2VISIONS 2CITIES

A CITIZEN'S GUIDE TO UNDERSTANDING WINNIPEG'S CITY BUDGETS

CCPA
CANADIAN CENTRE for POLICY ALTERNATIVES
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This guide is the first step in a four-part Canadian Centre for Policy Alternatives-Manitoba (CCPA-Mb) project to engage Winnipeggers in municipal decision-making. Step Two is a survey of key municipal spending areas, Step Three will be an in-depth response to this spring's 2008 Operating Budget, and Step Four will be our Alternative City Budget, to be released in the fall of 2008.

CANADIAN CENTRE FOR POLICY ALTERNATIVES-MB

309-323 Portage Ave.

Winnipeg, MB

Canada R3B 2C1

ph: (204) 927-3200

fax: (204) 927-3201

ccpamb@policyalternatives.ca

www.policyalternatives.ca

Contributors

Betty Braaksma
Manitoba Library Association

Marianne Cerilli
Social Planning Council of Winnipeg

Lynne Fernandez
Canadian Centre for Policy Alternatives, Manitoba

Jesse Hajer
Canadian Community Economic Development Network

George Harris

Ian Hudson
Department of Economics
University of Manitoba

Bob Kury

Dennis Lewycky
CCPA Board Member

Lindsey McBain
Canadian Community Economic Development Network

Tom Simms

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1 Introduction

Winnipeg City Council spends more than one billion dollars a year running our city. From the moment we get up in the morning, most of us benefit from the services that our taxes provide. We wash up with water that is piped in through a city-built and operated water works, we walk our children to school on city sidewalks, go to work on city buses, drive on city streets that have been cleared of snow by the City. We expect that our houses and streets will be protected by city police and emergency services, and that we can enjoy a weekend at a city park, or spend an evening reading a book from a city library. Many of us learned to skate or dance at a local community club, and now spend our evenings volunteering at these facilities. Our health depends on the City treating our sewage, providing clean water and hauling away our garbage.

The money that the City spends can affect our day-to-day lives for years to come. For example, we are still benefiting from city councillors' far-sighted decision of more than a century ago to invest in an aqueduct to bring water to Winnipeg from Shoal Lake. But not all politicians are as visionary. Some fail to recognize the benefits of public spending and are not committed to measures that improve the lives of all Winnipeggers. There is always controversy surrounding the City's spending decisions.

Spending decisions are contained in the City's Capital and Operating Budgets. These budgets, which must be passed by Council, outline how the City is going to raise money and how it is going to spend it. The decisions about what and whom a City is going to tax reflect a community's decisions as to what constitutes a fair sharing of the costs of society. In the same way, spending decisions reflect values about how society's benefits are to be distributed.

We are still benefiting from city councillors' far-sighted decision of more than a century ago to invest in an aqueduct to bring water to Winnipeg from Shoal Lake.

Two visions – two cities

Many of the recent decisions made by Winnipeg City Council have cast those values into question. Parks and recreation are underfunded, there has been no investment in rapid transit, and programs for at-risk-youth receive little support. Rather than showing pride and confidence in the people it employs, Council is continually looking for ways to reduce its workforce by contracting out services and transferring public wealth to private interests.

These decisions reflect the vision of the Mayor and his supporters. In their vision, Winnipeg is not populated by citizens but by consumers and entrepreneurs. They believe that the City should not only be run like a business, business should be running most of the City's services. They also believe if a taxpayer does not receive a direct benefit from a tax, then the tax is not justified.

This vision is stated clearly in the Mayor's Economic Opportunity Commission (EOC) report. The recommendations in that report are based on a narrow-set of self-interested values. The EOC is calling for the elimination of the business tax and proposes to pay for the cut with reductions in service, cuts in pay, increased transfer from other levels of government and a transfer of control of public assets to the private sector.

The Canadian Centre for Policy Alternatives believes that Winnipeg is a community and that the people who live here are citizens, not simply taxpayers. We recognize that jobs—and the security that comes from employment—are created in cities with efficient public transportation, and access to public health services, decent housing, education, and to varied recreational and cultural venues. For these reasons we want all its citizens, along with businesses and non-profit organizations, to have access to libraries, education, and recreation and to the health and opportunity that comes from quality public services such as energy-efficient public transit, clean water and environmentally responsible waste-collection policies.

Historically, the private sector has not been able to provide these benefits to all members of a community. They come from public investment through taxation. In the words of the American jurist Oliver Wendell Holmes, taxes are the price we pay for civilization. Taxes do not kill jobs, but an inability to understand and manage the complexities of modern cities does.

Why a guide for City Budgets?

Budgets are important because they contain a strong message about the kind of city our Mayor and Councillors envision. If we read them carefully, we can also discover how power in our city is distributed and used, even abused at times. At first glance, city budgets are complex, technical documents, and it is not always easy to see how the dots are connected. It's helpful to have a bit of background to understand how they work.

