

# HALIFAX REGIONAL MUNICIPALITY

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## HALIFAX REGIONAL COUNCIL COMMITTEE OF THE WHOLE MINUTES March 23, 2010

### **PRESENT:**

Mayor Peter Kelly  
Councillors: Steve Streach  
Barry Dalrymple  
David Hendsbee  
Lorelei Nicoll  
Gloria McCluskey  
Darren Fisher  
Jackie Barkhouse  
Jim Smith  
Mary Wile  
Jerry Blumenthal  
Dawn Sloane  
Sue Uteck  
Jennifer Watts  
Russell Walker  
Debbie Hum  
Linda Mosher  
Stephen Adams  
Robert Harvey  
Tim Outhit  
Reg Rankin  
Peter Lund

### **REGRETS:**

Deputy Mayor Brad Johns  
Councillor Bill Karsten

### **STAFF:**

Mr. Wayne Anstey, Acting Chief Administrative Officer  
Ms. Mary Ellen Donovan, Municipal Solicitor  
Ms. Melody Campbell, Acting Municipal Clerk  
Ms. Sherryl Murphy, Acting Municipal Clerk  
Ms. Barbara Coleman, Legislative Assistant  
Ms. Krista Tidgwell, Legislative Assistant

**TABLE OF CONTENTS**

1.	CALL TO ORDER .....	3
2.	APPROVAL OF THE MINUTES .....	3
3.	FISCAL FRAMEWORK .....	3
4.	2010 HRM CITIZEN SURVEY RESULTS .....	13
5.	ADJOURNMENT .....	14

**1. CALL TO ORDER**

The meeting was called to order at approximately 10:30 a.m.

**2. APPROVAL OF THE MINUTES**

**MOVED by Councillor McCluskey, seconded by Councillor Wile that the minutes of the February 9 and February 23, 2010 session of Committee of the Whole be approved, as distributed. MOTION PUT AND PASSED.**

**3. FISCAL FRAMEWORK**

This matter was last considered at the February 23, 2010 meeting of Committee of the Whole Council.

The following documents were before Council:

- Extract of Draft Committee of the Whole Minutes dated February 23, 2010
- A document titled Background Briefing Package was circulated to the Committee of the Whole on February 23, 2010.
- A presentation entitled 2010-2011 Fiscal Framework (Update March 23, 2010) was distributed to Committee of the Whole.

Cathie O'Toole, Director of Finance, addressed Council noting that the intent of today's meeting is for staff to receive direction from Council on how to manage the operating shortfall and the basis on which to build the 2011/12 Operating Budget. Ms. O'Toole provided a brief recap of the information provided to Council at the February 23, 2010 meeting noting that Council had provided good feedback at that meeting. Since that time, staff have consulted with the Municipal Auditor General and taken action to fill only those vacancies that are critical. Ms. O'Toole pointed out that without a change in the approach, the shortfall may double. She indicated that growth in expenditures is not out of control and that most of the increased cost is due to new service decisions. New capital drives increased operating costs.

Ms. O'Toole indicated that the key message is that holding the tax rate while increasing service is not sustainable in the long term for three reasons:

- < program costs are rising faster than revenue from taxes
- < other revenues are growing slowly if at all
- < residential and commercial growth cannot fill the gap.

Ms. O'Toole pointed out that Council does have options including lowering expense growth to match revenue by pulling back on new services and concentrating on existing

services. Council can also grow revenue by increasing fees for service or area rating new services. Ms. O'Toole further indicated that HRM can become leaner through use of technology, contracting in/out as appropriate, focussing on core municipal services, growing revenues or slowing service, disposing of assets if not required to support the existing services, build new assets only if the project supports economic growth, investing more in asset maintenance and seeking sustainable service adjustments.

Ms. O'Toole advised that staff will, with Council's direction, bring back a balanced budget with a listing of sustainable budget reductions. She cautioned against making short term decisions that will push the problems out to future years. Tools that support sustainability are reserves, maintaining funding for recapitalization and projects that grow the assessment base, support economic growth, or reduce operating costs. Ms. O'Toole went on to note that Council should be cognizant of changes that may impact on HRM's ability to retain well qualified staff to deliver quality service.

