

Overview of Budgets

Budget Summary

Operating Budget

The development of the annual operating budget is a process that starts with 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 Municipal Government Act as well as any new or enhanced services as directed by Regional Council through the Council Focus Areas.

On February 19, 2008, Regional Council reviewed the Fiscal Framework for the 2008-09 year and provided the following direction to staff.

- Proceed with the proposed base / capability allocation for the 2008/09 capital budget of 83.6% base (projects which maintain current service levels) and 16.4% capability (capital projects which expand current service levels).
- Apply any new money raised for the capital budget for 2008/09 to capability projects.
- That Council confirm that the commercial rates be adjusted so that the residential assessment cap does not impact commercial taxpayers, because this is consistent with the way the elimination of Business Occupancy assessment is being treated (to ensure there is no impact on residential taxpayers), is also consistent with previous residential/commercial rate decisions, and is supportive of the approved economic strategy.

The operating budget was approved by Council on April 29, 2008 with adjustments for area rated services passed by Council on June 24, 2008. Some key highlights of the operating budget, as approved by Council, are:

- The gross amount of the operating budget is \$686.4 million, a net increase of \$36.8 million or 5.7% over the 2007-2008 budget.
- Collective agreements, regulatory requirements, inflation, and increased demand due to growth are some of the main reasons for increases to business unit costs.

- Fiscal Services includes significant increases in Provincial Mandatory Costs (up \$3.1 million - all costs paid through Provincial Area Rates), and employee compensation and retirement costs (up \$2.8 million).
- C In the operating budget there are gross business unit revenues of \$90.7 million, an increase of \$2.4 million over 2007-2008.

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

Operating Budget Summary by Business Unit

	2007-08 Net Budget (Restated)*	2008-09 Net Budget	Increase (Decrease)	% Change
CAO	9,369,159	9,797,900	428,741	4.6%
Environmental Management Services	137,800	0	(137,800)	-100%
Fire & Emergency Services	48,940,055	51,164,370	2,224,315	4.5%
Financial Services	3,531,967	3,585,000	53,033	1.5%
Human Resources Services	3,863,031	4,086,800	223,769	5.8%
Legal Services	2,074,730	2,234,627	159,897	7.7%
Transportation & Public Works	108,842,950	119,226,003	10,383,053	9.5%
Infrastructure & Asset Management	7,691,326	7,866,675	175,349	2.3%
Community Development	18,426,012	18,749,300	323,288	1.8%
Regional Police	58,893,908	62,907,116	4,013,208	6.8%
Outside Police BU (RCMP)	18,158,600	19,324,900	1,166,300	6.4%
Business Planning & Information Mgmt	17,514,992	18,412,200	897,208	5.1%
Library	13,592,000	14,417,800	825,800	6.1%
Totals	311,036,530	331,772,691	20,736,161	6.7%

* Restated to reflect transfer of assets to Halifax Water (HRWC): further details can be found in the section "Transfer of Assets to Halifax Water" on p. C6.

Capital Budget

Most funding for the capital budget is provided through reserves, debt financing and direct transfers from the operating budget (sometimes referred to as "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.

- The gross amount of the capital budget is \$209.0 million (\$200.3 million HRM plus \$8.7 million HRWC).
- The net amount of the capital budget is \$111.4 million (\$209.0 million, net of reserve withdrawals of \$43.2 million, cost sharing of \$40.9 million, \$5.3 million of capital projects secured with local improvement charges, \$3.7 million in capital cost contribution charges and \$4.5 million under the Canada-Nova Scotia Municipal Rural Infrastructure Program.).
- The net capital budget will be funded by \$27.4 million of capital from operating, \$800,000 from Capital Surplus Reserves; \$2.1 million from the Capital Reserve Pool (Crespool); \$12.7 million from Gas Tax; \$3.6 million as a dividend from HRWC, \$8.0 million under the Transit Funding Agreement and borrowing of \$56.7 million or 27% of the gross capital budget. This compares to borrowing of \$51.2 million or 74% of the gross capital budget in 1997-98.

