

**Budget Submission of the
Association of
Manitoba
Municipalities**



to

The Honourable Greg Selinger
Minister of Finance

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Fiscal Balance

Money is the life's blood of governments. If the flow of financial resources among Canada's government is constrained or distorted, or if the channels that feed resources to part of the system become blocked, the health of the country is compromised. Canada's system of fiscal federalism has fallen into disrepair. Left unreformed, it will be a growing irritant among federal, provincial, and territorial governments. The friction produced will in time begin to shape the attitudes of Canadians and heighten the tensions among Canada's regions and communities. Perhaps it has done so already. Left unattended, the deficiencies we identify below will compromise the contributions that Canadians and their governments might otherwise make to our collective well-being; they will stunt our national economic capacity and our international competitiveness. Canadian Fiscal Federalism at Risk of Reconciling the Irreconcilable: Addressing Canada's Fiscal Imbalance

"Cities are caught on the front line between the citizens of Canada and the cause and effects of Federal and Provincial/Territorial Government policies and priorities: What other governments do eventually become municipal issues."
FCM Big City Mayors' Caucus report, 2006: Our Cities, Our Future: Addressing the Fiscal Imbalance in Canada's Cities Today.

The time has come for a change in intergovernmental relationships in Canada. The days of simple textbook federalism are gone and have given way to a more complex, sometimes convoluted form of government where Federal/Provincial responsibilities and Provincial/Municipal responsibilities are blurred. The recent Council of the Federation report confesses this new reality and identifies the need for a new Federal/Provincial relationship.

While the Council of the Federation has been advancing a new relationship between the provinces and the Federal Government, municipal officials across Canada have seen the need for a new relationship between all three levels of government for some time. Much of this work has culminated in the various reports that have been released recently that underscore the need for a new, improved relationship between all three orders of government. Just as the Province of Manitoba is looking for a new relationship with the Federal Government, municipalities in Manitoba need a new relationship with the Provincial Government, because the actions taken by other orders of government ultimately become municipal issues.

Municipal governments in Manitoba have enjoyed a strong working relationship with the Province, with some of the more innovative approaches to funding, like the Provincial

Municipal Tax Sharing Agreement, being held up as a model for other provinces. However you only need to take a look around Manitoba communities to know that this is not enough.

Provincial and Territorial Municipal Associations recently commissioned a report entitled *Roles, Responsibilities, Resources and Relationships* which outlines commonalities and differences that are occurring nation-wide. As it stands, Manitoba municipalities appear to be doing well in comparison to their provincial and territorial counterparts, however an open dialogue and process is required to ensure that we do not fall behind.

There are some remarkable advances in other provinces, as there is a growing recognition that communities need help. The Alberta Government is working towards fiscal balance by addressing the issues raised in the *Roles, Responsibilities, Resources and Relationships* report. Saskatchewan is currently reviewing fiscal balance concerns by moving toward longer term planning. Saskatchewan's Provincial Government has created a temporary change to per capita funding for 2007 until a long term plan is finalized. Ontario's Provincial Government is also working toward fairness with municipalities through the creation and implementation of the Ontario Municipal Partnership Fund. Although this is not a complete solution to municipal concerns there, the return of the Liberal Government in Ontario will ensure that movement toward fiscal balance continues. Quebec is moving into a second year of rebating the PST to municipalities. This movement will assist Canadian municipalities, however Manitoba needs to continue to move forward in this area in order to foster more tools for promoting fiscal balance.

While the AMM certainly feels more is needed from the Provincial Government, our organization does recognize that internally municipalities need to make improvements. Municipalities will be moving to the more transparent Public Sector Accounting Board principles, which will give a much truer picture of the municipal environment. In conjunction with the Province, the Tools for Change initiative has been introduced which urges municipal governments to ask the hard questions about how they administer and deliver services to their residents.

While there are efficiencies to be gained, this alone will not resolve the fiscal deficit that exists in our communities. Roads are crumbling and recreation centres are closing as communities struggle to balance infrastructure needs with competing priorities and limited resources. Municipalities have become masters of maximizing resources, however the stark reality is that there are not enough resources to deal with the ever-increasing responsibilities of municipal government in Manitoba.

