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2020-2021 BUDGET RECAST FOR COVID-19 IMPACTS

APPROVED

Current Environment

- **HRM Economy was in strong shape at start of 2020**
  - Above-trend population and GDP growth in line with fastest growing peer cities (Halifax Partnership, 2019)
  - Municipal finances in strong shape
    - moderate taxes, low debt and healthy reserves

- **Pandemic has caused public health crisis**
  - Led to world-wide recession that is significant
    - Restaurants, Tourism have significant impact
    - Impact on trading partners affects HRM
  - Uncertainty around depth and length of recession.
  - Risk of second COVID-19 wave.

- **Impact on Municipality**
  - Significant revenue declines, difficulty in paying taxes leads to liquidity issues
  - Some municipal services cannot be offered or have to change
  - Opportunities exist to come out of the crisis even stronger
    - Infrastructure Funding, Re-Focused Priorities

Revised HRM Economic Outlook (Pre and Post COVID)

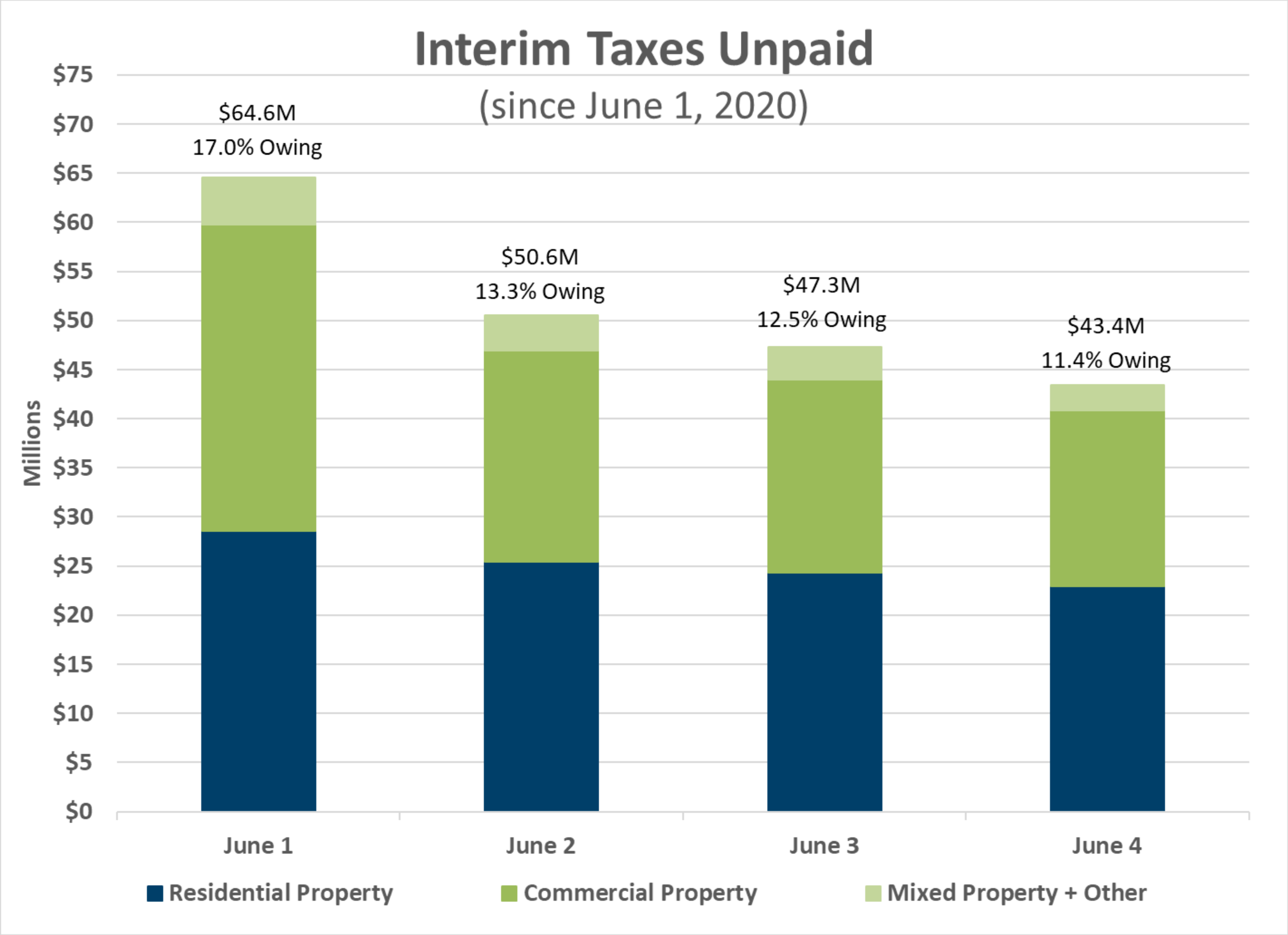
Economic Variable	2019/20	2020/21 (March 24)	2020/21 (June 9)	2021/22	2022/23
Real GDP Growth	1.2%	1.8%	-5.9%	3.1%	1.8%
Labour Income Growth	2.3%	2.7%	-6.2%	5.5%	4.0%
Inflation (CPI)	1.9%	2.2%	1.0%	2.1%	2.2%
Population (000s)	440	450	450	460	470
Dwelling Units	200,320	202,624	202,624	202,464	204,706
Percent Change	1.2%	1.2%	0.0%	-0.1%	1.1%

