



**HALIFAX REGIONAL COUNCIL
COMMITTEE OF THE WHOLE MINUTES
October 21, 2014**

PRESENT: Mayor Mike Savage
Deputy Mayor Darren Fisher
Councillors: Barry Dalrymple
David Hendsbee
Bill Karsten
Lorelei Nicoll
Gloria McCluskey
Waye Mason
Jennifer Watts
Linda Mosher
Russell Walker
Stephen Adams
Reg Rankin
Matt Whitman
Brad Johns
Steve Craig
Tim Outhit

STAFF: Mr. Richard Butts, Chief Administrative Officer
Mr. John Traves, Municipal Solicitor
Ms. Cathy Mellett, Municipal Clerk
Mr. Liam MacSween, Legislative Assistant

The following does not represent a verbatim record of the proceedings of this meeting.

A video recording of this meeting is available: http://archive.isiglobal.ca/vod/halifax/archive_2014-10-21_live.mp4.html

The agenda, supporting documents, and information items circulated to Council are available online: <http://www.halifax.ca/council/agendasc/141021cow-agenda.php>

The meeting was called to order at 10:00 a.m. and adjourned at 12:05 p.m.

1. CALL TO ORDER

Mayor Savage called the meeting to order at 10:00 a.m.

2. APPROVAL OF THE MINUTES – NONE

3. Preliminary Fiscal Direction

The following documentation was before Committee of the Whole:

- A staff recommendation report dated October 16, 2014
- A presentation entitled Revenues and Taxation, 2015-16 and onwards.

Mr. Greg Keefe, Chief Financial Officer, provided background information with respect to HRM's Preliminary Fiscal Direction. He introduced Mr. Bruce Fisher, Manager of Fiscal Policy and Planning who gave a presentation pertaining to Revenues and Taxation.

Mayor Savage thanked Mr. Keefe and Mr. Fisher for their presentation and requested questions of clarification from members of Regional Council.

MOVED by Deputy Mayor Fisher, seconded by Councillor Karsten that Committee of the Whole recommend that Halifax Regional Council:

- **Approve the preliminary fiscal direction as set out in the October 16, 2014 staff report and the staff presentation of October 21, 2014**
- **Direct staff to proceed with a 1.8% target on average tax bill but with a 0% scenario**
- **Review the approach on non-tax revenue**

Councillor Hendsbee expressed his concern regarding the lack of a policy for recreational facilities funding for rural areas of the municipality. He further inquired if staff is planning to pursue opportunities through the Federal Build Canada fund for capital projects related to rural infrastructure. He stated that Council should also consider hiring additional Fire personnel for rural and suburban communities as part of the budget process and noted that local transit tax rates must also be reviewed to better reflect transit services for rural communities. He concluded by commenting that staff should review the one kilometer distance rule for the transit tax as it is unfair that taxpayers within the same neighborhood pay transit taxes while others do not.

Mr. Fisher commented that a report pertaining to non-profit taxation will be before the Grants Committee in the near future and that in additional staff will be bringing forward reports related to recreation area rates and condominium taxation for the consideration of Council during the current budget cycle. With respect to local transit taxation, Mr. Fisher noted that the one kilometer distance rule is based on previous direction from Council and can be revisited by way of a motion of Council providing direction to do so.

Mr. Keefe noted that several capital projects, approved by Regional Council, have been submitted to the Province and Federal Government for funding under the Build Canada program. He commented that the status of these projects should be available in time for the Capital Budget presentation in December and further noted that a report pertaining to Halifax Regional Fire Services is forthcoming and will be before Council in the near future.

Councillor McCluskey thanked Mr. Keefe and Mr. Fisher for their presentation and stated that a great deal of work is involved in preparing the budget. She commented that she does not see the relevance in measuring commercial taxation by square footage as the commercial rate is not set by square footage. She further inquired if taxes collected from shopping centres and office buildings are incorporated within the document.

Mr. Fisher commented that the information provided to Council is essentially a benchmarking tool to see how the Municipality compares to others across the province and country. He remarked that the square footage requirement is to illustrate the different types of businesses with the various sectors to provide a comparison.

In response to a follow up question from Councillor McCluskey, Mr. Fisher commented that municipal expenditures are calculated by dividing the gross municipal budget by the number of households. He advised that this information is provided as a benchmark to illustrate the relevance as to how much HRM is spending relative to the size of the municipality.

