



HALIFAX CHAMBER OF COMMERCE

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WORKING FOR YOU

Municipal Pre-Budget Submission

February 24th 2009



WE ARE

A not-for-profit business organization that takes a business - like approach to its operations.

Objective and non-partisan; we do not lobby for specific interests.

Funded exclusively through membership fees and fees for services we provide.

Experts in running conferences, publishing and disseminating information, helping people network, developing leadership skills, and building community capacity.

Specialists in the development and advocacy of public policy.

Not a government department or agency.

Independent from, but affiliated with the Nova Scotia, Atlantic Provinces and Canadian Chamber of Commerce.

A diverse organization made up of businesses that mirror the Halifax, Nova Scotia and Canadian economics.

Executive Summary

Each year the Chamber presents a pre-budget document to Council, as it undertakes one of its primary roles of approving the annual budget. Highlights of the recommendations to City Council from this year's submission fall under five main headings:

1. Infrastructure

- Human resource deficiencies in the Department of Infrastructure and Asset Management must be remedied as soon as possible
- "Shovel ready" projects must be prioritized and passed quickly through a filter, that considers their long term strategic benefits, sustainability and value to citizens and to the business community
- Develop a Master Transportation Plan for the city
- Create an amalgamated Transportation Authority
- Lobby the Province to increase the level of provincial transit investment. Nationally the average is \$19.87, while Nova Scotia spends just \$3.79 per capita¹
- Further investment in Metro Transit, with the following as priorities: improving the commute to downtown, the new bus maintenance facility and purchasing more new buses
- Work with the Halifax Airport Authority to establish bus transit to Stanfield International Airport

2. Construction Approval Process

- Approve HRMbyDesign as soon as possible
- Meet processing targets for construction approvals this year
- Establish more ambitious targets that are in line with the benchmark cities, once the current targets have been met
- Change the frequency of Council meetings to accommodate for speedier decision times, as per recommendation in staff report to Council December 9th 2008
- Work on building stronger relationships with the development community in the future
- Ensure that shortage of planners is avoided in the future, through stronger partnerships with Dalhousie's School of Planning
- Hire a sufficient number of planning staff

3. Municipal Finance

- Prepare a contingency plan to mitigate the impact of a potential recession-driven tax revenue decrease in 2011
- Continue to monitor the impact of the recession on the pension plan
- Ensure that the tools created by Corporate Planning for Council to assess value and impact of programs and services are appropriate and in use as soon as possible
- Reverse the changes approved to the debt policy in the June 2008 report, once the infrastructure deficit is resolved
- Aim to bring existing net debt to the point where the city can achieve the Multi-Year Financial Strategy objective of financial flexibility

¹ Canadian Urban Transit Association. (2006). *Federal, Provincial and territorial Funding for Transit: A Compendium*.

4. Tax Reform

- Complete the Tax Reform project which started in October of 2006, this year
- Clarify where Council stands concerning elimination of the Deed Transfer Tax
- Use taxes as an urban development tool to the greatest extent possible, especially downtown
- Implement broad-based tax cuts to the commercial rate, as opposed to sector specific rate cuts, such as a small business rate
- Develop a clear and concise commercial tax rate benchmark and communicate it
- Improve communication with the business sector regarding the Tax Reform project
- Publish the commercial tax rates in the budget documents in the same format as the residential

5. Other

- Develop an annual Community Satisfaction Survey
- Improve efforts towards HRM brand recognition
- Continue to support the Atlantic Gateway initiative

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Introduction

For over 250 years, the Halifax Chamber of Commerce has been the leading voice for business in Halifax. The first established in North America, the Chamber strives to make Halifax an ever more attractive city in which to live, work and conduct business. Maintaining this balance is essential to a vibrant and competitive future. Today, the Halifax Chamber represents approximately 1700 member companies employing more than 90,000 people - over half of the city's workforce.

