



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

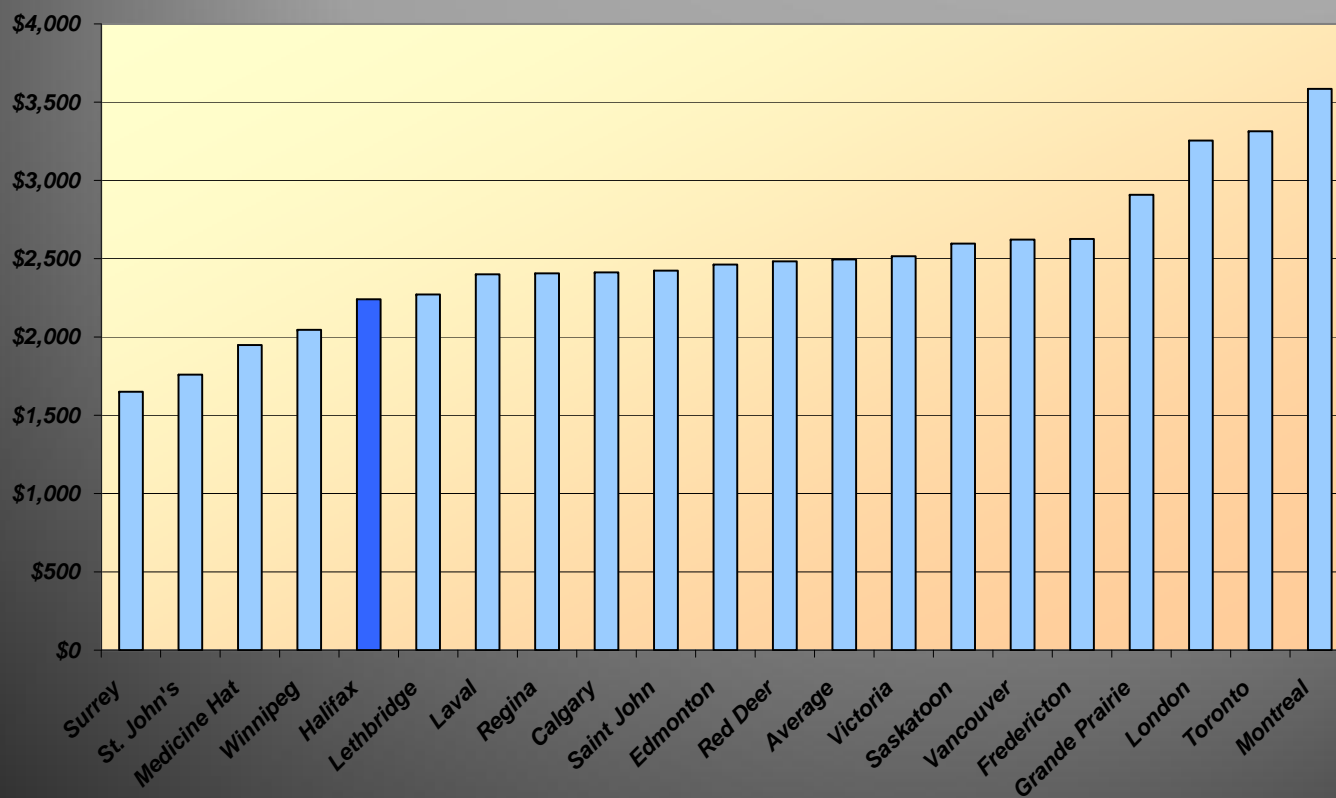
Where HRM Has Been

- ▶ 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)

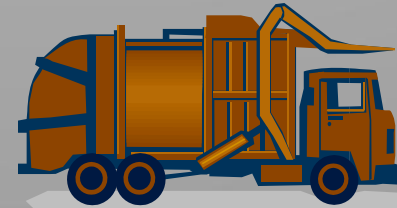
- 10 new buses coming on line
- Ragged Lake Operations Centre
- 570,000 new route km
- 30,000 new service hours

