

Recommended Multi-year Financial Strategy

Regional Council
April 11, 2017

HALIFAX

Presentation Outline

- Recommendation
- Regional Council Priorities
- New Financial Approach:
 - Operating
 - Capital
 - Debt
 - Reserves
- Recommendation

Recommendation

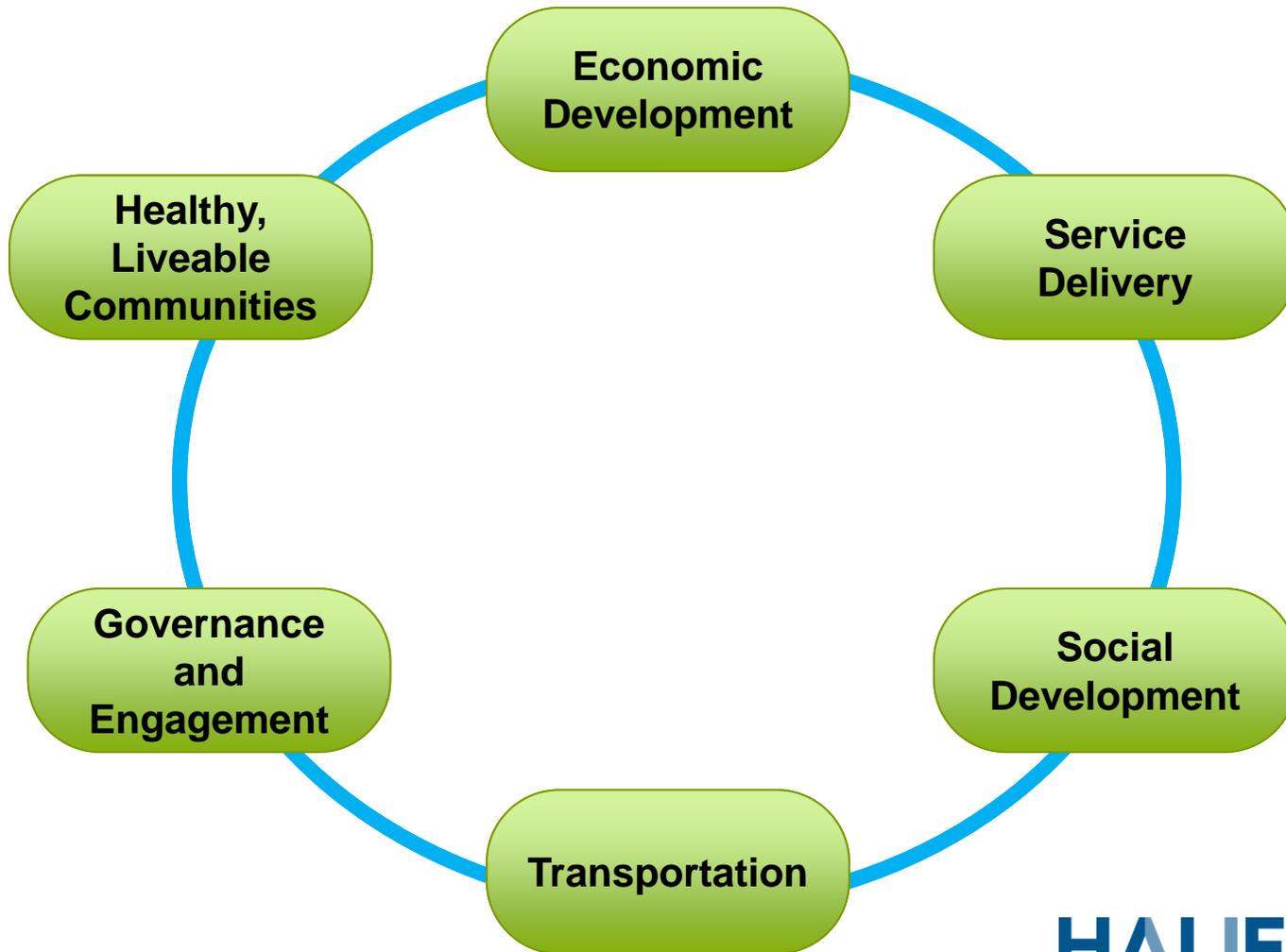
It is recommended that Halifax Regional Council adopt the:

1. “Resolution for Approval of Operating and Capital Budgets and Tax Rates for Fiscal 2017/2018,” as set out in Schedule 1; and,
2. “Resolution for Approval in Principle of Operating Budget for Fiscal 2018/19” as set out in Schedule 2.

