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Item No. 10.1.3

Halifax Regional Council
March 10, 2009

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:

Dan English, Chief Administrative Officer

Wayne Anstey, Deputy Chief Administrative Officer - Operations

DATE: March 2, 2009

SUBJECT: **Capital Projects Evaluation Matrix**

ORIGIN

This report originates from Staff.

RECOMMENDATION

It is recommended that Regional Council adopt the Capital Projects Evaluation Matrix, attached to the report as Attachment "A", as a tool to assist Council in prioritizing capability projects.

BACKGROUND

On January 27, 2009 the Federal Government announced an economic stimulus package as part of its budget. The stimulus package included a number of funding programs relating to infrastructure, as follows:

- A $4 billion ***Infrastructure Stimulus Fund*** (NS share $116 million) over two years for provincial, territorial and municipal infrastructure. Funding will be available for projects that can begin in the 2009 and 2010 construction seasons, and the Federal government will cover up to 50 % of eligible costs.
- A $1 billion ***Green Infrastructure Fund*** (NS share $29 million) over five years for projects that support sustainable energy initiatives such as improved air quality and lower carbon emissions.
- A $2 billion ***Infrastructure at Universities and Colleges*** (NS share $58 million) to support infrastructure at post secondary institutions.

Few details of the programs are known concerning eligibility and how the programs will be administered. Generally speaking, the programs could be administered in one of the following manners:

- A program could involve “upfront” block funding such as the Gas Tax Program. This type of program provides the most flexibility to municipalities, is easier to access in a timely manner because there is no front end application process, and makes it easier for municipalities to plan if the program is long term.

- Under a general bi-lateral or tri-lateral agreement where funding for large scale projects is negotiated between levels of governments and the private sector, rather than awarding funds based on competing applications.

- A program could be application-based such as MRIF and CNSIP. This type of program can be more cumbersome and time consuming. The new funding programs are meant to get funding in place quickly (some in time for the 2009 construction season).

Federal funding programs that have been announced in recent years include Build Canada, Gas Tax Fund, Public Transit Capital Trust, Municipal Rural Infrastructure Fund (MRIF), Canada-Nova Scotia Infrastructure Program(CNSIP) and Strategic Infrastructure Funding. Although each of these have their own eligibility criteria, each either supports or favours “green” projects such as transit, water, wastewater and community energy. It is reasonable to expect this trend to continue under the new Stimulus Package.

The current Gas Tax funding program agreement requires that municipalities submit a 5 year capital investment plan by the end of October 2008. Projects in the capital investment plan, must be prioritized. HRM has submitted a 5 year capital investment plan, so as not to delay the distribution of 2008/09 gas tax funds which were contingent upon filing a capital investment plan. HRM’s capital investment plan was based on the 5 year capital budget approved by Council in 2008/09; and approved gas tax allocations, and prioritized using the draft capital project evaluation matrix. The capital investment plan will be revised/updated pending any changes to the matrix requested by Council. The capital investment plan deals primarily with projects funded with gas tax.

DISCUSSION

It is expected that details of the new federal programs will be known in the coming weeks, and Council will need to be in a better position to understand and communicate capital spending priorities. A Capital Project Evaluation Matrix will rank projects so that HRM can react quickly when details of the new programs are announced, to help ensure that there are no missed funding opportunities.

The Capital Project Evaluation Matrix was first introduced to Council during the 2008/09 Council Focus Area presentation and discussions on November 13, and 20th, 2007. One of the "next steps" identified to Council was the necessity to develop a corporate project assessment tool, to help rationalize and incorporate priorities such as the Regional Plan, Community Visions, Active Transportation Plan, Environmental Sustainability, Cultural Plan and Economic Strategy. The capital project evaluation matrix was seen as a useful tool to help make strategic funding decisions.

Staff tabled a draft capital project evaluation matrix as part of the 08/09 budget process, and received some feedback from Council. That feedback has been incorporated in the draft Matrix attached to this report.

