

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

**SUBMITTED BY:** Original Signed by   
Jacques Dubé, Chief Administrative Officer

**DATE:** January 18, 2019

**SUBJECT:** Supplemental: Proposed 2019-20 Multi-Year Capital Program Budget

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## **ORIGIN**

January 16, 2019 amended motion: THAT Budget Committee defer consideration of recommendations #1 and #3 of the revised staff report dated November 19, 2018, pending the receipt of a supplemental report that:

1. Outlines options for Council to consider funding for the Alternative Priority Projects in Attachment 4 of the staff report dated November 19, 2018 for fiscal 2019/20, funding for these priorities from reserves, debt, and phasing of proposed IT projects to future years.
2. Proposes a process and timeline, starting end of April 2019, for Budget Committee to review the list of priority projects and funding options and make recommendations for a multiyear capital plan for consideration starting 2020/21 that includes:
  - a) Options, opportunities and challenges in addressing deferred IT and physical plant investments as identified in the staff report and presentation date November 19, 2018;
  - b) Options for implementation plan for a transformative mobility projects (transit, AT, pedestrian) with 10-year vision that aligns with Federal PITF funding timeline and is guided by policies in the Integrated Mobility Plan;
  - c) Revision of the 10-year Signature Capital Projects plan, timeline and funding options, and;
  - d) A review of the Alternative Priority Projects in Attachment 4 of the staff report dated November 19, 2018 for fiscal 2020/21 and 2021/22 and of previously planned and identified capital projects for which funding has not been allocated.

## **LEGISLATIVE AUTHORITY**

Pursuant to the 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 approve Funding Option 1 as described in this report.

## **DISCUSSION**

The request from the Budget Committee to look at funding sources and the impact of adding the alternative priority projects from Attachment 4 of the November 19, 2018 report to the Committee of the Whole (the “B-List”) includes three options for funding source: fund from reserves, issue debt, increase capital from operating or some combination of the three. Phasing of proposed Business Tools projects to future years has already been carried out by staff in the proposed capital program.

It should be noted that project managers in Transportation and Public Works, Halifax Transit, and Parks and Recreation have indicated that, given the proposed funding in 2019/20 coupled with carryover funds from the 2018/19 capital plan, the ability to deliver on projects on the B-List may pose a challenge to complete.

Transportation and Public Works - Active Transportation (\$6M), Sidewalk Renewal (\$2M) and Street Recapitalization (\$5M) accounts are challenged by the advanced timing of the year to adequately plan for the coordination of interdependencies required to deliver this additional work in the coming construction season.

Halifax Transit - The Bayers Road Transit Priority Measures Corridor (\$4M) account is challenged by a delay in the 2018/19 detailed design work, that is a prerequisite for 2019/20 planned project activities moving forward in the 2019/20 timeframe.

Parks and Recreation - The Parks Recapitalization (\$650K) and Sports Fields/Courts – State of Good Repair (\$2M) accounts are challenged by the ability to deliver the large volume of projects when considering the total of projected carried over projects, new proposed projects plus additional B-List projects. They recommend instead a decreased total of \$280K and \$680K respectively for each account, if the B-List is approved for 2019/20.

### **Funding Option #1: Reserves**

As of the November financial operating projections, HRM is currently projecting a surplus of approximately \$14 million. If Regional Council approves to direct \$11,607,000 of the estimated 2018/19 Year End Surplus to be committed to fund the 2019/20 B-List projects via Q421 – General Contingency Reserve, staff has identified that the remaining \$10,198,000 can be funded from Q631 - Debt Principal and Interest Repayment Reserve. This funding option, although a one-time solution, will enable the additional projects to be funded without an impact to the 2019/20 tax bill.

