

December 3rd, 2019

Re: City of Regina's proposed 2020 General Operating Budget

On behalf of the Canadian Federation of Independent Business (CFIB) and our small business members in Regina, we are pleased to provide our members' views and concerns regarding the City of Regina's proposed 2020 General Operating Budget. This Budget proposes an overall municipal property tax increase of 3.25 per cent in 2020 for the average household.

While we note that the City Manager acknowledges that *"we are in a fairly difficult economic time,"* we do not believe this proposed Budget fully recognizes the serious economic concerns facing small businesses in Regina and elsewhere in the province. However, we are encouraged to hear that the Mayor *"wants to cut the tax hike to well under three per cent."* We also agree with the Mayor when he said "Council will simply have to get "more creative" by finding ways to better target programs and get better value for tax dollars." CFIB believes this goal is very attainable and encourages the City to do more to further reduce operating spending growth in 2020 in order to mitigate the proposed municipal property tax increase.

The economic challenges facing the City's small businesses cannot be overstated. As they are the City's economic drivers, we urge Council to find further cost savings, and focus solely on key spending priorities in order to limit the property tax increase over the next year to help small businesses mitigate these serious concerns.

Sask small business optimism continues decline in November; lowest in Canada

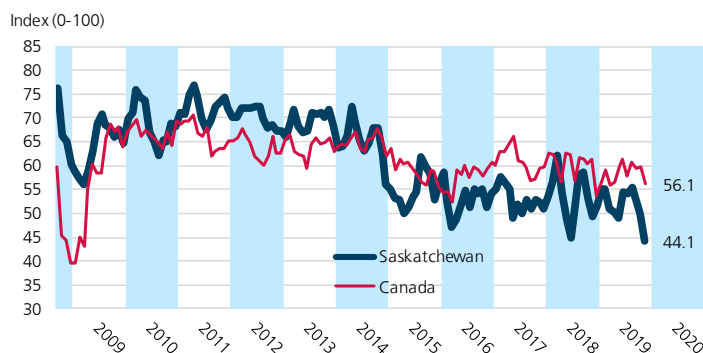
CFIB's Monthly Business Barometer® has shown to be an extremely accurate indicator of economic growth and is utilized by a number of financial institutions in Canada including Bloomberg, the Bank of Canada and Scotiabank. Tracked against GDP, the Barometer index closely reflects what is currently happening in the economy. Index levels normally range between 65-70 when the economy is growing at its potential. In contrast, an index level in the high 30s has previously indicated an economy in recession, as was the case nationally in 2008-2009.

Saskatchewan's small business optimism continued its decline in November; down to an index of 44.1 – the lowest in Canada and 5.3 points below its level at this time last year (see Figure 1). And, given the historically bad harvest this fall, ongoing trade uncertainty, rail transportation problems, a costly federal carbon tax and several more years of CPP premium hikes yet to come, we worry the index may continue to fall in the near future. Similarly, short-term employment plans further weakened with 28 per cent of businesses looking to layoff staff, while just 7 per cent are planning to hire in the next three months (see Figure 2). These employment plans are considerably worse now than in November

2018, when 11 per cent of entrepreneurs were planning to hire and 20 per cent were planning to layoff staff.

Figure 1

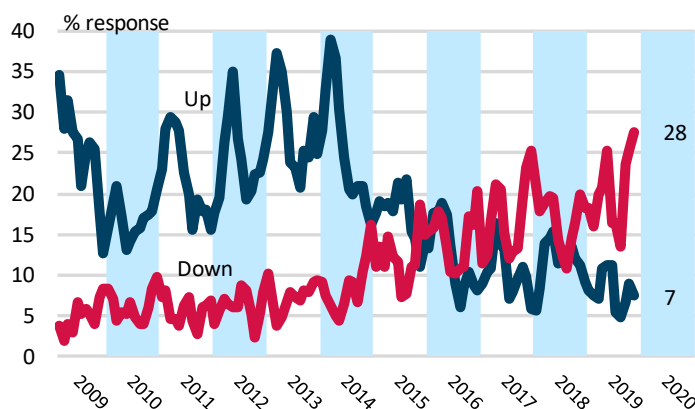
CFIB Monthly Business Barometer Index (Sask vs. Canada)



Source: CFIB Monthly Business Barometer, Saskatchewan, November 2019.

