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Item No. 9
Budget Committee
February 26, 2025

TO: Chair and Members of Budget Committee (Standing Committee of the Whole on Budget)

SUBMITTED BY: Cathie O'Toole, Chief Administrative Officer

DATE: February 26, 2025

SUBJECT: **Proposed 2025/26 Fiscal Services Budget and Business Plan**

ORIGIN

As per Administrative Order 1 and the Budget and Business Plan consultation schedule presented to Regional Council on November 19, 2024, staff are required to present the draft 2025/26 Business Unit Budget and Business Plans to the Budget Committee for review and discussion prior to consideration by Regional Council.

RECOMMENDATION

That the Budget Committee direct the Chief Administrative Officer to:

1. Incorporate the Fiscal Services 2025/26 Budget and Business Plan, as set out and discussed in the accompanying plan and supporting presentation, into the Draft 2025/26 Operating Budget.

BACKGROUND

On January 12, 2021, Regional Council adopted a Strategic Planning Framework, establishing priority outcomes for their term, and directed staff to develop plans to advance these outcomes.

As part of the design of the 2025/26 Budget and Business Plan development process, the Budget Committee is reviewing each business unit's budget and proposed plans, in advance of completing detailed HRM Budget and Business Plan preparation.

DISCUSSION

Staff has prepared the proposed 2025/26 Fiscal Services Budget and Business Plan consistent with the 2021- 2025 Strategic Priorities Plan approved on December 1, 2020, as well as budget direction provided on November 28, 2023.

Following direction from the Budget Committee, staff will proceed to prepare the detailed Budgets and Business Plans for inclusion in the proposed 2025/26 HRM Budget and Business Plan documents to be presented to Regional Council's Budget Committee, as per the process and schedule approved on November 19, 2024.

FINANCIAL IMPLICATIONS

The recommendation in this report will lead to the development of a proposed 2025/26 Budget. There are no immediate financial implications from this recommendation. The broader financial implications will be discussed and debated as the budget is developed in more detail.

RISK CONSIDERATION

Although there is no immediate risk associated with this report, there may be risks associated with individual decisions during the budget debate that could favour short-term results over longer-term strategic outcomes. Individual decisions made during budget debate will, however, be considered for both short- and long-term impacts to levels of service, asset condition, and cost.

In addition, the administration seeks to reduce these risks in three ways: by providing Regional Council with several fiscal options to assist in the achievement of longer-term strategic outcomes, by assessing both corporate and capital project risk, and by providing the opportunity to draw Regional Council's attention to project or program related risks when reports are presented for consideration.

Enterprise risks are reviewed as part of the strategic planning process and mitigating initiatives incorporated into business planning activities to reduce or eliminate the impact and likelihood of the risk occurring.

COMMUNITY ENGAGEMENT

The 2025/26 budget process seeks to solicit public comment by inviting members of the public to provide feedback prior to each business unit budget and business plan presentation.

ENVIRONMENTAL IMPLICATIONS

No environmental implications were identified.

ALTERNATIVES

Budget Committee could choose to amend the Budget and Business Plan as proposed in the supporting presentation through specific motion and direct the Chief Administrative Officer to prepare the Budget and Business Plan for inclusion in the proposed 2025/26 Budget and Business Plan documents.

LEGISLATIVE AUTHORITY

Halifax Charter, section 35 (1) The Chief Administrative Officer shall (b) ensure that an annual budget is prepared and submitted to the Council.

ATTACHMENTS

Attachment 1 - 2025/26 Fiscal Services Proposed Budget and Business Plan

Attachment 2 - 2025/26 Fiscal Services Proposed Budget and Business Plan Presentation

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

Report Prepared by: Tyler Higgins, Manager Budget & Reserves, Finance & Asset Management

FISCAL SERVICES

2025/26 BUDGET AND BUSINESS PLAN

FISCAL SERVICES OVERVIEW

Fiscal Services is not a business unit and has no services or initiatives per se. Rather it includes HRM's financial responsibilities and obligations that are not directly related to any specific business unit as well as organization-wide costs and revenues not fully allocated to business units. Fiscal Services includes:

- Property and Other Taxes
- Deed Transfer Tax
- Non-departmental Revenues
- Private Roads and Other Area Rates
- Debt Charges
- Election Costs
- Capital from Operating
- Reserves
- Provincial Mandatory Costs
- Supplementary Education
- Transfers such as Fire Protection, Stormwater and the Halifax Convention Centre
- Contingencies
- Other Compensation Costs
- Grants and Tax Relief
- Valuation Allowance
- Summary Office Ticket Revenues

