

BACKGROUND: Cost Implications

The federal government originally indicated they would pay 50% of the cost of secondary wastewater treatment from Riverhead, with the province covering 25% and the municipalities the other 25%.

Since that time, based on new numbers in fact supplied by the federal government, the cost of the project has been estimated at \$255 million. Meanwhile, the provincial and federal governments agreed in a separate deal to cover two thirds of the project (44% for the federal government and 23% for the province), leaving the municipalities to shoulder the other 33% of the deal.

So, instead of contributing \$122.5 million for a project they require municipalities to complete, the federal government has offered \$111 million, the province \$59 million and the municipalities must cover the remaining \$85 million.

This is certainly more than originally expected and is unfair to the municipalities. At the very least, the provincial and municipal shares should be the same. Given that estimates for the cost of this project are still preliminary, it is also fair to assume the actual cost may in fact exceed \$255, and any additional costs would fall to the municipalities.

\$ Share	Municipality	Capital Cost	Annual Debt Service	Annual Operating Cost	Total Annual Cost
83.5%	City of St. John's	70,868,519	5,315,139	5,010,000	10,325,139
12.0%	City of Mount Pearl	10,151,964	761,397	720,000	1,481,397
4.0%	Town of Paradise	3,862,160	289,662	240,000	529,662
		<u>\$84,882,643</u>	<u>\$6,366,198</u>	<u>\$6,000,000</u>	<u>\$12,336,198</u>

Taking into consideration the debt service costs and estimated operating costs of secondary treatment, we anticipate an increase of over 25% in our water/ wastewater expenses budget which will result in a water tax increase for residents.

BACKGROUND: Understanding the Issue

In 2014, the federal government introduced new wastewater regulations under the Federal Fisheries Act. The regulations are designed to reduce harmful solids and chemicals in effluent from wastewater treatment facilities. At that time, the Riverhead Wastewater Treatment Facility was deemed to be high risk.

This risk rating has to do with a measure of Total Suspended Solids (TSS) and Chemical Biological Oxygen Demand (CBOD) in effluent at the final discharge point. In basic terms, the Department of Environment and Climate Change placed Riverhead in a high-risk category based on the review of testing results from Riverhead prior to June 30, 2014. Testing, at that time, indicated that the final discharge point was allocated 70 or more points: the higher the score the sooner the municipality must develop secondary treatment for its wastewater.

So, in 2014, the City was issued a transitional authorization giving us permission to continue with only our primary treatment – the City's primary treatment from Riverhead – until December 31, 2020.

In less than two years, that transitional authority will expire and the federal government legislates that we must be offering secondary treatment by then or face significant fines and penalties.