

Re: Item No. 6

2022/23 Fiscal Framework Update and Options

Budget Committee

January 28, 2022

Overview

- Revisit Fiscal Framework – November 23rd
- Regional Council Motion
- Assessment and Tax Update
- Capital Funding Considerations
 - Capital from Operating, Debt, Reserves
- Revised Recommendations
- Four Alternatives
- Conclusions

Three Key Themes are Converging

Substantial Population Growth

1. Nearly 10,000 new residents expected in 2022
2. Larger municipality with Higher Services
3. Growth pays for Growth
 - But Growth can't pay for Existing Homes/Inflation

Winding down of the Pandemic

1. Loss of Federal Re-Start Funding (\$31M)
2. Supply Chain and Inflationary Pressures

Funding for Strategic Initiatives

1. HalifACT, Multi-Modal Transit, Integrated Mobility Plan (IMP)

Revisit Fiscal Framework

The Opportunities and the Challenges Ahead

1. Strong Population and Economic Growth
2. The Operating Budget is Under Substantial Pressure
 - Federal Re-Start Funds of \$31M are ended
3. The Capital Budget is Insufficient and must Grow
4. There are Key Strengths we can Leverage

The Critical Actions that are Recommended

1. Non-Tax Revenues need to Offset Federal Re-start
2. Property Taxes should rise to cover growth and inflation
 - Sustainable tax increases must follow
3. The Capital Budget should Grow with the Population
 - new Debt and Capital from Operating Targets
 - Reserves are to be restructured
4. Strategic Initiatives (SI) must be Funded
 - rising Deed Transfer Tax to fund SI
 - Proposed Climate Action Tax



Strategic Initiatives and Climate Change

General Tax Rate includes:

Halifax Forum Redevelopment	\$57.0
Windsor Street Interchange	12.9
Mill Cove Ferry (Years 1-5)	33.3
Multi-Modal Corridors	136.9
Sub-Total	\$240.1

Climate Action Tax at 3%

EV Buses - Phase 1	\$34.1
HalifACT	119.6
Sub-Total	\$153.7
Total Capital	\$393.8

- There are \$400M of Strategic Initiatives identified in this budget. These projects will be completed over time. Project costs down slightly.
- Projects will be debt funded and the debt will be re-paid from the Strategic Initiative Reserve.
- \$150M of projects require the 3% Climate Action Tax
- Staff have identified options on reserves, timing and debt. Modified funds for roads.

Regional Council Motion

Amendment to November 23, 2021 Motion

Direct the Chief Administrative Officer to prepare a Supplemental Report with respect to options to reduce the final average property tax bill increase from 5.9% to 3.7% through adjusting:

- a) Funding for capital projects, through changes in Capital from Operating, Debt, Reserves, Cost Sharing or other,
- b) The timing of capital projects, and,
- c) Operating costs and revenues, as appropriate.

It is further recommended that Budget Committee defer recommendation 2 b) approving the updated Debt Guidelines pending Budget Committee's discussion of the strategic initiatives.

Assessment & Tax Update

How Taxes Work on the Average Home



Home Value is
\$252,100

times

Tax Rate is **.813%**

=

Tax Bill is **\$2,050**
($252,100 * .813\%$)

*November
Proposal*

Add: \$121 (5.9%)

Assessment Assumptions vs Final

	23-Nov	Final
<u>Single Family Homes:</u>		
Average Value	262,700	270,000 
Number of Homes	124,626	124,165 
New Home Value (\$B)	0.43	0.57 
Apartment Values (\$B)	8.66	8.81 
Total Residential Value (\$B)	45.63	46.82 
Residential Tax Rate		
at 5.9%	82.1 cents	80.4 cents 
at 4.6%		79.4 cents 
Commercial Assessment (\$B)	8.58	8.62 

- Update:**

- 90% of residential increase due to higher average value.
- Due to that higher assessment, Residential Tax Rate will drop.
- Total property tax revenues up \$3.1M vs estimate. Additional costs of \$2.3M.
- Climate Action Tax of 3.0% levied as 2.3 cents.
 - Separate item on tax bill
- Low Income relief to be increased

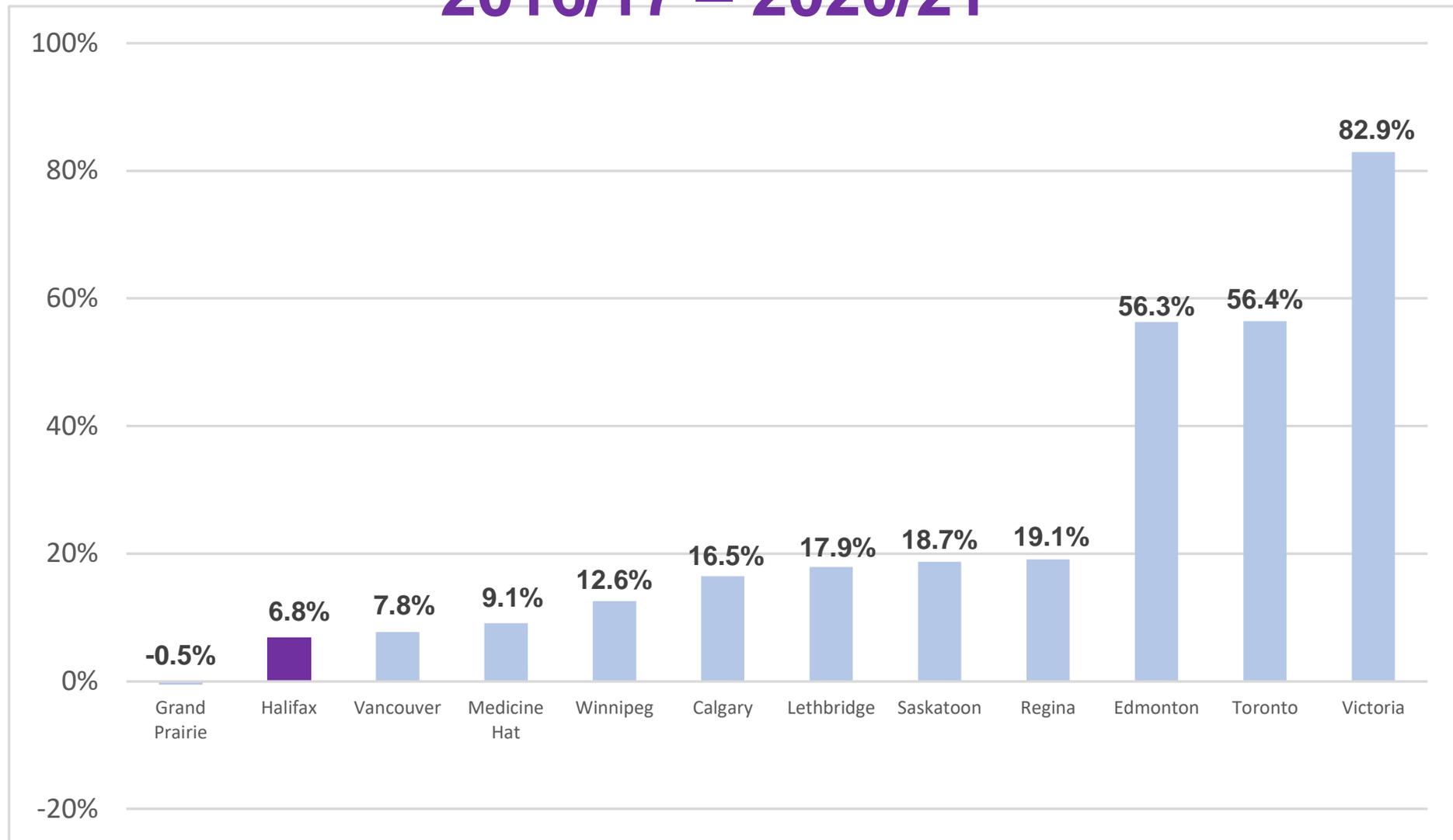
The Average Residential Tax Bill Revised Recommendation

