

FINANCIAL UPDATE 2011/12 OUTLOOK

February 8, 2011



AGENDA

- **December 14th Direction**
- **Update on Process**
- **Revenue Projection**
- **Expenditure Projection**
- **Revised Gap**
- **Status of \$3 M in Savings/Efficiencies/Revenues**
- **Remaining Pressures**
- **Next Steps**

DECEMBER 14TH DIRECTION

- Next year's expenditure growth must fall between CPI and MPI
- Reduce 11/12 services by \$3 m, adjust capital from operating budget to what can be realistically spent next year
- Present Council with 3 options on the general tax rate:
 - Hold the rate flat
 - Allow for CPI growth
 - Allow for between MPI and CPI
- Engage Finance & Audit Standing Committee to enhance Council's involvement, or alternative as proposed by Council

UPDATE ON PROGRESS

- Since December 14 – Revenue and Expense forecasts have been updated.

	November 23	Today	Change
Expenses	\$ 26 M	\$24.6 M	-\$1.4M
Revenue	\$ 12 M	\$17.8 M	-\$5.8M
Gap	\$ 14 M	\$6.8 M	-\$7.2M

Gross Operating Budget \$726 M last year
Municipal Budget \$595 M

CURRENT ESTIMATE - REVENUE

- Total (net) revenue increase is forecast at \$17.8 M
- Assessment roll has been received and reviewed by Finance.
- Property Tax has increased by \$21.4 M
- Transit Area Rates of \$1.7 M
- Transit Fares forecast has been reduced (\$2M)
 - SOT Revenue reduction (\$2M) – one time adjustment in 2010 to increase the accrual
 - Police Secondment revenue down (\$1.6M)
 - Minimal other revenue changes forecast

Net revenue forecast: + \$17.8 M

CURRENT ESTIMATE - EXPENSES

- Based on same services as last year, or operating impacts of new items already approved by Council
- Expenses forecast to increase by \$25 M, down from initial projection of \$26 M

Business Units

- Have submitted requests for additional funds based on contractual/legislated cost increases (\$8 M total, \$2 M left to review)
- Overtime, and Winter Works budgets have not been adjusted yet

Fiscal Services

- Analysis nearing completion – some 2010 contributions may not need to be made in 2011. We anticipate some potential changes in reserve contributions, deed transfer tax, valuation allowance, debt payments, and interest
- Indexing will be factored in to increase assistance to low income tax program, and HRM Kids program

