

HALIFAX

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Item No. 14.1.8
Halifax Regional Council
January 15, 2019

TO: Mayor Savage and Members of Halifax Regional Council

Original Signed by 

SUBMITTED BY: Jacques Dubé, Chief Administrative Officer

DATE: December 6, 2018

SUBJECT: ICIP Environmental Quality Funding Applications

ORIGIN

January 16, 2018 Council motion to resubmit the full scope of the Herring Cove Water Servicing 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. The Herring Cove project had been previously submitted and approved but with inadequate funding to allow the project to proceed.

April 10, 2018 Investing in Canada Plan (ICIP) federal-provincial bilateral infrastructure agreement announcement.

November 22, 2018 call for applications for the ICIP Environmental Quality funding stream, from the Nova Scotia Minister of Municipal Affairs.

LEGISLATIVE AUTHORITY

Subsection 74(1) of the *Halifax Regional Municipality Charter* provides that "The Municipality may agree with one or more municipalities, villages, service commissions, the Government of the Province or of Canada or a department or agency of either of them or a band council pursuant to the *Indian Act (Canada)* to provide or administer municipal or village services."

Clause 79(1)(am) of the *Halifax Regional Municipality Charter* provides that "The Council may expend money required by the Municipality for...(am) water systems;"

RECOMMENDATION

It is recommended that Halifax Regional Council submit the following two projects for consideration under the ICIP Environmental Quality funding program:

- Herring Cove water and wastewater servicing Phase 2B
- Halifax Peninsula Water Transmission Main Expansion & Upgrade

BACKGROUND

Through the Investing in Canada Infrastructure Plan (ICIP), the Government of Canada has a plan to invest more than \$180 billion over 12 years in five main infrastructure priorities:

- Public Transit Infrastructure
- Green Infrastructure
- Social Infrastructure
- Trade and Transportation
- Rural and Northern Communities

The 2016 federal budget committed \$14.4 billion for Phase 1 of the 12-year plan. Phase 1 focused on accelerating federal investments in the short term by providing funding for the rehabilitation, repair, and modernization of existing public transit, green and social infrastructure. During this phase HRM received \$39 million for water and wastewater projects, and \$31 million for public transit projects.

Phase 2 of the Investing in Canada plan will see an additional \$81 billion flow over 10 years in the same five priority infrastructure streams. The bilateral agreement for Nova Scotia, governing how funds will flow, was announced on April 10, 2018. Nova Scotia's funding allocations for the ten-year period are as follows:

- Public Transit Infrastructure Fund (PTIF) is \$289,589,324.
- Green Infrastructure Fund is \$381,914,606.
- Community, Culture and Recreation Infrastructure fund is \$51,245,475.
- Rural and Northern Communities fund is \$105,743,756 (this fund is limited to municipalities with populations under 100,000 and HRM is not eligible to apply)

There are three funding streams under the Green Infrastructure Fund: climate change mitigation; adaptation, resilience, and disaster mitigation; and environmental quality. Forty-five percent (\$171.8M) of the Green fund is reserved for the climate change stream, leaving \$210M for the other two streams. The Nova Scotia bilateral agreement envisions a gradual roll-out of the Green funding, with \$6.5M planned for 2018-19 and \$5.9M for 2019-20.

In summer 2018 the Province requested lists of potential projects from municipalities, to help them shape the funding framework. Halifax Regional Council approved an extensive list of projects for each funding stream on July 31, 2018. There were 15 potential projects under the Environmental Quality stream totaling \$290.5M.

DISCUSSION

On November 22, 2018, the Minister of Municipal Affairs issued a call for applications for the Environmental Quality funding stream of the Green fund. This is the main source of funding for water and wastewater projects. Project eligibility will be determined using an outcomes-based approach, rather than asset type as was the practice in the past. Outcomes sought under the Environmental Quality stream are:

- Increased capacity to treat and/or manage wastewater and stormwater
- Increased access to potable water
- Increased capacity to reduce and/or remediate soil and/or air pollutants

Approved projects will receive 40% federal and 33% provincial cost sharing, with municipalities covering the remaining 27%. Each municipality may submit no more than two applications. This round of funding targets projects that can begin in 2019-20 or 2020-21. Projects over \$10 million will be required to submit a climate lens report that assesses GHG mitigation and climate change resilience, and a community employment benefits report that describes how the project improves employment levels for under-represented groups.

In January 2018 Council designated the **Herring Cove water servicing project Phase 2B** as HRM's top water and wastewater priority for Phase 2 of the ICIP program. The Herring Cove project has a long history, beginning in 1999 when Council extended water service to the area because of the co-location of a Harbour Solutions Wastewater Treatment Facility. Phase 1A, 1B and 2A were completed by 2008, but the remainder of the project did not proceed due to escalating construction costs and insufficient budgets. In 2014 Phase 2B was submitted for funding consideration to the Building Canada Fund but was not approved. It was submitted again in 2016 under the ICIP Clean Water and Wastewater Fund and was this time approved, but with a substantially smaller federal and provincial cost share as insufficient funds were available in the Clean Water and Wastewater Fund. Given this significant funding shortfall HRM withdrew the project with the stipulation it be re-submitted as the top priority water project.

