

# HALIFAX

P.O. Box 1749  
Halifax, Nova Scotia  
B3J 3A5 Canada

**Item No. 03**  
**Committee of The Whole**  
**February 21, 2017**

**TO:** Mayor Savage and Members of Halifax Regional Council

**SUBMITTED BY:** Original Signed by   
\_\_\_\_\_  
Jacques Dubé, Chief Administrative Officer

Original Signed by   
\_\_\_\_\_  
Jane Fraser, Acting Deputy Chief Administrative Officer

**DATE:** February 1, 2017

**SUBJECT:** Stormwater Right of Way (ROW) Funding Options

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## **ORIGIN**

On November 22, 2016, Halifax Regional Council passed a motion:

That Halifax Regional Council direct staff to prepare a report and recommendation with respect to funding the Stormwater Right-of-Way amount by way of an area rate on the assessed value of taxable properties within the Halifax Water service boundary and return to Council for consideration of the resulting report during the 2017-18 budget deliberations.

## **LEGISLATIVE AUTHORITY**

*Halifax Regional Municipality Charter* ("HRM Charter"), 2008, SNS, c.39, references to estimates, tax rates, area rates, uniform charges, charge by-laws and proceedings for taxes excerpts attached as Attachment 1.

## **RECOMMENDATION**

It is recommended that Halifax Regional Council fund the annual Stormwater Right of Way charge, billed by Halifax Water, through an area rate on the Halifax Water Stormwater Service Area (Option 3 in the Discussion section of this report), effective April 1, 2017, and that staff include this area rate in the final 2017-18 operating budget.

## **BACKGROUND**

Stormwater is the precipitation that comes from rain, snow and other weather events. In the natural environment it evaporates, runs off into streams or is absorbed into the soil. In developed environments the concrete, gravel and pavement re-direct the stormwater and prevent its absorption into the environment. Hence municipalities have systems of drains, curbs, stormwater pipes and ditches that help prevent flooding and pollution of water courses.

In Halifax, Stormwater services were originally provided directly by the municipality and were paid for through a user fee on the water bill. This levy was in addition to the water service and was only paid for by those who had central water, even though the service was provided across the stormwater area. In 2007 Stormwater services (and Sanitary Sewer services) were transferred to Halifax Water and became subject to regulation through the Nova Scotia Utility and Review Board ("NSUARB").

In 2013, the NSUARB reviewed the rates for stormwater submitted by Halifax Water and approved a site-generated flow charge to pay for the majority of stormwater costs. These rates were to be paid for by all residents and businesses within the Stormwater Service Area, including those not on central water. In addition, because HRM's roadways cause water runoff, the NSUARB ordered that HRM pay to Halifax Water \$3.9m, annually, towards the cost of Stormwater. HRM is required to pay this money.

In 2013-14, HRM paid this cost using surplus funds that were remaining at the end of the year. On January 14, 2014, however, Halifax Regional Council decided to levy a new Stormwater ROW charge of \$39 per account on those properties that paid the Halifax Water Stormwater Charge, hence using their (site-generated) stormwater methodology. For administrative simplicity, it asked Halifax Water to collect the new Stormwater ROW charge, starting April 1, 2014. Those that paid the Halifax Water charge or were exempted from the charge would also pay or be exempted from the additional HRM charge.

On June 23, 2015, Regional Council discussed alternatives to the HRM Stormwater Charge. It decided to instead place a flat tax of \$42 (uniform charge) on each taxable property assessment account within the service area, including properties not then paying the Halifax Water charge and those that had been exempted. The new uniform charge was to be collected on the HRM tax bill, starting in 2016-17. As required by the HRM Charter, all taxable properties had to pay the levy. Unlike most of HRM's taxes, however, the levy was a flat amount (uniform charge).

In the summer of 2016, when the new \$42 per taxable assessment account tax was applied to all HRM properties, a number of unintended consequences appeared:

- More than 800 condo owners, who had previously paid the stormwater charge once for the entire condo building, were now paying the tax on separately deeded properties – living space, parking space and/or storage space – that were essentially parts of the same dwelling. (Apartment buildings continued to pay only \$42 per building).
- Likewise, individual mobile homes (in parks) had paid just once per park when on the water bill, similar to apartments. They now had to pay for each mobile home.

As expected, the 4,400 properties that had been exempted from the Halifax Water site-generated charge, and not billed the Stormwater ROW charge, were now paying through their tax bill.

On October 4<sup>th</sup>, 2016, Regional Council requested a staff report looking at possible changes to the new levy, including reducing the taxes payable on:

- properties that are essentially ancillary to a dwelling, such as parking and storage spaces with separate deed and title [from that of the actual] condominium [unit];
- individual condo owners, where Condominium Corporations were originally billed (\$42);
- [individual mobile homes in] mobile home parks;
- owners having lots which could not be developed; and
- residents previously exempt of the right-of-way fee, before it was moved to the tax bill.

These changes would essentially reverse the decision of June 2015 and again charge residents on the same basis as the Halifax Water site generated flow charge.

On November 8<sup>th</sup>, 2016, a staff report on Stormwater Right-of-Way Funding Options was provided to Regional Council that outlined three options for the funding of the \$3.9 million charge payable annually to Halifax Water for the stormwater services provided for HRM-owned streets, i.e. HRM rights-of-way. The staff report highlighted the limitations of property taxation and related legislation in setting criteria for the selection of properties for taxation, concluding that it would be very difficult and perhaps costly for the Municipality to attempt to duplicate the previous Halifax Water billing through a municipal property tax.

The three options provided were limited to two options using existing general tax rates and a third option, to return the billing to Halifax Water. Regional Council debated the alternative and asked staff to develop an area rate based on the assessed value of taxable properties within the Halifax Water (HW) service boundary.

Also, during additional Regional Council discussion on November 22<sup>nd</sup>, a question was raised on how the area rate would impact households that are on Provincial roadways within the service boundaries and requested that the report clearly outline who will be charged the area rate. Council members also asked that the report identify how the area rate relates to the previous "Ditch Tax" (as described in the Regional Council Minutes of November 22, 2016) and that the recommendations provided in the first staff report be included in the alternatives.

## **DISCUSSION**

Since the initiation of the Stormwater charges in 2013, there has been significant confusion. Part of it is due to the two stormwater charges put in place by the NSUARB: one charge in relation to stormwater runoff from properties into the stormwater system and a separate charge for HRM (\$3.9 million annually) based on the water flow from municipal roads. The distinction between the two charges has not been fully clear to many Halifax region property owners. It is within this environment that Council must decide how to collect the \$3.9 million.

The term "Ditch Tax" relates to the stormwater service provided by Halifax Water and includes the areas serviced by a variety of water management and collection devices including ditches, culverts, catch basins and pipes. The term originated when those not on piped services – roughly 20,000 properties within the HW Stormwater service area that, prior to 2013-14, did not pay for stormwater services – received their first Site-Generated Flow charge from Halifax Water. Eventually, about 4,400 of these customers were exempted from the site-generated charge, when Halifax Water reviews concluded that the properties did not drain to the Halifax Water stormwater system.

The municipal Stormwater ROW charge is not based on water flow from individual properties, but is based on the broader benefits provided by municipal roads. The key question for Regional Council in determining how to collect the Stormwater ROW charge is **who benefits from municipal streets and roads**.

The Stormwater ROW charge is not a service fee or a service-based tax. On the property tax bill, it is a wealth-based (i.e., assessment) tax. The overall boundary of the tax (or area rate), at best, denotes the area that should, directly or indirectly benefit from the Halifax Water stormwater service. The tax boundary is typically based on who benefits from a service and cannot easily be changed to exclude individual properties.

