

HALIFAX

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Item No. 14.1.5
Halifax Regional Council
October 17, 2017

TO: Mayor Savage and Members of Halifax Regional Council

SUBMITTED BY:

Original Signed by 

Jacques Dubé, Chief Administrative Officer

DATE: October 3, 2017

SUBJECT: **2018-19 Multi-year Budget Process and Consultation Plan**

ORIGIN

In September of 2016 Regional Council adopted amendments to Administrative Order 1, including the establishment of a Standing Committee of the Whole on Budget. Regional Council adopted a multi-year budget approach commencing with the 17/18 cycle. Now in year two of the multi-year approach, the 2018-19 Multi-Year Budget and Business Planning process, fiscal targets and consultation approach needs to be established.

LEGISLATIVE AUTHORITY

Halifax Charter, section 35 (1) The Chief Administrative Officer shall (b) ensure that an annual budget is prepared and submitted to the Council.

RECOMMENDATION

It is recommended that Regional Council direct staff to:

1. Proceed with the 18/19 Multi-year Budget and Business Plan process as described in this report;
2. Proceed as per the schedule included in Attachment C of this report with the understanding that some dates may change throughout the process

BACKGROUND

In past years, Regional Council directed staff to present the draft Budget and Business Plans to the Committee of the Whole (COW) for review and discussion prior to consideration by Regional Council. This process is further reinforced through Administrative Order 1 and will continue under the multi-year approach.

DISCUSSION

Process to develop the Budget:

COW's oversight of the Operating and Capital Budgets and Business Plans has proven to be an effective and transparent approach to developing those budgets and plans.

A significant enhancement in 17/18 was the introduction of multi-year approach. Under the Halifax Charter, Council is required to approve the budget and set tax rates each year, so staff does not seek multi-year approval of the budget. Staff presented Year One (17/18) for formal approval and Year Two (18/19) for approval in principle. There are many benefits to this multi-year approach, including:

- Predictability
- Greater opportunity to plan strategically
- Enhanced flexibility
- Reduced annual effort
- Better alignment with outcomes

It is planned to continue this multi-year approach into the future, rather than the traditional annual cycle. For this planning cycle, COW will be presented with Year One (18/19) to budget quality with an additional 3 years estimated in the fiscal outlook. The 2019-20 year will have 2 years to budget quality with an additional 2 years estimated in the fiscal outlook, similar to last year. (see Attachment A – Multi-Year Cycle). This 2 year cycle provides the greatest opportunity to meet the benefits of a multi-year approach described above.

The starting point for the 18/19 Fiscal Year will be last year's "Year Two" as approved in principle. As with any year there will be some adjustments and corrections, however there should be no requirement to redevelop the entire operating budget. This frees up staff and Council to focus on any items that may not have been anticipated and focus more attention on Capital. All adjustments from the approval in principle budget will be fully disclosed and explained for COW consideration.

The multi-year process is intended to provide Council with greater flexibility and predictability. The direction provided during the "over and under" process in 17/18 was for both 2017-18 and 2018-19. The 2018-19 budget in principle already includes service adjustments from that exercise and modest tax changes as per Council's fiscal direction.

As always, COW can direct staff to explore increases and decreases throughout the process, however staff is not contemplating the same "over and under" process until the next planning cycle when the next two years (19/20 and 20/21) will be presented to budget quality. The 18/19 approved in principle budget will need to be adjusted to reflect new cost information since that approval, but there is limited opportunity for additional over and under consideration within the two year model. Staff is recommending that the review of business unit operating budgets be done at one session based on the 18/19 approved in principle, including adjustments based on new information or events. The results of last year's exercise are included in "Attachment B – 17/18 – 18/19 Over and Under Summary".

With less effort anticipated to develop the 2018-19 operating budgets, staff will be putting more focus on the Capital Plan and Budget, and providing COW with more time to engage in the Capital Plan and Budget. A

stronger Capital Plan and Budget will also lead to greater clarity on the links back to operating (e.g. operating costs of new assets and reserve contributions) and to enhanced project delivery.

As with any new process, we will learn and adjust together and remain flexible in meeting Council's needs to support long term sustainability.

COW Review Process:

The planning cycle commences with updates on Council's Strategic Plan (approved on December 6, 2016) and direction to continue delivery on the multi-year business plans in support of the Strategic Plan. It is anticipated that Year Two (18/19) will be a "review and validate" year, with very little course correction in the Strategic Plan and supporting actions.

