



City of
Peterborough

To: **Members of the General Committee**

From: **Cynthia Fletcher**
Commissioner of Infrastructure and Planning Services

Meeting Date: **June 8, 2020**

Subject: **Report IPSIM20-018**
Disaster Mitigation and Adaptation Fund and the Downtown
Peterborough (Simcoe Street / Water Street) Flood Mitigation
Project

Purpose

A report to recommend staff re-submit the Downtown Peterborough (Simcoe Street / Water Street) Flood Mitigation Project to the Disaster Mitigation and Adaptation Fund.

Recommendations

That Council approve the recommendations outlined in Report IPSIM20-018 dated June 8, 2020, of the Commissioner of Infrastructure and Planning Services, as follows:

- a) That an application be re-submitted to the Disaster Mitigation and Adaptation Fund for the Downtown Peterborough (Simcoe Street / Water Street) Flood Mitigation Project and, if successful, a by-law be passed authorizing the Mayor and Clerk to sign the Disaster Mitigation and Adaptation Fund transfer payment agreement between Her Majesty the Queen in Right of Canada and the Corporation of the City of Peterborough in a form acceptable to the Commissioner of Infrastructure and Planning Services and the City Solicitor;
- b) That, if the application is successful, the City's 60% estimated \$32.4 million municipal share be funded as described in Table 1 of Report IPSIM20-018, dated June 8, 2020 and corresponding debenture by-laws be passed; and
- c) That a new dedicated project manager be hired for the project.

Budget and Financial Implications

By submitting the Disaster Mitigation and Adaptation Fund (DMAF) application for the Downtown Peterborough (Simcoe Street / Water Street) Flood Mitigation Project, if the application is approved, Council is committing to fund the City's \$32.4 million portion as identified in Table 1.

A \$2.0 million annual allocation of Flood Reduction Master Plan - Capital Levy and a \$1.25 million annual allocation of Sewer Surcharge or Flood Reduction Master Plan – Sewer Surcharge for six years (2023 – 2028) will be made to this high priority flood reduction project. In addition, the \$620,000 annual Storm Water Protection Fee will service a \$5.6 million 10-year debenture. In total these three funding sources will account for \$25.1 million of the total \$32.4 million municipal requirement. The remainder will be funded through the transfer of pre-approved capital budgets for related projects and Federal Gas Tax.

Background

Current Funding Opportunity

On May 26, 2020 the City was advised that, with the \$230 million residual DMAF funding from Intake 1, the federal government will host a targeted intake and has invited the City to move to the application phase with its Downtown Peterborough (Simcoe Street / Water Street) Flood Mitigation Project. The application is considered onerous and must be submitted before July 17, 2020 to be considered. It is anticipated that successful applicants will be notified by fall 2020. The project must be fully complete by March 31, 2028.

Brief Description of the Work

The Downtown Peterborough (Simcoe Street / Water Street) Flood Mitigation Project is in a major commercial and residential area, prone to flooding during high rainfall events. The Project addresses several priorities to protect the community as outlined in the Flood Reduction Master Plan, the Sanitary Sewer Inflow & Infiltration Master Plan and Climate Adaptation priorities.

Proper Diversion of water and Protection of the Otonabee River

This wastewater rehabilitation and renewal project will see the installation of 100-year storm pipes and additional catch basins throughout the project area, diverting rainwater from Jackson Creek, roads and properties directly to the Otonabee River during high flows.

Wastewater Treatment Plant capacity and costs are impacted by extraneous 'clean' water entering the sanitary sewer system, which should be diverted to the stormwater

system. High flows to the WWTP can lead to by-pass during high rain events, impacting downstream communities including Hiawatha First Nations who source their drinking water from the river.

Flood Reduction/Climate Adaptation

The frequent occurrence of the extreme storm events due to Climate Change necessitates action and strengthening the resilience of Peterborough to better manage the risk associated with flooding. The City of Peterborough has experienced multiple 50 and 100-year storm events in the last decade, resulting in significant flood damage. Insufficient storm sewer capacity in the downtown core is the primary issue. The City's long-term plan is to protect the downtown up to and including the 100-year storm. Overland flooding of downtown basements disrupts residential living conditions, businesses and the Police station. Emergency access is also restricted causing additional community safety concerns.

Improved or additional infrastructure

Another concerning issue, that would be solved as part of this project, is the deteriorating Simcoe St. forcemain with a high break history (6 times in 15 years). This means sanitary water potentially by-passes the Simcoe St. Pumping Station and can leach into the Otonabee River. The project will also provide the opportunity to upgrade portions of one of the City's major arterial streets, Water Street, that is currently in poor repair.

Environmental Remediation

Soil and groundwater in the vicinity of Simcoe Street immediately west of the Otonabee River have been contaminated from a former coal gas manufacturing plant that operated from the 1880's to the 1950's. Seepage of hydrocarbons into the Otonabee River was observed in 2009 when river levels were dropped. There is no immediate obligation to remediate the site to MOECP standards, however ongoing monitoring is performed. When the site is disturbed for construction, the City will adhere to the recommended environmental clean-up of the contaminated soil on the project site and contain further migration.

Risk Mitigation

This project, coupled with other major on-going storm sewer enhancement projects across the City, will enhance Peterborough's resilience to flooding, and Climate Adaptation objectives. Considering frequency, consequence and changing risk, flooding in Peterborough is identified as an 'Extreme' level of risk through the City's Hazard Identification Risk Assessment (HIRA). Implementing this project will help address the impacts of flooding on critical infrastructure and promote health and safety of Canadians.

