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December 11, 2018

CITY OF SURREY BUDGET 2019 & FINANCIAL PLAN SURREY BOARD OF TRADE PERSPECTIVES

The Surrey Board of Trade is an independent not-for-profit city building business organization that supports business and attracts business to Surrey through a diversified service portfolio of government advocacy, international trade, workforce development, business development, cost-saving benefits and business connections. The Surrey Board of Trade has 2,600 members, representing over 6,000 business contacts and over 60,000 employees.

Why is the City Budget important to Surrey's business organization?

1. To ensure that investments for Surrey's business community are created for our local economy for today and for the future. The Surrey Board of Trade wants a **Safe City**, an **Affordable City**, a **Vibrant City**, an **Interconnected & Inclusive City**, a **City that Fosters Innovation**.
2. The Surrey Board of Trade, as an industry organization, is mandated to review and make recommendations on government budgets to instigate change and ideas to better our economy to ensure businesses thrive in an environment where they and their employees can live, learn, work and play. The Surrey Board of Trade monitors public sector spending to maximize productivity in the economy and encourage growth in the private sector.
3. The Surrey Board of Trade is a visible and effective organization for the views of our membership. The Surrey Board of Trade is a partner in building Surrey.
4. The City Budget is important to the Surrey Board of Trade to evaluate Surrey's tax rates as being conducive for business growth/retention and infrastructure investments.
5. The Surrey Board of Trade understands and works on meeting the aspirations of Surrey in the face of significant internal and external pressures. We want the City of Surrey to continue to have a sustainable financial framework for municipal services and city building investments involving both revenue and expense measures.

Overview

Surrey has 3 major sources of revenue, the most significant of which is property taxes (residential, major industry, light industry, business). In 2019, to fund increasing costs related to protective services and other city operations, the city will increase the annual property taxes by 2.9% for the average single-family dwelling.

Property taxes are one of the most important sources of revenue for the City of Surrey and fund many services and programs essential for residents and businesses. The proportion of the tax base that are from residential, business and industrial sectors is a measure of how balanced the City's tax base is.

The availability of locally-based employment opportunities provide social benefits by creating more complete communities where residents can spend less time commuting and more time with their families and participate in their communities. It also reduces the environmental costs of commuting. The ratio of jobs to workers is a measure of how well the city is doing in expanding and diversifying local employment opportunities. The city's goal is to achieve .75 jobs for every Surrey worker by 2031.

Over 90,000 new residents are expected to be in Surrey by 2026. Investment in Surrey's growth and the type of new infrastructure required that needs to be in place to support existing and future citizens and businesses so that they can LIVE, WORK, LEARN AND PLAY in Surrey must be a priority for the City of Surrey. Innovative, efficient transportation to get around in Surrey is also absolutely integral to ensure Surrey is the leading edge, world class, business hub that we want it to be.

Perspectives

Building on previous Surrey Board of Trade City budget reviews, the foundation of our presentation is what do we want as a business community – and what do we want as a city? Our perspectives related to investments are in the areas of: Transparency - Transportation – Agriculture - Environment – Public Safety – Tourism/Arts/Culture – Taxation-Red Tape Reduction – Social Policy issues – Development-Land Use – Youth - Economic Development.

The Surrey Board of Trade has found three sources of independent financial information for Cities in order to understand Surrey's financial matters.

(1) Local Statistics - Government of BC. This web-portal has several very helpful statistics on BC Cities& municipalities based on the individual entity financial reporting covering a very broad range of financial measurers

(2) Canadian Federation of Independent Business. It publishes a couple of reports each year that compare BC Cities, segmented by various population sizes covering property taxation, tax ratios and the relationship between the City's annual operating costs increases against the population and inflation rates

(3) CD Howe Institute - It publishes reports on Canada's Big Cities covering the soundness of the disclosure of financial affairs. Surrey has always scored very high on its several recent reports. Last month, Surrey was the only Canadian large city to receive a A+ score on financial transparency

(4) <https://www.visualcapitalist.com/worlds-best-and-worst-places-for-business/>

TRANSPARENCY

1. Public input: *Opportunity*

It is stated on the City of Surrey's website and promotion that public input is an important component in the financial planning process for the City. To provide feedback regarding the 5-Year Financial Plan, and more specifically the Draft City of Surrey Five Year (2019-2023) Financial Plans (General Operating, Capital & Utilities), the Surrey Board of Trade suggests a longer time period for the public to review documents (information released a week before public input is a challenge to businesses and residents alike). Further the Surrey Board of Trade asks Mayor and Council to enhance their mechanisms to encourage public input. Another suggestion is to have public input available (for in person presentations) later in the evening of the applicable Council meeting. We understand that Written submissions are still accepted by December 17.

