

Budget Consultation Submission of  
**The Association of  
Manitoba  
Municipalities**



to

The Honourable Greg Selinger

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Minister of Finance

October 26<sup>th</sup>, 2006

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*Money is the life's blood of governments. If the flow of financial resources among Canada's government is constrained or distorted, or if the channels that feed resources to part of the system become blocked, the health of the country is compromised. Canada's system of fiscal federalism has fallen into disrepair. Left unreformed, it will be a growing irritant among federal, provincial, and territorial governments. The friction produced will in time begin to shape the attitudes of Canadians and heighten the tensions among Canada's regions and communities. Perhaps it has done so already. Left unattended, the deficiencies we identify below will compromise the contributions that Canadians and their governments might otherwise make to our collective well-being; they will stunt our national economic capacity and our international competitiveness.<sup>1</sup>*

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

While the Council of the Federation has been advancing a new relationship between the provinces and the Federal Government, municipal officials across Canada have seen the need for a new relationship between all three levels of government for some time. Much of this work has culminated in the various reports that have been released recently that underscore the need for a new, improved relationship between all three orders of government. The Province of Manitoba is looking for a new relationship with the Federal Government and this is what municipalities in Manitoba need from the Manitoba Government.

Municipal governments in Manitoba have enjoyed a strong working relationship with the Province, with some of the more innovative approaches to funding, like the Provincial Municipal Tax Sharing Agreement, being held up as a model for other provinces. However you only need to take a look around Manitoba communities to know that the work done so far is not enough.

In recent years we have seen some remarkable advances in other provinces, as there is a growing recognition that communities need help. While Alberta has seen an abundance of

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<sup>1</sup> Introduction to Chapter One: Canadian Fiscal Federalism at Risk of Reconciling the Irreconcilable: Addressing Canada's Fiscal Imbalance

wealth due to oil revenues, the Alberta Government has prioritized investing in communities and created a \$3 billion municipal infrastructure fund to address the needs of Alberta communities. This is in addition to the work being done to review the roles, responsibilities, resources and relationships of governments in Alberta to find the best way to deliver services. Ontario recently announced they will be undertaking a serious examination of this issue as well. Mirroring the GST refund the Federal Government enacted, Quebec recently returned the provincial sales tax to municipalities, recognizing that communities need more resources. The Province of Saskatchewan has also made a commitment to take a look at the needs of communities in that province.

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

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

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

Many of the resolutions currently being dealt with by our association deal with additional funding and we have included a list of some of the top issues in the next section of this paper. Municipalities need greater assistance to meet the demands and expectations placed on them by the province and citizens within the communities. 8 cents of every tax dollar is not enough to meet these demands and it is not sustainable for municipalities to continually look to other orders of government for funding.

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

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

This is exactly what was done with the move to a single-tier social assistance program in Manitoba. It is inefficient to have both the Province and municipalities delivering this service and the reality was in many cases municipalities were not equipped to properly deliver the service. By moving the delivery of service to the provincial system that has appropriately trained support staff to properly deliver the service, everyone is better off.

While this is a case of responsibilities moving to the provincial level, we are completely open to responsibilities moving the other way and in fact expect this to occur as in some cases municipalities are better equipped to deal with certain responsibilities. In fact, the recent report released by the AMM identified secondary provincial roads, drainage and conservation

initiatives as possible areas where service delivery could be transferred to municipalities. All issues and possibilities need to be put on the table for this to be successful, and must be looked at in conjunction with a review of the funding available to each level of government.

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

## ***Priority Issues for Budget Consideration***

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

**TLE Compensation Package for Municipalities** – Delays in the treaty land entitlement (TLE) process are costly for all parties and greater incentives are required to promote an expedient negotiation process. The Province should undertake a review of the current TLE compensation structure, with consideration of Saskatchewan's system, in order to seek alternative ways of enhancing Manitoba's TLE process. Possible strategies include: extending the useful life of environmental assessments and land surveys; and assisting in establishing a Memorandum of Understanding between the negotiating First Nation and municipality.

