



## The Regional Municipality of Durham

### Committee of the Whole Agenda

Council Chambers  
Regional Headquarters Building  
605 Rossland Road East, Whitby

**Wednesday, January 13, 2021**

**9:30 AM**

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Please note: In an effort to help mitigate the spread of COVID-19, and to generally comply with the directions from the Government of Ontario, it is requested in the strongest terms that Members participate in the meeting electronically. Regional Headquarters is closed to the public, all members of the public may [view the Committee meeting](#) via live streaming, instead of attending the meeting in person. If you wish to register as a delegate regarding an agenda item, you may register in advance of the meeting by noon on the day prior to the meeting by emailing [delegations@durham.ca](mailto:delegations@durham.ca) and will be provided with the details to delegate electronically.

**1. Roll Call**

**2. Declarations of Interest**

**3. Statutory Public Meetings**

There are no statutory public meetings

**4. Delegations**

4.1 Stephen Lund, CEO, and Daniel Hengeveld, Vice-President of Investment Attraction, Toronto Global, re: Toronto Global Annual Update (2021-COW-1) [Item 7. A]

**5. Presentations**

5.1 Dr. R.J. Kyle, Commissioner and Medical Officer of Health, re: Verbal Update on COVID-19

5.2 Riaz Razvi, Broadband Specialist, re: Regional Broadband Network, Applications for Provincial and Federal Funding (2021-COW-2) [Item 7. B]

**6. Correspondence**

**7. Reports**

- A) Toronto Global Update and Annual Report 2019/2020  
(2021-COW-1) 3 - 11
- B) Regional Broadband Network, Applications for Provincial and  
Federal Funding (2021-COW-2) 12 - 26

**8. Confidential Matters**

There are no confidential matters to be considered

**9. Other Business**

**10. Adjournment**

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# The Regional Municipality of Durham Report

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To: Committee of the Whole  
From: Commissioner of Planning and Economic Development  
Report: #2021-COW-1  
Date: January 13, 2021

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**Subject:**

Toronto Global Update and Annual Report 2019/2020

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**Recommendation:**

That the Committee of the Whole recommends to Regional Council:

That this report be received for information.

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**Report:**

**1. Purpose**

1.1 The purposes of this report are to:

- a. Advise that representatives from Toronto Global will be attending as a delegation at the January 13, 2021 Committee of the Whole meeting to provide an update on their investment attraction efforts. The delegation will include an introduction to Toronto Global's new CEO, Stephen Lund, who joined the organization in September 2020;
- b. Provide an update on the progress of Toronto Global toward securing investment in Durham and on recent activities undertaken on behalf of, and specific to, Durham Region, and advise Committee that \$214,735 for Durham Region's membership with Toronto Global will be included in the recommended 2021 Business Plan and Budget for Council's consideration; and

- c. Provide a copy of Toronto Global's Annual Report for 2019/2020, which is the first fully digital report. To [view the report electronically](https://2019ar.torontoglobal.ca/), visit the following website: <https://2019ar.torontoglobal.ca/> . Given that Toronto Global's fiscal year is from April 1<sup>st</sup> to March 31<sup>st</sup>, this Annual Report essentially captures its activities "pre-pandemic".

## **2. Background**

- 2.1 Toronto Global is a pan-regional investment attraction organization representing its funding members Halton, Mississauga, Brampton, Toronto, York and Durham (collectively, the "Toronto Region"). Toronto Global's mandate is to attract foreign direct investment ("FDI") to the Toronto region through the following key activities: internationally marketing the Toronto Region value proposition; conducting research and analytics to set effective strategy; and providing business services to prospective investors to assist them in establishing a physical presence and creating jobs.
- 2.2 Toronto Global is funded by its municipal members proportionally by population and receives matching core funding as well as program funding from the Provincial and Federal governments.
- 2.3 The initial funding term from the Federal Government, Province and municipal funding partners was three years, from April 2016 to March 2019. Regional Council approved renewal of the funding agreement for an additional three years, for the term of April 1, 2019 to March 31, 2022. We are currently entering the third year of this three-year funding agreement.
- 2.4 Toronto Global has a mandate to achieve geographic distribution of investments throughout the Toronto Region, particularly to ensure distribution of job creation in the '905 area code' municipal funding member geographies. To date, this has remained a challenge.
- 2.5 COVID-19 has had a significant impact on Foreign Direct Investment (FDI) attraction activities since March of 2020. The inability to travel and the overall global macro-economic conditions have delayed many expansion decisions. It is expected that FDI investments for 2020 will be lower across Canada.

## **3. Previous Reports and Decisions**

- 3.1 Report #2019-EDT-3; Toronto Global Effectiveness Evaluation and Funding Renewal.

3.2 Report #2019-EDT-18; Toronto Global Annual Report 2018/2019.

#### **4. Toronto Global Results**

4.1 By its membership in Toronto Global, Durham Region has the opportunity to benefit in three direct ways:

- a. Attracting new investments to Durham;
- b. Marketing and investment promotion; and
- c. Research, analytics, and business support.