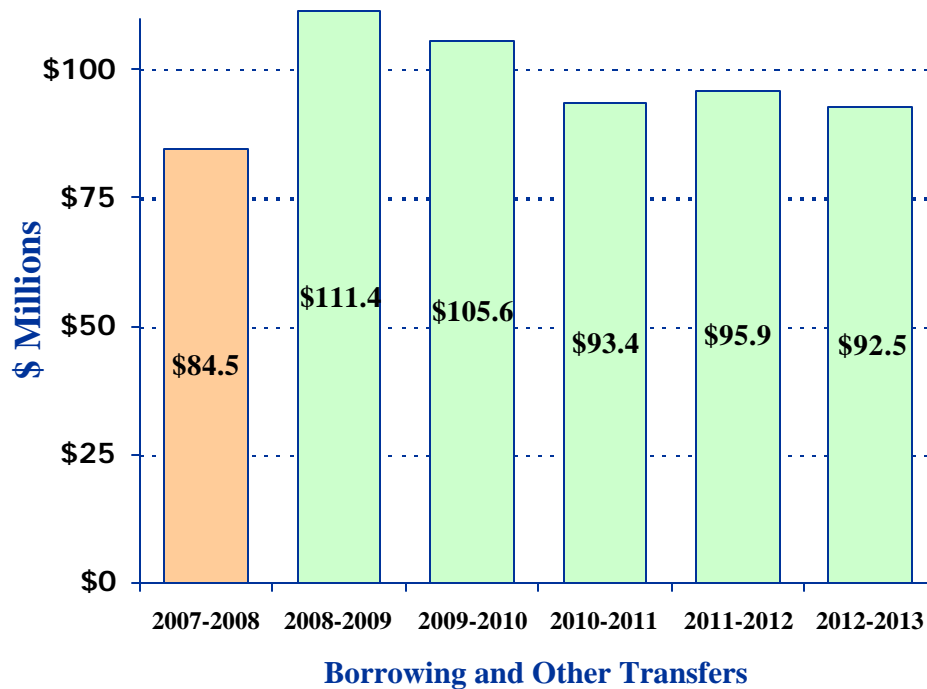
Capital Budget Summary on Municipally Funded Portion of Capital Budget

	2007-08 Net Budget	2008-09 Net Budget	Increase (Decrease)	% Change
Buildings	9,236,000	21,772,000	12,536,000	135.7%
Business Tools	1,682,000	1,032,000	(650,000)	-38.6%
Community & Property Development	995,000	2,986,000	1,991,000	200.1%
District Activity Funds	1,495,000	1,495,000	0	0.0%
Equipment & Fleet	5,899,000	6,494,000	595,000	10.1%
Metro Transit	15,314,000	20,192,000	4,878,000	31.9%
Parks & Playgrounds	5,976,000	4,610,000	(1,366,000)	-22.9%
Roads & Streets	20,358,000	25,736,000	5,378,000	26.4%
Sidewalks, Curbs & Gutters	3,494,000	4,027,000	533,000	15.3%
Solid Waste	1,694,000	7,674,000	5,980,000	353.0%
Stormwater & Wastewater	8,700,000	0	(8,700,000)	-100%
Traffic Improvements	9,668,000	6,653,000	(3,015,000)	-31.2%
HRM Total Capital Projects	84,511,000	102,671,000	18,160,000	21.5%
Transfer to Halifax Water	0	8,700,000	8,700,000	
	84,511,000	111,371,000	26,860,000	31.8%

Net of Reserve Transfers (\$43 m) and Other External Funding (\$54 m). Includes federal funding from Gas Tax and Transit Funding programs.

As was the case in 2007-08, Council approved not only the capital budget for the coming year (2008-2009), but also *in principal* the detailed capital plans for the following years. This year, the capital budget incorporates a 5 year capital plan with detailed capital plans for 2009-10, 2010-11, 2011-12 and 2012-13.

In 2008-2009 capital spending will see an increase of \$26.9 million over the 2007-2008 budget. This includes \$21.8 million in additional capital projects funded by debt. This new debt is to be serviced by a portion of the new operating capacity that exists this year because long-term obligations were paid off



last year.

The Long Term Capital Plan Projected Spending

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 capital budgets. Many reserves are funded through HRM's general tax rate. Others are funded from independent revenue sources (i.e. Environmental Control reserve, Burnside Industrial Park reserve).

