

Meeting of the
**Association of
Manitoba
Municipalities**



with

The Honourable Jim Rondeau

Minister of Industry, Economic Development
and Mines

February 15th, 2006

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A) Executive Summary

Departmental Issues

1. Increases to the Mining Aggregate Fees

- A mining aggregate fee of 4.4 cents per tonne has been in effect since 1992 in lieu of property taxes on quarry operations.
- Municipalities want to prepare for the eventuality when they will need to remediate the quarry sites for alternate uses. This will require a significant investment beyond the 10 cents per tonne levy the Province collects to level the land following closure of a quarry.
- The Province has proposed forming a committee to investigate this issue further. This is an important issue for many municipalities and we believe the rate needs to be increased to better reflect the actual costs of remediating sites.

The AMM agrees with the Provincial recommendation to form a committee to review the 4.4 cent mining aggregate fee and urges the timely action towards this end.

2. Taxation of Gravel Pits

- Quarry operations are not charged a property tax, however the nature of the industry results in a heavy burden placed on the surrounding infrastructure.
- Municipalities are responsible for maintaining many of the roads traveled by the operators, however municipalities do not receive adequate compensation for providing this necessary service.
- Municipalities require assistance in preserving the integrity of the infrastructure and financial assistance must be provided in a fair and equitable manner. Future leases should include the requirement to pay property tax.

Therefore, the AMM requests that future leases for gravel pit operators reflect the requirement to pay property taxes.

3. Cleaning Up Contaminated Mine Sites

- Abandoned mine sites pose a real danger to local communities as well as the safety of all Manitobans.

- New mine sites must have a plan in place for decommission, however sites already abandoned must be successfully decontaminated immediately.
- The 2005 Auditor General’s “Environmental Audits” reviewed the Province’s management of contaminated sites, concluding there is a great deal of improvement needed in the policy and practices of identifying, managing and reporting of potential contaminated sites.
- The Federal Government has committed \$4 billion over the next ten years to clean-up contaminated sites across Canada and the Province should make a similar commitment to invest in the environmental and economic health of Manitoba’s residents.

Therefore, the AMM urges the Province to commit to the remediation of orphaned and abandoned mine sites.

4. Geophysical Operations Approvals

- The Geophysical Regulation under the Oil and Gas Act speaks, in part, to the need to obtain permission to conduct geophysical operations within municipal boundaries.
- A couple of aspects of the Regulation require clarification. Section 10(3) does not make it clear how directions are to be obtained, and who the appropriate authority is.
- Section 6(a) is contradictory because there is no specific provision for written approval on all municipal road allowances, as rural municipalities are not included.

The AMM requests that the Province amend the Geophysical Regulation under the Oil and Gas Act, Section 10(3) to clearly state that written direction from the municipality must be obtained to conduct geophysical operations on municipal road allowances; and amend Section 6(a) to include municipalities.

General Issues

5. The Municipal Agenda

- Manitoba’s municipal governments continue to take on increasingly greater responsibilities. As the importance of local community increases, it is necessary that the roles, responsibilities and resources of municipal government be examined.
- Unclear legislation, such as the Water Protection Act, concern municipal governments because the financial costs in implementing and enforcing this Act are great. Infrastructure needs in municipalities throughout the province are at the top of municipal agendas however the municipal budgets are stretched thin.

- Some options to support municipal governments to serve their communities effectively are removing education tax from property and exempting municipal governments from the Provincial Sales Tax.

The AMM urges the Province to work with municipalities to seriously examine the roles, responsibilities and resources of municipal governments in Manitoba.

B) Departmental Issues

1. Increases to the Mining Aggregate Fees

The removal of aggregate from quarries is levied by the tonne in lieu of taxes charged on the property of quarry operations. In 1992, a mining aggregate fee was set at 4.4 cents per tonne. Over the past thirteen years, taxes have increased however the fee has stayed the same.

