HALIFAX

Revised - Slide 23 of
Attachment A - Feb. 12/19

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Item No. 4
Budget Committee
February 13, 2019

TO: Chair and Members of Budget Committee
(Standing Committee of the Whole on Budget)

SUBMITTED BY: Original Signed by
Jacques Dubé, Chief Administrative Officer

DATE: January 28, 2019

SUBJECT: **2019-20 Fiscal and Consolidated Accounts**

ORIGIN

As per Administrative Order One, and the Budget and Business Plan consultation schedule presented on to Regional Council, staff is required to present the 2019/20 draft Business Unit Budget and Business Plans to the Committee of the Whole for review and discussion prior to consideration by Regional Council.

LEGISLATIVE AUTHORITY

Halifax Charter, section 35 (1) The Chief Administrative Officer shall (b) ensure that an annual budget is prepared and submitted to the Council.

RECOMMENDATION

It is recommended that the Budget Committee direct staff to:

1. Proceed to prepare the 2019-20 Fiscal and Consolidated Accounts, as proposed in the accompanying presentation and consistent with the preliminary fiscal direction,
2. Adjust Capital from Operating to $32.8 million (excluding Transit contribution), as the operating contribution to the Capital Budget.
3. Maintain Tax-Supported Debt declining at 3 per cent per household per year, as per the Multi-Year Financial Strategy.

BACKGROUND

Since 2017, HRM has adopted a multi-year budget approach, with year 1 to budget quality and year 2 as a budget quality estimate of expenditures and revenues. The 2019-20 budget cycle is the first year of a 2-year budget cycle that ends in 2020-21. Regional Council adopted a motion in 2016, directing that staff take "*in 2017-2018 and the following years, a much broader view that looks at the underlying fiscal and economic assumptions and critical key decisions such as the level of the overall capital budget, debt, tax levels, reserves and the capacity to undertake service enhancements.*"

On November 27, 2018, Committee of the Whole (COW) directed staff to "develop the 2019-2020 Budget and 2020-21 Budget in Principle according to Council's approved priorities, and preliminary fiscal direction, including: − maintaining the appropriate level of existing services with the addition of the new services previously approved by Council; − a three-year capital budget that recapitalizes assets, funds growth related issues and is balanced to the fiscal framework; − a responsible debt position; − appropriate reserve balances that allow for risk mitigation, future obligations, and opportunities; and, − alignment of the current average tax bill for residential homes and commercial properties under three scenarios: a) 2.1% increase for 2019-20; b) 2.9% increase for 2019-20; c) 1.9 % increase for 2019-20.

DISCUSSION

Preparing and finalizing a budget is an extensive exercise which includes many iterative steps. including four critical influences:

1. Operating Budget,
2. Net Capital Budget,
3. Tax Supported Debt, and,
4. Reserves (Net Obligations)

Since December 2018, business units have presented their 2019/20 budgets for Council's consideration. Given current Council direction, staff have developed a tentative budget that incorporates the following assumptions.

- Average Single-Family Home assessment has increased 2.6%.
- The Assessment cap is 2.9%
- Annual Commercial Assessment growth is 0.2%
- At a 2.9% average tax bill increase, the average tax bill for single family homes will increase by $55.
- A 1.9% average tax bill increase will see single family homes pay an additional $36.

Based on Council's direction, these rates will see the average commercial tax bill for commercial properties increase by either $1,185 (2.9%) or $777 (1.9%).

Residential	Average Taxable Value	Rate (Urban)	Bill (Rate X Value)	Change in Average Tax Bill from 2018-19 ($)	Change in Average Tax Bill (%)
2018 (Actual)	$235,292	$0.817	**$1,924**	-	-
2019 (2.9%)	$241,390	$0.820	**$1,979**	*$55*	***2.9%***
2019 (1.9%)	$241,390	$0.812	**$1,960**	*$36*	***1.9%***

Various other tax rates must be set by Regional Council for the 2019-20 fiscal year. These rates are to be set once the amounts are finalized. These tax rates include:

- Supplementary Education
- Fire Protection Charge
- Stormwater Right-of Way Charge
- Provincially Mandated Services:
    - Halifax Regional School Board
    - Correctional Services
    - Property Valuation Services Corporation
    - Metropolitan Regional Housing Authority

Potential Funding of Budget Options:

During the Committee of the Whole Budget process, Council reviews each Business Unit's high level budget and proposed plans before detailed preparation. To ensure flexibility within the process, the business unit presentations included options for the Committee's consideration, both above and below Council's Preliminary fiscal direction. These options are scheduled to be debated in February, during Committee of the Whole (COW).

Funding options include Debt, Capital from Operating, expenditure reduction and tax rate changes. Debt is issued for the funding of asset purchase and construction, not ongoing operating costs. It would be possible, however, to reduce the organization's contribution to capital from operating in favour of additional debt. The savings from capital to operating could then be redirected to the program costs. There are two serious weaknesses to this approach. First, the organization would have to re-issue additional debt not just once, but in each year that it was operating those programs. Secondly, debt servicing costs would have to be re-paid through future operating budgets. This solution may not be sustainable and essentially pushes funding requirements forward into future budget cycles.

Debt is a longer-term financial tool that is best used to ensure intergenerational equity, that is, spreading costs across generations that benefit from the service/asset. Benchmark government bond yields are historically low but forecasts for bond yields are subject to financial condition uncertainty.

Reserves are an option to fund these ongoing costs but only in the short run. Funds are typically placed into reserve for specific uses, some of which extend past the four year planning cycle. There are some resources in reserves that are in excess of current needs and could be used. However, the withdrawals could not be repeated indefinitely.

The other sustainable approach is to reduce expenditures. Potential program enhancements may be covered through tax increases (general rate), or reductions in capital expenditures or through reallocation of resources across business units.

FINANCIAL IMPLICATIONS

Capital from Operating, Debt and tax rates have been adjusted accordingly to align projected revenues and expenditures. The recommendations in this report will lead to the development of a proposed budget for 2019-20, the first year of Council's second Multi-Year Budget cycle. Additional financial implications will be analyzed and debated as the budget is developed further.

RISK CONSIDERATION

The risk associated with this report is low given appropriate oversight and analysis by staff and Council.

COMMUNITY ENGAGEMENT

Public participation was invited throughout the Business Unit presentations during the Committee of the Whole process.

ENVIRONMENTAL IMPLICATIONS

None

ALTERNATIVES

The Committee of the Whole can choose to amend the Budget as proposed in the accompanying presentation through specific motion, and direct staff to proceed to prepare the Budget for inclusion in the proposed HRM Budget and Business Plan documents.

