



MUNICIPAL --- CONSOLIDATION

*Considerations
for Council*



TABLE OF CONTENTS

- Introduction..... 3
- 1. Executive Summary 4
- 2. Argyle – where are we now 5
- 3. Where are we heading 8
- 4. Why consider consolidation 11
- 5. Community and culture - fears 13
- 6. Argyle if Yarmouth merges..... 15
- 7. Regional effort..... 16
- Appendix..... 17
 - Comparative statistics - Region.....17
 - Combined operations and observations...21
 - Communing flow - 201624

Consolidation and structural reform

A discussion paper on Argyle now and into the future

INTRODUCTION

The purpose of this document is to take an objective snapshot of Argyle's current financial and structural status, with a comparative lens alongside our neighboring municipal units. Council has been asked to consider the question of consolidation as a potential option for the future. It is the goal of this document to assess this question critically and face the current reality of our region based on the evidence we have at our disposal.

Any decision of this magnitude will be faced with rather considerable uncertainty. We cannot predict all outcomes of our future. However, current data on demographics, population trends, market assessment trends and past investments do inform both where we are and how our region is likely to be influenced by trends.

Furthermore, for the purposes of our residents, it is important, as your advisor, to outline these facts so that not only Council may be further informed, but also our residents.

The decision to consider a regional government model is fraught with emotion, historical events, fear, and concern. We are all influenced by these events. We are predisposed to protect our communities naturally.

Opening a discussion on consolidation has resulted in our neighbors seriously considering whether now is the time to consolidate. It is likely that some form of structural change will occur consequently. We are in an environment where even if Argyle is not ready or willing to consolidate, there is the possibility that your two partners in many regional services are in fact ready, impacting your current status quo.

All Councils have acknowledged that the way regional investments are handled needs to change. This Council, or near future councils, shall be faced with hard decisions as to how to advance our community in the best interest of our residents and our region.

The goal of this document is to frame this important discussion.

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A discussion paper on Argyle now and into the future

1. EXECUTIVE SUMMARY

WHERE IS ARGYLE NOW: Argyle is financially viable today, and heavily invested in many regional partnerships and funding agreements. We can generate small operational surpluses despite major investments in the Yarmouth International Airport, Mariners Center and other regional assets.

That being the case, our ability to generate operational cash flow with our tax rates is far less than our neighboring units in Yarmouth. While our population and uniform assessment are similar to the Town, our ability to generate wealth is far lower, due to our current residential and commercial tax rates. We are amongst the most affordable municipalities in Nova Scotia when considering our residential tax burden.

WHERE IS ARGYLE HEADING: Argyle is potentially heading to a reduced ability to pay the bills without other avenues for growth. The good news is that we are affordable and there is room to increase rates, arguably. The projected increase in expenses are not matched by an equal increase in market value for properties. Population decline and an aging population are major contributing factors. In short, tax rates will increase if the trends continue. Market values and trends are not limited to Argyle, trends are impacted on a regional level.

There are options to generate alternate sources of revenue; renewable energy has been a consistent investment for Argyle and its partners. We should set ourselves up for success and take advantage of the opportunity for growth and focused alternative revenue generation.

WHAT DO WE NEED TO DO: We need to do business differently. Our regional, and yes, local, business model requires change. It is possible to do this alone, meaning Argyle walks away from some or all its regional commitments. This move is contrary to most established and progressive municipalities and their choices to deliver services to their residents. Doing things regional is harder, and requires more patience and diligence, but done right, it is an opportunity to share costs, and provide superior service.

So, if we are not prepared to abandon regional collaboration, we need to make considerable commitments to improve alignment of purpose and decision making. One of the potential ways to do so is consolidation. If this Council, or the Councils in Yarmouth, are not ready for consolidation, you should ask the Province of NS to assist you in alternative delivery of municipal services in a modernized environment. We require a growth mindset for this region if we intend to grow. To protect status quo is not to grow. There are options and opportunities to improve and it would be important to be open to explore them in a transparent fashion.

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2. ARGYLE – WHERE ARE WE NOW

There is so much potentially sharable under this caption. There are many positives associated with our current state of operations, but there are also warning signs that as a Council, you should be aware of.

- **We are financially viable:** We share this often each year. Argyle has reserves and has managed surpluses every single year since I've been your lead staff, and prior to that also. Argyle managed to set aside funds for reserves each year, at the lowest \$100,000 and at the highest \$210,000 to capital reserves.
- **Our residential tax burden** is the 5th most affordable in Nova Scotia, matching Barrington, and more affordable than Clare, Yarmouth, Digby, Annapolis and many more. Municipalities that better us in residential tax burden are those that have major commercial revenues offsetting residential burdens, such as Richmond and Guysborough. Residential tax burden is calculated by taking the average residential property tax cost and dividing it by average family income as calculated by the most recent census.
- **Our reserves are deep, but about to change:** \$6,600,000 in total equity, meaning, in all funds we currently directly control. So, despite our low tax rates, we have managed a savings in reserves. For good reason, there would be motivation to protect the funds we have set aside for future use. We are in the process of investing a significant amount in an admin building – about **half** of the reserves will be used for this purpose. It took many years to place ourselves in this positive reserve position. *(in 2019 the following are accumulated surpluses of your closest neighbors on their non-consolidated financial statements: Barrington, 4.50 million, Clare 4.45 million, Yarmouth 8.20 million, Town 5.48 million.)*
- **We are locally invested:** Of the three municipal units in Yarmouth County, we have, by far, the most money invested in grants to non-profit organizations. We have nine fire departments, nine community halls that we support. Our local funds support Senior Safety, Community Development Officer, Active living, trail development. We enjoy wind turbine revenues from Little River and West Pubnico amounting to \$218,000 annually. Only the Municipality of Digby generates a comparable amount of wind revenue in the Tri-Counties.
- **But not deeply invested:** Our investment in our communities has focused on cost consciousness. We do not offer municipal streetlights; sidewalks are in three main communities only. Our wastewater systems are in the three same communities of Tusket, West Pubnico and recently Wedgeport. Thus, our estimated cost to replace infrastructure is lower than our neighbors as our level of investment is lower.

