



**GREATER CHARLOTTETOWN AREA
CHAMBER OF COMMERCE**

City of Charlotte
Pre-Budget Consultations 2016

Submitted to

Melissa J. Hilton, Chair

Finance, Audit and Tendering Committee

Greater Charlotte Area Chamber of Commerce

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1. Introduction

The Greater Charlottetown Area Chamber of Commerce welcomes this opportunity to present its views, suggestions and recommendations as its contribution to the preparation of the 2016 City Budget. We highly value dialogue with members of Council, as well as non-elected officials, to advance the city's economy by means of effective programming, competitive taxes and efficient administration. Consultation, however, cannot be a one-time occurrence; it must be ongoing to ensure the dialogue is current, incorporating the latest data and developing interests and issues.

With a relatively new Council in place, and with new executive leadership on the horizon, the Chamber believes that a review of previously raised issues, as well as actions taken, is in order. As always, our intent is to be constructive, with the interests of tax paying businesses and residents in mind.

2. Business Development and Revitalization

We begin by stressing a basic premise of the Chamber's ongoing advocacy efforts - the business community is the economic lifeblood of our community. If business does not thrive, the tax base will wither and so will the City's ability to sustain programs and essential infrastructure. Thus, advancing the local economy through private sector business expansion should be a prime driver of City priorities.

Business development in the city, however, is obviously dependent on more than the drive and energies of individual businesses. The resilience of the local economy shown over past decades is equally a function of strong partnerships among the City, the Province, CADC, ACOA, Downtown Charlottetown Inc., Charlottetown Port Authority, Discover Charlottetown, Airport Authority and the Chamber. It is the synergy of these partnerships working toward the mutual goal of business development and revitalization that creates opportunities, and the environment and infrastructure necessary for business to thrive.

Employment growth is a good indicator of development. Between 2004 and 2014 the Charlottetown CA has seen an increase of 5,200 jobs.¹ This represents over 70% of all increases in employment in the province. Clearly, provincial employment growth is a function of how well the Capital Area is doing economically.

¹ Statistics Canada Cansim 282-0134

Year	PEI Labour Force (000's)	Charlottetown Labour force (000's)	PEI Employment (000's)	Charlottetown employment (000's)	Charlottetown as % of PEI
2004	75.0	34.3	66.6	31.5	47.3%
2006	76.5	35.3	68.0	32.5	47.8%
2008	77.3	35.6	69.0	32.8	47.5%
2010	78.7	36.6	69.7	33.6	48.2%
2012	82.2	38.6	73.0	35.5	48.6%
2013	83.8	40.6	74.1	36.9	49.8%
2014	82.8	40.1	74.0	36.7	49.6%
Increase 2004 to 2014	7.8	5.8	7.4	5.2	70.3%

As good as employment growth has been over the decade, a discouraging sign is the apparent peaking in the labour force that occurred in 2014. The 2015 data to date confirms this is continuing. In the Chamber's 2016 Pre-Budget Submission to the Provincial Government, we recommended an in-depth analysis to ascertain the reasons for the decline and the implications on meeting the future demand for labour. Given the importance of the Charlottetown CA to overall provincial employment growth, such an analysis should provide information updates to the previously mentioned development partners.

Growth in assessments is a second marker of development, and as assessments have increased, so have property tax revenues. Property tax revenues have been growing at an average of +4% per year since 2009.

The Chamber is optimistic about the future of the local economy - Charlottetown continues to be a great place to do business. The local economy has done well, as reflected in both employment and assessments. There is considerably more diversity of the economy as businesses take advantage of new opportunities and growing markets, both domestic and international. If growth is to continue however, it is critical that the aforementioned development partners continue to collaborate, both formally and informally.² The Chamber is committed to serving and strengthening these partnerships.

The Chamber encourages the City to place business development at the top of its priorities, in its own programming and in partnership with the 'development agents' previously mentioned. The importance of UPEI, AVC, Holland College and the cultural sector in stimulating economic and employment growth must be incorporated.

² This was a key outcome/recommendation of the Business Forum on Capital City Development, Feb.9, 2015

3. The City's Finances

The Chamber's membership has a vested interest in the City's finances. Over the recent past, the City has been able to offer a reasonable quantity and quality of municipal programs within the financial resources available to it. While the Chamber commends the City for its efforts in this regard, to the Chamber, the future does not look as bright.

Setting aside water and sewer levies which go directly toward utility expenditures, the City is dependent on three sources of revenue as illustrated below.

City of Charlottetown Revenues	2008 Actual	2010 Actual	2012 Actual	2014 Actual	2015 Budget	% Increase 2015
Provincial grant	\$10.9	\$11.2	\$10.9	\$10.8	\$10.9	
Property tax	\$23.5	\$25.0	\$26.3	\$29.2	\$30.4	4.1%
Other (see below)	\$3.4	\$3.6	\$3.6	\$3.8	\$3.6	
	\$37.8	\$39.8	\$40.8	\$43.8	\$44.9	2.5%

(not including Water & Sewer levies , QEH grant, or the 2015 one-time Provincial Grant for 'snow clearing')

'Other' consists of Parking, Police Court, Licenses, Recreation, Rentals, Interest etc. Increases in these revenues are primarily due to administrative decisions and not directly influenced by the state of the local economy. Growth potential is limited.

