REPORT OF THE

STANDING COMMITTEE ON FISCAL ISSUES

DATED DECEMBER 7, 1999

On motion of Councillor Clement, the Report of the Standing Committee on Fiscal Issues, dated December 7, 1999, was considered clause by clause.

Moved by Councillor Clement,
That the Consent Agenda, Clauses 1 and 2, be adopted.

Carried.

Provincial Support for Policing Costs
File GF-2 (Vol. 51)

195 - 1. The Standing Committee on Fiscal Issues has been advised that in Manitoba, all smaller rural municipalities and urban centres (population under 750 people) have traditionally received free policing as one of the services provided by the Provincial Royal Canadian Mounted Police (RCMP) Force (currently 606 officers). Larger municipalities either have an extended policing contract with the Province (for which they pay the Province) or they contract directly with the RCMP for which the municipality makes payments directly to the Federal Government. A few municipalities have their own police force at their own expense.

In 1993, larger municipalities (other than the City of Winnipeg) expressed dissatisfaction to the Province with regard to the existing distribution of grants to municipalities. As a result, there was a policy change recommended by a Police Working Group, which included representation from the Union of Manitoba Municipalities and the Manitoba Association of Urban Municipalities, which put forth the concept of a two tiered tax sharing grant for smaller municipalities which received free policing and for larger municipalities who paid for policing service.

When the funding was adjusted, in 1993, the City of Winnipeg would have had the same legitimate concern as the larger municipalities, however, the City was not made aware of the process that was underway. The City's views, therefore, were not considered by the Province.

In 1995, the City of Winnipeg began to receive funding from the Province of Manitoba for forty additional police officers. This amounted to $2,000,000.00 in 1999.

The tax funds derived from personal and corporate tax for municipalities (tax sharing grant) was intended to be distributed in Manitoba on a per capita basis. In 1993, the City of Winnipeg's share of the total funds available was fixed at 58.4%. In 1997, this was reduced to 57.6%. In both cases, Winnipeg's share has been slightly higher (2%) than the City's actual share of the population which may seem more than equitable. However, considering the broader issue of the support the Province provides other municipalities for policing, it appears the City is not receiving equitable treatment.

The funds distributed to the rest of Manitoba are based on a two tier system. Municipalities which pay for policing receive a grant four times larger than that given to municipalities which receive free policing ($113.54 and $28.38 per capita). This was done in the interest of fairness and equity between municipalities. However, this fairness and equity was not extended to the City of Winnipeg.

Assuming that free policing (paid for by the Province) plus $28.38 per capita is equivalent to $113.54 per capita, and given that the City of Winnipeg receives only $69.47 per capita, this results in a funding shortfall of $44.07 per capita which equates to $27.1 million annually.

Oftentimes assumptions can lead to the wrong conclusion. However, the following data are known facts.

1. In 1999, small rural municipalities and small urban centres received a tax sharing grant of $28.38 per capita plus free policing from the Provincial Police Force (RCMP).

2. In 1999, larger municipalities, towns and cities (other than Winnipeg) received a tax sharing grant of $113.54 per capita. These centres all paid for their own policing costs.

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3. In 1999, Winnipeg received a tax sharing grant of $66.22 per capita plus a $2,000,000.00 grant for forty police officers ($3.25 per capita).

4. The two tiered tax sharing grant system was agreed to by the majority of municipalities in 1993 in recognition that larger centres incurred costs where smaller centres did not.

5. The City of Winnipeg was not invited nor considered when the two tier formula was developed in 1993.

Through the use of the tax sharing grant, direct funding of police services and a police grant to the City of Winnipeg, the Province is currently providing the following support to municipalities in Manitoba.

	Small Rural Municipalities and Urban Centres under 750 people		Large Municipalities		City of Winnipeg	
Funding Source	Per Capita	Funding ($ Million)	Per Capita	Funding ($ Million)	Per Capita	Funding ($ Million)
Direct Service Provided by Province	$85.16 *	$25.86	-	-	-	-
1999 Tax Sharing Grant	28.3	8.62	$113.54	$21.40	$66.22	$40.75
Grant for Forty Police Officers	-	-	-	-	3.25	2.0
TOTALS	$113.54	$34.48	$113.54	$21.40	$69.47	$42.75

* Given that smaller communities and rural municipalities were willing to enter into a 1 to 4 funding formula, one must assume that the value of free policing given to the smaller communities and RM's equates to $113.54 - $28.38 = $85.16.

The total current support given is $98.6 million from this perspective. The City's share ($42.75 million) is 43.36% which is significantly less than the City's population of 55.6%. If the existing funds of $98.6 million were divided based on population, Winnipeg should receive $55 million or $12.25 million more than the current level.

