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Item No. 7
Budget Committee
January 16, 2019

TO: Chair and Members of Budget Committee
(Standing Committee of the Whole on Budget)

SUBMITTED BY: ORIGINAL SIGNED

Jacques Dubé, Chief Administrative Officer

DATE: January 4, 2019

SUBJECT: Proposed 2019/20 Multi-year Finance, Asset Management & ICT Budget and Business Plan

ORIGIN

As per Administrative Order 1 and the Budget and Business Plan consultation schedule presented to Regional Council on October 16, 2018, staff is required to present the draft 2019/20 Business Unit Budget and Business Plans to the Budget Committee for review and discussion prior to consideration by Regional Council.

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 Budget Committee direct staff to prepare the Finance, Asset Management & ICT 2019/20 Multi-year Budget and Business Plan, as proposed in the accompanying presentation, and to prepare Over and Under items for that Plan as directed by Regional Council.

BACKGROUND

As part of the design of the 2019/20 Budget and Business Plan development process, the Budget Committee is reviewing each Business Unit's budget and proposed plans, in advance of completing detailed HRM Budget and Business Plan preparation.

At the November 13, 2018 and December 4, 2018 Committee of the Whole meetings, Regional Council considered and confirmed their Council Priority Outcomes and on November 27, 2018 provided fiscal direction for the 2019/20 Multi-year budget, directing staff to: "direct staff to develop the 2019/20 Budget and 2020/21 Budget in Principle according to Council's approved priorities, and preliminary fiscal direction, including:

- maintaining the appropriate level of existing services with the addition of the new services previously approved by Council;
- a three-year capital budget that recapitalizes assets, funds growth related issues and is balanced to the fiscal framework
- a responsible debt position;
- appropriate reserve balances that allow for risk mitigation, future obligations, and opportunities; and,
- alignment of the current average tax bill for residential homes and commercial properties under two scenarios:
 - a) 1.9% increase for 2019/20;
 - b) 2.1% increase for 2019/20;
 - c) 2.9% increase for 2019/20.

DISCUSSION

Staff has prepared the proposed 19/20 Multi-year Budget and Business Plan consistent with the preliminary fiscal direction received from Council on November 27, 2018 and aligned with Council Priorities as approved on November 13, 2018 and December 4, 2018. The proposed Budget aligns with a 2.9% increase in the average tax bill for both residents and businesses.

Following direction from the Budget Committee, staff will proceed to complete the detailed Budget and Business Plan for inclusion in the proposed 2019/20 Multi-Year Budget and Business Plan documents to be presented to Council, as per the process and schedule approved in the October 16, 2018 staff report.

As part of the Budget process, Regional Council will be provided with a list of possible services increases and decreases that will allow them to more fully direct changes to the budget. As part of this "Over and Under" process, staff will provide budget options for Council's consideration that would achieve an alternative tax bill increase of either 2.1% or 1.9%.

FINANCIAL IMPLICATIONS

The recommendations in this report will lead to the development of a proposed 2019/20 Multi-year budget. There are no immediate financial implications from these recommendations. The broader financial implications will be discussed and debated as the budget is developed in more detail.

RISK CONSIDERATION

Although there is no immediate risk related to financial decisions, there may be risks associated with individual decisions during the budget debate as they could favour short-term results over longer term strategic outcomes. Individual decisions made during budget debate will however, be considered for both short- and long-term impacts to levels of service, asset condition, and cost.

In addition, the administration seeks to reduce these risks in three ways; by providing Regional Council with several fiscal options to assist in the achievement of longer term strategic outcomes; by assessing both corporate and capital project risk and by providing the opportunity to draw Regional Council's attention to project or program related risk when reports are presented for consideration.

HRM implemented Enterprise risk management in 2015; corporate risks are evaluated annually during the business planning process and mitigating strategies are implemented to reduce the overall risk to the organization. Project related risk is evaluated during the capital planning process; project managers using the same risk assessment tools as those used to assess corporate risk, rate the relative risk of each discreet projects.

COMMUNITY ENGAGEMENT

No community engagement was sought for this report; however, the current budget consultation process seeks to solicit public comment on community priorities; members of the public are invited to provide feedback following each business unit budget and business plan presentation.

The Citizen Survey completed in September 2018 has also provided valuable information for assessing community priorities and expectations and has been incorporated into the planning work.

