

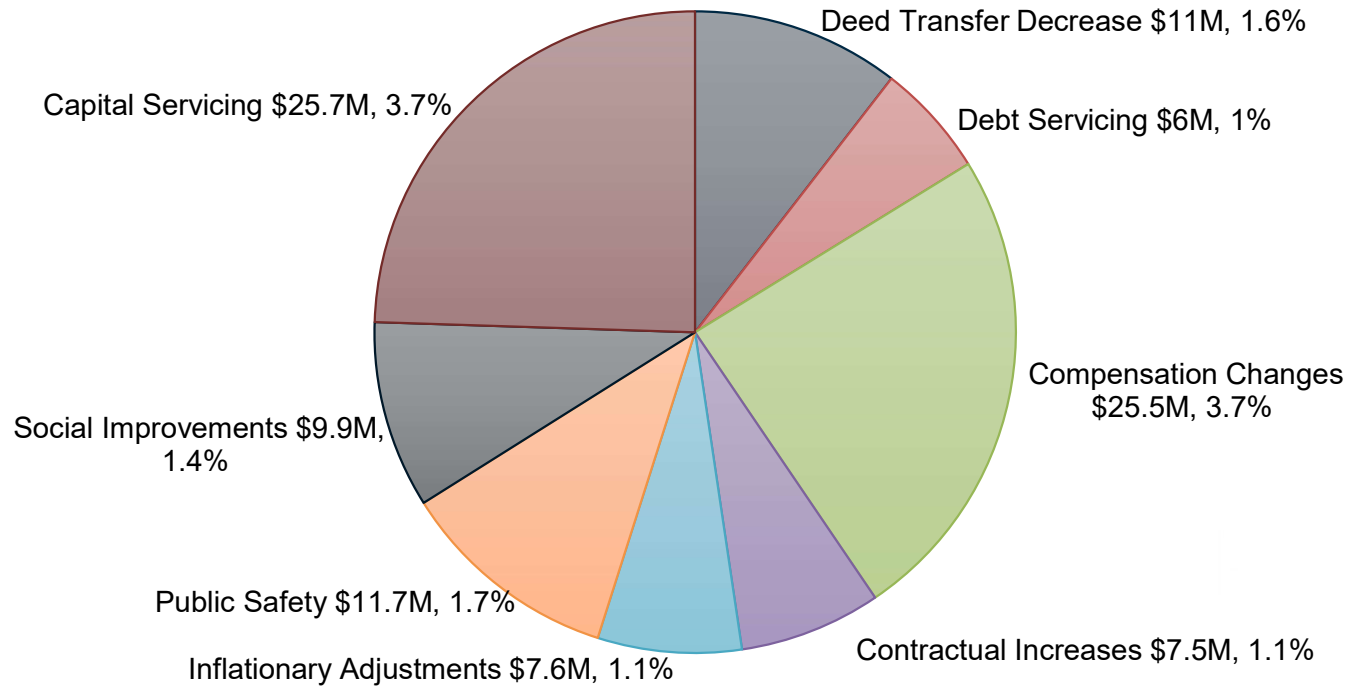
November 28, 2023

Re: Item No. 6.2

**HALIFAX**

# 2024/25 Budget Direction

# \$105M Budget Shortfall



# \$105M Budget Shortfall

5 Items are causing approximately 75% of the shortfall

- \$25.7M Restoring cap-from-op (total **\$86.1M**)
- \$25.5M Compensation
- \$11M Deed transfer tax decrease (total **\$65M**)
- \$7.5M Contractual increases
- \$6.0M Debt (P&I) costs increase

