



P.O. Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

Item No. 5

Committee of the Whole
March 25, 2015

TO: Mayor Savage and Members of Halifax Regional Council
Original Signed

SUBMITTED BY: _____
Greg Keefe, Director, Finance and ICT (FICT)

DATE: March 16, 2015

SUBJECT: Proposed 2015/16 Corporate Accounts Budget and Business Plan

ORIGIN

At the October 21, 2014 Committee of the Whole, Council directed staff to present the 2015/16 draft Business Unit Budget and Business Plans to the Committee of the Whole for review and discussion prior to consideration of 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

1. It is recommended that the Committee of the Whole direct staff to proceed to prepare the 2015/2016 Corporate Accounts Budget and Business Plan as proposed in the accompanying presentation, incorporating additional direction provided by motion of Committee of the Whole for inclusion in the proposed HRM 15/16 Budget and Business Plan documents.
2. Decrease the Residential tax rate by approximately 0.5%, and Commercial tax rate by approximately 1.9%, and the Transit Area Rates by approximately 3.2%.
3. Discontinue the Recreation Area Rates and increase the General Rate to raise the equivalent revenue.
4. Add 1 cent to the Residential and Commercial Tax Rates to fund a reserve for Strategic Capital Projects.
5. Discontinue the publication of the "detailed change report" (Business Unit, Division, cost centre by cost element), that accompanies the Budget Book. As approved on May 10, 2011
13.1 Motion – Councillor Johns.

BACKGROUND

As part of the design of the 2015/2016 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 18, 2014 Committee of the Whole, Regional Council considered and confirmed their Council Priority Outcomes and directed staff to: "develop the 2015/16 Budget and Business Plans in support of these priorities."

DISCUSSION

Staff has prepared the proposed 15/16 Budget consistent with the preliminary fiscal direction received from Council on October 21, 2014 and aligned with Council Priorities as directed on November 18, 2014.

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 2015/16 Budget and Business Plan documents to be presented to Council, as per the process and schedule endorsed by Regional Council on October 21, 2014.

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 Budget and Business Plan as proposed in the accompanying presentation through specific motion, and direct staff to proceed to prepare the Budget and Business Plan for inclusion in the proposed HRM Budget and Business Plan documents.

ATTACHMENTS

Corporate Accounts 2015-2016 Budget and Business Plan Presentation

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/agenda.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.

Report Prepared by: Barb Wilson, Budget Coordinator, Fiscal Policy & Financial Planning, 902.490.4280

Original Signed

Report and Financials
Approved by:


Greg Keefe, Director of Finance & ICT/CFO, 902-490.6308

HALIFAX

**Corporate Accounts –
March 25, 2015**

Outline

- **Direction from Council**
- **Financial Condition Indicators**
- **Expenditures and Revenues**
 - Transfers to Outside Agencies
 - Trade Centre Limited
 - Other Expenditures
 - Own Source Revenues – non-tax
 - Fees - Report
- **Capital**
 - Debt / Reserves / Capital
 - Strategic Capital
- **Assessment and Taxes**
 - Benchmarks
 - Tax Recommendations, Options
 - 1 cent Capital rate
 - Recreational Area Rates
- Outlook for 2015-16 and Forward
- **Alternate Zero Increase**
- **RISKS**
- **Recommendations**

Recommendations

- Direct staff to proceed to prepare the 2015/16 Corporate Services Budget as proposed in the accompanying presentation, incorporating additional direction provided by motion of Committee of the Whole for inclusion in the proposed HRM 2015/16 Budget & Business Plan documents.
- **Decrease** the:
 - Residential general tax rate by approx. **0.5%**,
 - Commercial general tax rate by approx. **1.9%**, and
 - Transit area rates by approx. **3.2%**.
- Confirm:
 - **Discontinue area rates** to Municipal Recreation Facilities and **increase General Rates** to raise equivalent revenue.
 - **Add 1 cent** to the Residential and Commercial tax rates to fund a reserve for Strategic Capital Projects.

Direction From Council

- Target Tax Bills and Rates to decline
 - Average Bill increases by inflation of 1.8%,
 - Alternative Scenario of 0%
 - Adjust other revenues, where appropriate
- Keep a close eye on 16-17
 - Growth is slowing
 - Currently projecting a deficit for 2014-15. Intend to bring in at zero or slight surplus.
 - Need for strategic and/or tough choices
 - In Halifax`s interest to support Fiscal Review

Financial Condition Indicators

Financial Condition Indicators: Revenue Dimension

Indicator	Score 11/12	Score 12/13	Score 13/14	Threshold
Reliance on Government Transfers (%) (Total government transfers ÷ Total revenue) We do not depend of funding from other levels of Government	1.3%	1.7%	1.5%	Below 15.0
Uncollected Taxes (%) (Uncollected taxes ÷ Total taxes billed in current fiscal year) We do not have problems collecting taxes	4.1%	4.8%	4.9%	Below 10.0
3 Year change in Tax Base (%) (Change in uniform assessment over 3 years ÷ Total uniform assessment for 3rd prior year) The Tax base is growing	15.3%	15.5%	17.5%	Above 8.4
Commercial Property Assessment (%) (Total taxable commercial assessment ÷ Total taxable assessment) We do not have an over-reliance on residential taxes	18.1%	18.2%	18.0%	Above 15.0
Reliance on Single Business/Institution (%) (Taxable assessment value of the largest business or institution ÷ Uniform assessment) We are not dependent on a single tax payer	1.4%	1.3%	1.6%	Below 10.0

Financial Condition Indicators: Budget Dimension

Indicator	Score 11/12	Score 12/13	Score 13/14	Threshold
Residential Tax Effort (%) ((Total residential tax revenue ÷ Total dwelling units) ÷ (Median household income)) Residential taxes are affordable	3.1%	3.1%	3.3%	Below 4.0
Deficits in the Last 5 years (Number of non-consolidated operating deficits in the last five years) We have had two deficits, after year end adjustments, in the past five years. They balance out to surpluses in the neighbouring years	2.0	1.0	2.0	Below 1.0
Budget Expenditure Accuracy (%) (Difference between budgeted and actual expenditures ÷ Budgeted expenditures) Budgets are an accurate projection of expenditures	-5.0	-1.1%	-1.2%	Between -5.0 and 5.0
Liquidity Ratio (Total short term operating assets ÷ Total short term operating liabilities) We have adequate cash flow	1.6	2.4	2.4	Above 1.0
Operating Reserves (%) (Total operating reserve fund balance ÷ Total operating expenditures) We maintain adequate reserves (Staff believe 10% threshold too high for HRM)	5.6%	6.4%	8.1%	Above 10.0

Financial Condition Indicators: Debt and Capital Dimension

Indicator	Score 11/12	Score 12/13	Score 13/14	Threshold
Debt Servicing Ratio (%) (Principal and interest paid on long term debt ÷ Total own source revenue) A low percentage of revenue is needed to pay off debt.	7.4%	7.4%	7.0%	Below 15.0
Outstanding Debt (%) (Total outstanding long term debt ÷ Total uniform assessment) Outstanding debt is very low compared to the tax base.	0.7%	0.7%	0.6%	Below 3.5
Depreciation of Assets (%) (Total net book value of capital assets ÷ Total gross cost of capital assets) Spending on infrastructure is driven by the actual condition of the asset, not the book value.	61.4%	59.7%	57.4%	Above 60.0
5-Year Capital Purchases (%) (Total purchases of capital assets over a 5-year period ÷ Total depreciation accrued over the same 5-year period) Investment in new capital exceeds depreciation, preventing aging infrastructure	174.4%	163.4%	147.2%	Above 100.0
5-Year Contributions to Capital Reserves (%) (Total contributions to capital reserves over a 5-year period ÷ Total depreciation accrued over the same 5-year period) We are accumulating reserves to address future capital requirements	38.9%	36.3%	31.6%	Above 10.0

Financial Condition Indicators: Comments

Two deficits in the last five years

- The 2010 and 2014 operating deficits reported in the province's Municipal Indicators don't include the surplus funds transferred to the municipality's reserves at the end of each fiscal year that help us manage the general tax rate for the coming year.
- The municipality contributed a total of \$13 million to reserves in those two years, \$3.05 million more than the reported operating deficit.
- The net effect on our budget planning is that we had \$165,000 in accumulated surplus at the end of 2010 and \$0 at the end of 2014.

