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Halifax Regional Council
June 22, 2004
COMMITTEE OF THE WHOLE

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:

A handwritten signature in black ink, appearing to read "George McLellan".

George McLellan, Chief Administrative Officer

A handwritten signature in black ink, appearing to read "Brad Anguish".

Brad Anguish, Director Environmental Management Services

DATE: June 14, 2004

SUBJECT: Sustainable Community Reserve Business Case

ORIGIN

Borrowing requirements for the Harbour Solutions project.

RECOMMENDATION

It is recommended that :

1. Council approve in principle, the borrowing of \$20 million from the Federation of Canadian Municipalities' Green Municipal Investment Fund for a ten year term at an interest rate of 1.5% below the applicable Government of Canada bond rate.
2. Council approve the reserve business case for the Sustainable Community Reserve as outlined in the attachment to this report.

BACKGROUND

The Harbour Solutions project requires \$130 million in borrowing:

- \$110 million is anticipated to be borrowed from the Nova Scotia Municipal Finance Corporation
- \$20 million to be borrowed from the Federation of Canadian Municipalities' Green Municipal Investment Fund.

DISCUSSION

Halifax Regional Municipality, its residents and businesses, have demonstrated continuing leadership within the community, nationally and internationally in terms of support for environmental initiatives. Examples include the introduction of an innovative solid waste management system, a comprehensive pesticide use reduction and related public education program, the Harbour Solutions Project, and efforts towards a new Water Resources Policy. Regional Planning includes a key environmental component and other environmental strategies such as climate change, greenhouse gas reduction and pollution prevention (P 2) at source are underway as well.

Communities must be sustainable and these and related efforts support the corporate scorecard theme of a, "healthy, sustainable, vibrant community." Feedback from the public, including the HRM Naturally Green Newsletter, confirms the importance of a healthy sustainable environment. It can often be difficult to fund these types of start-up and leading edge environmental initiatives, therefore HRM needs innovative ways to help finance green initiatives that lead to quality community living through enhanced land, air and water quality.

Staff have recommended that a portion of the financing for the Harbour Solutions Project be obtained through reduced interest rate borrowing from the Federation of Canadian Municipalities' (FCM) Green Municipal Investment Fund (GMIF). FCM's Green Municipal Funds normally lend money at 1.5% less than the applicable Government of Canada bond rate. Under special arrangement, FCM requires HRM to make actual interest payments at this special, reduced interest rate. The difference between that subsidized rate and the rate that is paid on the remainder of Harbour Solutions' permanent financing must be dedicated to activities that support the general objectives of FCM's Green Investment Fund. This will be accomplished by contributing this interest differential to the Sustainable Community Reserve. The interest rate differential is expected to initially contribute approximately \$400,000 annually to the Reserve. This will help fund important and beneficial environmental projects with no impact on general tax rates.

The attached Business Case provides an initial project plan, a prerequisite of the FCM. The projects are listed and briefly described in Attachment "A" to the Business Case - "List of FCM Approved Projects". As required and approved by the FCM, criteria for future project selection are presented in Attachment "B" to the Business Case - "Criteria for Candidate Projects".

BUDGET IMPLICATIONS

The principal and interest on the FCM loan will be funded from the Environmental Protection levy component of the pollution control charge.

There are no budget implications associated with the establishment of the Reserve. Funding will come from interest savings on the loan from FCM's Green Municipal Investment Fund.

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.

ALTERNATIVES

None

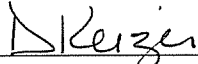
ATTACHMENTS

Sustainable Community Reserve Business Case

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: Stephen King, Manager and Senior Advisor, Environmental Management Services

Howard E. Barnes, CMA, Financial Consultant, Harbour Solutions Project

Report Approved by: 
for S. Dale MacLennan, CA, Director, Financial Services

Reserves Business Case

Halifax Regional Municipality • Corporate Services • Finance Division • 490-4446 • Fax: 490-6238

Date: June 7, 2004

Contact: Brad Anguish, Director, Environmental Management Services

HRM Sustainable Community Reserve

Purpose

Under the terms of the agreement with the Federation of Canadian Municipalities (FCM), the Sustainable Community Reserve will be used to fund activities that support the general objectives of FCM's Green Municipal Investment Fund (GMIF).

