

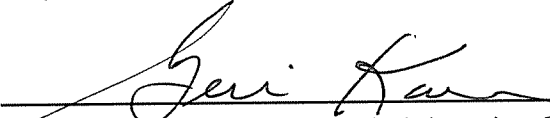


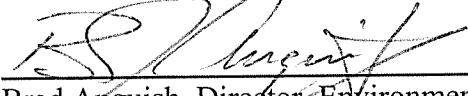
PO Box 1749  
Halifax, Nova Scotia  
B3J 3A5 Canada

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**Halifax Regional Council  
May 29, 2007  
Committee of the Whole**

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

**SUBMITTED BY:**   
Geri Kaiser, Acting Chief Administrative Officer

  
Brad Anguish, Director, Environmental Management Services

**DATE:** May 15, 2007

**SUBJECT:** Eastern Passage Wastewater Treatment Facility - Expansion and Upgrade

**SUPPLEMENTARY REPORT**

**ORIGIN**

Report to Regional Council on July 6, 2004, titled "Capacity at Eastern Passage Treatment Plant".

Resolution #6 in the Report to Regional Council on May 30, 2006, titled "Wastewater Funding Strategy", which stated the following: "Direct staff to prepare a report to Council to initiate the Eastern Passage Sewage Treatment Plant and increase the proposed 2006/07 Capital Budget, recognizing that in order to meet the debt payments from 2009/10 onward, there are funding alternatives to be considered, as outlined in the Discussion section of this report."

Report to Committee of the Whole on February 13, 2007, titled "Eastern Passage Wastewater Treatment Facility - Expansion and Upgrade" (Attachment 1).

**RECOMMENDATION**

It is recommended that Regional Council:

1. Approve the funding plan as outlined in the Discussion Section of this report;
2. Approve an increase to the Environmental Protection Charge (EPC) rate of \$0.035 per cubic metre, effective October 1, 2008;

Recommendations Continued . . .

Recommendations Continued

3. Approve borrowing \$16.4 million over 20 years with the debt servicing provided by the increase to the Environmental Protection Charge.
4. Authorize staff to close, or reduce the balances in, the projects listed in Attachment 2 of the report, and direct approximately \$813,982 of these funds towards the Eastern Passage project;
5. Approve the use of funds generated by By-Law C-600 "By-Law Respecting Capital Cost Charges" to pay for the portion of the Eastern Passage project eligible to be funded by Wastewater Treatment Capital Cost Contribution Charges, in accordance with the Discussion Section of this report, until the \$10.6 million plus interest is paid in full, pending the annual budget approval process;
6. Approve borrowing \$6.0 to \$6.5 million over 10 years with debt servicing provided by the Regional Capital Cost Charge for Wastewater Treatment. The final amount to be borrowed will depend on the actual rate of new development.

**EXECUTIVE SUMMARY**

As a consequence of responding to the request of Committee of the Whole on February 13, 2007, staff have developed a revised funding plan which reduces the borrowing required for the Eastern Passage Wastewater Treatment Facility - Expansion and Upgrade project from \$20.4 million to \$16.4 million, with a concurrent reduction in the EPC rate increase from \$0.045 per cubic metre to \$0.035 per cubic metre.

**BACKGROUND**

Staff presented a report at Committee of the Whole on February 13, 2007, including a recommended funding plan for the project. At that meeting, Committee of the Whole requested that staff:

1. Re-examine funding the project from the gas revenue and perhaps re-prioritize projects as this project cannot be delayed.
2. Search for any funding that maybe available from the Federal Government for such a project.
3. Provide additional information including a breakdown of the amounts and justification for the proposed funding plan and the proposed rate increase.

This Supplementary Report is provided in response to the request of the Committee of the Whole.

**DISCUSSION**

The details of the revised plan are included in staff's response to each part of the three-part motion approved by Committee of the Whole:

**1. Re-examine funding the project from the gas revenue and perhaps re-prioritize projects as this project cannot be delayed.**

The Gas Tax funding agreement lists a broad variety of eligible projects and agreement outcomes. In general, it is in the best interest of HRM to ensure that the funding supports a variety of projects and several of the agreement outcomes. As municipalities implement projects and are able to track the outcomes as identified in the agreement, we will be better able to argue for a continuation of the program and continued funding.

Staff would therefore not recommend an increase in Gas Tax funding to stormwater and wastewater projects beyond the \$5.1 million already approved by Regional Council within the Wastewater Funding Strategy for fiscal years 2007/08, 2008/09, and 2009/10.

Staff also looked at the possibility of directing some or all of the \$5.1 million Gas Tax allocated to stormwater and wastewater towards the Eastern Passage project. Staff went further than this and actually looked at the possibility of directing any of its current annual \$11.4 million funding towards the project.

The funding that is available for the Stormwater and Wastewater Program for each of the fiscal years 2007/08, 2008/09 and 2009/10 is as follows:

|                                 |                |
|---------------------------------|----------------|
| Sewer Redevelopment Charge      | \$1.7 million  |
| Environmental Protection Charge | \$1.0 million  |
| HWRC Water Dividend             | \$3.6 million  |
| Gas Tax (expires 2009/10)       | \$5.1 million  |
| Total                           | \$11.4 million |

Using this funding for the Eastern Passage project was identified as an alternative by staff in the February 13, 2007 Report to Committee of the Whole. The following is an excerpt from the Alternatives section of that report:

"2. Direct additional Stormwater and Wastewater Capital Capacity to the project: HRM has many other Priority 1 and 2 Stormwater and Wastewater Projects. Ceasing or delaying work on these projects for an approximate three-year period can result in serious compliance issues.

As staff continues to investigate the state of the current SW/WW infrastructure, we will encounter issues that require immediate resolution. Staff does not recommend this alternative as it will significantly reduce funding available to remedy other Priority 1 and 2 infrastructure issues. Additionally, many SW/WW projects are integrated projects, with the work done in concert with water works and/or street works. This integrated approach lowers the overall costs, and results in less disruption to members of the public.”

Staff’s recommendation is unchanged, which is that none of the \$11.4 million Stormwater and Wastewater funding should be directed to the Eastern Passage project, other than the \$2.2 million proposed by staff and approved by Council in the 07/08 Capital Budget.

Staff looked at all of the other Stormwater and Wastewater projects approved for 07/08 (with the exception of trunk sewer projects, which are funded from Sewer Redevelopment, which is not eligible to be used to fund Eastern Passage), with a view to possibly cancelling these projects and directing the funding towards Eastern Passage. The list of approved 07/08 Capital Stormwater and Wastewater projects is included as Attachment 3.

