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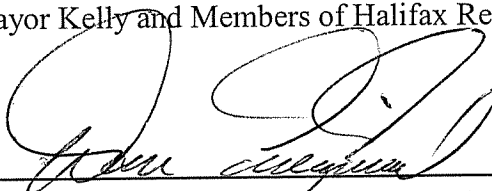


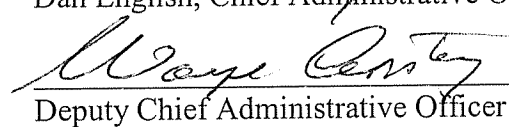
PO Box 1749  
Halifax, Nova Scotia  
B3J 3A5 Canada

**Halifax Regional Council**  
**May 2, 2006**

**TO:** Mayor Kelly and Members of Halifax Regional Council

**SUBMITTED BY:**

  
\_\_\_\_\_  
Dan English, Chief Administrative Officer

  
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Deputy Chief Administrative Officer

  
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Deputy Chief Administrative Officer

**DATE:** April 25, 2006

**SUBJECT:** 2006/07 Capital Budget

**ORIGIN**

At the Halifax Regional Council Meeting on March 28, 2006 staff committed to tabling the 2006/07 Capital Budget on May 2, 2006.

**RECOMMENDATION**

It is recommended that :

1. Council debate the 2006/07 Capital Budget at the same time it debates the 2006/07 Operating and Reserve Budgets.

**BACKGROUND**

Halifax Regional Council sought greater, more direct input into the development of the 2006/07 budget. It identified 12 strategic focus areas for discussion at Committee of the Whole, and during these discussions initiatives were identified, issues analyzed, options explored, and direction to staff provided. These discussions were largely completed by the end of January, and since then, staff have been developing a budget that balances the priorities of Council within the fiscal framework. For this reason, the tabling and debate of the 2006/07 budget is later than in recent years, however Council has pre-approved \$41.7 million of capital spending to enable early tendering.

At the January 31 Committee of the Whole, staff presented an update on the Fiscal Framework for the 2006/07 fiscal year. Given our preliminary projections, tabling a balanced budget based on the Fiscal Framework would have resulted in a reduction in tax rates of approximately 1.4%. Staff at the time indicated the net Capital Budget would be based on a capacity of \$76.8 million, financed by debt, capital from operating, reserves and the gas tax. This represented an increase in the capital budget of \$6.8 million over the 2005/06 budget. Council directed staff to prepare a budget on the basis of a 5.1% reduction in the tax rate which equates to a net reduction in required expenditures of about \$15 million dollars.

<b>2006/07 Capital Budget (net)</b>		
	<b>2005/06 Capital Budget</b>	<b>2006/07 Capital Budget</b>
Buildings	3,430,000	2,395,000
Community Facilities	2,620,000	3,046,000
Community & Property	3,870,000	2,340,000
District Activity Funds	1,495,000	1,495,000
Equipment & Fleet	8,173,000	7,954,000
Industrial Parks	0	0
Information Technology	3,857,000	2,301,000
Metro Transit (*See note)	16,342,000	12,243,000
Parks & Playgrounds	4,386,000	5,202,000
Roads & Streets	15,917,000	19,081,000
Stormwater & Wastewater	654,000	1,765,000
Sidewalks, Curbs & Gutters	3,146,000	3,421,000
Solid Waste	0	0
Traffic Improvements	6,072,000	12,268,000
<b>Total</b>	<b>\$69,962,000</b>	<b>\$ 73,511,000</b>
Strategic Transit		11,000,000
<b>Total (including S. Transit)</b>	<b>\$69,962,000</b>	<b>\$84,511,000</b>

\* Metro Transit's capital budget, including the Strategic Transit funds, has increased by \$6.9 m.

Council gave direction to staff through the discussions of the Council Focus Areas, to redirect more funding to streets, roads, sidewalks, and land acquisitions although various members of Council also raised concerns around parks and playgrounds, sewers, HRM facilities, bikeways, transit, recreation facilities, fire stations and equipment, business parks.

The criteria used in the development of the capital budget were approved by Council in the fall. They include strategic importance, risk, fiscal considerations, capacity and success likelihood. Strategic importance refers to projects that are in alignment with capital budget priorities, such as the Council Focus Areas, the Regional Plan, the economic and cultural policies, and any other broad organizational strategic directions such as business plan objectives. Subsequent to Council approving the criteria for capital budget development, information was presented to Council on wastewater infrastructure requirements. In response to these wastewater infrastructure challenges, a wastewater funding strategy will be presented to Council as a separate report, prior to approval of the Operating, Capital, and Reserve budgets.

**DISCUSSION**

The proposed **gross** Capital Budget is \$192.4 million, and a net capital budget of \$73.5 m. The gross budget includes those projects funded by specific reserves and external funding sources, such as \$69 million in sewers and Harbour Solutions, and \$7.4 m for Industrial Parks.

The assumptions around the fiscal framework, and the subsequent proposed capital budget are outlined below.

