

Submission of the
**Association of
Manitoba
Municipalities**



to

The Federal Standing Committee on Finance

Winnipeg, MB

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A) Executive Summary

Infrastructure

- Local service delivery is highly dependent on physical infrastructure, which makes infrastructure investment a significant priority for municipalities across the country.
- Manitoba municipalities have not been equipped to increase infrastructure investment to keep pace with these growing responsibilities.
- In this province, infrastructure assets are aging and therefore require targeted, sustained investment to counteract rapid deterioration.

1) A New Deal for Manitoba

- The Federal Government's commitment to share a portion of the gas tax revenue was highly anticipated in Manitoba as a source of much-needed revenue for local infrastructure investments.
- All that remains for Manitoba is for the Federal and Provincial Governments to determine the most effective means of distributing funding to municipalities.
- An agreement for Manitoba must ensure that all municipalities have equitable access to New Deal funds and this would be effectively accomplished through a per capita allocation formula.

Therefore, the AMM urges the Federal Government to establish an agreement with the Province of Manitoba using a per capita distribution mechanism that will provide equitable access to New Deal funding in a timely and efficient manner.

2) Municipal Rural Infrastructure Fund

- To date, this program has offered two application intakes with overwhelming response from municipalities.
- This program has illustrated the widespread demand for infrastructure funding in Manitoba with over 160 applications requesting \$312.2 million.
- Municipalities are working on a variety of creative and necessary projects that may not be implemented due to lack of funding from other sources.

Therefore, the AMM urges the Federal Government to continue the funding available through the Municipal Rural Infrastructure Fund to allow more municipalities to access crucial infrastructure funding.

3) Tri-Partite Recreational Infrastructure Program

- Many of Manitoba's municipalities do not have the appropriate resources to fund the repair of cultural and recreational facilities, nor the funding to build new facilities.

- Municipalities and the Province of Manitoba want to upgrade recreational facilities by contributing to a tri-partite program and the Federal Government should be prepared to participate in this initiative.
- 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.
- The Federal Government is aware of the need to improve recreational opportunities and has initiated movement in this direction through the Federal-Provincial/Territorial Priorities for Collaborative Action 2002-2005.

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.

4) Rural Water Infrastructure

- Manitobans need a safe, reliable water supply for personal consumption, as well as agriculture, industrial development and wastewater treatment.
- Through the National Water Supply Expansion Program (NWSEP), Manitoba was able to allocate funding within designated timelines, however to accommodate other provinces that were unable to meet the deadlines, the Program will likely be extended. Without further funding, Manitoba's water infrastructure is in a tenuous position.
- The AMM has secured a commitment from the Government of Manitoba to match any new federal funding for water infrastructure.
- Manitoba should not be penalized for responding quickly to the guidelines laid out in NWSEP.

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.

Disaster Financial Assistance

- This year, over 130 municipalities in Manitoba are requesting disaster assistance due to extensive flooding across the majority of the province.
- The severity of this year's damage illustrates the urgency of enhancing existing programs to provide timely access to disaster programming.
- Municipalities are concerned by the Federal Government's review of the disaster funding formula since any reduction in federal funding would mean a reduction in timely disaster recovery services provided by municipalities.
- 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.

- To further illustrate municipal concerns, the review of disaster financial assistance should include representation of a municipal voice, through the Federation of Canadian Municipalities.

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

B) Infrastructure

In 2003, Statistics Canada valued the stock of public infrastructure at \$157.3 billion and estimated that more than half of this infrastructure is managed by local governments.

Municipal responsibility has been growing over the past four decades as local government almost doubled its share of public capital during that time. Local service delivery is highly dependent on physical infrastructure, which makes infrastructure investment a significant priority for municipalities across the country. This is particularly important since high quality infrastructure contributes to fostering vibrant and productive communities.

However, Manitoba municipalities have not been equipped to increase infrastructure investment to keep pace with these growing responsibilities. Between 1988 and 2003, the local general government infrastructure investment increased by only two per cent in Manitoba. Much of this problem is due to the fact that municipalities are severely limited in the methods available for raising revenue, and can only control their revenue through property tax rates. Therefore, municipal revenues do not increase significantly over time. As a result, local governments rely on contributions from the Federal and Provincial Governments to operate and maintain the infrastructure that is vital to Manitobans. In this province, infrastructure assets are aging and therefore require targeted, sustained investment to counteract rapid deterioration. AMM members are appreciative of the infrastructure programs that are in place, however, the magnitude of the demand in Manitoba calls for further action from the Federal Government. This should include: signing a New Deal for Manitoba; increasing the funds available through the Municipal Rural Infrastructure Fund; making a Federal commitment to an intergovernmental recreational infrastructure program; and extending funding for Manitoba's rural water infrastructure.

