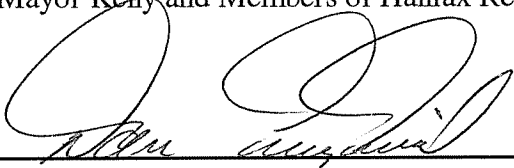


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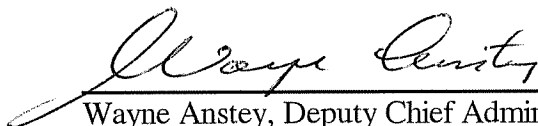
Halifax Regional Council
June 13, 2006

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:



Dan English, Chief Administrative Officer



Wayne Anstey, Deputy Chief Administrative Officer

DATE: May 25, 2006

SUBJECT: Aerotech Park/Halifax International Airport Sewer Rate Increase

ORIGIN

Committee of the Whole - Council Focus Area: Infrastructure - Stormwater and Wastewater, April 11, 2006, when it was moved by Councillor McInroy, seconded by Councillor Sloane that Regional Council endorse the direction to "commence negotiation with the Halifax International Airport Authority to raise rates and raise the Aerotech and Area wastewater rates in the interim".

RECOMMENDATIONS

It is recommended that Regional Council:

- Authorize staff to increase the Pollution Control Charges to \$1.029 per cubic meter for the Aerotech Park/Halifax International Airport wastewater system customers (other than HIAA), effective June 1, 2006, in order to be consistent with the application of Pollution Control Charges levied to wastewater customers throughout the remainder of HRM; and,
- In the interest of fairness and equity throughout the Region, formally request the Halifax International Airport Authority to amend the 1987 Agreement in order to be subject to the Pollution Control Charges as currently established by Regional Council.

BACKGROUND

To date the water/sewer rate structure at Aerotech Park and the Halifax International Airport (HIAA) is based upon terms contained within the 1987 Transport Canada-Halifax County Agreement (Agreement). This Agreement provided for a rate based upon full operations cost recovery for water treatment and distribution plus an additional 55% of the water rate to partially cover the cost for wastewater collection and treatment, as provided by the municipality. The present combined rate for all customers serviced by the Bennery Lake Water Treatment Plant and Aerotech Sewage Treatment Plant is \$1.324 per cubic metre (/m³), comprising charges of \$0.854/m³ for water service and \$0.47/m³ for wastewater service. By comparison, the remainder of wastewater customers throughout HRM pay \$1.029/m³ for wastewater services provided by the Municipality.

On April 1, 2006, in accordance with direction from Regional Council, the Halifax Regional Water Commission (HRWC) assumed full responsibility for the water related services in Aerotech Park and the HIAA. Recently, the Nova Scotia Utilities and Review Board (NSURB) approved the transfer of the Bennery Lake water treatment plant and collection system assets to HRWC. Ultimately the HRWC and HRM have become the successors to the 1987 Agreement with HIAA.

DISCUSSION

Due to the recent separation of water and wastewater responsibilities between the HRWC and HRM within the Aerotech Area, two separate rates will be applied:

Water Rate:

The recent NSURB ruling determined that:

- (a) The Aerotech Park water system would be classified on a stand-alone basis, that is, not to be included with all other large and small HRWC water systems which now have the same harmonized (urban) rate.
- (b) The HRWC would apply to the NSURB for the Aerotech Park rate approval within the year.

The HRWC is expecting to approach the NSURB this fall with the intent of having the new water rate effective January 1, 2007. In the meantime, the HRWC has applied the present \$0.854/m³ rate for water services only and charged the \$0.47 /m³ rate for sewer on behalf of HRM.

The 1987 Agreement contractually applies only to "Her Majesty's facilities" which currently include the HIAA facilities; specifically, the airport terminal complex, maintenance garage and taxi kiosks. All other customers in the Airport zone and Aerotech Park can be charged under a different rate structure. In the past, to simplify administrative procedures, the approach had been to charge the same water/sewer rate to all customers based upon the 1987 Agreement.

