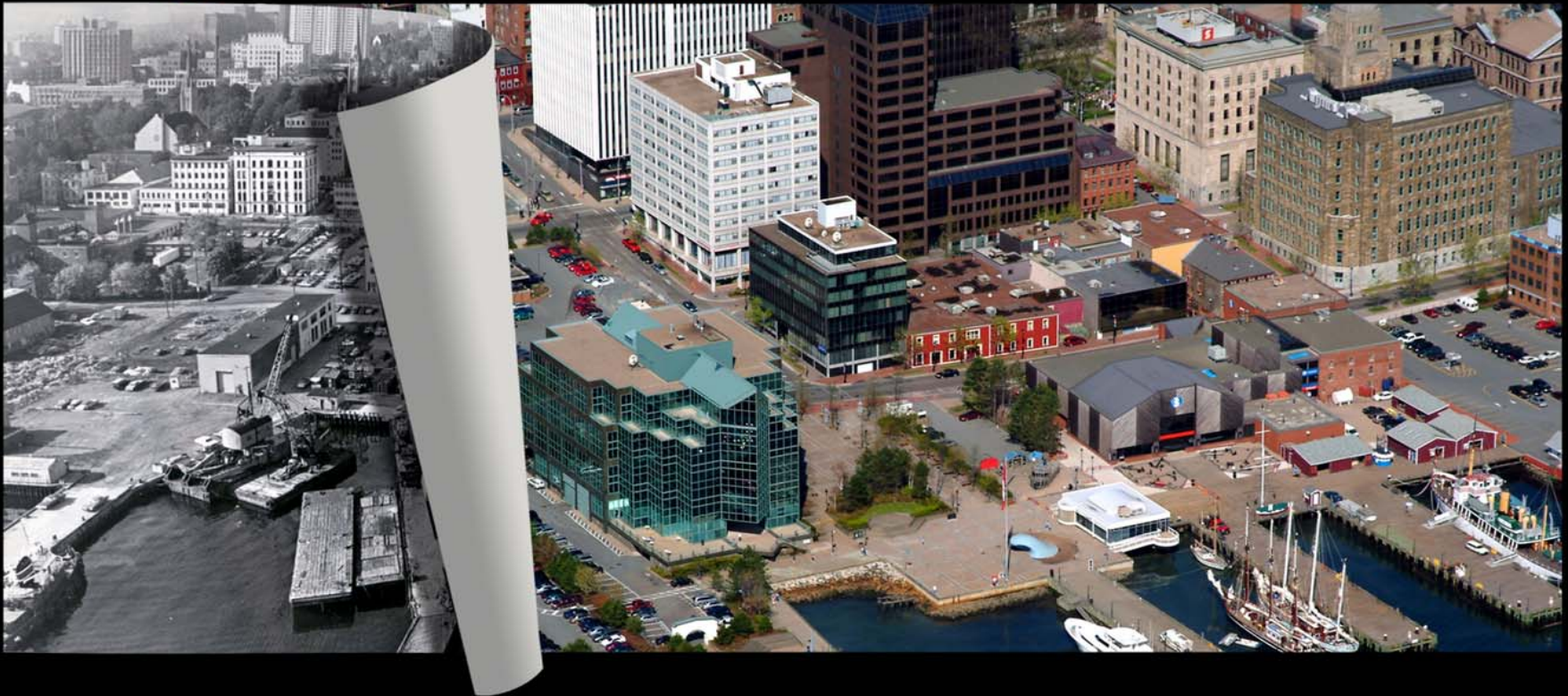




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*Planning for Change* ||| *Seizing Opportunities* ||| *Safeguarding our Future*



**2009/10 FISCAL FRAMEWORK**



## WHY ARE WE HERE?

- To set the direction upon which the draft 09/10 budget will be developed
- Assumptions for
  - municipal service levels/expenditures
  - tax rate

## Background

- Council Focus Areas
- Feb 24<sup>th</sup> Economic Update & Fiscal Framework presentation
- Planning for Change, Seizing Opportunities, and Safeguarding our Future
- Covered highlights from 08/09
- What we said
- What we heard

# Timeline

April 21	Table Proposed Business Plans and Budget for 2009/10
April 21 – May 5	Questions /Open House Detailed review by Councilors with Staff
May 5	Debate Begins
TBD	Approval

2009/10 FISCAL FRAMEWORK



# What's New

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## Summary of Pressures/Risks

- Snow and ice – strategy to mitigate for 9/10
- Transit funding gap – mitigated for 9/10 only
- Operating costs of new capital
- Maintenance of existing essential services
- Potential deficit – mitigated for 8/9
- Pension plan funding
- Economic decline
- Can not provide more services than growth will sustain

## WHAT'S NEW?

- Additional analysis completed :
  - Key assumptions
  - Deed transfer tax
  - Tax revenues
  - Snow and ice costs
  - Fleet costs
  - Reserves
  - March 3 Decision to increase transit fares by \$0.25
  - Debt policy discussion
  - Fire Protection

## Fire Protection Rate

- Opportunity exists to reduce this rate as there will be a surplus of \$ 4.7 m at year end
- **Could refund through a one time reduction in the rate**
- **Could refund by amortizing it over a longer period**

