

Meeting of the
**Association of
Manitoba
Municipalities**



with

The Honourable Ron Lemieux

Minister of Transportation and Government
Services

February 18, 2004

Table of Contents

A) Executive Summary	3
B) Departmental Issues	7
1. Highways Capital and Maintenance Budget.....	7
2. Vision 20/20.....	10
3. Provincial Gas Tax Legislation and Federal Fuel Tax.....	11
4. SHIP Update and the Twinning of the Trans-Canada Highway.....	13
5. Prairie Grain Roads Program.....	15
C) General Issues	16
1. Education Funding.....	16
2. A New Deal for Municipalities.....	18

a) Executive Summary

1. Highways Capital and Maintenance Budget

- Manitoba's deteriorating highway system is a result of a combination of inadequate funding and poor maintenance. The end result of this neglect is the unsafe highway conditions that currently exist.
- The current five-year, \$600 million program the Provincial Government has implemented is insufficient to address the current needs of Manitoba highways, which is now estimated at \$340 million per year, or \$3.4 billion over the next ten years.
- Highways are a critical component of Manitoba's transportation system and additional funding is necessary to ensure a safe, reliable, efficient highway system for all Manitobans. The current financial commitment is not addressing the growing rate of deterioration, and there must be a renewed investment by the Province to address this deficiency.

Therefore, the AMM urges the Provincial Government to make a greater financial commitment to the highways capital and maintenance budgets to address the current deficit, which is currently estimated at \$340 million annually for repair and maintenance.

2. Vision 20/20

- The public consultations that are continuing to take place are a positive step to guarantee public support for the initiative, and to ensure that the needs of the public are adequately addressed. However, these consultations have been ongoing since September 2002, and the final blueprint is yet to be completed.
- The Vision's ultimate success and the continued support of stakeholders depends on completing the blueprint and moving forward with implementing its results.
- With limited funding available, it is critical that the Province develop a transportation blueprint for Manitoba. The transportation infrastructure deficit that currently exists in Manitoba continues to grow and needs immediate attention.

Therefore, the AMM urges the Province to move forward with Vision 20/20 by developing an implementation plan for this transportation blueprint, and taking action on the plan once in place. As well, the AMM would like an update on the progress of Vision 20/20 and when the final blueprint will be completed.

3. Provincial Gas Tax Legislation and Federal Fuel Tax

- The recent commitment by the Provincial Government to reinvest fuel taxes in Manitoba's transportation infrastructure is welcome and timely, as the estimated cost to upgrade and maintain this infrastructure has increased significantly.
- The AMM would like to acknowledge the commitment by the Province in the November 20, 2003 Throne Speech to legislate that all provincial fuel taxes collected in Manitoba will be reinvested in transportation infrastructure, and looks forward to seeing this legislation introduced in the upcoming session.
- The AMM was pleased that the Province committed to guaranteeing that any new share of Federal gas taxes will be invested in municipal infrastructure in the November Throne Speech. Reinvesting these dollars is crucial to ensure municipal infrastructure, including roads, is sustained.
- However, this investment will not be enough by itself; the Province must still meet its obligations and responsibilities and increase investment in Manitoba's transportation system.

Therefore, the AMM urges the Province to move forward with legislation that will guarantee provincial revenues generated from fuel taxes will be invested in transportation. As well, the AMM urges the Province to ensure that any new share of Federal gas taxes will be distributed to all municipalities equally across the province.

4. SHIP update and the Twinning of the Trans-Canada Highway

- The commitment by the Provincial Government to complete the twinning of the Trans-Canada Highway is appreciated. This route is the major transportation corridor across Manitoba, and its twinning will provide safe and efficient travel for the public and economic development opportunities for municipalities.
- Funding for this project will come in part from the Strategic Highway Infrastructure Program (SHIP). The AMM is seeking an update on the status of SHIP, the amount of funding available for projects, and which projects have been or will be funded for the upcoming construction season.

Therefore, the AMM urges the Province to renew its commitment to the twinning of the Trans-Canada Highway. As well, the AMM would appreciate an update on the Strategic Highway Infrastructure Program.

5. Prairie Grain Roads Program

- The AMM would like to express its appreciation for the Province's continued commitment to the Prairie Grain Roads Program (PGRP). This program has allowed both municipalities and the Provincial Government to make road improvements that may not have been possible without cost sharing with the Federal Government.
- This program has helped improve the grain transportation system in Manitoba, and has improved safety, promoted economic development, and took commercial traffic out of urban centres.
- The AMM is interested in working with the Province and the Federal Government to extend this program, or deliver a similar program in the future.

