



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

Item No. 10.2
Halifax Regional Council
March 7, 2023

TO: Mayor Savage and Members of Halifax Regional Council

Original Signed

SUBMITTED BY: _____
Cathie O'Toole, Chief Administrative Officer

DATE: February 22, 2023

SUBJECT: **Tax and Service Boundary Review including Regional and Rural Transit**

SUPPLEMENTARY REPORT

ORIGIN

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

MOVED by Councillor Lovelace, seconded by Councillor 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.

MOTION PUT AND PASSED UNANIMOUSLY.

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.

MOTION PUT AND PASSED.

RECOMMENDATIONS ON PAGE 3

Halifax Regional Council motion, January 10, 2023, Item 15.1.3:

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; and
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 DEFERRED, AS FOLLOWS:

MOVED by Councillor Lovelace, seconded by Councillor Mason

THAT item 15.1.13 be deferred, and that the Chief Administrative Officer be directed to prepare a supplementary staff report with respect to modifying the tax structure for Halifax Transit services, effective April 1, 2023, to:

1. End the Regional Transportation Tax and increase the Local Transit area rate to compensate except;
2. Funding the Rural Transit Grant program from the General tax rate.

MOTION PUT AND PASSED UNANIMOUSLY.

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Charter, S.N.S. 2008, c.39 (HRM Charter)

Purposes of Municipality

- 7A The purposes of the Municipality are to
- (a) provide good government.
 - (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; and
 - (c) develop and maintain safe and viable communities.

Public transportation services

- 69 (1) The Municipality may provide a public transportation service by
- (a) the purchase of vehicles or vessels and operation of the service;
 - (b) providing financial assistance to a person who will undertake to provide the service; or
 - (c) a combination of these methods.

Municipal expenditures

- 79A (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.
 - (b) the expenditure is in respect of an emergency under the Emergency Management Act; or
 - (c) the expenditure is legally required to be paid.

Tax Rates

- 93 (1) 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.
- (2) The Council may
- (a) set different commercial tax rates for commercial property located in areas of the Municipality designated by Council, based on the assessment of commercial property under the Assessment Act;
 - (d) set additional tiered or escalating commercial tax rates based on the factors set out in clauses (a) to (c) that are in excess of the rates set in clauses (a) to (c); and
 - (e) set additional or different commercial tax rates using any combination of clauses (a) to (d).
- (3) Commercial tax rates set by the Council under subsection (2) apply in place of the commercial tax rates set under subsection (1) in the areas designated by the Council.

Area rates and uniform charges

- 96 (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;
 - (b) in the resolution setting the area rate, that the area rate applies only to the assessed value of one or more of the taxable commercial, residential or resource property and 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.

Administrative Order 2014-012-ADM, the *Rural Transit Grants Administrative Order*

RECOMMENDATION

It is recommended that Halifax Regional Council:

1. Defeat the deferred motion of January 10, 2023 for Item 15.1.3;
2. End the Regional Transportation area rate, and increase the residential/resource General Rates to compensate for the revenue loss;
3. 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; and
4. Fund the *Rural Transit Grant Program* from the general tax rate(s).

BACKGROUND

Transit Area Rates

The Regional Transportation area rate applies to all residential/resource properties, except those outside the HRM Rural commutershed, which consists of the Eastern Shore, east of Jeddore Harbour, and Musquodoboit Valley areas. The rural commutershed are those areas of the municipality from which people regularly travel into the urban core within 45 minutes. The Regional Transportation area rate funds services such as Express routes, Regional Express service, and ferry service. The Regional Transportation area rate funds a portion of conventional transit services, reflecting the broad benefits of Transit to the municipality.

The Local Transit area rate applies (in addition to the Regional Transportation rate) to all residential/resource properties within a 1-km walking distance of a transit stop. The Local Transit area rate funds local, community bus routes that people are more likely to access by walking.

Existing Rural Transit Funding Program

The Rural Transit Funding Program provides grants to non-profit community organizations to subsidize the cost of providing community-based transit services in rural communities within the Municipality. These transit service providers offer an alternative form of public transportation outside of Halifax Transit's service area.