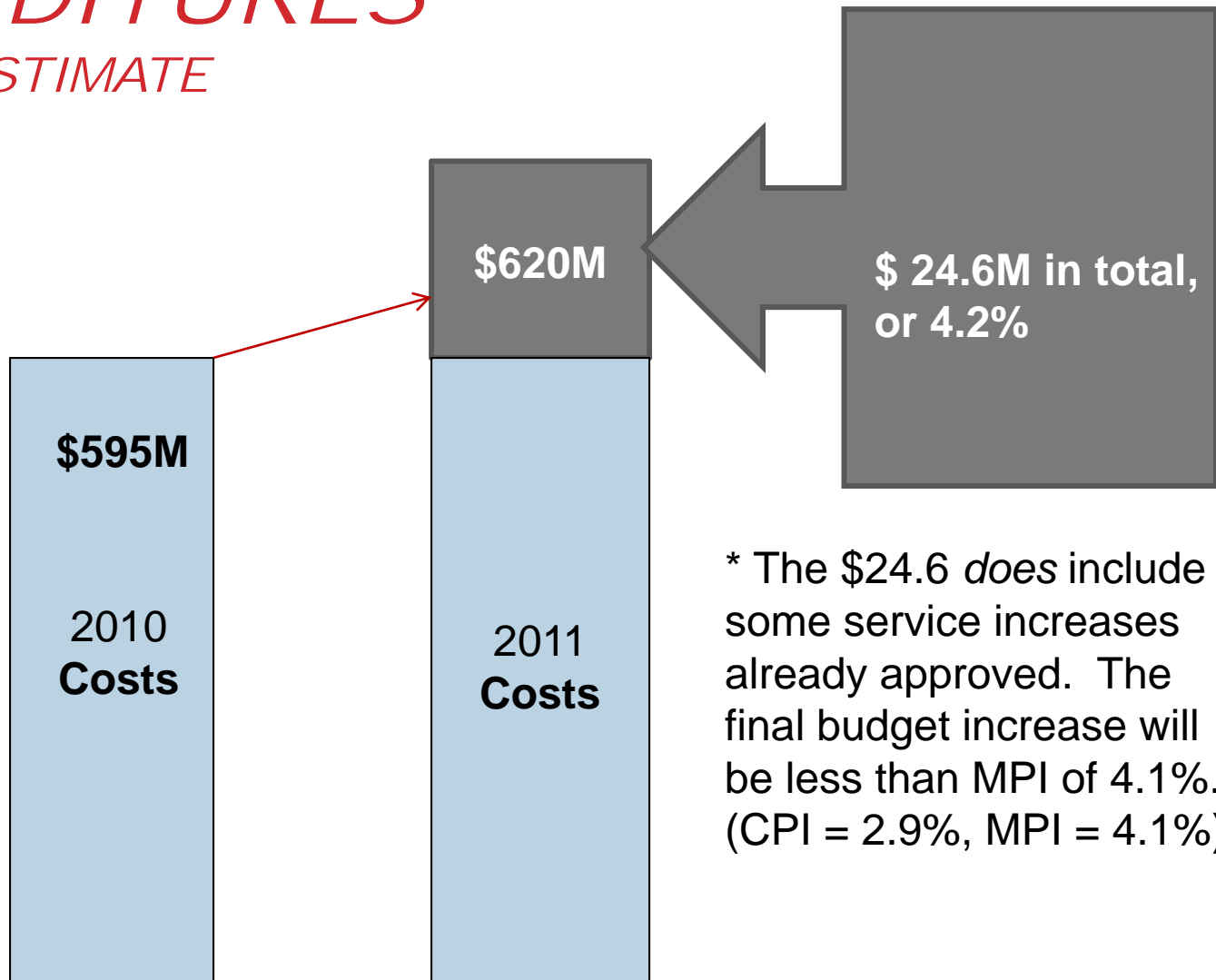
CURRENT YEAR STATUS

- Projecting a \$1.793 M surplus from 2010/11
- Business Units are projecting a \$7.2 M deficit which is being offset by a \$9 M surplus in Fiscal Services

Some Highlights:

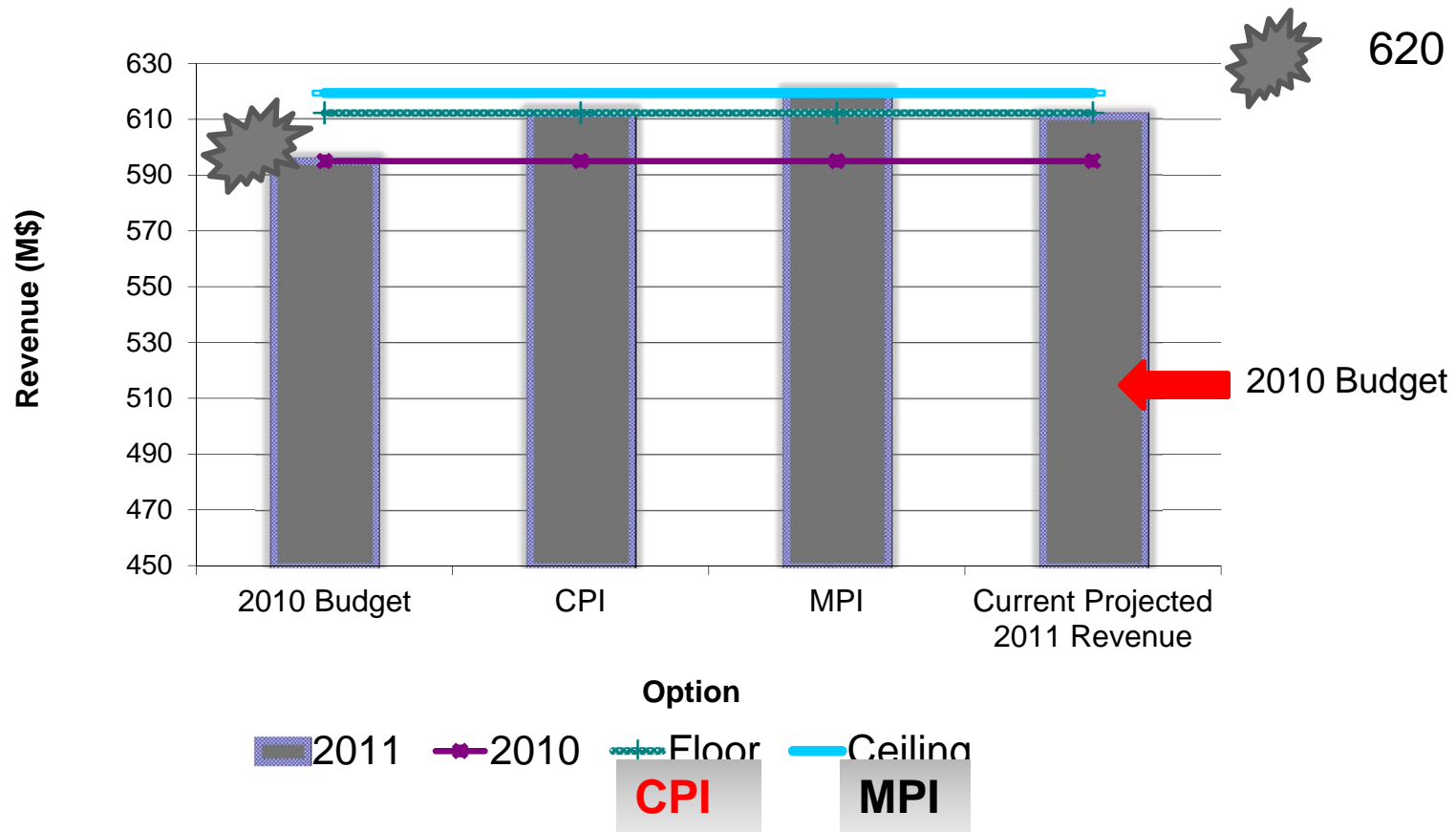
- Winter Works projected deficit - \$3 M
- Transit projected deficit - \$2.2 M
- Fleet & other Mun Ops - \$1.3 M
- Canada Games VIK \$566 k and impact of HST increase are being absorbed
- Vacancy management savings projected at \$5 M
- Deed Transfer tax projected \$1.5 M above budget
- We are not projecting any surplus or deficit from 2010/11 carrying forward to 11/12

