

Staff Report

Report From: Deanna Hastie, Director of Corporate Services/Treasurer
Sean Thomas, Director of Community Services, Infrastructure and Operations

Meeting Date: April 29, 2024

Subject: Rebuilding Downtown Infrastructure Project Financial Strategy

Attachment(s): N/A

Recommendation:

That Goderich Town Council receive this report for information;

And That Goderich Town Council provide direction on the preferred project design;

And Further That Staff be authorized to apply for any grant opportunities that may become available.

Report Summary:

The project options provided to Council involved the replacement of the current infrastructure as well as an enhanced option. The estimated total cost for each option is \$8,220,775 and \$10,323,615 respectively.

Funding of these project options involves transfers from the Water Expansion and Pollution Control Reserve Funds to support the linear underground infrastructure replacement and capital grants to support the roadway, streetlight, and sidewalk portions of the project. A relatively small amount of taxation support is proposed as well as a suggested contribution from the BIA. The suggested BIA contribution has not yet been discussed with the BIA, but the project would appear to provide a benefit to these properties and businesses which may support a contribution. The Enhanced Option will require a significant level of borrowings. Debt repayment and interest costs would be funded through taxation over the term of the loan.

The conceptual design introduces some maintenance challenges related to winter maintenance, drainage, and additional plantings that require an estimated increase in annual staffing costs of approximately \$131,124. Staff are confident that the detailed design can address the maintenance concerns while preserving the design's vision. In addition, alternatives such as reducing gardens and flower beds in other locations to balance additional maintenance requirements could be considered.

Potential grant funding sources should be actively investigated to assist with the project funding.

Background/Analysis:

Council received a presentation and conceptual drawing outlining two options for the Downtown Square project at the Council session on April 8. The options were the result of extensive community consultation involving a weeklong charette. The two options provided involved the "Replacement of What We Have" and a "Preferred Concept/Upgrade." As part of the next steps of the project consideration process, Council requested a finance strategy for the two options presented.

Based on the estimated infrastructure component costs provided in the presentation and adding an allowance for engineering and an adjustment for non-claimable HST, the current estimated total cost for each of the options is as follows:

Replacement of What We Have \$ 8,220,775

Enhanced Concept/Upgrade \$10,323,615

The following chart provides proposed financing for the two options:

	Replacement Option	Enhanced Option
Estimated Project Cost	\$8,220,775	\$10,323,615

PROPOSED FINANCING

Water Expansion Reserve Fund	\$3,021,326	\$2,920,349
Pollution Control Reserve Fund	\$2,367,780	\$2,288,650
OCIF/CCBF Grant Allocation	\$2,451,056	\$2,491,095
Taxation		
2025	\$131,000	\$131,000
2026	\$148,613	\$148,000
2027	\$45,000	\$35,000
Potential BIA contribution – still to be discussed	\$56,000	\$56,000

Borrowing from Reserve Funds	\$0	\$2,253,521
Total	\$8,220,775	\$10,323,615

Finance strategies involve the use of the Water Expansion and Pollution Control Plant Reserve Funds for the water and sanitary sewer underground portions of the project. This is consistent with normal road construction funding practices and the purpose of the two reserve funds. In addition, the Town receives annual capital grants from other levels of government that are to be used to financially assist specific types of infrastructure projects - Ontario Community Infrastructure Fund (OCIF) and Canada Community-Building Fund (CCBF). These grants have eligibility criteria that would allow the funds to be used to support roads, water, sewer, streetlights, and sidewalk elements of a road reconstruction project. The proposed funding strategy includes an annual allocation to be funded by taxation which would be slightly higher than recent allocations, but not outside of historic levels. A proposed contribution of \$56,000 by the BIA has been included in the strategy. This element requires input and discussion with the BIA.

The main difference between the two project options stems from the proposed additional investment in the following categories:

Infrastructure Cost Category (excludes engineering and HST adjustment)	Replacement Option	Enhanced Option	Increased Investment
Planters and Seat Walls	\$120,000	\$980,000	\$860,000
Planting Media	\$80,000	\$710,000	\$630,000
Plantings, Trees, Irrigation, Streetscape	\$90,000	\$460,000	\$370,000
Total	\$290,000	\$2,150,000	\$1,860,000

These types of project costs are not eligible under the OCIF and CCBF grants and would therefore, require an alternate funding source. Reserve Fund borrowing is proposed to support the increased investment of the Enhanced Option. Any reserve fund borrowings would have an impact on annual tax levy via repayment over a determined period.

Two scenarios are provided for Council's consideration regarding the current level of borrowing needed.

	20 Year Term	14 Year Term
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Amount Borrowed	\$2,253,521	\$2,253,521
Annual Payment – Principal and Interest	\$150,000	\$200,000
Interest Paid Over Term of Loan	\$787,219	\$537,867

The interest rate assumed over the term of the loan = 3% which is set to be the same rate earned on the reserve fund bank accounts.

Staff have identified some concerns regarding operations and maintenance related to the Enhanced Option. The conceptual plan presents some winter maintenance concerns, particularly in terms of the location and quantity of planters and how they may impede snow removal. The design also introduces challenges related to the drainage of surface water on the storefront sidewalks, which will need to be addressed during the detailed design phase.

Moreover, the plan proposes the addition of 80 trees and 1,200 m² of planters, equivalent to approximately 25% of the flower beds currently maintained by Town staff. To accommodate the maintenance required for the proposed additions, additional staffing may be necessary. An estimated budget of approximately \$131,124 annually would be required to hire a horticulturist and seasonal staff to ensure the plantings are maintained properly.

Staff are confident that a detailed design can be created to address the maintenance concerns while preserving the spirit of the conceptual design.

Additional options could be considered surrounding the number and location of the proposed planters, streetscape, and seat walls to mitigate the initial capital cost and the additional ongoing maintenance costs. These options could be developed during the detailed design process.

Active pursuit of available grant funding should be a priority to mitigate internal funding requirements to support the project costs.

Additionally, Council may consider reducing the Town's gardens and flower beds in other locations to balance the additional maintenance requirements in the downtown core.

Linkages:

Corporate Strategic Plan Priority #1: Safe and Reliable Infrastructure

Financial Impacts/Source of Funding:

The financial impacts of the report have been outlined above.

Reviewed By: Janice Hallahan, Chief Administrative Officer

Approved By: Janice Hallahan, Chief Administrative Officer
Andrea Fisher, Director of Legislative Services/Clerk