

Re: Item No. 5

**HALIFAX**

# **Strategic Initiative Funding Plan**

Committee of the Whole on Budget

January 20, 2021

# What are Strategic Initiatives?

*Those initiatives whose implementation would require a **discernible increase to the tax rate** in order to move forward.*

Strategic Initiatives often share certain common characteristics:

- they are an element of a key strategy approved by Regional Council;
- most likely capital but maybe operating;
- require a significant financial investment that cannot be accommodated within the existing budget without an unintended service disruption or a tax increase;
- implementation requires significant planning over multiple fiscal years;

They are viewed as being transformative and city building by nature.

# Not all Strategies are Strategic Initiatives

- Regional Council has adopted over 110 strategies
- Some of these may lead to the need for strategic initiatives – ie: Regional Plan is a key Strategy and meeting the objectives of RP results in the development of strategic initiatives.
- The majority of the 110 do not have identified funding requirements
- Those that do can be accommodated within the existing budget – ie: Washroom Strategy

# Examples of Strategic Initiatives under the funding plan and those that are not

## Strategic Initiatives Funding Plan

- Integrated Mobility Plan
- Ferry Rapid Transit
- Bus Rapid Transit
- Bus Electrification
- Windsor St. Interchange
- Significant parkland acquisitions (Green Network Plan)
- HalifACT
- Potential Strategic Projects ?

## Not under Strategic Initiatives Funding Plan

- Cultural Priorities Plan – Sharing our Stories
- Regional Plan
- Moving Forward Together Plan
- Green Network Plan (GNP)\*
- Washroom Strategy
- Accessibility Strategy
- Cogswell\*\*

These are examples of some and is not intended to be an exhaustive list.

Should potential projects included under the strategic capital reserve be included?

\* GNP on its own isn't a SI, but it leads to SI's

\*\* Cogswell meets the criteria of a city building project, but it has a distinct funding plan so is not included

# Why do we need a Strategic Initiative Funding Plan?

- Funding SI within the current capital budget is crowding out funding for renewal projects
- Existing assets continue to deteriorate
- Inability to make meaningful progress on key initiatives
- Fitting projects to budget rather than budgeting for the project – more costly in the long run
- HRM is growing and is a “Big City”
- We have the fiscal room and maturity to implement the funding plan

# How would the Strategic Initiative Funding Plan work?

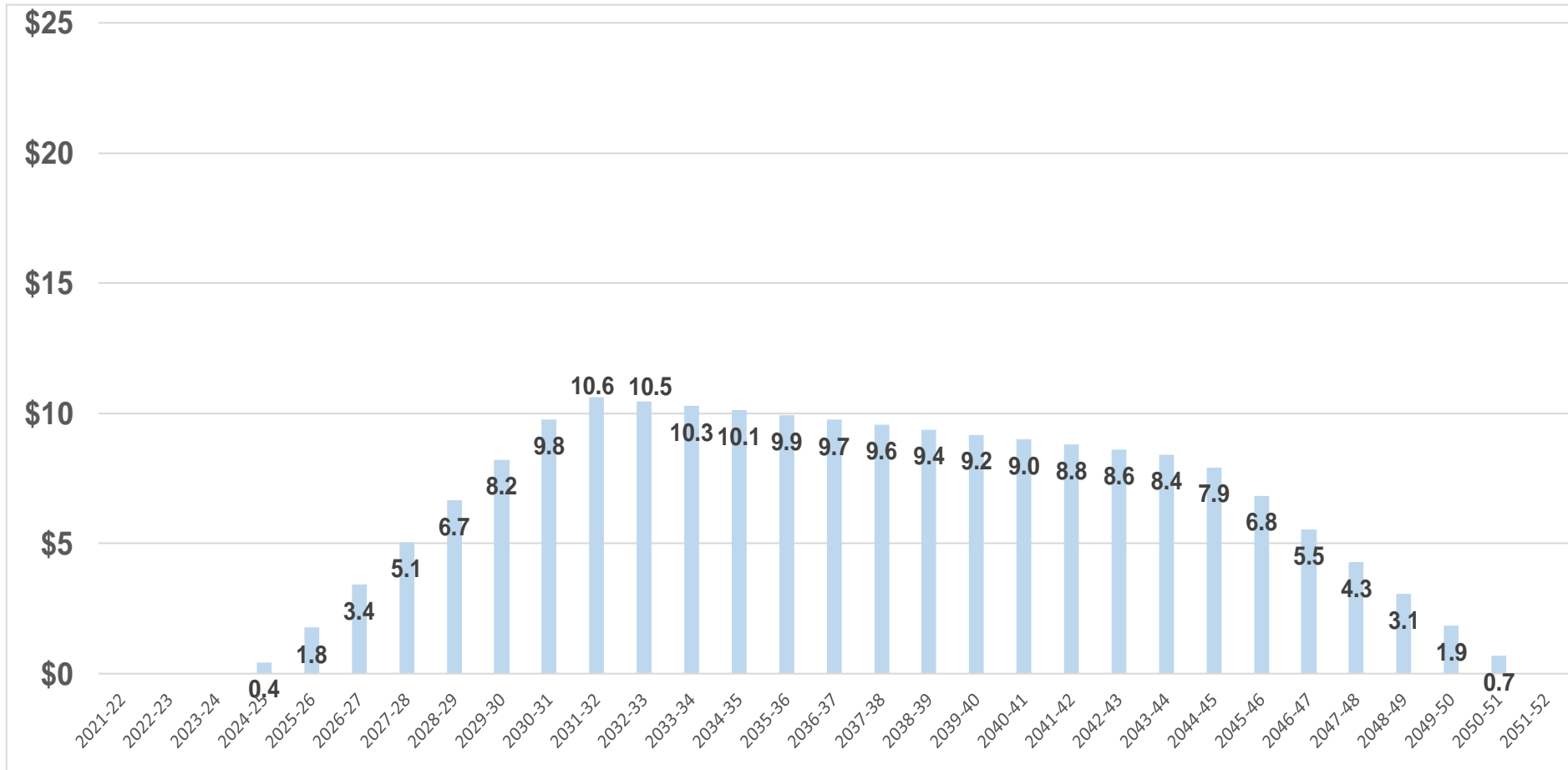
- Establish a reserve for SI projects
- Allocate annual reserve funding through the operating budget
- Establish debt policy for SI's
- Minimum of 50 – 75% of the reserve will be used to fund principal and interest payments for SI debt
- Balance remains in reserve for projects that are not eligible for debt
- Identified savings go back into reserve
- Annual reporting to Council and the Public on debt levels and project status

