

The background of the slide features a large, stylized 'X' shape. The top-left and bottom-right quadrants of the 'X' are filled with a dark blue color, while the top-right and bottom-left quadrants are filled with a lighter blue color. The word 'HALIFAX' is written in white, bold, sans-serif capital letters across the top-right quadrant.

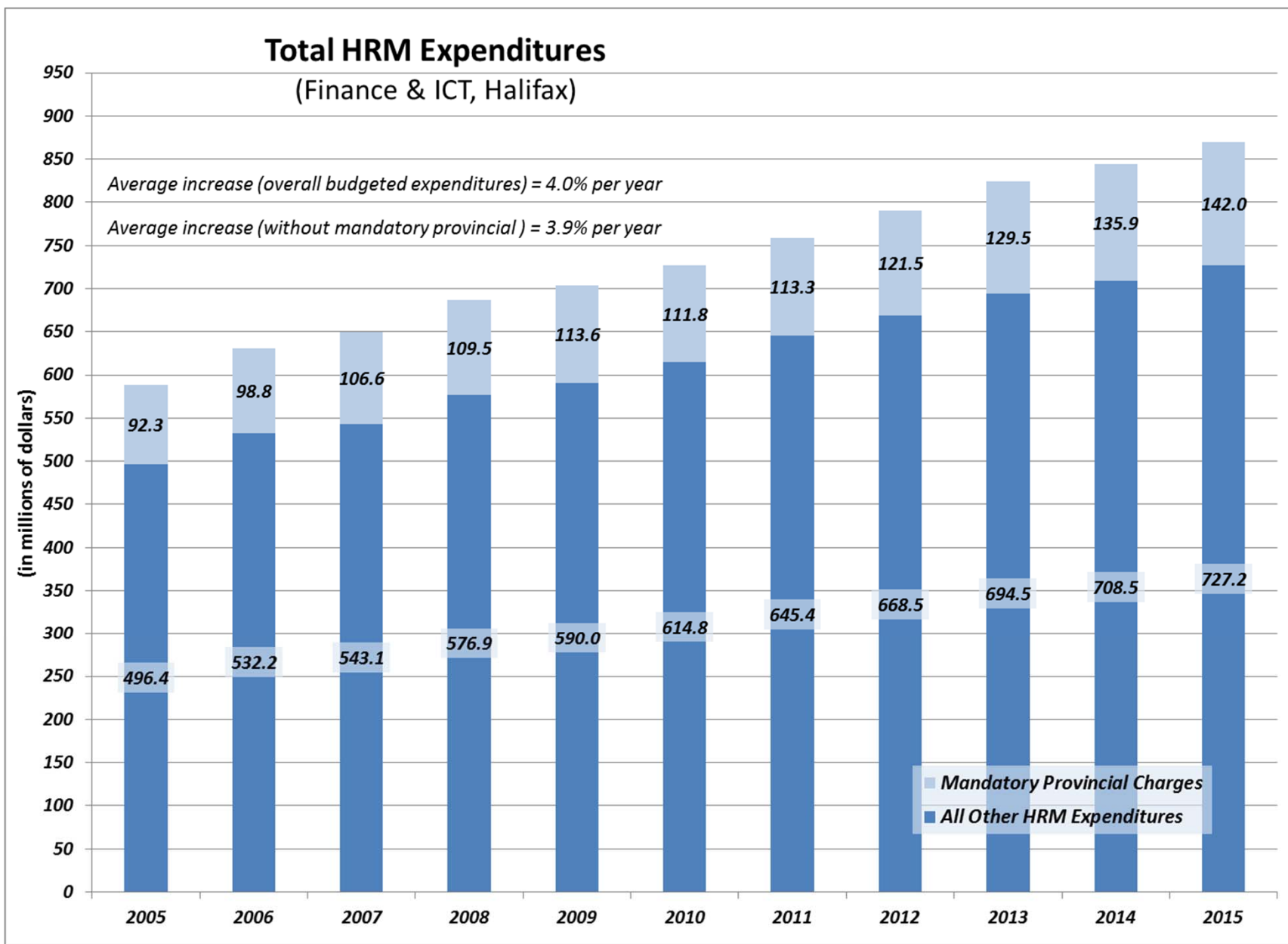
**HALIFAX**

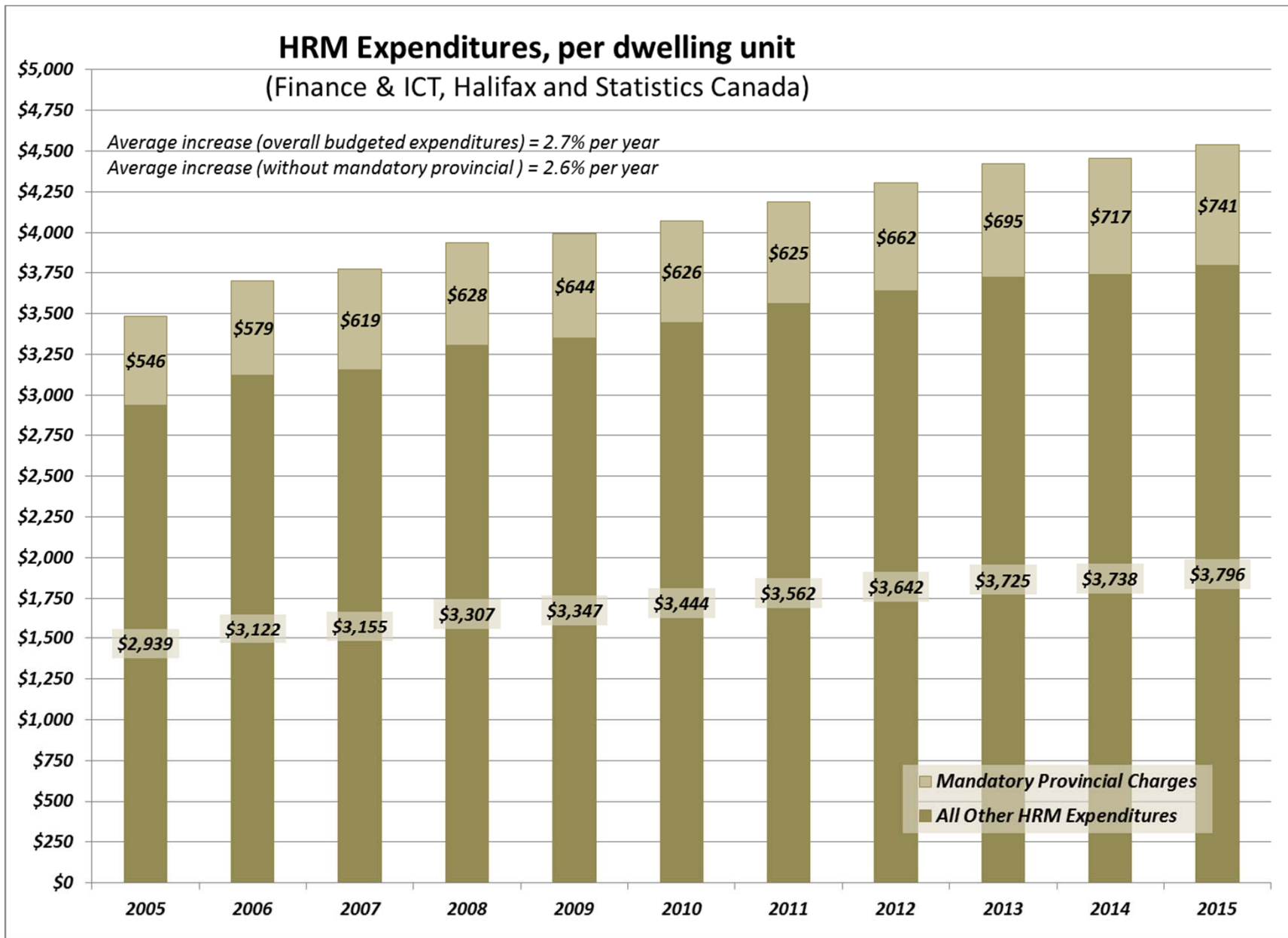
**Halifax Regional  
Municipality Budget  
April 28, 2015**

# Outline

- Trends
- Current Year
- Budget Assumptions
- Staffing
- Transfers
- Expenditures
- Debt
- Capital
- Assessment and Taxes
- Risks
- Summary

