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Halifax, Nova Scotia
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Item No. 9.1
Halifax Regional Council
March 31, 2009
April 7, 2009
April 28, 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 5, 2009

SUBJECT: **Hillside Water Utility Upgrade (Local Improvement Charge), Bomont
Subdivision, Elmsdale**

ORIGIN

Request from customers of Hillside Water Utility

RECOMMENDATION

It is recommended that Regional Council:

1. Approve in principle and begin the process for adoption of Local Improvement By-law L-127, attached hereto as Attachment 1, to set the charges for an upgrade and subsequent take-over by Halifax Water of the Hillside Water Utility;
2. Subject to the approval of By-law L-127, authorize Halifax Water to be the contracting agency for the required upgrade of the line prior to take-over by Halifax Water.
3. Approve in principle the Project Budget for the Hillside Water Utility Upgrade in the amount of \$380,000 gross, including net HST, with the net residual amount (after \$190,000 in funding from the Provincial Capital Assistance Program) funded from a Local Improvement Charge;

BACKGROUND

Halifax Water has been asked to take over ownership and maintenance of a private water utility located in Bomont Subdivision in Elmsdale. Before taking over the utility, Halifax Water requires that the system be upgraded, the cost of which is to be borne by customers of the utility; all of whom are property owners in the Subdivision. A Local Improvement Charge requiring approval from Regional Council is proposed to finance the utility customers' cost of the take-over.

History

Bomont Subdivision was developed in the mid 1970s with servicing from a private water utility, drawing its supply from the Shubenacadie River. In 1983 the Hillside Water Utility was formed to manage the water supply system, which includes a pump house, treatment system and distribution network, for the 14 homes that are connected to the water utility (there are another 8 homes that are not connected to the utility and 8 vacant lots in the Subdivision).

Several years ago, Halifax Water assumed operation of the water treatment system on a cost-recovery, fee-for-service basis. However, because of the small pool of participants, the cost to individual property owners is significantly higher than for other Halifax Water customers. As well, although water quality meets acceptable standards, recent changes to provincial regulations covering private water utilities could require improvements to the treatment system. The Hillside Water Utility, therefore, asked Halifax Water to take over ownership of the entire utility. Halifax Water would charge the same rate for water as it charges its other customers.

Before Halifax Water is able to take over the utility, the system needs to be upgraded. The estimate for the upgrade is \$380,000. The Utility was able to secure funding from the Province of Nova Scotia's Capital Assistance Program of \$190,000, leaving \$190,000 to be financed by the customers of the Utility (See Attachment 2 Letter from Service Nova Scotia). A Local Improvement Charge (LIC) could provide the mechanism to finance the customers' portion of the cost.

DISCUSSION

Regional Plan

Bomont Subdivision is located in the Rural Commuter Designation of the Regional Plan. According to Policy S-6 "...The primary intent of this designation shall be to protect the character of rural communities and conserve open space and natural resources by focussing growth within a series of centres... and carefully controlling the amount and form of development between centres." The subject area is not located in a growth centre.

Water Service Areas are addressed in the Regional Plan, however, Plan policy does not specifically address situations such as the Hillside water utility. Policies SU-12 and SU-13 speak to the establishment of new Water Service Areas or to the expansion of existing Water Services Areas, primarily intended to address the provision of water service by the major trunk water distribution systems originating in Pockwock and Lake Major. The Bomont subdivision is serviced by a small

independent water system currently under the management of a private water utility, and is not designated as a formal Water Service Area under the Regional Subdivision By-law. Because it is distant from, and independent of, the major trunk servicing system, is a small system with no capability to service a larger area, and simply involves a take-over of the utility by Halifax Water, staff feels there is no requirement to amend the Subdivision By-law in this case. Similar circumstances are found in other areas in HRM where small, independent central water systems exist and are not included in a Water Service Area.

