



**2010-11 Submission to the House of Commons
Standing Committee on Finance**

Submitted to:

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Overview

Halifax Regional Municipality is the business and financial capital of Atlantic Canada, supporting a \$10 billion economy. With a population of 395,000 it is home to 42% of Nova Scotia's population – and 17% of Atlantic Canada's. HRM is Canada's largest municipality geographically, covering almost 5600 square kilometers - an area larger than Prince Edward Island. It contains the urban centre of Atlantic Canada, growing suburban areas, and many rural communities. HRM has a stable and diversified economy including defence, government, education, healthcare, finance, IT and service sectors. Greater Halifax has one of the best-educated workforces in Canada with 67% of the population possessing a post-secondary degree or diploma.

Halifax Regional Municipality has taken on many initiatives of strategic importance in recent years:

- HRM is a leader in sustainability and has run one of the world's leading solid waste diversion systems for over a decade.
- HRM has developed and adhered to a *Multi-Year Financial Strategy and Debt Reduction Plan*, which has allowed it to decrease outstanding debt by 20% since 1998-99. HRM has an "A" rating with Standard & Poor's.
- The Regional Plan was adopted in 2006, laying out an integrated and sustainable approach to development over the next 25 years.
- HRM's Corporate Plan was approved by Council in 2010 to act as a strategic map to improve the quality of life for people in Halifax Regional Municipality. It focuses on six areas that are reflected in the business plans and budgets of all municipal departments, and provides a framework for reporting back on progress achieved through the various programs and services provided by the Municipality.

In 2005 HRM adopted "*Strategies for Success: HRM's Economic Development Strategy 2005-2010*". This document, along with Council's priority focus areas and corporate objectives, has helped to guide the Municipality's budget and funding decisions. The strategy is now being redeveloped for 2011-2016, in partnership with the Provincial and Federal governments and community stakeholders. This focus on building partnerships and aligning priorities is a goal that HRM strives for in all its initiatives, and HRM is proud of the open and collaborative working relationship that it maintains with the Provincial and Federal governments. Only if all levels of government are working together on common goals will HRM achieve its full potential as the economic engine and hub of Atlantic Canada. Investment in the Halifax area will strengthen the economy in a way that brings benefits to the entire region – a point that was underlined in the recent Donald Savoie report to the Premier on "*The Way Ahead for Nova Scotia.*"

Infrastructure Stimulus Fund

Related to work underway on the economic strategy renewal is a report Council recently approved in principle, entitled "*Capital Ideas: Leveraging Urban Investment for Regional Prosperity.*" This report makes clear some of the challenges facing the

Municipality, and key among these is inadequate and aging infrastructure that is not sufficient to meet our citizens' needs. The federal stimulus funds for infrastructure have helped significantly in expanding vital services for our population. Large infrastructure projects such as the Central Library, Canada Games Centre and Ragged Lake Transit Centre will positively impact the entire municipality. In addition, a number of smaller projects funded under the Infrastructure Stimulus Fund have allowed HRM to undertake much-needed repairs and upgrades to specific areas.

However, some infrastructure projects are at risk of falling behind schedule due to factors beyond municipal control. As HRM received project approval in September 2009, almost all work has had to take place during the 2010 construction season. Availability of equipment and personnel has been an issue due to short timeframes and the increased demand for such services. Items such as land purchase and expropriation take time to complete, as well as planning approvals – particularly for projects of a historical nature. Much of the work may only be undertaken on a seasonal basis, meaning its timing is subject to the vagaries of weather.

There has been extensive recognition of the challenges municipalities are facing in regards to the stimulus fund deadline of March 31, 2011. The Standing Committee on Transport, Infrastructure and Communities is undertaking a study of the impact of the deadline on municipalities – an initiative which received all-party support. The Parliamentary Budget Officer released a report on August 9, 2010, outlining the difficulties municipalities face. The federal government itself has acknowledged these challenges, first by revisiting the funding criteria in June 2009 so that funds spent before the deadline will not be clawed back, and since that time indicating it may consider extenuating circumstances such as in the case of the floods in Saskatchewan. There are different ways in which the federal government could demonstrate flexibility, such as considering deadline extensions on a case-by-case basis, or granting the ability to move funding between approved projects as is the case for the Municipal Rural Infrastructure Fund which allows municipalities to focus on completing the most viable projects.

