Chapter Eight

Co-operative Regionalism Sharing the benefits, Sharing the costs

Chapter Seven identified regional service and tax sharing as two potentially effective tools in building a successful, globally competitive metropolitan region. Service and tax sharing constitute the sort of functional cooperation between governments that builds regional awareness and trust among governments and enhances the efficient use of the available dollar. Such municipal collaborations can also be the basis for cost-effective, high-quality services that will add to the economic strength and the quality of life of the region. For this reason, the RPAC endorses the principles of service and tax sharing.* The practices of service sharing and tax sharing can serve the same aims of fostering regional advantage and regional benefit. Service sharing involves the joint use of regional assets, while tax sharing involves the sharing of the revenues generated directly or indirectly by those assets. For this reason, the two practices are discussed together in this chapter. However, the RPAC recognizes that the two practices need not always go together. Depending on the circumstances, it is possible to have service sharing without tax sharing and vice versa.

There are already a number of successful examples of service and tax sharing in Manitoba. There are also opportunities for additional service-sharing arrangements, especially between the City of Winnipeg and the municipalities adjacent to it. However, there is also a significant degree of misunderstanding and resistance to further expansion of such arrangements. The general lack of regional consciousness, limited acceptance of regional approaches to problem solving, and even mistrust of the motivations of the people who propose tax sharing are certainly barriers to the introduction of some form of service and tax sharing.

Movement beyond the current level of cooperation will require leadership from the Government of Manitoba. For this reason, the

* In some jurisdictions tax sharing is referred to as "revenue sharing" to stress the benefits of this mechanism of regional collaboration. If the substitution of the phrase "revenue sharing" for "tax sharing" enhances the prospects for serious and active consideration of this useful mechanism, RPAC is in favour of the term. This report will, however, make use of the more familiar phrase "tax sharing".

RPAC is recommending that as the first step towards expanding region-wide service and tax sharing that there be detailed studies of existing and potential arrangements for both service sharing and tax sharing. The details of this proposal are spelled out in the last section of this chapter.

Two points must be made clear at the outset of any discussion of service and tax sharing.

1) The RPAC is not recommending the creation of a new tax.

Tax-sharing arrangements can cause the tax rate in a given municipality to go up, down, or remain the same. It all depends on the nature of the tax-sharing agreement. In some US jurisdictions for example, municipal tax sharing involves municipalities sharing the proceeds of an existing tax that is levied at the state level.

2) Service and tax sharing can work to protect and strengthen local autonomy.

As noted earlier, many regional policy issues often spill over municipal boundaries and require coordinated responses. In Canada, over the last decade the governments of Ontario and Quebec have responded to these sorts of policy issues by amalgamating municipalities into super-cities. The Government of Manitoba and the Capital Region municipalities have all indicated that they currently do not favour forced amalgamation in the Manitoba Capital Region. It is the RPAC's view that any such consolidation of municipal jurisdictions, at this time, would lead to conflict and deep divisions among the communities that comprise the Capital Region.

Future governments may not take such an attitude if they are faced with evidence that competition between municipalities and duplication of services are contributing to development decisions that are socially and economically unsustainable. The autonomy of local government is best defended through its willingness to maximize efficiency and effectiveness.

The development of shared services sends a positive message that municipalities are prepared to put the need for cost effective, responsive, and high-quality services ahead of the desire to protect their own authority and jurisdiction. Tax and service sharing would reinforce local autonomy and could also contribute, over time and in combination with other measures, to the emergence of stronger, more constructive approaches to regional issues.

Working from an assessment that service and tax sharing offer significant potential benefits to the residents of the Manitoba Capital Region, this chapter:

- outlines the potential benefits of service and tax sharing
- sketches in the existing level of regional cooperation
- provides an explanation of tax sharing
- addresses potential roadblocks to service and tax sharing
- makes proposals that the Government of Manitoba take steps to increase the level of service and tax sharing in Manitoba

Potential benefits of tax and service sharing

Aside from balancing regional goals with local autonomy, service and tax sharing have the potential to improve services, lower costs, reduce competition, and help ensure that development is directed in a sustainable fashion. The following listing outlines the intended benefits of a variety of service and tax-sharing initiatives throughout North America.

