

Fiscal Services

Business Plan - 2008/09

Business Unit Overview:

Fiscal Services is not a traditional business unit. As part of normal HRM operations, there are responsibilities and obligations that are not related to any specific operational or support business unit.

Fiscal Services encompasses all non-departmental revenues and non-departmental obligations. The major components of Fiscal Services include:

- Property Tax Revenue
- Education Costs
- Hydrants
- Insurance Costs
- Transfers to Outside Agencies
- Debt Charges
- Reserve Transactions
- Valuation Allowances
- Capital and Operating Grants
- Operating Cost of Capital

Management responsibility for Fiscal Services resides in various business units with primary responsibility being held by the Office of the Chief Administrator and Finance.

Summary of 2008/09 Operating Budget

Revenues	Amount
Residential Property Taxes	(188,933,007)
Commercial, Resource & Business Occupancy Property Taxes	(170,159,000)
Area Rate for Fire Protection	(12,425,503)
Deed Transfer Taxes	(32,700,000)
Payment in Lieu of Taxes & Tax Agreements	(31,978,700)
HST offset Unconditional Grant	(3,200,000)
Interest Revenue	(12,759,955)
HRWC Water Dividend	(3,720,742)
LIC & HRWC Recoverable Debt Charges	(3,216,701)
Area Rates for Supplementary Education	(20,381,521)
Provincial Area Rates	(109,498,323)
Other Revenue	(6,803,400)
Total Revenues	(595,776,852)
Expenditures	
Debt Charges (Principal & Interest)	38,295,218
Transfer to Reserves	19,412,900
Insurance Policy/Premium	4,200,000
Supplementary Education	19,946,100
Mandatory Provincial Payments	109,059,200
Fire Protection (Hydrants)	12,425,503
Grants & Tax Concessions	4,274,900
Operating Costs of New Capital	6,472,516
Provision for Valuation Allowance	3,100,000
Contingency for Heating Fuel	1,600,000
Transfers to Agencies	996,300
Capital from Operating	30,803,000
Retirement Obligations	2,470,180
Other Expenditures	10,948,344
Total Expenditures	264,004,161
Fiscal Services Net Budget	(331,772,691)

Analysis of Budget Changes

Approved 2007/08 Base Budget	(306,895,120)
Increase in Property Tax Revenue	(29,476,609)
Decrease Debt Charges (Principal & Interest)	(4,795,683)
Increase in Payment in Lieu of Taxes & Tax Agreements	(157,600)
Increase in Deed Transfer Taxes	(1,700,000)
Decrease Transfer to Reserves	(3,059,055)
Increase in Capital from Operating	584,300
Contingency for Heating Fuel	1,600,000
Increase in Retirement Obligations	989,880
Increase in Provision for Valuation Allowance	735,000
Increase in Operating Costs of New Capital	2,908,271
Increase in Transfers to Agencies	451,600
Other Fiscal Transactions (net)	7,042,325
Proposed 2008/09 Budget	(331,772,691)

Key Obligations and Responsibilities

The following challenges and opportunities will have an impact on Fiscal Services during the 2008/09 time frame.

Obligations / Responsibilities:

Debt Repayment and Servicing

Debt charges consist of payments made on outstanding debentures (principal) and the interest costs associated with those debentures. Also included in the debt charges are other costs relating to bank charges, debenture discount and interest payments to Agencies, Boards & Commissions totaling about \$1million. Not all HRM's debt charges are included in Fiscal Services. The debt charges for Metro Transit, Solid Waste, Fire and some Area Rates are allocated to their respective departments. HRM's current debt charges of \$48.3 million represent 7.1% of gross expenditures. The breakdown for debt costs is as follows:

2008 - 09 Net HRM Debt Charges By Business Unit

	Principal	Interest	Other	Totals
Fiscal Services (Note 1,2)	26,678,500	8,131,000	1,001,900	35,811,400
Metro Transit	4,862,700	1,376,500		6,239,200
Solid Waste	4,111,200	1,149,300		5,260,500
Other (Fire & Area Rates)	747,300	219,700		967,000
Totals	36,399,700	10,876,500	1,001,900	48,278,100

Note 1: Other costs are broken-down as: Interest Payments to Agencies Boards and Commissions (ABC's) (\$318,000); Debenture Discounts (\$381,900) and, Bank Charges (\$302,000).

