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STATUS OF INFRASTRUCTURE STIMULUS FUND PROJECTS

The Finance and Administration Committee recommends the adoption of the recommendation contained in the following report dated May 26, 2011, from the Chief Administrative Officer.

1. RECOMMENDATION

It is recommended that Council receive this report for information.

2. PURPOSE

The purpose of this report is to provide Regional Council a status update of York Region's 17 infrastructure projects approved through the Government of Canada's Infrastructure Stimulus Fund (ISF) program.

3. BACKGROUND

Infrastructure Canada proposed the Infrastructure Stimulus Fund (ISF) program as part of its *Economic Action Plan* in January 2009

To help stimulate the economy and create jobs, the Government of Canada announced its *Economic Action Plan* in January 2009. This plan was designed to provide approximately \$16 billion over two years to modernize a broad range of infrastructure including roads, bridges, public transit, parks and water treatment facilities. A component of Canada's *Economic Action Plan* included the Infrastructure Stimulus Fund (ISF) program to further stimulate investment in municipal infrastructure.

Infrastructure Canada made \$4 billion available across the country for new community infrastructure projects that were construction-ready and would not have otherwise been built by 2011 without funding assistance from the federal government. These funds were focused on projects to rehabilitate existing assets, as well as new construction projects that could be fully complete by March 31, 2011. Working closely with the Government of Canada, the Government of Ontario matched federal funding for their respective municipalities.

Timelines to develop project submissions were tight. Cost estimates for projects had to be finalized and submitted to Infrastructure Canada by May 1, 2009, only 2 weeks after the application guide was available outlining eligible and ineligible costs.

Infrastructure Canada approved funding for 17 York Region projects in June 2009

On June 12, 2009, Infrastructure Canada announced approval to partially fund 17 separate York Region infrastructure projects. The total costs of these projects were estimated at \$79.035 million of which the Region will receive \$26.345 million or one-third funding from each of the federal and provincial governments. The Region will be responsible to fund the remaining \$26.345 million or one-third of total project costs.

Region executed contribution agreement with the Federal and Provincial governments in September 2009

A June 25, 2009 report to Regional Council authorized the Regional Chairman and Regional Clerk to enter into a contribution agreement with the Federal and Provincial governments as required under the ISF program. To meet the Region's financial contribution commitment under the ISF program, Council also approved an amendment to the 2009 Capital Budget for the approved ISF projects.

In September 2009, York Region executed the Infrastructure Stimulus Fund Contribution Agreement with the Federal Ministry of Energy and Infrastructure and the Provincial Ministry of Agriculture, Food and Rural Affairs (OMAFRA). All obligations outlined in this agreement to both the Federal and Provincial governments are managed through OMAFRA. This agreement outlines reporting requirements to OMAFRA, details eligible and ineligible costs, and outlines requirements necessary for York Region to remain eligible to receive approved funding.

An October 8, 2009 report to Finance and Administration Committee outlined the key highlights of the agreement which include:

- Competitive Process – York Region must acquire and manage goods and services through a transparent and competitive process and follow its procurement practices as required by the *Municipal Act, 2001*, S.O. c. 25.
- Project Records – Information requested by OMAFRA could include project invoices, proof of insurance and bonding, copies of media releases and communications. Separate records for each project must be retained by York Region for a minimum of six (6) years after submission of final claim.
- Financial Assistance – The two-thirds financial reimbursement for each project shall not be greater than the maximum outlined by Infrastructure Canada at its June 12, 2009 announcement. Financial assistance cannot be transferred between projects without the express written consent of OMAFRA.
- Communications Requirements – Project-related milestone events such as groundbreaking and ribbon-cutting ceremonies will be organized in cooperation with the Governments of Canada and Ontario.

- Termination Without Cause – The Federal and Provincial governments reserve the right to terminate the contribution agreement without cause with a minimum of thirty (30) days written notice. Senior levels of government would only be responsible for financial assistance of eligible expenditures up to the time of termination.

On December 2, 2010, the Federal government announced Infrastructure Stimulus Fund (ISF) program extension to October 31, 2011

On December 2, 2010 Infrastructure Canada announced a seven month extension to the original ISF program timelines that allowed completion of projects up to October 31, 2011.

