

Overview of Budgets

Budget Summary

Operating Budget

The development of the annual operating budget is a process that starts with Council Focus Areas and the development of the Fiscal Framework. The framework is presented to Council to provide an overview of revenues and expenditures, based on a status quo level of service. With this review, Council then provides staff with direction regarding the assumptions that underlie the development of the budget ensuring that the expenditure target incorporates Council priorities and strategic direction for the coming fiscal year. Following the receipt of the annual assessment roll from the Province of Nova Scotia, this direction is incorporated into the draft business unit budget envelopes. Each business unit develops their business plan within this envelope to deliver services required by the HRM Charter, as well as any new or enhanced services as directed by Regional Council through the Council Focus Areas.

On December 14, 2010, Regional Council reviewed the Budget Plan for the 2011-12 year and requested staff to complete the preparation of a budget based on an increase in transit area rates to include the additional cost of providing an expanded transit service, and to provide for no increase in the general tax rate. Spending increases were to be limited to the range between CPI and MPI. Any remaining „gap“ would be closed through savings.

Some key highlights of the operating budget, as proposed, are:

- The gross amount of the operating budget is \$758.7 million, a net increase of \$32.1 million or 4.3% over the 2010-11 budget.
- Increased demand due to growth in Transit, increased costs to contracts for service, additional contributions to Solid Waste reserves, and additional compensation costs are some of the main reasons for increases to business unit costs.

The net budget by business unit is shown in the following table:

Net Budget

Business Units	2009-10 Budget	2010-11 Budget	2010 - 2011 Actuals	2011-12 Budget	Change	% Change
Business Planning & Information Management	18,859,782	19,280,358	18,234,012	19,123,458	(156,900)	-0.8%
Community Development	19,958,426	20,503,341	18,538,605	20,652,756	149,415	0.7%
Finance	3,604,030	2,029,236	1,941,415	4,976,258	2,947,022	145.2%
Fire & Emergency Services	54,247,800	55,550,216	55,443,495	58,191,091	2,640,875	4.8%
Fiscal Services	(323,190,288)	(325,631,395)	(339,714,475)	(353,489,842)	(27,858,447)	8.6%
Halifax Regional Library	15,148,000	15,541,750	15,519,267	17,535,154	1,993,404	12.8%
Halifax Regional Municipality Police Services	66,381,740	69,168,989	68,884,278	75,015,400	5,846,411	8.5%
Human Resources	4,772,160	4,980,629	4,882,164	5,021,770	41,141	0.8%
Infrastructure & Asset Management	8,116,000	8,283,127	8,104,499	8,262,939	(20,188)	-0.2%
Legal Services & Risk Management	2,194,390	2,228,105	2,238,804	2,425,595	197,490	8.9%
Office of the Auditor General	615,100	659,494	538,726	793,300	133,806	20.3%
Office of the Chief Administrator	9,910,990	10,391,427	10,378,591	10,804,308	412,881	4.0%
RCMP	20,353,100	20,621,300	20,623,155	21,714,200	1,092,900	5.3%
Transportation & Public Works	99,028,770	96,393,423	110,273,670	108,973,613	12,580,190	13.1%
Less Area Rates						
C100 - Area Rate Services			1,434,854			
B060 - Library restricted funds			(39,023)			
A341 - Outside Agencies			6,165			
Accrual adjustment			178,298			
Total General Rate			(2,533,500)			

2011 Project Budget

Most funding for the project budget is provided through reserves, debt financing and direct transfers from the operating budget (Capital from Operating or “pay-as-you-go”). Since all of these funding sources require payments from the operating budget, the processes for operating, reserve and capital budgets are closely linked. The Debt Servicing Plan, HRM’s financial planning modelling system, and cash flow projections from reserves, are all used to determine the total funding capacity available for the capital budget. Contributions to reserves, principal and interest payments, and Capital from Operating are included in the operating budget. Non-Tangible Asset Projects are funded directly from the Operating Budget.

- The gross amount of the project budget is \$144.8 million
- The net amount of the project budget is \$99.7 million net of reserve withdrawals of \$34.9 million, cost sharing of \$6.3 million, \$3.1 million of projects secured with local improvement charges and area rates and \$728,000 in capital cost contribution charges.
- The net project budget will be funded by \$40.4 million of capital from operating, \$3.7 from the Crespool, \$1.2 million from Capital Surplus Reserve, \$24 million from Gas Tax, and borrowing of \$30.4 million or 21% of the gross project budget.

Year	2011									
Asset Class Summary	Total Gross Budget	Cost Sharing	Reserves	LIC/Area Rate	CCC	Total Funding	Borrowing and Other Transfers	Impact on Operating Budget- Ongoing	Impact on Operating Budget- This year only	
Buildings	32,521,000	925,000	5,255,000	500,000	-	6,680,000	25,841,000	1,026,750	581,000	
Business Tools	3,187,000	-	2,460,000	-	-	2,460,000	727,000	95,000	50,000	
Community & Property Development	4,405,000	-	-	-	-	-	4,405,000	80,000	-	
District Activity Funds	1,495,000	-	-	-	-	-	1,495,000	-	-	
Equipment & Fleet	9,935,000	-	630,000	-	-	630,000	9,305,000	-	-	
Industrial Parks	5,400,000	339,000	1,354,000	-	-	1,693,000	3,707,000	-	-	
Metro Transit	19,189,000	450,000	1,700,000	-	-	2,150,000	17,039,000	2,281,893	43,600	
Parks and Playgrounds	7,044,000	1,344,000	500,000	-	-	1,844,000	5,200,000	297,000	-	
Roads & Streets	22,835,000	3,250,000	-	2,117,000	-	5,367,500	17,460,000	-	-	
Sidewalks, Curbs & Gutters	3,495,500	-	-	532,500	-	532,500	2,963,000	20,000	-	
Solid Waste	22,137,000	-	22,137,000	-	-	22,137,000	-	25,000	25,000	
Traffic Improvements	13,138,000	35,000	830,000	-	728,000	1,593,000	11,545,000	76,000	-	
Grand Total	144,781,500	6,343,000	34,866,000	3,149,500	728,000	45,087,000	99,687,000	3,901,643	699,600	

Capital from Operating	40,354,000
Capital Surplus Reserve	1,282,000
Crespool	3,690,000
Debt	30,361,000
Gas Tax	24,000,000
Total Funding	99,687,000

As is the practice begun in 2008-09, Council will approve not only the project budget for the coming year (2011-2012), but also, *in principle*, the detailed project budget plans for the following years. This year, the project budget incorporates a 5 year capital plan with detailed project plans for 2012-13, 2013-14, 2014-15 and 2015-16.