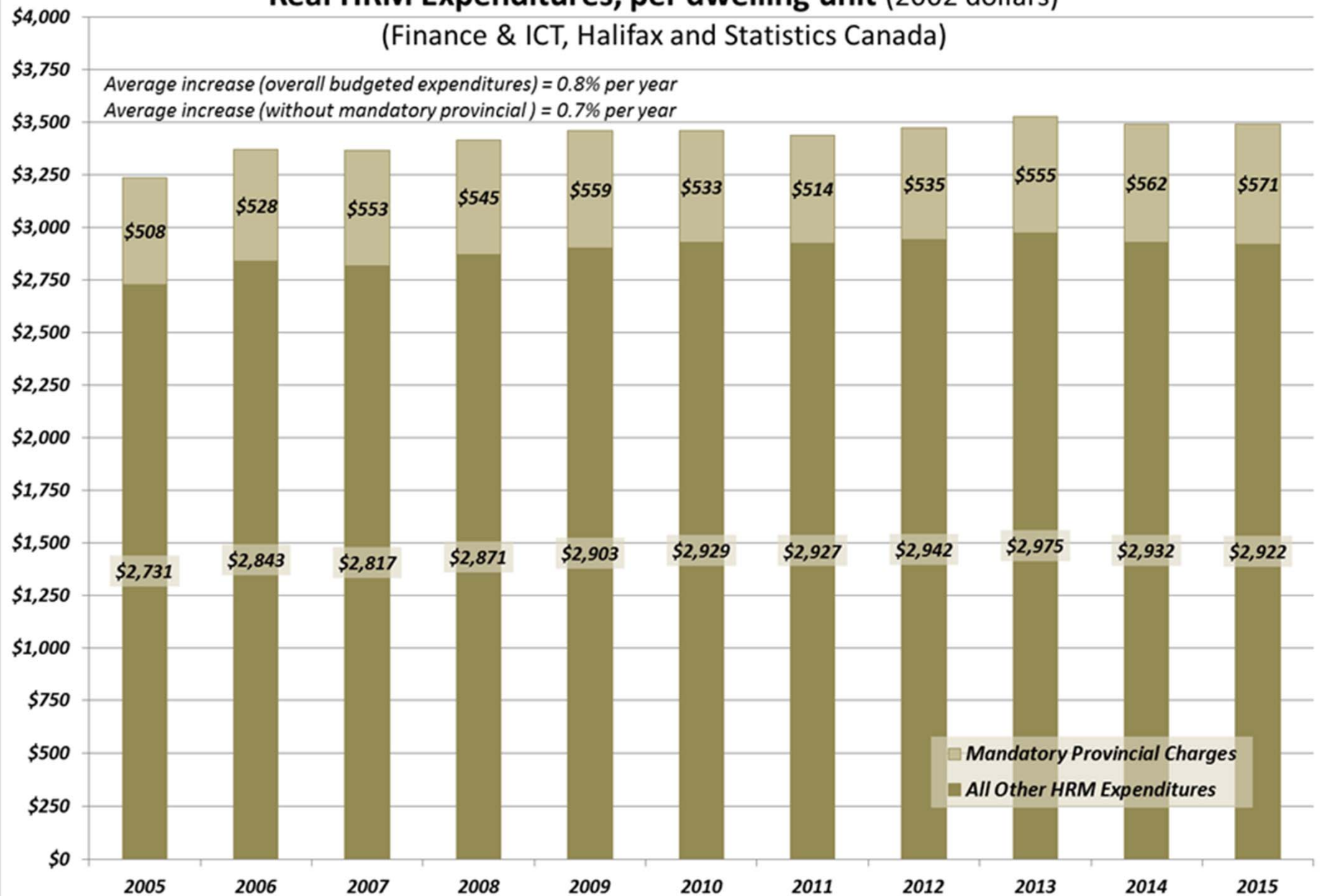
# Trends





## Real HRM Expenditures, per dwelling unit (2002 dollars)

(Finance & ICT, Halifax and Statistics Canada)



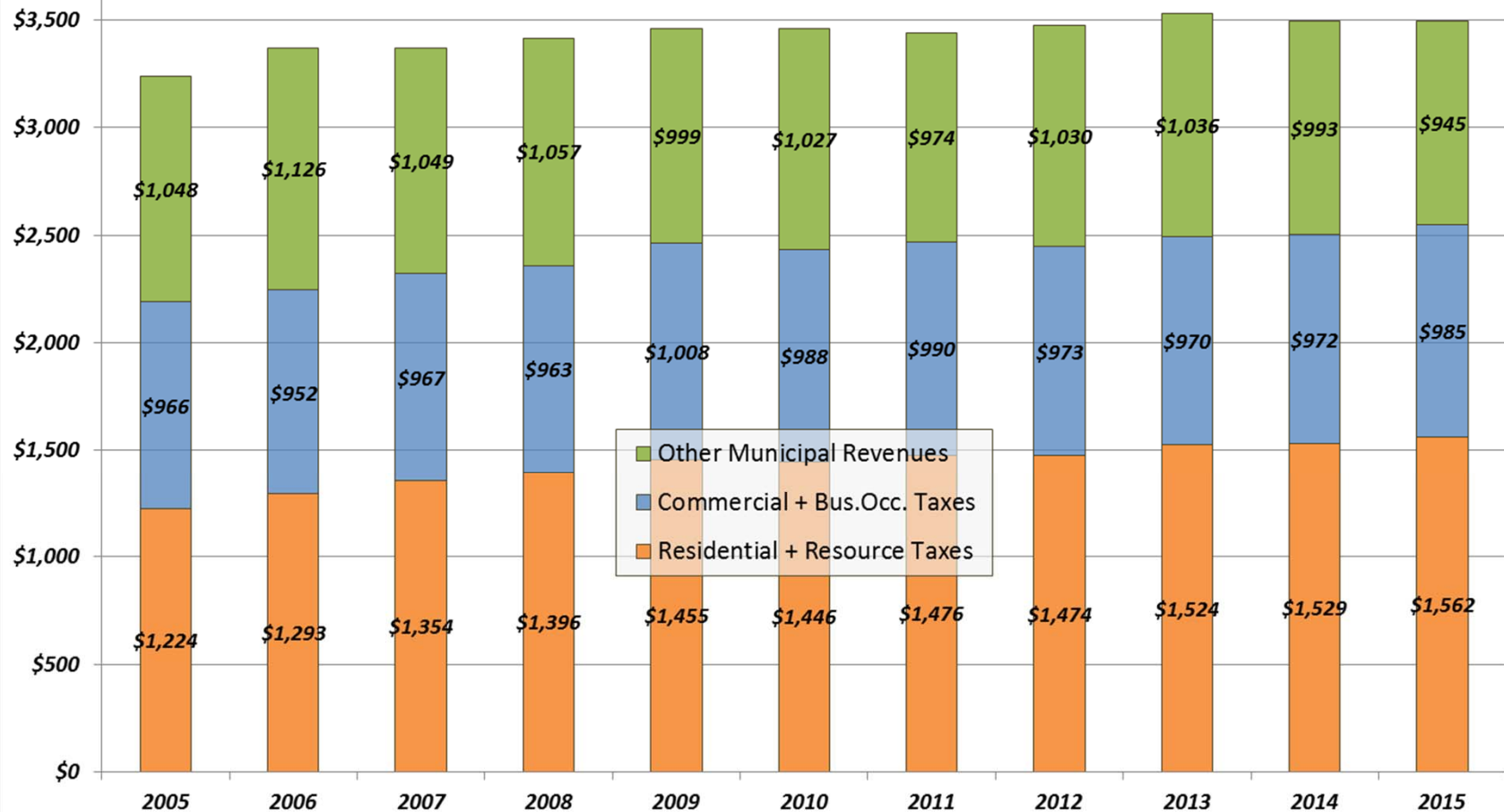
## Property Taxes & Other HRM Revenues, per dwelling unit (2002 dollars)

(Finance & ICT, Halifax and Statistics Canada)

