

HRM Grants Committee
June 13, 2011

TO: Chair and Members of HRM Grants Committee

SUBMITTED BY:



for Paul Dunphy, Director, Community Development

DATE: May 10, 2011

SUBJECT: **Requests from Non-Profit Organizations for Waiver or Discounted
Municipal Fees**

INFORMATION REPORT

ORIGIN

This report originates with a request from the A/CAO and the Director of Community Development for a staff report to address requests from non-profit organizations for the waiver of municipal fees or discounted rates. This report is intended as a discussion brief. Further consultation with the applicable advisory committees (solid waste, events) and departmental staff will be required should there be interest in exploring a specific option.

BACKGROUND

HRM receives unsolicited requests throughout the year from non-profit groups on an ad hoc or case-specific basis for the waiver of municipal fees. Such requests are received through various formal and informal points of contact across HRM's administration. Typically, requests for concessions relate to:

- Waste management fees;
- Building and construction-related fees; and
- Charge-backs for municipal services used by event organizers.

Senior management asked staff to review municipal fees with respect to the feasibility of any discount or waiver, and/or applicable policy implications. It is important to note that HRM has recently increased fees (many of which were out-dated) to address immediate financial challenges. Increasing fees is sometimes viewed as preferable to the general tax rate in terms of targeting a greater share of costs to service users.

For readers unfamiliar with current legislation, policy and fee schedules, documentation is available on HRM's web site at www.halifax.ca (See: By-laws and Administrative Orders).

EXECUTIVE SUMMARY

- **Incentives in Preference to Fee Concessions:** It is anticipated that the provision of concessions will drive demand from a broader constituency. Therefore, any consideration of fee discounts should clearly target specific municipal priorities within a clearly defined program of limited duration. An incentives approach positions HRM's priorities foremost in preference to simply requests for financial assistance/cost savings. Presumably, priorities are based on objective research in relation to local conditions and as such link to an ability to monitor measurable impacts.
- **Target Assistance:** The indiscriminate waiver fees (i.e. curb-side pick-up of solid waste or recyclables, demolition debris) could inadvertently decrease source separation and diversion efforts. Likewise, building and construction-related fees are a one-time, non-recurring cost in relation to a specific project. In some cases these fees are eligible for funding under provincial or federal government capital financing. Therefore, any reduction in HRM's fees might not realize a net benefit in affordability or cash flow management for the proponent if the saving is clawed back by a funding agency. HRM has no capacity to ensure that any individual or cumulative savings are re-directed to other capital projects within the region.
- **Rationalization of Municipal Assistance:** Any consideration of fee concessions should consider other forms of project-specific or recurring municipal assistance. For example, less than market value property leasing or sales, real property/fire tax concessions, cash grants, or in-kind product or service.
- **Monitor Indirect Impacts:** The introduction of fee discounts is not advised at this time due to the financial challenges faced by the Municipality. Poorly targeted concessions drive up costs to others, including lower income households and individuals.

DISCUSSION

The following outlines various options for consideration categorized around three themes:

- Waste management fees;
- Building and construction-related fees; and
- Charge-backs for municipal services used by event organizers.

The discussion and options presented are not intended as exhaustive. Moreover, they are presented based on an assumption and acknowledgement that HRM faces severe budget constraints, and that this should inform any future decision making.

1. Waste Management

Regulation: The term waste management includes curb-side pick-up and disposal of solid waste, recyclable materials, and compost. HRM By-law S-600 regulates the identification, separation, collection and disposal of solid waste, recyclables and organic material. All associated fees are

listed in Administrative Order 16. The revenue generated by these fees subsidizes the cost of developing and maintaining municipal landfill and recycling facilities, and composting services sub-contracted to the private sector.

Service Eligibility: Presently, the scope of service is based on HRM's capacity to provide timely pick-up and to minimize issues related to an excessive build-up of refuse and related waste products on public streets. Hence, By-law S-600 restricts municipal service to residential properties: single dwellings, row housing with street frontage, and apartment buildings of six units or less. Commercial, institutional, and non-profit property owners that do not meet the eligibility criteria must either provide the haulage service and pay tipping fees themselves or contract private services. Residential, commercial or institutional construction, demolition, or home renovation waste is not eligible for municipal collection.

