

HALIFAX REGIONAL MUNICIPALITY

HALIFAX REGIONAL COUNCIL
Committee of the Whole
Budget Deliberations
April 15, 2008

PRESENT:

Mayor Peter Kelly
Deputy Mayor Adams
Councillors: Steve Streach
Krista Snow
David Hendsbee
Harry McInroy
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

REGRETS:

Councillor: Gloria McCluskey

STAFF:

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

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The meeting was called to order at 3:05 p.m.

1. **APPROVAL OF MINUTES - None**
2. **PRESENTATION - Budget Deliberations**

Mr. Dan English, CAO, advised Council that the executive summary will be laying out the decisions to move this year's Budget forward. Only directors and higher key level Staff will be present today to answer any questions or provide any detailed technical advice that Councillors may need in order to make decisions about the Budget.

Mr. English advised Council that this is a different approach to moving this year's Budget forward.

Mr. Brad Anguish, Director, Business Planning and Information Management advised Council of how they got to where they are today, noting the following:

- In October 2007, Council, out of last year's business planning process, directed Staff to look at revising the approach to a business plan and bring it back to Council for their review;
- Best practice research was done and the results were brought back to Council.
- Council also directed Staff to complete an Infrastructure List which Council received when Staff tabled the Budget April 1, 2008
- Council then directed Staff to do Informal Council /Staff Consultations that involved open houses that lasted over a 2/3 day period.
- The idea behind the open houses was to answer the clarification questions that Council may have to enable the process to run smoother.
- In February 2008 the fiscal framework was laid out for Council, both Operating and Capital
- Council directed Staff which option to proceed with and what tax rate to work with. The Budgets books of April 1 were then submitted to Council based on this information.
- Council, at that time, gave a supplementary direction to go back and look at the Capital program and this is ongoing.
- Once the Budget was tabled, a two week consultation period was held,
- Some of the questions that were asked during this two period have been answered and were submitted to Council in their weekly Council package. Council can expect the remaining answers to be coming forthwith.
- Structure of the debate will be determined by Council with debate proceeding at a high end level.
- There needs to be a motion to approve the Budget
- Budget debate will proceed with amendments to the Budget.

- As each amendment is approved it would go into the Parking Lot.
- At the end of the debate, Staff will finalize a Parking Lot report that will come back to Council for review and approval
- Staff are asking that Councillors provide areas where the money that they need for their amendments can be taken from.

Councillors Requests, both operating and capital were reviewed noting that three more had come in that morning. Mr. Anguish further advised that they are not amendments until a Councillor puts them on the floor as a motion and it is approved to be placed in the Parking Lot for consideration.

Ms. Dale MacLennan, Director of Finance, gave an update on the Risk Summary from April 1, noting the following:

- That anything that changes after the Budget has been tabled creates a risk because what the Budget is based on is the numbers that they have at the time the Budget is tabled.
- The Police Resourcing Study, because Staff do not know the recommendations, is also a major concern
- Uncertainty in such things as oil prices and snow and ice program also create risks.

Ms. MacLennan gave an overview of the changes since April 1 of the Risk Summary noting the following:

- The Province announced that the Nova Scotia Liquor Commission will no longer be paying their taxes using the existing agreements.
- Fuel prices
- Snow and ice
- Projected deficit
- Additional night courts

Ms. MacLennan advised Council on the different ways that Staff were proposing to handle each of these risks and what the impact would be.

Ms. MacLennan walked through the Councillors Requests both Operating and Capital noting that should the Councillors wish to put these items into the Parking Lot, a motion for an amendment would need to be put on the floor and be passed by Council. Council should consider whether or not they want Items on the lists to be brought forth one by one or at will of Council.

Ms. MacLennan reviewed with Council the different directions that have come from Council

since February 19, 2008 discussion on capital.

Ms. Cathie O'Toole, Director, Infrastructure and Asset Management gave an overview of the Capital Program noting the following:

- Unless there is a compelling business case 80% of our capital dollars, regardless of the source, should be spent on re-capitalization
- There is \$686 m of unfunded potential future projects on the "Infrastructure List"

Ms. O'Toole explained the 5 - year Capital Capacity based on the net and gross line. The optimal amount for re-capitalization would be \$87 million per year. This will change over time as the condition of HRM's assets declines, with the aging of assets, the reduction of current assets, and the increase of current assets.