Amounts provided through the Rural Transit Funding Program are allocated in two ways:

1. An annual lump sum payment of either \$5,000 or \$10,000 based on the number of in-service vehicle kilometers travelled in each quarter of the municipal fiscal year, as reported in required quarterly financial reports; and
2. A flat rate of up to \$0.50 per kilometer travelled while providing transit service (subject to annual budget availability, as per AO 2014-012-ADM, section 14).

If an organization in the program intends to apply for a grant in the following fiscal year, projected ridership and in-service vehicle kilometers for the following fiscal year must be provided as part of its third quarter financial report submission.

DISCUSSION

Legislative Context: Area Rates and General Rates

The HRM Charter allows Council to impose an area rate in a given area, or for the benefit of a given area, for any purpose for which the Municipality may expend or borrow. Section 69 of the HRM Charter allows Council to spend money on a public transportation service.

The intention of an area rate is to impose a tax on those properties within an area that receive or benefit from the service. This could apply to funding the services provided under the Regional Transportation area rate. The Regional Transportation area rate funds services including express routes, Regional Transit service, and ferry service from Halifax, Dartmouth, and Woodside. As outlined in subsections 96 (1), and (2), and clause 96 (3)(a) provided below, area rate legislation is designed to be paid by those in the area that receive the service or those in a larger area that benefit from the service or expenditure. The area rate does not have to be full cost of the service as the HRM Charter allows a subsidy through the general rates.

HRM Charter:

- 96 (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.

Implications of Recommendation and Alternatives

Recommendation

Regional Council has a motion on the floor which was deferred pending this supplementary report. To proceed with the recommended changes by staff in this report, Council would need to defeat the current motion on the floor.

The recommendation is to discontinue the Regional Transportation area rate, leave the Local Transit rate unchanged, and increase the residential/resource general tax rates to compensate for the foregone revenue. The *Rural Transit Grant Program* would be funded via the general tax rate(s).

Tax Structure

In terms of maintaining the current transit tax structure (item 1 of the deferred motion), staff are now recommending item 1 be defeated so changes can be made to the current transit tax structure to eliminate the Regional Transportation area rate and increase the residential/resource general tax rates to offset the revenue lost from the eliminated Regional Transportation area rate.

The regional transportation network and rural transit funding program is considered a public good, which is available for use within the community, for the betterment of the community. There is strong policy rationale to fund it from the general tax rates as opposed to an area rate, like the manner in which other public good expenditures are paid. Staff are now recommending ending the Regional Transportation area rate and increasing the general tax rates to compensate.

Pros:

- Regional Transit service transitions to a public good service and is financed through general tax rates like other public good services
- Most properties already pay the Regional Transportation rate, which would mean no financial impact to most rate payers
- No rate increase required to remain revenue neutral

Cons:

- Properties outside of the Regional Transportation area rate will see a relatively small tax increase

Rate Payer Impact:

- Increase of approximately \$31 to the average tax bill of rate payers that were not paying the Regional Transportation area rate (12,054 properties).
- All remaining rate payers would not experience a change to their tax bills (148,134 properties).

Rural Transit Funding

The rural transit program is recommended to be funded by via general tax rates. Funding the Rural Transit Funding grants program from general tax rates would have no material financial or budget implications.

Impact to Transit Services

The provision of public transit service, including the communities/neighbourhoods that have service, and the level of service, is determined through Council approval of policies and strategic documents (ie, Regional Plan, Moving Forward Together Plan, Rapid Transit Strategy), and approval of capital and operating

budgets. The taxation options under consideration do not impact any future expansion or reduction of transit service. Should transit service be added or removed from a community, the Local Transit taxation catchment area would shift accordingly.

