



2004 Municipal Pre-Budget Submission

Submitted to:

The City of Windsor

February 18, 2004

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About the Windsor & District Chamber of Commerce

As the “Voice of Business,” the Windsor & District Chamber of Commerce represents over 1,400 business members who collectively employ more than 80,000 people. Our membership profile truly represents a cross-section of the business interests in our community. We actively work with government to ensure the business and investment climate in our region remains competitive and believe that any issues that restrict our ability to attract new business or expand existing business must be resolved.

Stewardship and Accountability

The Windsor & District Chamber of Commerce believes that with the recent changes in direction taken by the City Council with the 2004 People Based Budget process, we are on a path to correct some of the budgeting hurdles over the past several years. In that sense we applaud the course of action the City of Windsor has embarked upon and we urge the City Council to continue along that path.

The Chamber welcomes the invitation to participate in the pre-budget phase of the 2004 budget process, which is more collaborative than in previous years. The directive of this particular budget is more than a yearly exercise in financial planning. We see it as a reflection of a new, future oriented administration and a City Council committed to an open and transparent budgeting process.

The initiative should not detract from the City of Windsor’s responsibility to be accountable to its stakeholders. As a significant stakeholder, our business community is ultimately interested in the end results of the budgeting process. Thus, we would like to provide you with our concerns, and to provide suggestions and recommendations that we believe should be addressed and taken in stride.

The City Council is the caretaker of our financial assets and good City Council stewardship is critical to our success as a City. Now, more than ever, we cannot sit idly when faced with budget pressures, increasing costs and inefficiencies. The consequences of being complacent are getting more stringent with time. Just like corporations, which have already started addressing the need for firm financial controls, reporting, and greater accountability, the City must get ready and prepare to abide by higher standards of financial management.

We have some questions and concerns in the area of financial reporting and accountability that we need to get across in our presentation. We can start by addressing the issue of the importance of budgeting based on solid financial data.

Pre-Budget Financial Package

Budgets should be based on up to date financial statements and actual numbers. Variances from budgets of prior years must be addressed in an effort to uphold accountability and test the integrity of the budgeting process. At a minimum there needs to be a one-stop source of actual financial data on the previous few years for comparative purposes. The information must be disclosed in a timely manner and at the level of detail provided in the budget. Budgeting based solely on budgets can be misleading. In the Chamber's view the administration should carry this responsibility, to provide the City stakeholders the relevant financial package in the pre-budget process.

The recommendations of the PriceWaterhouseCoopers Report, in the Control and Proceduresⁱ as presented to the City of Windsor are a first step to improving the timeliness, accuracy and reliability of public disclosures. The review of the financial services function of the Corporate Services Department included provisions relevant to the City Budget and the Budget Process. The Chamber would like to emphasize the monitoring of budget performance, establishment of performance measurements and the timely financial reporting recommendations to City Council. One of the PWC recommendations was for the City to develop written policies and/or procedures in the areas of Budget monitoring and follow-up.

As the City adopts the PWC recommendations and the implementation planⁱⁱ we expect that this plan will provide for better and timely financial reporting, including monthly financial statements, progress and variance reports etc. Only then can we have complete background information to give informed financial recommendations on the upcoming City of Windsor budget.

Property Assessments and Taxation

In addressing the issue of taxation the Chamber would like to bring to City Council's attention two important relationships. The first relationship is between property assessments and tax rates. The second relationship is between taxation levels and budgetary needs. Knowing that taxation is based on annual budgetary needs the Chamber would also like to emphasize the need to take a closer look at the cost drivers and cost containment strategies for the City of Windsor.

Although there is a great deal of difficulty in understanding and/or finding data on municipal property assessments the consensus of most business and property owners is that property values have increased significantly over the past few years. Since the enactment of a uniform, province-wide valuation system based on Current Value Assessments, property values continue to escalate year over year, having a tremendous and taxing impact on municipal taxes to property owners.

