

November 24, 2008



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Mayor Mike Bradley and Council
City of Sarnia
255 N. Christina Street
Sarnia, On N7T 7N2

Re: Comment on 2009 Proposed Budgets

Dear Mayor Bradley and Council;

We would like to congratulate City Manager Bruce Peever and all City staff in bringing forward a budget with a new low level of taxation required, at this point in the budget process. That being said, the Sarnia Lambton Chamber of Commerce believes that the proposed taxation increase of 6.8% and the significant increase that will be necessary in water and sewer rates would be classified as unacceptable by our members and many of the public. Will City government departments feel as much pain in their budgets as citizens and business expect to feel in 2009?

Are the Budget Numbers Relevant Today?

An additional concern of ours is the fact that because of when this budget was prepared it may not represent the changing marketplace in the world and here in our community. The budget was assembled during the late summer and September. Much has changed recently that will affect City revenues negatively and perhaps cost of goods positively.

Guiding Principle

Considering the economy many experts expect to exist in Ontario in 2009, with this budget review Council should focus by asking themselves, "*How will this expense or activity contribute to the long-term advancement and positioning of this City?*" You must still advance our future as we have a tremendous community vision and there are certain things that City government must continue to do now to prepare for this. However, there are day to day expenses that can and should be postponed due to our declining economy. Perhaps decisions that you made 3 or 4 months ago need to be reconsidered as we are in different times.

Income Insensitivity of Property Taxation:

Provincial and federal taxation is based on income or revenue earned, and is somewhat sensitive to personal and economic conditions. Local municipal taxation is based on MPAC property valuations and is insensitive to today's economic marketplace. Your own Sarnia County Councilors at Lambton County's meeting last Wednesday were certainly passionate and protective of the taxpayer in their discussions. It will be necessary for Council to bring that same important sensitivity and protection of taxpayers to your 2009 budget deliberations.

Comment based on L.T. Financial Objectives:

Our approach to the budget has been to study how the budget reflects the City's prior financial priorities and what created change in the 2009 budget.

Based on the City's long-term financial objectives and this budget, we offer the following comments as a guide:

Reduce debt:

Congratulations! Debt reduction has been successful. In recent years, while the debt priority was being met, other priorities were also maintained. This priority is part of our future vision and should be maintained in 2009 as you have planned.

Increase Reserves:

Staff has advised us that reserves have grown substantially in 2008 due to senior level government providing more grant money in support of important infrastructure projects. These projects are key to our future vision and must go ahead.

For these projects we support the identified use of subsidies and reserve funds in the capital budget, however, in this current economic upheaval, over achieving targets in reserve fund balances should not continue to be the goal of this Council. In your 2008 capital budget book you estimated to end 2007 at \$20.3 million in reserves and you actually ended at \$22.6 million. Similarly, in the 2008 budget book you expected to end 2008 at \$22.3 and you now will end at an estimated \$28.9million. Understanding that some of this is large federal or provincial gifts, prudent management, reducing the burden on the tax payer and determining if existing targets for reserve funds are too aggressive should be the current objective.

As a further example, there are existing Council directives that require additional funds each year be placed in the capital reserve account, **5-06100 contribution to reserve**, \$375,000 for 2009. Council should not add \$375,000 in 2009 AND reconsider if the 2008 contribution of \$800,000 is also too high to contribute in 2009.

Further and for the same reason, we do not support the addition of \$250,000 from the **OLG SLOTS shared revenue funds 4-00790** being redirected in 2009.

Maintain Service Levels:

The general tax levy account 4-00001 shows new taxation of \$974,293 is needed to support Service level change. What new services do the citizens see this year from this increased taxation? When you flip through the budget book looking under the Service change column, we note that most, if not all, is to go to reserves, or pay ourselves in interest and principal repayments. The \$375,000 to capital reserve, the \$250,000 from slots to reserve, the \$115,000 in internal payments (account 5500) total \$740,000. We simply do not comprehend the rationale of re-directing slots funds to a reserve and taxing us in 2009 too by the same amount to put money where it would have gone in the first place.