The AMM thanks the Province for its commitment to the Prairie Grain Roads Program, and would like to work with the Province and the Federal Government to build on the successes of this program in the future.

6. Education Funding

- No issue is heard more often from our members than the concern of high property taxes as a result of the amount of property taxes dedicated to funding education.
- The AMM is pleased to be a part of the Minister's Working Group on Education Finance and would encourage the Province to move forward with the final report.
- As the recommendations of the report will not be released in time for the 2004 school budget process, the AMM would urge the Province to hold constant the current municipal and provincial contributions to education so that ratepayers are not further burdened with an increase in property taxes.
- The AMM believes that a new formula should be developed that would decrease property tax support for education while not diminishing education quality. The AMM firmly believes that the Province needs to adopt a stable and sustainable education funding ratio of 80 per cent from Provincial general revenues and twenty per cent from property tax revenue levied by local school boards. Furthermore, it is important that once an 80:20 ratio is achieved, it be maintained in future years.

The AMM urges the Province to move forward with the final report of the Minister's Working Group on Education Finance, and looks forward to discussing the recommendations with the Province, once released. The AMM further urges the Province to adopt a stable and sustainable funding ratio of 80 per cent from Provincial general revenues and twenty per cent levied by local school boards.

7. A New Deal for Municipalities

- All Manitoba municipalities have concerns about the ability of the current taxation system to meet municipal financial requirements. The root of the problem is the gap between the services that municipalities must provide and the resources at their disposal.
- In Manitoba, the infrastructure debt is approximately \$7.4 billion as municipal revenues have failed to keep pace with increasing demands for investment. Infrastructure debt passes on the costs of today's use and consumption of infrastructure to future generations, limiting their ability to meet impending infrastructure needs.
- Municipal governments in Canada currently earn 54% of their income from property taxation, a revenue stream that does not increase in times of economic growth. Without a change to this system, infrastructure upgrades will continue to be postponed and the infrastructure debt will only grow larger.
- The AMM hopes that the Province is willing to work with all Manitoba municipalities to access new sources of revenue- including growth revenues, and hopes the Province will respond to the needs of local governments.

The AMM looks forward to working with the Province to make a new revenue deal for municipalities a reality for local governments across Manitoba.

b) Departmental Issues

1. Highways Capital and Maintenance Budget

One of the most important issues for all Manitoba municipalities is the construction and maintenance of highways. An efficient highway system links small communities with larger urban centres and provides opportunities for industry, investment, travel, and tourism.

However, Manitoba's highways have been deteriorating for some time and require a renewed investment. With a new Minister of Transportation and Government Services, the AMM hopes to see a renewed enthusiasm for and commitment to Manitoba's highways.

Manitoba's deteriorating highway system is a result of a combination of inadequate funding and poor maintenance. The end result of this neglect is the unsafe highway conditions that currently exist. Our membership consistently expresses to our association that the deteriorating provincial roads in their municipalities pose a considerable risk to residents. A significant increase in funding for highways is needed to prevent further deterioration and to ensure Manitoba's highway system is safe.

The current five-year, \$600 million program the Provincial Government has implemented is insufficient to address the current needs of Manitoba highways. The \$120 million allocated annually for highways in Manitoba under the current program is insufficient and is not preventing further deterioration. The amount needed to upgrade and standardize Manitoba's highways has risen from \$240 million to \$300 million per year and now, according to the Province's own estimates, rests at \$340 million per year, or \$3.4 billion over the next ten years. This deficit will continue to grow without a renewed funding commitment by the Province.

Highways are a critical component of Manitoba's transportation system and additional funding is necessary to ensure a safe, reliable, efficient highway system for all Manitobans. The current financial commitment is not addressing the growing rate of deterioration, and there must be a renewed investment by the Province to address this deficiency.

Therefore, the AMM urges the Provincial Government to make a greater financial commitment to the highways capital and maintenance budgets to address the current deficit, which is currently estimated at \$340 million annually for repair and maintenance.

AMM Resolution 1999 - # 10

Sponsor: RM of Birtle (Mid-Western District)
Topic: Funding for Road Infrastructure
Department: Transport Canada, Manitoba Highways and Transportation

WHEREAS Manitoba has been subjected to rail line abandonment and the construction of inland grain terminals which has resulted in an increase of heavy truck traffic;

AND WHEREAS municipalities have now experienced first hand the increased costs associated with road repairs and maintenance that is being required to keep our roads in a passable state as a result of this heavy truck traffic;

AND WHEREAS the present dollars being put into road infrastructure do not meet the demand for road upgrading;

THEREFORE BE IT RESOLVED THAT the Association of Manitoba Municipalities request the provincial and federal governments to provide increased funding for road infrastructure.