Source: Canmac Economics, 2019 and 2020 Custom Forecasts. Labour income was not available at the time of the March 24th forecast but has now been forecast using the March 24th assumptions.

Economic Outlook

- **Halifax economy will shrink nearly 6 per cent during 2020**,
  - 2019 output levels nearly restored by Third Quarter 2021 (Canmac Economics).
- **NS unemployment is expected to remain above 12 per cent over the next year.**
  - This will deter consumer and housing demand. If Immigration stays at recent trend this will partly offset downside risks.
- **Inflation is expected to be low** into the future. Risk of deflation.
- **Single family home prices are expected to be soft** but not decline (CMHC).
  - Expected to moderate in medium-term
- **Construction demand is weakened**
  - supported by public investment but private investment is less clear.
- **Interest rates and bond yields have been steadily falling** and are expected to remain at zero or negative for the foreseeable future. (Bank of International Settlements (BIS), 2020)

Taxes Outstanding



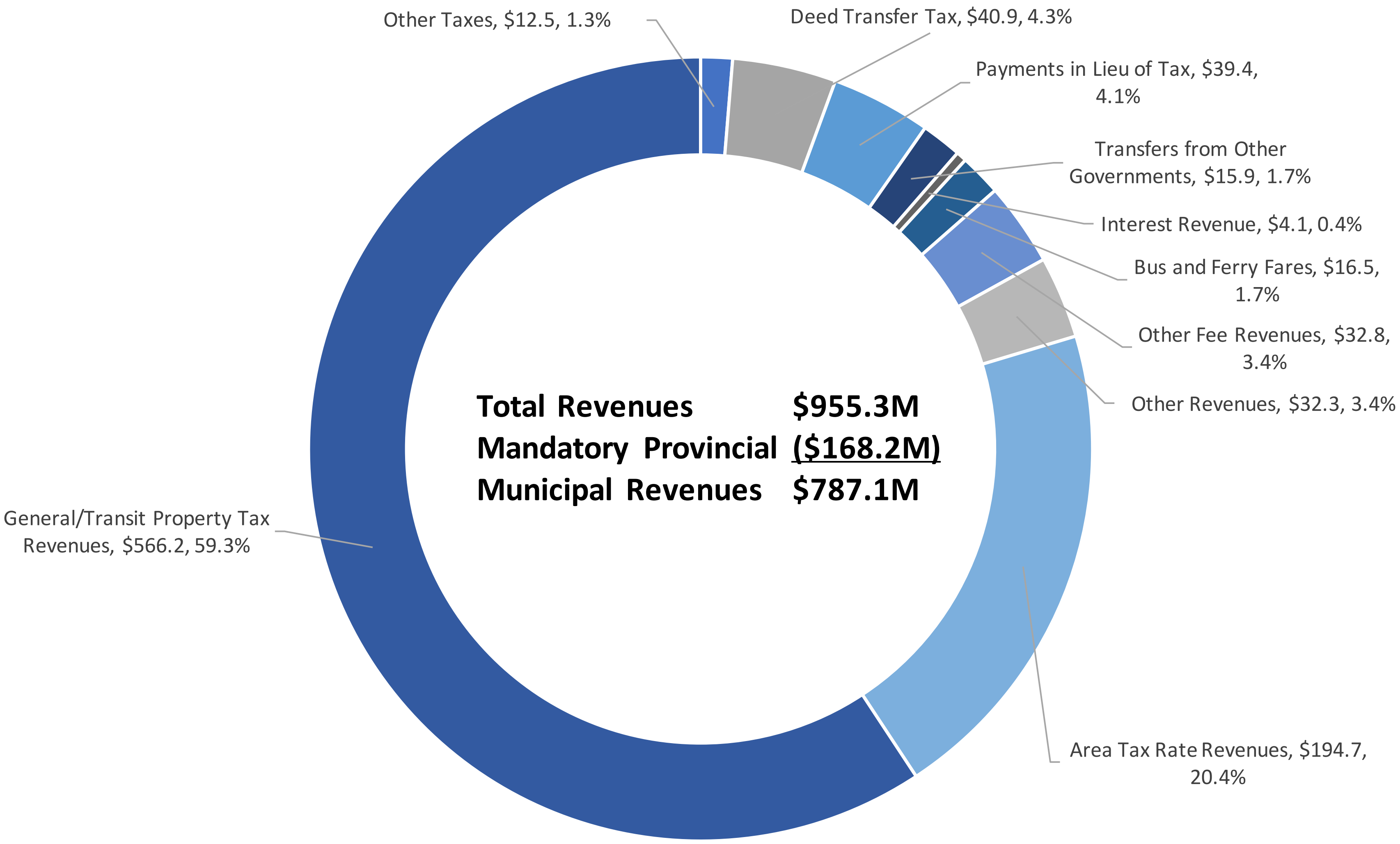
Fiscal Approach

Budget – Financial

- **Proposed Budget is prudent in nature**
  - Need to navigate around current and potential risks
  - Preserve capacity to show leadership on opportunities
- **Proposed approach allows for flexibility**
  - Reserves are still solid shape, Balance of $207M
  - Debt and Debt Service Ratio remains low
  - Capital Plan is significant ($208M)
    - Continuing to invest in the economy through capital investments
    - Mindful of possible infrastructure opportunities
  - Fiscal Contingency allows Regional Council to react
    - open up services faster, invest, or adjust to economic downturn

Operating and Capital Budgets

2020/21 Operating Revenue ($M)