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A discussion paper on Argyle now and into the future

- **We are regionally invested:** We have been a traditional partner with Yarmouth County and Town. We have the following funding and ownership agreements:
 - **Ownership** – Wind turbines (33% each) in Wellington, NS.
 - **Ownership** – Yarmouth Airport – 29% Argyle.
 - **Ownership** – Landfill (Waste Park) – about 31% Argyle.
 - **Ownership** – Medical clinics, Port of Yarmouth Assets (33% each).
 - **Ownership** – YASTA – 25% regional tourism marketing.
 - **Funding** – Mariners Center –33% operations, and capital funding at MC request.
 - **Funding** – Ferry Terminal – capital funding of \$300,000
 - **Funding** – REMO – about 31%, recently agreed.
 - **Funding** – Planning - 50% with MODY.
 - **Funding** – WREN Approx.16% -seven municipalities regional Ec. Development.
 - **Funding** – Waste check – Approx. 18% - 6 units focused on waste education.
 - **Funding** – YMCA – recent agreement to fund up to \$45,000 in 2019-20.
- **Why are we invested so deeply in regional service delivery?** – We are invested regionally for four principal reasons:
 - **Investing together results in a less costly delivery of service or increased revenue.**
 - Examples include the Waste Park, Planning, Waste Check, Wind turbines
 - **Investing together results in a superior service - opens up other funding.**
 - Examples include the WREN, YASTA, REMO
 - **Investing together shares the cost of assets used by all our residents.**
 - Examples include Mariners Center, YMCA, Medical clinics
 - **Investing together spreads the burden of downloaded assets/services.**
 - Examples include Ferry Terminal and Airport.
- When looking at our regional investments and partnerships, it represents a higher than average amount of sharing. It is an impressive list; it is a list that should be celebrated as the effort to maintain multiple partnerships is considerable. This list does not include instances where we joined forces to solve financial issues surrounding the demise of SWSDA, or the money and effort collectively invested in the restoration of ferry service to the Town.

Consolidation and structural reform

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While the amount of partnerships is impressive, it has created layers of governance and administrative burden. The governance and administrative structure of the regional partnerships, at status quo, is not the most efficient nor effective model. This is the consensus amongst all three CAO's of the County, and all 23 Councilors appear to agree as well.

- All municipal services experience frustration and face obstacles in their delivery. Local frustration tends to be addressed administratively, whereas regional frustration tends to be expressed politically.
- Local municipal issues, even the controversial ones, are decided by elected officials governing around the same table. A decision is made, and the majority rules.
- There is no requirement for individual councils to agree on a regional course of action or direction; the majority does not rule.
- Regional municipal issues are typically governed by subsidiary companies, that can be, and are, overruled by individual local council tables. Those subsidiary companies often don't have access to our individual staff departments and can feel under resourced.
- Most regional services are not led by Chief Operating Officers or CAO's. Often, larger issues that arise at this level require local CAO's to intervene or assist outside of their primary role.
- While there has been a stated hesitation from this Council to govern regionally through consolidation, there is considerable history that supports regional support and regional thinking from this and previous councils. The recent decision to strongly support a regional splash park idea is recent confirmation.
- Politically, Argyle finds itself heavily invested in regional assets, perplexed as to why other neighboring units are not invested in regional service delivery. The Yarmouth Airport attracts the most attention of this nature, due to the tri-county nature of the services it delivers, and the high cost of operation. The concern is multi-faceted, in part in the silence of our federal and provincial counterparts to support an international transportation asset.

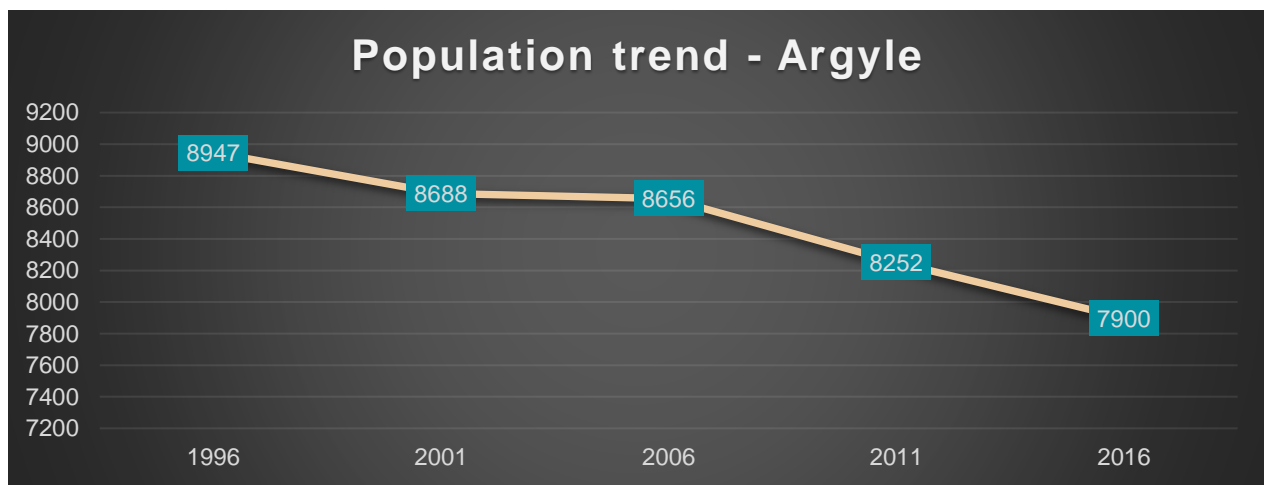
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A discussion paper on Argyle now and into the future

3. WHERE ARE WE HEADING

Today's financial picture paints a positive outlook for Argyle in many sectors, including the level of reserves, its liquidity, its lack of dependence on few taxpayers (well diversified). The positive picture is expected to continue in the near future. However, there are signs that our financial outlook is at risk. The following information is based on data provided by the Province of NS. The data provided does not **assure** a future state, rather **informs** the most likely state if the trend continues.

- **3-year change in tax base:** All of South West Nova has experienced lean increases in market assessment when compared with other locations closer to HRM. The Town had a market assessment *decrease* in 2019. Our 3-year change in tax base was 4.0% in 2018, and 4.9% in 2019. While the amount is increased, it does not match inflationary increase. Which means, the assessment tax base is not keeping up with increased expenses in the recent history.
- **Population decline:** The Municipality has lower than average population for a rural municipality. This is true of all rural districts in South West Nova. The population is decreasing as is the trend in most rural districts in Nova Scotia, and all of Canada in fact. See appendix one on comparative regional data regarding population decline. Less people in the community means there are fewer people paying for a municipal service. Less people living here may also negatively impact the housing market, adding more downward pressure on property values, and making tax affordability more problematic, that is, unless we have more people moving into the area.