ATTACHMENTS

Attachment A - Fiscal and Consolidated Accounts 2019-20 Budget Presentation
Attachment B – Corporate Accounts 2019-20 Business Plan

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

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Financial Approval by: Original Signed by
Jane Fraser, Director of Finance, Asset Management and ICT/CFO, 902.490.4630

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Fiscal & Consolidated Accounts

2019/20 and 2020/21 Multi-Year Budget & Business Plan

Committee of the Whole
February 13th, 2019

Overview

How we Recommend a Tax Rate

What is Fiscal Services?

- Revenues and Taxation
- Expenditures
- Capital from Operating
- Debt
- Reserves

Commercial Tax Structure Update

Tax Rate Recommendation

- Rate recommendation is based on the cost to deliver services as directed by Council
- Holistic view of :
  - Tax burden
  - Assessment Roll changes (residential and commercial)
  - Inflation – service contracts, fuel and diesel, collective agreements, other wage increases
  - Debt payments
  - Reserve investments per business cases
  - Programs/ services approved by Council in-year

Tax Rate Recommendation

- Review Business Units costs and revenues
- Review previous years actuals and current year projections
- Adjust for debt payments
- Adjust for wages and benefits
- Adjust for one-time costs
- Evaluate risks and pressures
- Determine target for business units
- Not all business units require the same increase

Tax Rate Recommendation

- Begin planning with the Preliminary Assessment Roll
- Final Roll is ready in January – look at changes from Preliminary roll and adjust revenue assumptions
- Compare previous years assessment roll with the current year – remove new builds, and building permits
- Come up with a true year to year comparison for the average tax bill increase
- The average assessment change is calculated – the “lift” in assessment
- The increase to the average tax bill is the growth from assessment plus % rate amount = 2.9%
- The rate is <u>not</u> in addition to the assessment lift

Business Unit Targets 2019/20

- Each Business Units Given a "Target" to Maintain Services and Meet Pre-Commitments/Objectives:
  - Collectively totals a 2.9% Average Tax Bill
  - Changes in Business Units vary
    - Under 1% - Fire, Library, P&D, Parks and Rec, TPW
    - 1% to 5% - Finance & ICT, Police, Legal, CAO, CCS, RCMP
    - Over 5% - Transit, HR, AG
  - Reasons for under 2.9%:
    - Salaries in fiscal, debt down, overtime savings
  - Reasons for over 2.9%
    - Salary steps, extra 2 days, new positions, higher service

What is Fiscal Services?

Organization wide costs and revenues that are not fully allocated to Business Units including:

- 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
- Intern Program, Other Compensation costs
- Grants and Tax Relief
- Valuation Allowance
- Insurance

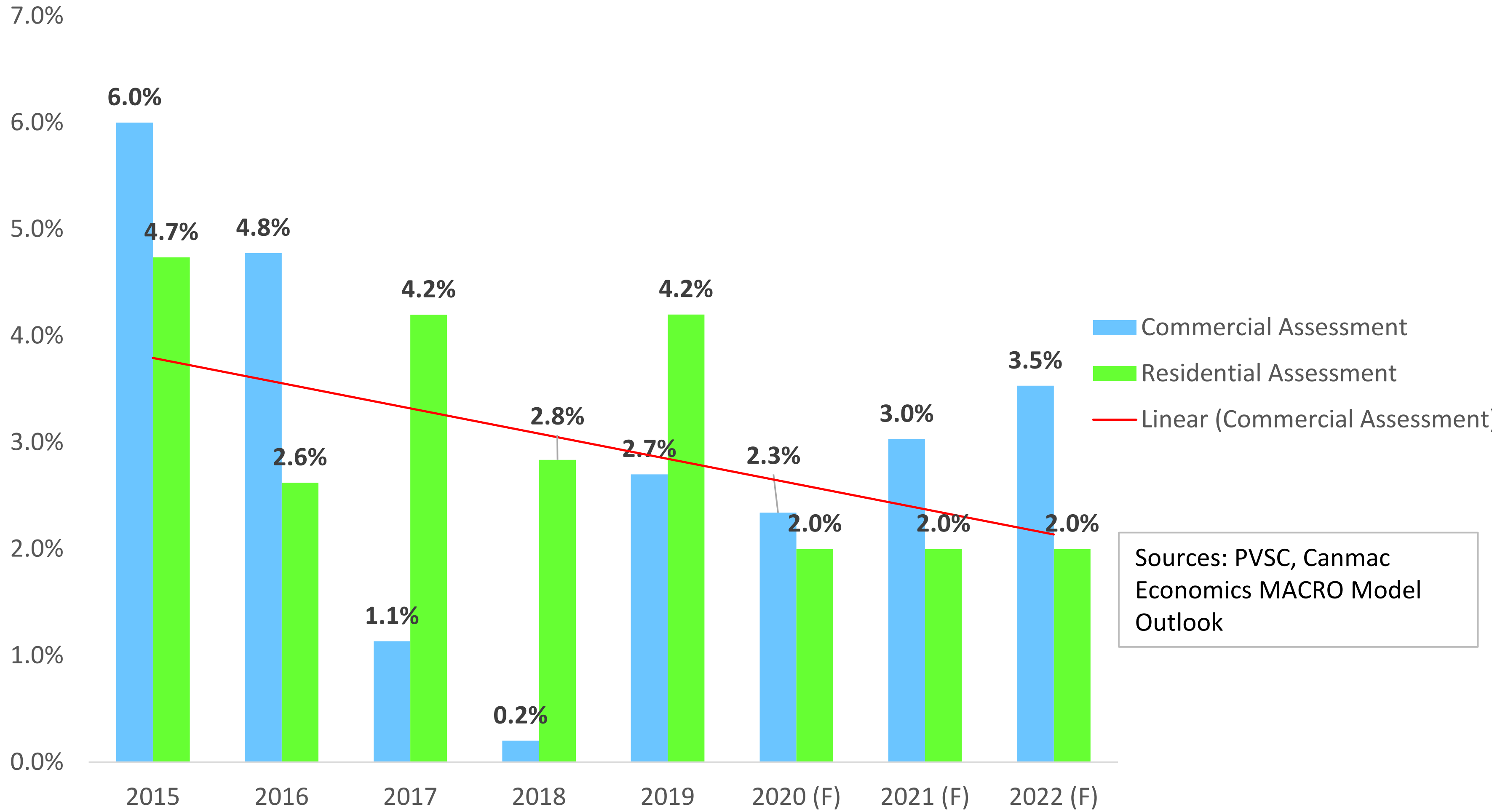
Fiscal Operating Budget Overview

	2017-18 Actual	2018-19 Budget	2018-19 Projections	2019-20 Budget	Δ 18-19 Bud.	2020-21 Budget
Total Expenditures	332,455,227	307,616,600	268,840,378	327,911,500	20,294,900	331,222,600
Total Revenues	(730,265,509)	(743,648,500)	(755,259,400)	(773,424,400)	(29,775,900)	(775,610,300)
Net Surplus/Deficit	(397,810,282)	(436,031,900)	(446,099,100)	(445,512,900)	(9,481,000)	(444,387,700)