In 2011-12, project spending will see a decrease of \$12.5 million over the 2010-11 budget.

The Long Term Project Plan

	2011	2012	2013	2014	2015
Buildings	25,841,000	20,650,000	20,700,000	19,825,000	20,550,000
Business Tools	727,000	2,000,000	2,000,000	2,000,000	2,000,000
Community & Property Development	4,405,000	4,582,000	4,933,000	5,527,000	5,290,000
District Activity Funds	1,495,000	1,495,000	1,495,000	1,495,000	1,495,000
Equipment & Fleet	9,305,000	12,035,000	9,506,000	8,950,000	9,250,000
Industrial Parks	3,707,000	-	-	-	-
Metro Transit	17,039,000	22,799,000	22,890,000	23,357,000	23,610,000
Parks and Playgrounds	5,200,000	5,900,000	6,000,000	6,000,000	5,950,000
Roads & Streets	17,460,000	19,575,000	19,975,000	21,983,000	22,661,000
Sidewalks, Curbs & Gutters	2,963,000	3,250,000	3,500,000	3,750,000	3,750,000
Solid Waste	-	-	-	-	-
Traffic Improvements	11,545,000	11,245,000	11,306,000	11,690,000	12,727,000
Grand Total	99,687,000	103,531,000	102,305,000	104,577,000	107,283,000
Borrowing and Other Transfers					
Capital from Operating	40,354,000	42,731,000	42,702,000	45,274,000	47,980,000
Capital Surplus	1,282,000				
Crespool	3,690,000	300,000	300,000	300,000	300,000
Debt	30,361,000	35,697,000	34,500,000	34,200,000	34,200,000
Gas Tax	24,000,000	24,803,000	24,803,000	24,803,000	24,803,000
Total Funding	99,687,000	103,531,000	102,305,000	104,577,000	107,283,000

The main changes in HRM's five (5) year Capital Plan relate to the expiry of infrastructure funding and the financing of projects approved in 2009/10 under various Federal and Provincial funding plans. HRM received Economic Stimulus Funding and Build Canada (Major Infrastructure Funding) in 2009/10, 2010/11 and again in 2011/12.

Reserve Budget

Reserves are used in planning for HRM's future needs. A reserve budget is created and this funding is incorporated into the financial plan as an integral part of the Operating and Project budgets. Many reserves are funded through HRM's general tax rate. Others are funded from independent revenue sources (e.g. Gas Tax Reserve, Burnside Industrial Park Reserve, etc).

- Reserve balances are projected to increase from \$28.9 million to \$55.3 million.
- Equipment and operating reserves will increase by \$657,000.
- Capital Reserves show an increase of \$26 million. This increase is primarily due to a contribution of \$12.5 million to the Waste Resources Reserve to plan for future expenditures. Within capital reserves there is a \$24 million contribution and corresponding expense related to Gas Tax projects.

Key Assumptions

Economics and Demographics

- The Consumer Price Index (CPI) is currently estimated for the year at 2.9%. The CPI does not, however, include the goods and services typically purchased by municipalities. Inflation for HRM Municipal Price Index (MPI), based on its typical purchases, is estimated to rise by 4.0% (Conference Board of Canada, 2011).
- HRM has budgeted for fuel prices of \$95 per barrel of oil.
- The number of dwelling units will increase by 1.3% while population will increase by 0.9%.

Revenue

- The budget does not increase HRM's overall residential general property tax rates or transit area rates.
- Commercial tax rates have been adjusted for the phase-out of the Business Occupancy Tax.
- The deed transfer tax rate will not change.

Expenditures

- The 2011-12 operating budget assumes there will be no surplus or deficit in 2010-11.
- Debt charges for HRM are \$36.6 million principal and \$10.7 million interest and other charges for a total cost of \$47.3 million. This represents 6.6% of gross operating expenditures. Debt charges are found in both Fiscal Services and operating business units.
- For 2011-12, HRM has estimated it will pay \$ 6.66 million for its share of the cost of operating the provincial property assessment system.
- Collective agreements re-openers will be negotiated with several unions in 2011-12. Funds have been set aside to allow for these negotiations.

Significant Budgetary Issues and Challenges

Infrastructure

HRM's infrastructure and major capital assets support the delivery of municipal services, our future prosperity, economic development, competitiveness, public safety, and overall quality of life. The long term sustainability of the existing infrastructure and corporate assets directly impacts the ability to provide quality service to the community. Since amalgamation in 1996, the community has grown and demand for sustainable, efficient and effective service delivery has increased. In addition to these demands on existing resources, new infrastructure, assets, and service capacity improvements are proposed to support community-based initiatives such as: the Regional Plan, Community Visions, the Cultural Plan, HRM by Design, the Active Transportation Plan, Sustainability Initiatives, HRM's Economic Strategy, and the Community Facility Master Plan.

Despite the fact that additional resources have been consistently applied to HRM's project budget in recent years, the demand for service and cost of that service has grown at a pace that exceeds HRM's funding capability. The gap is steadily growing between the demand for service and the ability to fund both maintenance of deteriorating infrastructure and acquisition and construction of new infrastructure. This "Infrastructure Gap" continues to represent a significant challenge to HRM for the foreseeable future.