*Other Municipal Revenues, average decrease = -1.0% per year*

*Commercial, BOT + Tax Agreements, average increase = 0.2% per year*

*Residential + Resource Taxes, average increase = 2.5% per year*



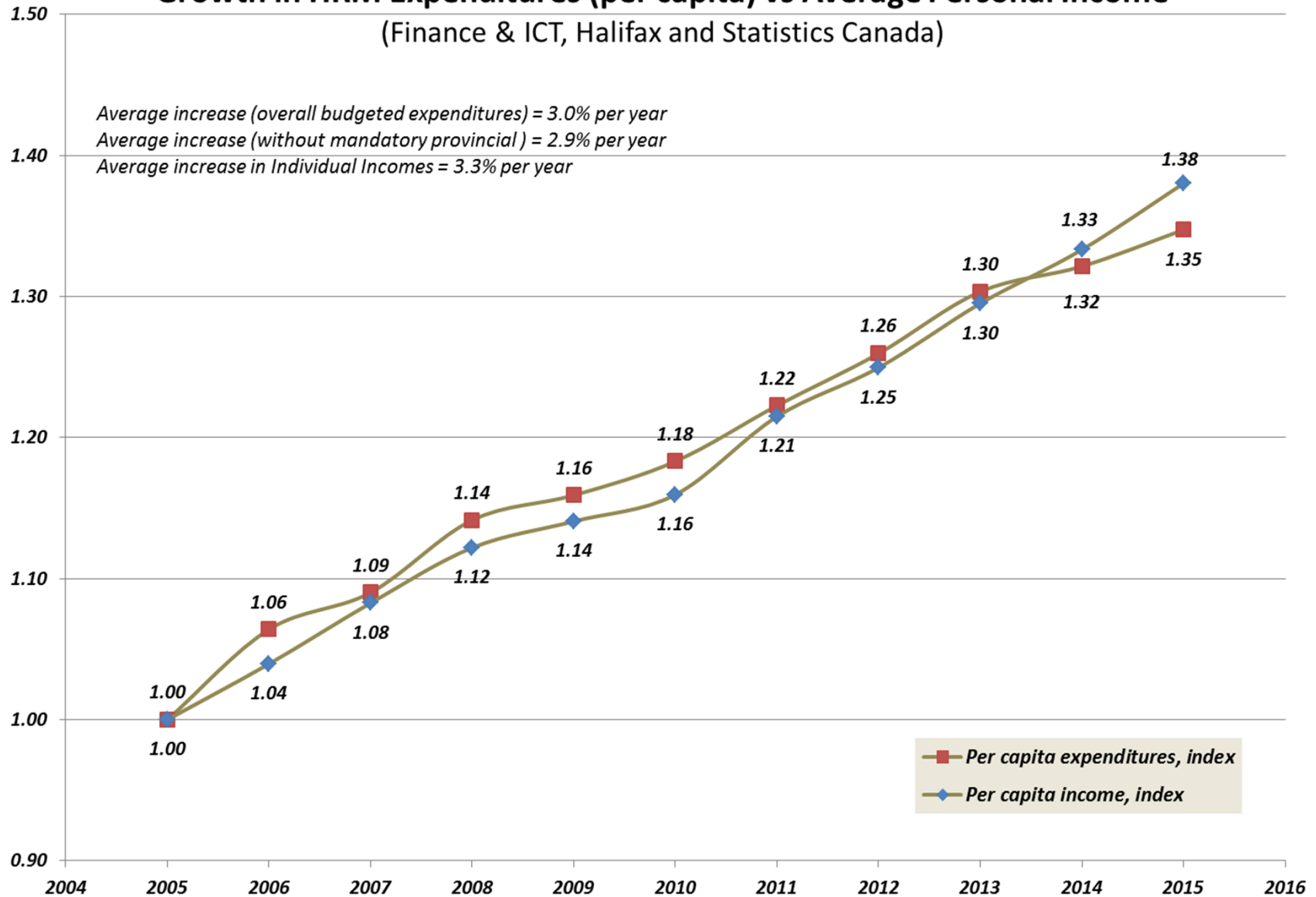
## Growth in HRM Expenditures (per capita) vs Average Personal Income

(Finance & ICT, Halifax and Statistics Canada)

Average increase (overall budgeted expenditures) = 3.0% per year

Average increase (without mandatory provincial) = 2.9% per year

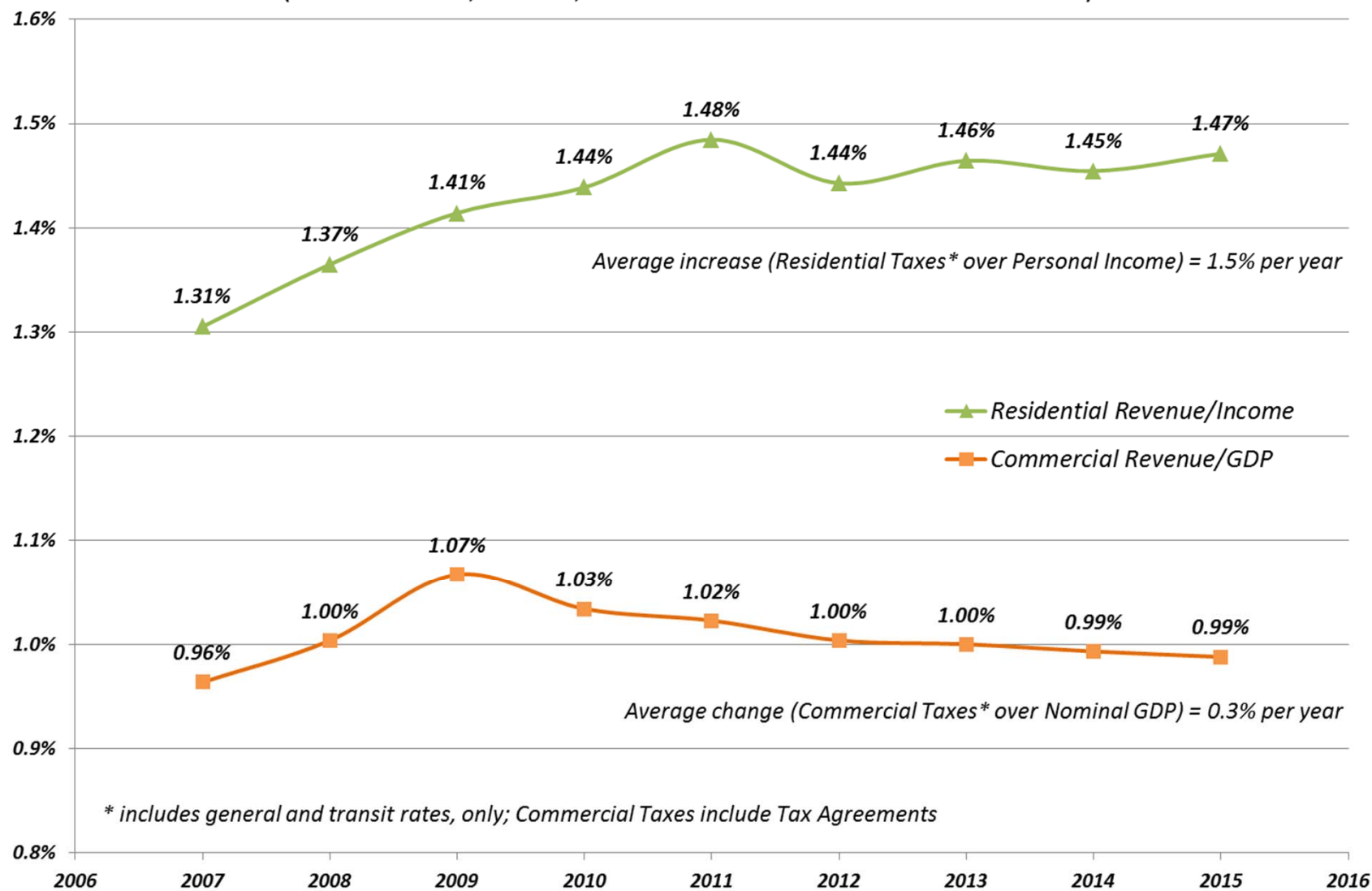
Average increase in Individual Incomes = 3.3% per year