MUNICIPAL EXPENDITURES CURRENT ESTIMATE



February 9, 2011

Alternatives

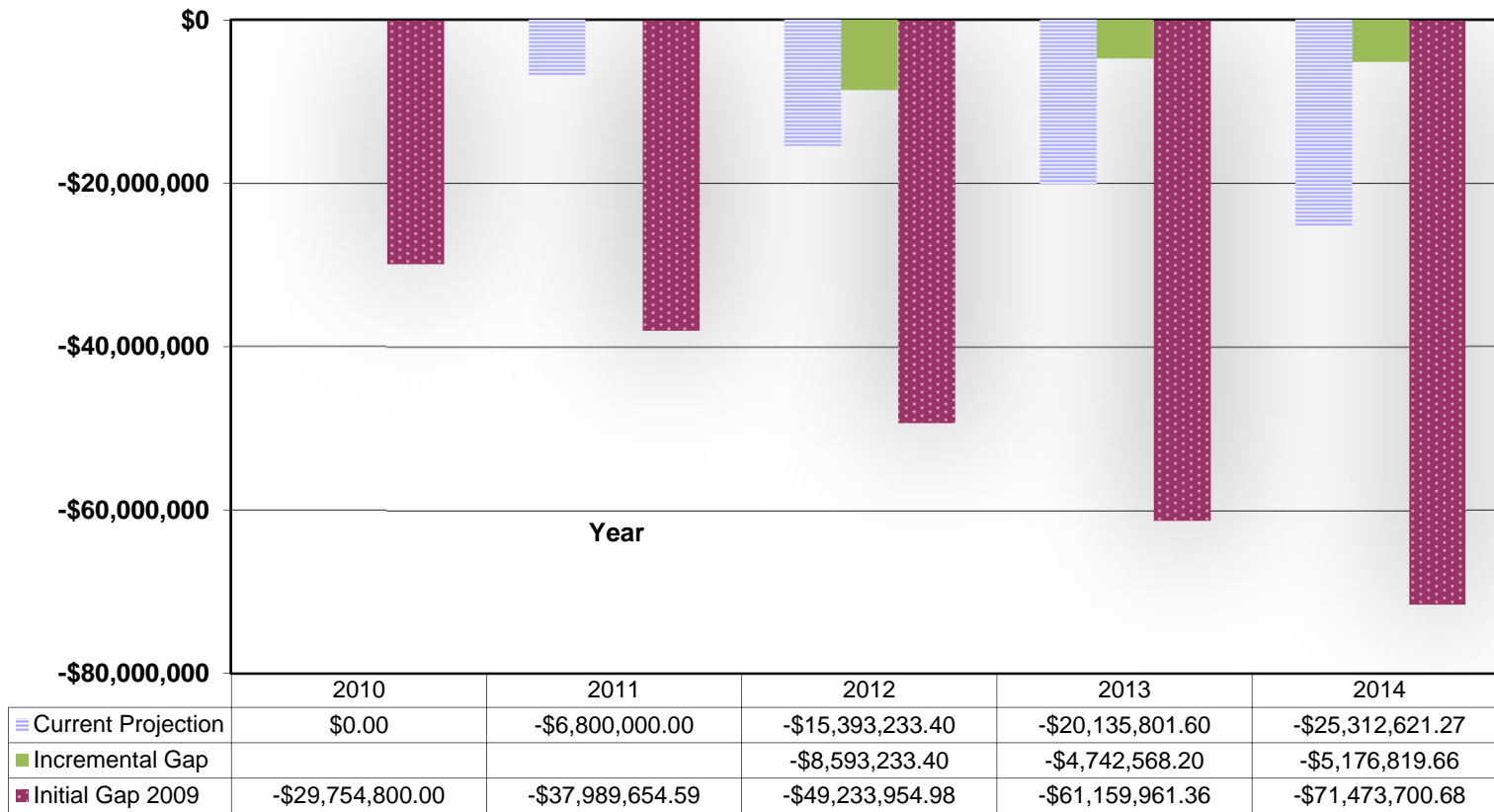


2011/12 REVISED GAP

	November 23	Today	Change
Expenses	\$ 26 M	\$24.6 M	-\$1.4M
Revenue	\$ 12 M	\$17.8 M	-\$5.8M
Gap	\$ 14 M	\$6.8 M	-\$7.2M

4 YEAR OUTLOOK BETTER, BUT STILL NEEDS SOME WORK

Projected Future Budget Balance



TAX RATE OPTIONS

These are the options you asked us to work on, which will be presented when we table the budget.

Option	Current Estimate Gross	GAP
1) HOLD the Rate	\$612.5 M	7.5
2) Allow CPI Growth Same as HOLD the rate (2.9%), Transit rate as expanded	\$612.5 M	7.5
3) Allow Growth at MPI (assuming 4.1%) Transit rate as expanded	\$619.4 M	0.6M

STATUS OF THE \$3 MILLION

- \$ 55K – Phone Costs**
- \$ 200k – Fleet costs**
- \$ 300k – Rural Visitor Center costs**
- \$ 170k – Mobility savings**
- \$ 55.2k – Desktop Contract**
- \$ 17k – Computers**
- \$ 50k – Corporate Communications**
- \$270k – Fire & Emergency**
- \$272k – Fields user fees**
- \$ 350k – TPW**
- \$ 50k – Alarm revenue increase**
- \$ 4.3k – IAM**
- \$1 M - savings on Overtime actuals***
(this is a work in progress)

