



NEW DEAL

Report on Public Consultation

January 29, 2004

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1. The Process

In late September 2003, the City of Winnipeg unveiled its “early ideas” for a New Deal that could lead to a major restructuring of the municipal taxation system. The Mayor challenged the community to review these ideas and to assist in their refinement. What followed was the most extensive City of Winnipeg public consultation process in recent history. There were 4 components to the public consultation process.

1.1 Official Launch: Imagine a City

On October 2, 2003, the City of Winnipeg hosted a one-day conference at the Hotel Fort Garry entitled “*Imagine a City...*”. Richard Florida, author of the book [The Rise of the Creative Class](#) and Professor at Carnegie Mellon University in Pittsburgh was the keynote speaker. Yves Ducharme, President of the Federation of Canadian Municipalities and Mayor Glen Murray also spoke. The morning portion of the event was advertised broadly and anyone could attend at no charge. Approximately 500 individuals representing a broad cross-section of the community attended the session.

Approximately 100 of those attending the morning session were also invited to attend the afternoon session, a more focused, workshop format, that featured several additional speakers including Dr. Anne Golden, President and Chief Executive Officer of the Conference Board of Canada; Al Duerr, former Mayor of Calgary and Chief Executive Officer of Emerges Projects International; Derek Burleton, Senior Economist at TD Economics; Dr. Loleen Berdahl, Director of Research at the Canada West Foundation; and Donna Morton, founder and Executive Director of the Centre for Integral Economics.

The purpose of this one-day event was to begin the dialogue on a New Deal for Winnipeg. It was announced at that time that a series of Town Hall meetings and community workshops would be held and that the New Deal web site was now available as a source of information and entry point to provide individual input into the process.

1.2 Town Hall Meetings

Seven public town hall meetings were held at various locations throughout the City, attended by approximately 2800 people in total. These meetings were advertised broadly and included

considerable media coverage. In each case the meeting was scheduled for two hours beginning at 7:00 pm, although in most cases it extended beyond 9:00 pm in an effort to accommodate as many questions as possible from those in attendance.

At these sessions the ward Councillor provided introductory comments. Then, the Mayor (at times accompanied by staff) made a presentation outlining the case for a New Deal and identifying the early ideas for addressing the City's challenges. Those in the audience were provided with a copy of the Mayor's Powerpoint presentation.

The sessions were designed to allow a considerable amount of time for the audience to ask questions. A moderator coordinated the interactive portion of the evening. Those in attendance could participate in three ways. Firstly, floor mikes were available whereby questions or comments could be directed to the Mayor. Secondly, response forms were handed out. This provided audience members with an opportunity to submit a question to the Mayor without having to stand before the microphone. These questions were gathered as the meeting unfolded and some were passed on to the moderator who read them out loud. If time did not permit the form to be read, staff later followed up by answering each of them through email or telephone number provided. In total 427 of these response sheets were received. Thirdly, participants were told that the Mayor would remain at the end of the meeting and many chose this option to speak to him one-on-one.

List of Town Hall Meetings				
No.	Date	Location	Moderator	Attendance
1	October 6	St. James Civic Centre	Paul Moist	475
2	October 15	Fort Rouge Leisure Centre	Dave Witty	450
3	October 20	Miles MacDonell Collegiate	Mike Scatliff	425
4	October 22	Glenlawn Collegiate	Roland Marcoux	475
5	November 5	Shaughnessy Park School	Jim August	325
6	November 19	St. Paul's High School	Chris Lorenc	450
7	November 25	Sister MacNamara School	David Northcott	200
Approximate Total Participants				2800

1.3 Community Workshops

A series of Community Workshops and Public Presentations were conducted with a broad range of stakeholders including organizations representing big business, small business, arts, entertainment and culture, labour, social services, low income citizens, resident associations,

educational institutions, professional associations, the media, targeted groups such as seniors, youth, students, and the Aboriginal community, lobby groups representing the environment, the hotel industry, transportation, rural municipalities, etc. The primary purpose of the workshops was to develop a better understanding of the issues as seen from a variety of vantage points in a forum that allowed for the discussion of alternative solutions.

Between September 17 and December 5, a total of 68 Community Workshops and Public Presentations were held throughout Winnipeg and into neighbouring municipalities. Coincidentally, approximately 2800 people attended these workshops, the same number that attended the Town Hall meetings. Two staff attended all workshops to present information, answer questions, and document issues and suggestions. In a few instances, the Mayor was able to attend and participate in the workshop. Generally, the organization hosted the event at no cost to the City.

Community Workshops			
No.	Date	Organization	Attendance
1	September 17	Winnipeg Chamber of Commerce (sub-committee)	6
2	September 22	CUPE Local 500 Central Council	75
3	September 23	Purchasing Management Association of Canada	35
4	September 30	Business Council of Manitoba	5
5	October 8	Civic Environment Committee	10
6	October 9	City of Winnipeg employees	80
7	October 10	International Institute for Sustainable Development	10
8	October 17	Manitoba Chamber of Commerce	6
9	October 20	Downtown Winnipeg Business Improvement Zone	13
10	October 21	University of Winnipeg Students Association	12
11	October 21	Consumers Association of Canada (Manitoba)	4
12	October 22	Progressive Conservative Provincial Caucus	25
13	October 23	Winnipeg Real Estate Board	35
14	October 23	Association of Manitoba Municipalities	20
15	October 24	Manitoba Hotel Association	45
16	October 24	Winnipeg Harvest	20
17	October 27	United Firefighters of Winnipeg	20
18	October 28	Infrastructure Council of Manitoba	12

