

Re: Item No. 15.1.3

HALIFAX

Tax and Boundary Review, Including Regional and Rural Transit

Regional Council
01/10/2023

Outline

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Motion 1- Transit Taxation

Halifax Regional Council motion, April 6, 2021, Item 11.4.4:

MOVED by Councilor Lovelace, seconded by Councilor Russell
THAT Halifax Regional Council request a staff report outlining options regarding:

1. Moving funding of the ferry system to the Local Transit Tax Area from the Regional Transportation Tax;
2. Funding cooperative rural transit from the Regional Transportation Tax;
3. Establishing a new Regional Transportation Tax boundary to apply to those within 3kms of a Regional Express stop, 1km of a conventional or rural bus stop, or within a Rural Transit Funded service area, and,
4. Expanding the Rural Transit Funding Program to include share in capital funding

Transit Tax History

In 2009 Transit Tax was changed to:

- Allow the service to expand geographically
- Increase consistency and transparency by which areas pay for transit.

Two area rates created:

- **Local Transit Rate** Paid by properties within 1km of a transit stop.
- **Regional Transportation Rate** Regional Express and other routes with park and ride facilities, including ferry services. Cost for these regional services is shared by almost all residential and resource properties, including those in urban areas and those in areas where people can typically commute into the urban area within 45 minutes. Also funded a portion of conventional transit services which have broad benefits to the Municipality.
- Recognized in 2015 by **Canadian Urban Transit Association (CUTA)** as a model to emulate within Canada for funding transit services.

Transit Tax History (2)

Current Transit Tax structure has:

- Enabled expansion across the region.
- Allowed both area rates (local and regional) to share the costs of expansion with Local Transit funding following growth as service expanded.
- Reviewed in Winter 2018 with no changes.
- Nearly 92% of transit services are funded by those within the Local Transit Rate area, with 8% being funded outside.

Policy Options

Parts 1-3 of the Motion requested boundaries be redrawn and funding shifted:

- Expanding the Regional Transportation boundary outside of the rural commuter shed departs from the current policy, by extending transit taxes to those who, typically, do not travel into the Halifax Transit service area.
- Discounts the benefits residents receive from regional and express services in the rural and suburban areas.
- Transfers additional costs for regional and rural services to urban and suburban property owners in the Local Transit tax area. Proposed boundary changes results in nominal changes:
 - Shifting Ferry Services to Local Transit rate means annual savings of ~\$23 per property for those paying only the regional transit rate.
 - Increase of ~\$19 per home annually for those paying both local and regional rates.
 - 5,100 homes in Districts 1 and 2 would pay Regional rate for the first time
- Key Takeaway: Existing boundaries support Transit's broad, regional benefits to the Municipality as a whole. Proposed changes result in nominal savings/increases per property.

Policy Options (2)

Part 4 of the Motion: Expanding the Rural Transit Funding Program to include share in capital funding

- Grant funding is available for community transit organizations to use for capital or operating funding.
- Most effective way to aid with increased costs is to increase grant rate from \$0.50/km (planned 2023/24 budget of \$370,000 cannot support higher rate).
- Key Takeaway: **2023/24 Rural Transit Grant budget adequate to fund program at current rate with forecast increasing ridership.**

Recommendation

It is recommended that Halifax Regional Council:

1. Maintain the current transit tax structure with the existing Regional Transportation area rate boundary and service cost allocations to the Local Transit and Regional Transportation area rates.
2. Maintain the Rural Transit Funding program grants as unrestricted – available for grant recipients to use for their operating and/or capital costs – and maintain the program mileage allowance at \$0.50 per kilometer, so as not to exceed the planned 2023/24 program funding level of \$370,000.

Motion 2 - Tax and Service Boundary Review

Halifax Regional Council motion, January 25, 2022, Item 16.1:

MOVED by Councillor Russell, seconded by Councillor Cleary
THAT Halifax Regional Council direct the Chief Administrative Officer to prepare a staff report that:

1. Reviews the service boundaries within HRM;
2. Identifies the types and levels of service that have been committed within each of the boundaries, and their corresponding costs;
3. Reviews the taxation boundaries within HRM, and the amount of tax that is generated within each boundary.

Tax Boundary History

- Amalgamation provided economies of scale and regionalization of services
 - *stronger as one while maintaining uniqueness of communities*
- The Suburban tax boundary was a policy compromise made by Council at the time to classify those areas not considered fully urban or fully rural.
- As population and expectations grew, services needed to be delivered in a more planned and equitable way.

Policy Context

- Regional service standards developed to provide consistent approaches to equitable service delivery.
- HRM budgets and allocates resources for services at a business unit (BU) level, not by specific location or geography.
- Costing of services is not precise, it involves indirect as well as direct costs.

Policy Context (2)

- Business Unit level budgets provide an overview of HRM service costs, in that they capture the **aggregated** cost of providing services across the region.
- Academic literature states property tax is a relatively efficient and predictable method for local governments to raise revenues.
- Tax rates **are not** the core determinant of taxes payable, assessed values are.

Conclusion: The Existing Structure Works

- Over the past two-decades, staff have analyzed possible changes to HRM's property tax system, without finding satisfactory alternatives.
- While property tax, like any tax system, has some imperfect qualities, it is among the most efficient tax systems in use.
- Home values broadly reflect ability to pay for services and support raising of revenues in a relatively efficient and stable fashion.
- HRM business unit level budgets are a proxy for service costs.
- Most (nearly all) services have **regional standards**, meaning raising revenue via general rates is most appropriate.
- Regionalization of services creates efficiency – gains from economies of scale, e.g. improved affordability – increased access and greater equity.
- Taxes should not be expected to act like user fees for municipal services.