



P.O. Box 1749  
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**Item No. 03**  
**Committee of the Whole**  
**March 8, 2016**

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

Original Signed by 

**SUBMITTED BY:**

\_\_\_\_\_  
John Traves, Chief Administrative Officer

Original Signed 

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Jane Fraser, Acting Deputy Chief Administrative Officer

**DATE:** February 24, 2016

**SUBJECT:** Proposed 2016/2017 Budget and Business Plan

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### **ORIGIN**

At the October 20, 2015 Committee of the Whole (COW), Council directed staff to develop a preliminary 2016/2017 Budget and Business Plans that aligns average residential and commercial tax bills with the economy; maintains a moderate and declining debt position; and manages expenditures with growth in inflation, dwellings, personal income and GDP.

COW provided additional direction on Priority Outcomes at its November 24, 2015 meeting and subsequently reviewed preliminary budgets and business plans for each Business Unit.

### **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 Halifax Regional Council approve the 2016/2017 Capital and Operating Budget, as per Attachment A – “Resolution for Approval of Operating and Capital Budget, and Tax Rates for Fiscal 2016/2017,” including:

- a. Total Budget Approval for Multi-year Projects, as detailed in Schedule 1; and
- b. The Withdrawal from Reserves detailed in Schedule 2.

## **BACKGROUND**

At the October 20, 2015 Committee of the Whole, it was moved that

*... staff develop the preliminary 2016-17 budget based on:*

- 1. Alignment of average tax bills for residential homes and commercial properties with relative economic indicators;*
- 2. Consistent past direction from Council to maintain a moderate and declining debt position; and*
- 3. Positive evidence of expenditure management aligned with growth in inflation, dwellings, personal income and GDP.*

On November 24th, Committee of the Whole reviewed the 2016/2017 Priority Outcomes (Attachment A of the October 30th, 2015 staff report). There were two amendments to the Pedestrian Safety Priority Outcome. It then directed staff to “develop the 2016/2017 Budget and Business Plans in support of these (amended) priorities.”

As part of the design of the 2016/2017 Budget and Business Plan development process, the Committee of the Whole reviewed each Business Unit’s high level budget and proposed plans in advance of detailed HRM Budget and Business Plan preparation.

## **DISCUSSION**

Building on positive economic forecasts for the 2016-2017 fiscal year, the economy in Halifax will continue to perform strongly with steady growth in GDP, incomes, employment and population. Supported by these positive growth assumptions and the direction of Regional Council, the operating and capital budgets for 2016-2017 include improved municipal services while maintaining the same average property taxes for both residential and commercial taxpayers.

Total Municipal expenditures have declined from \$726.7m to \$724.7m. Savings were achieved in reductions in Capital from Operating (used to fund the capital budget), the new solid waste contract, fuel, salt and electricity. Also, inflationary pressures were absorbed across a range of goods and services. Additional costs were budgeted in compensation, reserves and in higher contract costs for the new performance based snow removal contracts.

Included in the recommended tax rates are the general and transit tax rates, Supplementary Education, the fire protection rates and the Right of Way Stormwater Charge. As per the direction of Regional Council, the average residential tax bill (\$1,835) and commercial tax bills (\$40,800) will remain the same as in 2015-2016. The Right of Way Stormwater Charge is increasing from \$41 per property to \$42 per property. As per Council direction, the Right of Way charge will be collected through the property tax bill starting in 2016/2017. Previously it was collected by Halifax Water.

Starting December 2<sup>nd</sup> and ending in February, Business Units presented high level budgets and proposed plans to Committee of the Whole. Committee of the Whole approved the recommended direction, and in several cases provided additional direction to staff. Proposed budgets and business plans have been prepared in accordance with this direction. As presented to Council on February 3, 2016, some Business Unit budgets have been adjusted upwards to include the operating costs of new assets including the associated costs of the TMR system.

In addition, on December 9, COW moved that staff include in the Budget and Business Plan documents “options for expansion and increased flexibility of door-to-door paratransit service”. The Halifax Transit business plan now includes a deliverable to investigate options for changes to the Access-a-Bus service.

On February 3<sup>rd</sup>, 2016, Council reviewed options for the debt strategy and confirmed the debt approach for 2016/2017 but directed staff to return with a longer term review that looks at the underlying fiscal and economic assumptions and critical key decisions such as the level of the overall capital budget, tax levels, reserves and the capacity to undertake service enhancements. Under the proposed budget, debt levels continue to decline. Debt had peaked in 1998-99 at nearly \$350m and now stands at \$251m, a reduction close to \$100m. This change represents an average decline in HRM debt of 1.6% per year since 1999.

