



**METROPOLITAN HALIFAX
CHAMBER OF COMMERCE**

*Strong Business. Strong Community.
Since 1750.*

**HRM 2002/2003 Budget
Submission**

March 2002

Metropolitan Halifax Chamber of Commerce HRM 2002/2003 Budget Submission

The Metropolitan Halifax Chamber of Commerce wishes to commend the Halifax Regional Municipality on once again tabling its budget prior to the end of its fiscal year. The Chamber recognizes the tremendous effort and diligent planning that is required by each business unit to achieve this result.

In reviewing the 2002/03 HRM Budget, the Chamber is encouraged to see that HRM continues to adhere to their Multi Year Financial Strategy (MYFS) with a continual build up of capital reserves and a reduction in the overall debt. We are concerned, however, that the level of debt reduction (2.5% in each of the last two years), while in the right direction, still results in \$15.1 million dollars in interest charges this year with the current debt at \$304.7 million. The more quickly HRM is able to reduce its debt, the more dollars will be available to improve service levels and support future growth.

The Chamber recognizes HRM's commitment to increase its capital reserve position. With the exception of Pollution Control Reserve, which is being deployed for its intended purpose (Harbour Solutions) HRM has increased capital reserves by approximately 15% (from \$29.8 to \$34.0 million). The Chamber also recognizes, however, that there are a number of issues facing the municipality that will require substantial investment in the near future. Aging infrastructure, accommodating future residential and commercial growth, and meeting the service needs of a more diverse and technology driven business community will require substantial investment. Given these requirements, the Chamber would question whether the projected 21% reduction (\$67.3 million to \$53.0 million) in capital expenditure from 2002-03 to 2004-05 (outside of the Harbour Solutions capital requirement) is realistic.

In response to the challenge of meeting an increasing demand for investment with finite financial resources, HRM has implemented two important initiatives this year; the Regional Planning Project and the Long-Term Capital Funding Plan. The Chamber fully supports these initiatives and believes that their successful completion and implementation will be critical if HRM is to foster a vibrant community that is capable of supporting long-term sustainable residential and commercial growth.

The Chamber understands that one of the uncertainties facing HRM in the upcoming fiscal year is the issue of provincial downloading, and in particular municipal equalization. If implemented, a municipal equalization program will undoubtedly have a material effect on HRM's financial position. The bottom line, however, is that there is only one taxpayer providing funding for all three levels of government. The Chamber encourages HRM to continue to work proactively and cooperatively with the Province so that the total tax burden is equitably allocated and that the most efficient and effective delivery of services is offered to its citizens. In addition, the Chamber recognizes the difficulty that downloading has on HRM's ability to implement long-term financial planning. Again the hope is that improved cooperation and communications will assist in minimizing these effects.

The trend of making the most of each operating dollar needs to continue as HRM looks for ways to deliver services more efficiently. The Chamber is pleased to see that the

operational budget for 2002/03 has basically been maintained at last year's level, at \$493.5 million. The ability of HRM to deliver the "right" services, at acceptable levels, while staying within its financial means will no doubt be challenging. The trend of maintaining operating costs needs to continue as HRM looks for ways to deliver services more efficiently. The role of the new performance measurement initiative undertaken by HRM is seen as a key support tool that will enable HRM to objectively evaluate the needs of its client base and the efficient delivery of services. Again the Chamber fully supports this important initiative and looks forward to seeing the results of the project.

It is noted that total property tax revenues will be increased this year by \$18 million, \$9.4 million being contributed by the business community. This amounts to an average increase in taxes of 6.6% for businesses, which is rationalized by a 2.6% Consumer Price Index adjustment for inflation and the need to service new businesses. Given that the assessment increase due to new business is \$133.5 million (34% of the total assessment increase of \$333.9 million), this would suggest that that increase necessary to accommodate additional growth is 2.7% ($\$133.5/\4214.1), not 4.0%. This would translate to an increase of 1.3% in commercial tax revenues that cannot be substantiated by CPI and new growth (e.g. $6.6\% - 2.6\% - 2.7\% = 1.3\%$). The Chamber believes that this unsubstantiated increase in commercial taxes should be removed and the proposed commercial tax rates adjusted accordingly. Currently, business accounts for 45% of property tax revenue and supports 30% of the operating budget. While the business community is willing to pay its fair share of taxes we are generally concerned that the level of contribution may not reflect the level of services rendered. The Chamber plans to address this issue in this coming year and is looking forward to a constructive dialogue with HRM.

One outstanding issue that continues to have a negative impact on the business climate in HRM is the current tax structure and, in particular, the continuance of the Business Occupancy Tax. The Chamber recognizes that a Tax Structure Committee is currently reviewing this and other tax issues, but would encourage HRM to more aggressively pursue business tax reform. Maintaining a competitive and healthy business environment in HRM requires a tax structure that provides the business sector with fair and predictable levels of taxation.

With respect to the manner in which the budget was presented, the Chamber notes that HRM continues to focus its budget message on a tax rate decrease based on an increase in property assessment. The Chamber believes that this approach is misleading to the public and that the focus should be on the actual tax revenues collected and the change in real dollar value to the taxpayer.

In summary, the Chamber is fully supportive of the many new and exciting initiatives that have been undertaken by HRM this year. We are concerned about the commercial tax structure and level of taxation levied upon the business community. The Chamber commends HRM council and staff on its continued adherence to the Multi Year Financial Strategy and the level of professionalism and dedication to serving the community that is apparent in the work it is doing. The Chamber looks forward to an exciting year of challenges and is eager to work with HRM to build a strong and vibrant community.