#### Reserve Funding:

CE180001 Fleet Replacement Equipment	\$	417,000
CB000090 General Building Recapitalization		700,000
CB190003 Halifax North Memorial Library Renos		500,000
CP180001 Park Recapitalization		650,000
CB000010 Regional Park Washrooms		400,000
CR180002 Sidewalk Renewals		2,440,000
CP180003 Sports Fields/Courts – SOGR		1,500,000
CR000009 Street Recapitalization		<u>5,000,000</u>
Q421 General Contingency Reserve		<u>\$11,607,000</u>

CR180001 Active Transportation – Strategic Projects	\$ 6,348,000
CT180008 Complete Streets	350,000
CM000014 Transit Priority Measures Corridor	<u>3,500,000</u>
Q631 Debt Principal & Interest Repayment Reserve	<u>\$10,198,000</u>

Funding Option #2: Debt

If the B-List total of \$21,805,000 is funded by a 10-year debenture, there would be a \$0 impact to municipal taxes in 2019/20. However, starting in 2020/21, the year one principal and interest repayment would total \$2,843,000; an impact of an additional \$10.00 on the average tax bill, or 0.5%. At the end of the full debt repayment, the \$25,619,000 total (ten years of principal and interest payments) would result in a cumulative impact of an additional \$90.15 to the average tax bill, or 4.7%, over the term.

The associated annual Operating Cost of Capital (OCC) expenditure of \$80,400 required to support the new assets would equate to an annual increase of \$0.28 to the average tax bill. Staff is not recommending this option as the cost of borrowing the money would outweigh the interest earned by keeping the funds in the reserve accounts.

Funding Option #3: Capital from Operating

If the B-List total of \$21,805,000 is funded by Capital from Operating, the impact to the taxpayer for the initial capital projects cost would occur in 2019/20 only. This one-time increase to the average tax bill would equate to \$76.73, or 4.0%. The associated annual OCC impact would be the same as described in Funding Option #2. Staff is not recommending this option. Regional Council has already given staff direction to develop a fiscal plan on the basis of a 2.9%, 2.1%, or 1.9% increase to the tax bill.

2020/21 Multi-year Capital Plan Process

Staff will return to the Budget Committee with the requested multi-year capital plan process and timeline in early spring 2019.

**FINANCIAL IMPLICATIONS**

The preliminary capital program proposed on January 16, 2019 for 2019/20 totaled \$144,847,950. By adding projects from the B-List of \$21,805,000, the total new capital projects to be funded in 2019/20 is \$166,652,950.

With the inclusion of all B-List projects, the 2019/20 capital budget is proposed to be funded (per Funding Option #1) by:

Capital from Operating	\$ 37,005,000
Reserves	63,664,500
Gas Tax	25,123,000
Debt	27,109,000
Other	<u>13,751,450</u>
Total 2019/20 Funding	\$166,652,950

As well, the \$500,000 capital project for Keshen Goodman Library Renovations, funded by Q536 – Capital Library Recapitalization Reserve in Attachment 1b of the November 19, 2018 report, has been amended to be funded by Q526 – Capital Fund Reserve to align with the reserve business cases.

## **RISK CONSIDERATION**

Risks related to the recommendations in this report include assumptions of current asset condition and future level of service delivery demand. An evaluation of risk impact and likelihood for each proposed capital project has been performed as part of the budget preparation process and considered during the recommendation decision. There is also a risk of increasing funds for projects that may not have the ability to deliver in the year budgeted, as identified in the discussion section. The risk is mitigated by the reserve approach.

## **COMMUNITY ENGAGEMENT**

The annual budget deliberations by Committee of the Whole is open to the public. The results from the Citizen Survey completed in September 2018, provided additional information on current priorities and expectations.

## **ENVIRONMENTAL IMPLICATIONS**

Any project-specific environmental considerations are addressed during the individual capital project planning. Additionally, the corporate risk register has been updated to include climate change as a factor to be considered for mitigation going forward. Further integration into the Capital Prioritization Framework evaluations will occur during the 2020/21 capital planning process.

