



GREATER CHARLOTTETOWN AREA  
CHAMBER OF COMMERCE

*2010 Pre-Budget Consultations*  
*City of Charlottetown*

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Submitted to Councillor Cecil Villard, Chair  
Finance, Audit and Tendering Committee

**1. Introduction**

The executive and members of the Greater Charlottetown Area Chamber of Commerce thank you for the opportunity to participate in the City’s Pre-Budget consultations for 2010. The Chamber’s ultimate goal, as the voice of business and an advocate of business interests, is the enhancement of communities in the Capital area through business development. It is primarily through maintenance and growth of employment that standards of living can progress, and municipalities can be assured of a vibrant tax base. Clearly then, the fiscal and operational affairs of the City are of keen interest to the Chamber and its 850 members.

**2. Status of Previous Recommendations**

It is important to review Chamber recommendations in previous Pre-Budget submissions to determine the degree to which the City is incorporating feedback from the business community into its budget preparation and ongoing operations. While the City of Charlottetown is a great place to live and ‘do business’, our members have expressed unease regarding the commitment of the City to follow best practice for municipal government by incorporating performance measures into its operations and fiscal management.

Previous recommendations were not given lightly, nor should they be taken lightly. They reflect sound business principles and best practices that, if implemented, would improve transparency and accountability.

<b>Some Previous Recommendations re Annual Budget:</b>	<b>Status</b>
• prepare and publish a multi-year plan for capital expenditures	?
• include measures of service levels and performance	?
• include a break-out of residential and commercial property tax revenues, showing changes in assessment and tax rate	?
• include a medium term projection of total debt, incorporating the effects of the current debt reduction strategy and a multi-year capital plan	?
• assure appropriate budgetary treatment of prior years surplus	?
• provide written feedback to Chamber on recommendations	face-to-face discussions appreciated

The absence of a multi-year plan for capital expenditures, published measures of service and performance levels, and a public debt management plan reflects a weakness in the City of Charlottetown's budget and fiscal management.

The Chamber, in its 2010 Pre-Budget Submission to the Provincial Government, has recommended that appropriate legislation be amended to require that all cities and towns in the province report on specified performance indicators, developed in consultation with the municipalities.

This is not a new concept. Since 2001, the Province of Ontario has required municipalities to report annually on performance, following a standardized format and standardized performance measures. The Chamber believes that the introduction of a performance measurement program in PEI would benefit municipalities and taxpayers, providing much needed information on efficiency and effectiveness of municipal operations, and on value for money.

The results of the National Municipal Performance Report by the Atlantic Institute For Market Studies, as reported by Maclean's Magazine in July, 2009, are related to the absence of performance measures. As reported, Charlottetown scored the lowest of all cities included in the study. While the validity of the assessment tools used, and the subsequent ratings may be debated locally, the result as posted in national media is cause for concern. If this scorecard (methodology) is to be used in the future, the City of Charlottetown now knows the rules of the game and must adjust its affairs to improve its relative ranking. To continue to be reported as "the worst run city in the country" will have potentially enormous negative consequences on the attraction of new businesses and the expansion of existing businesses.

### **3. The Economic and Fiscal Environment**

The economic and fiscal environment of the past 12 months has been challenging for the City, and our members. There are, however, positive signs of recovery from the recession, albeit somewhat weak. CMHC has forecasted a 2010 increase in MLS re-sales of 4.5% for the Charlottetown CA, after a 7.6% decrease in 2009. New starts are forecast to increase by 2%. Employment growth is expected to be approximately 1% in 2010, compared to an annual average of 1.3% for years 2006 through 2009.

The economy of Charlottetown and surrounding area is diversifying rapidly with substantial investments in business services, information technology and research and development. For example, the research infrastructure (both human and physical capita) being established by the members of the PEI Bio-Alliance is impressive.

We are indeed fortunate in this area to have weathered the recession as well as we have, compared to many other areas of the country. Hopefully, this will provide a sound base to move forward in the coming year.

The possible negative implications on economic recovery of fiscal measures that the City may implement in its 2010 Budget are, however, of concern to the Chamber.

#### **4. Property Taxes and Provincial-Municipal Transfers**

Recommendations #35 and #36 of the Commission on Land and Local Governance pertaining to provincial/municipal transfers contain two key aspects:

- (i) the recently implemented 'straight grant approach' has been judged by the Commission to be less than desirable and should be replaced by a transfer of tax room
- (ii) the determination of an equitable amount to be transferred should be based on the actual & projected cost of services

Specific policy and legislative changes are to be discussed through a yet-to-be determined consultation framework.

