

TO: Mayor Savage and Members of Halifax Regional Council
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SUBMITTED BY: _____
John Traves, Q.C. Acting Chief Administrative Officer
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Jane Fraser, Acting Deputy Chief Administrative Officer

DATE: May 19, 2016

SUBJECT: Federal Infrastructure Applications

ORIGIN

August 5, 2014 Council report "Building Canada Fund Infrastructure Projects".

July 21, 2015 Council motion: "Direct staff to develop a new list of Building Canada Fund (BCF) projects for Council's consideration to submit once final decisions are made on the existing submissions. It is expected that approved funds for the existing project list will cover the current fiscal year up until 2017-18."

The Government of Canada's March 22, 2016 Budget and subsequent fiscal stimulus initiatives.

LEGISLATIVE AUTHORITY

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:

- Submit the seven projects described below, totaling \$66.05 million, for cost-shared funding approval under the Clean Water & Wastewater Fund (CWWF);
- Submit the 16 proposed transit projects described below, 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.

BACKGROUND

The 2013 federal budget announced a Building Canada Fund that would deliver \$53 billion over 10 years for public infrastructure that supported federal priorities of productivity, economic growth and job creation. Nova Scotia was scheduled to receive \$426 million over ten years under the Provincial/Territorial Infrastructure Component (PTIC). In August 2014 Council approved a number of projects for Building Canada applications under three categories: water and wastewater, transit, and urban core investment. Staff prepared applications for each of the projects under each category and shared them with the Provincial Department of Municipal Affairs. The following funding approvals have been received:

- Aerotech Wastewater Treatment Facility - \$14 million in federal and provincial funding
- Upgraded Water Transmission Mains in Bedford, Port Wallace and Lucasville - \$10.1 million in federal and provincial funding
- Conventional and access-a-bus replacements - \$3.67 million in federal and provincial funding

In October 2015 a new federal government was elected. The Liberal platform promised to double infrastructure spending, to \$120 billion over 10 years, and place new emphasis on public transit, social infrastructure and green infrastructure. Further details were released in the March 22, 2016 budget (discussed below).

Some projects HRM has submitted previously to the Building Canada Fund remain eligible for funding consideration. However some projects have gotten underway and therefore are no longer eligible. This report recommends an updated list of projects for Council consideration.

DISCUSSION

Federal Funding Overview

Budget 2016 announced the details of the federal government's overall plan to invest more than \$120 billion in infrastructure over 10 years. The plan will be implemented in two phases:

- Phase 1 of the Government's long-term infrastructure plan will begin rolling out over the next two years, with an immediate focus on maintenance and rehabilitation. The priority areas for spending are:
 - Modernize and rehabilitate public transit,
 - Water and wastewater systems
 - Affordable housing
 - Protect infrastructure systems from the effects of climate change.
- Phase 2 will occur in years 3 to 10 of the Government's long-term infrastructure plan. In this phase, the goals will be broader and more ambitious: a more modern, cleaner economy; a more inclusive society; and an economy better positioned to capitalize on the potential of global trade. The government is working with the Federation of Canadian Municipalities (FCM) throughout 2016 to develop more concrete details and criteria for this phase of the infrastructure plan.

Federal funds available for Nova Scotia municipalities during Phase 1 are as follows:

- \$86 million over 2 years for water and wastewater in the Clean Water & Wastewater Fund (CWWF). Eligible projects include rehabilitation and optimization of water, storm water and wastewater infrastructure, and upgrades to meet regulatory requirements. New construction can be considered if projects can be completed within the 2 year timeframe. Projects are 50% cost-shared by the federal government. The Provincial government has stated it will contribute 25% of

project costs under this fund.

- \$32.2 million over 2 years in the Public Transit Infrastructure Fund (PTIF). Eligible projects are rehabilitation, upgrades, planning for future expansion and new technology. Funding is meant to go to municipalities based on ridership numbers, not per capita population. The federal cost-share will be 50% of eligible costs with no mandated provincial share.