The creation of the Infrastructure Council Focus Area provided staff with clear direction to address the "Infrastructure Gap". In response to this direction, the Infrastructure and Asset Management (IAM) business unit was created in October of 2007 solely dedicated to managing this important issue. By working closely with Council, internal HRM business units, and all HRM's external business partners, IAM's role is the development of prudent project business plans and project budgets. As well, IAM helps create sound policy and long range plans focussed on the financial and environmental sustainability of the infrastructure and assets that support the delivery of services to the residents of HRM

On February 19, 2008, HRM Council gave direction that in 2008/09 a higher percentage of HRM's project budget be focused on reinvestment in our infrastructure and assets, and that some alternatives be developed to enable increased investment in infrastructure. This is consistent with Economic Strategy Strategic objectives to see a higher level of municipal investment in public infrastructure.

HRM is now required to be able to report on all of the assets owned by the municipality, their condition, their expected remaining useful life, and their estimated value as part of new financial accounting requirements for Nova Scotia municipalities. HRM's Asset Management Project is well underway, and will provide information to refine and improve HRM's infrastructure planning and project budgeting.

Addressing these competing infrastructure related demands is a matter of prudent choices, effective timing and taking strategic advantage of leveraging opportunities when they arise. This budget exercises prudent financial management by taking the initial steps in a multi-year strategy to deal with the Infrastructure Gap while maintaining a balanced approach to meeting community needs.

Provincial Assessment Cap

In 2006, the Province of Nova Scotia enacted legislation which reduced the cap on property assessment increases from 10% (as set in 2005) to the Consumer Price Index (CPI). The cap applies only to certain homes and excludes apartment buildings, household improvements and commercial assessment. For the 2011-12 tax year, the cap has been set at the CPI rate of 2.9%. While market values of single-family homes have increased nearly 5%, on average, these increases have been capped at 2.9% or less for over 88% of homes.

Revenue Capacity

To maintain current levels of service, to rebuild and maintain a crumbling infrastructure and to plan for and fund future growth, HRM requires a predictable and appropriate revenue stream.

With a heavy dependence on property tax revenue, and limited potential for additional revenue from this source, this creates some challenges.

Pressures and constraints affect both HRM's revenues and expenditures. On the expenditure side, a key factor is the rising costs of providing current levels of services. These costs typically increase much faster than the CPI inflation, as municipalities face significant construction costs, material costs and unionized labour contracts not reflected in CPI. In addition to the rising cost of maintaining existing services, there are many new initiatives that HRM would like to introduce, but cannot afford unless significant new revenues are found or substantive decisions are made to rationalize new and existing services.

On the revenue side, HRM depends on taxation, grants and user charges to support its services and programs. Each of these sources has limited room for expansion. Ten years ago, HRM was facing a heavy debt burden with large debt servicing payments. With the introduction of the Multi-Year Financial Strategy in 1998, HRM has been steadily paying down this debt and limiting new debt issued. This has reduced the annual debt servicing payments required, freeing up more of HRM's revenue for other purposes.

Under Nova Scotia provincial legislation, municipalities may not budget for a deficit. Therefore, any increase in spending levels is fully dependent on either raising additional revenue or reallocating resources (funding new initiatives with the money saved by reducing or eliminating existing programs). This is something that is looked at each year within business units as they work with given levels of funding to provide the most important services in support of municipal objectives.

Finding new sources of funding, using these funds in the best possible manner, and re-allocating resources to reflect shifting priorities will require decisions to be made. HRM will be assisted in these decisions by the planning and strategies put in place over the past few years, including but not limited to, the Regional Plan, the Economic Strategy and Council Focus Areas.

Other Challenges Ahead

HRM, as an organization, is facing several challenges and changes in the coming years, which include:

- A recovering economic situation;
- The pending retirement of a significant number of senior HRM staff and difficulty in recruitment and retention of new employees; and
- Changes in technological tools needed to deliver municipal and planning for future technological needs.

SERVICE REVIEW PROCESS

In 2009, Regional Council approved a new Service Review Process; an evaluation whereby specific municipal services are selected and systematically reviewed and analyzed to determine the most appropriate way to deliver them.

Service Review is not a project but an ongoing continuous improvement process which supports HRM's efforts to create capacity, measure service efficiency and effectiveness and adjust services to meet the changing needs and priorities of the community.

Service Review involves asking ten questions:

1. Do we really need to be in this business/service?
2. What outcomes do council/the community want from this service?
3. How does current performance compare to expected performance?
4. Do the activities logically lead to the expected outcomes?
5. How is demand for the service being managed?
6. What are the full costs and benefits of the service?
7. How can benefits and outputs of the service be increased?
8. How can the number and cost of inputs be decreased?
9. What are the alternative ways of delivering the service?
10. How can a service change be best managed, implemented and communicated?

Answering these questions requires extensive analysis and consultation with stakeholders, including staff and Council, to ensure that the choices made are informed by the goals and values that are important to the organization and the community.

Each year a number of program areas are selected for review. Reports on potential for efficiencies and improvements are reflected in budget allocations for future years.

Disaster Financial Assistance

On September 28, 2003, Hurricane Juan, a category 2 storm, hit central Nova Scotia passing directly over Halifax Regional Municipality and a state of emergency was declared. In addition to the large clean up effort and emergency response required, the Municipality suffered significant damage to its critical infrastructure. In fiscal years 2003/04 through 2006/07, a total of \$23.8 million in clean up and recovery costs were incurred. While a portion of these costs have been recovered through insurance claims, charitable donations and the overall operating budget in each of those years, there is an estimated recovery of \$17 million under the Disaster Financial Assistance Agreement (DFAA) which has been accrued in the financial statements. An advance of \$11.5 million has been received against the estimated total recoverable under the DFAA program.

The final amount recoverable under the DFAA program will not be known until all claims have been reviewed and adjudicated and any amount deemed not recoverable at that time will be a cost to the HRM operating budget. However, staff continues to work with the Province to ensure that appropriate, sufficient claim documentation is provided in support of the amounts claimed and considered eligible under the program.

Principles of Budgeting and Accounting

HRM's overall accounting policies are driven by provisions of the Province of Nova Scotia Financial Reporting and Accounting Manual (FRAM) which require that financial statements be prepared in accordance with the Canadian Institute of Chartered Accountants standards as outlined in the Handbook of Public Sector Accounting Board's (PSAB) recommendations. As part of those standards, HRM operates under a fund accounting system with an Operating fund, a Capital fund and a Reserve fund.

