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Item No. 15.1.12
Halifax Regional Council
July 30, 2019

TO: Mayor Savage and Members of Halifax Regional Council

SUBMITTED BY: Original Signed
Chief Stuebing, A/Chief Administrative Officer

DATE: June 11, 2019

SUBJECT: Community Area Rate Administrative Order

ORIGIN

Regional Council July 18, 2017 - 2017-18 Budgets and Business Plans for Area-Rated Services

THAT Halifax Regional Council direct staff to review all relevant policies relating to area rates including the funding of capital assets and the provision of grants and, until that review is completed,

- a. direct that no additional area rates to be established with the exception of private road maintenance fees, and
- b. direct that no additional capital assets to be funded through area rates unless they are approved as a capital project by Council.

Regional Council June 19, 2018 – Area Rate Review Report:

That Halifax Regional Council direct staff, in consultation with community associations, to update and combine the current Recreation Area Rate Policy and Interim Area Rates Guidelines into policy as outlined in the discussion section of the report under the heading the New Area Rate Admin Order for 2019-2020 and return to Council for consideration of the resulting policy.

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Charter, excerpts below.

Section 7A (Purposes of the municipality)

The purposes of the municipality are to

- ...
- (b) provide services, facilities and other things that, in the opinion of the council, are necessary or desirable for all or part of the Municipality;

Section 79A (Power to expend money)

Recommendation on next page

- (1) Subject to subsections (2) to (4), the Municipality may only spend money for municipal purposes if
- (a) the expenditure is included in the Municipality's operating budget or capital budget or is otherwise authorized by the Municipality;...

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.

.....

- (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 adopt Administrative Order Number 2019-005-ADM, the Community Area Rate Administrative Order as set out in Attachment 1 of this report, including repealing the Interim Area Rate Guidelines and Recreation Area Rate Policy.

BACKGROUND

Area rates were very common in recreation services, especially in the former Halifax County. Following amalgamation in 1996 many area rates were merged into the new urban general tax rates. Over time, as more and more recreation facilities were built there were fewer areas without access to a facility. In 2014, Council classified recreational facilities and services into one of three groups. The first group consisted of facilities that were essentially providing "Municipal Recreation Facilities" and were to be moved into the general tax rate. The second group was "Community Facilities and Services" which provided non-municipal services to the community and public at large. Lastly were four area rated groups that provided "Private Infrastructure" services that were not fully available to the public and had restrictions on access.

Along with the increased number of area rates a variety of Council rules and procedures were put into place to deal with the development and operation of area rates. These include:

1. The "Interim Area Rate Guidelines" (2000) required consultations to establish new area rates, and to ensure that rates are only set for valid municipal purposes. The general practice is for a community vote although for practical purposes there is no formal requirement for a vote. Area rates established before 2000 were grandfathered and not required to go through this process. (See Attachment 2)
2. The "Recreation Area Rate Policy" (2002) set out the administrative requirements for spending and accounting for funds. This was developed at a time when area rate funds were used for HRM facilities, not just for community run and owned facilities. (See Attachment 3)

3. The “Framework for Area Rates” (2013) is meant to be a guide for Council in evaluating the tax issues it debates. It emphasizes that the tax status should follow the service, not the reverse. It also advises that all municipal services should be general rated unless a significant minority of taxpayers had access to a service unavailable elsewhere. (See Attachment 4).

In 2017 Regional Council directed staff to review area rates. The review was presented to Regional Council on June 19, 2018. It found that current procedures for area rates have not kept pace with changes in area rates and are insufficient for staff to administer the remaining collection of area rates. The review noted that:

1. area rates can create a significant source of inequity in the provision of municipal services;
2. area rates cause confusion as to who is accountable for what service;
3. associations lack the governance procedures that exist at the municipal and provincial levels;
4. Many area rate associations are dealing with the needs of new residents, often in fast growing suburbs, most of whom would not have been consulted over the creation of the area rate; and,
5. In some cases, the current scope of area rates goes beyond that which was first approved in their initial consultation.

It was recommended that the current Recreation Area Rate Policy and Interim Area Rates Guidelines be updated and combined into one procedure that outlines:

- The principles and objectives for allowing area rates to be undertaken;
- Those expenditures which area rate organizations might make, namely expenditures in areas such as community events, capital projects, beautification, signage, administrative expenses and other local matters;
- Those expenditures which are expressly disallowed, such as discretionary grants other than those included in an ongoing contribution agreement approved by Regional Council;
- The requirements and limitations for entering into contribution agreements that provide grants specifically for facilities and other services;
- Requirements around transparency, governance, public access and approval of new and ongoing area rates;
- Specifying which HRM policies apply to those organizations;
- Roles, responsibilities and any administrative issues;
- The grandfathering of any specific issues, as appropriate; and,
- The use and disposition of any surplus funds, with the requirement that any accumulated area rate funds that cannot be utilized in those communities, should be returned to those communities by a reduction in the area rate.

DISCUSSION

There are currently 21 Community Area Rates; 17 Community Facilities & Services rates, with three (3) of those rates expired, but carrying surplus funds, and four area rates for Private Infrastructure.

