



M·E·M·O

To: CBRM Council
From: Councillor Kendra Coombes
Re: **Equalization: A Discussion of Action**
Date: April 4th, 2018

Dear Collogues,

I am writing this memo because I believe the time has come for us as a Council to have the equalization discussion and create an action plan. During budget sessions issues surrounding equalization were constantly brought to the forefront. The Cape Breton Regional Municipality receives \$15.35 million from the Government of Nova Scotia, however, we send the Government of Nova Scotia a cheque for \$1.77 million more than what is given to the CBRM. This means we send the Government of Nova Scotia a cheque for \$17.12 million, thereby making the \$15.35 million the Government provides the CBRM irrelevant.

The public appears to be in support of action being taken if the attendance at the Nova Scotians for Equalization Fairness town hall meetings are any indication. The NSEF is planning to take political action that includes demonstrations. It is time that we, Mayor and Council also take political action.

There are several actions we can take; for a start:

- Request an update on the Private Members Bills: Cape Breton Regional Municipality Viability Study – Bill 78 and Municipal Grants Act – Bill 80;
- Send letters to Victoria County, Inverness County, Richmond County, and the Town of Port Hawkesbury requesting they join us in requesting equalization fairness;
- Send letters to the UNSM requesting public support;
- Request meetings with the MLAs, and MPs to discuss equalization

Sincerely;

Kendra Coombes, Councillor District 11

Councillor Kendra Coombes
/kc



CBRM

A Community of Communities

Cape Breton Regional Municipality

Office of Deborah Campbell Ryan, BBA, MPA
Municipal Clerk

320 Esplanade
Sydney, Nova Scotia
B1P 7B9
Tel: 902-563-5010
Fax: 902-564-0481
email: clerksoffice@cbrm.ns.ca
www.cbrm.ns.ca

Via Fax: 902-424-0632

_____, 2018

DRAFT

Mr. Neil Ferguson, Chief Clerk
Nova Scotia House of Assembly
Clerk's Office
1st Floor, Province House
PO Box 1617
Halifax, NS B3J 2Y3

Re: Request for Update - Private Member Bills 78 and 80

Dear Mr. Ferguson:

At the May 29th, 2018 meeting of CBRM Council, a motion was passed directing staff to request an update on the following Private Members Bills (copies attached):

- Cape Breton Regional Municipality Viability Study Act – Bill 78; and
- Amendment to the *Municipal Grants Act* – Bill 80.

I did refer to the Government of Nova Scotia website and understand that these Bills were introduced in the Legislature on March 6, 2018 for First Reading.

Any additional information you can provide in relation to the status of the attached Bills would be greatly appreciated.

I look forward to hearing from you.

Yours truly,

Deborah Campbell Ryan
Municipal Clerk

Encls.

copy: Ms. Tammy Martin, MLA - Cape Breton Centre

Dear Municipal Units/First Nations/NSFM

(I am) writing on behalf of the Cape Breton Regional Municipality's Mayor and Council requesting the support of () regarding the issue of equalization funding.

The Mayor and Council are aware that the CBRM is not the only municipal unit being impacted by the issue of funding. That is why (we/they) are requesting () join the conversation in order to create action and find solutions. The Mayor and Council believe we are stronger when everyone is at the table and the only way to solve the issue of equalization funding is to work together.

To further understand the issue of equalization funding and its impact outside the CBRM the Mayor and Council request the issue be added to the (Tri-Council Meeting/ Cape Breton Regional Caucus Meeting/One Cape Breton).

Thank you for your time and consideration.

Dear MLA/MP

(I am) writing to you on behalf of the Cape Breton Regional Municipality's Mayor and Council requesting a meeting with you to discuss the issue of equalization funding.

It is the desire of Mayor and Council to have the opportunity to enter into a meaningful conversation with you on the issue of funding and to discuss with you the impact it has on the municipality's ability to provide essential services to our residents.

If this interests you, kindly let (me) know so we can set up a date and time that suits your schedule.

Furthermore, Mayor and Council invite you to speak on the issue of equalization funding at a Regional Council Meeting.

Thank you for your time and consideration.