A budget is prepared for each of the funds and includes all HRM business units as well as the Halifax Regional Library, a separate board of Regional Council. These fund budgets, however, do not include the Halifax Regional Water Commission, a separate corporation wholly-owned by HRM and regulated under the Nova Scotia Utility and Review Board, nor certain agencies, boards and commissions (often in the recreation area) which are owned or controlled by HRM. Separate budgets are prepared by these entities.

The budget process concludes with Regional Council setting tax rates that will raise enough property tax revenue to cover the operating expenditures net of non tax revenues. As per the Municipal Government Act (MGA), HRM cannot budget for an operating deficit. Any prior year surplus or deficit, however, is carried forward into the current year's operating budget.

The project budget is funded through a variety of sources, including reserve funds, operating funds, grants and debt. As part of the project budget, estimates are developed and approved for individual projects. Under the MGA, only a one-year project budget may be approved by Council, however a 5-year project plan is presented to Council for approval, in principle only, of years 2 through 5. Nova Scotia municipalities are required to do any capital borrowing through the Nova Scotia Municipal Finance Corporation.

FRAM was prescribed as a regulation under the MGA on June 21, 2006 and replaced the previous Municipal Accounting and Reporting Manual (MARM). Under MARM, budgeting followed the same basis as year-end financial statement reporting. The adoption of FRAM with PSAB as the basis for accounting resulted in changes in certain amounts required to be recorded in the financial statements. Specifically, it required that NS municipalities recognize certain costs in the financial statements earlier than under the MARM basis. As a result, in the year of transition, there were significant expenditures related to these items.

To allow municipalities to incorporate these changes over a reasonable period of time, transitional provisions were included in FRAM for additional landfill closure and post closure accruals and employee benefit accruals. This allows a municipality to fund these costs at no less than 20% annually over a period that does not extend beyond March 31, 2012. Since, for financial statement purposes, the expenditures are to be fully accrued, this results in a difference between estimates for the tax rate calculation and the year-end audited financial statement results. The differences are recorded in the year end financial statements as amounts to be recovered from future revenues.

In addition, under MARM, interest on long term debt was recorded on a cash basis in the financial statements and budget. PSAB requires that interest costs be accrued and although FRAM recommends that municipality's budget for interest on an accrual basis, municipalities have the option of budgeting for interest on either a cash or accrual basis. HRM continues to budget for interest on long term debt on the cash basis and the difference between the amount of accrued interest recorded in the financial statements and the cash-based interest included in the budget is recorded as an amount to be recovered from future revenues in the financial statements.

As at March 31, 2009, HRM's financial statements, prepared in accordance with PSAB, included \$9.0 million in amounts to be recovered from future revenues.

For fiscal year ending March 31, 2010, HRM implemented PSAB sections 1200 Financial Statement Presentation and 3150 Tangible Capital Assets. Section 1200 establishes general reporting principles and standards for the disclosure of information in government financial statements. Section 3150 requires governments to record and amortize their tangible capital asset in their financial statements. In prior years, tangible capital asset additions were expensed in the year of acquisition or construction.

In conjunction with the implementation of Section 3150, HRM has introduced a Tangible Capital Asset Policy whereby only assets meeting the tangible asset criteria in the policy will be budgeted as capital. As a result, certain projects are being transferred from the capital to the operating budget. These include grants/donations to various organizations for capital improvements to their assets, infrastructure project costs associated with Provincial or Halifax Water capital assets, general study costs, business park lot inventory costs and expenditures which would be more of a maintenance cost as opposed to a tangible capital asset cost. These projects and the applicable funding will be transferred, therefore, no net impact on HRM's overall budget.

The budget is prepared on a non-consolidated basis since its purpose is primarily to support the setting of annual tax rates. The year-end financial statements are prepared on a consolidated basis. Throughout the fiscal year, HRM provides non-consolidated quarterly reports of actual year-to-date results to Regional Council, prepared on the same basis as the budget.

The Annual Business Planning & Budgeting Process

Every year, Halifax Regional Council reviews and establishes its strategic priorities through the "Council Focus Area" process. Council debates their priority issues and, as a result, produce the refined Focus Areas. These provide guidance for staff in establishing business plans and budgets for the upcoming fiscal period. These Council Focus Areas represent the priorities of the community as determined by Council, and staff ensures that all municipal services align with these priorities to the extent of available resources.

The Executive Management Team (EMT), led by the CAO, then establishes its corporate priorities, which speak to organizational issues such as succession planning, information technology and performance measurement. These “EMT Priorities” ensure the organization can support the Council Focus Areas.

As a result of this set of priorities (Community and Corporate), staff work between November and March every year to compile staffing counts, business cases and business plans in order to ensure that the work of the Municipality is in alignment with the strategic priorities.

In order to prepare long-term financial plans, a computer model was developed to forecast the long term financial results and position of HRM. The model estimates future revenues and expenditures by setting a series of economic and demographic assumptions and incorporating these assumptions regarding tax rates, inflation, GDP, etc., into the forecast. By understanding where HRM is headed in terms of future revenues and expenditures, strategies can be developed for responding to the demands for programs and services. In terms of the annual Business Planning and Budgeting Process, the model provides Business Units with budget envelopes within which they develop business plans and budgets for the fiscal year. Each year, the assumptions of the draft envelopes are reviewed by EMT.

Once Council determines the level of service and related expenditures, the current assessment roll is applied to produce the annual tax rates. Council balances the services and tax rates when making these decisions.

