

HALIFAX

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

Item No. 14.1.10
Halifax Regional Council
November 22, 2016

TO: Mayor Savage and Members of Halifax Regional Council

SUBMITTED BY: Original Signed by 

Jacques Dubé, Chief Administrative Officer

Original Signed by 

Jane Fraser, Acting Deputy Chief Administrative Officer

DATE: November 10, 2016

SUBJECT: Herring Cove Water Servicing

ORIGIN

June 21, 2016 Council report "Federal Infrastructure Applications" and Council motion to

- Submit the seven projects described in the report totaling \$66.05 million, for cost-shared funding approval under the Clean Water & Wastewater Fund (CWWF);
- Submit the 16 proposed transit projects described in the report, totaling \$58.21 million, for cost-shared funding approval under the Public Transit Infrastructure Fund (PTIF); and
- Direct staff to submit applications and undertake necessary advocacy work to secure funds.
- Request the Mayor and staff to advocate with the Province and Federal Government for the equitable distribution of Building Canada Funds projects across the province, including in HRM.

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

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Charter - Part VIII, Planning & Development

HRM Charter Section 74 – permits HRM to enter into agreements with the Province or Government of Canada to provide or administer municipal services.

RECOMMENDATION

It is recommended that Halifax Regional Council:

1. Waive the Rules of order to suspend the rules that the Audit and Finance Standing Committee approve this report and make a recommendation to Regional Council, as the Audit and Finance Standing Committee is not scheduled to meet until December 2016;

RECOMMENDATION CONTINUED ON PAGE 2

2. 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, with funding as a withdrawal from General Contingency Reserve, Q421 and
3. Authorize a sole source award and reimbursement to the Halifax Regional Water Commission 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.

BACKGROUND

Herring Cove Servicing Phase 2B is the final phase of a construction project to provide central water and sewer service 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 sewage treatment plant. By 2008, the first three phases were completed; however Phase 2B was not initiated due escalating construction prices that exceeded the original budget and insufficient funds.

In June of 2014 Halifax Regional Council approved the addition of the Herring Cove Servicing Phase B 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 \$3.42 m in senior government funding.

DISCUSSION

If HRM were to proceed with the full project as described in the application submitted to the provincial and federal governments, HRM would be responsible for the estimated funding shortfall of approximately \$9,330,000.

Alternatively HRM could request a change to its application to reflect a revised scope of work that maintains more closely the 50%, 25%, 25% cost sharing of the CWWF. There is a period of six months from the signing of the Bilateral Agreements between the provincial and federal governments on August 16, 2016 during which amendments to projects may be made and project details and lists finalized. Under the terms of the Clean Water and Wastewater Fund, all funded projects must be complete by March 31, 2018.

As originally scoped, Phase 2B would install: 1500 metres of water main, 2200 metres of wastewater pipe, two wastewater pumping stations and all related appurtenances. It may be possible to split Phase 2B into two smaller phases, however it is not known at this time whether a smaller phase can be completed by the March 31, 2018 program deadline. It is therefore proposed to begin design of the water and wastewater system, then return to Regional Council for direction, including possible direction related to submitting an application to the provincial and federal governments for a revised scope of work.

Pursuant to the terms of reference for the Audit & Finance Standing Committee, and the Administrative Order governing Reserves, the request would normally be considered as an increased, unbudgeted request prior to consideration by Regional Council. However, with the time constraint of preparing a new

submission for funding, and the next Audit and Finance Standing Committee is not scheduled to meet until December, Regional Council can choose to consider the request directly. As a result, this report has been submitted directly to Regional Council.

With respect to the design services for this project, historically Halifax Water has undertaken project design administration for water and/or wastewater service extension projects on behalf of HRM. Halifax Water has acknowledged that they are available to provide the service for the Herring Cove project, on a full cost recovery basis, if requested by HRM. The cost of the preliminary design phase is estimated at \$75,000. The \$75,000 is available from the Risk Reserve – General Contingency Reserve, Q421. If the design becomes part of the revised scope of the project, it is eligible to be part of the federal and provincial funding contribution, so HRM would receive 75% of the total back (50% federal, 25% provincial). If accepted for CWWF project funding, the full \$75,000 will be paid back to the General Contingency Reserve.

FINANCIAL IMPLICATIONS

As this project falls outside the Halifax Water service boundary, HRM is responsible for the construction costs of the water system. No funds have been identified for this project in HRM's capital plan, therefore a Local Improvement Charge (LIC) would be required to cover the portion of project costs not funded through CWWF cost sharing from the provincial and federal governments. The LIC amount will not be known until design work is complete, project scope is confirmed, total construction cost is estimated and, pending Council decision, the revised proposal is provided to and approved for CWWF funding. Further, public consultation would be required prior to a final decision by the Regional Council.

After construction HRM would convey the system to Halifax Water for operation and maintenance on a full cost recovery basis.

At this time, \$75,000 is required to develop the preliminary design for a revised scope. This can be funded from the General Contingency Reserve, Q421. If the re-scoped project is accepted for CWWF funding, the \$75,000 will be paid back to the reserve.

Budget Summary, Risk Reserve – General Contingency Reserve, Q421

Balance in Reserve, September 30, 2016	\$ 1,562,214
Pending revenue to March 31, 2017	\$ 4,012
Commitments to March 31, 2017	\$(1,197,147)
Withdrawal per recommendation	\$(75,000)
Net available balance March 31, 2017	\$ 294,079

Risk Reserve – General Contingency Reserve, Q421

This reserve is funded from any year-end operating surplus, and transfers as approved by Council. Fund can be used to fund operating costs, offset deficits, new operating initiatives and/or capital expenditures. This withdrawal, if approved, would not have a negative impact on the reserve, as the withdrawal is anticipated to be repaid at either 75% or 100% if approved for CWWF funding. As the project would not result in an HRM asset, other reserves, that follow under the Halifax Charter as "capital" reserves, do not qualify for funding, hence the General Contingency Reserve fits the purpose of use of these funds.

RISK CONSIDERATION

The Federal Infrastructure program requires projects to be completed by March 31, 2018. 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.

COMMUNITY ENGAGEMENT

No community engagement was undertaken for this report.

ENVIRONMENTAL IMPLICATIONS

N/A

ALTERNATIVES

1. Regional Council could proceed with the full Herring Cove servicing project as described in the staff report of June 21, 2016. A funding source would have to be identified for the approximately \$9,330,000 needed by the municipality to advance the project with the funds allocated to the project by the provincial and federal governments.
2. Regional Council could change the scope of the current project to cover design costs only, and re-submit the project with updated design for Phase 2 of the Clean Water & Wastewater Fund. LICs may only be used to fund design and construction, not design costs alone, so an alternate funding source would be required to cover HRM's portion of design costs (ie, 25% of the total).
3. Regional Council could choose not to proceed with the project in its entirety.

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.php> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 902.490.4210, or Fax 902.490.4208.

Report Prepared by: Maggie MacDonald, Managing Director, Government Relations & External Affairs
902-490-1742

Peter Duncan, Manager, Infrastructure Planning, 902-490-5449

Financial Approval by:

Amanda Whitewood, Director of Finance and Information Technology/CFO, 902.490.6308

Report Approved by:

Bob Bjerke, Director, Planning & Development, 902-490-1627

Report Approved by:

Maggie MacDonald, Managing Director, Government Relations & External Affairs
902-490-1742

Original Signed