Alternative 1

Alternative 1 discontinues the Regional Transportation area rate and increases the Local Transit rate to offset the lost Regional Transportation area rate revenue. The *Rural Transit Grant Program* would be funded from general tax rates. Additionally, the catchment area for the Local Transit area rate would be expanded to add properties that are within 3 kilometers from one of the Regional Express Park & Ride areas or within 1km of bus stops within Aerotech and the airport. This alternative aligns with the Council motion of January 10, 2023. As well, it aligns with the HRM Charter Section 96 requirement that an area benefiting from a service shall be included in the area rate. The Local area rate catchment area includes properties within 1km of a bus stop. As well, the boundary would be expanded to include residential and resource properties that are within 3 km using the road network, of one of the four Regional Express Park & Ride areas to reflect the benefit they receive. This would align the area rate boundary with the transit service boundary to ensure communities with service are paying the area rate and avoid the disparity discussed above. Areas impacted by this catchment area expansion are detailed in yellow within *Attachment 1 – Local Transit Area Map*

This would create a higher tax burden for the properties within the Local Transit catchment area because \$22.1M in lost revenue would be shifted on this area, and as well this area is notably smaller than the Regional Transportation catchment area, with the added cost being shared between fewer properties.

Pros:

- Perception may be that those receiving the most benefit are directly paying for it.
- Unifies all transit taxation revenue into one rate.

Cons:

- It does not reflect the regional benefits of the transit service to the Municipality as a whole
- It puts a disproportionately higher tax burden on those in proximity to transit stops that already pay the highest rate.
- The urban tax area would predominately be financing Regional Transit.
- Boundary expands as all new Park and Rides are created, in addition to transit stops. This creates administrative overhead.
- Requires rate increase to remain revenue neutral.

Rate Payer Impact:

- Increase of approximately \$65 to the average tax bill of current Local Transit rate payers (100,860 properties).
- Decrease of approximately \$149 to the average tax bill of Regional Transportation rate payers who do not pay the Local Transit rate (148,134 properties).
- Increase of approximately \$283 to the average tax bill of rate payers that will start paying the Local Transit area rate under the expanded catchment area and will have the Regional Transportation rate removed (2,169 properties).

Alternative 2

Alternative 2 discontinues the Regional Transportation area rate, increases the Local Transit rate to fund ferry service, and increases the residential/resource general tax rates to compensate for the remaining lost revenue. The *Rural Transit Grant Program* would be funded from the general tax rates. This alternative provides a variation on the direction provided by Council in its motion of April 6, 2021.

If the Regional Transportation area rate were discontinued and ferry service funding shifted to the Local Transit area rate, and the general tax rates (urban, suburban, rural) increased to compensate as outlined in Alternative

2, properties within the Local Transit Area would observe higher tax bills. The 2023 budgeted cost of ferry service net of fare revenue is expected to be approximately \$6.2M. This area is smaller than the Regional Transportation catchment area, meaning ferry service costs are shared between fewer properties. Properties sitting outside the Regional Transportation catchment area which do not pay transit tax, would be impacted because they are not realizing the savings from the removal of the Regional Transportation area rate to offset the increase to the general tax rates.

Pros:

- Perception may be that those receiving the most benefit are directly paying for it.
- Funding from the general rate reflects broad regional benefit.

Cons:

- It does not reflect the wide reaching benefits of the ferry service to the Municipality as a whole.
- It puts a disproportionately higher tax burden on those in proximity to transit stops that already pay the highest rate .
- Properties outside of the Regional Transportation area rate will see a small taxation increase.
- Requires rate increase to remain revenue neutral.

Rate Payer Impact:

- Increase of approximately \$61 to the average tax bill of Local Transit rate payers for the Local Transit rate increase (100,860 properties).
- Decrease of approximately \$149 to the average tax bill of Regional Transportation rate payers for the Regional Transportation rate removal (148,134 properties).
- Increase of approximately \$21 to the average tax bill of rate payers that were not paying the Regional Transportation area rate (12,054 properties).

FINANCIAL IMPLICATIONS

These recommendations are revenue neutral. This decision does not impact transit service levels or their location.

Detailed financial implications are provided in *Attachment 2 – Financial Implication Calculations*.

RISK CONSIDERATION

No material risks are present from both a policy rationale and budgetary perspective.

COMMUNITY ENGAGEMENT

No community engagement was required.

ENVIRONMENTAL IMPLICATIONS

No environmental implications were identified.

ALTERNATIVES

Halifax Regional Council could defeat the motion on the floor and:

1.

