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**Item No. 7.2**  
**Budget Committee**  
**March 1, 2024**

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

**SUBMITTED BY:** Original Signed

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John Traves, K.C., Acting Chief Administrative Officer

**DATE:** March 1, 2024

**SUBJECT:** Proposed 2024/25 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 3, 2023, staff are required to present the draft 2024/25 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**

That the Budget Committee direct the Chief Administrative Officer to incorporate the Fiscal Services proposed 2024/25 Budget and Business Plan, as set out and discussed in the accompanying plan and supporting presentation, into the Draft 2024/25 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 plans to advance these outcomes.

As part of the design of the 2024/25 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.

This recommendation does not include the addition/removal of any proposed Budget Adjustment List options.

## **DISCUSSION**

Staff has prepared the proposed 2024/25 Fiscal Services Budget and Business Plan consistent with the 2021- 2025 Strategic Priorities Plan approved on December 1, 2020, as well as budget direction provided on November 28, 2023.

Following direction from the Budget Committee, staff will proceed to prepare the detailed Budget and Business Plan for inclusion in the proposed 2024/25 HRM Budget and Business Plan documents to be presented to Regional Council's Budget Committee, as per the process and schedule approved on October 3, 2023.

## **FINANCIAL IMPLICATIONS**

The recommendations in this report will lead to the development of a proposed 2024/25 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 associated with this report, 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.

Enterprise risks are reviewed as part of the strategic planning process and mitigating initiatives incorporated into business planning activities to reduce or eliminate the impact and likelihood of the risk occurring.

## **COMMUNITY ENGAGEMENT**

The 2024/25 budget process seeks to solicit public comment by inviting members of the public to provide feedback prior to each business unit budget and business plan presentation.

## **ENVIRONMENTAL IMPLICATIONS**

No environmental implications were identified.

### **ALTERNATIVES**

Budget Committee could choose to amend the Budget and Business Plan as proposed in the supporting presentation through specific motion and direct the Chief Administrative Officer to prepare the Budget and Business Plan for inclusion in the proposed 2024/25 HRM Budget and Business Plan documents.

### **ATTACHMENTS**

Attachment 1 - 2024/25 Fiscal Services Proposed Budget and Business Plan

Attachment 2 - 2024/25 Fiscal Services Proposed Budget and Business Plan Presentation

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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.

Report Prepared by: Tyler Higgins, Manager Budget & Reserves, Finance & Asset Management

Report Approved by: Cathie O'Toole, Chief Administrative Officer, Chief Administrative Office

Financial Approval by: Jerry Blackwood, CFO, Executive Director of Finance & Asset Management

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# **FISCAL SERVICES**

**2024/25 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 and Other Area Rates
- Debt Charges
- Elections costs
- Capital from Operating
- Reserves
- Provincial Mandatory costs
- Supplementary Education
- Transfers such as Fire Protection, Stormwater and the Halifax Convention Centre
- Contingencies
- Other Compensation Costs
- Grants and Tax Relief
- Valuation Allowance
- Summary Office Ticket Revenues

## SERVICE AREA BUDGET OVERVIEW

Service Area	2022/23	2023/24	2023/24	2024/25		
	Actual	Budget	Projections	Budget	Δ 23/24 Budget	Δ %
Debt Servicing	\$ 35,242,492	\$ 36,968,300	\$ 36,810,300	\$ 45,711,200	\$ 8,742,900	23.6
Transfers To Outside Agencies	6,761,279	7,540,000	7,540,000	7,540,000	-	-
Other Fiscal Services	24,908,116	45,216,400	35,532,200	39,665,600	(5,550,800)	(12.3)
Transfers to/fr Other Funds	108,085,172	106,809,100	106,759,100	92,956,100	(13,853,000)	(13.0)
Non-Departmental Revenue	(708,165,045)	(779,402,700)	(770,501,200)	(838,861,600)	(59,458,900)	7.6
<b>Net Total</b>	<b>\$ (533,167,986)</b>	<b>\$ (582,868,900)</b>	<b>\$ (583,859,600)</b>	<b>\$ (652,988,700)</b>	<b>\$ (70,119,800)</b>	<b>12.0</b>

