



Halifax Regional Council  
November 12, 2002

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

**SUBMITTED BY:** *Dale MacLennan*  
Dale MacLennan, Director of Finance

**DATE:** November 12, 2002

**SUBJECT:** Pollution Control Charges

### INFORMATION REPORT

#### ORIGIN

Request of Council for an update on the balances in the Pollution Control Reserves.

#### BACKGROUND

Under HRM By-Law Number S-100 respecting Sewer Charges, a Pollution Control charge (PCC) is set by resolution of Council in two parts, the Environmental Protection Charge (EPC) and the Wastewater and Stormwater Management Charge (WWC). The current total Pollution Control charge is \$0.7828 per cubic metre and is broken down as follows:

EPC - Existing Environmental Protection	\$0.1804
EPC - Harbour Solutions Project	\$0.3700
Wastewater & Stormwater Management	\$0.2324

The breakdown of the EPC into its two components is administrative only and does not appear on water bills. The EPC is collected to cover the annual operational, administrative, development, maintenance and capital costs, including debt servicing charges and reserve accounts of the wastewater collection and treatment systems, exclusive of the primary collection system. This includes the current network of sewage treatment plants discharging into fresh water as well as the Mill Cove and Eastern Passage plants which discharge into the harbour. Since 1999, \$1 million of this levy has been earmarked annually for the expansion and/or ultimate replacement of these existing sewage treatment plants. The necessary upgrading, expansion, and maintenance of such

components of the wastewater collection system as trunk and interceptor sewers, and major pumping stations is also funded by this source. All expenses to date of Halifax Harbour Solutions have been paid for through this charge. The recent increase in the EPC has allowed cash balances to accumulate to the current level which will completely fund the initial construction of the Harbour Solutions infrastructure.

The WWC is collected to cover the annual cost of administering and maintaining the wastewater and stormwater primary collection systems. This includes the smaller storm and sanitary sewers found under the typical HRM street.

Pollution control funds were collected by various jurisdictions under a number of ordinances and bylaws over almost three decades. The information presented here is a summary of this history. Many questions have been raised as to the appropriateness of some of the expenditures. There has been a longstanding misconception that these funds were raised exclusively to fund sewage treatment plants to clean up Halifax Harbour. This is simply not true. The by-laws - including the earliest - contemplate a much broader use.

Based on the information gathered to date, it appears all expenditures were consistent with the by-laws in place at that time. Whether the passage of time has found these expenditures consistent with our current focus on funding the Harbour Solutions Project cannot be addressed. These decisions were made by individual Councils based on the circumstances existing at those times. The current HRM Council and staff can only address the present and future; we cannot change the past.

## **DISCUSSION**

The former City of Halifax began collecting a *Pollution Control Charge* under an ordinance which became effective October 1, 1973 while the former City of Dartmouth began collecting levies in 1989. Halifax renamed the PCC as the EPC and added the WWC in 1994/1995. At amalgamation, the accumulated contributions to the Pollution Control Reserves of the two cities were brought forward into HRM. The opening reserve balance at April 1, 1996 was \$45,065,000. By March 31, 2002, the balance had grown to more than \$69 million. Over the years, the levies have raised over \$183 million while interest has added another \$25 million. Expenditures of \$136 million have:

- paid for the operations of the existing sewage treatment plants
- enlarged and upgraded sewage systems
- maintained all sewage systems on a user pay basis
- consolidated sewage outfalls and constructed force mains in preparation for Harbour Solutions in the medium term while improving waterfront aesthetics in the short term
- funded improvements in existing sewage treatment plants
- constructed necessary sewage pumping stations
- included more than \$3 million for the earlier Halifax Harbour Cleanup effort
- funded the Harbour Solutions Project to date

Full details can be found in the Appendices.

**BUDGET IMPLICATIONS**

None

**MULTI-YEAR FINANCIAL IMPLICATIONS**

None

**ATTACHMENTS**

- Appendix A Summary of Pollution Control Reserve from January 1974 to March 31, 2002
- Appendix B Details of Pollution Control Reserve Fund Withdrawals relating to Capital Expenditures from January 1, 1974 to March 31, 1996.
- Appendix C Details of Pollution Control Reserve Fund Withdrawals relating to Capital Expenditures from April 1, 1996 to March 31, 2002
- Appendix D Pollution Control Charges and Reserve Contributions from April 1, 1996 to March 31, 2002
- Appendix E Halifax Harbour Solutions Capital Expenditures from April 1, 1997 to October 21, 2002.