These increases have been offset by a \$0.25 (\$900K) proposed increase to fares

# Half of the \$105M Shortfall is Fixed

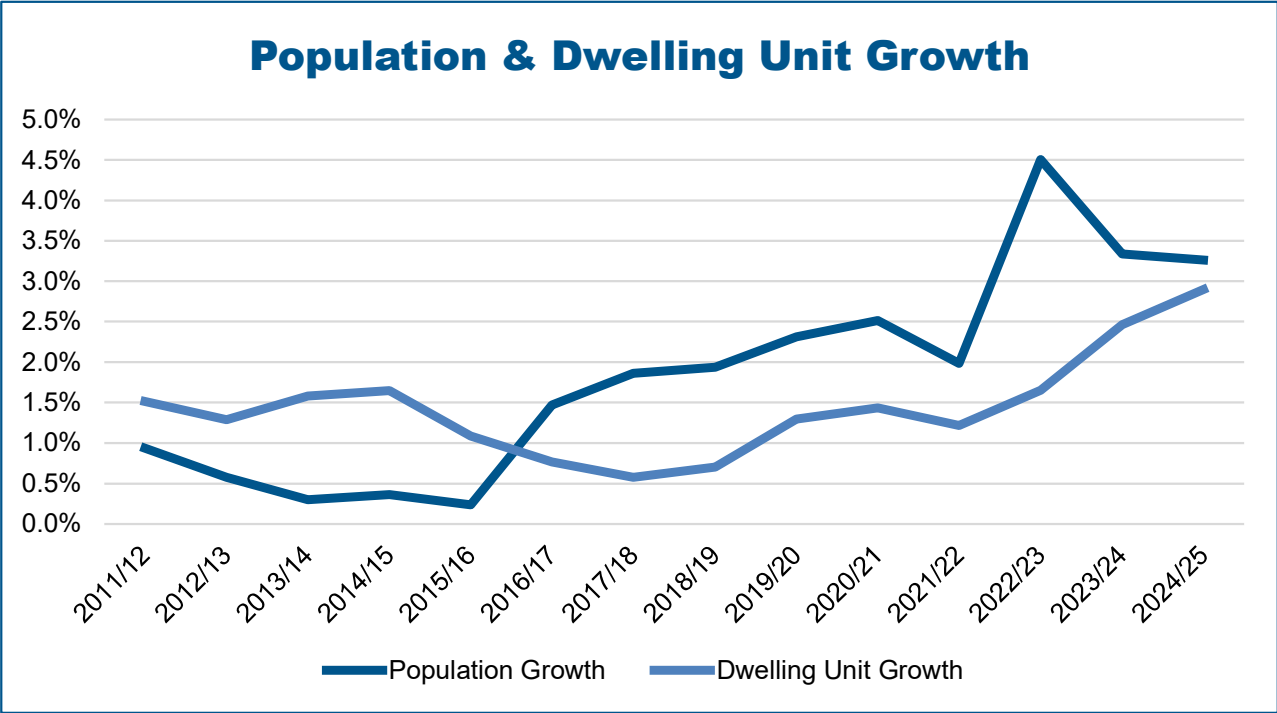
## Non-controllable:

- \$25.5M Compensation changes
- \$11M Deed transfer tax decrease
- \$7.5M Contractual
- \$7.6M Inflationary
- \$6.0M Debt servicing

