

Meeting of the
**Association of
Manitoba
Municipalities**



with

The Honourable Christine Melnick

Minister of Family Services and Housing

July 22, 2004

Table of Contents

A) Executive Summary	3
B) Departmental Issues	7
1. New Federal Funding for Housing.....	7
2. Affordable Housing Initiative.....	9
3. Seniors' Housing in Rural Manitoba.....	11
C) General Issues	14
4. Education Funding.....	14
5. A New Deal for Municipalities.....	17

A) Executive Summary

1. New Federal Funding for Housing

- In the 2003 Federal Budget, the Federal Government placed a strong emphasis on investing in Canadian families and their communities. There was an explicit recognition that strong families and communities serve a vital role in building Canada's economy.
- To help communities, the 2003 Federal Budget made significant investments to increase the supply of affordable housing, address homelessness and improve the state of Canada's infrastructure.
- It devoted \$320 million over the next five years to enhance existing affordable housing agreements with the provinces and territories, bringing the total federal investment to \$1 billion by the end of 2007-08. Furthermore, the Budget devoted \$265 million over the next two years to extend the Government's housing renovation programs to preserve the existing stock of affordable housing.
- The recent renewal of federal funding for affordable housing is a welcome step for Manitoba's municipalities. Municipalities of all sizes- both urban and rural- are experiencing affordable housing shortfalls.
- However, as this Federal money has been devoted to "top-up" existing provincial housing programs, the Provincial Government has a key role to ensure that this funding is spread to all Manitoba communities, regardless of size or location.

Therefore, the Association of Manitoba Municipalities encourages the Provincial Government to ensure that any federal funding for affordable housing be spread throughout all of Manitoba, to ensure that all communities- both urban and rural- benefit from this important investment.

2. Affordable Housing Initiative

- On April 12, 2003, the AMM, along with Canada Mortgage and Housing Corporation (CMHC) and Manitoba Housing and Renewal Corporation (MHRC), sponsored the Housing Now! conference.
- A recurring issue throughout the conference was affordable housing and most participants argued that there should be greater funding for the construction of affordable housing in Manitoba. More specifically, participants identified the need for greater provincial funding for affordable housing in Manitoba, especially in rural areas and smaller urban centres.
- Despite the need for affordable housing assistance in all Manitoba communities, many housing programs are restricted to Manitoba's largest urban centres. Under the Affordable Housing Initiative (AHI), the homebuyer down-payment assistance

program, as well as the homeownership supply program, are restricted to designated urban revitalization areas in Winnipeg, Brandon and Thompson.

- These three communities certainly have housing needs that warrant this funding, and the AMM would not support a reduction in funding to these major urban centres. However there are other communities in Manitoba that have housing needs and some communities have demand for only one or two affordable housing units.

Therefore, the Association of Manitoba Municipalities strongly encourages the Provincial Government to re-examine the geographic restriction of the Affordable Housing Initiative to ensure that all areas of Manitoba that require affordable housing benefit from this much-needed funding.

3. Seniors' Housing in Rural Manitoba

- An important issue for many AMM members is the availability of seniors' housing outside of large urban centres. There is clearly a high demand in many Manitoba communities for affordable and supportive seniors' housing, yet many of these communities are unsure of how to undertake such projects and have inadequate funding to do so.
- The majority of those present at the Housing Now! conference argued for the need for flexibility of design to accommodate changing abilities as seniors age; the need for flexible funding to cover building, maintenance and renovation costs to provide adequate housing to individual communities; the need to make better provisions for health care, particularly for seniors; and the need to manage housing to suit local needs.
- As the proportion of seniors continues to grow, the problem of low supply and increased demand for affordable seniors' housing will become increasingly apparent. Despite the seriousness of this situation, the Department of Family Services and Housing does not have a program directed to helping increase the supply of seniors' housing in rural Manitoba communities.
- The AMM strongly believes that the Provincial Government should develop a program designed to increase the supply of seniors' housing, which is available and applicable to both urban and rural Manitoba communities.
- In addition, the AMM believes that the Province should offer technical assistance to municipalities wanting to develop supportive housing for seniors in order to guide community groups through the process of developing seniors' housing to suit their local circumstance.