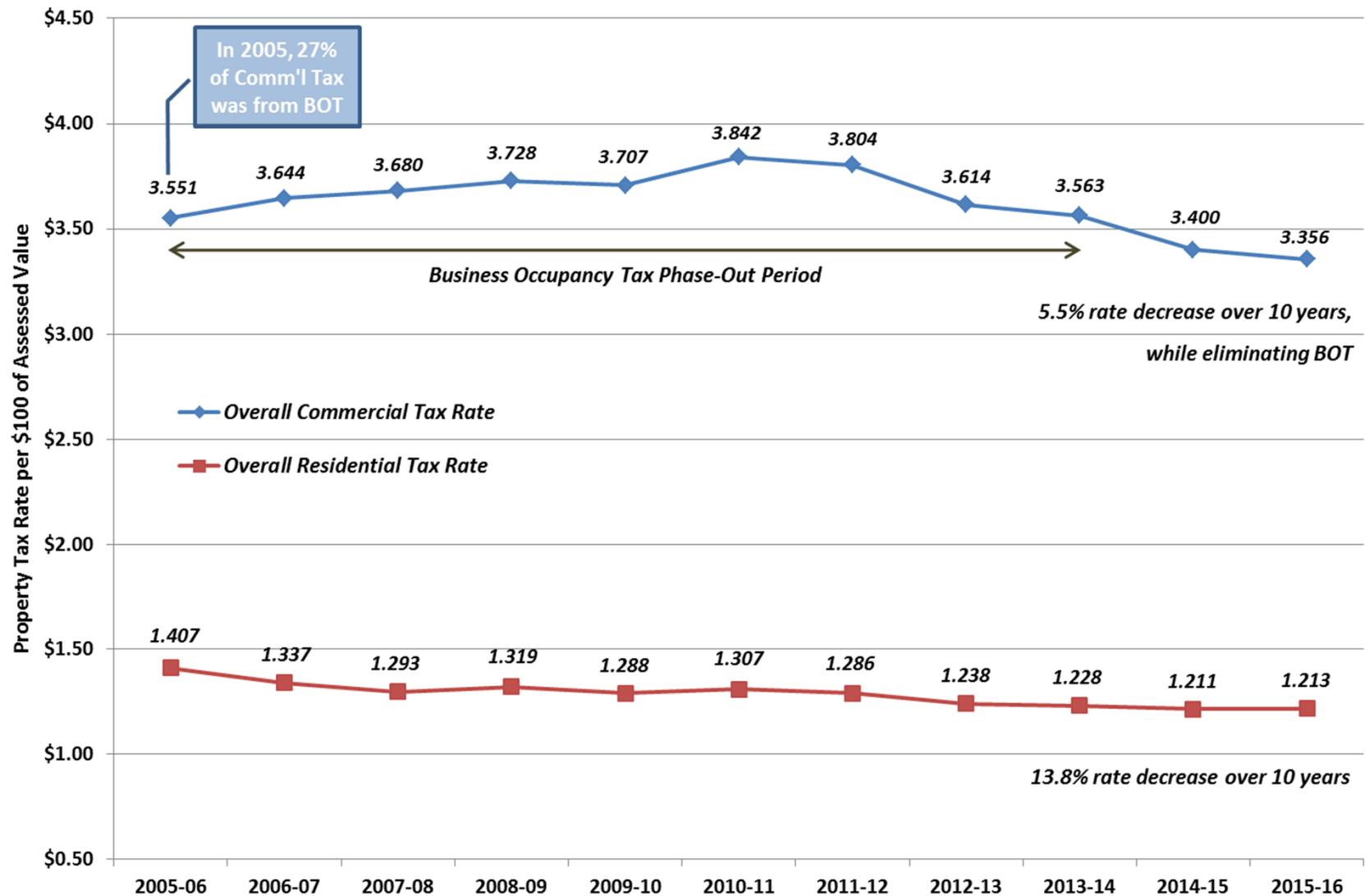
## Trends in Residential Taxes over Income & Commercial Taxes over GDP

(Finance & ICT, Halifax, Statistics Canada & Conference Board)



## Residential and Commercial Tax Rates, 2005 to 2015

(urban with transit, hydrants & sidewalks + education and other mandatory charges)



# Executive Summary - Expenditures

- Expenditures are under Control
  - While 10 year average is 3-4%, we are currently 2-3%
- Total Compensation is up 3.1%
  - New Positions \$3.8M (1.1%)
  - Wage Increases \$6.7M (2.0%)
- Transfer of \$4.5M from project budget.
- Debt charges are down, transfers for education, others are up
- Business Units found \$6.7M in efficiencies
- Total of all Expenditures is up 2.9%
  - 1.1% of this is the transfer from projects (\$4.5M) and the Strategic Capital Reserve (\$4.2M)
- Staff increased by 62.6 FTEs, lead by library with an increase of 40. CAO with 8 and Fire with 7.

# Capital, Debt and Reserves

- Capital projects being funded are \$135.8M
  - Major funding sources are:
    - Transfers from operating: \$47.2M
    - Debt: \$35.1M
    - Reserves: \$26.3M
    - Gas Tax: \$20.2M
- Debt is Falling
  - Tax Supported Debt is expected to Fall by \$5 million to \$256M
  - Repayment of Principle and Interest is 7.6% of total budget (Provincial guideline is 15%)
- Reserves
  - New funding for Strategic Capital: \$4.2M
  - Capital Surplus from solid waste: \$8M

# Current Year

- Three events will cause us to use reserves to balance 14/15.
  - Deed Transfer revenue being \$4.5 million below budget
  - \$2.5 million Transit fuel spill clean up
  - Approximately \$10 million over on the snow clearing budgets
- With other overages and surpluses, we will likely need about \$12.8 million, \$9.7 million more than the third quarter report.

# Budget Assumptions

• Inflation	1.9%
• Inflation for Assessment Cap	2.1%
• Number of new homes	2,027
– Percent Change	1.1%
• Population Growth	1.0%
• GDP Growth	4.8%
• Income Growth	3.2%
• US\$ Price per Barrel (WTI)	\$67.00
• Gasoline Price per Litre	65.2¢
• Diesel Price per Litre	80.0¢
• Short Term Interest Rate (internal)	0.95%
• Debenture Interest Rate	2.74%

# Staffing – Full Time Equivalent

Business Units	Budget	Change	Budget
	2014-15		2015-16
Chief Administrative Office	85.7	8.1	93.8
Finance & Information, Communications and Technology	287.6	3.3	290.9
Fire & Emergency Services	482.0	7.0	489.0
Human Resources	58.3	-0.3	58.0
Legal Services & Risk Management	34.6	3.5	38.1
Halifax Regional Library	298.1	39.8	337.9
Halifax Regional Police	771.0	2.5	773.5
Operations Support	224.5	-1.0	223.5
Parks & Recreation	475.6	5.4	481.0
Planning and Development	191.1	-0.6	190.5
Transportation & Public Works	310.5	-8.0	302.5
Metro Transit Services	923.8	2.9	926.7
<b>Total:</b>	<b>4,142.8</b>	<b>62.6</b>	<b>4,205.4</b>

Note: Includes Terms and Seasonal

# Expenditures



# 15/16 Expenditures by Type

Expenditure Category	14/15 Budget	Proposed 15/16 Budget	Increase (Decrease)	% Increase (Decrease)
Compensation and Benefits	336,230	346,754	10,524	3.13%
External Services	96,870	110,374	13,505	13.94%
Equipment & Communications	9,628	7,645	-1,983	-20.60%
Building Costs	22,559	19,675	-2,885	-12.79%
Materials	3,548	3,609	60	1.70%
Office Expenditures	11,072	9,544	-1,529	-13.81%
Other Goods & Services	20,643	23,026	2,383	11.54%
Supplies	3,378	3,559	181	5.36%
Vehicle Expense	26,192	24,206	-1,986	-7.58%
subtotal	530,120	548,390	18,270	3.45%
Interdepartmental	17	-13	-31	
Debt Service	55,853	53,972	-1,881	-3.37%
Other Fiscal	258,357	266,896	8,539	3.31%
<b>Expense Total</b>	<b>844,347</b>	<b>869,245</b>	<b>24,897</b>	<b>2.95%</b>

