protect the environment, keep people moving, and help communities thrive.
- Fostering a high-performing, well-paid workforce, while helping young Canadians get the skills they need to begin their careers.
- Striking the right balance between the economy and the environment, and finding new approaches to curb climate change.
- Making Canada a more innovative country by increasing the development, spread, and commercialization of new ideas and technologies.
- Ensuring that Canadian businesses can compete, evolve, and thrive, not just in Canada, but around the world

St. Catharines' applications will be competing against those from municipalities across Canada. To increase the likelihood of success, St. Catharines should submit funding applications for projects that best meet the shovel-ready, shovel-worthy criteria, as well as those requirements that have yet to be announced.

Projects for funding consideration

Like most municipalities St. Catharines has a number of projects which could benefit from infrastructure funding as part of the Capital Forecast, including priorities identified in the Strategic Plan and future initiatives which could be advanced with additional

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funding. In addition to these items, a list of potential projects for consideration was assembled through suggestions submitted by City Councillors. This list can be found at the end of this document.

Determining funding priorities

The lack of detailed criteria for anticipated Federal infrastructure funding presents a challenge to Council and staff when trying to identify priorities. Past programs have involved different funding envelopes, each with specific criteria, which municipalities applied to, based on their needs.

It is possible to do some evaluations based on the information currently available and narrow the list of projects to be considered by evaluating them based on what information is known. This includes:

- Area of Focus – The Federal funding program will focus on public transit, social infrastructure and green infrastructure
- Strategic Plan Alignment – Given the similarities between the areas of focus and the Strategic Plan, relationship to the plan should be a consideration
- Project Readiness – Projects that are shovel ready will be given priority. This means that the majority of planning and engineering work is complete and the project is ready for construction.
- Project Impact – In addition to shovel ready, projects will need to be shovel-worthy. This means the projects will meaningfully impact on the Federal government priority areas.

Once the details of the program are released the project list can be further evaluated based on the criteria of the specific funding envelopes. With this information in hand Council and staff will be in a better position to select which project should be submitted for consideration to the Federal infrastructure program.

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Councillor Submitted Infrastructure Projects

- Rehabilitation of the Port Dalhousie Piers (Note: Federal jurisdiction)
- Funding to help close the gap on infrastructure funding (roads, sewers, watermains)
- Funding for remediation of ice pads at Seymour Hannah
- Rehabilitation of Bill Burgoyne arena (compressor)
- Upgrade and rehabilitation of Burgoyne Woods pool to meet accessibility standards, public health and safety standards
- Design and construction of West Park in line with Lester B. Pearson Park
- Upgrades to greenspaces and parks in Walker's Creek park system to improve connection and accessibility
- Funding for Shickluna project (clean energy)
- Renovation of old Courthouse for accessibility, safety and use
 - Suggested uses include cultural incubator, art gallery, market wine feature, expanded market with permanent stalls for produce
- Civic Square (closure of James St.)
- Bicycle path for Twelve Mile Creek / Dick's Creek to Port Dalhousie, Merritton and Brock University
- Funding for on-street cycling / bike lanes
- Funding for completion of two-way traffic conversion of Queenston/Niagara/Church Streets
- Federal lands at Glendale Ave / Welland Canals Parkway (gun club) donated or leased for all purpose centre / community centre
- South St. Catharines ice surface / arena
- Merritton train station – if it fits with Niagara GO
- Improvements and renovations to sound system, fencing, washrooms, field and bleachers at Community Park
- Improvements to Victoria Lawn cemetery, roadways
- Replace bridge connection between Oakdale Ave. and Moffatt street to service no subdivisions
- Support for Queenston Street revitalization as part of wine route
- Centennial park – upgrades, lighting, revitalization
- Restoration of Lock One of 2nd Welland Canal (in front of Murphy's)
- Accessibility and washrooms at Dalhousie House
- Irrigation system in Linlake Park and other city parks
- Lake Ontario Waterfront trail expansion
- Water pollution control project funding
- Support for green energy projects
- Funding for tree planting.