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

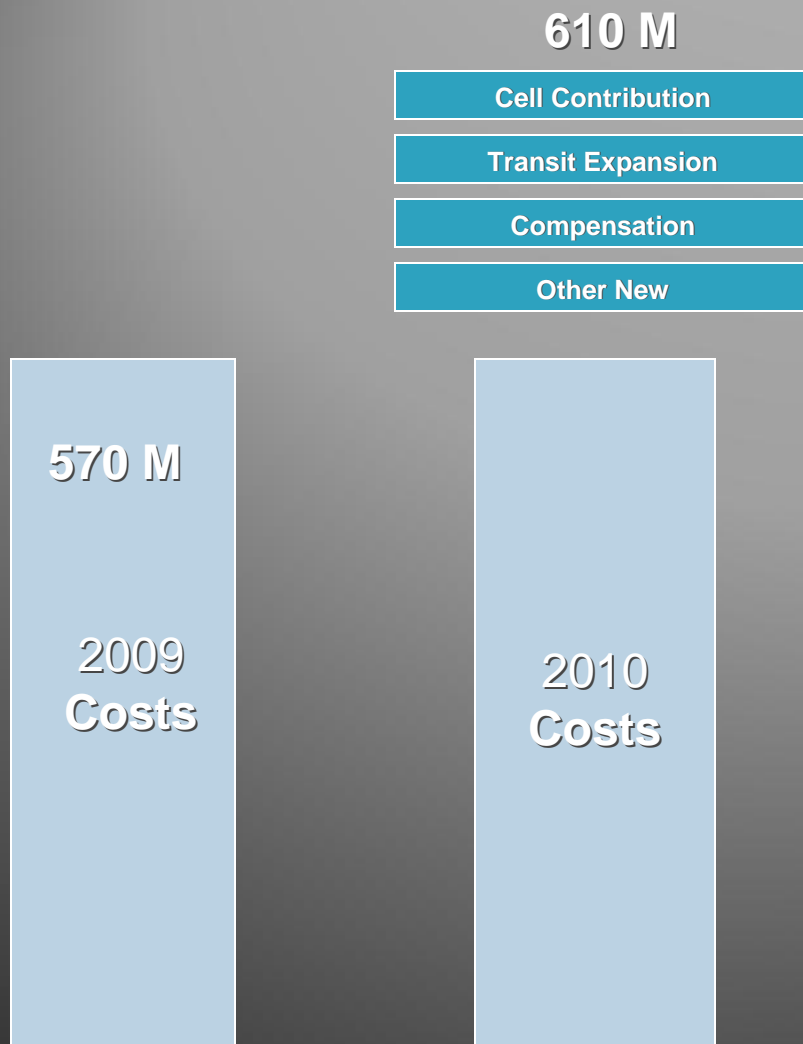
Solid Waste

- ▶ 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



Mandatory Amounts	09/10 Budget	10/11 Preliminary	% Change
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:	\$113.5	\$112.3	-1.1
Mandatory Rates	09/10 Rate	10/11 Preliminary	Change
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
Total Projected Increase	<u>\$ 40.2 m</u>

