



**CANADIAN FEDERATION  
OF INDEPENDENT BUSINESS**

*In business for your business.*

2400 College Avenue, Suite 503  
Regina, Saskatchewan S4P 1C8

December 5, 2018

## Re: City of Regina's Proposed 2019 General Operating Budget

On behalf of the CFIB and our Regina small business members, we are pleased to provide our members' views and concerns regarding the City of Regina's 2019 General Operating Budget and its proposed municipal property tax increase of 4.7 per cent.

We noted the City's 2019 Budget theme is *"Investing in Your Priorities"*. While we acknowledge the City has kept its operational spending increase to 4.0 per cent in 2019, which is in the range of CFIB's sustainable benchmark (population growth (2.0%), plus inflation (2.0%)), Regina entrepreneurs believe Council and Administration should find additional cost-savings and efficiencies to mitigate the proposed municipal property tax increase.

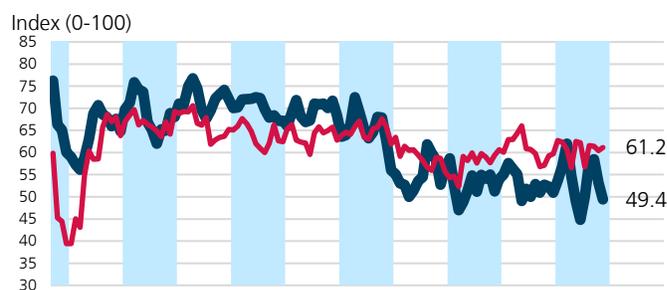
We worry the proposed 4.7 per cent property tax hike will only add to a number of cost pressures that business owners are already facing including the federal government's tax changes, upcoming payroll tax increases, a costly federally-imposed carbon tax and lingering uncertainty over trade and competitiveness with the U.S. Another municipal property tax hike will just make it more difficult for businesses to stay competitive.

---

## Saskatchewan small business optimism took another step backward in November; 1 in 5 businesses planning lay-offs

Figure 1

### CFIB Monthly Business Barometer Index (Sask vs. Canada)



Source: CFIB Monthly Business Barometer, Saskatchewan, November 2018

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.

Saskatchewan's small business optimism took another step backward in November, with the index losing almost four points and settling just below the 50 mark at 49.4. In fact, Saskatchewan's index is almost 16 points below the range of index levels (65-70) normally associated when the economy is growing at its potential (see Figure 1).

Employment plans weakened again and now about 20 per cent of entrepreneurs foresee full-time cutbacks compared to 11 per cent who are planning to hire in the coming months. Given the lack of optimism among

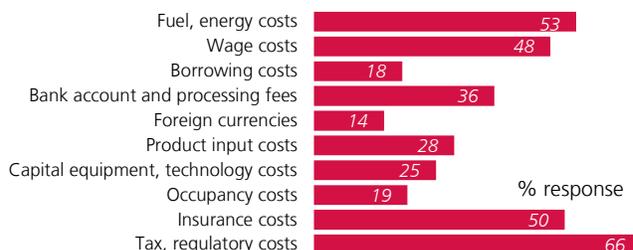
small business owners in the province, we fear another municipal property tax increase in 2019 will only make a bad situation worse.

## Top cost pressures: tax and regulatory costs

CFIB's monthly Business Barometer Index also revealed that the top cost pressures for Saskatchewan entrepreneurs continues to be tax and regulatory costs, cited by 66 per cent of respondents in November 2018 (see Figure 2).

Figure 2

### Major cost constraints\*



\* 12-month moving averages.

Source: CFIB Monthly Business Barometer, Saskatchewan, November 2018

There is little doubt that some of the major contributing factors are related to the serious concerns about the federal government's tax changes, upcoming payroll tax increases, a costly federally-imposed carbon tax and lingering uncertainty over trade and competitiveness with the U.S.

CFIB commends the provincial government for standing up for Saskatchewan by continuing to aggressively oppose the federally-imposed carbon tax; and urges the federal government to find better ways to reduce emissions that won't negatively affect small businesses and the economy. We are also recommending the Saskatchewan government stand up again for

small businesses and not follow the federal government in limiting businesses' access to the small business deduction based on passive investment revenue.

