

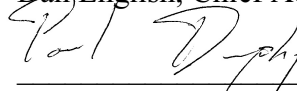
**Item No. 10.1.1**  
**Halifax Regional Council**  
**October 6, 2009**

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

**SUBMITTED BY:**



Dan English, Chief Administrative Officer



Paul Dunphy, Acting Deputy Chief Administrative Officer - Operations

**DATE:** September 16, 2009

**SUBJECT:** Provincial Capital Assistance Program (PCAP)

**ORIGIN**

August 11, 2009 Regional Council meeting (item 12.9):

MOVED BY Councillor Dalrymple, seconded by Deputy Mayor Hendsbee that Regional Council request a staff report supporting an application by Monarch Rivendale Subdivision in Beaver Bank putting forward a grant application under the PCAP (Provincial Capital Assistance Program) Grant Program.

**RECOMMENDATION**

1. It is recommended that Halifax Regional Council authorize staff to provide letters of support to the Province for consideration of PCAP funding in circumstances where:
  - (a) Council has initiated the process to consider amending the Regional Subdivision By-law to extend/create a Water Service Area Boundary or Urban Service Area Boundary, to service existing development, as per the applicable policies of the Regional Municipal Planning Strategy and Secondary Planning Strategies, according to the Process Chart attached as Appendix A of this report, and /or;
  - (b) Council has initiated the process to consider a Local Improvement Charge (LIC) By-law for the purpose of financing central services infrastructure by recipient property owners, to service existing development, according to the Process Chart attached as Appendix A of this report.

**RECOMMENDATIONS CONTINUED ON PAGE 2**

2. It is recommended that Halifax Regional Council authorize staff to prepare a letter to the Province to request consideration for PCAP funding for the installation of central services for the following:
  - (a) Monarch/Rivendale Subdivisions, Beaver Bank;
  - (b) Giles Drive, Bedford
  - (c) Bedford Highway (Millview Avenue to Fern Avenue)

### **Executive Summary**

The Provincial PCAP program is primarily targeted at addressing urgent existing environmental and health problems associated with water and wastewater infrastructure systems throughout the province, in order that the cost burden can be made more affordable. The Municipality, and communities within HRM, have been, and will continue to be, faced with water supply and wastewater treatment issues for which municipal funds have not been budgeted. PCAP funds may be available in such circumstances. The funds are not generally available for projects which open up new land for development.

Where Council has initiated processes to address water and wastewater issues in existing communities (Subdivision By-law Amendment and/or LIC By-law), staff are recommending that it be authorized to submit letters of support for PCAP funding, as described above and presented in Appendix A. It should be noted that the PCAP program does not require the Municipality to cost share in any funded project.

With respect to the processes currently underway for Monarch/Rivendale, Giles Drive and Bedford Highway, staff advises that the time is now appropriate to request consideration of PCAP funding from the Province for these three projects.

### **BACKGROUND**

#### **The Issue**

The Provincial Capital Assistance Program (PCAP) is a grant program of the Government of Nova Scotia that contributes financially towards the cost of high priority municipal infrastructure projects that are designed to eliminate urgent existing environmental and health problems, in order that the cost burden might be reduced to affordable levels. The program funds water supply, sewer disposal and solid waste infrastructure projects, including associated engineering studies and design.

To date, HRM has had no consistent administrative protocol regarding when, and under what circumstances, applications or endorsements of projects should be forwarded to the Province for PCAP funding consideration. This report describes the funding program, current projects in HRM that may qualify for funds, and a recommended approach for dealing with similar projects in the future.

### **PCAP Program**

Further to the program description/intent cited above, Attachment B of this report presents the program details obtained from the provincial government website. Pertinent highlights of the program include the following:

- Annual funding is limited and is generally applied to projects designed to eliminate serious existing environmental and health problems, ranked according to the severity of the problem and other factors.
- There is no requirement that the Municipality cost share in the grant program.
- Funds are not generally available for projects designed to open up land for new development.
- Grants of up to 50% may be made toward the cost of eligible infrastructure projects.
- Program administration is usually coordinated through the Municipal unit, however, staff understands that registered not-for-profit organizations may qualify for a grant, in which case municipal endorsement of the project is requested.
- Grant funds are paid out over the term of the project upon receipt of progress claims and copies of paid invoices.