2. Comparative study and communication: *Opportunity*

There is an opportunity for the City of Surrey to enhance transparency by improving communication to businesses on where their tax dollars are going. The Surrey Board of Trade is committed to helping the City message this to Surrey's business community. We appreciate the information given to us through COSMOS. An opportunity for a simplified explanation through a graphic (similar to what residents receive) could be sent to businesses by mail and or email through the Surrey Board of Trade.

3. Enhanced access and visual engagement: *Great job and Opportunity*

The Surrey Board of Trade over many years has observed that in contrast to other municipal websites and municipal financial reporting mechanisms that Surrey does have well-organized, easy-to-read financial documentation. In fact, Surrey has received numerous awards for their financial processes. A suggestion to the City of Surrey is to make the financial statements easier to find on the City's website and a graphic "What's in it for me" as a resident and a different graphic for business that outlines where tax investments are being made from each Class.

TAXES, LEVY, INVESTMENTS, ECONOMY

1. Property Taxes, Road Levy, Revenue Streams, Government Downloading *Opportunity*

Surrey offers one of the lowest tax regimes. We need the city to continue investing in infrastructure and amenities to make this a world-class city and decisions need to be made on the comparative tax threshold. We want a robust, civic amenity plan. Does it make sense for us to be the lowest tax regime? Are there other opportunities to derive revenue? We must make strategic investments now, not only in parks, recreation centres, but also cultural corridor investments, a convention centre infrastructure and more. The Surrey Board of Trade is committed to working with the city. There may be other ways of collecting revenue other than tax revenue. These are provoking questions, new paradigms for financial planning, that must be considered. We are well aware that geographically Surrey is 3 times the size of Vancouver – with significant downloading from the different levels of government to provide community services. However, in the face of rising costs from all angles, business and residents are facing significant challenges. Surrey's property taxes don't need to be the lowest in Metro Vancouver.

2. Cannabis Revenue Stream: *Opportunity*

An opportunity for another revenue stream, if done correctly, is tax revenue from Cannabis. There are many challenges referenced in the Surrey Board of Trade's recent policy position on this topic and our submission to the Government of BC and to the Canadian Government. The City of Surrey needs to focus on the cost of legalization to the City.

3. Mayor's Economic Competitiveness Advisory Committee: *Opportunity*

Investments be made to promote the Surrey brand locally and internationally to increase the City's profile and showcase our competitive advantages. Communication can be done in concert with the work

of the Surrey Board of Trade. A Mayor's Economic Competitiveness Advisory Group can ensure the ongoing engagement and involvement of the business community that could include a cross section of business, academic, labour and community leaders to provide input into a type of prosperity implementation plan.

Further this working group could lead to *Revenue Stream Collaboration*. A challenge that we see is that the City needs more instruments to increase revenue given the size, scope and vision of Surrey. A suggestion is to convene a Mayor's Working Group comprised of business leaders, academic, economists to participate in a consultative working paper. This has been done by other cities within Canada.

Ensure Surrey continues to focus on creating jobs in Surrey (Job Worker Ratio KPI)

4. Ease of Doing Business in Surrey – Streamlining Efficiencies: *Opportunity*

When it comes to supporting new businesses, not all jurisdictions are created equal.

Whether it's the basics, like hooking up electricity and registering the business, or more complex regulatory burdens, Surrey needs to implement more business-friendly practices.

- **Starting a business** – Procedures, time, cost, and minimum capital to open a new business
- **Dealing with construction permits** – Procedures, time, and cost to build a warehouse
- **Access to electricity** – Procedures, time, and cost required to obtain an electricity connection for a new warehouse
- **Registering property** – Procedures, time, and cost to register commercial real estate

The Surrey Board of Trade's Development and Land Use Team and the Surrey Board of Trade Red Tape Report can offer further perspective on this.

5. Capital Investments: *Opportunity*

The Surrey Board of Trade notes the 2019 tax rate reduction, but we caution Surrey on this, as the city is playing catch-up on civic infrastructure investments. Surrey has a strong balance sheet to incur warranted and needed capital items that serves Surrey's business community.

We note that the contribution to Capital from General Operating is \$2.60M. Many of our members, their families, need new community facilities such as the Grandview Heights Community Centre and Library, Cloverdale Sport and Ice Complex, and the Fleetwood Community Centre and Library expansion. Please re-visit this approach. Community facilities also go a long way to helping keep our youth from being recruited by gangs.

