

February 24, 2014

**Re: 2014 City of Regina Budget**

Good evening Your Worship, members of Regina City Council. My name is John Hopkins and I am the Chief Executive Officer of the Regina & District Chamber of Commerce. I am here tonight on behalf of our 1250 member Regina business organization to provide our perspective on the proposed 2014 General Operating Budget.

I want to begin my comments tonight by looking at where we have come from.

A little over a decade ago we toiled around the bottom of almost every single economic category, we were a high tax jurisdiction from both a provincial and municipal perspective, our youth left in droves, investors literally left major assets behind and the City of Regina became a large landowner not by design but by default.

Let's fast forward to today; Regina is in many ways the envy of the nation; we lead in many economic indicators; people from all over the world have come to our community, many expats have returned and major investments are being made at levels never seen before. So why is all of this happening? In large part it is due to the economic reality that Saskatchewan has what the world needs – food, fertilizer and fuel. Another important aspect is the investment climate has significantly improved due to a range of changes by the Provincial Government as well as the Civic Government, particularly the elimination of the much maligned business tax at the turn of the century. Simply put, Saskatchewan and Regina by extension are growing because

opportunities are being created and it is those opportunities that are attracting people to our great province and our great city.

Tonight you will make an important decision on the future direction of our city. Tonight before you is the 2014 Operating Budget within which your Administration is recommending a 6 plus 1% mill rate increase.

For the record our membership does not support the proposed increase but at the same time our membership is cognizant of the reality that there needs to be some type of increase to address the needs facing our community, particularly as it relates to infrastructure.

Prior to the release of the 2014 budget we surveyed our members on rates of property tax increase. Based on the results 65% of respondents supported a 1 to 3% mill rate increase which drops to 34% for a 4-5% increase, 5% for a 6-7% increase and 1% for an 8-10% increase. What is clear is that there is very little support for a 7% increase.

However, we would also like to be clear that our members as a whole are not saying the increase should be zero either given only 11% of survey respondents indicated that City Council should cut programs and or services to arrive at zero. On the other side of the spectrum 79% indicated support for a mill rate increase in conjunction with some cuts to programs or services to reduce the rate of increase. Simply put we believe that there is support for a mill rate increase but that the rate of increase being proposed tonight is too high.

Is Regina a high tax environment with respect to municipal property tax? Anecdotally some will say that we are totally out of line with other Canadians and drastic changes need to be made. In preparation for tonight we conducted some research which led us to the *City of Calgary's 2012 Residential Property Taxes and Utility Charges Survey* which was commissioned last year.

Within the survey Regina's rates are compared with:

- Victoria
- Vancouver
- Calgary
- Edmonton
- Red Deer
- Lethbridge
- Medicine Hat
- Leduc
- Saskatoon
- Winnipeg
- Toronto
- Halifax

According to the research based on a model home as defined in the report or an average home, Regina is:

- 7<sup>th</sup> lowest out of 12 when looking at net property taxes
- 3<sup>rd</sup> lowest out of 13 when looking at municipal property tax in isolation
- 6<sup>th</sup> lowest out of 14 when looking at average property tax
- 6<sup>th</sup> lowest out of 13 when looking at the median property tax
- 5<sup>th</sup> lowest out of 13 when looking at total property taxes per person

What appears to be clear from the ranking is that Regina is competitive when compared to the rest of the country when looking at residential property tax.

When looking at utility rates Regina ranks:

5<sup>th</sup> highest in average monthly utility charges

When looking at the combination of property taxes and utility rates Regina is middle of the pack in 6<sup>th</sup> place out of 13.

Your worship, the Calgary tax survey also looked at Non Residential Taxes per \$1,000 of Assessed Value. According to the survey Regina does not fare well coming in 3<sup>rd</sup> last place at a rate of \$36.48 behind Toronto at \$28.11, Winnipeg at \$25.78, Edmonton at \$18.88, Medicine Hat at \$18.21, Lethbrige at \$16.82, Calgary at \$16.25, Red Deer at \$12.38 and Luduc at \$12.30. Only two municipalities in the survey had higher rates than Regina – Halifax at \$37.82 and Vancouver at whopping \$69.43.

Your worship, this is the third piece of independent research that supports our long held perspective on Regina's relative tax rate or put another way the premium charged to commercial when compared to residential. Currently the rate is 116% of residential based on the same dollar of value, or put another way, non-residential will pay municipal taxes at a rate that is 2.16 times the rate of residential. The other two very reputable public policy groups that have reviewed relative tax rates are the CD Howe Institute and the Canada West Foundation.

The Canada West Foundation went so far as to make a recommendation that the rate should be no higher than 1.43.

For the record Saskatoon our closest competitor has a rate that is 1.75 and has had ongoing discussions about the need to get to 1.43. To illustrate the impact of the rate let's take two properties with identical values of \$500,000 and so that we do not skew the impact to any large extent let's assume the mill rates are identical at 8.4404. The property in Saskatoon would pay \$4,543 versus \$5,609 in Regina. The difference is close to 24% which we would argue is a competitive disadvantage to Regina businesses.

Your worship we would like to respectfully request that you review this important competitive issue sometime this calendar year.

Your Worship the number one issue in the business community today is where is the labourforce of today and tomorrow going to come from. We believe that this will continue to be the number one issue for years to come. However, another matter has become the second most important issue, infrastructure and in particular transportation infrastructure.

In a separate survey geared specifically to infrastructure we asked our membership what types of infrastructure should be a priority for City Hall. The answer to that question was very clear and concise, *transportation infrastructure*. Not only does our membership believe this is an important issue, they have indicated in aggregate that they are prepared to pay more if the increase is dedicated to transportation infrastructure.

In fact, 74% of respondents supported a dedicated transportation infrastructure mill rate increase in the 1-3% range followed by 47% who would support an increase in the 4-5% range, 11% in the 6-7% range and 7% in the 8-10%. While there is certainly support I would like to temper that support by saying that our membership is also of the view that addressing the infrastructure deficit cannot and should not be borne on the backs of property tax payers alone but rather through some type of arrangement with senior governments.

Your Worship, before I close I would like to address one specific concern in the budget, the recommendation to expand the business license fee. To be clear, we do not support expanding the business license fee. Back in the 1990s our Chamber, Regina's Market Square and many others worked very hard to eliminate the business tax. From our perspective expanding the business license fee puts us on a road toward something very much like a business tax which we are opposed to.

In closing, we would like to urge members of Regina City Council to reduce the rate of increase, not support the expanded business license fee and make a referral to your administration to review Regina's relative tax rate.

Thank you, if I can answer any questions, I would be happy to answer them now.

John Hopkins

Chief Executive Officer  
Regina & District Chamber of Commerce