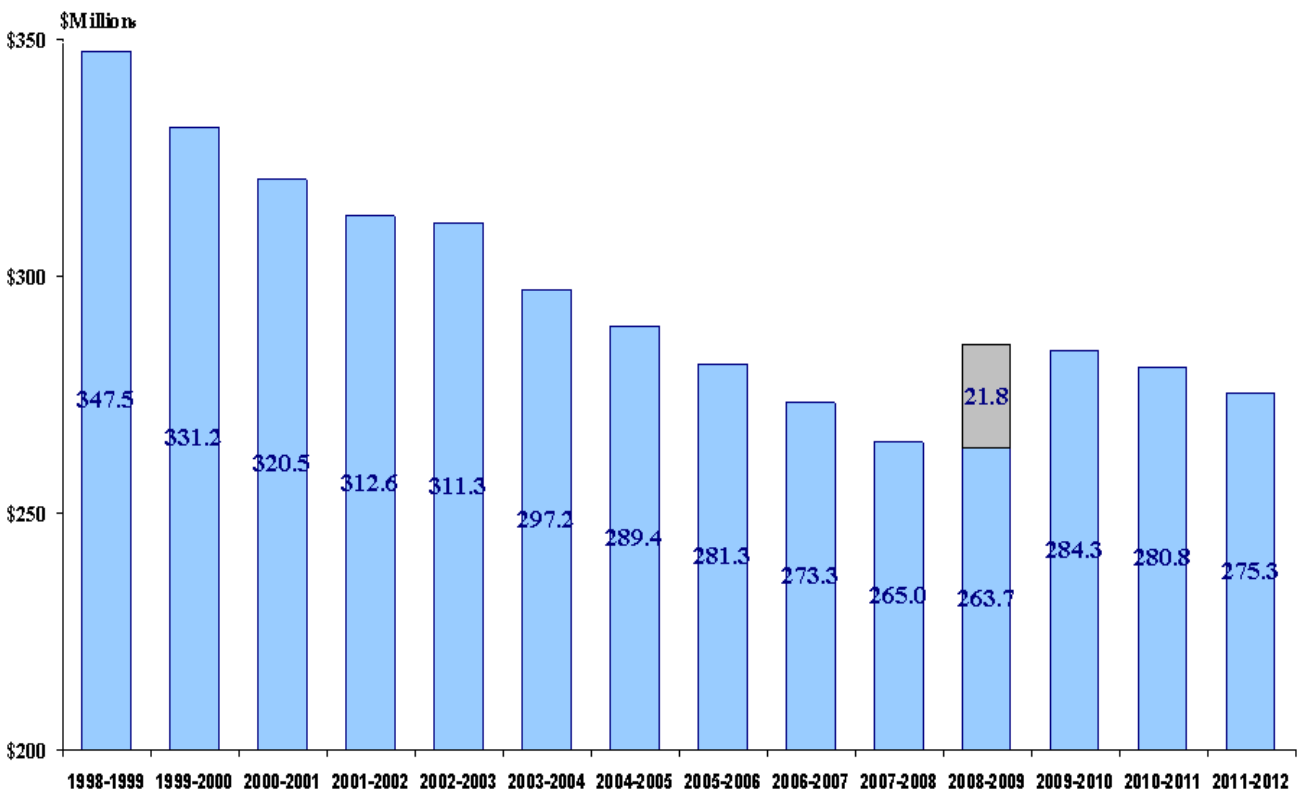
A Multi-Year Financial Strategy (MYFS)

The Multi-Year Financial Strategy (MYFS)

HRM's business planning and budgeting system has its origins in Council's Multi-Year Financial Strategy, approved in 1999. An important component of that policy is the debt strategy. The goal of the original Capital Debt Policy was to reduce overall capital debt, provide predictability around debt available for the project budget each year and to provide improved structure around the project budget and related assumptions.

In 2009, the Debt Servicing Plan was reviewed and revisions were approved by Council. Based on that review, the objective is to grow the Project Budget while reducing reliance on debt, and, increasing capital from operating. The goal is to eventually have all ongoing "Base" Projects (ie: recapitalization) funded through Capital from Operating or Reserves and to use debt only for new "Capability" projects. To achieve this, targets for debt and capital from operating have been set based on a "per dwelling unit" amount. Tax supported debt per dwelling will be reduced by 3% each year. To support the project budget, Capital from Operating per dwelling will grow by 3% each year over the consumer price index (inflation). The combination of these two factors will allow the project budget to grow but the proportion of that budget being funded by debt to fall.

HRM Debt outstanding at March 31 of each year is estimated as follows:



HRM Tax Structure

Approved Tax Structure Model

<i>Service</i>	Rural (Base) General Tax Rate	Suburban General Tax Rate	Urban General Tax Rate
Policing, Solid Waste, Recreation Programs, Planning, Libraries, Sports fields, Playgrounds, Administration	Included in the Base General Tax Rate		
Fire Suppression			
Street lighting			
Recreational and Community Facilities (Capital Costs - Cost Sharing)			
Recreational and Community Facilities (Operating Costs)	Area Rate	Included in the Urban and Suburban General Tax Rates	
Crosswalk Guards	Area Rate		
Sidewalks	Area Rate	Area Rate	Included in the Urban General Tax Rate
Transit	Area Rate	Area Rate	Area Rate
Fire Hydrants	Area Rate	Area Rate	Area Rate

The HRM tax structure includes a Base or General Tax Rate (for rural taxpayers); a Suburban General Tax Rate; and an Urban General Tax Rate. That structure was revised by Council in 2003. Its guiding principles are to ensure that:

- each taxpayer pays for services received;
- each taxpayer shares in paying for services they have access to;
- each taxpayer pays for basic universal services to ensure a basic standard of service throughout HRM; and,
- the commercial tax base exists for the benefit of all HRM.

The Base Rate includes most of the basic services available across HRM, including fire, policing, compost, recycling and solid waste collection, recreation programming, planning, libraries, streetlights, sports fields and playgrounds. Also included are internal and fiscal costs. Municipal Water service is paid for through the water bill, not the property tax system. Sewer service is paid by a charge on the water bill and is only levied on sewer users.

Not included in the Base Tax Rate are several services, such as crosswalk guards and sidewalk maintenance. Both are included in the urban rate, and crosswalk guards are included in the suburban rate. They are "add-ons" to the suburban and rural areas of HRM, where provided. These property owners do not pay for such services unless they have access to them in their local area. In those instances, the costs are paid through a local area rate based on local costs. This system prevents Suburban and Rural taxpayers from paying for services they do not receive while allowing these areas the flexibility to acquire or manage services locally.

