Jennifer Campbell CBRM

Net Impact of MOU - CBRM

Net Provincial Transfer Projection (excludes roads)	Estimated Budget 2023-24	Estimated Budget 2024-25	Estimated Budget 2025-26	Estimated Budget 2026-27	Estimated Budget 2027-28	Estimated Budget 2028-29	Estimated Budget 2029-30
C.B./Victoria School Board	$ 16,530,308	$ 17,803,142	$ 18,559,775	$ 19,348,566	$ 20,170,880	$ 21,028,142	$ 21,921,838
Island Housing Authority (CBIHA)	2,477,613						
Correctional Costs (Provincial)	1,135,747						
	$20,143,668	$17,803,142	$18,559,775	$19,348,566	$20,170,880	$21,028,142	$21,921,838
Municipal Capacity Grant	$ 15,335,838	$ 15,335,838	$ 15,335,838	$ 15,335,838	$ 15,335,838	$ 15,335,838	$ 13,647,641
Net Transfer (to) from Province	$ (4,807,830)	$ (2,467,304)	$ (3,223,937)	$ (4,012,728)	$ (4,835,042)	$ (5,692,304)	$ (8,274,197)

Based on Education average increase in last 5 yrs 4.25% after 2024-25

CBRM's net transfer to the Province increases from ($4.8M) to ($8.27M)
$3.47M in added pressure due to Bill 340 even though Housing and Corrections are eliminated.

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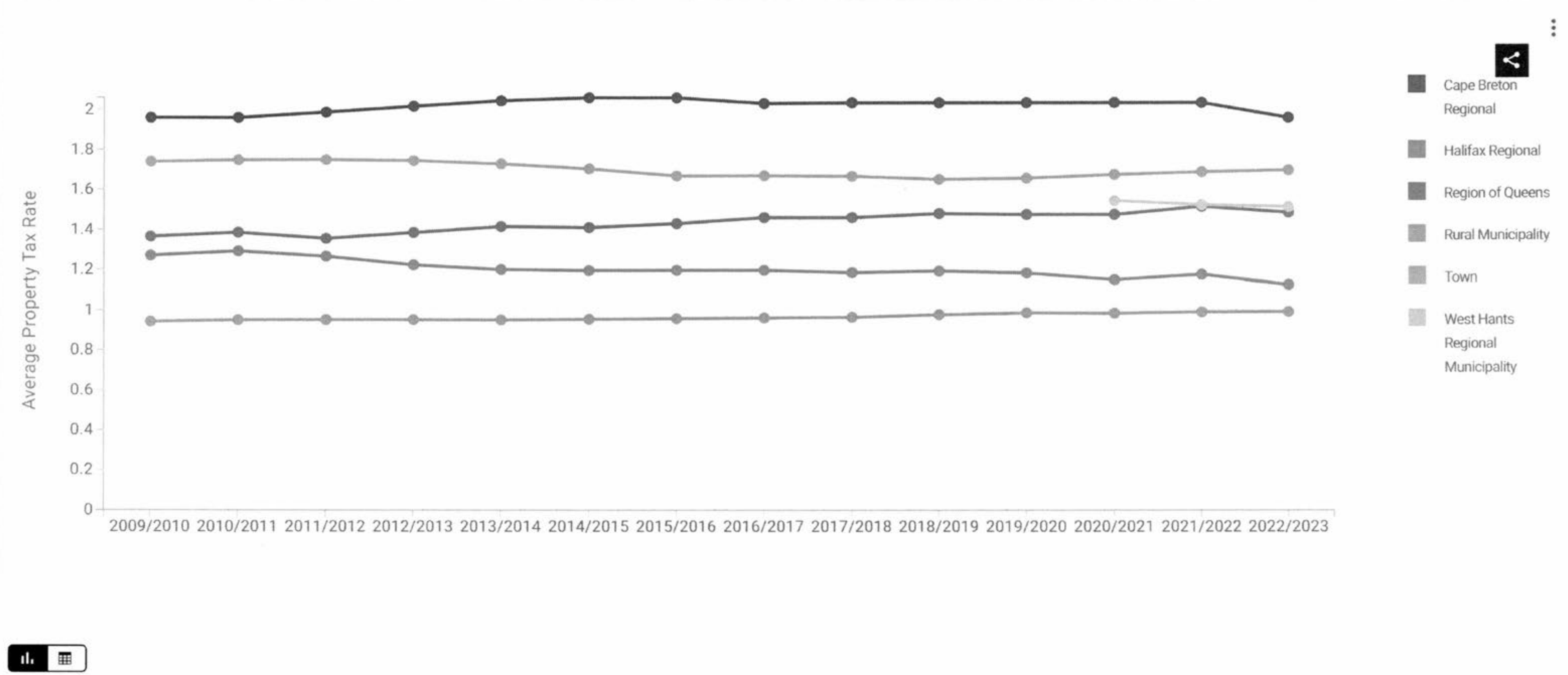
CBRM - Historic Net Provincial Transfers

