



07/08 Fiscal Framework

January 23, 2007

Halifax Regional Council
Committee of the Whole

Theme

- Investment in our People, Communities, and Facilities

Direction Sought

- Balancing service level and tax burden for budget development
- Consideration of a regional area rate for mandatory Provincial contributions

Changing Paradigms

- Good news – Standard & Poor's rating increased to A Positive
- CFA discussions assisted in aligning priorities and maximizing the use of existing resources.
- Tax Reform has commenced
- Wastewater transfer to HRWC
- Key year for HRM... Games decisions and opportunities
- Assessment Cap at CPI commencing in 08/09

Multi-Year Financial Strategy

- Developed in 1998 in response to financial pressures:
 - flat revenues, increasing provincial mandatory contributions, increasing debt and debt costs, low reserves
- Objectives:
 - Maximize financial flexibility
 - Minimize financial vulnerability
 - Ensure program sustainability
- Performance measures – Standard & Poor's Rating, Level of Debt, Return on Investment Portfolio, Achievement of Year End Budget Target

MYFS Critical Principles

- Nine Key Principles:
 - eg, Business Planning, Long Term Capital, Double entry approach
- Reserves Policy
- Debt Policy
 - lowers debt
 - decreases debt charges
 - leads to sustainable capital budget

Results of Debt Policy on HRM Debt



Note: As of March 31st end of fiscal year. Includes Issued, Approved and Work-in-Progress

How the Debt Policy works

- The MYFS Debt Policy sets HRM maximum borrowing at 80% of the amount of debt paid off in any given year.
- This forces debt down. As debt declines, principal and interest charges in the operating budget will also decline

	2007/08	2006/07
We re-pay	\$41.4 m	\$40.3 m
Maximum borrowing at 80%	<u>\$33.1 m</u>	<u>\$32.2 m</u>
Debt will Fall by ...	\$8.3 m	\$8.1 m

Capital

- HRM's capital budget has been slowly and steadily growing.
- Dec. 5, 2006 - Council Focus Area discussion on Infrastructure. Council approved:

The 5-year approach for Infrastructure Recapitalization Planning;

Endorsed Asset Management as an approach for better Capital Planning; and

Recognized that staffing capacity and alignment will be key to effectively delivering the 5-year plan.

Expense Projection

Expenditure	Amount (\$)	Percent (%)
Mandatory Provincial Expenditures	7,916,600	8.0%
Municipal Services – existing Annualized costs of increased/enhanced services	18,299,500 <u>5,191,900</u> 23,491,400	4.4%
Total	31,408,000	4.9%

Expense Projection

2006/07 Approved Budget	\$ 630,928,000
Mandatory Provincial	7,916,600
Wages & Benefits	10,685,000
Annualized cost of increased/enhanced services	5,191,900
Solid Waste Contractual Increases	1,221,400
Other BU increases (Expenditure – Revenue)	1,172,300
Capital from Operating	3,543,000
Other Fiscal Costs, net	1,677,800
Projected Increase	<u>\$ 31,408,000</u>
2007/08 Projected Expenditures	\$ 662,336,000

