

The Nova Scotia Municipal Spending Report

1st Edition: 8-year Trends in Municipal Operating Spending

Ibrahim Ali, Public Policy and Entrepreneurship Intern, Nova Scotia
Nick Cunningham, Policy Analyst, Nova Scotia

Overall, Nova Scotia's municipalities and towns controlled spending to the benchmark level of inflation and population growth from 2010-2017. Municipalities fell slightly below the benchmark rate with growth in real operating spending of roughly 0.5 percent, while population grew at 1.5 percent. On the other hand, the overall growth in real operating spending for towns over the same period grew by roughly 4 percent while population in those towns grew by only 2 percent, leading to roughly \$7 million in overspending.

Introduction

In Nova Scotia, local governments provide key services such as water and sewer, recreation and leisure, as well as emergency services that are essential to support a vibrant and growing small business sector.

This report analyzes the operating spending of 33 municipalities and towns across Nova Scotia from 2010 to 2017. The 18 largest municipalities (including 3 regional municipalities) and the 15 largest towns evaluated represent 94 percent of Nova Scotia's population in 2017. The report ranks the sustainability of community finances based on annual operating expenses.

Since municipalities cannot run deficits without the approval of the Minister of Municipal Affairs¹, any growth in operating spending above the benchmark, increases the likelihood that local governments will have to raise taxes and fees on businesses and residents to make up for any deficits. This can have negative consequences for sustainable economic development in our communities. Any excess spending comes at the expense of municipal taxpayers through higher taxes, permits and fees, and the demand for more transfers from higher levels of government. To provide a sustainable level of services to citizens, it makes sense that municipalities should

¹ Report of the Auditor General. "Municipal Affairs: Monitoring and funding Municipalities", Section 5.3, pg. 66. November 2015.

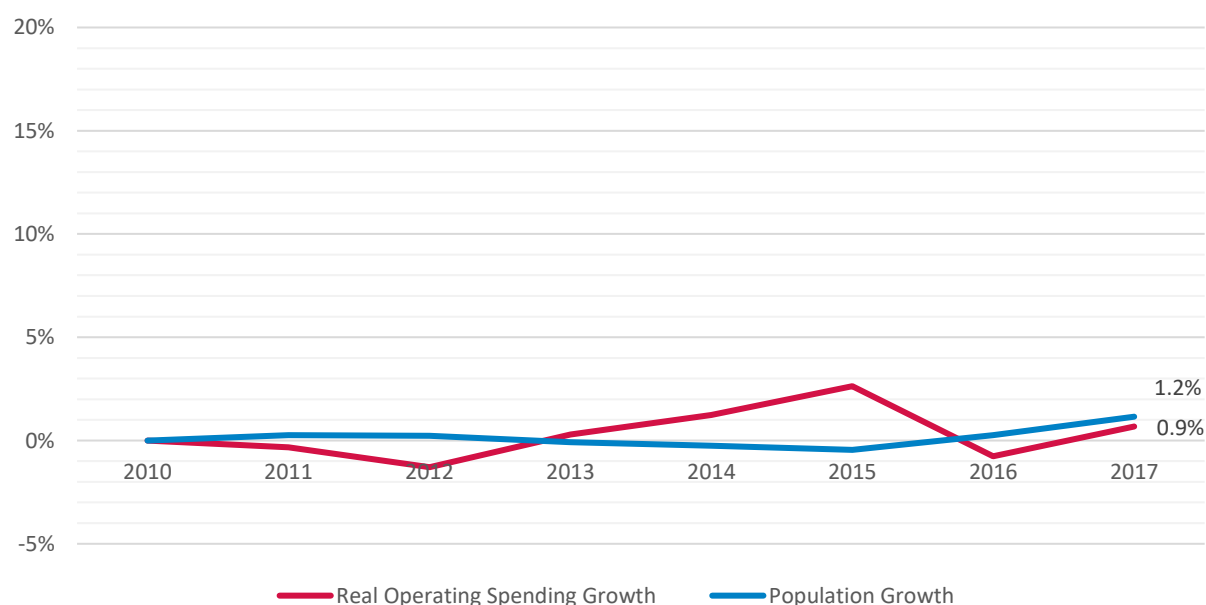
only increase operating spending to accommodate growth in population to provide the same services to more citizens. In addition, it's reasonable to expect that operating spending should be adjusted for inflation to account for any increase in prices.

From 2010 to 2017, inflation-adjusted (i.e. real) operating spending in Nova Scotia increased by 0.9 percent, while population grew at 1.2 percent over the same period. Figure 1 shows that Nova Scotia's municipalities, as a whole, have sustained their spending growth to the benchmark of inflation and population growth.

Overall, **municipalities'** growth in real operating spending over the 2010-2017 period grew by roughly 0.5 percent, while population grew at 1.5 percent, falling 1 percent below the sustainable benchmark rate. Conversely, the overall growth in real spending for **towns** over the same period grew by roughly 4 percent while population in those towns grew by only 2%, leading to roughly \$7 million in overspending. Overall, Nova Scotia's municipalities and towns controlled spending to the benchmark level of inflation and population growth from 2010-2017 (see Figure 1).

Figure 1

Nova Scotia Real Operating Spending and Population Growth, 2010-2017



Source: CFIB Calculations, Municipal Affairs, Nova Scotia Government and Statistics Canada

Key Findings

- 18 out of 33 communities in Nova Scotia kept their operational spending at or below levels of inflation and population growth over the 8 year period (2010-2017).

- 11 of the 18 municipalities kept their operational spending at or below levels of inflation and population growth. Municipalities, overall, reduced spending by roughly \$10 million. On the other hand, 8 of the 15 towns in the analysis were over the benchmark rate, overspending by roughly \$7 million overall.
- In 2010, the average operating spending per capita, when adjusted for inflation, for Nova Scotia municipalities and towns was \$889 and \$1527 respectively. In 2017, that dollar amount increased to \$893 for municipalities, and \$1613 for towns.
- 23 of the 33 communities in the analysis saw population declines over the 2010-2017 period. Of those 23 communities, 12 were able to keep to real operating spending growth at or below the benchmark rate.
- The Municipality of Lunenburg and the Town of Pictou were ranked highest for fiscal sustainability based on 2010-2017 real operating spending per capita (see Table 1).
- The Municipality of Cumberland and the Town of Antigonish were ranked lowest for sustainable spending per capita. Between 2010 and 2017, real operating spending per capita increased from \$630 to \$1047 (Cumberland), and \$1139 to \$1861 (Antigonish).

