

Viability Study

Cape Breton Regional Municipality

Recommendations Report

August 6th, 2019

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Authorship

This report is prepared by Grant Thornton LLP (Grant Thornton) for the Cape Breton Regional Municipality (referred to as the CBRM, Municipality, or Regional Municipality throughout) Viability Study Steering Committee (referred to as Steering Committee). This report is based on information and documentation that was made available to Grant Thornton as well as information obtained from third party sources prior to the time of drafting the report. Much of the information was gathered from interviews with and documents provided by Steering Committee members and key CBRM staff. As such, Grant Thornton assumes no responsibility and makes no representations with respect to the accuracy or completeness of any information provided to us. We are not guarantors of the information which we have relied upon in preparing our report, and except as stated, we have not attempted to verify any of the underlying information or data contained in this report. It is understood and agreed that all decisions in connection with the information as presented in this report shall be the responsibility of, and be made by the CBRM.

This report was prepared for the CBRM Steering Committee in relation to the viability study consulting engagement. This report is not to be used for any other purpose, and we specifically disclaim any responsibility for losses or damages incurred through use of this report for a purpose other than as described.

Executive Summary

In December 2018, Grant Thornton was engaged by the CBRM Viability Steering Committee to conduct a comprehensive multi-phased viability study of the region. The study included an assessment of the current state of taxation, municipal services, and infrastructure. Following the analysis, the Grant Thornton project team conducted a benchmarking exercise against peer cities to assess the CBRM's comparable levels of taxation and services and overall competitive advantages. Lastly, the project team synthesized information from both internal and external sources to inform three different future population scenarios for the CBRM. The themes of the scenarios were categorized as *status quo*, *optimistic*, and *pessimistic*, with each scenario exhibiting a different population projection based on ten and twenty year timelines. The projections were then used to assess what circumstances which would influence the likelihood of each scenario coming to fruition. Recommendations for consideration were developed for the CBRM Steering Committee with the intent to increase the likelihood of achieving the optimistic future state scenario.

Charting the study's findings into the competitive advantage framework provided insight into the factors influencing the continued viability of the region. The four areas of the framework (economic health, business and policy environment, livability, and human capital) were selected based on established criteria for assessing the competitiveness and prosperity of municipalities¹. The study confirmed a common theme shared by many individuals who have lived in or visited the island of Cape Breton; the region is characterized by its beautiful natural assets, welcoming and safe communities. However, outward migration has occurred largely due to sluggish economic growth and higher than average unemployment rates.

The study reaffirmed a number of perspectives that are well established in the region while providing additional insight into the realities of the current situation. An assessment of municipal services and taxation levels revealed a trend of departments stretching internal resources and tangible assets to levels that exceeded benchmarking participants in the majority of areas assessed, often by a significant margin. Furthermore, the areas under the CBRM's direct control consistently aligned with the identified

¹ List of reference reports are available in Appendix A

competitive advantages (i.e. policing and the relatively low level of crime). The resulting implications are that the majority of conditions that are most significantly influencing the regions viability are largely outside of the municipal government's control. Decreasing service levels could potentially weaken the CBRM's current competitive position while providing minimal benefits to the municipality's financial position, while any significant increases to taxes could accelerate economic challenges by lowering discretionary income among residents. Residents and businesses continue to look for the CBRM to replace and repair aging infrastructure, but prudent financial measures made by the current and previous administration have largely been minimized due to increasing mandatory costs from regulatory requirements and a trend of declining net funding from higher levels of government.

While the region has undoubtedly faced challenges, the communities have shown a resiliency and unwavering conviction for a better tomorrow, and with several emerging opportunities providing a level of optimism for the future. The CBRM has refocused its efforts on creating a new economic identity while not losing the culture and heritage of the generations past. The municipal government's ability to effectively resolve the region's issues independently is not realistic. Rather, collaboration, partnership, and investment from the institutional (i.e. post-secondary education institutions), and private sectors (e.g. real estate and land developers) is required to ensure the CBRM remains a viable municipality in the future.

Background

In 1992, the Province of Nova Scotia commissioned a report on local governments to assess the options for creating a more efficient governance model among the 67 different municipalities across Nova Scotia². The report's recommendations included consolidating the numerous towns and counties into amalgamated regional municipalities. The CBRM came into existence in 1995 and consisted of the City of Sydney, the Towns of Glace Bay, Sydney Mines, New Waterford, North Sydney, Dominion, Louisbourg, and the Municipality of the County of Cape Breton, comprising over 120,000 people living across 2600km³. While the case for amalgamation was well documented, the process for consolidating multiple entities under a centralized governance model was complex and challenging.

To further complicate the situation, while the CBRM focused on managing the development of a new governance structure, the region experienced the closure of two of its largest industries in the early 2000s, significantly impacting the economy⁴. This led to increased levels of unemployment and an outmigration trend, which has continued to impact the CBRM⁵.

As the CBRM approaches 25 years post-amalgamation, consolidation and coordination efforts have occurred throughout the general governmental administration and services provided to the residents of the CBRM. As the trend of population decline continues to influence funding and future planning, the costs incurred by the CBRM continue to rise⁶. Investment in some classes of infrastructure have been forgone in order to provide the necessary revenues to cover operating costs, yet the ability to continue the practice is being tested as the life-span of numerous assets are long overdue⁷. Concessions of this nature are made in an effort to better position the region for the future. However, external factors (such as the level of provincial funding, mandatory contributions, new and expensive regulations such as water/wastewater, and fire/police binding arbitration, etc.) are outside of the direct control of the CBRM. As the municipal region continues to transition and develop a diversified economy, it has displayed its resiliency and creativeness in the face of these difficult circumstances. The stakeholders, ranging from the

² Government of Nova Scotia, Task Force on Local Government, April, 1992

³ The Cape Breton Regional Municipality At The End Of The 20th Century, Planning Department, March 31, 1999

⁴ Final ICSP Report, Cape Breton Regional Municipality Integrated Community Sustainability Plan, Stantec, March 30, 2010

⁵ Ibid

⁶ CBRM's total budget expenditures have increased 23.07% over 10 years as per Annual Expenditure Reports provided by the CBRM.

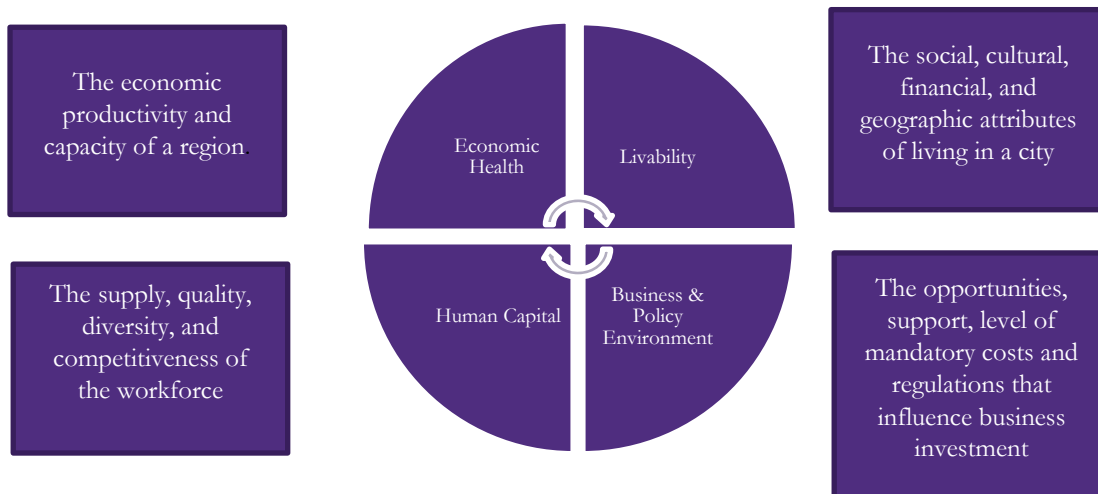
⁷ Annual infrastructure deficits for EPW are estimated by CBRM staff to have been approximately \$25M annually (consultation with CBRM staff)

Province to property owners within the CBRM, require an assessment of how long the current trajectory can continue before significant change is required, and what the potential options and implications are for a viable and sustainable path forward.

Competitive Advantage Framework

An assessment of the future viability of the CBRM ultimately rests upon the CBRM’s continued ability to attract and retain future residents. As such, the competitive framework will focus on four factors that determine and influence the attractiveness of a municipality. The four factors were identified as consistent characteristics that were assessed in previously conducted reports focusing on the level of prosperity and competitiveness of cities⁸. The four areas are 1) Livability, 2) Economic Health, 3) Business & Policy Environment, and 4) Human Capital. A summary of the attributes of each category are included in the tables below:

Table 1: Competitive Framework



The areas are interdependent, each directly or indirectly influencing the other categories. The rationale is the more favourable the business environment and available human capital, the greater the level of private investment, leading to improvements in the economic health and overall livability of the region, which in turn continue to support further improvements to the business environment and human capital. The attributes of the four areas are provided in the following table:

Table 2: Characteristics of Competitive Areas

	1) Livability	2) Economic Health	3) Business and Policy Environment	4) Human Capital
Attributes	<ul style="list-style-type: none"> • Cost of Living • Housing • Weather • Transportation options and commute times • Availability and quality of healthcare 	<ul style="list-style-type: none"> • Diversity of industries • Level of private investment • Level of infrastructure necessary for industrial development 	<ul style="list-style-type: none"> • Measure of a municipality’s investment attractiveness • The level of entrepreneurship and innovation • The mandatory costs of doing business (i.e. 	<ul style="list-style-type: none"> • The breadth and depth of accessible higher education • The level and number of suitable applicants for specific roles • The unemployment level • Intellectual capital

⁸ Sources included in the frameworks development are available in the appendix A

	<ul style="list-style-type: none"> • Education accessibility • Level of essential social services • Culture • Recreation (facilities, social opportunities) • Natural assets (parks and lakes) • Level and types of crime • Accessibility (access to airports and major travel routes) 	<ul style="list-style-type: none"> • Accessibility and participation in external markets • Level and types of natural resources • Gross Domestic Product 	<p>level of commercial taxation, service fees, corporate tax)</p> <ul style="list-style-type: none"> • Available funding and support programs • Cost of labour • Regulatory burden 	<ul style="list-style-type: none"> • The average level of specialization and education obtained by residents • The labour participation rate • Population growth • Diversity
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Based on the information synthesized during our review of the CBRM, the following competitive strengths and challenges of the region are:

Table 3: Competitive Strengths and Challenges Summary

Areas	Strengths	Challenges
1) Livability	<ul style="list-style-type: none"> • One of the lowest costs of housing in Canada⁹. • A beautiful region that is recognized for its natural assets, recreational amenities (ski, golf, hiking), and cultural heritage. • Low crime rate, with a reputation for safe and friendly communities. • Owning a vehicle ensures relatively short commute times throughout the region. • Although property tax rates are comparatively high, the low cost of housing results in a comparatively low residential tax burden. 	<ul style="list-style-type: none"> • Large geographic region with a declining population creates service challenges and a costly network of infrastructure to maintain. • A lack of employment opportunities have contributed to a consistent level of outmigration. • There appears to be a lack of accessible housing options for an aging population. • Healthcare accessibility has been cited as an on-going challenge that has the potential to accelerate based on the older demographic makeup of the population. • Accessibility to larger transportation hubs can be time consuming and costly.
2) Economic Strength	<ul style="list-style-type: none"> • Development of a new port berth is increasing tourism through increased cruise ship traffic. 	<ul style="list-style-type: none"> • Slower growth in traditional industrial drivers (fishing, forestry) has resulted in a relatively flat industrial sector.

⁹ Bertaud, Alain, 15th Annual Demographia International Housing Affordability Survey, Performance Urban Planning, 2019.

	<ul style="list-style-type: none"> • The University is increasingly attracting international students to its programs, evolving to a key economic driver in the region. • Investment in logistics and warehousing infrastructure is generating optimism and attracting potential interest from external partners. • First Nation communities within the CBRM provide valuable investment and partnership opportunities. • Emerging innovations in several industries are shaping feasible opportunities for economic growth, many of which the CBRM is well positioned to benefit from. 	<ul style="list-style-type: none"> • A lower level of discretionary income among residents contributes to economic challenges. • Productivity and export demand and capacity are comparatively lower than other regions. • The current state of infrastructure negatively contributes to the economic strength of the region, which is being compounded by economic uncertainty and declining revenues.
<p>3) Business and Policy Environment</p>	<ul style="list-style-type: none"> • New commercial development incentives are an example of the municipal government’s efforts to proactively transition to a more business friendly environment willing to work with the private sector to invest in the CBRM’s future. • A relatively high-level of consistency regarding significant government policy improves uncertainty and volatility. • The comparatively lower median household income suggests a lower cost of labour for potential private sector businesses. • Establishment of the regional enterprise network for the CBRM. 	<ul style="list-style-type: none"> • The overall tax burden in the region (the combined total from all levels of government) combined with mandatory living costs (i.e. utilities) compared to median household income results in a low level of discretionary income, limiting the attractiveness of launching a new business. • The level of entrepreneurship and advancements in growth related sectors is lagging behind nearby cities like Halifax, resulting in intraprovincial migration. • Accessing the necessary capital to launch potential businesses can be challenging due to the perceived risk and historic economic trend of the region¹⁰. • The on-going outmigration has influenced the risk in the region.
<p>4) Human Capital</p>	<ul style="list-style-type: none"> • The increased rate of international students, focused education institutions, and upcoming attrition in government positions will 	<ul style="list-style-type: none"> • Aging population which is heavily weighted in the 50+ age categories is causing concern for the composition of the future labour pool.

¹⁰ This was based on consultations with members of the CBRM, confirmation with financial institutions would be made on a case by case basis.

	<p>contribute to retaining and growing the workforce.</p> <ul style="list-style-type: none"> • A focus on commercialization of the “creative economy” aligns with growth in tourism strategies. • Improvements to technology over the past decade have improved accessibility of information and opportunities within the global economy. 	<ul style="list-style-type: none"> • The labour participation rate is below national averages, while the unemployment rate is significantly higher. • The CBRM has a comparatively low number of individuals that have obtained a postsecondary certificate, diploma or degree (in 2016, representing approximately 48% of the applicable population¹¹).
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Municipal Influence:

The municipality has both direct and indirect means of influencing the selected areas of competitive position. For example, a number of characteristics that influence livability are directly related to municipal services and policy (i.e. transportation, policing, and residential property taxation), whereas aspects such as economic health are largely outside of the realm of control for a municipal government. A summary of municipal mechanisms of influence are as follows:

Table 4: Municipal Influence on Competitive Advantage

Area	1) Livability	2) Economic Health	3) Business and Policy Environment	4) Human Capital
Type of Municipal Influence	Direct – Several areas relating to livability are directly under municipal control, including aspects of cultural services, social services, recreation, transit and essential services.	Indirect – The economic health of the region is indirectly influenced by municipal taxation, grants, subsidies, and the level of infrastructure in the region.	Direct – The municipal government can directly influence the business and policy environment through commercial tax rates, zoning, development policies, subsidies (although in a limited capacity to the private sector under the MGA), and contributions to economic development initiatives.	Indirect – The municipal government can support skills building initiatives and provide community grants to support individual scholarships in addition to the skills training and professional development provided to municipal employees.

A summary of potential opportunities and threats identified in the analysis include:

¹¹ Stats Canada, CBRM, 2016 Census.

Table 5: Opportunities and Threats

Opportunities	Threats
<ul style="list-style-type: none"> • Development of the Second Port Berth – Increasing the accessibility to the region bolsters the destinations tourism potential and external influx of capital. As a destination for Cruise ships, the port has increased significantly following redevelopment. 	<ul style="list-style-type: none"> • Population – The continued decline in the CBRM’s population, specifically young adults and families, remains one of the most significant threats to future viability.
<ul style="list-style-type: none"> • Port Commercialization – Background documentation revealed the continued planning and feasibility assessment of developing a container facility to support the advancement of the areas transportation and warehousing capacities. 	<ul style="list-style-type: none"> • Economic Health – A lack of economic opportunity continues to be the most significant factor influencing outmigration. The population will not reverse the current trajectory without a reversal in the level of economic opportunities.
<ul style="list-style-type: none"> • Relocation of the Nova Scotia Community College – The NSCC transitioning to a new facility in downtown Sydney would provide an immediate boost to densification efforts and the associated benefits to businesses and municipal services. 	<ul style="list-style-type: none"> • Real Estate – The high number of vacant homes and relatively high ratio of dwelling units to population contribute to a growing surplus of properties that aren’t finding buyers in an efficient manner, presenting potential risks to specific properties. Additionally, the higher cost of construction due to access to resources was cited as a barrier.
<ul style="list-style-type: none"> • Tourism – The natural assets of the region remain strong tourist destinations, with the addition of world class golf courses (Cabot Links and Cabot Cliffs), regional cuisine, and a growing number of Nova Scotian wineries, breweries, and distilleries contributing to growth in tourism for all of Nova Scotia. Additionally, the growing number of hosted sporting events (i.e. Scotties Tournament of Hearts) are contributing to growth specific to the CBRM. 	<ul style="list-style-type: none"> • Environmental – As a coastal region, the risks posed from rising oceans and intensifying storms have the potential of escalating in the future, posing both economic and environmental concerns.
<ul style="list-style-type: none"> • Real Estate – The abundance of available land, innovations in building technology, and affordable land costs all present an attractive opportunity to refocus development in specific strategic areas. 	<ul style="list-style-type: none"> • Specialization – The economic identity of regions are often characterized by clusters of specialized industrial sectors (i.e. Silicon Valley, Alberta’s oil and gas sector). The CBRM doesn’t exhibit a strong focused cluster in a specific area.
<ul style="list-style-type: none"> • Aquaculture – Sustainable aquaculture is projected to experience significant growth and demand in the future. With the future health of the oceans continuing to receive grim warnings from environmental experts, the demand for sustainable fish production will increase as the world’s population continues to grow. 	<ul style="list-style-type: none"> • Infrastructure – The current health of the overall infrastructure in the region requires significant capital investment, while growth related projects necessary to progress strategic initiatives are also require funding needs. The reality is the funds are simply not available for all projects, and delaying strategic priorities

	could negatively influence economic challenges.
<ul style="list-style-type: none"> • Emerging Industries –Technological innovations continue to provide opportunities in sectors ranging from industrial agriculture to advanced manufacturing. The feasibility of new enterprises and ventures is increasing with the introduction of new technology and markets. Additionally, the municipality and Membertou First Nation have exhibited a collaborative relationship for successfully progressing mutually beneficial projects. The recent creative economic plan highlights innovative ways local entrepreneurs are commercializing both arts and culinary interests. 	<ul style="list-style-type: none"> • Technological – The level of broadband internet connectivity is increasingly playing a critical role in municipal competitiveness. Additionally, the level that technological innovation is utilized by both residents and municipal governments are providing significant efficiencies and advantages¹². The CBRM’s current level of both appears to lagging when compared to other regions.

Future Population Scenarios

Projection Model

The CBRM experienced a population decline from 109,330 in 2001, to 94,285 in 2016, averaging a decline of approximately 1,000 people per year, representing an annualized rate of -0.98%. These figures are aligned with trends from the prior year. The decline in population surpassed the projections of previously conducted studies that anticipated a flattening of the trend as time progressed¹³. As noted throughout our study, population decline, specifically the decline of the 18-30 year old demographic, remains one of the most significant threats to the CBRM’s viability.

The following projections outline three distinct future population scenarios;

- 1) Status quo trend (reference scenario);
- 2) Accelerated population decline (pessimistic scenario); and
- 3) Trend reversal resulting in modest growth (optimistic scenario).

Additionally, in order to determine the impact of population change on the CBRM’s budget, the three population scenarios, ceteris paribus, were used to assess the impact on CBRM’s annual budget projections.

Overall population projections for the three scenarios over the next 10 and 20 years are as follows:

Table 6: Projections Summary

Year	2019	2029	2039
Scenario			
Reference	91,413	83,669	73,306

¹² Macomber, John D., Building Sustainable Cities, Harvard Business Review, July 2013.

¹³ Environmental Design and Management Limited, Population Projections for Cape Breton Regional Municipality 2006-2021, 2008.

Pessimistic	91,413	79,814	65,424
Optimistic	91,413	93,873	107,353

Methodology

The following are key determinants used to project population forecasts across the three (3) scenarios:

1. Birth rate
2. Survivability rate
3. Net migration

Refer to **Appendix B** for an elaborate approach and methodology used to determine population projections for CBRM.

Reference Scenario

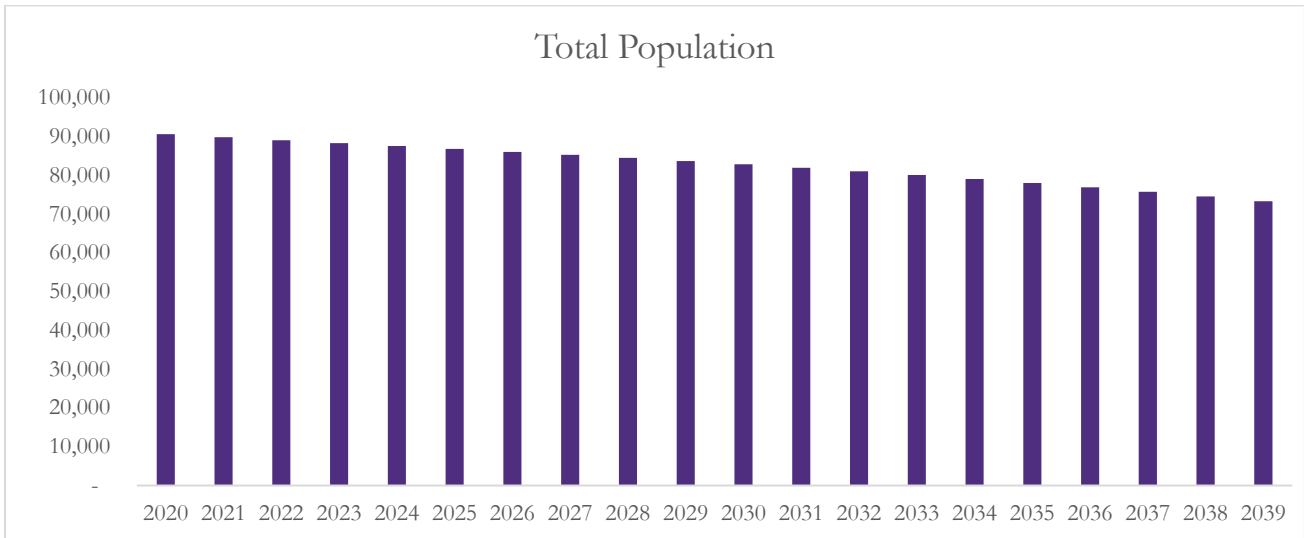
The CBRM's population declined by approximately 7.80% from 102,260 in 2006 to 94,285 in 2016.¹⁴ Based on the current state and comparative state assessment, it appears that the population decline is likely to continue declining and the rate of decline will accelerate as more of the young population (age bracket 20-44) leave due to limited employment opportunities. In this scenario, this is likely to further result in the CBRM's population declining by 8.47% from 91,413 in 2019 to 83,669 in 2029.

Table 7: Status Quo Projections

Year	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Total Population	90,588	89,796	89,028	88,276	87,531	86,786	86,034	85,268	84,481	83,669
Growth/decline in population	-	-0.87%	-0.85%	-0.84%	-0.84%	-0.85%	-0.87%	-0.89%	-0.92%	0.96%

Year	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Total Population	82,825	81,945	81,025	80,063	79,055	78,000	76,898	75,748	74,550	73,306
Growth/decline in population	-1.01%	-1.06%	-1.12%	-1.19%	-1.26%	-1.33%	-1.41%	-1.50%	-1.58%	1.67%

¹⁴ Statistics Canada, 2006 and 2011 Census, 2019



Influencing factors:

In the Reference scenario, the historical trend in population change over the last 10 years is likely to continue to remain the same over the next five (5)-ten (10) years. However, due to a continued decline in population over the next ten years, from 2029, the rate of population decline is likely to increase significantly from 0.96% annual decline to 1.67% decline in 2039. The rate of population decline is likely to be higher as consumption in the CBRM will likely decline to a level wherein employment opportunities may significantly drop, presumably resulting in tepid growth and faster outmigration.

Illustrative budgetary impacts are presented for each scenario based on assumptions. For the purposes of this forecast, it is assumed that the CBRM’s taxation revenues will be factored based on its population¹⁵, the CBRM will continue to receive similar levels of outside funding (grants, Municipal Fiscal Capacity Grant, gas tax, etc.), and its expenditures will remain consistent (as the cost to deliver some municipal services will be highly correlated with population, while many other municipal services are largely fixed and may potentially increase). In order to ascertain an illustrative impact on CBRM’s budget, Consumer Price Inflation (CPI) is not factored into project expenditures. Currently the annual wage increases due to collective agreements are greater than the CPI factor, further adding to the total expenditure burden. In order to counterbalance this assumption, revenues are not projected to grow due to any factor except a change in population, which directly impacts tax revenues. It is important to note here that although CBRM’s population declined by 0.81%¹⁶ annually between 2009 and 2019, the total gross revenues collected by the municipality rose by 1.92%¹⁷ annually for the same period. The increase in revenues was partially on account of increases in provincial taxation (discussed in the Theme 3, Part Two of Current State Assessment) and on-going increases to the assessed value of properties. In the same period the residential tax revenue per dwelling unit increased by approximately 4% from \$1,015 in 2009 to \$1,510 in 2019¹⁸. Going forward, if population continues to decline at the same rate and revenues increase at the same rate, the tax burden per dwelling unit would amount to \$2,245 in year 2029 and \$3,338 in 2039¹⁹. As shown in the table in Appendix C, projected deficits occur solely due to a decrease in projected revenues,

¹⁵ Assumption: The three key assumptions that impact the projections of total revenues collected by CBRM are amount of taxes (\$) paid per household, number of people per household and proportion of tax revenues of total CBRM revenues. On the basis of historical trend and analysis, it is assumed that the amount of taxes paid per household would remain the same at \$1,510, number of people per household would remain the same at 1.98 residents per household and proportion of residential tax revenues of total revenues would remain 48%.

¹⁶ CBRM Annual Budgets, Stats Canada, Grant Thornton analysis, 2019

¹⁷ Ibid.

¹⁸ Ibid.

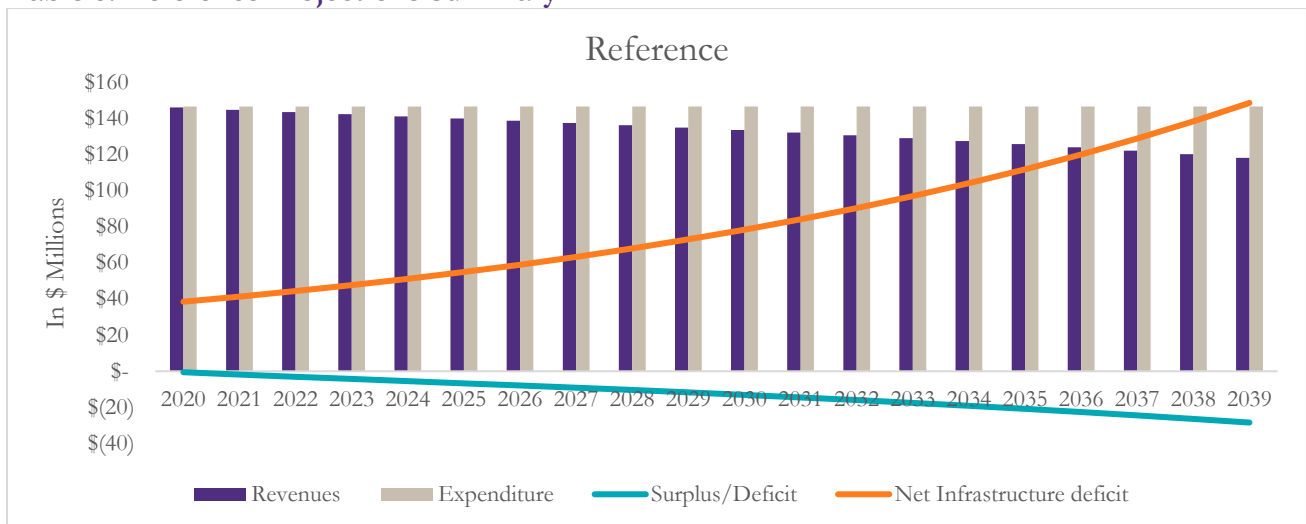
¹⁹ Grant Thornton analysis

a function of change in population. **Therefore, the illustrative impact on operating budget tables (Appendix C) reflect a nominal analysis as opposed to a real analysis.**

In continuation to the impact of the population on the operating budget, the potential impact to the infrastructure deficit of the CBRM was ascertained. The CBRM has projected to spend approximately \$224M over the next four (4) years from year 2020 to 2024, translating to approximately \$56M annually. Historically, the CBRM has invested \$30M-\$35M annually on capital projects. Evidently, CBRM projects to spend an additional \$16M-\$28M annually over the next four (4) years, largely attributed to the mandatory wastewater projects, however, this annual incremental investment is not factored in the infrastructure deficit projections as the planned transition of wastewater to utilities will influence municipal balance sheet moving forward. If the projects were to be included, it could be assumed that the unfunded infrastructure deficit would accelerate in the short-term as the costs of the projects consume capital that would otherwise be allocated to existing infrastructure²⁰. The rationale to forecast the potential infrastructure deficit is to depict a relationship only between the change in population and resulting infrastructure deficit. In the table below, the infrastructure deficit appears to grow at approximately 7% per annum, which is essentially a function of infrastructure depreciation. It is critical to understand that the depreciation rate of public infrastructure and capital depends on the infrastructure maintenance investment throughout the lifecycle of the respective infrastructure. As the investment on infrastructure maintenance decreases, the depreciation rate of the infrastructure increases. Conversely, if the infrastructure maintenance investment increases, the depreciation rate decreases. Therefore, increasing levels of maintenance will have diminishing returns for the CBRM. Evidently, going forward, accurate identification of the amount required for infrastructure spending, sources of funding and, a robust asset management plan will be paramount for the CBRM to overcome an acceleration of the infrastructure deficit.

The methodology assumes the variables- *annual depreciation rate, change in population and operating surplus/ deficit*- will impact future infrastructure deficit. The methodology does not factor in any future capital projects for the purpose of the illustrative impacts on future infrastructure deficit. Refer to Appendix B for an elaborate approach used to project infrastructure deficit of CBRM.

Table 8: Reference Projections Summary



²⁰ As per the CBRM's 2019-20 5 year capital budget.

Influence on municipal services and the viability of municipal services:

With the continuation of the historic population trend, the proportion of older population (i.e. individuals aged 65 and upwards) is likely to increase from 28% in 2019 to 44% in 2029. This is likely to result in lower revenue from certain income streams, such as utilisation of recreation centres, and higher demand for certain subsidized services such as senior-specific public transportation.

Also, facing an increasingly dwindling population over the next 10-20 years, the CBRM is likely to continue facing a declining tax base, a major challenge in sustaining the municipal operations compounded by fixed and unavoidable costs, such as those borne by binding arbitration and collective agreements with several municipal departments. Consequently, these costs would necessitate an increase in tax rates to allow the CBRM to be sustainable. However, such a scenario would lead to a vicious cycle - a depressed economic sentiment compounded with increased taxes, further accelerating the rate of population decline. If such a scenario were to come to fruition, the quality and level of services in the CBRM would likely be impacted. For example, transit routes for some regions may not continue to be viable due to increasing costs amidst lower utilization rates.

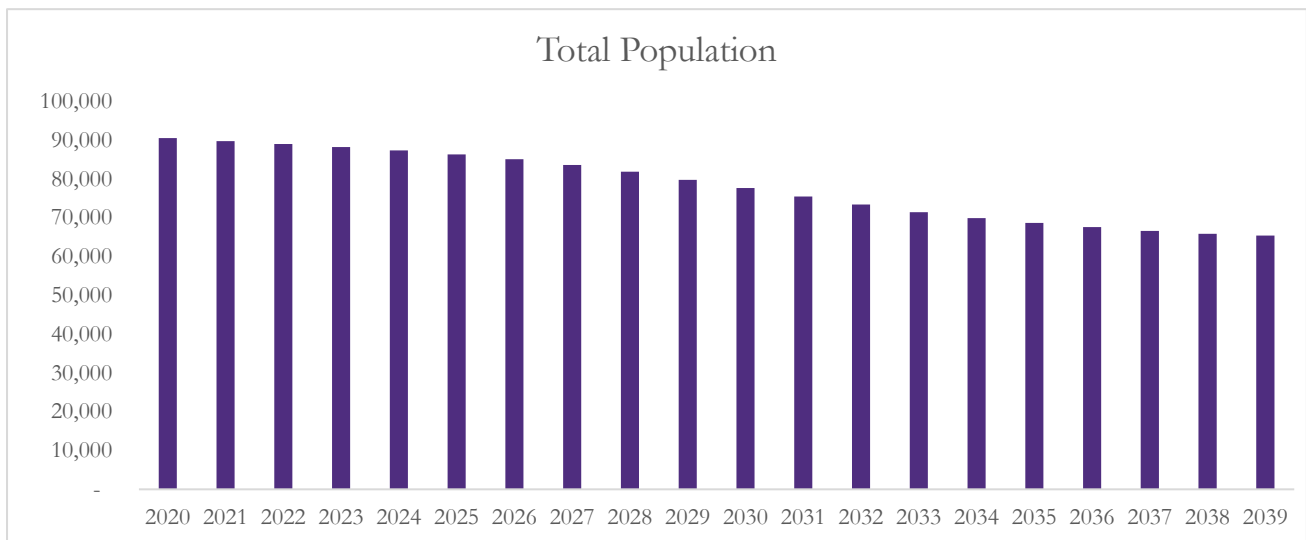
At this stage, the CBRM would likely face severe challenges in sustaining its municipal operations and services, negatively influencing overall viability of the municipality.

Pessimistic Scenario

Table 9: Pessimistic Projections

Year	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Total Population	90,588	89,796	89,028	88,276	87,379	86,380	85,122	83,620	81,894	79,814
Growth/decline in population	-	-0.87%	-0.85%	-0.84%	-1.02%	-1.14%	-1.46%	-1.76%	-2.06%	2.54%

Year	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Total Population	77,706	75,508	73,435	71,476	69,928	68,696	67,640	66,637	65,903	65,424
Growth/decline in population	-2.64%	-2.83%	-2.75%	-2.67%	-2.17%	-1.76%	-1.54%	-1.48%	-1.10%	0.73%



Influencing factors:

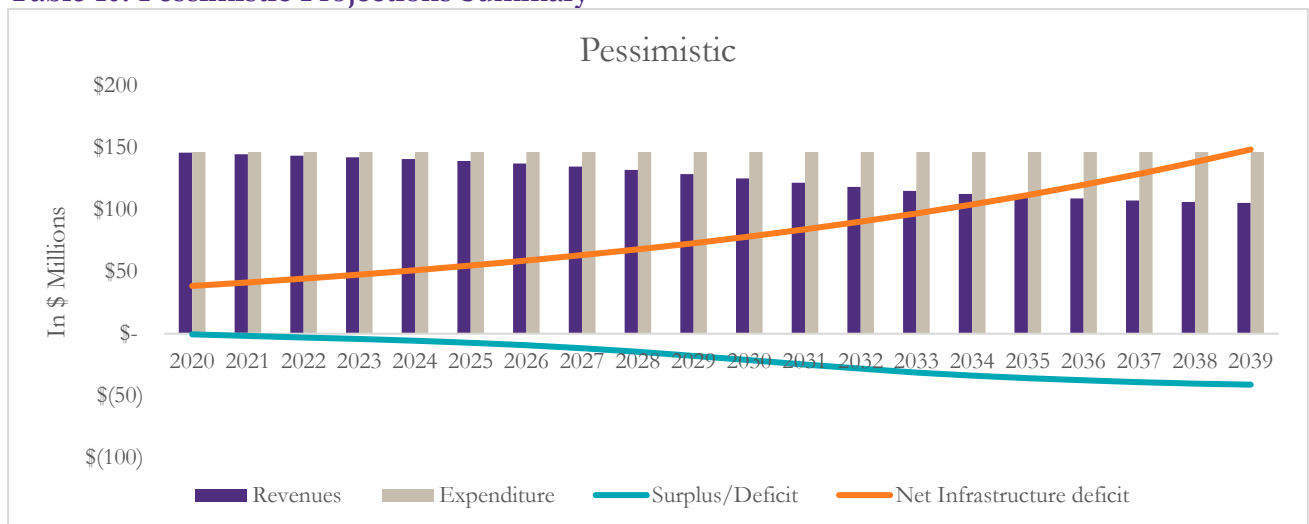
In the pessimistic scenario, it is assumed that the historical trend in population change would continue to remain the same until 2023. Subsequently, certain factors which are discussed below are likely to aggravate the decline in population. In this scenario, the average population decline rate is likely to increase from 0.84% in 2023 to 2.54% in 2029, peaking at 2.83% in 2031. The key factors that will contribute to such accelerated population decline are:

1. Low funding for mandatory capex and critical infrastructure , leading to higher outmigration of young population
2. Accelerated unemployment rate
3. Accelerated mortality rate due to higher weighted senior age group
4. Increases to cost of living compared to regional alternatives
5. Macro-level disruptive challenges impacting economic and commercial development
6. Lower levels of fertile population
7. Real estate risks deriving from increases in number of vacant or abandoned homes
8. Low private investment due to perceived risks and lack of aligned human capital

Such an accelerated decline in population projections is likely to severely impact the CBRM’s ability to collect sufficient revenues to sustain municipal programs and services.

As in the reference scenario, the infrastructure deficit is projected to be the same over the next 10 and 20 years. Since the CBRM will be running into an operational deficit from 2020 onwards, it is assumed that no surplus amount will be generated to fund the infrastructure spending. Therefore, the deficit will continue to grow at approximately 7% annually merely due to annual depreciation.

Table 10: Pessimistic Projections Summary



Influence on municipal services and the viability of municipal services:

The pessimistic scenario is hypothetically the worst case scenario. In essence, if the CBRM’s residents further perceive their property taxes as dramatically high in contrast to the earning potential in the region, compounded by disincentives such as few opportunities for growth and development, attractive places to migrate to in Nova Scotia and even to cities in other provinces etc. As per the projections under this scenario, the decline in population of residents in age brackets 14-44 would be substantially higher than residents in age categories 65 and upwards over the next 10 and 20 years. Similar to the reference scenario,

a high number of residents in 65 and upwards categories would lead to a higher mortality rate, further increasing the *mortality to new births* ratio.

In the pessimistic scenario, the unemployment rate would likely remain unchanged or rather grow due to outmigration, resulting in net economic loss. Therefore, continued deterioration of CBRM’s financial health would influence the overall attractiveness of the CBRM, especially for the younger age categories (age bracket 20-44). Such an economic sentiment would work as a disincentive for increasing international migration.

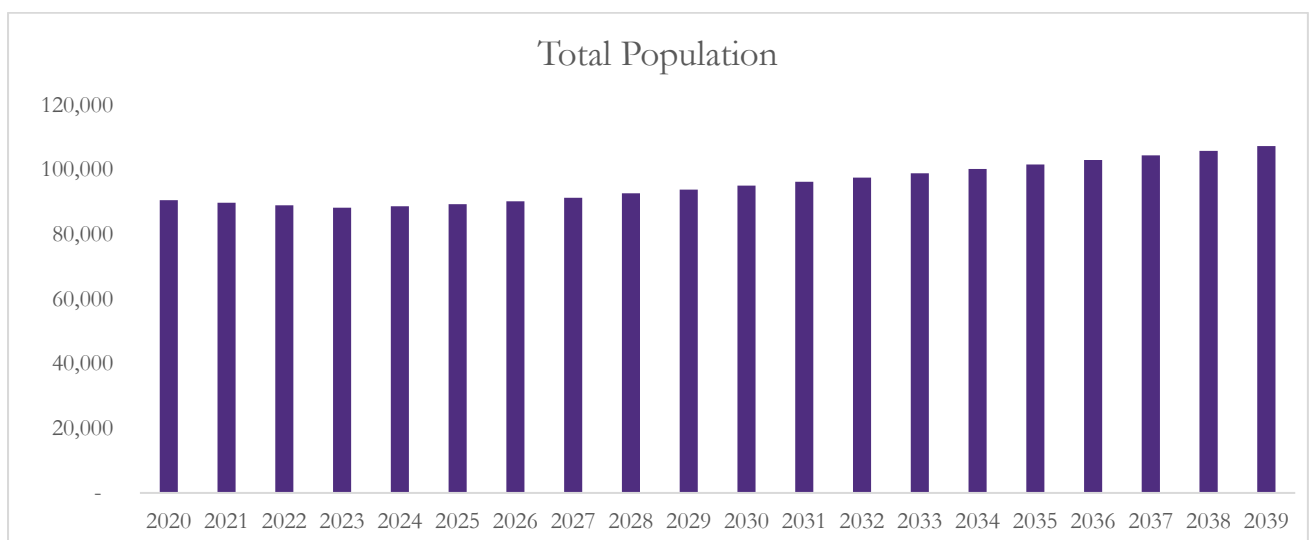
In the pessimistic scenario, based on projected change in population, *ceteris paribus*, the CBRM is likely to go into deficit next year and will continue to witness an increasing amount of deficit for the next 10 and 20 years, reaching \$41 million deficit in 2039. Moreover, a declining quality of municipal programs and services due to budget deficits may result in an acceleration of outmigration. **At that stage, it would become unviable to sustain CBRM’s municipal programs and services.**

Optimistic Scenario

Table 11: Optimistic Projections

Year	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Total Population	90,588	89,796	89,028	88,276	88,710	89,364	90,244	91,356	92,709	93,873
Growth/decline in population	-	-0.87%	-0.85%	-0.84%	0.49%	0.74%	0.98%	1.23%	1.48%	1.26%

Year	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Total Population	95,104	96,312	97,589	98,935	100,257	101,650	103,018	104,457	105,868	107,353
Growth/decline in population	1.31%	1.27%	1.33%	1.38%	1.34%	1.39%	1.35%	1.40%	1.35%	1.40%



Influencing factors:

As in the pessimistic scenario, it is assumed that the historical trend in population change would continue to remain the same until year 2023 in the optimistic scenario. In this desirable scenario, most of the increase in population would be driven by a significant increase in immigration of people in the age bracket 20-44.

Subsequently, this would likely increase the birth rate in CBRM. The key factors that will contribute to this modest reversal in population decline are:

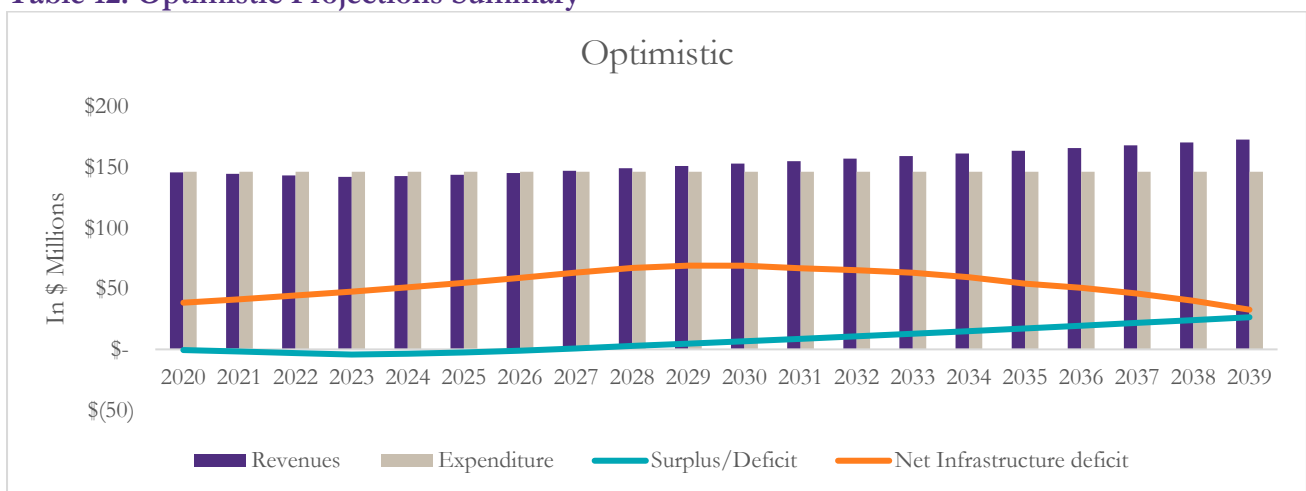
1. Commercial growth and development due to planned capex for port development (Sydney Cruise extension), federally mandated wastewater projects and road infrastructure projects
2. Increase in tourism leads to higher economic activity from external sources and higher awareness
3. Increased development of recreational properties
4. Improved entrepreneurship and employment opportunities
5. Higher retention of university population based on improved employment opportunities
6. Improved labour pool and knowledge base
7. Increased international immigration

Increased annual capital expenditure is likely to have a direct and quantifiable impact on the population of the CBRM. Every \$100 million of infrastructure investment would boost job growth by 1000 full-time equivalents (FTE's)²¹. An estimate based on the nearest hundred people is assumed for the purposes of the projection.

Based on the assumed annual capital expenditure of approximately \$523 Million over the next ten (10) years, CBRM would likely retain approximately 505 residents (in the 20-44 age bracket) over the course of this capital expenditure timeframe.

In this scenario, based on the projected change in population, *ceteris paribus*, the CBRM will likely witness a modest reversal in the operating budget. In reference to the table in Appendix C, as CBRM begins to incur a surplus from 2027 onwards, the rate of increase in potential infrastructure deficit reduces. As the CBRM would be able to fund the infrastructure deficit through operational surplus or accrued reserves from an operational surplus, the infrastructure deficit will continue to reduce. In Table 6C in Appendix C, it is assumed that from 2027 to 2031 the CBRM would utilise 100% of the operational surplus to fund infrastructure projects. From 2032 onwards, as the operational surplus exceeds \$10M, the CBRM would utilise 40% to 60% of the surplus to fund infrastructure projects. However, population growth would require a transition from maintenance related projects to growth related projects. In this scenario, infrastructure deficit is projected to be \$32.72M in 2039.

Table 12: Optimistic Projections Summary



²¹ Economy Policy Institute, "Potential macroeconomic benefits from increased infrastructure investment", July 2017

Influence on municipal services and the viability of municipal services:

In the optimistic scenario, subsequent to an initial decline over the next four to five (4-5) years, the population trend would likely reverse from 2024 onwards, contingent on new economic strategies, policies, and revenues – however the initial reversal in population would be modest.

The revised economic policies would include strategic, operational and financial policies such as those outlined in the recommendations below. This would presumably lead to an improved overall attractiveness – economic, social and cultural – of the CBRM, potentially improving the in-migration of younger age categories (age bracket 19-44) that would further boost birth rates, and new and expanded commercial taxpayers.

In this scenario, an increased population would require additional services and consequently an increase in the number of municipal employees in specific service areas e.g. water and wastewater services which would further add to economic recovery and growth.