Undepreciated assets

- The province's indicator is based on value and not the actual physical condition of assets.
- The municipality annually completes a detailed analysis of its assets. This informs operating budgets with a state-of-good-repair approach, to maintenance and upgrades, that pays for itself as it goes instead of incurring debt.

Operating reserves:

- The province's indicator shows the total value of funds held in operating reserves compared to a single year's operating budget.
- This indicator is intended to reflect the municipality's financial capacity to handle contingencies.
- Prudent budget planning on the part of the municipality saw almost \$57,000,000 in Operating Reserves at the end of 2013/14.
- An increase in the reserve is not necessary to address contingencies

Expenditures and Revenues

Transfers to Outside Agencies - Detail

- Provincial Transfers are estimated to be up by \$6.1m or 4.5%.
 - Final charges not yet released by the Province
- Supplementary Education down 2.6% or \$450,000 as per the four year agreement – under review
- Fire protection costs steady
 - could decline following Spring 2015 UARB decision
- **World Trade Centre increased by \$517K**
 - **to cover operational readiness costs for the Halifax Convention Centre.**

Transfers to Outside Agencies

Transfers to Outside Agencies

Agency	14/15 Budget	Proposed 15/16 Budget	Increase (Decrease)	% Increase (Decrease)
Mandatory Provincial				
- Metro Housing	2,763	2,665	-98	-3.55%
- Corrections	6,396	6,546	150	2.35%
- Mandatory Education	119,941	125,754	5,813	4.85%
- PVSC	6,794	7,062	268	3.94%
	135,894	142,027	6,133	4.51%
- Supplimentary Ed	17,281	16,831	-450	-2.60%
HRWC				
- Fire Protection	8,949	9,046	97	1.08%
Right of Way Storm Water	3,881	3,881	0	0.00%
	12,830	12,927	97	0.76%
Economic Development Agencies				
- BIDS	2,098	2,098	0	0.00%
- Greater Halifax Partnership	1,603	1,633	31	1.91%
- Destination Halifax	1,969	1,973	4	0.18%
- World Trade/Halifax Convention Centre	1,274	1,791	517	40.55%
	6,944	7,495	551	7.93%
Total Transfers	172,949	179,280	6,331	3.66%

Inter-Governmental

Intergovernmental Funding					
Province	2011-12	2012-13	2013-14	2014-15	2015-16
To the Province from HRM					
- Metro Housing	2,324	2,263	2,536	2,763	2,665
- Corrections	4,925	6,427	6,381	6,396	6,546
- Mandatory Education	99,371	106,248	113,965	119,941	125,754
- PVSC	6,659	6,593	6,607	6,794	7,062
- Supplementary Funding	18,527	18,104	17,880	17,281	16,587
	131,806	139,635	147,369	153,175	158,614
From the Province to HRM					
- Regional Library	(4,786)	(4,835)	(4,835)	(4,835)	(4,916)
- Boots on the Street	(3,900)	(3,900)	(3,900)	(3,900)	(3,900)
- HST Offset	(3,250)	(3,310)	(3,300)	(3,600)	(3,700)
- Resource Recovery	(2,937)	(3,219)	(2,970)	(2,123)	(2,123)
- Transit	-	-	-	(2,000)	(2,000)
- Other Capital Projects*	(4,060)	(6,485)	(6,718)	(3,864)	(763)
	(18,933)	(21,749)	(21,723)	(20,322)	(17,402)
Net Transfer to Province	112,873	117,886	125,646	132,853	141,212
Government of Canada					
Gas Tax	(25,078)	(25,163)	(25,300)	(23,807)	(23,807)

*Includes Central Library funding 2011 to 2014

Spend after Transfers

	14/15 Budget	Proposed 15/16 Budget	Increase (Decrease)	% Increase (Decrease)
Total Expenditures	843,843	863,528	19,685	2.33%
Less:				
Provincial Transfers	-135,894	-142,027	6,133	4.51%
LIC Debt	-2,536	-2,057	-479	-18.89%
Area Rated Facilities	-2,697	-2,688	-9	-0.32%
Private Roads	-219	-219	0	0.00%
HRWC Debt	-10,784	-10,164	-620	-5.75%
HRWC Other	-12,830	-12,927	97	0.76%
Economic Development Agencies	-5,341	-5,861	520	9.74%
Total Municipal Expenditures	673,542	687,585	14,043	2.08%

Other Expenditures

- Funding for outstanding collective agreements, and other contingencies
- Tax Exemptions – no change at \$5.7 million
 - Non-Profit, Low Income Relief
- Community Grants - no change at \$0.5 million
- Insurance - \$4.0 million, down \$400,000 with funding direct to Legal rather than through a reserve.
- Provision for Doubtful Accounts - \$4.2 million, up \$0.5M for Dartmouth Sportsplex

Own Source Revenues – In Corporate Accounts

Source	14/15 Budget	Proposed 15/16 Budget	(Increase) Decrease	% Increase (Decrease)
Interest				
Taxes	-4,550	-4,700	-150	3.30%
Other	-70	-70	0	0.00%
Investment	-2,100	-1,600	500	-23.81%
- subtotal Interest	-6,720	-6,370	350	-5.21%
Fees				
Parking Meters	-2,750	-2,750	0	0.00%
Metro Park (net)	-1,600	-1,900	-300	18.75%
- subtotal Fees	-4,350	-4,650	-300	6.90%
HRWC Dividend (PILT)	-4,579	-4,579	0	0.00%
Total Tax Revenue	-15,649	-15,599	50	-0.32%

Fees

Fees

Source	14/15 Budget	Proposed 15/16 Budget	(Increase) Decrease	% Increase (Decrease)
Fiscal	(4,350.0)	(4,650.0)	(300.0)	6.90%
CAO	(40.2)	(40.2)	-	0.00%
Transportation & Public Works	(13,326.0)	(12,999.5)	326.5	-2.45%
Library	(495.9)	(515.2)	(19.3)	3.89%
Finance & Information, Comm & Tech (FICT)	(2,260.0)	(2,260.0)	-	0.00%
Fire & Emergency Services	(81.1)	(81.1)	-	0.00%
Regional Police	(650.0)	(730.0)	(80.0)	12.31%
Legal Services	(186.4)	(182.0)	4.4	-2.36%
Halifax Transit	(34,123.0)	(34,568.5)	(445.5)	1.31%
Parks & Recreation	(11,227.8)	(11,450.5)	(222.7)	1.98%
Planning & Development	(12,249.0)	(12,445.0)	(196.0)	1.60%
Operations Support	(1,960.0)	(1,835.0)	125.0	-6.38%
Grand Total	(80,949.4)	(81,757.0)	(807.6)	1.00%