It is for this reason that the AMM feels the time has come for a serious examination of the roles, responsibilities and resources of municipal government in Manitoba. Other provinces have forged ahead with similar initiatives and it is time for Manitoba to move ahead as well.

Many of our current resolutions deal with the need for additional funding and we have included a list of some of the top issues in the next section of this paper. Municipalities need greater assistance to meet the demands and expectations placed on them by both the province and citizens within their communities. Eight cents of every tax dollar is not enough to meet these demands, nor is it sustainable for municipalities to continually look to other orders of government for funding.

While there are short-term fixes that need to be implemented, municipalities need more than simple one-time transfers. One time funding helps address immediate needs, but for the long term municipalities need to have sustainable, predictable funding sources. Only with this will municipalities be able to establish long term plans and tackle key priorities and objectives.

A new system is needed in Manitoba. However, looking at only a single area such as resources does not provide the complete picture. There also needs to be a serious examination of the role of municipal government in Manitoba and the responsibilities of municipalities, both those laid out in legislation and those responsibilities municipalities have taken on out of necessity. Just as we have been working with municipalities to find internal improvements, there is ample opportunity to improve the way services are delivered and identify areas of overlap between municipalities and the province to revamp the system to ensure services are delivered by the most appropriate order of government.

A good example of services being delivered and funded by the appropriate order of government was the uploading of costs associated with water bombers. Prior to 2005, municipalities were responsible for the costs associated with this emergency fire protection. This proved to be unsustainable for municipalities due to the huge and unexpected costs associated with this form of fire suppression. The Provincial Government announced, in 2005, that it would be uploading the full cost of water bombers, which meant that the service was being provided by the order of government most capable of handling the costs.

While this is a case of responsibilities moving to the provincial level, we are completely open to responsibilities moving the other way and in fact expect this to occur as in some cases municipalities are better equipped to deal with certain responsibilities. In fact, the 2006 report released by the AMM identified secondary provincial roads, drainage and conservation initiatives as possible areas where service delivery could be transferred to municipalities. All issues and possibilities need to be put on the table for this to be successful, and must be looked at in conjunction with a review of the funding available to each level of government.

There is no doubt that everyone has the same goal, as strong communities are the foundation of a strong province and a strong Canada. The time has come to take a serious look at how to make the improvements necessary to strengthen our communities and province. We hear firsthand the challenges communities are facing and we all see the implications of not having the resources and ability to meet the most basic needs. The time has come for a change to intergovernmental relationships in Manitoba and the time has come to take a serious look at the roles, responsibilities and resources of municipal government in Manitoba.

Priority Issues for Budget Consideration

While a complete review of the roles, responsibilities and resources of all orders of government in Manitoba is needed, there are several priority issues that our association feels should be addressed in this year's budget.

TLE Compensation Package for Municipalities

The payment package for municipalities, following the conversion of municipal land to reserve, does not adequately compensate for the loss of property tax dollars. The Province should undertake a review of the current TLE compensation structure, with consideration of Saskatchewan's system, in order to seek alternative ways of enhancing Manitoba's TLE compensation package.

Legal Costs of Negotiating TLE Agreements

The Province has developed a Guide to Municipal Development and Service Agreements, which is helpful, however legal costs of negotiating TLE Agreements remain high. Although the AMM has created a list of Manitoba lawyers trained and/or experienced in these negotiations, the process is complex and municipalities require significant assistance. Therefore the Province should develop a cost-sharing program to assist municipalities in paying the extensive legal costs of negotiating TLE agreements.

Recycling

Reducing waste is a growing priority for Manitobans, as demonstrated in the successes of the Manitoba Product Stewardship Corporation (MPSC), the move to Green Manitoba and the ongoing interest from AMM members in establishing permanent recycling programs for waste streams. Existing programs must be strengthened through sufficient provincial funding to maintain the 80:20 funding ratio. As well, transitional funding must be made available for MPSC as it disengages from the current waste management regime. New extended producer responsibility models need to move forward and the AMM should be consulted early in the process of developing associated regulations.