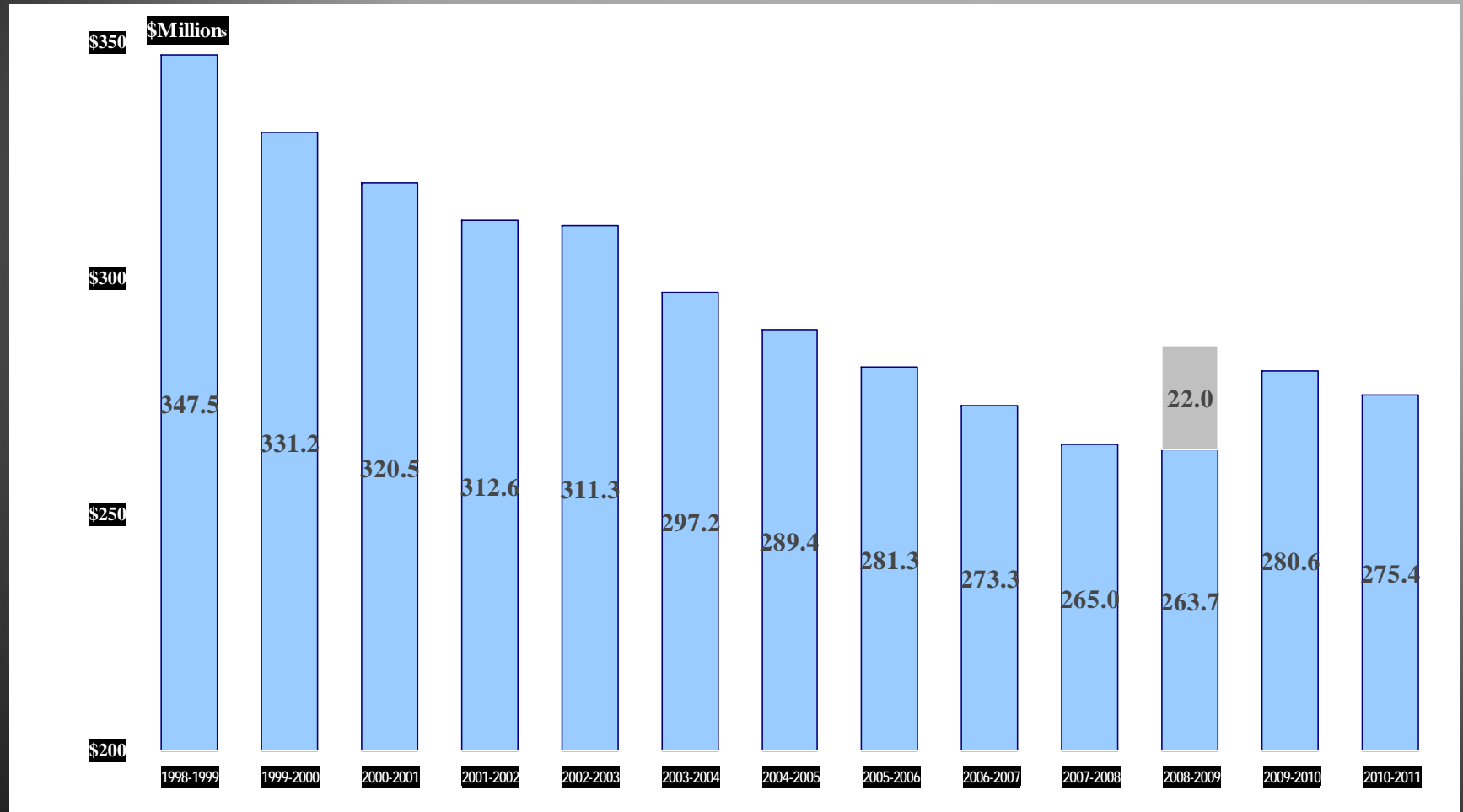
7% increase

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

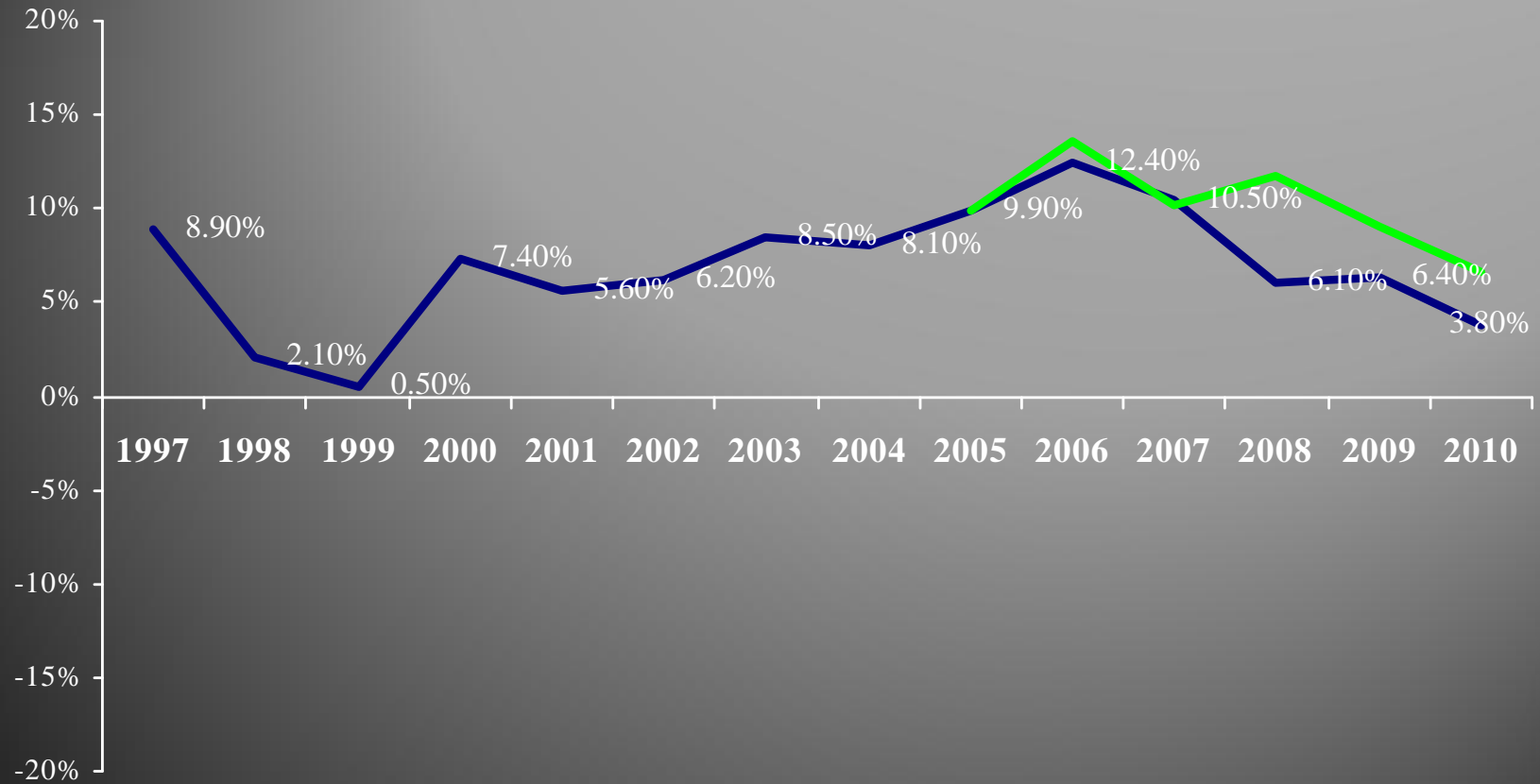
- ▶ The Capital Budget impacts the Operating Budget
- ▶ HRM's Gross Capital budget has grown from \$47 M at amalgamation, to about \$200 M
- ▶ Transit Trust funding expires this year - \$7 M less capacity
- ▶ Our capacity to deliver the projects is just catching up to the funding
- ▶ **Our operating 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



