# Successful Municipal Practices:
## Responding to New Challenges

*Tools for Change*

**TAX SHARING:**

# A Model for Inter-Municipal Co-operation
## The City and RM of Portage la Prairie

In 2000, Simplot, a well-known agricultural producer, was seeking a location to construct a multi-million dollar potato processing plant and was considering sites in Alberta, North Dakota and the Portage la Prairie area. The Portage region's natural strengths – its abundance of potatoes and its excellent transportation linkages – and the willingness of the City of Portage la Prairie, the RM of Portage la Prairie and the Province of Manitoba to work with Simplot to provide necessary upgrades to the water treatment plant made the south central Manitoba location Simplot's choice.

The negotiation process to bring Simplot to the Portage area highlighted the importance of the two Portages working together. This led to further discussions between the two municipalities about the sharing of tax revenue. Ultimately, the municipalities developed two different property tax sharing agreements:

1. A tax sharing agreement involving only the Simplot plant (signed July 2001)
2. A general tax sharing agreement involving new commercial and industrial development (signed December 2000)

***The Councils have been able to capitalize on years of cooperative relations in developing a tax sharing agreement.***

The development of these tax sharing agreements had its foundation in the two municipalities' history of successful service sharing. Currently, the municipalities participate in a regional landfill and have a fire protection agreement. The City provides water and sewer to fringe area development in the RM, and its swimming pool is located in the RM.

The following provides more details about the tax sharing agreements.

***Simplot Agreement***

Councils of the City and the RM knew that alone, they could not accommodate the requirements of the Simplot facility but that together, they each had something to contribute. The RM had the land and road/rail links to facilitate construction and operation of the plant. The City had most of the sewer/water and water treatment infrastructure that Simplot required, and also had available housing and urban services for Simplot's new employees.

The significant economic benefits that would accrue to the region from the Simplot development could be achieved only if the municipalities worked in partnership – which was reflected throughout the negotiation process. Councils continued to embrace this partnership approach in an agreement that recognized the municipalities' respective contributions, and ensured both would benefit from the property taxes paid by Simplot. The tax sharing agreement was structured this way:

- The City and the RM would share, on a 50/50 basis, the general municipal portion of taxes collected on the plant in the RM (excluding local improvement levies). The RM bills and collects taxes from Simplot and remits 50% of the amount to the City.
- The City bills Simplot for costs associated with utility infrastructure and remits 50% of the amount to the RM.

***Tax sharing ensures that revenues are shared equitably.***

***New Commercial and Industrial Development Tax Sharing Agreement***

The municipalities used the momentum of the Simplot discussions to explore other innovative partnerships, and developed another tax sharing agreement.

Tax revenue from all new commercial and industrial properties will be shared between the City and the RM on a 60/40 basis. The municipality hosting the new development receives the larger portion (i.e. 60%) in recognition that it provides municipal services to the property, and remits 40% to the other municipality. The amount of taxes to be shared is determined by multiplying the incremental assessment growth by the lower of the City or RM's general municipal mill rates.

The tax sharing agreement has been in effect for two years now. In 2002 (the agreement's first year), there was commercial/industrial growth only in the RM, which resulted in the RM sharing $26,400 with the City. In 2003 (the agreement's second year), there was commercial and industrial growth in both municipalities, which resulted in the RM sharing $37,544 with the City, and the City sharing $1,199 with the RM.

The RM and the City recognize that economic development benefits not only the municipality but also the region as a whole and that it sometimes requires a contribution from more than one municipality to be successful. Development of these two tax sharing agreements signals that the municipalities are open for business and are willing to create a full service environment to do business in.

***For more information on municipal restructuring, Successful Municipal Practices, and the Tools for Change program, see the Association of Manitoba Municipalities' website, at www.amm.mb.ca.***

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