Current Area Rates		
Community Facilities & Services		Private Infrastructure
1 Frame Subdivision Homeowners' Assoc.	10 Musquodoboit Harbour Community Rate	1 Grand Lake Oakfield Community Society
2 GlenArbour Home Owners	11 Prospect Road & Area Recreation Assoc.	2 Ketch Harbour Area Residents Assoc
3 Haliburton Highbury Homeowners Assoc.	12 Sackville Heights Community & Cultural Ctr	3 LWF Ratepayers Association
4 Hammonds Plains Common Rate *	13 St. Margaret's Village at Fox Hollow HOA.	4 Silversides Residents Association
5 Highland Park Ratepayers Assoc	14 Three Brooks Homeowners Association	
6 Kingswood Ratepayers Association	15 Waterstone Neighbourhood Assoc.*	
7 Lost Creek Community Association*	16 Westwood Hills Resident's Association	
8 Maplewood Village Residents Association	17 White Hills Residents Association	
9 Mineville Community Association		
* Area Rates expire; requests for capital projects with surplus funds		

These Associations utilize their area-rated funds for a variety of reasons as shown in the Table 1 below. The focus of nine of these Associations, is to maintain community spirit through a variety of community events as well as develop infrastructure on the HRM parkland within their Communities. The remaining Associations utilize their levy's on privately owned land and/or infrastructure, and the maintenance of these assets, as well as providing Grants to sports teams or non-profits, community events, and recreation and non-municipal programs. The wide variety of current uses for these Recreation Area Rates means that some rules have greater impact than others

TABLE 1 – Area Rates by Use

Community Associations	HRM Park Improvement	Community Events	Do own maintenance	Facility	Comm. Ctr	Own Land/ Infrastructure	Provide Grants
Glen Arbour Home Owners	✓	✓					
Highland Park Ratepayers Assoc.	✓	✓					
Kingswood Ratepayers Assoc.	✓	✓					
Lost Creek * rate expired	✓	✓					
Maplewood Village Residents Assoc.	✓	✓					
St. Margaret's Village at Fox Hollow HOA	✓	✓					
Waterstone * rate expired	✓						
Westwood Hill's Residents Assoc.	✓	✓					
White Hills Residents Assoc.	✓	✓					
Haliburton Highbury Homeowners' Assoc.	✓	✓	✓				✓
Prospect Road & Area Recreation Assoc.			✓		✓		✓
Frame Subdivision Homeowners" Assoc.		✓	✓			✓	
Mineville Community Assoc.		✓	✓	✓		✓	
Three Brooks Homeowners Assoc.		✓	✓			✓	
Sackville Heights Community & Cultural Ctr.		✓	✓		✓		
Private Associations							
Grand Lake Oakfield Community Society			✓	✓		✓	
Ketch Harbour Area Residents Assoc.		✓	✓	✓		✓	
LWF Ratepayers Association		✓	✓	✓		✓	✓
Silversides Residents Association			✓			✓	

Proposed Community Area Rate Administrative Order

The intent of the revised policy on Area Rates is to provide clarity on the use of area rate funds by community organizations and to outline how they are established and operated. It is based upon the principles of transparency, clear accountability and effective governance.

Attachment One includes the proposed Area Rate Administrative Order for Council's consideration. The main features of the Area Rate Administrative Order are organized in four sections:

(1) Establishment of Community Area Rates

Current Approach: Regional Council's current policy is set out in the Interim Area Rate Guidelines (2000). The guidelines require consultations, support of the local Councillor and approval from the Community Council. The practice has been to hold a community vote and report on the results of that vote to Regional Council.

Proposed Approach: The proposed approach requiring consultations is the same as that which exists now. The standard voting practice will continue. The purpose and duration of the rate must be clearly defined during the consultations. Requirements for area rate proposals are to include:

- Purpose of the rate;

- duration of the rate;
- amount of the rate;
- either a flat charge on homes or properties;
- the catchment area with an explanation as to why that boundary is appropriate; and
- a proposed financial plan showing how the funds will be used and any other available revenues;

Staff are required to

- ensure the proposal is complete,
- confirm that the proposal complies with the Administrative Order including that any capital asset has had a needs assessment, maintenance plan and that its siting is suitable;
- conduct public consultations and prepare a report to Regional Council showing the results and the process used.
 - The Chief Financial Officer for the Municipality establishes the procedure for consultations. Typically, this includes a plebiscite. Staff may also provide background information to the public as part of the consultations.

(2) Renewal of Community Area Rates

Current Approach: The current practice is to submit annual budgets and business plans. Budgets are voted on by Regional Council annually. The Business Plan demonstrates to ratepayers the direction proposed by the community organization but is not required to be passed by Regional Council. Boundary changes require additional consultations.

Proposed Approach: The proposed approach formalizes the current practice:

After the initial approval, community organization must submit an annual business plan and budget,

- If the community group wish to increase the area rate or change the boundary there must be additional consultations.
- If the rate is at the end of its duration, the community group may submit a new proposal for consultation.

(3) Governance of Community Area Rates

Current Approach: There are no current requirements on public meetings and minutes.

Proposed Approach: The proposed approach requires meetings related to the area rate to be public (any citizen not just ratepayers) as well as records or minutes. An annual meeting regarding the rate is required. These stipulations apply only when the area rate is being discussed and not to any other aspect of the organization.

Community organizations must be non-profits in good-standing under the Societies Act.

- Meetings that relate to the area rate shall be open to the public.
- Minutes that relate to the area rate shall be available to any member of the public.
- There shall be an annual meeting, at which the majority shall review and approve the annual budget and business plan for the following year.
 - The community group may ask for the rate to be terminated.

- The community group shall provide annual financial statements and comply with all required financial procedures.