Consultation

Halifax Water and HRM staff consulted with customers of the Utility to determine whether they are in favour of proceeding with the proposed take-over and funding of the upgrade through an LIC. At a meeting held August 12, 2008, the upgrading proposal and the method by which the cost could be shared among the customers was discussed. (See Attachment 3) Ten of the 14 customers of the Hillside Water Utility were represented at the meeting. There was a consensus at the meeting that the take-over proposal should proceed. One issue raised at the meeting was how to share the cost of the upgrade among the residents in the area.

Sharing of costs

The principle of distributing a project's cost through a Local Improvement Charge is that each property owner's share is equitable and reflects the value of the improvement. A number of approaches could be used to share the cost of the Hillside Utility upgrade among Bomont property owners, including on a frontage basis, a per-lot basis, or a combination of both.

Most occupied lots in Bomont are ½ acre in area with approximately 100 foot frontages. There are, however, eight 1-acre lots with about 200 foot frontages. Because the limiting factor on lot size is septic system requirements, not the presence of piped water supply, the larger lots with wider frontages could not be further subdivided because the newly created lots would not meet the minimum lot size requirements for on-site septic systems. The larger lots therefore have no greater advantage than the smaller lots regarding connection to the piped water supply. The LIC should, therefore, be applied on a per-lot basis.

The question then is which properties should be subject to the LIC. There are presently 14 customers of the Hillside Water Utility (now receiving piped water) who would immediately benefit from the take-over by Halifax Water. If the LIC applied only to these owners, the share for each customer would be about \$13,571. However, there are another 16 properties that are not connected to the system (8 non-customers and 8 vacant properties). It is possible that non-customer owners might want to connect to the water system, reducing the cost per property to all. For example, if the cost is shared among all 30 properties equally, the charge per property would be about \$6,333. Based on discussions at the August 12, 2008 community meeting, there was a consensus that the LIC be applied only to active customers of the Utility - those that are connected to the water system.

Halifax Water proposed that the final Local Improvement Charge be set 30 days after the utility is turned over to Halifax Water. This would give other owners of either vacant or occupied lots an

opportunity to connect to the water line and reduce the per-lot cost for each. Any connections made after 30 days would be charged at the same rate set at that time - no further reductions would be made to the per-lot charge - and those monies would be used by Halifax Water for maintenance and future capital improvements to the system. This proposal was confirmed by customers of the Utility in a survey conducted in October 2008 (13 in favour, 1 non-response). See Table 1.

Table 1 Hillside Water Utility Customer Survey

		Yes	No	No response
Total surveys mailed out	14 (100%)	-	0	-
Total surveys returned	13 (93%)	13 (100% of returned surveys)	0	-
No response	1 (7%)	-	-	1

LIC Process

A Local Improvement Charge is a method of financing the cost of a project for participating property owners. Each pays a share of the total cost of the project. This share or Charge forms a lien on the property and is paid in annual installments, plus interest, over a maximum of twenty years. The Local Improvement Charge is applied through an amendment to the LIC By-Law specifying the amount and other terms as required. As with any by-law, amending the LIC By-Law (L-100) requires a public hearing and Regional Council's approval. The By-Law sets an interim charge which is adjusted following completion of the project, when actual, final costs are determined.

Conclusion

The total number of existing customers of the Hillside Water utility is fourteen (14). Thirteen (13) of these customers responded that they were in favour of a proposal to have Halifax Water upgrade and take over the ownership and maintenance of the Utility (one customer did not respond). Funds to cover half of the estimated cost of the upgrade have been provided to the Utility members by the Province of Nova Scotia. Members have indicated they are in favour of paying for the remaining half of the cost through a Local Improvement Charge, regardless of whether there are additional contributors to the total cost. Ownership of the water system, whether existing members or Halifax Water, does not affect the future development of the area. Financing this project through an LIC, therefore, is appropriate.

BUDGET IMPLICATIONS

There are no net budget implications for HRM as the project would be fully funded from Local Improvement Charges and the Provincial Capital Assistance Program.

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

Although property owners have indicated they are in favour of financing the upgrade and take-over through a Local Improvement Charge, Regional Council could choose not to proceed with the LIC Bylaw process. If the owners still wanted to proceed with the upgrade, they would need to finance the project independently. This alternative is not recommended.

