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Halifax Regional Council
December 12, 2006

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:


Councillor Linda Mosher, Chair, Energy & Underground/Harbour
Solutions Advisory Committee

DATE: December 6, 2006

SUBJECT: Herring Cove Water and Sewer Funding

ORIGIN

A meeting of the Energy & Underground/Harbour Solutions Advisory Committee held on December 1, 2006.

RECOMMENDATION

It is recommended that Regional Council approve funding from the Harbour Solutions Contingency Fund in the amount of \$1.5 million to be applied to the Herring Cove Water and Sewer Project.

BACKGROUND

HRM staff have forecasted a funding shortfall in the Herring Cove Sewer & Water Project of approximately \$5.1 million due to increased construction costs. Staff have already completed Phase 1A of the project; however staff are not recommending to proceed with the next phases of the project until additional funding sources are identified by Regional Council to address the shortfall. At the Regional Council Meeting September 5, 2006; Item 10.3.1 - Councillor Adams requested that staff look at alternate sources of funding for the Herring Cove Sewer and Water Project. In reviewing all of the possible funding options for the Herring Cove Project, staff identified the Harbour Solutions Project contingency fund (amongst others) as a potential source of funding due to the direct infrastructure and funding link between the two projects.

In preparing the Herring Cove Funding information report for Regional Council for December 12, 2006, staff felt it was appropriate to advise the Energy & Underground Services Committee (which includes the mandate of Harbour Solutions Advisory Committee), through an information item on the December 1, 2006 agenda, that the uncommitted portion of the Harbour Solutions Contingency Fund would be identified as a potential alternative funding source in the Herring Cove report.

At the end of the staff information item, it was MOVED by Councillor Adams, seconded by Councillor Streach that \$1.5 million from the Harbour Solutions Contingency Fund be applied to the Herring Cove Road Sewer and Water Project.

DISCUSSION

During this agenda item at the December 1st, 2006 meeting of the EUGS Committee, staff outlined their intent to identify the Harbour Solutions Project contingency as a potential alternative source of funding for the Herring Cove Sewer and Water Project in a future report to Council. This community will be the site of a treatment facility and staff believe it would be unfair if some of the residents living near the facility (Phase 1B) were unable to afford services. However, staff also outlined their concerns regarding using the funds in such a manner given the high potential for future Harbour Solutions Project risks such as inflation or deductibles on insurance claims for which the Contingency Fund would be required. Staff also stressed that any balance left in the Contingency Fund should be directed toward high priority (compliance and liability) wastewater projects in accordance with the approved Council Priority Rating System for wastewater infrastructure projects.

In response to the staff presentation, Councillor Adams referred to information that he circulated and advised that the Ratepayers Association indicated in 1999 there were six issues they wanted addressed before they would agree to the Harbour Solutions treatment plant, one of which was that water and sewer be provided to the residents of Herring Cove at a reasonable cost. He added that, at a meeting in July of 2005, \$12.5 million was established as a benchmark that would be considered reasonable, and he pointed out that the \$12.5 million included \$4.7 from the Harbour Solutions Community Integration Fund. Councillor Adams advised that, due to construction cost increases, the cost per lot has more than doubled from the original. He asked for the Committee's support for his request and he noted that a precedent has been set previously, when the Committee recommended

these funds be used for underground wiring for the Dartmouth Wastewater Treatment Facility. The Councillor pointed out that presently, survey work with regard to placing utility poles to power the Herring Cove plant is being undertaken, but this is not an issue with his residents. The issue his residents are concerned about is having sewer and water. Councillor Adams also indicated that he and staff are looking at all types of funding sources for this project.

MOVED by Councillor Adams, seconded by Councillor Streach that \$1.5 million from the Harbour Solutions Contingency Fund be applied to the Herring Cove Road Sewer and Water Project.

Following a brief questioning of staff the **MOTION WAS PUT AND PASSED.**

BUDGET IMPLICATIONS

In accordance with the mid-year report for Harbour Solutions Project, the uncommitted balance in the Contingency Fund was \$1.89 million. A withdrawal of \$1.5 million will leave a balance in the Contingency Fund of \$339,000. Given inflation risks and other potential project contingencies that may occur prior to project completion, there is a possibility that staff will have to return to Regional Council to seek additional funds to complete the project.

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

1. Do not provide any HSP contingency funds to the Herring Cove Sewer & Water Project.
2. Provide some amount less than \$1.5 million to the Herring Cove Sewer & Water Project.
3. Provide an amount greater than \$1.5 million (up to \$1.89 million) to the Herring Cove Sewer & Water Project.

ATTACHMENTS

None.

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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