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Item No. 13.1.2
Audit and Finance Standing Committee
May 21, 2025

TO: Chair and Members of Audit & Finance Standing Committee

FROM: Cathie O'Toole, Chief Administrative Officer

DATE: April 14, 2025

SUBJECT: 2025/26 Capital Budget Adjustments

ORIGIN

Staff initiated report.

EXECUTIVE SUMMARY

Subsequent to the 2025/26 capital budget recommendation, four external cost sharing agreements were received which requires adjustments to Council's ratified projects to formally recognize the new sources of funding. In addition, there are four projects which require budget increases in order to proceed with the required scope of planned work over the summer construction period. Two projects can have their smaller increases covered by transfers from other existing approved budgets without impact to the overall capital plan. One project, the Eastern Shore Lifestyle Centre, which requires a \$9.5M increase should be funded by debt financing.

RECOMMENDATION

It is recommended that Audit & Finance Standing Committee recommend that Halifax Regional Council approve:

1. The increase to four 2025/26 capital project budgets, as detailed in the Financial Implications section of this report, for new contribution agreements awarded after budget approval with no net increase from HRM funding;
2. The transfer of funding between approved 2025/26 capital project budgets, as detailed in the Financial Implications section of this report.
3. The budget increase to the HRFE - Sheet Harbour Fire Station project CB210018 and PR - Sheet Harbour Rec Centre (ESLC) project CB000080 to be funded by debt financing, as detailed in the Financial Implications section of this report.
4. The amendment to the 2025/26 Multi-Year Capital Projects schedule, as per Attachment 1 to this report.

BACKGROUND

The 2025/26 Capital Plan was approved by Budget Committee on February 7, 2025, with final ratification at Regional Council on April 8, 2025. When staff finalized the draft capital plan recommendation in early January 2025 for Budget Committee, total project budgets were based on confirmed and received funding, along with staff's best judgement for project scheduling and cost assumptions. Since that date, various projects have received notification of cost sharing awards and new information has arisen to impact project assumptions, requiring adjustments to their budgets before work can proceed. The related terms of the contribution agreements dictate project work to begin in 2025/26 and therefore Regional Council will need to amend the ratified capital budget to amend project budgets before staff are able to proceed.

DISCUSSION

New External Cost Sharing Awards

Accurate record keeping for each capital project includes a Council-approved budget which reflects total estimated cost reflective of the defined scope of work, as well as the matching total from various funding sources. It is HRM practice to recommend a capital budget to Regional Council for project costs with confirmed funding. Occasionally an exception is made for capital project costs where a funding application has been submitted to another order of government and there is a level of confidence that the application will be approved. In those cases, the associated risk of not receiving the funding is highlighted in the report to Council, and phrasing of budget recommendation is such that Council's approval to begin project implementation is contingent upon receipt of the contribution agreement award.

The contribution agreements awarded include:

1. \$1M agreement signed between the Province of Nova Scotia's Department of Communities, Culture, Tourism and Heritage and HRM for new cricket facility, with work to be completed by December 31, 2028. The development of a new cricket field has been identified within the municipality's Playing Field Strategy and business plan. Potential sites are being evaluated and the provincial funding would contribute to the overall capital costs for the field, which would be outlined in future reports to Regional Council.
2. \$75K agreement signed between the Province of Nova Scotia's Department of Communities, Culture, Tourism and Heritage and HRM to replace the Bennett Park playground equipment with a focus on inclusion and accessibility for children of all ages.
3. \$50K grant agreement from CN Rail's EcoConnexions Partnership Program in collaboration with Tree Canada awarded to HRM to plant 50 trees on urban parkland. No matching contribution from HRM required as a condition of the grant.
4. \$660K contribution agreement from the Gun and Gang Violence Action Fund (GGVAF) signed between the Province of NS and HRM to create a Forensic Firearms Laboratory with Halifax Regional Police (HRP), with work to be completed by March 31, 2026. These funds will purchase forensic technology and integrate with a national database for the lab, for use by all law enforcement agencies in Nova Scotia.

Capital Budget Transfers & Increase

When an increase was needed in the IT Infrastructure Recapitalization account CI200003, staff determined that the increase could be funded by existing projects with surplus budget availability. The three IT projects to be reduced in order to fund the IT Infrastructure Recap account are detailed in a table of the Financial Implications section to this report.