From a different perspective, i.e., if the Province was to increase the overall funding available so that the City receives a comparable level of funding as other Manitoba municipalities (approximately $127.8 million), then the City would receive an amount equal to the difference between $113.54 and $69.47 being $44.07 multiplied by the Winnipeg population of 615,466 equalling $27.1 million. (The population for the City of Winnipeg is based on 1996 Statistics Canada Census data less the population of military staff assigned to Winnipeg.)

The Standing Committee on Fiscal Issues recommends:

I. That the Province of Manitoba be requested to provide a level of support for Police Services equivalent to that provided to the remainder of the Province to ensure fairness and equity for all municipalities.

II. 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.

Adopted by consent.

Fees for Services - Corporate Finance Department - Taxation and Miscellaneous Revenue Division
Files FL-2.1 (Vol. 2) and GL-5.8.1 (Vol. 1)

196 - 2. On July 7, 1994, the Province of Manitoba provided the City of Winnipeg with legislation enabling the fixing of fees for the provision of tax information payable by a person, other than the registered owner. Council, at its meeting held on July 12, 1995, adopted the Fees for Services Policy. The fees came into effect on January 1, 1996, and with the exception of the oral tax information fee, have remained unchanged.

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In addition, Council has the authority to pass a by-law to establish a fee for the preparation and mailing of a Tax Certificate. By-law No. 4860/88, passed by Council on March 23, 1988, provided for a Tax Certificate fee of $20.00 with amendments in 1992 and 1996 increasing the fee to $25.00 and $30.00 respectively.

Consistent with the existing Fees for Services Policy, Council's direction to the Administration includes recommending ways to raise new or additional revenue to offset operating costs and reduce the reliance on the mill rate.

The Taxation and Revenue Division has historically developed services and systems specifically designed to accommodate the needs of the legal, financial and real estate communities. Prior to the adoption of the Fees for Services Policy in 1995, these services were provided free of charge to the user and benefactor of the information. The costs to provide these services were being borne by the City at large and not the corporations using and benefiting from these services. With the adoption of the Fees for Services Policy effective January 1, 1996, the following services were charged on a user pay basis:

- Property tax status verification
- Oral information on taxes/status and tax related programs
- Tax account information for financial institutions, both electronic and paper listing
- Tax sale redemption certificates
- Tax office property searches
- Custom data reports and services

Of the existing fees, only the first three services are being recommended for a fee increase.

Property Tax Status Verification

This service is provided to financial institutions and lawyers requesting confirmation of tax status on properties. Rather than taking advantage of the existing electronic access currently in place with the City, these requests require the Tax Office to complete form letters. The information provided is roll number, gross current taxes, net current taxes, arrears, penalties on outstanding balances and T.I.P.P. enrollment.

In the process of reviewing the charge for providing property tax status information, other western Canadian cities were contacted to determine their charges for a similar service. The cities of Calgary and Edmonton currently charge $7.00 and $6.75 per account respectively.

The City’s cost of providing this information is approximately $6.00 per property and is similar to the cost charged by other western Canadian tax offices. Based on the foregoing, it is felt the current $5.00 charge for providing tax status information be increased as requested.

Oral Tax Information

This service is provided with dedicated staff and telephone lines to the legal, financial and real estate community. The same information as provided in the Property Tax Status Verification letters is provided verbally to customers registered to use the oral tax information service.

This is a “companion” service to the existing electronic access service provided through Legal Data Resources Corporation (LDRC). The City and LDRC are currently completing negotiations regarding a new database access agreement where the electronic access service will be provided utilizing extranet technology. One of the objectives of utilizing the new technology is to encourage the legal community to use the electronic access rather than calling the Tax Office’s dedicated phone line.

The new agreement with LDRC affects the fee schedule such that, unless the recommended revision to the fee for provision of oral tax information is approved, the extranet access cost will exceed the oral cost. This may result in additional calls being made to the dedicated phones lines which would be counter to the noted objective. To encourage the legal community to take advantage of the electronic access, and to recover additional costs in providing this service, a rate increase of $1.00 per account is proposed for the year 2000. This new fee would be $0.75 per account higher than the electronic access and hopefully encourage the use of the new extranet application.

In the process of reviewing the charge for providing tax information orally over dedicated phone lines, other western Canadian cities were contacted to determine their charges for a similar service. The cities of Calgary and Edmonton currently charge $7.00 and $6.75 per account respectively.

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The City's cost of providing this information is approximately $5.00 per call. It is therefore proposed that the current charge of $3.00 for providing oral tax information be increased to reflect the cost of providing the service and to be comparable with other western Canadian cities.

Tax Account Information For Financial Institutions (electronic and paper listings)

The City of Winnipeg currently maintains over 32,000 tax accounts on behalf of some 60 mortgage companies and financial institutions where the companies elect to annually pay property taxes on behalf of their clients, i.e., Principal-Interest-Taxes (P.I.T) accounts.

