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Mayor Rebecca Alty and City of Yellowknife Councillors
PO Box 580
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November 25, 2022

Re: City of Yellowknife 2023 Budget

Dear Mayor Alty and City of Yellowknife Councillors,

The Yellowknife Chamber of Commerce values the positive relationship and successful partnerships that have developed with the City of Yellowknife. We are excited to continue to build on these successes in 2023 with the newly elected Council.

We acknowledge the context in which Budget 2023 was prepared in terms of timing. We understand that the new Council did not have time to provide direction to administration and establish the priorities it wishes to see met. Given this context we feel it is especially important the Council scrutinize both the capital and operational budgets to ensure that what is budgeted for truly reflects the needs of the City. We were happy to see the administration's stated goals of meeting core and essential services and its prioritization of land development, economic supports and multi-year infrastructure projects that will enhance our City.

The economic environment for businesses in Yellowknife is bleak. Businesses are still recovering from the long-term effects of COVID restrictions while facing complex challenges that have emerged in the post-pandemic landscape. Between the high cost of living and doing business in the North, rising inflation, supply chain issues and dire labour force shortages across the City, businesses are feeling the pain. Given this context, we think it vital that Councillors carefully examine the proposed capital projects, staffing requests, O&M expenditures, and that they challenge administration on what are immediate needs versus programs that can wait for less uncertain economic conditions. We challenge Council to ensure the tax increase *is as low as practicable* to enable the City to deliver its core mandate and plan for a future that includes the growth and diversification of our economy, strategic land development and a high quality of life for all who live in our City.

We have concern regarding the communication surrounding the budget that relates to comments about a stagnant assessment base. This is a troubling statement made without accompanying detail – we would hope to see this claim accompanied by data. There has been considerable growth on the commercial side of the ledger in the past years while a lag exists on the residential side. Stating that the assessment base has stagnated and pointing to it as one of the reasons for an increasing tax burden on the individual taxpayer, without offering a way to compare growth in tax base to growth in expenditures is a failure in the budget communications. The issue of planning for residential growth to match the commercial growth is something we hope to see Council address in the coming year.



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We reiterate our recommendation from 2021 and 2022 that Council should amend the Budget Policy to fix mill rate ratios at their current level. For many years Council has followed a practice of setting mill rates in the spring to allow it to account for the results of any property assessment appeals. But this is only necessary if Council wants to be able to adjust mill rates independently of each other. This practice lacks transparency and has unfairly impacted the business community many times in the past. If Council were to fix the mill rate ratios through policy, then whatever increase Council approves would be applied evenly across all property categories. The Yellowknife Chamber of Commerce feels very strongly that this is the only fair way to apply property tax increases.

The General Fund Balance should be brought down to the maximum limit of the budget policy range (15% of approved expenditures) this year. There is no justifiable reason to delay returning to the policy limit. Keeping a few budget-reducing arrows in Council's quiver for future years is not a satisfactory reason when we are talking about taxpayers hard-earned dollars. There is already a 5% cushion allowed by the policy, there is no reason to maintain an added cushion. If Council brings the balance down from the proposed 16% to 15%, it will reduce the budget by about \$650,000. That would bring the proposed budget increase down by almost 2%.

Our final recommendation, one we made both in 2021 and 2022, is that the City of Yellowknife establish an external Finance Committee, which would report to Council with a goal of exploring operational efficiencies and cost saving measures. We feel this is especially pressing given the grim national economic outlook and the impending closure of the NWT's diamond mines. Furthermore, the need for just such a committee is highlighted by this year's budget roll-out which, due to the municipal election, did not allow the Council to provide direction to administration and sees a new Council examine a complicated, nuanced budget as one of their first tasks – one of their most challenging tasks in any given year. Given the fact that there is no such committee in place, the Chamber of Commerce has some detailed comments, included in Annex A.