ENVIRONMENTAL IMPLICATIONS

None

ALTERNATIVES

The Budget Committee can choose to amend the Budget and Business Plan as proposed in the accompanying presentation through specific motion, and direct staff to proceed to prepare the Budget and Business Plan for inclusion in the proposed HRM Budget and Business Plan documents.

ATTACHMENTS

- Finance, Asset Management & ICT 2019/20 Multi-year Budget and Business Plan Presentation
- Finance, Asset Management & ICT 2019/20 Draft Proposed Multi-Year Budget and Business Plan

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

Report Prepared by: Lanna Prowse, Coordinator, Finance, Asset Management & ICT, 902.490.6527

ORIGINAL SIGNED

Financial Approval by:

Jane Fraser, CFO, Director of Finance and Asset Management & ICT, 902.490.4630

The word "HALIFAX" is written in a bold, white, sans-serif font, centered within a dark blue triangular shape that points downwards. The background of the slide features a large, abstract geometric design composed of several overlapping triangles in various shades of blue, creating a dynamic, modern look.

HALIFAX

Finance, Asset Management & ICT

2019/20 and 2020/21 Multi-Year
Budget & Business Plan

Committee of the Whole on Budget

January 16, 2019

Finance, Asset Management & ICT

We lead financial and technological stewardship through advice, governance, customer-focused services and policy.

We provide and support timely acquisition and disposal of all municipal assets.

Service Areas

Financial Policy & Planning – Bruce Fisher

Accountable for financial planning; coordination of the multi-year operating, capital and reserve budgets; financial support and oversight; grants support; and taxation policy.

Financial Reporting/Accounting/Payroll – Louis deMontbrun

Provides operating and capital accounting, projection and financial reporting, revenue and expenditure analysis and production and oversight of payroll.

Revenue/Treasury – Renee Towns

Accountable for tax and general revenue billings, collections, cash management, banking and the investment portfolio.

Procurement – Jane Pryor

Coordinates the acquisition of goods, services, coordination and administration of contracts; surplus storage and disposal; and management and warehousing of inventory.

Service Areas

Corporate Planning – Wendy Lines

Assists the organization in business planning and reporting; performance reporting and benchmarking; outcome and accountability reporting; and risk management.

Corporate Real Estate – Peter Stickings

Responsible for real estate acquisitions and disposals; industrial park development and sales; lease and accommodation management; and real estate advisory services.

Asset Management – Crystal Nowlan

The practice of managing assets to minimize the total cost of owning and operating assets while delivering desired service levels.

ICT – Sarah Teal

ICT is the steward of both enterprise solutions, and cybersecurity to maintain confidentiality, integrity, and availability of solutions and data for optimal business function.

About Us

Activity in 2018-19

- Value of Property Acquired **\$12.5M**
- Industrial Lots Sold **45 acres**
- Leases Under Management **450,000 square feet**
- **162,687** Tax Accounts Managed
- Bad Debt Write Off as a Percent of Billed Revenue-**0.2%**
- Number of invoices processed -18/19 **est. 95,000**
- T4's issued -18/19 **est.7,900**

About Us

Activity in 2018-19

- Total **57** Grants Value **\$462,413**
- Value of procurement solicitations awarded - **\$86.8 M**
- Value of issued inventory - **\$16.96 M** – inventory over 2.74 times/year
- E-mail accounts managed – **5,630**
- Spam blocked – **60,016,826**
- Service desk tickets – **18,867**
- Open data sets - **68**

Initiative Updates – Council Priorities

Governance and Engagement – Fiscal Responsibility

PCI (Payment Card Industry) Compliance Program (est. compl.Q4 19/20)

The implementation of the PCI (Payment Card Industry) compliance program will help ensure that as HRM adopts electronic payment technologies, appropriate controls and safeguards are in place to secure and protect customer card data.

ICT Strategic Plan (est. compl Q3 19/20)

ICT will work with the Executive Steering Committee to develop multi-year technology plans (5 and 10-year plans) to drive exceptional service delivery to customers through technology.

Initiative Updates – Council Priorities

Governance and Engagement - Municipal Governance

Cyber Security Framework (est. compl. Q4 20/21)

Following up on the threat risk assessment conducted in 2018/19 ICT will develop a cyber security framework for HRM

Cash Management Audits (est. compl. Q4 19/20)

Revenue division will enhance internal audits of cash handling units thereby safeguarding HRM financial assets.