19	October 28	Manitoba Eco-Network	20
20	October 28	Institute for Urban Studies (students)	10
21	October 29	Winnipeg Airports Authority	15
22	October 29	Sisler High School	100
23	October 29	Old St. Boniface Residents Association	15
24	October 30	Manitoba Trucking Association	20
25	October 30	Social Planning Council of Winnipeg	18
26	November 3	Winnipeg Arts Advisory Council	12
27	November 4	Broadway Neighbourhood Centre	8
28	November 5	Manitoba Home Builders Association	105
29	November 5	Manitoba Heavy Construction Association	50
30	November 6	Manitoba Association of Business Economists	30
31	November 6	Manitoba Society of Seniors (Issues Committee)	10
32	November 6	Frontier Centre for Policy Alternatives	3
33	November 6	University of Manitoba City Planning students	15
34	November 7	Ma Mawi	7
35	November 8	CEP Union Council	26
36	November 10	Age and Opportunity Center (St. Vital)	20
37	November 12	The Forks North Portage Partnership	10
38	November 12	Manitoba Film and Sound	12
39	November 12	Transcona Business Improvement Zone	9
40	November 13	University of Manitoba Student Union	250
41	November 13	Age and Opportunity Centre (Stradbrook)	15
42	November 14	Age and Opportunity Centre (West End)	4
43	November 17	Exchange District Business Improvement Zone	10
44	November 17	City of Winnipeg Retirees Association	78
45	November 18	Dakota Collegiate students	150
46	November 18	MacDonald Youth Services	9
47	November 18	Assiniboia Chamber of Commerce	16
48	November 19	Council of Women of Winnipeg	30
49	November 19	University of Manitoba Administration	16
50	November 20	Living City	25

51	November 21	CEDA and North End Renewal Corporation	12
52	November 21	West Broadway Residents Association	11
53	November 25	Commerce Club of Winnipeg	50
54	November 26	Association of Manitoba Municipalities	900
55	November 27	Spence Neighbourhood Resident Association	9
56	November 27	Portsmouth Retirement Residents	30
57	November 27	CentreVenture Development Corporation	12
58	November 28	Ma Mawi (two sessions, see below)	20
59	November 28	Ma Mawi	20
60	November 28	Young Associates	100
61	November 28	University of Manitoba Economics staff	12
62	November 29	Manitoba League for Persons with Disabilities	10
63	December 1	Canada25	15
64	December 2	Manitoba Professional Planners Institute	11
65	December 2	Elmwood Community Resource Centre	4
66	December 2	Manitoba Cycling Association	11
67	December 5	Strathmillan School	23
68	December 9	Winnipeg Chamber of Commerce Board of	8
Approximate Total Participants			2800

At the end of the community workshop process, a wrap-up session was held whereby all of the organizations were offered a second opportunity to participate. Two full days, Friday December 5 and Saturday December 6, were set aside to hear delegations from these organizations present their positions on the New Deal proposal in a one-to-one dialogue with the Mayor.

The purpose of these two days was to allow each of the organizations to consolidate its position and provide it in a more formal sense, preferably in the form of a position paper. Guidelines were given for written submissions. This was to ensure that the positions were accurately recorded and to ensure as well that nothing was missed regarding opinions and information that could be of help in crafting the next version of the New Deal proposal.

Twenty-four delegations were heard and 21 position papers were submitted. These papers have been assembled and bound in a separate document entitled New Deal Delegations, West Committee Room, December 5 & 6, 2003.

1.4 Individual Input

Anyone expressing an interest in the New Deal was provided the opportunity to have that opinion recorded. Individuals were encouraged to contact the Mayor's office by telephone, by regular mail, or by email. A record was kept of all submissions. In those instances where contact information was provided, a personal response was given. In total, 250 letters were received, together with 500 phone calls, and nearly 1000 emails.

As well, two electronic town hall meetings were held; the first on September 23 and the second on October 14. Each of these lasted for two hours, from 7:00 pm to 9:00 pm. At these sessions the Mayor answered questions personally, dictating his responses to staff positioned at computer work stations. Both sessions generated considerable interest with a total of 120 questions and responses.

Furthermore, a website linked to the City of Winnipeg home page was created. The <Winnipeg.ca/New Deal> website provided information on the New Deal process, information that was updated on a regular basis. The New Deal website registered 127,000 hits representing 27,000 unique visitors.

1.5 Public Polling

On two occasions a public poll was conducted on a random sampling of adult residents living in Winnipeg, each with a sample size of 600 respondents. This sample size yielded a theoretical confidence level of plus or minus 4.1%, 19 times out of twenty.

The polls were designed to test some fundamental concepts related to the New Deal proposal, including the challenges facing the city, the need for investing in our infrastructure, the various methods that a city has available to raise revenue, the principles that should guide revenue generating decisions, the level of support for specific new revenue sources, the level of support for increasing taxes for specific services, and support for the New Deal concept overall.

The first poll was taken at the end of August and into early September. This was prior to the New Deal proposal being introduced to the community and prior to any consultation with the community. The intent was to gauge the level of public acceptance related to concepts being addressed in the New Deal. The second poll was conducted in the early part of December, at the

close of the public consultation process. This was following considerable community engagement and significant media scrutiny. The expectation at this point was that the community had a greater understanding of the New Deal proposal.

1.6 Summary of Participation

Participation Results		
Activity	Number	Results
Town Halls	7	2800 attendees 427 written submissions answered
Community Workshops	68	2800 attendees
e-Town Halls	2	120 questions and responses
New Deal Web Site	-	127,000 hits 27,000 unique visitors
Enquiries to Mayor's Office	-	250 letters 500 phone calls 1000 emails
Public Polls	2	1200 respondents

2. The Message

The information provided to participants at the seven Town Hall meetings and sixty-eight Community Workshops was consistent in its messages although there were minor variations in the presentation itself. The variations were the result of trying to address frequently asked questions, to respond to specific concerns, or to adjust to the particular audience. The overall messages revolved around a renewed vision for Winnipeg, the fiscal challenges that the City faces, and a possible means of addressing those challenges, namely, a New Deal proposal for Winnipeg.

2.1 The Vision

From the outset, the Mayor stressed that a New Deal is required not simply to fix the city's streets and repair its watermains but to build the kind of dynamic, innovative City that would be attractive to investors, that would encourage young people to stay here, and that would rekindle pride among local residents and businesses. In short the key message has been about legacy. What kind of City do we want to pass on to the next generation: one that is burdened by debt and deteriorating infrastructure or one that is taking charge of its destiny and investing in its future?