Councillor McCluskey asserted that it would be helpful to see a breakdown relating to tax increases for large commercial properties compared with that of small businesses so that Council can assess how small businesses operate within the municipality

Councillor Karsten thanked Mr. Keefe, Mr. Fisher and staff for the preliminary work on the budget and commented that it is reasonable and prudent way to approach the overall process. He commented that the word 'deficit' was used in the presentation and suggested that the words 'planning gap' should be used instead, as municipalities by legislation cannot run deficits. He inquired if the planning gap for 2015-16 takes in to consideration funding for the Four Pad arena in Dartmouth.

Mr. Keefe stated that the details regarding the Dartmouth Four Pad Arena will be presented on December 3, 2014. He advised that the planning gap as projected for 2015-16 does not include the proposed Four Pad Arena for Dartmouth. He remarked that the planning gap is projected to be closed by 2016-17.

Councillor Karsten expressed his support for the motion addressing condominium taxation and stated that the current model of market value of assessments often lead to large variables between one condo property and another.

Councillor Adams inquired if the average residential tax rate of \$2,500 includes the portion of property taxes which is paid to the provincial government. Mr. Fisher replied in the affirmative.

Councillor Adams commented that the provincial portion of the property tax equates to roughly one third of the total tax rate, and stated that if the one-third is subtracted from that total average property tax bill, the revenue collected by HRM would be closer to \$1,600 or \$1,700 which places the city at the low end of taxation compared to other similarly sized municipalities across Canada.

Mr. Fisher agreed with Councillor Adams assessment but noted that many of the other cities illustrated in the staff report also have funding agreements with other levels of government.

Councillor Watts thanked staff for their presentation and noted that the budget consultations at Community Council meetings are very useful. She further commented that the online budget allocator is also useful in terms of public education around the budget process. With respect to staffing levels, she stated that the management of vacancies is essential in ensuring that services can be provided to tax payers and that there are good jobs available which contribute to the overall economy. She inquired about the anomalies between commercial and residential tax rates and if the trend of higher residential tax rates as opposed to commercial tax rates are prevalent in other jurisdictions.

Mr. Fisher noted that at the time of amalgamation, in 1996, residential and commercial taxes were split evenly at 50% commercial to 50% residential. He commented that the split between residential and commercial tax rates in HRM today is approximately 38% commercial to 62% residential. He stated that this is attributable to large increases in residential assessments and growth over the years.

Mr. Fisher commented that there has been no specific direction as to how the split should be calculated and that staff utilizes data such as Gross Domestic Product to calculate the current rates of taxation. He further commented that he is not aware of other municipalities which specifically mandate a set split

between residential and commercial taxation but that the topic is one of discussion among municipalities regarding disproportionate rates of taxation.

Mr. Keefe agreed with Mr. Fisher's comments and stated that the split between residential and commercial taxation is a popular discussion and noted that Toronto has introduced measures to assist in reducing residential tax rates.

Councillor Outhit stated that he is pleased with the preliminary work on the budget and noted that Council must be strategic in its direction to staff to ensure value for money. He remarked that there are provisions within the preliminary budget that outline debt reduction payments and inquired about previous discussions by Regional Council which pertained to increasing the debt by \$100 million to fund upcoming capital projects. He further inquired as to provisions within the budget to assist small businesses.

Mr. Keefe provided information regarding a presentation to Regional Council in July on strategic capital investments whereby staff outlined scenarios such as borrowing \$100 million to finance infrastructure projects as well as approving a one cent increase to the general tax rate to build reserve accounts to assist in funding future capital projects. He commented that a final decision has not been made by Regional Council on this matter, and as such, has not been included in the 2015-16 budget. He further commented that the objective of the strategic capital presentation was to provide Regional Council with options to allow for future strategic capital investments given the municipality's strong fiscal position and ability to effectively manage more debt to fund capital projects.

With respect to small business initiatives, Mr. Keefe commented that he had met with representatives from Business Improvement Districts regarding a potential small property tax rate for commercial properties which are assessed under a certain amount. He commented that staff will need to pursue more research on this matter.

Councillor Mason commented that he views the preliminary budget update as positive news and expressed his view that predictability in government policies and taxation is essential for businesses to survive. He requested further information with respect to non-tax revenue and the cap placed on housing assessments within the province.

With respect to non-tax revenue, Mr. Keefe commented that over the past two years staff has been focused on the tax rate but noted that \$100 million in revenue is collected through other avenues such as fees from building permits, parking tickets, etc. He commented that staff is currently assessing non-tax revenues and updating fee structures which are out of date. He further noted that a report outlining these measures will be prepared for Regional Council's consideration in the near future.