Following that, staff will present the updated Fiscal Framework, including the 4-year fiscal model and seek direction to proceed to prepare the budget consistent with the model presented or as amended by COW. This is where COW will provide direction on revenue (tax), capital budget capacity, debt and reserve targets. Once strategic and fiscal direction have been confirmed, staff will finalize detailed budgets and plans to support that direction.

In an effort to provide Council with more information and oversight of the Capital Plan and Budget, staff will be presenting the Capital Plan and Budget aligned with Council's Strategic Plan Priority Areas. This approach will help to ensure that Capital spending is aligned to maximize impact on Council's priorities. These presentations will include the 18/19 Capital Plan and Budget balanced to COW's fiscal direction, including lists of planned projects and consistent with the 18/19 approved in principle budget.

The out years of the plan (10 years) will also be included and aligned by Council's Strategic Plan Priority Areas. The out years of the plan are not fully funded though the fiscal model and will ultimately require COW's direction on prioritization, sequencing and funding. This prioritization, sequencing and funding consideration is essential, however it is not urgent so staff is proposing to work with Council throughout 18/19 to ensure the out years are prioritized and funded when presented in the 19/20 Capital Plan and Budget.

The proposed timeline for the 18/19 process, including Capital presentations is included in Attachment C with an expected date for completion of the draft Capital and Operating budgets to be tabled at Council on March 6, 2018.

The schedule outlined in Attachment C will serve to reserve the COW Budget dates; however, the order of presentations may change as the dates draw nearer. Councillors will be kept fully apprised of any adjustments to the schedule as they occur.

The main risk to the schedule is the potential for meetings to be affected by weather events throughout the winter. To mitigate that risk, two hold dates have been included. If the schedule becomes too compressed, Council may choose to leverage some Tuesday COW time slots for budget. These dates are not reflected in the schedule, but could be considered should the need arise.

In addition to the schedule in Attachment C, there are several budget related issues that will be coming before Council that may impact COW direction on the Multi-year Budget. These include:

- Supplementary Education
- Local and Regional Transit Tax
- Small Business Tax
- Storm Water Right of Way Charge
- Assessment Cap

Staff will make every effort to ensure the sequencing of these items support COW direction in the context of the Multi-year Budget.

Service Plan Review Process (new)

Under the proposed approach, Business Units would not appear before COW with an overview of their budget and business plans as has been past practice. Last year Business Units prepared and presented two year Operating Budgets and Business Plans in support of Council's Strategic Plan. Pending approval of the fiscal direction, these Operating Budgets and Business Plans remain valid for Year Two (18/19). There would be little value in detailed scrutiny as part of the budget review process.

It is proposed that a Service Plan Review Process be established outside of the budget process where Business Units will provide an update on their service plans and receive feedback from Council for consideration in future planning cycles. This process allows for detailed discussion on the status of operations within the various Business Units, the service levels they are currently maintaining and the service drivers they are monitoring. These discussions would be more meaningful outside of the budget process and should be similar to the Annual Service Plans that Halifax Transit currently presents. This process will be supported by existing service and performance data, but over time, will be further informed by performance measures that will come out of both the MBNCanada Program implementation and the Performance Excellence initiative.

Some of the benefits of the proposed approach include:

- Council retains the ability to direct changes (+/-) to Business Unit Budgets.
- Acknowledges the year one work done for 2 years, stay the course and scrutinize operating budgets every 2 years.
- Reduces the process of prioritizing services against each other; reducing in one area to supplement another.
- Reduces the non-value time spent scrutinizing individual BU budgets year over year.
- Creates capacity to consider Capital budget in greater detail where spending for impact can be maximized.
- Presenting Capital by Council Priority will reinforce spending against priorities.
- Reinforces the benefits of a multi-year approach
- Puts the focus on overall corporate budget rather than individual BU budgets.
- Removes service delivery discussions from the pressure of budget deliberations. A more useful engagement on service delivery could be achieved outside of the budget process.

Draft schedule for the Service Plan Review process:

Council Date (COW 10am - noon)	Business Unit
April	Transportation and Public Works
April	Planning and Development
May	Parks and Recreation
May	Fire and Emergency Services
June	Corporate and Customer Service
June	Admin Services (FAM, Legal, HR)
Board governed services (Library and Police) would have to be engaged in consultation with those Boards.	

Dates to be confirmed once the 2018 meeting schedule has been finalized by Regional Council.

