

Association of
Manitoba
Municipalities



Manitoba Legislature Lobby Days

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Table of Contents

A) Executive Summary.....	3
B) General Issues.....	5
1. Education Funding.....	5
2. Land Use and Water Resource Planning.....	8
3. Federal New Deal.....	13

A) Executive Summary

1. Education Funding

- Education remains the number one concern for municipalities as the current model of taxation is not sustainable and a new taxation model is needed.
- The AMM was pleased to see the Province recognize the importance of this issue with the 33 per cent reduction in farmland property taxes in 2004 and a further reduction to 50 per cent in 2005.
- However, further action is required since municipal property taxes should be used to fund strictly municipal services, and a complete removal of education funding from all property classes is needed.
- The AMM strongly supports the need for high quality education in all areas of the Province, yet maintains that other sources of Provincial revenue are more appropriate than property taxation to fund education. While every citizen should contribute to education funding, this does not occur under the current regressive system of property taxation.
- The AMM believes relief is needed on all property classes, as at present, there is an unfair reliance on property owners to fund an education system that contributes so much to the prosperity of Manitoba.

Therefore, the AMM urges the Provincial Government to create a 5-year plan that results in the total removal of education tax from all classes of property.

2. Land Use and Water Resource Planning

- Since new water legislation is forthcoming and the Planning Act is currently under review, a municipal perspective must be represented as legislation is formulated.
- The first municipal priority for land use and water resource planning legislation is to recognize local authority.
- The need to recognize local interests pertains to the inclusion of consultation processes within land use and water resource planning legislation.
- The second municipal priority relates to the responsibilities held by the Provincial and municipal governments regarding effective land use and water resource planning.
- The AMM is concerned that municipalities, conservation districts and planning districts will be expected to take on significant administrative and financial obligations in order to provide additional services.
- The Provincial Government must consider the impacts of adding new responsibilities to their own operations since requiring all municipalities and

- planning districts to create a development plan will increase the demand for the ministerial approval process.
- The Provincial Government must provide support for municipalities that lack the resources to meet the new legislative requirements.

The AMM urges the Provincial Government to ensure that legislation and regulations related to land use and water resource planning are responsive to municipal concerns, including the need for local authority and a balance between Provincial and municipal government responsibilities.

3. Federal New Deal

- A major change is required regarding municipal funding mechanisms that will enable better service provision to all residents.
- The Federal Government has allocated funding to each province and territory and all that remains is determining the most effective means to distribute the funding to municipalities.
- It is progressively more difficult for Manitoba municipalities to balance their residents' ability to pay with the increases to property taxes that are necessary to meet the growing demands on municipal governments.
- Over the next five years, the Federal Government has committed \$5 billion to communities across Canada for investments in sustainable infrastructure. Manitoba will receive a total of \$167.3 million over five years, which means approximately \$20 million will be available in 2005-2006.
- The AMM maintains that the distribution of the federal new deal funding must be based on a simple formula so that it can be quickly allocated to municipalities, and therefore ensure timely access to the federal gas tax revenue. An effective way to accomplish this goal is to create a distribution mechanism based on a per capita allocation formula.

Therefore, the AMM urges the Provincial Government to establish a distribution mechanism that will provide equitable access to Federal New Deal funding in a timely and efficient manner.

B) General Issues

1. Education Funding

For 2005, the AMM has identified education funding to be its top priority. The ongoing need to shift education funding away from property taxes was demonstrated when our membership passed a resolution requesting that the Province develop a new taxation model that removes school tax levies from all properties. The current model is not sustainable and further action must be taken to relieve the pressures on municipal property taxes.

The November 2004 Throne Speech included a significant first step that was much appreciated by the AMM membership. A 33 per cent reduction in farmland property taxes in 2004 and a further reduction to 50 per cent in the 2005 Budget will assist an agricultural community that has experienced ongoing pressure as a result of BSE and consecutive years of poor weather conditions. This commitment of \$33 million over two budget years represents an appropriate beginning to the process of separating education funding from property. Municipal property taxes should be used to fund strictly municipal services, and reducing the education portion of property tax will facilitate this process.

The Province had previously made reference to further education tax relief being unveiled in the 2005 Budget. However, the AMM was disappointed to learn that no additional reductions in education taxes across other property classes have been announced. In order for further action to incorporate municipal interests, education tax

relief must be applied equitably to all classes of property. Phasing out the residential Education Support Levy (ESL) is an essential part of this initiative and the new \$30 million reduction for 2005 is certainly beneficial to residential landowners. However, reductions in education tax relief should be available to all property owners since it is incongruous for education funding to be associated with property. At the same, a shift away from property should not justify a reduced investment in the education system. The AMM strongly supports the need for high quality education in all areas of the Province, yet maintains that other sources of Provincial revenue are more appropriate than property taxation. While every citizen should contribute to education funding, this does not occur under the current regressive system of property taxation. At present, there is an unfair reliance on property owners to fund an education system that contributes so much to the prosperity of Manitoba. Consequently, the AMM was disappointed that the Province did not take the opportunity presented by Budget 2005 to make a clear policy statement on its intended direction regarding the removal of education funding from property. The AMM believes a clear five-year plan is needed where the end result is the total removal of education funding from property.

