

Re: Item No. 15.1.2

HALIFAX

2022/23 Capital Planning Framework

Halifax Regional Council

October 19, 2021



Session Overview

1. Guiding Principles for Capital Plan
2. Base Capital Plan
3. Strategic Initiatives
4. Issues, Risks & Opportunities
5. Confirm Asset Investment Priorities



**Total Existing
Capital Assets:**

\$3.9B as of March 31, 2021

**Municipal Service
Key Goals:**

Quality

Reliability

Safety

HALIFAX

HRM Principles for Capital Planning

*The practice of managing assets to **minimize the total cost** of owning and operating them while delivering the **desired service levels***

- We are not sized to do everything we want to do (staff and \$\$)
- Desire exists for operations to be predictable, reliable, and sustainable
- All proposed projects have merit, creating the difficult challenge to prioritize projects which provide the highest value to long-term outcomes

HRM Principles for Capital Planning

Benefits from a longer-term plan focus:

- Identify possible synergies or saturations
- Inform financial requirements for best fiscal strategies
- Ability to integrate more coordination across all asset projects = less disruption to the public + delivery efficiencies
- Ability to discern beneficial cost sharing & partnership opportunities



Base Capital Program

Investment required to maintain existing municipal services:

- Improvements to asset condition to extend the asset's life
- Replace assets before the costs to maintain becomes excessive
- Increase asset inventory to manage service growth



Prolonged deterioration and delays to repairs may save money right now but will cost exponentially more in the long-term, requiring a bigger & more invasive scope plus more resources to execute the work.

70-80%
Asset
Renewal

20-30%
Service
Growth

Base Capital Program

Project Selection Process:

- ✓ Each asset group is assessed for condition and service need
- ✓ Consolidated portfolio is evaluated and prioritized
- ✓ Projects are scheduled according to their capacity to deliver

Capital Prioritization Framework:

- Strategic Alignment
- Impact to Service
- Risk
- Capacity to Deliver



- Must Do
- Should Do
- Nice to Do

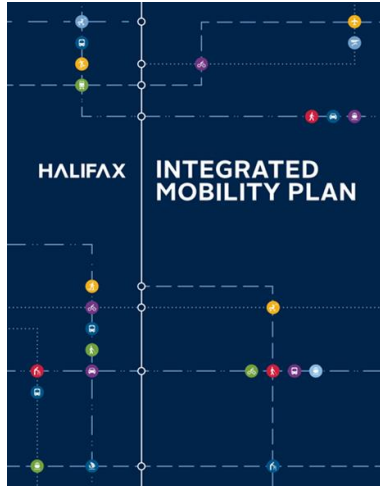
Strategic Initiatives (SI)

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



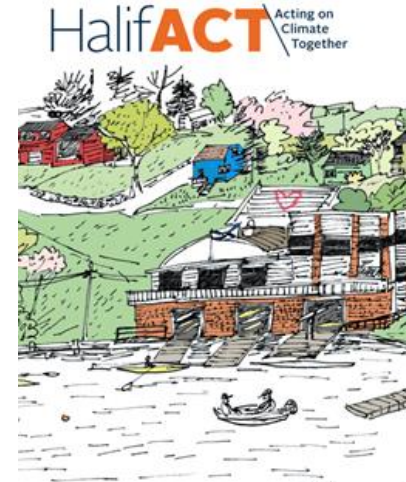
- they are an element of a key strategy approved by Regional Council;
- most likely capital but maybe operating;
- require a significant financial investment that cannot be accommodated within the existing budget without an unintended service disruption or a tax increase;
- implementation requires significant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

Strategic Initiatives (SI)



High level of Public expectation for transformative outcomes when Strategic Plan is approved

Low level of understanding for associated implementation timeline & incremental funding required



Strategic Initiatives (SI)

