

CITY OF SURREY BUDGET 2020 & FIVE-YEAR FINANCIAL PLAN SURREY BOARD OF TRADE PERSPECTIVES

INTRODUCTION

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 over 3,000 members, representing over 6,000 business contacts and over 60,000 employees.

Why is the City Budget important to Surrey's city-building 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, and a city that fosters innovation.
2. The Surrey Board of Trade is mandated to review and make recommendations on government budgets to instigate change and provide 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 and we evaluate whether Surrey's tax rates are 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.

BUSINESS & ECONOMIC DEVELOPMENT OBSERVATIONS:

1. BUSINESS TAX INCREASE

Surrey has 3 major sources of revenue, the most significant of which is property taxes (residential, major industry, light industry, business). In 2020 the City of Surrey will increase the annual residential property taxes by 2.9% for the average single-family dwelling (cost of living increase).

Business, however, will be facing a significant, unexpected tax increase (major industry to \$24.00 per \$1,000 assessment – up from \$9.42 per \$1,000; and class 6 business property tax increase of 5.5% (2.9% increase + 2.6%).

The significant tax increase in the proposed city budget would move the City of Surrey from the 2nd lowest municipal tax for business to the 6th lowest. Our observation is that this is not an acceptable increase in a short period of time. There was no consultation with the business community. Further, the tax increase seems to point to the manufacturing sector in Surrey. Under the city's plans – economic diversification strategy – advanced manufacturing was identified as important. What is the City of Surrey's economic development plan to strengthen our diverse industry base and increase good quality jobs in the face of continued increasing financial pressures to business, not only now from local government, but from all levels of government? How can we create a predictable, sustainable tax environment for business - to support business and attract business? Rising commercial property taxes compromise the success of business owners.

The 2020 Financial Plan calls for three non-residential tax classes being burdened with extra property taxes of \$5.2M to support the Surrey Police Department Plan (SPD). The City of Surrey could apply previously paid taxpayer funds from other city accounts. For example, why not use the 2019 Forecast Unappropriated Surplus of \$5.0M set out in the city's 3rd quarter financial report? The City's 3rd quarter financial statement reported a 2019 estimated forecast Unappropriated Surplus of \$5M.

Development and department fees are also increasing. Although it is noted that many large-scale developers will not be substantially affected, this increase will hamper the smaller developers' ability to compete.

2. PUBLIC SAFETY INFRASTRUCTURE

The Surrey Board of Trade suggests that the City of Surrey cancel the transition from the RCMP to a municipal police force. The Transition is not approved by the Province. There is a provincial committee looking at the costing, investigative, infrastructure and personnel implications to provide a recommendation to the Provincial Government. Why does the 2020 budget include costing towards an unapproved municipal police force and a police-transition project office?

The priority must be on comprehensive, collaborative economic development investments for all of Surrey (which includes not only business attraction, but also for housing, arts/culture/tourism assets, ways to enhance livability in Surrey).

The cost of transitioning from the RCMP to a municipal police force in Surrey will compromise continued population growth needs for fire services, city services/staff support and infrastructure investments throughout Surrey.

An investment into public safety personnel is an absolute necessity for both police and fire services.

Surrey is an 'Opportunity City'. We can no longer just say Surrey is where the 'Future Lives'. The Future is Here! We need an economic plan that includes partnerships to build a convention centre, and a performing arts centre to make each and every town centre in Surrey a thriving destination.

Surrey will spend \$700,000 on a police-transition project office and \$25.2 million on costs associated with the new municipal police force in 2020.

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.

Again, the Surrey Board of Trade asks Mayor and Council to cancel RCMP transition plans. We are living in uncertain economic times. Surrey needs to invest in police officers and fire personnel for 2020 to support Surrey's growing population. We need to harness our existing resources and work with the different levels of government together to improve judicial accountability.

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 Police Executive 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.'

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 capita 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.

The Current Plan sets out important constraints of hiring staff for our city's public safety. Our city's population continues to grow, estimating a population in 2023 of 620,400, compared to 2019 population of 578,000. While the 5 Year Plan calls for an increase of 8 in the firefighter work force, bringing the force size to 418, this results in a population per firefighter' to 1,484 (620,400/1,410) compared to the 2019 ratio of 1,401 and the 2010 ratio of 1,266.

3. DEVELOPMENT AND PERMIT APPLICATION APPROVAL DELAYS

In a recent NAIOP Commercial Real Estate Development Association survey, it is indicated that Surrey's decrease of 7% in fees charged in 2019 over its 2017 survey, Surrey's number of days to approve developments has increased in 2019 to 545 days, up from 2017 at 180 days. There is a hiring freeze in place across all departments during this budget cycle. Continued development and permit delays are a significant concern. Investments for staff support are needed in order to attract and support a thriving development industry. The City of Surrey needs to invest in the right balance/size of Engineering work force to achieve a more reasonable target above the department's 65% measure of success by 2021.