Regional Council's Priorities

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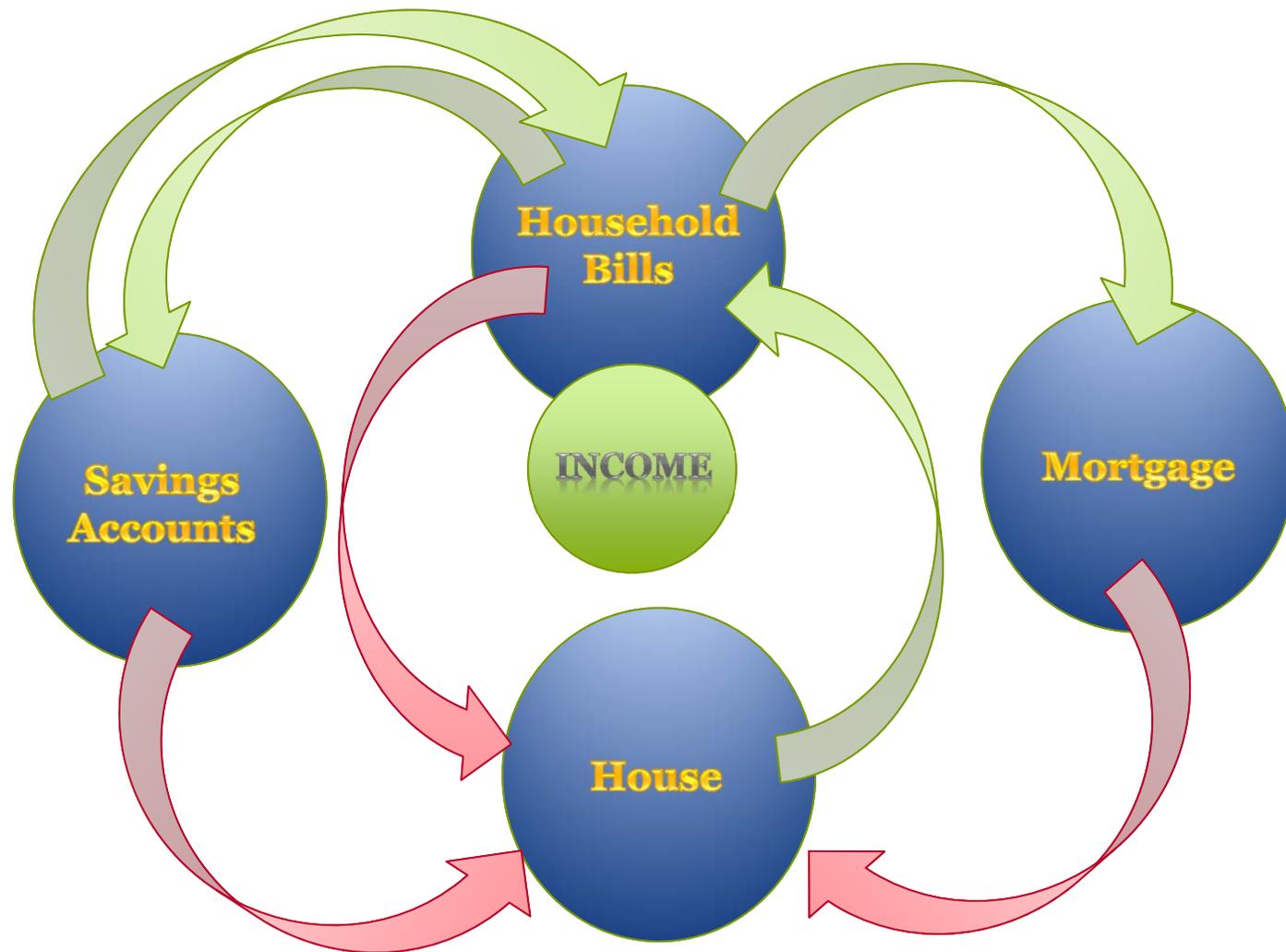
Alignment with Regional Council Priorities