\$2,793.5 M

PRESSURES – OPERATING BUDGET

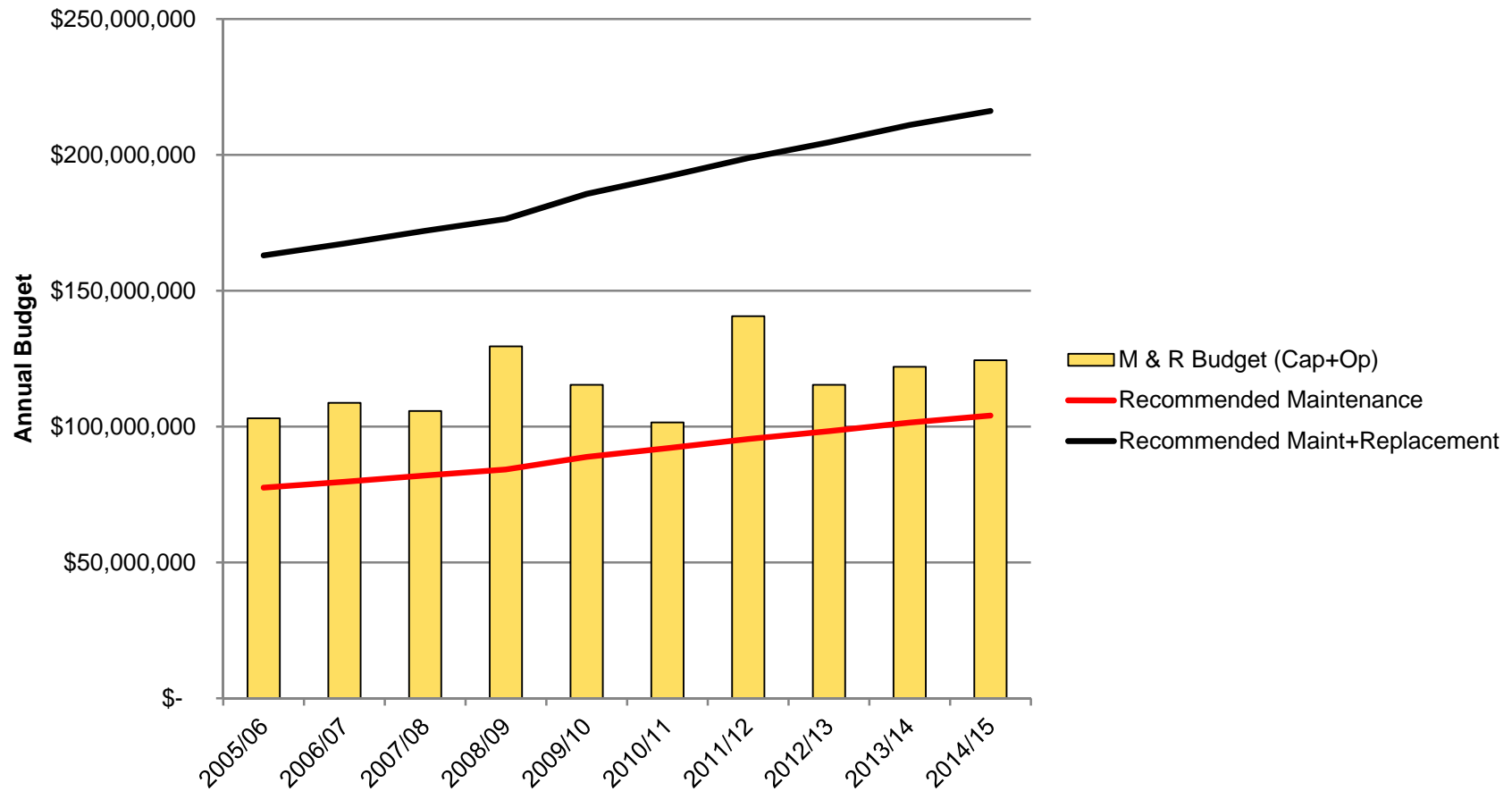
- Winter Works – Reserve is sufficient, and the \$2 M budget increase from last year will be on-going
- Fuel assumptions
- Impact of Provincial Budget
- RCMP contract
- Skating Oval - A decision to increase HRM services and retain the skating Oval will add some new operating costs
- Youth Advocacy Program – Federal funding ends March 31, 2010. Continuation of program will add new operating costs - \$540 k
- Office of African-Canadian Affairs – Maybe an incremental cost of \$50 - \$80 k for an FTE