1) A New Deal for Manitoba

Early in 2005, the Federal Government confirmed that a portion of federal gas tax revenue would be shared with all municipal governments in Canada. This commitment was highly anticipated in Manitoba as a source of much-needed revenue for local infrastructure investments. Manitoba's municipalities are striving to create and maintain vibrant communities and increasing access to infrastructure funding will contribute to their success.

The AMM supports the objectives of the New Deal since Manitoba municipalities perceive the benefits of environmentally sustainable communities and want to develop local solutions to local problems. Creating a mechanism to provide reliable and predictable, long-term funding to municipalities will enable significant upgrading to infrastructure across Canada. The New Deal has the potential to stimulate progress for all municipalities and to recognize the importance of municipalities as the order of government closest to the people. In addition, the New Deal demonstrates the value of mitigating the fiscal imbalance that exists between municipal revenues and service provision.

With many federal-provincial/territorial agreements already in place, Manitoba's municipal officials are becoming anxious for funding to reach infrastructure in this province. The years of local infrastructure neglect increases the urgency for an agreement to be established between Canada and Manitoba so that crucial projects can be implemented. Manitoba municipalities support the need for the three orders of government to partner to develop and maintain sustainable, competitive communities that support a high quality of life. Therefore, the Federal Government has a responsibility to work with the Province of Manitoba to reach an agreement and deliver this funding to municipalities in a timely manner.

All that remains for Manitoba is for the Federal and Provincial Governments to determine the most effective means of distributing funding to municipalities. Manitoba should receive \$167.3 million over five years, including approximately \$20 million for 2005-06. This funding will have a tremendous impact on local infrastructure projects and must be allocated as soon as possible. An agreement for Manitoba must ensure that all municipalities have equitable access to New Deal funds as well as ensuring the program is administratively responsive, allowing municipalities the ability to bank allocations. The AMM maintains that the funding distribution must be based on a simple formula so that it can be quickly allocated to municipalities and therefore ensure timely access to the federal gas tax revenue. An effective way to accomplish this goal is to implement a per capita allocation formula. Such a formula will provide stable, predictable funding to effectively advance long-term infrastructure planning in Manitoba.

The AMM is pleased that the Federal Government has taken strides to provide additional funding for local infrastructure needs. The implementation of the New Deal is necessary for long-term problem solving in Canadian cities and communities and will be greatly appreciated in Manitoba once an agreement is in place.

Therefore, the AMM urges the Federal Government to establish an agreement with the Province of Manitoba using a per capita distribution mechanism that will provide equitable access to New Deal funding in a timely and efficient manner.

2) Municipal Rural Infrastructure Fund

The Canada-Manitoba Infrastructure Secretariat is responsible for administering two key programs for municipalities: the Canada-Manitoba Infrastructure Program (CMIP) and the Municipal Rural Infrastructure Fund (MRIF). With the funding for CMIP fully allocated, the focus has shifted to the first year of the five-year MRIF program. To date, there have been two application intakes with overwhelming response from municipalities. Even at this early stage, it is evident that MRIF will create valuable opportunities to invest in critical community resources. The program has already committed to funding major projects such as the renovation of the Keystone Centre in Brandon, an industrial wastewater treatment facility in Dauphin and another \$14 million in connectivity and green projects throughout Manitoba. In each of these cases there is enormous potential to achieve economic development benefits from improved infrastructure as well as to improve the environmental sustainability of communities. Dauphin's wastewater treatment facility will also support efforts to increase slaughter capacity in Manitoba and benefit the agricultural industry. It is already clear that MRIF will be advantageous for municipalities and this will continue to be demonstrated as the program continues.

At the same time, this program has illustrated the widespread demand for infrastructure funding in Manitoba. The five-year Federal and Provincial contribution to MRIF in Manitoba is \$80 million, with an additional \$40 million in contributions from local governments. After less than a year of accepting applications, the Canada-Manitoba Infrastructure Secretariat has already received over 160 submissions with total requests of \$312.2 million in funding. Current applications are requesting an average of \$1.85 million from the Federal and Provincial Governments. This also highlights the demand for larger-

scale projects – a trend that is further evidenced by the 14 successful projects, which shared \$14 million. Of these, the smallest allocation of \$237,900 will go to the RM of Fisher for a solid waste disposal project. It is important that MRIF provide full funding for these large projects since partial funding could negate the project feasibility. The current applications therefore illustrate the need for the Federal and Provincial Governments to increase funding for effective infrastructure programs such as MRIF.