In 2003, the City of Windsor's Current Value Assessment increased across all properties by 5.93%. Specifically, in the non-residential classes, Current Value Assessment increased by 7.04% to as high as 29.86%,ⁱⁱⁱ as follows:

Description	% Increase in CURRENT VALUE ASSESSMENT from 2002 to 2003	
	Tax Class	%
Commercial	CT	7.04%
Commercial – Excess Land	CU	8.13%
Shopping Centre – Full Rate	ST	12.71%
Shopping Centre – Excess Land	SU	29.86%
Industrial	TT	18.87%

At this rate, businesses will be faced with prohibitive value assessment increases once the tax capping limits are reached.

The impact has had a corresponding increase on the tax revenue base of the City of Windsor. In 2003, the additional revenue generated by the City of Windsor from assessment revaluation across all properties is approximately \$12 million.

Current Value Assessment reform was not intended for municipalities to take advantage of “windfall” tax revenues from revaluation and therefore, in this kind of situation the City must always reduce City tax rates (mill rates) to offset these windfalls. The Windsor & District Chamber of Commerce urges the City of Windsor to take into account the increase in the Current Value Assessment when deciding on the level of taxation. In previous years the Chamber has identified a problem that we characterized as double dipping as a result of this simple but easily overlooked relationship.

On the matter of the level of our municipal taxes, a comparison of the most recent available total tax rates for commercial and industrial classes across municipalities indicates that Windsor is among the highest (exceeding Toronto and Kitchener) in legislated tax levyiv.

The City of Windsor is ranked 3rd and has one of the highest tax rates for businesses in Southwestern Ontario (making Windsor uncompetitive in the market) despite additional tax revenue sources of the City of Windsor from the transportation and casino sectors.

Tax Levy Comparison:

Ranking	Municipality	Total Tax Rate % of Assessed Value	
		Commercial	Industrial
1	City of Hamilton (2002)	5.97%	8.05%
2	City of London (2002)	5.30%	6.92%
3	City of Windsor (2002)	4.82%	6.41%
4	City of Toronto (2003)	4.61%	5.21%
5	City of Kitchener (2003)	4.48%	6.03%

Annual municipal tax rates continue to escalate year over year, in response to increasing costs of the City. Specifically, the City tax rate, excluding special levies, education and hospital

levies has increased for businesses in the commercial, industrial and shopping centre classes as follows:

2001	2.294%
2002	4.869%
2003	2.127%

The impact of rising municipal tax rates on businesses is both taxing and detrimental to the sustainability and growth of the City in the long term. In fact, combined with reassessment, the financial implications to commercial and industrial property owners were onerous. The Chamber deems this situation unacceptable and the same needs to be addressed in the 2004 budget.

To address these concerns our Chamber has provided the City of Windsor a discussion paper on municipal property assessments and taxation in which we identified policy options for the City of Windsor. We urge the City Council to heed the recommendations contained in our submission.

The Size of the City Budget

The City Budget has been experiencing significant increases over the past several years. The 2003 operating budget of \$642 million has grown 39.68% or \$182 million since 2000, which is not matched by corresponding increase in population (2001: 208,402); the public sector cannot continue to support increases in operating budgets at this level (disproportionately in excess of inflationary increases).

It is prudent to ask the City of Windsor to take a close look at the cost drivers and identify how the escalating costs to the City can be brought under control and reduced. This initiative will require identification of discretionary spending areas, spending priorities and timeliness for spending. In addition, over the past few years significant increases in non-taxation charges are being levied on businesses (i.e. fixed water charges, sewer charges). Where provisions for these costs were at one time covered by the operating budgets, these costs represent further cash drains on businesses, which is taxing.

The Chamber is concerned about these costs and would like to see the 2004 Budget reflect the best effort of the administration and City Council at reducing the amount of money required by the City for the next budget.

We were pleased with last year's announcement of reorganization of city administration. The Chamber was supportive of the reorganization if it leads to a more efficient and effective City Hall operation. The reorganization was a welcomed new step in providing fiscal fitness for the City of Windsor, as more efficiency should lead to reduced costs. The Chamber would like to see this reflected in the 2004 budget.

In addressing the discretionary nature of costs, better clarification has to be made between one-time costs and non-recurring costs. Preliminary City estimates indicate that an additional \$17.8 million would be required in 2004 to maintain the same level of service and are largely

related to the inflationary increases associated with collective bargaining agreements, reinstatement of payments to the employee pension plan (OMERS) and increased Provincially mandated costs. What is needed in approaching this cost is more information about what are the one time costs. Can we phase in some of these costs over time? Why do costs continue to increase?

