



BUSINESS COUNCIL OF BC HIGHLIGHTS KEY BUSINESS ISSUES OF THE UPCOMING MUNICIPAL ELECTIONS

VANCOUVER, BC (Nov. 3, 2008) - With province-wide municipal elections coming up on November 15, 2008, the Business Council of BC (BCBC) is calling on British Columbians to make their voices heard on key issues such as property taxation, models of municipal financing, local government approaches to regulation, and the need for greater cooperation among municipalities in organizing and providing services.

“Because these issues have a direct impact on each community’s ability to collect revenue, pay for services and plan for the future, they’re of tremendous importance to every BC resident, not just the business community,” said Virginia Greene, President and CEO, BCBC. “Healthy communities depend on healthy businesses and in the face of an economic downturn, municipal governments should try to make better use of their resources instead of settling for business as usual.”

Municipal Property Taxation

In most BC communities, property tax rates for businesses and industry are 2.5 to 3.4 times the rate for residents even though businesses usually consume fewer municipal services than households. This inequitable property tax system discourages investment and acts as a competitive handicap, particularly for capital-intensive industries.

Under the current economically counterproductive system, which has no appeal mechanism, local governments are free to set tax rates and ratios without any limits and, as a result, businesses are subsidizing local residents.

Until the province legislates a maximum business/residential property tax ratio, as recommended by BCBC, the BC Chamber of Commerce and the BC Competition Council, the business community should press local politicians to realign property taxes so they more accurately reflect the services actually consumed by businesses compared to residents.

Municipal Financing

Given the funding constraints on BC municipalities, they need to be creative in raising revenues beyond traditional property taxes and user fees. While most of the fiscal restrictions on municipalities stem from factors beyond their control, such as reductions in transfers and downloading of certain responsibilities by senior levels of government, there is room for local governments to adopt more innovative financial policies.

Among the financing/funding options available to local governments, but rarely used in BC, are using tax-exempt municipal bonds to raise capital, more reliance on user-pay models (such as road tolls), and adopting contracting out and public-private partnership arrangements to provide infrastructure and help pay for related services.

Unlike general obligation bonds, which are backed by the general revenue of the municipality, revenue-based bonds are backed by the revenue stream from the specific asset being built, which is fairer to local taxpayers because only users of the asset pay for it. User fees should be used by municipalities not just to raise revenue, but to ensure that users of a service are paying for it. If well-structured, user fees allow municipalities to better estimate future demand and make informed decisions on when and how to add capital assets.



The business community should also inform candidates and citizens about the benefits of innovative financing models such as P3s, particularly for capital assets. Using P3s for the construction of municipal infrastructure (sewage treatment, water systems, roads, bridges, etc.) and the delivery of the associated services relieves local governments of some of the risks and burdens of capital projects while tapping the expertise of the private sector.

Municipal Regulation

Local governments need to commit to streamlined and cost-effective regulation. While municipalities in BC have significant powers over matters such as zoning, business licensing, buildings, infrastructure, transportation, development, and even environmental protection, they too often make decisions on these matters without any kind of economic or business impact analysis.

When decisions are likely to have material consequences for particular industries or sectors, the principles of good public policy suggest that regulatory impact analysis should be part of the policy-development process. Fortunately, the Organization for Economic Co-operation and Development (OECD) has done extensive work on developing “best practices” for the process of regulation development, enforcement and reform.

In addition to candidates for municipal office having an understanding of the broad economic, business and social ramifications of the issues they face, municipal governments should make their regulatory decision-making consistent with the “best practices” identified by the OECD and the regulatory reform policy established by the province.

Regional Cooperation and Service Provision

Often, municipalities can gain by working together to organize and provide services on a larger scale. In areas such as emergency services, parks and recreation, procurement, administrative services, economic development, and business attraction and promotion, greater regional and inter-municipal collaboration and cooperation, including the implementation of shared service model, and potentially even amalgamation, would provide benefits to taxpayers and produces better overall results.

While some collaboration is already taking place in parts of the province in some service areas, businesses should continue to encourage the organization and delivery of more services and programs on a shared or region-wide basis.

Established in 1966, the 210 members of the Business Council of British Columbia are drawn from every sector of the provincial economy and represent more than one-quarter of all the jobs in British Columbia.

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