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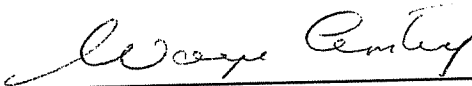
Halifax Regional Council
March 6, 2007
March 20, 2007

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:



Dan English, Chief Administrative Officer



Wayne Anstey, Deputy Chief Administrative Officer - Operations

DATE: February 23, 2007

SUBJECT: Engineering Fees Recovery For Local Improvement Charges

ORIGIN

April 25, 2006 Council Report regarding Local Improvement Charges (LIC's), Road Improvements-Cost Sharing and Council's choice of Option 1 from that report which was to charge LIC's based on a Blended Actual Costs Approach with an appropriate engineering fee.

RECOMMENDATION

It is recommended that:

1. Regional Council give first reading to an amendment to By Law S-400, Respecting Charges for Street Improvements, to provide for a reference to the fees outlined in Administrative Order 15 as per the attachment to this report.
2. Regional Council approve an amendment to Administrative Order 15 regarding Engineering Fees, to be effective April 1, 2006, and that this report serve as Notice of Motion to approve the change as per the attachment to this report.

BACKGROUND

At the April 25, 2006 Halifax Regional Council Committee of the Whole Meeting, Council approved a staff recommendation to charge local improvement costs to property owners using a blended cost approach with an applicable engineering overhead fee. The blended cost approach is a more equitable and less problematic approach than applying the standard cost treatment to local improvement projects.

DISCUSSION

Staff has conducted research into charging engineering fees and has identified that other municipalities, as well as the province of Nova Scotia, charge for engineering and administrative services associated with local improvement projects as a cost recovery item. These cost recoveries are essentially allocated to LIC projects as actual costs, contingencies or as a percentage of actual construction costs. Staff research has determined that recoveries billed as engineering fees range between 5% - 15% of actual construction costs. The engineering fees charged by other municipalities, as well as the Province of Nova Scotia, have been deemed to be fair, equitable and easily administered.

As per the staff recommendation and AO 15 amendment (Appendix B), staff is proposing an engineering overhead fee to be applied to the property owners repayable portion of total construction costs per the 50/50 cost share arrangement as follows.

- Paving - 5% total construction costs accruing to the property owner
- Stand-alone Curb - 5% total construction costs accruing to the property owner
- Sidewalk, Curb and Gutter - 10% of total construction costs accruing to the property owner

The reasoning for the difference in the fees is that paving of gravel road and stand-alone curb and gutter projects require less engineering, construction inspection and administration time compared to new sidewalk, curb and gutter projects. The application of the above-mentioned fees would provide Design and Construction Services with an annual cost recovery (revenue source) of approximately \$115,000.00 (See Schedule 1: Engineering Fee Recovery Revenue), based on the estimated costs of LIC projects completed in fiscal 2006. This is an estimated number and will be confirmed by staff when the amendment to Bylaw S-400 for 2006/07 LIC rate is submitted to Council for approval. This recovery revenue could be utilized to increase staffing levels in Design and Construction, thus providing an increase in service levels. With the implementation of this new revenue stream, property owners to whom the 2006/07 LIC rates apply, would bear additional incremental costs per foot of approximately \$2.50/ft, \$3.84/ft and \$1.43/ft, respectfully for new sidewalk, curb and gutter, and paving projects.

A similar situation exists with respect to Local Improvement Charge projects for Stormwater and Wastewater, in that the engineering and overhead costs related to those projects are currently not being recovered. It is anticipated that this issue will be addressed as part of the merger of the Stormwater and Wastewater Program with the Halifax Regional Water Commission, so that all

engineering and overhead fees are recovered through the project.

BUDGET IMPLICATIONS

The proposed fees (Appendix B) would generate estimated recoveries of \$115,000.00 on a yearly basis. This amount is dependant on the annual value of LIC projects and is subject to change. Staff will redirect additional revenues to enhance service delivery within the Design & Construction Services Division.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

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

ALTERNATIVES

Council can suggest a different engineering fee approach.

ATTACHMENTS

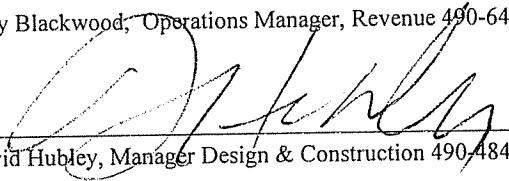
Schedule 1: Engineering Fee Recoveries

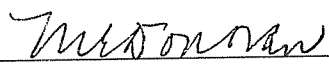
Appendix A: By Law S-400 amendment

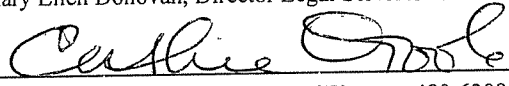
Appendix B: Administrative Order 15 Amendment

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: Jerry Blackwood, Operations Manager, Revenue 490-6470

Report Approved by: 
David Hubley, Manager Design & Construction 490-4845

Legal Review by: 
Mary Ellen Donovan, Director Legal Services 490-4226

Report Approved by: 
Cathie O'Toole, Acting Director of Finance, 490-6308

Report Approved by: 
Mike Labrecque, Director Transportation and Public Works, 490-4855

JB/pm

SCHEDULE 1

ENGINEERING FEE RECOVERY REVENUE
 (Estimates based on 2006 LIC's)

LIC Project	Construction Cost to Resident	Engineering Fee Revenue	Cost per foot to Resident	Incremental Cost per foot to Resident
New Sidewalk	\$ 640,991.56	\$ 64,099.16	\$ 27.58	\$ 2.50
Curb & Gutter (with new s/w)	\$ 274,087.36	\$ 27,408.73	\$ 42.25	\$ 3.84
New Paving	\$ 474,081.06	\$ 23,704.05	\$ 30.04	\$ 1.43
Stand-alone Curb and Gutter *	\$ 0	\$ 0	\$ 0	\$ 0
Totals	\$ 1,389,159.98	\$ 115,211.94		

* Note: There were no stand-alone curb and gutter projects in the 2006/07 capital program.

Appendix A

HALIFAX REGIONAL MUNICIPALITY BY-LAW NUMBER S-421

RESPECTING CHARGES FOR STREET IMPROVEMENTS

BE IT ENACTED by the Council of the Halifax Regional Municipality that By-law Number S-400, the Street Improvement By-Law is hereby amended as follows:

1. The by-law is amended by adding to Section 2 of By-Law S-400 subsection (12) as follows:
 2. **Charge Imposed**
 - (12) An engineering overhead fee will be imposed as set out in Administrative Order 15 Respecting License, Permit and Processing Fees, on Local Improvement Projects covered under this By-Law.

APPENDIX B:

**HALIFAX REGIONAL MUNICIPALITY
AMENDMENT TO ADMINISTRATIVE ORDER NUMBER 15
RESPECTING LICENCE, PERMIT AND PROCESSING FEES**

WHEREAS Bylaw S-400 provides for the billing of charges related to local improvements.

THEREFORE be it enacted by the Council of The Halifax Regional Municipality as follows:

1. Include the following subsection 16 in Administrative Order 15:

(16.)

Schedule of Engineering Fees - Local Improvement Charges

Paving	5% of property owners share of total construction costs
Stand-alone curb	5% of property owners share of total construction costs
Sidewalk, Curb & Gutter	10% of property owners share of total construction costs