**Legal Costs of Negotiating TLE Agreements** – The Province has assisted with this issue by developing a Guide to Municipal Development and Service Agreements, however legal costs of negotiating TLE Agreements remain high. AMM has created a list of Manitoba lawyers trained and/or experienced in these negotiations, yet municipalities require further assistance with these complex processes. Therefore the Province should develop a cost-sharing program to assist municipalities in paying the extensive legal costs of negotiating TLE agreements.

**Recycling** – The AMM is seeking to increase recycling rates in Manitoba with a specific focus on products with insufficient or non-existent programming. In particular, the Province must establish dedicated programs for household hazardous waste, electronic waste and plastic bags. Existing programs must be strengthened through enhanced incentives for tire recycling and greater funding for recycling corrugated cardboard. Along with these enhancements, Green Manitoba Eco Solutions must obtain sufficient Provincial funding to maintain the 80:20 funding ratio. As new extended producer responsibility models move forward, it is critically important for the AMM to be consulted early in the process of developing associated regulations.

**Weed Control** – *The Noxious Weeds Act* requires the Provincial Government to control weeds on Provincial lands, however municipalities are concerned that effective weed control is not occurring along Provincial highways and roads. When uncontrolled weed growth occurs in these ditches, municipalities incur additional costs to control the spread of weeds and adjacent farmers suffer from reduced crop yields. Proper management of ditches also minimizes opportunities for West Nile virus breeding grounds and reduces the risk of flooding due to clogged culverts. Therefore, the Province must establish a coordinated approach for municipalities and government departments to control weed growth along Provincial highways and in ditches in order to minimize the spread of noxious weeds. Since municipalities consistently raise this issue year after year, AMM would like to create a working group with the Province to explore potential long-term solutions.

**Funding for Libraries** – With the work of the Public Libraries Review Committee now complete, the Province should examine the Committee’s recommendations and implement changes to the library funding system to provide greater resources to public libraries across Manitoba. In particular, the Province should review library funding mechanisms to ensure that its programs support library sustainability. This should include a mechanism to address the current trends in population and operating costs, since the current per capita mechanism is insufficient in this regard.

**Education Tax on Property** –The Province has made key improvements by eliminating the residential ESL and providing a 60 per cent education tax rebate for farmland. However, further movement is required since there has been no change to education taxation on commercial property and the Province still relies heavily on property taxation to fund education. In fact, it appears the total education tax collected from property has increased from 2005 to 2006. The Province has committed to further changes to education funding mechanisms and municipalities are anticipating new education property tax reductions in the upcoming Provincial budget. Due to the complexity of this issue, a long-term plan is required to shift education funding away from property taxation.

**Disaster Financial Assistance** – The Province must support municipalities in lobbying the Federal Government to maintain a strong role in disaster financial assistance (DFA). It is also

essential for program criteria to adequately address municipal issues by increasing the rate of compensation for municipal labour and equipment used for disaster response from 16 to 65 per cent. In contrast, contract (non-municipal) labour and equipment are eligible for 100 per cent compensation, which creates a disincentive to use the most efficient response available. As well, the Province should work to obtain funding for permanent flood-protection structures where the same damage has occurred in consecutive years. Such an investment in preventative measures will create long-term cost savings for all orders of government while mitigating the stress of preventable damage on local communities. The AMM is also waiting for the Province to implement recommendations to reimburse municipalities that are required to activate their emergency plans due to highway closures resulting from severe winter weather. Each of these actions will significantly assist municipalities with disaster response and Provincial support is required.

**Funding for Renewable Energy** – Further investments in ethanol and biodiesel facilities are necessary across Manitoba to promote clean energy alternatives and local economic development. The announcement of a biodiesel tax incentive is an important contribution, yet the Province must continue investing in the development of this renewable energy. The Province should also expand efforts to stimulate growth in Manitoba’s wind energy sector. Along with environmental benefits, wind energy provides opportunities for economic benefits for both Provincial and municipal governments. Demand for alternative energy will continue to increase in the future and will help to diversify rural economies, therefore the Province must support the advancement of the renewable energy industry in Manitoba.

**Affordable Housing in Rural Manitoba** – There is a strong demand for greater accessibility to affordable housing programs for all communities, particularly those outside Winnipeg, Brandon, and Thompson. Yet certain programs have inherent geographical restrictions, including the Affordable Housing Initiative’s Homebuyer Down Payment Assistance Program and Homeownership Supply Program. Some programs that are available to all communities can still favour urban municipalities due to the nature of program requirements. For instance, small municipalities cannot prepare applications using existing resources, particularly within a short timeframe. The Province must improve program accessibility to accommodate the diverse resource base of municipalities.