## OPERATING – SUMMARY OF CHANGES

Change Description / Service Impact	Amount
<b>Approved 2023/24 Budget</b>	\$ (582,868,900)
<b>Service Enhancements</b>	
Non-profit redesign	600,000
<b>Inflation/Service Pressures</b>	
Increase in debt payments & interest costs	8,742,900
Non-profit funding (based on assessment growth)	500,000
<b>Contractual Increases</b>	
Increase in bank fees	200,000
Insurance cost increase	460,000
<b>Revenue Changes</b>	
Increase in tax revenues (including Grants in Lieu)	(67,658,900)
Reduction in Deed Transfer Tax	11,000,000
Expected increase in interest revenue	(3,000,000)
<b>Other/Transfers</b>	
Reduction to Capital-from-Operating	(5,356,000)
Transfer of RCMP contract increase	(2,339,100)
Compensation provision adjustment	(6,729,900)
Reduction to SI Reserve funding	(7,000,000)
Corp. Memberships & other expenses transferred from Finance	385,700
Other changes (net reserve funding changes & minor increases)	75,500
<b>Total Changes</b>	\$ (70,119,800)
<b>2024/25 Budget</b>	<b>\$ (652,988,700)</b>

### Service Enhancements

The non-profit tax redesign is a redistribution of financial resources across seven categories to allocate operating assistance in accordance with Regional Council approved criteria. As proposed, the redesigned program will have a maximum payable amount per property and all properties will pay property tax using a benchmark formula with an additional percentage exemption depending on the category, thus creating an administrative efficiency that will enable two tax bills a year. The changes will be at an increased annual cost to HRM, providing further assistance to a broad range of non-profit organizations across the region. Summary of Expenditure and revenue

Expenditures	2022/23	2023/24	2023/24	2024/25		
	Actual	Budget	Projections	Budget	Δ 23/24 Budget	Δ %
Compensation and Benefits	\$ 22,081,590	\$ 27,386,800	\$ 21,559,300	\$ 21,536,200	\$ (5,850,600)	(21.4)
Office	744,041	39,000	39,000	810,900	771,900	1,979.2
External Services	8,315,617	11,851,600	10,254,600	7,285,500	(4,566,100)	(38.5)
Supplies	8,877	3,000	3,000	3,600	600	20.0
Materials	2,001	-	-	-	-	-
Building Costs	583,085	352,500	352,500	374,100	21,600	6.1
Equipment & Communications	123,525	48,000	48,000	277,300	229,300	477.7
Vehicle Expense	71,354	10,000	10,000	14,000	4,000	40.0
Other Goods & Services	862,287	4,674,000	3,221,500	5,357,800	683,800	14.6
Interdepartmental	887,520	500,000	200,000	570,700	70,700	14.1
Debt Service	43,370,944	44,720,200	44,720,200	52,950,000	8,229,800	18.4
Other Fiscal	330,686,256	349,096,750	358,589,300	359,461,050	10,364,300	3.0
<b>Total Expenditures</b>	<b>407,737,097</b>	<b>438,681,850</b>	<b>438,997,400</b>	<b>448,641,150</b>	<b>9,959,300</b>	<b>2.3</b>

Revenues	2022/23	2023/24	2023/24	2024/25		
	Actual	Budget	Projections	Budget	Δ 23/24 Budget	Δ %
Tax Revenue	\$ (637,356,688)	\$ (704,566,300)	\$ (694,566,300)	\$ (753,279,800)	\$ (48,713,500)	6.9
Area Rate Revenue	(205,218,215)	(221,430,650)	(221,397,000)	(244,699,550)	(23,268,900)	10.5
Tax Agreements	(12,965,394)	(13,028,100)	(14,010,000)	(13,986,300)	(958,200)	7.4
Payments in Lieu of taxes	(42,564,098)	(45,509,900)	(45,509,900)	(50,262,500)	(4,752,600)	10.4
Transfers from other Govts	(6,898,275)	(4,050,000)	(15,689,300)	(3,600,000)	450,000	(11.1)
Interest Revenue	(11,100,054)	(16,650,400)	(16,724,400)	(19,836,000)	(3,185,600)	19.1
Fee Revenues	(3,968,578)	(1,872,500)	(1,882,200)	(1,872,500)	-	-
Other Revenue	(20,833,781)	(14,442,900)	(13,077,900)	(14,093,200)	349,700	(2.4)
<b>Total Revenues</b>	<b>(940,905,083)</b>	<b>(1,021,550,750)</b>	<b>(1,022,857,000)</b>	<b>(1,101,629,850)</b>	<b>(80,079,100)</b>	<b>7.8</b>
<b>Net Total</b>	<b>\$ (533,167,986)</b>	<b>\$ (582,868,900)</b>	<b>\$ (583,859,600)</b>	<b>\$ (652,988,700)</b>	<b>\$ (70,119,800)</b>	<b>12.0</b>

## FISCAL SERVICES PLAN (2024/25)

### 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** – repaid 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 Commission, 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 of Nova Scotia at the value of the Provincial Education Rate times the Uniform Assessment. The estimate for 2024/25 is \$194.3 million, an increase of \$20.4 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 2024/25 is \$7.3 million, a decrease of \$12 thousand from the prior year.