Figure 2

Saskatchewan full-time staffing plan, next 3 months



Source: CFIB Monthly Business Barometer, Saskatchewan, November 2019.

economy and a growing population. That being said, we are concerned that the City is considering an overall municipal property tax increase of 3.25 per cent in 2020 - this tax hike is on top of even larger tax hikes in recent years.

For those that suggest municipal property tax increases don't have an impact on Regina's business community or that these small businesses can simply absorb the continual hikes, it is clear our job creators have a very different perspective. We are not talking about billion-dollar multi-national corporations that can shoulder these increases. This is about your local hardware store or your favourite restaurant. It is about your florist, your mechanic, and your hairdresser.

Top cost pressures: tax and regulatory costs

CFIB's monthly Business Barometer Index revealed the top cost pressures for Saskatchewan entrepreneurs continues to be tax and regulatory costs, cited by 70 per cent of respondents in November 2019¹ (up from 66% in November 2018).

Therefore it is not surprising that the province's small business owners rank the total tax burden as their most serious concern (88%) and the cost of local government as their fourth top concern (59%)².

There is little doubt that some of the major contributing factors are related to several federal cost increases and ongoing trade uncertainty. However, we fear increasing cost pressures at the municipal level will only make this bad problem worse.

Impact of municipal property tax increases

We realize budget deliberations require difficult decisions as Council strives to meet the challenges of a weakened

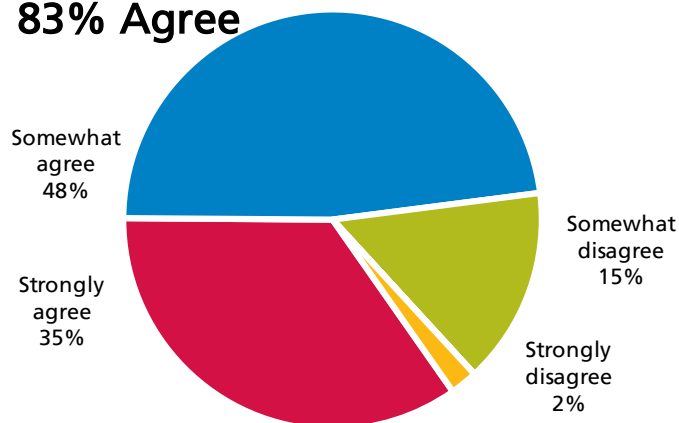
¹ Source: CFIB Monthly Business Barometer, Saskatchewan, November 2019.

² Source: CFIB Our Members' Opinion Survey, January - June 2019, n = 858 responses.

Figure 3

To what extent do you agree or disagree with the following statement:
Recent municipal property tax increases have negatively impacted my business.

83% Agree



Source: CFIB, 2020 Saskatchewan Pre-Budget Survey, October 2019, Regina results.

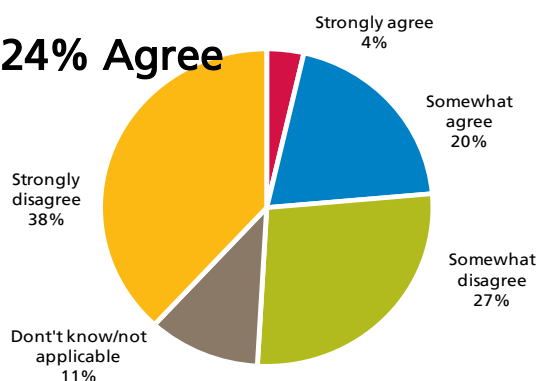
There are all kinds of businesses who are impacted by annual property tax hikes. In fact, a recent CFIB survey found that 83 per cent of Regina business owners agreed that recent municipal property tax increases have negatively impacted their business. Only two per cent strongly disagreed with this statement (see Figure 3).

When asked about the best ways their municipality could help their business succeed, 69 per cent of Regina's business owners wanted to see property tax levels improved. This was followed by 43 per cent who cited ease of doing business locally (see Figure 5).

Figure 4

To what extent do you agree or disagree with the following statement:
Over the past three years, value-for-money in terms of municipal services I receive and municipal taxes/fees I pay as a business owner has improved.

24% Agree



Source: CFIB, 2020 Saskatchewan Pre-Budget Survey, October 2019, Regina results.

Figure 5

In your community, which of the following would you like to see improve to help your business succeed?



Source: CFIB Municipal Issues Survey, September - November 2018, Regina results.

