



Item No. 11.1.2
Halifax Regional Council
December 3, 2013

TO: Mayor Savage and Members of Halifax Regional Council

Original signed by 

SUBMITTED BY:

Richard Butts, Chief Administrative Officer

Original Signed by 

Mike Labrecque, Deputy Chief Administrative Officer

DATE: November 20, 2013

SUBJECT: Stormwater Infrastructure Interim Funding Solution

SUPPLEMENTARY REPORT

ORIGIN

Regional Council, Item 8.1, February 26, 2013
Regional Council, Item 11.6.1, August 6, 2013
Regional Council, Item 11.3.1, September 17, 2013

LEGISLATIVE AUTHORITY

HRM Charter: Power to expend money, 79 (1), (p) preventing or decreasing flooding
HRM Charter, 104
By-Law L-100, Local Improvements

RECOMMENDATION

It is recommended that Halifax Regional Council:

1. Approve the Interim Stormwater Infrastructure Funding Solution with a revised Community Affordability Feature which sets a maximum fixed contribution amount for a infrastructure project of \$5,000 per homeowner as attached to this report;
2. Limit the annual financial commitment from the Halifax Regional Municipality (HRM) to a maximum of \$3 million (Net HST included), sourced from the annual Halifax Water dividend payment to the Halifax Regional Municipality; and

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3. Direct staff to:

- a. Jointly with Halifax Water prepare, within two years, an Integrated Stormwater Policy including an accountability matrix with respect to stormwater management, and a five-year stormwater infrastructure capital program with permanent funding options, for the consideration of Council and, subject to Council approval, review by the Nova Scotia Utility and Review Board (NSURB); and
- b. Provide bi-annual updates to the Environment and Sustainability Standing Committee and the Board of Directors of Halifax Water, on completion and progress on identified outstanding responsibilities in the accountability matrix.

BACKGROUND

On February 26, 2013, Regional Council approved the Stormwater Infrastructure Funding Interim Solution. The report provided Regional Council with the following alternatives:

1. HRM may choose to not provide a funding solution for infrastructure to alleviate private property flooding;
2. HRM may choose to provide funding solutions in a variety of ways between homeowner and taxpayer. However, any decrease in the funding from one stakeholder will increase funding required from the other stakeholder. The implications are outlined in the Discussion section of this report;
3. HRM may choose to provide funding only to remedy impacts from minor storm events.

On May 4, 2013, staff updated the Environment & Sustainability Standing Committee on the projects being initially evaluated by Halifax Water and HRM staff under the Project Selection and Assessment process. Projects evaluated included:

- The \$4.4 million Cow Bay Road, Eastern Passage, Deep Storm Sewer project;
- The \$42,000 addition on Dipper Avenue to a \$583,000 street and water main project to remedy localized flooding;
- The First Lake Drive project for which design work is recently completed; and identification of other streets for review.

Further, on October 3, 2013, staff presented the Project Charter for the Integrated Stormwater Policy to the Environment and Sustainability Standing Committee. The purpose of the Integrated Stormwater Policy, an anticipated 18 month project, is to provide direction and clarification to HRM and to Halifax Water in key areas of stormwater management.

Following the February 26, 2013, Regional Council direction, staff:

1. Progressed the design and assessment of projects;
2. Progressed long term policy development;
3. Completed a minor project; and
4. Brought the first large project requiring a Local Improvement Charge to the public.

The community engagement process for the Cow Bay Road, Eastern Passage project included a public meeting and resident survey. The public meeting was held on May 15, 2013, within the

community and provided an overview of the financial and technical details of the proposed project and an opportunity for resident's feedback. Approximately 50 residents attended. A follow up survey was sent to all residents abutting the project limits, which reiterated the project details and sought residents input. The survey results of the 102 homes surveyed were 68 responses, all saying "no". The consistent feedback from the meeting and subsequent communication included:

- Belief that the causation of the localized flooding is development impacts;
- Belief that the 1992 Community Plan commits the municipality to providing new stormwater infrastructure; and
- Expressed the feeling that the cost is excessive and unaffordable.

The impact of the policy unfolding on the first large local project resulted in unanimous local public dissent of the policy based on the required financial contribution per household. Following which, on September 17, 2013, Regional Council approved the following motion:

That Halifax Regional Council:

- a) Rescind the February 26, 2013, Regional Council decision: Stormwater Infrastructure Interim Funding Solution.*
- b) Request a report with options to revise Stormwater Interim Funding Solution including an option that does not involve resident funding participation, for review and approval by Regional Council.*
- c) Assign priority consideration to Cow Bay Road Phase 1 project under the revised interim solution.*

The intention of this report is to provide Regional Council with options to approve a revised Stormwater Interim Funding Solution, prepared in response to the September 17, 2013, direction, to be put in place pending a staff recommendation on an Integrated Stormwater Policy expected in late 2014.