Table 1

Overall Provincial Rankings for Municipalities (Highest to Lowest)

<i>Municipalities</i>	<i>2010-2017 Real Operating Spending per Capita Growth</i>	<i>2017 Operating Spending per Capita</i>	<i>Overall Provincial Ranking (Highest =1)</i>
Municipality of Lunenburg	-34%	\$621	1
Municipality of Inverness	-15%	\$584	2
Municipality of Annapolis	-9%	\$554	3
Municipality of East Hants	-25%	\$814	4
Municipality of Kings	-10%	\$671	5
Municipality of Colchester	-15%	\$743	6
Municipality of Clare	-2%	\$737	7
Municipality of Pictou	12%	\$620	8
Municipality of Richmond	-16%	\$1,009	9
Municipality of Antigonish	21%	\$641	10
Municipality of West Hants	23%	\$631	11
CBRM	-5%	\$1,131	12
Municipality of Chester	-1%	\$1,122	13
Municipality of Yarmouth	14%	\$1,069	14

Municipality of Argyle	31%	\$1,080	15
HRM	-1%	\$1,571	16
Region of Queens Municipality	19%	\$1,429	17
Municipality of Cumberland	66%	\$1,047	18

Source: CFIB Calculations, Municipal Affairs, Nova Scotia Government and Statistics Canada

Table 2

Overall Provincial Rankings for Towns (Highest to Lowest)

<i>Towns</i>	<i>2010-2017 Real Operating Spending per Capita Growth</i>	<i>2017 Operating Spending per Capita</i>	<i>Overall Provincial Ranking (Highest =1)</i>
Town of Pictou	-38%	\$1,252	1
Town of Westville	-2%	\$993	2
Town of Amherst	-13%	\$1,358	3
Town of Windsor	-4%	\$1,461	4
Town of Kentville	4%	\$1,491	5
Town of Port Hawkesbury	-5%	\$1,690	6
Town of Stellarton	24%	\$1,359	7
Town of Wolfville	0%	\$1,639	8
Town of Bridgewater	-4%	\$1,696	9
Town of New Glasgow	17%	\$1,555	10
Town of Truro	18%	\$1,869	11
Town of Lunenburg	13%	\$2,068	12
Town of Berwick	47%	\$1,718	13
Town of Yarmouth	8%	\$2,184	14
Town of Antigonish	63%	\$1,861	15

Source: CFIB Calculations, Municipal Affairs, Nova Scotia Government and Statistics Canada

Methodology

The Nova Scotia Municipal Spending Watch report analyzes the operating spending for Nova Scotia's 33 largest communities by population. The report includes the three regional municipalities, 15 rural municipalities, and 15 towns. It analyzes the local governments' spending from 2010 to 2017, the most recent year consolidated financial statements are available for all of Nova Scotia's municipalities and towns. The geographic footprint of the report covers 94 per cent of the population of Nova Scotia.

The Municipal spending watch rankings are based on an equal weighting of growth in real operating spending and actual operating spending per capita in 2017. The highest performing community is given a rank of 1 and the lowest is given a rank of 18 for municipalities, 15 for towns. There is no comparison between towns versus rural/regional municipalities.

The data on municipal spending is from each municipality's consolidated financial statements, collected and posted online by Nova Scotia's Department of Municipal Affairs. Population data by municipality, the consumer price index (CPI) for Nova Scotia, and the CPI for Halifax Regional Municipality (HRM) are from Statistics Canada. The CPI for HRM is used to measure HRM inflation. For all other municipalities this report uses the provincial CPI.

Some expenditures, such as amortization expenses, extraordinary fund, water fund, and electrical fund are excluded from the analysis for consistency purposes. Public health expenditures for municipalities of Cumberland, Inverness, Kings, and Richmond are excluded from total expenses. The local governments of these four municipalities received federal funds to develop the health services they provide. As a result, any increase in spending would not have affected property tax rate directly.

For the financial year 2015/2016, amortization expenses were not available. In order to keep the total operating expenditure consistent, CFIB averaged all amortization expenses for the other years where data is available.

To evaluate the degree of sustainable growth, CFIB considers inflation and population growth as a reasonable benchmark for optimal operating spending increases. Municipal overspending is defined as the amount of money spent exceeding the benchmark; in other words, overspending is the difference between actual spending and spending if held to the inflation and population growth benchmark.

The Benchmark: Inflation and Population Growth

Why compare inflation-adjusted operating spending increases to population growth?

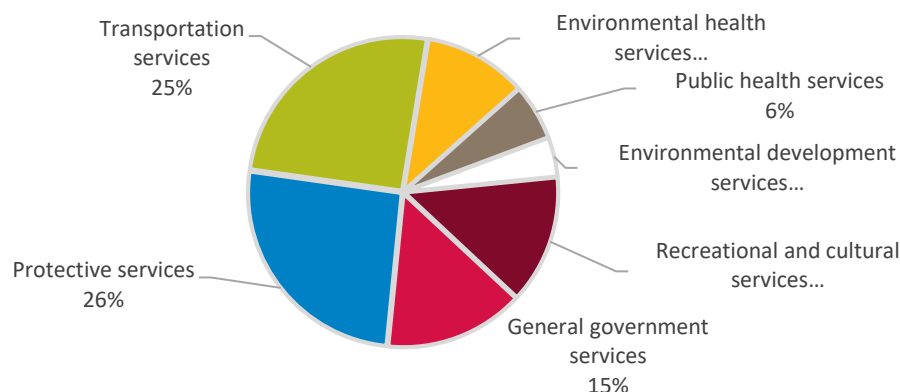
To provide a sustainable level of services to citizens, it makes sense that municipalities should only increase operating spending to accommodate growth in population to provide the same services to more citizens. In addition, it's reasonable to expect that operating spending should be adjusted for inflation to account for increased in prices.

Municipal Spending Trends

Municipalities are responsible for delivering a number of vital services from water and sewer, to snow clearing and protective services such as fire and police. Local governments face substantial demands from residents and business owners who expect quality services to be provided efficiently and effectively.

Figure 2

Aggregate Municipal Expenditures by Category, 2017

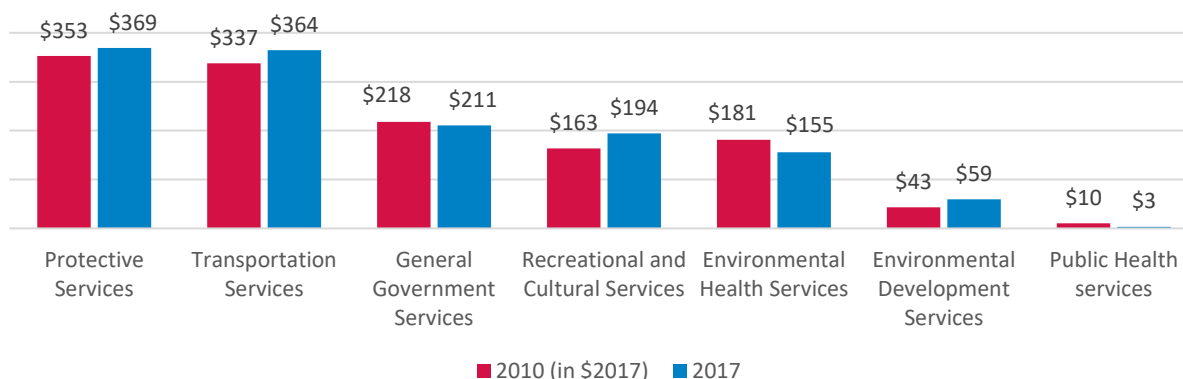


Source: CFIB Calculations, Municipal Affairs, Nova Scotia Government, Statistics Canada

Figure 3 shows the growth in aggregate municipal expenditures by category from 2010-2017. The three categories of real municipal spending which had the highest growth were; Environmental Development Services (+38%), Recreational Services (+19%), and Transportation Services (8%). The three categories where communities reduced expenditures over the same period were; Public Health Services (-70%), Environmental Health Services (-14%), and General Government Services (-3%).