(4) **Area Rate Spending Powers**

Current Approach: The interim area rate guidelines only stipulate that “Area rates can only be used for the provision of services within the municipal mandate; services traditionally provided by the municipality” and that they “are not to be used to provide different levels of municipal service within urban and suburban areas where said service is covered by the general tax rate”. As such they do not provide any guidance on issues such as capital, land, grants and other items.

Proposed Approach: Since the guidelines were originally written, many items covered by area rates have now become general rated. The proposed approach lists those items on which area rates can be spent. The purpose of this section is to focus area rates on local and neighbourhood matters, largely of a community nature. Some specific changes are:

- Capital spending would be for items of local benefit and not larger, regional type capital or land purchases. Operating expenses associated with the capital asset (which have often been paid by the general tax rate) would need explicit funding direction. There must be a needs assessment, a maintenance plan and items must be properly planned out through the HRM capital budget.
- Grants may be used for local and neighbourhood matters, subject to a Council approved contribution agreement. These agreements could be multi-year in nature and could be submitted along with the annual budget. An example would be the Windsor Junction Community Centre or local community events delivered by a different non-profit. Grants would not be permitted for individuals, sports teams, service clubs or businesses.
- Infrastructure and activities must be for public use or benefit. A few associations view the area rate as the equivalent of a membership fee. However, as a tax levied by Regional Council, the benefits of that tax cannot restrict the general public’s access.
- Sidewalks in Suburban and Rural areas (not general rated) may be area rated under the administrative order. Items not specifically allowed under the Admin Order cannot be area rated.

Specifically, the Administrative Order states the Area rate may be used for:

- community events;
- community accessories, including signage, picnic tables, benches, and garbage cans;
- community beautification and clean-up;
- maintenance of recreation trails and infrastructure;
- recreational programming;
- establishment and maintenance of outdoor community skating rinks;
- operation of small, local community centres;
- administrative costs associated with these items

The Area Rate may use a **Grant** to fund the above items provided Regional Council has approved a contribution agreement for those grants.

The Area Rate may fund **construction or enhancement of local recreational infrastructure** on municipal land including trails, sport courts, and playgrounds, provided:

- a needs assessment has been undertaken, either by HRM or submitted by the community group and deemed acceptable to HRM;

- a maintenance plan has been prepared, either by HRM or submitted by the community group and deemed acceptable to HRM ;
- Regional Council has approved the project in the municipality's capital budget;
- it conforms to capital budget procedures;
- It is procured directly by the municipality.

Although needed recreation assets within parks (ie playgrounds or sport courts) are typically identified as being funded by the general tax rate, area rates continue to provide the opportunity for new capital assets, typically where communities feel the general rate funded assets are not keeping pace with community demand. As proposed, area rates are not meant to fund enhancements beyond standards found in general rated projects and that would not increase operational costs beyond a sustainable level.

The Administrative Order states the Area rate may Not be used for:

- the purchase of land;
- infrastructure or activities that are generally not open or of benefit to the public;
- regional infrastructure, including community centres and other facilities that attract individuals from outside the area rate's catchment area;
- construction of indoor recreation facilities, including ice rinks and gymnasias;
- political activity; and
- grants to individuals, service clubs, sports teams, charities, non-profits, and businesses (other than specified above).

Other Issues

Staff had considerable discussion with area rate organizations as to whether existing area rate organizations should renew public consultations with their ratepayers at set time periods. The majority of area rates are more than ten years old and some older ones have never held consultations under the existing guidelines. As well many communities have grown in size and newer residents may not be aware of the area rate. As such, the original rationale for the area rate may no longer be fully valid or acceptable to the community.

In addition, a number of area rates have considerable surpluses. Some of these might be used for capital projects while others could be used to lower or eliminate the area rate. Unfortunately, it is difficult to create a rule on consultation that applies equally to all associations. Some may have longer term commitments (such as repayment of debt charges or capital projects) while others may have completed those projects upon which the original consultations were based. Some area rates are for ongoing community events.

FINANCIAL IMPLICATIONS

The proposed Administrative Order clarifies governance issues and the powers of Area Rates to expend. As such, there are no direct implications from the recommendation.

The Administrative Order does require any capital construction or enhancement to be included in the Capital Budget and to follow procedures for capital budgeting. This should facilitate stronger planning and delivery for capital projects. In addition, there is a requirement for area rates to plan out maintenance requirements. Responsibility for maintenance of area rated capital projects has lacked clarity. The additional requirement to lay out a maintenance plan should help HRM budget for maintenance and maintain assets.

RISK CONSIDERATION

There are existing and potential risks to the organization's reputation. With respect to the existing risk,

there are occasionally taxpayers who feel that HRM has allowed the property tax system to be inappropriately used by local community groups and that oversight of those group's activities is insufficient. Conversely, community groups have become accustomed to accessing the tax system for locally defined needs and may resent any attempt to bring strong oversight and governance to the use of the local taxes. Often such groups feel that they have a stronger understanding of local needs than does HRM. Hence there is the potential for moderate negative views towards the municipality from local communities

The current process regarding area rates lacks clarity regarding roles and clear processes which creates risk for both HRM and the community groups. The creation of an administrative order will mitigate those risks.

COMMUNITY ENGAGEMENT

Consultation with the community associations was held on Monday May 27, 2019 in the HEMDCC meeting room. Two to three members of each of the 20 associations (active & inactive) were invited to attend an open discussion conducted by Finance staff. The associations were provided with a draft of the new Administrative Order in advance, which included 10 questions to be discussed amongst their membership; and submitted back to staff by June 10, 2019. See Attachment 5 for results of the consultations and staff recommendations on inclusion in the Administrative Order.