In closing we believe there is room and opportunity in this budget to make cuts in order to lower the proposed tax increase. We look forward to the Council's budget deliberations starting in December and thank you in advance for considering our comments.

We look forward to working with you in the future,

Sandra MacKenzie, President
Yellowknife Chamber of Commerce

Melissa Syer, Executive Director
Yellowknife Chamber of Commerce

Distributed via email to:

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Annex A – Detailed Comments on the City of Yellowknife’s Draft 2023 Budget

1. Proposed expenditure growth from 2021 to 2025 requires explanation

As just two examples of proposed expenditure growth which outpaces inflation (and needs to be challenged) are the operational budgets for the Public Safety and Planning and Development Departments which are almost 27% larger in 2025 than 2021. That’s over 6.5% growth per year. There may be times that expenditure growth exceeds inflation, but this trend needs to be examined and justified.

2. Why will it cost more than three times as much to run the new aquatic centre as the old Ruth Inch Pool?

The pool budget is proposed to increase by 156% in 2025 over 2021. The new building will have increased energy-efficiency, with almost minimal maintenance costs for the first few years (both because of builder warranties and because it will be brand new) and its size is not substantively larger than the old pool. Council should revise the 2024 and 2025 pool budgets downward unless these increases can be properly substantiated.

3. New Staff Positions

Council should closely scrutinize the substantiation for proposed new staff positions. Yellowknife’s population is growing at a slow rate, and City Hall’s growth should not exceed it, unless accompanied by new revenues, such as those from the proposed hotel levy.

4. Reserve Funds

a) **Downtown Development Reserve** - when parking rates were increased in 2002, the justification was that the increase would be diverted to a new reserve for downtown revitalization, and the Downtown Development Reserve was created. Parking fees are a burden on downtown shoppers and businesses, but this burden is supposed to be offset by investments in downtown revitalization initiatives. Just because Council has had a tough time deploying these funds is no excuse for cutting off these transfers of parking revenues to the downtown reserve, which is exactly what Council did last year. Council should either lower parking fees or resume parking revenue allocations to the Downtown Development Reserve and expedite revitalization initiatives. Of these two options, we prefer the latter.

b) **The Mobile Equipment Replacement Reserve** and the **Information Technology Reserve** exist so that departments can make their IT and fleet capital purchases starting in January, rather than having to wait for tax revenues to trickle in before making purchases. That makes good sense. But care must be taken to ensure the balance doesn’t build up beyond the current year’s requirements. The fund balances should never exceed the year’s approved expenditures. If and when Council makes cuts to purchases proposed in the draft budget, Council must be vigilant to ensure that the inter-fund transfer to the reserve fund is reduced accordingly (failing to do this is what results in the balance accumulating over time). If these balances were brought down to appropriate levels, it would free up \$2 million in the MER Reserve and \$1.4 million in the IT Reserve, which is far more than is needed to offset this year’s proposed \$1 million transfer of funds from General Fund to Capital Fund, bringing the tax increase down by almost 3% without cutting a single capital project.



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In the longer term, guidelines for these reserves should be spelled out in the City's Budget Policy so that this doesn't keep happening.

c) In 2022 Council transferred \$2.275 million from the **Revitalization Initiative Reserve** to offset the cost of discounting the 50/50 lot and the old Corner Mart lots. But with a 180-unit apartment building proposed for the 50/50 lot, and with the City's investments in the new Visitor Centre, the city may be able to sell the old Corner Mart lots for more than \$1. When that happens, the balance should be returned to the Revitalization Reserve and deployed for the purpose which with the fund was created, rather than simply staying in the Land Fund.

5. Inflation is not an excuse for big, permanent operational budget increases

If anything, our current high rates of inflation are a perfect excuse to dip into our reserve funds, which are designed to protect us against tax spikes from unpredictable but short-term cost increases. The policy specifically cites "unanticipated economic downturns" as a reason to use our stabilization funds.

