

HALIFAX REGIONAL MUNICIPALITY

HALIFAX REGIONAL COUNCIL COMMITTEE OF THE WHOLE MINUTES

April 1, 2008

PRESENT:

Mayor Peter Kelly
Deputy Mayor Stephen D. Adams
Councillors: Steve Streach
Krista Snow
David Hendsbee
Harry McInroy
Gloria McCluskey
Andrew Younger
Bill Karsten
Jackie Barkhouse
Jim Smith
Mary Wile
Patrick Murphy
Dawn Sloane
Sue Uteck
Sheila Fougere
Russell Walker
Debbie Hum
Linda Mosher
Brad Johns
Robert P. Harvey
Reg Rankin
Gary Meade

STAFF:

Mr. Dan English, Chief Administrative Officer
Ms. Mary Ellen Donovan, Municipal Solicitor
Ms. Julia Horncastle, Acting Municipal Clerk
Ms. Sheilagh Edmonds, Legislative Assistant

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1. CALL TO ORDER

The meeting was called to order at 1:10 p.m.

2. APPROVAL OF THE MINUTES - February 19 & 26, 2008

MOVED by Councillor Meade seconded by Councillor Wile that the minutes of February 19 & 26, 2008 be approved. MOTION PUT AND PASSED

MOVED by Councillor Meade, seconded by Councillor Rankin that the order of business be amended to deal with item 4 first. MOTION PUT AND PASSED.

1. FISCAL FRAMEWORK / CAPITAL

A slide presentation on this item was submitted.

A handout entitled Proposed Changes to 2008/09 Capital Budget was circulated during the staff presentation.

Ms. Dale MacLennan, Director of Finance, and Ms. Cathie O'Toole, Director of Capital and Infrastructure provided a presentation on Capital and Related Financing, as a follow up to the February 19, 2008 presentation on Fiscal Framework. Ms. MacLennan advised that at the last presentation, staff was asked to report back on the following questions:

- C What would it cost to halt deterioration of asset condition?
- C What would it cost to begin to improve asset condition?
- C Could a growth factor be included in the existing debt capacity to allow HRM to better respond to infrastructure needs and produce a better long term financial condition?
- C Could funds (new or existing) be dedicated to pay debt service costs of an increased capital program?

Highlights of the presentation are noted as follows:

- C \$87 million would be required to be invested annually to sustain the Municipality's current assets.
- C Staff are unable to determine at this time what it would cost to improve the condition of assets due to a lack of good data. Staff are working on an Asset Inventory Project and will be able to provide reliable information in this regard next year.

At 1:24 p.m. Councillors Snow, Mosher, and Sloane entered the meeting.

- C A higher proportion of the gross capital budget is going toward maintaining existing assets than in previous years.
- C Options to expand the capital budget include:
 - S increase the pay as you go dollar for dollar;
 - S find new cost-sharing - use it dollar for dollar or leverage it by using it to

- S pay debt service costs if permitted;
 - S increase revenues (taxes, fees, etc) - uses it dollar for dollar or leverage it by using it to pay debt service costs;
 - S increase the debt (to do this the debt policy must be revised to allow the increase in debt).
- C Options of dedicating new or existing dollars to a debt service fund to create a new debt capacity include:
- S cost sharing (i.e. new gas tax dollars, new or existing GST rebate);
 - S use capacity created from declining debt charges;
 - S rationalize and sell facilities and property and use proceeds on higher priority needs that are not immediate;
 - S raise new revenues through taxes, dwelling unit charges;
 - S use capacity created as debt is repaid on Metro Park and Alderney Gate.

At 1:38 p.m. Councillor Sheila Fougere entered the meeting.

- C A key reason to begin an investment infrastructure program is that this year it can be done without impacting on other budget areas.
- C There is the potential of \$28 million additional capital—\$6 million from growth adjustment to debt policy, and \$22 million from debt service fund.