Ms. O'Toole reviewed the total funding gap for 2010/11 of 30.4 million indicating that steps have been taken to eliminate 8.5 million in expenditure growth by denying new requests from Business Units in 2010/11 and by not allowing any inflationary growth for existing programs. She then reviewed the staff recommendation which responds to the shortfall in a Short Term Strategy by building the budget based on :

- \$10 million in new transit costs being covered by transit area rates;
- \$10 million in budget efficiencies/service reductions/new revenues;
- \$10 million to be generated through a tax rate increase;

and with a Mid Term Strategy that plans for \$10 million in additional service reductions to take effect for 2011/12 and to be tabled with Council by October 2010.

**MOVED by Councillor Walker, seconded by Councillor Streach that staff address the short fall and build the budget on a Short Term Strategy of:**

- **\$10 million in new transit costs being covered by transit area rates;**
- **\$10 million in budget efficiencies/service reductions/new revenues;**
- **\$10 million to be generated through a tax rate increase;**

**and with a Mid Term Strategy that plans for \$10 million in additional service reductions to take effect for 2011/12 and to be tabled with Council by October 2010.**

Councillor Walker noted that this motion will allow Council to give direction to staff on where to begin the work of covering the shortfall. He referred to the retention of qualified staff and requested that staff bring back options for an early retirement

package with costs being projected over four years.

Councillor Sloane expressed concern regarding the impact of the recommendation on urban residents. The Councillor noted that cost of new transit services will be subsidized by residents who have been paying for transit for many years. Councillor Sloane referred to the method used by Toronto whereby the taxes in the urban area are lower and sprawl pays for itself. She indicated that she had forwarded the document electronically to staff. The Councillor went on to indicate that she believed it was time to institute commuter taxes.

Councillor Rankin indicated that he could not support the motion as in his view it did not show sufficient leadership. Councillor Rankin went on to suggest that Councillors District capital funds be considered, as well as, weekly compost pick up. He further suggested that a change to the pension benefits to provide for 85 years combined service/age rather than the 80 presently in place.

Councillor McCluskey noted that she could not support the motion at this time. She went on to make the following suggestions to reduce the shortfall:

- Sell the downtown parking lot
- issue an RFP for the demolition/redevelopment of the Bissett Lake facility
- given the financial situation facing HRM, there are sufficient parks and trails at this time, spending in this area should be curtailed
- all out of town travel for staff and Councillors be cut for 2010/11
- excess office space be utilized or leased, no further renovations undertaken and no furniture purchased in 2010/11.

Councillor McCluskey expressed concern that there were too many major projects underway and that HRM should spend more on promoting commercial development and concentrate less on residential development. She further suggested there were too many departments within HRM with large budgets. Councillor McCluskey expressed concern regarding the increase to the transit tax and the impact on urban residents.

Councillor Outhit expressed concern regarding the level of taxation borne by residents living in condominiums, townhouses and apartments particularly at a time when HRM is trying to encourage higher density development. With reference to the transit gap, he encouraged staff to consider higher fares for Express or two zone trips. He went on to refer to the longer term funding strategy noting that it was vital that HRM begin a conversation with the Federal and Provincial governments regarding the level of funding HRM receives.

Councillor Streach expressed concern regarding the implications of the Provincial

Budget and what new downloading of costs might be included.

Councillor Uteck expressed concern that the proposed transit tax increase would be the second in a short period and would apply to urban residents who do not necessarily utilize transit as they are within walking distance of work and shopping.

Councillor Uteck suggested that staff consider the following to reduce the shortfall:

- cut sidewalk snow removal across HRM representing a savings of approximately \$2 million dollars
- examine real estate assets that might be sold
- non-union wage freeze rather than lay offs
- push for dedicated gas tax revenues
- cordon tolling
- thorough review of the Police and Fire budgets
- a review of in house programs which may have questionable value (i.e. Scorecard, Good Neighbours/Great Neighbourhoods)

Councillor Watts suggested that staff should look at the possibility of instituting a fuel tax. She referred to HRM's work in the area of environmental sustainability and expressed concern that these efforts would falter if decisions are based upon financial considerations only. Councillor Watts requested a list of the requests for funding from the Business Units which were denied.

In response to a process question, Ms. O'Toole explained that a detailed list of expenditure reductions, revenue increases and efficiencies will be provided to Council, which will minimally add up to \$10 million. Council can then debate these on a line by line basis. Ms. O'Toole noted that once the budget has been approved, staff will continue to work on finding a further \$10 million in reductions. She indicated that this will be an iterative process and build on the service review completed this year. Ms. O'Toole noted that HRM may be in budget mode all year to adjust the budget model and achieve financial sustainability.

Councillor Wile requested the report include a comparison of costs relative to contracting out/contracting in and an example of focussing on core municipal services.