New Financial Approach

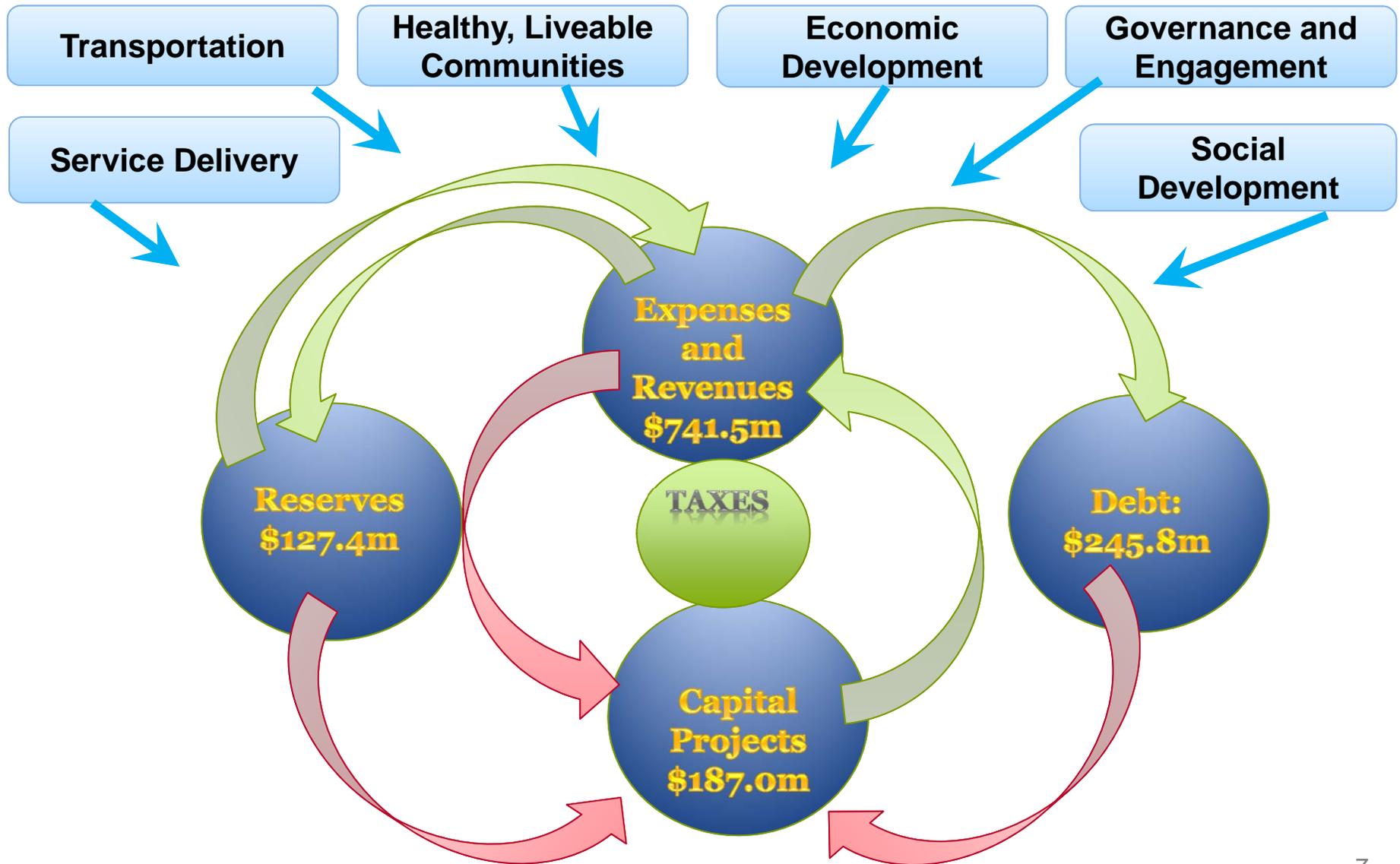
- **Benefits**
 - Predictability/sustainability
 - Less annual effort
 - Enables long term view
 - Reflects modern practices in other jurisdictions
- **Approach**
 - Years 1 and 2 to budget quality
 - Years 3 and 4 estimates
- **Direction from Regional Council**
 - Approve Annual Budget and multi years in principle at Regional Council's discretion

A Household Budget



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Fiscal Strategy Supporting Properties



4 Critical Influences

**Concept to Tools:
Operating, Capital, Debt, Reserves**

4 Critical Influences

1. Operating Budget

Property Tax Levels:

- Average Single Family Home pays \$1,874
- New Homes and Business pay tax
- Nearly 80% dependent on property tax

Services (new and existing):

- Pressures – Inflation, New Homes to service, Collective Agreements
- Regulatory Costs
- Expectation of new services, leads to additional operating costs

2. Capital Budget

- Expectation to maintain existing assets, build new assets
- New Assets require additional operating costs
- Funding includes **Debt** and **Capital from Operating**. Both increase operating costs.

