



P.O. Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

Item No. 2
Transportation Standing Committee
March 28, 2019

TO: Chair and Members of the Transportation Standing Committee

ORIGINAL SIGNED

SUBMITTED BY:

Brad Anguish, P.Eng., Director, Transportation and Public Works

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Jacques Dubé, Chief Administrative Officer

DATE: January 4, 2019

SUBJECT: Recommendations to the Current Provincial Aid-to-Municipality Program

INFORMATION REPORT

ORIGIN

At the September 11, 2018 Regional Council meeting, Councillor Hendsbee moved: "That Halifax Regional Council request a staff report to reassess and make possible recommendations to the current Provincial Aid to Municipality Program for the cost-share paving of subdivision streets Outside the Urban Core area."

LEGISLATIVE AUTHORITY

HRM Charter, subsection 73(a): The Municipality may enter into and carry out agreements for highway construction, improvement and maintenance and other purposes pursuant to the Public Highways Act.

HRM Charter, clause 79(1)(aa): The Council may expend money required by the Municipality for streets, culverts, retaining walls, sidewalks, curbs and Gutters.

HRM Charter, clause 104(1)(f): The Council may make by-laws imposing, fixing and providing methods of enforcing payment of charges for laying out, opening, constructing, repairing, improving and maintaining streets, curbs, sidewalks, gutters, bridges, culverts and retaining walls, whether the cost is incurred by the Municipality directly or by, or pursuant to, an agreement with Her Majesty in right of the Province, the Minister of Transportation and Infrastructure Renewal or any person.

By-law S-400, the Street Improvement Bylaw

BACKGROUND

The Aid-to-Municipality Program is an agreement (No. 2018-012) between Nova Scotia Department of Transportation and Infrastructure Renewal (NSTIR) and other Nova Scotia municipalities (including HRM) to upgrade provincially owned and maintained gravel roads ("J" class only) to asphalt or chipseal. As of 2017, there were approximately 93 "J" class gravel roads located within the Halifax Regional Municipality.

Under this program, the Province is responsible to design, tender, and provide contract administration and inspection during construction while HRM's role is to identify the streets to be paved, survey the residents to ascertain level of interest, and facilitate the Local Improvement Charge (LIC) process pursuant to By-law S-400. The program is cost-shared between the Province and the Municipality, each paying 50% of the total construction costs. HRM's portion is recovered in its entirety by levying an LIC to the abutting properties on the relevant streets. The authority to impose a levy on property owners is prescribed in By-Law S-400.

HRM also owns and maintains a number of gravel roads, and operates under a separate program to upgrade HRM-owned gravel roads to asphalt. This program is cost-shared between the residents and the Municipality. Prior to 2017, property owners had to be surveyed in order to determine their level of commitment to upgrade the road. If the survey was successful, the road would be considered for paving under the capital budget process, and both HRM and the property owners would be responsible to pay 50% of the total construction costs. In 2017, Regional Council approved a modification to this program whereby all remaining HRM owned gravel roads were to be paved without the requirement of a survey, and the cost sharing apportionment was to be split 33.33% to the residents and 66.67% to the Municipality. As of 2017, there were 62 HRM owned and maintained gravel roads.

DISCUSSION

Each year, NSTIR solicits municipalities to provide a list of provincially owned gravel roads to be considered for paving under the Aid-to-Municipality Program. Following is an overview of the process as it relates to HRM:

- Where there is interest to upgrade a provincially owned gravel road, HRM staff conducts a survey of the property owners to determine if there is sufficient support to include the road in the Aid-to-Municipality Program.
- If there are a number of roads that have been successfully surveyed, HRM is then required to prioritize the list. The prioritization criteria include level of annual maintenance, classification of the road and geographical location. Through this process, HRM staff must contact NSTIR to confirm the level of required maintenance for each successfully surveyed provincial road.
- Annually (typically in August/September), NSTIR requests HRM to provide a prioritized list of roads to be considered under the Aid-to-Municipality Program. This list must be submitted no later than October 31st.
- HRM staff forwards a list based on an assumed level of funding to be provided by the Province, and includes the project locations and supporting cost estimates in the HRM capital budget. This step is required as the municipality is paying 50% of the construction costs, and subsequently recovers those costs through an LIC.
- Upon provincial budget approval (March/April), the Province discloses the amount of funding available to HRM for the Aid-to-Municipality Program, and aligns that funding with the roads that are identified on the prioritized list. It is not uncommon that an adjustment (typically a reduction in the number of streets) is required from the originally submitted list as the approved provincial funding is less than anticipated.
- The Province is then responsible to design, tender, and provide inspection and contract administration for each project location.
- Once the project has been fully constructed, the Province submits an invoice to the municipality for 50% of the total construction costs. This cost is paid by HRM, and subsequently recovered from the property owners through an LIC. The recovery period can be up to 10 years.

- HRM must then create a By-law for Council approval in order to collect the LIC's.

The process of estimating the necessary road upgrades, conducting property owner surveys, and prioritizing the list of candidate roads for this provincial program, combined with the uncertainty in the level of provincial funding each year consumes Council, HRM staff and citizen resources, and does not always translate to an approved project. As well with the modifications to HRM's gravel road paving process, the two programs are now fundamentally different. HRM no longer requires surveys, the residents' cost sharing apportionment has been reduced to 33.33% of the total construction costs, and often a selected gravel road candidate aligns with an HRM recapitalization project due to the geographical proximity. The Aid-to-Municipality Program on the other hand continues to require the survey, residents must pay 50% of the total costs, and the list of streets to be paved under the Aid Program does not necessarily align with the province's recapitalization efforts.