The two above funds are specifically for municipal projects. They are not accessible to provincial governments, and provincial contributions are not required for projects approved under these programs. Approved projects must be complete by March 31, 2018.

The federal government is also accelerating unspent funds from the Building Canada Fund's Provincial-Territorial Infrastructure Component, so that all monies are committed and spent by March 31, 2018. According to federal records there is \$305 million remaining for Nova Scotia in the National-Regional Program (the funding stream for communities over 100,000). Originally this was the only federal infrastructure fund available for municipalities and for provinces. However now there are dedicated programs for municipal water and transit projects, and there are no other federal infrastructure funding sources for provinces apart from the remaining Building Canada monies. HRM may continue to apply for funding under Building Canada but it is likely that the majority of HRM projects will receive funding from the CWWF and PTIF. Halifax has many infrastructure needs that are within the purview of the provincial government (e.g. roads, connectivity, culture) and would benefit from BCF projects in these areas.. Advocacy efforts may be needed to request the equitable distribution of Building Canada Funds projects across the province, including in HRM.

When Phase 2 of the federal infrastructure plan begins in three years' time, HRM may wish to consider applications to the Social Infrastructure Fund. Currently this fund is primarily focused on affordable housing. In the future it may also provide support for culture and recreation. HRM staff will endeavor to identify projects which may qualify once further details are released.

HRM Project Applications

Halifax Water:

The CWWF application process requires a prioritized list of projects with Council approval. The Halifax Water board approved the projects below for federal funding consideration. Four of these projects were previously approved by Council in 2014 and have already been submitted to the Building Canada Fund. These projects would be transferred to the CWWF for consideration, with a 50-25-25% cost-share between the Federal government, Provincial government and Halifax Water. The recommended prioritized list is as follows:

1. Northwest Arm Sewer Rehabilitation (\$ 17,153,000)

Halifax Water Amount: \$4,288,250 Federal Ask: \$8,576,500 Provincial Ask: \$4,288,250

The 4.5km Northwest Arm trunk sewer is over a century old. It is 1200 mm in diameter and a large part of the line is constructed of clay blocks mortared together. This line needs to be structurally renewed to extend its service life, prevent leakage and overflows into Northwest Arm and bring it into line with modern environmental standards. This was previously submitted to the Building Canada Fund.

2. Peninsula Transmission Main Rehabilitation (\$7,200,000)

Halifax Water Amount: \$1.8M Federal Ask: \$3.6M Provincial Ask: \$1.8M

This project involves the installation of a structural liner inside an existing transmission main to extend the serviceable life of a critical water transmission main in Halifax. There has been significant development activity in peninsular Halifax in recent years, with more planned. Increased water supply is needed for future development and increased densities. The innovative use of a structural liner using trenchless technologies will rehabilitate one of the original pipes that has served the city for over 150 years, and minimize the impact on businesses and residents along the streets.

3. Lake Major Dam (\$ 5,900,000)

Halifax Water Amount: \$1,475,000 Federal Ask: \$2,950,000 Provincial Ask: \$1,475,000

A dam is required to impound water within Lake Major to provide water supply to Dartmouth and Cole Harbour. A new dam is required to replace the existing gravity timber and earthen structure which has reached the end of its service life. This was previously submitted to the Building Canada Fund.

4. Sullivan's Pond Storm Sewer Renewal – Phase 1 (\$ 9,890,000)

Halifax Water Amount: \$2,472,500 Federal Ask: \$4,945,000 Provincial Ask: \$2,472,500

The existing storm sewer between Sullivan's Pond and Halifax Harbour has reached the end of its service life. A new 580 meter line is being designed. This was previously submitted to the Building Canada Fund.

5. JD Kline Filter Media and Underdrain Replacement (\$5,600,000)

Halifax Water Amount: \$1.4M Federal Ask: \$2.8M Provincial Ask: \$1.4M

The J.D. Kline Water Supply Plant supplies treated water to the communities of Halifax, Bedford and Sackville, and provides the only specific barrier to prevent pathogens from entering the drinking water supply. This project involves the replacement of the existing filter media and underdrains in all eight filters, the majority of which are beyond their recommended life span.

