



2010-2011  
**Fiscal  
Framework**

Safeguarding  
Our Future

**HALIFAX**  
REGIONAL MUNICIPALITY

# Outline

- ▶ Where HRM has been
- ▶ The Pressures We Face
- ▶ Our Budget Process for 2010
  - Expenditures – Operating & Capital
  - Revenue
- ▶ Recommendation
- ▶ Next Steps

## Why are we here?

- ▶ To set the direction upon which the draft 10/11 budget will be developed
- ▶ To get direction on assumptions for
  - Municipal service levels/expenditures
  - Fees and rates
- ▶ To discuss 5 year outlook and possible strategy going forward



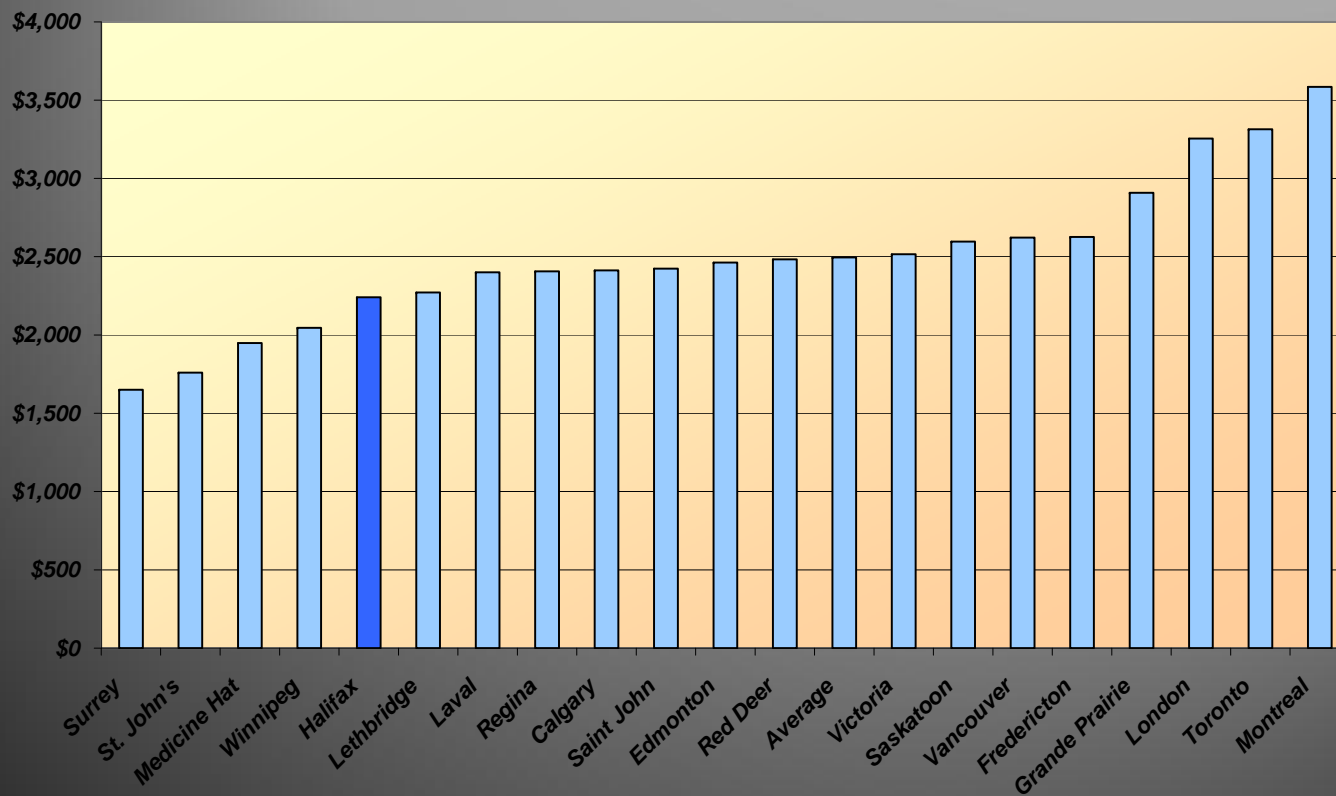
## Where HRM Has Been

- ▶ April 1, 1996 - Amalgamation
  - Revenue was flat
  - “Non-discretionary” costs were growing
  - Services were squeezed
- ▶ Multi-Year Financial Strategy
  - Principles of Financial Management
    - “Double Entry Principle”
  - Debt Policy
  - Capital Policy
  - Reserve Policy

## Where HRM Has Been

- ▶ Since implementation of MYFS
  - Significant service expansion
  - Capital from Operating has increased from \$0 to \$35.4 M
  - HRM Debt Declined by \$70 M, or 20.7%
  - HRM Tax Rates.... Tax burden is competitive
  - Expenditure growth... has been on average 5.2%
    - Per dwelling unit expenditure growth (factoring out inflation) is 1.7%
  - Standard and Poor's Rating A+

