



The Path to Prosperity:

AMM's Recommendations for the Federal Budget

Municipal government plays a greater role in the lives of Canadians today than any other time in history. Municipalities no longer simply plow the streets and pick up the garbage. Sure today's municipal corporation still cleans the streets and collects garbage (and recyclables), but it also is sustainably managing growth through everything from state of the art transit systems to environmentally conscious land use and water planning. The pioneers of municipal government would be astonished to see today's council agenda where elected officials are doing everything from recruiting doctors from around the world to providing operating funding for daycares.

With new responsibilities and opportunities come new challenges however. Some communities in Manitoba are experiencing the pains of rapid growth as they reap the rewards of sound planning and creative marketing. Others are feeling the pinch of trying to maintain adequate service levels as the economy struggles and populations decline. What is common for all however is the need for additional support.

Municipalities know there is no one program that will fix the current situation. We also know it is not going to be fixed overnight. A coordinated approach is needed from all three orders of government to bring meaningful changes. In this vane we would like to make three recommendations for consideration in this year's Federal Budget that will put Canada's communities back on the path to prosperity.

Recommendation #1 – An Innovative Strategy to meet our infrastructure challenges

It is no secret that municipalities are facing nearly insurmountable infrastructure challenges. We only need to take a look around our communities to see the deteriorating state of our infrastructure. Roads that are nearly impassable due to potholes and heaving, drafty libraries with crippling heating bills, recreation complexes with leaking roofs and water and sewer treatment plants that are running beyond capacity. These are the very foundation of a community, yet their current state leaves communities with little hope for prosperity. For the tenets "Canada's national strengths are a function of the strengths of its communities, whether large or small, urban or rural" and "Livable and prosperous communities of all sizes define Canadians' standard of living, quality of

life and overall well-being¹ to hold true, these swelling infrastructure challenges must be addressed.

In Canada the municipal infrastructure deficit is in excess of \$123 billion for current needs. Most alarming is how quickly the deficit has been compounding, as it has doubled over the last 5 years. Equally alarming, the \$123 billion is only for the upgrade and repair of current municipal infrastructure, with another \$115 billion required for new infrastructure.²

These national trends hold true for Manitoba as well. The City of Winnipeg has recently calculated its infrastructure deficit at \$3.8 billion for existing infrastructure and \$3.6 billion for new strategic infrastructure.³ Historically the municipal infrastructure deficit outside of Winnipeg has been double that within Winnipeg so it is fair to extrapolate that the deficit outside Winnipeg is over \$7.5 billion, putting the total municipal infrastructure deficit in Manitoba in excess of \$11 billion.

An \$11 billion municipal infrastructure deficit for the Province of Manitoba is staggering. To put it into perspective, this is over \$10,000 per Manitoban, as the population of the province is just over one million. It is certainly an insurmountable amount for municipalities to tackle on their own since the total municipal taxes levied in 2007 were only \$731,635,227⁴. The Province of Manitoba has certainly supported municipalities over the years, however with a total Provincial Budget of just over \$10 billion, the Province cannot fix the problem alone.

For Canada's communities to prosper it is going to take a coordinated approach from all three order of government. And this prosperity will require the Federal Government to play a larger role in meeting the infrastructure challenges facing our communities.

¹ Government of Canada, "Building Canada Plan – Modern Infrastructure for a Strong Canada", Accessed July 29, 2009 (available at <http://www.buildingcanada-chantierscanada.gc.ca/>)

² Saeed Mirza, "Danger Ahead: The Coming Collapse of Canada's Municipal Infrastructure", November 2007 (available at www.fcm.ca)

³ City of Winnipeg Administrative Report, "Infrastructure and Possible Funding Options" Tabled at July 22nd, 2009 Council Meeting (available at www.winnipeg.ca)

⁴ Province of Manitoba, "Statistical Information 2007 – Municipalities of the Province of Manitoba", P.17

Manitoba communities have benefited greatly from the measures taken by the federal government over the last few years. The GST rebate was a positive step for municipalities, and we have seen millions of dollars returned to municipalities for further investment.

The Gas Tax Agreement has become a model of sustainable, predictable long term funding. Since the program is split in Manitoba on a per capita basis, all communities receive some funding, and municipalities know well into the future what they can expect from the program and are able to make long-term strategic investments in their communities. The program has worked well for municipalities and the focus should now turn to providing an escalator for the fund to ensure the purchasing power remains in years to come.

Most recently the Federal Government has implemented the Building Canada Fund, another positive step forward for communities. Building on the GST rebate and the Gas Tax Fund, the Building Canada Fund invests \$8.8 billion of new money into communities, the largest single federal commitment to public infrastructure of this type.⁵ Municipalities in Manitoba have also benefited from the most recent stimulus funding, as shovel-ready projects have gone ahead.

There is no doubt municipal infrastructure funding has seen increases not rivaled since the 1960s. While this renewed investment has helped, when evaluated in comparison to the overall municipal infrastructure we can see that more work needs to be done.

It is for this reason that the AMM recommends the Federal Government work with the Provincial/Territorial and Municipal Governments to create an innovative, flexible strategy to meet the challenges of the ballooning municipal infrastructure deficit. Municipalities cannot meet this challenge on their own, nor can the provinces. To truly avert a national crisis it will require a coordinated approach from all three orders of government. Some of the pieces are already in place and should continue while the broader based strategy is developed. There is a lot of work yet to be done and current funding levels should be ramped up as the more encompassing strategy is developed.

⁵ Government of Canada, "Building Canada Plan – Modern Infrastructure for a Strong Canada", Accessed July 29, 2009 (available at <http://www.buildingcanada-chantierscanada.gc.ca/>)

Recommendation #2 – Stop offloading responsibilities to municipalities and ensure financial support is provided when new mandates are developed.

