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Item No. 4
Budget Committee
May 26, 2020

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

SUBMITTED BY: Original Signed by 
Jacques Dubé, Chief Administrative Officer

DATE: May 21, 2020

SUBJECT: 2020/21 Budget Adjustment List (Post COVID) for Consideration

ORIGIN

Fiscal direction established during presentation of the Fiscal Framework on January 7, 2020.

Regional Council debates on the recast Capital Budget and Operating Budget starting May 12 continuing to May 26, 2020.

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 the Budget Committee direct the CAO to finalize a Proposed Budget for Regional Council that includes any accepted items from the Budget Adjustment List to be added/removed to/from the 2020/21 Proposed Recast Operating and Capital Budget.

BACKGROUND

At the October 29, 2019 and November 12, 2019 Committee of the Whole meetings, Regional Council considered and confirmed their Council Priority Outcomes and on January 7, 2020 provided fiscal direction for the 2020/21 budget directing staff: “to develop the 2020/21 Budget according to Council's approved priorities, and preliminary fiscal direction, including setting the average property tax bill for residential homes and commercial properties at a 1.5% increase”.

During the Committee of the Whole on Budget meetings, each business unit presented proposed budgets to meet the required fiscal direction. Combined with the fiscal services budget and provincial contributions (\$168.2 million), the entire Budget totaled \$1,000,633,000. The final change in average property taxes was 1.4%. In preparing proposed budgets, business units incorporated direction from Council, addressed inflation on goods and services, and identified cost reductions where practical. In the interest of full transparency, all changes included in proposed budgets were identified in each business unit presentation

Prior to the budget being ratified by Regional Council on March 24th, the COVID-19 pandemic struck Nova Scotia and Public Health issued an order requiring people to remain home. While the economic and financial implications of COVID-19 are still developing it is clear that significant changes have already occurred in HRM's financial situation and that they will continue to develop. While much is still uncertain, the fiscal year has already begun and any delays in introducing changes means that the magnitude of those revisions may become even larger. Hence it was deemed prudent to recast HRM's Operating and Capital budgets to protect the fiscal sustainability of the municipality.

DISCUSSION

Over the course of the Committee of the Whole Budget sessions, the revised 2020/21 capital and operating budget for each of the Business Units has been presented and reviewed. Each Business Unit presented a proposed budget that included a set of reductions from the original Proposed 2020/21 Budget. The total of all the reductions from the original 2020/21 budget is \$85.4 million.

In reviewing the Revised Proposed Budget, Regional Council debated which items to add to the Budget Adjustment List (or BAL, also referred to as the Parking Lot) for further debate. The BAL included items that could be reductions that are to be “added back” to the Revised Proposed Budget or new reductions to be removed from the budget.

Regional Council is now set to debate the Budget Adjustment List. That list includes \$33.1M of potential adjustments to the 2020/21 Operating Budget and a reduction of (\$4.6M) to the 2020/21 Capital Budget for a total BAL of \$28.5M. Each item on that list is subject to debate by Regional Council at Committee of the Whole on Budget and to a formal motion and vote. Once the final items on the BAL are passed by motion, staff can prepare the final Proposed Budget and submit it to Regional Council for the June 9, 2020 Regional Council meeting.

Separate motions have been made regarding the budgets of Halifax Regional Police and Halifax Regional Fire & Emergency. The motion for Halifax Regional Police is as follows “Budget Committee request a Supplementary Report from Halifax Regional Police and the Board of Police Commission to provide Regional Council with additional budget considerations of the proposed budget reduction for a reduction of \$4.5 million and \$3.5 million in comparison to the proposed \$5 million budget reduction.”

The motion for Halifax Regional Fire & Emergency is as follows: “Budget Committee request a Supplementary Report from Halifax Regional Fire and Emergency to provide Regional Council with additional budget considerations of the proposed budget reduction for a reduction of \$4.5 million and \$3.5 million in comparison to the proposed \$5 million budget reduction.”

In order to capture all motions and direction from the Budget Committee, staff have included in the BAL the HRFE and HRPD items contained in Councillor Mason's motion of May 13, 2020 as well as the above

HRFE and HRPD motions brought forward by Councillor Mancini. Staff realize that some items may be contained in both motions.

FINANCIAL IMPLICATIONS

To ensure the budget remains sustainable, all ongoing costs should have long-term funding. Sustainability makes it easier for Regional Council to maintain or alter current services in the future without making additional taxation or program changes.

One-time costs and savings should be matched with one-time funding sources such as reserves or surpluses derived from one time changes or shocks. Many of the items on the BAL have implications beyond one year. As an example compensation costs are ongoing and are often compounded year over year when salary adjustments and benefits are accounted for.

Once the Budget Committee direct staff to fund specific items on the BAL, staff will come back with a funding strategy as part of the final budget report currently scheduled for June 9th. Staff will look at funding in fiscal services, reserves, potentially increasing debt levels (both capital and short term) as well as the uses of surpluses. At this time staff is not recommending a tax rate increase beyond the 1.4% increase included in the March 24th budget.

RISK CONSIDERATION

The items included in the BAL represent moderate financial risk that can be accommodated within the proposed HRM budget.

