

Meeting of the
**Association of
Manitoba
Municipalities**



with

The Honourable Tim Sale

Minister of Energy, Science and Technology

March 8, 2004

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A) Executive Summary

1. Ethanol Program

- The AMM is pleased with the Provincial Government's commitment to developing renewable energy sources such as ethanol, wind power, hydro and bio-diesel in Manitoba, as this new focus can have a very positive economic impact across the province.
- The AMM is pleased that the Province has established the Manitoba Ethanol Office to guide the development of this important initiative. The AMM believes that Manitoba is in an ideal position to capitalize on this growing industry, as it is clear that demand for alternative energy will continue to increase in the future and will help to diversify rural economies.
- The Biofuels Act mandates a ten per cent ethanol blend in gasoline by 2005. This mandate requires approximately 150 million litres of ethanol production per year and the AMM believes this target can be achieved through incentives and financial assistance, and an educational campaign targeted at agricultural producers that would increase the supply of feed grains, corn, straw and other raw materials needed to produce more ethanol.
- In addition, the environmental benefits of ethanol cannot be overstated; ethanol blended gasoline is cleaner burning than pure gasoline, reducing greenhouse gas emissions and helping Canada to meet its Kyoto commitments.

Therefore, the AMM urges the Provincial Government to devote the necessary funds to cultivate Manitoba's ethanol production potential, and to continue to explore options for increasing alternative energy production in Manitoba.

2. Bio-diesel Advisory Council

- Bio-diesel represents another opportunity for Manitoba producers and the AMM is pleased to see the Province focusing on the development of this growing industry. The AMM has a representative on the Bio-diesel Advisory Council, and is pleased with the opportunity to work on this exciting initiative.
- The AMM believes that a focus on bio-diesel production in Manitoba will provide much-needed additional economic benefits for municipalities. An increased emphasis on the use of bio-diesel would provide an additional market for agricultural products and would help to reduce Manitoba's reliance on petroleum from Alberta and Saskatchewan, resulting in a decrease in extra-provincial income transfers.
- Although the AMM is not an agricultural lobby group, the reality is that a strong Manitoba economy depends on a healthy agricultural sector characterized by consistent and high levels of farm income. This truth is felt strongly in municipalities

where local economies are heavily reliant upon the agricultural sector, as highlighted by the recent BSE crisis.

- However, with the Province's commitment to develop alternative energy sources, Manitoba agricultural producers can expect to benefit from an additional market for wheat, barley, corn and livestock. Moreover, some of our members will benefit directly from expanded employment opportunities in the ethanol and bio-diesel processing industries.

Therefore, the AMM urges the Provincial Government to devote the necessary funds to cultivate Manitoba's bio-diesel production potential, and to continue to explore options for increasing alternative energy production in Manitoba.

3. Cellular Service Expansion

- A critical component of Manitoba's communications infrastructure is cellular service. Cellular service is more than simply the ability to communicate; it is critical to the safety of Manitobans and for the promotion of economic development in Manitoba communities.
- The AMM is concerned that areas that do not receive cellular service pose a safety risk. Manitoba is a large province, characterized by extreme weather conditions and marginal infrastructure in rural and remote areas. Cellular service is often the only method by which travelers can request emergency assistance, should it become necessary.
- In addition to posing a safety risk, the AMM believes that the provision of cellular service is a prerequisite for economic development. If cellular service is not available in one area, business and employment opportunities migrate to serviced jurisdictions. The AMM does not agree that private industry should determine which communities succeed by controlling the availability of cellular service.

Therefore, the AMM urges the Provincial Government to adopt a more prominent role in the expansion of cellular service in Manitoba and to work with private industry to create the necessary framework for expansion of this critical infrastructure across the province.

4. Efficiency Manitoba

- On December 2, 2003, the Provincial Government announced the creation of a one-stop agency to promote conservation of energy and resources in Manitoba.
- One of the goals of the Manitoba Efficiency Agency is to minimize duplication of existing efficiency efforts in order to increase the effectiveness of these efforts and reduce the cost to deliver programs and services.