While new funding and a new long-term vision are required for municipalities to address the growing municipal infrastructure deficit, there are complimentary options as well. One way to relieve the pressure on municipal governments is to put an end to the offloading of responsibilities and ensure financial support is provided when new mandates are developed. Our association is currently working on a comprehensive review of these issues and would be happy to share the result with the committee once the review is completed.

Too often municipalities are left to deal with responsibilities that have never been municipal responsibilities. Among many other things, Manitoba municipalities are playing an ever increasing role in health care, everything from providing capital funding for new hospitals and care centres to recruiting doctors from around the world.

One area where we have seen severe financial implications of downloading is in the area of policing. More and more municipalities are left to fund police services. While the federal share of the cost of RCMP contract services was 50 percent in 1976, it dropped to 10 to 30 percent by 1990 and to zero for all municipal contracts signed after 1992.⁶

Municipally funded officers are the first responders in communities, and are often called upon to provide services in areas of federal responsibility, including border control, organized crime, drug-related operations, national security and cyber crime. While all important issues, these are federal responsibilities which have been downloaded to municipalities. With protective services now taking up 20 percent of municipal budgets on average, it greatly reduces the ability of municipalities to fund municipal priorities. Municipalities cannot even afford to have officers enforce municipal by-laws because of the costs of enforcing provincial and federal laws and responsibilities.

Equally concerning for municipalities is the practice of developing new requirements and mandates for municipalities without corresponding financial support. These policy decisions at the federal and

⁶ FCM Report “Towards Equity and Efficiency in Policing – A report on policing roles, responsibilities and resources in Canada” May 29th, 2008

provincial level only further increase the burden on municipalities and severely limit what municipalities can do.

An example of this is the recent announcement by the federal government that new regulations for the management of municipal wastewater will be implemented in December of 2009⁷. While it is estimated that the regulation will impact 4,000 wastewater treatment facilities, there is no mention in the news release of any new funding to offset the substantial costs such a regulation imposes on municipalities.

Municipalities expressed serious concerns with the financial implications of new regulations during the Canadian Council of Ministers of the Environment (CCME) workshops held around the country. However the only discussion of funding for these new costs has been the suggestion that municipalities in need of funding apply for a loan through the Canadian Mortgage and Housing Corporation (CMHC) or the infrastructure programs already in place⁸. In Manitoba for every infrastructure funding intake demand has far outstripped available funding. There simply is not enough money in current programs to handle the added costs this regulation will bring. The net result is a further financial burden on municipalities.

Because of these realities that AMM is recommending the federal government stop offloading responsibilities to municipalities and ensure financial support is provided when new mandates are developed. Removing these restrictive burdens from municipalities will create financial space for municipalities to address their own needs and priorities.

⁷ Government of Canada news Release “Minister Prentice Announces Tough new National Regulations to Protect Canada’s Water Resources” August 6, 2009

⁸ Canadian Press “Prentice pledges new wastewater rules” as appeared in Globe and Mail August 7th, 2009

Recommendation #3 – A rural champion is needed to stimulate the rural economy of Manitoba

One possible way to help address some of these issues is for the federal government to develop a new portfolio specifically tasked with championing the issues of small rural communities at the cabinet table. Far too often the unique needs of small rural municipalities are either dismissed or completely overlooked in discussions of how to solve the issues facing municipalities.

There is no argument that rural communities in Canada are facing challenges. While rural Canada accounts for 50 percent of Canada's exports (everything from natural resources and energy to agricultural products), it is not seeing the growth experienced in urban areas, with average household incomes \$10,000 lower than in urban centres. For the first time in Canadian history rural Canada's share of the national population fell below 20 percent. This has left municipalities with shrinking tax bases, limited revenue sources and an aging infrastructure.⁹ Rural Canada needs a champion.

The concept of a department dedicated specifically to rural issues is not new. Many countries have a department dedicated to rural issues including the United Kingdom and Ireland as well as larger geographic countries like India and Australia.

While it is important that there be a Federal portfolio dedicated to rural affairs, it is necessary that this not result in a myopic approach to rural issues. The new department must work in conjunction with the other departments, moving beyond a silo approach and encouraging all government programs and directions to be analyzed through a rural lens.

Because of the unique issues facing rural Canada we are recommending the federal government create a department of rural affairs mandated to provide a voice for rural communities at the cabinet table. We would ask that the department be tasked with leading the development of a long-term vision for rural Canada that promotes economic development while appreciating the unique challenges of rural Canada. There is little doubt that a strong, healthy, vibrant rural Canada is essential to the overall health of Canada and its economy. With 50% of our Nation's exports coming

⁹ Federation of Canadian Municipalities Report "Wake-Up Call: The National Vision and Voice We Need for Rural Canada- The Federal Role in Rural Sustainability", May 26, 2009. Available at www.fcm.ca

from rural Canada is it critical that the health of rural Canada be of paramount importance to this government.

Concluding Remarks

The challenges facing our communities are steep. A \$123 billion municipal infrastructure deficit is rushing toward unfixable. However community leaders have the will to fix these problems. Municipal officials live in their communities, and often have grown up in them. Municipal government is truly the order of government closest to the people and mayors, reeves and councillors know what it will take to make their community strong. It is not the lack of vision at the community level that is holding them back, it is the lack of support.

We are asking the Federal Finance Standing Committee to make a strong commitment to Canada's communities. We believe the implementation of the three recommendations suggested in this document will start Canada on a new prosperous path that will create strong, vibrant communities that will once again be the backbone of a strong Canadian economy and a vibrant nation.