	NET CAPITAL BUDGET REQUIRED					
	Year 1	Year 2	Year 3	Year 4	Years 5-10	TOTAL
<u>Integrated Mobility</u>						
Active Transportation	-	1.5	1.5	-	51.0	54.0
Integrated Land Use Planning	-	7.3	5.8	0.7	54.2	67.9
Transportation Capital Asset Renewal	5.0	5.0	5.0	5.0	268.2	288.2
Bus Rapid Transit	-	1.0	13.8	20.3	181.0	216.1
Ferry Rapid Transit	0.9	7.1	14.5	16.3	22.3	61.1
Integrated Mobility Land Acquisition Strategy	1.0	2.0	13.4	29.8	4.7	50.9
Strategic Multi-Modal Mobility Corridors	-	-	-	-	129.3	129.3
Sub-Total	6.9	23.9	54.0	72.1	710.7	867.5
<u>Environment</u>						
Municipal Fleet Electrification	-	2.3	2.8	2.8	4.1	12.0
Critical Municipal Infrastructure Adaptation	-	0.7	5.0	5.0	25.0	35.7
Deep Energy Retrofit Program (Municipal Building)	2.7	10.7	22.3	23.7	98.0	157.4
Electrification of Halifax Transit	14.7	- 8.3	- 3.9	110.4	242.0	354.9
Sub-Total	17.4	5.4	26.2	142.0	369.0	560.0
<u>Prosperous Economy</u>						
Windsor Street Exchange Redevelopment Project	0.5	1.9	6.3	4.3	-	12.9
Sub-Total	0.5	1.9	6.3	4.3	-	12.9
Total	\$ 24.7	\$ 31.1	\$ 86.4	\$ 218.4	\$ 1,079.7	\$ 1,440.4

- Many are still conceptual in scope & costing
- Significant pressure on resources in excess of Base Capital Program
- Additional Cost Sharing is critical to project implementation
- Beneficial efficient technologies and designs

Source: "Strategic Initiatives Funding Plan" January 20, 2021 Budget Committee

Strategic Initiatives (SI) Funding Plan



- Requires debt funding in excess of current debt policy targets
- Strategic Initiative Reserve withdrawals would repay debt
- SI Reserve would be funded with annual contributions
 - Significant additional funding required for Reserve

Current State: Risks, Issues, Opportunities

1. City Growth Trend:

Demand for Increased Services

(New Design, Conveniences, Capabilities)

- ❖ Gap between growth and staff's ability to respond to demand.

POPULATION: KEY STATISTICS

1.9%

Population growth rate in 2020

1.1%

Average growth rate since 2006

448,554

Population of Halifax in 2020

8,196

More people live in Halifax compared to 2019

2. Bigger List of Projects, Larger and more Complex:

- ❖ More staff required for capital and operating/mtce – takes time to ramp up
- ❖ Takes 12-18mths to plan & design
- ❖ Need to understand full portfolio impact instead of single project in isolation
- ❖ Saturation & disruption to services and community

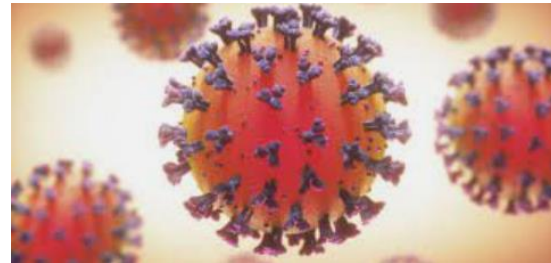
Current State: Risks, Issues, Opportunities

3. Government Funding

- ❖ Sudden growth in availability
- ❖ Unpredictable approval timelines for applications
- ❖ Potential to cause risk to project coordination planning
- ❖ Reduces control over project scheduling due to agreement deadlines
- ❖ High volume of applications risks commitment in excess of capacity

4. Pandemic Uncertainty:

- ❖ Market price fluctuations
- ❖ Supply Chain disruption
- ❖ Project completion delay risks
- ❖ Mitigation to minimize impact



2022/23 Capital Plan: NEXT STEPS

Reports expected in near term:

- HalifACT Annual Report
- Fiscal Framework
- Financial Reserves Update
- Road Maintenance Levels of Service

Confirm Council's Direction:

- Strategic Alignment weightings
- Asset Renewal vs. Service Growth



Capital Prioritization Framework

Each capital project is evaluated under the framework for:

- **Impact to Strategic Alignment to Council Priority Areas**
- Impact to operational **Levels of Service**
- Impact to **Risk**
- **Capacity** to Deliver (readiness)



2019/20 Strategic Alignment Weightings

HRM's Plan on a Page: 2017-2021

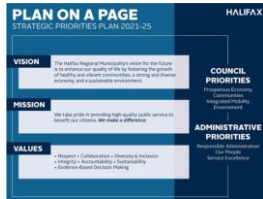
The Plan on a Page articulates the values of our organization and demonstrates our key priorities.



