

"A Deal is a Deal"
Mayor Peter Kelly
Presentation to Legislative Amendments Committee
May 4, 2011

- Honourable members, thank you for the opportunity to present today. I am here on behalf of Halifax Regional Council to speak about the effect of Clauses 4, 5 and 6 of the Financial Measures Act on municipalities.
- In 2007, the Province of Nova Scotia signed a Memorandum of Understanding with the UNSM, committing to the phase-out of mandatory annual municipal payments to the Province for corrections and social housing, as well as a cap on our contribution for education.
- This MOU was an acknowledgement of the unfair burden placed on municipal governments. The Finance critic at the time, Graham Steele, agreed, saying :

"The next clause, the first of several dealing with changing fiscal relations with the municipalities, this really, in its essence, is a good thing, because municipalities have been saying, and saying for a long time, that the province has forced them to pick up too much of the tab of the cost of Provincial services."
- The MOU, which also committed to timely, open and transparent communication between the Province and UNSM, was enshrined in legislation. Thus, municipalities had a reasonable expectation that the phase-out would be permanent.
- Then, on March 22 of this year, the Province of Nova Scotia announced its intention to cancel the Memorandum of Understanding.
- Ladies and gentlemen, a deal is a deal. Municipalities signed the MOU in good faith and we were blindsided by the Province's announcement – made without any prior consultation or notification whatsoever. The Province has reneged on its deal with Municipalities.
- Almost \$20 million extra each year will be downloaded onto municipal governments as a result, to pay for Provincial services which municipalities do not deliver and have no control over. Municipal governments are being asked to take on the role of tax collector for the Province, and yet we cannot be held accountable for the funds we collect – creating issues of transparency and accountability.
- HRM understands the fiscal pressures facing the Province because we share those same pressures. Unlike the Province, however, we are required to balance our budget each year. Each year we face demands to do more with less.

- We need to replace and maintain aging infrastructure, provide waste collection, plow and repair streets, provide police and emergency services, offer recreation and leisure services, run a public transit system – the list goes on.
- With the dismantling of the MOU, HRM is facing a cumulative total of \$45 million more in unexpected costs over the next four years – from \$1.2 million extra next year, up to \$19.5 million extra in 2014-15.
- Even with the MOU phase-outs in place, this year HRM will have to forward \$114 million - or 25% of residential property taxes - from its annual operating budget, directly to the Province. Without the MOU, by 2014-15 HRM will be contributing \$135.2 million annually towards Provincial services, adding to the burden of local property taxpayers.
- That is \$135.2 million taken away from the core municipal services that families depend upon in their daily lives. It means fewer recreation programs, longer waits for street repair, less frequent bus service, older infrastructure.
- In short, it means reduced services or property tax increases, or both. In HRM we are looking at a Provincial property tax increase of \$100 to individuals and \$400 to commercial taxpayers annually.
- Balancing the Province's books on the backs of municipalities is not a viable solution to the economic issues Nova Scotia faces. It merely shifts the problem to another level of government. Individual citizens, the taxpayers of this province, are still faced with rising tax bills and reduced services. Cancelling the MOU affects everyone, particularly seniors, single parents and others on a fixed income, for whom every dollar counts. Businesses, too, will pay more taxes - especially small businesses.
- Taxpayers and residents will be best served by an alternative that supports strong, sustainable and healthy communities throughout Nova Scotia. The 2007 MOU recognized this – in simple terms, the Province pays for Provincial services and the municipalities pay for municipal services.
- Honourable members, a deal is a deal and that deal should be honoured.
- Thank you.

