



**2008/09 Submission to the House of Commons  
Standing Committee on Finance**

**Submitted to:**

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## **Executive Summary:**

As an historic community, dating back to the mid 1700's, Halifax faces significant pressures with respect to the age of infrastructure compared to much of the rest of Canada. Although access to existing federal and provincial funding programs is welcomed, cities are still challenged to meet their changing needs. Even though cities are where Canada's wealth is generated (Halifax accounts for 47 percent of Nova Scotia's GDP) municipal governments receive little reward as they struggle to address changing demographics, infrastructure demands and social and environmental challenges. In addition, cities continue to face increased pressures from the offloading of services and unfunded mandates from other levels of government.

## **Priority Issues for Consideration During the 2008/2009 Federal Budget**

- Fiscal Imbalance
- Infrastructure Funding Support
- Environment
- Public Safety & Crime Prevention

Of primary concern is the vertical fiscal imbalance within our nation. A strong federal focus on restoring the fiscal balance to Canadian Provinces and Municipalities would go a long way toward addressing the key needs of each community and region.

## **Opportunities to Restore Fiscal Balance**

- Sharing revenues that grow with the economy - Government of Canada share the equivalent of one cent of the GST revenues with Canada's cities, totalling approximately \$5 billion.
- Long term gas tax transfer
- GST rebate
- Permanent national transit strategy
- Long term infrastructure Funding - Commitment to eliminate the municipal infrastructure deficit (\$60 billion)

## Introduction & Background

Halifax Regional Municipality is geographically the largest municipality in Canada, and has long been the business and financial capital of the Atlantic region, supporting a \$10 billion economy. While it has roughly 40% of the population, it accounts for nearly half of the provincial GDP. The Municipality boasts a 6% unemployment rate which is below provincial and national averages and continues to exhibit a steady population growth. HRM is home to six degree-granting universities and three community college campuses.

The Halifax Region is home to one of the largest deepwater, ice free ports in the world. It is considered one of the top three Canadian ports in terms of annual traffic, which moves through its modern inter-modal facilities. The Halifax Stanfield International Airport is the largest and busiest in Atlantic Canada and has recently been granted pre-clearance status for flights into the United States. Halifax is as well home to Canada's largest defence establishment having a direct economic impact of \$750 million and employing more than 10,000 personnel. HRM will continue to support DND in our community.

HRM is a Canadian leader in environmental sustainability, having implemented many successful clean air, land, water and energy initiatives. Examples include significant greenhouse gas emission reduction; implementation of one of the first pesticide by-laws in Canada; construction of the \$330 million Harbour Solutions Project which, when completed, will represent the largest clean-up of a saltwater body in Canada; and community energy planning. The municipality is also home to Canada's first intergovernmental joint emergency operations centre, which was a highly successful model during Hurricane Juan in 2003 and White Juan; the record-breaking blizzard in 2004.

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

- For over a decade, HRM boasts one of the leading solid waste diversion systems in the world.
- In partnership with the Provincial and Federal Governments, we have undertaken a \$330m *Harbour Solutions Project*.
- Since 1998-1999, HRM has decreased outstanding debt by 20%, exceeding the goals of our *Debt Reduction Plan*.
- HRM has an 'A' rating with Standard and Poor's and continues to adhere to its *Multi-Year Financial Strategy*.

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 is estimated that the Regional Plan will have a financial benefit by approximately \$250 million in cost- avoidance over that time period.

HRM's new *Tax Reform Initiative* is designed to lead to greater community dialogue on how we raise money for the services that we provide.

In addition, HRM has recently adopted several new guiding strategies: *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 collaboratively developed an *Economic Strategy*, working with both community and government partners. It is the blueprint for our economic future.

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.

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.

## **Priority Issues for Consideration During the 2008/2009 Federal Budget**

- 1. Fiscal Imbalance:** The fiscal imbalance that exists in Canada today continues to be of paramount concern. The Council of the Federation, recently argued there is a "vertical fiscal imbalance," in the country, with the Federal Government having more fiscal resources than it requires relative to its spending responsibilities, and the Provinces having the reverse.

The fiscal imbalance is even more challenging at the municipal level. Most Canadian municipalities are highly and almost exclusively dependent upon property taxes, accounting for almost 92 percent of all local tax revenues collected by cities. However, there are many disadvantages to relying on property tax which include its weak relationship with ability to pay; its inflexibility in relation to economic growth; its negative impact on attracting business; competition with adjacent jurisdictions with lower rates; and public resistance to pay more to support municipal services and infrastructure.

Moreover, municipal expenditures are often driven by decisions made by other levels of government: both regulatory and financial. Municipalities have neither the flexibility in their revenues, nor strong control over their cost drivers. HRM continues to struggle to maintain competitive taxation systems. Residential taxes are low compared to other major Canadian cities, but services have often suffered as a result. We continue to review the balance between taxes, services and competitiveness.

In Nova Scotia's case, the situation regarding the NS Offshore Accord highlights this discrepancy. Failure to recognize the Accord magnifies the imbalance in our region. The economy of Nova Scotia and Atlantic Canada are as important to the economic success of the Nation as is any other region across the Country. Without the revenues that the Province would have seen through the Accord, all communities will suffer. The impact of diminished funding will be multi-faceted.