Public Consultations

Staff is proposing continuation of the public participation opportunities at COW and Community Councils as well as the on-line budget tool where the public can offer feedback on the budget.

For the last several years Council has provided the on-line budget tool which allows the public to better understand the municipal Budget process and provides an opportunity to offer input for Council consideration in the budget process. Residents of HRM were invited to contribute to the Budget consultation by sharing their thoughts on service priorities and how they would like to see their municipal tax dollars allocated.

Summary of participation in the on-line budget tool:

Citizen participation	Budget Consultation		
	2015-16	2016-17	2017-18
Visitors to the Shape Your City engagement site	5,939	882	1,400
Views of the on-line information videos*	2,081	632	277
Views of the FAQ's – additional statistics posted to inform the public	375	230	n/a
Number of citizens completing the Budget Allocator	434	582	135
Percent of visitors, who completed the Budget Allocator	7%	66%	49%

As staff develops the "Service Plan Review" process and enhancements to the COW consultation on the Capital Budget process, public consultations can be designed to better inform the next full budget cycle.

FINANCIAL IMPLICATIONS

There are no direct financial implications of this report.

RISK CONSIDERATION

There are no significant risks associated with the recommendation.

COMMUNITY ENGAGEMENT

There was no community engagement in the preparation of this report.

ENVIRONMENTAL IMPLICATIONS

N/A

ALTERNATIVES

Committee of the Whole could direct staff to continue with the past practice of individual business unit operating budget presentations and high level Capital presentations in the annual budget process.

ATTACHMENTS

Attachment A – Multi-Year Planning Cycle

Attachment B – 17/18 – 18/19 Over and Under Summary

Attachment C – 2018-19 Multi-Year Budget and Business Plan - COW Schedule

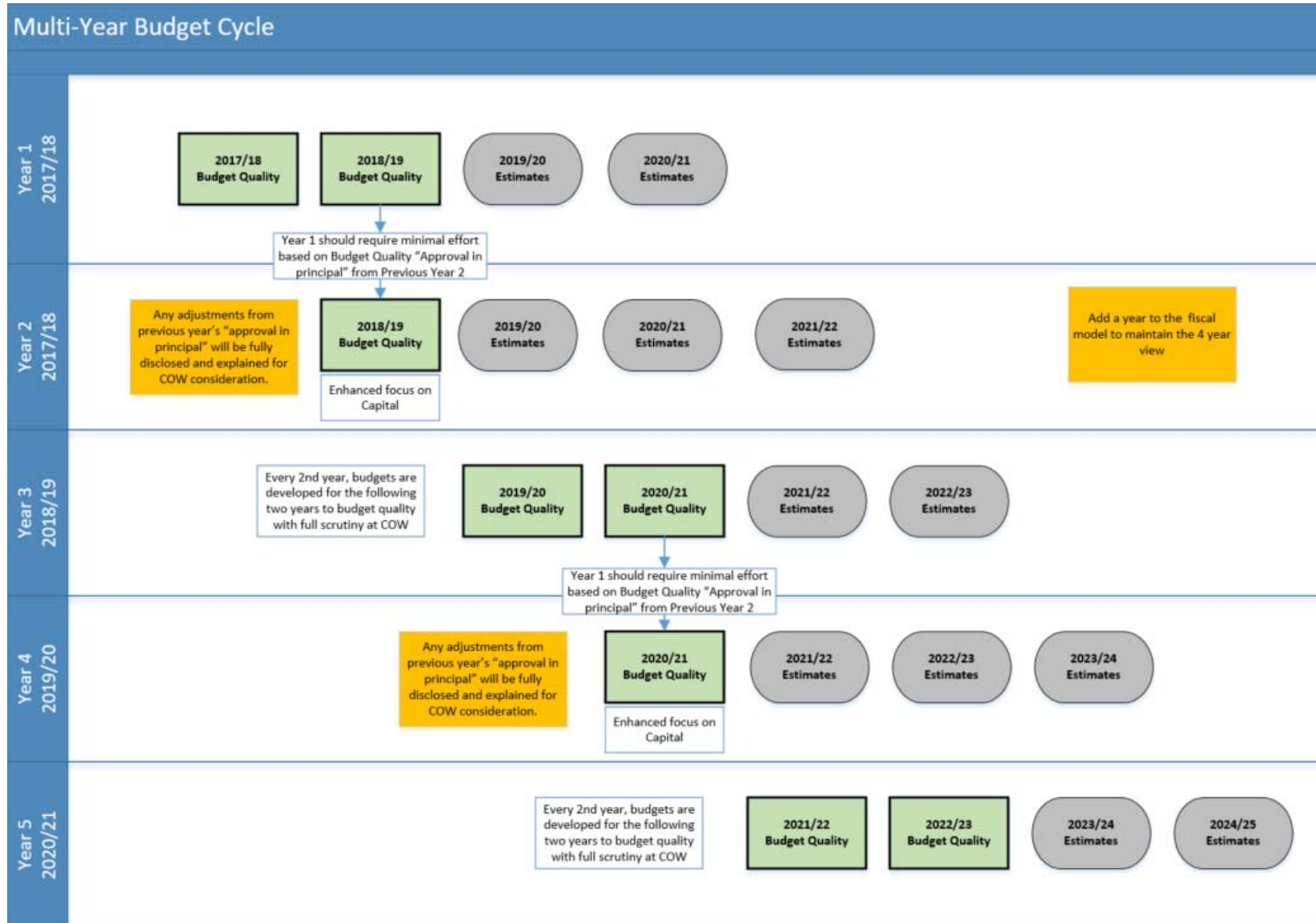
A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

