



P.O. Box 1749  
Halifax, Nova Scotia  
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**Item No.**  
**Audit & Finance Standing Committee**  
**April 3, 2013**

**TO:** Chair and Members of Audit & Finance Standing Committee

Original Signed

**SUBMITTED BY:** \_\_\_\_\_  
Greg Keefe, Director, Finance and Information, Communication &  
Technology/CFO

**DATE:** March 27, 2013

**SUBJECT:** 13/14 Revenue and Corporate Accounts

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### **ORIGIN**

At the December 19, 2012 Audit and Finance Committee the fiscal direction was provided to staff as a first step in preparation of the 13/14 Budget.

### **RECOMMENDATION**

It is recommended that the Audit and Finance Committee direct staff to proceed to prepare the proposed 13/14 Budget based on:

1. Average Residential Tax Burden increase of CPI + 1% using the following rates:
  - a. General Tax Rate 0.06580
  - b. Local Transit Rate 0.10500
  - c. Regional Transit Rate 0.05100
  - Total 0.08140
  
2. Set Commercial Taxes to Growth in GDP, less 1.5% (BOT Phase Out):
  - a. Business Occupancy 0.00000
  - b. Commercial Tax Rate 0.30700

## **BACKGROUND**

As part of the design of the 2013-2014 Proposed Budget, the Audit and Finance Committee is reviewing each Business Unit's high level budget and proposed plans in advance of detailed Budget and Business Plan preparation.

At the December 4, 2012 Committee of the Whole Regional Council considered their Strategic Priority Outcomes and directed staff to: *“present the 2013/14 draft Budget and Business Plans to the Audit and Finance Committee for review and discussion prior to consideration by Regional Council following the priority outcomes described in Attachment “A” having regard to the changes and additional priorities raised by Council during the course of discussion in Committee of the Whole.”*

Subsequently, at the December 19, 2012 Audit and Finance Committee staff was directed to commence preparation of the 13/14 Budget as follows:

1. Basing the 2013-14 average Tax Burden for single family homes on an increase of Consumer Price Index (CPI) plus 1% and consider alternatives leading to a 0% increase; and
2. During the course of developing the budget that staff investigate possible commercial tax changes including:
  - linking the commercial tax rate to GDP, not the residential tax rate;
  - establishing a Small Property Tax Rate;
  - basing commercial taxes on a moving average of assessed values; and, revenue alternatives to commercial assessment

## **DISCUSSION**

Staff has prepared a draft Budget consistent with the fiscal direction received from the Audit and Finance Committee on December 19, 2012.

Following direction from the Audit and Finance Committee, staff will proceed to finalize the detailed Budget and Business Plan for presentation to Audit and Finance Committee on April 24, 2013 as per the process and schedule endorsed by Regional Council on December 4, 2012.

## **FINANCIAL IMPLICATIONS**

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Project and Reserve budgets, policies and procedures regarding withdrawals from the utilization of the Project and Operating reserves, as well as any relevant legislation.

**COMMUNITY ENGAGEMENT**

None are associated with this report.

**ENVIRONMENTAL IMPLICATIONS**

None

**ALTERNATIVES**

The Audit and Finance Standing committee can choose to amend the Fiscal Direction as proposed in the accompanying presentation through specific motion, and direct staff to proceed to prepare the 13/14 Budget and Business Plan based on that amended direction.

**ATTACHMENTS**

Presentation

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A copy of this report can be obtained online at <http://www.halifax.ca/boardscom/SCfinance/index.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Lanna Prowse, Coordinator 490-6527

Original Signed

Financial Approval by:

\_\_\_\_\_  
Greg Keefe, Director of Finance and Information, Communication  
& Technology/CFO, 490-6308

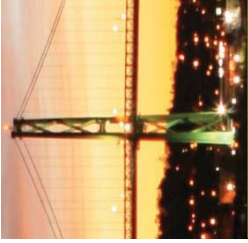
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Audit and Finance Committee  
Revenue and Corporate Accounts