For reasons outlined above, HRM staff held preliminary discussions with the Province to examine possible changes to the current Aid-to-Municipality Program. The following alternatives were discussed (Note: All options require further discussion, and none have been approved by NSTIR):

Option No. 1 – NSTIR selects the provincial gravel roads to be paved each year, eliminate the requirement for HRM to conduct surveys, NSTIR covers 50% of the construction cost, property owners pay 33.33% of the cost, HRM covers the remaining 16.67% of costs.

- **Comments for Consideration under Option No. 1**– The Province has the best understanding on the condition of the asset as well as possible alignment opportunities with its recapitalization program; significantly reduces HRM staff time (i.e., no survey requirement, HRM staff would not be expected to prioritize and select the provincial roads for paving consideration); better aligns with HRM's gravel road paving program; property owner surveys would be eliminated in lieu of a reduced LIC; HRM staff would be required to draft the necessary By-law in order to recover the LIC's; HRM Council would need to approve the recovery of 16.67% of the total construction costs from the general tax rate; if HRM was to pay the 16.67% portion, it would represent an added capital cost pressure for an asset that is not owned by the Municipality; the current capital budget evaluation process could significantly restrict HRM's ability to participate in the program.

Option No. 2 – NSTIR selects the roads to be paved annually, and pays 100% of the construction cost; NSTIR transfers ownership of the road (J class only) to HRM after completion of the work.

- **Comments for Consideration under Option No. 2** – The Province has the best understanding on the condition of the asset as well as possible alignment opportunities with its recapitalization program; significantly reduces HRM staff time (i.e., no survey, HRM staff would not be required to prioritize and select the provincial roads for paving consideration, elimination of LIC's and bylaws); HRM will be required to take over ownership of the provincially paved "J" class roads; transferring roads adds to HRM's road network which translates into longer term maintenance/capital responsibilities; the HRM general tax rate currently pays \$0 for this program; therefore, there appears to be no real benefit to the municipality under this option; this option does not align with HRM's current paving of HRM gravel roads program (i.e., no survey, residents pay 33.33% through an LIC).

Option No. 3 - HRM staff surveys the streets to ascertain level of interest to pave; NSTIR selects the roads to be paved annually pursuant to outcome of the surveys; NSTIR covers 50% of the cost, residents pay the remaining 50%.

- **Comments for Consideration under Option No. 3** – The Province has the best understanding on the condition of the asset as well as possible alignment opportunities with its recapitalization program; reduces HRM staff time (i.e., HRM staff would not be required to prioritize and select the provincial roads for paving consideration); HRM staff would be required to initiate the survey process (Note: Currently HRM does not have staff to support this step); HRM staff would be required to draft the necessary By-law in order to recover the LIC's; this option does not align with

HRM's current paving of HRM gravel roads program (i.e., no survey, residents pay 33.33% through an LIC).

Option No. 4 – The Province provides HRM its project selection matrix in order to align the Province's recapitalization program with possible gravel road paving candidates; HRM staff surveys the streets to ascertain level of interest to pave; HRM selects the Aid-to-Municipality Program based on the project selection matrix along with the results of the survey; HRM staff would be required to draft the necessary By-law in order to recover the LIC's; NSTIR covers 50% of the cost, residents pay the remaining 50%.

- **Comments for Consideration under Option No. 4** – Significantly increased time requirement on HRM staff; adds an additional element of risk on HRM staff by attempting to align the Province's recapitalization program with "J" class candidates; this option does not align with HRM's current paving of HRM gravel roads program (i.e., no survey, residents pay 33.33% through an LIC).

The following alternative has yet to be discussed with the Province:

Option No. 5 – HRM no longer participates in the Aid-to-Municipality Program.

- **Comments for Consideration under Option No. 5** – Under this option, HRM will no longer be involved with any aspect of the program; the decision to pave "J" class roads and the method to pay for the program will be the responsibility of the Province.

Further discussions between HRM and NSTIR on these proposed options are required prior to presenting a recommended alternative to Council. These discussions are scheduled to occur during Spring/Summer 2019. Staff will endeavor to return with a recommendation report by Fall 2019.

FINANCIAL IMPLICATIONS

There are no financial risks to HRM at this point in time. Future financial impacts will depend on the selected option. Funding from the Province for past Aid to Municipality programs within HRM has ranged from \$2,000,000 to \$456,000 (which was allotted in 2018) These numbers represent the gross base budget amount. With respect to the 2018 funding level, under the current agreement NSTIR would be responsible to pay \$228,000 while the remaining \$228,000 would be borne by the residents. As identified above, HRM would cover the residents portion at the front end, and recover the amount through local improvement charges. Therefore, the net cost to HRM would be zero. Options 3 and 4 noted above have the same cost recovery structure as the current arrangement. Under Option 1 (incorporating the 2018 funding level), the Province would be responsible to pay \$228,000, the residents \$152,000, and HRM \$76,000. A funding source would be required to cover HRM's \$76,000 portion. Under Option 2, NSTIR would be responsible to cover 100% of the upfront paving costs. However, pursuant to this option, HRM would be required to take ownership of the road once paved.

RISK CONSIDERATION

There are no significant risks associated with the recommendations in this report at this point in time. The risks considered rate low.

COMMUNITY ENGAGEMENT

There is no requirement for community engagement at this time.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications.

ATTACHMENTS

N/A

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

Report Prepared by: David Hubley, P.Eng., Manager, Project Planning and Design Services, (902) 490-4845.