- Reserve balances are projected to decrease from \$48.9 million to \$37.3 million.
- Equipment and operating reserves will decline by \$5.1 million through reserve funding for the Mainland Common facility.
- Capital Reserves show a net decrease of \$7.2 million. This is largely due to a decrease in the Waste Resources reserve of \$3.9 million (to partially fund the construction of Cell 5 - Otter Lake and other proposed capital projects) and a decrease in the Parkland reserve of \$1.2 million (to fund Regional Trails Acquisition).

Key Assumptions

Economics and Demographics

- C The Consumer Price Index (CPI) is expected to rise by 2.3%. The CPI does not, however, include the goods and services typically purchased by municipalities. Inflation for HRM, based on its typical purchases, is estimated to rise by 3.6%.
- C HRM has budgeted for fuel prices of 89.2¢ per litre for gasoline, 82.8¢ per litre for diesel, and 70.5¢ per litre for heating oil. HRM has assumed a US \$100 per barrel oil price (US\$).
- C The number of households will increase by 1.4% while population will increase by 0.7%.

Revenue

- The approved budget assumes HRM's residential general property tax rates increase approximately 3.1% from the 2007-2008 rates.
- Commercial tax rates have been adjusted for the phase-out of the Business Occupancy Tax.
- C The deed transfer tax rate will not change. Deed transfer tax revenues are projected to exceed last year's budget amount by \$1.7 million.
- C The debenture rate is estimated at 5.00% with the short term interest rate projected to average 3.55%.

Expenditures

- C The approved 2008-09 operating budget assumes there will be no surplus or deficit in 2007-08.
- C Debt charges for HRM are \$36.4 million principal and \$11.9 million interest and other charges

Key Assumptions in the Budget (2008-09)

Inflation (CPI):	2.3%
Inflation (Municipal):	3.6%
Population growth:	0.7 %
Household growth:	1.4 %
Canadian Dollar:	US\$ 0.98
HRM GDP:	\$11.9B
Oil per Barrel (US\$):	\$100.00
Diesel Fuel (per litre):	82.8¢*
Gasoline Fuel (per litre):	89.2¢*
Heating Fuel (per litre):	70.5¢*
Uniform Assessment (HRM):	\$28.4B
Uniform Assessment (NS) est.:	\$55.8B
Education Rate (per 100):	32.70¢
Debenture Rate:	5.00%
Short-Term Interest Rate:	3.55%

for a total cost of \$48.3 million. This represents 7.0% of gross operating expenditures. Debt charges are found in both Fiscal Services and operating business units.

- C Mandatory Education expenditures have been calculated based on the estimated Uniform Assessment of \$28.4 billion times an education rate of 32.7¢ per \$100 of assessment.
- For 2008-2009, HRM has estimated it will pay \$6.1 million for its share of the cost of operating the provincial property assessment system.
 - New collective agreements will be negotiated with CUPE and NSUPE in 2008-09 and funds have been set aside to allow for these negotiations.

Significant Budgetary Issues and Challenges

Transfer of Assets to Halifax Water

During fiscal 2007/08 the Halifax Regional Water Commission (HRWC) and Halifax Regional Municipality (HRM) entered into the Wastewater and Stormwater Transfer Agreement. This agreement took effect August 1, 2007 and involved the dissolution of the Environmental Management Services (EMS) business unit. Three divisions within EMS: Technical and Underground Services (TUGS), Environmental Engineering Services (EES) and Waste Water Storm Water were transferred to the HRWC including personnel, equipment, and assets. The remaining EMS divisions: Solid Waste, the Harbour Solution Project (HSP) and the Sustainable Environment Management Office (SEMO) were absorbed by Transportation and Public Works, Business Planning and Information Management and the newly created Infrastructure and Asset Management business units respectfully.

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 by 28,700 dwelling units 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 capital budget in recent years, the demand for 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" represents 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 and the upcoming fiscal year represents HRM's first full annual corporate budget and business plan that includes a business unit 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 will be the development of prudent capital business plans and capital budgets and the creation of 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.

For 2008/09, HRM Council gave direction on February 19, 2008 that a higher percentage of HRM's capital 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 objectives to see a higher level of municipal investment in public infrastructure.

Effective 2009/10 HRM will be 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 Scotian municipalities. HRM's Asset Management Project is well underway, and will provide information to refine and improve HRM's infrastructure planning and capital 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 2008 tax year the cap has been set at the CPI rate of 2.3%. While market values

of single family homes have increased by over 10% on average, these increases have been capped leading to an average taxable increase of 3.1%.

