

Special Council Meeting

TOWN OF SHELBURNE

2020.01.27

Overview

- ▶ Current financial picture
- ▶ How we got here – trends and events
- ▶ Where do we go now – considering options

Press Releases 2019-2020

▶ July 23, 2019

▶ January 23, 2020

Town Budget Information



Shelburne Town Council and Staff recognize and consider it necessary to communicate to you the challenges we face as a community, both currently and in the future, in providing the range and level of services you have come to expect.

Small rural towns across the province all face similar concerns in finding means to pay for ever increasing service-related costs with shrinking sources of revenue. For example, the mandated upgrade of the Town's Waste Water Treatment Facility, originally costed at \$2.37M, imposed a significant financial planning challenge over the short and long terms, as the financing of the project relied on the Town borrowing 33% to pay its share of the total project cost. In addition, project cost overruns of approximately \$600,000 put the Town in an immediate position of reviewing and scaling back its overall focus this year as we are fully responsible for all project overruns.

As a result, Council has been forced to take a close look at our range and levels of services, to more clearly define the Town's core essential services, and to determine how we can best plan to operate and maintain these services and utilities over the long term. To achieve this, we have reduced the number and cost of projects and scrutinized every aspect of the Town's operation in order to remain viable.

Our core essential areas of responsibility include the provision of protective services (fire, police, emergency management), transportation services (roads & sidewalks), wastewater management (stormwater & sewer), facilities management (parks, buildings, marine terminal), water utility, and development services. The town remains fully dedicated to managing key assets and providing these core essential services for both residents and businesses while proactively looking for ways to maintain service while reducing the cost, particularly in the area of policing and waste diversion. In addition to the core essential services, the Town is also required to budget for expenses related to the Housing Authority, Library Services, Education, and Corrections.

We recognize that the tax rates for both commercial and residential properties are high and resorting to further tax increases will only marginally improve the Town's financial position. The growth of property values in the Town of Shelburne has remained relatively modest, and the tax revenue generated by property taxes has not matched the increase in the cost of services.

To address the Town's financial challenges, we are using two approaches, firstly to reduce the scope of our operations to a manageable level and secondly to work with our partners at all levels of government in the planning and delivery of services. The Town currently has shared services agreements in place for fire protection services, solid waste services and some development services to improve efficiency. We are also actively looking at additional partnership models to help reduce overall costs while continuing to maintain service levels.

Town Council and Staff will continue to explore all options and advocate to provincial and federal levels of government on behalf of residents and businesses with respect to identifying the best way forward.

Press Release



Town of Shelburne Press Release

January 23, 2020

To Town and Area Residents and Businesses,

It became clear during our budget deliberations last year that the writing was on the wall in terms of our ability to maintain service levels for the Town and that we would be required to look to regional solutions going forward. In the spring of 2019, the Towns of Shelburne and Lockport as well as the Municipality of the District of Shelburne initiated a series of conversations to determine whether consolidation, based on the Windsor West Hants model, could occur in Eastern Shelburne County. Consolidation is a unification process which is facilitated under a special act of the Province in which all municipal units enter into agreement that a shared future is in the best interests of the region. The consolidation process has the benefit of allowing the municipal units decide their terms and transition process rather than turning the control over to an outside body.

While we have had several smaller meetings since last spring, with the Department of Municipal Affairs and Housing (DMAH) in attendance, we have not been successful in bringing the District Council into full conversation with all three Councils about a collective future. Further, last week the District Council decided to opt out of any further discussions on consolidation unless the Province was willing to commit to funding to assist in the renewal of Town of Shelburne infrastructure. We have been told consistently by the Province that they are not in a position to contribute unspecified funds to Town infrastructure, however the potential to discuss specific assets and services remains available.

This leaves our Council in a position to decide between dissolution and significant cuts in service. As we are projecting operating deficits for the foreseeable future, service cuts and/or tax increases will become an annual event as we are required by the Province to submit a balanced budget. Under dissolution, the Town of Shelburne would submit an application to the Nova Scotia Utility and Review Board who would then oversee the process of public hearings and decide whether there is merit in the application. If the application goes forward, a Transition Committee would be established to make decisions for all municipal units during the transition period.

Press Release



Page 2

We would prefer that there be more local control over any future outcome for the region, and in this sense the consolidation process is better suited than is the dissolution process.