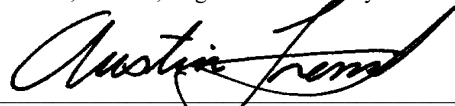
ATTACHMENTS

- Map 1 Bomont Subdivision - Location Map
- Map 2 Bomont Subdivision Detail
- Attachment 1 Proposed By-Law L-127
- Attachment 2 Letter from Service Nova Scotia
- Attachment 3 Letter to Property Owners, Bomont Subdivision, September 25, 2008

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.

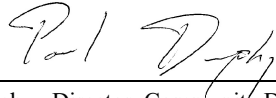
Report Prepared by: Fred Wendt, Planner, Regional/Community Planning, Community Development, 490-3971

Report Approved by:



Austin French, Manager, Planning Services, Community Development, 490-6717

Report Approved by:

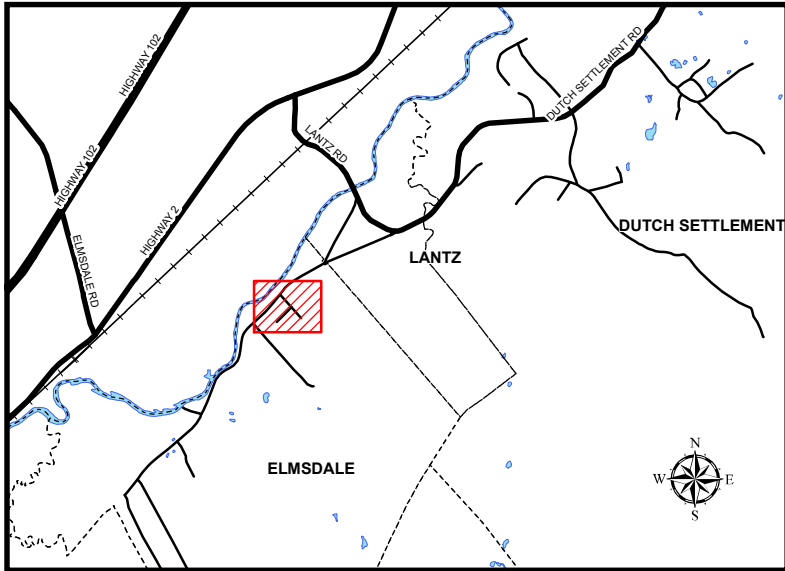


Paul Dunphy, Director, Community Development

Report Approved by:

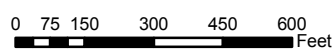
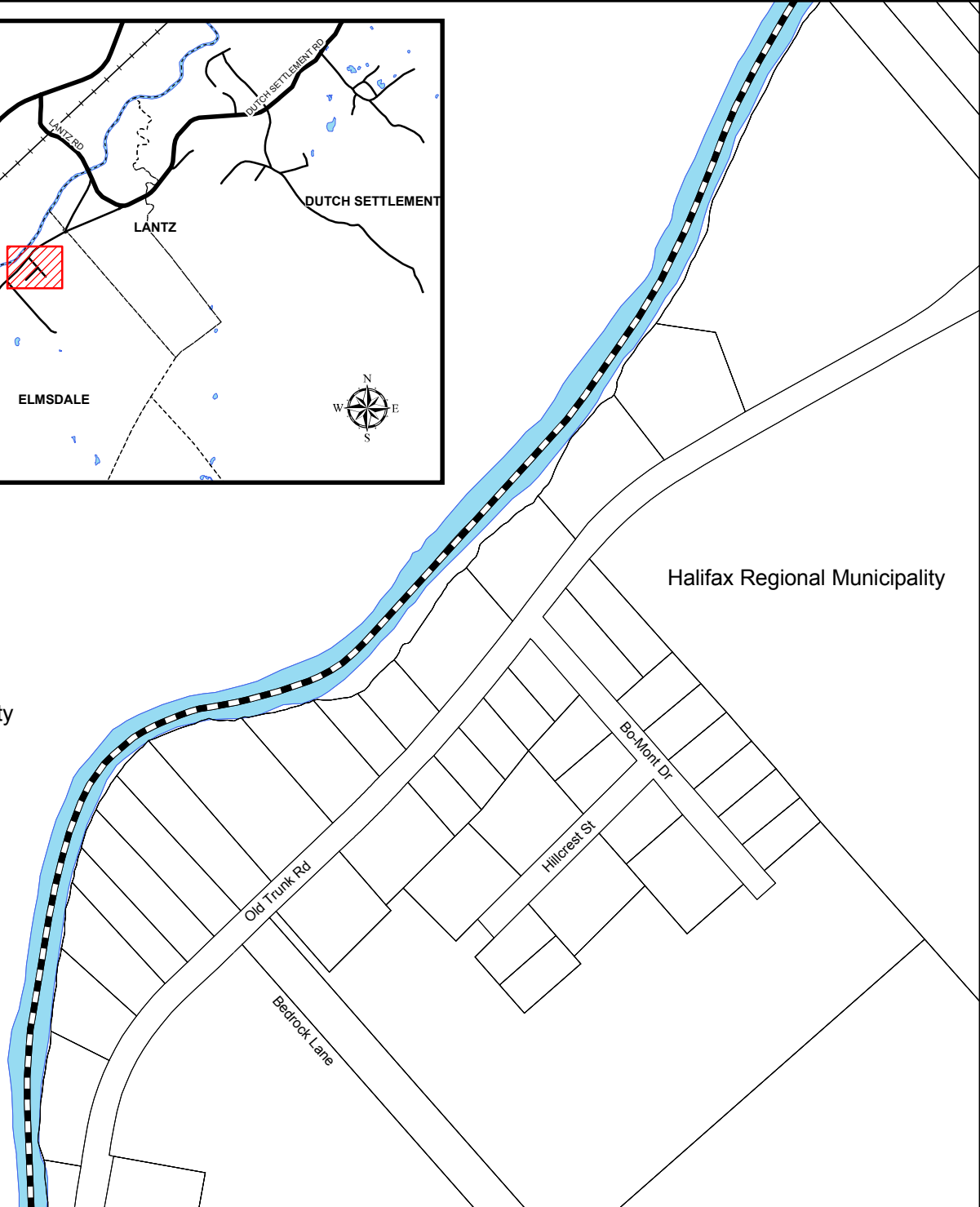