These quarry operations cannot function indefinitely and at some point, municipalities will be required to remediate the sites for alternate uses. Although the Provincial Government collects 10 cents per tonne towards remediation purposes, these funds are used to level the land, not to invest in the physical enhancement and increased future usability of the area. Municipalities need to look long term and establish funds to ensure former quarry sites are not unusable, isolated land parcels. The quarry operations should contribute to this long-term goal, rather than forcing municipalities to bear the full costs.

It is time to review the 4.4 cent fee just as the aggregate transportation fees were recently increased. Minister Smith recently notified our office that he is in agreement with your recommendation from January 10, 2006 that a committee be formed to investigate this further. This is an important issue for many municipalities and we believe the rate needs to be increased to better reflect the actual costs of remediating sites.

The AMM agrees with the Provincial recommendation to form a committee to review the 4.4 cent mining aggregate fee and urges the timely action towards this end.

AMM Resolution Number 36 – 2005

Topic: Increases to the Mining Aggregate Fee

Sponsor(s): RM of Rockwood

Department(s): Manitoba Industry, Economic Development and Mines

WHEREAS in 1992, the Province of Manitoba established a Mining Aggregate Fee to replace taxes charged on personal property of quarry operations;

AND WHEREAS there has not been an increase in the Mining Aggregate Fee of 4.4 cents per tonne for the past thirteen years;

THEREFORE BE IT RESOLVED THAT the AMM lobby the Provincial Government to review and increase the Mining Aggregate Fee to reflect a more fair and equitable fee.

2. Taxation of Gravel Pits

The very nature of the mining industry is such that the surrounding infrastructure is heavily burdened. Although mining on crown land, municipal roads are utilized to transport aggregate and equipment to and from the quarry. Municipalities maintain these roads however they are not adequately compensated for this service because operators mining on crown land are not required to pay property taxes. Municipal funds are therefore being prioritized to sustain infrastructure for which they are not receiving adequate compensation.

It is important that the users of municipal services contribute to the costs of maintaining them. To assist municipalities in preserving the integrity of the infrastructure, it is imperative that financial assistance be provided in a fair and equitable manner. The Province should provide support to maintain the heavily utilized roads by developing a mechanism to provide revenue to adjacent municipalities for this purpose by requiring that future leases for gravel pit operators include the requirement to pay property taxes.

Therefore, the AMM requests that future leases for gravel pit operators reflect the requirement to pay property taxes.

AMM Resolution Number 37 – 2005

Topic: Taxation of Gravel Pits

Sponsor(s): RM of St. Clements

Department(s): Manitoba Industry, Economic Development and Mines,
Manitoba Finance

WHEREAS leases granted by the Department of Industry, Economic Development and Mines for gravel pit operators on crown land do not state the requirement for taxes to be paid;

AND WHEREAS at least some operators do not therefore pay taxes, nor can be made to do so;

THEREFORE BE IT RESOLVED THAT the AMM lobby the Provincial Government to immediately change all future leases for gravel pit operators to reflect the requirement to pay property taxes.

3. Cleaning Up Contaminated Mine Sites

The abandonment of mines results both in hazards to the environment as well as dangers to the health of local communities and throughout the Province. Mine tailings and abandoned sites require cleanup to safeguard communities from the effects of this contamination leaching into the groundwater and eventually into provincial drinking water sources.

In 2004, you advised us that abandoned mine sites are an issue for your department and every new site must have a plan in place for decommission. This is a positive step to prevent future problems from being repeated, however it is necessary that sites already abandoned be successfully decontaminated. Regulations in place whereby a 10 cent levy is charged on aggregate to decommission the site when it is closed is a positive step towards meeting this need, as long as the site is actually cleaned up immediately following its closure.

The recent release of the Provincial Auditor General's "Environmental Audits" reviewed the Province's management of contaminated sites. The Auditor General's findings conclude that there is "much room for improvement in the establishment of policy and practices in how the Province identifies, manages, and reports on potential contaminated sites, such as orphaned and abandoned mines, orphaned and abandoned fuel storage sites, and sites owned by departments and special operating agencies." It is encouraging that since the release of the report, Minister Struthers has introduced legislative amendments to strengthen "polluter pays" practices and agreed to act on all of the report's recommendations. This includes developing a separate process to track government-owned sites, developing a financial policy to include environmental liabilities, and reviewing the status of orphaned and abandoned mines to ensure information is updated and remediation plans are in place.

