



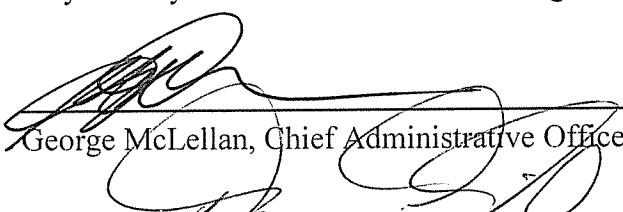
PO Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

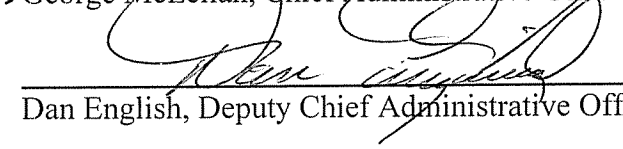
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Halifax Regional Council
January 25, 2005

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:


George McLellan, Chief Administrative Officer


Dan English, Deputy Chief Administrative Officer

DATE: January 19, 2005

SUBJECT: Canada Strategic Infrastructure Fund - Amended Agreement

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. Council received an Information Report entitled "Canada Strategic Infrastructure Fund - Incremental Funding" on April 6, 2004 outlining the projects covered under the additional \$30 million.

RECOMMENDATION

It is recommended that Halifax Regional Council authorize the Mayor and Municipal Clerk to execute the Amendment to the Canada-Halifax Regional Municipality Agreement on the Halifax Harbour Solutions Project (substantially in the form attached as Appendix #1) with Her Majesty The Queen in Right of Canada, for the funding of the design and construction of the sewage treatment plants in Dartmouth and Herring Cove, thereby allowing HRM to expand the project to provide incremental benefits.

BACKGROUND

On December 9, 2003, Council authorized the Mayor and Municipal Clerk to execute the Canada-Halifax Regional Municipality Agreement on the Halifax Harbour Solutions Project (HHSP). This agreement detailed the terms of Infrastructure Canada's \$30 million contribution toward the design and construction of the sewage collection systems and access roads in three communities and the design and construction of a sewage treatment plant in Halifax.

On March 10, 2004, Halifax Regional Council approved entering into an agreement with D&D Water Solutions Inc. to design, construct, and commission the three sewage treatment plants for the HHSP. One of the conditions for the approval was that HRM would receive substantial incremental funding from the Federal government.

On March 15, 2004, in a letter to the Minister of State responsible for Infrastructure Canada, from HRM, it was anticipated that the substantial incremental funding would be an additional \$30 million contribution to the Halifax Harbour Solutions Project. This additional contribution would enable HRM to advance incremental and much needed wastewater projects to further protect our watersheds and ultimately achieve the water quality objectives for Halifax Harbour.

On October 19, 2004, staff received confirmation from Infrastructure Canada that the Halifax Harbour Solutions Project contribution agreement was being amended to reflect the additional support being provided to this project (\$30 million) and that HRM is committing \$30 million of its funds to a watershed protection program.

At this time, Infrastructure Canada has submitted to HRM the amended agreement, incorporating its additional support to the Harbour Solutions Project.

DISCUSSION

The additional \$30 million of Federal Funding will be applied to the Sewage Treatment Plants to be constructed in Dartmouth and Herring Cove. 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" under the Corporate Scorecard and will specifically improve performance in preserving the environment and protecting public health. The proposed timing of these projects is shown at the end of Appendix 1. The complementary watershed improvement 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).

Work on the diffuser ratio upgrade in Halifax has commenced, in keeping with the schedule set out

for the Harbour Solutions Project. The first of the combined sewer overflow prevention projects (Duke and Salter Streets sewer separation) was before Council for approval in December. The remaining projects under the proposed program will 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

The Canada Strategic Infrastructure Fund will increase HRM's gross budget by \$30 million over fiscal years 2004/05 through 2006/07. The breakdown by year is as follows:

2004/05	\$ 1,750,000
2005/06	\$ 23,845,000
2006/07	\$ 4,405,000

There will be no impact on HRM's net budget as these funds will be disbursed for the watershed improvement projects.

