

Re: Item No. 6.1

FISCAL SERVICES

2023/24 Budget & Business Plan
Committee of the Whole on Budget
March 3, 2023

WHAT IS FISCAL SERVICES?

ORGANIZATION-WIDE COSTS AND REVENUES NOT FULLY ALLOCATED TO BUSINESS UNITS

- Property and other taxes
- Non-departmental revenues
- Private roads, other area rates
- Debt charges
- Capital-from-Operating
- Reserves
- Provincial mandatory costs
- Supplementary education
- Contingencies for compensation
- Other compensation costs
- Grants and tax relief
- Valuation allowance
- Summary offence tickets

MANDATORY PROVINCIAL TAXES

- The formula is based on the transfers legally required of municipalities
- The municipality has no accountability for how funds are spent
- The municipality is only responsible for the transfer of funds
- Funds are collected through area rates

Provincial Area Rates	2022/23 Budget	2023/24 Budget	Δ 22/23 Budget	Δ %
Mandatory education	161,102,500	173,821,800	12,719,300	7.9%
Assessment	7,324,000	7,303,000	(21,000)	-0.3%
Correctional services	6,837,000	6,870,000	33,000	0.5%
Housing	4,400,000	4,500,000	100,000	2.3%
Total	\$179,663,500	\$192,494,800	\$ 12,831,300	7.1%

OPERATING BUDGET

SUMMARY OF CHANGES

Change Description / Service Impact	Amount
Approved 2022/23 Budget	\$ (529,566,400)
Compensation Changes:	
Salary adjustment provision	4,654,800
Revenue Adjustments:	
Decrease in Deed Transfer	7,000,000
Increase in Tax Revenue (Including Grants in Lieu)	(47,161,700)
Increase in Interest Revenue	(6,485,000)
Other Budget Adjustments:	
One-time surplus funding	12,765,000
Contractual & inflation increases	1,767,500
Insurance cost	400,000
Non-Profit (increase due to assessment increase)	738,600
Net increase in debt payment & interest	1,688,600
Decrease to Capital-from-Operating	(3,218,000)
Decrease in Valuation Allowence	(1,000,000)
Other changes	(8,000)
Budget Transfers:	
Internship program to HRCC	(1,348,300)
Total Proposed Changes	\$ (30,206,500)
2023/24 Budget	\$ (559,772,900)

OPERATING BUDGET

OPTIONS UNDER BUDGET

Reduction Description / Service Impact	Revenue / Expense	One-time / Sustainable	2023/24 Amount	2024/25 Amount
Tax agreement with Halifax Airport Authority	Revenue	Yes		(1,000,000)
Supplementary Education funding allocation	Expense	Yes	-	(1,778,800)
Return Interest on over-due accounts to pre-pandemic rates	Revenue	Yes	(1,300,000)	(1,300,000)
Total Reductions			\$ (1,300,000)	\$ (4,078,800)

RESERVE CHANGES

UPDATES TO STRATEGIC INITIATIVE RESERVE – CAPITAL (Q666)

- The current business case allows for only funding **debt** costs on projects
- Project costs within the HalifACT small bundle include non-debt eligible costs
- Staff recommend updating the following section of the business case:
 - projects ~~must be eligible for debentures and~~ be capital in nature
- An updated business case will provide the flexibility required to fund strategic initiatives and HalifACT projects

STRATEGIC INITIATIVES

THE STRATEGIC INITIATIVE CAPITAL RESERVE IS FUNDED BY TWO SOURCES

- Climate Action Tax funding – \$18 million
- Strategic initiative general rate funding – \$14 million