3. Debt

- Debt is at acceptable levels.
- Ability to approve more debt, but repayment places upward pressure on taxes.

4. Reserves

- Used to manage risk, provide for future obligations, opportunities
- Considerable balance available but majority is already earmarked for projects

Economic and Financial Assumptions

Economic Assumptions

	Year 1	Year 2	Year 3	Year 4
	2017-18	2018-19	2019-20	2020-21
Real Gross Domestic Product (GDP)	1.9%	1.7%	1.7%	1.2%
Personal Income per Capita	45,207	46,121	47,286	48,449
Consumer Price Index	1.7%	1.9%	2.2%	2.0%
Population (000)	428	433	438	442

- The assumptions drive the planning framework.

Source: Greater Halifax Partnership, Conference Board of Canada.

Base Budget Scenario

	Year 1	Year 2	Year 3	Year 4
	2017-18	2018-19	2019-20	2020-21
Operating Budget Gap (\$m)	\$12	\$28	\$47	\$63
Net Capital Budget (\$m)	\$97	\$101	\$105	\$108
Debt (\$m)	\$246	\$241	\$236	\$231
Reserves (\$m)	\$118	\$117	\$114	\$110

- By Year 4, there would be a \$63m operating deficit
- Capital, Debt and Reserves continue to grow.
- Therefore, Regional Council directed a change in course.

Recommended Multi-year Plan

	Year 1	Year 2	Year 3	Year 4
	2017-18	2018-19	2019-20	2020-21
Municipal Expenditures (\$m)	\$742	\$763	\$780	\$794
Net Capital Budget (\$m)	\$95	\$95	\$92	\$92
Debt (\$m)	\$246	\$241	\$236	\$231
Reserves (\$m)	\$127	\$135	\$147	\$157

- Regional Council's change in course:
 - Operating Gap has been eliminated.
 - Net Capital Budget has been smoothed to match available funding.
 - Debt continues to decline.

Operating Budget – A Balanced Approach

	Budget	Year 1	Year 2	Year 3	Year 4
	2016-17	2017-18	2018-19	2019-20	2020-21
Gross Expenditures	872.8	894.4	920.9	938.9	954.5
Less: Mandatory Provincial Costs	<u>-148.8</u>	<u>-152.8</u>	<u>-157.8</u>	<u>-159.2</u>	<u>-160.6</u>
Municipal Expenditures	724.0	741.5	763.1	779.7	793.9
Less: Revenues	-234.3	-233.7	-236.6	-240.9	-245.6
Net Municipal Expenditures	489.7	507.9	526.5	538.7	548.3
Less: General and Transit Tax Levy	-489.7	-507.9	-526.5	-538.7	-548.3
Net (Surplus)/Deficit	0	0	0	0	0

Service and Cost Changes

	Year 1	Year 2
	2017-18	2018-19
Municipal Expenditures, start of year	\$724.0	\$724.0
Service Increases:		
New Firefighters	\$0.5	\$1.6
Volunteer Honorariums	1.1	1.1
Operating Cost of Capital	3.4	6.6
Transit Service	1.8	4.7
Grants (incl reserves)	3.6	0.2
Other	<u>2.5</u>	<u>2.9</u>
Total	\$13.0	\$17.2
Cost Increases/(Decreases):		
Capital from Operating	-4.3	-5.1
Debt Service	-2.7	-0.8
Compensation	8.1	18.6
Other	<u>3.5</u>	<u>9.2</u>
Total	\$4.6	\$21.9
Municipal Expenditures, end of year	\$741.5	\$763.1