Finance and ICT

April 3, 2013



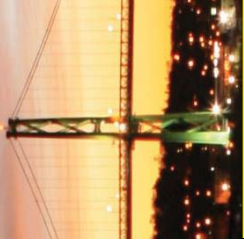
# From December 19 AFSC

- **Basing the 2013-14 average Tax Burden for single family homes on an increase of Consumer Price Index (CPI) plus 1% and consider alternatives leading to a 0% increase.**
- **Motion passed that the Audit and Finance Standing Committee, as a first step, recommend to staff that during the course of developing that budget that it investigate possible commercial tax changes including:**
  - linking the commercial tax rate to GDP, not the residential tax rate;
  - establishing a Small Property Tax Rate;
  - basing commercial taxes on a moving average of assessed values; and,
  - revenue alternatives to commercial assessment



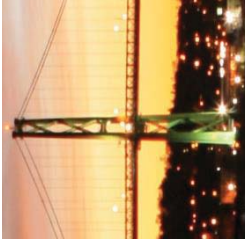
# Highlights

- **Residential Taxes:**
  - Option CPI + 1
  - Rate decrease of 0.45%
  - Tax on the Median capped house increase \$23.
  - Tax on the average house increase by \$35.
  - Tax per \$100,000 of assessment decrease by \$3
  - Tax drops from 1.82% median household income to 1.80%
  - Transit rates stay the same
- **Commercial:**
  - Link to GDP not formula linked to residential rate.
  - Final phase out of Business Occupancy Tax - \$4M
  - Rate decrease of 0.45%
  - Average tax increase of 3.07%, half of increase in assessment
  - Tax drops from 1.048% of GDP to 1.032%.
- **Debt:**
  - Continue to drop by 3% per household – from \$1,519 - \$1,473
  - Debt Servicing down by 3.5%
  - Capital from Operating up \$1M more than policy of 3% plus inflation. – we are paying as we go!!
- **Spending:**
  - Up 2.35% on operations -> Police, Transit
  - Up 4.25% overall, driven by 6.36% increases in mandatory provincial contributions and 10.22% increase in Capital from Operating



# Where we are: Operations

Business Unit	Net Expenditures					% Increase (Decrease)	
	12/13 Budget	Transfers, Inflation, Wages	Efficiencies	Service Changes	Proposed 13/14 Budget		
Community and Recreational Services	15,350	1,406	-591	70	16,235	885	5.77%
Fire and Emergency Services	55,056	1,698	-1,071	130	55,813	757	1.37%
Metro Transit	0	3,499	-2,979	-520	0	0	0.00%
Transportation and Public Works	115,412	4,231	-4,274	0	115,369	-43	-0.04%
Office of the Auditor General	793	55	0	3	851	58	7.27%
Chief Administrative Office	11,965	-95	-220	547	12,197	232	1.94%
Finance and IT	26,237	790	-1,039	300	26,288	51	0.19%
Human Resources	5,376	200	-2	146	5,720	344	6.39%
Legal and Risk Management	2,438	590	-31	77	3,075	637	26.11%
Planning and Infrastructure	8,373	447	-341	0	8,479	106	1.27%
Halifax Regional Library	17,574	105	-690	0	16,989	-585	-3.33%
Regional Police	69,914	3,710	-973	729	73,380	3,467	4.96%
RCMP	22,671	329	0	0	23,000	329	1.45%
<b>Total</b>	<b>351,159</b>	<b>16,964</b>	<b>-12,210</b>	<b>1,482</b>	<b>357,395</b>	<b>6,236</b>	<b>1.78%</b>



# Where we are: Operations

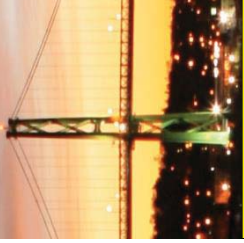
Business Unit	Revenues				Transfers, Inflation, Wages		Efficiencies	Service Changes	Proposed 13/14 Budget	(Increase) Decrease	% Increase (Decrease)
	12/13 Budget										
Community and Recreational Services	-22,723	186	-1,292	0	-23,829	-1,106	4.87%				
Fire and Emergency Services	-356	4	-4	-300	-656	-300	84.44%				
Metro Transit	-101,465	0	-4,219	-520	-106,204	-4,739	4.67%				
Transportation and Public Works	-22,955	999	-190	0	-22,146	808	-3.52%				
Office of the Auditor General	0	0	0	0	0	0	0.00%				
Chief Administrative Office	-70	24	-1	-4	-50	19	-27.87%				
Bids	-2,125	0	0	0	-2,125	0	0.00%				
Finance and IT	-2,680	-28	-30	0	-2,738	-58	2.16%				
Human Resources	-80	0	0	0	-80	0	0.00%				
Legal and Risk Management	-209	-31	-2	0	-243	-33	15.81%				
Planning and Infrastructure	-3,206	-256	-36	0	-3,497	-292	9.09%				
Halifax Regional Library	-5,361	19	-6	0	-5,348	13	-0.24%				
Regional Police	-7,318	-209	-82	0	-7,608	-290	3.97%				
RCMP	0	0	0	0	0	0	0.00%				
<b>Total</b>	<b>-168,547</b>	<b>708</b>	<b>-5,861</b>	<b>-824</b>	<b>-174,524</b>	<b>-5,977</b>	<b>1.88%</b>				





