

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

Original Signed by 

**SUBMITTED BY:** Jacques Dubé, Chief Administrative Officer

**DATE:** February 5, 2018

**SUBJECT:** Herring Cove and Fall River Water Servicing Project

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## **ORIGIN**

January 16, 2018 motion 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.

October 31, 2017 motion THAT Halifax Regional Council:

1. Include the Gordon R. Snow Community Centre and (Fire) Station 45, both at 1359 Fall River Road, and the Seniors Friendly Centre, at 1018 Fall River Road, in the Local Improvement Charge (LIC) calculation for the Fall River Water Servicing project approved by Regional Council on July 18th, 2017,
2. Fund the payment of the LICs for these two municipal properties, estimated at \$119,000, from the General Contingency Reserve (Q421), as described in the Financial Implications section of the October 10, 2017 staff report, and
3. Authorize the CAO to update HRMs letter of request to the Province of NS for infrastructure funding to enable the total infill of water service to the currently approved water service boundary essentially adding the remainder of Fall River Village.

July 18, 2017 motion that Halifax Regional Council:

1. Direct the CAO to proceed immediately with the original scope of the Fall River water servicing project, as approved by Regional Council June 21, 2016, and approve the gross project budget in the amount of \$8,625,000 including net HST with the net municipal amount funded from a Local Improvement Charge, as described in the Financial Implications section of this report, and approve the transfer of the required project funds to Halifax Water for the installation of the water service;

2. Adopt By-law L-137, respecting an amendment of By-law L-100, the Local Improvement By-law, as provided in Attachment 2 of this report, to set the charges for the installation of water servicing in Fall River and adjoining lots along Fall River Road to the Fall River Village Centre, Lockview Road to the Lockview School access, and McPherson Road, and schedule a Public Hearing at the same time as the Public Hearing for the amendments to the Regional Subdivision By-law;
3. Direct the CAO to negotiate a Contribution Agreement with Halifax Water for the transfer of the required project funds and to return to Council with the resulting Contribution Agreement for approval; and
4. Direct the CAO to apply for funding for federal/provincial funding respecting the expansion of water services in Fall River, including the addition of services along Highway #2, from near Fall River Road to the Highway 102 Overpass, and connect the existing system at Ingram Drive to Fall River Road.

April 25, 2017, motion that Halifax Regional Council:

1. Give First Reading to amendments to the Regional Subdivision By-law to extend the Water Service Area in Fall River, as set out in Attachment B of this report, and schedule a Public Hearing;
2. Adopt By-law L-137, respecting an amendment of By-law L-100, the Local Improvement By-law, as provided in Attachment C of this report, to set the charges for the installation of water servicing in Fall River and adjoining lots along Fall River Road and Highway #2 to the Hwy 102 Overpass, Lockview Road to the Lockview School access, and McPherson Road and a portion of Ingram Drive, and schedule a Public Hearing;
3. Approve the project budget for the Water Servicing Project in the amount of \$7,925,740 including net HST with the net municipal amount funded from a Local Improvement Charge, as described in the Financial Implications section of this report, and approve the transfer of the required project funds to Halifax Water for the installation of the water service; and
4. Direct Staff to negotiate a Contribution Agreement with Halifax Water for the transfer of the required project funds and to return to Council with the resulting Contribution Agreement for approval.

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 of the staff report dated January 16, 2017 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.

December 6, 2016 motion that Halifax Regional Council:

1. Waive the Rules of Order to suspend the rules that the Audit and Finance Standing Committee approve the staff report dated November 10, 2016 and make a recommendation to Regional Council, as the Audit and Finance Standing Committee is not scheduled to meet until December 2016;
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.

