

RESEARCH - ANALYSIS - SOLUTIONS

CCPA REVIEW

Economic & Social Trends in Manitoba

March 2008

Two Visions—Two Cities The 2008 Winnipeg Preliminary Operating Budget

The CCPA Mb. promotes a community vision for Winnipeg. Unfortunately, our community vision is nowhere to be found in the draft budget. The following analysis explains why.

Snapshot

- This year's preliminary Operating budget raises and spends \$767.6 million dollars – a 3.5% increase from the 2007 budget. When adjusted for inflation, the increase is just over 1%.
- Expenditures are divided between Departmental and Corporate spending. Whereas Departmental spending, in real terms, remains unchanged, Corporate spending has seen a real increase of 13.1%. The reasons for this large increase are the \$4.3 million increase in the contribution to transit, and the \$5.8 million dollar expenditure for “provision for corporate risk management”. This \$5.8 million is in contrast with a negative balance of \$997,000 for 1997, making the net increase more than \$6.9 million. This expense is forecasted to increase to \$17.5 million by 2010. We were unable to ascertain why the City would have to increase spending on corporate risk management by such a significant sum, but such growth in spending is particularly worrisome in a year with a projected \$55.5 million shortfall in revenues.
- Police and Fire Paramedic Services increased spending by approximately 3.7% in real terms.
- Property and business-tax rates remain the same as last year. The amount of money collected from

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the property tax increased by 1.28% because of increases in assessment values. This increase is less than the rate of inflation (2.4%) for 2007.

- Government grants increased by 8.6% in real terms.

Long-term issues

Nowhere was the lack of community vision more obvious than in the long-term implications of this budget. Not only is the infrastructure deficit not mentioned, but a looming social-service deficit threatens to compromise our quality of life. The following analysis explains why citizens should be worried.

According to the two-year forecast, our city will be facing a \$38 million shortfall in 2009 and close to a \$55.5 million shortfall in 2010. These amounts represent 5% and 7.2% respectively of the total projected revenues for those years. These percentages may seem slight, but in fact, they are significant. Thirty-eight million dollars alone represents the total amount budgeted for the transit subsidy this year, and \$55.5 million would almost pay for this year's transit subsidy (\$38 million) and City Clerks, City Council, Mayor's Office, Museums, EPC Secretariat, Audit (\$18.1 million).

Revenue shortfall

The City is appealing to the Province for an increase in grants to offset the coming years' projected shortfalls. The provincial and federal governments should transfer more revenues to Winnipeg, but a possible slowdown in the Canadian economy could adversely affect their generosity. Unfortunately, Winnipeg, like all Canadian municipalities, has limited means for gathering revenues. There is some room to increase property taxes – Winnipeg has the fourth lowest property taxes of Canada's major cities, and taxes collected could at least keep pace with inflation – but residential property taxes should not be increased to offset decreases in the business tax. A reversal of last year's business tax reduction would help keep any property-tax increases to a minimum.

The public needs to be questioning Mayor Katz's ongoing commitment to eliminating the business-tax.

Last year alone, the City lost \$4.6 million in revenues through a reduction in the business tax. Although the cut is on hold for this year, the Mayor remains committed to the tax's elimination and it is telling that no increase in revenues from this tax is projected for 2009 or 2010. Economic growth alone will cause revenues to increase: why is this not reflected in future projections? The CCPA Mb. acknowledges that the business tax could and should be more fairly structured, but elimination of what would eventually amount to \$60 million dollars/year from the City's revenues is unacceptable. It was unacceptable last year; it will be unthinkable in the future.

It is also surprising that in the face of straitened circumstances, organizations such as the Winnipeg Goldeyes and True North continue to enjoy lucrative tax refunds. True North received a \$2.8 million tax refund and the Winnipeg Goldeyes a \$351,000 refund.

Long-term strategies?

The Aboriginal Youth Strategy received \$1 million in "new" spending. This additional money actually flowed from the City's obligation to the Winnipeg Partnership Agreement. Winnipeg's Aboriginal population is facing tremendous obstacles that need long-term solutions. Our Aboriginal community needs even more than this amount every year going forward. Winnipeg faces a labour shortage that can and should be filled with our growing Aboriginal population. Our economic future depends on it, but budget projections are silent on the matter.

We do not know how this money will be spent. Community-based organizations such as Ma Mawi Wi Chi Itata Centre and N'dinawe Youth Resource Centre work for and with Aboriginal youth. These organizations understand the challenges our Aboriginal youth face, but they constantly struggle with lack of funding, making them the logical recipients of this money.