Tax Reform

In January of 2007 Regional Council established its Tax Reform Committee to review the current property tax system as one of the Council Focus Areas. A mission statement with seven principles and 29 objectives has been created for a possible new property tax system. The Committee has created a draft tax model for public feedback. Under this model there are nine services that each have a municipal tax rate. The rates are a series of flat charges per home. Rates vary for multi-unit buildings. The committee is also suggesting improvements to the municipalities low income rebate program and the phase-out of the deed transfer tax. The Committee held public consultations in the spring of 2008.

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 have 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, and has reduced the annual debt servicing payments required, freeing up more of HRM's revenue for other purposes. Controlled levels of debt continue to play a critical role in funding HRM's capital

budget.

Under Nova Scotia provincial legislation, municipalities must produce balanced budgets. 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 faces difficult choices but 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:

- hosting the 2011 Canada Winter Games;
- 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 services (i.e. implementation of the new Revenue Tool, continued optimization of HANSAN, SAP and other existing tools) and planning for future technological needs.

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. Clean up and recovery costs to date have totalled \$23.8 million: \$11.7 m in the fiscal year 2003-2004, \$10.1 m in the fiscal year 2004-2005, \$1.6 m in 2005-2006 and \$400,000 in 2006-2007.

Costs associated with the clean up are being recovered through insurance claims, charitable donations, the Federal Disaster Financial Assistance Agreement (DFAA) and the overall operating budget. Insurance recoveries of \$1.6 million have been received and estimated recoveries of \$17.4 million from charitable donations and the DFAA program have been accrued in the accounting records relative to

the \$23.8 million in costs for a net impact on the operating budgets in prior years of \$4.8 million. An advance of \$8 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 continue 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 for 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 or an operating surplus. Any prior year surplus or deficit, however, is carried forward into the current year's operating budget.

The capital budget is funded through a variety of sources, including reserve funds, operating funds, grants and debt. As part of the capital budget, estimates are developed and approved for individual projects. Under the MGA, only a one-year capital budget may be approved by Council, however a 5-year capital 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 and 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 as an expenditure in the financial statements and budget. PSAB requires that interest costs be fully accrued and although FRAM recommends that municipalities budget for interest on an accrual basis, municipalities have the option of budgeting for interest on either a cash basis or an 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, 2007, HRM's financial statements prepared in accordance with PSAB included \$8.5 million in amounts to be recovered from future revenues.

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 in November/December, 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, which 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 ensure that all municipal services align with these priorities to the extent of available resources.

The Executive Management Team, 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, detailing nearly eighty cost drivers and twenty service drivers, 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.

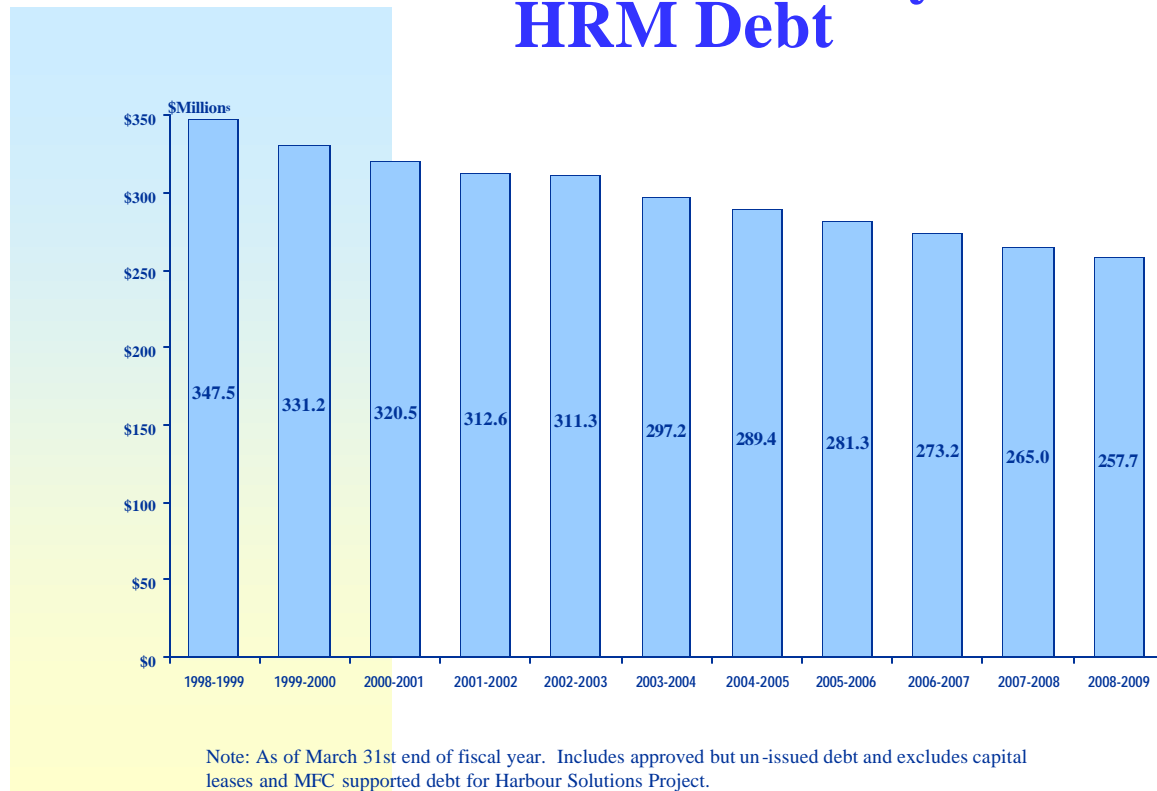
A Multi-Year Financial Strategy (MYFS)