In 2016-2017 principle and interest payments supported through property tax total just under 6% of Municipal Expenditures, well below the 15% ceiling established for municipalities by the Province as an indicator of solid financial health.

A new Strategic Infrastructure Reserve has been initiated with an investment of \$10m per year. This reserve is intended to offset the debt charges associated with up to \$75m in debt, which will allow HRM to leverage as much as \$225m in capital work through any new Federal-Provincial-Municipal Infrastructure programs. The creation of this reserve means that the debt can be repaid without increasing property tax levels or leaning into operating budgets that support municipal services and growth. Staff will return in 2016/2017 with the business case for the "Strategic Infrastructure Reserve".

Council also directed staff to review the public consultation process for the 2017-2018 budget with a focus on conducting the consultation early enough to effectively inform budget decisions.

COW has passed a \$198m capital budget with a particular focus on the maintenance of existing assets and public infrastructure, in alignment with best practices in public finance. Notable projects include:

- Increased focus on road and street maintenance;
- An initial commitment to commence transit network change (Moving Forward Together); and,
- Construction of the Dartmouth Multi-Pad.

Included in the attached Budget Resolution is the authorization to proceed with Multi-year capital projects. These are projects that are initiated in 2016/2017 but span multiple years; hence all future years must be approved now for the procurement process to proceed. This was approved by Committee of the Whole on December 2, 2015. Also included in the proposed resolution are the withdrawals from reserves.

As per Council direction, the Budget Consultation Parking Lot items reviewed on February 16, 2016 are not in the proposed operating budget. However, pending further review, and with Council approval, the increased Fire Fighter Honorariums may still be implemented during the 2016/2017 fiscal year through reallocations within the overall budget

### **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.

### **COMMUNITY ENGAGEMENT**

A public consultation process was conducted during the 2016/2017 budget process. The information report on the Consultation's finding was presented to Council on January 27, 2016 and was brought forward for discussion on February 2, 2016.

### **ENVIRONMENTAL IMPLICATIONS**

None

### **ALTERNATIVES**

The Committee of the Whole can choose to amend the Proposed 2016/2017 Budget and Business Plan through specific motion, and direct staff to proceed to prepare the 2016/2017 Budget and Business Plan based on that amended direction. This alternative is not recommended.

### **ATTACHMENTS**

Attachment A - Resolution for Approval of Operating and Capital Budget and Tax Rates for Fiscal 2016/2017

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.

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Report Approved by: \_\_\_\_\_  
Bruce Fisher, Manager of Financial Policy and Planning, 902.490.4493

Report Approved by: \_\_\_\_\_  
Amanda Whitewood, Director of Finance & ICT/CFO, 902.490.6308

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Attachment A

**HALIFAX REGIONAL MUNICIPALITY**

**Proposed 2016/17 Operating & Capital Budget**

*RESOLUTION for Approval of Operating & Capital Budget and Tax Rates for Fiscal 2016/17*

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It is hereby resolved that:

- a) the Operating Budget in the amount of **\$ 873,243,100** gross expenditures (which includes **\$ 724,729,100** in municipal expenditures including the reserve withdrawals specified in the Operating and Capital Budget); **\$ 662,333,700** in property tax revenues (including area rate revenues) and **\$ 210,909,400** in other revenues be approved; and
- b) the Capital Budget in the amount of **\$197,934,000** be approved;
- c) the general rates of taxation on residential and resource property be set at
  - (i) **\$0.662** for the urban area
  - (ii) **\$0.629** for the suburban area; and
  - (iii) **\$0.629** for the rural areaper \$100 of taxable assessment;
- d) the general rates of taxation on commercial property be set at
  - (i) **\$2.832** for the urban area;
  - (ii) **\$2.832** for the suburban area; and
  - (iii) **\$2.510** 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) **\$0.049** for the Regional Transportation tax rate;
  - (ii) **\$0.102** for the Local Transit tax rateper \$100 of taxable assessment;
- f)
  - (i) the boundaries of the urban, suburban and rural areas are delineated in the attached “Tax Structure Map”;
  - (ii) the boundary of the Regional Transportation area includes all properties within communities included within the attached “Regional Transportation Area” map;
  - (iii) the boundary for the Local Transit area includes all properties within 1km walking distance of any HRM transit stop.

