

Understanding Taxes in District 8 (Canso)

What Residents Should Know About the Canso Taxation Review and Council's Actions

Residents in District 8 have raised questions about local property taxes. Many people want to understand why an Additional Local Services (ALS) rate has been added to property tax bills in District 8 since the dissolution of the former Town of Canso.

MODG hired an independent firm, **KPMG**, to conduct a fair, transparent and actionable review of the current District 8 tax structure, with recommendations that address resident's concerns and the Municipality's commitment to service equity, economic stability and compliance with leading practices.

The KPMG review included analysis of Municipal financial data, discussions with Municipal leadership, Property Valuation Services Corporation (PVSC) including a review of assessment data, and community engagement. Public open houses in District 8 and District 1, gave residents the opportunity to learn about the review and ask questions. KPMG representatives also met with members of the Eastern Guysborough County Ratepayers Association to hear directly from the group about their concerns and perspectives.

The KPMG review looked at several key areas, including:

- Historical information related to the dissolution of the former Town of Canso including the 2012 NSUARB Matter Number M03578 (Nova Scotia Utility and Review Board)
- Property assessments and how they affect tax bills
- Municipal services provided in District 8
- How taxes are structured across the municipality
- A review of District 8 taxation compared to the rest of MODG.

The results of this review provide important insight into how the current system works and if changes could be made to better align the District 8 taxation model with practices throughout the Municipality.

This document provides residents with a summary of the review of KPMG's findings, recommendations, and the next steps forward by Council.

Key Conclusions from the Independent Review

1. Canso's low assessments drive the tax issue, not high bills

Canso has the lowest average residential taxable assessment in MODG at \$58K per dwelling, less than half the MODG average and ~60% lower than neighbouring districts. Because tax rates apply to assessed value, Canso properties generate less tax revenue per home than elsewhere in MODG.

Impact – With the current taxation structure in District 8, homeowners end up paying roughly the same actual tax bill as residents in Guysborough (~\$1,450/year) but from a smaller tax base. The issue is the assessment gap, not over-taxation.

What does this mean?

Property tax bills are calculated based on the assessed value of a property, meaning lower assessments generates less tax revenue. Based on the current taxation structure in District 8, the total annual tax bills for most homeowners in District 8 are comparable to those in other communities.

Key Conclusions from the Independent Review (continued)

2. The Additional Local Services (ALS) tax rate (\$1.5145) is carrying costs other communities pay differently

The Additional Local Services (ALS) rate was established at amalgamation (2012) to maintain 1.5 RCMP officers and sewer services for District 8. Other MODG communities fund these services through user fees or the general base rate.

Impact – Canso's tax structure is an older, unique arrangement built to smooth dissolution - not one aligned with current MODG practices or long-term financial sustainability.

What does this mean?

Based on a request from the former Town of Canso Council to the Nova Scotia Utility and Review Board (UARB), and the resulting Board Order, when the Town of Canso dissolved and joined MODG in 2012, an Additional Local Services (ALS) tax rate was created. This rate was created as part of MODG's commitment to help stabilize the tax rate for residents of the former town during the dissolution process, to support services provided to District 8.

- Policing services through the RCMP, based on the request to maintain 1.5 officers by the former Town Council and resulting UARB Board Order.
- The Canso sewer system

All other Wastewater Management Districts in MODG are funded through user fees. Police services for Districts 1-7 are funded by the general residential rate. The RCMP detachment in District 8 has a total of 3 RCMP officers, 1.5 funded by the general rate and 1.5 funded by the Additional Local Services (ALS) rate.

3. Canso's tax revenue contribution is consistent with the other districts

Canso contributes about \$0.82M annually, consistent with the other eight districts. Approximately 53% of that revenue comes from the Additional Local Services (ALS) rate.

Impact – The ALS portion of Canso's tax levy is required to meet the cost of service delivery in Canso.

What does this mean?

Despite the differences in tax structure, the review found that District 8 contributes a similar overall amount of tax revenue compared to other districts in the municipality based on the current tax structure. The revenue generated from the Additional Local Services (ALS) rate does not completely cover the cost of policing and sewer services in District 8, and the shortfall is currently absorbed by the MODG base rate across all Districts.

4. MODG has funded Canso's capital needs since amalgamation

Post-amalgamation capital investments in Canso include wastewater upgrades, reservoir improvements, sidewalks, streetlamps, waterfront development, arena and pool work, and the new fitness centre (~\$2.2M), all funded through MODG's general tax levy. Other Nova Scotian municipalities often use local improvement charges (LICs); MODG does not.