## **ALTERNATIVES**

The Committee can change the proposed source of funding for the additional projects from the B-List from reserves to debt funding, an increase in the tax bill, or a combination of those three options. The Budget Committee can choose to amend the B-List projects' total.

## **ATTACHMENTS**

Attachment A - Attachment 4 of the November 19, 2018 Proposed 2019-20 Multi-Year Capital Program Budget report

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A copy of this report can be obtained online at [halifax.ca](http://halifax.ca) or by contacting the Office of the Municipal Clerk at 902.490.4210.

Report Prepared by: Crystal Nowlan, Manager, Asset Management, 902.237.8768

Original Signed by 

Report Approved by: Jane Fraser, Director, Finance, Asset Management & ICT/CFO, 902.490.6308

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Attachment A - Attachment 4 of the November 19, 2018 Proposed 2019-20 Multi-Year Capital Program Budget report

**ATTACHMENT 4**  
**2019-20 to 2021-22 Alternative Priority Projects Recommendation for Consideration**

Project Name	Project #	Net Funded Within 3-Year Budget Recommendation	2019/20 Net	2020/21 Net	2021/22 Net	RISK Rating	OVERALL Rating	Identified Risk of Current Project Deferral
Active Transportation	CR180001	10,000,000	6,348,000	12,000,000	12,000,000	VERY HIGH	HIGH	Staff will be unable to deliver on new AT or Sidewalk projects as directed/anticipated by Council. For example, staff will be unable to construct the AAA bike network for 2022 as directed by Council as part of the IMP. As well, pavement recapitalization projects will need to proceed and exclude consideration of new sidewalks/AT where warranted.
Complete Streets	CT180008	-	350,000	550,000	1,500,000	VERY HIGH	HIGH	Desired roadway changes may require land acquisition and public engagement which can otherwise delay capital investment if not done in advance. Roadway asset renewal projects may miss opportunities to make desired changes that would advance IMP goals and then need to be redone before they have reached the end of their useful asset life.
Dartmouth North Community Centre/Library	CB000075	500,000	-	2,000,000	750,000	MED	MED-HIGH	Building condition would continue to remain poor with limited functionality for public
Downtown Dartmouth Infrastructure Renewal	CT190003	200,000	-	3,500,000	-	MED	MED	Loss of (a) connectivity of Green way, (b) Sawmill Creek daylighting opportunity, and (c) development/integration of underutilized land with Downtown Dartmouth
Fire Station Replacements (#8, #9, Training)	CB000065	5,000,000	-	5,000,000	6,000,000	VERY HIGH	HIGH	By not proceeding with the new station builds, HRFE will continue to not be able to meet minimum response time targets for residents and businesses located in the Larry Uteck area. This could compromise public safety and create high risk and liability for HRM.
Fleet Replacement Heavy Equipment	CE180001	5,450,000	417,000	-	250,000	MED	MED	Potential failure to provide vehicles for snow and ice control
General Building Recapitalization	CB000090	1,500,000	700,000	325,000	325,000	HIGH	MED-HIGH	Potential service disruption
Halifax North Memorial Library Renos	CB190003	-	500,000	5,500,000	-	HIGH	HIGH	If renovations are delayed there is a significant risk of service interruption due to the age of the building and known issues with the existing building systems. This is a public space of critical importance to the surrounding community, and any closure would negatively impact members of the community. Delays in renovation to Halifax North Library would also impact the opportunity to use the Library as a comfort centre in the event of an emergency.
Moving Forward Together	CM180008	5,601,000	-	3,233,400	5,173,400	VERY HIGH	HIGH	There are very high public expectation around the completion of this in-flight project. The planning and council approval of this project involved three years of staff effort and more importantly, intense engagement with the public and council on what their future transit network should look like. We are roughly half way through implementation and the service improvements are grouped geographically. As a result, not finishing implementation of the plan will result in a discontinuous/inconsistent network, and significant inequalities in service levels between communities. Early service changes under this plan has yielded significant ridership increases, indicating that the plan is working. However it must be completed to have full effect. This is Halifax Transit's top priority and is packaged with the Ragged Lake Transit Centre Expansion.
