



Submission by:

HALIFAX REGIONAL MUNICIPALITY

Submission to:

NOVA SCOTIA DEPARTMENT OF FINANCE

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I. INTRODUCTION

Halifax Regional Municipality is geographically the largest municipality in Canada. It has long been the business and financial capital of the Atlantic region. While it has roughly 40% of the population it accounts for nearly half of the provincial GDP and more than 50% of the provincial assessment base. The 4.5% unemployment rate is below provincial and national averages and HRM continues to exhibit steady population growth. HRM is a \$10 billion economy and is home to six degree-granting universities and three community college campuses.

HRM appreciates the opportunity to participate in a growing number of collaborative issues with the province. In recent months, the Province of Nova Scotia has undertaken many recent steps to assist Nova Scotia municipalities, including:

- provision of additional police resources
- Fair and Equitable Funding agreement with UNSM phasing out some mandatory contributions
- ensuring access to broadband internet for all Nova Scotians

HRM is pleased that the Province has agreed to a Charter for HRM, to be presented at the Spring 2008 session of the Legislature. This will allow HRM the flexibility to deal with its issues in an innovative and timely manner.

These initiatives are important to building stronger regions, and supporting a stronger provincial economy.

In anticipation of the 2008 Nova Scotia Budget, HRM is pleased to have the opportunity to forward ideas and suggestions for consideration. This submission focuses on:

- Investment and Support to the Economy
 - Tax Reform
 - Commercial Tax Burden
 - Business Occupancy Tax Phase-out
- Investment in Municipal Infrastructure
 - Transportation Improvements
 - Stormwater/Wastewater
 - Recreation/Community Facilities
- Fiscal Imbalance

Municipal and Provincial collaboration on these important priorities will enable even greater success in meeting our shared outcomes.

II. INVESTMENT & SUPPORT TO THE ECONOMY

The region's ability to sell itself on the international investment stage begins with a well laid out plan that enables it to focus on economic sectors upon which future opportunities can be pursued. Hub cities are a driving force of the national economy. These cities are economic engines in their respective provinces or regions. Halifax is the only Hub City in Canada where it's economic impact crosses provincial boundaries, positively impacting the economies of all the Atlantic Provinces¹. Assisting Hub cities to reach their economic potential must be a priority, since everyone benefits.

Tax Reform

There is a need for a competitive analysis of the tax burden in Nova Scotia. The tax burden has significant impact on the economy and business decisions to locate in our region. For its part, HRM is completing a Tax Reform project with extensive public consultation, which has a particular emphasis on linking municipal taxes and services, ability to pay,

1. Conference Board of Canada, "Canada's Hub Cities: A Driving Force of the National Economy" July 2006

and equity, stability and transparency. The Tax Reform Committee will be presenting its findings to Council in early 2008, and amendments to provincial legislation may be required.

HRM and the provincial government have had productive initial discussions around approaching the federal government about broader income based relief (i.e., a property tax bill based on the percentage of income for lower income groups).

HRM would also support and cooperate in a review of taxation in Nova Scotia overall. There is anecdotal evidence that the commercial property assessment attached to large industrials in the Province is higher than elsewhere in the country. This may have to do with the methods used to assess machinery and equipment. A specific review of the taxation of large industrials to determine whether the assessment methods and tax burden are appropriate and, if not, how best to resolve them (e.g., changes in assessment methodology, introduction of a large industrial tax rate) should be undertaken. HRM would be pleased to support and cooperate on such an initiative.

Commercial Tax Burden on Financial Institutions

Lowering the commercial tax burden for financial institutions, would send a positive message and could encourage more expansion/retention of financial services employment in the Halifax area. Possible approaches that could be taken by the province include:

- Lowering the corporate cap tax rate to match other Provinces
- Adjusting the corporate taxable income allocation formula (R.S.N.S. 1989, c. 99R.S.N.S. 1989, c. 99, Section 4, 4A) to exclude salaries and include only Nova Scotia loans and deposits. This may encourage more export oriented financial institutions and back office functions to locate in Nova Scotia while preserving the Province's CCT base.