Consolidation and structural reform

A discussion paper on Argyle now and into the future

- **Population is aging:** Our aging population is a national trend, as the baby boomer sector of population is entering retirement. Argyle is not immune to this trend. In 2016, approximately 37.5% of our population is under the age of 40, leaving 62.5% above that age. A vast section of our population is retiring or is about to retire. What this means for our community is that there will be more people on a fixed income than in the past. While our median household income is at \$64,448 in 2016, the strongest in our region...this could decrease if we are not replacing retired individuals with working residents. Also, health and housing needs of our community is changing rather quickly, and so will the municipal levels of service to meet the changing needs.
- **Climate Change:** Climate change will continue to impact our region, and our community. Droughts and floods are expected to increase in number and in intensity. Hurricanes are expected to be more voracious which places our communities and our residents at greater risk. The sea level rise and erosion will impact our communities. While there are various predictive scenarios, there is considerable probability that rising sea levels would cut off some of our coastal communities temporarily or permanently without deeper infrastructure support.
- **Infrastructure replacement and renewal:** While Argyle does not own a considerable amount of infrastructure, we do own some wastewater and water infrastructure that will require replacement. Our East Pubnico Industrial Water system and our West Pubnico Sewer system shall require further investment soon. Our work in the area of Asset Management shall further inform Council on the future infrastructure needs, and the funding required to replace it. On a positive note, Both Tusket and Wedgeport Sewer systems are relatively new, and our administration building replacement will address one other older asset.
- **Increased costs of operations:** Expectations are rising regarding municipal services. Shifts in federal and provincial priorities have almost always resulted in an increased need for Municipalities to step in. In certain instances, these changes are considerable, such as downloading of federal/provincial assets. In most cases, increased legislation has a trickle-down effect on municipal services. For instance, the recent decision on Accessibility in NS has a considerable impact on municipal planning. Minimum planning standards will silently require municipalities to ensure appropriate levels of development support.
- **Reduced volunteers for fire service and increased training needs:** We are home to nine fire departments in our area, which is a slightly high number considering our community and population. Our three larger Fire Departments still have appropriate levels of volunteers. Our smaller departments run the risk of being unable to deliver an effective and safe fire support. An added layer of administrative burden lays heavy on a volunteer sector.

Consolidation and structural reform

A discussion paper on Argyle now and into the future

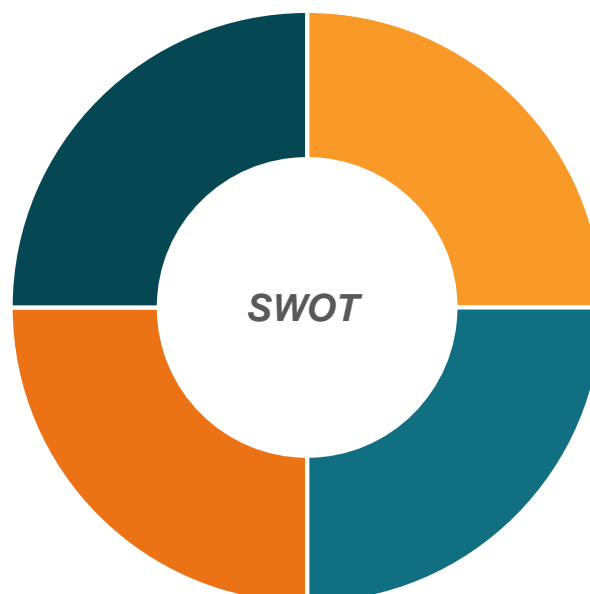
- **Further regional opportunities and challenges:** There is still room for further regional collaboration that is likely to improve the quality or cost of service delivery. Regional services surrounding planning, development, building and fire inspection, IT and many other services make sense to be delivered regionally, with staff able to cross support each other in the delivery of service. The challenge in this current environment is that as the services are becoming more complex, and each individual unit seeks to solve HR or other gaps in their limited departments. Furthermore, there is little capacity to negotiate more intermunicipal agreements in this environment.
- **Extended Producer Responsibility:** The implementation of this policy, if the Provincial Government so chooses, shall significantly shift costs to collect and address recyclable materials away from municipalities, and to larger corporations that are actually producing the waste. This legislative shift would **relieve** expense pressures on all municipal units in NS.
- **Economic growth:** Recent success in the marine sector has encouraged further investment in aquaculture, housing, cottages, nutraceutical facility and more lobster pounds in the area. There is renewed confidence in the local economy, and evidence that Argyle's open for business policy is paying off in investors not losing hope to invest in our local economy.
- **SWOT analysis:** A quick SWOT analysis of the Municipality shows that while we are strong and have opportunities, we are not immune to weaknesses and threats that are beyond our ability to control. I would respectfully suggest that many of the SWOT items below match those of our partners, both in Yarmouth and in neighboring counties.

STRENGTHS

- Financially stable;
- History of innovation;
- Mix of Acadian and Anglophone influence;
- Strong Staff-Council relationship;
- Wind farm revenues
- Strong tourism assets – dark sky, Village Historique.

OPPORTUNITIES

- Improved public transportation options;
- Further growth in Tusket hub;
- Aquaculture investment;
- Tourism – Dark sky and other advances;
- Renewable energy investments



WEAKNESSES

- Cost of infrastructure high in this region;
- Strong dependency on fishing;
- Low number of alternate housing options/rentals;
- Increasing costs and complexity to deliver municipal service
- Reduced # of skilled workers

THREATS

- Decreasing population
- Aging demographic;
- Climate change and rising waters/impacts on fishing;
- Loss of transportation options;
- Further downloading of provincial/federal services and infrastructure.

4. WHY CONSIDER CONSOLIDATION

Consolidation is a major change in how our municipal units are governed. It requires incredible courage on the part of decision makers, faith in the partnerships and relationships forged over the years, and an informed and supportive population. As is the case in any major change, there is considerable resistance, questions, and fear. There are also positive considerations that are listed here.

- **Alignment of political will:** As mentioned in the section, *where are we now*, the regional partnerships have become quite unruly. As more agreements are struck, the work to coordinate and lead them increase. This work is tripled in our current arrangement, as three political and administrative bodies must seek a way to agree and coordinate. Consolidation would likely eliminate all (at least most) intercorporate bodies struck by the three units. Political debates would occur in the same room, increasing efficient decision making.
- **Reduction of number of Councilors:** No offence intended, but 23 municipal elected officials for 24,300 residents is a high number. Windsor-West Hants, at a combined population of 18,134, will have 12 elected officials. The District of Lunenburg, population of 24,860, has 11 elected officials. Your neighboring unit in Barrington chose 5 councilors for similar population than your own. The consolidation of the three units would result in a reduction of elected officials. This could be a reason not to consolidate, depending on your preferred method of democratic representation. Clearly, Argyle has particular sensitivities around minority representation. I would kindly suggest however, that if we were building a municipal unit for Yarmouth County from scratch today, we would be unlikely to conclude that 23 is an appropriate number regardless of unique linguistic or community consideration
- **Reduce cross border arguments:** No doubt, trust and collaboration is hard work on a good day. We all have experienced circumstances where trust relationships have been harmed due to irresponsible or insensitive comments, or an overly sensitive ear. CAO's and Councilors have all participated in the "worst meeting ever". The challenge in this environment is that the issues don't resolve when there are three separate rooms to resolve them. Our current structure encourages competition over collaboration with our neighbors. A consolidation won't eliminate cross border arguments, they will ensure that the arguments are in the same room – just like cross district arguments may occur in Argyle today.
- **Strength in numbers:** A consolidation of our region would make us the third largest regional government in Nova Scotia, with HRM and CBRM being larger. While there would be municipal units that better our size, such as Kings, we would be considered one of the largest in the area. Size does matter, particularly in compelling the other levels of government to support our priority projects.

