

Association of
Manitoba
Municipalities



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A) Executive Summary

1. 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.

2. Education Tax

- Taxing property was once an equitable and efficient mechanism to fund education, however, it has been decades since this mechanism could be categorized as equitable.
- The inequity of this system and its effect on all municipalities has led the AMM to identify education funding as a top priority for several consecutive years.
- Education taxation will remain a priority until municipalities are empowered to control the level of local property taxation without having to use this mechanism for Provincial purposes such as education.
- Municipal governments appreciate the valuable first steps that the Provincial Government has taken to address this issue by reducing education taxes on certain classes of property.
- Reductions in education tax should be available to all property owners since it is incongruous for education funding to be associated with property.
- Municipalities are committed to supporting high quality education and are not advocating an overall reduction in education spending.

Therefore, the AMM urges the Provincial Government to articulate a comprehensive five-year strategy to increase its share of funding for education, thereby reducing the current reliance on property taxes.

3. Water Issues

- Water protection has become one of the most important issues for all Manitobans and it is important that all levels of government work together to ensure Manitoba's water is protected.
- Municipalities are supportive of water protection efforts, however there are a number of outstanding issues that need to be addressed.
- For this initiative to be successful there must be meaningful stakeholder input, and this must be in the development stages and not after key decisions have been made.
- Also, the Province must work with stakeholders to develop a long-term, coherent, comprehensive provincial plan to set the overall vision and goal for water protection in Manitoba.
- It is essential that this overall plan be developed first, to ensure that the integrated watershed management plans developed by municipalities and conservation districts work in conjunction and complement the overall plan.
- The costs of these integrated plans is also a major concern, especially since some municipalities and conservation districts are a part of multiple watersheds and will be expected to develop multiple plans.
- Issues with the antiquated Conservation Districts Act and the need to ensure realistic timelines must also be addressed.
- Municipalities are prepared to do their part to protect Manitoba's water quality, however the issues discussed need to be resolved in order to make the water protection efforts successful.

The AMM urges the Province to address the issues raised to make Manitoba's water protection initiatives a success.

B) General Issues

1. 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 as well as 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 order 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. For instance, many municipalities have gone to great lengths to help provincial RHAs recruit physicians. As well, 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 fare better than almost every other province in terms of funding transfers from provincial governments. However, this discussion is meaningless without a discussion of the responsibilities of these municipal governments. If Manitoba's municipalities are continually expected to take on additional responsibilities it is imperative that new revenue sources are made available.

For example, a major municipal issue 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 principal source of revenue for municipalities. However, this tax base is diminished when education tax takes up roughly 50 per cent. Equally concerning is the continuing increases year after year which force municipalities to seriously re-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, thereby freeing up valuable funding for other areas of need. This would represent a significant shift away from the current tax and return system toward 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 firsthand 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 take stock of 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.

2. Education Tax

Extensive changes have taken place in Manitoba since the provincial system of education funding was first established. Taxing property was once an equitable and efficient mechanism to fund education, since land ownership was more evenly distributed among the population. However, it has been decades since this mechanism could be categorized as equitable, due to changing patterns of land ownership. The inequity of this system and its effect on all municipalities has led the AMM to identify education funding as a top priority for several consecutive years. Municipalities want to work cooperatively with the Province to address this important matter. Education taxation will remain a priority until municipalities are empowered to control the level of local property taxation without having to use this mechanism for Provincial purposes such as education.

The AMM recognizes that increasing the Provincial share of education funding is a complex process and municipal governments appreciate the valuable first steps that the Provincial Government has taken to address this issue by reducing education taxes on certain classes of property. Eliminating the residential Education Support Levy (ESL) is an essential part of this initiative and the final reduction of \$34 million for 2006 will certainly be beneficial to residential landowners. Furthermore, the rebates on farmland education taxes have assisted agricultural producers in dealing with several years of poor environmental and economic conditions. Renewing this commitment for 2006 with the increased rebate of 60 per cent provides much-needed support for all producers.

However, reductions in education tax should be available to all property owners since it is incongruous for education funding to be associated with property. Furthermore, reductions in farmland education taxes should not result in shifting taxation across property classes. The AMM's objective is to reduce the reliance on all classes of property, not to shift the taxation burden to any particular property class. The Provincial Government has repeatedly committed to work on this issue and with the five-year ESL phase-out complete, it is time to identify other methods of reducing the reliance on property taxes to fund education.