## Small Business Perspective on Municipal Issues

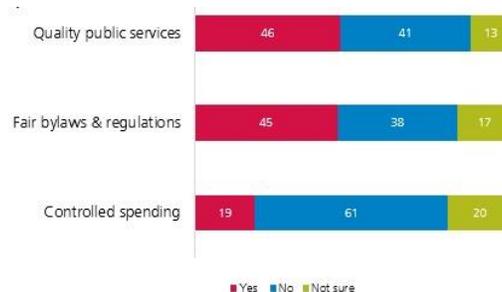
As you know, CFIB recently celebrated Small Business Saturday on October 20, 2018. We encouraged political leaders to help recognize the contributions made by Canadian small businesses to their local communities and the national economy by visiting local independent businesses, and by encouraging others to do so through social media. We were pleased Mayor Fougere was the first mayor in Saskatchewan to declare October 20<sup>th</sup> as Small Business Saturday, with many other city mayors following shortly after.

A recent CFIB survey of 163 Regina small business owners revealed that 46 per cent believe that the City is doing a good job of providing quality public services, compared to 41 per cent who say they are not doing a good job. Almost half (45%) of entrepreneurs believe the City is doing a good job of creating fair bylaws and regulations. Another 38 per cent say the City is not doing a good job (see Figure 3).

However, 61 per cent of Regina entrepreneurs don't believe the City is doing a good job of controlling spending. Only 19 per cent believe the City is doing a good job. It is evident Regina's small business owners believe there

Figure 3

### Does your local government do a good job on each of the following? (% response)



Source: CFIB Our Members' Opinion Survey, January - June 2018, n=163 Regina responses

are still a number opportunities for the City to find additional cost savings and efficiencies to mitigate the proposed 4.7 per cent property tax increase.

## Impact of municipal property tax increases

We realize budget deliberations require difficult decisions as Council strives to meet the challenges of a weakened economy and a growing population. That being said, we are concerned the City is considering another property tax hike for 2019 of 4.7 per cent – the proposed increase follows a 4.3 per cent hike in 2018, 6.49 per cent increase in 2017, and a 3.3 per cent increase in 2016.

For those that say municipal property tax increases don't have an impact on Regina's business community, it is clear our job creators have a very different perspective. There are all kinds of businesses who are impacted by annual property tax hikes. In fact, a recent CFIB survey found that 81 per cent of Regina business owners stated that recent municipal property tax increases have negatively impacted their business. Only 19 per cent said there has been no impact (see Figure 4).

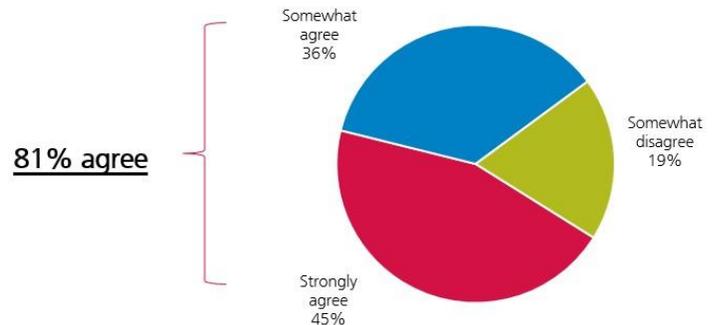
## CFIB ranks best & worst property tax gaps

In December 2017, CFIB provided Council with a copy of our 10<sup>th</sup> annual research report, [WANTED: Property Tax Fairness in Saskatchewan](#), which examined municipal and total property tax gaps for 75 municipalities and 31 Rural Municipalities (RMs) with a population of 1,000 or more. The gap measures the ratio of commercial and residential property tax bills for properties assessed at \$200,000.

CFIB's report revealed the amount of property taxes commercial property owners paid in Saskatchewan's 15 cities ranged from \$1.39 to \$3.86 for every dollar in municipal property taxes paid by homeowners, with an average of \$2.36. The City of Regina was middle of the pack with the eighth lowest municipal property tax gap (2.16) among Saskatchewan's cities in 2016.