- For large scale and expensive infrastructure projects, like sewage treatment plants and water services, capital cost savings can be achieved by eliminating duplication.
- Operational cost savings may also be obtained through joint service provision that allows for the use of better technology, reduced labour requirements, and economies of scale.
- A shared-services approach may lead to improved service quality and service integration.
- The international competitiveness of the urban region is promoted by ensuring comparable infrastructure throughout the region.
- Intermunicipal competition in the form of financial concessions to attract residential, commercial, and industrial development can be reduced, thereby promoting smart growth and reducing sprawl.
- Fiscal disparities among local governments can be reduced, thus improving the quality and comparability of services.
- Communities in the early stages of development or in decline can be assisted by allocating additional revenues to them.
- Over-reliance upon property taxes can be reduced, especially when upper levels of government allow additional tax room (e.g. sales tax, income tax, gasoline tax, etc.) to be occupied by local governments.
- Regional assets like parks, zoos, and museums can be enhanced and preserved. In the Manitoba Capital Region there many such assets, ranging from the Costume Museum in Dugald, the Marine Museum in Selkirk, to the Royal Winnipeg Ballet, that provide potential benefit to all Capital Region residents and also serve to draw visitors to the Region.

It should be noted that service or tax sharing are not in all cases the most effective methods for reaching each of the goals identified above. Nor do all of the problems indicated in this list currently exist in the Manitoba Capital Region. The studies that the RPAC is proposing ought to identify which goals are appropriate to the Manitoba Capital Region, both currently and in the foreseeable future. The sidebar discussion on the following page outlines the RPAC's reservations as to the applicability of certain forms of tax sharing in the Manitoba Capital Region.

Certain functions benefit from a regional approach by virtue of the scope of their impact, the corresponding high need for coordination across municipal boundaries, the reliance upon expensive capital facilities, and the desirability of reasonable comparability in the provision of basic services. The 1999 Capital Region Review Panel saw merit in the concept of service sharing and presented the following list of candidates for service sharing in the region:

- drainage
- water supply
- transport

The limits of tax sharing

The RPAC recognizes that considerably more research and discussion has to take place before regional tax sharing is expanded in the Capital Region. The Committee is recommending that intermunicipal tax sharing (along with service sharing) be embraced in principle because it can improve services while controlling costs and contribute to the development of a region-wide perspective and approach to development. The RPAC recognizes that tax sharing is not a miracle cure. A number of the problems that tax sharing is meant to resolve are either not significant concerns in Manitoba, and tax sharing is not always the most effective tool to be used to respond to regional issues.

1) Tax sharing has been adopted in a number of locations to deal with problems of political fragmentation and the extreme competition for development that can take place when multiple local government jurisdictions exist within city-centered regions. Currently, it would appear that such competition is not a widespread issue in the Capital Region.

2) Tax-sharing programs can also be used to reduce disparities in fiscal capacities (i.e. ability to raise revenues) and service levels (both the quantity and the quality of services) between communities thus ensuring balanced and fair growth opportunities for all communities within the region. The RPAC believes that tax sharing can perform this function in many cases. However, there is a difference between improving services and infrastructure throughout the region and creating a complete level playing field when it comes to the Region's municipalities' ability to compete for outside investment. The land-use policy recommendations made in Chapter Fourteen of this report, favour policies that encourage municipalities to retain their rural character and also recommend that industrial development be directed to locations that allow for the most efficient use of existing infrastructure and the least impact on the environment.

3) Tax sharing is seen as a way to limit sprawl in the residential sector. However, none of the intermunicipal tax-sharing programs the RPAC studied used residential property taxes as the source of revenues to be pooled and redistributed across the region. The direction and density of residential growth are issues best dealt with through the existing development planning process on the basis of a strengthened and more consistent oversight role by the provincial government, as recommended in Chapter Fourteen of this report.

- landfills
- policing
- fire protection
- libraries
- recreational facilities
- cultural facilities

The Capital Region Review Panel also recommended that tax sharing be made permissible, but voluntary, under its proposed Regional Associations Act. However, current legislation already allows municipalities to enter into tax-sharing arrangements.

