HALIFAX

A Guide to HRM's Budget and Options

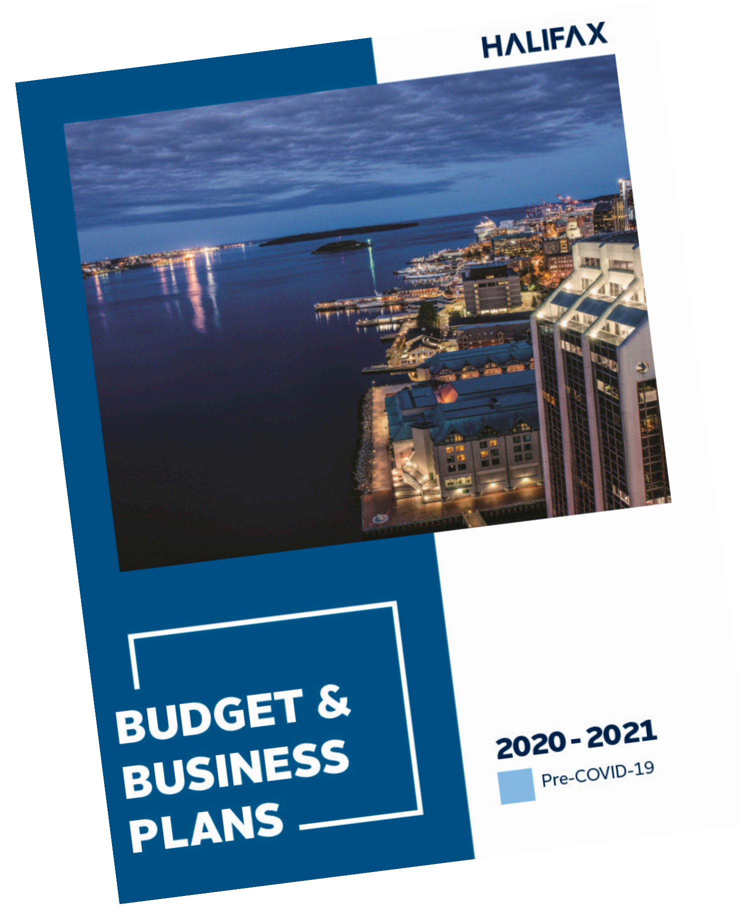
Speaker’s Notes

CAO Jacques Dubé:

- Good morning Council members. After having conversations with a number of you, I thought it would be helpful for Council and the public to go over a budget guide to explain the process.
- I also have asked the Chief Financial Officer, Jane Fraser, to provide some tax rate options for information purposes. I am not seeking direction today, as that will occur throughout the budget process.
- For your information we have three scenarios:
    1. the staff-recommended average tax bill increase of 1.9%,
    2. what the impact would be if the average tax bill increased by CPI for 20/21; and
    3. the impacts if the average tax bill was held at last year’s rate (no increase over 20/21)

What is a budget?

- **Authority** to spend money
- Council's main **policy document** – it's priorities
- It is a **plan** - based on estimates and assumptions and must be balanced
- It is a **point in time**
- **Changes** occur throughout the year – captured through projections.
- Year end **surplus/deficit** shows how close your plan was to actual spending.



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Speaker’s Notes

CAO Jacques Dubé:

- We want to provide information about the art of budgeting.
- At the heart of it, a budget is a government’s main policy document. It shows the public what is important – it is where the money is going
- It is also important to remember that a budget is a plan at a point of time, it will not be perfect because it is based on assumptions and estimates
- Throughout the year, accuracy to the budget is compared through projections and the final summary occurs at year end with the annual audited financial statements

Operating Costs

- A budget is made up of :
  - Fixed operating costs – costs that HRM is required to pay either by contract or legislation.
  - Discretionary costs – costs that HRM can chose to incur or not
  - One–time costs – these are costs are only incurred once, an example would be a special grant

Speaker's Notes

CAO Jacques Dubé:

- There is very little flexibility in the annual budget process. That is because the majority of operating costs are fixed – meaning we have to pay them due to contractual obligations, legislation or regulation
- Discretionary costs is where the flexibility is, to a certain extent
- And then there are one-time costs which are either budgeted for, of come in outside of the budget process – these are large grants as an example
- HRM has approximately $1B in operating costs
- It can be complex as there are so many moving parts with various expenditures and revenue streams, so we will be doing our best to explain all of these as we move through the budget process

Fixed Operating Costs

Many budget items have essentially been **Committed to or Fixed** for this year:

- Salary/wages
- RCMP costs
- Signed contracts: snow removal, cleaning, solid waste, park maintenance
- Commodities: fuel, salt, supplies……
- Heat, water, taxes
- Lease costs
- Provincial mandatory contributions
- Debt payments Principal and interest

$877M
88%

- Many are part of ongoing services, they may be altered in future years.