In the optimistic scenario, CBRM would witness surplus from year 2027 onwards, reaching \$4.76 Million in 2029 and \$26.49 Million in 2039. **With a mix of incremental and moderate changes to certain policies and operations, the CBRM is likely to continue being operationally viable.**

Viability Conclusions

The question of the future viability of the CBRM is by no means a simple one. The complexities associated with attempting to accurately forecast the potential impact and likelihood of numerous interdependent variables is extremely limiting. However, if viability is analyzed through the lens of a continuation of historic trends, viability becomes increasingly unlikely without significant changes to multiple areas. The continued decline in population would need to be met with either higher taxation or a decline in municipal spending and services, both of which have the potential to contribute to an acceleration of outmigration. As noted throughout this report, the experienced population decline, significantly influenced by a series of economic shocks over the past two decades, has been the most consistent threat to viability. While that narrative has been well documented, there is an economic basis to support an improvement to the economic situation in the CBRM, a critical factor for sustainability.

The higher number of retirees comprising an increasingly higher portion of the population suggest upcoming vacancies in the job market will support improvements to the unemployment rate. Additionally, if new opportunities and initiatives result in continued growth, the rather fragile economic pendulum can swing both ways. For a municipality with an unemployment rate that has consistently averaged in the high teens, this can be considered an opportunity in the short-term. While the benefits of such an occurrence are dependent on aligning the current workforce with existing opportunities, the study identified numerous instances of the government, private sector, and public institutions proactively working on resolutions and strategies that provide a measure of optimism for the future.

Although the economic challenges of the CBRM are one of the most significant contributing factors limiting the region's competitiveness, when compared to some of the challenges exhibited by similar municipalities, many would consider the CBRM to be in an enviable position. The high rate of violent crime that has frequently accompanied cities facing similar economic situations²² is relatively absent in the CBRM, while Thunder Bay continues to struggle with one of the highest per capita violent crime rates in Canada²³. Sarnia has a relatively stable economy with a higher than average median household income, yet

²² Bell, Brian, "Do recessions increase crime?", World Economic Forum, March, 2015.

²³ Edwards, Kyle, "Something must be done about the Thunder Bay police", Maclean's, Dec 2018.

the city is struggling to attract new residents, partially attributable to the label of “chemical valley” and the associated health risks from the city’s petrochemical industrial focus. Saint John has experienced a very similar population decline as the CBRM, primarily driven by economic challenges, yet arguably facing stronger social-economic headwinds with limited financial resources and natural assets.

The business and policy environment contains a number of existing challenges, yet the recognized urgency of attracting and developing the private sector is positively influencing municipal policy, as evidenced by the recent implementation of commercial development incentives and the establishment of the CBRM Regional Enterprise Network.

The current level of human capital by most measures would merit a lower ranking than other benchmarking participants, but improvements to the economic focus of the region, the relatively high number of secondary education institutions, and the increasing number of international students are all positive signs for future improvements in the area. Although the municipal government has considerable limitations on its ability to drive economic growth, it is critical that the municipality continues to contribute to, and when necessary, lead these initiatives.

It is apparent that the CBRM’s strongest competitive advantages are primarily related to the region’s high livability, which derives from the abundance of natural assets in the region, the low cost of housing, and the safe and friendly communities. Although the economic challenges and difficult circumstances faced by the CBRM post-amalgamation have undoubtedly been significant, the region’s natural assets provide a great foundation to continue transitioning the economic identity of the CBRM. Ultimately the region’s continued viability will be dependent on marginally reversing the historic trend of a declining population, which will largely be driven through continued coordination among all levels of private and public institutions, as well as the necessary time and capital investment for the strategies to produce the intended results.

Recommendations

The following recommendations are aligned with the critical factors that will influence a modest reversal in the population trend over the next 10 years. The recommendations will be categorized in three separate areas based on the functional area of application. The three categories of recommendations are:

- **Strategic:** Recommendations related to the allocation of resources, the level of collaboration and partnerships, and the focused and prioritized objectives of the CBRM.
- **Operational:** Recommendations centered on the organizational structure, processes and methodologies in which the CBRM delivers municipal services.
- **Policy:** Recommendations related to the governance, legislative, and taxation policies that currently regulate the CRBM.

Table 13: Overview of Recommendations

Findings Category	Recommendation	Ease of Implementation	Potential Magnitude of Impact
Strategic: The CBRM’s high unemployment rate and relatively low economic activity are significantly influencing viability	1. Continue in the development of a five-year economic plan with industry specific objectives	Moderate	Economic Health: High Human Capital: Moderate Business & Policy Environment: High Livability: Moderate

<p>Strategic: The CBRM needs to proactively promote the benefits of the region to prospective businesses and residents</p>	<p>2. The development of a marketing strategy with tailored value propositions for distinct target groups</p>	<p>High</p>	<p>Economic Health: High Human Capital: Moderate Business & Policy Environment: High Livability: Moderate</p>
<p>Strategic: The natural assets of the region continue to attract rural development</p>	<p>3. Rural residential development plan</p>	<p>Moderate</p>	<p>Economic Health: High Human Capital: Low Business & Policy Environment: Moderate Livability: High</p>
<p>Strategic: There appears to be a lack of accessible seniors housing, which will continue to cause a strain on municipal services</p>	<p>4. Expand seniors purpose built housing and care facilities</p>	<p>Low</p>	<p>Economic Health: Moderate Human Capital: Low Business & Policy Environment: Moderate Livability: High</p>
<p>Strategic: The inability to easily and affordably access the region is a barrier for both tourism and investment</p>	<p>5. Improve accessibility to the region</p>	<p>Low</p>	<p>Economic Health: High Human Capital: Moderate Business & Policy Environment: High Livability: High</p>
<p>Strategic: The decline in traditional industries has resulted in a lower level of human capital and labour participation</p>	<p>6. Utilize the Regional Enterprise Network to support skills training, align job seekers with available positions, improve collaboration with higher education institutions, and focus resources on industry specific research and development</p>	<p>Moderate</p>	<p>Economic Health: High Human Capital: High Business & Policy Environment: High Livability: High</p>

<p>Operational: The Manitou Report identified several inefficiencies and risks associated with the current fire services delivery model</p>	<p>1. Consolidate and amend how fire services are funded, delivered and managed.</p>	<p>Low</p>	<p>Economic Health: Low Human Capital: Low Business & Policy Environment: Moderate Livability: Moderate</p>
<p>Operational: The CBRPS, although performing comparatively well, have a higher level of officers when compared to national averages and benchmarking participants</p>	<p>2. Conduct a deeper analysis of the CBRPS to assess potential options for improving efficiencies</p>	<p>High</p>	<p>Economic Health: Moderate Human Capital: Moderate Business & Policy Environment: Moderate Livability: Moderate</p>
<p>Operational: A number of departments displayed effective methods and processes for delivering services, yet lacked formal performance measures to continually drive service improvements</p>	<p>3. Develop the necessary processes, systems, and resources to foster a culture of continuous improvement within municipal departments</p>	<p>Moderate</p>	<p>Economic Health: Moderate Human Capital: Low Business & Policy Environment: Moderate Livability: High</p>
<p>Operational: Opportunities for improved service delivery and potential redundancies appear to exist within the CBRM</p>	<p>4. Explore the potential benefits of partnerships with external organizations</p>	<p>Moderate</p>	<p>Economic Health: Moderate Human Capital: Low Business & Policy Environment: Moderate Livability: High</p>
<p>Operational: Political hurdles arising from the district electoral governance structure appear to be limiting certain initiatives</p>	<p>5. Explore the benefits of transitioning to a municipal structure consisting of three districts</p>	<p>Low</p>	<p>Economic Health: Moderate Human Capital: Low Business & Policy Environment: Moderate Livability: Moderate</p>

<p>Policy: The rather significant number of tax delinquent and vacant properties are negatively impacting revenues, communities, and municipal services</p>	<p>1. Explore potential solutions to expedite the processing of delinquent and abandoned properties</p>	<p>Low</p>	<p>Economic Health: Moderate</p> <p>Human Capital: Low</p> <p>Business & Policy Environment: Moderate</p> <p>Livability: High</p>
<p>Policy: The continued increase in mandatory costs borne by the municipality and fixed contribution of transfers from the provincial government are negatively influencing the municipality's budget needs</p>	<p>2. Assess and prioritize mid-term capital needs and develop a business case process for requesting additional funding from external levels of government.</p>	<p>Low</p>	<p>Economic Health: Moderate</p> <p>Human Capital: Moderate</p> <p>Business & Policy Environment: High</p> <p>Livability: Moderate</p>
<p>Policy: The lack of urban densification in the region is contributing to accelerated service and infrastructure costs</p>	<p>3. Implement property tax incentives for urban residential development</p>	<p>Moderate</p>	<p>Economic Health: Low</p> <p>Human Capital: Low</p> <p>Business & Policy Environment: High</p> <p>Livability: Moderate</p>
<p>Policy: The declining population will likely continue its current trajectory without increasing international immigration</p>	<p>4. Increase international migration to the CBRM</p>	<p>Low</p>	<p>Economic Health: Low</p> <p>Human Capital: High</p> <p>Business & Policy Environment: High</p> <p>Livability: Moderate</p>
<p>Policy: The ongoing challenge of revenue shortfalls and the potential economic impact associated with an increase to municipal taxation rates</p>	<p>5. Continue exploring alternative revenue sources</p>	<p>Moderate</p>	<p>Economic Health: Moderate</p> <p>Human Capital: Low</p> <p>Business & Policy Environment: Moderate</p> <p>Livability: Moderate</p>

<p>Policy: Infrastructure projects that support economic growth initiatives will provide the municipality with benefits that extend beyond tangible assets</p>	<p>6. Prioritize capital spending on projects that align with long-term strategic objectives</p>	<p>Moderate</p>	<p>Economic Health: High Human Capital: Low Business & Policy Environment: Moderate Livability: Moderate</p>
<p>Policy: Commercial property tax rates are comparatively high and negatively influencing the inception and attraction of new businesses²⁴</p>	<p>7. Explore the feasibility of multiple commercial tax categories or lowering commercial tax rates</p>	<p>Low</p>	<p>Economic Health: Moderate Human Capital: Low Business & Policy Environment: High Livability: Moderate</p>
<p>Policy: The current marketing levy applied to hotels and accommodation businesses provides essential revenues for regional marketing initiatives.</p>	<p>8. Explore applying the marketing levy to Airbnb style rentals</p>	<p>Moderate</p>	<p>Economic Health: Moderate Human Capital: Low Business & Policy Environment: Moderate Livability: Low</p>
<p>Policy: Any meaningful changes to the residential tax structure would likely require an initial phase out of the CAP prior to changes to simplify the process and avoid repeating the process multiple times.</p>	<p>9. Utilize the Nova Scotia Federation of Municipalities to work with other municipal governments and the Province on a strategy to amend the CAP</p>	<p>Low</p>	<p>Economic Health: Moderate Human Capital: Low Business & Policy Environment: Moderate Livability: Moderate</p>

²⁴ As per Kitchen & Slack's "Municipal Property Tax Issues in the City of Saint John", August 2017. "Businesses are more likely to leave a municipality in response to taxes than residential property owners because the former are more mobile."

Strategic

Recommendation 1: Well-defined Economic Development Plan

It is recommended that the CBRM develop a comprehensive economic development plan, with a focus on improving the quantity and quality of employment opportunities, facilitating the creation of new businesses in the region, and attracting new businesses through policy incentives.

Current State: One of the most significant factors influencing population decline in the CBRM is the lack of economic opportunities in the region. The most recent statistics approximate an unemployment rate of nearly 16%, translating to roughly 8,000 individuals seeking employment yet unable to find full-time work²⁵. One of the top priorities for the CBRM should be a formalized economic strategy to address the challenges.

Evidence: Moncton, New Brunswick

Moncton led Atlantic Canada in population growth over the last five years²⁶ and worked against a well-defined economic plan. The growth in population was a key pillar in said economic plan. The three cities of Moncton, Dieppe, and Riverview partnered to develop the Greater Moncton Region Economic Development Strategic Plan (2018-2022). The five-year plan included growth targets for GDP, population, the labour market, and the municipal tax base, with collective activity-based objectives for participants.

Suggestions for Implementation:

- Identify internal resources and external partners that will contribute to the development and implementation of the plan:* the first step in designing and implementing a regional economic plan is confirming who will be involved and in what capacity. There are a number of organizations and associations that likely share common objectives regarding economic development. The formal establishment of a collective group who will be responsible for the plan's completion will be needed. Some potential organizations to consult with include:
 - BDC Sydney
 - Chamber of Commerce
 - Cape Breton University/Nova Scotia Community College
 - Export Development Canada
 - Port of Sydney Development Corporation
 - Regional Enterprise Network
 - Nova Scotia Business Inc.
 - Nova Scotia Works
- Leverage the completed planning to date to inform the development of economic priorities:* The CBRM has conducted previous reports that align with future economic development strategies. There are also a number of current initiatives that will influence what future options should be prioritized. Utilizing the existing work that has been conducted in relevant areas will facilitate the plans development. Some potential reports to leverage are summarized in the table below:

²⁵ Statistics Canada, Labour statistics for March 2018.

²⁶ In terms of percentage of population growth as opposed to total population growth

Table 14: Catalogue of Previous Reports

Title of Report	Key Objectives and Priorities	Area of Impact
Commercial Development and Incentives Plan	- Stimulate commercial development and economic activity in key commercial and industrial districts	Business & Policy Environment
Creative Economy Growth Plan	- Leverage existing skills and capabilities to support the growth of the creative economy	Business & Policy Environment Human Capital Livability Economic Health
Glace Bay & Area Revitalization Plan	- Stimulate commercial development and economic activity in key commercial and industrial districts	Business & Policy Environment
Downtown Sydney Report	- Stimulate commercial development and economic activity in key commercial and industrial districts	Business & Policy Environment
Smart Cities Challenge	- Utilize technology and innovation to transition to a city that is positioned for future demands.	Business & Policy Environment Human Capital Livability Economic Health
Due Diligence Assessment of Plans for Second Berth at the Sydney Marine Terminal	- Analysis of the potential costs and benefits of expanding a second berth terminal at the Port of Sydney	Business & Policy Environment Economic Health
Prosperity Framework, Cape Breton Partnership	- Improve the economic strength of the region through collaboration and focused investment	Business & Policy Environment Economic Health Human Capital

3. *Develop clearly defined and measurable objectives within the plan:* the plan should translate to actionable tasks and as such should have clearly formed and attainable objectives. Some potential examples of objectives include:
 - Support the creation of 4,000 employment opportunities within the next five years
 - Support the growth of existing strategically important industries (i.e. fisheries and forestry), through shared research and vertical development programs (i.e. food production).
 - Facilitate the introduction of new business opportunities through the organization of a business incubator and quarterly business focused conferences.
4. *Identify key environmental factors, both internal and external, that will influence the plan's success:* as noted earlier, there are a number of factors that will influence the economic success of the region, with the majority outside the realm of the CBRM's direct control. To ensure that the strategy employed provides the greatest likelihood of success, a full analysis of the internal and external environment should be conducted so as to identify the enablers and hurdles facing the region. Some examples may include:

Table 15: Internal and External Environment

Internal Environment		External Environment	
Enablers	Hurdles	Enablers	Hurdles
The focused development of the Port of Sydney provides a key pillar to anchor subsequent growth strategies.	Conflicting priorities and perspectives among residents and businesses will limit the effectiveness of implementing the plan.	Potential capital investment from other levels of government will provide a much needed economic stimulus in the short-term to fund projects aligned with the development of specific areas.	The prolonged economic challenges of the region have the potential to obscure the investment attractiveness (i.e. liquidity risk) of the region.

5. *Identify specific key economic drivers to focus strategic direction:* Tourism has been listed as a key economic driver for the region, yet the success of becoming a world class tourism destination is dependent on a number of businesses contributing to the overall experience in the region. The development of a focused strategy will assist in identifying business opportunities and identifying potential synergies that can be captured among different contributors. Tourism examples may include:
- **Hospitality** – Restaurants, hotels, bed and breakfasts, microbreweries, Air B&B.
 - **Accessibility** – Airfare, the Port of Sydney, and transportation options (i.e. car rentals).
 - **Recreation & Leisure** – Golf courses, ski hills, hiking/snow shoe trails, theaters, authentic cultural experiences, ecological tourism, events and festivals.
 - **Natural Assets** – Cabot Trail, Highlands National Park, Bras d’Or Lake and other pristine bodies of water in the region.
6. *Define the Critical Success Factors that will influence the plans success, and align Critical Activities that specific participants will need to perform:* One of the most common issues that will influence the plan’s success is how well the plan transitions into action. To facilitate the implementation of the plan, the CBRM should address the Critical Success Factors (the aspects of the plan that if achieved, will be sufficient for achieving success), and the resulting Critical Activities (the shared collective tasks that need to occur for the critical success factors to be achieved).
7. *Schedule quarterly meetings to assess the on-going execution of the plan and the associated results:* The monitoring and reporting of the plan’s on-going implementation are key to identifying what areas of the plan are delivering value and what areas are not. Many of the objectives in the plan will require the appropriate amount of time before effectiveness can be assessed, however, there should still be a process for ensuring the agreed upon actions are being undertaken in a way that will best deliver intended results.

Ease of Implementation and Impact:

Ease of Implementation	Potential Magnitude of Impact
Moderate: The process for both developing and implementing a strategic plan is complex	Economic Health – High: Although a number of areas that will influence the economic health of the region are

<p>and time consuming. The high number of stakeholders and conflicting influencing factors can make broad alignment difficult to achieve. However, the costs and feasibility of developing an economic growth strategy don't present any significant barriers to proceeding with the planning initiative.</p>	<p>outside the CBRM's direct control, the ability to influence and facilitate desired outcomes can amplify the speed and impact of economic growth, an area that will significantly improve viability.</p> <p>Livability – Moderate: An improved economic plan will support the creation of future economic opportunities</p> <p>Business Policy & Environment – High: Spearheading the planning process will support coordination among various stakeholders, improving the environment.</p> <p>Human Capital – Moderate: The development of an economic strategy will provide guidance and insight into the existing workforce and potential gaps regarding future needs, a key step to improving the necessary skills of the region.</p>
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Potential Risks and Mitigation Strategy:

1) Potential for conflicting perspectives to prolong and complicate the planning process:	
Anticipated Problem	Stakeholder consultations revealed previous occasions where divergent regional perspectives led to prolonged periods of political gridlock. This is not at all uncommon within municipal environments, yet the inability to achieve consensus and alignment regarding strategic direction has the potential to undermine the CBRM's initiatives.
Mitigation Strategy	Acquiring the services of an independent facilitator can significantly reduce internal conflict, assign large responsibilities of the planning process to an external party with the capacity and obligation to fulfill the required needs of the project, and support the alignment and direction of the strategic plan through expertise and empirical based evidence.
2) Macroeconomic factors limit the effectiveness of the economic development strategy	
Anticipated Problem	An economic growth plan can only account for the variables that are currently recognized and under the Municipality's direct control. The most well planned strategies can be rendered meaningless in the face of global macro-economic forces, with the 2008 financial crisis continuing to provide evidence to the matter.
Mitigation Strategy	The importance of continuously monitoring the implementation of the plan and the external factors that are influencing its success will provide a measure of contingency planning. The reality is the ability to best manage the identified risks through analysis and planning remain the best approaches to mitigating macroeconomic risks.
3) Challenges with continuously monitoring the implementation of the plan	
Anticipated Problem	The constantly changing economic environment and availability of stakeholders involved with managing the execution of the plan can create challenges ensuring that the plan is a) being executed, and b) being monitored and amended where needed to reflect changes to the economic environment.

Mitigation Strategy	Establishing roles and responsibilities, controls and monitoring, and schedule meetings throughout the life-cycle of the plan at its onset will support and facilitate the ability to implement the recommended strategies.
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Recommendation 2: The Development of a Marketing Strategy with Tailored Value Propositions for Distinct Target Groups

Following the development of a formal economic strategy, the creation of a renewed marketing strategy that aligns with the CBRM’s economic objectives will support attracting new residents and business investment.

Current State: The benchmarking analysis identified reoccurring themes among Atlantic Canadian cities, with the most prominent being the shared objectives of economic development and population growth. Much like any competitive market, prospective “buyers” assess the associated costs and benefits related to investing in a municipality based on the available information. The CBRM’s competitive advantages should inform the regions value propositions, uniquely communicating the opportunity offered by the CBRM.

Evidence: Moncton, New Brunswick

As an example of a community using this recommended approach, the marketing campaign for Moncton is centered on the eclectic offerings and unique opportunity the City provides. The campaign, “Moncton wins”, has distinct value propositions for key demographics, including²⁷:

- **Seniors:** “Moncton is a senior-friendly city where older residents can enjoy a good quality of life. The City offers many services that enable seniors to be active and engaged members of the community. The City also has a Senior-Friendly Business Program that facilitates connecting goods and services to older individuals within the community.”
- **Students:** “Université de Moncton, a French-language university, is the City’s largest post-secondary institution. Crandall University offers a Liberal Arts education based in the Christian faith. Moncton also has a number of community colleges that offer training in trades, technology, healthcare, and the arts.”
- **Young Professionals:** “You get a city lifestyle. But, at the same time, you’ll be close to beaches and National Parks. Not to mention zoos and amusement parks. All in a warm, bilingual community with a vibrant nightlife. No matter what you like, Moncton has you covered!”
- **Businesses:** “Moncton’s bilingual and diverse workforce, growing economy and central location in Atlantic Canada make it one of the best places in Canada to do business.”
- **Immigrants:** “Moncton has become an increasingly culturally diverse community which adds to its already high quality of life. Upon arriving, immigrants discover a welcoming community with low real estate costs, excellent community services, and plenty of activities and events for young and old.”
- **International Investment:** “Outside investment in Moncton has increased in recent years with the growing realization that the City offers all the key elements for business success: a growing and diverse economy, skilled workforce, excellent employment opportunities, strategic location and competitive business tax rate. The City also offers programs and networking opportunities for immigrant entrepreneurs who are looking to invest.”

²⁷ As Per the “Moncton Wins” campaign which is available on the City of Moncton’s website.

Although a number of factors have contributed to growth, the City’s marketing investment appears to be contributing to the region’s success as it continues to attract new residents and businesses and evidences a potential success for CBRM in using a similar approach.

Suggestions for Implementation:

1. *Identify the different groups the CBRM is seeking to attract:* The opportunities the CBRM poses to different groups are as varied as the characteristics that define them. For a newly retired couple, the CBRM might represent an attractive lifestyle that will provide the most value for their accumulated savings. For a young couple with a newborn, the region might represent the opportunity for a rural lifestyle with an ideal property for an affordable price. Whatever the value proposition is, the first step is segmenting the different groups the CBRM is trying to attract.
2. *Understand and synthesize why prospective groups should invest in the CBRM, and what unique opportunities the region provides:* As noted in the above suggestion, once the target audience has been identified, an assessment of what benefits the CBRM provides to each defined group, and more importantly, what makes the CBRM unique, will contribute to developing a value proposition for each segment.
3. *Collaborate with existing tourism and regional economic development organizations to ensure consistency and alignment:* The Cape Breton Partnership and other economic development agencies continue to promote the region as a destination for tourism and business. From our understanding, the CBRM has recently developed the CBRM Regional Enterprise Network in collaboration with the Cape Breton Partnership to improve alignment with strategic objectives. The opportunity to enhance collaboration with other regions and industry specific sectors will support shared objectives.
4. *Develop a comprehensive marketing campaign:* Regardless of the target audience, the ability to reach the said audience with the intended message is crucial to achieving the objective of increasing investment and tourism to the region. The sheer number of options to market the region to prospective residents, businesses, and tourists can be overwhelming. For some segments, digital and social media are dominating how information is shared and digested (i.e. millennials), while others, such as seniors researching possible retirement destinations, will likely depend on more traditional sources. Innovation has created an opportunity to maximize reach for relatively affordable costs, however, the sheer volume of daily content has resulted in a saturated market where it is essential to differentiate. Strategic channels that align the tailored message with the intended audience is critical for achieving success.

Implementation and Impact Assessment:

Ease of Implementation	Potential Magnitude of Impact
<p>High: Digital advancements have significantly increased accessibility to the resources and tools needed to create and disseminate high quality, multi-channel marketing campaigns. The region’s numerous pristine landscapes provide ample opportunity to showcase the assets of Cape Breton. The high level of control and relatively low costs result in a recommendation with</p>	<p>Economic Health – High: As tourism takes on a larger economic role for the region, increases to external capital flowing into the area will benefit the economic strength of the CBRM. Additionally, the ability to attract new businesses and residents will improve with a marketing campaign,</p> <p>Human Capital – Moderate: An effective marketing campaign will support the key objective of attracting and retaining young people while increasing the flow of external visitors will improve the exchange of knowledge and opportunities.</p> <p>Livability – Moderate: Increases to tourism and peak seasonal times can negatively influence livability conditions and strain municipal and provincial government services. However, economic gains from external revenue sources outweigh the potential negatives that can result from an influx of tourists.</p>

minimal implementation barriers.	Business and Policy Environment – High: The business environment would directly benefit from the attraction of new business entrants and the expansion of existing opportunities. Increasing exposure is critical to improving the level of entrepreneurship and level of investment in the region.
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Potential Risks and Mitigation Strategy:

1) A Lack of performance measures to assess the marketing campaigns effectiveness	
Anticipated Problem	Ensuring a sufficient return on investment dollars will increasingly become critical for the CBRM’s viability. Tracking the effectiveness of marketing campaigns has inherent challenges assigning causality to outcomes (i.e. was the marketing campaign responsible for increased sales), or lack thereof (macro-economic factors can limit outcomes but don’t necessarily reflect the effectiveness of a marketing campaign).
Mitigation Strategy	Setting performance metrics is essential in the planning phase. Advances in technology and the increased accessibility of analytics will support tracking the effectiveness of various marketing channels.

Recommendation 3: Rural Residential Development Plan

As the costs of available lakefront properties in close proximity to major urban centers continue to accelerate, a growing number of Canadians are looking to Atlantic Canada for the attractive lifestyle and desirable properties²⁸. Additionally, advances in technology are allowing professionals to effectively work from remote locations, a trend that is attracting skilled labour to smaller urban and rural areas²⁹. Based on these trends, the benefits of working with a developer to build communities as opposed to single projects could provide the CBRM with a significant acceleration to new development and improve community planning.

Current State: Discussions with the planning department identified the ongoing trend of rural development outpacing urban development. Although urban densification is an area that the CBRM should continue to advance, the attractiveness of the region as a destination for secondary/vacation homes presents an opportunity for a more focused approach to the development of rural and lakefront communities. From initial consultations with the planning department, the trend of individual property development appeared to be the most significant form of development.

Evidence: Kelowna, B.C.

Kelowna, B.C. is a city known for its beautiful lakes, hot summers, wineries, relaxed pace, and mountains. The City has grown dramatically in population over the last twenty years, growing from a population of 89,442 in 1996 to a current population estimate of 138,000³⁰. A significant growth driver has been the migration of retirees coming from within Canada³¹, a thriving tourism sector resulting from the increased promotion of the region, and a growing professional services sector and education hub attracting younger residents.

While the exact number of vacation homes in the region is not readily available, the area is known to have a large number of secondary property owners. Kelowna’s planning department, as well as neighboring municipalities, have worked extensively with developers to facilitate the growth trajectory of the region.

²⁸ “Could New Brunswick Become the Retirement Capital of Canada?”, Retirement Miramichi, June, 2017.

²⁹ “Working Remotely Provides Small-Town Life on a Big-City Wage”, Andrew Whytock, Huffington Post, 2019.

³⁰ “Facts in Focus”, City of Kelowna, 2018.

³¹ Ibid.

The influx of interprovincial investment has been a large driver of growth in the region, creating a market for land development, construction, property management, seasonal services (e.g. boat storage), and private security. Investment in the region has also created some negative impacts, most notably housing affordability, so much so that the region recently implemented an additional tax on non-primary residences in an effort to cool external housing demand³².

Suggestions for implementation:

1. *Review current surplus inventory:* The CBRM appears to possess a sizable inventory of surplus land. The current process of selling the properties to various independent buyers has resulted in uneven and sporadic development. Furthermore, there appears to be an investment strategy of purchasing strategic plots of land and simply holding the property as vacant for the foreseeable future. The practice appears to be limiting development potential.
2. *Work with the planning department to assess what areas would present the most desirable development opportunities that are attractive to prospective buyers/ developers:* Specific areas aligned with the CBRM's current inventory might provide ideal development locations. Developing a concise list of available and desirable development sites will provide an initial starting point for conversations with developers.
3. *Consult with potential developers and builders to assess needs and terms for partnership:* Working with larger scale developers provides the benefit of accelerating development and maintaining alignment with larger development plans. The risks associated with the area (i.e. the future viability and taxation levels) will influence potential investment and will likely require municipal incentives and support to bolster the attractiveness of the region.
4. *Develop and amend zoning to accommodate desired plans:* Future development plans will likely require zoning changes and potential amendments to specific building restrictions. The assurance that the city's planning department will work collaboratively with potential developers will facilitate the development process.
5. *Confirm conditions for partnership and select suitable partners for community developments:* Specific conditions are likely crucial to the CBRM when selecting potential partners. Developing a framework and ranking system will support the selection process.

Ease of Implementation and Impact:

Ease of Implementation	Potential Magnitude of Impact
<p>Moderate: The current number of surplus lots and available land supports a key factor regarding feasibility, yet attracting a developer to take-on a specific level of risk, and what potential investment or terms the CBRM would need to attract a potential partner, could require concessions and investment of resources from the planning department another supportive roles. Previous</p>	<p>Economic Strength – High: Increased development also creates employment opportunities, while seasonal residents improve the demand and opportunity for local businesses.</p> <p>Human Capital – Low: If targeted developments are successful in driving seasonal residents to the region, the strategy provides little benefit to improving the human capital of the region. However, the opportunity to introduce new building techniques (shipping container homes, net-zero homes, solar roof) could benefit innovation and industrial development in the space.</p> <p>Livability – High: The increase of seasonal residents provide a boost to municipal revenues while not drastically increasing the need for municipal services.</p>

³² Powell, Naomi, "Revised B.C. housing tax still a turn off for out-of-province homeowners", Financial Post, March 2018.

<p>initiatives have produced mixed results, with some recent success emerging in business parks.</p>	<p>Business & Policy Environment – Moderate: The direct benefit to the CBRM comes in the form of additional revenues from the increase in dwelling units. Working with the private sector to drive strategic objectives will positively influence future partnerships and opportunities.</p>
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Potential Risks and Mitigation Strategy:

1) Regulatory hurdles and financial risks detract potential investment	
<p>Anticipated Problem</p>	<p>There are certain risks associated with developing properties in an area with an on-going population decline. Specific concessions and incentives will likely be required to facilitate development, yet the ability to offer a level of grants to successfully drive development might be unattainable in the current framework.</p>
<p>Mitigation Strategy</p>	<p>Initiate discussions with potential developers early on in the planning process, with the HRM likely providing the best opportunities for identifying established developers who have a track record of successful projects that align with the CBRM’s objectives.</p>

Recommendation 4: Expand Seniors Purpose Built Housing and Care Facilities

Although it is critical for the CBRM to attract and retain younger residents, the senior demographic comprises a large and growing segment of the population. Developing suitable and attractive options for seniors in urban areas will facilitate densification and provide additional benefits to older residents in the form of accessibility to essential services and increased social opportunities. Although the municipal government is not in a position to directly develop purpose built housing, the CBRM can support development through advocacy, zoning, incentives, and potential land sales.

Current State: The current segment of the population over the age of 65 accounts for over 25% of the population, with anticipated growth resulting from the attractiveness of the region to retirees. The CBRM’s CAP program has been listed as a barrier for older residents interested in downsizing to a more suitable property, in addition to an apparent lack of options that align with the tastes and needs of residents. Increasing purpose-built developments for seniors, located in urban areas close to essential services provides benefits to users, the municipality, and potentially the province. Positive steps have been taken to improve transit coverage and accessibility in the region, but increasing densification and utilizing available urban land coincide with a need for centralized seniors housing. The potential to improve medical and living support services will support the continued growth of the demographic and efficiencies in delivering municipal and provincial services.

Evidence: Moncton, New Brunswick

Moncton markets itself as a senior-friendly city, with targeted services catering to the needs and lifestyle of older residents. The City has developed a Senior-Friendly Business Association, the Mayor’s Senior Advisory Committee, and continues to invest in senior-focused community centers. The number of senior’s apartment and condo-startups have significantly contributed to new development in the region, with a large number of new residents being seniors from Ontario and Quebec³³. The City exemplifies a good approach to expanding seniors purpose built housing and care facilities.

³³ Retirement Miramichi, “Could New Brunswick Become the Retirement Capital of Canada?”, June, 2017.

Suggestions for implementation:

1. *Explore the potential options available to the CBRM:* The current municipal government act will outline the tools and limitations available to the CBRM to facilitate the development of seniors care facilities. Developing a plan based on the current regulatory options will inform sequential planning steps.
2. *Select potential locations that align with proximity to essential services and future development plans:* The availability of land or existing buildings and the proximity to existing services and businesses will provide benefits to both users and the municipality.
3. *Identify potential partners and labour needs:* As an example, not-for-profit senior care providers might be interested in expanding operations with the municipality providing the facilities for a monthly fee. The expansion would also create opportunities for new careers and potential demands for increased immigration.
4. *Create a seniors advisory council:* Assess the potential interest of existing residents through focus groups and traditional methods to understand both the feasibility and challenges inherent in the potential project.

Ease of Implementation and Impact:

Ease of Implementation	Potential Magnitude of Impact
<p>Low: The high probability of required partnership with both the provincial government and private sector results in a number of hurdles outside the realm of the municipality's control.</p>	<p>Economic Health – Moderate: The potential to drive private investment in healthcare would create employment opportunities that could also support increased international immigration.</p> <p>Human Capital – Low: The focus on an aging demographic will likely provide minimal improvements to the existing pool of human capital, however, advancements in senior care and opportunities to attract skilled foreign workers in the field could boost the overall human capital in the region.</p> <p>Livability – High: Improvements to the experience and quality of life for seniors will also improve efficiencies regarding providing services to the region.</p> <p>Business & Policy Environment – Moderate: The opportunity for improving service efficiencies through improved densification and coordination would provide the municipality with greater efficiencies while continuing to attract senior residents will contribute to a growing segment of the economy.</p>

Potential Risks and Mitigation Strategy:

1) Existing residents are resistant to change or lack the needed resources to transition to a new property	
Anticipated Problem	The successes of the recommendations are dependent on a portion of the current demographic having both the ability and interest in moving to the seniors focused housing. If the transition doesn't occur, the project's benefits would not be realized.
Mitigation Strategy	Consult with existing seniors early in the process to understand the level of existing demand among residents and specific characteristics that support transitioning to senior-focused buildings.

Recommendation 5: Improve Accessibility to the Region

Canadian airlines are increasingly expanding their low-cost offerings (Swoop, Flair, etc.) to smaller airports within Canada and abroad. The high cost of flights to Atlantic Canada has consistently been cited as a barrier for interprovincial tourism to the region. Additionally, facilitating the transfer and accessibility of goods and services is critical for improving the warehousing and logistic capacities of the region.

Current State: The CBRM's relatively remote location provides both opportunities and challenges. The port offers an ideal location for international trade access, yet weather conditions are known to present uncertainty during specific times of the year. Repairs to the rail-line could require as much as \$100M in to make it viable³⁴, a key aspect for the potential development of a future container facility. Without improved connections to international transportation networks, further investment will likely be required to make the CBRM a viable logistics and warehousing destination. Additionally, the cost to directly access the region from major Canadian airports remains comparatively high, a barrier for tourism and potential investors. The Port of Sydney Development Corporation's wide development mandate includes the harbour and the development of its infrastructure, including marine, truck, rail and air transportation services³⁵, as such members of the organization will continue to play a significant role in managing related projects.

Evidence: Moncton, New Brunswick

Moncton's nickname of "Hub City" provides some history to the City's focus on transportation and logistics. The historic investment in transportation and the City's strategic location have continued to benefit the region's activity as a transportation hub and exemplifies working towards this recommended strategy of influencing greater regional access. Some of the area's largest employers are directly related to warehousing and logistics and are benefiting from the increase in global trade and e-commerce.

Suggestions for Implementation:

1. *Consult with the airport to assess the process for increasing seasonal low-cost carriers and increased cargo traffic:* The recent rollout of ultra-low-cost carriers in Canada has primarily benefited consumers and smaller destinations receiving a bump in tourism. The potential for Sydney to attract such airlines during the seasonal peaks of summer would benefit both businesses and residents. The process for developing and attracting carriers begins with the airport.
2. *Work with provincial and regional governments to bolster feasibility of increasing accessibility via the Sydney Airport:* The requirements for potential carriers to increase flights to the region may require some form of contribution or support from the municipal government.
3. *Assess the forecasted costs of incentivizing or attracting low-cost carriers during specific months and potential sources of funding:* An assessment of the required needs and consultation with appropriate representatives from the airport will provide a better understanding of the required investment.
4. *Assess the projected costs and schedule of repairing and maintaining the rail line to Truro:* Future investment and growth in the logistics and transportation sector will largely be influenced by improvements to the CBRM's current infrastructure. The rail line is a key piece of infrastructure that will contribute to future economic growth.
5. *Expand and Improve and broadband connectivity needs:* Accessibility also includes access to information. The expectation from most working-age citizens is increasingly leaning towards constant connectivity

³⁴ "Cape Breton rail line needs \$100M to handle container terminal traffic, according to study", Cape Breton Post, January 2018.

³⁵ As per the Cape Breton Partnership, Port of Sydney Development Corporation Mandate.

access. If residents and businesses don't have access to quality broadband, this will likely limit future growth in the region.

Ease of Implementation and Impact:

Ease of Implementation	Potential Magnitude of Impact
<p>Low: The CBRM is limited in its ability to influence the necessary inputs from private sector organizations to make a significant change in the region. Additionally, the potential costs or required concessions to improve infrastructure could be substantial.</p>	<p>Business and Policy Environment – High: Improvements to accessibility will directly benefit the business and policy environment through the improved transfer of goods and services.</p> <p>Economic Health – High: Improvements to accessibility would bolster the CBRM's ability to develop the logistics sector and export driven industries.</p> <p>Livability – High: Improving accessibility to the region would improve the attractiveness of living in the region for potential residents and investors.</p> <p>Human Capital – Moderate: The level of human capital in the region will benefit from an increased flow of people and goods.</p>

Potential Risks and Mitigation Strategy:

1) The potential costs outweigh the benefits	
Anticipated Problem	The development of the second cruise ship berth is a leading economic initiative for the CBRM and closely tied to the redevelopment of waterfront areas. Similarly, any return on investment in increasing accessibility is dependent on utilization and demand for external services and won't necessarily translate to a direct return for the municipal region.
Mitigation Strategy	The importance of due-diligence, market studies, and dedicated resources that will contribute to the planning and implementation of critical economic strategies will support assessing and managing risks inherent in economic growth and infrastructure projects.

Recommendation 6: Utilize the Regional Enterprise Network to Support Skills Training, Align Job Seekers with Available Positions, Improve Collaboration with Higher Education Institutions, and Focus Resources on Industry Specific Research and Development

Cities that consistently demonstrate a high level of coordination among the private and public sector, secondary education institutions, and government, also exhibit high-levels of research commercialization and entrepreneurship³⁶.

Current State: Selecting which industries the region will focus its initial efforts should be informed by existing capabilities and resources. The region's experience in the fishing industry and proximity to suitable aquaculture sites align with the projected growth in sustainable food production. Focused investment in this area has the potential to provide the CBRM with a great starting point for industrial development. The CBRM consistently identified secondary education institutions as an important strategic pillar to

³⁶ Bussgang, Jeffery, Montuori, Craig, Brah, William, "How to Attract Startups and Tech Companies to a City Without Relying on Tax Breaks", Harvard Business Review, May 2019.

leverage, aligning skills building programs with specific industrial growth objectives will support expanding education institutions.

- **The demand for sustainable fishing is growing rapidly:** As the health of the world's oceans continue to deteriorate and overfishing continues to threaten the sustainability of current practices, the demand for sustainable aquaculture is expected to spike in the coming years. With technology increasingly providing resolutions to the current environmental issues associated with farmed-fishing, the CBRM is well positioned to focus research investment in the aquaculture and industrial agriculture space.
- **The risks related to traditional fishing practices:** The environmental risks associated with traditional fishing have resulted in numerous areas of the world experiencing dramatic declines in fish stocks, jeopardizing the future sustainability of current fishing practices. Additionally, as a profession, traditional ocean fishing is considered one of the most dangerous occupations in Canada as a result of the high mortality rate. Transitioning the industry to sustainable aquaculture and food processing plants will positively influence job creation, job quality, and export demands.
- **Federal subsidies for aquaculture development:** Federal investment in the aquaculture space in the form of subsidies and research grants have increased over the previous decade. The need for sustainable food production is viewed as an economic and environmental priority for Canada and governments around the world.
- **Private sector investment** – Stewart Farms, a company involved in both industrial cannabis production and aquaculture, recently launched a facility in New Brunswick that will sustainably produce both products, creating hundreds of jobs in the process.
- **Food production** – Vertical integration and improved local refinement of resources will increase the economic strength of the region. The opportunities related to food processing are increasing as new technologies and markets facilitate the process of turning raw materials into finished goods. An example of a vertically integrated company involved in the manufacturing of pet food is an Edmonton based company, Champion Petfoods. The company exports its products to over 75 different countries and is in the process of developing a new state of the art facility that will employ over 500 individuals.

Evidence: Moncton, New Brunswick

As an exemplary model, Moncton works closely with secondary education institutions and the private sector to align education programs with projected employment needs. With two universities and four colleges in the area, education is driving economic growth and supporting skills training. Private sector organizations contribute to the programs and faculties with both capital and resources to support future employment. The results have been a diversified and growing economy with one of the lowest unemployment rates in Atlantic Canada, ranking as one of the best cities in Canada to find employment³⁷. In addition, Moncton also is home to several business incubators (i.e. StartUP Moncton) which provide resources, mentorship and support services to local entrepreneurs looking to launch businesses.

Suggestions for Implementation:

1. *Develop an organization that consists of members from government, secondary education, and the private sector:* Selecting and confirming the roles and responsibilities of potential partners will be critical to align the needs of the municipality, the private sector, and education institutions. Developing and/or leveraging existing organizations with formal mandates related to mentorship, economic development, and entrepreneurship will support improved commercialization.

³⁷ Kavcic, Robert, "Regional Labour Market Report Card", BMO Capital Markets, 2018.

2. *Identify current municipal strengths to focus initial investment:* As noted, leveraging current capabilities and natural assets of the region will facilitate economic development. Aquaculture is expected to be a critical driver for global food production in the future. Cannabis is projected to thrive as an industry and provides employment opportunities that are relatively attractive to younger residents. Working with partners to identify and rank potential focus areas based on feasibility and requirements will support identifying specific skills to develop.
3. *Identify potential funding and investment sources:* The federal government has continued investment in the aquaculture space for the last decade³⁸. The continued development of sustainable aquaculture will need to be driven by the private sector. However, support from municipal agencies and economic development organizations will facilitate the viability of industrial development. Utilizing external government funding and grants will support all parties working collaboratively to improve the economy.

Ease of Implementation and Impact:

Ease of Implementation	Areas and Potential Magnitude of Impact
<p>Moderate: The existing universities, organizations and private sector businesses will support the inception of business incubators. Additionally, the economic plan should focus on skills training for residents that are aligned with future economic drivers that support other local industries. Focusing on the existing natural and intellectual resources of the region make aquaculture and food manufacturing an ideal candidate for future investment.</p>	<p>Economic Health – High: Increasing the existing knowledge base through investment in a business incubator will indirectly benefit the region through the advancement of core competencies, while also expanding education as a key component of the economy.</p> <p>Livability – High: The quality, affordability, and availability of education all influence a city’s livability ranking and directly contribute to a number of other competitive advantages.</p> <p>Human Capital – High: Investing in skills training and research directly contribute to the quality and availability of the labour force, which in turn will improve and influence the other areas of competitiveness.</p> <p>Business & Policy Environment - High: Improving and adding to the level of opportunities and resources that support entrepreneurship will directly benefit the critical objective of improving the economic health of the region.</p>

Potential Risks and Mitigation Strategy:

1) Investing in skills training programs results in recently trained residents migrating to other cities	
Anticipated Problem	Investing in developing the necessary skills to support economic growth strategies can result in training individuals only to have them relocate for potential opportunities in a different location.
Mitigation Strategy	Ensure any investment or subsidization costs come with clearly stated conditions to the recipients regarding the intention and expectation of skills training programs.

³⁸ Fisheries and Oceans Canada, Fisheries programs and initiatives, sustainable fishing subsidies and agencies.

Operational

Recommendation 1: Consolidate and amend how Fire Services are Delivered and Managed

Continue to work with the management of fire and emergency services to develop a service plan and organizational structure that reduces the current number of fire departments without impacting (and potentially improving) service coverage, while still satisfying a commitment to the much needed and appreciated volunteers.

Current State: The vast geographic region requires a comparatively high number of fire departments to provide sufficient coverage to the numerous communities in the area. However, as post-amalgamation approaches 25 years, the number of fire departments have remained unchanged even though there is strong evidence of redundancies. The Manitou Report, conducted in 2016, provided some strong recommendations regarding the management and organizational structure of the CBRM’s fire service model. Although it appears that changes to the organizational structure are not as straight-forward as merely reorganizing the roles and responsibilities of different departments, the high likelihood of capturing efficiencies remain a strong incentive to continue exploring the best consolidation options.

Evidence: Although the specific recommendations contained in the Manitou Report likely require additional consultation to fully understand the feasibility and consequences of some of the proposals, the evidence base that is driving some of the recommendations appear to be well established. For example, consolidation of the high number of departments that are within a close proximity of one another, the current organizational structure of independent departments, and a funding structure that is increasingly being borne by the CBRM with little to no control over how the funds are spent, all pose financial and operational risks.

Suggestions for Implementation:

1. *Create a committee consisting of members from various stakeholders within the CBRM and the Fire Department Services group:* The potential benefits to community members and the CBRM were outlined in the Manitou report, while the potential issues stem from some of the recommendations requiring additional funding that doesn’t exist. Developing a dedicated taskforce to determine the best path forward while incorporating various stakeholder perspectives could drive progress in implementing a new service plan.
2. *Confirm the feasible options available to the CBRM regarding consolidation:* The existing barriers to consolidation appear to be mostly financial and political. Possible resolutions that accommodate communities and volunteers might make consolidation efforts more palatable. Narrowing the feasible options to a minimal list will facilitate developing a formal plan of action.
3. *Identify the required process for consolidating the roles, people, equipment, and facilities:* The development of a change management plan will facilitate the acceptance and transition to the new structure. The plan should incorporate all necessary details to accommodate stakeholders and potential communities that will be impacted by the change.
4. *Propose a new organizational structure which provides the greatest benefits to the region without disrupting service delivery:* After researching potential alternatives and consulting with impacted stakeholders, deliver a final recommendation and implementation proposal to municipal leaders for approval. The recommendation should be accompanied by a plan to standardize the current area fire rates into the base rate.