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Original Signed

Report Approved by: _____
Jerry Blackwood, Acting Director of Finance and Asset Management/CFO 902.490.6308

ATTACHMENT A – Multi-Year Planning Cycle



ATTACHMENT B – 17/18 – 18/19 Over and Under Summary

Strategic Theme	Priority Outcome	Option Description	17/18 Amount	17/18 Avg Bill Impact	18/19 Amount	18/19 Avg Bill Impact
Economic Development	Arts, Culture and Heritage	Halifax Explosion Anniversary	150,000	\$0.59	0	\$0.00
Economic Development	Promote and Maximize Growth	Increase International Partnership Activity	30,000	\$0.12	30,000	\$0.12
Economic Development Options	Percent of All Options	6.8%	180,000	\$0.71	30,000	\$0.12
Governance and Engagement	Fiscal Responsibility	False alarm fee increase – fine has not been changed since inception in 1999. Revenues to be split between FICT, Police and Fire	-300,000	-\$1.17	-300,000	-\$1.17
Governance and Engagement	Fiscal Responsibility	Eliminate Employee Discount*	15,000	\$0.06	15,000	\$0.06
Governance and Engagement	Fiscal Responsibility	Increase Streets Re-Cap Resources	150,000	\$0.59	150,000	\$0.59
Governance and Engagement	Fiscal Responsibility	Structural alterations to CAO Reporting Structure	-300,000	-\$1.17	-300,000	-\$1.17
Governance and Engagement	Municipal Governance	Additional Resources for the Access to Information Office	60,000	\$0.23	60,000	\$0.23
Governance and Engagement	Public Engagement	Financial Support for Engage NS	50,000	\$0.20		
Governance and Engagement Options	Percent of All Options	-12.3%	-325,000	-\$1.26	-375,000	-\$1.46
Healthy, Livable Communities	Public Safety	Police Board request over Fiscal direction	553,800	\$2.17	850,400	\$3.33
Healthy, Livable Communities	Recreation and Leisure	Upgrades to the Library Collection	500,000	\$1.96	500,000	\$1.96
Healthy, Livable Communities	Community Health	Spay and Neuter Program (Added by Regional Council Jan 24th)	50,000	\$0.20	50,000	\$0.20
Healthy, Livable Communities	Recreation and Leisure	Reduce Mowing Area	-30,000	-\$0.12	-30,000	-\$0.12

