

2022/2023 BUDGET

Committee of the Whole on Budget / Regional Council
April 12, 2022

BUDGET TIMELINE OVERVIEW

Fiscal Framework - November 23

- 5.9% average tax bill increase proposed
 - 3.0% for climate action
 - 2.9% for regular operations

Capital Budget Approval - December 17

Fiscal Framework Update - January 28

- CAO directed to build budget at a 4.6% increase on the average tax bill
 - 3.0% for climate action
 - 1.6% for regular operations
 - Additional \$56.1M in debt approved (debt ceiling of \$1,200/household)

Business Unit Presentations - February 4 to March 11

Budget Adjustment List (BAL) Approval - March 23

- \$5.3M one time funding & \$1.6M ongoing funding approved

BUDGET HIGHLIGHTS - OPERATING

Municipal Budget is balanced per requirements in Halifax Charter

\$1.1 billion in revenues

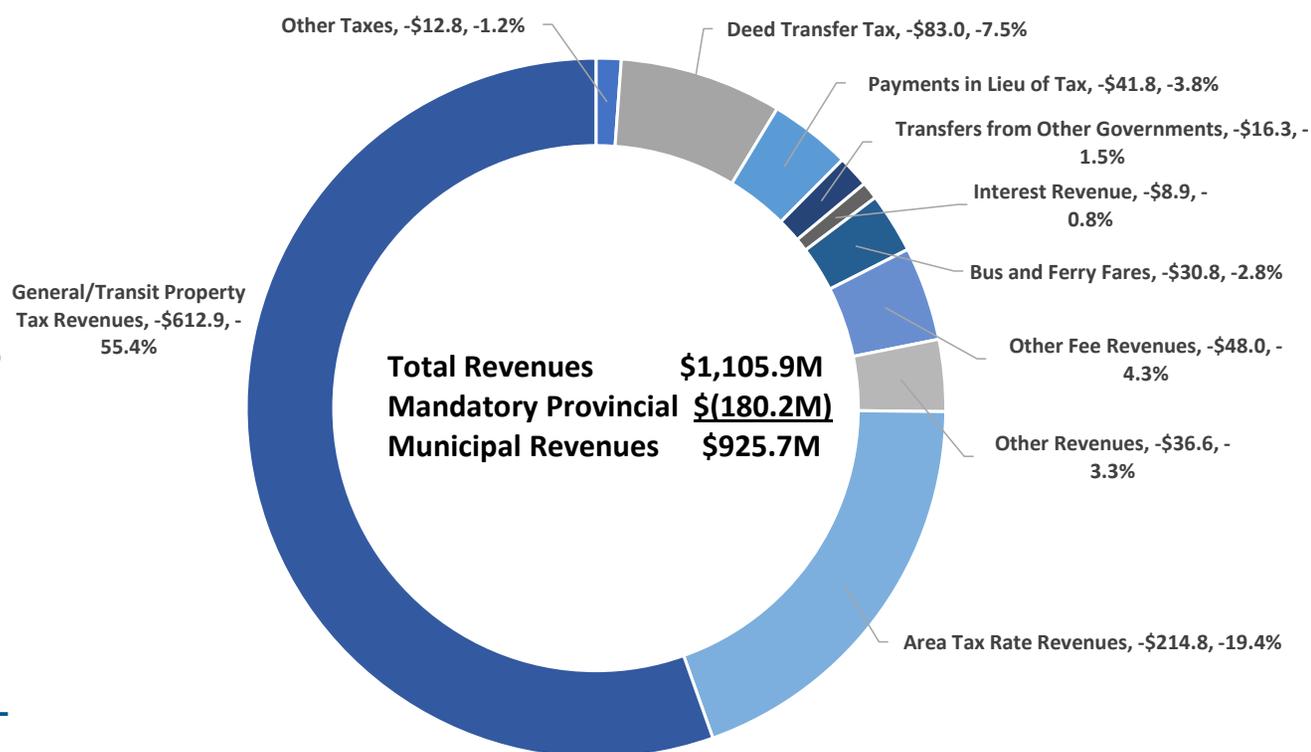
- general & transit tax
- \$83 million Deed Transfer Tax