Capital

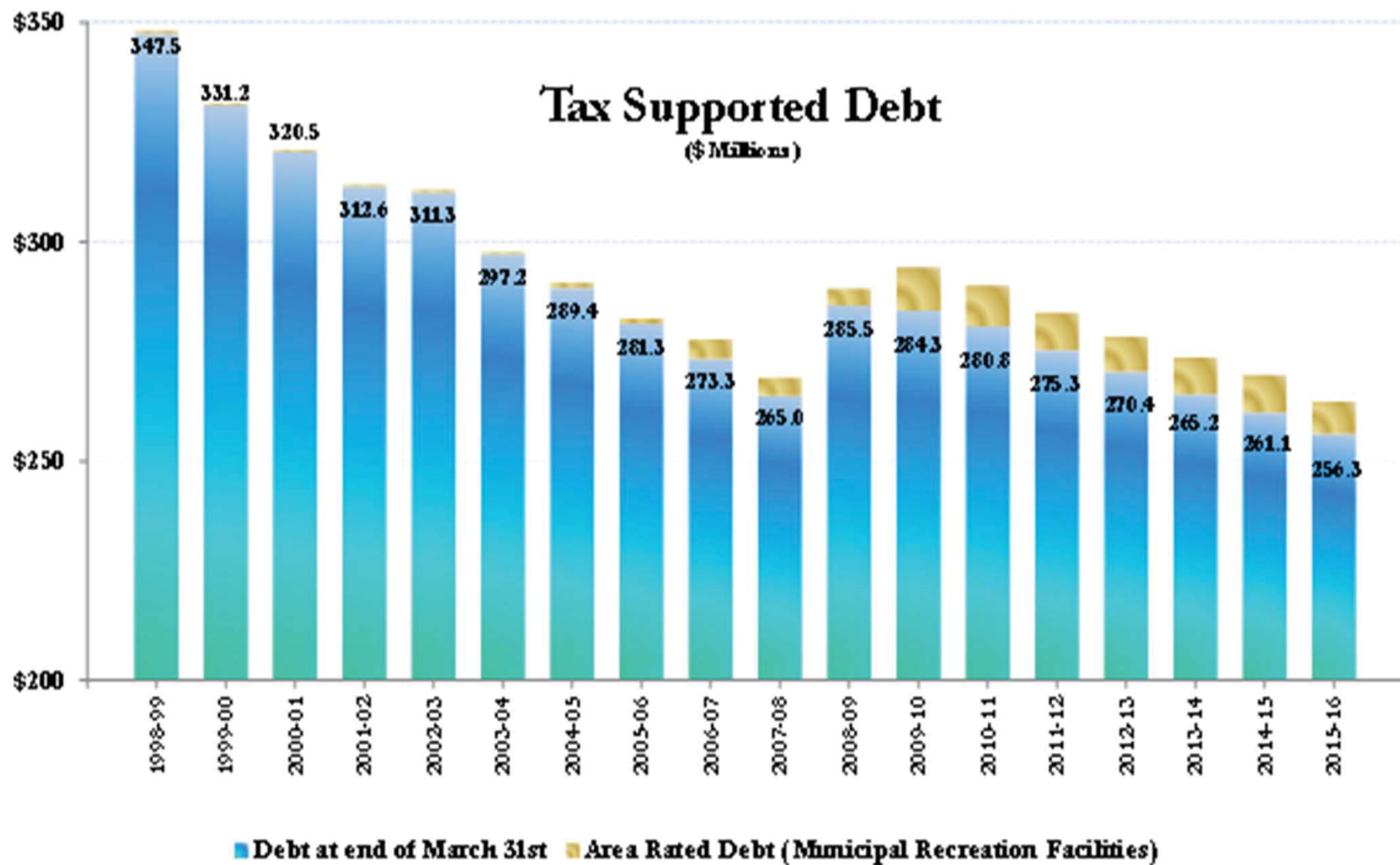
Net Financing Details

- Tax Supported Debt continues to decline (as per the Multi-Year Fiscal Policy) by 3% per household per year.
- Debt Servicing cost will be is \$42.4 million in 2015-16
 - 7.6% of tax revenue (exclusive of provincial area rates)
 - Debt Charges decline \$910K
- Capital Reserves increased for:
 - Transit
 - Halifax Convention Centre
 - Street Lights Replacement
- Capital from Operating down 0.6 million.
 - Up by \$5.4 as per the Multi-year Fiscal policy
 - Down by \$4.6 to reflect the movement of non-capital projects to operating.
 - Down \$1.4 for funding from closed projects.

Net Financing

Financing Source	14/15 Budget	Proposed 15/16 Budget	Increase (Decrease)	% Increase (Decrease)
Debt Servicing				
--- Principal	34,766	34,402	-364	-1.05%
--- Interest	7,792	7,246	-546	-7.00%
Reserves (See note)	17,891	20,335	2,444	13.66%
Capital From Operations	47,812	47,213	-599	-1.25%
<u>Total Corporate Financing</u>	<u>108,261</u>	<u>109,198</u>	<u>936</u>	<u>0.86%</u>
Operating Cost of Capital	5,053	2,942	-2,111	-41.78%

NOTE: The reserve contribution for 14/15 included a \$7,978,000 contribution to the Waste Resources reserve. Decisions regarding Otter Lake have made this no longer necessary, so this contribution is now to the Capital Surplus Reserve to cover future capital funding shortfalls.



Strategic Capital - Strategy

- On July 29th, staff presented a strategy for funding strategic capital initiatives to Council.
- Council accepted staff recommendations:
 - Approve the use of the Capital Reserves Q101 Sale of Assets; Q126 Strategic Growth; Q139 Central Library Repayment Reserve; and Q145 Regional Facility Expansion Reserve **to fund the Planned Strategic Projects** and the **Potential Strategic Projects** should they proceed.
 - Dedicate the net proceeds from the sale of Bloomfield, 3rd Queen Street Site, Red Cross Building, Bayne Street and St. Pat's Alexandra **to fund the Planned Strategic Projects** should they proceed
 - Dedicate the net proceeds from the potential sale of St. Pat's High, Alderney and Ochterloney lot, Lyle Street and the arenas made surplus by the Long Term Arena Strategy for **interim financing of Planned Strategic Projects** and **funding of Potential Strategic Projects**.
 - Approve adding **1 cent to the general tax rate as determined by the 15/16 budget**. The proceeds are to be placed in the Q126 Strategic Growth reserve **to fund Potential Strategic Projects**.
 - Approve amending the Multi-Year Fiscal Plan to **permit** up to \$100,000,000 of **debt financing** above the limits set by that plan for the **Potential Projects**.

