

MINUTES

PUBLIC UTILITIES COMMISSION

CIVIC CENTRE
ROOM 212

AUGUST 8, 2005
3:00 PM

PRESENT: Chairman Bryon Fluker, Commissioners Janet McGuigan, Frank Vercouteren, Tom McGregor, Joe Faas, Mayor Diane Gagner, Acting CAO Gerry Wolting, General Manager, Water & Wastewater Services Jack Sonneveld, and Director, Scott Prail.

ABSENT: Commissioner Jim Brown, and Facility, Systems Manager Rob Bernardi.

1. **CALL TO ORDER**

Chairman Fluker called the meeting to order at 3:05 PM.

2. **DECLARATION OF PECUNIARY INTEREST**

NONE

3. **REPORTS**

a) Countryview Line Waterline Project Tender Award

MUNICIPALITY OF CHATHAM-KENT
Public Utilities Commission

TO: PUC Chairperson and Commissioners
FROM: Jack Sonneveld
General Manager, Chatham-Kent PUC
DATE: July 25, 2005
SUBJECT: Countryview Line Waterline Extension Tender Award
(Community of Chatham Township)

RECOMMENDATIONS

It is recommended that:

1. The tender for the Countryview Line Waterline Extension, Contract No. T05-161, be awarded to G.W. Clarke Drainage Contractors Limited at the tendered cost of \$200,086.14.
2. The Chairperson and the General Manager of the Chatham-Kent Public Utilities Commission be authorized to sign the necessary agreements.

BACKGROUND

The Countryview Line Watermain Project includes the construction of a 100mm line on Countryview Line from Lindsay Road for a distance of 5,040 metres.

Dillon Consulting Limited prepared an estimated cost for the proposed waterline. The estimated cost for the project, including engineering and GST, is \$239,150.00. The estimated cost per connection for the proposed Countryview Line waterline extension is \$9,643.50.

The PUC approved proceeding with providing water servicing to the residences along the Countryview Line and the property owners were notified by letter, of the vote results and the PUC action.

COMMENTS

The Purchasing Officer received four (4) tenders for Contract No. T05-161 on Tuesday, July 19, 2005. The results are as follows:

Countyview Line Waterline Project Contract No. T05-161		
Rank	Tenderer	Tender Amount
1	G.W. Clarke Drainage Limited Blenheim, Ontario.	\$200,086.14
2	Delway Contractors Chatham, Ontario.	\$239,680.00
3	Slims Bulldozing Port Lambton, Ontario.	\$260,180.02
4	Sherway Contracting (Windsor) Limited Windsor, Ontario.	\$262,877.60

The tenders have been reviewed by the Consultant and all tenders were found to be complete in all respects. Their recommendation letter in support of award to the low tenderer is attached.

It is recommended that the Chatham-Kent PUC award Contract T05-161, Countryview Line Watermain, to G.W. Clarke Drainage Contractors Limited in the amount of \$200,086.14, including GST

COMMUNITY STRATEGIC PLAN

The recommendations in this report support the following objectives and strategic directions:

B. Economy – We are a prosperous community

B3: Maintain and enhance new and existing infrastructure to support economic and smart growth opportunities

Desired Outcomes / Proposed Activities

- **Advocate for essential provincial and federal investment and equitable tax policies to support financing and effective operation of sustainable transportation systems, and water, sewer and waste management services**
- **Support new infrastructure investments and modernize existing infrastructure**

The recommendations will not adversely impact on the remainder of the Community Strategic Plan.

CONSULTATION

Dillon Consulting Limited prepared the preliminary engineering information.

FINANCIAL IMPLICATIONS

All costs associated with the project will be recovered through assessment.

Prepared by:

Reviewed by:

Jack Sonneveld
General Manager
Chatham-Kent PUC

Gerry Wolting, B.Math, CA.
Acting Chief Administrative Officer

Moved by Commissioner Faas and seconded by Commissioner Vercouteren.

“That the tender for the Countryview Line Waterline Extension, Contract No. T05-161, be awarded to G.W. Clarke Drainage Contractors Limited at the tendered cost of \$200,086.14.

