

HALIFAX

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Item No. 3
Budget Committee
April 24, 2018

TO: Chair and Members of Budget Committee (Standing Committee of the Whole on Budget)

Original Signed by



SUBMITTED BY: _____
Bruce Zvaniga, Acting Chief Administrative Officer

DATE: April 10, 2018

SUBJECT: Proposed 2018/2019 Budget and Business Plan

ORIGIN

At the April 11, 2017 Regional Council meeting, Regional Council adopted a “Resolution for Approval in Principle of Operating Budget for Fiscal 2018/19”.

At the December 13, 2017 Budget Committee, staff was directed staff to “revise the 2018-2019 Budget according to Council's approved priorities, and preliminary fiscal direction”.

COW reviewed preliminary budgets and business plans for each business unit during January to March as well as provided additional direction on 2018/19 Fiscal and Consolidated Accounts at its March 7, 2018 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 Council.

RECOMMENDATION

That Budget Committee recommend that Halifax Regional Council:

1. Adopt the Resolution for Approval of Operating and Capital Budgets and Tax Rates for Fiscal 2018/19 as set out in schedule 1 of the staff report dated April 10, 2018; and
2. Direct staff to develop and return with a two year business and capital plan for 2019/20 and 2020/21 in accordance with the multi-year financial strategy for 2017-2021.

BACKGROUND

At the December 13, 2017 Committee of the Whole, it was moved that:

staff revise the 2018-2019 Budget according to Council's approved priorities, and preliminary fiscal direction, including:

- Maintaining the appropriate level of existing services with the addition of the new services previously approved by Council;
- A stable capital budget that maintains state of good repair while also funding growth related issues and service improvements;
- An optimal 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 at a 1.9% increase.

Since then, the Budget Committee approved additional changes on March 28, 2018 that result in total municipal expenditures of \$760.6 million and gross capital spending of \$128.6 million. There will be an average residential tax bill increase of 1.975%. The average tax bill for commercial properties will fall 1.1%.

DISCUSSION

Preparing and finalizing a budget for the municipality is an extensive exercise which includes many iterative steps. As our municipality grows, so too does the demand for new and improved services in addition to the on-going maintenance of \$3.5 billion in existing municipal assets.

Municipalities in Canada generally rely on property taxation as their major source of revenue. Regional Council and staff are tasked with balancing demand for service changes and improvements, and appropriate tax levies on homeowners and businesses. The proposed tax levy must be balanced against 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

As directed by Council, staff prepared an 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)

During Committee of the Whole on Budget meetings, each business unit presented proposed budgets that meet Council's preliminary fiscal direction. Those budgets, combined with the fiscal budget, total approximately **\$760.6 million** in municipal expenditures and provide a wide range of municipal services. In preparing proposed budgets, business units incorporated direction from Council, 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's budget proposals are consistent with the most recent economic outlook from the Conference Board of Canada. Trade-offs between services, infrastructure investment and tax rate increases are designed to support economic and social outcomes.

Included in the attached Budget Resolution is the authorization to proceed with Multi-year capital projects for advance tendering (Attachment C). These are projects that span multiple fiscal years. Even though spending will occur in the future, the funding for those future years must be approved now for the procurement process and tendering to proceed. Also included in the proposed resolution are the withdrawals from reserves (Attachment D). Since the Budget Committee Capital deliberation in December there have been some changes to the Capital Budget based on the cash-flow of projects, adjustments to work plans and reductions in expected cost sharing. These changes are outlined in Attachments E and F.

Also included in the Budget Resolution are the final tax rates for Provincial Area Rates and for Supplementary Education.

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.

Following approval of the budget some funds may be moved from one cost centre to another. No individual dollar amounts or objectives will be altered.

RISK CONSIDERATION

Risks related to the recommendations in this report are related to divergences in economic conditions from forecast. These risks are considered low probability in nature.

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 Budget and Business Plan through specific motion, and direct staff to proceed to prepare the 2018/2019 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 2018/2019

Attachment A – Tax Area Map

Attachment B – Regional Transportation Area, May 2009

Attachment C – Schedule of Multi-Year Capital Projects

Attachment D – Halifax Regional Municipality Proposed Reserve Funds Budget, April 1, 2018 to
March 31, 2019

Attachment E – List of Proposed Projects to Defer, Reduce and Close

Attachment F – Adjustments to the Capital Budget since December 13, 2017 Budget Committee

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.

