

Submission of the
**Association of
Manitoba
Municipalities**



to

The Federal Standing Committee on Finance

Portage la Prairie, MB

Table of Contents

A) Executive Summary	3
B) Municipal Fiscal Imbalance.....	6
C) Infrastructure Programs.....	9
D) Disaster Financial Assistance	15

A) Executive Summary

Municipal Fiscal Imbalance

- Municipal governments are focused on enhancing their resources through a review of the existing division of roles and responsibilities held by each order of government.
- Municipalities rely heavily on property taxes since there are limited options for generating revenues.
- Municipalities receive less than eight cents of every tax dollar and their main source of revenue is not impacted by growth in the economy.
- Provincial and federal governments have a major impact on the obligations of municipal governments, as evidenced by the offloading of responsibilities.
- Since high quality infrastructure is a key feature of competitive Canadian communities, the Federal Government has an interest in supporting the infrastructure requirements of municipalities.
- Manitoba's municipalities are committed to working with the Federal Government to explore alternatives for improving municipal finances and responsibilities.
- A new structure must create greater flexibility to allow municipalities the autonomy to control their revenues and respond effectively to the needs of their residents.

Therefore, the AMM urges the Federal Government to engage provincial/territorial and municipal governments in a review of the roles, responsibilities and resources of all Canadian municipal governments.

Infrastructure Programs

- The majority of municipal services are highly dependent on physical infrastructure, therefore governments must make a sufficient investment to ensure local infrastructure is effectively operated and maintained.
- The magnitude of infrastructure needs across Canada demands further action from the Federal Government.

Municipal Rural Infrastructure Fund

- After three application intakes, the Canada-Manitoba Infrastructure Secretariat has received 238 applications requesting over \$550 million in MRIF support.
- There is clearly far greater demand for infrastructure funding than can be accommodated by Manitoba's current allocation of \$120 million.
- The AMM greatly appreciates the Federal Government's 2006 Budget commitment to increase MRIF by \$2.2 billion over five years.
- However, there have been no further details forthcoming regarding how the new funding will be allotted among the provinces and it is imperative to disseminate this information as soon as possible so that local communities can prepare.

Therefore, the AMM urges the Federal Government to move quickly to distribute new resources through the Municipal Rural Infrastructure Fund

and ensure that long-term predictable infrastructure funding is available to all communities.

Prairie Grain Roads Program

- Manitoba's transportation infrastructure deficit has been estimated at \$3.4 billion and continues to rise each year due to insufficient funding from all orders of government.
- Such ongoing neglect leads to substandard road conditions that pose a serious safety risk and are a persistent concern for all municipalities.
- Enhanced transportation programs represent an investment, not only in improved highways, but also in a more productive and competitive local economy.
- The PGRP substantially increased the level of infrastructure investment in Manitoba since it leveraged a 50 per cent contribution from provincial and municipal governments.
- The PGRP encourages neighbouring municipalities to identify optimal trucking routes and shift traffic to these regional corridors. This strategic planning has important spin-off benefits since the use of dedicated routes reduces stress on other provincial and municipal roads.

Therefore, the AMM urges the Federal Government to renew the Prairie Grain Roads Program to support grain transportation infrastructure in Manitoba.

National Water Supply Expansion Program

- A high quality water supply for personal, agricultural, and industrial consumption is critical to the success of all communities and requires investment from all orders of government.
- The National Water Supply Expansion Program (NWSEP) provided a necessary source of funding to many water infrastructure projects.
- The AMM is concerned that there may be no additional programming or funding for water infrastructure in Manitoba until the extension to NWSEP is complete.
- A renewed Federal commitment is particularly important since the Government of Manitoba has agreed to match any new federal funding for water infrastructure.

Therefore, the AMM urges the Federal Government to provide additional funding to Manitoba until the National Water Supply Expansion Program extension is complete and to commit to a \$180 million water infrastructure investment over a 10-year period.

Tri-Partite Recreational Infrastructure Program

- Regular physical activity is known to be an effective preventive measure for lowering health risks, which reduces pressure on the health care system and helps alleviate the high costs of health care.

- This is especially important in many rural areas, where access to health care is scarce as a result of physician shortages and closing health care facilities.
- The Federation of Canadian Municipalities (FCM) has continually raised the need for federal recreation funding based on support from municipalities across Canada.