6. Debt: *Observation*

How much debt is too much for fast-growing cities such as Surrey in need of facilities and infrastructure for our growing population. Surrey's debt falls well below the limit that is set in regulations of the B.C. Municipal Act and controlled by the Ministry of Municipal Affairs. By regulation, a B.C. municipality cannot take on debt that would require it to spend more than 25 per cent of its budget on debt servicing. Surrey spent \$23.5 million on debt-servicing costs in 2017 on \$267.3 million in long-term debt, just 14 per cent of its provincially prescribed limit. Based on revenue of \$711 million, Surrey could have spent up to \$178 million on debt-servicing costs before hitting its limit.

7. Accounting Practices: *Good Job*

The Surrey Board of Trade congratulates the City of Surrey on their accounting practices. The presentation of the costs of investments in infrastructure, costs of pension obligations, makes it easier to match the costs and benefits of municipal activities to taxpayers and citizens.

8. Downloading of Costs to Surrey: *Opportunity*

The Surrey Board of Trade recommends reporting of the downloading of costs to the city by different levels of government. With a new provincial government, for example, there could be a model for new opportunities and new working models in order for taxpayers and stakeholders understand the size of Surrey taxpayers supporting costs previously paid by senior governments and agencies.

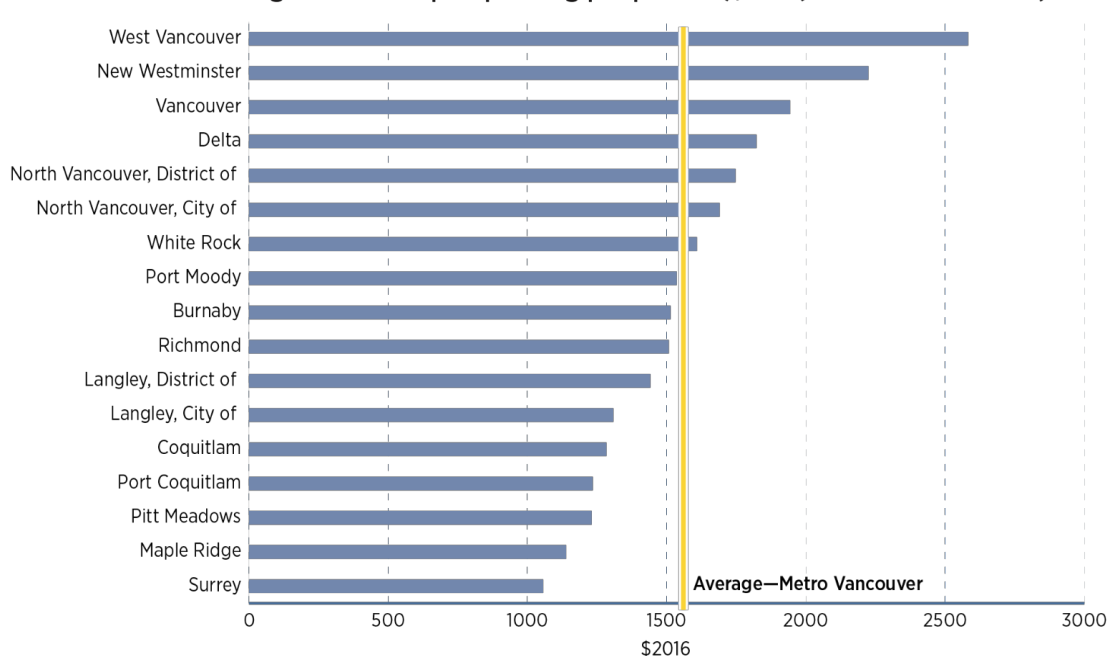
9. Tax mix between Class 1 and the 3 business classes: *Opportunity*

Currently, and for many years, the City derives approximately 70% of its property tax revenues from Class 1 Residential and 30% from the 3 Business Classes. The City has set a target date of 2021 to materially shift the property tax mix to 60% Residential and 40% Business.

There needs to be significant dialogue with Surrey businesses on this matter before any changes are put in place.

10. Surrey's spending is low per resident. But developer fees to the city are on the rise. The Surrey Board of Trade asks the City of Surrey to look into this.

Figure 2: Municipal spending per person (\$2016) in Metro Vancouver, 2016



Sources: British Columbia, Ministry of Municipal Affairs and Housing, 2018; British Columbia, B.C. Stats, 2018; Statistics Canada, 2018; calculations by authors.

CULTURE

The development of a vibrant arts and culture network ties into livability and business attraction.