The PCAP program is administered by Service NS and Municipal Relations. The program's budget is determined on an annual basis by Cabinet and covers the entire province. Annual program budgets have ranged from a low of approximately \$1.0 M to a high of about \$6.0 M.

Projects that have been approved for PCAP funding within HRM over the past number of years (04/05 to 08/09) include the following:

Station Road, Hubbards: \$280,000

Hillside Water Utility, Elmsdale: \$190,000

Harbour Solutions, Halifax: \$10 M (commitment of \$2.0 per annum for 15 years (total \$30.0 M)

Lively Subdivision, Sackville: \$250,000

Glenmount/Millview Subdivision, Halifax/Bedford: \$350,000

Spider Lake Subdivision, Waverley: \$112,000

Other: \$54,000

The total approved PCAP budget for fiscal year 09/10 is \$3.75 M, of which \$2 M is committed to Harbour Solutions.

### **Current Projects**

#### Monarch/Rivendale Subdivision

Monarch/Rivendale is a largely developed 250+ lot subdivision located in Beaver Bank. All lots are currently serviced by individual on-site systems. Over the past year or so, property owners began experiencing well water quantity problems. The Monarch/Rivendale Community

Association subsequently approached staff and Community Council requesting that the subdivision be supplied with central water service.

In May, 2009, Regional Council initiated the process to consider amending the Regional Subdivision By-law to extend the water service area boundary to include the Monarch/Rivendale subdivision. This process also entails the preparation of an LIC By-law, whereby property owners will be responsible for financing the installation of the system. This process is now underway, with one public meeting and a survey of property owners having been conducted. Consultants' reports have also been received describing the nature and extent of the well water shortage problem. Based on the outcome of the process to date, Halifax Water is now conducting a more detailed engineering design and refined cost estimate for installation of a central water supply system for the subdivisions.

Council's current Capital Budget contains no funds for the Monarch/Rivendale water service project. The Community Association, in an effort to lower potential costs to individual property owners, is seeking to access funds under the PCAP program. The Motion of Regional Council (Origin section of this report) reflects the objective of the Association to have the support of HRM in their provincial grant request.

#### Giles Drive, Bedford

Regional Council, at its meeting of August 4/09, requested that staff, as part of the process to consider amending the Water Service Area to include Giles Drive, also investigate potential means to finance the installation of a central water system.

#### Bedford Highway, Millview Ave. To Fern Ave.

In 2005, Regional Council requested staff to investigate the extension of sewer and water services for this section of the Bedford Highway, including the Fernleigh subdivision. Staff have been preparing cost estimates and consulting with property owners on a potential LIC. A staff report on this matter will be prepared for Council in the near future. There are currently no approved municipal funds for this project.

#### 2046 - 2068 Brunswick Street, Halifax (the 12 Apostles)

Regional Council, at its meeting of April 28/09, approved and LIC By-law for replacement of the sewer system servicing the 12 units, to be paid for by the owners. At that time, no application for PCAP funding had been made, and there are no approved municipal funds for the project. Staff understands the District Councillor has since approached the Province for consideration of PCAP funding for this project, however, the reply from the Minister indicated there were no Program funds available at this time, pending the approval of a new provincial budget.

In addition to these projects, other requests to address water or wastewater issues in existing communities are likely to come forward to Council in the future. Staff therefore suggests that

Council establish an administrative protocol regarding under what circumstances it should consider initiating or endorsing requests for PCAP grants assistance.

## **DISCUSSION**

The primary intent of the PCAP program is to provide grant funding for high priority municipal water supply, sewer disposal and solid waste projects that are designed to eliminate urgent existing environmental and health problems, in order that the cost burden might be reduced to affordable levels. Under the program, there is no requirement for financial cost sharing on the part of the Municipality.