New Transit Technology (Fare Mgmt)	CM180005	4,030,000	-	5,212,000	-	HIGH	MED-HIGH	There are very high public expectations around the electronic fare payment project (fare management phase 2). Council's approval to break the original fare management project into two phases was predicated on doing both phases. We have been making operational decisions (ie unpopular large tickets) on the basis that they were a short-term gap solution until electronic fare payment was in place. This has been a key component of our communications around this. There is evidence of revenue increases from other installations of electronic fare payment due to a significant decrease in fare evasion.
Off-Leash Dog Park	CP190001	-	-	300,000	-	LOW	MED	Continued pressure on remaining parks, specifically Shubie with safety, environmental and conflict issues due to overcrowding
Park Recapitalization	CP180001	4,870,000	650,000	1,500,000	2,500,000	HIGH	HIGH	Added burden on operational budget to maintain assets beyond life, safety concerns, some assets may need to be closed
Ragged Lake Transit Centre Expansion	CB000125	-	-	5,200,000	500,000	MED	MED-HIGH	This project is required to go forward in order to create storage and maintenance capacity for any fleet expansion beyond 2019-20. It is a packaged requirement with Moving Forward Together Plan implementation in 20/21 and 21/22.
Regional Park Washrooms (Penhorn)	CB000010	-	400,000	400,000	400,000	HIGH	MED-HIGH	Current building condition is substandard and well beyond life cycle, potential closure would be required
Sidewalk Renewals	CR180002	4,500,000	2,440,000	1,750,000	2,000,000	HIGH	HIGH	Sidewalk condition will continue to deteriorate and opportunities will be missed to integrate renewals with pavement recapitalization.
Sports Fields/Courts - SOGR	CP180003	6,000,000	1,500,000	1,500,000	4,000,000	HIGH	MED-HIGH	Added burden on operational budget to maintain assets beyond life, safety concerns, some assets may need to be closed
Street Recapitalization	CP180003	81,838,667	5,000,000	3,000,000	4,000,000	HIGH	HIGH	Staff will be unable to maintain current pavement condition index. Year one budget represents a 40 percent shortfall to maintain current index while encompassing complete street designs.
Transit Priority Measures Corridor (Bayers Rd)	CM000014	-	3,500,000	5,000,000	-	VERY HIGH	HIGH	Bayers Road is among the worst chokepoints in the Halifax Transit network. It was identified in the Moving Forward Together Plan as a key link in the transportation network that needs addressing, and this project to construct transit lanes will have a significant positive impact on service reliability. The current congestion levels on Bayers Road are such that as an interim measure, the Route 1 is currently being detoured through a residential neighbourhood on Roslyn Road, with the understanding that this is a temporary measure until the project is complete. Completion of this project not only greatly improves service quality and reliability for the passengers in the immediate neighbourhood, on local routes, but will increase the attractiveness of transit for people travelling to and from Tantallon, Clayton Park, Bedford and surrounding communities. As such, this project has the potential to significantly increase ridership and provide high quality options for commuters in a cost effective way, forming the building blocks for future higher order transit.
Transit Priority Measures Corridor (Robie Street)	CM000014	-	-	1,500,000	-	VERY HIGH	HIGH	If this project is delayed, it will delay the implementation of the Integrated Mobility Plan as approved by Regional Council.
<b>Additional Net Budget Request</b>		<b>129,489,667</b>	<b>21,805,000</b>	<b>57,470,400</b>	<b>39,398,400</b>			
<b>3-Yr Cumulative Total</b>					<b>118,673,800</b>	<b>An increase to average taxes at the end of Year 3 by 13.4%. (increase in the average home tax of \$256)</b>		