




PO Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

2.

Halifax Regional Council
April 6, 2004

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:



Brad Anguish, P. Eng., Director of Environmental Management Services

DATE: March 25, 2004

SUBJECT: Canada Strategic Infrastructure Fund - Incremental Funding

INFORMATION REPORT

ORIGIN

This report originates from the Federal announcement on March 19, 2004 that an additional \$30 million of funding from the Canada Strategic Infrastructure Fund would be applied to the Halifax Harbour Solutions Project.

BACKGROUND

On Tuesday, March 10, 2004 Halifax Regional Council approved Phase 2 of the Harbour Solutions Project, approving the staff recommendation to enter into an agreement with D&D Water Solutions Inc. to design, construct and commission the three sewage treatment plants. The approval is conditional on the Halifax Regional Municipality receiving substantial incremental funding from the Federal government and receiving, from its insurance advisor, confirmation that the terms and conditions of the final insurance package are appropriate, given the nature of the project and current market conditions.

On March 15, 2004 Mayor Peter Kelly wrote to Federal Minister Scott requesting an additional \$30 million contribution to the Harbour Solutions Project from the Strategic Infrastructure Fund. (Appendix 1)

On March 19, 2004 the Honourable Geoff Regan, Minister of Fisheries and Oceans, announced that the Government of Canada will provide an additional \$30 million in federal funding for the Project. The originally announced \$30 million of federal funding for the Project is governed by the *Canada - Halifax Regional Municipality Agreement: Halifax Harbour Solutions Project*; in due course this agreement will be amended to reflect the terms of the additional funding.

DISCUSSION

The additional \$30 million of Federal Funding will be applied to the Sewage Treatment Plants (STPs) to be constructed in Herring Cove and Dartmouth. At the time this additional funding was announced, the Harbour Solutions Financing Plan included sufficient funds to build these plants with the associated debt to be repaid from the Environmental Protection Levy. The application of the Federal funds to these plants allows HRM to redeploy \$30 million to complementary projects.

These projects will greatly enhance HRM's strategic efforts toward a "Healthy, Sustainable and Vibrant Community" and will specifically improve performance in preserving the environment and protecting public health. The proposed timing of these projects are shown in Appendix 1, as attached to the Mayor's letter of March 15, 2004. The complementary projects are:

1. Diffuser ratio upgrade for Harbour Solutions Project in Halifax and Dartmouth;
2. Combined sewer overflow prevention;
3. Pumping stations upgrades/wet weather flow solutions; and
4. Central Biosolids De-watering facility (Lagoon phase-out).

With the exception of the diffusers, each of these projects require some degree of study, detailed planning and prioritization before work can be started. As always, approval by Regional Council will be sought for each and every project proposed by staff within the parameters established by Infrastructure Canada.

BUDGET IMPLICATIONS

Due to the redeployment of funds as discussed above, there are no budget implications.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

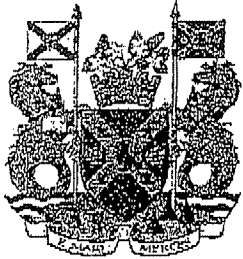
APPENDIX

Appendix 1 - Mayor Kelly's letter of March 15, 2004 to The Honourable Andy Scott.

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Howard Barnes, Financial Consultant, CMA, Harbour Solutions Project - 490-6468
 Ted Tam, P. Eng., Project Manager, Harbour Solutions Project - 490-6130

Halifax Regional Municipality



Peter J. Kelly

Mayor

1841 Argyle Street
PO Box 1749
Halifax, Nova Scotia
Canada B3J 3A5

Tel: (902) 490 - 4010
Fax: (902) 490 - 4012
Email: kellyp@region.halifax.ns.ca

www.region.halifax.ns.ca
www.halifax.ca



Printed on recycled paper

Appendix 1

March 15, 2004

The Honourable Andy Scott
Minister of State responsible for Infrastructure Canada
Infrastructure Canada
90 Sparks Street, Suite 605
Ottawa, Ontario K1P 5B4

Dear Minister Scott:

Re: Halifax Harbour Solutions Project Incremental Funding

On Tuesday, March 10, 2004, Halifax Regional Council approved entering into an agreement for Phase 2 of the Harbour Solutions Project, with D&D Water Solutions Inc. to design, construct and commission the three sewage treatment plants. The approval is conditional on the Halifax Regional Municipality (HRM) receiving substantial incremental funding from the Federal government and receiving, from its insurance advisor, confirmation that the terms and conditions of the final insurance package are appropriate, given the nature of the project and current market conditions.