# 15/16 External Services

External Services	14/15 Budget	Proposed 15/16 Budget	Increase (Decrease)	
Professional Fees	643	1,656	1,013	Studies transfer from Projects
Consulting Fees	798	1,840	1,042	Studies transfer from Projects
Janitorial Services	1,792	2,795	1,003	Library and Ops Support
Snow Removal	1,195	2,562	1,368	\$1.4M for hourly equipment usage moved here after Winter Works re-org
Outside Personnel	599	1,045	446	TPW - R885 - \$400K for Senior's Program moved here after Winter Works re-org
Security	848	1,467	619	Ops support - \$300K, Library \$67K, Transit \$111K, Police \$100K
Contract Services	65,721	73,487	7,766	
-- Parks and Rec - Grass	0	1,800	1,800	Parks and rec - W191, use to be in Buildings (Grounds & Landscaping #6603), not Contracts
-- Permit Data Exchange	0	439	439	
-- Human Resources	76	497	422	HR Service Review \$389K and Linkedin Contract \$57K
-- Planning and Development	1,727	2,267	540	Studies & Lake Banook Harvester
-- Library	45	363	318	New Central Library and Collection system
-- Traffic	1,239	2,216	977	LED Street lighting contract
-- Solid Waste	43,469	44,075	606	\$300K Otter Lake, \$144 Household Hazardous Waste, \$110K RRFB
-- Municipal Ops	10,794	13,053	2,259	Winter Works contracts \$1.5M 14/15 budget error correction + inflation + \$615K retainer costs for hourly equipment usage moved here after Winter Works re-org
Other	25,275	25,524	249	
<b>Total</b>	<b>96,870</b>	<b>110,375</b>	<b>13,505</b>	

# 15/16 Expenditures by Business Unit

Business Unit	14/15 Budget	Proposed 15/16 Budget	Increase (Decrease)	% Increase (Decrease)
Parks and Recreation - Total	38,911	39,666	755	1.94%
Fire and Emergency Services	58,295	58,923	628	1.08%
Halifax Transit	111,023	112,506	1,483	1.34%
Halifax Regional Library	23,004	25,121	2,117	9.20%
Regional Police	83,334	84,476	1,142	1.37%
RCMP	23,750	23,750	0	0.00%
Operational Support Services	40,948	42,041	1,093	2.67%
Planning and Development	16,655	17,515	860	5.16%
Transportation and Public Works	94,582	96,676	2,093	2.21%
<b>Citizen Services</b>	<b>490,502</b>	<b>500,673</b>	<b>10,171</b>	<b>2.07%</b>
Office of the Auditor General	865	965	100	11.57%
Chief Administrative Office - Total	16,601	17,023	422	2.54%
Finance and ICT	30,824	30,846	22	0.07%
Human Resources	5,564	5,533	-31	-0.56%
Legal and Risk Management	3,400	4,408	1,009	29.67%
<b>Internal Services</b>	<b>57,254</b>	<b>58,775</b>	<b>1,522</b>	<b>2.66%</b>
<b>TOTAL - CITY OPERATIONS</b>	<b>547,756</b>	<b>559,448</b>	<b>11,692</b>	<b>2.13%</b>

# Changes to Business Unit Presentations

- Transfers from Project Budget
  - Parks and Recreation: \$500K
  - Operational Support: \$265K
  - Planning and Development: \$210K
- Legal - Discontinue use of operating reserve: \$400K
- Planning and Development - \$210 for Lake Banook
- Fiscal: \$135 for Economic Development Strategy
- Fire: March 31<sup>st</sup> Decision: \$309K
- Parks and Recreation: Up \$1.3 million due to elimination of the Recreation Area Rates

# Transfers to Outside Agencies - Detail

- Provincial Transfers are estimated to be up by \$6.1m or 4.5%.
  - Final charges not yet approved by the Province
- Supplementary Education down 2.6% or \$450,000 based on prior agreement – under review
- World Trade Centre increased by \$517K to \$1,791K
  - Existing WTCC Cost Sharing: \$630.7
  - 50% Share of Event Management System: \$332.5
  - 50% share of marketing the Halifax Convention Centre: \$547K
  - 50% share of operational readiness costs for the Halifax Convention Centre: \$280.8K

# Capital

The following table breaks the type of project by budget category:

Budget Category	State of Good Repair	Service Improvements	Growth	Grand Total
Buildings	19,360,000	3,125,000	1,000,000	23,485,000
Business Tools	6,520,000	8,170,000		14,690,000
Community & Property Development	3,400,000	2,450,000		5,850,000
District Activity Funds		1,504,000		1,504,000
Equipment & Fleet	6,025,000	180,000		6,205,000
Halifax Transit	12,390,000	1,865,000		14,255,000
Industrial Parks			5,595,000	5,595,000
Parks & Playgrounds	4,205,000	1,270,000		5,475,000
Roads & Streets	31,200,000	775,000		31,975,000
Sidewalks, Curbs & Gutters	2,600,000	2,500,000		5,100,000
Solid Waste	5,900,000	750,000	500,000	7,150,000
Traffic Improvements	1,600,000	12,720,000	200,000	14,520,000
<b>Grand Total</b>	<b>93,200,000</b>	<b>35,309,000</b>	<b>7,295,000</b>	<b>135,804,000</b>

# Net Financing Details

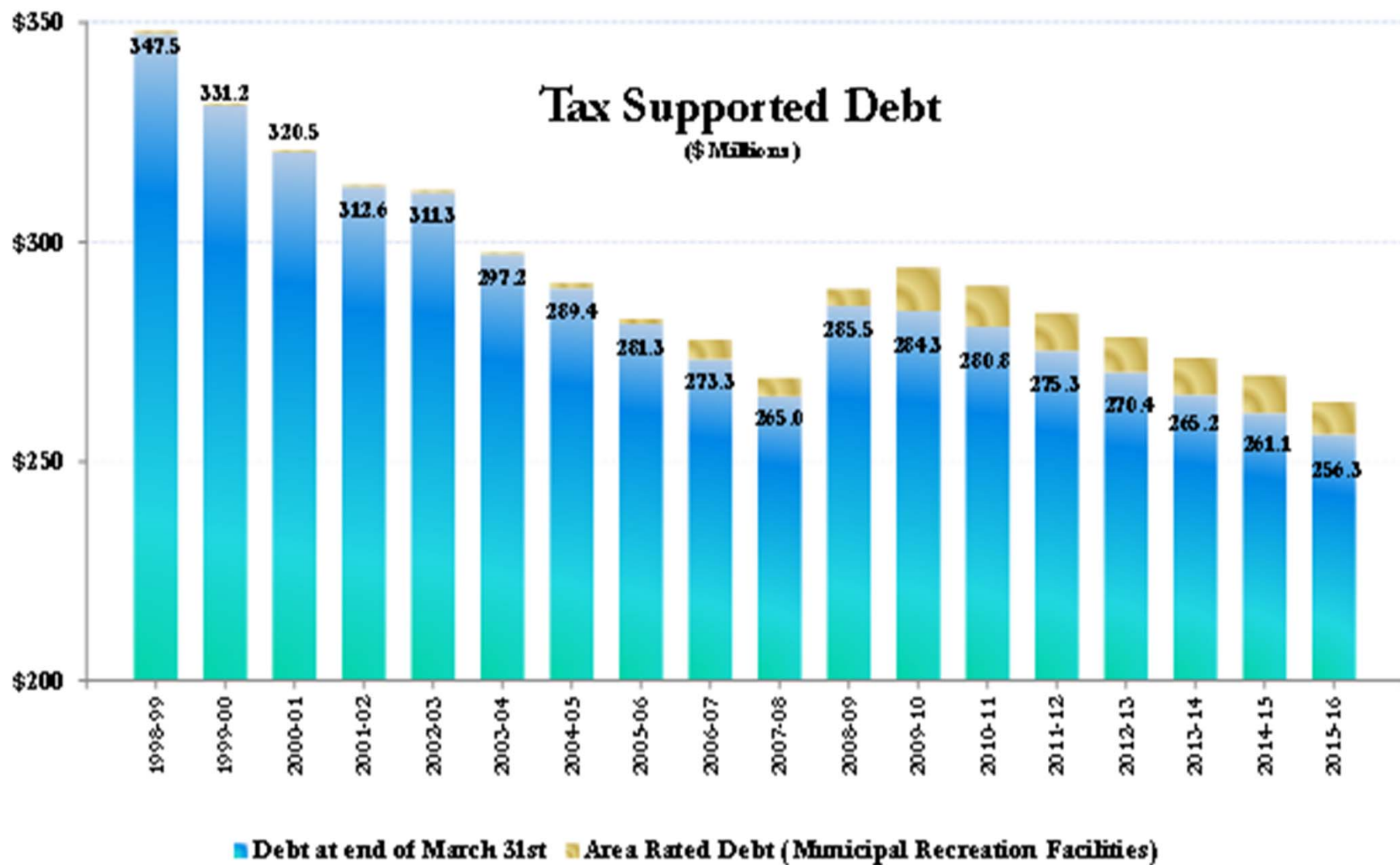
- Tax Supported debt continues to decline (as per the Multi-Year Fiscal Policy) by 3% per household per year.
- Debt Servicing cost will be \$42.4 million in 2015-16
  - 7.6% of tax revenue (exclusive of provincial area rates)
  - Debt Charges decline \$910K
- Capital Reserves contributions increased for:
  - Transit (\$2.4M)
  - Halifax Convention Centre (\$487K)
  - Street Lights Replacement (\$624K)
  - Strategic Capital (\$4.2M)
  - Increase in Capital Surplus from Solid Waste (\$8M)
- Capital from Operating down 0.6 million.
  - Up by \$5.4 as per the Multi-year Fiscal policy
  - Down by \$4.6 to reflect the movement of non-capital projects to operating.
  - Down \$1.4 for funding from closed projects.