HRM has changed the way it collects the existing transit taxes. Starting in 2009, existing transit taxes, that had been contained within the general rates, will be arranged as two separate tax rates. A Regional Transportation rate (5.1 cents per \$100 of assessment) will cover services such as the MetroLink, MetroX and Ferries. The cost for these regional services will be shared by almost all taxpayers. Secondly, local transit routes (such as routes 1 through 89 and community transit) will be paid by those who live within a one-km walk of a transit stop. This Local Transit area rate will be 10.5 cents per \$100 of residential assessment.

The inclusion of a service in the Base Tax Rate does not mean every community has equal access to individual services. There is no intention in the Council approved structure to provide the same level of service in every area of HRM. Rather, service levels depend on the service standards set by Council as part of the annual budget process.

Assessments and Taxation

Assessments

HRM receives an updated property assessment roll in late December of each year.

Property assessments in Nova Scotia reflect market values. In 2005 the Province instituted a cap on increases in the value of residential assessment. In 2007-08 the cap was set at 10%. The cap has since been set at the Consumer Price Index. For 2011-12, the assessment cap rate is 2.9%. The cap rate is set by the Province of Nova Scotia in accordance with the provincial Assessment Act.

In the 2011 assessment base, residential assessments within HRM have increased from \$25.9 billion to \$27.6 billion. The total increase was almost \$1.8 billion or 6.8%. The average single-family home in HRM increased in value from \$182,100 to \$191,100 or 4.9%. Most of the remaining increase was due to the addition of new properties.

Overall, property tax assessments are up from \$31.6 billion to \$33.8 billion. This is an increase of more than \$2.1 billion or 6.7%.

Residential Assessment: up \$1.8 Billion or 6.8%
Commercial Assessment: up \$363 million or 6.7%
Residential General Tax: up \$12.4 million or 6.9%
Commercial General Tax: up \$11.8 million or 6.8%
Property Tax Revenues: up \$24.1 million or 6.7%
Deed Transfer Taxes: up \$2.4 million or 8.0%

Property Tax Assessments

	2010-11		2011-12	
	Taxable Value	Taxable Value	Growth	% Growth
Residential	25,868,591,900	27,633,987,900	1,765,396,000	6.8%
Resource	188,639,300	200,729,700	12,090,400	6.4%
Sub-Total	26,057,231,200	27,834,717,600	1,777,486,400	6.8%
Commercial	5,434,369,900	5,797,535,300	363,165,400	6.7%
Business Occupancy	156,206,200	149,379,396	-6,826,804	(4.4)%
Sub-Total	5,590,576,100	5,946,914,696	356,338,596	6.4%
TOTAL	31,647,807,300	33,781,632,296	2,133,824,996	6.7%

Taxation

Rates for 2011-12 are as follows:

Residential & Resource Property Tax Rates				
per \$100 of Assessed Value				
	2010-11	2011-12	\$ Change	% Change
General Rates				
Urban	0.7088	0.7088	0.000	0.0%
Suburban	0.6918	0.6918	0.000	0.0%
Rural	0.6850	0.6850	0.000	0.0%
Mandatory Provincial Rates				
Education	0.3060	0.2950	(0.011)	(3.6)%
Property Valuation Services	0.0230	0.0220	(0.001)	(4.3)%
Correction Services	0.0220	0.0160	(0.006)	(27.3)%
Metro Regional Housing Authority	0.0030	0.0070	0.004	133.3%
Transit Area Rates				
Regional Transportation	0.0510	0.0510	0.000	0.0%
Local Transit	0.1050	0.1050	0.000	0.0%
Supplementary Education (1)	0.045	0.041	(0.004)	(8.9)%
Fire Protection	0.0260	0.0230	(0.003)	(11.5)%

(1) Commencing in 2010-11, there is only one residential Supplementary Education rate for all of HRM.

**Commercial & Business Occupancy Property Tax Rates
per \$100 of Assessed Value**

	2010-11	2011-12	\$ Change	% Change
General Rates				
Urban	3.257	3.274	0.017	0.5%
Suburban	3.257	3.274	0.017	0.5%
Rural	2.899	2.928	0.029	1.0%
Mandatory Provincial Rates				
Education	0.333	0.296	(0.037)	(11.1)%
Property Valuation Services	0.013	0.012	(0.001)	(7.7)%
Correction Services	0.010	0.007	(0.003)	(30.0)%
Metro Regional Housing Authority	0.004	0.007	0.003	75.0%
Supplementary Education (1)	0.133	0.122	(0.011)	(8.3)%
Fire Protection	0.075	0.069	(0.006)	(8.0)%

(1) Commencing in 2010-11, there is only one commercial Supplementary Education rate for all of HRM.

Based on the new general tax rates, tax revenue for 2011-12 is projected to be as shown below:

**Municipal General Property Tax Revenues
(After Assessment Appeals)**

	<u>2010-11</u>	<u>2011-12</u>	Change	% Change
Residential Property Tax	181,573,000	194,017,000	12,444,000	6.9%
Resource Property Tax	1,288,000	1,371,000	83,000	6.4%
Commercial Property Tax	174,489,000	186,278,000	11,789,000	6.8%
Business Occupancy Tax	4,956,000	4,759,000	(197,000)	(4.0)%
Total	<u>362,306,000</u>	<u>386,425,000</u>	<u>24,119,000</u>	<u>6.7%</u>

Based on the proposed tax rates, net property tax revenues are expected to increase from \$362.3 million to \$386.4 million. This is an increase of \$24.1 million or 6.7%.

Commercial Assessments

Commercial and Business Occupancy taxation is important to HRM from two perspectives. First, it provides a significant source of property tax revenues. Historically, commercial properties pay tax at a much higher tax rate than residential properties. While this provides a significant portion of HRM property tax revenues, it also means that HRM is vulnerable to an economic downturn in the commercial sector. Secondly, commercial taxation and the services received by the commercial sector can have an important impact on the competitiveness of HRM's economy.