The proposed intent of the infrastructure list was discussed with Council during the 2009/10 Infrastructure Council Focus Area on February 24th, 2009, and staff committed to return to Council with the Matrix. The proposed intent of the infrastructure list is to:

- Communicate priorities with other levels of government
- Shape long range capability plans
- Recognize and track requests for new capability projects

When Council approves a Capital Project Evaluation Matrix, the capability projects on the Infrastructure List will be ranked; and a ranked list will be provided to Council. "Capability" and "Base", are terms that are commonly used when infrastructure or capital projects are discussed. The definitions used in the Infrastructure council focus area regarding "Capability" and "Base" are:

"Capability" Infrastructure Capability Deficiency - the acquisition or construction of a new capital asset, normally resulting from an increase in a municipal service or service area.
Examples:
•Replace Central Library (has a significant service enhancement)
•Expand the transit fleet

•Improve the Armdale Rotary
•Increase the capacity of an intersection
•Increase leverage of technology infrastructure

"Base" Infrastructure Maintenance Deficiency - a capital improvement required to maintain the safe operating function of an asset, or a class of assets, within their normal life cycle.
Examples:
•Re-roof a building
•Re-pave a street
•Upgrade software
•Replace a portion of the general, emergency, or transit fleet

It should be pointed out that in recent years Council has made a solid commitment to fund "Base" projects. Approximately 80% of the capital budget over the next 5 years has been allocated to renewal, repairs, restoration, or renovations such as replacing existing buses, re-surfacing streets and repairing buildings. This commitment helps to ensure that HRM maintains current assets in a satisfactory condition, and projects are selected based on operational criteria such as age, condition, performance and consequence of failure. Funding is based on historical levels of funding that are needed to maintain the condition of the assets.

The matrix is <u>not</u> intended to supercede this commitment to Base funding, and is <u>not</u> intended to be used to determine whether or not a Base project is required. Rather the matrix is a strategic tool to determine priorities of projects that are currently on the infrastructure list, including projects currently in the 5 year Capital Plan.

Although, the matrix itself has recently been developed as a structured tool to recommend priority projects, it is building on Council's existing framework (approved October 2005 during Municipal Rural Infrastructure Funding project prioritization) recognizing: strategic importance, risk, fiscal considerations, capacity and success likelihood all as important considerations. The matrix also considers Government Finance Officers Association examples and strategic plans approved by Council. Minor revisions have been made to the matrix by the Capital Steering Committee, and it is being submitted for Council's approval.

Revisions to the matrix include:

- Criteria entitled "*required to Implement an existing, approved strategy* " and *"Coordination with Other Projects*" were added; and
- Weighting and scoring factors have been revised.
- More detail has been provided around how to use the Priority Factors to help ensure objective application of the matrix.

If Council endorses the matrix, Staff will return with a prioritized infrastructure list for approval.

BUDGET IMPLICATIONS

None at this time.

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

Council may chose not to endorse the Capital Project Evaluation Matrix, and wait until details of funding programs under the Federal Stimulus Package are known. This is not recommended for the reasons outlined in the report.

ATTACHMENTS

Attachment "A" - Draft Capital Project Evaluation Matrix

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.

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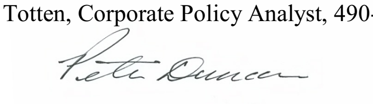

Report Approved by: for Phil Townsend, Acting Director Infrastructure & Asset Management, 490-7166

Capital Projects
Evaluation Matrix

Project Criteria	Weighting Factor	Priority Factors		
		1=Low	3=Med	5=High
Linkage to Strategic Initiatives Linkage to Strategic Initiatives/ Regional Plan	5.0			
Promotes Environmental Sustainability	5.0			
Required to Implement an existing, approved strategy	6.5			
Public Safety Impact Impact on Crime Prevention	3.5			
Impact on Youth	3.5			
Life Safety Impact of Deferral	6.5			
Risk Management Code Compliance Issue	5.0			
Occupational Health & Safety	6.5			
Regulatory/Legal Requirement	6.5			
Customer Service Impact Maintains Existing Service Level	3.5			
Enhances an Existing Service	5.0			
Provides a New Service	5.0			
Number of Residents Who Will Use Service	3.5			
Financial or Economic Impact Reduces Operating Expenses	3.5			
Increases "Own Source" Revenues	3.5			
Avoided Future Capital Costs	3.5			
Leads to Growth in Assessment Base	3.5			
Coordination with Other Projects	3.5			
Supports Economic Strategy	6.5			
Leverages External Funds	6.5			
Regional Impact Regional Benefit Versus Local	3.5			
Total Score	99			

Priority Factors Explained:
Low - no impact   Medium - Indirectly related   High - Directly related