### Correctional Services

HRM is required to make a mandatory contribution to the Province of Nova Scotia 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 2024/25 is \$6.9 million, an increase of \$51 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 2024/25 is \$5.2 million, an increase of \$666 thousand from the prior year.

Provincial Area Rates	2023/24 Budget	2024/25 Budget	Δ 23/24 Budget	Δ %
Mandatory Education	173,821,800	194,252,900	20,431,100	11.8
Assessment	7,303,000	7,315,000	12,000	0.2
Correctional Services	6,870,000	6,921,000	51,000	0.7
Housing	4,500,000	5,165,600	665,600	14.8
<b>Total</b>	<b>\$ 192,494,800</b>	<b>\$ 213,654,500</b>	<b>\$ 21,159,700</b>	<b>11.0</b>

## Other Transfers

### Halifax Convention Centre (HCC)

HRM has an agreement with the Province of Nova Scotia 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 offices, a hotel, retail and parking. For the 2024/25 fiscal year, HRM has budgeted an amount of \$7.5 million (before reserve withdrawals) for the HCC. This is \$1.2 million lower than 2023/24, as the HCC has now fully recovered from the pandemic.

### **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 2024/25 will be paid through a separate area rate. The estimate for 2024/25 is \$12.6 million, a decrease of \$1.8 million 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 2024/25 is \$11.0 million, an increase of \$ thousand from the prior year.

### **Stormwater Right-of-Way (Halifax Water Commission)**

The Nova Scotia Utilities and Review Board (NSUARB) requires HRM to pay 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 2024/25 is \$5.3 million, an increase of \$20 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 (\$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 (\$6.3 million).

## **Valuation Allowance**

The Valuation Allowance is an account required by provincial rules as a contingency against uncollectible tax and other revenues. In 2024/25 it is budgeted at \$2.0 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 deposits and withdrawals are budgeted for in both Fiscal Services and in individual business units.

### **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. For the past two budget cycles, that guidance was set aside to mitigate the tax increase. HRM wide capital from operating for was capped at \$57.4 million for 2024/25, which is a decrease of \$5.4 million or 8.5 per cent from the prior year. Capital from operating guidelines are going to be reviewed as part of the municipal funding strategy to be completed during 2025.

### **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, private organizations and private roads.

# 2024/25 Fiscal Services Budget

# Fiscal Services

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

# Summary of Changes

Change Description / Service Impact	Amount
<b>Approved 2023/24 Budget</b>	<b>\$ (582,868,900)</b>
<b>Service Enhancements</b>	
Non-profit redesign	600,000
<b>Inflation/Service Pressures</b>	
Increase in debt payments & interest costs	8,742,900
Non-profit funding (based on assessment growth)	500,000
<b>Contractual Increases</b>	
Increase in bank fees	200,000
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<b>Revenue Changes</b>	
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Reduction in Deed Transfer Tax	11,000,000
Increase in interest revenue	(3,000,000)
<b>Other/Transfers</b>	
Reduction to Capital-from-Operating	(5,356,000)
Transfer of RCMP contract increase	(2,339,100)
Compensation provision adjustment	(6,729,900)
Reduction to SI Reserve funding	(7,000,000)
Corp. Memberships & other expenses transferred from Finance	385,700
Other changes (net reserve funding changes & minor increases)	75,500
<b>Total Changes</b>	<b>\$ (70,119,800)</b>
<b>2024/25 Budget</b>	<b>\$ (652,988,700)</b>

# Mandatory Provincial Taxes

- Formula based on 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	2023/24 Budget	2024/25 Budget	Δ 23/24 Budget	Δ %
Mandatory Education	173,821,800	194,252,900	20,431,100	11.8
Assessment	7,303,000	7,315,000	12,000	0.2
Correctional Services	6,870,000	6,921,000	51,000	0.7
Housing	4,500,000	5,165,600	665,600	14.8
<b>Total</b>	<b>\$ 192,494,800</b>	<b>\$ 213,654,500</b>	<b>\$ 21,159,700</b>	<b>11.0</b>