This extension was available for all ISF projects where construction had commenced by March 31, 2011. This extension allowed projects to benefit from an additional construction season.

To qualify for the extension, a request in writing was made to the Federal and Provincial governments in January 2011 that included the following:

- List of projects that required an extension beyond March 31, 2011 and a detailed construction schedule for each project signed by a professional engineer
- Forecast of project expenses that were to be spent by March 31, 2011, and a forecast of costs to be incurred between April 1, 2011 and October 31, 2011
- January 27, 2011 Regional Council resolution endorsing extension of ISF projects, committing to finish the projects, and accepting responsibility for any costs incurred beyond October 31, 2011.

Region executed amendment to the contribution agreement with the Federal and Provincial governments in March 2011

In March 2011, York Region executed an amendment to the Infrastructure Stimulus Fund Contribution Agreement with the Federal Ministry of Energy and Infrastructure and the Provincial Ministry of Agriculture, Food and Rural Affairs (OMAFRA) that enabled extension of projects to October 31, 2011.

Staff continue to provide project progress reports the Province at two-month intervals during the extension period. All final claims for extended projects must be submitted to the Province by January 31, 2012.

3. ANALYSIS AND OPTIONS

Thirteen of the Region's seventeen Infrastructure Stimulus Fund (ISF) projects are currently complete

Substantial progress has been made on all York Region's ISF projects with 13 projects complete, 3 more nearing completion at the time of this report, and the final project on schedule for completion by October 31, 2011.

Table 1 below summarizes the status of York Region's ISF projects.

Table 1
Status of York Region's Infrastructure Stimulus Fund (ISF) Projects

ISF File Number	Total Eligible \$	ISF Project	Project Status	Completion
2403	1,800,000	Bathurst Street Resurfacing Steeles to Centre St.	Complete	November 2009
2409	1,350,000	Weston Road Resurfacing Langstaff to Rutherford	Complete	November 2009
2312	1,250,000	Keele Street Resurfacing Rutherford to Major Mac	Complete	November 2009
2342	1,560,000	Old Homestead Rd. Resurfacing Warden to Station	Complete	September 2010
2242	2,100,000	Dufferin Street Resurfacing Glen Shields. to Langstaff	Complete*	October 2010
2381	1,975,000	Warden Avenue Resurfacing Steeles to McPherson	Complete	October 2010
2243	1,350,000	Bathurst Street Microsurfacing Major Mac to King Rd.	Complete*	October 2010
2504	2,300,000	Davis Drive Resurfacing Patterson St. to Woodbine	Complete	December 2010
2283	9,100,000	Hwy 27 Resurfacing Nashville Rd. to Hwy 9	Complete*	December 2010
2571	3,700,000	Gamble Rd. (Bathurst to Yonge) widening/sewer	Complete*	December 2010
2064	2,900,000	Rehabilitation of Bus Stops (1,000 pads)	Complete*	December 2010
2058	2,000,000	Rehabilitation of Bus Loops	Complete*	December 2010
2610	1,100,000	W&Ww - Instrumentation & Control Replacement	Complete	May 2011
1447	7,600,000	Garfield Wright MRF Upgrades	95% of construction complete	July 2011
2044	22,000,000	EMS Central Support Facility Bales	95% of construction complete	July 2011
2248	9,750,000	Richmond Hill CEC	95% of construction complete	July 2011

ISF File Number	Total Eligible \$	ISF Project	Project Status	Completion
2314	7,200,000	Georgina Water Treatment Plant Upgrades	85% of construction complete	October 2011
	79,035,000	<i>*minor deficiencies to be addressed</i>		

Federal and Provincial staff representatives have made site visits to ISF projects

As funding partners, Federal and Provincial staff representatives have made site visits to several of York Region's key ISF projects. Visits have been made to the Gamble Road resurfacing project and Georgina Water Treatment upgrade project in August 2010, the Richmond Hill Community Environmental Centre project in September 2010, and most recently to the Garfield Wright Material Recovery Facility upgrade project and EMS Central Support Facility project (Bales Road) in April 2011.

