New Relationships: A New Order

A balanced approach to funding municipal infrastructure in Manitoba

Prepared by the Infrastructure Funding Council (IFC)

May 2011

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Gentlemen:

I am pleased to deliver the report of the Infrastructure Funding Council (IFC) entitled *New Relationships: A New Order, A balanced approach to funding municipal infrastructure in Manitoba.*

I had the great privilege of chairing the IFC for which opportunity I sincerely thank you.

The IFC was mandated with the challenging and complex task of developing recommendations underpinning a comprehensive funding strategy that addresses Manitoba's growing municipal infrastructure deficit, including internal funding options controlled by the municipalities, and external funding options requiring intergovernmental negotiation.

This exercise was clearly a 'Manitoba first' such effort. All Manitobans should be grateful for your leadership and you should be commended for the political courage to launch it.

The challenge for all of us is to develop a framework which addresses the municipal infrastructure deficit amassed over the last 50 years and still permits strategic investments for future growth. The size of the Manitoba's municipal infrastructure deficit is daunting – estimated to reach $13.4 billion in Manitoba within 10 years at current funding levels – but not insurmountable. Just as the problem took time to develop, the solution will require a concerted, sustained and disciplined effort.

The IFC submits that is exactly what Manitobans collectively must do – develop a transparent, accountable, long–term strategy that balances roles and responsibilities for municipal infrastructure amongst the three levels of government.

The IFC proposes 17 recommendations. The approach is three-pronged and proposes a 20-year staged in process, from 2011 to 2030, to implement municipal organizational and efficiency gains, generate the revenue needed to address the infrastructure deficit, and gradually develop new funding relationships. Within this framework, the IFC has identified various revenues sources that could, over the time frame, generate more than $1 billion in annual funding.

Success is dependent upon public support and intergovernmental collaboration. The IFC recognizes that over time, positions on the infrastructure funding policies and approaches may have hardened. The IFC appeals to all Manitobans to open themselves up to the possibilities outlined for public consideration.

By acting now, and with the support from Manitobans, this report can form the basis for a funding blueprint and be a model for all Canadian municipalities seeking resolve and access to sustainable and transparent revenues with which to fund infrastructure. The IFC hopes this report provides a platform for a healthy, vigorous public debate over the mix of measures with which to address Manitoba's municipal infrastructure deficit.

On behalf of the IFC I would like to express appreciation to those who made submissions, presentations or provided insightful advice during the course of our deliberations.

I sincerely thank each IFC members for their time, tireless efforts and countless dedicated volunteered hours to discharge the mandate placed before them. I would be remiss if I did not publicly acknowledge and thank Georges Chartier, Manager of Infrastructure Planning and Tyler MacAfee AMM Director of Policy and Communications, for their indispensible policy and research assistance and to Melodie Richard and John Douglas for their patience as writers in reflecting the IFC thinking and approach.

Respectfully submitted,

Chris Lorenc, B.A., LL.B.,
Chair, Infrastructure Funding Council (IFC)

May 2011

NEW RELATIONSHIPS: A NEW ORDER
A BALANCED APPROACH TO FUNDING MUNICIPAL INFRASTRUCTURE IN MANITOBA

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EXECUTIVE SUMMARY

The challenge of raising the revenues to fund municipal infrastructure projects is not new to Manitoba. To address the current problem, Association of Manitoba Municipalities (AMM) President Doug Dobrowolski and Winnipeg Mayor Sam Katz appointed the Infrastructure Funding Council (IFC) in 2010 to chart a response to the growing infrastructure deficit.

The IFC was mandated with the challenging and complex task of developing recommendations for a comprehensive funding strategy that addresses Manitoba's growing municipal infrastructure deficit, including internal funding options controlled by the municipalities, and external funding options requiring intergovernmental negotiation.

Benchmarks & Objectives
In shaping its report, the IFC relied upon a series of guideposts. Those were the report's Benchmarks and Objectives. Each is outlined in Appendix 'A' for review in advance of considering the report.

Infrastructure Defined
For the purposes of this report, infrastructure means roads (regional, local and lanes), bridges, active transportation facilities, transit facilities, parks, riverbanks, flood protection, buildings (including police, fire paramedic, libraries, pool, arenas, community centers, administration buildings), water and sewage facilities, land drainage facilities, and solid waste facilities. These were further categorized – see Appendix 'C'.

Consultation
The IFC benefited from written submissions and engaged in consultative discussions with a number of organizations and individuals each of which are thanked for their input. They are listed in Appendix 'B'.

Manitoba's Municipal Infrastructure Deficit
The IFC determined that Manitoba's municipal infrastructure challenge is real and not imagined and mirrors in scale that of the rest of the country. The size of the Manitoba's municipal infrastructure deficit is daunting – an estimated to reach $13.4 billion in Manitoba within the next 10 years at current funding levels – but not insurmountable. (See 'Quantifying the Infrastructure Deficit' in Appendix 'C')

Economic Impact
The condition of Canada's municipal infrastructure is one of the keys to underpinning, maintaining and enhancing Canada's economic productivity and competitiveness. Manitoba's municipalities are no exception. A growing Manitoba economy is increasing the pressure on infrastructure that is now servicing populations beyond what they were intended to do.

Urgency
The IFC has developed a series of recommendations that could form a foundation for a comprehensive infrastructure funding strategy. The IFC submits there is an urgent need of a diagnosis of the problem and the development of a "treatment" plan.

The diagnosis is how best we balance the importance of funding infrastructure needed to fuel economic growth in the future, and the need to address the infrastructure deficit of the past.

The IFC offers a series of treatment options for Manitobans to consider. It encourages public consensus and acknowledges there may be a need for a Province-wide referendum on new taxes dedicated to infrastructure.

Manitobans should begin this debate immediately so a final prescription can be determined and implemented within three years.

There is a public policy imperative to devote priority attention to the challenges associated with our municipal infrastructure deficit. The IFC warns that failure to act now saddles the present and future generations with a significant financial burden and unquestionably will lower Manitoba's standard of living and economic growth.

The Approach – Shared, Balanced, Three Pronged, Phased-In

There is no silver bullet to quickly eliminate Manitoba's infrastructure deficit. Based on extensive consultation, submissions from stakeholders and an exhaustive literature search, the IFC proposes 17 recommendations within a three-pronged, staged-in approach to generate organizational and efficiency gains alongside a revenue platform to address the problem.

The IFC report outlines a series of recommendations that, if after broad public consultation are acceptable to Manitobans and decision makers, could improve the situation significantly over a proposed 20 year implementation period between 2011 and 2030. It is a difficult yet realistic approach that challenges municipalities to address efficiencies and practices using existing tools; it suggests redefined fiscal relationships and recommends new revenue streams to help municipalities address their infrastructure deficits ultimately requiring intergovernmental collaboration.

The recommendations are separated into three distinct groups:

1. Recommendations that can be acted upon by municipalities on their own;
2. Recommendations which require provincial agreement, approval and legislation;
3. Recommendations associated with a joint provincial / municipal national strategy to secure the federal government's rightful participation in funding municipal infrastructure investment.

The IFC strongly encourages the following (See 'Summary of Recommendations' on Page 9 for further detail):

1. Municipalities make internal adjustments ranging from maximizing own source revenues, introducing organizational efficiency changes, adjusting delivery models, and implementing related best practices;
2. The Government of Manitoba allocate growth taxes and vacate a further portion of education property taxes dedicated through legislation to municipal infrastruct**u**re; and
3. The Government of Manitoba, the AMM and City of Winnipeg jointly pursue a national strategy petitioning the federal government to a continued and enhanced municipal infrastructure funding role on an **o**ngoing and permanent basis.

Municipalities do not have the legislative capacity to implement a number of the IFC recommendations. Any resolution will inevitably require intergovernmental good will, negotiation and commitment.

Accordingly the IFC recommends that an Implementation Committee appointed by the Government of Manitoba, the AMM and the City of Winnipeg with a mandate to negotiate within one year of its appointment, the terms of a what is referred to in the report as a Manitoba Municipal Infrastructure Funding Agreement (MIFA) based upon this report's recommendations and others arising from such a committee's work.

Looking Forward

The IFC has identified various revenues sources that could, over time, generate more than $1 billion in annual funding – see Appendix 'J'.

The challenge in identifying new revenue streams was to create a virtual circle wherein municipalities are rewarded through their tax structure by focusing on economic growth and decisions that create prosperity, positioning them for the future.

Faced with growing responsibilities, municipalities require additional sources of stable and sustainable revenue. The IFC submits that this can be accomplished by municipalities in part through own source revenues, maximized efficiencies related to their infrastructure planning, focusing on economic growth in their decision making process along with access to growth taxes and an expanded realty tax base.

By shifting the municipal emphasis from generating revenue to generating wealth, the IFC submits that senior levels of governments - Manitoba and the national government in our case - should be more inclined to view municipalities as economic growth partners and provide access to the dedicated revenues needed to fund Manitoba and Canada's municipal infrastructure deficit.

More importantly this paradigm shift will create a simple yet necessary focus upon growing the economy at the municipal, provincial and national levels of government without which, discussions about revenues and revenue sharing, are moot.

Ultimately, the report's recommendations and our collective success in addressing our provincial and national municipal infrastructure deficits are dependent upon broad public consultation, its understanding and support, and intergovernmental collaboration.

One thing is for certain: *the need for this debate is now*. Our infrastructure network is the lifeblood of our economy. It affects our productivity, economic growth, prosperity and our standard of living. Failure to address this issue not only limits the ability of our municipalities to serve a growing population but also creates safety issues to those using our aging infrastructure.

This is a problem born in the past but it must be addressed in the present and the future. An ensuing political, public and stakeholder debate is welcome to move forward a final strategy that will ease the infrastructure burden for future generations. The imperative is to begin the process without further delay.

Respectfully submitted,
Infrastructure Funding Council (IFC)

Chris Lorenc, B.A., LL.B.,
IFC Chair

IFC Members:
Ron Bell
Councillor Jeff Browaty
Jill Vogan, B.A., (Hons) and M.N.R.M.
Cory Young

SUMMARY OF RECOMMENDATIONS

AREAS FOR MUNICIPAL ACTION

The IFC encourages municipalities to implement the following:

Maximize Use of Existing Financial Tools

1. Continue demonstrating financial commitment to the funding of municipal infrastructure, with borrowing levels consistent with Manitoba Municipal Board Guidelines. (Pg. 22)

2. Apply the notion of 'smart debt' within individual municipal context. This approach means building a consensus around an appropriate and sustainable level of tax-supported debt over the long-term, recognizing that borrowing is a legitimate part of any long-term capital financing plan. (Pg. 22)

3. Consider the application of a special purpose tax (frontage fees) specifically allocated to infrastructure funding (Pg. 22)

4. Review user fee structures and adjust where necessary to ensure that there is a clear link between the fee being paid and the service being provided and that these fees reflect the true cost of the service provided. (Pg. 22)

5. Augment current infrastructure budgets equal to an annual average of the last five years and provide for annual increases equal to the rate of inflation and population growth, utilizing existing municipal sources of revenues. (Pg. 23)

6. Publicly set out a clear detailed strategy for addressing the infrastructure deficit including a time frame for the effort, measurable benchmarks, periodic reviews and public accountability for results. (Pg. 23)

Address Efficiencies, Adopt Best Practices and Reinvest Gains into Infrastructure

7. Adopt Best Practices by:
   a. Implementing the recommendations of the 1998 Strategic Infrastructure Reinvestment Policy Report (SIRP) which provides a municipal roadmap to align asset management practices and budgeting – see Appendix 'E' (Pg.23)
   b. Phasing in infrastructure asset management processes and systems to better quantify existing and future infrastructure needs (Pg.23)
   c. Financing infrastructure projects to properly recognize project life and replacement patterns (Pg. 23)
   d. Justifying construction of all new publicly funded infrastructure projects by providing a cost/benefit analysis that incorporates sustainability (Pg.23)
   e. Including incremental maintenance costs and a parallel maintenance budget for new or upgraded infrastructure (Pg.23)
   f. Incorporating advanced techniques, improved technologies, better materials and best practices in all infrastructure programs (Pg.23)
   g. Applying full cost accounting principles to all government services ensuring that the prices for services reflect the true costs of service(s) provided (Pg. 24)
   h. Determining the most cost effective options for all capital programs for new or rehabilitated infrastructure by pursuing life cycle costing analysis (Pg.24)

8. Reinvest resulting efficiency gains/financial savings into priority infrastructure projects. (Pg.24)

Adopt Sustainable Development Practices

9. Municipalities should incorporate ongoing and long term municipal infrastructure planning and investment strategies into their sustainable development plans to ensure congruency of objectives. (Pg.24)

Pursue Rural Regional Infrastructure Delivery Strategy

10. Municipalities outside Winnipeg are encouraged to maximize efficiencies and create a regional focus by delivering infrastructure services in partnership with neighboring municipalities consistent with objectives in the Planning Act and the Capital Region Partnership Act objectives. (Pg. 25)

AREAS FOR MANITOBA'S ACTION

The IFC encourages the Government of Manitoba's support in the following areas:

Amend the Municipal Board Act

11. Amend the Manitoba Municipal Board Act to:

a. Enable municipalities to borrow without approval of the Municipal Board, as long as they remain within established borrowing guidelines; (Pg.23)

b. More clearly enable Municipalities to borrow outside the guidelines, with Municipal Board review and approvals, keeping in mind the Province's interest in the long-term financial sustainability of municipalities; and (Pg.23)

c. Expand definition of 'Municipal Revenues' to include Gas Tax Agreement revenues and other like revenues for the purpose of Municipal Board review of municipal access to revenues. (Pg.23)

Allocate Consumption Taxes to Municipalities Dedicated to Infrastructure

12. Apart from the re-allocation of provincial funding sources announced in the 2011 budget, and subject to any required public approval including a referendum if necessary, allocate the equivalent of an additional 1% of the Provincial Sales Tax (PST) and explicitly dedicate through legislation, revenues associated with all such allocations to core and social municipal infrastructure. (Pg.27)

This additional revenue could be generated though any of the following approaches:

- A new and separate Municipal Infrastructure Levy (MIL)
- Over and above the 2011 budget re-allocation, from within the existing PST framework
- By adding 1% to the PST

If a referendum is required, the municipalities and the Province should jointly participate and support any public education campaign.

Vacate Property Education Tax Room Dedicated to Infrastructure

13. Increase provincial education funding to 80% of net operations (as defined in the FRAME Report) in a staged manner over a three year period thereby phasing out approximately $300 million from the current realty education levy and through appropriate legislation enable municipalities to backfill the tax space vacated by the current education levy with a municipal levy dedicated by legislation for application to municipal infrastructure investment. (Pg. 29)

Create an Equity Reserve Account for Smaller Municipalities

14. Create an *'equity reserve account'* from 5% of the funds raised annually from the new MIL (or its equivalent) and establish access criteria for smaller rural municipalities for the purposes of enabling their participation in locally, regionally or multi-partied prioritized infrastructure programs. (Pg. 29)

PROVINCE OF MANITOBA AND MUNICIPALITIES ARE ENCOURAGED TO:

Develop Winnipeg Capital Region Infrastructure Delivery Strategy

15. The Government of Manitoba and the Winnipeg Capital Region municipalities are encouraged to develop a Capital Regional Strategy which recognizes the importance of the supply and delivery of regional core and social infrastructure services in a fiscally and environmentally responsible and sustainable manner by implementing the recommendations of Transplan 2010 and SIRP Reports and following the principles in the Planning Act and the Capital Region Partnership Act[1]. (Pg. 25)

Pursue Sustained Federal Municipal Infrastructure Funding

16. The Government of Manitoba, the AMM and City of Winnipeg are encouraged to work together and within their national networks including the Council of the Premiers, the Big City Mayors Caucus and the Federation of Canadian Municipalities (FCM), to urge the federal government to renew a national infrastructure strategy that:

a. Permanently transfers to municipalities on an ongoing basis the current $2 billion annual federal Gas Tax Fund and indexes annual increases to a minimum of the annual rate of inflation and population growth. (Pg. 26)

b. Transitions over three years the remaining portion of federal gas tax revenues to municipalities using the existing Gas Tax Agreement framework. At its current level, this would result in an additional $3.2 billion being allocated to Canadian municipalities. In Manitoba, this would provide municipalities with approximately $100 million annually. (Pg. 26)

c. Continues tri-level government infrastructure funding agreements on an on-going and permanent basis to address emerging infrastructure needs and shared priority projects. (Pg. 26)

Establish an Implementation Committee

17. Establish an Implementation Committee whose members are jointly appointed by the Government of Province, the Association of Manitoba Municipalities (AMM) and the City of Winnipeg, and whose terms of reference would require it to develop, within 12 months of their appointment, a Manitoba Municipal Infrastructure Funding Agreement (MIFA) that sets out (amongst other things): (Pg. 30)

a. Criteria to be used by municipalities to access new revenue streams that ensures public transparency and accountability (Pg. 30)

b. A description of the new intergovernmental infrastructure funding relationship taking into account competitive constraints, transitional periods and financial capacity (Pg. 30)

c. A protocol that ensures annual public reporting, project audits and five-year public reviews of Manitoba's infrastructure strategy and progress against a 20-year goal. (Pg. 30)

[1] The Capital Region Partnership Act is designed to create a forum for discussion and the development of regional solutions to issues facing capital region municipalities, including infrastructure development and applies only to the 16 Capital Region municipalities, including Winnipeg.

1.0 INTRODUCTION

The challenge of raising the revenues to fund municipal infrastructure projects is nothing new to Manitoba.

Nearly 75 years ago, Winnipeg Mayor F.E. Warriner appeared before the Federal Royal Commission on Dominion Provincial Relations and described what he called *``the extremely unsatisfactory financial conditions under which Winnipeg operates as a municipality, required by provincial statute to maintain certain services and given only restricted revenues for the purpose of financing said services."* He warned of *"the absolute impossibility of the city being able to continue to function under the existing distribution of responsibilities and revenues."*

Twenty five years later, the 1961 Blake-Goldenberg report on metro financing suggested the 12 municipalities that made up Greater Winnipeg introduce either a metro gasoline tax or a tax on vehicle registrations as an alternative to direct government grants for streets and bridges.

By 1974, greater municipal responsibility for infrastructure works pushed the municipal infrastructure deficit 175% higher than the provincial deficit. The Canadian Federation of Mayors responded by proposing a three point plan that would:

- Reduce the responsibilities of local governments
- Expand transfers from senior governments to the municipalities
- Expand the tax base of local governments

In 2003, then Winnipeg Mayor Glen Murray proposed broadening Winnipeg's access to an array of revenue sources not as a revenue grab, but to shift reliance away from realty taxes to growth based taxes.

Regrettably, notwithstanding the efforts of a succession of mayors over the past 75 plus years, not much has changed relative municipal access to revenue streams. Municipalities are still generally speaking limited to realty and business taxes, user fees, levies and grants from senior levels of government with little or no access to growth based taxation.

IFC Mandate
In light of the above and in an effort to advance the infrastructure deficit debate from size and cost to finding real funding solutions, the Association of Manitoba Municipalities (AMM) President Doug Dobrowolski and Winnipeg Mayor Sam Katz appointed the Infrastructure Funding Council (IFC).

Its mandate was to develop a series of recommendations that could support a comprehensive funding strategy to address Manitoba's growing municipal infrastructure deficit. The IFC was to examine funding options within the control of municipalities and external options requiring intergovernmental negotiation. The IFC was also asked to outline a process for implementing the options.

When developing its recommendations, the IFC balanced the importance of funding infrastructure needed to fuel future economic growth with the need to address the current infrastructure deficit.

Manitoba's Municipal Infrastructure Deficit
For the purpose of this report, the IFC estimates that at current funding levels, Manitoba's combined total municipal infrastructure deficit will grow to $13.4 billion by 2019.