# Tax Bill vs Municipal Tax Bill

Average Tax Bill	2023/24 Approved	2023/24 Proposed	Δ \$	Δ %
Municipal Portion	\$2,301	\$2,506	\$205	8.9%
Mandatory Taxes	\$1,074	\$1,154	\$80	7.4%
<b>Total Tax Bill</b>	<b>\$3,375</b>	<b>\$3,660</b>	<b>\$285</b>	<b>8.4%</b>

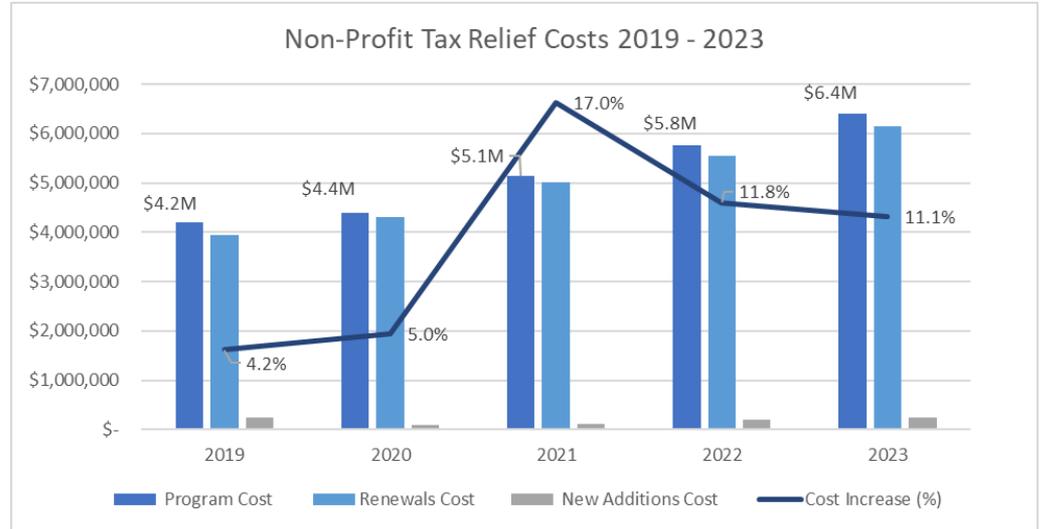
## Mandatory Taxes include:

- Provincial Mandated Taxes (outlined on Slide 3)
- Supplementary Education
- Fire Protection
- Right of Way Charges

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# Non-Profit Changes

- \$600,000 to implement redesigned program in 2024/25
- Assessments of existing program participants increased 12.5% in 2024
- New additions in 2024/25 estimated at \$200,000



