

- |  |                     |
|--|---------------------|
| (1) Share of ratepayers in the study area (equal to the saving to those ratepayers by virtue of City taxation being lower than study area taxation by the County.) | \$ 862,000.         |
| (2) Provincial transitional grant to the City based on estimated 1967 net saving to the Province had the City annexed the study area on January 1, 1967            | \$ 662,000.         |
| (3) Balance of \$1,514,000 divided equally between the Province and the City:  |                     |
| Provincial transitional sharing grant  | \$ 757,000.         |
| City share   | \$ 757,000.         |
|  | <u>\$3,038,000.</u> |

Rounding off the two provincial transitional grants, the Board obtained "an undertaking from the Government of Nova Scotia that, subject to approval in the Nova Scotia Legislature, the Province is prepared to pay annually the sum of

\$650,000 representing the net savings of the Province resulting from this annexation, and the further sum of \$750,000 as an additional grant  
\$1,400,000.

The Board went on to say that there would be "an annual payment to the City of Halifax of \$1,400,000. in the first five years with some abatement in the years following the five year period."

Regarding the \$750,000. sharing grant:

"the additional grant of \$750,000. will be paid for a five year term and then gradually abate. The Board recommends that the period of abatement be five years."

Regarding the \$650,000. Provincial net saving grant:

"The Government has stated that it is doubtful that the net savings grant of \$650,000. will be paid indefinitely and directs attention to the fact that this payment may be superseded by arrangements resulting from the Provincial-Municipal financial relationships that are now being studied."

Finally the Board considered the \$862,000. share of annexation costs that it had apportioned to taxpayers in the study area, estimated that this was equivalent to an .89 cent area rate in the area, and decided that study area taxpayers should pay the City tax rate plus an

area rate of .89 cents, all on ninety-seventieths of their present assessments in the first year of annexation, and that the area rate should reduce to .71 cents in the second year; .53 cents in the third year; .35 cents in the fourth year and .17 cents in the fifth year, terminating in the sixth year.

Thus study area residential property taxpayers would begin the first year of annexation by paying approximately the same dollar amount of taxes as they would have paid to the County and would gradually, over the next five years, pay less.

Owners and occupiers of business property would pay the City tax rates plus the same .89 cents area rate on a reducing basis. Because the City's business taxation is very much higher than the County's, business owners and occupiers will pay considerably higher taxes (with or without the area rate) than they have previously paid.

## (B) FINDINGS

### (a) General

The report of the Board of Commissioners of Public Utilities has been outlined at some length because helpful comment cannot be made except with a full understanding of the Board's reasoning, financial calculations and intentions.

Most certainly the Board's evident intentions and general outlook respecting the need for annexation are highly commendable. The Board favors annexation and is convinced that unnecessary delay would be costly. The Board has in fact decided to annex to the City a larger area than was asked for by ratepayers' applications. The ratepayers of only three districts applied for annexation. The Board decided to annex part or whole of five districts.

This, then is no status-quo decision. The Board sees the need for change and decides accordingly.

On the financial question, the Board's approach is one of reasonableness and equity. There are extra costs. All should share them: the taxpayers in the annexed area: the City taxpayers; and the Province (that is, Provincial taxpayers).

Similarly the Government of Nova Scotia has quite evidently approached the matter in a reasonable light. It has indicated its intention to hand over to the City its net savings on annexation for a period of years. It has agreed to share with the City for a period of years one half of that portion of the burden of annexation that would be borne by City taxpayers.

What questions, then, remain to be asked on the financial aspects. What approaches, if any, to the question of the boundaries of the area that the City should annex are calculated to offer a better answer than that given by the Board?

In fact, there are many aspects of the proposed financial settlement that, on close examination suggest that notwithstanding the Board's excellent intentions, taxpayers in the City of Halifax and to a lesser degree for a time, taxpayers in the annexation area, will have a much heavier burden to bear as a result of annexation than the Board has calculated.

This is not to say that annexation is wrong and should not be proceeded with promptly. Annexation is right, and delay, as the Board has rightly pointed out, will add to the cost. The point is, rather, that the proposed financial settlement, particularly as it relates to provincial transitional grants should be re-examined. The present report has attempted such re-examination in the memoranda that are attached. In the short space of two weeks, it has not been possible to track down every dollar. All expenditure and revenue figures are, in any case, estimates, and the small dollar sums do not really affect the over-all picture. It is believed though that in the attached Memoranda all or

most of the important change that should be made in the Board's calculations have been indentified.

On the question of the area to be annexed, the present report proposes a different and more ambitious approach than that approved by the Board. The Board was faced with applications for annexation by taxpayers in three districts to the south west of the City. The Board went, perhaps, almost as far as it felt entitled to in the circumstances. It annexed part or the whole of five districts.

But there is a braoder picture and there are some braoder questions which like annexation of the five districts will prove more difficult and more costly to resolve if not dealt with promptly.

The present report poses those questions and suggests possible solutions.

(b) The 1967 estimates of expenditures and revenues

The Board's estimates of the City's 1967 excess expenditure over revenue in the study area had annexation taken place on January 1, 1967 is \$4,274,000.

Examination of the detailed figures used by the Board and of further information supplied me by City department heads suggests that \$447,000 should be added to this figure. The basis for this estimate is given in Memorandum A.

The addition of \$447,000. would increase the provincial cost sharing grant by \$223,000.

(c) The use of 1967 estimates to calculate provincial transitional grants for the years 1969-73

The Board has estimated the City's 1967 excess of revenue over expenditure had annexation taken place on January 1, 1967 and has calculated the annual Provincial cost-sharing grant for the years 1969-73 (and on a reducing basis for five years thereafter) on the basis of the 1967 estimates.

This would be an unrealistic approach even if one were considering expenditures and revenues in the average municipal unit without any added problem of annexation.

In the present annexation situation, the use of 1967 figures without regard to the heavy expenditures that will necessarily be incurred in the study area to bring services up to City standards is a quite unacceptable approach to what will clearly be a most difficult and expensive situation.

The only correct approach is, surely, to make as accurate projections as are possible with regard to both expenditures and revenues in the study area in the years 1969-73 and to relate the annual provincial transitional sharing grants to those calculations.