Consolidation and structural reform

A discussion paper on Argyle now and into the future

- **Increasing the bench strength of our team (without breaking the bank):** There are a lot of hockey fans out there, even some that are Leafs fans! We all know the value of a deep bench on a team. Each of our Municipal units have talented staff. As more talents are needed to address added issues, each municipal CAO is tasked to solve the issue inside our own budgets and organizations. Our budgets are limited, and the longer we work separately, the more we are likely to duplicate in staffing to solve these issues. As mentioned before, our road to continued prosperity is not guaranteed, we need to consider how these demographic and global changes are going to impact our individual municipalities and consider whether we are better positioned to address these challenges as one unit.
- **Reduce CAO's:** There are lots of us. One or two of should probably go. Not because of a lack of talent, but because alignment of purpose and goals is challenging with three CAO's operating under 3 municipal councils. With a reduction of elected officials would come, naturally, a reduction of the top advisor. Those individuals could easily find other roles inside a consolidated unit if that was in the collective will of a new council and the individuals.
- **Argyle gets to truly influence regional decision making:** History tells us that our residents are very interested in regional decisions. Concerns were raised from our residents in response to a Town discussion on the location of an Arts Center. Why should our residents care about the location of a Town asset? The answer could be that our residents **do** care about the Town. In this reality, they have no say to influence or impact that decision. Many Town decisions impact our residents. Of the 2,695 Argyle residents employed (2016 figures), 950 work in Town limits (1,280 in Argyle, 260 in MODY). See appendix on commuter flow. Outside of work commitments, the Town represents our commercial center for many services, including home to our Regional Hospital. A successful Argyle makes for a successful Town, but the opposite is also true. We are connected economically to the success or failure of the town and municipal district. The cancellation of the ferry service in Yarmouth under the NDP government resulted in a unified regional response to restore that service; Argyle offered equal concern on a ferry that docked in Yarmouth, as our tourism stakeholders needed us to be leaders on this issue.
- **Our residents are transient:** Our communities are not as isolated as they once were. Residents are purchasing properties in cottage country, they are living in multiple municipalities, and have a say only in the community they find permanent residence.
- **Our issues are common:** Our demographic, climate change, economic and population challenges are common; in this current structure, we are approaching regional issues at granular levels. The issues of paramount strategic importance (population growth, economic development, community development) are not local issues, they are regional. A consolidated environment would allow an aligned and collaborative approach to those issues.

Consolidation and structural reform

A discussion paper on Argyle now and into the future

5. COMMUNITY AND CULTURE - FEARS

With a consideration to consolidate, comes community and cultural fears. When I say culture, I am not limiting to Acadian or minority culture, I am referring to a culture that is Argyle, and the way we make decisions and choose to live, is different than our neighbors. Naturally, listing fears and concerns are like pointing out mistakes, it's easier to do. Here are some of the stated fears and concerns. Below each stated fear or concern, I will offer some commentary in italics.

- **Our taxes will increase:** Or otherwise stated, a consolidation (with the Town in particular) will increase our taxes because we will now be paying for the roads or other Town services.

This fear is legitimate, there is no question that Argyle taxpayers will now pay for broader service delivery. But the opposite is also true, the Town and Yarmouth District shall also pay for a broader service delivery, which would include services in the Region. The fact is, in recent consolidations, it is absolutely made clear that those that live and operate businesses in the highest service district shall continue to pay higher taxes. Consolidated municipalities set multiple rates based on service levels and would be strongly influenced by existing rates. It does not mean that our rate will increase to match Town or District rates. Finally, it should be noted that once a consolidated unit becomes, it has the power to set rates, and those rates can increase or decrease at the will of the new regional body. Finally, as indicated in where we are headed, our tax rates will likely increase in a non-consolidated environment if the trends continue.

- **The Town is broke, and that's why they want consolidation:** This is a false statement. The Town surplus in 2019 was 10 times our amount. Yes, their commitment to replenish infrastructure is larger. Their current tax rate considers funding for future obligations. They have debt that will be repaid in 5 years and have combined reserves (savings) of \$5,483,000 in 2019. There is no question that the Town carries a higher infrastructure burden than the rural districts do. Their amortization 'cost' is 6.5 times ours, confirming this fact. The Town is not broke, **but** they do have a higher burden on capital replacement. Furthermore, the future financial indicators, the same indicators that concern us, are of greater concern for the Town. They have experience a regressed property assessment as of late. It should be made clear that a consolidation does not only include the Town – The Municipality of Yarmouth is the strongest municipal unit financially; and are able to generate considerably more unrestricted surplus than we can. The financial detail in the appendix takes a deeper look at this. The fact is, both MODY and Town are saving far more for replacement and future investments than we are, and their tax rates are higher than ours.

Consolidation and structural reform

A discussion paper on Argyle now and into the future

- **If we consolidate, all the property tax rates will go to the higher rates:** This is not how the tax rates have been established in any past consolidation. It is possible that Argyle tax rates will go up in a consolidation. They will go up if services are increased for our residents, or to keep up to increases of costs not covered by assessment increases. They will not increase to cover costs of road infrastructure or wastewater improvements in other regions. As you are aware as Councilors, our wastewater projects are funded by those that use it.
- **We will lose our sense of identity:** Our communities have a lot of pride in how they operate. We have countless examples of community togetherness and passion for the place they are proud to call home. No one would want to risk losing this sense of community that has expressed itself in so many ways. There are countless examples of volunteerism in building new experiences and infrastructure.

Many of our community projects started at the community level and were supported by municipal government. The question is whether a regional government would be as generous and supportive of smaller projects. There is strong fiscal evidence to suggest that Argyle has been very generous in allocating grants to organizations; in fact, the most generous of the three. The current council could insist on continued support at these levels, but there is no guarantee that this would continue in a regional government.