### **Council's Funding Request Parameters**

With respect to funding program requests, on March 15, 2006, Halifax Regional Council passed a motion that it would not consider support for any Municipal Rural Infrastructure Fund (MRIF) application other than those already approved by Council. The intent of that Motion was to ensure that HRM would support and protect infrastructure projects that were deemed a priority to the Municipality, and would not offer support to other applications that would negatively impact the success of HRM's own infrastructure fund applications. This was not intended to suggest a lack of overall support for a project, only that Council would not support a funding application to a source that is required to fund HRM's priority infrastructure projects.

With respect to PCAP funding, apart from the Harbour Solutions project, the program is specifically aimed at addressing relatively small, urgent environmental or health related water or wastewater infrastructure issues where little or no municipal funds are allocated/available. While staff does not foresee the PCAP funding source overlapping with, or conflicting with, Council's other funding request priorities, should the potential for this arise, Council will be apprised accordingly.

### **Approval Processes**

Approval processes for extensions to Service Area Boundaries (Regional Subdivision By-law amendment) and LIC's both require a public consultation process and public hearing before Regional Council. In the case of Service Boundary extensions, Council is guided by the policies of the Regional Plan, more specifically policies SU-5, SU-14, SU-14 and SU-16 (see Attachment C of this report). These policies reference, in part, that the provision of central water or water and sewer service should be considered where an existing community has bona fide water quality or quantity problems that cannot be rectified by alternative means. The policy criteria indicates that the nature and extent of the problem should be verified through a study conducted by a qualified person (engineer/hydrogeologist). Such verification would indicate that the solution to the problem (provision of central services) would meet the criteria for consideration of PCAP funding from the province.

Municipal endorsement of a project and the support for an application for PCAP funding would, if successful, serve to reduce the resultant LIC cost to property owners.

### **Recommended Protocol**

Based on the information and analysis presented above, it is recommended that Council authorize staff to request that the Province consider PCAP funding during the approval process for a Service Boundary Amendment and/or a LIC By-law.

Appendix A of this report presents the process that staff follows for Service Boundary Amendment /LIC By-law initiatives. It suggests the appropriate point at which a request to the Province for consideration of PCAP funding should be made. Specifically, such request would be made following the first public information meeting and upon a positive property owner survey response to the estimated LIC cost for installation of services.

Sending the funding request to the Province at this time would mean a response would be received in advance of the final LIC cost estimate, and should funds be granted, the contribution amount would be factored into the proposed LIC By-law presented to Council at the public hearing. The PCAP Program Administrator at the Province has been consulted on this matter and has indicated that the proposed approach is appropriate.

This procedure has the following benefits:

- Council has authorized a process to consider the installation of a central services project to correct a water or wastewater problem in an existing community;
- After initial consultation, affected property owners are interested in pursuing a solution at their cost;
- The Province, based on the circumstances of the request, determines whether or not PCAP funding can be provided, at an interim point in the overall process;
- In advance of the public hearing on the boundary amendments/LIC By-law, all parties are aware of the cost of the project, including the PCAP contribution.

### **BUDGET IMPLICATIONS**

There are no budget implications associated with this report. If Council approves the LIC by-law, there will be an increase to the gross capital budget but not the net. The project will be fully funded by the LIC and possibly off-set by PCAP funds dependent on the success of the application. The project will not proceed should Council not approve the LIC By-law.

**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 Council approves the LIC by-law, there will be an increase to the gross capital budget but not the net.

**ALTERNATIVES**

1. Council could choose to not approve the staff recommendation respecting the suggested protocol for requesting provincial PCAP funding for municipal infrastructure projects in existing communities, and the three projects now in process. This is not recommended for reasons described in the report.

**ATTACHMENTS**

Attachment A	Process Chart
Attachment B	PCAP Program Description (from Provincial Government Website)
Attachment C	Excerpts from the Regional Municipal Planning Strategy

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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## ATTACHMENT A