SERVICE AREA BUDGET OVERVIEW

Service Area	2023/24	2024/25	2024/25	2025/26		
	Actual	Budget	Projections	Budget	Δ 24/25 Budget	Δ %
Debt Servicing	\$ 36,802,519	\$ 45,711,200	\$ 50,011,200	\$ 42,023,200	\$ (3,688,000)	(8.1)
Transfers To Outside Agencies	7,540,000	7,540,000	7,540,000	7,540,000	-	-
Other Fiscal Services	46,211,571	39,386,200	37,629,200	55,033,000	15,646,800	39.7
Transfers to/fr Other Funds	106,747,650	88,155,900	86,260,900	107,842,900	19,687,000	22.3
Non-Departmental Revenue	(778,820,455)	(834,725,800)	(838,654,300)	(902,385,800)	(67,660,000)	8.1
Net Total	\$ (581,518,715)	\$ (653,932,500)	\$ (657,213,000)	\$ (689,946,700)	\$ (36,014,200)	5.5

OPERATING – SUMMARY OF CHANGES

Change Description / Service Impact	Amount
Approved 2024/25 Budget	\$ (657,213,000)
Inflation/Service Pressures	
Insurance Policy Increases	600,000
Non-profit funding	2,000,000
Contractual Increases	
Debt payments & interest costs	(3,688,000)
Provision for estimated contractual increases	2,877,800
Revenue Changes	
Increase in tax revenues (including Grants in Lieu)	(65,296,500)
Deed Transfer Tax forecasted increase	(5,000,000)
Interest revenue decline from expected rate reductions	4,000,000
Increase in Halifax Water Dividend as per agreement	(438,500)
Other/Transfers	
Compensation provision adjustment	8,818,900
Increase in Capital Renewal	18,977,000
Net change in reserve funding	1,391,400
Remove inflation on building cost provision	(200,000)
Other minor adjustments	(56,300)
Total Changes	\$ (36,014,200)
2025/26 Budget	\$ (693,227,200)

OPERATING – SUMMARY OF EXPENDITURE & REVENUE

Expenditures	2023/24	2024/25	2024/25	2025/26		
	Actual	Budget	Projections	Budget	Δ 24/25 Budget	Δ %
Compensation and Benefits	\$ 17,324,291	\$ 21,529,700	\$ 19,041,600	\$ 30,348,600	\$ 8,818,900	41.0
Office	55,963	809,200	829,400	809,200	-	-
External Services	5,461,614	7,272,900	8,612,900	9,880,700	2,607,800	35.9
Supplies	36,101	4,200	4,200	4,200	-	-
Materials	50,200	-	-	-	-	-
Building Costs	443,095	503,500	575,900	303,500	(200,000)	(39.7)
Equipment & Communications	77,734	275,700	275,700	275,700	-	-
Vehicle Expense	29,084	14,000	14,000	14,000	-	-
Other Goods & Services	1,458,190	4,357,800	4,384,900	3,857,800	(500,000)	(11.5)
Interdepartmental	121,141	570,700	570,700	570,700	-	-
Debt Service	44,713,165	52,947,300	57,247,300	49,524,900	(3,422,400)	(6.5)
Other Fiscal	375,663,738	344,221,250	343,979,243	367,479,750	23,258,500	6.8
Total Expenditures	445,434,317	432,506,250	435,535,843	463,069,050	30,562,800	7.1

Revenues	2023/24	2024/25	2024/25	2025/26		
	Actual	Budget	Projections	Budget	Δ 24/25 Budget	Δ %
Tax Revenue	\$ (692,958,272)	\$ (749,144,000)	\$ (751,523,700)	\$ (819,240,500)	\$ (70,096,500)	9.4
Area Rate Revenue	(225,598,812)	(233,644,250)	(232,685,843)	(233,644,250)	-	-
Tax Agreements	(13,326,828)	(13,986,300)	(14,181,400)	(13,986,300)	-	-
Payments in Lieu of taxes	(46,282,467)	(50,262,500)	(50,262,500)	(50,262,500)	-	-
Transfers from other Govts	(11,412,309)	(3,600,000)	(3,600,000)	(3,600,000)	-	-
Interest Revenue	(22,133,718)	(19,836,000)	(20,836,000)	(15,878,000)	3,958,000	(20.0)
Fee Revenues	(2,546,688)	(1,872,500)	(2,036,400)	(1,872,500)	-	-
Other Revenue	(12,693,937)	(14,093,200)	(17,623,000)	(14,531,700)	(438,500)	3.1
Total Revenues	(1,026,953,032)	(1,086,438,750)	(1,092,748,843)	(1,153,015,750)	(66,577,000)	6.1
Net Total	\$ (581,518,715)	\$ (653,932,500)	\$ (657,213,000)	\$ (689,946,700)	\$ (36,014,200)	5.5

