



**Subject:** Deed Transfer Tax Report # 3 (Updated from Report #2)  
**To:** Corporate and Residential Services Committee  
**Date Prepared:** February 14, 2024  
**Related Motions:** C23(38), CRS24(5)  
**Prepared by:** Wade Tattrie, CPA, CA, Director of Finance  
**Approved by:** Kim Ramsay, CPA, CMA, Chief Administrative Officer

## Summary

Staff prepared an initial Deed Transfer Tax Report in response to the February 2023 Council motion C23(38) - *“Moved that Council direct staff, at a time staff have an opportunity (before next budget), to bring a report to begin discussions how the Deed Transfer should be allocated”*. This initial report was presented to Corporate and Residential Services Committee on January 16<sup>th</sup>, 2024.

At that meeting motion CRS24(5) was made *“Move that the Corporate and Residential Services Committee recommend that Council direct staff to prepare a draft policy on Deed Transfer Taxes, and a Draft Policy on Annual Grant to the Urban Tax Rate. These draft policies are to be based upon the recommendations of the staff report dated January 11, 2024.*

*And, that once the draft 2024-2025 budget is tabled with Executive Committee, staff bring a report on Deed Transfer Tax options to alter the budget based on information in this report.”*

This second report and proposed policy revisions were presented to Corporate & Residential Services Committee on February 13<sup>th</sup>, 2024. Based on direction from Committee, changes and more options have been presented herein in the Alternatives section of the report - Option 5 & 6 added for consideration.

## Financial Impact Statement

The recommended motion will increase the 24/25 budget assumption for Deed Transfer Taxes from the current amount of \$2.123 million to 3.0 million. It will also provide for a portion of the Deed Transfer Tax to be set aside during the annual budget process to a general tax reserve. As well, the USR Grant would remain and grow annually by CPI.

## Recommended Motion

***Move that the draft budget be set at \$3 million for Deed Transfer Tax with a transfer to reserve of \$381,000, leaving \$496,000 to general revenue.***

***Move that the Corporate and Residential Services Committee recommend to Council that Council give notice of intent to approve the revisions to the Budget Management Policy, as presented and decided/discussed at the February x, 2024 Corporate and Residential Services Committee Budget meeting. And that wording in policy indicate that all amounts in policy will be evaluated during budget deliberations, in the event the General Tax Rate for the Municipality is proposed to be increased.***

**[February 20<sup>th</sup>, 2024 Council \(Policy & In-Camera Meeting\):](#)**

*Move that Council give notice of intent to approve the revisions to the Budget Management Policy as presented and decided/discussed at the February x, 2024 Corporate and Residential Services Committee Budget meeting.*

February 28th, 2024 Regular Meeting of Council:

*Move that Council approve the revisions to the Budget Management Policy, as presented and decided/discussed at the February x, 2024 Corporate and Residential Services Committee Budget meeting.*

## Discussion

Three primary issues arose as a result of the initial report and the discussions Council had on January 16<sup>th</sup>.

They are:

1. How should a policy address the annual issue of determining an amount of Deed Transfer Tax to initially include in the draft budget document presented to Council. And, as the initial draft budget document has already been presented to Council for 24/25 - what amount should it be changed to.
2. How should a policy address the issue of setting aside an amount each year, from deed transfer tax revenues, to an appropriate general tax reserve.
3. How should the issue of the Urban Service Rate grant be addressed in the 24/25 budget and future years.

## Amount To Budget for Deed Transfer Tax

Council already has a Budget Management Policy. Adding a new section (10) to this Policy entitled “Specific Budget Amounts” is an efficient manner to address all three issues. The attached draft revisions to the existing Budget Management Policy address the issue of the initial amount (section 10.1) to budget in the annual draft budget. In order to achieve a 2 cent reduction in the rate, staff recommend the current assumption be changed from \$2,123,000 to \$3,000,000. The average of the actual past two full fiscal years and the projection for the current year of 23/24 is \$3,230,000. There is also Deed Transfer Tax Reserve of \$289,000 should it be required.