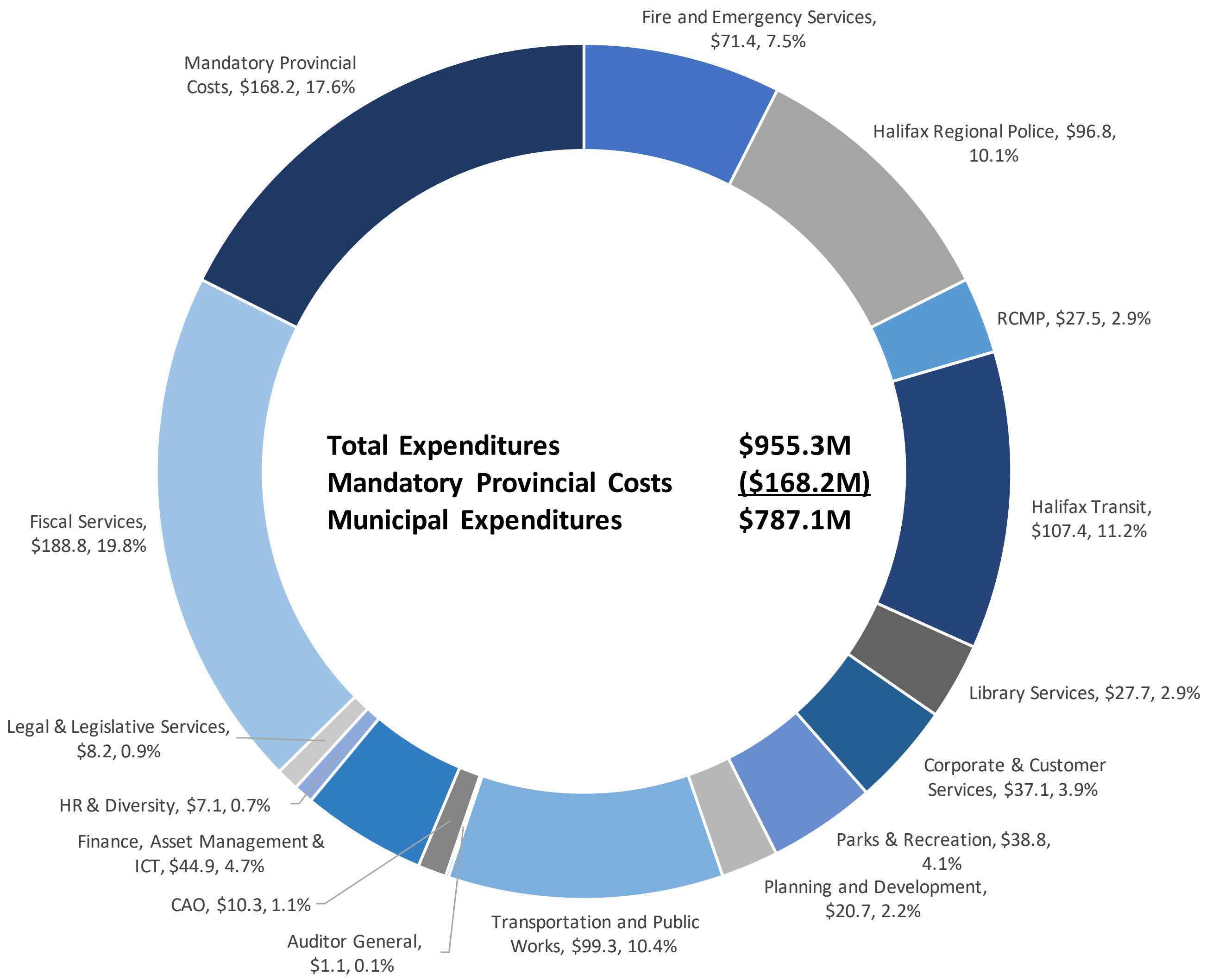


Revenue by Category

Revenue Budget ($ Millions)	2019-20 Approved	2020/21 (March 24)	2020/21 (June 9)	$ change 19/20 vs 20/21
Residential Taxes	$259.3	$267.7	$267.7	$8.4
Commercial Taxes	$234.1	$238.1	$238.1	$4.0
Payment in Lieu of Taxes	$41.6	$39.4	$39.4	($2.2)
Deed Transfer Tax	$39.0	$51.0	$40.9	$1.9
Transit Fares	$35.2	$36.1	$16.5	($18.7)
Area Rate Revenues	$235.7	$244.3	$244.3	$8.6
Fee Revenue	$41.8	$44.6	$44.6	$2.8
Other	$69.0	$79.4	$63.8	($5.2)
Total Revenue	**$955.7**	**$1,000.6**	**$955.3**	**($0.4)**

Numbers may not add due to rounding

2020/21 Operating Expenditures ($ M)



Spending by Category

Expenditures ($ Millions)	2019-20 Approved	2020/21 (March 24)	2020/21 (June 9)	$ change 19/20 vs 20/21
Compensation and Benefits	$403.2	$421.2	$405.2	$2.0
External Services	$118.0	$127.1	$121.8	$3.8
Vehicle Expense	$29.4	$27.8	$22.7	($6.7)
Building Costs	$19.3	$20.7	$17.1	($2.2)
Other Expenses (Materials, Office, Communications, Other Goods/Services)	$57.1	$60.3	$62.3	$5.2
Debt Service	$46.5	$45.2	$44.5	($2.0)
Fiscal (Transfers, Cap from Operating, Insurance, Other)	$120.2	$130.1	$113.5	($6.7)
Total Municipal Expenditures	**$793.7**	**$832.4**	**$787.1**	**($6.6)**