FISCAL SERVICES PLAN (2025/26)

Debt Servicing

Debt charges in the operating budget consist of payments made on outstanding debentures (principal) and the interest costs associated with those debentures. Also included in the debt charges are bank charges, debenture discount and interest payments to Agencies, Boards & Commissions. For management purposes, debt charges can be classified as to how the funds are repaid:

- **Tax Supported Debt** – repaid through the general and transit tax rates;
- **Other Municipal Debt** – repaid through Local Improvement Charges (LICs), Area Rates and Development Charges;
- **Halifax Water Debt** – funds borrowed on behalf of Halifax Water Commission, and which are repaid through their rate base; and
- **Repayable Debt** – debt borrowed for and repaid by outside organizations.

Provincial Area Rates

Like all municipalities, HRM is legally required by the Province of Nova Scotia to provide funding for education costs, and for other services that are the responsibility of the Province of Nova Scotia. The funding source for the transfers is a separate Provincial Area Rate on the tax bill. Any increase in that budget amount has zero net impact to the overall HRM budget.

Provincial Area Rates	2024/25 Budget	2025/26 Budget	Δ 24/25 Budget	Δ %
Mandatory Education	194,252,900	210,699,500	16,446,600	8.5
Assessment	7,315,000	7,587,000	272,000	3.7
Total	\$ 201,567,900	\$ 218,286,500	\$ 16,718,600	8.3

Mandatory Education

This mandatory education contribution is set by the Province of Nova Scotia at the value of the Provincial Education Rate times the Uniform Assessment.

Assessment

Property Valuation Services Corporation (PVSC) is mandated under the Nova Scotia Assessment Act to assess every property in Nova Scotia. HRM is required to pay a share of the cost of operating this provincial assessment system.

Other Transfers

Halifax Convention Centre (HCC)

HRM has an agreement with the Province of Nova Scotia to fund the Halifax Convention Centre (HCC). This includes its share of the Provincial lease and the annual operating costs, which are paid to Events East. The HCC costs are to be paid from a reserve which is funded from the property tax revenues collected from the new Nova Centre plus those funds which would have been paid to the former World Trade and Convention center (WTCC). The Nova Centre is a private development that includes not only the HCC but also offices, a hotel, retail and parking.

Supplementary Education

Under the Halifax Charter, HRM provides funding for local schools, including a payment to the province-wide Acadian school board, Conseil scolaire acadien provincial (CSAP). The Halifax Charter requires that the municipality provides a guaranteed amount for supplementary education, although it may reduce the guaranteed amount by 10% of the amount spent in 1995/96. In addition to the legal requirements of the Charter, this payment is governed by a Memorandum of Understanding (MOU) with the Halifax Regional Centre for Education (HRCE) which covers 2019/20 to 2023/24. The total payment for 2024/25 will be paid through a separate area rate.

Fire Protection Services (Hydrants)

The Nova Scotia Utilities and Review Board (NSUARB) has established a formula that requires HRM to contribute to the Halifax Water Commission (HW) for the hydrant costs incurred by the Commission. These hydrant charges are recovered by HRM 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.

Stormwater Right-of-Way (Halifax Water Commission)

The Nova Scotia Utilities and Review Board (NSUARB) requires HRM to pay Halifax Water the cost of the stormwater drainage in the right-of-way of HRM streets and roads. This became effective as of July 1, 2013.

Grants and Tax Relief

HRM operates a number of Grant programs. Fiscal services includes the Community Grants Program (\$500,000) and the Community Museums Grant Program (\$220,000), the District Activity Fund (\$72,000). Other grant programs are administered by individual business units. HRM also provides a number of tax relief programs including for low income homeowners (\$1.8 million) and for non-profits (\$9.6 million).

Valuation Allowance

The Valuation Allowance is an account required by provincial rules as a contingency against uncollectible tax and other revenues. In 2025/26 it is budgeted at \$2.0 million.

Reserves

Reserves are utilized to ensure sustainability and improve the process of planning for HRM's future needs. Reserve Funds are provided for under the Financial Reserves Administrative Order Number 2014-015-ADM and are intended to serve three specific purposes:

- Contingency Funds for Opportunities;
- Contingency Funds for Risk; and
- Savings Funds for Obligations.