The Chairperson and the General Manager of the Chatham-Kent Public Utilities Commission be authorized to sign the necessary agreements.”

Motion carried

b) COMRIF Funding Report – Round 2

MUNICIPALITY OF CHATHAM-KENT**Public Utilities Commission**

TO: PUC Commission

FROM: Scott Praill, CET, B. Comm.
Director, Chatham-Kent PUC

DATE: August 8, 2005

SUBJECT: Canada-Ontario Municipal Rural Infrastructure Fund (COMRIF)

RECOMMENDATIONS:

It is recommended that:

The P.U.C. support the application recommended by the Engineering Services Division of Chatham-Kent, and place the highest priority infrastructure in Chatham-Kent as bridges.

BACKGROUND:

During the July 25th Regular council meeting a report was brought forward from Engineering Services to request that Chatham-Kent's highest infrastructure need be declared the bridges, and roads area. This report was tabled until administration was able to review the ability to apply for funding for the projects applied for during the first intake of COMRIF, or be able to review the eligibility of the remaining project not yet undertaken from the first intake.

COMMENTS:

The following is an excerpt from an email sent to Mr. Stephen Jahns from a COMRIF analyst after he asked about the ability for Chatham-Kent to apply for unlike projects, i.e. "Apply for both the sewer projects still eligible, and the anticipated bridge and roads projects." The entire response is attachment A to this report.

"As for bundling unlike project types each case is unique. One criterion that is vital is that each subproject must be addressing the same health & safety concern. If you are considering submitting a bundled project other than several bridges I would encourage you to send me a detailed outline via e-mail of your proposed project so as I can consult an analyst. All they can do is say whether or not this project qualifies under the "bundling" heading and in no way does this advise we guarantee funding."

If we consider applying for only the sewer projects not yet started the following table summarizes the work that was proposed, and what its eligibility would be under the current application guidelines.

The "Application Guidebook Intake Two June 2005" under section titled "What types of infrastructure Projects are eligible for Intake Two?" states:

"For Intake Two, eligible Projects must meet the Commence of Work criteria. A project will not be eligible if construction work (i.e., physical changes to land above or below ground level or buildings) has started prior to approval of funding under COMRIF."

Projects Applied for during COMRIF Intake I			
	Estimated Cost (million)	Project Status	Eligible for Funding (million)
Paincourt Sanitary Sewer Project	\$6.4	Under Construction	\$0
Bothwell Sanitary Sewer Project	\$9.325	EA being reviewed by Ministry	\$0
East Chatham Sanitary Sewer Project	\$8.8	Under Construction	\$0
South Chatham Sanitary Sewer Project	\$3.3	Under Construction	\$0
Erie St. & Albert St Sanitary Sewer Project	\$0.25	Completed	\$0
Morgan & West St. Sanitary Sewer Project	\$0.27	Pending	\$0.27
North Chatham Trunk Sanitary Sewer Project	\$5.5	Pending	\$5.5
Van Allen Sanitary Sewer Separation Project	\$4.0	Tendering & Pending	\$2.7
King Street Sanitary Sewer Separation Project	\$2.5	Under Construction	\$0
King St Sanitary Sewer Relining Project	\$1.23	Pending	1.23
TOTAL	\$41.575 M		\$9.70 M

As many councilors are aware, a proposed sanitary sewer for Bothwell was included in the Intake I application. It was included, because the Municipal Class Environmental Assessment (Class EA) process was so far along, and it was anticipated that it would be complete by the funding announcement time. In fact the Bothwell citizens committee has requested a review by the Ministry of the Environment. The application template "Section A Pre-Qualification" question A 2 (b) asks:

"If the project falls under the provisions of Schedules B or C of the Class EA for municipal water and wastewater projects, has the environmental assessment process (Phase 2 for Schedule B, and Phase 4 for Schedule C of the Class EA process) for the project been completed?"

The Bothwell EA process is still in Phase 4 and will remain in Phase 4 until the review is complete.