Towns across the province struggle to maintain expected levels of services with funding based primarily on property tax revenue. In areas of the province where property assessment growth remains flat, costs of services will continue to outpace our revenue and the pressure to regionalize will continue. The imposition of mandatory service standards, such as the recent federal requirement regarding wastewater system effluent, has further accelerated the financial challenges of small towns, particularly when any project overruns are borne by the Towns. The Town of Shelburne has started an asset management program to address and better manage the aging infrastructure we have inherited from both the federal and provincial governments in the marine terminal and water utility, however this program is in its infancy and policies aimed at addressing infrastructure deficits have only recently been implemented. We recognize that we need regional support to maintain the level of services that keep this area viable.

We have heard in recent weeks from the municipal units in Yarmouth County and with Cape Breton Regional Municipality on their various takes on municipal challenges and realities. We will continue to move for constructive dialogue between the units for the best possible outcome for regional residents.



Current Financial Picture



- ▶ **Key Trend - Revenue vs. Expenses**
- ▶ **Financial Condition Indicators (FCIs) – Town Action Plan**



FCIs 2017-18

Total Operating & Capital Reserves

- ▶ **2018 Results: Combined Reserves Indicator** flagged as high risk.
- ▶ This result indicated that “the Town does not appear to have sufficient reserves needed to address unexpected events or provide flexibility to address future projects.”
- ▶ Town produced an Action Plan to address issues flagged by Municipal Affairs, primarily on reserve policies