Original Signed

Report prepared by:

Bruce Fisher, Manager of Financial Policy and Planning, 902.490.4493

Original Signed

Report Approved by:

Jerry Blackwood, A/CFO, Director of Finance and Asset Management 902.490.6308

HALIFAX REGIONAL MUNICIPALITY**Proposed 2018/19 Operating & Capital Budget*****RESOLUTION for Approval of Operating & Capital Budget and Tax Rates for Fiscal 2018/19***

It is hereby resolved that:

- a) the Operating Budget in the amount of **\$918,527,100** gross expenditures (which includes **\$760,614,800** in municipal expenditures including the reserve withdrawals specified in the Operating and Project Budget); **\$702,913,900** in property tax revenues (including area rate revenues) and **\$215,613,200** in other revenues be approved;
- b) the Capital Budget in the amount of **\$128,583,800** be approved;
- c) the general rates of taxation on residential and resource property be set at
 - (i) **\$0.6735** for the urban area
 - (ii) **\$0.6405** for the suburban area; and
 - (iii) **\$0.6405** for the rural areaper \$100 of taxable assessment;
- d) the general rates of taxation on commercial property be set at
 - (i) **\$2.9255** for the urban area;
 - (ii) **\$2.9255** for the suburban area; and
 - (iii) **\$2.5920** 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) **\$0.047** for the Regional Transportation tax rate;
 - (ii) **\$0.097** 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 Structure Map”;
 - (ii) the boundary of the Regional Transportation area includes all properties within communities included within Attachment B, the “Regional Transportation 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.