Furthermore, small business owners believe the City can do a better job of offering their services more cost effectively. In fact, only 24 per cent of the City's small business owners say they are getting better value-for-money for the municipal services they receive than they did three years ago (see Figure 4).

Regina small business owners themselves sum up the problem best:

“Keep their spending in line... like a business. Do more with less.”

“I do not believe that anyone who works for the public sector can really examine “wastes” in their sector. I believe it would be money well spent to have an outside expert in each field look at how governments can save money.”

“Embed business impact criteria into every decision making model in use at City Hall.”

No support for increased taxation powers to municipalities

On February 15, 2018 in a media interview with CBC news, Mayor Fougere stated: “we’re discussing through the Saskatchewan Urban Municipalities Association (SUMA) and the City Mayors’ Caucus the whole issue of new sources of revenue for municipalities.”

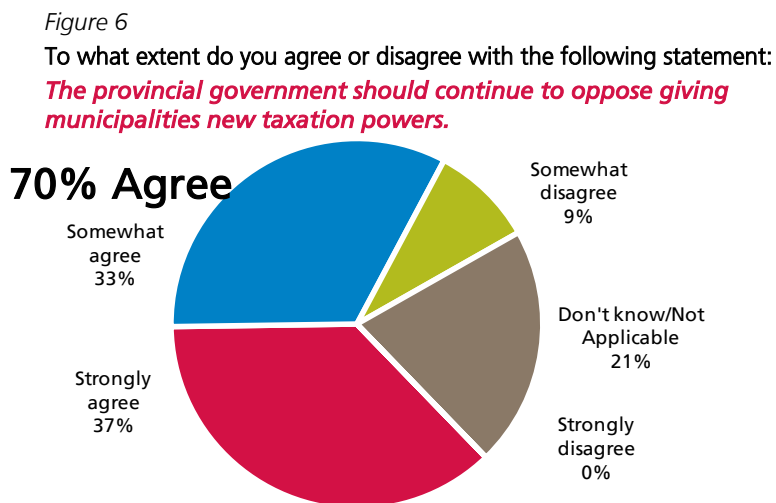
While we recognize the fiscal pressures Saskatchewan municipalities face, we fear giving them new taxation powers would further hurt their local small business communities that are already struggling in a slower economy.

While the provincial government has demonstrated no appetite for allowing these changes, CFIB recently surveyed Regina small business members to determine if they were still opposed to municipalities receiving new taxation powers. A strong majority (70%) of Regina’s small business owners agree that the provincial government should continue to oppose giving municipalities new taxation powers. Just nine per cent disagree (see Figure 6). It is important for everyone involved to remember that while we have three levels of government, there is only one level of taxpayer.

Continue to find cost-savings to mitigate proposed property tax increase

We are encouraged to see that the City has found \$3 million in savings already by restructuring departments and would recommend this continue in order to further mitigate the proposed property tax increase.

Based on CFIB’s calculations from April 2019, inflation is expected to increase in Saskatchewan by 2.20 per cent in the 2020-21 fiscal year. The City’s forecasted population growth for 2020 is 1.8 per



Source: CFIB, 2020 Saskatchewan Pre-Budget Survey, October 2019, Regina results.