Of this \$877,000 increase, approx. 43% would be set aside in reserve (\$381,000 - 13% of \$3 million) and \$495,996 would be used to reduce the general tax rate in the proposed in the draft 2023-2024 budget. This is the equivalent of 2 cents per \$100 of residential and resource assessment.

Draft Policy Revisions:

### *10.1 Deed Transfer Tax*

*The initial draft of the Operating Budget shall use an estimate of the annual Deed Transfer Tax revenue between 80% and 90% of the average past two full fiscal years and the projected current years actual revenues. The amount to be used as the final budget figure for the Deed Transfer Tax shall be decided in consultation with Council.*

## Amount of Deed Transfer Tax to Set Aside in A General Reserve.

The attached draft revisions to the existing Budget Management Policy address the issue of setting aside an amount of the Deed Transfer Tax in each budget. This in section 10.2.

Draft Policy Revisions:

### *10.2 Portion of Deed Transfer Tax Allocated to Reserves*

*The initial draft of the Operating Budget shall include an allocation of 15% of the Deed Transfer Tax budget to Reserves for Municipal Buildings and Property. This reserve will provide funding for a variety of general tax rate purposes including land purchases, tourism sites, building construction, building repairs, office space, and business park developments. These annual contributions will continue until such a time as Council believes the reserve balance is adequate. Council will then revise the policy to choose another reserve fund to transfer funds.*

## Urban Service Rate in 24/25 and Following Years.

The initial report provided to Council on January 16, 2024 provided information a variety of financial information. This included budgeted and actual amounts of Deed Transfer Tax, general tax revenue, assessment growth, and capital expenditures. The second report date February 8<sup>th</sup> 2024 identified four options for the DTT USR Grant that has been allocated to the USR in recognition of the significant cost of infrastructure, outside of the household specific costs of development and maintenance.

Depending on the option chosen, the Budget Management Policy will be revised to capture an on-going direction to staff on how to draft each annual budget. The four options presented to Council in Report #1 are below along with an alternative option.

**Option 1 - Status Quo USR Grant: \$430,800 plus the previous years CPI %, equaling \$444,585. Each year thereafter it shall increase by the previous year's CPI factor.**

This is the recommended option as the costs to spur growth and build infrastructure, unrelated to an individual's home services, continue to rise and continue to be born by a the few USR ratepayers to the benefit of the many general tax rate payers.

**Option 2 - Freeze USR Grant: \$430,800. Each year thereafter it shall stay at the same amount.**

This option will not address the continued growth of the area nor will it keep up with costs. Council will find itself, like all other non-escalation policies, catching up at some point in the future.

**Option 3 - Phase out USR Grant: \$344,640. Each year thereafter this amount will reduce by \$86,160. The last year that an amount will be included in the budget will be 28/29.**

This option is a phase out of the grant. The cost to the USR rate payer in the serviced area will be approx. 1 cent per year on their rate and it would be recommended that ratepayers in Districts 2, 3, 4, 5, 7 and 1

(updated from first draft of report that noted District 10), (R4, R5, R6) who contribute towards the USR rate would increase by ¼ or ½ of a cent per year. The General Tax Rate over the 5 years could reduce by approx. 1.7¢ (this would decrease over time as the amount raised per cent increases).

USR rate payers are expecting a 1.5¢ increase this year in Milford and the equivalent increase in other areas with an increase to the WWMF.

**Option 4 - Rescind USR Grant: Zero. Each year thereafter it will remain at zero.**

This option is a cancellation of the grant. The cost to the USR rate payer in the serviced area will be approx. 5 cents on their rate in 24/25 and it would be recommended that ratepayers in Districts 2, 3, 4, 5, 7 and 1 (updated from first draft of report that noted District 10), (R4, R5, R6) who contribute towards the USR rate would increase by a cent or two. The General Tax Rate in 2023-2024 could reduce by 1.7¢.

USR rate payers are expecting a 1.5¢ increase this year in Milford and the equivalent increase in other areas with an increase to the WWMF.