Therefore, the Association of Manitoba Municipalities strongly encourages the Provincial Government to develop a housing program to increase the supply of affordable seniors' housing in both urban and rural Manitoba communities. In addition, the AMM encourages the Department of Family

Services and Housing to work with other provincial departments to help aging Manitobans remain independent as long as possible.

4. Education Funding

- An ongoing and important concern for Manitoba municipalities is education funding. In fact, the proportion of education funding coming from property taxes remains the primary concern of AMM members and was chosen as the AMM's number one issue of concern during the 2004 Strategic Planning Session.
- The AMM was pleased to be a part of the Minister's Working Group on Education Finance and is encouraged that the final report has been released publicly.
- In the short term, the AMM argues the Province must stop the habitual increase of property tax funding for education.
- The education component of property tax greatly limits the ability of local governments to fund property services, such as infrastructure maintenance, upgrading and construction.
- The AMM believes that a new formula must 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 20 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 looks forward to discussing the recommendations of the Minister's Working Group on Education Finance's report with the Province. Further, the AMM urges the Province to adopt a stable and sustainable funding ratio of 80 per cent from Provincial general revenues and 20 per cent levied by local school boards, and that once achieved, this ratio be maintained in future years.

5. 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. Although Federal and Provincial revenues have grown significantly over the past four years, Municipal revenues have grown by only four per cent.
- 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- especially 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. New Federal Funding for Housing

In the 2003 Federal Budget, the Federal Government placed a strong emphasis on investing in Canadian families and their communities. There was an explicit recognition that strong families and communities serve a vital role in building Canada's economy. In fact, just as innovation and productivity strengthen the economy, investments in key areas of social policy help to ensure the opportunities of the economy are available to all.

In recognition of this fact, the 2003 Federal Budget made further investments to help build the society that Canadians value. It enhanced support for Canadian families with children and persons with disabilities. The Budget laid the groundwork to help communities create more affordable housing, fight homelessness and improve infrastructure. These measures will help to increase and enhance opportunities for all Canadians- helping to build the strongest possible foundation for a truly successful economy.

To help communities, the 2003 Federal Budget made significant investments to increase the supply of affordable housing, address homelessness and improve the state of Canada's infrastructure. It devoted \$320 million over the next five years to enhance existing affordable housing agreements with the provinces and territories, bringing the total federal investment to \$1 billion by the end of 2007-08. Furthermore, the Budget devoted \$265 million over the next two years to extend the Government's housing renovation programs to preserve the existing stock of affordable housing.

The recent renewal of Federal funding for affordable housing is a welcome step for Manitoba's municipalities. Municipalities of all sizes- both urban and rural- are experiencing affordable housing shortfalls. In fact, in some smaller Manitoba communities, there is need for only a limited number of affordable housing units to meet the community's demand. However, as this Federal money has been devoted to "top-up" existing provincial housing programs, the Provincial Government has a key role to ensure that this funding is spread to all Manitoba communities, regardless of size or location.

Therefore, the Association of Manitoba Municipalities encourages the Provincial Government to ensure that any Federal funding for affordable housing be spread throughout all of Manitoba, to ensure that all communities- both urban and rural- benefit from this important investment.

2. Affordable Housing Initiative

On April 12, 2003, the AMM, along with Canada Mortgage and Housing Corporation (CMHC) and Manitoba Housing and Renewal Corporation (MHRC), sponsored the Housing Now! conference. The purpose of this conference was to provide an opportunity for community stakeholders to identify housing challenges, issues, and needs that exist in Manitoba, and to suggest potential solutions involving all three levels of government. A recurring issue throughout the conference was affordable housing and most participants argued that there should be greater funding for the construction of affordable housing in Manitoba. More specifically, participants identified the need for greater provincial funding for affordable housing in Manitoba, especially in rural areas and smaller urban centres.