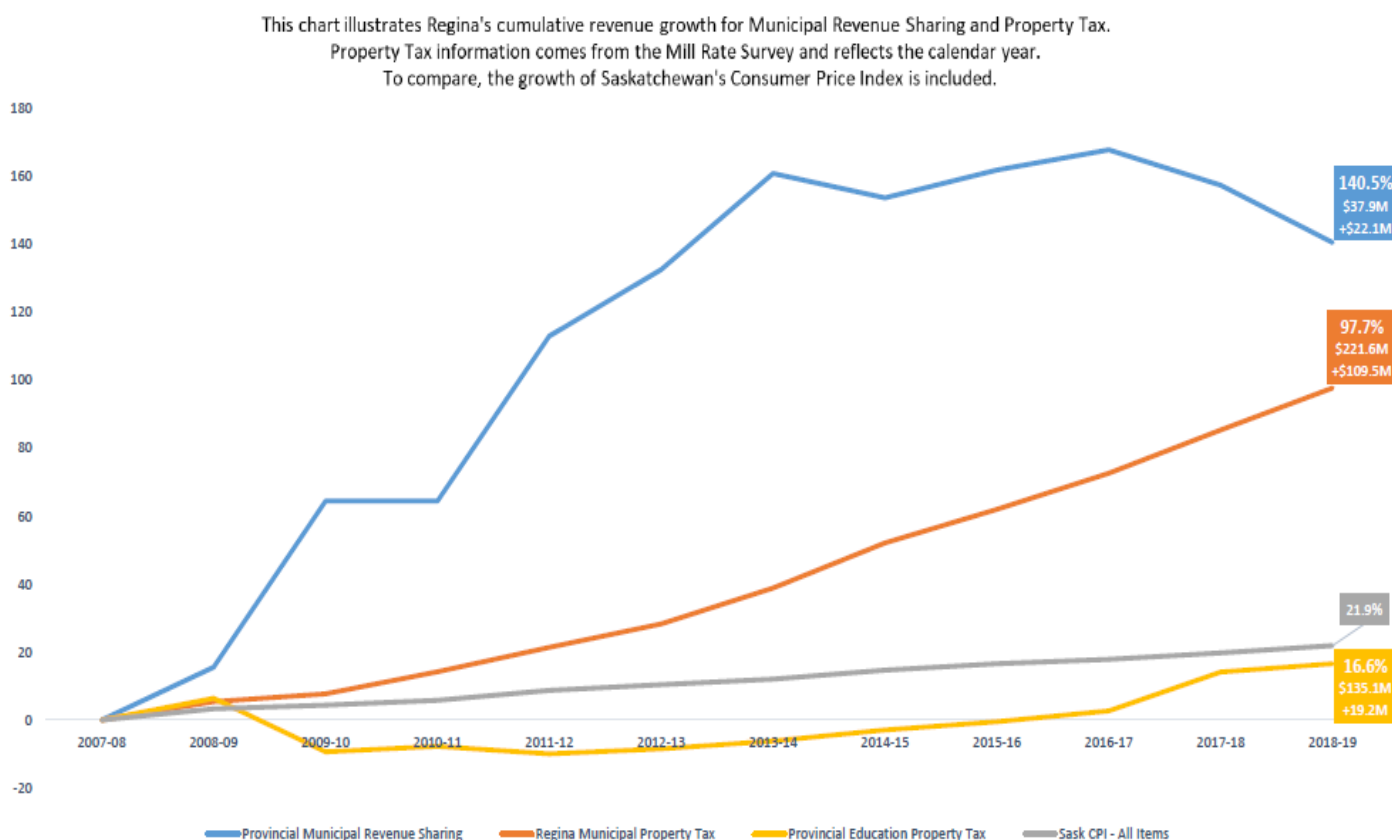
cent³. Therefore, CFIB's projected annual sustainable operating spending increases for the City of Regina is 4.0 per cent in the 2020-21 fiscal year. However, it is important to note that the Conference Board of Canada's 2020 projections for population growth are higher than the actual increases in both 2018 and 2019. Additionally, their forecasted inflation for the City is less than CFIB's at 2.1 per cent.

The City is currently projecting a 3.57 per cent increase in general fund spending in the 2020 Budget, which is below CFIB's sustainable spending benchmark (population growth plus inflation) for the year. However, we believe that given the weak economic outlook and layoff plans facing Regina's small businesses, the City must do everything possible to prioritize its spending and find further efficiencies to mitigate the proposed property tax increase in 2020.

It is also important to note that the last decade of spending increases points to potential for savings today. For example, in 2019-20, the Government of Saskatchewan distributed nearly \$251 million to municipalities in municipal revenue sharing; a \$124 million increase over 2007-08⁴. Of this, revenue sharing in Regina increased from \$15,746,761 in 2007-08 to \$39,202,694 in 2019-20; a 149% increase

Table 1

Regina cumulative revenue growth (per cent) 2007-08 to 2018-19



³ Source: Conference Board of Canada; Statistics Canada, CMHC Housing Time Series Database.

⁴ <https://www.saskatchewan.ca/government/municipal-administration/funding-finances-and-asset-management/funding/municipal-revenue-sharing>

since 2007-08. The City anticipates a Revenue Sharing Grant of **\$42,407,000** in 2020-21 or a 11.9 per cent increase in one year.

In total, the City's Government Grants and Transfers Revenues are increasing by 10.2 per cent in the 2020 Budget. According to recent analysis, in 2018-19 the City of Regina received a 140.5 per cent (\$22.1 million) increase in municipal revenue sharing since 2007-2008. However, over the same period, the City's municipal property tax revenues have also increased by 97.7 per cent (\$109.5 million) despite the modest growth of the province's consumer price index of only 21.9 per cent over the same period (see Table 1).