In the 2004 federal budget, the Federal Government committed \$4 billion over the next 10 years to the clean-up of contaminated sites across Canada. While some of these funds are

already earmarked for federally-owned sites, the AMM is pleased some funding will be available for provincial and municipal sites. This investment in the environmental and economic health of Canada's municipalities is an excellent beginning and the AMM would like to see the Manitoba Government follow with a similar commitment. Communities such as Lynn Lake are extreme examples of the danger such sites can cause if left without aid.

Therefore, the AMM urges the Province to commit to the remediation of orphaned and abandoned mine sites.

AMM Resolution Number 12 – 2004

Topic: Cleaning up of Contaminated Sites

Sponsor(s): Town of Lynn Lake

Department(s): Manitoba Conservation; Manitoba Industry Economic Development and Mines

WHEREAS numerous mining communities within the Province of Manitoba are left with environmental hazards from mine tailings and abandoned mine sites when mines are closed;

AND WHEREAS the environmental concerns for these areas are a high priority for the health and well-being of the communities and the Province as a whole;

AND WHEREAS the Province of Manitoba has committed to cleaning up the environment;

THEREFORE BE IT RESOLVED THAT the Association of Manitoba Municipalities lobby the Provincial Government to take a pro-active stance with the environmental remediation of these contaminated sites by provision of funding and the development of a strategy to deal with site remediation in a timely fashion.

4. Geophysical Operations Approvals

In recent communication with your office, you advised that Section 10(3) of the Geophysical Regulation under the Oil and Gas Act identifies that a geophysical operator must comply with the direction of the municipality when operating on municipal road allowances and must also carry out any remedial work required by the municipality. This regulation is unclear in its direction. It requires that “the licensee shall comply with the directions of the appropriate authority and shall perform any remedial work that is required by the authority.” It is unclear how the directions are to be obtained, and who the appropriate authority is.

Furthermore, Section 6(a) of the same Regulation is contradictory. It states that “No person shall conduct a geophysical operation within the boundaries of a city, town or village without the prior written approval of the responsible authority.” Rural municipalities are not included in this list of municipalities. Specific provision for written approval on all municipal road allowances is needed.

Municipalities and operators may interpret the requirements in differing ways. To avoid confusion and delays, we request that you amend this regulation to clearly state that the municipality, urban or rural, must provide written approval for geophysical operations on municipal road allowances.

The AMM requests that the Province amend the Geophysical Regulation under the Oil and Gas Act, Section 10(3) to clearly state that written direction from the municipality must be obtained to conduct geophysical operations on municipal road allowances; and amend Section 6(a) to include rural municipalities.

AMM Resolution Number 35 – 2005

Topic: Geophysical Operations Approvals

Sponsor(s): RM of Wallace

Department(s): Manitoba Industry, Economic Development and Mines

WHEREAS the Geophysical Regulation under the Manitoba Oil and Gas Act (subsection 6(a)) provides that no one shall conduct a geophysical operation without prior written approval of a city, town or village;

AND WHEREAS geophysical operations are also conducted on road allowances in municipalities;

THEREFORE BE IT RESOLVED THAT the AMM lobby the Provincial Government for rural municipalities to be included in providing written approval for the conduct of geophysical operations on road allowances under municipal jurisdiction.

C) General Issues

5. The Municipal Agenda

Municipal government is playing a more important role in the every day lives of Canadians. No longer is the local council seen as merely the local tax collector and tertiary service provider. Today, municipal governments have greater responsibilities, often playing a leading role in key areas that are not traditionally municipal in nature, such as health care and environmental protection. As the importance of the local community grows municipal government, as the level of government closest to the people, is becoming more important. As a result, it is critical that a serious examination be undertaken of the roles, responsibilities and resources of municipal government in Manitoba.