Strategic Capital - Projects

- The **Planned** Strategic Projects referenced in these recommendations are:
 - Halifax Multi-pad;
 - Dartmouth Multi-pad;
 - Dartmouth Sportsplex;
 - Cogswell Interchange, and
 - the \$50 million, 5 Year Downtown Investment with cost sharing from other levels of Government.
- The **Potential** Strategic Projects referenced in these recommendations are:
 - the Police Station Renewal;
 - Fire Services Training Facility;
 - Stadium;
 - Library Facilities Plan;
 - capital initiatives to be approved by Council as an outcome of a Cultural Spaces Plan, and
 - Commuter Rail / Fast Ferry

Strategic Capital – Funding Plan

- The challenge remains – there is no room in the capital budget to fund these large projects, and the majority of funding from current reserves and sales of major properties will be needed for the planned projects.
 - Approximately \$20M funding remaining.
- To create capacity for the potential strategic projects:
 - **Proceed with the proposed Strategic Capital Tax Surcharge: \$58.8M**
 - **1 cent on the tax rate yields \$4.2M annually**
 - Proposed additional Debt: \$100M
 - Decisions to borrow are made project by project
 - Debt servicing Cost of \$5.6M annually will add 1.3 cents on tax rate.
 - Will increase Debt Servicing Percentage by approximately 1.0%
- There will also be an impact on operational costs for new assets, and potentially for replacement of these assets.
 - This will add a 1/4 cent pressure on the tax rate for every \$1 million in additional operating costs.
- Decommission facilities made redundant by new facilities

Assessment and Taxes

Tax Revenues – Before Recreation Area Rate Transfer

Source	14/15 Budget	Proposed 15/16 Budget	(Increase) Decrease	% Increase (Decrease)
Property Tax				
Residential	-211,865	-221,152	-9,287	4.38%
Commercial	-174,345	-176,346	-2,001	1.15%
- subtotal Property Tax	-386,210	-397,498	-11,288	2.92%
Transit Tax				
Local	-26,258	-26,718	-460	1.75%
Regional	-16,472	-16,587	-115	0.70%
Commercial	-33,342	-33,811	-469	1.41%
- subtotal Transit	-76,072	-77,116	-1,044	1.37%
Tax Agreements	-4,852	-9,612	-4,760	98.10%
Grants-In-Lieu	-36,178	-37,130	-952	2.63%
Deed Transfer	-36,000	-32,000	4,000	-11.11%
Total Tax Revenue	-539,312	-553,356	-14,044	2.60%

Tax Revenues – With Recreation Area Rate Transfer

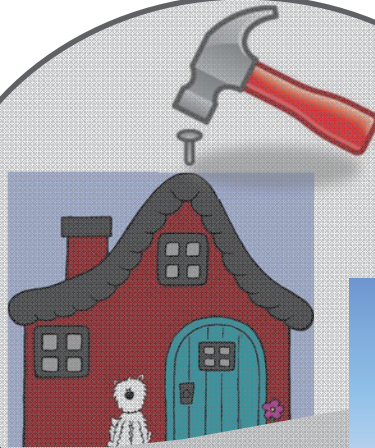
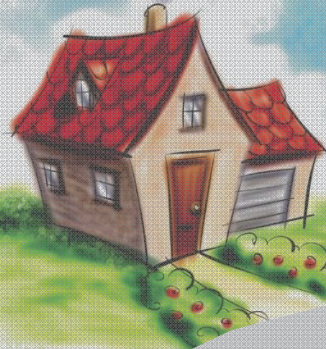
Source	14/15 Budget	Proposed 15/16 Budget	(Increase) Decrease	% Increase (Decrease)
Property Tax				
Residential	-211,865	-222,490	-10,625	5.01%
Commercial	-174,345	-176,346	-2,001	1.15%
- subtotal Property Tax	-386,210	-398,836	-12,626	3.27%
Transit Tax				
Local	-26,258	-26,718	-460	1.75%
Regional	-16,472	-16,587	-115	0.70%
Commercial	-33,342	-33,811	-469	1.41%
- subtotal Transit	-76,072	-77,116	-1,044	1.37%
Tax Agreements	-4,852	-9,612	-4,760	98.10%
Grants-In-Lieu	-36,178	-37,130	-952	2.63%
Deed Transfer	-36,000	-32,000	4,000	-11.11%
Total Tax Revenue	-539,312	-554,693	-15,381	2.85%

Assessment and Taxes

- Total Assessment rose 4.7% residential and 6.0% commercial
 - Average Single Family - \$216,846 to \$223,059 (2.9%)
 - Average Commercial Property rose 5.4%
- Average Tax Bills rise by Inflation (1.8%)
 - Residential General Tax Rate **down 0.3 cents**,
 - Transit Tax Rates **drop 0.5 cents** to 10.2 and 4.9 cents
 - Commercial General Tax Rate **down 5.6 cents**
- Grants in Lieu increase by \$752 thousand
- Tax Agreements increase by \$580k
 - Due mostly to new **Irving Shipyard** agreement
 - Net **HIAA** taxes (will become Tax Agreement in 2015-16)
- Deed Transfer Tax down \$4m, a total of \$7M in two years.
(declining real estate activity)

Walking Down Tax St

82% of Homes are fully capped.
Average value went up **2.0%**.

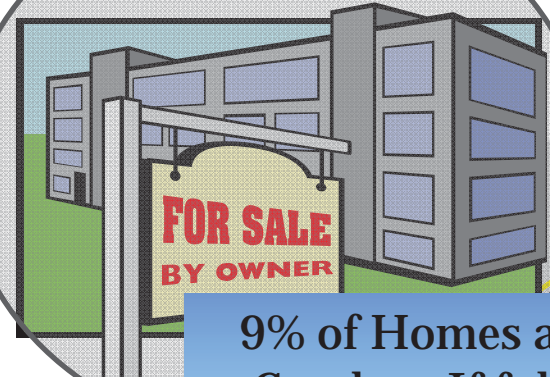


3% of Homes were partly capped.
Average value went up **11.7%**.

15% of Homes aren't capped (i.e. sold or ineligible). The average value rose **6.0%**.



There are 860 New S.F. Homes. The **average value is \$294,200.**



9% of Homes are Condos. If fully capped, value goes up max **2.1%**.



There are 57,000 Apartment units (4+).
Average value went up **10.0%**.

Walking Down Tax St

Average value
up **2.0%**.



Partly Capped:
value up **11.7%**



Condo values
Capped at
2.1%.

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



860 New Homes:
avg. value is
\$294,200.



Uncapped values up **6.0%.**



Apartment
Values up
10.0%.

