



Viability Study of the CBRM: *Highlights of Current State Analysis*

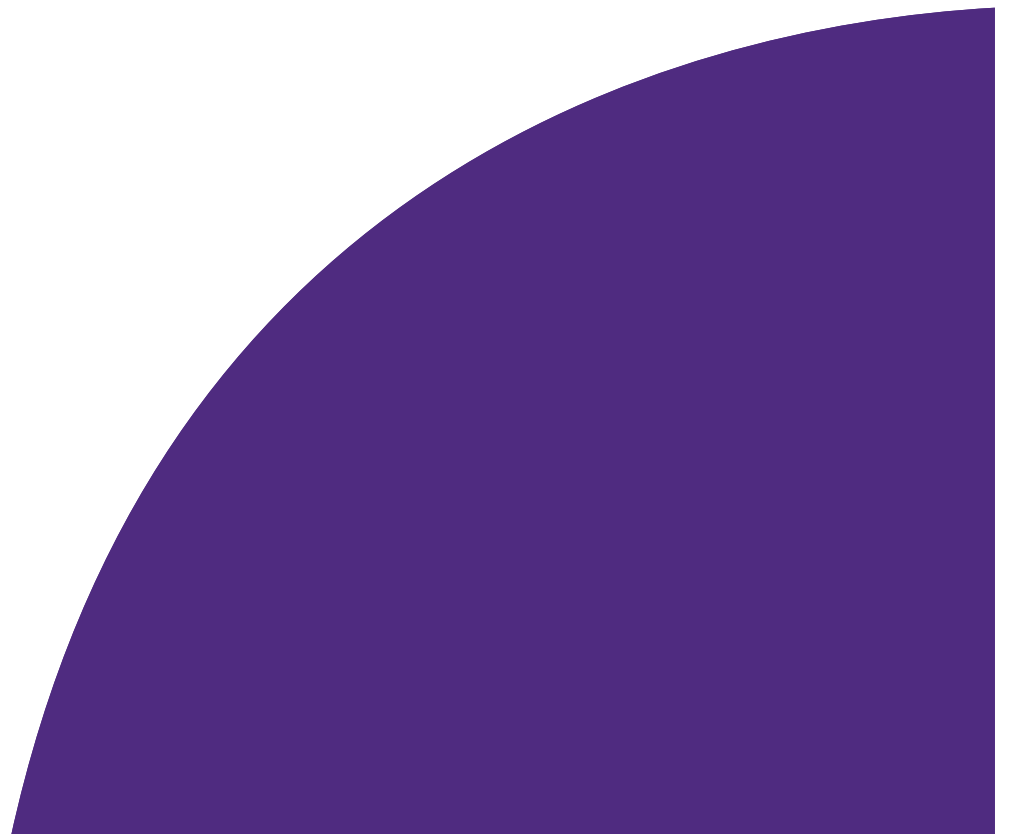
Steering Committee Presentation

April 4, 2019

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01 Project Status Update



02 Scope of Current State Document

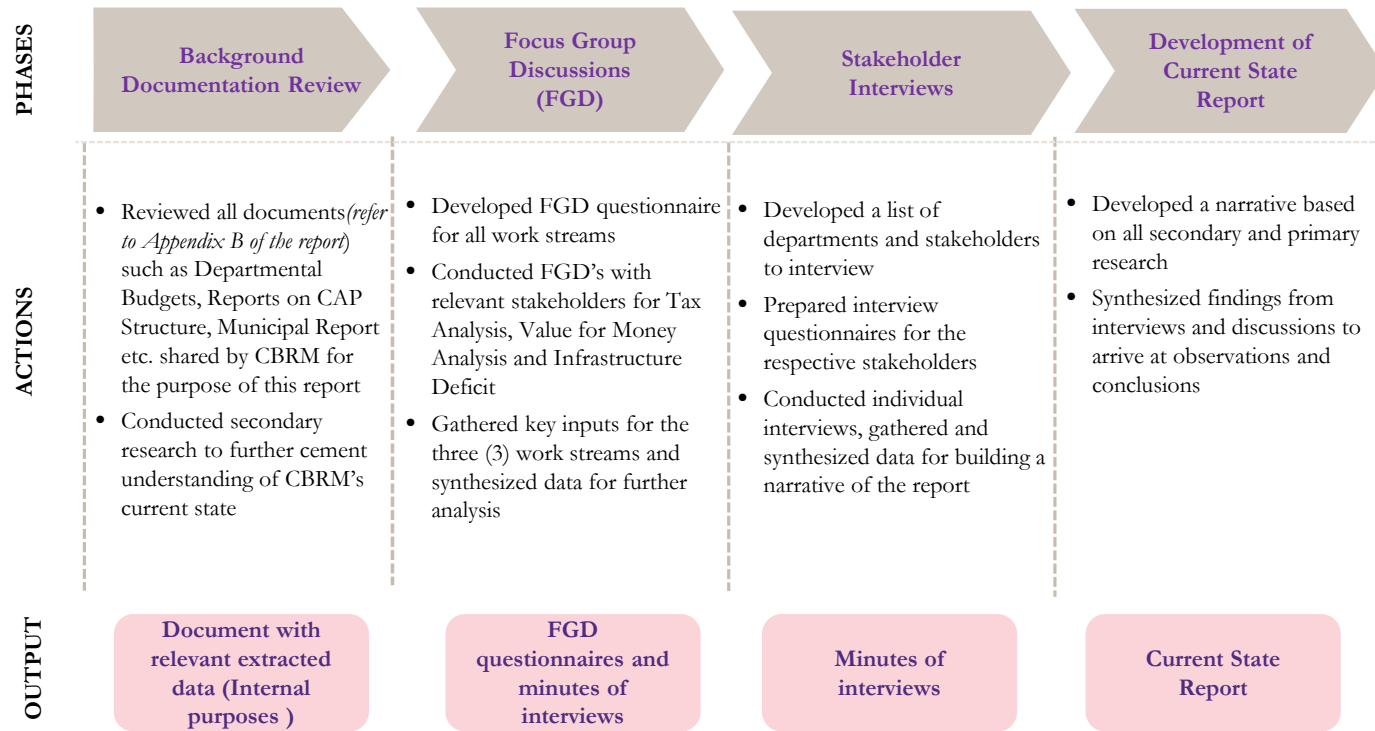
Scope of Current State Document

- Assessment of current tax structure (Residential, Commercial , Provincial and Other Sources)
- CBRM's ten year budget analysis
- In depth Value for Money analysis of six (6) departments
- Review of upcoming infrastructure projects
- Infrastructure deficit analysis