	2006-07	2012-13	2014-15	2020-21	2021-22	2022-23
Unconditional Grants						
Equalization	$ 17,716,646	$ 15,832,580	$ 15,335,838	$ 15,335,838	$ 30,671,676	$ 15,335,838
Provincial Mandated Costs						
Education	10,528,212	$ 11,588,280	$ 12,713,730	$ 14,871,660	$ 15,282,089	$ 15,534,623
Corrections	1,454,612	1,111,696	1,102,720	1,070,466	1,066,680	1,054,547
Housing	1,770,364	1,802,619	1,969,379	2,157,152	2,136,004	2,534,492
Total Provincial Mandated Costs	$ 13,753,188	$ 14,502,595	$ 15,785,829	$ 18,099,278	$ 18,484,773	$ 19,123,662
Spread	3,963,458	1,329,985	(449,991)	(2,763,440)	12,186,903	(3,787,824)
Total Operating Budget	$ 106,141,659	$ 136,996,915	$ 142,730,595	$ 154,216,771	$ 157,362,157	$ 162,223,985
Provincial costs as a % of Total Budget	13.0%	10.6%	11.1%	11.7%	11.7%	11.8%

In 2006, CBRM received net financial assistance of $3,963,458. Fast forward to now - CBRM transfers $3,787,824 MORE to the province than we receive in financial aid. Cost pressure added to CBRM's tax base is over $7.75M - a direct result of a stagnant Municipal Capacity Grant funding pool and inflation on provincial transfers.

https://data.novascotia.ca/Municipalities/Municipal-Property-Tax-Rates-Average-Property-Tax-/s862-ad8j#:~:text=The%20dataset%20is%20a%20list%20...

More info



Jennifer Campbell CBRM

Good morning. My name is Jennifer Campbell and I am the Chief Financial Officer of Cape Breton Regional Municipality. Thank you for the opportunity to voice my concerns respecting Bill 340.

CBRM is highly reliant on the Municipal Capacity Grant, in fact we currently receive about one-half of the entire fund. We have the highest municipal tax rates in the province, and by a very large margin. We do not have the taxation capacity required to address the climbing infrastructure and operating needs of our large, growing community - pressures that other municipalities simply don't have – like transit and wastewater treatment infrastructure.

Last year marked our first ever operating deficit, largely the result of increased transit service demands and steep inflation. This year's budget deliberations were the most challenging yet as we struggle to balance the cost of service delivery to our residents with what they can reasonably afford in taxes. We've cut our budgets so deep to survive up til now that we had no choice but to increase tax rates further.

We just finished construction of a new wastewater treatment plant – forced by environmental regulation. Our share of that one project was $13million dollars. It's going to add $2.5M in Debt servicing and operating costs to our budget next year. We have <u>more</u> plants coming online in the next few years, with more needed that aren't even being built yet - I could go on and on.

The viability study commissioned by the Province in 2019 highlighted the fact that CBRM is facing significant challenges – I've already named a few. The study found that CBRM's per capita cost of delivering municipal services were the lowest in almost every category compared to municipalities of similar size and characteristics. But despite our efforts, it was clear in the findings that our tax base cannot financially sustain future operating and capital pressures without substantial changes to legislative policy on taxation and other strategic actions to grow our tax base.

When the municipal capacity grant was doubled in 2021 and a commitment made to modernize the municipal capacity grant formula, we thought that was the turning point for CBRM and all struggling NS municipalities. But what is proposed in this Bill falls short of what is needed. Instead of additional funding, the municipal capacity grant fund remains the same.

The new formula redistributes the same old 1995 funding, leaving 17 municipalities with less money than they're getting today…and CBRM is one of them. We are 1 municipality but comprised of 8 former units. By definition, the Municipal Financial Capacity Grant is given to assist municipalities whose costs of delivering a core set of services exceed their ability to pay, when compared to similar municipalities. But there are no other similar municipalities in Nova Scotia to compare CBRM to. Like it or not, we have unique challenges and need to be look at through a different lens.

I'd like to speak a bit about CBRM's taxes. Our tax rates are a huge impediment for growth, whether one is purchasing a new home or building one. Our Municipal Indicators Report – which is our Provincial Financial Report Card - tells a much different story. It indicates that even though our rates are the highest in Nova Scotia, CBRM has the capacity to increase tax rates further…by ALOT.

The residential tax effort indicator assesses what % of household income is spent paying property taxes. The calculation is simple - Total audited residential tax revenues divided by the total # of dwelling units gives you an average tax bill per household. Take that average tax bill and divide it by median household income to determine the % of income paid towards property taxes. The thresholds set by the province say that if your average tax bill compared to your median income is anything less than 4%, you're not trying hard enough.