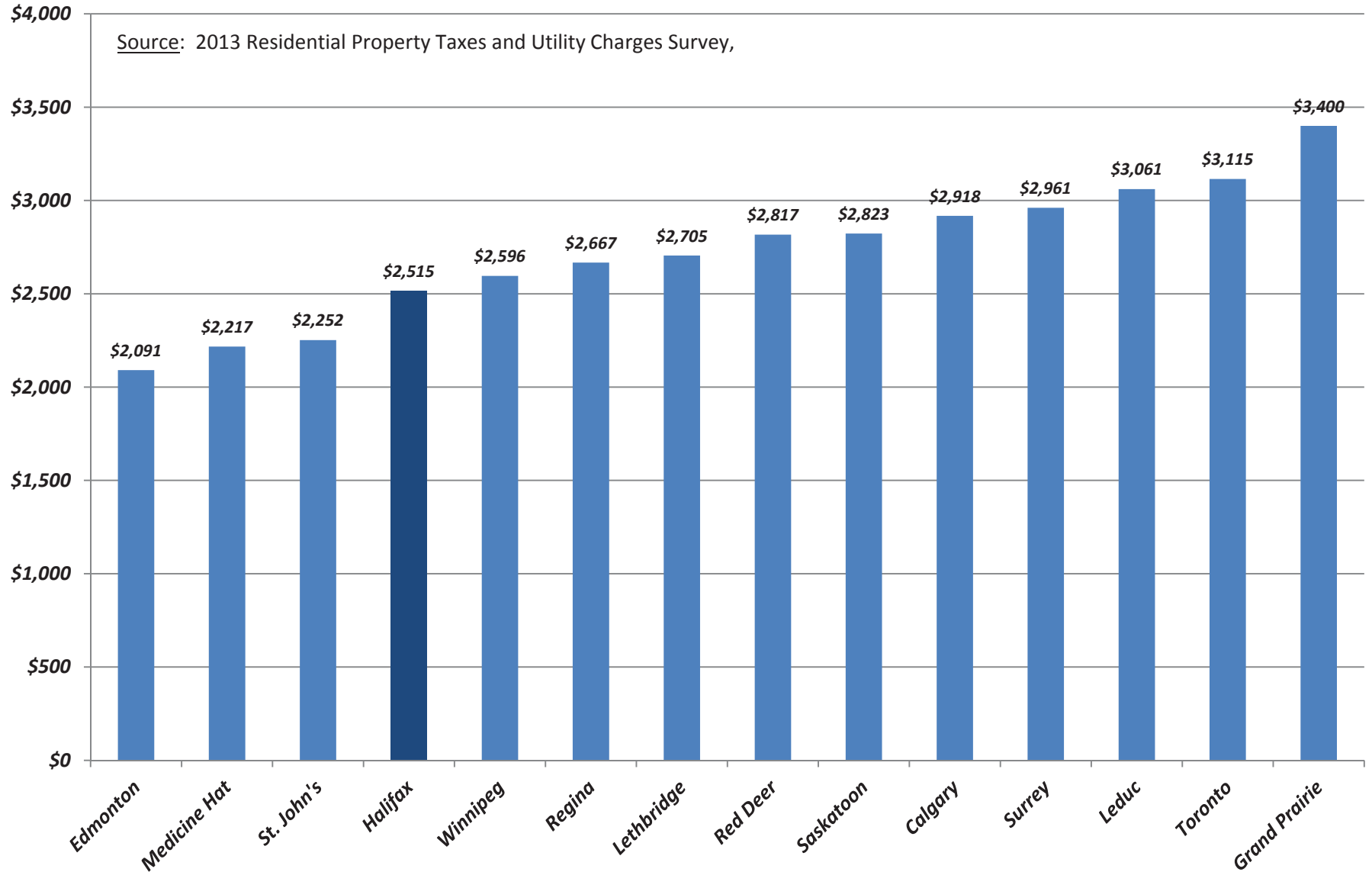
Commercial Tax



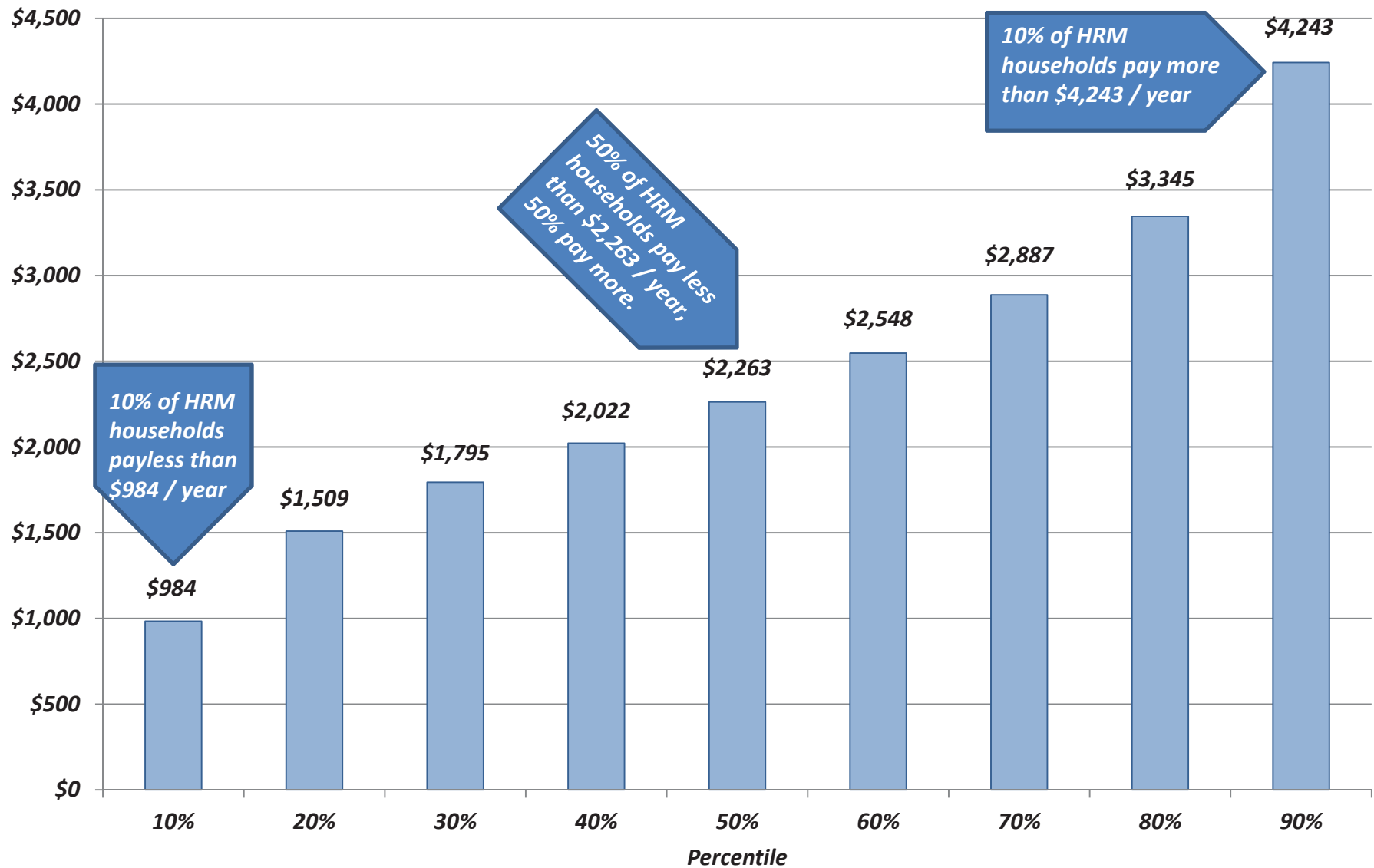
Average value went up **3.8%**. But Building Permits added **2.2%**, for total increase of **6%**



