

# HALIFAX

P.O. Box 1749  
Halifax, Nova Scotia  
B3J 3A5 Canada

**Item No. 17.1**  
**Halifax Regional Council**  
**January 16, 2018**

**TO:** Mayor Savage and Members of Halifax Regional Council

Original Signed by 

**SUBMITTED BY:**

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Jacques Dubé, Chief Administrative Officer

**DATE:** January 5, 2017

**SUBJECT:** Herring Cove Water Servicing Project

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## ORIGIN

June 21, 2016 – Halifax Regional Council approval for federal infrastructure funding applications.

August 16, 2016 release by the Government of Canada of federal–provincial bilateral agreements on infrastructure and list of approved projects and funding.

December 6, 2016 - That Halifax Regional Council:

- Waive Rules of order to suspend the rules that the Audit and Finance Standing Committee approve this report and make a recommendation to Regional Council; and,
- Increase the 2016/17 gross capital budget in the amount of \$75,000 for a preliminary design for the Herring Cove Water Servicing Project Phase 2B and Phase 4, with funding as a withdrawal from General Contingency Reserve, Q421;
- Authorize a sole source award and reimbursement to the Halifax Regional Water Commission (Halifax Water) in the amount of \$75,000 for the preliminary design of a revised scope of work for the Herring Cove Water Servicing Project Phase 2B and Phase 4; and
- Commence the LIC process with project initiation conditional upon Council approval of the LICs

January 24, 2017 - Council Item 14.1.2 – Halifax Regional Council delayed approval of a contribution agreement for the Herring Cove Water Servicing project until an amended scope was available.

February 7, 2017 motion that Halifax Regional Council:

1. Change the scope of the Herring Cove Water Servicing Phase 2B project so that it connects John Brackett Drive (Highway 253) to water and wastewater servicing, using the hybrid system outlined in Option 3 in the report below with a revised total project cost of \$4,561,952. This revised project is conditional upon final approval from Council following community consultation on the Local Improvement Charge (LIC).
2. Direct staff to send the revised scope to the Provincial and Federal governments for approval under the Clean Water & Wastewater Fund;
3. Request Halifax Water proceed with detailed design for the revised scope; and
4. Continue to pursue cost sharing for the full scope of Phase 2B with the provincial and federal governments as per Council's original funding application.

## **LEGISLATIVE AUTHORITY**

*Halifax Regional Municipality Charter* (HRM Charter) subsections 74 (1)(2)

- (1) "The Municipality may agree with...the Government of the Province or of Canada or a department or agency of either of them...to provide or administer municipal or village services.
- (2) An agreement made by the Municipality pursuant to subsection may...(a) include any service provided by the Municipality;"

HRM Charter, clauses 79(1)(al)(am) ``The Council may expend money required by the Municipality for...

- (al) wastewater facilities and stormwater systems;
- (am) water systems;"

HRM Charter, clauses 104 (1)(a)(e) "The Council may make by-laws imposing, fixing and providing methods of enforcing payment of charges for

(a) wastewater facilities or stormwater systems, the use of wastewater facilities or stormwater systems and connecting to wastewater facilities or stormwater systems;

(e) the municipal portion of the capital cost of installing a water system"

HRM Charter - Part VIII, Planning & Development.

## **RECOMMENDATION**

It is recommended that Halifax Regional Council:

1. Direct CAO to write the province to request a final response with respect to additional funding to complete the full scope of the project;
  - a. If additional funding is available from the federal and provincial governments, request an extension for a scope change to allow the municipality to conduct the Local Improvement Change process (LIC) for the project;
2. If no additional funding is available from the federal and provincial governments, withdraw the CWWF application for the Herring Cove water servicing project as approved on February 7, 2017;
3. Resubmit the full scope of the project in the amount of \$7,311,190 as originally described on June 21, 2016, for phase 2 of the federal infrastructure funding program, as HRM's top priority request; and,
4. Increase the capital project, Herring Cove Water Servicing, CS000001 to \$7,311,190 if full project is approved.