Procurement Policy-Phase 2 Audit (est. compl Q4 19/20)

Phase two in 2019/20 will include monitoring compliance to process and responding to any new recommendations from the follow-up audit

Initiative Updates – Council Priorities

Economic Development – Focus on the Regional Centre



Cogswell Redevelopment Program

Complete RFP for
Constructor Service (Q1
19/20)

Initiate demolition of existing
infrastructure (Q3 19/20)

On-going communication
regarding construction
activity



Initiative Updates – Council Priorities

Economic Development – Promote and Maximize Growth

Prepare for Commercial Tax Averaging for 2020/21 (est. compl. Q3 20/21)

Depending on final Regional Council direction, Financial Policy & Planning will:

1. Prepare to introduce a system of commercial tax averaging for 2020/21;
2. Conduct additional research and/or requests for legislative changes.

Update Commercial Tax Benchmarks (est.compl. Q3 19/20)

Benchmarks comparing commercial taxes per square foot – HRM to other cities. First update since 2015.

Tax Reviews (est. compl. Q3 19/20)

Non-Profit Tax Rebate and Low Income Tax Rebate – Review possible improvements and any changes that should be recommended.



Diversity & Inclusion Framework

Business Unit Goals

Inclusive Public Service

To ensure societal concerns are considered in decisions, procurement will incorporate a social policy lens to the public procurement process. (Q3 19/20)

Safe, Respectful and Inclusive Work Environment

To ensure inclusive and equitable access to municipal offices, Corporate Real Estate will consider the needs of all occupants and visitors through sensitive and thoughtful design of each space to be renovated. (Q3 19/20)

Diverse and Inclusive Environment

To advance diversity and foster innovation in our environment, FAM&ICT will certify all hiring managers under the "Hiring Managers Certification Program" and support the employee self identification survey. (Q4 19/20)

Initiative Updates - HRM Administrative Priorities

Financial Stewardship

Strategic, Multi-year Business and Budget Plans

Corporate Service Catalogue Review and Update (est. compl Q4 19/20)

The Corporate Planning Office will develop a project charter and lead the review and updating of the corporate service catalogue including alignment of services with community outcomes.

Corporate Performance Management Solution - Phase 1 (est. compl. Q4 19/20)

Supported by the Information Technology division, the Corporate Planning Office will undertake an opportunity assessment for a Corporate Performance Management Solution and begin work on a business intelligence reporting environment.

Initiative Updates - HRM Administrative Priorities

Financial Stewardship

Risk Management Framework

Risk Management Framework - Operational Risk Governance (est. compl. Q4 19/20)

The Corporate Planning Office will work with business units to incorporate operational risk into HRM's Enterprise Risk Management Framework through the establishment of a governance model and development of operational risk registries.

Initiative Updates - HRM Administrative Priorities

Our People

Engaged Workforce

Developing and Supporting FAM & ICT Leaders (est. compl. Q3 19/20)

FAM & ICT will commit to creating career paths for key roles, create a succession plan committee, and provide development and succession opportunities.

Enhancing FAM & ICT Workplace Culture (est. compl. Q4 19/20)

FAM & ICT will engage staff from all divisions in the development of an internal rewards and recognition program.

Improve FAM & ICT Employee Engagement (est. compl. Q2 19/20)

FAM & ICT will develop an employee action plan in support of survey results.

Initiative Updates - HRM Administrative Priorities

Service Excellence

Performance Excellence

Money Belt Training (est. compl. Q3 19/20)

Finance will train financial staff in deriving benefits for business cases and performance improvement initiatives.

Financial Analytics (est. compl. Q3 19/20)

To strengthen the organization's financial analytical capabilities, Financial Policy & Planning will review and refine the following:

- Reviewing the "Financial Impact" section of Regional Council reports;
- Audit and Finance procedures around in-year budget changes;

Initiative Updates - HRM Administrative Priorities

Service Excellence

Performance Excellence

Procurement Service Model Review (est. compl. Q3 19/20)

Procurement will develop a service model that best meets customer needs while considering structure and staffing needs.

SAP/Hana - Review Processes and Reports (initiated 20/21)

Collaborating with ICT, Finance will review what management reports, processes, procedures and training would provide the highest customer service under SAP/Hana.

Real Estate Service Improvement Initiatives

Continue to improve policy, standards and communication tools, supplemented with staff training, to foster service delivery improvements.