While the list of services that the 1999 Capital Region Review Panel identified fits with the general criteria for service sharing there is as noted below a need for further study to identify costs and benefits and overcome existing resistance to tax sharing.

Existing examples of intermunicipal tax and service sharing

Most Capital Region municipalities already recognize the potential value of service sharing. In its presentation to the RPAC, the Association of Rural Municipalities recommended that sharing of services among municipalities should be encouraged. It urged the RPAC to recommend that the provincial government consider new incentives, and remove any existing disincentives, to promote voluntary intermunicipal collaboration and cooperation within the Capital Region. There is a base of collaborative arrangements to build upon, but there needs to be a systematic survey to identify the range and type of arrangements and "the best practices" for making them work effectively.

More regional cooperation occurs than is commonly recognized. Many municipalities have mutual aid agreements to support their neighbours in the event of an emergency. Ten of the sixteen municipalities within the Capital Region belong to three planning districts, and two more are actively considering forming a planning district. These districts prepare development plans for their districts and administer zoning and building by-laws. Some take on approval authority for subdivisions. There are also conservation districts and water associations, which often involve municipal representatives. Other municipalities cooperate in solid waste management, recreational facilities, and the sharing of equipment.

Such municipal collaborations represent both the reality and the potential of the kind of regionalism that this report endorses. Often small scale, low key, and unheralded, these pragmatic examples of cooperation are a critical component to making the Capital Region a good place to live and to do business.

Within Manitoba there are tax-sharing agreements between the five Pelly Trail Municipalities (the Rural Municipalities of Russell, Silver Creek, and Shellmouth-Boulton, the Town of Russell and the Village of Binscarth), the City of Portage la Prairie and the Rural Municipality of Portage la Prairie, the Rural Municipality of Hanover and the Town of Niverville, and the Rural Municipality of Brokenhead and the Town of Beausejour. Authority for such tax-sharing agreements is found in section 259 of *The Manitoba Municipal Act*.

Unfortunately, there are also examples of intermunicipal relations that are far from cooperative. More than once the RPAC heard about the impact of Winnipeg City Council's refusal to provide piped water services to Headingley on that community's decision to withdraw from the City of Winnipeg. Subsequently the Manitoba Water Services Board had to provide capital financing to the newly created Rural Municipality of Headingley to assist it in obtaining piped water from communities to the west of it. The RPAC brings this issue up not to apportion blame, but to point out that this series of events led to unnecessary spending of public money because:

- The Government of Manitoba had to find the capital dollars for the water project.
- The City of Winnipeg lost the revenue it would have received from Headingley for its water.
- All three jurisdictions had to absorb financial and political costs associated with the divisive negotiations over the separation.

Quite frankly, the province, the region and the city do not have the economic strengths and financial capabilities to afford to duplicate and underutilize expensive infrastructure facilities. Nor does a reputation for political infighting among governments enhance the region's image.

As the Headingley dispute illustrated, many of the service-sharing difficulties in the Manitoba Capital Region involve the City of Winnipeg and the municipalities that share a boundary with the City. The RPAC heard of a number of cases where the City rejected offers from neighbouring municipalities to pay for the City services at rates that would have allowed the City to make a reasonable profit. While there are examples of the City sharing services in the past, since the separation of Headingley in 1991, successive City Councils have taken the position that they would not enter into such agreements. The City of Winnipeg indicated that it is reluctant to enter into service-sharing arrangements because, from its perspective:

- Service sharing could lead to sprawl.
- The Province has provided subsidies for water and sewer services in municipalities outside the City of Winnipeg.
- The Province has different planning requirements for Winnipeg than for the municipalities outside the City of Winnipeg.
- The Province's method of property tax assessment in the municipalities outside of the City of Winnipeg encourages the construction of expensive homes outside the city.
- The level of the Province's support for certain services differs between the City of Winnipeg and the municipalities outside the City of Winnipeg.

These are complex issues that should be examined as a part of the study of service sharing recommended at the end of this chapter. The City of Winnipeg position on service sharing is also affected by a number of disputes that have arisen between the City of Winnipeg and various municipalities over payment for various services rendered.

