



2010-2011

Fiscal Framework

INTRODUCTION

Dear stakeholders,

I am pleased to share with you HRM's Fiscal Framework for 2010-11. The framework is not a proposed budget, but a tool to assist Council in making informed decisions to build HRM's draft budget for the upcoming year. The Framework provides an opportunity for Regional Council to approve the parameters under which staff will develop the budget. The coming weeks will see more detail and discussion on priority areas which will ultimately inform Council's direction on municipal service levels, expenditures and fees, and tax rates.

Our challenge for the upcoming budget is to determine the best way to successfully navigate a challenging year while dealing with a number of external and internal pressures that are impacting our service delivery. The decisions made in the coming weeks will impact how successfully we react to these pressures and safeguard our future.

COUNCIL FOCUS AREAS

Council Focus Areas continue to provide essential direction for the Municipality and support the overall vision for our community. The focus areas are: Transportation, Infrastructure, Public Safety, Community Planning and Governance and Communication. These lay the foundation for HRM's Budget and Business Planning process and provide staff with the direction needed to respond to community outcomes and implement an effective Corporate Plan.

LONG TERM SERVICE INCREASES

As we continue to plan for the future, now is the time to reflect on how far we have come since amalgamation. Over the past fourteen years, Halifax Regional Municipality has experienced significant growth in terms of development, population and - as a result - the services we are required to deliver. HRM has grown by close to 30,000 dwelling units since 1996. Just a few of many examples of increased service to deal with the growth since amalgamation include:

- New libraries, such as Tantallon, Woodlawn, and Keshen Goodman;
- Extensive renovations to many of our buildings, such as Captain William Spry and Acadia School;
- New recreation centres, such as Dartmouth East, the Gordon R Snow Community Centre, and the Citadel Recreation Centre;
- New fire stations for Hubley and Herring Cove;
- 136 new police officers;
- \$73.3M invested in solid waste systems;

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- The Harbour Solutions project;
- Significant water and wastewater system expansions such as Beaverbank, Maplewood, Hammonds Plains, Lucasville, and Herring Cove to name a few;
- 111 new transit buses (nearly double the number at amalgamation).

The challenges posed by rapid growth will not subside. They will continue to affect us, especially in the immediate future, as we face increasing budget pressures.

2009/10 HIGHLIGHTS

More recently, following are but a few of the highlights we have achieved in the current 2009/10 fiscal year.

- Our infrastructure program is advancing as we watch the progress on projects such as the Canada Games Centre, the Prospect Road Community Centre, the HRM 4-Pad Arena Complex, the Ragged Lake Transit Centre, and planning for the Central Library.
- Public Safety continues to be paramount - primarily as a result of the Mayor's Roundtable on Violence- with initiatives like the Public Safety Office, HRM Safer and Stronger Communities committee, new officers being hired and new partnerships being forged.
- We have marked many milestones in Community Planning including the approval of HRMbyDesign, continued implementation of the Regional Plan and its functional plans (such as heritage conservation and coastline access), as well as the Community Visioning process which has commenced in a number of communities.
- Transportation improvements have been evident through significant progress on implementing the first stages our plans to enhance Transit service. These include a number of new buses and route extensions, the first spur of MetroX, and development of rural service to Sambro. Other work in this area includes traffic management measures, and an increased focus on exploring modes of active transportation.
- We have moved forward with Council's focus on Communications and Governance by beginning to implement a Strategic Communications Plan, embarking on the District Boundary Review process, and examining Council's committee structure.
- In addition, HRM continues to distinguish itself as a good corporate citizen by placing second in the Corporate Knights Sustainable Cities Ranking, continuing to lead the way in reducing pesticide use, improving energy efficiency, and initiating the Alderney 5 Geothermal Cold Energy Storage System. HRM has been recognized for their efforts in this area - our Procurement section was a finalist in the Leadership in Green Procurement Award and Community Development's MindShift Program won an award from the Nova Scotia Environmental Network.

RESPONSIBLE MANAGEMENT

To deal with impending challenges and safeguard our future, and that of the community we serve, we need to adhere to two principles. We must focus on priorities and we must manage our resources responsibly. We have realized better focus through Council's commitment to implementing Council Focus Areas.