November 8, 2016, motion that Halifax Regional Council:

1. Authorize a sole source award and reimbursement of an amount up to \$800,000 to the Halifax Regional Water Commission for the preliminary and detailed design and cost estimation for central water services to the Fall River Village Centre Designation (Map 1 & 2 );

2. Initiate the process for amending the Regional Subdivision By-law to consider expanding the Water Service Area boundary to the Fall River Village Centre (Map 2); and
3. Direct staff to consult with property owners along the proposed water main route on a potential Local Improvement Charges (LIC) By-law for both phase 1a and 1b (Map 2).

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* (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 (1) may...(a) include any service provided by the Municipality;"

HRM Charter, clauses 79(1)(al) and (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) and (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. Approve the transfer of \$2,381,250 in Clean Water & Wastewater Funds from Herring Cove Water Servicing, CS000001, to Fall River Water Servicing, CS000002, and increase the Local Improvement Charge component of the Fall River Water Servicing project by \$793,750;
2. Approve a budget increase to CS000002, Fall River Water Servicing in the amount of \$3,175,000;
3. Expand the project scope as approved on April 25, 2017, thereby extending the water service area in Fall River and adjoining lots along Fall River Road and Highway #2 to the Hwy 102 Overpass, Lockview Road to the Lockview School access, and McPherson Road and a portion of Ingram Drive for a total length of 6.6 km; and
4. Direct staff to prepare amendments to By-law L-100, *Respecting Charges for Local Improvements*, to change provisions of the Fall River Water Service Extension section to include the expanded scope of the project, the estimated total project cost, the funding from the Clean Water & Wastewater Fund and the interim Local Improvement Charges.

## **BACKGROUND**

In June 2016, Halifax Regional Council submitted two municipally-led water servicing applications to the federal/provincial Clean Water and Wastewater Fund (CWWF). The Fall River submission was a \$7.6 million project to install 3.5 km of central water services from Windsor Junction Rd to Fall River Centre via Fall River Rd. The Herring Cove submission was a \$12.7 million project to install 1.5 km of water mains and 2.2 km of sanitary sewer service to the village of Herring Cove. Project costs were particularly high for Herring Cove as it is situated on granite and required two pumping stations to be constructed.

Under the CWWF the federal government provided 50% of project costs and the provincial government 25% with the municipality covering the remaining 25%. In August 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.

### Fall River

The Fall River project received approval for the full 75% cost share from federal and provincial governments (\$5,944,304) for the 3.5 km project. In November 2016, Council directed staff to investigate the possibility of extending water service along Highway 2. Early estimates indicated that water services could be extended along Highway #2, from the Village Centre to the Highway 102 overpass, within the \$7.93 million approved budget. The resulting LIC was estimated to be \$7,500 per single-family home and would apply to 208 residential (and small commercial) properties. In April 2017, Council approved a public hearing for the installation of water servicing in Fall River and adjoining lots along Fall River Road and Highway #2 to the Hwy 102 Overpass, Lockview Road to the Lockview School access, and McPherson Road and a portion of Ingram Drive, at a cost of \$7.93M. The water servicing project then totaled 6.6 km. A request to expand the project was submitted to the federal and provincial governments and subsequently approved.

A tender for the expanded scope of work was issued in April 2017. When the bids were received and evaluated in early May, it was seen that the engineering cost estimates had underestimated the market. The lowest bid for the expanded project scope came in at \$11.6 million, \$3.65 million above the approved budget. In July 2017 Council opted to proceed with the original, 3.5 km project and submit a funding request to the federal and provincial governments for the expanded 6.6 km scope.

In October 2017, a report came to Council recommending that HRM contribute to the LIC for the Fall River project by paying LICs for two municipally-owned properties being connected. At the same time, Council approved a motion to request additional federal and provincial funding to provide water service to all of the currently approved water service boundary (essentially the remainder of Fall River Village).

### Herring Cove

The federal/provincial allocation for the Herring Cove project in August 2016 was only \$3.42 million in senior government funding (\$2.28M Federal and \$1.14M Provincial), as the CWWF was fully subscribed. Rather than have HRM undertake the estimated funding shortfall of approximately \$9.3M, Council directed staff to develop a revised project scope that aligned with available funds from the Provincial and Federal governments.