In Winnipeg, the total deficit is $7.4 billion made up of $3.8 billion[2] required to repair or replace existing and aging infrastructure and $3.6 billion[3] to fund new projects. Municipalities outside Winnipeg have a total deficit of $6 billion which includes an estimated $4 billion required now and an addition $2 billion by 2019. (For a full explanation of the deficit, and the underlying problems faced by municipalities, see Appendix 'C').

The IFC is hopeful that this report will help all stakeholders grasp the magnitude of the infrastructure challenge facing Manitoba municipalities and the need to debate the most appropriate options that results in a lasting solution. We look forward to this debate.

2.0 REQUIREMENTS FOR CHANGE

For the better part of a century, municipalities have been required to take on greater responsibility for the restoration and upgrade of existing public infrastructure and finance new infrastructure without corresponding access to revenues. Today, Canada's municipalities have an estimated infrastructure deficit of $238 billion which is comprised of (see Appendix 'C'):

- ***Existing Infrastructure Deficit*** refers to the amount required to rehabilitate or replace 'physically existing' infrastructure assets beyond budgeted levels. Examples include repairing a bridge or rebuilding a road which are unfunded within an existing budget;

- ***New Infrastructure Deficit*** refers to investments in new, projected or anticipated infrastructure assets that do not currently exist or the improvement of existing infrastructure assets, each of which are unbudgeted. This can involve new assets, such as a building, a new park, and/or enhancement of existing assets such as expanding an existing roadway to handle additional capacity; and

- ***Strategic Infrastructure Investments*** refer to unique and unanticipated investment in assets required in special case scenarios to platform new economic strategies or opportunities, such as but not limited to, infrastructure for CentrePort Canada, the Manitoba Theatre Centre (MTC) or the new Winnipeg Football Stadium.

INFRASTRUCTURE AND THE ECONOMY

It is well established that the condition of Canada's municipal infrastructure is one of the keys to underpinning, maintaining and enhancing Canada's economic productivity and competitiveness in North America and internationally.[4]

The World Economic Forum ('the Forum) puts a high priority on infrastructure when developing a competitive national global trading strategy. In its *2010-2011 Global Competitiveness Report*, the Forum said that developing and maintaining an extensive and efficient national infrastructure system was one of the top two priorities for growing a competitive trading economy.

However, after more than 30 years of successfully improving its position relative to its major trading partners, Canada's manufacturing productivity began to decline relative to other G8 countries in the early 1980s. The slide

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[2] Executive Policy Committee, *'Existing Infrastructure Deficit,'* Winnipeg, Manitoba, July 8, 2009.

[3] Executive Policy Committee, *'New Strategic Infrastructure Deficit'* Winnipeg, Manitoba, July 8, 2009.

[4] Brox, James A. "Infrastructure investment: the foundation of Canadian competitiveness." *IRPP Policy Matters*. *9,*2(2008)*:* 3-4 and "Trade, innovation, and prosperity," Institute for Competitiveness & Prosperity (ICAP), September 2010

accelerated over the next 10 years, as leading countries in the Organization for Economic Co-operation and Development (OECD) surpassed Canada.[5] Some research has linked Canada's decline to its failure to maintain its infrastructure.

The link between infrastructure investment and productivity is particularly pronounced when Canada's experience over the last 20 years is compared with the United States. The two countries had similar rates of manufacturing productivity until the early 1990s. However, as infrastructure investment increased in the United States, American productivity continued to improve relative to Canadian rates. By 2008, Canada had fallen significantly behind the United States. Economists now believe that poor infrastructure in Canada has produced transportation delays and reduced national manufacturing productivity rates.

Canadians have enjoyed a consistently high standard of living fueled by strong and sustained economic growth. As a country of traders, the efficient flow of primary and manufactured goods and services to partners outside its borders has been a key factor in Canada's prosperity. This reality not only impacts Canadian trade and tax policies, but also places an even greater importance on maintaining and upgrading a national network of roads, railways and ports. Delays caused by traffic congestion or commodity routing significantly impacts Canada's ability to do commerce and its reputation as a reliable supplier of goods and services.

In its July 2010 report *Public Infrastructure Underinvestment: The Risk to Canada's Economic Growth,*[6] the Residential and Civil Construction Alliance of Ontario predicted that Canada's continued underinvestment in infrastructure will slow economic growth, reduce corporate profitability and cost the average Canadian worker between $9,000 and $51,000 in reduced wages over the course of their career.[7]

Speaking to the National Infrastructure Summit in January 2011, Canadian Construction Association chair Wayne Morsky reported that for every $10 billion invested in municipal infrastructure, 115,000 new jobs were created and Canada's Gross Domestic Product (GDP) expanded by 1.3%.[8]

A 2010 study prepared for the Federation of Canadian Municipalities concluded that Canada's failure to increase investment in infrastructure would reduce future wage increases by half a percentage point annually, and reduce annual real net profits by an average of 0.7%.[9]

While Manitoba's past has relied heavily on the quality of its infrastructure, so too does its future.

Canada is a trading nation with its economy five times more dependent upon trade than that of the United States. Manitoba's is one of Canada's most export-oriented Provinces with manufacturing exports of approximately $13 billion annually accounting for roughly 62% of its economy. Trucking, rail, marine, warehousing, distribution and manufacturing are all dependent upon and support trade and account for roughly 100,000 jobs in Manitoba. And with 64% of the provincial GDP, Winnipeg accounts for the dominant share of trade-related jobs.

While a large part of Manitoba's infrastructure system is nearing the end of its natural life, the need to rehabilitate existing works and build new systems has been compounded by safety concerns and continued

[5] Brox, IRP: August 2009 www.irop.org/pm/archive/pmvol9no2.pdf

[6] Public Infrastructure Underinvestments: The Risk to Canada's Economic Growth, July 2010 http://www.rccao.com/news/files/RCCAO_Report_JULY2010_LOWRES.pdf

[7] http://www.newswire.ca/en/releases/archive/July2010/15/c4517.html

[8] Morsky, Wayne 2011 National Infrastructure Summit http://www.cca-acc.com/news/ccanews/WayneNISReginaSpeech2011.pdf

[9] Risk Analytica, *Public Infrastructure Underinvestment: The Risk of Canada's Economic Growth*, 2010

economic expansion. The recent catastrophic bridge failures in Quebec and Minneapolis and the bridge shut down on Highway #1 immediately east of Portage la Prairie, illustrate the real safety risk municipalities face with aging infrastructure renewal.

A growing Manitoba economy is increasing the pressure on infrastructure that is now servicing populations beyond what they were intended to do.

In Winnipeg for example, after limited population growth in the 1990s and early 2000s, the city has resumed a modest to strong population growth of about 1.2% per year. This has had a significant impact on infrastructure demands both from a residential use as well as an economic needs perspective. Over the past decade, Winnipeg's population as increased by 50,000 people and the capital region is expected to grow by more than 200,000 over the next 22 years.

In order to support this kind of economic expansion, Winnipeg must have a plan to support the renewal and expansion of its infrastructure system that facilitates and supports an efficient economy and economic growth.

How well Canada and Manitoba renew their current infrastructure and finance new construction over the next 10 years will dictate how well they maintain their competitive advantage and grow their economies.

3.0 BRIDGING THE GAP: FEDERAL AND PROVINCIAL INFRASTRUCTURE CONTRIBUTIONS

The recent economic downturn created a focus – and the political will at all levels of government – to increase infrastructure investments in Canada. The economic stimulus benefits of such investments included:

- Every $1 billion invested in municipal infrastructure created 11,500 new jobs
- Each dollar invested in municipal infrastructure returned roughly 35 cents back to governments in the form of sales and income taxes
- A $1 net increase in infrastructure investment generated approximately 17 cents in private sector cost savings.[10]
- An increase in municipal infrastructure investments of $1 billion in 2008 increased the size of the real economy by roughly 0.13 percent or $1.3 billion.[11]

With stimulus funding ending and the federal Building Canada program wrapping up in 2014, the challenge for municipalities is to continue the momentum. What is clear is that municipalities require ongoing partnership with the two senior orders of government. As stated by Winnipeg Mayor Sam Katz, "*We're facing a problem and we need to find a solution at all levels of government. Municipalities cannot do it on their own*."[12]

Federal and provincial contributions toward infrastructure investments in Manitoba communities have significantly increased over the last six years and the improvements are observable. The programs have also leveraged further private sector funding on strategic programs to grow the economy, and improve the efficiency of international cargo by road, rail and ship. In total, $460 million was provided to key projects that included

[10] http://www.statcan.gc.ca/pub/11f0027m/11f0027m2003017-eng.pdf
[11] FCM data cited from AMM, "The Core Challenges for Municipalities" http://www.amm.mb.ca/documents/TheCoreChallengesforMunicipalities.pdf
[12] Agrell, Siri *Canada's big-city mayors are wondering: After the stimulus, what's next*, Globe and Mail, March 17, 2011

CentrePort Canada Way, Port of Churchill, Hudson Bay Rail Rehabilitation, Emerson Highway 75, and Trans-Canada Highway and Yellowhead Highway Interchange.[13]

FEDERAL INITIATIVES

Just seven years ago, federal investment in the country's infrastructure was $125 million. In fiscal 2010, Ottawa expected to dedicate $9 billion to municipal infrastructure.[14] Beginning in 2005, the federal government diversified the sources of infrastructure monies with a three-pronged approach including:

- A 10-year Goods and Service Tax (GST) rebate (valued at $7 billion over its lifetime)
- A five-year Municipal Rural Infrastructure Fund (valued at $1 billion over its lifetime)
- A sharing of Gas Tax revenues (was announced as a five-year, $5 billion program but is now permanently established at $2 billion annually)

The central piece of the federal initiatives has been the Building Canada Plan. When announced, the seven-year plan was to distribute $33 billion to municipalities across Canada through 2014. The plan was augmented by a further $11 billion in 2009 from the Economic Stimulus Fund to help combat the economic impact of the global recession.

In addition to supporting specific projects through its infrastructure programs, Ottawa has also developed initiatives that are helping Manitoba municipalities revitalize infrastructure priorities including:

- A full rebate of all federal GST paid by municipalities. In 2010, this amounted to $22.8 million[15]
- The sharing of the federal gas tax has grown to $66.9 million/year[16]

PROVINCIAL INITIATIVES

The provincial government provided $219 million to Winnipeg and $84 million to municipalities outside of Winnipeg in fiscal 2010[17] through a number of programs to fund infrastructure priorities. A large portion of this funding (in the case of Winnipeg three-quarters) supports ongoing operations and only a portion supports direct infrastructure renewal.

The central piece of provincial support was the Building Manitoba Fund, a unique income and fuel tax sharing program that provided municipalities with limited access to provincial tax revenues that grow with the economy.

The 2010 total financing of $158.5 million through the Building Manitoba Fund was equal to 4.15% of provincial income tax, two cents per litre of provincial gasoline tax, and one cent per litre of provincial diesel fuel tax. The allocation provided Winnipeg with $103.2 million and municipalities outside of Winnipeg with $55.3 million for roads, transit, public safety and other municipal infrastructure priorities.

In addition to the above funding, the provincial government provided matching grants to many of the federal stimulus programs. Municipalities outside Winnipeg received provincial support through the Community Places Program and the Manitoba Water Services Board which funds land drainage and related investments and offers valuable expertise and cost savings in the design and implementation of projects.

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[13] http://www.canadasgateways.gc.ca/docs/centreport-final.pdf

[14] Federation of Canadian Municipalities, *Municipal Infrastructure: The View from Ottawa*, presentation to IFC, July 2010

[15] http://www.cra-arc.gc.ca/gncy/gsthstrbmn/2010/mb-eng.html

[16] Business Council of Manitoba, *Urban Affairs in Manitoba – The Issues*, September 2010

[17] Manitoba Local Government Webpage http://web5.gov.mb.ca/mfas/grants_payments_fund.aspx

Manitoba is the first Province in Canada to enable municipal access to Tax Increment Financing (TIF), an innovative financing tool that redirects incremental property tax revenue to support development and revitalization in municipalities. In jurisdictions outside Canada, TIFs are used as leverage to initiate and finance infrastructure benefitting the community at large that would otherwise not have been possible. When offered at both the municipal and provincial level, a TIF can become a significant financing source to enhance public investment in development.

In its 2011 budget, the Province announced it would provide Manitoba municipalities with revenue equal to a minimum 1% of the existing Provincial Sales Tax (PST) towards municipal infrastructure and transit. This is a repackaging of existing programs and effectively adds very little new funding to existing programs. It does, however, begin to acknowledge the policy imperative for legislatively dedicated, transparent and accountable funding with which to address the municipal infrastructure deficit.

MUNICIPAL COST SHARING CHALLENGES

Given the magnitude of the infrastructure deficit in Manitoba, cost sharing programs are necessary and beneficial. In fact, demand by municipalities for access to funding from some programs such as the Municipal Rural Infrastructure Fund (MRIF) and the Building Canada Fund is typically five times greater than the total pool of funds available.

The temporary nature and changing criteria of provincial programs also create challenges for larger municipalities because there is no certainty that a project will qualify for funding or if the program will even be available when the need is greatest.

In rural Manitoba, smaller municipalities are challenged even more because they are often unable to take advantage of infrastructure programs designed to respond to major initiatives like water and wastewater upgrades or regional recreation complexes. To access most of these programs, each order of government is required to commit one-third of the funding needed for the specific project, and in some cases more. However, current municipal borrowing guidelines can make it difficult for many rural municipalities to raise the required capital to participate.

The 197 municipalities outside Winnipeg currently have an unused borrowing capacity of about $600 million.[18] On the surface this appears significant but the available debt capacity[19] varies across the Province. One community has the capacity to access $35 million in unused borrowing capacity; another is currently over-extended by $5 million.

While borrowing remains a tool to be judiciously used for those municipalities with access to unused debt capacity, the majority of municipalities outside Winnipeg do not have the financial capacity to address their infrastructure needs, stay within borrowing limits and access provincial programs to fund these projects.

Municipalities also have access to financing for capital projects through general borrowing or through a local improvement plan that can be applied to all or part of the municipality. By law, the Manitoba Municipal Board must approve all borrowing,[20] a process which involves additional time and expense to municipalities. Many

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[18] As provided by Manitoba Local Government.

[19] There are two measures for capacity – 7% of total assessment or 20% of total revenues. This is a guideline used by the Municipal Board and it is consistent with other jurisdictions.

[20] The Municipal Board's primary consideration is the long-term financial sustainability of municipalities. This recognizes the Province's interest in the long term financial sustainability of municipalities, as the Province would assume responsibility for those municipalities which are not longer financially viable.

municipalities believe that the Municipal Board process has become cumbersome and impedes infrastructure decisions.

Similarly, municipalities are challenged by the timing and costs of engineering assessments, environmental impact studies, and other provincial and federal requirements needed for infrastructure projects to be considered and approved. Currently, all these approvals are requisite for a municipal application to be advanced for national and provincial funding, resulting in hundreds of thousands of dollars in expenditures with no guarantee of successful funding.

4.0 PRINCIPLED DECISION MAKING

Principled decision making - including tough choices - requires transparent criteria and their consistent application. The IFC focuses on options and strategies considered forward thinking and addressed Manitoba's competitiveness needs. The IFC submits that this is best accomplished with a mixture of existing and new tax tools.

Principles of a Good Tax Design
A good tax system must balance various, sometimes competing objectives. The IFC relied upon the following tax principles to guide its discussions and recommendations:[21]

- **An objective of the tax system should be able to generate sufficient revenue** - It should judiciously raise sufficient revenues to reasonably ensure ability to meet obligations.

- **The tax system should be competitive and be perceived to be competitive with other jurisdictions** - Tax competitiveness is an imperative as the national and world economies are increasingly inter-connected, and businesses and people alike can migrate to jurisdictions that provide better economic returns.

- **The tax system should be equitable and levy taxes in a fair manner**. - There are two fairness principles usually applied:

    - Horizontal Equity - persons in similar circumstances should be treated similarly
    - Vertical Equity - persons with a greater ability to pay taxes should pay a proportionately greater amount of taxes (a progressive system).

- **A tax system should be efficient** - An efficient tax system has minimal impact on decision-making whether by businesses or individuals.

- **A tax system should be transparent** - The underlying purpose and principles behind the tax system should be clearly identified. It should be clear what is being taxed, who is liable, and how their liability is calculated.

- **A tax system should be accountable** - The same political entity is responsible both for raising taxation revenues and accountable for their expenditure (either directly or through funding agreements).

[21] Principles were compiled from a variety of sources including those proposed by the Business Council of Manitoba and the Asper School of Business *Tax Commission Report*, February 2010.

- **A tax system should minimize administrative and compliance costs for both the government and the taxpayer** - The tax system should be sufficiently simple so that taxpayers understand the rules and comply with them correctly and in a cost efficient manner.

- **A tax system should encourage sustainable development, resource conservation and support environmental principles including pollution prevention.**

5.0 INFRASTRUCTURE FUNDING – TOOLS AND IFC OVERVIEW

Over the past two decades, municipal governments have increasingly taken on more responsibility for financing, construction, maintaining, rehabilitating and building new infrastructure. Today, as in Canada, more than half of the infrastructure in Manitoba is the responsibility of the province's municipalities.

However, while the municipal role has grown, the municipal revenue tools and fiscal environment has become more constrained. Adding further complication is Manitoba's geographical size and the varied populations of its 198 municipalities which pose a real challenge when developing a new fiscal model and revenue tools. Nearly half of Manitoba's municipalities have fewer than 1,000 residents and some cover land masses larger than entire countries. As a result, solutions must be as diverse as the territory it affects.

The Canada West Foundation report '*New Tools for New Times'* warned governments to resist the temptation to select only one or two revenue tools when looking to fund infrastructure. It suggests that "*if innovative infrastructure finance is to be successful, governments must carefully assess their infrastructure needs, scan the list of available tools, and then put into play those tools that offer the best solutions for financing, funding and delivery*."[22]

The IFC reviewed internal and external revenue options and then utilized the "Principles of a Good Tax Design" to develop the comparative table in Appendix 'D'. The comparative assessment of the tax tools below helped form the basis of our recommendations:

- **Frontage Levy –** A special purpose tax charged separately from other property taxes. Winnipeg's Charter requires Council to state the purpose of the tax. Its calculation is based on the extent to which a property fronts or abuts a street with water or sewer mains.

- **Municipal sales tax –** The Business Council of Manitoba recently proposed a special municipal infrastructure levy equal to adding 1-cent to the PST for a 10 year period. The levy would provide Manitoba's municipalities $238 million (and grow) that could only be used for infrastructure priorities approved by the Province and municipalities. Allocation decisions would be publicly reported.

- **Vehicle Registration Fees** – These act as a generalized benefit tax because the number of vehicles relates to the demand for expenditures on roads, emergency services, and policing. These fees would be above the annual provincial levies applied to all vehicles. A 50% surcharge upon existing fees could generate $64 million to municipal infrastructure programs across Manitoba.

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[22] Vander Ploeg, Casey New Tools for New Times: A source book for the finance, funding and delivery of urban infrastructure Canada West Foundation http://www.canadascities.ca/pdf/2006_CWF_New_Tools_for_New_Times.pdf

- **User Fees –** Pricing municipal services provided to citizens should provide a clear link between benefits received and fees paid. User fees have been implemented for water and sewer services, public transit, solid waste collection and disposal as well as public recreation and libraries.

- **Smart Debt Financing –** Smart debt recognizes that borrowing is a valid form of infrastructure financing and provides broad parameters on how municipalities should borrow. It recognizes that not all capital projects are equally well-suited for tax-supported debt financing. Some large projects are difficult to do on a cash basis. But with additional revenues, a component can be used to pay the borrowing costs providing municipalities the ability to build larger projects like a bridge, a rapid transit system or a large building. Smart debt requires municipalities to identify a sustainable borrowing threshold or some notion of optimal debt relative to future operating budgets and anticipated growth.