1. Capital investments

a) Clayton Community Centre – Recreation, Arts & Library Facility: *Good job*

In consideration of the growth in East Clayton and the development expected over the next few years in West Clayton, the new Clayton Community Centre will include visual and performing arts studios, a library and gymnasium, fitness and weight rooms, preschool/daycare facilities, child minding space, youth gathering space, staff spaces and supporting infrastructure and spaces. Construction is currently in progress with a projected opening date in mid-2020. It is expected that this multi-year project will cost \$45.0M.

b) Surrey Arts Centre: Opportunity

Surrey Council has the opportunity to consider moving the needed Surrey Arts Centre Renovation forward to next year. (\$0.35M). This project is for the renovation of the Surrey Art Centre to maintain and improve performing arts organizations' learning, production and presentation spaces and operations.

c) Cultural Corridor - postponed investment \$300,000: Opportunity

The Surrey Board of Trade asks the City of Surrey to include arts and culture as part of its economic development strategy to strengthen community connections, establish new partnerships, and advance the potential for all of Surrey to be a cultural corridor.

- Create a sustainable, dynamic and socially cohesive City with an enviable quality of life
- Ensure that Cultural industries will be a significant component of Surrey's economy
- Establish all town centres with its major public art installations and the cultural facilities as a model of public space design and a focus of cultural activities
- Draw regional, national, and international visitors to Surrey

While cultural hubs serve the needs of the creative sector, they also foster community and sense of place. The vision for a community cultural hub in Surrey will be developed from the ground up in the local community and will respond to the needs and interests of neighbors, community partners, and other local stakeholders.

d) Performance Art Centre: Opportunity

Look for private sector partners to build. Let's not miss the opportunity of community arts and policies for the location of creative businesses - many of them are Surrey Board of Trade members. The Surrey Board of Trade is working with Fusionpresents and Music Canada to brand Surrey as a music city destination.

Artists have a unique niche to craft messages, communicate - include them in the public engagement, dialogue to build our city.

SOCIAL POLICY & WORKFORCE DEVELOPMENT:

1. Housing: Opportunity

Over the past 5 years Surrey Council in the area of social policy has shown leadership.

The Surrey Board of Trade from an economic context asks the City of Surrey through their Capital Budget Planning to consider ways in which to innovatively protect our rental stock of housing – that is our workforce housing. The City of Surrey may want to explore fast-tracking permits for purpose-built workforce housing. We are concerned about the missing middle – youth & young families – when it comes to housing. Surrey can use its regulatory process to increase the amount of affordable housing in Surrey by introducing an affordable housing levy on new residential developments and required a percentage of units of affordable housing in new developments. There is an opportunity to re-define affordable housing to income sensitive housing as a way of ensuring that we are speaking more than social housing needs. Further, there is an opportunity to partner with not for profits to build affordable housing.

2. Newcomers: Opportunity

While the Surrey Board of Trade is supportive of newcomers coming to our city, we recommend an analysis of the increased costs and pressures to cities. The federal governments call to support refugees is noble. The work of supporting them though needs to be done in concert with all levels of government – these decisions can't be done in isolation. It is noted that Surrey's Local Immigration Partnership Table has done tremendous work on support services and reaching out to ensure that newcomers are part of the city's economic development and workplace models.

3. Schools: *Opportunity*

The whole conversation about schools, development, education continues to be prevalent in city building. The Surrey Board of Trade continues to support developments as a mechanism to increase livability. There is an opportunity for Council to proactively issue an implementation program that includes enhanced advocacy to the different levels of government to harness further investments in Surrey schools.

4. Social Planning Department: *Opportunity*

There is an opportunity to review investments into the City's Social Planning Department by a re-visioning of social planning through a Social Policy Framework that interconnects with economic development.

TRANSPORTATION

1. Rapid Transit Needs within Surrey: *Opportunity*

Our rapidly growing city is starved of adequate transportation that enables citizen to travel within Surrey.

The beginning of a network to enable citizens to get to work, or to get to educational facilities, to get to health services, to get to retail services has garnered significant attention by our Citizens, Businesses and the City in recent years.

The Surrey Board of Trade supported the significant plan of prior Council. We are committed to work with our new Council to put in place a suitable plan that begins to build a city network of rapid transportation for our business community to revitalize Surrey's town centres with transit-oriented development.

Transit should be about city-building and servicing the needs of our workforce - helping them traverse the city, getting students to school, workers to their jobs. Any efforts moving forward need to recognize that considerable investment and planning needs to be undertaken to build a transportation system that connects the city, to keep workers and students in Surrey, to attract new investment and economic opportunity.