Before reviewing the options, the question of municipal and provincial roads and the Stormwater service boundary should be addressed. The Stormwater service boundary denotes the area of service responsibility for Halifax Water. Also, most but not all municipal roads are within this boundary. Dozens of municipal roads exist outside of the boundary, but they are not provided stormwater service by Halifax Water. Inside the boundary, apart from the "100-series" highways and their connectors, there are two

provincial roads: Elder Road, off Hwy 3 in Timberlea, and Abilene Ave, off Hwy 2 in Wellington. Both are less than 300m in length and are surrounded by HRM roadways. The properties on these two provincial roads are accessed by use of HRM-owned roads, not unlike properties on adjacent public roads.

On the Tax Bill

A variety of tax boundary options have been provided, including:

- all of the municipality
- the commutershed – the area within which most households commute into the urban areas
- the Halifax Water Stormwater service area
- the Urban/Suburban tax areas

Council has asked whether those exempted from the Halifax Water Site-Generated Flow charges could be exempted from the municipal Stormwater ROW charge. There are two challenges with this proposal. First, from a benefits perspective, there is not necessarily a correlation between how the water flows from a property and the potential use/benefit of municipal streets and roads to property owners. Second, it is administratively complex. For HRM to collect the stormwater tax in the same manner as Halifax Water requires extensive data sharing, possible system and process modifications and additional costs.

The four viable assessment-based taxes are summarized in the table, below.

| Option | Area   | Rationale   | Pros  | Cons  | Estimated Residential Rate <sup>1</sup>                 |
|--------|--|---|---|---|---|
| 1      | Entire Municipality                                    | All of HRM benefits from public roads             | Simple to implement; costs shared broadly; in general rate              | Taxes those who receive stormwater service from Province including the rural areas. | 1.1 cents <sup>2</sup><br>(per \$100 of assessed value) |
| 2      | Commutershed (similar to Regional Transportation area) | All those who regularly use HRM roads benefit     | Costs shared broadly; shown as separate area rate on tax bill           | Taxes those who receive stormwater service from Province                            | 1.1 cents <sup>2</sup>                                  |
| 3      | Halifax Water Stormwater Service Area <sup>3</sup>     | Those close to HRM roads benefit more             | Directly reflects service area; shown as separate area rate on tax bill | Excludes some of those who regularly use HRM roads.                                 | 1.25 cents  |
| 4      | Urban/Suburban tax area                                | Includes most properties on or close to HRM roads | Simple to implement; uses existing general rates                        | Doesn't tax all those who receive Halifax Water stormwater service.                 | 1.3 cents   |

*Notes: 1. For all options, the commercial rate is estimated to be 0.2 cent.*

*2. Although the estimated rate is slightly lower for Option 1 than Option 2, both rates round to 1.1 cents.*

*3. A map of the Halifax Water Stormwater Service Area was included in the November 8<sup>th</sup>, 2016 report to Regional Council (Attachment 3).*

All four property tax options would use the taxable value of each property as the basis of taxation, thereby minimizing the impact on low value properties and the unintended consequences seen with the flat rate of \$42 per property.

On the Halifax Water Bill

In hindsight, the transparency – of having all stormwater service charges on one bill – and the precision of Halifax Water billing has been more appreciated of late. Returning the charge to the Halifax Water bill is an option although a by-law would be required to impose the charge. The municipality could continue with a flat rate of approximate \$40 per customer, even with the proposed 5-tier residential billing system proposed by Halifax Water for its site-generated flow charge. The Municipality would have to provide timely notice to Halifax Water, however, to allow them to reinstate the charge by April 1, 2017.

A Summary of Impacts, by property type and issue, can be found in Attachment 2.

#### NSUARB Rate Hearings

The ROW charge was mandated by the Nova Scotia Utility and Review Board (NSUARB) by virtue of a decision of June 24, 2013 (No. M05463). In that application, the Halifax Regional Water Commission (Halifax Water) did not propose that HRM be subject to a ROW charge nor did that issue appear in the Final Issues List. HRM did not intervene in the matter and the decision of the Board on the ROW issue was made without input from HRM. As a result of the decision of the Board, which is contrary to common practice across Canada, the Municipality became the largest single customer of the stormwater utility.

Halifax Water has proposed a new Stormwater rate structure to the NSUARB (matter no. M07731). The Halifax Regional Municipality will be an intervener on this matter at the rate hearing in February 2017. Municipal staff has already provided comment to the NSUARB regarding the inappropriateness of the proposed Stormwater ROW charge as it relates to the Municipality.

#### FINANCIAL IMPLICATIONS

Any of the four tax options provided in this report, as well as the Halifax Water billing option, will provide the required \$3.9 million per year in revenue for the annual Stormwater ROW payment to Halifax Water.

#### RISK CONSIDERATION

By limiting the options to assessment-based property taxation or the previously-used Halifax Water billing arrangement, the risk of unintended consequences is greatly reduced.

#### COMMUNITY ENGAGEMENT

The change in billing will be communicated to Halifax region taxpayers and/or Halifax Water customers, as appropriate, as part of the transition to the new billing method.

#### ENVIRONMENTAL IMPLICATIONS

There are no environmental implications of this report. The method of collection of the charge does not impact the stormwater services delivered by Halifax Water.

#### ALTERNATIVES

1. Regional Council may fund the annual Stormwater Right of Way charge from Halifax Water through an increase to the base General tax rate (Option 1 in the Discussion section of this report), effective April 1, 2017, and that staff include this in the final 2017-18 operating budget.
2. Regional Council may fund the annual Stormwater Right of Way charge from Halifax Water through an area rate on the Commutershed (Option 2 in the Discussion section of this report), effective April 1, 2017, and that staff include this new area rate in the final 2017-18 operating budget.
3. Regional Council may fund the annual Stormwater Right of Way charge from Halifax Water through an increase to the Urban and Suburban tax rates (Option 4 in the Discussion section of this report), effective April 1, 2017, and that staff include this in the final 2017-18 operating budget.

4. Regional Council may adopt a by-law and request Halifax Water to collect the Stormwater Right of Way charge on the water bill, at a rate of \$40 per customer, effective April 1, 2017.

**ATTACHMENTS**

Attachment 1 - Excerpts from Halifax Regional Municipality Charter

Attachment 2 – Summary of Impacts table

Attachment 3 – Stormwater ROW Options report to Regional Council, November 8, 2016

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A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.php> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 902.490.4210, or Fax 902.490.4208.

Report Prepared by: Andre MacNeil, Senior Financial Consultant, 902.490.5529

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**Attachment 1**  
**Excerpts from Halifax Regional Municipality Charter**

**Section 93 (Estimates of Required Sums)**

(1) The Council shall make estimates of the sums that are required by the Municipality for the fiscal year.

(8) The tax rates must be those that the Council deems sufficient to raise the amount required to defray the estimated requirements of the Municipality.

**Section 94 (Tax Rates)**

The Council shall set separate commercial and residential tax rates for the area of the Municipality determined by the Council to be

- (a) a rural area receiving a rural level of services;
- (b) a suburban area receiving a suburban level of services; and
- (c) an urban area receiving an urban level of services.

**Section 96 (Area Rates and Uniform Charges)**

(1) The Council may spend money in an area, or for the benefit of an area, for any purpose for which the Municipality may expend funds or borrow.

(2) The Council may recover annually from the area the amount required or as much of that sum as the Council considers advisable to collect in any one fiscal year by an area rate of so much on the dollar on the assessed value of the taxable property or occupancy assessments in the area.