Ease of Implementation and Impact:

Ease of Implementation	Potential Magnitude of Impact
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<p>Low: The current organizational structure, nature of volunteer staff work, and ongoing negotiations with different stakeholder groups all contribute to a relatively challenging environment to enact meaningful change in an efficient manner. The current organizational structure provides little to no managerial authority over the volunteer organizations, with each community owning the equipment and facilities, and operating as an independent organization of volunteers. Any transfer of assets or potential reorganization structure would be more complicated as a result.</p>	<p>Livability – Moderate: Amendments to the fire services have the potential to reduce the department’s current budget needs without impacting service delivery. However, potential disruptions to existing community halls and/or service delivery would both negatively influence livability in the region.</p> <p>Business & Policy Environment – Moderate: An improvement in the efficiency of services and resources will provide the CBRM with more flexibility in the future, however, the nature of staffing volunteers will limit the financial benefits of consolidation.</p> <p>Human Capital – Low: Amendments to the fire services delivery model would provide little to no improvements to the current human capital in the region.</p> <p>Economic Health – Low: Amendments to the fire services delivery model would provide little direct benefit to the larger economy.</p>
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Potential Risks and Mitigation Strategy:

1) Lack of acceptance from various stakeholders	
Anticipated Problem	Discussions with stakeholders revealed that the fire halls also double as the community centre in each location. Any closure of facilities could be seen as the closure of the community center and as such face political pushback.
Mitigation Strategy	The consolidation of specific fire departments can be framed as an opportunity to repurpose existing buildings to new community centres. The emergence of community funded workshops, shared centres providing tools and resources that typically aren’t available to the majority of individuals, have continued to gain momentum in urban centers across Canada.
2) Changes result in minimal financial benefits for the CBRM	
Anticipated Problem	The fact that the community members currently staffing the fire departments volunteer their time and energy doesn’t support the likelihood of achieving significant cost savings through consolidation.
Mitigation Strategy	Before any formal organizational structure is proposed, ensure that the accurate financial benefits that will result from the changes have been confirmed and provide the necessary return on investment to merit implementing the changes.
3) Changes result in a decline in service levels	
Anticipated Problem	Although one of the potential benefits resulting from a consolidation in services would be improved service delivery, there still remains a risk of a decline in overall response times resulting from any potential re-organization of service delivery.

Mitigation Strategy	Ensure that the proposed reorganization plan will not negatively impact delivering fire and rescue services within the region, with evidence based data supporting any proposed changes.
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Recommendation 2: Assess Potential Options for Improving Efficiencies of the Cape Breton Regional Police Services (CBRPS)

Assessing the effectiveness of the CBRPS (the relatively low crime rate, and the above average satisfaction with the CBRPS³⁹), illustrate a department that is delivering valued services to the community in an effective manner. However, when assessing the efficiency of delivery, the comparatively high-number of officers, and the fact that the CBRPS has one of the larger department budgets, the CBRPS exhibit qualities that could potentially support consolidation.

Current State: The value that the CBRPS provides to the community is something that is not necessarily captured in statistics alone. Even when comparing one municipality to the next, the role that police services play in contributing to the overall health of a community is difficult to capture. Assessing the effectiveness of the CBRPS based on standard measures, the relatively low crime rate and infrequent occurrence of severe crimes both reflect the CBRPS effectiveness in contributing to friendly and safe communities.

However, the benchmarking exercise revealed a higher number of police to residents when compared to other cities, resulting in a department that has the second highest budget in the CBRM, primarily driven by wages. As a service that is largely dependent on the number of residents, a continued decline in population will not strengthen the case for the continued expenditure levels of the CBRPS moving forward, yet a continued increase in tourism will require resources that aren't captured in the current measure. Additionally, the higher proportion of the population in senior age categories are traditionally not associated with demographics that contribute to criminal activity.

Evidence: Thunder Bay, Ontario

Thunder Bay was selected as an initial candidate for the benchmarking exercise, and although they ultimately didn't participate in the survey, a review of the City's background documentation and public information provided some insight into the region's current state of protective services and related social issues. Similar to the CBRM, the general population trend in the area has been a slow but steady decline, with the crime severity index consistently cited as a significant contributing factor.

Thunder Bay has consistently ranked as a city with one of the highest violent crime rates in Canada, leading the country in per capita murder rates in 2017. Thunder Bay's reputation as an unsafe city continues to deter residents and investment to the region. In the continued efforts to effectively manage the severity and frequency of violent crime, the Thunder Bay Police Service ended 2018 \$1.2M over their \$42M budget⁴⁰. As policing costs increase and the population continues to stagnate, the per capita cost of policing is increasing annually, while the impact on violent offences has been marginal at best. The strained relationship between police and the local indigenous population has intensified in recent years, resulting in a number of articles questioning the continued viability of the situation⁴¹. As evidence for both the risks that can increase when violent crime takes root within a city, and the potential ineffectiveness of allocating increasing amounts of municipal tax dollars to policing efforts aimed at resolving deeper social issues, should serve as guidance for the CBRM.

Suggestions for implementation:

1. *Work with the CBRPS leadership group to discuss initial options:* The financial realities of the current situation need to be understood by all parties. An assessment of what level of services is most appropriate to

³⁹ As per the CBRM Budget 2017-18 Public Survey.

⁴⁰ Nagy, John, "Police Service Ran Nealy \$1.3M in Red", The Chronicle Journal, March 2019.

⁴¹ Edwards, Kyle, "Something must be done about the Thunder Bay police", Maclean's, Dec 2018.

the CBRM, both currently and in the future, should guide planning discussions. Working collaboratively with the CBRPS leadership group will support the development of feasible strategies to improve sustainability, however, an independent review might facilitate the process of change.

2. *Conduct a formal review of current and projected policing costs:* The development of potential strategies that will improve future expenditures of the CBRPS and a full assessment of the value the CBRPS is providing to the community will support any future decisions. The continued evidence of operational cost reduction strategies already being employed will limit potential options, as close to 93% of budgetary costs are directly related to wages.
3. *Identify and rank potential cost savings opportunities:* As noted throughout the report, the comparatively low crime rate in the CBRM is one of the strongest competitive advantages in the region. Any potential cost reduction strategies that negatively influence the crime rate are strongly advised against, however, as over 90% of the CBRPS is related to wages, it will be difficult to achieve further efficiencies without consolidating the number of active officers.

Ease of Implementation and Impact:

Ease of Implementation	Potential Magnitude of Impact
<p>High: An initial review of the CBRPS can be initiated with little to no costs incurred by the CBRM. Alignment between all stakeholders regarding the risks posed to current expenditures from a continued population decline is essential as the level of policing is commonly attributed to the number of people living in a city.</p>	<p>Livability – Moderate: The current state of crime and general feeling of safety in the communities are one of the CBRM’s strongest attributes. Other cities that have experienced significant economic decline and outmigration are often characterized by higher rates of severe crime, an aspect the CBRM is extremely beneficial to have avoided. The benefits afforded to the municipality from a reduction in CBRPS expenditures will allow for increased spending in other areas or a decrease in taxation, however, if decreases in CBRPS expenditures result in increases to levels of crime in the region, corrective action should be implemented.</p> <p>Business & Policy Environment – Moderate: Areas that are recognized for high levels of crime per capita are consistently destinations that attract lower levels of investment and entrepreneurship. Again, assessing the cost saving benefits against the potential risks to increasing rates of criminal activity should be undertaken to ensure the benefits to the community</p> <p>Human Capital – Moderate: Any changes to the CBRPS that result in increases in crime will negatively influence the attraction and retention of new businesses and residents.</p> <p>Economic Strength – Moderate: A reduction in policing costs would allow for the CBRM to allocate a greater amount of resources to capital projects and other areas that support economic growth, however, the total value recovered could be outweighed by the potential risks.</p>

Potential Risks and Mitigation Strategy:

1) Potential for an increase in crime resulting from a decrease in expenditures	
Anticipated Problem	Any future amendments to curtail police expenditures might involve a decrease in the number of active officers in the CBRM. One of the strongest competitive advantages the CBRM currently has is the low crime rate and strong sense of safety in the communities. If a decline in police expenditures result in an increase in criminal activity, the result could significantly inhibit future population growth and strategic initiatives.
Mitigation Strategy	Monitor and assess the areas for potential efficiencies that have the highest likelihood of not impacting service levels. The current approach for community based policing has contributed to the lowest level of crime severity among all benchmarking participants.

Recommendation 3: Develop the Necessary Processes, Systems, and Resources to Foster a Culture of Continuous Improvement within Municipal Departments

The expectation for municipalities to operate efficiently and effectively is increasingly resulting in the development of comprehensive performance metrics for all departments. Additionally, the exploration of opportunities to capture efficiencies in delivering municipal services through increasing the scope of specific roles and shared services, expanding partnerships with the private and not-for-profit sector, and utilizing advances in technology are being incorporated into municipal strategies. An additional benefit of utilizing formalized performance metrics is it supports transparency to taxpayers, providing greater detail to the costs, efforts, and value of municipal services.

Current State: Although the benchmarking analysis reaffirmed that the majority of the CBRM’s departments are operating comparatively lean, a continued population decline and subsequent decline in revenues would influence the need for further consolidation or an increase in taxes. Additionally, several departments were still in the process of determining performance measures and strategic initiatives. The analysis of operational departments provided evidence of numerous best practices already being employed (i.e. resource sharing among buildings and fleet management) and staff exceeding their respective responsibilities to improve efficiency and effectiveness (numerous senior level staff fulfill the demands of multiple roles, acting on behalf of the municipality and the water utilities). Continued development of strategic planning, performance measurements, and innovative solutions to improve service delivery will continue to support the viability of municipal services.

Best Practice: HRM, Nova Scotia

Halifax’s Economic Growth Plan (2016-21) is the guiding document for long-term decision making. The three high-level objectives of the plan are to 1) promote and maximize growth, 2) Attract & Retain Talent, and 3) Make Halifax a better place to live and work⁴².

To assess the effectiveness of the municipality in supporting the stated objectives, Halifax created the Halifax Index to assess municipal performance targets related to specific themes. The themes and performance indicators are as follows:

- **People:** Level of net interprovincial migration, level of net international immigration
- **Education:** Growth in population by highest education attained
- **Economy:** Municipal finance (tax-supported debt, municipal revenue by source)

⁴² As per the Halifax Index, 2018.

- **Quality of Place:** Safety (Crime severity index, incidence of crime by category), Transportation (Halifax Transit ridership, Transit hours of service, City Matters survey results) Environment (Waste-diversion rates, renewable-energy supply)

Additionally, the HRM joined the Municipal Benchmarking Network of Canada in early 2016. The benchmarking network assess specific metrics related to municipal services against other members of the network. The criteria assessed ranges from facilities (measured by cost to maintain headquarter buildings by sq. ft., and energy consumption per sq. ft.) to investment management (measured by return on total investment portfolio)⁴³.

Suggestions for implementation:

1. *Standardization of strategic planning process for all departments:* Although some departments may find the nature of their respective roles facilitate the strategic planning process, the value of developing clear objectives and aligning performance measures for all departments is consistently identified as a common practice among world-class leaders in both the private and public sector. A logical starting point for every department is defining the service mission by answering **what** good or service the department is producing, **who** the intended recipient or benefactor of the service is, and **why** the service is needed⁴⁴. Additionally, communicating annual timelines, developing key support services, and assigning key tasks to department leaders will contribute to the implementation process.
2. *Performance measures and reporting:* The formalization of the metrics that will be used to assess the performance of the various departments within the CBRM will contribute to setting department objectives. The planning process can coincide with budgeting exercises to align department requests with performance measures. The practice also provides a level of transparency to residents regarding how tax dollars are spent.
3. *Redesign necessary work processes to align activities with outcomes:* Introduction of performance measures is an ideal time to address any potential redundancies in processes and/or roles and introduce new approaches to service delivery.
4. *Potential incentive and recognition programs:* The need for communicating the purpose of change and providing incentives to motivate the necessary behavioral shifts have been recognized as essential for supporting desired outcomes in change management.
5. *Asset Management Program:* Discussions with the engineering and public works department revealed that the department is in the process of exploring, updating, formalizing and implementing a comprehensive asset management program in the form of Computer Maintenance Management System (CMMS). The task will provide a fair share of challenges as the state of specific tangible assets upon amalgamation was not well documented, the geographic region and number of tangible assets that the department is responsible for are both large, and the on-going nature of continuous maintenance and replacement will place a strain on the on-going progress of the project.

Ease of Implementation and Impact:

Ease of Implementation	Potential Magnitude of Impact
Moderate: Specific departments within the CBRM are already utilizing the recommended practices, while others are in the process of formalizing measures and objectives. The cost and	Livability – High: The continued improvement to the efficiency and effectiveness of delivering municipal services will directly benefit the livability in the region through lowering municipal expenditures while effectively contributing to key attributes, such as crime and safety.

⁴³ MBNCanada Performance Measurement Report, Municipal Benchmarking Network Canada, 2017.

⁴⁴ Performance Measurement: Using Performance Measurement for Decision Making, FMCBC Recommended Practice, 2006.

<p>capabilities of existing CBRM resources contribute to the ease of implementation. However, the process of ensuring change management protocols are employed, and result in the desired objectives driving the change can be resource intensive.</p>	<p>Business & Policy Environment – Moderate: An efficient government influences both the ease of doing business within a region as well as the overall tax burden levied to businesses. Improvements to both will support the business and policy environment.</p> <p>Human Capital – Moderate: Municipalities that implement industry-leading best practices, such as rewarding and incentivizing efficiency, are routinely linked to improved levels of human capital and intellectual goods.</p> <p>Economic Strength – Low: Improvements to municipal services will not directly improve the economic strength of a region, however, efficient municipal services contribute to the ease of doing business within a region which supports economic growth.</p>
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Potential Risks and Mitigation Strategy:

1) Diminished ability to attract and retain talented workers	
Anticipated Problem	The continued trend of asking CBRM staff to essentially do more with less has its limits. If staff continue to have roles expanded with little to no increase in remuneration, the likelihood of potential departures of key staff and inability to attract new, quality candidates to roles could outweigh potential benefits.
Mitigation Strategy	Most behaviour theorists recognize the need for some form of reward structure in the successful development of new behaviours that are different from the ingrained habits exhibited within organizations and individuals. As such, the potential for performance incentives or some form of recognition will support the continued development of a performance driven municipal culture.

Recommendation 4: Explore the Potential Benefits of Partnerships with External Organizations

There are a number of areas currently delivered by municipal services that could potentially benefit from expanding partnerships with the not-for-profit sector. Additionally, collaboration with Membertou First Nation has resulted in mutually beneficial projects and services. Although the CBRM currently partners with a number of external organizations, internal reviews and consultations with specific partners could provide grounds for an initial business case for expanded partnerships.

Current State: Discussions with internal departments revealed historic instances of partnering with external organizations to support the delivery of specific services. Some instances have produced successful working partnerships (i.e. solid waste, snow removal), while others have resulted in significant costs (i.e. previous Bayplex operators) borne by the municipality. Identifying where potential partnerships are possible and what benefit they provide to the CBRM will support the most efficient use of municipal resources.

Evidence: Saint John, New Brunswick

An example of a partnering approach is Saint John, which has outsourced the operations of all community centers and recreation programs to third party organizations such as the YMCA and Boys and Girls Club. The overall funding is part of the Neighborhood Improvement and Community Development Service grants and totaled \$1.5M in the 2019 operating budget.

Suggestions for Implementation:

1. *Work with internal directors to identify and assess potential opportunities for partnership:* The list of potential municipal services that will exhibit candidacy for external partnership will be dependent on feasibility.
2. *Rank the feasibility and potential benefits of the proposed partnership:* Develop a framework identifying the benefits provided to users, partners, and the CBRM through potential partnership, ranking opportunities based on total benefits to all groups.
3. *Identify what needs must be fulfilled by the CBRM for successful partnerships:* Partnering with external organizations and expanding services to other areas comes with a level of risk, as demonstrated by the previous partnership with the Bayplex operators. Defining the necessary requirements and ensuring the partnership will provide the required benefits will support the decision making process.
4. *Approach partners to initiate negotiations:* Once potential opportunities are prioritized, schedule meetings with appropriate representatives from identified organizations to assess requirements and an initial roadmap for implementation.

Ease of Implementation	Areas and Potential Magnitude of Impact
<p>Moderate: The CBRM continues to work with external partners in a variety of capacities with varying degrees of success. Identifying what partnerships make financial and operational sense, and then implementing the partnerships, will likely be time consuming and present challenges in implementation.</p>	<p>Economic Health – Moderate: Collaborating with external entities such as Membertou First Nation will continue to drive the economic health of the region through the completion of mutually beneficial projects.</p> <p>Livability – High: Reorganizing resources to improve upon the efficiency and effectiveness of municipal services will support continued improvements to livability on the region.</p> <p>Business & Policy Environment – Moderate: Providing business opportunities to the private sector can support improvements to the business environment through reinvesting tax revenues into the local economy, supporting the creation of new business ventures.</p> <p>Human Capital – Low: The potential to leverage municipal tax dollars to start independent businesses can support the level of human capital in the region, but the likelihood and impact are comparatively low.</p>

Potential Risks and Mitigation Strategy:

1) Partnerships potentially result in an increase to costs and a decline in service	
Anticipated Problem	The potential risk of outsourcing services is that the CBRM relinquishes a level of control regarding the effectiveness of service delivery. Any benefits to efficiency could be offset by decreases to effectiveness and long-term costs.
Mitigation Strategy	Proper due diligence regarding the selection of partners and establishing mechanisms to ensure effective levels of municipal service are maintained will support the development of effective partnerships.

Recommendation 5: Explore the Benefits and Drawbacks of Transitioning to a Municipal Structure Consisting of Three Districts

Although the communities and towns that comprise the CBRM have strong cultural identities, the reality is the areas are essentially suburbs of the CBRM. Prioritizing development of strong urban cores have strongly contributed to accelerated growth in large municipalities across Canada. The current governance structure of district representation supports independent perspectives, placing councillors in competition with one another over limited resources. Amending the representation to reflect three districts of Northern, Central, and Eastern could support improving larger regional objectives and mentalities.

Current State: Although there has been tremendous progress made regarding consolidation and unification following amalgamation, consultations with representatives from the CBRM routinely identified the existing and historical political structure as an ongoing hurdle for progressing regional objectives. The current model sees elected councillors from the 12 districts pursuing initiatives reflecting the perspectives of voters in their respective districts. Foregoing district priorities for larger regional projects could likely result in councillors losing their seat if voters feel district views are not being prioritized. The inability to develop a unified identity has at times resulted in districts clashing over strategic objectives and placing excess demands on an already strained municipal government. For example, it was revealed that all former entities hold independent events regarding seasonal festivals (i.e. Canada Day, Christmas Festivals), an occurrence that would likely not be found in municipalities of far greater size and populations.

Evidence: Moncton, Dieppe, and Riverview, New Brunswick.

The three cities of Moncton, Dieppe, and Riverview are in such close proximity to one another that the boundaries separating the areas are being increasingly scrutinized by taxpayers. The results of a survey administered to residents from all three cities suggested 59 percent of residents supported the idea of amalgamation⁴⁵. The Greater Moncton Metropolitan Area is already providing shared services and coordinating larger strategic objectives through regionalization. However, additional redundancies clearly exist and while residents in communities fear losing their identity, many residents have realized expanding municipal services and reorganizing government structures provide tangible benefits that likely outweigh the perceived loss of identity.

Suggestions for Implementation:

1. *Develop a potential model with an amended district representation model to support regional planning:* Assess potential organizational structures that provide the CBRM with an improved ability to balance the needs of residents and strategic initiatives of the CBRM that is not dependent on district representation.
2. *Survey residents to assess the appetite for the proposed changes:* Any changes to the governance model would likely need significant input from residents in order to progress. Formulating a public consultation campaign will support progressing any potential amendments to the current governance structure.

Ease of Implementation	Areas and Potential Magnitude of Impact
<p>Low: Reorganizing the political governance structure of the CBRM would require significant political will and alignment among existing districts. From a review of</p>	<p>Economic Health – Moderate: The improved ability to create alignment among municipal representatives regarding strategic priorities will positively influence the economic health of the region.</p>

⁴⁵ “Residents continue to support the amalgamation of Dieppe, Riverview, and Moncton”, Corporate Research Associates, May 2018

<p>historical perspectives, it appears consensus among existing districts would be difficult to achieve in an efficient manner.</p>	<p>Livability – Moderate: Improving a unified regional strategy and shared regional identity will support initiatives that provide continued benefits to all residents in the long-term.</p> <p>Business & Policy Environment – Moderate: The improved ability to create alignment among municipal representatives will support continued improvements to the business and policy environment.</p> <p>Human Capital – Low: Amendments to the governance structure will do little to directly influence the levels of human capital, but improving the agility of decision making among councillors and prioritizing improvements to human capital will support growth in the long-term.</p>
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Potential Risks and Mitigation Strategy:

1) Lack of support among residents	
Anticipated Problem	It appears that a number of residents are still not pleased with events that occurred as a result of amalgamation, which is approaching the 25 year milestone. The general attitudes reflecting amalgamation presuppose that further changes to governance will not be positively received.
Mitigation Strategy	The current system of governance supports the perspectives of independent districts over regional perspectives. Reassuring residents that amendments will provide the region with improved decision making capabilities that will benefit all residents in the long-term, supported by a well-defined plan, will support buy-in from residents.

Policy

Recommendation 1: Explore Potential Solutions to Expedite the Processing of Delinquent and Abandoned Properties

As the CBRM seeks to develop and repurpose specific areas with vacant properties, the current tax sale process and the associated complexity appears to be adding to the high number of properties lying vacant. Previous auctions have resulted in properties that have sold for a fraction of the assessed value during the tax sale auction (winning bids as low as \$600), with buyers routinely sitting on the land as a low-cost, low-risk investment. As an increasing number of strategic properties transfer to independent buyers who have historically foregone developing the sites, the CBRM loses the ability to transition larger areas of vacant land into redeveloped areas.

Current State: The high number of abandoned and tax-delinquent homes has resulted in a back-log of receivable taxes and a lengthy administrative process to transition the property to a tax sale. Additionally, the cost to potentially demolish and maintain the property increases costs that are rarely recovered from the current sale process.

Evidence: The high occurrence of vacant and abandoned properties appears to be occurring at a level that is somewhat unique to the CBRM. Outside of Canada, numerous urban and rural centers across the U.S. are dealing with the increasing trend. Some potential resolutions have included property and land sales to developers based on preapproved development plans, and volunteer mandates by property owners facing outstanding debts with the inability to pay. It is clear that there is no standard solution to this challenging problem, yet any improvements will benefit all parties.

Suggestions for Implementation:

1. *Identify the legal hurdles and barriers that delay the processing of abandoned and vacant homes:* The legally required due process can significantly delay transitioning vacant homes to tax sale. Any potential to expedite the process through agreements with existing parties are improved efforts to locate and serve the identified property owners could improve wait times.
2. *Assess the current level of resources available to process tax delinquent homes and if additional resources will improve the duration:* The process of working through the lengthy backlog of delinquent homes is tedious, and furthermore, has the potential to continue to grow with new homes entering delinquency.
3. *Assess potential options to improve the duration or collections relating to specific homes:* Identifying the feasible opportunities that maintain the required due process while improving the number of homes currently transitioning to tax sales.

Ease of Implementation and Impact:

Ease of Implementation	Areas and Potential Magnitude of Impact
<p>Low: The potential options available to the CBRM could ultimately be quite limited, while the ease of administration producing additional challenges. Identifying and implementing solutions that support providing resolutions to the current trend will be undeniably difficult, however the impact the trend is having on both the municipality's revenues and on communities facing large numbers of vacancies merits further research.</p>	<p>Economic Health – Moderate: Making larger areas available for purchase and development will support building and densification objectives, supporting the economic health of the region.</p> <p>Livability – High: The current number of delinquent and abandoned properties are negatively influencing real estate values, the general ascetics of communities, and posing risks to residents. Improving the neighborhoods and densification will directly improve livability in the CBRM.</p> <p>Business & Policy Environment – Moderate: The current tax sale process might provide an opportunity for improved planning for specific areas. As the current method results in the CBRM foregoing a large amount of uncollected taxes as the sale price of properties is insufficient to cover the outstanding balance, all improvements should be welcomed by both residents and the CBRM.</p> <p>Human Capital – Low: The potential improvements to planning and development will provide little impact to the overall level of the human capital in the CBRM.</p>

Potential Risks and Mitigation Strategy:

1) Ensuring credible processes are maintained and implemented	
Anticipated Problem	As frustrating as the administrative burden can be, a number of the mandatory legislative requirements exist to ensure proper due diligence and accordance with existing legislation is maintained. Any changes to processing delinquent or vacant homes could increase the legal risks for the CBRM.
Mitigation Strategy	Leverage the CBRM's legal resources to support the development of a strategy that ensures that legal risks are accounted for and mitigated.

Recommendation 2: Assess and Prioritize Mid-term Capital Needs and Develop a Business Case Process to Request Additional Funding

There is an economic basis that increased financial contributions from the federal and provincial governments will be necessary for the continued sustainability of the community over the mid-term. As investment in the communities support improvements to the economic health of the region, the benefits to all levels of government will be realized through increased economic activity. It is critical that the costs and transfers to the CBRM support growth objectives, as the increasing costs from other levels of government are contributing to economic stagnation.

Current State: The CBRM has cited the poor condition of the region’s infrastructure and the on-going lack of financial resources as a constant hurdle. The trend of lower net provincial funding arising from increases to mandatory municipal contributions to the province and the fixed contribution from the Municipal Fiscal Capacity Grant is negatively influencing these challenges. The province has exhibited support for investments that align with strategic priorities, as evidenced by the recent commitment to invest \$125M in healthcare. Additionally, the Province has created an internet funding trust with a current balance of approximately \$193M in an effort to achieve high speed internet coverage for at least 95% of Nova Scotia.

Evidence: The Private Sector

Private enterprises seeking funding from investors and financial institutions have to provide financial records, business plans, and growth strategies prior to successfully securing financing. While the public sector is fundamentally different in a number of areas, defining how external funding will support strategic plans and the potential return on investment and value to both the province and the CBRM will facilitate external investment from other levels of government.

Suggestions for Implementation:

1. *Formalize a process for preparing and submitting business cases to the province for the revenue adjustments the CBRM is seeking, the rationale for the adjustment, and the intended use of funds:* Although the provincial government is under no obligation to adjust the current level of funding, improvements to the economic situation in the CBRM will be mutually beneficial to both entities. Developing a process for developing and submitting business cases for funding requests will support investment from other levels of government if clear economic benefits are defined.

Ease of Implementation and Impact:

Ease of Implementation	Areas and Potential Magnitude of Impact
<p>Low: Aspects of the current regulatory hurdles have significantly impaired progress regarding enacting change in the past. Additionally, the province has cited limited financial resources as a constraint as well.</p>	<p>Economic Health – Moderate: The economic benefits to the municipal government will increase the level of capital spending available for infrastructure projects that support economic growth.</p> <p>Livability – Moderate: Increases to the level of external funding would provide the municipal government with additional funding resources for municipal services, investment in infrastructure, and the ability to maintain current taxation levels.</p> <p>Business & Policy Environment – High: The ability to accurately assess the level of economic need in the region will support the municipal government’s ability to operate more effectively as the current financial strain is severely limiting budgeting and advancements.</p>

	Human Capital – Moderate: Investment in capital projects will create employment opportunities and specialized project needs that support improvements to human capital.
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Potential Risks and Mitigation Strategy:

1) The provincial government’s limited financial capacity	
Anticipated Problem	The provincial government also faces considerable financial hurdles and has to balance the needs of Nova Scotia’s municipalities with limited financial resources. Although the CBRM’s rationale and intended use of additional funding could be valid, the level of funding could simply not be available.
Mitigation Strategy	Develop an improved process for working with the province regarding future capital requests. The development of an evidence-based business case process and the appropriate amount of time for consultation with other levels of government will ultimately support the future success of securing investment.

Recommendation 3: Implement Property Tax Incentives for Urban Residential Development

Current State: As the CBRM works to focus commercial development in key areas through the implementation of commercial tax incentives, residential densification continues to stretch service delivery and infrastructure needs. It is critical to incentivize the outcomes the CBRM is seeking to achieve, and from consultations with the planning department, there appears to currently be disincentives (i.e. increased costs for sewage, sidewalks, and laneways) for developing new properties in areas that would improve densification.

Evidence: Saint John, New Brunswick

As an example of incentives being used in such a manner, as Saint John looks to reverse the ongoing trend of vacant and deteriorating properties in addition to improving densification, the City has implemented residential development incentives for key urban areas. Saint John’s incentives include⁴⁶:

- **Residential Density Grant:** The residential density grant pays eligible projects a grant of 5.25% of construction costs over five years to a maximum grant of \$122,500. Eligible construction costs include the total cost of constructing the development project, including site preparation, mechanical, and electrical work.
- **Building Permit Grant:** The building permit grant provides a grant equal to 80% of the cost of the building permit fee to a maximum of \$10,000.
- **Construction Challenges Grant:** The construction challenges grant pays a grant of 25% of the cost of construction challenges to a maximum of \$50,000 or 5% of project costs, whichever is lower. The grant is available on a first-come, first-serve basis until budget resources are exhausted. Eligible challenges include but are not limited to remediation of contaminated soils and extending sewer services.

Suggestions for Implementation:

1. *Develop specific grants and tax incentives for development in key urban areas:* Align tax incentives and development grants with key urban centers that align with overall densification objectives.

⁴⁶ As per the Saint John Incentives Program, Infill Development Program, Vacant Property Program, and Upper Floor Revitalization program.

2. *Make necessary amendments to the Municipal government Act to implement the incentives:* The CBRM is familiar with the process of passing tax incentive legislation as it recently implemented By-law C-300. Expanding the incentives to include residential properties in urban areas would essential follow the same process.
3. *Market and promote the incentives to developers and the public:* Once legislation is enacted, the CBRM should promote the incentives both locally and abroad to generate potential interest from external developers and investors.

Ease of Implementation	Potential Magnitude of Impact
<p>Moderate: The CBRM recently worked with the provincial government to enact a by law to incentivize commercial development through municipal tax incentives. Although enacting legislative change is not trivial, the process would follow a similar formula as the commercial incentives, supporting the ease of progressing with the program.</p>	<p>Economic Health – Low: Although direct impacts to the economic strength of the region would not likely occur as a result of densification efforts and incentives, focusing development in key urban areas will support local businesses in the urban core, which in turn drives the economic strength of the region.</p> <p>Livability – Moderate: Increasing densification in areas will improve the daily living conditions for a number of residents and support the improved efficiency of delivering municipal services and infrastructure.</p> <p>Business & Policy Environment – High: The municipal government providing incentives to progress strategic objectives is a strong example of a business-friendly policy environment and will support future investment.</p> <p>Human Capital – Low: The direct benefits of residential development will not significantly influence the level of human capital in the region.</p>

Potential Risks and Mitigation Strategy:

1) Potential subsidies and grants don't translate to completed projects	
Anticipated Problem	The inherent risks associated with incentivising development in key urban areas are relatively low when considering a lack of any foregone revenues, however, as grants and rebates are provided to new developments, the risk of project delays and/or unfinished projects could result in lost revenues for the CBRM.
Mitigation Strategy	Ensure that a clearly defined eligibility criteria exists and is understood by potential developers, with a well-defined process for accessing incentives. Additionally, ensure that grants and subsidies are provided upon project completion.

Recommendation 4: Increase International Migration to the CBRM

As cities across Canada manage the ongoing themes of declining fertility rates and aging populations, dependence on attracting key demographics from the international community is increasing. The CBRM's current level of international immigration will likely need to increase to effectively reverse the current population trend.

Current State: The most recent figures relating to international immigration to the CBRM illustrate a relatively flat number of new migrants relocating to the CBRM, with the total number of immigrants

between 2011 and 2016 amounting to 275⁴⁷. If the CBRM increased their annual international migration numbers by 200 individuals a year, the net impact would significantly contribute to reversing the current population trend while adding key demographics to the region.

Evidence: Moncton, New Brunswick

Moncton, a city that has prioritized international immigration as part of its strategy, has admitted an average of 750 international immigrants annually to support their ambitious growth plans⁴⁸. The results of creating a diverse workforce have benefited the cultural makeup of the region. As the region expands its industrial sector, it is leveraging partnerships with both secondary education institutions and the private sector to develop the in-demand skills that will support economic growth while supporting successful integration into the communities of Moncton.

Suggestions for Implementation:

1. *Assess what future growth sectors will create specific labour shortages and needs:* Specific sectors of the economy will potentially require additional labour that can be effectively filled through increasing international migration (i.e. seniors care).
2. *Consult with federal and provincial organizations to understand all requirements for securing international migrants:* Supporting the ease in which interested parties can apply for entrance to the CBRM will facilitate the growth in the region. Developing a detailed page of checklists and understanding the required processes at other levels of government will support the objectives of increasing international immigration.
3. *Work with third-party immigration institutions to facilitate the process of sourcing suitable foreign candidates:* The contribution from external partners focused on the screening and selection of suitable candidates will support the CBRM’s objectives of increasing population through increased international migration.
4. *Set annual growth targets for international immigration numbers that align with specific employment opportunities:* Creating international migration targets and specific requirements the CBRM and the private sector would need to meet to achieve the targets, will positively influence a focused approach to international immigration.

Ease of Implementation and Impact:

Ease of Implementation	Potential Magnitude of Impact
<p>Low: Without specific labour needs that cannot be filled by existing residents, the CBRM will find challenges in attracting foreign workers. The current level of unemployment results in a lengthy backlog of potential candidates seeking employment and meriting consideration prior to seeking external candidates.</p>	<p>Economic Health – Low: The current lack of economic growth will inhibit the ability to absorb new migrants, contributing to a sluggish economy. Economic strength needs to improve independently before immigration can contribute to the continued expansion of the economy.</p> <p>Livability – Moderate: Increasing the population is critical to the CBRM to achieve future sustainability, which will ultimately influence livability in the region. However, increasing the number of international immigrants can present additional issues that negatively influence livability for both existing and new residents, so it is critical to support the proper selection of candidates that exhibit the highest probability of integration and success within the CBRM.</p>

⁴⁷ As per Stats Canada, CBRM, Census 2016.

⁴⁸ As Per the “Moncton Wins” campaign which is available on the City of Moncton’s website.

	<p>Business & Policy Environment – High: The benefits that international perspectives and diverse skills can provide to a business environment are well documented and will benefit the growth of a competitive economy.</p> <p>Human Capital – High: Increasing the level of international migration will positively influence the knowledge base, diversity, perspectives, culture, and skills within the CBRM.</p>
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Potential Risks and Mitigation Strategy:

1) Lack of employment opportunities will limit immigration capacity	
Anticipated Problem	As previously noted, the ability to attract and retain international migrants is highly dependent on the continued improvement to the economic health of the region. The current unemployment rate of close to 16% doesn't support introducing new international residents to the market.
Mitigation Strategy	Designing an economic growth strategy with international immigration as a key initiative and will support objectives for both population growth and improvements to economic prosperity. Identifying what future growth industries are currently facing a skills gap from the existing population will support the development of a focused immigration plan.

Recommendation 5: Continue Exploring Alternative Revenue Sources

The Municipal Government Act (MGA) contains a number of legislative conditions that limit the municipality's ability to generate revenues from sources other than property taxation. One of the key factors that will contribute to improving the local economy is improving the level of discretionary income among residents. While examples of innovative methods can be evidenced, such as the monthly tax installment program, the continued ability of the municipality to increase revenues without relying on broad-based tax increases will provide benefits to both residents and the municipal government.

Current State: The Municipality has looked at potential alternative sources that will provide additional revenues without broad-based increases to municipal taxes. Two potential options include the creation of a local lottery, or seeking additional revenues from the provincial portion of cannabis taxation (although the province has not yet realized any surplus funds from the legislative changes). Both represent opportunities to generate revenues outside of the traditional means, an aspect that will increasingly benefit the CBRM moving forward. Increasing monthly tax installment users could also benefit the CBRM and require minimal changes to services.

Evidence: Kentville, Nova Scotia

The Department of Municipal affairs mentioned a number of municipalities currently utilizing an investment fund, with specific mention of the investment policy utilized by the Town of Kentville. The Town of Kentville originated the Perpetual Investment Fund in March 25, 2004, establishing both a method and policy for investing municipal dollars in the Canadian equity and bond market⁴⁹. Recent amendments to the types of securities Canadian municipalities can invest in led to a policy change allowing the fund to invest in the U.S. equities market. The town's 2018 report identified that since the fund's inception, \$12.6M has been transferred to the Town's operating fund, and approximately \$2.6M

⁴⁹ As per the Finance Kentville Memo regarding perpetual investment fund policy statement update, May 7th, 2018.

transferred to the Town’s capital reserve fund⁵⁰. As of March 31, 2018, the market value of the fund was \$12.8M⁵¹.

Suggestions for Implementation:

1. *Narrow and rank potential options based on an established criteria:* Discussions with the CBRM identified the exploration of a potential lottery, new provincial revenues from the legalization of cannabis that could provide a contribution to municipal revenues, or municipally owned seniors facilities that are leased to not-for-profit operators are all potential examples to be explored and assessed.
2. *Assess the current limitations from the Municipal Government Act (MGA):* Specific regulations listed in the MGA prevent the CBRM from participating in a number of economic activities. Many cities across Canada have continually amended the legislative barriers that limited potential economic growth.
3. *Consult with other municipalities and the Province to discuss best practices and lessons learned through their experiences:* The Department of Municipal Services will likely be in a position to provide both guidance and contacts that will support navigating the required hurdles associated with the development of approved revenue generating activities and investments (i.e. an investment fund).
4. *Incorporate findings into the first iteration of the CBRM Charter to progress on-going amendments with the Province:* Any proposed amendment to current legislation will have to be accompanied by a strong business case outlining the rationale, benefits, and risks associated with the potential amendment.

Ease of Implementation and Impact:

Ease of Implementation	Potential Magnitude of Impact
<p>Moderate: Current initiatives to develop a new municipal charter align with the stated goals of growing alternative revenue sources and the potential amendments to current legislation that are acting as a barrier to future development. Other proposed objectives, such as expanding the number of monthly tax payers, are an expansion of existing services and processes that will have minimal costs for implementation.</p>	<p>Economic Health – Moderate: Increasing alternative revenue sources will provide benefits to the municipal government’s revenues without needing to continually increase taxation, however, increasing mandatory costs of doing business or competing with private sector organizations can negatively influence economic strength.</p> <p>Livability – Moderate: Growing revenue sources that aren’t consistently borne by residents allows for increased investment by the municipality while providing increased discretionary income to residents.</p> <p>Business & Policy Environment – Moderate: Increasing the alternative revenue sources that align with consumption or user fees will benefit the local business environment if it reduces the dependence on property taxation. However, increasing user fees and mandatory business costs can deter investment in the same manner as increasing taxation.</p> <p>Human Capital – Low: Alternative revenue sources will benefit the municipality’s financial position but will provide little direct value to improving the level of human capital in the region.</p>

Potential Risks and Mitigation Strategy:

- 1) Alternative revenue sources contribute to mandatory costs and negatively influence social wellbeing

⁵⁰ As per the Town of Kentville Annual Financial Report and consolidated financial statements, March 2018.

⁵¹ Ibid.

Anticipated Problem	Efforts to increase alternative revenue sources have the potential to result in increases to user fees and penalties, which can contribute to the unintended consequence of slowing local economic activity. Additionally, “vice taxes” can benefit municipalities at the expense of social health in the community.
Mitigation Strategy	Develop a framework identifying the costs and benefits with each potential option and weigh the options according to net benefit to the region.

Recommendation 6: Prioritize Capital Spending on Projects that Align with Long-term Strategic Objectives

The required wastewater upgrades have highlighted the difficulty of balancing mandated regulatory projects with infrastructure projects that progress strategic initiatives. Although the worst-to-first mentality for prioritizing capital spending has the benefit of providing equity among residents and communities, the risk of allocating funds to projects that do not support strategic priorities will delay project timelines and the associated potential economic benefits. Application of a framework to work out priorities can be beneficial in making good decisions.

Current State: The current strategy of worst-to-first sees the municipality assigning future capital spending based on a project’s determined need and the current state of the assets in question. In addition to the internal processes, regulatory demands from external bodies (i.e. the federal government and wastewater treatment) supersede internal criteria, potentially resulting in further delays to strategic initiatives that align with larger municipal economic strategies.

Evidence: Saint John, New Brunswick

Saint John cited previous experiences of pursuing specific projects based on the level of external funding. The result has at times been allocating resources to projects that don’t progress municipal objectives and result in on-going operational costs, which continually draw capital from other areas of municipal services. As a result, the municipality developed the following framework to prioritize capital projects, all of which must be aligned with the long-term financial and strategic plan:

- **Mandatory:** Must be completed due to legal or regulatory requirements.
- **Risk:** Required to mitigate liability associated with health, safety, and sudden asset failure.
- **Priority of Council:** As stipulated in the long-term financial plan, supported by evidence-based asset management recommendations, and alignment with the City’s strategic plans.
- **Positive Financial Impact:** Capital request supported by a business case that demonstrates a positive financial impact for taxpayers.
- **Discretionary:** New assets which aim to increase or enhance service levels to residents and taxpayers.

Suggestions for Implementation:

1. *List and prioritize the planned five-year capital expenditures that align with determined economic strategies:* The development of the second port berth, the potential for a future container facility, and the relocation of the NSCC are all examples of future economic drivers that will likely influence future capital needs and opportunities.
2. *Develop a framework for assessing the overall importance and alignment of the projects:* If focused densification efforts are listed as a key priority for the CBRM, projects that support and facilitate the likelihood of achieving those objectives should receive a higher score over projects that do not.

3. *Align the framework with the CBRM’s financial and strategic plans:* The prioritization of capital projects should complement and align with the financial and strategic objectives being pursued by council. This aspect reinforces the importance of a developed strategic and financial plan to support the budgeting and decision-making process.

Ease of Implementation and Impact:

Ease of Implementation	Potential Magnitude of Impact
<p>Moderate: The development of a more formalized framework for assessing strategic direction isn’t drastically different from the current methodology and budgeting process, however, any amendments which result in the delay of projects that hold significance for specific communities will likely be accompanied by political pushback.</p>	<p>Economic Health – High: Focusing mid-term capital investments on projects that support economic objectives will directly bolster and accelerate the economic health of the region.</p> <p>Livability – Moderate: Accelerating projects that align with strategic objectives will provide benefits to the overall livability of the region. However, delayed projects related to specific areas of the City will negatively impact livability for specific residents.</p> <p>Business & Policy Environment – Moderate: The political challenges that may accompany a prioritization of specific regions will negatively influence the political environment, yet focused development of specific regions (i.e. downtown Sydney) will support improvements to the business environment.</p> <p>Human Capital – Low: Prioritized infrastructure development will provide minimal benefits to the levels of human capital in the region.</p>

1) Potential communities and segments of the population feel slighted by capital allocation	
Anticipated Problem	Districts that have infrastructure projects delayed in favour of other short-term projects could potentially create political unrest among districts that feel their tax dollars are being allocated to other regions.
Mitigation Strategy	Develop and reference the economic strategy for the region and the importance and benefit of progressing specific strategic initiatives, specifically ones aligned with economic development.

Recommendation 7: Explore the Feasibility of Multiple Commercial Tax Categories or Lowering Commercial Tax Rates

The current commercial property rates are comparatively high when benchmarked against other Canadian cities, with the consensus being that the higher the overall tax burden, the lower the attractiveness for new business entrants. For a region that urgently needs to stimulate economic activity and job creation, a high commercial tax burden adds a barrier to those objectives. Amending the commercial rates by creating separate categories with different rates could more accurately reflect the businesses ability to pay. Alternatively, developing a strategy that ultimately results in lower commercial tax rates will support the economic objectives of the region and increase the CBRM’s competitiveness on that front.

Current State: The relatively broad-based rate for all commercial properties has different implications for different businesses. For example, a commercial property in Sydney with an assessment of over \$2M would face an annual municipal tax bill of over \$100,000 annually. For some businesses, this amount would be considered a significant annual cost and influence ongoing sustainability. Furthermore, although the practice of levying higher commercial rates is common practice among Canadian municipalities, the rational that commercial properties should be expected to pay higher rates for the same level of services

conflicts with the stated principles of most municipal taxation structures regarding equity for services rendered⁵².

Evidence: Sarnia, Lambton County, Ontario

Sarnia’s commercial tax structure consists of different categories for different property classes, as well as categories for current occupancy status, excess land, and if the development is considered new construction. A sample of the categories and the respective rates are as follows and provide ideas of options that could be considered in a strategy CBRM might consider:

Property Class	2018 Rates
Commercial - Farmland	0.533933%
Industrial - Farmland	0.533933%
Commercial - Occupied	3.545573%
Commercial - Excess Land	2.481900%
Commercial - Vacant Lands	2.224775%
New Commercial	3.295573%
Parking Lots & Vacant Land	2.224775%
Office Building - Occupied	3.421810%
Office Building (New Construction)	3.171810%
Shopping Centres - Occupied	4.164254%
New Shopping Centres	3.914254%
Industrial - Occupied	4.115531%
Industrial - Vacant Lands	2.675096%
New Industrial	3.865531%
Large Industrial - Occupied	5.411282%

Although having multiple categories increases the complexity of administering commercial taxes, it is worth noting that the rate a large industrial commercial property would be levied in Sarnia is comparable to the rate that all commercial properties in Sydney are currently levied.

Suggestions for Implementation:

1. *Request Amendments to the necessary legislation to have further commercial tax categories:* The current practice of levying a uniform commercial tax rate may be a disincentive for certain institutions. It is critical to align commercial tax rates with the Economic Development Plan in order to position CBRM as a highly attractive municipality to do business in.
2. *Benchmark tax rates with similar municipalities and conduct consultations with target commercial institutions:* Upon identifying the several categories, it will be important to involve stakeholders from the industry to seek inputs on the proposed tax categories.

Ease of Implementation and Impact:

Ease of Implementation	Potential Magnitude of Impact
Low: The planned development of a new municipal charter will support the required	Livability – Moderate: A potential decline in commercial rates will have to be offset through other sources, most likely being residential. Increases to the residential tax burden will negatively influence

⁵² Kitchen, Harry, Slack, Enid, “Municipal Property Tax Issues in the City of Saint John”, August 2017.

<p>legislative challenges that will be required for additional options regarding commercial rates, however, alignment among municipalities will be required for amendments. The challenges of developing and administering a more robust commercial tax structure, or lowering commercial rates in general, will likely increase the administrative burden and overall complexity of the system.</p>	<p>livability, yet expanding employment opportunities will provide greater benefits to livability conditions.</p> <p>Business & Policy Environment – High: Improvements to the mandatory costs of doing business will support improving the competitiveness of the business and policy environment. The level of reduction will influence the overall impact, yet any reductions in general rates would likely be welcomed by all businesses.</p> <p>Human Capital – Low: Reducing the tax burden on commercial properties will provide minimal direct benefit to the area of human capital.</p> <p>Economic Health – Moderate: Decreasing the mandatory costs of doing business will support the attraction and development of new businesses, which in-turn will support continued improvements to the economic health of the region.</p>
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Recommendation 8: Explore Applying the Marketing Levy to Airbnb Style Rentals

The marketing levy on hotels was established in 2011 and is currently set at 2%. Since the levy’s inception, rental property platforms have grown dramatically, increasing access for both property owners and interested renters. As growth of the industry has continued to influence competition within the hospitality sector, several cities have expanded hotel taxes to include the growing sector. Although the benefit to the municipality would be indirect (proceeds from the marketing levy are distributed to the Cape Breton Partnership), increasing revenues to fund economic initiatives will support long-term objectives.