### Taxes on an Average Single-Family Home, 2009



## Service Expansion – Progress Since Amalgamation

- ▶ There has been significant investment since amalgamation
  - Community & Property Development \$50.6 M
  - Equipment & Fleet \$126 M
  - Parks & Playgrounds \$72 M
  - Facilities \$208 M
  - Metro Transit \$179 M
  - Traffic Improvements \$93 M
  - Streets & Roads \$230 M
  - Sidewalks \$45 M
  - Solid Waste \$139 M
  - Information Technology \$41 M
  - Industrial Parks \$71 M
  - Water and Waste Water \$473 M

# Pressures We Face

- ▶ External pressures
    - Inflation
    - Demographics and the labor market
    - Development/growth
      - 22,700 new dwelling units since amalgamation
    - Economy and unstable funding from senior gov'ts
    - Increasing environmental regulation
  - ▶ Internal pressures
    - Decisions to expand services
    - Acceptance of expanding municipal mandate
    - Cost of municipal operations
    - Aging workforce, ability to attract & retain employees
- \* Increasing demands for services



## Pressures

- ▶ Service growth - New capital projects and services are adding additional expenses
- ▶ Aging infrastructure – Requires increased capital investment
- ▶ Low level of operating funding support from other levels of gov't
- ▶ Operating expenditures increasing about \$15 - \$24 m per year (wages, contracts, inflation)
- ▶ We will not get future growth in revenues sufficient to meet this challenge

## Progress toward change in 2009/10

- ▶ Service Review initiated
- ▶ January 2010 Citizen Survey
- ▶ Additional information around economic outlook and risk
- ▶ Shifting approach to capital, review of over 400 capital accounts
- ▶ Expenditure control - “Floor and Ceiling”
- ▶ Revised debt policy and targets for cap from op
- ▶ Asset management

\*\* Municipal Auditor General engaged \*\*\*



# Projected Operating Expenses

## Expenditure Drivers

- ▶ Increased cost of providing 9/10 services
  - CPI is estimated at 1% // MPI at 1.51%
  - Contracts for goods & services increased \$8 M
  - Solid Waste
- ▶ Compensation model \$ 14.2 M increase
  - \$5M from new positions (\$4.2 M is Transit)
- ▶ New services –
  - Operating costs of new capital \$9.73 M
  - New items approved by Council \$1.4 M
  - Transit expansion



# Transit

- ▶ Transit faces inflationary pressure



- ▶ Expanded services (each year for the next 4 years)

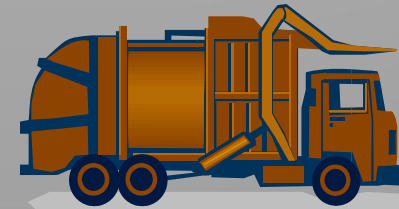
- 10 new buses coming on line
- Ragged Lake Operations Centre
- 570,000 new route km
- 30,000 new service hours

Base increase \$1.5 M  
New Service from 9/10 \$2.6 M  
New Service for 10/11 \$6.1 M  
\$10.2 M

- ▶ This translates to \$0.019 added to the local rate, and \$0.006 added to the regional rate
- ▶ Long term.... Need to look at alternate revenue strategies, but the reality is that the majority of transit costs will always be supported through the fare and the rates

