

FISCAL SERVICES

2022/23 Budget & Business Plan
Committee of the Whole on Budget
March 2, 2022

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
- Summary Offence Tickets

MAJOR CHANGES IN 2022/23

- Changes from Fiscal Framework
 - Reserve Changes
 - Debt Charges and Debt
- Supplementary Education
 - Year 4 of MOU – Reduction of \$75K.
- Reserve withdrawal of \$7m (2021/22 surplus)
- Mandatory Provincial Taxes
 - Additional costs of 6.4M.
 - Estimated rate drops from 34.1 cents to 32.8 cents.
- Low Income Rebate
 - Increase Income limits and rebate amounts.
 - Admin Order 10 to be amended. March 9th Report.
- Non-Profit Tax Relief
 - Major changes planned to program, through Grants Committee

MANDATORY PROVINCIAL TAXES

- Formula based transfers legally required of Municipalities
- HRM has no accountability for how funds are spent.
- Only responsibility is to transfer funds
- Funds collected through area rates

Provincial Area Rates	2021/22 Budget	2022/23 Budget	Δ 21/22 Budget	Δ %
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%
Total	\$ 173,245,800	\$ 179,663,500	\$ 6,417,700	3.7%

LOW INCOME RELIEF

Program Changes:

- Increase Eligible Income from \$36,000 to \$43,000
- Increase top rebate from \$1,050 to \$1,200
- Increase program budget from \$1,425,000 to \$1,700,000
- In 22/23, staff to research additional changes (linking to GST Credit/Child Benefit)
 - Indirect relief for number of children, disabled, single-parents.

Income Range		Current AO	Proposed AO	Change (\$ and %)	
Up to	\$5,000	\$937	\$1,067	\$131	14%
\$5,001	\$10,000	\$824	\$926	\$103	12%
\$10,001	\$15,000	\$808	\$906	\$99	12%
\$15,001	\$20,000	\$849	\$949	\$101	12%
\$20,001	\$25,000	\$772	\$934	\$162	21%
\$25,001	\$30,000	\$569	\$959	\$390	69%
\$30,001	\$36,000	\$259	\$685	\$426	164%
\$36,001	\$43,000	\$0	\$323	\$323	n/a
Avg Program Rebate		\$641	\$733	\$92	14%

For the roughly 1,600 homeowners in the program with incomes under \$36,000, their average rebate is estimated to increase from \$641 to \$886, an **increase of \$245 or 38%**.

600 new households are expected to added to the program, with an estimated average rebate of **\$323**.

NON PROFIT TAX RELIEF

Program Redesign:

- Current Program has five categories.
- Lacks clear, transparent criteria. Legacy issue.
- Multiple inequities. 25 Non-Profits pay \$9K to \$100K each in Property Tax after Relief. 82 similar non-profits are fully exempt. Much of it is based on when they joined the program and what former municipality they are in.
- Intend to bring redesigned program to Grants Committee along with funding strategy. Over 80% of Non-Profits will see taxes reduced. Implement in 22/23 through new revenue module.

Current Legacy Program

- Sec 26 - 100% reduction →
- Sec 27 - 75% reduction →
- Sec 28 - 50% reduction →
- Sec 29 - Conversion →
- Sec 30 - 50% reduction →
(Affordable Rental Housing)



Redesigned Program

- Special Needs
- Affordable Rental Housing
- Child Care
- Community Benefit

OPERATING BUDGET

OVERVIEW

Expenditures	2020/21	2021/22	2021/22	2022/23		
	Actual	Budget	Projections	Budget	Δ 21/22 Budget	Δ %
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
Total Expenditures	440,485,833	353,296,600	366,699,800	414,198,700	60,902,100	17.2

OPERATING BUDGET

OVERVIEW

Revenues	2020/21	2021/22	2021/22	2022/23		
	Actual	Budget	Projections	Budget	Δ 21/22 Budget	Δ %
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
Total Revenues	(913,125,254)	(865,127,100)	(895,568,100)	(935,495,500)	(70,368,400)	8.1
Net Total	\$ (472,639,421)	\$ (511,830,500)	\$ (528,868,300)	\$ (521,296,800)	\$ (9,466,300)	1.8

