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Item No. 11.1.4
Halifax Regional Council
August 10, 2010

TO: Mayor Kelly and Members of Halifax Regional Council

Original Signed by

A handwritten signature in black ink, appearing to be "Wayne Anstey".

SUBMITTED BY:

Wayne Anstey, Acting Chief Administrative Officer

Original Signed by

A handwritten signature in black ink, appearing to be "Mike Labrecque".

Mike Labrecque, Deputy Chief Administrative Officer

DATE: July 22, 2010

SUBJECT: **Reserve Withdrawal from Q310 - Service Improvement Reserve -
Expanded Capital Cost Contribution Program**

ORIGIN

This report originates from Staff

RECOMMENDATION

It is recommended that Halifax Regional Council:

1. Approve an increase to the gross Operating Budget Cost Centre C460 - Infrastructure Planning Office, in the amount of \$55,000, with funding from Q310 - Service Improvement Reserve, to cover the cost of a Capital Cost Contribution (CCC) study and implementation for Police, Fire and Recreation Services; and
2. Approve a Sole Source proposal from Harry Kitchen and Enid Slack (in accordance with the Sole Source Policy attached) to develop a CCC study for Police, Fire and Recreation Services, for an upper limit price of \$48,000, plus net HST.

BACKGROUND

Halifax Regional Municipality and Halifax Water collect CCC's from developers to recover the growth related share of the initial cost of infrastructure that is needed to support growth. They are a form of user pay for future users, and not a tax levied on future users to cover deficiencies in existing infrastructure. CCC's also do not fund operating, maintenance or replacement costs of infrastructure or assets.

There are two broad types of CCC's, "*area based*" and "*region wide*":

Area based CCC's recover the developers' share of water, wastewater, and transportation infrastructure in secondary planning areas such as Bedford South, Bedford West and Morris/Russell Lake. The amount of the charge varies between areas based upon the required infrastructure, and is collected only from development located in these specific areas.

Region wide CCC's recover the share of infrastructure and capital assets that provide a benefit to all growth in the region, where the project cost is less dependent on the location of growth. Region wide CCC's are collected from all development in the region. Examples of regional infrastructure include wastewater treatment facilities and the landfill sites.

In 2006, HRM adopted the Infrastructure Charges Study¹ as a basis to develop new policy and by-laws relating to CCC's. The study recommended that HRM maintain the program for area based Capital Cost Contributions that was adopted in 2002, and expand the program by considering region wide CCC's for wastewater facilities, solid waste, transit and regional transportation. To date, CCC's have been adopted for wastewater facilities and solid waste, and proposed charges for transit and transportation are currently under development by staff.

DISCUSSION

During the 2010/11 budget discussions, it was indicated that the amount of money charged for CCC's should be increased. For the CCC's that are currently in place, HRM collects the maximum amount allowed by law for both area specific and region wide CCC's.

The purpose of this report is to describe the next steps that HRM needs to take to expand the CCC program.

¹Infrastructure Charges Study, SGE Acres, September 2006

The Infrastructure Charges Study specified a range of region wide charges that could be considered in order of increasing difficulty. Wastewater was deemed to be the “easiest”, followed by solid waste, transit and regional transportation. Next in order of difficulty were police, fire, recreation, libraries and regional parks.

As indicated above, regional transit and transportation charges will soon be brought forward for Council consideration.

Service and design/construction standards for roads and utilities are well defined, and the growth related share is easy to calculate based on the system capacity taken up by new development.

Developing charges for recreation, fire and police services, on the other hand, is more complex than “hard” services such as roads and buried utilities. The increased degree of difficulty to identify and calculate the growth related share for fire, police and recreation services, arises primarily for two reasons:

- predicting when infrastructure is needed; and
- specifying the standard (size and specification) or level of service.

Staff have solicited a proposal from Harry Kitchen and Enid Slack (authors of the Infrastructure Charges Study) to develop charges for police, fire and recreation facilities. Given these circumstances, retaining Harry Kitchen & Enid Slack can be justified as a sole source purchase under the Procurement Policy. The study would be led by the Infrastructure Planning Office, cost approximately \$48,000, and is expected to take 3 - 4 months to complete. Some travel costs are included in the estimate but there may be a requirement to attend additional stakeholder meetings and/or council sessions during the formal by-law adoption process. All costs can be recovered if a CCC is formally adopted.

As the study is being carried out, staff will concurrently move to request that the Province amend the HRM Charter to allow for the new charges.

