



P.O. Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

Item No. 3
Committee of the Whole
February 26, 2014

TO: Mayor Savage and Members of Halifax Regional Council

SUBMITTED BY: Original Signed
Jane Fraser, Director Planning & Infrastructure

DATE: February 17, 2014

SUBJECT: Proposed 2014/2015 Project Budget

ORIGIN

At the October 22, 2013 Committee of the Whole, Council directed staff to present the 2014/2015 draft Budget and Business Plans to the Committee of the Whole for review and discussion prior to consideration by Regional Council.

LEGISLATIVE AUTHORITY

Pursuant to the 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 the Committee of the Whole direct staff to prepare the preliminary three year Project Budget, for the years 2014/2015 to 2016/2017 inclusive, as a basis to prepare a detailed capital and reserves budget, and continued development of a reserve framework as presented to Committee of the Whole.

BACKGROUND

As part of the design of the 2014/2015 Budget and Business Plan development process, the Committee of the Whole is reviewing each Business Unit's high level operating budget, as well as the project budget in advance of detailed HRM Budget and Business Plan preparation.

At the November 19, 2013 Committee of the Whole, Regional Council considered and confirmed their Strategic Priority Outcomes and directed staff to: "develop the 2014/2015 Budget and Business Plans in support of these priorities."

DISCUSSION

Staff has prepared the proposed Project Budget consistent with the preliminary fiscal direction received from Regional Council on October 22, 2013 and aligned with Council Priorities as directed on November 19, 2013.

Following direction from the Committee of the Whole, staff will prepare the detailed Project Budget for inclusion in the proposed HRM 2014/2015 Budget and Business Plan documents to be presented to Council, as per the process and schedule endorsed by Regional Council on October 22, 2013.

FINANCIAL IMPLICATIONS

The recommendations in this report will lead to the development of a proposed budget for 2014/2015. There are no immediate financial implications from these recommendations. The broader financial implications will be discussed and debated as the budget is developed in more detail.

COMMUNITY ENGAGEMENT

None are specifically associated with this report.

ENVIRONMENTAL IMPLICATIONS

None

ALTERNATIVES

The Committee of the Whole can choose to amend the Project Budget as proposed in the accompanying presentation through specific motion, and direct staff to prepare the Project Budget for inclusion in the proposed HRM Budget and Business Plan documents.

ATTACHMENTS

Project Budget Presentation

A copy of this report can be obtained online at <http://www.halifax.ca/boardscom/SCfinance/index.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Jane Fraser, Director, Planning & Infrastructure 490-7166

Original Signed

Report & Financial Approval by: Greg Keefe, Director of Finance & Information Technology/CFO, 490-6308



Capital Budget 14/15

Planning and Infrastructure |

February 26, 2014





Background

- **5-year Capital Planning**
 - 3 year capital budget
 - 2 year capital outlook
- **3-year Budget is the subject of this report**
- **Number of new initiatives requiring Council approval**



Background

- **\$3.1 billion book value of assets to manage, includes 301 buildings, 1,805 km of roads, 1,300 vehicles & 860 parks**
- **Condition of infrastructure and assets effects quality of services, future prosperity, economic competitiveness, public safety and quality of life**
- **Developing systems to help evaluate and manage state of assets = Enterprise Asset Management Project**
- **Focussing on *State of Good Repair* in recent years has stabilized the condition of assets**



Approach to Capital Budget

- **Maintain level of funding to keep assets in a State of Good Repair**
- **Priority given to Life/Safety/Code Compliance investments and projects that lower operating costs**
- **Aggressively program unspent or uncommitted capital to reduce pressure in future years**



Key Challenges

Sustaining infrastructure requires discipline

- Most municipal assets have long lives so it is important to invest in the right assets at the right time
- Tactical interventions are made to prolong the life of assets

Growing and getting better

- New assets to improve and expand services to the public, a portion of which are needed to accommodate new residents and businesses
- Strategic investments to meet the outcomes of the Regional Plan

Operating Budget and Funding Strategies

- Capital investments impact operating budgets – operating, maintaining, debt servicing
- Debt policies – capital from operating



Financial Condition Indicators

Measure	Percentage	Threshold
Debt Service Ratio	7.4	Below 15
Outstanding Debt	0.7	Below 3.5
Depreciation of Assets	61.4	Above 60
5 year Capital Purchases	174.4	Above 100
5 year Contribution to reserves	38.9	Above 10



Keeping Taxes Flat?

**Taxes should not grow faster than inflation =
(0.9%)**

Therefore, costs must be almost flat:

- Business units absorb inflation
- Operating budgets are constrained
- Efficiencies help offset costs
- **But, capital projects are still growing**



% of our taxes towards Capital Budget

Proposed Operating Budget 14-15

- Capital from Operating
- Debt Payments
- Operating Cost of Capital
- Contribution to Capital Reserves

} **\$117 million**

Therefore, 25% of our municipal taxes will go towards Capital Budget costs.