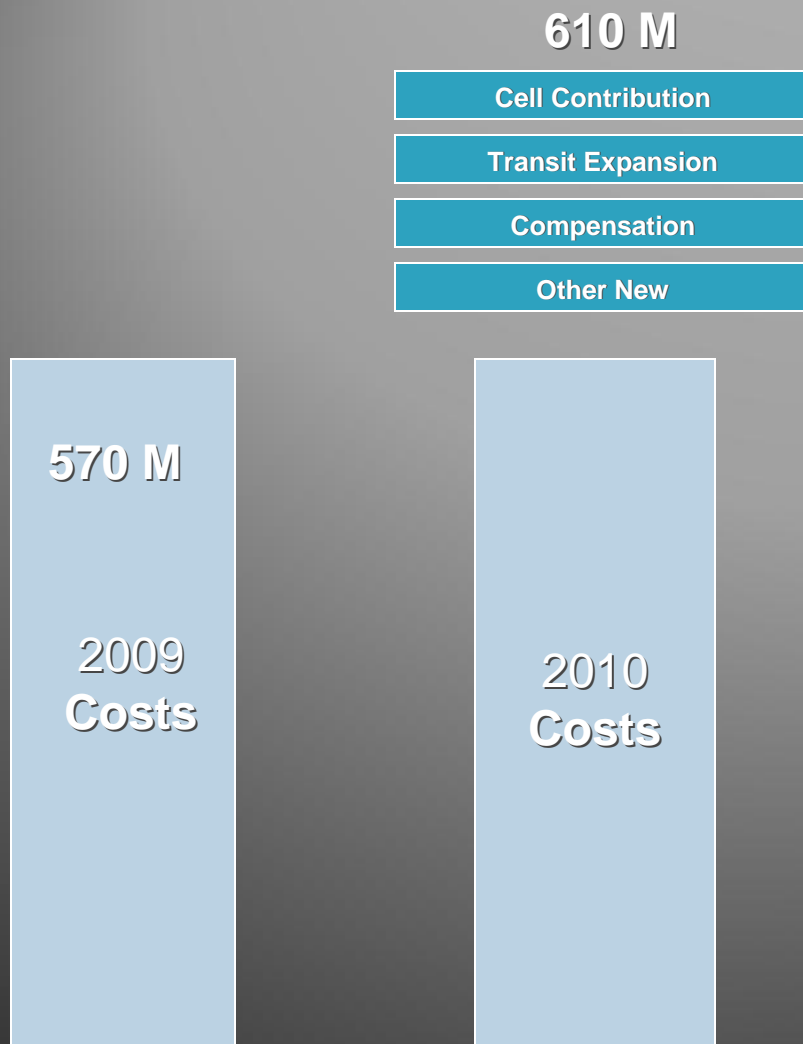
## Solid Waste

- ▶ New Era contract renewal \$1.16M
- ▶ Miller Contract \$358K
- ▶ Mirror to be negotiated
- ▶ Reserve contributions for Cell 6 \$12.5M
  - Cell 6 is required by 2011/12
  - The cost of a cell and related equipment is estimated at \$24 M



<b>Mandatory Amounts</b>	<b>09/10 Budget</b>	<b>10/11 Preliminary</b>	<b>% Change</b>
Mandatory Education	96.6	97.4	0.9
Corrections*	7.9	6.4	-19.3
Metro Housing**	2.6	1.8	-32.7
Assessment (PVSC)	6.4	6.7	4.1
Total:	<b>\$113.5</b>	<b>\$112.3</b>	<b>-1.1</b>
<b>Mandatory Rates</b>	<b>09/10 Rate</b>	<b>10/11 Preliminary</b>	<b>Change</b>
Overall Residential Rate	0.372	0.353	-0.019
Overall Commercial Rate	0.349	0.373***	0.024

# Budgetary Changes Overview





## 10/11 Expenditure Framework - with new 09/10 Services

2009/10 Approved Budget	\$570.3 m
Business Unit Costs	20.0
Fiscal Costs	
Reserve contributions (Solid Waste is \$12.5)	13.4
Operating Cost of Capital	6.8
Debt Charges	(0.6)
Capital from Operating	1.5
Other Fiscal	(0.9)
2010/11 Projected Expenditures (includes new services)	\$ 610.5 m
<b>Total Projected Increase</b>	<b><u>\$ 40.2 m</u></b>