HRM strongly urges the federal government to show flexibility around the March 31, 2011 deadline for stimulus funds. Failure to extend the March 31 deadline for projects at risk could leave municipalities with a financial burden they are ill-equipped to handle, if required to fund the outstanding balance on projects nearing completion. Funds would have to be redirected from other priorities or projects cancelled in order to cover the cost-shared component of stimulus projects. Any funding lost due to an inability to meet the program deadline would only stall the economic engine that municipalities have become. Ensuring municipalities have the necessary time to complete their approved projects will allow the stimulus fund to achieve its purpose – putting people back to work and strengthening Canada's infrastructure.

Long-Term Partnerships

The infrastructure stimulus fund was an important step towards meaningful tri-level partnerships. The recognition of the importance of the municipal role will allow the three

levels of government to align priorities and best leverage available funding for the good of all citizens. This will become increasingly important as stimulus funding winds down and governments turn their attention to longer-term issues.

HRM was pleased to see that the Federal government stood by its commitments to core infrastructure funding in the 2010 budget. We urge the Federal government to maintain this commitment and to continue partnering with municipalities on infrastructure investments. Sustainable, long-term funding is key to the future of municipalities across Canada. Municipal governments have inadequate fiscal tools and little control over their cost drivers, which are largely determined by other levels of government. Yet municipalities are responsible for almost all of the basic services communities rely upon on a daily basis. HRM alone has an infrastructure funding gap of approx \$2 billion and, comparatively speaking, receives much less in transfer payments than other Canadian municipalities. This makes a strong partnership and common understanding of priorities even more vital as the Federal government considers infrastructure plans for the coming years.

CCME Wastewater Regulations

Another major cost municipalities are facing relates to upgraded wastewater systems. In February 2009, the Canada Council of Ministers of Environment (CCME) signed the Canada-wide Strategy for the Management of Municipal Wastewater. The Strategy defines national performance standards for treated wastewater effluent and effectively requires an alternative to chlorine disinfection such as ultraviolet light. It also defines national goals for combined sewer overflows (CSOs) and sanitary sewer overflows (SSOs), requiring that there be no increase in frequency of overflows due to development, and that management plans be required to reduce their impacts over time.

In March 2010, federal draft regulations for the Strategy were released for comment. The draft regulations appeared to depart from the CCME-approved Strategy in several areas, and also had a lack of clarity. They also did not include any sort of funding plan to meet Strategy goals. HRM supports the Wastewater Strategy, and its goal of improving wastewater treatment and protect Canada's rivers, lakes and oceans. A cost-shared funding strategy is crucial for its success. Currently there is no reliable national cost estimate for the implementation of the Strategy. HRM has done a rough estimate of the cost required to align its own systems with both the CCME-approved Strategy and the draft regulations and arrived at the following:

CCME Strategy (Approved February 17, 2009)

The major costs will result from CSO management and WWTF upgrades to secondary treatment. The Halifax, Dartmouth and Herring Cove WWTFs will have to be upgraded.

Treatment Plant Upgrades	\$ 120,000,000
SSO Elimination	\$ 650,000,000
CSO Management	\$ 230,000,000 *
Total	\$1,000,000,000

* The costs of CSO management will be difficult to estimate until more clarity is provided on the degree of CSO reduction required.

Federal Regulations (Draft issued March 20, 2010)

Elimination of CSOs, if required, will involve significant costs and practical difficulties in the older parts of Halifax and Dartmouth.

Basic CCME Strategy costs (as above)	\$1,000,000,000
Additional cost to eliminate CSOs	<u>\$1,000,000,000</u>
Total	\$2,000,000,000

All of these cost estimates are order of magnitude only, and do not include additional operating costs. Although the total cost would be amortized over a 20- or 30-year lifespan, it would still require an increase of almost \$1000 per household for HRM to bear the cost on its own. This is clearly not realistic. HRM is encouraged that Environment Canada has been meeting with stakeholders, including provinces and municipalities, to discuss the draft regulations. HRM urges the Federal government to commit to a cost-shared funding plan that will enable the Strategy goals to be met.

Conclusion

In 2007, the Conference Board of Canada named Halifax as one of nine “hub cities in Canada”— a city acting as the economic engine for the region. HRM is projected to grow by 100,000 people over the next 25 years, and as the economic influence of HRM grows, so do the economies of the entire province and region. The Conference Board urged the federal government to support hub cities in order to maximize their potential as engines of regional economic growth, demonstrating that investment in the hub has more far-reaching benefits than per-capita investment. The best way to achieve this is to strengthen HRM’s partnership with the Provincial and Federal levels of government so that we are all working towards common goals. HRM is fortunate in that it already has a high level of intergovernmental collaboration, and looks forward to working together on economic and social issues that will lead to an even stronger city and region.