

# HALIFAX

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

## Item No. 3

Regional Council  
April 11, 2017

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

Original Signed by 

**SUBMITTED BY:**

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Jacques Dubé, Chief Administrative Officer

**DATE:** March 31, 2017

**SUBJECT:** Proposed Multi-Year Financial Strategy 2017-2021, and  
Business and Capital Plans for 2017/2018 - 2018/2019

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### **ORIGIN**

On December 14<sup>th</sup>, 2016, Committee of the Whole (COW) directed staff to develop multi-year operating budgets and business plans for 2017/2018 and 2018/19. These multi-year plans were to be developed in accordance with Regional Council's approved priorities and preliminary fiscal direction for the coming four fiscal years 2017 – 2021.

COW reviewed preliminary budgets and business plans for each business unit during January and February as well as provided additional direction on 2017/18 and 2018/19 Fiscal and Consolidated Accounts at its February 27, 2017 meeting.

### **LEGISLATIVE AUTHORITY**

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

### **RECOMMENDATION**

It is recommended that Halifax Regional Council adopt the:

1. "Resolution for Approval of Operating and Capital Budgets and Tax Rates for Fiscal 2017/2018," as set out in Schedule 1; and,
2. "Resolution for Approval in Principle of Operating Budget for Fiscal 2018/19" as set out in Schedule 2.

## **BACKGROUND**

At the December 14<sup>th</sup>, 2016 Committee of the Whole, it was moved that

*... staff develop the preliminary 2017-2018 and 2018-2019 operating budgets based on:*

- Maintaining the appropriate level of existing services with the addition of the new services previously approved by Regional Council;
- a stable capital budget that maintains state of good repair while also funding growth related issues and service improvements;
- a responsible and declining debt position;
- appropriate reserve balances that allow for risk mitigation, future obligations and opportunities;
- alignment of the current average tax bill for residential homes and commercial properties with all relative economic indicators.

Staff have completed some of the key processes that will help build a much more financially sustainable approach. Part of this is a new multi-year approach to budgeting. For the first time, staff is presenting a two year budget to Regional Council. The first year (2017-2018) will be the formal approved budget. The second year (2018-2019) will be approved in principle and used throughout 2017-2018 as a planning document.

Along with a new longer-term approach to financial planning at the municipality, staff revisited the production of the Operating Budget and Capital Budget Books. Building on direction from Regional Council, two updated books have been produced to ensure that detailed information remains available on print and online via:

- 1) the Business and Capital Plans for 2017-18 and 2018-19 (consolidation of the two previous books), and
- 2) the Multi-Year Financial Strategy 2017-2021 (enhancement of the economic trends, financial history and fiscal strategy section of the operating budget book produced in a more user-friendly booklet.)

As part of this new approach, Regional Council adapted a strategic plan outlining its priority areas of focus and outcomes. Further, the CAO, with the support of the senior management team, established a new streamlined organizational structure to better serve Regional Council and HRM's citizens. Commencing January 25<sup>th</sup>, 2017 and continuing through into March of 2017, Regional Council reviewed individual budgets and plans for the upcoming fiscal year. The first stage of this process provided broad direction to staff on the underlying assumptions for taxation and fiscal items. These assumptions, in turn, influenced the available funds for each of the services and projects the municipality is able to undertake in 2017-18 and future years.

## **DISCUSSION**

Preparing and finalizing a budget for the municipality is an extensive exercise which includes many iterative steps. There is tremendous demand for new and improved services; the maintenance of existing services; extension of current services to new homes and businesses; and, the ongoing maintenance of \$3.4 billion in municipal assets. Balanced against this is the need to set appropriate tax levies on homeowners, businesses and others. The revenues from these rates allow for the provision of these services. The proposed tax levy must be balanced against the value to society of those services, the ability of taxpayers to pay for those items, and the broad competitiveness that the mix of services and taxes will support.