Councillor Mosher requested that staff provide a list of efficiency initiatives which had been considered by Council over the past year. She went on to suggest the following as a means to reducing the shortfall:

- assess all services and ask the question 'Is this within our mandate?'

- reduce overtime by providing for staggered shifts, monitor more closely Earned Day Off program, review the numbers of management staff HRM has and determine whether it is appropriate,
- freeze hiring
- seek out public/private partnerships to undertake work on such things as the demolition and development of the Cogswell Interchange and lands
- invite the Provincial Minister of Finance and a Federal MP to discuss fair and equitable funding

Councillor Hum referred to the motion and indicated that she was concerned regarding the impact on the urban areas. She further pointed out that expenditure reductions will have an economic impact and indicated that she would like to see what the ongoing impact of these reductions will be to HRM. She pointed out that streets and roads and transit are key services for the municipality.

Councillor Blumenthal requested that staff provide the cost of sidewalk snow removal and whether or not the area rate charged covers those costs. He expressed concern over the number of consultants hired and suggested that HRM should be using its own professional staff.

The meeting recessed at 12:00 p.m.

The meeting reconvened at 1:19 p.m. with all the same members present.

Council continued discussion on the motion requesting that staff consider the following when addressing the shortfall and building the budget:

- the Regional Plan should be implemented and consideration should be given when preparing the list of projects
- supplementary funding needs to be reviewed; ask the Province for more funding for students; supplementary funding was created to enhance existing programming and is presently being used to support areas where there is no funding (ie. Educational Planning and Assessment Systems)
- review how libraries function and determine what infrastructure is needed
- revisit snow plowing as HRM presently paying subcontractors to be on standby
- use of in house resources rather than of consultants
- provide a list of surplus lands and buildings and their fair market value

Ms. O'Toole advised that staff presently has a list of surplus buildings. The operating costs associated with HRM maintaining them is approximately \$400,000 per year. Should the buildings be sold, it would be a one time benefit for HRM and would not

assist with long term issues. The reduced cost of operating would be a long term benefit. The proceeds received from a sale of a property are required to be allocated to the Sale of Land Account, which could be used to fund other capital projects and may enable HRM to retain capital from operating as strictly operating funds. Ms. O'Toole indicated that she could not confirm an estimate of the market value for surplus lands but would look into this and report back to Council.

Further discussion ensued with Councillors making the following points and suggestions regarding how to address the shortfall:

- concern with spending on trails when roads and sidewalks are in need of repair
- HRM should put out a Request for Proposal for a used furniture store or a similar operation and divert furniture from the landfill
- HRM should evaluate service levels ensuring a focus on core services
- implement an area rate or review cuts to solid waste pick up
- Council made a commitment to improve fire services and must ensure that fire services are retained and maintained; volunteer firefighters are not always available to meet community demands
- talk to the Bridge Commission regarding receiving a percentage of the bridge toll fees; consider ways of having residents pay to get on/off Peninsula
- cut consultants for some programs
- consider the feasibility of taking money from capital and redirecting it to operating

Ms. O'Toole advise that staff did a review of over 600 capital accounts when they were preparing for the 2009/2010 budget. Projects that had not been started, or could be deferred, were deferred and if a project had been completed and there were funds left over, the account was closed and the remainder funds went into enabling staff to accommodate HRM's share of the Economic Stimulus and Build Canada project for the 4 Pad Arena in the 2009/2010 capital budget.

She indicated that the 2010/2011 capital budget has less flexibility because HRM has to complete those commitments; however, when staff bring forward the draft 2010/2011 capital budget, there will be a list of those projects Council has already approved. There are a number of tenders under the advance capital policy for 2010/2011. Approximately 50% of HRM's capital capacity is tied up through advanced capital, as well as, with large projects that are already under construction, such as the Canada Games Centre and the 4 Pad Arena. She noted that there will be a few smaller projects that Council could make a decision to proceed/defer and indicated that the Infrastructure Planning Office could provide a list of those projects.



In response to a question raised by Councillor Adams, Phil Townsend, Director, Infrastructure and Asset Management, indicated that he did not have an immediate estimate of the smaller projects for the 2010/2011 capital budget. He noted that the majority of any discretionary funds that HRM may have in the capital budget are generally recapitalization issues related to matters such as: streets, roads and repairs to buildings.