Current State: The marketing levy on hotels was established in 2011 in an effort to fund the economic initiatives of the Destination Cape Breton Association. Since the levy’s inception, rental property platforms have grown dramatically, increasing access to property owners and interested renters. The property owners directly benefit from marketing initiatives that are driving tourism, and the additional costs borne by existing hotels contribute to a competitive advantage for property owners leveraging web based rental services.

Evidence: Cities across Canada are assessing if the growth of web based applications and the resulting increase in rental properties merit amendments to existing taxation levies. As the popularity of Airbnb style rentals continue to increase, mandatory levies incurred by hotels are justifiably being questioned. The City of Ottawa recently required that all web based rental applications include the same marketing levy that is incurred by local hotels⁵³. The services are responsible for collecting and remitting on behalf of property owners at the point of booking.

Suggestions for Implementation:

1. *Request Amendments to the necessary legislation to include any properties operating in the business of rental properties:* The current legislation is focused on hotels or hospitality businesses with a minimum of 10 rooms. Any properties that are being used as short-term rentals on established sites (i.e. Airbnb, VRBO) should be included in the levy to ensure equitable taxation and that businesses benefiting from increased levels of tourism are contributing to the costs associated with promoting the region.

⁵³ Financial Post, “Airbnb to Collect, Remit Hotel Tax on its Listings in City of Ottawa”, July 2018.

2. *Notify the various booking platforms to be collected and remitted on behalf of payers:* Initial research intimated that once the legislation is confirmed, notifying representatives of the platforms to include a 2% levy on any properties within Cape Breton will sufficiently track and levy the amended tax.
3. *Create monitoring systems and controls to ensure compliance:* The rental platforms should minimize the administrative burden placed on the CBRM, yet some administrative effort will be required to ensure that both web based platforms and rental property owners are remaining compliant with the amended legislation.

Ease of Implementation and Impact:

Ease of Implementation	Potential Magnitude of Impact
<p>High: From initial research, it appears the platforms hosting the service (i.e. Airbnb) are responsible for collecting and remitting the tax at point of sale, significantly facilitating the ease of implementing the levy following amendments to the current marketing levy.</p>	<p>Livability – Low: Increased revenues from the marketing levy will provide negligible value to characteristics that influence livability in the region.</p> <p>Business & Policy environment – Moderate: Improvements to the equitability of the marketing levy will be appreciated by businesses currently operating hotels and bed and breakfasts. Residents who are currently benefiting from services such as Airbnb will not be burdened with additional administrative requirements as the responsibility for collection and remittance falls on the service provider.</p> <p>Human Capital – Low: Increased revenues from the marketing levy can support the development and utilization of local talent to contribute to a renewed marketing initiatives.</p> <p>Economic Health – Moderate: Increasing available funds for economic development initiatives through the marketing levy will provide organizations, such as the Destination Cape Breton Association, with additional funds to pursue strategic objectives.</p>

Recommendation 9: Utilize the Nova Scotia Federation of Municipalities to Work with Other Municipal Governments and the Province on a Strategy to Amend the CAP

At the onset of the viability study, Grant Thornton was informed of the extensive research and debate that has occurred relating to the Capped Assessment Program, and was instructed to focus recommendations on areas that are within the control of the municipal government. The sentiment is completely understood, yet the significance of the CAP and its impact on municipal taxation policy merits inclusion in the recommendations.

Current State: As indicated by the PVSC reports, the current difference between the CAP assessed values and actual market values currently amounts to over \$900M, with over 85% of all residential dwelling units currently CAP eligible. As the CBRM assesses potential adjustments to the residential taxation structure, the inclusion of the CAP is a) complicating any amendments, and b) delaying meaningful change as the potential amendments would likely need to be changed again following any changes to the CAP.

Evidence: Moncton and Saint John, New Brunswick

The municipalities of New Brunswick formed an organization, *8 Cities One Voice*, to drive change regarding the municipal tax system and the role the provincial government plays in municipal regulations and

funding. The organization formalized a plan (Strong Cities, Strong Province) that outlines five key objectives for improving the current situation. The objectives are⁵⁴:

- The implantation of a fair property tax system
- A change to provincial arbitration legislation (police and fire) to consider affordability
- The ability of our cities to generate non-tax derived revenue
- Ability for cities to implement a hotel levy
- Municipal sharing of cannabis revenue

Suggestions for Implementation:

1. *Take a leadership role in organizing representatives from other municipalities within the Nova Scotia Federation of Municipalities:* Much like the *8 Cities One Voice* organization in New Brunswick, the municipalities in Nova Scotia will have greater success in aligning shared goals and objectives among municipalities. If municipal governments don't want to contribute for specific reasons, then the Department of Municipal Affairs can contribute to a resolution.
2. *Formalize and implement a phase-out of the CAP:* The CBRM has already detailed a potential plan to gradually phase out the CAP, acceptance and cooperation from the provincial government and coordination with other municipalities will be required for implementation. Consultations with other municipalities and alignment between the different entities will be critical before approaching the Province with potential alternatives.
3. *Amend proximity rates:* With the projected transfer of wastewater to utilities, potential amendments to the fire services structure and public support for transitioning transit services to the base rate⁵⁵, there wouldn't be justification for continued area rates (aside from hydrant rates which a required to be billed as such by UARB standards).
4. *Standardize urban and rural rates:* Assess if there are any significant service lapses in specific areas that would prevent the standardization of a residential rate for the CBRM.
5. *Lower the base rate to align with the phase out of the CAP:* As the CAP is phased out, gradually lower the base rate to reflect the changes in assessed values.
6. *Slightly increase the base rate to provide increased annual net benefit to the CBRM:* A marginal increase to municipal rates, something that hasn't occurred since amalgamation, would provide the CBRM with an annual increase in total revenues that isn't dependent on external factors, improving the planning and budgeting aspects of municipal operations.

Ease of Implementation and Impact:

Ease of Implementation	Potential Magnitude of Impact
<p>Low: Phasing out the CAP program will require acceptance and coordination with the Province, as well as other municipal regions. Previous discussions appear to have not produced any meaningful change to date,</p>	<p>Livability – Moderate: Increases to residential taxes will negatively influence livability, however the benefit of a marginal increase to taxes, something that hasn't occurred since amalgamation, will provide the municipality with a much needed boost to reoccurring revenues while not dramatically increasing the burden experienced by residents.</p> <p>Business & Policy environment – Moderate: Slightly increasing the residential tax burden will provide additional revenues for municipal</p>

⁵⁴ As per the 8 Cities One Voice, Strong Cities Strong Province Report.

⁵⁵ As per the CBRM Budget 2017-18 Public Survey.

<p>as the considerations have to be made regarding the potential impacts and best methodology to phase out the program so as to limit the financial impact.</p>	<p>services and infrastructure while not increasing mandatory costs to businesses.</p> <p>Human Capital – Low: Amendments to the CAP would not directly influence the level of human capital in the CBRM, yet improving the equity of taxation for new developments could support attracting new residents to the region.</p> <p>Economic Health – Moderate: Removing the CAP could influence the level of real estate transactions currently taking place by removing the disincentive to move or renovate properties, supporting an increase in activity in the sector.</p>
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1) Discussions with the Province continue to produce little to no meaningful change	
Anticipated Problem	The CAP has been a contentious issue for years, and the process of ending the program would be complicated and has the potential to result in financial challenges for residents currently benefiting from the program. It appears previous discussions with the province have not produced any meaningful change to date, even though municipalities throughout Nova Scotia appear to be in agreement that the program is producing unintended economic consequences.
Mitigation Strategy	Representatives from the CBRM have already completed a tremendous amount of work to date and continue to work with the Province to make progress on a plan to remove the program in the least disruptive way possible. The inclusion of other municipalities in planning discussions would likely support progressing toward a resolution that satisfies all parties.

Implementation Roadmap

The following section provides a high-level roadmap to prioritize the recommendations based on the estimated ease of implementation and impact on viability on a comparative (relative) basis. This is followed by a summary of the recommendations and potential accountable parties to be associated with each task.

Table 16: Impact and Implementation Matrix

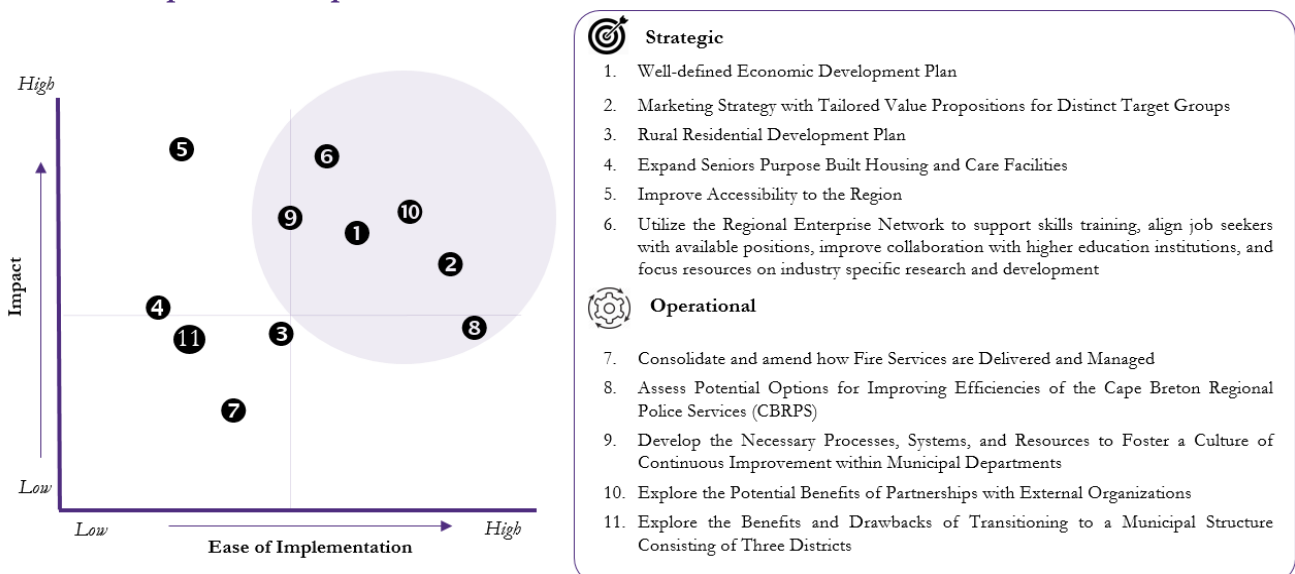


Table 17: Impact and Implementation Matrix

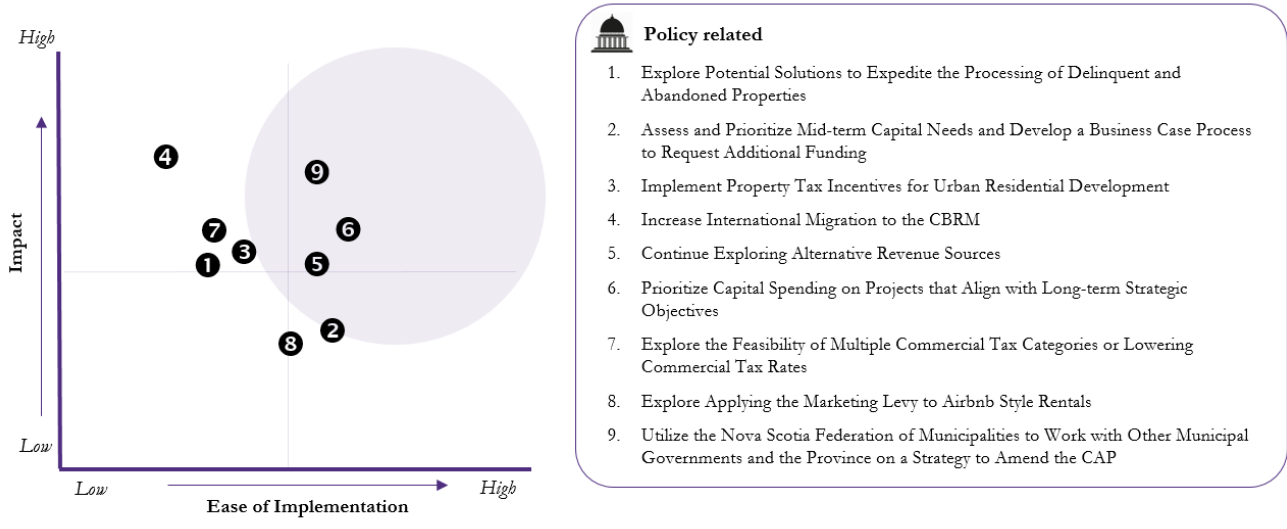


Table 18: Implementation Roadmap⁵⁶

Task	Primary Activities	Accountability	Implementation Complexity	Time Horizon	Approximate Cost (\$ - \$\$\$)
<i>Strategic Recommendations</i>					
1. Well defined Economic Development Plan	1. Identify internal resources and external partners that will contribute to the development and implementation of the plan	Cape Breton Reginal Municipality Regional Enterprise Network	Moderate	Short Term	\$\$
	2. Leverage the completed planning to date to inform the development of economic priorities:	Executive team			
	3. Develop clearly defined and measurable objectives within the plan:	Executive team			
	4. Identify key environmental factors, both	Executive team			

⁵⁶ The approximate cost is intended to provide an order of magnitude estimate of the potential costs associated with each recommendation. Full quantification of associated costs was not completed.

	internal and external, that will influence the plan's success:				
2. The Development of a Marketing Strategy with Tailored Value Propositions for Distinct Target Groups	1. Identify the different groups the CBRM is seeking to attract:	Cape Breton Regional Municipality Regional Enterprise Network	High	Short Term	\$\$
	2. Understand and synthesize why prospective groups should invest in the CBRM, and what unique opportunities the region provides				
	3. Collaborate with existing tourism and regional economic development organizations to ensure consistency and alignment:				
	4. Develop a comprehensive marketing campaign:				
3. Rural Residential Development Plan	1. Review current surplus inventory:	CBRM Administration and Planning department	Moderate	Long Term	\$\$
	2. Work with the planning department to assess what areas would present the most desirable development opportunities that are attractive to prospective buyers/developers				
	3. Consult with potential developers and builders to assess needs and terms for partnership:				
	4. Develop and amend zoning to				

	accommodate desired plans:				
	5. Confirm conditions for partnership and select suitable partners for community developments				
4. Expand Seniors Purpose Built Housing and Care Facilities	1. Explore the potential options available to the CBRM	CAO, CBRM Administration, Planning department, Facilities department	Low	Medium Term	\$\$\$
	2. Select potential locations that align with proximity to essential services and future development plans:				
	3. Identify potential partners and labour needs:				
	4. Create a seniors advisory council:				
5. Improve Accessibility to the Region	1. Consult with the airport to assess the process for increasing seasonal low-cost carriers and increased cargo traffic:	Port of Sydney Development Corporation	Low	Long Term	\$\$\$
	2. Work with provincial and regional governments to bolster feasibility of increasing accessibility via the Sydney Airport:				
	3. Assess the forecasted costs of incentivizing or attracting low-cost carriers during specific months and potential				

	sources of funding:				
	4. Assess the projected costs and schedule of repairing and maintaining the rail line to Truro:				
	5. Expand and Improve and broadband connectivity needs				
6. Utilize the Regional Enterprise Network to Support Skills Training, Align Job Seekers with Available Positions, Improve Collaboration with Higher Education Institutions, and Focus Resources on Industry Specific Research and Development	1. Develop an organization that consists of members from government, secondary education, and the private sector: 2. Identify current municipal strengths to focus initial investment: 3. Identify potential funding and investment sources:	Cape Breton Reginal Municipality Regional Enterprise Network, executive team consisting of municipal, private businesses, and education institutions	Moderate	Medium Term	\$

<i>Operational Recommendations</i>					
1.Consolidate and amend how Fire Services are Delivered and Managed	1. Create a committee consisting of members from various stakeholders within the CBRM and the Fire Department Services group	CAO, CFO, CBRM Administration, Fire Department, Executive committee	Low	Short Term	\$
	2.Confirm the feasible options available to the CBRM regarding consolidation:				
	3. Identify the required process for consolidating the roles, people, equipment, and facilities:				
	4. Propose a new organizational structure which provides the				

	greatest benefits to the region without disrupting service delivery:				
2. Assess Potential Options for Improving Efficiencies of the Cape Breton Regional Police Services (CBRPS)	1. Work with the CBRPS leadership group to discuss initial options	CAO, CFO, CBRM Administration, Police Department	High	Short Term	\$
	2. Conduct a formal review of current and projected policing costs:				
	3. Identify and rank potential cost savings opportunities				
3. Develop the Necessary Processes, Systems, and Resources to Foster a Culture of Continuous Improvement within Municipal Departments	1. Standardization of strategic planning process for all departments:	CAO, Department heads	Moderate	Medium Term	\$\$
	2. Performance measures and reporting				
	3. Redesign necessary work processes to align activities with outcomes:				
	4. Potential incentive and recognition programs:				
	5. Asset Management Program:				
4. Explore the Potential Benefits of Partnerships with External Organizations	1. Work with internal directors to identify and assess potential opportunities for partnership:	CAO, Department heads, CBRM Administration	Moderate	Long Term	\$\$
	2. Rank the feasibility and potential benefits of the proposed partnership:				
	3. Identify what needs must be fulfilled by the CBRM for successful partnerships:				
	4. Approach partners to initiate negotiations:				
5. Explore the Benefits and Drawbacks of Transitioning to a Municipal Structure Consisting of Three Districts	1. Develop a potential model with an amended district representation model to support regional planning:	Mayor & Council, CBRM Administration	Low	Long Term	\$\$\$
	2. Survey residents to assess the appetite for the proposed changes:				

<i>Policy related recommendations</i>					
1. Explore Potential Solutions to Expedite the Processing of Delinquent and Abandoned Properties	1. Identify the legal hurdles and barriers that delay the processing of abandoned and vacant homes	Council, CBRM Administration, Legal	Low	Medium Term	\$
	2. Assess the current level of resources available to process tax delinquent homes and if additional resources will improve the duration:				
	3. Assess potential options to improve the duration or collections relating to specific homes				
2. Assess and Prioritize Mid-term Capital Needs and Develop a Business Case Process to Request Additional Funding	1. Formalize a process for preparing and submitting business cases to the province for the revenue adjustments the CBRM is seeking, the rationale for the adjustment, and the intended use of funds:	CAO, CFO, CBRM Administration	Low	Medium Term	\$
3. Implement Property Tax Incentives for Urban Residential Development	1. Develop specific grants and tax incentives for development in key urban areas:	Council, CAO, CFO	Moderate	Medium Term	\$\$\$
	2. Make necessary amendments to the Municipal government Act to implement the incentives				
	3. Market and promote the incentives to developers and the public				
4. Increase International Migration to the CBRM	1. Assess what future growth sectors will create specific labour shortages and needs	Council, CAO, CFO	Low	Long Term	\$\$
	2. Consult with federal and provincial organizations to understand all requirements for securing international migrants				
	3. Work with third-party immigration institutions to facilitate the process of sourcing suitable foreign candidates:				
	4. Set annual growth targets for international immigration numbers that align with specific employment opportunities:				
5. Continue Exploring Alternative	1. Narrow and rank potential options based on an established criteria:	CAO, CFO, CBRM Administration	Moderate	Long Term	\$

Revenue Sources	2. Assess the current limitations from the Municipal Government Act (MGA):				
	3. Consult with other municipalities and the Province to discuss best practices and lessons learned through their experiences:				
	4. Incorporate findings into the first iteration of the CBRM Charter to progress on-going amendments with the Province:				
6. Prioritize Capital Spending on Projects that Align with Long-term Strategic Objectives	1. List and prioritize the planned five-year capital expenditures that align with determined economic strategies	Council, CAO, CFO, CBRM Administration	Moderate	Short Term	\$
	2. Develop a framework for assessing the overall importance and alignment of the projects:				
	3. Align the framework with the CBRM's financial and strategic plans:				
7. Explore the Feasibility of Multiple Commercial Tax Categories or Lowering Commercial Tax Rates	1. Request Amendments to the necessary legislation to have further commercial tax categories	Council, CFO, CBRM Administration	Low	Medium Term	\$\$
	2. Benchmark tax rates with similar municipalities & conduct consultations with representatives of enterprises with large presence in CBRM				
8. Explore Applying the Marketing Levy to Airbnb Style Rentals	1. Request Amendments to the necessary legislation to include any properties operating in the business of rental properties	Council, CBRM Administration	High	Short Term	\$
	2. Notify the various booking platforms to be collected and remitted on behalf of payers				
	3. Create monitoring systems and controls to ensure compliance:				
9. Utilize the Nova Scotia Federation of Municipalities to Work with Other Municipal Governments	1. Take a leadership role in organizing representatives from other municipalities within the Nova Scotia Federation of Municipalities	Council, CAO, CFO, CBRM Administration	Low	Long Term	\$\$
	2. Formalize and implement a phase-out of the CAP:				
	3. Amend proximity rates				

and the Province on a Strategy to Amend the CAP	4. Standardize urban and rural rates				
	5. Lower the base rate to align with the phase out of the CAP				
	6. Slightly increase the base rate to provide increased annual net benefit to the CBRM:				

Appendices

Appendix A: Framework References

1. The Conference Board of Canada, “Achieving Sustainable Prosperity”, April 2015.
2. Marshall, John A., Douglas, David J.A., “The Viability of Canadian Municipalities: Concepts and Measurements”, August 1997.
3. Atlantic Provinces Economic Council, “Explaining Nova Scotia’s Economic Performance: What Do We Know?”, March 2014.
4. Municipal Benchmarking Network Canada, “MBNCanada Performance Measurement Report”, 2017.
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6. Kitchen, Harry and Slack, Enid, “Municipal Property Taxation in Nova Scotia”, April 2014.
7. City of Saint John, “Population Growth Framework”, 2017.
8. Youthfulcities 2019 Urban Work Index, “Best Cities for Youth to Work in Canada”, 2019.
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10. City Network Along the Silk Road, Global Urban Competitiveness Report, 2017.
11. Dixon, J.Micheal, “A Smart Approach to Fixing Cities’ Problems”, Harvard Business Review, April, 2013.
12. Macomber, John D., “Building Sustainable Cities”, Harvard Business Review, July 2013.

Appendix B: Future Projections Model

Approach and Methodology

Scenario 1: Reference (Status Quo) Scenario

Key influencing variables:

1. Historic growth/decline rate in population between 2011 and 2016
2. Births to fertile population ratio

For Status Quo scenario, the total population is forecast to decline at the historical rate for the next ten (10) and twenty (20) years.

It is assumed that each cohort or age bracket (e.g. 0-4 years or 5-9 years) will continue to exhibit a growth/decline trend similar to that between years 2011 and 2016.

1. The net growth rate for each cohort between 2011 and 2016 is used to determine an annualized compounded growth rate. This annualized growth rate represents the net growth/decline rate based on number of births, survivability and net migration.
2. It is assumed that for each age cohort, there is a uniform distribution of population among all age categories (e.g. for cohort 0-4 years, it is assumed that each age category i.e. age 0,1,2,3, and 4 has 20% of the total population of that entire cohort).

3. For each year from 2017 onwards, 80% of the total population of the preceding year is included in that respective year. Based on the aforementioned assumption, a certain growth/decline rate is applied to that 80% population.
4. When 80% of the preceding year's population is carried over to the current year, only survivability and net migration are accounted for and number of births in that year are not accounted for. Therefore, the number of births for each year is calculated independently.
5. Based on the actual births in 2014, 2015 and 2016 in CBRM, a '*number of births to fertile population*' ratio is determined. The fertile population is assumed to be in the age brackets starting from 15-19 to 40-44.⁵⁷ A mean (of 2014, 2015, and 2016) of these ratios is used for calculation later.
6. To determine the number of new births for each year from 2017 onwards, the number of births to fertile population ratio is multiplied by the projected fertile population of that respective year.

Scenario 2: Optimistic Growth

Key influencing variables:

Of the three primary determinants discussed above, only net migration variables are assumed to be directly influenced based on the following factors:

1. Commercial growth and development due to planned capex for port development (Sydney Cruise extension), Waste-water projects and road infrastructure projects
2. Increase in tourism leads to higher economic activity from external sources and higher awareness
3. Higher retention of university population based on improved employment opportunities
4. Increased development of recreational properties
5. Improved entrepreneurship
6. Improved labour pool and knowledge base
7. Increased international immigration

Impact on projections model:

Influencing factors	Years of impact
<ol style="list-style-type: none"> 1. Increase in tourism leads to higher awareness, leading to higher immigration required for primary (e.g. hotels) and supporting/service industries (e.g. restaurants) 2. Higher retention of university population based on improved employment opportunities 3. Improved entrepreneurship and employment opportunities 4. Improved labour pool and knowledge base 	2024 and onwards
<ol style="list-style-type: none"> 1. Commercial growth and development due to planned capex for port development 2. Increased international immigration 	2023 and onwards

⁵⁷ Ohio Development Services Agency, Population Projections Methodology, September 2018.

Beyond these influencing factors, which will translate to a higher rate of growth or lower rate of decline vis-à-vis the reference scenario, certain factors such as increased capex will have a direct quantifiable impact on the population of CBRM.

Every \$100 million of infrastructure investment would boost job growth by 1000 full time equivalents (FTE's)⁵⁸. An estimate based on the nearest hundred people is assumed for the purposes of the projection.

Assumptions and impact of capital investment on CBRM's population.

- Assume that 40% of the new FTEs created would be taken up by existing residents of CBRM.
- The remaining 60% FTEs would be taken up by new individuals from outside of CBRM. Of these migrant workers, we assume that 50% will remain in CBRM and would contribute to the total population of CBRM.
- The remaining workers would stay in CBRM only for the tenure of the capital investment and would not have a prolonged impact on CBRM's population (e.g. while indirect and induced impacts will likely occur, particularly in service and accommodation industries, this population group is not anticipated to impact CBRM's residential tax revenues, nor CBRM's municipal expenditures materially). Therefore, this group is not included in CBRM's full time population forecast.
- The assumed FTEs created based on the capital forecast will be sourced in the same method throughout the forecast period (i.e. 50% of individuals who remain in CBRM and who become existing residents, will be part of the existing population of CBRM that takes up 40% of the new FTEs created).
- Each new FTE will impact the population in the year subsequent to year of capital investment
- Assume an equal (50/50) split of males and females for these FTE's at every stage of top-down analysis
- It is assumed that currently CBRM incurs \$30M as annual capital expenditure (capex). Going forward, CBRM has projected additional capex from year 2020 to year 2028.
- The incremental amount of projected annual capex was analyzed to ascertain the impact on total number of jobs and consequently number of people that become residents of CBRM
- In essence, ~\$168M of incremental capex over eight (8) years (2020-2028) will lead to **1,684 FTE jobs**. This is likely to add **505** people to CBRM's total population post the tenure of the capital investment.

Year	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Growth Factors										...
Projected Capex	\$59M	\$52M	\$50M	\$62.5M	\$50M	\$50M	\$50M	\$50M	\$50M	-

⁵⁸ Economy Policy Institute, "Potential macroeconomic benefits from increased infrastructure investment", July 2017

Incremental Capital Investment	\$25.10M	\$18.10M	\$16.10M	\$28.62M	\$16.1M	\$16.1M	\$16.1M	\$16.1M	\$16.1M	-
Impact on employment (FTE's)	+251	+181	+161	+286	+161	+161	+161	+161	+161	-
Incremental impact on full time population (60% of FTEs, 50% remain)		75	54	48	86	48	48	48	48	48
*Cumulative impact on CBRM's population		75	130	178	264	312	360	409	457	505

**The cumulative impact on CBRM's population does not take into account new births due to newly added population. Including new births will further impact the total population but only insignificantly.*

Scenario 3: Pessimistic growth

Key influencing variables:

Of the three primary determinants discussed above, only net migration variables can be directly influenced for future projections based on the following factors:

1. Low funding for mandatory capex and critical infrastructure , leading to higher outmigration of young population
2. Accelerated unemployment rate
3. Accelerated mortality rate due to higher weighted senior age group
4. Increases to cost of living compared to regional alternatives
5. Macro-level disruptive challenges impacting economic and commercial development
6. Lower levels of fertile population
7. Real estate risks deriving from increases in number of vacant or abandoned homes
8. Low private investment due to perceived risks and lack of aligned human capital

Subsequent to projecting population for all scenarios, the following projected variables were determined to analyze the relationship between population and the respective variables

1. Revenues (Residential, Commercial, Provincial, Alternative)
2. Infrastructure deficit
3. Capital spending
4. Number of dwelling units
5. Tax burden

A key output of the population projections will be to understand the impact on revenues and expenditures for all three (3) scenarios.

Approach to determine revenues:

1. Determine current relationship between dwelling units and population.
Population/ (Dwelling Units * Occupancy Rate) = Population to Dwelling Units ratio
For Occupancy %, ratio of Collected taxes/Uncollected taxes was used as a proxy.
2. Use the Population to Dwelling Units ratio to project number of active dwelling units.
3. Use Residential Tax Revenue/Dwelling Units ratio to project total residential revenues (i.e. average dollars of collected residential tax revenue per dwelling).
4. Use historical Residential Tax to Commercial Tax ratio to project commercial tax revenues.
5. Other sources of revenues such as Grants and Equalization payments are assumed to be constant for these projections.

Approach to determine infrastructure deficit:

Key influencing variables:

1. Current annual unfunded infrastructure deficit (2019)
2. Change in population
3. Operational surplus/deficit
4. Annual rate of depreciation

Approach:

- It is assumed that CBRM had \$34.70M in Infrastructure Deficit (mandatory) at the start of year 2019 (*Refer to Appendix 'A' of Current State Analysis*)
- In scenarios where CBRM has operational surplus, that amount is assumed to fund the infrastructure deficit and is therefore deducted from the cumulative deficit amount.
- Annually, a depreciation rate of 7.36%⁵⁹ is applied to the cumulative infrastructure deficit amount.

Appendix C: Nominal Budget Forecast: An Illustrative Impact on Operating Budget and Infrastructure Deficit

Table 1C: Reference Scenario: Operating Budget

Year (In \$ Million)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Total Revenues	\$145.99	\$144.71	\$143.47	\$142.26	\$141.06	\$139.86	\$138.65	\$137.41	\$136.15	\$134.84
Total Expenditures	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52
Surplus/Deficit	\$(0.53)	\$(1.81)	\$(3.05)	\$(4.26)	\$(5.46)	\$(6.66)	\$(7.87)	\$(9.11)	\$(10.37)	\$(11.68)

Year (In \$ Million)	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Total Revenues	\$133.48	\$132.06	\$130.58	\$129.03	\$127.40	\$125.70	\$123.93	\$122.07	\$120.14	\$118.14

⁵⁹ Stats Canada, "List of depreciation rates under new Asset Code Classification", November 2015

Total Expenditures	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52
Surplus/Deficit	\$(13.04)	\$(14.46)	\$(15.94)	\$(17.49)	\$(19.12)	\$(20.82)	\$(22.59)	\$(24.45)	\$(26.38)	\$(28.38)

Table 2C: Reference Scenario: Infrastructure Deficit

Year (In \$ Million)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Infrastructure Deficit	\$38.50	\$41.34	\$44.38	\$47.65	\$51.16	\$54.93	\$58.97	\$63.31	\$67.97	\$72.98

Year (In \$ Million)	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Infrastructure Deficit	\$78.35	\$84.12	\$90.31	\$96.96	\$104.10	\$111.77	\$120.00	\$128.83	\$138.32	\$148.50

Table 3C: Pessimistic Scenario: Operating Budget

Year (In \$ Million)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Total Revenues	\$145.99	\$144.71	\$143.47	\$142.26	\$140.82	\$139.21	\$137.18	\$134.76	\$131.98	\$128.63
Total Expenditures	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52
Surplus/Deficit	\$(0.53)	\$(1.81)	\$(3.05)	\$(4.26)	\$(5.70)	\$(7.31)	\$(9.34)	\$(11.76)	\$(14.54)	\$(17.89)

Year (In \$ Million)	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Total Revenues	\$125.23	\$121.69	\$118.34	\$115.19	\$112.69	\$110.71	\$109.01	\$107.39	\$106.21	\$105.43
Total Expenditures	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52
Surplus/Deficit	\$(21.29)	\$(24.83)	\$(28.18)	\$(31.33)	\$(33.83)	\$(35.81)	\$(37.51)	\$(39.13)	\$(40.31)	\$(41.09)

Table 4C: Pessimistic Scenario: Infrastructure Deficit

Year (In \$ Million)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Infrastructure Deficit	\$38.50	\$41.34	\$44.38	\$47.65	\$51.16	\$54.93	\$58.97	\$63.31	\$67.97	\$72.98

Year (In \$ Million)	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
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Infrastructure Deficit	\$78.35	\$84.12	\$90.31	\$96.96	\$104.10	\$111.77	\$120.00	\$128.83	\$138.32	\$148.50
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Table 5C: Optimistic Scenario: Operating Budget

Year (In \$ Million)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Total Revenues	\$145.99	\$144.71	\$143.47	\$142.26	\$142.96	\$144.02	\$145.43	\$147.23	\$149.41	\$151.28
Total Expenditures	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52
Surplus/Deficit	\$(0.53)	\$(1.81)	\$(3.05)	\$(4.26)	\$(3.56)	\$(2.50)	\$(1.09)	\$0.71	\$2.89	\$4.76

Year (In \$ Million)	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Total Revenues	\$153.27	\$155.21	\$157.27	\$159.44	\$161.57	\$163.82	\$166.02	\$168.34	\$170.61	\$173.01
Total Expenditures	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52
Surplus/Deficit	\$6.75	\$8.69	\$10.75	\$12.92	\$15.05	\$17.29	\$19.50	\$21.82	\$24.09	\$26.49

Table 6C: Optimistic Scenario: Infrastructure Deficit

Year (In \$ Million)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Infrastructure Deficit	\$38.50	\$41.34	\$44.38	\$47.65	\$51.16	\$54.93	\$58.97	\$63.31	\$67.22	\$69.07

Year (In \$ Million)	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Infrastructure Deficit	\$69.04	\$66.88	\$65.27	\$63.15	\$59.48	\$54.17	\$50.73	\$46.09	\$40.11	\$32.72

Appendix D: Documents Reviewed and Cited

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11. 8cities New Brunswick, Strong Cities Strong Province, 2018
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Appendix E: Current State Report

Viability Study

Cape Breton Regional Municipality

Current State Assessment Interim Report

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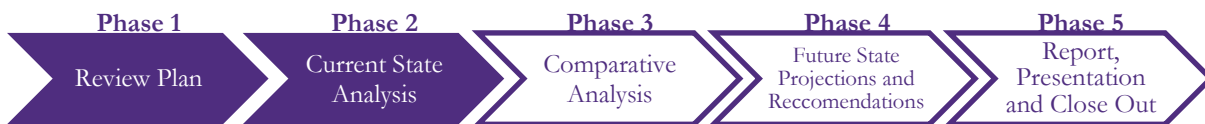
Authorship

This interim report is prepared by Grant Thornton LLP (Grant Thornton) for the Cape Breton Regional Municipality (referred to as the CBRM, Municipality, or Regional Municipality throughout) Viability Study Steering Committee (referred to as Steering Committee). This report is based on information and documentation that was made available to Grant Thornton as well as information obtained from third party sources prior to the time of drafting the report. Much of the information was gathered from interviews with and documents provided by Steering Committee members and key CBRM staff. As such, Grant Thornton assumes no responsibility and makes no representations with respect to the accuracy or completeness of any information provided to us. We are not guarantors of the information which we have relied upon in preparing our report, and except as stated, we have not attempted to verify any of the underlying information or data contained in this report. It is understood and agreed that all decisions in connection with the information as presented in this report shall be the responsibility of, and be made by the CBRM.

This report was prepared for the CBRM Steering Committee in relation to the viability study consulting engagement. This report is not to be used for any other purpose, and we specifically disclaim any responsibility for losses or damages incurred through use of this report for a purpose other than as described.

Document Purpose

The purpose of this document is to provide an interim current state summary of the CBRM’s municipal taxation policy and structure, a value-for-money assessment of current services, and a summary of the current state of infrastructure requirements in the region. A key purpose is to validate our understanding of the information gathered to date. Opportunities for improvement are not highlighted in this document; these will subsequently follow as shown in our project methodology illustrated below:



Background

In 1992, the Province of Nova Scotia commissioned a report on local governments to assess the options for creating a more efficient governance model among the 67 different municipalities across Nova Scotia⁶⁰. The report’s recommendations included consolidating the numerous towns and counties into amalgamated regional municipalities. The CBRM came into existence in 1995 and consisted of eight former towns, seven county regions, and over 120,000 people living across 2600km⁶¹. While the case for amalgamation was well documented, the process for consolidating multiple entities under a centralized governance model was complex and challenging.

To further complicate the situation, while the CBRM focused on managing the development of a new governance structure, the region experienced the closure of two of its largest industries in the early 2000s,

⁶⁰ Government of Nova Scotia, Task Force on Local Government, April, 1992

⁶¹ The Cape Breton Regional Municipality At The End Of The 20th Century, Planning Department, March 31, 1999

significantly impacting the economy⁶². This led to increased levels of unemployment and an outmigration trend, which has continued to impact the CBRM⁶³.

As the CBRM approaches 25 years post-amalgamation, consolidation and coordination efforts have occurred throughout the general governmental administration and services provided to the residents of the CBRM. As the trend of population decline continues to influence funding and future planning, the costs incurred by the CBRM continue to rise⁶⁴. Investment in some classes of infrastructure have been forgone in order to provide the necessary revenues to cover operating costs, yet the ability to continue the practice is being tested as the life-span of numerous assets are long overdue⁶⁵. Concessions of this nature are made in an effort to better position the region for the future. However, external factors (such as the level of Provincial contributions, Provincial tax regime, new and expensive regulations such as wastewater and fire/police binding arbitration, etc.) are outside of the direct control of the CBRM. As the municipal region continues to transition and develop a diversified economy, it has displayed its resiliency and creativeness in the face of these difficult circumstances. The stakeholders, ranging from the Province to property owners within the CBRM, require an assessment of how long the current trajectory can continue before significant change is required, and what the potential options and implications are for a viable and sustainable path forward.

Project Objectives

The objective of this project is to assess the future viability of the CBRM based on identifying the feasible level of taxation that can be applied to residents and businesses to provide the sufficient funds necessary for an appropriate level of municipal services. To provide context to the funding needs, an assessment of the current infrastructure requirements facing the region is also to be analyzed.

In addition, the CBRM is seeking an assessment of current services and potential opportunities for improving efficiencies through a comparative analysis of similar jurisdictions. Lastly, the Steering Committee is looking for Grant Thornton to produce future projections considering potential population trends to identify the potential consequences to revenues and services, and recommendations on how to influence potential outcomes.

Project Drivers

The CBRM exceeded thresholds established by the provincial FCI tracking index, and due to the unique geographic and economic circumstances, an independent viability study was recommended: The Provincial-Municipal Fiscal Review of 2014 resulted in the implementation of the Financial Condition Indication tracking program, an analysis tool used to identify financial challenges facing municipalities. The program stipulated that if a municipality exceeded six or more thresholds for three consecutive years, an independent review of a municipality's viability would be triggered⁶⁶. The CBRM had exceeded the established threshold limits for three consecutive periods, and although other

⁶² Final ICSP Report, Cape Breton Regional Municipality Integrated Community Sustainability Plan, Stantec, March 30, 2010

⁶³ Ibid

⁶⁴ CBRM's total budget expenditures have increased 23.07% over 10 years as per Annual Expenditure Reports provided by the CBRM.

⁶⁵ Annual infrastructure deficits for EPW are estimated by CBRM staff to have been approximately \$25M annually (consultation with CBRM staff)

⁶⁶ Provincial-Municipal Fiscal Review Consultative Report, 2014

municipalities in the Province have also exceeded the prescribed thresholds, the limited options available to the CBRM compelled the review board to recommend this viability study.

The municipal leaders in the CBRM realize the need for both change and consensus: The CBRM is in the process of creating a new charter and strategic plan to guide the municipality, this study will influence the contents of both. The CBRM is seeking to understand its competitive position for the purpose of developing the policy and governance to best enable the CBRM to achieve its desired vision.

The CBRM cost base appears to be rising faster than its revenues: As noted earlier and throughout this document, the CBRM's costs appear to be increasing faster than its revenues⁶⁷. Specifically, many departments have costs that have grown faster than the rate of inflation, triggering the need for further cost cutting measures through further reorganizations and restructuring. The need to fully understand and document the underlying factors contributing to this trend is an important driver for this study.

⁶⁷ As Per the Total Expenditure and Revenue Reports, 2009 - 2018

Approach

To accurately assess viability, Grant Thornton conducted a current state assessment of the CBRM to identify 1) the level and types of revenues the municipality currently receives, 2) the level, types, and associated costs of services offered by the municipality, and 3) an estimation of the current infrastructure deficit and major factors leading to the deficit.

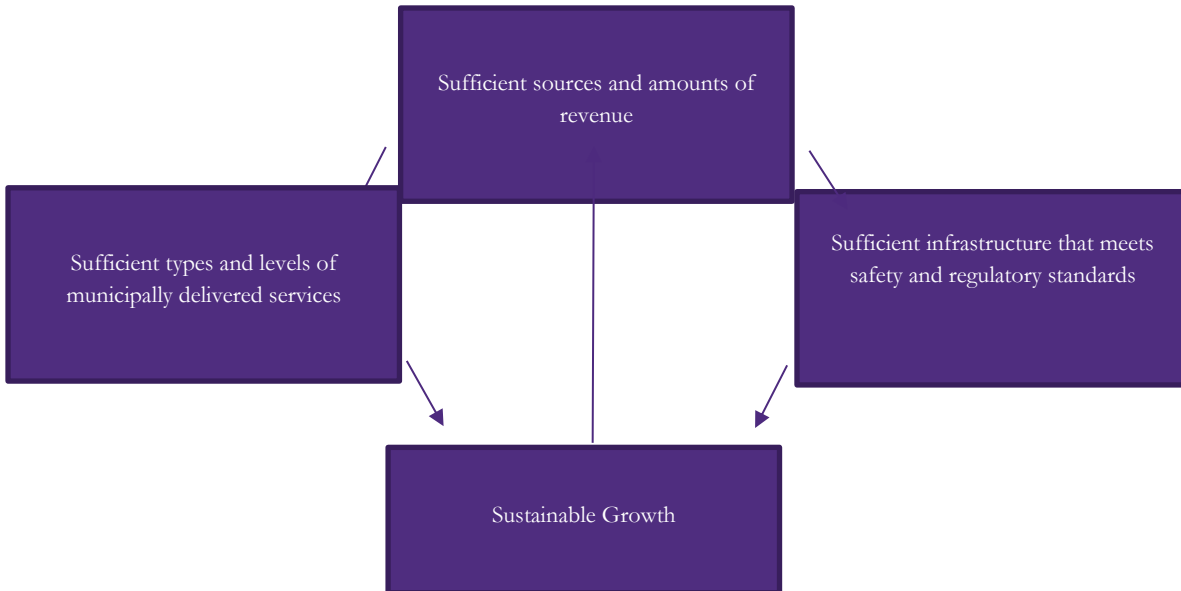
The analysis of the CBRM's revenues focused on four themes: 1) the residential property tax structure, 2) the commercial property tax structure, 3) the transfers to and from the Province, and 4) alternative funding sources currently utilized. A preliminary 10-year historical analysis on specific data was conducted to identify trends and on-going themes. Following the historical analysis based on a review of background documentation provided, focus groups and interviews with senior members of the CBRM staff were conducted to formulate and validate findings.

A value-for-money analysis involved a preliminary overview of all CBRM departments to identify which areas merited further analysis. Departments were selected based on criteria including types of service (i.e. external or internal support service), history of consolidation, and the overall proportion of total budget. Focus groups and interviews were conducted with key department heads. The collated current state data was analyzed in a performance framework, which included information on strengths and challenges facing each area.

The analysis of the current infrastructure deficit involved similar methods of background documentation review, followed by focus groups and in-depth interviews with key department staff. Planned capital budgets were compared to estimated infrastructure deficits to assess an estimate of the level of future funding needed.

Part One: Viability Framework

The financial viability of a municipality is dependent upon the balanced relationship between revenues and expenditures. If there is an imbalance, adjustments must be made to either increase revenues or decrease expenditures until balance is re-established. The risk related with corrective action is that too drastic a response can potentially accelerate imbalance in the long-term. The interdependencies of the variables are an important aspect of assessing long-term viability.



Residents	Businesses ↔	Investment
<i>Who is the CBRM trying to retain and attract?</i>	<i>What types of businesses are the CBRM trying to attract, promote and grow?</i>	<i>What types and levels of investment are being sought by the CBRM and for what purpose?</i>

When there is imbalance, identifying the triggers and potential resulting outcomes are critical to crafting an appropriate response. For example, imbalances are often the result of the economic circumstances, which impact such things as applicable labour availability, wages, and disposable income. Using the above noted viability framework for the CBRM, the outputs have led to slower levels of growth, increasing costs to deliver municipal services, and an increased struggle to manage and maintain infrastructure in the region.

Part Two: Current State of Municipal Taxes & Rate Structure

Current CBRM Municipal Tax Framework

The CBRM currently generates approximately 70% of revenues from residential and commercial property taxation annually⁶⁸. In 2017/18⁶⁹, the total property tax collected was approximately \$101M, with taxation from residential properties amounting for \$69.6M and commercial accounting for \$31.9M⁷⁰. The remaining portion of revenues were generated from sources such as federal and provincial grants in lieu of property taxes, unconditional transfers from the Province (i.e. operating grant), transfer from the CBRM water utility (which operates as an independent entity), etc. These key revenue sources for the CBRM are analysed to assess the 1) current state and historical trends, 2) composition of tax levy model and associated rates, and 3) observations and influence on viability.