4. ECONOMIC DEVELOPMENT

This budget needed to be an economic development budget. Surrey has many advantages of assets and location, but this budget requires a people-centric economic development lens and a strategy for housing, place-based economic strategies to support investment and employment, student housing and labour attraction.

This requires operational and policy coordination not only through the Economic Development/Intergovernmental Affairs Department (no further investment for this department), but also between different levels of government, education, businesses (business organizations) and residents.

Investments in re-branding the City are needed. The slogan “The Future Lives Here” is outdated. Surrey is an Opportunity City now. The future is already here.

Mayor’s Economic Competitiveness Advisory Committee:

Investments should 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 advisory committee could lead to revenue stream collaboration. A challenge we see is 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, academics, and economists to participate in a consultative working paper. This has been done by other cities within Canada.

5. ART & CULTURE INVESTMENTS:

The City of Surrey proposed budget for the next five years includes \$850,000 for the arts allocated to \$500,000 relocating the Surrey Little Theatre and \$350,000 to the Surrey Arts Centre. The opportunity to invest in additional arts infrastructure (performing arts centre) is not included. Surrey needs it and we will be left behind. Arts and culture is part of economic development. Private sector partnerships through the Surrey City Development Corporation is an opportunity to move this forward.

1. Arts and culture are powerful tools to engage communities in various levels of change (including youth participation and public safety).
2. The arts are one of the primary means of public dialogue.
3. The arts contribute to the development of creative learning communities.
4. The arts help create healthy communities capable of action.
5. The arts can serve as a powerful tool for community mobilization and activism.
6. The arts can build community capacity and leadership.
7. The arts create a community conducive to economic investment and reinvestment.

A great city has great arts and culture infrastructure. From small underground studios to grand concert halls, arts facilities are gathering places that infuse our city with colour, stories, music, beauty, surprise, understanding and humanity. Arts and culture facilities create vibrancy in neighbourhoods, they help us tell our stories, live creative lives, inspire our youth, and they draw visitors to our city.

We need anchor spaces such as a music centre; incubator spaces; major community arts centres such as a performing arts centre, galleries, art incubator, and film centre; and small community arts centres such as a performing arts youth centre, and other community spaces. These new spaces can have a positive effect on the lives of artists and the cultural life of Surrey residents and workers.

Surrey’s inventory of significant arts facilities compares poorly to other Canadian cities, many of which have lower populations than Surrey.

- Visual and performing arts spaces was the lowest in Canada
- On a per capita basis, Surrey’s performing arts seat inventory was significantly lower than any of the benchmarked cities and less than half the inventory of Vancouver or Seattle.

We need to build momentum.

- We have seen how municipal investment in arts and culture infrastructure unlocks and leverages much bigger dollars, resulting in the development of Anchor Spaces, Major Community Arts Centres, and Incubator Spaces;
- Arts and culture infrastructure acts as a driver towards a shared vision for Surrey
- Creative placemaking through the arts;
- We are at a pivotal moment in our history to unleash the power of arts and culture in diversifying our economy and shaping our city's identity.

6. TRANSPARENCY

Transparency and up- to- date city information on the City's objectives, strategies and performance is needed.

The City's 2019 Annual Plan Report issued in June 2019, similar to recent years plans, sets out the City's objectives, strategies and performance measures of success. The Report refers to the City's Dashboard (dashboard.surrey.ca) which tracks the City's objectives and performance measures over the years. On review of the City's Dashboard we find most of the measures have not been updated from 2016 and 2017.

The City should update and maintain this important dashboard for citizens, taxpayers and potential investors.

7. FINANCIAL DISCLOSURES

The Surrey Board of Trade congratulates the City of Surrey on their financial disclosures. 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.