The capability to purchase new capital assets will worsen over time as HRM's re-capitalization needs increase. Therefore, HRM needs to plan very strategically for each new dollar that is obtained.

Ms. MacLennan clarified that the resolutions that will be approved here will relate only 2008/09 as part of the Budget.

Ms. MacLennan gave an overview of the Capital Program\Financing options. Some of the first questions that needs to be asked are:

- Is there enough money in the Budget in the short term
- Does Council want to increase the Capital Budget for 2008\09 or not;
- What specifically is the increased capital for - that gives Staff direction as to where to look for additional funding capital, such as Operating Revenues. (New - raise taxes) Revenues be increased by raising taxes, Operating Expenses (replace existing expenses with existing monies) or increase the debt.

Council should note that the first two options increase taxes or other revenues to fund more capital, or reducing other spending to increase capital.

Further clarifications are:

- All debt options are for 2008\09 only,
- With or without new debt, it was Staff's intention to come back to Council with a revised draft policy in June 2008.

HRM needs to look at, "why borrow more debt this year"; it may be that it would eventually cost more to delay the project or the borrowing conditions are reliable so the rates can be

predicted and there is some security around those rates and the source of funds is predictable.

If the rationale does not exist then the method of borrowing and the method of repayment is not relevant. Ms. MacLennan advised Council that Staff are comfortable ensuring Council that these two tests have been met.

Council may wish to consider directing debt policy assumptions even for the draft, to increase clarity of expectations regarding debt.

Ms. MacLennan gave an overview of existing funds versus Gas Tax for dedicated debt service noting that all Gas Tax Dollars are fully used in the 5 year plan and not used as leverage for additional debt.

Ms. MacLennan did an overview on the decisions that are required of Council:

- The first two bullets refer to the Parking Lot and how Council might want to handle the Parking Lot such as using the double entry principle
- The \$1.1 million to the Provincial area rate is a one time only and is only the \$1.1 million loss (this relates to the Nova Scotia Liquor Commission)
- Capital Budget - Council may want to switch monies for one project for another
- Capital Budget - additions to the Capital Budget
- Council may want to direct how those additions would be financed and how the policy assumptions for the draft for the future
- Resolution and the tax rate.
- The last step is the debate and a motion to approve the budget as proposed or as amended by Council.

MOVED by Deputy Mayor Adams and seconded by Councillor Sloane that Halifax Regional Municipality approve that:

- 1. the Capital Budget in the amount of \$161,653,000 consisting of \$152,953,000 for Halifax Regional Municipality and \$8,700,000 for the Halifax Regional Water Commission, be approved;**
- 2. The Operating Budget in the amount of \$677,458,907 gross expenditures (which includes \$547,759,168 in municipal expenditures), \$589,027,539 non-departmental revenues, and \$88,431,368 departmental revenues be approved;**
- 3. The general rates of taxation on commercial and business occupancy be**

set at

- i. \$3,073 for the urban rate;**
- ii. \$3.073 for the suburban area; and**
- iii. \$2.668 for the rural area**

applied to the full assessed value of the property;

- 4. The general rates of taxation on residential and resource property be set at**
 - i. \$0.829 for the urban rate;**
 - ii. \$0.726 for the suburban area; and**
 - iii. \$0.720 for the rural area**

applied to the full assessed value of the property (adjusted for the assessment cap);

- 5. The final tax bills will become due on Tuesday, September 30, 2008;**
- 6. The interest rate on the Special Reserve Funds, designated as requiring interest under Section 100(2) of the *Municipal Government Act*, be set at the rate of return on funds invested by Halifax Regional Municipality for the period April 1, 2008 to March 31, 2009**
- 7. The interest rate on the Pollution Control Reserves be set at the rate of return on funds invested by Halifax Regional Municipality for the period April 1, 2008 to March 31, 2009**
- 8. The interest rate on all reserves except for those identified in 6 and 7 be set at the rate of return on funds invested by Halifax Regional Municipality for the period April 1, 2008 to March 31, 2009, and**
- 9. The interest rate on trust funds will be set at the annual rate of return on specific investments held by the trusts.**

- 3. ADJOURNMENT**

The meeting was adjourned at 3:35 p.m.

Julia Horncastle,
Acting Municipal Clerk