Enough is known by the Board, the Province and the City to make the approach quite feasible and to look to the expectation that there will be some measure of agreement on the projections.

In Memorandum B such projections are made. They are, of course, open to debate, but it is not thought that they will prove very far from the actual figures for the years in question.

(d) Provincial Saving respecting debt charges on schools and sewer Capital costs

Before annexation the Municipality of the County of Halifax received a provincial grant (1966-67) of 56.70% of the debt charges on monies borrowed for school construction purposes. With annexation the County's debt charges grant would have risen to 62.58% (See Schedule A of the Board's report)

The City of Halifax, on the other hand, receives no grant whatsoever towards the debt charges on monies borrowed for school construction purposes. After annexation the City's position will be unchanged in this respect. It will continue to receive no grant despite the fact that it will be constructing schools that, but for annexation,

would have had to be constructed by the County and that the County would have received a 56.70% debt charges grant.

There will therefore be a very substantial saving to the Province in the years 1969-73.

The Boards calculations, however, because they are related only to the 1967 position had annexation occurred in there year, completely ignored the 1969-73 saving to the Province.

Instead, the Board calculates that for the year 1967 the Province would have saved \$61,520. This figure is therefore, in the Boards view, the amount that the Province should pay annually to the City for the Province's savings on school debt charges grants, in the study area for each year 1969-73. The Board's \$650,000. provincial savings grant to the City includes the \$61,520.

The projected cost to the City of School construction in the study area is given in Memorandum C. The debt charges that the City would pay annually in respect of the monies borrowed are also calculated, using a conservative 7% interest rate.

The provincial saving is then the difference between the additional 5.88%. It will have to pay the County on the County's total annual school capital debt charges outside the study area because the County's grant rises, on annexation from 56.70% to 62.58% (using 1966-67 percentages) and the 56.70% it will not have to pay the County or the City for debt charges on school capital costs (both up to annexation and after annexation)

This saving can either be calculated annually from 1969 onwards (which is the most accurate method) or it can be projected now. Either method should be acceptable to the City provided the projections are acceptable.

The provincial savings grant to the City should then be revised by adding the new provincial savings figure as calculated above and deducting

the \$61,520 that is already allowed in the Board's calculations.

Projections of the savings to the Province in this respect are given in Memorandum C.

In Memorandum D projections are given for the Provincial savings on every debt charges where the principle is the same as for school debt charges.

(e) The deduction of \$736,000. for cost of Capital equipment included in the City's 1967 estimates for the Study Area.

The Board has deducted \$736,000. from the estimated \$4,274,000. excess of City 1967 expenditures over revenues had annexation occurred on January 1, 1967.

The deduction relates to items totalling \$920,000. that are included in the City's 1967 estimated expenditures for the Study Area.

The Board has deleted the \$920,000. and added both \$184,000. on the grounds that the \$920,000. is capital expenditure that would be spread over a five year period.

In fact some of the items in the \$920,000. have a life of only one or two years.

In any case, it is my understanding that the City would, in accordance with its normal practice, be most likely to purchase all or more of the items out of revenue in the first year of annexation so that the \$920,000. expenditure would for the most part, have been a legitimate 1967 current expenditure charge (capital expenditure out of revenue) and should therefore be allowed as much be the Board.

In any case, the Board cannot have it both ways. Its basic principle, which the present report challenges, is that the provincial transitional sharing grant shall be calculated on the basis of what would have been expended by the City in the Study Area in 1967 had annexation occurred in that year. The \$920,000. would, for all or the most part,

have been expended in 1967 .

If the Board wishes to spread the estimated \$920,000. cost over five years that is perfectly acceptable provided that all estimated costs in the five year period are spread over the five years, in other words provided the principle suggested in Paragraph (C) of this reports Findings are adopted. But otherwise it is not an acceptable approach, primarily because it is not consistent with the Board's own stated principle.

It is therefore recommended that the deduction of \$736,000. be reinstated. This would increase the transitional cost-sharing grant by \$368,000. annually.

Considering the two elements,

(1) It is understood that in the residual area representing the difference between the study area and the annexation area there are only two small populated communities. These are in the Kearney Lake area where there are approximately 75 families and the Ferguson's Cove area where there are approximately 30 families.

If the residual area were annexed, the City's expenditures respecting those two communities, would be very small. Education is likely to be the main item. The areas are not sewered and have few of the normal urban services, but, would it be feasible to introduce such services in the near future. Assuming 250 children in the two communities, education cost might be \$80,000. The City would receive a \$20,000 foundation program grant, giving a net cost of \$60,000. The City would derive taxation revenue from the two communities; with few other services the net cost to the City is trifling.



(f) The deduction of \$500,000 for a reduction in estimated costs resulting from a slower implementation of certain civic services etc.

The Board has deducted the sum of \$500,000 from the City's 1967 expenditure estimates for the study area on two grounds:

- (1) that the study area is larger than the actual annexation area so that expenditures will be lower;
- (2) that the City would not in fact have spent the amounts it has estimated because the implementation of certain civic services would be slower.

\$500,000 is a large sum. Its deduction from the City's expenditure estimates results in a \$250,000 reduction in the Province's \$750,000 cost-sharing transitional grant. There are apparently no supporting calculations for the \$500,000.

Considering the two elements,

- (1) It is understood that in the residual area representing the difference between the study area and the annexation area there are only two small populated communities. These are in the Kearney Lake area where there are approximately 75 families, and the Ferguson's Cove area where there are approximately 30 families.

If the residual area were annexed, the City's expenditures respecting those two communities, would be very small.

Education is likely to be the main item. The areas are not sewerred and have few of the normal urban services, nor, would it be feasible to introduce such services in the near future. Assuming 250 children in the two communities, education cost might be \$80,000. The City would receive a \$20,000 foundation program grant, giving a net cost of \$60,000. The City would derive taxation revenue from the two communities; with few other services the net cost to the City is trifling.

If the residual area concerned is annexed to the City, as the present report suggests, then this cannot in any case be a deduction.

On balance therefore it would seem that this element is the \$500,000 deduction has no particular validity and should be ignored.

