

**SUBMITTED BY:** 

PO Box 1749 Halifax, Nova Scotia B3J 3A5, Canada

Item No. 11.1.11 Halifax Regional Council May 11, 2010

TO:

Mayor Kelly and Members of Halifax Regional Council

c11

Dan English, Chief Administrative Officer

Mike Labrecque, Deputy Chief Administrative Officer - Corporate Services and Strategy

**DATE:** May 5, 2010

### SUBJECT: Reinstatement of District 3 Capital Area Rate

### <u>ORIGIN</u>

On January 26, 2010, Regional Council approved entering into a joint project with the Province to add a community centre component to the new Lakeview Elementary School project located in Porters Lake. Part of the Recommendation approved by Council was to direct staff to initiate a public consultation process to determine the appropriate catchment area for an area rate as the community contribution to the project.

### **RECOMMENDATION**

It is recommended that Halifax Regional Council:

- Commencing with the 2010-11 fiscal year, reinstate the District 3 Capital Area Rate of \$0.024 per \$100 of taxable assessment to be applied to the Residential, Resource, Commercial and Business Occupancy assessment within the Rural Tax Area of District 3 as the boundaries for that District existed prior to the District Boundary Review in 2004.
- 2. The term for the Area Rate will be for a period of not more than 10 years, unless Council approves other projects to be funded from the District 3 Capital Area Rate prior to the end of the term.
- 3. Increase the 2010/11 Operating Budget by \$600,000 for the construction of the Porters Lake Community Centre with funding provided from the District 3 Capital Area Rate.

### BACKGROUND

The District 3 Capital Area Rate was approved by Council on July 14, 1998 to fund three recreation capital projects within District 3. The area rate was applied to the Residential and Resource assessment within the Rural Tax Area of District 3. A transfer was provided from the General Tax Rate equal to what the area rate would have generated had it also been applied to the Commercial and Business Occupancy Assessment.

Several other recreation capital projects within the District were later approved for funding from the area rate. The following table is a list of each project along with the amounts of funding provided.

Project	Area Rate Funding	
Lake Echo Community Centre Upgrades	\$ 470,000	
Chezzetcook Fire Station: Elevators	\$ 157,300	
Lawrencetown Community Centre Upgrades	\$ 85,800	
Chezzetcook Fire Septic Field Upgrade	\$ 61,800	
Head Chezzetcook School Conversion	\$ 50,000	
Kinap Athletic Club Upgrades	\$ 43,800	
Ste. Therese School Conversion	\$ 25,000	
East Preston Recreation Centre Equipment	\$ 25,000	
Seaforth Hall Renovations	\$ 25,000	
Total Funding Provided:	\$ 943,700	

### Table 1: Projects Funded from District 3 Capital Area Rate

Collection of the area rate began in 1999-2000. The area rate was discontinued after 2005-06 because sufficient area rate revenue had been collected to fund all the projects approved by Council. For most of that period, the area rate was set at \$0.024 per \$100 of taxable assessment.

On January 26, 2010, Regional Council approved entering into a joint project with the Province to add a community centre component to the new Lakeview Elementary School project located in Porters Lake. Council directed staff to include \$1.65 million in the 2010-11 Operating Budget as HRM's contribution to the cost of the new facility, estimated to be about \$3.3 million. The balance of the cost is to be funded from an area rate and a possible private donation. Any donations or other outside funding received will be used to reduce the amount of area rate revenue required. Council also directed staff to initiate a public consultation process to determine the appropriate catchment area for an area rate as the community contribution to the project.

### **DISCUSSION**

Following discussion of a number of catchment area scenarios with the Councillor of District 3, it appeared that reinstatement of the Capital District 3 Area Rate would be the most desirable approach from an equity perspective. The total assessment base of the communities of Porter's Lake, West Porter's Lake, and Middle Porter's Lake make up about 30% of the total rural assessment base in District 3. Therefore, the property owners within those communities would have contributed the same proportion of the total levy received from the District 3 Capital Area Rate from 1999-2000 to 2005-06. Yet those communities received funding for only one project; the Kinap Athletic Club Upgrades. Less than 5% of the total levy collected from the District 3 Capital Area Rate was applied to this project.

Since the new facility will be centrally located within District 3, the use of the boundaries of the District 3 Capital Area Rate also provide a reasonable catchment area of potential users of the facility. Including the area rate contribution required for this facility, 70% of the total levy raised from the Area Rate since it's inception in 1999-2000 will have been used to fund it's construction. However, most residents of District 3 live close enough to utilize the facility on a regular basis.