2006/07 Capital Budget (net)		
	Jan./06 Fiscal Framework	May/06 Proposed Capital Budget
Debt	32.2	36.2
Capital from Operating	32.2	26.6
Reserves & Other	4.8	3.1
Gas Tax	7.6	7.6
Strategic Transit		11.0
Total	\$76.8	\$84.5

**Debt Funding and Capital from Operating:** The Fiscal Framework presented to Council indicated a net capital budget of \$76.8 million, based on borrowings of \$32.2 million, funding from the operating budget of \$32.2 million, \$4.7 million from reserves, and \$7.6 million from the Gas Tax.

In response to the 5.1 % decrease in the tax rate, staff are proposing to reduce the amount from the operating budget by \$4 million, and proposes instead to increase the amount borrowed by \$4 million, in recognition of the increasing amounts of the gas tax expected over the next four years. In 2007-08, 2008-09, and 2009-10 borrowings will be reduced by \$4 million in total. Staff would recommend this approach for one year only, and is comfortable that this will not jeopardize our debt position in the longer term. As well a number of other adjustments with regards to projects and funding have led to a revised capital budget.

The proposed net capital budget is now based on borrowings of \$36.2 million, capital from operating of \$26.6 million, \$3 million from reserves and other sources, \$7.6 million from the gas tax and \$11 million from the Strategic Transit program.

**Gas Tax:** The Fiscal Framework presentation to Council on January 31, 2006 included the assumption that the Gas Tax would be treated as a source of funding for the capital budget. On March 7, 2006 Council approved the direction for the allocation of the 2006/07 gas tax funding in accordance with the general infrastructure criteria approved by Council on October 11, 2005. The March 7<sup>th</sup> report committed that once specific gas tax projects have been identified, they will be forwarded to Council for consideration and discussion prior to submission to the Province, as part of the capital budget process. Accordingly, the capital budget was prepared based on the criteria approved by Council, and the direction provided by Council through the discussions of the Council Focus Areas. \$7.6 million is expected to be received from the gas tax, and will be earmarked for specific areas (transit, active transportation, wastewater, and solid waste) based on Council's direction.

**Strategic Transit Funding:** The Federal Government has announced funding for transit systems, however details and conditions have not yet been communicated. This budget assumes \$11 million in 2006/07. If this funding is not received, not all the projects provided in the proposed capital budget will proceed. It should also be noted that the assumption of Strategic Transit funds has been used to support an increase in the Transit budget of \$6.4 million.

**Budget Highlights**

- Proposed gross capital budget of \$192.4 million, compared to \$214.2 million last year.
- Proposed \$36.2 million to be funded by debt, versus \$32.2 million last year.
- HRM's overall projected debt for March 31, 2007 (subject to Strategic Transit funding) decreased to \$277.2 m, down 25% (\$70 m) from a high in 1998/99.
- \$7.6 million of gas tax, and \$11 million from the federal Strategic Transit program

<b>Budget Category</b>	<b>Proposed Increase over 2005/06</b>
Metro Transit	\$6.9 m
Traffic Improvements	\$6.2 m
Roads and Streets	\$3.2 m

Sidewalks	\$275,000
Parks and Playgrounds	\$816,000
Sewers	\$1.1 m
Community Facilities	\$426,000

### Implications

There are pressures for capital investment not met in this proposed budget. Demands unmet include building maintenance, new community facilities, the replacement of the Spring Garden Road library, land acquisition for new facilities and parks required in the future, rural transit, etc.

The issue of the additional funding requirement for wastewater, will be addressed in a separate report to Council prior to approval of the budget. It is a matter of choices, timing, and taking advantage of leveraging opportunities when they arise. It is believed the proposed budget balances the needs of the community and prudent management of existing assets within the fiscal framework. Council may choose a different balance.

The Commonwealth Games present a unique opportunity to advance HRM's capital investment needs with respect to community facilities, amenities, and transportation, at a minimum, with substantial financial support/leveraging from other levels of government. The Commonwealth Games investment (some 15 separate international events leading to the Commonwealth Games themselves) provide substantial opportunities to build HRM's global presence, promotion of HRM as a welcoming, innovative and capable community. There is no direct contribution to the Commonwealth Games in the capital budget at this time, and staff will be proposing a financial plan to support the Commonwealth Games at a later time. Internal work to date supports the view that the Commonwealth Games will be affordable for HRM.

### **BUDGET IMPLICATIONS**

The budget implications are as presented in the summary of the proposed capital budget document.

### **FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN**

This report complies with the Municipality's Multi-Year Financial Strategy, with the exception of the proposed addition of \$4 million in debt as identified in the body of the report. HRM Council will be asked to approve this one-time variance from the debt policy when Council approves the Operating, Reserve, and Capital budgets. This report complies with approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

**ALTERNATIVES**

- Council may give direction to alter the assumptions under which the proposed budget was developed.
- Council may choose to debate and discuss the capital budget before the Operating and Reserve budget.

**ATTACHMENTS**

None

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.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: Betty MacDonald  
Betty MacDonald, Director Business Planning & Information Management

Cathie O'Toole  
Cathie O'Toole, CGA A/Director Financial Services