# Debt Guidelines

- Only used for capital assets – by definition
- Debt to be used for intergenerational assets and significant purchases
- The term of the debt should match the life of the asset – to a maximum of 25 years
- Debt is used for the initial purchase only
  - eg: original purchase of electric buses are SI and can be funded by debt, replacement electric buses form part of the base capital budget

# Principal and Interest Costs (\$M)

\$150M in Strategic Initiatives (\$M) Debt





# Strategic Initiative Reserve

- Can be used for capital and non-capital purposes
- Funded through the annual budget process
- Identified savings from SI projects reinvested
- Roll Strategic Capital Reserve – “planned” and “potential” projects into SI reserve

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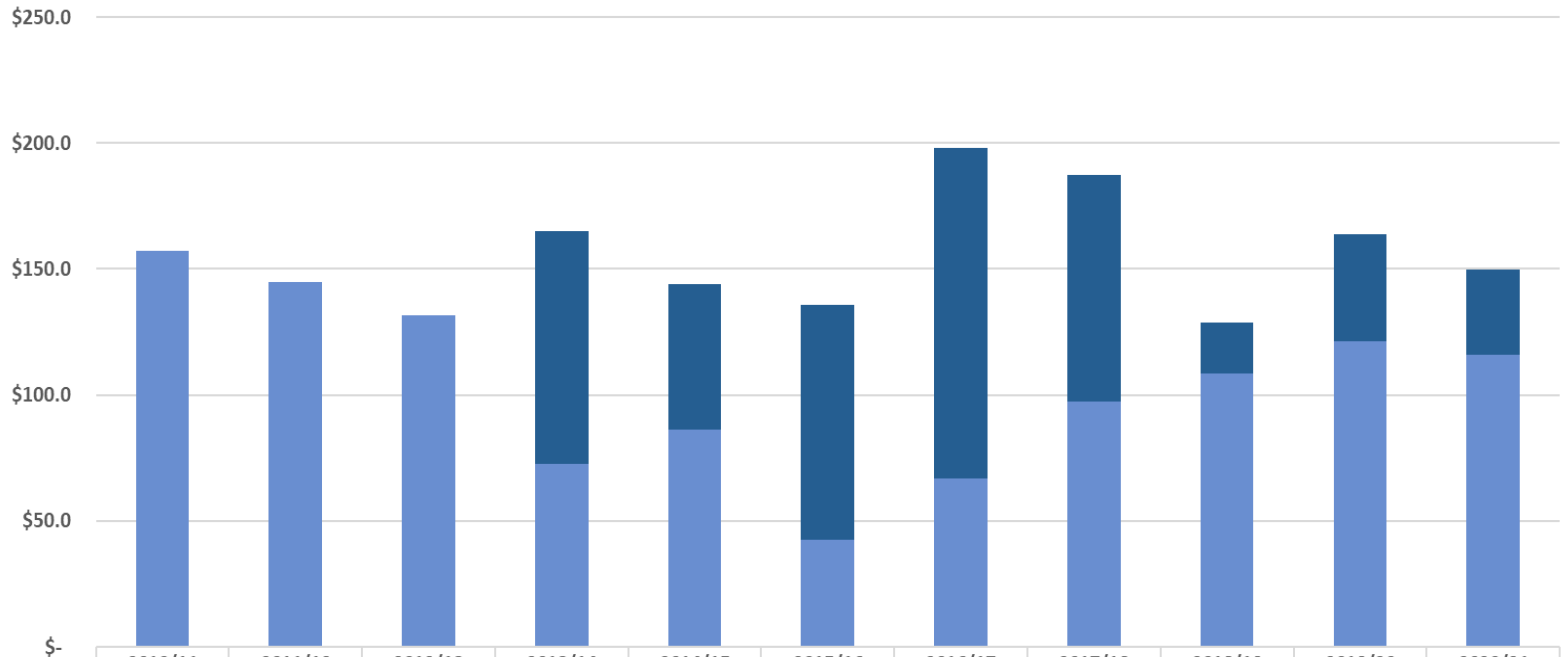
# **Base Capital Budget**