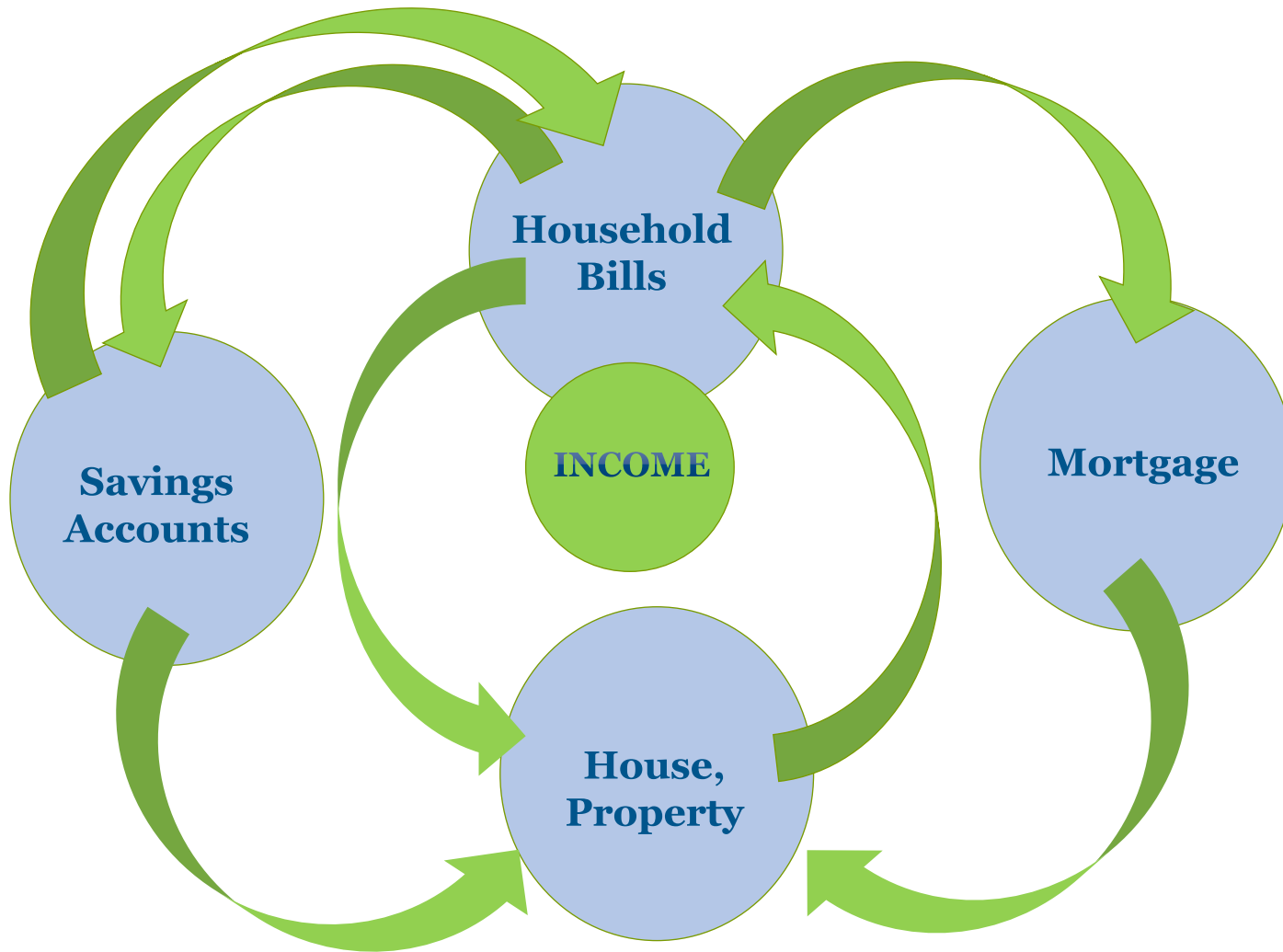
OPERATING BUDGET

SUMMARY OF CHANGES

Change Description / Service Impact	Amount
Approved 2021/22 Budget	\$ (511,830,500)
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	(2,604,800)
Increase in Capital-from-Operating	13,415,000
2021/22 Surplus Reserve Withdrawal	(7,000,000)
Strategic Initiatives Contributions and other reserve changes	9,871,300
Other changes	(487,700)
Total Changes	\$ (9,466,300)
2022/23 Budget	\$ (521,296,800)