Figure 3

Growth in Aggregate Municipal Expenditures by Category, 2010-2017 (in \$Millions)



Source: CFIB Calculations, Municipal Affairs, Nova Scotia Government and Statistics Canada

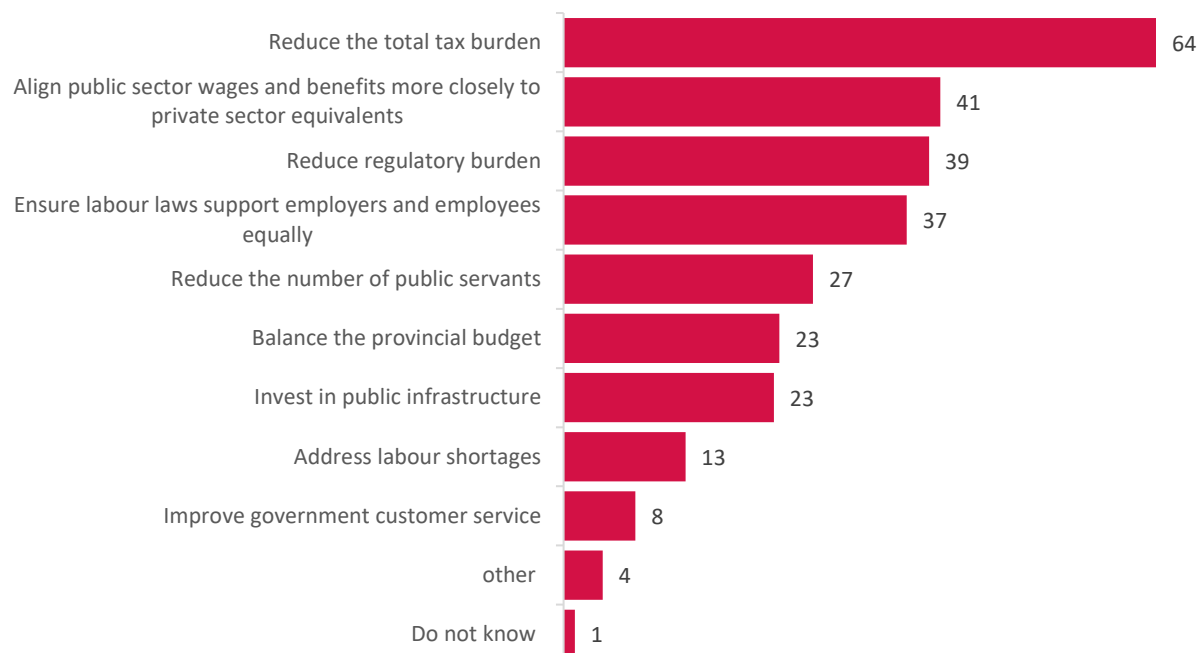
Small business owners and entrepreneurs were asked what government support would be the most helpful to the operations. The overall tax burden is a consistent problem for SMEs in Nova Scotia, and year over year, this remains the most consistent recommendation from our members. Two thirds of business owners in Nova Scotia believe reducing tax burden will help create a better environment for small businesses. On similar valued property in Nova Scotia,

businesses can pay up to 4 times more than residents in property taxes², this is commonly referred to as the ‘property tax gap’.

The property tax gap is not a real cost of doing business; it’s the cost of subsidizing residential services to pay for local government spending and higher residential service levels. Reducing the property tax gap is necessary for encouraging small business growth and entrepreneurship across Nova Scotia and is essential to economic development, especially in areas experiencing outmigration.

Figure 4

Which of the following would help to support small business and entrepreneurship in Nova Scotia? (% Response)



Source: CFIB, Nova Scotia survey on budget, October 2017, responses 170.

With small business owners paying much more than their fair share of the local tax burden, many municipalities and towns will have to exercise more controlled spending as their tax base continues to shrink. Of the 33 communities in this report, 23 saw population declines from 2010-2017.

² CFIB analysis of Nova Scotia Municipal Property Tax Rates 2015-16, Government of Nova Scotia, Municipal Affairs.

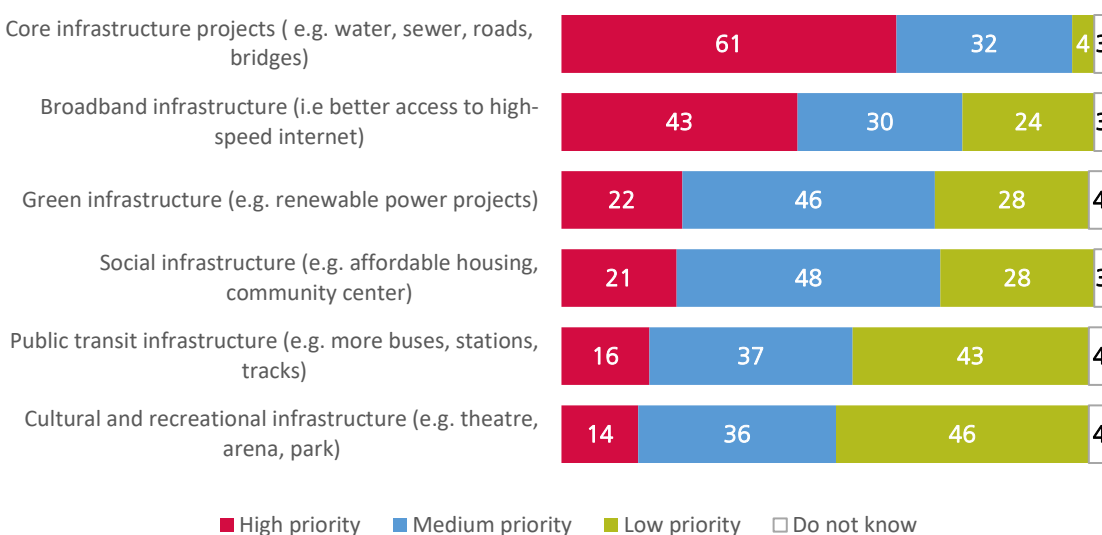
Priorities for Operating Spending

CFIB asked its Nova Scotia members what local infrastructure projects they would like to see their municipal governments focus on for investment (see figure 5). The top areas chosen were core infrastructure such as roads and sewers (93 per cent) and broadband or better access to high-speed internet (73 per cent).

Small businesses highly value municipal services related to roads because they are essential to their operations and for serving their customers. Broadband infrastructure is also viewed by business owners as critical, particularly in rural communities. Some rural municipalities have been working steadily and creatively to bridge the “final mile” to make internet and communications technology available and entrepreneurs have been part of the solution.

Figure 5

How should local governments prioritize spending on the following types of infrastructure projects? (% response)



Source: CFIB, 2017 national survey on municipal issues, July 2017, 198 responses.

Social infrastructure such as affordable housing and green infrastructure, are lower on the list of priorities for infrastructure investment with 69 per cent and 68 per cent support respectively.

CFIB members understand that capital expenditures on core infrastructure ultimately become operating expenditures. However, they acknowledge the need to invest in capital improvements for the benefit of businesses and they also understand investing in core infrastructure that promotes growth is vital to making communities vibrant.

Conclusion and Recommendations

This report is intended to bring a current perspective to municipal finances in Nova Scotia, but it is also intended to be an ongoing accountability tool. Nova Scotia, as a whole, should be applauded for its controlled spending over the 2010-2017 period. However, we also saw some gaps and inconsistency in the reporting of community's financial accounting. To continue these positive results, we recommend that all communities in Nova Scotia use the benchmark of inflation and population growth as a metric for controlled spending. We also encourage all municipalities and towns to adopt consistent and transparent accounting procedures, to better track where tax dollars are being spent.

CFIB members in Nova Scotia value local infrastructure and understand the need to invest in and make improvements to infrastructure, however, they want their local governments to prioritize operating spending in core areas. The way infrastructure development has occurred in many municipalities in the last few years has shown a lack of planning and priority-setting. The lack of planning has resulted in tax money being spent inefficiently which has led to increasing an already high local commercial tax load on its local business community.