- (2) The main portion of the \$500,000 deduction related to the possibility that certain civic services will be implemented at a slower rate than provided for in the City's 1967 estimates for study.

The question here is which civic services. Again it is emphasized that \$500,000 is such a large sum that one can perhaps suggest that the onus is on the Board either not to make the deduction at all or to offer some reasonable grounds for making a deduction of some kind.

When one looks at the various civic services that would have to be provided in the study area immediately on annexation it is difficult to envisage very much in the way of a slowing down. Educational expenditures cannot possibly be slowed down and education is over 45% of the total budget. The Police and Fire Departments are planning to introduce their full budgetted service to the area immediately on annexation. They represent another 11% of the total budget. Snow & ice control, refuse collection and disposal, welfare, sewer maintenance, public health services, assessment - none of these services can be slowed down to any appreciable degree if at all.

It is suggested therefore that the \$500,000 deduction be added back, or alternatively that some reasonably factual (and probably quite small) figure be substituted for it. The complete reinstatement of the \$500,000 would increase the transitional cost-sharing grant by \$250,000 annually.

(g) Savings to the Province on Annexation

Schedule 1 in the Board's report shows that had annexation occurred in 1967 the Province would have saved a gross \$820,930 (for R.C.M.P., Department of Highways, and because education and municipal services grants to the City would be lower than to the County).

The Province would have gross increases in expenditures of \$159,371, mainly for certain increased grants to the City as compared with the County, so that the net 1967 saving for the Province would be \$820,930. Once again it is pointed out that the figures relate to 1967 savings. While a projection for the years 1969-73 would be difficult if not impossible, could not the Province, instead of determining the transitional savings grant at this time, agree to pay according to actual savings in each of the years 1969-73?

Alternatively, as a second best approach, should not the savings calculation figures be based on estimated 1969 figures instead of estimated 1967 figures.

Two of the figures given in the Board's Schedule 1 would appear to require further investigation.

(1) Department of Highways - decrease \$385,000.

This figure includes a 45% suburban grant of \$185,000 which was in 1967 payable to the County but would not be payable to the City and an item of \$200,000 for "Streets".

On further investigation the \$200,000 consists of \$147,000 for street maintenance in the study area and \$53,000 for snow and ice control in the study area.

The comparison between the Commissioner of Works estimates for a City operation and the Department of Highway's estimates for a Department of Highway's operation in the same study area are quite startling.

<u>CITY estimates for Study Area</u>	\$	\$	<u>DEPARTMENT OF HIGHWAY'S estimated for Study Area</u>
Paved street repairs	23,008		
Unpaved street repairs	124,390		
Dust laying	42,580		
Street sign maintenance	8,224	\$221,036	\$147,000
Guard rail maintenance	1,737		
Ditching	21,081		
Street cleaning	102,834		Nil
Snow and ice control	227,027		\$ 53,000
<b>TOTAL</b>	<u>\$550,897</u>		\$200,000

In view of the large difference I asked the City's Commissioner of Works to check with the Department of Highways. He has done so and his report is attached as Memorandum H.

It would appear that there could reasonably be a 40% addition to the \$200,000 for costs of administration. The 40% addition is reasonable in relation to the City's administrative overheads. This would increase the Department of Highways' estimates by \$80,000.

A further difference arises from the fact that according to the Commissioner of Works' report the Department of Highways' estimate is calculated on a mileage basis and a figure of 80 miles has been used whereas the actual figure is 99 miles. An increase of nineteen-eightieths would correct this. Nineteen-eightieths of \$280,000 is \$66,500, giving a grand total figure of \$346,500 for the Department of Highways actual 1967 costs in the study area instead of the original \$200,000.

The Department of Highways does not have a street cleaning operation in the study area. If the \$102,534 included for this item in the City's cost estimates is deducted, the comparison then is:

(iii) City costs in study area

\$438,065

Department of Highways costs in study area (as adjusted)

\$346,500

It would not seem unreasonable, therefore, to suggest that the Department of Highways' figure be amended from \$200,000 to \$346,500.

This would increase the savings to the Province by \$146,500 and would increase the transitional savings grant to the City by a like amount.

(2) Social Welfare net increase of \$29,932

(h) The Schedule 14 in the Board's report shows a \$59,795 reduction in Social Assistance grants to the County for 1967 had annexation taken place on January 1, 1967 and an \$89,727 increase in Social Assistance and Welfare administration grants to the City.

The net increase to the Province is therefore \$29,932.

This net increase operates to reduce the savings to the Province in the study area, and hence reduces the Province's transitional net savings grant to the City by a like amount.

However, 50% of the net increase would presumably be reimbursed to the Province by the Federal Government. Hence the real increased cost to the Province is only \$14,966.

It is suggested that this then should be added back to the total saving to the Province in Schedule 1.

The transitional savings grant would then be increased by a like amount.

I do not feel that this is a reasonable suggestion when

(iii) Summary

(a) In summary, it is suggested that the transitional savings grant to the City should be the \$661,559 shown in the Board's Schedule I, plus \$146,500 in respect of the adjusted Debt figure, plus \$14,966 in respect of the adjusted social welfare figure, for a grand total of \$823,025 instead of \$650,000.

(c) A rounded-off figure of \$820,000 is suggested as acceptable. This represents an increase of \$170,000 in the transitional savings grant.

(h) The \$862,000 Saving to Study Area Taxpayers

The Board has calculated (Schedule R) that if City tax rates had been imposed on the Study Area in 1967, there would have been a saving to Study Area taxpayers of \$862,000, calculated on average to a tax rate of 89 cents.

These calculations allow for an upgrading of assessments in the Study Area to ninety seventieths of the 1967 assessment figures. This is because assessments in the Study Area are estimated to be 70% of full market value on average, whereas assessments in the City are about 90% of full market value.

The Board's proposal is that the \$862,000 be recouped by the City in the first year of annexation by the imposition of an 89 cents area rate throughout the whole Study Area.

This is a reasonable suggestion.

