



WHAT WE HEARD

Service Exchange (MOU) Consultations

Department of Municipal Affairs and Housing
August 2023

Introduction

Between August 10 and August 28, 2023, the Department of Municipal Affairs and Housing (DMAH) hosted 9 engagement sessions and 4 regional meetings with municipal elected officials and senior administrators across Nova Scotia. It is estimated that over 215 unique participants attended the sessions and there was a 92% participant rate from municipalities across Nova Scotia. Please note, that the proposed MOU changes presented during the engagement sessions did not include the Halifax Regional Municipality (HRM).

Background

In the Ministerial mandate letter in September 2021, the Minister of DMAH was directed to renegotiate the Service Exchange Agreement (MOU) with municipalities and include the Municipal Financial Capacity Grant (MFCG) and roads as topics of discussion. In response to the letter, the Nova Scotia Federation of Municipalities (NSFM) in conjunction with the Association of Municipal Administrators of Nova Scotia (AMANS) developed the Service Exchange Review and Municipal Government Act Review Committee (“Advisory Group”), to provide advice and recommendations to DMAH on the new proposed Service Exchange (MOU) agreement.

Proposed MOU changes

The below summarizes the proposed changes to the MOU that were presented during the engagement sessions.

MFCG

The current formula would be unfrozen and modernized. Modernized elements include updating the definitions of standard expenditures and dividing the standard rate into residential and commercial. The total MFCG amount allocated would be within the existing funding envelope of \$30.4 million (M). The 17 municipalities who will receive less MFCG funding as a result of the modernization, will be topped up to their previous frozen amount for the next 5 years.

Corrections & Housing Contributions

Municipalities will no longer have to contribute towards corrections and housing net operating losses. All outstanding amounts must be paid in full to the Province by March 31, 2024, to participate in the MOU.

Infrastructure Program

A new \$15M infrastructure program would be developed allowing municipalities to utilize this program as their municipal portion on any cost-shared initiative. Details are still being finalized but the program would focus on provincial priorities.

Roads Programs

Two new optional road programs would be developed totaling \$16.1M:

- A. \$6.1M in funding for trunks and collectors in Towns and former Towns to be paved at a 50-50 cost shared basis.
- B. \$10M in funding for G, H, I and J class roads in municipalities with 3 different options available within the program. The program would focus on municipalities taking ownership of roads they deem viable and necessary for their community.

Obsolete Schools

Province will absorb all costs associated with obsolete schools and municipalities would be given the first right of offer at a negotiated price.

Schedule A

A number of topics that were important to the Advisory Group were moved to Schedule A for potential future discussion. Some of these topics include: collection mechanism for the education tax rate, grant in lieu (GIL), and review of classes within the MFCG.

The below report summarizes the general feedback received during the engagement and regional sessions with municipalities.

Summary of Feedback

General Sessions

General Feedback

- Many municipalities expressed support for the pieces of the MOU being a step in the right direction, understanding that not everything could be done at once.
- Support was expressed for Schedule A and reviewing topics associated with the education tax collection mechanism and the GIL.
- Some municipalities expressed that the MOU did not go far enough, and that more information should be brought back to the negotiating table before decisions can be finalized.
- One municipality expressed a strong desire to be excluded from the current agreement and have a separate negotiated agreement for themselves; please see regional meeting session comments for further details.
- One person suggested the Province look at the agreement and how it negatively impacts amalgamated municipalities, particularly the ones who did not amalgamate on a voluntary basis.

MFCG

- General agreement from municipalities that the funding envelope for the MFCG needs to be, at least, increased.
- Formula amendments were distributed to municipalities and no opposition was expressed to the modernized elements.

Corrections/ Housing Net Operating Losses/ Schools:

- Many municipalities were supportive of removing their requirement to contribute towards corrections and the housing net operating losses.
- Many municipalities expressed their support for the obsolete schools' provision in the MOU. Some municipalities expressed support but encouraged an open communication with Education to ensure that appropriate parts of the land (e.g. soccer fields) could be kept for community use.
- Comments were made by municipalities surrounding the costs for demolishing obsolete schools and how exorbitant those can be.

