

COMMITTEE OF THE WHOLE
JUNE 12, 2001
MINUTES

PRESENT: Mayor Peter J. Kelly
Deputy Mayor Jerry Blumenthal
Councillors: Steve Streach
Gary Hines
Keith Colwell
Ron Cooper
Harry McInroy
Brian Warshick
Condo Sarto
Bruce Hetherington
Jim Smith
Dawn Sloane
Sue Uteck
Sheila Fougere
Russell Walker
Diana Whalen
Linda Mosher
Brad Johns
Robert Harvey
Len Goucher
Reg Rankin
Gary Meade

REGRETS: Councillors: John Cunningham
Stephen Adams

STAFF: Mr. Ken Meech, Chief Administrative Officer
Mr. Wayne Anstey, Municipal Solicitor
Ms. Vi Carmichael, Municipal Clerk
Ms. Julia Horncastle, Assistant Municipal Clerk

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1. CALL TO ORDER

The meeting was called to order at 1:30 p.m.

2. APPROVAL OF THE ORDER OF BUSINESS AND APPROVAL OF ADDITIONS AND DELETIONS

MOVED by Councillor Meade, seconded by Councillor Cooper, that the Order of Business be approved. MOTION PUT AND PASSED UNANIMOUSLY.

3. PROVINCIAL EQUALIZATION PROPOSAL

- A copy of the slide presentation was circulated to Council.

Mr. George McLellan, Deputy Chief Administrative Officer, with the aid of slides advised:

- the original proposal was for the Province to assume responsibility for corrections, housing and grants in lieu;
- the Province would agree that HRM paid equalization based upon the value of the tax base;
- the proposal by the working group would see all Municipalities turn over deed transfer tax which was based on the sale of properties in each respective Municipality with a fee of 1.5% going to fund an equalization program distributed through the Province;
- the deed transfer tax would be transferred to the Province;
- the surplus would stay in a reserve;
- the UNSM proposal would look for a three year arrangement which would be used to discuss issues such as governance and the future of various municipal/provincial relationships;
- downloading would have to stop in this interim period;
- the proposal would cost HRM less

In response to Deputy Mayor Blumenthal, Mr. Fisher, advised he did not see the HRM assessment base decline. He advised there has been regression analysis carried out on the tax base for long term budgeting purposes and there has been success in determining where the residential assessment is going, noting the commercial tends to go up and down. When those projections were done, it was found that growth in the long term was approximately 2.6 to 2.9 percent if HRM grows each year.

Deputy Mayor Blumenthal noted that Council had set up principles and questioned whether those principles were met in the UNSM working group. In response, Mr. McLellan advised the

terms of HRM as set out in the letter to the Minister were consistent. The terms were no property tax and governance be revisited.

MOVED by Deputy Mayor Blumenthal, seconded by Councillor Hetherington that Halifax Regional Council endorse the UNSM proposal and request that surplus/residual funds be utilized to reinstate the Capital Grant program.

Mr. Meech stated that when a meeting was held with the Minister, the Minister had made it quite clear that the Province saw itself more as a trustee of these funds as opposed to being in a position to direct where the surplus funds would go; therefore, they would be looking to the UNSM to seek guidance as to where those funds should be allocated.

Mr. McLellan stated the reinstatement of the Capital Grant program is not intended to be a condition.

Deputy Mayor Blumenthal stated:

- this is a bad deal because HRM is taking over the Province's responsibility;
- all the Province had to do was raise income tax in order that the rich would cover the poor;
- taxes are being raised on the backs of Municipalities;
- this is the best of a bad deal;
- the only good thing about the deal is that it has to be signed by all the parties;
- whatever is written has to go back to the Province and a contract has to be set up;
- the second most important part of this deal is that in three years there is going to be a governance or protocol which means HRM will be recognized as a form of government;
- if HRM does not accept this, the Province can do whatever it wants;
- it is a three year interim agreement according to the Province until they are able to do something on their own;
- since amalgamation the Province has downloaded approximately \$43 million on the Municipality;
- the government has to set up bench marks of how the money is accepted and those people who become takers have to say how they are spending it;
- the Province needs to set up some sort of a watchdog to track spending;
- a signed contract would place HRM with a firm stand.