As discussion continued, Councillors noted the following:

- there is a need for a short and long term plan; fix HRM's shortfall for 2010/2011 and plan for the future
- seek funding from Provincial/Federal government such as a fuel tax or a portion of the HST; take revenue from fuel tax and put into transit
- consider the possibility of merging departments
- implementation of user fees for certain services (\$1.00 for green bin pickup)
- review how HRM taxes large businesses outside of HRM's core
- making sure all departments are on track with succession planning; deal with early retirement and the potential loss of knowledge

In response to a clarification question raised by Councillor Streach, Ken Reashor, Acting Director, Traffic Authority, Transportation and Public Works, advised that the snow removal budget is a winter works budget and the applicable staff salaries are charged to the winter works project during that period. During the winter months when there is no snow, staff do other tasks such as asphalt patching, measuring ice depths and maintaining the parks and trails. Materials used for those tasks are not charged to the winter works budget.

Mayor Kelly commented that there was \$1.5 million set aside for non-snow related tasks as part of the winter works budget with an additional \$2.3 million for repairs to equipment and \$2.5 million for sidewalks. He commented that the winter works budget is a very broad based budget for winter maintenance and not just snow removal. Mayor Kelly indicated that Council has to make sure that in the 2010/2011 budget, the wording is clear as to how those funds will be spent.

Councillor Streach raised concern as to whether HRM is overspent on the winter works budget. Mr. Reashor advised that HRM has not overspent and the budget is based on staff hours, contractors on retainer as well as any of their hourly work, cost of road salt and repairs/maintenance to the equipment for the winter works operation.

Mayor Kelly clarified that when Council approved the standards approximately four years ago, Council had indicated that they wanted to retain the employees year round;

therefore, when there was no snow, staff would be working on other tasks throughout HRM.

Ms. O'Toole indicated that not enough funds have been budgeted for the snow and ice program and on average, the budget is short \$6-7 million per year. There has not been enough capacity within the budget to correct the structural deficit. Funds have been covered off each year through vacancy management and operating budget surpluses in other departments. In the 2010/2011 budget there will not be as much flexibility to be able to cover the shortfall. Staff are trying to correct the snow and ice budget for 2010/2011. HRM is presently projecting a small surplus of \$765,000.

Councillor Watts commented that Council should be asking staff to be strategic in their approach. Staff should review where Council can make some strategic differences and alliances surrounding the quality of life for residents. She further commented that the parks and trails are crucial to keep residents healthy and active.

In response to a concern expressed by Councillor Watts regarding the provincial mandate relative to roads, Ms. O'Toole advised that the streets and roads budget is entirely allocated to maintenance of existing HRM assets, with the exception of the paving for streets outside the core. The Province funds half of the program and the other half is funded through local improvement charges that the residents pay; therefore, there is no general rated money going into this program.

In regard to the other transportation projects, the items that are currently in the five year plan are mainly projects with the Province and HRM's share is being paid through capital cost contributions. When staff tables the operating and capital budgets, Council will have a list of these projects. She further noted that the capital supplementary sheets will indicate whether or not there is a funding source that has a link to the operating budget.

Councillor Mosher exited the meeting at 2:22 p.m.

Councillor Rankin commented that he will not be able to justify a five percent tax increase to his constituents and indicated that the proposed \$10 million cut for efficiencies/service reductions/new revenues is not large enough. Councillor Rankin further suggested that there be a reduction of supplementary funding to Halifax Regional School Board, when available.

**MOVED by Councillor Rankin, seconded by Councillor Streach that the motion be amended to provide that staff address the short fall and build the budget on a Short Term Strategy of:**

- **\$10 million in new transit costs being covered by transit area rates;**
- **\$15 million in budget efficiencies/service reductions/new revenues;**
- **\$5 million to be generated through a tax rate increase;**

**and with a Mid Term Strategy that plans for \$10 million in additional service reductions to take effect for 2011/12 and to be tabled with Council by October 2010.**

Council recessed at 2:32 p.m.

Council reconvened at 2:52 p.m. with Councillor Mosher in attendance.

Mary Ellen Donovan, Municipal Solicitor, advised, with reference to Supplementary Funding, that HRM has approximately one year remaining on the existing agreement with the Halifax Regional School Board. Prior to this agreement the legislation provided that there could be a 10% reduction annually. In addition, in the early days of amalgamation, Council did reduce the supplementary education by 10%, then Council restored that funding through a different mechanism. In 2011, Council has the option to determine whether they wish to reduce funding by 10%, plus the allowed 10% annual reduction amount, for a total of 20% (approximately \$4 million).

