

HALIFAX

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Item No. 5
Budget Committee
February 10, 2021

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 15, 2021

SUBJECT: Proposed 2021/22 Fiscal Services Budget and Business Plan

ORIGIN

As per Administrative Order 1 and the Budget and Business Plan consultation schedule presented to Regional Council on December 1, 2020, staff is required to present the draft 2021/22 Business Unit Budget and Business Plans to the Budget Committee 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 the CAO to incorporate the Fiscal Services proposed 2021/22 Budget and Business Plan, as set out and discussed in the January 15, 2021 staff report and supporting presentation by staff, into the Draft 2021/22 Operating Budget.

BACKGROUND

At the Dec 1, 2020 Budget Committee meeting, Regional Council confirmed the 2021- 2025 Strategic Priorities Plan and directed the CAO to proceed to prepare the 2021/22 Budget and Business Plan in support of Council's Priority Outcomes.

As part of the design of the 2021/22 Budget and Business Plan development process, the Budget Committee is reviewing each business unit's budget and proposed plans, in advance of completing detailed HRM Budget and Business Plan preparation.

DISCUSSION

Staff has prepared the proposed 2021/22 Fiscal Services Budget and Business Plan consistent with the 2021- 2025 Strategic Priorities Plan approved on December 1, 2020 as well as fiscal direction provided on January 13, 2021.

Following direction from the Budget Committee, staff will proceed to prepare the detailed Budget and Business Plan for inclusion in the proposed 2021/22 HRM Budget and Business Plan documents to be presented to Regional Council's Committee of the Whole, as per the process and schedule approved on December 1, 2020.

As part of the budget process, Regional Council will be provided with a list of possible service increases and decreases that will allow them to more fully direct changes to the budget.

FINANCIAL IMPLICATIONS

The recommendations in this report will lead to the development of a proposed 2021/22 Budget. There are no immediate financial implications from this recommendation. The broader financial implications will be discussed and debated as the budget is developed in more detail.

RISK CONSIDERATION

Although there is no immediate risk related to financial decisions, there may be risks associated with individual decisions during the budget debate that could favour short- term results over longer term strategic outcomes. Individual decisions made during budget debate will however, be considered for both short- and long-term impacts to levels of service, asset condition, and cost.

In addition, the administration seeks to reduce these risks in three ways: by providing Regional Council with several fiscal options to assist in the achievement of longer-term strategic outcomes, by assessing both corporate and capital project risk, and by providing the opportunity to draw Regional Council's attention to project or program related risks when reports are presented for consideration.

HRM implemented Enterprise Risk Management in 2015. Corporate and operational risks are evaluated annually during the business planning process and mitigating strategies are implemented to reduce the overall risk to the organization. Project related risk is evaluated during the capital planning process. Project managers use the same risk assessment tools as those used to assess corporate risk to rate each discrete project.

COMMUNITY ENGAGEMENT

The 2021/22 Municipal Budget Engagement Survey was conducted from November 5, 2020 – Dec 14, 2020. This on-line survey was available to all HRM residents and received 4,312 responses to a variety of budget, planning, and priorities questions. The results of the 2020 Municipal Budget Survey were provided in an information report presented to Reginal Council on January 26, 2021.

The 2021/22 budget consultation process also seeks to solicit public comment by inviting members of the public to provide feedback following each business unit budget and business plan presentation

ENVIRONMENTAL IMPLICATIONS

None

ALTERNATIVES

The Budget Committee can choose to amend the Budget and Business Plan as proposed in the accompanying presentation through specific motion, and direct staff to proceed to prepare the Budget and Business Plan for inclusion in the proposed 2021/22 HRM Budget and Business Plan documents.

ATTACHMENTS

Attachment 1 – Fiscal Services 2021/22 Draft Budget and 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
Jane Fraser, CFO, Executive Director of Finance and Asset Management & ICT,
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ATTACHMENT 1

FISCAL SERVICES

2021/22 BUDGET AND BUSINESS PLAN

FISCAL SERVICES OVERVIEW

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. Fiscal Services includes:

- Property and Other Taxes
- Deed Transfer Tax
- 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

OPERATING - BUDGET BY SERVICE AREA

Note: "March Budget" is the pre COVID budget presented to Council and was not adopted. "June Budget" is the recast budget for COVID that Regional Council approved as the 2020/21 budget.