4.2 Indirectly, Durham benefits from successful investments in neighbouring regions by way of increased employment opportunities for Durham residents, and in some cases a strengthening of the competitiveness of Durham's clusters and overall value proposition. As COVID-19 has increased the amount of remote work, the impact of the physical location of offices for FDI projects, particularly knowledge workers, is uncertain.

4.3 Durham Region also benefits from 'being at the table' with Economic Development staff from across the Toronto Region. As a result of our engagement, Durham Region has been invited to participate in pan-regional strategic projects, such as joining the Steering Committee on an Autonomous Vehicle Development project in partnership with the City of Toronto and MaRS.

#### **Investment Attraction Results**

4.4 Toronto Global's Annual Report highlights a total of 49 new investments in the Toronto Region in 2019/2020 representing 2,441 jobs expected to be created within the first three years of operation. This level of activity represents a 48% increase in investments compared to 2018/2019.

4.5 The annual report identifies one investment for Durham Region (Servify, located at 1855 Whitby), which resulted in two jobs, and which is expected to grow to 20 by the third year. A second business (not yet reported) has also landed 'virtually' at 1855 Whitby, and it is anticipated that once travel restrictions are eased, this company will establish a physical presence at 1855 Whitby.

4.6 The total value of investments for this past fiscal year, measured by capital expenditure (CapEx) over the first three years of operation, was reported to be \$482 million.

- 4.7 For these new investments, the majority of projects (82%) were sourced from U.S. and European markets (43% U.S. and 39% European). Source industry sectors represented were:
- Technology (51%);
  - Business and Industrial Services (23%);
  - Food and Beverage (4%); and
  - Other (22%).
- 4.8 By 2019/2020 fiscal year-end, Toronto Global had been successful in attracting 109 investment projects, resulting in 5,939 direct jobs and \$977.8 million total CapEx. So far this fiscal year, there have been an additional 13 investment projects. A breakdown is provided below:
- 2017/2018 – 27 investment projects, 1,199 jobs and \$194.8M in CapEx;
  - 2018/2019 – 22 investment projects, 2,299 jobs and \$300.2M in CapEx;
  - 2019/2020 – 49 investment projects, 2,441 jobs and \$482.8M in CapEx; and
  - 2020/2021 (Current Fiscal Year-to-Date) – 13 investment projects, 558 jobs and \$115M in CapEx.
- 4.9 Table 1 below shows total Toronto Global investments projects from inception (February 2017) to-date, including current fiscal year investments, by funding member geography. Reported job creation values reflect the projected number of employees after three years of operation.

**Table 1: Investments To-Date by Funding Member Geography**

Funding Member	Jobs	# of Investments
City of Toronto	4,502	104
City of Brampton	30	1
Durham Region	20	1
Halton Region	28	3
City of Mississauga	1,897	11
York Region	20	2
Total	6,497	122

## Marketing Results

- 4.10 The Toronto Region represents the 5<sup>th</sup> largest Tech Hub in North America, with more than 25,000 STEM (Science, Technology, Engineering & Math) graduates each year and a sector that employs 290,000 people. This year, in advance of the Collision Conference, Toronto Global released a Tech Talent campaign and

microsite featuring [profiles of each of the funding municipalities](https://torontoglobal.ca/our-industries/technology/tech-in-durham):  
<https://torontoglobal.ca/our-industries/technology/tech-in-durham>.

- 4.11 Durham Region also benefits from (and is part of) the marketing reach of Toronto Global through the brand recognition of the Toronto Region globally, and social media presence of Toronto Global (LinkedIn 5,345 followers and Twitter 6,024 followers). Toronto Global actively reshapes posts from Invest Durham's social media channels and newsletters, amplifying our key messaging to international audiences which would be difficult for Durham to reach independently.
- 4.12 This year, through participation with Toronto Global, Durham Region had the opportunity to present at the World AI Summit alongside Ontario Tech University and a local technology startup, SmartARM. At this online conference, Durham Region was able to highlight the growing tech sector and the Research, Development and Commercialization opportunities available.

### **Research and Support Results**

- 4.13 Durham benefits from Toronto Global's research and analytics resources, by gaining access to market intelligence and studies that would not otherwise be available, including:
- a. An Advanced Manufacturing Study;
  - b. Access to databases such as Pitchbook and Dun & Bradstreet; and
  - c. Research support through their staff.
- 4.14 Toronto Global has also been able to support the Region by enabling access to research in support of the current Energy, Environment and Engineering sector initiatives being undertaken by Regional staff. On this project, Toronto Global has leveraged data to provide research on existing businesses in Durham Region (revenue, ownership structures), using databases to which Regional staff does not have free access. Additionally, for this sector work, Toronto Global is providing research support on building a talent profile with the intention to jointly develop a value proposition and compile a target list of investment prospects specific to this sector.
- 4.15 Durham Region staff have also been able to tap into the knowledge and capability of Toronto Global to support and provide service to a Foreign Direct Investment Lead sourced directly by the Durham Economic Development & Tourism Division. For this proposed project, Toronto Global was able to support regional staff in developing a comprehensive and specific business case and also offer access to

supporting business infrastructure information covering the broader Toronto Region (immigration support, legal support, administrative support) that Durham Economic staff would have needed assistance to develop in the absence of the Toronto Global partnership.