The Interim Area Rate Guidelines provide the basis for a community consultation process for new area rates, including the mailing of a formal ballot to all owners of property within the proposed catchment area. However, in this case, Council approved the use of an area rate to provide up to \$1.65 million of the project funding before a formal balloting could take place. This was necessitated by the sudden announcement to construct a new school in Porter's Lake during the recent Provincial election campaign. A quick response from HRM was required to take advantage of this partnership opportunity without delaying the new school's completion date. As a result, there was not sufficient time to complete a comprehensive community consultation with a formal ballot.

The current status of this area rate in terms of the Interim Area Rate Guidelines is as follows:

## 1. Area rates can only be used for the provision of services within the municipal mandate; services traditionally provided by the municipality.

Section 65 (ag) of the Municipal Government Act states that "Council may expend money required by the municipality for playgrounds, trails, bicycle paths, swimming pools, ice arenas and other recreational facilities." The Halifax Regional Municipality and its predecessor municipal units have traditionally funded, either entirely or partially through partnerships, the construction and ongoing operating costs of recreation facilities.

### 2. Area rates are not to be used to provide different levels of a municipal service within urban and suburban areas where said service is covered by the general tax rate.

The communities to which the area rate would be applied are entirely within the rural area of HRM.

## 3. In order for a proposed new area rate to move to the process as outlined in #4 below, it must have the support of the area's Councillor(s).

The catchment area for this area rate falls entirely within District 3. Councillor Hendsbee requested that staff bring forward a proposal to Council to enter into a joint project with the Province to add a new recreation facility to the new school for Porters Lake and to partially fund it from an area rate.

# 4. Proposals for new area rates must be advertised publicly, clearly identifying affected areas, the purpose for the rate, rate information and the duration the rate is expected to be charged. A public meeting will be held and those attending the meeting will be informed of the rationale for the rate and consulted on its appropriateness.

The public consultation required by Council consisted of a mass mailing of a one page information flyer to all residents within the rural area of District 3. A copy of the information flyer is attached to this report as Appendix A. It provided a brief description of the purpose, amount and term of the area rate, and a map of the catchment area on the reverse side. It also provided the date, time and location of a public information meeting on the new facility and the area rate to support it.

At the public information meeting held on April 22, 2010, School Board and Department of Education officials provided details on the new school. Afterwards, HRM staff gave a presentation on the recreation facility component, including the design and layout, the funding for the project, and details regarding the area rate. The floor was then opened for questions. A few questions were raised regarding the area rate, but there did not appear to be much vocal opposition to it at the meeting.

There was concern expressed at the meeting regarding the lack of public consultation. This concern was acknowledged by the Councillor and staff. It was explained that a quick response from HRM was required to take advantage of this partnership opportunity without delaying the new school's completion date, and therefore there was insufficient time to conduct the thorough public consultation which is normally carried out.

Most of the questions regarding the recreation facility centred on the design and layout. Concern was expressed that there was insufficient space in the multi-purpose room for exercise classes which were currently being held at the old facility. Following the public meeting, staff met with

School Board officials to discuss the possibility of expanding the overall facility space by approximately 1,000 square feet to accommodate this requirement. The School Board has now confirmed that this change can be made without affecting the construction schedule and the opening date for the new school. The estimated additional cost for this change is \$600,000 which would be entirely funded for from the District 3 Capital Area Rate. The total project cost is now \$3.9 million, with approximately \$2.25 million from the Area Rate and other external sources of funding, and \$1.65 million from the 2010/11 General Tax Rate as approved by Council on January 26, 2010.

5. With the concurrence of the Councillor, the request is forwarded to the Community Council for review and a recommendation to Halifax Regional Council. Where a Community Council does not exist, the request will go directly to Halifax Regional Council.

Since Regional Council has already approved the use of an area rate to provide part of the funding for this project, and directed staff to initiate a public consultation process to determine the appropriate catchment area for the area rate, it is not necessary or appropriate in this case to seek Community Council approval before proceeding to Regional Council.

6. Any proposed new area rates recommended by a Community Council (or, in the absence of a Community Council, the Councillor for the area) will be submitted to Halifax Regional Council through a staff report with a recommendation from the Chief Administrative Officer. The staff report will identify the implications to the Municipality along with the results of any public meeting.

The purpose of this report is to provide Regional Council with the necessary information required to decide whether to proceed with the area rate as recommended in this report. The implications to the Municipality are identified under the Budget Implications section which follows.

