



P.O. Box 1749
Halifax, Nova Scotia
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Item No. 4
Committee of the Whole
February 26, 2014

TO: Mayor Savage and Members of Halifax Regional Council

SUBMITTED BY: Original Signed
Greg Keefe, Director of Finance & Information Technology/CFO

DATE: February 14, 2014

SUBJECT: Proposed 2014/2015 Corporate Accounts Budget and Business Plan

ORIGIN

At the October 22, 2013 Committee of the Whole, Council directed staff to present the 2014/15 draft Business Unit Budget and Business Plans to the Committee of the Whole for review and discussion prior to consideration by Regional Council.

Council directed that the average tax bill not rise more than inflation; that, as in past years, the municipality would take tax revenues from new properties and growth to offset the increased cost of services to those properties.

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 2014/2015 Budget based on:

1. Residential Tax Rates of:
 - a. General Tax Rate - Urban 0.658
 - b. General Tax Rate - Suburban 0.625
 - c. General Tax Rate - Rural 0.619
 - d. Local Transit Rate 0.105
 - e. Regional Transit Rate 0.051

Recommendations continued on page 2

2. Commercial Tax Rates of:

a. Commercial General Tax Rate	2.939
b. General Tax Rate - Suburban	2.939
c. General Tax Rate - Rural	2.590

BACKGROUND

As part of the design of the 2014-2015 Budget and Business Plan development process, the Committee of the Whole is reviewing each Business Unit's high level budget and proposed plans in advance of detailed HRM Budget and Business Plan preparation.

At the November 19, 2013 Committee of the Whole Regional Council considered and confirmed their Strategic Priority Outcomes and directed staff to: "develop the 2014/15 Budget and Business Plans in support of these priorities."

DISCUSSION

Staff has prepared the proposed 2014/15 Budget consistent with the preliminary fiscal direction received from Council on October 22, 2013 and aligned with Council Priorities as directed on November 19, 2013.

Following direction from the Committee of the Whole, staff will proceed to prepare the detailed Budget and Business Plan for inclusion in the proposed HRM 2014/15 Budget and Business Plan documents to be presented to Council, as per the process and schedule endorsed by Regional Council on October 22, 2013.

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 specifically associated with this report.

ENVIRONMENTAL IMPLICATIONS

None

ALTERNATIVES

The Committee of the Whole can choose to amend the Fiscal Direction as proposed in the accompanying presentation through specific motion, and direct staff to proceed to prepare the 14/15 Budget and Business Plan based on that amended direction.

ATTACHMENTS

Corporate Accounts 2014/2015 Budget and Business Plan Presentation

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:

Bruce Fisher, Manager of Financial Policy and Planning, 490-4493

Report & Financial Approval by:

Original Signed

Greg Keefe, Director of Finance & Information Technology/CFO, 490-6308



Corporate Accounts

Committee of the Whole February 26



Corporate Accounts

- Debt / Reserves / Capital
- Transfers to Outside Agencies
- Prior Year Surplus
- Other Expenditures
- Own Source Revenues – non-tax
- Assessment and Taxes
 - Benchmarks
 - Tax Recommendations, Options

Net Financing

Financing Source	13/14 Budget	Proposed 14/15 Budget	Increase (Decrease)	% Increase (Decrease)
Debt Servicing				
--- Principal	36,138	34,766	-1,372	-3.80%
--- Interest	8,570	7,792	-778	-9.08%
Reserves	18,127	20,074	1,948	10.74%
Capital From Operations	47,155	47,312	157	0.33%
Total Corporate Financing	109,990	109,945	-45	-0.04%
Operating Cost of Capital	2,078	7,465	5,306	255.35%



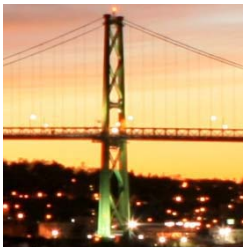
Net Financing Details

- Debt Charges decline \$2.2m.
- Tax Supported Debt continues to decline (as per the Multi-Year Fiscal Policy) by 3% per household per year.
- Capital reserves increased for
 - Central Library Recapitalization
 - Regional Facility Expansion
 - Rural Fire Reserve – no longer required
- Operating reserves increased - DNA \$437,000