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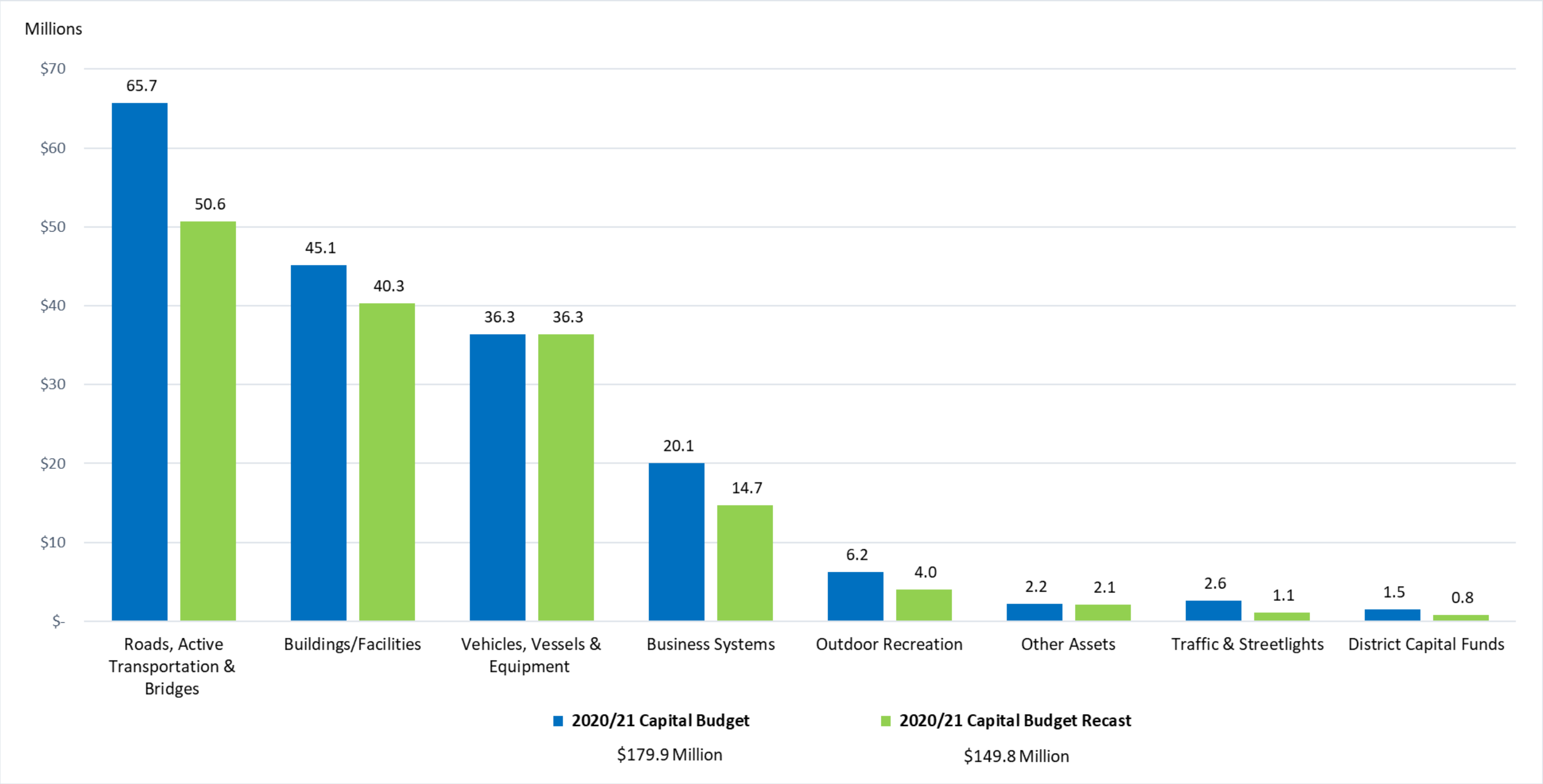