A total of 33 members attended, representing 15 of the 17 community associations. Those in attendance expressed appreciation for the opportunity to meet and discuss a revised policy and the potential impacts to their community. There is quite a mixture of mandates amongst the various associations as shown in Table 1, so each topic had varying degrees of importance for each group. i.e. Private vs. HRM land or infrastructure, ability to provide Grants, placing a maximum rate etc.

The majority of those in attendance, were Board members/volunteers who are involved in their community association. The wider community members who live within these area-rated communities were not specifically consulted.

ENVIRONMENTAL IMPLICATIONS

Not applicable. Any area rated capital projects follow the applicable environmental rules.

ALTERNATIVES

- 1) Regional Council could choose to continue with the status quo. This is not recommended. The current powers of area rates to expend funds are vague and both staff and the associations require clarity. In addition, there are gaps in the rules and procedures that require direction from Regional Council.
- 2) Regional Council could require that existing area rates all be required to renew their consultations with taxpayers. There is a strong rationale from a governance perspective to require such a renewal and to specify limits on how long an area rate can continue without such consultations. Staff did not recommend this because of the significant workload involved in undertaking seventeen separate consultations. In addition, staff felt additional information was required as to any gaps between any mandate provided though the original consultations and the current mandate of these associations.
- 3) Regional Council could specify that capital construction and enhancement (as per section 28(h)) should not be allowed. While there is anecdotal evidence that the need for additional capital may no longer be as strong as it was when many area rate associations were created, staff are not yet prepared to recommend this. .

ATTACHMENTS

Attachment 1 – Community Area Rate Administrative Order

Attachment 2 – Interim Area Rate Guidelines

Attachment 3 - Recreation Area Rate Policy

Attachment 4 – Framework for Area Rates

Attachment 5 - Area Rate Policy – Responses and Recommendations

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

Report Prepared by: Barb Wilson, Senior Financial Consultant 902.490.4280
 Bruce Fisher, Manager, Financial Policy and Planning 902.490.4493

Attachment 1

ADMINISTRATIVE ORDER NUMBER 2019-005-ADM RESPECTING THE ESTABLISHMENT AND USE OF COMMUNITY AREA RATES IN THE HALIFAX REGIONAL MUNICIPALITY

WHEREAS subsection 96(1) of the *Halifax Regional Municipality Charter* permits the Council of the Municipality to spend money in an area, or for the benefit of an area, for any purpose for which the Municipality may expend funds or borrow;

AND WHEREAS subsection 96(2) of the *Halifax Regional Municipality Charter* permits the Council of the Municipality to 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 of the assessed value of the taxable property or occupancy assessments in the area;

AND WHEREAS subsection 96(4) of the *Halifax Regional Municipality Charter* permits the Council to levy a uniform charge on each taxable property assessment or each dwelling unit in the area, in lieu of levying an area rate;

AND WHEREAS Regional Council wishes to promote transparency, clear accountability between the public and community associations, and effective governance;

BE IT RESOLVED AS AN ADMINISTRATIVE ORDER of the Council of the Halifax Regional Municipality under the authority of the *Halifax Regional Municipality Charter*, as follows:

Short Title

1. This Administrative Order may be known as the *Community Area Rates Administrative Order*.

Interpretation

2. In this Administrative Order,
 - (a) “area rate” means an area rate set pursuant to subsection 96(2) of the HRM Charter;
 - (b) “community organization” means a community group incorporated as a society pursuant to the *Societies Act*, R.S.N.S. 1989, c. 42, as amended;
 - (c) “contribution agreement” means an agreement that outlines the amount, purpose, conditions, duration and any other terms for a transfer of funds or a grant;
 - (d) “Council” means the Council of the Halifax Regional Municipality;
 - (e) “HRM Charter” means the *Halifax Regional Municipality Charter*, S.N.S. 2008, c. 39, as amended;
 - (f) “Municipality” means the Halifax Regional Municipality;
 - (g) “rate” means an area rate or uniform charge for local community recreation or sidewalks;
 - (h) “staff” means staff of the Municipality’s Finance Department; and
 - (i) “uniform charge” means a uniform charge levied pursuant to subsection 96(4) of the HRM Charter.

Purpose

3. The purpose of this Administrative Order is to establish criteria for the creation of rates that support local community recreation activities or sidewalks and are requested by a community, and to establish a framework for the use of the monies raised by the rate.

General Provisions

4. Unless otherwise stated, a uniform charge under this Administrative Order is levied on each taxable property assessment in the catchment area.

5. Council delegates to the Chief Financial Officer the ability to create procedures to support the administration of rates under this Administrative Order and to enter into a Contribution Agreement in accordance with section 31.

6. Nothing in this Administrative Order requires Council to pass a rate, pass a rate at a certain amount, or restricts Council's ability to impose, set, charge, or terminate a rate.

7. For greater certainty, this Administrative Order does not apply to rates imposed by Council for private roads in accordance with Administrative Order 2018-003-ADM, Respecting Private Road Maintenance, or for business improvement districts in accordance with Administrative Order 47, the Business Improvement District Administrative Order.

Part I – Establishment of Community Rates

Establishment of Community Rates

8. A community organization may submit a proposal to the Municipality for the establishment of a rate in its community during the Municipality's annual business plan process.