- (3) The Council may provide
  - (a) a subsidy for an area rate from the general rate in the amount or proportion approved by the Council.
- (4) The Council may, in lieu of levying an area rate, levy a uniform charge on each
  - (a) taxable property assessment;
  - (b) dwelling unit,

in the area.

**Section 104 (By-law regarding payment of charges)**

(3) A by-law passed pursuant to this Section may provide

(a) that the charges fixed by, or determined pursuant to, the by-law may be chargeable in proportion to frontage, in proportion to area, in proportion to the assessment of the respective properties fronting on the street or according to another plan or method set out in the by-law.

**Attachment 2  
Summary of Impacts Table**

| <b>Summary of Impacts</b>                         |                              | <b>Assessment-based Tax Options</b> |                            |                            |                                   |                                  |
|---|------------------------------|-------------------------------------|----------------------------|----------------------------|-----------------------------------|----------------------------------|
|   |                              | <b>Option 1</b>                     | <b>Option 2</b>            | <b>Option 3</b>            | <b>Option 4</b>                   |                                  |
| <b>Option Description</b>                         | <b>2014-16</b>               | <b>2016-17</b>                      | <b>Option 1</b>            | <b>Option 2</b>            | <b>Option 3</b>                   | <b>Option 4</b>                  |
|   | <i>Halifax Water billing</i> | <i>HRM tax billing</i>              | <b>General Rate</b>        | <b>Commuted Area Rate</b>  | <b>Service Boundary Area Rate</b> | <b>Urban/Suburb General Rate</b> |
| Tax Rate  | \$40 per property            | \$42 per property                   | \$0.011 Res<br>\$0.002 Com | \$0.011 Res<br>\$0.002 Com | \$0.0125 Res<br>\$0.002 Com       | \$0.013 Res<br>\$0.002 Com       |
| Avg Tax Bills                                     |                              |                                     |                            |                            |                                   |                                  |
| Single-Family Home                                | \$40                         | \$42                                | \$25                       | \$25                       | \$28                              | \$29                             |
| Condo Unit  | \$2.00                       | \$45.40                             | \$25                       | \$25                       | \$29                              | \$30                             |
| Mobile Home Unit                                  | \$0.30                       | \$42.30                             | \$6                        | \$6                        | \$7                               | \$7                              |
| Apartment Unit                                    | \$1.50                       | \$1.60                              | \$10                       | \$10                       | \$11                              | \$12                             |
| Commercial Building                               | \$40                         | \$42                                | \$29                       | \$29                       | \$29                              | \$29                             |
| <b>Council Issues Addressed (Yes, No, Partly)</b> |                              |                                     |                            |                            |                                   |                                  |
| Condo Parking                                     | Yes                          | No                                  | Yes                        | Yes                        | Yes                               | Yes                              |
| Condo Units                                       | Yes                          | No                                  | No                         | No                         | No                                | No                               |
| Mobile Home Parks                                 | Yes                          | No                                  | Partly                     | Partly                     | Partly                            | Partly                           |
| Previously Exempt                                 | Yes                          | No                                  | No                         | No                         | No                                | No                               |
| Remote Properties                                 | No                           | No                                  | Partly                     | Partly                     | Partly                            | Partly                           |
| <b>Other Issues Addressed (Yes, No, Partly)</b>   |                              |                                     |                            |                            |                                   |                                  |
| Small Properties                                  | No                           | No                                  | Partly                     | Partly                     | Partly                            | Partly                           |
| Excludes Rural                                    | Partly                       | Partly                              | No                         | Partly                     | Partly                            | Yes                              |



**HALIFAX**

P.O. Box 1749  
Halifax, Nova Scotia  
B3J 3A5 Canada

**Item No. 14.1.10**  
**Halifax Regional Council**  
**November 8, 2016**

**TO:** Mayor Savage and Members of Halifax Regional Council

Original Signed by 

**SUBMITTED BY:**

\_\_\_\_\_  
Jacques Dubé, Chief Administrative Officer

Original Signed by 

\_\_\_\_\_  
Jane Fraser, Acting Deputy Chief Administrative Officer

**DATE:** October 11, 2016

**SUBJECT:** **Stormwater Right-of-Way (ROW) Funding Options**

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**ORIGIN**

On January 14, 2014, Halifax Regional Council moved and passed that they:

1. Levy a new Stormwater Charge for Right-of-Way costs of \$39 per Property on those properties that pay the Halifax Water Stormwater Charge, and,
2. Request that Halifax Water collect the new Stormwater Charge for HRM through the Halifax Water billing process, commencing with the 2014-15 fiscal year.

On June 23, 2015 Halifax Regional Council moved and passed that:

Halifax Regional Council levy the Stormwater Right of Way Charge on the 'Stormwater Service Area' at \$42 per property, with collection by HRM commencing in 2016-17.

On October 4th, 2016, Halifax Regional Council moved and passed that they:

1. Request a staff report regarding operational and financial implications of removing the storm water tax from properties that are essentially ancillary to a dwelling, such as parking and storage spaces with separate deed and title to a condominium.
2. And that the staff report also consider:
  - the possibility of reimbursement of the \$42
  - circumstances where Condominium Corporations were originally billed (\$42) and now individual condo owners are billed
  - mobile home parks
  - owners having lots which are unable to develop and currently paying \$42
  - residents previously exempt of the right of way fee before it was moved to the tax bill
3. And further that the report provide options to the storm water tax.

## **LEGISLATIVE AUTHORITY**

Halifax Regional Municipality Charter, 2008, c.39, references to estimates, tax rates, area rates, uniform charges, charge by-laws and proceedings for taxes excerpts attached as Attachment 1.

## **RECOMMENDATION**

It is recommended that Halifax Regional Council direct staff to prepare the 2017-18 proposed budget with funding for the Stormwater Right-of-Way amount included in the calculation of the base General Tax Rate, as set out in option 1. a) of the Discussion section of this report.

## **BACKGROUND**

Stormwater is the precipitation that comes from rain, snow and other weather events. In the natural environment it evaporates, runs off into streams or is absorbed into the soil. In developed environments the concrete, gravel and pavement re-direct the stormwater and prevent its absorption into the environment. Hence municipalities have systems of drains, curbs, stormwater pipes and ditches that help prevent flooding and pollution of water courses.

In Halifax, Stormwater services were originally provided directly by the municipality and were paid for through a user fee on the water bill. This levy was in addition to the water service and was only paid for by those who had central water, even though the service was provided across the stormwater area. In 2007 Stormwater services (and Sanitary Sewer services) were transferred to Halifax Water and became subject to regulation through the Nova Scotia Utility and Review Board ("NSUARB").

In 2013, the NSUARB reviewed the rates for stormwater submitted by Halifax Water and approved a site-generated flow charge to pay for the majority of stormwater costs. These rates were to be paid for by all residents and businesses within the Stormwater Service Area, including those not on central water. In addition, because HRM's roadways cause water runoff, the NSUARB ordered that HRM pay to Halifax Water \$3.9m, annually, towards the cost of Stormwater. HRM is legally required to pay this money even though it has no accountability for how the funds are spent.

In 2013-14, HRM paid this cost using surplus funds that were remaining at the end of the year. On January 14, 2014, however, Halifax Regional Council decided to levy a new Stormwater ROW charge of \$39 per account on those properties that paid the Halifax Water Stormwater Charge, hence using their (site-generated) stormwater methodology. For administrative simplicity, it asked Halifax Water to collect the new Stormwater ROW charge, starting April 1, 2014. Those that paid the Halifax Water charge or were exempted from the charge would also pay or be exempted from the additional HRM charge.