SCHEDULE 1

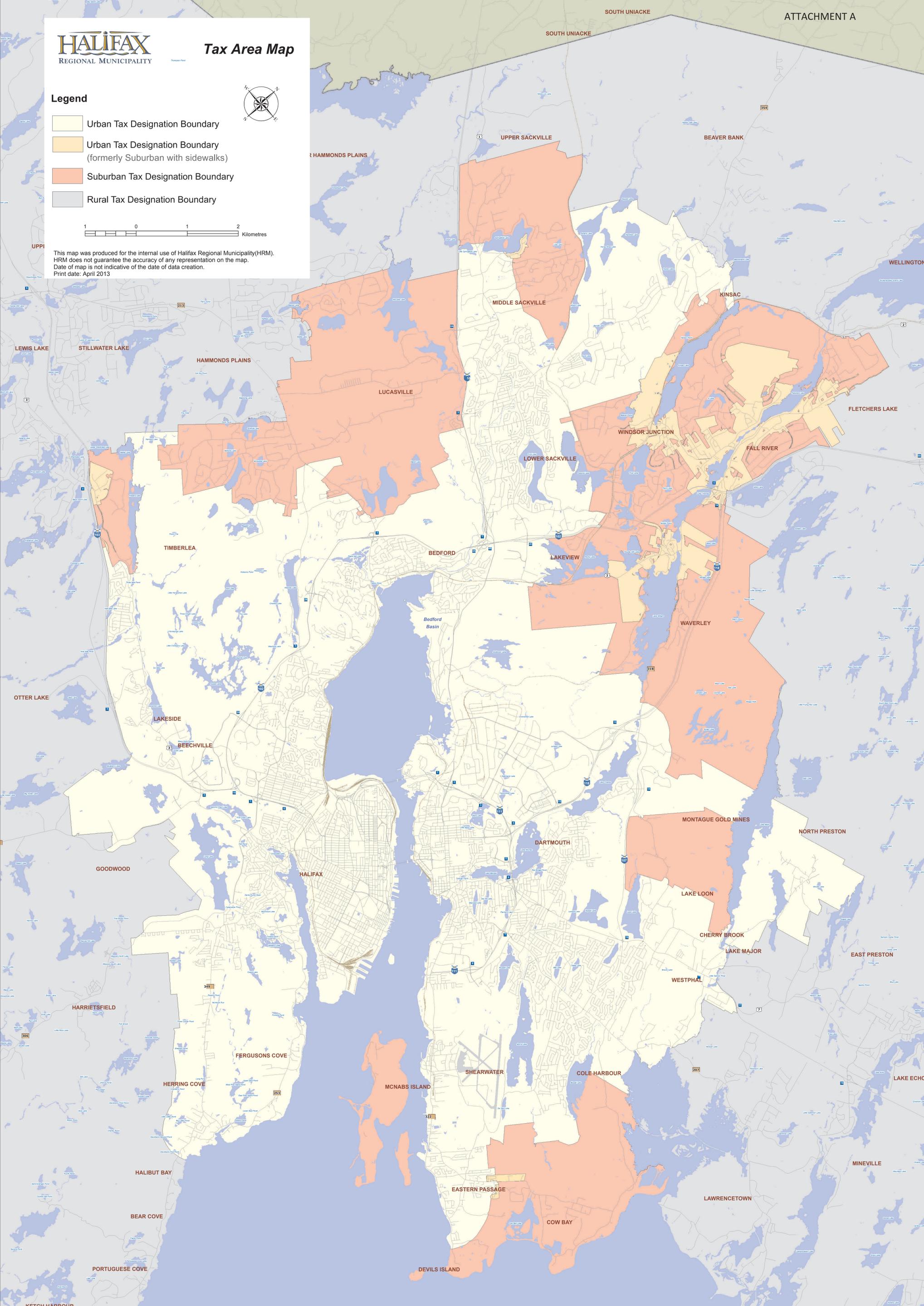
- h) the **Provincial Area Rate for Mandatory Education** on residential and resource property be set at the rate of **\$0.308**; and at a rate of **\$0.314** for all commercial assessment;
- i) the **Provincial Area Rate for Property Valuation Services** on residential and resource property be set at the rate of **\$0.017**; and at a rate of **\$0.009** for all commercial assessment;
- j) the **Provincial Area Rate for Corrections Services** on residential and resource property be set at the rate of **\$0.016**; and at a rate of **\$0.008** for all commercial assessment;
- k) the **Provincial Area Rate for Metro Regional Housing Authority** on residential and resource property be set at the rate of **\$0.008**; and at a rate of **\$0.008** for all commercial assessment;
- l) **Supplementary Education**, under Section 80 of the *Halifax Regional Municipality Charter*, shall be set at the rate of **\$0.026** per \$100 of the residential and resource assessment and at **\$0.073** per \$100 of the commercial assessment;
- m) the final tax bills will become due on **Wednesday, October 31, 2018**;
- n) the interest rate on the Special 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, 2018 to March 31, 2019;
- o) the interest rate on all reserves except for those identified in (p) above will be set at the rate of return on funds invested by HRM for the period April 1, 2018 to March 31, 2019;
- p) an advance funding commitment is approved for the amount of **\$69,290,200** for the fiscal years 2019-20 through 2021-22 for the multi-year projects listed in Attachment C “Schedule of Multi-Year Capital Projects”;
- q) withdrawals from Reserves in the amount of **\$59,069,100** are approved, as detailed in the Attachment D “Schedule Two - 2018-19 Withdrawals from Reserves”;
- r) the deferral, reduction and closure of capital projects as outlined in Attachment E, “List of Proposed Projects to Defer, Reduce and Close” is approved; and,
- s) the adjustments to the Proposed Capital Budget as detailed in Attachment F is approved.

