

**HALIFAX REGIONAL COUNCIL
COMMITTEE OF THE WHOLE
MINUTES
January 31, 2006**

PRESENT: Mayor Peter Kelly
Deputy Mayor Russell Walker
Councillors: David Hendsbee
Gloria McCluskey
Harry McInroy
Andrew Younger
Bill Karsten
Becky Kent
Jim Smith
Mary Wile
Patrick Murphy
Sue Uteck
Dawn M. Sloane
Sheila Fougere
Debbie Hum
Linda Mosher
Stephen D. Adams
Brad Johns
Robert P. Harvey
Len Goucher
Reg Rankin

REGRETS: Councillors Steve Streach
Krista Snow
Gary G. Meade

ALSO PRESENT: Mr. Dan English, Chief Administrative Officer
Ms. Mary Ellen Donovan, Municipal Solicitor
Ms. Jan Gibson, Municipal Clerk
Ms. Chris Newson, Legislative Assistant

TABLE OF CONTENTS

1.	CALL TO ORDER	3
2.	APPROVAL OF MINUTES - January 17, 2006	3
3.	FISCAL FRAMEWORK	3
4.	ADJOURNMENT	8

1. CALL TO ORDER

The Mayor called the meeting to order at 1:34 pm.

2. APPROVAL OF THE MINUTES - January 17, 2006

MOVED BY Councillor McCluskey, seconded by Councillor Sloane that the minutes of January 17, 2006 be approved as presented. MOTION PUT AND PASSED.

3. FISCAL FRAMEWORK

- A Supplemental Information Report dated January 18, 2006 was before Council.
- A copy of the PowerPoint presentation *Fiscal Framework - Supplemental Information Presentation to HRM Committee of the Whole January 31, 2006* was circulated to Council.
- An extract of the Committee of the Whole minutes of November 15, 2005 was before Council.
- An extract of the Committee of the Whole minutes of December 13, 2005 was before Council.
- A letter dated January 31, 2006 from Valerie A. Payn, President of the Municipal Affairs Committee, Chamber of Commerce to Mayor Kelly and Council was before Council.

Mr. Dan English, CAO, assisted by Mr. Bruce Fisher, Manger, Financial Services, presented the information to Council. Mr. English commented that staff are seeking direction from Council on the Tax Rate and Service Assumptions for 2006/07. Based on the direction received from Council today, staff will return with a balanced budget for full debate, review and deliberation by Council at a later date.

Mr. English advised that HRM is facing significant external financial pressures, such as the nearly 25% of HRM taxes that are transfers to the Provincial Government over which HRM has no control. Mandatory Education payments and other required payments to the Provincial Government are estimated at \$9.2 million. The estimated municipal services costs (including operating costs to deliver existing services, new services approved in 2005/06 and "pay as you go" increase) are estimated at \$22.8 m. The total projected increases and pressures are estimated at \$32 million; an increase from \$580 m in 2005/06 to \$620 million for 2006/07. He explained that there is reason for future optimism as HRM debt is reducing and there are external funding programs, such as the Infrastructure Funding Program, will soon be available.

Councillor Mosher entered the meeting at 1:37 pm.

Councillor Johns entered the meeting at 1:41 pm.

Mr. English explained that, based on the final assessment roll, \$422 million in total tax revenue (residential and commercial) is required in order to balance the 2006/07 budget. He added that with this information, the existing tax rate could be reduced by 1.4 %.

Mr. English further reviewed the tax rate and service scenarios for a drop in tax rate of 0%, 5.1% and 10% as outlined on slide 5 of the PowerPoint presentation. Mr. English explained that a 5.1% or 10% tax rate reduction would result in significant reduction in services and Council would be required to inform staff as to which programs/services would be cut or eliminated in order to provide the chosen tax rate reduction.

Councillor Harvey entered the meeting at 1:44 pm.

Councillor Murphy entered the meeting at 1:46 pm.

Councillor Younger entered the meeting at 1:47 pm.

Councillor Adams entered the meeting at 1:48 pm.

Mr. English commented that HRM has a high dependence on property tax revenue; 82.6% in comparison to other Canadian cities (see Slide 10 of the PowerPoint presentation). He explained that HRM is faced with a revenue problem not an expenditure problem. HRM has done well in finding improvement and efficiencies as well as ongoing strategies for becoming more efficient. He indicated that HRM is low in provincial transfers and highly dependent on property tax for revenue.