Staff is of the view that no 07/08 projects should be cancelled, for a variety of reasons. Many projects are integrated with other infrastructure work, such as street and water projects. Cancelling the stormwater and wastewater funding for integrated projects would likely jeopardize the other components of these projects, or at the very least, increase the cost to implement the other components. All of the other 07/08 stormwater and wastewater projects are a high priority, either Priority 1 or 2, which means that the project is required to get HRM into a better position of regulatory compliance, or to preclude sewer collapse, or to reduce a public health risk, and for some other similar high-priority reason. For some projects, there is also an expectation on the part of the regulators, based on staff discussions with them, that certain projects will be continued or carried out in 07/08. These specific projects are identified in Attachment 3.

Staff have carried out a similar exercise for projects contemplated for the years 08/09 and 09/10. A list of those projects is included as Attachment 4. These are existing infrastructure projects which staff are intending to carry out in 08/09 and 09/10. The total value of these projects is estimated at nearly \$25 million, although it should be noted that staff have a longer list of specific unfunded projects, with an estimated value of greater than \$100 million.

In addition to the specific projects listed in Attachment 4, there are a number of other significant risks to HRM related to stormwater and wastewater. These are as follows:

**Emergency and/or Unforeseen Projects:** The type of project within this category which represents the highest risk is collapsed pipes, or pipes that are about to collapse. Such projects are typically considered emergency projects, and a quick turnaround of a replacement or rehabilitation is imperative. Other examples are integration opportunities which were unknown at the time the budget was approved, and increases in funding required due to tender prices being higher than budgeted.

Staff have reviewed all of the projects over the past four years which fall into this category. The most high profile and the most expensive one of these is the Freshwater Brook Sewer, which staff are estimating will cost in the order of \$10 million to replace. HRM is very fortunate with respect to this project in that it happens to have been eligible for CSIF funding, plus we happened to have \$10 million available from CSIF. Without that, HRM would have been in a very dire situation in terms of funding the replacement of the Freshwater Brook Sewer on such short notice.

These kinds of emergency and/or unforeseen projects are not provided for within the list of projects in Attachment 4.

**HRM Share of Wastewater Infrastructure to Support Growth:** There are a number of such projects which are at varying levels of certainty within HRM, where HRM may be expected or required to fund parts of the cost of such infrastructure:

1. Lakeside/Timberlea Pumping Station and Force Main and Trunk Sewer Upgrade:  
This project is required to support growth in the Lakeside/Timberlea area, most notably the Westgate project, which was approved by Regional Council prior to Council and staff being aware of the issues with the receiving capacity of the Nine Mile River.

Gross Cost                \$7 million

Possible HRM Share    \$3 million

Projected Timeline: Uncertain but likely within the next five years.

2. Bedford West:  
Preliminary indication from the developer is that HRM's share with respect to wastewater infrastructure may be \$750,000, of which \$650,000 may be required in this current fiscal year. No provision has been made in HRM's budget for this \$650,000 at this time.

3. North Dartmouth Trunk Sewer:  
There is a portion of the North Dartmouth Trunk Sewer which is required to be constructed to support growth in Dartmouth Crossing, in HRM's Burnside Industrial Park, and in other lands in the sewershed.

Gross Cost                \$6 to 10 million

Possible HRM Share    HRM and private developers are expected to fund the majority of the cost of the sewer through Capital Cost Contribution Charges..

Projected Timeline: Completed by the spring of 2009, in advance of the World Paddling Championships on Lake Banook.

4. Portland Hills Development:

This project is covered by a Development Agreement, which defines the project infrastructure costs, as well as HRM's funding commitment.

Gross Cost      \$2.6 million

HRM Share      \$1.3 million

Projected Timeline: Uncertain, but possibly three to five years. Contingent on rate of development and flows to the existing system.

HRM's full financial risk with respect to these growth projects is not known with certainty at this time, but it could be in the order of \$10 to 20 million, which is not currently reflected in the Stormwater and Wastewater Three Year Plan, nor in the list of projects in Attachment 4. At least some of these projects are projected to be started or completed within the next three years.

**Integrated Projects:** The most common type of integrated sewer project is one where a stormwater or wastewater main is to be replaced at the same time as the reconstruction of an HRM street, and/or at the same time as the construction or replacement of a HRWC water main. Integrated projects are desirable from a number of points of view. Integrated projects provide cost efficiencies for each of the infrastructure components involved. If a sewer main is not rehabilitated on an integrated basis, it will need to be rehabilitated later on a priority basis, at a higher cost. Doing the rehabilitation later as a stand-alone project will necessitate excavating the street and the pavement structure and base later, which will weaken the street structure, often resulting in trench settlement. There is also the issue of additional disruption to the local residents and businesses, if the projects are not done on an integrated basis.

It is difficult to predict with accuracy all integrated projects, as not all such projects will show up as high priorities at this time, based on their individual merits.

Therefore it is prudent to estimate some additional funding requirements beyond the known projects, to account for integrated stormwater and wastewater projects. This is estimated to be about \$1 million dollars per year.

Again, these are not specifically listed in Attachment 4.

**Lively Water and Sewer Project:** This project will be coming to Council soon for approval of the funding plan and the LIC By-Law. The project involves oversizing of the trunk sewer to Lively Subdivision for the connection in the future of the Springfield Lake Wastewater Treatment Facility, and the possible connection of other lands in the vicinity of Springfield Lake, both developed and undeveloped.

**Eastern Passage Wastewater Treatment  
Facility - Expansion and Upgrade  
Council Report**

Many of the developed properties in the area are undersized as compared to today's standards, and based on past experience, it is predicted that some or many of these lots will experience failure of their onsite systems, necessitating connection to the public sewer. Staff have therefore oversized the trunk sewer to accommodate these possible future flows.

It is not possible to identify the specific properties which may be required to connect in the future, so it is not possible to levy Capital Cost Contribution Charges at this time.

This portion of the cost of sewer oversizing is estimated at \$1.2 million, and staff are contemplating funding the \$1.2 million from the Sewer Redevelopment Reserve. Staff did not anticipate this in the capital budget process, so this funding will represent an additional unplanned draw on the Sewer Redevelopment Reserve.

**Bottom Line:** The bottom line with respect to this exercise is that HRM faces many risks with respect to its stormwater and wastewater program over the next several years. Some of these risks are known, whereas some of these risks are uncertain at this time, including the cost to HRM. An overview of those risks for the next three years or so as described above are as follows:

|   |                |
|---|----------------|
| Existing Infrastructure - Known Projects - 08/09 and 09/10 (Attachment 4)   | \$24.8 million |
| Integrated Projects (sewer replacements integrated with street and/or water projects)   | \$2.0 million  |
| Emergency and/or Unforeseen Projects  | \$2.0 million  |
| Subtotal - Existing Infrastructure  | \$28.8 million |
| Lively Subdivision Water and Sewer Servicing  | \$1.2 million  |
| HRM Share of Wastewater Infrastructure Projects to Support Growth (e.g. Lakeside-Timberlea Pumping Station and Force Main and Trunk Sewer Upgrade through Fairview, Morris-Russell Lake, Bedford West, North Dartmouth Trunk Sewer) | \$10.0 million |
| Total - Existing Infrastructure and New Infrastructure  | \$40.0 million |

Given the possible shortfall between the funding available and the potential risks, staff are of the view that it would not be prudent to use any of the \$11.4 million available to the stormwater and wastewater program over the next three years for Eastern Passage, other than the \$2.2 million already approved in 2007/08.