There is also concern that competition between the region's municipalities may be having a negative, and in the long-term very costly, impact on development decisions. A certain level of competition between municipal governments is healthy since it creates a dynamic for growth and offers businesses and people choices about where to locate. Of course, what qualifies as healthy competition as opposed to expensive "give-aways" is partly in the eye of the beholder. There is almost no public information available on the extent, intensity, and nature of the competition for commercial and industrial development that goes on within the Capital Region. What little evidence is available is mainly anecdotal, consisting of stories about the factors led to the location of the Husky emulsifier in the industrial zone of the Rural Municipality of Springfield rather than in Winnipeg; the decision by Kleysen trucking to move from its Winnipeg location into the Rural Municipality of Macdonald; and the negotiations conducted by Wal-Mart with the City of Winnipeg and Rural Municipality of East St. Paul over the location of a store. The evidence suggests that currently the level of competition between municipalities for commercial and industrial activity is relatively low.

The City of Winnipeg can (and sometimes does) offer incentives at a scale and magnitude that the much smaller surrounding municipalities would have difficulty matching. The City has difficulty competing with the surrounding municipalities in land prices (which tend to be higher in Winnipeg), property taxes (which also tend to be higher in Winnipeg), and often in the level of financial commitment (through infrastructure improvements, for example) that the City normally requires from a developer. This has tended to make some types of development, particularly residential development, in some circumstances, more attractive outside of the City than inside. There is a need for more reliable information about the extent and the ways that local governments compete for development dollars within the Capital Region. The intergovernmental study on tax sharing proposed at the end of this chapter would investigate this issue further.

How tax sharing works

While service sharing is well-developed and widely accepted by Manitoba municipalities, tax sharing is far less well understood. For that reason it is useful to sketch the elements involved in municipal tax-sharing agreements. These agreements usually constitute a form of horizontal revenue sharing among local governments and must be distinguished from the existing arrangement for vertical tax sharing in which the provincial government transfers a designated portion of provincial personal and corporate income tax revenues to Manitoba's municipalities.

With intermunicipal tax sharing, a portion of each locality's tax revenue is contributed to a regional pool and redistributed according to some agreed upon criteria (other than the locality's original contribution to the pool). The details of a tax-sharing program will determine its overall fiscal impacts, the degree to which it is redistributive and the extent to which it is politically acceptable to the various governments involved. The tax sources covered can be limited to a particular tax (e.g., commercial-industrial property tax) or they can cover more than one tax field (e.g., property and sales taxes). A local government's contribution might be set as a percentage of the incremental growth in tax revenues beyond a base level. Alternately, it might be a percentage of the current tax base. Distributions from the regional pool can be based on a number of criteria—per capita, tax capacity, fiscal need, or land-use decisions.

There are three key design features in any tax-sharing arrangement:

- which tax or taxes are shared
- the percentage of the revenues from those taxes that is assigned to the regional pool

- the formula for redistributing funds from the regional pool to the participating municipalities

These three features can be designed to balance local and regional interests, to control the overall cost of the program, to limit its redistributive impacts, and to serve a number of potential public policy goals. Decisions on each of these components of a tax-sharing program will determine the amounts of money involved, the extent to which redistribution of revenue from one locality to another takes place, and the extent to which the program achieves its aims. The degree of administrative efficiency involved in collecting and administering the taxes would be determined by the design of the program.

Tax sharing can be used to fund a wide variety of agreed upon regional services or capital projects or to create a pool to support regional cultural and social assets. But it can also be used to redirect the benefits arising from industrial and commercial development. Under the latter form of tax sharing, money flows back to municipalities from a pool created from taxes levied on commercial or industrial development. This model is meant to discourage governments within a region from engaging in bidding wars to attract investment to their jurisdiction and away from other areas that are better suited to accommodate such development. By providing all governments in a region with a share of the benefits generated by development within the region, tax sharing helps to avoid counter-productive competition and potential social and environmental costs.