Budgets can be difficult to understand for another reason: often the process of writing a budget is secretive, and the information about them can be presented in misleading ways. For example, background documents for the budget and media releases are peppered with catchy phrases such as "business friendly", "job-killing taxes" and "competitiveness" that suggest that the decisions in the budget are necessary to improve community life. But these are loaded phrases: sometimes a decision not to invest in the city's future can kill more jobs than any taxes. A decision not to invest in community security can even put lives at risk. The Guide challenges many of our Mayor and his supporters' favourite policies, such as greater use of public-private partnerships, contracting out of city services, and an increased reliance on volunteers to run city amenities.

How this guide works

The rest of this Guide is divided into four parts. Part 1 describes the Key Concepts of the budget. It defines the Operating Budget, the Capital Budget, and explains how they are adopted. Part 2 summarizes the Capital Budget while Part 3 summarizes the revenue portion of the Operating Budget. Part 4 examines the key recommendations of the Economic Opportunity Commission (EOC) as they relate to the Operating and Capital Budgets. That section shows how the Mayor and the EOC want to use the Budget to implement their vision for the City.

Taxes do not kill jobs, but an inability to understand and manage the complexities of modern cities does.

1. Key Concepts

The Operating Budget

As its name suggests, the Operating Budget deals with the cost of running the City on an annual basis. It includes the cost of salaries, pensions, interests on debt, heat and lighting of city buildings, rent, and payments for services provided to the City. The Operating Budget not only sets out how much the Council intends on spending in a given year, it includes a plan as to how the City will pay for its operations. The revenue usually comes from taxes, fees that the City charges for services, licence fees, and money received from other levels of government.

The Capital Budget

The Capital Budget is reserved for the funding of costly purchases or projects that will be used for at least five years. Capital investments can be made in buildings and equipment that support the City's operations (a municipal office building or a major piece of equipment) or in projects that are used by the public at large (for example, a bridge, a road, or the water and sewage systems). To pay for capital purchases, the City borrows money, enters public-private partnerships, or receives transfer funding from the provincial and federal governments. The capital budget includes the amount needed to acquire or construct each of the works proposed in the budget and the anticipated sources of the amount needed for each of those works.

Capital investments are investments in the future—roads and bridges, for example last for decades. Therefore, it makes sense to build them now and pay for them in the future.

The Capital Budget helps the City ensure that changes in tax rates are modest and predictable from year to year. The debt portion of the Capital Budget is similar to a mortgage: it is a long-term investment in an important component of your life.

The Capital Budget also includes a five-year forecast that is updated every December.

Preparing the budget

The annual Operating and Capital Budgets are prepared by city staff under the direction of the city's Chief Administrative Officer (CAO). This person is appointed by City Council, and reports to the Executive Policy Committee, which is made up of city Councillors who have been appointed by the Mayor. The Executive Policy Committee provides direction to the CAO in preparing the budgets and presents the budgets to Council. The Council debates the budgets and can amend them.

Deadlines

Before March 31 of each year, the Council must adopt an Operating Budget. (The provincial government has the right to extend this deadline.) Before December 31 of each year, the Council must adopt a Capital Budget for that year and a capital forecast for the next five fiscal years.

Balancing the Operating Budget

By provincial law, the Council must ensure that the estimated expenditures in the Operating Budget do not exceed the estimated revenues for the year. In other words, the City must balance its Operating Budget.

The relationship between the Capital and Operating Budgets

While the Operating Budget and the Capital Budget are separate documents, they are closely related. For example, money from the Capital Budget may be used to buy new buses to improve our transit system, while the Operating Budget would pay for the drivers, maintenance and fuelling of those buses. Furthermore, payment for capital projects can supported by general revenue from the Operating Budget, and debt is paid with money from the Operating Budget.

2. The Capital Budget

Winnipeg's preliminary Capital Budget for 2008 is $421.5 million. Figure 1 shows how that money will be spent. It also shows the 2007 Capital Budget allocations. The total 2007 Capital Budget was $427.3 million. Figure 2 shows how the Capital Budget proposes to raise the money to fund the 2008 Capital Budget.

Note the significant increase in the dependence on Public-Private Partnerships and the decline in Debt Financing from 2007 to 2008.

According to the five-year plan in the 2008 preliminary budget, the City plans to spend close to $2.09 billion on capital projects through to 2013. While this number seems large, Winnipeg has a projected a current 'infrastructure deficit' of about $2 billion (national wide the deficit is estimated to be at $123 billion, according to the Federation of Canadian Municipalities). An infrastructure deficit is what arises when a city does not invest in maintaining its infrastructure—such as streets, bridges, and water and sewage systems. It also has to supply new infrastructure to keep up with contemporary demand.