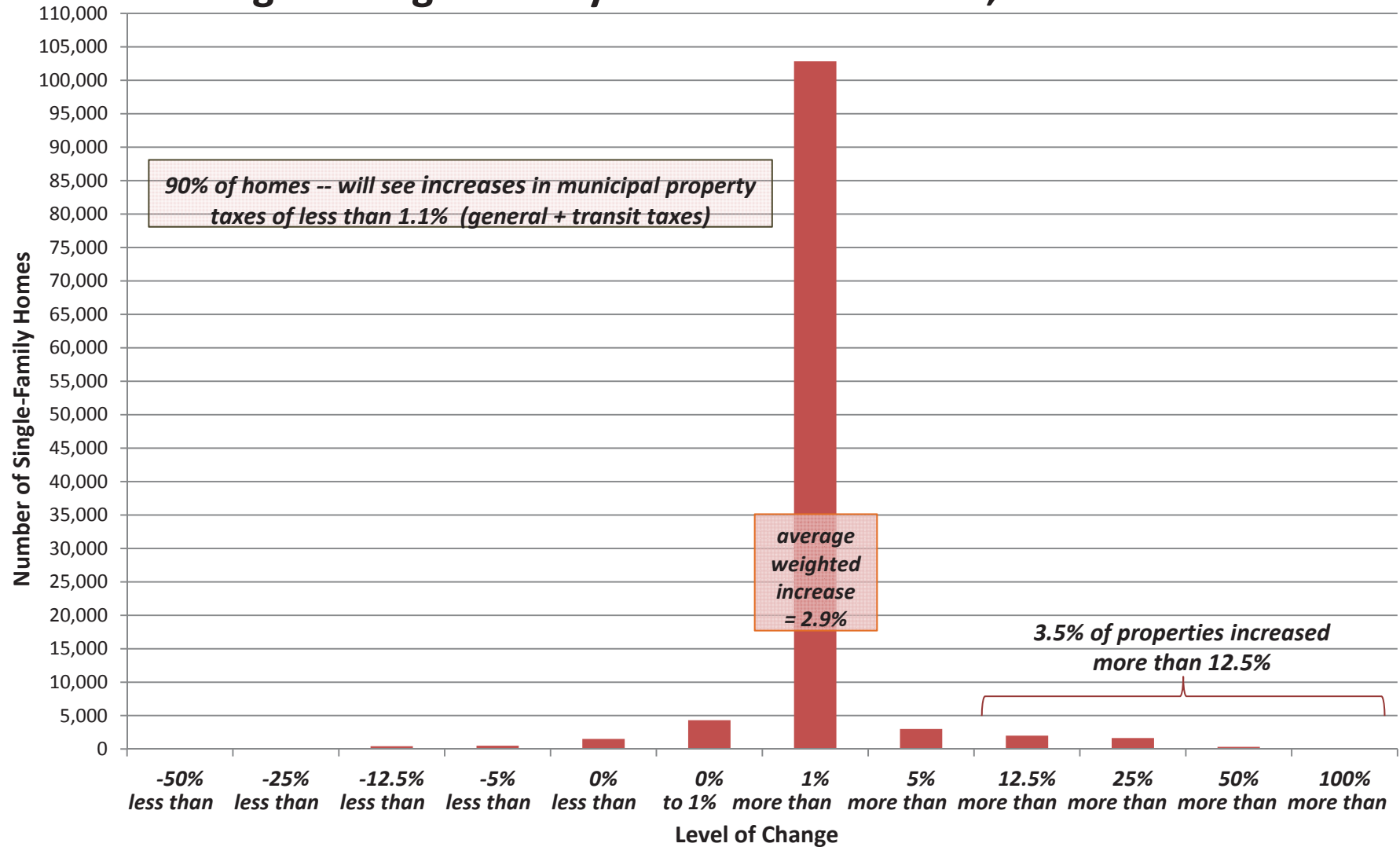
Average Property Tax per Single-Family Home (2013)