Fiscal Revenues

Revenues	2017-18 Actual	2018-19 Budget	2018-19 Projections	2019-20 Budget	2019-20 Δ 18-19 Bud.	2019-20 Δ %	2020-21 Budget
Tax Revenues	(469,596,547)	(476,796,600)	(486,796,600)	(500,457,900)	(23,661,300)	5.0	(503,287,100)
Area Rate Revenues	(176,310,642)	(181,417,000)	(181,417,000)	(185,276,900)	(3,859,900)	2.1	(184,827,000)
Tax Agreements	(10,795,020)	(12,165,000)	(12,452,500)	(11,491,300)	673,700	(5.5)	(11,491,300)
Payments in Lieu of taxes	(37,724,440)	(39,010,000)	(39,025,200)	(41,452,700)	(2,442,700)	6.3	(41,452,700)
Transfers from other Gov'ts	(3,627,852)	(3,530,000)	(3,456,200)	(3,730,000)	(200,000)	5.7	(3,660,000)
Interest Revenue	(7,650,823)	(7,307,500)	(8,217,500)	(8,205,700)	(898,200)	12.3	(8,170,600)
Fee Revenues	(4,836,154)	(4,875,000)	(4,940,000)	(4,600,000)	275,000	(5.6)	(4,600,000)
Other Revenue	(19,724,031)	(18,547,400)	(18,954,400)	(18,209,900)	337,500	(1.8)	(18,121,600)
Fiscal Services Total	**(730,265,509)**	**(743,648,500)**	**(755,259,400)**	**(773,424,400)**	**(29,775,900)**	**4.0**	**(775,610,300)**
Other Business units	(186,570,697)	(175,182,200)	(177,014,944)	(183,153,800)	(7,971,600)	**4.6**	(187,188,700)
Total Revenues	**(916,836,206)**	**(918,830,700)**	**(932,274,344)**	**(956,578,200)**	**(37,747,500)**	**4.1**	**(962,799,000)**

Residential and Commercial Taxable Assessment Growth, Trend: 2015-22



Sources: PVSC, Canmac Economics MACRO Model Outlook

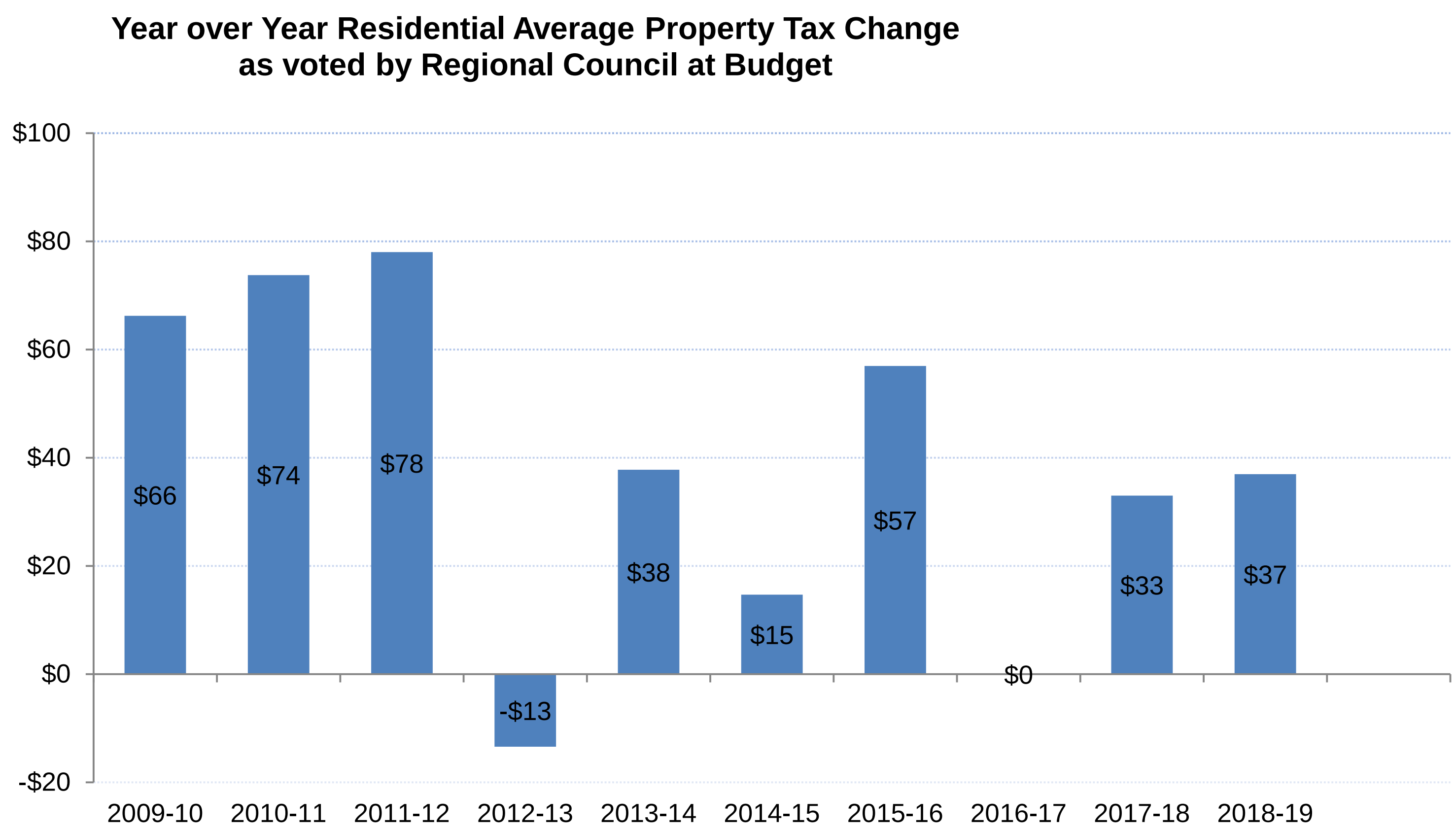
Average Residential Tax Bill at 2.9% and 1.9%