Figure 1. Capital Spending, Winnipeg 2008

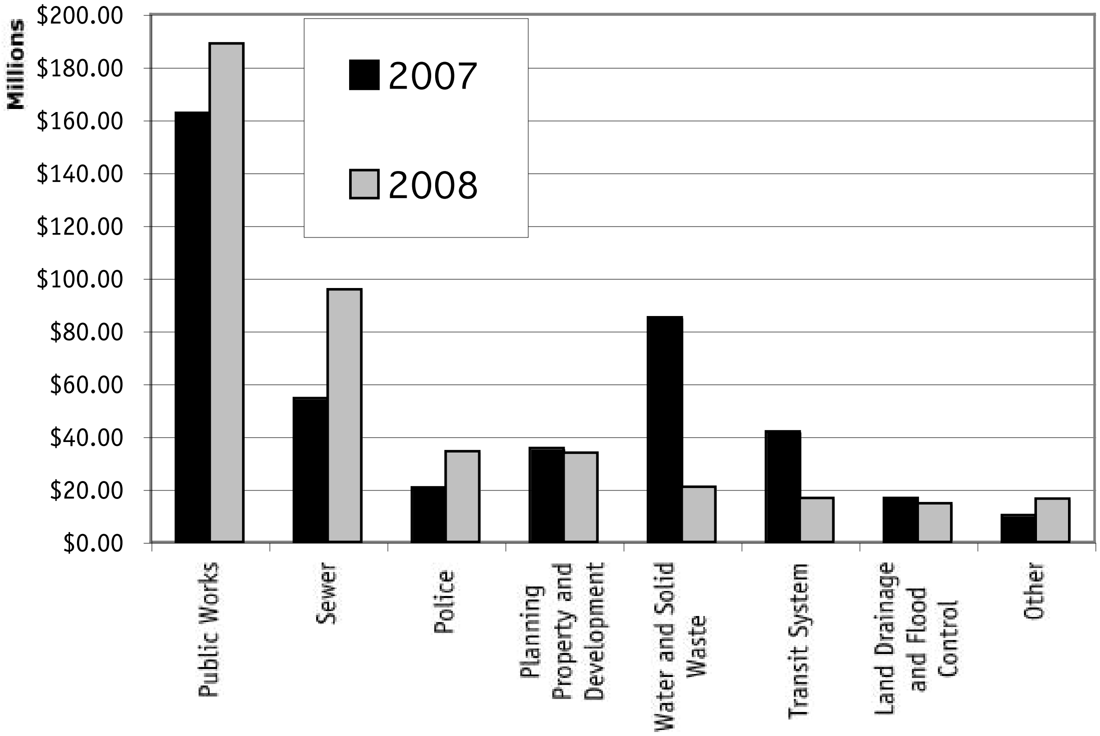
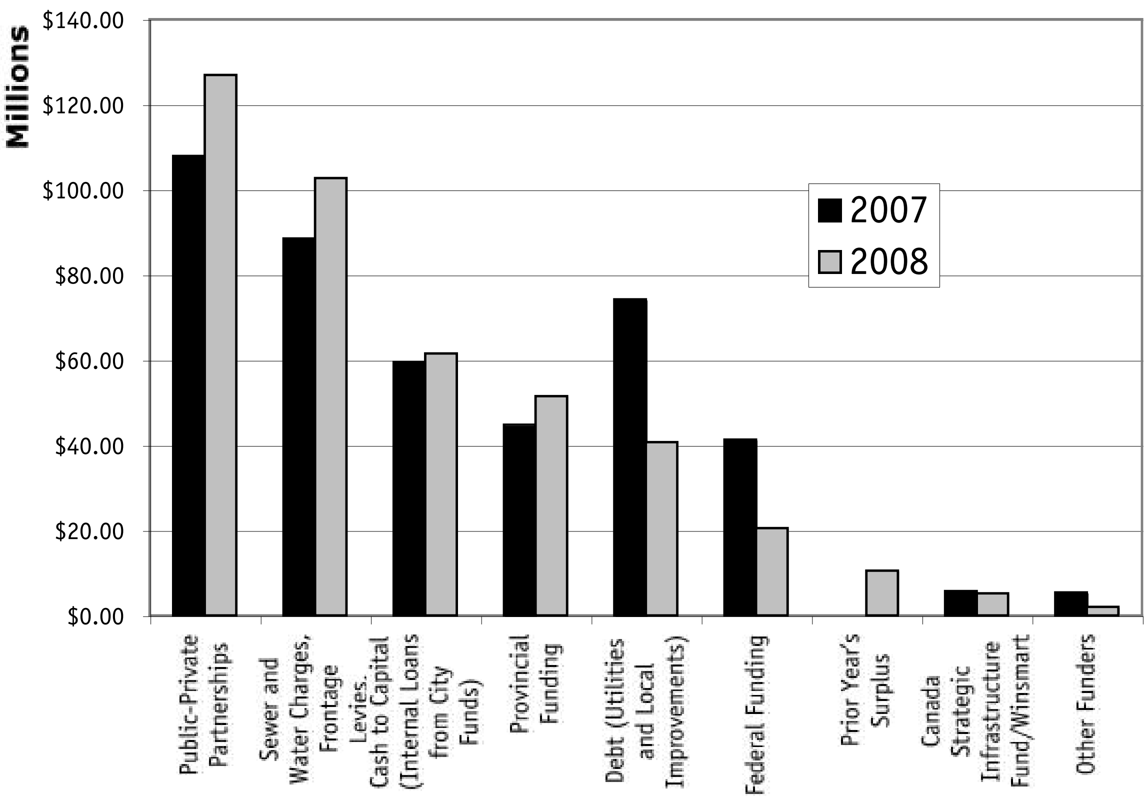


Figure 2. Capital Financing, Winnipeg 2008



Some of the money that the City uses for Capital Projects is from special reserve funds that the City has established for these purposes. Two other ways that the City can finance major capital investments are: the use of traditional debt financing or by entering into what are called public-private partnerships.