## **5. 2020 Toronto Global Business Plan Update**

- 5.1 Recently, the Economic Development Directors of all 905-area municipal funding members co-operatively developed and delivered a joint submission to Toronto Global detailing their feedback and recommendations regarding the proposed Toronto Global Business Plan. Among the recommendations was to establish a firm target ratio of 50/50 for investment projects in the 416 and 905 geographies respectively, and that geographic distribution of investments across all funding members should be a priority. The applicable section of the Business Plan remains unchanged as follows: “We will maintain our focus on working toward a more equitable distribution of investments throughout the entire region, moving toward a notional target of a 75/25 split in investments for the 416/905 areas over the course of five years.”
- 5.2 Toronto Global has however amended its Business Plan to improve service delivery for 905-area geographies, as follows:
- a. Capturing core areas of investment readiness for each municipality, building a plan that identifies key success factors to attract long-term employment opportunities;
  - b. Launching ‘Targeted Regional Campaigns’, whereby Toronto Global works directly with 905-area municipal staff to run targeted prospecting initiatives based on local assets and strengths (a targeted Clean Energy Sector campaign is planned for Durham);
  - c. Targeting investment opportunities in sectors with higher economic multipliers, particularly advanced manufacturing;
  - d. Working closely with 905-area municipal staff to identify gaps and opportunities in local supply chains, targeting international firms that can fill these gaps;
  - e. Ensuring regular updates on projects which are expected to locate in 905-areas, and ensuring continuing communication with these partners to determine where Toronto Global teams can add the most value; and
  - f. Continued improvement of the 905-area value propositions and business case content by the Research & Insights team, developing asset maps that



highlight the strengths in critical sectors such as AI, advanced manufacturing, life sciences and financial services.

- 5.3 Durham and other 905 municipal funders are dissatisfied with aspects of the current business plan, which does not adequately prioritize achieving equitable distribution of investments between Toronto and the rest of the Toronto Region. Based on performance to-date, and on the current Business Plan and Toronto Global's strategic priorities, staff do not anticipate a material increase in the level of inbound investment or job creation in Durham directly from Toronto Global in the near term. If Toronto Global were to adopt the recent recommendations by 905-area funding members, better geographic distribution could be expected.
- 5.4 Notwithstanding the lack of tangible new jobs, staff believe that the Region continues to receive value for its annual membership fee. The services delivered by Toronto Global in the areas of global marketing and investment promotion, as well as research, analytics, and business support infrastructure, offer value for our investment satisfactory to warrant continued membership. Furthermore, it remains important to 'be at the table' when Toronto Region is being promoted for international investment, and continue to lever our investment for matching contributions from both the Provincial and Federal governments.
- 5.5 Discussions and negotiation for the renewal of the funding agreement will occur in mid to late 2021. Prior to these discussions, staff will undertake an options analysis with respect to continued support of a partnership with Toronto Global. At a minimum, staff will be requiring that the recommendations recently delivered by Durham and other 905-area funding members be satisfactorily addressed prior to any recommendation to Committee and Council that the funding agreement be renewed.

## **6. Financial Implications**

- 6.1 \$214,735 for Durham Region's membership with Toronto Global will be included in the recommended 2021 Business Plan and Budget for consideration by Council. This will represent Durham's membership fees for the period of April 1, 2021 – March 31, 2022, being the third and final year of the current funding agreement.
- 6.2 The funding agreement provides a right of termination requiring an 8-month notice period. Durham Region may terminate its membership prior to the end of the term of this current funding agreement, but remains obligated to fulfil any outstanding financial commitments during this notice period.

## **7. Relationship to Strategic Plan**

7.1 This report aligns with/addresses the following strategic goals and priorities in the Durham region Strategic Plan:

- (3.1) Position Durham Region as the location of choice for business;
- (3.2) Leverage Durham's prime geography, social infrastructure and strong partnerships to foster economic growth; and
- (3.4) Capitalize on Durham's strengths in key economic sectors to attract high-quality jobs.

## **8. Conclusion**

8.1 By 2019/2020 fiscal year-end, Toronto Global had been successful in attracting 109 investment projects, resulting in 5,939 direct jobs and \$977.8M total CapEx since incorporation. Toronto Global has secured one successful investment in Durham, and one additional virtual investment in Durham which has not yet been reported.

8.2 Durham continues to receive benefits and value from membership in Toronto Global in a number of direct and indirect ways. Toronto Global's marketing and investment promotion, as well as research, analytics, and business support, offer value for our investment and warrant continued membership.

8.3 Durham Region and Toronto Global staff work collaboratively and effectively, and Toronto Global staff are enthusiastic about supporting Durham Region. However, despite success in collaboration and value from marketing, research, analytics, and other support, Regional staff are not optimistic that Durham Region will see a material increase in the level of successful investments and job creation directly from Toronto Global in 2021. Nonetheless, it remains important to be at the table where the Toronto Region is being promoted for international investment, and continue to leverage our investment for matching contributions from both the Provincial and Federal governments.