However, the Board next proposes that the 89 cents area rate be reduced by one-fifth annually. This would mean that the City would receive \$174,000 less in tax revenues from the Study Area in the second year of annexation, \$348,000 in the third year, \$522,000 in the fourth year, \$696,000 in the fifth year and \$862,000 in the sixth year.

I do not feel that this is a reasonable suggestion when

it is remembered -

- (a) that many City services in the annexation area will be superior to and more costly than those provided by the County;
- (b) the City will most assuredly be in a tight financial position in the first few years of annexation, and
- (c) were the 89 cents area rate not reduced, taxpayers in the annexation area would still be paying no more, on average, than they were paying to the County.

There is the further important point that property assessments in the Study Area are not uniform. That is my understanding and it would not be at all difficult to demonstrate the point if there is any dispute. It would seem, therefore, that the 90/70 increase in assessments in the Study Area should be at best a temporary measure and then the City should bend every effort to have the area reassessed as quickly as possible. This is necessary in equity and the need and urgency justifies the City engaging sufficient additional assessors to complete the task speedily.

My suggestion for the taxation of residential property owners is:

- (1) Pending reassessment, add the 89 cents area rate (or whatever proves to be the appropriate figure for 1969) to 90/70ths of existing assessments.
- (2) A reduction in the 89 cents area rate in the years after the first year of annexation as in (4) below.
- (3) In reassessment, apply the appropriate area rate as in (4) below to the new assessments and abolish the 90/70ths differential.

(4) Reduce the area rate annually by a figure equal to the annual increase in the City's tax rate. When the cumulative increases in the City's tax rate equal or exceed the 89 cents area rate, the area rate will automatically have been eliminated.

The effect of this proposal is:

(i) to "freeze" taxation burdens, on average, at their 1968 County level in the Study Area, until such time as the City's residential tax rate has risen by 89 cents. Thereafter, tax burdens in the Study Area will be identical with City increases.

(ii) Automatically, to give the City the \$862,000 additional revenue not only in the first year after annexation, but in all subsequent years.

Assuming for the sake of illustration that the City tax rate increases by 7 cents annually from 1969 to 1974, the difference between the Board's proposals and the present report's proposals is as follows:

REVENUE FROM BOARD'S PROPOSAL			REVENUE FROM THIS REPORT'S PROPOSAL			
YEAR	AREA RATE	7 CENTS TAX RATE INCREASE	TOTAL ADDITIONAL REVENUE	AREA RATE	7 CENTS TAX RATE INCREASE	TOTAL ADDITIONAL REVENUE
	\$	\$	\$	\$	\$	\$
1969	862,000		862,000	862,000		862,000
1970	688,000	68,000	756,000	794,000	68,000	862,000
1971	514,000	136,000	650,000	726,000	136,000	862,000
1972	340,000	204,000	544,000	658,000	204,000	862,000
1973	166,000	272,000	438,000	590,000	272,000	862,000
1974		340,000	340,000	522,000	340,000	862,000
			<u>3,590,000</u>			<u>5,172,000</u>



Hence, in the five years after the first year of annexation, the total additional revenue to the City if the present report's proposals are adopted will be an estimated \$1,582,000.

(i) Business Realty and Occupancy Taxation in the Study Area.

The Board's proposal is that, on annexation, business realty owners and occupiers in the Study Area pay the City tax rate on ninety-seventieths of County assessment, plus an 89 cents area rate on a reducing basis.

As the City's business tax rate imposes a considerably higher burden on business realty owners and business occupiers, I suggest that the 89 cents area rate be not added either to the business realty rate or the business occupancy. The loss in revenue to the City is quite small, diminishes by one-fifth annually and terminates entirely in the sixth year of annexation.

This proposal is made on the grounds that it would not be equitable to increase by adding an area rate to what will be in any case a considerably higher taxation burden for business property owners and occupiers.

(j) Transitional Grants After First Five Years.

The Board's comments respecting the transitional grants payable after the first five years of annexation were quoted in Section 1 of the present report.

In this respect, some clarification of the Provincial Government's commitment to the City would appear to be in the best interests of both parties.

The additional cost-sharing grant of \$750,000 "will be paid for a five-year term and then gradually will abate." The Board recommends "that the period of abatement be for five years."

(8) Bonus It would be helpful here if the Board's order, or the Provincial Government, could make it clear that the period of abatement will in fact be for five years and that the annual abatement will be \$125,000, so that the grant will be \$625,000 in the sixth year, \$500,000 in the seventh year, \$375,000 in the eighth year, \$250,000 in the ninth year, \$125,000 in the tenth year, and will then terminate.

Term The provincial saving grant is \$650,000 annually for five years. The position after five years and the term of years is left unclear, except the Provincial Government has stated "that it is doubtful that the net savings grant of \$650,000 will be paid indefinitely." The Provincial Government also "directs attention to the fact that this payment may be superseded by arrangements resulting from provincial-municipal relationships that are now being studied."

to It would be helpful here if the Provincial Government could say, for example:

"(1) The net savings grant in years six to ten will be \$650,000 annually, except that to the extent that any change in provincial-municipal financial relationships results in what is in effect a duplicate payment to the City (once in the net savings grant and once in some other provincial grant or grants to the City that alter the net savings figure) there will be a corresponding adjustment in the net savings grant.

(2) The net savings grant will be renewed not later than the end of the ninth year, so that the City will be notified in good time of any pending change for the eleventh and subsequent years."

added to the annexation area.

(k) Boundaries it is thought, would be preferable if City Council

In Memorandum E attached to the present report, it is proposed that after the January 1, 1969 annexation, the boundaries of both Halifax and Dartmouth be extended to a much larger regional area.

In addition, it is suggested that in the larger areas, beyond the proposed new boundaries each city have extra-territorial rights, primarily for development control purposes.

A map showing the proposed new boundaries is attached to the present report.

It perhaps should be made clear that the proposed further annexation is contingent upon the City being reasonably satisfied with the final financial settlement respecting the present annexation. The City would also need to have some assurance that in a further annexation, regard would be had to the payment of transitional grants.

It would appear that the transitional grants for the proposed annexation of the suggested large regional area would be considerably smaller than those required in the present instance because the population of the large removed area is smaller.