In response to a question raised by Councillor Lund, Ms. O'Toole advised that approximately \$8.5 million of the \$10 million in transit area rates would be generated by local transit tax. Councillor Lund suggested having a combination of a local tax and a user fee.

During a further discussion, Councillors made the following points:

- combine the urban, suburban and rural tax rates into one tax rate
- combine Destination Halifax with the Greater Halifax Partnership and the Trade Centre
- introduce an option to rent Halifax Hall for public events
- look at preparing a communication package for residents relative to the lack of Federal and Provincial funding to HRM
- implementation of user fees; not all services should be free
- possibility of better aligning emergency services (fire and police)
- more use of local improvement charges

Council requested that staff provide a spreadsheet of revenues, fees, permits and tax rates.

Mayor Kelly called for the question on the amendment and the **MOTION WAS PUT AND DEFEATED.**

**MOVED by Councillor Mosher, seconded by Councillor Watts that the motion be amended to provide that staff address the short fall and build the budget on a Short Term Strategy of:**

- **\$10 million in new transit costs being covered by the regional transit rate;**
- **\$10 million in budget efficiencies/service reductions/new revenues;**
- **\$10 million to be generated through a tax rate increase;**

**and with a Mid Term Strategy that plans for \$10 million in additional service reductions to take effect for 2011/12 and to be tabled with Council by October 2010.**

Council raised concern regarding residents paying for transit services that are not, and will never be, provided for in their areas.

Mayor Kelly asked what the change in rate would be for taking the transit tax from a local charge to a regional charge. Ms. O'Toole advised that there would be a half a cent impact, dropping from 3 cents to roughly 2½ cents. If Council chooses to proceed with a general rate, then the tax rate would apply to all Districts.

Councillor Sloane suggested exempting the transit tax rate for rural areas that do not have bus services

**THE MOTION TO AMEND WAS PUT AND DEFEATED.**

The Chair called for the question on the original motion, as follows:

**MOVED by Councillor Walker, seconded by Councillor Streach that staff address the short fall and build the budget on a Short Term Strategy of:**

- **\$10 million in new transit costs being covered by transit area rates;**
- **\$10 million in budget efficiencies/service reductions/new revenues;**
- **\$10 million to be generated through a tax rate increase;**

**and with a Mid Term Strategy that plans for \$10 million in additional service reductions to take effect for 2011/12 and to be tabled with Council by October 2010.**

**MOTION PUT AND DEFEATED.**

Mayor Kelly advised that staff require direction from Council in order to proceed with the preparation of the budget.

Councillor McCluskey asked whether staff is including the revenue changes that Council has suggested. Ms. O'Toole advised that there is approximately \$3 million worth of revenue increases but many would require bylaw amendments that staff would have to bring forward to Council and would not be a full year of benefits. With regard to the majority of the other revenue suggestions made by Council, such as bridge tolls or levying a fuel tax, Council does not have the legislative ability to undertake them.

In response to a question raised by Councillor McCluskey, Ms. O'Toole advised that the Rehab Centre on Bisset Road is reserved funded and will be demolished/sold and the funds will go back into the reserve. The sale will not have a benefit on HRM's operating budget for 2010/2011.

During the ensuing discussion it was **MOVED by Councillor Outhit, seconded by Councillor Wile, that staff address the short fall and build the budget on a Short Term Strategy of:**

- **\$10 million in new transit costs being covered by transit area rates;**
- **\$14 million in budget efficiencies/service reductions/new revenues;**
- **\$ 6 million to be generated through a tax rate increase;**

**and with a Mid Term Strategy that plans for \$10 million in additional service reductions to take effect for 2011/12 and to be tabled with Council by October 2010.**

Mr. Anstey advised that he has spoken with the General Manager of Transit and noted that there is a possibility that Council may be able to come up with some internal efficiencies, which would reduce the \$10 million for transit. He further commented that staff are prepared to bring forward information with respect to rate increases, as well as, what the implications of this might be for Council's consideration.

Councillor Rankin called for the motion to be put.

**MOTION PUT AND PASSED.**

Councillor Outhit put forward a recommendation to undertake a feasibility study on freezing the tax rate for apartment and condominium dwellers. Mayor Kelly advised that freezing of the rate would require a change to Provincial legislation. Mayor Kelly

ruled the request out of order at this time.

**2. 2010 HRM CITIZEN SURVEY RESULTS**

Due to time constraints consideration of this matter was deferred to the Regional Council session to be held later today.

**3. ADJOURNMENT**

The meeting was adjourned at 4:33 p.m.

Cathy Mellett  
Acting Municipal Clerk