



CITY OF HAMILTON
CORPORATE SERVICES DEPARTMENT
Financial Planning, Administration and Policy Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	May 1, 2019
SUBJECT/REPORT NO:	Disaster Mitigation and Adaptation Fund Financing Strategy (FCS19038) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	John Savoia (905) 546-2424 Ext. 7298
SUBMITTED BY:	Brian McMullen Acting General Manager, Financial Planning and Policy Corporate Services Department
SIGNATURE:	

RECOMMENDATIONS

- (a) That the financing strategy for Disaster Mitigation and Adaptation Fund projects with a gross project cost of \$31.85 M and the City’s municipal share:
 - (i) of \$18.48 M for Shoreline Protection Measures Project, as detailed in Appendix “A” to Report FCS19038, be approved;
 - (ii) of \$0.63 M for Combined Sewer Overflow Backflow Prevention Project of equal contributions from the Wastewater Reserve (108005) and Storm Reserve (108010) be approved;
- (b) That staff be authorized and directed to forward to the Government of Canada correspondence setting out the City of Hamilton’s share of the Disaster Mitigation and Adaptation Fund in the total amount of \$19.11 M approved through the funding sources identified in recommendation (a) to Report FCS19038, as evidence that all project funding, other than the federal contribution under Disaster Mitigation and Adaptation Fund, has been secured;
- (c) That the City Solicitor be authorized and directed to prepare any necessary by-laws for Council approval, for the purpose of giving effect to the City’s acceptance of funding from the Government of Canada’s Disaster Mitigation and Adaptation Fund for the Shoreline Protection Measures Project and the Combined Sewer Overflow Backflow Prevention Project.

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EXECUTIVE SUMMARY

In May 2018, the Government of Canada announced the launch of the Disaster Mitigation and Adaptation Fund (DMAF), a 10-year, \$2 B national program to assist communities to better withstand current and future risks of climate change. For municipal projects, DMAF will fund 40% of the eligible costs for approved projects, with the remaining costs to be funded by the municipality.

In December 2018, Council endorsed the submission of two project applications seeking a combined \$62.9 M in grant funding from the DMAF for projects with a gross cost of \$157.38 M (refer to Report PW18097). As a financing strategy to fund the City's share was not identified, staff was directed to report back to the General Issues Committee to seek approval of a financing strategy for the City's portion should the City be approved for funding under the DMAF program.

On April 4, 2019, Infrastructure Canada announced the approval of the City's Shoreline Protection Resilience project submission with a total project cost of \$31.85 M, with 40% federal funding of \$12.74 M from the DMAF and the City to fund \$19.11 M (refer to Appendix "C" to Report FCS19038).

The \$31.85 M Shoreline Protection Resilience Project consists of two components:

- a) \$30.8 M Shoreline Protection Measures Project: implement protection measures to increase City-wide shoreline resiliency across 33 locations with construction to occur from 2020 to 2027.
- b) \$1.05 M Combined Sewer Overflow Backflow Prevention Project: to install back-flow devices at four Combined Sewer Overflow (CSO) outlets to be completed between 2020 to 2025.

The DMAF federal funding was not incorporated into the City's 2019 Capital Budget Financing Plan and as such, Report FCS19038 seeks Council's approval for the recommended financing plan to fund the City's share of the Shoreline Protection Resilience Project that will receive funding from the DMAF.

The letter from the Minister of Infrastructure and Communities of Canada, dated April 2, 2019, requires that the City provide the Government of Canada with evidence that all project funding, other than the federal contribution under DMAF, has been secured (refer to Appendix "B" to Report FCS19038).

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The municipal share of DMAF Shoreline Protection Measures Project of \$18.48 M is recommended to be funded from contributions from the operating budget through a revised financing plan for select 2019 capital projects. The primary funding source of select projects in the 2019 approved capital budget was contribution from the operating budget. This funding source will be replaced with incremental financing from the Federal Gas Tax Fund (GTF) as announced in March 2019. Appendix “A” to Report FCS19038 identifies several 2019 approved projects, initially financed from contributions from the tax operating budget, that will be financed from incremental Federal GTF.