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 reserve, as well as any relevant legislation.

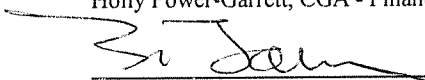
ALTERNATIVES

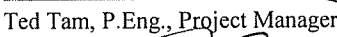
The partnership with Infrastructure Canada under the Canada Strategic Infrastructure Fund presents an extraordinary opportunity to address water quality objectives within HRM. Implementing the watershed protection projects without the support of the Canada Strategic Infrastructure Fund would require a much longer time frame and would place a burden on HRM's taxpayers. This approach is not recommended.

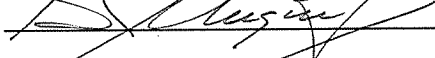
ATTACHMENTS

Appendix #1: Amendment to the Canada-Halifax Regional Municipality Agreement on the Halifax Harbour Solutions Project

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 - Financial Consultant - Harbour Solutions Project (490-4488)

Report Reviewed by:  Ted Tam, P.Eng., Project Manager, Harbour Solutions Project (490-6130)

Report Approved by:  Brad Anguish, P.Eng. - Director, Environmental Management Services (490-4825)

Report Approved by:  S. Dale MacLennan, CA - Director, Financial Services (490-6308)

CANADA – HALIFAX REGIONAL MUNICIPALITY AGREEMENT

HALIFAX HARBOUR SOLUTIONS PROJECT

2003-2004 / 2006-2007

AMENDMENT

THIS AMENDING AGREEMENT (the “Amending Agreement”) is entered in duplicate on _____,

BETWEEN: **HER MAJESTY THE QUEEN IN RIGHT OF CANADA**, represented by the Minister of State (Infrastructure and Communities) (“Canada”)

AND **HALIFAX REGIONAL MUNICIPALITY (“HRM”)**

BACKGROUND

The funding of the Halifax Harbour Solutions Project comes from a partnership among the Canadian, provincial and municipal governments. The original funding arrangement consisted of \$30 million from the federal government, \$30 million over 15 years and \$2 million in land from the Province and the balance of the \$333 million project provided by HRM. On March 19, 2004, the Canadian government announced an additional \$30 million contribution from the *Canadian Strategic Infrastructure Fund*. It is proposed that these additional funds will be applied against the cost of the Dartmouth and Herring Cove Sewage Treatment Plants.

This additional \$30 million in funding, for a project now totalling \$363 million, will enable HRM to advance incremental wastewater projects to further protect the watersheds and ultimately achieve the water quality objectives for Halifax Harbour. These projects include, combined sewer overflow retention and control measures, upgrades for the pumping stations, upgrade of the diffusion ratio for effluent discharged into the harbour waters, and a biosolids dewatering facility.

These additional projects will significantly improve the watershed’s infrastructure integrity, which helps mitigate contamination, achieve regulatory compliance, and ultimately, enable HRM to achieve its watershed quality objectives.

WHEREAS Canada provided \$3 billion in the 2003 Budget for infrastructure investments in Canada of which \$2 billion was allocated to the *Canada Strategic Infrastructure Fund Act* to go towards large-scale strategic infrastructure projects that emphasize partnerships with any combination of municipal, provincial, territorial governments, as well as the private sector;

AND WHEREAS on September 18, 2002, Canada informed HRM that the federal government would match the Province of Nova Scotia’s \$30 million financial contribution towards the Halifax Harbour Solutions Project;

AND WHEREAS on December 10, 2003, Canada and HRM signed an agreement (the “Original Agreement”) providing for up to \$30 million in federal funding for the completion of \$333 million in project components for the Halifax Harbour Solutions Project;

AND WHEREAS on March 19, 2004, Canada and HRM further announced the federal government would provide an additional \$30 million towards the Halifax Harbour Solutions Project to be funded under the *Canada Strategic Infrastructure Fund*;

AND WHEREAS Canada and HRM agree to amend the Original Agreement to reflect additional federal funding of up to \$30 million that will support the construction of wastewater treatment plants in Herring Cove and Dartmouth and allow HRM to expand the project to provide incremental benefits;