9. The proposal shall include:

- (a) the purpose for which the rate is to be established;
- (b) the anticipated duration of time during which the rate will be applied;
- (c) the proposed amount of the rate;
- (d) the method by which the rate is proposed to be levied, which shall be as a uniform charge by dwelling unit or by taxable property assessment in the catchment area;
- (e) the proposed catchment area for the rate boundary and an explanation as to why that boundary is appropriate; and
- (f) a proposed financial plan for the use of the funds, including:
 - (i) how the funds will be expended; and
 - (ii) any other sources of revenue to be combined with the funds.

10. Upon receiving a proposal for a rate from a community organization, staff shall:

- (a) review the proposal for completeness;
- (b) confirm that the proposal complies with this Administrative Order including, as applicable, sub-section 33(2);

- (c) conduct public consultation in the area affected by the proposed rate; and
- (d) prepare a report to Regional Council.

Public Consultation

11. Staff shall conduct public consultation prior to the:
 - (a) proposal for a rate being forwarded to Council; or
 - (b) where section 19 applies, prior to a change of the rate being forwarded to Council.
12. The Chief Financial Officer for the Municipality shall establish a procedure for conducting public consultation.
13. The report to Council shall include the process used for public consultation and the results thereof.

Rate Imposed by Council

14. Council may accept, decline, or modify the proposal for a rate, and may impose conditions on the expenditure thereof.
15. The area will be set annually by resolution of Council, at its sole discretion, pursuant to the *HRM Charter*.
16. Approval of a rate for a subsequent taxation year is at the discretion of the Council.
17. The rate set by Council shall be sufficient to meet the proposed budget.

Part II – Renewal of Community Rates

18. The community organization shall submit to staff annually for consideration by Council in accordance with the Municipality's annual business planning process:
 - (a) an annual business plan; and
 - (b) a detailed budget.
19. Where a community organization proposes a change to items listed in clauses 9(a), (b), (d) or (e) or an increase to item 9(c), additional public consultation shall be required.
20. Once a rate has come to the end of its duration as set out in the community organization's proposal as required by section 9, the community organization may submit a new proposal and follow the process set out in this Administrative Order for the establishment of a community rate.

Part III - Governance

Eligibility

21. To be eligible to submit a proposal for a rate, the community organization shall be a non-profit organization, incorporated under the *Societies Act*, R.S.N.S. 1989, c. 435.

Membership

22. All owners of property subject to the rate shall be eligible for membership in the community organization.
23. All members of the community organization shall be entitled to vote.

Meetings

24. Meetings of the community organization that relate to the rate shall be open to any member of the public.
25. Minutes of meetings that relate to the rate shall be available to any member of the public.
26. The community organization shall hold an annual meeting, at which meeting the majority of the members present shall review and approve the annual budget plan and detailed budget for the rate for the following year.
27. Any changes to the amount of the rate requested by the community organization requires majority approval at the annual meeting, or at a special meeting of the community organization that is called to determine the level of support for the rate.
28. The community organization may, by special meeting or at the annual meeting, elect to request that Council terminate the rate, and Council may consider such request.

Reporting and Procedures

29. The community organization shall provide to the Municipality annually its financial statements and an accounting for the funds expended from the rate.
30. The community organization shall comply with all required financial procedures as established for it by the Municipality.

Contribution Agreement

31. (1) A contribution agreement may be negotiated and executed by the Chief Financial Officer on behalf of the Municipality.
 - (2) A contribution agreement shall include provisions respecting:
 - (a) the payment and the acceptable uses of funds by the community organization; and
 - (b) whether advance payment of funds may be made by the Municipality to the community organization after Council has adopted its budget.

Part IV– Expenditure of Funds

Approved Uses of Rate Funds

32. A rate administered under this Administrative Order shall be spent for the benefit of the area for which it is collected.
33. (1) Subject to section 32, rate funds may be used for:
 - (a) community events;
 - (b) community accessories, including signage, picnic tables, benches, and garbage cans;
 - (c) community beautification and clean-up;

(d) maintenance of recreation infrastructure, including local recreational infrastructure on municipal lands where the maintenance is procured directly by the Municipality;

(e) recreational programming;

(f) establishment and maintenance of seasonal recreation infrastructure such as outdoor skating rinks;

(g) operation of small, local community centres;

(h) grants where there is a contribution agreement in place between the community organization and a non-profit organization to provide for items (a) through (g), provided that such an agreement is approved by Council;

(i) subject to subsection (2), construction or enhancement of

(i) local recreational infrastructure on municipal land including parks, trails, sport fields, play lawns, playgrounds, landscaping, paths and trails, and related accessories; or,

(ii) sidewalks outside of the Urban Area as established by Council; and

(j) administrative costs associated with items (a) to (i).

(2) Funds used for those items listed in subsection (1)(i) may only be used if the following conditions have been met:

(a) a needs assessment completed or approved by the appropriate business unit supports the proposed infrastructure;

(b) the proposed siting for such infrastructure is suitable;

(c) there is a maintenance plan, including identification of any annual funding;

(d) the proposed infrastructure is procured directly by the Municipality;

(e) Council has approved the project in the Municipality's capital budget; and

(f) the expenditure conforms to the Municipality's procedures for capital budget expenditures.

Prohibited Uses of Rate Funds

34. Rate funds shall not be used for the following:

(a) the purchase of real property;

(b) infrastructure and activities that are generally not open or of benefit to the public;

(c) regional infrastructure, including community centres and other facilities that are designed to attract individuals from outside the area rate's catchment area;

(d) construction of indoor recreation facilities, including ice rinks and gymnasias;

(e) political activity; and

(f) except as provided in clause 33(1)(h), grants, including grants to individuals, service clubs, sports teams, charities, non-profit entities and businesses.