The Strategic Mobility Corridor project for Dutch Village Road requires a \$1.9M increase to its previously approved 2025/26 budget, which was previously known during the budget preparation process however could not be finalized in due time. Staff have determined that there is an opportunity to transfer funding from three other transportation projects due to delays in work originally planned, primarily the Burnside

Dr/Commodore Drive Intersection. The details by project are described in a table of the Financial Implications section to this report.

The Eastern Shore Lifestyle Centre project, comprised of two accounts, PR - Sheet Harbour Rec Centre (ESLC) CB000080 and HRFE - Sheet Harbour Fire Station CB210018 was issued for public tender on February 14, 2025, and closed on April 9, 2025, with an estimated construction cost of \$28.3M. Two bidders submitted qualifying bids, both of which would result in a project cost in excess of approved budget. This is likely due to evolving inflation, economic uncertainties and the existing tariff war with the United States. Staff have assessed that a value engineering exercise to reduce the design scope within the current approved budget, and still provide the necessary facilities, is not viable. A \$9.5M budget increase is required, which can be funded within HRM's debt financing capacity. Due to the amount needed, staff cannot identify sufficient funding from other capital projects in the 2025/26 portfolio to transfer.

The project cannot be further delayed as HRM has a Contribution Agreement with both the provincial and federal governments. The original agreement signed in October 2020 under the Investing in Canada Infrastructure Program – Community, Culture and Recreation stream (ICIP) has already been amended to delay the required project completion date from 2023 to 2027. The combined contribution to HRM under this agreement is \$6,599,700 and only payable when the facility is completed within the agreed upon timeframe. The current approved budget for PR - Sheet Harbour Rec Centre (ESLC) CB000080 is \$20.085M.

Although not included in the ICIP agreement, the Sheet Harbour Fire Station (project CB210018) with approved budget of \$12.4M, is being constructed on the same location site as the Eastern Shore Lifestyle Centre.

2025/26 Multi-Year Capital Projects Schedule Amendment

The amended 2025/26 Multi-Year Capital Projects schedule in Attachment 1 of this report adds two additional projects which require staff to enter into multi-year procurement agreements for the projects, however, the budget is represented each fiscal year based on anticipated cashflow of expenditures. The addition to the schedule is a result of updated assumptions in planned work.

FINANCIAL IMPLICATIONS

The signed contribution agreements have committed HRM to complete the four projects listed below within a specified timeframe and accountability reporting for the funds when spent. Funds contributed from external sources are for the initial eligible capital investment only. HRM will be responsible to fund the operation, maintenance and eventual replacement of these new assets.

The projects listed below for budget transfers result in no net change to the 2025/26 capital budget. Funding being reallocated from three IT projects were determined to no longer be required to complete the project scopes of work. The funding being reallocated from the three transportation network projects are available due to new assumptions which will defer work originally planned for 2025/26.

The \$9.5M budget increase for the Eastern Shore Lifestyle Centre (comprised of two project accounts CB000080 PR – Sheet Harbour Rec Centre and CB210018 HRFE – Sheet Harbour Fire Station), split over two fiscal years, will be funded by debt.

| New External Cost Sharing Awards | | | | |
|----------------------------------|---------------------------------------|----------------------------|------------------------|----------------------------|
| Acct # | Project Name | Approved 2025/26 Budget | Cost Share Increase | Adjusted 2025/26 Budget |
| CP210013 | Park Development - New | \$ 1,100,000 | \$ 1,000,000 | \$ 2,100,000 |
| CP200001 | Park Recapitalization | \$ 8,200,000 | \$ 75,000 | \$ 8,275,000 |
| CA250001 | Urban Forest Mgmt Plan Implementation | \$ - | \$ 50,000 | \$ 50,000 |
| CE250004 | HRP Forensic Firearms Lab | \$ - | \$ 660,000 | \$ 660,000 |

