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**Item No. 12.1.1**  
**Audit & Finance Standing Committee**  
**September 7, 2016**

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

Original Signed

**SUBMITTED BY:**

\_\_\_\_\_  
Jane Fraser, Acting Chief Administrative Officer

Original Signed

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Amanda Whitewood, Director, Finance & Information, Communication and  
Technology/CFO

**DATE:** August 18, 2016

**SUBJECT:** First Quarter 2016/2017 Financial Report

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**ORIGIN**

Staff has committed to provide Council with quarterly financial reports including:

- a report of the projected General Rate surplus/deficit by area;
- a report detailing District Capital expenditures in accordance with the District Capital Fund Policy approved by Council on July 31, 2007;
- a report detailing District Activity expenditures in accordance with the District Activity Policy approved by Council October 7, 2003;
- regular updates on the balance in the Capital Reserve Pool (CRESPOOL) as requested by Regional Council on October 23, 2001;
- a report detailing Recreation Area Rate expenditures in accordance with the Recreation Area Report Policy approved by Council on May 14, 2002; and,
- a report of Project budget increases related to cost-sharing, with no net impact to HRM as per the policy approved by Council April 24, 2007 and amended May 2013.

**LEGISLATIVE AUTHORITY**

Halifax Regional Municipality Council approved, December 11, 2012, that all budget increases are to be presented to the Audit and Finance Standing Committee, prior to submission to Council.

Halifax Charter, section 93(1) - The Council shall make estimates of the sums that are required by the Municipality for the fiscal year; Halifax Charter, section 79(1) - Specifies areas that the Council may expend money required by the Municipality; Halifax Charter, section 35(2)(d)(i) - The CAO can only authorize budgeted expenditures or within the amount determined by Council by policy; Halifax Charter, section 120(6) - The Municipality may maintain other reserve funds for such purposes as the Council may determine; Halifax Regional Municipality policy on Changes to Cost Sharing for Capital Projects - Changes requiring Council approval; and the Halifax Regional Municipality Administrative Order 2014-015

Respecting Reserve Funding Strategies - No reserve funds will be expended without the CAO's recommendation and Council approval.

### **RECOMMENDATION**

It is recommended that the Audit & Finance Standing Committee forward the First Quarter 2016/2017 Financial Report to Regional Council for their information.

### **DISCUSSION**

#### **Operating Statement:**

At June 30, 2016, HRM had projected a General Rate surplus of \$396.5k (Attachment #1).

The business units have a projected deficit of \$0.9m offset by a projected surplus of \$1.3m in Fiscal Services.

The projected surplus is primarily a result of compensation being lower than budget primarily due to attrition and turnover, partially offset by program costs, including an increase in operational costs of facilities. A detailed explanation of variances by business unit is included in Attachment #1.

#### **Consolidated Financial Statements:**

The unaudited consolidated financial statements of HRM are included as Attachment #2.

#### **Project Statement:**

The Project Statement as at June 30, 2016 is included as Attachment #3 to this report. The current budget for active projects is \$1,245m. The actual expenditures as at June 30, 2016 were \$765m and commitments were \$166m, resulting in total actuals and commitments of \$931m, leaving an available balance of \$314m.

#### **District Capital Funds:**

The report of expenditures from Councillors' District Capital Funds is included as Attachment #4 and shows that \$2.6m of the \$3m budget has been expended or committed.

#### **District Activity Funds:**

The report of expenditures from Councillors' District Activity Funds is included as Attachment #5 and shows that \$52k of the \$69k budgeted has been spent or committed.

#### **Recreation Area Rate Accounts:**

The details of the Recreation Area Rate Accounts are in Attachment #6. These Accounts began the year with a surplus of \$1.6m. \$0.2m in Area Rate revenue has been earned and \$0.2m has been spent, leaving a surplus of \$1.6m. As per Regional Council direction, in the 2016/17 Operating Budget the funding source for facilities classified as Municipal Recreation Facilities is now the general tax rate. A listing of such facilities, formerly funded by area rates and contained in this report in prior years, is included in the attachment.