- Although the AMM agrees with this in principle, there are many well-functioning efficiency programs, such as the Manitoba Product Stewardship Corporation (MPSC), that currently exist and it must be ensured that these programs are not adversely affected if incorporated under the wider umbrella of Efficiency Manitoba.
- Although the AMM realizes that Efficiency Manitoba is still in its formative stages, the AMM would appreciate more information on the one-stop-shop, and would be pleased to offer some suggestions and input for this agency's formation.

Therefore, the AMM would urge the Province to consult with the AMM on the creation of Efficiency Manitoba, and would appreciate some additional information on this new initiative, as it will have a great impact on Municipal Governments across the province.

5. Manitoba Municipal Efficiency Program

- With the realities facing Municipal Governments today, the AMM has increasingly seen the need for municipalities, and in particular smaller municipalities, to reduce their operating costs in order for them to remain solvent. Since a proven and effective way of reducing operating costs is to increase energy, water, and other resource efficiencies, the AMM has developed the Manitoba Municipal Efficiency Program (MMEP).
- With the help of partner organizations, the MMEP will show Municipal Governments how they can reduce their operating and maintenance costs by identifying and implementing energy and water efficiency measures in municipally owned and/or operated facilities
- Many municipalities, especially the smaller ones, often do not have the staff and financial resources to perform audits and implement recommendations. As such, these municipalities require significant support to overcome barriers, such as a lack of awareness, knowledge, time, staff, and financial resources, to carry out feasibility studies and implementation. There is a need to give these municipalities additional support.
- The AMM is now looking for financial assistance for the remaining 50% of the funds needed to complete these efficiency audits. Our association believes this is an important project and believes this is an excellent opportunity for all three levels of government to work together.

Therefore, the AMM urges the Provincial Government to make a financial contribution to the AMM's Manitoba Municipal Efficiency Program (MMEP). With the commitment from the partnering organizations, municipalities will have the support needed to move forward with the implementation of the recommendations.

5. 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 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.
- 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 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 20 per cent levied by local school boards, and that once achieved, this ratio be maintained in future years.

6. 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. Ethanol Program

The Association of Manitoba Municipalities (AMM) is pleased with the Provincial Government's commitment to developing renewable energy sources such as ethanol, wind power, hydro and bio-diesel in Manitoba, as this new focus can have a very positive economic impact across the province. At a presentation made by the Minister of Energy Science and Technology to AMM members attending the Municipal Officials Seminar (MOS) on February 24, 2004, the AMM learned that the Province has taken many positive steps toward the development of the alternative energy industry. The AMM encourages the Province to continue to invest in the development of renewable energy as it is clear that demand for alternative energy will continue to increase in the future and will help to diversify rural economies.

In relation to ethanol, the AMM is pleased that the Province has established the Manitoba Ethanol Office to guide the development of this important initiative. The AMM believes that Manitoba is in an ideal position to capitalize on this growing industry, and is aware of the positive economic impact that ethanol production will have on the Manitoba economy. The AMM learned during Minister Sale's presentation at MOS that ethanol production adds value to corn and wheat and that 70 per cent of the revenue generated by an ethanol plant is spent within a 150 kilometre radius of the plant. The AMM is encouraged by such estimates and views the expansion of ethanol production plants as major economic development opportunities, especially in rural areas of the province. Furthermore, the AMM hopes that the Province will work to maximize the impact of these plants in all areas of Manitoba.

The AMM is pleased with the Province's willingness to develop Manitoba's ethanol production capacity as we believe the Provincial Government has a key role to play in developing Manitoba's ethanol potential. The AMM was pleased that the Biofuels Act passed through the Legislature, mandating a ten per cent ethanol blend in gasoline by 2005, and is happy to see a declining tax preference for Manitoba-made ethanol. Presently, the production plant at Minnedosa is the only ethanol producing plant in Manitoba. Although this plant produces an impressive ten million litres of ethanol each year, Manitoba requires approximately fifteen times this amount to meet the ten per cent mandated by the Biofuels Act. This is a lofty goal but the AMM believes this target can be achieved through incentives and financial assistance, and an educational campaign targeted at agricultural producers that would increase the supply of feed grains, corn, straw and other raw materials needed to produce more ethanol. The recent federal announcement to provide over six million dollars in funding to Husky Energy for expansion of its production facility appears a step in the right direction, and the AMM is pleased with these commitments.