OPERATING - SUMMARY OF CHANGES - PROPOSED BUDGET

Change Description / Service Impact	Amount
Approved 2020/21 Budget (June)	\$ (473,760,400)
Compensation Changes:	
Salary Adjustment Provision	(1,490,500)
Revenue Adjustments:	
Increase in Deed Transfer Taxes	(5,650,000)
Increase in Tax Revenue	(21,903,600)
Increase in Interest Revenue	(1,392,400)
Transfer of Parking Revenue to TPW	2,250,000
Other Budget Adjustments:	
Federal Cost Sharing Reserve Withdrawal	(31,000,000)
Increase in Debt Costs	2,918,900
Strategic Reserve Funding	10,016,000
Remove COVID Contingency	(12,593,000)
Increase in Capital from Operating	30,112,000
Revised Valuation Allowance	(7,001,600)
Other Fiscal Changes	1,441,300
Total Proposed Changes	\$ (34,292,900)
Proposed 2021/22 Budget	\$ (508,053,300)

OPERATING- SUMMARY OF EXPENDITURE & REVENUE

Expenditures	2019/20	2020/21	2020/21	2020/21	2021/22	2021/22	June	March
	Actual	March Budget	June Budget	Projections	Budget	Δ 2020/21 June Budget	Budget Δ %	Budget Δ %
Compensation and Benefits	\$ 9,232,883	\$ 15,098,200	\$ 16,046,300	\$ 15,342,600	\$ 14,555,800	\$ (1,490,500)	(9.3)	(3.6)
Office	42,466	27,800	38,800	513,350	38,800	-	-	39.6
External Services	2,816,196	7,595,300	6,510,700	5,861,650	5,444,000	(1,066,700)	(16.4)	(28.3)
Supplies	322,242	6,100	11,600	251,200	11,600	-	-	90.2
Materials	22,600	-	-	1,500	-	-	-	-
Building Costs	505,615	521,200	487,900	491,300	487,900	-	-	(6.4)
Equipment & Communications	202,462	31,300	11,700	189,900	11,700	-	-	(62.6)
Vehicle Expense	60,669	10,000	10,000	138,100	10,000	-	-	-
Other Goods & Services	142,644	7,029,000	18,664,600	19,634,500	5,609,200	(13,055,400)	(69.9)	(20.2)
Interdepartmental	1,106,142	979,600	678,100	255,400	528,100	(150,000)	(22.1)	(46.1)
Debt Service	39,317,181	45,158,500	44,466,200	50,509,600	47,385,100	2,918,900	6.6	4.9
Other Fiscal	301,617,087	282,543,200	269,384,500	317,536,200	274,752,000	5,367,500	2.0	(2.8)
Total Expenditures	355,388,186	359,000,200	356,310,400	410,725,300	348,834,200	(7,476,200)	(2.1)	(2.8)

Revenues	2019/20	2020/21	2020/21	2020/21	2021/22	2021/22	June	March
	Actual	March Budget	June Budget	Projections	Budget	Δ 2020/21 June Budget	Budget Δ %	Budget Δ %
Tax Revenue	\$(462,870,182)	\$(516,496,000)	\$(516,496,000)	\$(525,664,300)	\$(532,413,000)	\$ (15,917,000)	3.1	3.1
Deed Transfer Tax	(60,181,074)	(51,000,000)	(40,850,000)	(51,000,000)	(46,500,000)	(5,650,000)	13.8	(8.8)
Area Rate Revenue	(185,771,058)	(192,185,600)	(192,170,200)	(191,968,800)	(198,156,800)	(5,986,600)	3.1	3.1
Tax Agreements	(11,918,208)	(12,530,100)	(12,530,100)	(12,922,400)	(12,678,100)	(148,000)	1.2	1.2
Payments in Lieu of taxes	(38,115,975)	(39,295,800)	(39,295,800)	(39,923,400)	(39,295,800)	-	-	-
Transfers from other Govts	(3,622,507)	(3,770,000)	(3,463,000)	(49,654,800)	(3,481,000)	(18,000)	0.5	(7.7)
Interest Revenue	(9,116,499)	(8,392,600)	(4,142,600)	(5,771,300)	(5,535,000)	(1,392,400)	33.6	(34.0)
Fee Revenues	(2,411,946)	(3,000,000)	(2,250,000)	(1,060,000)	-	2,250,000	(100.0)	(100.0)
Other Revenue	(18,225,692)	(18,081,400)	(18,873,100)	(18,520,700)	(18,827,800)	45,300	(0.2)	4.1
Total Revenues	(792,233,140)	(844,751,500)	(830,070,800)	(896,485,700)	(856,887,500)	(26,816,700)	3.2	1.4
Net Total	\$(436,844,954)	\$(485,751,300)	\$(473,760,400)	\$(485,760,400)	\$(508,053,300)	\$ (34,292,900)	7.2	4.6

