



February 12, 2020

Mayor & Council  
City of Brampton  
2 Wellington Street W.  
Brampton, ON L6Y 4R2

**Re: 2020 Budget Recommendations**

Dear Mayor Brown and Members of Council,

In the 2019 budget, City Council achieved a 0% tax increase. A first in Brampton in almost 20 years. Council and staff worked hard over the past year and we look forward to a successful 2020 budget process.

Each year, the Brampton Board of Trade follows the City of Brampton's budget process and makes recommendations to staff and Council. We commend the City for incorporating many of the Board of Trade's past recommendations.

As Council begins its 2020 budget process, the Brampton Board of Trade offers our preliminary recommendations on the 2020 City of Brampton Budget. Specifically, we encourage council to take steps to minimize any property tax increase for the 2020-22 period.

**Property Tax Increases: Businesses and Residents Need Help**

The City of Brampton participates in a municipal benchmarking study each year. As the 2018 Municipal Benchmarking Study from BMA Management Consulting demonstrates, Brampton's property tax level continues to be too high relative to its peers. The ability to continue to increase taxes has been reached. The property tax burden of Brampton residents, as a percentage of income, is highest among neighbouring jurisdictions. The BMA study supports what many residents and businesses are saying – taxation levels are becoming increasingly burdensome. While these number do not reflect the single year tax freeze, one year of restraint is not enough.

|   | Brampton    | Mississauga | Oakville  | Burlington | Vaughan   |
|---|-------------|-------------|-----------|------------|-----------|
| 2018 Average Tax Burden                         | \$4,906     | \$4,417     | \$5,636   | \$4,134    | \$5,357   |
| Average Household Income                        | \$102,663   | \$109,999   | \$179,132 | \$125,873  | \$139,474 |
| <b>Burden as % of Income</b>                    | <b>4.8%</b> | 4.0%        | 3.1%      | 3.3%       | 3.8%      |
| <b>Rank out of 108 Municipalities (highest)</b> | <b>4</b>    | 42          | 94        | 85         | 51        |

Brampton ranks 4<sup>th</sup> as the least affordable community when it comes to property taxes. We must do better.

For businesses, the burden is comparatively high as well, which influences business investment decisions.

|  | Brampton | Mississauga | Oakville | Burlington | Vaughan |
|--|----------|-------------|----------|------------|---------|
| <b>Office Buildings (\$/ft<sup>2</sup>)</b>    | \$3.72   | \$3.67      | \$3.90   | \$3.15     | \$3.47  |
| <b>Standard Industrial (\$/ft<sup>2</sup>)</b> | \$2.42   | \$2.16      | \$2.97   | \$2.54     | \$1.97  |

### Recommendations

The Brampton Board of Trade recommends that Council direct staff to employ three strategies to mitigate property taxes:

**Strategy 1:** Stop Over-taxing: Leverage Brampton’s Financial Strength

**Strategy 2:** Optimize Service Levels and Sources

**Strategy 3:** Establish a Strategic Economic Development Infrastructure Fund To Attract New Business

#### 1) Leverage Brampton’s Financial Strength

In preparing this submission the Board also reviewed the City’s recent reports including:

- 2019 Third Quarter Operating Budget and Reserve Fund Status Report
- Investment Report for the year ended December 31, 2018
- State of Local Infrastructure Report (from December 2018)
- Capital Project Financial Status Report

We note these observations and make the following suggestions:

#### Operating Surplus

- 1) Projected Operating Surplus of \$15.8 million
  - i. Consider not topping the General Rate Stabilization (GRS) Reserve to the target and instead use some of the surplus to reduce 2020 taxes.

- ii. Consider using part of the remaining balance of the surplus to reduce taxes over the term of Council. This funding would be replaced in the future as efficiencies are identified.

#### Duplication of Reserves

##### 2) Debt Repayment Reserve of \$8.8 million

- i. The debt repayments for the Fire and Emergency Services Campus and the Centre for Innovation are now in the budget. This reserve will essentially sit for 25 years until it is used to make the final debt payments. The City of Brampton has taxed residents and businesses for money it did not need currently and put it in a reserve fund. These funds should be returned to taxpayers.

##### 3) Interest Rate Stabilization Reserve of \$8.4 million

- i. This reserve is very similar (if not a duplicate) to the GRS Reserve.

The General Rate Stabilization Reserve (at \$67.6 million), Debt Payment Reserve and Interest Rate Stabilization Reserve all have a similar purpose: To protect taxpayers from future unanticipated tax pressures. These three reserves can be combined. An overall Reserve of 10% of Operating Costs seems enough. Any excess can be used to reduce future tax increases.