It is anticipated that the substantial incremental funding from the Federal government will comprise of an additional \$30 million contribution to the Halifax Harbour Solutions Project from the Strategic Infrastructure Fund. It is proposed that these funds be applied against the cost of the Dartmouth and Herring Cove Sewage Treatment Plants as detailed in Appendix A.

This additional contribution toward the Harbour Solutions Project will enable HRM to advance incremental and much needed wastewater projects (detailed in Appendix B) to further protect our watersheds and ultimately achieve the water quality objectives for Halifax Harbour. With the exception of the pumping station upgrades, the projects in Appendix B were envisioned in the original scope of the Harbour Solutions Project but could not proceed due to a lack of funding.

Appendix B provides the description of each of the HRM projects with their projected cash flow and timing. The

Page 2

The Honourable Andy Scott

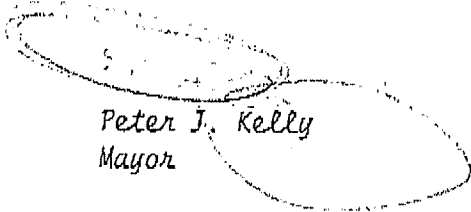
March 15, 2004

combined sewer overflow prevention and pumping station upgrade projects will minimize the pollutants entering into our receiving water and, at the same time, convey, as much as possible, the pollutants to the sewage treatment plants. The diffusion ratio upgrades will enable the treatment plant effluent to be discharged in a manner that will significantly decrease the impact of effluent in the direct vicinity of the receiving water. Implementation of a biosolids dewatering facility will enable all HRM biosolids to be processed to a USEPA Class A standard and will enable the phase out of the biosolids lagoon, thus eliminating a huge volume of methane (>10,000,000 cu. ft) that is released to the atmosphere annually.

Implementation of these complementary projects will greatly enhance HRM's strategic efforts toward a "Healthy, Sustainable and Vibrant Community", and will specifically improve performance in preserving the environment and protecting public health. The additional Federal funding contribution to the Harbour Solutions Project will clearly enable the implementation of these important projects for HRM that could not have otherwise proceeded.

If you require any further information, please do not hesitate to contact me.

Respectfully, I remain


Peter J. Kelly
Mayor

/km
attach

cc George McLellan, CAO
Dan English, DCAO
Brad Anguish, Director, Environmental Management Services
Ted Tam, Project Manager, Harbour
Members of Halifax Regional Council

*Appendix A**Strategic Infrastructure Fund Contribution Areas*

<i>Additional funding</i>	<i>Eligible costs</i>	<i>Federal Gov't Contribution</i>	<i>2004-05</i>	<i>2005-06</i>	<i>2006-07</i>
<i>Dartmouth Sewage Treatment Plant</i>	<i>\$45,481,000</i>	<i>\$20,000,000</i>	<i>\$1,750,000</i>	<i>\$18,250,000</i>	
<i>Herring Cove Sewage Treatment Plant</i>	<i>\$32,839,000</i>	<i>\$10,000,000</i>		<i>\$8,250,000</i>	<i>\$1,750,000</i>
<i>Total</i>	<i>\$78,320,000</i>	<i>\$30,000,000</i>	<i>\$1,750,000</i>	<i>\$26,500,000</i>	<i>\$1,750,000</i>

Appendix B

Projects that will be carried out with additional Federal Strategic Infrastructure Funding

Brief Description of Additional Projects	2004-05	2005-06	2006-07	2007-08	Total
Diffusers Ratio Upgrade	\$1,400,000	\$1,100,000			\$2,500,000
Combined Sewer Overflow Prevention	\$500,000	\$4,500,000	\$5,000,000	\$5,000,000	\$15,000,000
Pumping Stations Upgrades/Wet Weather Flow Solutions	\$500,000	\$3,000,000	\$3,500,000	\$2,000,000	\$9,000,000
Central Biosolids Dewatering Facility (Lagoon Phase-out)	\$1,000,000	\$2,500,000			\$3,500,000
Total	\$3,400,000	\$11,100,000	\$8,500,000	\$7,000,000	\$30,000,000