- **Public Private Partnerships (P3) –** These provide a legal framework between a government and business partners to design, build, manage, operate and maintain an asset and /or the delivery of services. They allocate responsibilities and risks amongst the partners proportionate to capacity and ability. Government remains actively involved throughout the project's life cycle. The private sector is responsible for the more commercial functions such as project design, construction, finance and operations. P3s are increasingly becoming a common financing tool for large infrastructure projects.

- **Tax Increment Financing (TIF)** – TIFs allow for all or a portion of the incremental municipal revenues arising from a defined municipal development to support the investment and community benefit rather than relying on general municipal revenues and its competing priorities. This is usually an option when the revenues generated by the infrastructure investment can be easily understood and predicted.

- **Municipal Property Tax** – Property taxes are levied on property owners. The amount paid is calculated by applying municipal and school mill rates against the portioned uniform assessment of the property. In Winnipeg, a one per cent increase in property taxes generates an additional $4.3 million of revenue. When calculating taxes in Manitoba, one mill represents $1 of taxes for every $1,000 of portioned assessment.

IFC ASSESSMENT OVERVIEW

Frontage Levies, Municipal Sales Tax, Vehicle Registration fees, User Fees

The IFC has assessed that frontage levies, municipal sales tax, vehicle registration fees and user fees respect the stated tax principles and also clearly link the user to the benefit. They are therefore recommended. There is also capacity within the existing measures to upwardly adjust revenues in a transitioned manner. If, for example, frontage levies ($1.00 per front foot), a municipal sales tax and vehicle registration fees were adopted or expanded further, the total revenue that could be generated over time totals more than $300 million.

Smart Debt, P3's, Tax Increment Financing (TIFs), Municipal Property Taxes

There is merit in smart debt financing, P3's, tax increment financing and municipal property taxes. All matched well against the taxation principles and provide sufficient transparency between the infrastructure user and benefit received. There are also limitations and without expansion of the existing realty tax base, these measures were not viewed as favourably as the first group. It is worth noting that each taxation measure has unique attributes that can be favourable to municipalities under the right circumstances.

While TIFs are used extensively in the United States to fund infrastructure projects, they are only now emerging as a viable financing tool in Manitoba. Winnipeg has used TIFs to develop its Exchange District, the Seasons of Tuxedo Development (IKEA) and the new football stadium. The IFC recommends the use of TIFs.

Municipal Borrowing
Municipalities should continue to borrow to fund infrastructure which spans several generations. While some might argue that a city free of debt is good public policy, it is not when the infrastructure that supports a community's current and future economic success is allowed to deteriorate.

User Fees
The IFC encourages municipalities to ensure that user fees reflect the true cost of the service being provided. When they fail to do so, there is no incentive to conserve or modify consumption. Subsidized, inexpensive water, hydro or natural gas encourages overuse and waste. Properly priced services persuade smarter consumption which slows infrastructure deterioration, extends asset life cycles and delays capital expenditures.

Other Tools
The IFC also reviewed an extensive list of alternative or innovative revenue sources considered in a variety of sources and reports - see Appendix 'F' to 'H' inclusive. Many of these are viewed as reasonable secondary sources of revenue with which to augment an existing and expected municipal share as part of the proposed solution, but not the primary ones which form the basis of the IFC's fiscal plan approach.

IFC Preference
The IFC endorses a tax structure which is transparent, serves a defined public purpose(s) and is seen to be accountable. Furthermore, any solution should:

- Be a toolbox of diversified revenue sources to provide individual municipalities with the flexibility to address their unique needs
- Not focus simply on increasing current revenue sources as they will result in only small incremental revenue gains and result in taxpayer fatigue and not address the revenue shortage problem
- Should provide municipalities with access to elastic, growth-based revenue streams inducing a pronounced municipal focus on decisions to grow the economy with increasing reliance on progressive tax measures

The IFC recommendations were also tested against their applicability to Manitoba municipalities.

In the balance of the report, the goal was to develop a toolbox that would have considerable potential to benefit the majority of municipalities by improving efficiencies on one hand and increasing their capacity to access multiple revenue sources on the other.

6.0 INTERNAL INFRASTRUCTURE FUNDING OPTIONS

Funding options cannot focus solely on access to new revenue streams. There should be a clearly accompanied focus on improved practices and methodologies which result in visible gained efficiencies. This should be accompanied by a clear and determined focus by municipalities in their decision making on growing the economy, without which, talk of revenues is moot.

To accomplish this, municipalities are encouraged to re-engineer their internal practices, embrace innovation, welcome regional service delivery models, commit to sustainable development practices, and improve governance in all its related respects to further enhance transparency and accountability to taxpayers.

In short municipalities should:

1. Maximize use of existing municipal infrastructure funding tools
2. Improve internal infrastructure investment management and planning efficiencies
3. Adopt sustainable development plans
4. Pursue regional service delivery efficiencies
5. Focus decision making on growing the economy

Municipal Financial Tools

The IFC recognizes that there are a limited number of financing options for cities, towns and municipalities to respond to the current infrastructure situation including:

- **Retreat –** Municipalities withdraw from existing infrastructure projects and support and focus only on core responsibilities and priorities

- **Pay-as-you-go Financing** – Municipalities put money aside each year within their budget to cover annual capital programs or road maintenance, sidewalk repairs and the upkeep of facilities

- **Debt Financing** – Municipalities issue bonds, debentures or another debt security

- **Taxation Funding** – Municipalities use property tax and capital grants to fund infrastructure needs

- **User Pay Funding** – Municipalities price services that they provide to consumers

- **Private Sector Involvement** – Enhance collaboration strategies with the private sector related to the design, construction, delivery and maintenance of infrastructure assets in a manner which fairly apportions the risk and shares rewards.

IFC RECOMMENDATIONS – Maximize Use of Existing Financial Tools

The IFC recommends that Municipalities:

1. Continue demonstrating financial commitment to the funding of municipal infrastructure, with borrowing levels consistent with Manitoba Municipal Board Guidelines.

2. Apply the notion of ‘smart debt’ within individual municipal context. This approach means building a consensus around an appropriate and sustainable level of tax-supported debt over the long-term, recognizing that borrowing is a legitimate part of any long-term capital financing plan.

3. Consider the application of a special purpose tax (frontage fees) specifically allocated to infrastructure funding.

4. Review user fee structures and adjust where necessary to ensure that there is a clear link between the fee being paid and the service being provided and that these fees reflect the true cost of the service provided.

5. Augment current infrastructure budgets equal to an annual average of the last five years and provide for annual increases equal to the rate of inflation and population growth, utilizing existing municipal sources of revenues.

6. Publicly set out a clear detailed strategy for addressing the infrastructure deficit including a time frame for the effort, measurable benchmarks, periodic reviews and public accountability for results.

The IFC further recommends that the Province of Manitoba assist in facilitating the maximum use of municipal fiscal tools by taking the following steps:

IFC RECOMMENDATION – Manitoba encouraged to Amend the Municipal Board Act

7. The Government of Manitoba is encouraged to amend the Manitoba Municipal Board Act to:

a. Enable municipalities to borrow without approval of the Municipal Board, as long as they remain within established borrowing guidelines;
b. More clearly enable Municipalities to borrow outside the guidelines, with Municipal Board review and approvals, keeping in mind the Province's interest in the long-term financial sustainability of municipalities; and
c. Expand definition of Municipal revenues to include Gas Tax Agreement revenues and other like revenues.

EFFICIENCY GAINS & BEST PRACTICES

Municipal leaders do and should continue their quest towards improved efficiencies in order to provide better value for the existing tax dollars they collect and invest. Efficiency gains create additional fiscal flexibility and the opportunity to reinvest these "savings" to further infrastructure programs.

The IFC identified a number of best practices which if implemented may enable some municipalities' greater fiscal investment flexibility.

IFC RECOMMENDATIONS –Address Efficiencies, Adopt Best Practices and Reinvest Gains Into Infrastructure

The IFC recommends that municipalities be encouraged to review the manner in which the following practices could be implemented:

8. Adopt Best Practices by:

a. Implementing the recommendations of the 1998 Strategic Infrastructure Reinvestment Policy Report (SIRP) which provides a municipal roadmap to align asset management practices and budgeting – see Appendix 'E'
b. Phasing in infrastructure asset management processes and systems to better quantify existing and future infrastructure needs
c. Financing infrastructure projects to properly recognize project life and replacement patterns
d. Justifying construction of all new publicly funded infrastructure projects by providing a cost/benefit analysis that incorporates sustainability
e. Including incremental maintenance costs and a parallel maintenance budget for new or upgraded infrastructure
f. Incorporating advanced techniques, improved technologies, better materials and best practices in all infrastructure programs

g. Applying full cost accounting principles to all government services ensuring that the prices for services reflect the true costs of service(s) provided [23]
h. Determining the most cost effective options for all capital programs for new or rehabilitated infrastructure by pursuing life cycle costing analysis

9. Reinvest resulting efficiency gains/financial savings into priority infrastructure projects.

MAKING INFRASTRUCTURE MORE SUSTAINABLE

In Manitoba, municipal development plans are required by legislation (under the *Planning Act and The Sustainable Development Act*) to incorporate the principles of sustainable development. Municipalities are required to balance social, economic and environmental costs and benefits when revitalizing existing infrastructure and constructing new infrastructure.

Infrastructure development should incorporate sustainable practices and green technologies that reduce the environmental footprint of municipalities. This balancing of costs and benefits ensures that the needs of today do not come at the expense of future generations.

IFC RECOMMENDATION–Adopt Sustainable Development Practices

The IFC recommends that:

10. Municipalities should incorporate ongoing and long term municipal infrastructure planning and investment strategies into their sustainable development plans to ensure congruency of objectives.

PURSUING REGIONAL INFRASTRUCTURE EFFICIENCIES

The notion of regional collaboration is not new to municipal thinking but its importance should take on a greater sense of policy priority and urgency. Winnipeg on an increasingly frequent basis now engages in discussions with capital region neighbors on the delivery of services.

Across Manitoba, the AMM has invested time encouraging municipalities to work regionally. It has supported this initiative with a *"Tools for Change"* program in partnership with the Province, aimed at encouraging regional thinking. [24]

Key stakeholders recognize the value of regional service delivery. As an example, a 2010 transportation and infrastructure brief prepared by the Winnipeg Chamber of Commerce pointed out that "a regional approach to transportation and infrastructure planning (that) will provide a capital region plan that leverages regional investment and provides more efficient outcomes.''[25]

The Manitoba Planning Act[26] authorizes boards or councils of two or more planning districts or municipalities to develop a regional strategy covering the area within their jurisdiction. The purpose of a regional strategy is to improve and co-ordinate land use and development in the region and promote co-operation between planning districts and municipalities in the delivery of services and development of infrastructure in the region.

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[23] See '*ND Lea, Cost Benefit Analysis for Waverly West, 2004'* provides a good framework around which principles in items 3, 4, 5, 7 and 8 can be developed.

[24] (http://www.amm.mb.ca/res_tools.html)

[25] Winnipeg Chamber of Commerce, *Transportation and Infrastructure*, October 2010

[26] http://web2.gov.mb.ca/laws/statutes/ccsm/p080e.php

This approach better coordinates and unifies approaches within a geographic area and can provide better tax value because municipalities can accelerate investment opportunities. It reduces costs by sharing resources and improving efficiencies through a uniform approach. Municipalities can then tackle larger scale projects by pooling financial and human resources.

IFC RECOMMENDATION – Pursue Rural Regional Infrastructure Delivery Strategy
The IFC recommends that:

11. Municipalities outside Winnipeg are encouraged to maximize efficiencies and create a regional focus by delivering infrastructure services in partnership with neighboring municipalities consistent with objectives in the Planning Act and the Capital Region Partnership Act objectives.

IFC RECOMMENDATION - Develop Winnipeg Capital Region Infrastructure Delivery Strategy

12. The Government of Manitoba and the Winnipeg Capital Region municipalities are encouraged to develop a Capital Regional Strategy which recognizes the importance of the supply and delivery of regional core and social infrastructure services in a fiscally and environmentally responsible and sustainable manner by implementing the recommendations of Transplan 2010 and SIRP Reports and following the principles in the Planning Act and the Capital Region Partnership Act[27].

7.0 EXTERNAL INFRASTRUCTURE FUNDING OPTIONS

FEDERAL AND PROVINCIAL GOVERNMENT ROLES
It is well established that that the condition of Canada's municipal infrastructure is one of the keys to underpinning, maintaining and enhancing Canada's economic productivity and competitiveness in North America and internationally. Municipalities host much of Canada's economic engines.

It is therefore clearly in the national and provincial interests for the federal and provincial governments to institute permanent and sustainable programs in partnerships involving the municipalities with which to address reinvestment in Canada's municipal infrastructure.

In such a tri-level partnership, municipalities should at the outset be involved in federal-provincial funding decisions impacting local municipal infrastructure. The IFC supports bi-level and tri-level agreements that include defined roles and responsibilities for each partner.

While this report focuses primarily on the ability by municipalities – alone and with the assistance of the Province – to generate the revenues needed to fund their infrastructure deficits, the IFC submits that there is a necessary place and role for further federal funding on a national basis and in partnership with the other two levels of government.

Public opinion research shows that Canadians understand that the condition of the country's infrastructure can impact its competitiveness, growth and the standard of living that its citizens enjoy. In fact, most Canadians

[27] The Capital Region Partnership Act is designed to create a forum for discussion and the development of regional solutions to issues facing capital region municipalities, including infrastructure development and applies only to the 16 Capital Region municipalities, including Winnipeg.

believe Ottawa should be part of the infrastructure deficit solution, and want this to be a federal priority over the next 10 years. Research shows: [28]

- Most Canadians believe that Canada's infrastructure investment is falling behind other countries and that this will threaten their personal prosperity in the future
- Canadians believe that two areas should be protected from federal spending cuts – health care and municipal infrastructure
- Canadians believe that improving local infrastructure (57%) would have a greater impact on their quality of life than tax cuts (45%)
- Two thirds of Canadians would support an increase in the GST if it were dedicated to local infrastructure
- Canadians believe that the country's aging infrastructure is as big a national issue as the federal deficit

As the state of the country's infrastructure represents a key barometer of the country's economic strength, Canadians want a strong federal government that provides leadership and direction.

IFC RECOMMENDATION– Pursue Sustained Federal Municipal Infrastructure Funding

The IFC recommends the following:

13. The Government of Manitoba, the Association of Manitoba Municipalities (AMM) and City of Winnipeg are encouraged to work together and within their national networks including the Council of the Premiers, the Big City Mayors Caucus and the Federation of Canadian Municipalities (FCM), to urge the federal government to renew a national infrastructure strategy that:
   a. Permanently transfers to municipalities on an ongoing basis the current $2 billion annual federal Gas Tax Fund and indexes annual increases to a minimum of the annual rate of inflation and population growth.
   b. Transitions over three years the remaining portion of federal gas tax revenues to municipalities using the existing Gas Tax Agreement framework. At its current level, this would result in an additional $3.2 billion being allocated to Canadian municipalities. In Manitoba, this would provide municipalities with approximately $100 million annually.
   c. Continues tri-level government infrastructure funding agreements on an on-going and permanent basis to address emerging infrastructure needs and shared priority projects.

As is the case with the federal *Gas Tax Agreement*[29] the IFC submits that federal funds should be dispersed primarily on a per capita basis without ignoring larger strategic needs. Accountability should be ensured through annual municipal reporting on how the funds invested and what outcomes were achieved. These programs should be subject to periodic arms length "value-for-dollar" reviews.

Provincial Government's Role

If municipalities are to be empowered to address their infrastructure needs then the current revenue streams provided by existing provincial legislation respectfully are inadequate.

For example, if municipalities were to use property taxes to raise the funds needed to address their infrastructure deficits, municipal property tax bills in Manitoba would likely need to triple.

[28] *The Strategic Counsel survey of 2,168 Canadians proportional to the adult population in all regions completed in January 2010 and reported in Cities, Communities and the Federal Budget Deficit*, **http://www.fcm.ca//CMFiles/SurveyReportJan192010EMBARGOED1JBG-1202010-2986.pdf**

[29] The AMM cited the Gas Tax Agreement program administration is well accepted and embraced by Manitoba's municipalities.

In identifying pools of revenue that could help municipalities address their infrastructure deficits, the IFC recognized a number of challenges including:

- The political and economic ramifications of major changes to the tax system
- The complexity of transitioning existing revenue levies from one jurisdiction to another
- The challenges of introducing new taxes

To bridge these challenges, the IFC submits that any new revenue streams be transparent, accountable to the public and dedicated by legislation only to municipal infrastructure investment. They should also be transitioned and done so only after broad public consultation or public referendum led by municipal and provincial leaders.

Allocate Consumption Taxes to Municipalities
Taxes based upon growth and consumption, such as corporate and personal income, sales and the goods and services taxes, are progressive. They are a more equitable way to achieve the vertical and horizontal fairness objectives in a properly structured tax system. They provide access to the benefits of economic growth and encourage a focus on growing the economy.

An over-reliance on grants and transfers has left municipalities struggling to meet the growing infrastructure demand. Transfers also do not provide the transparency taxpayers need to hold their municipalities accountable.

In Manitoba, the current PST raises roughly $238 million for each point of tax. Since being introduced in 1991, the federal GST it has been reduced twice leaving room for either the Provinces, or by agreement, the municipalities to access this tax space.

In its February 2011 budget submission to the provincial finance minister, the Business Council of Manitoba called for a 1% sales tax to fund infrastructure construction for a period of 10 years. The Council said this new support should be incremental to existing infrastructure funding that municipalities receive. The Business Council undertook to support the change should a Province-wide referendum be required.

Last year, the Winnipeg Chamber of Commerce recommended a fiscal realignment that included "some consumption tax room to allow for the establishment of a city sales tax. The City sales tax should be dedicated to fund certain elements of the infrastructure strategy."[30]

Public opinion research suggests that infrastructure is a major priority for nine-in-ten Manitobans [31] and that more than half (54% of Manitobans and 51% of Winnipeggers) would support a 1% Municipal Infrastructure Levy (MIL) that was dedicated to infrastructure renewal projects. An MIL collected in the same manner as the PST must be approved in legislation by the Province, as municipalities do not have the authority into introduce this type of tax.

IFC RECOMMENDATION – Allocate Consumption Taxes to Municipalities Dedicated to Infrastructure
The IFC recommends that the Government of Manitoba address the following:

14. Apart from the re-allocation of provincial funding sources announced in the 2011 budget, and subject to any required public approval including a referendum if necessary, allocate the equivalent of an additional 1% of

[30] Transportation and Infrastructure Brief, Winnipeg Chamber of Commerce, October 2010
[31] Association of Manitoba Municipalities survey, 2008 http://velocitybranding.com/mhca/images/reportsarticles_pdf/probereportinfrastructure.pdf

the Provincial Sales Tax (PST) and explicitly dedicate through legislation, revenues associated with all such allocations to core and social municipal infrastructure.

This additional revenue could be generated through any of the following approaches:

- A new and separate Municipal Infrastructure Levy (MIL)
- Over and above the 2011 budget re-allocation, from within the existing PST framework
- By adding 1% to the PST

If a referendum is required, the municipalities and the Province should jointly participate and support any public education campaign.

Vacate Property Education Tax

Education falls under provincial jurisdiction but Manitoba's municipalities collect $669 million in net property tax on its behalf each year (see Figure 1). This structure does not provide the transparency to taxpayers in that there is no link between what is being taxed and who is accountable for its expenditure.