The AMM calls upon the Federal Government to establish a tri-partite infrastructure program for the repair, upgrading and building of recreational facilities in municipalities throughout Manitoba and Canada.

Disaster Financial Assistance

- As a result of extensive flooding in 2005, more than 130 municipalities requested disaster assistance and Manitoba's infrastructure sustained widespread damage.
- The changing weather conditions and increasing incidence of severe weather events in Canada demonstrate the need for a nation-wide early warning system and the Federal Government must now allocate the required funding to support this system.
- Municipalities are concerned by the Federal Government's ongoing review of the disaster funding formula since reduced federal funding would not allow municipalities to provide the same timely attention to disaster recovery.
- As an incentive to minimize the costs of disaster recovery, the rate of compensation for using municipal equipment and labour should be increased from 16 to 65 per cent.
- Disaster financial assistance must help municipalities invest in preventative measures to create long-term cost savings for all orders of government while mitigating the stress of preventable damage on local communities.
- As a key stakeholder in local disaster recovery, municipalities should be represented in the review process through the Federation of Canadian Municipalities (FCM).

Therefore, the AMM urges the Federal Government to allocate funding for a national early warning system, maintain levels of funding for disaster financial assistance and raise the compensation rates for the use of municipal equipment and labour in disaster recovery efforts. As well, the Federal Government should involve FCM in the review of disaster financial assistance.

B) Municipal Fiscal Imbalance

The need to change Canada's system of governance has been widely discussed. Municipalities have recently gained access to additional federal resources through mechanisms such as the gas tax and GST rebate. These new tools are critical since municipal roles have been evolving rapidly to include many additional responsibilities passed down from other orders of government. As a result, municipal governments are now focused on enhancing their resources through a review of the existing division of roles and responsibilities held by each order of government. This review must include all orders of government to ensure that Canadians can rely on effective service provision from Federal, Provincial and municipal governments.

The need for change stems from the fact that municipalities are faced with a lack of resources and a struggle to provide adequate services and infrastructure investment. In Manitoba, municipalities rely heavily on property taxes since there are limited options for generating revenues. Property taxation is an outdated system and an inappropriate means of raising revenues for the growing range of services municipalities are expected to provide. Provincial and federal governments hold a significant advantage over municipalities in terms of taxation, since their revenues grow with the economy. In contrast, municipalities receive less than eight cents of every tax dollar and their main source of revenue is not impacted by growth in the economy. Furthermore, provincial and federal governments have a major impact on the obligations of municipal governments, as evidenced by the offloading of responsibilities. Municipal governments cannot control these pressures and often have limited input when they are assigned additional responsibilities. It is unreasonable to expect municipal governments to be adequately equipped to meet these mandates without changes to municipal revenue sources. The current system is unsustainable and serious consideration must be given to enhancing local service provision.

Existing financial constraints mean that municipalities cannot afford to maintain infrastructure. Therefore, necessary repairs and upgrades are postponed in order to manage the expanding list of responsibilities imposed by other governments. Yet improving our aging infrastructure is one of the most crucial services municipal governments must provide. In Manitoba it is estimated that the infrastructure deficit is \$7.4 billion, which includes \$2

billion in rural municipal infrastructure and \$1 billion within the City of Winnipeg. Across Canada the infrastructure deficit has been estimated at \$60 billion and growing at a rate of \$2 billion per year. The severity of infrastructure demands requires a long-term plan to eliminate this deficit. Municipal governments are not equipped to make the required investment without assured financing from the Federal Government. Since high quality infrastructure is a key feature of competitive Canadian communities, the Federal Government has an interest in supporting the infrastructure requirements of municipalities. Increased investment in municipal services, infrastructure and quality of place features will help attract and retain investment in municipalities that will ultimately benefit all governments. In particular, investing in infrastructure contributes to the national economy by supporting the needs of businesses, contributing to the movement of goods and services, and creating jobs. As a result, businesses are able to provide services in a cost-effective way and further stimulate the competitiveness of Canada's economy. The impacts of infrastructure investment are widespread and there is a pressing need to empower municipalities to meet the infrastructure needs of local citizens and businesses.

