

Committee of the Whole
July 16 , 2002

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY: _____
George McLellan, Chief Administrative Officer

DATE: July 16, 2002

SUBJECT: **Preliminary Tax Structure Recommendations**

ORIGIN

The Tax Structure Committee, a sub-committee of Council, has prepared preliminary recommendations for HRM Committee of the Whole.

RECOMMENDATION

It is recommended that Committee of the Whole approve the following course of actions:

1. That Committee of the Whole approve the attached tax structure model in principle for the purpose of public consultations. That model includes:

- S** placing in the general tax rate the following additional items:
 - S** volunteer and core fire departments
 - S** street lighting
 - S** Cost sharing on capital upgrades for existing Recreational Facilities
 - S** Cost sharing on the construction and acquisition of new Local and Regional Recreational Facilities
 - S** Capital repairs for existing recreation and community facilities (on a go forward basis)
 - S** Crosswalk Guards
 - S** the HRM call centre
- S** That Local Improvement Charges on upgrading of existing asphalt curbing to concrete curb and gutter be eliminated.
- S** That all areas of HRM with access to Metro Transit should share equally in the cost of Metro Transit.
- S** That the \$0.05 transfer from Urban/Suburban to Rural general tax rates be eliminated

2. That the Proposed Minimum Standards For Mitigating Structural Fire in the HRM Rural Fire Service and the Proposed HRM Parks and Recreation Services Indoor Facility Feasibility and Development Policy be approved so that it becomes clear to residents of HRM what service levels and standards HRM can realistically expect to provide.
3. That the Tax Structure Committee report back to Committee of the Whole no later than October 15th, 2002 with the results of public consultations including the comments of citizens, business groups and volunteer fire departments and with final recommendations and/or options.

BACKGROUND

On May 14th 2002, the Tax Structure Committee presented an Information Report to Committee of the Whole outlining details of proposed changes to the HRM Tax Structure. The intent was to seek approval to begin the consultation process with stakeholders and return to Council with an updated report.

At that point, Council members agreed staff should begin meetings with the Rural Fire Service to ensure a consultative approach in the development of service standards and that Recreation Services should return with a detailed policy for recreational facilities. Also, Financial Services was requested to provide the financial analysis and service gaps report prior to beginning the Public Consultations in September 2002.

Final recommendations are not expected until October of 2002 with implementation planned for the 2003-2004 fiscal year.

DISCUSSION

During the month of June and early July, meetings were conducted with each of the Rural Fire Service Zones to present the Proposed Tax Structure and discuss the Proposed Minimum Fire Standards. Volunteer Fire Departments saw both the new structure and the proposed standards as generally acceptable. Suggestions have been made in a few areas and staff expect to continue their discussions.

Many rural fire departments should be able to achieve the minimum fire service standards being proposed. In some areas the weather, local road conditions and distance between properties are serious impediments to meeting the standards. The ability to meet the standard will also vary with the time of day or, in some cases, the season. There is a clear need to support the spirit of volunteerism in the rural area.

Some concern has been expressed with the current state of equipment in the rural fire service. The minimum standards being proposed are based on the premise that departments have access to appropriate fleet and safety equipment to perform their duties. In instances where there are fleet, equipment or station

inadequacies these proposed standards may not be met without capital budget assistance. For instance, there are 27 fire vehicles in the rural area built before 1980 including several over 30 years old. Some of this equipment has become extremely difficult to repair and may be unreliable. In a few cases this has also affected the willingness of local community members to volunteer.

Staff have advised rural fire departments that one is being proposed is to support a “basic” level of service and that any capital upgrades will occur over time. Requests will be prioritized as part of the HRM Capital Budget. There is no guarantee that all will be dealt with at once. Access to the General Rate, however, will enhance the opportunity to rectify the current state of affairs in a more timely fashion. The Rural Fire Service members are appreciative of this initiative and are willing to work with HRM and “see what happens”. Staff have agreed to draft a written outline for the volunteer departments as to the commitments HRM can make with regards to finance and volunteerism.

The Parks and Recreation Services business unit has developed a policy to recommend an independent and transparent procedure that identifies and confirms needs for new regional and neighborhood indoor recreation facilities. There is a strong emphasis on community consultation and reinforces the requirement for community capacity by implementing cost sharing guidelines. There is also a document that outlines the existing HRM owned facilities and the cost to maintain these on an annual basis which would be encompassed in the General Rate.

This initiative is being undertaken because the current tax structure is creating public safety concerns. While it is primarily a public safety issue, there will be tax implications, although generally modest. The impact of these tax structure changes upon individual homeowners can be estimated using the 2002-2003 budgets and tax rates. It is expected that impact will generally be small. In the rural areas the average tax rate will increase by 1.3¢ or \$13 for a \$100,000 home. In the suburban area the impact will be an additional 0.2¢ or \$2 for a \$100,000 home. In the urban core there will be a slight decline of 0.5¢ or \$5 per \$100,000 home. In the rural areas, the impacts will vary by individual areas depending on what the individual area tax rates are. Impact by area are attached to this report. Some of these impacts may be absorbed by HRM in its 2003-2004 budget.

Currently, Fire is area rated in the rural area. The current area rate ranges from 5.6¢ to 28.2¢. The average rural fire rate is 16.6 cents. In the urban and suburban areas taxpayers pay the equivalent of 12.2¢ through the general tax rate for fire services. The new unified rate for fire services is 12.7 cents, higher than that of the urban core but lower than most, but not all, fire departments.