2021-01-20

# Base Capital Budget

- Refers to traditional capital budget – funds renewal and growth projects
- Traditionally in the \$130 – 160M range
- Regional Council has directed 70-80% of capital budget be directed to renewal and the balance to growth projects
- Ability to maintain assets is being impacted by funding SI projects through Base Budget and budget not growing with inflation

# 10 Year Capital Budget 2010 -2020



	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
■ Gross Budget - Growth				\$92.5	\$57.9	\$93.2	\$130.9	\$89.7	\$19.9	\$42.8	\$33.9
■ Gross Budget - Asset Renewal	\$157.3	\$144.8	\$131.6	\$72.5	\$86.3	\$42.6	\$67.1	\$97.6	\$108.7	\$121.2	\$115.9

**NOTE:** The budget values for 2010/10, 2011/12 and 2012/13 represents Total Budget only (distribution between Growth and Asset Renewal not available)

# Investments by Asset Class

<b>Asset Categories</b>	<b>2010/11 Capital Budget</b>	<b>2015/16 Capital Budget</b>	<b>2020/21 Capital Budget</b>
Buildings/Facilities	65.5	25.5	40.3
Business Systems	2.4	15.7	14.7
District Capital Funds	1.5	1.5	0.8
Outdoor Recreation	9.5	5.5	4.0
Roads, Active Transportation & Bridges	41.8	48.8	50.6
Traffic & Streetlights	6.8	14.5	1.1
Vehicles, Vessels & Equipment	24.0	18.5	36.3
Other Assets	5.7	5.8	2.1
<b>Total Capital Budget</b>	<b>\$ 157.3</b>	<b>\$ 135.8</b>	<b>\$ 149.9</b>

**NOTE:** 2010/11 (\$15.6M) and 2015/16 (\$5.6M) budget totals include Business Parks in the Roads, AT & Bridges; \$0 2020/21

# Capital Budget not Keeping Pace

- Since 2010 the cost of construction (construction CPI) has increased by 22 per cent, outpacing average annual inflation.
- HRM's population has grown by over 50,000 since 2010
- There are 22,137 new dwelling units since 2010
- HRM continuously adds new assets annually
- The capital budget has remained relatively flat over the ten years

# HRM Infrastructure in Service

~\$3.8 Billion capital investment in current assets, plus annual operating and capital funds required to manage, operate and regularly maintain that investment to enable service delivery to the community

- +350 Buildings
- +1,400 Parks and Playgrounds
- +700 Sports Fields/Courts & Ball Fields
- +1,900 Kms of Paved Roads
- +900 Kms of Sidewalks
- +500 Kms of Trails & Multi-use Pathways
- +240 Bridges (Vehicles & Pedestrian)
- +1,500 Vehicles and Buses
- 5 Ferries

# Asset Management is Critical

- Asset management is the practice of managing assets to minimize the total costs of owning and operating assets while delivering desired service levels
- Moving forward with asset management requires:
  - Adoption of an asset management policy
  - Development of asset management plans
  - Full adoption of asset management systems – CityWorks and FleetFocus
- This gives us the evidence to establish the “right sized” base capital budget