Future Opportunities

Currently the PUC and Engineering Services have been organizing all proposed Sanitary and Combined sewer projects, into a 5 to 10 year plan. This magnitude of work allows Chatham-Kent to consider other funding avenues specifically with the Federal Government. There is a program with the Federal Government, Infrastructure Canada, named Canada Strategic Infrastructure Fund (CSIF). This fund requires a minimum of \$75 Million, but does not limit the number of years that is to be spent within. Administration is organizing expected projects, and our first step is to meet with the provincial official responsible for bringing the project forward to the federal program for consideration for grant funding. Projects like Bothwell sanitary sewers, separation sewer projects similar to King St, and Van Allen, and various strategic watermain looping projects are being organized for consideration.

In addition council will have the opportunity to focus on the sewer infrastructure, or any other priority during the COMRIF Intake III, which will be announced in the spring of 2006.

With eligible projects totaling only \$9.70 million, and proposed bridge repairs totaling approximately \$15.8 million, and also recognizing most of the eligible projects have some flexibility in construction timing, Chatham-Kent's best investment would be in the proposed bridge projects.

Two additional comments that should also be considered:

1. AMO has lobbied the Ontario Government extensively to fund road and bridge construction throughout the province, based on the number of road reconstruction projects approved during Intake I, the province may be placing a higher priority on these types of projects.
2. Impact to population is a criterion. The population impacted by the project and most of the projects proposed and undertaken during Intake I and through the summer in Chatham-Kent where local improvement projects, impacting a portion of the population, Bridge projects are funded through the tax base and any subsidy would benefit the entire community.

COMMUNITY STRATEGIC PLAN:

The recommendation in this report supports the following objectives and strategic directions:

A: Health - Providing a safe, caring and healthy environment

A2: Provide adequate infrastructure to support, enhance and sustain existing growth

Expected Results

- **Provide safe, accessible, convenient and efficient public transportation**

The recommendations will not adversely impact on the remainder of the Community Strategic Plan.

CONSULTATION:

Manager, Partnership Development Services, General Manager Of the Chatham-Kent PUC, Acting CAO

FINANCIAL IMPLICATIONS:

COMRIF is a competitive application process, and making application for ineligible projects jeopardizes the ability for Chatham-Kent to maximize the funding from other levels of government. It represents a possible 66% subsidy on approved projects. There are no direct financial implications as a result of this report.

Prepared by:

Reviewed by:

Scott Prail, CET, B.Comm.
Director, Chatham-Kent PUC

Jack Sonneveld
General Manager, Chatham-Kent PUC

Reviewed by:

Gerry Wolting, B. Math, CA
Acting Chief Administrative Officer

Moved by Commissioner McGregor and seconded by Mayor Gagner.

“That the P.U.C. support the application recommended by the Engineering Services Division of Chatham-Kent, and place the highest priority infrastructure in Chatham-Kent as bridges.”

Bothwell sewer project cannot receive funding, at this time, as it is still in the EA stage.

Motion carried

c) Expert Panel Report Summary

MUNICIPALITY OF CHATHAM-KENT

Public Utilities Commission

TO PUC Chairperson and Commissioners

FROM Jack Sonneveld
General Manager

DATE August 03, 2005

SUBJECT **Expert Water Panel Report**

CONCLUSION:

Clean, safe drinking water ensures Ontario is strong, healthy and prosperous. The government is demonstrating leadership and responding to municipalities' concerns to help ensure systems can be upgraded and managed in the best possible, and most affordable way. The goals of a strategic and comprehensive approach to planning, managing and financing water and wastewater infrastructure are to ensure safe and clean drinking water for all Ontarians, to ensure water rates are affordable, and to protect the environment. The results, over the next decade, will be the creation of sustainable systems that will protect public health and allow communities to grow.

BACKGROUND

In August 2004, Minister of Public Infrastructure Renewal, David Caplan, appointed an independent Water Strategy Expert Panel to provide advice on all aspects of organization, governance, investment, financing and pricing related to Ontario's water and wastewater systems.

Dr. Harry Swain, Professor Fred Lazar and Mr. Jim Pine were the members of the Expert Panel.

On leaving the Canadian federal government, where he had been Deputy Minister of Indian Affairs and later Industry, Dr. Swain became CEO of Hambros Canada, and a director of its UK merchant banking parent. At present a company director and management consultant, he served as Chair of the Research Advisory Panel for the Walkerton Inquiry. Dr. Swain holds a doctorate in economic geography from the University of Minnesota and an LL.D. from the University of Victoria.