Weed Control

The Noxious Weeds Act requires the Provincial Government to control weeds on Provincial lands, however municipalities are concerned that effective weed control is not occurring along Provincial highways and roads. When uncontrolled weed growth occurs in these rights-of-way municipalities incur additional costs to control the spread of weeds and adjacent farmers suffer from reduced crop yields. Proper management of ditches also minimizes opportunities for West Nile virus breeding grounds and reduces the risk of flooding due to clogged culverts. Therefore, the Province must establish a coordinated approach for municipalities and government departments to control weed growth on Provincial lands in order to minimize the spread of noxious weeds. Municipalities consistently raise this issue year after year, including a number of upcoming resolutions for the 2007 AMM Convention, demonstrating that action needs to be taken.

Funding for Libraries

With the work of the Public Libraries Review Committee now complete, the Province should implement the Committee's recommendations to the library funding system to provide greater resources to public libraries across Manitoba. The Provincial Government's commitment in the 2007 election to allocate ten \$10,000 grants for rural municipalities will assist, however the Province should review library-funding mechanisms to ensure that programming promotes library sustainability. This should include a mechanism to address the current trends in population and operating costs, since the current per capita mechanism is insufficient.

Education Tax on Property

The Province has made key improvements in the past few years through the elimination of the residential ESL and provision of a 60 per cent education tax rebate for farmland with a commitment to rebate 80 per cent within four years. However, further movement is required since there has been no change to education taxation on commercial property and the Province still relies heavily on property taxation to fund education. The AMM was pleased to see the Provincial Government commit to an 80:20 funding formula for education, in the 2007 budget, which will be phased in over five years. However, for this to be a meaningful change the 80:20 split must be for operating costs, not for all education expenses.

Disaster Financial Assistance

The AMM is pleased with the commitment to reimburse municipalities that are required to activate their emergency plans due to inclement weather conditions. The Provincial Government must support municipalities in lobbying the Federal Government to maintain a strong role in disaster financial assistance (DFA). It is also essential for program criteria to adequately address municipal issues by increasing the rate of compensation for municipal labour and equipment used for disaster response from 16 to 65 per cent. In contrast, contract (non-municipal) labour and equipment are eligible for 100 per cent compensation, which creates a disincentive to use the most efficient response available. Provincial support of these actions will significantly assist municipalities with disaster response.

Permanent Flood Protection

The Province should work to obtain funding for permanent flood-protection structures where the same damage has occurred in consecutive years. Such an investment in preventative measures will create long term cost savings for all orders of government while mitigating the stress of preventable damage on local communities.

Funding for Renewable Energy

Further investments in ethanol and biodiesel facilities are necessary across Manitoba to promote clean energy alternatives and local economic development. The 2007 election commitments to the new biodiesel mandate and for a \$1,000,000 biodiesel fund will assist the development of the industry. The Provincial Government's commitment for \$500,000 to assist 20 communities measure wind for wind farm development will also be beneficial in developing new, clean sources of power. Along with environmental benefits, wind energy provides opportunities for economic development for both Provincial and municipal governments. Demand for alternative energy will continue to increase in the future and will help to diversify rural economies, therefore the Province should support the advancement of the renewable energy industry in Manitoba.

Affordable Housing in Rural Manitoba

The AMM recently completed a study of housing needs of municipalities. The recently announced Four Pillar Housing Strategy seems to address the most relevant needs of

communities. However, accessibility to affordable housing programs for all communities, particularly those outside Winnipeg, is an ongoing concern. Certain programs have inherent geographical restrictions and programs that are available to all communities can still favour urban municipalities due to the nature of program requirements. For instance, small municipalities cannot prepare applications using existing resources, particularly within a short timeframe. The Province must improve program accessibility to accommodate the diverse resource base of municipalities.

Expanding the Neighbourhoods Alive! Program

The AMM was pleased to see the expansion of the Neighbourhoods Alive! program to five new communities. The AMM recognizes that there remains a strong demand in Thompson, Brandon and Winnipeg for targeted revitalization efforts and affordable housing investment and would like to ensure that funding to these communities does not decrease.