Federal and Provincial representatives have been impressed with the very tight construction timelines York Region has met, given the scale and complexity of our ISF projects. Representatives have also been pleased with the many innovations and operational improvements York Region has been able to incorporate into these infrastructure upgrades and new infrastructure initiatives.

To date, York Region has met all its obligations under the terms of the amended Infrastructure Stimulus Fund Contribution Agreement, including on-time regular monthly reporting, submission of timely interim reimbursements claims, and prompt response to ad-hoc requests for information from the Provincial and Federal governments.

5. FINANCIAL IMPLICATIONS

The total expenditure amount for all 17 ISF projects of \$79.035 million, with two-thirds funding from senior levels of government of \$52.69 million and the Region's one-third funding of \$26.345 million, was approved as part of an amendment to the 2009 Capital Budget in a June 25, 2009 report to Regional Council.

Total ISF program costs anticipated to be within 1% of original estimates

Timelines to develop ISF project submissions were tight. Cost estimates for projects had to be finalized and submitted to Infrastructure Canada by May 1, 2009, only 2 weeks after the application guide was available outlining eligible and ineligible costs.

As York Region approaches the final stages of ISF project completion, we are in a better position to confirm cost variances between our preliminary May 2009 projections and the actual tender and expenditure results market conditions have dictated. Total ISF program

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costs are anticipated to be \$79.550 million, within a 1% variance of the original total estimate of \$79.035 million.

Table 2 below summarizes the estimated costs for each of York Region's 17 ISF projects.

Table 2
Cost Summary and Estimated Variance of ISF Projects

ISF File Number	ISF Project	Maximum Eligible Expenditures	Estimated Eligible Expenditures	Variance	
2403	Bathurst Street Resurfacing	\$1,800,000	\$1,163,878	(\$636,122)	under
2409	Weston Road Resurfacing	\$1,350,000	\$904,238	(\$445,762)	under
2312	Keele Street Resurfacing	\$1,250,000	\$890,886	(\$359,114)	under
2342	Old Homestead Rd. Resurfacing	\$1,560,000	\$2,547,493	\$987,493	over
2242	Dufferin Street Resurfacing	\$2,100,000	\$2,250,000	\$150,000	over
2381	Warden Avenue Resurfacing	\$1,975,000	\$1,139,911	(\$835,089)	under
2243	Bathurst Street Microsurfacing	\$1,350,000	\$1,260,000	(\$90,000)	under
2504	Davis Drive Resurfacing	\$2,300,000	\$2,638,404	\$338,404	over
2283	Hwy 27 Resurfacing	\$9,100,000	\$9,060,000	(\$40,000)	under
2571	Gamble Rd. (Bathurst to Yonge)	\$3,700,000	\$2,410,000	(\$1,290,000)	under
2064	Rehabilitation of Bus Stops (1,000 pads)	\$2,900,000	\$2,583,970	(\$316,030)	under
2058	Rehabilitation of Bus Loops	\$2,000,000	\$1,121,909	(\$878,091)	under
2610	W&Ww - Instrumentation & Control Replacement	\$1,100,000	1,270,000	\$170,000	over
1447	Garfield Wright MRF Upgrades	\$7,600,000	\$8,050,000	\$450,000	over
2044	EMS Central Support Facility	\$22,000,000	\$20,059,402	(\$1,940,598)	under

ISF File Number	ISF Project	Maximum Eligible Expenditures	Estimated Eligible Expenditures	Variance
2248	Richmond Hill CEC	\$9,750,000	\$15,000,000	\$5,250,000 over
2314	Georgina Water Treatment Plant Upgrades	\$7,200,000	\$7,200,000	\$0 none
	Total all projects	79,035,000	79,550,091	\$515,091 over

Infrastructure Stimulus Fund Contribution Agreement does not allow for transfer of financial assistance between projects without the express written consent of OMAFRA

The Infrastructure Stimulus Fund Contribution Agreement allocates a maximum eligible expenditure amount to each of the 17 ISF projects separately. These amounts were based on staff's best estimates at the time of the original funding request submission to Infrastructure Canada in May 2009.

Through the tendering process, market conditions dictated that ten ISF projects will be under-expended from original estimates, six projects will be over-expended, and one remaining project approximately equal to original estimates.

