



# MUNICIPAL PRE-BUDGET SUBMISSION 2014/2015

February 10, 2014

Presented To: Mayor Mike Savage and Councillors of the HRM

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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 1,700 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 – ASPIRATIONAL SENTENCE AND GOALS**

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 the 2013-2018 Strategic Plan, the Halifax Chamber of Commerce created two Task Forces to provide input on the Plan's implementation. The members of the Task Forces are a diverse group of individuals with significant expertise on key policy issues.

## Executive Summary

It has been an impressive first year for our new city government. Due to Council's engagement and enthusiasm, there has been exciting progress on important issues such as city branding and transit. Perhaps more importantly, there is a newfound sense of optimism among the city's businesses and residents. Yet while there is much to be proud of, serious work remains. The year ahead will test whether Council intends to revert to business as usual or make a clean break from the past.

This submission outlines the Chamber's views on some of the critical issues facing our city.

1. Taxation – Promoting fairness and predictability
2. Centre Plan – Building a vibrant Regional Centre
3. Pensions – Reducing risks for taxpayers and plan members

These will not be easy issues to solve, but it is in our city's best interests to start moving forward. We are confident in our Mayor and Councilors' ability to tackle these problems and we look forward to hearing their plans.

## Taxation and Spending

A December 19, 2012 city staff presentation to the HRM's Audit and Finance Committee estimated that businesses in the city pay almost 150% of the cost of their municipal services, while residents pay only 85%.<sup>1</sup> This striking disparity between the services commercial taxpayers receive and the costs they pay is at the core of the business community's longstanding objection to the current property tax system.

We appreciate that the city is acknowledging that there are fundamental inequities in their tax system. Furthermore, measures such as keeping average tax bills flat, linking increases in commercial property tax rates to Gross Domestic Product, and the proposed three-year averaging of commercial assessments are welcome recognition that the commercial property tax system is in dire need of reform. While the intent of these reforms is laudable, we strongly encourage HRM Council to move beyond tinkering at the system's edges. If we are to restore fairness to our tax system, serious reforms will be required.

The other side of the taxation issue is spending. Over the past three years, the HRM's budgeted expenditures have grown almost twice as fast as GDP.<sup>2</sup>

| Indicator                               | 2010             | 2013             |
|---|------------------|------------------|
| Real GDP (2007 \$, billions)            | \$17,344,000,000 | \$18,058,000,000 |
| <b>Real GDP Growth</b>                  |                  | <b>4.12%</b>     |
| HRM Budgeted Expenditures               | \$729,815,877    | \$823,992,000    |
| HRM Budgeted Expenditures (2007 \$)     | \$695,654,283    | \$752,136,137    |
| <b>Real Budgeted Expenditure Growth</b> |                  | <b>8.12%</b>     |

Clearly, this is not sustainable in the long-term and must be brought into line with businesses' and residents' ability to pay.

Substantially changing the tax code and reducing spending are difficult propositions that will inevitably create some winners and losers. What Council cannot lose sight of is that an efficient municipal government and property tax system are both critical for Halifax's future economic prosperity.

### ***The Chamber Recommends:***

- Reducing the disparity between the property taxes businesses pay and the services they receive
- Reducing the growth in municipal expenditures to a sustainable level

## Centre Plan

It only takes a quick walk through Downtown Halifax to see the impact of HRM by Design. The number of cranes and construction crews working on new projects is unprecedented and, by all accounts, there is still much more to come. The combination of community support and regulatory certainty provided by HRM by Design will help transform downtown Halifax and Dartmouth in the years to come.

Beneath this good news is the unfortunate reality that the final phase of HRM by Design, the Centre Plan, has been moving much too slowly. To make matters worse, the continued application of outdated zoning rules, some of which were adopted over 35 years ago, is acting as a drag on the city's economic growth.<sup>3</sup> We have lost count of the number of projects in the Regional Centre that have been delayed or rejected because city staff are forced to implement a set of rules that no longer make sense.

Fortunately, many of the building blocks necessary for the Centre Plan are in place. The province recently gave the city permission to use site plan approvals and density bonusing in the Regional Centre. Previously these measures, which were critical to HRM by Design, had been restricted to the Downtown core.<sup>4</sup> As well, RP+5 appears to be largely complete, with a section committing the city to implementing a Regional Centre Plan.<sup>5</sup> In the end, all of this will be for naught unless Council and staff put a high priority on moving the Centre Plan forward.