The Chamber's Municipal Government Relations plan states that it is a goal of the Chamber "to increase communication with Halifax Regional Municipality (HRM) Council, to share information and to build on relationships with HRM." The pre-budget submission is one way in which the Chamber fulfills these goals.

In keeping with the goals of the Regional Plan, the Economic Strategy and the challenges highlighted by the Economic Scorecard, the Chamber has identified the following focus areas when determining the municipal budget for the coming year:

- Infrastructure
- Construction Approval Times
- Tax Reform
- Municipal Finance

Infrastructure

Shovel ready projects

The term "shovel ready" project has been common place, following the federal government's announcement of a \$12 billion dollar package for public works projects in the 2009-2010 budget.² The federal dollars are a great opportunity for the city; however, the city must make the best choices possible in order to take full advantage of this opportunity.

The "shovel ready" projects must be prioritized and passed quickly through a filter that considers their long term strategic benefits, sustainability and value to citizens and to the business community. According to an April 1st, 2008 presentation (to Committee of the Whole, Fiscal Framework, Capital) \$87 million would be required to be invested annually just to sustain the Municipality's current assets and a higher proportion of the gross capital budget is going toward maintaining existing assets than in previous years. Council needs to keep this information top of mind when prioritizing the "shovel ready" projects.

Last year, the Chamber was pleased to see a detailed presentation on infrastructure and asset needs included as part of the city's pre-budget process. With this detail, Council is now empowered to make better capital budget decisions. Long term planning is essential and this was a major step in the right direction, as were the development of the department of Infrastructure and Asset Management in 2007-2008 and the multi-year Asset Management Project.

² <http://www.lfpress.com/perl-bin/publish.cgi?x=articles&p=256347&s=bigfix>

At the same time, the Chamber is concerned with comments found in the Business Plan for the Department of Asset Management that “The Long Range Capital Planning program will be under significant operational pressure in the coming business cycle...the need for strategic alterations and service level alterations in this program will outpace the Business Unit’s human resource capacity during the 2008/09 business cycle.”³ The same holds true for the delivery of Design and Construction Capital Project Planning and Parks and Facilities Capital Project Delivery. These human resources problems must be alleviated immediately if the city expects to make the best use of the Asset Management Project and the federal funding.

Transportation

In the Chamber’s Spring Issues Survey 2008, 34% of respondents choose transportation as the number one issue that the Chamber should be involved in during the next few years. Our members often cite lack of public transit as a significant barrier when attempting to attract employees and deciding where to locate their business. The city has taken significant steps forward in the last year towards improving transit, as evidenced by the Five-year Transit Plan; however, more needs to be done.

Near the top of the list is development of a Master Transportation Plan for the city. HRM has come a long way in terms of infrastructure planning and although the Regional Plan has a section dedicated to transportation, it lacks the detail required to shape a transportation vision. In addition to amalgamating transportation plans, changes are needed to transportation administration in the city. The Chamber has been advocating for several years for an amalgamated Transportation Authority. Now is an opportune time to re-visit this option, as proposed large scale projects will require increased coordination and communication between the separate transportation players.

The city should continue to lobby the provincial government for more transit funding. The average level of provincial transit investment is \$19.87, while Nova Scotia spends just \$3.79 per capita⁴. Based on the average per capita spending of other provinces, an annual investment of \$11 million to \$19 million in sustainable transportation would be appropriate in Nova Scotia.⁵ This low level of Provincial funding is unacceptable and creates a competitive disadvantage not only our city, but for our entire province.

In terms of transit infrastructure, the Chamber’s Transportation Committee views the following as priorities for the upcoming budget: improving the commute to downtown, the bus maintenance facility and purchasing more new buses. The scheduled completion of new bus storage and maintenance facility for 300 buses will be a big step forward. Additional funding announced by Infrastructure Canada affords an opportunity to step up implementation of these plans.

