Re: Item No. 10.2.1



Regional Council Budget 2013/2014

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Chief Administrative Officer

April 30, 2013

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- Budget Context and Directions
- Executive Summary
- Themes
- 2013 / 2014 Operating Budget Overview
- 3 year Outlook
- 2013 2022 Recommended Project Budget and Plan
- Debt Impacts
- Revenues



Budget and Business Plan Development Process



Budget Context and Direction

• Expenditures

- Find efficiencies to absorb inflationary increases and wage increases.
- Address council priority interests
- Manage spending in line with average tax bill

Revenues

- Audit and Finance Committee December 19, 2012
 - Limit tax increases to CPI + 1
 - Shadow budget of no tax increase, further reduction in tax rate.
- Audit and Finance Committee April 24, 2013
 - Use the "no increase" option as presented during that meeting

Capital

- State of Good Repair
 - Sufficient to maintain assets at their current state
 - Funded from operations and Gas Tax
- Transit, Transportation, Economic Development
- Continuing decline of tax supported debt per household

Execut

Executive Summary

• Steady Progress

- Expenditure management
 - Internal services flat
- State of Good Repair
- Continuous Improvement
- Responsive to Council's Priorities
- Modest revenue requirements
 - Residential and Commercial Tax rates drop
 - Residential tax burden as a percentage of median household drops
 - Commercial tax burden as a percentage of GDP **drops**

Themes from Dec 4

- Transportation
- Economic Development
- Healthy Communities
- Governance and Communications
- Administrative Priorities
 - Financial Stewardship
 - Organizational Capacity
 - Service Improvements

Specifics in Budget book pages T1 – T9



2013 / 2014 Operating Budget

Changes

	Significant Changes from 2012-13	
es es	Wage Pressure (existing staff)	3.7
Cost Pressures, after Efficiencies	Debt Charges	-2.0
ess icie	One Time Changes in Reserves	2.6
ξ. H	Deficit/(Surplus)	0.2
ter Öst	Mandatory Education and Provincial Costs	7.9
ato	Other	-1.6
	Sackville Sports Stadium and BMO	5.6
S	Additional Positions (Internship, Other)	2.8
vice	Additional Positions (Transit)	4.5
Services	Transit Service (Other)	1.9
•	Capital from Operating (General Rated)	4.1
	Other	1.5
	Total Change in Expenditures	31.2
S	Sackville Sports Stadium and BMO	5.2
Revenues	Mandatory Education and Provincial Costs	7.9
ver	Deed Transfer Tax	3.0
Re	Transit Area Rate for Residents	2.5
	Other	1.7
	Subtotal	20.3
	Tax Revenues Requirement	10.9

Note: These are after the application of \$16 million in efficiencies to cover other pressures

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13/14 Revenue

	Projection 12/13	Budget 12/13	Budget 13/14	Change	Pct
Tax Revenue	443,296	438,298	451,823	13,526	3.1%
Area Rate Revenue	186,993	186,628	196,076	9,447	5.1%
Tax Agreements	8,450	8,297	7,806	(491)	-5.9%
Payments in Lieu of taxes	33,448	33,594	34,906	1,312	3.9%
Transfers from other Gov'ts	11,147	11,468	11,105	(363)	-3.2%
Interest Revenue	6,810	6,390	7,110	720	11.3%
Fee Revenues	78,207	76,929	83,104	6,174	8.0%
Other Revenue	34,193	28,422	29,307	885	3.1%
Revenue Total	802,544	790,026	821,236	31,210	4.0%