On June 23, 2015, Regional Council discussed alternatives to the HRM Stormwater Charge. It decided to instead place a tax of \$42 on each taxable account within the service area, including properties not then paying the Halifax Water charge and those that had been exempted. The new levy was to be collected on the HRM tax bill, starting in 2016-17. As required by provincial law, all taxable properties had to pay the levy. Unlike most of HRM's taxes, however, the levy was a flat amount (uniform charge).

## **DISCUSSION**

In the summer of 2016, when the new \$42 per account tax was applied to all HRM properties, a number of unintended consequences appeared:

- More than 800 condo owners, who had previously paid the stormwater charge once for the entire condo building, were now paying the tax on separately deeded properties – living space, parking space and/or storage space – that were essentially parts of the same dwelling. (Apartment

buildings continued to pay only \$42 per building).

- Likewise, individual mobile homes (in parks) had paid just once per park when on the water bill, similar to apartments. They now had to pay for each mobile home.
- Many small properties saw a significant increase in their tax bill. For example, a residential property valued at \$3,500 saw its tax bill double from the prior year.

As expected, the 4,400 properties that had been exempted from the Halifax Water site-generated charge, and not billed the Stormwater ROW charge, were now paying through their tax bill.

On October 4<sup>th</sup> Regional Council requested a staff report looking at possible changes to the new levy, including removal of the storm water tax from:

- properties that are essentially ancillary to a dwelling, such as parking and storage spaces with separate deed and title [from that of the actual] condominium [unit];
- individual condo owners, where Condominium Corporations were originally billed (\$42);
- [individual mobile homes in] mobile home parks;
- owners having lots which could not be developed; and
- residents previously exempt of the right-of-way fee, before it was moved to the tax bill.

These changes would essentially reverse the decision of June 2015 and again charge residents on the same basis as the Halifax Water site generated flow charge.

Halifax Regional Municipality and Halifax Water collect revenues in very different ways, which will make it very difficult for HRM to collect the Stormwater ROW Charge in the same manner as Halifax Water. HRM collects taxes from property owners. The data it receives from the Provincial Valuation Services Corporation (PVSC) is structured around the legal ownership of properties. There are many small or ancillary properties (such as vacant or small sized lots, parking spaces for condos, etc...) that are included in that data but not identified as such or linked to the more relevant property. Halifax Water's data is structured around water usage and billing data and often does not identify the precise property. For HRM to collect the stormwater tax in the same manner as Halifax Water requires extensive data sharing, possible system and process modifications and additional costs. To confirm that this can be satisfactorily done would require data and system investigation, design, testing and evaluation. Staff could confirm and report back by March 2017.

### **Taxation Options**

The Framework for Area Rates, adopted by Regional Council in October 2013, is intended to provide guidance as to the key factors to be considered and interpreted when making taxation decisions. The Framework's chief principle is that the "service standards and levels" should determine the tax status for a service, rather than the reverse. Where Council is introducing a new service or evaluating an existing service, details of that service need to be well understood before trying to establish its tax status.

Throughout the debate on the Stormwater ROW Charge there has been considerable confusion between the Halifax Water charge (Site Generated Flow Charge) and HRM's Stormwater ROW Charge. Halifax Water provides stormwater service, HRM does not. Rather, HRM is paying Halifax Water for the water runoff that comes from the HRM roads. Knowing this distinction, Regional Council has two primary ways that it can look at this levy.

1. First, it could consider the payment to be part of the broader **Road** service. The road network causes a significant portion of the stormwater run-off that Halifax Water has to deal with. This is the basis of the Stormwater Right-of-Way decision by the NSUARB. As such, the payment is simply part of the overall cost of the road network. It should be paid for by those who also benefit from the road network. Determining who "benefits" from a service is always a difficult task. There are several key considerations:
  - Currently roads are general rated and paid for by all taxpayers across the region;

- Roads outside the “paving boundary” are maintained by the Province not by HRM. This system has its origins in the 1995-96 Service Exchange and subsequent agreements between HRM and the Province. Essentially, HRM agreed to take over Provincial roads inside the paving boundary and the Province took over what were to become HRM roads that were outside the boundary.

Several tax boundaries (general and area rated) could be developed or modified to pay for the stormwater run-off caused by roads. However, it makes the most sense to make use of an existing boundary. Essentially, there are two options for Council to consider for stormwater funding:

- a) The **base General Tax rate**. The cost to keep HRM roads clear of stormwater could be included in the base general tax rate with other road costs. All residents in the Halifax region are provided public roads and stormwater services. HRM and Provincial roads are accessible to all residents and businesses in the municipality and many people use both road networks, even daily. This option brings all the rural properties into the fold of those paying for HRM right-of-way (stormwater) maintenance, including those on the Provincial road network. The estimated rate would be \$0.011 residential, \$0.002 commercial per \$100 of assessment. It would not appear on the tax bill as a separate item.
  - b) The **Urban/Suburban general tax rate**, hence including most taxpayers within the commuter shed while excluding rural taxpayers who generally make less use of the urban road network and who don't receive any Halifax Water stormwater service. This general rate boundary approximately matches the Halifax Water stormwater service area. The estimated rate would be \$0.013 residential, \$0.002 commercial per \$100 of assessment. It would not appear on the tax bill as a separate item. However, this option has two weaknesses:
    - First, it wouldn't apply the tax rate to all who benefit from HRM roads, including 4,085 properties within the Halifax Water stormwater service area as well as other taxpayers within the commutershed.
    - Secondly, currently the same rate exists for the rural and suburban general tax rates. Changing this will reintroduce a variation in the two rates. This may cause some discord in neighbourhoods that straddle the suburban/rural boundary.
2. Second, Council may determine the overall service that is being provided is **Stormwater**, such as ditches and pipes. If it chooses to look at the issue this way, than the most effective manner to proceed is to ask Halifax Water to include the Stormwater ROW Charge on its bill again, using the same basis as the site generated flow charge. This would require Council adopting a by-law setting out the basis of the charge that would be imposed. This has several advantages:
- Citizens will pay both charges on the same basis and using the same billing process;
  - It is administratively simple; and,
  - It accomplishes almost all specific changes requested by Council.

Halifax Water, however, currently has a rate application before the NSUARB for changes to its site generated flow charge. These changes could likely complicate HRM using the Halifax Water methodology and billing for its stormwater requirements. At the very least, the final NSUARB decision will need to be examined to determine if this continues to be a viable option,

In summary, placing the stormwater costs within the general rate would not completely resolve the issues identified by Regional Council on October 4th. Those issues can only be fully resolved by re-introducing the previous HRM Stormwater Charge through Halifax Water, an option that may no longer be feasible. However, the more serious aspects of those issues would be resolved. Condos, mobile homes and other properties would be taxed on an assessment basis. That means that lower valued properties (including separate condo parking spots and mobile homes) would face much lower taxes than under the current per account approach although higher taxes than under the method initially used through Halifax Water. Single family homes will generally save about \$10 per home.