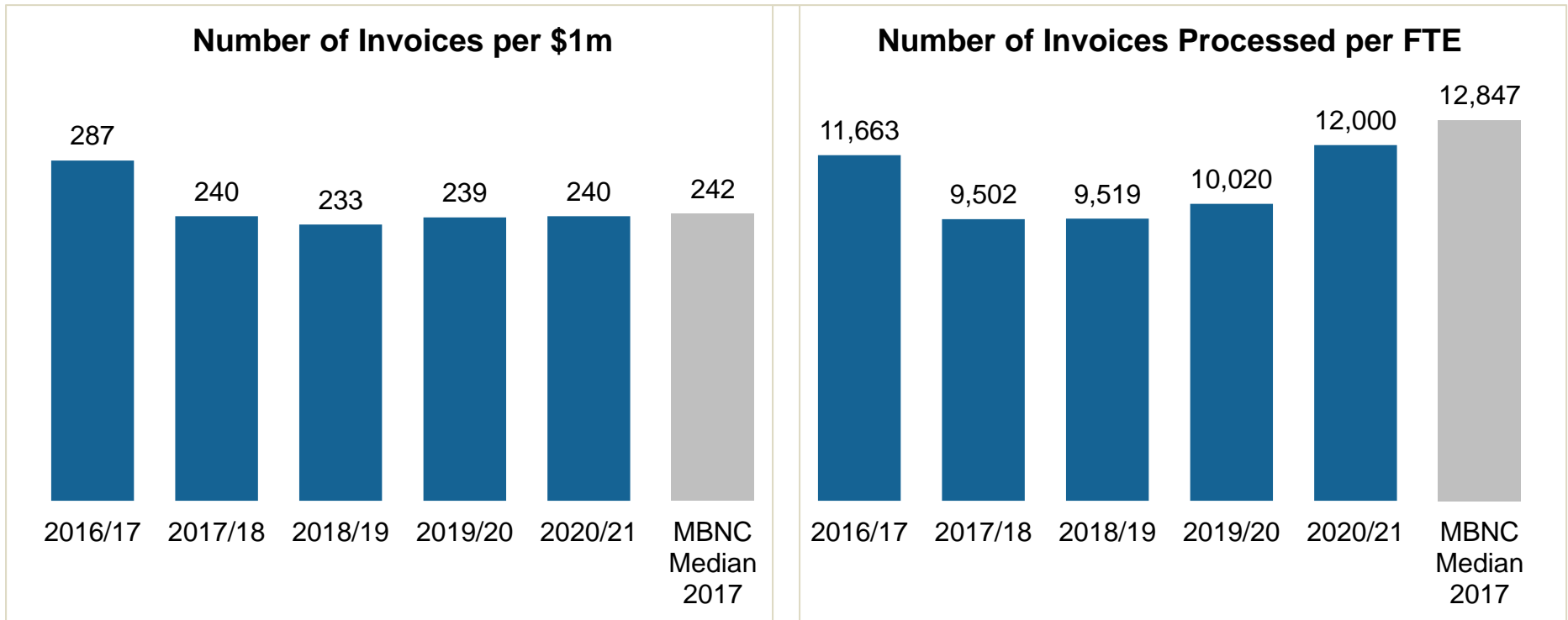
Key Performance Indicators

Economic Development – Supply of Lands

Corporate Real Estate Performance Measures	2018/19 Projected	2019/20 Planned
Property Acquisitions	\$12.5m	~\$6.0m
Property Disposals	\$3.3m	~\$47m
Industrial Park Sales	43.68 acres	30 acres
Industrial Park Acres (Gross Revenue)	\$10.9m	\$8.5m

The supply of Industrial, Commercial and Institutional Lands is a Regional Council priority outcome under economic development to ensure that there are sufficient industrial, commercial and institutional lands available to meet economic opportunities and growth of the commercial tax base. The risk is that there will not be sufficient land in the right locations available to support economic growth resulting in loss of economic opportunities.