13/14 Expenditures

	Projection 12/13	Budget 12/13	Budget 13/14	Change	Pct
Compensation and Benefits	306,013	310,663	324,822	14,159	4.6%
Office Expenditures	9,587	9,370	10,234	863	9.2%
External Services	98,624	91,780	92,022	242	0.3%
Supplies	4,473	3,572	3,620	48	1.3%
Materials	3,962	4,364	4,128	(236)	-5.4%
Building Costs	22,529	21,760	22,837	1,077	4.9%
Equipment & Communicatio	12,989	10,938	10,431	(506)	-4.6%
Vehicle Expense	25,277	25,354	26,330	976	3.8%
Other Goods & Services	16,720	22,803	21,711	(1,092)	-4.8%
Interdepartmental	(285)	(168)	7	174	-103.9%
Sub Total	499,888	500,437	516,141	15,704	3.1%
Debt Service	60,391	60,321	58,437	(1,884)	-3.1%
Transfers to Outside Agencie	148,720	148,682	156,378	7 <i>,</i> 696	5.2%
To/From Reserves	13,964	14,295	18,023	3,728	26.1%
Capital from Operating	40,027	40,027	47,156	7,129	17.8%
Prior Years Suprlus	(8,381)	(4,900)	(4,711)	189	-3.9%
Other Fiscal	32,197	31,165	29,812	(1 <i>,</i> 353)	-4.3%
Expense Total	786,806	790,026	821,236	31,209	4.0%



Business Units - Expenditures

		Expenditures					
Business Unit	12/13 Budget	Proposed 13/14 Budget	Increase (Decrease)	% Increase (Decrease)			
Community and Recreational Services	38,072	43,522			Sackville Spo	ort and BM	 N - \$5 694
Fire and Emergency Services	55,411	56,624	-		Efficiencies l		
Metro Transit	101,465	106,204			New Ferry, E		
Transportation and Public Works	138,367	141,544	-		Transfers fro		
Halifax Regional Library	22,935	22,253	-				
Regional Police	77,231	81,020			Efficiencies l	ess than in	flation
RCMP	22,671	23,000	-				
Client Services		474,167			-		
Office of the Auditor General	793	851	58	7.27%			
Chief Administrative Office	12,035	14,052	2,018		Transfer fro	m CRS	
Bids	2,125	2,125					
Finance and IT	28,917	29,140		0.77%			
Human Resources	5,456	5,800		6.30%	Efficiencies l	ess than in	flation
Legal and Risk Management	2,647	3,318	670	25.31%	Transfers an	d in-house	legal
Planning and Infrastructure	11,578	8,153	-3,425	-29.5 <u></u> 8%	Transfers to	TPW	
Internal Services	63,552	63,439	-114	-0.18%			
Total Operations	519,705	537,605	17,900	3.44%			



Service Changes

Business Unit	Initiative	Amount
Fire	Professional Development and Certification	250
	Emergency Communication and Technical Support	180
	Inspection Fee	-300
CAO	Greater Halifax Partnership	170
	Council Support Office	170
HR	Service Review	100
	Safety Officer	46
Legal	Reorganization, net of transfers (This will be offset by savings on outside legal work)	78
Corporate	Trade Centre Limited – Convention Centre Marketing	650
	Bridging the Gap program	880





Average Tax Bill SFH	1,691	1,757	1,812	1,867
Commercial Tax over GDP	1.02%	1.03%	1.03%	1.03%



2013 - 2015 Project Budget Highlights

- Three Year "Budget"
 - Greater emphasis placed on project budgets and state of readiness of projects
 - Detailed Planning Tool for 2014/2015 and 2015/2016
- First priority given to accommodating requests for maintaining assets in a state of good repair
- Continued development of Phase 12 Burnside and LED Street lighting not included in Debt Targets



Strategic Priorities

Strategic Priorities to be developed for 2014/2015

- Long Term Arena Strategy
- Cogswell Interchange
- Urban Core investment campaign and streetscape improvement plan



Budget Overview

Project Type	2013/14	2014/15	2015/16
State of Good Repair	72,525,500	72,400,000	103,907,000 ¹
Service Improvements	67,432,000	55,061,000	45,001,000
Growth	25,085,000	18,605,000	33,595,000
Grand Total	165,042,500	146,066,000	182,503,000
Debt	30,390,000	32,632,000	34,341,000

Notes:

1 – Reflects construction of a new landfill cell in 2015/2016



Funding the 2013/2014 – 2015/2016 Project Budget

	2012/13	2013/14	2014/15	2015/16
Capital from Operating - Total	40,027	47,154	49,656	49,286
Gas Tax Reserve	25,130	25,150	25,650	26,165
Unspent Previous Years	4,578	9,190	1,906	1,482
Project Specific Funding ¹	30,626	53,159	36,222	71,229
Sub Total	100,361	134,653	113,434	148,162
Debt	31,239	30,390	32,632	34,341
Total Funding	131,600	165,043	146,066	182,503

Note 1 – "Project Specific Funding" includes cost sharing, reserves, LIC's, etc.



7 year Capital Forecast

- \$928 million from existing sources over the same period
- \$640 million needed to be set aside for State of Good Repair
 - includes implementation of the Long Term Arena Strategy.
- \$288 million for service improvements and growth related capital priorities beyond "Year 3".





Note: Estimates as of March 31st end of fiscal year. Includes Issued, Approved and Work-in-Progress. To be adjusted for additional debt from elimination of LICs on Sidewalks

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Revenue

- Taxes in the HRM are comparable to similar cities
- Assessment increase of less than 1.5% for over 80% of residential properties
 - Change in the balance driven by a change in ownership or renovations
- Assessment increase less than 5% for 88% of commercial properties.
- About 25% of assessment increase is growth.
- Final phase out of Business Occupancy Tax (\$4M)



Corporate Accounts - Taxes

Tax Revenue							
Source	12/13 Budget	Increase / (Decrease)	Proposed 13/14 Budget	% Increase (Decrease)			
Property Tax							
Residential	193,868	7,774	201,641	4.01%			
Commercial	158,450	5,581	164,031	3.52%			
Business Occupancy	3,986	-3,986	0	-100.00%			
- subtotal Property Tax	356,304	9,369	365,672	2.63%			
Transit Tax							
Local	23,445	1,567	25,012	6.68%			
Regional	14,923	975	15,898	6.53%			
Commercial	29,997	1,933	31,930	6.44%			
- subtotal Transit	68,365	4,475	72,840	6.55%			
Tax Agreements	8,297	-491	7,806	-5.92%			
Grants-In-Lieu	33,425	1,161	34,586	3.47%			
Deed Transfer	36,000	3,000	39,000	8.33%			
Total Tax Revenue	502,391	17,514	519,904	3.49%			

No Tax Increase Option Means

- Only tax the increase on the assessment roll due to expansion, not market.
- For Residential
 - Decrease the rate to offset the 1.4% increase in assessment for fully capped properties.
 - Fully capped properties see no change in the municipal tax.
 - Others will benefit from a reduced rate. The tax on the property does increase, but less than the increase in assessment

• Commercial:

- Reduce the rate to offset the impact of increases due to market values in total, but not for business expansion.
- We cannot target individual businesses, nor can we isolate only those properties where the increase in assessment was due solely to market.

No Tax Increase Option

• Option

- Reduce Residential Tax Rate by 1.5%
 - Those who have had no improvements or purchased a property will see the same or a reduced bill
- Reduce Commercial Tax Rate by 1.5%
 - Keeps the tax flat except for growth
- Reduces revenue by \$4.7 million
- This can be achieved by moving some of the 12/13 surplus to the 13/14 operating fund, rather than to reserves.
- Surplus is higher than expected Staff can now support this transfer



Residential Tax Comparison



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Residential Tax Comparison



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Range of Assessment Increases for Single-Family Homes, 2012 to 2013





Proposed Residential Tax Rates

Revised Proposal - No Increase in Average Tax Bill for Capped Home

	Current Tax Bill	Revised T ax Rate (Cents per \$)	Revised T ax Bill	Change in Average Tax Bill	%
General Tax Rate	1,346	0.6510	1,364	18	1.3%
LIC Rate	6	0.0000	0	-6	-100.0%
Local Transit Rate	214	0.1050	220	6	2.8%
Regional Transit Rate	<u>104</u>	0.0510	<u>107</u>	<u>3</u>	<u>2.9%</u>
Total	1,670	0.8070	1,691	21	1.3%