7. Halifax Regional Council is responsible for approving all area rates.

### **BUDGET IMPLICATIONS**

Funding for the additional \$600,000 required to increase the floor area for the new facility will be provided entirely from the District 3 Capital Area Rate. Therefore, there is no net impact on the Operating and Capital Budget for 2010-11. Following is a summary of the funding sources for the project:

### **Funding Sources:**

Operating Budget - General Tax Rate (1)	\$1.65 million
District 3 Capital Area Rate (2)	\$2.25 million
Total Funding & Project Cost:	\$3.90 million

(1) Approved by Council on January 26, 2010

(2) Any other external funding received, including donations, will be

used to reduce the amount required from the area rate

Included as Appendix B to this report is a 10 year projected cash flow schedule which compares the area rate revenue each year to the required debenture debt payments. Debt payments are projected to exceed area rate revenue from years 1 to 6. The resulting negative balance for those years must be funded from excess cash flow which would otherwise be invested by HRM. The loss in investment income is estimated to be about \$15,300 which will be recouped in years 7 to 10 from the area rate.

Unlike the original District 3 Capital Area Rate which was applied to only the Residential and Resource taxable assessment, the reinstated Area Rate will be applied to all taxable assessment including Commercial and Business Occupancy. Therefore, a transfer from the General Tax Rate will not be required, and there will be no net impact on the Operating or Capital Budget in 2010-11 or in future years.

### FINANCIAL MANAGEMENT POLICIES/BUSINESS PLAN

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

### **ALTERNATIVES**

Council could decide to (1) amend the catchment area for the area rate, (2) change the amount of the rate itself, (3) extend the term of the area rate, and/or (4) not approve the additional \$600,000 required for this project.

### **ATTACHMENTS**

Appendix A: Information Flyer with Map of Catchment AreaAppendix B: Projected Cash Flow Schedule

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

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Halifax Regional Municipality invites you to an information session regarding the construction of a replacement community recreation facility in Porters Lake. This new facility will be built as an addition / enhancement to the new elementary school.

Both facilities are scheduled to be open for use in September of 2011.

A presentation regarding the design and lay out of the recreation facility will take place after Halifax Regional School Board officials present plans for the new school.

Members of the public are invited to submit ideas and suggestions for recreation programs and services that they would like to have offered at the new facility. We are also looking for volunteers to join the management and advisory board.

Funding for the recreation facility has been approved by Halifax Regional Council and consists of a combination of HRM capital funds, area rate property tax revenue, and community fundraising. This project is moving forward at this time because of the unique opportunity to combine it with a new school saving millions of dollars over the cost of constructing a stand-alone facility. HRM will also be funding 50% of the cost through its annual Capital Budget program. As a result, the area rate will be no more than the District 3 Capital Area Rate of \$24.00 per \$100,000 of assessment which was charged on property tax bills in the District from 1999 to 2005. The area rate would be required for less than 10 years. This compares favourably to the following area rates currently in place in other areas of HRM for construction of new recreation/ community facilities:

	Rate per \$100,000	Duration
	of assessment	(Years)
Beaver Bank Recreation Centre:	\$70.00	20
Gordon R. Snow Community Centre (Fall River):	\$63.00	10
Prospect Road Recreation Centre:	\$38.00	20

A map of the area that would be subject to the area rate is on the reverse side of this notice. There will be an opportunity at the meeting to answer questions from the public regarding the area rate or any other aspect of the funding.

Meeting Date & Time:	Thursday, April 22 at 7:00 pm
Meeting Location:	Lakeview Consolidated Elementary School
	5261 Hwy #7, Porters Lake



### **Appendix B**

### Projected Cash Flow Schedule for District 3 Capital Area Rate & Debenture Debt Payments

Year	Area Rate Revenue (1)	Debenture Payment (2)	Interest on Negative Balance (3)	Closing Balance
1	\$250,611	(\$293,006)	(\$1,484)	(\$43,879)
2	\$260,636	(\$290,981)	(\$2,598)	(\$76,822)
3	\$271,061	(\$287,203)	(\$3,254)	(\$96,219)
4	\$281,903	(\$281,961)	(\$3,370)	(\$99,646)
5	\$293,180	(\$275,668)	(\$2,875)	(\$85,009)
6	\$304,907	(\$268,630)	(\$1,706)	(\$50,437)
7	\$317,103	(\$261,009)	\$0	\$5,657
8	\$329,787	(\$252,799)	\$0	\$82,645
9	\$342,979	(\$244,019)	\$0	\$181,605
10 (4)	\$53,136	(\$234,740)	\$0	\$0
Totals:	\$2,705,302	(\$2,690,017)	(\$15,285)	

#### Notes:

- (1) Assumes an annual growth rate of 4.0% for the taxable assessment base.
- (2) Based on interest rates from Fall 2009 10 Year Debenture Issue.
- (3) Assumes an interest rate of 3.5%.
- (4) The area rate will be reduced in year 10.