# Where we are: Operations

Business Unit	Expenditures						
	12/13 Budget	Transfers, Inflation, Wages	Efficiencies	Service Changes	Proposed 13/14 Budget	Increase (Decrease)	% Increase (Decrease)
Community and Recreational Services	38,072	2,698	-776	70	40,064	1,992	5.23%
Fire and Emergency Services	55,411	1,702	-1,075	430	56,468	1,057	1.91%
Metro Transit	101,465	7,717	-2,979	0	106,204	4,739	4.67%
Transportation and Public Works	138,367	4,421	-5,272	0	137,515	-851	-0.62%
Office of the Auditor General	793	55	0	3	851	58	7.27%
Chief Administrative Office	12,035	-95	-244	551	12,247	212	1.76%
Bids	2,125	0	0	0	2,125	0	0.00%
Finance and IT	28,917	820	-1,011	300	29,026	109	0.38%
Human Resources	5,456	200	-2	146	5,800	344	6.30%
Legal and Risk Management	2,647	592	0	77	3,317	670	25.29%
Planning and Infrastructure	11,578	483	-85	0	11,976	398	3.44%
Halifax Regional Library	22,935	111	-709	0	22,337	-598	-2.61%
Regional Police	77,231	3,791	-764	729	80,988	3,757	4.86%
RCMP	22,671	329	0	0	23,000	329	1.45%
<b>Total</b>	<b>519,705</b>	<b>22,825</b>	<b>-12,918</b>	<b>2,306</b>	<b>531,919</b>	<b>12,214</b>	<b>2.35%</b>



# Where Are We: Capital

Financing Source	Net Financing					
	12/13 Budget	Transfers, Inflation, Wages	Service Changes	Proposed 13/14 Budget	Increase (Decrease)	% Increase (Decrease)
Debt Servicing						
--- Principal	27,087	-712	0	26,375	-712	-2.63%
--- Interest	7,572	-504	0	7,068	-504	-6.66%
Reserves	15,808	0	749	16,557	749	4.74%
Capital From Operations	36,208	2,661	1,000	39,869	3,661	10.11%
Total Corporate Financing	86,675	1,445	1,749	89,869	3,194	3.69%



# Where Are We: Transfers

## Transfers to Outside Agencies

Agency	12/13		Proposed		% Increase (Decrease)
	Budget	Increase / (Decrease)	13/14 Budget	% Increase (Decrease)	
<b>Provincial</b>					
- Metro Housing	2,263	137	2,400	6.05%	
- Corrections	6,437	40	6,477	0.62%	
- Mandatory Education	106,256	7,619	113,875	7.17%	
- PVSC	6,822	-57	6,765	-0.84%	
<b>- subtotal Provincial</b>	<b>121,778</b>	<b>7,739</b>	<b>129,517</b>	<b>6.36%</b>	
- Supplementary Ed	18,146	-450	17,696	-2.48%	
- Fire Protection	11,945	-256	11,689	-2.14%	
- World Trade	588	38	626	6.46%	
<b>Total Transfers</b>	<b>152,457</b>	<b>7,071</b>	<b>159,528</b>	<b>4.64%</b>	