**2. Search for any funding that may be available from the Federal Government for such a project.**

Staff is not specifically aware of any such funds at this point in time, although staff does understand that new infrastructure funds were announced in the recent federal budget. Once program details of any such funds are known, staff will provide further information to Council.

Further, the Mayor has written the Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities (Attachment 8) specifically requesting funding for Eastern Passage Wastewater Treatment Facility. No response has been received to date. Should additional funds be received for this project at any time during its execution, the proposed EPC rate increase can be reduced accordingly.

**3. Provide additional information including a breakdown of the amounts and justification for the proposed funding plan and the proposed rate increase.**

Funding in the amount of \$1.422 million was approved prior to fiscal year 2007/08 for Eastern Passage, leaving the unfunded estimated cost of the project to be \$30.0 million. The revised funding plan for the \$30.0 million proposes the following sources of revenue:

|   |                |
|---|----------------|
| 2007/08 Capital Capacity for Stormwater/Wastewater - Now Approved | \$2.2 million  |
| Funds from Completed SW&WW Capital Projects                       | \$0.8 million  |
| Capital Cost Contributions - Wastewater Treatment                 | \$10.6 million |
| Debt Financing (to be repaid from EPC rate increase)              | \$16.4 million |
| Total Unfunded Project Cost, exclusive of interest                | \$30.0 million |

Each of these funding sources will be discussed individually:

**2007/08 Capital Capacity for Stormwater/Wastewater - \$2.2 million**

This amount was included and approved in the 2007/08 Capital Budget. The \$2.2 million will be funded from the Gas Tax.

**Funds from Completed SW&WW Capital Projects - \$0.8 million**

Staff review all active Stormwater and Wastewater projects on a regular basis, to determine which are completed and can be closed, or which have a balance which can be reduced, based on a review and re-estimate of remaining costs. For these projects, the surplus funds are either returned to the originating reserve, directed to Crespool, or directed to another eligible project where there is a



funding shortfall.

There are a number of capital Stormwater and Wastewater projects which fit into this category, so that the funding from these projects can be re-assigned to the Eastern Passage project. The amount is estimated to be \$0.8 million.

A list of the projects, and the funding available in each, is included as Attachment 2 to this report.

It should be noted that one of the projects - Kearney Lake Road Twin Culverts - is not completed, although the account can be closed. Staff in Environmental Engineering Services were not aware until recently that these culverts are the responsibility of the Province, not HRM, pursuant to an agreement between HRM and the Province. HRM staff pursued the matter with staff of the Nova Scotia Transportation and Public Works, and the NSTPW staff agree and accept that they are responsible for these culverts. The account can therefore be closed.

Another project - Beckfoot Drive Pumping Station - is also not completed. In fact, the work is currently underway. However, the award tender price was lower than the budget, so that staff are recommending that \$138,789 of the funding in the account can be released now, and directed towards Eastern Passage.

### **Capital Cost Contributions - Wastewater Treatment - \$10.6 million**

Following the Committee of the Whole meeting of February 13, 2007, staff reviewed the CCC-funded component of the Eastern Passage project more closely, and realized that the CCC amount for the project had been under-estimated. The CCC-funded portion has been re-calculated to be \$10.6 million, which is an increase from the original CCC estimate of \$7.4 million included in the February 13, 2007 Report to Committee of the Whole.

The \$7.4 million CCC-funded portion was calculated by simply prorating the total project cost relative to the design population of 50,000. However, due to the nature of treatment plant design and construction, it is cost efficient to size some of the components for the ultimate population to be served. In the case of Eastern Passage WWTF, the ultimate population to be served is 60,000. A more detailed approach to calculating the capital cost contribution considers a breakdown of the project into its components and then prorating the cost of each component relative to the ultimate population served. The result is that the CCC-funded portion has been re-calculated to be \$10.6 million, which is an increase from the original CCC amount of \$7.4 million. The calculation is presented in Attachment 5.

Council approved on April 24, 2007 a Capital Cost Charges By-Law for wastewater treatment, which will create revenue at the building permit stage, which is eligible to be used to fund the growth related share of the Eastern Passage project. Staff estimate the annual revenue generated from this charge will be between \$1.5 and \$1.9 million per year. For the purpose of estimating revenue to be applied towards the Eastern Passage project, the median estimated value of \$1.7 million has been

used.

Staff brought a report to Council on May 15, 2007, entitled "Regional Capital Cost Charges Reserve". It was indicated in that report that the first \$293,978 collected in 2007/08 would be directed towards the repayment of the Service Improvement Loan - Implementation Team.

Staff recommend that all remaining CCC funds collected in 2007/08 and the entire amount collected through 2010/11 be applied to Eastern Passage. As shown in Attachment 7, CCC revenue will be used, to the extent possible, on a pay-as-you-go basis to reduce borrowing needs from \$10.6 to an estimated \$6.3 million. Beginning in 2011/12, CCC funds will be required on the Eastern Passage project for debt servicing only and the capacity available for other growth-related wastewater treatment projects will gradually return.

#### **Debt Financing (to be repaid from EPC rate increase) - \$16.4 million**

Applying the revenue sources noted above to the project results in a funding shortfall of \$16.4 million, which staff have recommended be debt financed, and then repaid from an increase to the EPC rate.

For the previous funding plan, staff were recommending an EPC rate increase of \$0.045 per cubic metre, effective October 1, 2008. For the new funding plan, staff are recommending an EPC rate increase of \$0.035 per cubic metre, effective October 1, 2008, one year after the final Harbour Solutions increase in October 2007.

Approving this rate increase now, even though it will not come into effect until October 1, 2008, will enable HRM to proceed with this project, in the sense that there is an approved funding plan in place.

The financial model used to calculate the rate was based on a number of assumptions or variables:

Debt Repayment Period: 20 years

Debt Interest Rate: Approximately 4.4%

Water Consumption: The amount of revenue generated from the EPC is directly related to the amount of water consumed by the wastewater customers in HRM. The HRWC had previously projected a decrease in water consumption in HRM of 1% per year for the foreseeable future. That 1% decrease is what has been used in the funding model for the Harbour Solutions project, and it has also been used in the funding model for the Eastern Passage project.

Using the above, the required EPC rate increase is calculated to be \$0.0341 per cubic metre. Staff are recommending a rate increase of \$0.035 per cubic metre.