The Chamber, in its submission to the Commission, suggested that discussions to resolve the current impasse should be *principle based* using the following criteria:

##### Transparency

The rationale for any policy or legislative change regarding these fiscal transfers, and fiscal impacts, must be clearly stated and made public.

##### Adequacy

Transfers to municipalities must be adequate for them to carry out their future responsibilities. Adequacy should be determined via a joint examination of future service levels and those factors that drive costs.

##### Predictability

Future transfer levels must be stable and predictable so municipalities can plan and budget effectively.

##### Municipal accountability

The transfer mechanism should include an accountability framework to ensure both parties that monies are spent in the best interests of *all* taxpayers i.e. services are delivered efficiently within benchmark standards for municipal services, and subject to external review.

The Chamber suggests that the City might incorporate these principles in its approach to the discussions on the future regime for provincial/municipal fiscal transfers.

With regard to the 2010 Budget, the property tax paid by the commercial/industrial sector is of significant concern to the Chamber. While commercial assessments comprise 24% of total assessment, commercial taxes account for 40% of total City property taxes.

If local business is to be competitive, commercial property taxes must be in line with those jurisdictions with which it competes, they must be predictable, and they must be transparent.

## **5. Specific Points of Interest to the Chamber**

### Business Development and Revitalization:

The Chamber congratulates the City for its recently announced Tax Incentive Strategy. This strategy should be a strong encouragement for business to locate or expand in the City and also be the motivation for relocation of business to more 'conforming' locations. However, to ensure accountability and transparency, the financial implications of all approvals under the policy should be made public as part of the City's budget.

### Parking:

The Chamber continues to be concerned over the lack of speed in the implementation of the recommendations of the The Downtown Parking Strategy. The May 2008 Report stated:

"The current state of the parking system in downtown Charlottetown lacks clear direction and strategy. If unchecked, the existing problems will continue to negatively impact the perception and vitality of downtown by repelling customers and developers."

The Strategy has some excellent recommendations that would benefit business owners, employees and consumers. 'Muddling through' with piecemeal decisions should be replaced by a deliberate plan to address the parking issues identified in the Strategy. The lack of an overall plan is troubling, given the importance of the issue.

### Vacant Building/Lot Tax and Assessment Policies:

The Chamber is encouraged by the progress being made on vacant properties, particularly ground level areas in the core. The recently announced incentive program,

combined with the commitment of the City to review incentives and disincentives within the property tax and assessment system (re vacant commercial properties), shows a strong desire to address the issue. The Chamber is ready, willing and able to work with the City to reach the mutual goal of minimizing vacant commercial space.

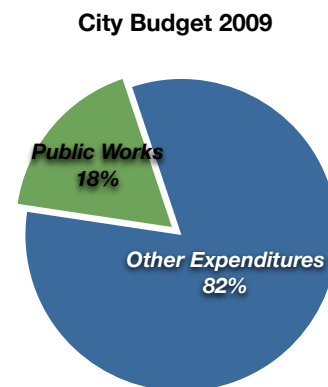
#### Sewer and Water Rates:

The City's Sewer and Water Utility is, without question, a most critical component of the City's infrastructure. While the Chamber commended the City for initiating a comprehensive review of the Utility in its 2009 submission, we are concerned about the lack of public information on the recommendations and the pace of review and implementation. Given the importance of the management of the Utility, its operations, and its rate structure to business development, the Chamber hopes that the City soon announces a long term response to the Review.

#### Operational Review - Public Works:

As evidenced by the operational review of the City's Police Department, such studies carried out by knowledgeable and impartial professionals can have great benefit in improving service strategy, organization, service delivery, and value for money. It is the Chamber's view that a similar review of the Public Works Department should be undertaken.

Public Works accounts for 18% of City expenditures. While the vast majority of these expenditures can be identified as having a direct economic/public service benefit, an undetermined amount is essentially social in nature and benefit. That amount needs to be identified and budgeted so the expenditure is directly related to its purpose.



An operational review could:

- assess current efficiencies by benchmarking Public Works expenditures against other similar municipalities in the region and across the country
- identify potential cost savings through targeted interviews

## 6. Concluding Comments

All of the above comments have one central theme - getting the best service value for taxes paid by the business community and individuals/families. This cannot be addressed, nor assured, unless the City commits itself to:

- an appropriate identification and delineation of governance and management roles
- a desire to measure and quantify
- ongoing performance measurement
- sound decisions based on the best data and information available

The Chamber recognizes the fiscal challenges facing the City. However, with strong leadership, strategic thinking, and good analysis, these challenges can be met.

Thank you for your attention and we wish you well in your budget deliberations.

Submitted by:

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