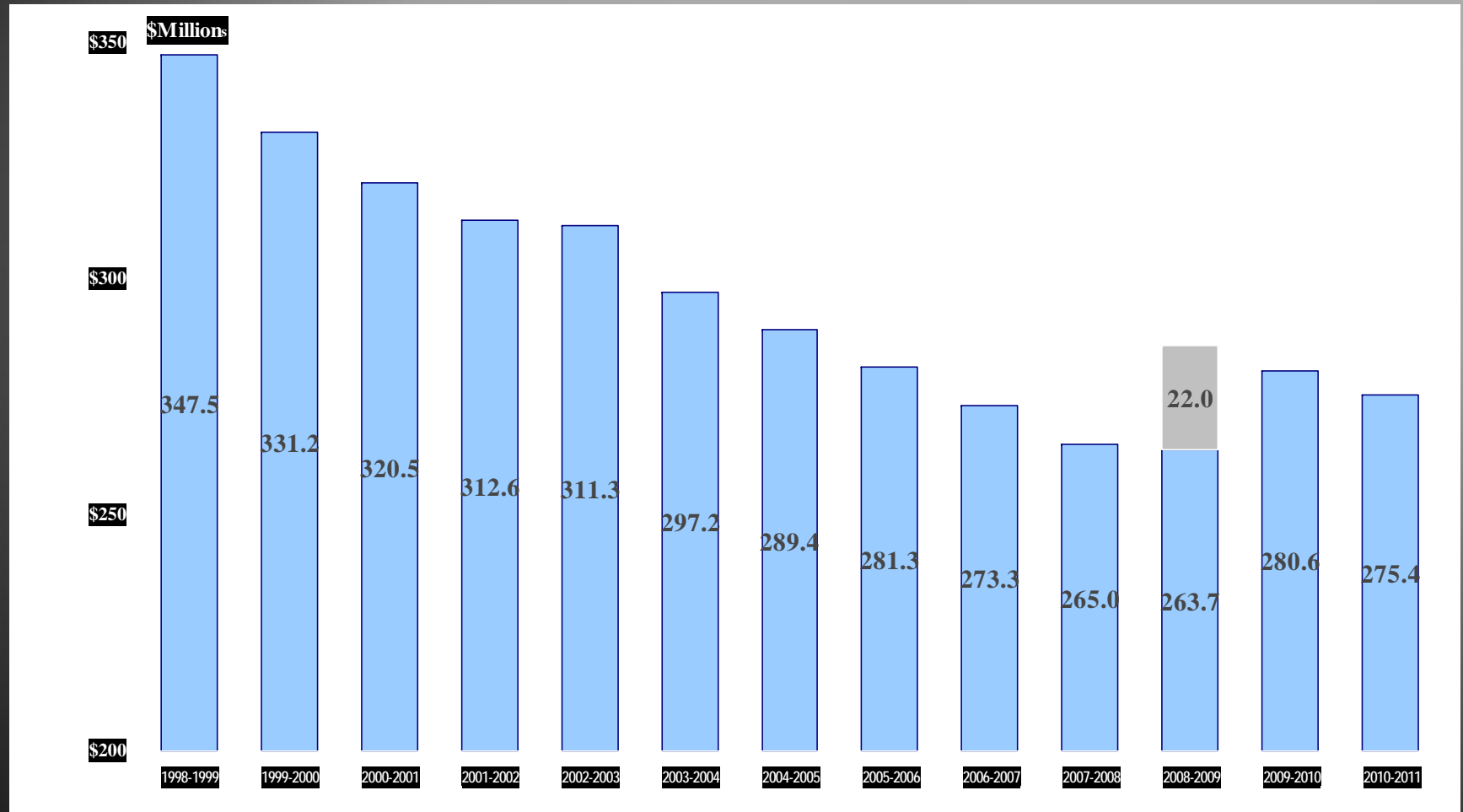
**7% increase**

February 26, 2010

# Projected Expenditure Growth

	Approved Budget 9/10	Preliminary 10/11	Projected 11/12	Projected 12/13	Projected 13/14
Gross Budget	\$570.3	\$600.8	\$628.4	\$651.5	\$675.5
Impact of Transit OCC		\$6.1	\$5.5	\$5.4	\$4.6
Non Transit OCC		\$3.6	\$1.5	\$2.1	\$0.5
Total Projected Budget		<u>\$610.5</u>	<u>\$635.4</u>	<u>\$659.0</u>	<u>\$680.6</u>

## Results of Debt Policy on HRM Debt



# Capital Budget

- ▶ The Capital Budget impacts the Operating Budget
- ▶ HRM's Gross Capital budget has grown from \$47 M at amalgamation, to about \$200 M
- ▶ Transit Trust funding expires this year - \$7 M less capacity
- ▶ Our capacity to deliver the projects is just catching up to the funding
- ▶ **Our operating budget needs time to catch up and grow to support the new costs that these capital projects bring**
- ▶ Recapitalization of assets needs to be a focus
- ▶ New capability/infrastructure \$ from other levels of government may be less in next few years