Cape Breton Regional Municipality Viability Study Act - Bill 78

An Act Respecting Cape Breton Regional Municipality

Introduced by [Tammy Martin](#), Cape Breton Centre

[RSS feed for this bill](#)

Bill No.	Bill Type	Assembly Session	Party
78	Private Member's Bill	Assembly 63, Session 1	NDP

Progress of the Bill

1	2	ST	WH	3	RA
First Reading	Second Reading	Standing Committee	Committee of the Whole House	Third Reading	Royal Assent

Stage	Date
First Reading	March 6, 2018 - Bill as introduced

[View other Bills introduced in Assembly 63, Session 1](#)

More Information

[Full Glossary](#)

[Types of Bills](#)

[How a Bill becomes law](#)

(as introduced)



*1st Session, 63rd General Assembly
Nova Scotia
67 Elizabeth II, 2018*

Private Member's Bill

**Municipal Grants Act
(amended)**

Tammy Martin
Cape Breton Centre

First Reading: March 6, 2018

(Explanatory Note)

Second Reading:

Third Reading:

Explanatory Note

This Bill requires Cape Breton Regional Municipality be paid an annual stimulus grant of not less than \$50,000,000 in each of the 2018-19, 2019-20 and 2020-21 fiscal years.

**An Act to Amend Chapter 302
of the Revised Statutes, 1989,
the Municipal Grants Act**

Be it enacted by the Governor and Assembly as follows:

1 Chapter 302 of the Revised Statutes, 1989, the Municipal Grants Act, is amended by adding immediately after Section 7 the following Section:

- 7A (1) For the purpose of this Section, "stimulus grant" means a grant payable to a municipality for a fixed time to assist the municipality in defraying expenses related to operations, infrastructure construction or rehabilitation or debt relief.
- (2) Subject to subsection (3), Cape Breton Regional Municipality shall be paid a stimulus grant of not less than fifty million dollars for the 2018-19 fiscal year and for each of the two subsequent fiscal years.
- (3) The money required for the purpose of subsection (2) must be paid out of the money appropriated for that purpose by the Legislature.
- (4) For greater certainty, the payment of the stimulus grant pursuant to subsection (2), terminates at the end of the 2020-21 fiscal year.

This page and its contents published by the Office of the Legislative Counsel, Nova Scotia House of Assembly, and © 2018 Crown in right of Nova Scotia. Created March 6, 2018. Send comments to legc.office@novascotia.ca.

More Information

[Full Glossary](#)

[Types of Bills](#)

[How a Bill becomes law](#)

[Orders in Council](#)

[Registry of Regulations](#)

[Library resources on law](#)

[Constitutional Timeline](#)



© 2017



Municipal Grants Act (amended) - Bill 80

An Act to Amend Chapter 302 of the Revised Statutes, 1989, the Municipal Grants Act

Introduced by [Tammy Martin](#), Cape Breton Centre

[RSS feed for this bill](#)

Bill No.	Bill Type	Assembly Session	Party
80	Private Member's Bill	Assembly 63, Session 1	NDP

Progress of the Bill

1	2	ST	WH	3	RA
First Reading	Second Reading	Standing Committee	Committee of the Whole House	Third Reading	Royal Assent

Stage	Date
First Reading	March 6, 2018 - Bill as introduced

[View other Bills introduced in Assembly 63, Session 1](#)

More Information

[Full Glossary](#)

[Types of Bills](#)

[How a Bill becomes law](#)

[Orders in Council](#)

(as introduced)



1st Session, 63rd General Assembly
Nova Scotia
67 Elizabeth II, 2018

Private Member's Bill

Cape Breton Regional Municipality Viability Study Act

Tammy Martin
Cape Breton Centre

First Reading: March 6, 2018

Second Reading:

Third Reading:

An Act Respecting Cape Breton Regional Municipality

WHEREAS the Steering Committee of Provincial-Municipal Fiscal Review's Fall 2014 report noted concerns respecting Cape Breton Regional Municipality's economic and fiscal viability;

AND WHEREAS the report noted that many of the options for improved viability available to other municipalities in Nova Scotia are not realistic options for Cape Breton Regional Municipality;

AND WHEREAS the report recommended that Cape Breton Regional Municipality and the Province conduct an immediate joint review to assess the viability issues facing the Municipality;

THEREFORE be it enacted by the Governor and Assembly as follows:

1 This Act may be cited as the Cape Breton Regional Municipality Viability Study Act.

2 In this Act, "Minister" means the Minister of Municipal Affairs.

3 The Minister shall immediately convene a joint review with the Cape Breton Regional Municipality Council to investigate the overall economic and fiscal viability of the Municipality.

4 (1) Subject to subsection (4), the Minister shall hire an external consultant to

(a) conduct a review of; and

(b) assess and report on,

the current structure of, services offered by and challenges faced by Cape Breton Regional Municipality and make recommendations on addressing those challenges.

