REPORT OF THE

STANDING COMMITTEE ON FISCAL ISSUES

DATED FEBRUARY 1, 2000

On motion of Councillor Clement, the Report of the Standing Committee on Fiscal Issues, dated February 1, 2000, was considered.

Moved by Councillor Clement,
That the Consent Agenda, Clause 1, be adopted.

Carried.

Funding Sources for Street Renewal - Motive Fuel Tax File FT-2 (Vol. 4)

369 - 1. The City of Winnipeg and other Provincial Municipalities are currently experiencing difficulty in maintaining their transportation systems. This significant infrastructure deficit could be addressed in large measure by a dedicated revenue source such as a gas tax. While it is not feasible to increase property taxes for this purpose, a shift to user fees, preferably structured to mirror the natural growth in the economy and dedicated to transportation systems is practicable. In the past, the City of Winnipeg has demonstrated that having dedicated revenue sources such as water and sewer frontage levies directed to watermain and sewer renewals, resulted in an adequate level of maintenance and/or replacement for this type of infrastructure. A similar dedicated revenue source is required for transportation systems, and therefore, it is recommended that municipalities share the tax on motive fuels such as gasoline, diesel and propane.

The number of litres of motive fuel sold in Manitoba in 1998 was 1.316 billion litres of gasoline and 586 million litres of diesel fuel and propane. The Province of Manitoba currently collects 11.5 cents per litre on clear gasoline and 10.9 cents per litre on diesel fuel.

There are approximately 821,000 vehicles registered in Manitoba of which 47.5% or 390,000 are registered in Winnipeg. Assuming that 47.5% of the total motive fuels sold in Manitoba, are sold in Winnipeg, this would translate into 625,000,000 litres of clear gasoline and 278,350,000 litres of diesel fuel and propane. The following table illustrates the amount of tax paid for every one cent per litre of motive fuel tax.

1 cent	$ 8.6 million
2 cents	$17.2 million
3 cents	$25.8 million
4 cents	$34.4 million
5 cents	$43.0 million

Vancouver currently collects $.03 per litre on motive fuels, the proceeds of which are used for regional transit. On September 7, 1999, the Province of Alberta provided $.05 cents per litre to Calgary and Edmonton in lieu of current per capita transportation grant funding ($60.00 per capita). The $.05 cents per litre will generate $85 million and $65 million annually for the respective cities. This is a substantial increase in funding ($60.00 per capita x 750,000 people = $45 million).

The revenues obtained by means of a tax on motive fuels should be used exclusively to fund the renewal of the transportation system and should be in addition to the current level of funding. Clearly, the users of motor vehicles are, in large measure, responsible for the deterioration of the transportation infrastructure. This would be a straightforward example of “user pay”. Legislation should assure this restricted application of funds. In order to obtain such a revenue source the Province must provide enabling legislation.

The Standing Committee on Fiscal Issues recommends that Council adopt the following resolution:

WHEREAS municipalities are currently experiencing difficulty maintaining their transportation and other infrastructure solely from revenues raised by property taxation;

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AND WHEREAS it is not feasible to increase property taxes for the purposes of infrastructure renewal;

AND WHEREAS the Province of Manitoba currently collects taxes on motive fuels sold within the Province;

AND WHEREAS revenues obtained by taxes on motive fuels should be used to fund the renewal of transportation infrastructure systems;

AND WHEREAS some of these revenues should be shared with municipal governments in order to provide an additional revenue source for infrastructure renewal works within municipal jurisdictions;

THEREFORE BE IT RESOLVED:

I. *That the Association of Manitoba Municipalities request the Province of Manitoba to amend The Gasoline Tax Act to allow all municipalities in Manitoba to benefit from an appropriate share of the Provincial tax on gasoline, gasohol, diesel and propane fuels used in motor vehicles.*

II. *That the specific amount be the subject of negotiations to reflect usage and the required dedicated revenue stream.*

III. *That the tax be collected by the Province of Manitoba and distributed to each municipal government pro rated on the percentage of motor vehicles registered within each municipality.*

IV. *That revenues from such a tax be designated solely to fund infrastructure renewal works identified as priorities by each municipal government within their respective jurisdictions.*

Adopted by consent.

REPORT OF THE

STANDING COMMITTEE ON FISCAL ISSUES

DATED FEBRUARY 7, 2000

On motion of Councillor Clement, the Report of the Standing Committee on Fiscal Issues, dated February 7, 2000, was considered.