CARRIED

AMM Resolution 2001 - # 83

Sponsor: RM of Morris (Central District)
RM of Macdonald
Topic: Maintenance of Provincial Gravel Roads
Department: Manitoba Transportation and Government Services

WHEREAS the Province is responsible for maintaining provincial roads;

AND WHEREAS Manitoba Highways has not provided adequate maintenance to provincial roads to the point where those roads have become impassable at various times;

AND WHEREAS the provincial gravel roads are often impassable at certain times of the year;

AND WHEREAS municipal roads take added traffic because provincial roads are in such poor condition;

THEREFORE BE IT RESOLVED that the Association of Manitoba Municipalities lobby the Province to maintain provincial gravel roads to a standard that would allow greater use on a year-round basis.

CARRIED

AMM Resolution 2002 - # 25

Sponsor: RM of Piney (Eastern District)
Topic: Increase in the Highways Capital Budget
Department: Manitoba Transportation and Government Services,
Manitoba Finance

BE IT RESOLVED that the AMM lobby the Province for an increase in the highways capital budget to \$240 million for the fiscal year 2005/06.

CARRIED

2. Vision 20/20

Through *2020 – Manitoba's Transportation Vision*, the Province is working with the public and stakeholders to identify the needs and goals of Manitoba's transportation system. The AMM is supportive of this initiative, and is pleased to represent municipalities on the Vision 20/20 Steering Committee.

The public consultations that are continuing to take place are a positive step to guarantee public support for the initiative, and to ensure that the needs of the public are adequately addressed. However, these consultations have been ongoing since September 2002, and the final blueprint is yet to be completed. The Vision's ultimate success and the continued support of stakeholders depends on completing the blueprint and moving forward with implementing its results.

With limited funding available, it is critical that the Province develop a transportation blueprint for Manitoba. The transportation infrastructure deficit that currently exists in Manitoba continues to grow and needs immediate attention.

Therefore, the AMM urges the Province to move forward with Vision 20/20 by developing an implementation plan for this transportation blueprint, and taking action on the plan once in place. As well, the AMM would like an update on the progress of Vision 20/20 and when the final blueprint will be completed.

3. Provincial Gas Tax Legislation and Federal Fuel Tax

Manitoba's transportation system requires a renewed financial commitment. An obvious additional source of funding is Federal and Provincial fuel taxes, which are currently being directed to general revenue funds and used to finance non-transportation initiatives. The recent commitment by the Provincial Government to reinvest fuel taxes in Manitoba's transportation infrastructure is welcome and timely, as the estimated cost to upgrade and maintain this infrastructure has increased significantly.

The AMM would like to acknowledge the commitment by the Province in the November 20, 2003 Throne Speech to legislate that all provincial fuel taxes collected in Manitoba will be reinvested in transportation infrastructure, and looks forward to seeing this legislation introduced in the upcoming session. Making this investment in transportation will begin to address the current funding deficit that currently exists in Manitoba.

The AMM was pleased that the Province committed to guaranteeing that any new share of Federal gas taxes will be invested in municipal infrastructure in the November Throne Speech. Reinvesting these dollars is crucial to ensure municipal infrastructure, including roads, is sustained. This investment is needed across the province and must be distributed to all municipalities, urban and rural. However, this investment will not be enough by itself; the Province must still meet its obligations and responsibilities and increase investment in Manitoba's transportation system.

Therefore, the AMM urges the Province to move forward with legislation that will guarantee provincial revenues generated from fuel taxes will be invested in transportation. As well, the AMM urges the Province to ensure that any new share of Federal gas taxes will be distributed to all municipalities equally across the province.

AMM Resolution 2001 - # 17

Sponsor: Town of Leaf Rapids (Northern District)
Topic: Winter Road to Nunavut
Department: Transport Canada, Manitoba Transportation and Government Services

WHEREAS the road system plays a crucial role in the Province of Manitoba's economic development including northern Manitoba;

AND WHEREAS some northern communities and natural resources are not currently accessible by road;

AND WHEREAS the economic vitality of northern Manitoba is dependent on forestry and mining industries;

AND WHEREAS a direct transportation link from northern Manitoba to Nunavut would open up new trade opportunities due to shorter distances;

THEREFORE BE IT RESOLVED that the Association of Manitoba Municipalities lobby the Minister of Transportation and Government Services and the federal government to provide a winter road system throughout northern Manitoba to Nunavut.