Figure 1: Total Net Education Property Tax

2009 Budget, Dollars in Millions	**FRAME Report All MB**	**City of Winnipeg**	**Rest of Manitoba Municipalities**
Provincial Education Support Levy	$127	$76	$51
School Division Property Tax	$703	$399	$305
Total Gross Education Property Tax	**$830**	**$474**	**$356**
		57%	**43%**
Minus Provincial Education Tax Credit	$161	$108	$53
Total Net Education Property Tax	**$669**	**$367**	**$303**
		55%	**45%**
2009 Budget, $ in millions			
Total Net Revenue from Education Property Tax	$669	$367	$303
Current Municipal Property Tax Revenues	$715	$429	$287
Total Funding from Property Taxes on Net Basis	**$1,385**	**$795**	**$590**

Sources: Manitoba Education, the Financial Reporting and Accounting in Manitoba Education (FRAME Report) http://www.edu.gov.mb.ca/k12/finance/frame_report/index.html and the City of Winnipeg's 2009 Annual Financial Report

Currently a number of Provinces – Prince Edward Island, New Brunswick and Newfoundland – have eliminated education tax from municipalities' residential property tax[32] . Saskatchewan has also been reducing its education portion on the municipal property tax bill year annually.

[32] Edmonton Property Tax and Utility Charges survey, produced by the City of Edmonton

The Manitoba government announced in 2007 that it was committed to increasing provincial funding to 80 per cent of total public schools education expenditures.[33] The IFC wants to clearly distinguish the difference between the adjusted total cost of public education which would include capital and other pension related costs and the net operations budget as mentioned above.[34]

The IFC submits by increasing provincial funding to 80% of the net education operations budget (FRAME operating budget) over a staged multi-year period; Manitoba municipalities can access that tax room over time until it reaches approximately $300 million annually. Legislation should require municipalities to dedicate the new funding to municipal infrastructure programs. This calculation assumes that school divisions have a 20% reliance on property taxes. The recommendation also assumes the Province will identify just over $300 million from another revenue source to fund school divisions. Whether the Education Property Tax Credit is affected by this recommendation is a matter for the provincial government.

IFC RECOMMENDATION - Vacate Property Education Tax Room Dedicated to Infrastructure
The IFC recommends that the Government of Manitoba:

15. Increase provincial education funding to 80% of net operations (as defined in the FRAME Report) in a staged manner over a three year period while phasing out approximately $300 million from the current realty education levy. Then, through legislation enable municipalities to backfill the tax space vacated by the current education levy with a municipal levy dedicated by legislation for application to municipal infrastructure investment.

IFC RECOMMENDATION - Create an Equity Reserve Account for Smaller Municipalities
The IFC recommends that the Government of Manitoba, as part of the revenue stream allocation, enshrine the following principle:

16. Create an *'equity reserve account'* from 5% of the funds raised annually from the new MIL (or its equivalent) and establish access criteria for smaller rural municipalities for the purposes of enabling their participation in locally, regionally or multi-partied prioritized infrastructure programs.

IFC Approach – A summary
In summary then, the IFC proposes a three-pronged approach to generate the revenue platform needed to address the infrastructure deficit. This staged approach co-ordinates change at several levels.

1. Municipalities make the required internal changes noted earlier. These changes range from maximizing own source revenues, introducing organizational changes, adjusting current service delivery models, and implementing related best practices.

2. Province allocates an additional one per cent of existing PST revenues or adds an additional point to the PST along with vacating the education property tax as hereinafter provided over a three year period (the specifics of such an arrangement would be the subject of discussion and agreement between Manitoba and the municipalities). These two new revenue streams could be the foundation for a new fiscal strategy dedicated to addressing the $1.3 billion annual infrastructure need.

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[33] Province of Manitoba news release, *Budget 2007 Highlights*, http://news.gov.mb.ca/news/index.html?archive=2007-4-01&item=1417
[34] http://www.edu.gov.mb.ca/k12/finance/frame_report/2009-10_frame_budget.pdf page 42

3. A partnership between Manitoba and its municipalities to jointly pursue a national strategy that would provide sustained federal funding of Canada's municipal infrastructure.

IMPLEMENTING EXTERNAL FUNDING OPTIONS

In order to build public support for new revenue sources, the IFC submits there is a need for an implementation plan that provides the transparency and accountability that taxpayers will demand in return for new revenues. The IFC offers the following implementation framework as a starting point to build public confidence.

IFC RECOMMENDATION – Establish an Implementation Committee

The IFC recommends that the Government of Manitoba, AMM and the City of Winnipeg commit to the following:

17. Establish an Implementation Committee whose members are jointly appointed by the Government of Manitoba, the Association of Manitoba Municipalities (AMM) and the City of Winnipeg, and whose terms of reference would require it to develop, within 12 months of its appointment, a Manitoba Municipal Infrastructure Funding Agreement (MIFA) that sets out:

    a. Criteria to be used by municipalities to access new revenue streams that ensures public transparency and accountability
    b. A description of the new intergovernmental infrastructure funding relationship taking into account competitive constraints, transitional periods and financial capacity
    c. A protocol that ensures annual public reporting, project audits and five-year public reviews of Manitoba's infrastructure strategy and progress against the 20-year goal.

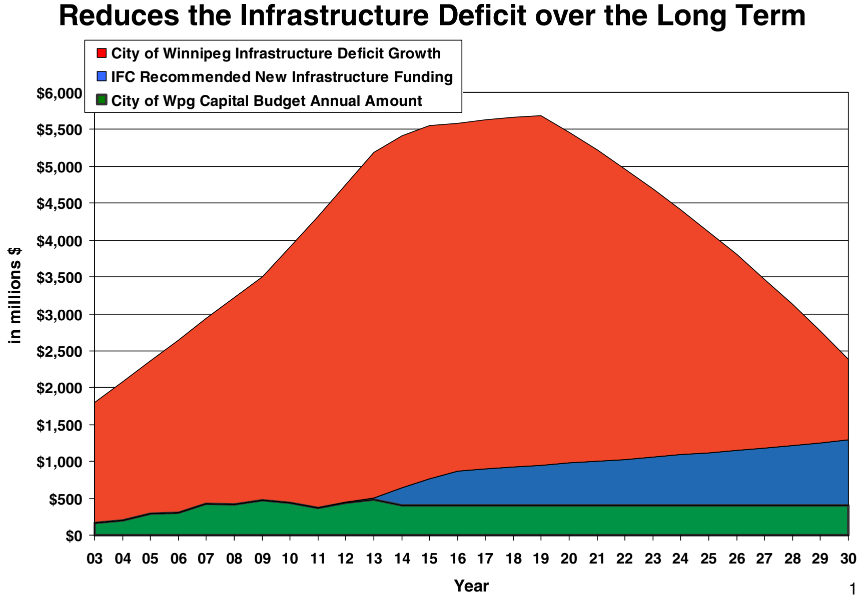
IMPACT OF A FINANCIAL PLAN – FINANCIAL MODELING

The magnitude of the challenge, which demonstrates the imperative of sustained decisions, discipline and intergovernmental collaboration, is reflected in the 2011-2030 Financial Plan and Financial Modeling (See Appendix 'J'.)

As stated, the total municipal infrastructure deficit in Manitoba is projected to reach $13.4 billion within 10 years at current funding levels. The amount of additional budget to address the deficits hovers in the vicinity of $1.3 billion annually.

The IFC Financial Model assumes that effective 2012 municipalities begin the renewal with annual increases to their infrastructure budgets from existing revenue sources, tied to the rate of inflation and population growth increases.

IFC Recommended New Infrastructure Funding Reduces the Infrastructure Deficit over the Long Term



The additional revenues contemplated from vacated education tax room; an additional point under the existing, or new PST or new MIL; and federal contribution, are assumed to be transitioned in commencing 2014 – see 'IFC Recommended New Funding' chart below.

To help better understand the impact of a sustained 20-year effort, the IFC has prepared a financial model based on the recommendations in this report,

It is offered as a tool for Manitobans to use and help understand the long-term impact of any plan that is ultimately put in place. The measures may change as might the timeframe for achieving different municipal goals, and the model can be adjusted to reflect these decisions needed in the development of a plan.

IFC Recommended New Funding available to address $13.4 Billion of Infrastructure Deficit

in $ millions									5 Year						5 Year
For City of Winnipeg	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**subtotal**	**2019**	**2020**	**2021**	**2022**	**2023**	**subtotal**
Vacated Education Property Taxes	-	-	-	63	129	197	201	205	**796**	210	214	218	222	227	**1,091**
Additional Federal Fuel Tax	-	-	-	11	43	65	65	66	**249**	66	67	68	69	69	**339**
Municipal Infrastructure Levy	-	-	-	135	141	146	152	158	**732**	164	171	178	185	192	**891**
Municipal Additional Funding	-	12	24	37	50	64	78	92	**357**	107	122	138	154	170	**690**
Wpg Sub-Total	**-**	**12**	**24**	**246**	**362**	**472**	**496**	**521**	**2,134**	**547**	**574**	**601**	**630**	**659**	**3,011**
Remaining Municipalities	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**		**2019**	**2020**	**2021**	**2022**	**2023**	
Vacated Education Property Taxes	-	-	-	49	100	154	157	160	**621**	163	167	170	173	177	**850**
Additional Federal Fuel Tax	-	-	-	7	27	41	41	41	**156**	42	42	43	43	43	**213**
Municipal Infrastructure Levy	-	-	-	123	128	133	138	143	**664**	149	155	161	168	175	**808**
Municipal Additional Funding	-	6	12	19	25	32	39	46	**178**	53	61	69	77	85	**345**
Remaining Municipalities Sub-Total	**-**	**6**	**12**	**197**	**280**	**359**	**375**	**391**	**1,620**	**408**	**425**	**443**	**461**	**480**	**2,216**
Total Province wide	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**		**2019**	**2020**	**2021**	**2022**	**2023**	
Vacated Education Property Taxes	-	-	-	112	229	351	358	366	**1,417**	373	380	388	396	404	**1,940**
Additional Federal Fuel Tax	-	-	-	17	69	105	106	107	**405**	108	109	110	112	113	**552**
Municipal Infrastructure Levy	-	-	-	258	268	279	290	302	**1,396**	314	326	339	353	367	**1,699**
Municipal Additional Funding	-	18	37	56	75	96	116	138	**535**	160	183	206	231	255	**1,035**
Province Wide Sub-Total	**-**	**18**	**37**	**443**	**642**	**831**	**871**	**912**	**3,754**	**955**	**999**	**1,044**	**1,091**	**1,139**	**5,227**

The 'IFC Recommended New Funding' chart summarizes the results of financial modeling based upon IFC's recommendations. It illustrates the impact of new revenue sources over time for Manitoba municipalities.

Initially, new funding to municipalities starts small but builds through annual growth and the compound affect of time.

As shown to the table to the right, the IFC is urging all levels of government to participate in providing additional revenues to help fund municipal infrastructure. By 2023, $1.139 billion of new funding would be available:

IFC Revenue Sharing Summary Plan to address $13.4 Billion Infrastructure Deficit

(in millions of dollars)	By 2023	% of total revenues	
Vacated Education Property Tax	$404	35%	Provincial
Additional Federal Gas Tax	$113	10%	Federal
1% Municipal Infrastructure Levy	$367	32%	MIL
Additional Municipal Revenue equal to inflation plus growth	$255	22%	Municipal
Total Additional Revenue	**$1,139**		

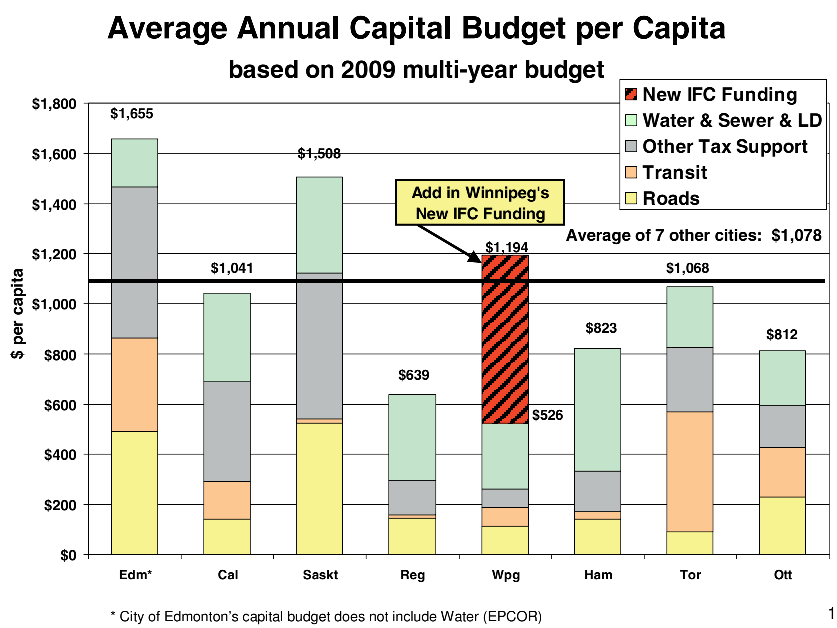
- $404 million by the Provincial Government by reducing education property tax and funding school divisions directly from their general revenues;

- $113 million from the Federal Government by transferring all of its Fuel tax it currently collects to municipalities;

- $367 million from a province wide new 1% sales tax called the Municipal Infrastructure Levy; and
- $255 million from municipalities to increase their base capital budget by the rate of inflation plus population growth using their current revenue tools such as property tax, frontage levies, and user fees.

Although the revenues generated by the new measures appear to be significant, the IFC submits the response is proportional to the scale of the problem.

To illustrate this point, Winnipeg's share of the new revenues (shown in red) has been added to the city's current capital budget plan and compared with current capital budgets of other Canadian cities. The result is that the total funding level only increases slightly above the existing average large Canadian city.



The above financial modeling also assumed cash funding of infrastructure projects. With this kind of new infrastructure revenue there is also the alternative of using Smart Debt which could also be used to fund large inter-generational projects such as a large bridge project, an additional leg of rapid transit and other projects.

A portion of the new revenues would need to be dedicated to the Smart Debt in order to make the 30 years of annual financing payments. For example, $75 million of annual cash payments for 30 years could leverage $1 billion of construction projects immediately. In addition, the Smart Debt approach should be in sync with the municipality's overall debt strategy.

As noted by the year 2023, or 12 years out, the additional revenues total $1.139 billion – see 'IFC Revenue Sharing Summary Pan' chart. The cumulative impact is that Winnipeg's infrastructure deficit is reduced from its projected $7.4 billion to $4.6 billion, and for municipalities outside Winnipeg, from its projected $6 billion to $3.6 billion.

By 2030, at the end of the 20 year plan, those deficits drop further to $2.3 billion and $2.4 billion respectively. (See chart at Appendix 'J.')

With this report and recommendations the IFC is urging Manitobans and governments alike that it is time to put a stake in the sand and start to address the infrastructure deficit by making the necessary decisions, creating a plan and implementing it. Success will flow from this decision – with the required patience, discipline, and commitment to the purpose.

9.0 CONCLUSION

Manitoba can begin to address its infrastructure investment deficit in a balanced, disciplined and lasting way. How and over what time frame we achieve this goal is up to Manitobans.

The IFC hopes that *New Relationships: A New Order: A balanced approach to funding municipal infrastructure in Manitoba* ignites a vigorous public debate in this Province about the best approach and mix of revenue tools to address Manitoba's infrastructure deficit.

One thing is for certain: the need for this debate is now. Our infrastructure network is the lifeblood of our economy. It affects our productivity, economic growth, prosperity and our standard of living. Failure to address this issue not only limits the ability of our municipalities to serve a growing population but also creates safety issues to those using our aging infrastructure.

The challenge before municipalities in Manitoba – and the challenge for municipalities throughout Canada – is developing a revenue framework that addressing the immediate infrastructure need without compromising efforts to grow the economy with new works.

This is a problem born in the past but it must be addressed in the present and the future. We must summon the courage to make the necessary decisions to create a visionary plan and then have the patience and discipline to implement it.

In this report, the IFC identifies a number of revenue tools for public consideration. Together we must develop a plan that uses our tax structure to create a virtuous circle where municipalities are rewarded for focusing on economic growth and making spending decisions that invest in creating prosperity in order to better position them for the future. Part of the solution, the IFC submits, is to provide municipalities' access to growth taxes.

The IFC submits that Manitobans understand the need to take action on the Province's infrastructure and are prepared, under the right conditions, to financially support it. Public opinion research shows:[35]

- 94% of Manitobans see infrastructure as a high priority
- 54% of Manitobans, including 51% of Winnipeggers, support an additional 1% municipal tax dedicated to infrastructure renewal projects

The recent experience of senior levels of government demonstrates the value of this change. Over the last five years, provincial and federal governments have improved their tax competitiveness and reduced tax rates, while increasing infrastructure investing. They have been able to do this because revenue-associated growth taxes have continued to grow with the economy.

By shifting the municipal emphasis from generating revenue to generating wealth, the IFC submits that senior levels of governments should be more inclined to provide municipalities access to the dedicated revenues needed to fund Canada's infrastructure deficit.

More importantly this paradigm shift will create a simple yet necessary focus upon growing the economy at the municipal, provincial and national levels of government.

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[35] Probe Research Inc., Manitoba-wide survey of 1,000 Manitobans between September 15, 2008 and October 6, 2008

Ultimately, the report’s recommendations and our collective success in addressing our provincial and national municipal infrastructure deficits are dependent upon broad public consultation, its understanding and support, and intergovernmental collaboration.

We anticipate and look forward to an ensuing vigorous political, public, stakeholder and media debate.

If acceptable to Manitobans, the options outlined in this report could support a comprehensive infrastructure funding strategy. They include measures that municipalities can unilaterally adopt and others that require intergovernmental negotiations. The final solution could also serve as a model for the rest of the country.

Our experience of the last five years demonstrates what can be accomplished when all three levels of government apply their collective attention and investment in Canada’s infrastructure. However, moving forward, the IFC submits a long term plan must provide the transparency and accountability that taxpayers will demand and are entitled to receive in return for new revenues.

We must act. By starting now, we can begin the healing process that will make our economy stronger in the future and ease an unfair burden on future generations.

This report marks a first step. We encourage Manitobans to embrace the challenge of addressing our collective infrastructure deficit and join the debate.

Our collective will should focus to achieve the goal reflected in the title of this report – ‘New Relationships: A New Order – A balanced approach to funding municipal infrastructure in Manitoba.’

Respectfully submitted,
Infrastructure Funding Council (IFC)

Chris Lorenc, B.A., LL.B.,
IFC Chair

IFC Members:
Ron Bell
Councillor Jeff Browaty
Jill Vogan, B.A., (Hons) and M.N.R.M.
Cory Young

APPENDIX 'A'

REPORT BENCHMARKS

The IFC was guided by a series of objectives, definitions and principles, which from our perspective promote sound direction and should support public policy associated with infrastructure investment strategies and supporting taxation. Each is provided below.

REPORT OBJECTIVES

The report's objectives are to provide or convey:

- A statement and definition of the problem and provide recommendations in a clear, connective manner
- Approaches which are *'Made in Manitoba for Manitobans'* but are exportable to the national level
- Recommendations which are not dependent upon federal participation for their initial implementation, although federal participation is absolutely contemplated and anticipated
- Recommendations which address the necessities of re-organization, fiscal choices and economic growth
- Concepts which are viewed as reasonable from the perspectives of broad public and private stakeholders
- The risk of inaction and the benefit of infrastructure investment
- Internal infrastructure funding options within the control of the municipalities, along with recommendations for external infrastructure funding options requiring intergovernmental negotiation and/or approval
- Clear direction related to implementation, including identifying parties and time frames to facilitate implementation.

DEFINITIONS

The IFC adopted a number of key words and phrases it chose to use in the municipal context with specific meaning throughout the report. They are as follows:

- ***Core Infrastructure*** means roads (regional, collector, local, lane and sidewalk), bridges & culverts, public transit, active transportation, riverbanks, flood protection, water and sewage facilities, land drainage and solid waste facilities.

- ***Social Infrastructure*** means parks and buildings including police, fire paramedic, libraries, pools, arenas, community centers and administration buildings.

- ***Infrastructure Assets*** refer to both core and social infrastructure.

- ***Existing Infrastructure Deficit*** refers to the amount required to rehabilitate or replace 'physically existing' infrastructure assets beyond budgeted levels. Examples include repairing a bridge or rebuilding a road which are unfunded within an existing budget.