Rapid transit received a fleeting nod with a \$2.75 million investment in a savings account. The total cost for a rapid-transit system is estimated between \$300 and \$400 million. If the City were to "save" \$2.75

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million/year, it would take 109 years to save enough for a \$300 million system.

The realization of rapid transit depends heavily on help from both provincial and federal levels of government, but the City also needs to be making a definite commitment to the project: \$2.75 million does not equal a commitment. The City should publicly commit to a rapid transit system by March 31 so it can access approximately \$18 million in federal funding. If both the City and the Province were to match the federal grant, the first arm of the system could be built.

Demand for affordable housing by low-income Winnipeggers is far greater than the supply. The market will not supply housing for this income group and, therefore, the three levels of government must step up to the plate. The \$1 million/year from the City for housing is not sufficient; the Housing Steering Committee has requested an additional million dollars a year. Without this investment in affordable housing, Winnipeg's low income citizens will not be able to participate fully in our community and economy.

In the short-term

An in-depth of analysis of this budget will likely reveal further issues of concern. Our immediate analysis has identified potential problems with cuts to staffing, Handi-transit and public art.

Staff cuts

Although fulltime positions have increased substantially for Police Services and Fire Paramedic Services (37 and 56 respectively), this increase has been largely offset by decreases in other departments. It will be impossible for service not to be negatively impacted by these staffing cuts. Not only can Winnipeggers expect poorer service at City Hall, but the cuts in Community Services could translate into a loss of recreational and educational opportunities. For example:

- Fifteen fulltime positions have been cut from Community Services. Although some of these positions could fall in the "vacancy management" category, approximately 10 of them may be front-line positions necessary to interface with

the spending on Aboriginal youth mentioned above.

- The close to \$.5 million contribution to the Recreation Programming Reserve for the extended wading and outdoor pools season has been eliminated.
- The net decrease in community services expenditures is \$145,326; this may not seem to be much until the \$1 million for the Aboriginal Youth Strategy is considered. Without this \$1 million addition (that came from the Winnipeg Partnership Agreement), the net decrease would have been over \$1 million dollars.

- Another major saving is the one-time elimination of the \$600,000 transfer to the Insect Control Urgent Expenditures Reserve. How will the City respond if there is another major outbreak of mosquitoes this year?

- In spite of Mayor Katz's stated goal of "making sure that we have

more programming available and that more of our children can access community-type centres"¹...this budget does not seem to substantiate his intention.

Handi-transit

In spite of the increase in transit fares and the overall growth in Transit spending (up \$6.8 million from 2007), spending for Handi-transit has decreased by \$767,532. The reason stated for lower spending is "decrease in Handi-transit service delivery costs to reflect experience" (page 160). Why cut funding for Handi-transit given that the demand for the service is greater than the supply? Users complain that the imbalance between demand and supply is caused by the company's ability to practice "trip refusals". The company's ability to refuse service can mean that clients can be abandoned with no way to get home, or

¹ *Youth rec a priority: Katz* in The Winnipeg Free Press: March 2, 2008, page B2.

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that they may not be able to get to the grocery store or pharmacy.

Public Art

Public art reflects a community's soul and speaks to our common experiences. The \$400,000 cut to our arts community will diminish our quality of life while punishing our already beleaguered artists, who may have to move to more visionary cities to survive.

Art can enhance our wellbeing in more direct, therapeutic ways as well. When troubled kids can develop their artistic talents, their energy is focused on art rather than on crime. Will the reduction in funding for Public Art have a negative effect on programs such as the Graffiti Art Gallery? This program provides returns to society far greater than its cost. If its funding is cut, marginalized kids will lose access to an organization that values their efforts and helps keep them away from criminal activity.

Lack of Democracy

The preliminary budget was released to the public on March 6, 2008. On March 17 there will be a special meeting of the Executive Policy Committee to hear delegations that wish to present their views on the budget. The public would be well advised to raise many issues.

Unfortunately, the public only has 10 days to digest a large, technical and complicated document. Understanding the budget's many implications is difficult even for trained accountants who are not privy to inside City Hall information. Euphemisms such as "increases in

operational efficiencies" (adding up to more than \$9 million), budget lines for large sums called "other" and a bewildering array of transfers in and out mean that the average lay person ends up with more questions than answers.

The lack of transparency and short turn around make it extremely difficult for Winnipeggers to exercise their democratic rights around this budget. Despite the many questions we still have, the one thing we know for sure is that our community vision is not reflected in this document.

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