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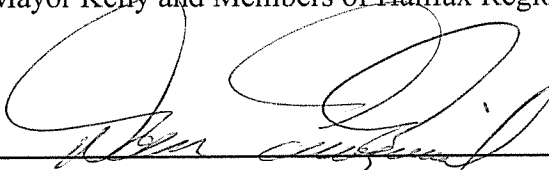


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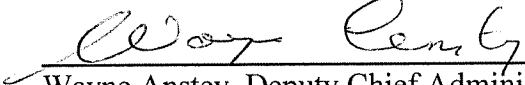
Halifax Regional Council
December 12, 2006

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:



Dan English, Chief Administrative Officer



Wayne Anstey, Deputy Chief Administrative Officer - Operations

DATE: November 23, 2006

SUBJECT: Withdrawal from Service Improvement Reserve - CCC Policy
Implementation Team

ORIGIN

- On October 10, 2006, Council adopted the Infrastructure Charges Study (SGE Acres, September, 2006) as the basis for developing policy and by-laws

RECOMMENDATION

It is recommended that Regional Council:

Authorize a repayable withdrawal of \$108,000 in 2006/07 and \$442,000 in 2007/08 from Q310 Service Improvement Reserve to form a Capital Cost Contribution (CCC) Policy Implementation Team, to be repaid from regional CCC charges and CDS00101 - Capital Cost Contributions Area Studies.

BACKGROUND

This project relates to two Council Focus areas - Infrastructure and Community Development. The adequacy of the existing Capital Cost Contribution policy has been raised in the past by Council, and Council has expressed a strong desire to review the policy in light of the capital funding gap.

Council subsequently commissioned the Infrastructure Charges Study (SGE Acres, September, 2006), and has adopted the study as the basis for policy and by-law development. The study recommends that HRM focus on “hard” services when considering expanding the Capital Cost Contribution (CCC) program, particularly wastewater treatment plants, regional transportation infrastructure, buses, ferries, transit facilities, and solid waste facilities.

The Province of Nova Scotia has recently amended the Municipal Government Act to allow a municipality to collect charges for transit facilities and solid waste facilities. These new powers are in addition to existing provisions of the Act that allow a municipality to collect charges for water, wastewater, and transportation related infrastructure.

DISCUSSION

Staff have begun working on developing charges for wastewater treatment facilities, including consultation with the development industry. This work builds on analyses that were carried out during the Regional Planning Project, and it is expected that a draft by-law can be presented for Council’s consideration in January, 2007.

Implementing the remaining charges will take longer because additional analysis is required, and a dedicated interdisciplinary work team will be required to complete the work in a timely fashion. This will ensure that staff can focus on this far reaching strategic work without being involved in daily operational tasks which will delay this work.

The project team will develop capital cost charges for Council consideration, and will provide inputs to the Finance Functional Plan including the tax reform initiative, the review of reserves policies, and the long term capital plan.

The work of the project is also strategically linked to implementation of the Regional Plan. In addition to developing new charges, the project team will also administer the current CCC policy in a proactive manner. Currently, master plans in priority growth areas cannot be completed in a timely fashion. The work required for each study area is time consuming and staff have been working on several simultaneously in addition to their daily operational duties.

There are lost opportunities in other areas which are not being studied because development is proceeding in advance of initiating studies.

Areas that currently require analysis include:

- The Port Wallis/Dartmouth East master plan area;
- the area to be serviced by the proposed Beaver Bank by-pass;
- lands adjacent Sandy lake that are designated Urban Settlement;
- the Highway 102 west corridor adjacent Blue Mountain-Birch Cove lakes regional park that is also designated Urban Settlement.

BUDGET IMPLICATIONS

The Project costs are recoverable from future capital cost charges, but the project will require bridge financing for 18 months from the Service Improvement Reserve. After that time, it is anticipated that the Policy Implementation Team will become self-financing through future capital costs. The loan will be repaid from account CDS00101 - Capital Cost Contributions Area Studies and a new account for regional CCC charges. The loan is scheduled to be repaid over 3 years but may be repaid more quickly depending on the actual rate of new development.