| <b>Table 1 - Summary of Impacts</b>  |                                |                                      |  |                                |
|--|--------------------------------|--------------------------------------|--|--------------------------------|
| <b>Option</b>  | RECOMMENDED                    |                                      |  | <b>Status Quo</b>              |
|  | <b>1. a)</b>                   | <b>1. b)</b>                         | <b>2</b>                                     |                                |
| <b>Description</b>   | <b>On HRM<br/>General Rate</b> | <b>Urban/Suburb<br/>General Rate</b> | <b>On Halifax<br/>Water bill<sup>1</sup></b> | <b>2016-17<br/>Tax billing</b> |
| Levy Rate  | \$0.011 Res<br>\$0.002 Com     | \$0.013 Res<br>\$0.002 Com           | \$40 per<br>property                         | \$42 per<br>property           |
| <u>Resulting Average Cost (per)</u>  |                                |                                      |  |                                |
| Single-Family Home   | \$25                           | \$29                                 | \$40   | \$42                           |
| Condo Unit <sup>2</sup>  | \$25                           | \$30                                 | \$2.00                                       | \$45.40                        |
| Mobile Home Unit <sup>2</sup>  | \$6                            | \$7                                  | \$0.30                                       | \$42.30                        |
| Apartment Unit <sup>2</sup>  | \$10                           | \$12                                 | \$1.50                                       | \$1.60                         |
| Commercial Building  | \$29                           | \$29                                 | \$40   | \$42                           |
| <i>Notes: 1. Average of 2014-15 and 2015-16 Halifax Water HRM stormwater charges<br/>2. Average total stormwater tax on building (or park) divided by number of dwelling units</i> |                                |                                      |  |                                |
| <u>Council Issues Addressed (Yes, No, Partly)</u>  |                                |                                      |  |                                |
| Condo Parking  | Yes                            | Yes                                  | Yes  | No                             |
| Condo Units  | No                             | No                                   | Yes  | No                             |
| Mobile Home Parks  | Partly                         | Partly                               | Yes  | No                             |
| Previously Exempt  | No                             | No                                   | Yes  | No                             |
| Remote Properties  | Partly                         | Partly                               | No   | No                             |
| <u>Other Issues Addressed (Yes, No, Partly)</u>  |                                |                                      |  |                                |
| Small Properties   | Partly                         | Partly                               | No   | No                             |
| Excludes Rural   | No                             | Yes                                  | Partly                                       | Partly                         |

**Possibility of Reimbursement of 2016-17 Tax**

Although some of the consequences of the uniform tax applied across such a large and diverse range of properties – more than 111,000 in all – were not completely understood until the detailed billing took place in 2016, the tax levied has been done consistently with the approved 2016-17 budget resolution and in the manner required by the Halifax Charter. In cases where the billing was done in error, i.e. was not consistent with the “per account” tax approved, HRM staff will correct the accounts in question. To date, this circumstance has not arisen.

The tax was levied in accordance with Council’s direction. There is no legal authority for the Municipality to refund, reverse or rebate these taxes either in 2016-17 or in future years.

**Additional Consideration**

The legislation does not allow the Municipality to refund taxes that are validly levied. Council could request the Province pass legislation that would allow the Municipality to provide a refund to:

- condominium owners who paid the stormwater right-of-way uniform charge more than once in respect of their condominium unit; and
- individual mobile home owners in mobile home parks or land-leased communities who paid the stormwater right of way uniform charge.

If Council decides to make this legislative ask, the motion would need to be amended by adding the following:

And Council request that the Province of Nova Scotia pass legislation to allow Council to provide a one-time refund to condominium owners who paid the stormwater right-of-way uniform charge more than once in respect of their condominium unit; and to individual mobile home owners in mobile home parks or land-leased communities who paid the stormwater right of way uniform charge.

### **FINANCIAL IMPLICATIONS**

The cost to the municipality remains \$3,881,408 per year under each of the options. So, there is no financial impact to the municipality.

### **RISK CONSIDERATION**

There is a medium level of risk to HRM's reputation coming out of this decision. The public's confidence in the municipal taxation system could be further eroded, if a final decision is not clearly supported by Regional Council and well implemented by staff without unforeseen consequences.

### **COMMUNITY ENGAGEMENT**

Changes to the Halifax Water or HRM billing will be communicated to customers/taxpayers through the normal customer/taxpayer relations channels. This could include on-line notification or billing inserts.

### **ENVIRONMENTAL IMPLICATIONS**

There are no environmental implications, since the service will not change, regardless of the funding/billing methodology.

### **ALTERNATIVES**

Alternatively, Regional Council could:

1. Direct staff to prepare the 2017-18 proposed budget with funding for the Stormwater Right-of-Way amount included in the calculation of the Urban and Suburban General tax rates, as set out in option 1.b) of the Discussion section of this report, or
2. Defer a decision on funding for the Stormwater Right-of-Way amount until a final decision is made by the NSUARB on Halifax Water's Site Generated Flow Charge.

Regional Council could ask staff to review another alternative for 2017-18, if desired.

### **ATTACHMENTS**

Attachment 1 - Excerpts from HRM Charter  
Attachment 2 – HW Stormwater Service Area Map with Tax Boundaries  
Attachment 3 – June 23, 2015 Council report  
Attachment 4 – Framework for Area Rates

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A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.php> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 902.490.4210, or Fax 902.490.4208.

Report Prepared by: Andre MacNeil, Sr. Financial Consultant, 902.490.5529

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**Attachment 1**

*Excerpts from Halifax Regional Municipality Charter*

**Section 93 (Estimates of Required Sums)**

- (1) The Council shall make estimates of the sums that are required by the Municipality for the fiscal year.
- (8) The tax rates must be those that the Council deems sufficient to raise the amount required to defray the estimated requirements of the Municipality.

**Section 94 (Tax Rates)**

The Council shall set separate commercial and residential tax rates for the area of the Municipality determined by the Council to be

- (a) a rural area receiving a rural level of services;
- (b) a suburban area receiving a suburban level of services; and
- (c) an urban area receiving an urban level of services.

**Section 96 (Area Rates and Uniform Charges)**






- (1) The Council may spend money in an area, or for the benefit of an area, for any purpose for which the Municipality may expend funds or borrow.
- (2) The Council may recover annually from the area the amount required or as much of that sum as the Council considers advisable to collect in any one fiscal year by an area rate of so much on the dollar on the assessed value of the taxable property or occupancy assessments in the area.
- (3) The Council may provide
  - (a) a subsidy for an area rate from the general rate in the amount or proportion approved by the Council.
- (4) The Council may, in lieu of levying an area rate, levy a uniform charge on each
  - (a) taxable property assessment;
  - (b) dwelling unit, in the area.

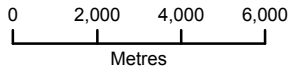
**Section 104 (By-law regarding payment of charges)**

- (3) A by-law passed pursuant to this Section may provide
  - (a) that the charges fixed by, or determined pursuant to, the by-law may be chargeable in proportion to frontage, in proportion to area, in proportion to the assessment of the respective properties fronting on the street or according to another plan or method set out in the by-law.