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Speaker's Notes

CAO Jacques Dubé:

- These are examples of some fixed or committed costs. You can see it is a long list with salaries and wages, and heat, water and taxes as examples
- They account for approximately 88% of the 21/22 budget
- There are variations from year to year in the costs. For example, the electricity cost or usage will fluctuate but we have to pay the electric bill.
- Salaries are an on going expense
- The majority of the costs are part of ongoing service delivery – you can change the budget amount by changing the service. For example, you can reduce salary by wage freezes or lay offs and reducing services – those are drastic, long-term measures as opposed to a small reduction to service delivery
- There are no options with principal and interest repayment in the short-term. In the longer term you reduce that through taking on less debt.

Discretionary Operating Costs

Other Budget items are **Discretionary,** and can still be changed:

- New services or services with expired contracts
- Services for new homes, properties
- Training, travel, office costs
- Special projects, consultants, professional services
- Building maintenance, hardware and software purchases
- Grants
- Capital from operating
- Transfers to reserves

$122M
12%

There may still be an impact on services if they are delayed or eliminated.

Some budget items are **One-Time** in nature and aren't repeated.

- We try to match one-time revenues with one-time costs.

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Speaker's Notes

CAO Jacques Dubé:

- Discretionary costs account for 12% of the municipality's operating costs. That is a small percentage; however, at $122M, it is a large dollar amount.
- Typically, when business units are asked to meet their targets, the discretionary operating costs are the areas they go to – like training, special projects, capital from operating and transfers to reserves – when looking at reducing business unit expenditures.
- However, reducing spending in these areas may have an impact on services and, in some cases, the recommendation maybe to stop a service if it is viewed as being over served.
- You will hear staff speak about one-time items. These tend to be unusual and outside of the normal process as was mentioned earlier.
- Finance always like to match the expense timeline with the revenue timeline. One-time revenue should be used to fund one-time expenses.

Revenues and Tax

- HRM has **OPERATING** revenues, which are the ongoing funds that come from:
  - Property Taxes
  - Deed Transfer Taxes
    - 1.5% tax on property sales
  - Transit Fares
  - Fines and Fees
    - Fees offset service costs
    - Fines discourage behaviors
  - Investment Income
    - Based on interest rates
  - Transfer from other Governments
    - Library, Other

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<u>Speaker's Notes</u>

CAO Jacques Dubé:

- Property tax is the most stable revenue stream that the municipality has.
- Deed Transfer Tax is volatile as both investment income and Deed Transfer Tax are impacted by the economy.
- Fares and fees are determined by demand (e.g. parks and recreation programs).
- Fines and fees are used to offset service costs somewhat – it is not a 100% cost recovery. Fines are used to influence behavior.
- We receive a relatively small amount of revenue from federal and provincial government transfers.

Non-tax Revenues

Transit Fares	$27M	3%
Fines & Fees: Parking Meters; Building Permits; Fees, Rentals, Other; Recoveries, Other	$56M	6%
Other: Interest Revenues; Transfers	$33M	3%

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Speaker’s Notes

CAO Jacques Dubé:

- With the exception of transfers, all of these revenues have been impacted by COVID-19. As an example, with transit fares the budgeted amount in March 20/21 was $36M and we are not projected to hit that level again until 23/24 at the earliest. Right now we’re tracking at about 47% of our previous readership so there has been a significant impact to revenue stream.
- These revenues account for $116M or almost 12% of the budget, which is – coincidentally - almost the same as the amount of the municipality’s discretionary operating costs

Taxes

- Property Taxes:
  - Residential Tax
  - Transit Taxes
  - Commercial Tax
  - Payments in Lieu of Taxes
  - Tax Agreements

$831M
83%

- Other Taxes:
  - Deed Transfer Taxes - $46.5M
  - Other

$52M
5%

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Speaker’s Notes

CAO Jacques Dubé:

- Taxes are by far our main source of revenue.
- Property taxes account for 83% of the revenue base. That is why we watch the assessment base and changes in tax rates so closely. There is a knock-on impact to changes – meaning changes tend to ripple throughout the years.
- We have a four-year fiscal framework and what we do this year will have a direct impact on our budget in the fourth year.
- Our commitment to fiscal responsibility includes forecasting out over several years and taking steps to levelling-out the potential spikes in tax rates and average tax payable.
- 5% is comprised of $46.5M in Deed Transfer Tax ($46.5M) and $5.5M for things like storm water levy and miscellaneous revenues.