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Moreover, the Regional Plan provides a framework on which to base future decisions. Now more than ever, it is important to stay the course by concentrating our efforts on the priority areas and plans we have established.

We have achieved significant service expansions and improvements while maintaining a financial management. Since Council approved the Multi-Year Financial Strategy in 1999, HRM has experienced significant growth, and a resulting expansion of services. Despite the pressure caused by this growth, we have seen an increase in the capital budget from \$0-\$35.4 million while achieving a \$70 million (or 20.7%) debt decrease. We have a competitive tax burden, expenditure growth has been on average 6.23% and our Standard and Poor's rating has remained stable. As we strive to deal with increases in growth and expectations, we will continue to manage all of our resources responsibly and prudently.

In 2009/10, HRM initiated a service review process, engaged residents through a comprehensive citizen survey, hired our first Auditor General, revised our debt policy and targets for capital from operating, and rolled out a corporate values and ethics policy.

In the face of competing interests and difficult financial circumstances, these initiatives and others like them will continue to inform our decision-making and help to ensure the most efficient use of our resources.

THE FISCAL FRAMEWORK - SAFEGUARDING OUR FUTURE

Despite our success in balancing service growth with financial accountability in recent years, we face a difficult task. This year, as we endeavour to continue our practice of fiscal responsibility and accountability, we will do so with an eye on some important cost drivers.

The significant investment in infrastructure we have made due to funding from other levels of government has enhanced, and will continue to enhance, the quality of life in HRM. However, as capital projects are completed, additional strain is placed on our operating budget to operate and maintain our infrastructure assets. This is especially true of Transit, where unprecedented capital investment in the expansion and improvement of Transit services will continue to require significant increases in our operating budget.

The effort we have made to develop our standing as a leader in solid waste management comes at a cost. In the upcoming year we face extensive increases to maintain our solid waste systems, including contract renewals and reserve contributions to construct Cell 6 at the Otter Lake facility, the construction of which is required by the Winter of 2012.

Compensation costs continue to influence our operating budget. New services require new staff, and quality service delivery requires highly skilled staff. To attract and retain great staff, we need to provide rewarding opportunities and a competitive total compensation package. We have accomplished much in HRM due to the skill and commitment of a dedicated and professional team of employees, and continued improvement requires a focus on developing and engaging our staff. As we aspire to be recognized as an Employer of Choice, this element of our budget needs to be managed carefully going forward.

The basic assumptions contained in the 2010/11 Fiscal Framework are as follows:

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SHORT-TERM STRATEGY

The fiscal framework for 2010/11 proposes to build the budget based on:

- Rate for approved new services
- Moderate service reductions
- Some fee increases
- Small tax rate increase

LONG-TERM STRATEGY

In the longer term, we need to:

- Agree transit grows through growth in the tax rate, fare and new revenues
- Examine approaches to financing our solid waste services
- Restrict our capital spending to a level the operating budget can support
- Focus on aligning our initiatives to stimulate growth and economic development
- Increase our reserves - no withdrawals, and put more in
- Stick to the Regional Plan

We will continue to do everything within our power to remain a stabilizing force within our community. As well, Council's Focus Areas will guide our corporate direction and help to ensure that we are aligned to have the greatest impact on those important community areas.

CONCLUSION

In the coming weeks, Council will provide direction on the tax rate and determine how HRM is positioned to maintain and enhance municipal services. These are important decisions which will guide HRM's future direction. Staff will use the direction provided by Council to build the draft Budget, which is targeted for presentation in April, and plan for the years beyond 2010/11.

The next two to three years will be challenging and we must continue to rise to the challenge. There is no doubt that difficult, and perhaps unpopular, decisions will have to be made in the coming weeks as we discuss options for developing the 2010/11 budget.

We have consistently shown that we can meet the demands of our residents and provide top quality services, while managing our resources responsibly. As always, we will continue to relieve pressure on the tax rate by managing our expenditure growth, reviewing our programs and services, and looking for efficiencies in our service delivery. These are vital pieces of continuing to support prosperity in our Region, while safeguarding our future.