**The recommendation on this matter remains unchanged:**

Recognizing that the continued growth of the urban areas of East Hants supports the overall financial health of the entire Municipality, Council should continue to provide an annual Growth Management Grant to the serviced areas of the Municipality to support the need for infrastructure that drives growth in the urban area. This grant should grow by CPI each year.

## Alternatives

At the February 13<sup>th</sup> meeting, Committee made a request to delay the decision and have staff bring back an alternative that allocated funding to other areas of the municipality as well.

**Option 5 - Expand USR Grant and Rename**

Council could keep the existing USR grant as per Option 1 and allocate a further amount from the DTT to other areas of the Municipality to reduce the area rates in those areas (fire & streetlights) or fund growth management area reserves for future recreation or infrastructure needs.

**Options for Mount Uniacke:**

Where there are no consistent area rates in the Mount Uniacke communities other than Fire Services, the following alternatives are presented:

- 1) Where the operating safety lights in Mount Uniacke are significantly less than the subdivision lights, and are only 0.38 of a cent per hundred, the only other area rate to reduce in Mount Uniacke would be

the Fire rate. Council could provide an operating grant to the Mount Uniacke Fire Department of \$57,289 and reduce the fire rates from \$0.134 to \$0.124 per \$100 of assessment.

OR

- 2) A Growth Management Grant could be allocated to a recreation or infrastructure needs reserve for when Mount Uniacke starts to look at sidewalks, recreation centres, or wastewater systems (pending findings of the Mount Uniacke Growth Management Strategy). This would not have an immediate impact on the ratepayers of Mount Uniacke but would provide needed funds for the longer-term vision of the community.

The equivalent to one cent residential, resource and commercial in Mount Uniacke and the cost for this alternative on the General Tax Rate is \$57,289.

**Options for Rural East Hants:**

Where there are no consistent area rates in the rural communities other than Fire Services, the following alternatives are presented:

- 1) Provide grants to the rural fire departments at the equivalent of 1¢/\$100 of assessment, thereby reducing the area rates for rate payers by 1¢, to \$0.21 for all rural fire departments except Rawdon where the rate would be \$0.22/\$100.

OR

- 2) Increase the Fire Operating Grant by the equivalent \$38,059; these grants would increase from \$11,506 to \$17,849, allocating equally the \$38,059 across the six departments who currently get the grant. There would be no rate advantage for the tax payer however the fire departments would have more funds for long-term planning and operations.

Fire Departments						
Once Cent	Assessment	Once Cent Raises	Current Fire Grant	Fire Grant Increase Equally (x6)	Fire Grant Increase by 1 ¢ Equivalent	Current Levy
Maitland	\$ 63,001,900	\$ 6,300	\$ 11,506	\$ 17,849	\$ 17,806	\$ 138,604
Noel	\$ 69,875,100	\$ 6,988	\$ 11,506	\$ 17,849	\$ 18,494	\$ 153,725
Walton	\$ 22,324,800	\$ 2,232	\$ 11,506	\$ 17,849	\$ 13,738	\$ 49,115
Gore	\$ 49,497,100	\$ 4,950	\$ 11,506	\$ 17,849	\$ 16,456	\$ 108,894
Kennetcook	\$ 55,904,800	\$ 5,590	\$ 11,506	\$ 17,849	\$ 17,096	\$ 122,991
Rawdon	\$ 80,745,700	\$ 8,075	\$ 11,506	\$ 17,849	\$ 19,581	\$ 185,715
Brooklyn	\$ 39,242,100	\$ 3,924	\$ -	\$ -	\$ 3,924	\$ 86,333
		\$ 38,059	\$ 69,036	\$ 107,095	\$ 107,095	\$ 845,377

The equivalent to one cent residential, resource and commercial in the rural areas and the cost for this alternative on the General Tax Rate is \$38,059.

**Options for Nine Mile River and Grand Lake:**

These two areas are outside of the serviced area and split off into their own streetlight area rates a few years ago. Providing a grant to these area rates, reducing the rates the equivalent of one cent will cost the General Tax Rate \$47,036 and provide an immediate impact to the rate payers of these areas.