Strategic Theme	Priority Outcome	Option Description	17/18 Amount	17/18 Avg Bill Impact	18/19 Amount	18/19 Avg Bill Impact
Healthy, Livable Communities	Recreation and Leisure	Increase Spring Mowing Frequency	30,000	\$0.12	30,000	\$0.12
Healthy, Livable Communities	Recreation and Leisure	Improved Park/Field Maintenance	500,000	\$1.96	500,000	\$1.96
Healthy, Livable Communities	Recreation and Leisure	Public Garden Extended Season Access	25,000	\$0.10	25,000	\$0.10
Healthy, Livable Communities	Recreation and Leisure	Increase Contributions to Community Facilities	65,000	\$0.25	65,000	\$0.25
Healthy, Livable Communities	Recreation and Leisure	Jumpstart- Eliminate Funding and Staff Wages*	146,000	\$0.57	146,000	\$0.57
Healthy, Livable Communities	Recreation and Leisure	Increase Artificial Turf Fee*	81,000	\$0.32	81,000	\$0.32
Healthy, Livable Communities	Recreation and Leisure	Reduce Parks State of Good Repair*	76,000	\$0.30	18,500	\$0.07
Healthy, Livable Communities	Recreation and Leisure	Remove Monitors On All- Weather Fields*	60,000	\$0.23	60,000	\$0.23
Healthy, Livable Communities	Recreation and Leisure	Rationalize 8-10 Parks/Fields/Year	0	\$0.00	-80,000	-\$0.31
Healthy, Livable Communities Options	Percent of All Options	77.6%	2,056,800	\$8.06	2,215,900	\$8.68
Our People	Culture	Employee Engagement Survey	60,000	\$0.23	0	\$0.00
Our People	Leadership	Corporate Learning & Development Program expansion	100,000	\$0.39	100,000	\$0.39
Our People	Talent	Bridging the Gap 20 - 15 positions	-300,000	-\$1.17	-300,000	-\$1.17
Our People Options	Percent of All Options	-5.3%	-140,000	-\$0.55	-200,000	-\$0.78
Service Delivery	Service to Our People	Public Technology Upgrades	300,000	\$1.17	300,000	\$1.17
Service Delivery	Service to Our People	Shift Optimization for the Citizen Contact Centre - 311	-70,000	-\$0.27	-70,000	-\$0.27
Service Delivery Options	Percent of All Options	8.7%	230,000	\$0.90	230,000	\$0.90

Strategic Theme	Priority Outcome	Option Description	17/18 Amount	17/18 Avg Bill Impact	18/19 Amount	18/19 Avg Bill Impact
Social Development	Equity and Inclusion	Implement French Translation Services for Municipal PSA's	100,000	\$0.39	100,000	\$0.39
Social Development	Equity and Inclusion	Increase CAO - GREA budget by \$60K for diversity and inclusion for African and Aboriginal communities engagement	60,000	\$0.23	60,000	\$0.23
Social Development	Housing and Neighborhoods	Develop poverty reduction strategy	50,000	\$0.20	0	\$0.00
Social Development	Social Infrastructure	Reduce Volunteer Support Services*	125,000	\$0.49	145,000	\$0.57
Social Development Options	Percent of All Options	12.6%	335,000	\$1.31	305,000	\$1.19
Transportation	A safe and accessible transportation network	Low Income Transit Pass Program (Added by Regional Council Feb 7th)	160,000	\$0.63	160,000	\$0.63
Transportation	Interconnected and Strategic Growth	Alderney Ferry service extension (17/18)	155,000	\$0.61		
Transportation Options	Percent of All Options	11.9%	315,000	\$1.24	160,000	\$0.63
		Total Estimated Increase in Tax Payable for the Average Home	2,651,800	\$10.41	2,365,900	\$9.28

ATTACHMENT C – 2018-19 Multi-Year Budget and Business Plan - COW Schedule

Subject	Target Dates
18/19 Multi-year Process Direction	Tuesday, October 17, 2017
Strategic Plan Update and Direction	Tuesday, November 14, 2017
Capital Overview and Fiscal Direction	Tuesday, November 28, 2017
Consolidated Business Unit Operating Budgets (Target to Police Board)	Tuesday, December 12, 2017
Capital by Priority Area	Budgets COW Meetings 9:30 am – 4 pm
Transportation	Wednesday, December 13, 2017 (AM)
Economic Development	Wednesday, December 13, 2017 (PM)
Healthy Communities & Social Development	Wednesday, January 17, 2018 (AM)
Governance and Engagement	Wednesday, January 17, 2018 (PM)
Service Delivery/Administration	Wednesday, Jan 24, 2018 (AM)
Fiscal & Consolidated Accounts	Wednesday, Jan 24, 2018 (PM)
Hold for Follow-up	Wednesday, Jan 31, 2018
Hold for Follow-up	Wednesday, Feb 14, 2018
Production and Quality Control Period	February 12 – March 2
Full Review of Final Budget (Operating, Capital, and Fiscal)	Tuesday, March 6, 2018
March Break	March 12 - 16
<i>Follow-up date if necessary</i>	Tuesday, March 20, 2018