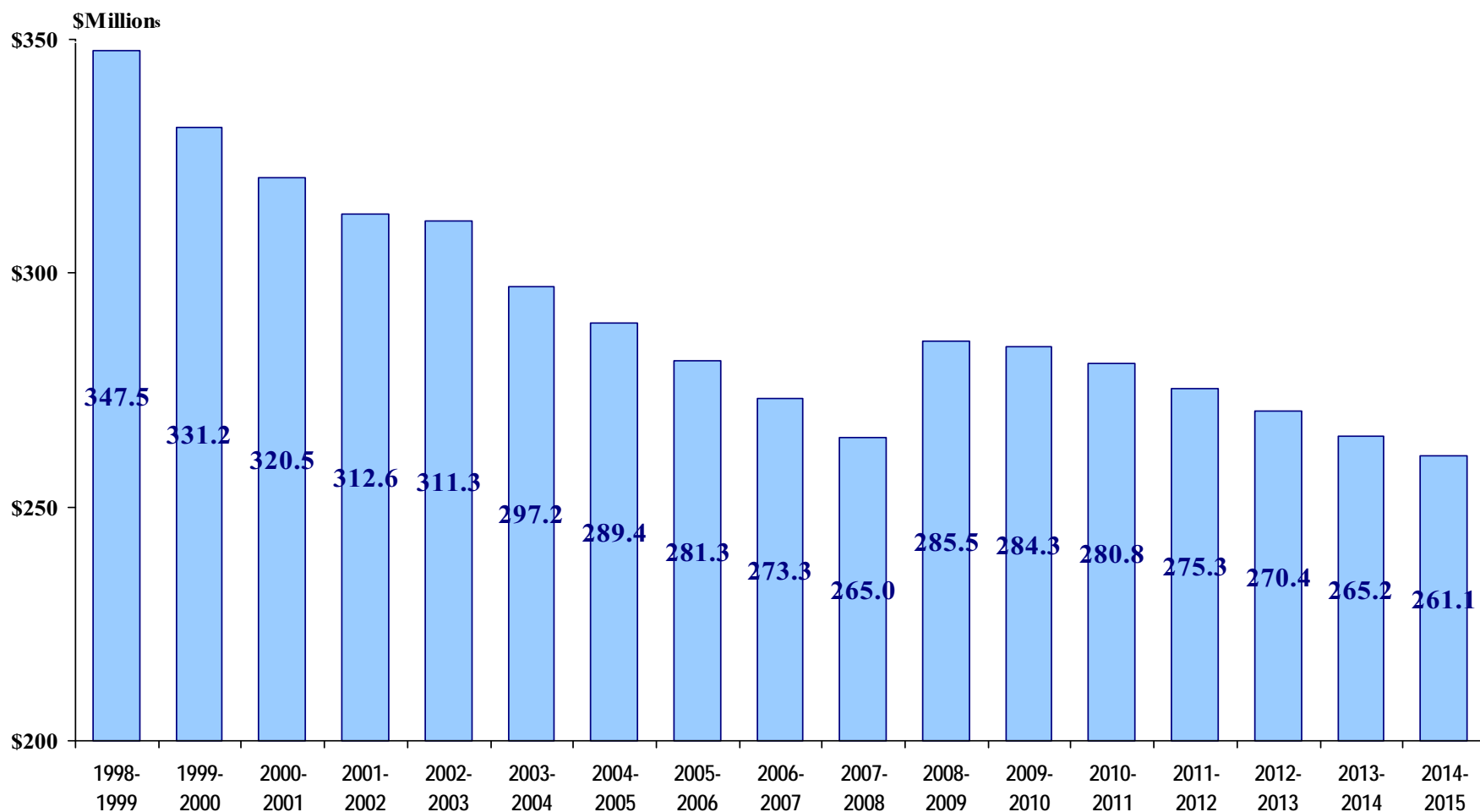


Net Financing Details

- Capital from Operating is up slightly, but this is a \$1,963,000 increase for transit and a \$1,806,000 decrease in the general rated amount
 - This is a departure from the Debt Policy (requires an increase of 3% plus CPI per year). Had exceeded targets in previous years.
 - This is possible this year due to reallocation of unspent project budgets.
 - Will have to increase in 2015-2016 to maintain expected capital budget.



Tax Supported Debt



Note: Estimates as of March 31st end of fiscal year. Includes Issued, Approved and Work-in-Progress.

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Transfers to Outside Agencies

Agency	13/14 Budget	Increase / (Decrease)	Proposed 14/15 Budget	% Increase (Decrease)
Provincial				
Metro Housing	2,536	-211	2,325	-8.32%
Corrections	6,381	-6	6,375	-0.09%
Mandatory Education	113,965	5,951	119,916	5.22%
PVSC	6,607	218	6,825	3.30%
- subtotal Provincial	129,489	5,952	135,441	4.60%
Supplimentary Ed	17,880	-568	17,312	-3.18%
Fire Protection	11,689	-2,314	9,375	-19.80%
BIDS	2,047	0	2,047	0.00%
Greater Halifax Partnership	1,570	33	1,603	2.09%
Destination Halifax	1,881	0	1,881	0.00%
World Trade	626	8	634	1.28%
Total Transfers	165,183	3,111	168,293	1.88%

Transfers to Outside Agencies - Detail

- Provincial Transfers are estimated to be up by \$6m or nearly 5%.
 - Final Numbers not yet released
- Supplementary Education down 3% for \$570,000 as per the four year agreement
 - 2014-15 is last year of agreement
- Fire protection down 20% for \$2.3 million due to new Halifax Water rate structure and 2013-14 surplus.



Prior Year Surplus

- For 13/14 Budget:
 - \$750 thousand was carried from 12/13 for Transit
 - \$4.7 million was carried from 12/13 for non-transit operations.
- For 14/15 Budget:
 - \$2 million carried from 13/14 for Transit
 - None of the 13/14 projected surplus of approximately \$7.5 million is allocated to 14/15.

Own Source Revenues – Non Tax

Source	13/14 Budget	(Increase) / Decrease	Proposed 14/15 Budget	% (Increase) Decrease
Interest				
Taxes	-4,500	-50	-4,550	1.11%
Other	-110	40	-70	-36.36%
Investment	-2,000	-100	-2,100	5.00%
- subtotal Interest	-6,610	-110	-6,720	1.66%
Fees				
Parking Meters	-2,800	50	-2,750	-1.79%
Metro Park (net)	0	-1,001	-1,001	
- subtotal Fees	-2,800	-951	-3,751	33.97%
HRWC Dividend	-4,200	-379	-4,579	9.02%
Total Own Source Revenue	-13,610	-1,440	-15,050	10.58%



Other Expenditures and Revenues

- Expenditures include:
 - Funding for outstanding collective agreements
 - Tax Exemptions - \$5.6 million
 - Non-Profit, Low Income Relief
 - Reform of Non-Profit Tax at Grants Committee
 - Community Grants - \$0.5 million
 - Insurance - \$4.2 million
 - Provision for Doubtful Accounts - \$3.7 million
- Non-Tax Revenues
 - Metro Park debenture paid off. (+\$1 million)
 - HRWC Dividend (+\$0.4 million)