Increased Funding for Recreational Infrastructure

The Province has demonstrated a commitment to recreation infrastructure through the \$60 million Community Centre fund announced in the 2007 Budget. This is a positive contribution to Manitoba's recreational infrastructure since many municipalities do not have the resources to invest in new facilities or repair existing facilities. This issue has also been raised by the Federal-Provincial/Territorial Ministers Responsible for Sport, Physical Activity and Recreation and the AMM hopes that this attention will help to promote a national tripartite recreation infrastructure program. The Province should also provide greater support for recreational infrastructure by increasing the maximum grant under the Community Places Program and maintaining its increased funding in Budget 2008. These facilities will be of limited use if recreational programming cannot be developed, therefore the Province must ensure that recreation commissions receive appropriate funding to maintain high quality programs for local residents.

Municipal Exemption from Provincial Sales Tax (PST)

Since the Federal Government's decision to rebate the GST to municipalities, there has been a key precedent for a municipal exemption from the PST. The Government of Québec has entered a seven-year deal with municipalities to provide a full rebate on Québec's PST.

Municipalities are currently struggling to obtain sufficient resources and a municipal exemption would lower most costs by seven per cent, keep financial resources in local communities, rather than waiting for grants to be distributed by the Province. The existing process is inefficient since municipalities must apply for grants to fund critical projects, and then return seven per cent of those same funds to the Province through the PST. A survey of municipalities (excluding Winnipeg) indicates that on average a municipality pays approximately \$60,000 in PST annually. While not a big revenue source for the Province this would have a meaningful impact on the municipal budget. For example, if the 118 rural municipalities in Manitoba used \$60,000 for drainage capital and maintenance, it would be equivalent a \$7 million increase in the drainage budget. Therefore the AMM sees a PST exemption as an easy first step in dealing with the fiscal deficit that currently exists.

Survey Monument Restoration Program

Funding has been maintained for the Survey Monument Restoration Program for the past two years. An increase is reasonable given the inflation and the fees have not been raised in a number of years, although annual funding for the program is being fully utilized by municipalities. An increased funding allocation would be more appropriate for the current needs of municipalities and the AMM urges the Province to increase this level of funding in Budget 2008.

Community Capital Contributions to Health Projects

Local communities should not be required to contribute to the costs of health care service since it is the responsibility of the Provincial Government. Currently, communities are required to fund at least 10 per cent of all health capital projects within their communities. This system unfairly burdens municipalities that do not have the additional resources to commit to capital health projects. Although the provincial policy does not specify that municipalities must be the only local contributor to the capital health project, municipalities are typically expected to make some portion of the local contribution. Furthermore, regardless of whether it is the municipal government or the local residents that are required to fund these costs, the financial burden is still being downloaded from the provincial government to local communities. It also takes away much need infrastructure investment in

other key areas, as municipal budgets are limited. This policy must be reversed and local communities should no longer be required to contribute funding to capital health projects.

Health Professional Recruitment, Retention and Training

For several consecutive years, the AMM membership has passed resolutions regarding the need to improve health services by training, attracting and retaining medical professionals for all Manitoba communities. The AMM is pleased to see progress being made in this area with a net gain of 54 physicians in 2007, however a critical shortage of medical professionals throughout this province remains, and a coordinated effort must be undertaken in order to counteract this trend. In both 2006 and 2007, the University of Manitoba enrolled 100 students, which meets the Provincial Government commitment to increasing the number of medical school spaces to 100 by 2006-2007. However, the funding for these spaces must be maintained in order to continue training a sufficient amount of Manitoba doctors. The next step will be to follow up on Premier Doer's 2007 election campaign promise of increasing the number of medical school spaces to 110. The AMM is also looking forward to seeing \$1 million to attract more doctors to Manitoba that was committed to in the 2007 election. The health of Manitoba communities has wide-ranging effects on the competitiveness and sustainability of all communities, and providing local access to high quality health care services across the Province is a vital part of this process.