## Partially Controllable:

- \$25.7M Cap-from-Op
- \$11.3M Public Safety
- \$9.9M Social Improvements

# Key Pressure - Population

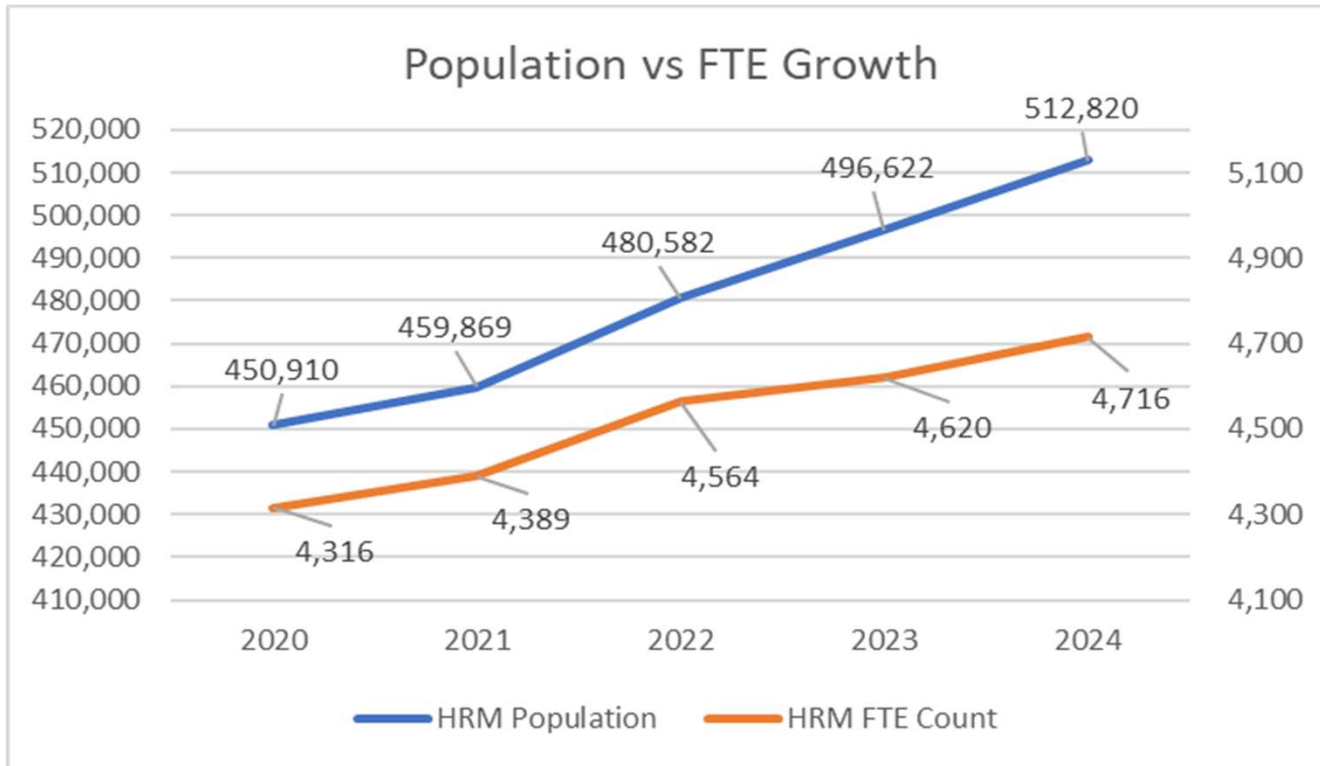


Population sourced from StatCan & forecast provided by Canmac Economics

Population growth increasing pressure on infrastructure:

- Requirements for new infrastructure to service new development (greater than the municipality has the capacity to deliver currently)
- Additional pressure on existing infrastructure in the meantime

# FTE Growth



Growth in FTEs are currently growing slower than population growth

Population sourced from StatCan & forecast provided by Canmac Economics

# Key Pressures - Social

- \$2.6M Living wage adjustments
- \$2.4M MFTP & transit improvements
- \$1.0M Suburban plan & cultural priorities
- \$1.3M Events & other
- \$0.5M Micro mobility projects
- \$0.6M Non-profit redesign
- \$0.5M Increase to affordable access
- \$0.3M Library collections

# Key Pressures – Public Safety

- \$2.6M RCMP contractual costs
- \$1.4M HRP Service enhancements (pending BoPC)
- \$1.3M New HRFE positions
- \$1.6M HRP & HRFE supplies & other non-comp costs
- \$1.5M Volunteer honorarium increase
- \$1.2M Fleet enhancements (24hr shifts & fire fleet)
- \$1.1M Public safety projects & food action plan
- \$0.9M New positions & related costs (crossing guards, safety positions, 24hr investigators and analysts)
- \$0.1M Various - security & site cleanup costs