8.4 In 2021, staff will undertake an options analysis to evaluate continued support of a partnership with Toronto Global, and report back to Committee and Council with respect to the potential renewal of the funding agreement for a subsequent three-year term.

**9. Attachments**

[Digital Attachment #1](https://2019ar.torontoglobal.ca/): <https://2019ar.torontoglobal.ca/> (Available on-line only)

Respectfully submitted,

Original signed by

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Brian Bridgeman, MCIP, RPP  
Commissioner of Planning and  
Economic Development

Recommended for Presentation to Committee

Original signed by

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Elaine C. Baxter-Trahair  
Chief Administrative Officer

If this information is required in an accessible format, please contact 1-800-372-1102 ext. 2564



# The Regional Municipality of Durham Report

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To: Committee of the Whole  
From: Commissioner of Planning and Economic Development, and  
Commissioner of Works  
Report: #2021-COW-2  
Date: January 13, 2021

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**Subject:**

Regional Broadband Network, Applications for Provincial and Federal Funding

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**Recommendation:**

That the Committee of the Whole recommends to Regional Council:

- A) That staff be directed to take the necessary steps to finalize and submit the Region's final application for broadband funding under the Province's Improving Connectivity for Ontario (ICON) program;
- B) That staff be directed to take the necessary steps to submit an application for broadband funding under the Federal Government's Universal Broadband Fund (UBF) program, and to the extent possible given eligibility criteria, seek stacked funding for a proposed project scope detailed in the ICON application;
- C) That the Director of Legal Services be directed to examine the implications of creating a Municipal Services Corporation for Durham Region with a mandate of addressing the digital divide in Durham Region through the delivery of a ubiquitous, affordable and inclusive broadband network, supported by the procurement of professional legal, debenture, tax and financial advisory services at a value not to exceed \$175,000; and that 2021 prebudget approval for the \$175,000 be granted, and report back prior to the 2021 summer Council recess;

- D) That the Chief Administrative Officer be authorized to enter into a Definitive Agreement between the Region and its broadband funding co-applicant Oshawa Power & Utilities Corporation (OPUC), to proceed with the proposed Regional Broadband Network projects identified in the ICON and UBF applications, subject to government funding being received and subject to Regional Council committing the necessary funds to proceed with the project(s);
- E) That the Regional Chair be authorized to share a summary of the submitted applications in a letter to the Federal and Provincial Governments highlighting the importance of broadband connectivity within Durham's unserved and underserved communities and advocating for program funding to ensure project advancement;
- F) That a copy of this report be provided to the Area Municipalities and all of Durham Region's MPPs and MPs; and
- G) That staff be directed to report back to Council once the broadband funding applications have been approved together with recommendations to approve the project along with the financial contributions required of the Region and OPUC to advance the Regional Broadband Network.
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## **Report:**

### **1. Purpose**

#### 1.1 The purposes of this report are to:

- a. Provide details about the proposed network design developed for the Region's Improving Connectivity for Ontario (ICON) application;
- b. Seek Council endorsement to submit the final ICON application;
- c. Provide background information on the Federal Government's recently announced Universal Broadband Fund (UBF) program;
- d. Seek Council endorsement to develop and submit an application for broadband funding under the UBF program.
- e. Obtain Council endorsement to explore the establishment of a Municipal Services Corporation (MSC) for Durham Region.

#### 1.2 The terms and acronyms noted below are used throughout this report. A staff presentation will be provided at the January 13<sup>th</sup> COW meeting to further explain broadband concepts and terminology.

- a. Backbone – A high-speed and high-capacity broadband network infrastructure that interconnects different networks enabling information exchange between them. It is analogous to a expressway that connects communities together and provides high-speed transport between them.
- b. Broadband- the high-speed data transmission capable of carrying multiple data streams simultaneously. Broadband access can be delivered over many types of technologies e.g. - Fibre optics, cable, DSL, wireless, and satellite.
- c. Definitive Agreement – The agreement that will be needed between the Region and OPUC to define the terms and conditions through which the project will be undertaken and completed.
- d. Digital divide – refers to the technology gap that results in more urbanized areas having better broadband service (e.g. more reliable, faster, less expensive) than the less densely populated rural areas. In Durham Region, the digital divide is also evident in some urban areas with ageing telecommunications infrastructure that is incapable of delivering highspeed access for residents. The goal is to eliminate the digital divide so that the quality of service meets a minimum modern standard throughout the Region.
- e. EORN – Eastern Ontario Regional Network.
- f. Fibre optic cable – commonly known as ‘fibre’ this is a broadband infrastructure consisting of many individual fibre optic strands that use light to transmit data at very high speeds.
- g. ICIP – Investing in Canada Infrastructure Program. A Federal funding program, administered by the Province, and the funding program through which the Pickering to Uxbridge Broadband Trunk Fibre project is proceeding.
- h. ICON – Improving Connectivity for Ontario Program, a Provincial funding program.
- i. ISED – Innovation Science and Economic Development Canada.
- j. ISP – Internet Service Provider, a company that provides subscribers with access to the Internet.
- k. Last mile – Analogous to local roads this part of the broadband network infrastructure provides access to properties.
- l. Mbps – Megabits per second. It is a unit that represents the rate of data transmission, or how quickly you can download from the internet.
- m. Middle-mile – Analogous to arterial roads this part of the broadband network infrastructure connects the backbone to communities and ultimately to the last-mile network.
- n. MOI – Provincial Ministry of Infrastructure, the Ministry that is administering the ICON funding program.