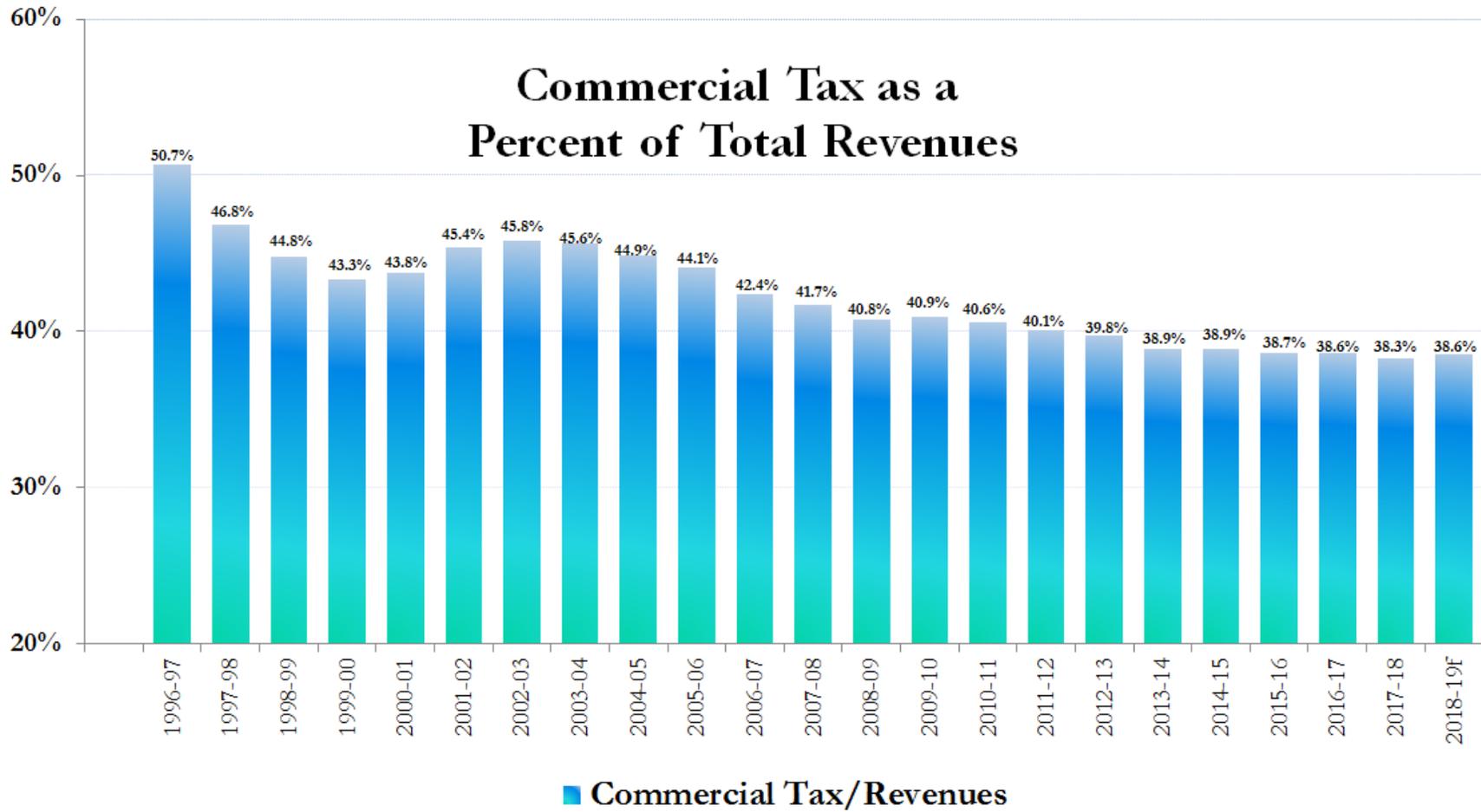
Business Unit Expenditures

	Budget 2016-17	Year 1 2017-18	Year 2 2018-19
Public Safety Services:			
Fire and Emergency Services	58.6	59.5	59.2
Halifax Regional Police	85.7	86.6	87.6
RCMP	24.2	26.0	26.0
Sub-Total	168.5	172.1	172.7
Public Services:			
Halifax Transit	114.3	115.4	115.9
Library Services	25.7	26.9	26.9
Operations Support	42.0	42.9	43.0
Parks and Recreation	38.4	40.5	40.2
Planning and Development	18.2	20.2	20.4
Transportation and Public Works	96.6	98.7	99.4
Sub-Total	335.2	344.7	345.8
Governance and Support Services:			
Auditor General	0.9	1.0	1.1
CAO	17.3	17.8	17.5
Finance & ICT	31.9	34.4	34.4
Human Resource Services	5.5	6.1	6.0
Legal, Insurance and Risk Management	4.5	4.5	4.6
Sub-Total	60.1	63.8	63.6
Corporate Services (Fiscal)	160.2	161.0	181.0
Total	\$724.0	\$741.5	\$763.1