Last summer, the AMM conducted a survey of 50 municipalities to track property taxation trends over the past ten years. Although some reductions were certainly evident in 2005, municipalities continue to express concerns regarding this issue. In particular, some municipalities are expecting an increase in education taxes in 2006. These ongoing concerns were substantiated by the resolution passed at the 2005 AMM Convention, which identifies education funding as a core Provincial responsibility and the current taxation system as unsustainable. At present, there is an unfair burden on property owners to bear the cost of Manitoba's education system and municipalities are hindered in their ability to provide necessary services such as infrastructure improvements. The recent resolution was entirely consistent with the AMM's previous resolution since both identified the need to continue reducing the reliance on property taxation to fund education.

Municipalities are committed to supporting high quality education and are not advocating an overall reduction in education spending. On the contrary, this important service must be funded equitably by all Manitobans based on a shift away from property taxation. Such a substantial change must be achieved by developing long-term solutions. The AMM was pleased to see some indication of future action in the recent Provincial Budget Speech, however a detailed plan is still required.

Therefore, the AMM urges the Provincial Government to articulate a comprehensive five-year strategy to increase its share of funding for education, thereby reducing the current reliance on property taxes.

3. Water Issues

Water protection has become one of the most important issues for all Manitobans. As such, it is important that all levels of government, and all stakeholders, work together to ensure Manitoba's water is protected. Municipal Government will be a key partner in any water protection initiative and municipalities are willing to work with the Province to protect Manitoba's water for the benefit of all Manitobans.

The Province has taken a leadership role on this issue, working in consultation with key stakeholders to develop the Manitoba Water Strategy. As a result of this work, the new department of Water Stewardship was created and the Province introduced and passed the Water Protection Act. Municipalities are supportive of the concepts that drove the creation of the Act and the AMM was generally supportive of the Act at the Legislative Committee hearing. While the AMM agrees with many of the concepts and ideas identified in the new Act, how the Act will be implemented remains to be determined. Much of this will be done through the regulation process and we have started to see some of the regulations now. The AMM has submitted its concerns on the specific regulations, however we also feel it is necessary to take a look at the bigger picture and some of the general outstanding issues that still exist. The AMM has identified a number of issues that must be addressed.

Issue #1: Meaningful Stakeholder Input is Needed

For these plans to have stakeholder buy-in, they must be developed in consultation with all key stakeholders, especially municipalities and conservation districts (CDs). Municipalities and CDs are expected to be partners in this process and it is imperative that they are included in the development of any provincial plan. This entire initiative will only succeed if there is stakeholder buy-in and for this to develop, stakeholders must be a part of the process. And it is crucial that this involved be from the start and not simply after the key decisions have been made. Municipalities and Conservation Districts all bring local knowledge to the table and must be seen as key stakeholders in

this process. For water initiatives to be successful, local groups must be involved from the beginning in developing these initiatives.

One way to get meaningful stakeholder input is through the creation of a working group that includes all of the funding agencies involved in water management initiatives. This group should include the Province, the AMM and the conservation district association, as all three will have a financial stake in the process.

There are also some concerns that the Provincial Water Planning Branch is not on the same page with municipalities and conservation districts, which in large part may be due to some of the issues identified in this paper. As CDs are being viewed as the delivery mechanism for many of the new requirements, it is imperative that proper coordination and communication takes place. Unfortunately right now this is not the case. There is a good deal of confusion and uncertainty regarding this initiative.

The need to improve communication is equally true within government, as at points it appears that communication is lacking between government departments. For this process to be successful, all government departments need to be on the same page. This not only includes the departments of water stewardship, conservation and agriculture, but the department of health as well, as water quality is as much a health issue as anything else.

Issue #2: A Long Term Plan is Needed

It is paramount that a long-term plan for water protection is developed. While the Province has introduced and passed the Water Protection Act, a comprehensive, coherent, workable, province-wide water protection plan is still needed. Municipalities are for the most part willing to use their limited resources to create local, regional watershed-based plans, however these must work in conjunction and be compatible with the larger, province-wide water plan.

It is on this provincial plan that the ultimate success of the entire water management system rests. The Province cannot expect municipalities and conservation districts to develop individual plans on a piecemeal approach. There must be a clear provincial plan in place for municipalities and conservation districts to build on. All actors must be working together and until the overall design is known, this is not possible. This plan must be developed before calling on municipalities to create plans and before provincial regulations are introduced.