## **BACKGROUND**

Herring Cove Servicing Phase 2B is one phase of a construction project to provide central water and wastewater to the community of Herring Cove. In 1999 Regional Council agreed to extend water service to the area due to the co-location of a Harbour Solutions Wastewater Treatment Facility. By 2008, Phase 1A, 1B and 2A were completed; however, Phase 2B was not initiated due to escalating construction prices that exceeded the original budget and insufficient funds.

In June 2014 Halifax Regional Council approved the addition of the Herring Cove Servicing Phase 2B project to HRM's Building Canada Fund submissions. As the project was not approved under the Building Canada Fund, the project was resubmitted to Council for inclusion among HRM's applications to the Clean Water and Wastewater Fund (CWWF). On June 21, 2016, Council approved seven water and wastewater projects to be submitted to the CWWF, including Herring Cove Servicing Phase 2B. HRM submitted an application for the project, estimated at a total cost of \$12,750,000. Under this program, cost sharing is 50% Federal, 25% Provincial and 25% Municipal. Based on this cost sharing, HRM requested \$9.56 m in senior government funding.

On August 16, 2016 the federal government and provincial governments announced Infrastructure Bilateral Agreements for the Clean Water and Wastewater Fund and the Public Transit Infrastructure Fund, as well as project allocations. The allocation for the Herring Cove Servicing project was \$3.42M in senior government funding (\$2.28M Federal and \$1.14M Provincial). This represented a \$9.3M funding shortfall for which HRM would have been responsible. Instead, Council approved a reduced scope of work that fit within the available funds. The smaller project was approved by the provincial and federal governments on July 19, 2017. Council and staff have continued to advocate for federal and provincial funding that would allow the original scope of the project to proceed, but the Provincial government continues to indicate that there are no funds available in the CWWF.

As this project falls outside the Halifax Water serviced area, HRM is responsible for the coordination of water and wastewater system extensions. A Local Improvement Charge will be required to fund the costs not covered by the CWWF program. Once constructed, Halifax Water will assume ownership of the water and wastewater systems.

## **DISCUSSION**

The revised total project cost for the reduced scope of work was estimated to be \$4,561,952, of which a portion of the work provides benefit for future phases. Under the CWWF terms, HRM will provide \$1,140,488 (25%) of the total project cost (\$4,561,952). HRM's portion will be financed through a Local Improvement Charge (LIC), as had been done for earlier phases of work in Herring Cove. The LIC for this reduced portion of Phase 2B will be calculated with an expectation that approximately \$340,000 of municipal costs will be recovered in the future, from property owners serviced by the remaining work to be completed as part of Phase 2B. As property tax is not used to fund water and wastewater projects, there are no municipal funds from the general tax rate to support the project. As approved by Council on Dec 6, 2016, this project is approved for funding from the General Contingency Reserve, Q421 in the amount of \$75,000 to reimburse Halifax Water for design work. Once approved by CWWF, these funds will be reimbursed back to the reserve, so that property tax is not used to fund water and wastewater projects.

HRM's GIS data shows that the reduced scope of the project approved by Council in February 2017 would provide service to 20 properties. The average cost of the project would be \$228,000 per property, with an estimated LIC of \$40,250 per property. The average market value for those properties expected to pay a LIC is \$129,000, suggesting that there may be affordability issues. The \$40,250 LIC amount is 165% higher than the LIC set in 2005, even after inflation.

HRM has continued to request additional federal and provincial funds to allow the original project to proceed. The Provincial government has continued to indicate that there are no funds available in the CWWF. In December 2017, NS Municipal Affairs announced a deadline of January 12, 2018 for any requests to CWWF scope or deadline changes. HRM received an extension to January 17, 2018, to allow

Council to consider the best way forward for the Herring Cove project.

Infrastructure Canada has announced some details on Phase 2 of the federal infrastructure programs. Water and wastewater projects will be eligible for funding under the Green Infrastructure Fund, which will provide Nova Scotia with \$381,914,606 over 10 years. Projects will be cost share 40% from the federal and 33% from the provincial governments, leaving municipalities to provide 27% of funding. The federal government intends to improve environmental quality, reduce greenhouse gas emissions and increase resiliency of communities through the Green Infrastructure funding stream. The bilateral agreement is being negotiated and the fund is expected to open for applications in spring 2018.