Distribution of Total Property Taxes on Single-Family Homes, 2014

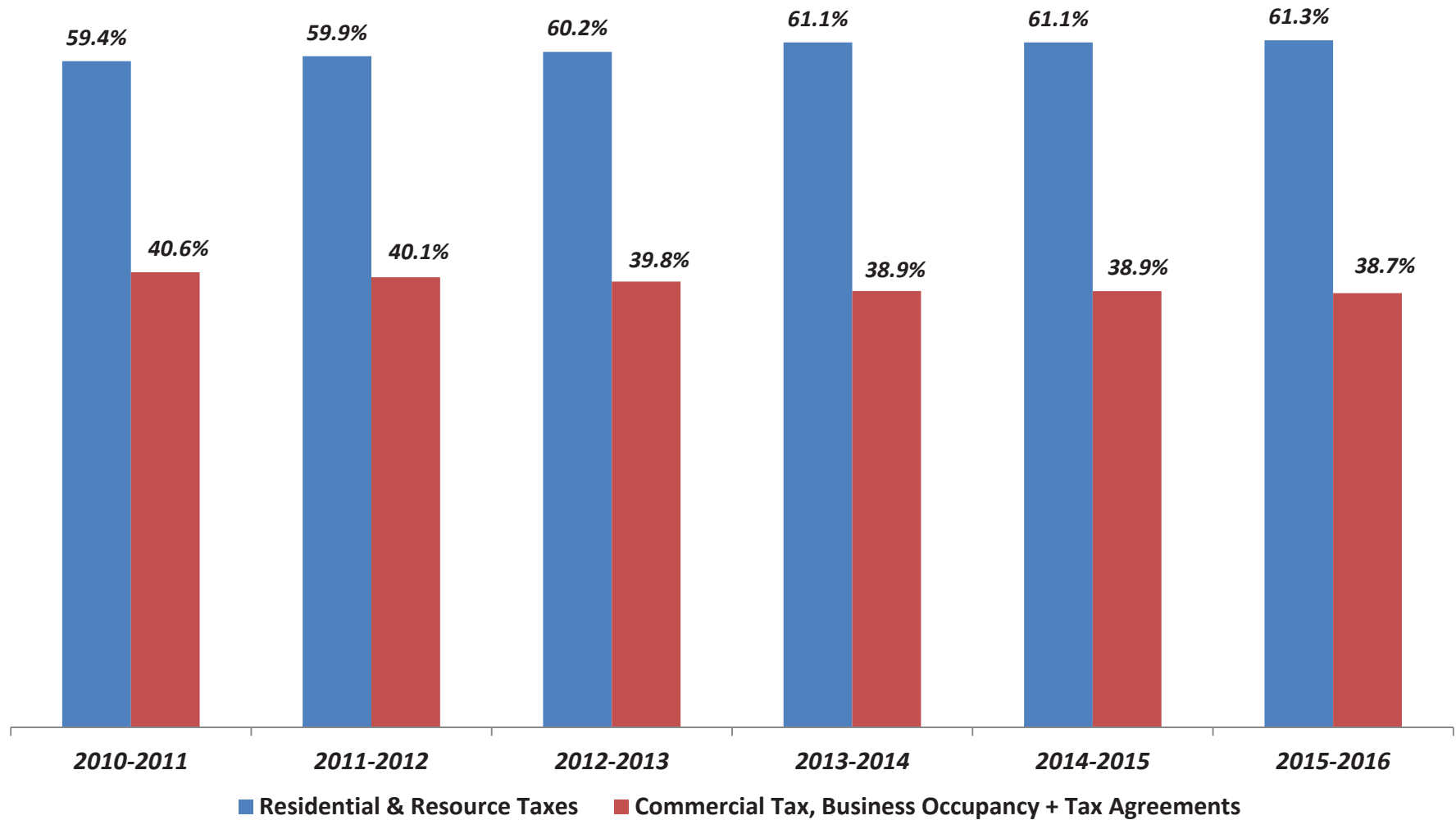


Change in Single-Family Home Assessments, 2014 to 2015



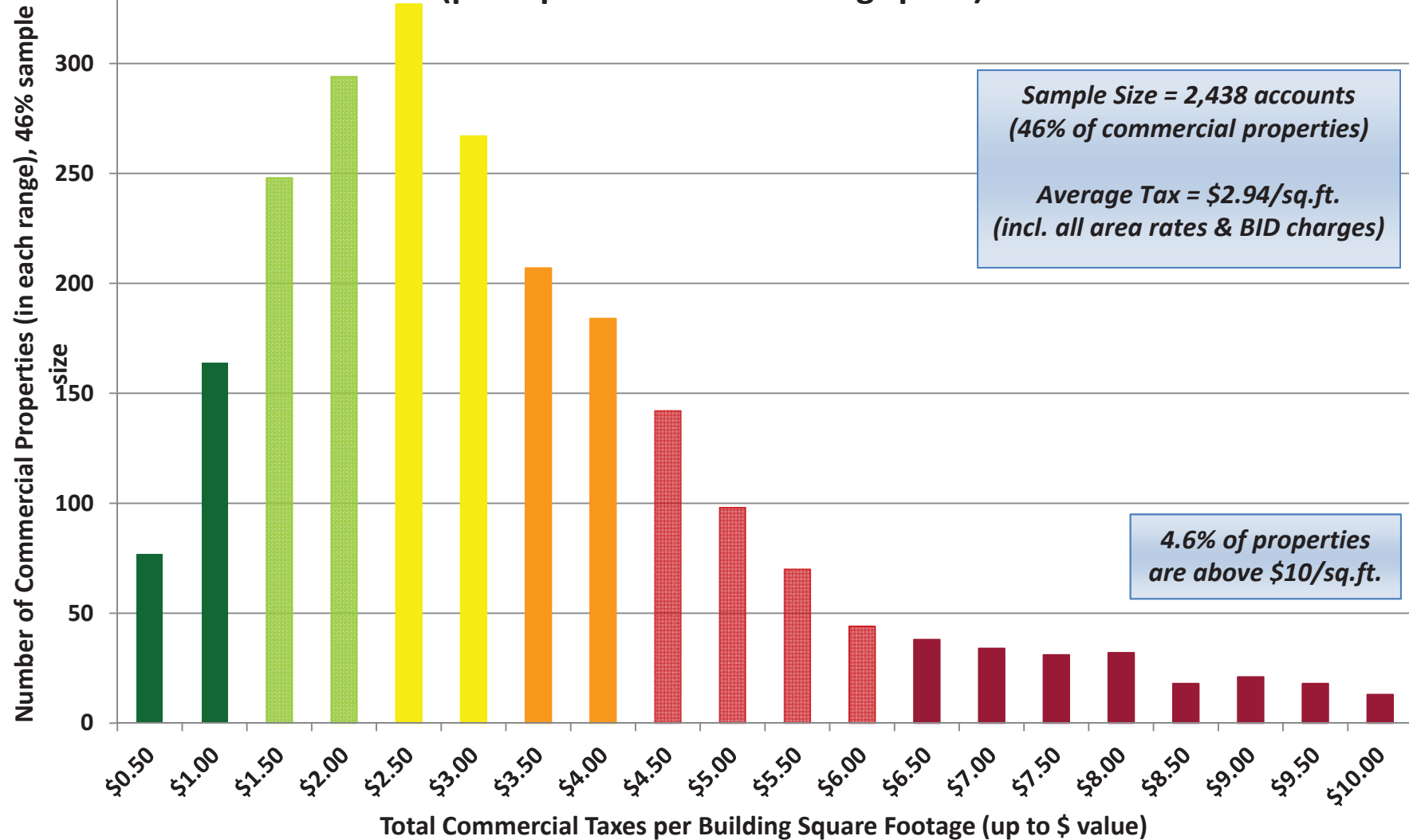
Residential and Commercial Tax Split (General, Provincial & Transit Taxes + Tax Agreements)

Source: HRM Taxation and Fiscal Policy

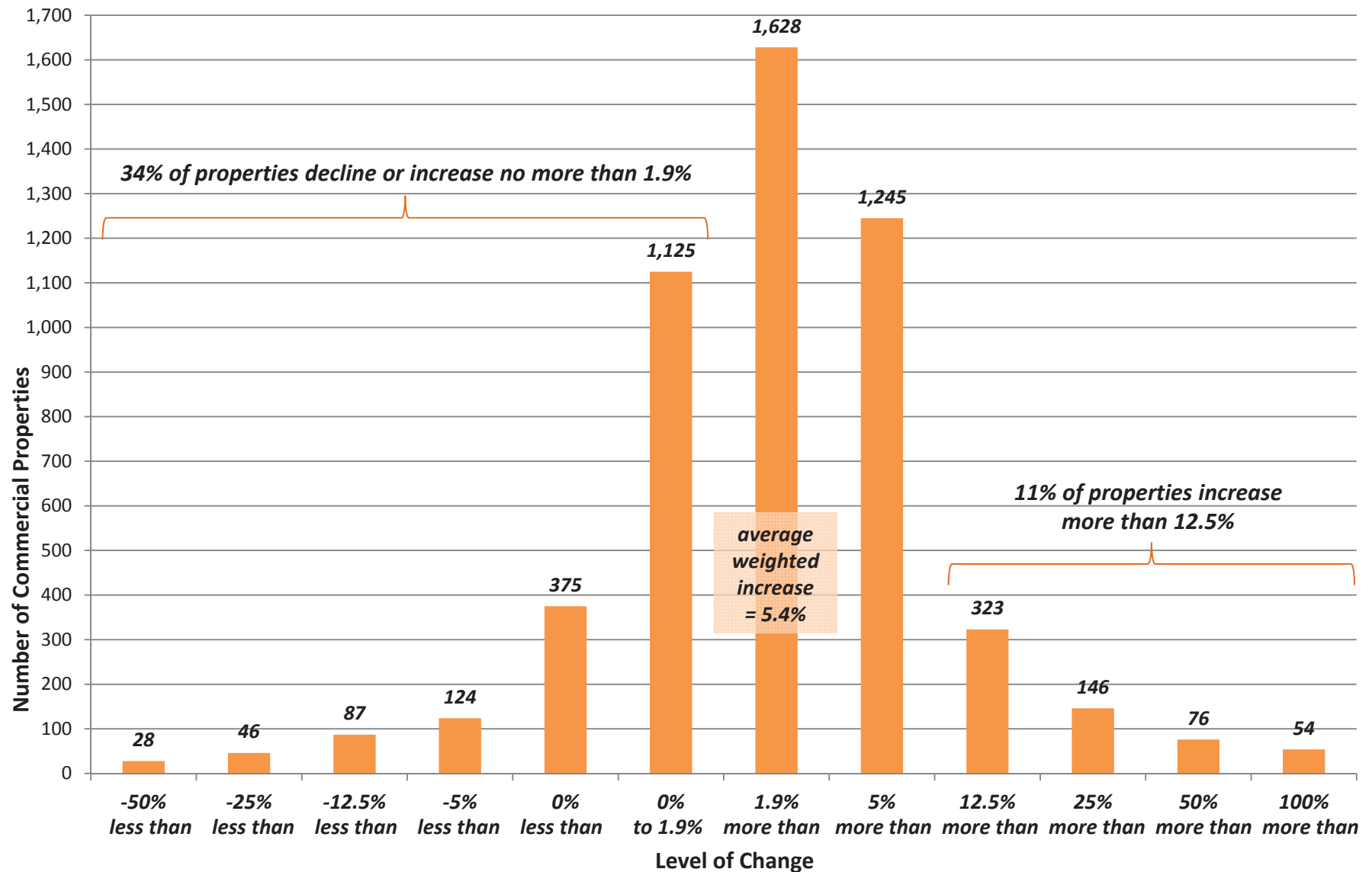


How Many Paid How Much Commercial Tax in 2014?

(per square foot of building space)



Change in Commercial Assessments, 2014 to 2015



Recreation Area Rates

Distinct approaches for **3 different types** of facilities (or services):

(1) Municipal Recreational Facilities

Those that would otherwise be provided by the municipality. Accountable to the municipality and fully accessible.

General Tax Rate

(2) Community Facilities and Services

Support community initiatives but would otherwise not be provided by the municipality

- not in competition with municipal services and
- fully accessible to the public

Area Tax Rate

(3) Private Infrastructure

Support private organizations or interests and are unavailable outside their immediate area.