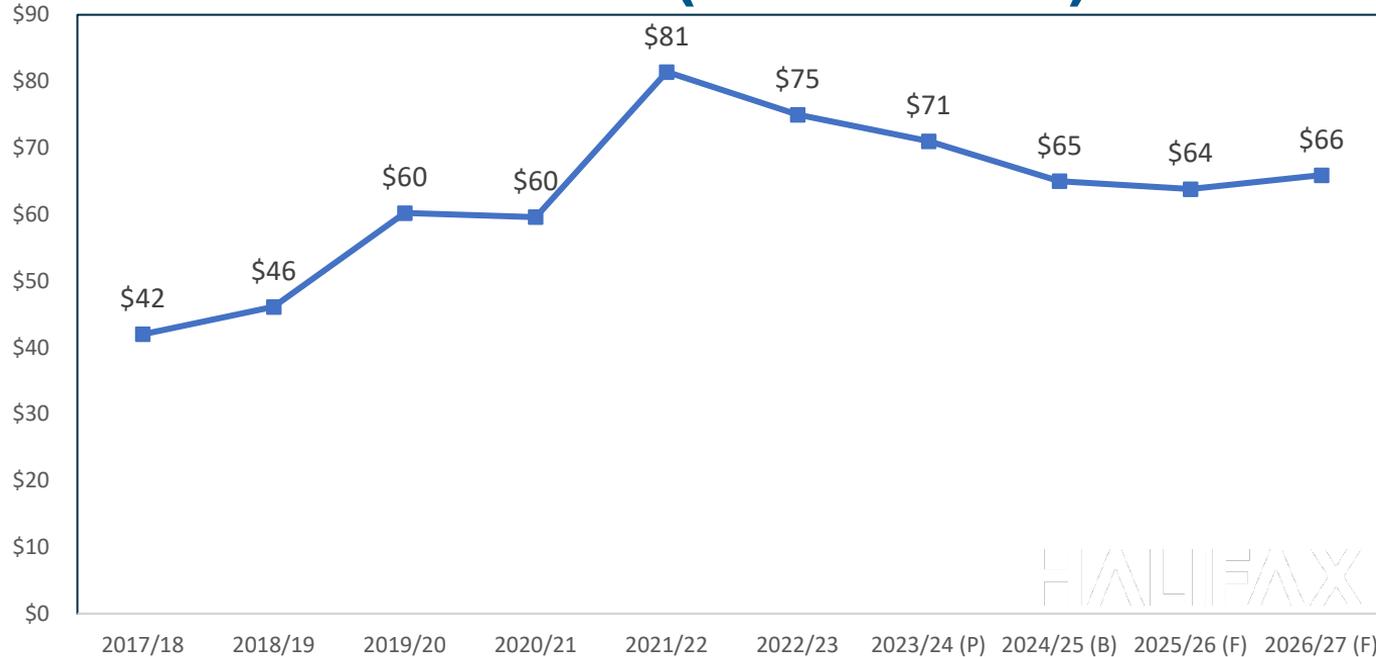
# FTE Changes

Full Time Equivalent (FTE) Change Details	
<b>Approved 2023/24 FTEs:</b>	<b>0</b>
Transferred Positions:	
Elections Coordinator Transfer from LLS	1.0
Total Changes	1.0
<b>Total Budgeted 2024/25 FTEs</b>	<b>1.0</b>

*Includes full, part-time, and permanent positions - calculated value based on the normal working hours of each position.*

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# Deed Transfer Tax (\$ millions)

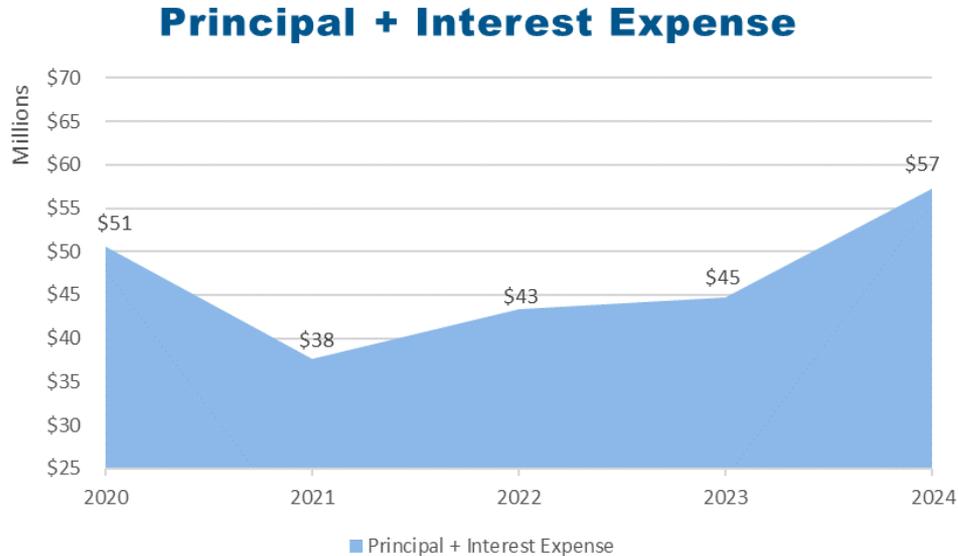


Source: Projected internal HRM estimate & forecast from Canmac Economics

P – Projected  
B – Budget  
F - Forecast

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# Total Cost of Debt



- 2023 fall debenture issuance has an effective interest rate of 5.29%
- Highest issuance rate in 10 years
- Interest rates are expected start declining in late 2024 and through the next several years

# Reserve Balances

Reserve	Opening Balance	Current Commitments	Pending Contribution	Projected Closing Balance 2023/24 (Q3)	Budget Closing Balance 2024/25
Total Risk Reserves	\$ 9,232,625	\$ (8,649,733)	\$ 13,858	\$ 596,751	\$ 2,930,051
Total Obligation Reserve	127,960,716	(73,290,080)	6,089,400	60,760,036	72,403,505
Total Opportunity Reserve	296,465,248	(133,080,269)	16,568,110	179,953,089	198,136,440
<b>Total</b>	<b>\$ 433,658,589</b>	<b>\$(215,020,082)</b>	<b>\$ 22,671,368</b>	<b>\$ 241,309,876</b>	<b>\$ 273,469,996</b>