<u>Speaker's Notes</u>

CAO Jacques Dubé:

- As you have heard before, Deed Transfer Tax tends to be a very volatile revenue stream and is one that finance staff looks to when the final budget is pulled together. A question that gets asked: Is the number too conservative, now that we have better numbers?
- Because it is difficult to forecast Deed Transfer Tax we generally take a more conservative view when planning for potential revenue. Our recast budget last year, due to COVID-19, reflected this approach. We saw greater revenue for DTT than anticipated this past year as there was stronger activity with property sales (particularly in the commercial sector) than originally expected.

Capital Projects

- Every capital project must have a funding source :
  - Capital from operating (down payment)
  - Debt (mortgage)
  - Reserves (savings account)
  - Cost sharing (going splits on the cost)

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Speaker's Notes

CAO Jacques Dubé:

- Every capital project has to have a dedicated funding source, and they can impact the operating budget
- Capital from operating and the payment of debt are direct impacts to the operating budget – meaning they are included as an expense
- We also have operating cost of capital – as we approve capital budgets this year, we need to account for the associated operating cost in future years

Borrowing Debt for Capital

- Without Debt, many capital projects would simply not happen. Debt stretches the cost out over the life of the asset.

- The most important thing about debt is affordability. Many ways to measure debt affordability (**2020/21 numbers**):
  - Absolute dollar amount = $235.7M
  - debt per household = $1,173
  - debt/tax revenue = 4.7%

- Debt payments impact the operating budget over 10+ years while capital from operating impacts the budget immediately.

Speaker’s Notes

CAO Jacques Dubé:

- We have had several conversations about debt, especially in light of the strategic initiatives funding plan. The reality is, in order to deliver capital projects, debt must be incurred.
- The most important thing about debt is that it must be affordable. Much the same way that you may have a mortgage – the important thing is that it is not consuming the majority of your pay cheque.
- These numbers reflect the municipality’s debt for 20/21. We use that as the start of the analysis on how much debt should be issued for upcoming capital work.
- Our current debt ratio of 4.7% is very low.
- The province recommends no more than 15% debt ratio. We are not suggesting that the municipality moves to that level any time soon – rather that there is room to wisely and deliberately assume more debt, based on Council direction to proceed with strategic capital projects and investment in state of good repair to protect our assets.

Short Term Debt

- As part of the response to COVID the Province made a short term “line of credit” available to municipalities for cashflow purposes
- After the October tax bills HRM had planned to draw $100M
- In the Recast Budget $20.8M in funding for principal and interest payment was put in reserve
- Staff are recommending that the loan <u>not</u> be taken out
- The $20.8M will be available for other uses as Council determines

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Speakers Notes

CAO Jacques Dubé:

- When COVID-19 struck there was great uncertainty about whether or not people and businesses would be able to pay their taxes. This would have resulted in a significant cashflow issue for municipalities.
- Last April, we estimated that our cashflow could be short by as much as $188M. But, as the taxes bills came in, the percentage paid was much higher than anticipated and the trend continued with the October tax bill.
- We have collected 96% of total taxes – there is around $30M outstanding (residential is $20M with commercial $10M)
- With that level of collection, as well as improved Deed Transfer Tax revenue and federal safe restart funding, it has been determined that cashflow will not be a problem.
- As you recall, we presented a re-cast budget last year, due to the impacts of COVID-19. As part of this, $20.8M in funding for principal and interest payment was put in reserve as part of our fiscal framework.
- However, since our cashflow is stable, this means that the $20.8M can be used for other purposes, as Council determines.
- It is important to remember that the revenue source of this $20.8M came from reserves – so it's not as if this was revenue generated from taxes.