CARRIED

4. SHIP Update and the Twinning of the Trans-Canada Highway

The Trans-Canada Highway is the major transportation route across Canada, and completing the twinning of the Trans-Canada Highway is important for Manitoba. Therefore, the AMM is pleased with the recent commitment from the Province to complete this project.

In the lead-up to the June 3, 2003 provincial election, Manitoba voters were promised by the NDP that the twinning of the Trans-Canada Highway was a priority of the Provincial Government. This was echoed again at the Ministerial Forum during the AMM's Annual Convention in November 2003, where Minister Lemieux stressed that the twinning of the Trans-Canada Highway is the Province's top transportation priority.

The AMM often hears from its members about the importance of completing this project, and urges the Provincial Government to move forward with twinning the Trans-Canada Highway. The Province of Saskatchewan has only 145 kilometres of work remaining to complete the twinning of the Trans-Canada Highway to the Manitoba border. Completing this project in Manitoba will create a four-lane corridor across Western Canada, providing safe and efficient travel and creating economic development opportunities.

Funding for this project will come in part from the Strategic Highway Infrastructure Program (SHIP), which provides funding to the provinces and territories to improve Canada's national highway system. Under SHIP, the Federal and Provincial governments will provide \$40.4 million in funding for highway improvement projects in Manitoba until March 2006.

The AMM is seeking an update on the status of the Strategic Highway Infrastructure Program. Specifically, our association is interested in the amount of funding still available for projects under this program, and which construction projects have been or will be funded in the 2004 construction season. The AMM is hopeful that the completion of the twinning of the Trans-Canada Highway is included in these upcoming projects.

Therefore, the AMM urges the Province to renew its commitment to the twinning of the Trans-Canada Highway. As well, the AMM would appreciate an update on the Strategic Highway Infrastructure Program.

AMM Resolution 2001 - # 84

Sponsor: RM of Archie, RM of Wallace, Village of Elkhorn
Topic: Twinning of the Trans-Canada Highway
Department: Manitoba Transportation and Government Services

BE IT RESOLVED that the Association of Manitoba Municipalities lobby the Province to make a commitment immediately to complete the twinning of #1 Highway from Virden to the Saskatchewan border.

CARRIED

AMM Resolution 2002 - # 50

Sponsor: Town of Neepawa
Topic: National Highway Program
Department: Finance Canada, Transport Canada

BE IT RESOLVED that the AMM lobby the Government of Canada for a National Highway Program.

CARRIED

5. Prairie Grain Roads Program

The AMM would like to express its appreciation for the Province's continued commitment to the Prairie Grain Roads Program (PGRP). This program has allowed both municipalities and the Provincial Government to make road improvements that may not have been possible without cost sharing with the Federal Government.

The PGRP has helped the Province and municipalities offset the impact rail line closures have had on Manitoba roads. With the reduction in rail transport, higher tonnages of grain are being transported on roads that were never intended nor built for this purpose. This program has helped improve the grain transportation system in Manitoba. The additional benefits of the program have been far-reaching, including improving safety, promoting economic development, and taking major commercial traffic out of urban centres.

This successful program is another example of the strong working relationship shared by the Federal Government, the Province, the AMM, and our members. The AMM is looking forward to the final intake of applications and the completion of the many valuable construction projects funded under the PGRP. The AMM would also be interested in working with the Province and the Federal Government to extend this program or perhaps develop a similar program in the future.

The AMM thanks the Province for its commitment to the Prairie Grain Roads Program, and would like to work with the Province and the Federal Government to build on the successes of this program in the future.

c) General Issues

1. Education Funding

An ongoing and important issue for Manitoba municipalities is education finance. The AMM is pleased to be included as a part of the Minister's Working Group on Education Finance and is pleased that the Province is including a municipal voice in its review. The final report of the working group was expected originally in October 2003 but has been delayed and the AMM would encourage the Province to move forward with this report. As the recommendations will not be available in time for the 2004 school budget process, the AMM would urge the Province to hold constant the current municipal and provincial contributions to education so that ratepayers are not further burdened by an increase in property taxes. After the final report is released, our association looks forward to reviewing the recommendations of the working group and to collaborating with the Province to develop a new and sustainable system of education finance in Manitoba.