Total average tax bill increase 4.6%

- 1.6% for recurring expenditures
- 3.0% for Climate Resiliency/Adaptation

Recovering from \$31 million lost Federal Safe-Restart Funding

Expected but slow recovery on non-tax revenues



BUDGET HIGHLIGHTS - OPERATING

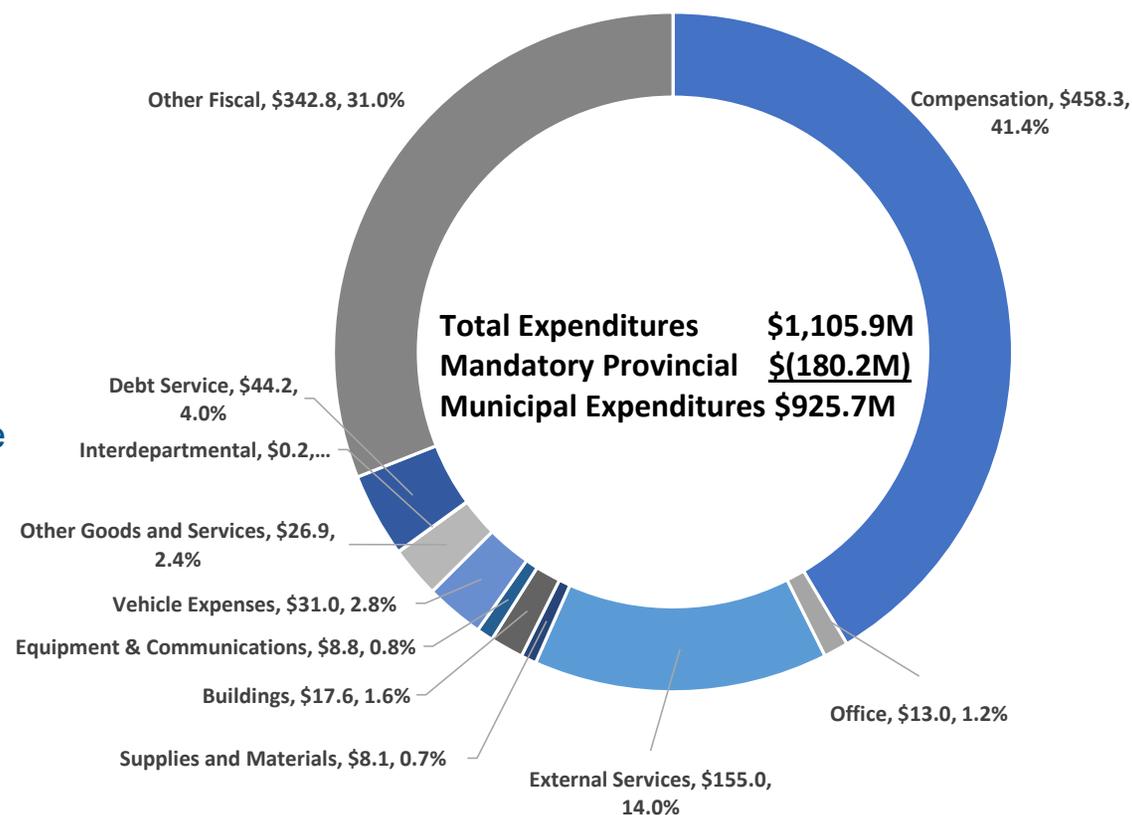
Total expenditures of \$1.1 billion

- \$180.2 million for provincial
- \$925.7 million in municipal expenditures

Expenditures Increasing Due to Inflation

- Collective Agreement costs may create **wage-price spiral** effects through higher compensation costs across departments.
- Contracts are **increasing** above headline inflation
- Fuel Costs **substantially** higher than forecast

New costs associated with provincial road transfer included in budget



BUDGET HIGHLIGHTS - CAPITAL

Infrastructure Program Growth

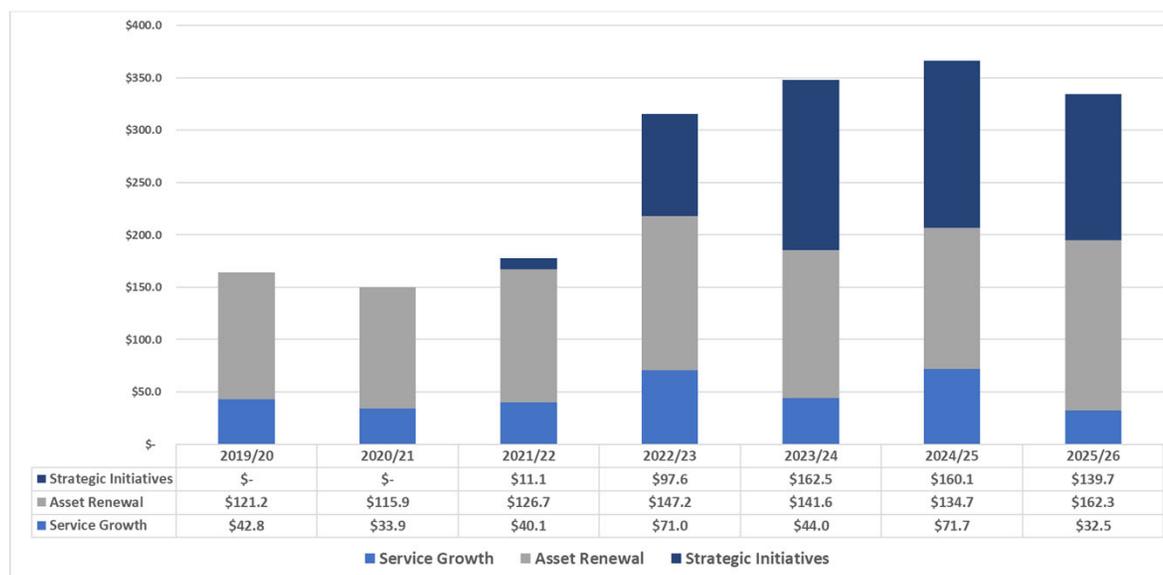
- Continued significant population growth
- Service level increases
- Strategic plan approvals

