



Town of Annapolis Royal  
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December 18, 2008

Warden Lloyd Hines  
President  
Union of Nova Scotia Municipalities  
Suite 1106, 1809 Barrington Street  
Halifax, N.S. B3J 3K8

Dear Lloyd,

The purpose of this letter is to explain the impact of the recent re-assessment of NSPI properties by the PVSC. At a meeting called by Service Nova Scotia and Municipal Relations staff on December 5, we learned that the PVSC had reduced the assessment for the tidal power properties in Annapolis Royal from \$41.5 million to \$9 million. Four days later, we received a phone call from the PVSC stating that as a result of new information from NSPI, the assessment of NSPI properties in Annapolis Royal would now be changed to \$16 million. Even with this change, the reduction in revenues from the NSPI grant in lieu of taxes would be \$580,000, or 27% of total Town revenues. The magnitude of this loss is out of proportion to any other community in this Province.

Earlier this year, there was an opportunity to either refinance a balloon payment in the amount of \$265,000.00, or self finance it for one year. Since the Town had no reason to expect any decrease in the NSPI grant in lieu for 2009-2010, the decision was made to absorb this amount in our current-year operations to avoid interest charges and refinance it in the following year. This was done just days before we received news of the proposed reduction of our grant in lieu. As a result, the Town is now facing an emergency cash-flow issue. We will have to rob Peter to pay Paul in order to make it to year end.

Last year, for the first time in six years, the Town borrowed \$450,000.00. We took out a debenture and committed the Town to an aggressive five year repayment plan. This decision was consistent with the Town's objective to be debt free by 2015. Had we had

any hint that the NSPI grant in lieu was under any threat, we would have arranged longer-term financing.

We have a highly productive and gifted staff, but the uncertainty that has been generated from the announcement of a sudden cut in revenues has had predictable results. We stand to lose highly qualified staff at a critical time. Last year, staff generated grants in excess of \$585,000.00 which more than offset the cost of all staff salaries combined and which resulted in leverage equivalent to 30% of the Town's entire budget. The Recreation Department alone has leveraged \$570,000 in grants over the last five years. This year, the salary for the Marketing and Events Coordinator will be more than recovered through various small grants.

With a cut of \$580,000, all that the Town will be able to maintain is essential services. To achieve this, we will have to make substantial cuts in services. The proposed cut would mean the loss of:

- 3.5 full time equivalents including our CAO, Marketing and Events Coordinator, Director of Recreation, and one half of the Accounting Clerk position
- the entire marketing department
- the entire recreation department
- the Town's contribution to Kings Transit, Fundy Broad Band, Annapolis Digby Economic Development Agency, the Historic Gardens, and King's Theatre
- 30% of the budget for the Annapolis District Planning Commission
- all dues and subscriptions (including UNSM membership)
- all infrastructure and other capital projects

It is estimated that due to the strength of the Town's existing infrastructure, the Town could continue to operate for about two years before costs would overtake revenues. It should also be noted that the cost of providing essential services has significantly increased since 2002 with increasing regulations (e.g., fire services, policing, building and fire inspection, and water).

The sudden and dramatic news has already had a significant impact on the Town, especially in view of the fact that we are self financing the \$265,000 balloon payment referred to above. First, the Town has been forced to adopt austerity measures. For example, the purchase of 18 new windows for the Town Hall building that would have helped us to reduce our energy costs has had to be put on hold. Also, in 2009, the Town was supposed to be part of a first pilot project for conversion of street lights to LED, which would have meant a 35% reduction in our street-lighting bill. This project is now in jeopardy. All discretionary spending is now being funneled to the 2009-2010 budget as the Town prepares for a significant cut in its funding. There is no question that the reduction in staff and programs threatens our continued existence as a town. The resulting economic impact on the rest of the economy of the region is now being quantified, and it will be significant.

Annapolis Royal has a history of prudent financial management (e.g., the work of the former Annapolis Royal Development Commission in 1981 that attracted a substantial investment of money from both the federal and provincial government).

Annapolis Royal is an outstanding example of environmental sustainability (e.g., our state-of-the-art tertiary wastewater system, our 65% diversion rate for solid waste, our achievement of Milestone 1 under the Federation of Canadian Municipalities' Partners for Climate Protection Program). Annapolis Royal has used the NSPI money to improve the lives of its citizens through projects involving water, sewer, recreation and marketing initiatives.

Since 2002, the Town has made a name for itself, for the Province, and for Canada by winning the Gold Award for Most Liveable Small Town in the World in 2004, Cultural Capital of Canada in 2005, Nova Scotia Bay of Fundy Partnership Award in 2005, top award for Communities in Bloom at the provincial level in 2005, Prince of Wales Award for heritage preservation in 2006, Community Arts and Culture Recognition Award in 2007, Mayflower Community Cooperation Award in 2007, the Lieutenant Governor Community Spirit Award in 2008 and the top award for international Communities in Bloom in 2008. The Town and the surrounding area is a huge cultural and historical draw for tourists. The Province should be using Annapolis Royal as a model for what it takes to make a community sustainable.

We believe this allocation decision is arbitrary; we have not received proper information or any documentation whatsoever up to this time. You may be assured that the Town of Annapolis Royal is going to do everything in its power to reverse this extreme funding cut. It is our responsibility to fight for the continued existence of our Town.

We are also deeply concerned that there was no warning that this was coming and that the news only came within four months of year end. The Town was not even aware that the UNSM had initiated the re-assessment of NSPI assets across the Province until December 5, 2008. Those who knew what was going to happen had a duty of care to advise the Town at the earliest opportunity and they manifestly failed to do so. We were encouraged to note that your December 2008 newsletter states that the UNSM will have the opportunity to discuss an implementation strategy with Minister Muir. We are therefore requesting a meeting with the UNSM, the Town of Trenton and the District of Queens as soon as possible.

Sincerely,

Mayor Phil Roberts