Reserves deposits and withdrawals are budgeted for in both Fiscal Services and in individual business units.

Capital Renewal

Capital Renewal is used to fund the capital budget and helps reduce reliance on debt and other funding. The proposed budget for Capital Renewal is \$72.7M for 2025/26.

Non-Departmental Revenue and Area Rates

This includes the municipality's revenues from Property Tax, Tax Agreements, Grants-in-Lieu payments, Deed Transfer Tax as well as income from investments.

Also included are the costs and revenues for community area rates, private organizations and private roads.

HALIFAX

2025/26 Fiscal Services Budget

Budget Committee

February 26, 2025

Fiscal Services

- Property and other taxes
- Non-departmental revenues
- Private roads, other area rates
- Debt charges
- Capital-from-Operating
- Reserves
- Provincial mandatory costs
- Provincial mandatory costs
- Supplementary education
- Contingencies for compensation
- Other compensation costs
- Grants and tax relief
- Valuation allowance
- Summary offence tickets
- Election costs

Summary of Changes

Change Description / Service Impact	Amount
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Mandatory Provincial Taxes

- Formula based on transfers legally required of municipalities.
- The municipality has no accountability for how funds are spent.
- The municipality is only responsible for the transfer of funds.
- Funds are collected through area rates.

Provincial Area Rates	2024/25 Budget	2025/26 Budget	Δ 24/25 Budget	Δ %
Mandatory Education	194,252,900	210,699,500	16,446,600	8.5
Assessment	7,315,000	7,587,000	272,000	3.7
Total	\$ 201,567,900	\$ 218,286,500	\$ 16,718,600	8.3

Tax Bill vs Municipal Tax Bill

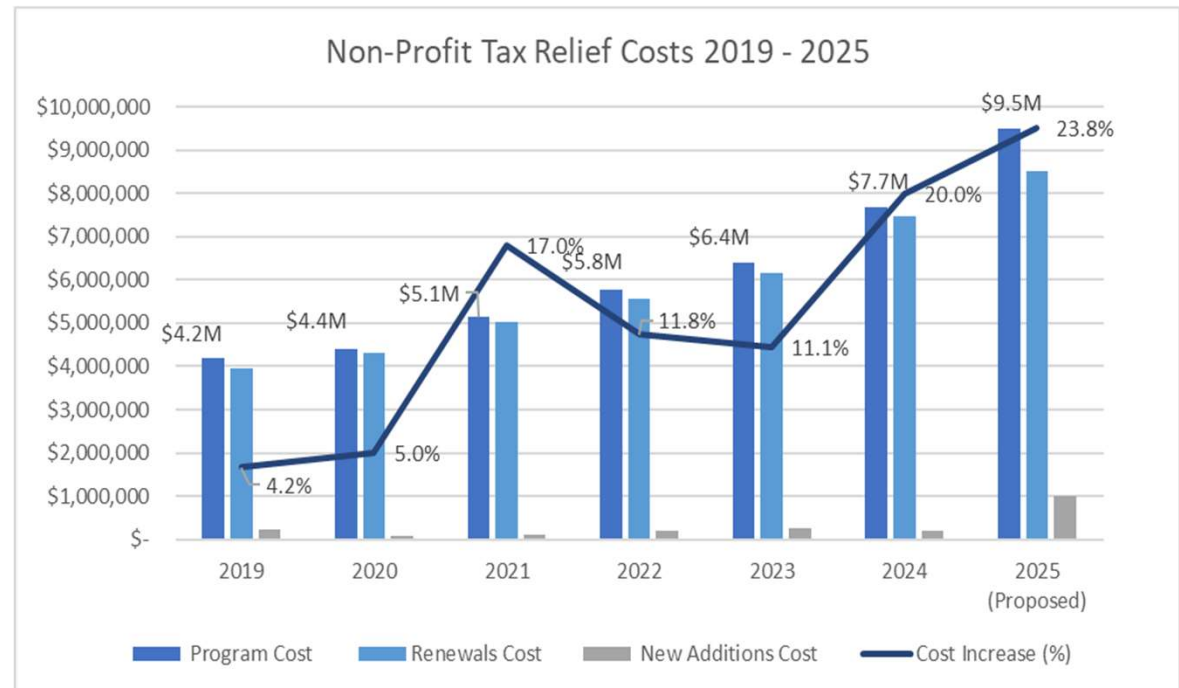
Average Tax Bill	2024/25 Approved	2025/26 Proposed	Δ \$	Δ %
Municipal Portion	\$2,489	\$2,678	\$189	7.6%
Mandatory Taxes	\$1,100	\$1,167	\$67	6.1%
Total Tax Bill	\$3,589	\$3,845	\$256	7.1%

