



PO Box 1749  
Halifax, Nova Scotia  
B3J 3A5 Canada

Halifax Regional Council  
December 12, 2006

**TO:** Mayor Kelly and Members of Halifax Regional Council

**SUBMITTED BY:**

A handwritten signature in black ink, appearing to be "C. Sanderson".

Catherine Sanderson, CMAA<sup>for</sup>, Acting Director of Finance

**DATE:** December 5, 2006

**SUBJECT:** Water Servicing, Fall River Village, Phases 1-9; Additional Funding Sources

## INFORMATION REPORT

### ORIGIN

Regional Council Meeting of November 28 2006: Item 10.3.4 - Councillor Snow requested that staff look at alternate sources of funding for the project.

### BACKGROUND

The proposed water service extension is for Fall River Village (Phases 1 - 9) and lots with frontage on the Fall River Road from Windsor Junction Road to Richardson Drive. A public meeting was held on October 25, 2006 at which Staff from HRM and HRWC along with the Councillor from District 2 presented the general planning, infrastructure and financial issues regarding this project. Based on feedback from the meeting, staff began developing a water servicing plan and seeking more specific feedback from the community via a formal survey.

The total cost of the extension is estimated to be \$3,929,000 and is summarized as follows:

- System construction: \$ 2,962,000
- Engineering (10%): 296,000
- Contingency (10%): 296,000
- Net HST (3.43%): 122,000
- Capital Cost Contribution: 253,000
- Total System Cost: \$ 3,929,000

It is important to note that this cost estimate is based on information from similar water projects completed within HRM over the past several years. The actual cost of construction for this project may differ depending on many variables including site conditions, construction market activity and inflation.

Property owners will also be responsible for paying a Capital Cost Contribution (CCC) of \$253,000 as their share of the cost for oversizing the water main from Sackville to accommodate future extensions including Fall River Village. The CCC is to reimburse the HRWC for the additional cost of oversizing the water main when it was originally built.

## **DISCUSSION**

Staff have reviewed a number of potential funding strategies that may be available to address the projected \$3.9M costs. These strategies include (1) internal HRM Capacity funding (2) external funding programs (3) raise the LIC rate (4) other strategies.

### **1. Internal HRM/HRWC Capacity**

Water service is a user pay service, meaning those who use the service will pay for the service and the upkeep of the infrastructure to deliver the service. To maintain the integrity of the user pay system, both HRM and HRWC capital capacity are not a recommended source of funding for projects in this asset category.

### **2. External Funding Programs**

When considering projects for funding through external funding programs, both HRM and the HRWC use a Council approved priority rating system. According to that rating system, extensions to unserved communities is ranked fourth behind (1) legal and liability issues, (2) compliance, (3) operational efficiency.

The HRM allocation of Municipal Rural Infrastructure Funds (MRIF) has been approved by Council and applications submitted. To include Fall River Village Water Extension in this program would require a re-prioritization of projects by Council and the submission of an application for approval.

Similarly, projects recommended for funding through the Gas Tax Program are selected using the previously mentioned rating system. Projects rated as priorities 1 and 2 are the preferred focus for external funding and therefore, this is not a recommended funding source for service extension projects.

Staff are not aware of any other current or future Federal / Provincial cost sharing programs that have the capacity to assist with this project.

### 3. Local Improvement Charges

The two most common ways to calculate LICs is either on a per lot basis or on a frontage basis. Based on a total estimated cost of \$3,929,000, the estimated lot and frontage charges would be as follows:

Total Lots:	253
Total Frontage:	40,588 ft
Estimated Per Lot Charge:	\$15,530 per lot
Estimated Frontage Charge:	\$ 96.80 per foot

The property owner has the option of paying the LIC in full or financing it through HRM over a 20 year period at prime + 2%. There are various payment options available. HRM also provides a deferral assistance program for seniors and low income residents meeting program criteria.

In addition to this charge, property owners would be required to pay the full cost of extending the service lateral from the property line to the house and the plumbing connections. This would be the case regardless of how the project was funded.

### **BUDGET IMPLICATIONS**

There are no Budget Implications at this time

### **FINANCIAL MANAGEMENT POLICIES/BUSINESS PLAN**


This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, budget, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

### **ATTACHMENTS**

None

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 at 490-4208.

Report Prepared by: Keith Macdonald, A/Budget Coordinator at 490-4280  
Gordon Roussel, Financial Consultant, Finance at 490-6468

Report Approved by:   
Debbi McCaig, CMA, A/Manager, Budget & Financial Analysis at 490-7203