Funding for Regional Palliative Care

Palliative care is an important element of health care in which the focus is achieving comfort and respect for a person nearing death and maximizing quality of life for the patient, family and loved ones. Palliative care requires an interdisciplinary team of caregivers that assist with not only the medical requirements of an individual but also the psychosocial, spiritual and economic needs of both the patient and their family. Currently in Manitoba there is no dedicated funding for palliative care, although Regional Health Authorities (RHA) work to provide assistance in this area by capturing funding from other, equally important, components of the health care system. Most RHAs employ a palliative care regional coordinator or director in an attempt to meet the needs within the health care system, but this is, at times, not enough. These coordinators must attempt to utilize funding from areas such as the Home Care Program in order to support the palliative care requirements in their region,

however this pulls funding and resources away from other programs. Municipalities are therefore interested in seeing increased support for a Regional Palliative Care program.

Cleanup of Orphaned and Abandoned Sites

The Province recently committed \$70 million to develop and implement a long term plan to clean up abandoned mines. This is a significant investment for mining communities and the environmental benefits will be substantial. At the same time, several contaminated sites in Manitoba are not associated with previous mining activity. Fuel storage sites also create hazardous environmental conditions that are detrimental to population health as well as surrounding soil and groundwater. The Province must allocate funding for all mine and fuel storage sites that have been orphaned or abandoned in order to eliminate public health concerns associated with contamination of soil and water.

Policing

With the 2012 policing contract looming, the Provincial Government should address the need for additional resources for police services throughout Manitoba to ensure that all communities have access to safety and crime prevention services. Currently in large urban centres, crimes committed by non-residents are a significant cost driver for municipal policing budgets. Overall, strained municipal budgets cannot support the increasing costs of police services. Improved policing efforts will not be sustainable over the long term if there is a heavy reliance on municipalities to provide funding and the Province must mitigate these financial impacts. The 2007 election commitment to increase the police budget by \$12.25 million is positive, however a long term strategy is required to make sure that Manitoba's communities have sufficient safety and crime prevention services. Action must be taken to reduce crime without deterring municipalities in their efforts to provide a wide range of services to their residents. The recent commitments to new officers is welcomed, but filling these spaces is not always possible as there are limitations due to competing needs. Support in other areas, such as funding for police vehicles or support staff, equally helps with the overall costs of policing.

Compensation for Municipal Response to Motor Vehicle Accidents

Municipal fire departments are regularly called upon to provide traffic control services when there has been an accident on provincial highways. Even with new compensation rates in place as of January 2006, there is still a need for Manitoba Public Insurance to compensate municipal fire departments to recognize the essential services they provide. Since firefighters are obtaining training to conduct these services, responsibility has clearly shifted from the RCMP to municipal fire departments and commensurate compensation is necessary.

Highways Capital Budget

The AMM has been seeking increased highways capital funding for several years. The poor state of Manitoba's highway infrastructure can only be corrected through a long term, sustainable funding plan. The Province's recent commitment to increase Provincial highway investments to \$400 million per year over five years is a vital step toward meeting the needs of Manitoba's highways. With the growing infrastructure deficit and breadth of necessary projects, the Province must continue to evaluate this new investment in relation to infrastructure demands. This funding has been allocated to high priority highways, however additional investment is required to address previous insufficient funding that increased highway deterioration and the infrastructure deficit. Therefore, the Province must ensure that funding proves adequate to curb the decline of Manitoba's highway system.

Sufficient Funding for Urban Highways

The demand for highway investment stems partly from Provincial highways in Manitoba's urban municipalities. These urban highways require greater funding as they are primary routes and must be maintained to a safe standard. Municipalities should not be required to maintain and upgrade these roads since they are a Provincial responsibility. Current highway funding via grant-in-aid programming is inadequate for municipalities to address the reconstruction and upgrading required.

Reinstate the Manitoba Airports Capital Assistance Program (MACAP) and the Bridge Cooperative Program