# Where Are We: Taxes

Source	Tax Revenue			% Increase (Decrease)
	12/13 Budget	Increase / (Decrease)	Proposed 13/14 Budget	
<b>Property Tax</b>				
Residential	193,868	9,955	203,823	5.13%
Commercial	158,450	7,770	166,220	4.90%
Business Occupancy	3,986	-3,986	0	-100.00%
- subtotal Property Tax	356,304	13,739	370,043	3.86%
<b>Transit Tax</b>				
Local	23,445	1,567	25,012	6.68%
Regional	14,923	975	15,898	6.53%
Commercial	29,997	1,933	31,930	6.44%
- subtotal Transit	68,365	4,475	72,840	6.55%
Tax Agreements	8,297	-493	7,804	-5.94%
Grants-In-Lieu	33,437	1,025	34,462	3.07%
Deed Transfer	36,000	3,000	39,000	8.33%
<b>Total Tax Revenue</b>	<b>502,403</b>	<b>21,746</b>	<b>524,149</b>	<b>4.33%</b>



# Proposed Residential Tax Rates

**Proposed Budget - Average Tax Bill is less than Inflation**

	<b>Current Tax Bill</b>	<b>Proposed Tax Rate (Cents per \$)</b>	<b>Proposed Tax Bill</b>	<b>Change in Average Tax Bill</b>	<b>%</b>
General Tax Rate	1,344	0.6580	1,377	33	2.5%
LIC Rate	8	0.0000	0	-8	-100.0%
Local Transit Rate	213	0.1050	220	7	3.3%
Regional Transit Rate	<u>104</u>	<u>0.0510</u>	<u>107</u>	<u>3</u>	<u>2.9%</u>
<b>Total</b>	<b>1,669</b>	<b>0.8140</b>	<b>1,704</b>	<b>35</b>	<b>2.1%</b>
<b>Revenues</b>	<b>233,692,000</b>		<b>246,097,000</b>	<b>12,405,000</b>	<b>5.3%</b>



# Alternative Residential Tax Bill

## Alternative - No Increase in Average Tax Bill

	Current Tax Bill	Alternative Tax Rate (Cents per \$)	Alternative Tax Bill	Change in Average Tax Bill	%
General Tax Rate	1,344	0.6410	1,341	-3	-0.2%
LIC Rate	8	0.0000	0	-8	-100.0%
Local Transit Rate	213	0.1050	220	7	3.3%
Regional Transit Rate	<u>104</u>	<u>0.0510</u>	<u>107</u>	<u>3</u>	<u>2.9%</u>
<b>Total</b>	<b>1,669</b>	<b>0.7970</b>	<b>1,668</b>	<b>-1</b>	<b>-0.1%</b>
<b>Revenues</b>	<b>233,692,000</b>		<b>240,742,000</b>	<b>7,050,000</b>	<b>3.0%</b>



# Commercial Taxation

## Follow Current Council Policy and Set Commercial Rate to Residential Tax Rate

	Current Tax Rate (Cents per \$)	Current Tax Bill	Proposed Tax Rate (Cents per \$)	Proposed Tax Bill	Change in Average Tax Bill	%
Commercial Tax Rate	3.0840	38,202	3.1410	41,122	2,920	7.6%
Business Occupancy	<u>0.0640</u>	793	<u>0.0000</u>	0	-793	-100.0%
<b>Total</b>	<b>3.1480</b>	<b>38,995</b>	<b>3.1410</b>	<b>41,122</b>	<b>2,127</b>	<b>5.5%</b>

**Revenues** 192,433,000 202,759,000 10,326,000 5.4%

**Taxes as a % of GDP** 1.048% 1.057%

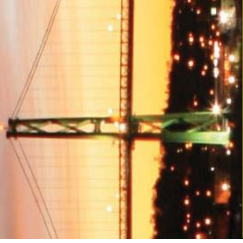


# Commercial Taxation

## Set Commercial Taxes to Growth in GDP

	Current Tax Rate (Cents per \$)	Current Tax Bill	Alternative Tax Rate (Cents per \$)	Alternative Tax Bill	Change in Average Tax Bill	%
Commercial Tax Rate	3.0840	38,202	3.1200	40,847	2,645	6.9%
Business Occupancy	<u>0.0640</u>	<u>793</u>	<u>0.0000</u>	<u>0</u>	<u>-793</u>	<u>-100.0%</u>
<b>Total</b>	<b>3.1480</b>	<b>38,995</b>	<b>3.1200</b>	<b>40,847</b>	<b>1,852</b>	<b>4.7%</b>
<b>Revenues</b>		<b>192,433,000</b>		<b>201,381,000</b>	<b>8,948,000</b>	<b>4.6%</b>
<b>Taxes as a % of GDP</b>		<b>1.048%</b>		<b>1.049%</b>		