Councillor Hetherington stated:

- the public is against the basic feeling of equalization as it was proposed;
- HRM Council, as a municipal council, should control the situation;
- if it is left the way it was and/or do nothing it will be in the hands of the Province to do

- what they want to do;
- HRM will have to pay out approximately \$7.5 million;
- many of the Municipalities agreed with the old proposition from the Province because they were all recipients;
- the proposal in front of Council was endorsed by all Municipalities with one exception;
- HRM does not want to get into the situation where the Province sends HRM a bill for whatever amount they choose each year;
- HRM needs to say take the deed transfer tax and stay out of the Municipal tax base;
- HRM believes in equalization for those municipalities that are suffering but is saying don't take the municipal tax base.

Councillor Uteck stated she sees the ten points as the beginnings of negotiation.

Councillor Rankin stated it is important for HRM to keep in mind that the majority of municipal units in the Province did not get what they wanted but rather modified their position. He questioned if HRM was going to insist on an agreement that was enforceable in law.

Mayor Kelly advised UNSM has made it clear that they want this to be a contractual agreement.

Councillor Rankin received clarification that it was being requested that the education rates would be frozen at the 90/10.

Deputy Mayor Blumenthal stated that as of 2002 there will be no more education costs over the 2001 basis. It would be 90/10 for this year but anything over what is being paid this year will not be paid by HRM but by the Province.

Councillor Harvey stated:

- the proposal is another form of downloading;
- Municipalities are the responsibility of the Province, not other Municipalities;
- the General Revenues of the Province should support this equalization program as they have in the past and those with the greatest ability to pay will pay for it;
- under this proposal it is not property tax but a traditional source of municipal revenue, the deed transfer tax;
- to accept the proposal means HRM is prepared to turn over the anticipated assessment growth from next year;
- what would happen if growth was not as high as this year then the Municipality would have to still find the money;
- the Municipality needs to look beyond the Province and perhaps form an agreement with the Federal government.

Councillor McInroy stated to condone the proposal would only compromise the Municipality and may be used against HRM down the road. He stated HRM has to get to a point where it does not have to deal with the downloading and shifting as it currently occurs. He stated the Province should take on and implement a provincial deed transfer tax. He questioned to what extent the proposal directs the Province in levying the provincial deed transfer tax and administering it.

In response, Mr. McLellan advised it is his understanding that the Province would still like to avoid giving the perspective that this is their tax. The UNSM proposal states that it will go to the Province in the year 2002.

Councillor Sarto stated this proposal is the lesser of two evils. The Province lacks the fortitude to look into areas where they can raise revenue to help those municipalities that are in need of additional operating funds. He stated the taxpayers are going to be the losers because there will be a shortage in next years revenue and if it is not gained through other sources it will have to be through property tax.

Councillor Colwell stated that any downloading from the Province is inappropriate. He stated that this would be opening the Municipality to more and more downloading. This is not going to solve anything. He stated he is not in agreement with placing any more burden on the HRM taxpayers.

Councillor Smith stated the Province should be responsible for this. He expressed concern as there are no guarantees. He stated the Municipality should demand that equalization is funded by income tax.

Councillor Cooper stated there is a need for equalization and encouraged Council to continue with the process.

Councillor Warshick stated there are no future guarantees and expressed concern with the three year agreement. He stated HRM will be the biggest loser in this proposal and does not believe the Province will accept all ten proposals. There should be broad Municipal and public support, noting there is not public support.

Councillor Whalen stated that HRM agreed to the principle of equalization and consideration has to be given to how the Municipality can mitigate risks to the residents of HRM. She stated the proposal needs to be accepted by the Province.

In response to Councillor Smith, Mr. McLellan advised the equalization formula does not change. What is changed is the way the funds are raised. There are expectations that there will be standards regarding who needs the money.

Mayor Kelly stated this is a poison pill and HRM is being forced into this. He stated fifty five units are contributing under this plan. Over the next three years HRM is requesting the Province come to the table and give the Municipality control over it's own future. If the Province does not give that control back, then HRM will not be at the table the next time. The Province has to establish benchmarks and if the other municipalities do not adhere to those benchmarks then there will be adjustments.

MOTION PUT AND PASSED (15 in favour, 6 against)

4. ADJOURNMENT

MOVED by Councillor Hetherington, seconded by Councillor Hines, that the meeting be adjourned at 3:40 p.m. MOTION PUT AND PASSED.

**Vi Carmichael
Municipal Clerk**