Disbursement of Rate Funds

35. (1) Subject to subsection (2), funds collected by the Municipality shall be disbursed to the community organization by payment of invoices for expenses incurred by the community organization in accordance with this Administrative Order.

(2) Advance payment of funds may be made to the community organization if such payments are permitted in the Contribution Agreement.

Use of Surplus upon Wind-up

36. Notwithstanding section 33, if the rate applicable to the community organization rate is not renewed by Council and the organization has a surplus at the end of its last fiscal year, the organization may recommend Council use the surplus funds:

- (a) to contribute to a municipal service or capital project in the area;
- (b) to be used for future maintenance of any public asset it has been used to construct; or
- (c) any other expenditure that benefits the area for which the funds were collected.

Transition and Repeal

37. The Recreation Area Rate Policy adopted by Council on December 12, 2000, and the Interim Area Rate Guidelines adopted by Regional Council on January 11, 2000, and all amendments thereto, are repealed.

38. (1) Rates established under the Recreation Area Rate Policy and the Interim Area Rate Guidelines, or previously, continue in effect unless otherwise directed by Council.

(2) Subject to direction by resolution of Council, such rates are not required to follow the process to be established as set out in Part I of this Administrative Order.

(3) Such rates shall be required to comply with the remainder of this Administrative Order.

39. This Administrative Order shall come into force on September 1, 2019.

Done and passed in Council this day of , 2019.

Mayor

Municipal Clerk

I, Kevin Arjoon, Municipal Clerk of the Halifax Regional Municipality, hereby certify that the above-noted Administrative Order was passed at a meeting of Halifax Regional Council held on XXXXXXXX, 2019.

Kevin Arjoon, Municipal Clerk

Interim Area Rate Guidelines

Original Implementation Date: January 11, 2000 Approved by: Regional Council

Date of Last Revision: Approved by:

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1 – Interim Area Rate

Guidelines 2 – Background

HRM currently has 64 area rates to provide local levels of service. Many of these area rates were established in the former Halifax County while others are relatively new. The intention of the interim guidelines is to create a process to help communities who wish to establish new area rates, to ensure that all tax payers have an opportunity to participate in setting a rate, and to ensure that rates are only set for valid municipal purposes and for services not already covered by the general rate. These guidelines are not meant to apply to area rates established for Local Improvement Charges.

1. Area rates can only be used for the provision of services within the municipal mandate; services traditionally provided by the municipality;
2. Area rates are not to be used to provide different levels of municipal service within urban and suburban areas where said service is covered by the general tax rate;
3. In order for a proposed new area rate to move to the process as outlined in #4 below, it must have the support of the area's Councillor(s);
4. Proposals for new area rates must be advertised publicly, clearly identifying affected areas, the purpose for the rate, the rate information and the duration the rate is expected to be charged. A public meeting will be held and those attending the meeting will be informed of the rationale for the rate and consulted on its appropriateness.
5. With the concurrence of the Councillor, the request is forwarded to the Community Council for review and a recommendation to Halifax Regional Council. Where a Community Council does not exist, the request will go directly to Halifax Regional Council.
6. Any proposed new area rates recommended by a Community Council (or, in the absence of a Community Council, the Councillor for the area) will be submitted to Halifax Regional Council through a staff report with a recommendation from the Chief Administrative Officer. The staff report will identify the implications to the Municipality along with the results of any public meeting.
7. Halifax Regional Council is responsible for approving all area rates.

Recreation Area Policy

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Recreation Area Rate Policy

1 - Context

The provincial legislation that governs the expenditures for Area Rate Accounts is the Municipal Government Act (MGA) which lists allowable expenditures and area rates. Overall, HRM has expenditure principles whereby all expenditures:

- Must meet the spending guidelines of the Municipal Government Act, Section 65
- Must have supporting documentation for payment, no advances issued
- Should be made in accordance with the HRM Conflict of Interest Policy
- Must comply with the spirit and objectives of the Procurement Policy approved by Council, and
- Must be made in accordance with provincial and federal legislation.

Specifically, with regard to area rate expenditures, the expenditure must also benefit the community on whose behalf the area rate has been collected. (Section 526(2) of the MGA)

2 – Statement of Intent

The Recreation Area Rate Funds Policy is intended to guide expenditures in accordance with the stated purpose of the Area Rate as outlined in the annual budget and business plan, HRM Finance Policy and legislation regarding allowable expenditures.

3 – Approved Purposes

3.1 Each area rate is required to have an annual business plan and detailed budget which is to be submitted in accordance with HRM's annual budget and business planning process. All expenditures are to be made in accordance with the approved budget and business plan.

3.2 Area rate funds are to be budget on a break-even basis. Any deficit that arises in any year must be the first charge on the area rate in the next fiscal year. Reserves or surplus carry forwards are not to occur without a Council approved reserve business case.

3.3 Area rate funds can only be used for the provision of services within the municipal mandate as defined in Section 65 of the Municipal Government Act.

3.4 Expenditures must comply with the spirit and objectives of the Procurement Policy approved by Council.

3.5 Expenditures must be made in accordance with all provincial and federal legislation.

4 – Record Keeping Requirements

4.1 Expenditures must have supporting documentation for payment, no advances will be issued.

4.2 There are currently facilities that are both owned and operated by HRM business units, which are funded by specific area rates and these are rates are the responsibility of those business units that operate the facilities. In all other cases, those recreation area rates that are not currently an HRM business unit responsibility are to be the responsibility of a form of association, society or a Councillor and requests for expenditure payments should be reviewed and approved by a member(s) of the association, society or local Community Council.