- o. MUSH Sector – refers to municipalities, universities, school boards and hospitals which are typically the main anchors of a broadband network.
- p. Municipal Services Corporation – A corporation whose shares are owned by a municipality or, a municipality and one or more other public sector entities. An MSC can only provide a system, service or thing that the municipality could provide.
- q. Open Access Network – A network architecture that separates the physical network from the delivery of services. It enables multiple service providers to deliver services over the same physical network infrastructure.
- r. POP – Point of Presence. A facility that houses network components and acts as a demarcation point that connects the last-mile network to the service provider’s network.
- s. SWIFT – Southwestern Integrated Fibre Technology.
- t. UBF – Universal Broadband Fund, a Federal funding program.

## 2. Background

- 2.1 The Region’s [Broadband Strategy](#) approved by Council in 2019 outlines several actions to support broadband deployment, particularly in rural and underserved areas. The Strategy outlines the need for a feasibility study and business case analysis for a corporate municipal broadband network. It also highlights the need to pursue broadband funding programs offered by other levels of government.
- 2.2 In 2020, the Province announced an investment of \$150 million over a four-year period through the ICON program. The funding envelope was subsequently increased to \$300 million.
- 2.3 On August 21, 2020 the Region submitted a joint application with two project partners to Stage 1 of the ICON funding program.
- 2.4 On September 25, 2020, the Region received notice that the Stage 1 application was deemed to be eligible based on the proposed design, and the Region was invited to submit a Stage 2 application.
- 2.5 Following the invitation to submit a Stage 2 application, information was provided by the Province indicating that:
  - a. A last-mile component in addition to the backbone would be required to be eligible for grant funding; and
  - b. The geographic areas eligible for funding are specific to those outlined in the Service Availability Map published by ISED.

- 2.6 Based on feedback from the Province on ICON project eligibility, IBI Group was engaged to undertake a business case analysis of last-mile broadband connectivity for the purposes of submitting a revised project design for the Stage 2 ICON application.

### **3. Previous Reports and Decisions**

- 3.1 #2019-P-3 - Connecting Our Communities; A Broadband Strategy for the Region of Durham
- 3.2 #2020-INFO-5 - Durham Region Broadband Program Update
- 3.3 #2020-EDT-6 - Regional Broadband Network Business Case Development and Endorsement of Grant Funding Application
- 3.4 #2020-INFO-91 - Durham Region Broadband Program Update – Improving Connectivity for Ontario (ICON) Program, Stage 1 Application Status
- 3.5 #2020-COW-29 - Durham Broadband Stage Two Funding Application for the Provincial Improving Connectivity for Ontario (ICON) Program
- 3.6 #2020-EDT-11 – Pickering Uxbridge Broadband Trunk Fibre Project

### **4. Regional Broadband Network**

#### **Regional Broadband Network: Conceptual Design**

- 4.1 The vision of the Regional Broadband Network is premised on a high-speed fibre optic backbone installed along Regional roads connecting hamlets and rural communities. In these communities, Point of Presence (POP) facilities will be established where the fibre optic cable will terminate.
- 4.2 Built as an Open Access Network, Internet Service Providers (ISPs) will be given the opportunity to lease access to the backbone and rent space in these POP facilities to install their equipment that would provide last-mile services to the residents and businesses in that community.
- 4.3 Serving as a municipal network, the Regional Broadband Network has been designed to connect anchor tenants in the MUSH sector across Durham.
- 4.4 Ultimately the Regional Broadband Network will span 700 kilometres of backbone and will enable all of Durham’s hamlets to be connected.



## **5. Broadband Funding Sources**

- 5.1 Building and maintaining broadband infrastructure requires significant and ongoing investment in order to eliminate the digital divide to bring reliable, high-speed and affordable internet service to unserved and underserved areas in our communities.
- 5.2 Several actions in the Durham Regional Broadband Strategy (Action 4 and Action 9) relate to supporting funding applications and advocating to senior levels of government for support to bring services to Durham's areas of need.
- 5.3 COVID-19 has created an increased urgency to address the Region's digital divide. Specific broadband funding programs such as the provincial ICON program and the federal UBF are two examples of funding options available to communities in need of broadband infrastructure. It is expected that these funding programs will be oversubscribed, meaning there will be more applications submitted than funding available; hence, some applications will be successful, and some won't.
- 5.4 To move forward in addressing the need for broadband in Durham Region, staff will continue to assess all available funding options including:
  - a. Special purpose broadband funding programs such as ICON and UBF;
  - b. General purpose infrastructure funding envelopes. Opportunities for broadband under general purpose infrastructure funding envelopes are becoming increasingly eligible and tailored and cooperative solutions have been effective in other jurisdictions (e.g. SWIFT and EORN).
  - c. Regionally financed;
  - d. Private sector co-investment with in-kind and/or capital.
- 5.5 Continuing to build upon the technical design and business case for broadband will enable the Region to assess other options as they become available.