Traditional debt financing

The Winnipeg Capital Budget, like all Capital Budgets, authorizes the city to borrow large amounts of money to pay for development projects. The efficient management of the City's finances assure lenders that their loans will be repaid. For this reason, Winnipeg has a first-rate credit rating. As a result, the City can borrow money at lower interest rates than would be charged to private sector companies. Currently Winnipeg pays out about $100 million on the principle and interest of its debt, which is about 16% of its annual budget.

There is also internal borrowing from departments and projects that have temporary surpluses. These are referred to in the Capital Budget as a cash-to-capital transactions. The City pays interest on these loans, which shows up as interest in the Revenue section of the Operating Budget below.

A major portion of the debt is referred to as debenture debt, which involves money the City has borrowed from private lenders. (A debenture is a loan in which the lender does not require that the borrower provide some form of collateral.) Some of this used to pay internal loans from the City's cash reserves. According to some experts, the City is doing fairly well managing its debt; it could increase borrowing and still be responsible and accountable with taxpayers' money.

Public-private partnerships

Capital projects can also be financed through what are referred to as a public-private partnerships or P3s. Under these partnership agreements private companies usually pay the upfront costs of building and operating a facility that would normally be built by the City. The company makes its money by leasing the facility back to the City, often for a period of several years. At the end of that period, the City has the option of purchasing the facility.

The City is already going down this road. In the preliminary 2008 budget, the city wants to shift about $127 million (up from $108 million in 2007) in infrastructure costs to P3s, claiming that payment for these developments will not exceed $15 million annually. But we do not know for *how many* years the City will be obliged to make those payments. (We estimate the decision could eventually cost taxpayers almost $200 million).

The drawbacks of P3 funding

Mayor Katz is a strong proponent of P3s. Katz said in November 2007 that the P3 arrangement would be used to stop the "spiralling costs" of construction on building part of the Chief Peguis Trail. Although the EOC report only deals with the Operating Budget, its recommendation to make greater use of partnerships with the private sector has implications for the Capital Budget.

City officials are considering entering into a P3 arrangement to fund the repair of the Disraeli Freeway. It is estimated that project will now cost about $97.5 million over six years, up from $91 million estimated in January 2007. (The Capital Budget gives a cost of $42 million for the bridge, but this is because city officials have decided to cover the rest of the cost of the overhaul with the money that received as a rebate from the Federal Gas Tax.)

The supporters of P3s argue that their approach gives the City quick access to the service without going into debt because it is the private company that will borrow money to build the project. The weakness with this argument is that the private firm will pay a higher rate of interest on the money that it borrows and it will, in the end, pass that increased cost on the City. While city officials claim the P3 approach reduces the risk and speeds up the completion of these projects, the experience across Canada is that cities lose ownership control and eventually pay a great deal more for infrastructure.

The Charleswood Bridge is a good example of how, P3s can, in the long run, increase City costs. The bridge was built in 1997 by a private firm and is being leased by the City for 30 years. The annual cost of the lease is $1.478 million and the total cost will $44.34 million. After 30 years, when the lease is up the City can buy the bridge for $2.4 million. (The lease payment for the Bridge is a single line hidden in the Capital Budget, though it should be displayed in the more transparent Operating Budget.)

If the City had financed and built the bridge through debt financing (which was how previous bridges have been financed), it would have borrowed funds at a better rate than the private sector, held a bidding competition, and hired a private contractor build the bridge, which would have belonged to the City from the time it was completed. By proceeding in such a manner, the City would have saved $12 million. While P3s can provide immediate savings on major developments, none has delivered long-term benefits to municipalities.

The P3 approach defers major development costs to future generations while greatly benefiting private developers. In short, this is a business-friendly approach that, ironically, is missing any sort of business sense. A return to conventional ways of financing infrastructure development and sound urban-planning principles would be much more in keeping with a community vision.

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The values of the Capital Budget

The investments made in the Capital Budget shape a city. It is partially based on long-range plans that have been approved—for new housing developments, parks and recreation and roadways—for example. Planners have to project what social and economic changes will take place, and how the City will accommodate those changes.

For example, putting public resources into new suburban developments—which greatly benefits the developers involved—has different implications than funding major renovations for inner city neighbourhoods—which would benefit both the developers and inner-city residents. And not putting money into developing modern forms of public transit, such as light-rail systems, will have a major impact on housing development, traffic and commercial expansion in the future which in turn has implications for repair and replacement costs.

3. The Operating Budget

The 2007 Operating Budget was $741.2 million. The 2008 Operating Budget will be released this spring. Figure 3 shows where the money came from, Figure 4 shows what it was spent on. The totals of the two charts vary slightly due to the effect of rounding.

