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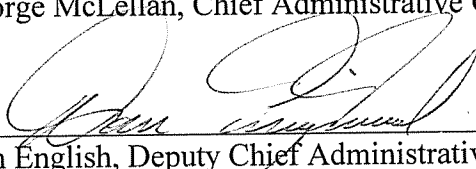
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Halifax Regional Council
January 18, 2005

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:


George McLellan, Chief Administrative Officer


Dan English, Deputy Chief Administrative Officer

DATE: January 12, 2005

SUBJECT: Halifax Regional Water Commission Relationship & Governance

ORIGIN

HRM has engaged in discussions with HRWC with respect to the relationship of HRWC to HRM, to address a March 2, 1999 motion to bring forward any recommendations to improve or change the existing relationship. The relationship between HRM & HRWC is constantly evolving with changes in programs, people, technology, and regulatory environment. HRM Council on March 2, 1999, passed a motion for staff to prepare a report in conjunction with the Halifax Regional Water Commission regarding terms of reference for options, and the costs to proceed with said options, in relation to the merits of integrating the Halifax Regional Water Commission (HRWC) as a line department of the Halifax Regional Municipality. The HRWC presented a review of the relationship to the HRWC Board and HRM Council in 1999, and presented a revised report to the HRWC Board on February 26, 2004 (attached).

RECOMMENDATION

It is recommended that:

1. There be no change to HRWC's governance and administrative structure at this time.
2. HRM staff continue to review the HRM/HRWC relationship for improvement opportunities in cooperation with HRWC, and report to Council within 60 days of the presentation of the HRWC Annual Report.
3. HRWC present their proposed annual business plan to Council for information and feedback purposes as part of HRM's annual business planning process.
4. HRWC, EMS, and Regional Planning to return to Council with recommendations as part of Regional Planning, to address extensions of water to areas without access to centralized sewer

service. (This report should be complete by March 31st, 2005).

5. Encroachments on watershed lands must have HRM Council approval in addition to HRWC Board Approval, and must be in compliance with the applicable Watershed Act.

BACKGROUND

At the time of amalgamation in 1996, delivery of water services differed in each of the pre-amalgamation municipal units. Various service delivery alternatives were considered, with the objective of finding a structure to a) ensure delivery of high quality potable water, b) provide accountability for management of assets, and c) coordinate strategies & long term planning with HRM.

Three alternatives considered were:

1. Leaving the existing Halifax Water Commission Board Structure in place.
2. Incorporating all water utility and Halifax Water Commission staff in a line department; but leaving financial and policy issues to the Commission.
3. Changing the Halifax Water Commission Board Structure to more accurately reflect the new Regional municipality.

In a report to Council in February 1996, the Commissioner of Regional Operations presented the alternatives and indicated the opinion that no matter which alternative was chosen, coordination could only occur if the Halifax Regional Water Commission does not operate in isolation. The third alternative was chosen which maintained the body corporate status of the Commission with the Board structure as we know it today.

In April 1996 a supplementary report was sent to Council to transfer all assets related to the supply of water (except those of Aerotech Business Park) to the Halifax Regional Water Commission - which is a public utility owned by the Halifax Regional Municipality. This and the preceding report both indicated an expectation on behalf of senior management and Council that administration and consolidation between HRM and HRWC would occur wherever possible.

DISCUSSION

The separate status of the HRWC is not unique in terms of municipal organization in Canada, and in many communities there is a separate body to supply water services. The primary reason for providing water services through a semi-autonomous body is its decision-making capability. A single purpose body also allows management to be specifically focused on developing strong expertise in the operations of water service. HRWC is a separate body, but is not exempt from accountability, as members of HRM Council are appointed to the HRWC Board, and HRWC is subject to regulation by the Nova Scotia Utility Review Board.

In theory, cooperation and sharing of resources between HRWC and HRM should lead to reduced costs for both entities. Since amalgamation HRWC and HRM have been involved in a number of initiatives to achieve cooperation and sharing of resources:

- joint investment of pension funds;
- secondment of HRWC staff to prepare the HRM development charges legislation, based on the HRWC model;
- Preparation and launching of the HRWC web site by HRM Shared Services;
- joint development of the Land Information Systems project, to combine HRM, HRWC and other land based information systems;
- joint tendering for procurement of supplies and services such as fuel, banking and insurance services;
- joint construction projects for water, sewers and roads;
- billing and collection of pollution control charges through HRWC;
- annual dividend /grant in lieu of taxes from HRWC to HRM;
- development of regional master plans for water, sewer and transportation networks;
- coordination of EMO response plans;
- involvement of HRWC staff in the regional plan.