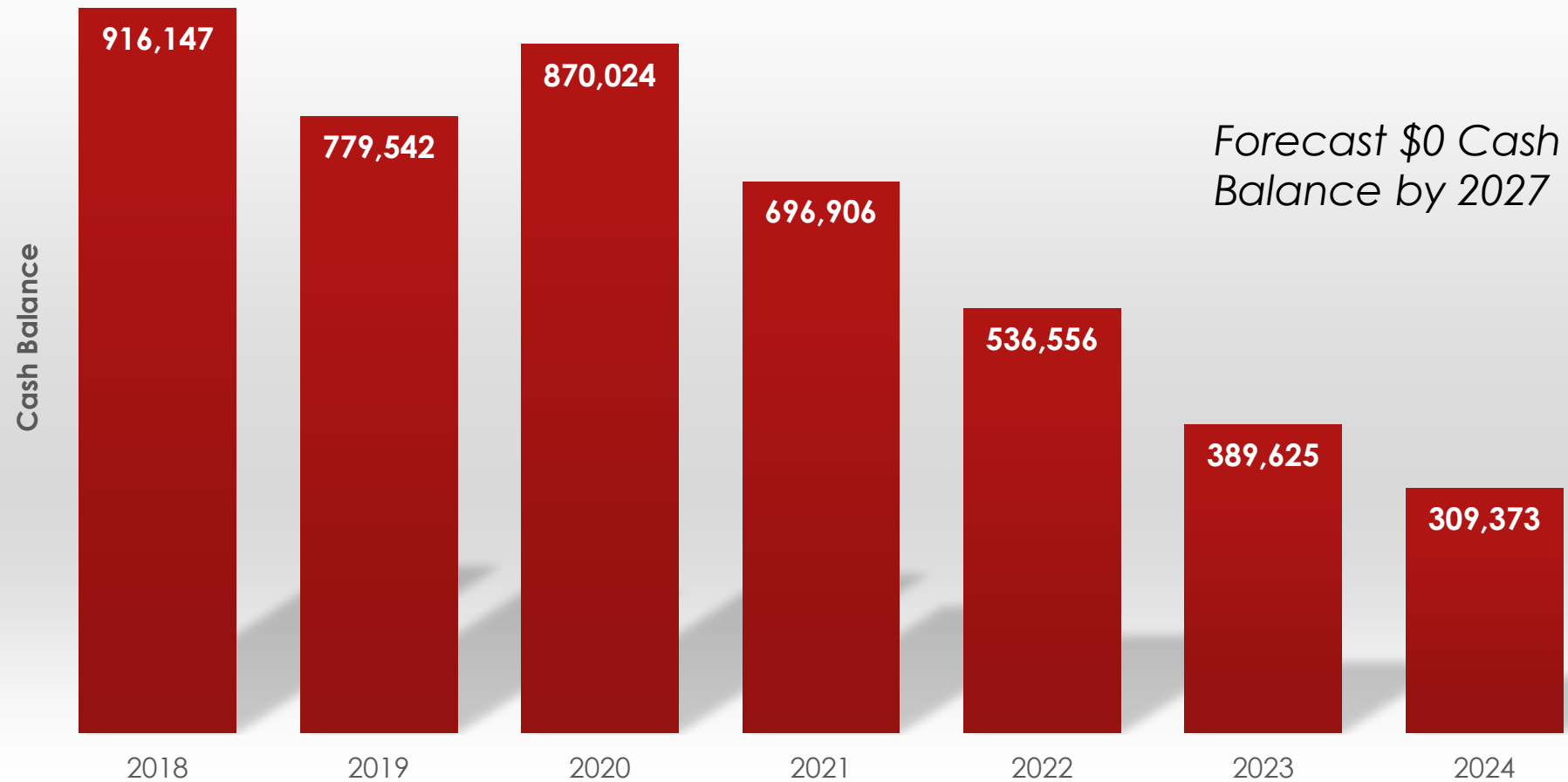


Current Financial Picture



- ▶ Financial Projections
 - ▶ Town Staff
 - ▶ **Municipal Affairs**
 - ▶ Municipal Finance Corporation

General Fund and Combined Reserve Balance





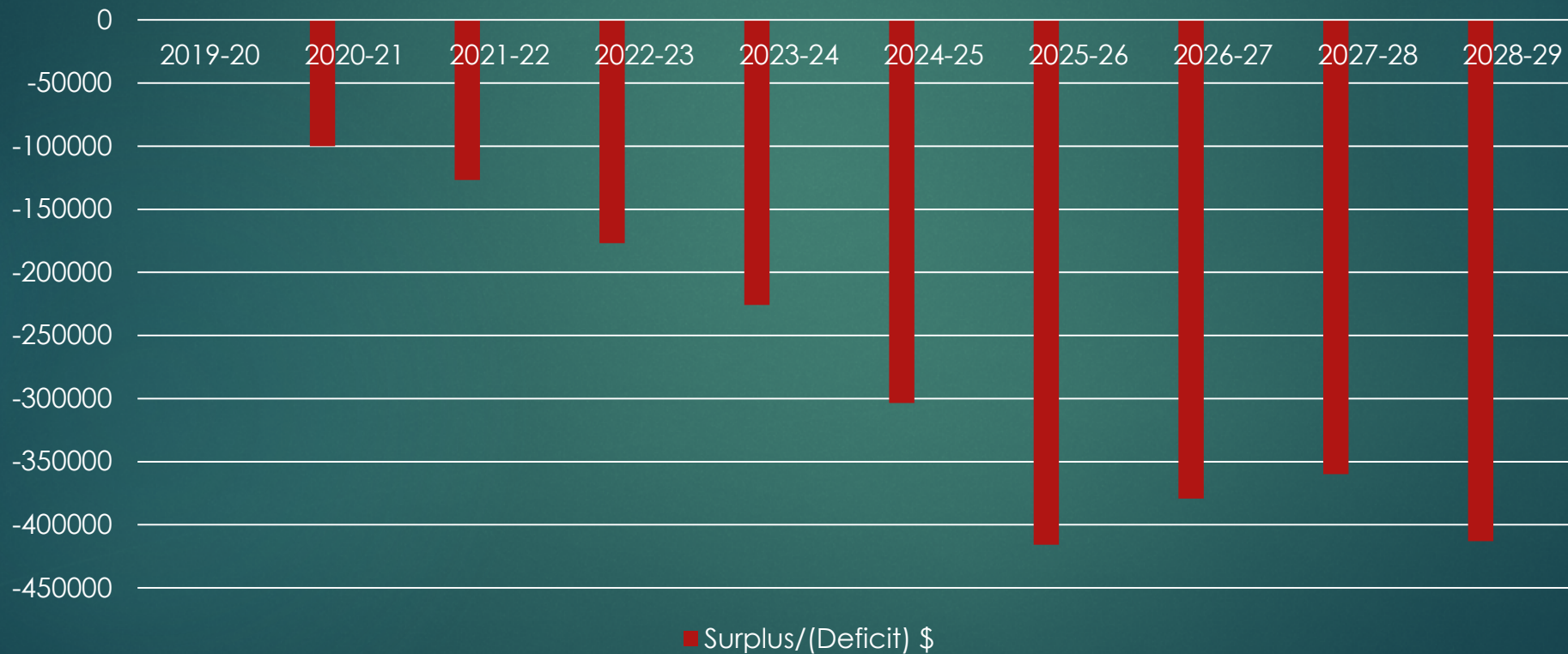
Current Financial Picture



- ▶ Financial Projections
 - ▶ Town Staff
 - ▶ Municipal Affairs
 - ▶ **Municipal Finance Corporation**