The discontinuation of the Bridge Cooperative Program and half of the MACAP had a profound impact on many communities. Bridges and airports are strategic regional infrastructure that serves the transportation needs of Manitobans well beyond the local municipality and necessitates a Provincial contribution to associated maintenance efforts. Municipal airports are in need of permanent funding for ongoing capital investments. An inability to make such investments will certainly result in a declining level of airport services, therefore the capital investment part of MACAP must be immediately reinstated. The AMM would like to thank the Province of Manitoba for the recent \$125 million funding announcement for bridge construction, maintenance and inspection. This will, in addition to previously announced infrastructure funding, begin to address some of the bridge infrastructure issues within Manitoba. However, this funding is not directed to municipal bridges. Bridge repairs and maintenance are becoming increasingly expensive due to higher engineering and construction costs, and municipalities find maintaining, repairing and constructing bridges difficult with limited revenue tools and funding options. The AMM has been lobbying for a number of years for the reinstatement of the Bridge Co-operative Program and recent events only reinforce the need for increased support. Increased provincial funding for bridges and airports is therefore necessary to ensure that this crucial regional infrastructure is not continually neglected.

Water and Wastewater Operator Training Opportunities Needed In-Province

Courses for Level III and IV operator certification are only available by correspondence or by traveling out of province. The lack of local opportunities for this necessary training creates additional costs for individuals since in-class instruction is so crucial in preparing for Level III and IV exams. The Province must ensure training opportunities are available in Manitoba in order to facilitate compliance with new Provincial regulations.

Impacts of Water Legislation on Municipalities

The number one municipal issue for all province wide water initiatives is: who is responsible for funding projects and programs? Manitoba has focused on legislation to preserve the quality of our water resources. The Drinking Water Safety Act, The Water Protection Act and The Water and Wastewater Facility Operator's Regulation are prime examples. Securing safe and reliable water sources is necessary and the AMM is pleased the Province is committed to these initiatives.

Municipalities have always been supporters of clean water initiatives, however municipalities cannot be left to fund these efforts. The Turtle Mountain Conservation District, as the first Water Planning Authority to complete their Integrated Watershed Management Plan (IWMP), has identified implementation costs of approximately \$6 million for the first phase of their plan. This figure has municipal personnel wondering if developing IWMPs is an exercise in futility given the cost for implementation. These costs need to be addressed before the Province can expect municipalities and other key stakeholders to buy into the process.

To put this huge expense into perspective, consider the fact that there are six municipalities that lie partially within the watershed. Their annual budgets are approximately \$4.7 million. In order to cover the costs of implementation these municipalities would have to increase their budgets by \$1.2 million per year for five years. This equates to a 26 per cent increase in their budgets, which is essentially an increase of \$1000 for a family of four. If the municipality were to levy this increase on only the property situated within the watershed, the amount would be much higher. Clearly, the financial load is too much for municipalities to bear alone. Without provincial funding, action on provincial water initiatives will not happen.

Tripartite Water Funding Program

Even with new water legislation in place, action is still required to ensure that all municipalities have access to safe water supplies. Many communities throughout Manitoba are continually under boil water orders and the Province has a responsibility to improve these conditions. A further aspect of this issue is ensuring communities have appropriate

wastewater treatment facilities. The high cost of this infrastructure can deter the investment necessary to maintain the health of the population and the environment. The National Water Supply Expansion Program provided much needed resources for Manitoba municipalities and program funding was quickly allocated to areas of severe need. Faced with the completion of the National Water Supply Expansion Program it is critical for the Province to initiate a tripartite funding agreement with the Federal and municipal governments to ensure access to safe drinking water and wastewater treatment for all Manitobans.

Drainage

The AMM appreciates the development of the Water Control Works and Drainage Licencing Branch and looks forward to seeing increased expediency in licencing and enforcement of drainage projects. Drain construction and maintenance has been a long-standing concern for all municipalities. Even with previous funding increases, there is an ongoing need for regular drain maintenance that has not been addressed by this funding. The AMM urges the Province to make adequate resources available for all aspects of drainage including maintenance, licensing and enforcement.

Conservation Districts

Conservation districts (CD) are continually taking on greater roles in the management of Manitoba's water resources. It is further anticipated that conservation districts will be required to play a lead role in implementing integrated watershed management plans, thereby taking on more responsibilities. However, the increasing responsibilities of conservation districts and the growth in the number of conservation districts in Manitoba has not been met with additional funding. The result is that funding is being stretched among increasing numbers of conservation districts, all with growing responsibilities, including provincial drain maintenance. The Province must ensure that the 3:1 funding ratio is sufficient to fulfill the responsibilities of CDs.