

# HRM 2010/11 Forecast

Planning for Change, Seizing Opportunities, Safe Guarding Our Future



# Assumptions

- Council wants to maintain HRM's Standard & Poor's rating
- Council wants to maintain tax competitiveness
- Council wants to maintain the current level of capital expenditures
- Council wants to maintain the condition of existing assets
- Council would like to grow the capital from operating component of the budget to increase investment to fulfill strategic plans



# HRM's Budget and the Local Economy

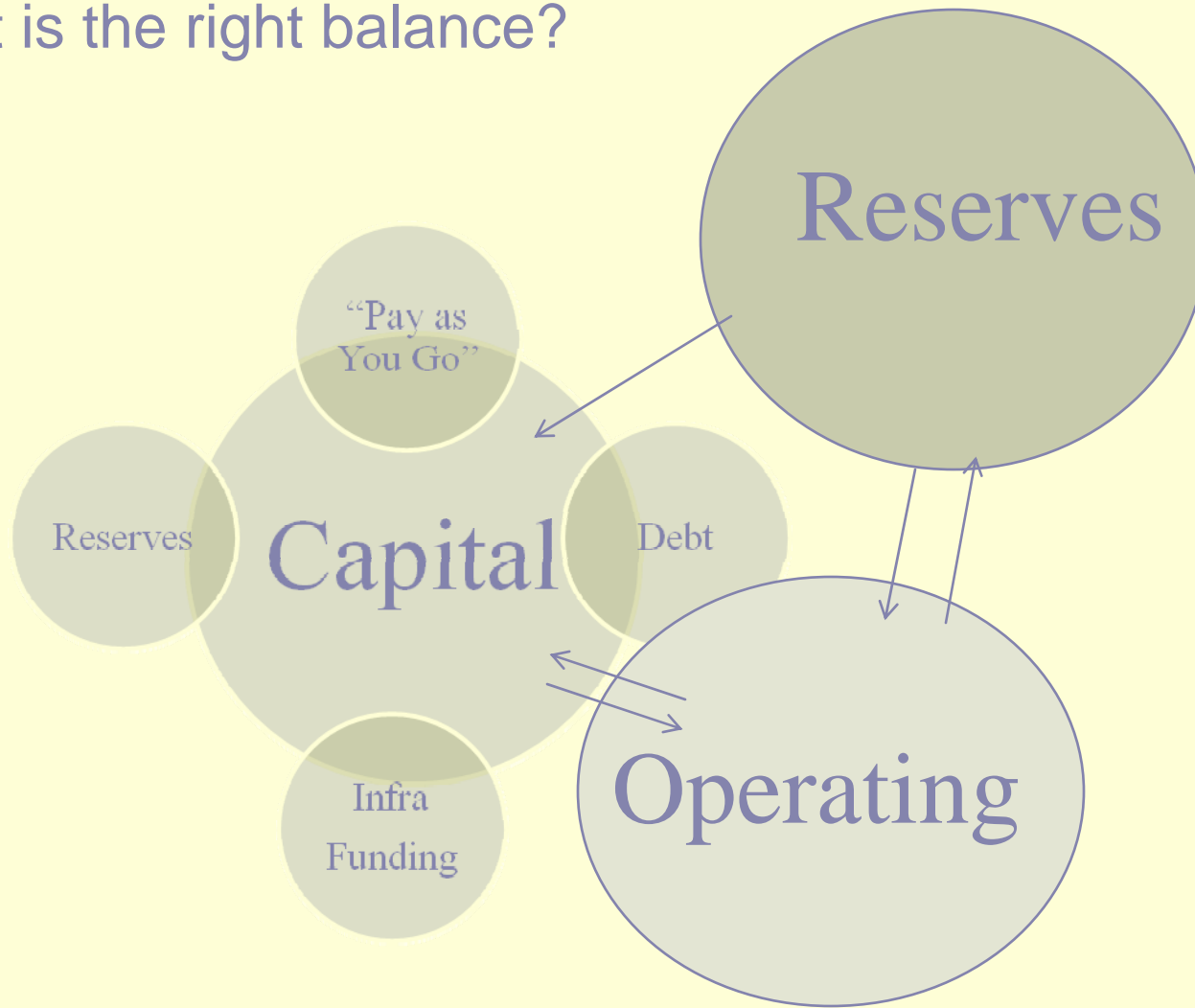
- During the Council Focus Area discussions, it is important to keep in mind the strategic issues; and the impact that HRM has on the local economy.
- Given the state of the Provincial and Federal finances, it is more important than ever to be very strategic in how we invest municipal tax dollars
- Our budget is a tool to help support the Economic Strategy and growth the Economy. Economic Growth does not come without investment in people, programs, and infrastructure



# HRM's Budget and the Local Economy

- HRM's GDP is \$11, 921 (Conference Board of Canada, 2008)
- Our fiscal health impacts business community's confidence and ability to attract new business
- Could we do more through our budget process to support the Economic Strategy?
  - Tax competitiveness – Is the commercial multiplier appropriate?
  - Are our infrastructure investments in line with the Economic strategy?
- Could we use the budget to support the Immigration strategy? Yes

What is the right balance?