The AMM appreciates the opportunity to participate on the Federal-Provincial-Local Consultative Committee as this ensures a municipal perspective is represented throughout the process. Participating on this committee provides the AMM with a unique perspective on the number of important projects that are seeking funding. The AMM also has firsthand experience with municipalities who are expressing the growing frustration of communities that have not received funding. Municipalities are working on a variety of creative and necessary projects that may not be implemented due to lack of funding from other sources. The commitments that these municipalities have made to developing and maintaining healthy communities must be supported with financial resources from the Federal and Provincial Governments.

Therefore, the AMM urges the Federal Government to continue the funding available through the Municipal Rural Infrastructure Fund to allow more municipalities to access crucial infrastructure funding.

3) Tri-Partite Recreational Infrastructure Program

Regular physical activity is known to be an effective preventive measure for lowering health risks, which contributes to reducing pressure on the health care system and alleviating the high costs of health care. This is particularly important in many rural areas, where access to

health care is diminishing due to physician shortages and closing health care facilities. However, many of Manitoba's municipalities do not have the appropriate resources to fund the repair of cultural and recreational facilities, nor the funding to build new facilities. These investments cannot be made unless municipalities obtain additional resources and the Federal Government is a key stakeholder in this process. Municipalities and the Province of Manitoba want to upgrade recreational facilities by contributing to a tri-partite program and the Federal Government should be prepared to participate in this initiative.

The Province of Manitoba has demonstrated a commitment to promoting recreation as an integral part of healthy communities through the Healthy Kids, Healthy Futures Task Force. The Task Force released a report earlier this summer and included five recommendations related to recreational facilities and access. These recommendations target improved funding for recreational facilities and demonstrate the acute need for increased investment throughout this province. This report is based on considerable research and province-wide consultation and is therefore a reasonable indication of the current recreation needs in Manitoba. Since there is such widespread concern for recreational infrastructure, the Federal Government must also contribute to improving the facilities in Manitoba.

In fact, 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. Such funding would provide essential resources to

distressed communities and neighbourhoods. 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. Yet recreational infrastructure remains a core issue for municipalities that must be supported by action from the Federal Government.

The Federal Government is aware of the need to improve recreational opportunities and has initiated movement in this direction through the Federal-Provincial/Territorial Priorities for Collaborative Action 2002-2005. This policy document articulates the priorities of improving sport and recreation facilities by identifying innovative funding sources, notably an infrastructure program targeted at sport and recreation facilities, along with best practices for those facilities. However, this priority has not been implemented at the national level, even though there is a willingness for provincial and municipal governments to provide additional financial contributions. It is imperative that the federal government follow through on these processes and support such policies with financial commitments.

All 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.

4) Rural Water Infrastructure

One of Canada's most valuable resources is water. Canada has claim to 7 per cent of the world's renewable supply and 20 per cent of the world's total freshwater resources. This vast supply of water provides most Canadians with a seemingly endless store of fresh drinking water, with access being the major impediment. Access to a safe and reliable water supply is a basic necessity that all Canadians should be assured. In addition to providing Canadians with potable water, Canada's water supply also greatly contributes to economic development through the support of agricultural and other new industries. As value-added processing and crop diversification continue to expand across the country, so does the need for an adequate water supply. Access to water for irrigation is often a pre-requisite for agricultural diversification and the appropriate infrastructure to ensure access to safe water is required. Additionally, industrial access to water represents economic opportunities that are indeed significant. The provision of a safe, high quality water supply is a critical factor in the success of all communities, both for personal, agricultural and industrial consumption.

Manitoba's water supplies are great. Freshwater comprises 15 per cent of the total provincial area. This amount accounts for 11 per cent of Canada's freshwater supplies. Despite this grand resource, Manitoba continues to experience difficulties establishing the infrastructure necessary to appropriately harness this supply. Some communities do not have access to potable water and are perpetually under boil water orders. In some northern and rural areas, even boiling and chlorination do not make the water safe to drink. The tragic consequences

of unsafe drinking water supplies have recently been demonstrated across Canada. It is unacceptable that some communities continue to face the extreme health concerns associated with unsafe stores of drinking water. An additional concern for many communities is wastewater treatment. The high cost of this infrastructure can deter the investment necessary to protect the health of both residents and the environment. These issues require further attention to safe water supplies and wastewater treatment across Manitoba.