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



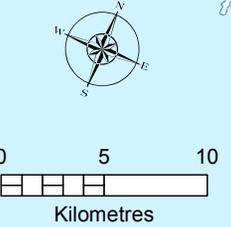


Regional Transportation Area May 2009



Excluded from Regional Transportation Rate

 Regional Transportation



Schedule of Multi-Year Capital Projects

| Project Name | Project # | 2016/17 Gross | 2017/18 Gross | 2018/19 Gross | 2019/20 Gross | 2020/21 Gross | 2021/22 Gross |
|--|-----------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Buildings | | | | | | | |
| Cole Harbour Place | CB000045 | 1,375,000 | 300,000 | 1,450,000 | 750,000 | - | - |
| Dartmouth Sportsplex Revitalization | CB000006 | 4,400,000 | 14,650,000 | 6,975,000 | - | - | - |
| Sambro/Harrietsfield Fire Station | CB000079 | - | 2,500,000 | 1,500,000 | 50,000 | - | - |
| St. Andrew's Community Centre Renovation | CB000011 | - | 700,000 | 2,800,000 | 5,200,000 | - | - |
| Business Tools | | | | | | | |
| Corporate Scheduling | CI000015 | 150,000 | 750,000 | 795,000 | 1,275,000 | 1,220,000 | - |
| Corporate Time Entry/Payroll Optimization | CI990032 | - | - | 500,000 | - | - | - |
| CRM Software Replacement | CI990020 | - | 250,000 | 476,000 | 1,500,000 | 500,000 | - |
| Enterprise Content Management Program | CI990018 | - | 150,000 | 500,000 | 500,000 | 500,000 | 500,000 |
| Parking Technology | CI990031 | - | 470,000 | 1,560,000 | 2,060,000 | 580,000 | - |
| Permitting, Licensing, and Compliance Replacement Solution | CI990013 | 400,000 | 457,000 | 2,618,300 | 2,855,200 | - | - |
| Recreation Services Software | CI000005 | 900,000 | 1,645,000 | 1,950,000 | - | - | - |
| Revenue Management Solution | CI990009 | 250,000 | 500,000 | 2,065,000 | 1,500,000 | - | - |
| Halifax Transit | | | | | | | |
| New Transit Technology | CM020005 | 5,700,000 | 700,000 | 4,100,000 | 7,300,000 | - | - |
| Traffic Improvements | | | | | | | |
| Cogswell Interchange Redevelopment | CT000007 | 3,000,000 | 15,000,000 | - | 175,000 | 25,000,000 | 17,825,000 |
| | | 16,175,000 | 38,072,000 | 27,289,300 | 23,165,200 | 27,800,000 | 18,325,000 |

**HALIFAX REGIONAL MUNICIPALITY
PROPOSED RESERVE FUNDS BUDGET
April 1, 2018 to March 31, 2019**

| | | Projected Net Available Balance April 1, 2018 (rounded to nearest 100) | Budgeted Contributions | Projected Interest | Capital Budget Withdrawals | Operating Budget Withdrawals | Projected Net Available Balance March 31, 2019 |
|----------------------------|---|---|---------------------------|-----------------------|----------------------------------|------------------------------------|--|
| Risk Reserve | | | | | | | |
| Q406 | Insurance and Risk Reserve | 4,086,700 | - | 65,700 | - | - | 4,152,400 |
| Q411 | Police on the Job Injury Reserve | 2,000,500 | 25,000 | 32,400 | - | - | 2,057,900 |
| Q416 | Operating Stabilization Reserve | 8,869,700 | 25,000 | 140,600 | - | (258,400) | 8,776,900 |
| Q421 | General Contingency Reserve | 12,650,500 | - | 82,300 | - | (1,237,300) | 11,495,500 |
| | Total Risk Reserve | 27,607,400 | 50,000 | 321,000 | - | (1,495,700) | 26,482,700 |
| Obligation Reserve | | | | | | | |
| Q506 | Landfill Closure Costs | 7,003,100 | - | 123,200 | (100,000) | (22,000) | 7,004,300 |
| Q511 | Municipal Election Reserve | 1,072,300 | 415,000 | 20,800 | - | - | 1,508,100 |
| Q521 | Convention Centre Reserve | 5,645,900 | 3,941,000 | 68,200 | - | (7,490,000) | 2,165,100 |
| Q526 | Capital Fund Reserve | 5,408,600 | 5,393,500 | 177,000 | (3,819,000) | (167,100) | 6,993,000 |
| Q531 | Vehicle Fleet and Equipment Reserve | 1,163,400 | 200,000 | 28,300 | (80,000) | - | 1,311,700 |
| Q536 | Central Library Recapitalization Reserve | 3,379,400 | 867,000 | 61,900 | - | - | 4,308,300 |
| Q541 | Building Recapitalization and Replacement Reserve | 3,873,100 | 7,600 | 63,000 | (250,000) | (30,000) | 3,663,700 |
| Q546 | Multi District Facilities Reserve | (3,760,800) | 1,016,600 | 33,900 | (3,200,000) | - | (5,910,300) |
| Q551 | Transit Capital Reserve | 77,200 | - | 37,700 | - | - | 114,900 |
| Q556 | Solid Waste Facilities Reserve | 12,230,200 | 1,105,000 | 183,700 | (4,650,000) | - | 8,868,900 |
| | Total Obligation Reserve | 36,092,400 | 12,945,700 | 797,700 | (12,099,000) | (7,709,100) | 30,027,700 |
| Opportunity Reserve | | | | | | | |
| Q606 | Strategic Capital Reserve | (11,317,500) | 42,990,000 | 397,000 | (6,975,000) | - | 25,094,500 |
| Q611 | Parkland Development Reserve | 2,793,900 | 750,000 | 43,500 | (2,000,000) | - | 1,587,400 |
| Q616 | Business/Industrial Parks Expansion Reserve | 18,863,600 | 7,000,000 | 496,700 | - | (53,500) | 26,306,800 |
| Q621 | Community and Events Reserve | 1,182,500 | 1,656,000 | 41,600 | (250,000) | (1,986,800) | 643,300 |
| Q626 | Gas Tax Reserve | 818,100 | 26,551,460 | 71,600 | (26,500,000) | - | 941,160 |
| Q631 | Debt Principal and Interest Repayment Reserve | 27,712,600 | 14,773,600 | 601,500 | - | - | 43,087,700 |
| | Total Opportunity Reserve | 40,053,200 | 93,721,060 | 1,651,900 | (35,725,000) | (2,040,300) | 97,660,860 |
| | Total Reserves | 103,753,000 | 106,716,760 | 2,770,600 | (47,824,000) | (11,245,100) | 154,171,260 |