The goal of this report is to encourage discussion on how municipalities are spending taxpayer dollars. We hope this report will increase public awareness of municipal spending and prompt taxpayers, including small business owners, to raise questions to better hold municipal officials accountable.

CFIB Recommendations:

1. **Limiting increases in operating spending growth to no more than inflation and population growth.** To provide a sustainable level of services to citizens, municipalities should only increase operating spending to accommodate growth in population to provide the same level of services to more citizens. In addition, it's reasonable to expect operating spending should be adjusted for inflation to account for any increase in prices.
2. **Municipal Alignment.** Better planning and cooperation between municipalities and the private sector will help to reduce costs and increase focus on the efficient delivery of fewer core services. Alignment of regulations and by laws will reduce cost to businesses and municipalities.
3. **Increasing transparency in reporting financial data.** While the Nova Scotia provincial government collects and reports data on operating spending annually, there is considerable room to improve consistency of reporting requirements. Discrepancies exist in the way data is reported, for example, differences exist in the way municipalities classify expenditures. Increased oversight and uniform standards are necessary to ensure the data collected from one municipality is comparable to another. Increased transparency of municipal spending also makes it easier to monitor improvements.
4. **Digital shared services.** There are several opportunities for increased efficiencies from the digitization of government services and processes. Internally, there is great potential

for increased workflow within and amongst departments and municipalities. The implementation of a centralized data banks rather than paper processes allows for easier management of information and reduced internal costs.

5. **Reducing the gap between residential property taxes and the amount paid by small businesses.** The property tax gap is not a real cost of doing business; it's the cost of subsidizing residential services to pay for local government spending and higher residential service levels. On similar valued property in Nova Scotia, businesses already pay up to 4 times more than residents in property taxes. Reducing the property tax gap is necessary for encouraging small business growth and entrepreneurship across Nova Scotia and is essential to economic development, especially in areas experiencing outmigration.

Appendix I

Overall Provincial Rankings, 2010-2017

<i>Municipalities</i>	<i>2010-2017 Population Growth</i>	<i>2017 Operating Spending per Capita</i>	<i>2010-2017 Real Operating Spending Growth</i>	<i>2010-2017 Real Operating Spending Growth per Capita</i>	<i>Overall Provincial Ranking</i>
Municipality of Annapolis	-1%	\$554	-9%	-9%	3
Municipality of Antigonish	-2%	\$641	19%	21%	10
Municipality of Argyle	-7%	\$1,080	22%	31%	15
Municipality of Chester	-3%	\$1,122	-3%	-1%	13
Municipality of Clare	-6%	\$737	-7%	-2%	7
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Municipality of Cumberland	-7%	\$1,047	55%	66%	18
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Municipality of Pictou	-5%	\$620	7%	12%	8
Municipality of Richmond	-6%	\$1,009	-21%	-16%	9
Municipality of West Hants	1%	\$631	24%	23%	11
Municipality of Yarmouth	-3%	\$1,069	11%	14%	14
Municipality of CBRM	-5%	\$1,131	-9%	-5%	12
Municipality of HRM	6%	\$1,571	5%	-1%	16
Region of Queens Municipality	-8%	\$1,429	10%	19%	17
Town of Amherst	-3%	\$1,358	-15%	-13%	3
Town of Antigonish	0%	\$1,861	63%	63%	15
Town of Berwick	-1%	\$1,718	46%	47%	13
Town of Bridgewater	4%	\$1,696	0%	-4%	9
Town of Kentville	3%	\$1,491	7%	4%	5
Town of Lunenburg	-4%	\$2,068	8%	13%	12
Town of New Glasgow	-5%	\$1,555	11%	17%	10
Town of Pictou	-7%	\$1,252	-43%	-38%	1
Town of Port Hawkesbury	-7%	\$1,690	-12%	-5%	6
Town of Stellarton	-8%	\$1,359	14%	24%	7
Town of Truro	2%	\$1,869	20%	18%	11
Town of Westville	-2%	\$993	-4%	-2%	2
Town of Windsor	-7%	\$1,461	-10%	-4%	4
Town of Wolfville	1%	\$1,639	1%	0%	8
Town of Yarmouth	-4%	\$2,184	3%	8%	14

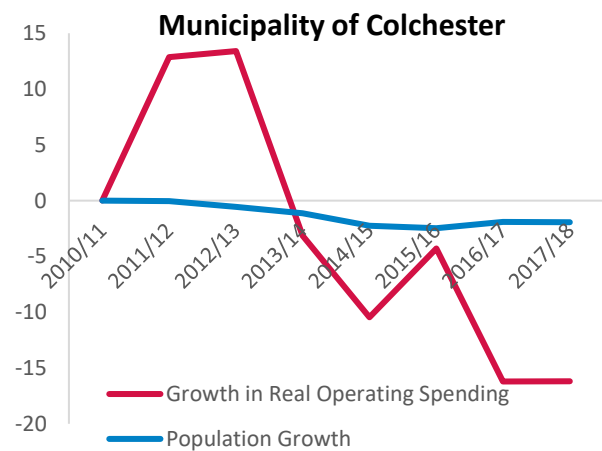
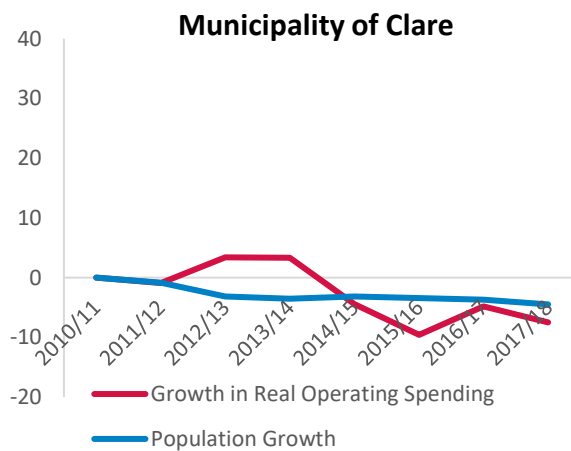
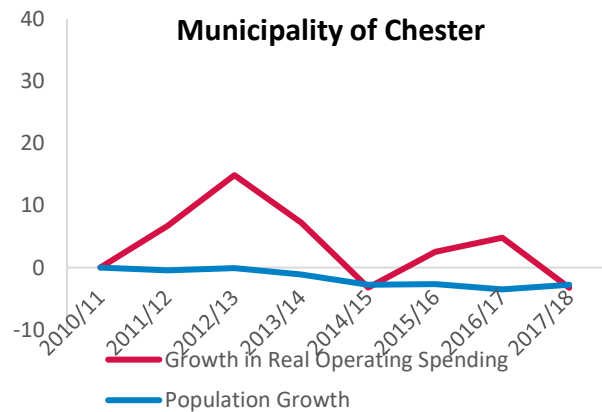
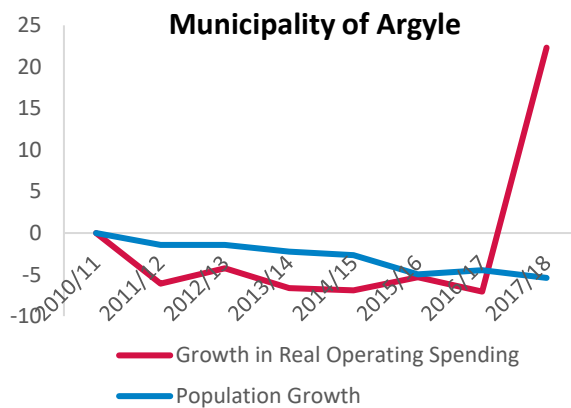
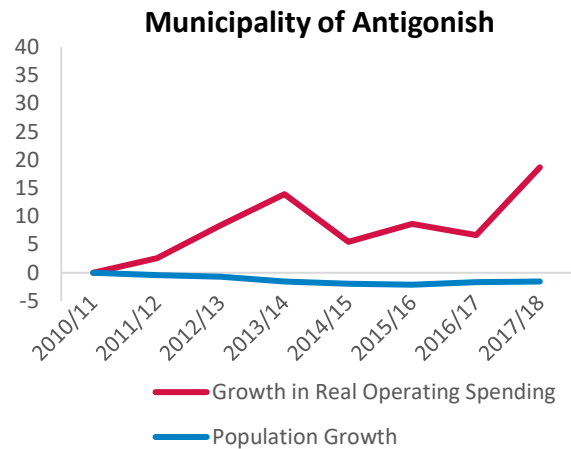
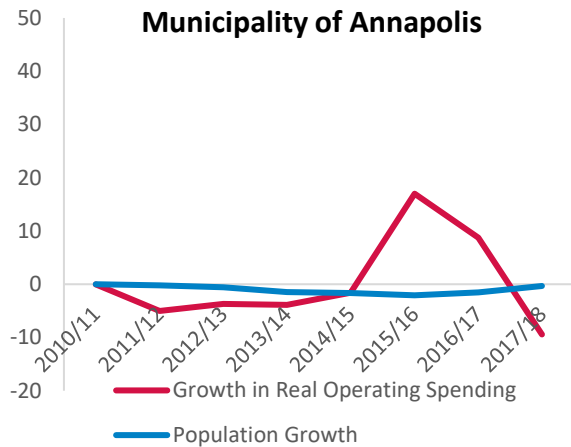
Appendix II