The City of Winnipeg's vision is captured in Plan Winnipeg: 2020 Vision, a long-range plan that was developed in consultation with the community and thus reflects community-based values. In keeping with the goals of Plan Winnipeg, decisions regarding a new taxation system were made based upon a set of principles to ensure that the new tax regime would reflect the desire to support positive community outcomes.

The principles include:

- Equity – meaning that the tax is fair; that it considers ability to pay while recognizing that those who benefit from a service ought to help fund it
- Economy – meaning that the tax system promotes a prosperous economy which benefits all citizens
- Environment – meaning that the tax instruments encourage behaviours that protect the natural environment
- Ease of administration – meaning that the revenue source is easy to administer and collect
- Efficiency – meaning that the tax collected represents the most efficient use of resources
- Accountability – meaning that the government should be held accountable for both the level of service and the revenue they collect to fund the service

- Transparency – meaning that there is an association between the taxes people pay and the service they receive
- Harmony – meaning that the tax instruments support the City's long-range goals and create the kind of community that citizens want
- Reliability – meaning that the City can count on the source of revenue over time
- Diversification – meaning that the City should not depend too heavily on one revenue source

2.2 The Fiscal Challenges

The point was made that the fiscal challenges faced by the City of Winnipeg are not unique to this city. All municipalities across the country are facing the same hurdles. This appears to indicate that there is something structurally wrong with the way that municipalities are funded.

The presentation demonstrated that when the sources of these challenges is explored, it becomes clear that a greater diversification of revenues is required, including, in particular, access to revenues that grow naturally as the economy grows.

At present, nearly 50% of the City's revenues are generated from residential property taxes and business taxes. Of concern is that revenue generated from property has been virtually stagnant over the last decade, barely able to keep up with the costs of inflation. With a high dependency on this source of revenue, Winnipeg's property taxes have been on the high end of the scale relative to other municipalities. As a result, Council has reduced property taxes over recent years in order to remain competitive, with few options to compensate for this loss in revenue, or to address the infrastructure deficit that is approaching \$2 billion.

To address the infrastructure problem within the current system, the City can drastically reduce expenditures, borrow more, or increase property taxes. Looking at the first of these options, it can be argued that expenditures have already been lowered substantially. The City has reduced its staff complement by 2,700 positions since 1990. As well, the City is spending 9% less today than the actual dollars spent in 1994. Certainly, there must be an ongoing commitment to find efficiencies. Efficiencies, however, will not be sufficient to cover the full infrastructure deficit.

In terms of borrowing, the City today continues to pay the price of a significantly high debt load. This debt includes the accumulated costs of both external and internal borrowing over time. External borrowing is similar to a bank loan while internal borrowing is equivalent to self-

financing. Throughout the 1980s and into the early 1990s the City's borrowing was relatively high, most of which was the result of external borrowing. However, in recent years, the City has not only reduced its overall borrowing but has adopted a policy of relying solely on internal borrowing with no new external borrowing. Nevertheless, as result of past practices, it will pay \$121 M in 2003 in total debt servicing costs, an amount that will diminish slowly over time but still remain at \$70 M in 2015.

With regard to increasing property taxes, the issue is one of competitiveness. When viewed in relation to other municipalities across the country, the City of Winnipeg's property taxation has been at the high end of the spectrum. In recent years, however, the City has moved into a much more competitive position as result of property tax reductions. Raising additional revenue from this source would reverse this gain and could exacerbate ex-urban development and out-migration.

In the end, the City of Winnipeg, like all municipalities across the country, faces the challenge of being structurally incapable of meeting the service expectations of its citizens. This conclusion is supported by many research agencies that have studied municipal finances and the infrastructure challenge in Canada, including the Conference Board of Canada, the Federation of Canadian Municipalities, the Canada West Foundation, the Organization for Economic Development and Co-operation, and TD Economics, among others. There is general agreement that the solution must be found outside the current system. This requires new thinking about municipal taxation, applying principled solutions to the challenges facing cities.

2.3 The New Deal Proposal

The New Deal proposal was presented as comprising two major components: a tax shift combined with an overall tax increase. Combined, the two components offered a reduction of \$348 M in taxes currently being collected, offset by an increase of \$468 M in new or additional taxes resulting in a \$120 M increase in total taxation revenue.

The tax shift component was intended to transform the current municipal tax regime into one that works for the community not against it. This was reflected in a movement away from property taxes toward more user fees and consumption taxes. Included in this proposal was:

- a 50% reduction in residential property taxes to increase tax competitiveness with other municipalities while promoting investment in homes;
- elimination of the business tax to stimulate economic development;

- a 50% reduction of transit fares to encourage transit use, a more environmentally-friendly transportation option, and
- the elimination of the amusement tax, *while adding*
- a 1% city sales tax to provide access to growth revenues while ensuring that residents and non-residents alike contribute to services that they enjoy;
- the addition of a gasoline tax in order to have users of roads contribute to their maintenance;
- an increase in frontage levies to encourage, over time, more compact urban form;
- an increase in the natural gas and electricity tax to encourage energy conservation;
- the addition of user fees for garbage to encourage waste minimization;
- an increase in fines in order to, at a minimum, recover the costs of enforcement;
- the addition of a liquor tax to support police response;
- the addition of a phone fee to support the 9-1-1 service; and
- the addition of a hotel tax to have non-residents contribute to tourism and convention development.

The tax increase component was intended to address the infrastructure deficit. In order to see this deficit reduced over time, it was identified that an additional investment of \$188 M would be required annually. The New Deal proposal would result in an additional \$120 M invested in the City's infrastructure on an annual basis. While this was not the level deemed necessary, the fact that some of these new revenues were linked to sources that would grow naturally, it was concluded that the difference would be made up over time.

Of the \$120 M in new revenue to the City, it was identified that \$50 M would not be an additional tax but rather a transfer of existing gasoline tax from the Federal government. Of the remaining \$70 M, it was expected that \$10 M would be generated from tourists, visitors, and commuters, individuals who at present do not contribute to City services. Of the remaining \$60 M, \$20 M would be generated from business interests and \$40 M from residents. In the end, the proportional distribution of the new tax burden between business and residents would be consistent with their relative contributions today.

