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City must learn to control its spending

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Byline: Janine Halbesma

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Earlier this month, my property tax bill landed on my doorstep. It wasn't quite as bad as I expected, but I'm already bracing myself for next year. There have been rumours of a double digit increase in 2009.

In fact, Councillor Don Iveson said, "I'm ready to pay because I'm sick of the city cheaping out" ("Possible 'whopper' tax hike puts councillors in dilemma: Edmonton homeowners in 2009 could face first double-digit property hike in 27 years," The Journal, May 29).

Yikes.

Council keeps talking about how it is short on cash. **However, a new report from the Canadian Federation of Independent Business shows** the city may actually be suffering from a spending problem, not a revenue problem.

It's reasonable for Edmonton to increase operating spending to keep up with inflation and population growth. But it's not reasonable for operating spending to increase faster than population growth and inflation.

That's exactly what is happening in Edmonton.

Between 2000 and 2006, population and inflation in Edmonton increased by 29 per cent. Yet, the increase in operating spending has increased 44 per cent -- or 1.49 times more.

That's very alarming. It means that operating spending is increasing faster than our ability to pay. And it's simply not sustainable.

This lack of discipline means big money too. If Edmonton had held operating spending to population and inflation growth since 2000, it would have spent \$120 million less in 2006 alone. That's about eight per cent of the city's current budget. It would have allowed for an across-the-board tax cut of 24 per cent. What would you do with 24 per cent off your tax bill?

To be clear, this analysis does not include any spending on capital infrastructure projects, it only looks at operating spending. Things like administration, parks, transit and so on.

So, what is the city to do?

For starters, it should pass a tax and expenditure limit law. This would forbid council from increasing operating spending faster than population and inflation growth.

Such laws can be found at the state and local level in the U.S. They are successful because they force politicians to focus on limiting year-over-year spending increases in order to ensure long-term sustainability.

It's also important to note that limiting increases in operating spending to population and inflation growth is not a spending reduction. It still allows for additional spending to accommodate growth, but council would have to do a better job of setting priorities.

Council should also introduce a zero-based budget. In the traditional incremental budgeting process, previous levels of spending are treated as given and approval is only needed for additional spending increases. Under a zero-based budget, all spending must be reviewed and approved.

An occasional zero-based budget would ensure that public money is spent efficiently, would foster greater accountability and ultimately provide better value to taxpayers.

So next time council tells you they are short on cash, don't believe them. They are just short on discipline. Families know how to control spending and make tough tradeoffs. It's time for council to do the same.

Janine Halbesma is the senior policy analyst with the Canadian Federation of Independent Business. She can be reached at janine.halbesma@cfib.ca

Illustration:

- Photo: Randall Stout Architects Inc. / City council must learn to match spending increases to inflation and population growth. If such a rule had been in place, the city may not have been able to use tax dollars to help fund projects such as the new Art Gallery of Alberta, designed by Randall Stout.