COMMUNITY ENGAGEMENT

Community engagement in the 2020/21 Business Plan and Budget process was solicited in four ways:

- 1) Through the Shape Your Budget Survey presented to Regional Council on October 29, 2019;
- 2) Through invitation and provision of feedback during Business Unit presentations at the Committee of the Whole sessions;
- 3) Through the provision of comment cards available during Business Unit presentations at the Committee of the Whole sessions;
- 4) Through the provision of on-line comment on budget allocation.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications resulting from this report.

ALTERNATIVES

Regional Council may reject the Proposed Budget Adjustment List and direct staff to find additional financial savings in the Proposed Budget.

ATTACHMENTS

Attachment A - Budget Adjustment List by Business Unit

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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Financial Approval by: Original Signed
Jane Fraser, Director of Finance, Asset Management and ICT/CFO, 902.490.4630

COVID BUDGET ADJUSTMENT LIST

	Total	20/21	20/21
		Rate Impact	Avg Bill Impact
Total of all items added to the parking lot	28,462,200	0.039	95.16

Item	BU	Amount	20/21 Rate Impa	20/21 Avg Bill Im	Motion Date
Vacancy Management (Excl Fire & Police)	HRM	14,840,800	0.02019	49.63	5/13/2020
Fire Reductions (OT, Vacancy, Grants)	Fire	4,261,200	0.00580	14.25	5/13/2020
Police Compensation (Vacancies & OT)	Police	3,547,100	0.00483	11.86	5/13/2020
Community Events	CAO	37,100	0.00005	0.12	5/13/2020
Adjusted Special projects	CCS	(50,000)	(0.00007)	(0.17)	5/13/2020
Citizen Survey	FIT	75,000	0.00010	0.25	5/13/2020
Building Costs	P&D	34,000	0.00005	0.11	5/13/2020
Cancel Spring/Summer Programs & Facility Closures	P&R	4,000,000	0.00544	13.38	5/13/2020
Tree Planting / Pruning	TPW	1,082,200	0.00147	3.62	5/13/2020
Street Sweeping Enforcement Contract	TPW	54,600	0.00007	0.18	5/13/2020
Ferry Service Reduction	Transit	283,500	0.00039	0.95	5/13/2020
Community Grants	Fiscal	150,000	0.00020	0.50	5/13/2020
Museum Grants	Fiscal	110,000	0.00015	0.37	5/13/2020
Barrington Street Tax Grants	Fiscal	245,000	0.00033	0.82	5/13/2020
Cut 85% of IMP Study funds	P&D	290,000	0.00039	0.97	5/13/2020
Cut Beach Water Testing and Lake Weed Harvesting	P&D	290,000	0.00039	0.97	5/13/2020
Cut Heritage Incentives Grant (\$150K increase on BAL list)	P&D	200,000	0.00027	0.67	5/13/2020
Cut Water Quality Monitoring Program	P&D	150,000	0.00020	0.50	5/13/2020
Cut Accessible Taxi Grant Program development (BAL list)	P&D	100,000	0.00014	0.33	5/13/2020
Cut Trap Spay/Neuter Release program grant by 50%	P&D	25,000	0.00003	0.08	5/13/2020
Hotel Levy Revenue Transfer (Discover Halifax)	P&R	1,360,600	0.00185	4.55	5/13/2020
Events/Grants	P&R	640,800	0.00087	2.14	5/13/2020
Rural Transit Funding Program	Transit	400,000	0.00054	1.34	5/13/2020
Hand shoveling (Winter Seasonal)	TPW	225,000	0.00031	0.75	5/15/2020
Senior Snow Program	TPW	600,000	0.00082	2.01	5/13/2020
Not Hiring 3 six month positions for HalifACT approved	P&D	137,000	0.00019	0.46	5/19/2020
Eliminate streetscaping costs for one year	Capital	(400,000)	(0.00054)	(1.34)	5/19/2020
Downtown Dartmouth Renewal	Capital	2,000,000	0.00272	6.69	5/21/2020
District Capital	Capital	(750,000)	(0.00102)	(2.51)	5/21/2020
Corporate Accommodations	Capital	(3,627,000)	(0.00493)	(12.13)	5/21/2020
Corporate Accommodations (Alderney)	Capital	(266,000)	(0.00036)	(0.89)	5/21/2020
Fire Station 2 replacement	Capital	(1,600,000)	(0.00218)	(5.35)	5/21/2020
NACTO Membership (\$11k USD)	TPW/P&D	16,300	0.00002	0.05	5/22/2020
Police Motion #1 - Reduce to \$3.5M*	Police	2,014,000	0.00274	6.74	5/20/2020
Police Motion #2 - Reduce to \$4.5M*	Police	1,014,000	0.00138	3.39	5/20/2020
Fire Motion #1 - Reduce \$3.5M*	Fire	1,886,900	0.00257	6.31	5/20/2020
Fire Motion #2 - Reduce \$4.5M*	Fire	886,900	0.00121	2.97	5/20/2020

* Motions of May 13,2020 and May 20,2020 both reduce Fire and Police reductions. Some double-counting may exist.