The difference between the calculated \$0.0341 and the \$0.035 proposed by staff is \$0.0009 per cubic metre, which amounts to an average of \$31,500 additional revenue per year over the next 20 years, for a total of about \$630,000.

This amount will be a contingency in case some of the assumptions used in the model do not hold true over the next 20 years, particularly the rate of interest and the water consumption in HRM. Any excess contingency amount will be applied directly towards debt charges payments for this project, thereby reducing interest payments.

The financial model for the Eastern Passage project is included as Attachment 6.

### **BUDGET IMPLICATIONS**

EPC Rate Increase: The rate increase will generate additional revenues to be directed to the Environmental Protection Reserve Q105. This additional revenue stream will be appropriated for the principle and interest payments associated with this project. Eastern Passage WWTF Expansion Upgrade was included as a capital project (#CGI00614) valued at \$30 million dollars in HRM's 2007/08 Capital Budget with funding to be finalized, as the funding strategy was deferred from the February 13, 2007 Committee of the Whole. No increase to the 2007/08 Capital Budget is required at this time, and the final approved Capital Budget will reflect the revised funding strategy pending Council approval.

### **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. If approved, this report will increase HRM's gross debt but will not impact HRM's overall debt capacity as dedicated debt servicing sources have been identified outside the general tax rate.

### **ALTERNATIVES**

None other than those in the original February 13, 2007 report to Council, which is included as Attachment 1. However, a point of clarification: In Alternative 1, it was indicated in the February 13 report that the project would be delayed by a year if the approval for Eastern Passage were to be deferred to the HRWC. Based on more recent discussions with HRWC staff, it is now anticipated that the delay would be approximately six months.

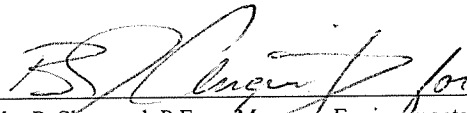
### **ATTACHMENTS**

1. Report to Committee of the Whole on February 13, 2007, titled "Eastern Passage Wastewater Treatment Facility - Expansion and Upgrade"
2. List of Completed Projects


3. List of Approved 2007/08 Capital Stormwater and Wastewater Projects
4. Stormwater and Wastewater Projects - 08/09 and 09/10
5. Calculation of Wastewater Treatment Capital Cost Contributions
6. Eastern Passage Wastewater Treatment Facility Funding Model
7. Eastern Passage Wastewater Treatment Facility - Wastewater Treatment CCC Debt Servicing
8. Letter to Minister of Transport, Infrastructure and Communities

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.

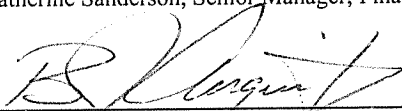
Report Prepared by:

  
\_\_\_\_\_  
John P. Sheppard, P.Eng., Manager, Environmental Engineering Services, 490-6958

Financial Approval by:

  
\_\_\_\_\_  
Catherine Sanderson, Senior Manager, Financial Services, 490-1562

Report Approved by:

  
\_\_\_\_\_  
Brad Anguish, P.Eng., Director, Environmental Management Services, 490-4825

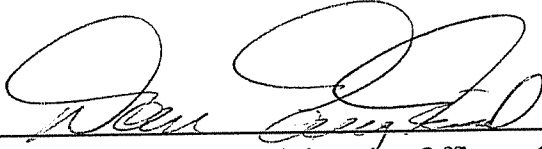


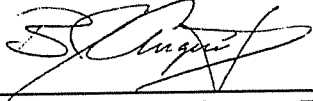
PO Box 1749  
Halifax, Nova Scotia  
B3J 3A5 Canada

**Halifax Regional Council**  
**February 13, 2007**  
**Committee of the Whole**

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

**SUBMITTED BY:**

  
\_\_\_\_\_  
Dan English, Chief Administrative Officer - Operations

  
\_\_\_\_\_  
Brad Anguish, Director, Environmental Management Services

**DATE:** January 31, 2007

**SUBJECT:** **Eastern Passage Wastewater Treatment Facility - Expansion and Upgrade**

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**ORIGIN**

July 6, 2004 Report to Regional Council - Capacity at Eastern Passage Treatment Plant.

May 30, 2006 Report to Regional Council - Wastewater Funding Strategy: Resolution #6.

**RECOMMENDATION**

It is recommended that Regional Council approve:

1. The funding plan as outlined in the Discussion Section of this report;
2. Advance funding approval in the amount of \$2.2 million for the Eastern Passage Wastewater Treatment Facility Expansion and Upgrade Project (CGI00614);
3. An increase to the Environmental Protection Charge of \$0.045 per cubic metre, effective October 1, 2008; and
4. Staff to go outside the debt policy and borrow the funding required to execute the Eastern Passage Wastewater Facility Expansion and Upgrade Project with all principle and interest payments supported from the incremental revenue generated from the EPC Rate increase.

## **BACKGROUND**

The Eastern Passage Wastewater Treatment Facility was designed and built in 1974 providing a secondary level of treatment. In 1986 the plant was expanded in terms of capacity but the level of treatment was downgraded from secondary to primary, as it was anticipated at that time that the Eastern Passage plant would be decommissioned and flow directed to the then proposed Halifax Harbour Cleanup Incorporated (HHCI) McNabs Island regional plant.

Continued growth within the service boundary has resulted in daily flows that matched and now exceeding the plant's capacity during normal daily conditions. During wet weather conditions, excessive infiltration and inflow causes flows to increase, with much of the flow bypassing the plant. This plant is out of compliance on a consistent basis. Additionally, ongoing development in the service boundary is pushing the facility further out of compliance. With the planned development inside the service boundary, Regional Council committed in principle on July 6, 2004 to provide funding to complete construction of the upgrade and expansion project by 2008, thereby enabling development to continue within the service boundary.

Given that this plant is consistently out of compliance, there is an expectation on the part of the regulators that HRM will be addressing all issues in a timely manner. Based on this, expansion of the plant is required on a Priority 1 basis, as per the Stormwater and Wastewater Priority Rating Process approved by Regional Council on February 1, 2005. This project now has an estimated completion date of late 2010 or early 2011.

On May 30, 2006, Regional Council approved a series of recommendations related to the Wastewater Funding Strategy for HRM. Included in these recommendations was direction to staff:

“To prepare a report to Council to initiate the Eastern Passage Sewage Treatment Plant and increase the proposed 2006/07 Capital Budget, recognizing that in order to meet the debt payments from 2009/10 onward, there are funding alternatives to be considered as outlined in the Discussion section of the May 30, 2006 staff report”.

## **DISCUSSION**

### **The Project**

The Eastern Passage Wastewater Treatment Facility Expansion and Upgrade Project is the largest stormwater and wastewater project on the immediate horizon in HRM. In addition to the expansion required to bring the plant into compliance, the intent is to upgrade the plant to the original secondary level of treatment. This is due to the sensitivity of the receiving environment and surrounding community. The increased cost to upgrade to secondary treatment level will be less if done in conjunction with the proposed expansion, as opposed to upgrading at a later date.