Four Critical Influences and Seven Key Regional Council Decisions:

As directed by Regional Council, staff prepared a longer term fiscal approach that integrates key items in the budget process. As such, Staff have identified four critical influences that affect the municipality's fiscal situation. These four key influences are:

1. Operating Budget,
2. Net Capital Budget,
3. Tax Supported Debt, and,
4. Reserves (Net Obligations)

Over three Committee of the Whole (COW) meetings on Budget, each business unit presented proposed budgets that meet Regional Council's preliminary fiscal direction. Those budgets, combined with the fiscal budget, total approximately **\$742 million** in operating expenditures annually to provide a wide range of municipal services. In preparing proposed budgets, business units made many adjustments to accommodate additional services as directed by Regional Council, incorporated inflation on goods and services, and identified cost reductions where practical. In the interest of full disclosure and transparency, all of the changes included in proposed budgets were identified in the business unit presentations. Regional Council approved a subset of the proposals using a combination of changes to taxation, capital budget and services in order to move towards a more sustainable financial position. Rather than holding the average tax bill flat (essentially a reduction in real terms), taxes payable should rise by 1.8% and 1.6% in years 1 and 2 of the Plan. This is \$33 on the average single family home in 2017-2018. These changes are comparable to inflation and slightly below predicted personal income growth (per the Conference Board of Canada). In years 3 and 4 increases would be moderated. At the same time, increases in the cost of services and the Capital Budget would have to be constrained otherwise tax changes would need to be higher.

On December 14, 2016, COW approved the 2017/18 Capital Budget and the 2018/19 Capital Budget in principle. Since that meeting, there have been several events, which necessitated some changes to the Capital Budget. These events include new funding sources identified, decisions by Regional Council, changes to reflect current cash flow projections, and adjustments due to current project information. A summary of the changes are shown in the table below with a listing of individual project changes in Schedule 3.

	<b>2017/18</b>	<b>2018/19</b>
<b>Original Gross Budget, December 14th, 2016</b>	<b>188,020,099</b>	<b>147,447,605</b>
Gross Budget Increases (Decreases)	-751,099	9,263,395
<b>Revised Gross Budget</b>	<b>187,269,000</b>	<b>156,711,000</b>
<b>Original Funding, December 14th, 2016</b>	<b>188,020,099</b>	<b>147,447,605</b>
Reserves	-3,834,500	2,309,000
ACOA Cost-Sharing	1,265,000	0
Other Cost-Sharing	3,539,401	8,740,895
Additional Debt Approved	0	0
Capital from Operating	-1,970,000	-2,809,000
Gas Tax Funding	0	0
Cappool	249,000	522,500
Crespool	0	500,000
<b>Revised Total</b>	<b>187,269,000</b>	<b>156,711,000</b>

Included in the attached Budget Resolution is the authorization to proceed with Multi-year capital projects for advance tendering. These are projects that are initiated in 2017/2018 but span multiple years. Even though spending will occur in the future, all future years funding must be approved now for the procurement process and tendering to proceed. This Schedule was approved by Committee of the Whole on December 14, 2016 with adjustments made during the budget discussions. Also included in

the proposed resolution are the required withdrawals from reserves.

At the February 8, 2017 COW, Regional Council accepted the recommendations of the Board of Police Commissioners, as proposed in the presentation of the Chair of the Board, for a total net HRP budget of \$77,603,800 for the 2017/2018 fiscal year. The Board proposed a 2018/2019 budget of \$78,030,400 which, together with individual recommendations of the Board as set out in the Chair's presentation (including \$553,800 in both years), results in a total net HRP budget of \$78,584,200 for the 2018/19 fiscal year. The February 8, 2017 motion did not clearly reflect the recommendation of the Board, with respect to the 2018/2019 fiscal year, however the total net HRP budget amounts recommended by the Board of Police Commissioners for each fiscal year has been included in the budget resolutions attached to this report.

### **FINANCIAL IMPLICATIONS**

This report complies with the proposed Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the Capital and Operating reserves, as well as any relevant legislation.

### **RISK CONSIDERATION**

Risks related to the recommendations in this report include changes in the underlying economic assumptions. The risks can be better defined and managed as the two year budget is developed.