Impact – Canso has benefited materially from capital works funded through MODG's general levy with no increase to the Additional Local Services (ALS) rate since 2012.

5. The Capped Assessment Program (CAP) amplifies Canso's low assessment challenge

CAP limits taxable assessment on residential properties; for Canso, taxable values average 69% of market value. Low turnover rates in Canso likely keep assessments suppressed, shifting tax burden onto high-turnover and new properties, primarily in District 1 (Guysborough).

Impact – Even as property values rise, Canso's revenue growth remains muted, limiting its ability to fund its service levels.

6. Canso's taxation structure is unique among Nova Scotia municipalities

There have been significant problems with how the ALS has been implemented since amalgamation. For example, District 8 properties without sewer are paying the ALS. Other dissolutions (e.g., Springhill) use harmonized base rates plus area rates tied directly to service levels and debt obligations.

Impact – There is precedent for designing post-amalgamation tax models that more transparently match service levels and distribute costs. Canso's model is outdated relative to Nova Scotia peers.

What does this mean?

In District 8, part of the Additional Local Services (ALS) is tied to contributing to the cost of the sewer, whereas in the three Wastewater Management Districts in MODG this cost is covered by an Equivalent Unit (EU) charge. For example, residents in Little Dover, Guysborough and Hazel Hill receive a bill for annual sewer charges in addition to their annual tax bill. Council was transparent during the 2012 Town of Canso dissolution process committing to stabilizing tax rates for District 8, which included all properties within the dissolved town boundary.

Recommendations from the KPMG Report

Based on the findings of the review, KPMG made the following recommendations to MODG:

Recommendation 1

Petition the Nova Scotia Minister of Justice to review the policing model – specifically the use of dedicated versus shared policing resources for District 8 of MODG, with the objective of incorporating the cost of the Canso detachment into the general tax base.

The Minister should also evaluate whether an ongoing operational need exists for maintaining the detachment in Canso.

- ✓ **Council Action:** Council has sent a letter to the Nova Scotia Minister of Justice requesting a review of the current policing model and associated costs. If changes are recommended as a result of this exercise they will be brought to the Regulatory and Appeals Board (formerly the UARB) to determine the impact on the 2012 Board Order regarding additional Policing services currently provided in District 8.

Recommendation 2

Transition Canso to an equivalent-unit sewer fee structure for recovering sewer costs in District 8, aligning it with the model used by the other three MODG sewer systems.

This transition will require MODG to determine the appropriate rate needed to recover the cost of sewer service delivery.

- ✓ **Council Action Underway:** To align with the other three Wastewater Management Districts in MODG, work has begun to transition the current sewer fee structure in District 8 to an Equivalent Unit (EU) sewer fee model, which is a user-based approach that allocates costs based on sewer usage. It is anticipated that this new sewer fee model will be in place by fiscal year 2027-2028.

Recommendation 3

Request the Property Valuation Services Corporation (PVSC) to review the assessment models used for MODG and provide residents with greater transparency regarding assessment factors and methodology.

This review should consider the broader market beyond current district boundaries and evaluate whether adjustments to assessment boundary lines or market inputs are warranted.

- ✓ **Council Action: A letter has been sent to the PVSC requesting further review and clarification regarding assessment practices in MODG.**

Council Decision - Making Progress

Municipal Council has reviewed the findings of the Canso Taxation Review. A copy of the KPMG presentation to Council can be found on our website at modg.ca

Council recognizes the importance of ensuring that municipal taxation is: **Fair, Transparent, and Sustainable.**

In addition to the recommendations from the review, Council has committed to the following changes as part of the 2026–2027 municipal budget:

Removal of the Additional Local Services (ALS) Rate for Resource Properties

The Additional Local Services tax rate will be removed from all resource properties in District 8.

Adjustment to the Additional Local Services (ALS) Rate for Durrell's Island Properties

Council has committed to reducing the ALS rate for residential properties on Durrell's Island to \$0.9438 in the 2026–2027 budget. This change reflects that these properties are not expected to be included in the wastewater management district that will be defined under the new Equivalent Unit (EU) sewer fee structure.

Council will continue to keep residents informed as this work moves forward.

Questions? If you have questions about the review or Council's actions moving forward, contact the Municipal Office: **902-533-3705**