Several factors impacting the HRM/HRWC relationship have changed during the past 8 years, most notably:

- HRM Regional Plan is being developed to guide growth for the next 25 years
- Increased integration and efficiencies within HRM administration, processes & technology
- Public Sector Accounting Board changes in 2005/06 may require the consolidation of the financial statements of the HRWC with HRM
- Increased regulatory requirements regarding water quality
- HRM and HRWC (to a lesser extent) face infrastructure deficits regarding water & waste water infrastructure

As a result of these changes, an increased level of cooperation and strategic alignment between HRM and HRWC will be required in the future.

BUDGET IMPLICATIONS

None at this time.

MULTI-YEAR FINANCIAL IMPLICATIONS

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

1. Status Quo. This alternative is not recommended. As with any business relationship there is always room for improvement. The recommendations in this report reflect the steps necessary to address relationship concerns at this time.
2. Council could instruct staff to undertake a study of the actions required to convert the HRWC to a line department of HRM along with any associated impacts to service levels that could arise from such actions. Given the current consumer confidence in HRWC's water service performance, this alternative is not recommended.

ATTACHMENTS

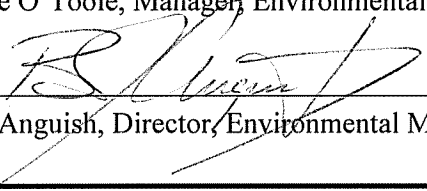
Appendix "A" - Current Areas of Discussion between HRM and HRWC

Appendix "B" - HRM/ HRWC "A Partnership that Works" February 26, 2004 (a report presented to HRWC Board, prepared by HRWC)

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.

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Report Approved by:


Brad Anguish, Director, Environmental Management Services, 490-4825

Appendix "A"

Discussion Item	Status
Regional Planning	HRWC will accept the final direction by HRM Council on this matter, and have recently sent a report endorsed by the HRWC Board to Regional Planning containing HRWC's recommendations regarding implications on delivery of water services. HRWC must comply with HRM Regional Planning recommendations; or the outcomes of the Regional Plan will be compromised.
Requests for Extension of Water and Sanitary Municipal Services	Requests for extension of municipal services often occur because of environmental or public health risks with respect to quantity and quality of water. Extension of water service only, without centralized sewer may cause increased environmental risk with respect to increased volumes of water flowing into on-site septic systems. This is a complex issue, with costly solutions. HRWC and HRM are trying to find the best solution to deal with service extensions. A report will be coming to Council on this matter by March 31 st , 2005.
MGA change requested for hydro-geological testing prior to subdivision approvals	HRWC and HRM are united in putting this request forward to the Province. This MGA amendment may go forward in the spring sitting of the legislature.
Transfer of Aerotech (Bennery Lake) water system	HRM and HRWC are jointly evaluating the potential transfer of the Aerotech Water Treatment System to HRWC. Any transfer will be subject to Regional Council, HRWC Board, and UARB approval.
Wind Turbine at Lake Major watershed	RESL (Renewable Energy Services Ltd) has put forward a proposal to construct a 600 kwh wind turbine on Lake Major Watershed lands, in partnership with HRWC. Public consultation commenced on Tuesday Nov. 23 rd . HRWC has made it clear this project will not proceed without HRM approval.
Production of HRWC bottled water	The first run of bottled water as a promotional tool was judged to be very successful by HRWC. HRWC wishes to continue with this activity, and proposes to supply 10,000 bottles to City Hall per year, and HRWC has forwarded a proposal to HRM to investigate the possibility of providing water to events organized by HRM at cost. HRWC is clear that they do not intend to sell water to the public or compete with the private sector bottled water companies.