The following is an overview of the existing, proposed and future capacity of the facility:

| Existing Capacity  | Proposed Capacity  | Ultimate Capacity  |
|--|--|--|
| Average Daily Flow of<br>18,000 cubic metres per day -<br>38,000 equivalent population | Average Daily Flow of<br>25,000 cubic metres per day -<br>50,000 equivalent population | Average Daily Flow of<br>30,000 cubic metres per day -<br>60,000 equivalent population |

The pre-design of the expansion and upgrade to the Eastern Passage Wastewater Treatment Facility has been completed. A number of implementation methodologies have been investigated by staff. Given the size and complexity of the project and the need for an immediate resolution in order to meet regulatory requirements, staff have concluded that design-build is the best approach.

Design-build is more cost effective and time efficient, with less risk exposure to the rate payers, compared to the traditional design-bid-build process, for this type of project; as the scope of work and the deliverables can be defined with a high degree of certainty. Using a design-build approach does require that all funding be available before the project proceeds.

The design-build process will involve a number of key steps:

- Proposal call, selection and award of an Owner's Engineer
- Proposal call for qualifications and short listing of design-build bidders
- Proposal call, selection and award of the design-build project

Given approval of the recommendation in this report, it is anticipated that the above process will be completed and a report recommending the award for a design-build contract would occur late in 2007 or early 2008. Construction would follow in 2008, with completion in late 2010 or in 2011.

Prior to awarding the contract and beginning construction, additional land is required to house the larger footprint of the expanded and upgraded plant. During the pre-design process, an adjacent piece of property to the existing plant was identified as being suitable for this purpose. The owner of that land, Department of National Defence (DND), was contacted and they indicated a willingness to help HRM with its land needs. Staff have entered into negotiations with DND to acquire the necessary land through a land swap for an equivalent piece of HRM property. This real estate transaction is on the critical path for the project, and it is anticipated that the negotiations will be completed soon. Upon completion of negotiations, staff will bring a report to Council for approval of the land swap.

**Current Funding**

The current annual funding for capital stormwater and wastewater work is:

|                                 |                |
|---------------------------------|----------------|
| Sewer Redevelopment Charge      | \$1.7 million  |
| Environmental Protection Charge | \$1.0 million  |
| HWRC Water Dividend             | \$3.6 million  |
| Gas Tax (expires 2009/10)       | \$5.1 million  |
| Total                           | \$11.4 million |

On May 30, 2006, staff presented the Wastewater Funding Strategy to Council. Within that report, staff indicated that approximately \$24 million per year was required to meet the capital demands known at that time. The current annual funding is being fully utilized to meet those demands, focussing primarily on Priority 1 and 2 projects.

In addition to the above, the Stormwater and Wastewater reserves balances have been declining. The combined capital and operating reserve balances projected to be approximately \$5.3 million to the end of fiscal year 2006/07. This balance is low considering the level of risk in our current stormwater and wastewater system. Staff will address the issues related to the reserve balances in a separate report.

**The Funding Plan**

The funding plan developed by staff proposes the following sources of revenue to fund the Eastern Passage Project:

|  |                |
|--|----------------|
| 2007/08 Capital Capacity for Stormwater/Wastewater | \$2.2 million  |
| Capital Cost Contributions - Wastewater Treatment  | \$7.4 million  |
| Debt Financing (repaid by an increase to the EPC)  | \$20.4 million |
| Total Project, exclusive of interest               | \$30.0 million |

**2007/08 Capital Capacity:** in the development of the 2007/08 Proposed Capital Budget, staff will allocate \$2.2M of existing capacity. This will be funded from either the HRWC Water Dividend or Gas Tax.

**CCC Wastewater:** On October 10, 2006, Committee of the Whole approved in principle staff's recommendation to levy a capital cost contribution charge for wastewater treatment facilities, to be collected at the Building Permit stage and applied to all developments requiring a new sewer connection. The estimate of current population connected to the Eastern Passage Wastewater Treatment Facility is approximately 38,000 people. The proposed expansion to Eastern Passage Wastewater Treatment Facility is intended to provide a total capacity to serve approximately 50,000



people. Therefore, the proportionate cost allocated to the population growth is based on 12,000 people or approximately \$7.4 million.

Staff will be bringing a report to Council in March recommending a Capital Cost Contribution for wastewater treatment. If the recommended approach is not approved by Council, then the \$7.4 million indicated above will need to be funded from some other source, likely the EPC rate supported by an additional increase.

**Debt Financing:** Upon approval, debt financing will be secured through the Municipal Finance Corporation. This debt funding will be outside the Debt Policy contained within Multi-Year Financial Policy. Debt repayments would be maintained through the revenue generated from the proposed EPC rate increase.

Staff has considered three repayment options for the debt financing. The rate increase, revenue generated and associated interest are shown in the table below.

| Repayment Period (years) | Min. Increase in EPC Rate (\$ per cubic metre) | Revenue generated (\$ million/year) | Interest Payments | Total Estimated Project Cost |
|--------------------------|--|-------------------------------------|-------------------|------------------------------|
| 10                       | 0.0649   | \$2.50                              | \$4.77 million    | \$34.77 million              |
| 15                       | 0.0475   | \$1.87                              | \$7.19 million    | \$37.19 million              |
| 20                       | 0.0384   | \$1.50                              | \$9.31 million    | \$39.31 million              |

Staff are recommending that the project be funded over 20 years, to minimize the incremental increase in the EPC rate. Additionally, staff would request that the rate increase be set at \$0.045 per cubic metre to allow for changes in the interest rate and inflationary factors that can impact the tender price. Based on the average household consumption of 240 cubic metres per year, the increase is estimated at \$11.00 per year per household.

At such time as the debt is repaid, the rate will be reduced by \$0.045 (corresponding to the increase). Operating costs associated with the increased capacity and treatment ability will be addressed by the HRWC as part of future rate decisions.

The following table shows the current and future EPC rates:

| Date                       | Total EPC | HHSP Portion | Current SW/WW Portion |
|----------------------------|-----------|--------------|-----------------------|
| Current                    | \$0.7504  | \$0.57       | \$0.1804              |
| October 2007<br>(approved) | \$0.8404  | \$0.66       | \$0.1804              |
| October 2008<br>(proposed) | \$0.844   | \$0.66       | \$0.2254              |

Please note that staff has respected Regional Council wishes to minimize rate shock on rate payers by increasing the rate after all HHSP rate increases are complete. However, it should be noted that as a result of the merger, the HRWC will be applying for an interim rate approval in 2007 which may potentially introduce another slight rate increase. This cannot be confirmed at this time.