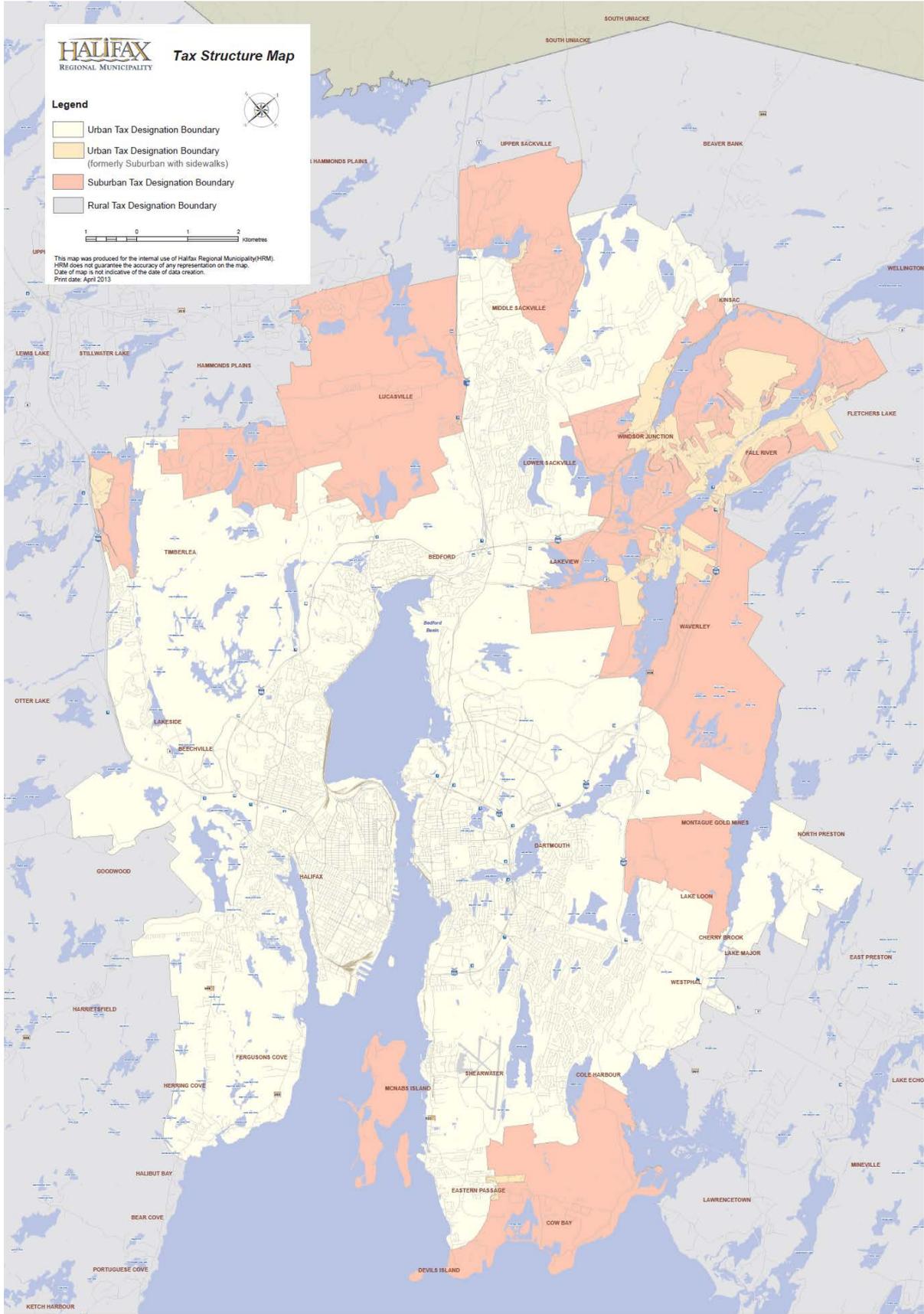
- g) **Fire Protection** rates shall be set at the rate of **\$0.015** per \$100 for all residential and resource assessment and at **\$0.041** per \$100 of the commercial assessment for properties which are within 1,200 feet of a hydrant that is designed and operated for public fire protection purposes.
- h) **Supplementary Education**, under Section 80 of the *Halifax Regional Municipality Charter*, shall be set at the rate of **\$0.030** per \$100 of the residential and resource assessment and at **\$0.082** per \$100 of the commercial assessment.
- i) the final tax bills will become due on **Monday, October 31, 2016**;
- j) the Stormwater Right-of-Way charge shall be set at \$42 per property for those properties within the Halifax Water Stormwater Service Area;
- k) 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, 2016 to March 31, 2017;
- l) the interest rate on all reserves except for those identified in (k) above will be set at the rate of return on funds invested by HRM for the period April 1, 2016 to March 31, 2017;
- m) an advance funding commitment is approved for the amount of \$63,030,000 for the fiscal years 2017-18 through 2020-21 for the multi-year projects listed in the attached “Schedule One - Multi-Year Projects”; and,
- n) Withdrawals from Reserves in the amount of \$110,673,100 are approved, as detailed in the attached “Schedule Two - 2016-17 Withdrawals from Reserves”.

