



CAPE BRETON
REGIONAL MUNICIPALITY

10% Budget Reduction Exercise

Cape Breton Regional Municipality

10% Budget Reduction Exercise

► Special Council Meeting - September 26, 2019:

Motion:

Moved by Councillor MacLeod, seconded by Councillor Eldon MacDonald, that staff be directed to include an impact analysis of an overall 10 percent budget reduction as part of the 2020-21 budget consultation process.

Motion Carried.

Cape Breton Regional Municipality

Background - 2014 Organizational Review

▶ March 2014:

Background – A Case for Change

- ▶ Over the past 19 years, many factors have contributed to the ongoing decline of the CBRM economy including:
 - Industry closures
 - Population decline resulting in a reduced tax base
 - Increased regulatory requirements (e.g. Waste Water, Solid Waste, Water, OHS)
 - Government downloads
 - Bad provincial tax policy (CAP)
 - Government transfers (*with Municipal Grants being frozen*)
 - No provincial strategy for municipal sustainability
- ▶ This decline has finally put CBRM in a unsustainable position
 - We have come to the point where we have maximized our ability to raise revenue as demonstrated by the number of citizens unable to pay.
- ▶ It is clear that the time for action is now.

The factors that contributed to CBRM's ongoing financial challenges since amalgamation continue through to this day.

Cape Breton Regional Municipality

Background - 2014 Organizational Review

March 2014:

Our Vision – The goals we must achieve

- ▶ Live within our means
 - We have hit the tax revenue wall – citizens can not pay more
 - We must create a expense model that aligns with our ability to generate revenue
- ★ Provide an appropriate level of service to our citizens
- ★ To be operationally efficient
 - ▶ Proactive in developing economic opportunities
 - Being recognized as the most business and development friendly municipality in Atlantic Canada

Our Vision – The Outcomes and Targets we must achieve

Expected Outcome:

- Balanced budget year over year
- Reserves are funded and maintained to fiscal indicator standards in the next 5 years – 7M
- To be in a position to invest in economic development opportunities
- ★ Reduction of approximately 40+ staff over 5 years through attrition
- ★ Reduction in budget expenditures by \$5,000,000 by year 5 with a cumulative saving of \$17 million over the 5 years

Cape Breton Regional Municipality 2014 Organizational Review - Evaluation

	2014-15	2015-16	2016-17	2017-18	2018-19	TOTAL
Anticipated Revenues	141,251,750	144,076,785	147,678,705	151,370,672	155,154,939	739,532,851
Revenue Initiatives	1,300,000	1,326,000	1,352,520	1,379,570	1,407,162	6,765,252
Revised Anticipated Revenues	142,551,750	145,402,785	149,031,225	152,750,242	156,562,101	746,298,103
Actual Revenues	142,877,533	144,916,397	148,269,745	148,343,434	147,157,888	731,564,997
Revenue Shortfall	\$325,783	\$(486,388)	\$(761,480)	\$(4,406,808)	\$(9,404,213)	\$(14,733,106)
Anticipated Expenditures	144,213,189	147,818,519	151,513,982	155,301,831	159,184,377	758,031,898
Target Reduction	(1,946,900)	(3,070,610)	(3,426,150)	(3,992,354)	(5,067,288)	(17,503,302)
Revised Target Expenditures	142,266,289	144,747,909	148,087,832	151,309,477	154,117,089	740,528,596
Actual Expenditures	142,153,170	143,892,608	147,084,473	147,789,751	146,798,221	727,718,223
Target Exceeded By	113,119	855,301	1,003,359	3,519,726	7,318,868	12,810,373
Actual Expenditure Reduction	\$ 2,060,019	\$ 3,925,911	\$ 4,429,509	\$ 7,512,080	\$ 12,386,156	\$ 30,313,675
Overall Savings (Net)	\$ 2,385,802	\$ 3,439,523	\$ 3,668,029	\$ 3,105,272	\$ 2,981,943	\$ 15,580,569

Results of actions implemented since the 2014 organizational review have far exceeded expectations, with total reduction in expenditures exceeding **\$30.3M** and overall net savings of **\$15.5M!**

Cape Breton Regional Municipality

2014 Organizational Review - Evaluation

▶ REVENUES

- ▶ Planned initiatives executed
- ▶ Impact of CAP
- ▶ Accelerated population decline
- ▶ Equalization freeze
- ▶ MINIMAL FEE INCREASES
- ▶ NO INCREASE IN TAX RATES

