

HALIFAX REGIONAL MUNICIPALITY

HALIFAX REGIONAL COUNCIL
SPECIAL MEETING - AREA RATES
July 15, 1996
1:30 p.m.

PRESENT:

Mayor Walter Fitzgerald
Councillors: Bill Dooks
Gordon R. Snow
David Hendsbee
Ron Cooper
Harry McInroy
Jack Greenough
Condo Sarto
Bruce Hetherington
Clint Schofield
John Cunningham
Graham L. Downey
Larry Uteck
Howard Epstein
Russell Walker
Bill Stone
Ron Hanson
Stephen Adams
Barry Barnet
Bob Harvey
Peter Kelly
Reg Rankin
Jack Mitchell

MEMBERS ABSENT:

Councillors: Jerry Blumenthal

STAFF MEMBERS:

Mr. Ken Meech, Chief Administrative Officer
Ms. Vi Carmichael, Municipal Clerk
Mr. Ron Singer, Director of Finance
Mr. Reg Ridgley, Manager, Treasury
Mr. Dan Gautreau, Principal, Policy and Planning
Ms. Patti Halliday, Assistant Municipal Clerk

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1. PROPOSED STRATEGY - AREA RATES & NEW TAX STRUCTURE

- Two reports prepared by the HRM Tax Structure Working Group entitled "Paying for Municipal Services - Establishing a New Taxation System for Halifax Regional Municipality" and "Halifax Regional Municipality, Tax Structure Information - July 15, 1996" were circulated.

Mayor Fitzgerald opened the meeting stating it was a special meeting of Council to begin the discussion and debate of a new tax structure. Mr. Meech added Council will need to determine if they will continue with the area rate concept, and, if so, to what extent and form it will take. This meeting will provide some background information, encourage discussion and give staff some kind of consensus or direction.

Mayor Fitzgerald noted that Councillor Downey will be leaving the meeting at 3:15 p.m. to attend a function in his place.

Mr. Singer began the presentation by reviewing the information included in the circulated reports.

Issues reviewed by Mr. Singer included the following:

- Background information
- HRM Tax Issues
- Urban and Rural Boundary Criteria
- To Do List

Options for a tax structure were discussed. One option would be to maintain the status quo and tax everyone based on past policies using the same tax and area rates. It was noted a lot of homeowners and businesses are expecting the bottom line tax bill will not be any more than it was last year.

Councillor Hendsbee stated tax rates would have to be lowered to arrive at the same net tax revenue due to the increase in property assessments. Mr. Singer replied the new 1997 assessment notices will not be used until next year.

Councillor Cooper expressed concern with the time frame for setting a tax rate. With every day that passes without a decision, some areas are being penalized. Community infrastructure will lose a complete season if decisions are not made until late August or early September. Councillor Cooper stated citizens in rural areas are under the impression that area rates will be available to them, and it is also their impression that more tax revenue would not be collected this year. Mr. Singer replied this is what staff is working towards.

Councillor Hanson noted the tax assessment appeal process will have an impact on tax revenue and questioned how HRM will handle this. Mayor Fitzgerald reiterated the new assessments are for 1997 and not this year. This year's budget will be based on the 1996 assessments. Mr. Singer added staff have been working with the Province and they are analysing the 1997 assessments. Staff will have the information for well over a year to examine it and determine how it will impact next year's budget. By that time, a lot of questions, appeals, etc., will be resolved.

Councillor McInroy stated the only acceptable thing that can be done is to bill the taxpayers as they were billed last year because there is not enough time to do justice to a new tax structure this year. Councillor McInroy stated there is nothing to gain by attempting to change the way taxes are collected this fiscal period and advised Council to take time to study and plan a new structure.

Councillor Greenough reiterated the increased assessments will not affect this year's taxes. However, he suggested Council should take whatever steps are possible this year in terms of harmonization of tax structures. Otherwise, it will require a major step next year.

Councillor Dooks asked if the municipality will have enough money to pay the bills this year if taxes remain the same. Mr. Singer replied they do not have the answer at this time, but hope to have the complete budget in a couple of weeks. He stated staff will look at alternative forms of revenue before tax increases. Councillor Dooks stated the intent of amalgamation was to save taxes. However, it will be difficult to make decisions if the cost of funding the municipality this year is not known. Councillor Dooks also noted added financial responsibility has been placed on HRM by the Province and this should be reiterated to the media and taxpayers.