An important aspect of this issue is that municipalities are required to provide a wide variety of services while relying almost exclusively on property taxes as a source of revenue. Until methods of municipal financing are drastically changed, municipalities must be empowered to control the level of local property taxation without having to use this mechanism for Provincial purposes such as education. The current funding system places an unfair burden on property owners and hinders the ability of municipalities to

provide property services, such as infrastructure improvements. The AMM appreciates that the Province has begun to take action to improve this situation and looks forward to working with the Provincial Government to develop a long-term plan to shift education funding away from property taxation.

Therefore, the AMM urges the Provincial Government to create a 5-year plan that results in the total removal of education tax from all classes of property.

2. Land Use and Water Resource Planning

Municipalities are highly involved in planning for both land use and water management purposes. As a main stakeholder in these processes, the AMM has appreciated the opportunity to actively participate in the consultations regarding the legislation that affects these two types of municipal planning efforts. Since new water legislation is forthcoming and the Planning Act is currently under review, a municipal perspective must be represented as legislation is formulated. There are two major municipal considerations that must be given priority in any new legislation and these are consistent for both land use and water resource planning. The first pertains to recognizing local authority regarding planning matters. The second consideration relates to the division of responsibility between municipalities and the Provincial Government.

Municipalities are in the best position to make the majority of planning decisions since they represent a local body of knowledge and expertise. For this reason, the first municipal priority for land use and water resource planning legislation is to recognize local authority. The review of the Planning Act will provide several opportunities to meet this objective, such as ensuring that municipalities have the final say in all land use planning decisions. In order to guarantee local control over land use planning, there should be no appeals process to another jurisdiction that supersedes municipal land use decisions. This is very important to AMM members as councils are elected officials with first hand knowledge of suitable land use within their jurisdiction. They also have a responsibility to objectively consider the consequences for all stakeholders and to establish a plan on that basis. An appeal process beyond this level would undermine the

authority of the municipal council. Similarly, appeals to the Municipal Board should only be considered when a critical mass of ratepayers formally objects to a land use decision. Through these policies, local interests will be upheld based on the authority of the municipal council to undertake effective long-term land use planning.

The need to recognize local interests also pertains to the inclusion of consultation processes within land use and water resource planning legislation. Meaningful consultations provide a vehicle for municipalities to express their concerns and ensure that these concerns will be taken into account. Such consultations should occur while developing the legislation and its accompanying regulations. This will be particularly important regarding water resource planning since the regulations are expected to articulate crucial details regarding the implementation of the Water Protection Act. Local expertise should also contribute to the development and implementation of watershed management plans since this type of expertise is based on historical information about the area. In addition, the review of the Planning Act should include public consultation, as it is essential that municipalities have the opportunity to express their specific views and garner a deeper understanding of the specific details of the proposed act.

New procedures within the Planning Act should also allow for public input, such as the environmental approvals processes. While the Province is well-equipped to conduct environmental assessments through the Technical Review Committees, the process would benefit from the inclusion of local input. The ongoing use of public consultation as required under the Planning Act also supports the ability of local authorities to effectively

undertake land use planning. Community consultations are therefore critically important to land use and water resource planning and the inclusion of consultation feedback will strengthen support for legislation and regulations.

The second municipal priority relates to the responsibilities held by the Provincial and municipal governments regarding effective land use and water resource planning. In particular, the extent of new municipal responsibilities remains unclear for the Water Protection Act and the Planning Act review. As a result, the AMM is concerned that municipalities, conservation districts and planning districts will take on significant administrative obligations in order to provide additional services. Due to the limited resources available to these organizations, the AMM cannot support policies that unfairly burden local authorities. Therefore, minimizing the uncertainty surrounding the responsibilities of municipalities, conservation districts and planning districts will clarify the impacts of the new policies and contribute to a greater understanding of the legislation.

The Provincial Government must also consider the impacts of adding new responsibilities to their own operations. For instance, requiring all municipalities and planning districts to create a development plan will increase the demand for the ministerial approval process. Presently, municipalities view the approvals process as too lengthy and the AMM is concerned that an increased demand for development plan approvals will further delay the approvals process and plan implementation. This concern will potentially impact the public hearing process where technical staff from the Province is required to

attend. The Province is most appropriately positioned to address environmental concerns, however the presence of Provincial representatives at public hearings will facilitate understanding and acceptance from communities. Development plan approvals and public hearings provide municipalities with important tools to accomplish community planning, therefore the Province should avoid delays in completing these processes and ensure effective information sharing.