Manitoba's municipalities are committed to working with the Federal Government to explore alternatives for improving municipal finances and responsibilities. There are several possible ways to achieve an increased investment in local service provision. For instance, the Provincial and Federal Governments have greater resources than municipal governments and additional mechanisms could be explored for sharing existing revenues with municipalities. It is also imperative to undertake a greater review of government resources to allow municipal governments to access revenue sources that grow with the economy. Inflation tends to outpace increases in municipal revenue, leaving municipalities with escalating pressure to stretch their budgets across investment needs. However, taxes that grow with local economic activity act as an incentive for investments that promote municipal incomes and growth. Such a review will require a fundamental change in the way all governments work together.

In order to identify new mechanisms that will enhance local resources, all three orders of government should collaborate to examine the existing roles, responsibilities, resources and relationships among governments. The Federal Government has already indicated support for such a review through the 2006 Budget process. Regarding the fiscal balance in Canada, the

Federal Government stated, “accountability and clarity of roles and responsibilities require that each order of government has access to the revenue required to fulfill its roles and responsibilities.” A new structure must create greater flexibility to allow municipalities the autonomy to control their revenues and respond effectively to the needs of their residents. There cannot be a meaningful resolution to the issue of municipal resources without seriously considering improved methods of providing services and ensuring appropriate investments in infrastructure. The responsibilities of all orders of government are interconnected, therefore all must work together towards a more effective governance process. Once clear roles and responsibilities are articulated, the relationships between governments can be strengthened and assigned the appropriate resources.

The AMM has long advocated for municipalities to examine ways to improve how they do business to ensure strong, sustainable communities across Manitoba. However, this cannot be accomplished solely through the efforts of municipalities. The Federal and Provincial Governments must collaborate with municipal governments to resolve this complex and crucial issue. Prime Minister Harper has demonstrated a commitment to Canadian municipalities and the AMM is looking forward to working together to enhance tools for municipal governments. The upcoming federal budget presents a valuable opportunity to build on existing mechanisms such as the GST rebate and the gas tax agreements by initiating a meaningful review process with municipal and Provincial/Territorial representatives.

Therefore, the AMM urges the Federal Government to engage provincial/territorial and municipal governments in a review of the roles, responsibilities and resources of all Canadian municipal governments.

C) Infrastructure Programs

The majority of municipal services are highly dependent on physical infrastructure therefore governments must make a sufficient investment to ensure local infrastructure is effectively operated and maintained. Studies repeatedly demonstrate that high quality infrastructure contributes to vibrant and productive communities by achieving health, environmental and economic impacts. However, Manitoba's municipalities are not equipped to make the investment required to meet growing demands for local infrastructure investment. A shortage of local resources is evident in municipalities across Canada and the Federation of Canadian Municipalities (FCM) is advocating for an increased infrastructure commitment from the Federal Government.

Manitoba municipalities appreciate the Federal programs that have been established to date, as well as the Federal Government's commitment to increase infrastructure investment in the future. Nevertheless, the magnitude of infrastructure needs across Canada demands further action from the Federal Government. Municipalities lack the resources to make the required investment since the main source of municipal revenue is property tax and does not grow substantially over time. As a result, essential infrastructure projects rely on funding from the Federal and Provincial Governments. For this reason, Manitoba municipalities are asking for enhanced funding through the Municipal Rural Infrastructure Fund, the Prairie Grain Roads Program and the National Water Supply Expansion Program. These programs have all successfully supported key projects throughout Manitoba and extending such programs will provide widespread benefits. In addition, the AMM requests that the Federal Government commit to a tripartite program to invest in recreational infrastructure. Competitive communities depend on the availability of high-quality infrastructure and the Federal Government should support these efforts by allocating appropriate financial resources.

Municipal Rural Infrastructure Fund

Maintaining financial support for consistently successful infrastructure programs is necessary to allow communities to make essential investments in all types of local infrastructure. Recently, the Municipal Rural Infrastructure Fund (MRIF) has provided valuable opportunities to invest in critical community resources. The program offers enormous

potential to promote local economic development initiatives and environmental sustainability through improved municipal infrastructure.