# Net Financing

Financing Source	14/15 Budget	Proposed 15/16 Budget	Increase (Decrease)	% Increase (Decrease)
Debt Servicing				
--- Principal	34,766	34,402	-364	-1.05%
--- Interest	7,792	7,246	-546	-7.00%
Reserves	17,891	25,810	7,919	44.26%
Capital From Operations	47,812	47,243	-569	-1.19%
Total Corporate Financing	108,261	114,702	6,441	5.95%
Operating Cost of Capital	5,053	2,942	-2,111	-41.78%

Halifax's cost of interest on the debt is 0.83% of expenses, about one tenth of the provincial amount. This is \$17 per person, versus \$924 provincially



# Taxes

# Tax Rates

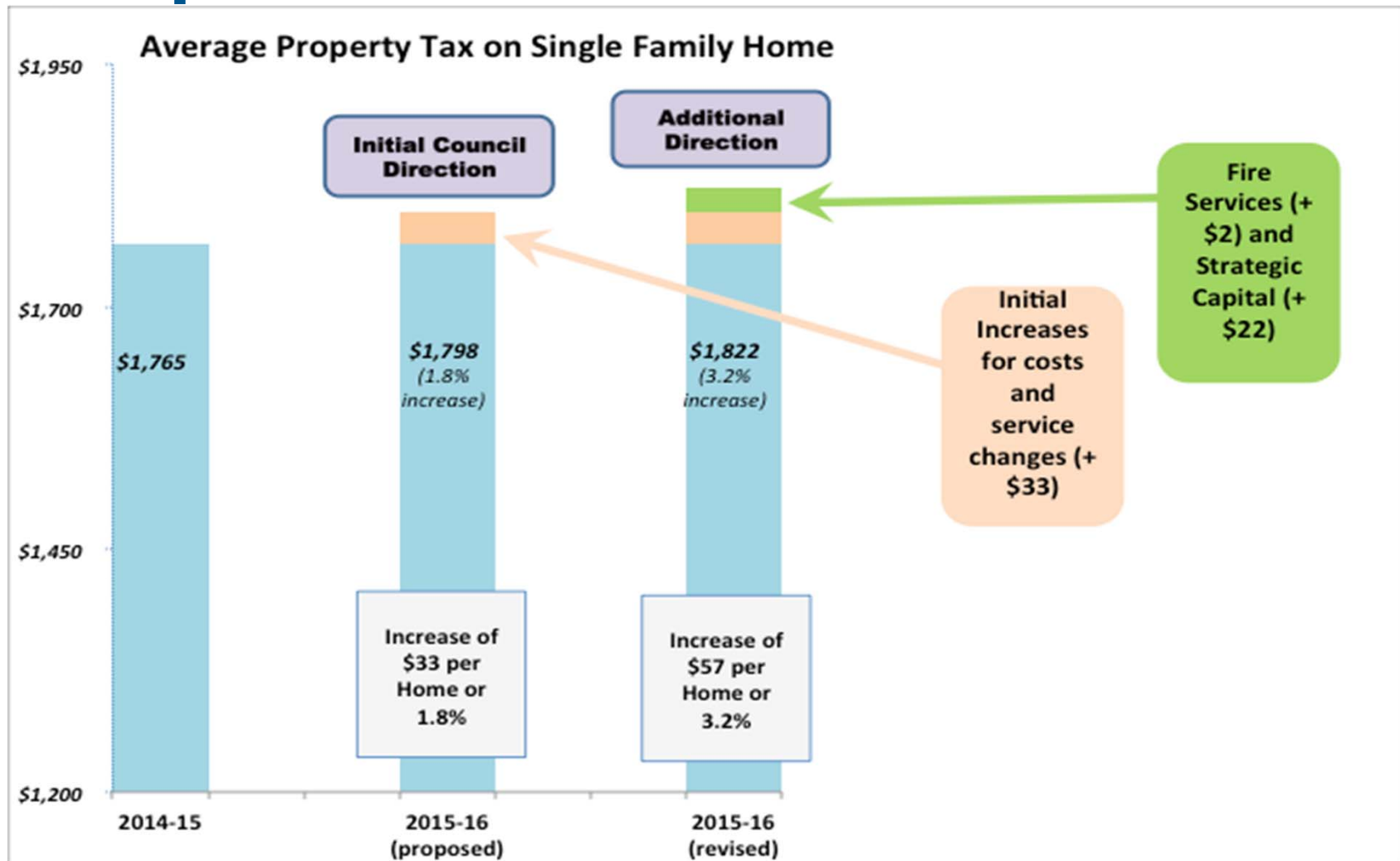
- Maintain taxes at Inflation (**1.8%** original assumption)
  - Reduce tax rates by:
    - 0.8¢ (Residential + Transit), and
    - 5.6¢ (Commercial).
- Add 1.0¢ for Strategic Capital (\$4.2 million/year)
- Add 0.1¢ for Fire Services
- Average Taxes on **Single-Family Homes** to rise **3.2%** (or \$57)
- Average Taxes on a **Commercial** property to rise **2.3%** (or \$910)

# Summary of Tax Rate Changes

	2014/15	1.8% Tax Increase (Inflation)	1.8% + Strategic Capital	1.8% + Capital + Fire (Black Pt, Sheet Hbr)
<b>Residential</b>	0.658	0.655	0.665	<b>0.666</b>
Transit	0.156	0.151	0.151	<b>0.151</b>
Subtotal	0.814			<b>0.817</b>
w/Rec Area Rate Adjustment		0.809	0.819	<b>0.820</b>
<b>Commercial</b>	2.939	2.883	2.893	<b>2.894</b>
w/Rec Area Rate Adjustment		2.884	2.894	<b>2.895</b>

Additional 1.0% Initial Direction, rate increases rate drops 1.0%

# Impact of Direction on Tax Bill



# Rec Area Rate Impacts

## vary across the Municipality

\$1.35 million, formerly collected from 10 area rates,  
to be collected through general rates:

- \$0.003 on urban & suburban residential; \$0.009 on rural
- \$0.001 on urban commercial; \$0.002 on rural commercial

Location	Area Rate Eliminated	General Rate Adjustment	Impact on a \$223,000 home
Dartmouth	none	\$0.003	+ \$7
Bedford	\$0.018	\$0.003	- \$33
Porters Lake	\$0.024	\$0.009	- \$33
Queensland	\$0.010 + \$0.031 (St. Marg. Ctr + Hubbards)	\$0.009	- \$71
Other Rural	none	\$0.009	+ \$20

