

HALIFAX

Long-Term Strategic Capital Projects Update

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Outline

- History of Strategic Capital Projects.
- What progress has been made.
- Issues with funding and prioritization of projects.
- Solving funding and prioritization issues.

Background

- Discussion originated out of Regional Council desire for Planned and Potential Strategic Projects.
- In July 2014, staff presented a conceptual funding strategy to Council. Projects were not within the parameters of 3 year capital budget.
- Projects discussed aligned with city building initiatives such as the Regional Plan and Long-Term Arenas Strategy.
- Funding would come from sale of properties, debt policy changes and tax increases.

Background (2)

- Councillor Nicoll's motion during an April 2017 Audit & Finance Standing Committee meeting **requested a staff report outlining an updated strategic capital funding plan for the next four years that aligns with Regional Council's priority areas.**
- Since 2014 report, general progress on planned strategic projects.
- Long-term funding and prioritization issues remain.

Original Funding Strategy: Planned Strategic Projects

- In the absence of a longer-term capital plan, Staff recommended an approach to approving what it referred to as the five “Planned Strategic Projects”.
- Strategy: use existing reserve funds plus the anticipated contributions for the next ten years (for the Strategic Growth and Regional Facility Expansion reserves) to fund capital.
- Five key properties would be sold to pay for projects: Bloomfield, third Queen Street site, Red Cross Building, Bayne Street and St Pat's A.

Planned Strategic Projects as Approved in 2014

Planned Strategic Projects - Total Expenditures and Funding

As Originally Approved by Regional Council in 2014

Project Expenditures:

Halifax Multipad	15,800,000
Dartmouth Multipad	43,000,000
Dartmouth Sportsplex Renewal	22,000,000
\$50M 5 Year Downtown Investment	16,666,700
Cogswell Street Interchange (net of land sales)	<u>0</u>
Sub-Total	97,466,700

Funding:

Existing Reserves and Interest	37,473,086
Existing Reserve Contributions (Years 1-10)	60,000,000
Sale of Five Key Properties	<u>33,296,000</u>
Sub-Total	130,769,086
Excess/(Shortfall) in Funding	<u>33,302,386</u>

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Original Funding Strategy: Potential Strategic Projects

- Funding was to include the excess \$33 million from the first five projects; the anticipated contributions for years 11 to 15 for the Strategic Growth and Regional Facility Expansion reserves; and the sale of nine additional key properties.
- Provided nearly \$100 million or one-third of the required total.
- Remainder was to come from two sources leveraged through additional taxes.
- This funded \$250 million of the \$300 million.

Potential Strategic Projects as Approved in 2014

Potential Strategic Projects:

Project Expenditures:

Police Station Renewal/Lock-ups	60,000,000
Fire Services Training Facility	30,000,000
Stadium	60,000,000
Library Facilities Plan	60,000,000
Performing Arts Centre	60,000,000
Commuter Rail / Fast Ferry	<u>31,000,000</u>

Sub-Total **301,000,000**

Funding:

Excess from Planned Projects	33,302,386
Existing Reserve Contributions (Years 11-15)	30,000,000
Sale of additional Nine Key properties	31,290,000
Addition of 1 cent to tax rate (Years 2 - 15)	56,000,000
Additional Debt (1.5 cents tax)	<u>100,000,000</u>

Sub-Total **250,592,386**

Shortfall in Funding **-50,407,614**

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Project Cost Revisions: September 2017

Strategic Capital Project Update: (In Millions)

Description	Original	Revised Project Costs			Project Budget
	Project Costs (2014)	Actuals	Committed	Total	
Halifax Multipad	15.80	0.00	0.00	0.00	44.00
Dartmouth Multipad	43.00	37.94	5.52	43.46	43.70
Dartmouth Sportsplex Renewal	22.00	2.41	0.75	3.16	25.75
Cogswell Interchange Redevelopment	0.00	1.35	2.96	4.31	61.75
\$50M 5 Year Downtown Investment	16.67	0.61	5.90	6.51	17.10
Total Gross Capital Budget	97.467	42.31	15.13	57.44	192.30

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Project Progress

- The Dartmouth Multi-Pad is now open.
- Revitalization of the Dartmouth Sportsplex has begun, complete by fall 2018;
- Work on the Cogswell Interchange is beginning in 2017-18, Council decision based on updated expenditures and financing plan in January 2018.
- Downtown Streetscaping is on-going.
- The Halifax Forum Redevelopment is to begin in 2019-20, pending a further report to Council.

Project Progress (2)

- Downtown Streetscaping was to be cost-shared with Infrastructure Canada but did not meet criteria; project is proceeding with municipal funding.
- Halifax Forum project was to be cost shared with the Department of National Defence, staff recommendation for a partnership with the Department of National Defense was not approved.
- Council opted for the Halifax Forum Community Association expansion plan. Estimated cost is \$44 million.