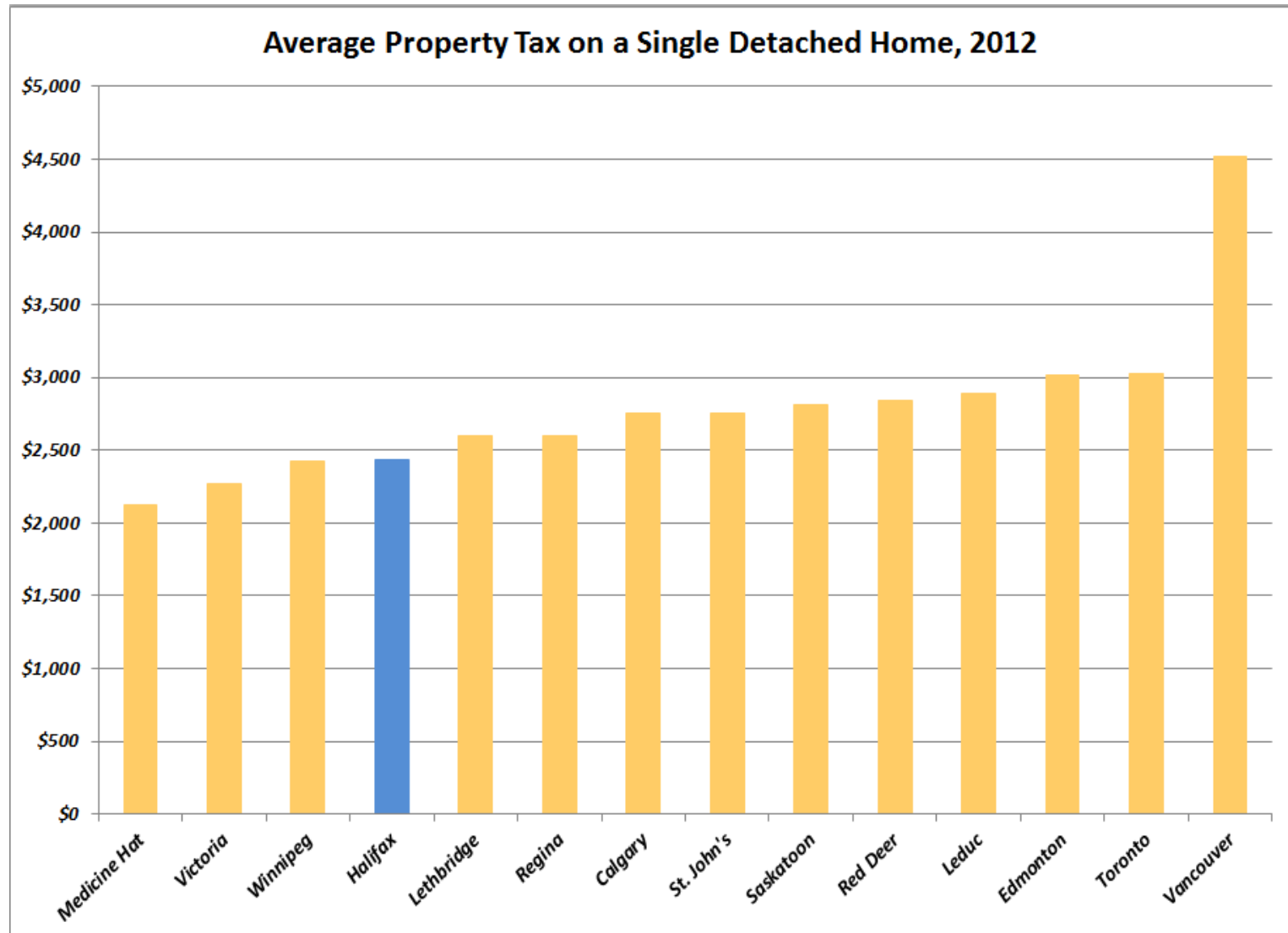
Tax Revenues

Source	13/14 Budget	(Increase) / Decrease	Proposed 14/15 Budget	% (Increase) Decrease
Transportation and Public Works				
Residential	-205,399	-6,860	-211,877	3.15%
Commercial	-165,258	-6,841	-174,645	5.68%
Business Occupancy				
- subtotal Property Tax	-370,657	-13,701	-386,522	4.28%
Transit Tax				
Local	-25,012	-1,246	-26,258	4.98%
Regional	-15,898	-574	-16,472	3.61%
Commercial	-31,930	-1,400	-33,330	4.38%
- subtotal Transit	-72,840	-3,220	-76,060	4.42%
Tax Agreements	-7,806	3,362	-4,600	-41.07%
Grants-In-Lieu	-34,749	-2,346	-36,178	4.11%
Deed Transfer	-39,000	3,000	-36,000	-7.69%
Total Tax Revenue	-525,052	-14,308	-539,360	2.73%