The Infrastructure Charges Study was adopted by Council as the “*basis for developing new policies and by-laws²*”, and it is critical that the methodology for new charges is consistent with the objectives and rationale of this study. CCC’s are the most complex charge that Council will adopt and there are a variety of methodologies available. Kitchen and Slack are familiar with the strengths and the weaknesses of each, and familiar with the original study. Furthermore, they have experience defending and critiquing these methodologies before appeal boards on behalf of

²Recommendation No. 1, staff report to Committee of the Whole entitled “Capital Cost Contribution Policy”, October 10, 2006.

municipalities and developers. There is no other reasonable alternative to develop new charges in a defensible manner than to retain the services of Kitchen and Slack.

BUDGET IMPLICATIONS

Budget will be available in account C460 - Infrastructure Planning Office once the reserve withdrawal is made from Q310 - Service Improvement Reserve. Budget availability had been confirmed by Financial Services. If a CCC for Police, Fire and/or Recreation Services is adopted, these funds will be recovered through the CCC and returned to Q310 - Service Improvement Reserve.

<u>Budget Summary: Q310 - Service Improvement Reserve</u>	
Projected 3/31/11 balance	\$ 1,869,091
Reserve Withdrawal	<u>(\$ 55,000)</u>
Balance	\$ 1,814,091

FINANCIAL MANAGEMENT POLICIES/BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Project and budget, policies and procedures regarding withdrawals from the utilization of Project and Operating reserves, as well as any relevant legislation. If approved, this will increase the gross Operating budget, with no net impact as funding will be from Reserves. This recommendation will increase Reserve withdrawals.

COMMUNITY ENGAGEMENT

Capital Cost Charges are adopted by amending the Regional Sub-division By-Law. This is a formal process with provisions for a public information meeting and public hearing.

ALTERNATIVES

Council could choose not to approve the reserve withdrawal. This is not recommended for the reasons outlined in this report.

ATTACHMENTS

Sole Source Policy

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: Peter Duncan, P.Eng., Manager - Infrastructure Planning, 490-5449

Report Approved by: _____
Phillip Townsend, Director - Infrastructure and Asset Management, 490-7116

Financial Approval by: _____
Cathie O'Toole, CGA, Director of Finance, 490-6308

Administrative Order 35
Procurement Policy Section 8 (11)
Sole Source/Single Source Purchases

(11) **Sole Source/Single Source Purchases:** The terms and conditions of a sole source/single source purchase shall be negotiated. A sole source/single source purchase occurs:

- (a) To ensure compatibility with existing products, facilities or service, to recognize exclusive rights, such as exclusive licences, copyright and patent rights, or to maintain specialized products that must be maintained by the manufacturer or its representative.
- (b) Where, for technical reasons, there is an absence of competition and the goods or services can be supplied by a particular supplier and no alternative or substitute exists.
- (c) For the procurement of goods or services the supply of which is controlled by a supplier that is a statutory monopoly.
- (d) For the purchase of goods on a commodity market.
- (e) For work to be performed on or about a leased building or portions thereof that may be performed only by the lessor.
- (f) For work to be performed on a property by a contractor according to the provisions of a warranty or guarantee held in respect of the property or the original work.
- (g) For the procurement of a prototype of a first good or service to be developed in the course of and for a particular contract for research, experiment, study or original development, but not for any subsequent purchases.
- (h) For the procurement of a good or service for testing or trial use.
- (i) For the purchase of goods under exceptionally advantageous circumstances such as bankruptcy or receivership, but not for routine purchases.
- (j) For the procurement of original works of art.
- (k) For the procurement of goods intended for resale to the public.
- (l) Where the Municipality has a rental contract with a purchase option and such purchase option could be beneficial to the Municipality.
- (m) Notwithstanding anything in this policy, where a purchase is determined by Council to be fair and reasonable and is made from a nonprofit corporation supported by the Municipality, such a purchase may be made as a single source purchase.
- (n) Where items are offered by sale by tender, auction or negotiation such purchase will be deemed to be a single source purchase and the CAO may authorize the submission of a bid or the conduct of negotiations where the CAO determines the purchase to be clearly in the best interest of Halifax Regional Municipality.
- (o) Where goods or consulting services regarding matters of a confidential or privileged nature are to be purchased and the disclosure of such matters through an open tendering process could reasonably be expected to compromise government confidentiality, cause economic disruption or otherwise be contrary to the public interest. Purchases of this nature must be approved by the CAO
- (p) Where compliance with an open tendering process may interfere with the Municipality's ability to maintain security or order or to protect human, animal or plant life or health.