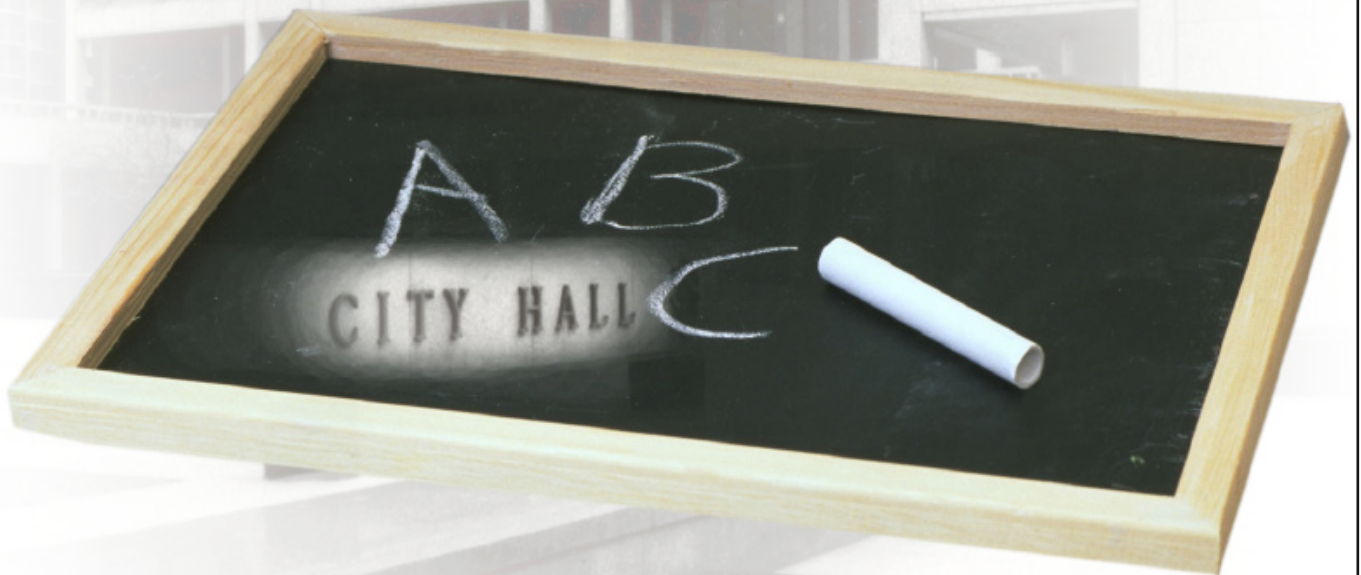


City of Winnipeg Pre-budget submission

GETTING BACK TO BASICS



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About the Canadian Taxpayers Federation

The Canadian Taxpayers Federation (CTF) is a federally incorporated, non-profit and non-partisan, advocacy organization dedicated to lower taxes, less waste and accountable government. The CTF was founded in Saskatchewan in 1990 when the Association of Saskatchewan Taxpayers and the Resolution One Association of Alberta joined forces to create a national taxpayers organization. Today, the CTF has over 61,000 supporters nation-wide.

The CTF maintains a federal office in Ottawa and offices in the five provincial capitals of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario. In addition, the CTF has a Centre for Aboriginal Policy Change in Calgary dedicated to monitor, research and provide alternatives to current aboriginal policy and court decisions. Provincial offices and the Centre conduct research and advocacy activities specific to their provinces or issues in addition to acting as regional organizers of Canada-wide initiatives.

CTF offices field hundreds of media interviews each month, hold press conferences and issue regular news releases, commentaries and publications to advocate the common interest of taxpayers. The CTF's flagship publication, *The Taxpayer* magazine, is published six times a year. An issues and action update called *TaxAction* is produced each month. CTF offices also send out weekly *Let's Talk Taxes* commentaries to more than 800 media outlets and personalities nationally.

CTF representatives speak at functions, make presentations to government, meet with politicians, and organize petition drives, events and campaigns to mobilize citizens to effect public policy change.

All CTF staff and board directors are prohibited from holding a membership in any political party. The CTF is independent of any institutional affiliations. Contributions to the CTF are not tax deductible.

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INTRODUCTION

Your Worship, Councilors, on behalf of the Canadian Taxpayers Federation (CTF), I would like to thank you for the opportunity to speak to the City of Winnipeg's 2005 Preliminary Operating Budget.

I would like to applaud the Mayor and the members of the Executive Policy Committee for their ongoing debate on the City's preliminary operating budget. It has become increasingly important that residents of Winnipeg are afforded the chance to engage their councilors on the very important issues that affect their daily lives.

