Agenda - Executive Policy Committee - June 16, 2010

Report - Standing Policy Committee on Infrastructure Renewal and Public Works - May 25, 2010

Item No. 2 Loan Agreement with the Canada Mortgage and Housing Corporation Municipal Infrastructure Lending Program eFile S-7

STANDING COMMITTEE RECOMMENDATION:

On May 25, 2010, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the recommendation of the Winnipeg Public Service and submits the following to Council:

1. That the Service Line Asset Management and Rehabilitation Strategy under the Water Works System Fund be approved as a new capital project outside of the Capital Budget process.

2. That approval be provided to borrow $3,328,000.00 and enter into a 15 year loan principal and interest repayment agreement with the Canada Mortgage and Housing Corporation (CMHC) Municipal Infrastructure Lending Program and that the loan proceeds be directed to initially fund the Service Line Asset Management and Rehabilitation Strategy project.

3. That funds in the yearly amount of approximately $305,000.00 from the Water System Fund be dedicated to loan repayment commencing in 2011.

4. That Council give first reading to a new Borrowing By-law for the project, shown on Appendix “A” to the report of the Winnipeg Public Service dated April 29, 2010.

5. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Report - Standing Policy Committee on Infrastructure Renewal and Public Works - May 25, 2010

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On May 25, 2010, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

ISSUE: **APPROVAL TO ENTER INTO A LOAN AGREEMENT WITH THE CANADA MORTGAGE AND HOUSING CORPORATION MUNICIPAL INFRASTRUCTURE LENDING PROGRAM**

Critical Path: **THE STANDING POLICY COMMITTEE ON INFRASTUCTURE RENEWAL AND PUBLIC WORKS – EXECUTIVE POLICY COMMITTEE - COUNCIL**

AUTHORIZATION

Author	Department Head	CFO	CAO
M. A. Shkolny, P.Eng. Manager of Engineering	B. D. MacBride, P. Eng. Director, Water and Waste Department	M Ruta	G Laubenstein

RECOMMENDATIONS

1. That the Service Line Asset Management and Rehabilitation Strategy under the Water Works System Fund be approved as a new capital project outside of the Capital Budget process.

2. That approval is provided to borrow $3,328,000.00 and enter into a 15 year loan principal and interest repayment agreement with the Canada Mortgage and Housing Corporation (CMHC) Municipal Infrastructure Lending Program and that the loan proceeds be directed to initially fund the Service Line Asset Management and Rehabilitation Strategy project.

3. That funds in the yearly amount of approximately $305,000.00 from the Water System Fund be dedicated to loan repayment commencing in 2011.

4. That Council give first reading to a new Borrowing Bylaw for the project, which is attached as Appendix “A”.

5. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing

REASON FOR THE REPORT

The Water and Waste Department (Department) has identified several issues related to the failure of residential water service lines within the City right of way. Customers have experienced water service disruptions resulting from the freezing of water service lines during

cold weather and the failure of lead and plastic polybutylene water service lines. Although the City has implemented a lead control program, there is also a concern associated with the long term health risks from the use of lead service lines.

The CMHC have established a $2 billion direct low cost loan program for housing-related infrastructure projects in cities across the country. The objective of the program is to support residential communities through investments that create jobs, provide low cost funding to assist municipalities and contributes to healthier, safer and modern residential communities. Construction under the program must be completed by March 31, 2012. The interest rate is established at the time of the loan advance and is estimated to be 4%. The CMHC loan is at an excellent rate and offers 15 and 20 year rates which are generally not accessible by the City.

In response to application by the City, CMHC has confirmed by commitment letter that, subject to certain terms and conditions, CMHC will disburse funds to the City for this project.

IMPLICATIONS OF THE RECOMMENDATIONS

Council approval of the proposed Service Line Asset Management and Rehabilitation Strategy as a new capital project outside of the normal process is required.

Council approval of the loan agreement and Borrowing Bylaw is a condition of the CMHC Municipal Infrastructure Lending Program.

HISTORY

In winters with continually extreme cold weather, customers with a history of a frozen service are advised to run water continuously to prevent freezing. Once the risk is over, they are advised to stop this measure. The water bills are adjusted based on meter readings to reflect their actual water use. The City pays for the extra costs associated with running the water. The amount of potable water wasted during colder weather to prevent freezing is variable year-to-year depending on temperature and frost penetration. For example, in the winter of 2008/2009 the actual water bill adjustments for customers advised to run water to prevent freezing were approximately $60,000.00, however during the winter of 2009/2010, no adjustments were necessary due to higher winter temperatures.

Older lead and plastic polybutylene water services are experiencing failures due to age and material properties. From 2004 – 2009 the Department replaced 597 water services that had failed and completed 1,650 water service repairs. The cost of these water service replacements and repairs is estimated to be $5,700,000.00 for the 6 year period which does not include the social costs (impacts to the customer etc.) associated with these failures. Addressing potential water service failures proactively will reduce the annual maintenance costs, help prevent the loss of water service and reduce the potable water wasted.