### Process Chart

#### **Amendments to Service Area Boundaries and/or Local Improvement Charge By-laws for Municipal Services**

1. Council Initiates process to consider:  
Amending the Regional Subdivision By-law to extend/create a Water Service Area Boundary or Urban Service Area Boundary in an existing community, and/or  
A Local Improvement Charge By-law for financing installation of a central servicing system in an existing community
2. Study conducted as per RMPS policy to verify nature and extent of the water or wastewater problem
3. Public Information Meeting - information and feedback (approval process and order of magnitude costs for new infrastructure)
4. Formal Survey to affected property owners - determine level of interest in continuing the process.
5. **Letter to Province requesting consideration for PCAP funding.**
6. Engineering Pre-design and refined cost estimates.
7. Public Information Meeting (results of first survey, design and refined costs, **results of PCAP funding request**)
8. Formal Survey to affected property owners - proposed LIC cost, determine level of interest in continuing the process.
9. Staff Report
10. Regional Council - First Reading for Service Boundary Amendments and LIC By-law
11. Regional Council - Public Hearings (Service Boundary Amendments and LIC By-law)
12. Proceed to Tender



## ATTACHMENT B

### Provincial Capital Assistance Program: Program Description (from Government of Nova Scotia Website)

#### Assistance for Municipal Infrastructure Projects

##### **1. Program Purpose**

The Government of the Province of Nova Scotia recognizes that the cost of undertaking water supply, sewer disposal and solid waste projects can place significant financial burdens on municipal governments and taxpayers alike. The Provincial Capital Assistance Program is designed to enable the Government of Nova Scotia to contribute financially towards the cost of high priority municipal infrastructure projects in order that this cost burden might be reduced to an affordable level.

##### **2. Eligible Projects**

The following projects are eligible for funding assistance under this program:

- Construction or expansion of facilities for the treatment and disposal of sanitary sewage.
- Construction of sanitary sewage collection systems.
- Installation of individual and communal in-ground sewage disposal facilities within a Wastewater Management District.
- Construction of water intake, treatment, pumping and storage facilities.
- Installation of water transmission and distribution systems.
- Construction, acquisition, upgrading or expansion of solid waste management facilities and equipment.
- Municipal infrastructure engineering and research studies.

##### **3. Program Emphasis**

The amount of funding available for distribution on an annual basis is limited. Program funding applications are ranked according to the severity of the problems being addressed, as well as other factors. Generally, funding requests for projects designed to eliminate serious environmental and health problems (actual and potential) are accorded priority attention in the allocation of program funding. Pollution abatement is a primary emphasis of the program.

In allocating program funds, emphasis will be placed on projects designed to eliminate existing problems. Funding will not generally be available under this program for projects designed to open up land for new development (residential, commercial or industrial).

The provincial government wishes, where practical, to encourage intermunicipal cooperation in the provision of water supply, sewage disposal and solid waste management. Consequently, intermunicipal projects may receive special consideration in the distribution of program funding.

#### **4. Eligible Project Costs**

The following components of an Eligible Project qualify for cost sharing under the Provincial Capital Assistance Program:

**Engineering:**

- Cost of preliminary engineering studies.
- Cost of preparing design drawings and specifications.
- Cost of construction inspection and administration.

**Construction/Equipment:**

Cost of construction and equipment acquisition as per plans and specifications.

**Land:**

- Cost of acquiring land and property easements.
- Interim financing costs are not considered eligible for sharing under this program.

#### **5. Program Administration**

The Provincial Capital Assistance Program will be administered by the Department of Service Nova Scotia and Municipal Relations.

Grant funds will be paid out over the term of the project upon receipt, by the Department, of periodic progress claims including copies of all paid invoices. Upon completion of a project, the Department will require a final statement of claim, certified by a registered municipal auditor.

#### **6. Assistance For Eligible Projects**

- Grants of up to 50% may be made towards the cost of eligible infrastructure projects.
- Grants of up to 100% may be made towards the cost of engineering studies and investigations.

#### **7. Application Requirements**

Municipal units wishing to obtain assistance under the Provincial Capital Assistance Program shall submit a formal written request to the Department of Service Nova Scotia and Municipal Relations. Requests should be directed to the Minister.

Unless otherwise agreed to by the Department, requests for assistance shall be accompanied by:

- Documentation clearly substantiating the need for the capital work. The nature and extent of problems being addressed shall be described in detail.
- A detailed project description, including a drawing showing the layout of individual project components.
- A total estimated cost for the project, a detailed cost breakdown for individual project

components showing quantities and assumed unit prices and a proposed implementation and cash flow schedule.