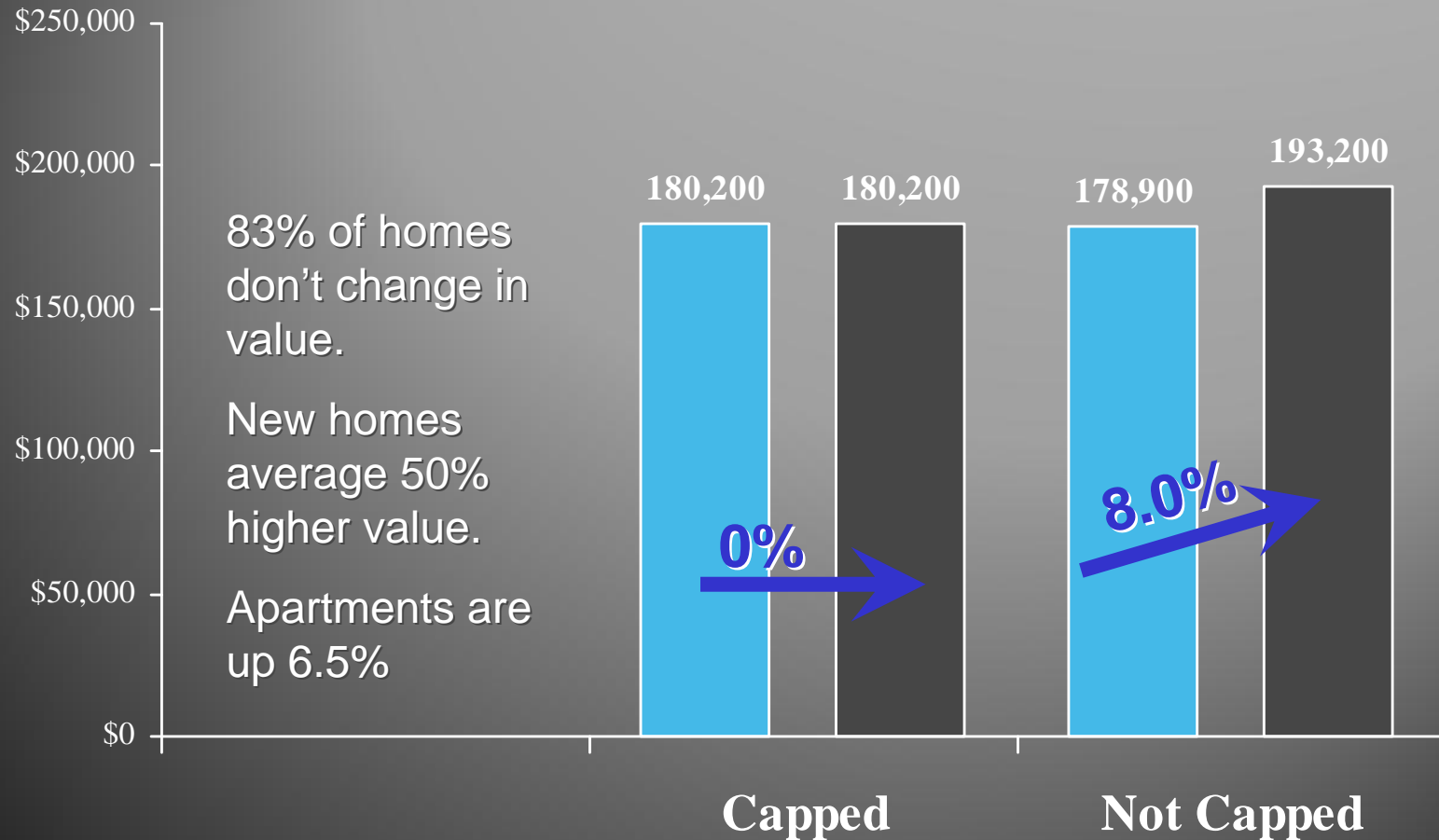
Projected Revenues

Residential Assessment

Percentage Change – Year over Year

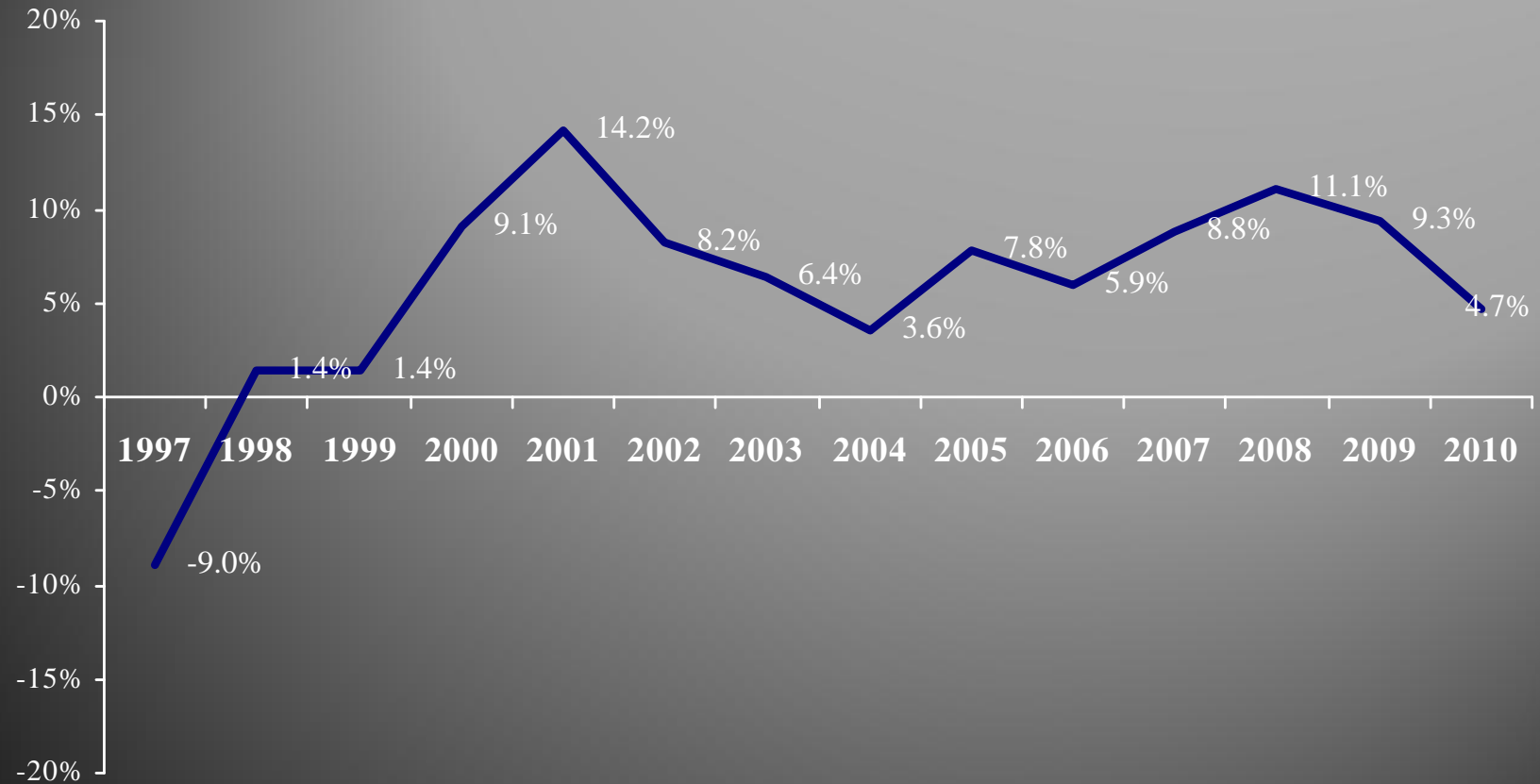


Single Family Home Change from 2009 to 2010



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%
TOTAL GENERAL RATED TAXES	357,203,600	357,345,200	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
Total Gross	\$570 M	\$580 M	+1.7%	+ \$9.75 M