Grandfather Current Area Tax Rates

Three Types of Facilities/Services

Type 1 - Municipal Recreational Facilities

- Beaver Bank/Kinsac Community Centre
- Bedford/Hammonds Plains Comm. Centre
- East Preston Recreation Centre
- Gordon R. Snow
- Harrietsfield/Williamswood Comm. Centre
- Hubbards Recreation Centre
- Lake and Shore Rec Centre, Porter's Lake
- Prospect Road Community Centre
- Riverline Activity Centre, Dutch Settlement
- St Margaret's Centre
- Upper Hammonds Plains Recreation Centre

Three Types of Facilities/Services

Type 2 -

Community Facilities & Services

- Birch Bear Woods
- Glen Arbour Homeowners
- Haliburton Hills
- Hammonds Plains Common Rate
- Highland Park
- Kingswood Ratepayers
- Lost Creek Community Association
- Maplewood Subdivision
- Mineville Community Association
- Musquodoboit Harbour Common
- Prospect Road Recreation Assoc.

Type 2 (continued)

- Sackville Heights Comm. Centre
- St. Margaret's/Fox Hollow
- Three Brooks Homeowners
- Westwood Hills Residents
- White Hills Residents Assoc.

Type 3 - Private Infrastructure

- Grand Lake Community Centre
- Ketch Harbour (wharf/land)
- LWF Recreation Centre
- Silversides (beach/land)

Area Rates ➡ General Rates

1. Ten recreation area rates disappear (April 2015)
2. Costs are funded from the general tax rates
 - \$0.003 increase in urban/suburban residential rates, \$0.001 to \$0.002 increases in commercial rates.
 - slight benefit to those now paying area rates (\$31/year), slight cost to those who don't (approx. \$8/year).
3. Rural-Suburban boundary no longer impacts residential taxes
 - same "general" rate for those in suburban & rural areas

Area Rates ➡ General Rates

Financial Impacts

1. 15-16 General Rate replaces \$1.35 million in area rates
 - \$228k for facility operations, remainder for P&I
2. General Rate to take Responsibility for
 - \$8.1 million in general rate funded debt (4 facilities)
 - \$2.2 million in future interest payments (4 facilities)
 - \$3.86 million in capital payments (2 projects w/o debentures)
3. Impact on General Rate surplus: \$440k
 - Surpluses in Rec Area Rate accts: \$4.30 million
 - Less, payments on un-debentured projects: \$3.86 million

Tax Options

- **Recommendation: Maintain Taxes at Inflation (1.8%)**
 - **Reduce** tax rates by:
 - 0.8¢ (Residential + Transit), and
 - 5.6¢ (Commercial).
 - Average Taxes on Single-Family Homes to rise 1.8%
 - **no additional taxes** for: **6%** of homes, **34%** of commercial
- **Alternative: Taxes on Average Capped Home Flat**
 - **Reduce** tax rates by:
 - 2.3¢ (Residential + Transit), and
 - 11.0¢ (Commercial).
 - Average Taxes on Single-Family Homes remain the same
 - **no additional taxes** for **92%** of homes; **53%** of commercial
 - Lost revenue of \$9.7M (General + PILT)

Zero Option

- To have a “Zero” option, residential rates would decrease by an additional 1.5 cents, and the commercial rate would decrease by a further 5.4 cents. This would decrease revenue by \$9,732,600.
- This could largely be accomplished by eliminating the contribution to the Solid Waste Reserve as this is no longer needed. This would save \$7,978,000. The balance would come from eliminating the fuel contingency and reduce contribution to the Strategic Growth reserve.
- Given the identified need for capital spending in 2016/17 and beyond, staff recommends that council not approve the zero option, and direct the \$7,878,000 to the Capital Surplus Reserve to fund future capital expenditures.

Summary of Key Trends

Residential	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Revenue ¹	211,666,656	231,243,000	233,612,266	247,692,000	255,997,000	267,227,300
Single Family Home Assessment	183,600	192,700	203,500	211,200	216,800	223,600
Single Family Home Tax	1,749	1,823	1,825	1,867	1,880	1,912
General Urban Tax Rate	0.7088	0.7088	0.661	0.668	0.658	0.655
Per Capita Income	\$37,588	\$38,982	\$40,034	\$41,181	\$42,472	\$43,971
Assessment Cap	0.0%	2.9%	3.9%	1.4%	0.9%	2.1%
Dwellings (000)	178.5	181.2	183.5	186.4	189.5	191.6
Population (000)	398.3	402.4	406.8	410.0	414.4	418.7
Residential Revenue/Income	1.41%	1.47%	1.43%	1.47%	1.45%	1.45%
Commercial²	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Revenue ³	179,445,000	191,037,000	192,433,000	197,188,000	207,975,000	210,094,500
Average Commercial Assessment	1,112,700	1,183,000	1,253,100	1,292,600	1,375,800	1,450,700
Average Commercial Tax	38,744	41,192	41,240	41,790	42,471	43,797
General Urban Tax Rate	3.257	3.214	3.084	3.054	2.939	2.883
GDP Growth	5.1%	4.8%	2.7%	2.6%	4.6%	4.9%
Commercial Revenue/GDP	0.99%	1.00%	0.98%	0.98%	0.99%	0.95%
Commercial Revenue as a % of Total	39.8%	39.4%	39.0%	38.2%	38.1%	37.8%
Other	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Inflation - CPI Halifax	2.0%	3.5%	1.7%	1.1%	1.8%	2.0%
Tax Supported Debt (\$000)	280,802	275,300	270,400	265,200	261,100	256,300
Debt per Household	1,566	1,519	1,473	1,422	1,378	1,338
Capital from Operating (\$000)	35,364	40,354	42,766	47,156	47,213	47,312

Summary of Tax Rate Changes

	14/15	1.8% (keep Rec area rates)	<u>Recommend:</u> 1.8% + Rec on General Rate	1.8% + Rec +Capital on General Rate
Residential	0.658	0.655	0.658	0.668
Transit	0.156	0.151	0.151	0.151
Rec Area Rates	0.003	0.003	-	-
Subtotal	0.817	0.809	0.809	0.819
Commercial	2.939	2.883	2.884	2.894
Rec Area Rates	0.001	0.001	-	-
Subtotal	2.940	2.884	2.884	2.894

Risks in Budget

- Renewal of some waste contracts
- Fuel Prices
 - assuming an average price of \$67/barrel based on economic projections: Diesel 0.642 , Gasoline 0.652, Furnace Oil 0.604.
(Note: Transit increased to 0.800)
 - However, projections can be volatile and difficult to forecast exact trends.
 - Contingency of \$899,000 ; 9% of fuel budget
- Collective agreements (Police and Fire, among others)
- Deed Transfer Tax – further decline?
- One time items:
 - Close Operating Cost of Capital reserve (\$3.4M)
 - Solid waste closure from CCCs (\$2.4M)
 - Street Light reserve. (0.5M)
- Steps to mitigating Capital funding shortfall

Recommendations

- Direct staff to proceed to prepare the 2015/2016 Corporate Services Budget as proposed in the accompanying presentation, incorporating additional direction provided by motion of Committee of the Whole for inclusion in the proposed HRM 15/16 Budget and Business Plan documents.
- Decrease the Residential tax rate by approximately 0.5%, and Commercial tax rate by approximately 1.9%, and the Transit Area Rates by approximately 3.2%.
- Confirm:
 - Discontinue the Recreation Area Rates and increase the General Rate to raise the equivalent revenue.
 - Add 1 cent to the Residential and Commercial Tax Rates to fund a reserve for Strategic Capital Projects.