3. Over-riding Themes

The public consultation process galvanized community interest and generated considerable public debate. In the end, several over-riding themes can be discerned.

3.1 Something Has to Change; the Status Quo is Not an Option

It appears that most people recognize that the current situation (which includes a high dependency on property tax revenue combined with a growing infrastructure deficit) is unsustainable and cannot continue. In this regard, there is broad support for some kind of change. And, for the most part, Winnipeggers recognize that the New Deal proposal represents a bold attempt at restructuring municipal taxation system. They might disagree with various elements of the New Deal package but they are encouraged to see that something is being done and pleased to be included in the discussions.

There is a shared understanding that the city's infrastructure is deteriorating faster than the rate of repair. While some would argue that the City could address this deficiency by reprioritizing its expenditures, most seemed to agree that there is a lack of available resources to address the problem. If progress is to be made in tackling the infrastructure deficit, if Winnipeg is to become the city of choice, if the next generation is to find opportunity here rather than elsewhere, then something has to change to allow reinvestment to occur.

The New Deal proposal combined a tax-shifting concept with an overall tax increase. Most see value in the tax-shifting concept comprising a movement away from property taxes to other sources of revenue including some user fees and consumption taxes. While specific user fees or consumption taxes each have their supporters and detractors, a common sentiment would be that a shift away from property taxes represents a fundamental change whose time has come.

As for the tax increase component of the proposal, most people feel that they pay too much in taxes already. And, although property taxes constitute a relatively small percentage of the overall tax burden, it is clear that there would be little tolerance for a significant increase in this revenue source. While Winnipeggers may be prepared to invest a bit more in their city, the general sentiment is to find the solution to the infrastructure deficit internally by reallocating existing revenues collected by all three levels of government. Here, a change in tax-sharing arrangements is needed.

Latest poll results ...

[Note: Throughout this document when reference is made to latest poll results, the poll in question was undertaken for the City of Winnipeg by Prairie Research Associates (PRA) Inc. between December 2 and 15, 2003 using a sample size of 600 which provides a theoretical error rate of +/- 4.1%, 19 times out of 20.]

- 77% agree that Winnipeg needs to make some radical changes if it's going to attract and retain people
- 57% agree that the way things are going, Winnipeg will continue to fall behind other cities
- 36% agree that our current system of property taxation is fair and does not have to change
- 60% of Winnipeggers rate the infrastructure in relatively poor condition
- 87% of Winnipeggers think it is important that the City invest more to repair/upgrade the infrastructure

3.2 There is Merit to Tax-Shifting that Adheres to Sound Principles

The principles that were used to guide decisions in the New Deal seemed to resonate with Winnipeggers. There was agreement that the decisions made about how services should be funded needed to be consistent with the values of the community. In moving forward, a principled approach to taxation should continue.

There seemed to be support in moving away from the dependency on property-based taxes to a more diversified set of revenues. In doing so, the concept of linking a potential new tax to a specific service or set of services was confirmed as a step in the right direction. Furthermore, it was generally agreed that the taxation system could be used to shape positive outcomes in the community (eg. encourage environmentally responsible behaviour). However, participants in the process were quick to challenge the individual components of the proposal in terms of how effectively it upheld the principles.

In particular, the principles of equity and accountability were discussed at length. It is clear that Winnipeggers have a strong sense of social consciousness and that the principle of equity cannot be ignored. If anything, it was mentioned on a few occasions that the notion of equity should be expanded to include "accessibility" to ensure that access to services is not comprised in any New Deal proposal.

As well, some skepticism was expressed regarding the commitment to accountability. Some felt that elected officials could not be trusted to follow through on their promises. They wanted some assurance that property taxes would be lowered as promised, that those lower rates would not

quickly climb back up to previous levels, and that the additional revenues raised from the new taxes would be used for the intended purposes.

Sub-theme: Regressive versus progressive taxation ...

The notion of regressive versus progressive taxation was debated at length. A progressive tax provides a lesser burden on the poor while those with the ability to pay, pay more. There is a great concern that any changes to the current taxation system should not be regressive in nature. The point was clearly made that the plight of seniors on fixed income, people with disabilities, single parents, and low-income families needs to be considered. Various taxes were compared one to the other. Income tax is clearly the most progressive, while sales tax is mildly regressive on its own but becomes mildly progressive for low-income earners when the personal tax credits and exemptions are factored in. Property tax is significantly regressive. A shift from property tax to sales and/or income tax would represent a shift toward a more progressive form of taxation.

Sub-theme: Broaden the tax base ...

There is general agreement that, from a fairness point of view, commuters, tourists, and visitors should contribute to the services that they benefit from. This broadening of the tax base is one way of ensuring that the tax increase is not borne solely on the backs of Winnipeg taxpayers. Revenues in areas such as hotel tax, liquor tax, and sales tax ensures that those who are benefiting from a service are helping to contribute to its costs.

Latest poll results ...

- 84% agree that citizens should have more control over the taxes they pay
- 83% agree that methods of raising money should be equitable, based on people's ability to pay
- 83% agree that people who live outside the city but use City services should help pay for those services
- 80% agree that people who choose more environmentally friendly methods of transportation and waste disposal should pay less
- 77% agree that those who benefit from a service should pay for it
- 73% agree that methods of raising money should be related to the service provided
- 59% support in principle, a shift from property taxes to other forms of taxation and fees
- 48% agree that the City should raise revenues for its services without the need for Provincial approval
- 87% agree that a portion of current sales tax should be used to support services that benefit

- both residents and visitors, such as policing, roads, arts, entertainment, and culture, etc.
- 83% agree that people who live outside the city but use City services should help pay for those services

3.3 Address Infrastructure Needs with Help from the Other Levels of Government

Most Winnipeggers feel that they pay more than enough in taxes, although some participants acknowledged that a greater investment was required on their part in order to address the challenges facing the City. While some modest increases in taxation might be tolerated, changes to the current taxation system would be met with much less concern if the net result showed a zero increase in overall taxation.