Reduce labour costs

Business owners make difficult decisions every day in order to live within their means and keep their businesses running, and they expect their local governments to do the same.

We know salaries make up the most significant operating expenditure for the City. While the City's spending on salaries and benefits in the general fund are increasing by 1.5 per cent from the 2019 Budget, this number is up 6.4 per cent from the 2019 Budget forecast. This further represents a 61.1 per cent of the entire 2020 Civic Operational Total (General Fund). However, CFIB is encouraged that this share appears to be declining, slightly, over the last three years (down from 61.9% in 2017-18).

In total, there will be 24 total additional FTE staff in 2020. While this is fewer than those being added in Saskatoon, for example, this is still concerning at a time when more small businesses are being forced to layoff staff than hire across the province.

Instead, the City should focus on reducing staff and better prioritize spending needs. A recent CFIB survey found 75 per cent of Regina business owners don't believe the City needs to increase in size to keep up with the community's growth (see Figure 7).

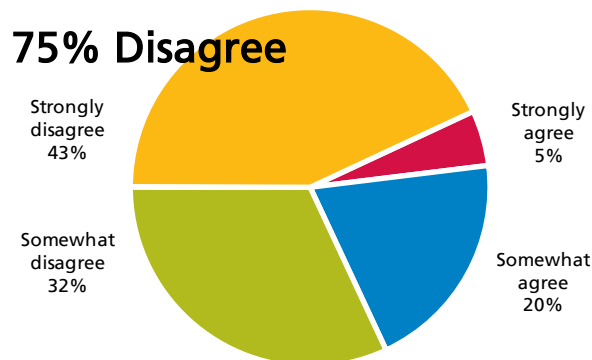
Reducing the size of municipal government through attrition

We understand that almost one-quarter of the City's workforce is eligible to retire in the next eight years. As recommended previously, we believe the City should consider attrition-focused staffing reductions and introduce a plan to reduce the size and cost of its municipal civil service. A CFIB survey found the majority (64%) of Saskatchewan business owners believe municipalities should reduce the size and cost of their civil service through attrition (i.e. not replacing employees who retire or

Figure 7

To what extent do you agree or disagree with the following statement:

My municipal government needs to increase in size (e.g. increase spending/taxes) to keep up with my community's growth



Source: CFIB, 2019 Saskatchewan Pre-Budget Survey, October 2018, Regina responses.

leave)⁵. Supporters say it would result in smaller, less costly and more efficient municipal governments. It would also help free up revenue for other municipal initiatives (e.g. infrastructure). Only 17 per cent opposed the idea.

The City should also reform its outdated “sick day” policy. In Regina, employees can bank up to 215 days, which can be converted to cash payments upon retirement under certain grandfathered collective agreements. In 2013, the City of Regina had \$10.8 million in banked sick day liability.

Focus on limiting spending to priority areas

When surveying our small business members in Regina, it was clear that the majority want the City to reduce spending growth by focusing on key services and infrastructure investments. As one member summed it up:

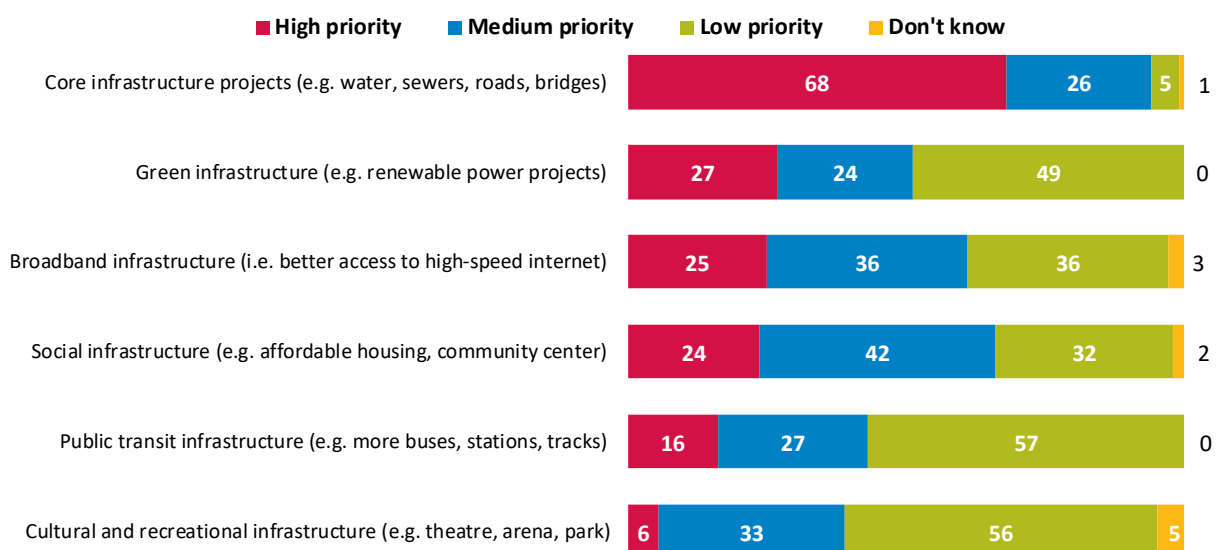
“Need to prioritize spending. We do not have adequate infrastructure for people and yet we are worried about dog parks.”