Key Performance Indicators

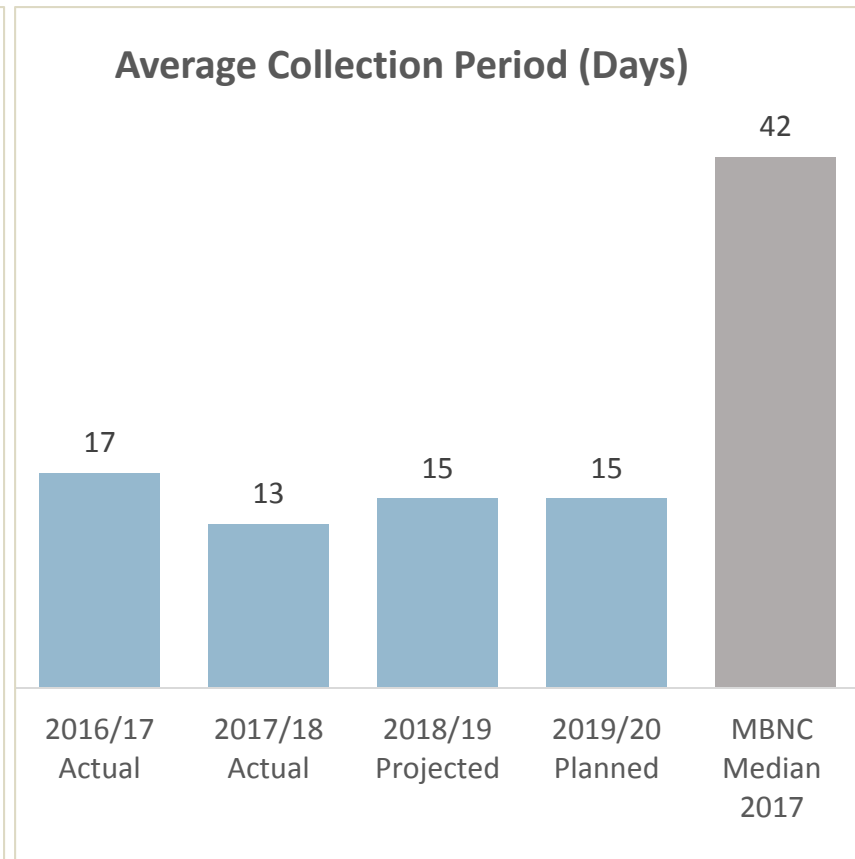
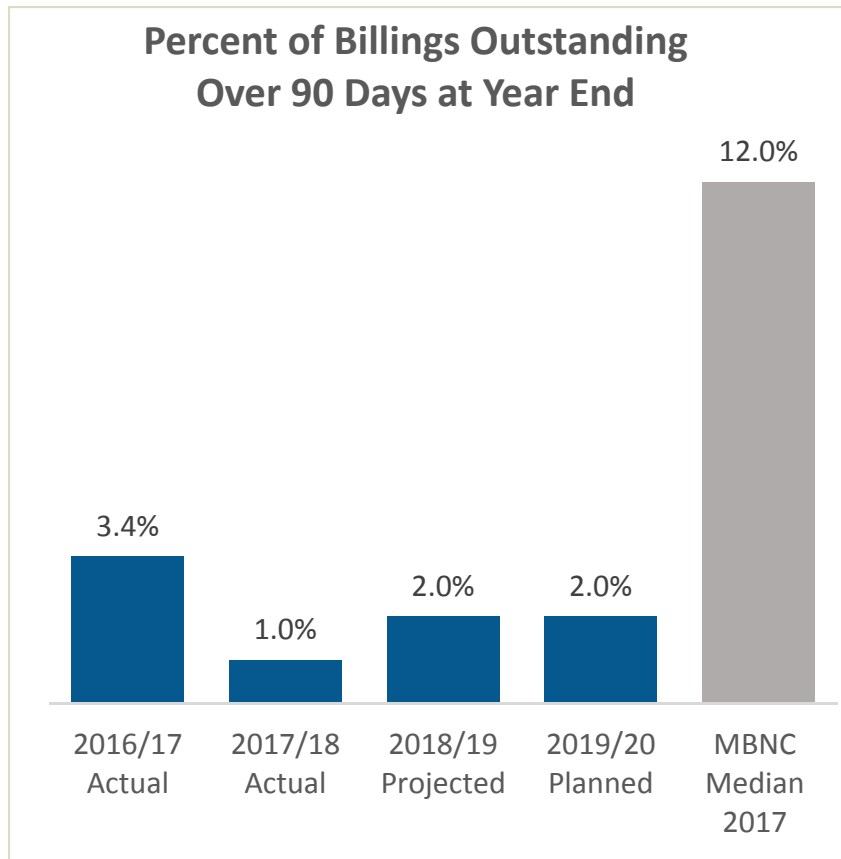


MBNCanada: Municipal Benchmarking Network Canada

Measures: FINV230 – Total Number of Invoices Processed per \$1,000,000 of Municipal Purchases (Operating and Capital) for Goods and Services.