What came forward on numerous occasions was the suggestion that the City ought to seek a greater contribution from the other levels of government as the means of garnering additional revenues. The New Deal proposal, whereby the Federal government would transfer 5 cents per litre of existing gasoline tax revenue over to cities, was met with much support. The general sentiment appeared to favour a similar arrangement with the Provincial government, whereby a greater portion of existing revenue be returned to support the plight of municipalities. It was largely agreed that a New Deal for Winnipeg must begin with a new funding arrangement with the Provincial and Federal governments.

Furthermore, there was general sentiment in favour of moving away from a dependency on Provincial grants to a formula-based approach linked to revenues that grow naturally over time in line with the economy.

Sub-theme: What about the education levy ...

From the Provincial government, one issue that was discussed at length was the burden on property taxes created by the education levy. Recognizing that the proposed 50% reduction in the municipal portion of the property tax bill would really only result in a 25% reduction in overall property taxes, many felt that the Province and the City must work cooperatively to reduce the property tax burden. Some concern was expressed that the reduction in the municipal portion of the property tax bill would be filled up over time through increases in the education levy.

Latest poll results ...

- 85% support a portion of current federal sales tax being used to support City services

- 84% support a portion of current provincial sales tax being used to support City services
- 82% support a portion of current provincial income tax being used to support City services
- 80% support a portion of current federal income tax being used to support City services

3.4 Look Internally to Find Efficiencies, Improve Operations, and Reduce Costs

There seemed to be some recognition that the City has made considerable effort over the past decade to get its fiscal house in order: reducing staff, reducing debt, and, more recently, reducing taxes. These gains reflected a concerted drive to improve managerial and operational practices. But concern was expressed that, by increasing revenues, the pressure to continually seek efficiencies would be lost. There needs to be some assurance that this would not be the case, that the pressure to provide increasingly effective and efficient government would remain. It was also suggested that wage discrepancies between the public and private sectors needed to be reviewed.

Apart from potential internal savings, many participants suggested that spending priorities needed to be reviewed. Specific projects were referred to with some in the audience favouring those investments and others voicing their opposition. Examples included funding for the arts, the pedestrian bridge, Waterfront Drive, etc. Some felt that these investments were important as a means of enhancing the quality of life in Winnipeg while others felt that, given the demands for infrastructure investment, spending in other areas needed to be curtailed. This camp felt that a return to the basics was required, suggesting that by focusing on core services, the funding obligation for infrastructure maintenance could be met.

Finally, there was some question as to whether the City is making the best use of the financial tools currently at its disposal. As well, it was indicated that some policy decisions appear to be inconsistent with the principles guiding the New Deal. It was suggested that changes to current policies could result in greater revenues while remaining true to the principles. In particular, the notion of reviewing the development fee structure was mentioned on several occasions as a means to limit urban sprawl and promote compact urban form while generating additional revenue. The Waverley West proposal was singled out as a development proposal that appears to be inconsistent with the intent of the New Deal.

4. A Summary of What We Heard

What follows is a summary of the issues and suggestions made by participants in the New Deal consultations broken down by component part of the New Deal proposal.

4.1 Natural Gas & Electricity Tax Increase

The City currently taxes natural gas and electricity using a differential rate for residential and commercial consumption (2.5% for the former, 5% for the latter). In both instances, the tax applies only to the non-heating portion of consumption. The New Deal proposal was to establish a uniform 7% tax on all consumption consistent with the GST that is currently applied.

Considerable concern was expressed regarding this proposal, although supporters felt that it provided a reasonable incentive to become more energy efficient.

What we heard ...

- Taxing the use of gas and electricity for heating purposes is unfair in a climate such as Winnipeg's where energy consumption is necessary. It should not be treated as a "sin" tax.
- Abandoning the current differential rate for residential and commercial in favour of a uniform rate for all users unfairly targets residents.
- The tax on energy could unfairly burden the poor who tend to own older homes that are less likely to be energy efficient. Nor can they afford to pay the up-front costs of energy efficiency improvements.
- The energy tax does not relate to the provision of a discrete City service and should not therefore be targeted as a potential source of revenue.
- For institutions that are property tax exempt, this tax shift will add a considerable increase to their operating costs.
- Since the intent is to reduce overall consumption, the tax should be applied to the amount of energy consumed not to the price paid because the price of energy could fluctuate on its own.
- The revenue raised through this tax should be used to fund incentive programs that promote energy efficiency.
- The tax increase should be applied only to excess consumption, above a base level that is deemed to be reasonable.

Latest poll results ...

- 32% support an increase in natural gas and electricity tax to encourage energy conservation

Other ideas ...

- change rate scale to charge a higher rate as consumption increases
- keep a 'minimum block' of exempt consumption and tax in excess of that
- replace the tax with incentives to encourage energy efficiency
- link tax directly to consumption, not price

4.2 Garbage User Fee

Garbage collection and disposal is currently paid for through general revenue. The New Deal proposal called for a \$1 per bag user fee. The intent of a user fee for garbage is to encourage recycling and waste minimization. There is strong support among those who remain convinced that such a user fee is necessary to encourage environmentally-responsible behaviour. There is also strong opposition, with the bulk of concerns having to do with the manner in which such a proposal would be implemented.

What we heard ...

- Garbage will accumulate throughout the city with people choosing to dump their garbage illegally in order to avoid the fee. Illegal dumping would create unsightly and unhealthy conditions and increase collection and enforcement costs.
- Autobins should not be removed in order to implement a new garbage user fee system. (Autobins are generally recognized as an improvement over the old system of individual door-to-door collection in the inner city.)
- Grass clippings and leaves should not be considered waste and should be exempt from the fee. These should be composted for reuse.

Latest poll results ...

- 56% support a garbage user fee to encourage recycling and reduce waste

Other ideas ...