The loan will be withdrawn over two fiscal years to meet cash flow requirements of the Service Improvement Reserve:

2006/07	\$108,000
<u>2007/08</u>	<u>\$442,000</u>
Total	\$550,000

A capital cost charge, if adopted by Council, will help address funding shortfalls relating to wastewater treatment, regional transportation infrastructure, transit, and solid waste facilities. The project team will develop revenue estimates as the project proceeds, but revenue related to wastewater treatment facilities is estimated to be between \$1.0 - \$1.5 million per year.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Capital budget, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation. If adopted, this report will result in an unbudgeted transfer from the Service Improvement Reserve (Q310) to the operating budget for the 2006/07 fiscal year. The recommended transfer for 2007/08 will be included in the Reserve budget.

ALTERNATIVES

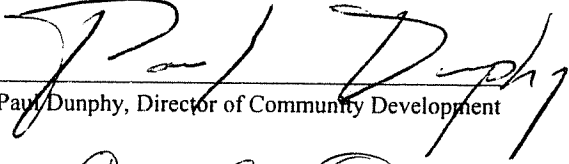
Council could choose not to establish a dedicated project team to implement the recommendations of the Infrastructure Charges Study, and continue to administer the current CCC policy in the present fashion. This option is not recommended for the reasons outlined in this report.


ATTACHMENTS

Service Improvement Loan Application

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.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: Peter Duncan, P.Eng., Manager - Development Engineering, 490-5449
Holly Power-Garrett -Financial Consultant, 490-4488

Report Approved by: 
Paul Dunphy, Director of Community Development

Report Approved by: 
Cathie O'Toole, Acting Director, Financial Services, 490-6308



Capital Cost Contribution Policy Implementation Team

Service Improvement Reserve (Q310) Loan Application

November 2006

Service Improvement Reserve (Q310) Loan Application

a) Projection Description

Infrastructure is one of Council's focus areas. The adequacy of the existing policy was raised by Council during budget deliberations and during the public hearing for the Regional Plan, where Council expressed a strong desire to review the policy in light of the capital funding gap.

On October 10, 2006, Council adopted the Infrastructure Charges Study (SGE Acres, September, 2006) as the basis for developing policy and by-laws, and instructed staff to develop a capital cost charge for wastewater treatment facilities, to be collected at the building permit stage and applied to all buildings that require a new sewer connection

The consultant's report recommends that Council focus on "hard" services when considering expanding the Capital Cost Contribution (CCC) program, particularly wastewater treatment plants, regional transportation infrastructure, buses, ferries, transit facilities, and solid waste facilities.

Capital Cost Charges for wastewater treatment facilities and regional transportation infrastructure (e.g. regional collector roads and interchanges) can be developed and collected under existing provisions of the MGA. Capital cost charges for transit infrastructure (e.g. buses, ferries and terminals) and solid waste facilities require further analysis as well as amendments to the MGA. The required amendments have been endorsed by the Union of Nova Scotia Municipalities.

A dedicated project team is needed to implement the recommendations of the Infrastructure Charges Study in a timely fashion. The project will develop regional infrastructure charges for wastewater treatment, regional collector roads, interchanges, buses, ferries, terminals, and solid waste facilities. The study will identify immediate impacts to the capital budget, and will provide inputs to the Finance Functional Plan, including the tax reform initiative, the review of fees and charges, the review of reserves policies, and long term capital plan.

The work of the project team is also strategically linked to the Regional Plan implementation. The team will conduct infrastructure analyses on areas that have been designated as "Urban Settlement" under the Regional Plan. The location of new growth is more predictable with the adoption of the Regional Plan, and as a result it is easier to predict infrastructure needs, and in particular transportation related infrastructure. There are not enough resources to administer the existing CCC policy in a proactive manner. Master plans in priority growth areas are not completed in a timely fashion, and there are lost opportunities to implement charges in other areas because development is proceeding in advance of initiating studies. This affects capacity allocations and decision making, and will worsen if additional charges are adopted.