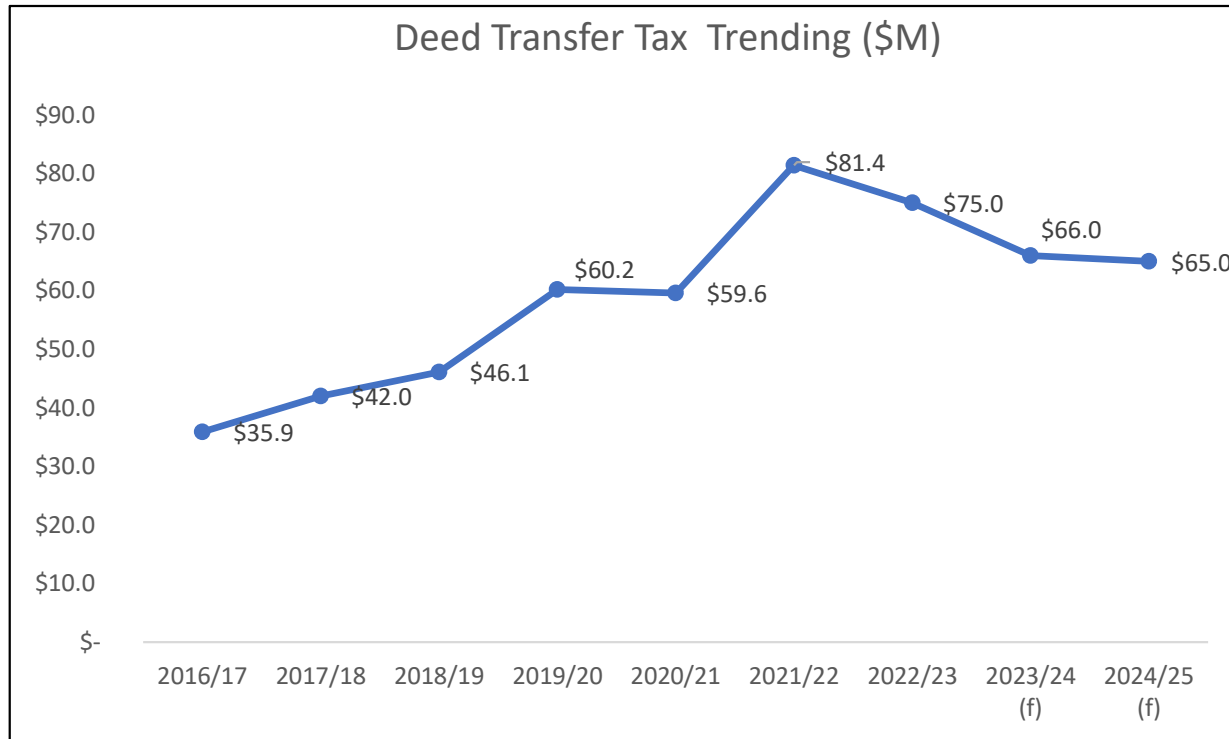
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# Key Pressures – Inflationary

- \$2.8M Utility increases and buildings costs
- \$1.3M Transit pressures (repairs & maintenance)
- \$0.9M Fleet inflation (fuel consumption and R&M)
- \$0.7M Parks materials & building costs
- \$0.5M State of good repair in right-of-way
- \$0.6M Operating cost of capital
- \$0.8M Various increases across the organization