### **COMMUNITY ENGAGEMENT**

Budget Consultations consisted of an on-line balance-the-budget tool (the "budget allocator") as well as an opportunity for the Public to attend the Business Unit draft budget presentations to Committee of the Whole, and ask questions afterwards.

### **ENVIRONMENTAL IMPLICATIONS**

None

### **ALTERNATIVES**

The Committee of the Whole can choose to amend the Proposed 2017/2018 and 2018/19 Budget and Business Plan through specific motion, and direct staff to proceed to prepare the 2017/2018 and 2017/19 Budget and Business Plan based on that amended direction. This alternative is not recommended.

### **ATTACHMENTS**

Schedule 1 - Resolution for Approval of Operating and Capital Budget and Tax Rates for Fiscal 2017/2018.

Schedule 2 – Resolution for Approval in Principle of Operating Budget for Fiscal 2018/19.

Schedule 3 – Adjustments to the Capital Budget since December 14, 2016.

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**Proposed Multi-Year Financial Strategy 2017-2021, and  
Business and Capital Plans for 2017/2018 - 2018/2019**

- 5 -

**April 11, 2017**

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A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.php> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 902.490.4210, or Fax 902.490.4208.

Report Prepared by: Bruce Fisher, MPA, CPA, CMA, Manager of Financial Policy and Planning, 902.490.4493

**Original Signed**

Report Approved by:

Bruce Fisher, Manager of Financial Policy and Planning, 902.490.4493

**Original Signed**

Report Approved by:

Amanda Whitewood, Director of Finance & ICT/CFO, 902.490.6308

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**HALIFAX REGIONAL MUNICIPALITY****Approved 2017/18 Operating & Capital Budget*****RESOLUTION for Approval of Operating & Capital Budget and Tax Rates for Fiscal 2017/18***

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It is hereby resolved that:

- a) the Operating Budget in the amount of **\$894,363,300** gross expenditures (which includes **\$741,520,100** in municipal expenditures including the reserve withdrawals specified in the Operating and Capital Budget); **\$684,766,500** in property tax revenues (including area rate revenues) and **\$209,596,800** in other revenues be approved;
- b) the Capital Budget in the amount of **\$187,269,000** be approved;
- c) the general rates of taxation on residential and resource property be set at
  - (i) **\$0.667** for the urban area
  - (ii) **\$0.634** for the suburban area; and
  - (iii) **\$0.634** for the rural areaper \$100 of taxable assessment;
- d) the general rates of taxation on commercial property be set at
  - (i) **\$2.869** for the urban area;
  - (ii) **\$2.869** for the suburban area; and
  - (iii) **\$2.542** for the rural areaper \$100 of taxable assessment;
- e) the Halifax Transit Annual Service Plan and the tax rates associated with Transit Taxation be set at
  - (i) **\$0.048** for the Regional Transportation tax rate;
  - (ii) **\$0.098** for the Local Transit tax rateper \$100 of taxable assessment;
- f)
  - (i) the boundaries of the urban, suburban and rural areas are delineated in Attachment A, the "Tax Area Map";
  - (ii) the boundary of the Regional Transportation area includes all properties within communities included within Attachment B, the "Regional Transportation Area map"; and,
  - (iii) the boundary for the Local Transit area includes all properties within 1km walking distance of any HRM transit stop.
- g) **Fire Protection** rates shall be set at the rate of **\$0.013** per \$100 for all residential and resource assessment and at **\$0.036** per \$100 of the commercial assessment for properties

which are within 1,200 feet of a hydrant that is designed and operated for public fire protection purposes.