FINV325 – Number of Invoices Processed per Accounts Payable FTE

Key Performance Indicators



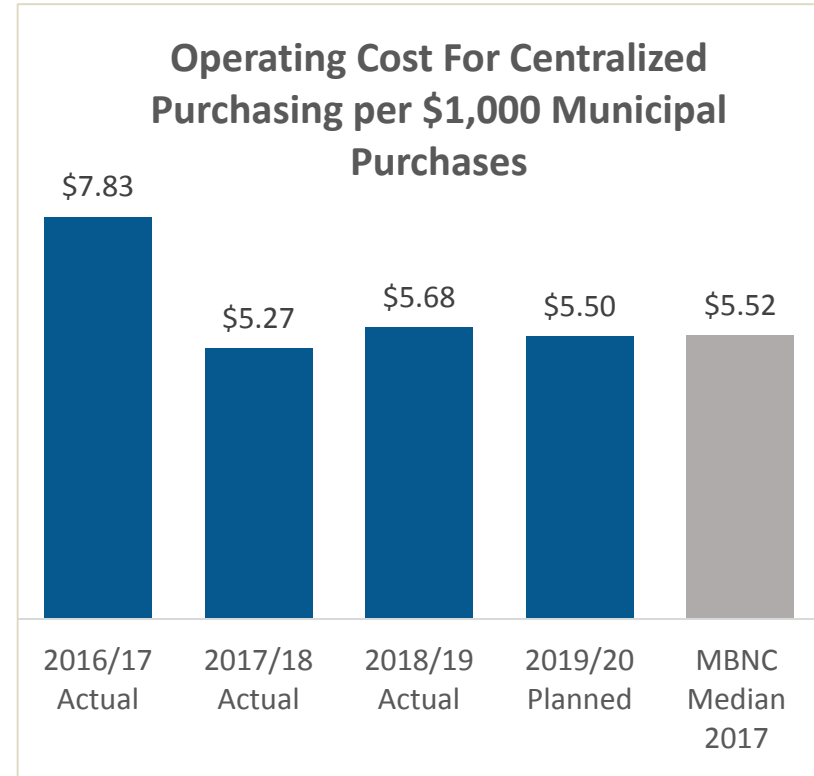
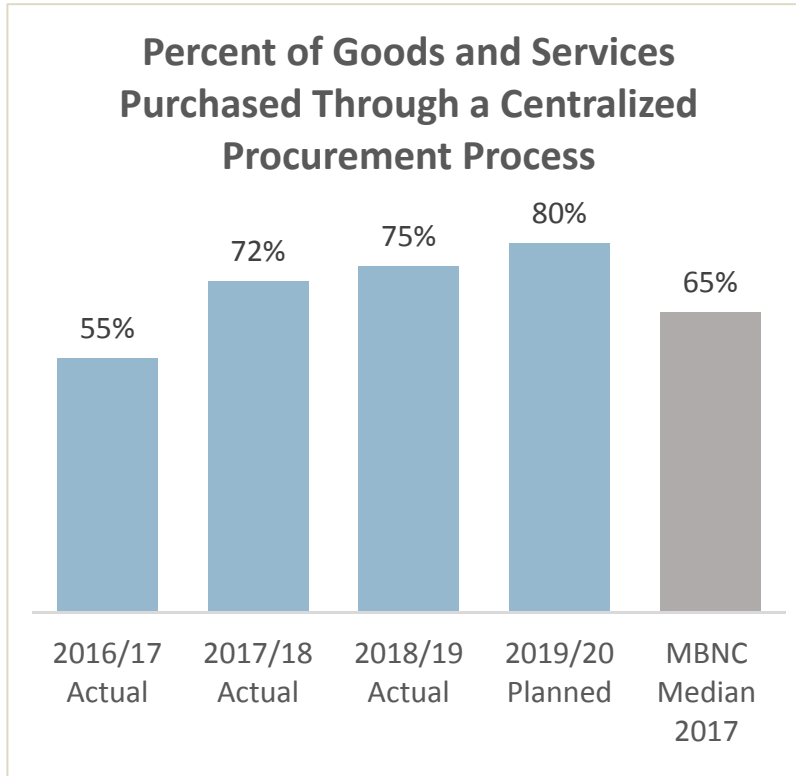
Notes:

MBNCanada: Municipal Benchmarking Network Canada

Measures: GREV320 - Percent of Billings Outstanding Over 90 Days at year end / GREV335 - Average Collection Period in Days

Key Performance Indicators

Governance and Engagement - Municipal Governance



Notes:

MBNCanada: Municipal Benchmarking Network Canada

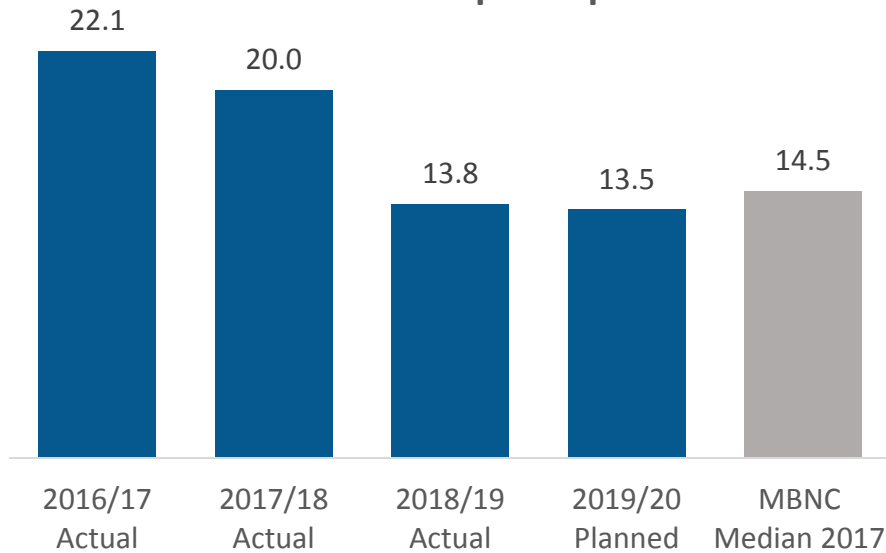
Measures: FPUR107 - Percent of Goods and Services Purchased (Operating and Capital) Through a Procurement Process

FPUR362 - Centralized Purchasing Division Operating Costs per \$1,000 Municipal Purchases (Operating and Capital) for Goods and Services through a Procurement Process.

Key Performance Indicators

Governance and Engagement - Communications

Number of Visitor Sessions to Municipal Website per Capita



Decrease in site visits due to website design changes in 2017. 2018/19 and 2019/20 numbers only represent visits to Halifax.ca.

Notes:

MBNCanada: Municipal Benchmarking Network Canada

Measure: INTN105 - Number of Visitor Sessions to Municipal Website per Capita

Operating Budget Overview

Summary of Expense & Revenue						
Expenditures	2017-18	2018-19	2018-19	2019-20		2020-21
	Actual	Budget	Projections	Budget	Δ 18-19 Bud.	Budget
Compensation and Benefits	23,411,555	25,763,600	24,057,872	27,513,900	1,750,300	27,320,100
Office	6,165,518	6,549,900	6,549,750	6,310,600	(239,300)	6,326,100
External Services	2,591,026	5,422,600	5,032,948	5,622,500	199,900	6,078,700
Supplies	10,323	15,200	15,500	15,000	(200)	15,000
Materials	27,391	35,000	62,355	35,000		35,000
Building Costs	610,046	815,900	778,450	898,900	83,000	916,100
Equipment & Communications	1,866,170	2,141,500	2,194,527	2,213,400	71,900	2,246,900
Vehicle Expense	289					-
Other Goods & Services	3,980,727	4,751,700	4,661,022	4,687,000	(64,700)	4,515,300
Interdepartmental	(319,050)	(243,800)	(317,062)	(359,700)	(115,900)	(359,700)
Other Fiscal	(77,261)	(562,900)	(365,100)	(426,800)	136,100	(436,800)
Total	38,266,735	44,688,700	42,670,262	46,509,800	1,821,100	46,656,700
Revenues						
Revenues	2017-18	2018-19	2018-19	2019-20		2020-21
	Actual	Budget	Projections	Budget	Δ 18-19 Bud.	Budget
Fee Revenues	(4,491,232)	(4,699,500)	(4,715,100)	(4,746,400)	(46,900)	(4,750,100)
Other Revenue	(1,082,638)	(468,000)	(486,463)	(484,500)	(16,500)	(484,500)
Total	(5,573,870)	(5,167,500)	(5,201,563)	(5,230,900)	(63,400)	(5,234,600)
Net Surplus/Deficit	32,692,865	39,521,200	37,468,699	41,278,900	1,757,700	41,422,100