Residential Taxes

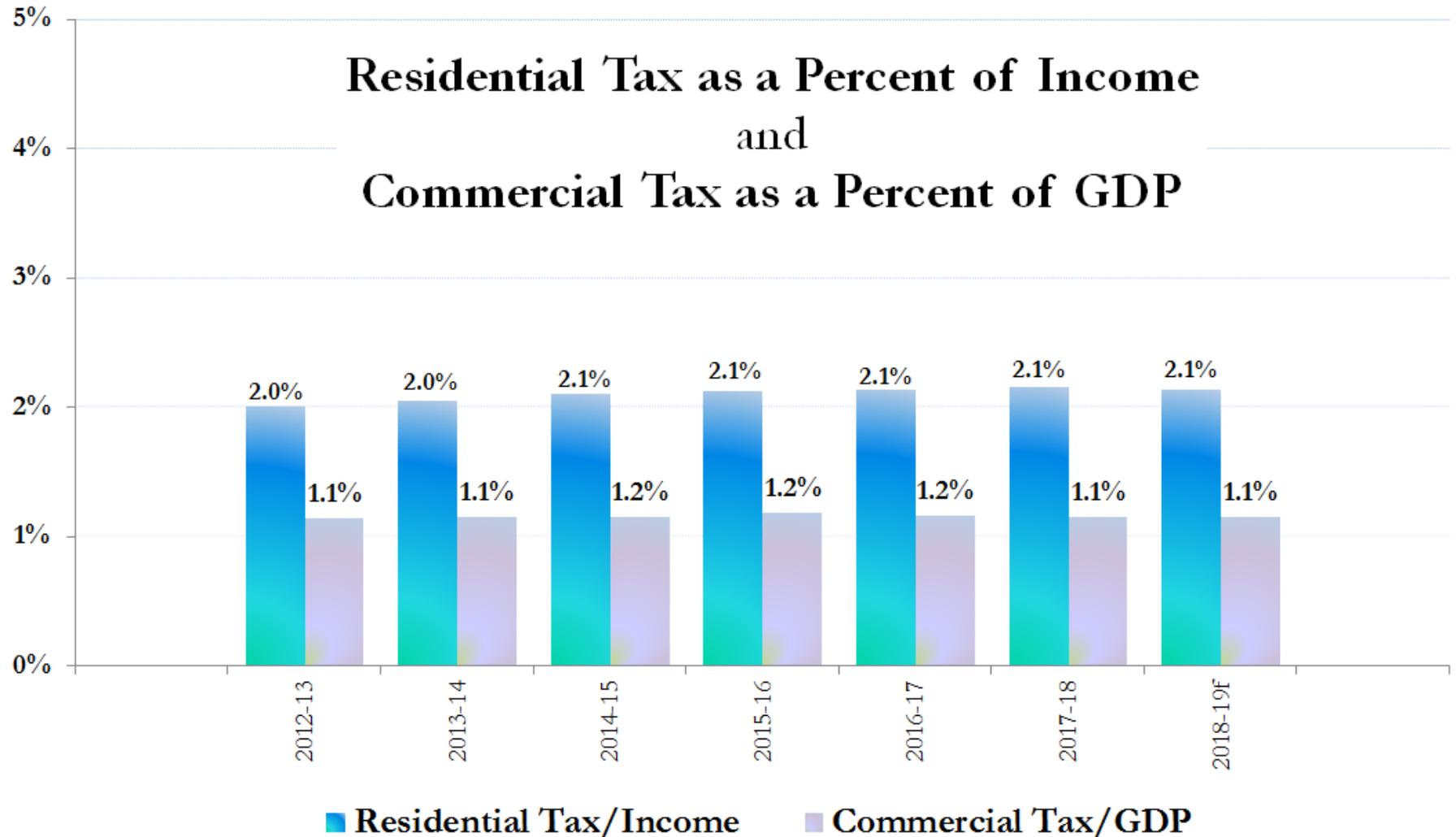
	Budget	Year 1
	2016-17	2017-18
Average Single Family Home	226,500	230,500
General (Urban) & Transit Tax Rates	\$0.813	\$0.813
Average Property Tax Bill	\$1,841	\$1,874
Average Change (\$)		\$33
Average Change (%)		1.8%

- Regional Council gave direction to increase the average tax bill, including a 1.8% increase in Year 1.