The AMM strongly believes that ethanol production will have much long-term benefit for agricultural producers, and believes that an investment in ethanol is an investment in Manitoba's future. In addition, the AMM believes this investment should be spread out across Manitoba so that many communities will benefit from this growing industry.

Furthermore, the environmental benefits of ethanol cannot be overstated; ethanol blended gasoline is cleaner burning than pure gasoline, reducing greenhouse gas emissions and helping Canada to meet its Kyoto commitments.

Therefore, the AMM urges the Provincial Government to devote the necessary funds to cultivate Manitoba's ethanol production potential, and to continue to explore options for increasing alternative energy production in Manitoba.

AMM RESOLUTION NUMBER 53 — 2002

Sponsor: RM of Brokenhead (Eastern District)

Topic: Ethanol Program

**Department: Manitoba Agriculture and Food
Manitoba Energy, Science and Technology**

WHEREAS the burning of fossil fuels is a major pollutant of our atmosphere;

AND WHEREAS our agricultural community is in need of a value-added diversified alternative to grain production;

THEREFORE BE IT RESOLVED that the AMM lobby the Province to promote, encourage and support a program for the production of ethanol to be blended with fossil fuels.

2. Bio-diesel Advisory Council

Bio-diesel represents another opportunity for Manitoba producers and the AMM is pleased to see the Province focusing on the development of this growing industry. As the Federal Government has targeted 500 million litres of bio-diesel production by 2010, the AMM believes this is an opportune time to establish bio-diesel production in our province. The AMM was very pleased to see the creation of the Province's Bio-diesel Advisory Council to help steer the development of Manitoba's agri-energy sector. The AMM has a representative on this Council, and is pleased with the opportunity to work on this exciting initiative.

The AMM believes that a focus on bio-diesel production in Manitoba will provide much-needed additional economic benefits for municipalities. An increased emphasis on the use of bio-diesel would provide an additional market for canola and soybeans, but also corn, sunflowers and tall oil, derived from wood pulp waste. Additional economic benefits to Manitobans would include less reliance on petroleum from Alberta and Saskatchewan, resulting in a decrease in extra-provincial income transfers. Furthermore, bio-diesel use has many environmental benefits as well, it is biodegradable and non-toxic, is cleaner burning than diesel fuel and reduces greenhouse gas emissions, further helping Canada meet its Kyoto commitments.

Although the AMM is not an agricultural lobby group, the reality is that a strong Manitoba economy depends on a healthy agricultural sector characterized by consistent and high levels of farm income. This truth is felt strongly in municipalities where local economies are heavily reliant upon the agricultural sector, as highlighted by the recent BSE crisis. However,

this crisis is not limited to the rural economy, it has permeated through all of Manitoba as well and many urban centres are experiencing a loss in revenue as a result of the BSE crisis. However, with the Province's commitment to develop alternative energy sources, Manitoba agricultural producers can expect to benefit from an additional market for wheat, barley, corn and livestock. Moreover, some of our members will benefit directly from expanded employment opportunities in the ethanol and bio-diesel processing industries. The AMM believes the Province has shown strong leadership in the development of alternative energy, and would encourage the continuation of such initiatives to further develop these important and expanding industries in Manitoba.

Therefore, the AMM urges the Provincial Government to devote the necessary funds to cultivate Manitoba's bio-diesel production potential, and to continue to explore options for increasing alternative energy production in Manitoba.

3. Cellular Service Expansion

A critical component of Manitoba's communications infrastructure is cellular service.

Cellular service is more than simply the ability to communicate; it is critical to the safety of Manitobans and for the promotion of economic development in Manitoba communities.