Property tax revenues have increased by an average of 4%/yr. since 2008, reflecting strong growth in assessments. While the 2015 Budget includes a 4.1% increase, it acknowledged that this rate of increase is unlikely to continue into the near future.

2015 Budget	
Commercial	\$14,944,839
Non-commercial	\$15,471,158
Total	\$30,415,997

Municipal grant revenue has not increased since 2008. There are a number of ways to illustrate the impact of this on City revenues. The 2015 City Budget made a well documented case for increased funding based on the amount of revenue the Province collects versus grants paid. As additional information, if total municipal grants paid by the Provincial Government in 2015 were the same percentage of provincial own-source revenues as in 2008, there would have been approximately \$4 million added to the program. Charlottetown might have received an addition \$1.9 million. Obviously the Province could do more to share its revenue base with the City (and other municipalities). The municipalities are creatures of the Province and it would seem the Province has an obligation to fairly share its revenue base with them. The Chamber has communicated its concerns to the Provincial Government.

The Chamber recognizes that the City may not be able to avoid some degree of tax increase if there is no positive resolution to the impasse on a Provincial - Municipal revenue sharing formula. Revenues, however, are only one side of the City's finances - tax increases cannot be justified solely on the grounds of revenue shortfalls. They should only be considered after all efforts have been made to reduce expenditures through either outright program reductions or more efficient program delivery. This leads directly to a third theme which has been part of the Chamber's past advocacy efforts with the City - pursuing value for money.

4. Value for Money

The Chamber, in previous Pre-Budget Submissions to the City has made numerous constructive suggestions regarding financial administration. Our objective has been to offer the experience and knowledge of the business community to help ensure that the limited resources of the City are allocated in the best way possible.

The 2015 City Budget stated "The City is entering into a period of even greater introspection and a higher level of fiscal scrutiny. In the absence of an equitable property tax formula, the City can neither sustain its history of no tax increases nor maintain its current level of service. The ability of the City to react to abnormal events like severe weather, union settlements and unexpected expenditures like Dutch Elm disease grows less likely to be absorbed without a significant injection of new revenue."³

From a business perspective, that introspection could be guided by:

- i) Are expenditures 'economical' - that is, could the City simply spend less?
- ii) Are expenditures 'efficient' - that is, could the City simply spend less to get the same outcomes? Key to this is the willingness to set in place a system to identify and measure outcomes. Also, key is a commitment to examine alternative service delivery.
- iii) Are expenditures 'effective' - that is, are the City's programs meeting the intentions of establishing them in the first place? Key to this is identifying priorities (spend on greatest needs) and impacts.

All three questions are based on a commitment to measurement and to base decisions on evidence. There is a plethora of information available on pursuing value for money at the municipal level, and, as the City is aware, performance measurement is well established as a marker of modern municipal administration.

³ 2015 Budget Address and Summary, page 9

The Chamber is most encouraged by the indication in last year's budget speech that:

- i) the City will continue to draw functional comparisons with other municipalities as it develops key performance indicators and
- ii) that the Finance Committee will develop benchmarks from the data received and use these when reviewing City services.

As we have previously stated, overall, the Chamber gives the City very high marks for balancing the demand for services against available revenues. The major weaknesses the Chamber sees are 1) the lack of a longer term (multi year) perspective regarding fiscal and service planning and 2) insufficient attention to results and performance based reporting. The Chamber would welcome an opportunity to continue the dialogue on this important matter.

The Chamber recognizes that approximately 8% of the City's expenditures are grants to support essential community/business infrastructure (e.g Civic Centre, CARI, Confederation Centre, Airport Authority, transit system etc.), which are not easily amenable to performance measurement. The Chamber fully supports the direction of Council in providing these expenditures to further the development of the city.

5. City Infrastructure

While it may seem obvious to state that adequate infrastructure is essential to the development of the city, it is so important an issue that it is worthy of detailed examination. From the perspective of the business community, a very high priority is renewal and replacement of aging assets and assurance that the asset base continues to grow to meet current and future demand. The Chamber's interest in infrastructure investments centers around funding, transparency and public reporting.

With infrastructure investment being such a critical and costly issue, it should be expected that there be a well defined management approach encompassing identification of gaps/needs, priority setting criteria, and public reporting on plans, priorities, costs and timing. There is no public document available to the business community which provides this information. Lack of such information limits the business community in its ability to incorporate the potential impact of infrastructure investments on business plans. This may be of particular interest to the engineering, construction, and architectural community in regard to scheduling and talent management.