The political acceptability of any form of intermunicipal tax sharing will depend upon three factors:

- the availability of sound financial data
- the creation of a committee or body to allocate funds from the regional pool in an objective manner
- a mechanism for resolving disputes when individual governments have complaints about their contributions and transfers they might receive

Because funds are pooled and redistributed, it can be argued that tax sharing undermines financial accountability when spending decisions are not being made by the same politicians who made the taxing decisions. There are three responses to this argument. First, the principle that taxing and spending power should coincide is already widely disregarded in practice in Canada and the United States. Neither provincial nor local governments spend only the money they raise from taxes levied at their level, both depend on transfers from other levels. Public finance arrangements in the provincial-local government field are already so complicated as to defy easy understanding. Surveys of public opinion reveal widespread lack of understanding about who pays for what in the interdependent world of intergovernmental relations. Secondly, part of a tax-sharing scheme could be the publication of information about where money is raised, how it is spent, and what results are achieved so as to allow for a greater measure of financial accountability. Finally, although accountability is an important value, it must be balanced and accommodated with such other goals as equity, financial stability, and well-managed growth. Tax sharing is one of a number of policy tools used by governments to promote economic development, regional partnerships, "smart growth," and greater equality of opportunity for local communities and their residents. It cannot be looked at in isolation or judged on the basis of one value, even so important a value as financial accountability.

There are a growing number of working programs of intermunicipal tax sharing in the United States, where political fragmentation at the local level has provided an incentive for experiments in different types of regional collaboration. A number of these are profiled in the sidebar on the following page. State policy leadership is involved, usually in the form of promoting the concept of tax sharing, passing authorizing legislation, and/or granting local governments a greater share of taxes, especially sales taxes. Programs involving multiple governments are more difficult to launch than those involving only a few governments.

Removing some roadblocks to service and tax sharing

The RPAC does not intend to pre-judge the work of the studies into tax and service sharing that it is recommending. However, there are a number of reservations about service and tax sharing that must be addressed if such studies are to be commissioned.

As noted above, in recent years the City of Winnipeg has been unwilling to enter into service-sharing arrangements. Three arguments are commonly advanced in support of this position. It is said that:

1. The extension of City services is inefficient because it supports the non-contiguous development of larger semi-urban or rural lots.
2. The initial costs of extending services are significant and the City charges the municipalities, may not take into account the full, longer-term costs of expansion, including when the City needs to add capacity to accommodate growth in the future.
3. While there may be under-utilized capacity, City services are paid for by City residents (both now and in the future) and are not intended for use by people in the outside municipalities who often have lower taxes and larger lots.

There are persuasive responses to each of these arguments.

1. It is true that the extension of services can lead to additional development in surrounding municipalities. However, if the development that takes place is consistent with existing planning regulations, it is not the role of the City of Winnipeg to attempt to block that development by refusing to enter into a service-sharing agreement. Dealing with inefficient development patterns outside of Winnipeg is better handled through the development plan process and the enforcement of the Provincial Land Use Policies regulation than by the City refusing to work with its neighbours on service-sharing agreements. The City of Winnipeg is entitled to the assurance that the Province and the municipalities will apply adequate development policies in a consistent manner.
2. On the financing of service extensions, it makes no economic sense for adjacent municipalities to build separate sewage, water and other systems (usually subsidized by the provincial government), if the City of Winnipeg could provide these services at perhaps a third to half of the cost and make a profit in the process. The City of Winnipeg's administration has developed a sophisticated service-based budgeting system that enables them to identify accurately the true costs of providing particular services. The availability of this information

U.S. examples of tax sharing

A background paper written for the RPAC (available on the Capital Region website) examined several types of intermunicipal tax sharing in the United States. Among the programs profiled were:

- The Minneapolis-St. Paul Fiscal Disparities Program, which was authorized under a state law passed in 1971. It covers seven counties and approximately 300 local governments, and is designed primarily to lessen fiscal disparities (i.e., the capacity to raise revenues) among the participating governments. Thirty years after its creation, the program remains controversial. Although there are mixed assessments of its success, it has lessened financial disparities among local governments in the region.