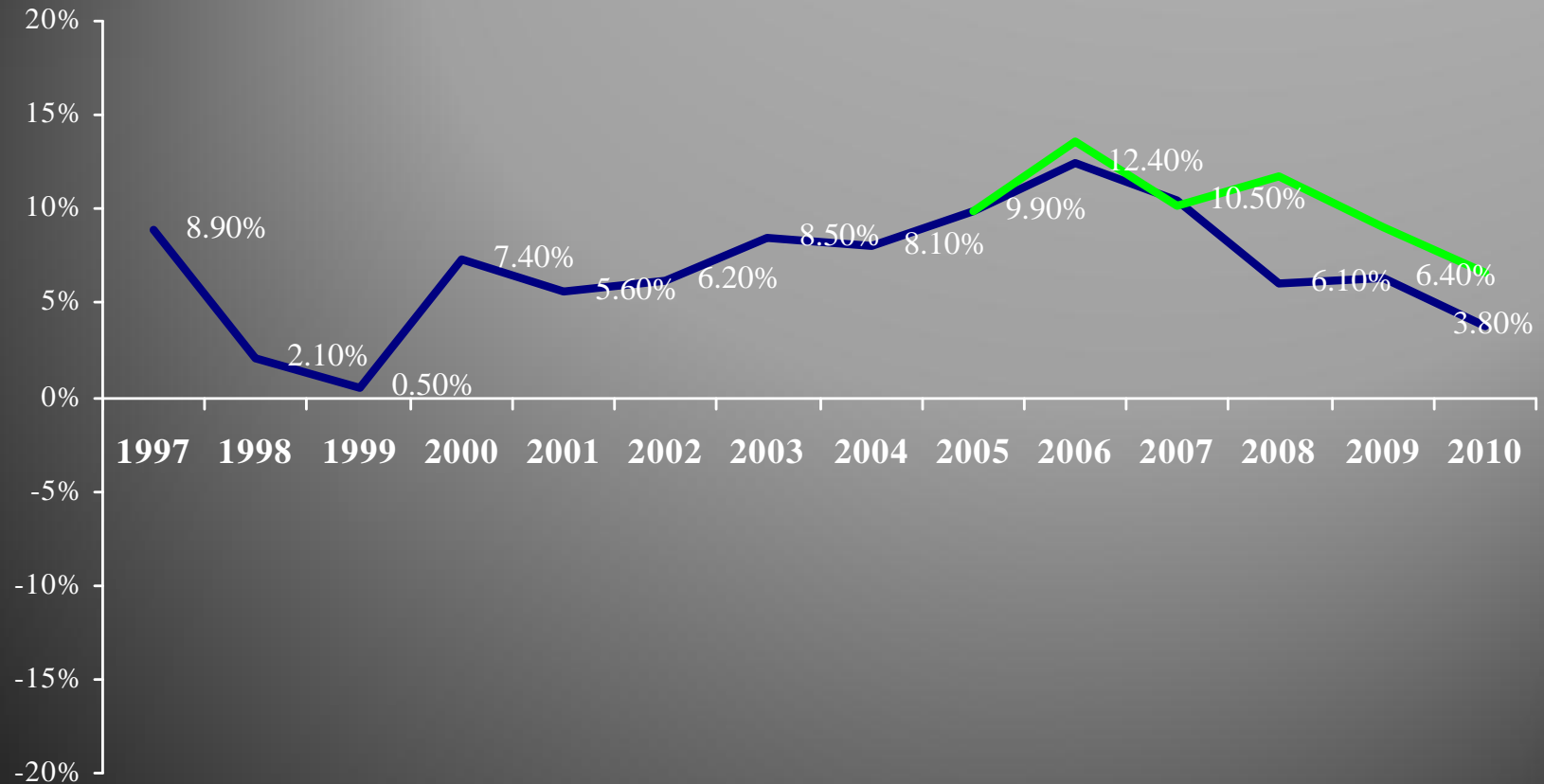




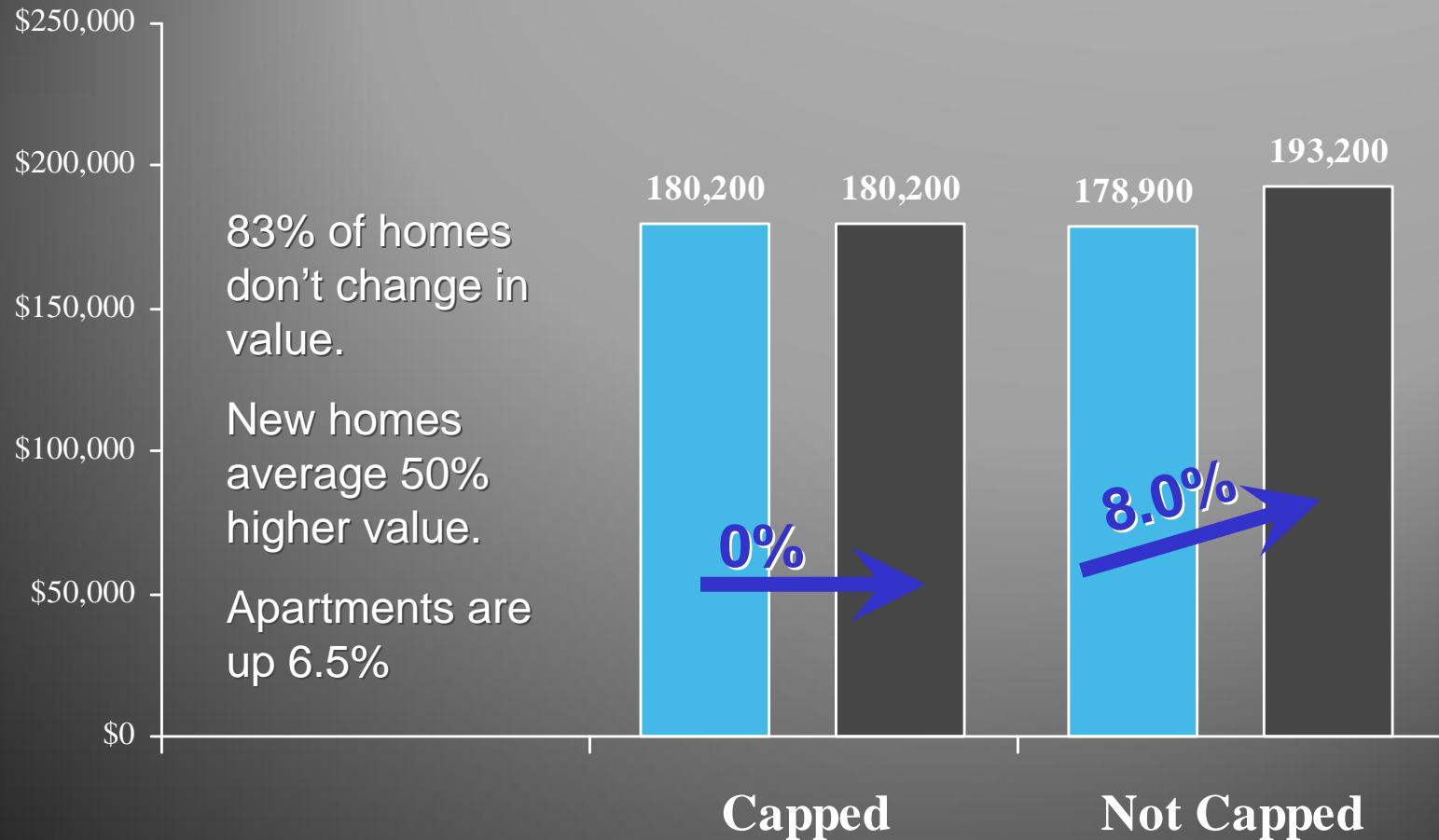
# Projected Revenues

# Residential Assessment

## Percentage Change – Year over Year

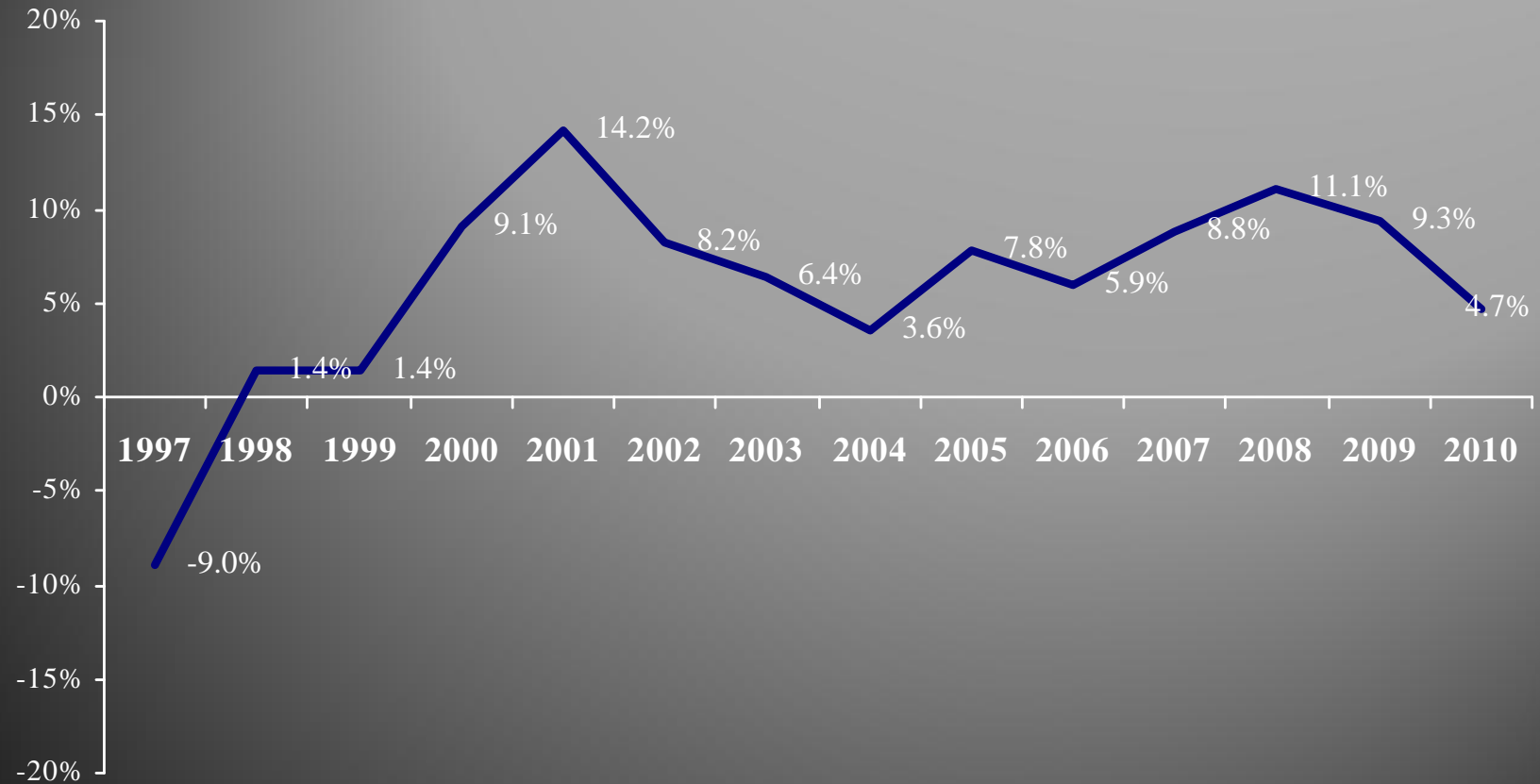


# Single Family Home Change from 2009 to 2010



# Commercial Assessment

## Percentage Change – Year over Year



# Projected Revenues

	09/10	10/11	Increase	
RESIDENTAL	173,858,600	180,266,600	6,408,000	+ 4%
COMMERICAL*	162,207,000	170,835,800	8,628,800	+ 2.5%