- (2) The Minister shall consult with Cape Breton Regional Municipality before hiring the external consultant referred to in subsection (1).
- (3) The report and recommendations made pursuant to subsection (1) must be completed no later than six months after the coming into force of this Act.
- (4) The money required for the purpose of subsection (1) must be paid out of money appropriated for that purpose by the Legislature.
- 5 The Minister shall
- (a) publish the report and recommendations made pursuant to subsection 4(1) on the Department of Municipal Affairs website forthwith upon receiving the report and recommendations; and
- (b) within 10 days of receiving the report and recommendations, table them in the Assembly if the Assembly is then sitting or, where it is not then sitting, file them with the Clerk of the Assembly.

This page and its contents published by the Office of the Legislative Counsel, Nova Scotia House of Assembly, and © 2018 Crown in right of Nova Scotia. Created March 6, 2018. Send comments to legc.office@novascotia.ca.

More Information

[Full Glossary](#)

[Types of Bills](#)

[How a Bill becomes law](#)

[Orders in Council](#)

[Registry of Regulations](#)

[Library resources on law](#)

[Constitutional Timeline](#)



© 2017



CBRM

A Community of Communities

Cape Breton Regional Municipality

Issue Paper

Date: May 16, 2018

To: Mayor and Council

From: Jennifer Campbell, CPA, CA Chief Financial Officer

Re: Municipal Transfers for Provincial Costs

During the May 1, 2018 General Committee Meeting, Council requested a staff issue paper detailing all provincial services to which CBRM contributes. In response to this request, I offer the following background and information:

Education:

A municipality's contribution to Education is based on the municipal unit's uniform assessment(UA). Uniform assessment is essentially the taxable property assessment (net of properties exempt from taxation through municipal by-law) plus the value of grants received under special tax arrangements (Grants in lieu).

The Municipal Education Tax Rate (MET), as determined by the Province, is applied to the municipal unit's UA to determine the contribution amount charged to each municipality. While the MET rate has been frozen since 2012-13 at \$.003048, the total municipal units' share across the province is not capped. Therefore, the amount charged to municipalities is subject to increases in conjunction with annual increases in their uniform assessments, which includes increases to capped assessments based on CPI.

The contribution is calculated as:

CBRM UA	x	0.003048
---------	---	----------

CBRM's contribution to Education over the past 3 years is as follows:

2018-19	\$14,179,424
2017-18	\$13,644,521
2016-17	\$13,522,080

It is important to note, that in addition to the costs above paid to the Province for education, CBRM pays for wages and benefit costs associated with 40 crossing guard positions which is included in the Police Budget. The budget for crossing guards for 2018-19 is \$485,238.

Additionally, the municipality incurs the financial burden of certain abandoned schools, including insurance costs, securing the property, and ongoing public safety. As you are aware, CBRM incurred the costs of demolishing 3 schools in 2017-18 (St. Agnes, MacLennan, South Bar) at a total cost of over \$400,000.

Corrections:

The amount municipal units are charged for Provincial Corrections has been capped at \$13.9m since 2012-13. This means that total contributions from all municipalities cannot exceed \$13.9m, however changes in the values of formula inputs may shift how the \$13.9m is distributed among the various municipal units.

The contribution amount is derived as a factor of both uniform assessment (UA) and # of dwelling units and computed as:

$$\left[\frac{\text{CBRM UA}}{\text{Provincial UA}} \times \$13.9\text{M} \times 50\% \right] + \left[\frac{\text{CBRM Dwellings}}{\text{Provincial Dwellings}} \times \$13.9\text{M} \times 50\% \right]$$

CBRM's contribution to Corrections over the last 3 years is as follows:

2018-19	\$1,083,287
2017-18	\$1,084,442
2016-17	\$1,090,725

Regional Housing:

The amount that municipal units pay for Regional Housing is determined by the actual operating results of the CB Island Housing Authority for the preceding year. How much the municipal units pay is set out in "handover agreements" between the Canada Mortgage & Housing Corporation, the Province of NS, and the municipalities. For CBRM, the municipal portion is approximately 12.5% of the operating deficit for public housing units located in the CBRM. Housing Authority operating results could fluctuate depending on rising operating costs and capital investments necessary to maintain the existing public housing portfolio.

CBRM's contribution to Regional Housing over the past 3 years is as follows:

2018-19	\$1,839,719 (estimated)
2017-18	\$1,821,504
2016-17	\$2,014,014

Roads:

The Province maintains various roads for municipalities across the province. The rate charged per km is increased annually by CPI.