As announced in March 2019, the doubling of the Federal GTF provides the City with \$32.6 M for infrastructure projects. While the Federal GTF cannot be used to fund more than 40% of DMAF projects under the terms of DMAF, these federal funds can be used for other projects and the financing sources of these projects (i.e. contributions from the operating budget can be appropriated to the DMAF projects).

The municipal share for DMAF Combined Sewer Overflow Backflow Prevention Project of \$0.63 M is recommended to be funded equally from the Wastewater Reserve (108005) and Storm Reserve (108010).

Alternatives for Consideration – See Page 5

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: As detailed in Appendix “A” to Report FCS19038, allocating incremental Federal Gas Tax funding to projects that had been previously approved with contributions from the tax operating budget would allow this tax funding to be transferred to fund the City’s municipal share of the Shoreline Protection Measures Project of \$18.48 M that will receive funding from the DMAF.

The municipal share for DMAF Combined Sewer Overflow Backflow Prevention Project of \$0.63 M is recommended to be funded equally from the Wastewater Reserve (108005) and Storm Reserve (108010).

Staffing: N/A

Legal: The City will be required to enter into a contribution agreement with the Federal Government to receive the DMAF grant. The contribution agreement will encompass the terms and conditions of the DMAF program.

It is anticipated that the contribution agreement will require the City to pass a dedicated by-law that confirms authority to execute all documents / agreements relating to DMAF and to evidence the source of the City’s funding contribution to the project. For that reason, authority is sought for the City Solicitor to prepare, for consideration of Council, the necessary by-laws.

HISTORICAL BACKGROUND

In April 2018, Council directed staff to undertake a comprehensive study of the Lake Ontario and Hamilton Harbour shorelines, from the lift bridge to the eastern boundary of Confederation Park and the shoreline from Bayfront Park to Cootes, to determine options and costs to protect City lands and residents from extreme storm events and identify possible external funding sources.

In May 2018, the Government of Canada announced the launch of the Disaster Mitigation and Adaptation Fund (DMAF), a 10-year, \$2 B national program to assist communities to better withstand current and future risks of climate change. DMAF will support large-scale infrastructure projects with a minimum cost of \$20 M.

Eligible recipients for DMAF funding include Canadian provinces or territories, municipal / regional governments, authorized Canadian post-secondary institutions, not-for-profit organizations and eligible Indigenous groups. For municipal projects, DMAF will fund 40% of the eligible costs for approved projects, with the remaining costs to be funded by the municipality.

In December 2018, Council endorsed the submission of two project applications seeking a combined \$62.9 M in grant funding from the DMAF. As a financing strategy to fund the City's share was not identified, staff was directed to report back to the General Issues Committee to seek approval of a financing strategy for the City's portion should the City be approved for funding under the DMAF program.

On April 4, 2019, Infrastructure Canada announced the approval of the City's Shoreline Protection Resilience Project submission with a total project cost of \$31.85 M, with 40% federal funding of \$12.74 M from the DMAF and the City to fund \$19.11 M.

The \$31.85 M Shoreline Protection Resilience Project consists of two components:

- a) \$30.8 M Shoreline Protection Measures Project: implement protection measures to increase City-wide shoreline resiliency across 33 locations with construction to occur from 2020 to 2027. Emergency repairs were completed in 2018 following significant impacts resulting from extreme storm weather conditions experienced in 2017 and 2018.
- b) \$1.05 M Combined Sewer Overflow Backflow Prevention Project: to install back-flow devices at four Combined Sewer Overflow (CSO) outlets to prevent inflow infiltration from high lake levels as the result of extreme storm events, with the following implementation timeline:

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- Bayfront CSO outlet – 2020
- Wellington CSO outlet – 2021
- Eastwood CSO outlet – 2023
- Catherine CSO outlet – 2025

The installation of back-flow devices along the City's sewer system outlets will reduce the risk of shoreline and basement flooding, as well as, decrease storm impacts on the City's wastewater infrastructure.