Despite the need for affordable housing assistance in all Manitoba communities, many housing programs are restricted to Manitoba's largest urban centres. Under the Affordable Housing Initiative (AHI), the homebuyer down-payment assistance program, as well as the homeownership supply program, are restricted to designated urban revitalization areas in Winnipeg, Brandon and Thompson. The AMM is concerned that this policy has restricted much-needed AHI funding to rural and non-designated urban areas, many of which are experiencing affordable housing challenges.

These three communities certainly have housing needs that warrant this funding, and the AMM would not support a reduction in funding to these major urban centres. However there are other communities in Manitoba that have housing needs and some communities have demand for only one or two affordable housing units. For example, communities such as

Winkler, Steinbach, Dauphin, and Portage la Prairie are experiencing an affordable housing crunch, yet are unable to access this much needed funding. Furthermore, the Federal Government's financial commitment to housing is increasing, and the AMM believes the Province should ensure that this funding benefits all of Manitoba's communities. The AMM would strongly urge the Provincial Government to re-examine this geographic restriction, and expand funding for affordable housing to all communities in Manitoba.

Therefore, the Association of Manitoba Municipalities strongly encourages the Provincial Government to re-examine the geographic restriction of the Affordable Housing Initiative to ensure that all areas of Manitoba that require affordable housing benefit from this much-needed funding.

3. Seniors' Housing in Rural Manitoba

An important issue for many AMM members is the availability of seniors' housing outside of large urban centres. There is clearly a high demand in many Manitoba communities for affordable and supportive seniors' housing, yet many of these communities are unsure of how to undertake such projects and have inadequate funding to do so. Although Manitoba Family Services and Housing offers rental assistance to elderly renters in order to help make housing more affordable, this does not help to increase the supply of seniors' housing in Manitoba's communities.

As you are aware, the AMM's Housing Now! conference- sponsored in partnership with Canada Mortgage and Housing Corporation and Manitoba Housing and Renewal Corporation- helped to bring together community stakeholders and housing specialists to identify major challenges in housing in Manitoba. One prominent theme of this conference was housing for seniors and persons with disabilities. The majority of those present argued for the need for flexibility of design to accommodate changing abilities as seniors age; the need for flexible funding to cover building, maintenance and renovation costs to provide adequate housing to individual communities; the need to make better provisions for health care, particularly for seniors; and the need to manage housing to suit local needs. Although this conference took place over one year ago, these needs continue to exist in many areas of the province.

In many Manitoba communities, the seniors' population is increasing, leading to a higher demand for supportive housing for seniors. As the proportion of seniors continues to grow,

the problem of low supply and increased demand for seniors' housing will become increasingly apparent. Despite the seriousness of this situation, the Department of Family Services and Housing does not have a program directed to helping increase the supply of affordable seniors' housing in rural Manitoba communities. The AMM strongly believes that the Provincial Government should develop a program designed to increase the supply of seniors' housing, which is available and applicable to both urban and rural Manitoba communities. In addition, the AMM believes that the Province should offer technical assistance to municipalities wanting to develop supportive housing for seniors in order to guide community groups through the process of developing seniors' housing to suit their local circumstance.

A separate yet related issue concerns funding for seniors' independent living initiatives. For many aging Manitobans, the choice to live independently is an important one and local programs must be in place to assist seniors with this decision and to allow them to make the choice to live independently. Many Manitoba communities, in an effort to assist seniors to remain living independently as long as possible, have established community resource councils. The councils act as a point of access for information and referral, as well as identify and develop new services needed for seniors at the local level. These services include such things as congregate meals, friendly visitors, yard and home maintenance, escorted transportation, safety checks, emergency response information kits and advocacy. The community resource councils provide many valuable services to seniors living in the community and the provision of these services costs substantially less than if seniors were to reside in personal care homes.

Despite the importance of community resource councils, the Province, through the Regional Health Authorities (RHAs), funds only the wages, training and travel costs of permanent resource council staff. However, expenses related to office operating costs are not funded by the RHAs, and community resource councils must rely on community donations to recoup these expenses. Furthermore, community resource councils rely heavily on volunteers for many of the services provided by the councils, including transportation programs and congregate meal provision. Although many councils would like to hire permanent staff to carry out many of the functions of these volunteers, the councils are unable to afford it. These councils provide exceptional services to local seniors and the AMM believes they need to be recognized for these efforts.