➤ On average, impact is revenue-neutral across the region

# Rec Area Rate Impacts

## Community-level Surplus/Deficits

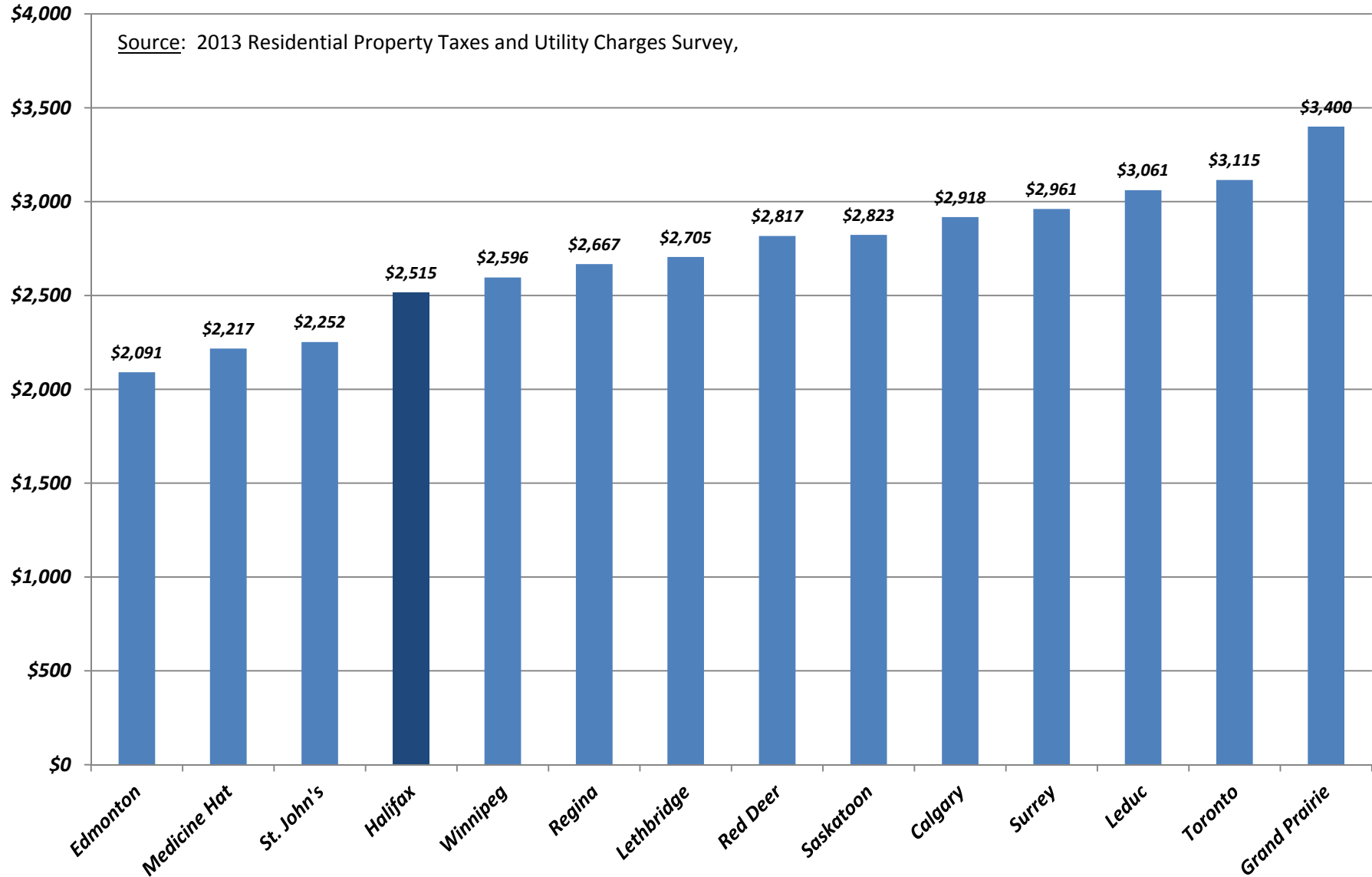
Municipal Recreation Facilities	2014-15 Area Rate	Change in General Rate	Local Overall Rate Impact	Estim. Capital Payments remaining (incl. interest) (Mar.31, 2015)	Estim. Surplus or Deficit at year end (by Facility) (Mar.31, 2015)	Net Deficits including Capital Pymts (by Facility) (Mar.31, 2015)	Net Surpluses (by Facility) (Mar.31, 2015)
Beaver Bank/Kinsac CC	\$0.070	\$0.009	-\$0.061	2,447,800	242,000	(2,205,800)	0
Bedford/Hammonds Pl. CC (JUA)	\$0.018	\$0.003 to \$0.009	-\$0.015 to -\$0.009	2,889,000	-	(2,889,000)	n/a
East Preston Recreation Centre	\$0.050	\$0.009	-\$0.041	-	22,000	-	22,000
Harrietsfield/Williamswood CC	\$0.019	\$0.009	-\$0.010	-	53,000	-	53,000
Hubbards Recreation Centre	\$0.031	\$0.009	-\$0.022	-	2,000	-	2,000
Lake & Shore, Porter's Lake (JUA)	\$0.024	\$0.009	-\$0.015	975,950	-	(975,950)	n/a
Prospect Road CC	\$0.038	\$0.009	-\$0.029	2,545,000	641,000	(1,904,000)	0
Riverline Activity Ctr, Dutch Set.	\$0.032	\$0.009	-\$0.023	-	19,000	-	19,000
St Margaret's Ctr (Multi-District)	\$0.010	\$0.003 to \$0.009	-\$0.007 to -\$0.001	2,030,200	160,000	(1,870,200)	0
Gordon R Snow Community Ctr	expired	\$0.003 to \$0.009	\$0.003 to \$0.009	3,249,900	3,174,000	(75,900)	0
Upper Hammonds Plains Rec Ctr	\$0.170	\$0.009	-\$0.161	-	(11,000)	(11,000)	n/a
<b>Municipal Recreation Facilities Total</b>				<b>14,137,850</b>	<b>4,302,000</b>	<b>(9,931,850)</b>	<b>96,000</b>



# Tax Revenues

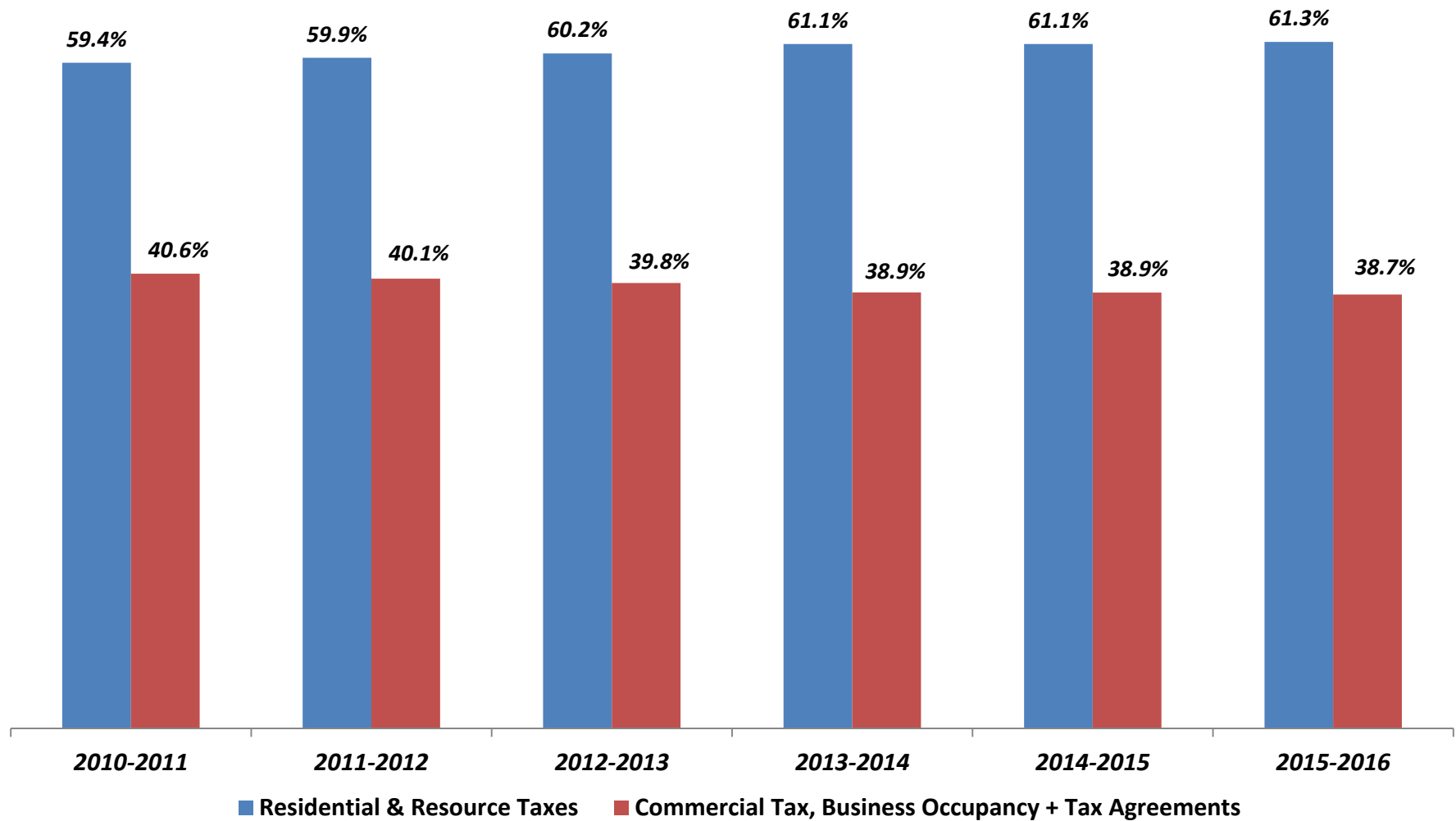
Source	14/15 Budget (\$,000)	Proposed 15/16 Budget	(Increase) Decrease	% Increase (Decrease)
<b>Property Tax</b>				
Residential	- 211,813	-225,942	-14,129	6.7%
Commercial	- 170,865	-177,876	-7,011	4.1%
- subtotal Property Tax	-382,678	-403,818	-21,140	5.5%
<b>Transit Tax</b>				
Local	-26,258	-26,718	-460	1.8%
Regional	-16,472	-16,587	-115	0.7%
Commercial	-33,342	-33,749	-407	1.2%
- subtotal Transit	-76,072	-77,053	-981	1.3%
Tax Agreements	-9,032	-9,614	-582	6.4%
Grants-In-Lieu	-36,178	-37,247	-1,069	3.0%
Deed Transfer	-36,000	-32,000	4,000	-11.1%
<b>Total Tax Revenue</b>	<b>-539,960</b>	<b>-559,732</b>	<b>-19,772</b>	<b>3.7%</b>

