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# Taxing issues

Vancouver Sun business columnist Don Cayo exercises both his penchant for economic analysis and his passion for fairness as he reflects on how well - or how poorly - the taxman is doing his job



## Municipal spending outpaces inflation and growth

I think a lot of incumbents running in the Nov. 15 municipal elections should have a lot of explaining to do.

And I invite you to look over the following information and let me know if you feel the same.

A Canadian Federation of Independent Business analysis of municipal spending in 26 B.C. municipalities shows that over the past seven years spending has out-paced the combined rates of inflation and population growth in every one of them. The ratio of spending over inflation/growth ranged from almost 4 to 1 in West Vancouver to just over 1.2 to 1 in Nanaimo.

In West Van, spending was up 62 per cent — by far the highest increase in all the municipalities that were analysed — while growth and inflation totaled just 17.4 per cent combined, for a ratio of 3.93-1.

The comparable figures in the City of Vancouver were 35.8 per cent, 17.4 per cent and 2.06.

At the low end of the scale was Nanaimo with 25.3 per cent, 20.8 per cent and a ratio 1.22-1.

The remainder of list, from worst to best, includes:

North Vancouver District 43.1%, 15.2% and 2.83

Port Coquitlam 50%, 19.7% and 2.53

Vernon 46.9%, 19.4% and 2.42

North Vancouver City 50.7%, 21.8% and 2.32

Victoria 35%, 15.9% and 2.2

Chilliwack 56.1%, 25.6% and 2.19

Penticton 44%, 20.7% and 2.13

Richmond 36.7%, 18.1% and 2.03

Coquitlam 31.8%, 16.4% and 1.94

Saanich 31.4%, 16.3% and 1.93

Surrey 52.3%, 28% and 1.87

Kelowna 50.9%, 27.8% and 1.83

Langley District 41.6%, 24.4% and 1.7  
Burnaby 27.4%, 16.4% and 1.67  
Campbell River 31.4%, 18.9% and 1.66  
Kamloops 29.2%, 17.6% and 1.66  
Maple Ridge 53.6%, 32.9% and 1.63  
New Westminster 21.4%, 13.5% and 1.59  
Langley City 29.6%, 18.8% and 1.57  
North Cowichan 31% 20.7% and 1.5  
Abbotsford 33.9%, 22.7% and 1.49  
Delta 21.4%, 14.6% and 1.47  
Mission 28.6%, 22.4% and 1.22

I'm interested in hearing all views from readers — those who see justifications for spending in excess of growth and inflation, as well as those who have gripes.

To link to my most recent column on this issue, click here.

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Published Friday, October 17, 2008 9:32 PM by Don Cayo

Filed under: tax analysis, property tax, municipal spending, population growth, inflation

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## Comments

**Julia said:**

I have read your article in today's Sun. Vancouver business is paying 5 times the rate of property tax than that of residents for the same valued property.

At this point in the economy, business needs all the help it can get to keep jobs for people/residents and taxpayers of Vancouver. The 1% is part of that strategy and MUST be continued.

It is also time to go through the city budget with a fine-tooth comb and get back to essentials and the radical concept of spending within our means.

I have not heard either party come out in support of an auditor general. I wonder why?

October 21, 2008 8:15 AM

**Reg said:**

Our West Vancouver Mayor can explain away the increased spending under her regime. She uses poli-talk or bafflegab. I have resided in West Van for more than 50 years. Municipal taxes have never been higher during that time.

For example; the charge for the water meter exceeds, threefold, the cost of the water. The solution of course will be to raise the charge for water.

It is time for a new and differently-oriented Mayor in West Vancouver.

It is frightening to observe the spending taking place our Municipality.

I am a pensioner now and must consider deferring my property taxes next year.

This situation is not true for many West Vancouverites, but I really do not want to move away.

October 21, 2008 12:48 PM

**Gaetan said:**

Don Cayo's article places Nanaimo at the bottom end of the scale. Mr. Cayo should have gone one line further in the Canadian Federation of Independent Business (CFIB) report because Port Moody is the municipality with the lowest (meaning best) fiscal

responsibility gap.

Despite its rapid growth, twice that of Nanaimo, Port Moody's spending has been kept in check - better than any of BC's 28 largest municipalities.

A direct quote from the CFIB report:

"In the best performing of these municipalities, Port Moody, spending grew 1.12 times faster than population and inflation growth."

Nanaimo's fiscal policies are better than most but their spending still grew 1.21 times faster than population and inflation. Topping the chart, West Vancouver's spending grew 3.94 times faster than population and inflation.

October 21, 2008 2:15 PM

**Hugh said:**

Don Cayo's premise is that property tax increases should be constrained to inflationary increases. However, taxpayers are also consumers of services provided by local governments. Many of those consumers appear to have insatiable demands for bigger libraries, more bike lanes, more cops, more recreational facilities, etc. Local governments seek to measure the trade-offs between the demands for more services versus the demand for constraints on tax increases and I think they generally do a good job at that..

Possibly Mr. Cayo might turn his focus to measuring the service levels provided by local governments and assess whether they meet the demands of the taxpayers. And Mr. Cayo might relegate the report of the CFIB to lining his bird cage. Their reports are usually simple-minded and not particularly helpful.