- **Our minority language will be lost or left unprotected:** Or otherwise stated, how can Argyle so strongly defend its position to retain our Acadian protection status at the Provincial level, only to 'join' our municipal boundaries with the County? Traditionally, minority language promotion, celebration or preservation has not occurred significantly outside our municipal table in the County. We currently have 8 of 9 elected officials comfortable in either understanding or speaking both languages. A regional elected group is unlikely to retain that many bilingual representatives. Argyle has consistently supported major Acadian events such as les Jeux de l'Acadie, CMA 2024 and many other smaller events. Is this going to change in a regional context? Will our partners see the importance as we do?

There is no way to know for sure how a regionalization will truly impact minority language preservation. Minority language preservation is challenged today; walk the hallways of our schools or our homes – French as the main language is on the decline. Our region does not have a monopoly on residents of Acadian descent, Acadians live in the County. Immersion is now a strong reality in our anglophone schools. Argyle has an opportunity to take its blend of Acadian and Anglo population to a higher level – that is, to promote, preserve and celebrate the need to deliver services in both languages at the regional level. This could, at the request of this Council, or future Councils, be a constitutional element of a regional government – that it must be able to offer services in both languages. The Regional Government, if it was created, would then be the first bilingual regional government in Nova Scotia.

6. ARGYLE IF YARMOUTH MERGES

Argyle should consider, as part of this discussion, what happens if its two partners decide to consolidate without Argyle, which is a potential occurrence.

- **Simple agreements will require a reset:** The most obvious impact is that all of our regional agreements would require amendment. At a minimum, they would receive an amendment to reflect the one partner and not two. For some agreements, like REMO, this would be a fairly simple change. REMO funding would be reset, as there would only be one population and Uniform Assessment calculation for the “New Yarmouth”. All things being equal, our percentage of contribution would remain unchanged at about 31%
- **Not all agreements are simple:** As mentioned above, some agreements will presumably be amended and re-signed easily. In more complex environments, this would result in deeper consideration. In most agreements, we are as low as 25% (YASTA) and as high as 33% (Mariners Center). The merger of the Town and MODY eliminates the complexity of three partners at the table but creates another potential issue for Argyle – Argyle is a low stake partner, a 2-1 underdog in percentage ownership, and likely the same in voting at regional tables. Actual voting control would be subject to negotiation. It is likely to result in less political influence regionally.
- **The good news is:** Structural reform would be necessary! Perhaps the elimination of one party at the regional tables will reduce the complexity and increase the effectiveness of these organizations. It does provide an occasion to refresh all agreements, and with the potential aid of provincial resources. Perhaps the reform would result in the elimination of corporations, and mergers of corporations that deliver a similar service.
- **The downside for the “New Yarmouth”** is that it Argyle isn’t part of the consolidation, it has not eliminated the need to have multiple agreements, unless Argyle decides it will no longer participate in these organizations, thereby eliminating the need for multiple governance tables. Again, this would be subject to negotiation and deeper assessment.
- **Argyle Council’s new normal:** In light of a potential Yarmouth-Yarmouth merger, Argyle may wish to remove itself from regional delivery of services, it can do so in many instances depending on the terms of the agreement. The impact on Argyle taxpayers and service delivery would have to be further analyzed. Ultimately, council needs to answer the question, does it wish to work regionally and be part of influencing services and/or assets that are regional in nature. If the answer is yes, then they need to renew and discuss which agreements require partnership, which require ownership, which require a voice at the table, and which require only funding support.

Consolidation and structural reform

A discussion paper on Argyle now and into the future

7. REGIONAL EFFORT

While there are frustrations regarding how decisions are made regionally, there are a lot of successes in regional collaboration worth mentioning.

- Argyle benefits from a 60,000\$ annual income from the wind turbines co-owned in Wellington, as do their partners. While the opportunity existed for other municipalities not in regional collaboration in the area, they did not capitalize on it.
- Recent signing of a REMO agreement will coordinate a region in Emergency Response. Together, REMO will be stronger than 2 EMO's.
- The collective ownership and operation of the Solid Waste Park has saved all partners hundreds of thousands of capital and operating dollars through collaboration.

This organization has been a traditional supporter of regional effort – the current way it is being executed both at an administrative and political level is challenging. While a solely local approach to municipal government may be a tempting solution, there are many services that are cheaper and/or better if handled regionally, some listed above. You may choose to extract from certain regional partnerships based on this journey, and that is not necessarily wrong despite a traditionally expressed regional mindset.

The discussion of consolidation will introduce needed thought and (hopefully) continued conversation around our future, and what is needed not just to survive, but to thrive. You may choose to participate in consolidation now. This decision is very challenging, fraught with issues, as our residents are not properly informed or engaged about this potential decision; one that may result in this Council losing the well-earned confidence of its residents.

If two of your partners feel the timing is right, this will result in forced structural change for you, and a potential opportunity to reset your investments that both preserve regional service delivery, while adding protection on Argyle's bottom line. This may mean a decrease in fiscal commitments regionally, based on our financial health check. It may also result in a reduced influence on regional matters as you will be in the 1/3 zone at best in voting control.