Roads Programs:

- Towns expressed gratitude towards Part A of the roads program as it was viewed to be a supportive lifeline for their operations.
- Many municipalities expressed frustration over Part B of the roads program being worse than the already developed J class roads program. Some suggested Part B be moved to Schedule A, see regional sessions for additional information.
- Many municipalities expressed their concern over Part B of the roads program regardless of whether the program was optional or not. Concerns were raised primarily around the increased financial pressure on operations to maintain the roads and increased political pressure to respond to residents within their community.
- Many municipalities felt Part B of the roads program was downloading from the Province unless more supports would be provided to make the option viable for municipal units. Particularly municipalities with a larger geographical rural area expressed concern over being able to take on roads as a responsibility and maintaining without additional support from the Province.

Regional Meetings

South Shore Regional Meeting

- Some municipalities expressed overwhelming support for the agreement recognizing that it is a big project and not everything can be completed at once.

- Some municipalities appreciated the work that has gone into the development of the MOU and want to ensure before moving forward that we are working towards a solution that benefits everyone.
- Some municipalities expressed concern over their ability to support Part B of the roads program as they would feel significant budgetary pressures that they may not be able to maintain.
- Specific questions were raised around Part B of the roads program and how they would impact individual municipalities (e.g. bridges, culverts, etc.).
- Support was expressed for obsolete schools to be taken over by the Province with municipalities receiving the first right of offer at a negotiated price.

Valley to Central Nova Regional Meeting

- It was expressed that the modernization of MFCG felt like a complicated way to support municipalities that are less financially feasible. Some municipalities expressed desire for the Province to review classes to ensure that rural municipalities are being compared appropriately to other like municipalities.
- Concerns expressed that the NSFMR roads committee proposal was never shared with the membership until these references to it. Disappointment was expressed particularly in how late the information has come, which provides municipalities limited time to develop a plan on this option.
- Municipalities were supportive of Part A of the roads program but expressed opposition towards Part B of the roads program.
- Many municipalities communicated that Part B did not truly feel like voluntary option.

Pictou to Cape Breton Island Regional Meeting

- Some municipalities expressed concern over where their municipality would be following the five-year funding top up, but were supportive of the ongoing discussions surrounding the MOU.
- Some municipalities expressed concern over if they took over the roads in Part B of the roads program their unit would not be financially viable.
- Many municipalities were supportive of the work completed by the Advisory Group but opposed Part B on roads and would prefer to see it as part of Schedule A.
- Municipalities expressed concern over the logistics surrounding the implementation of taking over ownership of local roads through Part B of the roads program.

Cape Breton Regional Municipality (CBRM) Regional Meeting

- CBRM noted that as the second largest municipality in Nova Scotia – covering 10% of Nova Scotia’s population – they require a separate negotiated agreement from other municipalities.
- CBRM expressed that if the MOU goes forward as intended then it will negatively impact CBRM.
- CBRM noted that no additional MFCG funding was put forward. CBRM indicated in order for them to be sustainable and no longer financially reliant upon the Province they would require a doubling of their MFCG for the next 5 years.
- Questions were raised on how the fiscal review from 2014 was considered during the MOU process.

Clarifications

- Some suggested during consultations that the education tax rate prescribed in regulation should be frozen to ensure no impact to municipalities. It was clarified that the education tax rate is set at the Department of Education’s discretion and that future discussions related to the collection mechanism would be forthcoming.
- Questions were raised around the intention behind the new MOU and what principles the discussions were predicated upon. It was clarified that in the 1995 service exchange the negotiations were focused on primarily balancing the financial outputs of the agreement between the Province and municipalities. This new agreement in 2023 focused on balancing the responsibilities of the Province and municipalities.
- A municipality asked to be on record that the Province should not be stepping into property tax through a non-deed transfer tax. It was clarified that this topic was not discussed as part of the MOU renegotiation.
- Municipalities have expressed the MFCG has been underfunded. It was advised that the funding envelope is established during the budget process.

Future Plans for Service Exchange (MOU) with municipalities

- Based on feedback and discussions further review of the proposal will take place.
- During consultations many expressed desire to know when the MOU would be taken into effect. It was communicated that the earliest implementation date would be April 1, 2024 but that date is subject to change and approval of the MOU.

We would like to thank everyone for taking the time to participate in the MOU engagement sessions.