Councillor Snow expressed concerns similar to those made by Councillor Cooper regarding programs funded by area rates. He would like to be able to tell the rate payer associations their programs will not be dismantled. If the tax structure is going to be the status quo, then it should be made known to the public.

Mr. Gautreau continued with the presentation stating the HRM needs to establish a new taxation structure that is fair to all its citizens. He reviewed the following information contained in the circulated reports:

- Comparative taxation levels of the former municipal units
- Basic guidelines and principles
- The three major alternatives examined

Mr. Gautreau stated staff's recommendation is a two zone (urban and rural) taxation model. Aspects of this model reviewed were as follows:

- The framework and the key features of this model
- What would be covered by general tax rate, zone rate, local improvement charges and local community rates.
- The implementation strategy

In response to a question from Councillor Kelly, Mr. Singer explained why they did not choose a three zone model. Suburban areas are a fairly grey area and, therefore, the three zone model becomes very subjective. Also, the Cape Breton Regional Municipality chose a three zone model and it became apparent it was not the best option.

Councillor Kelly questioned paying for Police Services by general rate. Mr. Singer and Mr. Meech replied this service is provided to everyone and is required across the entire region.

In response to a question from Councillor Barnet regarding sanitary sewers, Mr. Meech replied that these will be 50 percent cost recovered from the individual property owners. With regards to concerns raised from Councillor Barnet regarding transportation, Mr. Meech noted assessments factor in services available in a particular area. Therefore, residents may not be paying for a service they are not receiving.

In replying to a question from Councillor Schofield regarding downtown corporations and area rates, Mr. Ridgley replied there is a provision in the HRM Act that permits Council to approve special area rates. Councillor Schofield stated he agreed with Councillor McInroy in that tax rates should remain the same for this year. However, his only concern is how would amalgamation costs be handled. He questioned if there would be enough money to cover these costs. Mr. Singer replied this will be determined when the total budget is put together. Mr. Meech added that other factors, such as commitments made by certain communities to do specific capital budget projects that were to be paid with area rates, need to be analysed. Area rates may need to be increased.

In another matter, Councillor Schofield stated Council will need to deal with commitments made by the previous units regarding grants at some point in time.

Councillor Stone expressed concern with billing at the same rate as last year without complete information. In particular, he raised questions about education and street lights. Councillor Stone suggested directing staff to keep the tax rate as close as possible to what it was in the past. However, he did not feel there was enough information to make that decision at this time.

Councillor Downey left the meeting at 3:15 p.m.

Councillor Epstein stated he was not convinced that HRM needs a new tax structure. Mr. Gautreau replied by implementing the new structure quickly, the rules will be known right away. If there is a delay, there will be confusion next year. Mr. Singer added residents will

expect a standard tax structure across the Region as a result of amalgamation. Mr. Singer stated staff's biggest challenge will be on the commercial side of the tax structure.

Deputy Mayor Greenough assumed the Chair.

In response to a question from Councillor Hendsbee, Mr. Gautreau replied the definition between urban and suburban is a large part of the reason why they are not recommending a three zone model. Councillor Hendsbee stated he would prefer a three zone model as it depicts a better appreciation for different categories of services or development. Councillor Hendsbee stated his major concern is with the major recreational facilities being funded by general rate. He did not think this was appropriate and felt the neighbourhoods should be paying for them.

Responding to a question from Councillor Hendsbee regarding district maps showing the school and neighbourhood boundaries that Municipal Affairs is utilizing, Mr. Singer stated maps can be produced based on any criteria Council desires.

Councillor Hetherington agreed there was not enough time to set a new tax structure between now and September 1996. He stated he would like to see any decision deferred to after the summer break to allow staff time to prepare figures for maintaining the status quo.

Councillor Cooper expressed concern with Council not having sound knowledge of the other tax structures in neighbouring municipalities. He felt what is being included in the general tax rate will raise some questions. His biggest concern is they do not have the proper analysis of the end result of the general tax rate. Councillor Cooper also felt local improvements are not adequately addressed. Mr. Meech replied policies need to be developed as to how resources from the general rate will be allocated. He agreed there is not enough information to do this yet. Councillor Cooper suggested disbursement of money collected from area rates should be discussed between staff and the Councillor of that area.