**Impact of Tax Rate Increases/(Decreases) by Service
and General Tax Rate**

	Rural	Suburban	Urban
Fire	-0.039	0.005	0.005
Streetlights	-0.006	0.000	0.000
Crosswalk Guards	0.003	-0.000	-0.000
Call Centre	0.003	0.003	-0.001
Equalization	0.050	-0.007	-0.007
Impact of LICs	<u>0.002</u>	<u>0.002</u>	<u>-0.002</u>
Total	\$0.013	\$0.002	(\$0.005)

Unlike fire, not all parts of HRM have streetlights. In the rural areas, only those with streetlights pay for them. It is estimated that 60% of rural residents have streetlights. Rural area rates for streetlights range from 0.7¢ to 11.1¢ with an average area rate (including those without lights) of 2.4¢. In the urban and suburban areas taxpayers pay the equivalent of 1.8¢ through the general tax rate for streetlights. The new unified rate for streetlights remains at 1.8 cents, like fire, lower than most, but not all, rural rates.

Urban and suburban taxpayers pay 0.4¢ for crosswalk guards while, on average, rural taxpayers pay just under 0.1¢. The new rate is 0.3¢, on average a savings for the core and an increase for the rural areas.

When the tax structure was established HRM's call center was dedicated to Metro Transit. As such, only the urban core (and neither suburban or rural areas) paid for the call centre. Since then the call centre has been broadened to handle calls for all services throughout HRM. As such, it is now proposed to be included in the general tax rate for all taxpayers to fund. This provides a slight saving to the urban core but increases the rural and suburban tax rates by 0.3¢.

Currently, if taxpayers wish to upgrade from asphalt curbs to concrete curbs they must pay a local improvement charge (LIC). The funds from this charges are included in the operating budget as revenue, hence lowering the general tax rate. At the moment, only urban taxpayers have LICs for curb upgrades. Since it is not cost effective to replace asphalt curbs with anything other than concrete, it has been proposed that this charge be eliminated. The result is that such LIC charges will be eliminated and that there will be an equivalent decline in operating revenues. For the urban core this means a slight saving. For the suburban and rural areas a slight increase. LIC charges for new sidewalks, paving and sewers are unaffected.

At the time the tax structure was created, it was decided to lower the rural area's general tax rate by 5.0¢. This was accomplished through a transfer from urban and suburban taxpayers which increased their general

tax rate by 0.7¢. It is proposed that this transfer be eliminated.

Additional changes are expected to be made to transit. There are some areas of HRM that receive transit services but do not pay for it through their tax rates. In addition, not all areas are paying the full cost of the Metro Transit service they receive. Staff intend to return by September with additional information.

There will also be an impact on the commercial sector. The urban and suburban commercial tax rates are estimated to rise by 0.1¢. In the rural area the increase is expected to be more significant, approximately 30¢ or nearly 11%. These changes arise from the complex relationship between residential and commercial tax rates. Commercial rates are set at 2.55 times the residential rate. Since commercial taxpayers generally don't pay area rates an additional amount was added to the weighting factor to compensate for these revenues. The legislation which then existed prevented HRM from differentiating between the urban and rural weighting factor. Moving services to the general rates has removed the need for this complexity.

BUDGET IMPLICATIONS

There are no immediate implications to this change. In future fiscal years there will be additional pressure on the HRM capital budget. Fire has identified a need to replace a number of older fire vehicles, many of them dating to the 1970s. In addition, there are equipment and building deficiencies which need to be corrected. Staff are hopeful that some of this amount can be financed through the existing rural fire financial capacity. Other requests will have to be prioritized through the capital budget process.

Much of the existing area-rated debt for volunteer fire departments will have to be absorbed. This debt consists of area rated loans and debentures. Staff are continuing to look at ways of restructuring and dealing with the debt. Staff are recommending that rural fire department surplus accounts be used to write-off any portion of an individual department's debt. The remainder of the surplus account would remain with the department or community in which it was raised. Likewise, HRM would leave any monies raised through fund-raising efforts with the local community. In the first year of the new structure volunteer departments should expect to continue to receive their existing budgets less any amounts for debt charges, deficits, surpluses transfers for reserves, capital from operating etc.. Staff have discussed this with the individual fire zones and have met with general agreement.

With respect to recreation, it is anticipated that capital repairs to existing facilities will cost approximately \$240,000 per year on average. These requests will have to be prioritized through the capital budget process. It is not expected that these funds will be automatically assigned to rural areas. Staff are not recommending any write down of existing debt or future debt arising from approved recreation capital projects. Rather, this proposal is on a go-forward basis. Future projects would be eligible for cost-sharing if available and if approved through the capital budget process. Operating costs remain the responsibility of the managers of the facility.

Both streetlights and crosswalk guards are principally operating issues. Both are currently governed by standards set by Regional Council. The increase in demand for these services is expected to be less than \$50,000 per year. Requests are to be prioritized through the annual budget process using the established standards.

Public consultations have been estimated to cost approximately \$25,000. It is expected these funds will be paid for through the budget of Financial Planning (A810) and other parts of Financial Services.

MULTI-YEAR FINANCIAL STRATEGY IMPACTS

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

Committee of the Whole may choose to reject the proposed Tax Structure Model or to request revisions or clarifications from the Tax Structure Committee.

Committee of the Whole may opt to remain with the Status Quo.

ATTACHMENTS

Proposed Minimum Standards For Mitigating Structural Fire in the HRM Rural Fire Service

Recreation Services Indoor Facility Feasibility and Development Policy

Recreation Facility Maintenance Requirements Spreadsheet

Schedule of Public Consultations

Table One - Impact of Tax Structure on Residential Tax Rates

Table Two - Impact of Tax Structure on Tax Rates

Table Three - Impact of Tax Structure on Tax Burden

Table Four - Impact of Tax Structure on General Commercial Tax Rates

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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