List of Proposed Projects to Defer, Reduce and Close

| Project name | Project Number | Amount | Recommendation |
|-----------------------------------|----------------|-------------------------|-----------------------|
| Buildings | | | |
| Captain William Spry | CB000023 | 855,000 | Defer to 19/20 |
| Fire Station Replacements | CB000065 | 2,000,000 | Defer to 19/20 |
| Business Tools | | | |
| BI Accident Reporting | CI000006 | 200,000 | Defer to 19/20 |
| Corporate ePayment Solution | CI000008 | 153,000 | Close |
| Corporate Vehicle Fuel Management | CI000018 | 125,000 | Defer to 19/20 |
| Web Transformation | CI000001 | 554,000 | Defer to 19/20 |
| Halifax Transit | | | |
| Woddside Ferry Terminal | CB000042 | 470,000 | Reduce |
| Traffic Improvements | | | |
| Herring Cove Road Widening | CTX01116 | 500,000 | Defer to future years |
| MacLennan Drive | CTU01365 | 200,000 | Defer to future years |
| Margeson Drive | CTU01287 | 930,000 | Defer to future years |
| Ross Road Realignment | CT000012 | 1,330,000 | Defer to future years |
| Grand Total | | <u>7,317,000</u> | |

**Adjustments to the Capital Budget since
December 13, 2017 Budget Committee**

| Project Name | Project # | 2018/19 Gross | 2018/19 Net | Dec 14 2018 Gross | Dec 14 2018 Net | Gross Difference | Net Difference |
|--|-----------|-------------------|-------------------|-------------------|-------------------|---------------------|--------------------|
| Buildings | | | | | | | |
| Environmental Remediation/Building Demolition | CBX01162 | 250,000 | - | 400,000 | - | (150,000) | - |
| General Building Recapitalization | CB000090 | 500,000 | 500,000 | 700,000 | 700,000 | (200,000) | (200,000) |
| Halifax City Hall and Grand Parade Restoration | CBX01046 | 200,000 | 200,000 | 250,000 | 250,000 | (50,000) | (50,000) |
| HRM Depot Upgrades | CBX01170 | 125,000 | 125,000 | 400,000 | 400,000 | (275,000) | (275,000) |
| Site Work | CBX01271 | - | - | 250,000 | 250,000 | (250,000) | (250,000) |
| St. Andrew's Community Centre Renovation | CB000011 | 2,800,000 | 991,000 | 3,300,000 | 1,491,000 | (500,000) | (500,000) |
| Buildings Total | | 3,875,000 | 1,816,000 | 5,300,000 | 3,091,000 | (1,425,000) | (1,275,000) |
| Business Tools | | | | | | | |
| Permitting, Licensing, and Compliance Replacement Solution | CI990013 | 2,618,300 | 2,618,300 | 2,620,000 | 2,620,000 | (1,700) | (1,700) |
| Business Tools Total | | 2,618,300 | 2,618,300 | 2,620,000 | 2,620,000 | (1,700) | (1,700) |
| Equipment & Fleet | | | | | | | |
| Fire Apparatus Replacement | CVJ01088 | 2,455,000 | 2,455,000 | 2,490,000 | 2,490,000 | (35,000) | (35,000) |
| Fleet Expansion | CE020002 | 135,000 | 35,000 | - | - | 135,000 | 35,000 |
| Equipment & Fleet Total | | 2,590,000 | 2,490,000 | 2,490,000 | 2,490,000 | 100,000 | - |
| Halifax Transit | | | | | | | |
| Access-A-Bus Expansion | CVD00429 | 100,000 | 100,000 | 100,000 | 50,000 | - | 50,000 |