**Previous Funding Opportunity and the
Disaster Mitigation and Adaptation Fund (DMAF)**

At its meeting held on September 14, 2015, based on recommendations in staff report CPFS15-043 – Municipal Infrastructure Funding–Next Intake, dated, August 31, 2015, Council authorized the submission of an expression of interest (EOI) to the Small Communities Fund (SCF) for the \$24.0 million Simcoe Street and Water Street Rehabilitation Project. The project was proposed to be funded one-third from each of the federal, provincial and municipal levels of government. On January 4, 2016 the City was informed that the project proposal was not selected to move forward to the application phase because other applicants with highly critical projects had more challenging economic conditions and fiscal situations.

In July 2018, another funding opportunity became available through the federal Disaster Mitigation and Adaptation Fund (DMAF) which would provide 40% federal funding of eligible project costs to the municipality with the City covering off 60% of the eligible project costs and any ineligible costs. The City submitted an EOI for the \$51.0 million Downtown Peterborough (Simcoe Street / Water Street) Flood Mitigation Project. On October 12, 2018 the City was informed that although the project was deemed eligible, due to the high demand for funding, the EOI would be held for a potential future intake.

Project Budget and Municipal Funding Requirement

Preliminary estimates for the total project cost submitted as part of the EOI in 2018 was \$51.0 million. Although the construction cost estimate included a 20% contingency, given recent cost escalations and unknown environmental remediation the revised estimate is \$54.0 million. Project cost estimates will be further refined as the detailed design is developed. If approved, DMAF would provide \$21.6 million which represents 40% of eligible project costs. There is no provincial contribution provided under this grant program and therefore the City would contribute the remaining 60% of eligible costs (\$32.4 million) plus any additional costs incurred over and above this estimate. This significant municipal investment would move this high priority flood reduction project forward however further major investments in flood reduction would be limited over the next several years.

Should Council direct staff to submit the funding application and the application be successful, staff recommend that the \$54.0M project costs be funded from the sources as identified in Table 1.

Table 1 - Proposed Funding Sources for the Project

Ref	Description (1)	Original Funding (2)
1	Direct Revenue - Grant (DMAF)	\$21,600,000
2	Flood Reduction Master Plan - Capital Levy Years 2023 - 2028 - \$2.0M / Yr	\$12,000,000
3	Sewer Surcharge or Flood Reduction Master Plan - Sanitary Sewer Years 2023 - 2028 \$1.25M / Yr	\$ 7,500,000
4	Storm Water Protection Fee - Debt (\$620,000 - 10 Year Term)	\$ 5,600,000
5	Pre-approved related capital budgets	\$ 4,500,000
6	Federal Gas Tax	\$ 2,800,000
7	Total Funding	\$54,000,000

Other Funding Options - Not Recommended

The following provides two alternative financing arrangements for this project; however, these are not recommended by staff at this time:

Option 1) Deferring Other Capital Projects:

Apart from the staff capacity that becomes available, deferring existing capital works that are already in progress, such as a Chemong Road (Parkhill Road to Sunset Boulevard), Lansdowne Street (Park Street to the Otonabee River), Brealey Drive (Lansdowne Street to Sherbrooke Street) or others, only provide part of the solution. The financing that becomes available once those projects are deferred, is transferrable only to the extent that the financing is suitable for the Simcoe Street / Water Street Project. Any DC funding for these projects would not be transferrable. The Simcoe Street/ Water Street project is a prime candidate for Flood Reduction funds.

Option 2) Issuing Tax Supported Debentures

Recommendation d) of Report CLSF20-028 - 2021 Budget Guideline, dated June 8, 2020 seeks direction to return to Council at a later date in 2020 in response to Federal or Provincial announcements, such as stimulus funding becoming available as part of the COVID-19 pandemic recovery plan, seeking up to an additional 0.5% All-Inclusive increase to provide the local funding share, if required.

Under the current borrowing environment, the 0.5% All-inclusive increase means an additional \$7.0 million debt annually. Although the DMAF funding is an example of this opportunity, to raise the municipal contribution for this project, this increase would need to be sustained over nearly 5 years and at this point is not recommended.

It is anticipated that other stimulus funding opportunities may also become available. An existing funding envelope, the Investing in Canada Infrastructure Program (ICIP) under which the City has applied for funding for the new Arena Complex and various Transit projects has both a federal and provincial component, which generally has the municipality paying for under 30% of the project costs. Allocating the tax supported debt to the Simcoe Street Project will restrict the City's ability to utilize this funding source to take advantage of other stimulus opportunities.

Project Management Resource

If the City were to move forward with the Simcoe Street Project, an additional project management resource would need to be hired.

Short Timeline for Submitting an Application

The City is required to apply for this DMAF funding by July 17, 2020. The application is onerous and will require weeks to prepare, engaging a cross-functional team. A timely decision by Council is required.

Summary

The City has an opportunity to re-submit the Downtown Peterborough (Simcoe Street / Water Street) Flood Mitigation Project for DMRF. Funding is potentially available for 40% of the overall project costs. The timelines are aggressive, and staff is seeking Council endorsement to move the application process forward.

Submitted by,

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Commissioner of Infrastructure and Planning Services

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