



**GREATER CHARLOTTETOWN AREA  
CHAMBER OF COMMERCE**

**CITY OF CHARLOTTETOWN  
2008 BUDGET CONSULTATIONS**

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**SUBMITTED TO COUNCILLOR CECIL VILLARD  
CHAIR - FINANCE, AUDIT AND TENDERING COMMITTEE**

The Chamber welcomes this opportunity to provide commentary and input to the development of Charlottetown's 2008 Budget. We are pleased with your decision to receive pre-budget submissions well before the beginning of the fiscal year. The Chamber recommended this in a previous submission, and we hope this contributed to your decision.

It is through dialogue, consultation and **ongoing discussion** that issues can be best addressed. The Chamber has access to a skill set that has both depth and breadth, a membership that knows the realities of the business environment and has a keen interest in the long-term economic health of the greater Charlottetown area.

The Greater Charlottetown Chamber of Commerce is **the** voice of business in the capital area. With roots going back to 1887, the Chamber provides services and opportunities for members to enhance their ability to do business. **Our focus is business**, and that includes all factors that have an impact on business establishment and growth.



**The chamber has over 825 members, representing 13,000+ employees, in small, medium and large enterprises.**

Recently Canadian Business Magazine ranked Charlottetown #2 in its "Best Places to do Business in Canada" issue. The City was given the #2 ranking for the second year in a row based on success of the financial services, biotechnology and IT sectors, in addition to having a clean, safe environment with a high quality of life. This good news bodes well for the business community. The rating, however, must be tempered with the realities of the financial health of the City of Charlottetown. How the City manages its finances will have serious future ramifications on doing business in the capital area.

The importance of business and commercial development cannot be underestimated. You will have noted that our members employ over 13,000 individuals; employees that are both the payers of residential taxes, and the recipients of municipal services. We stress that it is a strong employment base that provides the foundation for financing municipal activities and services. As business thrives the employment base is secured, resulting, in turn, in a stable and secure revenue base for the City. A confident, thriving business community is a prerequisite for a thriving community.



**Employment is the foundation for  
a secure municipal revenue base.**

While we will address a few specific budgetary matters, this submission will focus on **stewardship** and the role it plays to ensure that the economic environment of the greater Charlottetown area continues to be conducive to business development.

Sound municipal **stewardship requires foresight and planning**, particularly when it comes to capital expenditures. Let's look specifically at the sewer and water utility. Chamber members were taken aback by the 2007 rate increases. While there may have been justification, there was no advance information that could have been incorporated into member business plans.

This uncertainty will continue unless there is a medium term, public infrastructure plan to guide the scheduling, implementation and financing of needed capital projects. Investments needed to provide services to all city residents, coupled with investments required to deal with core infrastructure reaching the end of its design and capacity life cycle, will amount to tens of millions of dollars. A multiyear capital plan needs to be developed to identify and give priority to planned capital expenditures. Planning is essential to utilize limited resources in the most efficient manner possible, demonstrating good stewardship of the City's finances. A rate schedule to finance these capital investments also needs to be developed, **in consultation with residents and the business community.**



**The chamber is concerned over future sewer and water rates.**

Property taxes are a second example of the need for foresight and planning. The provincial government has announced a ‘freeze’ on residential assessments. As the Chamber understands the decision, residential property owners will receive a tax bill showing both the ‘frozen’ assessment and the market value assessment. The tax payable will be based on the ‘frozen’ assessment but appeals will be based on the market assessment. This will also continue if the property is sold. When the freeze is lifted, the market assessment will be adjusted by a percentage factor to ensure that the effect of the freeze continues. While the freeze does not apply to commercial properties, the Chamber believes that the City must do advanced planning to ensure that economic development is not adversely affected by decisions to make up revenue losses by increasing the commercial tax burden.

Property taxes, in total, provide close to 85% of City revenues. It would appear from the Comprehensive Review and Strategic Plan (March 2006) that the average tax rate in Charlottetown is ‘competitive’ when compared to the average of selected New Brunswick cities (85% of New Brunswick). It would, however, be of interest to the Chamber, and its members, to see Total Property Revenues (according to budgets) split into commercial and noncommercial categories. This would allow a comparison of the competitiveness of business tax rates and tax burden, as well as provide a data source to track the impact of the provincial residential assessment freeze. We would welcome an invitation to participate in a thorough examination of the commercial tax burden in the City.



**The future commercial tax burden  
is of great concern.**

A third stewardship issue relates to the budgeting process and the integrity and content of the budget document. We have two suggestions:

- ◆ The City's Budget is presented on an Account Name/Department/Line item basis. There is no service level or performance information available to give meaning to the budget, or to identify reasons for changes. A listing of financial inputs only does not meet the Chamber's understanding of good stewardship.

A performance budget allocates money to various programs within an organization and provides details on the service levels that line items will fund. For example, the 2007 Budget included a line item of \$333,500 for Street Resurfacing. Our understanding of stewardship would be met if the number of kilometers were specified (the service level), as well as the cost per km. (performance).



**The format of the City's Budget should be changed to include service level and performance measures.**

- ◆ The budget practice of including a prior year's surplus as a revenue item is questionable. As this practice does not appear to the Chamber to follow generally accepted accounting principles, it does not instill confidence in the budget process and is not a sign of good stewardship.



**The Chamber encourages the City to change the budgetary treatment of prior year's surplus (deficit).**

Our fourth stewardship issue relates to managing the total indebtedness of the City. It appears that the city of Charlottetown now has one of the highest ratios of municipal capital debt to annual revenue in the country. The City's 2007 budget recognized that continued growth in total debt, and debt service, would place a stranglehold on operations. Significant tax increases would have to be considered.

Quoting from the 2007 Budget,

“Last year the City of Charlottetown committed to a Capital Debt Reduction Strategy and the basis of the strategy was that the City and Utility would limit Capital Expenditures each year to the amount of the Capital Debt being retired.....following this strategy it is anticipated that the city will be in a position where it can adopt ‘a pay as we go’ philosophy where capital projects are paid from operational revenues by 2011.”<sup>1</sup>

The chamber is concerned with the wording ‘it is anticipated’ - the wording gives the impression that the outcome is far from assured. This is particularly so without a multiyear capital plan in place.



**The Chamber would like to see a medium term financial projection of total debt, incorporating the announced strategy and a multiyear capital plan.**

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<sup>1</sup> City of Charlottetown 2007 Budget  
Greater Charlottetown Chamber of Commerce