## **6. ICON Application Stage 2 Submission**

- 6.1 The ICON program is a discretionary, application-based program. For funding to be awarded, applications must meet a minimum scoring threshold to be considered as technically, economically and financially viable for ICON funding. The guidelines note that there is no guarantee that funding will be awarded even if the minimum thresholds are met.
- 6.2 The Stage 1 Program Submission for ICON required information regarding the proposed program's background, objectives, eligibility and mandatory requirements

for participation. The ICON Stage 2 Program Submission requires detailed information about the proposed programs design and cost.

- 6.3 The ICON program may contribute up to a maximum of 25 per cent of total eligible project costs. The Ministry may determine that a project should be approved but at a funding level lower than the amount requested in the application.
- 6.4 The goal of the ICON program is for projects to proceed in a timely manner and applicants are expected to reach project completion no later than March 31, 2024. The evaluation criteria are based on value-for-money and seek to achieve the objective of Ontario's Action Plan commitment of connecting 220,000 households and businesses.

### **ICON Program: Regional Broadband Network Project Eligible Costs**

- 6.5 The ICON Program assesses a project's eligibility for funding in terms of direct costs which can include labour, materials and equipment, as examples. The Region's application includes these costs in its budget as these will directly impact the project's implementation.
- 6.6 The list of costs ineligible for ICON funding is extensive and can be categorized as costs associated with the operation of the network. For example, ineligible broadband network related costs associated with leases which house equipment, insurance, facility repairs or maintenance, office space rental and contingencies all fall into this category.

### **ICON Application: Project Description**

- 6.7 Following the Stage 1 application, staff received feedback from the MOI outlining recommended changes to the conceptual design in order to increase the likelihood that the project will be eligible for funding under the ICON program. It was noted that the design should include a last-mile component to increase the likelihood for success.
- 6.8 Based on the feedback received from the Ministry of Infrastructure (MOI), Regional staff had to revise the conceptual design of the application to align to the recommendations.
- 6.9 The revised scope of the Stage 2 application includes approximately 210 kilometres of backbone infrastructure and 194 kilometres of middle and last mile network to connect customers in the communities identified. Based on our analysis of the

revised scope, the project will reach approximately 3,663 households, 624 businesses which includes 76 farms, and an additional 6 anchor tenants.

- 6.10 Working with OPUC the revised scope seeks to leverage existing backbone assets from both the Region's traffic network and OPUC's fibre network to reach end-customers through both the expansion of our broadband network and making last mile connections.
- 6.11 The Stage 2 proposal notes that the Region will seek further funding from the federal government representing 50 per cent of the project costs, through the recently announced UBF.

## **7. Federal Grant Application: Universal Broadband Fund (UBF)**

- 7.1 On November 9, 2020 the federal government launched the UBF which will help bring high-speed internet to underserved rural and remote households. This fund is intended to help bridge the digital divide and achieve the objectives outlined in Canada's Connectivity Strategy.
- 7.2 The UBF is a \$1.75 billion fund and applicants can request up to 75 per cent of the total eligible costs of a project. The application guidelines note that funding should be requested based on the minimum level of program support required to ensure that a project proceeds within the proposed time and scope. It is also expected that the applicants contribute to the project cost.
- 7.3 The completion deadline for projects under the UBF is March 31, 2026. As with the ICON application, projects screened as eligible are not necessarily guaranteed funding.
- 7.4 Projects that are eligible for the UBF align closely to those included in the ICON program. To be eligible, projects must:
- a. Cover areas that do not already have 50/10 Mbps service according to the National Broadband Internet Service Availability Map
  - b. Deliver minimum speeds of 50/10Mbps; and
  - c. Provide open access to POPs that are components of the project.
- 7.5 Both the ICON and UBF funding opportunities allow for stacked funding meaning that a single broadband project can receive funds from multiple sources. Completed UBF applications are due February 15, 2021.

## 8. Municipal Service Corporation

- 8.1 The Regional Broadband Network represents a fundamentally new approach and service that the region has not previously undertaken. To effectively mitigate the risk of entering into broadband as a new service, there is a need to have the appropriate expertise from the private sector when it comes to building and operating the network.
- 8.2 An MSC is a corporation whose shares are owned by a municipality or, a municipality and one or more other public sector entities. An MSC can only provide a system, service or thing that the municipality could provide. An MSC provides:
- a. Professional governance and management through skills-based boards of directors whose terms extend beyond the four-year term of elected officials;
  - b. Potential reduced debt financing requirements by allowing the municipality to bear responsibility for only a portion of the MSC capital investment; and
  - c. A potential vehicle for shared-service arrangements with other municipalities, governments, or third-party entities.
- 8.3 The benefits of establishing an MSC include the protection of limited liability for the Region. It also enables the Regional Broadband Network and related projects to be governed by a board of directors including private sector industry experts. This is important given that the Region is new to broadband which is an industry with established and competitive organizations. An MSC would also allow private sector expertise to be introduced for management and operation of the Regional Broadband Network. The Municipal Act, 2001 allows for the Region of Durham to incorporate an MSC. The MSC is a separate legal entity from its owners (the shareholders in this case would be the Region). The board of directors of the MSC will be appointed by the Region. In order to provide effective leadership to develop and maintain the broadband network, the board would best be comprised mostly of industry experts, and would be complemented with a few Regional Councillors who can offer local insights.
- 8.4 The proposed mandate of the MSC would be informed by the guiding principles that have been developed for the Regional Broadband Network and will focus on delivering on the following key priorities:
- a. Addressing the digital divide in Durham Region through the delivery of a broadband network that is ubiquitous, affordable and inclusive for Durham Region residents;