All costs are recoverable from future infrastructure charges, but bridge financing is required from the Service Improvement Fund.

b) Anticipated Benefits/Savings, and Operational Impact

Financial benefits associated with the regional wastewater treatment charge are estimated to be \$1.0 - \$1.5 million per year. Additional revenues may accrue as Council considers infrastructure charges for other types of services as the project proceeds.

Benefits of this new revenue stream include:

- More funds available for other municipally mandated services
- Helping slow the growth of the tax burden for HRM citizens
- More timely development of required infrastructure

In addition to revenue, successful completion of the master plan studies will help ensure the cost avoidance of \$220 million that was identified under the Regional Plan is achieved.

c) Timeline for Realization of the Savings

The financial benefits will continue to accrue as long as regional capital cost charges are in place, and the long term cost avoidance will accrue over the next 25 years. A comprehensive review of all charges that will consider actual growth rates and HRM's capital requirements is planned every 5 years.

The estimated payback period for the \$550,000 loan is conservatively estimated at 3 years. Payback may potentially occur more quickly, depending upon the actual rate of new development.

d) Project Budget Summary

The project team will require bridge financing for the first 18 months, after which it is anticipated that the team will be self-funded through future capital costs. The request to borrow funds through the Service Improvement Reserve can be broken down by fiscal year as follows:

2006/07	\$108,000
2007/08	\$442,000

Over the initial 18 months, staff salaries and benefits are estimated at \$452,000 and office lease and operational costs are budgeted at \$98,000. The budget detail is shown in Attachment C.

e) Project Management Team

Peter Duncan, P.Eng., Community Development
Financial Consultant
Development Engineer
Transportation Engineer (Part Time)
Environmental Engineer
Administrative Support

f) Repayment Accounts

CDS00101 - Capital Cost Contributions Area Studies and a new account for the regional wastewater treatment charge. It is intended that repayment of the loan will be split evenly between existing Capital Cost Contribution area charges and revenues from the new wastewater treatment charge.

g) Schedule of Repayments

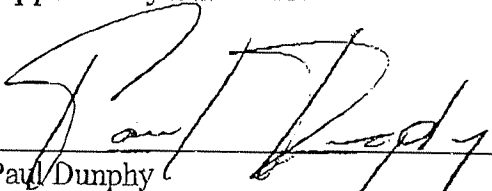
Principal: \$550,000
Interest: 3.9%
Term: 3 years
Payments to commence: June 2007
Monthly payment: \$16,332.11
Sum of all payments: \$587,955.85
Interest over term of loan: \$33,678.85

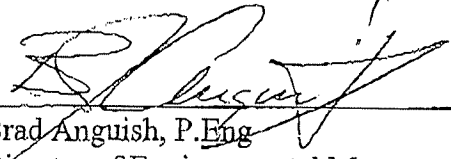
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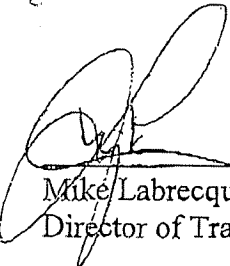
Attachment A - Policy Implementation Team Detailed Costs

Attachment B - Loan Amortization

Approval by Directors:



Paul Dunphy
Director of Community Development

Brad Anguish, P.Eng.
Director of Environmental Management Services

Mike Labrecque, P.Eng.
Director of Transportation & Public Works

CCC Policy Review Project Costs

Position	Role	Cost to 2008	Cost 2006/07	Percentage Time
Project Manager	Day to day operations of project - position is within current FTE complement and will not be backfilled.	0	0	100%
Development Engineer	Integration of technical matters with zoning & subdivision regulations, land use policy, and approval processes	110,000	12,222	100%
Environmental Engineer	Storm & sanitary sewers and sewage treatment plants	110,000	12,222	100%
Transportation Engineer	Transit and transportation	45,000	15,000	100% for 6 months
Financial Consultant	Financial & risk analyses, integration with Revenue Strategy	115,000	12,778	100%
Administrative Support	Support to project team	72,000	8,000	100%
Subtotal Salaries & Benefits		452,000	60,222	
Office Lease & Start Up		70,000	11,030	
Misc Operational Costs		28,000	20,000	
Total		550,000	91,253	

It is anticipated that the project office will be up and running for February 1, 2007.

