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Item No. 12.2.2
Audit & Finance Standing Committee
Special Meeting
January 19, 2021

TO: Chair and Members of Audit & Finance Standing Committee

-Original Signed-

SUBMITTED BY:

Kelly Denty, Director, Planning and Development

-Original Signed-

Jacques Dubé, Chief Administrative Officer

DATE: December 3, 2020

SUBJECT: Cathedral Lane Sewer Separation – Budget Increase

ORIGIN

Approved 2020-2021 Recast Capital Plan

LEGISLATIVE AUTHORITY

Section 93(1) of the Halifax Regional Municipality Charter provides that - The Council shall make estimates of the sums that are required by the Municipality for the fiscal year.

Section 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.”

Section 79A (1) of the Halifax Regional Municipality Charter provides that “Subject to subsections (2) to (4), the Municipality may only spend money for municipal purposes if the expenditure is included in the Municipality’s operating budget or capital budget or is otherwise authorized by the Municipality.”

Section 5 of the Financial Reserves Administrative Order 2014-015-ADM provides that “The Audit and Finance Standing Committee shall review and recommend to the Council for its consideration all impacts to the Reserves.”

RECOMMENDATION

It is recommended that the Audit & Finance Standing Committee recommend that Halifax Regional Council:

- 1) Authorize a budget increase of \$375,000 to Capital Project No. CT200009 – Wastewater Oversizing; and
- 2) Authorize an unbudgeted reserve withdrawal of \$375,000 from Q421 – General Contingency Reserve.

BACKGROUND

The South Park – Cathedral Lane sewer separation project involves the installation of new storm sewer along South Park Street, University Avenue and then to the end of Cathedral Lane.

The above is an outcome of HRM's 2017 Regional Centre Wastewater Servicing Capacity Analysis (LoWSCA) study. This project addresses local and regional sewer capacity issues and is key to facilitating growth. This project is the first part of the program for the Spring Garden Road pocket and is the downstream receiving sewer of future planned sewer separation work along College Street. Being the downstream component makes this project a priority in order to enable future planned development.

DISCUSSION

Halifax Water's Infrastructure Master Plan took into consideration the outcomes of the LoWSCA study and included identifying work required to accommodate growth on both a regional (Halifax Water responsibility) and local level (Developer responsibility via HRM).

It is noted that Cathedral Lane was not included as a preferred option/route in the 2017 LoWSCA study. The route has changed from the study as a result of the detailed engineering process. The new route provides an optimal solution stemming from the engineering process and is the most cost-effective solution. The route change still achieves the LoWSCA study's objective to provide the required local sewer capacity needed for growth.

The South Park – Cathedral Lane Sewer Separation was tendered by Halifax Water in the summer of 2020 for construction in 2021. The project is jointly funded with HRM based on the pre-tender construction cost estimate; HRM's cost share was calculated to be \$778,000 (Net HST included). The overall project estimate was \$2.96 million (Net HST included).

Unfortunately, the tender results have placed the project significantly over budget at \$4.75 million. Halifax Water, along with their consultant, have completed a full bid analysis and cost comparison. Considering the outcome of the bid analysis and cost comparison review, it has been concluded that the tendered results are indeed a reasonable competitive fair market value for the proposed work and that the cost difference can be attributed to the construction industry's valuation of the work and the risks involved.

A cost sharing agreement was finalized between HRM and Halifax Water based on the pre-tender cost estimate of \$778,000. As per the tender results, HRM's share has increased from \$778,000 to \$1.25 million. Therefore, additional funding as discussed in the Financial Implications section of this report is required. The tender cannot be awarded until all budget approvals are in place.

HRM's share of this project represents the developer's share of the wastewater infrastructure oversizing along key growth corridors within the Regional Centre, and the 2020/21 capital budget anticipated that the Developer share would be recovered through an LIC collected as properties develop along the corridors.

FINANCIAL IMPLICATIONS

Capital Project No. CT200009 – Wastewater Oversizing is the funding source for Cathedral Lane Sewer Separation and currently has \$900,000 available. Additional funding in the amount of \$375,000 is required to fund this project. Funding is available in Q421 - General Contingency Reserve. The asset will be owned by Halifax Water, and the expenditure is strictly not a capital cost to HRM and will be recovered from a Local Improvement Charge.

Budget Summary:

Wastewater Oversizing - CT200009

Cumulative Available Balance	\$ 900,000
Add: Transfer from Q421 – General Contingency Reserve	\$ 375,000
Balance	\$1,275,000

Reserve Q421 – General Contingency Reserve

Net projected available balances	\$37,925,092
Less: Unbudgeted Reserve withdrawal	\$ 375,000
Balance	\$37,550,092

RISK CONSIDERATION

Construction prices have experienced significant increases in the past year. As noted within the Discussion section, the tender price was significantly higher than the estimated price. Given the current uncertainty due to COVID-19 and the provincial state of emergency, the project cost could experience further increases if it's tendered at a later date.

The Regional Centre is experiencing several concurrent development projects with more coming online in the following years. Delaying this project could put limits on the development activity within the Regional Centre as the wastewater system is inadequate to sustain continuous development and densification.

ENVIRONMENTAL IMPLICATIONS

No environmental implications have been identified as part of this report.

ALTERNATIVES

The Audit and Finance Standing Committee could decide not to approve the additional budget required for the growth component of the Cathedral Lane Wastewater project. This is not recommended for the reasons outlined in this report.

ATTACHMENTS

None

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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