



MUNICIPAL PRE-BUDGET SUBMISSION 2015/2016

January 30, 2015

Presented To: Mayor Mike Savage and Halifax Councillors

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Who We Are

The Halifax Chamber of Commerce is a best-practice, business advocacy organization that continuously strives to make Halifax an even more attractive city in which to live, work, and play. Together, the approximately 1,600 member businesses and their over 90,000 employees, act as a single powerful voice to promote local business interests. The volunteer board of directors, and Chamber staff, undertake initiatives on behalf of the Chamber's diverse membership.

With origins dating back to 1750, we are recognized as the first Chamber established in North America. The Halifax Chamber is certified to the ISO 9001:2000 international quality standard, the first and only Chamber in North America to receive this accreditation.

The Halifax Chamber of Commerce offers over 100 events annually, countless numbers of opportunities for exposure through member services, advertising, and sponsorship. It also issues Certificates of Origin for those businesses that export internationally.

2013-2018 STRATEGIC PLAN

The Halifax Chamber of Commerce is committed to enhancing the prosperity of its members and to realizing Halifax's potential to be among the top 3 highest growth city economies in Canada by 2018.

1. To create a positive business environment to be reflected by being among the top 3 highest growth city economies in Canada by 2018.
2. To increase the skilled workforce by 20% from 2012 to 2018.
3. To accelerate prosperity of Chamber members by providing first class networking events, benefit programs, advocacy to governments, education, information and by making connections.

As part of our 2013-2018 strategic plan, the Halifax Chamber of Commerce Board of Directors created two Task Forces to implement the plan. The members of these Task Forces are a diverse group of individuals with significant expertise on key policy issues.

In June 2014, the Halifax Chamber of Commerce Board of Directors and staff agreed to prioritize two elements of its 2013-2018 strategic plan to ensure Halifax becomes a top three economic growth city in Canada by 2018:

- reduce the tax burden
- promote immigration

Executive Summary

It is difficult to believe, but Regional Council is now over halfway through its mandate. With less than two years to go before the next election, there is precious little time to waste. Council has done some commendable work over the past year, such as adopting a new brand and embracing immigration, but challenges remain. Difficult decisions will only get more contentious closer to an election so we will be looking for Council to adopt a sense of urgency.

This submission outlines the Chamber's views on some of the critical issues facing Halifax, including:

1. Taxation and Spending – Reducing the Tax Burden
2. Planning and Development – Expanding on the Success of HRM by Design
3. Transit – Building a Better Bus System
4. Pensions – Time for Change

These issues will no doubt lead to some passionate, but in our view necessary, discussions. We are confident in our Mayor and Councilors' ability to deal with these issues and we look forward to hearing their thoughts.

Going forward the Chamber will be looking for:

1. No increases in average municipal tax bills
2. Simplified zoning rules for the Regional Centre
3. A redesigned transit system that is efficient and reliable
4. Action to reduce the cost of the city's pension plan

Recommendations

Taxation and Spending

- Pass the 2015 municipal budget with no increases to average tax bills

Planning and Development

- Create a simple, consistent, and growth-oriented set of development rules for the Regional Centre
- Take immediate action to streamline the overall development process in order to achieve the city's existing approvals targets

Transit

- Redesign the Halifax Transit system on the basis of the four principles outlined in the initial public consultation:
 1. Increase the proportion of resources allocated towards high ridership services
 2. Build a simplified transfer based system
 3. Invest in service quality and reliability
 4. Give transit increased priority in the transportation network
- Produce fast, reliable, and cost-effective service

Pensions

- Take action to reduce the cost of the city's pension plan and reduce the disparity between public and private sector benefits

Taxation and Spending

The fact that businesses in Halifax pay significantly higher tax rates than residential taxpayers has been a long-standing concern for Chamber members. According to recent research from Harry Kitchen and Enid Slack, the commercial-residential tax ratio is 2.93 in urban areas, 2.98 in suburban areas and, 2.74 in rural areas. These ratios have only seen slight changes over the past six years.¹

This could be justified if businesses received more services for their money but according to a December 19, 2012 city staff presentation to Halifax's Audit and Finance Committee, businesses pay almost 150% of the cost of their services, while residents pay only 85%.² Not only is this overtaxation unfair, it has negative economic effects. Research has found that commercial over-taxation results in "less economic activity, lower output, fewer jobs and a less competitive business environment".³

Given this burden, the Chamber was disappointed with Regional Council's decision to have staff proceed with a potential 1.8% increase in average residential and commercial tax bills in 2015.⁴ While we appreciate that the proposed increase is the same for residential and commercial taxpayers and is in line with inflation, automatically increasing prices is not an option all businesses have. At the very least, given the recent increase in property assessments businesses should be able to expect a reduction in their property tax rates.