Currently, Nova Scotia has two types of commercial assessments. Commercial assessment is levied on real property. However, due to the phase out of Business Occupancy Tax, most businesses no longer pay business occupancy taxes. Only 230 business occupancy (financial and insurance class) accounts remain. These accounts will be phased out for the 2013-14 fiscal year.

While taxable commercial assessment has risen by 6.7% in 2011, the Business Occupancy assessment has declined slightly. Overall, BOT and commercial assessments increased by more than \$350 million in 2011.

The lost revenues due to the phase out of the Business Occupancy assessment are being recaptured through an increase in the commercial tax rate.

Accounting for Staff within HRM

The FTE (full-time equivalent) count is used for budget purposes to quantify the number of positions approved by the Executive Management Team and Council. The FTE count records only permanent positions (both full-time and part-time).

One FTE is equal to one annual work year as defined by the applicable collective agreements. This includes:

Corporate FTE Overview

The FTE (full-time equivalent) count is used for budget purposes to quantify the number of positions approved by the Executive Management Team and Council. The FTE count includes permanent full-time & part-time positions. This is distinct from headcount, which represents the number of employees in those positions. For example, two half-time positions would equal one FTE.

FTE Count: One FTE is equal to one annual work year as defined by the applicable collective agreements. This includes:

ATU	2080 hrs per year
CUPE	2088 hrs per year
IAFF	2184 hrs per year
MAPP	2088 hrs per year
Non Union	1827 hrs per year
NSUPE	1827 hrs per year

Corporate Summary of FTEs:

Business Units	As of March 31, 2010	As of March 31, 2011
Business Planning & Information Management	166	163
Chief Administrative Office	62	63
Community Development	242	242.5
Financial Services	203.5	198.5
Fire & Emergency Services	494	494
Human Resources	48	50
Infrastructure & Asset Management	109	104
Legal Services	25	26
Halifax Regional Library	277.9	290.75
Halifax Regional Police	750.5	747.5
RCMP	178	178
Transportation & Public Works - Operations	537	551
Transportation & Public Works - Metro Transit	747	797
Total:	3839.9	3905.25

* Does not include new positions required by completion of Projects – see Project Budget OCC reports

It should be noted that temporary and seasonal positions are not included in the above FTE count.

Summary Financial Information for Halifax Regional Municipality

Net Budget

Business Units	2009-10 Budget	2010-11 Budget	2010 - 2011 Actuals	2011-12 Budget	Change	% Change
Business Planning & Information Management	18,859,782	19,280,358	18,234,012	19,123,458	(156,900)	-0.8%
Community Development	19,958,426	20,503,341	18,538,605	20,652,756	149,415	0.7%
Finance	3,604,030	2,029,236	1,941,415	4,976,258	2,947,022	145.2%
Fire & Emergency Services	54,247,800	55,550,216	55,443,495	58,191,091	2,640,875	4.8%
Fiscal Services	(323,190,288)	(325,631,395)	(339,714,475)	(353,489,842)	(27,858,447)	8.6%
Halifax Regional Library	15,148,000	15,541,750	15,519,267	17,535,154	1,993,404	12.8%
Halifax Regional Municipality Police Services	66,381,740	69,168,989	68,884,278	75,015,400	5,846,411	8.5%
Human Resources	4,772,160	4,980,629	4,882,164	5,021,770	41,141	0.8%
Infrastructure & Asset Management	8,116,000	8,283,127	8,104,499	8,262,939	(20,188)	-0.2%
Legal Services & Risk Management	2,194,390	2,228,105	2,238,804	2,425,595	197,490	8.9%
Office of the Auditor General	615,100	659,494	538,726	793,300	133,806	20.3%
Office of the Chief Administrator	9,910,990	10,391,427	10,378,591	10,804,308	412,881	4.0%
RCMP	20,353,100	20,621,300	20,623,155	21,714,200	1,092,900	5.3%
Transportation & Public Works	99,028,770	96,393,423	110,273,670	108,973,613	12,580,190	13.1%
Less Area Rates						
C100 - Area Rate Services			1,434,854			
B060 - Library restricted funds			(39,023)			
A341 - Outside Agencies			6,165			
Accrual adjustment			178,298			
Total General Rate			(2,533,500)			

Gross Expenditure Budget

Business Units	2009-10 Budget	2010-11 Budget	2010 - 11 Actuals	2011-12 Budget	Change	% Change
Expense						
Business Planning & Information Management	19,203,482	19,757,658	18,852,624	19,540,758	-216,900	-1.1%
Community Development	35,994,343	37,040,918	39,571,646	38,323,847	1,282,929	1.9%
Finance	11,957,130	12,860,619	12,959,812	13,927,058	1,066,439	8.3%
Fire & Emergency Services	54,792,300	56,203,716	55,878,604	58,844,591	2,640,875	4.7%
Fiscal Services	255,565,551	264,092,123	270,719,181	269,616,942	5,524,819	2.1%
Halifax Regional Library	19,673,900	20,852,551	21,048,803	22,845,955	1,993,404	9.6%
Halifax Regional Municipality Police Services	74,949,140	78,173,889	78,217,034	82,516,900	4,343,011	5.6%
Human Resources	4,772,160	5,060,629	4,956,956	5,101,770	41,141	0.8%
Infrastructure & Asset Management	8,186,000	8,373,927	8,272,423	8,333,325	(40,602)	-0.5%
Legal Services & Risk Management	2,338,390	2,456,105	2,487,427	2,619,695	163,590	6.7%
Office of the Auditor General	615,100	659,494	548,403	793,300	133,806	20.3%
Office of the Chief Administrator	10,198,390	10,507,827	10,559,826	10,884,908	377,081	3.6%
RCMP	20,353,100	20,621,300	20,624,300	21,714,200	1,092,900	5.3%
Transportation & Public Works	185,020,619	189,913,068	203,427,724	203,637,601	13,724,533	7.2%
Expense Total	703,619,605	726,573,824	748,124,764	758,700,850	32,127,026	4.3%
Less Area Rates						
C100 - Area Rate Services			(1,143,220)			
B060 - Library restricted funds			(206,023)			
A341 - Outside Agencies			83,500			
Accrual adjustment			178,299			
Total General Rate	703,619,605	726,573,824	747,037,320	758,700,850	32,127,026	