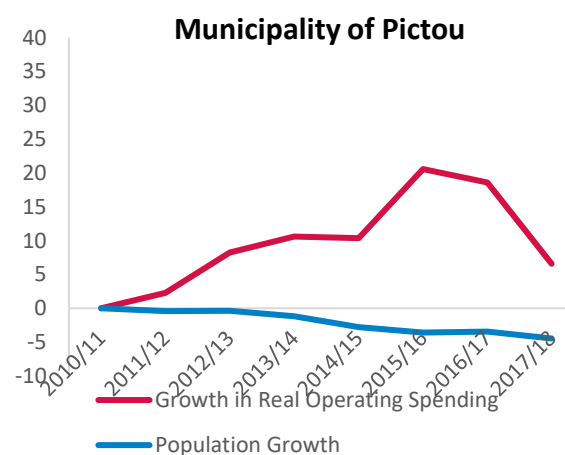
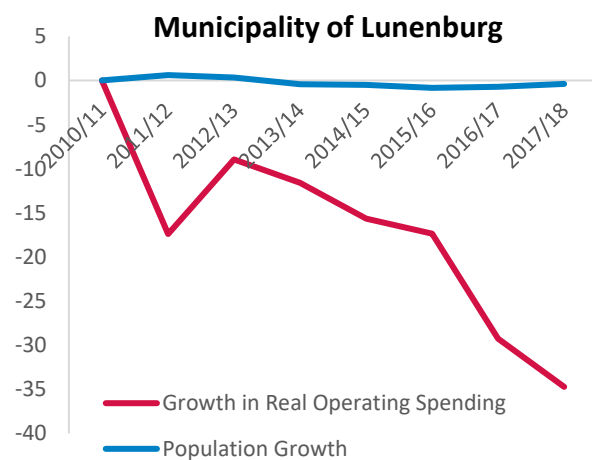
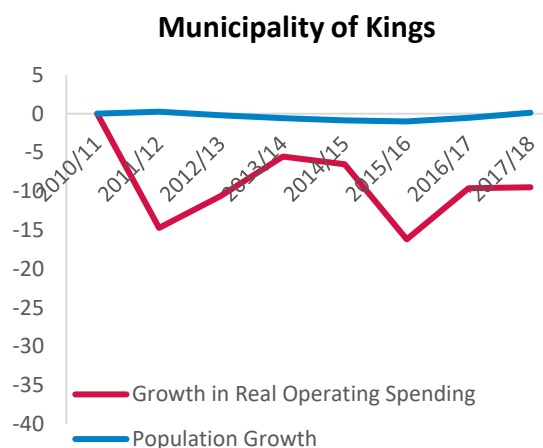
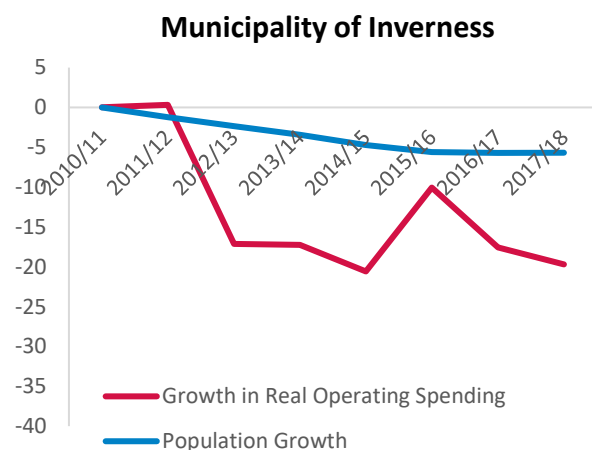
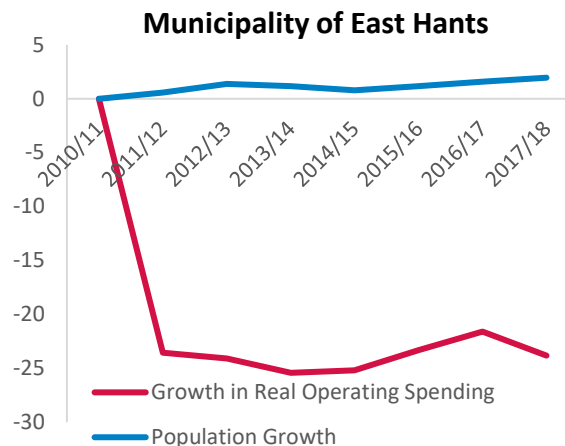
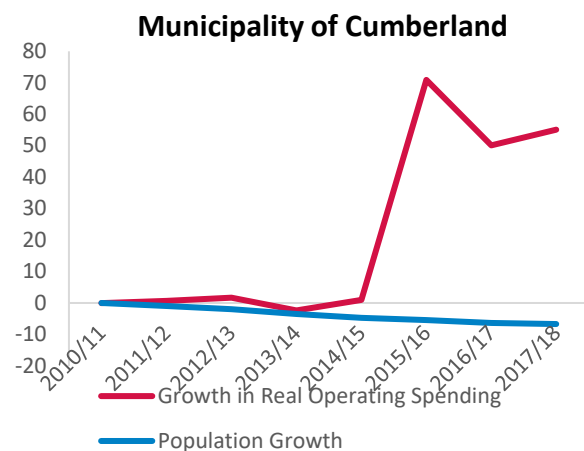
Population, Operating Spending, and Inflation Factor, 2010 and 2017