Catherine Sanderson, Sr. Manager, Financial Services, 490-1562



Hants County

Halifax Regional Municipality

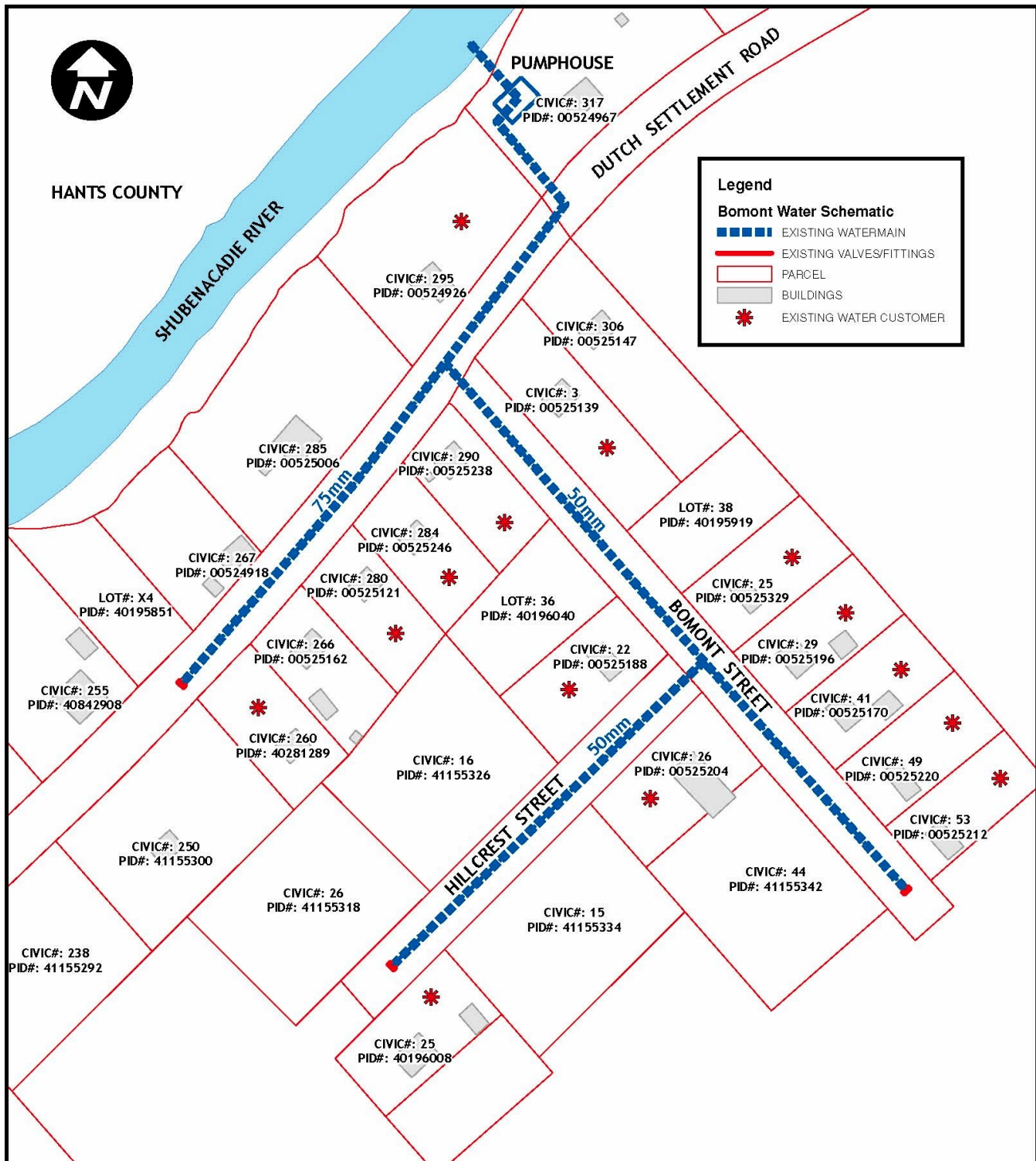


Map 1 Bomont Subdivision

HALIFAX
REGIONAL MUNICIPALITY
COMMUNITY
DEVELOPMENT
SERVICES

HRM does not guarantee the accuracy of any representation on this plan.

Map 2 Bomont Subdivision



BOMONT SUBDIVISION EXISTING SATELLITE WATER SYSTEM

JULY 30, 2008



Meters
SCALE - 1:2,000

HALIFAX REGIONAL MUNICIPALITY
BY-LAW NUMBER L-127
RESPECTING CHARGES FOR LOCAL IMPROVEMENT PROJECTS

Be It Enacted that Council for the Halifax Regional Municipality that the By-Law L-100, the Local Improvement By-Law, be amended as follows:

1. Schedule "A" of By-Law L-100 is amended by adding the following:

- (a) The Hillside Water Utility Upgrade is a project to undertake upgrading of an existing private water supply system servicing properties in the Bomont Subdivision in Elmsdale, prior to take-over of the system by Halifax Water.
- (b) The estimated cost for the Upgrade is \$380,000 and will be funded in part by a grant from the Provincial Capital Assistance Program in the amount of \$190,000, with the remaining \$190,000 to be funded by Local Improvement Charges levied on the 14 property owners that are currently connected to the Hillside Water Utility for a interim lot charge of \$ 13,571.43.
- (c) Final lot charge will be calculated 30 days after Halifax Water takes over the system and will be determined by dividing the final cost net of grants by the number of properties connected to the system or committed to connect to the system as of that date.
- (d) A further Charge equal to the amount calculated in clause (c) shall be imposed for each new connection to the water system made after 30 days following the date of take-over of the Hillside Water Utility by Halifax Water.
- (e) Any monies levied under clause (d) shall be provided to Halifax Water to be used for future operating and maintenance costs of the water system.