- city must encourage / accommodate composting
- implement recycling at City fire stations
- implement a food packaging tax (like Minneapolis & Switzerland)

- establish recycling depots and compensate people directly for recycling
- provide a one bag exemption and charge for excess
- increase tipping fees for commercial users
- garbage should be cubed to maximize amount carried per trip
- charge a fine for placing recyclables in garbage (Vancouver)
- use Autobins city-wide to keep garbage removal costs down
- leaves and yard clippings should be free
- Brady landfill should establish an area where recyclable items could be claimed
- local residents could be employed to pick up bulky waste if Autobins are removed
- should be able to use plastic bags for recycling
- garbage cost (and fee) could be reduced by privatizing
- penalize wasteful consumption only
- make businesses more accountable for non-recyclable packaging
- make recycling more accessible than garbage disposal

4.3 City Sales Tax

The New Deal early ideas package proposed a new City sales tax of 1% on all goods subject to the PST (ie. allowing exemptions for books, children's clothing, food, etc.). The intent was to link some revenues to the economy so that the City would have a vested interest in promoting economic prosperity. This would also capture revenue from residents and non-residents alike, ensuring that those who are benefiting from services such as police protection would now be contributing to the costs of delivering those services. The community appeared to be divided on the merits of increasing the sales tax.

What we heard ...

- If adopted solely within the boundaries of Winnipeg, this would encourage people to drive outside the city especially for large retail purchases such as automobiles.
- This would encourage ex-urban commercial development.
- There was concern that this tax would be borne entirely by the consumer, not business.
- It was suggested that this tax poses a disproportionate burden on citizens that would not benefit from the proposed property tax reduction (e.g. students, renters).
- The tax captures new revenues from local economic activity.
- The tax captures new revenues from non-residents and visitors to the city.
- The tax should be applied Province-wide.

Latest poll results ...

- 84% support a portion of the *current* Provincial Sales Tax (PST) being used to support city services
- 85% support a portion of the Federal Sales Tax (GST) being used to support city services
- 60% support an *increase* in the sales tax of half a percent (0.5%) to support policing and major roads
- 50% support an *increase* in the sales tax of one percent (1.0%) to support policing and major roads
- 16% support an *increase* in the sales tax of two percent (2.0%) to support policing and major roads

Other ideas ...

- consider certain additional exemptions from CST

4.4 City Fuel Tax

At present both the Provincial and Federal governments collect taxes from gasoline consumption. The New Deal proposal accounted for 10 cents per litre of gas tax to be applied to support road maintenance and transit operations. Of the 10 cents, 5 cents would be transferred from tax currently collected by the Federal government and 5 cents would be new at the pump. In essence, the gas tax is intended to introduce a user fee for the transportation system. There was considerable support for this primarily because of the direct link between the tax and the service.

What we heard ...

- This tax was perceived to pose a disproportionate hardship on the transportation industry and other 'vehicle-dependent' businesses such as taxis and couriers.
- A 'city-only' fuel tax would encourage motorists to purchase fuel outside the city.
- This tax makes sense to many people as an appropriate revenue stream for the funding of transportation infrastructure.
- Views were somewhat divided over the distribution of funding between transit and roads.
- Support was significantly stronger for the Federal fuel tax transfer than for an additional fuel tax at the pump.

Latest poll results ...

- 83% support a portion of the *current* gasoline tax being used to help pay for maintaining and repairing roads
- 63% support an *increase* in the gasoline tax of 3 cents a litre if it was devoted to the repair and upgrading of city streets
- 52% support an *increase* in the gasoline tax of 5 cents a litre if it was devoted to the repair and upgrading of city streets
- 18% support an *increase* in the gasoline tax of 7 cents a litre if it was devoted to the repair and upgrading of city streets

Other ideas ...

- tax should be maximized and calculated in a way that grows with inflation
- exempt commercial vehicles and / or diesel fuel consumption
- place a property tax / registration fee on vehicles in addition to fuel tax
- allocate more of the tax to fund Transit
- control the number of cars going into the downtown daily
- need more environmentally friendly transportation proposals
- get more dollars back from Federal fuel tax
- consider a partial rebate for businesses that buy fuel
- impose fines for trucks that travel on non-trucking routes
- implement toll gates
- implement vehicle registration fees
- implement parking fees esp. at shopping malls
- tax engine oil and vehicle tires
- license bicycles to help pay for bike pathways
- more City staff should use their own vehicles instead of city fleet
- implement a surtax for commuters on their registration
- implement a shipping tax for shipping outside of Winnipeg
- dedicate some lanes for alternative transportation to make city less car-friendly
- promote fuel tax as a solution to health problems (sedentary life-style)

4.5 Shift in Provincial Funding from Grants to Tax-Sharing

The City of Winnipeg has a very good funding relationship with the Province with total annual transfers of \$143 M in 2002. Some of these funds are provided in the form of conditional grants to

fund specific services. Some is provided as unconditional grants to be used at the discretion of the City. A portion of these funds is formula based, tied to a percentage of the income tax collected Provincially. This portion of Provincial funding grows naturally with the economy, as the economy grows, more income tax is collected. The New Deal proposal recommended the elimination of grants in favour of entirely formula-based revenue as a proportion of both income tax and sales tax. The proposal would be revenue neutral to the Province in the first year but would grow over time. This concept was generally supported in the community.

What we heard ...

- The proposed shift, while sound in theory, may jeopardize the amount of Federal and Provincial funding for social programs.
- Grants were also perceived to be a funding mechanism that senior governments like to use to enhance their political profile.
- Support was strong for the concept of accessing growth revenue streams to replace the city's dependency on grants.

Latest poll results ...

- 82% support a portion of *current* Provincial Income Tax being used to support city services
- 84% support a portion of the *current* Provincial Sales Tax being used to support city services

Other ideas ...

- get more existing tax back from Province (and Feds)
- need totally revamped tax sharing formula based on income tax
- City should push for more subsidized housing from the Province
- keep the grants and give Province lots of projects they can take public credit for

4.6 Frontage Levy Increase

The City currently collects frontage levies of \$2.55 per foot to pay for sewer and water services. This is applied to the width of individual properties. The New Deal proposal was to double this fee to \$5.00 per foot in order to also pay for residential street, sidewalk, and lane maintenance since the cost of maintaining these services is more closely related to the width of the property than to the value of the property. The intent was to encourage, over time, the use of smaller lots thereby encouraging a more compact and economical city. As well, the concept supports the revitalization of the inner city where smaller lots are prevalent. This concept received some level of support.