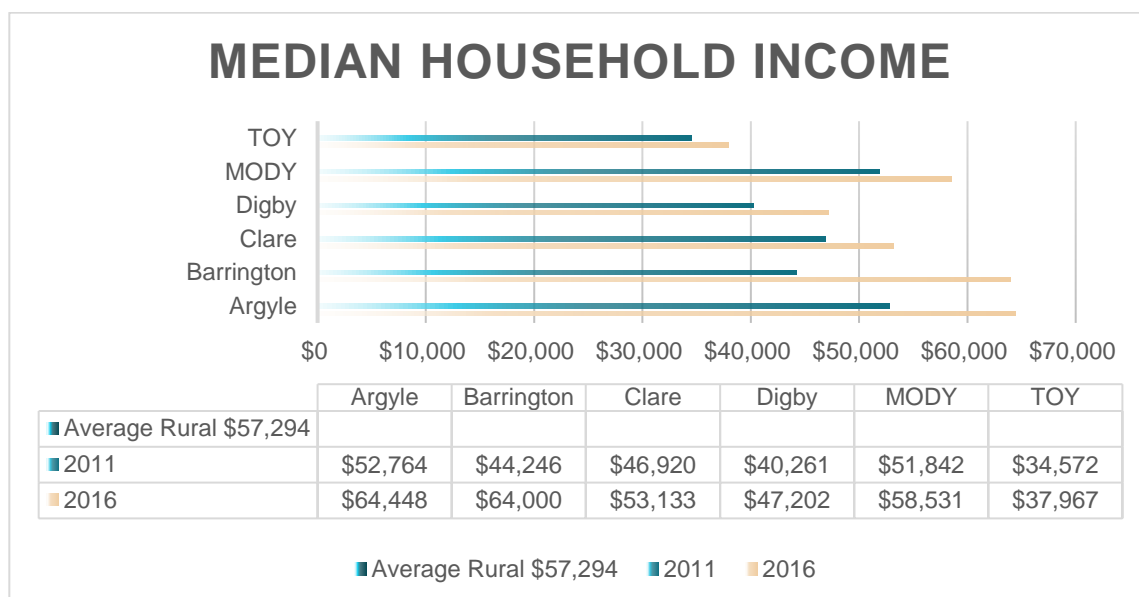
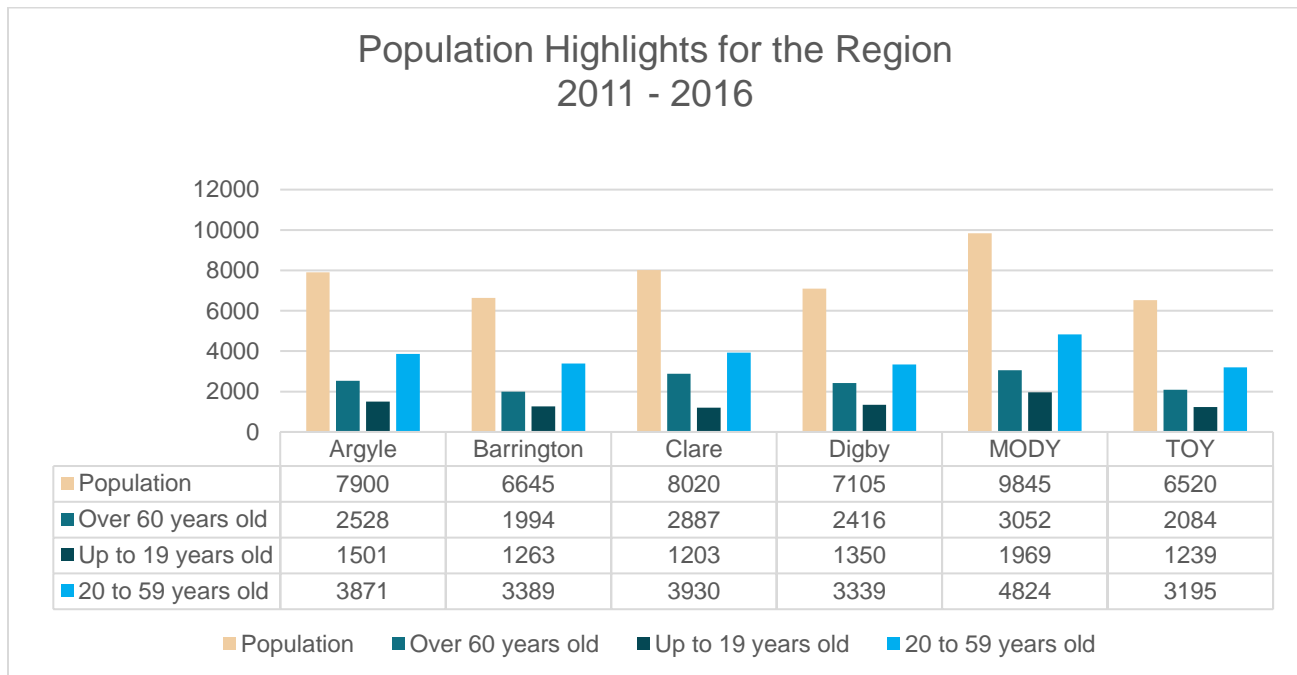
Finally, it is possible that the timing is not quite right for any unit to jump into consolidation. Residents in all three units have not had lots of time to be informed about what this would mean for them. There is still lots of issues to resolve. It is true that a decision to consolidate will never have all the facts laid in front of you, and that a decision of this nature requires a leap into certain uncertainty. It requires a political leadership to lead an honest and thorough discussion about the pros and cons of such a big decision, and a willingness to challenge our status quo in the greater interest of future generations for our entire region.

Consolidation and structural reform

A discussion paper on Argyle now and into the future

APPENDIX

Comparative statistics - Region

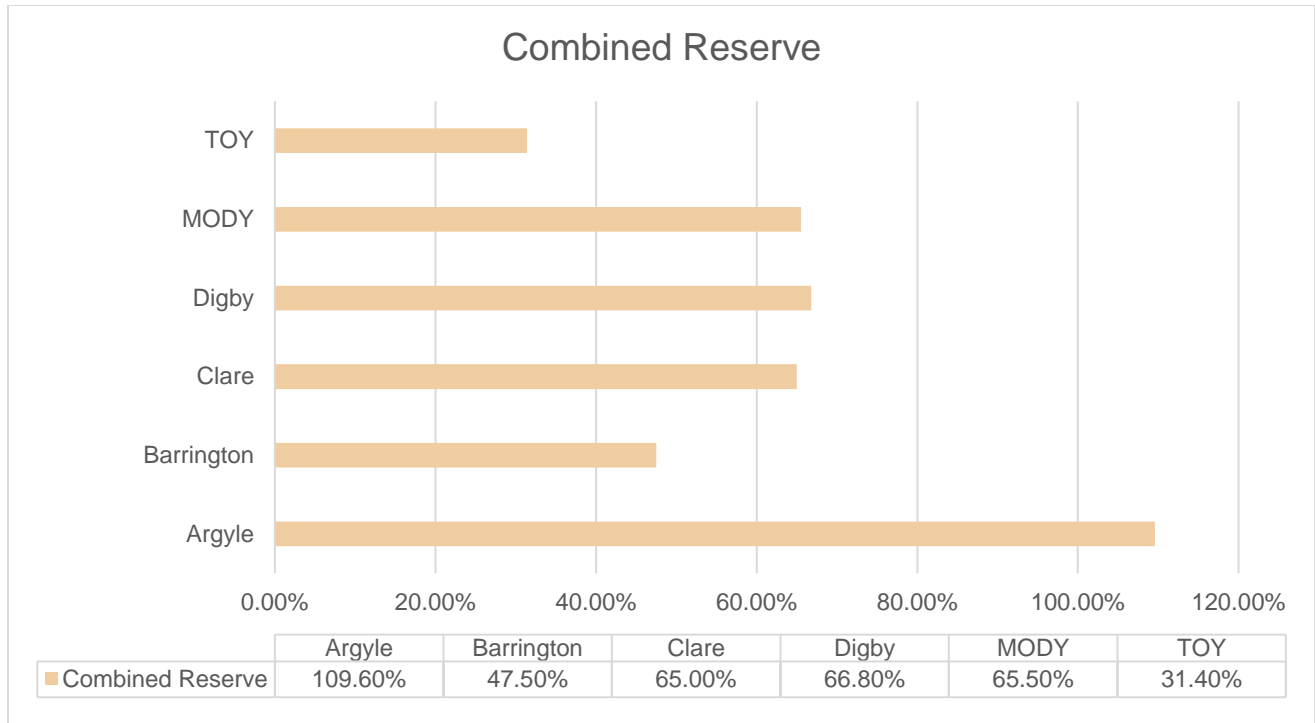


Argyle has the highest Median income of the region, followed closely by Barrington. The recent upswing in the lobster industry is the most likely reason.