For the time being, the HRM must do a better job of achieving its development approval targets.<sup>6</sup> A significant amount of economic activity flows through the planning department and it is important that its staff have the resources and motivation to succeed. Finally, implementing an 'Open for Business' culture and cutting through red tape will require empowered leadership from the top-down. That is why the city needs a "Chief Planner" that has the vision and the support of Council to achieve the Centre Plan's full potential.

Halifax's business community is ready and willing to help build the vibrant Regional Centre we all desire. Yet, without a simplified planning strategy that acknowledges the high costs of development delays, our Regional Centre will continue to struggle.

### ***The Chamber Recommends:***

- Making the development of the Centre Plan a top priority, with a clear timeline and goals
- Taking the necessary steps to meet development targets in all areas of the HRM

## Pension Review

The combination of an aging population, the 2008-09 global recession, and persistent low interest rates have made the last few years difficult for Canadian pension plans. As the financial position of many pension plans has deteriorated, it has created large unfunded liabilities for employers and distress for plan members. While the HRM's pension plan has not reached the crisis levels seen in other jurisdictions, it was only 85% funded on a going concern basis as of December 31, 2012. The plan's unfunded liability of over \$200 million is a serious issue for both taxpayers and plan members.<sup>7</sup>

The Chamber was encouraged to see that a pension review was included as an upcoming fiscal initiative in the Chief Administrative Officer's 'Budget Overview' presentation to Council on January 8, 2014.<sup>8</sup> Unfortunately, the city has not yet released details on the project's scope. We urge the HRM to undertake a full, independent analysis of their pension plan to assess its current state and future outlook. Reducing the risk that taxpayers, the majority of whom do not have a pension plan of their own, will have to make large supplementary payments to the city's pension plan is crucial for the HRM's long-run fiscal health.<sup>9</sup> Tackling any underlying pension sustainability issues now, before they reach crisis levels, is in the best interests of both taxpayers and pension members.

### ***The Chamber recommends:***

- Commissioning an independent review of the HRM's pension plan to address its unfunded liability and long-term sustainability

## Celebrating Progress

While it is important to highlight areas of improvement for the HRM, it is also valuable to take a step back and celebrate what Council has achieved. With our highly visible Mayor and engaged Council, there is a growing confidence in Halifax that while problems remain, better days are on the horizon.<sup>10</sup> The willingness of the Mayor, Council, and city staff to engage with the Chamber on key issues has been most welcome. While we certainly do not always agree, the quality of our dialogue is that much better when we know where the city is coming from.

There has also been major progress on transit issues. Council's approval this January of technology upgrades and a network review for Metro Transit is a major step forward. Installing a GPS system on Metro Transit's buses is a smart investment that will help eliminate some of the most common complaints about the city's transit system. As well, redesigning the entire transit network represents the kind of bold reform that Halifax needs. A cost-effective transit system that can quickly move people around the busiest parts of Halifax is integral to the downtown core and to the city's overall business environment. Efficient transit is not just an issue for Metro Transit's current riders, but for everyone that suffers the costs of traffic congestion on a daily basis.<sup>11</sup> We look forward to working with Metro Transit to engage our members in this transformation over the coming months.

Finally, the Chamber is very supportive of the city's ongoing branding initiative. Having a recognizable brand is very valuable to the business community and citizens deserve to have a brand that promotes Halifax's best qualities. We are encouraged by the initiative's momentum so far and we will be watching its progress closely.

## Conclusion

The Chamber has been encouraged by what it has seen from Council and city staff over the past year and we will be watching closely to make sure their good work continues. We believe that governments deserve to be recognized when they succeed, and held to account if they falter. The issues we have outlined in this submission are critical to our city's overall success and we look forward to your response. We will also look for the city's continued engagement with the business community on these issues. These topics are too large for the HRM to tackle itself and we are happy to help where we can.

***Going forward the Chamber will be looking for:***

1. Serious reforms to reduce businesses' unfair tax burden
2. A roadmap for implementing the Centre Plan
3. A stable and affordable municipal 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.*

Contact:

Nancy M. Conrad  
Senior VP, Policy  
Tel. (direct): 481-1231 Email: [nancy@halifaxchamber.com](mailto:nancy@halifaxchamber.com)

Eric Blake  
Policy and Research Analyst  
Tel. (direct): 481-1351 Email: [eric@halifaxchamber.com](mailto:eric@halifaxchamber.com)

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