Residential	Average Taxable Value	Rate (Urban)	Bill (Rate X Value)	Change in Average Tax Bill from 2018-19 ($)	Change in Average Tax Bill (%)
2018 (Actual)	$235,292	$0.817	**$1,924**	**-**	**-**
2019 (2.9%)	241,390	$0.820	**$1,979**	*$55*	***2.9%***
2019 (1.9%)	241,390	$.812	**$1,960**	*$36*	***1.9%***

Average Commercial Tax Bill at 2.9% and 1.9%

Commercial	Average Taxable Value	Rate (Urban)	Bill (Rate X Value)	Change in Average Tax Bill from 2018-19 ($)	Change in Average Tax Bill (%)
2018 (Actual)	$1,404,317	$2.9255	**$41,083**	-	-
2019 (2.9%)	$1,406,600	$3.005	**$42,268**	*$1,185*	***2.9%***
2019 (1.9%)	$1,406,600	$2.976	**$41,860**	*$777*	***1.9%***

Average Residential Tax Bill Changes, 2009-2018

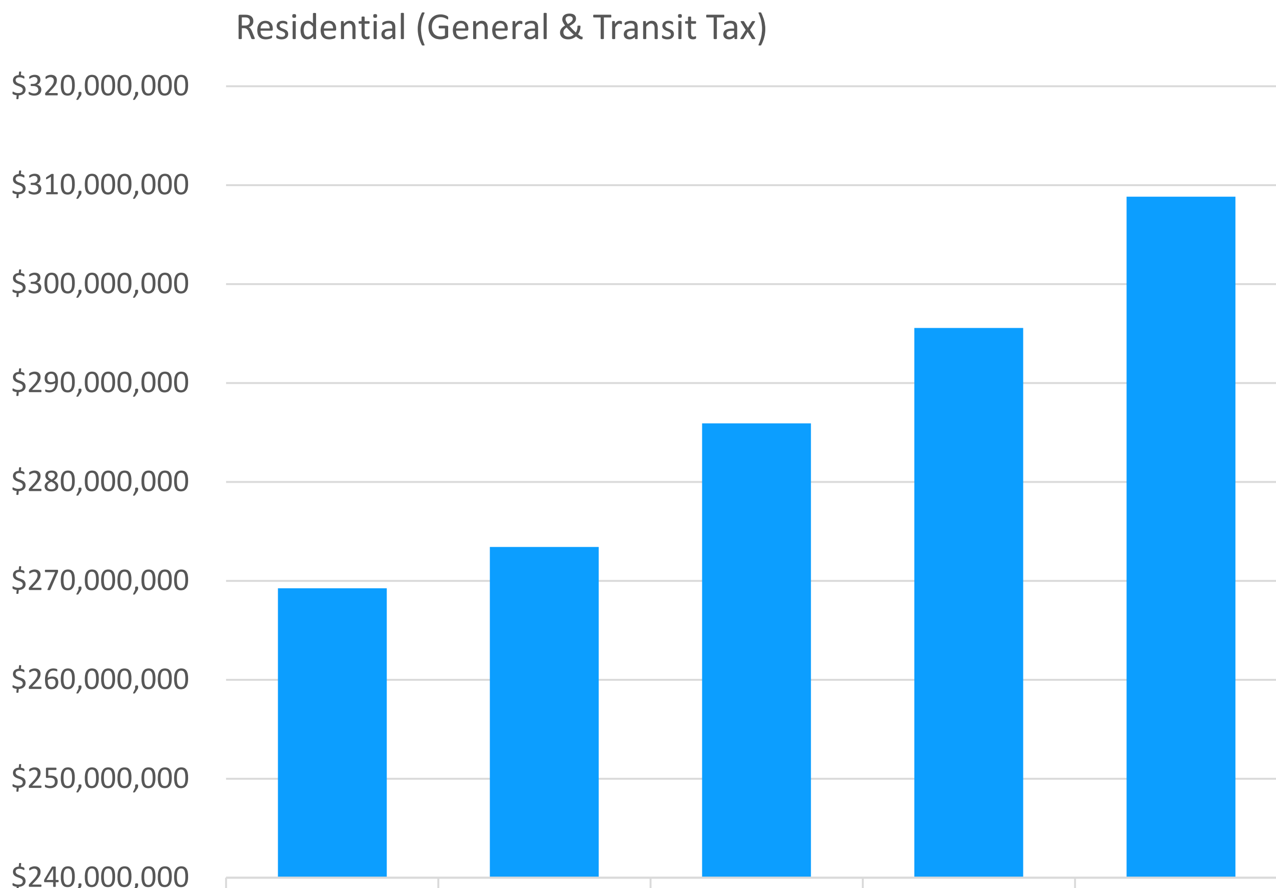


Note: Based on year to year assessment changes at budget time. Not re-stated for assessment growth.