The replacement of frozen water services will be given first priority as many of these services have a repeated history of freezing and without intervention the maintenance costs will continue into future. Approximately 300 services with a repeated history of freezing will be replaced. Secondary priority will be given to plastic polybutylene services because it is service failures that are requiring increased maintenance effort while the water mains to which the services are

connected are still in good condition. Approximately 170 plastic polybutylene services will be replaced. Lead water services will be given the final priority as these services are typically connected to cast iron water mains which will eventually be replaced under the annual water main renewal program. Approximately 140 lead services will be replaced. The Department will coordinate the replacement of the City owned portion of the water service with the home owner so that any maintenance issues identified on the private portion of the water service can be addressed at the same time.

There are approximately 617 services with a history of freezing, 10,845 lead and 1,034 plastic polybutylene water services within the right of way in the City of Winnipeg. The proposed initial phase of the Service Line Asset Management and Rehabilitation Strategy will only address a portion of these problem services. The creation of a new capital project addressing service line issues will be proposed in the 2011-2016 capital budget process. Access to funding from the CMHC allows the Department to accelerate the proposed project. A long term asset management strategy to address problem water service lines is being developed by the Department.

FINANCIAL IMPACT

The following financial impact statement for this project has been prepared in accordance with the recommendation adopted by Council on December 13, 2000.

Financial Impact Statement

Date: April 29, 2010

Project Name:

First Year of Program **2011**

APPROVAL TO ENTER INTO A LOAN AGREEMENT WITH THE CANADA MORTGAGE AND HOUSING CORPORATION MUNICIPAL INFRASTRUCTURE LENDING PROGRAM

	2011	2012	2013	2014	2015
Capital					
Capital Expenditures Required	$ 3,328,000	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ 3,328,000	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	$ 3,328,000	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ 3,328,000	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ 3,328,000				
Total Additional Debt Required	$ 3,328,000				
Current Expenditures/Revenues					
Direct Costs	$ 96,928	$ 305,000	$ 305,000	$ 305,000	$ 305,000
Less: Incremental Revenue/Recovery	96,928	-	-	-	-
Net Cost/(Benefit)	$ -	$ 305,000	$ 305,000	$ 305,000	$ 305,000
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ -	$ 305,000	$ 305,000	$ 305,000	$ 305,000

Additional Comments: Funding sources will be provided through the CMHC Municpal Infrastructure Lending Program.

"Original signed by L. Szkwarek, C.G.A."

Lucy Szkwarek, C.G.A.
Acting Manager of Finance and Administration

CONSULTATION

In preparing this Report there was consultation with:

Corporate Finance Department
Legal Services Division

SUBMITTED BY

Water and Waste Department
Engineering Division
Prepared by: Geoffrey Patton P.Eng.
Date: April 29, 2010
File No. W-716



2010 CMHC
Borrowing By-law.DO

THE CITY OF WINNIPEG

BY-LAW NO. _____

A borrowing by-law of THE CITY OF WINNIPEG to authorize the borrowing of money in an amount up to $3,328,000.00.

WHEREAS Section 294 of *The City of Winnipeg Charter* provides, in part, as follows:

"294(1) Subject to subsection (2), council may pass by-laws enabling the city to borrow money in such manner, in such amounts, and on such security as council may consider necessary for any purpose for which the city is authorized to make provision, including, without limiting the generality of the foregoing, borrowing money required for local improvements.

294(2) Before council gives second reading to a by-law under subsection (1), the city must apply for and obtain the approval of the Minister of Finance for the borrowing under the proposed by-law.

294(3) An application for approval under subsection (2) must specify the principal amount to be borrowed and give a general description of the objects for which the amount will be used, but it is not necessary to specify in the application

(a) the manner of borrowing;

(b) the particulars of any proposed securities to be issued in respect of the borrowing; or

(c) the rate of interest payable on the amount or the term within which it is repayable.

294(4) In dealing with an application made under this section, the Minister of Finance must consider only the financial position of the city and must

(a) approve the application in whole or in part or subject to terms and conditions, including specifying the time within which the amount to be borrowed is to be repayable; or

(b) refuse to approve the application."

AND WHEREAS THE CITY OF WINNIPEG (hereinafter referred to as "the City") considers it necessary to borrow money from Canada Mortgage and Housing Corporation ("CMHC") in an

amount of $3,328,000.00 repayable over a period of fifteen (15) years for the purpose of Waterworks - Service Line Asset Management and Rehabilitation Strategy project.

AND WHEREAS after the first reading and before the second reading of this borrowing by-law, its enactment received the authorization of the Minister of Finance;

NOW THEREFORE THE CITY OF WINNIPEG, in Council assembled, enacts as follows:

1 For the purposes and objects of the City specified in this by-law, money in the principal amount of $3,328,000.00 may be borrowed during the year 2010 pursuant to the terms of a Commitment Letter made between the City and CMHC dated March 4, 2010.

RECEIVED FIRST READING on the day of , 2010;

AUTHORIZATION OF THE MINISTER OF FINANCE RECEIVED on the day of , 200 ;

RECEIVED SECOND READING on the day of , 2010;

RECEIVED THIRD READING AND PASSED on the day of , 2010.

DONE AND PASSED, in Council assembled, this day of , 2010.

Mayor

City Clerk

Approved as to financial details:

City Treasurer

Approved as to form:

Director of Legal Services and
City Solicitor