At 2:12 p.m Council recessed.

At 2:32 Council reconvened with the same members present.

Councillor Streach advised that he was pleased with the presentation provided. He added that Council is at a crossroad, and was working with a debt re-payment strategy that is over a decade old. Councillor Streach went on to note that although no one is comfortable in increasing the debt, staff's comment that *Standard & Poor's* indicated this would not affect the Municipality's credit rating, was significant.

MOVED by Councillor Streach, seconded by Councillor Sloane that Regional Council approve the following:

Recommendations regarding Growth Factor:

- S **2008/09 Incorporate growth factor as outlined, limiting additional capacity from adjustment to \$6 million;**
- S **2008/09 Dedicate new capacity to growth-related capability (new projects:**
- S **Future years - Include a growth factor in the debt policy. Return to Council in summer of 2008 with a redrafted policy and debt targets for the next 5 years.**

Recommendations - Debt Service Fund:

- S **2008/09 - Dedicated \$3 million of reduction in debt service to Debt Service Fund - new debt not to exceed a 10 year term (\$3 m = \$22 million increased capital)**

- S **2008/09 Set aside remainder of reduction in debt payment to support operating costs of capital**
- S **2008/09 Allocate additional capital budget based on the recommended list**
- S **Any funds that cannot be spent in 2008/09 not be assigned to projects and held to determine if need**
- S **Future Years - Develop criteria for the inputs and outputs to be incorporated into revised Debt Policy**

Recommendation: Non-HRM Capital Asset funding request:

- S **Allocated \$2 million in the 2008/09 capital budget to respond to the various requests and returning to Council with specific recommendations on allocation**
 - S **\$ 1 million community owned facilities**
 - S **\$ 1 million HRM owned facilities**
- S **Investigate opportunities for the community at large to leverage HRM dollars in the future (such as creation of a CDIF)**

A discussion ensued with staff responding to questions. The following comments were noted:

Councillor Hendsbee requested a summary sheet showing all the strategic initiative funds/reserve accounts, including a year to year status report showing how old they are, how much is in each account, and if they need to be 'topped up'.

Councillor Wile referred to Slide 5 and noted that the Alderney building scored 38 and she questioned what the maximum possible score could be.

In response, Ms. O'Toole advised that she has not calculated what the maximum score is, but that she would calculate what the highest maximum theoretical score could be and provide this information.

Councillor Younger indicated he could not support the recommendations as it assumes a growth target. He added that the presentation did not illustrate any evidence of efficiencies and also noted that consideration has not been given as to whether there is the industry capacity to carry out the capital projects.

Councillor Uteck referred to the matrix evaluation which was circulated and advised that she would require further information on the scoring because in her view, there was a difference in what the staff presentation had to say versus what is contained in the matrix. Councillor Uteck explained that the items which have an everyday impact on HRM are scoring low while some of the big events are high on the list. She suggested that perhaps a business case needs to be made as to why some projects have leapfrogged over others.

Ms. O'Toole advised that the matrix list was a work in progress. She explained that the matrix approach is a recommendation from the Government Finance Officers Association and, if staff succeed in implementing this approach in the capital budgeting process and it is approved

by Council, then HRM will be on the leading edge in terms of how it carries out its capital budgeting. Ms. O'Toole also pointed out that Council does not have to use the matrix approach, adding that Council can make the decision as to how to allocate the funds for this year; or if a decision is made to take the matrix approach, it can be a subcommittee of Council working on the issues, or a subcommittee of staff and Council.

At this point in the meeting the Mayor noted that it was unlikely Council would be able to deal with the other agenda item—'Short Term Arena Capacity Strategy'. **It was agreed** that this item would be forwarded to a future Committee of the Whole meeting.

Councillor Younger indicated that he felt Council should not be dealing with any motions today and that this discussion should wait until budget deliberations.

MOVED by Councillor Younger, seconded by Councillor Hum that the motion be deferred to the first budget Committee of the Whole.