Theme One: Residential Tax Rates

As noted, residential taxes are the largest contributor to CBRM total revenues. The current rate structure consists of a number of different variables that determine what is ultimately paid by the owner of a dwelling unit located in the CBRM. The following is a summary of the different components of the residential rate:

Variables	Rate	Determining Factors
Assessed Property Value	E.g. \$250,000	The value of an assessed property based on the Property Valuation Services Corporation (PVSC) assessment report
CAP eligibility and resulting assessment	E.g. \$200,000 in 2018 based on increase of CPI from 2017	If the property is Capped Assessment Program (CAP) eligible, the CAP assessed value is used for taxation purposes. Since 2008, assessed values in the CAP have increased with the Consumer Price Index (CPI).
Base Rate	.00911	Base residential rate common among all residential properties
Fire Rate	.00263 (Glace Bay example)	Variable rates to account for costs of fire protection services per region
Sewer	.001910	Variable service tax levied on the basis of proximity to services
Hydrant	.002236	Variable service tax levied on the basis of proximity to services
Transit	.001070	Variable service tax levied on the basis of proximity to services
Provincial Corrections	.000279	Mandatory provincial charges
Provincial Education	.003231	Mandatory provincial charges
Provincial Housing	.000486	Mandatory provincial charges

10 Year Historical Analysis

Average Residential	Average Rural Tax Rate	Average Value of Property	Total Number of Residential Dwelling Units	Total Tax Revenue	Tax Burden	Tax Effort
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⁶⁸ As per CBRM Total Revenue 17-18 spreadsheet (\$69.6M from residential taxes; \$31.9M from commercial taxes; and total revenues of \$148.3M) and CBRM Budget 2017-18 Public Survey (71% of municipal sources of revenues in 2016/17)

⁶⁹ CBRM's fiscal year is from April 1 to March 31

⁷⁰ As per CBRM's Departmental Budgets 2017-18

Urban Tax Rate							
2009 ⁷¹	2.01%	1.61%	\$97,984	46,798	\$47M	\$1,005 / dwelling unit	2% ⁷²
2018 ⁷³	2.09%	1.67%	\$101,105	47,493	\$69.5M	\$1,464 / dwelling Unit	2.7%

Observation A: The current FCI (Financial Condition Indicators) measure for assessing flexibility to increase residential taxes does not include other mandatory costs borne by tax payers.

The current financial condition indicators used by the Province to determine the burden of taxation on residents is calculated as follows⁷⁴:

1. Tax Burden: Total residential tax revenue / Total dwelling units
2. Tax Effort: (Total residential tax revenue / Total dwelling units) / Median household income

Using these metrics, the CBRM currently has a tax effort of 2.7%⁷⁵. The acceptable threshold for tax effort prescribed by the Province is 4%, thus the rationale is there is flexibility for additional burden (up to 19%)⁷⁶. However, the general consensus from consultations with CBRM staff was that under the current tax structure (i.e. if nothing were to change aside from an increase to the base rate), the social and economic consequences would far outweigh the additional tax revenue levied.

Evidence:

The intent of measuring tax effort is to assess the portion of household income that residential taxes will consume⁷⁷. The flexibility to increase taxes is assessed on the basis of available income, yet the measure excludes factors that directly contribute to a tax payer's ability to pay. Additionally, the Capped Assessment Program (CAP), which will be assessed in greater detail in following observations, results in an unequal distribution of the burden among households.

Current Method:

Total 2018 Residential Tax Levy	Number of Dwelling Units	Tax Burden	Median Income	Tax Effort
\$69,563,851	47,493	\$1,464	\$53,833	2.7%

If after tax income is used⁷⁸ rather than the current pre-income tax amount, and the inclusion of minimal mandatory costs associated with owning a property such as water, power and heating (an extremely

⁷¹ Data was obtained from the PVSC Report, 2009, the average rate is a product of the average totals for the 8 urban areas and 7 county regions

⁷² Calculated using a median income of \$49,977, Statistics Canada, Survey of Household Spending, 2006, \$1005 / \$49,977 = 2%

⁷³ Data was obtained from the PVSC Report, 2018, the average rate is a product of the average totals for the 8 urban areas and 7 county regions

⁷⁴ As per the Nova Scotia Municipal Affairs website, Indicator Definitions

⁷⁵ 2018 CBRM Tax Effort Calculation: \$69,563,851 / 47,493 / \$53,833 = 2.7%

⁷⁶ As per the FCI index report provided by the CBRM

⁷⁷ As per Nova Scotia Department of Municipal Affairs Website

⁷⁸ As per Statistics Canada, Census Profile, CBRM, 2016

conservative estimate of \$1,500⁷⁹ annually), the resulting effort jumps to 6.14%, exceeding the previous threshold established by the Province.

Tax Burden	Additional Mandatory Housing Costs	After Tax Median Income	Tax Effort
\$1,464	\$1,500/Year	\$48,237	6.14% ⁸⁰

Influence on Viability:

Using the existing tax burden and tax effort indicators may not provide all information required to determine whether the CBRM is able to increase the level of taxation across all residents. As with many indicators and metrics, they have limitations. As such, solely relying on these measures to increase taxation levels may cause unintended consequences for residents, such as increases to household costs outpacing inflationary increases. Should an overall increase in taxes result in net negative gains for the CBRM due to social-economic consequences (e.g. cost of living surpasses tolerance levels of residents), then increased taxation will decrease viability in the long-term. While a comprehensive alternative to the current treatment is not being recommended, attention is directed to the current limitations and potential consequences of using these indicators alone.

Observation B: The CBRM has not increased base rates since amalgamation.

Analysis of the CBRM’s tax structure revealed that the municipality has not increased the base rates levied on residential properties since amalgamation.

Evidence:

While average total rates have increased by 4%⁸¹ over the previous ten years, the base tax rate applied to residential properties does not appear to have increased over the past 20 years⁸². Note that this only applies to the base rate applied and collected for the CBRM, not the rate applied and earmarked for the Province. Increases to the Provincial rate were driven almost entirely by education, with rates increasing from .002875 in 2012, to a current rate of .003231⁸³. Costs and revenues associated with the Province are discussed in greater detail in Theme Three.

Influence on Viability:

Given that growth in the number of net new dwelling units in the CBRM has been declining⁸⁴, the primary contributing factor to the increase in residential tax revenues collected by the CBRM has been changes to assessment values. Annual base rate increases to residential properties do not appear to have been a tool used by the CBRM to increase its revenues.

Observation C: The Capped Assessment Program (CAP) is negatively influencing the equitability of taxation and the real estate market.

The CAP program was implemented in 2005 by the Provincial Government as a measure to protect Nova Scotian’s from dramatic spikes in property assessment. The program limits the taxable assessed value of eligible residential properties to an increase aligned with the Provincial consumer price index. In general, the longer a property has been in the program, the higher the resulting divergence from market value

⁷⁹ Based on Expatistan.com cost of living index, Halifax utility rates for 2 people in 85m2 flat = \$2,148 annually

⁸⁰ Tax Effort Calculation: \$2,964 / \$48,237 = 6.14%

⁸¹ Calculated using average urban rates (2.09-2.01/2.01=.04)

⁸² As per CBRM’s rate history – SAP document

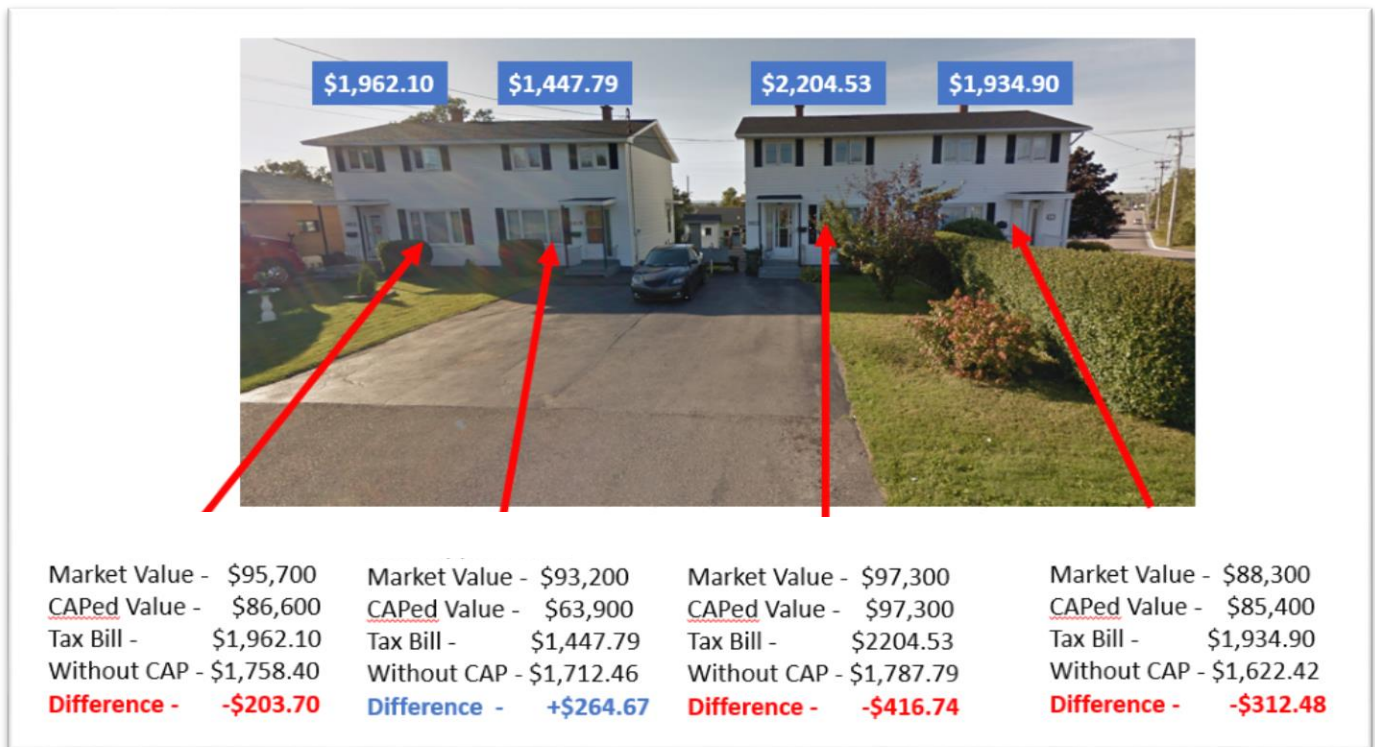
⁸³ Ibid

⁸⁴ As per PVSC Report 2018

becomes⁸⁵. Continued eligibility for the CAP is based on ownership of a property staying within a family. If the property changes ownership upon sale, CAP eligibility ceases. The impact to the seller could result in a larger annual tax bill upon downsizing, while the purchaser of the new home would face higher taxes than the previous owner.

Evidence:

The following infographic from a previous presentation on the CAP’s impact to tax assessments clearly illustrates the arbitrary redistribution of taxation⁸⁶.



Influence on Viability:

The principle of levying taxes on the premise of the public’s ability to pay is predicated on the measure of property value being the contributing factor. The CAP obscures that value, arbitrarily shifting the burden to properties that are ineligible for the CAP.

The disincentive to sell a CAP eligible property negatively influences the level of market activity. As transactions remain stagnant, the market value of properties becomes less aligned with assessed values. The Nova Scotia Realtors Association estimated that the economic impact of a property sale produces on average \$40K of economic impact to a local economy⁸⁷. Each property that does not enter the market due to the CAP negates that economic impact.

Observation D: The CAP is negatively influencing the CBRMs ability to administer residential taxes.

With 83% of residential properties eligible for the CAP⁸⁸, the market value and assessed value are increasingly divergent. The actual revenues received by the municipality are not aligned with the market

⁸⁵ Ibid

⁸⁶ As per CBRM presentation “Understanding the CAP Information Presentation, A Review and Plan of Action to Move Forward”, January, 2019

⁸⁷ Ibid

⁸⁸ As per PVSC Summary Report, 2018

value of properties, and any increases to the base rate to account for the shortfall would exponentially impact the ineligible properties.

Evidence:

The CBRM currently has the largest difference between market and CAP value in the Province based on the findings from PVSC reports.⁸⁹

	Municipality	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1	CBRM	4.00%	8.40%	13.80%	16.30%	16.80%	19.40%	20.60%	20.02%	19.67%	18.95%	19.02%
2	Pictou County	9.70%	13.80%	19.10%	19.90%	19.60%	22.00%	21.60%	18.90%	18.29%	17.23%	16.28%
3	Cumberland County	8.30%	13.90%	17.70%	18.10%	16.80%	20.40%	21.20%	16.36%	15.81%	14.71%	13.59%
4	Region of Queens	6.60%	14.30%	17.80%	19.30%	17.70%	18.60%	18.10%	17.04%	15.57%	14.20%	13.57%
5	Town of Lockeport	2.60%	7.20%	7.10%	10.30%	8.20%	9.10%	10.60%	11.58%	12.43%	12.34%	12.79%
6	District of West Hants	8.60%	17.10%	17.30%	16.60%	13.50%	18.40%	17.70%	15.11%	14.83%	13.51%	12.35%
7	Victoria County	5.50%	10.50%	15.60%	14.30%	14.80%	15.90%	15.90%	14.05%	13.93%	12.97%	12.20%
8	Antigonish County	6.50%	11.50%	15.10%	14.60%	14.10%	15.80%	16.80%	14.48%	13.84%	13.15%	12.16%
9	District of Shelburne	9.40%	16.40%	20.10%	19.10%	15.00%	16.60%	16.50%	15.48%	13.52%	12.62%	12.04%
10	District of Chester	12.20%	14.80%	16.00%	15.80%	13.60%	14.30%	14.70%	14.01%	13.17%	12.52%	12.01%

Influence on Viability:

The CBRM estimates that if the CAP were removed and only market values dictated the assessed value, residential tax rates could be reduced by 19% and still generate the equivalent to current revenues⁹⁰.

Tax Rates	Current	19% Reduction	Difference
Sydney - Full Service	\$2.27	\$1.84	-\$0.43
Glace Bay - Full Service	\$2.09	\$1.70	-\$0.39
New Waterford - Full Service	\$2.08	\$1.69	-\$0.39
North Sydney - Full Service	\$2.11	\$1.71	-\$0.40
Sydney Mines - Full Service	\$1.99	\$1.61	-\$0.38
Dominion - Full Service	\$2.07	\$1.67	-\$0.40
Louisbourg - Full Service	\$2.02	\$1.63	-\$0.39
County - Full Service	\$1.93	\$1.56	-\$0.37
County - No Service	\$1.40	\$1.14	-\$0.26

The hypothetical phasing out of the CAP would provide the CBRM with more control over taxation. The ability to amend the current rates could provide the CBRM with the ability to marginally increase taxes in the future without the consequences that occur under the current CAP model.

⁸⁹ As per CBRM presentation “Understanding the CAP Information Presentation, A Review and Plan of Action to Move Forward”, January, 2019

⁹⁰ Ibid

Observation E: There is a high number of residential units being transferred to municipal sale for taxes owing, while the number of new development permits remains low.

If a property has more than three years of property taxes owing, the CBRM has the legal right of sale of the property in an effort to collect back taxes. The process of transferring the property to tax sale is complex due to the legally mandated regulatory process and requires considerable resources and time prior to completion.

Evidence:

The CBRM currently has approximately 2000 parcels delinquent, containing an estimated 875 dwelling units⁹¹. The ability to transfer the delinquent properties to sale by auction is dependent on a number of variables (i.e. the ability to identify and contact the previous owner, the next of kin of the previous owner if there the property was in an estate). Once a property enters delinquency sale, the outstanding balance on the account serves as the opening bid for the property at auction. In addition to the backlog of delinquent homes, the total number of residential dwelling units in the CBRM declined by 23 units between 2017 and 2018⁹², representing the comparatively low number of new residential developments.

Influence on Viability:

The number of delinquent properties represent accounts that are no longer actively generating revenue for the CBRM and will negatively impact future residential revenues. The lengthy process of transferring a property to tax sale has the potential to cause cash flow issues, while the low net new number of developments will cause an overall decline in revenues.

Observation F: The costs to demolish dangerous and unsightly homes is contributing to the increase in uncollected taxes.

A number of properties that are tax delinquent have been vacated by the previous owners and left in a state of disrepair. The abandoned properties pose a potential risk to the public and as such, the CBRM has been selecting properties for demolition on an annual basis. The number of vacant homes currently in the queue for future demolition is approximately 300, down from 800 due to significant efforts by the CBRM⁹³.

Discussions with the planning department confirmed that costs associated with the average residential demolition range from \$5-\$10,000. The CBRM currently allocates \$120,000 to address an average of 24 dangerous and unsightly properties/year⁹⁴.

In addition to the outstanding tax balance, any costs incurred during the demolition process are also placed as a lien on the property. As such, the combined costs are recorded as a receivable in assets. However, the growing accounts receivable illustrate the realities of recovering the outstanding amounts.

Evidence:

The current procedure for properties in tax sale requires that three attempts be made at auction to recover taxes and outstanding liens on a property. If the property does not sell in this period, the new starting bid as set at the minimum amount of \$600. Standard accounting practice allows for an annual allowance

⁹¹ As per stakeholder consultations

⁹² As per the PVSC 2018 summary report

⁹³ Cape Breton Post, "Cape Breton Regional Municipality's List of Derelict Vacant Structures Starting to Shrink", Sharon Montgomery-Dupe, January, 2018

⁹⁴ Stakeholder consultations with planning department

adjustment in unrecovered debts and is averaging approximate \$500-800K⁹⁵ annually. Despite the annual write-downs, uncollected taxes have increased by 67.25%⁹⁶ over the last ten years.

Uncollected Taxes	2009:	2018:	10 Year Increase of
	\$10,868,495	\$18,177,486	67.25%

Influence on Viability:

The ability to collect the full amount of taxes owing is a challenge unto itself. Furthermore, if the property is deemed unsafe for the community, the diminished property value-post demolition is significantly less than the outstanding liens on the account, essentially making the property unsellable by tax sale procedure and therefore uncollectable. The continued growth of receivables as an asset has the potential to obscure the actual financial standing of the CBRM.

Observation G: Sporadic development and vacancies across the CBRM are causing the cost to service some areas to increase.

One of the challenges repeatedly mentioned during consultations with CBRM staff was the costs associated with providing services and infrastructure throughout the large geographic area. As communities continue to experience a decline in population, and rural properties attracting the majority of new development, the cost of providing services to geographically disparate residents' increases on a per capita basis.

Evidence:

A report conducted by the CBRM assessed the difference between total potential tax yield per lineal metre in urban and rural areas⁹⁷. The results indicated significant differences to yield based on density:

	North End Heritage District	Kyte's Hill	Hampton Estates
Total taxable assessment	\$12.4M	\$18.2M	\$20.1M
Total Street Frontage	2,354.05 metres	4,615.34 metres	4798.49 metres
Total potential tax yield at \$279,874 current residential tax rate		\$289,405	\$280,398
Total potential tax yield per lineal metre	\$118.89	\$62.71	\$58.43

⁹⁵ As per stakeholder consultations

⁹⁶ As per CBRM's Consolidated Financial Statements, 2009-2018

⁹⁷ As per CBRM internal presentation, Taxation Comparison Jan 31km

The 2018 construction permits indicate that development in rural areas outpaced urban development, with 92 new rural developments accounting for nearly 60% of all new developments. Furthermore, the development of single detached dwellings in rural areas accounted for nearly 80% of new home development (66 rural of a total of 86). There appears to be a clear trend of growth in rural areas driving the majority of new development.

Influence on Viability:

As the number of properties in serviced areas decline, there is a resultant decline in tax revenues available to cover the costs of providing municipal services in those areas. Should this development trend continue, the spread between area rate revenue and associated service costs will continue to grow with the resultant financial pressure borne by fewer and fewer users of the service. Additionally, the development growth in rural areas creates a public pressure to extend existing services into those un-serviced areas, however the infrastructure costs associated with extending the service in addition to the related operating costs far exceed the tax yield potential.

Theme Two: Commercial Tax Rates

The CBRM currently recovers the second largest portion of revenues from commercial properties. The current composition of commercial rates is as follows:

Variables	Rate	Determining Factors
Assessed Property Value	e.g. \$200,000	The value of an assessed property based on PVSC assessment report
Commercial Property Exemption	N/A	If the property is classified as exempt based on the standards set forth in legislation or policy, the property is exempt from taxation
Regional Base Rate	.041528 (Glace Bay)	Accounts for the base rate and variable costs of fire protection services per region
Sewer	.001910	Variable service tax levied on the basis of proximity to services
Hydrant	.002236	Variable service tax levied on the basis of proximity to services
Transit	.001070	Variable service tax levied on the basis of proximity to services
Provincial Corrections	.000279	Mandatory provincial charges
Provincial Education	.003231	Mandatory provincial charges
Provincial Housing	.000486	Mandatory provincial charges

Average Commercial Rate	Total Assessed Value of Taxable Properties	Total Number of Taxable Commercial Units	Total Tax Revenue	Commercial Tax Burden Per Unit	Residential : Commercial Ratio
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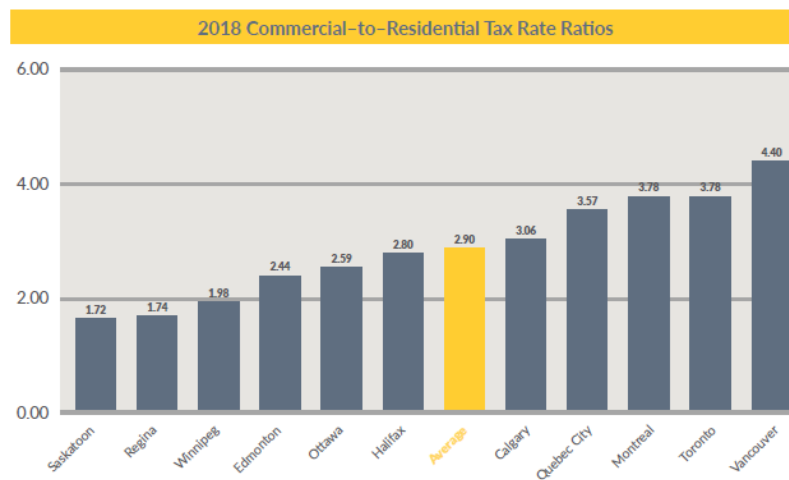
2009 ⁹⁸ 4.55%	\$564,254,700	2,532	\$23,647,243	\$9,339	2.26:1
2018 ⁹⁹ 5.25%	\$634,886,100	2,463	\$30,320,283	\$12,310	2.51:1

Observation A: Commercial taxes have increased at a faster pace compared to residential taxes.

The average commercial to residential ratio in 2009 was 2.26:1, the ratio in 2018 was 2.51:1¹⁰⁰. Although the measure is not particularly comprehensive, the ratio is frequently referenced as a measure of commercial rate competitiveness¹⁰¹ and captures the accelerated increase to commercial rates.

Evidence:

While the current ratio for the CBRM is below the national average, the ratio is higher than significantly more populous cities with far greater economic opportunities for businesses. The following chart provides an overview of ratios from major urban centres across Canada¹⁰².



Influence on Viability:

As the majority of commercial businesses in the region are small owner/managed businesses¹⁰³, the level of mandatory costs can significantly influence the business case for expansion and development as fixed costs outweigh the risks associated with further investment.

Observation B: Commercial revenues saw a decline in 2018, and the total number of taxable commercial properties has declined.

Although rates have slightly increased over the previous 10 years (aside from Sydney which were lowered from 5.627% to 5.457% in 2017), the revenues from commercial properties have exhibited a flattening trend from 2015 to 2017, followed by a decline in 2018. Additionally, the total number of taxable commercial properties has declined by 69 units from 2009 levels¹⁰⁴.

Evidence:

⁹⁸ As per data provided in PVSC 2009 summary

⁹⁹ Ibid

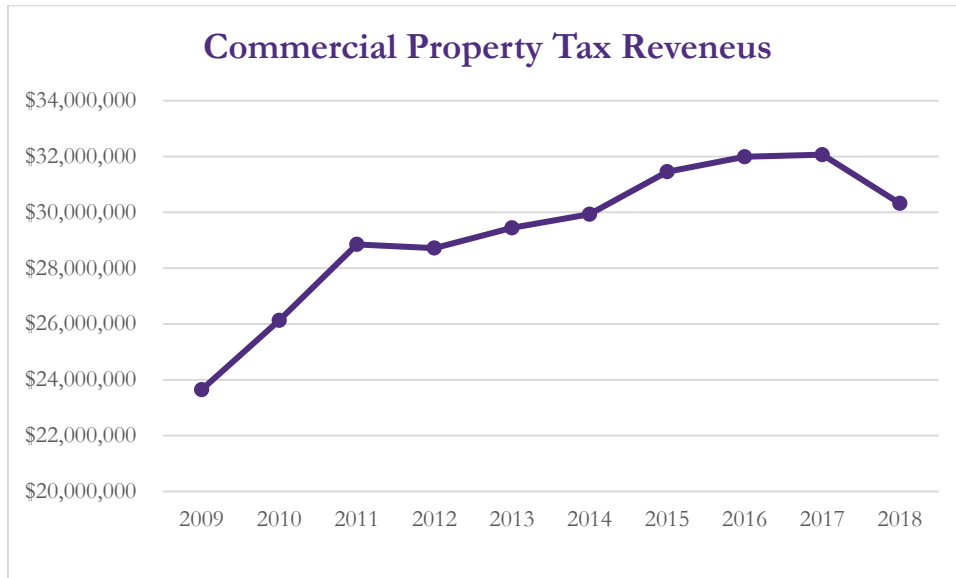
¹⁰⁰ The ratios represent an average of both urban and commercial CBRM rates that is not weighted

¹⁰¹ Canadian Property Tax Rate Benchmark Report, Altus Group, 2018

¹⁰² Ibid

¹⁰³ Cape Breton Post, Small Business is Big Business, Dannie Brown, Feb, 2018

¹⁰⁴ The PVSC reports from 2009 and 2018 show a total decline in taxable commercial properties of 69 units over ten years



Influence on Viability:

The overall decline in commercial tax revenues is a significant risk to the CBRM as it is the second largest source of revenues. The decline in revenues is reflective of the decline in the number of taxable properties and its impact on taxable commercial assessment as opposed to rates.

Observation C: *The CBRM implemented commercial tax rebates to incentivize development in focused regions.*

The CBRM recently implemented By-law C-300, Commercial Development District Improvement By-law¹⁰⁵ which provides a 5 to 10 year depreciating tax rebate for all new development and renovations to existing properties in specified downtown and industrial areas.

Influence on Viability:

The short length of time that the by-law has been active negates the ability to assess its influence on commercial development, but the significance of the CBRM proactively aligning incentives with development of areas that are part of a larger strategy should not be discounted.

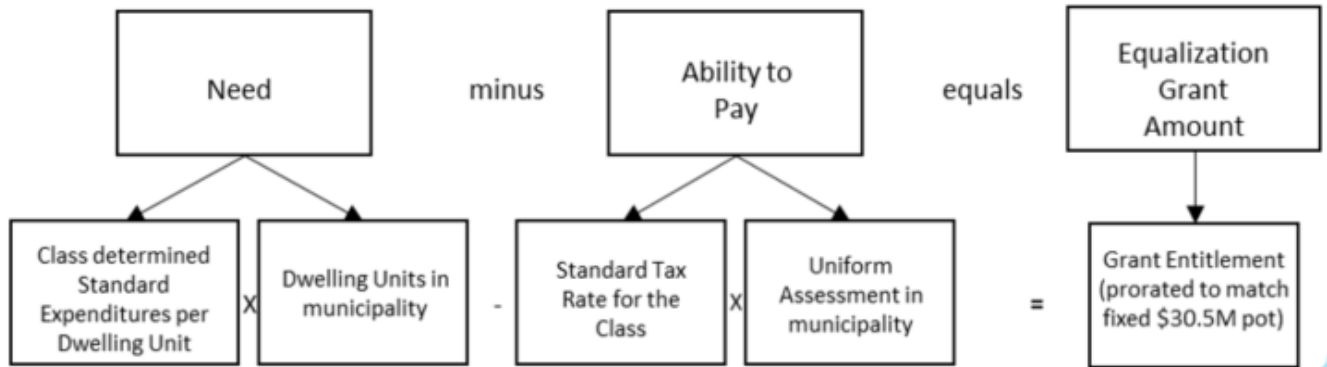
Theme Three: Provincial Transfers

Provincial funding to the CBRM can generally be classified in one of the following four categories:

Unconditional Transfers	Conditional Transfers	Grants in Lieu	Capital Projects
Equalization grant received is determined by established legislation but are limited and prorated based on funds available	Amount received is determined by the number of qualifying grants and conditional on the accompanying terms	Amount received is determined by property assessment of Provincial and Federal properties (that are non-exempt)	Capital project funding is based on applications and is discussed in Part Four of this document

¹⁰⁵ Cape Breton Regional Municipality, By-law C-300, Commercial Development District Improvement By-law, September, 2018

The funding relationship with the Province for equalization is partially defined by the Uniform Assessment (UA). The UA is intended to measure the financial health of a municipality by assessing the total of taxable property assessments plus the value of grants it receives from special property tax arrangements¹⁰⁶. The UA is measured against the determined expenditure cost per dwelling unit to arrive at a percentage of the fixed \$30.5M¹⁰⁷ to be transferred to eligible municipalities. The following is a summary of the calculation¹⁰⁸:



Conditional transfers from the Province are used to fund areas ranging from operations to equipment upgrades and vary annually based on the number of successful submissions. For example, the Province provides the CBRM Police Service with \$1.9M in annual funding to cover a portion of 19 officer’s wages and benefits through the Boots on the Street program¹⁰⁹. Conditional and unconditional transfers from other levels of government tend to remain static, and are not usually indexed for inflation beyond the program start date. In addition, it is important to note that the method for calculating both *need* and *ability to pay* is not consistent, as *need* is summarized as an average cost per (residential) dwelling unit, but *ability to pay* uses the different rates per property class (i.e. residential, commercial) multiplied by the total assessment of that property class. The difference in how the amounts are calculated has the potential to inflate the *ability to pay* when compared to *need*, resulting in a lower equalization payment.

Grants-in-Lieu represent the amount of revenues the CBRM receives from both Provincial and Federal governments based on the assessed value of owned properties (does not include tax exempt properties such as hospitals and schools). In 2018, the total amount of grants in lieu of taxes was \$8.9M.

The CBRM is required to share in the costs of certain provincial services. These services and the associated cost calculation are noted below.

Mandated Provincial Costs	Education	Corrections	Housing	Roads
Assessment Method ¹¹⁰	.003048 x UA	[CBRM UA ratio to Provincial] and [dwelling unit ratio to provincial] X the \$13.9M capped limit	Agreements between Canada Mortgage & Housing Corporation, the Province and the CBRM roughly amount to 12.5% of	Rate per km increases by CPI each year, \$5,222/km in 2018

¹⁰⁶ As per the Equalization 101 presentation provided by Nova Scotia Municipal Affairs

¹⁰⁷ CBRM Issue Paper, Municipal Transfers for Provincial Costs, Jennifer Campbell, May 22, 2018

¹⁰⁸ As per the Equalization 101 presentation provided by Nova Scotia Municipal Affairs

¹⁰⁹ As per the CBRMPS Strategic Plan, 2015-2018, Police Total Budget 2018

¹¹⁰ CBRM Issue Paper, Municipal Transfers for Provincial Costs, Jennifer Campbell, May 22, 2018

operating deficit for
public housing

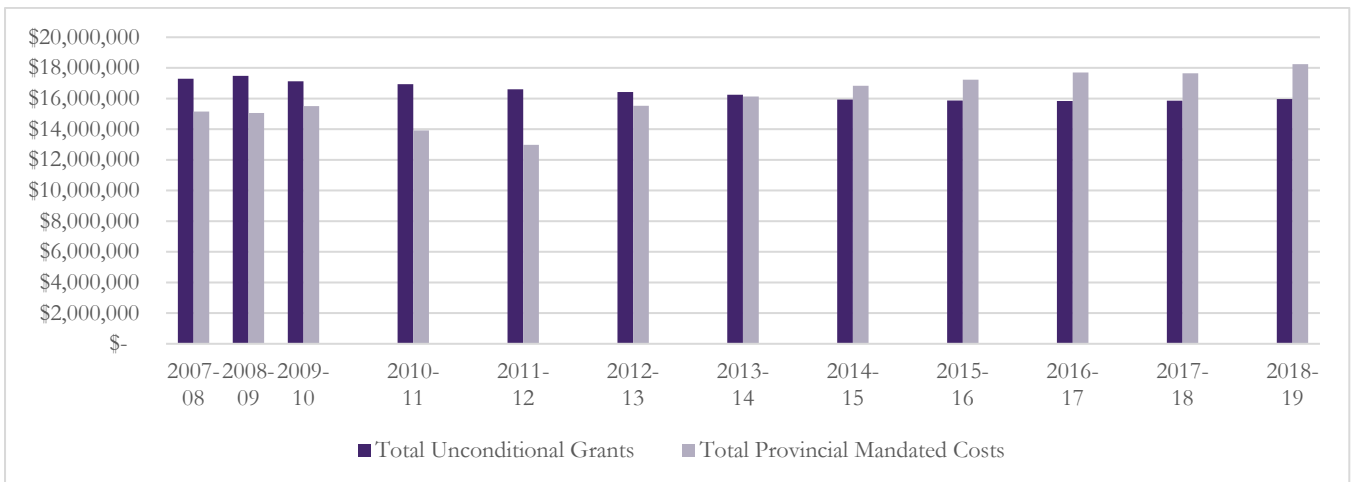
2018 Total ¹¹¹	\$13.6M	\$1.08M	\$1.82M	\$1.10M
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Observation A: Over the last 10 years, mandated transfers to the Province and costs incurred by the CBRM have steadily increased, while unconditional grants have remained largely unchanged.

The nature of how payments to and from the Province are calculated have resulted in mandated costs increasing for the CBRM, yet unconditional transfers to the CBRM have remained largely unchanged. It is important to note that Municipal Equalization payments from the Province were not intended to offset mandatory costs.¹¹²

Evidence:

The following chart represents a summary of the relationship between outgoing mandated costs and unconditional grants received over the last ten years¹¹³.



The largest cost driver for mandated costs is education, which amounted to \$13.6M in 2018. The method for calculating education costs to the Province is based on the UA (total assessed properties and grants multiplied by the education rate of .003048%), while the method for determining education funding to CBRM-based-schools is based on enrollment. The amount owing to the Province has increased annually and doesn't include additional items that have contributed to the CBRM's cost of delivering services.

Agreements that were made with the Nova Scotia School Board upon amalgamation resulted in the CBRM retaining ownership of the majority of buildings and land associated with education facilities¹¹⁴. As schools have been consolidated in the region, the CBRM has been left with the burden of responsibility of maintaining vacated buildings. In 2018, the CBRM incurred approximately \$400K as a result of the required demolition of three schools (St. Agnes, MacLennan, and South Bar). Other costs incurred regarding services provided to schools include the wages and benefits of 40 crossing guards to ensure access to and from schools remains safe for children, which is expected to total \$485,238 in 2019¹¹⁵.

Influence on Viability:

¹¹¹ CBRM Issue Paper, Municipal Transfers for Provincial Costs, Jennifer Campbell, May 22, 2018

¹¹² As per stakeholder consultations with Provincial representatives

¹¹³ Infographic as per CBRM's internal document breakdown of provincial transfers and costs

¹¹⁴ CBC News, "Cape Breton regional council facing decision on what to do with empty schools", George Mortimer, August, 2016

¹¹⁵ Allocated to the CBRM Police Services budget, as per the CBRM Issue Paper, Municipal Transfers for Provincial Costs, Jennifer Campbell, May 22, 2018

With the trend in population demographics noted throughout this document, the CBRM's education costs continue to increase although the number of children and schools in the region are declining¹¹⁶. The resulting decline in both education facilities and enrolled students directly influences both revenues and costs incurred by the CBRM on an annual basis. The current structure of equalization payments will see this trend continue moving forward. The fixed pool of equalization funds versus the variable outgoing costs adjusted to inflationary forces create the imbalance which will create further strain on operating funds until either the grant or cost formula changes.

Theme Four: Alternative Funding Sources

The sources of revenues for the CBRM generated independently of property taxation include service fees, utility arrangements, property sales, the gas tax, and department and arena revenues. The sources combined for approximately 11.8% of total revenues¹¹⁷.

Observation A: The current legislative restrictions limit the types of regulatory incentives and economic activities in which the CBRM can participate.

The Municipal Government Act (MGA) places restrictions on the types of economic activities the CBRM can participate in¹¹⁸. At a time when creative alternatives for new revenues are being explored, the current restrictions significantly limit the scope of options available to the CBRM.

Evidence:

Consultations with the CBRM revealed the desire to incentivize infill residential development as a method to improve densification and the associated costs of servicing. Under the current legislation, there is no provision enabling the incentivized development of residential properties¹¹⁹. The process of amending the legislation requires application and consensus from governing bodies. Additionally, the limitations on private/public partnerships create barriers to sources of funding for potential opportunities.

Influence on Viability:

Alternative legislation could provide the CBRM with increased revenue generated by assessment growth resulting from such incentivized development. Additionally, the ability to create new revenue channels that do not currently exist would have the benefit of not adding to the existing tax burden.

Observation B: The deed transfer tax contributes a significant portion of service fees.

The CBRM charges a service fee upon the transfer of property, current fees are based on a 1.5% charge against the sale price of a property.

Evidence:

In 2018, the CBRM received a total of roughly \$2.5M for fees from deed transfer taxes, while comparatively the total revenues received from all of the arena's canteen sales was \$402K¹²⁰.

Influence on Viability:

The ability to generate revenues from deed transfers provide a strong contribution to the CBRM's total revenues, however any potential slowdown in real estate transactions or in housing values will directly impact revenues.

Observation C: Revenues generated from the administration management fee charged to the water utility represent a significant source of revenue and an effective sharing of resources,

¹¹⁶ Populations Projections, Cape Breton, Nova Scotia, Turner Drake & Partners Ltd., February, 2018

¹¹⁷ CBRM Budget 2017-18 Public Survey

¹¹⁸ Municipal Government Act, Chapter 18 of the Acts of 1998, Current as of 2018

¹¹⁹ Ibid

¹²⁰ As per the CBRM's internal document, Total Revenue 17-18

however the terms of the agreement have not been evaluated in sometime and future changes may merit consideration.

Evidence:

The CBRM currently receives \$5M/year¹²¹ for administration cost recovery for managing the billing and collection process for the water utility in addition to shared services and resources. The agreement is an example of sharing resources between the two entities, with the CBRM providing financial and administrative resources for the fees noted, while the water utilities can forego hiring for numerous positions. While the agreement is a benefit to both parties, the fixed fees paid to the CBRM have the potential for declining cost recoveries in the future as inflationary costs increase against the fixed fee.

Influence on Viability:

With the planned transfer of wastewater operations to utilities in 2021, increases to operating and capital costs resulting from the future development of the mandated treatment facilities will likely impact rates as per discussions with the engineering department.

Overall Analysis of Current Tax Model

The general principles of taxation fall into the following framework:

Economic for Payees	Sufficient for Municipal Governance	Equitable & Consistent	Easily Understood & Defendable	Transparency	Competitiveness
The rates which are charged to residents reflect their ability to bear and are economically neutral	The levies support and preserve municipal autonomy, accountability, and sustainability	The rates in which individuals are charged reflect the services that they receive and are consistent within property classes	The methods and rational for how rates are levied are clearly communicated and follow a consistent formula	How revenues are used, the rationale for any rate changes are easily accessible	The rates are aligned with those of comparable jurisdictions offering comparable service levels

Economic for Payees	Sufficient for Municipal Governance	Equitable & Consistent	Easily Understood & Defendable	Transparency	Competitiveness
<ul style="list-style-type: none"> The current measures of tax burden and effort are considerably higher when incorporating utility 	<ul style="list-style-type: none"> The municipal government is limited to generate revenues through certain legislative requirements¹²² 	<ul style="list-style-type: none"> The CAP significantly distorts the amount eligible properties are assessed The service rate fees result in 	<ul style="list-style-type: none"> Although the high number of variables add a level of complexity, the rationale and intent for differences is well established The CAP adds a layer of complexity that is not easily defendable 	<ul style="list-style-type: none"> The CBRM exhibits a high level of transparency regarding what tax levies fund and the way in which they 	<p>Score: To be confirmed upon comparative analysis</p>

¹²¹ As per CBRM’s responses to initial request for information, Jan. 04, 2019

¹²² Municipal Government Act, Chapter 18 of the Acts of 1998, Current as of 2018

<p>charges and federal taxes</p> <p>• The steadily increasing level of outstanding taxes, year over year, indicates residents are struggling with payments</p> <p>Score: Low</p>	<ul style="list-style-type: none"> • Provincial transfers net of mandatory costs provided by the CBRM to the Province have been declining • The CAP prevents full allocation of the tax burden to all residences • Current revenues are not adequately covering all capital requirements leading to an infrastructure deficit <p>Score: Low</p>	<p>different regions having higher base rates that do not necessarily account for the intended differences (i.e. fire rate)</p> <p>Score: Low</p>	<p>Score: Moderate</p>	<p>are administered</p> <p>Score: High</p>
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Part Three: Value for Money Assessment

Overview of Services Provided by CBRM

History

The intent of amalgamation was to capture efficiencies through the reduction of redundant services and roles¹²³, yet the process of deciding how that would occur and what concessions would need to be made was not as clearly defined. Although examples of efficiencies that have been captured are apparent, the nature of the regional political structure reinforces autonomous perspectives. For example, some Councillors may be pressured to prioritize capital funding for their districts over capital projects in other districts. This has the potential to make developing shared objectives that extend beyond district boundaries more challenging.

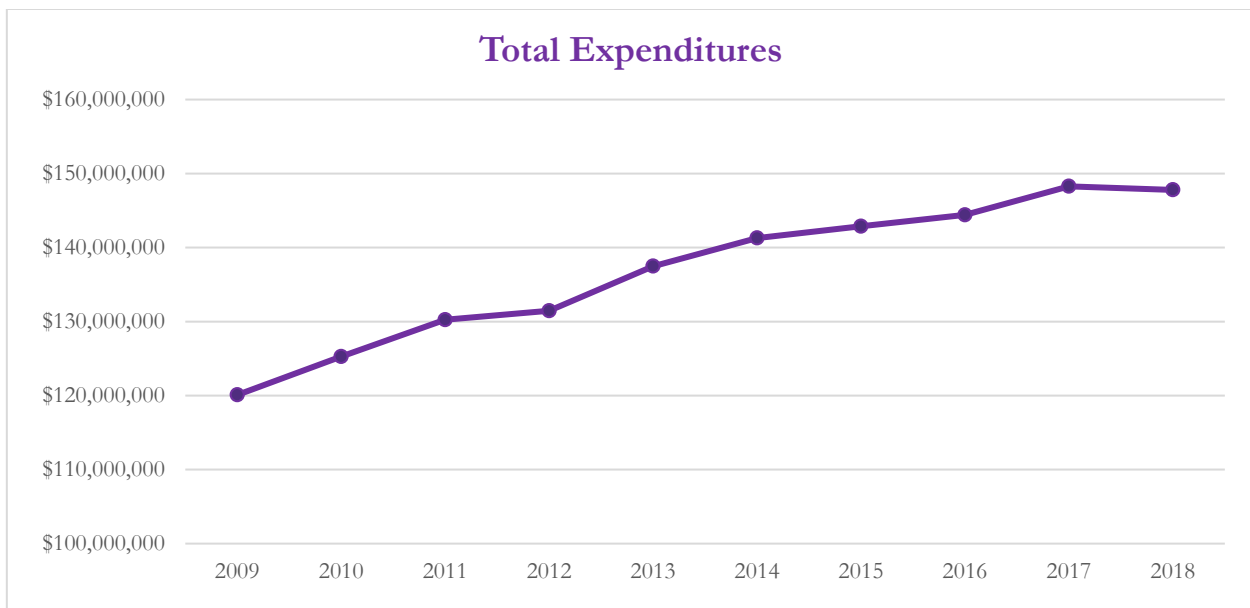
The following table details departmental budgets, and whether each department provides publically facing services. These two indicators have been considered to determine whether a more detailed current state analysis was undertaken for a department (as shown in the last column).

Current State

Department	2009 Budget (\$ M)	2018 Budget (\$ M)	10 Year Trend	2018 Budget/ Portion of Total Budget	Public service/ Support Service	Department analysis undertaken
Administration Office (Including Economic Development)	1.95	1.17	-39.98%	0.79%	Support service	No
Buildings	2.61	3.39	29.99%	2.29%	Support & Public service	Yes
Clerk	0.47	0.51	9.25%	0.35%	Support service	No
Engineering & Public Works	35.39	43.23	22.17%	29.25%	Public Service	Yes
Facilities	3.24	4.07	25.80%	2.75%	Public Service	Yes
Finance	3.03	2.44	-19.27%	1.65%	Support service	No
Fire & Emergency Services	12.44	17.33	39.26%	11.72%	Public Service	Yes
Fiscal	28.69	35.47	23.63%	24.00%	Support service	No
HR	0.84	1.82	115.88%	1.23%	Support service	No

¹²³ The Cape Breton Regional Municipality At The End of the 20th Century, CBRM Planning Department, March 31, 1999

Legal	0.32	0.77	140.04%	0.52%	Support service	No
Legislative	1.29	1.41	9.67%	0.96%	Public Service	No
Parks & Grounds	1.85	3.04	63.98%	2.06%	Public Service	Yes
Planning	2.11	2.80	32.88%	1.89%	Support service	No
Police	22.72	24.56 ¹²⁴	16.21%	17.86%	Public Service	Yes
Recreation	2.10	2.74	30.50%	1.86%	Public Service	Yes
Technology	1.05	1.19	13.72%	0.81%	Public Service	No
TOTAL	120.09	147.79	23.07%	100%		



Observations

Strengths

- The CBRM has maintained accurate budget expenditures over the last five years¹²⁵.
- Consultations with CBRM staff revealed a trend of running lean budgets while attempting not to overlook the needs of any one area or department.
- Debt servicing has been a priority over the past five years resulting in annual interest charges declining from roughly \$3.4M in 2012, to approximately \$1.6M in 2018¹²⁶.

¹²⁴ In 2015/16, the \$1.9M in funding from the Province was taken from general revenue and allocated to the police budget, obscuring the total budget increase. If Provincial funding is included, the increase would be 26.4%

¹²⁵ Municipal Report, Cape Breton Regional Municipality, Department of Municipal Affairs Nova Scotia, 2017

¹²⁶ As per CBRM's Fiscal Department Budget Documents, 2012-2018

- Examples of coordination and creative resourcing have been prevalent in discussions with different departments.
- Interviews with senior level staff revealed a willingness to go beyond role requirements to allow the CBRM to best utilize resources.

Challenges

- On-going fiscal constraints were mentioned as a challenge by almost every department that was consulted.
- The CBRM currently uses a methodology to establish budgets by estimating revenues from all sources, subtracting mandatory costs, and working from the remaining total as a budget estimate (i.e. revenue projections dictate annual budgets).
- The demands on the CBRM to provide financial assistance to community groups and not-for-profit organizations has spiked since the closure of economic development agencies such as ECBC and grant programs being withdrawn from the region.
- While administrative consolidation and coordination efforts have been reported to be achieved, some departments noted that consolidation and coordination for publically facing municipal services has been challenging due to district mentalities (i.e. multiple districts desiring to retain local facilities and programs leading to redundancies and strained financial capacity to service, i.e. fire and community halls, arenas and parks, and events and parades that are held in each separate area).
- Talent attraction and retention for key roles has been described as an on-going hurdle by CBRM staff due to outmigration and limitations in employment opportunities for other family members.
- Some department's performance capabilities are significantly limited by infrastructure deficits (i.e. the buildings and roads department effectiveness is limited by the condition of infrastructure).
- The extensive area of the CBRM and sparsity of the population create service challenges.
- Development trends are negatively influencing densification and the associated costs of delivering services.
- The aging demography of the population is changing the demand for municipal services.
- There appears to be an increase on the demands of the CBRM by external parties for financial support (e.g. 135 organizations applied for capital, operating or tax relief in 2017/18 representing \$2.2M as part of the CBRM's municipal grants process. The CBRM was able to provided \$737,511 in approved funding in response to these requests¹²⁷).