- A report describing the proposed financing arrangement for the project and substantiating the municipal units financial and technical ability to operate and maintain the project under completion.
- And, in addition, for water projects:
  - A report which indicates the impact that financing the project, with and without provincial assistance, will have on water rates.

### **8. General Conditions and Requirements**

Municipal units undertaking projects with financial assistance from the Province of Nova Scotia through the Provincial Capital Assistance Program shall comply with the following general conditions and requirements:

- Provincial Capital Assistance Program funding for the construction of a project will not be advanced to a municipal unit until such time as:
  - all necessary regulatory approvals have been obtained by the project proponent; and
  - project financing arrangements have been finalized and all necessary borrowing and/or withdrawal from special reserve approvals have been obtained.
- Work carried out in violation of conditions set by regulatory authorities will not be cost shared by the Department.
- Grants for tendered projects will be based upon the price submitted by the lowest qualified bidder. Unless otherwise agreed to, Municipal Units will be required to follow the Nova Scotia Government Procurement Policy in awarding engineering and construction contracts.
- Municipal units may be required to submit general progress and evaluation reports during the course of construction on an approved project and will be required to co-operate with Departmental staff in monitoring the implementation of approved projects.
- Other project specific conditions and requirements may be included in the approval documentation.

## ATTACHMENT C

### Excerpts from Regional Municipal Planning Strategy: Policies Regarding Extensions to Service Areas

SU-13 HRM may consider establishing new Water Service Areas, subject to the financial ability of HRM to absorb any related costs, provided a wastewater management plan is also considered in accordance with Policy SU-20, if:

- (a) the area is within a Rural Commuter, Rural Resource or Agricultural centre and it has been determined through a secondary planning process that new growth is to be encouraged in this area;
- (b) an Open Space Design development is proposed within a Rural Commuter, Rural Resource or Agricultural centre pursuant to Policy S-16;
- (c) the lands are adjacent to an existing Water Service Area and an Open Space Design development is proposed within an Urban Reserve designation pursuant to Policies IM-18 and S-16; or
- (d) a study has been prepared by a qualified person verifying that there is a water quality or quantity problem in an existing community that cannot reasonably be rectified by an alternative means.

SU-14 HRM may consider expanding existing Water Service Areas to existing communities, subject to the financial ability of HRM to absorb any costs related to the expansion, if:

- (a) the lands are in proximity to a trunk water main planned or constructed by the Water Commission to improve the performance of the water distribution system;
- (b) a study has been prepared by a qualified person verifying that there is a water quality or quantity problem that cannot reasonably be rectified by an alternative means; or
- (c) there are environmental concerns related to the long-term integrity of on-site sewage disposal systems and a wastewater management plan is also considered in accordance with Policy SU-20.

SU-5 Further to Policy IM-9, within the Urban Settlement designation, HRM shall consider requests to amend the Urban Service Area. When considering any expansion of the Urban Service Area, HRM shall have regard to the following:

- (a) that a Community Visioning exercise has been undertaken in accordance with Policy G-11 and a Secondary Planning Strategy for the lands to be included within the Urban Service Area has been adopted by HRM except that this requirement may be waived where, in the opinion of HRM, the proposed extension represents a minor adjustment to the Area;

- (b) the financial ability of HRM to absorb any costs relating to the extension;
- (c) that the lands are within a reasonable distance of existing infrastructure and sufficient capacity exists within the system;
- (d) the impacts on natural heritage and availability of existing or committed infrastructure, impacts on density targets, and agricultural capability ;
- (e) compliance with buffer and distance separation policies and regulations for natural resource activities within the Urban Settlement Designation;
- (f) impacts on the natural environment and cultural features;
- (g) existing or potential drainage or pollution problems;
- (h) the interconnection of urban areas;
- (I) watershed or sub-watershed studies are completed as per Policy E-17;
- (j) that the lands are adjacent to an existing subdivision serviced with municipal wastewater and water distribution systems;
- (k) that an infrastructure charge area is established, if appropriate; and
- (l) the sufficiency of community services in the area and the ability to expand community services to meet future needs.