Economic Development	19%
Service Delivery	17%
Healthy, Livable Communities	22%
Social Development	17%
Governance & Engagement	3%
Transportation	22%

2022/23 Strategic Alignment Weightings

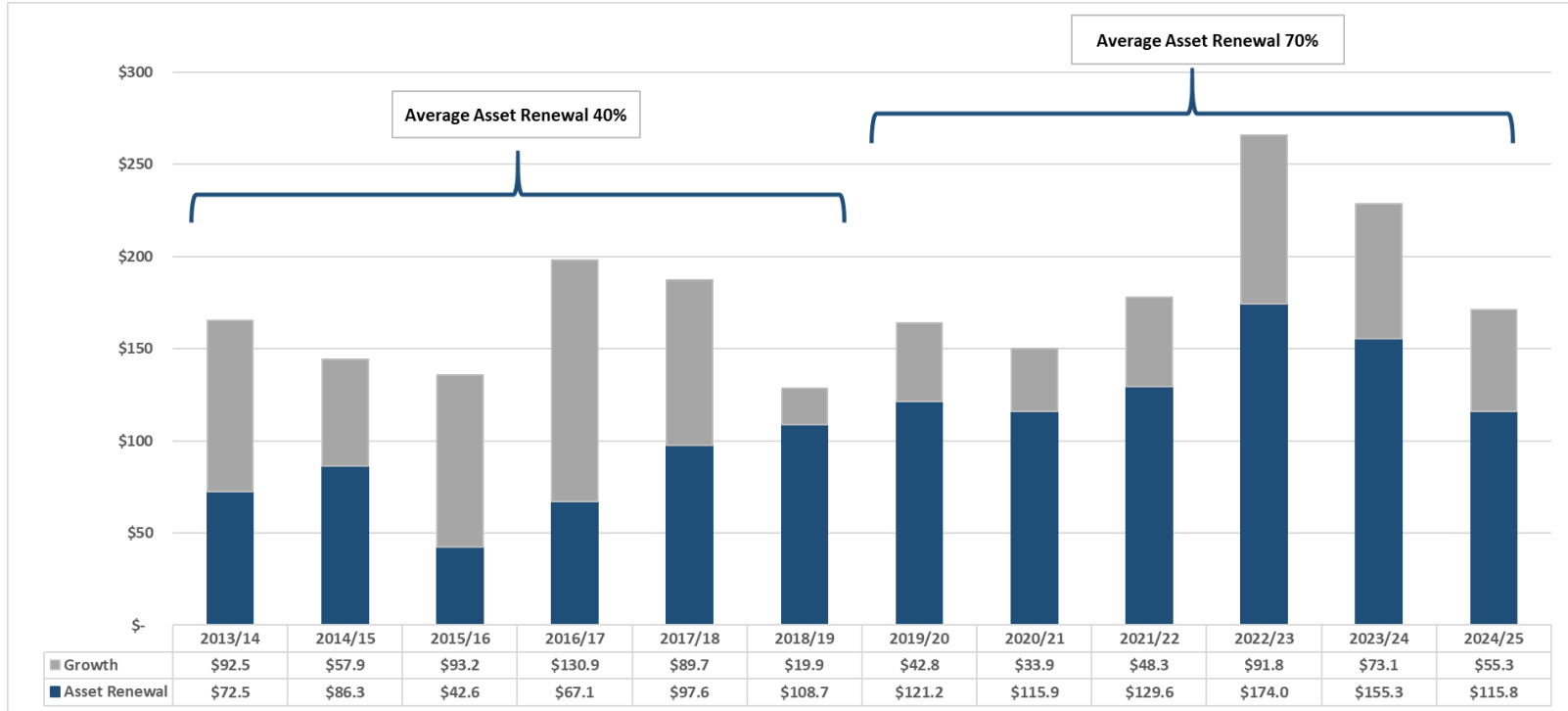
COUNCIL PRIORITIES	Prosperous Economy	Communities	Integrated Mobility	Environment	TOTAL	WEIGHTING FACTOR
Prosperous Economy	0.5	1	0	0	1.5	19%
Communities	0	0.5	0	0.5	1.0	13%
Integrated Mobility	1	1	0.5	1	3.5	44%
Environment	1	0.5	0	0.5	2.0	25%
					8	100%



Scoring Criteria

- 1 - Clearly More Important
- 0.5 - More or less the same importance
- 0 - Clearly Less Important

Commitment to Asset Renewal Investment



Capital Planning Framework: Recommendations



That Halifax Regional Council direct the Chief Administrative Officer to direct staff to:

1. Develop a funded 4-year capital plan and 10-year capital outlook which prioritizes Council's key strategic priorities, reliable and quality municipal services, and risk mitigation with an ability and capacity to deliver when scheduled;
2. Continue to allocate 70%-80% of the annual base capital program to asset renewal projects and 20%-30% to service growth projects for the 2022-23 through 2025-26 budget years;
3. Use Halifax Regional Council's priority weightings for the Strategic Alignment project prioritization evaluations for the 2022-23 through 2024-25 budget years.