Note 2: Gross Fiscal debt charges are \$38,295,218 with \$2,483,818 in recoveries from LIC and HRWC netting to \$35,811,400.

Obligations / Responsibilities:

Reserve Funding

Reserves assist in planning for HRM's future needs. In general, reserve funds are intended to serve three purposes:

- a) they allow for a smoothing of expenditures that might otherwise require an extreme single year outlay;
- b) they allow for long term planning of major capital expenditures; and
- c) they assist with cash flow management and can reduce the issuance of debt, acting as "savings" for future needs.

Therefore, reserves are a means by which HRM can accumulate funds for an anticipated future requirement. The following is a list of reserves funded from the Fiscal Services' operating budget in 2008/09 fiscal year. (A complete list of all HRM Reserves is shown under the Reserves Section of this Approved 2008/09 Operating Budget Book)

Reserve Transactions:	Amount
Transfers to Reserves	
Interest on Reserve Balances	7,000,000
New Debt Servicing Reserve	3,000,000
Q123 Waste Resources Reserve	1,600,000
Q126 Strategic Growth Reserve	5,000,000
Q309 Snow and Ice Reserve	1,528,000
Q321 Information & Communications Technologies Reserve	500,000
Q133 CCC Bedford South Interchange Reserve	450,000
Q206 Fire Vehicle Equipment Reserve	300,000
Q125 Metro Park Parkade Reserve	223,800
Q313 Municipal Elections Reserve	200,000
Q316 DNA Costs (HRP and RCMP) Reserve	111,100
	19,912,900
Transfers from Reserves	
Q310 Service Improvement Reserve	(500,000)
Total	19,412,900

Analysis of Reserve Budget Changes

Changes in Funding

Decrease in Q310 Service Improvement Reserve	(192,200)
Decrease in 103 Capital Surplus Reserve	(442,400)
Decrease in Q123 Waste Resource Reserve	(4,400,000)
Decrease in Q129 Ferry Replacement Reserve	(1,300,000)
Decrease in Q130 Capital Replacement Reserve	(500,000)
Decrease in Q319 Major Events Facilities Reserve	(500,000)
Increase to Debt Servicing Reserve	3,000,000
Increase in Q316 DNA Costs Reserve	1,800
Increase in Q309 Snow and Ice Reserves	1,528,000
Decrease in Funding Transfers to Reserves	(2,804,800)

Reserve Withdrawals

Decrease withdrawal Q320 Operating Cost of New Capital Reserve	245,745
Withdrawal from Q310 Service Improvement Reserve	(500,000)
Increase in Reserve Withdrawals	(254,255)

Net Effect on Reserves

(3,059,055)

Certain other reserve transactions are included within departmental budgets. All transactions are consistent with the HRM Reserve Budget and Multi-Year Financial Strategy.

Obligations / Responsibilities:

Transfers to Outside Agencies

HRM has an obligation and responsibility to provide funding to outside agencies or collect funding on their behalf for education costs, fire protection and for other services provided by the Province of Nova Scotia. These funding arrangements are either required under the MGA, agreements signed by HRM or its predecessor municipalities with the Province of Nova Scotia.

i) Supplementary Education

Since 1996-97, the year of amalgamation, HRM has provided funding to the Halifax Regional School Board (HRSB) for the former cities of Halifax and Dartmouth. In 2000-01 Council added an area rate for use in the Bedford-County areas under the MGA. As of April 1, 2006 these funds are shared with the Conseil scolaire acadien provincial (CSAP), the province-wide Acadian school board. 2008-09 is the second year of a four-year plan to unify the area rates for Supplementary Education. As per HRM's agreement with the school boards, the total payment for 2008-09 will be \$19,946,100. An additional \$435,421 is being collected through the Supplementary Education area rates to eliminate prior-year deficits in area rate revenue.

ii) Mandatory Education and Services Provided by the Province of Nova Scotia

The funding source for the following transfers is the Provincial Area Rates and any increase in the budget amount has zero net impact to the overall HRM's budget.

Mandatory Education

Since 1996/97, the year of amalgamation, HRM has been required to provide funding to the Halifax Regional School Board (HRSB) under the Municipal Government Act (MGA). This mandatory education contribution is set at the value of the "Education Rate" times the "Uniform Assessment". The estimate for 08/09 is \$92.6 million, an increase of about \$2.1 million over the previous year's budget.

