

THE CORPORATION OF THE CITY OF SARNIA
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OFFICE OF THE CHIEF ADMINISTRATIVE OFFICER
FINANCE DEPARTMENT

OPEN SESSION REPORT

TO: Members of Sarnia City Council

FROM: Margaret Misek-Evans, Chief Administrative Officer
Lisa Armstrong, Director of Finance
Peter Hungerford, Project Consultant

DATE: November 6, 2017

SUBJECT: Oversize Load Corridor – Application to the National Trade
Corridor Fund

Recommendation:

It is recommended:

1. That Sarnia City Council authorizes and approves the City of Sarnia submission dated November 6, 2017 for National Trade Corridor Funding (NTCF) to construct the proposed Oversize Load Corridor; and
2. That Sarnia City Council approves funding for the Oversize Load Corridor in the amount of \$4,715,000 over the duration of the project conditional upon approval of NTCF funding in the amount of \$6,000,000 and partner funding by the County of Lambton and St. Clair Township in the combined amount of \$1,275,000 and the Sarnia Lambton Industrial Alliance in the amount of \$10,000 for a total project cost of \$12,000,000.

Background:

The Oversize Load Corridor (OLC) is a strategic economic development opportunity for Sarnia, St. Clair Township and Lambton County, that will serve to dramatically improve the competitiveness of established area fabricating and manufacturing firms, and benefit the economic health of the community. The OLC will serve to expand opportunities for the export of large oversized equipment from area fabricators to both national and international markets by creating a dedicated and protected transportation

pathway from these fabricators to the deep water harbour at the Port of Sarnia. As a result of improved competitiveness, the Business Case Analysis prepared in support of this project projects the addition of significant local employment and a 30 year increase in the growth of local, provincial and national Gross Domestic Product (GDP).

Presently, each time an oversize load is transported to the harbour for trans-shipment, temporary single event adjustments are needed along the route to relocate overhead obstructions such as power and utilities, adjust infrastructure components and arrange for specialized docking. These necessary accommodations along the length of the corridor are repetitive and represent significant one-time costs that detract from the ability of local firms to operate more competitively. A dedicated and protected OLC would relocate or remove these obstructions and impediments, making it faster, cheaper and more efficient to transport oversize loads that can measure up to 30 feet wide, 30 feet high, and 150 feet long. Currently, loads of this size cannot be accommodated to the harbour on any municipal roadway with restrictions of height and width due to poles, traffic lights and streetlights.

Funding Application

On July 31, 2017 Council received an update report on the OLC indicating the status of the background work done in preparation for project funding and implementation (Attachment 1). At that time, staff outlined the opportunity to submit an Expression of Interest (EOI) to the National Trade Corridor Fund (NTCF) of Transport Canada. On August 15, 2017, the City submitted the EOI and Council was provided with the submission on the same day. On October 10, 2017, Council was notified of the outcome of the EOI evaluation and our invitation to proceed to the proposal phase of application.

In preparation for the proposal, a dedicated team is working diligently to prepare the full proposal for submission on the evening of November 6. A number of agencies have been approached for their continued support by correspondence to accompany the proposal.

We are very fortunate to have been selected to move forward in this very competitive process. A total of 357 EOIs were received by Transport Canada under the NTCF, representing total federal funds requested of \$16.9 billion. The NTCF program provides for \$2 billion to be allocated over 11 years. In this round of funding, it is anticipated that \$400 million will be allocated. Approximately 200 EOIs were screened to move forward in the competition and we are one of those fortunate enough to compete in this

round. In this competitive, merit-based program, it is anticipated that fewer than 10% of the proposals will be successful.

It may be 3 years before another general call for proposals will be issued under this program, so we are compelled to put our best proposal forward at this time.

Here are some fast facts to help Council understand the proposal:

- The NTCF provides up to 50% of eligible costs; our proposal will seek funding for 50% of the \$12 million estimated project cost.
- The balance of funding must be secured prior to application; funding applications that cannot indicate all funding is available and committed will not proceed to detailed evaluation.
- We have approached the Province, the County, St. Clair Township and the Sarnia Lambton Industrial Alliance (SLIA) to secure the balance of \$6 million along with our own resources.
- Funding commitments have been requested and are anticipated in time for the November 6 deadline from the County, St. Clair Township and SLIA (See Financial Implications).
- If successful, we can continue to work on additional funding from other partners over the course of the 4-year project.