Moved by Councillor Clement,
That the Consent Agenda, Clause 1, be adopted.

Carried.

Financial Policy Recommendations with Regard to Restructuring The City of Winnipeg Employee Benefits Program
File GU-3.9 (Vol. 17)

370 - 1. On December 15, 1999, Council approved the restructuring of The City of Winnipeg Employee Benefits Program into a joint trusteeship. As a result, a number of policies should be considered and adopted by Council concerning the refund of 1998 and 1999 pension contributions and the ongoing pension contributions.

Recommendation I.

That, subject to Revenue Canada regulations, a Policy be adopted that the City's share of actuarial surpluses be used to reduce employer contributions to the Employee Benefits Program (including Long Term Disability) to a long term sustainable level, determined as follows:

- the reduction in contributions will be based on an annual actuarial calculation that amortizes the City's share of surplus over the expected future service of the City's employees;

- the resulting contribution rate will not be less than 2.3% of pensionable earnings.

Under the proposed agreement the employer may choose to use its share of the surplus to take either a full or partial contribution holiday. Notwithstanding the number of alternatives that were considered (outlined in Appendix "A" hereto), it is believed the recommended option of a partial contribution at a long term sustainable level is the most financially prudent of all the options considered.

Recommendation II.

That the reduction in contributions according to Policy Recommendation I. be accounted for by the employer of record.

All the benefits of either a full or partial contribution holiday will, as a matter of course, be accounted by the employer of record and reduce their pension costs accordingly.

Recommendation III.

That where the City has a financial arrangement with the employer of record [i.e. when there is financial support (given or received) from the City, and where the City has the budgetary and/or accounting mechanism to effect the required adjustment], that the financial benefits from the reduction in pension contributions flow to the tax-supported General Revenue Fund.

The City's major financial challenge is its over reliance on property taxes. By having the benefits of the pension refund flow to the tax-supported General Revenue Fund, Council has greater flexibility in addressing that issue. This would be neutral to the other entities as they neither anticipated or budgeted for this refund and therefore not receiving the refund should not have a negative impact on any of their financial goals.

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Adoption of this recommendation would neutralize the pension refund of 1998 and 1999 on the following organizations, namely, all City of Winnipeg utilities (Hydro, Transit, Sewage Disposal, Solid Waste, Equipment Services Fund, Ambulance, Civic Buildings and Public Works); the Convention Centre Corporation; St. Boniface Museum; Transcona Museum, and Winnipeg Enterprises Corporation. It would exclude the Riverview Health Centre, the Employee Benefits Board and reciprocal transfers.

Recommendation IV.

That a Policy be adopted that employers' pay, at a minimum, the Long Term Disability costs on an ongoing basis per the experience of each employer in the Plan.

Long Term Disability costs have recently been increasing. These Long Term Disability costs can be managed to some extent. In the past, the contribution rate of each employer, regardless of their specific Long Term Disability costs, were the same. The employer contributions averaged a flat 6.6% and were independent of either the actual pension or Long Term Disability costs of the Plan on an annual basis. In effect, those employers with greater Long Term Disability costs were being subsidized by other employers who had a more favourable experience.

This recommendation would make each employer more accountable for their Long Term Disability costs and provide a financial incentive to manage the Long Term Disability costs in a more effective manner.

In effect, each employer will pay for their own Long Term Disability costs as well as a percentage of pay calculation for pension costs alone applied to all employers.

Of note, should Recommendation III. be adopted, Recommendation IV. would only be effective for the Riverview Health Centre.

To illustrate current Long Term Disability costs, based on 1998 data, the following information is provided:

	City of Winnipeg *	Riverview Health Centre
Long Term Disability Claims	$3.40 million	$.48 million
% of Long Term Disability Costs as % of Pension Contributions	16.5%	40.0%

***** *includes tax-supported Utilities, Winnipeg Enterprises Corporation, the St. Boniface and Transcona Museums*

Recommendation V.

That, subject to regulatory approval, the employers' contributions to the Pension Plan refunded from 1998 and 1999 due to the "excess surplus" provision under The Revenue Canada Income Tax Act be accounted for by the employer of record. (Note: 1998 and 1999 refunds do not include Long Term Disability)

It is important to note that the pension refunds for 1998 and 1999 are subject to regulatory approval. Due to timing and some degree of uncertainty, these refunds will be accounted for in the Year 2000.

