POLICY UPDATE
News and views from the Metropolitan Halifax Chamber of Commerce March 20, 1998

Halifax Regional Municipality - 1998/99 Budget

The Chamber remains concerned about the continuing inability of Council to gain control of its fiscal problems. With no plan in place, Council is left with a reactive approach to fiscal policy planning.

That being said, the Chamber is pleased that the operating and capital budgets for Halifax Regional Municipality (HRM) are being presented prior to the start of the 1998/99 fiscal year. It is also encouraging to see that Council realizes the need for the development of a long range strategic plan, an integrated financial system and performance measurement reviews.

The efforts to increase non-tax revenues through measures such as the sale of redundant properties, and the elimination of the numerous small reserve funds are steps in the right direction - but further steps must be taken:

Expansionary Budgets -

HRM increased its expenditures this year, last year and now proposes to do so again for 1998/99. The proposed budget increases for 1998/99 will require tax rate increases ranging from two to four per cent.

These budget increases are out of step with the current spending restraint practices of governments at all levels.

Escalating Debt Burden -

The estimated total debt of HRM is forecast to be $340 million by the end of March, 1998, and an additional $60 million will be borrowed over next year.

This level of debt requires interest payments in excess of the 10 per cent maximum provincial guideline for Nova Scotia municipalities. Continued growth of HRM's debt is a concerning trend, particularly since the largest single capital project in the history of the municipality is on the horizon (Halifax Harbour Solutions) - and we would like to note that this project is not included in the capital budget estimates yet.

Contingency Reserves -

HRM is not in a strong reserve position compared to other Canadian municipalities. The current year's deficit of $5 million is included in the 1998/99 operating budget and has since been increased to $7.4 million - and could increase even more by the end of March.

Without a budgeted reserve, HRM and its taxpayers, are vulnerable to every small hiccup in the economy or shift in service demand.

The Chamber believes that the budgetary problems and fiscal instability being experienced by HRM can be controlled if the municipality can take a hard look at how it delivers services and collects revenue.

Annual tax increases are not the answer, as neither residential nor commercial ratepayers can carry a heavier burden. HRM's commercial tax structure must be fair and predictable to create an environment of stability to help businesses grow in Metro Halifax. Effective medium and long-term planning with achievable targets is imperative.

Recommendations -

The Chamber encourages HRM to explore:
1) Service delivery re-engineering - what should we be doing and how should we be doing it?

2) Public/private partnerships - shared cost, shared risks.

3) Outsourcing/contracting out - can the private sector deliver the same level of service at a lower cost?

Editor's Note:

The Chamber has forwarded these concerns to Mayor Fitzgerald, Ken Meech, CAO of HRM, and all HRM Councillors.

Look for more information on this important issue next month when the Chamber's Task Force on Municipal

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Issues releases its final report.