A contribution agreement will be provided to the City once it has provided the Government of Canada with evidence that the City's share of \$19.11 M has been secured. The DMAF federal funding was not incorporated into the 2019 Capital Budget Financing Plan and as such, Report FCS19038 seeks Council's approval for the recommended financing plan to fund the City's share of the Shoreline Protection Resilience Project that will receive funding from the DMAF.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

None identified.

RELEVANT CONSULTATION

Public Works has been consulted and supports the recommendations in Report FCS19038.

Corporate Services Department – Legal Services Division has been consulted in the preparation of Report FCS19038.

ANALYSIS AND RATIONALE FOR RECOMMENDATIONS

The projects submitted as part of the DMAF federal funding were not incorporated into the 2019 Capital Budget Financing Plan and as such, a financing strategy had not been developed to fund the required City's share for the projects that have received approval under the aforesaid grant program. The Shoreline Protection Resilience Project has a total project cost of \$31.85 M, with 40% federal funding of \$12.74 M from the DMAF and the City to fund \$19.11 M. Of the \$19.11 M, \$0.63 M will be funded by the Rate Supported Budget and the remainder from the Tax Supported Budget. Under the terms of DMAF, federal funding from all sources cannot exceed 40% of the project's total eligible costs.

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On March 19, 2019, the Federal budget was tabled which included a commitment of an additional \$2.2 B to be provided to municipalities via the Federal Gas Tax Fund (GTF). This one-time top-up will provide additional support for municipalities that face infrastructure deficits to support improved productivity, economic growth and a clean environment. For 2019, Hamilton is to receive \$32.6 M from the Federal GTF and doubling it would result in an additional \$32.6 M for the City. The gas tax top-up funding is expected to be transferred following royal assent of the Federal Budget 2019.

The federal GTF allows capital investments in a broad range of eligible categories including local roads and bridges (including active transportation), public transit, short-sea shipping, short-line rail, regional and local airports, broadband connectivity, drinking water, wastewater, solid waste, community energy systems, brownfield redevelopment, sport (amateur), recreation, culture, tourism, disaster mitigation and capacity building.

Considering the federal funding limit of 40% for approved DMAF projects, direct funding from the GTF to fund the City's share of the Shoreline Protection Resilience Project would not be permitted. As detailed in Appendix "A" to Report FCS19038, several projects that were approved in the 2019 Tax Capital Budget with contribution from operating budget funding have been identified to be alternatively financed with GTF with the \$18.48 M of levy funding available to fund the City's share for the Shoreline Protection Measures Project (4401956930).

The \$0.63 M required for the municipal share of the Combined Sewer Overflow Backflow Prevention project (5181967500) can be funded equally by the Wastewater Reserve (108005) and the Storm Reserve (108010).

ALTERNATIVES FOR CONSIDERATION

To leverage available senior governmental grant funding, the City has in the past utilized debt financing to fund the municipal share of the funding arrangement. If the \$18.48 M required for the City's contribution to the Shoreline Protection Resilience Project is to be debt-funded, it would result in an annual debt charge of \$1.78 M (assuming an interest rate of 5% for a term of 15 years) that translates to a 0.21% levy impact. This alternative financing is not recommended due to the tax levy impact which is avoided by utilizing a portion of the one-time 2019 Federal GTF double transfer payment.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Healthy and Safe Communities

Hamilton is a safe and supportive City where people are active, healthy, and have a high quality of life.

Clean and Green

Hamilton is environmentally sustainable with a healthy balance of natural and urban spaces.

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APPENDICES AND SCHEDULES ATTACHED

Appendix “A” - Disaster Mitigation and Adaptation Fund Financing Strategy

Appendix “B” – Letter dated April 2, 2019 from Minister of Infrastructure and Communities

Appendix “C” – News Release of April 4, 2019

JS/dt

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