Professor Fred Lazar is Associate Professor of Economics at York University and the Schulich School of Business. He has a PhD from Harvard University. He has written extensively on a wide variety of economic policy issues, including water industry investment and regulation and employment and trade.

Mr. Jim Pine has more than 20 years of experience in both water issues and municipal government. Originally from northern Ontario, he is currently Chief Administrative Officer of the County of Hastings. He served as a member of the Implementation Committee of the Expert Source Water Protection Committee, providing advice to the government on tools and approaches to implement watershed-based source protection planning. He is also a member of the board of the Municipal Property Assessment Corporation. He has been active in many municipal organizations, including the Association of Municipalities of Ontario, the Ontario Municipal Administrators' Association and the Ontario Municipal Management Institute. He holds a Master of Public Administration degree from Queen's University.

The government is committed to implementing the Walkerton Report's recommendations and protecting our drinking water from source to tap.

As part of this overall strategy the government has directed the Ministry of Public Infrastructure Renewal (PIR) to spearhead the development of a long-term investment and financing strategy for water and wastewater infrastructure to help ensure the safety of Ontario's drinking water well into the future.

In order to have the best research and information available, Ontario commissioned eight expert studies on a range of water and wastewater issues. This research indicated that very large capital investments in our water and wastewater infrastructure are needed, and will continue to be needed for a considerable period of time. As part of its mandate, the Panel was asked to provide advice on how to ensure these investments can be made.

Ontario has more than 700 municipally owned water treatment facilities and approximately 450 wastewater treatment facilities.

Clean, safe drinking water ensures Ontario is strong, healthy and prosperous.

Ontario's current situation is not sustainable in the long-term. For the last two decades there has been a long, slow decline in the quality and capacity of public infrastructure in Ontario; and in water and wastewater systems in particular. Not enough money has been invested to replace the infrastructure when necessary, and maintain it as needed. So a lot of it is old and deteriorating.

For example:

- In the City of Toronto half of the water network is at least 50 years old, and eight per cent is more than 100 years old.

****In Chatham-Kent approx. 82% of the water mains are less than 50 years old.***

- In some municipalities, parts of water systems date back to the nineteenth century. This is the case in Ottawa, where some of the water mains went into the ground in the 1870's.
- There are still some wooden pipes in use in Ontario.

The older the pipes, the more likely they are to break. For example, from 2001 to 2003 the rate of water main breaks increased by 22 per cent in the City of Toronto, and by 45 per cent in Thunder Bay. In 2003, Prince Edward County reported over 200 water main breaks per 100 kilometres of water main.

****The Chatham-Kent average for 2004 was 9.54 water main breaks per 100 kilometers. Chatham-Kent has been investing approximately \$1.3 M per year in upgrading older problematic water mains since 1999.***

****The estimated replacement value of the Chatham-Kent water mains is \$193,714,080.00***

In 2003, the Town of Minto had over 20 wastewater main back-ups per 100 kilometres of wastewater main.

**** The Chatham-Kent average for 2004 was 5.89 back-ups per 100 kilometers. Chatham-Kent has implemented a Lifecycle Program for the sanitary sewers. The estimated replacement value of the sanitary and combined sewer systems is \$154,252,125 and \$22,496,625 respectively. The sanitary sewer lifecycle program will be fully funded through rates (\$2,000,000 per year) by 2007.***

In addition, more than three quarters of the water plants in Ontario serve fewer than 5,000 people, and more than 87 per cent serve fewer than 10,000 people. Studies conducted by public utilities commissions in the United States indicate that systems serving fewer than 3,000 people are not sustainable. And, the United States Environmental Protection Agency indicates that a threshold of 10,000 people-served is necessary to achieve standards. By either measure, the majority of Ontario's systems are too small to be sustainable.

The costs to renew municipal systems and accommodate future growth are huge and have been estimated at tens of billions of dollars. But there are also some significant costs involved if systems are not brought up to standard.