Mr. Keefe advised that Property Valuation Services Corporation, a provincial crown corporation, had prepared a report for the Union of Nova Scotia Municipalities (UNSM) regarding eliminating the assessment cap placed on residential properties in HRM. He commented that any change respecting the assessment cap is ultimately a decision of the Provincial Government. He further advised that staff had conducted some preliminary work regarding removing the cap and the effect it would have on municipal finances.

Mr. Bruce Fisher added that if the cap was removed and assessments were based on market value alone it would likely equate to an impact of 10 cents on the general tax rate. He noted, however that if this step were taken, staff would be unsure of the effect it would have on the re-sale housing market in HRM. He advised that further work would need to take place in this regard and stated that a report can be prepared which outlines the incentives and disincentives of doing so.

Councillor Johns commented that he is comfortable with the preliminary direction of the 2015-16 budget and noted that the work is very preliminary at this point and that changes can and will be made in the upcoming months. He expressed concerns about potential cuts to Fire Services and reductions in fire services to suburban and rural parts of the municipality.

Councillor Rankin commented that he looks forward to the details of budget as it is presented over the upcoming months. He stated that he hope that Council can continue to maintain the discipline on keeping the general tax rate as low as possible.

Councillor Dalrymple thanked staff for the preliminary update on the budget and suggested that a report be provided to Council which compares HRM's level of taxation with that of neighboring rural municipalities. He also echoed Councillor Johns' comments regarding potential cuts to rural and suburban fire services.

Councillor Nicoll commented on the importance of engaging the public on the budget process and inquired as to how staff is extrapolating the information from the Community Council presentations and the online budget allocator tool.

Mr. Fisher commented that the information from the public and the online tool is being circulated to staff while the budget is being prepared. He commented that comments from the public are valuable to those preparing the budget.

Mayor Savage noted that a report to Regional Council, which outlines the comments from the public regarding the budget, would be very useful to help inform decisions.

Mr. Fisher agreed with the Mayor's assessment and commented that it is the intention of staff to provide a report to Council with comments from the public.

Councillor Craig stated that further information pertaining to service standards as they relate to the budget should be presented to Council. He requested further information regarding the graph illustrated on page 25 of the presentation provided to Council regarding HRM's expenditures.

Mr. Keefe commented that the graph illustrates how much the Municipality spends per household and how much income the household(s) generate to afford the costs of the services. He noted that the intention was to show that the municipality is not growing expenditures quicker than the citizen's ability to pay for services.

Councillor Mosher commented that she supports the assessment cap as it protects existing residents from sharp increases in property assessments.

Councillor McCluskey commented that Regional Council does not have the authority to remove the assessment cap. With respect to condominiums, she inquired if staff is taking in to account that they are considered single family dwellings in some instances. Mr. Fisher replied in the affirmative and noted that an upcoming staff report will address this issue.

In response to a follow up question from Councillor McCluskey, Mr. Keefe, commented that the amount of tax appeals within the municipality is about as projected by staff. He remarked that he did not have the exact number available but would follow- up with the Councillor directly.

Councillor Watts expressed her interest in the work being conducted around potentially removing the assessment cap for residential properties. She stated that housing assessments have dramatically increased in the North End which makes living in that area challenging for some people.

Mr. Keefe commented that Government Relations and External Affairs staff are preparing a report on the fiscal review which will examine growth and assessment. He noted that staff is currently assessing potential changes to the HRM Charter which would give more flexibility around taxation and setting tax rates.

Councillor Watts further inquired if there are ways to incentivize people to support mixed housing in the urban core

Mr. John Traves, Solicitor replied that the Charter project is a large and complex undertaking and that he is hoping that it will be ready for Council's consideration in the new year.

Councillor Craig inquired if finance staff would be able to provide a status update on outstanding motions for Regional Council consideration. Mr. Keefe replied in the affirmative.

Further discussion ensued with staff answering questions from councilor pertaining to the assessment cap and taxation.

MOTION PUT AND PASSED.

Mayor Savage thanked Mr. Keefe and Mr. Fisher for their presentation and continued work on the budget. He noted that Halifax is in a good financial position thanks to the decisions of this Regional Council and previous Councils. He noted that HRM is in a stronger position than many of the other municipalities across the province which was achieved by good planning and good fortune. He encouraged residents to view the online budget allocator at shapeyourcityhalifax.ca, and noted that Councillor Karsten, Chair of the Audit & Finance Standing Committee will be acting as Chair for the remainder of the Committee of the Whole sessions pertaining to the 2015-16 budget.

4. ADJOURNMENT

The meeting was adjourned at 12:05 p.m.

Cathy J. Mellett
Municipal Clerk