	2021/22	2022/23
	Average	Average
Assessment	\$252,100	\$270,000
Tax Rate	0.813%	0.771%
Climate Action Tax	n/a	<u>0.023%</u>
Total Tax	0.813%	0.794%
Average Tax Bill	\$2,050	\$2,144
Increase \$		\$94
Increase %		4.6%

The Average Commercial Tax Bill Revised Recommendation

	2021/22	2022/23
	Average	Average
Assessment	\$1,469,900	\$1,462,000
Tax Rate	2.953%	3.016%
Climate Action Tax	n/a	<u>0.089%</u>
Total Tax	2.953%	3.105%
Average Tax Bill	\$43,406	\$45,395
Increase \$		\$1,989
Increase %		4.6%

Average Residential Property Tax Increase 2016/17 – 2020/21



Capital Funding Considerations

Funding for Capital Projects

Home for Sale

Cost is \$180,000

We've saved \$20,000

Can put down another \$10,000

So, a \$150,000 mortgage



Halifax Budget

Capital Budget

Reserves

Capital from Operating
("Pay As You Go")

Debt



Cost to heat is \$3,000 each year

Mortgage payments are

\$10,500 per year

Roof needs to be fixed

We want to add a garage

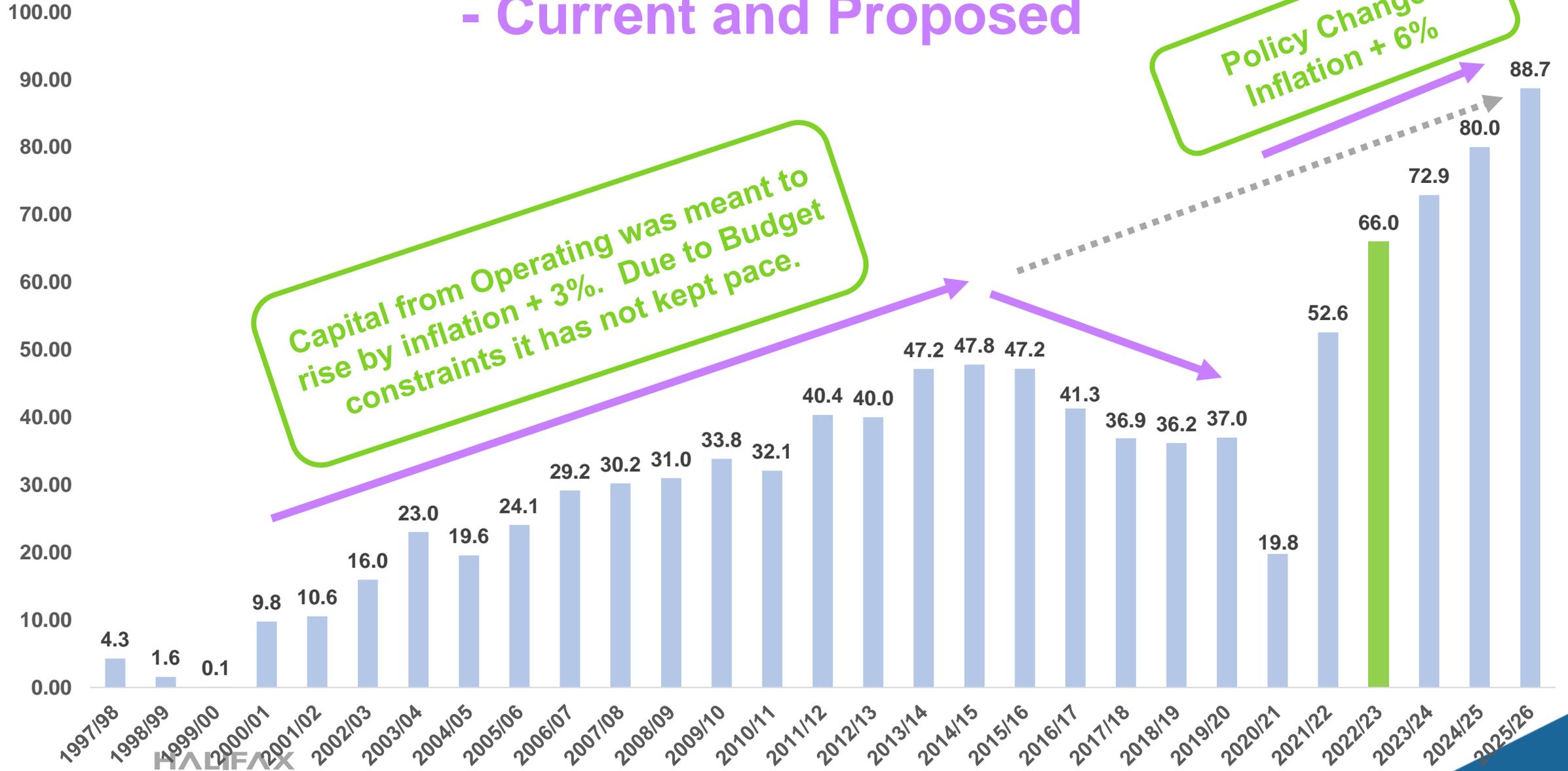
Operating Cost of Capital

Debt Charges

Asset Renewal

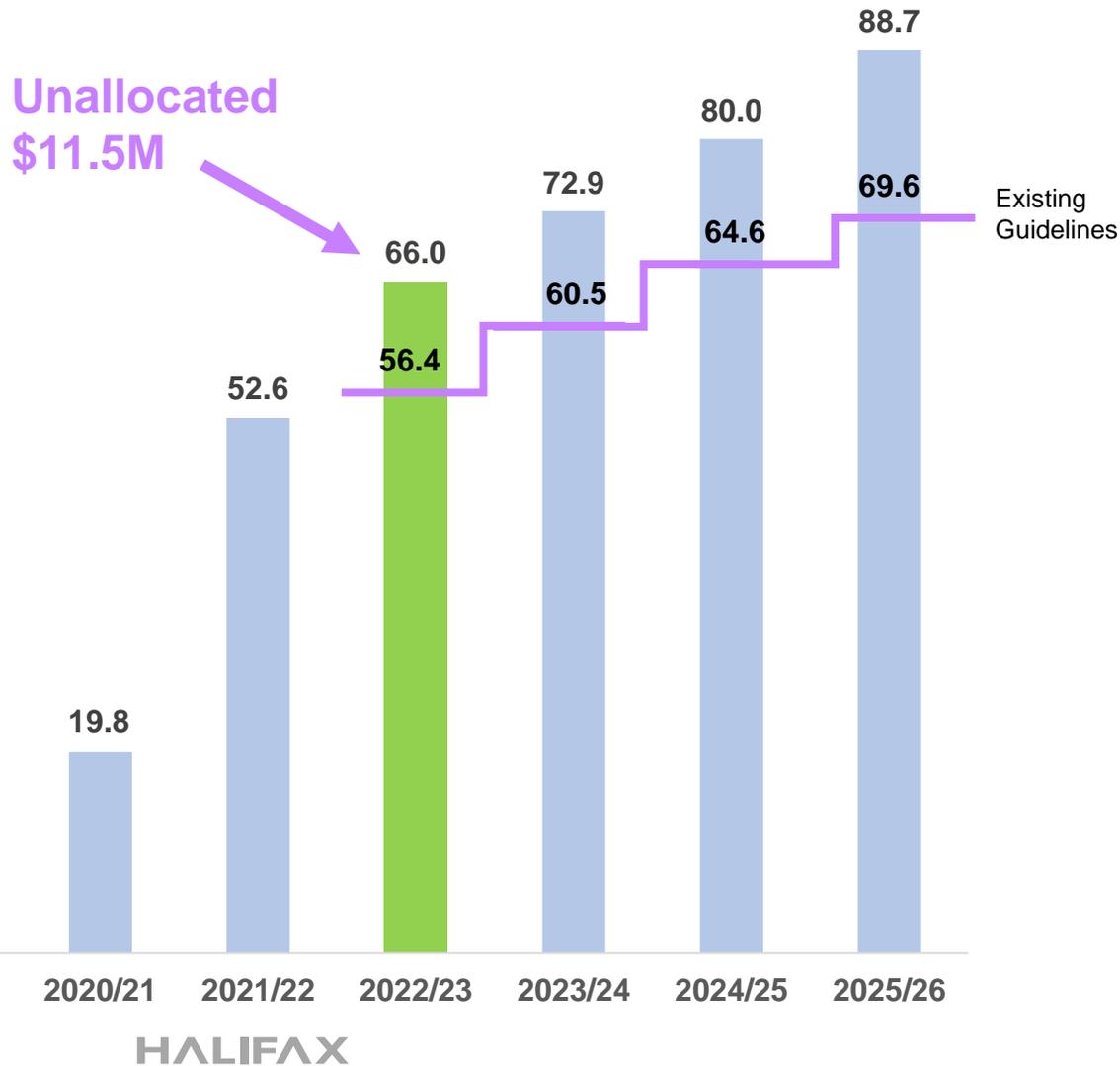
Growth

Capital from Operating Targets - Current and Proposed



Proposed Capital from Operating Change

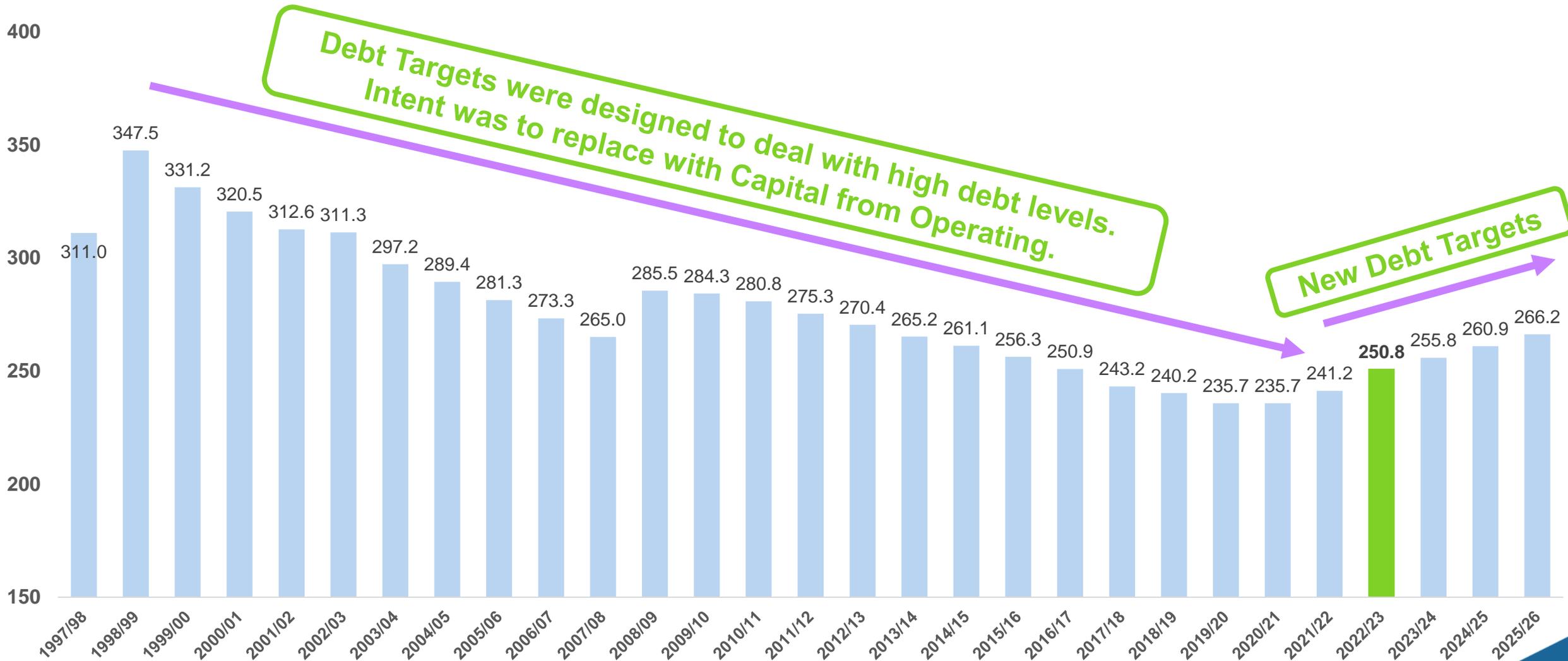
Better Supports Future Growth



- **Current Approach:**
 - Target is to increase by CPI + 3% per Home. Has not been consistently followed.
- **Fiscal Framework (November 23):**
 - increase by CPI + 6% per home
 - Allows for more aggressive growth in Cap from Operating.
 - Additional \$11.5M for Roads (\$9M) and Parks and Rec (\$2.5M).
- **Update:**
 - Add additional \$8M to Roads for \$17M increase.

Debt Targets – Current and Proposed

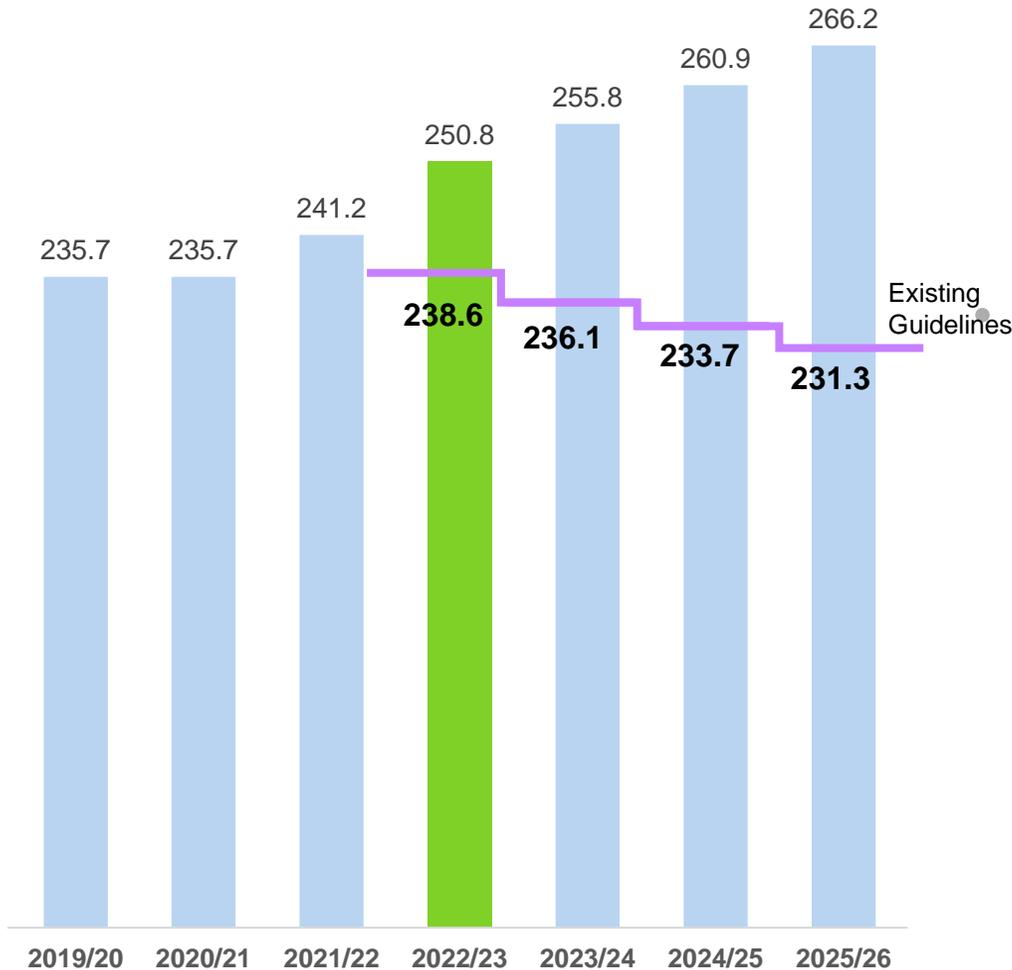
(Tax Supported Debt - Excludes Debt for Strategic Initiatives)