Human Resources	HWRC uses the P50 National compensation standard and HRM uses the P50 Atlantic compensation standard, which is slightly lower. HRM awards merit increases only on individual performance. HRWC awards merit increases based on individual performance, as well as organizational (scorecard) performance. These differing compensation strategies will continue to be monitored closely for any adverse impacts on either organization.
Corporate Information Systems (SAP, LIS and GIS)	Finance: There have been some missed opportunities with respect to the HRWC implementation of SAP FI/CO (Financial and Controlling modules), partially due to differing timing imperatives. The HRWC elected to have the Province of Nova Scotia (PNS) host their SAP FI/CO implementation in order to take advantage of PNS developed SAP Utility Billing (Revenue) solution that best matched HRWC's business requirements and the time line for replacement of the current legacy billing system. This arrangement may limit HRWC's ability to take advantage of the progress HRM has made on expanded SAP functionality, such as the SAP/HR project. HRWC has been provided with a portion of HRM's SAP licenses based on HRM's License Agreement. HRWC is currently developing the utility billing module (with PNS's assistance), and will then implement SAP payroll/HR module. HRM is proceeding with a revenue solution, but has not decided whether it will be HANSEN, SAP, or a solution that the two companies may put together jointly.

<p>Corporate Information Systems (SAP, LIS and GIS)</p>	<p>Human Resources: HRM will assist HRWC when HWRC moves to SAP Human Resources.</p> <p>Asset Management: HRWC and HRM Planning & Development and Shared Services are working cooperatively and have created an Integrated Asset Management Committee. HRWC has implemented an NRC InfraGuide best practice regarding Infrastructure Management.</p> <p>Further alignment of systems would enable cost sharing, information sharing, ability to leverage using new technology (metres), and potentially greater ease in consolidating financial results, if required in future.</p> <p>Internet & Data Services: HRM provides Internet services, virtual private network access, data network access, and hosts the HRWC Intranet website and provides training, support and uploading services. There is a data sharing agreement in place between HRWC and HRM for infrastructure data access and exchange on the GIS system. Data collection projects are cost shared, or co-sponsored. HRM and HRWC continue to work together in the expansion and enhancement of the joint corporate LIS and GIS.</p>
<p>Customer Service Centres</p>	<p>HRM Customer Service Centres accept cash and debit payments on behalf of HRWC, balances and deposits the receipts, and sends an electronic file to HRWC on a daily basis.</p>
<p>Co-ordination of - HRM/HRWC projects</p>	<p>There is a good history of HRM and HRWC doing joint capital renewal projects. 80 - 90% of HRWC's renewals are carried out as joint projects, for example with sewer or road construction. Strides have been made during the past two years to coordinate infrastructure renewals. For example, there is now an agreement regarding minor sewer re-locates and valve box adjustments. There may be some opportunity to improve the process of optimizing projects using technology or mandated business processes.</p>

Infrastructure Deficit	Both HRM and HRWC (to a lesser extent) face infrastructure deficits with respect to water & waste water infrastructure, partially due to age, and partially due to new Provincial regulations. In the future, increased coordination and information sharing to jointly determine a) critical priorities and b) timing and amount of rate increases on water bills will be crucial to minimize rate shock and maximize value to residents.
Water Conservation Initiatives	<p>HRWC projects flat volumes for the next few years. Growth in demand caused by development will be offset by water conservation, particularly in commercial and industrial customers. HRM Strategic Environment Management Office and HRWC have a role to play in community education and promoting water conservation. Both organizations have partnerships with the Eco-Efficiency Centre, the Ecology Action Centre, and the Clean Nova Scotia Foundation.</p> <p>HRWC have adopted an international approach to control leakage in the distribution system, with great success. They are recognized leaders in North America.</p>
Pollution Control Charges (PCC)	HRWC currently bills for PCC charges for residents who do <i>not</i> have a service connection for water, in addition to billing customers with water connections. HRM Financial Services is reviewing this billing process with a view to improving communication and efficiency.
New HRWC Building	Halifax Regional Water Commission is in the process of constructing a new office at Cowie Hill alongside HRM's facilities. HRWC's facility is being constructed as a "green building" to promote energy and water conservation.
Metre Replacement Project	HRWC has a Replacement Project planned to commence in 2005/06, and is looking for cost sharing with HRM, in recognition that 75% of the consumption revenue measured by water metres is HRM's. Discussion is on-going.