| Capital Budget Transfers | | | | |
|--------------------------|---|-----------------------------|----------------------|---|
| Acct # | Project Name | Available 2025/26 Budget | Budget Adjustment | Adjusted Available 2025/26 Budget |
| CI200003 | IT Infrastructure Recap | \$ 2,054,000 | \$ 800,000 | \$ 2,854,000 |
| CI990020 | CRM Software Replacement | \$ 650,000 | (90,000) | \$ 560,000 |
| CI240004 | Cyber Security Program AG Recommendations | \$ 1,469,000 | (35,000) | \$ 1,434,000 |
| CI240002 | Telus Elements Transitions | \$ 675,000 | (675,000) | \$ - |
| CT200003 | Strategic Mobility Corridor: Dutch Village Rd | \$ 10,088,000 | 1,900,000 | \$ 11,988,000 |
| CT190006 | Road Safety Improvement | \$ 6,610,000 | (750,000) | \$ 5,860,000 |
| CR200001 | Active Transportation | \$ 8,320,000 | (400,000) | \$ 7,920,000 |
| CR200003 | Bridges | \$ 4,665,000 | (750,000) | \$ 3,915,000 |

| Capital Budget Increases | | | | |
|--------------------------|--|--------------------|--------------------|-----------------|
| Acct # | Project Name | Approved Budget | Budget Increase | Adjusted Budget |
| CB210018 | HRFE - Sheet Harbour Fire Station 2025/26 | \$ 9,000,000 | 4,500,000 | \$ 13,500,000 |
| CB000080 | PR - Sheet Harbour Rec Centre (ESLC) 2026/27 | \$ 10,100,000 | 5,000,000 | \$ 15,100,000 |

The addition of these project accounts to the Multi-Year Capital Projects schedule does not represent any budget increase. The added projects are:

1. Park Recapitalization CP200001
2. Park Development - New CP210003

Other projects identified in the tables above which were previously included in the Multi-Year Capital Projects schedule have been updated to reflect the recommended budget adjustments.

RISK CONSIDERATION

Staff have assessed risk associated with each project in terms of ability to meet the stated criteria and conditions prior to signing each funding contribution agreement. Staff manage risk as per standard project management process.

COMMUNITY ENGAGEMENT

No community engagement was required.

ENVIRONMENTAL IMPLICATIONS

No environmental implications were identified for this report. Project-specific implications will be assessed as part of each project plan.

ALTERNATIVES

Audit & Finance Standing Committee could choose to recommend that Regional Council to amend or not approve the recommendations. Implications to signed contribution agreements, and/or ability to complete planned project scopes would need to be considered.

LEGISLATIVE AUTHORITY

On December 11, 2012 Halifax Regional Council directed that all reports related to budget increases be presented to the Audit and Finance Standing Committee prior to submission to Regional Council.

Halifax Regional Municipality Charter, S.N.S. 2008, c. 39 provides:

Section 93(1) The Council shall make estimates of the sums that are required by the Municipality for the fiscal year;

Section 79 The Municipality may spend money for municipal purposes in accordance with this section;

Section 35(2)(d)(i) The CAO can only authorize budgeted expenditures or within the amount determined by Council by policy;

Section 120(6) The Municipality may maintain other reserve funds for such purposes as the Council may determine;

Halifax Regional Municipality Policy on Changes to Cost Sharing for Capital Projects: Changes requiring Council approval.

Halifax Regional Municipality Reserve Policy: No reserve funds will be expended without the CAO's recommendation and Council approval

ATTACHMENTS

Attachment 1 - 2025/26 Capital Multi-Year Projects (AMENDED)