- Commercial had paid 50% of all taxation revenues.
- Now it pays 38.6%

Residential Tax as a Percent of Income and Commercial Tax as a Percent of GDP

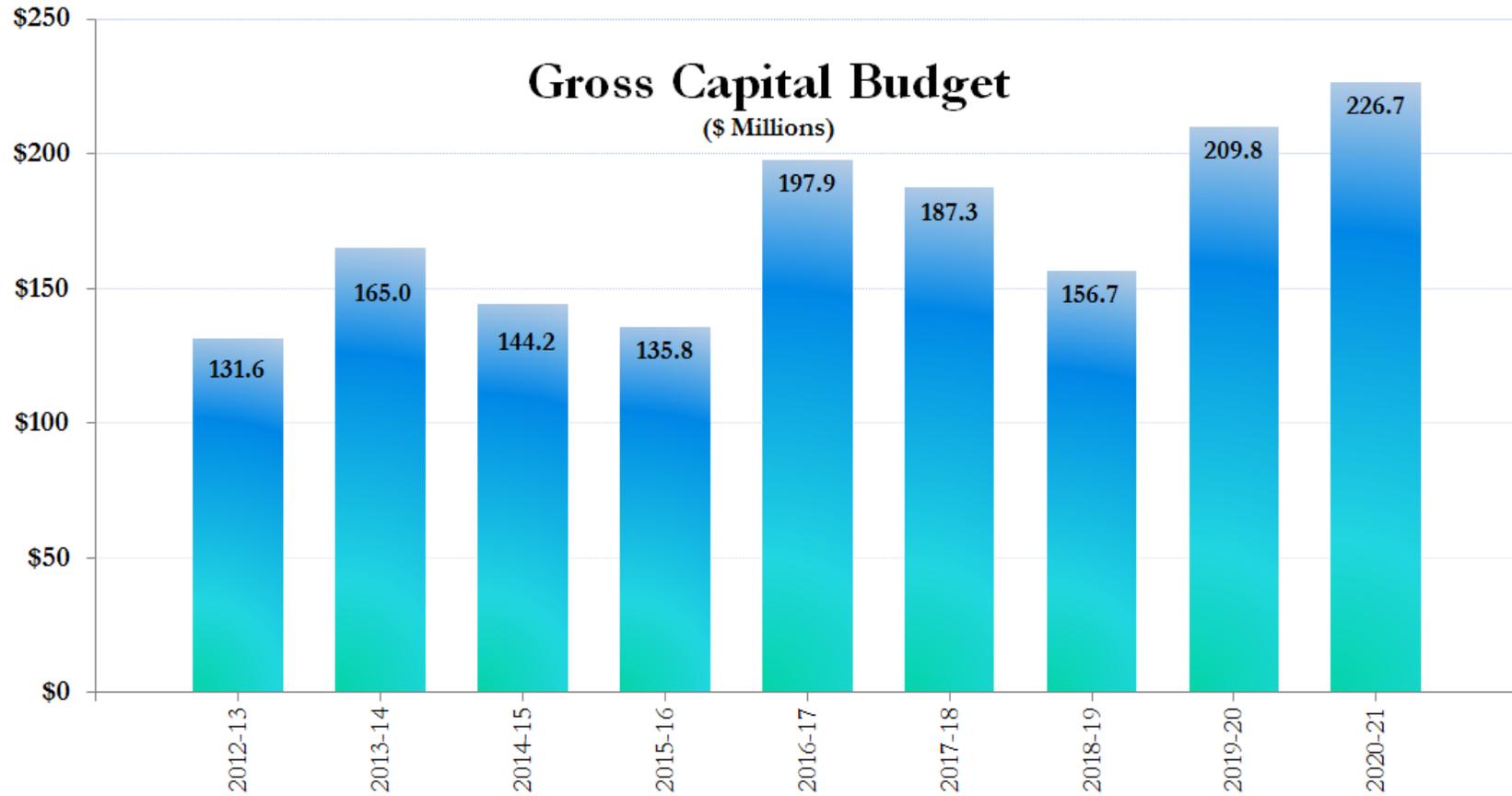


Source: Income and GDP from
Conference Board of Canada.

Capital Budget

- Over \$3.4 Billion worth of assets
- Replacement value over \$5 Billion
 - 308 Buildings
 - 1,215 Parks and Playgrounds
 - 638 sport field / courts and ball fields
 - 1,800 KM's of Paved Roads
 - 920 KM's of Sidewalks
 - 222 KM's of trails
 - 82 Bridges
 - 1,200 Vehicles and 4 Ferries

