

# HALIFAX

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**Item No. 8**  
**Budget Committee**  
**March 2, 2022**

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

**SUBMITTED BY:**

Original Signed by 

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Jacques Dubé, Chief Administrative Officer

**DATE:** February 24, 2022

**SUBJECT:** Proposed 2022/23 Fiscal Services Budget and Business Plan

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## **ORIGIN**

As per Administrative Order 1 and the Budget and Business Plan consultation schedule presented to Regional Council on October 26, 2021, staff are required to present the draft 2022/23 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 Chief Administrative Officer to incorporate the Fiscal Services proposed 2022/23 Budget and Business Plan, as set out and discussed in the attachment and supporting presentation, into the Draft 2022/23 Operating Budget

## **BACKGROUND**

On January 12, 2021, Regional Council adopted a Strategic Planning Framework, establishing priority outcomes for their term, and directed staff to develop multi-year plans to advance these outcomes.

As part of the design of the 2022/23 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 2022/23 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 November 23, 2021.

Following direction from the Budget Committee, staff will proceed to prepare the detailed Budget and Business Plan for inclusion in the proposed 2022/23 HRM Budget and Business Plan documents to be presented to Regional Council's Budget Committee, as per the process and schedule approved on October 26, 2021.

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 2022/23 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 Resident Survey was conducted from September 1 – 24, 2021. This invitation-based survey was mailed to 20,000 randomly selected households across all districts and received 1,766 responses to a

variety of budget, planning, and priorities questions. The results of the 2021 Resident Survey were provided in an information report presented to Reginal Council on November 23, 2021.

The 2022/23 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**

No environmental implications were identified.

**ALTERNATIVES**

The Budget Committee can choose to amend the Budget and Business Plan as proposed in the supporting presentation through specific motion, and direct staff to proceed to prepare the Budget and Business Plan for inclusion in the proposed 2022/23 HRM Budget and Business Plan documents.

**ATTACHMENTS**

Attachment 1 - 2022/23 Fiscal Services Proposed Budget and Business Plan

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A copy of this report can be obtained online at [halifax.ca](http://halifax.ca) or by contacting the Office of the Municipal Clerk at 902.490.4210.

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**HALIFAX**

**FISCAL SERVICES**

2022/23 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
- Summary Office Ticket Revenues

### OPERATING - BUDGET BY SERVICE AREA

| Service Area                     | 2020/21                 | 2021/22                 | 2021/22                 | 2022/23                 |                       |            |
|----------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-----------------------|------------|
|                                  | Actual                  | Budget                  | Projections             | Budget                  | Δ 21/22 Budget        | Δ %        |
| Debt Servicing Net of Recoveries | \$ 38,433,075           | \$ 36,009,000           | \$ 26,421,800           | \$ 36,145,400           | \$ 136,400            | 0.4        |
| Transfers To Outside Agencies    | 9,767,285               | 7,565,000               | 7,565,000               | 7,240,000               | (325,000)             | (4.3)      |
| Other Fiscal Services            | 44,800,062              | 31,731,300              | 38,674,300              | 39,450,300              | 7,719,000             | 24.3       |
| Transfers to/fr Other Funds      | 70,434,742              | 57,470,300              | 57,470,300              | 102,434,900             | 44,964,600            | 78.2       |
| Non-Departmental Revenue         | (636,074,586)           | (644,606,100)           | (658,999,700)           | (706,567,400)           | (61,961,300)          | 9.6        |
| <b>Net Total</b>                 | <b>\$ (472,639,421)</b> | <b>\$ (511,830,500)</b> | <b>\$ (528,868,300)</b> | <b>\$ (521,296,800)</b> | <b>\$ (9,466,300)</b> | <b>1.8</b> |

## OPERATING - SUMMARY OF CHANGES

| <b>Change Description / Service Impact</b>         | <b>Amount</b>           |
|--|-------------------------|
| <b>Approved 2021/22 Budget</b>                     | <b>\$ (511,830,500)</b> |
| Compensation Changes:                              |                         |
| Salary Adjustment Provision                        | 7,312,200               |
| Intern Funding (return to full year funding)       | 509,900                 |
| Revenue Adjustments:                               |                         |
| Increase in Deed Transfer Taxes                    | (20,000,000)            |
| Increase in Tax Revenue (Including Grants in Lieu) | (36,259,700)            |
| Increase in Interest Revenue                       | (3,350,000)             |
| Transfer of SOT revenue from TPW                   | (1,872,500)             |
| Removal of one-time Federal Safe-Start Funding     | 31,000,000              |
| Other Budget Adjustments:                          |                         |
| Debt Changes                                       | 136,400                 |
| Increase in Capital-from-Operating                 | 13,415,000              |
| Other changes                                      | (357,600)               |
| <b>Total Changes</b>                               | <b>\$ (9,466,300)</b>   |
| <b>2022/23 Budget</b>                              | <b>\$ (521,296,800)</b> |