ATTACHMENT 1 AMENDED

2025/26 Capital Multi-Year Projects

| Project # | Project Name | Total Previous Yrs' Gross Budget | 2024/25 Capital Budget | 2025/26 Capital Budget | 2026/27 Capital Budget | 2027/28 Capital Budget | 2028/29 Capital Budget | 2029/30 - 2034/35 Capital Budget | Grand Total |
|--|--|-------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|--|-------------------------|
| Discrete Projects | | | | | | | | | |
| CT000007 | Cogswell Interchange Redevelopment | 71,040,000 | 43,170,500 | 20,450,000 | 3,500,000 | - | - | - | \$ 138,160,500 |
| CT190003 | Dartmouth Infra Renewal-Sullivan Daylighting | 884,285 | 2,873,000 | 1,750,000 | 3,100,000 | - | - | - | \$ 8,607,285 |
| CI250004 | Fuel Management Software Replacement | - | - | 500,000 | 2,500,000 | 930,000 | - | - | \$ 3,930,000 |
| CZ230400 | HalifACT - Shore Rd Resilience Improvements | 850,000 | 435,000 | 4,825,000 | 60,000 | 60,000 | 60,000 | 120,000 | \$ 6,410,000 |
| CB190003 | HPL - Halifax North Memorial Library Reno | 5,325,000 | - | - | 10,000,000 | 15,000,000 | 6,500,000 | - | \$ 36,825,000 |
| CB200014 | HRFE - Headquarters and Station 1 | 16,391,085 | 12,000,000 | 5,000,000 | 7,100,000 | - | - | - | \$ 40,491,085 |
| CB210018 | HRFE - Sheet Harbour Fire Station | 900,000 | - | 13,500,000 | 2,500,000 | - | - | - | \$ 16,900,000 |
| CR000007 | HT - Wrights Cove Terminal | 244,485 | 350,000 | 3,725,000 | 920,000 | - | - | - | \$ 5,239,485 |
| CV210013 | Mill Cove Ferry Service (Construction) | 7,900,000 | 11,000,000 | - | 40,000,000 | 50,000,000 | 60,000,000 | 100,000,000 | \$ 268,900,000 |
| CB220004 | Mumford Terminal Interim Accessibility Expansion | 100,000 | 100,000 | 50,000 | 2,000,000 | 600,000 | - | - | \$ 2,850,000 |
| CB210021 | PR - BLT Recreation Centre Recap | 4,500,000 | 9,500,000 | 8,000,000 | 1,210,000 | - | - | - | \$ 23,210,000 |
| CB190013 | PR - Halifax Forum Redevelopment | 2,900,000 | - | - | 4,200,000 | 7,200,000 | 31,000,000 | 65,100,000 | \$ 110,400,000 |
| CB000080 | PR - Sheet Harbour Recreation Centre (ESLC) | 1,685,000 | - | 500,000 | 15,100,000 | 7,800,000 | - | - | \$ 25,085,000 |
| CB240003 | PR - St. Mary's Boat Club | - | 500,000 | - | 350,000 | 400,000 | 7,000,000 | 9,000,000 | \$ 17,250,000 |
| CT200002 | Strategic Mobility Corridor: Bayers Road | 8,305,043 | - | - | 13,000,000 | 3,170,000 | - | - | \$ 24,475,043 |
| CT190008 | Strategic Mobility Corridor: Bedford Highway | 250,000 | - | 750,000 | 800,000 | 200,000 | 200,000 | 72,000,000 | \$ 74,200,000 |
| CT190005 | Strategic Mobility Corridor: Herring Cove Road | - | - | 750,000 | 200,000 | 200,000 | 3,500,000 | 41,800,000 | \$ 46,450,000 |
| CT200006 | Strategic Mobility Corridor: Robie Street/Young Street | 2,274,736 | - | 1,400,000 | 1,600,000 | 800,000 | 22,200,000 | 55,900,000 | \$ 84,174,736 |
| CT190010 | Windsor Street Exchange | 6,865,000 | - | 22,100,000 | 43,900,000 | 45,000,000 | 32,135,000 | - | \$ 150,000,000 |
| Subtotal Discrete Projects | | 130,414,634 | 79,928,500 | 83,300,000 | 152,040,000 | 131,360,000 | 162,595,000 | 343,920,000 | \$ 1,083,558,134 |
| Ongoing Programs | | | | | | | | | |
| CM200001 | Access-A-Bus Replacement | - | 1,980,000 | 1,180,000 | 2,250,000 | 2,570,000 | - | - | \$ 7,980,000 |
| CR200001 | Active Transportation | - | 12,011,048 | 3,000,000 | 8,600,000 | 8,500,000 | - | - | \$ 32,111,048 |