The HRM’s business planning and budgeting process was developed based on the Multi-Year Financial Strategy (MYFS). In 1998, Regional Council approved the MYFS as a means of dealing with financial pressures driven by flat or declining revenues and growing non-discretionary costs, as well as a rapid growth in total debt.

The Debt Policy, contained within the MYFS, is a key strategy in the development of the capital budget capacity for each fiscal year. The Debt Servicing Plan restricts the issuance of new debt to 80% of the debt retired in the same year. As such, as debt declines, so eventually will the required annual debt servicing payments. Capital budget capacity is critical to the maintenance of our infrastructure. Therefore, as the principal and interest payments required to support our debt decline, this amount can become available to capital through "pay as you go" or Capital from Operating.

The goal under the Debt Servicing Plan was to reduce debt by 13.2% from \$347.5 million in 1999-2000 to \$301.8 million by the end of 2003-04. This goal was exceeded in 2003-04 and debt continues to decline. Debt at the end of 2007-2008 is estimated to be \$265.0 million. By the end of 2008-09 it will be further reduced to an estimated \$257.7 million.

Results of Debt Policy on HRM Debt



HRM Tax Structure

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

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		
Transit	Area Rate	Area Rate	Included in the Urban General Tax Rate
Sidewalks	Area Rate	Area Rate	
Fire Hydrants	Area Rate	Area Rate	Area Rate

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. It is only levied on sewer users.

Not included in the Base Tax Rate are several key services including transit and sidewalks. These services are all "add-ons" for the suburban and rural areas of HRM. 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 the areas the flexibility to acquire

or manage services locally.

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.

Assessments and Taxation

Assessments

- C HRM receives an updated property assessment roll in late December of each year.
- C 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 2008-09 the cap rate is 2.3%. The cap rate is set by the Province of Nova Scotia in accordance with the provincial Assessment Act.
- C In the 2008 assessment base, residential assessments within HRM have increased from \$22.1 billion to \$23.5 billion. The total increase was \$1.4 billion or 6.1%. The average single family home in HRM increased in value from \$163,700 to \$168,700 or 3.1%. The average property (single and multi dwelling) increased in taxable value by 3.8%. Most of the remaining increase was due to the addition of new properties for a total increase in residential assessment of 6.1%.

Key Revenue Figures in the Budget

Residential Assessment :	up \$1.4 B or 6.1%
Commercial Assessment:	up 500 M or 11.1%
Residential General Tax Rates:	+2.2¢ to +2.5¢
Commercial General Tax Rates:	-2.0¢ to +3.3¢
Property Tax Revenues:	up \$26.7 M

Property Tax Assessment

	2007-2008	2008-2009	Change	Percent
Residential Property Tax	\$ 22,122,399,900	\$23,470,312,200	\$1,347,912,300	6.1%
Resource Property Tax	184,800,900	194,531,600	9,730,700	5.3%
Sub-Total	22,307,200,800	23,664,843,800	1,357,643,000	6.1%
Commercial Property Tax	4,515,314,200	5,015,533,900	500,219,700	11.1%
Business Occupancy Tax	1,001,922,000	754,830,954	247,091,046	-24.7%
Sub-Total	5,517,236,200	5,770,364,854	253,128,654	4.6%
Total	\$27,824,437,000	\$29,435,208,654	\$1,610,771,654	5.8%

C Overall, property tax assessments are up from \$27.8 billion to \$29.4 billion. This is an increase of \$1.6 billion or 5.8%.