To date 29 projects have received \$56 million, representing a significant investment in rural and northern Manitoba. This is in addition to support for large-scale projects such as Brandon's Keystone Centre and Winnipeg's Humane Society. After three application intakes, the Canada-Manitoba Infrastructure Secretariat has received 238 applications requesting over \$550 million in MRIF support. There is clearly far greater demand for infrastructure funding than can be accommodated by Manitoba's current allocation of \$120 million. Even considering previous funding from the Canada-Manitoba Infrastructure Program, many of Manitoba's municipalities have not received project support through a federal infrastructure program since 2000. This means that numerous fundamental projects may not be implemented due to a lack of funding from other sources.

Due to the overwhelming demand and the numerous requests for large scale project funding, the recent intake of Manitoba MRIF applications will be the last. After three application periods, the full \$120 million will be completely allocated, although the funds were anticipated to last for five years. The AMM greatly appreciates the Federal Government's 2006 Budget commitment to increase MRIF by \$2.2 billion over five years. Manitoba municipalities are looking forward to the additional allocation and there is an acute need to distribute the additional funds in a timely manner. There have been no further details forthcoming regarding how the new funding will be allotted among the provinces and it is imperative to disseminate this information as soon as possible so that local communities can prepare. There are significant infrastructure demands across Canada and the only way to effectively address this situation is through long-term, predictable funding that provides adequate resources to all communities. Municipalities are committed to developing and maintaining healthy communities and stable infrastructure funding is required to accomplish this objective from the Federal Government.

Therefore, the AMM urges the Federal Government to move quickly to distribute new resources through the Municipal Rural Infrastructure Fund and ensure that long-term predictable infrastructure funding is available to all communities.

Prairie Grain Roads Program

Manitoba's transportation infrastructure deficit has been estimated at \$3.4 billion and continues to rise each year due to insufficient funding from all orders of government. Addressing this problem will require a minimum yearly investment of \$340 million for ten years. With less than eight cents of every tax dollar being collected by municipalities, it is evident that municipalities lack the resources to reduce this deficit. As a result of limited investment, highways in Manitoba have been deteriorating for some time. Such ongoing neglect leads to substandard road conditions that pose a serious safety risk and are a persistent concern for all municipalities. A significant increase in Federal funding for highways is needed to prevent further deterioration and to ensure Manitoba's highway system is safe. As well, enhanced transportation programs would represent an investment, not only in improved highways, but also in a more productive and competitive local economy.

One of the most successful recent programs has been the Prairie Grain Roads Program (PGRP). Through PGRP, municipal grain roads and secondary provincial highways in Manitoba received five years of funding totaling \$66 million. The PGRP substantially increased the level of infrastructure investment in Manitoba since it leveraged a 50 per cent contribution from provincial and municipal governments. Structuring a future program in a similar fashion will maximize the allocation of federal funding and ensure a greater investment in key trade routes by all orders of government.

The road network is an increasingly important element of the grain handling system due to the shifting reliance on trucking and away from rail transportation. Municipalities have maximized the benefits of this funding through strategic investment in grain corridors. The PGRP encourages neighbouring municipalities to identify optimal trucking routes and shift traffic to these regional corridors. This strategic planning has important spin-off benefits since the use of dedicated routes reduces stress on other provincial and municipal roads thereby minimizing the need to repair widespread damage caused by heavy truck traffic. As a result, the PGRP allows municipal budgets to stretch further and support a broad range of local demands. In addition, supporting the agricultural industry in such a manner is crucial

for municipalities since the industry is vital to the competitiveness of many communities and to Manitoba as a whole. With the PGRP now complete, it is time to identify methods to ensure that grain roads are maintained to a standard that supports the agricultural industry into the future.

Therefore, the AMM urges the Federal Government to renew the Prairie Grain Roads Program to support grain transportation infrastructure in Manitoba.

National Water Supply Expansion Program

Access to a safe and reliable water supply is a basic necessity that all Canadians should be assured, including safe access to potable water in order to maintain a healthy population. In addition, Canada's water supply contributes to economic development through the support of agricultural and other new industries. For instance, as value-added processing and crop diversification are becoming more prevalent throughout Canada, demand for an adequate water supply is rising. A high quality water supply for personal, agricultural, and industrial consumption is critical to the success of all communities and requires investment from all orders of government.