#### Reserve Strength

##### 4) Asset Replacement Reserve/State of Local Infrastructure

- i. In 2016 a staff report identified Infrastructure Gap of \$192.0 million. This “Gap” was projected to grow to \$626.3 million by 2025 and was the basis of staff recommending a 2% infrastructure levy. These projections included transit and Stormwater Management. This 2016 report projected the 2018 Gap would be \$367.2 million as it increased towards the 2025 figure. But staff reported in December 2018 that the Gap was only \$246 million after more detailed analysis had been completed. A change or error of \$121 million from the original projection. It appears that the premise on which an annual 2% levy was determined may be overstating the Gap. It is time to revisit the increasing reserve contributions.
- ii. In 2016 the Infrastructure Gap was used to justify an annual 2% increase in contributions to the Asset Repair and Replacement Reserve. Now the City has created a new Dedicated Transit Fund. This year, the draft budget proposes a new Stormwater Fund. The 2% increase for Asset Repair & Replacement is \$9.9 million. When combined with the Dedicated Transit Fund and the new Stormwater Fees the total **additional** amount being charged to taxpayers is **\$36.7 million.**

##### 5) Legacy Fund/Community Investment Fund

- i. As recently as the end of 2017 the Legacy Fund and Community Fund had a combined balance of \$115.0 million. Only 2 years later they have now grown to \$146.6 million. This was primarily due to prior year surpluses being used to pay back internal loans. As

discussed below, Council should consider reducing reserve fund contributions when these resources are available.

- 6) Uncommitted Capital Projects increased to \$360 million (projected)
  - i. The City implemented “Capital Contract Budgeting” to reduce the level of approved, unspent capital projects. We are concerned this appear to be growing again after a few years of decline. It went from \$613 million in 2013 to a low of \$225 million in 2016 and has grown to \$908.2 million as of June 30, 2019 and is projected to be \$548 million at the end of 2019. If projects cannot be completed (for various reasons) Brampton should stop collecting taxes to merely hold in low interest investments. In 2018 the average monthly investment portfolio exceeded \$1 billion. This is taxpayer money, some of which could remain with the taxpayer.

With the above areas of opportunity, it is time to hold the line on tax increases.

## **2) Optimize Service Levels and Sources**

### Service Level Reviews/Value for Money Audits

We congratulate Council on initiating a third-party Service Level Review. While results will take time to be implemented this review promises to allow future tax pressures to be met with more efficient service delivery.

## **3) Establish an Economic Development Infrastructure Fund that Attracts More Business**

Infrastructure attracts business and Brampton is at a cross-roads. Several major infrastructure projects are uncertain both in terms of cost and timing. This uncertainty limits Brampton’s ability to attract new commercial and industrial enterprises. Infrastructure projects that have a big economic impact include:

- Hurontario LRT alignment (Surface or tunnel)
- Ryerson University/BramptonU
- Centre for Innovation
- Riverwalk
- Downtown Reimagined
- Queen Street LRT (BRT?)
- Transit Hub
- All Day Two Way GO, Go Station Parking
- Third Hospital

For many of these projects, provincial and federal funding may be available, however, Brampton will also need to contribute, yet the amounts are uncertain. Although some of these projects have funding already identified in the capital budget, we recommend the following:

- 1) Establish a Strategic Economic Development Infrastructure Fund:  
The Board of Trade is recommending that the City establish an “Strategic Economic Development Infrastructure Fund” to fund these future projects. In addition, existing capital

projects currently on hold (such as Downtown Reimagined) can be added to this reserve. This fund can be seeded by the reallocation of both the Legacy Fund and the Community Investment Fund. Due to the uncertainty of many of these large-scale projects it is recommended that the future projects identified to be funded by this fund remain generic but have estimated funding requirement dates. In this way, large projects can be budgeted for and shown what is affordable to Brampton.

2) Establish 10 Year Capital Forecasts

Brampton currently prepares a detailed capital budget for the upcoming three years. These budgets also include the operating cost impacts of the capital projects. Many municipalities extend this to a ten-year horizon. In order to allow Council better forward looking information and allow for more informed decisions the Board of Trade is recommending that Brampton adopt a 10 year capital budget with operating cost implications.

**Stormwater Surcharge**

The Brampton Board of Trade supports the implementation of a Stormwater Surcharge. In general, we support the principle of User Pay. But when this is implemented the Brampton Board of Trade expects that **any increase in revenue will be offset 100% by a reduction in property taxes** and will net no new funds to the City.

In reviewing the draft budget, we are extremely concerned of the **major tax increase** being proposed. Costs that were previously supported by property taxes are being supported by a new user fee. The additional revenue is budgeted to be \$22 million. The draft budget is misleading. The staff is not proposing increasing taxes by \$5.7 million or 1.2% but by **increasing taxes by \$27.7 million or 5.8%**. There is only one taxpayer. In 2020 the draft budget is proposing to increase costs to residents and businesses (through property tax and new user fees) by one of the **highest increases ever**.