4.3 Requests for payment should be signed by the HRM business unit, association, society or Community Council, as applicable, as indication that the related good or service has been satisfactorily received and that the expenditure has been made in accordance with the Approved Purpose. Individual Councillors should not be the sole signatory on requests for payment from an Area Rate Account.

5 – Reporting Requirements

5.1 A financial report for each area rate fund will be prepared by Financial Services on a quarterly basis and the information provided to the HRM business unit, area rate society or association, or Community Council and to Regional Council.

6 – Continuous Renewal Clause

6.1 This policy shall be assessed after one (1) year of implementation to evaluate its scope, relevance and effectiveness. Thereafter, the policy shall be reviewed every two (2) years or upon request to reflect substantive changes in legislation or municipal policy or priorities.

6.2 Responsibility for policy review and revision shall be that of HRM Financial Services.

6.3 Recommended changes to policy shall be forwarded to Regional Council by Financial Services for approval.

Procedures

1 - Roles and Responsibilities

HRM Business Units

Recreation area rates for the funding of the facilities owned and operated by HRM are the responsibility of HRM business units. They shall seek the approval of Regional Council for the Area Rate Fund's annual budget and business plan through the regular HRM business planning and budget process. They are responsible for making a determination if an expenditure is permissible and shall be expected to expend funds in accordance with the appropriate policies. Assistance and advice on compliance with policies and legislation will be provided by staff of Financial Services. (In fiscal 2001/02, only one of the recreation area rates relates to funding a facility owned and operated by HRM – Hubbards Recreation Centre).

Association, Society or Local Community Council

Those recreation area rates that are not currently an HRM business unit's responsibility are to be the responsibility of a form of association, society or the local Community Council. With the assistance of the Parks and Recreation Business Unit, they shall seek the approval of Regional Council for the Area Rate Fund's annual budget and business plan through the regular HRM business planning and budget process. They are responsible for making a determination if an expenditure is permissible and shall be expected to expend funds in accordance with the appropriate policies. Assistance and advice on compliance with policies and legislation will be provided by staff of Financial Services.

Financial Services

Staff of HRM Financial Services shall be responsible for processing the payment of expenditures; monitoring appropriateness of expenses; maintenance of financial records including all original receipts, invoices, and cheques requisitions; provision of advice on financial policies including procurement; quarterly financial reporting; and shall oversee the auditing of accounts as required.

2 - Procedures

2.1 Annual business plan and detailed budget is to be completed by the HRM Business Unit, Association, Society, or Local Community Council and submitted in accordance with HRM's annual budget and business planning process. All expenditures are to be made in accordance with the approved budget and business plan.

2.2.1 Requests for payment of an invoice or reimbursement are to be completed by the HRM Business Unit, Association, Society or Local Community Council and sent to Financial Services.

2.2.2 The requests for payment should include the appropriate documentation (i.e., an invoice or receipt) and the supporting documentation should be signed by the HRM Business Unit, Association, Society or Local Community Council indicating the expenditure is in accordance with the appropriate policies and the good or service has been satisfactorily received.

2.3 Issuance of Payment – the signed originals attached to the requests for payment are reviewed by HRM Financial Services for compliance with the budget, business plan and appropriate policies and, then, cheques will be issued. Original documentation is retained in the files maintained by Financial Services.

2.4.1 Reporting – a financial report for each area rate fund will be prepared by Financial Services on a quarterly basis and the information provided to the HRM business unit, area rate society or association or Community Council and to Regional Council.

2.4.2 The Recreation Area Rate will be included in the annual audit and requests for a more detailed review will be evaluated by the HRM Business Systems and Control Group. Such a review may check for complete and appropriate documentation, compliance with policies, the fair and consistent application of policies, accurate reporting and any other issues determined relevant by the review team.

Framework for Area Rates

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1 – Framework for Area Rates

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 behaviors, 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.

Area Rate Policy Consultations Responses and Recommendations

Questions:

(1) Should there be a maximum area rate, such as \$50 per dwelling unit?

Yes – Highland Park, Prospect (depending on impact)

No – Silversides, Glen Arbour, White Hills,

GAHA is \$65 per single-family dwelling. This amount has been satisfactory to achieve the required objective for our area. This amount will vary depending the goals set by the catchment area. There will be no universal maximum or minimum given the catchment area variables.

Recommendation – No limit has been included in the Administrative Order.

(2) Should communities be allowed to use an ad valorem rate, eg 2 cents per \$100 of assessment?

Yes – Highland Park, Prospect

No - Whitehills

Assessments are not accurate. This is more complicated to calculate and is less identifiable on the tax bill. We seek simplicity. Each taxpayer will have to do a mathematical exercise to determine the effect upon him/her.

Recommendation – Area Rates should be established using an amount per property or dwelling. Those area rates that have ad valorem rates may continue until they see additional consultations to renew their mandate.

(3) Should there be a five-year limit on the area rate?

Yes -

No – Highland Pk, Silversides, Glen Arbour, White Hills, Prospect

No. The length of time is a function of the catchment area development program, and its objectives. Substantial reliance must be placed upon the area Association to determine whether it has reached its goals, and / or whether a renew must begin. In the event that an Association, or catchment area has been inactive for several years, then it is submitted, that it is encumbered upon HRM to call a meeting of the catchment area to determine if the rate should continue to apply. Failing which the tax rate of the catchment area might be reduced for one year to absorb the area surplus. (We don't know if this a possibility.)