Whether or not City Council accepts the proposal for annexation of a larger regional area, it is suggested that at the moment it would be most desirable and useful for the remaining portions of electoral districts 1, 3, 4, 5 and 12 and parts of electoral districts 8, 10 and 11 to be included in the present annexation for January 1, 1969. This is the area that was originally examined by the Board of Trade and that Council, by resolution of March 17, 1966, requested be added to the annexation area.

This, it is thought, would be practicable if City Council indicated to the Board that no question arises of the payment of additional transitional grants in respect of the added area. As already indicated, the additional net cost of annexing the added area would be relatively insignificant and the long-term advantages could eventually prove quite considerable.

Election expenses in electoral districts 3 and 4	6,000.00
Personnel Department	2,000.00

Submitted respectfully,

Protection

Police: Training time, 35 new men	47,000.00
Police: Fringe benefits	12,000.00
Fire: Training time for	7,000.00

LAWRENCE SANDFORD,  
Local Government Consultant

Development

One instrumentman, two rodmen	11,000.00
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Public Works

Street cleaning (omitted from Schedule E)	175,000.00
Streets, addition to estimate	11,000.00
Snow and ice control, addition to estimate	20,000.00

Sanitation and Waste Removal

Sewer maintenance, addition to estimate	10,000.00
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Health

Additional grants to various organizations	18,000.00
Dental clinic and equipment (Capital out of revenue)	25,000.00

Welfare

Additional grants to various organizations	10,000.00
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Recreation

Lake ice clearance, and fringe benefits	3,000.00
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Miscellaneous

Allowance for uncollectible taxes	8,000.00
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\$447,000.00

MEMORANDUM "A"

SUMMARY OF SUGGESTED ADJUSTMENTS  
TO ESTIMATED 1967 CITY EXPENDITURES  
FOR THE STUDY AREA  
(BOARD'S REPORT: SCHEDULE D)

	<u>Add</u>
	<u>\$</u>
<u>General Government</u>	
Election expenses in electoral districts 3 and 5	6,000.00
Personnel Department	2,000.00
<u>Protection</u>	
Police: Training time, 35 new men	47,000.00
Police: Fringe benefits	14,000.00
Fire: Training time for 60 new men	27,000.00
<u>Development</u>	
One instrumentmen, two rodmen	16,000.00
<u>Public Works</u>	
Street cleaning (omitted from Schedule D)	138,000.00
Streets, addition to estimate	35,000.00
Snow and ice control, addition to estimate	90,000.00
<u>Sanitation and Waste Removal</u>	
Sewer maintenance, addition to estimate	10,000.00
<u>Health</u>	
Additional grants to various organizations	16,000.00
Dental clinic and equipment (Capital out of revenue)	25,000.00
<u>Welfare</u>	
Additional grants to various organizations	10,000.00
<u>Recreation</u>	
Lake ice clearance, and fringe benefits	3,000.00
<u>Miscellaneous</u>	
Allowance for uncollectible taxes	<u>8,000.00</u>
	<u>\$447,000.00</u>

MEMORANDUM "B"

PROJECTION OF CITY EXPENDITURES AND REVENUES

IN THE STUDY AREA

1968 to 1973

- (1) Adjustment of 1967 Expenditures  
1967 Expenditures per Board (Schedule D) \$6,946,203
- (2) Analysis of Adjusted 1967 Expenditures
- |                        |                    |
|------------------------|--------------------|
| a) School Debt Charges | \$ 396,160         |
| b) Other Debt Charges  | 181,825            |
| c) Education (net)     | 2,728,119          |
| d) Other expenditures  | <u>3,640,199.</u>  |
|                        | <u>\$6,946,303</u> |
- (3) Projected Population Increase 1967 - 1973
- |  |             |
|--|-------------|
| a) Population 1957,<br>per City Staff Study (Page 10)        | 20,647      |
| b) Population 1964,<br>per City Staff Study (Page 10)        | 30,463      |
| c) Population 1967, per Board's report                       | 34,800      |
| d) Average annual percentage increase 1957-1964              | 6.7%        |
| e) Average annual percentage increase 1964-1967              | 4.7%        |
| f) Assumed average annual percentage increase -<br>1967-1973 | <u>5.0%</u> |
- (4) Allowance for Inflation, etc. 1967-1973
- Assumed annual average increase in expenditures due to inflationary increase in wages, salaries, and prices and other causes (except population increases) 7.0%
- (5) Calculation of average annual percentage increase in \$5,323,199 "other" expenditures 1967-1973 per 3(a) above, for 1967-1973
- |                                   |              |
|-----------------------------------|--------------|
| a) 1.05 (per 3 (f) x 1.07 (per 4) | = 1.1235     |
| b) Annual increase:               | <u>12.3%</u> |

(6) Debt Charges 1969-1973

## School (per Memorandum "C")

1969	\$	495,660		
1970		675,350		
1971		794,124		
1972		962,033	3,532,000	4,591,000
1973		1,116,427	4,005,000	5,155,000

## Other debt charges (per Memorandum "D")

1969	\$	236,683		
1970		406,561		
1971		589,439		
1972		765,152	5,789,000	6,501,000
1973		910,733	5,840,000	7,300,000

(7) School Operating Expenditures 1969-19731967 Gross Expenditures and Foundation Program Grant

a) 1967 gross operating expenditures (per Board's Schedule C)	\$3,496,526
b) Foundation program grant	<u>749,657</u>
c) Net expenditure	<u>\$2,746,869</u>
d) Percentage of grant to operating expenditures	21.5%

8. Pupil Enrolment 1967-1973

(per City's Superintendent of Schools):

a) 1967 (including parochial schools)	10,236
b) 1973 (including parochial schools)	13,923
c) Increase	3,687
d) Average annual percentage increase	<u>6.0%</u>

9. Allowance for Inflation 1967-1973

Assumed annual average increase in expenditures  
due to inflationary increases in salaries, wages,  
prices and other causes

