



Re-defining Civic Finances

BOLD Winnipeg is ... civic finances re-defined

Winnipeg citizens recognize that there is a cost to be paid for the civic services that we receive and value. Yet, the linkage between taxpayers' investment and the services we receive in return is much harder to see under the current financial model. Compounding the challenge are community forces being brought to bear on multiple fronts – pressure to fix Winnipeg's infrastructure deficit while maintaining tax competitiveness; calls for increased investment in everything from policing to plowing while seeking out sustainable revenue streams to meet the need.

The time for tinkering with percentage points is over. We must rethink the financing and delivery of civic government, redefining the urban model for the next 100 years.

Think BOLD

If you were building a city from scratch today, what services would you require and how would you pay for it? What would be the foundational values and principles supporting the financing and delivery of municipal programs and services? How would you show value for dollar, or return on investment, to citizens? What criteria would you use to ensure a sustainable fiscal framework that works today and tomorrow?

BOLD Winnipeg aims to:

- Transform Winnipeg into Canada's leader in efficient and effective municipal government
- Advance Winnipeg as Canada's most innovative municipal government in the development and delivery of civic services
- Create a new sustainable financial framework for municipal government which becomes the model throughout North America
- Establish Winnipeg's financial framework as the most transparent and 'citizen-friendly' in North America

By 2018:

- Winnipeg has instituted a five-year operating and 10-year capital budget cycle
- Winnipeg has established annual performance indicators and efficient targets for all program areas and services, with a commitment to report against annually
- Winnipeg's core service delivery cost per capita is among the lowest four in Canada
- Winnipeg has established clear and measurable linkages between all civic services and their specific funding source(s) (1998 *Focus on Winnipeg Services* report identified 260 individual civic services)

By 2022:

- Winnipeg has implemented a new financing model in which the percentage of total revenue derived from Business Tax and Property Tax (58.7% as of 2013 Preliminary Operating Budget) has been reduced to below 50%, with a commitment to less than 35% by 2028 (2013 Preliminary Operating Budget - \$921.6 million)
- Winnipeg's core service delivery cost per capita is the lowest in Canada

Be BOLD**Budget**

- Implement a 5-year operational budget cycle and a 10-year capital budget cycle

Collective Agreements

- Tie civic collective agreement compensation adjustments to the Average Weekly Earnings and Consumer Price Index for Manitoba, as per Statistics Canada

See BOLD

According to the US Bureau of Labor Statistics, collective bargaining agreements that tie wages to the Consumer Price Index cover over 2 million workers.

In May 2014, Toronto City Council passed a motion stating, "the remuneration paid to the Mayor and to other Members of Council shall be increased annually on January 1 of the year by the increase in Statistics Canada's Toronto Consumer Price Index, as calculated by the Deputy City Manager and Chief Financial Officer and based on the previous year's average."

Effectiveness

- Mandate that all civic departments create and publish annual SMARTER (Specific, Measurable, Achievable, Relevant, Timely, Evaluate, Re-evaluate) goals linked to their budgetary allocations

- Undertake an inventory of all civic services, similar to the 1998 *Focus on Winnipeg Services* report identifying non-core services being delivered and potential core service gaps necessitating investment

Efficiency

- Establish a Commission on City Efficiencies which utilizes extensive public consultation in determining the current cost-effectiveness and efficiency of civic services
- Establish performance indicators and efficiency targets annually, such as:
 - General Government Services – legislative services per capita, administrative services per capita; technology investment per capita of workforce
 - Public Safety - number of police officers per 100,000 population, number of fire fighters per 100,000 population, and, public safety employees per 100,000 population; total cost of public safety services per \$1,000 of assessment
 - Transportation – maintenance costs per kilometer of roadway; replacement costs per kilometer of roadway; public transit costs per capita or per rider
 - Wastewater – maintenance costs per kilometer of sewer mains; replacement costs per kilometer of sewer mains; physical plant operation costs per metric ton of sewage
 - Solid Waste – collection costs per metric ton; disposal costs per metric ton; recycling costs per metric ton

See BOLD

In June 2014, the Geneva-based International Organization for Standardization unveiled ISO 37120:2014, a new standard for cities, featuring a set of 46 performance indicators, to assess performance of city services and quality of life. The standard's uniform approach will enable cities to seamlessly compare where they stand in relation to other cities. This information can in turn be used to identify best practice and learn from one another. Notable indicators include:

- Voter participation in last municipal election (as percentage of eligible voters)

- Debt service ratio (debt service expenditure as a percent of a municipality's own-source revenue)
 - Total collected municipal solid waste per capita
 - Number of police officers per 100,000 population
 - Number of firefighters per 100,000 population
- Implement a mandatory, five-year cyclical review of by-laws to determine continued relevancy
 - Reinvent the civic tendering process around the goal of promoting the widest range of bidders possible. Request for Proposals (RFP) need to call for solutions to a challenge rather than a request for pricing for a pre-determined approach, and to encourage innovative processes and technologies outside accepted and city-standard practices
 - Change the process for pursuing alternative service delivery, in particular converting the ASD Committee into a full standing committee to ensure accountability and transparency, and to encourage more efficient and innovative ways to deliver civic programming

Revenue

- Seek the legislative flexibility from the provincial and federal government to reorient civic revenue models toward growth related tax sources, to better link revenue to economic performance, based on a revenue-neutral implementation. Options include:
 - Examining the feasibility of a municipal income tax and corporate income tax, to be initially implemented with a corresponding reduction in residential and commercial property taxes and business tax
 - Allowing for the introduction of a Municipal Infrastructure Levy (fuel tax)
 - encouraging the provincial and federal governments to make tax room by diverting a percentage of GST/PST to municipal governments

See BOLD

In Belgium, Norway, Germany, Switzerland and Iceland, income taxes or income surtaxes make up in excess of 75 per cent of municipal revenues. In Denmark, Finland, Luxembourg and Sweden, that figure is over 90 per cent. In the U.S., over five per cent of municipal revenues come from income taxes. (*Atlantic Institute for Market Studies – December 2012*)

- Expand the use of Tax Increment Financing (TIF), to support improvements in underdeveloped or distressed areas of the city. Increased property tax revenue from a TIF area is applied to service and pay the debt incurred from the local improvement
- Create a community bond mechanism to finance a wide range of initiatives with an initial private capitalization of \$1 billion

See BOLD

Excerpts from *Guide to Municipal Finance* (UN-HABITAT 2009)

Over the last twenty years, a number of countries have increased the powers and responsibilities of local governments but they have not matched those responsibilities with revenues at the local level: "few countries permit local governments to levy taxes capable of yielding sufficient revenue to meet expanding local needs."

Unlike the property tax, the incidence of the income tax is generally progressive though it may not be clearly related to the benefits received for municipal services. Moreover, income tax revenues are more elastic than property tax revenues in that they increase automatically as the economy expands.

Property taxes, however, are often costly and difficult to administer and these problems increase with the size of the tax burden. Even though the property tax is a good tax for local government, it rarely provides sufficient revenues to meet expenditure needs. Revenues are insufficient at least in part because of ineffective administration - inadequate land registration systems, inefficient assessment practices, and deficient tax collection and enforcement. Moreover, property taxes are never politically popular because of their visibility and the inherent arbitrariness in assigning values to individual properties.