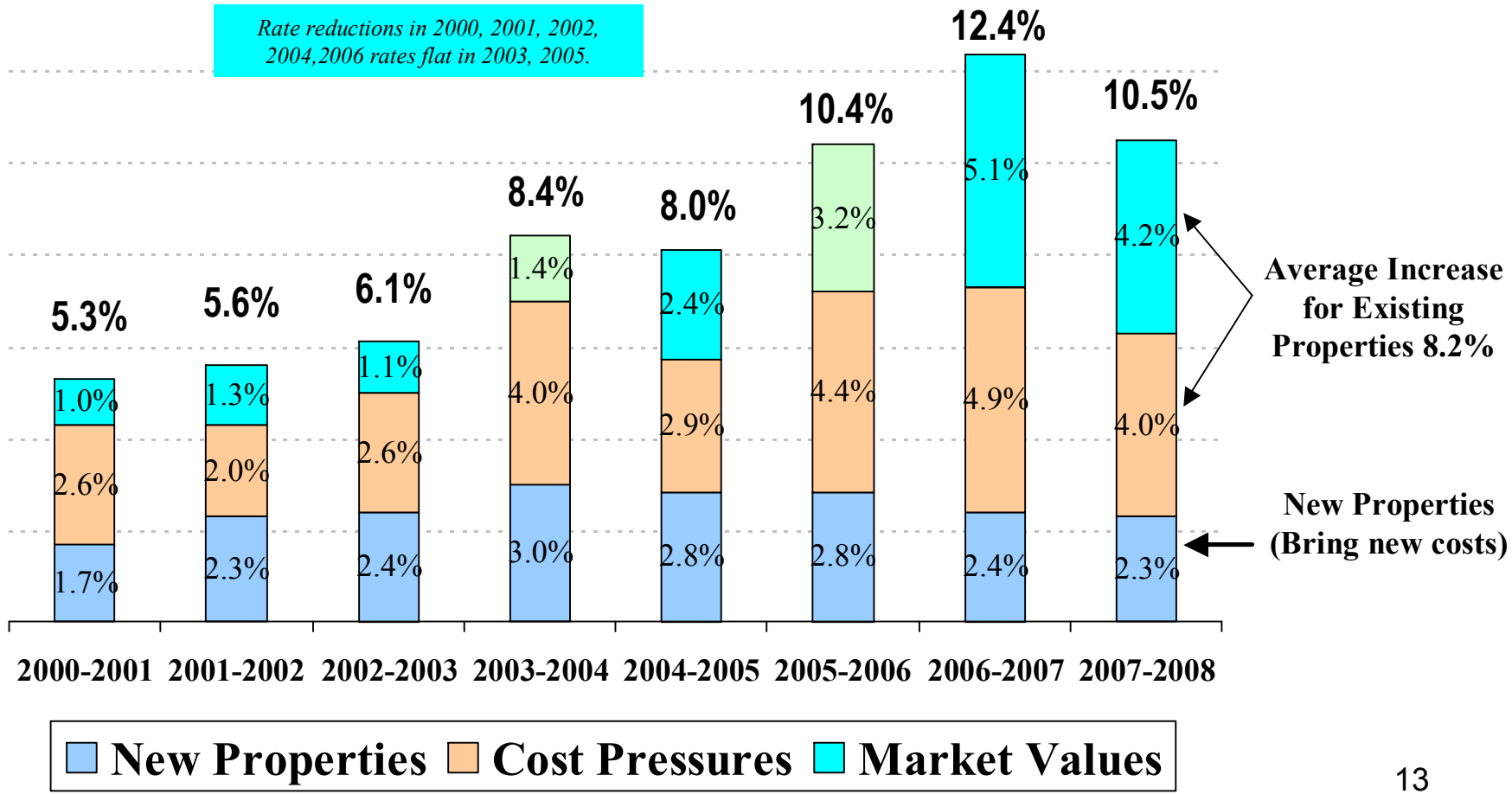
*Excludes 22 new police officers, which will be funded by the Province

Revenue Projection

- Residential assessment up 10.5% compared to 12.4% last year.
 - New construction is 2.3% (2.4% last year) and average market increases is 8.2% (10.04% last year).
 - Commercial assessment up 8.8% compared to 5.87% in 2006.
- Business unit revenues projected to be up \$2.5 m; an increase of 2.4%