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Financial Condition Indicators:



Combined Reserves

Calculation:

Total Operating and Capital Reserves / Total Operating Expenses plus Amortization Expense

Risk Thresholds

Low Greater than 40%

Moderate 30% to 40%

High Less than 30%

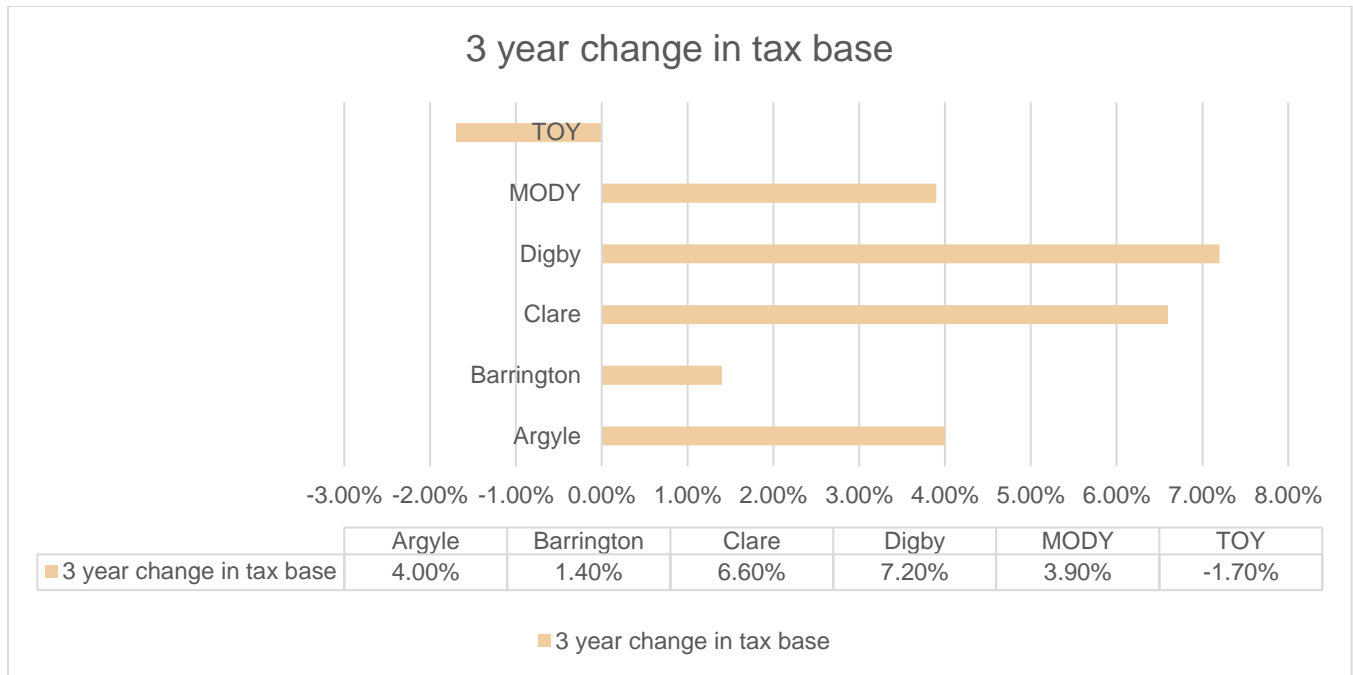
What does it mean?

Reserves are critical components of a municipality's long-term sustainability. The Combined Reserves Indicator shows the value of the funds held in the reserves compared to a single year's operation including amortization expenses.

Argyle's reserves are considerably higher than their neighbors. Keep in mind that we have been saving considerably for a new administrative building. The construction of a new building will bring our figure down considerably, perhaps even by 50%.

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3 Year Change in Tax Base

Calculation:

Current Uniform Assessment-Uniform Assessment 3 Years Prior
Uniform Assessment 3 Years Prior

Risk Thresholds:

Low Equal or above CPI % Change

Moderate Below CPI % Change, but not negative growth

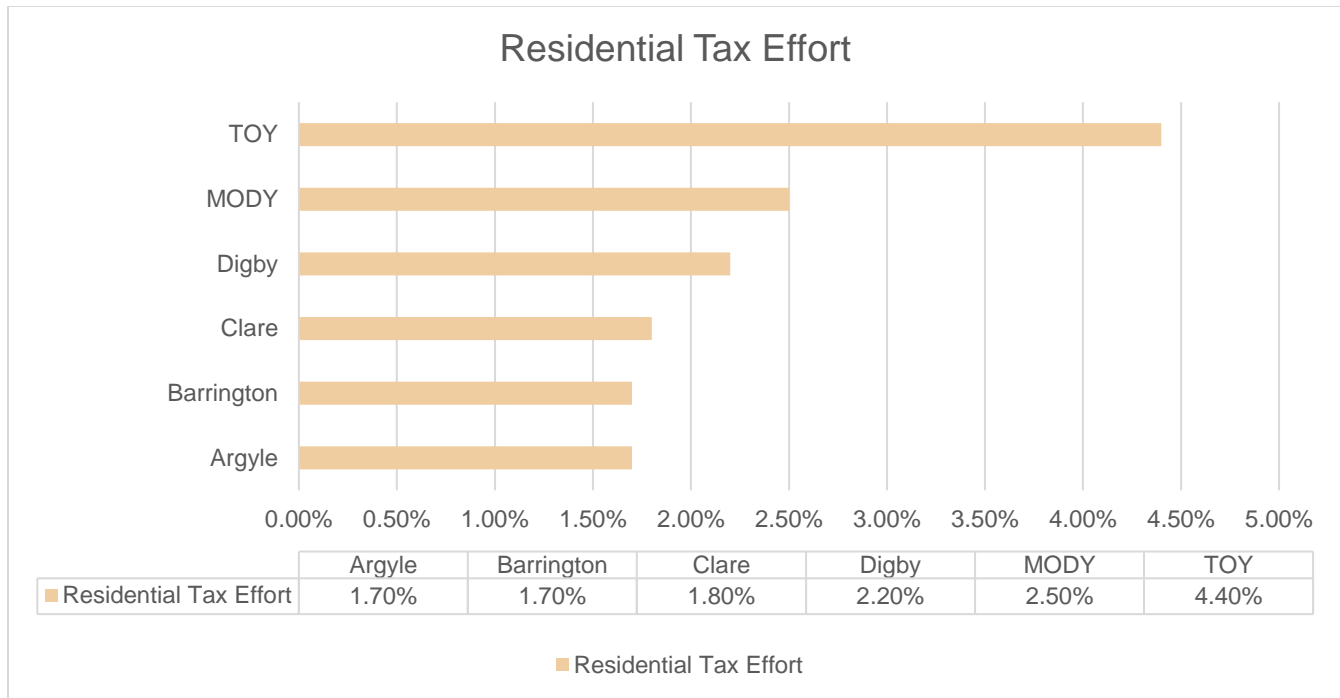
High Negative growth

What does it mean?

For Digby and Clare, their assessment growth exceeded the CPI or inflation. The other municipal units did not. If this occurs continuously year after year, municipalities will have to increase their tax rate to maintain appropriate revenue streams. In the case of Barrington, there was virtually no assessment growth, and in the Town of Yarmouth, the assessment values are decreasing, which is a negative sign of growth.

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Residential Tax Effort

Calculation

Total residential tax revenue per dwelling unit / Median Household Income

Risk Thresholds

Low Less than 4%

Moderate 4% to 6%

High Greater than 6%

What does it mean?

This Indicator enables the Council to assess the affordability of the Municipality's taxes in relation to the current service levels.

As is the case for all Towns, the residential tax burden is considerably higher than most rurals. That is for the simple reason that there are more services in the town, therefore a higher tax burden on those who use the service.

Clare Barrington and Argyle are consistently in the 1.7 to 1.8%, the calculation method noted above. Digby and Yarmouth rurals charge a higher amount and have a lower median household income.

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Combined operations and observations

Taken from non-consolidated financial statements – March 31, 2019 (unaudited)

REVENUES	Argyle	Town	Yarmouth	Total
TAXES	6,261,577	10,290,941	8,582,059	25,134,577
AREA RATES	259,083	1,978,433	234,608	2,472,124
OTHER TAXATION	195,763	301,917	578,659	1,076,339
TOTAL TAXATION REVENUE	6,716,423	12,571,291	9,395,326	28,683,040
GRANTS IN LIEU OF TAXES	150,111	1,052,526	31,884	1,234,521
SERVICES PROVIDED / SALE OF SERVICE	194,227	794,436	123,958	1,112,621
REVENUE FROM OWN SOURCES	310,296	2,252,429	905,748	3,468,473
UNCONDITIONAL TRANSFERS FROM GOVTS	154,923	728,201	133,576	1,016,700
CONDITIONAL TRANSFERS FROM GOVTS	78,210	15,359	-	93,569
SICK LEAVE/PENSION RECOVERY	-	293,740	-	293,740
	887,767	5,136,691	1,195,166	7,219,624
TOTAL REVENUES	7,604,190	17,707,982	10,590,492	35,902,664

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EXPENDITURES	Argyle	Town	Yarmouth	Total
GENERAL GOVERNMENT SERVICES	1,620,710	1,675,481	1,797,881	5,094,072
PROTECTIVE SERVICES	1,503,753	5,332,073	1,463,942	8,299,768
TRANSPORTATION SERVICES	423,125	2,267,682	854,872	3,545,679
SEWER AND WATER	232,217	1,113,322	207,357	1,552,896
SOLID WASTE	718,892	1,235,077	873,558	2,827,527
PUBLIC HEALTH SERVICES	72,433	55,039	60,017	187,489
ENVIRONMENTAL DEVELOPMENT SERVICES	456,080	1,237,527	432,045	2,125,652
RECREATION & CULTURAL SERVICES	639,434	1,143,326	633,940	2,416,700
EDUCATION	1,572,832	1,304,858	2,121,911	4,999,601
DEBT REPAYMENT	155,766	309,873	434,784	900,423
TOTAL EXPENDITURES	7,395,242	15,674,258	8,880,307	31,949,807
OPERATING SURPLUS	208,948	2,033,724	1,710,185	3,952,857
ADD: FEDERAL GAS TAX GRANT	358,388	597,135	507,392	1,462,915
FUNDS AVAILABLE FOR CAPITAL/FUTURE	567,336	2,630,859	2,217,577	5,415,772
LESS: AMORTIZATION	(355,027)	(2,389,973)	(831,408)	(3,576,408)
PRESUMED AMOUNT FOR NEW INVESTMENT	212,309	240,886	1,386,169	1,839,364

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- The purpose of this document is to compare operating reserves amongst the three municipal units of Yarmouth County. In each unit, there is an operating surplus (in yellow). This surplus is after debt repayment but does not tell the entire story.
- Annual Federal Gas Tax Grants have been added to this reserve, as this funding comes from the capital reserve and is not included in the operating surplus. Adding them both, I name this line, funds available for capital/future use (in blue).
- Lastly, I apply amortization as a cost. This non-cash expense is an annual estimate of municipal infrastructure depreciation. It is an estimate and does not represent the actual cost of replacement. What it does do, is estimate the magnitude of the assets currently owned by each municipal unit, and likely to be replaced. The math results in a number I have named, presumed amount for new investment (in grey). While amortization has reliability issues, it does tell a story.
- The presumed amount for new investment is an estimate. It assumes that if you have a surplus, and you add Gas tax, that should be the annual potential investment in capital (without borrowing).
- By subtracting amortization, you are assuming that there would be a figure set aside to fund replacement of old infrastructure. That would leave a presumed amount for new investment.

OBSERVATIONS

- All three units can generate a surplus from operations.
- The Municipality of Yarmouth is most capable of generating unrestricted surplus, far superior than Argyle or the Town
- While the Town generates the largest surplus from operations, those funds are meant to replace Town infrastructure and not likely to be set aside for new investment.
- Argyle generates, by far, the smallest surplus. However, their investment in municipal infrastructure is far less than in MODY or the Town.
- The figures above do **not** consider the cost savings of consolidation, as that savings is dependent on too many factors not subject to prediction currently. Anecdotally, there would be sharp reductions in cost of elected officials and CAO's , offset by salary adjustments to match higher wage conditions in Town and MODY.

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Communing flow - 2016