Figure 4:

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



Source: CFIB, 2019 Sask Pre-Budget Survey, October 2018, Regina responses, n=48

### Regina Small Business Owners' Views on Property Tax Increases:

***"What's to explain? How is it justified that as a business I pay approximately triple the bill for a similar valued residential property? I don't even get garbage pickup. Less services for more money. Because they can! There is a very limited business tax base in Regina and they seem to be determined to drive what there is away. Excessive expenditures driving unreasonable and counterproductive tax policies."*** - Small business owner, Retail sector, Regina

***"My property tax increased last year by almost 65%, but we receive no services - very bad."*** - Small business owner, Retail sector, Regina

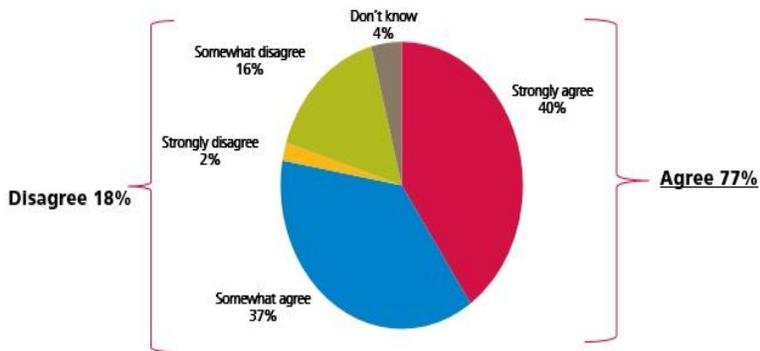
***"The latest property tax increase has taken away the money available to provide health benefits to my staff. \$500/month is a ridiculous increase and in my industry, almost impossible to absorb. I get no services whatsoever for the \$25,000/year in taxes I now pay for my property. No garbage removal, no recycling, no boulevard maintenance. What is this for?"*** - Small business owner, Professional services sector, Regina

## Support for reducing the commercial to residential property tax gap

An overwhelming majority of commercial property owners in Saskatchewan continue to pay higher property taxes than residential property owners. Of the 75 municipalities examined in CFIB's Property Tax Gap Report, 15 increased their property tax gap from 2015 to 2016, 35 had no change and 25 actually reduced their gap.

Figure 5

To what extent do you agree or disagree with the following statement? **Municipalities should lower commercial property taxes to be closer to residential property taxes**



While some municipalities are doing a better job than others in making municipal property taxes fair for small businesses, there is still more work to be done. Many municipalities need to commit to a plan to make their property tax system fairer for entrepreneurs. In fact, a CFIB survey found the majority (77%) of Saskatchewan small business owners agreed that municipalities should work towards lowering commercial property taxes to be closer to residential property taxes. Only 18 per cent disagreed (see Figure 5).

Source: CFIB, 2017 Pre-Budget survey, November 2016, n=303 Sask responses

## Municipalities making progress:

We were pleased the City of Meadow Lake listened to CFIB's recommendation and took steps to reduce their property tax gap in 2016 by formally adopting a policy in 2015 to reduce the gap between residential and commercial taxation over a number of years.

The City of Prince Albert had the highest property tax gap out of all Sask cities, and the fifth highest municipal property tax gap in the province. We were pleased that during the Mayor's 'State of the City' address on January 25<sup>th</sup>, 2018 the Prince Albert Mayor responded to CFIB's report and committed to fixing the problem: *"Small businesses are the ones that are really hurting. They are the backbone of our community and we have to make sure they survive. We can't be part of their demise by having the highest taxes in the province. We are committed and we are going to address it."*

As you may recall, we commended the City for reducing its commercial mill rate factor in 2017 to 1.21040 and not raising it in 2018. We are pleased the Budget does not propose to increase the commercial mill rate factor in 2019 either. However, we continue to urge the City of Regina to consider developing and implementing a plan over time to further reduce the commercial-to-residential property tax gap.