- The Economic Development/Government Equity Program (EDGE) in Montgomery, Ohio, was adopted in 1992 primarily to promote economic development by providing funds for infrastructure to increase the attractiveness of local communities to commercial enterprises. Funds to support infrastructure projects are generated through a complicated and controversial formula and grants are awarded by special commission. According to David Rusk, a leading U.S. expert on regional government, the EDGE program represents a significant accomplishment because most projects have helped to attract and to retain industry and, just as important, participation by local government officials on EDGE committees has promoted other forms of regional collaboration.

- The Hackensack-Meadowlands, New Jersey, program represents the use of tax sharing to support the preservation of environmentally sensitive wetlands and parklands. Preserving these special areas requires some municipalities to sacrifice commercial development. A Commission redistributes funds from a revenue pool to which fourteen governments contribute.

- The Denver Scientific and Cultural Facilities District (SCFD) program was created under a state law in 1988. The SCFD collects a tenth of a percent of sales tax and provides financial support to such community assets as the art gallery, science museum, zoo, botanical gardens, performing arts organizations, and numerous smaller cultural institutions.

- The Allegheny Regional Asset District was created in 1994 by the Pennsylvania legislature in an effort to reduce the reliance of municipal governments on property taxes and to provide stable financial support to recreational and cultural institutions. A one percent state sales tax is distributed on the following basis: 25 per cent to the county government, 25 per cent to the other municipal governments, and the remaining 50 per cent goes toward the preservation of regional assets. Local governments are required to reduce property and amusement taxes as a way to enhance regional economic competitiveness. From 1994 to 1999 more than 100 organizations benefited from the 50 per cent share of the sales tax: $85.4 million to parks, $91.5 million to libraries, $27 million to cultural institutions, and $100.6 million to regional facilities.

should reduce the potential for disputes over whether the City is charging too much or too little for its services.

3. Finally, to state that City of Winnipeg taxpayers pay for city services is not entirely accurate because the provincial government directly provides approximately $100 million annually to the City, through both conditional and unconditional grants. These provincial tax dollars come not only from Winnipeggers, but from people in all parts of the province. A similar condition applies when the province subsidizes services to other municipalities.

Not all the resistance to tax sharing has come from the City of Winnipeg. Residents of municipalities outside the City of Winnipeg indicated that they were leery of entering into a tax-sharing arrangement with the City of Winnipeg for fear that they would find themselves subsidizing a government that they view as inefficient. Two responses can be made to this argument.

First, as noted above, tax-sharing agreements do not necessarily involve one jurisdiction subsidizing the efforts of another jurisdiction—it is all a matter of the design and goals of the program. Secondly, it must be recognized that Winnipeg supports a wider array of services and has an aging infrastructure that the surrounding municipalities do not have to finance. No doubt there are still improvements to efficiencies that could be made in the operation of the City, but the evidence suggests that Winnipeg operates as efficiently as any other large city in Canada. Winnipeg City Council has reduced property taxes and spending during the past five years to the point that it now compares favourably to other western Canadian cities in terms of taxes and is one of the lowest cost providers of services on a per capita basis among major cities. (Chapter Nine contains a summary of the City of Winnipeg's recent financial history and tax policies.) The existence of conflicting negative stereotypes of other governments within the Region must be confronted if tax sharing or other forms of regional collaboration are to be successful.

How the Province can increase service and tax sharing

The Regional Planning Advisory Committee endorses, in principle both service and tax sharing as tools that have the potential to improve the level, efficiency, and quality of services in the Capital Region. They can also contribute to the creation of a more cooperative and stronger Capital Region. Finding political agreement on the concept and on the details of specific models of service and tax sharing will not be easy. At present there is limited understanding and acceptance of these concepts and this means that support and agreement must be built gradually over time. The Government of Manitoba must play an important role in promoting service and tax sharing.