How Capital Budgets work

Home for Sale

Cost to **purchase** is \$180,000
 We've **saved up** \$20,000
 We can **put down** another \$10,000
 So, we need a \$150,000 **mortgage**



Cost to **heat** is \$3,000/yr
Mortgage payments are \$10,500/yr
Painting exterior/replacing roof
 Add a **garage/finish basement/hot tub**
 Add **another bedroom** over garage

HRM Budget

= Capital budget
 = Reserves
 = Capital from operating (“pay as you go”)
 = Debt



= Operating cost of capital
 = Debt charges
 = State of good repair
 = Service improvements
 = Growth



Capital Budget Categories

Buildings	includes arenas, pools, community facilities, fire stations, libraries and offices
Business Tools	includes communication and technology projects
Community Development	includes planning studies, public art, and cultural projects
Equipment & Fleet	includes all non-transit fleet such as fire trucks, police cars, heavy equipment and general fleet
Industrial Parks	land development
Metro Transit	includes buses, technology, shelters, ferries
Parks and Playgrounds	includes sports fields, sports courts, trails, and beaches
Transportation	includes roads, sidewalks, bridges, traffic signals and active transportation
Solid Waste Resources	equipment, green bins, cell closures, reserves



Capital Budget Definitions

State of Good Repair:

- Projects that maintain assets in a condition that support the level of service for which the public is willing to pay.
- Includes health and safety first, maintenance, renewal, and replacement.
- In 2009, Regional Council approved a policy objective to fund all renewal and replacement either “pay as you go” from operating sources, or from replacement reserves.

Service Improvements:

- Projects increase a level of service or expand a service to existing residents and businesses.

Growth:

- Projects provide services to new residents or businesses.



Capital Budget Overview

Gross Budget (in thousands)	13/14 Budget	14/15 Budget	15/16 Budget	16/17 Budget
State of Good Repair	72,400	81,185	103,645	91,170
Service Improvement	55,061	52,584	60,809	42,869
Growth	18,605	5,185	32,040	19,085
Total	146,066	138,954	196,494	153,124
Funding Status		Balanced	\$17.2M Deficit	Balanced



State of Good Repair

\$81.2M in 2014/15

Includes:

- Streets & Roads \$24.5M
- Trunk Mobile Radios \$6.6M
- Ferry Replacement \$6M
- Conventional Bus Replacement \$4.47M
- Bridges \$2.8M
- Facility Maintenance /MDF Upgrades \$5.5M
- Sidewalk Renewals \$2.5M



Service Improvements

\$52.6M in 2014/15

Includes:

Steady increase in service improvements

- Metro Transit \$20M
- North Park Roundabouts \$9.2M (2 Years)
- New Sidewalks \$2.5M

Business tools

- \$12M of \$19M towards technology (ie. AVL, Business Intelligence)

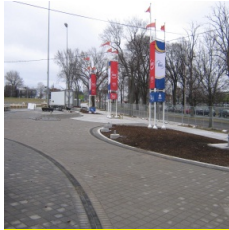


Growth

\$5.2M in 2014/15

Includes:

- Industrial Park Development \$3.7M
- Land Acquisition \$1.5M
 - Parkland & Road Corridor