Policy Change: Debt Ceiling of \$1,200 Per Home

- **Current Approach:**

- Guideline was to drop Debt per Home by 3%.
 - To be offset by higher Capital from Operating
- 4.7% of Budget is debt payments (ie Debt Ratio)



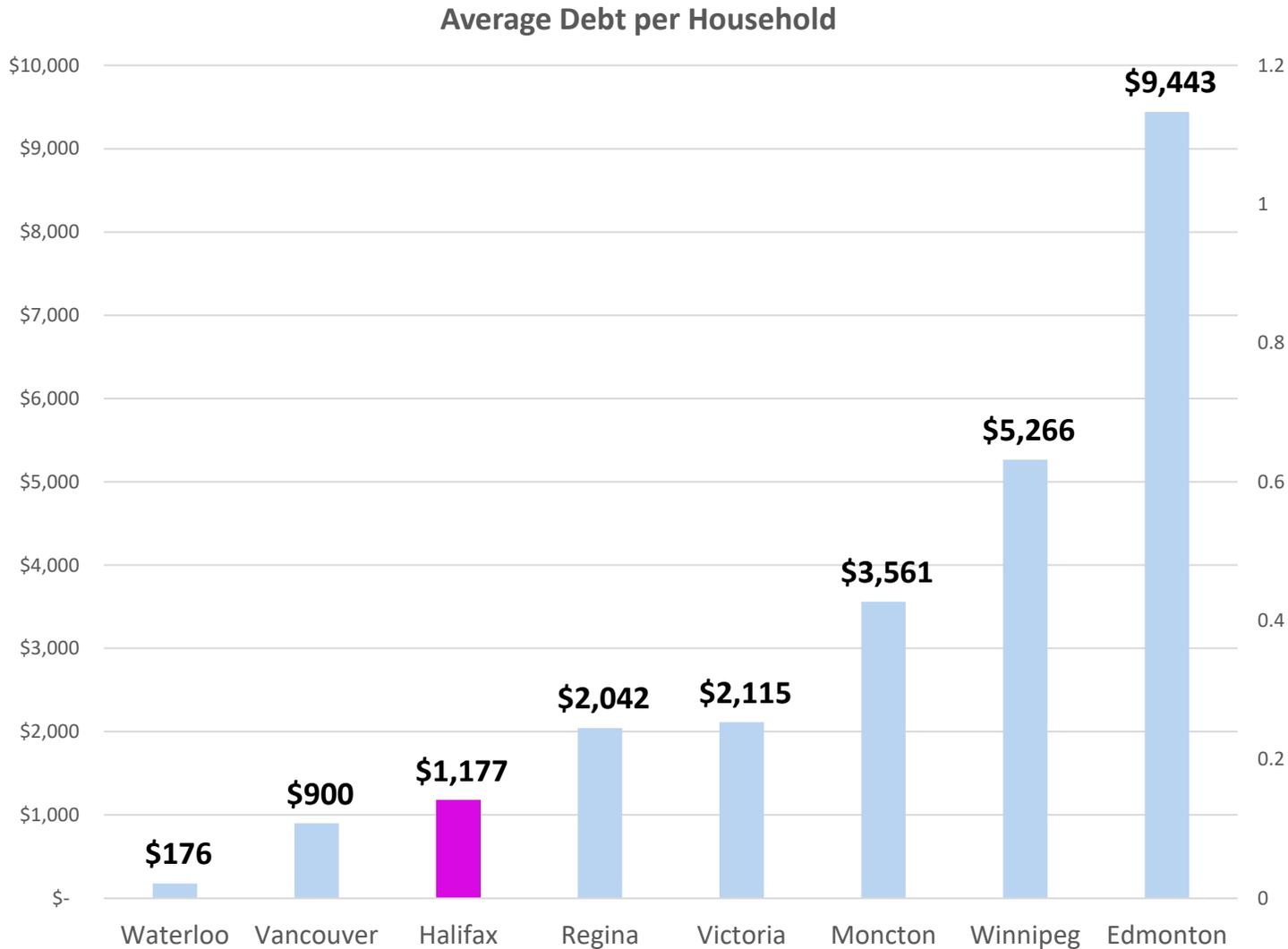
- **Fiscal Framework (November 23):**

- Revised Guideline addresses significant population growth
 - Inflationary Pressures, Low Interest Rates
- Debt Charges creates future budget pressure

- **Update:**

- Options to add debt on top of these proposed changes.

Municipal Debt per Household by City



- Municipal debt per household is 173% to 802% higher for 5 of 7 cities.
- Recommend setting debt ceiling to \$1,200/household, low end of benchmarked cities.

Reserve Update

	2022/23	2023/24
Risk Reserves:		
Risk and Resilience (Q416)	(10.1)	(10.3)
Obligation Reserves:		
Landfill Closure Costs (Q506)	(7.5)	(7.3)
Municipal Election Reserve (Q511)	(2.9)	(3.7)
Convention Centre Reserve (Q521)	(2.0)	(2.2)
Capital Fund Reserve (Q526)	(10.0)	(11.2)
Central Library Recapitalization Reserve (Q536)	(8.4)	(9.5)
Multi District Facilities Reserve (Q546)	0.5	0.3
Solid Waste Facilities Reserve (Q556)	(13.8)	(13.0)
Master Plan Reserve (new) (Q566)	-	-
Business/Industrial Parks Expansion (Q616)	(41.9)	(42.3)
Community and Events Reserve (Q621)	(1.3)	(2.0)
Total	(87.3)	(90.9)
Opportunity Reserves:		
SI Operating Reserve (Q667)	(24.5)	(5.6)
SI Capital Reserve (Q666)	(151.6)	(180.4)
Parkland Development Reserve (Q611)	(6.9)	(7.2)
Gas Tax Reserve (Q626)	(6.7)	(2.2)
Options (Contingency) Reserve (Q421)	(6.9)	(7.0)
Density Bonus (Q640)	(3.6)	(3.7)
Total	(200.2)	(206.1)
Total	(297.7)	(307.3)

- **Fiscal Framework (November 23):**

- Revised Business Cases passed

- **Update:**

- Reserve contributions reduced from \$39.6M to \$26M.

- Extra \$5M to be transferred to SI Capital Reserve.

- 60% of all reserve balances are in the two SI Reserves.