The National Water Supply Expansion Program (NWSEP) provided a necessary source of funding to many water infrastructure projects. Manitoba's allocation of \$60 million contributed to several important initiatives over the four-year program and was greatly appreciated by recipient communities. Manitoba worked diligently to allocate these funds in accordance with the initial timeline and exhausted the funding allocation as of the March 31, 2006 intake of applications. The previous Federal Minister of Agriculture and Agri-Food had indicated that NWSEP would be extended for two additional years to allow other participating provinces to appropriately allocate their resources. The AMM is concerned that there may be no additional programming or funding for water infrastructure in Manitoba until the extension to NWSEP is complete. The Minister had also advised the AMM that the Department was reassessing Manitoba's particular circumstances and Manitoba would be receiving, as a minimum, a similar level of funding as prior to the NWSEP funds through the former Prairie Farm Rehabilitation Administration Rural Water Development Program. However, there has been no confirmation regarding the amount of Federal funding that will

be available for Manitoba water supply projects for 2006-07 and 2007-08, and the demand for water supply funding remains strong.

To limit the investment in Manitoba's infrastructure for two years would not provide the type of ongoing support that is needed, and Manitoba should not be disadvantaged for responding quickly to the guidelines laid out in the NWSEP. The AMM has asked repeatedly for a national program that will provide \$180 million over 10 years to water infrastructure. Since there is currently a gap in programming for Manitoba, the Federal Government must seriously consider this suggestion and allocate funding to water infrastructure projects in Manitoba.

A renewed Federal commitment is particularly important since the Government of Manitoba has agreed to match any new federal funding for water infrastructure. This Provincial commitment and the demonstrated demand for investment across Manitoba emphasizes the need for additional federal contributions to water infrastructure. Manitoba should not be penalized for using its allocation in the appropriate timeframe, particularly since clean drinking water is a necessity and is not available in all municipalities. The impact of water supply projects on the local economy also demonstrates the need for federal funding as a means to support community competitiveness.

Therefore, the AMM urges the Federal Government to provide additional funding to Manitoba until the National Water Supply Expansion Program extension is complete and to commit to a \$180 million water infrastructure investment over a 10-year period.

Tri-Partite Recreational Infrastructure Program

The Federal Government must also consider new programs that will broaden the scope of infrastructure investment. In particular, regular physical activity is known to be an effective preventive measure for lowering health risks, which reduces pressure on the health care system and helps alleviate the high costs of health care. This is especially important in many rural areas, where access to health care is scarce as a result of physician shortages and closing health care facilities. To further compound this problem, many of Manitoba's municipalities do not have the resources to fund the repair of existing cultural and recreational facilities or

the construction of new facilities. These investments cannot be made unless municipalities obtain additional resources and the Federal Government is a key stakeholder in this process. The Government of Manitoba wants to upgrade recreational facilities along with municipalities by contributing to a tri-partite program and the Federal Government should be prepared to participate in this initiative.

The Provincial Government has undertaken an extensive consultation and made recommendations that target improved funding for recreational facilities. This process involved considerable research and province-wide consultation and is therefore a reasonable indication of the critical need for increased investment in Manitoba. Furthermore, this issue is not isolated to Manitoba. The Federation of Canadian Municipalities (FCM) has continually raised the need for recreation funding at the federal level, based on support from municipalities across Canada. In its 2005 federal budget submission, FCM asked that \$30 million in new money be set aside from infrastructure funds to finance community/municipally managed social infrastructure initiatives including parks, play spaces, community facilities and libraries. This request was consistent with FCM's concern for community and children's infrastructure, which was raised during the 2004 election. FCM has recently committed to further promoting cultural and recreational facilities as an integral part of community safety plans and quality of life. However, even with these nation-wide concerns and the clear connections between improved recreation and lower health care costs, the Federal Government has not increased funding for recreational infrastructure.

Recreational opportunities are essential components of the health and well-being of communities. Access to a variety of recreational activities helps to attract vibrant individuals and families and encourages them to remain residents over the long-term. Recreational infrastructure is not only a key factor in the competitiveness of Manitoba's municipalities, but also has the potential to impact health care expenditures across the country.