Gateway

Besides transit, the other main infrastructure need of the commercial sector in Halifax stem from opportunities presented by the Atlantic Gateway. The Atlantic Gateway continues to be an area of interest for the Chamber. The Chamber urges Council to continue to work with their partners to align

³ <http://www.halifax.ca/budget/documents/IAM.pdf>

⁴ Canadian Urban Transit Association. (2006). *Federal, Provincial and territorial Funding for Transit: A Compendium*.

⁵ Estimates based on multiplying per capita provincial transit funding amounts by Nova Scotia’s 2007 population: 935,106. Nova Scotia’s population estimate from Statistics Canada: <http://www.statcan.ca/Daily/English/080327/d080327d.htm>

priorities and funding to support the Gateway. In particular, the Chamber encourages the city to continue working with the Halifax Airport Authority to establish transit to Stanfield International Airport.

Construction Approval Times

The Chamber has been pleased with the progress on HRMbyDesign this year. With the passing of Bill 181 this fall in the Provincial legislature, we are approaching the final stages of this project. In addition to the anticipated approval of HRMbyDesign by Council this summer, a key accountability milestone was met this year, which as part of the Scorecard process; targets were set for the time required for the city to approve construction projects.

According to the information provided by the city to the Chamber in November 2008, development applications that have been submitted since Aug. 31, 2007 have been processed within targeted time frames. However, a backlog of applications still exists in the system, causing this year's targets to be missed. We hope that next year, the targets, which are detailed in the chart below, will be met.

Type of Application	Sept 1 2007 - Aug 31 2008	Processing Targets	Aug 31 2007 –Sept 1 2008
	Avg. # of months to process	Target # of Months	# of months off target
Municipal Planning Strategy (MPS) Amendment	14	10	miss target - over by 4 months
Site Specific MPS Amendment & Development Agreement	20	11	miss target - over by 9 months
Development Agreement	8	8	met target
Rezoning	8	6	miss target - over by 2 months
Zone Amendments	7.5	6	miss target - over by 1.5 months

Council approval of HRMbyDesign later this year will go a long way to speeding up approval of construction projects; however, HRMbyDesign in and of itself is not enough. According to the staff report provided to the Chamber in November 2008 for purposes of the Scorecard, delays in processing applications last year were due to:

- Lack of a pre-application process for applicants – this is now in place
- Lack of Case Management Software – which according to the report has been purchased and should be operating by the end of 2009
- A backlog of cases, which should be cleared up with the improvements made, by year's end
- Lack of staff – five new planners were hired this year to address this issue

The pre-application process which requires applications to be complete prior to submission is a substantial improvement. The process builds on the applicant's understanding of what is required of them. We recommend building further upon this relationship between the development industry and the city. This could be done through a number of avenues. For example, the city could offer extended

education courses, perhaps through partnerships with local colleges on topics such as the basics of city planning or the pre-application process. A good example of the success of such a program is City of Edmonton's Planning Academy.

A shortage of planning staff is something that the city should be working on for the future. Of course, lack of planning staff means that applications take longer to process; but this is only part of the bigger picture. Planning staff shape the future of our city in regards to the movement and settlement of people. The decision to hire top planners pays for itself with future transportation and infrastructure savings, realized from well designed communities. We recommend that the city make recruiting and retaining planning staff a top priority.

Other changes that need to take place to speed up process times are detailed in the December 9th report to Council by Paul Dunphy. The report states that *"In order to reduce processing timelines, changes need to occur at . . . administrative, policy and political levels."* One key difference between HRM and the scorecard benchmark cities is the frequency of Council Meetings. This is a relatively easy fix and may mean increasing the frequency of Community Council meetings. The Chamber looks forward to seeing some changes in this regard that would help the planning process move forward.

Tax Reform

Currently, commercial tax payers pay three to four more times for municipal services, than residential tax payers. Ultimately, what the business community wants in their tax structure is greater transparency between taxes paid and services received. As stated in last year's pre-budget submission, the Chamber of Commerce fully supports the principles put forth by the City's Tax Reform Project. These principles are: equity, economic competitiveness, economic efficiency, respect for other governments, stability, simplicity and transparency and accountability. The mission to "base the tax system on charges for services provided and ability to pay" is something that the Chamber has been supportive of for some time.