\$32 million
Total annual funding
to strategic initiative

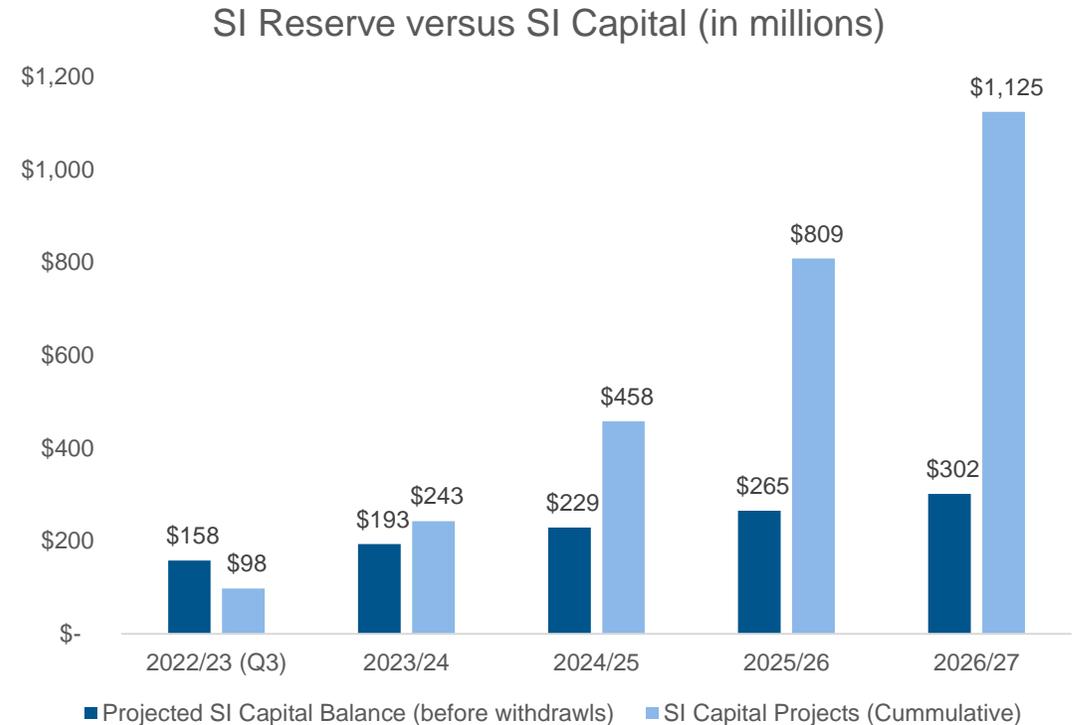
THE RESERVE OPERATES AS A “SAVINGS ACCOUNT”

- The reserve builds up funds
- Debt is taken as the project is completed
- The reserve pays the debt costs for the projects

STRATEGIC INITIATIVES – OUTLOOK

STRATEGIC INITIATIVE (SI) CAPITAL RESERVE

- Balance as of Q3 – \$158 million
- \$1.7 billion total SI projects:
 - \$0.5 billion are funded
 - \$1.2 billion are unfunded