Reserves

- Reserve Funds are like savings accounts. HRM has 21 reserves. Savings are for
  - To mitigate **Risks**, (rainy day funds)
  - To budget for future **Obligations** such as landfill closures.
  - To provide flexibility for **Opportunities** such as strategic initiatives, capital or taking advantage of cost sharing.

- Some reserves are for legislated or contractual obligations.

- Reserve withdrawals – once the funds are spent they are gone

Speaker's Notes

CAO Jacques Dubé:

- Reserves are basically our savings accounts and, similar to savings accounts, once they are spent they are gone.
- The municipality did a very good job protecting reserves through COVID-19. The approach Council took was to reduce spending rather than go to reserves.
- A number of reserves are legislated such as capital reserves, parkland acquisition, and post landfill closure costs. Others are contractual obligations, such as capital investment agreements with BMO and RBC.
- While we are in a good position with our current reserves we need to have a view to future years. Our concerns are not so much with 21/22 fiscal period but rather 22/23 and 23/24 as there are a number of unknowns going forward. For example, we are unsure of some future tax revenues as a result of appeals by commercial properties of their assessments by PVSC (Property Valuation Services Corporation).

BALANCING THE BUDGET

Speaker's Notes

CFO Jane Fraser:

- This is an iterative process.
- It is Council's budget.
- We start with a staff recommendation and, following deliberation and direction by Council, we conclude with an approved municipal budget.

Balancing the Budget

- By Provincial Law, we must have sufficient revenues to pay for our costs.

<u>Expenses</u>:
- **Fixed**
- **Discretionary**
- **One-time**

<u>Revenues</u>:
- **Taxes**
- **Fares**
- **Fines, Fees**
- **One-time**

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Speaker's Notes

CFO Jane Fraser:

- A balanced budget is required by legislation.
- That means we have to raise enough revenue, either tax or non-tax revenue, to cover expenses – so it can be a bit of a balancing act.

Balancing the Budget
- The Seven Steps

1. Add Costs and Revenues
2. Add Tax Revenues
3. Consider Tax Implications
4. Recommendations on the GAP
5. Staff Presents Draft Budget
6. Budget Adjustment List
7. Final Decisions

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Speaker's Notes

CFO Jane Fraser:

- As I said at the beginning, it is an iterative process and basically there are seven steps that we go through
    1. we add up the costs and the revenue
    2. look at tax revenue
    3. consider tax implications
    4. We make recommendations on how to close the budget gap
    5. we present draft budget, council debates that, and based on that debate the draft budget is built
    6. a budget adjustment list (BAL) is created
    7. and then at the end of the day that is debated by Regional Council in order to determine the final budget decisions

Balancing the Budget
- Add Costs and Revenues

Step One

A. Add all Fixed costs
   - E.g. Salaries, Contracts, Debt
   - One-time items (+/-)

B. Add all Discretionary Costs/Revenues
   - Training
   - Reserves, Capital from Operating
   - Council direction on new services

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Speaker’s Notes

CFO Jane Fraser:

- First step is looking at the fixed costs. These are the ones that we have to pay – salary, contracts, debt and things of that nature.
- We then look at discretionary costs – these are costs within the business units like training and services. We also look at other revenue sources like fees or fares for example.
- We can we go to reserves for funding or capital from operating to see if there is anything in there
- And then we look at Council direction on any new services that they would like.
- We put all of this together and what we end up with is the preliminary look at cost and revenue.

Balancing the Budget
– Estimate Tax Revenues

<u>Step Two</u>

A. Add <u>Tax Revenues</u>

- Examine economic data/Models
- Review assessment Roll (December)
  - Includes existing and new properties
- Make assumption as to the “Average Tax Bill” (Assessment * Rate)
- It is the starting point

Tax Revenues = Average Tax Bill for Previous Year Plus % change. Add: New Properties

Speaker’s Notes

CFO Jane Fraser:

- Once we have a general idea what the costs are that we need to cover to present a balanced budget, we then look at tax revenues.
- In order to determine the tax revenue we have to look at economic models.
- We look at the assessment roll we get that in December. There's a fair amount of work involved here, so we look at the existing properties as well as any new properties growth and, as you may recall, we've seen significant growth from apartment buildings this year.
- Then staff makes an assumption on what the average tax bill would be after we go through all of our math.
- We look at the risks where we think there's some room and we make a decision on what we're going to recommend to Council.
- This year the recommendation was a 1.9% increase to the average tax bill – and as the CAO has said, and you've heard me say as well, this is the starting point. This is staff’s initial recommendation. You, as Regional Council, determine the final tax rate.