AND WHEREAS this added funding is to be accounted for separately; and

THEREFORE, in accordance with the principles set out above, Canada and HRM hereby agree as follows:

SECTION 1.0 AMENDMENT OF THE ORIGINAL AGREEMENT

1.1 The Parties agree to amend the Original Agreement as follows (all capitalized words shall, unless specifically defined in this Amending Agreement, have the meaning set out in the Original Agreement):

Subsections

1.1 Definitions is amended as follows:

a) *Eligible Costs* is amended to read as follows:

The costs, set out in Section D.1 of Schedule D, incurred after September 18, 2002 for the Project Components 1-11, inclusive, and after March 19, 2004 for Project Components 12-21 inclusive as listed in Table B.2 of Schedule B.

b) Add the following as *Watershed Protection Program*:

"Watershed Protection Program means the program, identified in Schedule G, pursuant to which HRM will improve sewershed infrastructure integrity within HRM".

1.3 Agreement is amended to read as follows:

This Agreement is composed of:

- a) this document;
- b) Schedule A, Communications Protocol;
- c) Schedule B, General Description – Statement of Work;
- d) Schedule C, Information;
- e) Schedule D, Eligible and Ineligible Costs;
- f) Schedule E, Audit Framework;
- g) Schedule F, Disposal of Assets and
- h) Schedule G, Watershed Protection Program.

1.4 Conflict is amended to read as follows:

In the event of a conflict, the order in which the following take precedence shall be:

- a) This document;
- b) Schedule B, General Description – Statement of Work;
- c) Schedule D, Eligible and Ineligible Costs; and

- d) All other Schedules.

1.5 Entire Agreement is amended to read as follows:

This Agreement, as amended from time to time in writing by the Parties, is made under the *Canada Strategic Infrastructure Fund* and comprises the entire agreement between the Parties. No other prior document, negotiation, provision, undertaking or agreement in relation to the subject of this Agreement shall have legal effect.

2.2 Scope of Contribution is amended to read as follows:

This Agreement relates solely to the funding of the Project Components listed in Table B.2.

4.1 Contribution by Canada is amended to read as follows:

Subject to the contributions voted each year by the Parliament of Canada, Canada agrees to pay a contribution of a maximum of 50% of the total Eligible Costs incurred and paid by HRM for the Project Components listed in Table B.2 during the 2003-2004 through 2006-2007 Fiscal Years to a maximum of \$60 million.

15.2 Agreement Oversight Committee is amended to read as follows:

In addition to the duties and functions specified in Section 6, the Committee will review all material amendments, where material is as defined in Section 15.3b, and also includes any amendment that modifies or deletes any provision in a contract required pursuant to this Agreement.

15.5 The following is added as Section 15.5: *Project Components 12 through 21 in Table B1:*

- a) Funding allocated and approved, if any, for Project Components 12 through 21 shall be managed and accounted for as separate projects and shall not receive funding or be used to fund any other Project Components.
- b) Additional information elements may be required for Project Components 12 through 21.

15.6 The following is added as Section 15.6: *HRM Watershed Protection Program*

- a) HRM acknowledges that Canada has agreed to amend the Original Agreement and provide an additional \$30 million towards the Halifax Harbour Solutions Project in consideration of HRM agreeing to complete the Watershed Program.
- b) HRM represents and warrants that it shall complete, at its cost and without any funding from Canada, the Watershed Program within the time frame set out in Schedule G and at a cost not less than the costs identified in Schedule G. The costs identified in Schedule G may only include Eligible Costs.
- c) If, in the absolute opinion of Canada, HRM fails to comply with the representation and warranty set out above subsection 15.6 (b), Canada may declare an event of default and the provisions of Section 13 shall apply.
- d) HRM further acknowledges that Canada has advised that Canada shall holdback 10% of all amounts payable by Canada hereunder and that such holdback shall not be released until Canada is satisfied, in its absolute

discretion, that both the Program and the Watershed Program have been completed in their entirety.

- e) HRM shall, on a quarterly basis or as may otherwise be required by the Committee, provide to the Committee a written report detailing the progress of the Watershed Protection Program.

