

Item No. 14.2
Halifax Regional Council
October 22, 2013

TO: Mayor Savage and Members of Halifax Regional Council

SUBMITTED BY: Original Signed
for Councillor Bill Karsten, Chair, Audit and Finance Standing Committee

DATE: October 17, 2013

SUBJECT: 2014-15 Budget Process and Consultation Plan

ORIGIN

- Staff report dated, October 9, 2013
- October 16, 2013 meeting of the Audit and Finance Standing Committee, Item 9.1.3

LEGISLATIVE AUTHORITY

Halifax Charter, Section 35.(1) The Chief Administrative Officer shall (b) ensure that an annual budget is prepared and submitted to the Council

Halifax Charter, Section 21 (4) respecting the procedures of Standing Committees

RECOMMENDATION

The Audit and Finance Standing Committee recommends Halifax Regional Council approve:

1. The Budget schedule, as per Attachment A of the October 9, 2013 staff report to the Audit & Finance Standing Committee.
2. The Budget Consultation Plan, as outlined in the October 9, 2013 staff report to the Audit & Finance Standing Committee.
3. The Preliminary Fiscal Direction, as outlined in the October 9, 2013 staff report to the Audit & Finance Standing Committee.

BACKGROUND

At the December 4, 2012 Committee of the Whole, Regional Council directed staff to present the 2013/14 Draft Budget and Business Plans to the Audit and Finance Standing Committee for review prior to consideration by Regional Council. That process was followed for 2013-14 budget deliberations.

In the report to the Audit and Finance Standing Committee, dated October 9, 2013, staff put forward recommendations for the 2014-2015 budget process in the following three (3) areas:

Budget process

Staff recommended that the same approach/process be used for the 2014/15 Budget process.

Public Consultation

One of the key deliverables approved by Council for the 2013-14 fiscal year was citizen engagement for the 2014-15 Budget. To achieve that outcome staff recommended that three key items be implemented: public discussions during Community Council meetings beginning in November; an on-line budget tool, which allows the public to better understand the municipal budget process and provide input; and an "open mike" session at the end of each Audit and Finance meeting.

Fiscal Direction

Staff recommended that, Council continue to focus on the average (typical) tax bill when establishing the tax rate; that the average residential and business tax bill should not rise more than inflation; that, as in past years, the municipality would take tax revenues from new properties and growth to offset the increased cost of services to those properties; and, that the level of debt for the upcoming capital budget should be established as per Council's debt policy.

Further details in each of these areas can be found in the October 9, 2013 staff report and presentation to the Audit and Finance Standing Committee (see Attachment 2).

DISCUSSION

The Audit and Finance Standing Committee have reviewed this matter and recommend that Halifax Regional Council approve the recommendation as outlined in the recommendation section of the October 9, 2013 staff report.

FINANCIAL IMPLICATIONS

As outlined in the staff report dated October 9, 2013.

COMMUNITY ENGAGEMENT

All meetings of the Audit and Finance Standing Committee are open to the public. Further information on Community Engagement for the 2014-15 Budget Process is outlined in the staff report dated October 9, 2013.

ENVIRONMENTAL IMPLICATIONS

There are no Environmental Implications identified.

ALTERNATIVES

The Standing Committee did not provide an alternative.

ATTACHMENTS

1. Staff Report dated October 9, 2013
2. Presentation to the Audit and Finance Standing Committee, dated October 16, 2013

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/agenda.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: Liam MacSween, Legislative Assistant, 490-6521



P.O. Box 1749
Halifax, Nova Scotia
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Audit & Finance Standing Committee
October 16, 2013

TO: Chair and Members of Audit & Finance Standing Committee

Signed by

SUBMITTED BY: _____
Greg Keefe, Director, Finance & ICT/CFO

DATE: October 9, 2013

SUBJECT: 2014-15 Budget Process and Consultation Plan

ORIGIN

The 2014-15 Budget and Business Planning process, targets and consultation approach needs to be established.