DISCUSSION

Flooding events and impacts are resulting in an increased public expectation of stormwater infrastructure to remedy private property impacts that are not funded through either the tax rate or the utility rate.

Considerations:

First, the decision will set precedent for policy implications on both a permanent stormwater infrastructure funding program and other infrastructure or community needs. The financial implications of reducing or eliminating contributions from homeowners include:

- Direct financial implications ranging up to \$1.65 million per year, and up to \$33 million over 20 years for stormwater projects, on the municipality; or, delays on ability to fund and execute stormwater projects;
- Increasing the potential long term funding pressure on the municipality from the \$33 million forecasted in the original policy direction to \$66 million, should HRM pay

everything that Halifax Water does not cover (based on the current understanding of authority from the UARB);

- The financial impact could be much larger if this sets a precedent for other cost shared projects;
- An immediate impact of up to \$1.47 million on the Cow Bay Road, Eastern Passage Project; and
- For each \$1,000 reduced from the recommended \$14,379.08 share per homeowner on the Cow Bay Road project, HRM would have to fund \$102,000.

Maintaining the principle of Benefiter Pay with a Fix Limit Cap per home would preserve future Regional Council infrastructure funding policy decisions. For reference, a \$1,000 cap would have an impact on the homeowner of slightly more than \$50 per year for 20 years. A \$5,000 per home cap would have an impact of approximately \$250 per year for 20 years.

Second, it is the objective to transition this interim (two year) funding solution into a permanent solution at the completion of the Integrated Stormwater Policy project. Staff continues to examine options for funding community expectations around stormwater management. Additionally, the Area Rate Framework requirement to define service expectation will guide future deliberation on a permanent solution. Any revised interim funding solution selected by Regional Council under the current options and alternatives presented may not resemble the future policy recommendations, as further options and opportunities are investigated and identified.

Third, on October 22, 2013, Regional Council adopted a framework for Area Rates that helps inform the deliberation on Stormwater Infrastructure Funding. The interim recommendation is consistent with the principles overviewed in the Committee of Whole presentation; however, the long term solution (Integrated Stormwater Policy) requires deliberation on expected municipal and utility service levels. In the short term, splitting this charge between the General Tax Rate, the Utility Rate, and the Local Improvement Charge is a blended solution, with tax relief afforded through the Community Affordability Feature. The report states: *Deep Stormwater projects have proven to be a complex area with many conflicting arguments and overlapping responsibilities. In order to determine the appropriate answer as to how this potential program is taxed, it is first important to determine what service and service levels are to be provided by the municipality and others. Attempts to find an interim solution without that direction are unlikely to provide a long-term sustainable solution. Under the Framework, staff would return to Council to debate the broader issue of service levels and standards.*

The Area Rate Framework outlines four questions:

Where is the service and where will it be available?
The requirement is for infrastructure upgrades in specific locations. The locations would be identified by the Project Selection and Assessment Process overviewed in the May 4, 2013, Environment & Sustainability Standing Committee Report.
Who will benefit, either directly or indirectly, from the service?
Local residents, thru decreased flooding; The Utility, thru diversion of stormwater from the wastewater system, and reduced environmental impacts of wastewater treatment; HRM, thru

increased road lifecycle and reduced flooding and icing risks.
Who have caused a need for the service?
Residents experiencing local flooding impacts have been requesting and seeking solutions for increased stormwater infrastructure.
Is the service standard or level different than elsewhere?
The standards for stormwater management have progressed over time. Generally, infrastructure requirements are in areas that do not have a major storm system (generally pre 1980's).

Integrated Stormwater Policy:

Halifax Water and HRM staff has presented a Project Charter to the Environment & Sustainability Standing Committee and Halifax Water Board of Directors and continue to work on the policy project. A revised Project Charter will be prepared, if required, as a result of any decision arising from this recommendation.

Options for an Interim Solution:

Option 1, No Funding Solution: Regional Council may chose not to participate in a funding solution for new stormwater infrastructure projects. Implications include:

- Continued flooding risk;
- Continued environmental risk (stormwater going into wastewater system);
- No pressure on HRM tax rate or budget prioritization;
- No contribution pressure on local residents;
- This will return all funding and commitments (up to \$3 million per year) to General Revenue;
- This option is consistent with the Area Rate Framework in that a deliberation on service level is recommended prior to a deliberation on tax framework; and
- Interim Service Standard: That the municipality will not participate in solutions to alleviate private property flooding risks.