October 21, 2008 4:34 PM

**John Newcomb said:**

I'm really worried that Capital Regional District councillors will be upping spending and taxes big-time, with that \$1.5 billion sewage treatment plant mega-scheme.

So many researchers have said no to the scheme, but with Penner and Campbell, and Harper all talking like building the thing will soak up construction labour unemployed, I'm really worried.

There will be a minimum \$500-a-year tax hike to pay for this white elephant. Its really bad business, but talking P3 savings is just hypocritical when they also probably increase the costs by making it a LEEDS project, and could even add another 1% for public art!

Geez - what a scam!

October 21, 2008 7:54 PM

**Howard Rotberg said:**

I disagree, with respect, with your contention firstly, that municipal property taxes are high in Vancouver, and secondly, that spending is out of control; we are just spending money on the wrong things, such as convention centres, Olympics, and other things meant to turn Vancouver into a high-end resort.

Taxes on \$1million dollar house in Vancouver are 40% less than in Toronto.

Historically, the well-heeled denizens of the so-called "Best Place on Earth" have kept their property taxes on their million dollar homes artificially low by shifting an undue part of the burden to businesses, including the many small businesses who pay high rent plus their pro-rata share of property taxes. passing the cost of amenities such as parks, libraries, day care centres away from the general property owners to the unfortunate buyers of one and two bedroom condos who are now paying close to \$1000 per square foot.

This is done by obligating the "developers" to pay for these amenities, which sounds good, but these costs are simply passed on to the purchasers. Now, we are proving how ecological we are by imposing still further costs, of "green features" on developers, which pass more costs on to new buyers.

Even the cost of municipal planning studies are being passed on to the developers, which then drives up the price of new developments.

Existing property owners are thrilled that the price of new developments is so high, because it drives up the value of their homes. People who paid \$50,000 for Kitsilano bungalows in 1975 are now cashing out for \$1.3 million, and they think that they somehow deserve the huge tax free capital gains. Meanwhile young families and new immigrants are driven out of the city.

Instead of inducement programs for our young and low income working people, we give benefits to older people with expensive houses, without any means test. I am referring specifically to the Seniors' Tax Deferral Program that allows seniors with multi-million dollar homes and high incomes to defer until death or sale their property taxes at something like 4% interest, and the Homeowners' Grant Program, which allows the poor unfortunates whose homes are worth less than \$1.050,000 to get a grant to help pay their property taxes.

I discuss this issue and many more in my new book, being released at the beginning of November. The book is Exploring Vancouverism: The Political Culture of Canada's Lotus Land.

October 21, 2008 9:22 PM

**Garrett Polman said:**

This also refers to your article "My City Spends too much" of Oct. 21.

Expenses are an issue in West Vancouver, and the fact the current mayor has two opponents (both currently councillors) in the election is driven in part by that.

Our municipality has the highest per capita expenses in Metro Vancouver. But our residents are not feeling quite as rich as last time around. According to Stats Canada's census numbers, the median income of our seniors dropped by 30% between 2001 and 2005, house prices are coming down and most pensioners who live off RRSPs and personal investments have seen their capital tumble.

Yet none of this resonated with our Council. With a real mayoralty race and four empty council seats out of six it'll be interesting to see whether West Van electors vote for a change of course.

There is certainly unhappiness in the community about the expensive firing of the police chief, significant expense increases (taxes, fees and water bills), excessive compensation increases for senior staff, a cost overrun of the new community centre and several well publicized administrative failures (e.g. the dog by-laws and bicycle path fiascos).

Sadly, our municipal politicians generally lack a depth of knowledge of the staff departments that would allow them to play the fiduciary role the electors expect of them. Few have knowledge of budgeting or experience in running large projects, many of which run into cost overruns.

Since staff, naturally, wants increases, that puts councils in a weak position. At least in public input meetings our councillors generally have no proposals to reduce expense. We also have no auditor general overseeing municipal programs and expenses.

It's interesting that while the public has been hurt by the financial meltdown over the last year and a half, none of the three levels of government--federal, provincial and municipal -- has swung into action whereas at the corporate level many CEOs are implementing cost-cutting. Politicians just love spending other people's money, and as we Canadian electors are generally an apathetic lot, it's going to take a more proactive stance on our part to make the politicians sit up and take notice.

October 21, 2008 10:02 PM

**Dave Duncan said:**

Local governments, similarly to federal and provincial governments, always look at increasing the revenue side of the balance sheet rather than having a hard look at the expense side. If they do look at the expenditure side (like Gordon Campbell did in 2001/02), they always cut off their fingers and toes (ie. the people actually delivering services), rather than the huge expense of administration which would cripple most businesses.

I feel that governments of all levels should be treated as a business. The taxpayers are the shareholders. We the shareholders pay every year for specified services and we have a right to have them delivered in a timely, cost effective manner.

In almost every instance government, primarily its employees fail miserably.

It's time there was provincial law restricting local governments to spending increases to inflation plus population growth. Any further increases would have to go to referendum.

October 22, 2008 1:30 AM

## Leave a Comment

Name *(required)*