However, two areas for spending priorities emerged; investing in core infrastructure and crime prevention.

The City should treat core infrastructure projects as their spending priority for infrastructure (see Figure 8). A focus on core infrastructure investments, especially compared to those on public transit and cultural and recreational facilities, is clearly the priority of small business owners. It is concerning that the 2020 Budget proposes to increase General Fund expenses for Parks, Recreation & Cultural Services by 9.3 per cent.

Figure 8

How should governments prioritize the allocation of more funds to each of the following types of infrastructure projects?



⁵ Source: CFIB, Saskatchewan Mandate 267, 358 Saskatchewan responses.

⁶ Source: CFIB, 2020 Saskatchewan Pre-Budget Survey, October 2019, n=383, Regina results.

Given the weak economic outlook, the City should focus on delivering those services and investments that are essential. This idea is also supported by the fact that 76 per cent of Regina's small business owners support the City increasing its spending levels on local infrastructure by finding efficiencies in other areas⁷. Another 11 per cent were unsure.

CFIB therefore recommends that Council reassesses its priority for cultural and recreational infrastructure in the current budget. Several investments are being made that could otherwise be used to lower the proposed property tax increase. For example, the \$380,000 proposed for two new off-leash dog areas (one specifically for small dogs) could be better used elsewhere. Another question to ask is why golf related revenues are expected to be \$2.9 million again in 2020, despite a \$1.3 million dollar redevelopment at one course?

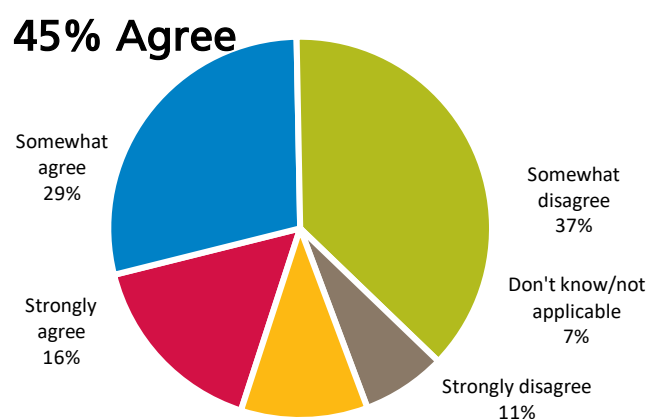
In addition Regina's small businesses support the City placing a spending priority on crime prevention. This is not surprising as the level of crime in Regina has had a negative impact on businesses. When surveyed, 45 per cent of business owners believed the level of crime had negatively impacted their business (see Figure 9).

While the Budget indicates there will be 14 police positions created, there are just as many (15) being added to City Planning and Community Development. This represents a higher per cent increase than with police FTEs (2.5% vs 2.3%). It is also important to recognize that crime prevention requires all levels of government working collaboratively. In fact, 89 per cent of Saskatchewan small business owners agree that the provincial government should increase spending on crime prevention across the province⁸.

Figure 9

To what extent do you agree or disagree with the following statement:

The level of crime in my area negatively impacts my business.



Additional ways to help small businesses – cutting red tape for Regina business owners

We know entrepreneurs deal with piles of red tape associated with the PST, GST, employment standards, payroll taxes, WCB paperwork—the list goes on and on. One significant area of red tape that many businesses and residents deal with are municipal permits.