Commercial Property Tax Revenues, 2015-2019

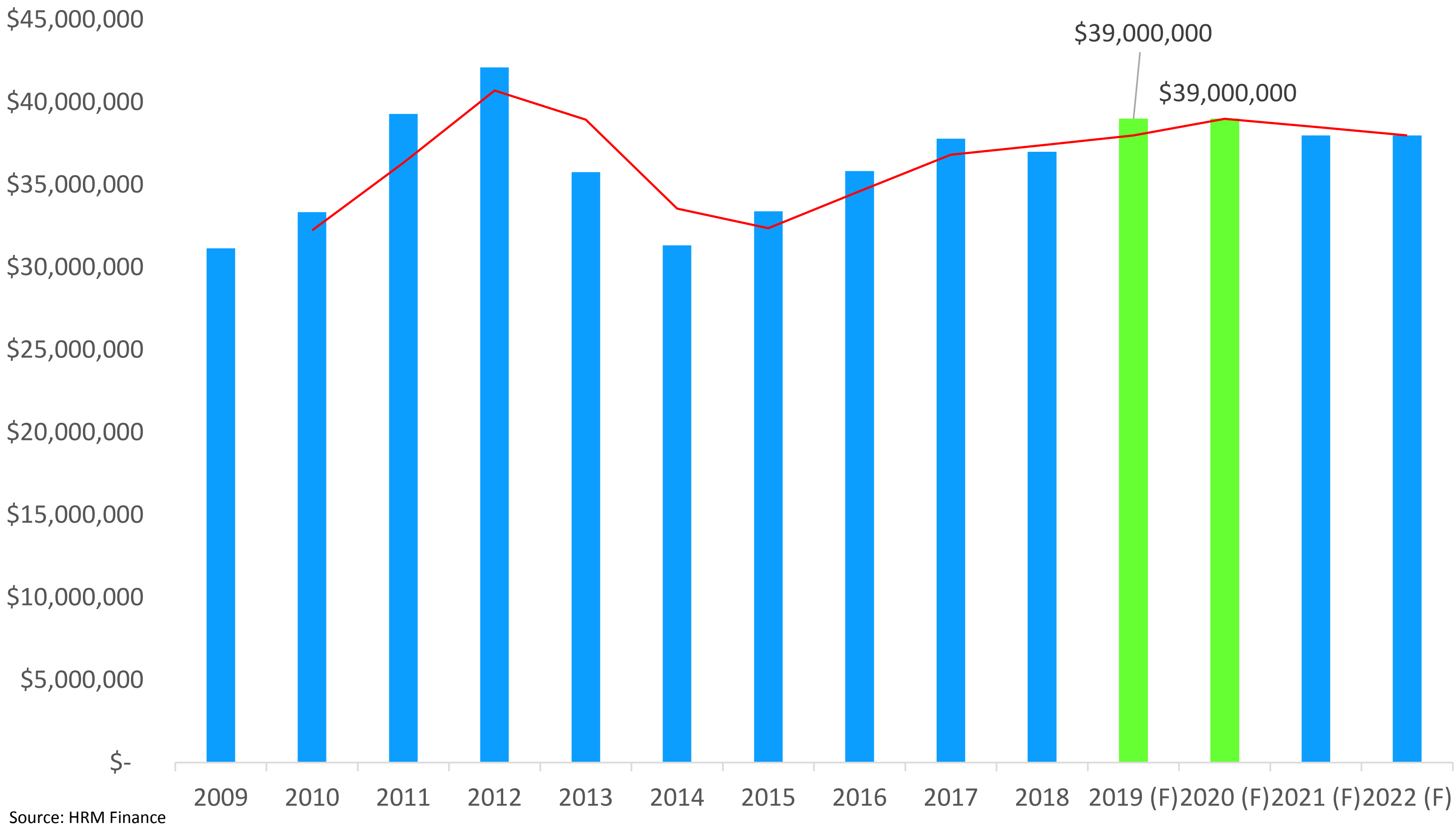
	2015	2016	2017	2018	2019 (F)
Commercial (Including Tax Agreements)	$221,238,200	$225,210,500	$231,179,300	$234,248,600	$242,942,300

Residential Property Tax Revenues, 2015-2019



	2015	2016	2017	2018	2019 (F)
Residential (General & Transit Tax)	$269,247,100	$273,430,500	$285,917,000	$295,585,500	$308,831,500