  - ***New Infrastructure Deficit*** refers to investments in new, projected or anticipated infrastructure assets that do not currently exist or the improvement of existing infrastructure assets, each of which are unbudgeted. This can involve new assets, such as a building, a new park, and/or enhancement of existing assets such as expanding an existing roadway to handle additional capacity.

  - ***Strategic Infrastructure Investments*** refer to unique and unanticipated investment in assets required in special case scenarios to platform new economic strategies or opportunities, such as but not limited to, infrastructure for CentrePort Canada, the Manitoba Theatre Centre (MTC) or the new Winnipeg Football Stadium.

  - ***Total Infrastructure Deficit*** refers to the unfunded capital investment required to meet existing and new infrastructure requirements.

APPENDIX 'B'

SUBMISSION AND REPORT REVIEWS

During the course of its work, the IFC received submissions and engaged in consultative sessions with a number of organizations and individuals in the public and private sectors.

Submissions were received from the following:

- Business Council of Manitoba
- City of Thompson
- Centre for Applied Research in Sustainable Infrastructure
- Red River College
- Canadian Union of Public Employees Local 500
- Economic Development Winnipeg
- Frontier Centre for Public Policy
- International Institute for Sustainable Development
- Manitoba Home Builders Association
- Manitoba Public Utilities Board
- Manitoba Trucking Association
- Urban Development Institute Manitoba Division
- Winnipeg Chamber of Commerce

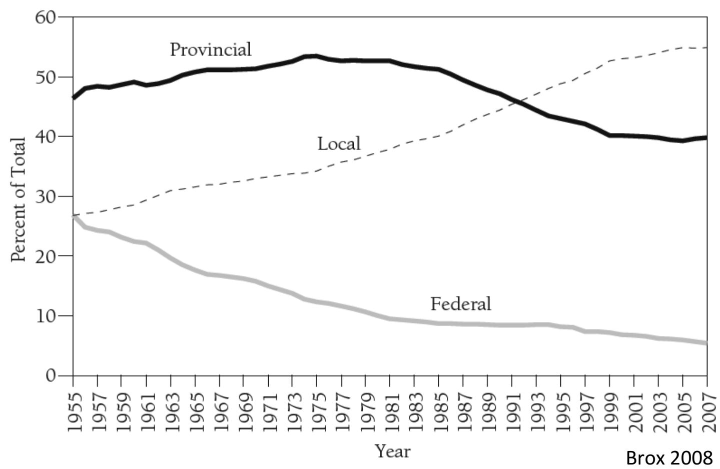
Presentations were made to the IFC by the Federation of Canadian Municipalities (FCM) and Manitoba Local Government, and there were ongoing discussions with numerous other stakeholders.

The IFC also reviewed a number of published reports from across Canada which help define and context the infrastructure challenges faced by Canadian municipalities. They also propose a variety of solutions to address them. They are referenced throughout and listed at the back of the report.

APPENDIX ‘C’

8.0 INFRASTRUCTURE DEFICIT – HISTORICAL PERSPECTIVE AND CONTEXT

Figure 1
Infrastructure Capital by Jurisdiction, 1955-2007



Brox 2008

One only needs to look around communities throughout Manitoba to understand the extent of the provincial infrastructure deficit. Manitobans drive on pothole-ridden crumbling roads, cycle over aged bridges, visit drafty libraries, deal with boil water orders, and bring our children to shabby recreational facilities.

The same is true in municipalities throughout Canada. The total stock of government-owned highways, roads, bridges, airports, railways, docks, canals, water supply systems as well as waste and sewage disposal systems, communication, cultural and outdoor recreational facilities is known as public infrastructure capital. Much of this capital was built in the 1950s, 1960s and 1970s. With a lifespan of 40 to 50 years, a large portion of our existing infrastructure is now in need of immediate rehabilitation or replacement.[36]

During the past several decades, municipalities have taken on additional infrastructure responsibility as provincial and federal governments have withdrawn their support.[37]

In more recent years, municipalities have also contributed to the problem by expanding the scope of infrastructure that they support in response to local priorities and public pressure. Carl Sonnen of the Federation of Canadian Municipalities notes new environmental and sustainability regulations instituted by senior levels of government have added to the burden often without accompanying financial assistance.[38] Canadian municipalities now build, own and maintain over 50% of the infrastructure that sustains the Canadian economy and drives growth.

In Manitoba, municipalities are frequently asked by Regional Health Authorities (RHAs) to contribute 10% to health capital projects. All municipalities in Manitoba are also being pressured to contribute to provincial highway renewal projects when they are within city or town boundaries and support lower volume provincial roads that are of a local priority.

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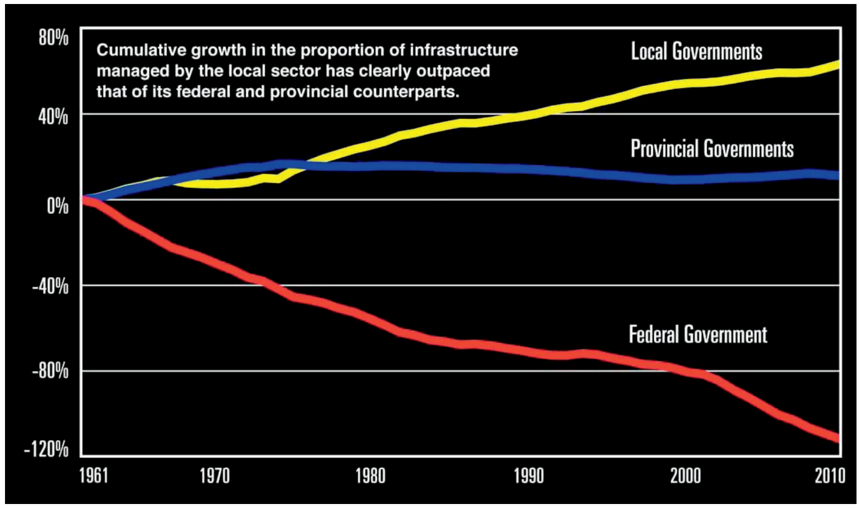
[36] TD Bank, *Mind the Gap*, 2004. http://www.pppcouncil.ca/pdf/mindthegap.pdf

[37] Brox, James A. “Infrastructure investment: the foundation of Canadian competitiveness.” *IRPP Policy Matters*. *9,*2(2008)

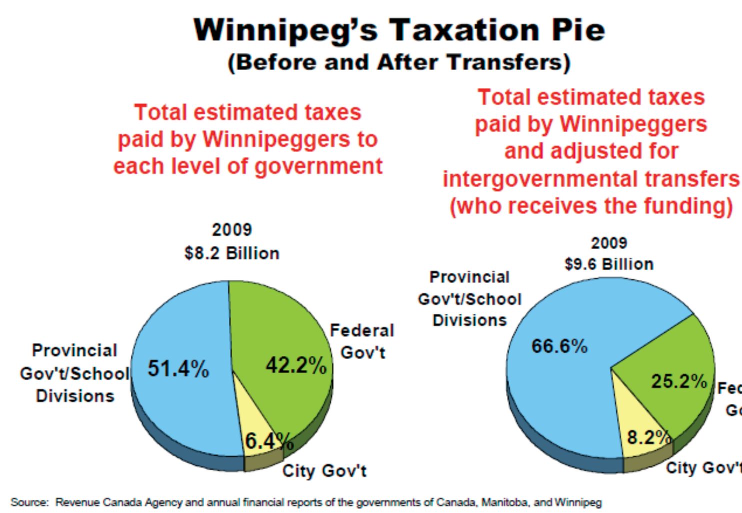
[38] Sonnen Carl, *Municipal Infrastructure: Macroeconomic impacts of spending and level of government financing* May 31, 2008 http://www.fcm.ca/english/View.asp?mp=1368&x=998



Manitoba has recently improved its environmental operating standards for wastewater facilities and made compliance with these new regulations a condition of receiving an operating license. This change requires Winnipeg to upgrade its wastewater treatment facilities at a cost of between $1.2 billion and $1.8 billion.[39] To date, the Province and federal governments have each committed $25 million towards the upgrade costs and the Province has proposed an additional contribution of $235 million. The result, even if unintentional, has been that senior government regulatory change has been introduced without corresponding financial support or recognition of the cost implications on municipalities. The pressures associated with municipalities' ability to fund existing or new infrastructure needs has reached a near crisis point.

For decades, municipalities across Canada have asked for additional sources of revenue to complete infrastructure work. In Manitoba, these efforts have been restricted by provincial legislation that spells out the various revenue sources available to municipalities.

In its 2006 report *Building Prosperity from the Ground Up: Restoring Municipal Fiscal Balance* the Federation of Canadian Municipalities found that of all of the tax revenues collected in Canada, only 8% goes to municipal governments. The remaining 92% is shared between the federal and provincial governments. Using 2007 taxation information, the Canada West Foundation calculated Winnipeg's share of all revenues collected was 5.6%[40] and a similar municipal study of tax allocation in Winnipeg in 2008 found that, even after intergovernmental transfers, the city only received 8 cents out of every dollar paid in taxes by Winnipeggers.



QUANTIFYING THE INFRASTRUCTURE DEFICIT

For decades various groups and governments have tried to assess the extent of the infrastructure deficit. In each case, studies have made assumptions and interpretations that have influenced the results. The purpose of this report is not to critique these cost estimates or pin an exact number to the problem. Instead the IFC has tried to estimate an order of magnitude and determine the need for action. The most commonly accepted estimate for

[39] Chartier, IFC Backgrounder, July 2010
[40] Vander Ploeg, Casey Canada West Foundation *Problematic Property Tax: Why the property tax fails to measure up and what to do about it*, http://www.utoronto.ca/mcis/imfg/pdf/Problematic%20Property%20Tax%20(Vander%20Ploeg).pdf

Canada's infrastructure deficit is $238 billion.[41]

In 2009, Winnipeg's infrastructure deficit was comprised of two components totaling an estimated $7.4 billion.[42](Figure 2).

- The existing infrastructure deficit – the current system of roads, bridges, water supply systems, waster and sewage systems and municipal buildings that are nearing or at the end of their useful life cycle and in need of immediate repair was projected at $3.8 billion[43]
- The new infrastructure deficit – strategic projects needed to fuel growth in the future or satisfy expanding population demand – was projected at $3.6 billion over the next 10 years.[44]

Accepting this analysis, the IFC estimates Winnipeg's annual infrastructure shortfall to be about $740 million within the context of the existing projected budgets.

Figure 2: Winnipeg Total Infrastructure Deficit

Total Infrastructure Deficit: $7.4 B

Existing Infrastructure - $3.8 B

	Capital	Operating	Total
Bridges	$200	$15	$215
Roads - Regional	$925	$10	$935
Roads - Local & Lanes	$756	$32	$788
Active Transportation	$0	$0	$0
Transit	$75	$25	$100
Parks	$284	$125	$409
Riverbanks	$100	$0	$100
Flood Protection	$130	$0	$130
Buildings			
- Police	$120	$0	$120
- Fire Paramedic	$23	$0	$23
- Libraries	$19	$0	$19
- Pools, Arenas, Parks, Rec.	$277	$0	$277
- Parkades (3 city owned)	$0	$0	$0
- Administrative Bldgs	$72	$0	$72
Tax Supported Sub-Total	**$2,981**	**$207**	**$3,188**
Water - Treatment	$17	$0	$17
Water - Distribution	$141	$0	$141
Sewage - Collection	$164	$0	$164
Sewage - Treatment	$6	$0	$6
Land Drainage	$238	$0	$238
Solid Waste	$10	$0	$10
Utility Sub-Total	**$576**	**$0**	**$576**
Total Existing	**$3,557**	**$207**	**$3,764**

New Strategic Infrastructure - $3.6 B

	Capital	Operating	Total
Bridges	$200	$4	$204
Roads - Regional	$1,524	$0	$1,524
Roads - Local & Lanes	$0	$0	$0
Active Transportation	$93	$1	$94
Transit	$1,147	$91	$1,238
Parks	$167	$26	$193
Riverbanks	$0	$0	$0
Flood Protection	$0	$0	$0
Buildings			
- Police	$15	$0	$15
- Fire Paramedic	$3	$15	$18
- Libraries	$8	$0	$8
- Pools, Arenas, Parks, Rec.	$142	$0	$142
- Parkades (3 city owned)	$0	$0	$0
- Administrative Bldgs	$15	$0	$15
Tax Supported Sub-Total	**$3,314**	**$137**	**$3,451**
Water - Treatment	$0	$0	$0
Water - Distribution	$15	$0	$15
Sewage - Collection	$34	$0	$34
Sewage - Treatment	$90	$15	$105
Land Drainage	$0	$0	$0
Solid Waste	$0	$0	$0
Utility Sub-Total	**$139**	**$15**	**$154**
Total New Strategic	**$3,453**	**$152**	**$3,605**

Municipalities outside Winnipeg estimate the existing infrastructure deficit to be $4 billion. This deficit is expected to grow by an additional $2 billion over the next ten years to rehabilitate or develop new

[41] The figure from the Mirza report: *Danger Ahead - the Coming collapse of Canada's Municipal Infrastructur*e, 2007 , is commonly cited

[42] Executive Policy Committee, 'Infrastructure deficit and possible funding options Winnipeg, Manitoba, July 22, 2009.

[43] Executive Policy Committee, *'Existing Infrastructure Deficit,'* Winnipeg, Manitoba, July 8, 2009.

[44] Executive Policy Committee, *'New Strategic Infrastructure Deficit'* Winnipeg, Manitoba, July 8, 2009.

infrastructure.[45] This represents a total deficit of $6 billion requiring annual funding of $600 million over the next 10 years.

For the purposes of making recommendations in this report and developing a financial plan, the IFC estimates Manitoba's combined total infrastructure deficit to be $13.4 billion. Over time, the options provided in this report could generate revenues of about $1 billion annually.

The IFC recognizes that additional work will be required in the next stage to fully assess and refine the final infrastructure need by all municipalities. [46]

CAPITAL BUDGET

Over the past decade, the Winnipeg has increased its capital budget from $120 million in 2001 to $476 million in 2009 (see chart below). The recent growth reflects additional funding required completing several large one-time projects (a new water treatment plant, upgrades to current sewage treatment plants and the implementation of rapid transit) which have been facilitated through infrastructure funding agreements with senior levels of government, new revenue streams including the Gas Tax Agreement and the introduction of Public Private Partnership (P3) projects.

Winnipeg's Capital Budgets, 2001 to 2009 (in millions $)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010F	2011F	2012F	2013F	2014F
Roads	31	68	52	32	55	62	157	180	97	65	65	68	66	69
Transit	11	11	19	14	15	32	42	17	165	28	27	27	29	30
Other Tax Supported	25	29	41	48	30	50	73	94	58	65	38	45	49	52
Water, Sewer, LD	53	62	61	111	198	164	156	131	157	153	257	246	165	81
Total	120	170	173	205	298	308	427	421	476	310	387	387	308	232

Notwithstanding the recently increased capital investments, the forecasted budget years show a declining level of planned capital investment which will further increase the infrastructure deficit magnitude.

REVENUE SOURCE COMPARISONS

A 2007 national report for the AMM found that Manitoba municipalities, when compared to other jurisdictions, faced greater infrastructure pressures because they provide a wider range of services to their citizens.

Using 2005 Statistics Canada data, a study by Dr. Enid Slack, an acknowledged international expert on municipal financing, found that Manitoba municipalities spent on average $1,368 per capita on capital infrastructure – less than most Provinces with the exception of the Maritimes (See Figure 3). The difference between Manitoba and other Provinces can, in part, be explained by:

- Efficiencies in the Manitoba system
- The number of total services provided relative to other Provinces

[45] This figure, although anecdotally cited by the AMM, does not appear to have sufficient supporting data.

[46] The Public Sector Accounting Board (PSAB) issues standards and guidance with respect to matters of accounting in the public sector. The PSAB rules, which are currently being implemented by municipalities outside Winnipeg, will enhance their capability to more accurately assess condition and needs.

Figure 3: 2005 Municipal Government Revenues by Province (includes water and sewer charges for comparison purposes)

Revenue Source	NL	PEI	NS	NB	QC	ON	MB	SK	AB	BC
Municipal Per Capita $	1,021	604	1,505	1,163	1,706	2,417	**1,368**	1,470	2,581	1,508
Municipal Revenue Source:	%	%	%	%	%	%	%	%	%	%
Property Taxes	52.1	64.8	67.7	49.8	58.9	46.4	**38.3**	46.8	39.0	50.0
Payments-in-lieu	2.5	0.3	3.5	6.6	4.4	1.6	3.3	3.1	1.6	1.5
Other Taxes	1.1	1.1	0.6	0.7	0.3	1.0	**2.5**	6.2	2.1	2.9
User Fees	18.6	21.4	18.1	26.0	17.1	21.4	**25.8**	23.0	25.4	31.3
Investment Income	1.4	0.1	2.4	0.6	1.4	4.7	4.8	4.5	13.3	7.1
Other	0.5	1.4	0.6	0.5	2.8	1.3	1.5	1.0	1.5	0.6
Own Source Revenue	76.2	89.1	92.9	84.1	85.0	76.4	76.2	84.6	82.8	93.4
Unconditional Grants	3.7	2.5	2.4	8.9	2.4	2.8	**12.5**	6.8	0.5	2.3
Conditional Grants	20.1	8.4	4.7	7.1	12.6	20.8	11.3	8.7	16.7	4.3
Federal	1.9	4.3	1.6	1.4	0.1	2.5	4.0	2.2	0.8	0.6
Provincial	18.1	4.1	3.1	5.7	12.5	18.3	**7.3**	6.5	15.9	3.7
Total Grants	23.8	10.9	7.1	15.9	15.0	23.6	**23.8**	15.4	17.2	6.6
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Statistics Canada, CANSIM database, Table 385-0024 (for municipal expenditure and revenue data); Table 510001 (for population).

When compared to other Provinces, Manitoba municipalities have the lowest reliance on property taxes as a source of revenue. This in part reflects attempts by several municipalities to hold the line on property taxes including a tax freeze in Winnipeg for 13 of the last 14 years. During this time, Winnipeg has moved from a high property tax jurisdiction to a lower property tax jurisdiction.

Manitoba municipalities have also diversified their revenue tax base more than other jurisdictions collecting 2.5% of their revenues from other measures. For example, 24% of the revenues collected by Manitoba municipalities were from user fees – the second highest in Canada. In Manitoba, unconditional grants – those that provide maximum flexibility to municipalities because there are no strings attached – are by far the highest anywhere in Canada. The level of support for Manitoba municipalities from conditional grants – money earmarked for specific purposes – are 7.3%, the fifth highest in Canada.

The 2005 data also shows that while transfer revenues to Manitoba municipalities from senior governments declined between 1990 and 2005, communities in the Province continue to rely more than any other jurisdiction on federal and provincial transfers. Furthermore, more recent research shows that other provinces have increased their support to municipalities and surpassed Manitoba in 2008. Between 2002 and 2008 actual grant numbers shows that provincial grant contributions to Winnipeg dropped from the highest to the middle of the pack.

