



August 13, 2024

Mayor Amarjeet Sohi 2nd Floor, City Hall 1 Winston Churchill Square Edmonton, Alberta T5J 2R7

RE: Financial Sustainability: Addressing Budget and Growth Challenges

Mayor and Council:

I am writing in regard to item 7.1: Financial Sustainability: Addressing Budget and Growth Challenges that will be discussed at the August 14, 2024, Executive Committee meeting.

On behalf of the Edmonton Chamber of Commerce (ECC), I wish to begin by expressing my appreciation for the proactive and sustained efforts that Council and Administration have taken to date in addressing the ongoing financial challenges faced by our city, as most recently evidenced by the August 14, 2024, Financial and Corporate Services report FCS02478.

As the official voice for local business, ECC represents nearly 2,000 small, medium, and large businesses that span every sector of the economy, from heavy industry and manufacturing to retail and non-profit organizations. We fully recognize and understand the complexities and constraints of our municipality's financial landscape. The need to balance municipal budgets while ensuring essential service provision and infrastructure delivery and maintenance is no small feat. We commend Council for your continued commitment to governing these complexities.

In November 2022, Council approved its 2023-2026 capital, operating, utility, and carbon budgets. At the time, we voiced concerns about proposed tax increases that amounted to nearly 5% annually. ECC recommended principles and actions that would eliminate the proposed tax increases and bring greater focus to municipal expenditures. Despite these concerns, and despite Council's efforts to find significant cost savings through the OP-12 budget exercise, an additional 8.9% property tax increase was approved earlier this spring. As Council prepares for the upcoming *Fall 2024 Supplemental Operating and Capital Budget Adjustment* process, we would like to respectfully caution against further increases in municipal property taxes.

Continued tax increases, while potentially beneficial for short-term revenue, pose a serious long-term risk and may inadvertently exacerbate our city's financial challenges by creating a non-competitive business environment. Increased tax burdens can lead to reduced business profitability, hinder investment, and potentially result in business closure and job losses. In turn, these effects can create a ripple impact on the local economy, reducing overall economic activity, and undermining the very revenue streams that tax increases are intended to support. As shown in Appendix 1, there is a significant gap between non-residential mill rates in Edmonton, Calgary,

and other municipalities in our region. Edmonton's rate is significantly higher, meaning we are becoming increasingly less competitive in our ability to attract new investment, new businesses, new citizens, and entrepreneurs.

This risk has been repeatedly brought to my attention since my appointment as President and Chief Executive Officer in October 2023. Over the past year, many members of Edmonton's small business community have expressed deep concerns about the impact that rising costs of inputs, high interest and inflation rates, and significant property tax increases are having on their bottom lines. Small business owners are more frequently expressing frustration about annual increases to non-residential property taxes — which are insensitive to business revenues or profit margins — and that they are considering closing or relocating their businesses to nearby municipalities with more competitive tax rates and business-friendly policies.

We encourage Council to explore bold and creative solutions to address the City's financial circumstances. Engaging with the business community to explore revenue generation, cost-containment, or resource re-prioritization strategies may assist with this endeavour. ECC would be happy to convene such discussions and support Council in achieving both financial sustainability and a thriving business environment.

Thank you for your attention to this matter. We are confident that through continued dialogue and engagement, Council can navigate these financial challenges effectively while sustaining Edmonton's economic vitality.

Sincerely,

Hon. Doug Griffiths

President and Chief Executive Officer

Edmonton Chamber of Commerce

Appendix 1: Non-Residential Property Mill Rate, Excluding Education, Education Requisition Allowance Components (Sorted from Highest to Lowest)

Municipality	2020	2021	2022	2023	2024
Edmonton	0.01850	0.01998	0.02108	0.02212	0.02266
Calgary	0.01583	0.01651	0.01788	0.01843	0.01836
St. Albert	0.01088	0.01156	0.01208	0.01254	0.01691
Leduc	0.00879	0.00854	0.00938	0.01309	0.01297
Fort Saskatchewan	0.00966	0.00992	0.01009	0.00969	0.01099
Sturgeon County	0.01028	0.01028	0.01047	0.01077	0.01092
Strathcona County	0.00936	0.00965	0.01011	0.01388	0.01033
Morinville	0.00826	0.01185	0.00877	0.00949	0.00991
Spruce Grove	0.00872	0.00945	0.00962	0.01046	0.00987
Town of Devon	0.00862	0.00894	0.00907	0.00959	0.00962
Beaumont	0.00971	0.00995	0.00969	0.00950	0.00960
Stony Plain	0.00744	0.00780	0.00816	0.00845	0.00909
Parkland	0.00838	0.00845	0.00843	0.00862	0.00898

Definition:

The Mill rate is the amount of tax payable per dollar of the assessed value of a property. The mill rate is based on 'mills'; as each mill is one-thousandth of a currency unit, one mill is equivalent to one-tenth of a cent or \$0.001.

Property tax in dollar terms is calculated by multiplying the assessed property value and the mill rate and dividing by 1,000. As a property may be subject to tax by a number of different authorities, mill rates are set by each taxing authority so as to meet the revenue projections in their budgets.

Source:

Government of Alberta Open Data Portal - "Municipal Tax Rates by Municipality"