Taxation

Rates for 2008-09 are shown in the following table:

Municipal Property Tax Rates per \$100 of Assessed Value

	2007-08	2008-09
Residential Tax Rate		
Urban	0.808	0.833
Suburban	0.708	0.730
Rural	0.702	0.724
	2007-08	2008-09
Commercial Tax Rate		
Urban	3.054	3.087
Suburban	3.054	3.087
Rural	2.703	2.683

Based on these rates, tax revenue for 2008-09 is projected to be as shown below:

Municipal Property Tax Revenues

	2007-2008	2008-2009	Change	Percent
Residential Property Tax	\$172,861,000	\$189,337,000	\$16,476,000	9.5%
Resource Property Tax	1,130,000	1,341,000	211,000	18.7%
Sub-Total	173,991,000	190,678,000	16,687,000	9.6%
Commercial Property Tax	130,008,000	147,165,000	17,157,000	13.2%
Business Occupancy Tax	30,124,000	22,993,000	(7,131,000)	-23.7%
Sub-Total	160,132,000	170,158,000	10,026,000	6.3%
Total	\$334,123,200	\$360,836,000	\$26,713,000	8.0%

Based on the approved tax rates, total property tax revenues are expected to increase from \$334.1 million to \$360.8 million. This is an increase of \$26.7 million or 8.0%.

Residential Assessments

Distribution of Residential Assessment Single Family Homes - 2007 to 2008

	Number of Properties	Percent Properties	Avg 2007 (Capped)	Avg 2008 (Capped)	Average Change
Under \$75,000	12,596	12.0%	44,383	46,414	4.6%
\$75,000 to \$100,000	9,303	8.8%	88,697	92,695	4.5%
\$100,000 to \$150,000	33,176	31.5%	126,631	130,829	3.3%
\$150,000 to \$200,000	25,050	23.8%	172,200	177,549	3.1%
\$200,000 to \$300,000	17,322	16.5%	236,319	242,794	2.7%
\$300,000 to \$400,000	4,813	4.6%	340,561	349,534	2.6%
\$400,000 to \$500,000	1,741	1.7%	440,571	450,500	2.3%
\$500,000 to \$750,000	989	0.9%	581,925	595,490	2.3%
\$750,000 to \$1 million	150	0.1%	837,158	862,647	3.0%

\$1 million plus	94	0.1%	1,357,945	1,386,149	2.1%
Total	105,234	100.0%	163,705	168,728	3.1%

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. Under Council's direction, the commercial tax rate was weighted at 3.78 (urban/suburban) and 3.85 (rural) for the 2007 tax year. 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, staff are developing benchmarks on taxation in the commercial sector.

Currently, Nova Scotia has two types of commercial assessments. Commercial assessment is levied on real property. Business Occupancy is levied on the occupants of that real property. There are three main classes of business occupancy assessment. Service stations, restaurants, hotels, motels, campgrounds and automotive dealers are no longer assessed Business Occupancy tax. Financial services firms are assessed business occupancy at 75% of their commercial assessment. All others are assessed at 20% of commercial assessment, down from 30% in 2007.

While taxable commercial assessment has risen by 11% in 2008, the Business Occupancy assessment has dropped due to the continued phase-out of the business occupancy tax (BOT). Overall, BOT and commercial assessments are up by \$253 million in 2008.

The lost revenues due to the phase out of the Business Occupancy assessment are being recaptured through an increase in the commercial tax rate. To accomplish this the commercial multiplier will be increased to 3.97. In 2008 residential assessments are covered by an assessment cap of 2.3%. Commercial assessments remain on market value. In order to ensure that the commercial weighting factor is calculated on a comparable basis, the weighting will be reduced from 3.97 to 3.70.

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).