7.0%10. Calculation of Average Annual Percentage Increase  
in Gross 1967 School Operating Expenditures \$3,496,526  
and 1967 Foundation Program Grant, \$749,657,  
for 1967-73

a) 1.06 (per 8 (d)) x 1.07 (per 9)	=	1.1342
b) Annual increase	=	13.4%

(11) Projected City Expenditures in the Study Area, 1969 - 1973

	School Debt Charges	Other Debt Charges	School Operating Costs (net)	Other Expenditures	Total
Year	\$	\$	\$	\$	\$
1969	495,000	236,000	3,532,000	4,591,000	8,854,000
1970	675,000	406,000	4,005,000	5,155,000	10,241,000
1971	794,000	589,000	4,552,000	5,789,000	11,724,000
1972	962,000	765,000	5,150,000	6,501,000	13,378,000
1973	1,116,000	910,000	5,840,000	7,300,000	15,266,000

(12) 1967 Revenue

1967 Revenue per Board (Schedule D)

Taxation	\$2,081,029
Other	643,884
	<u>\$2,724,913</u>
Reduction re Public Service Commission	52,574
	<u>\$2,672,339</u>

(13) Assessment 1961-1968

Year	Total	Percentage Increase
1961	\$52,299,425	-
1962	55,122,325	5.4%
1963	59,566,625	8.1%
1964	63,051,900	5.8%
1965	66,247,525	5.0%
1966	71,101,225	7.2%
1967	75,882,850	6.7%
1968	81,898,375	7.0%

Average annual increase 6.6%

## (14) 1967 Taxation Revenue (at equivalent to City's 1967 taxation burden)

1967: per Board (Schedule R) \$2,943,000

(15) Percentage of Taxation Revenue 1969-1973, assuming taxes "frozen" at 1967 equivalent to City's 1967 taxation level and assuming a 6.6% annual increase in total assessment 1967-1973:

Year	Taxation Revenue
1969	\$3,344,000
1970	3,565,000
1971	3,800,000
1972	4,051,000
1973	4,318,000



(16) Projection of "other" revenues 1969-1973

Assume 10% annual increase to allow for inflation and more generous provincial grants:

<u>Year</u>	<u>Other Revenue</u>
1969	\$ 779,000
1970	857,000
1971	943,000
1972	1,037,000
1973	1,141,000

(17) Projected City revenues from the Study Area 1969-1973, assuming taxation continues at City's 1967 level.

	<u>Taxation Revenue</u>	<u>Other Revenue</u>	<u>Total Revenue</u>
	\$	\$	\$
1969	3,344,000	779,000	4,123,000
1970	3,565,000	857,000	4,422,000
1971	3,800,000	943,000	4,743,000
1972	4,051,000	1,037,000	5,088,000
1973	4,318,000	1,141,000	5,499,000

(18) Comparison of projected expenditure with projected revenue 1967 and 1969-1973

	<u>Projected Total Expenditure</u>	<u>Projected Total Revenue</u>	<u>Excess of Expenditure Over Revenue</u>
	\$	\$	\$
1967	6,946,000	(1) 3,534,000	(2) 3,412,000
1969	8,854,000	4,123,000	4,731,000
1970	10,241,000	4,422,000	5,719,000
1971	11,724,000	4,743,000	6,981,000
1972	13,378,000	5,088,000	8,290,000
1973	15,266,000	5,499,000	9,767,000

Notes: (1) Includes Area Rate

(2) This figure was reduced by the Board (by deducting \$736,000 of capital expenditure out of revenue, and \$500,000 for reduced costs from slower implementation of services) to \$2,176,000.

Note: The above calculations take no account of the deductions of \$736,000 and \$500,000 made by the Board from the City's estimated 1967 expenditures. These deductions are disputed in the present report. The calculations also take no account of the additional 248,100 of expenditure which the present report states should be added to the 1967 figure. Thus the calculations are conservative.

They show very clearly that a grant that is intended to share the City's deficit in 1969-1973 cannot be based on 1967 estimates. It must be related to 1969-1973 estimates.

(19) Projected excess of expenditures over revenue,  
less \$1,400,000 transitional grant

	<u>Projected excess of expenditure over revenue (per 18)</u>	<u>Transitional Grant</u>	<u>Net Deficiency</u>
	\$	\$	\$
1967	3,412,000	1,400,000	2,012,000
1969	4,731,000	1,400,000	3,331,000
1970	5,719,000	1,400,000	4,319,000
1971	6,981,000	1,400,000	5,581,000
1972	8,290,000	1,400,000	6,890,000
1973	9,767,000	1,400,000	8,367,000

If the \$736,000 and \$500,000 deductions referred to in (18) above are deducted from the net deficiency for all years, the resultant figures are:

Net Deficiency after Transitional Grant

1967	\$ 776,000
1969	2,095,000
1970	3,083,000
1971	4,345,000
1972	5,654,000
1973	7,131,000

(20) Transitional grant that would be required to provide a savings  
grant of \$650,000 and a sharing grant of half the remaining  
deficit; 1967 and 1969-1973

	<u>Deficit before Grant</u>	<u>Saving Grant</u>	<u>Sharing Grant</u>	<u>City Share of deficit</u>	<u>Total Traditional Grant</u>
	\$	\$	\$	\$	\$
1967	2,176,000	650,000	750,000	776,000	1,400,000
1969	3,331,000	650,000	1,300,000	1,381,000	1,950,000
1970	4,319,000	650,000	1,800,000	1,869,000	2,450,000
1971	5,581,000	650,000	2,450,000	2,481,000	3,100,000
1972	6,890,000	650,000	3,100,000	3,140,000	3,750,000
1973	8,367,000	650,000	3,850,000	3,867,000	4,500,000

Note: The above calculations take no account of the deductions of \$736,000 and \$500,000 made by the Board from the City's estimated 1967 expenditures. Those deductions are disputed in the present report. The calculations also take no account of the additional \$447,000 of expenditure which the present report claims should be added to the 1967 figure. Thus the calculations are conservative.

They show very clearly that a grant that is intended to share the City's deficit in 1969-1973 cannot be based on 1967 estimates. It must be related to 1969-1973 estimates.