	Assessment	Once Cent Raises	Current Rate per \$100
NMR Streetlights	\$ 259,961,400	\$ 25,996	\$ 0.020
Enfield Streetlights	\$ 210,403,500	\$ 21,040	\$ 0.016

### Summary

If all of these options were adopted into policy, the adjustment required to the General Tax Rate would be an increase of 0.6 of a cent per \$100 of assessment.

Table 1:

Mount Uniacke	\$ 57,289
Nine Mile River Lights	\$ 25,996
Enfield/Grand Lake Streetlights	\$ 21,040
Rural	\$ 38,059
<b>Total</b>	<b>\$ 142,384</b>
Once Cent General Tax Rate	\$ 247,998
<b>Increase to General Tax Rate</b>	<b>\$ 0.006</b>

Impact on Mount Uniacke and Rural areas:

Decrease to general rate from DTT (proposed) -2¢

Increase to General Rate from Table 1 = +.6

Net impact = Reduction of -1.4¢ plus investment of funds in fire and future infrastructure.

OR - Fire Rate Reduction passed on to rate payers

Decrease to general rate from DTT (proposed) -2¢

Decrease to Fire Rate = -1¢

Increase to General Rate from Table 1 = +.6

Net impact = Reduction of -2.4¢

Impact on NMR and Enfield Streetlight areas:

Decrease to general rate from DTT (proposed) -2¢

Decrease to Streetlight Rate = -1¢

Increase to General Rate from Table 1 = +.6¢

Net impact = Reduction of -2.4¢

Impact on USR areas:

Decrease to general rate from DTT (proposed) -2¢

Increase to General Rate from Table 1 = +.6

Net impact = Reduction of -1.4¢ plus current USR grant.

**Motion to support Option 5:**

*Move that the Corporate and Residential Services Committee recommend to Council that Council amend the Fire Service Funding Policy to increase the Operating Grant by <the base amount each year plus the equivalent of one cent on the individual department rate> OR <\$6,343 to \$17,849 for 2024-2025>.*

*And, that the Corporate and Residential Services Committee recommend to Council that Council amend the Budget Management Policy to document the current USR Growth Management Grant as presented in the 2024-2025 draft budget.*

*And, that the Corporate and Residential Services Committee recommend to Council that Council amend the Budget Management Policy to establish growth management grants for the Mount Uniacke Recreation Reserve (all of Districts 8 & 9), the NMR Streetlight Area Rate (LN9) and the Enfield/Grand Lake Streetlight Area Rate (R3), the amounts to be set at the equivalent of one cent of residential, resource and commercial assessment for each area.*

*And, that the draft budget be amended to include the adjustment in the Alternative Summary, Table 1 as presented in the report dated February 14<sup>th</sup>, 2024 titled Deed Transfer Tax Report # 3 (Updated from Report #2).*

**Option 6 - Use \$496,000 to fund other projects other than reduction of General Tax Rate**

At the February 13<sup>th</sup> meeting, Committee made a request to delay the decision and have staff bring back an alternative that allocated funding to other areas of the municipality as well.

Should Council wish to take the entire uptick of \$496,000 from the increase to the DTT budget that could go to reducing the General Tax Rate by 2¢ and instead allocate it out to the areas from where it comes, the following allocations could be made:

	<b>Percent of DTT Collected</b>	<b>2¢ Raises</b>	<b>Proposed Use</b>
Corridor	63	\$ 312,480	Sportsplex Area Rate
Rural	12	\$ 59,520	Rural Fire Grants
Mount Uniacke	25	\$ 124,000	Future Infrastructure Reserve
		<u>\$ 496,000</u>	

If this option was adopted into policy, there would be no adjustments to tax rates. Each area may have more specific instruction as to what to do with the allocation that could be addressed in this or future budgets.

**Motion to support Alternative 2:**

*Move that the Corporate and Residential Services Committee recommend to amend the draft budget by allocating \$312,480 to the Sportsplex Area Rate, \$59,520 to the Rural Fire Department Operating Grants (to be paid out equally) and \$124,000 to a reserve for future infrastructure in Mount Uniacke. These amounts will be added to the Budget Management Policy and increased by CPI each year subject to budget approvals.*