Mr. English advised that May 9, 2006 is the date for tabling the 2006/07 budget. He explained that the date is later than usual due to Council's request to be more involved in the process and in determining the tax rate. Once staff has received direction from Council, time will be required to assemble envelopes for the various business units before returning with a balanced budget for Council's consideration. He added that the longer it takes to receive approval of the budget, the shorter the time frame to see changes that will result in savings. Staff will provide a report to Council on a proposed approach which will entail a service review with full Council involvement through Committee of the Whole sessions. A report will also be brought to Council from the Audit Committee regarding further possible efficiencies.

MOVED BY Councillor Rankin, seconded by Councillor Fougere that Council direct staff to return with a balanced budget that would include ways and means to have the tax rate reduced by 5.1% to reflect the ongoing principle of not taking advantage of that portion attributable to market increase.

The following comments/concerns were raised by Council during the ensuing discussion:

- Although preliminary forecasts indicate that the province will maintain the mandatory education rates, it was requested that the rate be obtained as soon as possible.

Without a vote being taken on the motion on the floor, the following motion was made:

MOVED BY Councillor Goucher, seconded by Councillor Hum that Regional Council request that the Department of Education and The Honourable Jamie Muir, Minister of Education for the province of Nova Scotia, provide HRM with the provincial education rate as soon as possible. Further, that this request be executed through Deputy Mayor Walker at the next UNSM meeting. MOTION PUT AND PASSED.

Discussion continued with the following points being made:

- Council reminded staff that a motion was made at the November 15, 2005 Committee of the Whole session requesting staff to return to Council with information on a 0%, 1.8% and 4.9% reduction in the tax rate. The information provided today is not what was requested and Council would like to have the information regarding the 0%, 1.8% and 4.9% scenarios.
- It was requested that staff provide the information rate to rate rather than in percentages.
- It was suggested that the reserve accounts be reviewed. Staff confirmed for Council that whatever was in the 2005/06 budget for reserves will be the same amount for 2006/07 (transfer).
- A review of the HOGG report was requested to determine if the Halifax Regional School Board is deficient by several million dollars and if so, that HRM take a firm stand against taxpayers paying for underfunded core programs.
- A comprehensive external audit was requested on how much HRM is spending, where it is being spent and how HRM can reduce that spending without destroying services.
- Since the UNSM and FCM intend to review the issue of fiscal imbalance, it was suggested that they review transfers to the provinces as part of the allocation as full transfer to the provinces with no attachments is not good for municipal needs/requirements.

MOVED BY Councillor Hendsbee, seconded by Councillor Murphy that Regional Council write a letter to Prime Minister Designate, Mr. Stephen Harper, regarding the cause of fiscal imbalance for the provinces and request that he be cognizant of the needs of the Municipality. Further, that a similar letter be sent to the new Premier Designate of Nova Scotia. MOTION PUT AND PASSED.

Discussion continued with the following points being made:

- The Province should be required to step away from residential tax as a source of revenue for programs.
- It was suggested that staff review the current rate of fees/fines and if HRM is not charging the maximum permitted under legislation (for deed transfer tax, hotel room levy etc.) then an increase in those fines/fees to the maximum level could be a

- revenue source that could be used before drawing on the tax base.
- A review of all reserve accounts was requested with information to be provided to Council on what the reserve accounts are, what has been drawn from them and how much remains.
- Before HRM talks about tax cuts, the issue of deferred maintenance must be addressed as HRM cannot continue to have dilapidated buildings/playgrounds. Tax cuts for the sake of tax cuts would be a disservice to residents if they do not receive services.
- What is the cost associated with the Regional Plan?
- HRM has to remove provincial money from its operating budget so that the HRM operating budget is only what HRM is doing. Although HRM did keep its operating budget flat, it does not appear that way due to the increase in the provincial obligations.

Ms. Dale McLennan, Director, Financial Services explained that HRM treats the mandatory education cost as an internal cost pressure. She explained that the Province describes it as a levy collected from property tax payers through the municipality. The province says they are not asking HRM to absorb it in their operating cost. She added that Council could consider setting the rate based on whatever the provincial increases would be.