Winnipeg taxes

Provincial governments have the right to determine the sorts of taxes that cities can levy. Traditionally, cities have been restricted to applying property taxes, in which a person or institution pays a higher tax depending on the value the property that they own. While it is true that in general, the wealthier members of a society are the ones who own the most valuable property, property taxes are not always fair. For example, low-income property owners pay a higher portion of their income in property taxes than do middle or high-income property owners.

The City has two major sources of taxation revenue: property tax and business tax. Together they account for 64.3% per cent of the City's Operating Budget revenue.

Figure 3: Where Does the Money Come From? 2007 Operating Budget Revenues

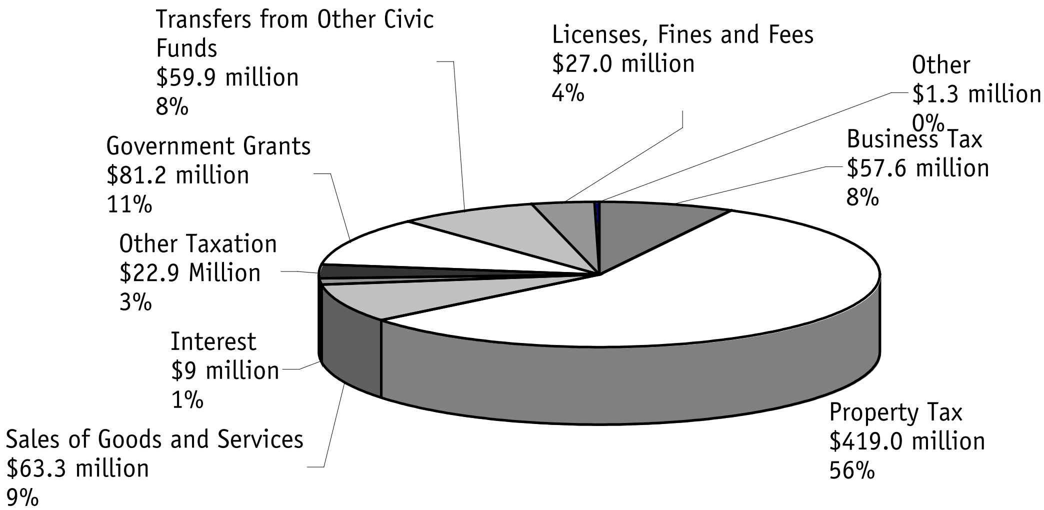
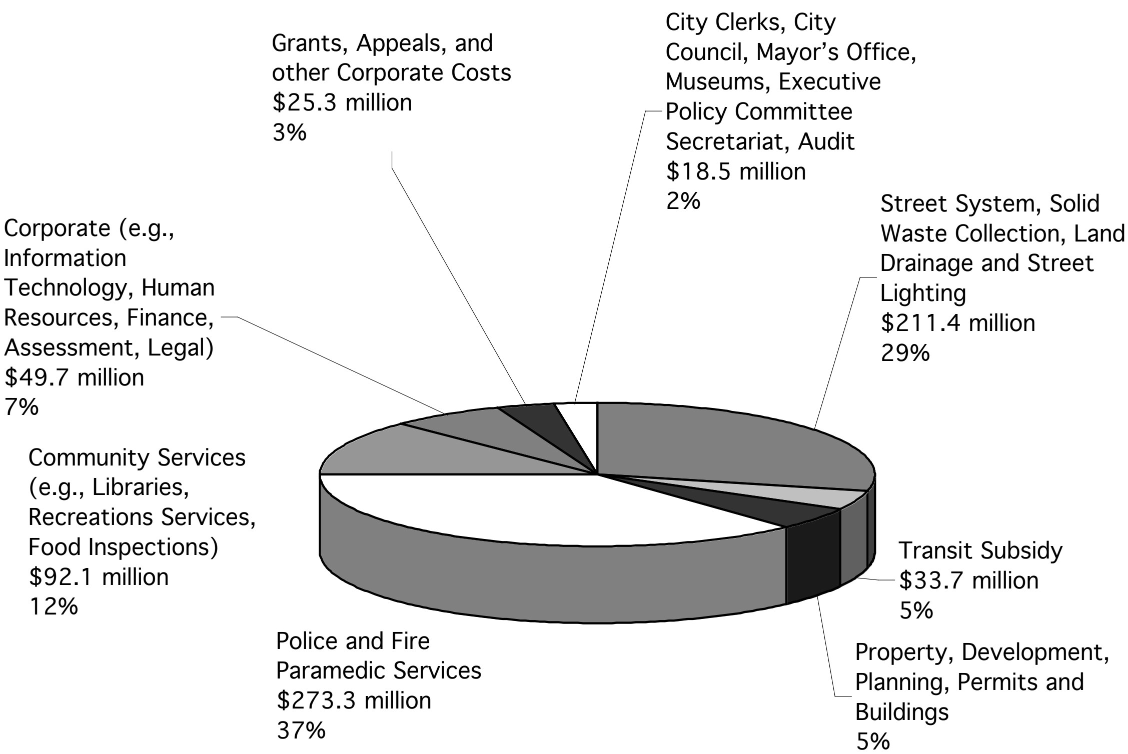