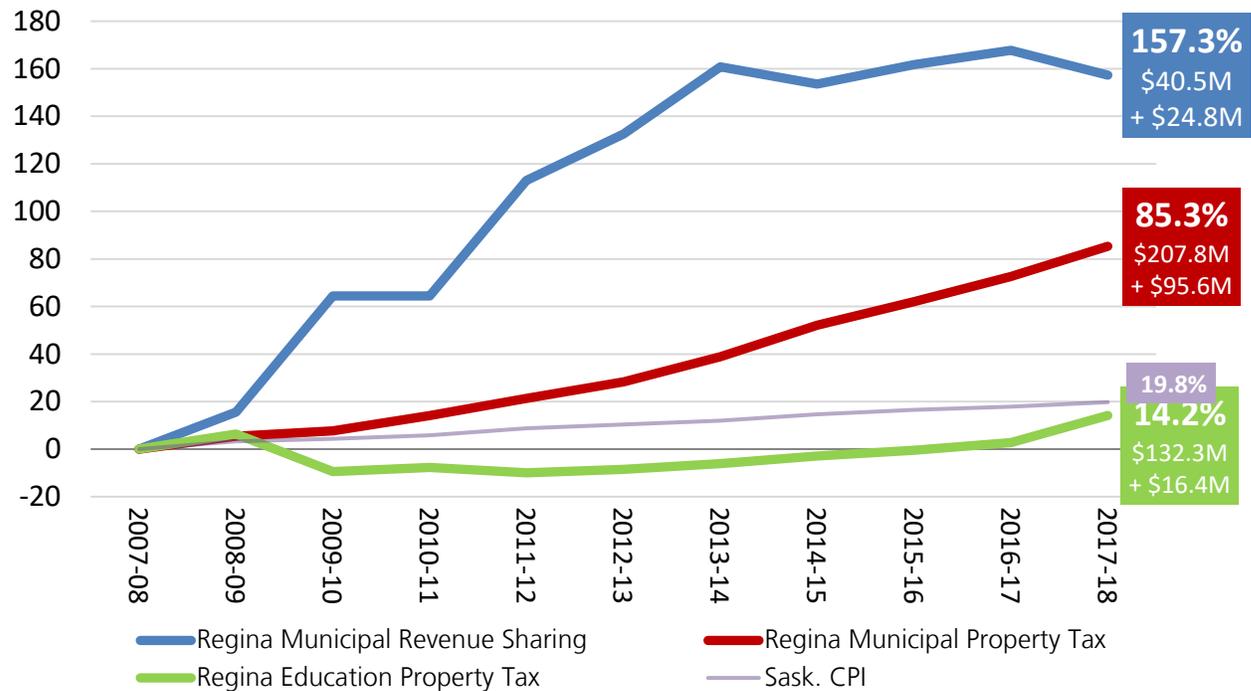
## Support for the introduction of a base tax for all homeowners

CFIB's property tax gap report revealed 51 of the 75 municipalities and six of the 31 RMs studied in the report have a base tax. Of those, 12 of the 15 Cities have a base tax. When surveyed, 70 per cent of Saskatchewan small business owners agree a base tax for basic core services should be implemented for all homeowners. Local government services are enjoyed by all taxpayers and the costs must be shared by all taxpayers. We urge the City to consider the introduction of a base tax for all homeowners.

Figure 6

### Regina Cumulative Revenue Growth (Per Cent) 2007-08 to 2017-18

This chart illustrates Regina's cumulative revenue growth for Municipal Revenue Sharing and Property Tax. Property Tax information comes from the Mill Rate Survey and reflects the calendar year.



As you know, the provincial government provides one full point of the Provincial Sales Tax (PST) to municipalities, providing a long-term, stable and predictable revenue stream. According to recent analysis, in 2017-18 the City of Regina received a 157.3 per cent (\$24.8 million) increase in municipal revenue sharing since 2007-2008. However, over the same time period, the City's municipal property tax revenues have also increased by 85.3 per cent (\$95.6 million) despite the modest growth of the province's consumer price index of only 19.8 per cent over the same time period (see Figure 6).

In 2018-19, the Government of Saskatchewan distributed nearly \$241.1 million to municipalities in municipal revenue sharing; a \$114 million increase (89%) over 2007-08. In fact, revenue sharing in Regina has increased from **\$15,746,761** in 2007-08 to **\$37,875,616** in 2018-19; a 141% increase over 2007-08. Given this predictable revenue sharing, we believe the City of Regina should use this revenue prudently and work even harder to contain costs to mitigate the proposed 2019 municipal property tax hike.

### No support for increased taxation powers to municipalities

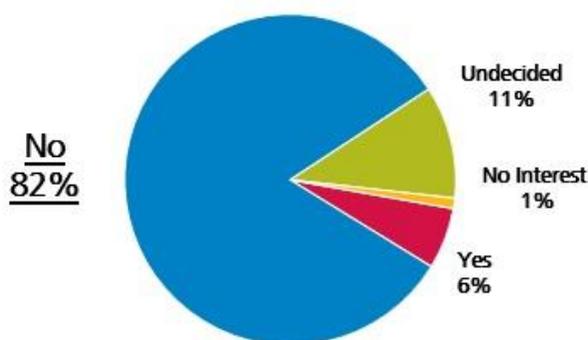
On February 15, 2018 in a media interview with CBC news, City of Regina's Mayor Fougere stated: "we're discussing through the Saskatchewan Urban Municipalities Association (SUMA) and the City Mayors' Caucus the whole issue of new sources of revenue for municipalities."