LEGISLATIVE AUTHORITY

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 Audit and Finance Committee recommend to Regional Council for approval:

1. The Budget schedule as per Attachment A – Audit & Finance 2014-15 Budget Schedule.
2. The Budget Consultation plan
3. Preliminary fiscal direction

BACKGROUND

At the December 4, 2012 Committee of the Whole, Regional Council directed staff to present the 2013/14 draft Budget and Business Plans to the Audit and Finance Committee for review and discussion prior to consideration by Regional Council. This process was followed for the 2013-14 Budget process and is recommended for the 2014-15 Budget process. One of the key deliverables approved by Council for the 2013-14 fiscal year was citizen engagement for the 2014-15 Budget.

DISCUSSION

Process to develop the Budget:

The Audit and Finance Committee oversight of the Operating and Capital Budgets has proven to be an effective and transparent approach to developing those budgets. It is recommended that this approach continue for the 2014-15 budget. As part of that approach each Business Unit will appear before Audit and Finance with an overview of their budget and their services. As in previous years, any Councillor can attend the budget review at Audit and Finance. The timeline for each business unit is included in Appendix A with an expected date for completion of the draft budget to be tabled at Council on April 1st, 2014.

It is recommended that Audit and Finance Committee maintain the Budget process followed during the 2013-14 Budget for the 2014-15 Budget. The process allowed for detailed discussion on the status of operations within the various Business Units, the service levels they are currently maintaining and the budget pressures that exist. The process also allowed for additional information to be provided back to Councillors, if requested, without delaying the Budget presentation to Regional Council.

Public Consultations:

For the upcoming year, budget consultation is recommended to improve Citizen Engagement in the Budget process. This will consist of three key items: public discussions during the Community Councils; an on-line Budget tool; and, a public comment session at the end of each Audit and Finance meeting.

Budget discussions and a presentation to the public will occur starting with the November Community Council meetings. In addition, meetings will be scheduled with representatives of the business community. These meetings will allow the Mayor and Councillors to present and discuss information directly with the public and receive feedback.

Using an online budget tool (the Budget Allocator) provides the public with an opportunity to better understand the municipal budget and provide input for Council consideration in the budget process. This type of tool is becoming increasingly common amongst all levels of government, and offers citizens the opportunity to adjust taxation levels to support the level of services they

desire. There will be options to increase, decrease or maintain individual budgets on various services. Background information will be available to help citizens understand various municipal services and how they might be affected by budget increases or decreases. The on-line tool will be available for public input beginning in November 2013. The results from the Budget Allocator will be provided to Council for their consideration.

Lastly, at the end of each Audit and Finance meeting an open mike is proposed to allow interested members of the public to comment on the topic under discussion that day. This allows one additional manner in which the public can provide ongoing feedback.

Overall, the consultation process is designed to gather ongoing feedback from the public during different stages of budget development. The Budget Allocator will appeal to those with computer access who want to provide input early in the process. The public meetings at the Community Council and with the business community will allow for a more direct dialogue. Lastly, the open mike sessions at Audit and Finance will allow the public another chance to provide comments, as the budget details become more specific.

The information from both the Community Council discussions and the On-line tool will be reviewed and presented to the Audit & Finance Committee for their consideration during the Budget process.

Fiscal Direction:

As in previous years, the budget starts with a series of working assumptions on taxation, debt levels and public services.

To date, the assessment roll is not yet available and the assessment cap rate for 2014 has not been established. However, staff is suggesting that Council continue to focus on the average or typical tax bill when establishing tax rates. Those tax bills for Residents and Business should not increase by more than inflation, as represented by the amount of the assessment cap. This means that average taxes should not rise more than inflation but, as in past years, the municipality would take tax revenues from new properties and growth to help manage the expenditures and services associated with those properties.