The AMM is concerned that areas that do not receive cellular service pose a safety risk. Manitoba is a large province, characterized by extreme weather conditions and marginal infrastructure in rural and remote areas. Cellular service is often the only method by which travelers can request emergency assistance, should it become necessary.

In addition to posing a safety risk, the AMM believes that the provision of cellular service is a prerequisite for economic development. If cellular service is not available in one area, business and employment opportunities migrate to serviced jurisdictions. The AMM does not agree that private industry should determine which communities succeed by controlling the availability of cellular service. The benefits of cellular service grow exponentially as one moves further into rural and northern Manitoba, yet providers continually refuse to service these areas, citing a poor business case to justify expansion. The AMM argues that the Province has a responsibility to supply service if private industry finds it economically unfeasible to do so. Critical infrastructure, such as cellular service, should be available to all areas of Manitoba.

Therefore, the AMM urges the Provincial Government to adopt a more prominent role in the expansion of cellular service in Manitoba and to work with private industry to create the necessary framework for expansion of this critical infrastructure across the province.

AMM RESOLUTION NUMBER 54 — 2002

Sponsor: Village of Benito (Parklands District)
RM of Kelsey

Topic: Cellular Service

Department: Manitoba Telecom Services
Manitoba Energy, Science and Technology

WHEREAS Manitoba Telecom Services (MTS) is a provider of various communication systems throughout the Province, including cellular phone service;

AND WHEREAS today, the provision of cellular service in Manitoba is inconsistent, with many communities not having cellular service, and others having cellular service that is unreliable;

AND WHEREAS reliable cellular service would help communities in rural and northern Manitoba achieve their full economic potential, and would greatly enhance public safety in the event of an emergency;

THEREFORE BE IT RESOLVED that the Association of Manitoba Municipalities lobby the Province to work with MTS and other cellular service providers to bring reliable cellular phone service to all communities and individuals in Manitoba.

4. Efficiency Manitoba

On December 2, 2003, the Provincial Government announced the creation of a one-stop agency to promote conservation of energy and resources in Manitoba. Efficiency Manitoba will help Manitobans cut their energy and water bills and decrease the amount of waste destined for landfills. In addition, this agency will allow the co-ordination of various efficiency efforts that are now delivered separately, allowing Manitoba to take full advantage of federal Kyoto funding. Furthermore, the AMM agrees with the Province that there are significant untapped economic, environmental and social benefits to be gained by establishing Manitoba as a leader in energy and resources.

One of the goals of the Manitoba Efficiency Agency is to minimize duplication of existing efficiency efforts in order to increase the effectiveness of these efforts and reduce the cost to deliver programs and services. Although the AMM agrees with this in principle, there are many well-functioning efficiency programs that currently exist and it must be ensured that these programs are not adversely affected if incorporated under the wider umbrella of Efficiency Manitoba. For example, the Manitoba Product Stewardship Corporation (MPSC), which includes AMM representation on its board, is a well-functioning program as it currently operates. Clearly, Manitoba has one of the most successful recycling programs in Manitoba. The AMM would be disappointed to see MPSC adversely affected if it was incorporated under Efficiency Manitoba and hopes that the Province makes a strong effort to consider both the positive and negative aspects of bringing all efficiency programs under this new one-stop-shop, ensuring that those programs that work well will continue to work well.

The AMM is interested to learn of the specific initiatives that will be covered under Efficiency Manitoba. Although the AMM realizes that Efficiency Manitoba is still in its formative stages, the AMM would appreciate more information on the one-stop-shop, and would be pleased to offer some suggestions and input for this agency's formation. The AMM appreciates the efforts the Minister has made to keep the AMM informed about Efficiency Manitoba, but would appreciate some additional information and input on this important initiative.

Therefore, the AMM would urge the Province to consult with the AMM on the creation of Efficiency Manitoba, and would appreciate some additional information on this new initiative, as it will have a great impact on Municipal Governments across the province.