Gap

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

** Based on 09/10 rates

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

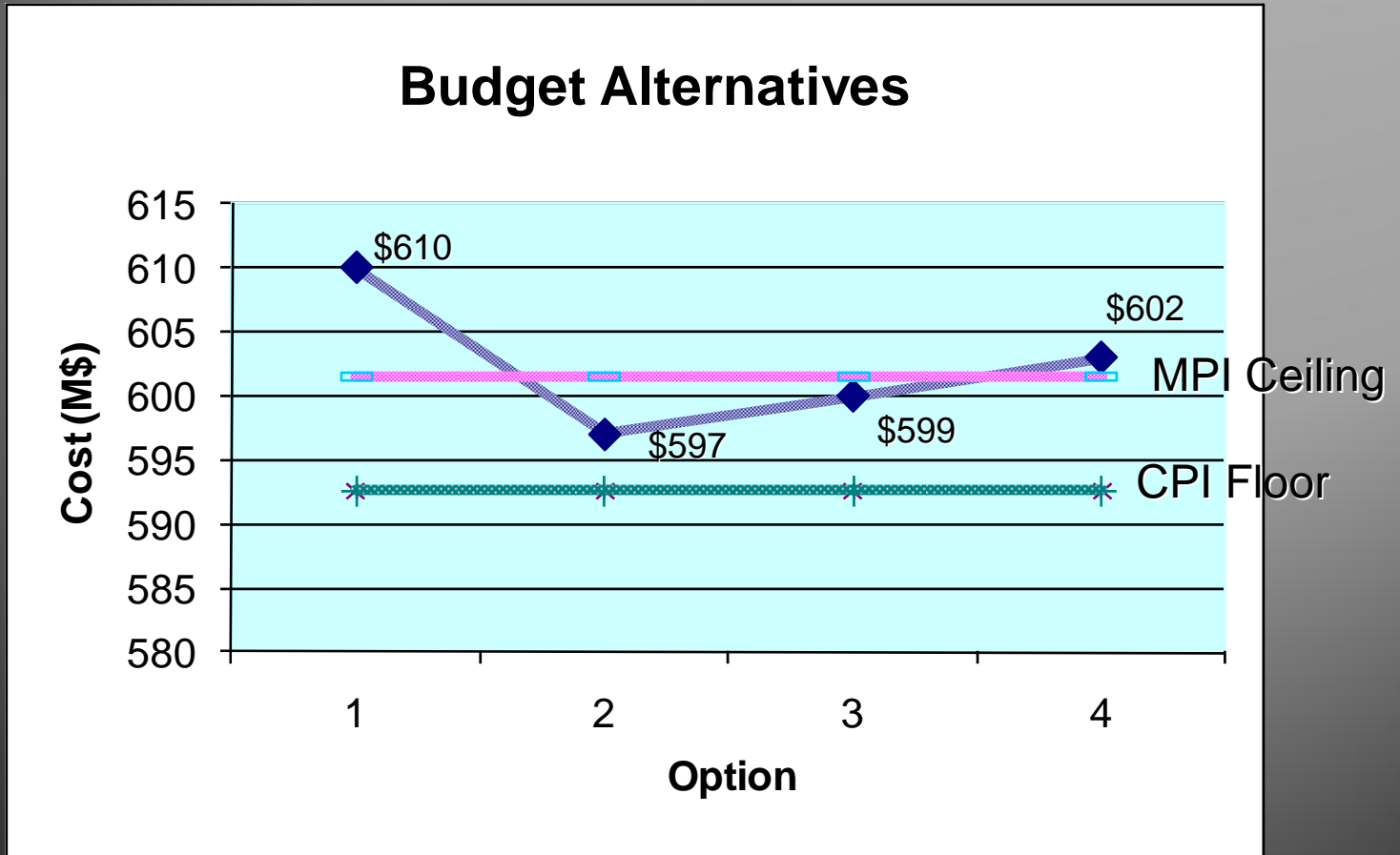
- \$2.4 M in funding requests from Business Units were rejected
- \$6.1 M in inflation for Business Units was not provided

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