Deed Transfer Tax, Actuals and Forecast, 2009-2022: 2 Year Moving Average



Source: HRM Finance Internal Estimates

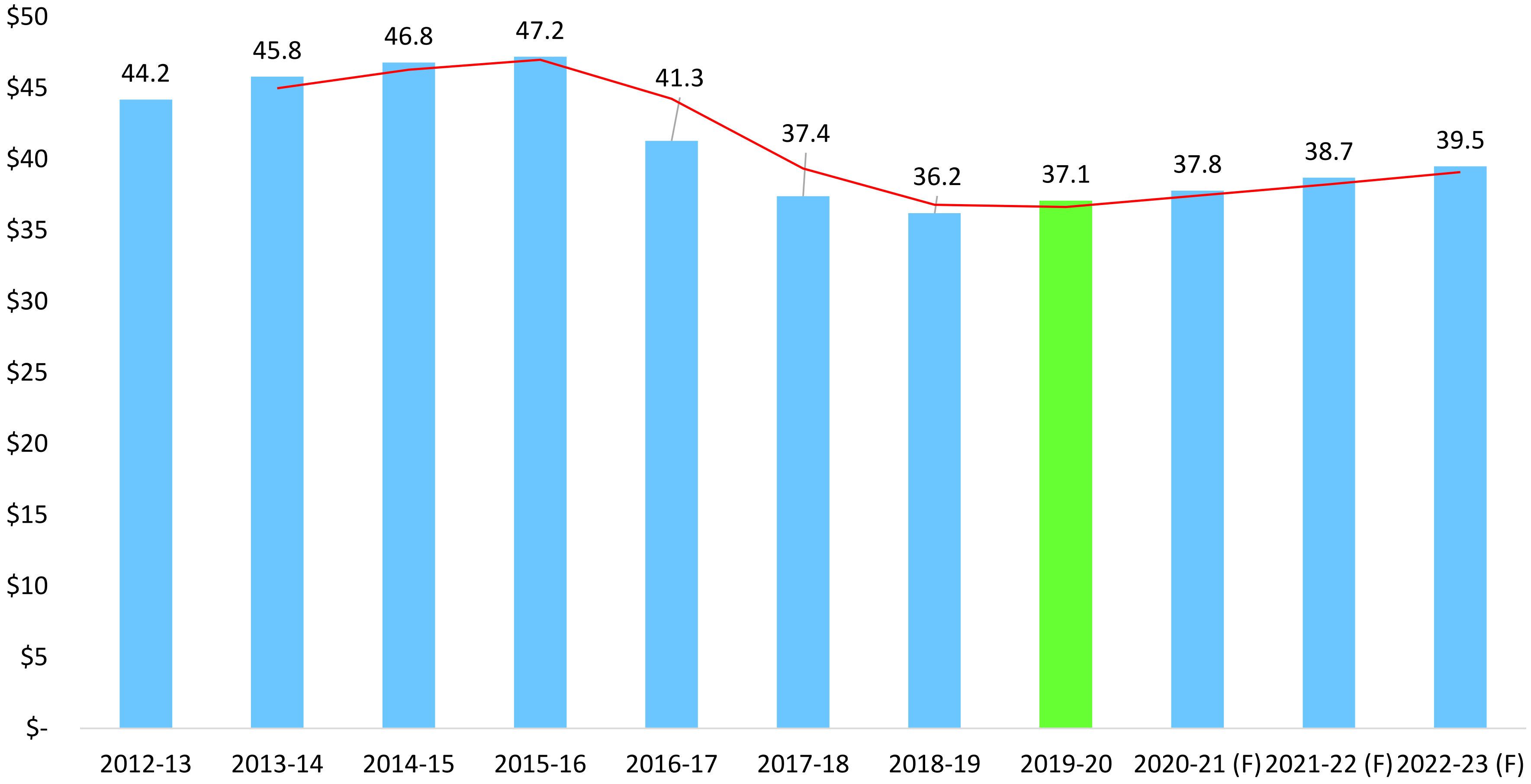
Fiscal Expenditures

Expenditures	2017-18 Actual	2018-19 Budget	2018-19 Projections	2019-20 Budget	2019-20 Δ 18-19 Bud.	2019-20 Δ %	2020-21 Budget
Compensation and Benefits	14,848,306	7,532,800	7,532,800	9,787,800	2,255,000	29.9	17,887,400
Office	13,398	27,800	27,800	27,800			27,800
External Services	527,674	1,805,600	1,061,600	4,070,500	2,264,900	125.4	1,783,300
Supplies	5,732	6,100	6,100	6,100			6,100
Building Costs	400,474	363,200	363,200	544,200	181,000	49.8	544,200
Equipment & Communications	37,403	31,300	31,300	31,300			31,300
Vehicle Expense	17,374						-
Other Goods & Services	2,360,418	3,378,700	5,605,700	7,830,300	4,451,600	131.8	5,322,700
Interdepartmental	510,676	145,000	145,000	500,000	355,000	244.8	500,000
Debt Service	43,016,336	41,220,200	41,280,900	39,352,300	(1,867,900)	(4.5)	40,968,200
Other Fiscal	270,717,437	253,105,900	253,105,900	265,761,200	12,655,300	5.0	264,151,600
Total	**332,455,227**	**307,616,600**	**309,160,300**	**327,911,500**	**20,294,900**	**6.6**	**331,222,600**

Capital from Operating

- Strategy: Shift funding from Debt to Capital from Operating. Avoid issuing debt for ongoing capital items.
- In past three years: capital from operating decreased to lower tax burden.
- Trend has been: Use Capital from Operating for rehabilitation projects, debt for longer-term assets.

Capital from Operating: 2012-22, 2 Year Moving Average



Municipal Debt

HRM's debt policy: reduce tax-supported debt per household by 3 percent per year, emphasizing use of reserves and current tax revenues.

Debt is a longer-term financial tool.

- Lower debt stocks may imply
  - Assets are deteriorating
  - Cost of maintaining assets are increasing.
  - Opportunity costs.

- Higher stocks of debt may place financial pressure on future tax rates. Attractive if used for productive/efficient capital spending.

HRM has capacity to borrow, however

- Future debt payments will increase debt service costs, increasing operating budget requirements.

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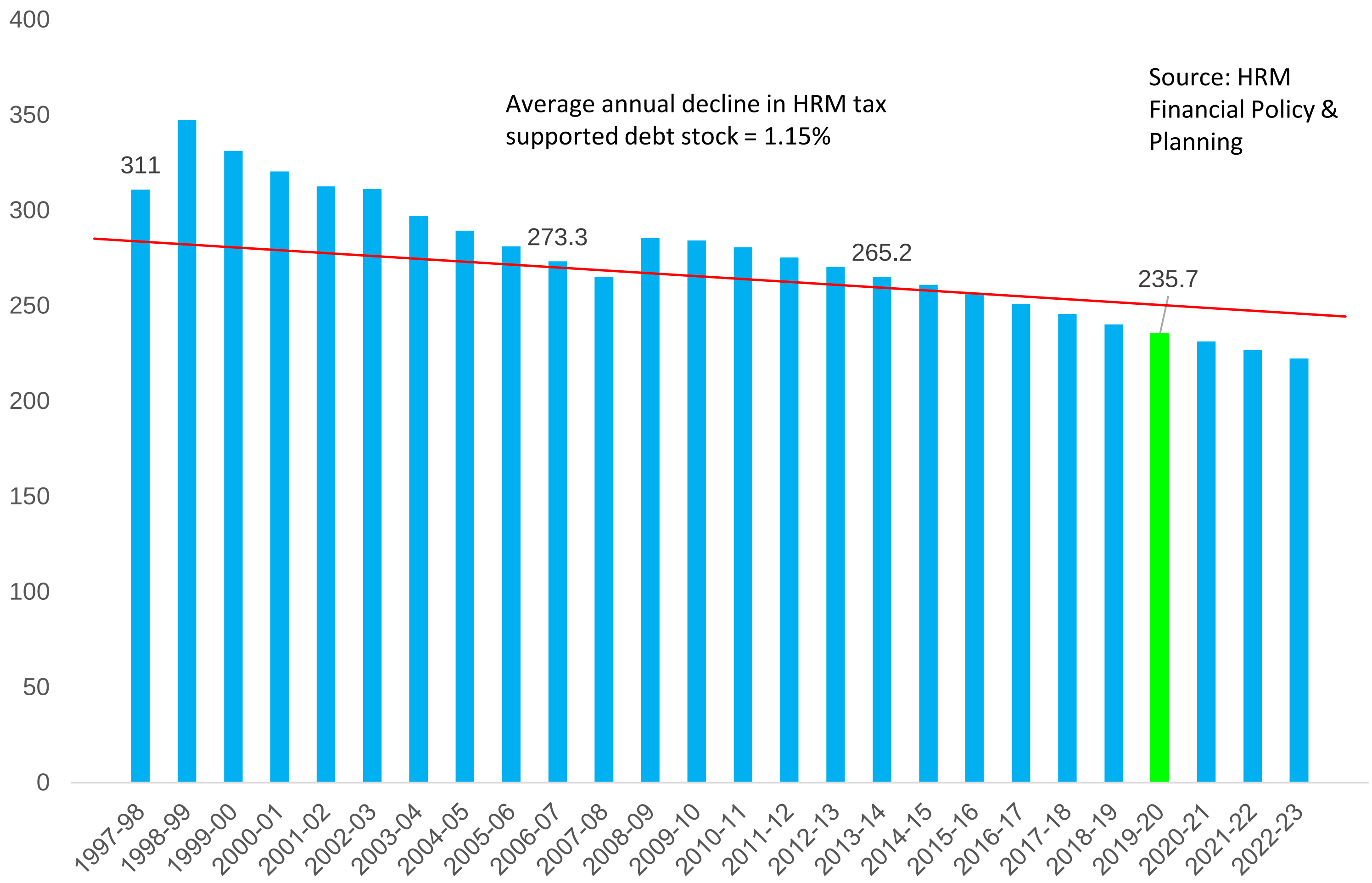
Municipal Debt: Long Term Trend



Reserves

HRM has 20 reserves, with Council approved business cases. Reserves exist to fulfill three basic purposes:

- **Risk** reserves are used for emergencies or for variations in the budget such as snow clearing.
- **Obligation** reserves are used to fund specific events. Often these events may be numerous years in the future. For example, landfill closure or central library recapitalization.
- **Opportunity** reserves provide flexibility. Typical uses would be leveraging funds or paying HRM's portion of cost-shared infrastructure projects.