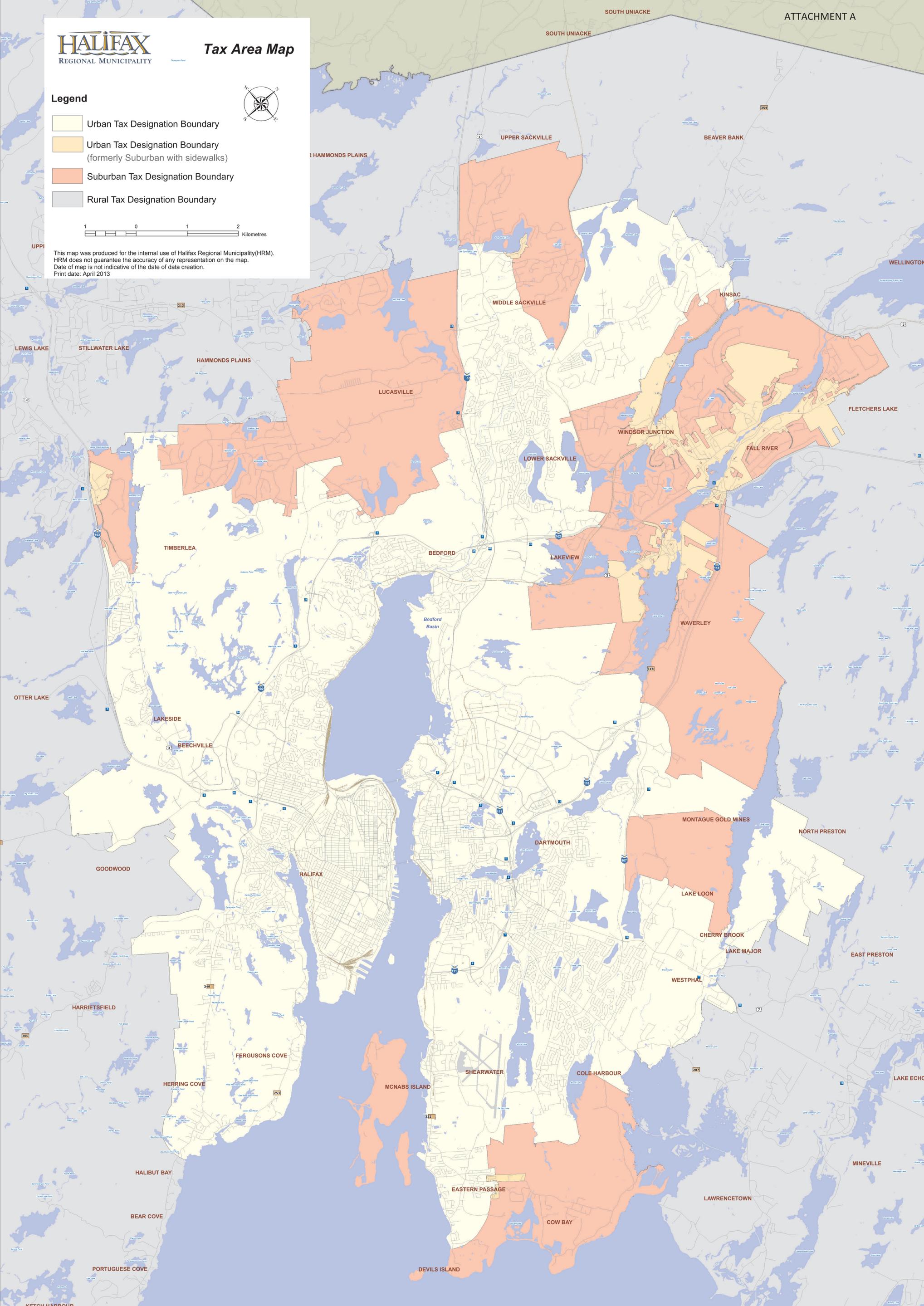
- h) the final tax bills will become due on **Tuesday, October 31, 2017**;
- i) the interest rate on the Reserve Funds, designated as requiring interest under Section 121(2) of the Halifax Charter, be set at the rate of return on funds invested by HRM for the period April 1, 2017 to March 31, 2018;
- j) the interest rate on all reserves except for those identified in (i) above will be set at the rate of return on funds invested by HRM for the period April 1, 2017 to March 31, 2018;
- k) an advance funding commitment is approved for the amount of **\$89,753,000** for the fiscal years 2018-19 through 2021-22 for the projects listed in Attachment C, the “Schedule of Multi-Year Capital Projects”; and
- l) withdrawals from Reserves in the amount of **\$ 85,778,200** are approved, as detailed in Attachment D, the “Reserves Withdrawal 2017-18”.