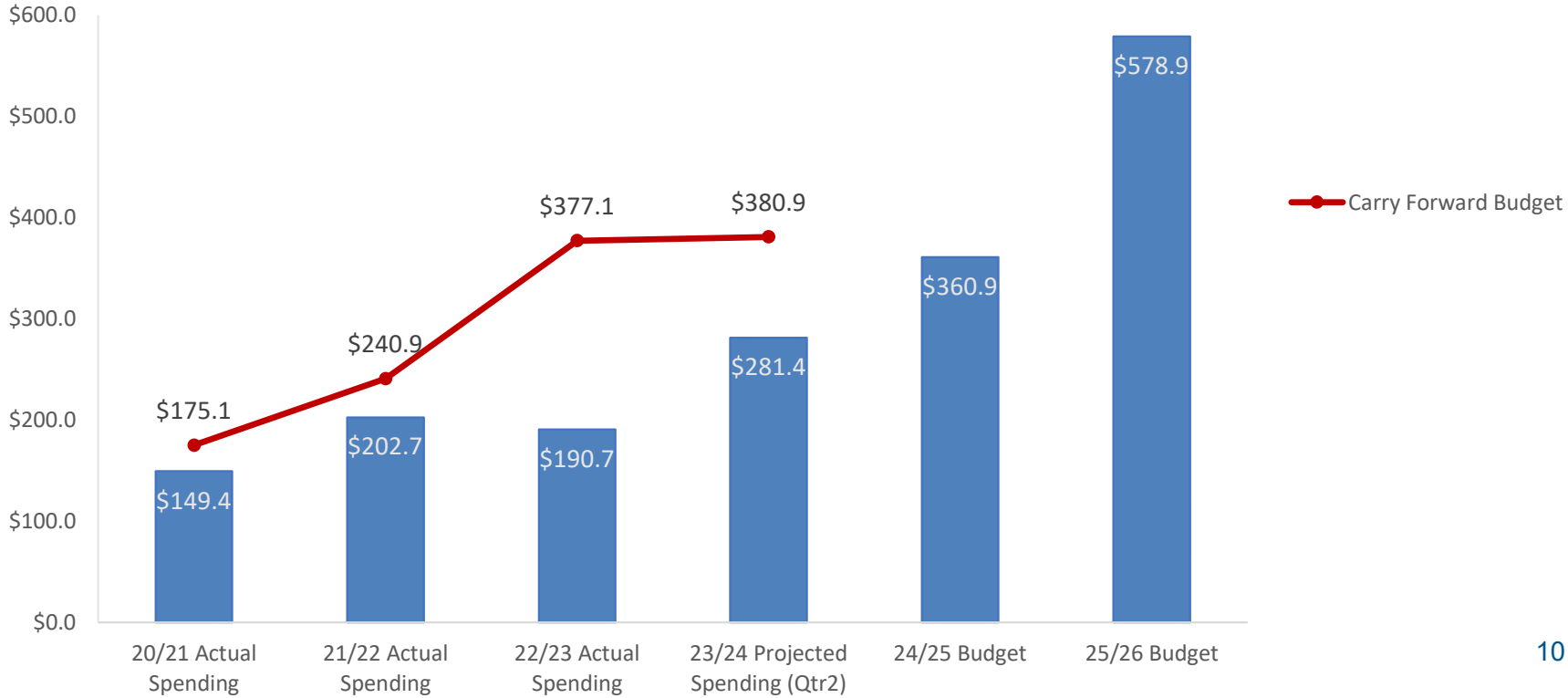
# Deed Transfer Tax Decline



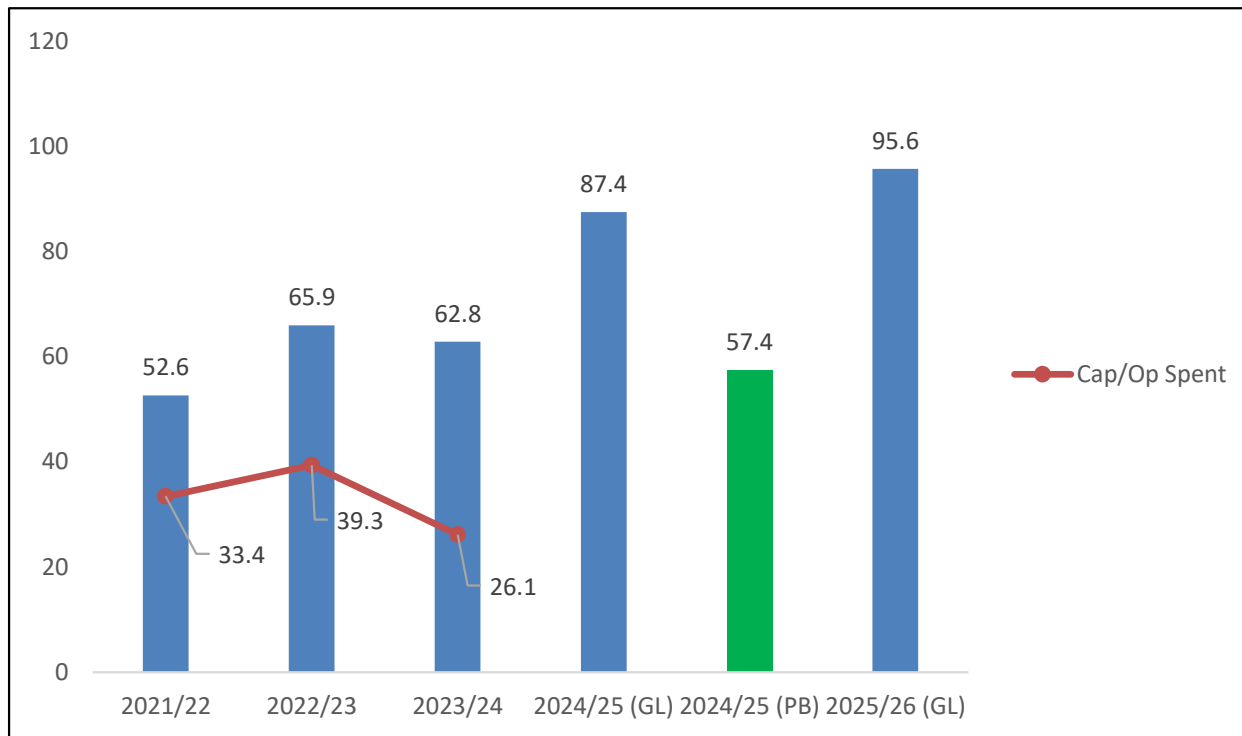
Deed Transfer Tax peaked in 2021/22 and will temperately stabilize at \$60M-\$65M