- b. Providing open access to the network to drive economic and social benefits to residents, businesses and public sector customers;
  - c. Leveraging broadband as a regional asset to improve the delivery of Regional services through working in collaboration with municipalities, post-secondary institutions, schools, hospitals and the private sector.
- 8.5 The Municipal Act imposes a prescribed regime for establishing an MSC. Among other things, a business case for the MSC must be developed, public consultations must be held, an asset transfer policy must be adopted if applicable, and strict compliance with complex rules and regulations must be adhered to.
- 8.6 Establishing an MSC would require a significant amount of effort and expertise to create and comply, with and would have to be in place before any grant money was received through the ICON or UBF programs. As such, external legal counsel will need to be retained to guide the Region through this process. The recommended amount for retaining external legal counsel to give initial advice on various aspects of corporate structure, governance, debenture, tax and finance is \$175,000.
- 8.7 Once established, the MSC could then create a business relationship with its private sector partners through arrangements such as contractual co-ownership of project assets. A contractual co-ownership would treat each party as independent legal entities, while contractually obligating each other to proceed with the co-ownership and/or co-development of projects undertaken to enable the Regional Broadband Network. The revenue that becomes available from licencing fees paid by internet service providers and anchor tenants for access to the network will be shared by the Region and its private sector partners in a manner to be determined.
- 8.8 An MSC enables the flexibility to bring in the appropriate type of private sector expertise at the right time. Initially the Regional Broadband Network will require the expertise that is needed for early-stage work of overseeing project management, design, and construction transitioning to needed oversight of the technical operations of this new business line.
- 8.9 An MSC will need to be in place in order to operationalize the Pickering-Uxbridge Broadband Trunk Fibre project which must be completed before the end of 2021.

## **9. Financial Implications**

- 9.1 At the time of writing this report (late December 2020), the current business case for the ICON application is still at the initial design stage and subject to change as detailed design is advanced. Based on an analysis of the up-front capital

requirements of the initial design stage (best case, base case, worst case), the total estimated project cost ranges from approximately \$35 million to \$50 million.

- 9.2 Based on the costs eligible for the ICON grant, the current business case analysis indicates that approximately 85 to 87 per cent of the project costs for the Regional Broadband Network will be eligible for grant funding. Ineligible costs include capital costs such as Customer Premise Equipment and leasing of land to establish POPs and would need to be borne by the Region and/or OPUC.
- 9.3 The ICON application requires a financial contribution from the Region and OPUC, if the application is successful.
- 9.4 The Region's application requests that 25 per cent of eligible costs will come from ICON and that 50 per cent of the eligible costs will come through stacking grant funding with the UBF. The remaining financial contributions towards project costs, which include all ineligible projects costs and the remaining 25 per cent of eligible costs, would need to be borne by the Region and OPUC.
- 9.5 Based on the total estimated upfront capital costs of the preliminary design at the time of this report, and assuming that the Region receives senior government funding under both the Provincial (ICON) program (25% of total eligible costs) and the Federal (UBF) program (50% of total eligible costs), the estimated financial contribution to be cost shared between the Region and OPUC will range between \$13 million and \$18 million. The sharing of the operating expenditures, including debt repayment obligations, and revenues of the MSC will be determined through ongoing negotiations.
- 9.6 The financial contribution of the Region and OPUC are subject to continued negotiation.
- 9.7 The levels of funding and proposed contributions from Region and OPUC remains subject to confidential negotiation, which is a permitted option under the Stage 2 ICON program guidelines. The Region may participate in cost-sharing of ongoing operating costs as well as cash flow requirements depending on the outcome of the negotiations and the timing of the anticipated revenue streams from subscribers. Staff will report to Council with the proposed Regional financing based on the proposed project contributions, once negotiations have been completed.
- 9.8 It is recommended that the Region of Durham send a letter to the Federal and Provincial Governments highlighting the importance of broadband connectivity

within Durham's unserved and underserved communities and requesting a significant funding contribution to ensure project advancement.