BUSINESS OCCUPANCY	14,881,000	4,952,400	(9,928,600)	- 67%
RESOURCE	1,257,000	1,290,400	33,400	+ 3%
<b>TOTAL GENERAL RATED TAXES</b>	357,203,600	<b>357,345,200</b>	141,600	+0.0%

# Projected Revenues

Revenue	9/10 Budget	10/11 Projection	% Change	\$ Change
Property Tax*	\$352.2 M	\$357.3 M	+1.4%	+ \$5.1 M
Deed Transfer Tax	\$29.4 M	\$28.9 M	-1.7%	- \$500K
Non Departmental*	\$57.9 M	\$60.3 M	+4.1%	+ \$2.4 M
Own Source	\$5.9 M	\$5.5 M	- 7%	- \$400 K
BU Revenues	\$124.8 M	\$128.0 M	+2%	+ \$3.2 M
<b>Total Gross</b>	<b>\$570 M</b>	<b>\$580 M</b>	<b>+1.7%</b>	<b>+ \$9.75 M</b>



# Gap

	Year over Year Change
<b>New Expenses</b>	<b>\$40.2 M</b>
<b>Less New Revenues**</b>	<b>\$9.8 M</b>
<b>Gap to Balance</b>	<b>\$30.4 M</b>

\*\* Based on 09/10 rates

The expenditure increase has already been controlled as much as possible:

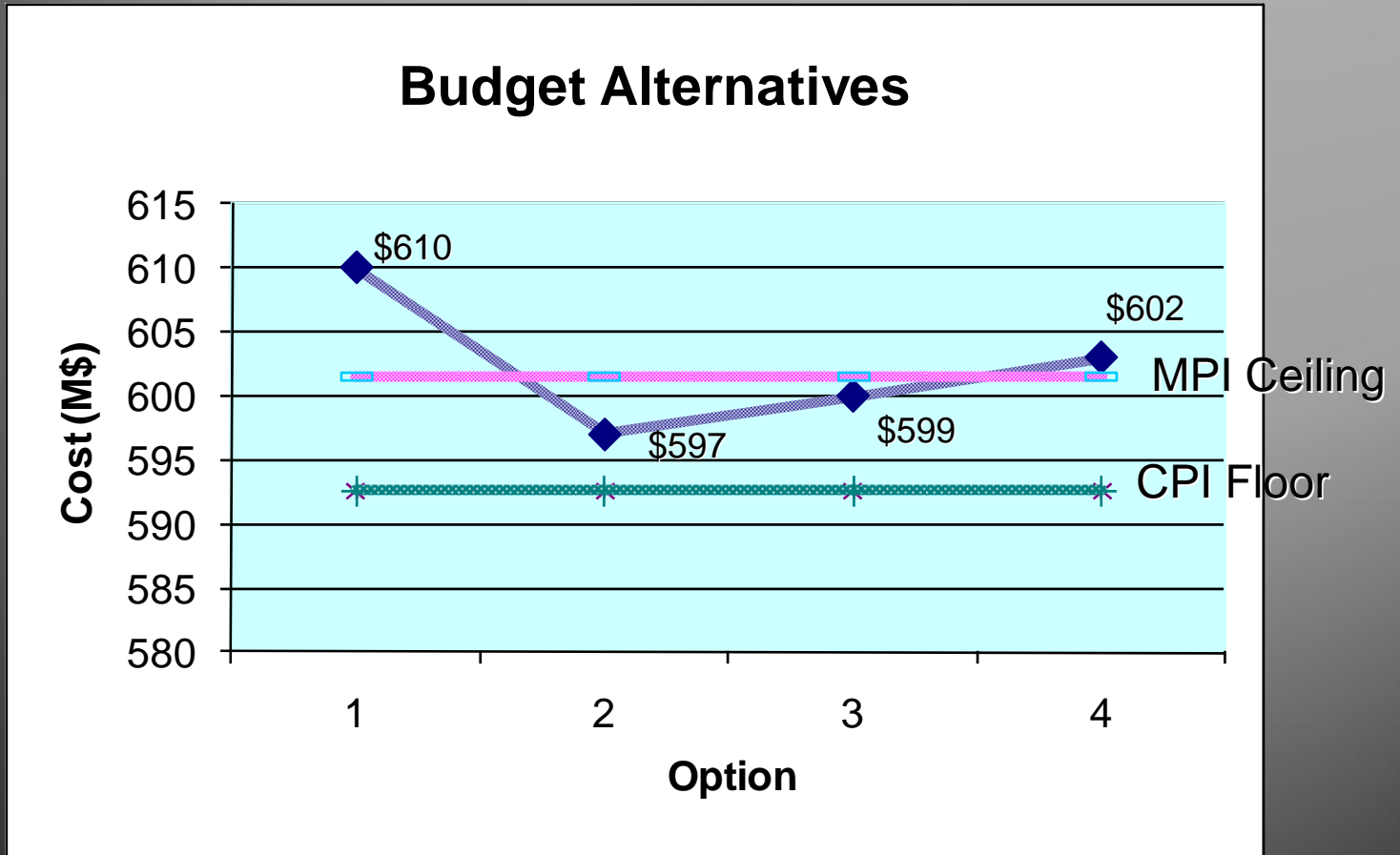
- \$2.4 M in funding requests from Business Units were rejected
- \$6.1 M in inflation for Business Units was not provided