The levels of debt that are to be associated with the upcoming capital budget should be established as per Council's Debt Policy. The upcoming capital budget will build upon Year 2 of Council's Plan. Already, state of good repair projects for year 2 has been pre-approved by Council. There may be some adjustments to these projects as well as those designed for service improvements and growth. Lastly, as per Council instructions, there are a number of longer term strategic projects that are being considered which may require adjustments to the operating and capital plan.

With respect to service levels, Staff is not recommending any specific service changes at this time and no budget targets have been provided to business units. Staff will continue to develop efficiency measures to save funds for alternative uses such as enhanced services or additional tax relief. As part of that exercise, the 2012-2013 final levels of expenditures will be closely

examined to ensure that any excess funds not yet built into this year's budget are properly allocated.

FINANCIAL IMPLICATIONS

HRM currently has a license with the service provider (Sustainet), for the engagement platform -- EngagementHQ. The Budget Allocator is an additional tool of this software package which costs \$7,500 plus HST. Advertising and promotion costs for consultations are expected to cost approximately \$12,000. The funds are available within the current 13-14 Budget.

COMMUNITY ENGAGEMENT

The Budget Consultation will consist of an on-line balance-the-budget tool as well as an opportunity for the Public to discuss the Budget and the process with Councillors and the Mayor during the Community Council meetings scheduled in November 2013.

The Community will also be provided the opportunity to attend the Business Unit draft budget presentations to the Audit & Finance Committee, and afforded the opportunity to ask questions afterwards.

ENVIRONMENTAL IMPLICATIONS

Implications not identified.

ALTERNATIVES

Council is free to alter the budget process and debate the Budget directly at Regional Council.

ATTACHMENTS

A – Audit & Finance 2014-15 Budget Schedule

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


Report Prepared by: Barb Wilson, Budget Coordinator 490-4280

Signed by

Report Approved by: Bruce Fisher, Manger Financial Policy & Planning 490-4493

Appendix A
Audit and Finance 2014-15 Budget Schedule

Subject	Target Date
Fiscal Direction and Consultation Plan	Oct 16
Capital Budget	Nov 20
Metro Transit	Dec 18
TPW	Jan 8
CRS and Library	Jan 15
Police and Fire	Jan 22
P&I	Jan 29
CAO & Governance, and Legal	Feb 5
HR and FICT	Feb 12
Return as Required	Feb 19
Fiscal and Consolidated Accounts	Feb 26
Draft Budget Tabled at Audit and Finance	March 26
Audit and Finance Recommendation to Regional Council	April 1