6. Fall River Water Servicing (\$7,600,000)

Halifax Water Amount: \$1.9M Federal Ask: \$3.8M Provincial Ask: \$1.9M

In 2014 Council approved the addition of a Fall River Water Servicing project to HRM's BCF submissions. It is a new construction project that would install approximately 3.5 km of central water services from Windsor Junction Road to Fall River Centre via Fall River Road. As this falls outside the service boundary HRM would be responsible for the construction costs of the water system. It is recommended this project be resubmitted under the CWWF.

7. Herring Cove Servicing – Phase 2B (\$12,750,000)

Halifax Water Amount: \$3,187,500 Federal Ask: \$6,375,000 Provincial Ask: \$3,187,500

In 2014 Council approved the addition of the Herring Cove Servicing Phase B project to HRM's BCF submissions. It is the final phase of a new construction project that is providing 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 has never been initiated due to the fact that escalating construction prices exceeded the original budget and insufficient funds were available to complete it. As this falls outside the

service boundary HRM would be responsible for the construction costs of the water system. It is recommended this project be resubmitted under the CWWF.

There are two other projects that were submitted for BCF consideration in 2014: the Bedford Sackville Truck Sewer Storage Facility (\$20 million); and a Deep Storm Sewer Program (\$5.5M). These two projects are not able to be completed by March 31, 2018 and so are not recommended for this funding round. They may be candidates for future funding consideration.

Halifax Transit:

Halifax Transit has a number of projects which can be expanded or brought forward earlier than planned if funding is available. Below is a list of proposed projects. In 2016-2017, there could be as much as \$16,174,000 in additional capital costs for current projects, which could be funded with \$16,174,000 of Federal funding, with no net impact to HRM. For 2017-18, there would be \$26,466,000 in project costs that would be eligible for cost sharing. This would include Federal cost sharing of \$13,233,000 and additional HRM funding (yet to be identified) of \$13,233,000. In some instances the 2017-18 projects are being accelerated from future capital budgets, in other cases, the scope of projects can be expanded as a result of federal funding.

In some cases due to timelines, federal funding could only be eligible for one stage of a project. These have been noted in the project descriptions and cost-share split stated below.

2016-17 Approved/Existing Project(s)

- **Bus Stop Accessibility:CBT00432**

HRM Amount: \$125,000 Federal Ask: \$125,000 Total: \$250,000

The existing funding is being used to upgrade inaccessible bus stops with landing pads and/or curb cuts to improve the accessibility of the transit system. The additional federal funding in 2016-17 would provide the opportunity to find design solutions and upgrade some of the more challenging bus stops.

- **Conventional Transit Bus Replacement/MetroX Replacement:CV020004/CM020002**

HRM Amount: \$16,900,000 Federal Ask: \$14,504,000 Total: \$31,404,000

Halifax Transit planned to purchase a total of 30 replacement vehicles in 2016-17, 21 of which replace conventional vehicles, 9 of which replace MetroX vehicles. Federal funding could be used to purchase an additional 29 vehicles this year. This would ensure that 100% of the fleet is accessible, and reduce the average fleet age. Please note that Halifax Transit is receiving \$1,833,333 in 2016-17 for conventional bus replacement through the Building Canada Fund. This has been taken into account when determining the federal appropriation as per the stacking stipulation in the PTIF program criteria.

- **Halifax Ferry Terminal:CB000039**

HRM Amount: \$500,000 Federal Ask: \$500,000 Total: \$1,000,000

This project is to upgrade and enhance the interior of the Halifax Ferry Terminal. This project is currently in the design phase, and it is anticipated that the existing budget will be insufficient to complete all the upgrades that are recommended. The availability of federal funding would allow an increase in scope to this project. This project was part of the 2015-16 project budget and remaining own-source funding of \$500,000 will be used to leverage federal funding.

- **Shelters Replacement/Expansion: CBT00437**

HRM Amount: \$110,000 Federal Ask: \$110,000 Total: \$220,000

Federal funds would allow additional shelters to be replaced, helping to maintain a state of good repair for municipal assets.