Figure 4: Where Does the Money Go? 2007 Operating Budget Spending



Property taxes

Property taxes account for 56.5 % of the Operating Budget revenue. These taxes are levied on both residential property and non-residential property. Residential property tax is calculated by multiplying 45% (this percentage is higher for different categories of non-residential property) of the assessed value of a property by the municipal mill rate (which is set by City Council), divided by 1,000. The property mill rate is 25.4. A house valued at $150,000 would pay municipal property taxes of 45% x 150,000 x (25.4/1000) = $1,714. It is common to refer to the municipal mill rate as the property tax rate.

Business tax

Winnipeg, like many Canadian cities, also levies a business tax. This is a kind of property tax that is based on the annual rental value of business premises. Without the business tax, only those businesses that owned property would pay municipal tax.

The city also collects money through the business tax and various fees for service operations, such as ambulance fees, and receives grants from higher levels of government.

Transfers

The City receives a variety of transfers from both the federal and provincial governments. These can be tied to specific projects or they can be general grants.

What has been happening to taxes in Winnipeg?

Table 1 compares the level of various Winnipeg city taxes and fees. Taxes and fees have gone up by 13.8% between 2001 and 2007, but once adjusted for an inflation rate of 13.3%, the real increase is only 0.5%.

The growth in city revenue comes largely from increases in the sale of goods and services and transfers from other funds. This latter category includes a substantial $9 million transfer in 2006 from the Fiscal Stabilization Reserve, which is a fund designed to protect the city from unforeseen fluctuations in property tax revenue. Interestingly, property taxes have declined in real terms and business taxes declined even before adjusted for inflation. ("Real terms" means that any price increases caused by inflation have been removed.) This is not surprising: the City froze property tax rates for the two years at 25.4%, after reducing them from the 2003 rate of 29.7%. The business tax rate fell from 9.75% in 2004 to 7.75% in 2007.

Table 1: City of Winnipeg Distribution of Revenues – Millions of Dollars: 2001 and 2007[1]

	2001 (Actual)	2007 (Budget)	% Change	Real % Change
Property Tax	384	419	9.1	-4.2
Business Tax	60	58	-3.3	-16.6
Other Tax	19	23	21	6.7
Government Grants	73	81	11	2.3
Regulation Fees	18	27	50	36.7
Sales of Goods and Services	42	63	50	36.7
Interest	14	9	-36	-49.9
Transfer from Other Funds	40	60	50	36.7
Other	1	1	0	-13.3
Total	651	741	13.8	0.5

Consumer Price Index 2001=98, 2007=111 2002=100

City of Winnipeg Adopted Operating Budgets 2002 and 2007.

Expenditures

The main categories in the expenditure side of the City Operating Budget are:

- Street System, Solid Waste Collection, Land Drainage and Street Lighting
- Transit Subsidy
- Property, Development, Planning, Permits and Buildings
- Police and Fire Paramedic Services
- Community Services (e.g., Libraries, Recreation Services, Food Inspections)
- Corporate (e.g., Information Technology, Human Resources, Finance, Assessment, Legal)
- Grants, Appeals, and other Corporate Costs
- City Clerks, City Council, Mayor's Office, Museums, Executive Policy Committee Secretariat, Audit

These services shape daily life in Winnipeg. The range of services that the City provides are too broad to be discussed in this Guide. For this reason, as part of its contribution to the budget process, the CCPA is publishing a companion document to this Guide that looks at the impact that budget decisions are having on key City services.

4. The EOC Report

Appointed by Mayor Sam Katz, the Economic Opportunity Commission (EOC) is made up of eight members from Winnipeg's business community. The Committee, like the Mayor, is committed to eliminating the City's business tax. The Commission's task was to identify $57 million in new revenue that is needed to replace the money that the tax brings in. Katz and the EOC say they need to eliminate the business tax because, in their opinion, it kills jobs.

The Mayor and the EOC argue that the business tax kills jobs because it makes Winnipeg uncompetitive. The EOC's second argument, which it makes twice on one page, is that it should be eliminated since many businesses already pay non-residential property tax, meaning that the business tax "is simply a tax on top of a tax that comes without any additional services." The EOC view is based on a narrow view of the role of City Council, one that sees the City's job as simply providing service and protection to property. The EOC fails to see the connection between taxes paid, investment in our communities and a prosperous environment for all—including business. Small business in particular greatly benefits, directly and indirectly, from the services paid for by taxes.

The EOC's proposals to turn City services assets over to private business are hardly new ideas at City Hall. In the years after Winnipeg was incorporated in 1874, the city leaders were content to let the private sector take care of the water supply, sewage, road construction, supply of building material, garbage collection, and recreation. In every one of these areas, the private sector simply failed to deliver the goods. In writing about the construction of the aqueduct to Shoal Lake for example, Alan Artibise, the most observant historian of the city's history, concluded "the successful completion of a worthwhile public project came only after every attempt had been made to find a cheap, short-term solution to a problem that demanded an expensive and long-term answer." When the old City of Winnipeg was amalgamated with its surrounding suburbs in the 1970s, the dominant group on Council proposed turning over at least 20 per cent of what the City did to private contractors. They failed to implement their plan when the Engineering Department was able to demonstrate that rather than being 11 per cent more expensive than the private sector, the City was 11 per cent cheaper.