MEMORANDUM C

SCHOOL CAPITAL PROGRAM  
AND SCHOOL DEBT CHARGES

IN THE STUDY AREA

1969-1973

(a) School enrolment - 1961-62 to 1967-68

School enrolment in Districts 1, 3, 4, 5 and 12 during the years 1961-62 to 1967-68 was as follows (excluding the two parish schools):

<u>Year</u>	<u>Enrolment</u>	<u>Increase</u>
1961-62	7531	-
1962-63	8122	591
1963-64	8544	422
1964-65	8766	222
1965-66	9214	448
1966-67	9846	632
1967-68	10,272	426
		<u>2,906</u>

Source: Municipality of the County of Halifax

The increase from 7531 to 10,272 pupils in a six-year period is equivalent to an average annual increase of 484 pupils and an average annual percentage increase of 6.1% over the 1961-62 figure.

(b) Projected school enrolment - 1968-69 to 1972-73

School enrolment in the same area for the years 1968-69 to 1972-73 is projected as follows:

<u>Year</u>	<u>Enrolment</u>	<u>Increase</u>
1968-69	10,626	354
1969-70	11,140	514
1970-71	12,173	973
1971-72	12,891	778
1972-73	13,523	632
		<u>3,251</u>

Source: Superintendent of Schools, City of Halifax.

The increase from 10,272 to 13,523 in a five-year period is equivalent to an average annual increase of 650 pupils and an average annual percentage increase of 6.3% over the 1967-68 figure.

(c) 1968 Costs of school construction

Required For 14 room Elementary and Junior High Schools:

(i) \$22,000 per classroom, counting for, a 14 classroom school, a classroom equivalent of 5 for auditorium, 2 for Visual Aid, 2 for Library, 1 for Art and 1 for Music, for a total of 25 classrooms of equivalent;

(ii) \$15,000 for landscaping and paving

(iii) Total cost per 14-room school:

25 x \$22,000 = \$550,000

Proportion of cost	Landscaping & paving	15,000
30% of \$650,000 (based on percentage of population to total expanded City)		<u>15,000</u>
	Total	<u>\$565,000</u>

For 14 room Senior High Schools:

As above \$565.000

Source: Supervisor Add \$6,000 per classroom or equivalent:

6,000 x 25 150,000

\$715,000

Source: Supervisor of Schools, City of Halifax.

(d) Assumptions

(i) That 15% of all pupils will be Senior High pupils (based on the average for urban school boards per Department of Education Annual Report 1966);

(ii) That school construction costs will increase 7% annually during the 1968-69 to 1972-73 period.

(e) School Capital Program - 1968-73

		<u>Total for five-year period</u>
Average annual requirement for classroom and equivalent:	25	125
Required to relieve overcrowding		14
		<hr/>
		139
		<hr/> <hr/>
Over Capital Items:		
Sprinklers for existing schools		\$ 113,500
Paving and landscaping existing schools		150,000
Purchase of one parochial school (the other might be rental)		110,000
Proportion of cost of new Educational Centre 30% of \$650,000 (based on percentage of annexation area population to total population of the expanded City)		195,000
		<hr/>
		<u>\$ 568,500</u>

Source: Supervisor of Schools, City of Halifax.

YEAR	DEBT CHARGES ON NEW CONSTRUCTION	DEBT CHARGES ASSUMED FROM CITY	TOTAL DEBT CHARGE
1969	\$152,320.	243,340.	\$395,660.
1970	359,420.	316,930.	676,350.
1971	503,604.	290,520.	794,124.
1972	697,923.	264,110.	962,033.
1973	878,727.	237,700.	1,116,427.
TOTAL	<u>\$2,590,994.</u>	<u>\$1,452,600.</u>	<u>\$4,043,594.</u>

(g) Saving to Province as grant for Study Area School Capital  
Debt Charges

The provincial debt charges grant to Halifax County for the  
calendar year 1968 is 50.02%.

Based on the information in (c) to (e) the annual construction costs allowing for a 7% annual increase in construction costs would be:

YEAR	NEW SCHOOL TO RELIEVE OVERCROWDING	NEW SCHOOLS FOR INCREASED ENROLMENT	SPRINKLERS FOR EXISTING SCHOOLS	PAVING & LANDSCAPING EXISTING SCHOOLS	PURCHASE OF ONE PARISH SCHOOL	30% OF EDUCATION CENTRE	TOTAL
	\$	\$	\$	\$	\$	\$	\$
1969	308,000	1,300,000	113,000	150,000	110,000	195,000	2,176,000
1970	applicable	1,390,000					1,390,000
1971		1,490,000					1,490,000
1972		1,590,000					1,590,000
1973		1,700,000					1,700,000
	<u>308,000</u>	<u>7,470,000</u>	<u>113,000</u>	<u>150,000</u>	<u>110,000</u>	<u>195,000</u>	<u>8,346,000</u>

(f) Annual Debt Charges on School Capital Program 1969 to 1973

Assuming that the financing of school construction is on a temporary basis for the first year at 7% bank interest, followed by 1 to 20 year debenture borrowing at 7% interest, the annual debt charges in respect of the above program are given below.

The County's debt charges for the year 1967 applicable to the Study Area are given in Schedule F of the Board's report as \$396,160. It is assumed that this figure will reduce by one fifteenth annually (an approximation).

YEAR	DEBT CHARGES ON NEW CONSTRUCTION	DEBT CHARGES ASSESSED FROM COUNTY	TOTAL DEBT CHARGE
1969	\$152,320.	\$343,340.	\$495,660.
1970	358,420.	316,930.	675,350.
1971	503,604.	290,520.	794,124.
1972	697,923.	264,110.	962,033.
1973	<u>878,727.</u>	<u>237,700.</u>	<u>1,116,427.</u>
TOTAL	<u>\$2,590,994.</u>	<u>\$1,452,600.</u>	<u>\$4,043,594.</u>

(g) Saving to Province on grant for Study Area School Capital Debt Charges

The provincial debt charges grant to Halifax County for the calendar year 1968 is 50.02%.

It is assumed that with annexation in 1969 the school debt charges grant for the remainder of the County would be about six per cent higher, namely 56.02%.

Thus, there would be an extra cost to the Province in the remainder of the County, equal to 6% of the school debt charges applicable to that area.