03 Approach & Methodology



Approach and Methodology

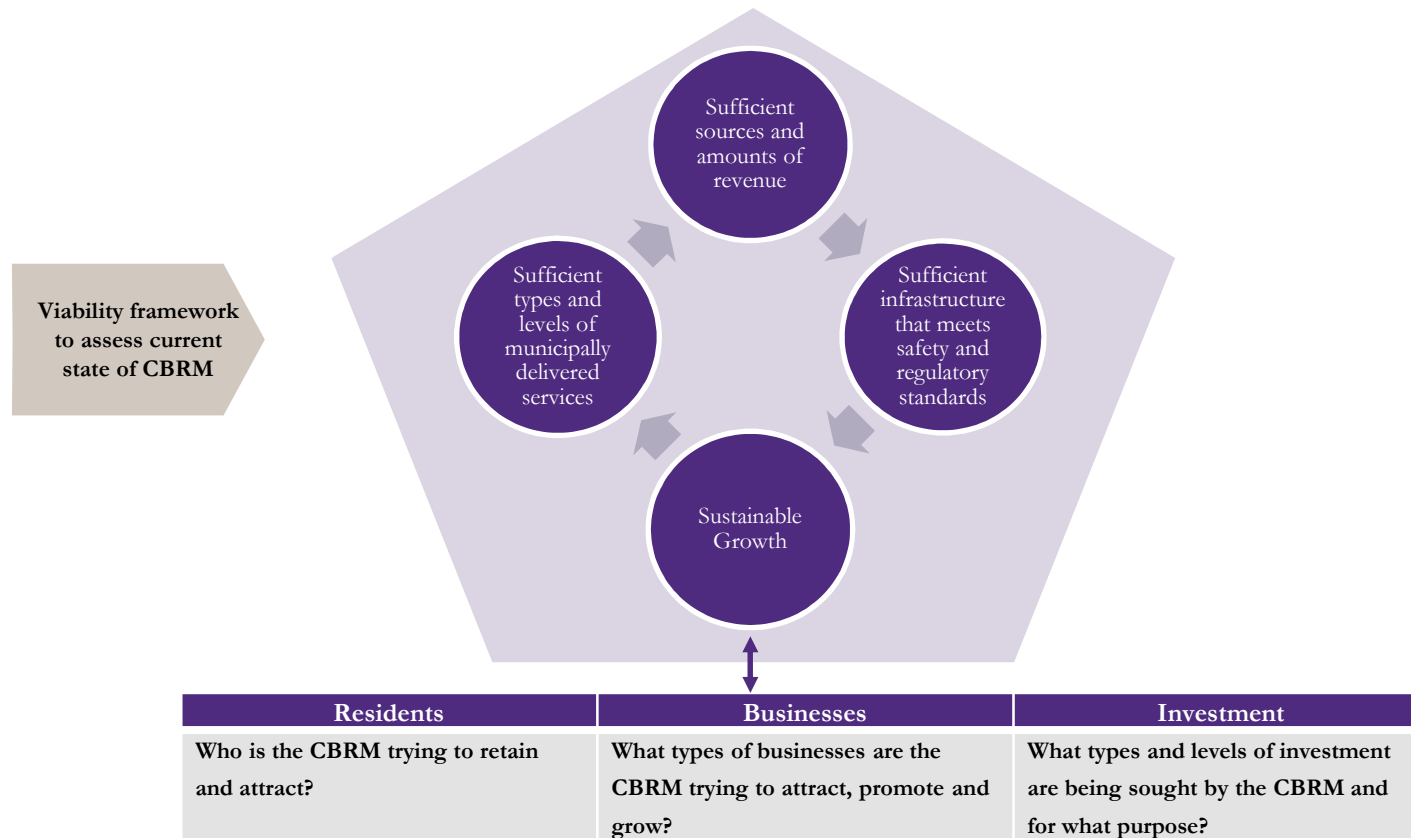


04 Viability Framework



Viability Framework

Sustained growth is a driving factor for influencing long term viability of the CBRM



05 Current State of Municipal Taxes and Rate Structure

Municipal Taxes and Rate Structure

Residential Tax Rates

Observations

- A** The current FCI (Financial Condition Indicators) measure for assessing flexibility to increase residential taxes is skewed by the CAP and does not consider other mandatory costs borne by tax payers.
- B** The CBRM has not increased base rates since amalgamation.
- C** The Capped Assessment Program (CAP) is negatively influencing the equitability of taxation and the real estate market.
- D** The CAP is negatively influencing the CBRMs ability to administer residential taxes.
- E** There is a high number of residential units eligible for municipal sale for taxes owing, while the number of new development permits remains low.
- F** The costs to demolish dangerous and unsightly homes is contributing to the increase in uncollected taxes.
- G** Sporadic development and vacancies across the CBRM are causing the cost to service some areas to increase; tax revenue available to cover costs to service previously populated areas is declining

Municipal Taxes and Rate Structure

Commercial Tax Rates, Provincial Transfers and Alternative Funding Sources

Observations-Commercial Tax Rates

- A** Commercial taxes have increased at a faster pace compared to residential taxes.
- B** Commercial revenues saw a decline in 2018, and the total number of taxable commercial properties has declined.
- C** The CBRM implemented commercial tax rebates to incentivize development in focused regions.