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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Report Approved by:

  
Dale MacLennan, CA, Director of Finance

**Pollution Control Reserve**  
(in thousands of dollars)

	HRM						
	Total Activity 1974 to 2002	March 31/02	March 31/01	March 31/00	March 31/99	March 31/98	March 31/97
Balance, beginning of year		57,373	45,976	46,392	42,615	42,874	45,065
Add (deduct)							
Levies (EPC & WW/C)	183,444	27,691	23,959	19,511	15,444	12,539	12,296
Contributions	23				558		23
Interest	25,290	2,242	2,216	646			1,792
Other revenue	8	8					
* Expenditures	(9,945)	(228)	(2)	(362)			
Transfer from (to) operating fund	(92,131)	(14,476)	(12,977)	(12,896)	(12,534)	(10,087)	(9,912)
* Transfer from (to) capital fund	(34,152)	(2,178)	(799)	(6,315)	309	(2,711)	(6,390)
Transfer to WWTP Infr. Reserve	(3,000)	(1,000)	(1,000)	(1,000)			
Provision for doubtful accounts	(105)						
Balance, end of year	69,432	69,432	57,373	45,976	46,392	42,615	42,874

Notes:  
Appropriations against the pollution control reserve at March 31, 2002 total \$29 million for capital projects that were approved by Council and are still in progress. Specifically related to the Halifax Harbour Solutions Project are \$11.77 million for gross land acquisition costs and \$12.6 for project commencement.

Transfers to the capital fund relating to the Halifax Harbour Solutions Project are shown in detail in Appendix D.

From 1975-1984, the former City of Halifax did not segregate transfers from (to) operating and capital funds on its financial statements. Of the \$9.945 million shown for expenditures, approximately 90% was used to fund capital projects, which were mainly asset construction.

Operating costs include operation and maintenance of sewage and wastewater treatment infrastructure. The former City of Dartmouth began using the pollution control reserve for this purpose in 1994/95. At amalgamation, operations and maintenance for all the previous municipal units began to be funded from this reserve.

\*Please refer to the second page of this appendix for details relating to transfers to the capital fund.

**APPENDIX A**

**Pollution Control Reserve**  
(in thousands of dollars)

**Former Cities of Halifax and Dartmouth**

	<u>March 31/96</u>	<u>March 31/95</u>	<u>March 31/94</u>	<u>March 31/93</u>	<u>March 31/92</u>	<u>Dec 31/90</u>	<u>Dec 31/89</u>
Balance, beginning of year	43,314	40,024	35,853	30,409	23,005	17,897	13,557
Add (deduct)							
Levies (EPC & WWG)	7,636	7,711	6,671	6,608	8,255	6,080	4,441
Contributions							
Interest	992	804	556	1,721	1,858	1,106	752
Other revenue							
* Expenditures		(4)					
Transfer from (to) operating fund	(3,662)	(3,351)	(1,161)	(1,480)	(1,935)	(1,224)	(1,282)
* Transfer from (to) capital fund	(3,215)	(1,870)	(1,857)	(1,373)	(739)	(854)	429
Transfer to WWTP Infra. Reserve							
Provision for doubtful accounts			(38)	(32)	(35)		
Balance, end of year	<u>45,065</u>	<u>43,314</u>	<u>40,024</u>	<u>35,853</u>	<u>30,409</u>	<u>23,005</u>	<u>17,897</u>

Transfers to Capital Fund:

Transfers 1985-2002	34,152
Capital portion of expenditures	
1974-1984	8,974
Total transfers to Capital Fund:	43,126

**Pollution Control Reserve**  
(in thousands of dollars)

Former City of Halifax

	<u>Dec 31/88</u>	<u>Dec 31/87</u>	<u>Dec 31/86</u>	<u>Dec 31/85</u>	<u>Dec 31/84</u>	<u>Dec 31/83</u>	<u>Dec 31/82</u>
Balance, beginning of year	14,099	14,031	14,574	13,495	12,835	13,153	10,475
Add (deduct)							
Levies (EPC & WW/C)	2,431	2,274	2,152	2,076	2,163	2,068	1,943
Contributions							
Interest	522	566	559	1,225	1,313	1,025	1,600
Other revenue					(2,816)	(3,411)	(865)
* Expenditures							
Transfer from (to) operating fund	(1,344)	(1,295)	(1,262)	(1,253)			
* Transfer from (to) capital fund	(2,151)	(1,477)	(1,992)	(969)			
Transfer to WWTP Infra. Reserve							
Provision for doubtful accounts							
Balance, end of year	<u>13,557</u>	<u>14,099</u>	<u>14,031</u>	<u>14,574</u>	<u>13,495</u>	<u>12,835</u>	<u>13,153</u>