It is crucial that the Province take action, as no issue is heard more often from our members than the concern of high property taxes, as a result of the amount of property taxes dedicated to funding education. The NDP election promise to phase out the Education Support Levy (ESL) over the next five years is welcomed, as this will partly assist in reducing the tax burden. The AMM acknowledges the efforts the Province has made so far, and we are pleased to see that a \$27 million reduction in the ESL has been achieved since 1999. However, the AMM believes that a new formula should be developed that would decrease property tax support for education while not diminishing the quality of education. Local schools are required to provide up-to-date learning tools, including current teaching materials and computer hardware and software, and the AMM does not believe that reducing property tax support for education should compromise the quality of education that Manitoba youth receive.

The AMM firmly believes that the Province needs to adopt a stable and sustainable education funding ratio of at least 80 per cent from Provincial general revenues and a maximum of 20 per cent from property tax revenue levied by local school boards, a formula recommended by our own Task Force that examined this issue in great depth. In addition, it is important that

once the 80:20 ratio is achieved, it be maintained in future years. It is clear that the current system is not sustainable, and the AMM urges that the reform of education funding be substantive and fair. The AMM again expresses its appreciation for being a part of the Minister's Working Group on Education Finance and looks forward to the release of the final report in the near future.

2. A New Deal for Municipalities

A relatively new and emerging issue for municipal governments in Manitoba concerns a new revenue deal for municipalities. Although the Federation of Canadian Municipalities (FCM) has been calling for a new system of municipal finance for some time, the City of Winnipeg has initiated substantial discussion on this issue in Manitoba. The AMM believes this discussion has important ramifications for all municipal governments as all Manitoba communities have concerns about the ability of the current system of taxation to meet municipal financial obligations. Manitoba's prosperity and quality of life is determined largely by the health of its municipalities. Vibrant, sustainable communities are crucial to attracting the skilled, creative people who are key to this province's success. However many municipalities across Manitoba are struggling; their resources have not kept pace with their growing responsibilities for physical and social infrastructure.

The root of the problem is the gap between the services that municipalities must provide and the resources at their disposal. Municipal revenues have failed to keep up with the increasing demand for infrastructure investment. Across Canada as a whole, over the past four years, federal government revenues have increased sixteen per cent, provincial/territorial revenues increased twenty-one percent and municipal revenues only four per cent. Canada's core municipal infrastructure debt has been estimated at about \$57 billion and growing at a rate of \$2 billion annually. In Manitoba, the infrastructure investment debt hovers in the range of \$7.4 billion: \$3.4 billion for Manitoba's highway system; \$2 billion for rural municipal infrastructure; \$1 billion for rural land drainage; and \$1 billion for Winnipeg's infrastructure deficit.

Infrastructure debt passes on the costs of today's use and consumption of infrastructure to future generations, limiting their ability to meet impending infrastructure needs. Furthermore, failure to address the infrastructure debt breaches the principles of sustainable development. Infrastructure should be regarded as an investment and not solely as a payment or cost. However, it does require sustained investment, effort and organization to be maintained properly.

It is clear that the current situation is unsustainable and municipalities must gain access to new revenue sources. Municipal governments in Canada currently earn 54% of their revenue through property taxation, a revenue stream that does not increase in times of economic growth. In Manitoba, increasing school division levies have resulted in municipal governments maintaining current levels of property taxation to respond to ratepayer demands. This leaves municipalities with less revenue to maintain property services; without a change to this system of taxation, infrastructure upgrades will continue to be postponed and the infrastructure debt will only grow larger. Manitobans know that their municipal governments are accountable and responsive. They want the order of government closest to them to have access to new sources of revenue and they want the tax burden on municipalities lowered. Municipal governments are in an ideal position to deliver many services, however, increasing municipal responsibilities have resulted in more demand for services with less revenue to meet these demands.

This is an important debate for all municipal governments in Manitoba, and one that should involve the input of all stakeholders. At the federal level, there has been some indication that municipalities will receive a greater share of the GST rebate than is currently provided. Furthermore, there are suggestions that municipalities may receive a portion of the federal fuel excise tax, an exciting prospect for municipal governments in Canada and one supported by the Federation of Canadian Municipalities. There is much that the Province of Manitoba can do as well, and the decision to pass all fuel tax collected from municipalities back to local governments is a good starting point. However, there is much more that needs to be done to address the growing infrastructure needs of municipal governments in Manitoba. The AMM hopes that the Province is willing to work with municipal governments to access new sources of revenue- including growth revenues, and hopes the Province will remain responsive to the needs of local governments. The AMM looks forward to consulting with the Province to make this new deal a reality for all municipalities in Manitoba.