Option 2, Require Zero Contribution from Homeowners: Regional Council may require zero contribution from homeowners (during this interim period) and either:

(a) Direct staff to prepare the case and evidence for long term funding on the Halifax Water rate schedule at a future Nova Scotia Utility and Review Board hearing; or

(b) Accept the long term financial implication of HRM paying the residents share of this infrastructure cost. Implications of this option include:

- Long term reduction of flooding risk (estimated 20 years of projects to be completed);
- Long term reduction of environmental risk (diversion of stormwater from wastewater system);
- Potential increased pressure on HRM tax rate and budget prioritization of between \$800,000 and \$1.65 million per year (\$16 million to \$33 million over 20 years) for stormwater projects;
- No contribution pressure on local residents;
- HRM will be paying for either 2/3's or 100% of the infrastructure project depending on the type of project;

- Sets precedence on long term infrastructure funding solutions that may result in having all area specific infrastructure projects funded through the general tax rate;
- Is contrary to precedence on other local infrastructure projects;
- Presents risk with expectation of NSUARB approval on funding for the infrastructure program. The scope is contrary to general utility principles, and a refused submission will result in expectations of continued HRM funding;
- Inconsistent with Area Rate Framework; and
- Interim Service Standard: That HRM shall fund a contribution towards new public stormwater infrastructure projects not funded by the utility, identified by the Project Selection and Assessment Process outlined in the May 4, 2013, report to the Environment & Sustainability Standing Committee, to alleviate public flooding risks.

Financial Implications (of Option 2) with respect to the Cow Bay Road project:

	LIC Contribution	HRM Contribution	Increased cost to HRM
Cap at 10% of assessment (existing)	\$1,466,667	\$1,466,667	\$0
Zero contribution	\$0	\$2,933,334	\$1,466,667

Option 3 (Recommended) - Revise the Community Affordability Feature: Regional Council may revise the Community Affordability Feature to place a cap on homeowner's exposure to costs. A cap could be implemented by either setting a fixed amount or through the use of a lower percentage of assessment cap. The policy feature capped a homeowners exposure to a maximum of 10% of assessed value. Regional Council has the choice with this option of setting the cap at a variety of fixed cap amounts or as a percentage of assessed value. If this option is selected, Regional Council must specify the selected cap. Staff recommends revising the Community Affordability Feature to a hard cap of \$5,000 per property, if this option is selected. Implications of this recommended option include:

- Long term reduction of flooding risk (estimated 20 years of projects to be completed);
- Long term reduction of environmental risk (diversion of stormwater from wastewater system);
- Increased pressure on HRM tax rate and budget prioritization;
- Reduced contribution pressure on local residents;
- Sets precedence on long term infrastructure funding solutions;
- The recommended fixed cap of \$5,000 per home would cost each homeowner approximately \$250 per year for 20 years for the Cow Bay Road, Eastern Passage Project;
- Consistent with Area Rate Framework; and
- Interim Service Standard: That HRM shall fund a contribution towards new public stormwater infrastructure projects not funded by the utility or residents, identified by the Project Selection and Assessment Process outlined in the May 4, 2013, report to Environment & Sustainability Standing Committee, to alleviate public flooding risks.

	LIC Contribution	HRM Contribution	Increased cost to HRM
Cap at 10% of assessment (existing)	\$1,466,667	\$1,466,667	\$0
Fixed cap: \$1,000 per home	\$102,000	\$2,831,334	\$1,364,667
Fixed cap: \$5,000 per home	\$510,000	\$2,423,334	\$956,667
Fixed cap: \$10,000 per home	\$1,020,000	\$1,913,334	\$446,667

FINANCIAL IMPLICATIONS

The Discussion section of this report overviews the broad financial implications of the policy decision including potential “spill over” impacts in other project areas. With the inability to execute the Cow Bay Road, Eastern Passage project in fiscal year 2013/14, there will be a surplus in Project No. CR000001 – Storm Sewer Upgrades, that will be used in 2014/15 for Stormwater Infrastructure works, subject to Regional Council approval.

COMMUNITY ENGAGEMENT

- Stormwater policy development was initiated as a result of community input and concerns with respect to local flooding problems;
- Residents from Eastern Passage, Cow Bay Road, have been contacting staff with respect to flooding problems for several years;
- May 15, 2013, staff held a Public Meeting on this proposed project and Local Improvement Charge; and
- Should Regional Council initiate the project through the Local Improvement Charge, a Public Hearing will be initiated with respect to the Local Improvement Charge (By-Law L-100).

ENVIRONMENTAL IMPLICATIONS

Stormwater management and infrastructure has substantial environmental implications.

ALTERNATIVES

1. HRM to revise the Community Affordability Feature to a fixed amount (*recommended*);
2. HRM to revise the Community Affordability Feature to a lower percentage of assessment;
3. HRM to require zero contribution from homeowners (and fund 2/3 of Deep Storm Sewer Projects) and direct staff to prepare case/evidence for funding infrastructure program to NSUARB; and
4. HRM to not provide funding solution.

ATTACHMENTS

None

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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