In February 2017 Council approved a reduced scope of work for Herring Cove with a total project cost of \$4,561,952. This used the \$3.42 million from federal and provincial sources, and 1.14 million from HRM. HRM's portion would be financed through a Local Improvement Charge (LIC), as had been done for earlier phases of work in Herring Cove. As more detailed design work proceeded, HRM's GIS data indicated that the reduced scope of the project would only 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 would likely be affordability issues.

HRM had continued to request additional federal and provincial funds to allow the original project to proceed, but in January 2018 received confirmation from the provincial government that no further funds were available in the CWWF. On January 16, 2018, Council approved withdrawing the project application should the Province confirm no further funds are available, and resubmitting the full scope as HRM's top priority request in the next phase of infrastructure funding.

**DISCUSSION**

With the withdrawal of the Herring Cove water servicing project, there is now \$3.42 million available in the CWWF. HRM has two outstanding requests for additional funding for the Fall River project:

- One to expand the project by another 3.2 km along Highway #2, from near Fall River Road to the Highway 102 Overpass, and connect the existing system at Ingram Drive to Fall River Road.
- One to expand the project to include the 3.2 km outlined above, and also an additional 7.5 km to include the remainder of Fall River Village within the service boundary

The Provincial government has asked whether Council would like to apply the freed-up funds in the CWWF towards the expansion of Fall River. If not used by HRM, the funds would revert to the province. There is \$2.28M in federal and \$1.14M in provincial funds available, leaving HRM's portion at \$1.14 million. This would be sufficient to cover the cost to expand water servicing outlined in the attached map, along Highway #2, from near Fall River Road to the Highway 102 Overpass, and connect the existing system at Ingram Drive to Fall River Road (i.e. the expanded 6.6 km project Council requested funding for in July 2017). According to Halifax Water's most recent cost estimate, expanding the project by an extra 3.2 km would cost another \$3.175 million. Under the CWWF terms, the federal share would be \$1,587,500, and the provincial and municipal shares would be \$793,750 each. This would use \$2,381,250 of the remaining CWWF funds, leaving slightly more than \$1 million in the fund to be rolled into Phase 2 of the infrastructure program though not necessarily allocated to HRM.

As noted previously, HRM would finance its portion through an LIC. This would require an amendment to By-law L-100 and could be done in one of two ways. If a new LIC is created for the 49 properties being added along Hwy #2, the LIC charge would work out to approximately \$15,000 per home (small residential or commercial property). However, if the existing LIC for the Fall River Water Service Extension project (approved September 2017) is expanded to include the additional 49 properties along Hwy #2, the LIC is estimated to remain at \$11,500 per home, due to the new CWWF funding and a slight reduction to the Phase 1 cost allocation. A significant portion of the Phase 2 costs are related to the Ingram Drive connection to Fall River Road. This connection improves the water service for all properties in both Phase 1 and Phase 2, so it is reasonable to share this cost across the entire area receiving the water service. Therefore, one LIC for the entire area outlined in the attached map is recommended.

<b>Option</b>	<b># Properties Serviced</b>	<b>Total Project Cost*</b>	<b>Fed./Prov. Funding</b>	<b>LIC Portion of Cost</b>	<b>LIC per property</b>
Phase 1 (current scope)	183	\$8.4 million	\$5.9 million	\$2.5 million	\$11,500 (interim rate)
Phase 2 (standalone)	49	\$3.2 million	\$2.4 million	\$0.8 million	\$15,000 (estimated)
Combined Phases 1 & 2	232	\$11.6 million	\$8.0 million	\$3.3 million	\$11,500 (estimated)

*\* Note: The allocation of project costs between Phase 1 and Phase 2 has shifted slightly from what was presented to Regional Council in July 2017. The Phase 1 estimate has dropped approximately \$200,000 and the Phase 2 estimate has increased approximately \$200,000, but the total (combined) project cost has remained the same.*