**Pollution Control Reserve**  
(in thousands of dollars)

Former City of Halifax

	<u>Dec 31/81</u>	<u>Dec 31/80</u>	<u>Dec 31/79</u>	<u>Dec 31/78</u>	<u>Dec 31/77</u>	<u>Dec 31/76</u>	<u>Dec 31/75</u>	<u>Dec 31/74</u>
Balance, beginning of year	7,382	5,649	4,056	2,866	1,968	1,195	395	
Add (deduct)								
Levies (EPC & WWTC)	1,952	1,549	1,503	1,291	987	998	820	395
Contributions	1,508	802	488	267	172			
Interest								
Other revenue								
* Expenditures	(367)	(618)	(398)	(368)	(261)	(225)	(20)	
Transfer from (to) operating fund								
* Transfer from (to) capital fund								
Transfer to WWTP Infra. Reserve								
Provision for doubtful accounts								
Balance, end of year	<u>10,475</u>	<u>7,382</u>	<u>5,649</u>	<u>4,056</u>	<u>2,866</u>	<u>1,968</u>	<u>1,195</u>	<u>395</u>

**APPENDIX B**

Pollution Control Reserve  
 Capital Projects Funded by Pollution Control Reserve  
 1974 to 1995/96

**City of Halifax**

Ref #		Project Cost
DD001	Harbour Interceptor - Pre-design Duffus St & North West Arm	\$30,001
DD012	Fairfield Retention Basin - Design Upgrade	54,557
DAE27	Bedford Highway Interceptor - Design	229,008
DAG13	Harbour Interceptor - Fairview Cove/Duffus St	5,202,160
DD010	Bedford Highway Interceptor - Fairview Cove/Kearney Lake Rd	5,644,456
DD013	Duffus St Pumping Station - Upgrade Smell Problem	5,854
DD015	Kearney Lake Rd Interceptor - Sewer Bedford Hwy/Dunbrack	269,453
DD017	Roach's Pond Pumping Station	2,036,787
DD019	Williams Lake Rd - Pumping Station	606,769
DD020	Roach's Pond Trunk Sewer Upgrade	1,937,075
DD021	Lower Water St - Salter/Morris	386,633
95001	Harbour Interceptor to Bayer's Lake - Design & Construction	6,122,206
DD022	Pumping Station's Monitoring System	252,365
DD023	Regional Pollution Study - Outlets	731
DD024	Roach's Pond Sewage Retention	91,919
DD025	Crescent Ave Pumping Station System	86,179
95002	Williams Lake Rd Pumping Station - Design & Inspection	133,540
95005	Herring Cove Rd Sewer Outfall Extension	177
95006	Design & Construct Outfalls	650,047
95007	Halifax Harbour Cleanup	3,252,200
95009	Armdale Pumping Station	554,034
95010	Clean Sewer Outfalls - Duke St Cornwallis & Sackville St	109,190
95011	Duffus St Pumping Station	2,479,339
95012	North West Arm Drive Interceptor	91,672
95013	Williams Lake Pumping Station Upgrade Forcemains	826,909
95016	Williams Lake Pumping Station Upgrade	57,819
95014	Source Control Fund	94
94033	Cunard St. Combined Sewer Renewal	86,034
94034	Herring Cove Rd Drainage Ditch	21,325
94035	Larry O'Connell Sportsfield Drainage Improvement	5,438
94036	Purcells Cove Rd Drainage	505
94037	Rosemount Ave Storm Sewer Upgrading	65,668
94040	Bridges St Sewer Renewal	129,790
94041	Dutch Village Rd Sewer Rehab	36,980
94042	Kempt Rd Combined Sewer Renewal	27
	Total Capital Projects	<u>31,457,000</u>
	Funding from other sources	<u>8,196,500</u>
	Capital projects funded from Pollution Control Reserve Fund	<u><b>23,260,500</b></u>

**City of Dartmouth**

\*Capital projects 1990-1996 **1,782,000**

**Halifax Regional Municipality**

Capital projects 1996-2002 (detailed in Appendix C) **18,084,000**

**Total**

**\$43,126,500**

\*Details regarding the individual projects for the former City of Dartmouth were not compiled as of the report deadline; however, staff are gathering this information for later distribution to Council.



