



**HALIFAX REGIONAL COUNCIL
COMMITTEE OF THE WHOLE MINUTES
October 20, 2015**

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

REGRETS: Reg Rankin
Darren Fisher

STAFF: Mr. Richard Butts, Chief Administrative Officer
Mr. John Traves, Municipal Solicitor
Ms. Sherryll Murphy, Deputy Clerk
Mr. Andrew Reid, 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_2015-10-20_live.mp4.html

The agenda, supporting documents, and information items circulated to Council are available online: <http://www.halifax.ca/council/agendasc/151020cow-agenda.php>

The meeting was called to order at 10:00 a.m., and Council adjourned at 11:22 a.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 2016-17

The following was before the Committee of the Whole:

- A staff recommendation report dated October 5, 2015
- A staff presentation dated October 20, 2015

Ms. Amanda Whitewood, Director, Finance and ICT introduced the report dated October 5, 2015. She stated that the staff recommendation in regard to preparation of the preliminary 2016-2017 budget is to hold the average tax bill at the current rate. She outlined the following challenges to this recommendation, including pressures to maintain infrastructure and create new capital infrastructure, improvement to the delivery of services, softness of the real estate market, and the decline in deed transfer tax.

Mr. Bruce Fisher, Manager of Financial Policy and Planning, highlighted that public consultation for the budget would consist of the budget allocator tool, presentations at Community Council, and input at Committee of the Whole sessions. Mr. Fisher gave the timeline for budget consultations, stating the goal to bring the full final budget back to Council in March, 2016.

Ms. Whitewood noted the positive outcome of Regional Council's debt reduction policy. She outlined an \$18.7 million current shortfall for 2016-2017, with the shortfall expected to increase over the next three years. She further noted that there was little growth in residential taxes and continued pressures on growth expenditure. She pointed out a number of ways by which Regional Council can consider addressing a capital expenditure plan. Ms. Whitewood stated that discipline around expenditure management would be necessary subject to Council's direction.

MOVED by Councillor Karsten, seconded by Deputy Mayor Nicoll

THAT Committee of the Whole recommends to Regional Council that staff develop the preliminary 2016-17 budget based on:

- 1. Alignment of average tax bills for residential homes and commercial properties with relative economic indicators;**
- 2. Consistent past direction from Council to maintain a moderate and declining debt position; and**
- 3. Positive evidence of expenditure management aligned with growth in inflation, dwellings, personal income and GDP.**

Councillor Karsten confirmed with Ms. Whitewood that the motion did not reference the target zero percentage tax increase. Councillor Karsten also commented on slide 16 of the presentation regarding the average tax bill. He confirmed that the \$1,829 average tax bill figure did not include Provincial mandated taxes and highlighted that it was important for the public to be aware of this. Mr. Fisher clarified that the figure included the Provincial area rate for Provincial charges as well as supplementary education. Councillor Karsten highlighted that discussions regarding the tax bill pertained to the services the city provided and should exclude the Provincial portion.

Councillor Outhit questioned the \$18.7 million gap and if it assumed an increase in the tax rate. He also questioned slide 8, Comparing Halifax's Property Taxes, and if those other averages such as the \$4,600 rate for Toronto included Provincial mandated taxes. Ms. Whitewood responded that the assumption built into the fiscal strategy was that the increase would be 0%. Mr. Fisher responded regarding the

jurisdictional comparisons of averages, noting the difficulty of comparing average property taxes between cities. He also noted the differences in tax rates because of property tax caps in place in Nova Scotia. Mr. Fisher clarified that those amounts from the jurisdictional comparison included all Provincial mandated taxes.

Councillor Mason stated concern for the potential \$18.7 million shortfall identified by staff. He questioned if a modest increase in the tax rate should be a consideration. He commented that a review of debt management may need to be undertaken. Councillor Mason also commented that he was not opposed to lessening the debt reduction payments. He stated concern for the motion on the floor in terms of giving clear direction in regard to the residential rate. He questioned if the average property revenue would go up or stay level and its effect on the tax rate. He also questioned what would be anticipated for the commercial rate.

Ms. Whitewood responded regarding the economic indicators by stating that a missing element from the economic indicator slide was around tax assessments. She highlighted that the Property Valuation Services Corporation's (PVSC) 0.5% assessment cap was not necessarily moving in the same direction as the Consumer Price Index or real Gross Domestic Product projections. Mr. Fisher responded regarding commercial taxes that the intention was the same as in previous years, with the rate of existing commercial operations kept flat and any lift taken from growth. Mr. Richard Butts, Chief Administrative Officer, added that over the past three years Council had been advised of the softening of the real estate market and potential impact on revenue.

Councillor Watts commented that the Priority Discussion and Direction session would more appropriately occur before the Committee of the Whole on the Preliminary Fiscal Direction. She further commented in regard to concerns for the fact the Province did not collect the tax directly but through the provincial area rate and that a more progressive model of provincially collected funds would be through an income tax assessment. Councillor Watts also stated concern for the end result of budgetary deliberations in terms of impact on services. She questioned what direction would be provided to Business Units if the current tax rate is not changed. She requested that information on the impact to services and any potential decreases be made clear as soon as possible to Council during budget deliberations.