The HRWC will have to negotiate with HIAA appropriate changes to the 1987 Agreement in order to establish a new NSURB approved rate based on a consumption rate and meter charge system.

Alternatively, HRWC may decide to request approval from the NSURB for rates based on consumption only (the current arrangement). It is contemplated that HRM and HRWC will jointly negotiate with HIAA to amend the 1987 Agreement.

Wastewater Rate:

Due to severe wastewater funding shortfalls and in the interest of fairness and equity throughout the region, staff are recommending that the current Pollution Control Charges set by Regional Council be applied to Aerotech Park and the Halifax International Airport facilities not owned by HIAA. As indicated above, the 1987 Agreement only applies to HIAA facilities and not other customers at the airport or Aerotech Park. All 'non-Agreement' customers should be charged rates in accordance with HRM By-Law S-100 (Sewer Charges By-Law), Section 3 (1) which states: "All metered users of the Commission shall pay a Pollution Control charge to be divided into an Environmental Protection charge and a Wastewater and Stormwater Management charge, at a rate to be set by Council."

HRM will require the cooperation of HIAA in changing the 1987 Agreement or in developing a separate Memorandum of Agreement which permits HRM to levy the HRM Pollution Control Charge. Legal Services will be preparing a draft memorandum to support the initiation of negotiations.

The Pollution Control Charge of \$1.029/m³ water consumption consists of:

- \$0.3286/m³ - Waste Water Management Charge for the operation of wastewater/stormwater collection systems
- \$0.7004/m³ - Environmental Protection Charge provides funding for capital and operating for:
 - (a) existing treatment facilities and interceptor sewers/ related infrastructure (\$0.1804/m³), and
 - (b) the Halifax Harbour Solutions project (\$0.52/m³).

The present Aerotech Park/Airport wastewater rate is \$0.47/m³ as compared to the Pollution Control Charge of \$1.029/m³ levied to the remainder of wastewater customers in HRM. It should be noted that HRM is currently completing a \$3.5 million tertiary upgrade of the Aerotech wastewater treatment plant funded from the Pollution Control Charge of which it can be easily argued that the Aerotech and HIAA customers are not contributing their fair share.

BUDGET IMPLICATIONS

Under the current wastewater rate scenario, 2006/07 forecasted wastewater revenues for all Aerotech/Airport customers: 300,000 m³ consumption @ \$0.47/m³ = \$141,000

Should Council approve the recommendations in this report, all 'non-Agreement' customers will be charged the Pollution Control Charge yielding an annual revenue of:

60% of 300,000 m³ = 180,000 m³ x \$1.029/m³ = \$185,200

40% of 300,000 m³ = 120,000 m³ x \$.47 = \$56,400

Total revenues: \$241,600

(HIAA properties under Agreement account for 40% of Aerotech/Airport water consumption)

Should HRM be successful in renegotiating the 1987 Agreement with HIAA, all customers including HIAA will be levied the Pollution Control Charge of \$1.029/m³ @ 300,000 m³/year resulting in total revenues of \$308,700 which represents additional revenues of \$167,700/year when compared with the existing situation.

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


Council could choose not to increase the rates or to select some rate less than the current Pollution Control Charge set by Regional Council. For 'non-Agreement' customers this alternative would represent a conflict to the existing Sewer Charges By-Law S-100, as discussed in the report. Further, due to severe wastewater funding shortfalls and in the interest of fairness and equity respecting wastewater charges throughout the region, staff do not recommend this alternative.

ATTACHMENTS

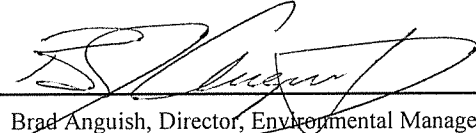
Not Applicable

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.

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