Total provincial grants in dollars per capita 2002 - 2008

Total Grants	Edm	Cal	Sask	Reg	Wpg	Ham	Tor	Ott
2002 Actual	$150	$155	$50	$64	$177	$86	$67	$50
2008 Actual	$624	$538	$190	$160	$280	$392	$199	$142
rank	1	2	6	7	4	3	5	8
% increase	316%	247%	279%	150%	58%	355%	197%	183%

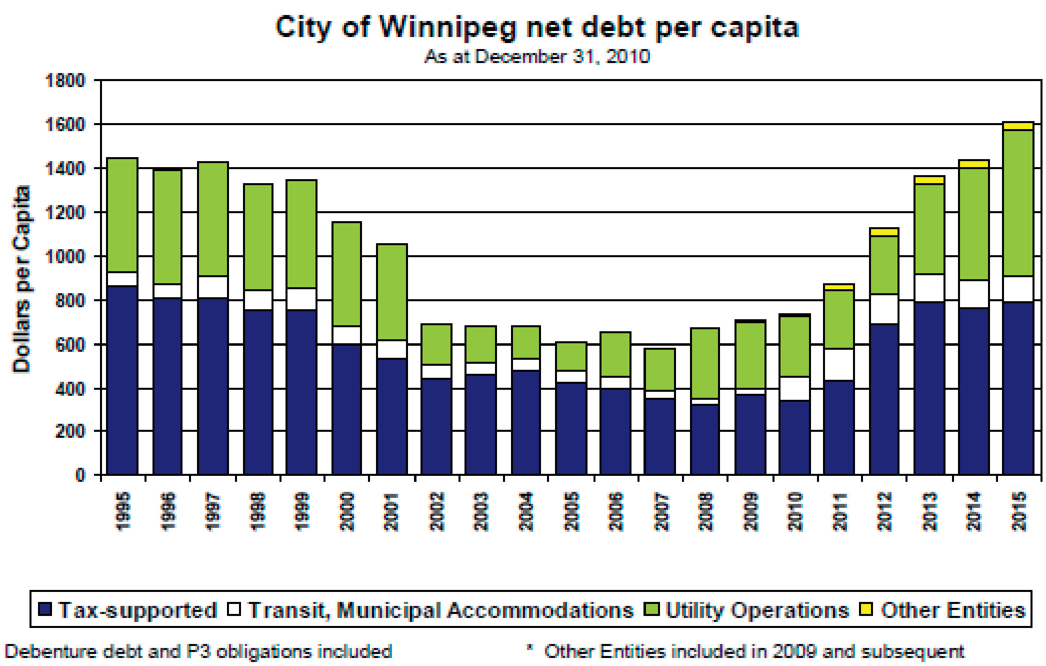
This analysis demonstrates the instability of revenues from senior governments and the risk this creates for municipalities with a budgetary reliance on these grants. To address the infrastructure deficit facing municipalities throughout Canada, municipalities need access to sustained, predictable own revenue sources – particularly in the form of growth taxes. Without this change, the deficit will continue to grow negatively impacting national growth and productivity and increasing safety risks for citizens throughout the country.

Primary Taxation Revenues
In $ millions

	1997-98	2008-09	Growth
Federal Government	117,844	177,538	51%
Province of MB	2,454	4,327	76%
Rest of Municipalities	$167	$278	67%
City of Winnipeg	$439	$464	6%

Access to growth taxes has helped provincial and federal governments become more tax competitive while continuing to increase infrastructure expenditures. Between 1998 and 2008, federal and provincial tax rates declined yet revenues from income and sales tax continued to grow substantially.

Winnipeg, by contrast, froze its property taxes between 1997 and 2011 in order to reduce its debt and remain competitive. Revenues from realty taxes (property and business) increased by only 6%. This represented growth of their assessment base - not value growth.



Between 1997 and 2009 Winnipeg stopped borrowing funds to finance tax-supported capital projects, choosing instead to fund projects from cash from its operating budget. Council has recently again authorized borrowing for some large tax supported projects. In addition, Winnipeg has entered into P3 arrangements on a number of major projects (Disraeli Bridge and Chief Peguis Trail extension, Police Headquarters, Rapid Transit) which are recorded in its financial statements as long term financial obligations which are considered debt. Although there was a significant reduction in Winnipeg's tax supported debt, it has recently started making significant commitments toward using up this freed up debt room.

Over time, Winnipeg has also reduced the business tax rate and has introduced a small business tax credit which eliminates the tax altogether for the smallest businesses. The impact of these changes has been to further reduce funding available for infrastructure projects. These measures, along with significant reductions in the size of staff and the out-sourcing of some services, have reduced operating costs, outstanding debt and Winnipeg's debt servicing costs.[47]

By contrast, many (if not most) rural municipalities over the same period, successively and significantly increased their realty taxes over the same period by varying annual amounts of between 3% and 7%. The resulting realty tax revenue stream increased about 67% over the 10 year period. While the percentage of growth appears to be significant, the dollar value is not. It is also worth noting that the revenues are spread over 197 municipalities throughout the Province and while not reflective of the actual distribution of revenues, the additional revenue averages out to be $55,000 a year per municipality over the 10 year period.

The IFC reached three broad conclusions based on this analysis:

1. The municipal infrastructure deficit is real and it is significant. It is deserving of being placed amongst top government public policy priorities. [48]

2. The current revenue streams available to municipalities are inadequate to tackle the infrastructure challenge. Municipalities have little room left in the existing realty tax base. They have little, if any, access to tax growth revenues.[49]

3. Notwithstanding recent initiatives and significant investments by all three levels of government, Manitoba's infrastructure deficit continues to grow and must be addressed.[50]

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[47] It could be argued therefore that the City is in a better position than ever to take on increased debt to address infrastructure.

[48] Toronto Dominion (TD) Financial Group. *Mind the Gap - Finding the Money to Upgrade Canada's Aging Public Infrastructure Executive Summary*. TD Bank Financial Group. Canada. 2004.

[49] See: City of Edmonton. *Delivering the Goods - Infrastructure and Alternative Revenue Sources for the City of Edmonton.* Research report prepared by Casey G. Vander Ploeg, Canada West Foundation, 2008; Provincial and Territorial Municipal Associations. *Roles, Responsibilities, Resources, and Relationships.* Research report prepared by Enid Slack, Harry Kitchen, Melville McMillan, and Francois Vaillancourt . Ontario. 2007; Federation of Canadian Municipalities and National Research Council. *Alternative Funding Mechanisms - A best practice by the National Guide to Sustainable Municipal Infrastructure*. *Issue 1.1.* Canada: National Guide to Sustainable Municipal Infrastructure. 2003; Federation of Canadian Municipalities. *Meeting the Fiscal Requirements of Canada's Municipalities*, research report prepared by the Conference Board of Canada. Canada. 2005; Vander Ploeg, Casey G. *New Tools for New Times - A Sourcebook for the Financing, Funding and Delivery of Urban Infrastructur*e. Calgary: Canada West Foundation, 2006.

[50] FCM, Advocacy Outlook Presentation, 2010

APPENDIX ‘D’

IFC Assessment of Tax Tools Against Principles of Good Tax Design

	generate sufficient revenue	competitive with other jurisdictions	equitable fair	efficient	transparent	accountablegov't collects and spends	minimal administration	encourage sustainable development / environment	Authority in Place or Requires Provincial Acceptance	Revenue	
		current taxation level								In Winnpeg	Province wide
Frontage Levy	fair	only used in MB	good	good	good	good	fair	good	in place	$10.8M per foot	n/a (4)
Municipal Sales Tax	excellent	middle	fair	good	fair	good	good	poor	requires Prov	1% = $132 M	1% = $238 M
Vehicle Registraion Fee	fair	unknown	good	good	fair	fair	good	good	requires Prov	50% of Prov rate = $32M	50% of Prov rate = $64M
User Fees	good	middle	good	fair	good	good	fair	good	in place	n/a	n/a
Smart Debt Financing	good	n/a	good (1)	n/a	n/a	good	good	n/a	in place	n/a	n/a
Tax Increment Financing	fair	n/a	good	good	good	good	good	good	in place	n/a	n/a
Municipal Property Taxes	fair	low	fair	fair	fair	fair	fair	fair	in place	1% = $4.3M	1% = $7.5M
PST Rebate	limited	n/a	good	fair	good	fair	poor	n/a	requires Prov	$10.5 M	$17 M
Municipal Fuel Tax	good	low	good	good	good	fair	good	good	requires Prov	1 cent fuel tax = $12 M	1 cent fuel tax = $22 M
Income Tax	excellent	high	fair	poor	poor	fair	fair	poor	requires Prov	1% of total = $17M	1% of total = $27M
Development Charges	limited	low	fair (2)	fair	fair	good	good	good	requires Prov	At $5,000 per SFD lot = $10M	unknown
Land Transfer Tax	fair	unknown	poor (2,3)	good	poor	fair	good	poor	requires Prov	match provincial rates = $27M	unknown
Increase Tax on Nat Gas & ElecUtilities	fair	low on Prairies	poor	good	poor	poor	good	fair	requires Prov	match provincial rates = $23M	unknown

1) good for large inter-generational infrastructure e.g. roads, bridges, wastewater and water treatment facilities
2) targets small group and disproportionate of taxes on home purchasers
3) little connection between tax and any benefit
4) for rural areas, charge per property would likely be used

APPENDIX ‘E’ - SIRP I & II POLICIES SUMMARY

Infrastructure Maintenance

Life Cycle Costing

- That all capital programs for new or rehabilitated infrastructure be subjected to life cycle costing analysis to determine the most cost effective options for consideration.

Minimize Deferred Maintenance

- That ideally, maintenance for existing infrastructure should only be deferred if the impact on the life expectancy and life cycle of the asset is documented to be minimal.

Factor Maintenance into Initial Costs

- That when new or upgraded facilities are proposed, they be accompanied by resulting incremental maintenance costs, linked into a parallel maintenance budget.

Computerized Maintenance Management System (CMMS)

- That Civic Department preventative maintenance programs be funded by Council to be information current, and supported by Computerized Maintenance Management Systems (CMMS).

Management of Asset Data

- That the CAO Secretariat be assigned and resourced to coordinate the City’s infrastructure asset data management.

New Technologies

Advanced Techniques & Technologies

- That the City encourages the application of “intelligent” technology, new methodologies and innovative products such as Advanced Composite Materials (ACMs) in infrastructure renewal, rehabilitation, construction or preventative maintenance programs.

Improved Practices

- That the City encourages the use of advanced techniques, improved technologies, better materials and best practices in all infrastructure programs, and participate in the technical guide for infrastructure initiative.

Update Construction Specifications

- That the City’s standard construction specifications and general conditions be reviewed to encourage use of innovative practices, technologies and materials. The academic, engineering and construction communities should be involved in this review.

Commitment to Strategic Research & Innovation

- That the City partner with academia to strategically fund research aimed at identifying new or improved materials, technologies and techniques having broad infrastructure application.

Financial-Based Policy Options

Urban Infrastructure Financing Plan

- That the City create and adopt an urban infrastructure-financing plan, based on the principles outlined in Appendix “C” of the SIRP Report – Urban Infrastructure Financing Principles.

Accrual Accounting System

- That the City adopt a system for showing depreciation on its capital assets and begin the process of accounting for deferred maintenance.

Fully Costed Services

- That the City applies full cost accounting principles to all government services, and that pricing of services should reflect the full true costs of service provision.

Application of User Fees

- That the City implements properly structured user fees where the user and the service delivered can be identified.

Shift from Mill Rate to User Fees

- Any new user pay funding that relates to property and which replaces existing mill rate supported infrastructure budgets should be accompanied by a mill rate reduction equivalent to the pre- user fee level of mill rate support.

Infrastructure Services Renewal Levy

- That the City considers developing an “Infrastructure Services Renewal Levy” program which would manage the levying of specific user fees/levies to dedicated infrastructure rehabilitation and renewal programs.

Pursue Dedicated Levy Legislation

- That the City pursue Provincial legislation to allow new funding sources for infrastructure renewal, and that funds raised be dedicated for specific infrastructure purposes only.

Tax Exempt Bonds

- That the City pursues, with Province of Manitoba and the Federation of Canadian Municipalities, an amendment to the Income Tax Act to allow tax-exempt interest on government bonds raised for designated infrastructure project purposes.

Intergenerational Financing

- That the City should finance infrastructure projects in a manner that properly recognizes project life and replacement patterns.

Cost Shared Programs

- That the City join with other Manitoba municipalities and the Provincial Government in lobbying the Federal Government to support implementation of a sustained National Infrastructure Program, focusing in part on municipal infrastructure renewal.

Alternative Service Delivery

Implement ASD Options

- That with regard to infrastructure, Council implement its adopted policy on Alternative Service Delivery, as follows:

  “The City of Winnipeg is committed to providing quality services at an affordable cost on a sustainable basis. To this end, the City will systematically review its programs, services, and delivery mechanisms, and will pursue the most appropriate methods and structures for providing services to achieve the best value for the municipal tax dollar and the optimal balance of overall benefits to the City and its Community."

Public-Private Partnership Research

- That Council ensure both internal and external research capacity be devoted to monitor and assess PPP trends throughout Canada, and to assist the City in considering local PPP proposals.

Pursue Partnering Strategies

- That Council pursues partnering strategies for infrastructure works in accordance with the framework of all applicable Council adopted policies.

PPP Policy Options

- That Council adopt as policy, consideration of the entire PPP spectrum as policy options in all large capital projects involving all aspects of infrastructure.

Winnipeg Transportation Utility

- That Council, using its ASD policy, develop a business plan to investigate establishing an arm's length "Winnipeg Transportation Utility", and approach the Province of Manitoba to seek any required enabling legislation.

National Infrastructure Policy

- That the City and Province partner to lobby the Federal Government to enter into a sustainable infrastructure agreement consistent with the Recommended National Infrastructure Policy (NIP), as set forth by the ICM and the "Proposed Guidelines for a New National Infrastructure Program", as adopted by the Premiers at the 1996 and 1997 Annual Premiers' Conferences.

Sustainable Infrastructure Development

Employment Training Program

- That the City proposes to senior levels of government, the delivery of infrastructure programs whose aim in part would be to provide useful training and employment skills development to various target groups.

Capital Region Infrastructure Strategy

- That the City pursue – with its neighbors and the Provincial Government – implementation of the Capital Region strategy that recognizes the importance of the supply and delivery of infrastructure in an environmentally responsible and sustainable manner.

Cost/Benefit Analysis

- That any new publicly funded infrastructure project be accompanied by cost/benefit analysis which establishes need and sustainability to clearly justify its construction.

Sustainable Infrastructure Development Policy (SIDP)

- That the City endorse the principles and guidelines of the MRTEE, and adopt the SIRP Principles for Sustainable Infrastructure Development, as set out in Appendix "B" of the SIRP Report.

SIRP Implementation Committee

- That the City establish a SIRP Implementation Committee – headed by the Chairperson of the Standing Policy Committee on Public Works and appropriately resourced through the office of the CAO – with a mandate to implement adopted policy options within 12 months of its appointment.

APPENDIX 'F'. Canada West Foundation, *New Tools for New Times*, 2006

FIGURE 1: Taxonomy of Urban Infrastructure Finance, Funding and Delivery

1. FINANCE TOOLS

1.1. Pay-As-You-Go

1.1.1. Traditional Pay-As-You-Go

a. Transfers to Capital From Current Revenue
- Current General Property Tax Revenue
- Current Selective Sales Tax Revenue
- Current Operating User Fee Revenue
- Current Miscellaneous General Purpose Revenue
- Operating Budget Surplus of the Prior Year

b. Local Improvement Levies and Special Assessments
c. Intergovernmental Grants and Contributions
d. Intergovernmental Tax Revenue Sharing
e. Reserves and Reserve Funds
f. Operating and Capital Leases

1.1.2. Innovative Pay-As-You-Go

a. Earmarking Current General Property Tax Revenue
- Earmark Current Property Taxes for General Capital
- Earmark Future Revenue Growth for General Capital

b. Increase Tax Rates for Current Basket of Tax Sources
- Earmarking
- Voter-Approval Process
- Sunset Tax Increases
- Cap Tax Rate

c. Lower/Eliminate Education Portion of Property Tax
d. Policy to Address Revenue Inelasticity
e. Create Strategic Reserves and Reserve Funds
f. Lease-Purchase-Financing
- Tax-Exempt-Lease-Purchase-Financing
- Guaranteed Savings Leases
- Master Leases

g. Leaseback Arrangements
- Purchase-Lease-Leaseback
- Purchase-Sale-Leaseback-Re-Purchase
- Cross-Border Tax Leasing and Leaseback

1.2. Borrowing

1.2.1. Traditional Borrowing

Short-Term Financing

a. Bank Financing (Short-Term, Bridge Financing)
b. Negotiated Borrowing (Partner with Private Parties)

Long-Term Financing

c. Regular Amortized Debenture Bond
d. Pooled Debentures
e. Borrowing Against Reserves
f. Local Improvement or Special Assessment Debentures

1.2.2. Innovative Borrowing

a. Short-Term Financing
- Tax Anticipation Notes (TANs)
- Revenue Anticipation Notes (RANs)
- Bond Anticipation Notes (BANs)
- Grant Anticipation Notes (GANs)
- Capital Outlay Anticipation Notes (CONs)

Innovative Borrowing Tools (Continued)

b. Smart Debt
- Project Selection
- Optimal Debt Levels
- Amortization
- Debt Structure (Regular, Retractable, Bullet)
- Repayment Policies

c. Senior Government Credit Enhancements
- Lines of Credit
- Interest Rate Subsidies
- Subsidies for Bond Issuance and Insurance
- Loan Guarantees
- Subordinate vs. Senior Debt Positions
- Direct Loans

d. Municipal Community Bonds
e. Municipal Tax-Exempt Bonds (TEBs)
- General Obligation or GO Bonds (Recourse Bonds)
- Revenue Bonds (Non-Recourse and Limited Recourse)

(Both types of TEBs come in many forms such as Zero-Coupon Bonds, Lease-Purchase Bonds, Lease-Payback Bonds, Public-Lease-Revenue Bonds, Leaseback Financing Bonds, Certificates of Participation (COPs), Private Activity Bonds, TIF Bonds, Redevelopment Financing Bonds, Interest-Free Bonds, Real Return Bonds, and "Mello-Roos" Bonds.)

f. Bond Banks
g. Revolving Loan Funds
h. Infrastructure Banks
i. Private and Public Pension Plan Capital
j Asset-Backed Borrowing

2. FUNDING TOOLS

2.1. Taxation

2.1.1. Traditional Taxation

a. Property Tax Revenue
- General Residential, Commercial, Industrial Property Tax
- Special or Supplemental Business Property Taxes
- Other Property-Based Tax Levies

b. Local Improvement Levies or Special Assessments
c. Selective Sales Tax Revenue
- Utility Franchise, Revenue-in-Lieu, or Sales Taxes
- Local Entertainment or Amusement Taxes

d. Intergovernmental Tax Revenue Sharing
- Federal Fuel Tax
- Provincial Fuel Tax
- Provincial Traffic Tickets and Fine Revenues

e. Intergovernmental Transfers
- Federal Conditional Capital Grants
- Federal Unconditional Capital Grants
- Federal Revenue-in-Lieu of Tax
- Provincial Conditional Capital Grants
- Provincial Unconditional Capital Grants
- Provincial Revenue-in-Lieu of Tax
- Intermunicipal Grants and Contributions

f. Other General Purpose Revenue
- Interest Income on Financial Investments
- Net Earnings of Municipal Corporations
- Municipal Fines, Forfeits, Tax Penalties, and Other

A detailed version of this taxonomy can be found in Part II of this report.