### **BUDGET IMPLICATIONS**

The budget implications of this funding strategy is as follows:

**2007/08 Capital Capacity:** approval of this report will be a pre-approval of the 2007/08 Capital Budget. This amount will be included in the existing capital capacity for Stormwater and Wastewater projects.

**CCC Wastewater:** will be determined based on Council approval of the Capital Cost Contribution for wastewater treatment.

**Debt Financing:** interest related to the debt financing will be included as part of the capital project.

**EPC Rate Increase:** the rate increase will generate additional revenues to be directed to the Environmental Protection Reserve Q105. This additional revenue stream will be appropriated for the principle and interest payments associated with this project.

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

This report complies with 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. This report does not comply with the Municipality's Multi-Year Financial Strategy as the recommended borrowing for this project is outside the Debt Policy contained within the Multi-Year Financial Strategy.

**ALTERNATIVES**

There are a number of possible alternatives presented below, none of which is recommended by staff. A staff commentary is provided for each alternative:

**1. Do Nothing/Defer to HRWC:**

With no corrective action, the Eastern Passage Wastewater Treatment Facility will continue to be out of compliance on a daily basis, with the concurrent discharge of under-treated wastewater into Halifax Harbour. This condition will continue to worsen as development continues within the sewershed, with the accompanying increases in wastewater flows to the treatment plant. There is an expectation on the part of Nova Scotia Environment and Labour staff and the Nova Scotia Medical Officer of Health that HRM would be proceeding with this project on a priority basis.

Given the direction to merge Stormwater and Wastewater operations with the HRWC, Council could choose to defer a decision to the HRWC, allowing the HRWC to deal with the issue as part of the rate application process in 2007. The HRWC would likely approach the Utility and Review Board with a request to increase the EPC Rate, perhaps consistent with the recommendation in this report. This alternative will result in an approximate one-year delay to the project. Staff can provide no guarantees that the interim rate increase would be approved by the UARB.

**2. Direct additional Stormwater and Wastewater Capital Capacity to the project:**

HRM has many other Priority 1 and 2 Stormwater and Wastewater Projects. Ceasing or delaying work on these projects for an approximate three-year period can result in serious compliance issues. As staff continues to investigate the state of the current SW/WW infrastructure, we will encounter issues that required immediate resolution. Staff does not recommend this alternative as it will significantly reduce funding available to remedy other Priority 1 and 2 infrastructure issues. Additionally, many SW/WW projects are integrated projects, with the work done in concert with water works and/or street works. This integrated approach lowers the overall costs, and results in less disruption to members of the public.

**3. Increase the Sewer Redevelopment Charge and Collapse the Reserves:**

Environmental Engineering Services staff is working closely with Community Development staff to review the implications of the Sewer Redevelopment Charge and Capital Cost Contribution. Given the inter-relationship, staff would prefer to complete this work and return to Council to report their findings before proceeding with any Sewer Redevelopment Charge increase.

Collapsing the existing reserves at this time will not provide funding sufficient to support this project. In addition, it leaves HRM exposed to the risk of not being able to deal with unexpected Priority 1 SW/WW infrastructure issues. This issue will be reviewed in the context of the merger with the HRWC.

**4. Do not use Capital Cost Charges to fund part of the Eastern Passage WWTF Project**

A portion of the capital cost of the project, estimated at \$7.4 million, has been estimated to be for the benefit of future users of the wastewater treatment facility. If this portion of the project is not funded through CCC, then the funding challenge will be even greater. More money will have to be

borrowed, with a greater payback from EPC, and a resultant higher charge to the existing wastewater customers in HRM. It is the view of staff that it is inappropriate for existing customers to pay for this portion of the cost, where it will benefit future customers.

5. MRIF II/Future Infrastructure Funding Programs

Council could decide to wait and apply for funding from some other yet-unannounced infrastructure funding program. This alternative is not recommended by staff. While additional funding for MRIF has been announced, the timing of the funding availability is uncertain. The Eastern Passage WWTF Project is very large, and would likely consume most, if not all of the available funding under a new program. All infrastructure programs come with specific eligibility criteria. This project may or may not meet those specific criteria. Finally, waiting for infrastructure funding will mean additional delays in the project. This project cannot afford to be delayed any longer.

**ATTACHMENTS**

None.

Copies of this report, and information on its status, can be obtained by contacting the Procurement Dept. at 490-4170, or Fax 490-6425.

Report Prepared by:



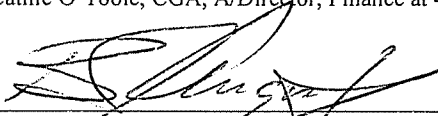
John Sheppard, P.Eng. Manager, Environmental Engineering Services at 490-6958

Report Approved by:



Cathie O'Toole, CGA, A/Director, Finance at 490-6308

Report Approved by:



Brad Anguish, P.Eng., Director, Environmental Management Services at 490-4825

## Attachment 2

### List of Completed Projects

| Completed (or Reduced) Projects            |             |           |
|--|-------------|-----------|
| Name                                       | Account No. | Available |
| Beckfoot Drive Pumping Station, Dartmouth  | CGI00609    | \$138,789 |
| Fairmount Storm Drainage                   | CGU00465    | \$17,893  |
| Kearney Lake Road Twin Culverts            | CSI00874    | \$529,833 |
| Plymouth Road Pumping Station, Dartmouth   | CGU00572    | \$127,467 |
| Funding Available for Eastern Passage WWTF |             | \$813,982 |

The amount of \$813,982 has been rounded to \$800,000 within the body of the report. The full amount of \$813,982 has been used in the recommendation to Council.