Administrative responsibilities must often be supplemented by additional technical requirements that may not be available to all municipalities. Integrating land use and water resource issues through comprehensive planning will therefore require additional financial resources. In order to undertake the type of detailed planning that is expected, mapping and other technical services will be required. For instance, the Water Protection Act refers to the identification of watershed quality management zones however, in many cases, municipalities do not have the necessary levels of expertise or financial resources to meet this requirement. A similar situation could arise if development plans become mandatory for all municipalities or if the need to map agricultural zones is part of the reviewed Planning Act. For this reason, the Provincial Government must provide support for municipalities that lack the resources to meet the new legislative requirements.

Land use and water resource planning are very important for municipalities since each has wide-ranging impacts on the way that municipalities function and the development that occurs within their boundaries. Environmental considerations are very important to municipalities as they strive to balance the protection of natural resources with

community development. Both types of planning ensure that municipalities are implementing a long-term approach and considering the impacts of current actions on the future of their communities. The AMM is supportive of the Provincial Government's efforts to improve land use planning and water resource management in Manitoba. Due to the strong interconnection between land use and water resource planning, municipal concerns are consistent across these two issues. The legislation that is currently under consideration will only be effective to the extent that it incorporates the municipal concerns outlined above.

The AMM urges the Provincial Government to ensure that legislation and regulations related to land use and water resource planning are responsive to municipal concerns, including the need for local authority and a balance between Provincial and municipal government responsibilities.

3. Federal New Deal

Municipalities across Canada are seeking new ways of accessing funding to accommodate their growing responsibilities. Such problems are consistent throughout Manitoba due to the growing infrastructure deficit and the fact that municipalities rely almost exclusively on property taxes for revenues. Problems arise as a result of the gap between the services that municipalities must provide and the resources at their disposal. A major change is required regarding municipal funding mechanisms that will enable better service provision to all residents.

A key component of a new funding mechanism has been the Federal Government's commitment to share a portion of the federal gas tax with municipalities across Canada. It is appropriate that the gas tax revenue be invested in local infrastructure, since the deteriorating quality of highways and roads should be addressed by the users of this infrastructure. The Federal Government has allocated funding to each province and territory and all that remains is determining the most effective means to distribute the funding to municipalities. The AMM is committed to establishing an agreement in a timely manner in order for communities to begin to improve their infrastructure as soon as possible.

The need for additional funding to municipalities has increased as additional responsibilities continue to be downloaded to municipalities. The present funding system is unsustainable since municipalities can only control their revenue through property tax rates. As a result, municipal revenues do not increase significantly over time. Over the

past four years, while municipal revenues increased by only four per cent, provincial/territorial revenues across Canada have increased 21 per cent and Federal Government revenues have increased 16 per cent. Part of the solution to this stagnant revenue stream will be linking municipal revenues to federal taxes. Such an arrangement will be even more effective with the application of a fuel-tax escalator tied to GDP, thereby ensuring proportional growth with the economy. The gas tax is an effective vehicle since federal fuel tax revenue roughly doubled between 1993 and 2003. In Manitoba, municipal financing problems are exacerbated by the requirement that municipalities must share property tax revenue with the Provincial Government. More than 50 per cent of all Manitoba property taxes collected are dedicated to education funding, and it is the Provincial Government that sets this amount. Therefore, it is progressively more difficult for Manitoba municipalities to balance their residents' ability to pay with the increases to property taxes that are necessary to meet the growing demands on municipal governments.

Over the next five years, the Federal Government has committed \$5 billion to communities across Canada for investments in sustainable infrastructure. This funding will be distributed primarily on a per capita basis, with special allowances for the territories and smaller provinces, such as Prince Edward Island. For 2005-2006, Canadian communities will receive approximately \$600 million, with the annual allocation increasing to \$2 billion in the fifth year. Manitoba will receive a total of \$167.3 million over five years, which means approximately \$20 million will be available in 2005-2006.

The AMM maintains that the distribution of the federal new deal funding must be based on a simple formula so that it can be quickly allocated to municipalities, and therefore ensure timely access to the federal gas tax revenue. An effective way to accomplish this goal is to create a distribution mechanism based on a per capita allocation formula. This will ensure that funding is distributed equitably and that all municipalities have the opportunity to benefit from the federal new deal. The AMM is pleased with the federal announcement and looks forward to the implementation of the new deal that is necessary for long-term problem solving in Canadian cities and communities. As well, the AMM is prepared to work with the Provincial Government to establish an equitable and efficient distribution method for the benefit of all Manitoba's municipalities.

Therefore, the AMM urges the Provincial Government to establish a distribution mechanism that will provide equitable access to Federal New Deal funding in a timely and efficient manner.