Councillor Hendsbee put forward the following questions:

- C What has been the past rates of interest on debentures?
- C Should there be discussion with the Municipal Financial Corporation and the Province about the viability of Municipal Bonds?
- C Has the municipality considered further opportunities to foster citizenship stewardship in much the way the Friends of the Public Gardens have?
- C Has staff considered the former Volvo Plant as a location for a transit garage?

Councillor Rankin advised that with the new money announced recently by the Federal Government, he was interested in seeing what other projects are possible in addition to what was discussed today and if transit priorities would be eligible for the Federal Gas tax funds.

Ms. MacLennan advised that staff will take some of the requests for information as well as request for background and provide Council next week with an information report, supplementary to today's presentation.

Councillor Fougere noted that the issue of maintenance of infrastructure has a place on the matrix and she would like to see this included, as well as sustainability in terms of economic as well as environmental.

In response to a request for clarification on the main motion, Councillor Streach indicated that his intent in moving the motion was to refer the three recommendations, in principle, to the budgetary process.

Councillor Younger advised that he did not support approving the recommendations in principle at this time because, in his view, there is the potential it could result in the single largest tax increase, in about five years from now, that this Municipality has ever seen. He added that Council has not been shown the data that would suggest otherwise and he believed the data Council has been shown has been overly optimistic. Councillor Younger indicated that he would support dealing with recommendations as part of the budget process, which

would give Council more time to review the information.

Ms. MacLennan advised that staff was not expecting 'approval in principle' because approval in principle assumes the motion will be forwarded to Regional Council. She added that staff was looking for direction from Committee of the Whole to continue with the budget process, and Committee of the Whole would give direction as to whether it was acceptable or not, or somewhere in between. She emphasized that it was not her expectation that this would be approved by Council until the budget was coming forward for final resolution.

In response to a question by Councillor Smith, the Mayor concurred that the main motion is to approve the recommendations in principle.

Following a brief discussion, Councillor Streach advised that he was in agreement to refer his motion to Committee of the Whole budget deliberations, and to remove any reference to "in principle".

The Mayor called for the question on the motion to defer.

THE MOTION TO DEFER WAS PUT AND DEFEATED.

The Mayor called for the question to refer the main motion to the Committee of the Whole deliberations.

THE MOTION TO REFER TO COMMITTEE OF THE WHOLE BUDGET DELIBERATIONS WAS PUT AND PASSED.

The motion reads as follows:

Moved by Councillor Streach, seconded by Sloane that the following three recommendations be referred to Committee of the Whole budget deliberations:

Recommendations regarding Growth Factor:

- C 2008/09 Incorporate growth factor as outlined, limiting additional capacity from adjustment to \$6 million;**
- C 2008/09 Dedicate new capacity to growth-related capability (new) projects:**
- C Future years - Include a growth factor in the debt policy. Return to Council in summer of 2008 with a redrafted policy and debt targets for the next 5 years.**

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- C **2008/09 Allocate additional capital budget based on the recommended list**
- C **Any funds that cannot be spent in 2008/09 not be assigned to projects and held to determine if need**
- C **Future Years - Develop criteria for the inputs and outputs to be incorporated into revised Debt Policy**

Recommendation: Non-HRM Capital Asset funding request:

- C **Allocated \$2 million in the 2008/09 capital budget to respond to the various requests and returning to Council with specific recommendations on allocation**
 - 1. **\$ 1 million community owned facilities**
 - 2. **\$ 1 million HRM owned facilities**
- C **Investigate opportunities for the community at large to leverage HRM dollars in the future (such as creation of a CDIF)**

3. SHORT TERM ARENA CAPACITY STRATEGY

This matter was deferred to a future Committee of the Whole.

5. ADJOURNMENT

The meeting was adjourned at 4:38 p.m.

Julia Horncastle
Acting Municipal Clerk