Conclusion

The Windsor & District Chamber of Commerce is pleased with the opportunity to address City Council on the matter of the 2004 Budget. We find this year's budget process to be more open and inclusive than in previous years. The inclusion of wider and more comprehensive public consultation process in front of the budget deliberations will greatly enhance the visibility and effectiveness of the public input.

Our Chamber is concerned with the lack of availability of a better financial package. The budget process should be more open in terms of allowing the public and the City of Windsor stakeholders to review the actual financial data and study variances. This underscores the need for the City to move vigorously toward a better financial reporting process as suggested in the adopted PWC report.

The City of Windsor must heed our messages in terms of municipal assessments, taxation levels and providing a more competitive business environment. The 2004 budget must show that our business community will finally have a competitive advantage, with lowered taxes and more incentives to invest in the City of Windsor.

The Chamber is urging the City Council to provide direction to the City Administration to reduce the tax rates relevant to our business community to offset any increase in the property assessments.

The Chamber urges the City to find cost savings as a result of the recent administrative reorganization. The Chamber believes that the size of the budget is one of the elements that can be tackled successfully by the City in order to accomplish reduction in taxation. Our business community needs this reduction to improve its business competitiveness.

The City of Windsor should spend wisely. The City of Windsor has been moving in the right direction in this regard, reevaluating its support for many of the discretionary grants to various community organizations.

The Chamber is supportive of the funding reverted to community services. This spending helps to make our City more vibrant and livable. The community services, however, have to be encouraged to seek more revenue other than out of municipal taxes. To balance a community need with fiscal prudence is essential to the financial health of the City of Windsor.

Spending priorities must reflect the most urgent needs of the City. The Chamber believes that our transportation and border infrastructure is one of the key priorities. Our business community relies on the City infrastructure for their bottom line. The measure of business

effectiveness is timely delivery of goods and services and the City has to provide the infrastructure sufficient to sustain that need.

Recommendations

For the City of Windsor 2004 budget process the Windsor & District Chamber of Commerce brings forward the following recommendations:

- Implement PricewaterhouseCoopers (PWC) recommendations under the Control and Procedures review of the Financial Services Function of the Corporate Services Department including, budget monitoring, establishment and enforcement of performance measurements and timely financing reporting;
- Investigate variances between actual performance and budgeted amounts on a timely basis and align with the performance measurements in place for greater accountability and transparency;
- Interim - Periodic Reporting of actual financial performance should be communicated to public as well as to Council on timely basis;
- Implement performance measures to ensure compliance with PWC recommendations, the City reorganization efforts, profitability targets of revenue-centres and other cost cutting initiatives;
- Identify synergies and eliminate redundant or duplicate costs as part of the efficiency and effectiveness recommendations. The outcome of the business processes review (i.e. operating divisions) will go a long way to identify cost saving efficiencies in the Corporation and external organizations. Similarly, City departments and external organization should identify new revenue generation programs as part of their accountability efforts;
- Reduce the City tax rate to take into account the increase in the Current Value Assessment so that the overall increase in property taxes is held to the rate of inflation. This recommendation would provide for increases in property taxes that are more in line with the average sustainable operating cost increases of the City. In fact, it is attempting to correctly bridge the effect of Current Value Assessment reform with municipal taxation legislation;
- Adhere to strict spending limits and limit operating cost increases to no more than the core of inflation. The focus of the City of Windsor should be on debt reduction and all non-essential discretionary capital spending should be postponed;
- Increase vacancy rebates above the 30% and 35% threshold established for commercial and industrial respectively in an effort to instigate redevelopment and growth in the City.

ⁱ This is in reference to the PriceWaterhouseCoopers Report on Control and Procedures Review of the Financial Services Function of the Corporate Services Department

ⁱⁱ Basis report for date June 26, 2003 Recommendation that City Council Approve the implementation plan based on the PriceWaterhouse Coopers report on Control and Procedures Review...

ⁱⁱⁱ City of Windsor 2003 Operating Budget

^{iv} Information on city tax rates was obtained from the various City websites on their current and past rates