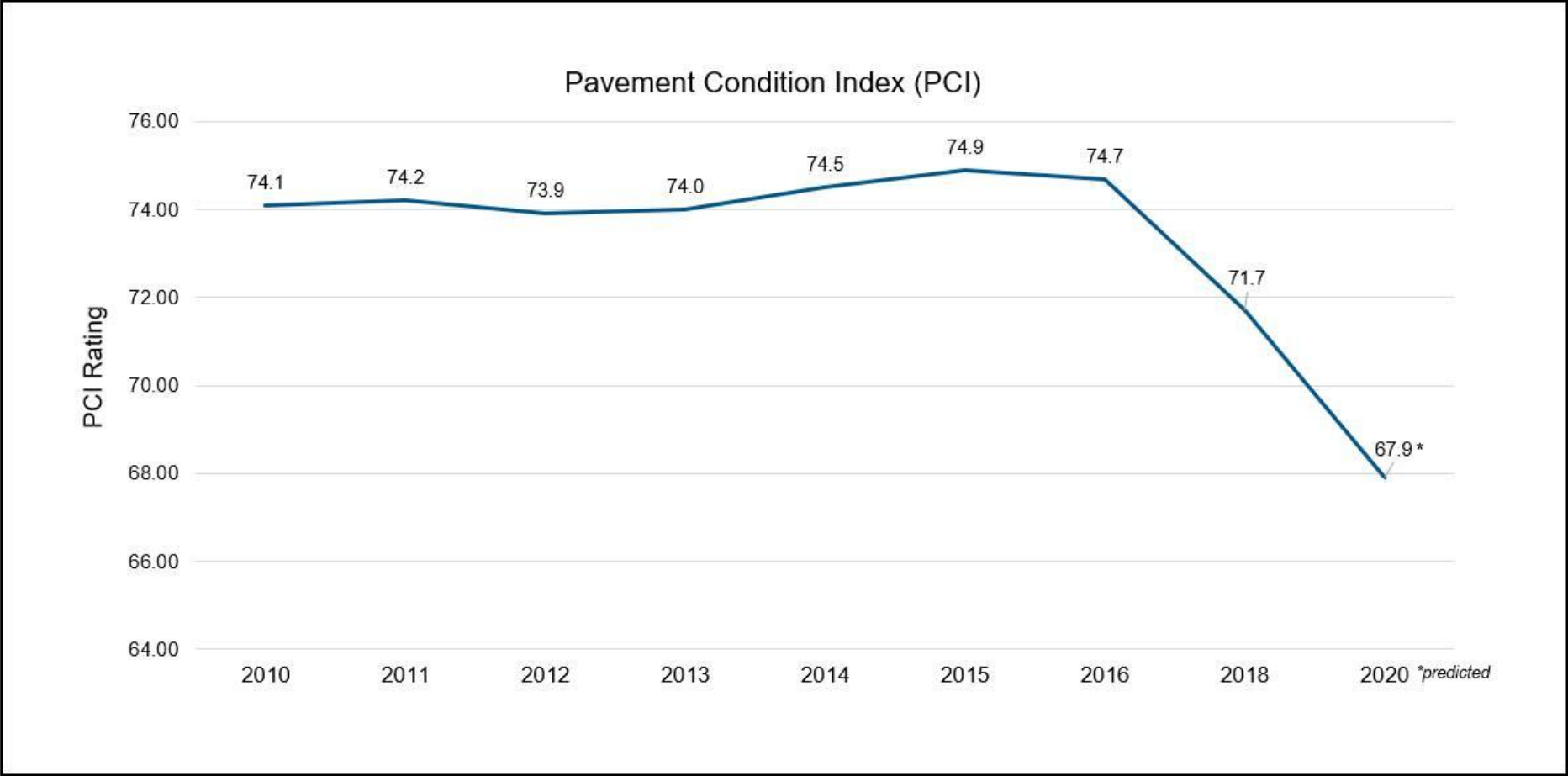


# Impact of Deferred Maintenance



# Pavement Condition is Declining

## Pavement Condition Index (PCI)



# Growing into Asset Renewal

- Gaining ground on the state of HRM assets will take time
- Money is only one component
- It takes time to ramp up resources
  - Project managers
  - Technical staff
  - Procurement staff
  - Legal and Real Estate
  - Industry capacity

# Next Steps if Approved

- Capital Budget presented with SI funded by debt
- Staff to develop Debt policies and plans for SI and base capital – return in June 2021
- Staff to revise all reserve business cases – return June 2021
- Business Units to develop asset management plans
- Asset Management Policy presented 2022/23
- Reporting on the State of HRM infrastructure on a four year cycle to align with strategic priorities

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*Thank you*