- **Transit Priority Measures Implementation:CM000009**

HRM Amount: \$200,000 Federal Ask: \$200,000 Total: \$400,000

Transit Priority Measures (TPMs) are on-street interventions that allow buses to bypass congestion, such as differentiated lanes and signalization. A recent study recommended the short term installation of 11 TPMs. The existing funding would allow two to three measures to be implemented this year. The additional federal funding will advance implementation and allow additional measures to be implemented earlier than anticipated.

2016-17 Unbudgeted Project(s)

- **Ferry Replacement Phase I:CM000001**

HRM Amount: \$735,000 Federal Ask: \$735,000 Total: \$1,470,000

There are two existing ferries in the fleet which are in need of replacement. The total project cost is estimated at approximately \$12M. However, Halifax Transit is proposing that the biennial ferry refit be deferred and the funding in that account be leveraged to commence the ferry replacement project in 16/17. This funding would allow the project to be awarded and the manufacturing of the vessels to begin. Please note that if Council approves this project as part of the PTIF submission, Audit & Finance Standing Committee approval will be required to authorize necessary funding adjustments between project accounts.

2017-18 Proposed Project(s)¹

- **Bus Stop Improvements**

HRM Amount: \$235,000 Federal Ask: \$235,000 Total: \$470,000

This would be a new project account which is a consolidation and expansion of previous accounts used for shelter replacement/expansion, and installation of bus stop landing pads to improve accessibility. The additional funding would allow an increase in scope to further improve bus stops, which could include installation of benches, schedule information/maps, accessibility upgrades to some of the more challenging bus stops, and potentially piloting the use of a heated shelter.

- **Conventional Transit Bus Expansion:CV020003**

HRM Amount: \$2,873,000 Federal Ask: \$2,873,000 Total: \$5,746,000

This would allow for the purchase of 10 expansion buses in 2017-18 as opposed to the 8 currently planned. These expansion vehicles would be used to provide additional service approved as part of the Moving Forward Together Plan. The increase in the number of expansion buses would require an increase to the 2017-18 operating budget; should the required increase not be approved, these vehicles would alternatively be used as replacement vehicles.

- **Transit Priority Measures Implementation:CM000009**

HRM Amount: \$450,000 Federal Ask: \$450,000 Total: \$900,000

This funding would allow for the implementation of the remainder of the TPMs not completed in 2016-17.

¹ *Please note projects that do not have a project specific number will receive one before the 2017-18 budget process.

- **Ferry Replacement Phase II:CM000001**
HRM Amount: \$5,300,000 Federal Ask: \$5,300,000 Total: \$10,600,000
This would allow for the completion of the ferry replacement project. The total budget is \$12M; this amount assumes that \$1.4 million will be allocated to this project in 2016-17.
- **Electric Bus Pilot Project**
HRM Amount: \$250,000 Federal Ask: \$250,000 Total: \$500,000
This pilot project would explore the potential of using electric buses in the transit fleet. There are potential partnership opportunities related to this project.
- **Generators**
HRM Amount: \$300,000 Federal Ask: \$300,000 Total: \$600,000
This project would allow for the installation of generators at the three existing ferry terminals as a source of back-up power. This is required to ensure ongoing operations during a power outage.
- **Transit Priority Measures Corridors Study**
HRM Amount: \$125,000 Federal Ask: \$125,000 Total: \$250,000
Both Bayers Road and Gottingen Street have been identified as critical areas for the introduction of Transit Priority Measures (TPMs). This funding would allow for the analysis and design of the appropriate TPMs for these areas. It is anticipated that the TPMs would be implemented in a later phase.
- **Bus Rapid Transit Study**
HRM Amount: \$100,000 Federal Ask: \$100,000 Total: \$200,000
The purpose of this proposed study would be to conduct an analysis of the opportunities and feasibility of implementing a Bus Rapid Transit service.
- **Mumford Terminal Replacement Opportunities Assessment: CB000014**
HRM Amount: \$150,000 Federal Ask: \$150,000 Total: \$300,000
The terminal is overcapacity and in need of replacement. The funding would be used to conduct an opportunities assessment to determine the best location for a new terminal.
- **Transit Security:CMU00982**
HRM Amount: \$1,950,000 Federal Ask: \$1,950,000 Total: \$3,900,000
This funding would allow for improved camera systems for the transit fleet, with additional camera views and collision warning systems. This would improve safety and security on the street.