Revenues	233,615,500	243,951,000	10,335,500	4.4%
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Note: Rate drops from 0.82 to 0.807

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Proposed Residential Tax Rates

Revised Proposal - No Increase in Average Tax Bill for Fully Capped Home

	Percent of Single Family Homes	Average Assessment 2013	Change in Assessment	Average Tax Bill	Change in Average Tax Bill	%
Fully Capped Homes	76.4%	206,900	1.2%	1,670	-6	-0.4%
Partly Capped Homes	8.8%	212,900	6.8%	1,718	84	5.1%
Uncapped Homes	13.4%	221,900	<u>9.6%</u>	<u>1,791</u>	<u>130</u>	<u>7.8%</u>
Total	98.6 %	209,500	2.8%	1,691	21	1.3%
New Homes (land to dwelling)	1.4%	334,900		2,703		

Note: Rate drops from 0.82 to 0.807

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Commercial Tax Rate

- Current policy is to calculate the commercial rate using a multiplier on the residential rate
- This has the impact of not allowing a separate policy approach to setting the commercial tax rate
- This budget proposes that policy be replaced by setting the commercial rate separately
- As a measure of the reasonableness of the rate, we will compare the total commercial tax collected with GDP for the HRM.
- This percentage should at least remain constant or decline, as it is this year, over time
- Staff will return in 13/14 with a policy proposal, after consultation.



• 12/13 Rate combining Business Occupancy: 3.148

<u>CPI + 1%:</u>

- Status Quo: Rate using multiplier: 3.141
- **GDP:** Rate using constant GDP percentage: **3.120**
- **GDP adjusted:** Rate based on CPI + 1 scenario: **3.070**

Recommended:

• GDP Rate using No Increase scenario: 3.037



Property Taxes on Downtown Offices, Benchmark Cities in Canada (Colliers)





Commercial Taxation



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Commercial Taxation





Change in Commercial Assessment





Proposed Commercial Taxation

Revised Proposal - Reduce Commercial Taxes Further

	Current T ax Rate (Cents per \$)	Current Tax Bill	Revised T ax Rate (Cents per \$)	Revised Tax Bill	Change in Average Tax Bill	%
Commercial Tax Rate	3.0840	38,202	3.0370	39,760	1,558	4.1%
Business Occupancy	<u>0.0640</u>	<u>793</u>	0.0000	<u>0</u>	<u>-793</u>	<u>-100.0%</u>
Total	3.1480	38,995	3.0370	39,760	765	2.0%
Revenues		192,433,000		195,961,000	3,528,000	1.8%
Taxes as a % of GDP		1.048%		1.021%		
Median Assessment	3.1480	8,062	3.0370	8,163	101	1.26%

Share of Property Taxes paid by Business and Residents



Other Commercial Tax Changes

• Small Property Tax Rate:

- Very Expensive with little practical impact
- No solid policy support for targeting relief to small assessment
- Cannot tie size of business to size of assessment
 - Large business could own many small properties
- Does not provide relief to small business who rent and pay tax through the rent.
- Doubtful we have the authority

• Moving Average Assessment:

- Promising results elsewhere
- Would need changes at PVSC and legislation



Recommendation

- That Council accept the recommendation from the Audit and Finance Committee as per Attachment B -"Resolution for Approval of Operating and Project Budget and Tax Rates for Fiscal 2013/14."
- the Operating Budget in the amount of \$821,236,000 gross expenditures (which includes \$691,871,000 in municipal expenditures including the reserve withdrawals specified in the Operating and Project Budget and listed in appendix A), \$606,749,500 in property tax revenues (including area rate revenues) and \$214,486,500 in other revenues be approved;
- the Project Budget in the amount of \$165,042,500 be approved;