It may be a lot of effort and very difficult to organize a well-attended AGM every 5 years, 10 might be more realistic.

Recommendation – No limit is currently being recommended.

(4) Should existing area rates be asked to re-do their public consultations?

Yes – White Hills, Westwood

No – Silversides, Prospect

If the community growth warrants it, or if it has been an extended period since the previous consultation, possibly. There should be a reasonable guideline set for this, remembering the rate groups are volunteers.

If a particular catchment area has not been used for 4 years or has no plan to use their built up reserve fund then a call for a re- visit of their objectives would be in order.

Recommendation – A renewal is not currently being recommended. This option is listed in the report as Alternative #2.

(5) Should area rates be allowed for construction and enhancement of infrastructure?

Yes – Silversides, Glen Arbour, White Hills, Prospect, Westwood

No -

Highland Pk – split, some feel that this should fall on HRM/Province to fund, and not the responsibility of the communities/residents. Others felt that construction/enhancement of infrastructure should be allowed.

Westwood - Needs assessments need to be done in a timely manner and the time between interaction on a project and a decision needs to be lessened.

Recommendation – Yes. This is allowed with conditions in Section 32(i) of the Administrative Order.

(6) Should area rates be used for private purposes?

Yes – Silversides (There are a number of Assoc. that have private land (accessible to only the rate payers of the particular Assoc.

No – Prospect, White Hills (not sure of intent of ‘private’)

Highland Pk – Area rates should be used for public purposes within the community. Residents should have a reasonable say in how the funds are used.

No, not for strictly private use, notwithstanding, many Associations have a mixed use of private facilities for private and public use. For instance, a private beach/ wharf with access to the public via water transport. They ought not to be excluded from use of funds to improve the area. The improved area will generate higher values therefore greater property tax income for HRM.

Recommendation – No. Section 33(b) of the Administrative Order prohibits funds being used for “infrastructure and activities that are generally not open or of benefit to the public”.

(7) Should area rates be allowed to purchase land?

No – Prospect

Yes – Highland Pk, Glen Arbour, White Hills

Yes, purchase lands with area rate funds and then deed same to HRM.

Who would own the land; could be complicated.

Recommendation – No. Land purchases should remain with Regional Council.

(8) What is a small local community center vs regional infrastructure?

A small community centre typically has less funding available and more limited events and opportunities. (think Hammonds Plains CC vs. the BMO Centre).

Would be accessible to all members within the catchment area (possibly privately owned by that particular group), and regional infrastructure is accessible to all of the public, not just the particular rate payers of the catchment area.

Recommendation – Sections 32 and 33 have been modified to clarify what is permitted (small, local) versus what is prohibited (regional).

(9) Should grants be available to individuals, service clubs and sports teams?

Yes – Prospect, Westwood

No – Silverside, Glen Arbour, White Hills

No – because grants should be awarded for projects that will benefit a great number of people in the community, not just a small specific group. Individuals, service clubs and sports teams can host fundraising events and request local business sponsors.

No, not directly, we understand there is a procedure whereby assistance can be made available indirectly, which we support.

No, there are too many and it would get political if the association was picking and choosing where the monies went. However, there might be interest in developing a bursary of some kind for a high school student or helping out with school equipment.

Recommendation – No. Any discretionary grants provided to individuals or groups from property taxes should be through approved Council policies and should be regional in scope.

(10) What other changes might be considered to the above spending powers?

Silversides - The wording under “Area Rates may not be used for” for point “infrastructure that is not generally open to the public for use;” is of great concern for Associations that have privately held land (examples are Silversides Residents Association, Frame Homeowners and Three Brooks Home Owners Association) that is not open for public use. We need to ensure that we are able to continue to use Area Rates to ensure upkeep, safety and improvements to our privately held areas. It is important to note in these situations, ALL residents within the catchment area are responsible for these shared spaces (or common spaces) as they are deemed to be owned by the entire catchment area alone. The shared spaces also contribute to property value within the catchment area and also hold legal obligation to ensure that the spaces are safe for use to the Associations’ membership.

Glen Arbour - GAHA has had, and continues to have, a very community rewarding experience in establishing and using the facilities provided by the area rate funds. It is a vehicle which brings the community together and promotes it well being. We sincerely hope that the wise Councillors do not change our particular experience, while we do recognize that some catchment areas may require minor adjustments.

White Hills - Our thoughts are that the area rate is very specific to our community to upgrade, construct, maintain park land & if the interest was there to run a small White Hills community event – anything outside of that we think would be difficult to justify if it would benefit the majority of rate payers.

Prospect - We have made recent changes, we realize and understand that no individual can be issued these funds so we corrected that to make the cheque payable to the non-profit team that the ask is for. We have standards in place to apply; we report to HRM and work with a HRM accountant. I feel what we have in place is sufficient. HRM needs to understand and recognize the work we have put into these standards and that we act as the management for these funds at absolutely at no cost to them. If you were to pay someone to administer this for communities, well again it wouldn’t happen and communities would lose out. I feel very confident and strongly to keep this rate as it is, keep the standards we have set, and allow communities to continue to benefit from this recreation area rate as set out. I also strongly feel that the area councillors need to be at the table and need to be part of the process. Our councillor is active with our group and this keeps community and HRM connected in recreation. Trust in the great work that is being done in our communities and stop putting up walls that continue to block us from great things.