Mr. Butts responded by outlining how the \$18.7 million budget gap was derived based on last year's budget in addition to any added pressures related to collective bargaining agreements and inflation. He noted that, as always, Business Units would be asked to propose efficiency and effectiveness measures, noting that, if it meant change in service levels this would be identified in the budget process. Regarding whether there was any direction for an actual percentage reduction to each Business Unit, Mr. Butts responded that no reduction percentage would be flat lined across the Business Units, but based on knowledge of the service requirements.

Councillor Craig stated that public consultation was conducted around expenditure but future consideration should be given to a tax revenue discussion. Councillor Craig requested that the Business Units clearly articulate the consequences and opportunities during budget discussions. He commented on the \$18.7 million planning gap, stating that he was open to options regarding debt management. Mr. Butts agreed that there were more options to manage the shortfall than effectiveness and efficiency within Business Units and that these options would be examined.

Councillor McCluskey questioned how many properties were above or below the average tax rate. Mr. Fisher responded that he could provide Council with that figure. In regards to comparing property taxes, Councillor McCluskey commented that the larger concern was taking a close look at the commercial tax rate. She cautioned that prudence was required in capital spending so that Council does not create an additional burden on both the commercial and residential tax payers.

Councillor McCluskey also inquired regarding the Payment In Lieu of Taxes (PILT) settlement with the Citadel lands. Mr. John Traves, Municipal Solicitor, stated that the PILT decision rested with the Federal Minister of Public Works and Government Services, where the decision has yet to be made.

Councillor Hendsbee requested more public presentations be given in addition to those at Community Council. Councillor Hendsbee stated concern for the funding gap and questioned which economic growth indicators the assumptions were based upon. He asked if the Municipality would take advantage of federal infrastructure funding. He stated concern for the tax rate in terms increases in other bills such as from Halifax Water. He also commented regarding changes to tax structure with respect to active transportation funding being incorporated within the tax structure.

The Mayor commented regarding federal funding, stating that the budget must be planned based on what is currently known. He also commented that much has been added to public input in the past few years; however, members of Council were free to promote the budget process in their district.

Ms. Whitewood responded that staff refreshes their methods for engaging the public each year and always looks at improvements. Regarding which economic indicators staff had used, she highlighted the variety of economic indicators, stating their use was a marriage of art and science. She commented that every increase of 1% in the tax rates results in a \$4.5 million lift to revenue. Ms. Whitewood stated that there were a variety of indicators in the current economic environment beyond the Consumer Price Index (CPI) and Gross Domestic Product (GDP) that accounted for the \$18.7 million gap.

Councillor Mosher commented that Council's focus areas need to be updated and include a review of service standards. She stated that some service standards were not up to residents' expectations. She questioned how expectations could be met if there was significant snow fall this winter. Councillor Mosher requested where funds came from on requested variances from the budget. She also commented on vacancy management in terms of service standard improvements and questioned if there would be improvements to service standards in the coming budget.

Regarding vacancy management, Mr. Butts stated there was no planned reduction in service levels and if there was, Council would be notified through the budget presentations. The Mayor stated that opportunity to discuss in detail the service standards would be in the forthcoming session, as directed by Council and through the budget process. Mr. Butts added that the budget could be increased during those discussions with the related impacts on the tax rate provided to Council. The Mayor clarified that the goal would be to begin with the direction provided by the motion, but that rate may be subject to change.

Deputy Mayor Nicoll questioned if a friendly amendment could be made to include a number of principles to guide the budget planning. She requested further education be provided regarding mandatory Provincial transfers, noting that approximately 32% of property taxes went to the Province and this was generally unknown. Regarding public participation, she commented that most feedback was received online.

Councillor Whitman echoed Councillor Mosher's comments regarding service levels and questioned if it was possible to deliver a good level of service at last year's tax rate, given the situation around snow and ice removal. Ms. Whitewood indicated that a report regarding snow removal in terms of performance base contracts had been discussed earlier in the year. The Mayor noted that Council would have further opportunity to have input into the snow removal budget during the budget process.

Councillor Watts stated concern for the \$18.7 million planning gap and also setting a direction to maintain the current tax rate because Council may desire enhanced service levels in certain areas. She requested that other options, including capital and operating expenses and debt management, be examined in addition to reductions in budgets to the particular Business Units. She encouraged that as much information as possible be made available so Council clearly understands the budget implications of any direction provided.

Councillor Walker questioned what the \$18.7 million gap would do to the tax rate if reductions were not made elsewhere to cover the shortfall. He stated that Council may look at how to eliminate the shortfall through an increase to the tax rate.

Councillor Craig supported the motion and premise, but emphasized that it was a framework and should not prevent future changes, or inhibit staff from exploring opportunities, and that the final decision would rest with Council.

MOTION PUT AND PASSED.

The Mayor commented on the openness, transparency and comprehensiveness of the budget process at the municipal level and by Council. He also requested the CAO to further comment on the Provincial mandated portion of municipal taxes. Mr. Butts responded that the municipal property tax bill includes both a portion required by the provincial for mandatory education and other provincial charges over which the municipality has no control. He also commented that the trend has been an ongoing yearly increase to the educational portion flowing through to the Province.

4. ADJOURNMENT

The meeting was adjourned at 11:22 a.m.

Cathy J. Mellett
Municipal Clerk