The project proposal must address the following objectives of the NTCF:

- Support the flow of goods and passengers by reducing bottlenecks and address capacity issues;
- Help the transportation system withstand the effects of climate change and make sure it is able to support new technologies and innovation;
- Address the unique transportation needs in Canada's territorial North to improve safety and foster economic social development; and
- Build on investments made by a variety of public and private sector partners.

The funding under the NTCF program is well aligned with the goals of the OLC which, in turn, will support economic growth in Lambton County by improving access of a specialized labour force and industry to a global market.

Project proposals must follow the comprehensive proposal guideline issued by Transport Canada. Project team members participated in a Webinar hosted by Transport Canada on October 23 for detailed review of the proposal requirements. Strict adherence to the guideline and format is expected. The draft Executive Summary is provided in Attachment 2 for Council's information. Letters of support received to date are attached to this report as Attachment 3.

Comments:

The 50 percent funding under Transport Canada's NTCF is conditional upon having secured the remaining project funding *prior to* submitting the Comprehensive Project Proposal on November 6, 2017.

Efforts were made to reach out to the Province for funding the project through contacts made by SLIA and MPP Bob Bailey's office. A teleconference was arranged with the Minister of Infrastructure, Bob Chiarelli on October 23, 2017. During this call, the Minister suggested that the City of Sarnia and County of Lambton re-direct a portion of their formula-based funding under the Ontario Community Infrastructure Fund (OCIF) toward this project as a provincial contribution. Staff of the City and County explained during this call that the OCIF funds were intended for infrastructure and were addressing much-needed infrastructure projects identified through asset management planning. Staff further clarified that the OLC project is an economic development initiative and would not qualify as an infrastructure project. In the alternative, Minister Chiarelli also offered the option of a loan through Infrastructure Ontario as a means of financing the municipal share of the project. The position of the Minister is provided in Attachment 4. At this time, there is no other available program at the Provincial level to support this project.

Therefore, the local municipalities must now identify and commit a total of \$6,000,000 in funding from their own resources and private contributions to satisfy NTCF requirements. This does not preclude the municipal partners from pursuing other funding opportunities over the life of the project from public or private sources.

On November 1, 2017 County Council met to consider continued support of this project recognizing the current NTCF program that can contribute up to 50% of the projected cost of a project. Prior County Council support was premised on an anticipated program funding based on a 1/3 Federal, 1/3 Provincial and 1/3 Local contribution. At the recent meeting on November 1, County Council considered funding the OLC and passed the following resolution:

- a) *That Lambton County Council commit to funding \$1.2 million over the next four years toward the design and construction of the Oversize Load Corridor project, subject to obtaining 50 percent funding support through the National Trade Corridors Fund.*

- b) *That the \$1.2 million in funding for the Oversize Load Corridor project be provided from the Opportunities and Contingency Reserve.*

On the evening of November 6, 2017 St. Clair Township Council will meet to consider continued support for the OLC project. At that time, Council will consider the following resolution:

That Council re-confirms their commitment to the development of the Heavy Haul Corridor and agrees to fund their portion of the project.

The Township report notes that their portion of the project is \$75,000. Upon notification of Township Council's disposition of this resolution, the project team will finalize the submission to the NTCF.

Additionally, a monetary contribution to the OLC project in the amount of \$10,000 has been made by the Sarnia Lambton Industrial Alliance (SLIA). SLIA has made contributions to the project over its entire inception, is instrumental in the preparation of this funding proposal and continues to actively advocate for its success.