- a) End the Regional Transportation area rate and increase the Local Transit area rate to compensate, providing the Local Transit area rate catchment area is expanded to include residential/resource properties within three kilometers of the four Regional Express Park & Ride areas; and
- b) Fund the *Rural Transit Grant Program* from the general tax rates.

For Alternative (1), Regional Council would need to defeat the deferred motion of January 10, 2023, and pass the following motion:

THAT Halifax Regional Council

- 1. end the Regional Transportation area rate;
 - 2. amend the catchment area for the Local Transit area rate to add properties that are within 3 kilometers from one of the Regional Express Park & Ride areas or within 1km of bus stops within Aerotech and the airport, measured along a street, as shown on Attachment 1 of the supplementary staff report dated January 19, 2023;
 - 3. increase the Local Transit rate in the amended Local Transit area to compensate for the Regional Transportation rate revenue loss;
 - 4. 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; and
 - 5. fund the *Rural Transit Grant Program* from the general tax rates.
- 2.
- a) End the Regional Transportation area rate, shift funding of the ferry service to the Local Transit area rate and increase the general tax rates to compensate for the remainder.
 - b) Fund the *Rural Transit Grant Program* from the general tax rates.

For Alternative (2), Regional Council would need to defeat the deferred motion of January 10, 2023, and pass the following motion:

THAT Halifax Regional Council

- 1. amend the transit area rates to move the funding of ferry services from the Regional Transportation area rate to the Local Transit area rate;
- 2. end the Regional Transportation area rate, and increase the residential/resource general tax rates to compensate for remaining Regional Transportation rate revenue loss;
- 3. 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; and
- 4. fund the *Rural Transit Grant Program* from the general tax rates.

ATTACHMENTS

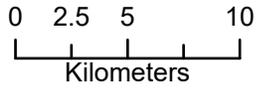
Attachment 1 – Local Transit Area Map

Attachment 2 – Financial Implication Calculations

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.

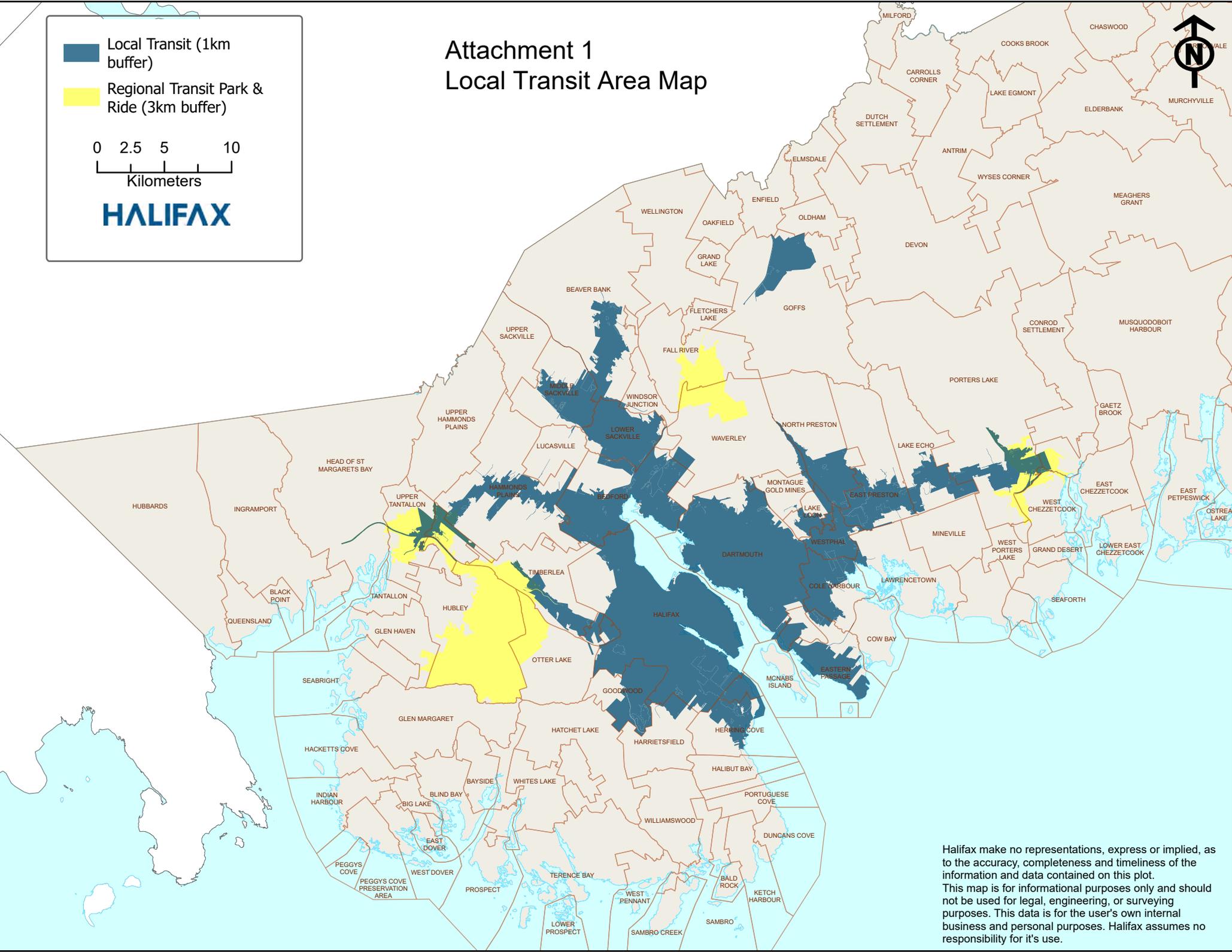
Report Prepared by: Daniel Freeman MBA, CPA, CMA, Senior Financial Consultant, Finance & Asset Management, 902.399.8397
Kenzie McNeil MIB, Manager, Financial Policy, Finance & Asset Management, 902.579.4129