<i>Municipalities</i>	<i>Population 2010</i>	<i>Population 2017</i>	<i>Operating Spending 2010</i>	<i>Operating Spending 2017</i>	<i>Inflation Factor</i>
Municipality of Annapolis	18,877	18,771	\$10,257,607	\$10,406,696	1.1201
Municipality of Antigonish	15,071	14,836	\$7,156,154	\$9,514,085	1.1201
Municipality of Argyle	8,534	7,959	\$6,272,061	\$8,593,542	1.1201
Municipality of Chester	10,829	10,531	\$10,903,360	\$11,815,692	1.1201
Municipality of Clare	8,530	8,078	\$5,744,826	\$5,952,747	1.1201
Municipality of Colchester	37,435	36,713	\$29,034,283	\$27,260,436	1.1201
Municipality of Cumberland	19,705	18,385	\$11,077,632	\$19,244,505	1.1201
Municipality of East Hants	22,536	22,977	\$21,927,523	\$18,707,397	1.1201
Municipality of Inverness	14,175	13,368	\$8,682,089	\$7,810,656	1.1201
Municipality of Kings	48,531	48,586	\$32,160,900	\$32,609,000	1.1201
Municipality of Lunenburg	25,458	25,360	\$21,530,443	\$15,744,082	1.1201
Municipality of Pictou	21,788	20,815	\$10,816,210	\$12,913,453	1.1201
Municipality of Richmond	9,112	8,589	\$9,781,431	\$8,666,911	1.1201
Municipality of West Hants	15,519	15,684	\$7,114,883	\$9,889,303	1.1201
Municipality of Yarmouth	10,320	10,033	\$8,602,164	\$10,723,412	1.1201
Municipality of CBRM	100,242	95,182	\$106,110,702	\$107,649,075	1.1201
Municipality of HRM	398,142	421,693	\$567,002,000	\$662,280,000	1.1156
Region of Queens Municipality	11,193	10,331	\$12,032,120	\$14,764,844	1.1201
Town of Amherst	9,888	9,555	\$13,697,681	\$12,972,158	1.1201
Town of Antigonish	4,502	4,494	\$4,576,685	\$8,362,878	1.1201
Town of Berwick	2,540	2,511	\$2,645,949	\$4,314,076	1.1201
Town of Bridgewater	8,430	8,795	\$13,267,370	\$14,919,925	1.1201
Town of Kentville	6,231	6,429	\$8,012,396	\$9,585,691	1.1201
Town of Lunenburg	2,336	2,244	\$3,831,566	\$4,640,542	1.1201
Town of New Glasgow	9,735	9,209	\$11,504,700	\$14,323,153	1.1201
Town of Pictou	3,523	3,261	\$6,394,384	\$4,083,888	1.1201
Town of Port Hawkesbury	3,483	3,238	\$5,548,872	\$5,472,442	1.1201
Town of Stellarton	4,656	4,279	\$4,558,497	\$5,815,045	1.1201
Town of Truro	12,215	12,407	\$17,265,869	\$23,187,751	1.1201
Town of Westville	3,848	3,776	\$3,470,600	\$3,750,198	1.1201
Town of Windsor	3,931	3,663	\$5,320,810	\$5,349,908	1.1201
Town of Wolfville	4,286	4,315	\$6,248,345	\$7,074,041	1.1201
Town of Yarmouth	6,991	6,707	\$12,636,031	\$14,647,127	1.1201

