



# Canadian Taxpayers Federation 2002 City of Winnipeg Pre-Budget Submission

To: Executive Policy Committee

[News Release](#)

Victor Vrsnik  
Canadian Taxpayers Federation  
Manitoba Director

October 15, 2001

Your Worship, Mr. Chairman, Councillors, thank you for the opportunity to speak on the 2002 Preliminary Estimates.

## Introduction

Before commenting on the budget, I would to acknowledge what I consider to be some of the greatest accomplishments of City Council in recent years - reducing property taxes for a third year in a row by 6 percent in the face of inflationary pressures; streamlining bureaucracy; setting up a framework for alternative service delivery options; putting a cap on capital borrowing; and scheduling the gradual decline of the city's debt servicing costs. Finally, the decision to freeze business tax rates and consider the eventual phasing out of the business tax is another laudable initiative launched by this Council.

These measures have been endorsed by the CTF in the past and we encourage Council to press on in the direction of gradual debt and property tax relief and expenditure control.

## Expenditures:

The draft 2002 budget is encouraging in so far as the lesson of tax cuts appears to have been borne out by the revenue estimates. The CTF has consistently held to the principle that tax cuts are not another spending item. On the contrary, tax cuts prime the economic pump by removing a formidable obstacle to economic growth and development.

This seems to be the case with the 2002 estimates. When adding in the "Net Taxes Added" column, property tax revenues are slightly higher than the 2001

adopted budget despite a three-year string of 2% property tax cuts. In other words, the tax cuts seem to have had a stimulate impact on the total property assessment base.

When reviewing the preliminary budget estimates for 2001 to 2002, the authors of the document posted a far more modest projection of revenue growth stemming from three years of property tax cuts. In 2000, the preliminary budget estimated \$386 million in property tax revenues. Those figures were later revised by an increase of \$2 million. Then in 2001, property tax revenues were under-projected by nearly \$7 million. And finally in 2002, we see from the current estimates that the original preliminary budget underestimated property tax revenues by nearly \$14 million.

Clearly, the impact of property tax cuts did not have the sobering impact on revenues as the original preliminary budget projected. Rather, the tax cuts became a boon to the city's revenue stream.

The same can be said for business taxes, as revenues in 2002 are up by \$8 million in three years. The city's policy decision to cut property taxes and freeze business taxes helped to restore confidence in the business committee and breath life back into the commercial assessment base.

While the residential property and commercial assessment bases are growing, the actual number of business in the city continues to dwindle. During the 1994 reassessment year, there were 13,028 business recorded in the city. By 2001, that figure fell to 11,950. Over 1000 businesses have disappeared off the city map since 1994.

A more aggressive attack on business tax relief would release the uncompetitive tax burden on Winnipeg businesses without causing too much disruption to the business tax revenue stream.

**Recommendation 1: Phase out the business tax over such a period of time that continued growth in business tax revenues off-sets the staggered tax reductions by either decreasing the rate or by introducing business tax exemptions or a combination of both. Tax reductions can also be realized through administrative savings or a freeze on expenditures.**

The draft 2002 budget shows that after a few years of fiscal restraint, the spending taps have been turned on once again, erasing some of the gains made in the past. Expenditures fell from \$693 million in 1998 to \$650 million in 2001, for a total saving of \$43 million or 7 percent. That's a commendable gesture to over-taxed Winnipeggers. But now the 2002 estimates have ratcheted spending up to over \$662 million, for a \$12 million spending hike over last year.

Part of the spending increases in the departments of police and fire services may be justifiable under the circumstances, but the decision to beef up one budget line should give cause to reductions in other lower priority budget lines. If the city is determined not to let our fire and police services slip and expect Winnipeggers to bear those cost increases, then the city should be equally vigilant against non-priority spending such as grants and tax breaks to select businesses and organizations.

A few examples of wasteful spending come to mind that do not represent the necessary services that property taxes were designed to support. Property taxes should not be charged to support an unviable convention centre, an unviable

downtown arena, a volleyball team, street festivals, entertainment tax credits and other local grants.

These are the bells and whistles that no property taxpayer should be obliged to support when the local tax burden is still on the extravagant side and the city is prepared to increase spending by \$12 million.

**Recommendation 2: To finance high priority spending measures like fire, police and debt servicing costs, the city should reduce spending in low priority budget envelopes to a comparable extent.**

**Recommendation 3: Greater emphasis to cost controls and administrative savings should be given to the city's admirable alternative service delivery initiatives.**

As mentioned, the 2% property tax cut this year is a step in the right direction but falls short of the potential for greater tax relief this year. Unlike past years, this round of tax cuts is by no means driven by spending reductions. Rather, new revenue growth has created the opportunity to cut taxes without cutting costs.

Property tax revenues are rebounding, business tax growth is up by \$3 million, natural gas taxes are up by \$1.5 million, ambulance user fees are up \$900,000 and tipping fees are expected to bring in an extra \$270,000 over last year.

These new revenue streams have widened the scope for the potential of greater property tax relief. Instead, the decision has been made to ratchet up spending despite the concern over Winnipeg's uncompetitive standing in property taxes.

According to the City of Edmonton's 2000 Residential Property Tax Survey, Winnipeg posts the highest municipal property taxes in Western Canada. Winnipeg's \$1400 municipal property tax bill for a typical bungalow is still high in comparison to the \$1100 charge in Vancouver, \$870 in Edmonton, \$753 in Calgary and \$837 in Saskatoon. This comparison does not include either of the local school levies.

**Recommendation 4: Apply the city's growing revenue stream to offset further property tax cuts and bring the city's property tax rates in line with other major urban centres.**

To conclude, Winnipeg City Council is on the right track to highlight the importance of competitive property and business taxes, accelerated debt relief and controlled capital borrowing. The same discipline on capital spending should be equally applied to expenditures in the tax-supported budget as well.

Thank you.