## Observations

- Aside from these issues... our operating expenditures had been increasing about \$15 - \$24 m per year (wages, contracts, inflation)
- We will probably not get future growth in revenues sufficient to meet this challenge
- We may not be able to sustain capital from operating



# Framework

2009/10 FISCAL FRAMEWORK



## Changes from Feb 24<sup>th</sup> Preliminary Framework

- \$584 million was the projected required expenditures for 9/10 on Feb 24<sup>th</sup>
- Examples of adjustments made:
  - Interest on reserves reduced
  - Wage inflation reduced
  - Reduced allowance for general inflation
  - Operating costs of capital reviewed and reduced

Final projected requirement - **\$577 m**



**The range of the new cost of existing services indicated by the chosen benchmark**

Operating Budget Expenditure Benchmark	Municipal Expenditures	Municipal Expenditures / Dwelling Unit	% change in ME/DU
<i>2008/09 Budget</i>	<i>\$557M</i>	<i>3193</i>	<i>This year</i>
<i>2008/09 Budget plus MPI @ 3.2%</i>	<i>\$575M</i>	<i>3262</i>	<i>2.1%</i>
<i>2008/09 Budget + CPI @ 2.8%</i>	<i>\$572M</i>	<i>3245</i>	<i>1.63%</i>

HRM is efficient when expenditures for existing services are in this range.

**Our performance?**

<i>2009/10 (Last years Services at cost to deliver next year) +12.5M</i>	<i>\$569.5M</i>	<i>3231</i>	<i>1.2%</i>
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The range of the new cost of existing services indicated by the chosen benchmark

**2009/10 (Last years**

<b>Services at cost to deliver</b>	<b>\$569.5M</b>	<b>3231</b>	<b>1.2%</b>
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**next year) +12.5M**

PLUS added cost of approved in 08/09 [Full year funding]

- Transit - \$5,600,000
- Police - \$2,600,000
- Fire - \$ 1,000,000

Compensation Cost Increase:  
\$7,500,000

Full increase – increase of \$20,000,000

<b>2009/10 Expenditures</b>	<b>\$577 M</b>	<b>3273</b>	<b>2.5%</b>
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# 09/10 Expenditure Framework

## Some Examples of Plus and Minus Changes

- Electricity - \$600,000
- Auditor General - \$200,000
- Minimum Wages - \$160,000
- Residential Tax Program - \$125,000
- Commodity Revenue –
  - (\$700,000 reduction)
- Investment Revenue/Reserve Contribution – +-\$5,000,000 )
- Deed Transfer Tax –
  - (\$3,000,000 revenue reduction)
- Non-Profit Tax Relief Program - \$200,000
- Ferry Replacement Reserve - \$1,300,000
- NLSC (\$1,000,000)
- Corp Communications - \$300,000
- Cap From Operating - \$6,000,000
- Barrington Street - \$150,000
- Comp & Benefits - \$11,000,000
- New positions - \$7,500,000

Net change – projected increase of \$20,000,000

2009/10 FISCAL FRAMEWORK



## 09/10 Expenditure Framework – with new 08/09 services

<b>2008/09 Approved Budget</b>	<b>\$557 m</b>
Business Unit Costs	<b>17.3</b>
Wages & Benefits	17
Contractual Increases	2
Other Increases	(1.7)
Fiscal Costs	<b>3.5</b>
Ferry Replacement Reserve contributions	1.3
Operating Cost of Capital	(.8)
Capital from Operating (Yr 2 of 5 yr plan)	6.0
Interest Payable on Reserves	(5.0)
Other Fiscal	2.0
<b>2009/10 Projected Expenditures (includes new services) [rounded]</b>	<b>\$ 577 m</b>
<b>Total Projected Increase</b>	<b><u>\$ 20m</u></b>

3.6% increase

2009/10 FISCAL FRAMEWORK

# 09/10 Risks

- The current (09/10) fiscal framework does not address:
  - Cogswell
  - Solid Waste cell reserve contribution
  - Inflation
  - Reserve Contribution for Future Adverse Economic Events

7.5 million dollars

6 million dollars

New Community Transit ????



# 10/11 Risks

- The (10/11) projections:
  - Further Deed Transfer Tax Reduction
    - 6 million dollars ???
  - Further Transit Gap
    - 1.7 million



# 11/12 Risks

## ■ The (11/12) projections:

- Further Deed Transfer Tax Reduction
  - \$9 million in total
- Assessment Value Decline ??
- Transit Gap
- Capital???