Influence on Viability

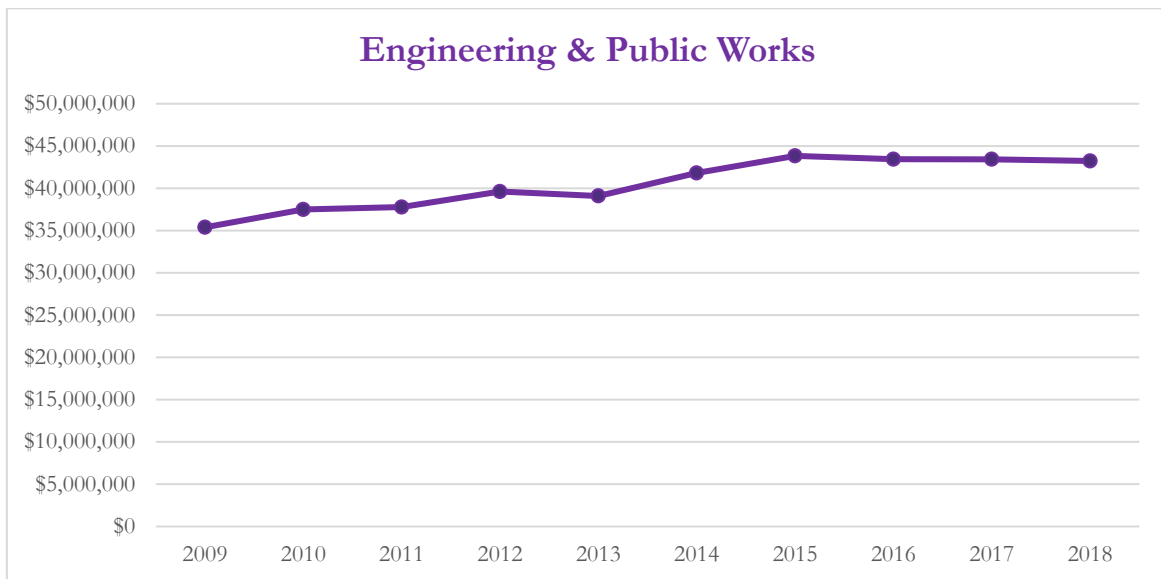
Although the breadth and depth of services offered by a municipality directly influence its competitive position, the on-going trend of population decline remains a significant risk for the CBRM's current expenditure levels. The Municipality has made efforts to increase efficiencies. With limited options within its realm of control to increase revenues, the reality of already running lean places additional constraints on the ability to realize savings through further consolidation. The potential risk regarding any cost cutting measures is that additional rollbacks have the potential to negatively influence future viability by lowering the overall experience of living in the community.

¹²⁷ As per 17-18 application spreadsheet provided by CBRM, February 20, 2019

Department Analysis

Engineering & Public Works

The Engineering and Public Works (EPW) department consists of: EPW consists of Engineering Services, Public Works (East, Central, North), Transit, Solid Waste, Fleet Operations, Water Treatment and Distribution (Water Utility), and Wastewater Collection and Treatment. The largest assets owned by EPW are the underground assets and roads. EPW employs 280 people, with wages and benefits totalling approximately \$19M¹²⁸ and accounting for approximately 42% of the total budget. The major challenge that EPW is facing is that cost of operations and level of asset maintenance for infrastructure will continue to increase, however the financial resources required to operate continues to decline. The operating expenditure per capita ratio for the department in 2018 was approximately \$465¹²⁹.



Budget trend:

- In 2017-18, the Engineering and Public Works (EPW) department had a consolidated budget of approximately \$43M.
- The EPW department has had modest increases in its budget over the last five years in an effort to maintain costs.
- As part of the 2014 CBRM Operational Review study¹³⁰, certain consolidation opportunities were identified for the department that have now been realized. These opportunities include change of the solid waste facility schedule from six (6) days to five (5) days, increasing the Handi-Trans service hours by 40 hours per week, a 5% reduction in fuel usage within the CBRM operations and transition to LED street lights.

The key departments that are a part of EPW are:

A. Public Works

The Public Works Department manages a number of assets in the CBRM, including:

- Local roads
- Collector roads

¹²⁸ CBRM annual budget 2017-18

¹²⁹ CBRM annual budget 2017-18, Stats Canada 2016 and Grant Thornton analysis to extrapolate population figure for 2018

¹³⁰ CBRM, 2014 Org. Review

- Arterial roads
- Sidewalks
- Underground infrastructure
- Other significant assets (i.e. bridges, culverts, etc.)

In our consultations with the stakeholders and upon reviewing the five year capex plan, it was noted that local roads are the worst hit and require the highest amount of funding to undertake rehabilitation or repair work. Additionally, the CBRM also maintains J-class roads which are owned by the province however fall under a cost sharing agreement between the Nova Scotia Department of Infrastructure & Renewal and municipalities. The CBRM collaborates with the province for ploughing roads and currently uses a mix of both internal and contracted resources for certain winter and summer maintenance jobs and routine operational problems.

Strengths

- Effective resources who strive to keep roads in serviceable condition.
- Recent acquisition of fleet management software enables a focus on routine and preventative maintenance to extend the service life of equipment and minimize occurrences of unexpected removals of fleet from service for emergency repairs.

Challenges

- Absence of performance measures to consistently maintain road assets in a serviceable condition.
- Low prioritisation in the overall budget due to funding issues that severely affects the quality of roads.
- The nature of the climate and resulting freeze/thaw results in more frequent flexes in concrete and pavement and accelerates the deterioration of roads and sidewalks.

B. Transit

The transit department employs 39 people that includes transit operators, clerks and managers for Transit Cape Breton and Handi-trans service. Transit is funded by user fees and separate area rates based on a resident's proximity to bus routes, but is also partially subsidized by the base rate. Handi-trans service is incorporated into the base rate. In order to provide further value to the residents of the CBRM, the transit department is currently working on launching a mobile app that will enable the residents to track buses in real time.

Strengths

- Significantly increasing ridership due to a large number of international students currently enrolled at Cape Breton University.

Challenges

- Service base tax rate for transit results in low efficiency and flexibility for the department to plan new routes.
- Absence of performance measures to determine efficiency level of operational fleet.
- Limited funding programs available for fleet, transit, and road infrastructure needs.
- Significant demand and utilisation of Handi-trans service is leading to increasing demands on limited resources.
- There is uncertainty of whether the ridership increase is permanent or temporary as it is dependent on future enrolment trends at CBU. Changes in this trend could significantly change the demand for transit service on an annual basis.

C. Solid Waste Management

The Solid Waste Department oversees Solid Waste Management in the CBRM. The department consists of 40 employees which includes heavy equipment operators, educators, foremen, labourers, janitors, one (1) manager, one (1) supervisor and one (1) secretary, with some areas of garbage pick-up being contracted out for efficiency. The department is responsible for collecting, managing, processing, disposing and/or shipping solid waste generated by the Residential, Industrial, Commercial and Institutional (ICI) sectors. The department accepts, manages, processes and properly ships or disposes, of Construction and Demolition (C&D) debris. A tipping fee is assigned to the C&D materials received from the ICI sector. The department also provides residents with a heavy garbage pickup service annually to pick up large waste that is not eligible for regular curb side collection.

A significant portion of the waste that can potentially generate high value upon recycling such as aluminium and certain types of plastic is collected by the municipality but are then taken by the province. Based on a deposit refund system, the province's distribution of recycling proceeds is significantly less than what the municipality would receive directly.

Strengths

- Trimming service days from 6 days to 5 days a week without reducing delivery areas has further added to operational efficiencies.

Challenges

- Onus to maintain and service landfills that were passed onto the CBRM during amalgamation adds to operating costs. The estimated cost for proper monitoring, planning, closure and post closure activities for these sites is approximately \$42M¹³¹.
- Regulatory requirements result in significant capital and/or operating costs (i.e. Compost facility, landfill obligations).
- Disposal of overs is expensive.
- The compost market is non-existent, resulting in making a product that has no value at a significant cost.
- The film plastic recovered from the bluebag program has no market, therefore, there is a significant disposal cost. In addition, all of the other recoverable commodities have a fluctuating value depending on the markets. The CBRM relies on approximately \$1 million in revenue annually from the materials to offset the cost of recycling operations, however any shortfall from this must be covered out of SW operating budget.
- Provincial and/or Federal regulatory changes are often expensive to implement with additional costs passed on to the municipality.

D. Water and Wastewater

Currently, water utility is a separate entity and is not accounted for in the CBRM's annual budgets. Wastewater, however, is a separate service that falls under EPW and is a part of the CBRM's budgets. Going forward, wastewater will be transferred into a utility in 2021. It was noted in our consultations with stakeholders that this transition is expected to result in increased operational costs largely due to federally mandated wastewater projects. Moreover, preliminary discussions indicate that there will be some need to carry a sewer rate in the taxation model to cover sewer costs for public infrastructure/facilities. The water and wastewater departments

¹³¹ CBRM annual financial statements 2018

collectively consist of 68 employees which include management staff, engineers, working foremen, treatment plant operators, and janitors. Sewer or wastewater services are currently funded by separate area rates based on a resident’s proximity to the service.

Strengths

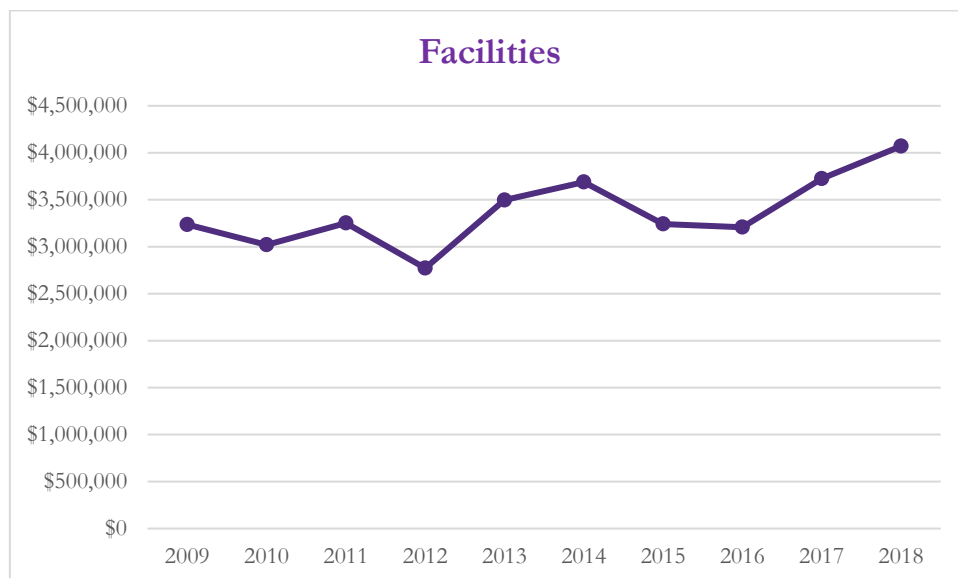
- Fiscal expenses for water service have reduced over the past few years.
- Realised efficiency and increased co-ordination by consolidating various water treatment plants to only one plant in Glace Bay.
- Coordination of resources such as equipment and staff across wastewater, water utility and the public works departments.

Challenges

- Although the CBRM has built treatment plants over the years, it has been unable to service and maintain the underground water mains optimally, some of which are over 100 years old, leading to infrastructure deficit.
- The department expects a significant increase in cost of operations of wastewater services due to increase in planned wastewater treatment plants in the future.
- Federal regulatory requirements force the municipality to incur significant capital and operating costs which will be borne by rate payers.

Facilities

The facilities department is responsible for the operational maintenance of the CBRM owned arenas. The department consists of 31 people that includes casual staff. County Arena and the Centre 200 are the major facilities that the department manages.



Budget trend:

- The budget for facilities has grown significantly i.e. by 25% in the last three years. The significant increase in cost was driven by operational costs absorbed post closure of the Bayplex Arena and CBU as well as utilities in general.
- A significant cost driver for the department in the future will be the Bayplex Recreation Centre facility. The CBRM took over management of the Bayplex in November 2017 after the Glace Bay

Recreational Society, the non-profit group that operated the facility since 1996, informed the municipality it was unable to keep the building operational¹³².

- At the time of amalgamation, the Bayplex facility, built with federal funds, was under-designed and under-constructed due to funding constraints. This resulted in suboptimal quality of the facility, followed by poor routine maintenance that has resulted in the requirement of significant capital investment in order to sustain its lifecycle.
- The Bayplex facility will add approximately \$600,000 to the department's annual budget¹³³, however will be partially offset by ice rental revenues.

Strengths

- Recent completion of the Recreation Master Plan serves as a roadmap for future facility planning.
- The department has adhered well to the province's energy efficiency program resulting in notable cost savings for utilities bill¹³⁴.
- The CBRM has received three (3) Efficiency Nova Scotia "bright business awards" since 2015 for work related to significant cost savings stemming from energy efficiency initiatives.

Challenges

- Rapidly declining young population in age bracket 18-45, leading to higher operating cost per capita.
- Low consolidation among several sports facilities and weak revenue base drives inefficiencies¹³⁵.
- The cost savings planned for the closure of the Centennial Arena have not been realized. The building was temporarily repurposed to provide expanded recreational programming space, however the use of the facility in its current state is cost prohibitive.
- Changing demographics with an aging population is requiring redesign of programming and programming spaces.
- The current/historic regional political structure has created dilemmas in the past regarding the allocation of resources and what best serves the unified region of the CBRM.

Fire & Emergency Services

The Fire & Emergency services department are responsible for providing all emergency response related services to the region. The department consists of a mix of career, composite, and volunteer staff working out of 36 departments¹³⁶. The operating structure of the departments is somewhat unique as the 33 volunteer departments essentially operate as autonomous entities. The current operating structure affords the CBRM little to no authority over volunteer departments as the buildings and equipment are largely owned by the community as a non-profit entity, and the staff do not earn a salary. This was consistently mentioned as a barrier to efficiency during consultations with current department heads. Following an independent report conducted in 2016 by Manitou Incorporated, the future operating and funding structure of Fire Services is now under review.

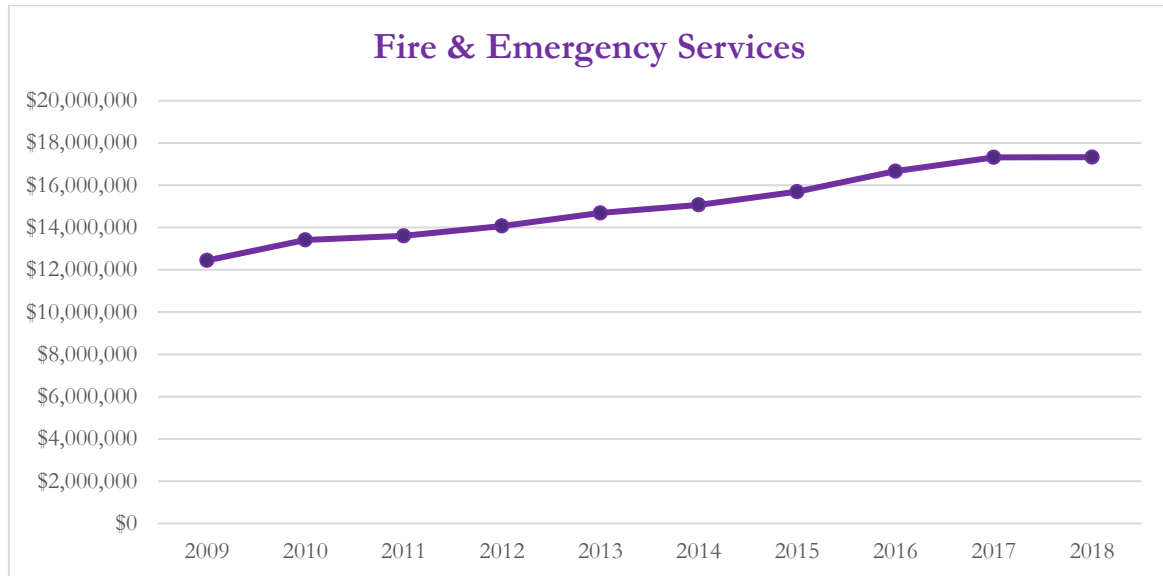
¹³² Cape Breton Post, "Tender issued for reconstruction of Bayplex in Glace Bay", January 2019

¹³³ Stakeholder consultations

¹³⁴ Stakeholder consultations

¹³⁵ Stakeholder consultations

¹³⁶ Ibid



Budget trend:

- The ten year trend of budget expenditures has been a consistently increasing, yet at a modest rate (aside from last year which saw a decline in expenditure).
- The largest operating cost for the department is hydrant and water fees which totalled \$7.18M in 2018¹³⁷.
- Wages represent a total of approximately \$6.3M which translates to 36% of the total Fire services budget¹³⁸.
- The CBRM indicated being asked to provide financial support to the volunteer departments for capital expenditures as fundraising efforts and alternative funding sources decline.
- Binding arbitration for firefighters has resulted in wage increases exceeding the rate of inflation and other unionized departments.

Strengths

- A large segment of the department work on a volunteer basis for the safety of the community.
- The Regional Fire Chief’s Association meets periodically to ensure that the department is meeting service standards and addresses any challenges that hinder service quality.
- There is evidence of a surplus of departments and consolidation would likely lead to efficiencies among the existing volunteer departments.
- Although there is autonomy among the different departments, the departments still work collaboratively to provide sufficient coverage to the region.

Challenges

- The volunteer fire departments in communities also operate the community hall, which is a shared event space for the communities. Any potential changes to the usage of this space will impact communities.
- The operating dynamic between the career departments and volunteer departments limits the ability to effectively manage resources.
- The municipality has no authority or budgetary control with respect to volunteer departments.

¹³⁷ CBRM annual budget 2017-18

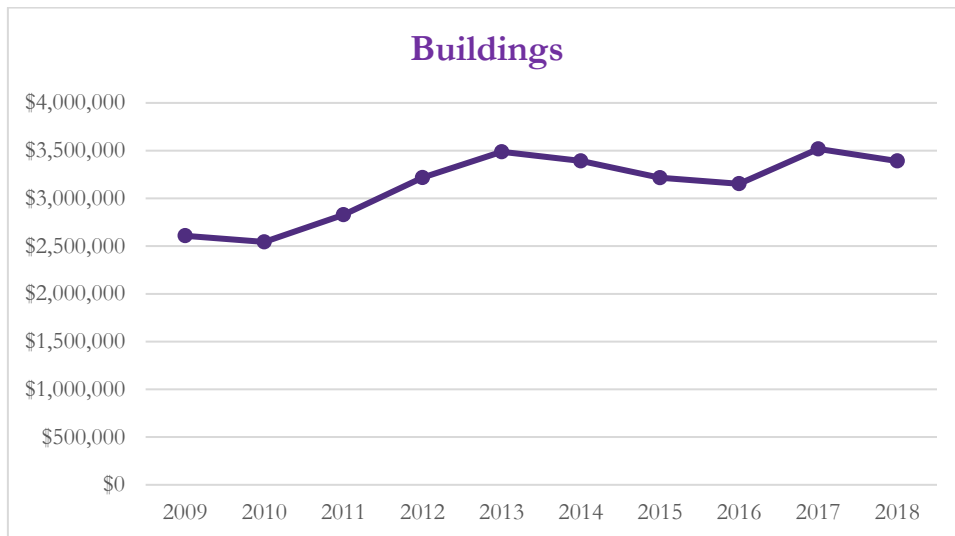
¹³⁸ CBRM annual budget 2017-18

- The limited number of volunteer staff available results in an increased need for mutual aid from neighbouring and career departments.
- The current scheduling of career fire-fighters, limited resources, and the mandatory number of crew members needed to respond to emergencies pose the potential risk of delayed response times.
- Binding arbitration outcomes have further strained limited financial resources.
- The effectiveness of current procurement practices was mentioned as a challenge due to the independence of each volunteer department.
- Labour relations between fire unions and administration is strained.
- Discussions around potential improvements for delivery of services included transitioning to the “Bedford model”, which would see career firefighters moving to a weekly five day schedule and volunteers staffing weekends and evenings. The recommendation was expected to be met with pushback from almost everyone impacted.

Buildings, Parks & Grounds

Buildings & Libraries:

Currently, Buildings department employs 36 people. Buildings department drives major capital expenditure costs for the CBRM. Over the last ten years, it has spent approximately \$10M on maintaining 208 structures across the region. One of the more visible planned future projects is the potential development of a new Sydney library with partial funding from the federal government. Although the proposed building is viewed as an important community centre, the high estimated costs (\$21M total, \$7M from each level of government) have resulted in public debt. The municipality has earmarked approximately \$8.1M as capital expenditure¹³⁹ for the next five (5) years for the Buildings department.



Budget Trend:

- The department’s budget consistently decreased from 2013 to 2017, when increases in contracts, salaries and costs related to flooding resulted in a peak of approximately \$3.5M.¹⁴⁰

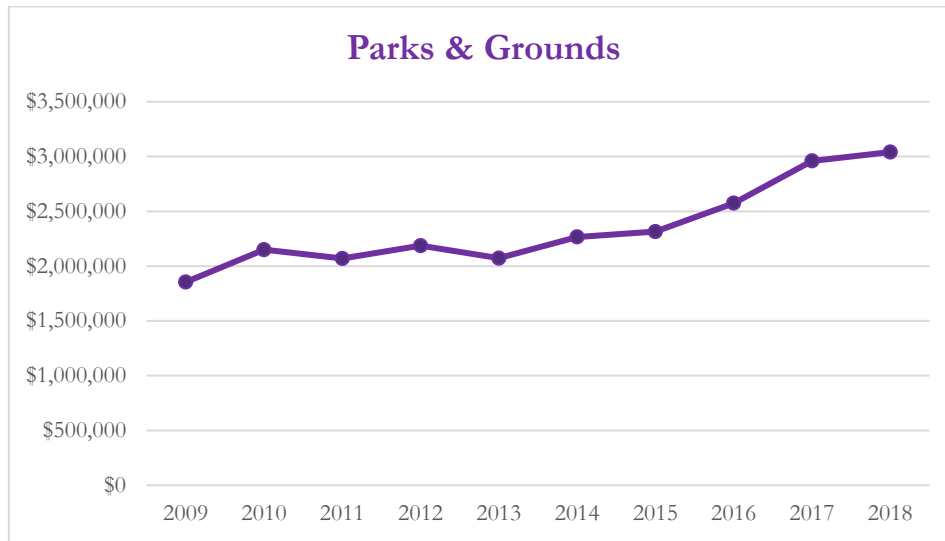
Parks & Grounds:

The Parks and Grounds department maintains various public infrastructure throughout the municipality including multipurpose turf fields, tennis facilities, ball fields and playgrounds. Currently, the Parks and Grounds department is overseen by one (1) supervisor, managed by one (1) manager and run by twenty five (25) employees. The largest cost drivers for parks and grounds are materials and supplies such as

¹³⁹ CBRM five (5) year capital expenditure plan

¹⁴⁰ CBRM annual budget 2017-18

fertilizers and flowers. The municipality has earmarked \$150,000 per annum¹⁴¹ as capital expenditure for the next five (5) years for the Parks & Playground department.



Budget trend:

- The budget for Parks and Grounds consistently increased from 2013 until 2018 by approximately 47 %.
- Wages and salaries has been another cost driver for the department.

Buildings, Parks and Grounds:

Strengths

- Buildings, parks and grounds has realized a large number of efficiencies by working closely with departments such as EPW and Facilities and shares services and resources. These departments have a large degree of interdependency of resources among them such as electricians and carpenters. During winters, EPW shares its snow removal resources to help Parks and Grounds with excessive snow removal.
- Highly capable mechanical team and resources who are available to work across departments.

Challenges

- Financial burden to demolish buildings due to abandonment of buildings and certain provincial mandates such as demolishing reduced school buildings by the school boards added approximately \$400,000¹⁴² to the Building department’s expenditures in 2018.
- Consistent pressure to maintain the state and functionality of infrastructure within financial constraints.
- In the current state, the department does not have formal performance indicators to measure efficiency and effectiveness of its output.
- Additional pressure to take ownership or support non-CBRM-owned facilities.
- No formal asset management practices or standard operating procedures for infrastructure maintenance contributes to maintenance needs for declining infrastructure assets. In the current state, the process to document all assets and formulate manuals will take a lot of time.

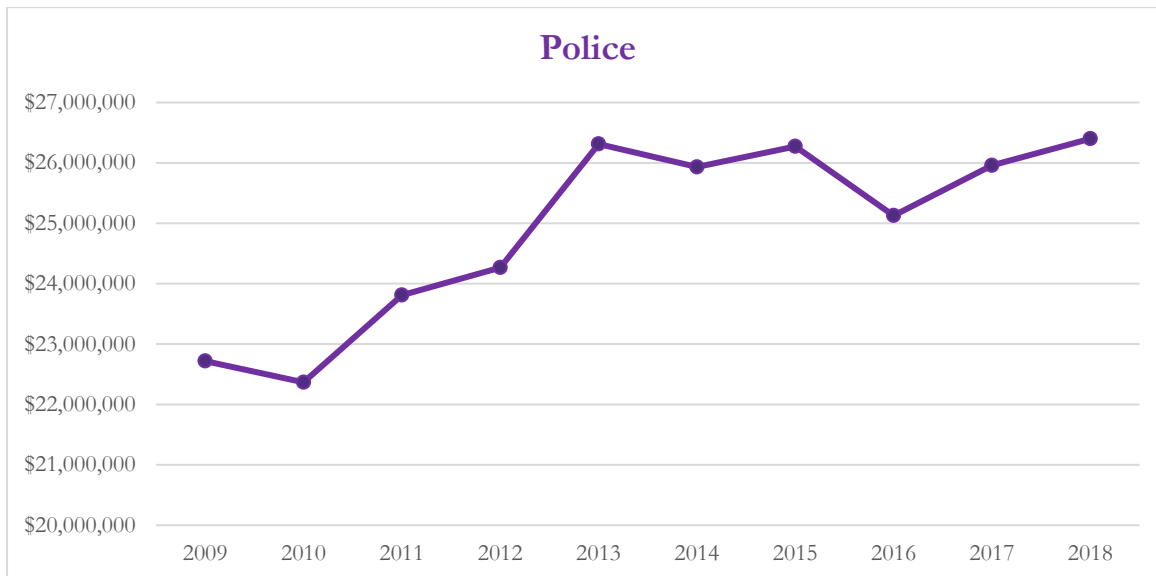
¹⁴¹ CBRM five (5) year capital expenditure plan

¹⁴² CBRM five (5) year capital expenditure plan and stakeholder consultations

- Low visibility and absence of prioritisation list of capital projects that the department needs to undertake over the course of three (3) to five (5) years leads to suboptimal forecasting and planning.
- The community’s desire to continue operating and funding redundant or surplus infrastructure is resulting in strained budgets.

Police

The Cape Breton Regional Police Service (CBRPS) are responsible for protecting and serving the 93,000¹⁴³ residents of the CBRM. The department is organized into three regions (Eastern, Central, and Northern) with 201 active officers working in 15 various departments, comprising one of the few full service departments in the Province¹⁴⁴. Services provided include the full suite of general protective services, specialized departments (i.e. forensics), management of the emergency dispatch call-centre, and community programs. In 2018, the CBRPS’s budget was approximately \$26M with 93% of costs being driven by wages. The 2015-18 strategic plan outlined four broad objectives areas: 1) Valued human resources, 2) Delivering service to the community, 3) Ensuring effective partnerships, and 4) Pursuing financial stability. Community engagement was repeatedly mentioned as a pillar of the police service’s strategy and overall characteristic of the culture of the department.



Budget trend:

- The budget has remained within approximately \$1M of annual variance over the past five years
- 33 positions are funded through cost recovery partnerships with other organizations and levels of government to a total of \$4M¹⁴⁵
- In 2016 the \$1.9M provided by the Province was transferred from general revenues to wage cost recovery to offset additional expenses incurred by the CBRM for this program.

Strengths

- Fiscal responsibility and efficiency are a key priority in the strategic plan and efforts to limit spending have been captured through training, asset management, and external partnerships.

¹⁴³ CBRM annual budget 2017-18, Stats Canada 2016 and Grant Thornton analysis to extrapolate population figure for 2018

¹⁴⁴ As per the CBRPS Strategic Plan, 2015-2018

¹⁴⁵ As per the CBRMPS Strategic Plan, 2015-2018

- The CBRPS consists of nearly 15 different specialized sections and teams making it one of the few full-service police agencies in the Province¹⁴⁶.
- Crime prevention and community engagement are a strategy that are clearly aligned with the most pressing issues of the CBRM.
- Coordination and collaboration with other levels of government and other regions, specifically Membertou First Nation.

Challenges

- The 2015-18 strategic plan states that the CBRPS operates at national standards for police to population ratios, which is not necessarily accurate. The 2017 Canadian average of police officers per 100,000 was 188¹⁴⁷. Using current population estimates, the CBRM is well above national averages at a ratio of 201 officers to 93,000 CBRM residents¹⁴⁸.
- Changes in federal legislation legalizing cannabis has the potential to create new financial pressures for training, equipment and enforcement requirements that will be borne by the CBRM.
- When assessing the demographics of the population, the weighted average of seniors accounts for a large portion of the residents. From a purely statistical point of view, the age demographics of a population significantly influence the crime severity index and needs of the community.
- The efforts made by the CBRPS in crime prevention strategies have the drawback of not easily measuring their effectiveness (i.e. how do you measure something that didn't happen, how do you confirm the absence of the action was caused by the program).
- Collective bargaining agreements limit the ability to influence the overall cost of labour, which has resulted in wage increases exceeding the rate of inflation.
- Increased regulatory requirements were mentioned as a contributing factor to increased wages (i.e. increased administrative regulatory process for different cases can frequently result in increases to overtime due to the immediacy of documentation requirements), which accounted for close to 93% of the total budget.
- Crossing guards have been a cost incurred that relates to education, yet is currently at the expense of police. As per 2018-19 budget, the CBRM paid for forty (40) such positions which cost \$485,238¹⁴⁹.
- The funding for the provincial sponsored Boots on the Street program that was intended to fully fund 19 positions at \$1.9M per year has not increased since the program's inception¹⁵⁰. The CBRM is now subsidizing the program by approximately \$616,000¹⁵¹ annually and will continue to increase in accordance with the contract settlements.
- Increased regulatory burden resulting from national changes to reporting and administration standards was identified as one of the most significant cost drivers.

Recreation

The Recreation department is responsible for developing, coordinating and delivering programs to all regions and demographics. Programs include sporting and activity groups that encourage activity, healthy lifestyles and social engagement within the community. They are also responsible for scheduling and coordinating all CBRM events such as Christmas festivals and Canada Day celebrations, etc.), and supporting external festivals by coordinating regulatory requirements (police & fire, transit). Currently, the department consists of one (1) manager, seven (7) coordinators (generalists) representing seven different

¹⁴⁶ Ibid

¹⁴⁷ Statistics Canada, Police Resources and selected crime statistics, Canada, provinces and territories, 2017

¹⁴⁸ The population numbers do not reflect the inclusion of the population of Membertou First Nation

¹⁴⁹ As per CBRM memo on municipal transfers for provincial costs

¹⁵⁰ CBRM Police annual budget 2017-18

¹⁵¹ Stakeholder Consultations

regions and one (1) administrative assistant. Additionally, the department budgets approximately \$320,000 annually to recruit students for the summer.



Budget trend:

- The department’s budget has been consistently stable since 2011.
- The budget in year 2017 was an outlier at approximately \$3.2M¹⁵² due to a council approved motion for a one time increase in sustainability funds.
- Overall, the department has operated with a relatively lean budget, resulting in lower variance between planned and actual expenditure

Strengths

- The department is very resourceful as the employees (7 generalists) possess diverse skill set and they have proven ability to stretch themselves to deliver programs and services effectively.
- The programs for families are well valued for money.¹⁵³

Challenges

- A regional-centric attitude of districts reduces consolidation opportunities leading to inefficiencies and duplication of programs and events.
- The department operates within a very tight financial budget, impacting its ability to be highly effective¹⁵⁴
- Reduced proportion of youth in the local population has diminished demand for traditional active recreation facilities such as ball fields and arenas
- Volunteer fatigue creating pressure on recreation resources and municipal grants.
- Lack of available funding streams from other levels of government for community infrastructure has resulted in a continuous influx of applications to the Municipal Grants Program that far exceed budget.

¹⁵² CBRM annual budget 2017-18

¹⁵³ Stakeholder consultations

¹⁵⁴ Ibid

Part Four: Infrastructure Deficit

Historic and Current Capital Spending

Currently, EPW department manages the following assets - Road (asphalt, sidewalk, storm sewer, curb, traffic signals, and box culverts), Wastewater (including pumping & plants), Water Utility (including pumping & Plants), Fleet, Transit and Solid Waste worth approximately \$1.9B¹⁵⁵.

The following capital projects worth approximately \$34M were part of the 2018 capital expenditure plan for the CBRM¹⁵⁶. The largest capital project involved was the Sydney cruise extension, which accounted for almost one-third (approximately 31%) of the total costs for all capital projects. The CBRM is expanding the Sydney Marine Terminal to include a second, “two face” cruise berth that could accommodate two additional cruise ships – one large (around 330m), and one smaller vessel (around 260 meters)¹⁵⁷.

Capital projects that are underway in CBRM for 2018

Project Name	Total Project Cost (\$M)
Buildings, Parks and Grounds, Facilities	7.37
Parks & Grounds	0.15
Buildings-General Upgrades	0.54
Arena Upgrades	0.23
Bayplex Renovations	4.50
Glace Bay police facility	1.86
Solid Waste plant	0.10
Infrastructure	22.41
Sydney Cruise Extensions	10.50
Roads - Local, Arterial/Collector	4.29
J-Class Roads	0.16
Wastewater Management	1.30
Anaerobic Digester	1.16
Sanitary Sewer - Pumping Facilities	1.08
Storm Water Separation	1.04
Sydney Harbour West Collector	0.55
Sewer Inflow/Infiltration Reduction Program	0.45
Traffic & Pedestrian Signals	0.70
Active Transportation	0.59
Storm Mitigations	0.50
Charlotte Street Redesign Engineering	0.10
Fleet/ Equipment	4.15

¹⁵⁵ Stakeholder consultations

¹⁵⁶ CBRM five (5) year capital expenditure plan

¹⁵⁷ CPCS, Due Diligence Assessment of Plans for Second Berth at the Sydney Marine Terminal, January 2017

Fleet Replacement	1.50
Fire Vehicles and Equipment	1.30
Transit	1.35
Total Capital Program	33.93

The projects listed above are significantly dependent on external funding (representing 64% of the total funding required). The remaining 36% is being funded from new debt that the CBRM will take on and capital reserves that it has. This is further detailed in the table below.

Source of funding for capital projects underway in 2018

Source	Amount (\$ M)	Percentage (%) of total funding
Provincial Funding	7.23	21.30%
Federal Funding	7.78	22.94%
Gas Tax Rebate Program	6.69	19.71%
Other	0.00	0.01%
Transfer from Water Utility	0.65	1.92%
Operating Fund	0.16	0.48%
Capital Reserve Fund¹⁵⁸	1.53	4.50%
Long term borrowing (New)	9.89	29.15%
Total Capital Program	33.93	100%

The CBRM has developed a five year rolling capital program which depicts the projects and infrastructure that the region aims to undertake over a five (5) year period and is updated annually. The significant areas of expenditure for the CBRM in the short to medium term will be around new wastewater facilities and major rehabilitation of its roads, streets and sidewalks.

It is critical to note that the implementation of the following capital plan is contingent on guaranteed funding from higher levels of government. The federal or provincial governments have not yet committed to providing funding for these capital projects. In the event that the planned funding for these projects is not delivered by the respective levels of government, it would potentially accelerate infrastructure deficit and negatively impact the operations budget.

Future capital expenditure projects planned from 2019 to 2023

Project Name	Total Project Cost (\$ M)
Buildings, Parks & Grounds	16.26
Recreation Complexes	3.20
Police buildings	0.50
Municipal administrative buildings	3.30
Skating rinks/ arenas	6.86
Parks and playgrounds	0.60

¹⁵⁸ Currently, the CBRM does not have any operating and capital reserves

Solid waste transfer station	1.80
Infrastructure	99.67
Roads/Street	22.05
Walking trails and pathways	8.35
Tourism infrastructure (Sydney Cruise 2 nd berth)	9.50
Sidewalks and Curbs	0.90
Garage/Workshops/Yards for Equipment	2.65
Rail Signals	0.55
Wastewater Treatment and Storm Sewer	43.02
Disaster Mitigation Projects	12.65
Fleet/Equipment/Machinery	14.16
Transit buses	3.40
Transportation/Machinery	6.00
Fire-fighting equipment	0.36
Fire engines	4.40
Total Capital Program	130.08

Source of funding for capital projects planned from 2019 to 2023

Source	Amount (\$)	Percentage (%) of total funding
Municipal Source	6.00	4.61%
Provincial Grant	26.68	20.51%
Federal Grant	21.36	16.42%
Other sources	35.71	27.45%
Long term borrowing	40.33	31.00%
Total Capital Program	130.08	100%

Key priority areas of infrastructure for next three (3) to five (5) years:

- Moving wastewater service into a utility (approximately \$62M in planned capital spending)
- Rehabilitation of roads, pavements and sidewalks (approximately \$34M in planned capital spending)
- Sydney Cruise Terminal (approximately \$20M in planned capital spending)
- Rehabilitation of the Bayplex facility (approximately \$9M in planned capital spending)

Process for Prioritizing and Approving Capital Spending

Currently, administration allocates an expenditure budget to each department that sets a limit on the funds that the departments can spend annually. All departments such as EPW formulate an annual budget which is prioritised by regulatory requirements (e.g. administration is mandated to recommended wastewater treatment expenditures in order to comply with regulatory requirements) followed by ‘worst comes first’ approach which implies that the assets in worst condition, assets at the end of their lifecycle or assets that

are not operational anymore are given priority in the budget. Available external funding, or lack thereof, plays a significant role in capital budget decision making.

Subsequently, the administration presents a consolidated budget to the Council for approval. Council has ultimate authority on capital funding decisions. Given the district-based representation system used in the CBRM, Councillors may prioritize their own district's needs, over the infrastructure needs across the larger community.

Infrastructure Deficit and Influencing Factors

The key influencing factors for infrastructure deficit are:

1. Pressures due to outmigration, etc., have limited the ability of the CBRM to generate additional tax revenues, impacting the total capital budgets available.
2. Increase in debt servicing has impacted the CBRM's ability to spend on infrastructure adequately.
3. Regulatory projects supersede infrastructure needs, impacting the municipality's ability to allocate an adequate amount of funds towards operational expenditures and proactive maintenance.
4. New infrastructure results in higher operating costs in many cases (i.e. life cycle costs), which further limits the amount of funding available for future capital.
5. Federal and Provincial infrastructure priorities do not align with those of municipalities but dictate the projects that are eligible for cost sharing.

Approximate level of Infrastructure deficit

CBRM has indicated that EPW currently faces approximately \$25M infrastructure deficit annually¹⁵⁹. As noted, roads are a key infrastructure class with a current deficit due to deferred maintenance requirements. The approximate level of mandatory and desirable infrastructure deficit that the CBRM is currently facing is \$114M on an annual basis¹⁶⁰.

Observations

Observation A: Regulatory requirements from the federal and provincial levels of government are a key influencing factor for infrastructure prioritization.

Operating costs have increased substantially over the time due to regulatory changes, something that is frequently not accounted for after funding for capital costs. Currently, capital projects are primarily funded through debt, (In 2017-2018 budgets the CBRM did not have any operating and capital reserves) however, in the last four to five years, the CBRM has faced increasing pressure to service debt and that has impacted its ability to invest in infrastructure significantly. The dependence on external funding and requirement to adhere to key federal initiatives such as the \$58M Wastewater project takes priority. While the CBRM has successfully been able to reduce the total debt from approximately \$103.7M in 2013, to approximately \$75M in 2018¹⁶¹, such projects are likely to increase debt repayment burden for the CBRM in the coming years. Prioritizing such large capital projects has continuously impacted the state of roads in the last few years.

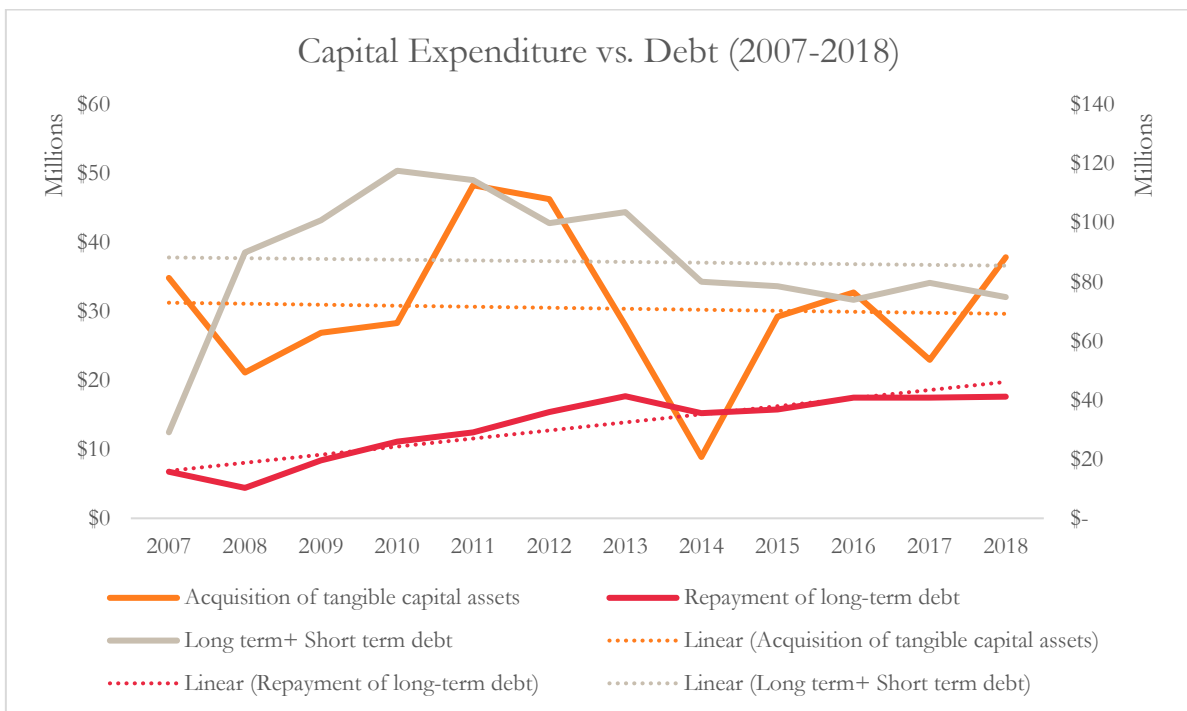
Observation B: Reduction in debt service costs over the years has been used to subsidize the operating fund rather than fund capex out of operating fund as planned, limiting funds available for infrastructure projects.

¹⁵⁹ Stakeholder consultations

¹⁶⁰ Refer to Appendix A

¹⁶¹ As per CBRM budget summary 12-13, CBRM final operating and capital 18-19

A few years ago, it was planned that as debt would increasingly be repaid by the CBRM and service costs would decrease, there would be increased capacity to fund capex out of the CBRM’s operating fund. However, the resultant savings merely offset the increasing pressure resulting from the increasing gap between Provincial equalization funds and mandatory costs, as well as increasing operating costs resulting from aspects such as binding arbitration. Over the last ten years, when total debt (long term and short term) peaked to approximately \$117M in 2010, acquisition of capital assets by the CBRM fluctuated annually. However, the CBRM has made a notable effort to reduce long-term debt to approximately \$75M in 2018. In this period, it increasingly focused on repaying long-term debt, paying off approximately \$11M annually in 2010 to paying off approximately \$18M annually in 2018. However, acquisition of capital assets in 2011 was approximately \$48M and in 2018 that figure was approximately \$38M.



Observation C: The importance of technical analysis and demand analysis for infrastructure planning is balanced against district level priorities.

Public works related infrastructure spending is largely based on a percentage per division (Central/East/North). It was noted in our consultations with certain stakeholders that although the CBRM practices planning and analysis for infrastructure requirements, the political representation system in the municipality, challenges the Councillors to make capital spending decisions that may benefit the entire municipality, sometimes at the expense of deferring capital investments in their own districts. As such, this governance mechanism has certain intrinsic drawbacks that may limit focus on the region’s infrastructure needs as a whole. The “Infrastructure Needs Assessment Model” has been utilized, providing a “worst to first” approach, however, larger regional and regulatory projects can take precedence, as evidenced by the wastewater projects. Additionally, lack of funding sometimes results in accessible upgrades being foregone (i.e. roadways being addressed as underground assets are replaced).

Observation D: Low integration with the provincial asset management system is likely to continue impacting the state of CBRM’s infrastructure negatively.

The Nova Scotia Asset Management Program aims to support municipalities with their infrastructure planning efforts. It was noted in our consultations with stakeholders responsible for infrastructure development and maintenance that currently there is no formal process to refer to standard operating procedures to map asset information and access state of infrastructure analytics to support informed,

evidence based decision making to manage the CBRM's assets. This limits the respective infrastructure departments to plan for future capital and operating expenditures needs in order to maintain or upgrade its assets. The CBRM is well on its way of updating the asset management tools available and has utilized cooperation and funding from both the Federal and Provincial Governments in the development of and integration with other systems. Integration with the province's asset management program will enable the CBRM to collect asset data in a standardized way, which is the first key step towards effective asset management, assessing the condition of assets and implementing preventative maintenance/scheduled maintenance to maximize the lifecycle of assets.

Observation E: Amalgamation compounded the impact of infrastructure deficit.

The Campbell Report in 1993 forecasted that the net direct financial impact of municipal reform on the municipal units in Cape Breton County and their tax payers would amount to at least \$13.8M of savings annually.¹⁶² However, upon amalgamation, the CBRM faced a notable shortfall of approximately \$15M in its 1995-1996 proposed operating budget, which included prior deficits, adjustments to asset valuation allowances, implementation costs, employee severance costs, building and technology allowance. This impact of this significant financial burden borne by the CBRM was exacerbated by the ongoing disruption in its economy. Additionally, the CBRM had to take over \$32.7M debt (debenture and other term debt of capital funds) from the amalgamated communities¹⁶³. These factors have compounded over time to an extent such that the CBRM is facing challenges with maintaining and investing in vital infrastructure today.

Observation F: Unpaid liabilities such as expenditures for closure of old landfill sites are likely to add additional burden to CBRM's financials in the future.

Upon amalgamation in 1995, the CBRM took over most of the infrastructure of all the former communities. Some of the infrastructure was aged and required investment. For example, the CBRM took over six major former municipal landfills. The Nova Scotia Environmental Protection Act established regulatory requirements for the closure and long term maintenance of landfill sites. The CBRM is expected to monitor these sites and activities for these sites include groundwater monitoring, well installation, site delineation, site security, landfill gas delineation, leachate quality monitoring and even possible treatment, site capping and general site tidiness. The estimated liability for proper monitoring, planning, closure and post closure activities for these sites is currently estimated to be \$42M¹⁶⁴. This could be a significant burden on the CBRM's financials in the future should regulatory authorities require the Municipality to bring landfills in compliance with current standards.