On the spending side, Regional Council's debate over the summer about how to pay for strategic capital projects was a very informative look at the city's future options. The debate made it clear that there is not enough money in the city's capital reserves to cover the list of potential projects. Securing the funds for all of the projects would require a tax surcharge and up to \$100 million in additional debt for the city.⁵ This would reverse the excellent progress Halifax has made reducing its public debt through the Multi-Year Financial Strategy and would represent a move in the wrong direction.⁶

In addition, the city's proposal to increase commercial waste disposal fees from \$125 to \$170 per tonne would be damaging to local businesses. At the very least Regional Council should allow businesses to ship their garbage to landfills outside the city so that they can reduce their costs.⁷

Instead of raising taxes and increasing the debt, Council should seriously consider the alternative zero percent budget they asked staff to prepare.⁸ Before asking taxpayers for more money the city needs to be sure that it has done everything it can to control costs, such as a formal program review or a zero-based budgeting exercise. Not raising average property tax bills this year would send a strong message that Regional Council is committed to reducing the tax burden, which is one of the two main priorities of the Chamber's 2013-2018 strategic plan this year.

The Chamber recommends that Halifax City Council:

- Pass the 2015 municipal budget with no increases to average tax bills

Planning and Development

Halifax's inability to achieve its targets for development approvals is one of the most visible symbols of the city's problems with red tape and a major cost for businesses. According to GHP's Halifax Index, the city only achieved its targets in 2 out of 6 areas in 2012/13.⁹ While it is important to have enough planning staff at the city, adding more staff without improving the underlying processes ignores a large part of the problem.

Fortunately, the upcoming Regional Centre Plan is an excellent opportunity to improve the development process in Halifax. Building on the success of HRM by Design, the Regional Centre Plan will create a unified municipal planning strategy and land-use by-law for the Halifax Peninsula and areas of Dartmouth within the Circumferential Highway.¹⁰ Currently this area uses multiple convoluted planning documents, some of which were adopted over 35 years ago.¹¹ Creating a simplified set of zoning rules that provides predictability for developers and enables Halifax to achieve the growth targets it set out in the Regional Plan will be a major improvement.¹²

The development of the Regional Centre Plan also needs to take into account transit changes resulting from Halifax Transit's Moving Forward Together Plan. If Halifax Transit's new network results in better transit service in the Regional Centre, allowing greater density along major transit lines will maximize the benefits of the new network.

Projects of this scope are highly susceptible to delays and the city should not let the perfect be the enemy of the good. For example, Halifax's Regional Plan was first adopted in 2006 and the update that was supposed to occur after 5 years was not formally adopted until 2014.¹³

Championing common sense regulations is a crucial part of the Chamber's 2013-2018 strategic plan's goal to become one of the top three highest growth city economies in Canada by 2018. We will be looking for staff and Council to keep this project on schedule and approve a plan that will lead to a denser and more vibrant Regional Centre.

The Chamber recommends that Halifax City Council:

- Create a simple, consistent, and growth-oriented set of development rules for the Regional Centre
- Take immediate action to streamline the overall development process in order to achieve the city's existing approvals targets

Transit

Halifax Transit will soon release a draft of its Moving Forward Together Plan, which presents a rare opportunity to rebuild Halifax's transit system. The current system of overlapping routes has not been consistently updated over time, and often reflects the city that Halifax was, not the city it has become.¹⁴

Another major challenge facing Halifax Transit is the large time differential between public and private transportation in Halifax. According to GHP's Halifax Index, the average commute by bus is 60% longer than the average commute by car.¹⁵ While public transit has advantages such as financial savings and the ability to multitask, using public transit still involves a high time cost.

Last January, after extensive public consultations, Halifax Transit proposed a redesigned public transit system to Regional Council based on the following principles:¹⁶

1. Increase the proportion of resources allocated towards high ridership services
2. Build a simplified transfer based system
3. Invest in service quality and reliability
4. Give transit increased priority in the transportation network

Thankfully, the tools to improve transit are not expensive, and Halifax Transit has already implemented some of them on certain routes. For example, the #61 and #159 run on the exact same route from the Portland Hills Terminal to the Bridge Terminal. For the #61 the trip is scheduled to take 22 minutes. For the #159 however, which has fewer stops and has access to transit priority measures, the trip only takes 13 minutes, a 40% reduction.¹⁷

Eliminating the duplication, overlap, and bottlenecks that are pervasive in Halifax Transit's system will inevitably cause some people to lose the service to which they are accustomed. We are asking Councilors to remember that the benefits of a better transit system will be well worth some short-term pain during the transformation, particularly when measured against the objectives of the plan.