Business Occupancy Tax Phase Out

In addition, HRM is requesting that the Business Occupancy Tax phase-out be accelerated with a full phase-out for the 2009 assessment year (the current phase-out target is 2013). A more expedient phase out, will level the playing field ensuring all businesses are taxed at the same rate. This will have significant economic benefit, and will show

government is taking the initiative by supporting crucial industries in our community.

III. INVESTMENT IN MUNICIPALITIES/ INFRASTRUCTURE

In order for cities to function and grow, infrastructure must be maintained in a sustainable and predictable manner. Municipal infrastructure investment must respond to and support a community's economic potential and unique needs. Infrastructure financing requires an undertaking on the part of all levels of government to commit to and develop a long-term investment strategy with agreed upon priorities, targets and measures. Like many Canadian cities, HRM is striving to keep its aging infrastructure in adequate working condition. In its January 2008 report "Implement Sustainable Funding for Canada's Cities," the Conference Board of Canada noted that one of the most glaring issues faced by Canadian cities is the infrastructure gap. Not only is much infrastructure aging and needing replacement, it must also be expanded to service a growing population. A 2007 estimate from the Federation of Canadian Municipalities indicates the infrastructure gap for municipalities is \$123 billion.

A February 2008 Statscan report on the state of Canadian infrastructure found that, while on the whole the age of infrastructure systems in Canada is declining, Nova Scotia has the oldest public infrastructure system in the country. In HRM alone we have identified over a \$32 million funding gap for our infrastructure needs in 2008-09. The estimated cost just to sustain our current condition over the next five years is approximately \$80 million; however much of our infrastructure is at a stage of accelerated deterioration and requires replacement. Regional Council is working on a priority-setting exercise to determine which projects are priorities that must go ahead, and which can be deferred for a time.

Transportation Improvements

Like many municipalities, transportation infrastructure is a priority for the region. HRM is focussed on resolving transportation challenges and accommodating new traffic demands in a manner which is environmentally responsible. Through a number of programs and services, HRM is considering further options to get people out of cars and improve traffic bottlenecks, reduce emissions and the pressure to expand road construction, and provide opportunities for alternative fuel sources. Over 25 years, this is expected to avoid costs of \$75 million in Capital expenditures, as well as reducing the

pressure on Operating costs by about \$90 million. Significant front-end investment is required to proceed.

- Transit and Ferry Service are key objectives of HRM's 25- year Regional Plan. We are working on a Rural Express Transit study and are developing an overall Transit Strategy for the municipality.
- HarbourLink is a higher order transit service that will build on HRM's very successful bus rapid transit program, and is one of our top priorities. Significant environmental and economic benefits are anticipated, however additional funding is needed to make it a reality. HRM looks forward to the support of the Province of Nova Scotia to enable access to federal funding.
- Through MetroLink (bus rapid transit), a successful jointly- funded project, HRM has reduced more than 400 car trips per day on its major traffic corridors. Without programs like the federal Transportation Showcase, this success could not have been realized. HRM urges continued provincial and federal support to further such strategic initiatives.

Stormwater & Wastewater

Existing stormwater and wastewater infrastructure in HRM is in deteriorated condition.

In excess of \$500 million is required just to maintain the status-quo. Increased investment in this important community infrastructure is key. Continued and increased investment in programs such as the Provincial Capital Assistance Program is imperative. HRM recently merged the wastewater and water utility under the Halifax Regional Water Commission. This merger will take advantage of efficiencies and create a more regulated funding environment for our assets.

Recreation & Community Facilities

HRM is looking forward to hosting the 2011 Canada Winter Games as an opportunity to showcase the municipality and province, and reap the benefits of hosting a high-profile event. Our Mainland Common recreation centre is expected to be a cornerstone of the Games. In order for construction to commence in time for completion for the 2011 Games, a multi-party funding agreement is key.