2024/25 Forecast provided by Canmac Economics

# Capital Trends & Pressures (\$M)

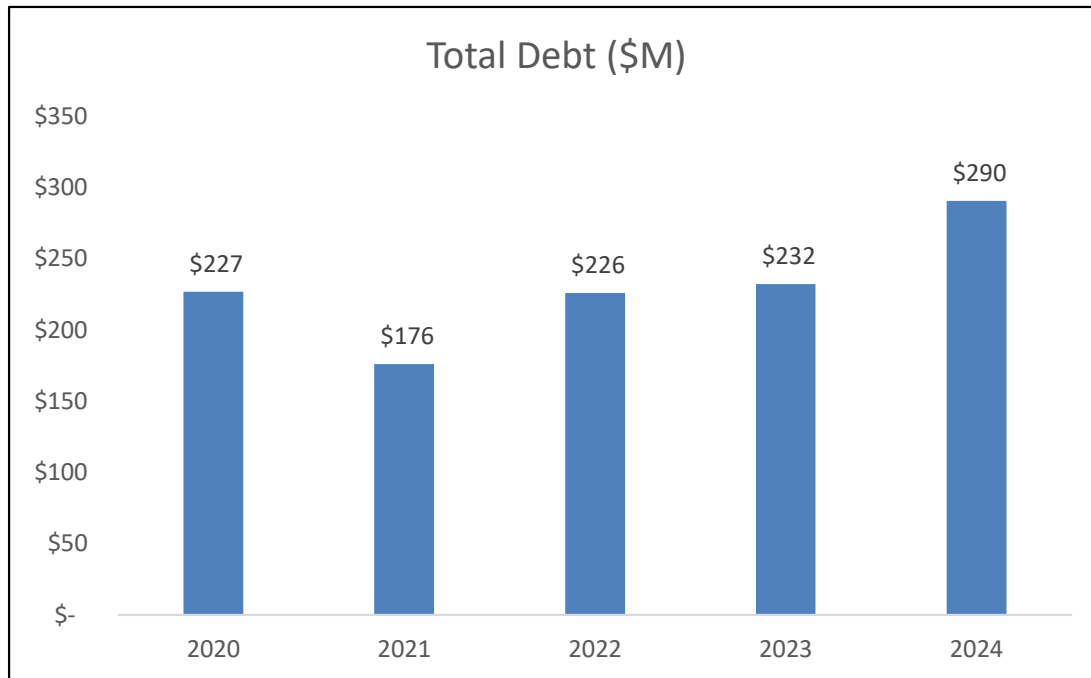


# Capital from Operating (\$M)



\$8M removed for roads in 2023/24 and CPI/increase was not included.

# Debt Costs are Increasing



\$80M of debt was issued during 2023 at an interest rate of over 5%

The increase in the debt ceiling adds over \$50M of debt capacity

# Tax Increase Mitigation

To lower the tax increase from 15.2% to 9.7% the following funding adjustments were made:

- \$30M reduction to capital-from-operating by deviating from guidelines
- \$7M Throttling back funding to Strategic Initiative (SI) reserves

# Current Budget Outlook

Expenditures	2023/24 Budget	2024/25 Revisions	2024/25 Year 1	Yr/Yr % Change
Compensation and Benefits	481,701,600	39,559,400	521,261,000	8.2%
Office	13,647,716	580,500	14,228,216	4%
External Services	162,731,700	11,843,700	174,575,400	7%
Supplies	4,500,834	-	4,500,834	0%
Materials	3,609,800	-	3,609,800	0%
Building Costs	18,418,400	4,698,300	23,116,700	26%
Equipment & Communications	9,647,500	655,000	10,302,500	7%
Vehicle Expense	40,723,100	3,539,900	44,263,000	9%
Other Goods & Services	28,407,150	10,349,900	38,757,050	36%
Interdepartmental	(314,500)	-	(314,500)	0%
Debt Service	44,720,200	6,000,000	50,720,200	13%
Other Fiscal	364,762,550	(13,023,000)	351,739,550	-4%
<b>Total Expenditures</b>	<b>1,172,556,050</b>	<b>64,203,700</b>	<b>1,236,759,750</b>	<b>5%</b>

Revenues	2023/24 Budget	2024/25 Revisions	2024/25 Year 1	
Tax Revenue	(704,566,300)	11,000,000	(693,566,300)	-1.6%
Area Rate Revenue	(262,109,050)	-	(262,109,050)	0.0%
Tax Agreements	(13,028,100)	(2,500,000)	(15,528,100)	19.2%
Payments in Lieu of taxes	(45,682,000)	-	(45,682,000)	0.0%
Transfers from other Govts	(16,511,300)	-	(16,511,300)	0.0%
Interest Revenue	(16,650,400)	(2,000,000)	(18,650,400)	12.0%
Fee Revenues	(78,988,000)	(3,493,100)	(82,481,100)	4.4%
Other Revenue	(35,020,900)	1,500,700	(33,520,200)	-4.3%
<b>Total Revenues</b>	<b>(1,172,556,050)</b>	<b>4,507,600</b>	<b>(1,168,048,450)</b>	<b>-0.4%</b>
<b>Net Total</b>	<b>0</b>	<b>68,711,300</b>	<b>68,711,300</b>	

# Recommendation

- Develop the draft 2024/25 operating budget to provide an overall increase of \$68.7M and average tax bill increase of 9.7%
  - Impact on tax rate or average tax burden will not be known with certainty until final assessment role is received.
  - A reduction in mandatory Provincial contributions as part of Service Exchange could help partially mitigate the increase in average tax burden
- Increase the debt ceiling to \$1,800 per dwelling



# Next Steps

- December 12 - Capital Update & Advanced Tenders
- January 24 - Assessment Update & Capital Plan
- January 31 - March 6/8 Business Unit Presentations
- April 2 - Budget Adjustment List
- April 23 - Budget Approval