Done and passed by Council on this day of , 2009.

MAYOR

MUNICIPAL CLERK

I, Julia Horncastle, Municipal Clerk for the Halifax Regional Municipality, hereby certify that the above noted by-law was passed at a meeting of the Halifax Regional Council held on , 2009.

Julia Horncastle, Municipal Clerk



Service Nova Scotia
and Municipal
Relations

Marvin MacDonald
Director
Grants & Programs

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Our File Number:

Attachment 2

Fax 490-4808

March 28, 2008

Mr. Jamie Hannam
Acting General Manager
Halifax Regional Water Commission
450 Cowie Hill Road
PO Box 8388, Stn. A
Halifax, NS B3K 5M1

Dear Mr. Hannam:

Re: PCAP #01-07-0368 Hillside Utilities Assoc. Water Treatment Facility Upgrade Project

I am pleased to inform you that the Department of Service Nova Scotia and Municipal Relations is providing the Halifax Regional Water Commission with a cheque in the amount of \$190,000. The funds are provided through the Provincial Capital Assistance Program and are intended for the sole purpose of the Hillside Utilities Assoc. Water Treatment Facility Upgrade Project.

The funding is provided under the following conditions which the Municipality indicates their agreement to by returning a copy of this letter duly signed by an authorized municipal official:

1. The Municipality will establish a capital reserve account and deposit the funds in that account for the sole use of the designated Hillside Utilities Assoc. Water Treatment Facility Upgrade Project.
2. If the project does not proceed for any reason within a two year period from the date of this letter, the Municipality will return the full amount of the \$190,000 to the Province.
3. To validate expenditures, copies of invoices and proof of payment must be submitted on a regular basis as the project proceeds and a final audited statement of claim is required at the completion of the project.
4. All other terms and conditions under the letter of approval dated January 2, 2008 continues to be in effect for the purpose of this project

Please indicate agreement of these conditions by signing the declaration below and returning the original to my attention. Please retain a copy for your files.

If you have any questions on this please call me at (902) 424-3858 or email me at mrmacdon@gov.ns.ca

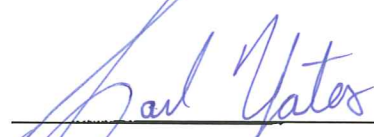
Yours sincerely,



Marvin MacDonald, P.Eng.
Director Grants and Programs



On behalf of the Halifax Regional Water Commission, I accept and agree to the terms and conditions set out in this letter of funding (50% of eligible costs to a maximum contribution of \$190,000) approved under the Provincial Capital Assistance Program.



Halifax Regional Water Commission

March 31/08
Date

Attachment 3 - Letter to Property Owners, Bomont Subdivision

September 25, 2008

To: Properties owners that are existing customers of the Hillside Water Utility within the Bomont Subdivision area, or have direct frontage access to this water system.

Halifax Water, with assistance from the Halifax Regional Municipality (HRM) and working with Hillside Utilities Association, has developed a plan to upgrade and takeover ownership of the existing water system within the Bomont Subdivision. Further to the letter sent to all property owners on August 1, 2008, we held a community meeting on August 12, 2008 to discuss the project. This letter provides a summary of the meeting, answers some of the outstanding questions from the meeting and details the next steps in the process.

1. Community Meeting August 12, 2008

The following are the minutes as recorded at the above community meeting:

A Hillside Utilities/Bomont Subdivision Community Meeting was held August 12, 2008; 7 pm - 8:30 pm at the Elmsdale Superstore.

Property owners in attendance:

Alf Doiron 53 Bomont Dr

Sheila Doiron 53 Bomont Dr

Lorraine Newey 49 Bomont Dr

Fred Newey 49 Bomont Dr

Chris Dingle 26 Bomont Dr

Chris Mullins 290 Old Trunk Rd.

Deanne Cavanaugh 41 Bomont Dr

Jeff Clements 41 Bomont Dr

Kevin and Amy Bell 3 Bomont Dr

Wanda Jackson 25 Hillcrest

Natasha Robinson 284 Old Trunk Rd.

