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HALIFAX
REGIONAL MUNICIPALITY

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Halifax Regional Council
April 11, 2006
April 25, 2006

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:
Dan English, Chief Administrative Officer

Wayne Anstey, Deputy Chief Administrative Officer

DATE: March 29, 2006

SUBJECT: **Local Improvement Charges Road Improvements -Cost Sharing**

ORIGIN

Staff.

RECOMMENDATION

It is recommended that Regional Council approve Option No. 1 (Blended Actual Costs Approach) with an appropriate engineering fee as outlined in the Discussion and Budget Implications section of this report.

BACKGROUND

On April 29, 1997 Council approved a Local Improvement Policy to be effective in the fiscal year commencing in 1997/98. At that time it was agreed that standard costs would be used for charges to residents for local improvements except for new sewer installations. It was also approved that the municipality would share 50/50 with the property owners on all local improvement projects in the Core Area. Outside the Core Area, HRM project cost sharing would be offered only for new sewer installations. Cost sharing for paving, sidewalk and curb and gutter projects would have to be applied for through the NSTPW.

DISCUSSION

Staff is proposing to Council a more equitable approach in determining the local improvement charges for paving of gravelled streets and roads, the installation of new concrete sidewalks and concrete curb and gutter, and the upgrade of existing asphalt sidewalk to concrete. In the past few years, staff has encountered a number of situations where the application of this policy has been problematic.

The standard cost for each year has been calculated by taking the average of the last two years actual construction costs. With increasing construction costs the resultant calculated standard cost has not been a reflection of current year actual costs for local improvement charges that use this approach (i.e., paving, sidewalk, curb and gutter projects) inside the Core Area.

The result has been that residents are not charged 50% of the cost of these projects so the principle of the Local Improvement Policy is not being met.

The other outcome is that the funding source for the capital budget for street improvements is compromised. The funding source for street improvements is assumed to be 50% from the residents via LIC's and 50% from debt. When the 50% from the residents is reduced then the debt funding component increases. This means HRM issues more debt than planned and that the entire tax base funds the project and does so over at least 10 years which is the usual debenture issuance time frame.

Another area of concern for staff is in the application of the local improvement policy to residents outside the Core Area. When a project is approved by NSTPW the province tenders for the work, adds an engineering design and incidental fee and then cost shares 50/50 of these actual costs with the residents benefiting.

Two inequities occur. Outside the Core, residents are paying 50% of actual costs, which may exceed the same or similar project inside the core, and these residents are paying additional fees (engineering design and incidentals) provided by the Provincial government. No such fee is charged against projects, either inside or outside the core, for municipal engineering resources.

Staff would, therefore, like to review with Council a number of options to change the existing local improvement policy. We will outline the option and then point out the advantages and disadvantages of each option as staff sees them.

Option 1: Blended Actual Costs Approach

In this approach all the streets intended to be included in a fiscal year local improvement plan will be tendered at various times throughout the year. An engineering fee will be added to the projects as appropriate (fee to be determined and to apply to options 1 through 4), and at the end of the year all the tendered costs will be added together and 50% of the costs allocated among the property owners based on frontage.

ADVANTAGES

Cost sharing is 50/50 as per the policy.
Costs are equal for the same type of infrastructure across the municipality in a given year.

DISADVANTAGES

The resident, if surveyed, is not provided with certainty as to the upset cost of the improvement.
A delay in billing of up to one year will be necessary.

Option 2: Pure Actual Costs Approach

In this approach each street is tendered separately and billed for 50% of the actual costs of that specific street.

ADVANTAGES

Cost sharing is 50/50 as per the policy.
No delay in billing is necessary.

DISADVANTAGES

The resident, if surveyed, is not provided with certainty as to the upset cost of the improvement.
Costs are not equal for the same type of infrastructure across the municipality in a given year.

Option 3: Standard Cost (Adjusted to reflect an estimate of upcoming year actuals)

In this approach the Standard Cost is calculated each year but under an estimate that takes into account inflation and the current construction environment.

ADVANTAGES

The resident, if surveyed or notified, is provided with certainty as to the cost of the improvement.
No delay in billing is necessary.
Costs are equal for the same type of infrastructure across the Core Area in a given year.

DISADVANTAGES

Cost sharing may not be 50/50 as per the policy but will tend to be closer than the current method.

Option 4: General Tax Rate all Street Improvement

In this approach all local improvements are paid for from the General Tax rate.

ADVANTAGES

The resident, if surveyed or notified, bears no direct cost.
Equal treatments for the same type of infrastructure across the Core Area in a given year.

DISADVANTAGES

Will likely require an increase in the general tax rate and will be borne by all taxpayers.
Under the Aid to Municipality, HRM would be required to cover the costs of the property owner's shares.

Option 5: Status Quo

In this approach the Standard Cost is calculated each year based on the last two years.

ADVANTAGES

The resident, if surveyed or notified, is provided with certainty as to the upset cost of the improvement.
No delay in billing is necessary.
Costs are equal for the same type of infrastructure across the Core Area in a given year.

DISADVANTAGES

Cost sharing may not be 50/50 as per the policy.

BUDGET IMPLICATIONS

If the residents pay less than 50% of the actual costs, the debt funding component will increase. As well, it is noted that the recovery of engineering fees may create more human resource capacity to do additional LIC projects each year (depending on the selected alternative).

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

The alternatives are listed in the Discussion portion of the report.

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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