It is imperative that the Tax Reform project, started in October 2006, be completed this year. According to a letter from Mayor Kelly to the Chamber dated January 29th 2009, Tax Reform was removed as a Council Focus Area due to the fact that the project is nearing completion. This is encouraging news. The Chamber looks forward to reviewing the Tax Reform update, which is scheduled to come to Council this March. Specifically, we will be looking for an estimate of the project completion date and a plan to phase in any changes, so businesses have time to adjust.

Broad-based Tax Cuts

The Chamber supports broad-based tax cuts to the commercial rate, as opposed to sector specific cuts, such as a small business rate. It is felt that a broad based approach will adhere to the principle of equity and economic competitiveness, benefiting all commercial tax payers with a lower rate.

Deed Transfer Tax

It is now unclear where Council stands on the issue of eliminating the Deed Transfer Tax. The Deed Transfer Tax is an outdated tax tool that does not have a transparent benefit. In HRM's Strategic Priority document for 2008-2009, it explicitly states that "The Deed Transfer Tax is not connected to municipal

services and is an economic disincentive. It should be phased-out.⁶ In addition, a Deed Transfer Tax is counterproductive to calls from development agencies within the city to focus on increasing the population of the city to avoid future problems, such as skills shortages.

Taxation as Development Tool

Taxes can be used to encourage or discourage development in certain areas of a city. As recognized on page 109 of the Regional Plan "... any tax system reforms include appropriate levels of taxation to encourage efficient forms of development..." We encourage the city to use tax incentives to encourage commercial development in the downtown core. It is worthy to note here, that HRMbyDesign does include a Financial Incentives Program for the Barrington Street Historic District (section 4.53).

Tax Benchmark

As indicated in the 2009 Scorecard, the city's commercial rate is becoming more competitive, when compared to the five scorecard "benchmark" cities. It is important that our tax rate remain competitive. It also important for the city to indicate which measure it accepts as a commercial tax benchmark. In the absence of better data, the Scorecard has been using KPMG's study on competitive commercial tax levels as a measure for commercial tax competitiveness⁷.

Communication

We are pleased to see that communications is a new Council Focus Area. Indeed, the city needs to improve communications with the business community, especially regarding taxation and tax reform. Finding new and innovative ways to access input from the commercial sector, such as focus groups, is important. Open houses are not an effective format for the commercial sector when consulting on taxation, as evidenced by low turnouts at past commercial tax reform events.

Municipal Finances

The informative report to Council by Geri Kaiser dated November 25th 2008 detailed the impacts that world economic conditions will have on municipal finances. First, we would like to congratulate Council for requesting such a report. It was timely and informative. This report should be considered when making decisions for this year's budget, as the economy will have a major impact on HRM's financial outlook now and in years to come.

Pension Plan

As stated in the report to Council by Geri Kaiser dated November 25th 2008, solvency of HRM's pension plan is an issue. Quoted from the report, "*During 2008, the total value of the Plan has fallen by approximately 20%. If a valuation were to be done today, the Plan would have a deficit of approximately \$10 million dollars.*" This is in addition to the impact of the recommendations by the Province's Pension Review Panel which would increase the current service costs by an additional \$16 million dollars per

⁶ <http://www.halifax.ca/budget/documents/PrioritiesApproved08-09.pdf>

⁷ KPMG's Study available at www.competitivealternatives.com

year (\$8 million from HRM and \$8 million from staff). It is beneficial that the next valuation does not have to be filed until December 31st 2011. Hopefully, some recovery will take place before December 31st 2010. However, the city must continue to watch this situation closely.

Revenue

In addition to the negative impact on the pension plan, the economic downturn could result in declines in assessment values, stemming from: lower housing sales, potential of decreased property values, decreased new housing starts and declining growth in the commercial sector. Due to the fact that assessment values are based on market values two years prior, the full impact of the recession won't be felt by the city until 2011. It is crucial to create a plan to prepare for a worst case scenario.