The estimated financial benefit to The City of Winnipeg, including its utilities, is estimated to be $17 million per year. If circumstances are such that a pension contribution refund for 1998 and 1999 is disallowed, the City could still achieve a comparable benefit, but the timing of the benefit would be delayed. One option would be to amend Policy III. as recommended in order that access to this portion of the City's share of surplus would be through future contribution holidays (i.e. take a full contribution holiday for a number of years until those contributions paid in 1998 and 1999 are reimbursed). If the City, under Policy III., chose a full contribution holiday to begin with, then the benefit would be in extending that full contribution for a number of years.

Recommendation VI.

That where the City has a financial arrangement with the employer of record [i.e. when there is financial support (given or received) from the City, and where the City has the budgetary and/or accounting mechanism to effect the required adjustment], that the financial benefits from the repayment of pension contributions in 1998 and 1999 flow to the tax-supported General Revenue Fund.

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The City's major financial challenge is its over reliance on property taxes. By having the benefits of the pension refund flow to the tax-supported General Revenue Fund, Council has greater flexibility in addressing that issue. This would be neutral to the other entities as they neither anticipated or budgeted for this refund and therefore not receiving the refund should not have a negative impact on any of their financial goals.

Adoption of this recommendation would neutralize the pension refund of 1998 and 1999 on the following organizations, namely, all City of Winnipeg utilities (Hydro, Transit, Sewage Disposal, Solid Waste, Equipment Services Fund, Ambulance, Civic Buildings and Public Works); the Convention Centre Corporation; St. Boniface Museum; Transcona Museum, and Winnipeg Enterprises Corporation. It would exclude the Riverview Health Centre, the Employee Benefits Board and reciprocal transfers.

The Standing Committee on Fiscal Issues recommends:

I. That, subject to Revenue Canada regulations, a Policy be adopted that the City's share of actuarial surpluses be used to reduce employer contributions to the Employee Benefits Program (including Long Term Disability) to a long term sustainable level, determined as follows:

- the reduction in contributions will be based on an annual actuarial calculation that amortizes the City's share of surplus over the expected future service of the City's employees;

- the resulting contribution rate will not be less than 2.3% of pensionable earnings.

II. That a reduction in contributions according to Policy Recommendation I. above, be accounted for by the employer of record.

III. That where the City has a financial arrangement with the employer of record [i.e. when there is financial support (given or received) from the City, and where the City has the budgetary and/or accounting mechanism to effect the required adjustment], that the financial benefits from the reduction in pension contributions flow to the tax-supported General Revenue Fund.

IV. That a Policy be adopted that employers' pay, at a minimum, the Long Term Disability costs on an ongoing basis per the experience of each employer in the Plan.

V. That, subject to regulatory approval, the employers' contributions to the Pension Plan refunded from 1998 and 1999 due to the "excess surplus" provision under The Revenue Canada Income Tax Act be accounted for by the employer of record. (Note: 1998 and 1999 refunds do not include Long Term Disability)

VI. That where the City has a financial arrangement with the employer of record [i.e. when there is financial support (given or received) from the City, and where the City has the budgetary and/or accounting mechanism to effect the required adjustment], that the financial benefits from the repayment of pension contributions in 1998 and 1999 flow to the tax-supported General Revenue Fund.

VII. That the Proper Officers of the City be authorized to do all things necessary to implement the foregoing, including the execution of any documents related thereto.

Copy of attachment referred to in the above clause is on file in the Office of the City Clerk.

Adopted by consent.

STANDING COMMITTEE ON FISCAL ISSUES

QUESTION PERIOD

371 - Councillor Steek requested an update on the status of the Winnipeg Blue Bomber Football Club, in particular, clarification as to what was considered by the Executive Policy Committee at the special meeting held on Tuesday, February 22, 2000.

Councillor Clement advised that the issue was laid over. He added that, in response to the loss of confidence in the Winnipeg football club, the general consensus was that a working group should be formed, with representation from the City, the Province, Winnipeg Enterprises Corporation, the President of the Winnipeg Football Club and possibly a back up member. The Committee would review the mandate of the executive and the board, with a view to restructuring. He further noted that a document had been prepared, but not yet agreed to by the stakeholders, and that a formal announcement would be forthcoming.

In reference to the fragile economic state of the club, Councillor Steek questioned if one of the scenarios being discussed would be for a takeover of operations by the Winnipeg Enterprises Corporation, to which Councillor Clement responded in the negative.