▶ EXPENDITURES

- ▶ Planned initiatives executed
- ▶ Energy efficiency upgrades
- ▶ Improved street light program
- ▶ Debt management
- ▶ Additional pressures absorbed (transit, binding arbitration decisions, government transfer increases)
- ▶ SERVICE LEVELS MAINTAINED OR IMPROVED

Cape Breton Regional Municipality

2019 - Grant Thornton Viability Study

► August 2019:

“An assessment of municipal services and taxation levels revealed a trend of departments stretching internal resources and tangible assets to levels that **exceed** benchmarking participants in the majority of areas assessed, often by a *significant margin.*”

“**Decreasing** service levels could potentially **weaken** the CBRM’s current competitive position while providing ***minimal benefits*** to the municipality’s financial position.”

Cape Breton Regional Municipality

CFIB - The Nova Scotia Municipal Spending Report

Overall Provincial Rankings, 2010-2017

Municipalities	2010-2017 Population Growth	2017 Operating Spending per Capita	2010-2017 Real Operating Spending Growth	2010-2017 Real Operating Spending Growth per Capita	Overall Provincial Ranking
Municipality of Annapolis	-1%	\$554	-9%	-9%	3
Municipality of Antigonish	-2%	\$641	19%	21%	10
Municipality of Argyle	-7%	\$1,080	22%	31%	15
Municipality of Chester	-3%	\$1,122	-3%	-1%	13
Municipality of Clare	-6%	\$737	-7%	-2%	7
Municipality of Colchester	-2%	\$743	-16%	-15%	6
Municipality of Cumberland	-7%	\$1,047	55%	66%	18
Municipality of East Hants	2%	\$814	-24%	-25%	4
Municipality of Inverness	-6%	\$584	-20%	-15%	2
Municipality of Kings	0%	\$671	-9%	-10%	5
Municipality of Lunenburg	0%	\$621	-35%	-34%	1
Municipality of Pictou	-5%	\$620	7%	12%	8
Municipality of Richmond	-6%	★ \$1,009	-21%	-16%	9
Municipality of West Hants	1%	\$631	24%	23%	11
Municipality of Yarmouth	-3%	\$1,069	11%	14%	14
Municipality of CBRM	-5%	\$1,131	-9%	-5%	12
Municipality of HRM	6%	\$1,571	5%	-1%	16
Region of Queens Municipality	-8%	\$1,429	10%	19%	17

CBRM's spending per capita is **significantly lower** than the other 2 Regional Municipalities and is only marginally higher than our rural neighbor Richmond County. Furthermore, CBRM's per capita spending is lower than almost every Town in NS!

Cape Breton Regional Municipality Schedule of Operating Budget Reduction Target

CBRM DEPARTMENT	BUDGET 2019-20	NON- DISCRETIONARY EXPENDITURES	NET "DISCRETIONARY" BUDGET
ADMINISTRATION	1,082,923	-	1,082,923
MUNICIPAL CLERK	544,229	-	544,229
FINANCE	2,662,774	-	2,662,774
HUMAN RESOURCES / OH&S	1,350,257	-	1,350,257
LEGAL SERVICES	1,843,612	-	1,843,612
LEGISLATIVE	1,626,311	-	1,626,311
PLANNING, INSPECTIONS AND BY-LAWS	2,666,157	-	2,666,157
TECHNOLOGY	1,339,154	-	1,339,154
PARKS & BUILDINGS	6,143,224	-	6,143,224
RECREATION	2,654,825	-	2,654,825
FACILITIES	3,507,637	-	3,507,637
POLICE SERVICES	27,611,932	-	27,611,932
FIRE SERVICES	17,891,006	(7,076,384)	10,814,622
ENGINEERING & PUBLIC WORKS	47,080,065	(8,000,000)	39,080,065
CONDITIONAL TRANSFERS	19,695,789	(19,695,789)	-
FISCAL SERVICES	12,810,333	(12,810,333)	-
TOTAL EXPENDITURES	150,510,228	(47,582,506)	102,927,722
10% REDUCTION			10,292,772

Only costs within CBRM's direct control are subject to this exercise. Therefore costs associated with debt servicing, fiscal expenditures, provincially and UARB mandated costs, and contractual commitments for solid waste are excluded from the target reduction calculation.