While we recognize the fiscal pressures Saskatchewan municipalities face, we fear giving new taxation powers to them would not only increase the overall tax burden, but further hurt their local small business community that are already struggling in a slower economy.

When asked whether municipalities should have authority to levy new taxes (e.g. fuel, income or sales taxes) a strong majority (82%) of Saskatchewan business owners disagreed; only 6% agreed. It is important for everyone involved to remember that while we have three levels of government, there is only one level of taxpayer (see Figure 7).

Figure 7

**Should Saskatchewan municipalities be given the authority to levy new taxes (e.g. fuel, income or sales taxes)?**



Source: CFIB, Mandate 271, Saskatchewan results, n=295

We are pleased Premier Scott Moe does not support increased taxation powers for municipalities. In response to [CFIB's 2017 Leadership Candidates' survey](#), the Premier said: "*Our government committed to deliver municipalities one percentage point of the PST revenue for the past 10 years. My team will not allow increased taxation powers for municipalities, but we will need to rework revenue sharing with municipalities to ensure they are spending their money efficiently and effectively. That means working together on procurement, shared services, and partnerships among municipalities.*"

### Continue to find cost-savings to reduce the proposed property tax increase

We were pleased to learn that the City, in an effort to offset increasing costs, has achieved more than \$9 million in savings in the past two years and an additional \$2 million in cost reductions were identified through the 2019 Budget development process. We understand the efficiencies came from a number of areas across the organization and include, but were not limited to continued collaboration with the Lawn Bowling Club to transition the operations of the facility, realignments of programs to existing facilities and bi-weekly garbage pick-up during the winter months. We urge the City to build upon this work and continue implementing additional cost-savings measures, leaving no stone unturned, to reduce the proposed 4.7% property tax increase.

### Continue to 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 over 55 per cent of the total expenditures at the City. According to the City of Regina's 2019 Proposed Operating Budget, the majority of expenditures, \$171.1 million, an increase of \$4.5 million (2.7% increase) from 2018, are being allocated towards staff salaries and payroll costs.

As we have mentioned previously, the public-private wages/benefits gap needs to be addressed at all levels of government. CFIB's *Wage Watch* report, which is based on census data, shows that there is a large disparity in wages and benefits in favour of the public sector when comparing similar jobs in the private sector. The results show, on average, municipal government workers in Saskatchewan earn 14.1 per cent more than their private sector counterparts in the same jobs (wages/benefits). Therefore, it is imperative the City continues to examine its spending on salaries and benefits, as this represents such a significant portion of operational expenditures. This would include bringing salaries, wages and benefits of municipal employees in line with private sector norms, hiring new employees at compensation levels that are in-line with private sector norms, and enrolling new hires in a defined contribution pension plan, instead of a defined benefit pension plan.

### Support to reduce the size and cost of municipal government through attrition

While the cost per worker is important, the number of employees is also significant. Across the country, some provincial and local governments have initiated civil service reduction plans through attrition.

We were encouraged to learn that one of the goals of the 2019 Proposed Budget was 'no overall increase in FTEs', and the budget only includes an overall increase of 1.4 full-time equivalent (FTE) positions over 2018.

We understand 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. In fact, 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 leave). 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 (see Figure 8).

At the provincial level, we are particularly pleased with the strong commitments Premier Scott Moe made to small business owners, which included the introduction of a 5% workforce reduction in Executive Government and Crown Corporations through retirement/attrition as part of your plan to balance the budget (Potential savings of \$70 million).

### Time to reform City of Regina's municipal sick day policy:

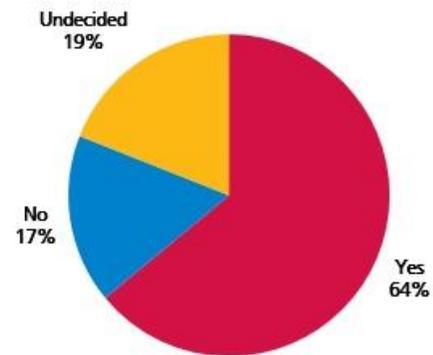
A 2016 report from CFIB shows some big-city sick day policies are costly and unfair as municipal government employees can bank unused sick days while most private sector employees cannot.