**Expanding the Neighbourhoods Alive! Program** – Funding for Neighbourhoods Alive! has increased in recent years, however it remains limited to Winnipeg, Brandon and Thompson. Although the program has been expanded, the additional neighbourhoods are all in Winnipeg’s inner-city. There is certainly a strong demand in these areas for targeted revitalization efforts and affordable housing investment and the AMM does not suggest a reduction in funding to these communities. However, the need for neighbourhood renewal and housing improvement is not exclusive to Manitoba’s three largest cities. Therefore, the Province should promote broader economic development and neighbourhood revitalization by providing more communities in Manitoba with access to funding through the Neighbourhoods Alive! Program.

**Increased Funding for Recreational Infrastructure** – The Province has demonstrated a commitment to recreation infrastructure through the new funding announced in the 2006 Budget. This \$5.2 million over two years is a beneficial contribution to rural recreational infrastructure since many municipalities do not have the resources to invest in new facilities or repair existing facilities. This issue has also been raised by the Federal-Provincial/Territorial Ministers Responsible for Sport, Physical Activity and Recreation and the AMM hopes that this attention will help to promote a national tripartite recreation infrastructure program. The Province should also provide greater support for recreational infrastructure by increasing the maximum grant under the Community Places Program and maintaining its increased funding in Budget 2007. These facilities will be of limited use if recreational programming cannot be developed, therefore the Province must ensure that recreation commissions receive appropriate funding to maintain high quality programs for local residents.

**Municipal Exemption from Provincial Sales Tax (PST)** – Since the Federal Government’s decision to rebate the GST to municipalities, there have been two key precedents related to exemption from provincial sales taxes. First, the Government of Québec has entered a seven-year deal with municipalities to provide a full rebate on Québec’s PST. The second is a local example found in Manitoba’s 2006 Provincial Budget, where the oil industry received a retail sales tax exemption for drilling and service rigs and other equipment used for oil and gas

exploration. Municipalities are currently struggling to obtain sufficient resources and a municipal exemption would keep financial resources in local communities, rather than waiting for grants to be distributed by the Province. The existing process is inefficient since municipalities must apply for grants to fund critical projects, and then return seven per cent of those same funds to the Province through the PST. The Provincial Government should therefore provide new funding resources to municipalities through a PST exemption.

**Survey Monument Restoration Program** – The AMM was pleased that the increased funding for the Survey Monument Restoration Program from Budget 2005 was maintained in Budget 2006. The additional \$30,000 ensured that adequate funding was available to cover the costs of all municipal applications. This increased funding allocation is more appropriate for the current needs of municipalities and the AMM urges the Province to maintain this level of funding in Budget 2007.

**Interfacility Patient Transfers** – Manitoba's health services are localized in large urban centres, particularly regarding specialized medical professionals and equipment. Therefore, medical transportation is essential for ensuring all Manitobans can access high quality health care and advanced medical procedures. As an integral part of health care services, patients should not be subjected to additional costs when they must be transported across RHA jurisdictional boundaries for more than 24 hours. The Province has indicated on several occasions that such policy changes are a priority, however the status quo remains. The Province must acknowledge the role of ambulances in providing basic care by enabling the full cost of interfacility patient transfers to be covered by the healthcare system and the 24-hour rule to be eliminated.

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

abandoned in order to eliminate public health concerns associated with contamination of soil and water.

**Policing** – The Province should commit additional resources to police services throughout Manitoba to ensure that all communities have access to safety and crime prevention services. Municipalities have undertaken collaborative community consultations with the RCMP, which demonstrates that municipalities are committed to enhancing police services. At the same time, some issues are outside the scope of municipal authority. For instance, in large urban centres, crimes committed by non-residents are a significant cost driver for municipal policing budgets. Overall, strained municipal budgets cannot support the increasing costs of police services. Improved policing efforts will not be sustainable over the long term if there is a heavy reliance on municipalities to provide funding and the Province must mitigate these financial impacts. Action must be taken to reduce crime without deterring municipalities in their efforts to provide a wide range of services to their residents.