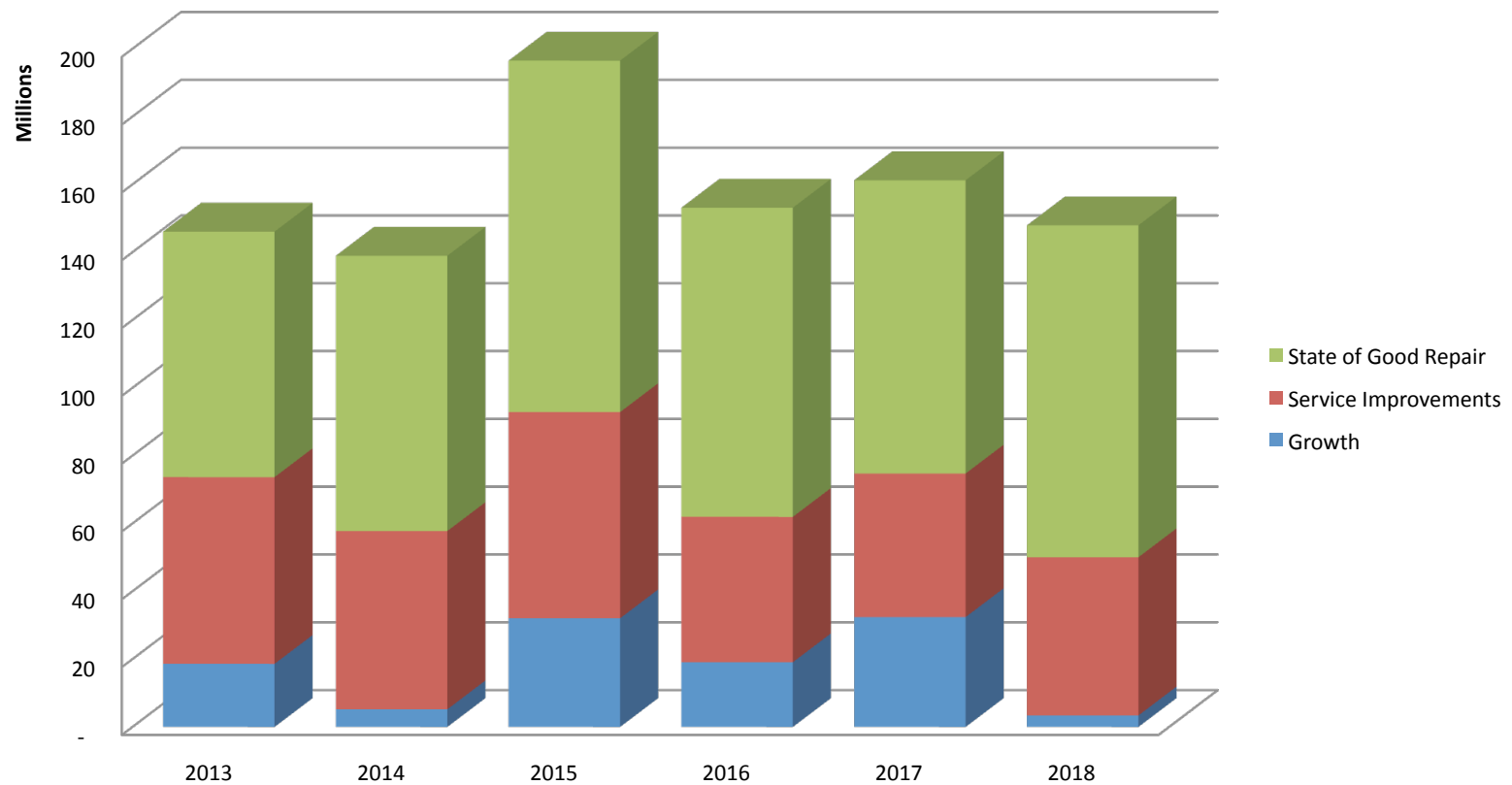
Outlook for 2017 - 2019

Row Labels	2017	2018
State of Good Repair	86,475,000	97,890,000
Buildings	17,575,000	15,865,000
Business Tools	3,245,000	2,895,000
Community & Property Development	2,400,000	1,400,000
Equipment & Fleet	7,125,000	7,175,000
Industrial Parks	25,000	25,000
Metro Transit	12,935,000	3,075,000
Parks and Playgrounds	5,850,000	5,950,000
Roads & Streets	30,215,000	30,215,000
Sidewalks, Curbs & Gutters	3,500,000	3,500,000
Solid Waste	1,600,000	25,850,000
Traffic Improvements	2,005,000	1,940,000
Service Improvements	42,339,000	46,659,000
Buildings	1,900,000	660,000
Business Tools	960,000	730,000
Community & Property Development	-	-
District Activity Funds	1,504,000	1,504,000
Equipment & Fleet	80,000	80,000
Metro Transit	16,205,000	21,395,000
Parks and Playgrounds	2,100,000	2,100,000
Roads & Streets	1,250,000	750,000
Sidewalks, Curbs & Gutters	3,500,000	3,500,000
Solid Waste	-	-
Traffic Improvements	14,840,000	15,940,000
Growth	32,400,000	3,375,000
Buildings	1,400,000	500,000
Community & Property Development	200,000	240,000
Industrial Parks	29,265,000	300,000
Metro Transit	-	-
Parks and Playgrounds	500,000	500,000
Solid Waste	735,000	735,000
Traffic Improvements	300,000	1,100,000
Grand Total	161,214,000	147,924,000