We also note that these new user fees are primarily being contributed to a reserve. While the Stormwater Fund has \$22 million contributed to it, only \$3.2 million is being utilized. The balance is being held for future years. Consider using these additional revenue to decrease property taxes and shift this revenue to the new Stormwater Fund as efficiencies are identified in other City departments.

**In Summary**

The Brampton Board of Trade believes that the Tax Increase Methodology followed by the City needs to recognize our financial strength but also the challenges faced by residents and businesses. A review of the past 9 years demonstrates that Council has traditionally approved tax increases well above current inflation to fund its needs. Only the current Council has approved increased less than inflation. For that we applaud you.

|          | 2013  | 2014  | 2015  | 2016  | 2017  | 2018 | 2019 |
|----------|-------|-------|-------|-------|-------|------|------|
| Tax levy | 4.9%* | 2.9%* | 5.8%* | 4.9%* | 3.3%* | 3.7* | 0.0  |

\* Plus levy for redevelopment of the Peel Memorial Hospital site, partially reduced in 2018

\*\* Current Ontario all items inflation is 1.9%, Statistics Canada, November 2019

The Board recommends that each component of the Tax Increase Methodology be revised downward or eliminated altogether. We believe it is time for taxpayers to expect a return on the efficiencies that are brought about by better management.

| TAX INCREASE COMPONENTS                            | City of Brampton Target Forecast                    | Brampton Board of Trade Recommendation              | Rationale for Brampton Board of Trade Recommendation   |
|--|---|---|--|
| <b>Base Increase</b>                               | 2.0%  | 1.9%  | This increase is consistent with inflation   |
| <b>Efficiency Adjustment</b>                       | Not specifically identified                         | Minus 1%<br><b>Minus additional Stormwater Fees</b> | This is a reasonable benefit taxpayers' can expect by achieving efficiencies and better management   |
| <b>Financial Strength Adjustment</b>               | 0.0%  | Minus 1%  | Utilize the City's financial strength to reduce the 2020 tax increase.   |
| <b>Infrastructure Levy</b>                         | 2.0%  | 1.0%  | This is sufficient in 2020, given the City's much improved reserve position  |
| <b>Transit Levy</b>                                | 1%  | 0%  | Should be combined with the 1% Infrastructure Levy increase  |
| <b>Service Enhancements</b>                        | ??  | 0.0%  | Any new or enhanced services should be financed by elimination of programs and services no longer required or ones that can be better delivered by organizations other than the City             |
| <b>Total Forecast Increase (Municipal Portion)</b> | <b>5.8%</b><br><b>Including new Stormwater Fees</b> | <b>0.9%</b>   | <b>This increase allows for inflation in base programs and takes advantage of efficiencies and financial strength.</b><br><br><b>Total Tax Increase must include additional Stormwater Fees.</b> |

**Base Increase:** This amount has been over-stated in past municipal budgets. It should be equal to the current inflation rate in Ontario.

**Efficiency Adjustment:** As Council continues to identify efficiencies and reviews alternative delivery options the Board believes a portion of these tax savings should be passed on to taxpayers. To include this in the budget process an "efficiency adjustment" factor should be added.

**Infrastructure Levy:** The Board accepts that more needs to be done to maintain the City's ageing infrastructure. We have reviewed the Long Term Financial Master Plan. But expenditure increases need to be constrained. Reserve levels are much improved from the past. As such we feel it is time to restrain the increases to the infrastructure levy. Please do not collect what you don't need to spend. Instead, leave that money in taxpayers' hands to stimulate the local economy and grow local businesses.

**Service Enhancements:** We believe tax increases for this component should be eliminated. New programs or services should be paid for by the elimination of existing programs or services that are no longer relevant or no longer need to be delivered by the City.

In brief, Council needs to continue to show restraint and mitigate tax increases (both property tax and User Fees) for its constituents.

Due to the need for restraint in this sluggish economy, the current low inflation environment, the City's improved financial position and the taxpayer expectation that identified efficiencies accrue to lower tax increases, **The Brampton Board of Trade recommends that for the 2020 to 2022 budget cycle, the overall increase in the City's portion of the tax levy be set at no more than 0.9%, including any increased Stormwater Fees.** This increase is both reasonable and responsible for a growing community in this economic environment. The components of the increase are comprised of 1.9% for a "base adjustment", 1% for an "infrastructure levy" and a return to taxpayers in the form of a deduction of 1% for efficiencies and a 1% reduction due to the City's financial strength.

Thank you for giving consideration to these recommendations as Council begins budget planning. Please feel free to contact us if we can provide any further detail.

Sincerely,



Todd Letts, MBA, CCE  
Chief Executive Officer