In keeping with the goal of encouraging an active and healthy population, HRM is expanding its recreation programming to under-serviced areas. Recreation centres in East Dartmouth and Fall River are expected to open this year, and a centre for Prospect is in the planning and design stage, pending funding arrangements. The Nova Scotia Budget 2007 announced \$50 million over 10

years to build, replace and upgrade recreation infrastructure throughout Nova Scotia. This is a promising start but support needs to be expanded.

The recently announced “Building Canada” federal infrastructure plan will be of great assistance in allowing communities to address their longer-term infrastructure needs, particularly around cleaner environment and waste management. HRM looks forward to receiving the final details of the Major Infrastructure Component of the Building Canada funding agreement.

IV. FISCAL IMBALANCE

During the past few years, much has been said about the fiscal imbalance that exists in Canada today. Canadian Premiers via the Council of the Federation recently argued there is a “vertical fiscal imbalance,” in the country², with the Federal Government having more fiscal resources than it requires relative to its spending responsibilities, and the Provinces having the reverse. This situation has become even more difficult at the municipal level. For most Canadian municipalities, there is only one source of taxation: the property tax. Property tax is one of the most controversial and difficult of all

2. Council of the Federation Advisory Panel on Fiscal Imbalance, “Reconciling the Irreconcilable: Addressing Canada’s Fiscal Imbalance” March 2006

taxes permitted under the Canadian Constitution. Moreover, municipal expenditures are often driven by decisions made by other levels of government: regulatory and financial. Municipalities have neither the flexibility in their revenues nor strong control over their cost drivers.

HRM has struggled to maintain competitive taxation systems. Residential taxes are low compared to other major Canadian cities, but services have often suffered as a result. We constantly are reviewing the balance between taxes, services and competitiveness. The province is cognizant of fiscal pressures facing municipalities, as demonstrated by initiatives such as the Fair and Equitable Funding arrangement and provision of additional police resources. However, Nova Scotia also suffers from the effects of fiscal imbalance with the Federal Government.

While HRM is the fastest growing municipality in the region, it is simply not large enough to function without strong links to the Federal and Provincial Governments. Other major cities have the benefit of other types of taxation and greater cost-sharing from their respective provincial governments. Halifax Regional Municipality strongly encourages the Province of Nova Scotia to enable access to greater revenue sources for municipalities, such as consumption tax revenue (i.e., fuel tax, income tax, etc).

VI. UNSM REQUEST TO THE PROVINCE

The MOU signed by UNSM and the Province in November 2007 is a significant step in provincial-municipal relations. The phase-out of mandatory contributions to corrections and social housing, and the cap on mandatory contributions to education with an annual increase based on the CPI, are an important recognition of the financial issues faced by municipalities.

Halifax Regional Municipality supports the on-going UNSM Request to the Province to:

- provide a full rebate for the Provincial component of the HST
- have Nova Scotia Power pay taxes to municipalities based on the location of their assets.

VII. SUMMARY OF HRM PRIORITIES

HRM Successes

Halifax Regional Municipality has taken on many initiatives of strategic importance for our community.

- For a decade, HRM has had one of the leading solid waste collection systems in the world. The Conference Board of Canada identified Halifax as a leader in environmental action among Canadian municipalities.
- In partnership with the Provincial and Federal Governments, we have undertaken a \$333 million *Harbour Solutions Project*, which constitutes the largest clean-up of a saltwater body in Canada.
- HRM has exceeded the goals of its Debt Reduction Plan. Since 1998-1999, our outstanding debt has decreased from \$348 million to \$265 million, a reduction of 24%. In per capita terms, this means a reduction of \$967 to \$710 (a 27% decline).

HRM is one of the top Canadian cities in environmental sustainability, having implemented many successful clean air, land, water and energy initiatives, including significant greenhouse gas emission reduction; implementation of one of the first pesticide by-laws in Canada; and community energy planning. Most recently, the opening of the first of three Harbour Solutions wastewater treatment facilities represents the beginning of the largest clean-up of a saltwater body in Canada.