HRM 2011/2012
Approved Budget

Business Units	2009-10 Budget	2010-11 Budget	2010 - 11 Actuals	2011-12 Budget	Change	% Change
Revenue						
Business Planning & Information Management	(343,700)	(477,300)	(618,612)	(417,300)	(60,000)	-12.6%
Community Development	(16,035,917)	(16,537,577)	(21,033,041)	(17,671,091)	(1,133,154)	3.4%
Finance	(8,353,100)	(10,831,383)	(11,018,397)	(8,950,800)	(1,880,583)	-17.4%
Fire & Emergency Services	(544,500)	(653,500)	(435,109)	(653,500)	(0)	0.0%
Fiscal Services	(578,755,839)	(589,723,518)	(610,433,656)	(623,106,784)	(33,383,266)	5.7%
Halifax Regional Library	(4,525,900)	(5,310,801)	(5,529,536)	(5,310,801)	(0)	0.0%
Halifax Regional Municipality Police Services	(8,567,400)	(9,004,900)	(9,332,756)	(7,501,500)	(1,503,400)	-16.7%
Human Resources	(0)	(80,000)	(74,792)	(80,000)	(0)	0.0%
Infrastructure & Asset Management	(70,000)	(90,800)	(167,923)	(70,386)	(20,414)	-22.5%
Legal Services & Risk Management	(144,000)	(228,000)	(248,624)	(194,100)	(33,900)	-14.9%
Office of the Auditor General		(0)	(9,678)	(0)	(0)	
Office of the Chief Administrator	(287,400)	(116,400)	(181,235)	(80,600)	(35,800)	-30.8%
RCMP	(0)	(0)	(1,145)	0	(0)	
Transportation & Public Works	(85,991,849)	(93,519,645)	(93,154,054)	(94,663,988)	(1,144,343)	1.2%
Revenue Total	(703,619,605)	(726,573,824)	(752,238,558)	(758,700,850)	(32,127,026)	4.3%
Less Area Rates						
C100 - Area Rate Services			2,578,074			
B060 - Library restricted funds			167,000			
A341 - Outside Agencies			(77,336)			
Total General Rate	(703,619,605)	(726,573,824)	(749,570,820)	(758,700,850)	(32,127,026)	

HRM 2011/2012
Approved Budget

Summary by Revenue and Expense Types	2009-10 Budget	2010-11 Budget	2010 - 11 Actuals	2011-12 Budget	Change	% Change
Tax Revenue	(393,618,884)	(405,363,198)	(409,747,650)	(433,072,927)	(27,709,729)	6.8%
Area Rate Revenue	(167,428,414)	(170,914,490)	(171,560,383)	(174,672,692)	(3,758,202)	2.2%
Tax Agreements	(3,830,000)	(8,734,940)	(8,640,733)	(8,373,000)	361,940	-4.1%
Payments in Lieu of taxes	(29,514,900)	(28,842,098)	(30,097,400)	(31,353,000)	(2,510,902)	8.7%
Transfers from other Gov't	(10,812,700)	(11,548,494)	(11,563,562)	(11,246,750)	301,744	-2.6%
Interest Revenue	(5,715,000)	(3,632,000)	(5,883,821)	(6,150,000)	(2,518,000)	69.3%
Fee Revenues	(73,896,800)	(79,039,833)	(78,833,494)	(77,227,004)	1,812,829	-2.3%
Other Revenue	(18,718,807)	(18,414,671)	(35,911,515)	(16,605,477)	1,809,194	-9.8%
Interdepartmental Revenue	(84,100)	(84,100)			84,100	-100.0%
Total Revenues	(703,619,605)	(726,573,824)	(752,238,558)	(758,700,850)	(32,127,026)	4.4%
Compensation and Benefits	274,181,859	283,079,879	291,312,444	301,227,652	18,147,773	6.4%
Office	8,818,668	9,007,946	9,981,264	9,299,688	291,742	3.2%
External Services	76,703,407	79,567,746	84,106,481	84,128,874	4,561,128	5.7%
Supplies	3,636,780	3,577,083	3,198,131	3,639,981	62,898	1.8%
Materials	3,543,450	3,446,185	4,734,166	3,440,657	(5,528)	-0.2%
Building Costs	18,231,580	17,193,582	18,971,759	19,009,672	1,816,090	10.6%
Equipment & Communications	11,566,591	10,399,840	10,742,616	11,041,630	641,790	6.2%
Vehicle Expense	21,284,000	19,042,292	23,307,378	20,576,648	1,534,356	8.1%
Other Goods & Services	22,176,240	30,656,999	16,237,444	22,541,751	(8,115,248)	-26.5%
Interdepartmental	(390,000)	(230,387)	52,946	(11,310)	219,077	-95.1%
Debt Service	49,420,788	48,526,859	59,753,809	50,028,633	1,501,774	3.1%
Other Fiscal	214,446,242	222,305,800	225,726,326	233,776,974	11,471,174	5.2%
Total Expenditures	703,619,605	726,573,824	748,124,764	758,700,850	32,127,026	4.4%
Less Area Rates						
Area Rate Revenue			2,394,838			
Fee Revenues			1,525			
Other Revenue			271,375			
Total Revenues			2,667,738			
Compensation and Benefits			(163,299)			
Office			(1,235)			
External Services			(187,250)			
Supplies			(17,536)			
Materials			35,328			
Building Costs			(163,939)			
Equipment & Communications			(44,543)			
Vehicle Expense			2,705			
Other Goods & Services			(160)			
Interdepartmental			(306)			
Debt Service			(1,155,400)			
Other Fiscal			608,191			
Total Expenditures			(1,087,444)			
Total General Rate			(2,533,500)			