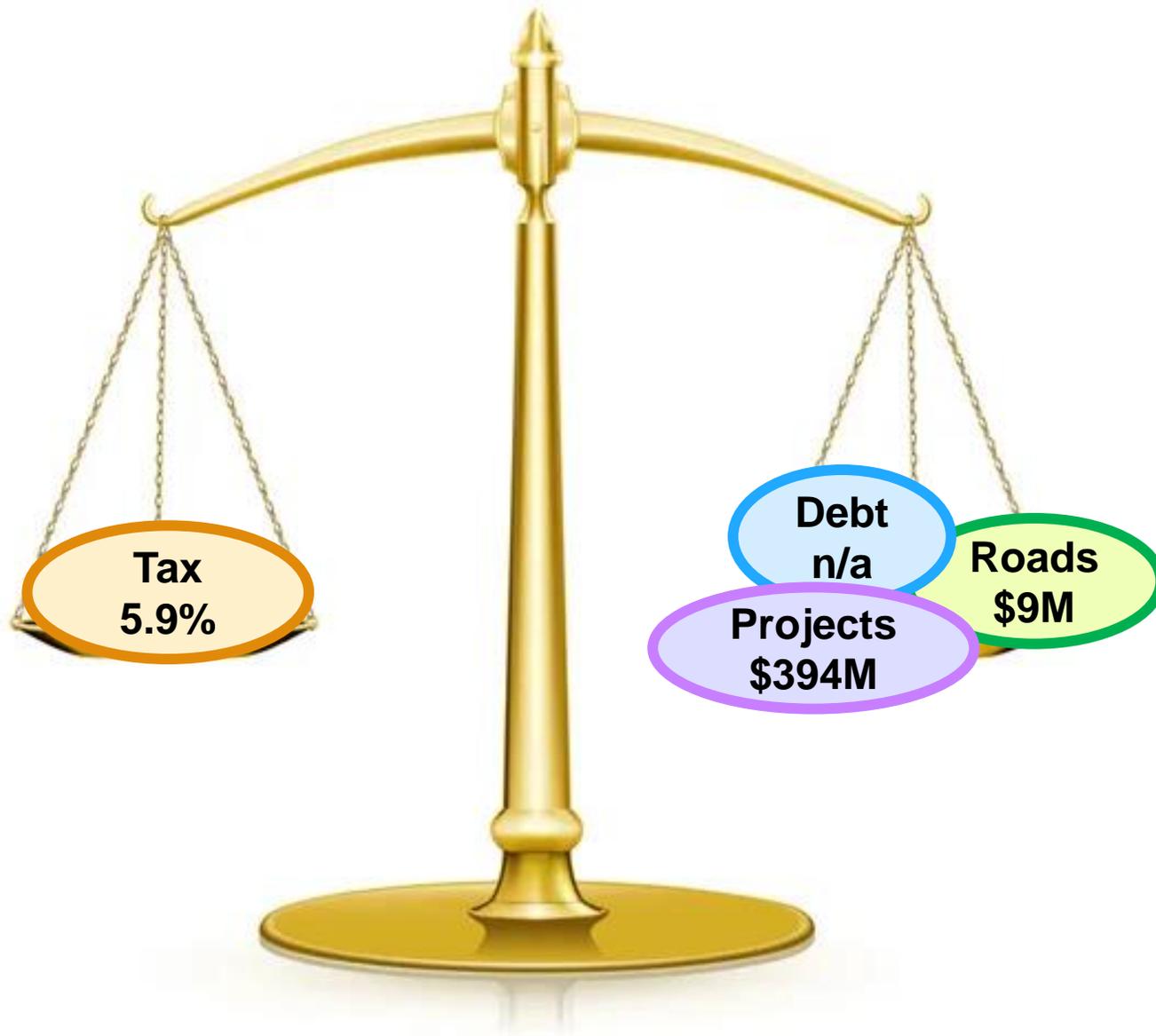
- Corridor Studies (\$4.8M) to come from SI Operating

How Does Capital Funding impact this Fiscal Framework

- **Issue before Regional Council ties into three long-term objectives:**
 - Declining Assets. - Require funds to maintain.
 - Rapidly Growing Population requires infrastructure – Parks, Recreation, transit, ...
 - Strategic Initiatives – Climate Change, Higher order of transit.
- **Funding Approaches:**
 - **Reserves** – Higher taxes put funds into Reserve (\$26M), pays for the SI projects.
 - **Capital from Operating** – Immediate payment for assets, keeps debt costs lower. Important for assets that are ongoing annual costs such as roads +\$17M and Rec \$2.5M.
 - **Debt** – Helps fund the future. Allows us to fund critical services now rather than delay. Shifts costs to future generation who often benefit more from the asset.

Revised Recommendations

Original Recommendation (November 23, 2021)



- **Original:**
 - Taxes at 5.9%
 - Funds all Multi-Modal Corridors, Climate Action Tax (CAT).
 - Potential \$9M for Roads and \$2.5M for Parks and Rec.
 - Revised debt targets
- **Pros and Cons**
 - Allows Multi-modal corridors to be funded.
 - \$9M to road network – a major risk for HRM. Needs \$17M-\$31M

Streets Recapitalization

Year	Street Recap Shortfall	Added to Street Recap		
		Fiscal Framework (Nov 23)	Fiscal Framework Update	Total
2022/23		\$9.0	\$8.0	\$17.0
2023/24	(\$17.0)	9.0	8.0	17.0
2024/25	(24.1)	9.0	8.0	17.0
2025/26	(31.3)	9.0	8.0	17.0
	(\$72.4)	\$36.0	\$32.0	\$68.0

- **Change from November:**
 - Increased Cap from Op by \$8M, to \$17M.
 - Provides 94% of funds required over 4 years.
- **Pros and Cons**
 - Major Risk to road assets can start to be addressed.
 - Funding will continue to be an issue, Years 5+.
 - Staffing costs will increase by roughly \$500K per full year.

Timing of Multi-Modal Corridors

Excluded from Motion, Alternatives 1A, 1B

Alderney Dr (Dundas St-Wyse Rd)	5,900,000	Years 5 & 7
Barrington St (North St-Spr. Garden Rd) - Phase 2	3,100,000	Year 7
Bedford Highway	20,250,000	Years 6-9
Dunbrack Street	7,900,000	Years 8-9
Highway 7 - Magazine Hill	3,000,000	Year 6
Portland Street	10,000,000	Years 5-6
Trunk 7 (Main St), Dartmouth	5,900,000	Years 6-7
Total	56,050,000	

Excluded from Motion, Alternatives 1A

Herring Cove Road	25,900,000	Years 4-9
Lower Water St (Morris St-Duke St)	3,500,000	Year 5
Windmill Rd (Akerley Blvd-Wyse Rd)	2,100,000	Year 5
Total	31,500,000	

Included in Recommendation and all Options

Bayers Road	4,700,000	Year 2
Dutch Village Rd	2,250,000	Year 2
Robie St & Young St	2,150,000	Year 3
Barrington St (North St-Spr. Garden Rd) - Phase 1	2,000,000	Year 3
Land Acquisition	33,500,000	Year 1-10
Studies and Design	4,750,000	Year 1-10
Total	49,350,000	

Proposed that these projects be Approved in Principal.

Studies, Costing, Design and Land Acquisition are funded through reserve.

Construction is not being funded at this time.