Expenses

Last year, the Chamber recommended a structured program and service review process be put in place as an expenditure control tool. In December 2005, Council's Program and Service Committee was disbanded, and its responsibilities placed on the entire Council. According to Marion Currie, Corporate Plan Coordinator for the city, this is being addressed. Quoted from Ms. Currie in an email:

"The Corporate Planning Office has commenced action on this initiative as part of the overall Corporate Planning Framework.... In addition, the 2009 Council Focus Area related to Governance and Communication includes a review of the committees of Council ...It is anticipated that the alignment of Services with Program Objectives and Community Outcomes will be completed in the 1st Quarter of 09/10, providing Council with better information to make informed decisions regarding the assignment or re-alignment of resources into the future. In addition to that alignment, staff will be developing tools to assist in evaluating service value and impact. Using tools that identify impact on outcomes, alignment with Council Focus Areas, citizen impact, overall cost, etc. will provide objective measures to assist Council's decision making process."

We look forward to seeing the outcomes of this important work in 2009, as Council will have important and difficult spending decisions to make this year.

Debt and the Multi-year Financial Strategy (MYFS)

According to HRM staff, revision of the Debt Policy this past June was necessary in order to invest in much needed infrastructure; however, we urge Council not to lose sight of the importance of paying down the city's debt, as the city is half way to being where it needs to be financially in order to make the plans outlined in the Regional Plan, a reality. Council should consider reversing the changes approved to the debt policy in June 24th report, once the infrastructure deficit is resolved.

The MYFS has proven to produce results, such as repayment of \$80 million dollars worth of debt since 1998, 80% of the annual capital budget which is now funded from operating revenues with only 20% from debt and a Standard and Poor's Rating of A/Positive.⁸ Council should aim to bring HRM's existing net debt (on a per dwelling unit, per capita basis or using debt service costs as a percentage of total operating expenditures) to the point where the city can achieve the MYFS objective of financial flexibility.

⁸ Report to HRM Council June 24 2008 – Debt Policy

Community Satisfaction Survey and Branding

An added, but often overlooked, benefit of investment in infrastructure is increasing community satisfaction. The 2008 Economic Scorecard gave a yellow light to the measure of “Attaining Higher Community Satisfaction”. The target is to reach 80% community satisfaction and to have HRM establish a yearly survey to measure this target. This year’s Scorecard used the Bristol City Think survey. However, the Chamber would still like to see an HRM created survey.

This year’s Scorecard gave two red lights to the measure of developing a brand for HRM. Globally, branding cities has become the norm. The Anholt City Brand Index is the foremost branding index for global cities. The Anholt uses six criteria to measure the strength of a city’s brand: presence, place, pulse, prerequisites, people and potential. Branding is about creating a shared vision for the future. Research shows that young people choose where to live first – then they think about work⁹. If we want to ensure people consider Halifax as a place to live, we must focus effort on brand development.

Conclusion

The upcoming year presents unique challenges for HRM and Council. The Chamber advises sticking the principles contained in the Multi-year Financial Strategy, while using available federal project dollars to create sustainable projects that contribute to the overall competitiveness of Halifax. The Chamber also advises that the human resources issues highlighted in many departmental business plans be addressed as soon as possible.

The important issues we have outlined in this document: smart infrastructure investment, speeding up construction approval times, tax reform and municipal expenditure control are critically important to the city’s future. The Chamber asks that Council keep these issues top of mind, when making the difficult decisions associated with setting and approving the city’s budget.

We thank you for the opportunity to present this pre-budget submission, and we look forward to working with you in the future.

CHAMBER ADVOCACY WORK

More information about the Chamber and its advocacy work can be accessed by contacting the office or visiting the Chamber web site at www.halifaxchamber.com

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⁹ http://www.classbrain.com/artread/publish/young_adults_choose_place.shtml