

Item No. 10.1.1
Halifax Regional Council
June 11, 2013

TO: Mayor Savage and Members of Halifax Regional Council

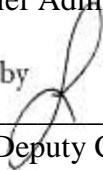
Original signed by



SUBMITTED BY:

Richard Butts, Chief Administrative Officer

Original Signed by



Mike Labrecque, Deputy Chief Administrative Officer

DATE: May 30, 2013

SUBJECT: Long Term Infrastructure Plan Strategy

ORIGIN

March 21, 2013, Federal Budget announcement of a long term plan for infrastructure

April 17, 2013, Audit & Finance Standing Committee report on 2013/14 – 2015/16 Project Budget and Seven Year Outlook

LEGISLATIVE AUTHORITY

HRM Charter Section 74 – Permits HRM to enter into agreements with the Province or Government of Canada to provide or administer municipal services.

RECOMMENDATION

It is recommended that Halifax Regional Council:

- 1) Approve the following priority categories for federal-provincial infrastructure funding:
 - a) Public transit
 - b) Urban core investment campaign
 - c) Wastewater system upgrades
- 2) Direct advocacy work to begin on infrastructure funding with other levels of government and related stakeholders.

BACKGROUND

In the past federal infrastructure funding has been administered through a variety of programs established at different times and with different application criteria and processes. Many of these programs are due to expire in 2014. In Budget 2013, released in March, the federal government announced a new long term infrastructure plan (LTIP) to renew its infrastructure funding program under one umbrella. This program, a new Building Canada Fund, was developed after a year of consultation with provinces, municipalities and a wide range of stakeholders.

The new Building Canada fund focuses on funding public infrastructure that will promote the federal priorities of productivity and economic growth, such as roads, bridges, highways, and transit. Overall the Building Canada Fund will deliver \$53.3 billion over 10 years. It is divided into several streams that support different eligible projects:

- \$6 billion for projects currently underway in the former Building Canada Program – this is not new funding
- \$32.2 billion in a Community Improvement Fund. This represents the indexed Gas Tax Fund (2% per year) and an incremental GST rebate for municipalities. The 2% per year is new funds available to municipalities. It is meant to give municipalities greater flexibility in allocating federal support towards their infrastructure priorities by including a broader range of eligible categories, including highways, brownfield redevelopment, culture, tourism, sport, and recreation, local and regional airports, disaster mitigation, broadband and connectivity. Funding starts at \$2.9 billion in 2014-15 and increases to \$3.6 billion by 2023-24.
- \$14 billion in a new Building Canada Fund to support major economic projects of national, regional and local significance:
 - \$4 billion is for a National Infrastructure Fund to support projects of national significance like highways, public transit, gateway and trade corridor infrastructure. Funding will be awarded on a merit basis under the National Infrastructure Fund. This category appears to replace the former Major Infrastructure Component, which was allocated on a per capita basis and HRM's only eligible funding stream under the previous Building Canada Fund.
 - \$10 billion is for a Provincial-Territorial Infrastructure Fund to support projects of national, regional and local significance in communities in a broader range of categories. This includes wastewater, drinking water, connectivity and broadband as well as highways and public transit. The P-T Infrastructure Fund will include base funding for each province and territory. The federal and provincial governments will be negotiating funding agreements in the coming months.
- \$1.25 billion in new funding in the P3 Canada Fund. Projects over \$100 million in capital costs will be subject to a P3 screen to determine whether better value for money can be achieved through P3 procurement. The P3 Canada Fund includes support for municipalities to conduct these procurement assessments, by providing \$10 million to cover up to 50% of the costs incurred by provinces and municipalities.

Assuming that funds are allocated using a similar method as the original Build Canada program, it is estimated that the Province of Nova Scotia would be allocated \$370 million over the life of the program. This is based on receiving \$15 million per year in base funding from the Provincial Territorial Infrastructure Fund, and allocating the remaining funding based on a population of 2.75%. HRM would be eligible for funding through this program in partnership with the Province. In addition to this program is the CPI increase for gas tax. HRM has already included this increase (not adjusted for population change) of approximately \$500,000 per year in its 10 year capital plan.

HRM accounts for over 44% of the province's population. However, with Nova Scotia's population decreasing as a whole, there will be less funding accessible to HRM, despite its growth rate. There is not a set method for allocation of provincial funds as there is at the federal level; however for comparison's sake HRM currently receives approx. \$26 million per year from the Gas Tax Fund (now part of the Community Improvement Fund), and received 14% of the previous Building Canada and Infrastructure Stimulus Funds available for Nova Scotia.

DISCUSSION

The next step in Building Canada program is the federal-provincial funding agreements which will govern how funding flows and identify priority projects at provincial and municipal levels. These agreements are expected to be negotiated over the next six to twelve months. In order to maximize access to potential infrastructure funds, it is important that HRM position itself for success. The identification of key infrastructure priorities of the municipality is a first step. By establishing priority areas, the municipality can begin to advocate to provincial and federal partners as the federal-provincial funding agreements are being developed. This will ensure that HRM's priorities are known and understood as program parameters and eligibility criteria are being negotiated. Identifying priorities from HRM's capital plan and long-term outlook will allow Halifax Regional Council and HRM staff to advocate effectively for long-term infrastructure funding during this negotiation period.