Assessment

In 2001/02 HRM was notified by the Province that it would be required to pay a share of the cost of operating the provincial assessment system. HRM pays an amount equal to the total provincial assessment costs times the average of (1) HRM's share of Uniform Assessment, and (2) HRM's share of assessment accounts. The estimate for 08/09 is \$6.1 million, an increase of \$209,400 over previous year's budget.

Correctional Services

HRM is required (as are all municipalities) to make a mandatory contribution to the Province to fund the cost of correctional services. The contribution amount is set by Provincial formula. HRM's budgeted amount of \$7.8 million for 2008/09 is based upon assumed changes in CPI and uniform assessment.

The following is a list of budgeted 2008/09 fiscal year payments mandated by the Province:

	Estimated Amount
Halifax Regional School Board - Mandatory Education	92,615,000
Assessment Services	6,113,065
Correctional Services	7,856,280
Metropolitan Regional Housing Authority	2,474,855
Total Transfers	109,059,200

World Trade Center

HRM has an agreement to fund the World Trade Centre. For the 2008/9 fiscal year, HRM has budgeted an amount of \$571,300 in order to meet its obligations. This amount has increased approximately \$27k compared to previous year's budget based upon Halifax CPI.

iii) Fire Protection Services (Hydrants)

The Nova Scotia Utilities and Review Board (NSUARB) requires HRM to make a contribution to fund the operations of the Halifax Regional Water Commission (HRWC). This contribution is used to fund the hydrant costs incurred by the Commission and is set by a formula approved by the NSUARB. The hydrant charges are recovered via a special "Fire Protection" area rate that HRM levies on all properties within 1,200 feet of a hydrant that is designed and operated for public fire protection purposes.

The amount required for 08/09 Area Rate is \$12,425,503

Obligations / Responsibilities:

Grants to Non-Profit Organizations

Included within Fiscal Services are various grants and tax concessions to registered Non-Profit Organizations. The 2008/09 budget includes the following amounts:

	Amount
Community Grants*	572,700
Residential Tax Exemptions	1,181,400
Non-Profit Tax Concessions	2,182,700
Fire Protection/Commercial Tax Concessions	133,100
Low Income Contingency	205,000
Total	<u>4,274,900</u>

* Includes Councillors' Discretionary Operating funds of \$69,000

HRM's residential tax relief programs consist of rebate and deferral programs targeted at those households with annual income of less than \$28,000 per annum.

Changes over the 2007/08 budget are: an increase of \$107,400 for the Residential Tax Exemption Program based on Councils approval to index the funding and an increase of \$190,900 in Non-Profit Tax Concessions as a result of business occupancy tax adjustments.

Obligations / Responsibilities:

Operating Costs of New Capital

Included within Fiscal Services is a net amount of \$6.4 million to provide for the operating costs associated with new capital projects proposed for 2008/09. This amount reflects an increase of \$2.8 million over the 2007/08 fiscal year. Funds for such projects are held in Fiscal until such time as the capital project is complete. At that time, they are transferred to the relevant business unit.

Obligations / Responsibilities:

Other Fiscal Transactions

Also included within Fiscal Services are a variety of other financial transactions not directly tied to program operations. For instance, provisions for payments to the capital fund to offset debt costs (Capital From Operating or "Pay as You Go") are normally included here. In 2008/09 HRM has budgeted for \$30.8 million in Capital from Operating. This is an increase of \$0.6 million from 2007/08 when it was \$30.2 million. An additional transfer of \$1.6 million of the capital from operating will be placed into a reserve for solid waste cells and equipment compared to \$6.0 million in 07/08. This amount is budgeted for in Transfers to/from Reserves in 2008/09.

HRM has also included Provisions for Uncollected Debts of \$3,100,000 in 08/09 compared to \$2,365,000 in 07/08, an increase of \$735,000. These amounts include approximately \$2.4 million in respect of Grants-in-Lieu from the Federal and Provincial Governments for which HRM may be unable to enforce collection. HRM has also budgeted \$0.4 million for outstanding assessment appeals, and \$0.3 million for non-tax receivables and related items. This provision is required by the Province of Nova Scotia's Financial Reporting and Accounting Manual (FRAM).

Fiscal Services includes a variety of other revenues and expenditures amounts which include provisions for salary and wage compensation for collective bargaining and others are:

Expenditures

Insurance Claims	4,200,000
Compensation PPP (Retirement Obligation)	2,470,180

Revenues

Unconditional Transfers (HST Offset)	(3,200,000)
Parking Meters	(2,570,000)