Revised

Summary of Budget Changes

Summary of Proposed Changes			
Budget Year	**Change Description**	**Planned Change ($)**	**Amount**
2018/2019 Approved Budget			$ (436,031,900)
	Increase in Tax Revenues	(23,661,300)	
	Reduction in Debt Costs	(1,867,900)	
	Increase in Operating Cost of Capital	3,500,000	
	Increase for Halifax Convention Center	3,227,000	
	Increase in Reserve contributions	3,138,700	
	Increase for contracts and studies	2,445,900	
	Increase in Capital from Operating	1,522,300	
	Transfer of MDF valuation allowance	884,000	
	Other Revenues and Expenses	1,330,300	
Total Impact of Proposed Changes			(9,481,000)
2019/2020 Proposed Budget			$ (445,512,900)

Commercial Tax Structure Update

Update to Regional Council on Next Steps

Commercial Tax Structure Update

- **Where We Are**
- **Timeline**
- **What Comes Next**

Where We Are

Since original motion in 2015, staff have:

- Written a comprehensive report for Council (Presented Fall 2015)
- Consulted business community and had three workshops.
- Examined multiple options and impacts.
- Conducted significant analysis on a variety of options given additional legislative powers. (Bill 52 and 177)
- Preparing a final recommendation report to COW this Spring.

Timeline

Regional Council motion for Report (April 2015)

Staff Report presented and request for additional powers (November 2015)

Some powers granted, staff conduct more analysis and enlist help of Canmac to conduct study (Spring 2016-Fall 2017)

Study completed, presentation of consultant and staff analysis

(First workshop: January 2018)

Discussions with business community (second workshop, June, 2018)

Further analysis, completion of final workshop (October, 2018)

Staff recommendation to COW

(Spring 2019)

Viewpoints

Four broad options presented (October, 2018):

- Assessment Rolling Average (Phase-In)
- Planning/BID Boundary Tax Relief
- Multi-tiered Tax Rates
- 5 Zone Option (Retail/Main Street v. Industrial/Business Parks v. Big Box)

What Comes Next

- Final Report to COW with recommendations given business consultation and research over the past 24 months.
- Council will have the opportunity to debate and discuss report.
- Staff will provide update on all events, research and options on Commercial Tax Structure.

Corporate Accounts

2019/20 – 2020/21 Multi-Year Budget & Business Plan

CORPORATE ACCOUNTS OVERVIEW

Corporate Accounts, also known as Fiscal services, is not a business unit and has no services or initiatives per se. Rather it includes HRM's financial responsibilities and obligations that are not directly related to any specific business unit as well as organization-wide costs and revenues not fully allocated to business units.

Corporate Accounts includes:

- Property and Other Taxes
- Non-departmental revenues
- Private Roads, other Area Rates
- Debt Charges
- Capital from Operating
- Reserves
- Provincial Mandatory Costs
- Supplementary Education
- Transfers such as Fire Protection, Stormwater and the Halifax Convention Centre
- Contingencies, including for Compensation
- Intern Program, Other Compensation costs
- Grants and Tax Relief
- Valuation Allowance, Insurance

Corporate Accounts Budget Overview

Summary of Expense & Revenue						
	2017-18	2018-19	2018-19	2019-20		2020-21
Expenditures	Actual	Budget	Projections	Budget	Δ 18-19 Bud.	Budget
Compensation and Benefits	14,848,306	7,532,800	7,532,800	9,787,800	2,255,000	17,887,400
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Building Costs	400,474	363,200	363,200	544,200	181,000	544,200
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Vehicle Expense	17,374					-
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Transfers from other Gov'ts	(3,627,852)	(3,530,000)	(3,456,200)	(3,730,000)	(200,000)	(3,660,000)
Interest Revenue	(7,650,823)	(7,307,500)	(8,217,500)	(8,205,700)	(898,200)	(8,170,600)
Fee Revenues	(4,836,154)	(4,875,000)	(4,940,000)	(4,600,000)	275,000	(4,600,000)
Other Revenue	(19,724,031)	(18,547,400)	(18,954,400)	(18,209,900)	337,500	(18,121,600)
Total	**(730,265,509)**	**(743,648,500)**	**(755,259,400)**	**(773,424,400)**	**(29,775,900)**	**(775,610,300)**
Net Surplus/Deficit	**(397,810,282)**	**(436,031,900)**	**(446,099,100)**	**(445,512,900)**	**(9,481,000)**	**(444,387,700)**

19-20-20-21 CORPORATE ACCOUNTS PLAN

Corporate Accounts Budget Overview

Service Area	2017 Actuals	2018 Budget	2018 Proj.	2019 Budget	Δ18-19 Bud	Var %	2020 Budget
Debt Services	32,756,099	31,487,600	31,003,033	29,775,100	(1,712,500)	-5.4%	31,740,500
Provincial Area Rates	152,587,384	157,912,300	157,912,300	162,047,300	4,135,000	2.6%	162,047,300
Other Transfers	33,953,913	29,983,500	29,983,500	33,014,400	3,030,900	10.1%	32,483,500
Grants	5,777,711	7,207,000	7,207,000	7,138,000	(69,000)	-1.0%	7,138,000
Valuation Allowance	4,207,096	3,000,000	3,000,000	3,600,000	600,000	20.0%	3,400,000
Reserves	28,044,993	18,148,200	18,148,200	21,286,900	3,138,700	17.3%	19,467,900
Capital from Operating	27,654,500	31,310,000	31,310,000	32,832,300	1,522,300	4.9%	33,801,700
Operating Cost of Capital (OCC)		-		3,500,000	3,500,000		3,500,000
Non-Dept Revenue & Area Rates	(721,626,629)	(733,204,400)	(744,264,600)	(762,623,100)	(29,418,700)	4.0%	(765,106,600)
Other	38,834,651	18,123,900	19,601,467	23,916,200	5,792,300	32.0%	27,140,000
Total Corp Accounts	**(397,810,282)**	**(436,031,900)**	**(446,099,100)**	**(445,512,900)**	**(9,481,000)**	**2.2%**	**(444,387,700)**

Debt Servicing

Debt charges in the operating budget consist of payments made on outstanding debentures (principal) and the interest costs associated with those debentures. Also included in the debt charges are bank charges, debenture discount and interest payments to Agencies, Boards & Commissions. For management purposes, debt charges can be classified as to how the funds are repaid:

- Tax Supported Debt– re-paid through the general and transit tax rates;
- Other Municipal Debt – repaid through Local Improvement Charges (LICs), Area Rates and Development Charges;

- Halifax Water Debt – funds borrowed on behalf of Halifax Water and which are repaid through their rate base; and,
- Repayable Debt – debt borrowed for and repaid by outside organizations.