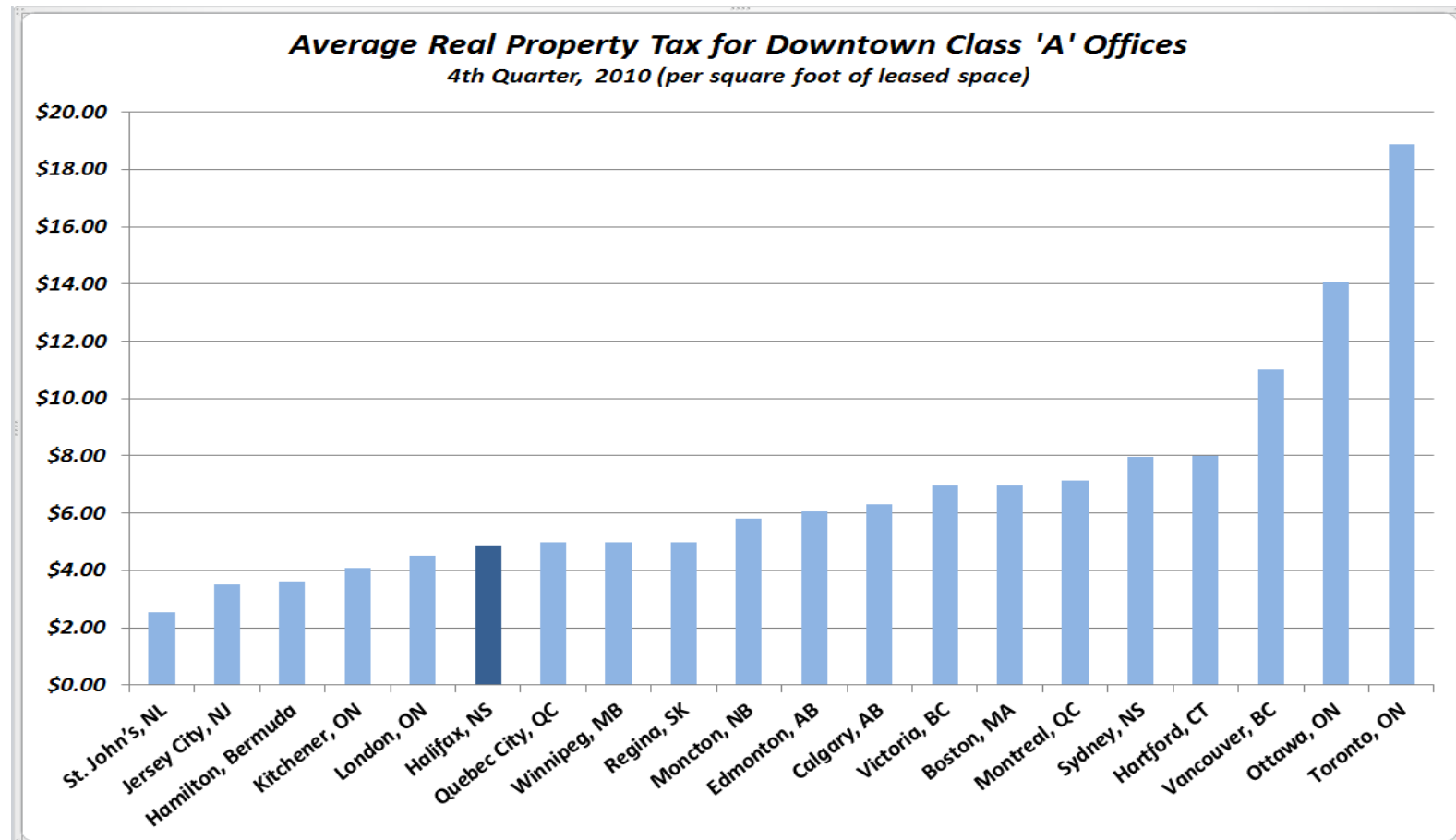
Assessment and Taxes

- Total Assessment rose 4.4% residential and 6.5% commercial
 - Average Single Family - \$211,300 to \$215,700 (2.1%)
 - Average Commercial Property rose 6.3%
- Average Tax Bills rise by Inflation (0.9%)
 - Residential General Tax Rate down 9/10 cents,
 - Transit Tax Rates flat at 10.5 and 5.1 cents
 - Commercial General Tax Rate drops 4.7 cents
- Grants in Lieu increase by \$2.3 million
- Tax Agreements decline \$3.6 million
 - Imperial Tax Agreement ends. Will be under market value (declines \$1.1 million in property tax).
 - Minor increases in other agreements, mostly Heritage Gas
- Deed Transfer Tax down \$3m (declining real estate activity)
- Reviewing Area Rates for Recreation; Taxation of Condos and Density

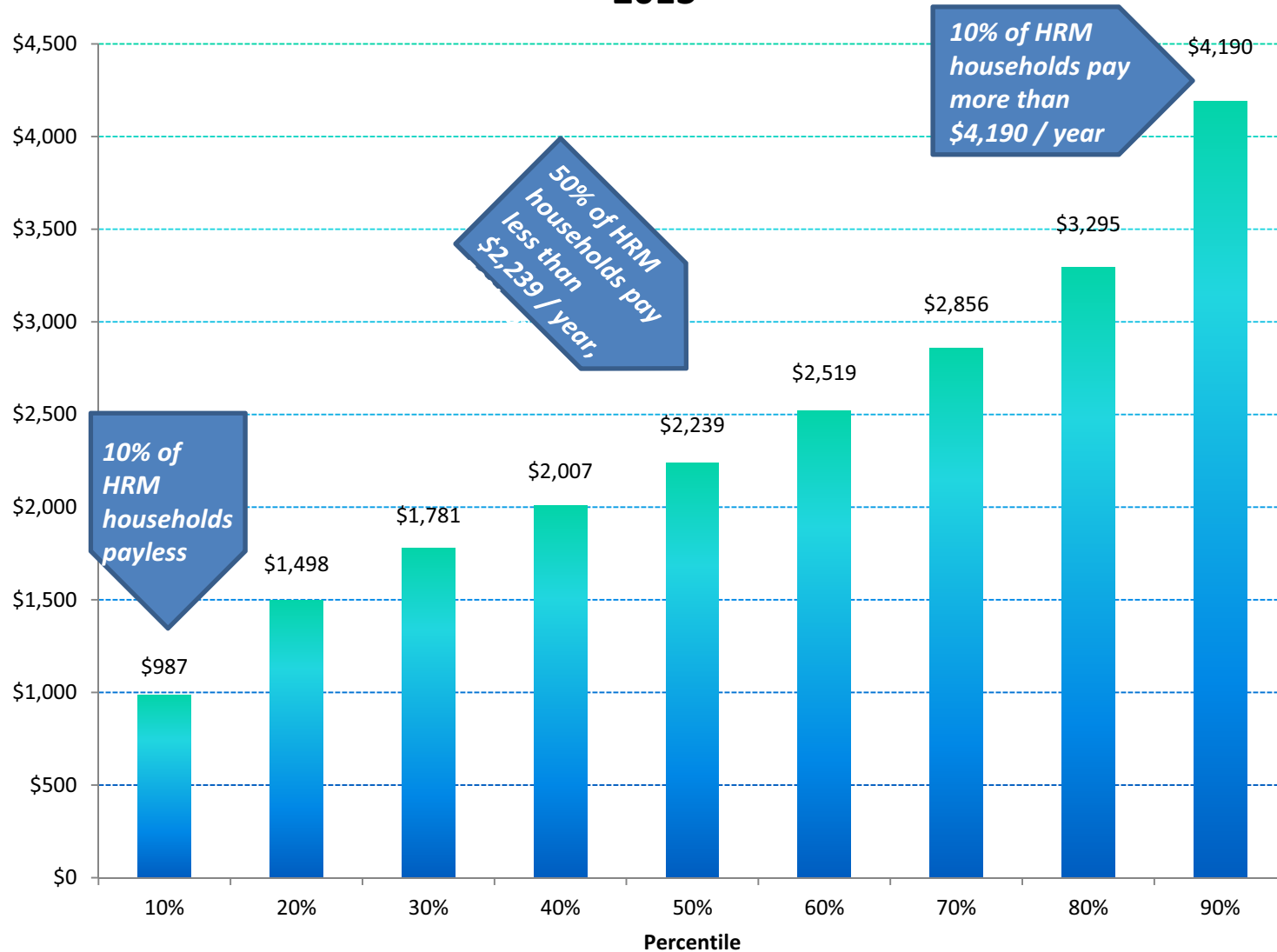
Single Family Home Property Tax Benchmark (City of Calgary)