Funding recommended for construction

Strategic Initiatives and Multi-Modal Corridors

\$394.0M, Alternatives 2A & 2B

\$337.7M, Alternative 1B

\$306.2M, Alternative 1A

Major Multi-Modal Strategic Corridors:

- Alderney Dr (Dundas St-Wyse Rd)
- Barrington St (North St-Spr. Garden Rd) - Phase 2
- Bedford Highway
- Dunbrack Street
- Highway 7 - Magazine Hill
- Portland Street
- Trunk 7 (Main St), Dartmouth
- Total**

7 Corridors worth \$56M. Work during Years 4 to 9.

Major Multi-Modal Strategic Corridors:

- Herring Cove Road
- Lower Water St (Morris St-Duke St)
- Windmill Rd (Akerley Blvd-Wyse Rd)
- Total**

3 Corridors worth \$31M. Work during Years 4 to 9.

Major Multi-Modal Strategic Corridors:

- Bayers Road
- Dutch Village Rd
- Robie St & Young St
- Barrington St (North St-Spr. Garden Rd) - Phase 1
- Land Acquisition
- Studies and Design
- Total**

4 Corridors, Studies and Land. Finished by Year 3.

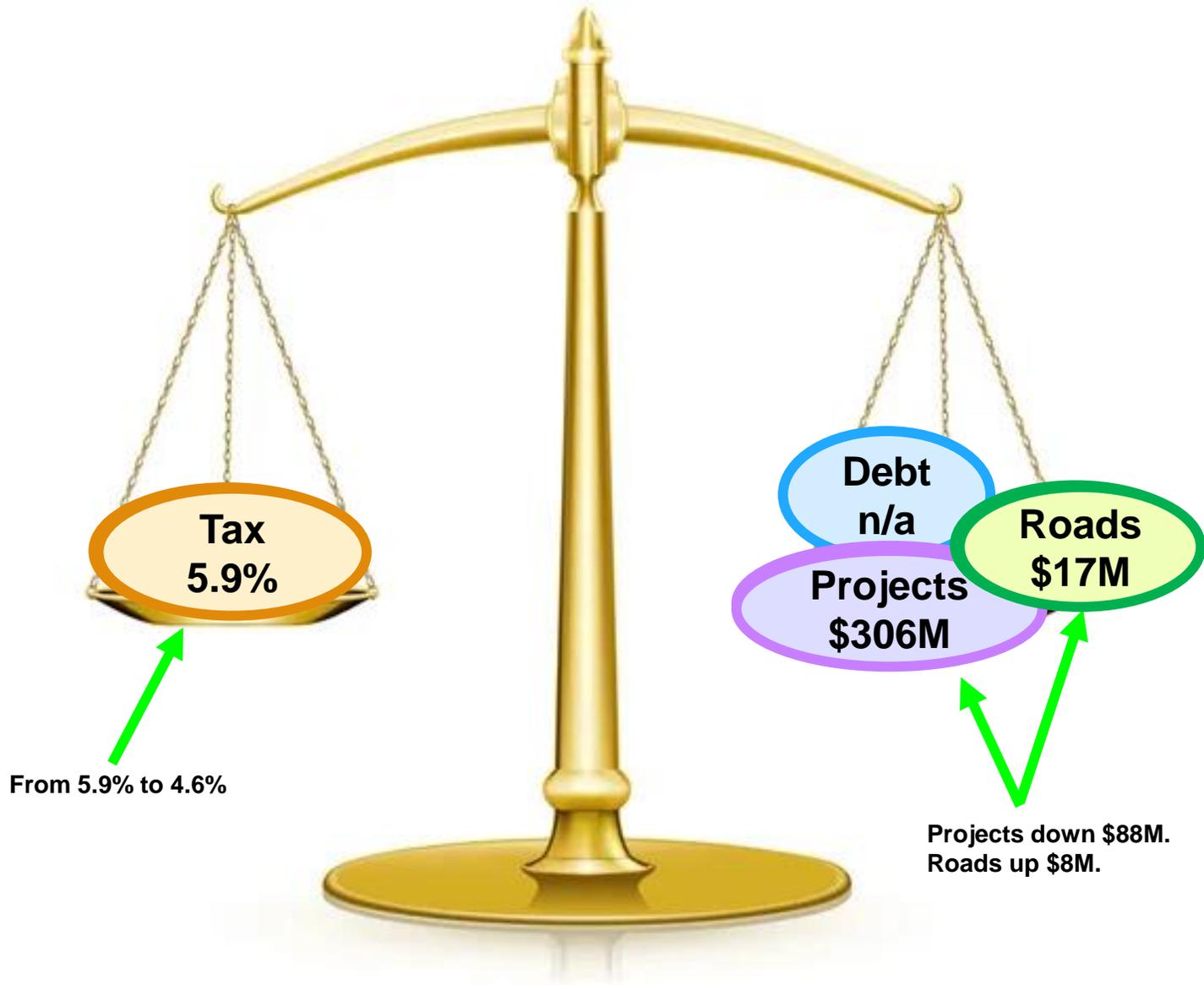
Climate Action Tax (CAT):

- Electric Buses - Phase 1
- HalifACT 2050 - Climate Action Plan
- Total**

Other

- Halifax Forum Redevelopment
- Windsor Street Exchange
- Mill Cove Ferry Service
- Total**

Revised Recommendation (January 28, 2022)



• Change from November:

- Taxes from 5.9% to 4.6%
- Delay 10 Multi-Modal Corridors.
- No change to CAT.
- Add \$8M for Roads.
- No change in debt

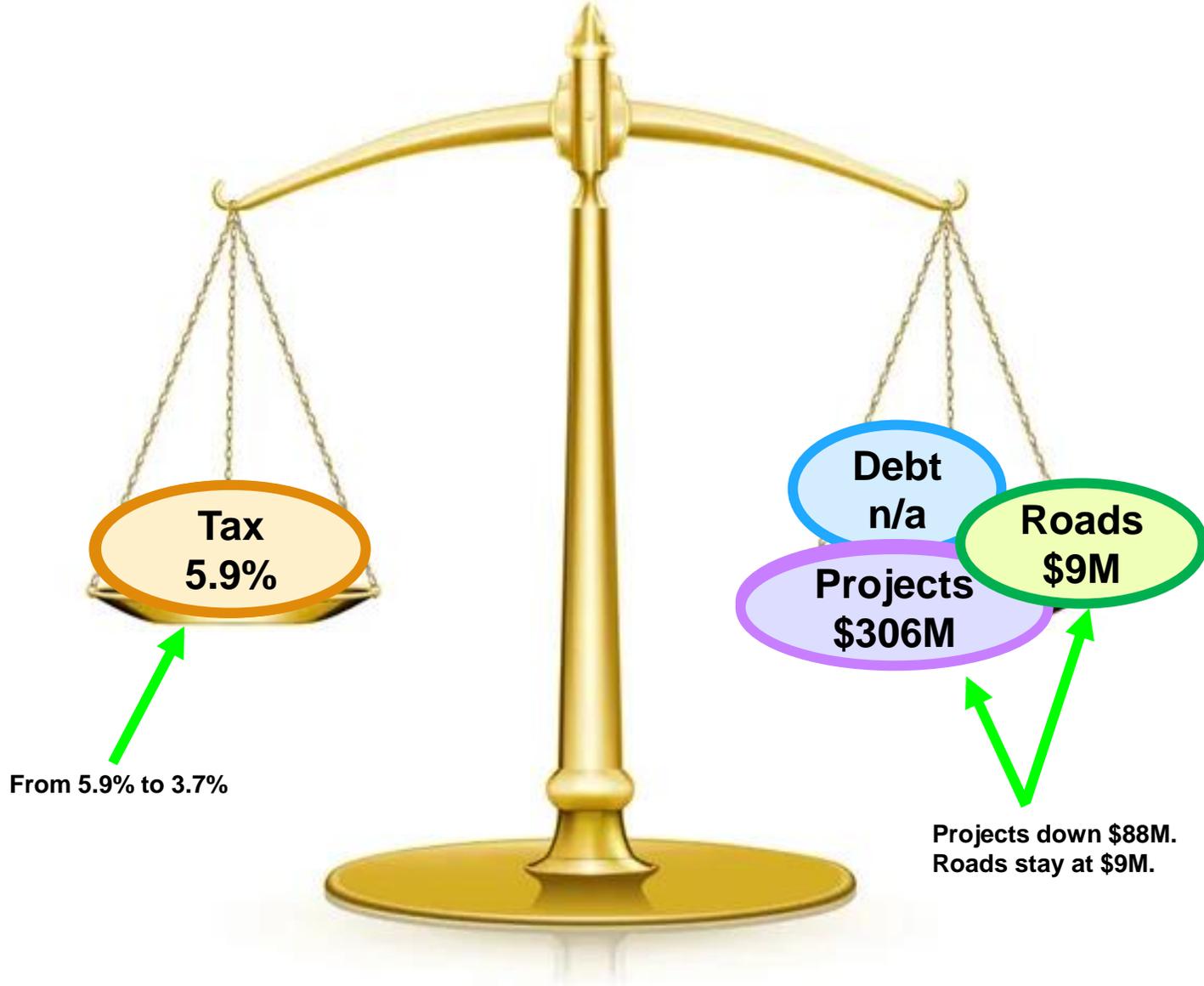
• Pros & Cons

- Delays Multi-modal corridors starting in Years 4-5. Plan now, fund later.
- More funds to stabilize road network – a major risk for HRM.