Municipal Finance Corporation Debt Affordability Model 2019.12

Projected Annual Operating Budget Surplus/Deficit 2019-29



Current Financial Picture

- ▶ Revenue vs. Expenses
- ▶ Financial Condition Indicators (FCIs) – Town Action Plan
- ▶ Financial Projections (Town Staff, Municipal Affairs, Municipal Finance Corporation)
- ▶ **Wastewater Treatment Plant Upgrade 2018-19**
- ▶ **Current Debt Levels – No Ability to Borrow – Fed Gas Tax Only**
- ▶ **Current Budget Limitations – No Ability to Grow Reserves**
- ▶ **Annual Operating Deficits – Gap ~\$180,000 annually**
 - ▶ Challenging Financial Climate – Viability

How Did We Get Here – Rural Town Trends

Population decline

Climate change & environmental risks

Changing Demographics

Aging Infrastructure vs. New Regulations

Limited Revenue Generation Potential, Cost of Services

Impact of Federal/Provincial Downloading of Services and Properties

Disproportionate Level of Responsibilities/Liabilities for Towns



Town of Shelburne – Regional Service Centre



- ▶ Recreational/Cultural (parks, events, facilities; eg Guild Hall, Cox Shipyard Complex, Community Centre, Graham's Park)
- ▶ Family/Educational (King Street Centre, Little People's Place)
- ▶ Regional Economic (Marine Terminal, Visitor Information Centre)
- ▶ Town of Shelburne Water Utility
- ▶ Fire Services

Unification Options

Consolidation

Dissolution

Consolidation – Windsor / WH

- ▶ Regional Government was the way forward
 - ▶ UARB process is expensive and uncertain
 - ▶ Municipalities wanted more control/oversight throughout the process
 - ▶ Special Legislation required

Consolidation – Eastern Shelburne County

- ▶ Exploring the possibilities of consolidation with the three Eastern Shelburne County units over the last 8 months
- ▶ Good progress on negotiations up to the point where the conversation turned to addressing Town of Shelburne's infrastructure deficit
- ▶ MDS Council requires assurances from Province on infrastructure funding prior to further discussion
- ▶ Province will address specific asks but not broad requests

Municipality of the District of Shelburne – January 23, 2020

The Municipality of the District of Shelburne is aware of the financial challenges facing the Town of Shelburne.

The two municipal units have a solid working relationship through shared services and other initiatives. "We currently share services such as waste diversion and building inspection and we recently contributed \$143,000 towards Phase one of the Town of Shelburne's Marine Terminal upgrades, recognizing this facility as a regional asset and understanding its' importance to the residents and businesses in Shelburne County," says Warden Penny Smith.

Representatives from the Town and the Municipality have met with staff from Municipal Affairs on a number of occasions to discuss options and how the Province can provide support. "The concerns raised at our Council when discussing consolidation are financial concerns and what this could mean to the taxpayers in the Municipality. The Town has aging infrastructure that needs to be upgraded and maintained. The question that must be addressed is who will pay these costs. Our Council believes that the Province needs to make a financial commitment to address the Town's infrastructure challenges, such as the Marine Terminal, flooding of Dock Street and aging water and sewer lines, as they have done with other municipal units that merged or dissolved. With financial support from the Province, we could continue discussions," stated Warden Smith.

While the Municipality understands the importance of working together, they also understand their responsibility in ensuring that some type of regionalization will not have a detrimental financial impact on their residents and taxpayers.

The Municipality values the working relationship with the Town of Shelburne and welcomes continued communication.

Dissolution (MGA S.394)

Application for Dissolution to UARB

Can be made by Minister, Council or 10% of electors.

Preliminary Order

- UARB will determine municipality the Town is to revert to, if dissolved
- UARB to determine studies to be undertaken

UARB to set a hearing date

- Advertised at the expense of applicant/s
- Hearing open to everyone
- Board may issue a Preliminary Order or dismiss the application

Order for Dissolution

UARB must be satisfied order is in best interest of inhabitants (financial & social)

- Set the date
- Determine impact to polling districts

Viability – Next Steps



“Viability is the state where a municipality is capable, both in the short and long term, of providing a basic level of service to residents and businesses, at an affordable cost that is sufficient to support those services.”

Nova Scotia Towns Task Force, 2012