Budget Process and Consultation Plan

Audit and Finance Committee

October 16, 2013

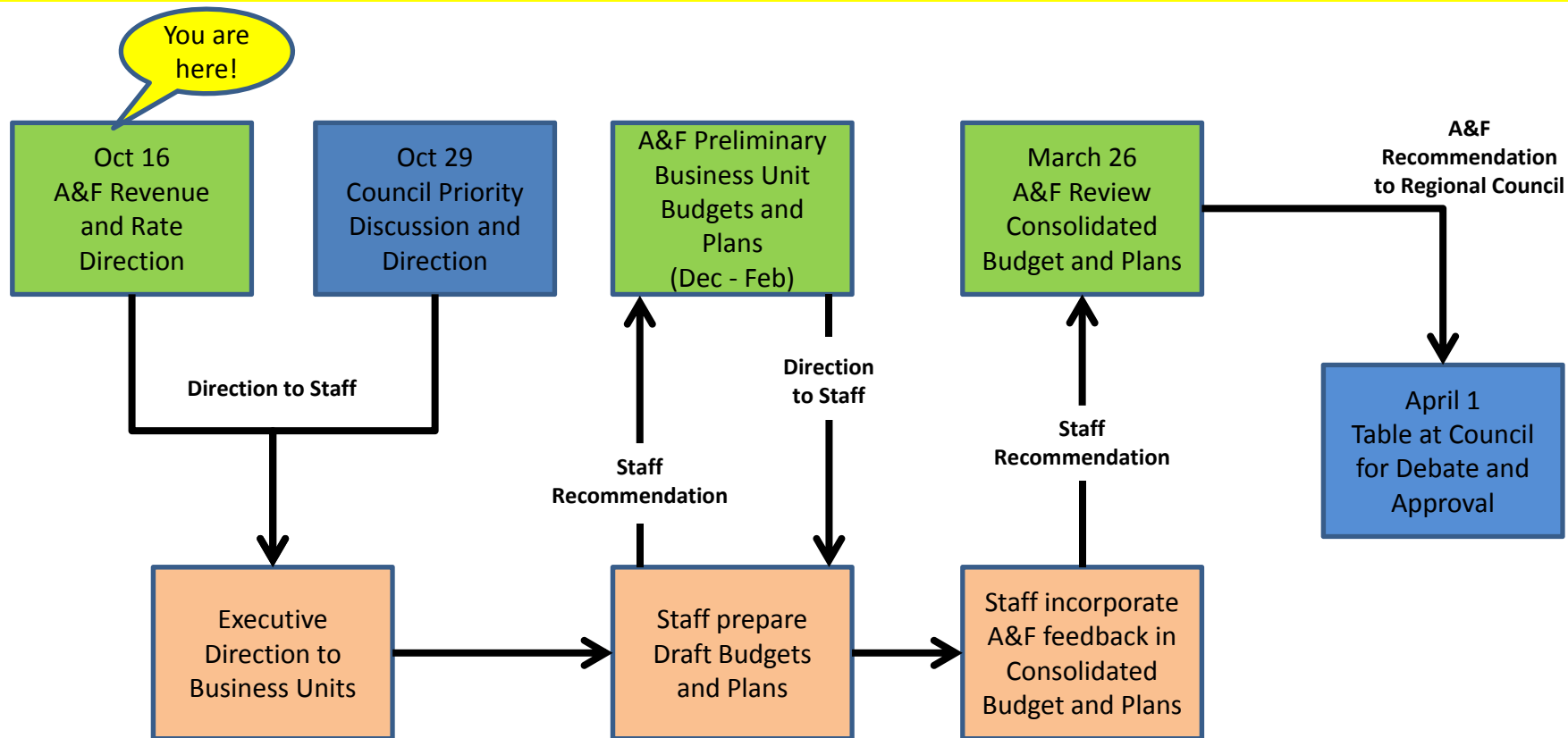


Outline

- **Process for 2014-15**
 - Audit and Finance
- **Budget Consultations**
 - 3 Approaches
- **Financial Framework**
 - Capital, Debt
 - Long Term Outlook
- **Recommendations**



Budget and Business Plan Development Process <assuming the process is endorsed by A&F>





Budget Discussions Timetable

Audit and Finance Standing Committee

Subject	Target Date
Fiscal Direction and Consultation Plan	Oct 16
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Audit and Finance Recommendation to Regional Council	April 1



Public Consultations

- **Three key ways to improve citizenship engagement:**
 - Community Council Presentations
 - On-line Budget Tool
 - “Open Mike” at Audit and Finance



Community Council

- **Presentations to the Public starting in November**
 - Halifax and West
 - Harbour East
 - North West
- **Event will be advertised in media.**



On-line Budget Tool

- **Public will be able to provide input using on-line tool.**
- **Allows the public to increase/decrease certain services and see the impact on the budget and taxes.**



Example of Web Tool

Transport, Roads and Drainage

ROADS & BRIDGES

- INCREASE budget and service level by 10% (**\$23.3m**)
- INCREASE budget and service level by 5% (**\$22.2m**)
- MAINTAIN current budget and service level (**\$21.2m**)
- DECREASE budget and service level by 5% (**\$20.1m**)
- DECREASE budget and service level by 10% (**\$19m**)



INCREASE budget and service level by 10% ✕

Increase reseal program to return to average condition of 7 within 7 Years. Road reconstructions increased to approx 0.8% of network per year. Increase program to 1.5 km of kerb and gutter per year. Increase gravel road sealing program to 2.5 km/year. Bridges maintained at current levels. Future bridge component replacement program as necessary.