John Harrison 22 Bomont Dr

Harriet Harrison 22 Bomont Dr

Frank Mallais 260 Old Trunk Rd

Carol Leblanc 260 Old Trunk Rd.

(Representing 10 properties in Bomont Subdivision, all were customers of the Hillside Utility)

Staff in attendance:

Jamie Hannam, Halifax Water

Gordon Roussel, Halifax Regional Municipality

Fred Wendt, Halifax Regional Municipality

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Background

Jamie Hannam, Halifax Water, provided an introduction and background to the Hillside Water Utility and development of the Bomont Subdivision. Halifax Water began operating the water system on a cost recovery, fee-for-service bases for the past few years. Present issues facing the utility include high operating costs, liabilities and pending water quality standards for private utilities. A proposed solution was discussed in Oct 2007 with the community and includes:

- Upgrading the system at a cost of \$380,000 and subsequent take over of the system by Halifax Water.*
- Utility customers would pay to Halifax Water the urban rate for water -approximately \$200/year based on 64 cubic meters of consumption.*

- *Utility members would be responsible for the cost of upgrading the system prior to take over.*

Subsequently, funding from the Provincial Government of \$190,000 has been secured.

Mr. Hannam proposed a funding plan to the group in attendance. All customers of the Hillside Utility at the time of take over would share in the remaining \$190,000 cost of system upgrade. At present there are 14 customers of the utility, therefore the per-customer cost would be \$13,571. There could be a maximum of about 24 customers if all properties with access to the system were included, which would yield a payment of approximately \$7900 each.

If property owners hook up after the take over of the system, they would be required to pay the full charge established at time of take over. (There would be no reduction of all other customers' costs). These monies would be used to fund the operating costs and any future capital improvements. A copy of a spreadsheet detailing the LIC repayment under the two scenarios is attached for information.

To finance the cost, HRM could provide property owners with a Local Improvement Charge (LIC) adopted by Regional Council as a Bylaw. The LIC provides for payment of the cost over a twenty year period plus interest at prime plus 2%. Payments are due each year, billed separately from taxes or the water usage and payable to HRM.

The next steps in this process are that staff prepares a recommendation to Council based on the input from the community; Regional Council will call a public hearing and decide whether and how to proceed. Anyone is able to speak at the public hearing on the LIC Bylaw adoption.

Discussion/Questions/Comments at meeting

Halifax Water should approach the other property owners to determine if they wanted to hook up to the system.

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There should be a penalty for hook up after the initial customers hook up. Perhaps there should be an incentive to encourage hook up at time of take over.

Q. Can we get a refund when new customers hook up after take over by Halifax Water? Perhaps there could be a five year period during which contributions could be redistributed.

A. As time goes on it would be more and more difficult to distribute these additional monies to the other customers. For example residents may move and the question would be whether to distribute funds to the present or the previous owner. The proposal is to use additional contributions to offset operating and future capital costs.

Q. I own a vacant lot. What happens when someone buys that lot?

A. The property owner would be able to connect to the system but would pay the full charge set at the time of hook up.

Q. Are non-customers aware of this meeting

A. All property owners were sent an invitation and letter.

Q. Will the cost of upgrading the system remain the same?

A. Halifax Water is committed to a cost of \$380,000 for the project. This includes meters to existing customers but not laterals to those who are not already connected.

Q. Could Council force the land owners of four vacant lots to connect?

A. Staff's position is that Halifax Water has been working with the existing customers of Hillside Utility and that those property owners have indicated they want to proceed with the upgrade and take over. Other customers who benefit would be given the opportunity to connect either now, to reduce the per-customer cost, or in the future at a cost set at the time of take over.

Q. What is the interest rate and does it change?

A. The present interest rate is 6.75% based on prime + 2%. However, the interest rate for the 20 year period of the LIC will be based on prime + 2% as of the date the customer billing is issued. Annual payments are calculated at one-twentieth of the principle plus interest accrued on the remaining balance at this fixed rate.