**Legend**

-  Urban Tax Designation Boundary
-  Urban Tax Designation Boundary (formerly Suburban with sidewalks)
-  Suburban Tax Designation Boundary
-  Rural Tax Designation Boundary



This map was produced for the internal use of Halifax Regional Municipality (HRM). HRM does not guarantee the accuracy of any representation on the map. Date of map is not indicative of the date of data creation. Print date: April 2013





# Schedule of Multi-Year Capital Projects

ATTACHMENT C

Projects	2016/17 Gross	2017/18 Gross	2018/19 Gross	2019/20 Gross	2020/21 Gross	2021/22 Gross
<b>Buildings</b>						
Cole Harbour Place	1,375,000	300,000	1,300,000	-	-	-
Dartmouth Multi-Pad	34,000,000	7,700,000	-	-	-	-
Dartmouth Sportsplex Revitalization	4,400,000	14,650,000	4,500,000	-	-	-
Sambro/Harrietsfield Fire Station	-	2,500,000	1,500,000	-	-	-
St. Andrew's Community Centre Renovation	-	700,000	3,300,000	2,100,000	-	-
<b>Buildings Total</b>	<b>39,775,000</b>	<b>25,850,000</b>	<b>10,600,000</b>	<b>2,100,000</b>	-	-
<b>Business Tools</b>						
Accident Reporting Business Intelligence	100,000	100,000	-	-	-	-
Corporate ePayment Solution	125,000	50,000	-	-	-	-
Corporate Scheduling	150,000	750,000	370,000	550,000	-	-
Corporate Time Entry/Payroll Optimization	-	-	425,000	1,275,000	-	-
Corporate Vehicle Fuel Management	-	125,000	-	-	-	-
CRM Software Replacement	-	250,000	-	-	-	-
Enterprise Asset Management (EAM)	2,700,000	1,580,000	-	-	-	-
Enterprise Content Management Program	-	150,000	150,000	150,000	500,000	500,000
Parking Technology	-	470,000	2,000,000	1,500,000	400,000	-
Permitting, Licensing, and Compliance Replacement Solution	400,000	457,000	1,775,000	593,000	-	-
Recreation Services Software	900,000	1,645,000	1,070,000	1,755,000	-	-
Revenue Management Solution	250,000	500,000	1,270,000	1,500,000	-	-
Source Management	100,000	350,000	-	-	-	-
<b>Business Tools Total</b>	<b>4,725,000</b>	<b>6,427,000</b>	<b>7,060,000</b>	<b>7,323,000</b>	<b>900,000</b>	<b>500,000</b>
<b>Equipment &amp; Fleet</b>						
Fire Apparatus Replacement	-	1,803,000	2,490,000	-	-	-
<b>Equipment &amp; Fleet Total</b>	-	<b>1,803,000</b>	<b>2,490,000</b>	-	-	-
<b>Halifax Transit</b>						
New Transit Technology	5,700,000	700,000	8,480,000	7,300,000	-	-
<b>Halifax Transit Total</b>	<b>5,700,000</b>	<b>700,000</b>	<b>8,480,000</b>	<b>7,300,000</b>	-	-
<b>Traffic Improvements</b>						
Cogswell Interchange Redevelopment	3,000,000	15,000,000	23,000,000	20,000,000	-	-
<b>Traffic Improvements Total</b>	<b>3,000,000</b>	<b>15,000,000</b>	<b>23,000,000</b>	<b>20,000,000</b>	-	-
<b>Grand Total</b>	<b>53,200,000</b>	<b>49,780,000</b>	<b>51,630,000</b>	<b>36,723,000</b>	<b>900,000</b>	<b>500,000</b>