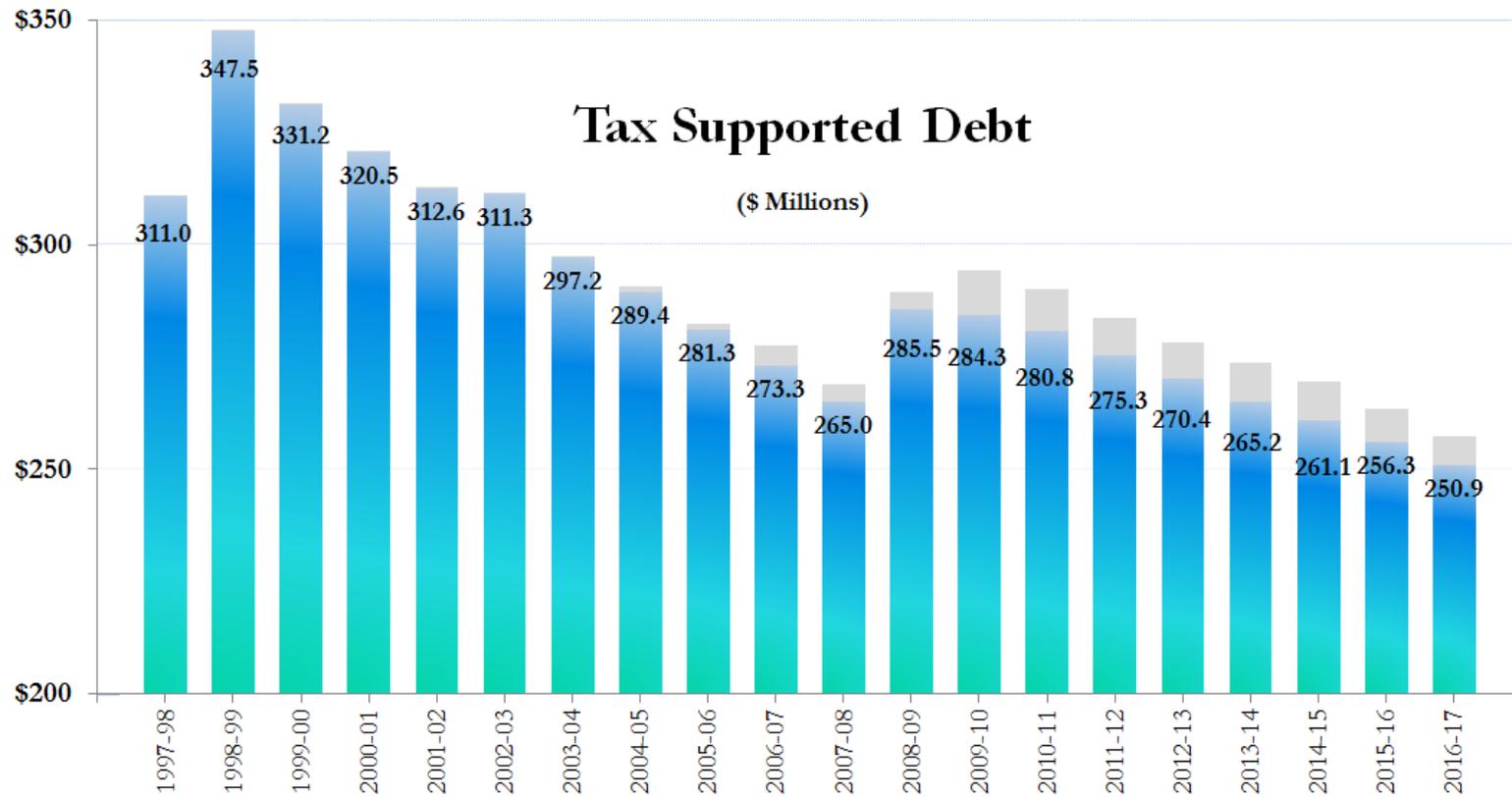
Capital Budget



Capital Budget Adjustments

	2017/18	2018/19
Original Gross Budget, December 14th, 2016	188,020,099	147,447,605
Gross Budget Increases (Decreases)	-751,099	9,263,395
Revised Gross Budget	187,269,000	156,711,000
Original Funding, December 14th, 2016	188,020,099	147,447,605
Reserves	-3,834,500	2,309,000
ACOA Cost-Sharing	1,265,000	0
Other Cost-Sharing	3,539,401	8,740,895
Capital from Operating	-1,970,000	-2,809,000
Cappool	249,000	522,500
Crespool	0	500,000
Revised Total	187,269,000	156,711,000

- Street Recapitalization increased by \$2.9m.
- Other adjustments are due to Cost-sharing, changes in Reserve funding and the Options list.



■ Debt at end of March 31st ■ Area Rated Debt (Municipal Recreation Facilities)

Debt includes funding that is approved, issued and work-in-progress (WIP) as of March 31st year-end.

- Debt continues to decline.
- Debt at \$245m for end of Year 1
- \$1,260 Debt per household.



- Reserve balances are steadily supporting for risk, opportunity and obligations.
- Balances are required for the longer term future.

Recommendation

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Thank-you



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