FINANCIAL IMPLICATIONS

If the recommended projects are approved by the Government of Canada for funding, staff will return to Audit and Finance with the required changes to individual project budgets with options and considerations for funding to support the additional capital work.

In the case of the 2016-17 Approved Capital Budget there will be an increase in capital projects of up to \$16,174,000. This will be offset by the additional Federal contribution of \$16,174,000 with no net change to the overall capital budget. One new project (Ferry Replacement) is expected to be created with the funding made available through the elimination of a related project (Ferry refit). The remaining capital projects already exist but the scope, total project costs and funding need to be adjusted.

With respect to requests made for 2017-2018, the current 2017-2018 capital plan will require significant revisions to accommodate the Federal program. Once approvals for Federal funding are received, Staff will re-priorize the Capital Plan and determine the options for funding including changes to existing projects, reserve and capital from operating targets and the possibility of authorizing additional debt outside Council's current debt targets. This is a substantially higher level of transit investment and it will lead to higher operating costs. These costs will include the need for additional capital funding, the repayment of any new debt charges and the costs to operate any new or larger assets. While there are a number of funding possibilities there is a possibility of increases to the transit tax rates for 2017-18 and beyond.

Several projects may require approval for advance tendering. At the discretion of Council, tenders would be issued in 2016-17 for work to commence in 2017-18.

Staff are currently working on broader initiatives that involve multi-year budgeting and long-term financial planning. These funding applications and any subsequent phases of federal transit funding will be incorporated into those initiatives.

RISK CONSIDERATION

Due to the substantial size of the Federal infrastructure program and the tight application deadlines, Council has not had the opportunity to consider matching funding options which leads to uncertainty in fiscal direction. While Federal funding presents a significant opportunity, it also requires HRM to re-think the 2017-18 and future capital budgets. This involves examining not only the capital funding, but how that funding is raised and repaid and the impact on future operating costs.

Building on Council's past fiscal direction, the municipality will want to consider options that absorb stimulus at a sustainable rate. Halifax Transit's ability to leverage stimulus funding is based on its own ability to raise revenue, and therefore future fiscal planning must incorporate an orderly expenditure plan based on Council priorities, but be flexible enough to leverage phase II of the Public Transit Infrastructure Fund (PTIF). These challenges are significant within current funding strategies. They can be mitigated through longer-term fiscal plans and well considered recommendations and alternatives by Council.

COMMUNITY ENGAGEMENT

N/A

ENVIRONMENTAL IMPLICATIONS

The projects proposed in this report support environmental sustainability through improvements to water quality and public transportation.

ALTERNATIVES

- I. Council could apply for other projects under the Building Canada Fund. The BCF has expanded its project eligibility to include culture, recreation, tourism, civic assets and municipal buildings. This option is not recommended due to the decreased likelihood of HRM receiving Building Canada funds.
- II. HRM could advance other water and wastewater projects for the CWWF. This is not recommended as Halifax Water board approved the projects listed in this report which meet the project completion deadline of March 31, 2018.

ATTACHMENTS

N/A

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: Anne Totten, Intergovernmental Affairs Advisor, 902-490-5623,
Kenzie McNeil, Senior Financial Consultant, 902-209-8847

Report Approved by: Original Signed
Maggie Macdonald, Managing Director, Government Relations & External Affairs
902-490-1742

Financial Approval by: Original Signed
Amanda Whitewood, Director of Finance and Information Technology/CFO, 902-490-6308

Report Approved by: Original Signed
Glen Bannon, A/Director, Halifax Transit, 902-490-1505