Observations- Provincial Transfers & Alternative Funding Sources

- 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.
- B** The current legislative restrictions limit the types of regulatory incentives and economic activities in which the CBRM can participate.
- C** The deed transfer tax contributes a significant portion of service fees.
- D** Revenues generated from the administration management fee charged to the water utility represent a significant source of revenue and an effective sharing of resources, however the terms of the agreement have not been evaluated in sometime and future changes may merit consideration.

Municipal Taxes and Rate Structure

Summary as per general principals of taxation framework

	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 charges and federal taxes The steadily increasing level of outstanding taxes, year over year, indicates residents are struggling with payments 	<ul style="list-style-type: none"> The municipal government is limited to generate revenues through certain streams due legislative requirements 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 	<ul style="list-style-type: none"> The CAP significantly distorts the amount eligible properties are assessed The service rate fees result in different regions having higher base rates that do not necessarily account for the intended differences (i.e. fire rate) 	<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 are administered 	<p>Score: To be confirmed upon comparative analysis</p>
SCORE	LOW	LOW	LOW	MODERATE	HIGH	

06 Value for Money Analysis

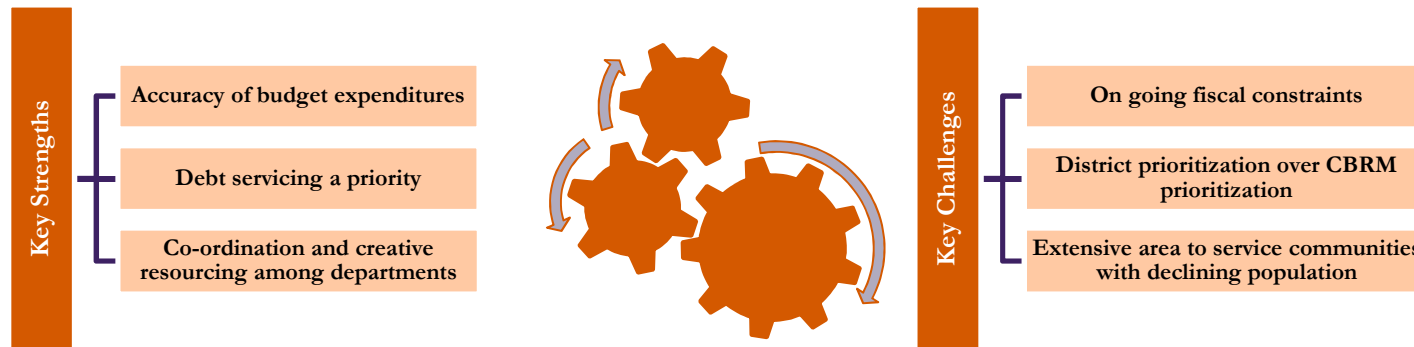


Value for Money Analysis

Overview

Overview of current budget expenditure

- Total budget in 2018 was **\$147.79 Million**
- **Engineering & Public Works budget, Fiscal budget and Police budget** were the largest as a percentage of the overall operating budget for 2018 at **29.25%, 24% and 17.86% respectively.**
- **Legal and HR** had the highest growing budgets between 2008 and 2018 at **140% and 116%** respectively. Other notable department whose budget grew substantially was **Parks and Grounds at 64%**



Value for Money Analysis

Engineering & Public Works

Budget overview

- Consolidated budget of \$43 Million in 2018
- Employs 280 people and Labour is 42% of the budget
- Operating expenditure per capita ratio for the department in 2018 was approximately \$465

Roads

- Effective resources
- Increased focus on service life of equipment since acquisition of fleet management software

- Absence of performance measures
- Low prioritisation in the overall budget due to lack of cost sharing programs
- Unfavourable climatic conditions

Transit

- Significant increase in ridership; international students

- Low efficiency and flexibility due to service based tax structure
- Absence of performance measures
- Uncertainty of the sustainability of increased demand

Value for Money Analysis

Engineering & Public Works

Solid Waste Management

- Trimming service days from 6 days to 5 days a week has brought operational efficiencies

- Onus to maintain landfills that were passed onto CBRM during amalgamation
- Regulatory changes are expensive to implement
- Declining revenues from recycling program are insufficient to offset costs
- The compost market is non-existent, resulting in making a product that has no value at a significant cost.

