Council to borrow $5 million for new water tower

Written By **Paula Brown**

Local Journalism Initiative Reporter

Shelburne Town Council has approved a plan to borrow $5 million to complete construction of a new water storage tower.

During their meeting on Monday (Sept. 27), Shelburne Town Council received a report from municipal engineer Stephen Burnett and town treasurer Carey Holmes on the new water tower project. Council unanimously voted in favour of applying for a loan from Infrastructure Ontario over a 20-year term.

?We've always indicated that the source of financing for the majority of the project would come from long-term borrowing,? said Holmes.

The total cost of the project is slated for $7,184,254.98, which includes the water tower base construction at $5,983,050, a 10 per cent construction contingency of $598,305, an eight per cent engineering cost of $478,644, plus a 1.76 per cent non-refundable HST cost of $124,555.98.

In June, a request for proposal was issued by the Town, receiving only one bid at $6.7 million.

?There are a very limited number of contractors doing this work and this number has been limited even further due to COVID with many US firms not crossing the border to complete work in Canada,? explained Burnett.

The $6.7 million bid, which was later negotiated down to just shy of $6 million, is significantly higher than the original budget of $3.5 million.

Burnett noted to council that while there a were a few factors in the design process that changed the budget such as water main extension, chemical clarification, and enhancement to the site works, the majority of the budget increase is due to COVID-19.

A large portion of the new water tower facility is made up of steel, which has seen a price rise close to 300 per cent from last spring to spring 2021. A similar effect was seen earlier in the year with wood prices increasing 400 per cent.

To offset the cost of the tower the town will be using $1.1 million from development charges and $1 million from reserves. According to the financial report, the town over the 20-year loan period will have an annual payment of $320,579 to Infrastructure Ontario. The total interest paid on the loan will be $1.4 million.

?In all likelihood we're probably not going to see rates dip much lower than they are now,? said Mayor Wade Mills about the interest rate for borrowing. ?If we do have to take on more debt and lock in, now is probably as good a time as any.?

While costing for the new water tower has doubled from the original budget, the Town of Shelburne has to move forward with completing construction of it.

In 2012 an environmental assessment (EA) was to determine the need of increased water storage in the town. The shelf life of the EA is 10 years and will expire in late 2022/early 2023.

The town has also in recent years faced extreme low levels of water storage, specifically in August 2020 when levels were low enough that minimum water levels for fire protection became a concern.

Coun. Lynda Buffet questioned whether there were any opportunities to apply for grant money for the new water tower.

Holmes said with the deadline for the EA expiration and the date to apply to Infrastructure Ontario that the town does not have the time now to wait and apply for grants.

?There is no point sugar coating this, it is going to be a difficult potential debt load going forward,? said CAO Denyse Morrissey.

With a new waste water treatment plant also being looked at with a cost of $35 million, the Town of Shelburne will likely need to increase their debt policy, at least until 2026.

During Council's Sept. 27 meeting, the construction of the new water tower was also awarded to Landmark Structures Co. Construction. The water tower will take approximately 12 months to build, once started.