But these ideas never go away: in the 1990s, they were the centrepiece of Mayor Susan Thompson's 1997 Executive Policy Report and have surfaced once more in the EOC report.

The EOC came up with a plan for replacing the revenue that the City would lose by eliminating the business tax. The plan includes the following elements:

- Make up part of the difference from growth in the City revenues.
- Increase the non-residential property tax rate.
- Ask the provincial government for more money.
- Cut costs by making use of such measures as public-private partnerships and by reducing labour costs.

These are exactly the sorts of "cheap, short-term" solutions that failed in the past. Before we discuss the short-comings of these solutions, it is worthwhile to ask whether the business tax makes Winnipeg uncompetitive with other cities and is therefore a job killer.

The business tax and Winnipeg's competitive position

According to the current Mayor, we are badly overtaxed in this city. He is particularly keen to slash the tax rates of the business community—of which he is a member. In order to test the Mayor's argument, we will look at who pays what portion of taxes; then we compare Winnipeg against other cities in Western Canada.

Who pays?

The logic behind the Mayor's elimination of the business tax is that businesses "pay too much tax" in this city. Although both Edmonton and Calgary levy business taxes, few other cities in Canada continue to, so it is true that businesses pay a tax in Winnipeg that is not levied in many other cities. Edmonton may also eliminate its business levy. Table 2 shows the business tax rates in five Western Canadian cities.

Table 2 Western Canadian Business Tax Rates - 2007

Winnipeg	7.75%
Calgary	7.81%
Edmonton	9.7%
Regina	0
Saskatoon	0

Looking at the business tax alone gives a very incomplete picture of the total taxes that businesses pay in a city. Along with the business tax, they also pay taxes on their property, just like households. It is useful to divide the property tax into the portion that is paid by residential property owners and by non-residential property owners (which includes a wide range of properties such government buildings, golf courses, and commercial properties), and the business tax. Table 3 shows the distribution of Winnipeg property and business taxes in 2007

Table 3. City of Winnipeg Property and Business Tax Distribution 2007*

Residential Property	266,114,000	57%
Non Residential Property	141,286,000	30%
Business Tax	58,000,000	12%
Total	465,400,000	100%

*Based on proposed budget figures for 2007.

There is merit in the criticism that the business tax amounts to double taxation for some businesses since businesses that own property pay both the property and business tax, while businesses that simply rent pay only the business. This argument is undercut by the fact that businesses that rent will pay rent to landlords who do pay property tax and would calculate the cost of the business tax into the rents that they charge. In any case, the solution to the problem of the fairness of the way different businesses are affected by these two taxes should be a revenue neutral one that does not cut cause the City to lose nearly $57 million in revenue.

How do we compare?

It is difficult to claim that Winnipeg homeowners are more highly taxed than their Western Canadian counterparts. As the table below shows, Calgarians pay $371 less on a sample detached house than Winnipeggers, but households in Edmonton, Saskatoon, and Regina pay very similar amounts to those paid by Winnipeggers. Further, once utility costs are taken into consideration, Winnipeggers have the lowest housing costs on the prairies.

Comparing total municipal property and business taxes allows us to analyze the overall taxes (on both firms and households) per person. Again, Winnipeg fares respectably, with higher taxes per person than Regina and Saskatoon, but lower than Edmonton and Calgary. Table 4 presents data on municipal taxes across Western Canada.

Table 4. Western Canadian Cities – Municipal Tax Comparison – 2006[2]

	Population	Municipal Tax - Single Detached House *	Municipal Property Tax and Utilities – Single Detached House	Total Municipal Property and Business Tax per person	Residential Property Tax as a Percent of Total Taxes
Winnipeg	654,500	1,275	2,753	681	57
Calgary	992,000	904	2,876	899	50
Edmonton	728,187	1,158	3,146	756	55
Regina	192,800	1,318	3,039	650	63
Saskatoon	206,900	1,230	3,054	537	69

* Does not include the following credits: Winnipeg $400, Regina $100, Saskatoon $125

The final two columns in Table 4 how much businesses pay in Winnipeg compared to other cities in both property and business taxes. If total municipal property and business taxes per person in Winnipeg are $681 and 57% of these are residential, the remaining 43% ($293) must come from non-residential and business taxes. Again, this places Winnipeg squarely in the middle of the prairie cities with Edmonton ($340) and Calgary ($450) higher, while Regina ($240) and Saskatoon ($166) are lower.