FISCAL SERVICES PLAN (2021/22)

DEBT SERVICING

Debt charges in the operating budget consist of payments made on outstanding debentures (principal) and the interest costs associated with those debentures. The municipality will not be taking out a short-term loan through the provincial program, this is result in a saving of \$21M in debt service costs. 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.

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 Provincial Education Rate times the Uniform Assessment. The estimate for 2021/22 is \$154.5 million, an increase of \$3.8 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 estimate for 2021/22 is \$7.3 million, a decrease of \$123.5 thousand from the prior 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. The estimate for 2021/22 is \$6.7 million, a decrease of \$129.3 thousand from the prior year.

Housing

HRM is required to pay a portion of the Metropolitan Regional Housing Authority operating deficit each year. The estimate for 2021/22 is \$5.1 million, an increase of \$1.4 million from the prior year.

OTHER TRANSFERS

Halifax Convention Centre (HCC)

HRM has an agreement with the province to fund the Halifax Convention Centre (HCC). This includes its share of the Provincial lease and the annual operating costs, which are paid to Events East. 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 2021/22 fiscal year, HRM has budgeted an amount of \$9.6 M (before reserve withdrawals) for the HCC. This is \$1.4M higher than 2020/21 mainly due to the impact of COVID on the convention business. 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 Halifax Regional Centre for Education (HRCE). The total payment for 2021/22 will be paid for through a separate area rate. The estimate for 2021/22 is \$14.7 million, an increase of \$45 thousand from the prior year.

Fire Protection Services (Hydrants)

The Nova Scotia Utilities and Review Board (NSUARB) has established a formula that requires HRM to contribute to the Halifax Water Commission (HW) for the hydrant costs incurred by the Commission. These hydrant charges are recovered by HRM 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 estimate for 2021/22 is \$8.4 million, an increase of \$410 thousand from the prior year.

Stormwater Right-of-Way (Halifax Water Commission)

The Nova Scotia Utilities and Review Board (NSUARB) requires HRM to pay to Halifax Water 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 estimate for 2021/22 is \$3.9 million, an increase of \$87 thousand from the prior year.

GRANTS AND TAX RELIEF

HRM operates a number of Grant programs. Fiscal services includes the Community Grants Program (\$500,000), the Community Museums Grant Program (\$220,000), the District Activity Fund (\$72,000), and the Barrington Street Heritage Tax Grants Program (\$254,000). Other grant programs are administered by individual business units. HRM also provides a number of tax relief programs including for low income homeowners (\$1.4 million) and for non-profits (\$4.95 million).

VALUATION ALLOWANCE

The Valuation Allowance is an account required by provincial rules as a contingency against uncollectible tax and other revenues. In 2021/22 it is budgeted at \$3.0 million.

RESERVES

Reserves are utilized to ensure sustainability and improve the process of 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.

Due to COVID-19, in 2020/21 HRM received one-time funding of \$46M from the Government of Canada which it has placed in reserves for use in 2020/21 and 2021/22. It expects to use \$15M in 2020/21 and has budgeted to withdraw the remaining \$31M in 2021/22.

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. HRM-wide capital from operating for 2021/22 has been increased by \$30.1M or 152.5 per cent.

NON-DEPARTMENTAL REVENUE AND AREA RATES

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

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