HALIFAX
REGIONAL MUNICIPALITY

PERSON 1
PERSON 2
123 ANYWHERE ST
LOT 527 COMMUNITY
DWELLING

1

RECEIPT PORTION - RETAIN FOR YOUR RECORDS

SEE REVERSE FOR PAYMENT AND GENERAL INFORMATION

| NOTICE DATE | DU ^E DATE | ASSESSMENT# | INVOICE# | AMOUNT DUE | AMOUNT PAID |
|--------------|----------------------|-------------|----------|------------|-------------|
| Aug 17, 2010 | Oct 29, 2010 | 01234567 | 514561 | \$1,199.96 | |

| PARTICULARS | ASSESSMENT | RATE | AMOUNT |
|---------------------------------------|------------|---------|------------|
| HRM Residential Taxes | | | |
| URBAN GENERAL RATE | 2 | 183,400 | 0.7088 |
| LOCAL TRANSIT | | 183,400 | 0.1050 |
| REGIONAL TRANSPORTATION | | 183,400 | 0.0510 |
| SUPPLEMENTARY EDUCATION | 3 | 183,400 | 0.0450 |
| FIRE PROTECTION (HYDRANTS) | | 183,400 | 0.0260 |
| TOTAL MUNICIPAL RESIDENTIAL TAXES | | 0.9358 | 1,716.25 |
| Mandatory Provincial Funding | | | |
| EDUCATION | | 183,400 | .3060 |
| PROPERTY VALUATION SERVICES | 4 | 183,400 | .0230 |
| CORRECTIONAL SERVICES | | 183,400 | .0220 |
| METRO HOUSING AUTHORITY | | 183,400 | .0030 |
| TOTAL PROVINCIAL FUNDING | | .3540 | 649.23 |
| TOTAL CURRENT YEAR TAXES | | | 2,365.48 |
| LESS INTERIM PREVIOUSLY BILLED | 5 | | (1,165.52) |
| TOTAL TAXES DUE | | | 1,199.96 |

PLEASE DETACH AND RETURN WITH REMITTANCE

| NOTICE DATE | DU ^E DATE | ASSESSMENT# | INVOICE# | AMOUNT DUE | AMOUNT PAID |
|--------------|----------------------|-------------|----------|------------|-------------|
| Aug 17, 2010 | Oct 29, 2010 | 01234567 | 514561 | \$1,199.96 | |

REMITTANCE PORTION - PAYABLE AT MOST FINANCIAL INSTITUTIONS

HALIFAX REGIONAL MUNICIPALITY

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123 ANYWHERE ST
COMMUNITY NS POSTAL CODE

Impact of MOU on Provincial Property Taxes

| | <i>Tax Rate if MOU Continues</i> | | | | | | | |
|----------------------------------------------|----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | Year 1 2007-08 | Year 2 2008-09 | Year 3 2009-10 | Year 4 2010-11 | Year 4 2011-12 | Year 5 2012-13 | Year 6 2013-14 | Year 7 2014-15 |
| Mandatory Education Tax | 0.325 | 0.319 | 0.312 | 0.306 | 0.295 | 0.288 | 0.280 | 0.274 |
| Corrections Tax | 0.033 | 0.030 | 0.029 | 0.022 | 0.016 | 0.010 | 0.005 | 0.000 |
| Housing Tax | 0.009 | 0.011 | 0.009 | 0.003 | 0.003 | 0.000 | 0.000 | 0.000 |
| Property Valuation Services Corporation Tax | <u>0.023</u> | <u>0.023</u> | <u>0.022</u> | <u>0.023</u> | <u>0.022</u> | <u>0.021</u> | <u>0.021</u> | <u>0.020</u> |
| Total | 0.390 | 0.383 | 0.372 | 0.354 | 0.336 | 0.319 | 0.306 | 0.294 |
| <i>Tax Rate with MOU Cancellation</i> | | | | | | | | |
| | Year 4 2011-12 | Year 5 2012-13 | Year 6 2013-14 | Year 7 2014-15 | | | | |
| Mandatory Education Tax | 0.295 | 0.299 | 0.299 | 0.301 | | | | |
| Corrections Tax | 0.016 | 0.020 | 0.019 | 0.018 | | | | |
| Housing Tax | 0.007 | 0.007 | 0.006 | 0.006 | | | | |
| Property Valuation Services Corporation Tax | <u>0.022</u> | <u>0.021</u> | <u>0.021</u> | <u>0.020</u> | | | | |
| Total | 0.340 | 0.347 | 0.345 | 0.345 | | | | |
| Increase in Provincial Property Tax Rate | 0.004 | 0.028 | 0.039 | 0.051 | | | | |
| Average Assessment | <u>192,900</u> | <u>202,000</u> | <u>212,000</u> | <u>222,000</u> | | | | |
| Increase in Provincial Property Taxes | \$8 | \$57 | \$83 | \$113 | | | | |
| Total Dollar Increase (\$ million) | | | \$1.2 | \$9.6 | \$14.4 | \$19.5 | | |