Downtown Class A Office Tax Benchmark (Colliers)

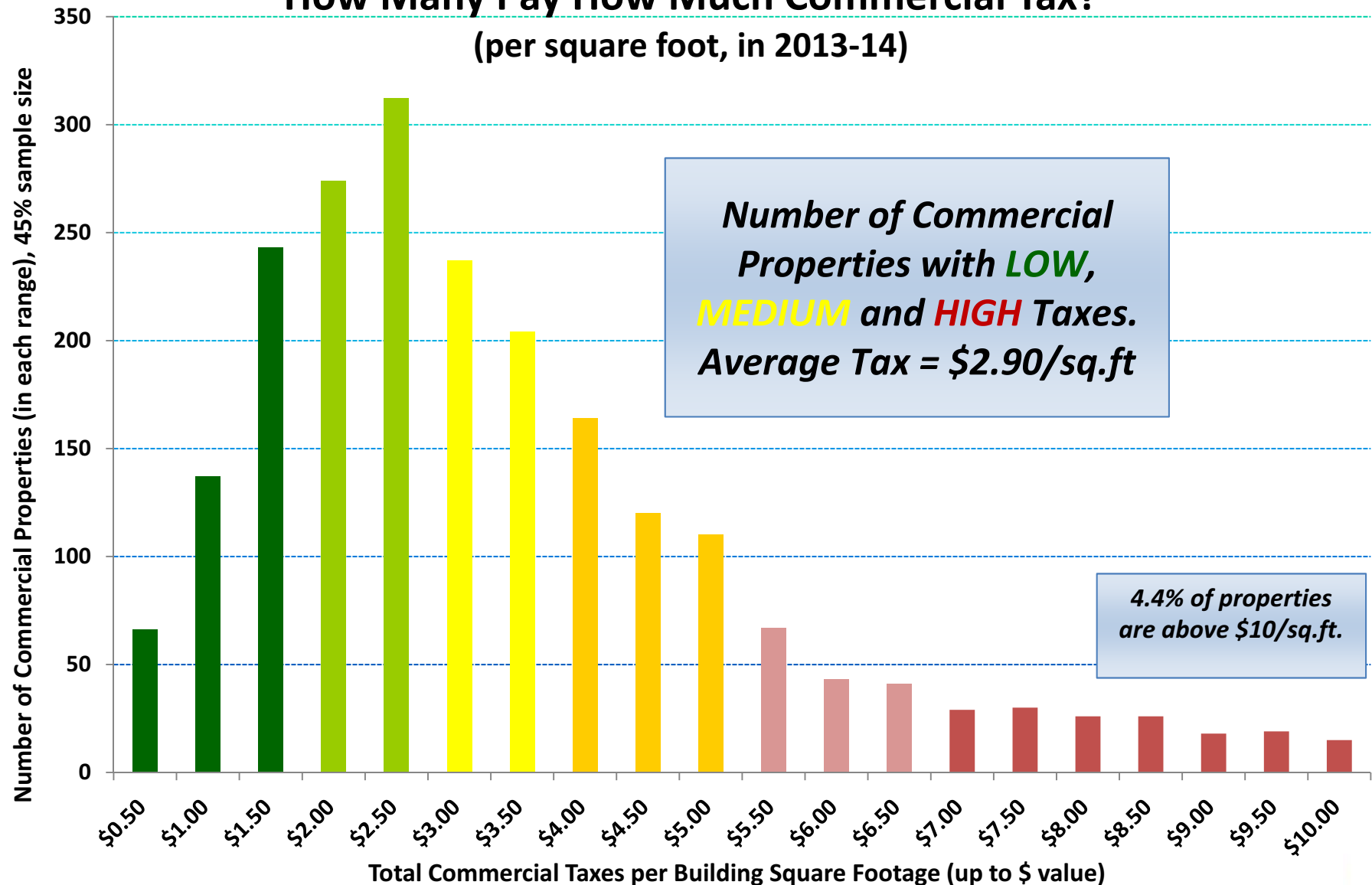


Distribution of Total Property Tax on Single-Family Homes, 2013



How Many Pay How Much Commercial Tax?

