

St. John's Board of Trade
Pre-Budget submission to the City of St. John's
November 17, 2009

The St. John's Board of Trade welcomes the opportunity to put forward its recommendations to the City of St. John's for the 2010 budget. The Board is encouraged by the efforts of elected officials and staff in continually improving the process by which organizations and citizens are engaged, and looks forward to greater efforts next year in preparation for Budget 2011. In fact, we would encourage a City Budget Speech by either the Mayor or the Deputy Mayor (as chair of the Finance Committee) in early 2010 to outline your spending plan and key initiatives to the public. This would be an excellent communication opportunity for the City.

To re-iterate what has been communicated to the City via our recent presentation to the Finance and Administration Standing Committee, the Board would be pleased to collaborate on advocacy efforts at the provincial level, particularly in the lead-up to the 2010-11 provincial budget. We are also eager to contribute any expertise or knowledge we can into the City's strategic planning exercise in 2010, as well as the North East Avalon Regional plan. And we welcome a budget item to cover the cost of a substantial visioning exercise that seeks meaningful input from all City stakeholders.

As Councillors and senior staff are now aware, the St. John's Board of Trade is advocating for a proportionate lowering of both residential and non-residential mil rates. The primary reason for the Board's position is to ensure that businesses within the city can remain competitive. A competitive business sector contributes to all other facets of city life, including a vibrant arts community, active volunteers, and other contributions.

The business community puts money into the economy, and the more broad the private sector, in terms of industries, consumers, and end markets, the more resilient it is. This creates a more resilient tax base, which is beneficial to the City now and well into the future. Employment – particularly sustained employment – is also more robust when there is a vibrant business community. High employment rates attract investment, more jobs, new industries and companies, money for research and development, and many more benefits. In the long term, a vibrant business community will create knowledge that outlasts oil money and ensures long-term prosperity. This is exactly what St. John's needs and what the City and the Board can work collectively toward. This work involves mil rates moving proportionately downward.

Considering the size of the tax base, the City has flexibility to reduce rates proportionately. Based on City planning and forecasting, the business tax base is projected to increase with 23 new projects in the downtown alone in the next 15 years. Further, economic projections from think tanks, chartered banks and governments point to continued growth and expansion for the province and the city, increasing the size of the tax base.

The assessed value of business realty has increased by 24% from 2005 to 2008 while the residential assessed value has increased 18.4%. From 2006 to 2007, mil rates were dropped by 1.2 mils for residents (approximately 10%) and dropped 1.0 mils for non-residential rate payers

(5-6%). This is a slow shift of the tax burden from residents to non-residential rate payers who employ people, invest locally, and sell to residents.

A 1.5 mil reduction would get the City to a residential mil rate of 9.5, and provide tax relief of approximately 14%. A proportional reduction for non-residential rate payers would result in a mil rate of 14.9, or a reduction of 2.3 mils. For residential and business realty, revenue would still increase for the City in 2010 by approximately 2.6%, or \$2.15M. The Board believes that these mil rates are competitive, fair and sustainable, and that Council should consider these as suggested target rates, as well as proportional reductions for business occupancy rates.

The Board recognizes a local infrastructure deficit that is creating pressure to increase spending, particularly in the short term. There is make-up needed; it needs to be prioritized and there may be creative ways of getting it done right and at good cost. The Board would encourage the City to look at methods of cost control that could include public-private partnerships and other creative ways to get needed work done.

Supporting business by continuing to tax at a competitive level will support City revenues for many years. The City will continue to encourage investment within St. John's rather than in competing areas. It will encourage employment, and innovation, and small business, which are the growth engines of our economy. For those reasons, the business community needs Council to reduce mil rates proportionately between residential and non-residential ratepayers.

The Board's view is that proportionate reductions for both residential and non-residential tax payers is fair and will allow job growth and wealth creation to continue. This will further shield us locally from economic troubles faced elsewhere. Currently, taxes are competitive; however, with our geographic location and the challenges it presents, such as distance to markets and limited transportation options, St. John's needs to be more competitive than other cities. Should taxes move in the wrong direction, then development, investment and jobs will move in the wrong direction: outward. We are avoiding this now because we have a competitive taxation regime in the City. But we must maintain the advantage into the future. The means by which we can accomplish this is to keep the relative tax burden on residents and non-residents stable.

The Board still maintains that growth in spending needs to be brought down from its current pace. The reason for this recommendation is that a reduction in spending growth today will significantly reduce the chances that more drastic, and counter-productive, corrective measures are needed in the future.

Both the City and the Board are considered community leaders in their respective areas. As community leaders with a collective responsibility to make St. John's a better place to live, work and play – whether by providing citizens with snow clearing and recreation services or ensuring job and wealth creation opportunities – the City and the Board can work together for the future.

As always, the St. John's Board of Trade can provide additional details on this submission should City officials – elected or staff – require further information. Again, the Board applauds the City's efforts to further engage the community in budget decisions, and wishes Councillors well in your efforts and deliberations.