a Deal is a Deal

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Introduction

On March 22, the Province of Nova Scotia announced its intention to cancel the Memorandum of Understanding (MOU) that was signed with the Union of Nova Scotia Municipalities in 2007. This MOU was an acknowledgement of the unfair burden placed on municipal governments through mandatory payments to the Province for corrections, public housing and education – services which are not delivered by municipalities and in which they have no say.

The MOU initiated the phase-out of these costs over a seven-year period. Its clauses were enshrined in legislation – giving municipalities a reasonable expectation that the phase-out would be a permanent fixture, and changes would not be contemplated without advance notice and significant consultation. The MOU itself commits to timely, open and transparent communication between the Province and UNSM – another aspect of the MOU which this government appears to have left by the wayside.

The phase-out of municipal mandatory contributions was part of a bill designed to help families, businesses and communities – the same priorities as the current government. Indeed, during the debates on the bill, then-Finance critic Graham Steele commented that:

"The next clause, the first of several dealing with changing fiscal relations with the municipalities, this really, in its essence, is a good thing, because municipalities have been saying, and saying for a long time, that the province has forced them to pick up too much of the tab of the cost of municipal services"

Uploading Costs and Downloading Responsibilities

Sadly, with the cancellation of the MOU, the Province has reneged on its deal with Municipalities – a deal signed in good faith. It means that an extra \$27 million annually will be downloaded onto municipal governments, to pay for services which municipalities do not deliver and have no control over. Municipal governments are being asked to take on the role of tax collector for the Province, and yet cannot be held accountable for the funds they collect – creating issues of transparency and accountability.

HRM understands the fiscal pressures facing the Province, especially since we share them. Unlike the Province, however, we are required to balance our budget each year. Each year we face demands to do more with less. We need to replace and maintain aging infrastructure, provide waste collection, plow and repair streets, provide police and emergency services, offer

recreation and leisure services, run a public transit system – the list goes on. HRM covers a large geographical areas and our population is growing, so we face increased demands for service. Even with the phase-out of mandatory payments, this year HRM had to contribute almost one-fifth of its annual operating budget directly to the Province. With the dismantling of the MOU HRM is facing a cumulative total of \$44.7 million more in unexpected costs:

- \$1.2M next year
- \$9.6M in 2012-13
- \$14.4M in 2013-14
- \$19.5M in 2014-15

Impact on Communities

Without the MOU, by 2014-15 HRM will be contributing \$135.2 million towards Provincial services. That is \$135.2 million taken away from the core municipal services that families depend upon in their daily lives. It means fewer recreation programs, longer waits for street repair, less frequent bus service, older infrastructure...in short it means reduced services or property tax increases, or both. In HRM we are looking at an increase of \$100 to individuals and \$400 to commercial taxpayers annually.

Balancing the Province's books on the backs of municipalities is not a viable solution to the economic issues Nova Scotia faces. It merely shifts the problem to another level of administration. The individual citizens, the taxpayers of this province, are still faced with rising tax bills and reduced services. This runs counter to both the economic development strategies that the Province and HRM have approved recently. Nova Scotia needs to attract investment and people, and retain them. To do this we must come up with collaborative solutions to our fiscal issues. The costs associated with the cancellation of the MOU are detrimental to the economy and will deter business and people from coming and staying here – in essence, it will make life tougher for families.

Call for Consultation

Municipalities signed the 2007 MOU in good faith, believing that any changes would only be undertaken with advance notice and consultation from the Province. The abrupt notice of the MOU's cancellation represents a major step backwards in intergovernmental relations in Nova Scotia – moreso from a government that prides itself on widespread and meaningful consultation. We strongly urge the Provincial Government to hold off on Bill 27 legislation until it has discussed this matter in depth with UNSM and attempted to come to a collaborative resolution. Taxpayers and residents will be best served by an alternative that supports strong, sustainable and healthy communities throughout Nova Scotia.