Other areas, specifically in the US and Europe, face the challenge of relying primarily on property tax to finance their municipalities, but have provided their municipal governments with revenue sharing opportunities and new financing tools. HRM, along with other Canadian cities, is looking for similar opportunities to diversify their revenue base beyond the collection of property taxes.

The Big City Mayors Caucus is recommending that the Federal Government permanently share the equivalent of one cent of the GST annually with the cities. This would amount to approximately \$5 billion per year nationally. This revenue would be combined with continued federal investments in the gas tax, GST rebate, infrastructure and other programs, and a new national transit strategy.

This funding would be predictable and sustainable. It is imperative cities know what revenue sources they have at their disposal. Since the GST is forecasted to grow annually at an approximate rate of 2.6 per cent over the next 20 years, cities will be able to predict what their share will be over time. This will help them plan and finance major infrastructure projects. This program would be strategic in that the GST is a source that grows with the economy. If cities are seeking additional resources to invest in infrastructure and services that support economic growth, accessing a revenue source such as the GST makes sense: it represents the economic activity that takes place in cities.

The Federal Government will benefit because for every \$1 spent in infrastructure, there are approximately 17 cents of savings for the private sector. The transportation sectors saves, on average, 40 cents for every dollar invested in transportation infrastructure. Based on the yield generated from sharing the equivalent of one cent of the GST, the productivity savings range between \$340 million to \$800 million. It is likely that the savings would be reinvested in innovation or job creation, resulting in significant spin off effects for the Federal Government, particularly with respect to generating additional income and payroll tax revenues.

- 2. Infrastructure Funding Support:** Water systems, wastewater collection and treatment facilities, community facilities, streets and roads - such infrastructure is the foundation of all cities, and in order for cities to function and grow, this infrastructure must grow and be maintained in a sustainable manner. Like many municipalities across Canada, Halifax Regional Municipality faces significant pressure with regard to the age of our infrastructure and is striving to keep its aging infrastructure in decent working condition. HRM has an annual infrastructure gap of \$50 million. Continued reinvestment in Federal infrastructure funding programs (such as: Gas Tax Revenue Sharing, MRIF, CSIF, Strategic Transit) are of paramount importance to HRM.

**HarbourLink Fast Ferry Project:** HarbourLink is a higher order transit service that will build on HRM's very successful bus rapid transit program. Significant environmental and economic benefits are anticipated. HRM remains positive that the HarbourLink will be a successful project for funding through the Highways and Border Infrastructure Funding program.

**MetroLink:** Through bus rapid transit, a successful jointly funded project, HRM has reduced more than 400 car trips per day. Without programs such as the Transportation Showcase, this success could not have been realized. HRM urges the continuation of such funding to support strategic transit usage.

**Stormwater & Wastewater Infrastructure:** Existing stormwater and wastewater infrastructure in HRM is in a deteriorated state. In excess of \$500 million additional dollars is required over the next 25 years just to maintain the status-quo. Increased Federal investment in this important community infrastructure is key. Water and wastewater systems not kept in good working order and consistent with today's standards will inevitably have a negative impact on public health and on the environment.

**Recreation Facilities:**

The benefits of recreation include improved physical and mental health, development of strong families and communities, prevention of crime and anti-social behaviour, protection of the environment and ecological stewardship, and improved quality of life. HRM is faced with the combined challenge of aging infrastructure, population growth, increased demand for services, and changing trends and demographics. Investment is required to fund the development and expansion of community recreation facilities.

**Atlantic Gateway Support:**

Canada is the bridge between the economies of Asia, Europe and the United States, and we are determined to develop Nova Scotia as North America's Atlantic Gateway, the link to Asia via the Suez Canal. Halifax Regional Municipality continues to support the Gateway concept. The Atlantic Gateway accounts for \$1 billion in wages each year. Greater investment, integration and partnership is required to grow the Gateway and to ensure it is recognized and promoted as the East Coast logistics hub.

- 3. Environment:** HRM is moving forward with a number of clean air, land, water and energy initiatives. Although in many cases not a municipal mandate, they represent very important human health and environmental protection issues. Sustainability is a key issue facing every Canadian municipality and climate change is the greatest sustainability issue facing Canada today. HRM, like many other progressive Canadian cities, has made a commitment to be a healthy, sustainable, vibrant community. Municipalities will have significant capital costs to enable these outcomes to be achieved and to ensure compliance to federal and provincial standards. Enabling funding from the Federal Government will dramatically help move forward many important projects that will assist in reducing greenhouse gas emissions and help to meet the federal, provincial and local goals and mandates.

For example, federal funding is required for initiatives such as:

- Climate change risk ,vulnerability and adaptation planning/measures
- Emissions Reduction-Clean/Green/Lean Energy
- Energy Performance Contract's for buildings
- District Energy/Heating
- Fleet and Bus Conversion to electric/biofuels/hybrids etc.
- Renewable energy conversions - buildings/infrastructure (solar, geothermal, wind)
- Solid Waste Management - meeting new provincial per capita reductions in waste (300 kg/person /year max.), and more stringent composting guidelines
- Proposed national standard of secondary level of treatment for wastewater.

- 4. Public Safety & Crime Prevention:** Upon completion of the Mayor's Round Table on Violent Crime in the Fall of 2007, HRM will develop a strategy requiring all levels of government to work cooperatively to reduce crime and continue to improve HRM's residents quality of life. Strong communities and neighbourhoods are key to the strength of our Nation.

HRM continues to look forward to the Federal funding toward additional law enforcement officers for municipal police agencies.