The Canadian Infrastructure Report Card asks participating municipalities (including Charlottetown):

“C3.1. Does your municipality have a formal asset management plan, and how often is it intended to be updated? and

C4.1. Does your municipality publish a report on the state of municipal infrastructure assets that is used to inform community stakeholders? If so, how often is it intended to be updated?”⁴

Clearly, transparency is suggested as a best practice. Despite a previous commitment by Council, a multi-year capital plan for the City has not been released.

With regard to funding and long term impacts on tax levels, the City has been most fortunate to have been able to access Build Canada and Gas Tax Funds to help finance its infrastructure investments. The New Gas Tax Fund (now permanent), will provide Charlottetown with \$16.3 million from 2014/15 to 2018/19. This, in association with Build Canada opportunities, provides sizable capital for refurbishments and additions. In the absence of information on plans, priorities and total costs, however, there is no way to ascertain the potential impact on sewer and water levies and tax rates.

The Chamber recommends full transparency on infrastructure plans, priorities and net costs.

6. Revisiting the Sustainability Plan

The City of Charlottetown, like most other municipalities across the country, has adopted a sustainability Plan (2011). The Chamber congratulates the City for its efforts to make Charlottetown a more sustainable and livable community. As called for in the Plan, a review is scheduled in 2016 (5 years in).

The Chamber continues to be most interested in Plan goals, actions and achievements. In a previous Pre-Budget Submission, the Chamber referenced the Sustainability Plan, particularly actions 14 to 25 under the ‘Economic Pillar’. Moving forward, it is important that the business perspective be articulated and incorporated into amendments of the Plan. We offer a number of observations:

⁴ http://www.canadainfrastructure.ca/downloads/Canadian_Infrastructure_Report_Card_Survey_EN.pdf

- i) It would be most useful if there were a report on actions 14 -25⁵, indicating status, and results achieved.
- ii) There could be more emphasis on the importance of the economic pillar, recognizing the linkage between business growth, employment, and the City's tax base.
- iii) The linkage between the Sustainability Plan and the Annual Budget could be enhanced by identifying, in the Budget, the resources involved in implementing the Plan.
- iv) The linkage between a multi-year infrastructure/capital plan and the Sustainability Plan needs to be identified and incorporated, particularly in water and sewer (action 18).
- v) Climate change mitigation could receive more attention.
- vi) The impact of changing demographics should be analyzed and included in the Sustainability Plan (e.g. aging, family structure⁶, international immigration etc.)

7. Recap

We offer our comments and suggestions in the spirit of cooperation and common interest. In summary:

- Place development and revitalization at the top of the City's agenda.
- Avoid tax increases. Ensure the business (and residential) community that
 - i) **all** options for reducing expenditures have been analyzed and addressed and
 - ii) defensible efforts have been made for an adequate Provincial/Municipal revenue sharing program
- Adopt a multi-year perspective in developing operating and capital/ infrastructure plans and budgets and improve on transparency in reporting.
- Continue to pursue performance measurement and benchmarking with similar sized municipalities, and report on progress.
- Integrate the Sustainability Plan with a multi-year fiscal/infrastructure plan.

⁵ See Appendix 1

⁶ 17.5% of Charlottetown's population is 65 and over. 21% are lone parent families.

Creating a positive environment for business to thrive is a prime goal of the Chamber. We recognize the many constructive efforts of the City in helping to make that happen and we are most appreciative. The fiscal challenges facing the City, however, may require a level of discipline not required in the recent past.

Submitted by

Wendy Drake, President

Appendix 1 (extracted from Charlottetown's Sustainability Plan)

ECONOMIC	5. Develop and support creative business clusters through cross-sector collaboration	14. Promotion of downtown through infrastructure that promotes social culture (street music, art installations, art kiosks)
		15. Partner with community-based business development organizations to focus on business skills development and training for artists, young people and newcomers
		16. Develop a common area which enables artists to come together to present and sell their art in a central location.
		17. Make kiosks available to small independent artists or business to reduce operating costs for new entrepreneurs or artisans.
	6. Effectively manage and maintain existing infrastructure.	18. Develop a strategic replacement plan for aging water, sewage and road infrastructure.
		19. Develop a city-wide storm water management plan and corresponding site design stormwater management policies.
		20. Review the City policy and planning framework to ensure that City infrastructure and development planning is more pedestrian and active transportation centered.
	7. Strengthen City - Community Partnerships with business, academic and non-profit sectors	21. Establish a working group, of business, academic, non-profit and public stakeholders, to create a common vision from divergent mandates.
		22. Partner with stakeholder groups to share and promote sustainable initiatives underway in the City.
	8. Encourage more sustainable development	23. Undertake a review of City Official Plan, Zoning Bylaw, Subdivision Bylaw and Engineering Standards to ensure ideas contained in the ICSP are reflected in these documents.
		24. Review the Official Plan actions with responsible parties to ensure that more dense development is permitted in the core so as to discourage urban sprawl.
		25. Meet with developers and the community to discuss and remedy any potential barriers which would discourage the reuse and reclamation of existing buildings and/or brownfield sites.