



**Meeting Date:** June 18, 2025

**Prepared By:** Tiffany Farrell, Director of Corporate Services

**Submitted by:** Tiffany Farrell, Director of Corporate Services

**Report No:** CPS-33-2025

**Subject:** Imposing a fee under the Municipal Act 2001 for the Melrose Water Project

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**Recommendation:**

THAT Report CPS-33-2025 re: Imposing a fee under the Municipal Act, 2001 for the Melrose Drinking Water Interconnect Project be received;

AND THAT a portion of the costs for the Melrose Drinking Water Interconnect Project be recovered by imposing an equal fee against each of the landowners abutting the works in accordance with Section 391(1) of the Municipal Act, 2001;

AND THAT staff be directed to include the fee in the Municipal Fee By-law in accordance with the requirements of Section 391(1) of the Municipal Act;

AND THAT staff be directed to notify all residents in a letter distributed in the mail of the imposing fee;

AND FURTHER THAT staff report back to Council with a draft by-law on the final fee being imposed once residents have been informed and had an opportunity to discuss their concerns and comments.

**Purpose:**

To present to Council the preliminary information on imposing a fee on the benefiting landowners for the Melrose Drinking Water Interconnect Project and to obtain direction on recovering the costs of such works in accordance with Section 391(1) of the Municipal Act.

## **Background:**

The Melrose Water Treatment Plant was constructed in 1990 and has a capacity of 277 m<sup>3</sup>/day, based upon the maximum allowable water supply from the two drilled municipal water wells. The water treatment plant has pre-disinfection, an aeration system and three multimedia filters for iron removal, turbidity control and colour. Secondary disinfection is added, and water is stored in an underground reservoir. Water is then pumped on demand to 65 residential units. Many components of the water plant are nearing the end of their useful life and require extensive maintenance or replacement. The raw water supply has a history of elevated sodium levels in its water supply.

The Municipality of Middlesex Centre completed a Schedule B Municipal Class Environmental Assessment (Stantec, 2017), along with several background studies and reports identified a long-term solution for the water servicing for the Wynfield Gate Community in Melrose. The long-term solution identified the interconnection to the Regional Water Supply (RWS) secondary transmission main with retrofits to the Melrose Water Plant to convert the facility to a pumping station. The conversion to a water pumping station has significant advantages in terms of the integration and regionalization of the Municipality's infrastructure assets, reduces annual operating costs, addresses water quality and quantity issues including increased available storage for supply, and mitigates regulatory related impacts and the potential for significant drinking water threats associated with the Melrose Wellhead Protection Area (WHPA).

If the existing facility was to remain in operations the existing groundwater sources would be maintained but significant upgrades to the treatment facility would be required to address lifecycle issues, regulatory changes and level or treatment upgrades required as a result of the changes. Prior to any treatment equipment upgrades, consultation with the MECP would be required to address any changes in the regulatory requirements. The following provides a general summary of the key upgrades and estimated costs without consultation with MECP or engineering to modernize the facility.

The Melrose Drinking Water Interconnect Project has been included in the budget since 2015. The project was added at first to complete an environmental assessment and then to implement the long-term solution identified in the Melrose Water Supply Schedule B Municipal Class Environmental Assessment from 2017 for the water servicing for the Wynfield Gate Community in Melrose as discussed above. The solution is to connect the Melrose system to the Komoka-Mount Brydges Water Supply System.

On July 6, 2022, Council received for information Report PWE-29-2022 Preliminary Engineering Design, Detailed Engineering Design for the Water Service Connection of the Melrose Drinking Water System which awarded the detailed engineering design work for this project to Stantec Consulting Ltd.

On January 29, 2025, Council awarded the construction of the Melrose Drinking Water Interconnect Project to Birnam Excavating Limited in the amount of \$3,292,876.27 (exclusive of HST) and the Contract Administration and site inspection services for the upgrades to the Melrose Drinking Water System was awarded to Stantec Consulting Ltd in the amount of \$ 429,115.39 (exclusive of HST).

Since 2017, staff have been applying for different grants from the provincial and federal government to assist in funding this work, however, all grant applications to date have been unsuccessful. Therefore, this project has been identified to be funded from the Water Capital Reserve Fund.

Through the design process, staff have created a [webpage](#) for the project to ensure the public is updated.

### **Analysis:**

The project is currently proposed to be funded through the Water Capital Reserve Fund. However, due to the significant cost, this would place considerable strain on the reserve and impact on the Municipality's ability to fund other critical capital projects, all while trying to keep annual rate increases low.

Given the high cost of the project and the relatively small number of properties directly benefiting from the improvements, staff are recommending the introduction of a \$10,000 per-property fee. This contribution would help offset the financial impact on the reserve fund and ensure more equitable cost-sharing for infrastructure that primarily serves a limited number of residents.

Staff are currently seeking Council's approval to implement a fee for each benefiting property.

### **Section 391(1) - Fees By-law**

Section 391(1) of the Municipal Act allows a municipality to pass a by-law to impose a fee for capital costs related to these services on a class or classes of persons that will receive a benefit from such services.

A fee by-law may provide for interest charges and other penalties for fees that are due and unpaid. Fees may be added to the tax roll and collected in the same manner as taxes. The by-law should be drafted in such a manner so that unpaid fees have priority lien status. O.Reg. 581/06 provides that fees and charges for the supply of water have priority lien status if added to the tax roll if they are unpaid and have priority lien status.

Staff recommend that an equal fee be applied to each of the existing residential lots involved, and that Council proceed with enacting a fee by-law to this effect. While the properties are already connected to municipal services, this project represents a service enhancement. As such, it is reasonable that the residents who directly benefit from the improvement contribute toward its cost.

If this approach is approved, staff will bring forward a final report to Council, including a draft of the proposed fee by-law. In addition, the Municipality will issue formal notices to affected property owners outlining the intent to levy the fee, as detailed in the by-law. These notices will include contact information for inquiries, details on the billing process, and available payment options, including the ability to add the fee to property tax bills and spread the cost over ten years through a debenture with interest (interest rate will be the Infrastructure Ontario interest rate, Rate as of April 24, 2025, is 3.22%).

### **Financial Implications:**

The proposed cost will be \$10,000/property. There are 65 properties receiving the benefit, therefore \$650,000 will be collected and transferred back into the Water Capital Reserve Fund to assist in paying for this capital project.

The project costs incurred/budgeted to date are:

- Costs to December 31, 2023 (audited) \$226,427.30
- Costs to December 31, 2024 (unaudited) \$77,663.44
- Total spent to date: \$304,090.74
- 2025 Budgeted amount: \$3,020,922
- 2026 Budgeted amount: \$730,000
- Total Costs spent/budgeted for the project to end of 2026: \$4,055,012.74

Percentage of project to be recovered from benefiting landowners – 16%

### **Strategic Plan:**

This matter aligns with following strategic priorities:

- Responsive Government – Objective 5.3 – Foster a culture of innovation, continuous improvement, and cost-effective service delivery
  - By sharing information and gathering input, continuing our timely and effective communication to the public.
- Sustainable Infrastructure and Services – Objective 4.3 – Continue with our asset management plan and apply a financial sustainability lens to all municipal assets and infrastructure
  - By communicating our approach to capital projects and communicating clearly with the public on capital spending priorities in terms of costs, benefits, funding sources and timing.

### **Attachments:**

N/A