Businesses are looking for a transit system that is fast, reliable, and cost effective. As well, an effective transit system is an essential part of building a vibrant downtown core, which is an important part of the Chamber's 2013-2018 strategic plan. We will be judging Halifax Transit and Regional Council on how well the final redesigned transit system holds to the guiding principles.

The Chamber recommends that Halifax City Council:

- Redesign the Halifax Transit system on the basis of the four principles outlined in the initial public consultation
- Provide fast, reliable, and cost-effective service

Pension Review

In our 2014 municipal pre-budget submission the Chamber recommended “commissioning an independent review of the HRM’s pension plan to address its unfunded liability and long-term sustainability”. While the plan’s unfunded liability has improved significantly, it is still not clear how demographic changes will affect the plan in the long-term. In a presentation to Regional Council last year, CAO Richard Butts included the Halifax’s pension plan as one of the long-term financial risks facing the city.¹⁸

The municipal pension plan is a major cost for the city. Employees contribute 11.96% of their income to the plan, which is then matched by the city.¹⁹ This is significantly more generous than private sector plans. According to Great-West Life, employer contribution rates average 6.5% for defined contribution plans and 3.9% for group RRSPs.²⁰ The municipal plan’s contribution rate is high even by the standards of defined benefit pension plans. The Public Sector Superannuation Plan, which is the pension plan for provincial public servants, only has contributions rates of 8.79% for income up to \$51,100, and 10.65% for income above that threshold.²¹ The Nova Scotia Health Employees Pension Plan has contribution rates of 7.82% for income below \$51,100 and 10.18% for income above.²² High contribution rates (and benefit levels) are not only a cost for the city, but they also leave less room to increase contributions further if the plan falls into deficit.

The disparity between public and private sector benefits has been a long-standing complaint of Chamber members. Many of our members find it unfair that they fund a large part of the city’s pension plan, yet most of them do not have access to such generous plans themselves.

Over the past year, the status of the city’s pension plan has occasionally been a topic of discussion during the in-camera portion of Regional Council meetings.²³ While we are glad that Council is discussing this issue, it is time to bring the discussion on the city’s pension plan out into the open.

The Chamber recommends that Halifax City Council:

- Take action to reduce the cost of the city’s pension plan and reduce the disparity between public and private sector benefits

Celebrating Progress

Over the past 12 months, Regional Council has made progress on a number of issues important to the Chamber. On immigration, the Mayor's welcome reception for international students was a great success and we hope to see it continue in the future. We were also very pleased with Regional Council's endorsement of voting rights for permanent residents in municipal elections. The Chamber has identified promoting immigration as one of the two major priorities of its 2013-2018 strategic plan for this year, and will continue to call on the province to approve the city's request. These two initiatives will help Halifax to be a more inviting place for immigrants and we hope to see more immigration initiatives from the city over the coming year.

The Chamber was also very excited about the release of the new Halifax brand, which is a major improvement. While a new brand was never going to please everyone, it is incredibly valuable for Halifax to present itself to the world with a unified name and message.

There has also been quite a bit of progress in the downtown. First and foremost, the number of construction projects underway speaks to the improved development climate resulting from HRM by Design. The recently completed Halifax Central Library is a wonderful achievement that will draw people downtown for years to come. In addition, Council's approval of a \$50 million, 5-year capital spending fund for the downtown core and recent crosswalk safety campaign are both positive steps.²⁴

Halifax's declining crime rate is also an important part of building a vibrant downtown core and positive business environment in general. In Halifax's case, the most striking statistic is the decline in violent crime over the past 10 years. Since 2004, Halifax has gone from having the highest number of violent crimes per 100,000 people in Canada to 7th place, a decline of over 50%.²⁵ While we can still do much better, it is encouraging to see how much progress our city has made.

Finally, Halifax Regional Council deserves praise for their excellent collegial working relationship. It is reassuring to see our political leaders collaborating on important issues and putting the good of the city ahead of the interests of their particular districts. Council and city staff's openness with the public and the business community is also very much appreciated. We look forward to seeing what Council can accomplish over the coming year.

Conclusion

Regional Council will face numerous difficult decisions in 2015. Councilors will have to take a hard look at city spending and future capital needs in order to keep taxes at an affordable level. Council will also face major reforms to Halifax's planning rules and transit system that could result in major improvements to city services, but also have the potential to upset the status quo. We will look to Council to put the long-term interests of Halifax first. In other words, we will be looking for leadership and we have faith in their ability to deliver.

Going forward the Chamber will be looking for:

1. No increases in average municipal tax bills
2. Simplified zoning rules for the Regional Centre
3. A redesigned transit system that is efficient and reliable
4. Action to reduce the cost of the city's pension plan

This submission has been created in collaboration with the Chamber's Task Forces, and includes input from our many Chamber members. The mandate of the Chamber's Task Forces are to support the development of policies on issues of importance to our members that are within the purview of their mandates.

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