Non-Profit Organizations: With the exception of resource lands and those housing properties owned by non-profit groups that meet the criteria set out in By-law S-600, the majority of non-profit organizations pay for waste management services either through lease agreements, use of internal staff resources, or by sub-contracting. It should be noted that the volume of requests for fee concessions has not been high. Requests for curbside pick-up or fee concessions tend to originate with churches and community feeding programs, notably food banks. Requests might also originate with groups undertaking large-scale construction projects or extensive renovations that generate a high volume of building debris, and event organizers. However, the provision of any waiver or discount should be expected to drive demand.

Incentives in Preference to Fee Concessions: In the opinion of staff, any discount for solid waste may be counter to HRM's overall goal of enhanced source separation and reducing landfill use. Therefore, if Regional Council wishes to provide additional assistance to the non-profit sector it might be preferable to do so in the form of an incentive to increase source separation, the composting of organics, and recycling of construction-related waste. For example, HRM could offer a partial rebate on annual (not cumulative) haulage costs for organics, or tipping fees for construction waste, when the fees paid exceed a pre-determined threshold. Rates could be adjusted on a sliding scale to provide discounts commensurate with volume. Such incentives should "reward" high rates of diversion so as to justify the broader benefit to the general public while targeting groups who generate high volume by virtue of their *primary* service mandate such as food bank, soup kitchens, or day care. Any such policy should identify the specific type of cost subsidized i.e. haulage (paid to a third party) and/or tipping fees (paid to HRM) and use a reimbursement approach – not grants.

Conceivably, some non-profit groups might reduce their solid waste haulage costs by increasing source separation and diversion (there are no fees for recycling). Any incentive program would also benefit from targeted educational programs, for example guidelines for contracting haulage services, negotiating volume discounts or group rates etc. The latter should avoid duplication with self-help and technical publications already available through the Resource Recovery Fund Board.

On the basis of this initial review, staff concludes:

- Policy restricting solid waste service eligibility is predicated on HRM's capacity to attain and maintain specific service standards; not on the capacity (financial or otherwise) of individual property owners. Consequently, service focuses on residential customers most of whom are not expected to generate the volume of waste that might be expected of most (not all) non-residential use. Arguably, institutional, commercial, and non-profit operators may have greater latitude as compared to private homeowners to recover this type of basic operating costs through product and service pricing, user fees, tenancy etc. Unlike private property owners, some non-profit groups have access to publicly funded operating grants or service subsidies. Currently, the program is applied consistently irrespective of type of ownership or ability to pay.
- Any consideration of volume discounts on solid waste fees might also take into consideration other forms of municipal subsidy. For example, some non-profit groups are exempt real property tax by legislation yet consume public services. Others receive discretionary tax exemption under By-law T-200. Arguably, the recurring operating costs of those non-profit property owners in receipt of full exemption or significant discounts are already publicly subsidized.
- Any consideration of fee discounts for organics should (a) target actions that reduce landfill use and increase composting, (b) provide discounts on a sliding scale based on volume, and (c) target community-based programs that, by virtue of their *service mandate*, generate above average organic waste. For example, community feeding programs and food banks, not permanent bars or restaurants that function as revenue-generating venues for membership-based clubs, service clubs, churches or community halls etc. The intent would be to mitigate funding fund-raising ventures. Any volume discount that increases the diversion of organics and decreases landfill use would be an incentive and not offered as a quasi-entitlement by virtue of non-profit status alone.

2. Building and Construction-Related Fees

Building and construction-related fees include code compliance, capital cost recovery charges, a wide variety of permits (occupancy, demolition, building), location certificates and inspections. Albeit the collection of fees is primarily a municipal function the recipient of these revenues might also include collection and remittance on behalf of a third party eg. the provincial government or utilities (water, sewer, power). Unlike waste management fees, there are no access restrictions. Consequently, fees are user-pay and only partially recover HRM's actual service costs.

All non-profit organizations are subject to the applicable fees, including property owners, tenants undertaking major leasehold improvements, and outdoor construction projects (eg. trails, parks, campsites). A partial rebate on sales tax may be claimed by heritage property owners or registered charities. Generally, the volume of requests is not high and tends to increase in conjunction with federal capital funding programs. To date, most requests for concessions have been from non-profit housing groups in relation to the construction of residential apartments, shelters, or home ownership for lower income persons. On occasion HRM might be asked to waive or discount fees in relation to a fundraising lottery.