Four Alternatives

Alternative 1A

3.7% Avg Taxes, \$306M SI Projects, \$9M Roads



Change from November:

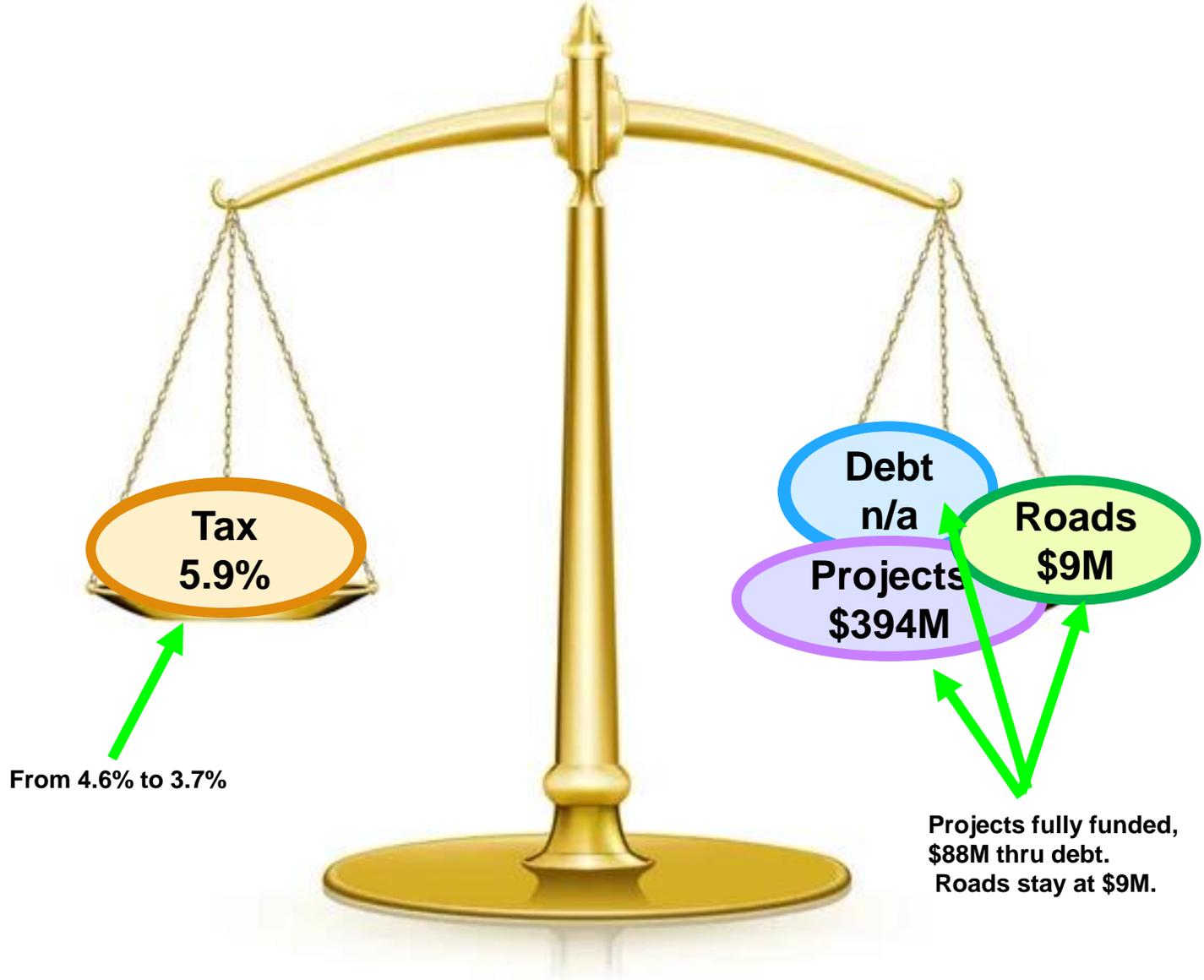
- Taxes from 5.9% to 3.7%
- Delay 10 Multi-Modal Corridors.
- No change to CAT.
- Roads stay at \$9M, Parks and Rec at \$2.5M.
- No change in debt

Pros and Cons

- Delays Multi-modal corridors starting in Years 4-5. Plan now, fund later.
- Some funds to stabilize road network – a major risk for HRM.

Alternative 1B

3.7% Avg Taxes, \$394M SI Projects, \$9M Roads, Add \$88M Debt



• Proposal:

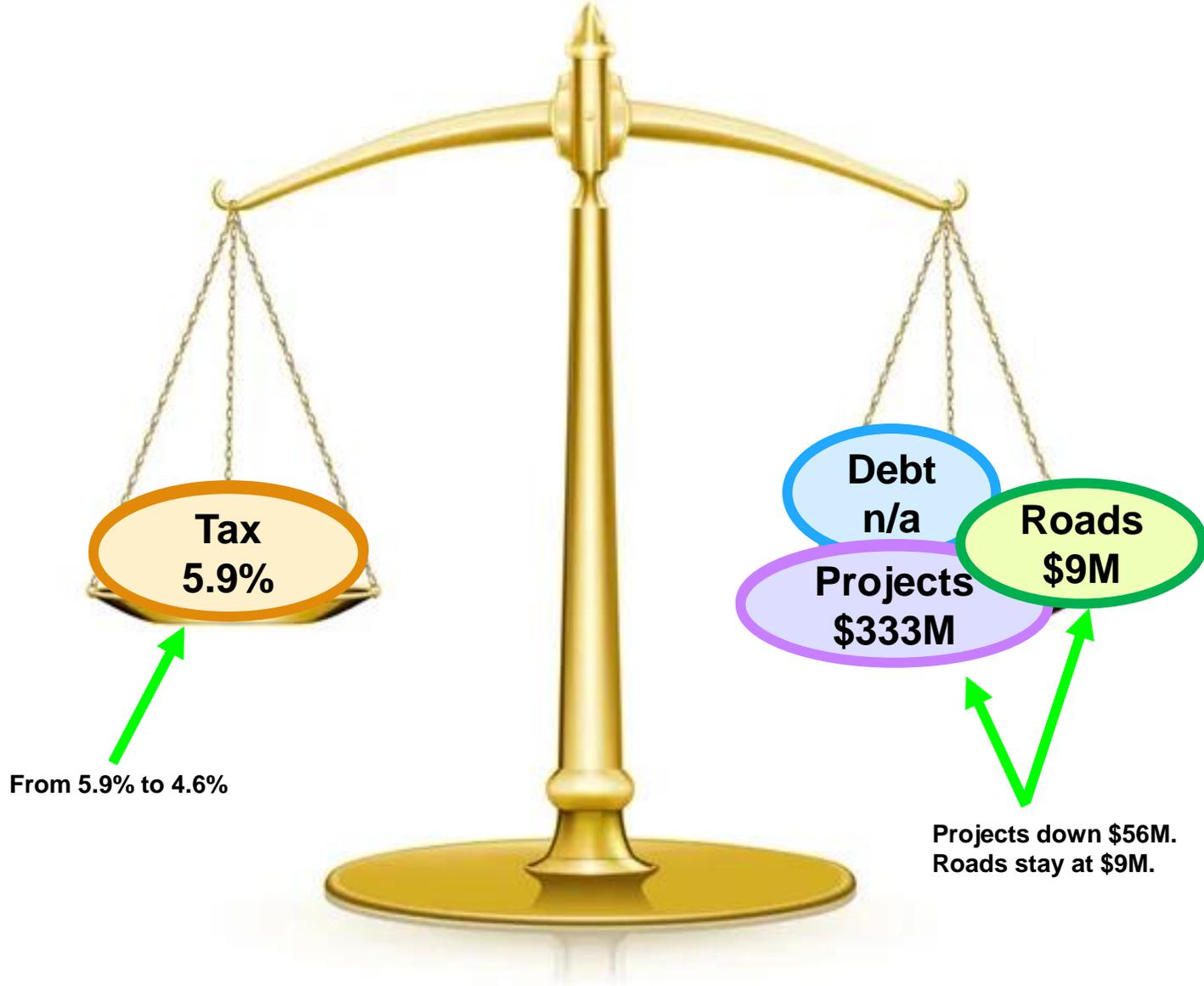
- Taxes from 5.9% to 3.7%
- Funds all Multi-Modal Corridors, Climate Action Tax (CAT).
- Add \$88M in debt
- Roads stay at \$9M, Parks and Rec at \$2.5M.