The AMM believes that increased funding to community resource councils will help the Province meet its commitment to promoting independence as seniors age. Because these councils act as points of information in the communities that they serve, they are well positioned to respond to the needs of local seniors and can help to promote a collaborative environment to address issues, explore options and stimulate initiatives within the seniors' community. An increased commitment by the Provincial Government to funding community resource councils and other programs for seniors' independent living will demonstrate to seniors and their families that issues of aging are being addressed.

Therefore, the Association of Manitoba Municipalities strongly encourages the Provincial Government to develop a housing program to increase the supply of affordable seniors' housing in both urban and rural Manitoba communities. In addition, the AMM encourages the Department of Family Services and Housing to work with other provincial departments to help aging Manitobans remain independent as long as possible.

C) General Issues

4. Education Funding

An ongoing and important issue for Manitoba municipalities is education finance. In fact, the proportion of education funding coming from property taxes remains the primary concern of AMM members and was chosen as the AMM's number one issue of concern during the 2004 Strategic Planning Session. The AMM was pleased to be included as a part of the Minister's Working Group on Education Finance and was pleased that the Province included a municipal voice in its review. The final report of the working group has been released recently, and the AMM is pleased that it has moved into the public domain so that all Manitobans may evaluate the recommendations of the report. The AMM is aware that property tax support for education has increased each year, and believes this situation must be halted. Now that the final report has been 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.

Education funding will continue to be a major issue for local governments in the coming year, as many school divisions have increased local levies this year, placing further pressure on local ratepayers. For example, the AMM understands that the Border Land School Division has increased its local levy by approximately seventeen per cent this year, and is considering greater increases for next year. Therefore, local education costs continue to increase, even when school divisions may have surpluses that they could use to offset these increases. The AMM believes this current situation is unsustainable, and urges the Province to address this issue immediately.

The education component of property tax greatly limits the ability of municipalities to provide property services, such as infrastructure maintenance, upgrading and construction. 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 must 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 upcoming discussions with the Province on this important municipal issue.

The AMM looks forward to discussing the recommendations of the Minister's Working Group on Education Finance with the Province. The AMM urges the Province to adopt a stable and sustainable funding ratio of 80 per cent from Provincial general revenues and 20 per cent levied by

local school boards, and that once achieved, this ratio be maintained in future years.

5. 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 \$60 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, leaving 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. In Manitoba, many examples of increasing municipal responsibilities without commensurate financial compensation exist. For example, the Province provides Manitoba Universities- and research institutions affiliated with the

Universities- a property tax exemption, but do not provide any grant-in-lieu to affected municipalities to compensate for the loss of property tax revenue. This results in municipalities having to subsidize Universities, despite the fact that this is not a municipal responsibility. Another example is the Province's decision to revert certain provincial roads and drainage infrastructure back to municipalities without appropriate financial compensation. A further example is the decision to charge municipalities for retail sales tax on mechanical and electrical contracts, which increases the cost of building new infrastructure. Policies such as these place increasing responsibility on Municipal Governments, reduce the municipal tax base, and divert much needed funding from municipal infrastructure priorities.

This is an important debate for all Municipal Governments in Manitoba, and one that should involve the input of all stakeholders. In fact, partnership must be at the heart of a new revenue deal for municipalities and Manitoba municipalities believe that the three orders of government must work together to deliver municipal priorities. The Federal Government has committed to raising the municipal GST rebate to 100 per cent and has also committed greater funds to existing infrastructure programs, and the AMM is very pleased that the Federal Government responded quickly and in the spirit of partnership to address municipal concerns. 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 Provincial fuel tax back to transportation infrastructure is a good starting point. The AMM was very pleased to see this introduced into the Legislature, under the Gas Tax Accountability Act. However, there is

much more that needs to be done to address the growing revenue 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- especially 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.

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