On the basis of this initial review, staff conclude:

- Albeit the majority of requests for fee concessions have been from the affordable housing sector, there is no evidence to suggest that these organizations and/or projects demonstrate greater 'need' as compared to other non-profit groups undertaking construction projects. To the contrary, major new construction projects are often assisted through government grant programs and/or loan guarantees. Therefore, a focus exclusively on a specific element of the non-profit sector may be challenged.
- Any consideration of fee discounts for construction, demolition or renovation debris should (a) target actions that reduce landfill use and increase recycling, and (b) provide discounts on a sliding scale based on volume to encourage source separation. Any assistance provided by HRM shall be recognized as an in-kind contribution towards property construction or adaptive re-use and rationalized with any discounted municipal property sale, cash grant, tax exemption, donation or sponsorship.
- Any consideration of fee discounts for construction debris and demolition waste be incorporated under the Affordable Housing Functional Plan in the form of strategic incentives aimed at increasing occupancy/number of units/beds, location, housing type, price range etc. For example, discounts might be restricted to new construction or renovations that increase the region's portfolio of affordable or supportive housing rental units and exclude other non-profit capital projects (eg. repairs, leasehold improvements, aesthetic upgrades, or non-residential use). Further, any such program should be of limited duration and scheduled to coincide with provincial/federal capital funding programs, thus providing additional leverage in terms of municipal priorities.
- In the alternative, HRM could grant full tax exemption during the holding and construction period for a pre-determined period. Once the occupancy permit has been granted, irrespective of actual tenancy or owner occupancy, the level of tax assistance reverts to either full taxation or the 'standard' discount permitted under By-law T-200. The affordability of this approach might necessitate a rationalization of current tax subsidy levels for non-profit housing organizations currently in receipt of partial tax exemption.
- HRM's capacity to increase assistance to the non-profit housing sector has been impacted by the reinstatement of a mandatory municipal contribution to the annual operating deficit of the Metropolitan Housing Authority. In 2011-2012, this cost is estimated to be ~\$2,400,000.

3. Municipal Services Fees - Events

HRM currently recovers most costs associated with both internally and externally delivered events. While a formal cost recovery policy is not in place, it is a well-defined organizational practice. Cost recovery is typically based on an understanding of the driver/activity that has the greatest correlation with actual cost. In HRM, this information is captured by assigning a project number to each event, and tracking staff time (including overtime and overhead) as well as

equipment costs. Obviously, municipal service fees incurred vary significantly by type, size, complexity, duration, and location. Typical fees include street closures/loss of parking meters, permits, facility rental, solid waste haulage, security/traffic control, fire inspection etc. Most requests for the waiver of fees appear to be from event organizers who want a net financial contribution in excess of HRM service or rental fees.

Analysis of HRM Cost Recovery Impacts:

Table 1 provides a summary of the costs recovered by HRM from specific event organizers, including HRM delivered civic events. HRM Civic Events division pays internal business units, on average, \$110,000 per annum in support of festival and event program delivery. The Halifax-Natal Day Festival incurs the most expense of approximately \$33,000 per annum. Cost recovery among externally delivered events, such as the Jazz Festival, range depending upon event type – parade versus concert - as well as event scale, location and programming complexity.

TABLE 1 - Municipal Services Cost Recovery for Events (2004-2008)					
Event Name	2004	2005	2006	2007	2008
ANNUAL CIVIC EVENTS (HRM Delivered)					
Canada Day	\$12,000	\$12,000	\$16,000	\$12,000	\$14,000
Natal Day Fest	\$38,000	\$43,000	\$31,000	\$33,000	\$35,000
Christmas Tree	\$11,000	\$13,000	\$13,000	\$13,000	\$15,000
New Year's Eve	\$17,000	\$16,000	\$12,000	\$14,000	\$13,000
Bedford Days	\$5,000	\$10,000	\$10,000	\$10,000	\$15,000
Dart Tree Lighting	\$11,000	\$13,000	\$14,000	\$13,000	\$15,000
Menorah	\$4,000	\$1,000	\$3,000	\$2,000	\$5,000
Total	\$98,000	\$118,000	\$99,000	\$97,000	\$112,000
ANNUAL CULTURAL HALLMARK EVENTS (Non-HRM Delivered)					
Jazz Festival	\$4,000	\$6,000	\$3,500	\$3,500	\$3,500
Int Buskers Fest.				\$14,000	\$22,000
Total				\$17,500	\$25,000
ANNUAL HALLMARK SPORT EVENTS (Non-HRM Delivered)					
Int Bluenose Marathon	\$22,000	\$51,000	\$39,000	\$38,000	\$44,000
Total	\$22,000	\$51,000	\$39,000	\$38,500	\$44,000
ANNUAL COMMUNITY EVENTS					
Parade of Lights	\$12,000	\$12,000	\$13,000	\$19,000	\$19,000
Multi-Cultural Fest	\$4,000	\$6,000	\$3,000	\$4,000	\$2,500
Total	\$16,000	\$18,000	\$16,000	\$23,000	\$21,500