York Region staff made formal request to Province seeking authorization to maximize total available funding

On October 18, 2010 staff made a request to OMAFRA seeking formal authorization to maximize total financial assistance by allowing remaining financial assistance from under-expended projects to be used to reimburse claims that exceed the eligible amount for over-expended projects. On March 1, 2011 an additional request was formally made.

After discussions between York Region and OMAFRA staff, our request to transfer funds between projects has been verbally denied. As no formal written response has been received by the Ministry, as of yet, staff will continue to pursue this subject.

York Region's obligation to fund a greater proportion of ISF program costs has been approved as part of the 2011 Budget

The intent of the Infrastructure Stimulus Fund was that one-third funding would be shared between each of the federal, provincial and municipal governments. Without the ability to transfer funds between projects, York Region will be obligated to fully fund costs exceeding the eligible claims amounts for the six over-spent ISF projects, while only receiving funding relieve for our one-third portion of the ten under-expended projects.

It is estimated that York Region will be obligated to fund \$5.07 million more than originally anticipated. The resulting funding shift means that the Region will now bear 40 percent of the total costs of ISF projects instead of the original 33 percent. These additional funding requirements have already been addressed through the 2011 Budget and therefore have no further financial impact at this time.

Table 3 below summarizes the funding breakdown based on the total anticipated expenditures for York Region's 17 ISF projects.

Table 3
Estimated Funding Breakdown for ISF Program

ISF Program (total of all 17 projects)	Total Expenditures	Federal Funding	Provincial Funding	York Region Funding
Original funding estimates (May 2009)	\$79,035,000	\$26,345,000 (33%)	\$26,345,000 (33%)	\$26,345,000 (33%)
Actual funding for anticipated expenditures (current terms of ISF agreement)	\$79,550,091	24,068,065 (30%)	24,068,065 (30%)	31,413,962 (40%)
Difference from original estimates	\$515,091	(\$2,276,935)	(\$2,276,935)	\$5,068,962

Other municipalities are also restricted by the conditions of the ISF Contribution Agreement

Conditions of the Infrastructure Stimulus Fund Contribution Agreement are consistent across all Ontario municipalities. Therefore, other municipalities whose projects exceed their pre-defined maximum project limits are also required to fund any over-expenditures. Staff discussions with other GTA municipalities have confirmed that some will have increased funding obligations that exceed the original one-third funding intentions. Although many municipalities contacted have yet to quantify the percentage of their funding shift, it is expected to be similar to that of York Region. Other municipalities have also contacted the Province to request flexibility with financial assistance of infrastructure projects. The Association of Municipalities of Ontario (AMO) has also indicated that they will continue to pursue the Federal and Provincial governments for greater flexibility in the use of infrastructure funding.

6. LOCAL MUNICIPAL IMPACT

Construction activities for York Region's ISF projects are located throughout the local municipalities, meeting the needs of residents and businesses throughout the Region.

An estimated 720 equivalent jobs have been created in the York Region economy through these ISF projects.

7. CONCLUSION

The ISF program has allowed the Federal government, Provincial government and York Region to work together to fund and deliver 17 key infrastructure projects valued at \$79.5 million.

Substantial progress has been made on all 17 ISF projects with 13 projects complete, three more nearing completion at the time of this report, and the remaining project on schedule for completion by October 31, 2011.

Funding projections were based on preliminary cost estimates given at the time of project applications. Now that projects are nearing completion, overall expenditures for the ISF program are anticipated to be within 1% of original estimates. The Region's portion of funding will be higher than originally anticipated. These additional funding requirements have already been addressed through the 2011 Budget and therefore have no further financial impact at this time.

Staff will continue to seek flexibility from the Federal and Provincial governments to maximize the use of available infrastructure funding, recognizing that other municipalities are in the same situation.

Overall, the ISF program has enabled York Region to advance the delivery of key infrastructure to our municipalities.

For more information on this report, please contact Glenn Lang, Manager Corporate Continuous Improvement (Office of the Chief Administrative Officer) at 905-830-4444 extension 1222.

The Senior Management Group has reviewed this report.