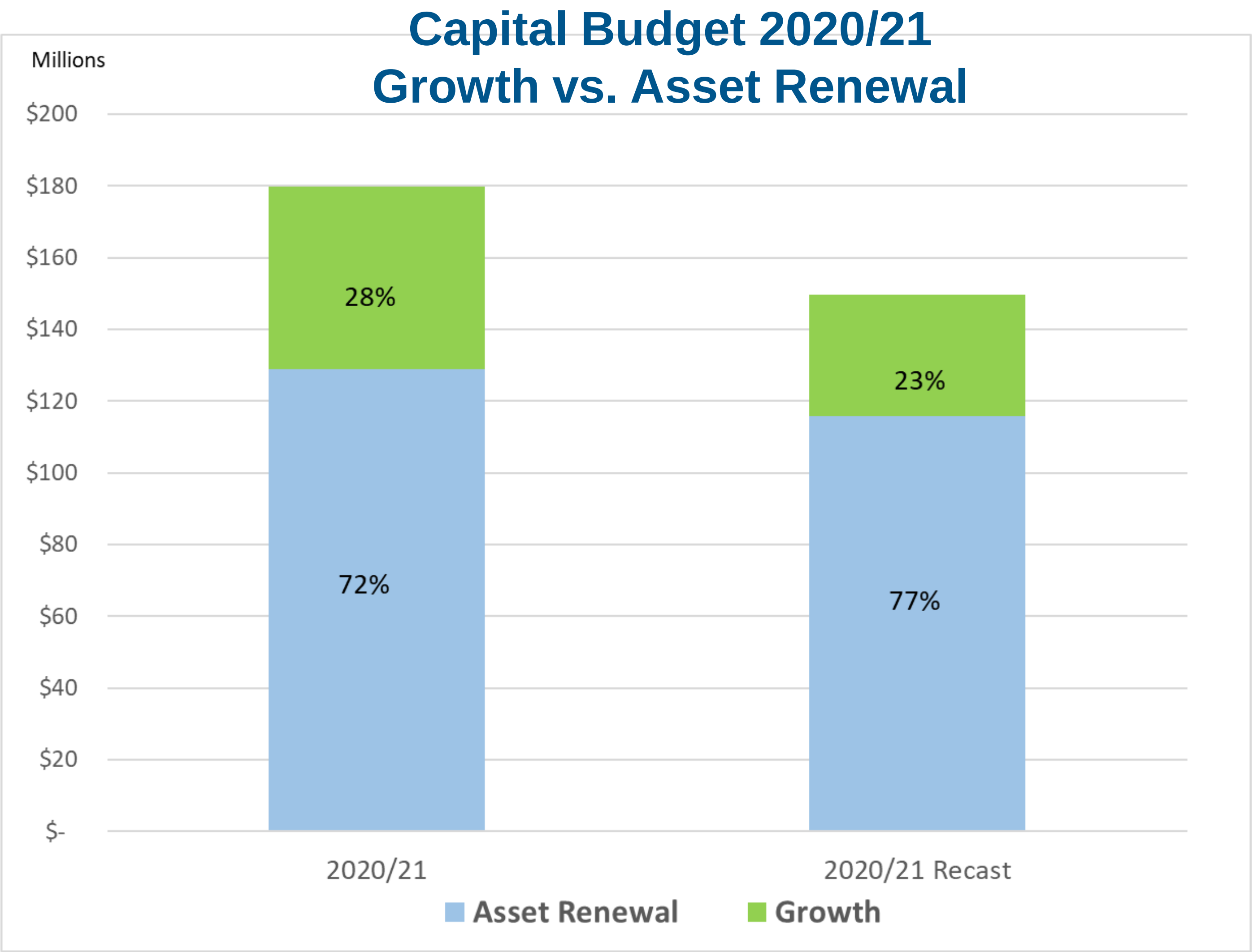
Infrastructure Investment Comparison March 24 to June 9