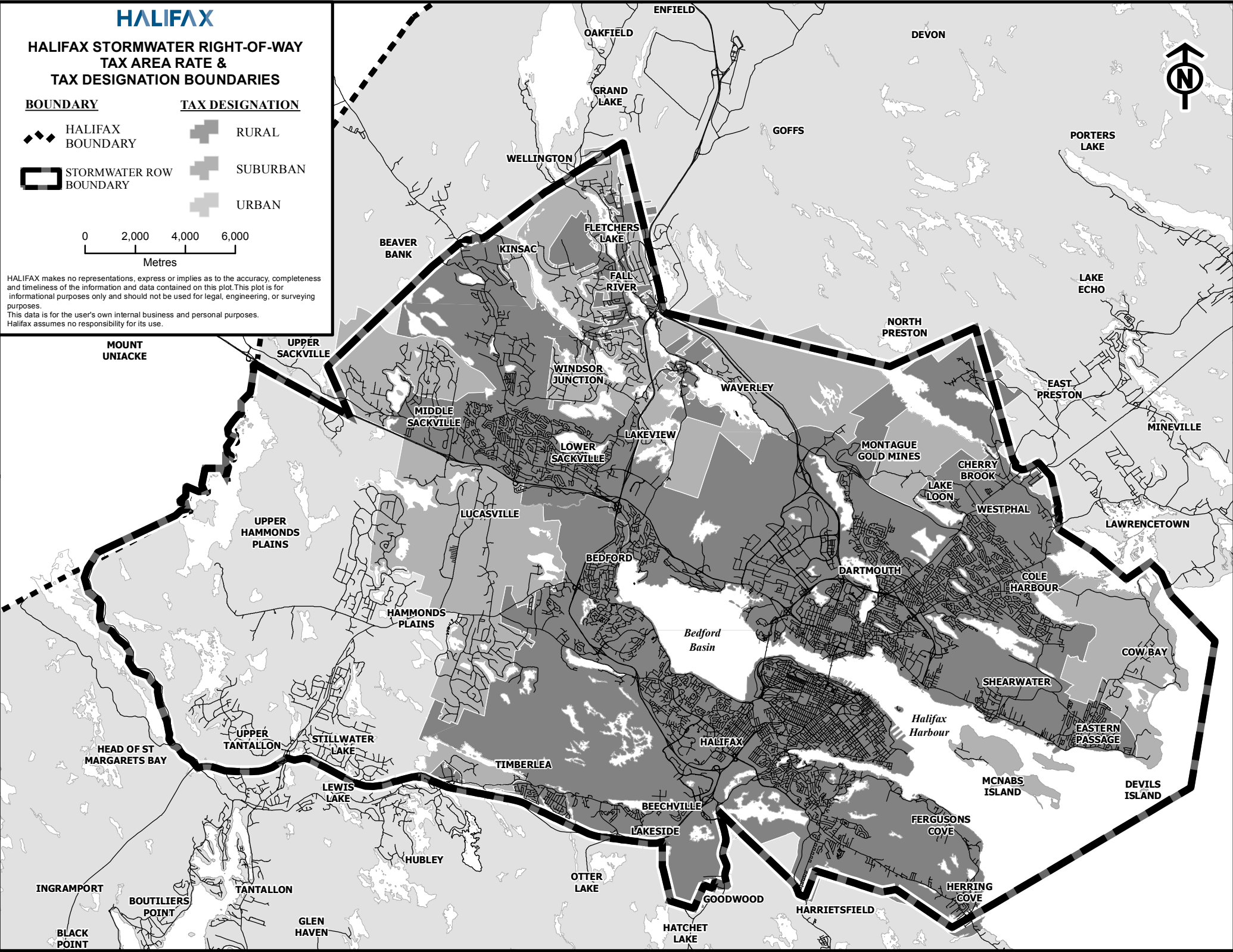
# HALIFAX

## HALIFAX STORMWATER RIGHT-OF-WAY TAX AREA RATE & TAX DESIGNATION BOUNDARIES

| <u>BOUNDARY</u>  | <u>TAX DESIGNATION</u>   |
|--|--|
|  HALIFAX BOUNDARY        |  RURAL    |
|  STORMWATER ROW BOUNDARY |  SUBURBAN |
|  |  URBAN    |



HALIFAX makes no representations, express or implies as to the accuracy, completeness and timeliness of the information and data contained on this plot. This plot is for informational purposes only and should not be used for legal, engineering, or surveying purposes.  
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Halifax assumes no responsibility for its use.



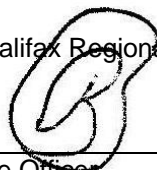




P.O. Box 1749  
Halifax, Nova Scotia  
B3J 3A5 Canada

**Item No. 8.1**  
**Halifax Regional Council**  
**June 16, 2015**  
**June 23, 2015**

**TO:** Mayor Savage and Members of Halifax Regional Council

Original signed by 

**SUBMITTED BY:**

Richard Butts, Chief Administrative Officer

Original Signed by 

Mike Labrecque, Deputy Chief Administrative Officer

**DATE:** May 27, 2015

**SUBJECT:** Right-of-Way Stormwater Charge Options

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**ORIGIN**

Motion by Regional Council, April 28, 2015, that Regional Council rescind the motion passed at the January 14, 2014 meeting to approve that Regional Council:

1. Levy a new Stormwater Charge for Right-of-Way costs of \$39 per Property on those properties that pay the Halifax Water Stormwater Charge, and,
2. Request that Halifax Water collect the new Stormwater Charge for HRM through the Halifax Water billing process, commencing with the 2014-15 fiscal year.

Motion by Regional Council, April 28, 2015, requesting a staff report to be completed before the end of June to look at options for Stormwater Charges for Right-of-Way costs for future fiscal years.

**LEGISLATIVE AUTHORITY**

*Halifax Regional Municipality Charter, 2008, c.39, references to estimates, tax rates, area rates and uniform charges excerpts below.*

**Section 93 (Estimates of Required Sums)**

- (1) The Council shall make estimates of the sums that are required by the Municipality for the fiscal year.
- (8) The tax rates must be those that the Council deems sufficient to raise the amount required to defray the estimated requirements of the Municipality.

**Section 94 (Tax Rates)**

The Council shall set separate commercial and residential tax rates for the area of the Municipality determined by the Council to be

- (a) a rural area receiving a rural level of services;
- (b) a suburban area receiving a suburban level of services; and
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- (2) The Council may recover annually from the area the amount required or as much of that sum as the Council considers advisable to collect in any one fiscal year by an area rate of so much on the dollar on the assessed value of the taxable property or occupancy assessments in the area.
- (3) The Council may provide
  - (a) a subsidy for an area rate from the general rate in the amount or proportion approved by the Council.
- (4) The Council may, in lieu of levying an area rate, levy a uniform charge on each (a) taxable property assessment; (b) dwelling unit, in the area.

### **RECOMMENDATION**

It is recommended that Halifax Regional Council maintain the Stormwater Right-of-Way charge as is, collected by Halifax Water from those properties that are charged the Halifax Water Stormwater Charge, at a rate of \$41 per property for 2015-16.

### **BACKGROUND**

Prior to the stormwater service being transferred to the Halifax Regional Water Commission (HRWC), the service was provided by HRM Public Works and almost entirely funded by the Pollution Control charge on the water bill. Similarly, until the stormwater funding decision of the NSUARB in June 2013, all HRWC stormwater services were funded entirely by HRWC wastewater customers, not through property tax.

In the HRWC's Compliance Filing to the NSURB dated June 26, 2013, the stormwater charges to HRM are outlined in section 7(2) which states "Effective July 1, 2013 HRM shall pay annually to the Commission for the fiscal year commencing April 1, 2013, for stormwater service associated with the HRM-owned street right of way (ROW) the amount of \$3,561,766, which amount is pro-rated from July 1, 2013 to be \$2,671,324. This amount is calculated based on the impervious area within the HRM owned ROW. Effective April 1, 2014 HRM shall pay annually to the Commission for stormwater service associated with the HRM owned Street Right of Way (ROW) the amount of \$3,881,408."

On August 6, 2013, Regional Council directed that the uncommitted surplus from fiscal 2012-13 be used to fund the 2013-14 cost of the stormwater service within the HRM-owned right-of-way, and that staff "return with a report on funding stormwater right-of-way system costs in the context of a broader discussion on tax structure issues."

### **Framework for Area Rates**

On October 22, 2013, a tax structure report, including a Framework for Area Rates, was presented to Regional Council at Committee of the Whole. The Framework was accepted by Regional Council and was used to evaluate the options for funding stormwater costs.