Base Capital Program

- Street Recapitalization:
 - +\$3M PNS road transfer
 - +\$9M Condition index improvements
- Parks & Recreation:
 - +\$2.5M Growth projects increase

Strategic Initiatives Program

- Halifax Forum Redevelopment
- Cogswell Interchange Redevelopment
- HalifACT Climate Action Plan:
 - Deep Energy Retrofits, Electric Buses, Electric Vehicles, Critical Infrastructure Mitigation
- Integrated Mobility Plan:
 - Multi-Modal Corridors, Mill Cove Ferry, Windsor Street Exchange Redevelopment



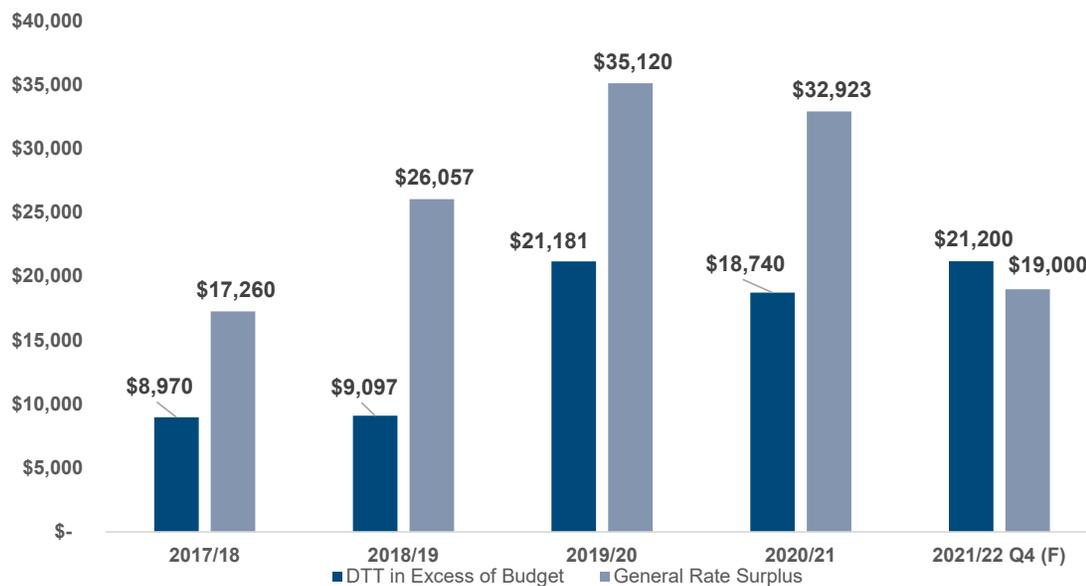
BUDGET HIGHLIGHTS - RESERVES

Summary of Reserve Balances, 2022/23 to 2025/26 (in millions)

	2022/23	2023/24	2024/25	2025/26
Risk reserves	10.1	10.3	10.4	10.6
Obligation reserves	49.6	50.5	20.6	19.5
Opportunity reserves	207.6	212.7	251.7	277.9
Total	267.3	273.5	282.7	308.0

- Reserve balances are relatively high; but future commitments will offset due to capital plan requirements and **Strategic Initiative** (SI) projects
- Revised business cases were approved by Regional Council during the **November 2021 Fiscal Framework**
- Business cases allow for more **flexibility**, are less prescriptive, and provide a clear understanding of why reserves exist
- Reserves are prior-year tax revenues set aside for future purposes
- Reserve balance interest rate typically below core inflation

Sustainability: Deed Transfer Tax (DTT) and budget surpluses



- DTT has been a significant cause of surpluses and has masked the need for growth in underlying property tax revenue to support recurring expenditure; described another way as the *equilibrium general tax growth rate*
- Using DTT for Strategic Initiatives should reduce ongoing surpluses
- \$12.3M of 2021/22 surplus is used to offset costs in 2022/23
- Econometric models suggest continued short-run growth but contingent on macroeconomic stability

AVERAGE TAXES

- Current Proposed Budget has the average tax bill increasing by **4.6%** for both residential and commercial properties.
- Excluding the HalifACT portion; the average tax bill is **below** both headline and underlying inflation estimates.
- Future sustainability: Average tax bill increases must be linked to a measure of inflation or nominal GDP growth.