The scope of the Phase 2B project will install 1500 metres of water main, 2200 metres of wastewater pipe, two wastewater pumping stations and all related appurtenances. The initial design was completed in January 2017 and estimated the total project cost at \$7.3 million. If approved, the federal contribution would be \$2.9 million and the provincial contribution would be \$2.4 million, leaving HRM to recover \$2 million via Local Improvement Charges (LIC). In January 2018 HRM staff estimated the LIC at approximately \$28,000 per property if the same levels of federal and provincial funding were received.

The Herring Cove area has experienced ongoing water quality issues, one factor in the 1999 decision to locate the wastewater treatment plant there and connect properties to the water system. The completion of Phase 2B would complete the servicing of the core community area, addressing issues of equity and water quality. In doing so it would achieve the ICIP outcomes of increased access to potable water, and increased capacity to treat and manage wastewater and stormwater.

Halifax Water oversees some of Canada's oldest water and wastewater infrastructure. Approximately \$2.6 billion is required over the next 30 years to maintain and upgrade the system. Halifax Water's budget is mainly funded by ratepayers and the utility works to ensure rates remain affordable and customers are protected against steep and sudden increases. However there are a number of cost pressures and capital requirements facing the utility. Federal/provincial infrastructure funds present an opportunity to mitigate the impact of capital budget increases on ratepayers.

The recommended project for Halifax Water for the current ICIP "call for applications" is the **Halifax Peninsula Water Transmission Main System Expansion and Upgrade**. The scope of this project is estimated at \$9,900,000 with \$9,730,000 being eligible for federal/provincial cost sharing.

The work consists of strategic expansion and upgrades to the Halifax central peninsula area water transmission main system to increase the flow capacities and improve supply redundancy and system reliability in the water supply system for peninsular Halifax.

The first component of the project includes approximately 1900 metres of 500 mm diameter water main in a critical north/south connector between Young Street and Quinpool Road to provide connectivity between to the two primary transmission feeds to the peninsula that will result in improved capacity, resiliency and reliability for water supply. The installation of a new transmission main will strengthen the link between the North End Feed Supply with the Chain Control Supply. The new transmission main will replace existing small diameter mains that have reached the end of their expected service life.

The second component of the project involves the replacement and upsizing of the existing 600mm Peninsula Low South Transmission Main with a new 750mm diameter main and the replacement and upsizing of the 375mm Peninsula Intermediate Transmission Main with a 500mm main along the Churchill Drive/Roosevelt Drive corridor. The replacement length is approximately 800 metres subject to final design. The two mains are located within the same trench. It is expected that the new larger mains would be installed along the alignment within an expanded trench. This is an extension of similar work that was successfully completed in 2017 to upsize the Chain Supply Transmission Mains. This work is part of a multi-phase, long-term plan to fully upgrade the transmission main capacities from Chain Control to the Halifax Commons.

FINANCIAL IMPLICATIONS

There are no expected long term financial implications to HRM for either the Herring Cove or Peninsula Transmission Main projects. The HRM costs associated with the development of a new Local Improvement Charges (LIC) By-law for the Herring Cove project can be accommodated within the approved 2018/19 operating budgets for Finance & Asset Management and Legal Services. The cost of the Herring Cove water extension project will be covered by federal and provincial funding and the Local Improvement Charge (LIC). The cost of the Transmission Main project will be covered by federal and provincial funding and Halifax Water ratepayers.

RISK CONSIDERATION

The risks in this report are rated Low.

COMMUNITY ENGAGEMENT

If the Herring Cove project is approved for funding, a public meeting will be held with community residents regarding the LIC.

ENVIRONMENTAL IMPLICATIONS

The completion of Herring Cove Phase 2B would complete the servicing of the core community area, addressing issues of equity and water quality and achieving the ICIP outcomes of increased access to potable water, and increased capacity to treat and manage wastewater and stormwater. The Halifax Peninsula Water Transmission Main System Expansion and Upgrade will achieve improved capacity, resiliency and reliability for water supply in the Intermediate zone.

ALTERNATIVES

Council could choose to submit no applications or applications for projects other than the Herring Cove and Halifax Peninsula Transmission Main projects. HRM is limited to submitting 2 applications.

Council could choose not to proceed with the Herring Cove application. This is not recommended as it has been submitted several times and was eventually approved in 2016, although with insufficient funds. The ICIP is the only current opportunity to complete the work.

Council could choose not to proceed with the Halifax Peninsula Water Transmission Main Expansion & Upgrade application. Replacing the Halifax Water project with an HRM service extension would require HRM to undertake any associated risks and impose an LIC on a community, as well as increasing the capital cost burden to Halifax Water ratepayers.

ATTACHMENTS

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

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