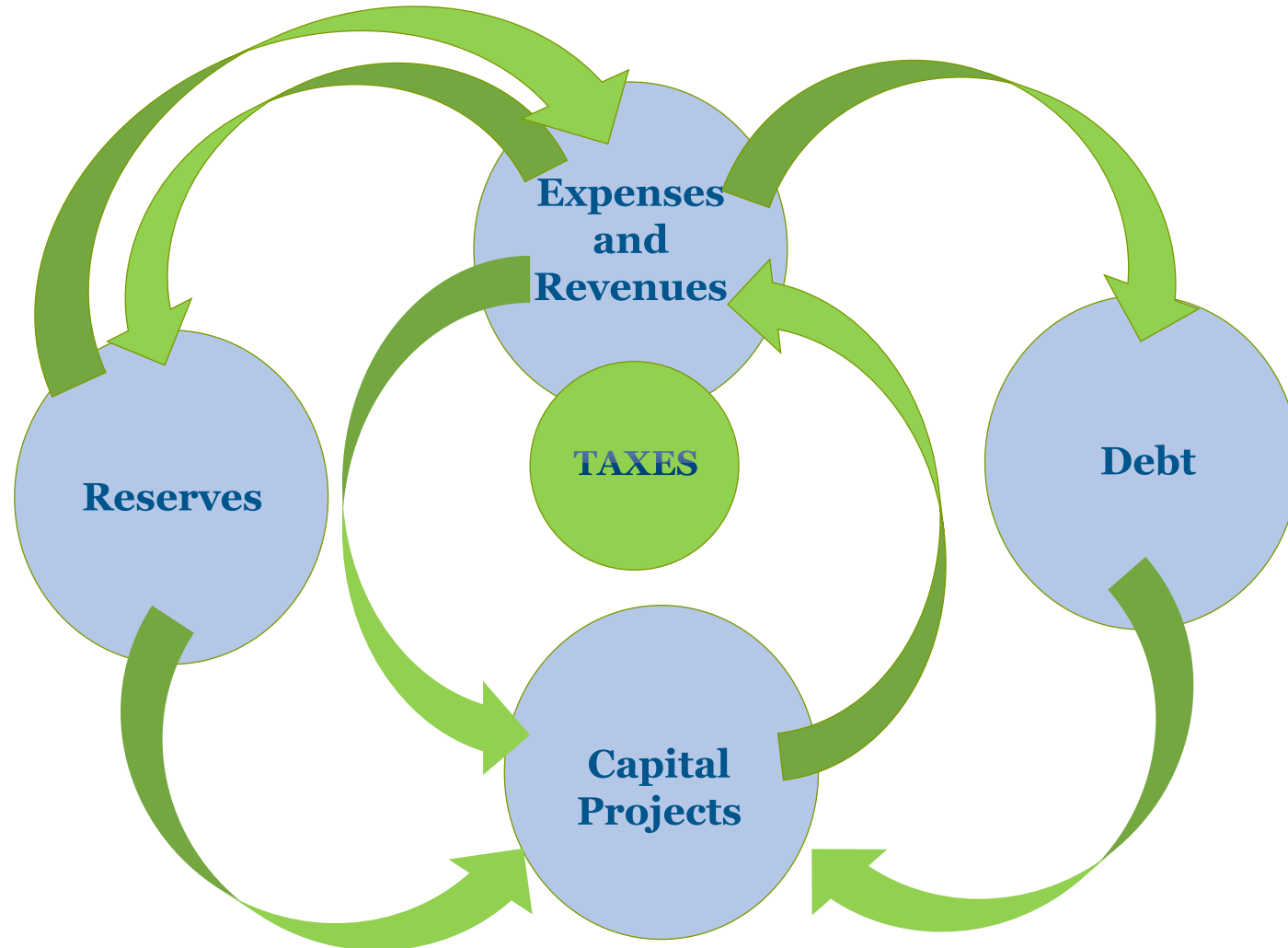
RESERVES

A Household Budget



- There are four areas that household finances are broken into:
 - Household income and bills
 - Mortgages
 - Assets (home, car, cottage)
 - Savings (Bank Accounts, RRSP, RESP)
- Each of these four items are interconnected

Fiscal Framework



- Municipal finances are similar to a Household
 - Household Income = Taxes
 - Mortgage = Debt
 - House, Property = Capital
 - Savings = Reserves
- Each of these four items are interconnected

HOW DO RESERVES WORK

Imagine a child born in 2004. University costs 23k per year but you figure by the time they are 18 it will be **\$32K**.