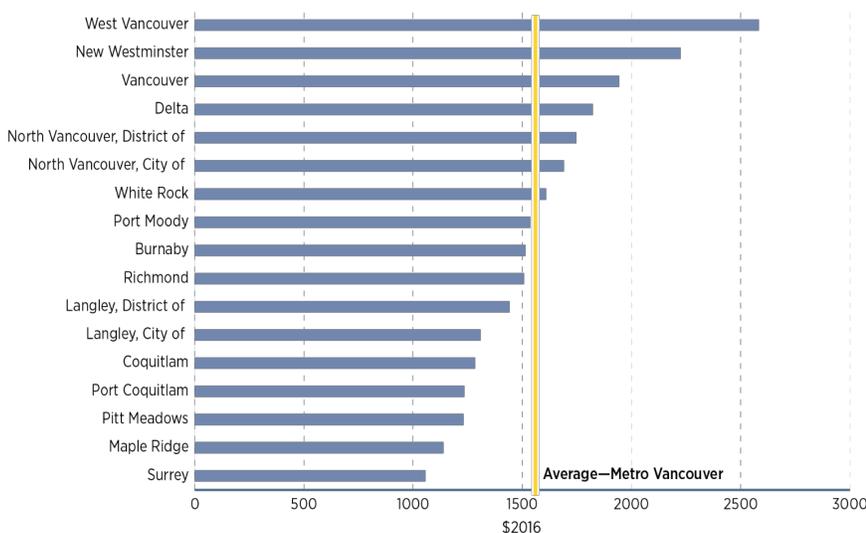
8. DOWNLOADING OF COSTS TO SURREY

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

9. MUNICIPAL SPENDING PER PERSON

Surrey's spending is low per resident. However, developer fees to the City are on the rise. The Surrey Board of Trade asks the City of Surrey to look into this. There is an opportunity to find out the current spend to resident and business in order to make needed investment decisions.

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.

10. RIVER INVESTMENTS

Nicomekl Riverfront Park is a positive investment. The 2020-2025 capital plan sets out investments of \$7.6M for Nicomekl Riverfront Park.

Surrey has several unserved and underutilized riverfront areas. There is an opportunity for the City of Surrey to further invest in the Fraser River riverfront to make it more attractive and make it a destination for music, arts, tourism. The Surrey Board of Trade recommends Council explore this investment.

13. HOUSING AND WORKFORCE DEVELOPMENT:

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 and invest in 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 and 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 requiring a percentage of units of affordable housing be included in new developments. There is an opportunity to redefine affordable housing to income sensitive housing as a way of ensuring that we are speaking to more than social housing needs. Further, there is an opportunity to partner with not-for-profits to build affordable housing.

14. TRANSPORTATION

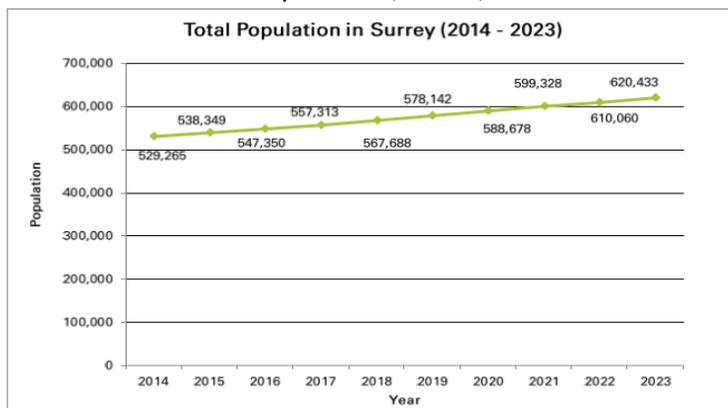
We have a shared interest in quality transit, convenient connections and other transit services, and minimizing impacts during construction. Emphasis on the importance for an efficient and reliable transit system that reduces overall travel times by minimizing connections, increasing frequency and supporting a robust bus integration plan. We need creative micro-transit within Surrey to connect and develop our town centres.

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 and our workforce. Fixing potholes and expansion of roads to decrease congestion (new north/south and east/west connections) were considered priorities.

The lack of an increased Roads & Traffic Safety Levy for 2020-2024 is problematic. With the development of innovative technology that would serve to reduce traffic and collisions, an investment is needed by cities. Additionally, a growing population requires adequately improved and road service. The Surrey Board of Trade asks Council to revisit this decision.

IN CONCLUSION

Over 100,000 new residents are expected to live 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.



Numbers for 2019 - 2023 are projected
Source: City of Surrey Planning & Development Department

The availability of locally based employment opportunities provides social benefits by creating more complete communities where residents can spend less time commuting and more time with their families and participating in their communities. It also reduces the environmental impacts 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.

This is a very high-level overview of the Surrey Board of Trade's perspectives on the City of Surrey Financial Plan beginning in 2020-2023. 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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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; Tourism/Arts/Culture; Taxation (red tape reduction); Social Policy issues (public safety); Land Use and Development; Youth, and; 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 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.

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

(5) <https://www.curbed.com/2017/7/25/16020648/affordable-housing-apartment-urban-development>

(6) https://ppforum.ca/publications/people-centric-economic-development-lessons-on-international-student-retention-from-atlantic-canada/?utm_source=MC&utm_campaign=launch