



PO Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

10.

Halifax Regional Council
September 28, 2004

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:

A handwritten signature in cursive script, reading "S. Dale MacLennan", written over a horizontal line.

S. Dale MacLennan, CA, Director of Financial Services

A handwritten signature in cursive script, reading "Brad Anguish", written over a horizontal line.

Brad Anguish, P.Eng, Director of EMS

DATE: September 23, 2004

SUBJECT: **Environmental Protection (EP) Reserve Status Update**

INFORMATION REPORT

ORIGIN

On November 26, 2002, Councillor Dawn Sloane requested a staff report addressing the segregation of the funds related to the Harbour Solutions Project and accountability for the use of monies within that fund. An information report was provided on March 4, 2003, however, additional information has been requested.

BACKGROUND

The specific councillors request requires the following information:

How much has been collected/spent from the EP Reserve for the:

- Harbour Solutions Project;
- Existing Sewage Treatment Plants (STPs) and collection systems; and
- What is the division of the reserve balances as at March 31, 2004.

Council receives quarterly and annual financial reports on the reserves. The last detailed update for this reserve presented to Council was submitted as an information report in November 2002. This report is an update and progression to separate reporting of the two administrative components of the EP Reserve (*Harbour Solutions and existing STPs & collection systems*).

DISCUSSION

The opening reserve balance at April 1, 1996 was \$45,065,538. By March 31, 2004, the balance has grown to more than \$89 million. Over the years, the levy has raised over \$177 million and interest and miscellaneous sources have added another \$32 million. Expenditures of \$120 million have funded the Harbour Solutions Project, existing STPs and collections systems, annual reserve provisioning for Wastewater Treatment plants- Infra-Structure replacement reserve Q122 , and pre-amalgamation expenditures as previously reported. All expenditures related to both the Harbour Solutions Project and to STP's and collection systems have been consistent with the by-laws and the Reserve Business Case.

The following table provides details of the Reserve:

EPC RESERVE	<u>1973-1996</u> Pre- Amalgamation	<u>1996 - 2004</u> Post- Amalgamation	<u>1973-2004</u> Total
Sources:			
Levies	71,065,538	106,843,649	177,909,187
Misc. Revenue	-	2,000,000	2,000,000
Interest	<u>18,000,000</u>	<u>11,801,580</u>	<u>29,801,580</u>
Subtotal-Sources	<u>89,065,538</u>	<u>120,645,229</u>	<u>209,710,767</u>
Uses:			
Capital	16,000,000	36,166,297	52,166,297
Operating	28,000,000	35,117,448	63,117,448
Capital Upgrades - Current STP's	-	5,000,000	5,000,000
Subtotal -Uses	<u>44,000,000</u>	<u>76,283,745</u>	<u>120,283,745</u>
Closing Balance	<u>45,065,538</u>	<u>44,361,484</u>	<u>89,427,022</u>

Pre-Amalgamation

Prior to amalgamation, the levy raised \$71 million and interest added another \$18 million.

Pre-amalgamation expenditures of \$44 million have:

- paid for the operations of the existing sewage treatment plants
- enlarged and upgraded sewage systems
- maintained all sewage systems on a user pay basis
- consolidated sewage outfalls and constructed force mains in preparation for Harbour Solutions in the medium term while improving waterfront aesthetics in the short term
- funded improvements in existing sewage treatment plants
- constructed necessary sewage pumping stations
- included more than \$3 million for the earlier Halifax Harbour Cleanup effort

Post - Amalgamation

Following is a summary of the EPC reserve post-amalgamation:

EPC RESERVE 1996-2004 POST - AMALGAMATION	Harbour Solutions Project	Existing STP's & Collection Systems	Total
Sources:			
Levies	54,153,467	52,690,182	106,843,649
Misc. Revenue	2,000,000	-	2,000,000
Interest	<u>10,107,065</u>	<u>1,694,515</u>	11,801,580
Subtotal-Sources	<u>66,260,532</u>	<u>54,384,697</u>	<u>120,645,229</u>
Uses:			
Capital	21,954,866	14,211,431	36,166,297
Operating	362,060	34,755,388	35,117,448
Capital Upgrades - Current STP's	-	<u>5,000,000</u>	<u>5,000,000</u>
Subtotal - Uses	<u>22,316,926</u>	<u>53,966,819</u>	<u>76,283,745</u>
Net	43,943,606	417,878	44,361,484
Balance, March 31, 1996	45,065,538	-	45,065,538
Closing Balance	89,009,144	417,878	89,427,022

How much has been collected/spent from the EP Reserve for the Harbour Solutions Project?

The opening balance in the EP Reserve at amalgamation (\$45 million) has been allocated to the Harbour Solutions Project. Since April 1, 1996, \$54 million in levies were collected, \$12 million in interest & miscellaneous contributions received, \$22 million spent, and \$89 million is available and earmarked for the Project at March 31, 2004.