- Local Transit (1km buffer)
- Regional Transit Park & Ride (3km buffer)



HALIFAX

Attachment 1 Local Transit Area Map



Halifax make no representations, express or implied, as to the accuracy, completeness and timeliness of the information and data contained on this plot. This map is for informational purposes only and should not be used for legal, engineering, or surveying purposes. This data is for the user's own internal business and personal purposes. Halifax assumes no responsibility for it's use.

Attachment 2

Tax Rate Property Count	
Urban, Suburban, Rural General Rate	160,188
Local Transit Rate	100,860
Regional Transportation Rate	148,134
3KM Park & Ride Local Transit Rate Addition	2,169

Financial Implications Calculation Illustrations

Assuming a 4% average tax bill increase scenario

Municipal Tax Rate Calculation: **Municipal Rate: 0.746**

Average Residential Tax Bill

	2022/23	2023/24	%
	Approved	Proposed	
Assessment	272,100	301,100	10.7%
Mun. Tax Rate	0.794%	0.746%	-6.0%
Average Tax Bill	\$2,160	\$2,246	
Increase \$		\$86	
Increase %		4.0%	

Alternatives

Rate Type	Status Quo		
	2023 Assessment	Rate	Revenue (Net of Appeals)
Residential Urban General Rate	41,374,675,300	0.615	253,818,100
Residential Suburban General Rate	3,049,647,600	0.582	17,704,600
Residential Rural General Rate	8,338,341,000	0.582	48,407,800
Resource Urban General Rate	51,021,600	0.615	310,600
Resource Suburban General Rate	19,185,000	0.582	110,500
Resource Rural General Rate	165,346,100	0.582	952,700
Combined Commercial Gen. Rates	9,101,150,200	2.921	265,818,400
Local Transit Rate	41,163,076,900	0.089	36,543,600
Regional Transportation Rate	52,705,405,800	0.042	22,080,900
Total Municipal Rate		0.746	645,747,200
Average Residential Tax Bill Increase %		4.0%	