## Average Property Tax per Single-Family Home (2013)



## Residential and Commercial Tax Split (General, Provincial & Transit Taxes + Tax Agreements)

*Source: HRM Taxation and Fiscal Policy*



# Summary

# Summary of Key Trends

<b>Residential</b>	<b>2010-2011</b>	<b>2011-2012</b>	<b>2012-2013</b>	<b>2013-2014</b>	<b>2014-2015</b>	<b>2015-2016</b>
Revenue <sup>1</sup>	211,666,656	231,243,000	233,612,266	247,692,000	255,997,000	270,657,100
Single Family Home Assessment	183,600	192,700	203,500	211,200	216,800	223,600
Single Family Home Tax	1,749	1,823	1,825	1,867	1,880	1,943
General Urban Tax Rate	0.7088	0.7088	0.661	0.668	0.658	0.669
Per Capita Income	\$36,938	\$38,705	\$39,807	\$41,258	\$42,472	\$43,971
Assessment Cap	0.0%	2.9%	3.9%	1.4%	0.9%	2.1%
Dwellings (000)	178.5	181.2	183.5	186.4	189.5	191.6
Population (000)	398.3	402.4	406.8	410.0	414.4	418.4
Residential Revenue/Income	1.44%	1.48%	1.44%	1.46%	1.45%	1.47%
<b>Commercial</b>	<b>2010-2011</b>	<b>2011-2012</b>	<b>2012-2013</b>	<b>2013-2014</b>	<b>2014-2015</b>	<b>2015-2016</b>
Revenue <sup>2</sup>	188,179,940	199,410,000	200,730,000	204,994,000	212,527,000	221,264,400
Average Commercial Assessment	1,112,700	1,183,000	1,253,100	1,292,600	1,375,800	1,450,700
Average Commercial Tax	38,744	41,192	41,240	41,790	42,471	43,971
General Urban Tax Rate	3.257	3.214	3.084	3.054	2.939	2.895
GDP Growth (Nominal)	5.0%	7.1%	2.7%	2.6%	4.6%	4.8%
Commercial Revenue/GDP	1.03%	1.02%	1.00%	1.00%	0.99%	0.99%
Commercial Revenue/Total	40.6%	40.1%	39.8%	38.9%	38.9%	38.7%
<b>Other</b>	<b>2010-2011</b>	<b>2011-2012</b>	<b>2012-2013</b>	<b>2013-2014</b>	<b>2014-2015</b>	<b>2015-2016</b>
Inflation - CPI Halifax	2.0%	3.5%	1.7%	1.1%	1.8%	1.9%
Tax Supported Debt (\$000)	280,802	275,300	270,400	265,200	261,100	256,300
Debt per Household	1,573	1,519	1,473	1,422	1,378	1,338
Capital from Operating (\$000)	35,364	40,354	42,766	47,156	47,812	47,243

<sup>1</sup> Includes resource revenues.

<sup>2</sup> Includes Business Occupancy revenues & Tax Agreements

# Risks in Budget

- Renewal of some waste contracts
- Fuel Prices
  - assuming an average price of \$67/barrel based on economic projections: Diesel 0.642 , Gasoline 0.652, Furnace Oil 0.604  
(Note: Transit increased to 0.800)
  - However, projections can be volatile and difficult to forecast exact trends.
  - Contingency of \$899,000 ; 9% of fuel budget
- Collective Agreements (Police and Fire, among others)
- Deed Transfer Tax
- One time items:
  - Close Operating Cost of Capital Reserve (\$3.4M)
  - Solid waste closure from CCCs (\$2.4M)
  - Street Light Reserve (\$0.5M)
- Steps to mitigating Capital funding shortfall
- Solid Waste Landfill Reserve

# Looking Forward

# The same services at the same service levels will cost more

- Compensation increases to keep pace with the market - should trend with CPI.
- Cost of providing benefits. With an aging workforce and longer life, there is a risk of increasing upward pressure, particularly on post-retirement benefits.
- Non-Compensation inflation, including escalation clauses built into multi-year contracts. This also includes the retendering and/or renegotiation of expiring contracts, although this is also an opportunity for savings.
- Operating cost of new capital infrastructure – buses, roads, libraries, recreational infrastructure.
- Cost of providing existing services to new homes and buildings, and the increased population in existing homes.



# Funding Options

- Debt - in the current year.
  - In future years, debt servicing costs become another increased cost that must be funded by additional revenue or redirected spending
- Increase Revenue
  - Without increasing the tax burden, additional revenue is limited to revenue from growth, not from market increases:
  - For commercial this means new revenue comes from:
    - Improvements to existing buildings
    - New buildings
  - For residential this means new revenue comes from:
    - Improvements to existing homes
    - New homes
    - Increase in market value of none resident homes above the Assessment Cap
    - Increase in the market value of apartment buildings above the Assessment Cap
  - A portion of this revenue is needed to service the growth.
- Redirect existing spending – **Expenditure Management**

# Expenditure Management

- **Why:**
  - To keep the growth of tax bills below inflation.
  - To fund enhanced service levels and new services without increasing tax bills.
  - To provide increasing value to citizens.
  - To drive a culture of continuous improvement.
- **What:**
  - A systematic, continuous approach to improving efficiency and reducing costs.
  - Includes a focus on driving spending below budget, in addition to reducing budget.

# Expenditure Reduction Strategies

- Accountability:
  - Is the service still needed and at the appropriate service level:
    - Service Catalogue
    - Service Standards, KPIs
    - Performance measurement and monitoring
  - Asset Management
  - Risk Management
  - Collective Bargaining and Benefits
- Service Review:
  - Significant changes to the way a service is delivered or designed.
  - Partnerships
  - Alternate Service Delivery
  - Strategic Procurement
- Continuous Improvement:
  - Process - LEAN
  - Technology

# Closing Messages

- Expenditures are under Control
  - Capital savings from changes to the solid waste system have been directed to other capital pressures
  - Business Units found \$6.6M in efficiencies
  - Includes funding for the operation of the new Central Library (\$3M) and weed control on Lake Banook (\$210K)
- Enhanced Services
  - Fire
  - Strategic Capital Fund
- Recommendation: Maintain taxes at Inflation (**1.8%**)
  - Reduce tax rates by:
    - 0.8¢ (Residential + Transit), and
    - 5.6¢ (Commercial).
  - Add 1.0¢ for Strategic Capital (\$4.2 million/year)
  - Add 0.1¢ for Fire Services (7 positions, Black Point & Sheet Harbour)
  - Average Taxes on **Single-Family Homes** to rise **3.2%** (or \$57)
  - Average Taxes on a **Commercial** property to rise **2.3%** (or \$911)

# Questions?