The National Water Supply Expansion Program (NWSEP) has provided a necessary source of funding to water infrastructure projects. Manitoba's allocation of \$60 million over four years contributed to several important initiatives and was appreciated by those communities that received funding. Fortunately, Manitoba was able to allocate these funds in accordance with the timeline developed and will have exhausted the funding allocation after the March 31, 2006 intake of applications. The Federal Minister of Agriculture and Agri-Food has indicated that the NWSEP will likely be extended for two additional years to allow other participating provinces to appropriately allocate their resources. The concern this raises for Manitobans is that there may be no additional programming or funding for water infrastructure in Manitoba until the extension to NWSEP is complete. Two years without funding places Manitoba's water infrastructure development in a tenuous position. In anticipation of this quickly approaching deadline, the AMM has made the Federal Government aware of its concerns. The Minister of Agriculture and Agri-Food advised the AMM that the Department was reassessing Manitoba's specific needs in light of the Province's progress, and was confident Manitoba would be receiving, as a minimum, a similar level of funding as it had prior to the NWSEP funds through the former Prairie Farm Rehabilitation Administration Rural Water Development Program. To date however, there

has been no confirmation as to what level of funding Manitoba can expect for 2006-07 and 2007-08.

The AMM has asked repeatedly for a national program that will provide \$180 million over 10 years to water infrastructure. To limit the investment in Manitoba's infrastructure for two years would not provide the type of ongoing support that is necessary, and Manitoba should not be disadvantaged for responding quickly to the guidelines laid out in the NWSEP.

The AMM has secured a commitment from the Government of Manitoba to dedicate funding to water infrastructure to match any new federal funding for this purpose.

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 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.

C) Disaster Financial Assistance

This year, over 130 municipalities in Manitoba are requesting disaster assistance due to extensive flooding across the majority of the province. What began as higher than average precipitation ultimately submerged millions of acres of farmland, flooded thousands of homes and washed out hundreds of roadways. This has been the largest summer flood on record for the Red River and is worse than Manitoba's 1997 flood both in terms of damage to the City of Winnipeg and the extent of damage across the province. These difficult circumstances highlight the need for effective disaster response systems and significant financial resources for municipalities as they respond to disaster situations.

The AMM has been working hard to communicate with affected municipalities and hosted a series of consultative sessions across Manitoba to gauge the extent of the damage from spring and summer flooding. Municipal representatives repeated the same messages throughout these sessions, including many issues that the AMM has lobbied on for several years. The severity of this year's damage illustrates the urgency of enhancing existing programs to provide timely access to disaster programming. When disasters are so extensive, all orders of government must coordinate efforts to return communities to pre-disaster conditions.

For this reason, municipalities are concerned by the Federal Government's ongoing review of the disaster funding formula. If federal funding is reduced, municipalities will not be able to provide the same timely attention to disaster recovery even though they are committed to assisting residents with the direct repair of infrastructure and property. Municipalities cannot bear the high costs of disaster assistance alone and insufficient disaster recovery will surely result. Reducing federal funding could also set a precedent and justify reductions in

provincial disaster assistance funding. However, the Federal and Provincial Governments have greater access to the resources that are required to address the costs of widespread disasters. Municipalities and individual Manitobans must not be left to bear the costs of disaster recovery without the support of federal contributions.

The current compensation rates have repeatedly been identified as inadequate for certain aspects of disaster financial assistance. Throughout the AMM's consultative sessions, municipalities raised the concern that the current rates are a disincentive to use the most efficient methods to respond to serious damages. Municipalities often have the necessary equipment and labour in place and can act quickly to repair damaged roads and infrastructure. However, 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 doing their own work, even though doing so will certainly represent a cost savings to 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. This will better reflect the true costs incurred by municipalities when using their own equipment and labour and will reduce the total cost of disaster recovery.

There are also opportunities for cost savings during the repair of damaged infrastructure. The current program only provides funding to recreate the same type of infrastructure, such as bridges and culverts, that was in place prior to the disaster. In some instances, the same locations are damaged over consecutive years since the pre-existing infrastructure is

inadequate to manage even marginally increasing pressure. However, there is no available funding to upgrade these bridges and culverts to a higher standard that would withstand future disasters. Instead, the same locations are damaged year after year and significant funding is required for this perpetual rebuilding. Disaster financial assistance should help municipalities invest in preventative measures, which would result in a long-term cost savings while easing the stress of such preventable damage on local communities.

To further illustrate municipal concerns, the review of disaster financial assistance should include representation of a municipal voice. If municipalities continue to hold the primary responsibility for direct assistance, they must be consulted as the terms of disaster financial assistance are defined. As a primary stakeholder in local disaster recovery, municipalities should be represented in the review process through the Federation of Canadian Municipalities (FCM). Since FCM has already undertaken extensive research on the topic of disaster assistance, the organization is well-equipped to provide insight into the financial needs of municipalities responding to disaster situations. This municipal voice should not be neglected, since municipalities are directly responsible to their residents in disaster situations.

It is unfortunate that it has taken such an extensive disaster to demonstrate the need for better disaster response in Manitoba. However, the current situation presents an opportunity for the Federal Government to make key improvements to disaster financial assistance.

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