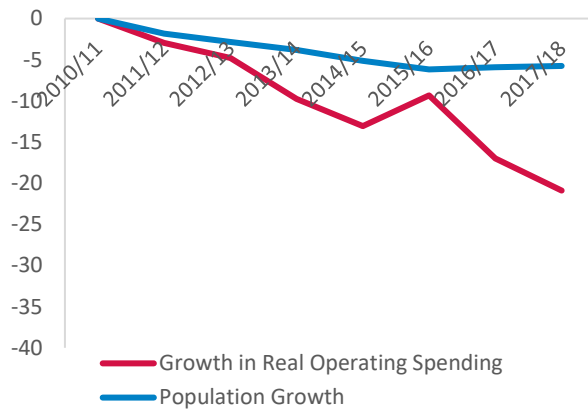
Appendix III

Growth in Operating Spending and Population by Municipality/Town, 2010-2017

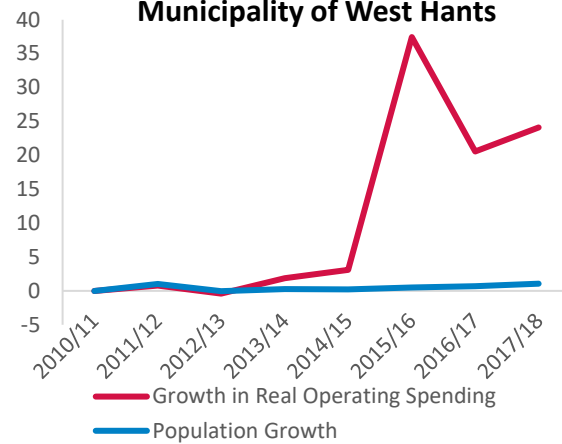




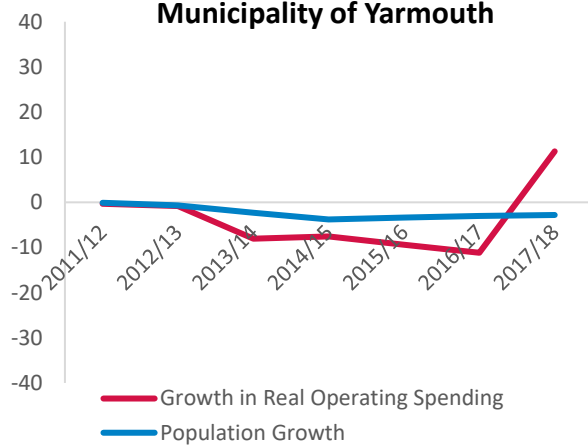
Municipality of Richmond



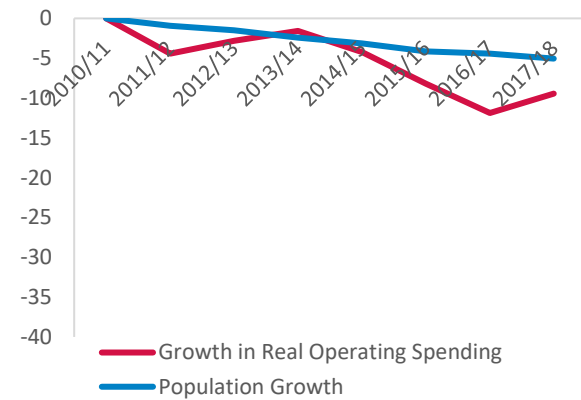
Municipality of West Hants



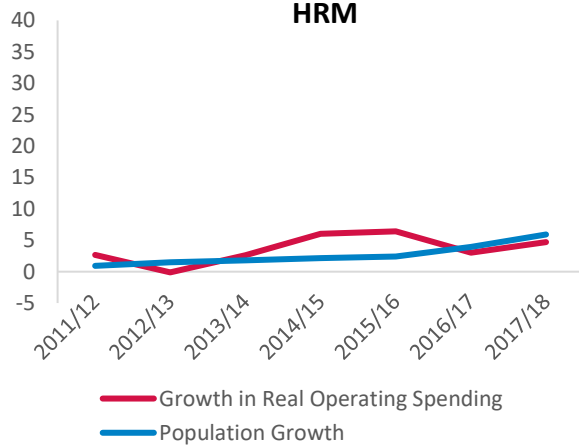
Municipality of Yarmouth



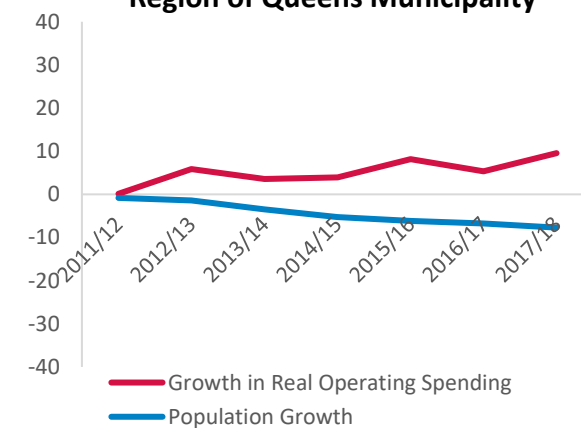
CBRM

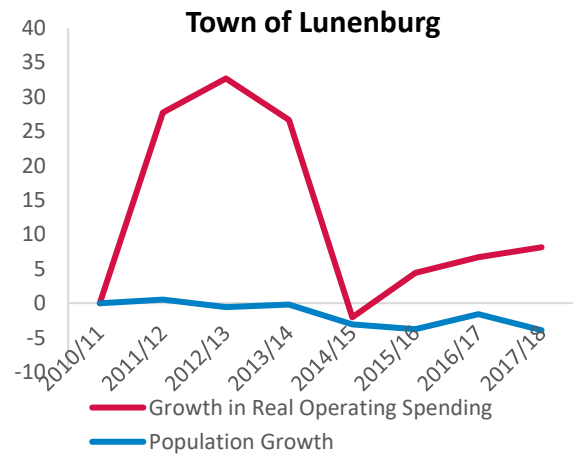
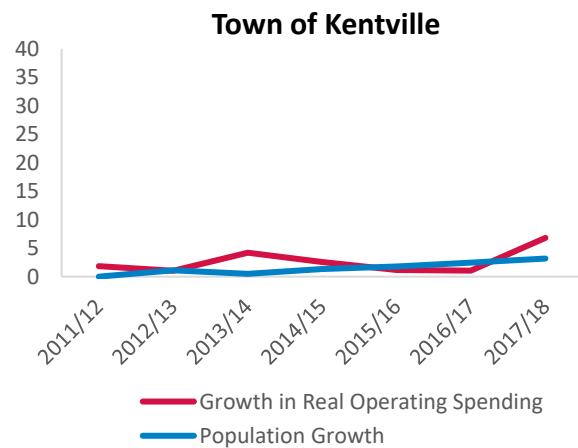
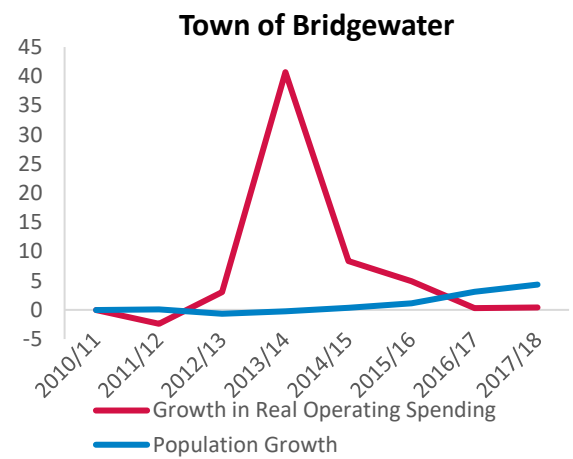
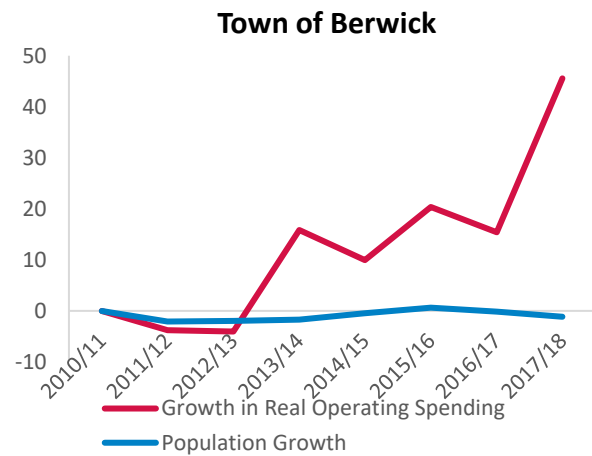
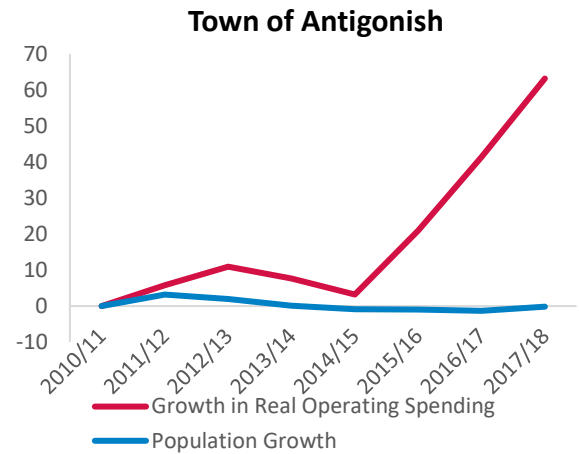
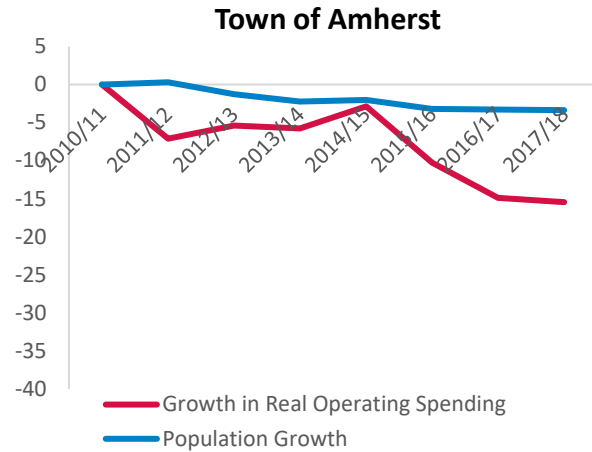