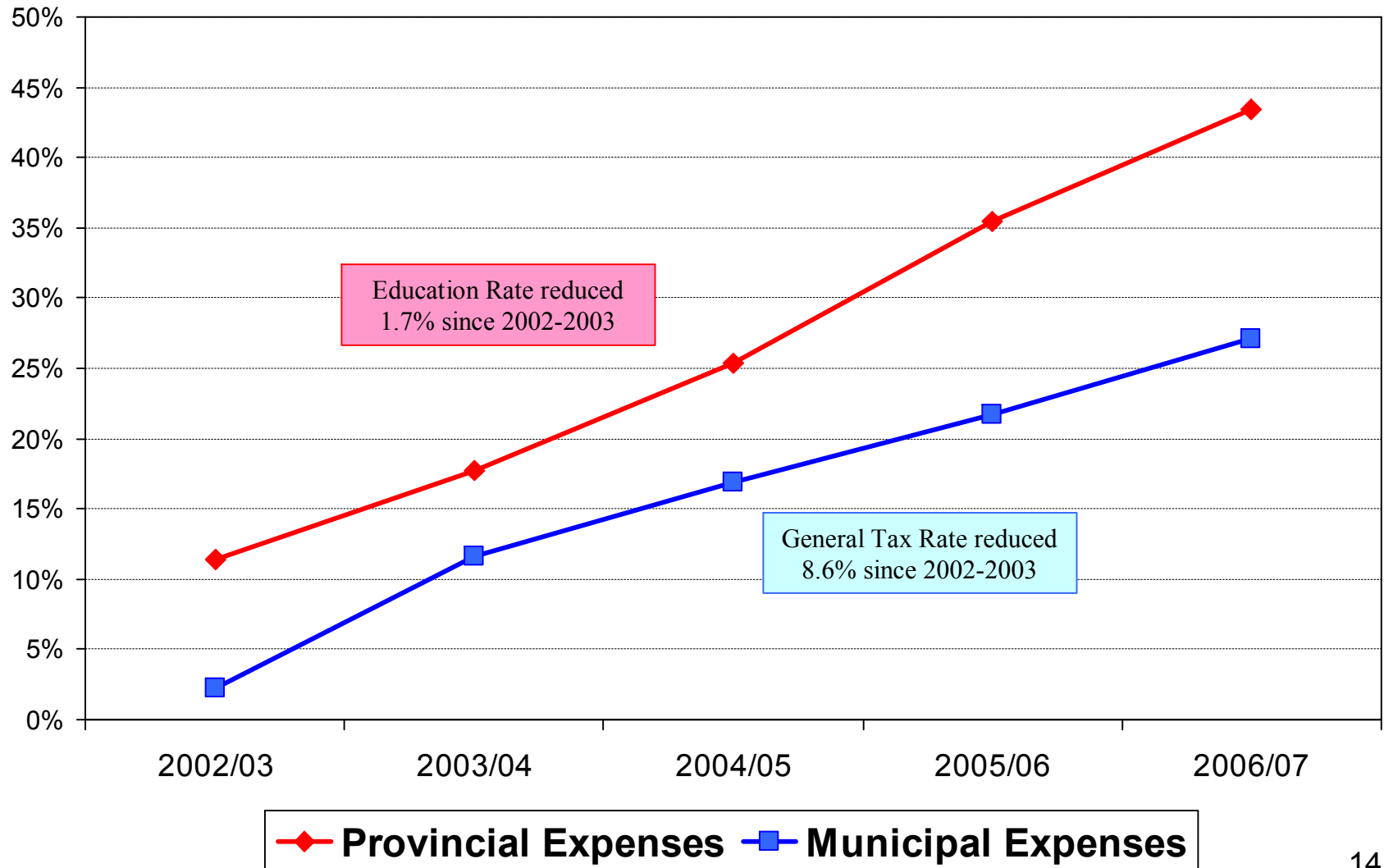
HRM Historical Tax Approach

Rate reductions in 2000, 2001, 2002,
2004, 2006 rates flat in 2003, 2005.



Trend in Expenditures

Mandatory Provincial versus Municipal



Mandatory Provincial Expenditures – Projected Increase**

- Education: \$7.4 million (8.9%)
- Assessment: \$317 thousand (5.6%)
- Corrections: \$198 thousand (2.6%)
- Housing: no change

** Total percentage increase is projected to be 8%

Risk

- Timing risk. Provincial budget typically set after HRM's.
- Calculation of provincial mandatory contributions. (Education Rate, Uniform Assessment, Capped vrs Uncapped)

Possible Risk Mitigation Strategy

- Treat Provincial Mandatory charges as a Regional Area Rate. HRM Council would set the tax rate based only on municipal services that are within HRM's control.
- Improves HRM's accountability.
- Places accountability for rate setting and control of Provincial mandatory expenditures with the Province

Expenditure Controls

- Program inventory tabled with Audit Committee in September
- Two audits starting in 06/07 to be completed in 07/08
 - Employment Expense Reimbursements
 - Procurement Policies & Procedures
- Actions taken during 06/07 around
 - Non inventoried assets & bulk assets
 - Payroll & benefits
 - Cash management

Items In Progress

- Mitigation of risk on solid waste exportation by-law
- Impact of potential transfer to Waste Water Services to HRWC
- Anticipating and forecasting accurately, funding from other levels of government
- Games decisions
- Tax Reform
- Debt financing of Major Facilities