5. Manitoba Municipal Efficiency Program

With the realities facing Municipal Governments today, the AMM has increasingly seen the need for municipalities, and in particular smaller municipalities, to reduce their operating costs in order for them to remain solvent. Since a proven and effective way of reducing operating costs is to increase energy, water, and other resource efficiencies, the AMM has developed the Manitoba Municipal Efficiency Program (MMEP).

A review of the work being done in this area illustrated that past methods for increasing municipal efficiencies would need to be revised in order to overcome the major barriers that have prevented smaller municipalities from increasing their resource efficiencies. Many municipalities, especially the smaller ones, often do not have the staff and financial resources to perform audits and implement recommendations. Ninety percent of Manitoban municipalities have populations of less than 5,000 people and due to their small size and dispersed geographic locations, these municipalities require significant support to overcome barriers, such as a lack of awareness, knowledge, time, staff, and financial resources, to carry out feasibility studies and implementation. There is a need to give these municipalities additional support.

Recognizing this, the AMM, with assistance from Manitoba Conservation, Manitoba Intergovernmental Affairs and Trade, Manitoba Culture, Heritage and Tourism, Manitoba Hydro and Agriculture and Agri-Food Canada, initiated a pilot project to facilitate the provision of technical, financial, and other necessary support required to walk smaller municipalities through the process to increase their resource efficiencies. The MMEP is the

extension of this pilot project, with sixteen municipalities agreeing to participate in the program.

With the help of partner organizations, the MMEP will show Municipal Governments how they can reduce their operating and maintenance costs by identifying and implementing energy and water efficiency measures in municipally owned and/or operated facilities. The audits would be conducted and report recommendations would aim to address water distribution and wastewater collection system efficiencies, and energy and water efficiencies in municipally owned and/or operated buildings. Renewable and more efficient technologies would be considered so that the most cost effective and eco-efficient solutions would be recommended to the municipality.

The MMEP's multi-partner collaborative approach will relieve the inherent redundancy involved when 16 municipalities, each at considerable individual effort and expense, duplicate the logistics of developing a project, including concept, design, project management and implementation. As well, this project enables municipalities to become more economically and environmentally sustainable, no matter the location or population, as the profit margins do not exist for energy services companies to go out to these communities on a case-by-case basis to provide this service.

The benefits of this project are far-reaching, including developing local expertise and building capacity so that similar work can continue throughout the community with minimal outside expertise long after the project is complete. With the implementation of the recommendations, some of the direct benefits include reducing energy and water

consumption, greenhouse gas emissions, air pollution, reducing the flow of money out of the community that results in greater community fiscal sustainability, the creation of new jobs, improved infrastructure and building stock, improved quality of life for local residents, and more informed Manitobans about water and energy efficiency and about the reduction of greenhouse gas emissions. With a commitment from partnering organizations, municipalities will have the support needed to move forward with the implementation of the recommendations.

MMEP is an efficient and effective way for all the partners to address multiple municipal issues through just one project. The Federation of Canadian Municipalities (FCM) has committed to fund 50% of the project from its Green Municipal Enabling Fund, a fund set up by FCM to allocate Federal Government funding endowed to Canadian municipalities for green projects. The AMM is now looking for financial assistance for the remaining 50% of the funds needed to complete the audits. Our association believes this is an important project and believes this is an excellent opportunity for all three levels of government to work together. This project will have a very positive effect on Manitoba and the AMM is hopeful the Province will make a financial contribution to the project.

Therefore, the AMM urges the Provincial Government to make a financial contribution to the AMM's Manitoba Municipal Efficiency Program (MMEP). With the commitment from the partnering organizations, municipalities will have the support needed to move forward with the implementation of the recommendations.

C) General Issues

1. 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 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.

Education funding will continue to be a major issue for local governments in the coming year, as many school divisions are set to increase local levies, placing further pressure on local ratepayers. For example, the AMM understands that the Border Land School Division is set to increase 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 the release of the final report in the near future.

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 20 per cent levied by local school boards, and that once achieved, this ratio be maintained in future years.

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 \$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. 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.