Mayor Fitzgerald resumed his place at the meeting.

In response to a question from Councillor Harvey, Mr. Singer replied it needs to be decided at a later date if there will be a rural and an urban commercial tax rate. Councillor Harvey stated past capital debt is a major issue that also needs to be addressed. He was not convinced the status quo is the answer. Instead, the goal should be fair tax rates.

Mr. Gautreau noted a couple of errors in the report entitled "Paying for Municipal Services - Establishing a New Taxation System for Halifax Regional Municipality." On Page 6, the column labelled "Average" should be deleted. On Page 25, the boxes labelled "Oct. '96" and "Apr. '96" should be deleted. He clarified this for Council.

Councillor Rankin noted his District is half serviced and half unserved. Therefore, demarcation is important in his area. He stated if people feel they are being charged for services they do not receive, it will not benefit the District. Instead, it will drive the demand for services. He suggested staff look at water and sewer services, rather than highways, when determining boundaries as they have a true relation to density.

MOVED by Councillors McInroy and Adams that the taxpayers be billed in the 1996-97 fiscal year the same as they were billed in the 1995-96 fiscal year; in addition, that staff table the operating budget based on this at the earliest opportunity.

Deputy Mayor Greenough asked how much money will be generated using the old tax structure and questioned if it will be sufficient to maintain the same service levels. Mr. Ridgely replied, based on 1996 assessments, the new growth will produce an additional 1.4 million dollars. Councillor Greenough stated residents will be asking where are the savings from amalgamation.

Mr. Singer noted some taxpayers will have to pay more taxes if their assessment has risen this year due to improvements to their property. He suggested the Motion should deal with rates and rate structures rather than tax amounts. He also noted there are some projects that were approved by the previous units that have costs that may need to be added.

There was no vote taken on the Motion.

MOVED by Councillors Adams and Hetherington that the Motion on the floor be deferred until the first meeting after Council's summer break (August 20, 1996).

Councillor Cooper stated the implications to the Capital Budget will have to be addressed as it was assumed there was a certain amount of cost sharing for some capital projects. Mr. Meech stated staff is proceeding with the Capital Budget under the assumption that 50 percent of the costs of some of the projects will be recovered from the property owners. The problem will be if some people are of the expectation that there is not going to be any direct charge back to the property owner.

The Vote on the Motion to defer was taken.

MOTION PUT AND PASSED.

Councillors Hetherington and Adams left at 4:30 p.m.

Councillor Cunningham stated he would like to see staff consider the elimination of area rates based on needs assessment throughout the Municipality. Another point he would like to see considered and addressed is having one tax rate level across the Municipality based on assessment.

In response to a question from Councillor Uteck, Mr. Meech replied the Motion passed will direct staff, over the next three or four weeks, to focus on putting together the data to determine what the impact would be using the current tax structure. If they quickly find out that this causes more questions than answers, they will have to try to expand upon their recommended approach to this issue.

Mayor Fitzgerald stated the Capital Budget will go ahead as approved by Council. However, he has major concerns with how it will be funded. Mr. Meech replied that it would be useful if staff had some direction today with regards to cost recovery of some of the capital projects. A discussion followed regarding cost recovery, and it was agreed clarification needs to be obtained as to what was approved in the Capital Budget with regards to the 50 percent cost recovery.

MOVED by Councillors Rankin and Mitchell that the issue of cost recovery in the Capital Budget be deferred until the July 16, 1996 Council meeting, for clarification of what was approved in the Capital Budget with regards to the 50 percent cost recovery for capital projects that include sidewalks, curbs and gutters.

Mr. Meech agreed to examine this to determine what projects are included and report back to Council at their regular meeting tomorrow night. It was agreed that this item should be added to the Council agenda.

MOTION PUT AND PASSED UNANIMOUSLY.

**MOVED by Deputy Mayor Greenough and Councillor Sarto that the meeting adjourn.
MOTION PUT AND PASSED UNANIMOUSLY.**

Meeting adjourned at 5:00 p.m.

Vi Carmichael
Municipal Clerk