For any plan to be successful, there must be clear water quality benchmarks established to see if the plan is doing what it is designed to do. Currently there is information available for major water streams, but not for the tributaries which feed into the major streams. Benchmarks are needed to see if plans and best management practices are working. Otherwise, there will be no way to tell if resources are being maximized.

These plans need to be for overall water management not only for drainage. Some conservation districts have signed memorandums of understanding with the Province for the administration of drainage. The last few years have clearly shown the extreme conditions Manitoba can face and have highlighted the need for a plan that includes both drainage and retention and not simply one or the other.

In the development of this plan it is essential that its impact be properly assessed. The burden of implementation cannot be placed on any single group and the financial impact of any proposed rules must be considered. Financial costs should be a serious consideration in the development of any plan and all aspects should include a cost analysis. Any provincial plan must be realistic and financially attainable and this can only be assured by making certain serious consideration is given to the costs of implementation during the development of the plan.

Issue #3: Integrated Watershed Management Plans (IWMP)

While a comprehensive provincial plan is lacking, there is a provision for the creation of regional, watershed-based plans. While the watershed is the most logical basis for the plan, it must be recognized that not all CDs were established along these boundaries. This is equally true for municipalities, meaning some CDs and some municipalities are a part of multiple watersheds and will be required to develop multiple plans.

While the CDs are the natural entity to undertake a lot of this work, this does by default exclude some stakeholders. Some municipalities are not currently part of CDs, and while there is provision to allow them to participate in the IWMP process, these municipalities will not be providing funding for the implementation of the plan and will not be part of the overall management of the plan if this is done through the local CD. All interests must be represented, and currently provincial parks, First Nations, crown lands and other entities are not included in CDs and therefore not a part of the plans. For IWMPs to work, they must be relevant to the landscape and must include all stakeholders.

While some groups are not part of CDs, many municipalities fall within multiple CDs and multiple watersheds. With early estimates showing that these plans can cost upwards of \$250,000 it may be cost prohibitive for some municipalities to develop multiple plans. There are also some CDs that will be forced to develop multiple plans as they incorporate more than one watershed. While there is a commitment of some funding for the development of these plans, the \$25,000 provincial commitment falls far short of the actual costs of developing these plans.

Issue #4: General Costs of Water Initiatives

The elevated costs of developing integrated watershed management plans is only one of the financial issues that must be resolved, as there are far greater requirements laid out in the new Act. The Manitoba Water Strategy Steering Committee identified funding as one of the problem areas in need of resolution, however as yet there has been no meaningful

discussion on financing. Time and again this issue is raised in discussions with municipal councils, as there are concerns that municipalities will be left to finance provincial decisions.

Water quality is an issue for all Manitobans and as such is much more than a local issue. Water quality is a public health issue and most certainly one that must be addressed province-wide. For this reason, the Province must allocate adequate financial resources to match the requirements that are being implemented through the new act.

Issue #5: The Antiquated Conservation Districts Act

One of the impediments to this process is the antiquated Conservation Districts Act. This Act was written in the 1970s, a time when CDs had very few responsibilities. The responsibilities of CDs have grown substantial since this Act was proclaimed and it is time to update the Act to reflect this new reality. As well, the current Act excludes many of the key stakeholders, including First Nations and provincial and federal parks. These groups need to be incorporated into the process to make it work.

Issue #6: The Need for Realistic Timelines

A final issue is the timeframe for this initiative. The AMM supports the Province's desire to move forward with these water initiatives but this cannot be done by sacrificing sound science and be done at the expense of due diligence. Timeframes must be realistic and allow enough time to ensure the best measures are being implemented.

Municipalities and CDs are prepared to do their part to protect Manitoba's water quality but many are hesitant to move forward until there is a clear direction. This direction can only be suitably developed through consulting with key stakeholders from the outset. And once developed, it is essential that this direction be clearly communicated to municipalities and conservation districts to ensure everyone is working toward the same clear goal. Without a long-term water management plan with clear benchmarks to

measure performance, water protection efforts will continue to falter. The plan itself must be realistic and include careful analysis of the impact of its requirement on those that will be mandated to implement them. The associated timelines must also be realistic and allow for proper consideration of the proposed initiatives.

Municipalities and conservation districts have been active partners throughout the Province's water protection initiatives, from the original Consultation on Sustainable Development Initiative (COSDI) report, through the Water Strategy development and up until today. Municipalities will continue to work with the Province to advance water protection initiatives, however to do this correctly, the issues identified in this paper must be addressed.

The AMM urges the Province to address the issues raised to make Manitoba's water protection initiatives a success.