You decide to put **\$5K** into a special bank account each year and let it accumulate.

By the time they are 18, you have **\$105K** in that account.

And at the end of four years of University the **funds are all used** and you close the account

	2005	+14 Years	2020	2021	2022	2023	2024	2025
Balance			89,700	96,900	105,000	80,600	55,600	30,000
Annual Contribution	5,000	70,000	5,000	5,000	5,000	5,000	5,000	5,000
Interest		14,700	2,200	3,100	2,600	2,000	1,400	800
Tuition & Residence					(32,000)	(32,000)	(32,000)	(32,000)
Closing Balance	<u>5,000</u>		<u>96,900</u>	<u>105,000</u>	<u>80,600</u>	<u>55,600</u>	<u>30,000</u>	<u>3,800</u>

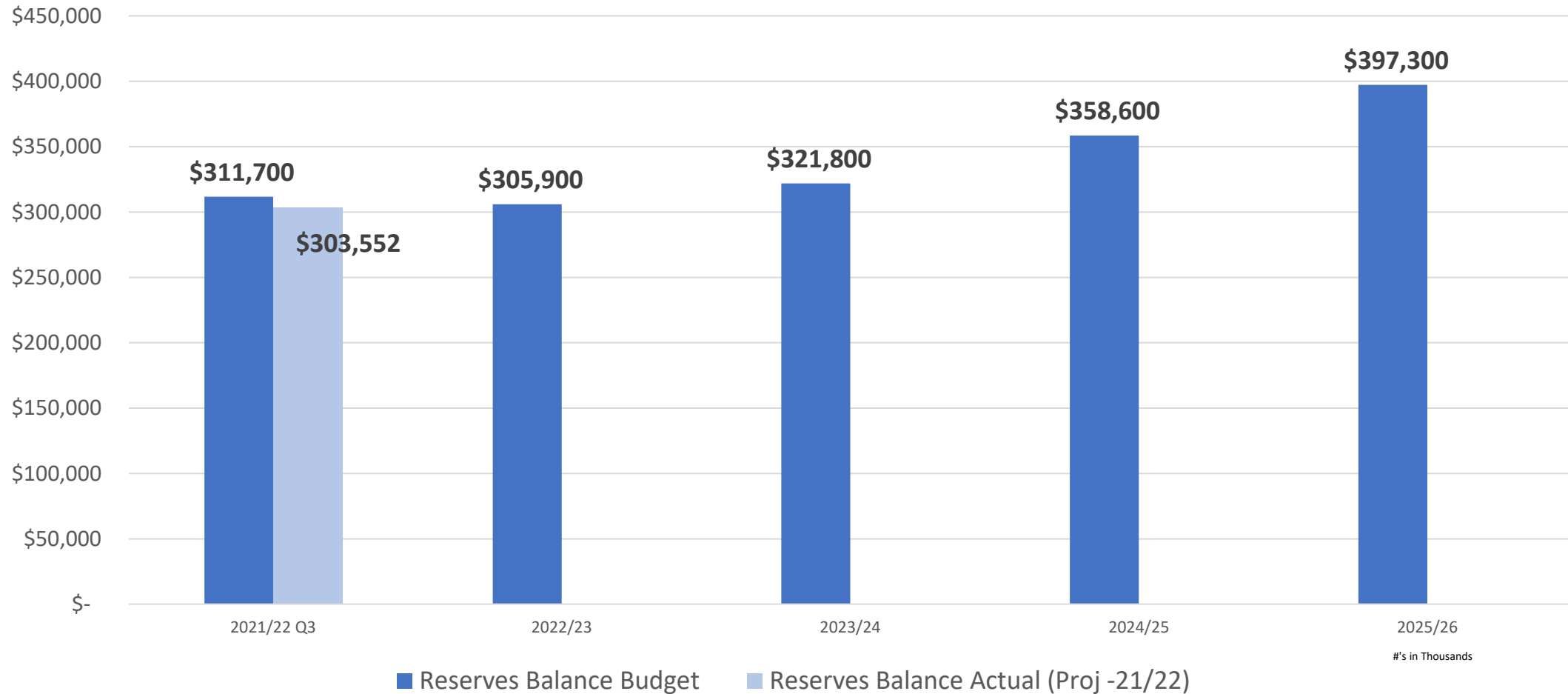
KEY POINTS

- **Basic Concept of Reserves is very similar**
 - Objective is normally a future action
 - Focus is on large and/or strategic items
 - Fund continues on for multiple years, past current budget
- **Some of our Reserves layer on additional tools or have differences**
 - New Strategic Initiative Reserves also uses Debt
 - Several reserves use restricted funds (Gas Tax, Parkland funds)
 - Legal Requirements
 - Some reserves are not tied to future actions, more flexible.
 - Some technical changes to AO will be brought forward