HRM Ten-Year Capital Plan

On April 30, 2013, HRM's 2013-16 Project Budget and Seven Year Outlook for its capital plan was passed by Regional Council. It noted that concentrated efforts in recent years to prioritize spending on recapitalization have stabilized the condition of most HRM assets. Based on current funding policy and financial models, it is estimated there is approximately \$928 million available for infrastructure from now to 2022-23. The total infrastructure investment for recapitalization for the same period is estimated to be \$640 million, leaving approximately \$288 million for growth and service improvements. These figures do not include any federal-provincial funds through the long term infrastructure plan, beyond the 2% increase from the Gas Tax.

Transit Funding

The federal LTIP program emphasizes transit funding and includes it as an eligible category in three of the funding streams – in particular the Community Improvement Fund which

encompasses the Gas Tax (the other two streams are the National Infrastructure Fund and the Provincial Territorial Infrastructure Fund). HRM currently directs most of its Gas Tax funding towards transit, which is the largest annual infrastructure expenditure in HRM's budget. It is recommended that HRM continue to apply any funds received from the Community Improvement Fund towards public transit.

HRM receives \$26 million annually in Gas Tax funds. With HRM's growth and Nova Scotia's overall declining population, it is important to preserve this base amount of funding for HRM. Gas tax amounts are now being indexed by 2% per year, which provides a measure of parity in the purchasing power of the funds to offset inflation and CPI increases. If that were to continue it would represent 33% of the total amount earmarked for Nova Scotia under the Community Improvement Fund.

Urban Core Investments

Along with the continuing emphasis on recapitalization, the Project Budget and Seven Year Outlook report identifies three strategic priorities for infrastructure growth: The Long Term Arena Strategy, Cogswell Interchange and the urban core investment campaign. These priorities were included in the 2013-14 budget presentation; of the three, the urban core investment is the only one without dedicated funding

This urban core capital improvement plan is an Economic Strategy deliverable under the "Regional Centre" goal, to promote economic development and densification. Enhancing the urban core will lead to increased economic activity and tax revenues, and attract people and business to the municipality. A February 5th, 2013 motion of Regional Council requested an update from staff related specifically to the establishment of a \$50m intergovernmental campaign. Staff is working on a project plan which will identify potential funding partners and develop a decision-making matrix to select projects for this fund.

Wastewater Systems

Upgrades to wastewater systems are some of the most pressing and expensive needs facing Halifax Regional Municipality in the short- and medium-term. With a significant infrastructure deficit and new federal regulations, substantial upgrades must be made to Halifax's wastewater system. Based on a recently completed Integrated Resource Plan, Halifax Water has estimated the cost to renew wastewater infrastructure and comply with federal regulations at \$2.8 billion (2012 dollars) over thirty years. Halifax Water has recently requested a 30% increase in utility bills to help pay for some of the upgrades, with future rate increases projected. Financial assistance from other levels of government will mitigate these rate increases.

Upgrades to meet the new regulations are not the only cost drivers facing Halifax Water. There are several other required projects that focus on expansion of water services and system rehabilitation, with a total cost of \$87.5 million. The \$21 million Aerotech Wastewater Treatment Facility Upgrade is a particularly pressing example of one of these. Expanding existing wastewater capacity in the Aerotech Park area is necessary to enable further development to occur. Growing the airport and its connected industries will have a significant

economic impact on the entire region; however development there is on hold until the wastewater treatment facility upgrade proceeds.

The new infrastructure program announced in the federal budget includes a funding stream for wastewater systems (\$10 billion Provincial-Territorial Infrastructure Fund). However wastewater is only one of a number of eligible projects in the fund, which is for both municipal and provincial projects. Securing federal and provincial infrastructure funding for wastewater upgrades needs to be a top priority for HRM and other Nova Scotian municipalities, to minimize the financial impact on residents. It is recommended that Regional Council advocate for Building Canada Funds specifically for wastewater treatment facility upgrades and projects to reduce combined sewer overflows in key strategic areas.

Next Steps

Once Council approves priority areas for federal-provincial infrastructure funding, communication will be prepared for and sent to the Minister of Service Nova Scotia and Municipal Relations and Minister of Transportation & Infrastructure Renewal identifying HRM's priorities and notifying them that HRM would like to be included in the negotiation process. An additional communication will be sent to the federal Minister of Transport, Infrastructure and Communities, outlining HRM's priority needs, would also be timely given federal support for municipalities in the recent budget. HRM staff may also begin to identify interested stakeholders and opportunities for engagement and information-sharing around HRM's infrastructure priorities.

FINANCIAL IMPLICATIONS

No current implications.

COMMUNITY ENGAGEMENT

None associated with this report.

ENVIRONMENTAL IMPLICATIONS

None identified.

ALTERNATIVES

Council could approve other priority areas for infrastructure funding.

Council could decide not to identify priority areas for infrastructure funding in advance. This would result in a less coordinated approach to positioning HRM's funding needs.

ATTACHMENTS

N/A

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/agenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Anne Totten, Corporate Policy Analyst, GREA, 490-5623

Report Approved by: _____
Jennifer Church, Managing Director, GREA, 490-3677

Report Approved by: _____
Jane Fraser, Director, Planning & Infrastructure, 490-7166

Financial Approval by: _____
Greg Keefe, Director of Finance & ICT/CFO, 490-6308
