



PO Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

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Halifax Regional Council
May 15, 2007

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:

A handwritten signature in black ink, appearing to read "Dan English", written over a horizontal line.

Dan English, Chief Administrative Officer

A handwritten signature in black ink, appearing to read "Geri Kaiser", written over a horizontal line.

Geri Kaiser, Deputy Chief Administrative Officer - Corporate Services
and Strategy

DATE: May 3, 2007

SUBJECT: Regional Capital Cost Charges Reserve

ORIGIN

April 24, 2007 - Approval of By-Law C-600, Respecting Capital Cost Charges with the By-Law to come into effect upon the adoption of By-Law S-107, being an amendment to By-Law S-106.

RECOMMENDATION

It is recommended that Council approve the attached Reserve Business Case to establish a Regional Capital Cost Charges Reserve.

BACKGROUND

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.

On April 24, 2007, By-Law C-600 Respecting Capital Cost Charges was approved and staff are preparing for its implementation pending approval of a housekeeping amendment to By-Law S-100, Respecting Sewer Charges.

DISCUSSION

The Infrastructure Charges Study identified accountability and transparency as important issues when a charge is imposed on a property for a specific purpose. High accountability is required to demonstrate that charges collected are spent in accordance with the intended purpose. The consultants recommended that funds collected be deposited in separate accounts with the provision that the monies deposited can only be spent on the services for which the charges are collected. HRM's reserves meet this criteria.

The Capital Cost Charge for Wastewater Treatment is the first of the region-wide infrastructure charges to be implemented. Additional region-wide infrastructure charges for Solid Waste, Transportation, and Transit Facilities will be deposited into this reserve as they are approved and will be accounted for separately within the reserve by infrastructure type.

BUDGET IMPLICATIONS

It is estimated the Capital Cost Charge for Wastewater Treatment will yield revenues of \$1.5 to \$1.9 million annually, depending upon the actual rate of development. The first \$293,978 collected will be applied to repaying the Service Improvement Reserve loan that enabled the formation of the CCC Implementation Team, as outlined in the attached reserve business case. Pending the merger of Wastewater Operations with the Halifax Regional Water Commission, the remaining revenues collected through this charge will be remitted to HRWC at regular intervals and will be used to fund the growth-related share of wastewater treatment projects.

As additional Capital Cost Charges are brought forward to Council, By-Law C-600 and the reserve business case will be amended to reflect the amounts of the charges and anticipated revenues.

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

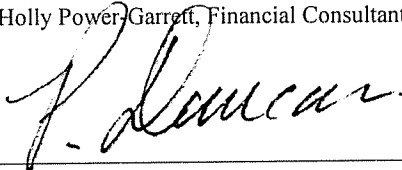
There are no recommended alternatives as By-Law C-600 has been approved. This report seeks to address the accounting treatment for the revenues to be collected.

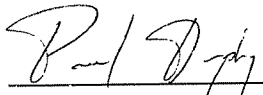
ATTACHMENTS

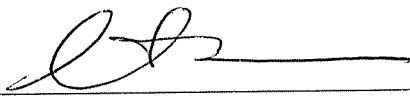
Attachment A: Reserve Business Case: Regional Capital Cost Charges

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: Holly Power-Garrett, Financial Consultant, Community Development 490-4488

Report Approved by: 
Peter Duncan, Manager of Development Engineering, Community Development 490-5449

Report Approved by: 
Paul Dunphy, Director, Community Development

Report Approved by: 
Cathie O'Toole, CGA, A/Director, Finance 490-6308

Attachment A: Reserve Business Case: Regional Capital Cost Charges

Reserves Business Case

Halifax Regional Municipality • Corporate Services • Finance Division • 490-6308 • Fax: 490-1578

Date: April 5, 2007
Contact: Director Finance

Regional Capital Cost Charges Reserve Q137

Purpose

To fund the growth-related share of regional infrastructure for which a CCC is collected as outlined in the Application of Funds.

Source of Funds

The Capital Cost Charge for Wastewater Treatment Facilities and other Regional CCCs as they are incorporated into Bylaw C-600, respecting Regional Capital Cost Charges, from time to time. Interest will be earned in accordance with the Reserve Policy.

Application of Funds

Funds collected for all Regional CCCs will be deposited into this reserve. They will be accounted for separately by infrastructure type and shall be expended according to the purpose for which they were collected. This business case will be amended from time to time as new Regional CCCs are approved.

Wastewater Treatment Facilities

Pending the anticipated merger with the Halifax Regional Water Commission, funds collected under the Wastewater Treatment Facility Capital Cost Charge will be transferred to the HRWC. Funds collected under this Capital Cost Charge shall be expended for Wastewater Treatment Plants, Interceptor Sewers, and Pumping Stations associated with the Interceptor Sewers. For the purposes of this Reserve, Interceptor Sewers are defined as:

- Halifax, Dartmouth, and Herring Cove Interceptor Sewers associated with the Harbour Solutions Project
- Existing Halifax Interceptor Sewer, from Duffus Street Pumping Station to Birch Cove

- North West Arm Interceptor Sewer, from Armdale to Point Pleasant Park Pumping Station to the Halifax Wastewater Treatment Plant
- Mill Cove Interceptor Sewer, from the Fish Hatchery Pumping Station to the Mill Cove Wastewater Treatment Plant
- Future Pumping Station and Forcemain that may connect the Beechville-Lakeside-Timberlea service area to the Halifax wastewater system.

This reserve does not address Area CCCs which apply to specific geographical locations within HRM. Funds collected for Area CCCs pay for infrastructure that is either within or alongside a defined charge area and the amount of the charge depends on the cost of the infrastructure required for that geographic area.

Time Line

Ongoing with comprehensive review at minimum, every 5 years.

Approval Process

Requests for funding from the Regional Capital Cost Charges Reserve, excepting Wastewater Treatment, must be initiated by the Director of the business unit responsible for the capital project and confirmed by the CCC Implementation Team and Financial Services prior to going to Council for authorization.

The approval process for the Wastewater Treatment CCC will consist of the CCC Implementation Team confirming to Financial Services amounts to be transferred to the Halifax Regional Water Commission.

Attachments

Regional Wastewater Treatment CCC Cash Flow

Approval

CAO

Regional Wastewater Treatment CCC Cash Flow

Estimated annual recoveries	\$1,790,000
Pro-rated recoveries 2007/08	\$1,342,500
Repayment of Service Improvement loan- Implementation Team	<u>\$ 293,978</u>
2007/08 Balance available for wastewater treatment projects	\$1,048,522