**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 2015





# Schedule One - Multi-Year Projects

Project Start	Budget Category	Project Name	Project #	2015	2016	2017	2018	2019	2020	Grand Total		
2015	<b>Buildings</b>	Cole Harbour Place	CB000045	970,000	1,375,000	1,375,000				3,720,000		
		Dartmouth Multi-Pad	CB000049	2,000,000	34,000,000	7,000,000					43,000,000	
		Dartmouth Sportsplex Revitalization	CB000006	-	4,400,000	13,170,000	3,280,000				20,800,000	
	<b>Equipment &amp; Fleet</b>	Fire Apparatus Replacement	CWJ01088	2,335,000	-	3,665,000					6,000,000	
		New Transit Technology	CM020005	1,000,000	5,700,000	16,115,000					22,815,000	
	<b>Halifax Transit</b>	Cole Harbour Turf	CP110002	100,000	3,800,000						3,900,000	
		Herring Cove Road Widening	CTX01116	200,000	300,000						500,000	
	2016	<b>Traffic Improvements</b>	Accident Reporting BI and RMV	CI000006		100,000	285,000					385,000
			Corporate Epayment Solution	CI000008		125,000	100,000					225,000
		<b>Business Tools</b>	Enterprise Asset Management	CI000631		2,700,000	1,580,000					4,280,000
HR ESS/MSS			CI990032		-	670,000	520,000				1,190,000	
Permitting, Licensing, and Compliance Replacement Solution		CI990013		400,000	1,210,000	1,615,000				3,225,000		
Public Wifi		CI000013		945,000	525,000	525,000		525,000		3,045,000		
Recreation Services Software		CI000005		900,000	1,645,000	1,205,000		1,520,000		5,270,000		
Revenue Management Solution		CI990009		250,000	1,940,000	1,350,000		1,150,000		4,690,000		
Rostering		CI000015		150,000	1,000,000		170,000			1,320,000		
Source Management		CI000016		100,000	415,000					515,000		
<b>Grand Total</b>			<b>6,605,000</b>	<b>55,245,000</b>	<b>50,645,000</b>	<b>8,665,000</b>	<b>3,195,000</b>	<b>525,000</b>	<b>124,880,000</b>			