Rate Type	Recommendation			
	2023 Assessment	Rate	Revenue (Net of Appeals)	Variance to Status Quo
Residential Urban General Rate	41,374,675,300	0.657	271,152,000	17,333,900
Residential Suburban General Rate	3,049,647,600	0.624	18,982,200	1,277,600
Residential Rural General Rate	8,338,341,000	0.624	51,901,200	3,493,400
Resource Urban General Rate	51,021,600	0.657	331,900	21,300
Resource Suburban General Rate	19,185,000	0.624	118,500	8,000
Resource Rural General Rate	165,346,100	0.624	1,021,400	68,700
Combined Commercial Gen. Rates	9,101,150,200	2.921	265,818,400	-
Local Transit Rate	41,163,076,900	0.089	36,543,600	-
Regional Transportation Rate	-	0.000	-	(22,080,900)
Total Municipal Rate		0.746	645,869,200	122,000
Average Residential Tax Bill Increase %		4.0%		

Revenue Neutrality Adjustment		
	Rate	Revenue
		Variance to Status Quo
Residential Urban General Rate	0.657	271,152,000
Residential Suburban General Rate	0.624	18,982,200
Residential Rural General Rate	0.624	51,901,200
Resource Urban General Rate	0.657	331,900
Resource Suburban General Rate	0.624	118,500
Resource Rural General Rate	0.624	1,021,400
Combined Commercial Gen. Rates	2.921	265,818,400
Local Transit Rate	0.089	36,543,600
Regional Transportation Rate	0.000	-
Total Municipal Rate	0.746	645,869,200
Average Residential Tax Bill Increase %	4.0%	

Alternative 1					Revenue Neutrality Adjustment		
Rate Type	2023 Assessment	Rate	Revenue (Net of Appeals)	Variance to Status Quo	Rate	Revenue	Variance to Status Quo
Residential Urban General Rate	41,374,675,300	0.605	249,691,000	(4,127,100)	0.615	253,818,100	-
Residential Suburban General Rate	3,049,647,600	0.572	17,400,400	(304,200)	0.582	17,704,600	-
Residential Rural General Rate	8,338,341,000	0.572	47,576,100	(831,700)	0.582	48,407,800	-
Resource Urban General Rate	51,021,600	0.605	305,600	(5,000)	0.615	310,600	-
Resource Suburban General Rate	19,185,000	0.572	108,600	(1,900)	0.582	110,500	-
Resource Rural General Rate	165,346,100	0.572	936,300	(16,400)	0.582	952,700	-
Combined Commercial Gen. Rates	9,101,150,200	2.921	265,818,400	-	2.921	265,818,400	-
Local Transit Rate	41,767,880,900	0.141	58,745,500	22,201,900	0.141	58,745,500	22,201,900
Regional Transportation Rate	-	0.000	-	(22,080,900)	0.000	-	(22,080,900)
Total Municipal Rate		0.746	640,581,900	(5,165,300)	0.756	645,868,200	121,000
Average Residential Tax Bill Increase %		4.0%			5.4%		

Alternative 2					Revenue Neutrality Adjustment		
Rate Type	2023 Assessment	Rate	Revenue (Net of Appeals)	Variance to Status Quo	Rate	Revenue	Variance to Status Quo
Residential Urban General Rate	41,374,675,300	0.642	264,961,400	11,143,300	0.645	266,199,500	12,381,400
Residential Suburban General Rate	3,049,647,600	0.609	18,525,900	821,300	0.612	18,617,200	912,600
Residential Rural General Rate	8,338,341,000	0.609	50,653,500	2,245,700	0.612	50,903,100	2,495,300
Resource Urban General Rate	51,021,600	0.642	324,300	13,700	0.645	325,800	15,200
Resource Suburban General Rate	19,185,000	0.609	115,700	5,200	0.612	116,200	5,700
Resource Rural General Rate	165,346,100	0.609	996,900	44,200	0.612	1,001,800	49,100
Combined Commercial Gen. Rates	9,101,150,200	2.921	265,818,400	-	2.921	265,818,400	-
Local Transit Rate	41,163,076,900	0.104	42,702,600	6,159,000	0.104	42,702,600	6,159,000
Regional Transportation Rate	-	0.000	-	(22,080,900)	0.000	-	(22,080,900)
Total Municipal Rate		0.746	644,098,700	(1,648,500)	0.749	645,684,600	(62,600)
Average Residential Tax Bill Increase %		4.0%			4.4%		