- Property assessments for setting the tax rate is a useless measurement.
- Residents are very concerned with the increase in their property taxes, some experiencing as high as a 16.21% increase. The concern to most residents is their final tax bill. A substantial decrease in the tax rate is needed. A 3% tax rate drop has huge implications for residents whereas a 0% or 1.8% decrease does not help. The property tax rate is a serious concern in one particular district whose residents are mostly retired and on a fixed income.
- HRM cannot control the provincially mandated costs but is able to look at efficiencies in its own budget and streamline services. It is unfortunate that the residents must suffer setbacks in service due to the provincial mandatory costs
- More specific data was requested regarding new properties - do they bring more costs? What is the amount? How much more in assessment revenue this year over last year?
- Several Councillors requested the budget be reviewed line by line.
- HRM should continue with the Fire/Police and Union Contracts as agreed and then examine closely what else can be done while keeping in mind that the residents elected their representatives to ensure residents are provided with services.
- HRM should look at deficiencies and review contracting out some services. Council inquired if someone were checking the contractors to ensure the work is done to standard.
- A review should be done of the reserve accounts. Money was held for two years for a street in one area, where did the money go?
- Projects that do not get done should come back to Council.
- The purchase of Alderney Gate and the Birk property were not budgeted.
- It was suggested that perhaps HRM look at outsourcing for printing as the HRM print shop quoted almost double what outside sources were quoting for a particular

job.

- A breakdown of where residential tax dollars go was requested. For example, with a \$200,000 home, what percentage is going to education and other cost pressures.
- Separate out education/housing/assessment costs and assign a tax rate equality to it so residents can see that HRM has no control over those provincial costs.
- Cut all HRM department budgets by 10% but make it clear that it would mean huge cuts/decreases in services/programs. The 5.1% proposed reduction in the tax rate would mean an increase in the average tax bill of \$67 but a decrease in services as well.

Mayor Kelly responded to Councillor Murphy's request for an update on the meetings that were requested at the November 15th Committee of the Whole to be held with the province indicating that the meetings are ongoing and many ideas have been brought forward. He added that the province would prefer to wait until the leadership decision is made before scheduling additional meetings.

- It was noted that, due to the mandatory costs to be paid to the province, HRM paid more toward provincial jails than it did for playgrounds.
- HRM has a revenue problem and should be aggressively pursuing increasing its fiscal revenue. Perhaps a Municipal Court could be established to raise funding.
- Considering mature areas that have its facilities/infrastructures in place versus new growth areas that have services coming into the areas, what is the cost to bring services to those growing areas?
- Will there be an operational component in the budget, such as a contribution in the general tax rate to assist with heat/power/insurance costs, for those Community based facilities that are being maintained by community groups.
- Senior Management have been given operational efficiency reports and those reports should be forwarded to Council.
- There should be an inventory of street lighting and information available on the cost to upgrade to LED to reduce costs. What is the ownership status of the streetlights (Nova Scotia Power or HRM)?
- Tax accounts (files) should be identified with PID's. Currently, assessment account numbers are not affiliated with a PID. How will HRM be able to determine if they are collecting taxes on all properties?
- It was questioned whether the commercial/residential tax rate should be based solely on property assessments.
- In order to cut services it has to be clear what services HRM is currently offering. There is a list of over 200 services but is HRM providing all those and more?
- Thirteen Council Focus areas are too many and any service that does not fall into one of those categories should be cut.
- It was noted that a decrease in property tax is being considered at the same time HRM is hoping to host the Commonwealth Games.
- Residents faced with an increase of \$1,000.00 in their tax bills have to decide if they will cancel their cable, cut newspaper service or cut back on food etc. just to pay their tax bill. It was requested that staff provide information on what services can be cut. Homeowners are being forced to sell their homes due to the increases

- in property tax.
- It was suggested that HRM might consider charging the province an administrative fee for collecting funds for them which would be a good source of revenue for HRM.

Mr. English responded to Council that a reduction in the operating budget will not have an affect on the gas tax. A reduction in the capital budget may have an affect on the gas tax but that is not expected to occur.

- How can the downtown core be stabilized if people cannot afford to live there.
- A 5.1% reduction in the tax rate will be \$15 m in cuts which means there will be fewer programs than today. 5.1% is consistent with HRM's approach but is not without pain. To go to 8 or 9% is wasting Council's time.

The Municipal Clerk read the motion into the record:

MOVED BY Councillor Rankin, seconded by Councillor Fougere that Council direct staff to return with a balanced budget that would include ways and means to have the tax rate reduced by 5.1% to reflect the ongoing principle of not taking advantage of that portion attributable to market increase. MOTION PUT AND PASSED.

4. ADJOURNMENT

The meeting was adjourned at 3:37 pm.

Jan Gibson
Municipal Clerk