What we heard ...

- Frontage levy increases won't, by themselves, stop urban sprawl. Other 'anti-sprawl' measures must be implemented simultaneously.
- The notion of taxing land consumption was broadly supported, however, many felt that taxing total land area, rather than frontage would more effectively counter urban sprawl.
- Supplementary suggestions included the use of differential tax zones and location-efficient mortgages.

Latest poll results ...

- 56% support a fee based on the width of residential lots to help pay for residential roads

Other ideas ...

- several 'anti-sprawl' strategies must be implemented simultaneously
- taxing total lot size instead of just frontage is more equitable
- use concept of 'tax zones' or 'location-efficient mortgages'

4.7 Sewer Rate Increase

As a result of the unfortunate spilling of raw sewerage into the Red River, the Clean Environment Commission is imposing upon the City the requirement to upgrade its sewer infrastructure. The New Deal proposal calls for an increase in sewer rates in order to address this obligation although the amount of increase could vary depending upon the time frame yet to be imposed by the CEC. There was general agreement that this investment needs to be supported through a fee increase.

What we heard ...

- Some opposition was focused on the magnitude of the rate increase and uncertainty around the CEC report implementation details.
- Support came primarily in the form of empathy for the City's obligation to the environment and to the Province.
- Some felt there should be rate incentives to encourage the conservation of sewer system resources (i.e. attach an escalated rate to excessive water consumption)

Other ideas ...

- apply the required rate increase proportionately according to current usage

- provide incentive loans to entice more efficient use of system resources

4.8 Enforcement Fine Increase

One of the key responsibilities of the City is to enforce its by-laws. At present there are instances where the fees collected for infractions does not even cover the costs associated with enforcement. The intent of raising fines is to ensure that, at a minimum, enforcement costs are recovered. Furthermore, in the case of traffic enforcement, fines are intended to more than recover the cost of enforcement with the surplus used to support recreation services. There was broad support for the concept.

What we heard ...

- Violators should bear the full cost of enforcement services.
- Parking fine increases could negatively impact downtown business activity.
- Fines for zoning and building infractions are often the result of time delays in obtaining permits. Fine increases should be preceded by a significant improvement in service quality.

Other ideas ...

- add fines for smoking by-law infractions
- charge higher fines in higher income neighbourhoods
- charge fines according to income (Finland)
- charge a fine or license for road closures (e.g. cycling, movie production)
- enforce Diamond lanes

4.9 City Liquor Tax

The New Deal proposal calls for a new 7% tax on alcohol to be paid at the point of purchase with the intent of directing these funds to the police response service. The rationale being that police response is often the result of liquor related incidences. There was broad support for this tax and its relationship to police service funding.

What we heard . . .

- Opposition was isolated to the hotel industry where concern was raised that the tax might negatively impact business.

Latest poll results ...

- 76% support a liquor tax to help fund police services since alcohol abuse often requires police response

Other ideas ...

- consider taxing only certain types of liquor
- increase the rate of tax (could be more)

4.10 Hotel Tax

Many cities across the country and abroad have imposed a hotel tax. The intent was to introduce this tax in Winnipeg by imposing a 3% levy on all hotel rooms and channeling the funds raised to support the promotion of conventions, tourism, and economic development. There was considerable support for this tax, recognizing its capacity to help grow the tourism industry.

What we heard . . .

- Opposition was predominantly concerned that this new tax might work contrary to its intended purpose and negatively impact the tourism industry.

Latest poll results ...

- 51% support a hotel room tax to support tourism and convention development

Other ideas ...

- City must do a detailed economic impact analysis

4.11 9-1-1 Telephone Fee

The New Deal proposal was to introduce a phone fee of 70 cents per phone number per month (a total of \$8.40 per year) to support the cost of the 9-1-1 dispatch service. This would be over and above a fee currently charged by the Manitoba Telecom Services (MTS) for that same purpose. Support for this fee was generally accepted, given the relatively low annual amount at stake.

What we heard . . .

- There was confusion about the existing MTS fee and the relationship of the proposed fee to the 9-1-1 service.

- Isolated concerns were expressed for individuals on low incomes and their ability to absorb additional fees.
- Some concern was also expressed that by increasing the cost of having a phone, more people would go without, thereby placing them at risk in times of need.
- Some concern was expressed with regard to businesses that have a large number of phones.

Latest poll results ...

- 51% support a phone fee to support the 9-1-1 emergency dispatch service

Other ideas ...

- ask MTS for more money instead

4.12 Property Tax Reduction

One of the cornerstones of the New Deal proposal was a 50% reduction in property taxes. This was important as a means of offsetting the brunt of the impact of a series of new taxes. Part of the rationale was to reduce the City's dependency on property taxes since this form of taxation is recognized as one of the most regressive. The reduction would also allow the City to be more competitive with property tax rates in neighbouring municipalities and would encourage home investment. As well, the intent was to direct the revenue raised from property taxes to support only those services that are linked to property. In doing so, property taxes could be drastically reduced since much of the current revenue is used for services other than those to property (eg recreation services, libraries, etc).

What we heard . . .

- Citizens who rent or do not own property would not directly benefit from this tax reduction, but would still pay the new consumption taxes.
- Many were skeptical that, in the case of tenants, the landlord would pass the savings on through rent reductions because it was recognized that landlords would be incurring additional costs in other areas and that, in some cases, there would be no net gain to pass on to tenants.
- An across-the-board reduction by percent was perceived to benefit owners of higher-valued homes more than owners of lower-valued homes.
- The reduction might promote, rather than discourage, urban sprawl by creating a significant tax break for those living in suburbs.

- There was concern expressed about the timing of this reduction relative to the new consumption taxes proposed.
- There was significant concern expressed about the tax void being filled by increases to the education portion of the tax bill. It was suggested that that the education portion of the tax bill be addressed concurrently.
- It was recognized that the reduction in property taxes would enhance competitiveness with residential rates in outlying municipalities and could lead to a reduction in ex-urban growth.
- Support expressed for this proposal was broadly qualified. Legislative change was proposed to enforce accountability for future increases after consumption taxes are implemented.
- Rather than a uniform 50% reduction, some suggested that the reduction should be implemented on a sliding scale in order to better reflect the principle of social equity on the one hand and to better encourage more compact urban development on the other (in conjunction with restructured development fees and land consumption taxes).