(per square foot, in 2013-14)



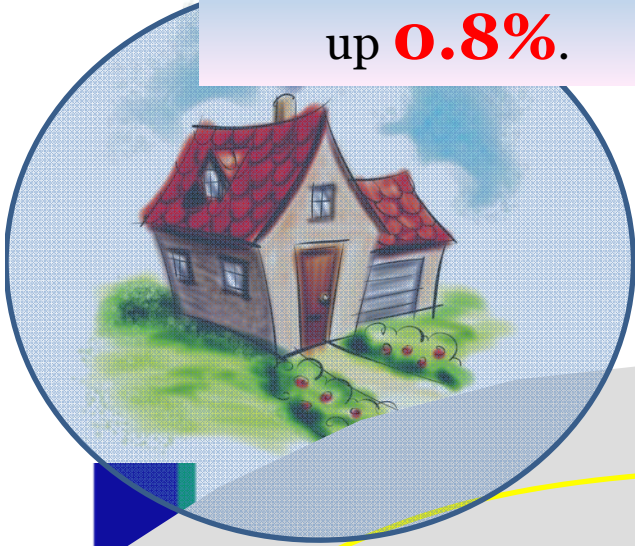
Note: Includes all area rates & BID charges

Walking Down Tax St

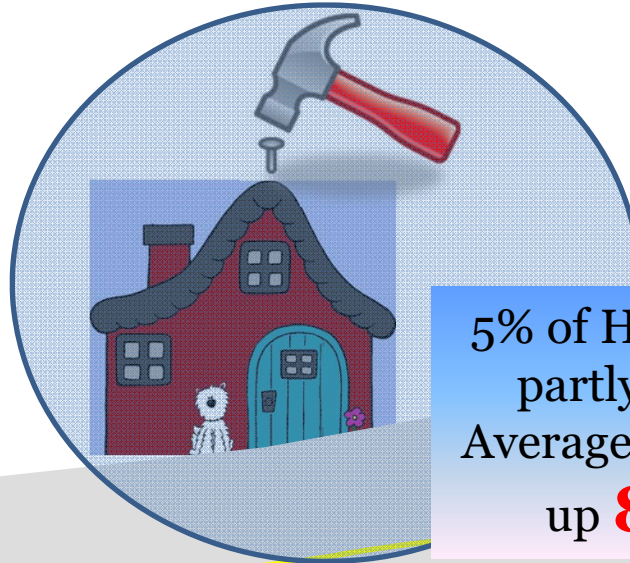


Walking Down Tax St

82% of Homes are
fully capped.
Average value went
up **0.8%**.



Walking Down Tax St



5% of Homes were partly capped.
Average value went up **8.8%**.



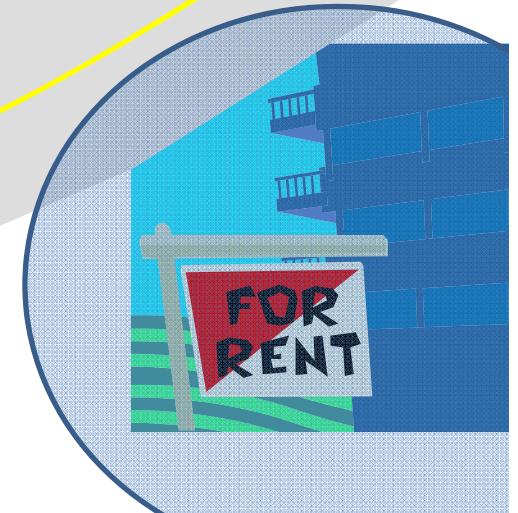
Walking Down Tax St



9% of Homes are
Condos. If fully
capped, value goes
up max **0.9%**.



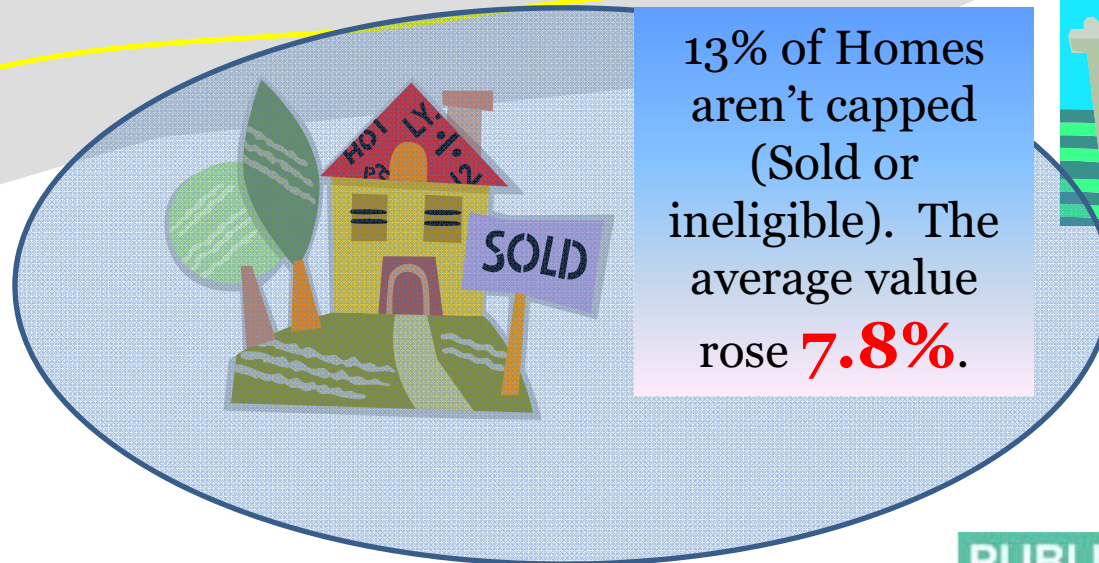
Walking Down Tax St



There are 54,000
Apartment units (4+).
Average value went up
6.8%.