# Proposed Commercial Taxation

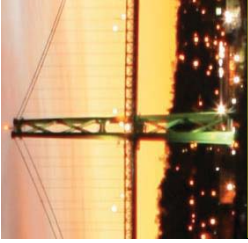
**Set Commercial Taxes to Growth in GDP,  
less 1.5% (BOT Phase Out)**

	Current Tax Rate (Cents per \$)	Current Tax Bill	Alternative Tax Rate (Cents per \$)	Alternative Tax Bill	Change in Average Tax Bill	%
Commercial Tax Rate	3.0840	38,202	3.0700	40,192	1,990	5.2%
Business Occupancy	0.0640	793	0.0000	0	-793	-100.0%
<b>Total</b>	<b>3.1480</b>	<b>38,995</b>	<b>3.0700</b>	<b>40,192</b>	<b>1,197</b>	<b>3.1%</b>
<b>Revenues</b>		<b>192,433,000</b>		<b>198,107,000</b>	<b>5,674,000</b>	<b>2.9%</b>
<b>Taxes as a % of GDP</b>		<b>1.048%</b>		<b>1.032%</b>		



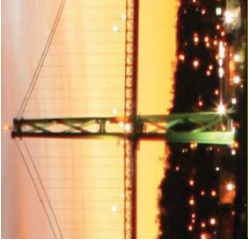
# Revenue Options: Commercial

<b>COMMERCIAL</b>	<b>2012-13</b>	<b>Formula</b>	<b>GDP less 1.5%</b>	<b>No Increase Average Burden</b>
Assessment	6,206,673	6,604,666	6,604,666	6,604,666
General Rate and Bus Occ Revenue	162,436	170,872	166,220	164,414
Transit Allocation	29,997	31,887	31,887	31,887
General Rate	3.084	3.141	3.070	3.042
Average Assessment	1,238,700	1,309,200	1,309,200	1,309,200
Average Tax (incl. BO tax in 2012-13)	\$38,993	\$41,122	\$40,192	\$39,826
Comm. Rev. as % GDP	1.05%	1.06%	1.03%	1.02%
		0.8%	-1.5%	-2.4%



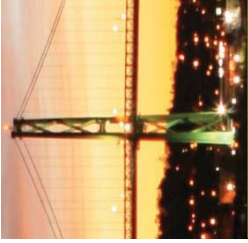
# Revenue Implications

- **Residential CPI+1 and Commercial linked to GDP:**
  - Balanced
- **No increase for Capped Homes and no increase in Commercial Burden:**
  - Need an additional \$2.5M in reductions
  - Recommend Strategic Reserve contribution drop from \$5M to \$2.5M
  - Reduces capacity for capital expenditures
- **No increase in Residential or Commercial Burden:**
  - Need an additional \$6.8M in reductions
  - Recommend:
    - Strategic Reserve contribution drop from \$5M to zero
    - Carry \$1.8M of 12/13 surplus to 13/14, \$3,9M less than last year



# Other Commercial Tax Changes

- **Small Property Tax Rate:**
  - Very Expensive with little practical impact
  - No solid policy support for targeting relief to small assessment
  - Cannot tie size of business to size of assessment
    - Large business could own many small properties
  - Does not provide relief to small business who rent and pay tax through the rent
  - Doubtful we have the authority
- **Moving Average Assessment:**
  - Promising results elsewhere
  - Would need changes at PVSC and legislation



# Fiscal

- **Internship Program \$880,000**
- **TCL Marketing \$640,000**
- **Cap from OP increase of \$3,661,000**
- **Debt Servicing Change dropped by \$1,216,000**
- **Provincial mandatory Charges up by \$7,700,000**
- **Supplementary Education decrease by \$450,000**
- **Parkade revenue increase by \$200,000 with a \$1,600,000 Contribution to reserve**
- **No carry-forward of surplus (\$4,900,000 last year)**



Questions and Discussion

Finance and ICT

April 3, 2013