The City of Winnipeg has developed a mortgage system to accommodate approximately 24,000 changes that occur to these accounts annually. The system also provides a recap of this information to the respective mortgage company and thus enables them to easily reconcile and pay their clients' respective taxes. This information is provided either on a paper account listing form or on a computer diskette for date updating and exchange.

The proposed fee increase reflects an additional cost recovery in providing this service. The paper listing exchange requires considerable staff input to update the required records. The proposed fees reflect the higher cost in providing the information manually as compared to the electronic data exchange. Additionally, the proposed fee is comparable to that of the cities of Calgary and Edmonton who charge $5.00 and $6.75 respectively.

Tax Certificate

Tax certificates are requested primarily from lawyers acting on behalf of clients either selling or purchasing property, or from mortgage holders with an interest in the land. The certificates require extensive research as to the current tax status of the property, as well as any potential changes being considered by the Property Assessment Department. The proposed fee increase to $35.00 reflects the increased cost in preparing and mailing the certificate.

A projection of service volumes and effect on revenue projections to the year 2002 has been provided and is identified as Appendix "A" hereto. This analysis indicates an increase in revenue as follows: 2000 - $ 119,120.00; 2001 - $ 144,500.00; and, 2002 - $ 211,200.00. The cumulative benefit to the year 2002 is estimated to be $ 474,820.00.

In accordance with the recommendation contained in a report dated November 18, 1997, submitted to and approved by the Standing Committee on Fiscal Issues on November 24, 1997, a financial impact statement has been prepared for this proposal, a copy of which is on file in the office of the City Clerk.

At the time of deliberation, the Standing Committee on Fiscal Issues concurred in part with the proposed fee changes, and recommended that the Tax Account Information for Financial Institutions fee for paper listing be increased to $7.00 in 2001 and $8.00 in 2002, instead of $6.00 and $7.00 as proposed. Consistent therewith, the Standing Committee also recommended that the Tax Account Information for Financial Institutions fee for electronic information be increased to $5.00 in 2001 and $6.00 in 2002, instead of $4.00 and $5.00 as proposed.

For the information of Council, Committee further requested that the Administration review the feasibility of instituting an electronic on-line time charge for tax information, for report back to the Standing Committee on Fiscal Issues at the earliest opportunity.

The Standing Committee on Fiscal Issues therefore recommends:

I. That the Corporate Finance Department Fees for Services Policy, adopted by Council on July 12, 1995, be amended to increase the said fees as follows:

Service	Current Fee	2000 Fee	2001 Fee	2002 Fee
Property Tax Status Verification	$5.00	$6.00	$7.00	$8.00
Oral Tax Information	$3.00	$4.00	$5.00	$6.00
Tax Account Information for Financial Institutions - paper listing	$5.00	$6.00	$7.00	$8.00
Tax Account Information for Financial Institutions - electronic	$3.00	$4.00	$5.00	$6.00

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II. That By-law No. 4860/88, being a By-law prescribing the fee for the issuing of Tax Certificates, be amended to increase the fee as follows:

Service	Current Fee	2000 Fee	2001 Fee	2002 Fee
Tax Certificate	$30.00	$35.00	$35.00	$35.00

III. That the amended fees come into effect on January 1, 2000.

IV. That the Proper Officers of the City be authorized to do all things necessary to effect the intent of 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

MOTIONS

Moved by Councillor Vandal,
Seconded by Councillor Thomas,
197 - WHEREAS the Millennium Library Project is a project with tremendous potential for the entire City of Winnipeg;

AND WHEREAS there is no capital dollars in year 2000 for the Millennium Library;

THEREFORE BE IT RESOLVED that $1,000,000.00 be taken from the Library Reserve for the Millennium Library, subject to

I. Other funding being in place from the Provincial and Federal Governments,

II. Adequate dollars remaining in the reserves.

Automatic Referral to the Standing Policy Committee on Protection and Community Services in accordance with Rule 16.1 of the Procedure
By-law

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CONSIDERATION OF BY-LAWS

198 - On motion of Councillor Clement, By-law No. 7544/99, a by-law of The City of Winnipeg to amend By-law No. 7100/97, being the City Organization By-law, was read a first, second and third time, the rule being suspended for the third reading, and was passed and ordered to be signed and sealed. File GL-5.6 (Vol. 9)

On motion of Councillor Clement, the rule was suspended and By-law No. 7547/99, a by-law of the City of Winnipeg to amend By-law No. 4860/88, being a by-law prescribing the fee for making out and mailing Tax Certificates was read a first, second and third time, the rule being suspended for the third reading, and was passed and ordered to be signed and sealed. Files FL-2.1 (Vol. 2) & GL-5.8.1 (Vol. 1)