Water & Wastewater

- Reduced fiscal expenses in the past few years
- Consolidation of treatment plants, adding efficiency
- High coordination of resources-equipment and staff across wastewater

- Suboptimal maintenance of underground mains, some of which are over 100 years old
- Anticipated increase in operational costs due to regulatory projects coming up
- Federal regulatory requirements force the municipality to incur significant capital and operating costs which will be borne by rate payers.

Value for Money Analysis

Facilities

Budget Overview

- Consolidated budget of \$4.07 Million in 2018, grown by 25% in the last three years
- Bayplex facility will add approximately \$600,000 to the department's annual budget 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 bill.

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 inefficiencies
- Changing demographics with an aging population is requiring redesign of programming and programming spaces.
- Political resistance to make tough decisions in the separate communities.

Value for Money Analysis

Fire Services

Budget Overview

- Consolidated budget of \$17.3 Million in 2018; largest operating cost was hydrant and water fees which totalled \$7.18M
- Consists of a mix of career, composite, and volunteer staff working out of 36 departments.

Strengths

- A large segment of the department work on a volunteer basis for the safety of the community.
- The Regional Fire Chiefs Association meets periodically to ensure that the department is meeting service standards
- Evidence of a surplus of departments and therefore, consolidation would likely lead to efficiencies among the existing volunteer departments.
- Departments work collaboratively to provide sufficient coverage to the region.

Challenges

- Operating dynamic between the career departments and volunteer departments limits the ability to effectively manage resources.
- Municipality has no authority or budgetary control with respect to volunteer departments.
- Binding arbitration outcomes have further strained limited financial resources.
- Labour relations between fire unions and administration are strained.

Value for Money Analysis

Buildings, Parks & Grounds

Budget Overview

- Consolidated budget of \$3.4 Million in 2018; Budget consistently decreased from 2013 to 2017
- Over the last ten years, it has spent approximately \$10M on maintaining 208 structures
- Earmarked \$8.1 Million for capex for the next five(5) years

Strengths

- Realized a large number of efficiencies by working closely with departments such as EPW and Facilities by sharing services and resources
- Highly capable mechanical team and resources who are available to work across departments

Challenges

- Consistent pressure to maintain the state and functionality of infrastructure within financial constraints.
- Absence of formal performance indicators to measure efficiency and effectiveness of its output.
- No formal asset management practices or standard operating procedures for infrastructure maintenance contributes to maintenance needs for declining infrastructure assets
- Community's unwillingness to divest of redundant or surplus infrastructure

Value for Money Analysis

Police

Budget Overview

- Consolidated budget of \$26.4 Million in 2018, 93% of costs being driven by wages
- Budget has remained within approximately \$1M of annual variance over the past five years
- 33 positions are funded through cost recovery partnerships to a total of \$4M

Strengths

- Fiscal responsibility and efficiency are a key priority in the strategic plan
- CBRPS consists of nearly 15 different specialized sections and teams making it one of the few full-service police agencies in the Province
- Considerable degree of coordination and collaboration with other levels of government and other regions, specifically Membertou First Nation

Challenges

- The 2017 Canadian average of police officers per 100,000 was 188. Using current population estimates, the CBRM is well above national averages at a ratio of 201 officers to 93,000 CBRM residents
- Age demographics of CBRM's population significantly influence the crime severity index and needs of the community.
- Collective bargaining agreements limit the ability to influence the overall cost of labour, which has resulted in wage increases exceeding the rate of inflation.
- 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.