## Financial Concerns



2009/10 FISCAL FRAMEWORK



# High Level 3 Year Projection

	Approved Budget 2008-2009	Preliminary Budget 2009-2010	Projected 2010-2011	Projected 2011-2012	Projected 2012-2013
<b>Municipal Revenues</b>	<b>-556,557,088</b>	<b>-577,349,600</b>	<b>-597,670,088</b>	<b>-618,600,191</b>	<b>-640,158,196</b>
<b>Fiscal Costs</b>					
Debt Charges (Principal & Interest)	48,196,182	46,189,600	47,200,000	48,200,000	49,200,000
Interest Payable on Reserves	7,065,000	2,265,000	3,000,000	3,000,000	3,000,000
Capital from Operating, et al.	32,403,000	38,449,700	39,500,000	41,500,000	43,500,000
Operating Costs of New Capital	6,472,516	2,900,000	6,500,000	7,000,000	7,500,000
Reserve Contributions	10,589,100	11,689,100	16,000,000	16,000,000	16,000,000
Other	3,939,800	4,264,800	4,264,800	4,264,800	4,264,800
<b>Sub-Total</b>	<b>105,820,448</b>	<b>105,758,200</b>	<b>116,464,800</b>	<b>119,964,800</b>	<b>123,464,800</b>
<b>Other Fiscal Costs</b>					
Debt Recovery via Business Unit	-12,466,682	-10,163,800	-8,500,000	-7,500,000	-7,000,000
Transfers To Outside Agencies	14,093,803	13,742,300	13,742,300	13,742,300	13,742,300
Insurance	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000
Other	14,164,813	17,115,800	19,000,000	19,000,000	19,000,000
<b>Sub-Total</b>	<b>19,991,934</b>	<b>24,894,300</b>	<b>28,442,300</b>	<b>29,442,300</b>	<b>29,942,300</b>
<b>Business Unit Costs:</b>					
Wages and Benefits	248,000,000	265,000,000	272,950,000	281,138,500	289,572,655
Contracts	52,192,000	53,456,000	54,525,120	55,615,622	56,727,935
Other Goods and Services	130,552,706	128,241,100	133,370,744	138,705,574	144,253,797
<b>Sub-Total</b>	<b>430,744,706</b>	<b>446,697,100</b>	<b>460,845,864</b>	<b>475,459,696</b>	<b>490,554,387</b>
<b>Municipal Expenditures</b>	<b>556,557,088</b>	<b>577,349,600</b>	<b>605,752,964</b>	<b>624,866,796</b>	<b>643,961,487</b>
<b>Surplus/Deficit</b>	<b>\$0</b>	<b>\$0</b>	<b>\$8,082,876</b>	<b>\$6,266,606</b>	<b>\$3,803,290</b>

2009/10 FISCAL FRAMEWORK



# Capital

2009/10 FISCAL FRAMEWORK



# Infrastructure/ Net Capital 5 Year Plan

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Debt	\$56,715	\$25,918	\$25,032	\$25,553	\$25,793	\$25,013
Capital From Operating	27,383	38,449	39,452	41,424	43,495	46,450
Capital Surplus/Crespool	2,965	2,049	300	300	300	300
Gas Tax	12,738	25,476	25,000	25,000	25,000	25,000
Water Dividend	3,600	3,600	3,600	3,600	3,600	3,600
Transit Funding Agreement	7,970	7,919	0	0	0	0
<b>Total Capital</b>	<u>111,371</u>	<u>103,411</u>	<u>93,384</u>	<u>95,877</u>	<u>98,188</u>	<u>100,363</u>
<b>Capital Funding dedicated to HRWC:</b>						
Water Dividend	(3,600)	(3,600)	0	0	0	0
Gas Tax	(5,100)	(5,100)	0	0	0	0
<b>Net Capacity Available</b>	<u>102,671</u>	<u>94,711</u>	<u>93,384</u>	<u>95,877</u>	<u>98,188</u>	<u>100,363</u>

Build Canada??

New Infrastructure funding as part of Economic Stimulus??

\* Target - 80% recapitalization / 20% new capacity

## Challenges - Capital

- Some new capability projects are **not** in the 5 year plan yet
  - Funding for 4 pad arena
  - Funding for Central Library
  - Increased Funding for street scaping
- Recap for Streets and Roads is \$2 m short of ideal level
- Cogswell Street Interchange
- Level of municipal involvement in a New Convention Centre is not known
- More detail on Fed/Prov Stimulus programs needed
- Debt Policy decision needed
- Community Partnership Funds \*grants for rinks, pools, or another major grant program. Last year was \$1.75 m



# Recommendations

2009/10 FISCAL FRAMEWORK



## Service Implications

Option	Gross Expenditure	Change - Tax Rate	Change Avg. Tax Burden	Impact 2009/10
<b>1) Reduce Tax Rate to reduce expenditures to match CPI</b>	\$571.5 m	-1.4%	\$39 up by 2.8%	Reduce projected expenditures by a further \$5.5 m
<b>2) Maintain Current Tax Rate</b>	\$577 m	0%	\$60 up by 4.3%	steady approach Maintain infra focus Maintain services support CFA's
<b>3) Increase Tax Rate by 1%</b>	\$581 m	+1%	\$74 Up by 5.3%	Allow Reserve for Future Adverse Economic Events

2009/10 FISCAL FRAMEWORK



## Recommendations

- Build the budget based on holding the tax rate
- Apply the fire protection surplus of \$4.7 m to reduce the fire protection rate in 09/10
- Any savings realized in 09/10 to be deposited in the Variable Operating Stabilization Reserve to offset future economic events



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