The municipality is home to Canada's first joint emergency operations centre, which was a highly successful emergency management model during Hurricane Juan in 2003 and White Juan (the record-breaking blizzard in 2004.)

HRM Vision

The Halifax Regional Municipality is committed to realizing a vision that fosters a community where people love to live, work, learn, play and do business. HRM's 20/20 Visioning exercise created a statement to this effect, which provides the basis for our Goals and Corporate Direction.

"HRM is a vibrant, caring, and connected community. Our community is built upon diverse cultures, respects the environment and our heritage, supports economic prosperity, and celebrates active citizenship. This vision is based on citizen values that speak to communities working together, economic prosperity as the backbone of a successful community, responsible active citizenship, social justice for all, protecting our natural environment, preserving our heritage strength through diversity, and dedication to a learning culture."

(Council endorsed October 3, 2000)

HRM plans to build on our success and continue to move forward. The *Regional Plan* lays out an integrated approach to development over the next 25 years in a

sustainable and environmentally- friendly manner. It encompasses municipal visions for the environment, community development and infrastructure. It is estimated that the Regional Plan will have a financial benefit of approximately \$250 million in cost-avoidance over that time period.

Halifax Regional Council has undertaken a process to set strategic priority areas of focus for the coming year, which include municipal Tax Reform, Community Development, Infrastructure and Public Safety:

- HRM's *Tax Reform Initiative* is encouraging greater community dialogue on how we raise money for the services that we provide.
- Community Development themes include youth, finance, transportation, culture and heritage, and environmental sustainability. Three communities have undertaken multi-year visioning exercises, and a plan to extend the program to other HRM centres is underway.
- An Infrastructure Planning Process is underway to guide infrastructure investment within the region. Like many Canadian cities, HRM is striving to keep its aging infrastructure in adequate working condition. Water systems, wastewater collection and treatment facilities, recreation facilities, streets and roads are the foundation of all

cities. In order for cities to function and grow, infrastructure must be maintained in a sustainable manner.

- The Mayor's Roundtable on Violence concluded in late 2007, and HRM will analyse the report findings in conjunction with the Provincial Crime Reduction Strategy. HRM will work with provincial partners and other stakeholders to undertake next steps.

HRM has adopted several guiding strategies through the Regional Planning Process that inform its corporate direction:

- *The Cultural Plan* establishes a stronger and more focussed cultural mandate for HRM, and a more integrated approach to service delivery. It is intended to help direct the needed investment to achieve that mandate over the long term.
- As the Economic Hub of Atlantic Canada, HRM has developed an *Economic Strategy* collaboratively between the community and government partners. It is the blueprint for our economic future. The Chamber of Commerce monitors progress annually on the strategy's goals.

- Halifax Regional Council has adopted a "vision for immigration" in the community and a subsequent *Immigration Action Plan* articulates specific actions HRM can undertake as an organization to help ensure our region is more welcoming to all.
- Regional Council has approved and endorsed a role of strategic support in key priority areas for HRM around building the Atlantic Gateway. HRM acts as a multi-modal entry point for the Atlantic region. Due to its size, location and existing transportation infrastructure, HRM has untapped capacity and is well positioned to expand its role as a key hub in the Atlantic Gateway for the shipment of goods both to and from North America. Continued collaboration and alignment of priorities with the province is key to developing our region as the Atlantic Gateway.

VIII. CONCLUSION

As a municipal government, it is HRM's responsibility to maintain and improve the provision of municipal services and infrastructure within our boundaries. However, we also have broader responsibilities towards the environment, the economy and the nation as a whole.

We have made considerable progress towards achieving many of our goals and, in partnership with the Federal and Provincial governments, HRM hopes to continue to move forward and look for new economic tools and funding opportunities where our issues converge. HRM looks forward to increased provincial investment in municipal infrastructure. It is imperative to our ability to maintain existing infrastructure and expand to accommodate our rapid growth.

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