PRESSURES – 5 YEAR PROJECT PLAN

Staff is working on the following issues. In some cases, direction from Council is required.

- Washmill Court - \$4.3 M
- Repayment of Central Library Account - \$3.5 M
(\$ borrowed to complete the 4 Pad)
- Dartmouth Transit Terminal (Option 1) - \$3 M
- Beaverbank Kinsac Facility Re-Build - \$3.5 M
- Bedford West Community Facility - \$6 M
- Skating Oval – At least \$750 k- \$1M in 11/12 to continue temporary approach for another year (harden the surface and do some landscaping)
- Stadium/FIFA - Phase 2 (\$200 - \$275 k), Phase 3 capital costs \$50 - \$60 M, 2012/13 and beyond
- Halifax Forum recapitalization/expansion - \$6 M
- Dartmouth Sportsplex recapitalization/expansion - \$20 M
- Arena Replacement Strategy

MAINTENANCE & REPLACEMENT BUDGET GAP



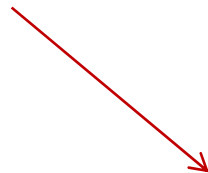
OVERALL FISCAL HEALTH

- **Fiscal Health indicators showed improvement year over year, March 31st 2009 to March 31st 2010**
 - Sustainability – assets to liabilities, financial assets to liabilities
 - Vulnerability – small decrease in reliance in transfers from other levels of gov't
 - Flexibility – “interest bite” stable
 - We compare favorably to benchmark cities
- **Standard & Poor's ratio confirmed in 2010 – A+**
- **Debt levels continue to decline**
- **Tax burden benchmarks favorably**
- **Sufficiency of reserves an area of concern**
- **Infrastructure recapitalization an area of concern**

STRATEGY

- As of today, only \$6.8 M of the \$14 M in potential solutions are required. We may be able to put \$7.2 M back into Capital.
- These numbers will be finalized over the next month

Nov. 23rd
\$13.9 M
GAP



\$6.8 M
GAP



Council Direction to Balance:

- \$ 3 M
Efficiencies
and Service
Reductions
- \$3.5 M
Vacancy
Mgmt
- -\$6.5 M Cap
from
Operating
Reduction

STRATEGY

- Balance based on Council's Direction, expenditure increase restricted to between 2.9% – 4.1%
- Hold the tax rates, and the existing service levels; if new services are added they are rated
- Achieve at least \$3 M in savings/efficiencies/revenues
- Address budget for Overtime
- Try to maximize the Capital Budget, to accommodate some of the pressures in the 5 Year Plan

KEY MESSAGES

We can balance within Council's parameters

Operating budget - coming along well

11/12 Project Budget & 5 Year Capital/Project Plan - Working to finalize, which will impact Operating

- We may not need to reduce Capital from Operating funding which will help with Capital Challenges (capacity demands)
- Funding for recapitalization is still far short of where it should be to maintain current asset condition. The current asset condition may not be meeting citizen expectations.

2010/11 BUDGET & BUSINESS PLAN PROGRAM

Date	Milestone
February 8	Update to Council
February 9 March (mid)	Check in with Finance & Audit Standing Committee
March 8	Supplementary Education
April 5 th	Table Corporate Plan and Budget
April 12 th	Open House Sessions
April 19 th	Budget Debate