While the original scope of the Herring Cove project had been earlier estimated at \$12.75 million, a more recent consultant report indicates that the total estimated cost of the project is reduced to \$7.3 million. Reapplying for the full scope of Phase 2B would spread the cost of the project among more properties and reduce the cost per property to approximately \$103,000. If HRM were successful in receiving 73% funding from federal and provincial governments for the full scope of Phase 2B, HRM Finance calculates that the LIC would drop to \$28,000 per property. Withdrawing the current application and resubmitting the original project would have the benefit of connecting more properties, better utilizing the new infrastructure and reducing the LIC per household.

The Herring Cove water servicing project has been submitted to two rounds of federal infrastructure funding applications. It is the only HRM water servicing application still outstanding. It is recommended that it be submitted to the Phase 2 Green Infrastructure Fund as HRM's top priority for water and wastewater.

### **FINANCIAL IMPLICATIONS**

There is no impact to the general tax rate.

Reapplying for the full scope of Phase 2B (at \$7.3 million) would spread the cost of the project among more properties (71 in total) and reduce the cost per property to approximately \$103,000. If HRM were successful in receiving 73% funding from federal and provincial governments for the full scope of Phase 2B, the average LIC would drop to \$28,000 per property.

The recommended approach would provide better use of public and private funds, reducing the cost per property and the LIC by 30%. Also, the recommendation eliminates the risk to the municipality (and HRM taxpayers) of financing \$340,000 in possible future LIC revenues (under the reduced scope option), when the second part of Phase 2B is not assured at this time.

#### **Budget Summary, Herring Cove Water Servicing, CS000001 current**

Cumulative unspent budget	\$ 4,561,952
Funding from Reserve	\$ (75,000) *
LIC	\$(1,140,488)
CWWF funding	<u>\$(3,346,464)*</u>
Balance	\$0

\*CWWF to reimburse HRM reserve, thus eliminating the reserve funding, and increasing CWWF funding to \$3,421,464.

#### **Budget Summary, Herring Cove Water Servicing, CS000001, if full project is approved (estimated)**

Budget	\$ 7,311,190
Funding from Reserve	\$ (75,000) *
LIC	\$(1,827,797)
CWWF funding at 75%	<u>\$(5,408,393)*</u>
Balance	\$0

\*CWWF to reimburse HRM reserve, thus eliminating the reserve funding, and increasing CWWF funding to \$5,483,393 which is 75% of the project budget.

### **RISK CONSIDERATION**

The Federal Infrastructure program requires projects to be completed by March 31, 2018. An extension request to March 31, 2019 has been submitted but approval is still pending. As a significant amount of work is needed before construction can begin, there is a risk that the project could have difficulty in meeting the infrastructure program deadline. HRM would be responsible for all costs incurred after the program deadline.

**COMMUNITY ENGAGEMENT**

N/A

**ENVIRONMENTAL IMPLICATIONS**

N/A

**ALTERNATIVES**

Council could choose to proceed with either the original or reduced scope of the project with the \$3.4 million in available federal and provincial funds, and provide a municipal contribution to offset the high LIC for property owners.

**ATTACHMENTS**

N/A

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A copy of this report can be obtained online at [halifax.ca](http://halifax.ca) or by contacting the Office of the Municipal Clerk at 902.490.4210.

Report Prepared by: Anne Totten, Intergovernmental Affairs Advisor, 902-490-5623  
Andre MacNeil, Senior Financial Consultant, 902-490-5529

Report Approved by: Original Signed  
Maggie Macdonald, Managing Director, Government Relations & External Affairs  
902.490.1742

Financial Approval by: Original Signed  
Jerry Blackwood, Acting Director of Finance and Asset Management/CFO, 902.490.6308

Report Approved by: Original Signed  
John Traves, Q.C., Director, Legal, Insurance & Risk Management Services  
902-490-4226

Report Approved by: Original Signed  
Kelly Denty, A/ Director, Planning and Development, 902-490-4800

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