⁷ Source: CFIB, 2020 Saskatchewan Pre-Budget Survey, October 2019, n=383, Regina results.

⁸ Source: CFIB, 2020 Saskatchewan Pre-Budget Survey, October 2019, n=383.

According to CFIB's research, in Saskatchewan, federal, provincial and municipal regulations cost businesses \$1.1 billion per year, of which \$330 million is considered "red tape". Reducing municipal red tape can give much needed time and money back to business owners.

In a recent CFIB survey, Regina members were asked to identify which municipal regulations were most burdensome for their business in terms of time and money spent on compliance. Thirty-nine per cent of Regina entrepreneurs cited building and renovation permits, 24 per cent cited business licensing, and 21 per cent citing land use development as the most burdensome regulations to their business. These responses are all higher than those seen in Saskatoon.

We appreciated that the Mayor proclaimed Red Tape Awareness Week 2019. We also recognize the City's ongoing work to review red tape within permitting. As we've heard for years, red tape is stifling growth, especially through permitting, in municipalities across Canada. As one Regina member stated:

"It is absolutely ridiculous what people go through in this City trying to get a permit. This is having a major impact on our business."

We encourage the City to take the examples of the Halifax Regional Municipality (HRM) and the City of Winnipeg to help ramp up Regina's red tape reduction efforts. The HRM has partnered with the Government of Nova Scotia to provide ongoing feedback and insight into regulatory changes that are being proposed, as well as those that need to take place. Given the Government of Saskatchewan's strong leadership on red tape reduction, this could be a positive step.

The City of Winnipeg is in the process of completing the first iteration of their *Red Tape Top 10 List*, which has developed in partnership with CFIB and is expected to bring forward positive by-law and policy changes to help small businesses. In addition to years of experience in red tape reduction and extensive survey data, CFIB works closely with members in every sector to identify red tape. We would be pleased to work with the City of Regina with a similar consultation for the permitting review.

In addition, CFIB has challenged municipalities across Canada to implement a construction mitigation policy and follow recommendations from the *Paving a Smoother Road* report¹⁰. Several municipalities including Montreal and Quebec City have adopted most of CFIB's recommendations including compensation for businesses most severely impacted by local roadwork.

We were pleased to hear earlier this year that the Mayor is considering construction mitigation measures including working extended hours on some projects. CFIB would also be pleased to work with the City to help study different policy options such as 24-hour work and, ideally, develop a similar construction mitigation policy as they have in Montreal and Quebec City. Just recently, the City of Winnipeg completed their construction mitigation plan through their *Road Construction Working Group*, which CFIB was a part of.

⁹ Source: CFIB, 2020 Saskatchewan Pre-Budget Survey, October 2019, n=383, Regina results.

¹⁰ <https://www.cfib-fcei.ca/sites/default/files/2018-05/report-paving-a-smoother-road-construction-mitigation-policy-FINAL.pdf>

Recommendations:

With these facts in mind, CFIB urges Council to consider the following recommendations to further contain operating costs in order to mitigate the proposed 3.25 per cent municipal property tax increase:

Short-term recommendations:

- 1. Continue to find cost-savings and internal efficiencies by:**
 - **Continuing to review current programs and services** with the objective of identifying programs and service areas that can be eliminated, streamlined, contracted out to the private sector, or sold.
- 2. Develop a plan to work with the Government of Saskatchewan and key stakeholders to reduce red tape.**
- 3. Develop a construction mitigation policy in partnership with key stakeholders.**

Medium to Long-term recommendations:

- 4. Continue to reduce the size & cost of the municipal civil service by:**
 - **Introducing a plan to reduce the size and cost of the civil service (primarily through attrition and pension reform).**
 - **Developing a long-term strategy to narrow the compensation disparity between public and private sector employees.**
 - **Eliminating the costly and outdated municipal banked sick day policies and replacing it with affordable short-term disability plan.**
- 5. Develop & implement a plan over time to reduce the commercial-to-residential property tax gap.**
- 6. Consider the introduction of a base tax for all homeowners.**

We thank you for considering the views of Regina's small business community as you work to finalize the City of Regina's 2020 General Operating Budget. As CFIB's research has shown, municipal decisions significantly impact Regina business owners' ability to grow and create jobs.

Respectfully submitted by,

Marilyn Braun-Pollon
Vice-President, Western Canada & Agri-business