The Government of Manitoba has both the legal authority and the financial capacity to promote more efficient service provision within the Capital Region. It can withhold approval for development plans or refuse to subsidize services where duplication and overlap are involved. These would be negative controls. It would be preferable for the provincial government to play a more proactive, positive, role and provide incentives and support for innovative efforts at regional cooperation. While the RPAC does not have a detailed proposal, it recommends for consideration the following, possible forms of assistance:

- provincial support to defray the startup costs of shared service and tax initiatives
- support in communicating the advantages of shared services and taxes over the long term

There is a need for more information, more study, and more public discussion to build understanding, mobilize support, and ensure commitment of participant municipalities to any cooperative service and tax agreements that are adopted. To further this, the provincial government should provide leadership and financial support for a study on the potential uses of service sharing and a separate study on the potential of tax sharing within the Capital Region. Two different studies are recommended because there exists a great degree of support and understanding of service sharing, while there are many more unanswered questions regarding tax sharing. While the two types of approaches to regional collaboration can be combined, one can be adopted without the other.

A study on service sharing

The service-sharing study would examine the collaborative arrangements that now exist in the Capital Region: the service areas involved, the legal basis for the sharing arrangements, financing arrangement, other possible areas of service sharing (including the expansion of planning districts and conservation districts), and the perceived obstacles to further regional collaboration. The concerns identified by the City of Winnipeg ought to be included in such a study. The study should be designed and conducted by an independent party, such as the Institute of Urban Studies at the University of Winnipeg, and become a public document.

A study on tax sharing

The tax-sharing study should be directed by the Executive Committee of the Partnership of Manitoba Capital Region Governments. Joint development of such programs could, in itself, be an important region building opportunity. A carefully designed and targeted study could contribute significantly to progress within the Manitoba Capital Region. The final report prepared for the committee should be a public document.

Such a study would produce:

- a set of principles of shared taxes, and different models of shared service tax programs to guide local officials through the process
- a repository of information and resources on experiences with shared taxes and technical assistance to local governments

The proposed study would need to address the following questions:

- What issues in the Manitoba Capital Region would benefit from the introduction of tax sharing?
- Will participation in a tax-sharing plan be voluntary?
- Should tax sharing in the Capital Region be approached initially on an incremental basis with agreements between two or more municipalities providing a basis for gradual acceptance of the concept? Or, should tax sharing be introduced on a region-wide basis as was done in the Twin Cities?
- What tax sources should be used to generate the pool of revenues to be redistributed? Will "tax effort" (the extent to which a jurisdiction uses available tax sources and the level at which the jurisdiction levies taxes) be built into the formula for calculat-

ing entitlements? Should there be provincial financial participation in the program through the granting of a share of current provincial taxes, such as sales tax?

- Should there be a direct connection between the revenue source chosen and the aims of the tax-sharing program?
- What percentage of a particular tax source should be designated for tax-sharing purposes? What are the anticipated total revenues to be generated and how does this amount of money compare with the purpose(s) of the program?
- Should tax sharing serve a single, clearly designated purpose such as enhancing the competitiveness of the region through infrastructure projects, supporting cultural institutions (museums, zoos, art galleries, etc.) lessening financial disparities among governments, or others?
- Who should control the distribution of revenues from any tax-sharing revenue pool? On what basis should the revenues be redistributed to the participating governments?
- How should tax sharing relate to service sharing among local governments within the Capital Region? If surrounding municipalities and/or their residents pay "full cost" for access to services provided by the City of Winnipeg, does this lessen the need for tax sharing?
- How will issues of public understanding and accountability be addressed?
- What are the procedures for modifying or terminating the program? Should there be an in-depth evaluation of the experience after a fixed period—perhaps five years?
- Is there a role for incentives provided by the province—for example, the offer of a small percentage of an existing provincial tax in order to promote regional cooperation?

The RPAC recommends that:

8.1 Consistent with the RPAC's endorsement in principle of service sharing, the Government of Manitoba fund a service-sharing study to examine the collaborative arrangements that now exist in the Capital Region, the nature of the arrangements, their legal status, the financing arrangements, possible provincial incentives and assistance, other possible areas of service sharing, and the perceived obstacles to further regional collaboration. The final report prepared for the committee should be a public document.

8.2 Consistent with the RPAC's endorsement in principle of tax sharing, the Executive Committee of the Partnership of Manitoba Capital Region Governments should carry out a study on the potential uses of tax sharing within the Capital Region. The final report prepared for the committee should be a public document.