Balancing the Budget – Tax Considerations

Step Three

- Consider competitiveness. Where are we, Where should we be relative to other jurisdictions.

- Need to look at longer term impacts. Does the change make us sustainable over the next four years?

- Consider one-time impacts. E.g., Federal Safe Re-Start program provides one-time $31M in 2021/22.

Speaker’s Notes

CFO Jane Fraser:

- One of the important things with taxation is competitiveness.
- We look at other jurisdictions and try to understand what the competition is … how much room is there from a taxation point of view.
- You don't want to have your taxes so high that your commercial businesses and your residents are going to other jurisdictions.
- We always look longer term. Are the changes we're recommending sustainable over the longer term. Our mid-term outlook is 4 years.
- Ideally we want to go to a 20-year scenario, so when we're talking about any change to the tax rate what does that look like moving forward.
- The other thing that is very important: looking at one-time impacts.
- And that's what we're seeing this year in the budget for 21/22. We are benefiting from the federal safe restart program that was $46 million. We've put $15 million in 20/21 to offset COVID-19 costs and we're going to be using $31 million in this year's budget (21/22) to help close the gap. This is one-time money that we will not have going forward so we will have to make it up in future years.

Balancing the Budget
- Recommendations on the "Gap"

Step Four

A. Revenues and Taxes less operating costs equal the **Budget Gap**

B. Options to close the Gap
   1. Additional taxes
   2. Reduce Discretionary Costs
   3. Reduce Fixed Costs (Longer term)

C. Eliminate Budget Gap

D. Recommendation to Council

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Speaker's Notes

CFO Jane Fraser:

- You will hear me talk about the budget gap. This is revenue and taxes less operating costs.
- Typically, operating costs are greater than the revenue – and that delta is what we refer to the budget gap.
- Once we understand what the gap is, we look at how we're going to close that – remembering, of course, that we always have to have a balanced budget.
- Are we going to raise additional taxes?
- Are we going to reduce discretionary costs?
- Are we going to reduce fixed costs? (this obviously would be a much longer term initiative, so we would be looking at the fiscal plan and how that would occur)
- The reality is it is a combination of all of those things.
- We then come up with the estimated budget gap and then make a recommendation to Council on what that's going to be.
- This year, we had a gap of $19 million. We are recommending the 1.9% average increase of the average tax bill. This will generate $19.3 million and we have also taken out $6M from the business units

Balancing the Budget
- Staff Present Draft Budget

<u>Step Five</u>

A. Staff present Recommendation to Regional Council (Fiscal Framework)

B. Recommended tax is the starting point for deliberation

C. Presentations by Business Units
   - Each Business Unit presents to Regional Council.
     - Proposed Budget
     - Options for Budget Changes
       - » **Overs**
       - » **Unders**

Speaker's Notes

CFO Jane Fraser:

- Once finance staff, with direction from the CAO, have done our work we present the fiscal framework.
- That's what was presented to Council on January 13th and that's where the tax rate comes from.
- It's just really the start of the whole process and the start of deliberation. Since then we started our business unit presentations – with each business unit coming in talking about their proposed budgets. We saw some options for budget changes, some 'overs' and there where were some changes to services.
- That's what you can expect to see going forward with the business units. We always start out early with the smaller business units to get people used to the process and as you move forward through the process you will see some of the larger more operational business units like Halifax Transit, Transportation & Public Works, and Parks & Recreation that are going to have a significant amount of detail in their budgets.
- You'll see some of the larger budget impacts as we go through this iterative process.
- We walk through the process together and build the budget adjustment list as we go forward.

Balancing the Budget
- Budget Adjustment List (BAL)

Step Six

A. Council Motions:

- During each presentation Council moves any item it wishes to the BAL
  - **Overs** will increase Budget
  - **Unders** will decrease Budget

B. At later date, Staff return with briefing note on each presentation:

- Pros and Cons
- Funding options and impact on taxes

Speaker's Notes

CFO Jane Fraser:

- Moving on to the budget adjustment list or BAL as we call it
- By motion, Council looks at a business unit budget and determine if they want to move either an "over" or "under" to the list.
- Or maybe you feel that there isn't enough funding in a specific area and you want to increase that. We saw that with the CAO's budget on Wednesday where there was a motion put forward to increase the advertising budget or the mail out budget that had not been put forward by the CAO.
- The CAO did have on his "over" list the funding for the Anti-Black Racism Strategy.
- That's how things get moved to the budget adjustment list.
- Sometimes there is a request for additional information, as you may not have enough information to make a decision on an item. So, you can ask for a briefing note that will come back from staff. Finance adds up what the tax implications would be, so if you wanted to add say $500,000 to the budget what you'll see will be a the impact on the tax rate so you have all of that information there.