Sources of Funds

While the initial source of funds for this reserve is FCM's Green Municipal Investment Fund, other potential sources are identified for the future development and expansion of the fund.

Primary Funding

FCM Green Municipal Investment Fund:

The Halifax Harbour Solutions Project is borrowing \$20 million from the FCM's Green Municipal Investment Fund for a ten year term at a reduced interest rate. The difference between that subsidized rate and the rate that is paid on the remainder of Harbour Solutions' permanent financing must be dedicated to activities that support the general objectives of FCM's Green Investment Fund. This will be accomplished by contributing this interest differential to the Sustainable Community Reserve.

Potential Funding

1. Corporate Contributions:

HRM regularly partners with local and national businesses and organizations to implement community programs, organize special events, and educate the public. Corporate donations will be solicited to support this reserve, with appropriate recognition of companies that want to support the municipality and its residents to act in more environmentally sustainable ways.

2. Public Partnerships:

Federal, provincial and public agencies have matching funding programs for environmental projects. This reserve could provide matching and/or seed funding to help leverage funding from these other sources, enabling other opportunities. The matching funds from non HRM agencies would be administered through the Sustainable Community Reserve.

3. In-Kind Opportunities:

HRM may participate in environmentally sustainable projects through contributions in-kind. This reserve will function as a repository for cash contributions from partners.

4. Financial Savings:

The reserve may invest in projects with environmental goals such as reducing greenhouse gas emissions. For example, should a project reduce greenhouse gas emissions through reduced use of fossil fuels, financial returns will be generated through fuel savings and potential future sales of Emission Reduction Credits (ERC). There is an expectation that some or all of the funds advanced will be repaid. This will serve to preserve these reserve funds.

Application of Funds

Initially, funds will be applied against the list of projects in Attachment “A”. Thereafter, “The Criteria for Candidate Projects” per Attachment “B” will apply regarding application of funds for the balance of the reserve.

Time Line

The Sustainable Community Reserve is initially structured to complement the 10-year term of FCM financing for the Harbour Solutions Project. The reserve will be managed to acquire new corporate and partnership monies.

Management of Reserve Funds

The HRM Sustainable Community Reserve funds are managed the same as other HRM reserves:

- cash balances are pooled and invested to generate maximum interest through HRM’s global cash management plan;
- funds are accounted for separately in both HRM systems and audited financial statements;
- all disbursements are tightly controlled by the Reserve Team of Financial Services and must follow the terms of the approved Business Case.

Approval Process

Environmental Management Services (EMS) in consultation with Financial Services is responsible for ensuring the availability of funds and appropriateness of expenditures. EMS, with recommendations from HRM’s Environmental Initiatives Group (EIG)* and in accordance with the terms of the FCM GMIF Agreement, will deliver multi- year project lists for funding from the reserve. These projects will be reviewed by the Scorecard Theme Team (Healthy,

Sustainable, Vibrant Communities) and Regional Council during the annual HRM budget cycle. The identified funding source will be from the Sustainable Community Reserve.

* Staff are presently reviewing the role and mandate of the HRM Environmental Initiatives Group (EIG). This includes preparing a Terms of Reference that would enable the EIG to best meet the needs as the internal environmental stakeholders advisors group. This includes a staff governance role around project review and selection from the reserve.