## OPERATING- SUMMARY OF EXPENDITURE &amp; REVENUE

| Expenditures               | 2020/21            | 2021/22            | 2021/22            | 2022/23            |                   | Δ %         |
|----------------------------|--------------------|--------------------|--------------------|--------------------|-------------------|-------------|
|                            | Actual             | Budget             | Projections        | Budget             | Δ 21/22 Budget    |             |
| Compensation and Benefits  | \$ 12,344,156      | \$ 15,796,300      | \$ 16,481,300      | \$ 23,618,400      | \$ 7,822,100      | 49.5        |
| Office                     | 518,449            | 21,500             | 304,700            | 21,500             | -                 | -           |
| External Services          | 6,212,768          | 5,192,500          | 8,542,800          | 8,518,500          | 3,326,000         | 64.1        |
| Supplies                   | 261,530            | 10,500             | 15,000             | 10,500             | -                 | -           |
| Materials                  | 1,533              | -                  | -                  | -                  | -                 | -           |
| Building Costs             | 431,156            | 420,600            | 581,100            | 420,600            | -                 | -           |
| Equipment & Communications | 267,980            | 11,000             | 257,000            | 11,000             | -                 | -           |
| Vehicle Expense            | 126,092            | 10,000             | 10,000             | 10,000             | -                 | -           |
| Other Goods & Services     | 3,607,398          | 4,682,100          | 4,625,000          | 4,228,000          | (454,100)         | (9.7)       |
| Interdepartmental          | 395,450            | 516,700            | 436,100            | 516,700            | -                 | -           |
| Debt Service               | 50,509,580         | 47,384,600         | 37,615,600         | 44,191,300         | (3,193,300)       | (6.7)       |
| Other Fiscal               | 365,809,740        | 279,250,800        | 297,831,200        | 332,652,200        | 53,401,400        | 19.1        |
| <b>Total Expenditures</b>  | <b>440,485,833</b> | <b>353,296,600</b> | <b>366,699,800</b> | <b>414,198,700</b> | <b>60,902,100</b> | <b>17.2</b> |

| Revenues                   | 2020/21                 | 2021/22                 | 2021/22                 | 2022/23                 |                       | Δ %        |
|----------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-----------------------|------------|
|                            | Actual                  | Budget                  | Projections             | Budget                  | Δ 21/22 Budget        |            |
| Tax Revenue                | \$ (525,509,480)        | \$ (527,101,200)        | \$ (530,468,500)        | \$ (563,256,100)        | \$ (36,154,900)       | 6.9        |
| Deed Transfer Tax          | (59,586,687)            | (60,000,000)            | (75,000,000)            | (80,000,000)            | (20,000,000)          | 33.3       |
| Area Rate Revenue          | (192,031,341)           | (198,208,200)           | (196,882,500)           | (204,249,500)           | (6,041,300)           | 3.0        |
| Tax Agreements             | (12,921,460)            | (12,678,100)            | (12,504,200)            | (12,692,200)            | (14,100)              | 0.1        |
| Payments in Lieu of taxes  | (39,865,092)            | (39,295,800)            | (39,272,800)            | (41,619,200)            | (2,323,400)           | 5.9        |
| Transfers from other Govts | (57,738,043)            | (3,481,000)             | (17,137,400)            | (3,981,000)             | (500,000)             | 14.4       |
| Interest Revenue           | (5,776,633)             | (5,535,000)             | (5,273,000)             | (8,883,100)             | (3,348,100)           | 60.5       |
| Fee Revenues               | (1,193,703)             | -                       | -                       | (1,872,500)             | (1,872,500)           | -          |
| Other Revenue              | (18,502,817)            | (18,827,800)            | (19,029,700)            | (18,941,900)            | (114,100)             | 0.6        |
| <b>Total Revenues</b>      | <b>(913,125,254)</b>    | <b>(865,127,100)</b>    | <b>(895,568,100)</b>    | <b>(935,495,500)</b>    | <b>(70,368,400)</b>   | <b>8.1</b> |
| <b>Net Total</b>           | <b>\$ (472,639,421)</b> | <b>\$ (511,830,500)</b> | <b>\$ (528,868,300)</b> | <b>\$ (521,296,800)</b> | <b>\$ (9,466,300)</b> | <b>1.8</b> |

## FISCAL SERVICES PLAN (2022/23)

## 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.

## 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 2022/23 is \$161.1 million, an increase of \$6.3 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 estimate for 2022/23 is \$7.3 million, a decrease of \$83.9 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 2022/23 is \$6.8 million, an increase of \$38.9 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 2022/23 is \$4.4 million, an increase of \$150 thousand from the prior year.

| <b>Provincial Area Rates</b> | <b>2021/22<br/>Budget</b> | <b>2022/23<br/>Budget</b> | <b>Δ 21/22 Budget</b> | <b>Δ %</b>  |
|------------------------------|---------------------------|---------------------------|-----------------------|-------------|
| Mandatory Education          | 154,789,800               | 161,102,500               | 6,312,700             | 4.1%        |
| Assessment                   | 7,407,900                 | 7,324,000                 | (83,900)              | -1.1%       |
| Correctional Services        | 6,798,100                 | 6,837,000                 | 38,900                | 0.6%        |
| Housing                      | 4,250,000                 | 4,400,000                 | 150,000               | 3.5%        |
| <b>Total</b>                 | <b>\$ 173,245,800</b>     | <b>\$ 179,663,500</b>     | <b>\$ 6,417,700</b>   | <b>3.7%</b> |

## **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 2022/23 fiscal year, HRM has budgeted an amount of \$9.1 M (before reserve withdrawals) for the HCC. This is \$0.5M lower than 2021/22, which is attributed to a partial recovery from the impact of COVID. 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) which covers 2019/20 to 2023/24. The total payment for 2022/23 will be paid for through a separate area rate. The estimate for 2022/23 is \$14.4 million, a decrease of \$378 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 2022/23 is \$8.4 million, an increase of \$4 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 2022/23 is \$3.9 million and is unchanged from 2021/22.

## 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 (\$154,300). Other grant programs are administered by individual business units. HRM also provides a number of tax relief programs including for low income homeowners (\$1.8 million) and for non-profits (\$5.6 million).

## VALUATION ALLOWANCE

The Valuation Allowance is an account required by provincial rules as a contingency against uncollectible tax and other revenues. In 2022/23 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.

## 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 6% plus inflation per dwelling each year. HRM-wide capital from operating for 2022/23 has been increased by \$13.4 million or 25.5 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.