Banking means that if an employee doesn't use all their allotted sick days in a year, they can save them for later. Of the 16 major cities reviewed, 10 allow banking. Policies vary, with some cities, including Winnipeg and Moncton, offering an unlimited number of banked sick days. Others place a ceiling on bankable days.

In Regina, employees get 15 to 18 paid sick days per year and 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 (see Appendix A: Table 1).

Figure 8

**Should Saskatchewan municipalities reduce the size and cost of their civil service through attrition (i.e. not replacing employees who retire or leave)?**



Source: CFIB, Saskatchewan Mandate 267, 358 Sask responses

Having a safety net in place in case employees get sick in the short-term is obviously a responsible thing to do. However, it is not affordable to have these costly municipal sick day policies, which create an unnecessary burden on taxpayers. We need to fix the system so that everyone is playing by the same rules.

CFIB therefore recommends the City of Regina introduce a fairer and affordable short-term disability plan to replace its outdated sick-day banking policy, which will protect their workers and better align with private sector practices.

## Cutting red tape for Regina business owners – a low cost way to help!

We know entrepreneurs deal with piles of red tape associated with the PST, GST, employment standards, municipal by-laws, payroll taxes, WCB paperwork—the list goes on and on. To be clear, business owners have no issue with the legitimate rules - and agree a certain amount of regulation is important to protect human health and the environment. So we are not talking about deregulation. Red tape is something else. Small business owners tell us red tape holds back their business - dealing with inconsistent information, confusing forms, outdated rules and rude customer service or getting the run around.

Government red tape is a hidden tax that affects Canada's small businesses much more than larger firms. 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".

That's why ten years ago CFIB launched *Red Tape Awareness Week™* (RTAW) to raise awareness of the negative impact that excessive paperwork and regulations have on businesses and citizens alike.

CFIB's tenth annual *Red Tape Awareness Week™* is right around the corner (January 21-25, 2019). We have appreciated that the provincial government has proclaimed *Red Tape Awareness Week™* in Saskatchewan for nine straight years. This has provided the government an opportunity to reaffirm its commitment to regulatory reform and align announcements and updates on the regulatory file during this week.

Reducing municipal red tape can give much needed time and money back to business owners. Lifting constraints on private sector development fosters economic growth and helps grow small business in your community and attract new entrepreneurs. That's why we were extremely pleased that Mayor Fougere was the first mayor in the province to proclaim January 21<sup>st</sup> - 25<sup>th</sup>, 2019 as *Red Tape Awareness Week™* in the city.

In a CFIB survey, our 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, with another 24 per cent citing business licensing and 21 per cent citing land use and development as the most burdensome regulations to their business.

Given business owners' concerns with the permitting process, we are encouraged the City's Planning and Development Division will be introducing a new, online development and building permit application process in 2019 to increase efficiencies and improve customer service.

A growing number of jurisdictions across the country are making red tape reduction a priority. For years, CFIB and others have been working hard to show governments that reducing excessive regulation has real potential to grow the economy, allowing business owners to focus their resources on innovating, improving productivity and expanding their business.

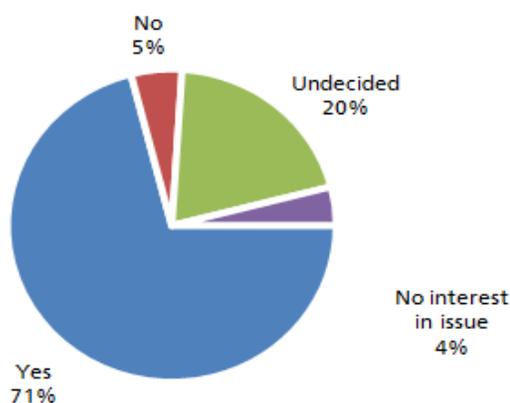
At the provincial level, it is evident the Government of Saskatchewan is serious about cutting red tape. We commended the province for completing its count of regulatory compliance requirements in the Acts, Regulations, and the related administrative policies and forms. The Government of Saskatchewan also made the use of the Direct Cost Estimator (DCE) – a comprehensive cost estimation tool that estimates direct costs to

external stakeholders and to government – mandatory for all provincial ministries, agencies and Crown Corporations when presenting regulatory proposals for approval. Use of the tool allows the government to make informed choices when approving how regulatory decisions will be implemented. Each year, the *Regulatory Modernization Annual Progress Report* is tabled with the legislature which updates progress on red tape reduction. For 2017-18, the Report highlights 44 initiatives that will result in forecasted savings of \$133.8 million over the next 10 years.