2020/21 Investment in Capital

Key Council Priority Investments:

- Annual Road Network Programs $35M
- Additional Streetscaping & Complete Streets Corridors +$8M
- Active Transportation Network Expansion +$7M
- Introduction of HaliFACT 2050 $1M in addition to annual Energy Efficiency program $1M



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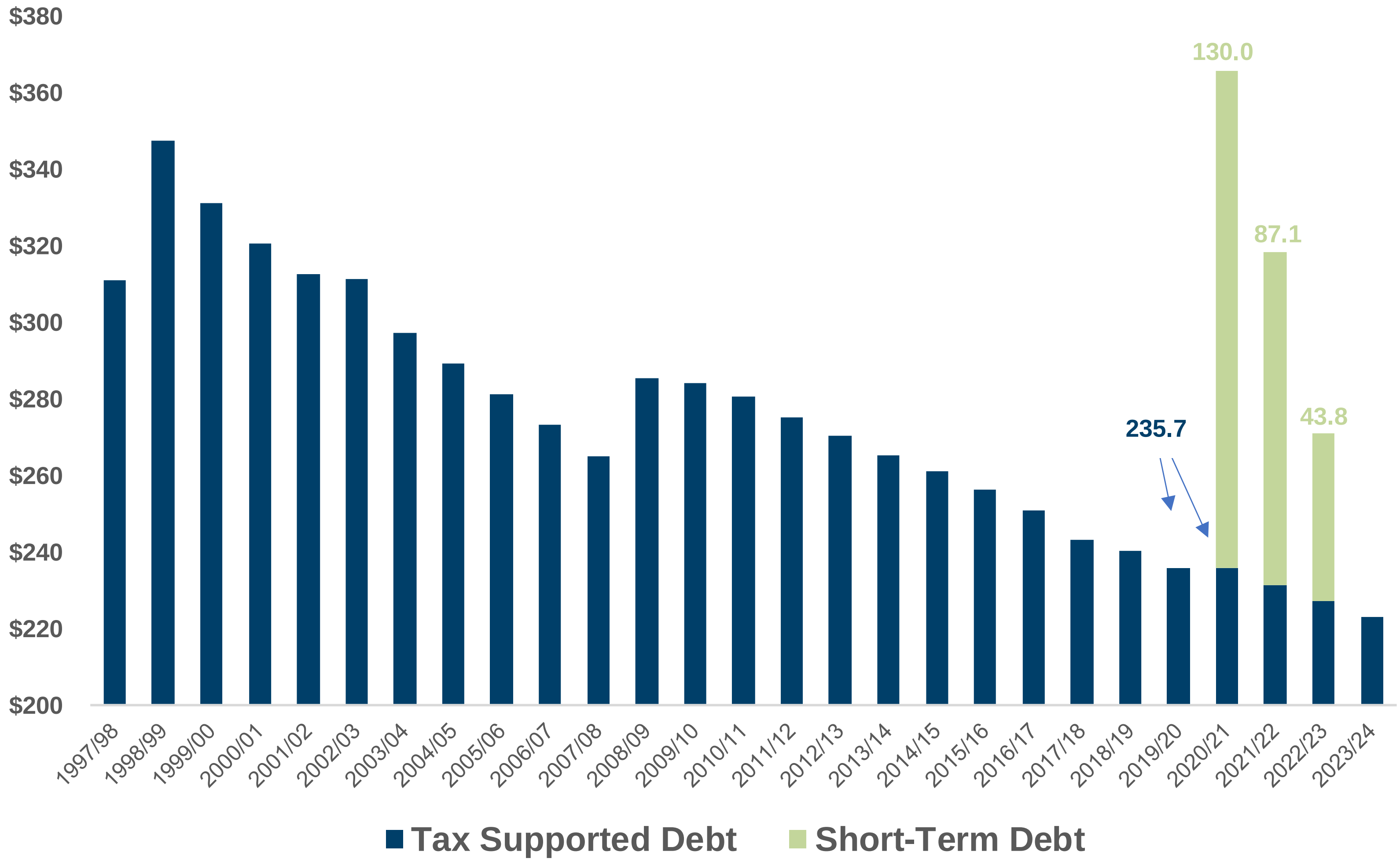
Debt, Reserves and Taxes

Taxable and Short-term Debt



- Lower debt servicing costs allows for spending flexibility
- Well-positioned to fund infrastructure into the future
- Short term borrowing does not impact the debt service ratio

Reserves Are Important Tool Going Forward

- **Three main categories of municipal reserves:**
  - Risk – **$17.8M**
  - Obligations – **$64.2M**
  - Opportunities – **$125.0M**