2.1.2. Innovative Taxation

a. Tax Incremental Financing (TIF)

b. Implement New Taxes
   - Ensure Revenue Neutrality
   - Focus on User Taxes or Benefit Taxes
   - Use Percentage-Based Tax Rates
   - Voter-Approved Taxes
   - Capping of the Tax Rate
   - Earmark for Capital, Specific Purpose, or Projects
   - Employ Sunset Clauses

- Property Taxes
  - Special Capital Levy on the General Property Tax
  - Differential Property Taxation
  - Property Tax on Personal Property
  - Land Value Capture or Land Value Uplift Taxes
  - Site Value Taxation
- Other Real Estate Based Taxes
  - Real Estate Transfer Tax (RETT)
  - Development Tax
  - Blight Taxes
  - Parcel Taxation
- General Retail Sales Taxes
  - Local Option Sales Taxes (LOST)
  - Special Local Option Sales Taxes (SPLOST)
  - Municipal Option Sales Taxes (MOST)
- Selective Sales and Excise Taxes
  - Lodging and Accommodations Tax
  - Restaurant Tax
  - Alcoholic Beverages (Bar or Pub Tax)
  - Alcoholic Beverages (Off-Sales)
  - Gambling Tax
- Vehicle-Specific Sales and Excise Taxes
  - Local Option Fuel Tax (LOFT)
  - Local Vehicle Sales Tax
  - Local Car Rental Tax
  - Local Parking Tax
  - Local Vehicle Ownership or Registration Tax
- Income Taxes
  - Personal Income Tax
  - Corporate Income Tax
- Business Taxes
  - Gross Receipts Tax
  - Payroll Tax
  - Employee Tax
  - Business Occupation Tax
- Other Taxes
  - Head Tax or Poll Tax
  - Miscellaneous Taxes

c. Expanded Tax Revenue Sharing as "Second Best" Alternative
- Income Taxes
- General Retail Sales Tax

d. Modified Conditions for Federal and Provincial Capital Grants
- Borrowing and Grants
  - Garvee Grants
  - Federal Revenue Anticipation Notes (FRANs)
  - Conversion of Advance Construction
- Modified Cost-Sharing Arrangements
  - Flexible Matching
  - Tapered Matching
- Specialized Grant Funding Requiring Innovation
  - Grants for Marginally Marketable Projects
  - Grants for PPP Projects
  - Grants for Pricing Initiatives
  - Grants for Road Tolling Initiatives

2.2. User Fees

2.2.1. Traditional User Fees

a. Trading Fees or Fee for Service
- Partial Cost Recovery
- Average Cost Pricing
- Inappropriate Rate Structures
  - Flat or Fixed Rate
  - Constant Unit Rate
  - Two-Part Tariffs
  - Variable Rates

b. Development Cost Charges (DCCs)
   - Uniform DCC Fees
   - Negotiated DCC Fees
   - On-Site DCC Fees

2.2.2. Innovative User Fees

a. Proper Pricing
- Full Cost Recovery
- Marginal Cost Pricing
- Variable Unit Rates
- Multi-Part Tariffs
- Peak Period Pricing
- Differential User Fees

b. Developer Cost Charges (DCCs)
- Variable
- Expanded On-Site
- Expanded Off-Site
- Linkage
- Density Bonusing
- Maintenance and Replacement
- Front-Ended
- Scheduled

Innovative User Fee Tools (Continued)

c. Converting Current Tax Supported Infrastructure to User Pay
- Water Treatment and Distribution
- Wastewater Collection and Treatment
- Storm Water Drainage
- Solid Waste Collection and Recycling
- Roadways, Tunnels, Bridges
  - Direct Tolling (Real Tolls)
  - Variable Tolling (Value Pricing or Peak Period Tolls)
  - Indirect Tolling (Shadow Tolls)
  - Partial Tolling
  - Cordon Tolling (Congestion Tolls)
  - Vehicle-Miles-Travelled Fees (VMT Fees)

3. DELIVERY TOOLS

3.1. Public

3.1.1. Traditional Public

a. Government Departments
b. Decentralized Agencies
c. Taxation and User Fee Funding
d. Publicly Owned Infrastructure and Capital Equipment
e. Public Employees
f. Limited Private Participation
- Private Design (D)
- Private Bid Build (BB)
- Private Investment Capital

3.1.2. Innovative Public

a. Creation of New Municipal Utilities
b. Corporatization and Public Interest Companies (PICs)
c. Special District Financing

3.2. Private

3.2.1. Traditional Private

a. Private Investor-Owned Companies
b. Design-Finance-Build-Own-Operate (DFBOO)
c. User Fee Funding
d. Private Investment Capital
e. Private Employees
f. Significant Public Participation
- Government Regulation
- Government Facilitation
- Tax Subsidies

3.2.2. Innovative Private

a. Privatization or Full Divestiture
b. Sale-Leaseback Arrangements

3.3. Public-Private Partnerships (PPP)

a. PPPs for Operations and Service Delivery
- Service Contracts (Inputs)
- Alternative Service Delivery (Outputs)
- Operations and Maintenance (O&M) Contracts
- Managed Competition

b. Familiar PPP Configurations for Existing Infrastructure and Municipal Services

c. Familiar PPP Configurations for New Infrastructure and Municipal Services

4. OTHER INNOVATIONS

a. Strategic Capital Asset Management
- What do we own?
- What would it cost to rebuild?
- At what stage in the life-cycle are the assets?
- Maintenance, rehabilitation or replacement?
- When do we need to spend?
- How much do we need to spend?

b. Maximize Existing Capacities
- Multi-use facilities
- Regional infrastructure provision
- Blended financing
- Joint public-public development

c. Demand Management Strategies
d. Reform of Standards
e. Accrual Accounting
f. Activity-Based Accounting
g. Donations and Sponsorships
h. Community and Neighbourhood “Self-Help” Programs
i. Pooled Purchasing and Resource Sharing
j. Small Scale Private Infrastructure

EXECUTIVE SUMMARY

Edmonton's Infrastructure Challenge

In November 2006, the City of Edmonton released its *Long Range Financial Forecast* for the 2007-2016 period. At that time, the City of Edmonton reported infrastructure needs totalling $10.4 billion over 2007-2016. However, the City only had funding for $5.152 billion. This left a cumulative funding shortfall of $5.248 billion. In 2008, an infrastructure update reported that the funding shortfall has exploded to $19.207 billion over the 2008-2017 period. To meet this challenge on a "pay-as-you-go" basis, Edmonton's property taxes would have to quadruple. Efforts by the City of Edmonton, past tri-partite national infrastructure programs, the GST rebate, recent fuel tax revenue sharing agreements, and increased capital grants have allowed the City to boost its investment in infrastructure, but much of the City's reported needs remain unmet. This is not a problem going away anytime soon.

Edmonton's Revenue Profile

The revenue sources available to the City of Edmonton are very restricted. Operating funding comes from only three sources – property taxation, user fees, and other income. Grants constitute only a very small portion of operating revenue. External capital funding comes from two primary sources – capital grants (including fuel tax revenue sharing) and developer cost charges. The key problem here is a lack of *diversity* in the tax tools Edmonton can employ. The City is reliant on a set of funding tools that are relatively *inelastic.* This means that the revenues produced do not tend to grow well over time – they fail to capture a fair portion of the economic activity occurring within the City, they fail to keep pace with population growth, and they fail to compensate for inflation and the continually escalating cost of providing services and infrastructure.

Can Edmonton Meet the Challenge?

Edmonton's current set of funding sources cannot easily generate a growing stream of revenue to meet the infrastructure challenge:

- From 1990-2007, real per capita tax revenue for the City of Edmonton grew by only 5.7%. This pales in comparison to the growth in federal and provincial tax revenues. Over the same time period, federal tax revenues grew by 25.3% and provincial tax revenue (excluding oil and gas royalties) grew by 44.5%.

- From 1990-2007, the average Edmontonian paid $2,873 more in taxes to all orders of government. Of this amount, 53.1% accrued to the federal government while 45.3% accrued to the provincial government. Only 1.5% of the increase in taxation over the last 18 years – $45 – has gone to Edmonton City Hall. (All amounts in real per capita dollars.)

- In 2006, the average Edmonton homeowner paid $1,259 in municipal property tax on a home assessed at $219,000. In 2007, property taxes rose to $1,376. However, most of this increase was offset by growing personal disposable incomes. The median disposable income in Edmonton was $62,295 in 2006, but is estimated at $67,947 in 2007. Thus, the additional property taxes paid by an average household living in an average single family home – relative to growth in income – amounted to only $3 or 25¢ per month.

- At the same time, the personal income tax that had to be paid to the federal and provincial governments on rising median incomes was $948. This increase in tax revenue occurred even with new tax deductions and increases in existing deductions.

The Search for Alternatives

It is unreasonable to expect the City of Edmonton to effectively meet the infrastructure challenge if it remains so singularly dependent on the property tax. The infrastructure funding challenge constitutes a powerful argument for new directions and an expanded set of financing and funding tools. Many of Edmonton's competitor cities, whether in Europe, Asia, or the US, have significantly greater access to a wider range of taxes and/or tax revenue sharing. A diverse set of funding tools is required to implement emerging best practices in infrastructure provision. A good municipal funding system is both diverse and balanced, providing adequate and reliable revenues, good revenue growth over time, as well as equity, efficiency, simplicity, and accountability. No single tax source can achieve all these criteria.

Ideal or "Out-of-the-Box" Options

Ideal financing, funding, and delivery alternatives combine to ensure that infrastructure is provided both *effectively* and *efficiently*. Ideal revenue sources build sustainability into the provision of infrastructure over the long-term by helping fund infrastructure and keeping demand in check. An ideal system would allow the City of Edmonton to follow a best practices model in infrastructure provision. More important, it would allow the City to do so by collecting a fair portion of local economic activity. It is important to understand how tax revenues grow. Revenues can grow when tax rates are moved upwards – a tax increase – or they can grow as the economy expands. Because the City of Edmonton is so dependent on the property tax, its revenues can grow primarily through the first method only. An ideal funding system would have at least some built in "escalators" allowing Edmonton's revenues to grow in tandem the local economy.

- *Public-private partnerships (PPPs):* PPPs see the public sector partnering with the private and non-profit sectors to deliver both services and infrastructure. On the operating side, PPP is a wide-spread and systematic commitment to private and non-profit involvement through competitive tendering. On the capital side, PPP goes beyond the traditional "bid-build" relationship and involves private participation in the design, financing, building, owning, and even operation of infrastructure assets. Possible savings that could be redirected to increase capital investment is $146.8 million in 2007. However, this is based on very generous assumptions and a simple benchmarking against the best results seen in the US and the UK. The savings could be more modest.

- *"Visitor-specific" selective sales taxes:* Many large cities around the globe use a set of selective sales taxes to generate revenue from "luxury" goods and services, or those disproportionately consumed by visitors to the city. Examples include an accommodations or lodging tax and taxes on restaurants, bars, pubs, casinos, and "off-sales" of beer, wine, and liquor. Visitors use municipal services and infrastructure but do not contribute to the residential property tax base out of which services and infrastructure are funded. These taxes address this problem. A 2% lodging tax and a gambling and liquor tax set at 5% of the provincial tax rate would have generated $32.0 million for Edmonton in 2007.

- *"Vehicle-specific" selective sales taxes:* Since 60% of Edmonton's infrastructure funding "gap" is in transportation, attention needs to focus on various "vehicle-specific" sales taxes that can be earmarked for transportation infrastructure. Examples include a local option fuel tax, a local vehicle registration tax, a special sales tax on vehicle sales, and local taxes on car rentals, parking, and even a separate property tax on vehicles. All of these are "user pay" taxes, which are more efficient than general tax funding. They help fund infrastructure supply at the same time as they keep demand in check. For the City of Edmonton, a basket of "vehicle-specific" selective sales taxes that included a 5¢ fuel tax, a $30.00 annual vehicle registration fee, a 1% sales tax on new vehicles, and a $20.00 tax on all license renewals could have generated $137.0 million in 2007.

- *Index grants to provincial personal incomes and corporate earnings or to provincial personal and corporate income tax revenues:* This option would see the province sharing with the City of Edmonton a portion of the personal and corporate income tax revenue it collects by tying annual operating and capital grants received by the City to growth in these two taxes. Grants could be indexed to provincial personal and corporate income tax revenue or indexed directly to personal incomes and corporate earnings. In 1992, provincial operating and capital grants to Edmonton were 3.80% of all personal and corporate income taxes collected by the province and 0.339% of all personal incomes and corporate earnings. Indexing against the 3.80% ratio would have meant an additional $65.3 million in grants for Edmonton in 2007. Indexing against the 0.339% ratio would have meant another $225.1 million for 2007.

- *A "SPLOST" retail sales tax or "penny" tax:* In the US, the "special purpose local option sales tax" or SPLOST is emerging as one of the most powerful ways to fund infrastructure. The tax is a local general retail sales tax applied at the local level. The tax is set at 1% and applies to a broad basket of goods and services. The tax rate is capped, imposition is by voter-approval in a referendum, revenues are earmarked for specific infrastructure projects, and the tax sunsets every five or six years. To impose the tax, governments prepare a list of projects to be funded by the tax. This list and a proposal for the tax are then placed on the ballot at a regular municipal election. If approved by voters, the tax is imposed, the projects proceed, and government follows up with an annual report on the tax to ensure accountability. The process repeats every five or six years. A 1% SPLOST tax could have generated $171.4 million in Edmonton for 2007. But as the economy expands, the retail sales tax base also grows. If Edmonton's retail sales tax base continues to grow over the next ten years as it has in the previous ten, the revenue produced could reach be $391.1 million by 2017. Over the 2008-2017 period, the average annual revenue yield could reach $277.5 million.

Doable or "In-the-Box" Options

All of the options above require a fundamental shift in thinking on the part of City Council and citizens, or approval from the provincial government. While the City of Edmonton should actively pursue these options, they do not provide much traction in the short-term. Thus, a second list of alternatives was developed that are more achievable within the confines of the *Municipal Government Act*.

- *Seek incremental "wins" under the status quo:* Dramatic policy shifts are difficult to secure. One option, favoured by many municipalities, is to simply "muddle-through" and seek incremental changes that do not dramatically alter the status quo. This includes such things as seeking out more grants and lobbying for another but much longer-term tri-partite national infrastructure program. In the case of Edmonton, a 20% increase in grants would have yielded another $72.3 million in 2007. However, most of the options here carry their own difficulties. In the end, there may be very little gained by pursuing alternatives within the fiscal status quo.

- *"User-pay-first" policy:* Certain infrastructure assets are inherently marketable, opening up the possibility of direct user fee funding and self-financing debt without the need to spend tax dollars. A consensus over user pay would see user fees applied to every infrastructure asset and service possible, with the aim of correct pricing and full cost recovery of operations, maintenance, and future capital. The second best choice is an "indirect" user fee or "user pay" tax. General taxation is the funding choice of last resort. Here, increased usage of local improvement levies might offer some potential. If Edmonton were to collect these levies at the same rate as in the past, another $23.4 million could have been generated in 2007. Advances in digital communications and GPS technology are allowing governments to apply user pay in areas previously "off-limits." An emerging example is the concept of a "vehicle-miles-traveled" or VMT tax. With VMT vehicles are metered – a direct user pay system for roadway infrastructure. The potential impact in savings could run into the billions of dollars.

- *Earmarking of property tax revenues:* With earmarked property taxes, individual property tax bills show the portion of municipal property tax dedicated to general operations and the portion for infrastructure. Earmarking can help lower political and public resistance to property taxes. Earmarking an annual 1% property tax increase to fund additional debt could help lever $1.1 billion in borrowing over the 2008-2017 period. In 2007, each 1% increase in property tax is worth $7.6 million.

- *"Smart" debt:* The idea behind "smart" debt is to build a consensus around an appropriate and sustainable level of tax-supported debt over the long-term, recognizing that borrowing is a legitimate part of any long-term capital financing plan. Currently, the cost of servicing general purpose debt in Edmonton is low. In 1990, the cost of general purpose debt servicing was 12.3% of operating revenue. The ratio was 5.7% over the 1990-2007 period. If the first ratio were in play in 2007, the City would be carrying an additional $2.650 billion in debt. If the second ratio were in play, the City would be carrying an additional $929.3 million.

- *A "standing" or "go-forward" property tax policy:* Relative to many other big cities in western Canada and other municipalities within the Edmonton metropolitan area, residential and business property taxes in Edmonton are below average. Further, municipal property taxes in Edmonton have been falling as a percentage of aggregate personal disposable incomes. The idea of a "go-forward" property tax policy is to have municipal property taxes collected at an agreed upon percentage of personal disposable incomes over the long-term. Between 1990-2007, municipal property tax collections in Edmonton were 3.31% of aggregate personal disposable incomes. In 2007, the ratio had fallen to 2.88%. If the ratio had not fallen, the City of Edmonton would have received an additional $97.7 million in 2007 alone. To maintain competitiveness, the taxes collected should not be completely out of sync with the average collected by other municipalities in the metro area and those levied by the other six big western cities.

Conclusion

Closing an infrastructure funding gap that reaches $2 billion annually is a mammoth assignment. To accomplish the task, a new financial partnership needs to be struck with the province that sees the City receiving additional taxation authority and/or expanded tax revenue sharing. The City of Edmonton will need to take a leadership role in working toward a more diverse set of tax tools and continue building the case for change. Because this is a long-term project, the City must also consider how it can maximize the limited revenue sources currently at its disposal. To be sure, this does not constitute a sustainable solution for the long-term. However, to the degree that Edmonton can make forward progress over and above what other cities are able to do, it will secure a competitive advantage by building a better and higher quality urban environment at the same time as it continues working toward a new era that holds more promise.

APPENDIX 'H' - City of Winnipeg, "IFC Backgrounder", 2010

The following have appeared in a variety of reports and as options or approaches to find efficiencies:

- Strong focus in tendering practices on use of new materials, designs and construction methods to increase asset life cycle and reduce life-cycle costs.
- Regional collaboration and inter-municipal cooperation including regional tender and service delivery authorities to reduce overall operating and capital costs, and maximize on economies of scale.
- Consider Fire Services and Emergency Preparedness Program support for the expansion and enhancement of regional fire services training, and emergency management training, enabling effective municipal emergency management systems.
- Employ innovative financing options:
    - First, governments can employ traditional tools, but simply use them differently (e.g., earmarking property taxes for capital purposes).
    - Second, governments can employ new tools (e.g., tax-exempt bonds).
    - Third, familiar methods can be applied to infrastructure systems to which they have not generally been applied in the past. Roadways, for example, have traditionally been financed by debt funded through taxation funded through taxation, and delivered publicly. But a new road could also be debt-financed, funded with pay as you go user fees (tolls), and privately delivered.
- Explore the full range of rapidly expanding leasing options.
- Convert infrastructure and municipal services currently dependent on the tax base to a system of user pay. For infrastructure that is already funded with user fees, the emphasis could be on innovations that promote proper pricing, including full cost recovery of operations, capital, and future capital needs.
- Innovation-based grants: develop specialized federal and provincial grants contingent upon the use of innovative tools (e.g., PPP options, road tolling, new design and materials with a focus up front upon extending infrastructure life cycle, with reduced life-cycle costs, e.g., ISIS Canada)
- Delivery improvements, including public and private/non-profit delivery, e.g., consider moving away from the traditional government department system and take advantage of benefits that accrue from creating new utilities and corporatizing existing utilities; explore the various PPP arrangements for operations and services, including alternative service delivery, operations and maintenance contracts, and managed competition.
- Enable introduction of tax-free municipal infrastructure bonds.
- Consider establishing project-specific capital funding for strategic and/or significant municipal transportation- and economic growth-supporting infrastructure which demonstrates enhancing competitive edge. The manner of funding could be through plebiscite authorizing a tax dedicated and limited to the asset which lapses upon completion. These could include:
    - Major or regional roadway construction
    - Local Road Bridges and structures
    - Paving of Community Airport runways
    - Upgrading of roads impacted by resource-based truck traffic
- Connect user fees to beneficiary:
    - Frontage Levies dedicated to transportation, sewer and water infrastructure
    - Add 1 cent to Fuel Tax dedicated to transportation infrastructure (provincial authority)
    - Bridge/road tolls to roads and bridges
    - Vehicle Registration Fee
    - Other?
- Development cost charge allocated to infrastructure
- Debt Financing recognizing intergenerational infrastructure benefit
- Variations in fed-provincial - municipal infrastructure funding formulae
- Share of Provincial Sales Tax or the freed-up 1% in the federal GST
- Dedication of municipal GST exemption to infrastructure renewal
- Allocate full debt savings from old debt to infrastructure renewal - SIRP II
- Land transfer tax
- Tax on gas and electricity utilities
- Replace Education Property Taxation with alternative funding to free up municipal tax room
- Any new revenues to be dedicated to infrastructure renewal and construction could be based upon public criteria and objectives for which municipalities are held to account:
    - For example, new revenue streams could have 5- and 10-year sunset clauses: after 5 years' progress reviewed, revenue streams adjusted; after 10 years, entire program reviewed and decisions made on continuance based upon referendum

APPENDIX 'I" - City of Winnipeg, "Infrastructure Deficit and Possible Funding Options", 2009

Funding Source Options:

The City of Winnipeg has used the following funding sources to fund past capital projects:

- Property Tax
- User Fees
- Provincial Grants
- Federal Grants/Gas Tax
- Developer Contributions
- Frontage Levies
- P3 lease payments
- Debt (significantly used in the 1990s), currently used for water & sewer utilities

The following table outlines a short list of several funding options to fund both the Existing and New Strategic Infrastructure Deficit.