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Walking Down Tax St



13% of Homes
aren't capped
(Sold or
ineligible). The
average value
rose **7.8%**.



Walking Down Tax St



There are 1,300 New
Homes. The **average**
value is \$306,000.

Walking Down Tax St



Walking Down Tax St



Average value
up **0.8%**.



Partly Capped:
value up **8.8%**.



Condo values
Capped at
0.9%.



Apartment
Values up
6.8%.



Uncapped values up **7.8%**.



New Homes:
1,300. avg
value is
\$306,000.

Walking Down Tax St



Average value
up **0.8%**.



Partly Capped:
value up **8.8%**.



Condo values
Capped at
0.9%.

**Average Assessment for all
Single Family Homes is up 2.1%**



Uncapped values up **7.8%**.



Apartment
Values up
6.8%.



New Homes:
1,300. avg
value is
\$306,000.

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Walking Down Tax St



Average value
up **0.8%**.

Condo values
Capped at
0.9%.



Partly Capped:
value up **8.8%**

**The Tax Rates we set apply to
all Properties, regardless of
their change in Assessment**



Uncapped values up **7.8%**.



Apartment
Values up
6.8%.



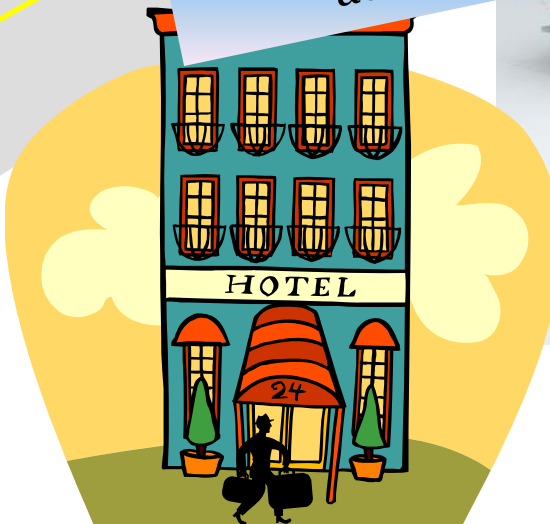
New Homes:
1,300. avg
value is
\$306,000.

**PUBLIC SERVICE
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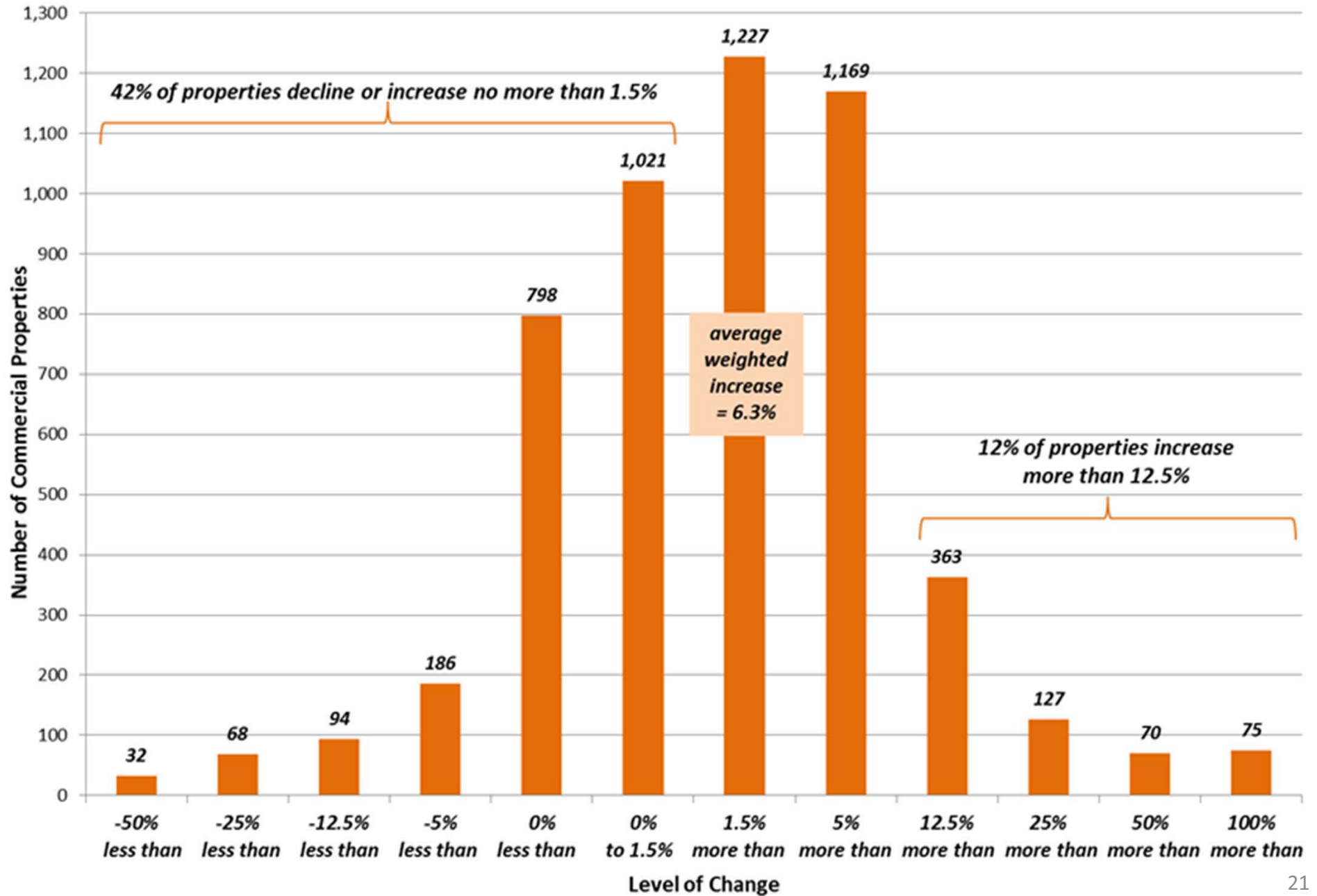
Commercial Tax