Mandatory Taxes include:

- Provincial Mandated Taxes (outlined on slide 3)
- Supplementary Education
- Fire Protection
- Right of Way Charges

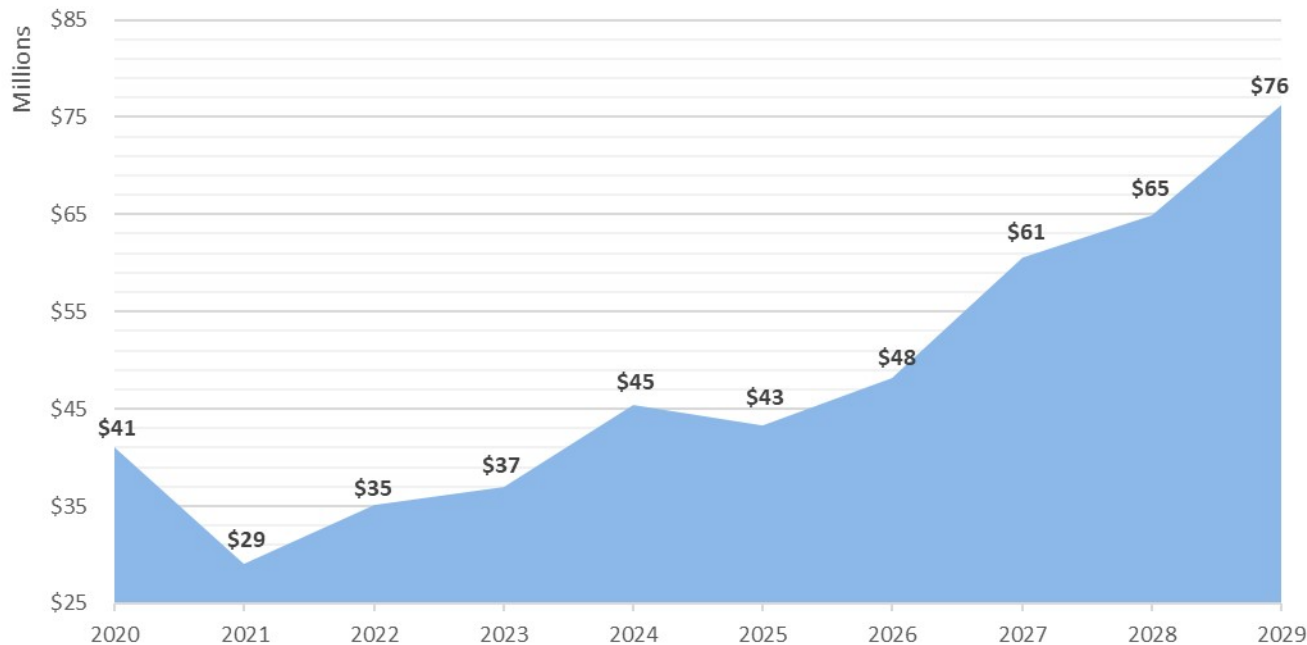
Non-Profit Changes

- \$9.5M proposed budget in 2025/26, increase of 24% from 2024/25
- Redesign program was approved by Regional Council in 2024
- New additions in 2025/26 estimated at \$1,000,000, an increase of ~\$800,000 from the prior six years



Total Cost of Debt

Debt Service Cost



- 2024 fall debenture issuance has an effective interest rate of 4.81% down from 5.29% in 2023
- Interest rates have started declining through 2024 and into 2025
- Economic uncertainty could pose a risk to future interest rate cuts

Reserves

Reserve	Opening Balance	Current Commitments	Pending Contributions	Projected Closing Balance 2024/25 (Q3)	Budget Closing Balance 2025/26
Total Risk Reserves	\$ 13,802,816	\$ (2,600,563)	\$ 752,042	\$ 11,954,295	\$ 12,145,595
Total Obligation Reserve	102,502,489	(25,968,600)	34,321,368	102,502,487	123,043,906
Total Opportunity Reserve	298,212,504	(95,640,741)	14,513,564	217,085,327	242,003,864
Total	\$414,517,809	\$ (124,209,904)	\$ 49,586,974	\$ 331,542,109	\$ 377,193,365

The municipality has 17 Reserves:

- 1 Risk Reserve
- 9 Obligation Reserves
- 7 Opportunity Reserves