## **10. Risk and Mitigation**

- 10.1 The risks to a project of this scale fall into three areas: funding risks related to both the Provincial and Federal levels and financial assumptions; construction risks related to the project schedule and costs; and business and market risks related to entering into services in the broadband industry.
- 10.2 Risk assessment is based on high level analysis and will be refined as detailed information on project size and scope, proposed method of service delivery, and analysis of partnerships and project corporate structure and ownership becomes available. There are also other business risks including assets having a reduced life span, and loss of revenue due to private sector competition and industry related risks.
- 10.3 Due to the extensive competition for broadband funding, there is a risk that the Region will not be successful in being awarded grant funding through the ICON Program. To mitigate this risk, necessary scope revisions and decisions on funding commitments will be revisited with Council once the grant outcomes are known. Staff also continue to advocate to senior levels of government about the importance of closing the digital divide for Durham communities.
- 10.4 The current financial model is based on an initial conceptual design. As is typical with infrastructure projects that have not been undertaken before, the confidence level increases as the project moves from conceptual design to detailed design. Accordingly, there is a risk that the project costs may increase as detailed designs are undertaken. To mitigate this risk, staff have engaged professional services providers to provide advice and market information to build a robust financial model. The expertise of these consultants will continue to enable staff to update the financial model as the detailed design is completed.
- 10.5 ICON's eligibility requirements note that projects eligible for funding must reach project completion by March 31, 2024. Through COVID 19 infrastructure responses, it is possible that there will be a high volume of broadband construction occurring around Ontario and in Canada over the next 3 years. This increase in demand may impact the availability of material and/or resources and have an adverse impact on the project schedule and/or impact the estimated project cost. To mitigate this risk, the Region is seeking external expertise and advisory services for professional

advice in terms of financing and design. This advice will combine with expertise from the proposed MSC structure.

10.6 The Regional Broadband Network build-out responds to a gap in internet service availability mainly in the region's rural areas and effectively places the Region in a new role as a service provider for households and businesses which do not have adequate internet speeds in today's environment. There is the risk that as the Region occupies a place in the broadband market, which is better suited to private ISPs, it may be viewed as competitive threat by private ISPs. To mitigate this risk, a Municipal Service Corporation should be set up to bring in the private sector expertise required to manage the commercial and operational risks posed by entering into Broadband. The creation of an MSC gives rise to governance issues, and complex arrangements with respect to how the board is empowered, and rights and obligations between the board and the shareholders. Although the MSC is owned by the municipality, which appoints the board of directors, the MSC is a separate entity from the municipality, with potentially separate interests. Elected municipal officials and staff cannot control the MSC directly. Recommendations will be brought forward to Council for its consideration regarding the governance of the MSC and the composition of the proposed board, balancing private sector expertise and local insights from Regional Councillors.

## 11. Relationship to Strategic Plan

11.1 This report aligns with/addresses the following strategic goals and priorities in the Durham Region Strategic Plan:

- a. Equitable access to reliable and affordable internet connectivity, impacts many of the regional objectives and priorities that are laid out in the Durham Region Strategic Plan. Specifically:
  - Environmental Sustainability:
    - (a) Section 1.5 Expand sustainable and active transportation...through focusing on innovative, *connected*, sustainable and competitive mobility services.
  - Community Vitality:
    - (a) Section 2.1 Revitalize existing neighbourhoods and build complete communities that are walkable, *well-connected*, and have a mix of attainable housing.
    - (b) Section 2.3 Influence the social determinants of health to improve outcomes for vulnerable populations...providing a range of programs,



services and supports to address the specific needs of vulnerable populations.

- Economic Prosperity:
  - (a) Section 3.3 Enhance communication and transportation networks to better connect people and move goods more effectively...supporting a full-service broadband network across the region.
  - (b) Section 3.5 Provide a supportive environment for agriculture and agri-food business...that fosters continued growth in the sector and balances diversification, technological innovation, labour force development and environmental sustainability.
- Service Excellence:
  - (a) Section 5.2 Collaborate for a seamless service experience.... available through multiple channels.
  - (b) Section 5.4 Drive organizational success through innovation, a skilled workforce, and modernized services.

## 12. Conclusion

12.1 The ICON and UBF funding programs represent an opportunity to move forward with Regional Council's priority to improve broadband infrastructure in Durham Region, to connect unserved and underserved areas.

12.2 The proposed project for the ICON Program will enable connectivity to approximately 3,660 households, 624 businesses which includes 76 farms, and an additional 6 anchor tenants. By stacking funding programs, there is an opportunity to leverage funding from senior levels of government for up to 75 per cent of eligible projects costs.

12.3 There is a need to have appropriate expertise from the private sector when it comes to the project management required to build the Regional Broadband Network and for subsequent options. It is recommended that staff be directed to explore the formation of an MSC and report back to Council with more detail about the options and associated implications of an MSC.

12.4 Following the submission of the ICON and UBF applications, staff will develop and assess options of how to pursue the Regional Broadband Network in the event that grant funding is not awarded.

12.5 This report has been prepared in consultation with the Finance Department and Legal Services which concur with the recommendations.

Respectfully submitted,

Original signed by

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Brian Bridgeman, MCIP, RPP  
Commissioner of Planning and  
Economic Development

Original signed by

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Susan Siopis, P.Eng.  
Commissioner of Works

Recommended for Presentation to Committee

Original signed by

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Elaine C. Baxter-Trahair  
Chief Administrative Officer