The contribution amount is computed as:

	Rate			Rate
Rate per km:	<u>2017-18</u>	±	<u>CPI</u>	<u>2018-19</u>
	\$ 5,222		1.90%	\$ 5,321

CBRM's contribution to Roads over the last 3 years for maintenance of 209.74km of road is as follows:

2018-19	\$1,116,072
2017-18	\$1,095,299
2016-17	\$1,079,117

Equalization

Equalization is a "legislated unconditional operating grant to assist municipalities whose costs of delivering a core set of services exceed their ability to pay, when compared to similar municipalities"¹. The total amount of equalization transfers distributed to municipalities by the Province is \$32,050,000, which is partially funded by the Nova Scotia Power Grant in Lieu. There is no provision in the pool for CPI increases and therefore, there has been no increase to the Equalization "pool" for over a decade.

The grants are calculated using a formula that measures:

Municipal need - by developing standard expenditures per dwelling unit for certain municipal services for the various classes of municipalities; and

Ability of municipalities to fund their need - by calculating a "uniform assessment" for each municipality.

CBRM receives Equalization transfers from the Province in the amount of \$15,335,838 annually. As you know, the current formula is under review and CBRM's allocation of the Equalization pool has been frozen since 2014-15. Prior to the freeze, CBRM's allocation of provincial equalization had been decreasing annually as other municipal units began to experience similar increased pressures respecting municipal needs and ability to fund. Because the equalization pool was never increased nor was it indexed for CPI, as other municipal units needs grew based on the formula, the existing pool is simply redistributed – while some municipal units received more equalization, others, like CBRM, received less. In 2007/08 CBRM received \$16,760,131. In 2014/15 onward, CBRM received \$15,335,838. That's a decrease of over \$1.4m (8.5%).

HST Offset Grant

The Harmonized Sales Tax (HST) Offset Grant helps municipalities deal with the effects of the increased costs for services as a result of the implementation of the HST. Each year, the Department of Municipal Affairs distributes \$6 million to municipalities and villages through this program, which is fully funded by the Nova Scotia Power Grant in Lieu.

The HST Offset Grant for each municipality is allocated on the basis of the municipality's share of its federal portion of the HST. It is calculated by dividing the total rebate amount per municipality by the total rebates for all municipalities and multiplying that by \$6 million.ⁱⁱ

<u>CBRM HST Rebate</u>	x	\$6.0m
Total MU HST Rebates		

CBRM's share of the HST offset grant is directly affected by our actual taxable spending (both operating, and capital) and how it relates to taxable spending by other municipal units in any given year.

CBRM's share of the HST offset grant over the last 3 years is as follows:

2018-19	\$524,444 (estimated)
2017-18	\$524,444
2016-17	\$505,297

The gap widens...

In summary:

	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
Unconditional Grants			
Equalization	\$ 15,335,838	\$ 15,335,838	\$ 15,335,838
HST offset	505,297	524,444	524,444
Total Unconditional Grants	<u>\$ 15,841,135</u>	<u>\$ 15,860,282</u>	<u>\$ 15,860,282</u>
Provincial Mandated Costs			
Education	\$ 13,522,080	\$ 13,644,521	\$ 14,179,424
Corrections	1,090,725	1,084,442	1,083,287
Housing	2,014,014	1,821,504	1,839,719
Roads	1,079,117	1,095,299	1,116,072
Total Provincial Mandated Costs	<u>\$ 17,705,936</u>	<u>\$ 17,645,766</u>	<u>\$ 18,218,502</u>
Spread	<u>-\$ 1,864,801</u>	<u>-\$ 1,785,484</u>	<u>-\$ 2,358,220</u>
Total Operating Budget	\$ 146,011,421	\$ 148,890,843	\$ 146,860,803
Provincial costs as a % of Total Budget	12.1%	11.9%	12.4%

Neither of the formulas for unconditional grants provided by the Province are indexed for inflationary increases, however the majority of the formulas for provincial mandated costs are. As a result, the spread between what we receive vs what we pay to the province continues to widen, and our “ability to fund our municipal needs” is further strained with mandatory costs consuming an increasing % of our overall operating budget each year.

On April 18, 2018, CBRM received formal notice from the Department of Municipal Affairs that the Equalization Grant will be reviewed in 2018-19, and any results of such review could be phased in over future years, beginning as early as 2019-20. Nothing in the notice however, indicated that any changes in formulas are being considered for review with respect to mandated provincial costs.

Respectfully submitted,

ORIGINAL SIGNED BY

Jennifer Campbell, CPA, CA
Chief Financial Officer

ⁱ <https://novascotia.ca/dma/funding/operating/equalization-grants.asp>

ⁱⁱ <https://novascotia.ca/dma/funding/operating/hst-offset-program.asp>

Cape Breton Regional Municipality

Council Meeting

AGENDA

TUESDAY, MAY 29TH, 2018

6:00 P.M.

Council Chambers
2nd Floor, City Hall
320 Esplanade, Sydney, NS