| Transit24 | Articulated Conventional Bus Replacement | - | - | - | 18,820,000 | 24,200,000 | - | - | \$ 43,020,000 |
| CR200003 | Bridges | - | 2,900,000 | 2,900,000 | 5,045,000 | 5,700,000 | - | - | \$ 16,545,000 |
| CQ220002 | Burnside & City of Lakes Industrial Park | - | 5,000,000 | 11,000,000 | 24,000,000 | 22,000,000 | - | - | \$ 62,000,000 |
| CB190011 | Corporate Accommodations | - | 2,000,000 | 2,700,000 | 2,300,000 | 2,800,000 | - | - | \$ 9,800,000 |
| CB250002 | Ferry Terminal Upgrades | - | - | 500,000 | 1,000,000 | - | - | - | \$ 1,500,000 |
| CV240003 | Fire Fleet Expansion | - | 3,900,000 | 1,250,000 | 1,500,000 | 3,300,000 | - | - | \$ 9,950,000 |
| CV240004 | Fire Fleet Replacement | - | 10,509,645 | - | 7,500,000 | 28,150,000 | - | - | \$ 46,159,645 |
| CZ230600 | HalifACT - Critical Infrastructure | - | 7,600,000 | 350,000 | 6,000,000 | 8,000,000 | - | - | \$ 21,950,000 |
| CZ230300 | HalifACT - Fleet Electrification | - | 1,850,000 | - | 6,500,000 | 5,500,000 | - | - | \$ 13,850,000 |
| CZ230100 | HalifACT - Municipal Building Retrofits | - | 6,000,000 | 5,000,000 | 12,000,000 | 20,000,000 | - | - | \$ 43,000,000 |
| CZ230200 | HalifACT - Public Charging Infrastructure | - | 2,200,000 | - | - | 500,000 | - | - | \$ 2,700,000 |
| CB000088 | HRFE - Facility Recap | - | 1,000,000 | 1,500,000 | 1,500,000 | 2,500,000 | - | - | \$ 6,500,000 |
| CV240002 | Municipal Fleet Replacement | - | 6,861,000 | 12,630,000 | 8,700,000 | 4,000,000 | - | - | \$ 32,191,000 |
| CR200004 | Other Road Related Works | - | 1,000,000 | 1,475,000 | 2,500,000 | 3,000,000 | - | - | \$ 7,975,000 |
| CP210003 | Park Development - New | - | 2,500,000 | 2,100,000 | 2,000,000 | 2,000,000 | - | - | \$ 8,600,000 |
| CP200001 | Park Recapitalization | - | 5,385,000 | 8,275,000 | 8,500,000 | 10,000,000 | - | - | \$ 32,160,000 |
| CB190007 | PFE - Alderney Gate Recapitalization | - | 500,000 | 925,000 | 2,000,000 | 600,000 | - | - | \$ 4,025,000 |
| CB190009 | PFE - Environmental Remed./Bldg. Demo | - | 200,000 | - | 250,000 | - | - | - | \$ 450,000 |
| CV240006 | Police Fleet Replacement | - | 4,890,000 | 4,755,000 | 2,020,000 | 1,870,000 | - | - | \$ 13,535,000 |
| CB200008 | PR - Scotiabank Centre | - | 5,500,000 | 5,250,000 | 600,000 | 400,000 | - | - | \$ 11,750,000 |
| CR200007 | Regional Centre AAA Bikeways | - | 3,552,620 | 5,420,000 | 15,650,000 | 19,200,000 | - | - | \$ 43,822,620 |
| CR200002 | Sidewalk Renewals | - | 2,000,000 | 1,045,000 | 2,500,000 | 3,000,000 | - | - | \$ 8,545,000 |
| CR200006 | Street Recapitalization | - | 60,909,626 | 52,355,000 | 58,500,000 | 67,200,000 | - | - | \$ 238,964,626 |
| Subtotal Ongoing Programs | | | 150,248,939 | 123,610,000 | 200,235,000 | 244,990,000 | | | \$ 719,083,939 |
| Grand Total 2025/26 Multi-Year Projects | | \$ 130,414,634 | \$ 230,177,439 | \$ 206,910,000 | \$ 352,275,000 | \$ 376,350,000 | \$ 162,595,000 | \$ 343,920,000 | \$ 1,802,642,073 |

This list supercedes the 2025/26 Multi-Year Projects schedule approved in Attachment 4, April 8, 2025

Discrete projects full costs are disclosed and approval in principle is sought for the 2025/26 through 2028/29 fiscal years to facilitate multi-year procurement.

Ongoing program three-year requests are shown and approval in principle is sought for the 2025/26 through 2027/28 fiscal years to facilitate multi-year procurement and/or long order lead times.