THE ALLOCATOR

Budget

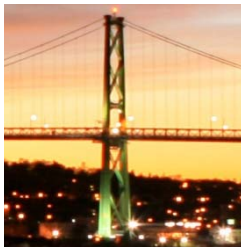
\$70.56m

Your Spend

\$37.98m

Amount left to allocate

\$32.58m



Services for On-Line Discussion

Protective Services

- Police
- RCMP
- Fire
- Emergency Measures (EMO)

Community Services

- Recreation Facilities and Programs
- Sportfields and Playgrounds
- Parks, Trails & Open Green Space
- Municipal By- Law and Compliance
- Libraries
- Culture / Heritage / Events
- Customer Service Centres & 311

Infrastructure

- Roadway Maintenance
- Streetlights
- Snow Removal and Ice Control
- Traffic Management & Right of Way
- City Beautification
- Solid Waste

Transit Service

Property Development

- Planning
- Development Approvals, Permits and Inspections
- Economic Development & Business Parks








“Open Mike”

- **Dedicate time at the end of each Audit and Finance for the public.**
- **Encourage them to comment on that session’s topic.**



Balancing Taxes and Services

Key Economic Assumptions

	Base Year 2013-14	Year 1 2014-15	Year 2 2015-16	Year 3 2016-17	
Inflation (CPI)	1.4%	1.2%	1.2%	2.0%	
Income (per person)	\$40,034	\$41,181	\$42,585	\$43,851	
- percentage change	2.7%	2.9%	3.4%	3.0%	
Employment (000s)	226,000	230,000	235,000	238,000	
New Homes	2,900	2,289	2,431	2,191	
- percentage change	1.6%	1.6%	1.2%	1.1%	
Gross Domestic Product (GDP)	3.1%	3.8%	4.6%	5.4%	

Source: Conference Board of Canada



Balancing Taxes and Services

Draft Working Assumptions

	Base Year 2013-14	Year 1 2014-15	Year 2 2015-16	Year 3 2016-17
Debt Targets (\$ millions)	265,200	261,100	256,300	251,500
- per dwelling	1,422	1,379	1,338	1,298
Capital from Operating	47,155,900	49,977,000	52,688,000	55,810,000
- per dwelling	253	264	275	288
Assessment Cap	1.0%	1.3%	1.2%	1.2%
Residential Tax Bill	1,851	1,874	1,895	1,916
- percentage change	1.7%	1.3%	1.1%	1.1%
- as a percentage of income	1.48%	1.46%	1.43%	1.40%
Commercial Tax Bill	42,327	42,860	43,376	43,909
- percentage change	2.0%	1.3%	1.2%	1.2%
- as a percentage of GDP	1.08%	1.07%	1.07%	1.07%



Balancing Taxes and Services

Preliminary Estimate

	Base Year 2013-14	Year 1 2014-15	Year 2 2015-16	Year 3 2016-17
Gross Expenditures (\$m)	\$694.6	\$729.3	\$753.3	\$761.0
Revenues	-\$212.7	-\$217.6	-\$227.7	-\$216.6
Property Taxes	<u>-481.9</u>	<u>-494.4</u>	<u>-502.8</u>	<u>-513.5</u>
Targeted Revenues	-\$694.6	-\$712.0	-\$730.5	-\$730.1
(Surplus)/Deficit	\$0.0	\$17.3	\$22.8	\$30.9



Recommendations

- **Approve**
 - Budget Schedule
 - Budget Consultations Plan
 - Preliminary fiscal direction.



Questions and Feedback

Audit and Finance Committee

October 16, 2013