Observation G: Wastewater projects are likely to inflict significant capital expenditure burden on the CBRM for the next two (2) decades.

The CBRM has planned for capital expenditure required for the Wastewater projects until 2023. Additionally, federally mandated (Wastewater Systems Effluent Regulations- Environment Canada) Wastewater projects worth approximately \$429M are due for completion by 2041. Assuming that the share of funding contribution among the Federal, Provincial and Municipal government will continue to be the same, it will translate to approximately \$142M of capital investment¹⁶⁵ by the CBRM until 2041. This implies that the CBRM will have to allocate funds worth approximately four (4) years of current capex budget¹⁶⁶ to Wastewater projects only until 2041.

Influence on Viability

Given the current infrastructure deficit scenario of the CBRM, such a sustained trend is likely to have ramifications for the municipality's viability. Primarily, three key influences could be:

¹⁶² MPA Research Project-Richard Ramsay, "The Birth of Cape Breton Regional Municipality", June 1998

¹⁶³ Province of Nova Scotia, February 2019

¹⁶⁴ CBRM annual financial statements 2018

¹⁶⁵ One third (1/3rd) portion of new long term debt taken by CBRM)

¹⁶⁶ Assuming that one (1) year capital budget is \$33M

- 1. Accelerated rate of population decline:** If the deficit continues to increase, it is likely to lower the livability index of the municipality. This will further accelerate the rate of population decline, potentially pushing the CBRM's economy further downward.
- 2. Compounded impact on future capex required:** It was noted in our stakeholder consultations that currently most of the departments have been operating efficiently with regard to resource optimization and have managed to minimize the variance between actual and planned operating expenditure. However, such efficient operations have come at a cost of rapidly increasing rate of infrastructure aging. Postponing mandatory operating expenditure (e.g. minor road repairs) is likely to more than proportionately add to the future capex required to rehabilitate the assets (e.g. resurfacing of roads), posing even further financial burden to run the municipality.
- 3. Risk exposure due to declining state of infrastructure:** Certain large regulatory projects such as the new Wastewater project have impacted the CBRM's ability to borrow additional funds to address pressing civic issues in the municipality such as sinkholes, road collapses and broken sidewalks. Such issues are likely to increase the CBRM's exposure to risks. In a Budget Consultative Survey conducted in 2017, the condition of roads was one of the most prominent issues identified by residents.

Appendices

Appendix A: Annual Unfunded Infrastructure Deficit

The following table was completed based on consultations with CBRM staff.

Engineering & Public Works (Includes Wastewater)		Facilities		Buildings, Parks and Ground		Water	
<i>*Mandatory</i>	<i>**Desirable</i>	<i>Mandatory</i>	<i>Desirable</i>	<i>Mandatory</i>	<i>Desirable</i>	<i>Mandatory</i>	<i>Desirable</i>
Amount (\$ M)							
25.4	42.8	1.7	6.7-8.7	3.2-3.5	10.15	4.1	20

*The '**mandatory**' type of projects/assets implies any assets that are needed by the CBRM because of regulatory requirements or because the assets have approached the end of their lifecycle and are not operational anymore.

The 'desirable**' type of projects/assets implies any assets that are 'nice to have' and that bring efficiency, effectiveness or improve livability in CBRM

Appendix B: Documents Reviewed

25. Last 10 years Financial Statements
26. Cape Breton Region Municipality Integrated Community Sustainability Plan Final ICSP Report (Stantec) 2010
27. Bill 177
28. Fair and Equitable Funding Report
29. Issue Paper Bid Tax Increment
30. MUN Cap Review Report 2010- 2011
31. Updated Assessment CAP Presentation
32. Budget Consultation Survey Results 2017-2018
33. CBRM Municipal Report 2017
34. CBRM Overview 2008
35. Provincial Municipal Fiscal Review 2014
36. PVSC Public Roll (2017-2019) - (Detailed Capped value and Capped Assessment of each house in CBRM)
37. PVSC Reports (2009, 2017-2019)
38. Departmental Budgets(2008-2019)
39. 2014 Org Review
40. Municipal Tax Bill Files
41. 5 year Corporate Plan
42. Population Projections report
43. Commercial Development By-Law
44. Municipal Transfer –(MS Excel and PDF)
45. Five year Capital Investment Plan
46. Financial Condition Index – (PDF & MS Excel)
47. Building Inventory
48. Sample Tax Bills
49. Council Tax Exemptions
50. Employees by Department
51. Low Income Tax Exemption
52. Operating and Capital Reserves
53. Uniform Assessment
54. CAP Presentation
55. Equalization 101 presentation
56. Budget summary 12-13
57. Budget Presentation, Final Operating & Capital 18-19

Appendix F: Comparative Analysis

Viability Study: Comparative Analysis

Cape Breton Regional Municipality

Comparative Analysis Interim Report

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Authorship

This interim report is prepared by Grant Thornton LLP (Grant Thornton) for the Cape Breton Regional Municipality (referred to as the CBRM, Municipality, or Regional Municipality throughout) Viability Study Steering Committee (referred to as Steering Committee). This report is based on information and documentation that was made available to Grant Thornton as well as information obtained from third party sources prior to the time of drafting the report. Much of the information was gathered from the benchmarking survey submitted to selected jurisdictions, as well as publically available information and previously conducted reports. As such, Grant Thornton assumes no responsibility and makes no representations with respect to the accuracy or completeness of any information provided to us. We are not guarantors of the information which we have relied upon in preparing our report, and except as stated, we have not attempted to verify any of the underlying information or data contained in this report. It is understood and agreed that all decisions in connection with the information as presented in this report shall be the responsibility of, and be made by the CBRM.

This report was prepared for the CBRM Steering Committee in relation to the viability study consulting engagement. This report is not to be used for any other purpose, and we specifically disclaim any responsibility for losses or damages incurred through use of this report for a purpose other than as described.

Document Purpose

The purpose of this document is to provide an interim summary of the comparative analysis findings. A summary of specific areas relating to municipal taxation policy and structure, the cost of municipal services relative to the value received by residents, and a summary of the infrastructure requirements of other jurisdictions are presented to provide context to the CBRM's current state findings. A key purpose is to provide insight into the challenges and strategies being employed by comparable municipalities. Opportunities for improvement and recommendations are not highlighted in this document; these will subsequently follow as shown in our project methodology illustrated below, accompanying future projections:



Approach

Grant Thornton conducted a comparative analysis of jurisdictions in order to gather relevant lessons learned and common best practices to inform future state recommendations. To accurately select jurisdictions, Grant Thornton worked with the Steering Committee to develop a preliminary evaluation criterion to define characteristics that would provide the most value to the study. The Halifax Regional Municipality (HRM) was selected for inclusion based on the fact that it is the largest Regional Municipality in Nova Scotia, with the CBRM being the second largest, and both sharing a similar relationship dynamic with the Province of Nova Scotia. Additional municipalities were selected based on the initial scoring of the evaluation criteria. The following table summarizes the final selected municipalities that were identified as potential benchmarking candidates.

Table 1 – Municipal Benchmarking Evaluation Criteria

S.No.	Municipality/City	Similar Total Population	Population Decline	Similar Geographical Mix	Similar Median Household Income	Similar Number of Dwelling Units	Similar Employment Trends	Regional Municipality
1	Halifax	✗	✗	✓	✗	✗	✗	✓
2	Saint John, NB	✓	✓	✓	✓	✓	✓	✗
3	North Bay, ON	✓	✓	✗	✓	✓	✓	✗
4	Moncton, NB	✓	✗	✓	✓	✓	✗	✗
5	Oxford County, ON	✓	✗	✓	✗	✓	✗	✓
6	Thunder Bay, ON	✓	✓	✓	✓	✓	✓	✓
7	Lambton County, ON	✓	✓	✓	✗	✓	✓	✗

Benchmarking Survey

Following the confirmation of the municipal candidates, Grant Thornton contacted representatives from each jurisdiction to assess their willingness to participate in a benchmarking survey. From the above list, four candidates responded positively to the request. Grant Thornton proceeded to develop a benchmarking survey based on findings from the CBRM's current state analysis for submission to each of the following jurisdictions: 1) Halifax Regional Municipality, 2) Moncton, 3) Saint John, and 4) Sarnia, Lambton County.

- 1) **HRM:** As noted earlier, the HRM is drastically different in population, growth, and economic position when compared to the CBRM, however, the shared experience with the Province as the two largest regional municipalities in Nova Scotia provides insightful information.
- 2) **Saint John:** Saint John has numerous similarities to the CBRM, including a decline in industrial activity leading to economic challenges and population outmigration.
- 3) **Moncton:** Moncton provides an interesting perspective as a city that has overcome economic challenges to lead all Atlantic cities in growth in 2018¹⁶⁷. In terms of value to this study, Moncton has the potential to provide insight into best practices and opportunities for improvement that will support the CBRM's future strategies.
- 4) **Sarnia / Lambton County:** The inclusion of Lambton County and Sarnia provides a unique perspective on a different amalgamation structure, with Lambton County providing "upper-tier" government services, and each municipality within the County providing "lower-tier" services, with Sarnia being the largest city in the County¹⁶⁸.

A copy of the survey that was distributed to the municipal candidates can be found in **Appendix A**.

Publicly Available Data & Secondary Research

In addition to the information directly obtained through the benchmarking survey, the Grant Thornton Project Team conducted a thorough review of publicly available information and previously conducted reports to provide greater insight into the jurisdictions being analyzed. The information assessed included:

- Financial statements
- Strategic plans
- Capital budgets

¹⁶⁷ Immigration Greater Moncton, 2018 Final Report.

¹⁶⁸ BMA, City of Sarnia Municipal Study, 2018.

- Statistic Canada census profiles
- Previous benchmarking reports
- Property taxation reports

A full listing of publically available data that was used in the report is referenced in **Appendix B**.

Part One: Overall Survey Observations

The municipalities selected have unique circumstances that are summarized below to provide context and considerations regarding specific findings. A more detailed summary of the jurisdictions and key statistics for each is presented in part two (Comparative Analysis) of this document.

Table 2 – Municipal Overview

	CBRM	HRM	Saint John	Moncton	Lambton County
Geographic Area	2,600km ²	5,577km ²	316km ²	142km ²	3,002km ² (Lambton) 165km ² (Sarnia)
Population¹⁶⁹	93,200	432,982	69,458	75,778	123,399 (Lambton) 72,125 (Sarnia)
5-year Population trend¹⁷⁰	Decline, -4.10%	Growing, 5.5%	Decline, -1%	Growing, 5.4%	Decline, -1%
Unemployment Rate¹⁷¹	15.8%	6.7%	7.8%	5.5%	5.9% (Sarnia)
Residential Dwelling Units¹⁷²	47,493	193,846	26,057	26,077	32,165
Median Household Income¹⁷³	\$58,235	\$74,470	\$54,130	\$59,880	\$72,265
Average single-family assessed value¹⁷⁴	\$122,580	\$302,880	\$179,300	\$164,900	\$197,000
Average annual residential property tax bill¹⁷⁵	\$2,562	\$3,513	\$3,200	\$2,720	\$3,006
Average tax bill as percentage of	4.4%	4.7%	5.9%	4.5%	4.2% (Sarnia)

¹⁶⁹ SmartMoney/Enviroics Analytics data, 2018.

¹⁷⁰ Total decline/increase over five years as per Enviroics Analytics data.

¹⁷¹ Statistics Canada, Labour statistics for March 2018.

¹⁷² Enviroics Analytics, 2018.

¹⁷³ Calculated as five year historic growth rate from Statistics Canada 2015, extrapolated to 2018.

¹⁷⁴ As per the Canadian Real Estate Association (CREA), March 2019.

¹⁷⁵ Calculated based on posted average residential rates multiplied by posted average residential housing costs as of CREA, March 2019.

median income ¹⁷⁶					
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The following observations provide an overview of the general findings from the benchmarking survey with relevance to the CBRM viability study. Observations have been divided into three distinct themes relating to the focus areas of the study: 1) municipal taxation, 2) value-for-money analysis of expenditures, and 3) infrastructure spending and deficits.

Municipal Taxation

- 1. The principles that guide municipal taxation policy appear to be highly related among municipalities, yet the application of the principles seem to be inconsistent.** The criteria for evaluating municipal tax policy was summarized into five areas for Saint John¹⁷⁷: 1) fairness, 2) immobile tax base (i.e. the ratepayers are the beneficiaries of the services), 3) sufficient, stable, and predictable revenues, 4) transparency and accountability, and 5) ease of administration. The surveyed respondents all cited similar properties as the key principles guiding taxation, yet criticism as to the definition and application of the principles are well documented. Though a common practice, one example that has been cited in a number of reports¹⁷⁸ is the rationale for higher commercial rates, questioning the equity of levying higher rates on a property based on the nature of its use. Additionally, what is economic for taxpayers and the ability to generate sufficient and stable revenues for local governments can increasingly become strained for municipalities facing population declines.

Observation: While most municipalities note similar taxation principles, the pragmatic need to generate annual taxation revenues appears to be an important consideration. Some common taxation practices may not align entirely with cited principles. All of the benchmarking participants were in the process of reassessing various aspects of their current taxation model. The cities of Saint John and Moncton are working with other municipalities in New Brunswick to identify common experiences and potential improvements to the existing model with the Provincial and Federal governments¹⁷⁹. The CRBM and the HRM are both in the process of submitting proposed amendments to the Province of Nova Scotia regarding the Capped Assessment Program. Although it has been common practice to limit adjustments to various categorical rates (i.e. residential property tax rates), there appears to be a growing desire for meaningful reform that best supports attracting investment to each respective region while providing additional oversight to municipalities.

- 2. The level of authority to control and set municipal tax rates varies among jurisdictions.** Some of the municipalities have indirect constraints that influence the taxation model, such as the Capped Assessment Program in Nova Scotia, while other jurisdictions have direct constraints. For example, Saint John and Moncton which are mandated to set non-residential property tax rates at 1.5 times the residential tax rate. Furthermore, in an effort to limit municipal tax increases, the Province of New Brunswick implemented a residential assessment freeze in 2017¹⁸⁰, which has continued into 2019.

Observation: There appears to be a growing trend of municipalities seeking greater control over taxation powers, with many municipalities submitting formal position papers to develop a strategy for increased oversight of taxation powers. However, municipalities may be constrained by policy and legislation from higher levels of government, particularly at the provincial level.

Table 3 – Property Tax Rate Analysis

	CBRM	HRM	Saint John	Moncton	Sarnia
Full Urban Residential Tax Rate	2.09% ¹⁸¹ (0.4% provincial portion) levy per	1.16% (0.4% provincial portion) levy per	1.785% (no provincial portion on owner occupied	1.649% (no provincial portion on owner occupied	1.526% (0.17% provincial education portion) levy per

¹⁷⁶ Calculated by dividing estimated average tax bill by estimated median household income.

¹⁷⁷ Municipal Property Tax Issues in the City of Saint John, Harry Kitchen and Enid Slack, Aug 2017.

¹⁷⁸ Municipal Property Tax Issues in the City of Saint John, Harry Kitchen and Enid Slack, Aug 2017.

¹⁷⁹ “Strong Cities, Strong Province”, Eight Cities/One Voice, 2018.

¹⁸⁰ Municipal Property Tax Issues in the City of Saint John, Harry Kitchen and Enid Slack, Aug 2017.

¹⁸¹ Average full rate from all urban areas in CBRM.

	\$100 of assessed value	\$100 of assessed value	residential properties) levy per \$100 of assessed value Non-owner occupied residential properties have a rate of 2.9% (1.123% provincial portion)	residential properties) levy per \$100 of assessed value Non-owner occupied residential properties have a rate of 2.77% (1.123% provincial portion)	\$100 of assessed value
Full Commercial Tax Rate	5.25% (4.85% Municipal, 0.4% Provincial) levy per \$100 of assessed value	3.26% (2.86% Municipal, 0.4% Provincial) levy per \$100 of assessed value	4.86% Total (2.68% Municipal, 2.18% Provincial) levy per \$100 of assessed value	4.66% Total (2.47% Municipal, 2.18% Provincial) levy per \$100 of assessed value	3.55% (3.38% Municipal, 0.17% Provincial) levy per \$100 of assessed value
Commercial to Residential Ratio¹⁸²	2.5:1	2.8:1	2.7:1	2.8:1	2.3:1

- 3. Municipalities with a large urban/rural mix have noted the unequal tax distribution as an ongoing challenge.** The current state analysis of the CBRM identified that a large portion of the residential tax base resided in lower taxed rural areas (approximately 42% of total dwelling units were in rural counties¹⁸³), where the costs to provide some municipal services are higher due to the lack of density. Saint John echoed the sentiment, with the rural portion of the population accounting for nearly half of all residents, yet the urban areas employing approximately 85% of the population. As such, in Saint John this has led to an internal debate whether it continues to be fair to charge lower taxes to residential properties in rural areas when most rural residents also use municipal services in urban areas.

Observation: Municipal regions with a large geographic region and urban/ rural population bases are increasingly assessing if the current taxation model is equitable considering the shared benefits of urban centers. The advantageous tax rates and land costs in rural areas appear to be serving as a disincentive for municipalities seeking to achieve greater densification.

- 4. There appears to be a growing trend for municipal governments to increase service based fees and other taxes in an effort to generate sufficient revenues.** As local governments attempt to keep increases to property taxation as low as possible, there appears to be an increase in applying user based fees for services. For example, increases to fees associated with permits and fines, and transitioning to a consumption based model for wastewater and sanitation was common among respondents. Furthermore, land transfer taxes are increasingly becoming a significant revenue generator for the municipalities surveyed, however residents have increasingly voiced their displeasure and it is an area that is becoming increasingly scrutinized. The following table summarizes the Canadian cities with the highest land transfer taxes¹⁸⁴.

¹⁸² Canadian Property Tax Rate Benchmark Report, Altus Group, 2018.

¹⁸³ As per CBRM taxes paid per region.

¹⁸⁴ Zoocasa, How Land Transfer Tax Impacts Home Affordability Across Canada, July 2018.

Table 4 – Land Transfer Taxes

HIGHEST LAND TRANSFER TAXES: CITY RANKINGS	AVERAGE HOME PRICE, MAY 2018	FIRST-TIME HOME BUYERS		REPEAT HOME BUYERS	
		TOTAL LAND TRANSFER TAX (including first-time buyer rebates)	LTT AS % OF HOME PRICE	TOTAL LAND TRANSFER TAX	LTT AS % OF HOME PRICE
1. Vancouver, BC	\$1,103,803	\$20,076	1.8%	\$20,076	1.8%
2. Toronto, ON	\$805,320	\$16,687	2.1%	\$25,162	3.1%
3. Victoria, BC	\$713,485	\$12,270	1.7%	\$12,270	1.7%
4. Abbotsford, BC	\$538,999	\$8,780	1.6%	\$8,780	1.6%
5. Kelowna, BC	\$532,972	\$8,659	1.6%	\$8,659	1.6%
6. Halifax-Dartmouth, NS	\$311,249	\$4,669	1.5%	\$4,669	1.5%
7. Oshawa, ON	\$597,485	\$4,425	0.7%	\$8,425	1.4%
8. Montreal, QC	\$392,417	\$4,386	1.1%	\$4,386	1.1%
9. Hamilton-Burlington, ON	\$590,273	\$4,280	0.7%	\$8,280	1.4%
10. Winnipeg, MB	\$307,320	\$3,866	1.3%	\$3,866	1.3%
11. Guelph, ON	\$537,530	\$3,226	0.6%	\$7,226	1.3%
12. Quebec City, QC	\$273,607	\$2,604	1.8%	\$2,604	1.8%
13. Kitchener-Waterloo, ON	\$482,873	\$2,132	0.4%	\$6,132	1.3%
14. Barrie, ON	\$477,512	\$2,025	0.4%	\$6,025	1.3%
15. Saint John, NB	\$195,449	\$1,954	1.0%	\$1,954	1.0%

Observation: Alternative revenue sources differ significantly between selected municipalities, largely influenced by provincial legislation that governs the types of economic activity a municipality can participate in. As increases to tax rates are frequently met with increased public scrutiny, increases to user based fees and alternative sources appear to be more politically palatable.

- 5. While the composition of municipal revenues varies significantly among respondents, residential taxes are consistently a significant contributor.** The surveyed jurisdictions are heavily dependent on property taxation, with the majority of taxes coming from residential properties for most respondents. The only surveyed jurisdiction with considerable alternative revenues was Sarnia, with approximately 38% of revenues coming from user fees (mostly utility revenues). As residential tax rates influence the overall attractiveness of living in a city, local governments are facing pressure to generate revenues from other sources or limit spending to align with existing rates. As such, the importance of growing the tax base through population growth was listed as a critical priority for all benchmarked jurisdictions.

Table 5 – Property Tax Revenues

	CBRM	HRM	Saint John	Moncton	Sarnia
Total Operating Budget Expenditure 2017/18	\$147.79M ¹⁸⁵	\$853.4M	\$152.6M	\$165M	\$181.9M
Property Tax Revenues 2017/18	\$89.5M (60% of expenditures)	\$485.1M (57% of expenditures)	\$121.3M (79% of expenditures)	\$128.6M (78% of expenditures)	\$73.3M (40% of expenditures)
Contribution Percentages	70% Residential / 30% Commercial	62% Residential / 38% Non-residential ¹⁸⁶	61% Residential / 39% Non-residential ¹⁸⁷	74% Residential / 26% Non-residential ¹⁸⁸	74% Residential, 26% Non-residential ¹⁸⁹

¹⁸⁵ Of the \$147.79M of expenditures, \$17.65M is allocated to mandatory costs to the provincial government

¹⁸⁶ Halifax Partnership, Halifax Index, 2018.

¹⁸⁷ Fair Property Taxation, Saint John Report, 2017.

¹⁸⁸ Ibid.

¹⁸⁹ City of Sarnia, 2018 Approved Budget Highlights.

Property Tax Per Capita¹⁹⁰	\$960	\$1,120	\$1,746	\$1,697	\$1,016
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Observation: Residential property taxes appear to be the most significant source of municipal revenues. As such, the economic impacts of outmigration are exasperated for municipalities experiencing a population decline. In an effort to keep residential rates as competitive as possible, municipalities are seeking to shift the burden to other areas. The cities of Saint John and Moncton have conducted reviews of the existing provincial legislation in an effort to shift an increased portion of the tax burden to non-residential properties. However, the addition of the provincial portion of taxes on non-residential properties places both cities at comparatively high rates. Additional increases to commercial rates have the potential to slow economic growth, ultimately impacting population growth and the residential tax as well.

- 6. The composition of provincial transfers and mandatory costs for municipalities have key differences among provinces, influencing the net level of funding received.** Based on the benchmarking results, each province appears to apply a different approach for transfers allocated to municipalities and mandatory costs to be borne by municipalities. For example, New Brunswick does not provide tax exemption status to hospitals which are assessed at the residential rate, resulting in the Saint John Regional Hospital being the largest commercial taxpayer in Saint John¹⁹¹. Comparatively, hospitals in Nova Scotia are fully exempt from taxation. Although on the surface it would appear this is a competitive advantage for municipalities outside of Nova Scotia, it is important to note that equalization transfers to municipalities from the Province of New Brunswick have decreased substantially over the past decade, with total contributions totaling approximately \$2M for Moncton in 2018. In Ontario, municipalities receive a fixed fee grant from the Province based on the number of beds that reside in a hospital¹⁹²

Observation: There are several factors involved when assessing the net levels of funding received by municipalities from their respective provincial departments. Comparing the different aspects of funding between municipalities in different provinces should be done so with discretion as differences in one aspect of taxation can coincide with drastic differences in another. Selecting variables in isolation does not necessarily portray an accurate assessment of each municipality's overall framework.

- 7. The level of federal and provincial employment in a municipality has the two-fold benefit of providing stable employment for residents, and grants-in-lieu for municipal governments.** The public sector as a whole is one of the largest employers in the HRM, significantly contributing to the City's stable and diversified economy. The benefit to the HRM is also a significant contribution to revenues through grants-in-lieu of taxation on Provincial and Federal buildings, totaling approximately \$39M in 2018¹⁹³. Moncton also benefits from a larger public sector presence due to their high-levels of bilingualism. Comparatively, the CBRM received approximately \$6.4M in grants-in-lieu for the same year from government buildings¹⁹⁴.

Observation: The level of Federal and Provincial employment opportunities in a city can provide significant benefits to both municipal governments and employment opportunities to residents. HRM and Moncton are the two surveyed cities that have relatively larger public sectors. These municipalities have also experienced the strongest economic growth among the benchmarked participants.

Key Value-for-Money Themes

- 1. Engineering & Public Works and Protective Services are consistently the largest cost drivers for municipalities, however the specific cost drivers within the subgroups of the municipalities can vary significantly.** The largest cost drivers for municipal regions are largely dependent on unique geographic and socioeconomic circumstances. Areas with less density and older populations appear to have higher specialized-transit demand, while the composition of fire services largely being staffed by volunteers in both the CBRM, Sarnia, and the HRM results in a lower cost of service than other survey respondents that fully fund career firefighters. The level of population density among communities is also

¹⁹⁰ Methodology of total revenues from all sources of property tax as per consolidated financial statements, divided by total population as per Enviroanics.

¹⁹¹ Fair Property Taxation, Saint John Report, 2017.

¹⁹² Ibid.

¹⁹³ HRM, Fiscal Consolidated Accounts 18/19 Multi-year Budget & Business Plan, March 7, 2018.

¹⁹⁴ As per CBRM's FCI 2018 draft spreadsheet.

a significant cost driver, as the ability to capture efficiencies diminishes in relation to the distance between communities.

Observation: Although municipal specific characteristics influence how costs are incurred, the total costs per capita for the two categories of public works and protective services as a proportion of total spending remained relatively similar across regions.

2. **Private / not-for-profit partnerships in areas such as recreation and facilities is increasingly being utilized as a means to drive efficiency and lower costs.** Municipalities are increasingly assessing redundancies among services provided by both the public and private/not-for-profit sectors. If services are being provided by other suitable providers, the level of necessary municipally delivered services are being reconsidered in an effort to decrease the operational risks and managerial costs associated with staffing internally. For example, the City of Saint John has moved to a full outsourcing model for recreation programming, providing funding through on-going grants; the HRM operates a number of their facilities as joint ventures governed with an independent board of directors.

Observation: The level of amenities and facilities offered by a city directly impacts the experiences available to residents. As accountability for expenditures becomes increasingly factored in to performance ratings, municipalities are exploring innovative and collaborative ways to provide efficient and effective community services without reducing the level of services received by residents.

3. **There is a spectrum of funding mechanisms for different services offered, with a visible trend of services that constitute a social good being fully or partially funded through the base tax rate, and user-specific services being funded through a consumption-based fee.** In the municipalities surveyed, the majority deem most transit-related costs as a social good, meaning services such as public transportation are largely subsidized through the general rate. Other services, such as solid waste, are increasingly moving toward a consumption model due to the inequity of households producing more waste than others. The cities with a mixture of urban and rural areas have attempted to align taxation with service levels based on proximity to services, yet are increasingly finding funding shortfalls that do not necessarily reflect the benefits provided to all citizens. For example, the rural areas of outside of Saint John are assessed a lower, area-based fire rate, yet one of the most significant responsibilities of emergency services is responding to automobile accidents. With 85% of residents commuting to the urban core on a daily basis, the benefits of the service are not necessarily aligned with one's residential address.

Observation: As municipalities have attempted to align tax levies with applicable service costs, there appears to consistently be a funding deficit. The resulting shortfall has led to a trend of most social goods being funded through the base rate. The definition of what constitutes a "social good" is still a point of contention, but the majority of protective services and transit appear to increasingly be moving away from area specific rates.

4. **Age demographics are significantly influencing the services most needed in communities, and the level and types of funding.** Aging demographics were cited as an issue in three of the four benchmarking participants, with Saint John facing the most significant change from the trend. The influence on everything from housing to transportation is causing pressure on cities to provide focused services for seniors at affordable rates, yet the costs associated with these services can be significant and are largely funded through the base rate. For example, the demand for senior-specific public transportation is increasing in the majority of respondents, yet the marginal costs with each additional service vehicle increases as user fees only cover a fraction of the associated costs.

Observation: As aging populations shift the demographic makeup of some cities, there is greater potential for a widening gap between revenues generated through property taxation and the costs of providing municipal services. Long-term, sustainability is increasingly dependent upon attracting young residents to a city. Furthermore, as many seniors rely on fixed incomes, the ability to charge higher user-based fees for services may be difficult.

5. **Although the overall tax burden influences the level of migration to a city, other social considerations routinely rank higher in determining the attractiveness of living in a jurisdiction.** The ranking of the most desirable Canadian cities to live in are rarely correlated to their overall tax burden. Other factors that are routinely considered to be of significant importance are the rate of crime,

economic opportunity, overall cost of living, and health/environmental concerns¹⁹⁵. As an example, Lambton County listed one of its top priorities as continuing to improve the environmental impact of the petrochemical industry on air-quality, as the current label of “chemical valley” was cited as a challenge to attract new residents.

Observation: While limiting the overall tax burden through efficient spending is becoming increasingly vital for municipalities, the level of services provided and the contribution to socioeconomic factors play a significant role in attracting prospective residents. Some of these factors are in direct control by the municipality, while others cannot be influenced at the local municipal level.

- 6. Collective bargaining agreements and binding arbitration make it difficult for cities to respond to economic changes through budget cuts.** The municipalities surveyed all listed collective bargaining agreements as constraints to proactive budget strategies. The public sector has routinely been both lauded and criticized for the inelastic compensation packages afforded to unionized employees. Although both perspectives have merit, in a declining economy, the inability to effectively reduce expenditures can magnify the economic impact to municipalities and tax payers.

Observation: The differences in compensation packages between the public and private sector have been a contentious debate for decades. In municipalities facing economic challenges, the nature of collective bargaining agreements and binding arbitration can severely limit the options available to reduce expenditures to align with revenues, contributing to infrastructure deficits and fiscal deferrals.

Key Capital Spending & Infrastructure Deficit Themes

- 1. Although capital budgets varied significantly between participants, all surveyed municipalities cited infrastructure deficits, with roads consistently ranking as the top contributing factor.** The selected municipalities all shared the similar sentiment of road replacement and maintenance being an on-going issue that consistently consumes large portions of the capital budget. Cities with larger road networks cited annual maintenance costs as high as \$60M annually. Additionally, the high visibility and usage of roads can make them a proxy-indicator of the quality of overall municipal infrastructure.

Table 6 – Capital Spending and Annual Road Maintenance Costs

	CBRM	HRM	Saint John	Moncton	Lambton County
Total estimated Infrastructure Deficit	\$126M	N/A ¹⁹⁶	\$434M	\$200M	\$9M (Lambton) \$255M ¹⁹⁷ (Sarnia)
Average Annual Capital Spending¹⁹⁸	\$34M ¹⁹⁹	\$159M	\$25M	\$40M	\$20M
Lane km of Roads	1,004 Lane km	3,878 Lane km	760 Lane km	532 Lane km	1,383 Lane km
Average annual budget for maintenance of roads²⁰⁰	\$22M	\$68M	\$11M	\$20M	\$22.75M
Cost per km²⁰¹	\$21,912	\$17,534	\$14,473	\$37,593	\$16,450

¹⁹⁵ YouthfulCities, Best Cities for Youth to Work in Canada, Urban Work Index, 2019.

¹⁹⁶ The HRM did not have the figures available at this time.

¹⁹⁷ As per City of Sarnia, Capital Budget, 2018.

¹⁹⁸ As per each municipalities’ 2018 Capital Budget.

¹⁹⁹ As per capital budget 2019-23, average capital spending over five years.

²⁰⁰ The rates represent an annual average estimate of both operating costs and capital investment for repairs and maintenance

²⁰¹ The figures are a rough estimate from total figures provided by benchmarking participants, divided by lane km.

Observation: It is apparent that the Canadian winters create a substantial cost for road maintenance, as the benchmarking participants all cited the freeze/thaw cycle as a heavy contributing factor to the poor condition of roads. The large areas of both the HRM and CBRM add to the total on-going infrastructure burden, with no immediate remedy. Although roads are consistently listed as a priority by City officials, the inability to significantly adjust operational levels of spending often results in capital projects (roads) being deferred.

- 2. Dependency on funding from other levels of government for capital projects was consistently cited by respondents, however, the availability of funding is often related to specific infrastructure categories which may not necessarily align with local needs and priorities.** Saint John provided an example of previously “chasing” funding dollars with projects that did not necessarily align with the stated priorities of the Municipality. The result has been a net negative outcome in the long-term due to on-going operational and capital requirements associated with specific projects that have provided little value to the City. The municipalities surveyed have all developed a comprehensive evaluation criteria for prioritizing projects, with the source of funding receiving a limited weighting.

Observation: Although municipalities are keen to access funding from other levels of government, pursuing projects that do not align with municipal priorities can be costly in the long-run (due to the associated operational and maintenance costs). If funding is based on regulatory updates, a municipality has little control over the projects timelines and funding, as is currently being experienced by the CBRM for its wastewater treatment program upgrades.

- 3. Asset management programs and sustainability of existing infrastructure were listed by the surveyed municipalities as a key strategic priority moving forward.** Managing and extending the lifespan of existing infrastructure was listed as a priority by all survey respondents. The different economic situations in municipalities are creating similar areas of deficits for municipalities, albeit for different reasons. In growing cities, a significant portion of spending is directed to growth related infrastructure projects to accommodate new residents. In cities with declining populations, the lack of operational funds frequently results in limited and deferred capital spending. Lambton County recently implemented an accrual based accounting methodology/system for all tangible capital assets to improve budgeting for future needs through improved asset tracking. The HRM introduced Enterprise Asset Management (2013) and the work order management system CityWorks (2016), both of which are providing the tools to develop asset management plans for all asset classes.

Observation: Municipalities are investing heavily in asset management programs as they seek to extend the life span of key infrastructure and bring down operational and replacement costs. Integrating asset management programs with planned capital spending is also being utilized as a means to influence unplanned costs and better manage reserve funds.

- 4. Densification efforts are a priority for all municipalities surveyed, particularly in municipalities with geographically sprawling populations.** The cost of service and infrastructure per lineal meter typically decreases with greater densification. The ability to provide effective and efficient services is largely dependent on scalability. The regions with disparate residents and sprawling networks have a higher cost delivering most services and/or do not provide a consistent level of service to all areas. Additionally, jurisdictions with an aging population face increased pressure to provide accessibility to services and goods for seniors, yet an absence of centralized housing options is limiting the transition.

Observation: In an effort to improve the efficiency and effectiveness of services and infrastructure, municipalities are attempting to drive densification by various incentive programs (e.g. Moncton and Saint John offer residential development incentives in targeted urban areas, with lower, phased in rates over 10-year terms), however some cities have legislative barriers to providing residential development incentives, such as the CBRM.

- 5. Debt servicing is becoming an increasing challenge for municipalities, especially the respondents facing population declines. As such, the benchmarking respondents listed alternative funding mechanisms as a key priority moving forward.** The level of outstanding debt and the associated costs with debt servicing limit the future operational and capital budgets. It appears that municipalities that have experienced high debt servicing obligations in the past have made concerted efforts to lower debt, while municipalities’ currently managing higher debt loads have made debt restructuring and repayment a priority. One of the alternative measures being explored is simply growing the reserve fund to cover a higher proportion of costs. However, the reality of unexpected infrastructure needs can make this approach challenging.

Table 7 – Total Municipal Debt

	CBRM	HRM	Saint John	Moncton	Sarnia
Total Consolidated Net Debt²⁰²	\$148M	\$241M	\$234M	\$120M	\$70M

Observation: Although operating costs are a reality of any municipality, fiscal flexibility can prove critical to responding to economic cycles and unplanned capital needs. The costs of debt servicing can quickly outpace the planned fiscal capacity of municipalities. Fiscal responsibility and new funding strategies were listed as an on-going priority by all respondents, yet the challenges of keeping pace with aging infrastructure remains.

Part Two: Comparative Analysis

The following section provides a more in-depth summary of specific characteristics of each selected municipality. For an introductory overview of the selected benchmarking participants, the table below provides a summary of the relevant 2017 expenditures among all selected municipalities.

Table 8 – Municipal Expenditure Summaries

	CBRM	HRM	Saint John	Moncton	Sarnia
General Government Services	\$17.2M	\$110.9M	\$35.8M	\$45.5M	\$47.5M
<i>Per Capita Cost</i>	\$185	\$256	\$515	\$600	\$659
Protective Services	\$38.9M	\$220.6M	\$52.5M	\$38.5M	\$38.7M
<i>Per Capita Cost</i>	\$417	\$509	\$756	\$508	\$537
Transportation Services	\$38.9M	\$271.8M	\$48.5M	\$27.9M	\$28.3M
<i>Per Capita Cost</i>	\$417	\$628	\$698	\$368	\$392
Environmental Services	\$16.2M	\$41.1M	\$21.5M	\$9.9M	\$10.0M
<i>Per Capita Cost</i>	\$174	\$94	\$310	\$131	\$139
Recreation and Cultural Services	\$10.5M	\$131.6M	\$10.9M	\$15.4M	\$15.9M
<i>Per Capita Cost</i>	\$113	\$304	\$157	\$203	\$220
Water and Wastewater	\$12.5M (wastewater)	N/A	\$35.8M	\$27.7M	\$27.3M
<i>Per Capita Cost</i>	\$134	N/A	\$515	\$366	\$379

To provide additional context, the following table outlines some of the key variables that influence the overall level of taxation and services delivered by each municipality, as well as factors that contribute to growth in the tax base.

Table 9 – Key Municipal Statistics

²⁰² Values are an estimation based on the 2017 consolidated financial statements, as a note, some of the municipalities hold capital debt related to water utilities in a separate legal entity, such as the HRM. Some items contained in the debt may skew the true economic standing of the municipality.

	CBRM	HRM	Saint John	Moncton	Sarnia
Population	93,200	432,982	69,458	75,778	72,125
Geographic Area	2,600km ²	5,577km ²	316km ²	142km ²	165km ²
Number of Universities and Secondary Education Institutions²⁰³	Three universities /colleges	Eight universities /colleges	Three universities /colleges	Six universities /colleges	One college
Policing Structure	Municipal police service	Mix of municipal police service and RCMP	Municipal police service	RCMP	Ontario Provincial Police
Police Officers Per 100,000 Civilians²⁰⁴	223 : 100,000 (201 actual)	165 : 100,000 (523 HRP, 188 RCMP, 711 actual ²⁰⁵)	230 : 100,000 (160 actual)	183 : 100,000 (139 actual)	109 : 100,000 (79 actual)
Crime Rate per 100,000²⁰⁶	4,614	5,185	6,688	6,565	7,276
Number of Fire Departments	36 stations (30 volunteer, 3 composite, 3 career)	51 stations (22 volunteer, 21 composite, 8 career)	8 stations (All career firefighters)	5 stations (All career firefighters)	5 stations (1 career, 4 volunteer)
Facilities²⁰⁷	<ul style="list-style-type: none"> • 10 arenas • 4 pools • 12 community centers 	<ul style="list-style-type: none"> • 67 recreation facilities • 7 indoor pools • 4 outdoor pools • 25 ice surfaces 	<ul style="list-style-type: none"> • 6 arenas • 8 indoor pools • 15 community centers 	<ul style="list-style-type: none"> • 4 arenas • 2 pools • 7 ice surfaces 	<ul style="list-style-type: none"> • 3 arenas • 4 community centers • 1 pool
Age Demographics²⁰⁸	0 to 14: 13.1% 15 to 64: 63.2% 65+: 23.7%	0 to 14: 15% 15 to 64: 69.3% 65+: 15.7%	0 to 14: 15% 15 to 64: 65.4% 65+: 19.6%	0 to 14: 15.7% 15 to 64: 67% 65+: 17.3%	0 to 14: 15% 15 to 64: 63.7% 65+: 21.3%
Average Age²⁰⁹	46.1	40.8	42.9	41.7	43.7

Halifax Regional Municipality, Nova Scotia

Similar to the CBRM, the HRM was established as a result of the provincial mandate to amalgamate in 1996, consisting of the four former municipalities of Halifax, Dartmouth, Bedford, and Halifax County. Although the municipalities selected for the comparative analysis were primarily chosen based on similarities to the CBRM, the HRM is unique in that other than the shared characteristics of Provincial mandates, regulatory governance, and amalgamation in 1996, the similarities are few and far between. The HRM is the largest municipality in Atlantic Canada and continues to experience steady growth in population and GDP. The bulk of challenges faced by the HRM are related to growth, with improved coordination between departments on projects, initiatives and service delivery as a key strategic priority.

²⁰³ As per each jurisdictions listed education institutions.

²⁰⁴ Calculated as per each jurisdictions Police Service website and/or operating budget report.

²⁰⁵ HRM Police Services, 2018/19 Multi-Year Budget & Business Plan.

²⁰⁶ SmartMoney/Environics Analytics data, 2018.

²⁰⁷ These figures include facilities that are wholly or partially owned by the municipalities, with arenas and recreation centers typically having higher associated costs.

²⁰⁸ Stats Canada, Census Profile, 2016.

²⁰⁹ Ibid.

Municipal Tax Observations

The composition of the HRM's tax structure is based on three categories, Urban, Suburban, and Rural, although residential suburban and rural have the same rates as they both receive the same level of services. For commercial rates, urban and suburban have the same rates as they are more aligned with levels of service than a rural comparable. In addition to the base rate, the HRM applies multiple area rates to rural properties based on proximity to certain services (e.g. a fire-hydrant rate is applied to properties within 1200 feet of a hydrant, specific private road maintenance costs are levied on rural areas with access).

Modest residential base tax rate increases are expected in 2019 (will result in a 1.97% increase in total amount paid over the previous year), while commercial tax rates will fall by 1.1%. The increase in taxes is a result of costs of service outpacing revenue growth, leading to an expected shortfall of \$10M²¹⁰. The HRM reported 3% of taxes in arrears in 2017²¹¹.

Table 10 – HRM Tax Analysis

Area	Rates	Structure	Average Assessment / Revenues	Observations
Residential Tax	1.25% Urban levy per \$100 of assessed value 1.10% Suburban / Rural levy per \$100 of assessed value	Urban general: 0.8130 0.349 Provincial Multiple service area rates for rural communities	\$200,000 residential detached house: \$2,320 annually	<ul style="list-style-type: none"> The Provincial CAP was cited as creating unintended consequences to the housing market (i.e. negatively influencing affordability, distribution of the tax burden, and overall activity in the real estate market).
Commercial Tax	3.26% levy per \$100 of assessed value	2.8690% Municipal, 0.39% Provincial	\$1,000,000 commercial property: \$32,600 annually	<ul style="list-style-type: none"> The HRM is currently assessing the commercial rate structure as increased vacancies and a lack of tools to address the core issues have been identified as potential risks to future growth²¹².
Provincial Transfers	N/A	Grants from the Province are based on the determined need derived from the uniform assessment	Based on equalization transfers, the HRM does not receive funding from the Province, however, the HRM receives considerable government funding from conditional grants (\$73M) ²¹³ .	<ul style="list-style-type: none"> Payment in lieu of taxes accounted for \$39M annually in 2018, representing the high number of government properties in the HRM.
Alternate sources	N/A	Non-tax revenues contributed \$127M, and the deed transfer tax	The HRM is heavily dependent on property taxation revenues, which fund	<ul style="list-style-type: none"> The HRM receives a substantial portion of alternative revenues from utility agreements, and the land transfer tax provides

²¹⁰ HRM, 2018 Highlights.

²¹¹ Municipal Benchmarking Network Canada, MBNCanada Performance Measurement Report, 2017.

²¹² Halifax Regional Municipality, Commercial Tax Objectives and Options, 2018.

²¹³ Halifax Partnership, Halifax Index, 2018.

		contributed \$33M in 2017.	close to 80% of all operating costs. User fees contribute roughly 10% of total revenues, with additional sources being land transfer tax and net utility agreements.	additional revenues, reflecting the relatively stable housing market.
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Value-for-Money Budget Expenditure Observations

The HRM challenges are largely related to growth. As the population continues to expand, there is increasing pressure on existing services to operate more effectively as to minimize tax rate increases. The Organizational Performance Excellence division was formalized to streamline processes and advance a culture of continuous improvement within the organization and reflects the region’s commitment to maintaining expenditures to align with growth. The following table provides an approximate summary of the HRM’s expenditures in 2017²¹⁴.

Table 11 – HRM Expenditures

HRM Department	2017 Expenditures	Per Capita Cost	Observations
Engineering & Public Works	\$98.8M	\$228	<ul style="list-style-type: none"> The total cost for solid waste disposal per Tonne was \$183 in 2017, well above the national median average of \$84²¹⁵.
Facilities	\$26M	\$60	<ul style="list-style-type: none"> The new Halifax Central Library was referenced as adding enormously to the city. Consultations with the public were critical to its success as was the change in service delivery, transitioning from exclusively providing books, to providing focused, community based outcomes. Total number of municipal arenas and facilities include: <ul style="list-style-type: none"> - 67 Recreation facilities – All HRM owned - 7 Indoor pools - 3 HRM owned, operated and funded, 4 HRM owned and Board operated. Two of these receive subsidies from HRM - 4 Outdoor pools; 3 HRM owned, operated and funded, 1 HRM owned and Board operated. This one receives a subsidy from HRM. - 25 Ice surfaces: 2 HRM owned, operated and funded; 8 HRM owned, operated by an external party; 10 HRM owned and Board operated (Three receive subsidies from HRM); 5 are externally owned and operated.
Fire & Emergency Services	\$59.5M	\$137	<ul style="list-style-type: none"> The HRM has a total of 51 Fire Stations, 22 are staffed by volunteers, 21 are composite staffed by both career and volunteer, and 8 are career only.
Parks & Recreation	\$41M	\$95	<ul style="list-style-type: none"> Overall, recreation services in HRM are delivered through a hybrid system, with several facilities operated by third parties and others directly operated by the municipality. In 2011, the HRM

²¹⁴ All figures have been obtained from the City’s 2017 consolidated financial statements, some of the costs associated with each department may not necessarily reflect a similar comparison of services rendered.

²¹⁵ Municipal Benchmarking Network Canada, MBNCanada Performance Measurement Report, 2017.

			initiated a review of the governance and oversight of its regional facilities to ensure the current governance and operating models were appropriate. Under that project, seven Multi-District Facility Associations/Societies restructured consistent management agreements.
Police RCMP	\$86.6M \$26M	\$260	<ul style="list-style-type: none"> HRM funds its own police force in the core area, with the RCMP policing areas outside of the core. Halifax Regional Police and the Halifax detachment of the RCMP have developed an integrated policing model which includes an integrated criminal investigation division, courts section, records section and command staff. The cost of the RCMP is funded 30% by the federal government and 70% by HRM. The Province provides funding under the Additional Officer Program and fully funds 17 positions in the RCMP²¹⁶. Police staff to civilian ratio was 175 per 100,000 in 2017, the HRM has a total crime severity index of 64 compared to a median average of 81²¹⁷. HRM's 911 service provides integrated dispatching to Halifax Regional Police, Halifax District RCMP and Halifax Regional Fire and Emergency, as well as fielding non-emergency calls to Halifax Regional Police, and is funded by the HRM. HRM fully funds its own school crossing guard program administered by Halifax Regional Police.
Transit	\$115.4M	\$266	<ul style="list-style-type: none"> Total ridership was down approximately 100,000 from the previous year in 2018, a decline of approximately 0.005% for the second consecutive year²¹⁸. Public consultations for potential rail system began in 2017, with 66% of respondents supporting the development of a rail system.