Some suggest municipal governments should also measure and reduce the total number of regulatory requirements imposed on small- and medium-sized businesses. A CFIB survey found a strong majority (71%) of Saskatchewan business owners agreed that such a move would make governments more accountable to businesses and help save businesses time and money (e.g. streamlining permits). Only five per cent disagreed (see Figure 9).

Figure 9

***Should Saskatchewan municipalities measure and reduce the total number of regulatory requirements imposed on small- and medium-sized businesses?***



Source: CFIB, Saskatchewan Mandate 259, 226 Sask responses

## Municipal Red Tape Challenge

With next year marking the 10<sup>th</sup> anniversary of CFIB’s annual *Red Tape Awareness Week*<sup>™</sup> campaign and to mark this milestone CFIB issued a ***Municipal Red Tape Challenge***. As you know, CFIB recently sent a letter to Council asking the City of Regina to enact a ‘Red Tape Reduction Plan’, which should include:

- the application of a small business lens to all regulations (i.e. a checklist to ensure new regulations are properly challenged);
- the adoption of a “one-in-one-out” rule to keep the regulatory burden from growing; and
- improvements to service for citizens by enhancing feedback (online “suggestion boxes,” business advisory panels, etc.).

### What is needed to accept the challenge? Your commitment to reduce red tape!

- A letter to CFIB accepting the challenge must be received by December 14, 2018;
- CFIB will highlight the leadership your municipality is showing during our 2019 Red Tape Awareness Week<sup>™</sup> in helping small business succeed.

We were disappointed to learn the City of Regina recently declined to participate in *CFIB's Red Tape Challenge*, and therefore urge the City to reconsider its decision.

### Recommendations:

With these facts in mind, CFIB urges Council to consider the following recommendations to further contain operating costs and mitigate the proposed 4.7 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.
- **Committing to make red tape reduction an ongoing priority for the City** by continuing to look for ways to further reduce the regulatory burden for Regina business owners (e.g. further streamlining processes, eliminating redundant paperwork, improving customer service).

#### Medium to Long-term recommendations:

**2. 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.**

**3. Develop and implement a plan over time to reduce the commercial-to-residential property tax gap.**

**4. Consider the introduction of a base tax for all homeowners.**

**5. Develop a plan to measure, report and reduce the total number of regulatory requirements imposed on Regina businesses.**

We thank you for considering the views of Regina's small business community as you work to finalize the City of Regina's 2019 Proposed 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,

**(Original signed by)**

Jennifer Henshaw, CFIB's Senior Policy Analyst, Prairie

## Appendix A

Table 1

### 2013 Sick Day Liability (Total in \$ millions, \$ Per Capita) by Municipal Government

	<i>Maximum Number of Sick Days that can be Accumulated for Employees Starting in 2015</i>	<i>Cash Payout at Retirement/Termination of Employment With Unused Sick Days</i>	<i>Early Retirement With Unused Sick Days</i>
Vancouver	261	Yes	No
Victoria	130	For grandfathered plans	No
Calgary	Cannot bank sick days	Not applicable	Not applicable
Edmonton	Cannot bank sick days	Not applicable	Not applicable
Saskatoon	194	Yes	No
Regina	215	For grandfathered plans	No
Winnipeg	Unlimited	For grandfathered plans	No
Toronto	Cannot bank sick days	For grandfathered plans	For grandfathered plans
Ottawa	Cannot bank sick days	For grandfathered plans	For grandfathered plans
Montreal	40 sick days	Termination of employment only	Yes
Quebec City	Cannot bank sick days	Not applicable	Not applicable
Moncton	Unlimited	Yes	No
Fredericton	Cannot bank sick days	Not applicable	Not applicable
Halifax	150	No	No
Charlottetown	350	Yes	No
St. John's	260	For grandfathered plans	For grandfathered plans

Source: *The Cost of Banking Sick Days in the Public Sector, CFIB Research Snapshot, April 2016*