

2004 City of Winnipeg

Pre-Budget Submission to Executive Policy
Committee



March 17, 2004

Adrienne Batra
Provincial Director
Canadian Taxpayers Federation - Manitoba

About the Canadian Taxpayers Federation

The Canadian Taxpayers Federation (CTF) is a federally incorporated, non-profit, non-partisan, education and 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. In twelve years it has grown to become an organization with over 60,000 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 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 official publication, *The Taxpayer* magazine, is published six times a year. CTF offices also send out weekly *Let's Talk Taxes* commentaries to more than 800 media outlets and personalities across the country.

CTF representatives speak at functions, make presentations to government, meet with politicians, and organize petition drives, events and campaigns to mobilize citizens to affect 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 are not tax deductible.

The Manitoba office of the CTF is located in Winnipeg at:

212-428 Portage Avenue
Winnipeg, MB R3C 0E2
Tel: 204.982.2150
Fax: 204.982.2154
E-mail: abatra@shawbiz.ca
Website: www.taxpayer.com

Introduction

Mr. Mayor, members of Council, on behalf of the Canadian Taxpayers Federation (CTF) I would like to thank you for the opportunity to speak to the 2004-06 Preliminary Operating Budget.

Before I comment on the preliminary budget, I would like to take this opportunity to applaud the City for holding the line on property and business taxes and for taking measures to rationalize spending at City Hall. At this time I would also like to acknowledge some of the areas where City Council has taken steps in the right direction: property tax relief, streamlining bureaucracy, continued commitment to debt servicing costs and no new borrowing for capital programs.

Although the CTF has not always been on the same page as City Council on many spending issues, we certainly recognize the effort at some property tax relief over the past few years. We also realize that there has been a significant amount of financial pressure thrust upon the City of Winnipeg courtesy of other levels of government. Having said that, we believe that City Hall also plays a significant role in ensuring that all tax dollars collected are spent as wisely and efficiently as possible.

The New Deal & the Newer Deal

The CTF's opposition to the New Deal stems from our 2003-04 Supporter Survey: 73 per cent of those asked opposed the Province of Manitoba giving the City of Winnipeg new taxing authorities for a sales tax while 65 per cent were opposed to a hotel tax.

There were a number of other concerns the CTF had with the New Deal:

- Not revenue neutral;
- No guarantee of taxpayer protection for future increases in user fees;
- Tax increase for majority of Winnipeggers
- Unfairly targeted those with lower incomes; and
- Lack of confidence that City Hall has done all it can to trim spending.

Although we commend the Mayor for attempting to tackle the onerous property tax burden Winnipeggers face, the public has little appetite for a tax increase, in whatever form. These sentiments were also echoed in the City of Winnipeg's own polling on the New Deal.

The inevitable question still remains, however: how do we fill the infrastructure gap in our municipalities? There is little doubt that cities across the country are receiving a paltry amount of gas tax revenue from

the federal government, but there are other solutions aside from raising another tax.

The CTF, through our annual Gas Tax Honesty Day Campaign has proposed an alternative funding model – the Municipal Roadway Trust. The MRT would transfer existing federal revenue directly to municipalities. Constitutionally speaking, municipalities are a provincial jurisdiction, however there is a precedent for the feds to directly pay municipalities cash-in-lieu of property taxes owed.

To arrive at each municipality's share, GDP by municipality would be divided by the Canadian GDP, resulting in a percentage. If this formula were to be adopted the City of Winnipeg's share would be \$40.5 million.

A copy of this report is available at www.taxpayer.com/studies/federal/Gas_Tax_Honesty_Day_2003.pdf and it is recommended that all members of council consider the CTF's proposal as a logical alternative to raising taxes to fill the infrastructure gap.

Recommendation 1: The CTF recommends City Council work with the provincial government and demand 50 per cent of the gas tax revenue collected by the federal government under the guidelines set out in the CTF's Municipal Roadway Trust.

Property Taxes

The CTF has consistently maintained the principle that tax cuts are not another spending item. Tax cuts stimulate growth in the economy, and with Winnipeg's red-hot real estate market, the assessment base is growing.

The CTF's 2003 Property Tax & Utility Charges Survey, also found that property taxes have come down marginally in Winnipeg, but still remain the highest in the Capital Region. City Hall needs to build on the progress already made. Therefore we encourage City Hall not freeze property taxes in the 2004 budget year. According to the budget estimates, the City of Winnipeg will receive an additional \$4.9 million in property tax revenue, and an additional \$3.1 million in revenue from other sources, including the GST rebate announced by the federal government.

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.

Recommendation 2: To ensure Winnipeg's competitiveness the CTF recommends a 2 per cent reduction in property taxes to augment tax cuts given in 2001 and 2002. Tax reductions can be realized through administrative savings or a freeze on specific expenditures in non-priority areas.

Business Taxes

Other cities in Canada such as Regina, Saskatoon, Brandon and Vancouver have eliminated their business taxes – but Winnipeg's 9.75 per cent rate still exists. This already puts us at a significant disadvantage vis-a-vis other jurisdictions. Consequently, it is time for our elected officials to do their part by lowering and eventually phasing out the tax. This would help stimulate the economy, put downward pressure on outmigration, and most important, it would give Winnipeg businesses a competitive advantage.

The City's strategy of freezing business taxes is not working as 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.

Business tax revenue has increased by a paltry \$300,000 from 2003 and even though there are a number of external factors that have contributed to reduce the bottom of line of many Winnipeg businesses (BSE, drought), the City's business tax is the most onerous culprit.

Recommendation 3: Phase out the 9.75 per cent business tax over a four-year period (beginning with a 2 point reduction in 2004) so that continued growth in business tax revenues off-sets the staggered tax reductions.

Priority Spending

The draft 2004-06 budget shows the city will benefit from an additional \$8 million in revenue for 2004, a majority of which is coming from the property tax base and following a few years of fiscal restraint, overall spending has climbed from \$685 million in 2003 to \$693 million in 2004. The greatest concern with the increased spending is in the growth of non-priority area such as grants.

If the City is determined not to let our fire and police services slip and allow our infrastructure deficit to grow (and expect Winnipeggers to bear

those cost increases), then the City should be equally vigilant in reducing non-priority spending. There many examples of wasteful spending the city has undertaken that are not essential services. Property taxes were not meant to support arts and cultural grants, the Juno Awards, volleyball teams and street festivals.

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: 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.

Garbage User Fees

The CTF supports a user fee for waste collection as a fair substitute to the inequity built into the current property tax supported model. Like other user fees charged for hydro, natural gas and water; garbage collection should be also organized along the principle of 'user pays,' or in this case, user pay for trash collection and disposal. However, the CTF's support is contingent upon a 4 per cent reduction in all property taxes in 2005.

Under the current "free"-government system, waste collection costs are buried in the tax bill. Businesses and higher valued homes subsidize apartment dwellers and other residences by paying a larger portion of property taxes for the same or in many cases less waste collection service. By winding down the "free"-government system of trash collection, City Council would save \$16 million in property taxes, or four percent for an average property homeowner.

Recommendation 5: City Council adopt a user fee option for waste collection as a substitute for the inequality built into the current property tax model and reduce property taxes by 4 per cent in 2005.

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.

Thank you.