Prior to my formal remarks on the preliminary budget, let me take this opportunity to commend the City for balancing the budget, committing to assist those on fixed incomes, much needed business tax relief, rationalizing spending at City Hall and abandoning the notion of new taxing authority for the City.

The real challenge for the next fiscal year is to create an economic atmosphere that will not only keep Winnipeggers from leaving, but one that will attract taxpayers from other parts of the country.

Although the CTF has not always been on the same page as City Council on many spending issues, we hope to assist the budget process by encouraging the City to take further measures to lower expenditures, lower the debt and make property tax reduction a viable option.

BUSINESS TAXES

During the 2004 municipal by-election, Mayor Katz made a commitment to the Canadian Taxpayers Federation to reduce the business tax rate – let me take this opportunity to commend you for upholding your pledge to do so.

The nearly \$2 million in savings for businesses is undoubtedly a step in the right direction – however, the CTF anticipates some concerns with respect to the decision to provide this relief to downtown businesses only.

Picking winners and losers in the tax cut game is not sound economic or public policy; this strategy puts those businesses operating outside of the downtown core at a significant disadvantage as they will essentially be subsidizing the tax reduction.

In addition to this, City Hall must develop a long-term strategy to completely phase out the municipal business tax. Other cities in Canada such as Regina, Saskatoon, Brandon and Vancouver have eliminated their business taxes. This would help stimulate the economy, put downward pressure on outmigration, and most important, it would give Winnipeg businesses a competitive advantage.

Issues like affordability, competition and long-term revenue growth hinge on a sensible solution to phasing out this regressive tax. The other problem with the business tax is that it is profit-insensitive therefore a more aggressive approach to business tax relief would release the uncompetitive tax burden on Winnipeg businesses without causing too much disruption to revenue streams.

Recommendation 1: The two-point reduction in the business tax for the downtown area should be extended to all Winnipeg businesses.

Recommendation 2: Phase out the remaining 7.75 per cent business tax over a four-year period so that continued growth in business tax revenues offsets the staggered tax reductions.

PROPERTY TAXES

The CTF has consistently maintained the principle that tax cuts are not another spending item. With lower interest rates and a competitive real-estate market, Winnipeg's assessment base is growing.

According to the preliminary operating budget, the City will enjoy an additional \$3.85 million in property tax revenue in the next fiscal year. This number swells to nearly \$7.85 million when the *Net Property Taxes Added* line item is included. Clearly the impact of past property tax cuts have not had a devastating effect on revenues, in fact it has been quite the contrary. This year the City of Winnipeg will have more property tax revenue than the past two fiscal years.

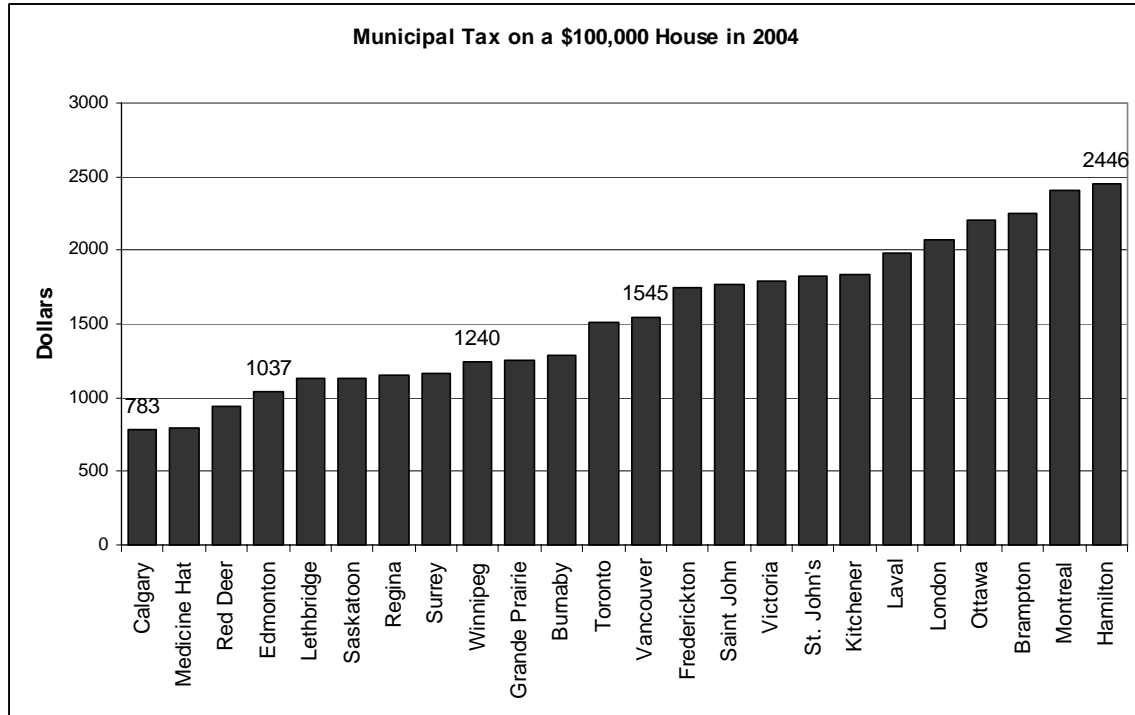
In 2003, the CTF's Property Tax & Utility Charges Survey, found that property taxes have come down marginally in Winnipeg, but still remain the highest in the Capital Region.