Value for Money Analysis

Recreation

Budget Overview

- Consolidated budget of \$2.7 Million in 2018; department's budget has been consistently stable since 2011
- Employs 9 full time people and recruits students for the summer

Strengths

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

Challenges

- Regional-centric attitude of districts reduces consolidation opportunities leading to inefficiencies and duplication of programs and events.
- Reduced proportion of youth in the local population has diminished demand for traditional active recreation facilities such as ball fields and arenas
- The department operates within a very tight financial budget, impacting its ability to be highly effective

07 Infrastructure Deficit



Infrastructure Deficit

Key priorities for the next three(3) to five(5) years

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

\$164M

Value of planned infrastructure projects from 2018-2023

Observations

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

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

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

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

E Amalgamation compounded the impact of infrastructure deficit

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.

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

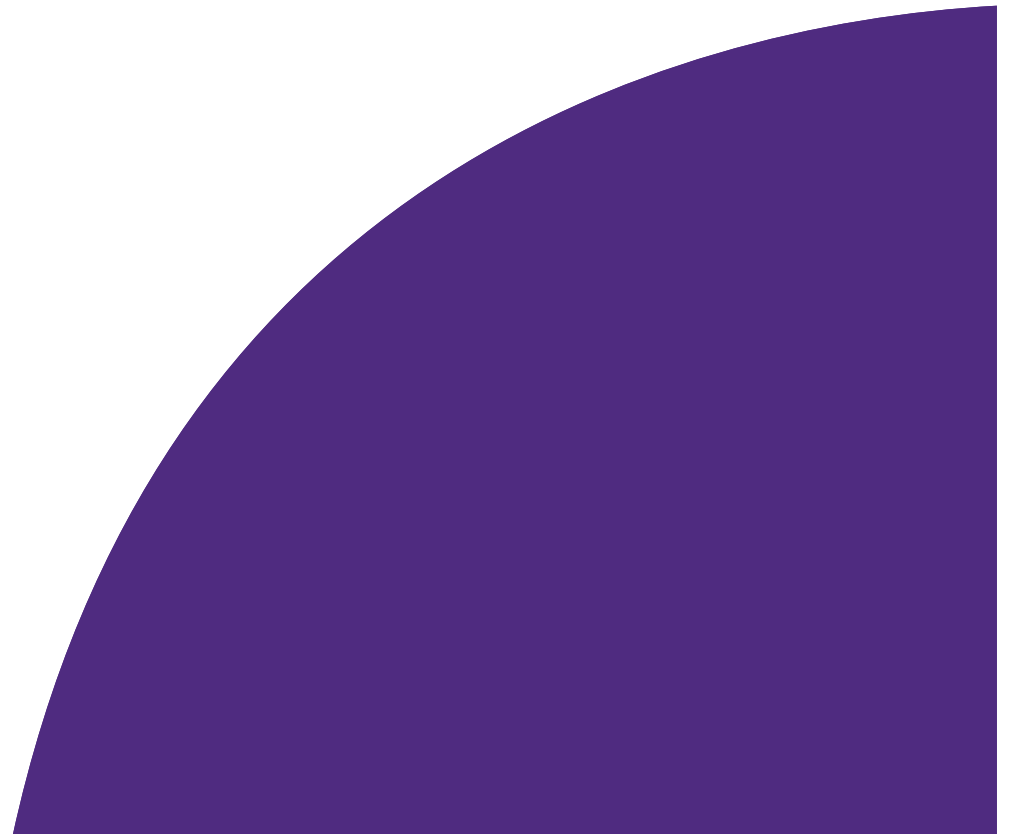
\$34M

Estimated annual infrastructure deficit (Mandatory)

\$80M

Estimated annual infrastructure deficit (Desirable)

08 Next Steps



Next Steps

- Comparative Analysis (presentation of observations scheduled for first week of May)
- Future Population Projections
- Analysis and Recommendations
- Compilation of Final Document

Questions