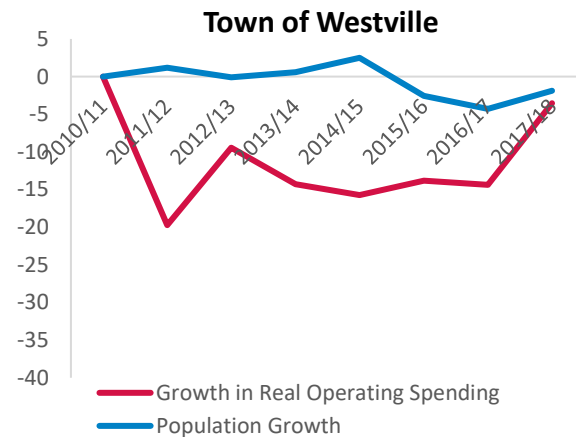
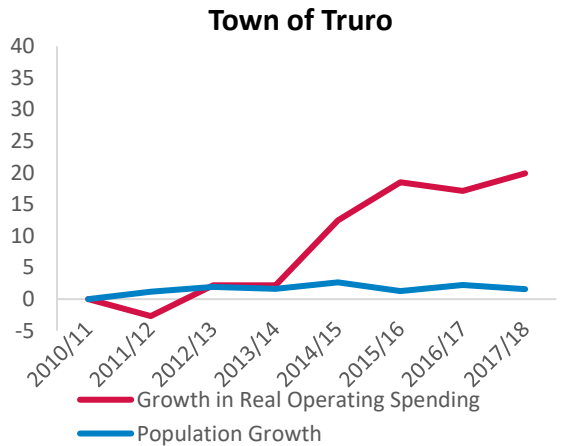
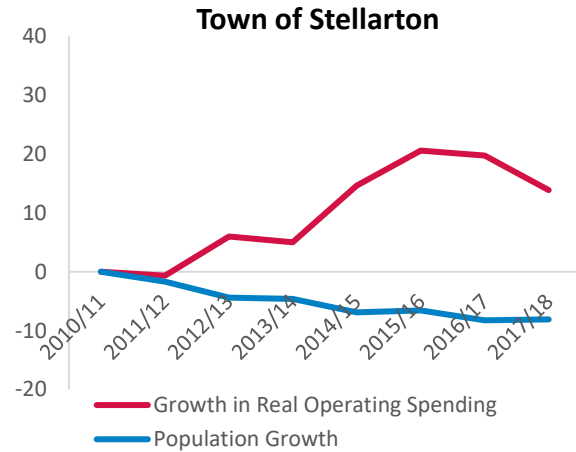
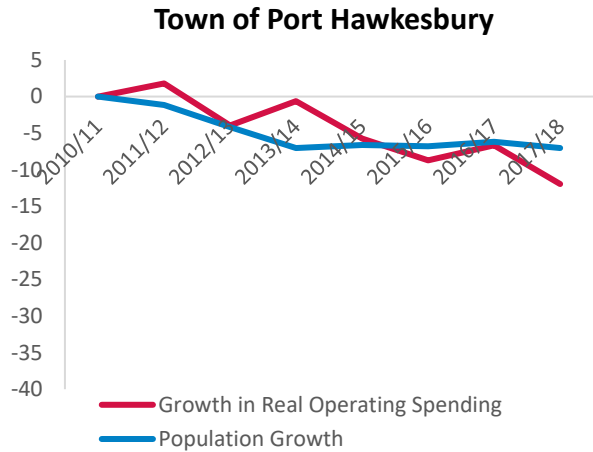
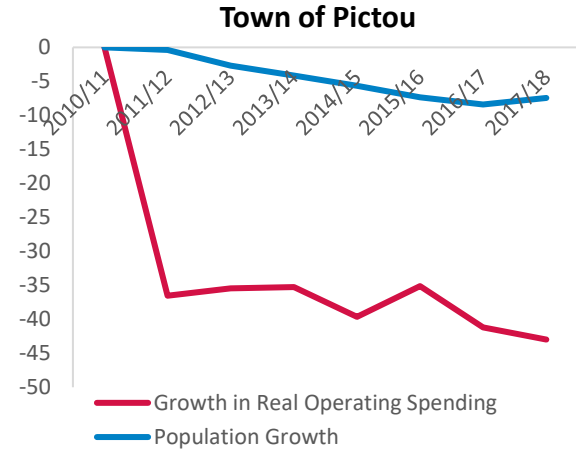
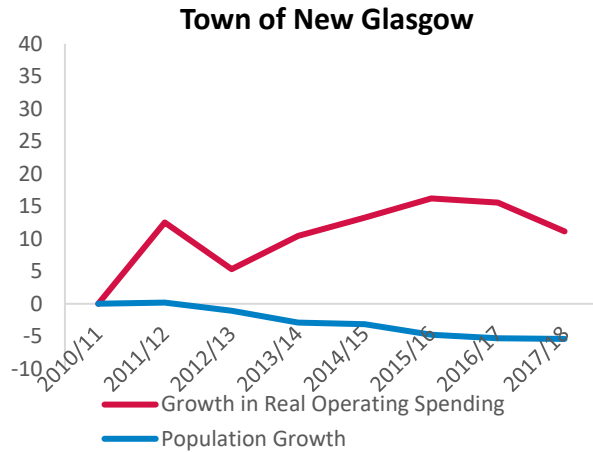
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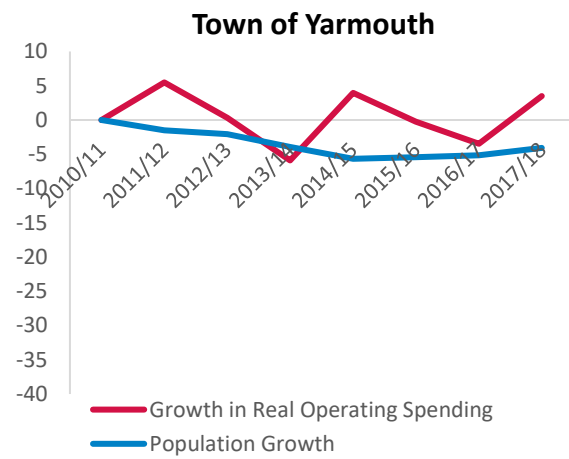
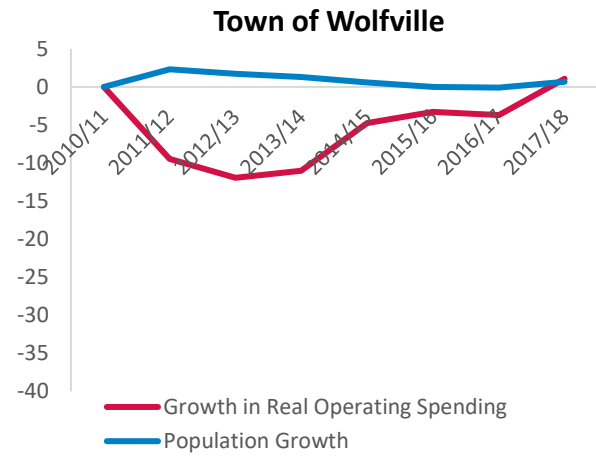
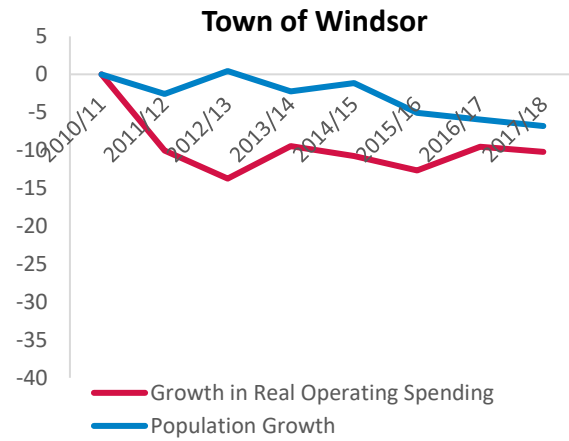


Region of Queens Municipality









Appendix IV

Classification of Expenditure Categories

General Government Services

- Legislative
- General Administrative
- Other General Government Services

Protective Services

- Police Protection
- Law Enforcement
- Fire Protection
- Emergency Measures
- Other Protection

Transportation Services

- Common services
- Road Transport
- Air Transport
- Water transport
- Public Transit
- Other Transportation

Other Services

- Debt Charges
- Transfers to Own Reserves, Funds and Agencies
- Other Fiscal Services

Environmental Health Services

- Sewage Collection and Disposal
- Garbage and Waste Collection and Disposal
- Other Environmental Health

Public Health and Welfare Services

- Public Health
- Hospital Care
- Other Health

Environmental Development Services

- Environmental Planning and Zoning
- Community Development
- Housing
- Natural Resource Development
- Industrial Parks and Commissions
- Other Environmental Development Services

Recreation and Cultural Services

- Recreational Facilities
- Cultural Buildings and Facilities
- Other Recreational and Cultural Services