Other ideas ...

- Winnipeg should be compared to local centres rather than other Canadian cities
- get education tax off tax bill (replace with sales tax increase)
- tax land consumption, or better yet, tax sprawl
- get rid of property tax entirely and replace with City income tax
- remove current exemptions for churches, schools, institutions, CN, etc.
- reductions could be passed to renters via an income tax claim / credit
- increase taxes on new suburban developments
- City could change the way it 'portions' property taxes
- tax vacant lots and abandoned properties
- hotels should be tax exempt to promote economic development and tourism
- should be a flat reduction in property tax across the board
- one time lot surtax on property in new developments to invest in core
- allow an income tax deduction for property taxes
- donate tax sale properties to community organizations to rehabilitate
- create ownership incentives for students / entry-level home owners

4.13 Elimination of the Business and Amusement Taxes

At present, businesses pay a business tax related to their business operations as well as a commercial property tax for the property they occupy. Most municipalities across the country

have eliminated the business tax and now focus solely on a commercial property tax. That is what the New Deal proposal was intending to do. While residents were to receive a 50% reduction in their property taxes, business were to see the business tax eliminated with the commercial property tax staying the same, resulting in an effective reduction of 33% of their overall costs. Meanwhile the amusement tax would also be eliminated.

What we heard . . .

- Opposition was focused on the perception that certain businesses consume large parcels of land, create significant public service costs, and remove their profits from the local economy and therefore should not be exempt from tax.
- Some suggested that business interests currently get too generous a tax deal from the City.
- There was also isolated concern that removal of the business tax might also mean the elimination of the BIZ levy and the end of Business Improvement Zones.
- Support from the business community was broad. Other voices in support suggested that tax on businesses should vary, based on a strategy to attract business investment and development that is consistent with the City's vision and to provide greater support to small businesses.
- The elimination of the amusement received relatively little attention though it did garner the broad support of the entertainment industry.

Other ideas ...

- reinstate business tax for big businesses
- City should ask for share of resulting increase in corporate income tax revenue
- change reduction to 50% and only for businesses that pay good full-time wages
- eliminate home-business license as well
- amusement tax should be re-jigged, not eliminated (e.g. consider taxing professional athletes)

4.14 Transit Fare Reduction

Although transit fares in Winnipeg are very competitive with rates imposed by other municipalities across the country, the New Deal proposal was to cut them in half in order to send a strong message that the use of public transit is encouraged in order to reduce greenhouse gas emissions and to ensure access to transportation where affordability is an issue. Transit users

were strong supporters of this while others expressed some doubt that a shift in transportation mode would occur.

What we heard . . .

- There was skepticism that ridership would significantly increase.
- There was concern that necessary system improvements would be jeopardized by revenue shortfalls.
- There was concern that rapid transit represented too large a public investment.
- Those who support a fare reduction equally support the need for transit service enhancement. There were a number of service enhancement suggestions provided.
- Overall, there was broad support for this proposal.

Other ideas ...

- make Transit not just cheaper, but also better
- incorporate water taxis as a part of Transit system
- develop transit system around activity nodes such as shopping malls
- use larger buses for busier downtown routes and smaller buses for feeder routes
- should be more Federal accountability for funding transit
- low fares need to benefit low income & students - reduce passes / freeze casual fares
- develop more heated 'park & rides' and longer hours in the suburbs
- fares should stay the same - all fuel tax should go to Transit
- develop a flat family discount rate to recreation centres (e.g. Forks, Assiniboine Park)
- Transit should be free for people living in the city
- develop a family-use bus package
- increase university tuition to include bus pass
- promote alternative transportation 'in-house' to City staff first
- make it more difficult to drive in the city
- create more 'pass-throughs' in sub-divisions to enhance access to transit stops

4.15 Freeze Recreation Fees

User fees are currently in place for recreation services, helping recover approximately 24% of the full costs of delivering the services. The New Deal proposal recommended that the fees be frozen at those levels (other than inflationary adjustments) in order to minimize the impact of affordability

as a barrier to participation. There was general support for this strategy. The limited opposition questioned the effectiveness of this proposal as a means of addressing equity concerns.

What we heard ...

- A 'freeze' would continue to impede access to those that can't afford the current fee.
- This strategy would unnecessarily limit revenues from those who are willing and able to pay more.

Other ideas ...

- consider an income-based subsidy
- fees should go down for poor people and up for rich people
- all fees for youth and children of families on social assistance should be free

4. 16 General Observations

Other general ideas ...

- separate 'tax-shifting' concept from need for more money
- make greater use of income tax
- focus more on visioning aspect of New Deal
- create toll roads and tax surface parking lots
- incorporate Province-wide issues
- develop a 5-year report card
- consider a phase-in approach
- tax junk food
- add "accessibility" to the list of principles
- borrow externally to fund long term capital projects
- establish a City lottery ticket
- add a beverage tax through vending machines
- volunteer advisory committees should debate large projects like the New Deal
- get rid of tax exemptions for all businesses
- get more existing tax back from senior governments
- get school taxes of the property tax bill
- better demonstration of in-house expenditure reductions
- make alliances with other municipalities to create more pressure on Province
- consider 'taxing zones' based on geographic proximity to city centre

- housing should be part of infrastructure gap
- consider a 'response time tax' for emergency services to suburbs / out-lying areas
- consider a 'pesticide fee' on non-essential use
- increase library user fees
- all new taxes should be based on choices that people make
- develop and use an 'affordability index' to compare cities' 'total cost to citizens'
- consider 'deregulation' as a 4th existing option to deal with infrastructure problems
- focus New Deal energy on biggest 'bang for the buck' (not garbage fee)
- community leaders need to demonstrate greater support for the New Deal publicly
- put a 'cap' on square footage for retail development and fine anything over that size

Report prepared by the Strategic Management Division, CAO Secretariat.