## Attachment 3

### Halifax Regional Municipality 2007-08 Approved Capital Budget (000's)

2007-08  
Total  
Gross

| Project<br>Number                        | Project Description                              | 2007-08<br>Total<br>Gross |
|--|--|---------------------------|
| <b>Stormwater and Wastewater</b>         |  |                           |
| <b>Environmental Management Services</b> |  |                           |
| CGI00610                                 | Bedford Sackville Trunk Sewer (2)                | 200                       |
| CGI00614                                 | Eastern Passage WWTF Expansion & Upgrade (2)     | 30,000                    |
| CGI00615                                 | Ellenvale Run - Drainage Improvements            | 650                       |
| CGI00616                                 | Fairfield Holding Tank, Halifax                  | 100                       |
| CGI00617                                 | Street Drainage Systems-Variou Locations         | 100                       |
| CGI00786                                 | Service Extension to Lively Subdivision (1), (2) | 6,250                     |
| CGI00912                                 | Jamieson St-Comb Trunk Sewer Replacement (1)     | 1,000                     |
| CGI00914                                 | Nightingale Drive - Sanitary Sewer (1)           | 400                       |
| CGI00915                                 | Old Oakes Drive - Drainage Improvements (1)      | 50                        |
| CGI00916                                 | Rowe Avenue/Scot Street-Sewer Separation (1)     | 200                       |
| CGI00958                                 | Elliot Street, Dartmouth - Sewer Renewal (1)     | 100                       |
| CGR00374                                 | Port Wallace-Sanitary Sewer System (1), (2)      | 2,500                     |
| CGR00788                                 | Studies & Investigations - Various Locations     | 80                        |
| CGU00458                                 | Crescent Ave - Storm Sewer Rehabilitation        | 500                       |
| CGU00461                                 | Sewer Laterals Replacements(Paving Proj.) (1)    | 500                       |
| CGU00575                                 | Uplands Park - Sanitary & Storm Sewers           | 550                       |
| CGU00688                                 | Greenhead Road Pumping Station                   | 100                       |
| CGU00689                                 | Chandler Drive PS, Sackville                     | 600                       |
| CGU00690                                 | Aerotech Lagoon Decommissioning                  | 100                       |
| CSI00762                                 | Frame Subdivision STP                            | 100                       |
| CSI00768                                 | SCADA Study & Upgrade (1)                        | 500                       |
| CSI00809                                 | Springfield Lake STP (2)                         | 100                       |
| CSI00874                                 | Kearney Lake Road Twin Culverts                  | 300                       |
| CSI00875                                 | Stormwater & Wastewater General Rehab            | 2,620                     |
| CSR00803                                 | Roach's Pond-Forcemain (2)                       | 2,400                     |
| CSU00110                                 | Wastewater Treatment Plants-Upgrades             | 300                       |
| CSU00117                                 | Freshwater Brook Sewer-Inspection (2)            | 9,784                     |
| <b>Total</b>                             |  | <b>60,084</b>             |

- (1) Integrated Projects
- (2) Projects of Specific Regulatory Interest

## Attachment 4

### Specific Stormwater and Wastewater Projects 08/09 and 09/10

| Name   | Unfunded Capital<br>Cost<br>(\$ in thousands) |
|--|---|
| Street Drainage Systems - Various Locations  | 100   |
| Ellenvale Run - Drainage Improvements        | 1,250   |
| Frame STP                                    | 1,500   |
| Springfield Lake STP                         | 200   |
| Wellington STP                               | 1,500   |
| North Preston Sewershed upgrades             | 1,000   |
| Sewer Laterals Replacement (paving projects) | 500   |
| Uplands Park - Sanitary & Storm Sewers       | 500   |
| Greenhead Road PS, Western                   | 600   |
| AeroTech Lagoon Decommissioning              | 2,000   |
| Rowe Ave - Scot St. - Sewer Separation       | 600   |
| Wastewater Treatment Plants Upgrades         | 2,000   |
| Bedford Sackville Trunk Sewer                | 1,000   |
| Fairfield Holding Tank, Halifax              | 4,000   |
| Studies & Investigations - Various Locations | 200   |
| SCADA Study & Upgrade                        | 1,600   |
| Windmill Road PS, Dartmouth                  | 800   |
| Crescent Ave. - Storm Sewer Rehabilitation   | 400   |
| Sackville Sanitary Sewer System              | 200   |
| Belmont Ave - STP Elimination                | 500   |
| Bissett Lake PS, Dartmouth                   | 100   |
| O'Dell Drive PS, Dartmouth                   | 600   |
| Stewart Harris PS, Dartmouth                 | 800   |
| Bella Vista Rd - Storm Sewer                 | 200   |
| Mill Cove STP Rehabilitation                 | 2200  |
| Roxton Rd - Sewer Replacement                | 500   |
| <b>Total</b>                                 | <b>\$24,850</b>                               |

## Attachment 5

### Calculation of Wastewater Treatment Capital Cost Contributions

| Description                                      | Cost (\$)  | Design Population Equivalent | Population Growth (DPE less 38,000) | CCC(%) Based on Existing Population of 38,000 | CCC (\$)   |
|--|------------|------------------------------|-------------------------------------|---|------------|
| 1.0 Headworks                                    | 4,920,610  | 60,000                       | 22,000                              | 36.7  | 1,804,224  |
| 2.0 Primary Treatment                            | 656,544    | 50,000                       | 12,000                              | 24.0  | 157,571    |
| 3.0 Secondary Treatment                          | 14,264,722 | 60,000                       | 22,000                              | 36.7  | 5,230,398  |
| 4.0 Disinfection - 50%                           | 441,696    | 50,000                       | 12,000                              | 24.0  | 106,007    |
| Disinfection - 50%                               | 441,696    | 60,000                       | 22,000                              | 36.7  | 161,955    |
| 5.0 Solids Handling                              | 2,328,304  | 50,000                       | 12,000                              | 24.0  | 558,793    |
| 6.0 Buildings - 50%                              | 1,254,202  | 50,000                       | 12,000                              | 24.0  | 301,009    |
| Buildings - 50%                                  | 1,254,202  | 60,000                       | 22,000                              | 36.7  | 459,874    |
| 7.0 General Site & Civil - 50%                   | 2,930,012  | 50,000                       | 12,000                              | 24.0  | 703,203    |
| General Site & Civil - 50%                       | 2,930,012  | 60,000                       | 22,000                              | 36.7  | 1,074,338  |
| Total Estimated Construction Cost (2007 Dollars) | 31,422,000 |                              |                                     |   | 10,557,372 |

CCC % = Population Growth / Design Population Equivalent

The CCC total of \$10,557,372 has been rounded in the text of the report to \$10.6 million.





**Eastern Passage Wastewater Treatment Facility  
Wastewater Treatment CCC Debt Servicing**

**Assumptions:**

1. The portion of the project cost eligible to be funded by CCC is estimated to be \$10.6 million
2. \$1.7M will be collected annually through the CCC
3. Construction will commence late 2007 or early 2008.
4. Construction costs will be incurred evenly over 3 years
5. Debt will not be required until 2008.
6. For demonstration purposes, debt will be issued at the end of the year
7. Debt will be issued on an annual basis to meet cash flow needs.
8. During the first 3 years, CCC revenues will be used to reduce total borrowing needs
9. The following schedules show only the debt that will be serviced by CCC revenues. Debt to be financed through the Environmental Protection Charge is shown in Schedule 6.