Sprint space	\$1,702.22/month + net HST	1,761
Ashford space	\$1,213.03/month + net HST	<u>1,255</u>
Total		3,015

Attachment B

Amortization

Inputs

Loan Principal Amount
Annual Interest Rate
Loan Period in Years
Base Year of Loan
Base Month of Loan

Loan 1	
554,277 00	?
3 90%	?
3	?
2007	?
6	

LED

Key Figures

Annual Loan Payments \$195,985 32
Monthly Payments \$16,332 11
Interest in First Calendar Year \$11,518 52
Interest Over Term of Loan \$33,678 85
Sum of All Payments \$587,955 85

Payments in First 12 Months

Year	Month	Balance	Payments	Principal	Interest	Cumulative Principal	Cumulative Interest	Ending Balance
2007	Jun	\$554,277 00	\$16,332 11	\$14,545 17	\$1,786 94	\$14,545 17	\$1,786 94	\$539,731 83
	Jul	\$539,731 83	\$16,332 11	\$14,592 07	\$1,740 04	\$29,137 24	\$3,526 98	\$525,139 76
	Aug	\$525,139 76	\$16,332 11	\$14,639 11	\$1,693 00	\$43,776 35	\$5,219 98	\$510,500 65
	Sep	\$510,500 65	\$16,332 11	\$14,686 30	\$1,645 81	\$58,462 65	\$6,865 79	\$495,814 35
	Oct	\$495,814 35	\$16,332 11	\$14,733 65	\$1,598 46	\$73,196 30	\$8,464 25	\$481,080 70
2008	Nov	\$481,080 70	\$16,332 11	\$14,781 15	\$1,550 96	\$87,977 45	\$10,015 21	\$466,299 55
	Dec	\$466,299 55	\$16,332 11	\$14,828 80	\$1,503 31	\$102,806 25	\$11,518 52	\$451,470 75
	Jan	\$451,470 75	\$16,332 11	\$14,876 61	\$1,455 50	\$117,682 86	\$12,974 02	\$436,594 14
	Feb	\$436,594 14	\$16,332 11	\$14,924 57	\$1,407 54	\$132,607 43	\$14,381 56	\$421,669 57
	Mar	\$421,669 57	\$16,332 11	\$14,972 69	\$1,359 42	\$147,580 12	\$15,740 98	\$406,696 88
	Apr	\$406,696 88	\$16,332 11	\$15,020 96	\$1,311 15	\$162,601 08	\$17,052 13	\$391,675 92
	May	\$391,675 92	\$16,332 11	\$15,069 38	\$1,262 73	\$177,670 46	\$18,314 86	\$376,606 54

Yearly Schedule of Balances and Payments

Year	Balance	Payments	Principal	Interest	Cumulative Principal	Cumulative Interest	Ending Balance
2008	\$451,470 75	\$195,985 32	\$181,719 03	\$14,266 29	\$284,525 28	\$25,784 81	\$269,751 72
2009	\$269,751 72	\$195,985 32	\$188,875 18	\$7,110 14	\$473,400 46	\$32,894 95	\$80,876 54
2010	\$80,876 54	\$81,660 55	\$80,876 65	\$783 90	\$554,277 11	\$33,678 85	-\$0 11

Loan Principal Reconciliation

	Principal	Interest to June 2007	Principal + Accum. Interest
Cash flow			
February 2007	\$108,000 00	\$1,404 00	\$109,404 00
April 2007	\$442,000 00	\$2,873 00	\$444,873 00
Total loan	\$550,000 00	\$4,277 00	\$554,277 00