Residential	2021/22	2022/23	Δ 2021/22- 2022/23	Δ% 2020/21- 2021/22
Average assessment (single family home)	\$252,100	\$270,000	\$17,900	7.1%
Urban tax rate (including transit rates)	<u>0.813</u>	<u>0.794</u>	<u>-0.019</u>	<u>-2.3%</u>
Average tax bill	\$2,050	\$2,144	\$94	4.6%
Change in average tax bill		4.6%		

Commercial	2021/22	2022/23	Δ 2020/21- 2021/22	Δ% 2020/21- 2021/22
Average assessment	\$1,469,900	\$1,462,000	(\$7,900)	-0.5%
Urban tax rate	2.953	3.105	\$0.152	<u>5.1%</u>
Average tax bill	\$43,406	\$45,395	\$1,989	4.6%
Change in average tax bill		4.6%		

Note: Climate Action Tax represents 3.0% of the increase or 2.3 cents and 8.9 cents on the residential and commercial rates.

CHANGES SINCE BAL

FUNDING CHANGES

On March 28, 2022 the Province of NS announced \$2.3 million in funding for planning studies.

This funding announcement creates an extra \$1.25 million in the 2022/23 Budget that can be reallocated.

OPTIONS

Option 1 - Budget Committee direction

Tax bill increase remains at 4.6%

- \$1.25M will be applied to any surplus/deficit in 2022/23
- Funding can be applied toward projects though 2022/23

Option 2 - Apply funding to tax Increase

Tax bill increase reduced to 4.4%

- Will reduce average residential bill by \$4
- Will reduce average commercial bill by \$116

CHANGES SINCE BAL TAXES

2021/22 Taxes

Average Municipal	Tax Rate	Tax Bill	Total Tax (Urban)	Tax Rate	Tax Bill
SFH	0.813	\$ 2,050	SFH	1.189	\$ 2,997
Commercial	2.953	\$ 43,406	Commercial	3.394	\$ 49,888

CURRENT DIRECTION 2022/23 (4.6%)

Average Municipal	Tax Rate	Tax Bill	\$ Change
SFH	0.794	\$ 2,144	\$ 94
Commercial	3.105	\$ 45,395	\$ 1,989

Total Tax (Urban)	Tax Rate	Tax Bill	\$ Change
SFH	1.154	\$ 3,116	\$ 119
Commercial	3.530	\$ 51,609	\$ 1,721

REDUCTION APPLIED 2022/23 (4.4%)

Average Municipal	Tax Rate	Tax Bill	\$ Change
SFH	0.793	\$ 2,141	\$ 91
Commercial	3.101	\$ 45,337	\$ 1,931

Total Tax (Urban)	Tax Rate	Tax Bill	\$ Change
SFH	1.153	\$ 3,113	\$ 116
Commercial	3.526	\$ 51,550	\$ 1,662

TAX BILL CHANGES

Current Motion has Climate Tax as a separate line on the Tax Bill

BENEFITS

- Transparent on how tax funding is being allocated
- Highlights the municipality's commitment to public investment in climate resiliency through HalifACT capital projects
- Aligns with "Environment" Council Priority Area

RISKS

- Not consistent with existing services:
 - There are no individual rates for each service
- Not a significant amount on the tax rate:
 - climate action rate is .023 (part of .794)
 - average costs on residential tax bill is **\$62**
- Creates further complexities in interpreting tax bill

YEAR 2 IMPLICATIONS

Based on the decision in the 2022/23 Budget, there will be pressure in years 2023/24

\$12.3M Surplus funding will not repeat in 2023/24:

- \$7M used to manage the tax increase
- \$5.3M used to fund one-time BAL Items
- Making up the funding will require an increase to the tax rate (over 1 cent for \$7M)

Almost all collective agreements are coming up for renewal:

- Recent collective agreements have settled above inflation

Inflation will continue to put pressure on both the Operating & Capital Budgets:

- Fuel costs remain elevated compared to expectations
- Input costs (supplies/material/labour) to capital projects expected to increase
- Pressure on compensation (outside of collective agreements) will increase: ie minimum wage increases

**THANK YOU
QUESTIONS?**