



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

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	November 19, 2020
SUBJECT/REPORT NO:	Binbrook Conservation Area Capital Funding Plan (FCS20096) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Kirk Weaver (905) 546-2424 Ext. 2878
SUBMITTED BY:	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
SIGNATURE:	

RECOMMENDATION(S)

- (a) That the Niagara Peninsula Conservation Authority’s special benefitting capital levy request related to septic system and other capital improvements to the Binbrook Conservation Area of up to \$1.21 M be funded from the Unallocated Capital Levy Reserve (108020) and repaid from the operating budget over 15 years at an interest rate of 1.66% for an annual payment of \$91,790.31 as outlined in Appendix “A” of Report FCS20096;
- (b) That the Niagara Peninsula Conservation Authority’s capital levy of \$92,000 be included in the 2021 Tax Operating Budget;
- (c) That the Niagara Peninsula Conservation Authority submit financial documentation to the Director of Financial Planning, Administration and Policy for the release of funds for the capital projects of up to \$1.21 M.

EXECUTIVE SUMMARY

On January 21, 2020, the Niagara Peninsula Conservation Authority’s (NPCA) 2020 Operating and Capital Budgets were presented to the City of Hamilton’s General Issues Committee. The Binbrook Conservation Area (Binbrook CA) Capital Projects were noted as a critical unfunded capital pressure for 2020 in the amount of \$1.776 M. This is primarily to fund an urgently required septic system replacement. In February of 2020, the NPCA engaged an engineering firm for the design of the system.

In July of 2020, the project design was presented to the NPCA Board along with revised funding recommendations. The septic system project has been designed in a modular format allowing the project to proceed in two phases. Phase One, with about 50% of the forecasted flow requirement is set to proceed now, whereas, Phase Two of the project would not occur for 10–15 years based on park utilization forecasts.

By phasing in the system capacity, the cost estimates required in 2020 have decreased from about \$1.5 M to \$800,000. In addition, there are two other smaller projects being requested for funding bringing the total funding request to \$1.21 M as outlined in Table 1.

**Table 1
Binbrook Conservation Authority 2020 Capital Projects**

Septic System	\$ 800,000
Water System	150,000
Tree Top Trekking Building	<u>150,000</u>
Sub Total	\$1,100,000
10% Contingency (Procurement and Construction)	<u>110,000</u>
Total	<u>\$1,210,000</u>

The existing septic system is not capable of handling the significant increased use experienced recently at the Binbrook CA. Since 2015, attendance at the park has doubled from about 1,000 visitors per day to 2,000 per day in 2019. The existing septic system was installed in the early 1990's and designed for significantly lower usage. The system is over taxed requiring unsustainable and costly temporary measures including almost daily septic pumping and portable toilets. Without the septic upgrades, the NPCA risks Ministry of the Environment, Conservation and Parks orders which could limit park usage.

Other projects included in the \$1.21 M levy include contractual obligations for facility improvements to accommodate the Treetop Trekking attraction and water system improvements.

The *Conservation Authority Act* requires that the benefitting municipality levy for capital projects that are deemed by the Conservation Authority to directly benefit that municipality. The City of Hamilton has several options to fund the costs of projects that include:

- (i) Provide the NPCA with the required funding from a City reserve and repay the reserve from future tax operating budgets.
- (ii) The City could loan the NPCA the funds with a repayment plan. The NPCA would repay the City, but also fund that repayment through their levy to the City.
- (iii) The City could provide the NPCA the required funding and then secure debt (loan or debenture issue) to fund the project over a number of years. The financing cost of the debt would be added to the City's tax operating budget.

City staff is recommending (i) above. This is the most efficient option available while still ensuring transparency in reporting.

The recommendation would approve an upset limit of \$1.21 M requiring the NPCA and City staff to seek approval from their Board and Council to exceed the project cost. The NPCA has agreed to fund these projects and submit requests for reimbursement of actual costs, along with supporting documentation satisfactory to the Director of Financial Planning Administration and Policy.

Alternatives for Consideration – See Page 4

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: Total project costs are estimated at \$1.21 M and are recommended to be internally financed from the Unallocated Capital Levy Reserve (108020) over a 15-year period requiring annual tax operating budget of about \$92,000. The repayment schedule is attached as Appendix “A” of Report FCS20096.

Staffing: There are no associated staffing implications.

Legal: There are no associated legal implications.

HISTORICAL BACKGROUND

On January 21, 2020, the NPCA’s 2020 Operating and Capital Budgets were presented to the City of Hamilton’s General Issues Committee. The Binbrook Conservation Area (Binbrook CA) Capital Projects were noted as a critical unfunded capital pressure for 2020 in the amount of \$1.776 M. These projects include:

- Septic System Replacement - \$1,500,000
- Building and Services – Tree Top Trekking Contract - \$150,000
- Water System Treatment Upgrades – \$125,633

The majority of the funding required is for the replacement of the septic system. The existing septic system is not capable of handling the significant increased use experienced recently at the Binbrook CA. Since 2015, attendance at the park has doubled from about 1,000 visitors per day to 2,000 per day in 2019. The existing septic system was installed in the early 1990’s and designed for significantly lower usage. The system is over taxed requiring unsustainable and costly temporary measures including almost daily septic pumping and portable toilets. Without the septic upgrades, the NPCA risks Ministry of the Environment, Conservation and Parks orders which could limit park usage.

On February 19, 2020, the NPCA Board approved several motions including the go ahead to proceed with engineering and design of the project and that NPCA staff work with the City of Hamilton to facilitate funding.

The NPCA is now recommending a phased in septic project with overall cost of the three projects being reduced to \$1.21 M as shown in Table 1.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

The *Conservation Authority Act* requires Conservation Authorities to levy benefitting municipalities for capital projects.

RELEVANT CONSULTATION

City staff has been corresponding with NPCA staff regularly with respect to financing options, project costs and disbursement of funds.

ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)

The City is obligated to fund the levy request submitted by the NPCA for capital projects as the benefitting municipality. Table 1 in the Executive Summary provides details of the NPCA Binbrook Conservation Area capital projects. Staff is recommending that the City provide the funds up to \$1.21 M from the tax operating budget and fund it from the Unallocated Capital Levy Reserve (108020) and then pay back the reserve over 15 years through the tax operating budget. The annual repayment with interest at a rate of 1.66% is \$91,790.31. As per the City's reserve policy, the interest rate used is the City cost of borrowing. This method of funding is the most efficient and supports transparency in reporting the annual impact of the NPCA levy.

ALTERNATIVES FOR CONSIDERATION

As indicated, the *Conservation Authority Act* requires that the benefitting municipality levy for capital projects that are deemed by the Conservation Authority to directly benefit that municipality. The City of Hamilton has several alternatives to fund the costs of the NPCA Binbrook Conservation Area capital projects.

Alternative 1:

- The City could loan the NPCA the funds with a repayment plan. The NPCA would repay the City, but also fund that repayment through their levy to the City.

Alternative 2:

- The City could provide the NPCA the required funding and then secure debt (bank loan, Infrastructure Ontario (IO) loan or, possibly, debenture issue) and fund the project over a number of years through the repayment of the debt. The financing cost of the debt would be added to the City's Tax Supported Operating Budget.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Our People and Performance

Hamiltonians have a high level of trust and confidence in their City government.

Healthy and Safe Communities

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

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report FCS20096 – Binbrook Conservation Area Capital Funding Plan

KW/dt