The claim that the municipal tax structure makes Winnipeg firms uncompetitive is further weakened by KPMG's 2006 *Competitive Alternatives* report that calculated the cost of doing business around the world. Winnipeg fared quite well compared to the 21 Midwestern cities in Canada and the US in its comparison group, with the third lowest costs (between Edmonton and Calgary). Further reducing the credibility of the argument that property tax cuts are needed to create a competitive business environment, KPMG estimates that property taxes make up a meagre 2-3% of total manufacturing costs. So, when deciding where to locate, businesses consider many other factors besides taxes (such as utility costs): taxes are *not* the main issue.

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The EOC alternatives

The Mayor and his supporters on Council are committed to eliminating the business tax. This move will cost the city around $57 million a year once it is fully implemented in six years. The EOC report contains many suggestions to replace this revenue, both by finding alternate revenue sources and reducing spending.

Proposals to increase revenue

The EOC proposes seeking increased revenues from the sale of naming rights for public facilities and the rental of advertising space on city land located along high-density traffic routes. However, most of the proposed money comes from three suggestions:

1) **Allocate future revenue growth to make $10 million of the lost revenue.** City revenues will grow over time. As the value of property increases, so will the revenue generated from the current property tax rate. The EOC recommends setting aside either 25% of new revenue for three years—or one-eighth of new revenue over six years—to generate $10 million. There are several problems with this approach—the first being that it is not a plan to generate revenue, but a hope that revenue will increase. The EOC's revenue estimates are based on an annual growth in City revenues of $14 million, the average growth rate between 2001 and 2006, a period with singularly strong growth. City revenue between 1995 and 2001 grew at a much slower rate. In order to generate the $10 million projected, the property tax base must continue to rise at the recent, relatively rapid rate rather than its more modest historical pace. There is no guarantee that the rapid rise will prevail. Furthermore, should these increased revenues actually materialize, they might well be needed to meet increased costs, leaving little left over to replace lost revenues.

2) Increase the non-residential property tax rate. As the business tax is eliminated, the EOC recommends a slight increase in the non-residential property tax to raise another $5 million. Replacing one business tax with another, albeit smaller, tax on business is an interesting suggestion given the EOC's repeated insistence on the detrimental impacts of any taxes on business. It is also worth noting that Edmonton is considering eliminating the business tax, but in contrast with Winnipeg, it plans to switch the entire amount of the tax to non-residential property taxes so that its total revenues will not decrease, and the tax will continue to be paid by businesses.

3) Ask the provincial government for an additional $8 million. The EOC also recommends negotiating for a share of the Provincial Sales Tax rather than the current more fixed transfer. The likelihood of this recommendation coming to pass depends on the goodwill of the provincial. Moreover, despite the claims by the EOC that this was "not simply an exercise in asking another level of government for more funding", this is precisely what the recommendation is. In fact, it is asking the Manitoba government to pay for the City government's tax cut.

Proposals to reduce spending

Two key elements in the EOC proposals to reduce spending are an increase in partnerships with the private sector and reductions in labour costs. Many of the drawbacks of partnerships with the private sector (such as public-private partnerships) have already been discussed in the Capital Budget section of this Guide.

The measures to cut labour costs, include a wide variety of initiatives including selling City exercise centres and swimming pools, tendering out park security, making greater use of volunteers in city facilities, and holding wage increases to the inflation level. Turning municipal assets over to private management generally means selling or leasing these services at fire-sale prices. The City no longer has the direct ability to ensure that the services are of the appropriate quality. Furthermore, it loses a great deal of knowledge and understanding about how the services are provided. If the contractor fails to provide good service, the City may no longer be in a position to once again deliver the service. The CCPA is publishing a companion document to this Guide that deals in greater detail, with the implications of these and other proposed changes to the budget.

Although members of the business community insist that tax reductions will result in job creation, economic research delivers less-than-conclusive results. It is clear, however, that Winnipeg businesses will be handed a multi-million-dollar a year windfall once the business tax is fully eliminated. From a citizen's perspective, what needs to be clarified is what will happen if the above suggestions fall short of their goal to replace lost revenues: less revenue probably means fewer services, and/or lower-quality services.

Two visions, two cities

Winnipeg's Mayor, along with his supporters on City Council, are in the process of imposing a narrow, individualistic vision on the City. The only responsiblity that the Mayor and his supporters can envision is the need to keep taxes low. There is no sense of responsibility to the disadvantaged, the environment,to the community, and ultimately, no sense of responsibility to the future. Under the guise of keeping the City competitive (which it already is), the Mayor wants to give the business community a windfall tax-saving. Under the guise of reducing debt (which is not out of hand), the Mayor wants to use public-private partnerships to increase the cost of public works and enrich a small group of private contractors. In such a city, there is no "we", there is only "you" and "I".

The CCPA is committed to helping Winnipeggers develop an alternative, community vision for their city. This guide is the first step towards creating that vision. The second step will be an analysis of the expenditure side of the budgets, where we will explain how the Mayor's vision has and will impact key Winnipeg services. This spring we will prepare an analysis of the 2008 Winnipeg Operating Budget, and, in the fall of 2008, an Alternative Municipal Budget, one that is financially and socially responsible, creating the opportunity for economic growth and social security. This is the sort of city that we owe to each other.

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