Cape Breton Regional Municipality Schedule of Operating Budget by Expenditure Type

WAGES/SALARIES/BENEFITS/COST RECOVERIES	65,805,889		
CONTRACTS/AGREEMENTS/PROFESSIONAL SERVICES	8,151,176	LICENSES/PERMITS/REGULATORY FEES/EASEMENTS	477,895
OPERATIONAL EQUIP/MATERIALS/SUPPLIES	4,085,654	SECURITY	457,050
GRANTS/SUBSIDIES TO ORG/SCHOLARSHIPS	3,293,552	ADVERTISING/PROMOTION	443,650
UTILITIES (HEAT/ELECTRICAL/WATER)	2,892,496	UNIFORMS/CLOTHING	413,877
VEH/EQUIP MAINT/REPAIRS	2,630,908	OFFICE SUPPLIES/EQUIPMENT	344,100
STREET LIGHTS	2,350,000	COMMUNITY EVENTS	334,615
GASOLINE & DIESEL	1,881,459	BLDG/FACILITY RENTAL	288,328
LEASES	1,313,150	POSTAGE/COURIER	214,300
LIABILITY INSURANCE	1,313,084	TAX EXEMPT/WRITE OFF	140,000
BLDG/FACILITY/PLANT - MAINT/REPAIR	1,155,482	PROF MEMBERSHIPS/DUES & FEES	139,329
COMPUTER HARDWARE/SOFTWARE/LICENSES	1,038,633	MAINTENANCE EQUIP/TOOLS	120,309
VEH/EQUIP REPLACEMENT/RENTAL	731,000	DEMOLITION	120,000
TRAVEL/CONFERENCES	691,468	COMM EQUIPMENT LINES	97,200
TELEPHONE/FAX	653,884	MEETING EXPENSES	78,000
TRAINING/EDUCATION	616,310	PHOTOCOPY SUPPLIES	66,600
COST OF SALES	560,000	SUBSCRIPTIONS	28,324
	TOTAL		102,927,722

With \$78M of the overall budget being personnel or contracted services, along with associated costs of materials & equipment, the majority of the 10% reduction would have to be derived from these areas.

Cape Breton Regional Municipality

10% Reduction \$10,292,772

REDUCTIONS IN SERVICES (\$4,151,070)

- ▶ Heavy Garbage/Trashformers
- ▶ Closure of waste drop off sites
- ▶ Bio-solids disposal at landfill
- ▶ Road Maintenance/Winter Operations
- ▶ Transit reduction
- ▶ By-law enforcement
- ▶ Non-mandated pedestrian/traffic services

REDUCTIONS IN STAFFING (\$3,507,140)

- ▶ 75 positions (10% of workforce)
- ▶ All areas of CBRM services - particularly non-mandated/support services
- ▶ Potential for increased OT, absenteeism due to illness, stress, injury
- ▶ Impact on service delivery (internal/external)
- ▶ Security

ELIMINATION OF FUNDING PROGRAMS (\$1,561,062)

- ▶ Loss of funding for national events & community events/festivals
- ▶ Closure of community facilities
- ▶ Summer students/scholarships
- ▶ Heritage incentive program discontinuance
- ▶ Low income assistance discontinuance

OTHER (\$1,073,500)

- ▶ Cuts to fleet maintenance/monitoring
- ▶ Reduced CBRM representation for local/regional issues and events
- ▶ Reductions in operational materials/supplies/equipment
- ▶ Environmental education programs/services
- ▶ Economic Development Initiatives discontinued

Such reductions will impact areas of service delivery and associated revenue (ie transit), public & employee safety, livability, & environmental and economic consequences which will likely result in financial implications over and above “savings” noted.

Cape Breton Regional Municipality

Financial Implications

▶ Financial Implications:

- ▶ Overtime/Outsourcing
- ▶ Equipment/Infrastructure Failure
- ▶ Increased Litigation
- ▶ Increased Tax Receivables
- ▶ Increased Pressure on Capital Budget
- ▶ Reduced Transit Fares
- ▶ Reduced Facility Revenue
- ▶ Reduced Fine Revenue
- ▶ Lost Cost Sharing/Funding Agreements
- ▶ Economic Consequences

▶ Recovery Options:

- ▶ Increases to existing fees
- ▶ New fee charges (residential tipping at landfill, service connections)
- ▶ Revisit tax exemption/incentive policies
- ▶ Fees charged on all criminal records checks
- ▶ Tax rate increases



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