Average value went up **3.9%**. But Building Permits added **2.4%**, for total increase of **6.3%**



Change in Commercial Assessments, 2013 to 2014



Tax Options

- **Starting Point: Maintain Taxes at Inflation (0.9%)**
 - Reduce tax rates by 0.9¢ (Residential) and 15.0¢ (Commercial)
 - Average Taxes on Single Family Homes to rise 0.9%
 - **no additional taxes** for: **87.3%** of homes, **67%** of commercial
- **Recommendation: Taxes on Avg Capped Home Flat**
 - Reduce tax rates by 1.0¢ (Residential) and 11.5¢ (Commercial)
 - Average Taxes on Single Family Homes to rise 0.8%
 - **no additional taxes** for **87.6%** of homes; **57%** of commercial
- **Alternative: Average Taxes don't Rise**
 - Reduce tax rates by 1.7¢ (Residential) and 17.6¢ (Commercial)
 - Average Taxes on Single Family Homes doesn't change
 - Additional budget reductions of \$4.6 million
 - **no additional taxes** for **89.5%** of homes; **72%** of commercial

Walking Down Tax St

Starting Point:

Avg Tax Bill Rises by Inflation (0.9%)

Fully Capped Homes – Tax Bill decreases by -\$6 or -0.4%

Partly Capped Homes – Tax Bill increases by \$142 or 7.6%

Average Capped Home increases by \$2

Uncapped Homes – Tax Bill increases by \$114 or 6.6%



Recommendation:

Avg Tax Bill under Inflation (0.8%)

Fully Capped Homes – Tax Bill decreases by -\$8 or -0.5%

Partly Capped Homes – Tax Bill increases by \$139 or 7.5%

Average Capped Home stays the same

Uncapped Homes – Tax Bill increases by \$113 or 6.5%



Alternative:

Average Tax Bill Stays the Same

Fully Capped Homes – Tax Bill decreases by -\$23 or -1.3%

Partly Capped Homes – Tax Bill increases by \$122 or 6.6%

Average Capped Home decreases by -\$15

Uncapped Homes – Tax Bill increases by \$97 or 5.6%



Tax Options

	Residential	Commercial
Starting Point		
Change in Tax Rate (%)	Down 0.9 cents (1.3%)	Down 15.0 cents (4.9%)
Change in Avg Tax Bill		
All Single Homes/Properties	Up \$17 (0.9%)	Up \$400 (0.9%)
Capped Homes	Up \$2 (0.1%)	-
Change in Revenues	+ \$6.9 Million	+ \$4.7 Million
Recommendation		
Change in Tax Rate (%)	Down 1.0 cents (1.5%)	Down 11.5 cents (3.8%)
Change in Avg Tax Bill		
All Single Homes/Properties	Up \$15 (0.8%)	Up \$900 (2.3%)
Capped Homes	\$0 (0%)	-
Change in Revenues	+ \$6.5 Million	+ \$7.2 Million
Alternative		
Change in Tax Rate (%)	Down 1.7 cents (2.5%)	Down 17.6 cents (5.8%)
Change in Avg Tax Bill		
All Single Homes/Properties	\$0 (0%)	Up \$0 (0%)
Capped Homes	Down -\$15 (-0.9%)	-
Change in Revenues	+ \$4.2 Million	+ \$2.8 Million

Summary of Key Trends

Residential	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Revenue	211,666,656	231,243,000	233,612,266	247,692,000	255,997,000
Single Family Home Assessment	183,600	192,700	203,500	211,200	216,800
Single Family Home Tax	1,749	1,823	1,825	1,867	1,880
General Urban Rate	0.7088	0.7088	0.6610	0.6680	0.6580
Per Capita Income	\$36,215	\$37,588	\$38,982	\$40,034	\$41,181
Assessment Cap	0.0%	2.9%	3.9%	1.4%	0.9%
Residential Revenue/Income	1.45%	1.50%	1.45%	1.48%	1.47%
Commercial*	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Revenue	183,053,000	194,645,000	196,041,000	200,796,000	207,975,000
Average Commercial Assessment	1,112,700	1,183,000	1,253,100	1,292,600	1,375,800
Average Commercial Tax	38,744	41,192	41,240	41,790	42,471
General Commercial Rate	3.257	3.214	3.084	3.054	2.939
GDP Growth	5.1%	4.8%	2.7%	3.1%	4.0%
Commercial Revenue/GDP	1.01%	1.02%	1.00%	0.99%	0.99%
Commercial Revenue as a % of Total	40.3%	39.9%	39.5%	38.7%	38.4%
Other	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Inflation - CPI Halifax	2.0%	3.5%	1.7%	1.1%	1.2%
Tax Supported Debt (\$000)	280,802	275,300	270,400	265,200	261,100
Debt per Household	1,566	1,519	1,473	1,422	1,379
Capital from Operating (\$000)	35,364	40,354	42,766	47,156	47,312

* Previous fiscal years re-stated to include Imperial Oil Tax Agreement in commercial revenues.



Summary

- **Financial position healthy**
 - Debt continues to decline
 - State of Good Repair is well funded
 - Taxation growth below changes in GDP, Income
 - Efficiencies found within existing budgets but must shift focus to changing the way we deliver services
- **Continued pressure on operating budget**
 - Operating Cost of Capital, Reserves, Capital from Operating
- **Ivany Report stresses risks to Province**
 - Need to review overall strategy to ensure we are sustainable in the long run

Thank You