• Pros and Cons

- Allows Multi-modal corridors to be funded.
- Some funds to stabilize road network – a major risk for HRM.
- Adds Debt – future cost pressure.

Alternative 2A

4.6% Avg Taxes, \$333M SI Projects, \$9M Roads



Change from November:

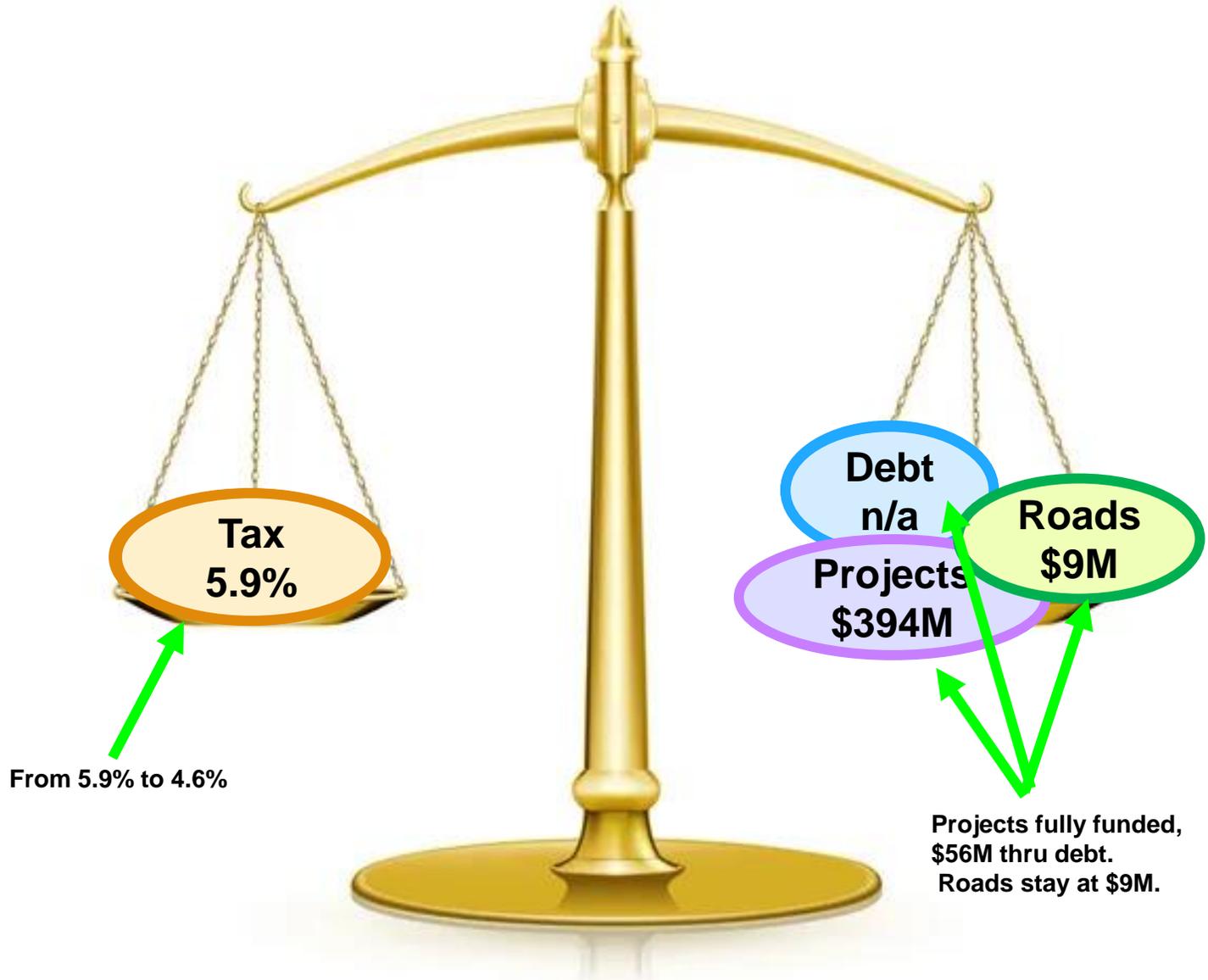
- Taxes from 5.9% to 4.6%
- Delay 7 Multi-Modal Corridors.
- No change to CAT.
- No change to debt
- Roads stay at \$9M, Parks and Rec at \$2.5M.

Pros and Cons

- Allows half of Multi-modal corridors to be funded.
- Some funds to stabilize road network – a major risk for HRM.

Alternative 2B

4.6% Avg Taxes, \$394M SI Projects, \$9M Roads, Add \$56M Debt



• Change from November:

- Taxes from 5.9% to 4.6%
- Funds all Multi-Modal Corridors, Climate Action Tax (CAT).
 - Add \$56M in debt
- Roads stay at \$9M, Parks and Rec at \$2.5M.

• Pros and Cons

- Allows Multi-modal corridors to be funded.
- Some funds to stabilize road network – a major risk for HRM.
- Adds Debt – future cost pressure.

Conclusions

Conclusions

- Fiscal Framework is setting out Strategy for Longer-Term. Will influence City-Building initiatives for next Ten Years.
 - Key elements support Council initiatives.
 - Climate Action Tax supports Climate Change
 - Multi-Modal Corridors and Ferry support growth, transportation.
 - Changes in key guidelines designed to help Municipality grow and to encourage sustainability
 - Additional Capital from Operating for Roads, Parks and Rec
 - Additional Debt to support growth
 - Pressure on Capital from growth, asset condition and services will continue

Motion

- **Taxes:**
 - Average Tax Bill of 1.6% plus 3.0% Climate Action Tax for 4.6%.
- **Strategic Initiative Projects**
 - No change to HalifACT or Climate Action Tax projects
 - Delay funding for 10 of 14 of Multi-modal Corridors (\$86.5M)
 - Approved in Principal. Costing, Design, Land Acquisition continues.
- **Capital from Operating**
 - Approve additional \$8M for Streets Recapitalization
 - Refer \$2.5M to BAL for Parks and Rec
- **Other**
 - Approve proposed Debt Guidelines with \$1,200 Ceiling, technical correction
 - Transfer \$5M from SI Operating to SI Capital Reserve.



Thank you