\* This list supercedes the list in schedule 1, Item #3, April 28, 2015

## Schedule Two - 2016/17 Withdrawals from Reserves

Reserve	Withdrawals	Amount
<b>Q101</b>	<b>Sale of Capital Assets (Sale of Land)</b>	
	CBX01162 Environmental Remediation/Building Demolition	(200,000)
	CBX01102 Fire Station Land Acquisition	(1,000,000)
	CTU00897 Road Corridor Land Acquisition	(100,000)
	CP000004 Sports ball fields courts - new	(465,000)
	Fund A110	(20,000)
	Fund W400	(167,000)
<b>Q121</b>	<b>Business/Industrial Parks Expansion</b>	(43,000)
<b>Q103</b>	<b>Capital Surplus</b>	(500,000)
<b>Q107</b>	<b>Parkland Development</b>	(100,000)
	CP000004 Sports/Ball Fields/Courts	(100,000)
	Transfer to Q312	(50,000)
<b>Q119</b>	<b>Sackville Landfill Closure</b>	(355,000)
	CWU01353 Environmt Monit.Site Work 101 Landfill	(355,000)
	Fund R314	(15,300)
	Fund R315	(318,300)
<b>Q120</b>	<b>Otter Lake Landfill Closure</b>	(2,630,000)
<b>Q123</b>	<b>Waste Resources</b>	(500,000)
	CW000001 Additional Green Carts New Resid.	(500,000)
<b>Q125</b>	<b>Metro Park Parkade</b>	(90,000)
	CBX01140 Metro Park Upgrades	(90,000)
<b>Q131</b>	<b>Energy &amp; Underground Services Reserve</b>	(300,000)
	CBX01161 Energy Efficiency Projects	(300,000)
	CB000069 Eric Spicer Energy Upgrades	(500,000)
<b>Q134</b>	<b>Gas Tax Reserve</b>	(6,000,000)
	CV020004 Conventional Bus Replacement	(6,000,000)
	CM020002 Metro X Bus Replacement	(1,810,000)
	CR000005 Street Recapitalization	(21,190,000)
<b>Q135</b>	<b>Alderney Gate Recapitalization</b>	(210,000)
	CBX01157 Alderney Gate Recapitalization	(210,000)
<b>Q137</b>	<b>Capital Cost Contribution</b>	(2,400,000)
	Transfer to Q120 Otter Lake Reserve	(2,400,000)
<b>Q141</b>	<b>BMO Centre Life Cycle Reserve</b>	(80,000)
	CB000064 BMO Centre	(80,000)
<b>Q143</b>	<b>Bus Replacement Reserve</b>	(5,000,000)
	CV0200004 Conventional Bus Replacement	(5,000,000)
<b>Q144</b>	<b>Metro Transit Technology Reserve</b>	(1,885,000)
	CM0200005 New Transit Technology	(1,885,000)
<b>Q146</b>	<b>Planned Strategic Project Reserve</b>	(34,000,000)
	CB0000049 Dartmouth Multi Pad	(34,000,000)
	CB000006 Dartmouth Sportsplex	(4,400,000)
	CT000007 Cogswell Interchange	(3,000,000)
	CD000002 50M5yr Downtown Streetscapes	(10,200,000)
<b>Q112</b>	<b>5594-96 Morris St</b>	(30,000)
	Fund W204	(30,000)
<b>Q204</b>	<b>General Fleet</b>	(1,700,000)
	CVD01087 Fleet Vehicle Replacement	(1,700,000)
<b>Q205</b>	<b>Police Vehicles and equipment</b>	(375,000)
	CVK01090 Police Fleet	(375,000)
	CE020001 Police Services Replacement Equipment	(300,000)
<b>Q206</b>	<b>Fire Vehicles and equipment</b>	(80,000)
	CEJ01220 Opticom Signalization System	(80,000)
	CE010001 Fire equipment new employees	(200,000)
<b>Q312</b>	<b>Culture Development Reserve</b>	(250,000)
	CD990003 Cultural Structures and Places	(250,000)
	C764 8004 Cultural Events & Showcases Program	(200,000)
	C764 6919 Public Art operating costs	(100,000)
	Transfer to Titanic Reserve	(25,000)
<b>Q313</b>	<b>Municipal Elections</b>	(2,237,500)
	Fund A125 Election Costs	(2,237,500)
<b>Q315</b>	<b>Marketing Levy Special Events</b>	(1,286,800)
	Fund C772 Events	(1,286,800)
<b>Q316</b>	<b>DNA Costs (HRP &amp; RCMP)</b>	(224,000)
	Fund P325	(224,000)
<b>Q319</b>	<b>Major Events Facilities</b>	(3,620,000)
	CB000028 Scotiabank Centre	(3,620,000)
<b>Q322</b>	<b>Police Emergency/Extraordinary Investigati</b>	(50,000)
	Fund P360	(50,000)
<b>Q325</b>	<b>Provincially Funded Police Officers &amp; Facilit</b>	(100,000)
	Fund P316	(100,000)
<b>Q328</b>	<b>Operating Surplus Reserve</b>	(1,200,000)
	Return Metro Transit 15/16 surplus to M701	(1,200,000)
<b>Q330</b>	<b>Strategic Studies Reserve</b>	(173,100)
	Fund C320 Regional Plan Study	(173,100)
	Fund D002 By-Law Simplification Study	(70,000)
	Fund R951 Functional Transporation Plan Study	(68,100)
	Fund R951 Integrated Mobility Plan Study	(350,000)
	Fund C002 Centre Plan Study	(385,000)
	Fund C705 Recreation Fee Study	(120,000)
	<b>Totals</b>	<b>(110,673,100)</b>