15.7 Conditional Commitment

All of Canada's commitments under this Agreement are conditional on compliance with the provisions of all applicable environmental legislation and with the requirements of the Infrastructure Canada Environmental Assessment Guidelines including, without limitation, the implementation and adherence to such mitigation, monitoring and follow up measures in respect of the Project that may be required from time to time by Canada.

Schedule B. Item 1 of Proposed Projects is amended to read as follows:

- 1. (a) Only the Proposed Projects listed in Table B.1 at the time the Agreement is signed, or as added by written amendment to this Agreement, are eligible for the funding provided for in this Agreement.
- (b) Table B1 of the Original Agreement is deleted and replaced with Table B1 attached to this Amending Agreement.
- (c) Table B1 shall also be known as Table B2.
- (d) Each Project Component must be added to Table B.2 before April 1, 2005, and shall have a date for completion of the work that is no later than March 31 2006 for Project Components 1-11 and a completion date of March 31, 2007 for project components 12-21.

Schedule D. Eligible and Ineligible Costs, D.2. Sections 1 and 2 of Ineligible Costs are amended as follows:

- D.2 Costs related to the following items are ineligible costs:
 - 1. (a) costs incurred before September 18, 2002 or after the Program Completion Date, for the Project Components 1 through 11;
 - (b) costs incurred before March 19, 2004 or after the Program Completion Date, for Project Components 12 through 21;
 - 2. (a) costs incurred in connection with or pursuant to calls for tenders issued before the December 10, 2003, for Project Components 1 through 11;
 - (b) costs incurred in connection with or pursuant to calls for tenders issued before the date of the signing of this Amending Agreement, for Project Components 12 through 21.

Schedule G ***Program Dates and Milestones shall be deleted and replaced with Schedule G Watershed Protection Program, attached to this Amending Agreement as Schedule G.***

SECTION 2.0 GENERAL

- 2.1** All other terms and conditions of the Agreement shall remain the same.
- 2.2** The Original Agreement shall be amended to include, as Table B.2, Table B.1 of this Amending Agreement.
- 2.3** The Original Agreement shall be amended to include, as Schedule G, Schedule G of this Amending Agreement.
- 2.4** Table B.1 and Schedule G form part of this Amending Agreement.

IN WITNESS WHEREOF this Agreement is signed on behalf of Canada represented by the Minister of State (Infrastructure and Communities) and on behalf of HRM by the Mayor and the Municipal Clerk.

FOR THE GOVERNMENT OF CANADA

Date

Minister of State
(Infrastructure and Communities)
The Honourable John Godfrey

FOR HALIFAX REGIONAL MUNICIPALITY

Date

Mayor of the Halifax Regional Municipality
His Worship Peter J. Kelly

Date

Municipal Clerk of the Halifax Regional
Municipality

Schedule B — PROPOSED PROJECTS

TABLE B.1 – DESCRIPTION OF THE PROPOSED PROJECTS is amended to read as follows:

	Project Component	Description of Project Component	Eligible Costs	Contribution by Canada	Expenditures breakdown <i>Federal Contribution in Parentheses</i>			
					2003/04	2004/05	2005/06	2006/07
1	Halifax Sewage Treatment Plant – Design	Design of Halifax Sewage Treatment Plant - Civil and Structure	\$1,250,000	\$350,000		\$1,250,000 (\$350,000)		
2	Halifax Sewage Treatment Plant - Civil work	Halifax Sewage Treatment Plant - Civil work	\$15,397,000	\$1,650,000			\$15,397,000 (\$1,650,000)	
3	Halifax Sewage Treatment Plant - Equipment.	Halifax Sewage Treatment Plant - Equipment design, installation and commissioning	\$38,082,000	\$18,000,000			\$38,082,000 (\$18,000,000)	
4	Outfalls and diffusers	New outfall and diffusers for the 3 treatment plants in Halifax, Dartmouth and Herring Cove.	\$5,920,000	\$1,700,000		\$250,000 (\$125,000)	\$2,470,000	
5	Halifax, Dartmouth and Herring Cove Sewage Treatment Plants – Roads	New roads to the 3 treatment plants	\$2,710,000	\$500,000		\$1,110,000 (\$300,000)	\$600,000	
6	Sewage Collection System	Design of new sewage collection systems	\$8,990,000	\$2,000,000		\$4,000,000 (\$2,000,000)	\$2,990,000	
7	Sewage Collection System between Duffus C.....16.....	Forcemain: 950m of 1200mm diameter	\$3,670,000	\$1,800,000		\$500,000 (\$250,000)	\$3,170,000 (\$1,550,000)	