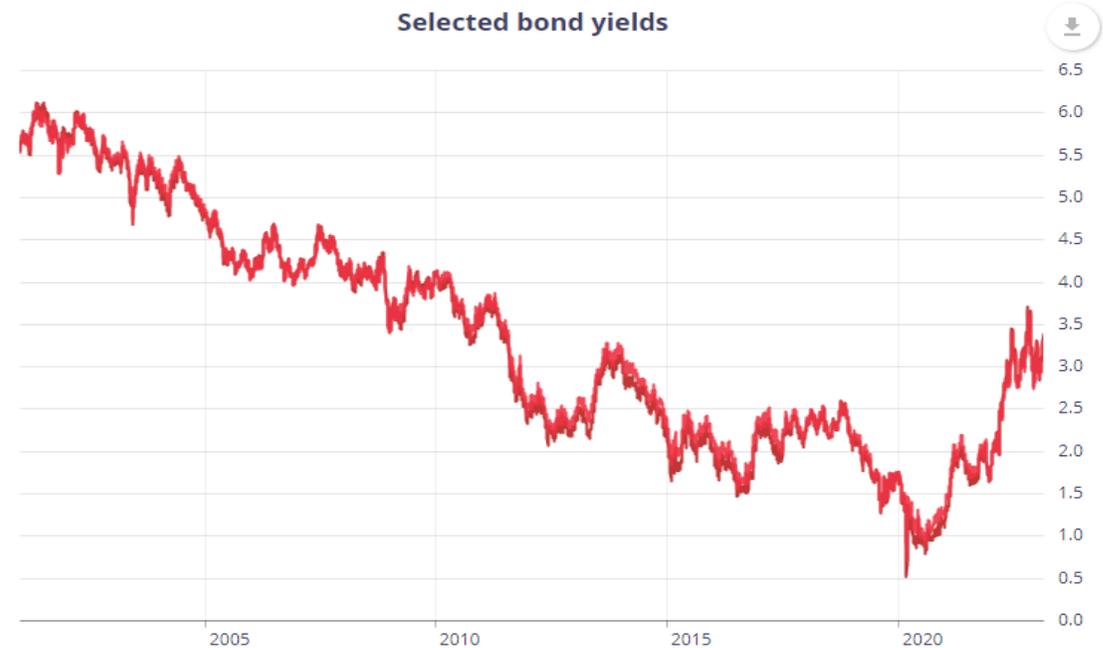


Finance is preparing a multi-year funding plan for SI Reserve

ECONOMIC OUTLOOK/ DEBT POLICY

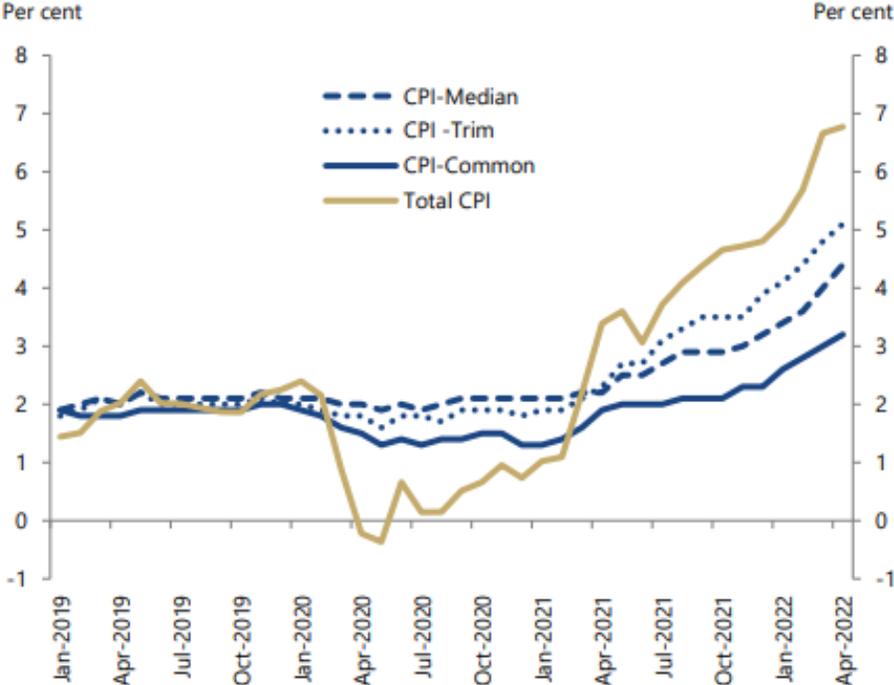
- Current debt policy is set to \$1,500 per dwelling unit for 2023/24. This provides flexibility in medium term.
- Per provincial guidelines, debt servicing costs cannot exceed 15 per cent of own-source revenues. The municipality is at roughly 33 per cent of this (5.3 per cent).
- Real interest rates will fall as core inflation decelerates and returns to Bank of Canada target in 2024.

Canada 10-year yield (2000-2023)

