

# Successful Municipal Practices: Responding to New Challenges



## *Tools for Change*

### **TAX SHARING:**

## **Tax Sharing Agreement**

### **The Town of Carman and The RM of Dufferin**

The Town of Carman is a growing urban municipality in south central Manitoba and the Rural Municipality (RM) of Dufferin is a progressive rural municipality that surrounds it. The two municipalities each have a population of approximately 2,500 people and share the cost of a number of services on a 50/50 basis. Sharing the cost of these services including fire protection, recreation, library, waste management, cemetery services and a civic building has been successful and cost efficient for both municipalities, and this has led the councils to take another cooperative step and explore the option of tax sharing.

In 2003 the owner of two parcels of land, one parcel in the Town of Carman and the other immediately adjacent in the RM of Dufferin, brought forward a proposal for the subdivision of the two properties for future residential development to the two councils. The proposal included the annexation of the rural property into the Town of Carman to ensure compatible services for the entire development.

The proposed development and annexation were carefully considered by both the RM and the Town, and in 2006, the newly elected councils came to the conclusion that annexation of the property made sense. As Carman would be providing the necessary urban services like sewer, water and paved roads to the new development, the Town council felt that it should gain jurisdiction over the property through annexation. The councils agreed that the residential development and a friendly annexation were important for both communities and felt that a tax sharing agreement would be instrumental in achieving these goals.

Negotiations and public consultations followed and, on August 21, 2007, the Town of Carman and the RM of Dufferin signed a tax sharing agreement. A key feature of the agreement is the establishment of a joint fund, to help pay for shared municipal ventures.

*Carman and Dufferin share the cost of providing many services and, in 2007, the councils took one more cooperative step and entered into a tax sharing agreement.*

*The tax sharing agreement helped to ensure a friendly annexation and a new residential development for the community.*

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The tax sharing agreement includes provisions for:

- A tax sharing formula that will see the Town, each year prior to the land being developed, transfer to a joint account two times the municipal taxes paid on the property at the time of annexation. After development has occurred and tax revenue has increased to more than the above amount, the Town will transfer into the joint account each year 20% of the municipal taxes levied on the property. The 20% figure reflects a desire for the municipalities to share tax revenue equitably, and takes into consideration the infrastructure and land development costs that will be incurred by the Town of Carman.
- Use of funds in the joint account help pay the cost of shared municipal ventures including, but not limited to, fire protection, recreation and library services.
- The establishment of a joint committee, comprised of the Mayor and the Reeve and two councillors appointed by each municipality, to oversee the agreement and make recommendations to the councils on the expenditure of the funds in the trust account.

*For more information on better municipal business practices, Successful Municipal Practices, and the Tools for Change program, see the Association of Manitoba Municipalities' website, at [www.amm.mb.ca](http://www.amm.mb.ca).*

The property located within Carman's boundaries has now been subdivided; five of eleven residential lots offered in phase one of the development have been sold and new home construction is underway. Once the annexation of Dufferin land is finalized, likely by Spring 2009, Carman will begin the process of subdividing and developing that land as well. Ultimately, more than 100 new fully serviced residential lots will be available to the community.

The tax sharing agreement has enabled the Town of Carman and the RM of Dufferin to negotiate a friendly annexation and facilitate a new residential development that will serve the needs of the entire community for many years to come. The two councils agree that, in addition to being efficient and cost effective, tax sharing demonstrates to citizens and community groups the importance of working harmoniously together to meet the needs of the future.

For more information contact: Cheryl Young, CAO - Town of Carman  
Phone: (204) 745-2443  
E-mail: [townofcarman@mts.net](mailto:townofcarman@mts.net)

Ruth Stege, CAO - RM of Dufferin  
Phone: (204)745-2301  
E-mail: [rmduff@mts.net](mailto:rmduff@mts.net)