#### **Reserves Statement:**

The reserve balances at June 30, 2016 are \$194.3m. There are approximately \$175.2m of approved pending transfers out of reserves and pending revenue of \$89.9m resulting in projected available funds at March 31, 2017 of \$109m. This is a decrease of \$5.3m from the 2016/17 Reserve Budget. The net decrease can be attributed to the following significant decreases (increases) to the budgeted reserve balances:

**Summary of Unbudgeted Reserve Transactions by Type  
As of June 30, 2016**

	<b>Decrease (Increase) in Projected Reserve Balance</b>
Decrease property sale revenue. Reduced revenue from postponed sale of Bloomfield property, reduced Business Parks sales offset with increased anticipated sales for Red Cross and St. Pats Alexandra.	4,089,851
Approved Council Expenditures/Pending Council Approvals to increase withdrawal from reserves to fund either capital projects or operating costs: Increase withdrawal to fund buyback of Industrial Lot, and increase withdrawals for Fire and Emergency Services Standards, Police Facility and Halifax Transit 15/16 surplus transferred back to Business Unit.	1,464,881
Other revenue includes items such as lease revenue, non-development penalties, vehicle sales, gas tax funding and transfers from other reserves: Increased revenue mainly due to an increase in Gas Tax funding	(151,953)
Adjustments to commitments reflect decrease in transfers required to fund capital projects or operating: Reduce excess funding for strategic studies.	(95,000)
Higher interest earned on reserves has increased the projected reserve balances	<u>(18,533)</u>
<b>Total decrease in projected reserve balances</b>	<b><u>5,289,246</u></b>

Further reserve details as well as a detailed report on the Parkland Reserve are included in Attachment #7.

**Capital Reserve Pool Balance:**

Any debt funding that is not required at the completion of a project will be moved to the Capital Reserve Pool (CRESPOOL), and will be used to cover cost overruns on approved projects and/or to reduce the amount of long-term debt required to fund the Capital Budget of the following fiscal year. Attachment #8 shows the balance in the Capital Reserve Pool (CRESPOOL) as \$1.1m, as of June 30, 2016.

**Changes to Cost Sharing for Projects:**

For the three month period ended June 30, 2016, HRM received cost sharing for 6 projects totalling \$1.1m. Complete details of the amounts received and the associated projects are included in Attachment #9.

**Aged Accounts Receivable:**

The Aged Accounts Receivable schedule, included as Attachment #10, represents HRM's gross unconsolidated accounts receivable position which was \$77.8m as at June 30, 2016.

**Assessment Appeals Summary:**

The Assessment Appeals Summary, included as Attachment #11, represents property assessment appeals filed by property owners to Property Valuation Services Corporation for the 2016 Roll and the net revenue impact to HRM for the three month period ended June 30, 2016. Outstanding appeals from 2015/16 and prior years are allowed for in the 2016/17 valuation allowance.

**Miscellaneous Trust Funds Financial Statements:**

The unaudited financial statements of the miscellaneous trust funds of HRM are included as Attachment #12 and show equity of \$7m.

**Capital Projection Summary:**

The Capital Projection Summary, which contains a subset of projects included in the Project Statement, is included as Attachment #13. For the three month period ended June 30, 2016 actual expenditures in these projects were \$28.1m. Most capital expenditures are weather dependent; the majority of expenditures will occur in the second quarter, which is prime construction season. Project Managers are projecting to spend \$232.9m on these projects in Fiscal 2016/17.

**FINANCIAL IMPLICATIONS**

Explained in the report.

**RISK CONSIDERATION**

N/A

**COMMUNITY ENGAGEMENT**

N/A

**ENVIRONMENTAL IMPLICATIONS**

N/A

**ALTERNATIVES**

1. Audit and Finance Standing Committee may choose not to approve the proposed recommendation.

**ATTACHMENTS**

1. Halifax Regional Municipality Operating Results Projected to March 31, 2017.
2. Halifax Regional Municipality Unaudited Consolidated Financial Statements for June 30, 2016.