The Framework is not intended to provide an immediate answer as to the funding of specific services. Rather, it provides guidance as to the key factors to be considered and interpreted when making such taxation decisions.

As its chief principle, the "service standards and levels" should determine the tax status for a service, rather than the reverse. Where Council is introducing a new service or evaluating an existing service, details of that service need to be well understood before trying to establish its tax status.

### **Recent Funding Decisions**

On January 14, 2014, Regional Council was provided with three alternatives for the funding of the ROW Stormwater cost. Regional Council approved a motion to:

1. Levy a new Stormwater Charge for Right-of-Way costs of \$39 per property on those properties that pay the Halifax Water Stormwater Charge, and,
2. Request that Halifax Water collect the new Stormwater Charge for HRM through the Halifax Water billing process, commencing with the 2014-15 fiscal year.

This approach was used to collect the Halifax ROW Stormwater charge in 2014-15.

On April 15, 2014, Regional Council requested staff to: “bring back options in the 2015-2016 budget process dealing with the right of way stormwater charges including, but not limited to, the use of the Halifax Regional Water dividend.” An information report was provided February 24, 2015.

On April 28, 2015, Regional Council approved the 2015/2016 Capital and Operating Budget which included item i):

“the Stormwater Right-of-Way charge shall be set at \$41 per property for those properties that are charged the Halifax Water Stormwater Charge.”

Later, during the same April 28, 2015 meeting, Regional Council rescinded the motion they had approved January 14, 2014 (shown above), and passed a motion requesting:

“a staff report to be completed before the end of June to look at options for Stormwater Charges for Right-of-Way costs for future fiscal years.”

## **DISCUSSION**

On February 24, 2015, three revenue options were provided to Regional Council:

- 1) a “per property” charge to be collected by Halifax Water (HW),
- 2) an area rate on the HRM tax bill for those who benefit from the HW stormwater service,
- 3) funding from HRM’s general revenue (e.g. HW dividend and general tax rates).

During Regional Council discussions on April 28, 2015, a fourth option was debated. Since, the new option is similar in geography to option 1), above, it will be referred to as option 1b):

- 1a) a “per property” charge to be collected by Halifax Water,
- 1b) a municipal charge – on all properties within the HW stormwater service boundary – that would appear on the HRM property tax bill,
- 2) an area rate on the HRM tax bill for those who benefit from the HW stormwater service,
- 3) funding from HRM’s general revenue (e.g. HW dividend and general tax rates).

The **basic philosophy** of each approach is summarized below:

- 1a) Municipal roadway maintenance (including stormwater drainage) principally benefits those who abut the roadways, so those within the HW stormwater service boundary should pay.
- 1b) Municipal roadway maintenance (including stormwater drainage) benefits, primarily, those closest to the municipal streets and roads receiving the service. Therefore, only those within the HW service area (see Attachment 1) should pay the Halifax ROW Stormwater charge.
- 2) Municipal roadway maintenance (including stormwater drainage) benefits all those who travel on municipal streets and roads – including those who travel into the stormwater service area

for work, shopping or other reasons – so, all those within the Halifax commutershed should pay.

- 3) Public road maintenance (including stormwater drainage) is a shared responsibility between the Municipality (including Halifax Water) and the Province. Public roadways benefit all those in the Halifax region and are paid for broadly through municipal (general rate) property taxes and well as Provincial consumption and income taxes.

**Impacts** (of the four options):

- 1a) Due to a slight reduction in Halifax Water stormwater clients – as the result of a number of appeals – the “per property” charge would need to be \$41 for 2015-16.
- 1b) There are approximately 3,500 properties which are HW clients, but do not pay property tax to the municipality – e.g. government buildings, schools, universities and churches – so the required “per property” charge would need to be \$42. All taxable properties within the HW service area would pay the Stormwater ROW charge, including some properties not currently paying the Stormwater ROW charge (because they are exempt from Halifax Water’s Site-Generated Flow charge).
- 2) An area rate would vary based on the specific area. However, if the Regional Transportation boundary were used – reflecting those who travel regularly within the Halifax Water stormwater service area and benefit from the well-drained roadways – the rate would be approximately \$0.0075 on the general residential rate (approx. \$17 per average home) and \$0.021 on the general commercial rate, or \$0.010 on all taxable properties.
- 3) Funding of 2015-16 ROW Stormwater costs would require \$0.007 on the general residential rate (approx. \$16 per average home) and \$0.020 on the general commercial rate, or \$0.0095 on all taxable properties.

**Pros & Cons** (of the four options):

- 1a) Pros: It is straight-forward for the Halifax Water customer, since both the “Site-Generated Flow” and “Right-of-Way” stormwater charges appear on the same Halifax Water bill.  
Cons: It doesn’t charge all those who benefit from the ROW stormwater service.
- 1b) Pros: Easy to understand and explain, since those with frontage on roads (or would use these roads to access their properties) with HW stormwater service would pay the charge. The charge, if shown as an area rate, would have high transparency, i.e. be visible on the tax bill.  
Cons: Others who use or benefit from the roads with HW stormwater service will not pay for the service.
- 2) Pros: It applies the charge to those who benefit, directly and indirectly from the ROW stormwater service. It provides a similar allocation between residential and commercial properties as the general and transit rates: a 62% residential, 38% commercial split. The area rate would be transparent.  
Cons: It adds further complexity to the HRM tax bill.
- 3) Pros: Similar to option 2), however it also recognizes the shared responsibility of roadway and stormwater service delivery across the region. It best matches the current tax structure (for streets and right-of-way services).  
Cons: It has low transparency, i.e. the specific ROW stormwater cost becomes one of many streets and right-of-ways costs in HRM’s transportation budget.

## Options for \$3.9m Stormwater ROW Charge

| Option | What Type of Tax          | Where is it Levied  | Who Collects It          | Tax Rate   |
|--------|---------------------------|---|--------------------------|--|
| 1a     | Per Property Charge (HW)  | Properties that pay the "<br><b><u>Site-Generated Flow Charge</u></b> "   | Halifax Water Commission | \$41   |
| 1b     | Per Property Charge (HRM) | Properties that are in the<br><b><u>Stormwater Service Area</u></b><br>(incl. those who don't pay the Site-Generated Flow Charge) | HRM                      | \$42   |
| 2      | Area Tax Rate             | entire <b><u>Commutershed</u></b><br>(like the Regional Transportation Tax)   | HRM                      | 1.0 cents (residential and commercial) <u>or</u> 0.75 cents (residential) and 2.1 cents (commercial) |
| 3      | General Tax Rate          | <b><u>All of HRM</u></b>  | HRM                      | 0.95 cents (residential and commercial) <u>or</u> 0.7 cents (residential) and 2.0 cents (commercial) |

### Conclusion

Halifax Regional Council may continue with the approach to collecting the ROW Stormwater charge they approved in January 2014, was implemented in 2014-15, and was included in the 2015-16 budget at \$41 per property, Option 1a).

However, should Regional Council decide that the charge be placed on the HRM tax bill, Option 1b) provides a similar "flat rate" of \$42 per property on a similar group of properties, allowing a relatively straight-forward transition from the status quo. This option is provided as Alternative 1, below.

### **FINANCIAL IMPLICATIONS**

Each option continues to raise approximately \$3.9 million, annually, i.e. the amount currently being collected through Halifax Water.

### **COMMUNITY ENGAGEMENT**

No community specific community engagement is planned for this potential change. However, a new billing approach would need to be communicated to Halifax residents, through appropriate HRM and/or Halifax Water channels.

### **ALTERNATIVES**

1. Halifax Regional Council may levy the Stormwater Right of Way Charge on the "Stormwater Service Area" at \$42 per property, with collection by HRM commencing in 2016-17.