Value of Land Stocks to Fund Projects

Sale of Key Properties to Fund Strategic Properties

As Originally Approved by Regional Council in 2014

Planned Strategic Projects

- Bloomfield School
- Sale of 3rd Queen St Site
- Red Cross Building
- Bayne Street
- St. Pats A

33,296,000

Potential Strategic Projects:

- St Pat's High School
- Alderney and Ochterloney
- Lyle Street
- Sale of 4 Rinks in Dartmouth, Bedford

31,290,000

Total

64,586,000

Land Sales are Critical to Long-Term Funding but few sales have been realized

- Significant delays in selling the 13 properties required to fund strategic projects. To date only 2 of the 13 properties has sold.
- Land is less liquid than other assets; takes time to sell at market value.
- Several community organizations have indicated interest in acquiring these properties below market value(s).
- Fiscal implications of not realizing land proceeds are negative.

Current State: Funding Shortfall

Funding Shortfall for Next Four Years

Planned Strategic Projects:

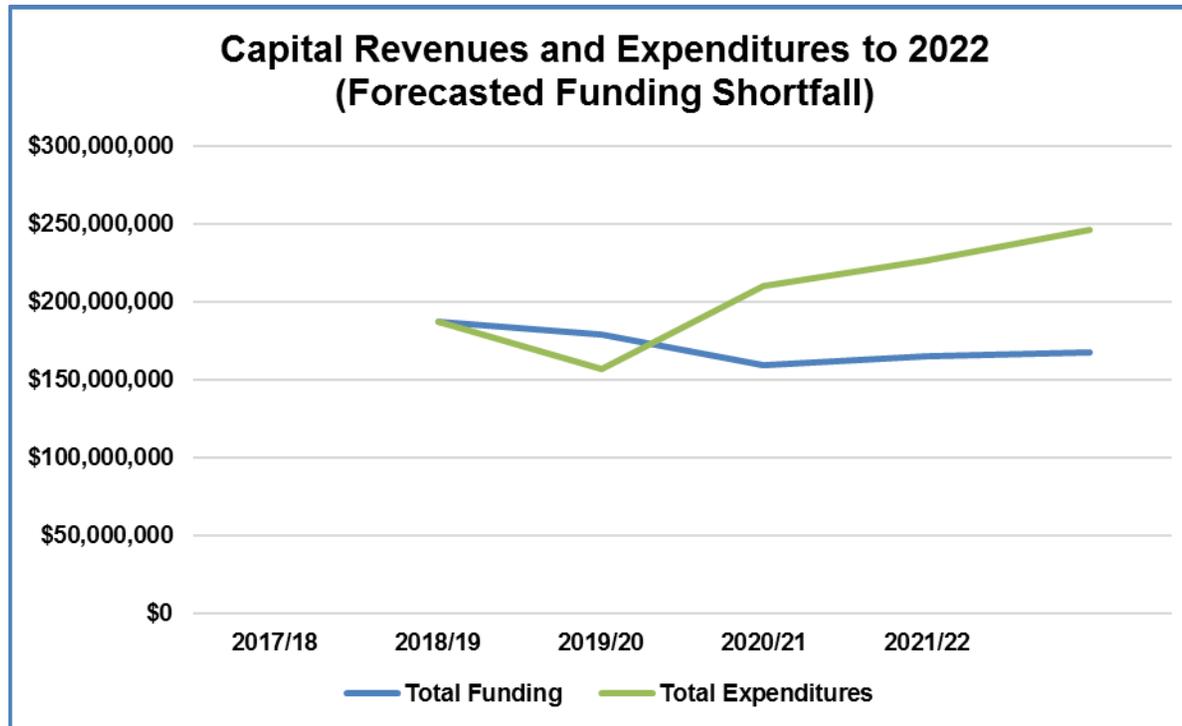
Project Expenditures:

Halifax Multipad	24,000,000
Dartmouth Multipad	8,300,000
Dartmouth Sportsplex Renewal	19,150,000
Cogswell Street Interchange (net of land sales)	58,000,000
\$50M 5 Year Downtown Investment	9,000,000
Sub-Total	118,450,000

Funding:

Existing Reserves and Interest	19,930,000
Existing Reserve Contributions (4 Years)	24,000,000
Sale of Five Key Properties	50,600,000
Sub-Total	94,530,000
Excess/(Shortfall) in Funding	-23,920,000

Current State: Funding Shortfall (2)



The Way Forward

- Finance to present a long-term capital framework that incorporates a 10-year outlook; including operating impacts.
- Need a fiscally sustainable approach.
- Projects are evaluated on their merits in the context of long-term budget constraint, against other projects.
- Focus on efficient capital expenditure, as per the International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD).

Staff Recommendation

“It is recommended that Regional Council direct staff to bring forward a framework for a ten-year capital outlook aligned with Regional Council Priorities, along with an initial ten-year capital outlook that includes funding for the Planned Strategic Projects as noted in this report, and options for other capital outlays including the Potential Strategic Projects”

Key Takeaways

- Estimates indicate over next ten years the Capital Plan will require \$1.5 billion in own-source funding.
- Approximately \$1 billion available; shortfall of one-third.
- Land sales have not occurred as planned, funding gap continues to grow.
- Long-term resources are limited, which projects make the most sense?