Pollution Control Reserve  
Fund Withdrawals re Capital Expenditures  
1996/97 to 2001/02  
(in thousands of dollars)

	<u>2001/02</u>	<u>2000/01</u>	<u>1999/00</u>	<u>1998/99</u>	<u>1997/98</u>	<u>1996/97</u>
Capital Projects						
Source Control Program	12		39		300	70
Dartmouth Cove Outfall			(352) *		1,411	4,920
Halifax Harbour Cleanup	2,274		3,352		375	180
Bedford Highway - Interceptor Sewer Cleaning				(35) *		50
Northwest Arm Sewer				(94) *		150
Sewer Outfall Cleaning					(143) *	150
Williams Lake Pumping Station			(53) *		500	870
North Street Outfall Consolidation	(1) *		82			
Mill Cove Improvements			50			
Fall River STP		10	450			
Hines Road Trunk Sanitary Sewer	5		250			
Inflow/Infiltration Reduction	(112) *	760	1,012			
Various Pumping Stations			1,000			
Bedford Highway Fish Hatchery Pumping Station			135			
Aerotech Lagoon		29				
Sackville Sanitary Sewer System			350	(37) *	125	
Eastern Passage Forcemain						
Roach's Pond Pumping Station Control Panel & Forcemain						
Total Capital Expenditures	<u>2,178</u>	<u>799</u>	<u>6,315</u>	<u>(309)</u>	<u>2,711</u>	<u>6,390</u>
Reserve Allocation to maintain existing WWTPs	1,000	1,000	1,000	0	0	0
Total Capital Expenditures and Reserve	<u>3,178</u>	<u>1,799</u>	<u>7,315</u>	<u>(309)</u>	<u>2,711</u>	<u>6,390</u>

\* Represents transfer of unused funding back to the reserve account

**APPENDIX D**

Pollution Control Charges and  
Reserve Contributions  
April 1, 1996 to March 31, 2002  
(in thousands of dollars)

	<u>2001/02</u>	<u>2000/01</u>	<u>1999/00</u>	<u>1998/99</u>	<u>1997/98</u>	<u>1996/97</u>
Balance Forward	57,373	45,976	46,392	42,615	42,874	45,065
EP Charges-Harbour Solutions	11,291	7,869	3,957	6,660	6,835	3,107
EP Charges-Existing Infrastructure	7,275	7,471	7,140	8,784	5,704	9,189
WW Charges	9,125	8,619	8,414	0	0	23
Other Contributions	2,242	0	0	558	0	1,792
Interest	8	2,216	646	0	0	0
Other Revenue	29,941	26,175	20,157	16,002	12,539	14,111
Plus: Levies and Interest						
Less: Annual operating costs of the wastewater collection and treatment systems	(14,704)	(12,979)	(13,258)	(12,534)	(10,087)	(9,912)
Less: Capital Expenditures	(2,178)	(799)	(6,315)	309	(2,711)	(6,390)
Less: Wastewater Treatment Plants Infrastructure Replacement Reserve	(1,000)	(1,000)	(1,000)			
Closing Balance	<u>69,432</u>	<u>57,373</u>	<u>45,976</u>	<u>46,392</u>	<u>42,615</u>	<u>42,874</u>
Appropriated Balance	29,064	14,133				
Unappropriated Balance	<u>40,368</u>	<u>43,240</u>				

All Information obtained from the audited financial statements.

Halifax Harbour Solutions Project  
 Capital Project Expenditures  
1997/98 to 2002/03

	Actual To Date (\$)	Committed (\$)	Total (\$)
Salaries & Office Expenditures	724,833		724,833
Communications & Community Relations	195,890	14,741	210,631
Design	61,453		61,453
Project Management	345,894		345,894
RFQ/RFP Preparation	754,784		754,784
Oceanographic Studies	79,038	5,609	84,647
Tunnel Geotechnical	220,341		220,341
Marine Geotechnical	105,288		105,288
Environmental & Health Concerns	265,729		265,729
Land	787,756	1,864,162	2,651,918
Benchmark Costing	262,631		262,631
RFP Evaluation	1,370,112	166,789	1,536,901
Legal	837,757		837,757
Contract Negotiations	863,879	169,796	1,033,675
Other Expenditures*	216,121		216,121
Total	<u>\$7,091,506</u>	<u>\$2,221,097</u>	<u>\$9,312,603</u>

\*Other Expenditures includes such items as conferences, promotional and resource materials, tender advertisements, local travel, training, and facility rentals.