Average Annual Residential Property Taxes * on a \$100,000 House: 2000 - 2002

Capital Region	Estimated Property Taxes			Rank
	2000	2001	2002	
RM of East St. Paul	1,710	1,793	1,771	1
RM of Ritchot, Ste, Agathe	1,866	1,883	1,825	2
RM of Macdonald, La Salle	1,934	1,987	1,869	3
RM of Rockwood, Stony Mountain	1,817	1,990	1,881	4
RM of Headingley	1,958	1,988	1,898	5
Town of Stonewall	1,989	2,055	1,918	6
RM of Cartier, Elie	1,999	1,992	1,967	7
RM of West St. Paul, Rivercrest	1,922	1,949	1,983	8
RM of St. Francois Xavier	2,018	2,047	2,001	9
RM of Tache, Landmark	1,969	2,180	2,067	10
City of Selkirk	2,370	2,484	2,414	11
City of Winnipeg	3,036	3,028	2,860	12
Average	\$2,049	\$2,115	\$2,038	-

*These figures include school taxes

As for the City's competitiveness vis-à-vis other jurisdictions, we are still falling behind most cities in Western Canada as is illustrated in the City of Edmonton's 2004 Property Taxes and Utility Charges Survey.



Source: City of Edmonton Survey, 2004

City Hall needs to build on the progress already made. Therefore we encourage City Hall not freeze property taxes in the 2005 budget year.

Recommendation 3: To ensure Winnipeg's competitiveness the CTF recommends a 2 per cent reduction in property taxes to augment tax cuts given in previous years. Tax reductions can be realized through administrative savings or a freeze on specific expenditures in non-priority areas.

PRIORITY SPENDING & SAVINGS

The preliminary budget shows a savings of \$7.5 million through stronger vacancy management guidelines, however it is unclear as to how these savings are being achieved. For the purposes of meaningful debate, the CTF requests that EPC show a cost accounting as to where these savings were found according to department and what measures could be taken by other departments to find savings.

The CTF also recommends that the City continue to expand the Alternative Service Delivery model as was touched on during the Mayor's State of the City address. This includes, but should not be limited to outsourcing waste removal, golf courses and gravel pits.

A more rigorous approach needs to be taken to accelerate debt retirement and introduce broad based tax relief. In an effort to lower departmental spending in non-priority areas.

Some cost savings can be realized by selling costly operations such as the Winnipeg Convention Centre. Originally built as a revenue generator, today the Convention Centre costs Winnipeg taxpayers \$2.2 million per year. The sale of this facility would allow the City to pay down debt from revenues generated, lower debt servicing costs thereby lowering property and business taxes significantly.

Savings could be achieved by rationalizing spending in other areas:

Art City - \$100,000
Street Festivals - \$150,000
National Volleyball Team - \$75,000
Cultural Grants - \$3.7 million

Unquestionably, Winnipeggers want a beautiful and vibrant city but these frills should not be at the expense of further tax relief or road repair.

Recommendation 4: The City continue to expand the Alternative Service Delivery Model

Recommendation 5: To continue financing high priority spending areas such as debt servicing costs, fire and police services the CTF recommends the city reduce spending in low priority budget envelopes to a comparable extent.

Final Thoughts

The CTF truly believes that progress has been made on the tax front in Winnipeg and acknowledges City Hall's commitment to competitive property and business taxes, but more can be done. The hard line adopted by the city towards borrowing for capital expenditures should be equally applied to expenditures in the tax-supported portion of the budget.

Monies received from other levels of government via gas tax revenue, which have not yet been accounted for in the preliminary operating budget, must be applied towards Winnipeg's crumbling infrastructure.

The Mayor's State of the City address spoke about contracting out services to the private sector, services that the civic government does not necessarily have to provide – the CTF encourages the City to begin exploring these alternative services delivery options in preparation for the 2006 budget.