For example, just a few months ago, a burst water pipe in Toronto flooded a power station and blacked out a large part of the downtown. And, in 2003, a broken water main severely flooded a residential street in Hamilton.

There are similar occurrences in most towns and cities across the province, and these occurrences cost both the municipality and the broader economy. Broken water mains can cause rush hour traffic jams. But worse yet, some water infrastructure problems may pose broader public health issues.

In addition, there is a slow, steady drip of lost revenue from water main breaks and leakage. One estimate puts the lost revenue at more than \$150 million a year. On average, Canadian municipalities typically lose 20 to 30 per cent of their water through leaky pipes.

**** Chatham-Kent's unaccounted for water was 22% in 2004.***

However, current needs are not the whole story. While municipal governments are playing catch-up to correct past neglect of the systems we have today, they also have to expand services to meet the needs of Ontario's future growth. By 2031, Ontario's population is forecast to grow by nearly four million people. These people will all need water and sewer services, as well as schools, hospitals and roads. Investments must be made to help ensure clean, safe drinking water well into the future.

Report of The Water Strategy Expert Panel

The Water Strategy Expert Panel released their report on July 22, 2005. The report, *Watertight: The case for change in Ontario's water and wastewater sector*, is posted on the Panel's website at www.waterpanel.ontario.ca.

The Water Strategy Expert Panel was asked to advise the government on proposed solutions to help ensure: that water rates are affordable, that water systems are financially sustainable and that needed investments can be made. In short, the Panel was to recommend the best way to organize and deliver water and wastewater services to achieve these objectives, while ensuring public ownership of these systems. The commitment to public ownership of systems was outlined in the Panel's Terms of Reference: "Ontario's municipal water and wastewater systems will remain publicly owned, and the Panel will carry out its work on that basis."

Over the course of its work, the Panel consulted with a variety of stakeholders including: individuals, large and small municipalities, municipal associations, plant operators, engineering and public works experts, and economic and financial experts. These stakeholders, as well as the public, were also invited to submit comments by mail and through the Panel's website.

The Panel's recommendations include:

- Increasing the scale and capacity of water systems;
- Strengthening the governance of water services and increasing their effectiveness by making municipally-owned utilities responsible for providing them;
- Ensuring that municipalities look to their customers for financial sustainability (full-cost recovery); there is already legislation that will set the stage for full-cost recovery in the future — the *Sustainable Water and Sewage Systems Act*. This 2002 legislation was supported by Commissioner O'Connor in the *Report of the Walkerton Inquiry, Part Two* (p. 299).
- Creating an independent regulatory body— the Ontario Water Board — charged with reviewing business plans and proposed water rates;
- Encouraging innovations in technology and training in order to reduce costs;
- Revitalizing the Ontario Clean Water Agency by revising its mandate to include an arm's-length relationship with the province and establish a business-oriented board of directors.

A copy of the detailed recommendations is attached for information.

Next Steps:

The Ontario government will now carefully review the report's recommendations. The Panel's advice will contribute to the development of the government's long-term water and wastewater infrastructure investment and financing strategy.

FINANCIAL IMPLICATIONS

The financial impacts will not be known until the required legislation is passed later this year.

Prepared by:

Jack Sonneveld
General Manager,
Chatham-Kent PUC

Reviewed by:

Scott Praill, CET, B. Comm,
Director, Water & Wastewater Services
Chatham-Kent PUC

Reviewed by:

Gerry Wolting, B.Math, CA.
(Acting) CAO
Municipality of Chatham-Kent

Moved by Commissioner Vercooterren and seconded by Commissioner Faas.

"That this report be received for information."

Motion carried

4. INFORMATION

a) Letter to the Editor – Workers doing great job on sewer

Moved by Commissioner Vercouteren and seconded by Commissioner Faas

“That this be received for information.”

Motion carried

5. NEXT MEETING

The next P.U.C. Commission meeting is scheduled for Thursday, September 22, 2005 at 4:00 PM in the PUC Boardroom.

6. ADJOURNMENT

Moved by Commissioner Vercouteren and seconded by Commissioner Faas.

“That the meeting be adjourned at 3:20 PM to go incamera.”

Motion carried