

# Introduction



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*This issue of The Municipal Leader includes a special report on municipal revenues. As we ring in 2009 it is clear that, more so than any time in history, municipalities are concerned about their revenue sources. The demand is growing each day as municipalities are expected to deliver bigger and better services and tame the infrastructure deficit, all the while holding the line on property taxes. In fact, when you look at most of the top municipal issues, a lack of available revenue is at the heart. We saw this at the recent AMM Convention, as new revenue sources were front-and-centre in the debate. While other core issues were raised, they all include the underlining need for added revenues.*

*This report will highlight some of the key questions raised when municipalities talk about additional revenues. The limits of property tax are explained, as are the growing needs of municipalities. We also explain where the AMM is going and provide an update on what some municipalities have done to find creative new ways to tackle some of these issues.*

*This report will try to provide answers to a few key questions and hopefully in the end get you – as municipal officials – thinking about options for your community.*

## So what is the problem?

In simplest terms, the need is greater than the available revenue. Municipalities today are directed, by both citizens and other orders of government, to take on more and more responsibility, but are left with the same revenue sources to do it. So the problem is two-fold – there is more to do, and not enough money to do it.

## What do we mean by more to do?

Municipal government today plays a major role in the lives of Manitobans. There was a time when your municipality was in charge of not much more than picking up the garbage and plowing the streets. Municipalities still plow the streets and collect the garbage (and recyclables in many cases), in addition to providing many, many more services. Today's council is involved in community economic development, land-use planning, and infrastructure renewal and development along with many other issues. In fact, today's councils are involved in nearly every aspect of the lives of Manitobans.

## Not enough to do it

So there is more to do, but the real problem is there isn't enough to do it *with*. While responsibilities have grown exponentially over the years, financial resources

have not. In fact a strong argument can be made that municipal government has not had the resources required since its inception. You need only look back to the resolutions from the first meetings of the Union of Manitoba Municipalities in the early 1900s to see municipal revenues were at the forefront. Now more than ever municipalities need new tools to deal with new responsibilities and new expectations.

## Can you give an example?

Here is a great example of how municipalities play an important role in your everyday life, and of how quickly things change when you think about limited revenues.

You get the family up in the morning for your child's hockey game. You take a quick shower, where the water first comes from a municipal water plant or reservoir, and then is returned back to a municipal wastewater treatment facility. You head off to the game at the municipally owned, operated and funded community recreation complex. It's a nice day so some family members decide to bike along the new municipal bike path, while the rest travel along the recently patched municipal road to the arena.

Regrettably, during the game your child is injured, and it is off to the nearest clinic.

You've heard about doctor shortages and are hoping that you don't have to wait forever to see a physician. Luckily, there is a new doctor on call, who was recruited with financial assistance from the municipality.

After the doctor treats your child and sends him on his way, it's off to the municipally owned and maintained park for a family picnic. You check out the playground equipment that was recently installed (by municipal staff) to replace the aging swings and slides. You also notice the lack of mosquitoes, before recalling that the municipality began a mosquito control program this year.

Now consider, another scenario: You begin your day by filling the kettle several times as your community has been under a boil water order for weeks. You find out that this morning's hockey game has been cancelled because an engineering report has deemed the local arena unsafe. So you drive to the park instead, slowly, because the potholes seem to be growing larger by the day.

At the park, your child falls off of the aging teeter-totter and must be rushed to the emergency room – but it is closed. The local doctor relocated, and the community is having trouble recruiting a new physician. And on it goes.

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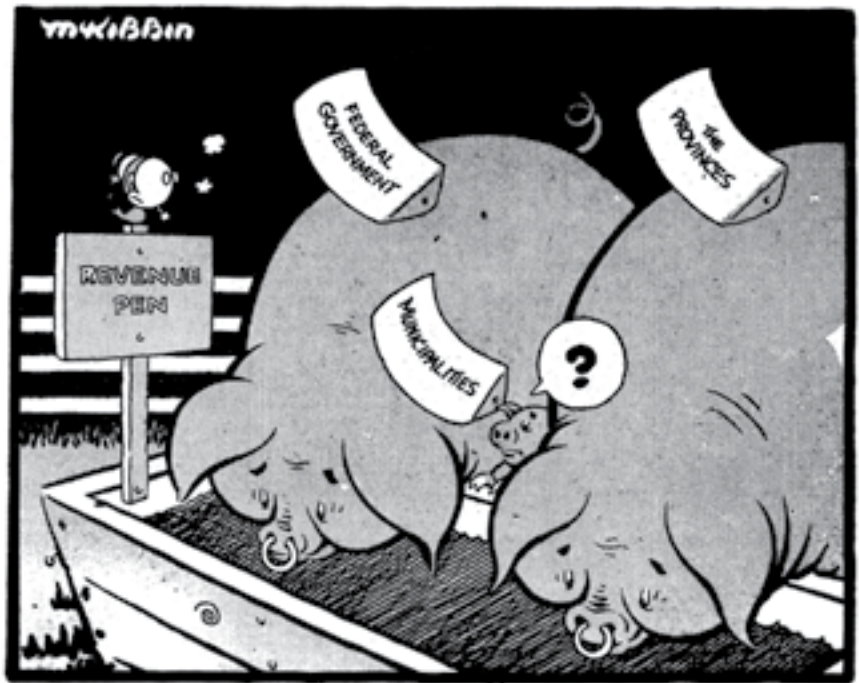
While fictitious, this case shows the reality many communities face. As the needs continue to grow, more and more communities will be faced with these kinds of challenges. By taking on additional responsibilities in areas ranging from health care to environmental protection and beyond, local councils are maturing into a more essential producer of necessary services than ever before. The problem is municipal revenue streams haven’t caught up with the growth spurt in service delivery. This creates what is called a “fiscal imbalance” resulting in councils having to make decisions that may have detrimental effects on their communities – much like those in the above story.

**So what is the major cost driver for municipalities?**

Infrastructure – there is no doubt that Manitoba’s municipal infrastructure is in need of a major upgrade. Nationally it is estimated that the municipal infrastructure deficit is \$123 billion for existing infrastructure and another \$115 billion for what communities *should* have. In Manitoba we estimate this number to be close to \$7 billion. Most alarming is that the national rate has more than doubled in less than five years. This skyrocketing infrastructure deficit is smothering many municipalities and hindering their ability to deliver services.

In 2007 the FCM worked with **Professor Saeed Mirza** on quantifying the municipal infrastructure deficit. His report *Danger Ahead: The Coming Collapse of Canada’s Municipal Infrastructure* was reprinted in part in the Winter 2008 issue of *The Municipal Leader*. Professor Mirza has since done further work in this area. Read on for his latest piece.

But This Little Pig Had None



Source: **Winnipeg Tribune** (August 26, 1947). The cartoon is featured in the AMM’s book **With One Voice** and was referenced often during the one-cent sales tax debate at the AMM 10th Annual Convention.



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