# Operating Budget Compensation Model

- People are our biggest resource. Key to delivering services.
- Compensation and benefits make up 48% of our budget
- Each position has a salary and other associated expenses assigned to it
- A number of HRM services are dependent upon delivery through contracts
  - Solid Waste
  - RCMP
  - Snow removal



# Cap & Operating Budget Drivers

- Cost of Living Index (CPI) at 0%
- Municipal Inflation at 4% (estimate)
- Construction Index at -0.1% first half of 2009
  - However, project bids on tenders this year are generally up
- Fuel Prices
- Council Focus Areas
- Service delivery cost drivers - Business Units
  - \$11 m
- Continuing financing from Federal & Provincial sources
- Limited availability of new infrastructure funding, or increases in funding from other levels of government
  
- New this year: presentation changes caused by PSAB 3150 – Tangible Capital Asset Accounting \$10 - \$12 m shifting from the Capital Budget to the Operating Budget. This is just a presentation change. You will see a decline in Capital from Operating.



# Reserve Budget

- Snow and Ice Reserve and VOSR must be sufficiently funded to mitigate risk. Both are projected to be ok for 2010/11, subject to not having to withdraw from them in 2009/10
- Solid Waste Reserves – need to be topped up
- Strategic Growth Reserve – fully committed. Needs to be replenished or augmented so that when infrastructure funding becomes available again, we have a source for our share of funding
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# Taxation

- Transit - Key Change last year – Area rates for Transit (approved as interim solution for 1 year) Two sources of funding:
  - Area rate increases
  - Fare increases
- During fiscal framework in January, will recommend continuation
- Significant new Operating Costs of projects approved in past fiscal years will need to be addressed in 2010/11 budget
- Tax Reform debate will resume at COW in January. Regardless, committed to address tax structure issues re: sidewalks prior to budget approval for 2010/11
- Area Rate for Mandatory Contributions driven by Provincial Legislation
  - Fair & Equitable Funding Commitments
  - “Do no harm”
- Fire Protection Rate - Reinstated



# Fiscal Framework

- Revenue Forecast – Projecting minimal or no increase in residential assessment taxable value
- Deed Transfer Tax – Projecting no growth. May be further decline
- Fines and Fees – Some opportunities exist
- Expenditure Forecast – Cannot control fuel prices, electricity or compensation costs part of collective agreements. Limited flexibility without impacting service delivery



# Service Increases

- So far in Fiscal 2009/10 Council has approved the following additions to the 2010/11 Operating Budget
  - Community Partnership Grant Program - \$1,000,000
  - Outdoor Ice Operating Cost - \$150,000
  - Tax exemption for Properties Damaged by Fire - \$45,000(est.)
- Services where Council has asked for more information
  - Increased funding for Heritage and Culture
  - Trap neuter release program
  - Streetscaping / Underground Wiring
  - Weekly Green Cart Collection



# Current Situation

- Expenditures will exceed projected revenue by approximately **\$30,000,000 ± 10%**. In context, this is about 5% of our operating budget
- There are **\$11.3 m** in Operating Budget additions identified to date; which Finance staff must review and verify. (contracts/commodities/legislative)
- Capital: Short for “Must Do” projects by \$12.5 M.
- Transit expenditures will result in either an area rate increase and/or a fare increase
- Staff will develop some options that reflect a responsible combination of expenditures reductions, and changes to user fees and tax rates.
- Some good news... we are not projecting a deficit from 2009/10.

**No direction required yet... more data and analysis required**



# Wrap Up

- Planning for Change – PSAB 3150 Compliance, and keeping a steady course through the economic downturn
- Seizing Opportunities – Maximizing use of Infrastructure Funding; modifying our debt strategy, considering budget as a tool to support Economic Strategy and Immigration Strategy
- Safeguarding Our Future – Continuing to focus on Asset Management, Regional Plan priorities, and Multi-Year Financial Strategy/Fiscal Health