Nationally through the work of the Federation of Canadian Municipalities, municipal governments have been able to secure a full rebate of the GST and the New Deal for Communities or 'Gas Tax Rebate'. Community issues have become front and centre on the nation stage, and the AMM is pleased with the recognition by the federal government of the importance of local government and the need to put resources in the hands of the level of government that delivers key services.

Provincially, municipal government in Manitoba has seen some advances as well. Most recently the Province announced the new Building Manitoba Fund that will link municipal grant money to provincial gas tax revenues. Manitoba is also unique in that the Provincial Government shares a percentage of income tax with municipalities through the Provincial/Municipal Tax Sharing agreement.

While these initiatives are certainly positive, more is needed. Many of the resolutions currently being worked on by the AMM deal with issues of funding, or more specifically inadequate funding levels. A serious discussion of the resources available to municipalities needs to be undertaken. However for this discussion to be fruitful, it must be raised within the greater context of what are and what should be the responsibilities of municipal government.

Municipal government in this province has embraced taking on additional responsibilities as these have been seen to be for the betterment of the local community. Many municipalities have gone to great lengths to help provincial RHAs recruit physicians. Municipalities have undertaken projects to help reduce greenhouse gas emissions and improve the environment. Yet there are limits to how much municipalities can do with their current revenue streams.

We have consistently heard from the Province that Manitoba municipalities have it better than almost every other province when it comes to funding transfers from provincial governments. However, this discussion is meaningless without also discussing what municipal governments are responsible for. If municipalities are expected to take on additional responsibilities it is imperative that new revenue sources are made available.

For example, a major concern for municipalities is the financial implications of the recently passed Water Protection Act. While the intent behind this legislation is laudable, the overwhelming lack of detail, especially in the area of responsibilities and finances, has many municipal governments concerned. Municipal Governments cannot take on the financial costs associated with implementing and enforcing this Act. The Municipal budget is already stretched too thin.

The current municipal infrastructure deficit in Manitoba further compounds the need to re-examine the resources available to municipalities. Communities are facing crumbling roads, deteriorating community centres and inadequate water treatment facilities. It is estimated that Manitoba's infrastructure deficit is \$7.4 billion, which includes \$2 billion in rural municipal infrastructure and \$1 billion within the City of Winnipeg. These are staggering numbers when compared to the revenue streams available to these municipalities. When only 7 cents of every tax dollar goes to municipalities, it is evident there is a lack of resources to deal with this deficit.

This is why the AMM has been advocating for a 5 year plan to significantly reduce the reliance on property tax to fund education. Currently the property tax base is the principle source of revenue for municipalities. However, this tax base is diminished when education

tax takes up well over 50%. Equally concerning is the continuing increases year after year which force municipalities to seriously consider any municipal tax increases, as there are limits to what local residents are able to withstand. The AMM fully supports maintaining and improving the quality of education in Manitoba, however the current system of education taxation is not sustainable and in reality it is hurting local communities by limiting municipal resources.

In addition to the removal of education tax from property, there are other options to provide greater revenue to municipalities. For example, the Provincial Government can follow the lead of the Federal Government with the GST and exempt municipal governments from the Provincial Sales Tax. Not only would this leave more money in the hands of municipalities, but it would significantly reduce the costs of many major infrastructure projects freeing up valuable funding for other areas of need. This would represent a significant shift away from the current tax and return system to a new system that allows municipalities to retain resources for community needs.

Strong communities are the foundation of a strong province and a strong Canada. As the Association that represents all incorporated municipalities in Manitoba we understand this. The AMM has long been advocating for municipal governments to look at ways of improving how they do business to ensure strong, sustainable communities across Manitoba. We also hear first hand the challenges communities are facing and we see the implications provincial actions are having on municipalities. It is for this reason that we believe it is time to take a closer look at the resources available to municipalities and what are the roles and responsibilities of municipal government in Manitoba.

The AMM urges the Province to work with municipalities to seriously examine the roles, responsibilities and resources of municipal governments in Manitoba.