2. Roads: *Good job*

a) The Surrey Board of Trade was pleased to work with the City of Surrey on our annual Road Survey identifying roads/walkways/bikeways that are a priority to Surrey businesses. This supplements information to the City's 10-year road improvement plan and enhances the livability of our city for businesses today and to our workforce. Potholes and expansion of roads to decrease congestion (new north/south and east/west connections) were considered priorities.

b) Road and Traffic Safety Utility Levy: *Opportunity*

The elimination of the 1% Roads and Traffic Safety Levy for the 2019-2023 period will reduce the monies required for the City's repaving program, bike and sidewalk infrastructure investments. It is expected that over the next five years, the lost revenue from the elimination of the 1% levy will be approximately \$60M. The Surrey Board of Trade asks Council to re-visit this decision.

PUBLIC SAFETY

The Surrey Board of Trade supports the increased integration of programs and services focused on reducing crime and specifically providing youth with supportive programming to avoid gang related activity.

It is noticed in the budget documents that given that the transition to an independent municipal police service has commenced, it is proposed that no further RCMP members will be added in the 2019-2023 Financial Plan

or future Financial Plans until the formation of a Police Board and the determination of resourcing needs.

The Surrey Board of Trade asks Mayor and Council to put a hold on RCMP Transition Plans. We are living in uncertain economic times, rising interest rates. Not investing in needed police officers or resources that they need will not benefit Surrey, and its growing population in the short term. We need to harness our existing resources and work with the different levels of government together to improve judicial accountability.

The indicated additional cost of a municipal force would be only 10% more than the current costs of approximately \$150 million are uncertain.

Firstly, the RCMP provides contract services to our city based upon the level of police resources requested and funded by the City of Surrey. While the RCMP is responsible for discharging its professional obligations, it is the city in collaboration with the RCMP that develops policing priorities and community initiatives within the financial framework. In our city's governance structure, the RCMP Officer in Charge reports directly to the Mayor as Chief Executive of the City as well as through the Public Safety Committee. This governance structure appears to be effective as to financial management of the contract as evidenced by the conclusions in a September 2015 report, undertaken by the Auditor General for Local Governments entitled, "Local Government Performance in Managing Policing Agreement and Police Budget Oversight – City of Surrey";

Secondly, Surrey is not the only city attempting to contain the level of gun violence and serious crime. While the easy response would be to add more police resources, I believe it is the joint responsibility of the Public Safety Committee in conjunction with the RCMP to continue developing and measuring the effectiveness of both law enforcement and community focused programs.

Under the current contract with the RCMP the City of Surrey pays 90% of the contract costs. In 2017 the contract costs paid to the RCMP were \$123 million (excludes administration costs paid by the city) with the federal government subsidizing \$14 million of the cost. There is no subsidy for a municipal police force. In 2016 the Ministry of Public Safety and Solicitor General Police Services Division released a report entitled "Police Resources in British Columbia, 2016". This report compared the costs and statistical data of both the RCMP and Municipal police forces. Based on this report the per capita cost of policing in Surrey was \$272 versus the average of the five municipal forces with populations greater than 100,000 people of \$432. As the municipal force per capita numbers are significantly impacted by Vancouver (\$422) and Victoria (\$493), using only an average of Abbotsford and Delta police forces provides a per capita cost of \$331. If the costs of a new Surrey police force are the same as Abbotsford and Delta a \$50 per capital differential amounts to over \$27 million annually and is closer to a 20% increase, not 10%. The transition to a municipal police force is both expensive and logistically challenging. The City of Richmond, with an RCMP police force of 200, undertook a review and estimated in 2015 that the one-time costs of transitioning to a municipal force were approximately \$20 million. Given that our detachment is four times the size a cost of \$50 - \$100 million is not unreasonable. These increased operational and transitional cost will burden our city for decades without any quantifiable benefits. Given the new "pay as you go" financial framework are these additional costs going to be paid for through higher taxation or further reductions in public amenities.

The Police Act provides that the province of British Columbia must ensure that an adequate and effective level of policing is maintained in our province.

OTHER:

Surrey has many opportunities to innovate and trim excess costs while providing better services. Surrey has a tremendous opportunity to diversify revenue sources and cut costs without cutting services. Some municipalities have already started doing this by sharing resources, making the most of publically owned assets, investing in new technologies, and changing inefficient practices (streamlining bureaucracy, reducing red tape, making it easier for business to be successful).

This is a very high-level overview of the Surrey Board of Trade's perspectives on the City of Surrey Financial Plan beginning in 2019. Our intent is to offer our observations and to work with the City of Surrey to instigate change that will enhance the livability of Surrey and enhance opportunities for Surrey businesses and industries to thrive today and for generations to come.

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