In October 2017, Council voted to increase the Fall River project further, to all of the currently approved water service boundary (essentially the remainder of Fall River Village). The CAO sent this request to Municipal Affairs, As noted above, the provincial government has confirmed that there are no funds left in the CWWF. This request could be submitted in the next round of infrastructure funding. Halifax Water

estimates the cost to add these additional 7.5 km at \$10.4 million, connecting approximately 239 properties. The LIC per property for this portion of the project is not known at this time.

### **FINANCIAL IMPLICATIONS**

The HRM costs associated with the development of a new Local Improvement Charges (LIC) By-law and revisions to CWWF agreements can be accommodated within the approved 2017/18 operating budgets for Finance & Asset Management and Legal Services.

There are no expected long term financial implications to HRM. The cost of the water extension project will be covered by federal and provincial funding and the Local Improvement Charge (LIC). Combining the two phases of the project into one LIC appropriately allocates the benefit of the Ingram Drive Connector to all properties receiving the expanded water service.

With the new CWWF funding, the LIC cost will remain approximately \$11,500 per home (small residential or commercial property). The specific rates for the larger commercial and large (4+ unit) residential properties will be provided in the subsequent By-Law L-100 amendment report.

#### **Budget Summary CS000002 Fall River Water Servicing**

Cumulative Unspent Budget	\$8,625,000
Gross Budget Increase	<u>\$3,175,000</u>
Gross Project Budget per recommendation	\$11,800,000
CWWF funding (previously approved)	\$(5,944,304)
CWWF funding increase	\$(2,381,250)
LIC funding (previously approved)	\$(2,680,696)
LIC funding increase	<u>\$(793,750)</u>
	\$ 0

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

Cumulative Unspent Budget	\$4,561,952
CWWF funding removal	\$(3,346,464)
LIC Funding removal	<u>\$(1,140,488)</u>
Balance	\$75,000

The \$75,000 is to be funded by reserves, as previously approved by Council. This amount will not be reimbursed to the reserve through CWWF funds as originally outlined in previous reports.

### **RISK CONSIDERATION**

The risks in this report are rated Low.

### **COMMUNITY ENGAGEMENT**

A public hearing and open house was held in February 2017 to provide information about the 6.6 km water extension project, including preliminary design and cost estimates, as well as answer questions and gather public feedback. Approximately 150 residents attended the meeting. In addition, staff sent a survey to residents along the proposed water main route asking 222 property owners whether or not they were in favour of the project at the estimated charge to individual properties. Approximately 39% of the lots were represented in the responses received, of which approximately 76% were in favour and 24% were against the proposal.

Further consultation on the LIC will be scheduled as per the LIC process.

## **ENVIRONMENTAL IMPLICATIONS**

N/A

## **ALTERNATIVES**

1. Council could choose not to use the remaining CWWF funds for the Fall River Phase 2 expansion. This is not recommended as the funds could then potentially be lost to HRM as they would revert to the Province. Council has already approved the expanded Phase 2 scope and these funds provide an opportunity to undertake the project.
2. Council could direct staff to prepare amendments to By-law L-100 to finance the municipal portion for the expanded Fall River Water Service Extension project by creating a separate LIC for the additional 49 properties. This is not recommended for the reasons outlined in this report.

## **ATTACHMENTS**

Map: Fall River Village Water Service Extension Expanded Scope

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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.