Service Area Budget Overview

Service Area	2017-18	2018-19	2018-19	2019-20		2020-21
	Actual	Budget	Projections	Budget	Δ 18-19 Bud.	Budget
Admin - Finance	737,936	906,800	917,700	947,500	40,700	935,000
Corporate Planning	478,119	392,200	376,900	388,700	(3,500)	388,700
Procurement	4,251,820	4,456,100	4,488,600	4,775,700	319,600	4,773,400
Fiscal Policy & Financial Planning	1,527,822	1,634,800	1,622,500	1,668,300	33,500	1,668,300
Revenue	(515,619)	(793,700)	(790,900)	(761,700)	32,000	(761,700)
Financial Reporting	3,908,081	4,073,100	4,019,000	4,175,500	102,400	4,175,500
Information Technology	18,150,051	23,423,600	21,674,599	24,735,200	1,311,600	24,999,700
Asset Management	432,687	594,600	580,200	616,300	21,700	616,300
Corporate Real Estate	3,721,968	4,833,700	4,580,100	4,733,400	(100,300)	4,626,900
Net Surplus/Deficit	32,692,865	39,521,200	37,468,699	41,278,900	1,757,700	41,422,100

Staff Counts

Funded FTEs Includes full & part-time permanent positions	2018/19 Approved	2019/20 Planned Change (+/-)	2019/20 Planned FTE's
Full Time	308.6	6.6	315.2
Seasonal, Casual and Term	5.5	-1.0	4.5
Total	314.1	5.6	319.7

Summary of Budget Changes

Description	Change Description / Service Impact	2019/20 Planned Change (\$)	Amounts
Approved 18/19 Budget			\$39,521,200
Compensation	Salary increases (includes additional 5.6 FTE's)	\$1,750,300	\$1,750,300
Budget Adjustments	Savings in Software, Licenses and Printing costs	(\$239,300)	\$7,400
	Increase in Revenues and Recoveries	(\$63,400)	
	Increase in External Services for service enhancements	\$199,900	
	Increase in Building/Facility Leasing costs	\$83,000	
	Misc. cost increases	\$27,200	
Total Proposed Changes			\$1,757,700
Proposed 19/20 Budget			\$41,278,900

Operating Reductions to 2.1%

Option Description / Service Impact	One-time / On-going	19/20 Amount	20/21 Amount
ICT – Partnership with VOLTA would not be achievable/ No significant effects to service	Ongoing	\$250,000	\$250,000
ICT - Reduce Operating Cost of Capital-Compensation/ Achievable without significant changes to service levels.	Ongoing	\$298,000	\$298,000
Total Proposed Reductions		\$548,000	\$548,000

Operating Reductions to 1.9%

Option Description / Service Impact	One-time / On-going	19/20 Amount	20/21 Amount
ICT – Partnership with VOLTA would not be achievable/ No significant effects to service	Ongoing	\$250,000	\$250,000
ICT - Reduce Operating Cost of Capital-Compensation/ Achievable without significant changes to service levels.	Ongoing	\$298,000	\$298,000
Corporate Real Estate – reduce contract services used for capital requirements on corporate accommodations/Achievable without significant changes to service levels.	Ongoing	\$50,000	\$50,000
Total Proposed Reductions		\$598,000	\$598,000

Operating Options Over Budget

Option Description / Service Impact	One-time / On-going	19/20 Amount	20/21 Amount
Partner with Volta	Ongoing	\$250,000	\$250,000
Total Proposed Increases		\$250,000	\$250,000

Operating Options Under Budget

Option Description / Service Impact	One-time / On-going	19/20 Amount	20/21 Amount
Reduce municipal property tax expense on leased accommodations.	Multi - year	\$50,000	\$50,000
Reduce training and education expense by using utilizing cost effective alternatives	Multi- year	\$50,000	\$50,000
Increase facility rental revenue	On-going	\$50,000	\$50,000
Increase recovery from external parties	On-going	\$75,000	\$75,000
Total Proposed Cost Reductions and Increases to Revenue		\$225,000	\$225,000

Finance, Asset Management & ICT

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