



Cities 'grossly underestimating' money they receive, report says

Free-spending city governments are crying poor even as they lowball the revenues they have at hand.

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<http://www.cfib-fcei.ca/english/article/5966-municipalities-are-richer-than-they-think.html>

Free-spending city governments are crying poor even as they lowball the revenues they have at hand.

That broadside is contained in a report being released Monday by the Canadian Federation of Independent Business, with business people in B.C. expressing the most outrage in the country about increasing property tax bills.

CFIB vice-president Laura Jones contends excessive municipal spending has resulted in property taxes climbing every year and, in Vancouver, the bulk of that burden is borne by business.

Businesses in the city pay 4.3 times as much as residential homeowners; for example, the annual tax bill on a \$1.37 million property results in a \$2,800 hit for a homeowner, more than \$12,000 for a business.

"This is a huge bill for a small business when you consider property taxes are profit insensitive, and only one of many taxes that have to be paid," Jones said.

The CFIB for several years now has highlighted what it calls "gross overspending" by municipalities, with Vancouver identified as being among the worst.

It traces the problem to plummy labour agreements, offering pay and benefits 36 per cent higher than for comparable private sector occupations, and too much staff. And it's hard to disagree with the business lobby when city budgets keep rising far faster than population and inflation. Between 2000 and 2011, Vancouver's population grew 15 per cent while inflation-adjusted spending ballooned by 50 per cent.

No wonder. Vancouver pays its city manager \$330,000, its parks board manager \$217,000 and its chief librarian \$171,582.

Further afield, the chief administrative officer in tiny Lillooet - population 2,322 - earns \$111,000.

This week, before a big-city mayors' meeting in Ottawa, the business lobby is publicizing its view that municipalities are "grossly underestimating" the cash in their coffers.

The CFIB says a long-standing assertion by city governments - including Vancouver city council in its 2014 Budget Outlook - that they receive just eight cents of every tax dollar, is false.

It overlooks revenues from transfer payments provided by the province and Ottawa, as well as cash from municipal fees like parking permits, pet licences, recreation, bus fare.

The CFIB contends cities more accurately receive 15 cents of every tax dollar.

Traffic and other tickets rebate? -cjk

"They do not have a revenue problem. They have a spending problem," Jones said. "It's one thing to ask for more money if it's needed, another to spend like it's going out of style and then cry poor."

The Business Council of British Columbia also has groused about municipal overspending, issuing a 2012 report identifying West Vancouver, New Westminster and the City of Vancouver as "the three biggest spenders in Metro." Council vice-president Jock Finlayson recommended cities start outsourcing some services, work harder to contain wage costs and boost productivity. Because cities do not generally receive the same scrutiny as more senior levels of government, their spending controls appear to be less rigorous.

Of course, cities would defend themselves by arguing they are being pressed to provide a growing list of services to more complex and demanding populations.

Let's face it, years ago, Vancouver did not have a formalized system of bike paths, regulation of streetside food trucks or a needle-exchange program.

That acknowledged, businesses do have a point. Taxes foisted on them by big-spending local governments threaten their competitiveness.

In B.C., this is an especially serious issue because businesses here already are disadvantaged by a PST requiring them to pay sales tax on business inputs. In HST jurisdictions, those inputs are salestax exempt.

Just as the provincial government worked to hold the line on spending in its budget last week, municipalities had better start doing the same.

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