Infrastructure Spending & Deficit Observations

The HRM exhibits a comparatively robust transportation infrastructure network that supports strategic growth objectives, including the Halifax International Airport, highway connections, and 1-day transport time from the Port of Halifax to the Mid-Western United States. As a region that has been consistently growing, the HRM is finding challenges balancing funding for growth related projects with aging infrastructure. Average capital spending over the last 5 years has been \$159M annually; with 45% of spending on growth related projects, 55% on renewal. Other notable aspects include:

- In 2018/19 the HRM implemented a new capital prioritization framework based on asset management methodology. The framework rates each capital project by a weighted decision matrix by a) strategic alignment, b) levels of service, c) risk, and an additional readiness element of capacity to deliver.
- Halifax ranked above the median average of total costs (capital and maintenance) for all roads per lane km, coming in at \$36,780 with the median average being \$23,518. The HRM had a total of 51% of all roads being rated as in “good to very good” condition²¹⁹.
- Total annual cost for roads is approximately \$44M for ongoing maintenance and replacement, with an additional \$25M for winter maintenance.

²¹⁶ HRM Police Services, 2018/19 Multi-Year Budget & Business Plan.

²¹⁷ Municipal Benchmarking Network Canada, MBNCanada Performance Measurement Report, 2017.

²¹⁸ Halifax Partnership, Halifax Index, 2018.

²¹⁹ Halifax Partnership, Halifax Index, 2018.

- The HRM operates a total of 79 wastewater pumping stations, with an average total cost of collection per km of pipe at \$21,609. The average age of wastewater pipe for the HRM was 51 years, with an average number of 0.8 backups per 100 km²²⁰.
- The HRM operates 7 water treatment plants, with a total cost of collection and treatment per Megalitre of \$1,068. Wastewater fees are charged by the Halifax Water utility on a consumption basis²²¹.

Competitive Position

Competitive Strengths

- The largest employer is government (including a large military base), resulting in stable employment growth, relatively high-paying jobs, economic diversification, and grants-in-lieu for the Municipal government. In addition, the Port of Halifax is a growing economic driver for the region, providing strategic access to international markets. The education sector also provides a significant contribution to employment and innovation, with the HRM having one of the fastest growing tech sectors in Canada²²².
- The HRM is the largest population center in Atlantic Canada with a young, educated workforce²²³. The area is home to a high number of universities and secondary education institutions. The region also has a relatively high concentration of medical facilities and invests heavily in recreational and cultural facilities. A comparatively low crime rate for a large municipality contributes to the overall attractiveness of living in the region.
- The HRM's debt has decreased by approximately 30% since amalgamation, and has one of the lowest municipal per-capita debts in the country²²⁴.

Competitive Challenges

- The HRM is a very large region. As such, providing services to the large geographical area presents operational and financial challenges. Managing the future growth projections with the current housing composition is presenting additional infrastructure and affordability challenges as the development of new communities comes with significant integration costs.
- As an overall assessment, the HRM's commercial tax structure appears to be negatively influencing economic growth. One aspect being explored is the development of separate rate classes for non-residential properties, as the current structure lacks the tools to accurately align tax levies with potential business revenues²²⁵.
- Universities (five in all) and hospitals add quality jobs and vibrancy to the city. However, they place demands on municipal services, without contributing to the property tax base; grants-in-lieu are not provided for universities (other than residences), schools or hospitals in Nova Scotia. Although the region is experiencing growth, the rate is slowing and there has been a low capital per worker investment, with a low number of high-productivity, export-oriented firms.

Saint John, New Brunswick

Saint John New Brunswick is the second largest municipality in the Province (overtaken by Moncton in 2016), encompassing an area of 316km². Saint John has experienced a significant population decline over the past two decades, rivaling that of the CBRM for the second highest total population decline in Canada. Saint John is one of five chartered cities in Canada, providing a level of independence from provincial legislation, however, the significance of the powers the charter provides have been thoroughly debated and reviewed over the years. The City has the highest debt of any municipality in New Brunswick, with an estimated \$234.6M owing at the end of 2018²²⁶.

²²⁰ Municipal Benchmarking Network Canada, MBNCanada Performance Measurement Report, 2017.

²²¹ Ibid.

²²² Halifax Partnership, 2018 Halifax IT, Gaming & Interactive Media Profile.

²²³ Ibid.

²²⁴ HRM, Economic Highlights, 2018.

²²⁵ Halifax Regional Municipality, Commercial Tax Objectives and Options, 2018.

²²⁶ Saint John Council Report, 2018 General Operating Budget, Dec 2017.

Municipal Tax Observations

Saint John is currently facing slow growth in its property tax base and has one of the higher municipal tax rates in Canada. The rural areas surrounding the urban core of Saint John are experiencing growth compared to the City, with the lower tax rates and short commute influencing the trend. For owner-occupied residential properties, the provincial portion of taxes is waived. One of the key differences in New Brunswick's tax structure is the difference in properties that are not tax exempt, specifically hospitals and postsecondary schools. As a result, of the highest 20 non-residential municipal tax payers, 6 are entities that would be tax exempt in Nova Scotia, although there are special rates associated with each class (i.e. hospitals are taxed at the residential rate)²²⁷. Saint John has multiple non-residential classes, including industrial and large-industrial, but the Province has implemented a policy that all non-residential tax rates be a maximum of 1.5 times that of residential.

Table 12 – Saint John Tax Analysis

Area	Rates	Structure	Average Assessment	Observations
Residential Tax	1.785% levy per \$100 of assessed value	A provincial rate of 1.123% is levied on non-owner occupied residential properties	\$200,000 Residential detached house: \$3,570 annually	<ul style="list-style-type: none"> Tax rates have not increased over the past ten years²²⁸.
Commercial Tax	4.86% levy per \$100 of assessed value	2.6775% Municipal 2.1860% Provincial	\$1,000,000 commercial property: \$48,600 annually	<ul style="list-style-type: none"> The municipal non-residential tax rate is legislated in NB at 1.5 times the residential rate. Saint John has multiple non-residential class rates, including industrial and large industrial.
Provincial Transfers	N/A	Grants from the Province are based on the tax base revenue, annual growth, and need of financial assistance. Although the City is currently receiving additional funds, the declining population will influence future revenues.	Total Provincial equalization grants to Saint John totalled \$16.6M	<ul style="list-style-type: none"> The total funding received from unconditional transfers has been declining as it is partially based on population. The City is receiving additional funding totalling \$22.8M from the Province through 2019-21 to deal with its structural deficit²²⁹. Largest municipal tax payer is the Province's Regional Hospital, assessed at \$256M and garnering over \$4.5M in property taxes for the City²³⁰.
Alternate sources	N/A	The City receives a portion of revenues from existing pipelines. In an effort to stimulate	Alternative revenues makeup approximately 7.5% of total revenues.	<ul style="list-style-type: none"> Saint John is in the process of exploring taxation on specific industrial machinery and equipment as a means to generate additional revenue,

²²⁷ City of Saint John Fair Taxation Report, 2017.

²²⁸ Ibid.

²²⁹ Regional Development Corporation, New Brunswick Canada, "New Deal Proposed for Saint John", Feb 2018.

²³⁰ City of Saint John Fair Taxation Report, 2017.

		economic growth, many oil and gas refineries have been granted tax exempt status, however the continued sustainability of the practice is currently being explored.		as is done in Alberta with large industrial operations.
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Value-for-Money Budget Expenditure Observations

The challenging economic situation facing both the City and Province have led to a proposed 3-year restructuring plan (2019-21) that will see upwards of \$15M permanently cut from the City’s expenditures²³¹. The aging population is creating pressure on specific services, such as transit options for the elderly, while the high-level of debt is limiting the City’s ability to fund the necessary changes. The following table provides an approximate summary of Saint John’s relevant expenditures in 2017²³².

Table 13 – Saint John Expenditures

Department	2017 Expenses	Per Capita Cost	Observations
Engineering & Public Works	\$22.1M	\$318	<ul style="list-style-type: none"> Roadway network of 760 linear km, total annual cost to maintain was \$5.9M from operating and \$4.85M in capital in 2018 (inclusion of some sidewalks in capital portion).
Facilities	\$3.9M	\$56	<ul style="list-style-type: none"> Facilities include a market square common area and a city market. Total number of municipal arenas and facilities include: <ul style="list-style-type: none"> 6 arenas (5 owned and operated by the city, one operated by independent board per agreement with funding members) 8 indoor pools 15 community centers (mixture of ownership among schools, City, community, and joint ventures).
Fire & Emergency Services	\$22.9M	\$330	<ul style="list-style-type: none"> Fire services are fully staffed by career firefighters and fully funded through the base tax rate.
Parks & Recreation	\$10.9M	\$157	<ul style="list-style-type: none"> All community centers are run by third party organizations such as the YMCA, Boys & Girls Clubs, or local community organizations. Funding for these programs comes from the Neighborhood and Community Development Services Grant (\$1.5M in 2019).
Police	\$24.8M	\$357	<ul style="list-style-type: none"> Fully municipally funded police force including 911 call center.
Transit	\$7.38M	\$106	<ul style="list-style-type: none"> The City fully funds crossing guards out of the transportation budget.

²³¹ City of Saint John Fair Taxation Report, 2017.

²³² All figures have been obtained from the City’s 2017 consolidated financial statements, some of the costs associated with each department may not necessarily reflect a similar comparison of services rendered.

Infrastructure Spending & Deficit Observations

The City of Saint John has implemented a capital spending freeze for new projects to be 10% of total spending. The remaining 90% is focused on a major renewal projects, yet the City's limited borrowing capacity is influencing investment. The current infrastructure deficit is estimated to be \$433M, with roughly half of the deficit belonging to the water utility. To support the City's infrastructure needs, the Province has agreed to contribute \$270M in infrastructure projects over the next five years. Other notable aspects include:

- Capital spending is approximately \$18 to 20M from the general fund and \$6 to 7M from the water utility annually.
- Capital spending is based on the following principles:
 - Affordability – capital budget shall reflect the level of infrastructure investment required to achieve agreed upon service and taxation objectives in the council approved Long-Term Financial Plan
 - Ownership – only City-owned assets, which meet the definition of an asset pursuant to Generally Accepted Accounting Principles, shall be funded in the Capital Budget
 - Fiscal Responsibility – the City shall mitigate its reliance on debt by focusing on increasingly funding reserves and pay-as-you-go to fund capital budget requests related to infrastructure renewal and infrastructure deficits
 - Asset Management – The capital budget will consider the full life-cycle cost approach to costing capital initiatives based on asset management best practices
 - Sustainability – The capital budget will reflect the City's goal to address the infrastructure deficit by increasingly funding capital reserves and pay-as-you-go
- Capital projects are prioritized based on the following criteria
 - Mandatory – must be completed due to legal or regulatory requirements
 - Risk – required to mitigate liability associated with health and safety, mitigate liability, or to mitigate sudden asset failure
 - Priority of Council – as stipulated in the Long-Term Financial Plan and supported by evidence-based asset management recommendations and the City's strategic plans
 - Positive Financial Impact – capital request supported by a business case that demonstrates a positive financial impact for taxpayers (requires amendment to the Long-Term Financial Plan)
 - Discretionary – new assets which aim to increase or enhance service levels to the residents and taxpayers (requires amendment to the Long-Term Financial Plan, the City strategic plans, and supported by a business case)
- Grants from other levels of government certainly will be pursued but must align with City's plans. The City has made poor financial decisions in the past chasing after funding and overbuilding, not thinking of operating costs and future capital requirements associated with capital projects.
- Funding decisions from other levels of government have played a role in budget allocations. Saint John noted that decisions, particularly at the Federal level, do not always align with local needs. A key example cited was the bilateral funding agreement signed between the Federal government and Provincial government around public transit, which is an amount that is far more than the City would spend on transit. The City would prefer to have the money and make decisions based on previously determined priorities²³³.

²³³ As per benchmarking survey.

Competitive Position

Competitive Strengths

- Saint John has a relatively high proportion of non-residential revenues, with a large industrial base providing 17% of total revenues.
- Saint John worked with nearby rural communities to develop a comprehensive strategic plan to attract and retain individual and business investment, a strategy that appears to be showing initial signs of success²³⁴.
- Although the economy of Saint John is facing challenges, the average remuneration offering from the industrial sector is comparatively higher than in other regions²³⁵ and has remained somewhat resilient, although it isn't driving growth.

Competitive Challenges

- Population decline is the most significant challenge facing Saint John, with a lack of diverse employment opportunities being the largest contributing factor. Aging demographics have also created an “old age” economy²³⁶, with seniors increasingly dependent on public services, yet spending less discretarily due in part to generally lower fixed incomes.
- Canceled oil projects, most notably the Energy East pipeline, have diminished the economic outlook for industry as the economic impact was expected to be an addition of thousands of jobs and \$6.5B to the Provincial economy²³⁷.
- Tax assessment freeze and continued population decline have led to the Mayor characterizing the city as in a state of “crisis” in 2017²³⁸, with continued calls for changes to the provincial funding dynamic.
- Saint John has the highest municipal levied residential tax rate in Canada (excluding Provincial taxes), however, a significant portion of the population lives in lower taxed rural areas outside of Saint John, shifting the burden to urban dwelling units.
- Provincial equalization payments have decreased over the years due to the total pool of funding shrinking. In addition, the calculation is partially based upon population, resulting in a shrinking Provincial contribution. The total levels of debt by both the Provincial government and City of Saint John will limit future capacity for spending.

Moncton, New Brunswick

Moncton, New Brunswick is an inland municipality with a population of 75,778 and a geographic area of 142km². The city is nicknamed “Hub City” due to its central location and history as a transportation hub for Atlantic Canada. Moncton has experienced two major economic downturns throughout its history, with the most recent occurring in the 1980s as a result of Canadian National Railway relocating the majority of operations to other locations. Since the downturn, Moncton has rebounded from the economic impacts and emerged as a diversified and resilient economy that has received national recognition for the consistently low unemployment rate²³⁹. The population has grown by 5.4% over the last five years and is expected to accelerate due to the increasing level of private investment. The greater Moncton area consists of the neighboring cities of Dieppe and Riverview, which are both essential suburbs considering the close proximity to Moncton. The close proximity of the three cities has created both opportunities for economic synergies and challenges regarding conflicting development and the associated tax burden. The potential for future amalgamation or the creation of a single governing entity for the Greater Moncton Area has been discussed and will likely escalate as the three cities continue to grow.

²³⁴City of Saint John, Population Growth Framework, 2017.

²³⁵City of Saint John Fair Taxation Report, 2017.

²³⁶ Maclean's, “Can anything save New Brunswick”, Martin Patriquin, March 11, 2016.

²³⁷ The Telegram, “Mishaps put spotlight on Irving family's relationship with Saint John, N.B.”, Nov 12, 2018.

²³⁸ Global News, “Saint John mayor says city is in ‘crisis’, demands new deal with province”, Andrew Cromwell, July 6, 2017.

²³⁹ CBC News, “Moncton becomes No.1 commercial, industrial development hub in Atlantic Canada”, Robert Jones, Jul 2017.

Municipal Tax Observations

The City of Moncton has the same constraints as Saint John regarding non-residential rates. In addition, the Province has implemented a CAP program that limits assessment increases to 10% annually and also implemented a rate freeze in 2017. The freeze has not impacted Moncton in the same manner as Saint John, as its population has experienced steady growth over the last five years. The residential tax rate is consistent across all municipal dwellings, with the top considerations for determining rates being service levels and affordability to residents, although nearby regions outside of the City's jurisdiction appear to be benefiting from a close proximity with lower tax rates. Tax incentives are available for residential units being built in the downtown area as the City works to increase densification. The potential for a marginal increase of rates in the future is quite likely, with the rationale specifically tied to funding the infrastructure deficit. The City would like to increase the tax rates levied on industrial properties, but cannot do so without raising the taxes on residential properties due to Provincial legislation.

Table 14 – Moncton Tax Analysis

Area	Rates	Structure	Average Assessment	Observations
Residential Tax	1.649% levy per \$100 of assessed value	A provincial rate of 1.123% is levied on non-owner occupied residential properties	\$200,000 residential detached house: \$3,298 annually	<ul style="list-style-type: none"> Provincial taxes are not levied on owner occupied residential properties.
Commercial Tax	4.66% levy per \$100 of assessed value	2.4746% Municipal 2.1860% Provincial	\$1,000,000 commercial property: \$46,600 annually	<ul style="list-style-type: none"> Commercial rate is fixed at 1.5 times the rate of municipal residential portion as mandated by the Province.
Provincial Transfers	N/A	Grants from the Province are based on the tax base revenue, annual growth, and need of financial assistance.	Total grants from the Province amounted to \$6.9M in 2018, with \$2.2M from the equalization grant.	<ul style="list-style-type: none"> Equalization transfers are down approximately \$8M over the last decade. The Province's high debt level and limited financial position are the most significant contributing factor to the declining Provincial contribution.
Alternate sources	N/A	Largely generated from user fees, recreational activities, and commercial entities such as the Moncton Zoo, Codiac Transpo, and a tradeshow complex. Moncton also generates approximately \$5M in net revenues from utilities.	Approximately 9% of total annual revenues (\$14M) come from own source revenues.	<ul style="list-style-type: none"> Moncton is experiencing steady development stemming from population growth, which directly benefits municipal revenues. However, the costs associated with investing in growth infrastructure are placing constraints on fiscal capacity. The strategic focus of the Greater Moncton Region is to continue to attract employment to the region, as such, the region appears to be making a concerted effort to minimize increasing costs to businesses.

Value-for-Money Budget Expenditure Observations

As the economic engine of New Brunswick, Moncton finds that it is increasingly paying for infrastructure and services that are utilized by surrounding areas. The City's growth has resulted in declining support from the Province in terms of equalization transfers. In addition to providing the basic fundamental services, expenditures have been focused on supporting the "3 T's" (transportation, tourism, and technology) to continue to drive the long-term objective of attracting residents and promoting Moncton's competitiveness in a global market²⁴⁰. The City noted that the ability to cut costs in the future is limited, with only 7.2% of all costs identified as flexible in the short-term²⁴¹. The following table provides an approximate summary of Moncton's expenditures in 2017²⁴².

Table 15 – Moncton Expenditures

Department	2017 Expenses	Per Capita Cost	Observations
Engineering & Public Works	\$27.9M	\$368	<ul style="list-style-type: none"> Total of 532km of roads and 287km of sidewalks are managed by the City, with an annual budget of approximately \$20M to maintain and repair. Weekly solid waste collection, priced at approximately \$60/household annually, was cited as a service that delivers a high-value-for money, however, there is a growing trend for waste collection services to be based on consumption and fully cost recoverable²⁴³.
Facilities	\$8.65M	\$114	<ul style="list-style-type: none"> The new museum, which costs tax payers approximately \$1M per year, is not well attended and thus was cited as a significant cost driver that delivers low value to residents. Social development and housing (i.e. poverty, homelessness), an area of Provincial jurisdiction, is increasingly being assigned to municipal responsibilities. Total number of municipal arenas and facilities include: <ul style="list-style-type: none"> - 4 arenas operated by external providers - 7 ice services - 2 indoor pools
Fire & Emergency Services	\$14.4M	\$190	<ul style="list-style-type: none"> Fire departments, which are fully comprised of full-time paid employees, is utilized as the first respondent for 911 calls, which carries a significant cost to the City.
RCMP	\$20.8M	\$274	<ul style="list-style-type: none"> Provincial RCMP provide municipal police services, with the City of Moncton operating the 911 call center through an agreement with the Province. Crossing guards for schools are also funded by the municipality through transportation.
Parks & Recreation	\$7.3M	\$93	<ul style="list-style-type: none"> Moncton is increasingly assessing opportunities to improve services through technology and the private sector/not-for-profit. The City provides approximately \$4M to community and not-for-profit groups annually.
Transit	\$10.4M	\$137	<ul style="list-style-type: none"> Transportation is an area the City is looking to invest heavily in the future, yet potential technological innovations are influencing future options (i.e. ride sharing applications).

²⁴⁰ City of Moncton Tax Guide, "Your Municipal Dollars at Work", 2017.

²⁴¹ City of Moncton Tax Guide, "Your Municipal Dollars at Work", 2017.

²⁴² All figures have been obtained from the City's 2017 consolidated financial statements, some of the costs associated with each department may not necessarily reflect a similar comparison of services rendered.

²⁴³ Municipal Benchmarking Network Canada, MBNCanada Performance Measurement Report, 2017.

Infrastructure Spending & Deficit Observations

The City of Moncton is allocating roughly 30% of its capital budget to growth related projects. However, the existing state of infrastructure is expected to shift future capital spending to approximately 80% renewal projects. The estimated infrastructure deficit is roughly \$100M, but a potential liability resulting from a massive flood would increase that number to roughly double. Although the deficit is of concern, the City noted that a municipality without an infrastructure deficit is likely not a growing City. Other notable aspects include:

- The City is frequently funding infrastructure that is also utilized by surrounding rural areas, yet faces funding short-falls as the rural areas are taxed significantly less.
- The current infrastructure deficit is approximately \$100M (Roads \$55M, Facilities \$5M, Buses \$4M, Parks \$5M, Water \$30M).
- Funding availability from the Provincial and Federal government is a key determining factor for amount of spending and projects undertaken in any given year.
- Between utility and operations, the City of Moncton routinely spends \$30 to \$50M annually, with a current funding strategy of approximately \$20M through long-term borrowing (i.e. bonds). The City is looking to decrease the level of debt incurred in the future, with maintenance and sustainability of current infrastructure a key priority. A detailed asset management program is currently being developed to support this initiative.
- Balancing future debt repayment with current needs is an on-going challenge.
- Recently built the Avenir Centre at a cost of \$100M, and a new RCMP station at a cost of \$45M, both funded in 10-year debentures which has created a significant liability in the future.

Competitive Position

Competitive Strengths

- Low cost of doing business and a talented, bilingual workforce have attracted large private sector corporations from a variety of industries, including: financial (RBC, Tangerine), business outsourcing (Fairmont Hotels, Nordia), insurance (Intact, Assumption Life), logistics and warehousing (over 300+ firms, one of the largest sectors for the city), and a strong retail and tourism sector (employ approximately 23.5% of the Labour force)²⁴⁴.
- Developed infrastructure to align with the corporate needs of industry (rail, air, transit, utilities, and broadband cable and internet) to support growth plans. Cutting-edge fiber optic infrastructure has attracted remote workers and a growing information and communications technology sector.
- Bilingualism was listed as the City's strongest competitive strength as it has created a strong market with Quebec, and led to Federal departments and national call centers relocating to the City. The three universities and five colleges located in the region work closely with the private sector to tailor programs and training for future employment opportunities.
- A strong marketing campaign that leads with "Moncton has one of the lowest corporate tax rates in North America"²⁴⁵, powerful corporate incentive programs, robust redevelopment grants, and a relatively high level of specialized and educated residents all influence attracting investment to the region.

Competitive Challenges

- The Province's high level of debt has resulted in the limited ability to provide financial support, placing increasing pressure on Moncton to rely on municipal revenues. In addition, the Provincial legislation influencing the tax structure further limits options regarding amendments to tax rates (i.e. the inability to increase the municipal portion of non-residential tax rates without increasing residential rates).
- Aging infrastructure and the need for new growth related investment are creating economic challenges.

²⁴⁴ CBC News, "Moncton becomes No.1 commercial, industrial development hub in Atlantic Canada", Robert Jones, Jul 2017.

²⁴⁵ As per Moncton's Economic Development Campaign.

- Aging population with a shortage of suitable housing (rentals and condos) to accommodate the shifting needs of the population.

Sarnia, Lambton County, Ontario

Lambton County consists of the main City of Sarnia, and an additional mixture of towns (2), townships (5), and villages (2). The County is located on the Canada - U.S. border, and is largely surrounded by the Great Lakes. The population of the County has been slowly declining over the past two decades, with a recorded population of 123,399 in 2016, down from 126,829 in 1996²⁴⁶. The City of Sarnia has a population of 72,125, with an economy that is heavily focused on the petrochemical industry, which provides employment for close to 9,000 residents, and indirectly contributes to approximately 45,000 additional jobs in the region. The industrial based economy has led to some environmental concerns, with the area recording the highest level of particulates air pollution of any Canadian city in 2011. The health concerns and negative media attention from the findings negatively impacted Sarnia’s perception. The County responded by introducing stricter environmental regulations and has since dropped to 30th in Canada, yet the label of “chemical valley” remains, and provides a negative stigma to the region. The County’s proximity to the U.S. is both an advantage and challenge, as the City competes to attract corporate headquarters with the lower taxed U.S. destinations, yet it also provides a strategic geographic location to Canada’s largest trading partner.

Municipal Tax Observations

Lambton County’s government is organized into two tiers, an “upper-tier”, representing the County government, and a “lower-tier” representing the eleven local municipal governments. The County government is responsible for setting the general tax policy, which is structured as different rates per property class. Commercial properties are sub-divided into five classes with different rates. The categories are: 1) shopping centre, 2) office building, 3) parking lot, 4) vacant land, and 5) residual.

Industrial and resource properties are also divided into subcategories in an effort to accurately levy taxes. The industrial categories are much more straight-forward, solely based on size and when the development was created (i.e. large industrial, new industrial). The Province limits the ability of local governments to adjust the relative level of taxation between different property classes, essentially shifting the majority of the burden to residential taxes. This is an area the County would like to see reexamined in an effort to rebalance the existing burden.

One of the primary principles of property taxation in the region is restricting increases in funding from the tax base to the rate of inflation or less. As annual property assessments have consistently increased more than inflation, tax rates have actually decreased over the past 12 years. There is a consensus between Sarnia and the County to keep taxes as low as possible.

Table 16 – Sarnia Tax Analysis

Area	Rates	Structure	Average Assessment	Observations
Residential Tax	1.526% levy per \$100 of assessed value	General Rate 0.845% Transit Area 0.0556% County 0.446% Education 0.179%	\$200,000 residential detached house: \$3,052	<ul style="list-style-type: none"> • 54% of municipal tax revenues are retained by the city, with 19% going to the Province for education, and 27% going to the County.
Commercial Tax²⁴⁷	3.559% levy per \$100 of assessed value	General Rate 1.375% Transit Area 0.090%	\$1,000,000 commercial property: \$35,590	<ul style="list-style-type: none"> • The commercial tax structure has multiple categories and rates with the intention of reflecting the specific commercial use of the

²⁴⁶ Stats Canada, 2016 Census, Lambton County.

²⁴⁷ The Corporation of the City of Sarnia, 2017 Financial Report.

		County 0.725% Education 1.390%		property and levying taxes in as equitable a manner as possible while promoting new investment.
Provincial Transfers	N/A	The three tiers of government, (Provincial, County, and Municipal) form a unique structure of transfers between the entities	Sarnia received a total of \$3.2M in grants in 2017.	<ul style="list-style-type: none"> In Ontario, grants for hospitals are based on a flat fee per number of beds. The City also receives grants from the County for social programs and capital projects.
Alternate sources	N/A	Alternative revenues are largely generated from water and wastewater fees.	Utility and user fees accounted for \$49.7M in 2017, accounting for approximately 38% of total ²⁴⁸ .	<ul style="list-style-type: none"> The comparatively high revenue from user fees is due to utility fees, which are also generated from other municipalities and towns in Lambton County.

Value-for-Money Budget Expenditure Observations

As the City of Sarnia faces stagnant population growth, it has focused expenditures on economic innovation while maintaining a high quality of life for all citizens. The dynamic between the County and the City results in a sharing of specific public services. Protective services are primarily managed and funded by the City, with fire services consisting of mostly volunteer departments, while the County is responsible for maintaining roads and public social services. The County cited the most significant driver of expenditure increases to be collective bargaining agreements, reductions in funding from the Province, and increased costs of materials. The following table provides an approximate summary of Sarnia’s expenditures in 2017²⁴⁹.

Table 17 – Sarnia Expenditures

Department	2017 Expenditures	Per Capita Cost	Observations
Engineering & Public Works	\$15.1M	\$209	<ul style="list-style-type: none"> The County owns and maintains 1,383 lane km of roadways, of which 95% is hard-topped. The annual costs of maintaining the roads come at a cost of \$22.75M.
Facilities	\$4M	\$55	<ul style="list-style-type: none"> Some of the facilities are funded and managed by the County, such as the library, social housing, and cultural services. Total number of municipal arenas and facilities include: <ul style="list-style-type: none"> - 3 arenas - 4 community centers - 1 pool
Fire & Emergency Services	\$18.7M	\$259	<ul style="list-style-type: none"> A single department is staffed by career firefighters, while the remaining four are all volunteer staffed.
Parks & Recreation	\$11M	\$71	<ul style="list-style-type: none"> A newly developed Recreation Master Plan is focused on accessibility and the continued development of eco-friendly spaces.

²⁴⁸ The Corporation of the City of Sarnia, 2017 Financial Report.

²⁴⁹ All figures have been obtained from the City’s 2017 consolidated financial statements, some of the costs associated with each department may not necessarily reflect a similar comparison of services rendered.

Police	\$24.8M	\$344	<ul style="list-style-type: none"> Emergency call centers follow the same funding structure, with Ontario Provincial Police patrolled areas being controlled by provincial centers, but costs being incurred by local municipal governments. A unique aspect of the dynamic between the Province and the County is they operate the local Provincial Offences Court (non-criminal offenses), and in exchange keep the majority of fines imposed (resulted in \$1.6M in revenues in 2017).
Transit	\$6.3M	\$87	<ul style="list-style-type: none"> Crossing guards are funded by local area municipal governments. Implemented Google Transit Live Feed for public access information on real time arrival of next bus. Federal funding provided 8 new conventional buses and 4 Care-A-Van buses in 2017.

Infrastructure Spending & Deficit Observations

The governance structure of Lambton and Sarnia results in a portion of specific capital costs being incurred by the County, while City specific projects are funded through the City’s general fund, reserves, debt, and grants. The County collects its portion of property taxes and then redistributes throughout the region to promote equal capital spending that benefits the entire region. The heavily industrial composition of the City of Sarnia has influenced an accelerated aging of infrastructure, resulting in an estimated current infrastructure deficit of \$388M²⁵⁰, while the County estimates its deficit to be roughly \$9M annually. Other notable aspects include:

- Annual County spending of approximately \$20.4M on tangible capital assets, with 95% going to replacement or repairs, while Sarnia allocated approximately \$37M for capital projects in 2017.
- The County has an objective rating system that assigns points to projects based on a specific set of factors and criteria. The higher the score, the higher the priority. It discounts funding sources other than external grants and is weighted towards projects that are planned and for which there are few or no alternatives to replacing the existing infrastructure. This has worked well because departmental managers are aware of the criteria and know not to bring forward and propose projects that do not meet a threshold set by Council.
- Projects that target social housing and long-term care facilities are listed as key priorities as the existing stock is old and the population is aging.
- Capitalizing tangible capital assets, a recent change in methodology, has significantly improved the oversight of future cost requirements.

Competitive Position

Competitive Strengths

- The upper and lower tiers of government have displayed a willingness to invest in innovation and technology as a means to remain competitive. The relatively high level of engineers and individuals with knowledge in the energy sector has resulted in early development in the renewable energy space.
- Strategic geographic location and a historic focus on developing the petrochemical sector will contribute to future growth in those sectors. A focus on cluster development and automation are a key pillar in its strategy to attract research and start-up funds.
- Relatively lower taxes per capita compared to other municipalities in Ontario²⁵¹ and generous R&D tax incentives align with focused corporate strategy.

Competitive Challenges

²⁵⁰ City of Sarnia, 2017-2020 Corporate Strategic Plan.

²⁵¹ City of Sarnia, BMA Municipal Study, 2018.

- The focused industrial sector has made the economy heavily susceptible to the demand of specific commodities, and created environmental concerns that have tarnished Sarnia’s image in the public domain²⁵².
- Comparably lower levels of secondary education institutions in the region have the potential to impact the future age demographics of the region.
- Sarnia is currently experiencing some market leakage to the U.S. based on competitiveness and proximity. Limited provincial and federal support for funding and policy will limit expenditures in the future.

²⁵² Vice News, “The Chemical Valley”, Aug 2013.

Comparative Summary

Table 18 – Comparative summary

	CBRM	HRM	Saint John	Moncton	Sarnia
<i>Competitive Strengths</i>	<ul style="list-style-type: none"> • A low level of crime and a reputation for friendly and safe communities are consistently ranked as key characteristics for attracting new residents, with the CBRM exhibiting both qualities. • Low housing costs with an abundance of natural assets within a close proximity throughout the island contribute to the attractiveness of living in the region. • Growth in the tourism sector and secondary education institutions are driving opportunities in other areas (i.e. hospitality). • The development of the Port of Sydney is providing optimism for future opportunities and investment. 	<ul style="list-style-type: none"> • Large and diverse public sector provides a level of economic stability and diversification to the region • High level of secondary education institutions and a comparatively young and educated workforce are supporting economic growth and investment. • As the largest municipal region in Atlantic Canada with strategic access to global trade markets, the HRM is attracting investment from all levels of business. 	<ul style="list-style-type: none"> • A comparatively high portion of revenues come from the industrial sector, providing a level of diversification for municipal revenue sources. • Although industrial growth has stagnated, the existing employment opportunities have remained somewhat resilient and attractive. • The City of Saint John have developed an operational plan to decrease municipal expenditures by \$15M annually over the next three years, representing a commitment to not rely on solely on population growth and industrial projects to balance the budget. 	<ul style="list-style-type: none"> • Low cost of doing business and a talented, bilingual workforce have attracted large private sector corporations from a variety of industries. • Developed infrastructure to align with the corporate needs of industry and future growth plans (i.e. cutting-edge fiber optic infrastructure). • A collaborative working relationship between universities, the private sector, and government organizations have resulted in a robust labour force that is well positioned to align with current and future private sector needs. 	<ul style="list-style-type: none"> • A strong focus on the petrochemical industry has resulted in a specialized workforce with a relatively high median income. • The different levels of government are committed to investing in innovative initiatives and developing a strong focus on a research and development sector to position the region for future growth. • Strategic geographic location to the U.S. provide the region with logistical advantages and support attracting business investment. • Relatively lower levels of taxes and a structured non-residential model that more accurately aligns taxation with business revenues support economic growth.
<i>Competitive Challenges</i>	<ul style="list-style-type: none"> • Economic challenges and a lack of 	<ul style="list-style-type: none"> • Large geographic region and the 	<ul style="list-style-type: none"> • Population decline, an aging population, and 	<ul style="list-style-type: none"> • Aging infrastructure combined with 	<ul style="list-style-type: none"> • The environmental health risks

	<p>employment opportunities are influencing the continued outmigration of young families.</p> <ul style="list-style-type: none"> • The large geographic region, on-going economic constraints and the in-ability to make significant structural changes due to legislative barriers have negatively influenced the development of a feasible economic growth plan. • The continued growth of the seniors demographic will place increased pressures on specific public services, most notably healthcare. 	<p>continual growth of the population have created challenges regarding infrastructure and efficiently providing municipal services.</p> <ul style="list-style-type: none"> • The current commercial property taxation structure was cited as a deterrent for attracting business as the economic opportunity does not necessarily align with the level mandatory costs, specifically for larger enterprises. • The comparatively high number of hospitals and universities in the region provide numerous benefits and opportunities to the region as a whole, however, the lack of municipal tax revenues from these sectors results in potential funding gaps. 	<p>the decline of economic opportunities have all contributed to financial challenges and relatively high levels of municipal debt.</p> <ul style="list-style-type: none"> • Canceled industrial projects and provincially mandated tax freezes and rates have resulted in a lack of feasible alternatives to generate sufficient municipal revenues. • Saint John's non-residential rates (commercial & industrial) are some of the highest in Canada, yet provincially controlled rates and a significant provincial contribution have the potential to deter future investment while not providing sufficient revenues to the municipality. 	<p>the infrastructure needs that accompany a growing population are creating financial challenges.</p> <ul style="list-style-type: none"> • The Province's limited ability to provide financial support to the region has resulted in limited funding from external sources. 	<p>associated with the regions focus on the petrochemical sector have negatively influenced the perception of living in Sarnia.</p> <ul style="list-style-type: none"> • Comparatively lower levels of secondary education institutions will impact the region's ability to retain and train key demographics. • The industrial focus and geographic location pose future risks to the economy as a potential decline in the petrochemical sector would be devastating to the region and the close proximity to the U.S. is resulting in a leakage of investment to the other side of the border.
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Appendix A

Municipal Taxation, Value-for-Money of Services, and Infrastructure Spending Benchmarking Questionnaire

Prepared by Grant Thornton on behalf of the Cape Breton Regional Municipality.

Name:

Background

The Cape Breton Regional Municipality (CBRM) has engaged Grant Thornton LLP to conduct a study to review the municipal taxation structure, conduct a value-for-money analysis for municipally delivered services, and assess capital projects and funding sources. As part of the engagement, the CBRM has requested a comparative analysis to municipalities of a similar size and structure for the purpose of measuring performance and identifying best practices, lessons learned, and strategies for improvement.

We would like to ask for and greatly appreciate your participation in this peer review. It is anticipated that the benchmarking process will require 2 to 2.5 hours, depending on the availability of information within your organization. **In return for your participation, we are happy to provide you with the final document containing the summarized and anonymous responses collected during this benchmarking process.**

Included in this document are questions for your consideration. We appreciate that some responses may be subjective and opinion-based. Please feel free to include any relevant documentation you believe may be beneficial as part of your response. Please have your completed responses back to us by Wednesday, March 13. We will be in contact with you shortly to confirm the successful delivery of the questionnaire and answer any questions you may have.

If you have any other questions please do not hesitate to contact Ricky Soni of Grant Thornton at 780-401-8219 or ricky.soni@ca.gt.com or Jennifer Campbell, CFO of the CBRM at jcampbell@cbrm.ns.ca at 902-563-5043.

Municipal Overview

- 1) In your opinion, what would you describe as the top three characteristics that attract **businesses** to invest in your municipality (e.g. access to labour pool, low commercial property tax rates, overall risk, etc.)?

- 2) In your opinion, what would you describe as the top three characteristics that attract **individuals/families** to live in your municipality (e.g. cost of living, etc.)?

- 3) Please describe what you feel are your municipality's competitive advantages / strengths?

- 4) What are the top three challenges facing your municipality and how are they being addressed?

Residential Tax

- 1) Please describe your municipality’s overall residential tax rate structure, and elaborate on the rationale behind it (e.g. different rates for specific areas to accommodate service levels, etc.).

- 2) What top criteria/factors are considered when determining residential tax rates in your municipality (e.g. annual rate increases, tax burden on rate payer, equity/fairness, etc.)?

- 3) Are the current residential rates projected to change in the near future and if so, what is driving the change?

- 4) How does your municipality measure the municipal tax burden levied on residents and do you feel it is an accurate measure?

- 5) Are there any provincially mandated programs that limit or influence the amount of residential tax that can be levied on properties (i.e. a CAP or spike protection program that limits the taxable values of properties) or other factors outside of the municipality’s control? If yes, please elaborate on the program/factors and the impact it has had on the municipality.

- 6) Does your municipality offer any tax incentives for new residential development? If so, please elaborate on what they are and the impacts to date?

- 7) What, if anything, would you like to see changed to your municipality’s current residential tax model, and why?

- 8) Please describe any other unique factors / context specific to your municipality’s residential tax structure not already discussed above (e.g. tax exceptions, recent structural changes, etc.).

Commercial Tax

- 1) Please describe your municipality’s overall commercial tax rate structure, and elaborate on the rationale behind it (e.g. different rates for industrial, commercial, institutional properties etc.).

- 2) What top criteria/factors are considered when determining commercial tax rates in your municipality (e.g. competitiveness, etc.)?

- 3) How does your municipality measure its commercial tax rate competitiveness (i.e. how does your municipality know its commercial tax rates are competitive)?

- 4) Does your municipality offer any tax incentives for new commercial development? If so, please elaborate on what they are and the impacts to date?

- 5) What, if anything, would you like to see changed to your municipality’s current commercial tax model and why?

- 6) Please describe any other unique factors / context specific to your municipality’s commercial tax structure not already discussed above (e.g. large legacy exception base, factors outside of municipal control, etc.).

Provincial Tax

- 1) What are the types of provincial transfers your municipality currently receives (grants in lieu, unconditional transfers, etc.) and how have they changed over time?

- 2) Please specify provincially delivered programs/services that are funded by taxes collected by your municipality (e.g. X% of municipally collected taxes are provided to Province to fund education)? How has this changed over the last ten years?

- 3) Please describe the current funding and service delivery relationship between your municipality and the Province and specific areas that you feel require improvement.

Alternative Funding Streams

- 1) Please specify alternative funding sources (i.e. other than property taxes and provincial transfers) your municipality utilizes to relieve some of the financial burden off the tax rate, and approximately how much they contribute to overall municipal revenues (e.g. user fees, municipal utilities, unique revenues, grants in lieu, etc.)?

Value-for-Money of Municipally Delivery Services

- 1) What specific factors/criteria do you consider when assessing value-for-money for municipally delivered services?

- 2) Please provide an example of a municipally delivered service that continuously delivers high value-for-money. What factors do you feel contributed to the performance (i.e. resources, incentives, management etc.) and what, if any, were the best practices learned?

- 3) Please provide an example of a municipally delivered service that has delivered a low value-for-money. What factors do you feel contributed to the performance (i.e. resources, incentives, management etc.) and what, if any, were the lessons learned?

- 4) Please describe any major service/programs delivered by your municipality that may be unique that are funded (entirely or in-part) by the tax base (e.g. daycare, sidewalk snow shovelling, etc.)?

- 5) What other factors do you feel are unique to your municipality/region and how does this impact municipal service delivery (e.g. regional differences within municipality such as rural and urban areas)?

- 6) Is technological innovation (i.e. ride-sharing apps) or alternative delivery methods (private sector contracts) influencing how the municipality allocates budgets and delivers services? If yes, please provide an example.

Police Services

- 1) Does your municipality have and fund its own police force, and/or does it use RCMP? Please elaborate.

- 2) Does your municipality operate its own 911 call centre or is it outsourced. Please elaborate.

- 3) Does your municipality fund its own correction centres / jailors or are these funded by the Province? Please elaborate.

- 4) Does your municipality fund its own crossing guards (i.e. crossing guards used for school crosswalks) or are these funded by the Province? Please elaborate.

Fire Services

- 1) How does your municipality fund and staff fire departments (e.g. volunteer positions, full-time career positions, fully/partially funded, etc.)?

- 2) Whose responsibility is it to provide/fund comfort centres/emergency shelters in your municipality?

Community Recreation Facilities (Arenas)

- 1) How many community recreation facilities, community pools and/or arenas does your municipality have?

- 2) Of the number listed, how many are owned, operated, and/or funded by your municipality. Please elaborate.

- 3) Does your municipality provide financial support, in whole or in part, to other community/non-profit organizations? If so, how much funding is directly provided to these organizations annually? Please elaborate.

Roads

- 1) Approximately, what is the total km of roads maintained by your municipality (i.e. for resurfacing, pot hole repairs, etc.)?

- 2) What is the total annual cost to maintain these roads in your municipality (i.e. for resurfacing, pot hole repairs, etc.)?

Consolidation & Coordination

- 1) If your municipality has undergone any type of amalgamation/consolidation in the past, please describe what has worked well post amalgamation/consolidation (e.g. efficiencies for administrative functions)?

- 2) What do you feel can be improved on (i.e. what have been the most significant barriers to achieving efficiencies and consolidation in the municipality)?

Infrastructure

- 1) Approximately, how much does your municipality spend on capital projects / infrastructure annually, and approximately, and what percentage is spent on new infrastructure vs maintaining/sustaining existing infrastructure?

- 2) In general, what is your municipality’s approach to determine capital spending decisions and prioritization of funds (i.e. what is considered and most influences funding decisions, such as grant funding from higher levels of government)? What works well with the current approach, and what can be improved?

- 3) Have changes to on-going Provincial and Federal regulatory requirements influenced how and where money is allocated to capital budgets? Please elaborate on a specific examples.

- 4) What infrastructure needs do you feel should be prioritized over the next 5-10 years and why?

- 5) What are unique challenges regarding infrastructure spending/maintenance in your municipality?

- 6) In your opinion, does your municipality currently have an infrastructure deficit (i.e. capital projects are required, however, they have not been sanctioned due to funding limitations)? If so, what is the approximate dollar value of the total infrastructure deficit, and what types of infrastructure is the deficit primarily comprise of (e.g. roads, transit, etc.)?

- 7) In addition to general lack of funding, what factors have caused this infrastructure deficit in your municipality?

Other Comments

- 1) Do you have any other questions or comments?

Appendix B

Documents Reviewed & Secondary Resources

1. 2017 Consolidated Financial Statements, Halifax Regional Municipality
2. 2017 Consolidated Financial Statements, City of Moncton
3. 2017 Consolidated Financial Statements, City of Saint John
4. 2017 Consolidated Financial Statements, City of Sarnia
5. 2017 Consolidated Financial Statements, Corporation of Lambton County
6. Halifax Regional Municipality, Multi-Year Business & Capital Plans
7. Halifax Regional Municipality, 2018-19 Budget Highlights
8. Halifax Regional Municipality, Commercial Tax Objectives & Options 2018
9. City of Moncton, 2017 Tax Guide
10. City of Saint John, Population Growth Framework, 2017
11. “Municipal Property Tax Issues in the City of Saint John”, Harry Kitchen and Enid Slack, August 2017
12. “Strong Cities, Strong Province”, Eight Cities/One Voice, 2018
13. City of Saint John Fair Taxation Report, 2017
14. MBN Canada Performance, Municipal Benchmarking Final Report, 2017
15. Calgary Economic Development, Benchmarking Calgary’s Competitiveness, 2015
16. The Conference Board of Canada, Achieving Sustainable Prosperity, Benchmarking the Competitiveness of Newfoundland and Labrador, 2015
17. Canadian Property Tax Rate Benchmark Report, Altus Group, 2018
18. Municipal Property Taxation in Nova Scotia, Harry Kitchen and Enid Slack, 2014
19. City of Sarnia, General Tax Information and Tax Rates, 2018
20. City of Sarnia, BMA Municipal Study, 2018.
21. City of Sarnia, 2017-2020 Corporate Strategic Plan
22. The City of Saint John, The Roadmap for Smart Growth, 2017
23. Sarnia-Lambton Economic Partnership, Findings and Issues Report, 2017
24. City of Moncton Tax Guide, “Your Municipal Dollars at Work”, 2017.
25. Stats Canada, Census Profiles, 2016
26. SmartMoney Best Cities Canada Report, 2018
27. Halifax Partnership, Halifax Index, 2018
28. Halifax Partnership, 2018 Halifax IT, Gaming & Interactive Media Profile
29. City of Sarnia, 2018 Approved Budget Highlights