Key Messages

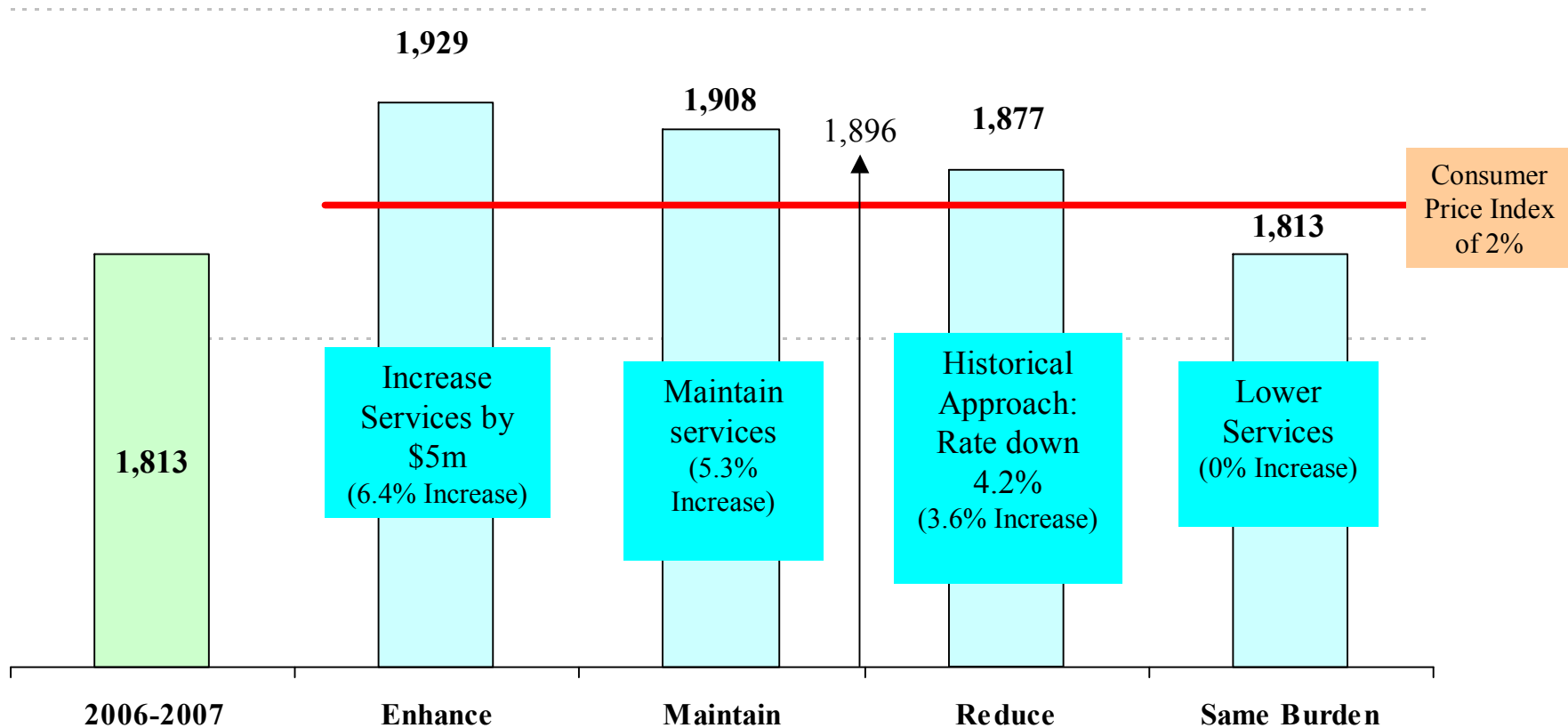
- CFA discussions – Council input will help us align priorities
- MYFS is working well
- Good initiatives on the horizon to help long term financial sustainability, such as the CCC Project, transition of Waste Water, and Tax Reform.

Possible Service Level Strategies

Strategy	Change over 06/07	% Change	Surplus/ (Deficit)	Tax Rate /Burden
Enhance	\$36.4 m	5.8%	\$5 m	-1.4% \$1,929
Maintain	\$31.4m	5.0 %	\$0 m	-2.5% \$1,908
Reduce	\$24.4 m	3.9 %	(\$7m)	-4.2% \$1,877
Reduce & keep same tax burden	\$7.9 m	1.3%	(\$23.5m)	-8.2% \$1,813
Reduce & area rate	\$26.8 m	4.2%	(\$4.6m)	-3.2% \$1,896

Average Tax Burden

Single Home with General Tax Rate



Proposed Timelines

- Jan. 23rd – Fiscal Framework Presentation to Council
- March 20th table Op & Capital Budgets
- March 26 – 30th Budget Debate
- April 3rd – target for Council Approval

**Timelines may vary depending upon strategy selected.