# Reserves Withdrawal 2017-18

ATTACHMENT D

	Reserve	Withdrawals 2017/18	Amount	Total
Q416	Operating Stabilization Reserve	Operating - Police rent	258,400	258,400
Q506	Landfill Closure & Post Closure Reserve	Capital - Environmental Monitoring Site, Otter Lake	100,000	122,000
		Operating - Environmental Monitoring Site, Mengoni	22,000	
Q521	Convention Centre Reserve	Operating - World Trade Centre Operating Lease	5,604,000	5,604,000
Q526	Capital Fund Reserve	Capital - Environmental Remediation	400,000	3,102,000
		Capital - Road Corridor Land Acquisition	100,000	
		Capital - Parking Technology	470,000	
		Capital - Sambro/Harrietsfield Fire Station	1,970,000	
		Operating - Legal costs for properties closings	10,000	
		Operating - Real Estate costs for properties closings	152,000	
Q531	Fleet Vehicles & Equipment Reserve	Capital - Fleet Vehicle Replacements	330,000	575,000
		Capital - Opticom Signalization System	80,000	
		Capital - Fire Apparatus Replacement	165,000	
Q541	Building Recapitalization and Replacement Reserve	Capital - Metro Park Upgrades	90,000	120,000
		Operating - Spencer House renovations	30,000	
Q546	Multi-District Facilities Reserve	Capital - BMO Centre	468,000	668,000
		Capital - Scotiabank Centre	200,000	
Q551	Transit Capital Reserve	Capital - New/Expanded Transit Centre	2,385,000	2,385,000
Q556	Solid Waste Facilities Reserve	Capital - Additional Green Carts	735,000	2,855,000
		Capital - Leachate Evaporator	1,500,000	
		Capital - Rural Depot	285,000	
		Capital - Composting/Anaerobic Digestion Plant	250,000	
		Capital - Material Recovery Facility Repairs	85,000	
Q606	Strategic Capital Reserve	Capital - Dartmouth Multi-Pad	7,700,000	37,100,000
		Capital - Dartmouth Sportsplex	14,400,000	
		Capital - Cogswell Interchange	15,000,000	
Q611	Parkland Development Reserve	Capital - Parkland Acquisition	2,100,000	3,100,000
		Capital - Baker Drive Parkland Development	1,000,000	
Q616	Business/Industrial Park Expansion	Operating - Real Estate costs to cover sale of lots	52,000	52,000
Q621	Community and Events Reserve	Operating - Cultural Events & Showcase Program	200,000	4,536,800
		Operating - Public Art operating and program costs	100,000	
		Operating - Hallmark, Tourism, Sporting events/hosting	1,286,800	
		Commitment for Tennis NS	2,500,000	
		Commitment for FCM Conference	450,000	
Q626	Gas Tax Reserve	Capital - projects to receive funding not assigned yet	25,300,000	25,300,000
	<b>Total Withdrawals</b>			<b>85,778,200</b>

**HALIFAX REGIONAL MUNICIPALITY**

**Approval in Principle 2018/19 Operating Budget**

*RESOLUTION for Approval in Principle of Operating Budget for Fiscal 2018/19*

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It is hereby resolved that the Operating Budget in the amount of **\$920,884,700** gross expenditures (which includes **\$763,107,700** in municipal expenditures); **\$709,739,600** in property tax revenues (including area rate revenues) and **\$211,145,100** in other revenues be approved in principle.