Funding Options	**For Existing**	**for New Strategic**
City Already Has Authority		
Frontage Levies	Local roads	
Debt Financing – typically for large projects	✔	✔
Public Private Partnership (P3)	✔	✔
Property Taxes	✔	✔
User Fees	✔	✔
Federal and Provincial Grants	✔	✔
Development Cost Charges (partial authority)		✔
Sponsorships	✔	✔
City Does Not Have Authority		
New City tax dedicated to infrastructure funding: - Fuel Tax - Sales Tax	 ✔ ✔	 ✔ ✔
Increased share of Federal and Provincial existing taxes	✔	✔
Development Cost Charges (expanded authority)	✔	✔
Land Transfer Tax	✔	✔
Vehicle Registration Fee	✔	✔
Franchise Fee on Gas and Electric Utilities	✔	✔
Income Tax	✔	✔
Electrical bill fee	✔	✔

APPENDIX ‘J’ Financial Model – For Demonstration Purposes

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
1% Sales Tax Revenue	**238**	**248**	**258**	**268**	**279**	**290**	**302**	**314**	**326**	**339**	**353**	**367**	**382**	**397**	**413**	**429**	**446**	**464**	**483**	**502**
in $ millions Retail Sales Growth	**4.0%**																			
Municipal Infrastructure Levy			collect																	
% MIL	**0.0%**	**0.0%**	**1.0%**	**1.0%**	**1.0%**	**1.0%**	**1.0%**	**1.0%**	**1.0%**	**1.0%**	**1.0%**	**1.0%**	**1.0%**	**1.0%**	**1.0%**	**1.0%**	**1.0%**	**1.0%**	**1.0%**	**1.0%**
MIL Revenue	**0**	**0**	**258**	**268**	**279**	**290**	**302**	**314**	**326**	**339**	**353**	**367**	**382**	**397**	**413**	**429**	**446**	**464**	**483**	**502**
Equity Reserve		0	13	13	14	15	15	16	16	17	18	18	19	20	21	21	22	23	24	25
MIL Reserve		0	245	255	265	276	287	298	310	322	335	349	363	377	392	408	424	441	459	477
				spend																
5% Equity Reserve		0	0	13	13	14	15	15	16	16	17	18	18	19	20	21	21	22	23	24
Per Capita Amount		0	0	245	255	265	276	287	298	310	322	335	349	363	377	392	408	424	441	459
Manitoba		0	0	258	268	279	290	302	314	326	339	353	367	382	397	413	429	446	464	483
City of Winnipeg																				
55.2% Per Capita		0	0	135	141	146	152	158	164	171	178	185	192	200	208	216	225	234	243	253
Total		**0**	**0**	**135**	**141**	**146**	**152**	**158**	**164**	**171**	**178**	**185**	**192**	**200**	**208**	**216**	**225**	**234**	**243**	**253**
Remaining Municipalities																				
Equity Reserve		0	0	13	13	14	15	15	16	16	17	18	18	19	20	21	21	22	23	24
100% Per Capita		0	0	110	114	119	123	128	134	139	144	150	156	162	169	176	183	190	198	206
Total		**0**	**0**	**123**	**128**	**133**	**138**	**143**	**149**	**155**	**161**	**168**	**175**	**182**	**189**	**196**	**204**	**212**	**221**	**230**
Distribution of Municipal Infrastructure Levy																				
City of Winnipeg		0	0	135	141	146	152	158	164	171	178	185	192	200	208	216	225	234	243	253
Rest of Municipalities		0	0	123	128	133	138	143	149	155	161	168	175	182	189	196	204	212	221	230
Total				**258**	**268**	**279**	**290**	**302**	**314**	**326**	**339**	**353**	**367**	**382**	**397**	**413**	**429**	**446**	**464**	**483**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Education Property Tax To Be Vacated	318	325	331	338	344	351	358	366	373	380	388	396	404	412	420	428	437	446	455	464
Growth	4%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
3 Year phase out				33.3%	33.3%	33.4%														
56.2% **City of Winnipeg**				**63.2**	**64.5**	**66.0**														
Remaining Municipalities				**49.3**	**50.2**	**51.4**														
Total				**112.5**	**114.7**	**117.4**														

Municipalities: Inflation plus Population Growth

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Wpg Current Total Capital Budget	$400	$400	$412	$424	$437	$450	$464	$478	$492	$507	$522	$538	$554	$570	$587	$605	$623	$642	$661	$681
growth (CPI plus 1% pop growth)		3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
$ growth		$12	$12	$13	$13	$14	$14	$14	$15	$15	$16	$16	$17	$17	$18	$18	$19	$19	$20	$20

New Additional Funding for Infrastructure	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
City of Winnipeg		12	24	37	50	64	78	92	107	122	138	154	170	187	205	223	242	261	281	301
50% **Remaining Municipalities**		6	12	19	25	32	39	46	53	61	69	77	85	94	103	112	121	131	140	151
Total		**18**	**37**	**56**	**75**	**96**	**116**	**138**	**160**	**183**	**206**	**231**	**255**	**281**	**308**	**335**	**363**	**392**	**421**	**452**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Additional Federal Fuel Tax	100	101	102.01	103.03	104	105														
Additional Federal Fuel Tax Fully allocated		1.0%		33%	67%	100%														
City of Winnipeg		61.4%		21	43	65	65	66	66	67	68	69	69	70	71	71	72	73	73	74
Remaining Municipalities				13	27	41	41	41	42	42	43	43	43	44	44	45	45	46	46	47
Total				**34**	**69**	**105**	**106**	**107**	**108**	**109**	**110**	**112**	**113**	**114**	**115**	**116**	**117**	**118**	**120**	**121**

IFC Recommended New Funding available to address $13.4 Billion of Infrastructure Deficit

in $ millions

For City of Winnipeg	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**5 Year subtotal**	**2019**	**2020**	**2021**	**2022**	**2023**	**5 Year subtotal**	**2024**	**2025**	**2026**	**2027**	**2028**	**5 Year subtotal**	**2029**	**2030**
Vacated Education Property Taxes	-	-	-	63	129	197	201	205	**796**	210	214	218	222	227	**1,091**	231	236	241	246	250	**1,204**	255	261
Additional Federal Fuel Tax	-	-	-	11	43	65	65	66	**249**	66	67	68	69	69	**339**	70	71	71	72	73	**356**	73	74
Municipal Infrastructure Levy	-	-	-	135	141	146	152	158	**732**	164	171	178	185	192	**891**	200	208	216	225	234	**1,084**	243	253
Municipal Additional Funding	-	12	24	37	50	64	78	92	**357**	107	122	138	154	170	**690**	187	205	223	242	261	**1,119**	281	301
Wpg Sub-Total	**-**	**12**	**24**	**246**	**362**	**472**	**496**	**521**	**2,134**	**547**	**574**	**601**	**630**	**659**	**3,011**	**689**	**720**	**752**	**785**	**818**	**3,763**	**853**	**889**
Remaining Municipalities	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**		**2019**	**2020**	**2021**	**2022**	**2023**		**2024**	**2025**	**2026**	**2027**	**2028**		**2029**	**2030**
Vacated Education Property Taxes	-	-	-	49	100	154	157	160	**621**	163	167	170	173	177	**850**	180	184	188	191	195	**938**	199	203
Additional Federal Fuel Tax	-	-	-	7	27	41	41	41	**156**	42	42	43	43	43	**213**	44	44	45	45	46	**224**	46	47
Municipal Infrastructure Levy	-	-	-	123	128	133	138	143	**664**	149	155	161	168	175	**808**	182	189	196	204	212	**983**	221	230
Municipal Additional Funding	-	6	12	19	25	32	39	46	**178**	53	61	69	77	85	**345**	94	103	112	121	131	**559**	140	151
Remaining Municipalities Sub-Total	**-**	**6**	**12**	**197**	**280**	**359**	**375**	**391**	**1,620**	**408**	**425**	**443**	**461**	**480**	**2,216**	**499**	**520**	**540**	**562**	**584**	**2,705**	**607**	**630**
Total Province wide	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**		**2019**	**2020**	**2021**	**2022**	**2023**		**2024**	**2025**	**2026**	**2027**	**2028**		**2029**	**2030**
Vacated Education Property Taxes	-	-	-	112	229	351	358	366	**1,417**	373	380	388	396	404	**1,940**	412	420	428	437	446	**2,142**	455	464
Additional Federal Fuel Tax	-	-	-	17	69	105	106	107	**405**	108	109	110	112	113	**552**	114	115	116	117	118	**581**	120	121
Municipal Infrastructure Levy	-	-	-	258	268	279	290	302	**1,396**	314	326	339	353	367	**1,699**	382	397	413	429	446	**2,067**	464	483
Municipal Additional Funding	-	18	37	56	75	96	116	138	**535**	160	183	206	231	255	**1,035**	281	308	335	363	392	**1,678**	421	452
Province Wide Sub-Total	**-**	**18**	**37**	**443**	**642**	**831**	**871**	**912**	**3,754**	**955**	**999**	**1,044**	**1,091**	**1,139**	**5,227**	**1,188**	**1,239**	**1,292**	**1,346**	**1,402**	**6,468**	**1,460**	**1,519**

City of Winnipeg -- Effect on Infrastructure Deficit

Relating to Existing	1,700
Relating To Growth	1,800
2009 Current Infrastructure Deficit for Winnipeg	**3,500**

	Annual Growth
Growth relating to Existing Infrastructure	210
Growth relating to New Strategic Infrastructure	180
Total Growth in Infrastructure Deficit	**390** in constant 2009 dollars

Add Construction Inflation to Infrastructure
Conference Board recommended twice CPI **4.0%** construction inflation

reduce to 60% 60% of previous year

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Growth relating to Existing Infrastructure	227	236	246	255	266	276	287	299	311	187	194	202	210	218	227	236	245	255	265	276
Growth relating to New Strategic Infrastructure	195	202	211	219	228	237	246	256	266	160	166	173	180	187	195	202	210	219	228	237
Total Growth in Infrastructure Deficit	422	439	456	474	493	513	534	555	577	346	360	375	390	405	421	438	456	474	493	513

Allocation of Funding	
Existing	**75%**
New	25%

in $ millions	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
1st Priority to Existing Infrastructure	$2,120	$2,356	$2,593	$2,830	$2,911	$2,916	$2,849	$2,776	$2,696	$2,472	$2,236	$1,986	$1,724	$1,448	$1,158	$854	$536	$203	-$145	-$509
New funding	$0	$9	$18	$185	$272	$354	$372	$391	$410	$430	$451	$472	$494	$517	$540	$564	$588	$614	$640	$667
Effect on Existing Infrastructure Deficit	$2,120	$2,347	$2,575	$2,646	$2,640	$2,562	$2,477	$2,385	$2,285	$2,042	$1,785	$1,514	$1,230	$931	$618	$291	-$52	-$411	-$785	-$1,176
New Infrastructure	$2,160	$2,362	$2,570	$2,783	$2,949	$3,096	$3,224	$3,356	$3,492	$3,515	$3,538	$3,561	$3,583	$3,605	$3,628	$3,650	$3,672	$3,695	$3,718	$3,741
New funding		$3	$6	$62	$91	$118	$124	$130	$137	$143	$150	$157	$165	$172	$180	$188	$196	$205	$213	$222
Effect on New Infrastructure Deficit	$2,160	$2,359	$2,564	$2,721	$2,859	$2,978	$3,100	$3,226	$3,355	$3,372	$3,388	$3,403	$3,418	$3,433	$3,448	$3,462	$3,476	$3,490	$3,505	$3,519
Total Remaining Wpg Infrastructure Deficit	**$4,280**	**$4,707**	**$5,139**	**$5,367**	**$5,498**	**$5,539**	**$5,577**	**$5,611**	**$5,641**	**$5,413**	**$5,172**	**$4,917**	**$4,648**	**$4,364**	**$4,066**	**$3,753**	**$3,424**	**$3,080**	**$2,719**	**$2,343**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Remaining Municipalities in 2010	**4,000**																			
annual increase	**200** in constant 2010 dollars																			
annual increase with construction inflation	208	216	225	234	243	253	263	274	285	296	308	320	333	346	360	375	390	405	421	438

in $ millions	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
1st Priority to Existing Infrastructure	$4,208	$4,424	$4,643	$4,865	$4,911	$4,885	$4,789	$4,688	$4,582	$4,470	$4,353	$4,230	$4,102	$3,969	$3,830	$3,685	$3,534	$3,377	$3,215	$3,046
New funding	$0	$6	$12	$197	$280	$359	$375	$391	$408	$425	$443	$461	$480	$499	$520	$540	$562	$584	$607	$630
Effect on Existing Infrastructure Deficit for Remaining Municipalities	**$4,208**	**$4,418**	**$4,631**	**$4,668**	**$4,632**	**$4,526**	**$4,414**	**$4,297**	**$4,174**	**$4,045**	**$3,910**	**$3,769**	**$3,622**	**$3,469**	**$3,310**	**$3,144**	**$2,972**	**$2,793**	**$2,608**	**$2,416**
Total Remaining Deficit Combined for City and Remaining Municipalities	**$8,488**	**$9,125**	**$9,770**	**$10,035**	**$10,130**	**$10,065**	**$9,991**	**$9,908**	**$9,815**	**$9,458**	**$9,082**	**$8,687**	**$8,270**	**$7,834**	**$7,376**	**$6,897**	**$6,396**	**$5,873**	**$5,328**	**$4,759**

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INFRASTRUCTURE FUNDING COUNCIL (IFC)

Christopher (Chris) W. Lorenc, B.A.,LL.B.
Chair, Infrastructure Funding Council (IFC)

A lawyer by background, Chris Lorenc has been President of the Manitoba Heavy Construction Association (MHCA) since 1991 and President of the Western Canada Roadbuilders & Heavy Construction Association (WCR&HCA) since 1995. Mr. Lorenc graduated from the University of Manitoba with Bachelor of Arts in 1973 and Law (LL.B.) degree in 1976 and then practiced general, corporate and commercial law until 1991.

He served on Winnipeg's City Council for nine (9) years from 1983 until he retired from public office in 1992. While on Council he chaired a number of its Standing Committees, including Public Works and Environment, specific task forces and was a long serving member of Council's Executive Policy Committee (EPC).

Mr. Lorenc is active with the Canadian Construction Association (CCA) and serves on a number of its committees including: Civil Infrastructure Council (CIC); Gold Seal (national management excellence certification program); International Business; Human Resources; and Marketing and Promotion.

He is also a management representative on the Manitoba Labour Board and a member of: the Manitoba Employer's Council (MEC); the provincial Investment Promotion Committee (IPC); Manitoba International Gateway Strategy Council; Winnipeg Chamber of Commerce *'Trade & Transportation'* Committee; the Manitoba Chambers of Commerce; the Institute of Corporate Directors; and a founding board member of the Manitoba Construction Sector Council (MCSC).

In 2007 he chaired the Mayor's Trade Council (MTC) whose 2008 report *'Winnipeg – Canada's Center for Global Trade'* is credited as the impetus for the creation of CentrePort Canada, Canada's first inland port on which Board he now serves. The report also led to tri-level government decisions to promote inland port investments in Winnipeg and Manitoba. For this work Mr. Lorenc was awarded the '*Manitoba Service Excellence Partnership Award*' by the Manitoba government in June 2009.

He is frequently invited to speak to a variety of forums and comment on public radio on a variety of public policy topics. He has authored numerous public policy opinion editorials and has an extensive background in developing and writing public policy for governments on topics including government organization, intergovernmental relations, sustained infrastructure investment, and trade and transportation.

He has been both chair and member of a number of civic and provincial policy task forces some of which he initiated. Those included: Strategic Infrastructure Reinvestment Policy (SIRP) Task Forces (1998 & 2000); Committee on Tax Reform (1998); Workplace Safety & Health Act Review Committee (2001); Worker Compensation Act Review Panel (2004); Economic Opportunity Commission (EOC) in 2006.

He is married to his wife Maria of 29 years. They have three sons Marek (26), Gregory (24) and Michael (22). In his spare time Mr. Lorenc enjoys reading and spending time at the family cottage at Winnipeg Beach, Manitoba.

INFRASTRUCTURE FUNDING COUNCIL (IFC) MEMBERS

Ron Bell

Ron Bell was a councillor in the Town of Birtle for two terms before becoming mayor in 1995, a position he held until February, 2010.

Ron served on the Association of Manitoba Municipalities (AMM) board of directors for 10 years, including 4 years as president, before stepping down in 2008.

One of the highlights of Ron's term as president was the agreement on the transfer of federal gas tax revenues under the New Deal for Cities and Communities, signed in 2005.

Ron also represented the AMM on the Federation of Canadian Municipalities board of directors, the Federal Gas Tax Oversight Committee, the Provincial/Local Consultative Committee on Infrastructure, and the Infrastructure Council of Manitoba.

Ron and his family live in Birtle, MB and farm at Isabella, MB.

Councillor Jeff Browaty

Councillor Browaty has represented the City of Winnipeg's North Kildonan Ward since 2006. He is a member of the Executive Policy Committee and serves as the Chair of the Standing Policy Committee on Property & Development, and is a member of the Standing Policy Committee on Downtown Development. Jeff represents the City on the Executive of the Red River Basin Commission, and is a member of the boards of both the Winnipeg Public Library and the Winnipeg Housing Rehabilitation Corporation.

Representing the City on the Winnipeg-Kansas City Economic Partnership from 2008 - 2010, Jeff gained experience in addressing critical national and international trade, transportation, environmental and security issues through his participation in the North America Corridor Coalition.

Prior to his election in 2006, Jeff worked as a real estate appraiser. In 2001 he served as a research intern at the University of Manitoba's Transport Institute where he worked on various transportation projects, including a freight sustainability demonstration seminar and a Manitoba-Nunavut fuel re-supply study. Earlier in his career, he worked as a Communications Officer at the Manitoba Provincial Legislature and as an assistant to a federal Member of Parliament. He holds a Bachelor of Commerce (Honours) from the I. H. Asper School of Business with double majors in Management Information Systems (M.I.S.) and Marketing.

Jill Vogan, B.A. (Hons) and M.N.R.M. (Masters of Natural Resource Management), University of Manitoba

Jill, a career provincial civil servant, worked for 30 years in a central agency capacity, primarily in intergovernmental relations. Jill served four Premiers, five provincial Ministers, five Clerks of Executive Council, and numerous deputy ministers. From policy analysis to federal-provincial strategic policy and planning, Jill's public sector career included negotiating and managing a range of multi-million dollar, federal-provincial infrastructure and economic development initiatives.

Jill is currently an Associate with Eclectic Communications, specializing in written business communications.

Cory Young

Cory Young has been active in municipal government since 1991. A graduate of the Manitoba Municipal Administrator Program, he has served as Chief Administrative Officer for both the Town of Churchill and the Town of Winnipeg Beach.

Mr. Young also served on Thompson City Council where he chaired the Finance and Administration committee, Public Safety Committee, and was a member of the Public Works & Infrastructure Committee.

During his years with municipal government Mr. Young was also active with the AMM, serving as Northern Region Resolutions Chair for two years.

He has been employed with the Provincial Government since 2004. He currently resides in Winnipeg.