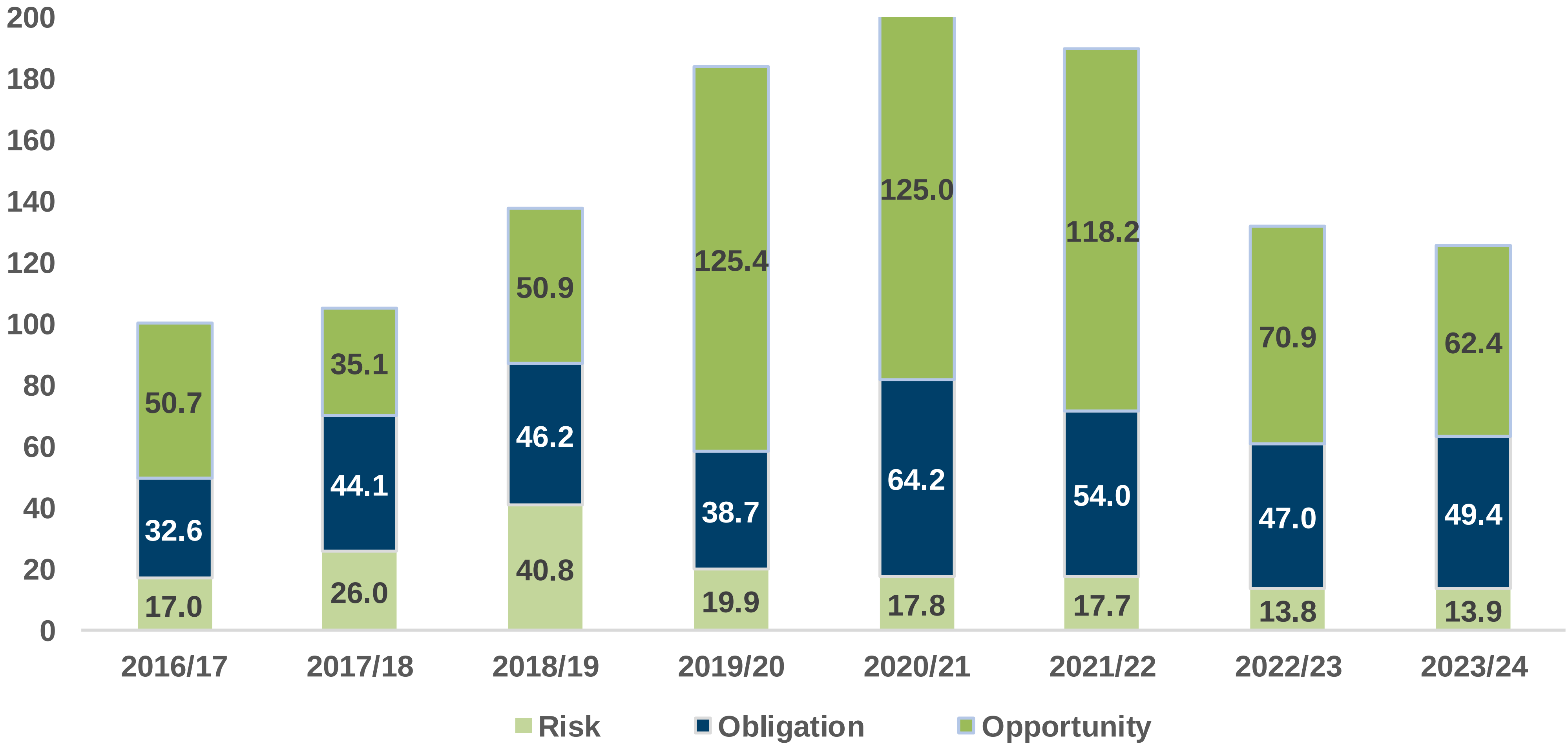
- **Municipal reserve balances are relatively robust**
  - Expected balance of **$207.0M** as of March 31, 2021

- **Reserves provide for Flexibility, Balance**
  - Partial Payment for Short-Term Debt placed in Reserves ($22.1M)
  - Reserve Contribution of $12.8M re-directed to Capital Fund Reserve

Net Reserve Balances by Type of Reserve ($M)

After Budget Committments

2016/17 to 2023/24



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2020/21 Average Residential Taxes

- The average single family homes rose 1.4% in value.
  - The Residential tax rates did not change.
  - The Average Residential tax bill rose $27 per home, or 1.4% based on increased assessment.
- The average commercial property rose 1.0% in value.
  - The Commercial tax rate increased 0.4%.
  - The Average Commercial tax bill rose $585, or 1.4%, with 1.0% of that based on increased assessment.

Financial Strategy for Resilience

- **Prudence**
  - Reduced expenditures below 2019/20 levels
  - Short-term loan $130M helps preserve liquidity
  - No additional long-term debt
- **Flexibility**
  - Deferred due date on taxes
  - Lowered late-payment interest rate to help taxpayers
- **Balance and Stability**
  - Financial Contingency can be used for risks and/or opportunities
  - Healthy reserve balances ($207M) available
  - Debt and Debt servicing costs remain low,
  - Can borrow more for liquidity or to promote infrastructure