# Balancing Exercise, with Service Implications

Option	Gross Expenditure	Rate Impacts	Service Impact
1) Expand Transit, Maintain Services, Increase Rate	\$610.5 m	Transit Up Local +\$.019 Regional +\$.006 General Up \$.04 6%	No Service Reductions
2) Expand Transit, Reduce Other Services, do some Fee Increases	\$596.6 m	Transit Up Local +\$.019 Regional +\$.006 General Up +\$.014 2%	\$13 M in Service Reductions
3) Expand Transit, Reduce Other Services, Rate for new approved, with some fee increases	\$599.6 m	Transit Up Local +\$.019 Regional +\$.006 General Up +\$.021 3%	\$10 M in Service Reductions
4) Expand Transit and Cut Other Services	\$602.6 m	Transit Up Local +\$.019 Regional +\$.006 General Up +\$.028 4%	\$ 7 M in Service Reductions

**Recommended Range**

# Reasonableness Test



Factoring New Services increases the Floor and Ceiling \*

# How Can We Balance the Budget this Year????

	\$ M
Gap between revenues and expenses	\$30.0
Less: Transit expansion on the Transit Area Rates	10.0
Less: Efficiencies \$3.4 M, Service Reductions \$6.6 M, Fine & Fee Increases may be possible also	10.0
Less: Additional revenue – tax rate increase	<u>10.0</u>
	<u>\$0</u>

- ▶ Some ideas for service reduction
  - Elimination of Visitor Information Centres \$376,000
  - Eliminate Expanded weekly summer green cart \$355,000
  - Municipal Ops service reductions \$490,000
  - Reduce Community Facility Partnership Program \$500,000
  - HRM Police secondment to international policing \$400,000
  - Eliminate the bookmobile \$200,000



# Risks

## ▶ Short Term Risks

- Potential 09/10 deficit – \$1.1 m currently projected, but we are working to mitigate
- Snow and ice – still under-funded
- Fuel – need to monitor closely and may have to adjust

## ▶ Long Term Risks

- Reserves.... Need to Build
- Pension plan funding
- Supporting future transit expansion
- Future solid waste service delivery costs



## Recommendations

- ▶ Short Term Strategy Build the budget based on Option 3 or 4
  - Agree transit growth through the rate & fares & new revenues
  - Agree we rate for new services
  - Moderate service reductions
  - Some Fee increases
  - Small tax rate increase... about 3 or 4%.
  
- ▶ Long Term Strategy
  - Agree transit grows through growth in the rate, fare & new revenues
  - Focus on Solid Waste as a service review area
  - 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... best way to control expenditure growth

## Next Steps

Today	Direction from Council
April 13	Table Proposed Business Plans and Budget for 2010/11
April 13 – 20	Questions /Open House Detailed review by Councilors with Staff
April 28	Debate Begins
May 6	Approval