KEY POINTS

- Funds come from different places
 - Contributions from Tax Revenues
 - Sales of Assets, Land Sales
 - Gas Tax
 - Parkland Acquisitions, Density Bonusing
- Sustainability is critical. Reserves useful for one-time or occasional items
- Balance Future Need vs Higher Taxes
 - Higher Reserve Balance can mean Higher Taxes
- Key Indicators
 - Municipal Affairs FCI Targets are 20% operating, 40% total
 - HRM has “moderate” risk at 11% and 34%
 - GFOA – 2 months of revenues. HRM has 4 months.
 - Working on HRM specific targets and metrics

RESERVES BALANCES (\$000)



TYPES OF RESERVES

- HRM has 17 Reserves, with Council approved business cases. Reserves exist to fulfill three basic purposes:
 - **Risk Reserves** - for emergencies or for variations in the budget such as snow clearing.
 - **Obligation Reserves** - to fund specific events, often numerous years in the future. For example, landfill closure or central library recapitalization.
 - **Opportunity Reserves** – for flexibility. Typical uses would be leveraging funds or paying HRM’s portion of cost-shared infrastructure projects.

RISK RESERVES - 22/23

- One Risk Reserve for all of HRM
 - One reserve pools all our risk
 - Covers economic, financial, environmental, service related, health and safety, legal and compliance
 - In a major risk incident, funds could be used from other reserves or HRM could borrow funds
 - Funds would only be used in an unforeseen event and otherwise remain in the reserve. Important not to overfund.

	2022/23	Purpose
Risk and Resilience (Q416)	(10.1)	the risk of unforeseen events involving substantial costs

OBLIGATION RESERVES

- Meant to deal with medium to long term issues.

	2022/23	Purpose
Landfill Closure Costs (Q506)	(7.5)	Closure and post closure of landfills (as per PSAB)
Municipal Election Reserve (Q511)	(2.8)	Regular and special Municipal elections
Convention Centre Reserve (Q521)	(2.0)	Capital and operating costs of the HCC
Central Library Recapitalization Reserve (Q536)	(8.4)	the upgrade and replacement of the Halifax Central Library.
Multi District Facilities Reserve (Q546)	0.5	the upgrade, renovation and replacement of MDFs & Scotiabank Centre
Solid Waste Facilities Reserve (Q556)	(13.8)	the upgrade and replacement of solid waste facilities
Master Plan Reserve (new) (Q566)	(2.3)	growth related capital and studies regional and Master Plan Area charges
Business/Industrial Parks Expansion (Q616)	(41.9)	Infrastructure for select strategic land
Community and Events Reserve (Q621)	(1.3)	Attracting and hosting exceptional large-scale sporting and tourism events
Total	(79.5)	

OPPORTUNITY RESERVES

- For Flexibility
 - Council has the ability to tap into these funds
 - Options Fund designed for Council.
 - Need to consider commitments in future years

	2022/23	Purpose
Capital Fund Reserve (Q526)	(10.0)	the renewal and expansion of HRM's asset base. Surplus goes here.
SI Operating Reserve (Q667)	(24.5)	the operating costs associated with Strategic Initiative Projects
SI Capital Reserve (Q666)	(157.7)	the debt costs associated with Strategic Initiatives
Parkland Development Reserve (Q611)	(6.9)	Parks and playgrounds through parkland dedication fees (HRM Charter Sec 283)
Canada Community Building Reserve (Q626)	(6.7)	infrastructure through Gas Tax funds
Options (Contingency) Reserve (Q421)	(6.9)	Changes or additions to services or for grants to outside agencies
Density Bonus (Q640)	<u>(3.6)</u>	Affordable housing, heritage, art, parks, community or cultural space through incentive or bonus zoning funds.
Total	(216.3)	



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**SHAPE
YOUR
BUDGET**

We want to understand what's important to you as we build the next municipal budget.

How should we spend

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