| Biennial Ferry Refit | CVD00436 | - | - | 300,000 | 300,000 | (300,000) | (300,000) |
| Bus Stop Accessibility & Improvements | CM000012 | 235,000 | 235,000 | 235,000 | 117,500 | - | 117,500 |
| Conventional Bus Replacement | CV020004 | 9,022,000 | 9,022,000 | 9,022,000 | 4,511,000 | - | 4,511,000 |
| Electric Bus Pilot | CM000011 | - | - | 1,000,000 | 1,000,000 | (1,000,000) | (1,000,000) |
| Mid-Life Rebuild | CVD00431 | 685,000 | 685,000 | 635,000 | 635,000 | 50,000 | 50,000 |
| Transit Priority Measures | CM000009 | 350,000 | 350,000 | 350,000 | 175,000 | - | 175,000 |
| West Bedford Park & Ride | CM000010 | - | - | 300,000 | 300,000 | (300,000) | (300,000) |
| Wrights Cove Terminal | CR000007 | - | - | 1,200,000 | 200,000 | (1,200,000) | (200,000) |
| Halifax Transit Total | | 10,392,000 | 10,392,000 | 13,142,000 | 7,288,500 | (2,750,000) | 3,103,500 |
| Parks & Playgrounds | | | | | | | |
| Park Land Acquisition | CPX01149 | 2,500,000 | 500,000 | 1,000,000 | 500,000 | 1,500,000 | - |
| Regional Water Access/Beach Upgrades | CPX01331 | 500,000 | 400,000 | 400,000 | 400,000 | 100,000 | - |
| Parks & Playgrounds Total | | 3,000,000 | 900,000 | 1,400,000 | 900,000 | 1,600,000 | - |
| Roads & Active Transportation | | | | | | | |
| Macdonald Bridge Bikeway Connection | CT000010 | 300,000 | 300,000 | 1,000,000 | 1,000,000 | (700,000) | (700,000) |
| New Paving Streets - HRM Owned Roads | CR000002 | 650,000 | 305,000 | 345,000 | - | 305,000 | 305,000 |
| New Paving Subdivision Streets - Provincial | CR990001 | 490,000 | - | 980,000 | - | (490,000) | - |
| Sidewalk Renewals | CKU01084 | 2,750,000 | 2,750,000 | 3,250,000 | 3,250,000 | (500,000) | (500,000) |
| Street Recapitalization | CR000009 | 27,295,000 | 26,395,000 | 30,900,000 | 21,000,000 | (3,605,000) | 5,395,000 |
| Roads & Active Transportation Total | | 31,485,000 | 29,750,000 | 36,475,000 | 25,250,000 | (4,990,000) | 4,500,000 |
| Solid Waste | | | | | | | |
| Green Carts for New Residents/Replacement Green Carts | CW000001 | 400,000 | - | 735,000 | - | (335,000) | - |
| Solid Waste Total | | 400,000 | - | 735,000 | - | (335,000) | - |
| Traffic Improvements | | | | | | | |
| Cogswell Interchange Redevelopment | CT000007 | - | - | 23,000,000 | - | (23,000,000) | - |
| Controller Cabinet and Detection Program | CT000004 | 300,000 | 300,000 | 800,000 | 800,000 | (500,000) | (500,000) |
| Intersection Improvement Program | CTU01086 | 150,000 | 150,000 | 900,000 | 900,000 | (750,000) | (750,000) |
| Traffic Signal Rehabilitation | CTU00419 | 700,000 | 700,000 | 1,400,000 | 1,400,000 | (700,000) | (700,000) |
| Traffic Improvements Total | | 1,150,000 | 1,150,000 | 26,100,000 | 3,100,000 | (24,950,000) | (1,950,000) |
| Grand Total | | 55,510,300 | 49,116,300 | 88,262,000 | 44,739,500 | (32,751,700) | 4,376,800 |

The above adjustments reflect changes in cash flow, adjustment to work plans and a reduction in expected cost sharing