Attachments

1. Attachment “A” - List of FCM Approved Projects
2. Attachment “B” - Criteria for Candidate Projects
3. Attachment “C” - Sustainable Community Reserve Projection

Approval

CAO

Attachment "A" - List of FCM Approved Projects

Pollution Prevention (P₂ at source)

HRM will focus on a source control program targeted at both residential and commercial sources of liquid waste discharge, which may impact the fresh and marine water resources within HRM. The approach is supported by the recently approved By-Law W-101, which regulates at-source, the discharge of wastewater to both storm and sanitary sewer systems. The program will consist of inspections, audits, monitoring and enforcement for the industrial, institutional, and commercial sectors. The pollution prevention initiative (intended to minimize strain on the new STP system) constitutes the largest single proposal among the reinvestment projects.

(Total estimated cost over 3 years: **\$540,000**)

Alternate Transportation and Connections

The Macdonald bridge is the only on-road bicycle connection between Dartmouth and Halifax. Although the bridge was designed to accommodate cyclists, the bicycle facilities at either end of the bridge do not allow cyclists to easily access the bridge or to safely re-enter traffic after crossing. This project is designed to improve cycling access to the bridge and encourage more use of active transportation.

(Total estimated cost: **\$400,000**)

Bio-diesel and Recycled Fuel

This project involves the use of bio-diesel fuel in HRM's corporate and public transit fleets, and a corresponding waste oil recovery and reuse program for hot water and space heating in some of HRM's major facilities. Bio-diesel will be manufactured locally using waste oils from fish processing plants to provide fuel for a 20 per cent bio-fuel content in diesel vehicles. An initial study would be conducted to confirm process and implementation strategy for the reuse of waste vehicle oil in existing oil-powered boilers, as well as modifying boilers for hot water and space heating to accept an 80 per cent bio-diesel mix.

(Total estimated cost: **\$125,000**)

Emission Reduction - Public Transit Buses

HRM's public transit fleet includes a series of vehicles built in the early 1990's that have 6-10 years of useful life remaining but which emit high levels of particulate matter and other pollutants. HRM is currently testing 5 vehicles with a new catalytic muffler to verify the actual emissions reductions resulting from their use but funding is not available to install the catalytic units on the rest of the fleet. It is proposed to install the units on 20 vehicles in 2004-2005 and an additional 30 vehicles in 2005-2006, at a cost of \$2500 per unit.

(Total estimated cost over 2 years: **\$125,000**)

Commuter Trip Reduction Program

New development, particularly in rural areas of HRM, has resulted in a significant increase in traffic volumes. Due to the rural/sub-urban/urban mix of HRM's development, it will be necessary to employ a variety of transportation demand management techniques to reduce single occupancy vehicle use. This program will work with major employers in the Region (including HRM) to reduce private vehicle use through public transit, cycling and walking, car and van pooling, telecommuting, condensed work weeks, flexible work hours, more efficient land use planning, maximum parking

requirements, preferential parking for multi-occupant vehicles, park and ride facilities for transit, etc.
(Total estimated cost: **\$100,000** over 2 years)

District Energy Concept

This project builds on a concept study conducted in 2000 for a district energy system in HRM, and on further feasibility studies currently being undertaken by Heritage Gas. HRM intends to pursue a detailed strategic plan for the development of natural-gas based, combined heat and power district energy system. Construction of the system may be partially funded by the Sustainable Community Reserve in future. More specific details will be articulated upon receipt and review of the geo-technical and feasibility studies on the Harbour crossing presently being completed by Heritage Gas.

(Total estimated cost: **\$80,000** for studies and strategic plan)

Whole Systems Methodology (TNS)

HRM is currently engaged in staff training and the completion of a preliminary Sustainability Analysis using The Natural Step (TNS) framework, with the support of TNS Canada staff. Using funds from the Sustainable Community Reserve, HRM will move forward with the opportunities identified in the corporate wide sustainability analysis to further incorporate the framework into decision making and long-term strategic planning. Activities will include: identification of risks, priorities, sustainability gaps; continuation of corporate training and awareness; development of a corporate mind-set regarding sustainability; and developing a whole-systems approach strategy for community planning.