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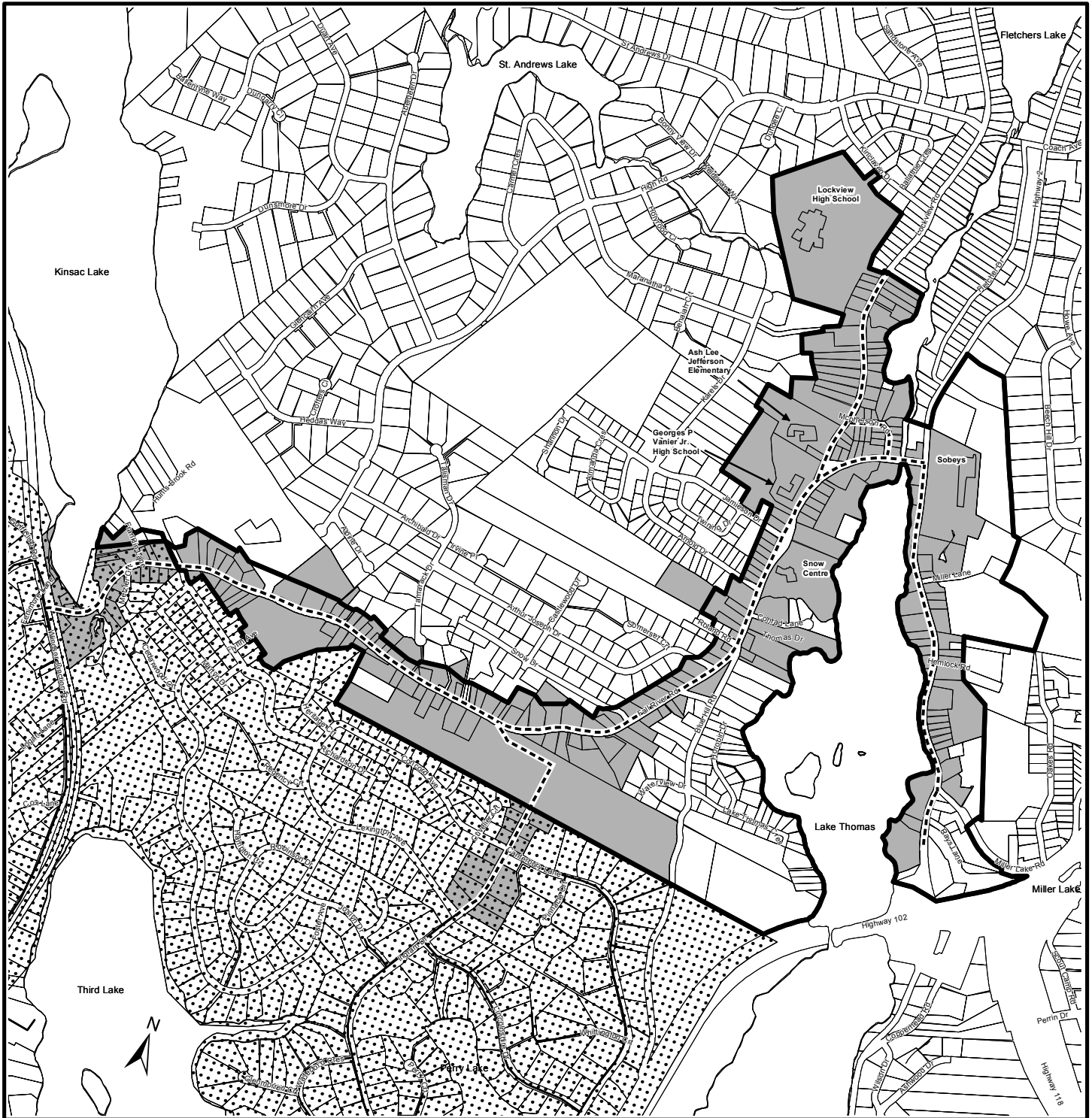
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**Map 2**  
**Fall River Village Water Service Extension Expanded Scope**

**HALIFAX**

-  Existing Water Service Area
-  Existing Water Mains
-  Water Service Area Extension
-  New Water Mains
-  Local Improvement Charge (LIC) Area

0 110 220 330 440 Meters



The accuracy of any representation on this plan is not guaranteed.