The formula suggests, based on the CBRM's median household income, that the average tax bill should be around $2,500 per household. The calculation shows we are at around $1,900 or 3%, which would indicate that CBRM has a fair bit of room to increase tax rates if needed without significantly impacting the affordability of our taxes.

The logic is fair…but only if everyone's taxes were based on the market value of their home – the whole premise of ones "ability to pay" in the assessment act. But, with an average tax rate of over $2.00, if you're lucky enough to get a bill for $1900, that means your taxable assessment is only $95,000. When was the last time you could buy or build a house for $95,000?

But like I said, it's a simple formula – perhaps too simple. The average tax bill calculation is heavily diluted by taxes charged on properties that are owner unknown or not able to be developed that are still assessable under legislation. So a bill is still generated and included in our revenues, even though they never get paid. It doesn't reflect that of our 48,000 dwelling units, that many are abandoned, unsafe, and need to be torn down; that many apartment complexes (like provincially owned public housing) represent high unit counts with low tax values compared to a typical single family home - all of which result in an understatement of what an average tax bill in CBRM truly looks like. And many residents are in fact paying a significantly higher % of their income on property taxes than the 4% provincial benchmark.

For context, a young family is likely in the market for an average sized house which will probably cost around $250,000 if they're lucky. Their tax bill, based on today's rates in Sydney would be $5,475 (2x what the formula says our average tax bill should be). Let's assume this couple makes $120,000 in "gross" household income (nearly double CBRM's current median household income and pretty good for a young family starting out). Property taxes as a % of income for this family would start at 4.6%...- higher than the parameters of affordable taxation according to the province's own benchmark.

Yes, many residents can afford to pay more – most of those folks, even though their homes may be valued at $250,000, are paying based on a capped assessment amount at less than half that value. Unfortunately, there is no mechanism available to shelter those who are already taxed beyond their income. There are thousands of examples just like this one in our community.

I encourage you to do some quick math on your own. Apply CBRM's tax rate of $2.00 to your own market assessment – how does that compare to what you pay now. Is our tax bill something you or your children's families could easily afford if you were to pick up and move to CBRM tomorrow?

That is why CBRM residents critically need the funds that the Municipal Capacity Grant provides to help in the cost of delivering core services and protect against increases in tax rates beyond what they already are, and why CBRM has been so vocal in our disappointment of this Bill.

The elimination of "flow-through taxes" for housing and corrections as proposed in this Bill is great news. But the financial benefit of no longer taxing our residents for these provincial services is going to be rapidly absorbed by continued increases to our education transfers which are 4.5x what we pay for housing and corrections combined, AND increase each year with inflation, while the municipal capacity grant doesn't.

Next year, CBRM's education transfer will increase \$1.1m – that's more than the total we pay for corrections today. Our "capacity" will decrease \$3.5m per year (even with housing and corrections eliminated) - the result of continuing education transfer increases and the \$1.6m loss of capacity grant funding that will be taken from CBRM and redistributed to other municipalities when the formula top up is lifted after 5 years.

We understand that including the entire education transfer in this Bill requires much more discussion and planning. But, an amendment to the Bill that would see the immediate freezing of education at current amounts is needed to support the mounting pressures faced by municipalities and their residents by this one remaining transfer, which IS a provincial responsibility.

The Province taking over pre-1981 schools on a go-forward basis is also great news. However, dozens of schools have been closed that have already reverted back to municipalities. The former CB-V-RSB closed 17 before the dissolution of school boards. These schools remain a significant financial burden given their current states of disrepair. For example a former school in Glace Bay cost our residents \$300K to demolish and that was 10 years ago.

To take down the dozens of remaining schools would cost municipalities millions, which is why having this Bill limited to future school closures comes with disappointment. Schools are exempt from taxation, meaning we don't receive any tax revenues on school properties while they're in use, yet municipal dollars are required to take them down. Bill 340 needs to be amended to address all pre-1981 schools that have been closed, and not just those schools closing in the future.

The inherent issues with the municipal capacity grant today remain unchanged with this Bill. The formula has been modernized, yet the total fund has not and is still not indexed for annual inflation. Municipalities facing increased challenges tomorrow will get help by making today's struggling municipalities struggle more. 17 municipalities receive less in capacity grant funding, not because they need it less, but because other municipalities simply need it too.

Bill 340 needs to be amended to include the recommendations of the SERMGAR Committee that are ignored in this legislation. Double the municipal capacity grant fund allotment and index it for inflation, amend it to address all former abandoned pre-1981 schools, and freeze municipal contributions to education until a plan is in place for the province to take them over entirely.

Thank you for this opportunity and your time.