

# HALIFAX

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## Item No. 3

Budget Committee  
March 7, 2018

**TO:** Mayor Savage and Members of Halifax Regional Council

**SUBMITTED BY:**

Original Signed by 

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Jacques Dubé, Chief Administrative Officer

**DATE:** February 20, 2018

**SUBJECT:** 2018/19 Fiscal and Consolidated Accounts

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### **ORIGIN**

As per Administrative Order 1, and the Budget and Business Plan consultation schedule presented on November 14<sup>th</sup>, 2017 to Regional Council, staff is required to present the 2018/19 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 Committee of the Whole direct staff to:

- Proceed to prepare the 2018-19 Fiscal and Consolidated Accounts, as proposed in the accompanying presentation and consistent with the preliminary fiscal direction,

### **BACKGROUND**

In February of 2016 Regional Council directed staff to undertake

*... 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.*

Being the second year of a multi-year budget, staff have prepared the 2018-19 budget as per Council direction, with some adjustments from the Approved in Principle budget, presented before Council in 2017-18.

*In December 2017, Council directed that the: Budget Committee recommend that Halifax Regional Council recommended that staff revise the 2018-2019 Budget 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 stable capital budget that maintains state of good repair while also funding growth related issues and service improvements;*
- a responsible and declining debt position;*
- appropriate reserve balances that allow for risk mitigation, future obligations and opportunities;*
- alignment of the current average tax bill for residential homes and commercial properties at a 1.9% increase.*

## **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, all business units have presented their 18/19 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 is up 1.4%
- The Assessment cap is 0.9%
- Commercial Assessment growth is 0.2%
- The average tax bill for single family homes will increase by 1.9%, or \$36.

Based on Council's direction, these rates will see the average residential tax bill increase by 1.9% and the average commercial tax bill for properties under \$1.25m, increase by 1.9%.

Various other tax rates must be set by Regional Council for the 2018/19 fiscal year. These rates are to be set once the amounts are finalized. These tax rates include:

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

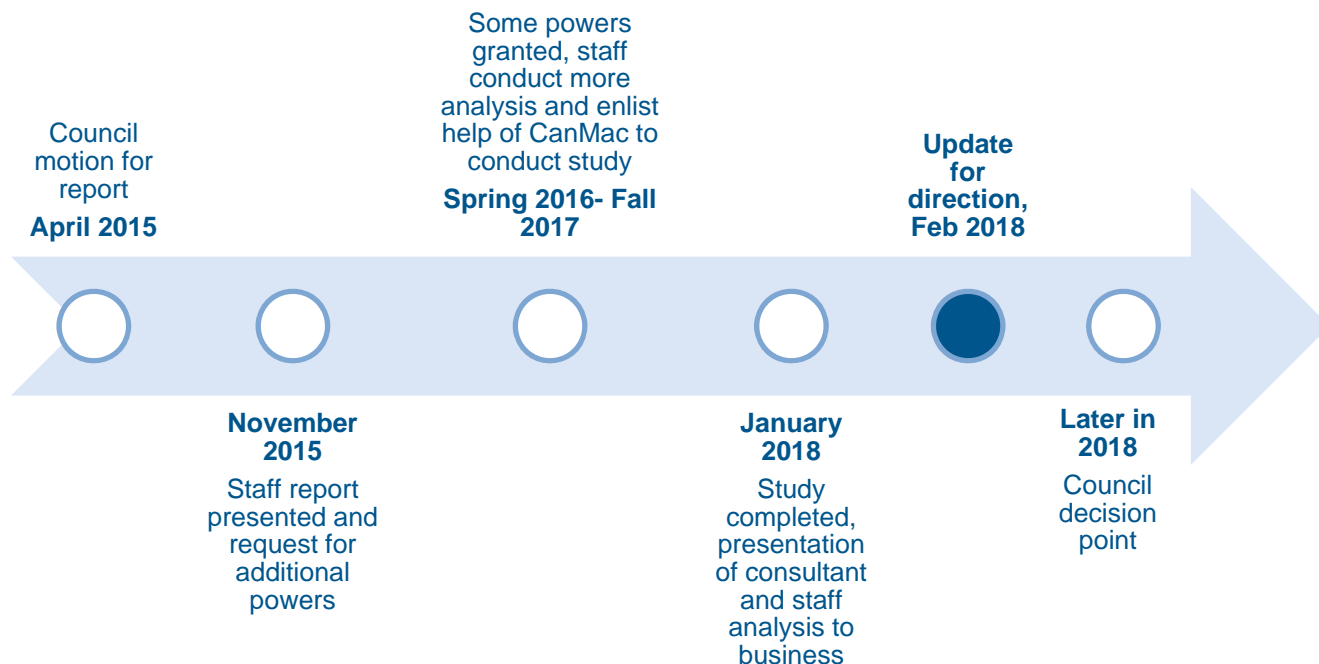
The Stormwater Right-of Way Charge is reviewed annually and adjusted, as required, by application of By-law C-900, the Charges for Stormwater from Municipal Streets By-law.

Other policy issues that impact the budget include HRM's responsibility to the Halifax Convention Centre (HCC), with approval required from the Province and Regional Council, administrative order (AO) review of District Capital and Discretionary funds, review of grants principles, Area Rate Review and updates to the Commercial Tax structure. Also included in fiscal services are some amounts that will be transferred into business units following full approval of the budget. These include amounts for IMP (\$350,000).

Commercial Tax Structure Update

Over the past 12-16 months, staff have been working with the business community on possible adjustments to the commercial tax structure. During this time, staff initiated a consultant report by CanMac Economics, entitled “An Economic Analysis of the Halifax Regional Municipality Commercial Tax”. The report conclusions were shared with the business community during a workshop held in mid-January. Staff have continued to analyze possible adjustments given current legislative powers, and are currently in dialogue with business about objectives and policy options. Ultimately, Regional Council will debate possible options during the 2018-19 budget cycle, or may defer a decision until more analysis is conducted on what adjustments it judges to be appropriate.

The timeline below indicates where the process currently stands:



Potential Funding of Budget Options:

During the Committee of the Whole Budget process, Council reviewed each Business Unit’s high level budget and proposed plans before detailed preparation. During this time Council developed a list of budget options. Council’s budget options list will be debated on March 28<sup>th</sup>, outlining potential increases to Business Unit expenditures.

Those items which are one-time in nature could possibly be funded through using the general contingency reserve. However, ongoing increases to services are best funded through an ongoing, sustainable source such as a permanent decline in other expenditures or a permanent revenue increase, such as through taxes. As Council has already reviewed the budgets of each business unit, further tax increases may be the most realistic option to achieve the balance of tax and service that Council desires. However, Council can also defer parking lot items to the 2019-20 budget debate and consider them at that time.

**FINANCIAL IMPLICATIONS**

Capital from Operating, Debt and tax rates have been adjusted accordingly to align projected revenues and expenditures. Debt per household continues to decline at 3 per cent per year. Capital from Operating

appears in both Transit and Fiscal Services and is unchanged from the “Approved in Principle” budget. The recommendations in this report will lead to the development of a proposed budget for 2018-19, the second year of Council’s Multi-Year Budget.

**RISK CONSIDERATION**

The risk associated with this report is financial to the extent Regional Council approves expenditures over the proposed budget.

**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 2018 – 2019 Budget Presentation

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A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.php> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 902.490.4210, or Fax 902.490.4208.

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