	Treatment Plant	Gravity Sewer: 1660m of 1350 diameter	\$5,110,000	\$2,550,000	\$500,000 (\$250,000)	\$4,610,000 (\$2,300,000)		
8	Sewage collection system between Point Pleasant Park and Halifax? Sewage Treatment Plant	Forcemains: 2510m150mm diameter; 1354m of 600mm diameter; 630m of 900mm diameter;	\$5,335,217	\$500,000	\$500,000 (\$250,000)	\$4,335,217 (\$250,000)	\$500,000	
		Gravity Sewer : 730m of 900mm diameter; 760m of 750mm diameter;	\$4,651,026	\$950,000	\$1,000,000 (\$500,000)	\$3,651,026 (\$450,000)		
		Tunnel: 1.075Krms of various sizes	\$13,346,000		\$500,000	\$8,000,000	\$4,846,000	
9	Combined Sewer Overflow Chambers	Nine combined sewer overflow chambers located at Young Street, North Street, Upper Water Street, Duke Street, Sackville Street, Maritime Museum, Duffus Street; pier A, and Chain Rock.	\$7,431,000			\$6,796,000	\$635,000	
10	Combined Sewer Overflow outfalls	Four Combined Sewer Overflow outfalls	\$2,680,000		\$300,000	\$2,180,000	\$200,000	
11	Pumping stations	Four Pumping stations located at: Duffus Street, Chain Rock, School of Theology, and Pier A.	\$9,632,000		\$2,300,000	\$4,888,000	\$2,444,000	
	Total contribution for projects 1-11.		\$124,204,243	\$30,000,000	\$10,960,000 (\$3,675,000)	\$45,080,243 (\$6,675,000)	\$68,164,000 (\$19,650,000)	\$0
12	Dartmouth Sewage Treatment Plant -Design	Dartmouth Sewage Treatment Plant -- Design	\$8,000,000	\$4,000,000		\$3,500,000 (\$1,750,000)	\$4,500,000 (\$2,250,000)	
13	Dartmouth Sewage	Dartmouth Sewage	\$7,000,000	\$3,500,000			\$7,000,000	

Schedule G Watershed Protection Program

Item	Description	Expenditure by fiscal year				Total
		2004-05	2005-06	2006-07	2007-08	
Diffuser	The outfalls from the Dartmouth and Halifax STPs were designed to have a diffusion ratio of no less than 20:1. The current design is for a diffusion ratio of 50:1. This is achieved by increasing the number of diffuser valves.	\$1,400,000	\$1,100,000			\$2,500,000
Combined Sewer Overflow Prevention	The objective is to reduce the amount of sewer overflow into the Harbour — especially in the more sensitive areas — during large rain events. The priority locations are at Salter's Street area and the North West Arm area. The work will include the construction of overflow storage facilities.	\$500,000	\$4,500,000	\$5,000,000	\$5,000,000	\$15,000,000
Pumping stations upgrades/wet weather flow solutions	A number of pumping stations require an increase in pumping capacity in order to handle the wet weather flow. With the capacity upgrade, the amount of overflows will be reduced. The work includes the replacement of pumps with those of a greater capacity and the addition of larger force mains.	\$500,000	\$3,000,000	\$3,500,000	\$2,000,000	\$9,000,000
Central Biosolids dewatering Facility (Lagoon Phase-out)	At the present time, biosolids from existing treatment plants are disposed at a lagoon. With the central dewatering facility, the biosolids will be dewatered and transported to another facility where the biosolids would be processed to a product that meets the USEPA class A standard. This would enable the phase-out of the biosolid lagoon.	\$1,000,000	\$2,500,000			\$3,500,000
Totals		\$3,400,000	\$11,100,000	\$8,500,000	\$7,000,000	\$30,000,000