Q. Will the Local Improvement Charge be on the water bill? Can residents be billed monthly?

A. The LIC will appear as a separate bill from HRM once a year. HRM staff will investigate the possibility of pre-authorized monthly payments (refer to section 2 below for an update)

Q. Will there be disruptions during upgrading?

A. Most construction can be accomplished while the existing system is in place. There will be scheduled, short-term outages with notice to residents.

Q. Will the water be chlorinated?

A. Halifax Water is required to chlorinate the water while it is in the distribution network.

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Q. What could stop the process?

A. While Regional Council will ultimately make the decision on the LIC Bylaw, there is no risk to HRM. The local Councillor has indicated support and Halifax Water has already approved the project.

Q. Do residents need to attend the Public Hearing for the LIC Bylaw.

A. While anyone has a right to speak at the hearing, it is not critical to attend since staff will communicate to Council the information and comments presented at this meeting, including that all in attendance were in favour of proceeding with the project.

Q. How would a new customer make it known that they want to connect to the system?

A. They would contact Halifax Water.

Q. How soon will the system be finished?

A. The upgrade and take-over will likely be completed by spring 2009. Subsequent to the above discussion, the community group, via show of hands, noted a clear consensus to move forward with the project based on the plan presented.

Staff will review the discussions and options presented at the meeting. Halifax Water will contact the other property owners with details of the funding plan and communicate the results to the community.

2. Responses to Issues Raised

Several questions or issues were raised at the community meeting that could not be answered at the time. The following is additional information relating to topics discussed.

1. LICs can be paid monthly through preauthorized payment (PAP). Rose Preston at HRM (490-4197) can work with each customer to develop a payment plan tailored to their individual needs.

2. Property owners who hook-up in the future can also use the LIC process and PAP to pay their costs.

3. Section 10(1) of By-Law L-100 states that the interest rate is based on prime + 2% "on the date that notification of the local improvement project is issued." Therefore the interest rate is fixed for the entire 20 year period.

4. Homeowners with a combined annual household income of \$28,000 or less can apply for a deferral of LICs (payment is put off to a later date) without accumulating further interest on the outstanding amount. The debt is collected if title to the property is transferred to another owner. The total amount deferred on a property cannot exceed 75% of the assessed value of the property. Only principle residences qualify (ie recreational properties do not). In order to continue receiving the deferral of LICs, applicants must reapply each year. Further information is available by calling 490-4000, or on line at:

<http://www.halifax.ca/boardscom/bccgrants/ResidentialPropertyTaxPrograms.html>

5. With respect to committing any presently unserviced properties which express an interest in hooking up prior to the issuance of the LIC, it is proposed that the LIC amount not be finalized until all the water meters are installed. We would give the unserviced properties a deadline for installation of a water meter 30 days after the water utility is turned over to Halifax Water.

Through subsequent discussions with unserviced lot owners, we have no formal indication that any are prepared to hook up at the time of ownership transfer.

3. Next Steps for Project

With the strong positive input from the community, staff propose to proceed to develop a staff report for HRM Regional Council for the establishment of the LIC By-Law and project approval by Regional Council in accordance with the current Plan. The current Plan would set the LIC rate as the community funding share (\$190,000) divided equally among the property owners who were confirmed customers at the time of system takeover by Halifax Water, and that future connections to the system from properties that currently front the system be at the same rate as at the time of connection. These monies would be used to fund the operating costs and any future capital improvements.

We anticipate that this report would be brought to Regional Council in October 2008. A formal Public Hearing is an important part of the Council approval process and provides an opportunity for property owners to provide further input on the project.

September 26, 2008

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Subsequent to Council approval the project would proceed to final design and construction with anticipated commissioning date of Spring 2009.

We thank you for your continued cooperation and we welcome any additional input you may have towards this project. Please contact the undersigned at 490-4808 or jamie.hannam@halifaxwater.ca.

Yours truly

Jamie Hannam, P.Eng.
Manager, Engineering & IS
cc. Councillor Steve Streach, District 1, HRM