The School debt charges applicable to that area were \$1,113,348. in 1967 (Board's report, Schedule F).

On the basis of a 6% extra cost and assuming no increase in debt charges in the 1968-73 period, the extra cost to the Province would be \$66,800.

The estimated net annual saving to the Province for the Study Area in the 1969-73 period, assuming that the grant to the County but for annexation would have been 50% in each year, would therefore be:

	<u>Gross Saving for 50% grant net payable to the City</u>	<u>Extra Cost in remainder of County</u>	<u>Net Saving to Province</u>
1969	\$ 247,830.	\$ 66,800.	\$ 181,030.
1970	337,675.	66,800.	270,875.
1971	397,062.	66,800.	330,262.
1972	481,016.	66,800.	414,216.
1973	<u>558,214.</u>	<u>66,800.</u>	<u>491,414.</u>
TOTAL	<u>\$2,021,797.</u>	<u>\$334,000.</u>	<u>\$1,687,797.</u>

(h) Payment by the Province to City in respect of the Saving to the Province resulting from annexation.

It would seem equitable for the Province, until such time as a changed formula for the school debt charges grant makes it unnecessary, to pay a transitional grant to the City equal to the annual Provincial saving as estimated in the right hand column in the above table, or if preferred, equal to the actual annual Provincial saving in each year.

MEMORANDUM D

Capital Program and Debt Charges (other than for Schools) in the Study Area, 1969 to 1973.

(a) The City's capital program, other than for schools, in the annexation area for the years 1969 to 1973 is given below.

Capital expenditures out of revenue (e.g. for public works and other vehicles etc.) have been ignored.

<u>YEAR</u>	<u>SEWERS</u>	<u>PAVING, SIDEWALKS TRAFFIC LIGHTS</u>	<u>LIBRARY</u>	<u>TOTAL</u>
1969	\$ 500,000.	\$1,000,000.		\$1,500,000.
1970	750,000.	1,750,000.		1,500,000.
1971	300,000.	1,200,000.	\$275,000.	1,775,000.
1972	375,000.	1,125,000.		1,500,000.
1973	<u>375,000.</u>	<u>1,125,000.</u>		<u>1,500,000.</u>
	<u>\$2,300,000.</u>	<u>\$5,200,000.</u>	<u>\$275,000.</u>	<u>\$7,775,000.</u>

Source: City Development Officer, Director of Works and Chief Librarian.

(b) Annual Debt Charge on Capital Program 1969 to 1973

Assuming that the financing of the above capital program is on a temporary basis for the first year at 7% bank interest, followed by 1 to 20 year debenture borrowing at 7% interest, the annual debt charges would be as shown below:

	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
SEWER	\$35,000.	\$112,500.	\$168,250.	\$207,700.	\$249,700.
OTHER	<u>70,000.</u>	<u>172,500.</u>	<u>309,750.</u>	<u>456,135.</u>	<u>569,838.</u>
	\$105,000.	\$285,000.	\$478,000.	\$663,835.	\$819,538.
Debt charges assumed from County	<u>131,683.</u>	<u>121,561.</u>	<u>111,439.</u>	<u>101,317.</u>	<u>91,195.</u>
TOTAL	<u>\$236,683.</u>	<u>\$406,561.</u>	<u>\$589,439.</u>	<u>\$765,152.</u>	<u>\$910,733.</u>

The County debt charges applicable to the Study Area were \$151,827. It has been assumed that very approximately the figure will



reduce by one fifteenth each year.

(c) Saving to Province on grant for Study Area sewer debt charges

Debt charges on debenture borrowings for sewer purposes approved after April 1, 1967 qualify for grant at the same percentage rate as school capital debt charges.

Temporary borrowings do not qualify for grant.

Had the sewer capital program been undertaken by the County in the Study Area a 50.2% debt charges grant (1968 figure) would have been payable.

The saving to the Province at 50% is therefore:

YEAR	TOTAL DEBT CHARGES	TEMPORARY DEBT CHARGES	DEBENTURE DEBT CHARGES	PROVINCIAL SAVING GRANT AT 50%
1969	\$ 35,000.	\$ 35,000.	-----	-----
1970	112,500.	52,500.	\$ 60,000.	\$ 30,000.
1971	168,250.	21,000.	147,250.	73,625.
1972	207,700.	26,250.	181,450.	90,725.
1973	<u>249,900.</u>	<u>26,250.</u>	<u>223,650.</u>	<u>111,825.</u>
	<u>\$773,350.</u>	<u>\$161,000.</u>	<u>\$612,350.</u>	<u>\$306,175.</u>

The provincial saving would be reduced to the extent that the Province incurred an increased cost in the remaining County area by paying a debt charge grant to the County at say, 56% instead of 50% because of the County's reduced ability to pay.

(d) Payment by Province to the City in respect of the saving to the Province resulting from Annexation

It would seem equitable for the Province, until such time as a changed formula for the sewer debt charges grant makes it unnecessary, to pay a transitional grant to the City equal to the annual Provincial saving as estimated in the right-hand column in the above table, or if preferred, calculate the actual provincial saving in each year.

MEMORANDUM "E"

BOUNDARIES - THE REGIONAL CITY

It became abundantly clear very early in the investigation that the City's financial problems are intimately connected with the general question of boundaries.

It is equally true that the finances of all the municipal units in the Halifax-Dartmouth Metropolitan area are affected by the boundaries question.

There is little need to emphasize the point that adequate and equitable provincial-municipal financial relations are of very great importance to municipal government. This is so for both the rural and the urban municipal units.

But it would be by no means correct to claim that sound provincial-municipal financial relations are in themselves the answer to all of the important financial and other problems of local government.

Provincial aid to municipal units is a system of transfer payments from one level of government to another.

It is important because of the need for an equitable distribution of provincial monies among the more affluent and less affluent municipal units. It is important too because no municipal unit in the Province has sufficient local revenue sources to be able to pay for all the needed local services without provincial aid. But provincial aid does not save public funds. It merely redistributes those funds.

The boundary question, on the other hand, presents many opportunities for saving or losing large sums of public money and nowhere else in the Province is this more the case than in the Halifax-Dartmouth-County of Halifax area.