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

**Highways Capital Budget** – The AMM has been seeking increased highways capital funding for several years. The poor state of Manitoba's highway infrastructure can only be corrected through a long-term, sustainable funding plan. The Province's recent commitment to increase Provincial highway investments to \$400 million per year over five years is a vital step toward meeting the needs of Manitoba's highways. With the growing infrastructure deficit and breadth of necessary projects, the Province must continue to evaluate this new investment in relation to infrastructure demands. Insufficient investment will allow the infrastructure deficit to grow as highway deterioration continues, therefore the Province must

assess whether this new level of funding proves adequate to curb the decline of Manitoba's highway system.

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

**Reinstate the Manitoba Airports Capital Assistance Program (MACAP) and the Bridge Cooperative Program** – The discontinuation of the Bridge Cooperative Program and the MACAP had a profound impact on many communities. By nature, bridges and airports are strategic regional infrastructure that serves the transportation needs of Manitobans well beyond the local municipality. The widespread impact of this infrastructure necessitates a Provincial contribution to associated maintenance efforts. In particular, municipal airports are in need of permanent funding for ongoing capital and operating investments. An inability to make such investments will certainly result in a declining level of airport services, therefore MACAP must be fully reinstated immediately. As well, bridge repairs and maintenance require high engineering costs due to strict requirements of the Federal Department of Fisheries and Oceans. These additional costs and approval processes result in difficulties for municipalities to maintain, repair and construct bridges. Provincial funding for bridges and airports is therefore necessary to ensure that this crucial regional infrastructure is not continually neglected.

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

**Impacts of Water Legislation on Municipalities** – In recent years, Manitoba has been focused on legislation to preserve the quality of our water resources. *The Drinking Water Safety Act, The Water Protection Act* and *The Water and Wastewater Facility Operator’s Regulation* are prime examples of the precedence of water issues in this province. Securing safe and reliable water sources is necessary and the AMM is pleased the Province is committed to these initiatives. Municipalities recognize that they have a role in water protection efforts and the AMM must continue to be consulted as regulations are developed for *The Water Protection Act*. The Province must also ensure that adequate financial and human resources are in place to support the implementation of all water legislation and regulations without overburdening Manitoba’s municipalities.

**Tripartite Water Funding Program** – Even with new water legislation in place, action is still required to ensure that all municipalities have access to safe water supplies. Many communities throughout Manitoba are continually under boil water orders and the Province has a responsibility to improve these conditions. A further aspect of this issue is ensuring communities have appropriate wastewater treatment facilities. The high cost of this infrastructure can deter the investment necessary to maintain the health of the population and the environment. The National Water Supply Expansion Program provided much needed resources for Manitoba municipalities and program funding was quickly allocated to areas of severe need. Faced with the completion of the National Water Supply Expansion Program it is critical for the Province to initiate a tripartite funding agreement with the Federal and municipal governments to ensure access to safe drinking water and wastewater treatment for all Manitobans.

**Drainage** – The AMM appreciates the increased Provincial funding to more than \$4 million for select drainage projects. Doubling the total funding for drainage in Manitoba is an important step toward addressing the severe drainage needs throughout this province. Drain construction and maintenance has been a long-standing concern for all municipalities and several issues remain. Even with the substantial increase, there is an ongoing need for regular drain maintenance that has not been addressed by this funding. Furthermore, drainage works are currently limited by the expediency of the licensing process and the Province is in need of additional staff to administer these licenses. As well, greater staffing is required for

enforcement of illegal drainage activities. In addition to the funding increase for drainage projects, the Province must ensure that adequate resources are available for all aspects of drainage including maintenance, licensing and enforcement.

**Conservation Districts** – Conservation districts are continually taking on greater roles in the management of Manitoba’s water resources. It is further anticipated that conservation districts will be required to play a lead role in implementing integrated watershed management plans, thereby taking on more responsibilities. However, the increasing responsibilities of conservation districts and the growth in the number of conservation districts in Manitoba has not been met with additional funding. The result is the same level of funding being stretched among increasing numbers of conservation districts, all with growing responsibilities. The Province must ensure that the 3:1 funding ratio is maintained for established and new conservation districts.