



## **Halifax Regional Municipality Budget 2010-11 Snapshot ADDRESSING THE FUNDING GAP**

During presentation of HRM's Fiscal Framework in February and March, Council discussed an estimated \$30 million budget gap. This figure represents the difference between 2009/10 revenues and anticipated expenditure requirements to maintain the same level of municipal services in 2010/11. Closing this gap, and balancing the proposed budget, requires an increase in revenues, reduction in expenditures, or some combination thereof.

This gap was created by a combination of factors. On the expenditure side, HRM is subject to a number of cost drivers that influence growth in expenditures. These include inflation, the cost of Transit service expansion, operating costs of new capital projects, annual compensation increases, and additional funding for Solid Waste operations. The pace of growth since amalgamation has also placed increasing strain on spending for new and extended services over time. On the revenue side, the municipality – which relies upon property taxes for the majority of its revenues - has not benefited from additional tax revenue generated by growth to the same extent as in past years.

### **Approach to Closing the Gap**

At the conclusion of the Fiscal Framework discussion, Council's direction was to close the estimated \$30 million gap and balance the proposed 2010/11 budget based on:

1. Generation of \$10 million to support transit expansion through the transit area rate;
2. Generation of an additional \$6 million through the general tax rate; and
3. Identification of \$14 million in reductions, efficiencies and revenue increases.

Since that time, the budget gap has increased to approximately \$35.5 million. A few factors influenced this change. For example, the HST increase announced in the recent Provincial budget is expected have an impact of approximately \$2.5 million on HRM, and \$3 million was added to the Winter Works budget to more accurately reflect the costs of snow and ice removal. As a result, an additional \$5.5 million in reductions, efficiencies and revenue increases have been identified in the proposed budget, for a total of \$19.5 million.

### **(1) General Tax Rate (\$6 million)**

The draft budget proposes to generate the directed \$6 million in revenue through a 1.7% increase in the general rate. On an average assessment value of a home in HRM (\$180,200 assessed value), the yearly impact of this increase is roughly \$22.



## **(2) Transit Area Rate (\$10 million)**

The draft budget proposes to generate \$10 million in revenue through an increase in the Transit area rate, which has two components, local and regional. This will be achieved through Transit Regional Rate increase of \$0.008 added to the regional rate and a Transit Local Rate increase of \$0.02 added to the local rate. The approach of funding transit expansion through these rates, rather than the general tax rate, was approved by Council to take both regional and local transit benefits into account. Under this structure, taxes are raised using a combination of an assessment-based regional transit tax as well as a local transit rate paid by all properties within a one-kilometre walking distance to any Metro Transit stop.

The 2010/11 transit plan proposes that savings can be realized. Any change approved for 2010/11 would reduce the area rate requirements for next year, or could be re-invested in further transit service enhancements.

## **(3) Reductions, Efficiencies and Revenue Increases (\$19.5 million)**

### **Service Reductions (approximately \$3.6 million)**

The primary program and service reductions proposed to help balance the budget include:

- Suspension of the Community Facility Partnership Grants Program, which targets investment in major community capital projects
- Elimination of bi-weekly summer green cart collection (where this service is provided)
- No new programs - such as zebra cross walk stripes and a trap neuter release program for stray cats
- Reductions in some programs such as Public Art
- Closures of some Visitor Information Centres
- Changes in recreation program service delivery
- Ceased holiday service at the HRM Call Centre
- Contracting in some Traffic and Right-of-Way work
- Reduced operating funding for Heavy Urban Search and Rescue (HUSAR)
- Reduction of corporate publications
- Deferral of trails spending
- Suspension of some underground wiring and streetscaping initiatives

### **Capital Reduction (\$2 million)**

A \$2 million reduction of Capital from Operating funding includes:

- \$375,000 for Public Art
- \$650,000 for Conventional Bus Expansion - one less articulated bus
- \$475,000 from Transit Terminals and Upgrades...spreading some work over a longer period and shifting costs to future years
- \$500,000 deferral of a plan to build a welding shop at Thornhill Drive



### **Expenditure Reductions (\$2 million)**

Roughly \$2 million in corporate reductions and efficiencies include:

- Reduction of consulting fees
- Reduction of out of town travel
- Reduction of local travel
- Reduction of office supplies
- Reduction of special projects costs
- Reduction of conferences and workshops
- Reduction of office furniture and equipment
- Reduction of advertising
- Reduction of printing
- Reduction of courier and postage
- Identification of operating savings from sale of some vacant facilities
- Achievement of operating savings due to gas conversions
- Deferral of some equipment purchases
- Decision to life-cycle computers at four years instead of three

### **Efficiencies – Staffing (\$4 million)**

As part of the exercise to find budget efficiencies, there was much discussion about how to help close the budget gap through staffing initiatives. To this end, compensation budgets will be reduced by a total of approximately \$4 million. Included in this total is a \$3.5 million dollar vacancy management program. Through this initiative, all vacant positions will be closely scrutinized for operational need as they arise and, in some cases, not filled or eliminated. This approach is just a first step, and the organization will continue to review ways to be more efficient in staffing throughout the upcoming year.

### **Revenue Increases (\$4.6 million)**

The approximately \$4.6 million in proposed revenue increases consists of:

- Increased Deed Transfer Tax projection
- Fees for Provision of Tax Information (By-Law F300)
- Solid Waste Tipping Fees
- Various user fees – i.e. ice rentals
- Streets and services permit fees
- Parking revenues – Queen Street lot
- Cemetery fees (plot fees and columbariums)
- Development permits for accessory construction
- Fees for criminal record checks
- Increased interest charge on past due accounts and NSF fees

### **Solid Waste Adjustment (\$2.5 million)**

A \$12.5 million contribution to the Solid Waste reserve to fund the construction of Cell 6 at the Otter Lake facility was adjusted down to \$10 million by spreading the required funding over a three-year period, rather than two years.



### Estimate Changes (\$800,000)

Subsequent to the Fiscal Framework, it was determined that projected RCMP costs could be reduced by \$200,000 and the projection for Deed Transfer Tax revenue could be increased by \$600,000.

### Future Impacts of the Budget Gap

The dilemma of deciding between increasing the tax rate and decreasing municipal services will be an ongoing issue in future budget years. It may not be possible to balance the budget in future by holding the rate, because growth alone may not be sufficient to sustain the normal inflationary increases in the cost of delivering services. The net increase in the 2010/11 budget, exclusive of increases for new transit service and additional Solid Waste reserve contributions for the construction of Cell 6, is less than inflation.

In addition to the \$35.5 million funding shortfall identified this year, projections indicate shortfalls of approximately \$25 million, \$24 million, and \$21 million in the subsequent three years. The changes proposed in the 2010/11 budget will significantly reduce these future funding shortfalls.

Recognizing this, in the Fall Regional Council will consider an additional \$10 million in proposed service reductions, efficiencies, and revenue increases to take effect in the 2011/12 fiscal year.