How much has been collected/spent from the EP Reserve for the existing STPs and collection systems?

Since April 1, 1996, \$53 million in levies were collected, \$2 million in interest received, \$54 million spent for:

Operating expenditures of \$35 million (1996-2004) for operational costs associated with HRM owned and operated sewage treatment plants, domestic water plant, sludge transport unit, biosolids stabilization lagoon and various interceptor sewers, pumping stations and associated forcemains.

Capital projects totalling \$14 million (details are available in Appendix A).

Additionally \$5 million, annual provisioning of \$1 million since 1999 has been transferred to the Infrastructure Replacement Reserve to fund upgrades and expansions of the existing wastewater treatment plants.

Balance of reserve funding available as at March 31, 2004 \$417,878.

What is the division of the reserve balances as at March 31, 2004?

Harbour Solutions Project -	\$89,009,144
STP upgrades, maintenance, and operation -	\$ 417,878

Future Directions

Staff are in the process of revising reserve business cases to facilitate separation of reserve balances and will return to Council to address minor administrative changes and to bring the revised business cases for approval. This will enhance accountability, visibility, and reporting for the above two components of the EP Reserve.

BUDGET IMPLICATIONS

None

MULTI-YEAR FINANCIAL IMPLICATIONS

None

ATTACHMENTS

Appendix A, Capital Expenditures Details from April 1, 1996 to March 31, 2004.

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: Holly Power-Garrett, CGA and Kellea Redden, CMA, Financial Consultants

Report Approved by: Dawn Keizer, CA, Manager, Service Delivery

Capital Withdrawals
1996 - 2004

Harbour Solutions Project	Capital Project Description	Total	03/04	02/03	01/02	00/01	99/00	98/99	97/98	96/97
CSE00386-CSE00402	Pollution Control-Halifax Harbour	21,954,866	12,600,895	3,149,997	2,273,974		3,375,000		375,000	180,000
Subtotal Harbour Solutions Project		21,954,866	12,600,895	3,149,997	2,273,974	0	3,375,000	0	375,000	180,000
Existing STPs & Collection Systems	Capital Project Description	Total	03/04	02/03	01/02	00/01	99/00	98/99	97/98	96/97
CGR00500	Source Control Program	70,000								70,000
CGI00015	Bedford Hwy Interceptor	50,000								50,000
CGR000371	Northwest Arm Sewer	150,000								150,000
CSR000389	Williams Lake Pumping Station	870,000								870,000
CSR000394	Sewer Outfall Cleaning	150,000								150,000
CSR000501	North St. Outfall Consolidation	500,000							500,000	
CSR000390	Roachs Pond-Pumping Station Panel & Forcemain	125,000							125,000	
CSR000394	Dartmouth Cove Outfall	6,331,000							1,411,000	4,920,000
CSR000505	North Preston Pumping Station	162,236								
CSR000507	Melville Cove Pumping Station	97,764								
CGR00539	Pumping Station and Forcemain Upgrades	521,960		212,218	6,310					
CSR000391	Anderson Street Pumping Station	561,472	311,472	0			250,000			
CSR000394	Bedford Hwy - Fishhatchery Pumping Station	1,000,000			11,900		1,000,000			300,000
CSR000505	Pollution Prevention Program	480,906	121,006				48,000			
CSR000507	Aerotech Lagoon	135,249					135,249			
CGR00539	Bissett Lake Pumping Station	502,000					502,000			
CSR000391	Mill Cove WPCP Improvements EPC	82,000					82,000			
CSR000503	Fall River STP Building	50,000					50,000			
CSR000624	Eastern Passage Forcemain	350,000					350,000			
CSR000802	Infiltration/inflow Reduction	539,059	243,503	40,906	4,650		250,000			
CSR000804	Hines Road Trunk Sanitary Sewer	936,813	121,881	354,942		9,990	450,000			
CSU00117	Sackville Sanitary Sewer System	225,969	58,570	138,399	2,510	29,000				
CSU00120	Quigley's Corner Pumping Station	1,300,286	1,766	536,170		759,840				
Note see below**	Freshwater Brook Sewer Inspection	14,209	10,383	3,826						
Note see below**	Morris Lake Pumping Station-Standby Power	12,819	12,819							
Note see below**	Budgeted Funds not required at project completion** and credited back to reserve account per policy	-1,007,311		-89,396	-120,948		-487,680	-309,287		
Subtotal Existing STPs & Collection Systems		14,211,431	1,184,832	1,197,065	-95,578	798,830	2,889,569	-309,287	2,336,000	6,210,000
Total Capital Funding-EP Reserve		36,166,297	13,785,727	4,347,062	2,178,396	798,830	6,264,569	-309,287	2,711,000	6,390,000

** These amounts reflect credits to the reserve re: capital funding and have not been specifically identified in this worksheet at a project level