Staff wages and benefits in many departments, e.g., Fire, are up 2 to 3% and benefits are up 10%. Yet in other departments, like community services, wages and benefits are both rising similar about 3 to 4%. We have noted that benefits have been rising a great deal for years. Can Council

get a control of staff benefits? The City must address this huge discrepancy between what its benefit levels are and what an average citizen has from their employment

Council should investigate closely any staff increase in 2009. Council should direct that no new hires occur and creative solutions be found for pump station, accounting, transit, property, etc. staffing increases. The private sector may have capacity to take on necessary work for Council in 2009. Similarly, training expenses have increased in several departments and should be closely discussed to identify expenses you could postpone. For example, in account 2490 Other municipal, there is no explanation of the \$40,000 in training costs.

There are many account changes in Public Works 3010. The base budget increased \$800,000 net for 2009. Can you ensure that the expenses are OK, for example, Patching Hot Mix has increased \$571,000.

Your decision to increase snow removal service on sidewalks and to repair to boulevard property damage from plows etc. may have to be re-visited too. Are the economic conditions the same when you first made the decision to expand this service?

The Police Department has a more modest increase in their budget this year. It is mandated that adequate service be provided, however, are we still duplicating services with City Hall? The new Police Chief has indicated an understanding of the fiscal constraints that City ratepayers face. This makes now an opportune time for City staff, Police Services Board and Council to assess what services can be shared with City departments (accounting, HR, etc.) re: "civilian" resources. Also, it appears that the police budget will be passed by Council one hour before public comment can be directed to Council on November 24. If this fact is correct for the second year, should the public be speaking to the Police Services Board about their budget, and not Council?

Infrastructure Renewal: We support the work that is planned for 2009. However, since you know the projects better than ourselves, are there any water or sewer projects that can be delayed in 2009 to have a positive impact on water or sewer rates?

The Chamber congratulates City staff for excellent relations with the community and business in completing 2008 infrastructure projects. Thank you very much for your excellent communications.

Maintain a reasonable tax rate: Reasonable often refers to the rate of inflation. How valid is the October rate of inflation you use as a guide for 2009? Will the October CPI reflect a person's real ability to pay in 2009? We think that it will not, and you must aim for a less than inflation increase. Will Council's expertise find additional tax point reductions? We hope you do. However, we feel that you must take action on your reserve and service level financial priorities, perhaps as we suggest above, otherwise a reasonable tax rate will not be possible.

Additional Comments:

Fees: We note the significant change to Planning Department rates – zoning bylaw, site plan, official plan, severance on page 20 of the fee book are 24 to 27% higher for 2009. The

planned increase may be part of a three year plan to increase fees. However, if Planning covered costs of operation last year at the 2008 fee level, can you slow down the fee increase in 2009? This increase does follow on the heels of a huge increase in fire review and building permit fees in 2008. Should we be concerned about our attractiveness for future development and lower this increase

Tourism Funding: In 2008 and perhaps again in 2009, you will obtain over \$1 million in shared revenues from OLG Hiawatha slots. For the most part, these are dollars that have been created by tourists in our community. At the pleasure of Council, this funding benefits Sarnia taxpayers in the City's annual budget. The Chamber feels that reinvestment of these funds in the tourism industry is important to the future of this industry. We ask Council to remember this may be the only direct funding they have from any industry sector annually in their budget.

On behalf of our Board of Directors, Government Affairs committee and our 985 business members, thank you for the opportunity to provide comment on this challenging budget.

Sincerely;

A handwritten signature in black ink, appearing to read 'David McPhail', with a stylized flourish at the end.

David McPhail
Chair, Board of Directors

c.c. M. Mitro, Chair, Government Affairs Committee
G. McDonald, President, SLCC
B. Peever, City Manager, City of Sarnia