(Total estimated cost: **\$50,000** with potential to allocate additional funds in future years to further stages of TNS based planning)

Anti-idling Program

This proposal would develop an anti-idling program for HRM, using a community-based social marketing approach. Consultants will be engaged to identify local areas of significant idling behaviour, conduct a survey to determine attitudes, knowledge, and awareness, develop an anti-idling communications strategy and materials, implement a public awareness campaign, engage corporate fleet managers (including HRM staff), and measure the effectiveness of the program in reducing idling incidents and idling time.

(Total estimated contribution from Reserve fund: **\$40,000** with additional contributions from other sources)

Pollution Prevention (Flush-less Project)

Building on the success of a phase I project (already completed), the flush-less project will deliver a program of home visits to 150 residents of Fall River/Lake Fletcher/Wellington area of HRM to educate homeowners on the proper use and maintenance of septic systems and wells. Targeted information will be distributed to an additional 150 homes to cover all residences utilizing septic systems. The objective is to reduce the incidence of septic system failures, which threaten drinking water sources, public health, and environmental quality.

(Total estimated contribution from Reserve Fund: **\$20,000**; total estimated cost: **\$65,000** including in-kind and cash contributions from provincial and federal sources)

Attachment “B” - Criteria for Candidate Projects

Project Selection Process (Project Review Panel)

Environmental Management Services will put in place a project review and approval process and will establish project application requirements, procedures and time lines. This could be carried out through the existing Environmental Initiatives Group. It is planned to put in place a redefined Terms of Reference for this committee, including an internal governance role regarding the Sustainable Community Reserve (please see Attachment).

General Criteria for Project Consideration:

1. The HRM Sustainable Community Reserve is not intended to support ongoing HRM operating and capital infrastructure programs.
2. Projects must support the corporate theme of healthy, sustainable vibrant communities.
3. Project applications are encouraged that benefit all of HRM and representative (wherever possible) of all districts, rural, urban, suburban.
4. Proposed projects must clearly demonstrate the direct environmental benefits to HRM. This includes specific deliverables, targets and measurable results.
5. In any one fiscal year no single project shall access more than 50% of the total available funding from the Reserve for that fiscal year (April 1 - March 31).
6. Recognizing the importance of proper planning and actual implementation of projects, every effort will be made to maintain a balance between planning and implementation projects. The Project Review Panel will establish some general guidelines and parameters around this matter.
7. A Project Review Panel will be established to review and select project proposals that meet the criteria for funding from the Sustainable Community Reserve.

Based on the Environmental Issues Statement of Principles in the Federation of Canadian Municipalities’ Ten Point Action Plan for Sustainable Communities, projects will be selected that to the maximum extent possible:

1. Encourage long-term sustainable community planning,
2. Take a pollution prevention approach to use resources more efficiently and minimize polluting emissions,
3. Promote the principles of user-pay and full cost accounting,
4. Integrate planning between municipal departments to achieve maximum benefits,
5. Include strong consultation with relevant stakeholder groups and the public at large, and
6. Achieve measurable reductions in the use of non-renewable resources or the production of greenhouse gases and other priority pollutants to air, water, and soil.

Attachment "C"

**Sustainable Community Reserve
Source and Application of Funds
Beginning in Fiscal 2004/05**

Fiscal	2004/05	2005/06	2006/07	2007/08	2008/09
Opening balance	\$0	\$13,231	\$29,013	\$24,749	\$1,065
Interest rate differential	\$212,850	\$415,100	\$395,000	\$375,700	\$356,000
Other contributions	\$0	\$0	\$0	\$0	\$0
Interest	\$381	\$682	\$736	\$616	\$632
Approved projects	(\$200,000)	(\$400,000)	(\$400,000)	(\$400,000)	(\$350,000)
Closing balance	\$13,231	\$29,013	\$24,749	\$1,065	\$7,697