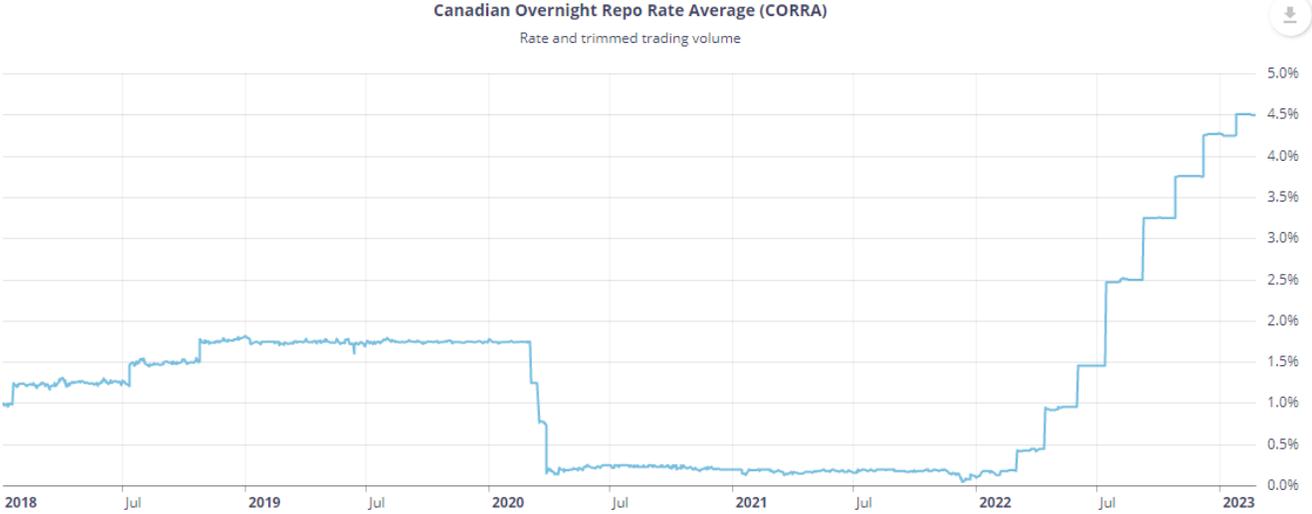


INFLATION AND INTEREST RATES

Total CPI inflation and measures of core inflation



Sources: Bank of Canada, Statistics Canada and Office of the Parliamentary Budget Officer.



Key takeaway: Continued evidence of core inflation declining implies a path toward lower nominal rates. The question becomes when, not if. (Parliamentary Budget Office research note, June 2022).

RISKS/ OPPORTUNITIES

RISKS

- Higher relative inflation environment persisting
- Elevated nominal interest rates to 2024/25
- Strategic initiative projects will eventually cause debt capacity to decrease
- Currently projecting a deficit for 2022/23 (will need to be funded in 2023/24)

OPPORTUNITIES

- Ample debt capacity (currently)
- Currently one third of provincial indicator debt servicing costs
- Cost-share opportunities being explored for strategic initiative projects

MULTI-YEAR PROJECTION

KEY PRESSURES IN 2024/25

- Compensation expected to increase \$20.1 million
- Restoring Capital-from-Operating will require \$25.7 million
- Inflation is slowing but will remain higher than normal
- Contracts expected to increase by \$4 million
- Debt and other cost expected to rise by \$3.5 million
- Deed Transfer Tax will decline a further \$1.7 million and will continue to decline into the future

Increase	Amount (\$M)	Tax Bill Impact (%)
Compensation	20.1	3.3
Capital-from-Operating	25.7	4.3
Contracts	4.0	0.7
Other (Debt/Inflation)	3.5	0.6
Deed Transfer	1.7	0.3
Total	\$ 55.0	9.2%

**Increase is approximate and is based on 2023/24 Bill and assessment*

BUDGET ADJUSTMENT LIST

Budget Adjustment Tax Implications	23/24 Rate Impact	23/24 Avg Bill Impact	23/24 Avg Bill Impact	23/24 Comm Rate Impact	23/24 Comm Bill Impact	23/24 Comm Bill Impact
Staff original proposed Budget Direction - 8.0% Tax Change	0.775	\$ 173.00	8.0%	3.097	\$ 3,664.00	8.0%
New growth in PVSC Assessment	(0.002)	\$ (6.02)	-0.3%	(0.008)	\$ (127.50)	-0.3%
Post Budget Direction "Built-In" reductions	(0.014)	\$ (42.14)	-2.0%	(0.056)	\$ (892.70)	-2.0%
Additional items (rounded)**	0.003	\$ 9.03	0.4%	0.012	\$ 191.30	0.4%
OVERALL RATE & NET CHANGE**	0.762	\$ 133.87	6.2%	3.045	\$ 2,835.10	6.2%

- If the Budget Adjustment List is approved in the current state, there would be an increase of 6.2 per cent to the average residential and commercial property tax bill.
- If only the revenue increases and reductions are approved, there would be an increase of 5.2 per cent to the average residential and commercial property tax bill.

FUTURE PLANNING

FINANCE IS UNDERTAKING THE FOLLOWING PROJECTS

LONG TERM RESERVE FUNDING PLAN

- All reserves to be reviewed for funding and what they are eligible to fund
- Inflation has changed the dynamic on what reserves are able to fund
- Current funding sources not materializing (i.e. land sales)

FOUR-YEAR BUDGET CYCLE

- Work beginning to start presenting the budget in four-year increments
- 2025/26 Budget expected to be first budget with four-year view

THANK YOU