**ATTACHMENTS**

Attachment 1: Halifax Water Stormwater Service Area map

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A copy of this report can be obtained online at <http://www.halifax.ca/commcoun/index.html> then choose the appropriate Community Council and meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Andre MacNeil, MBA, CMA, Sr. Financial Consultant, 490-5529

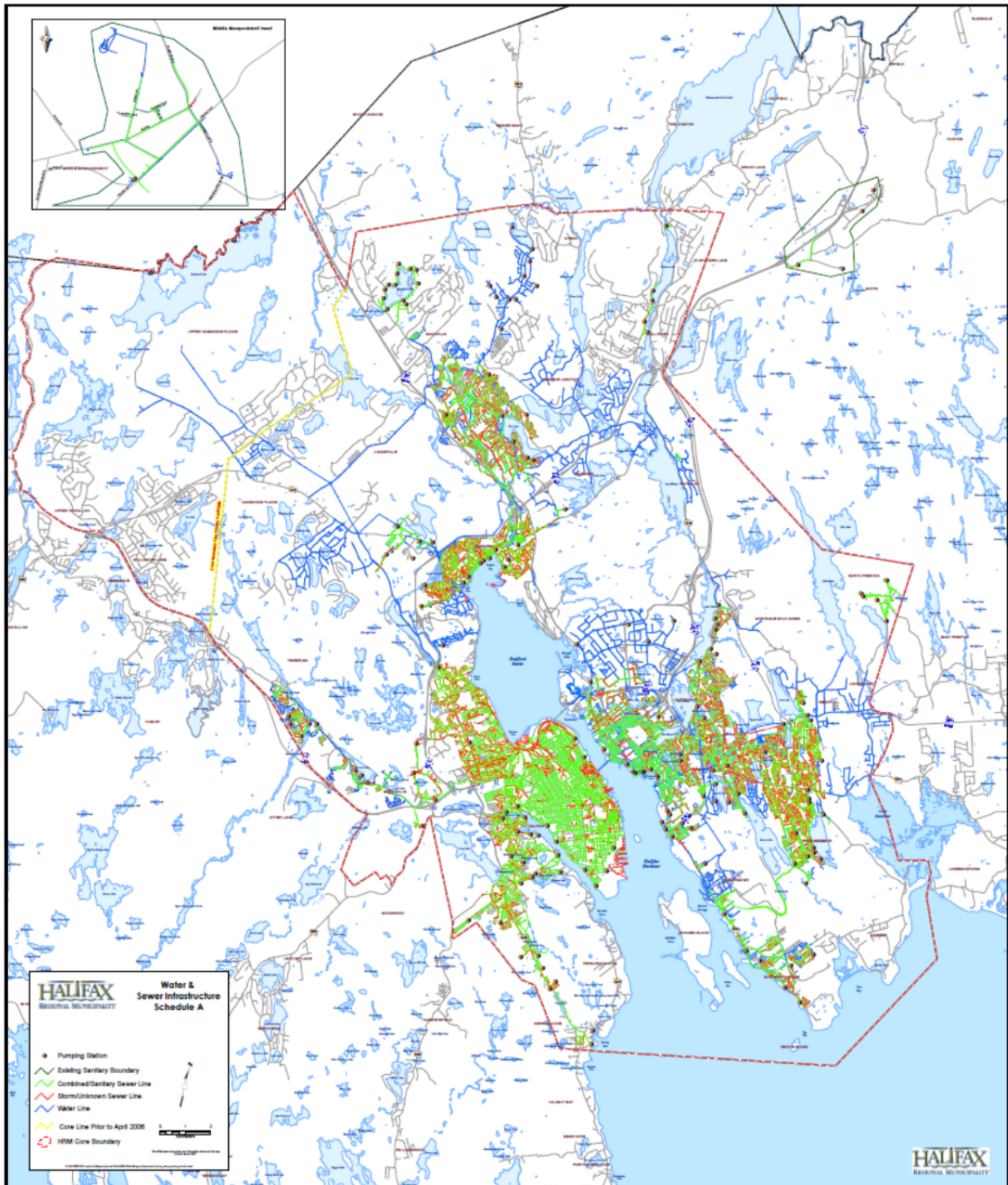
Report Approved by: Bruce Fisher, MPA, CMA, Manager of Financial Policy and Planning, 490-4493

Financial Approval by: Greg Keefe, Director of Finance & ICT/CFO, 490-6308

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Original Signed

Attachment 1: Halifax Water Stormwater Service Area map



**Attachment 4**  
*Framework for Area Rates*  
(October 22, 2013)

**Premise:**

The property tax system in Halifax assumes that property values are a proxy for income and that municipal services are not a key driver of property values.

HRM recognizes that municipal government is about the sharing of costs and that equal services are unlikely to be available everywhere, rather different parts of the municipality

- Grow and develop at different rates
- Have local or specific needs that are met in unique ways
- Use infrastructure and services not just within their neighbourhood but across the region.

As such, Halifax recognizes that municipal services may benefit everyone, and to the extent that all benefit, all should share in the cost of the service.

**Key Principle on Service Taxation:**

As its foremost principle, the service standards established by Council should determine the scope of the tax structure. That Tax Structure should follow Council's service standards and levels, rather than determine the standards and levels. Before levying a tax other than the general rate of tax for all Halifax, Council must answer the following four critical questions about the service:

- 1) Where is the service and where will it be available?
- 2) Who will benefit, either directly or indirectly, from the service?
- 3) Who have caused a need for the service?
- 4) Is the service standard or level different than elsewhere?

**Exceptions to the General Rate of Tax on Services:**

All such municipal services should be general rated to all taxpayers unless,

**1. Area Rates and Other Taxes:**

- a) **A significant minority of taxpayers have no practical access to a specific service.** Hence, Council may levy a very broad area tax rate (based on geographic area or distance from service). For example, the Regional Transportation Rate excludes areas outside the Commutershed.
- b) **A significant minority of taxpayers have access to a specific service that is unavailable elsewhere in the Region.** Hence Council may levy a local or neighbourhood tax. For example, area rates for local neighbourhood associations.

**Where users have been previously excluded from paying for a service but now access the service,** Council may levy a tax, fee or charge for the existing capacity already paid for by other taxpayers or for the additional service capacity required, for example, Local Improvement or Development Charges.



## 2. User Fees and Charges

**A service is used directly by a specific group or type of individuals and the Municipality has the ability to identify the users and restrict use of the service,** Hence Council may levy a fee, charge or tax on individuals for access to the service. For example, water and sewer charges, recreation and other fees.

## 3. Private Fees and Taxes

**A service is privately owned and the public has no or limited access, in which case any fee or tax collected on their behalf shall be fully levied on the users and/or owners,** For example, private roads or private recreation facilities.

### Tax Relief for Economic, Financial and Income Issues:

When appropriate, Council shall provide targeted tax relief for individuals or non-profit organizations of low or modest income. Council may also alter its tax structure to encourage or discourage certain behaviours, should it feel that the outcome would benefit the municipality as a whole.

- E.g. Low-income tax relief or deferral
- Lower taxes for non-profits
- Support for economic strategy
- Support for Regional Plan

### Other Considerations for Deciding on Exceptions:

- Council should define each service broadly and not tax various parts of a service in ways that are inconsistent;
- Exceptions to service standards or levels should not be made, solely, on the basis of willingness to pay additional taxes;
- Special taxes should not be created for amounts that are immaterial in nature or as a guarantee for local fund raising;
- If HRM has acknowledged it is negligent, remediation should be general-rated regardless of the service.