Balancing the Budget
- Final Decisions

Step Seven

A. Council Debate on Budget Adjustment List

- ✓ Council makes final decisions on BAL
- ✓ Finance staff return with a funding plan – review revenue assumptions, look at reserves, surplus and cost assumptions
- ✓ The funding plan includes the final recommended tax rate and impact on the average tax bill
- ✓ Council votes on the budget

Speaker’s Notes

CFO Jane Fraser:

- The final step in the process, after all the business units have presented their budgets and business plans, is the debate around the budget adjustment list
- We always leave that to the end, so that you can see the full impact of everything that's there.
- We go through one by one to allow Council to debate.
- Council decides whether or not they want to fund it. You can fund it the full amount, or you can fund part of it, or you can say ‘no’ given everything else that's on the list you may not feel that it’s a priority now.
- Once we have the final list and impact on the budget, finance staff takes it away and develops a funding plan.
- Let’s look at deed transfer tax as an example. Is the number that we have in the budget too low given what we're seeing in housing sales? What's going on in in the economy with interest rates? Do we have a surplus at year-end that we can use to fund one-time items? On the expense side of things, have we been too aggressive with some of the expenses?
- We look at everything all together and come back to you with a funding plan that includes what the impact will be on the tax rate – and present to Council for decision.
- You vote on that budget and after that we're basically done. We have a budget for 2021/22.
- It gets ratified at Regional Council and we’re good to go for an other year.

OPTIONS FOR 2021/22

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Speaker's Notes

CFO Jane Fraser:

- There have been a lot of conversations about how to lower the tax rate – and the impact on the average tax bill
- The CAO has asked me to run some scenarios for information purposes.

Residential Average Tax Bill - Fiscal Framework

	Approved 2020/21	Fiscal Framework 2021/22
Average Assessment	$247,200	$250,400
* Tax Rate	0.815%	0.820%
= Avg Tax Bill $	**$2,015**	**$2,053**
Increase $		$38
Increase %		1.9%

The average home value is up 1.3%.

The Tax Rate rises 0.6%.

So, the average tax bills rises 1.9% or $38.

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Speaker's Notes

CFO Jane Fraser:

- This is the starting point that staff recommended as part of the fiscal framework.
- The recommendation is the average tax bill increase by 1.9% (or $38) over last year.
- This is a combination of the assessed value of residential property increasing 1.3% and the tax rate increasing to 0.820 (or 6%)

Commercial Average Tax Bill - Fiscal Framework

	Approved 2020/21	Fiscal Framework 2021/22
Average Assessment	$1,427,800	$1,465,300
* Tax Rate	3.000%	2.979%
= Avg Tax Bill $	**$42,834**	**$43,651**
Increase $		$817
Increase %		1.9%

The average commercial value is up 2.6%.

The Tax Rate actually decreases rises 0.7%.

So, the average tax bills rises 1.9% or $817.

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Speaker’s Notes

CFO Jane Fraser:

- Because the assessed value of the commercial property has increased by 2.6%, an increase of 1.9% to the average tax bill actually results in a decrease to the tax rate – it is a 0.7% decrease
- The average tax bill would still increase by $817. This is all assessment growth.

Risks to reducing the average tax bill

- Lost revenue must be made up in future years
- HRM costs rise faster than inflation
- Services continue to expand
- Capital construction costs continue to grow
- A series of smaller increases is easier to absorb than one large one
- While the economy has performed better in COVID than anticipated the future is still uncertain
- 2021/22 budget is benefitting from Federal Safe Restart Funding

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Speaker’s Notes

CFO Jane Fraser:

- As CFO it is my job to point out risks to Regional Council
- Making a change to the tax rate in this budget year may be relatively easy; however, there are down-stream impacts on the budgets of following years.
- While Council votes the budget one year at a time, it is important to always be looking at the longer-term impacts of any decision.