Preferred Practices:

An independent research study of cities reviewed current cost management and cost recovery practices for planned special events. Table 2 highlights the study's findings. Research shows an inconsistent approach to cost management for special events. While some cities employ degrees of cost recovery, others do not recover any costs. One notable exception among all cities reviewed is that none recover the costs associated with their planned civic events, anniversaries and commemorations, or public assemblies and demonstrations.

Table 2: Preferred Practices Special Event Cost Recovery Approaches

City	Budget	Cost Estimates	Cost Recovery and/or Cost Management
Edmonton	No	No	Direct cost recovery basis.
Vancouver	Yes	No	Costs waived for civic events Provide grant for offsetting costs Direct costs recovered.
Toronto	No	No	Direct cost recovery for police & engineering services.
Montreal	Yes	No	Provides police and fire services
Calgary	Yes	No	City establishes special events budget under Roads Department.
Baltimore	No	Generally	Cost Recovery is case-by-case for personnel and equipment; The city makes an effort to minimize overtime
Boston	No	Sometimes	The city recovers lost parking meter revenue; The city makes an effort to minimize overtime
Los Angeles	Yes	Yes	Cost recovery is estimated at approximately five percent; Special Operations Division reviews, approves & monitors SE costs
New York	No	No	Occasional cost recovery
Philadelphia	No	No	Occasional cost recovery
Phoenix	No	Yes	Most costs are recovered
Seattle	No	Yes	Most costs are recovered
Washington	No	Flat Fee	Some costs recovered. Cost recovered based on flat fees.

3.1 Alternatives to Direct Cost Recovery:

In cities where full direct cost recovery is not desired, but the demand for municipal services exists, a variety of approaches have been implemented. The following provides an overview of practices employed by other cities in the absence of direct cost recovery.

A) Civic Events, Assemblies, Marches, & Demonstrations

In all cities reviewed, costs for events including City-sponsored events and public demonstrations and marches, are not recovered.

B) Special Events Operating Budgets

An annual operating budget is established to cover the cost of major events.

D) Grants

Some cities have elected to recover costs for non-civic events, but to minimize the impact to event organizers by establishing grant programs to offset the cost of municipal services.

E) Cost Management

Many cities manage and minimize the costs of supporting special events by relying more on having workers on a shift schedule.

A Few Considerations

HRM currently offers granting programs that can be used to offset municipal services, and has made some strides respecting scheduling of employees during normal operating hours, where feasible, to reduce costs. However, HRM is inconsistent with the best practices cities when it comes to service recovery for its own civic event delivery. There is an argument that civic events play a social good and therefore, HRM may wish to consider waiving these fees given their broad community impact. Additionally, the indirect impact such events have on local property values, economic development, safety, and local quality of life are factors that HRM may weigh in considering cost recovery.

On the basis of this initial review, staff concludes:

- Municipal fees are eligible expenses under existing non-profit grants programs for events
- Additional municipal fee subsidies may not be feasible given capacity constraints in relation to increasing demand, but there may be merit in reconsidering the practice of service cost recovery by HRM for HRM delivered civic events.

BUDGET IMPLICATIONS

None. This is an information report only.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Project and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Project and Operating reserves, as well as any relevant legislation.

COMMUNITY ENGAGEMENT

Not applicable.

ATTACHMENTS

None.

A copy of this report can be obtained online at <http://www.halifax.ca/commcoun/cc.html> then choose the appropriate Community Council and meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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