Regional Council has a debt policy and debt targets that aim to reduce Halifax's tax supported debt by 3% per dwelling each year, while shifting funds into capital from operating.

While most of the municipality's debt charges are in fiscal service, a portion of its debt charges are included in Halifax Transit, Transportation and Public Works (Solid Waste), Halifax Regional Fire & Emergency, Parks and Recreation, and specific area rates.

Provincial Area Rates

Like all municipalities, HRM is legally required by the Province of Nova Scotia to provide funding for education costs, and for other services that are the responsibility of the Province of Nova Scotia. The funding source for the transfers is a separate Provincial Area Rate on the tax bill. Any increase in that budget amount has zero net impact to the overall HRM budget.

Mandatory Education

This mandatory education contribution is set by the Province at the value of the Education Rate times the Uniform Assessment. The estimate for 2019/20 is $143.6 million, an increase of $3.3 million from the prior year.

Assessment

Property Valuation Services Corporation (PVSC) is mandated under the Nova Scotia Assessment Act to assess every property in Nova Scotia. HRM is required to pay a share of the cost of operating this provincial assessment system. The cost estimate for 2019/20 is $7.27 million, an increase of $201,800 from last year.

Correctional Services

HRM is required to make a mandatory contribution to the Province to fund the cost of correctional services. The contribution amount is set by Provincial formula based on Uniform Assessment and the number of dwelling units in each municipality. HRM's budgeted amount of $6.8 million for 2019/20 is an increase of $20,000 from the prior year.

Housing

HRM is required to pay a portion of the Metropolitan Regional Housing Authority operating deficit each year. HRM's budgeted amount of $3.5 million for 2019/20 is a decrease of $60,000 from the prior year.

Other Transfers

Halifax Convention Centre (HCC)

HRM has an agreement to fund the new Halifax Convention Centre (HCC). Upon substantial completion of the new HCC (which occurred in March 2018) HRM pays 50% of the annual HCC costs. This includes its share of the Provincial lease and the annual operating costs. The HCC costs are to be paid from a reserve which is funded from the property tax revenues collected from the new Nova Centre plus those funds which would have been paid to the former World Trade and Convention center (WTCC). The Nova Centre is a private development that includes not only the HCC but also office, hotel, retail and parking. For the 2019/20 fiscal year, HRM has budgeted an amount of $7.7 M (before reserve withdrawals) for the Halifax Convention Centre. This will be funded from the HCC reserve.

Supplementary Education

Under the Halifax Charter, HRM provides funding for local schools, including a payment to the province-wide Acadian school board, Conseil Scolaire Acadien Provincial (CSAP). The Halifax Charter requires that the Municipality provides a guaranteed amount for supplementary education, although it may reduce the guaranteed amount by 10% of the amount spent in 1995-96. In addition to the legal requirements of the Charter, this payment is governed by a Memorandum of Understanding (MOU) with the former HRSB. The total payment for 2019/20 will be paid for through a separate area rate.

Fire Protection Services (Hydrants)

The Nova Scotia Utilities and Review Board (NSUARB) has established a formula that requires HRM to make a contribution to Halifax Water Commission (HW) to fund the hydrant costs incurred by the Commission. The hydrant charges are recovered via a special Fire Protection Area Rate that HRM levies on all properties within 1,200 feet of a hydrant that is designed and operated for public fire protection purposes. The amount required for the 2019/20 area rate is $6.9M.

Stormwater Right-of-Way (Halifax Water Commission)

The Nova Scotia Utilities and Review Board (NSUARB) requires HRM to pay to the Halifax Regional Water Commission (HW) the cost of the stormwater drainage in the right-of-way of HRM streets and roads. This became effective as of July 1, 2013. The amount required for the 2019/20 area rate is $3.8M. Halifax Water is including this charge on its water bills.

Grants and Tax Relief

Grant Programs:	2018-19 Actuals	2019-20 Budget
Community Grants Program	439,565	500,000
Community Museums	100,000	220,000
District Activity Grants	45,277	72,000
Sub - Total	**584,842**	**792,000**
"One-Off" Grants by Resolution:		
Lake District Lake Association	50,000	50,000
100 Wild Islands	150,000	0
Sub - Total	**200,000**	**50,000**

Halifax operates several Grant programs. Some of these are within fiscal services while others are administered by individual business units. In 2018/19 and 2019/20 there are a number of one-time grants that are outside of specific programs.

In addition, Halifax provides a number of tax relief programs for individuals including low income tax relief ($1.3 million) in 2019/20) and non-profit tax relief ($4.5 million in 2019/20).

Valuation Allowance

The Valuation Allowance is an account required by provincial rules as a contingency against uncollectible tax and other revenues. In 2019/20 it is budgeted at $3.6 million.

Reserves

Reserves are utilized to ensure sustainability and improve the process of ~~visionary~~ planning for HRM's future needs. Reserve Funds are provided for under the Financial Reserves Administrative Order Number 2014-015-ADM and are intended to serve three specific purposes:

- Contingency Funds for Opportunities;
- Contingency Funds for Risk; and,
- Savings Funds for Obligations.

Reserves are budgeted for in both Fiscal Services and in individual business units. They may include both deposits to and withdrawals from reserves. For 2019/20 the net contribution to reserves from fiscal services is $21.3 million.

Capital from Operating

Capital from Operating is used to fund the capital budget and helps reduce reliance on debt and other funding. A formula is used to help shift funds away from debt funding and into capital from operating. That guideline aims to increase capital from operating by 3% plus inflation per dwelling each year.

Capital from operating funding appears in both fiscal services and in Halifax Transit. The combined amounts for 2019/20 have been increased by 2.2%.

Non-Departmental Revenue and Area Rates

This includes the municipality's revenues from Property Tax, Tax Agreements, Grants-in-Lieu payments and Deed Transfer Tax as well as income from investments, parking meters, and the Metro Park parkade.

Also included are the costs and revenues for community area rates for community, private organizations and private roads.