Options for Tax Rates – 2021/22

- The Fiscal Framework average tax bill change of 1.9% is an assumption.
- By changing the budget, Regional Council has options to reduce taxes.
- Not taking out the short-term loan frees up $20.8M
- Examples of Options:

  ✓ Keep Average Taxes the same as 2020/21
  ✓ Set Average Taxes at the 2020/21 inflation rate of 0.5%
  ✓ Use Fiscal Framework assumptions of Average Taxes at 1.9%

Speaker’s Notes

CFO Jane Fraser:

- These scenarios illustrate the impact of a change to the average tax bill.
- One is no change at all – keep average taxes the same as 20/21.
- The second is to adjust for 20/21 inflation, which is estimated to be 0.5%.
- And finally, is the status quo option (Fiscal Framework).

Set at 0% - Last Years Amount

- One option is to keep average tax bill at the same amount as the current year 2020/21. This would result in $10.8M of lost revenue, that could be taken from reserves (forgone short-term loan payment).

  - ✓ The residential tax rate decreases by 1 cent from 81.5 cents to 80.5 cents.
  - ✓ The Commercial tax rate decreases by 7.7 cents from $3.00 to $2.923.
  - ✓ Concern that the 2021/22 budget is balanced through use of $31M in Federal Safe Restart funds which are one-time.
  - ✓ In 2022/23 to 24/25 (life of the fiscal framework) would have to find the lost $10.8M tax revenue as well as cover increased operating costs – one time lost is $41.8M
  - ✓ Fiscal framework is already projecting a gap in each year.

<u>Speaker's Notes</u>

CFO Jane Fraser:

- Under the option of keeping the average tax bill the same as last year we will still see revenue increasing from assessment growth – new homes, apartments and businesses
- This option would reduce tax revenue by $10.8M and the tax rate would actually fall on the residential side by 1 cent to 80.5 cents
- The commercial tax rate would decrease by 7.7 cents, from $3.00 to $2.923.

Set at 0.5% CPI for 2020/21

- Option is to adjust the average tax bill by the inflation rate for the current year 2020/21 (0.5%). This would result in a loss of $7.8M of revenue, that could be taken from reserves (foregone short-term loan payment).

  - ✓ Keeps Average Residential Taxes to $11 increase. The tax rate decreases by 0.6 cents from 81.5 cents to 80.9 cents.
  - ✓ Average Commercial Taxes to $231 increase. The tax rate decreases by 6.1 cents from $3.00 to $2.939.
  - ✓ The 2021/22 budget is balanced through use of $31M in Federal Safe Restart funds which are one-time.
  - ✓ In 2022/23 to 24/25 (life of the fiscal framework) would have to find the lost $7.8M tax revenue as well as cover increased operating costs – one time lost is $38.8M
  - ✓ Fiscal framework is already projecting a gap in each year.

Speaker's Notes

CFO Jane Fraser:

- If the average tax bill increases by the Consumer Price Index (CPI), the lost revenue is slightly less at $7.8M and the increase in the average tax bill for residential is $11 with a decrease in the tax rate of six-tenths of a cent, from 81.5 cents to 80.9 cents.
- The average commercial tax bill would increase $231. The tax rate would drop 6.1 cents, from $3.00 to $2.939.
- All of the same cautions apply under this scenario as they did with previous scenario.

Options for Tax Rates

Set at 1.9% ($38)

- The Fiscal Framework considered the estimated inflation for 2021/22 (1.6%) and the pressure to cover cost increases and provide services.

✓ Keeps Average Taxes to $38 increase for residential and $817 for commercial

✓ Sets Average Taxes just above the 2021/22 inflation rate of 1.6%

✓ Concern that budget is balanced through use of $31M in Federal Safe Restart funds which are one-time. 1.9% may not be sustainable into 2022/23.

Speaker's Notes

CFO Jane Fraser:

- The next slide shows the impacts of the options in a table.

Comparison of Options

	Zero Change	CPI of 0.5%	1.9%
Decrease in Tax Revenue	($10.8M)	($7.8M)	$0
Residential – average tax bill	$0 Change	$11 Change	$38 Change
Residential tax rate	80.5 cents	80.9 cents	82.0 cents
Commercial – average tax bill	$0 Change	$231	$817
Commercial tax rate	$2.923	$2.939	$2.979

Thank you