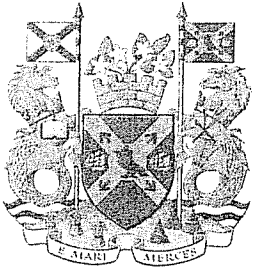
**Debt Requirements:**

|              | A                   | B                   | C                    | D = B + C            | E = A + D            |                     |
|--------------|---------------------|---------------------|----------------------|----------------------|----------------------|---------------------|
| Year         | Total Project Cost  | CCC Share           | Principal & Interest | CCC Revenue          | Cash Available       | Amt. to be Borrowed |
| 2008         | \$10,000,000        | \$3,600,000         |                      | (\$1,700,000)        | (\$1,700,000)        | \$1,900,000         |
| 2009         | \$10,000,000        | \$3,500,000         | \$270,057            | (\$1,700,000)        | (\$1,429,944)        | \$2,070,057         |
| 2010         | \$10,000,000        | \$3,500,000         | \$548,985            | (\$1,700,000)        | (\$1,151,015)        | \$2,348,985         |
| <b>Total</b> | <b>\$30,000,000</b> | <b>\$10,600,000</b> | <b>\$819,042</b>     | <b>(\$5,100,000)</b> | <b>(\$4,280,958)</b> | <b>\$6,319,042</b>  |

**Cash Flow Summary:**

|              | A = \$1.7M - B               | B = C...H            | C                        | D                       | E                        | F                       | G                        | H                       |
|--------------|------------------------------|----------------------|--------------------------|-------------------------|--------------------------|-------------------------|--------------------------|-------------------------|
| Year         | Available for other projects | Total Debt Servicing | 2008 Debenture Principal | 2008 Debenture Interest | 2009 Debenture Principal | 2009 Debenture Interest | 2010 Debenture Principal | 2010 Debenture Interest |
| 2009         | \$0                          | \$270,057            | \$190,000                | \$80,057                |                          |                         |                          |                         |
| 2010         | \$0                          | \$548,985            | \$190,000                | \$64,758                | \$207,006                | \$87,222                |                          |                         |
| 2011         | \$847,230                    | \$852,770            | \$190,000                | \$51,338                | \$207,006                | \$70,554                | \$234,899                | \$98,974                |
| 2012         | \$892,648                    | \$807,352            | \$190,000                | \$39,454                | \$207,006                | \$55,933                | \$234,899                | \$80,060                |
| 2013         | \$932,508                    | \$767,492            | \$190,000                | \$29,133                | \$207,006                | \$42,986                | \$234,899                | \$63,470                |
| 2014         | \$967,229                    | \$732,771            | \$190,000                | \$20,349                | \$207,006                | \$31,740                | \$234,899                | \$48,778                |
| 2015         | \$996,795                    | \$703,205            | \$190,000                | \$13,114                | \$207,006                | \$22,170                | \$234,899                | \$36,017                |
| 2016         | \$1,021,221                  | \$678,779            | \$190,000                | \$7,430                 | \$207,006                | \$14,288                | \$234,899                | \$25,158                |
| 2017         | \$1,040,463                  | \$659,537            | \$190,000                | \$3,325                 | \$207,006                | \$8,095                 | \$234,899                | \$16,213                |
| 2018         | \$1,054,450                  | \$645,550            | \$190,000                | \$838                   | \$207,006                | \$3,623                 | \$234,899                | \$9,186                 |
| 2019         | \$1,253,072                  | \$446,928            |                          |                         | \$207,006                | \$913                   | \$234,899                | \$4,111                 |
| 2020         | \$1,464,066                  | \$235,934            |                          |                         |                          |                         | \$234,899                | \$1,036                 |
| <b>Total</b> | <b>\$10,469,680</b>          | <b>\$7,349,361</b>   | <b>\$1,900,000</b>       | <b>\$309,795</b>        | <b>\$2,070,057</b>       | <b>\$337,523</b>        | <b>\$2,348,985</b>       | <b>\$383,002</b>        |

*Halifax  
Regional  
Municipality*



**Peter J. Kelly**

Mayor

1841 Argyle Street  
PO Box 1749  
Halifax, Nova Scotia  
Canada B3J 3A5

Tel: (902) 490-4010  
Toll free: 1-800-835-6428

Fax: (902) 490-4012  
Email: [kellyp@halifax.ca](mailto:kellyp@halifax.ca)  
Website: [www.halifax.ca](http://www.halifax.ca)

May 17, 2007

The Honourable Lawrence Cannon  
Minister of Transport, Infrastructure and Communities  
House of Commons  
Ottawa, ON K1A 0A6

Dear Minister Cannon:

RE: Eastern Passage Water Treatment Facility

The Halifax Regional Municipality is facing massive shortfalls in funding to maintain regulatory compliance for its existing stormwater and wastewater systems. An estimated \$600 million will be required over the next 25 years to regain and maintain compliance with current regulations. This pressure is compounded by the additional infrastructure needs to support growth and the Harbour Solutions project.

A specific urgent concern is with respect to the Eastern Passage Water Treatment Facility. The Eastern Passage Wastewater Treatment Facility was designed and built in 1974 and currently services approximately 38,000 citizens with a primary level of treatment. Continued growth within the service boundary has resulted in daily flows that exceed the plant's capacity during normal daily conditions. During wet weather conditions, excessive infiltration and inflow causes flows to increase, with much of the flow bypassing the plant. Plant performance continues to deteriorate. Without plant expansion, there will be continued deterioration of those components of the treatment plant that are at the end of their service life and bypass of the plant will continue. This situation is unacceptable given the sensitivity of the receiving environment, risk to local property owners and the surrounding fishing community.

The Eastern Passage Water Treatment Facility is out of compliance with provincial regulations. The Facility Expansion and Upgrade Project, estimated at \$30 million, is the largest wastewater project on the immediate horizon in HRM. In addition to the expansion required to bring the plant into compliance for 50,000 citizens, the intent is to upgrade the plant to a secondary level of treatment.

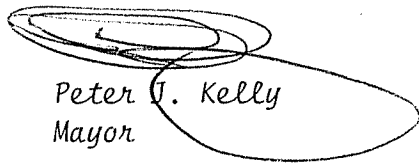


Halifax Regional Council remains very concerned about the potential environment and health issues related to the release of non-compliant effluent from the Facility. Recognizing the urgency, HRM has assembled a funding plan for \$13.6 million but still requires an additional \$16.4 million before the project can proceed. Regional Council desires to pursue a cost sharing arrangement with the Federal and Provincial Governments outside of any existing infrastructure allocations (such as the Municipal Rural Infrastructure Fund or Gas Tax Transfer) to resolve the current situation. For example, HRM has in the past suggested this Project for Canada Strategic Infrastructure Funding (CSIF) consideration as well.

Please accept this letter as a formal request to participate as an equal funding partner with the Halifax Regional Municipality.

I look forward to a positive response to our request.

Respectfully, I remain



Peter J. Kelly  
Mayor

cc - The Honourable Stephen Harper  
The Honourable John Baird, Minister of Environment  
The Honourable Peter G. MacKay, Minister Responsible for ACOA  
The Honourable Rodney MacDonald, Premier of Nova Scotia  
The Honourable Jamir Muir, Minister of Service Nova Scotia and  
Municipal Relations  
The Honourable Mark Parent, Department of Environment and Labour  
Dan English, Chief Administrative Officer  
Brad Anguish, Director, Environmental Management Services