Consultation:

Project team members working on the proposal include:

- Peter Hungerford, former Director of Economic Development acting as Project Consultant to prepare the submission
- Lisa Armstrong, Director of Finance
- Mike Berkvens, Director of Engineering
- David Jackson, Transportation & Development Manager
- Alan Shaw, Director of Planning & Building
- James Jenkins, Deputy Clerk
- Margaret Misk-Evans, CAO
- Jason Cole, General Manager of Infrastructure & Development Services, Lambton County
- Rick Perdeaux, President of SLIA as well as SLIA members who provided editorial services
- Dave Moody, Sarnia Lambton Economic Partnership
- Alex Palimaka, Bluewater Power who provided editorial services.

External assistance with the cost/benefit analysis was sought through the consultants who prepared the Business Case for the OLC for SLEP.

Assistance was provided through MPP Bob Bailey's office to arrange a tele-conference to discuss potential funding with the Minister of Infrastructure. Staff have alerted MP Marilyn Gladu's Office regarding the proposal and asked for her support for the proposal through the evaluation process.

Financial Implications:

The estimated cost of the Oversize Load Corridor (OLC) project is \$12 million in total, with the construction planned over a 4 year period.

As indicated above, at this time the balance of funding (50%) of the project costs will largely be borne by the partner municipalities. The possible funding sources are identified in the following charts:

	2018	2019	2020	2021
Project Cost Estimate	1,750,000	1,750,000	4,250,000	4,250,000

Funding Sources	2018	2019	2020	2021	
Sarnia Harbour Reserve Fund	681,250	681,250	282,375	282,375	1,927,250
Capital Reserve			1,393,875	1,393,875	2,787,750
Potential Grant - NTCF	875,000	875,000	2,125,000	2,125,000	6,000,000
Lambton County	180,000	180,000	420,000	420,000	1,200,000
SLIA	2,500	2,500	2,500	2,500	10,000
St. Clair Township	11,250	11,250	26,250	26,250	75,000
Total Funded	1,750,000	1,750,000	4,250,000	4,250,000	12,000,000

Based on the cost estimates, approximately 40% of the cost of the project will be associated with work on the Sarnia Harbour. Therefore approximately 40% of the City's reserve requirements have been included as drawing on the Sarnia Harbour Reserve Fund. There are no other known major expenditures planned for the Sarnia Harbour until dredging is required again, estimated around 2027. With income from the Harbour funding this reserve fund it is expected that we will have sufficient funds when needed, barring any unexpected expenditures.

The chart below shows a forecasted balance for the Sarnia Harbour Reserve Fund:

Sarnia Harbour Reserve Fund	2017	2018	2019	2020	2021
Forecasted Open Balance	1,390,797	1,445,923	1,289,799	933,675	973,476
Forecasted Revenue	325,126	325,126	325,126	325,126	325,126
Forecasted Commitments	270,000	481,250	681,250	285,325	285,325
Forecasted Ending Balance	1,445,923	1,289,799	933,675	973,476	1,013,277

The remainder of the City's reserve commitments would need to be made to a capital reserve, such as the Capital Infrastructure Reserve or the Capital Revolving Reserve. This will impact the other capital projects that can be funded in 2020 and 2021 through these reserves. However by 2021, the repayment of the WSIB and Assessment Appeals internal borrowing from these reserves will be fully repaid, making \$577,300 available.

If supported by Council, this will result in the commitment of funding beyond the next budget year. It will commit the funding over the period of 2018 to 2021. A multi-year commitment was made previously by Council for the Sarnia Sewer Upgrade Project for 2015 to 2021 to take advantage of the Small Communities Grant Funding. The combination of these projects will reduce the flexibility for funding other capital projects during this period.

As previously stated, the commitment of funding for the balance of the project beyond the NTCF application is necessary for the project to be considered for approval. Should we be successful in our application to the NTCF, we can continue to pursue other contributions to the project from the Province and other private sources to offset municipal commitments.

Prepared by:



Lisa Armstrong
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Prepared by:



Peter Hungerford
Project Consultant

Approved by:



Margaret Misek-Evans
Chief Administrative Officer

Attachments:

- Attachment 1 – July 31 Council Report
- Attachment 2 – Draft Executive Summary
- Attachment 3 – Letters of Support to date
- Attachment 4 – E-mail from Minister Chiarelli