Capital Budget Overview

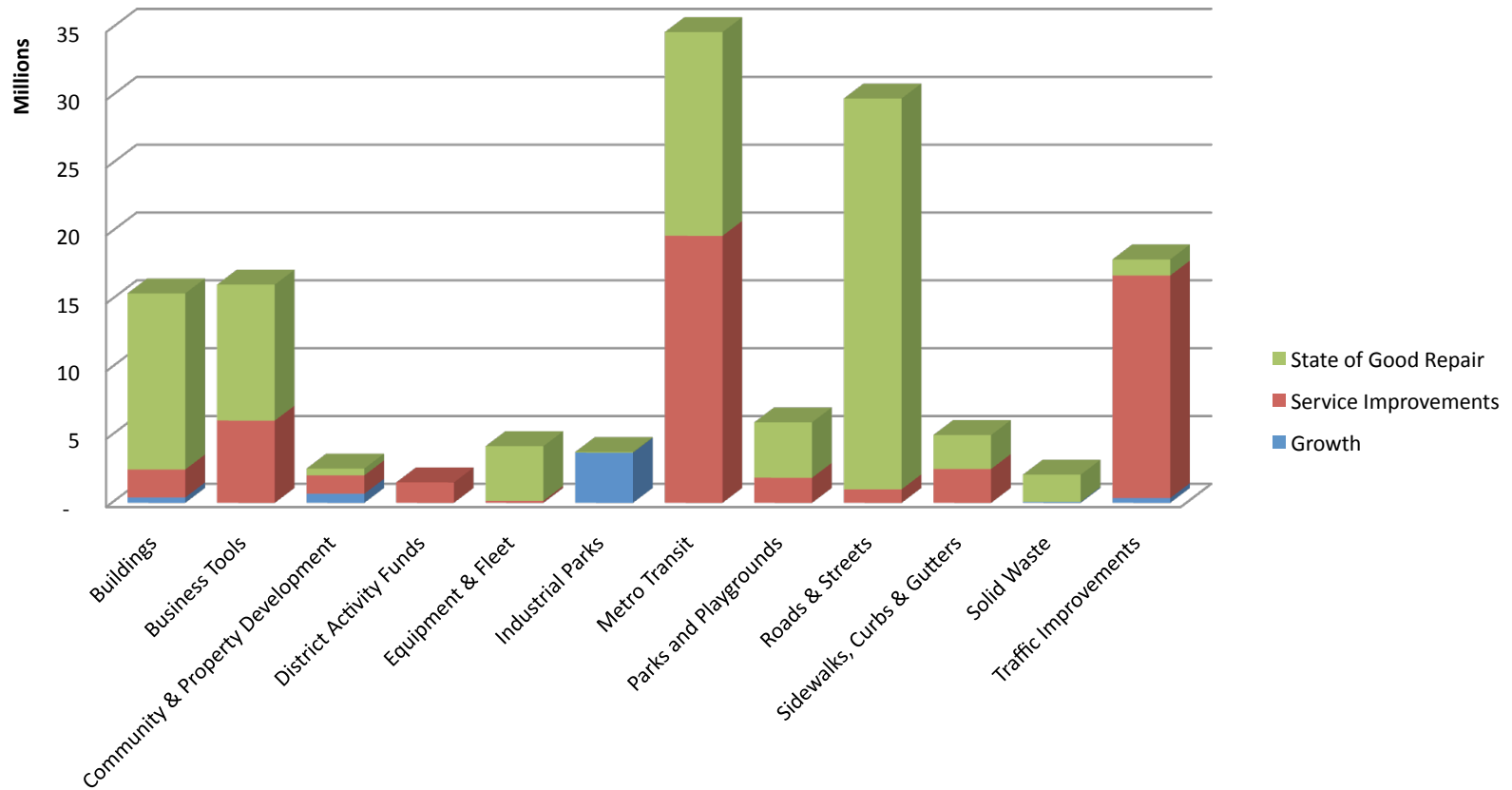
Proposed Budget by Type





Capital Budget by Category

**Capital Budget by Category
2014/15 Proposed**





New projects requiring Council direction

- **Beazley Field Grandstands**
- **Sackville St/Bell Rd Depot**
- **Fort Needham Upgrades**



Solid foundation for moving forward

- **We're maintaining our assets and investing in service improvements.**
- **Significant work has been done to gain efficiencies on the operating side.**
- **We are at the point now where we have flexibility.**
- **The Municipality has additional aspirations for large projects.**



Revenue sources are available

Significant amount of money is tied up in surplus municipal property:

- Bloomfield
- St Pat's High School
- Red Cross Building
- The third Clyde Street
- 90 Alderney – *already designated*

...and in existing capital projects.



But not Enough for all the Large Projects

Regional Projects in the planning phase:

- Streetscaping (5 yr \$50 million)
- Long Term Arena Strategy
- Dartmouth Sportsplex
- Museum

Potential Future Projects:

- Police Station
- Fire Training Facility
- Performing Arts Centre
- Stadium
- Library Facilities Plan



Choices need to be made

- **Prioritize, delay or choose not to do some projects**
- **Use revenue from potential sale of surplus municipal properties**
- **Increase property taxes**
 - Longer term solution – capital from operating & reserves
 - For example: \$4m/year is a 1 cent increase in tax rate
 - Immediate solution – increase debt
 - For example: \$35m borrowing increases tax rate 1 cent per year



Next Steps (debating choices)

- **Bring funding proposals back to Audit and Finance – June**
- **Service Delivery Models**
- **Spend for Impact – Strategy Driven**



Thank you