The AMM calls upon the Federal Government to establish a tri-partite infrastructure program for the repair, upgrading and building of recreational facilities in municipalities throughout Manitoba and Canada.

D) Disaster Financial Assistance

Manitoba municipalities are well acquainted with disaster response, particularly as a result of extensive summer flooding in 2005. More than 130 municipalities requested disaster assistance last year and Manitoba's infrastructure sustained widespread damage. In addition, severe weather events in 2006 have reinforced the urgent need to enhance disaster response systems including sufficient financial resources for municipalities responding to local disasters.

One of the main gaps in Manitoba's emergency management framework is the lack of an early warning system. During the summer of 2006, two tornadoes struck populated areas in Manitoba and resulted in one death, thereby highlighting the need for an early warning system. Manitoba experiences an average of 12 tornadoes per year and such a system would have helped residents take necessary precautions. At the same time, a tornado is only one concern within a wide range of risks and hazards that Canada, the provinces and municipalities face. The changing weather conditions and increasing incidence of severe weather events in Canada demonstrate the need for a nation-wide early warning system. Since the CANALERT system has been developed there has been insufficient funding to extend the network across Canada. The Federal Government must now allocate the required funding to ensure that this early warning system is available to protect all Canadians in times of crisis.

Furthermore, last year's flooding raised a number of issues that the AMM has lobbied on for several years. For instance, municipalities are concerned by the Federal Government's ongoing review of the disaster funding formula. Municipalities are committed to assisting residents through the repair of infrastructure and property, however reduced federal funding would not allow municipalities to provide the same timely attention to disaster recovery. Reduced federal funding could also set a precedent and justify reductions in provincial disaster assistance funding. The Federal and Provincial Governments must continue to assist communities facing disasters and are better equipped to do so, given their greater access to resources. Municipalities and individual Manitobans must not be left to bear the high costs of disaster recovery with little support from the Federal Government.

As well, municipalities consistently raise the need for adequate compensation rates. In particular, the current system creates a disincentive to use the most efficient methods available for disaster response. Municipalities have the necessary equipment and labour in place and can react quickly to repair damaged roads and infrastructure. However, such an efficient reaction is not encouraged since municipal equipment used in an emergency is compensated at only 16 per cent of the cost and municipal labour is compensated only for overtime. In contrast, when contracted (non-municipal) labour and equipment costs are incurred, 100 per cent of the costs are eligible for compensation. This policy penalizes municipalities for using their own resources, even though doing so will certainly result in cost savings for all orders of government. As an incentive to minimize the costs of disaster recovery, the rate of compensation for using municipal equipment and labour should be increased from 16 to 65 per cent. Creating a system that more accurately reflects the true cost of municipal disaster response will also reduce the total costs for all orders of government.

Additional opportunities for cost savings are available when repairing damaged infrastructure. The current program will only provide funding to rebuild the same type of infrastructure that was in place prior to the disaster. In some cases, the same locations are repeatedly damaged since the original infrastructure cannot manage even marginally increased water levels. However, there is no available funding to upgrade these bridges and culverts to a higher standard that would withstand future disasters. Rather, the same locations are damaged year after year and substantial funding is required for this perpetual rebuilding. Disaster financial assistance must help municipalities invest in preventative measures to create long-term cost savings for all orders of government while mitigating the stress of preventable damage on local communities.

To further illustrate municipal concerns, the review of disaster financial assistance should include representation of a municipal voice. Since municipalities continue to hold primary responsibility for direct assistance, they must be consulted as disaster programming is defined. As a key stakeholder in local disaster recovery, municipalities should be represented in the review process through the Federation of Canadian Municipalities (FCM). FCM has already undertaken extensive research on the topic of disaster assistance and is well-equipped to provide insight into the financial needs of municipalities responding to disaster situations.

It is unfortunate that it has taken another extensive disaster to reiterate the need for better disaster response in Manitoba. However, recent events present an opportunity for the Federal Government to make needed improvements to disaster financial assistance and Canada's emergency preparedness system.

Therefore, the AMM urges the Federal Government to allocate funding for a national early warning system, maintain levels of funding for disaster financial assistance and raise the compensation rates for the use of municipal equipment and labour in disaster recovery efforts. As well, the Federal Government should involve FCM in the review of disaster financial assistance.