## Adjustments to the Capital Budget since December 14, 2016

Project Name	Project Number	2017 Gross	2017 Funding	2017 Net	2018 Gross	2018 Funding	2018 Net
BMO Centre	CB000064	500	500	-	-	-	-
Cole Harbour Place	CB000045	-	125,000	(125,000)	-	-	-
Dartmouth Multi-Pad	CB000049	700,000	700,000	-	-	-	-
Dartmouth North Community Centre Upgrades	CB000075	-	250,000	(250,000)	-	-	-
Dartmouth Sportsplex Revitalization	CB000006	2,000,000	2,000,000	-	500,000	500,000	-
Dartmouth Sportsplex Revitalization	CB000006	250,000	250,000	-	-	-	-
Musquodoboit Harbour Rec Facility (Village Plaza)	CB000052	640,000	-	640,000	-	-	-
Musquodoboit Library Refurbishment	CB000070	-	-	-	(195,000)	-	(195,000)
Regional Library Facility Upgrades	CBX01165	(200,000)	-	(200,000)	200,000	-	200,000
SambroHarrietsfield Fire Station	CB000079	-	14,000	(14,000)	-	-	-
SambroHarrietsfield Fire Station	CB000079	-	1,970,000	(1,970,000)	-	-	-
South Peninsula Gym	CB000084	-	-	-	460,000	-	460,000
St. Andrews Community Centre	CB000011	(900,000)	-	(900,000)	300,000	-	300,000
St. Andrews Community Centre	CB000011	-	-	-	-	1,809,000	(1,809,000)
Tallahassee Recreation Centre Upgrades	CB000068	110,000	110,000	-	-	-	-
LIDAR Data Acquisition	CI000020	-	(1,150,000)	1,150,000	-	-	-
Access-A-Bus Expansion	CVD00429	15,000	125,000	(110,000)	-	-	-
Access-A-Bus Replacement	CVD00430	299,000	815,000	(516,000)	-	-	-
Bus Maintenance Equipment Replacement	CM00005	(300,000)	-	(300,000)	-	-	-
Conventional Bus Expansion	CV020003	3,670	2,000	1,670	(2,205)	3,897	(6,102)
Conventional Bus Replacement	CV020004	-	-	-	600	300	300
Ferry Replacement	CM000001	-	2,000,000	(2,000,000)	-	-	-
Ferry Replacement	CM000001	-	(2,400,000)	2,400,000	-	-	-
Ferry Terminal Pontoon Rehabilitation	CBX01171	1,635,000	1,420,000	215,000	-	-	-
New Transit Technology	CM020005	-	-	-	-	2,000,000	(2,000,000)
New/Expanded Transit Centre	CB000017	-	2,385,000	(2,385,000)	-	-	-
Fall River Water Servicing	CWWF2	36	36	-	-	-	-
Herring Cove Servicing Phase 2B	CWWF1	695	695	-	-	-	-
Beazley Field /Complex	CP000015	-	125,000	(125,000)	-	-	-
Halifax Common Upgrades	CP000013	-	-	-	(1,000,000)	-	(1,000,000)
Halifax Explosion Markers	CP000019	450,000	450,000	-	-	-	-
North Common Restoration	CP000016	(500,000)	(500,000)	-	-	-	-
Park Recapitalization	CP000002	-	260,000	(260,000)	-	-	-
Sports/Ball Fields/Courts - New	CP000004	-	145,000	(145,000)	-	-	-
Sports/Ball Fields/Courts - New	CP000004	125,000	70,000	55,000	-	-	-
New Paving Streets - HRM Owned Roads	CR000002	125,000	125,000	-	-	(1,000)	1,000
New Paving Subdivision Streets - Provincial	CR990001	(100,000)	(100,000)	-	-	-	-
Street Recapitalization	CR000005	2,915,000	(217,330)	3,132,330	9,000,000	6,737,698	2,262,302
Half Closure Cell 6 - Otter Lake	CWU01358	(7,500,000)	(7,500,000)	-	-	-	-
Leachate Evaporator	CW000010	(1,000,000)	(1,000,000)	-	-	-	-
New Era Recapitalization	CW000009	(250,000)	(250,000)	-	-	-	-
Rural Depot	CW000003	145,000	145,000	-	-	-	-
Railway Crossings Improvements	CT000015	250,000	-	250,000	-	-	-
Ross Road Realignment	CT000012	600,000	600,000	-	-	-	-
Street Lighting	CRU00792	(25,000)	-	(25,000)	-	-	-
Traffic Signal Installation	CTU01085	(180,000)	-	(180,000)	-	-	-
Traffic Signal Rehabilitation	CTU00419	(60,000)	-	(60,000)	-	-	-
		<b>(751,099)</b>	<b>969,901</b>	<b>(1,721,000)</b>	<b>9,263,395</b>	<b>11,049,895</b>	<b>(1,786,500)</b>

The above adjustments reflect the Committee of the Whole's direction, adjustment to the project work plans and additional cost sharing.