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CITY OF WINNIPEG

BRIEF

ON PROVINCIAL-MUNICIPAL RELATIONS

SUBMITTED TO

THE GOVERNMENT OF THE PROVINCE OF MANITOBA

H. CARL GOLDENBERG,
Special Counsel
for the City of Winnipeg.

MAY 15, 1948.

CITY OF WINNIPEG

Winnipeg, May 15, 1948.

The Hon. Stuart Garson, K.C., M.L.A.,
Premier of Manitoba,
Winnipeg, Manitoba.

Dear Sir:

alf of the City of Winnipeg, I beg to present herewith Provincial-Municipal Relations for consideration and action by the Government of the Province of Manitoba.

Yours faithfully,

H. Carl Goldenberg,
Special Counsel.

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I. Introduction

The British North America Act of 1867 created a federal system of government in Canada and distributed the legislative powers between the Dominion Parliament and the provincial legislatures. Municipal institutions were assigned to the provincial jurisdiction, and municipalities, therefore, derive their constitution and powers from the provincial authority.

While they are subordinate units of government, the municipalities perform basic and essential governmental functions. They are an integral part of the Canadian structure of government, and, more particularly, of the provincial structure. Their finances and functions are, therefore, affected by the same influences as affect the finances and functions of the Dominion and the provinces. In fact, since they are subordinate units with limited powers, as contrasted with the sovereignty of the Dominion and the provinces in their respective fields, the municipalities are far more subject to such influences and far less able to control them than are the central governments.

In the depression years of the nineteen-thirties, the rigidity of the financial structure of government devised in 1867 and maintained throughout an era of growth and development and of major social and economic change produced disastrous effects on provincial and municipal finances. A readjustment in intergovernmental financial and functional relations became essential and inevitable. It was, at the same time, accepted as a fact that the financial problem of municipalities was a part of the general problem and that it urgently required solution.

II. The Rowell-Sirois Commission

In August 1937 the Dominion Government appointed a Royal Commission on Dominion-Provincial Relations (the Rowell-Sirois Commission) "to provide for a re-examination of the economic and financial basis of Confederation and of the distribution of legislative powers in the light of the economic and social developments of the last seventy years". The Order-in-Council appointing the Commission contains the following considerations:

"1. That, as a result of economic and social developments since 1867, the Dominion and the provincial governments have found it necessary in the public interest to accept responsibilities of a character, and to extend governmental services to a degree, not foreseen at the time of Confederation;

"2. That the discharge of these responsibilities involves expenditures of such a magnitude as to demand not only the most efficient administrative organization on the part of all governments but also the wisest possible division of powers and functions between governments. That particularly is this the case if the burden of public expenditures is to be kept to a minimum, and if the revenue-raising powers of the various governing bodies are to possess the adequacy and the elasticity required to meet the respective demands upon them;

"3. That governmental expenditures are increased by overlapping and duplication of services as between the Dominion and provincial governments in certain fields of activity. That in other respects the public interest may be adversely affected by the lack of a clear delimitation of governmental powers and responsibilities;

"4. That representations have been made on behalf of several provincial governments and by various public organizations that the revenue sources available to provincial governments are not in general adequate to enable them to discharge their constitutional responsibilities, including the cost of unemployment relief and other social services and the payment of fixed charges on their outstanding debt; that, consequently, if they are to discharge their responsibilities, either new revenue sources must be allotted to them or their constitutional responsibilities and governmental burdens must be reduced or adjustment must be made by both methods;

"5. That representations have been made by provincial governments that municipal governments which have been created by, and derive their powers and responsibilities from, the provinces, are confronted with similar problems; that, in particular, necessary municipal expenditures have placed an undue burden on real estate and are thereby retarding economic recovery; also that the relations between provinces and municipalities are an essential part of the problem of provincial finances;

"6. That, finally, it has been represented that unless appropriate action is taken the set-up of governmental powers and responsibilities devised at the time of Confederation will not be adequate to meet the economic and social changes and the shifts in economic power which are in progress without subjecting Canada's governmental structure to undue strains and stresses."

In no province was the appointment of the Commission received with more satisfaction than in Manitoba. The Dominion Government had taken cognizance of a situation which was aptly described by the Premier of Manitoba at the Dominion-Provincial Conference on Reconstruction (1945) in the following words:

> "The 1867 Dominion-Provincial financial set-up of the days of the sailing ship and hand scythe does not fill the requirements of the power-driven mass production economy of 1945. It restricts trade, and creates unemployment, bankrupts municipalities, and imperils the solvency of provinces."(1)

After a lengthy inquiry, the Rowell-Sirois Commission found that there had been a "revolutionary change since Confederation in the economic and social role of government. . . The collective efforts to promote economic development, and the collective assumption of the responsibility for the alleviation of individual distress and for the provision of rising standards of public welfare and education have come to play an immensely important part in the economic affairs of the country—a part which could hardly have been envisaged at the time of Confederation and provided for in the framing of the constitution".(2)

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(1) Dominion-Provincial Conference (1945): Dominion and Provincial Submissions and Plenary Conference Discussions, p. 134.

(2) Commission Report, Book One, p. 245.

The principal conclusion of the Commission is stated as follows:

"It is clear that the present situation in Canadian public finance represents a wide departure from the conception of the Fathers of Confederation and from the spirit of the financial settlement which they devised. Costly government responsibilities, which have become national in scope, are being supported by regional and local revenues. Revenue sources which have become national in character are being employed by regional and local governments to the complete or partial exclusion of the central authority. We have seen that the efficient administration of the functions of government under present day conditions requires some redistribution of the functions as between the Dominion and the provinces. In the same way, if the growing waste and inequities in taxation are to be avoided, a better allocation of taxing powers and responsibilities is imperative. A third essential step will be to adjust the revenue sources to the functions so as to insure that every unit of government will be financially able to meet its recognized responsibilities."(3)

The Commission found that its conclusions were as applicable to municipalities as to the central governments. It outlined the effects of the social and economic changes of the past century on municipalities as follows:

"Up to the end of the last century Canadian municipalities were, much more than now, the local units in the economy; their people were more on a subsistence, and, therefore, a self-sufficient basis; and the functions of municipal governments were local in the most direct sense of the term, largely arising in every case out of the particular circumstances and desires of the community. Municipal boundaries were more justifiable—each town was a clearly recognizable entity, and rural areas were more than now separate and distinct regions, each with a more highly developed local character. Trade was chiefly between the town and its rural hinterland. Industrial activity was not great and mass-production manufacturing was unknown. Industry was dispersed, and within each community small factories, mills and home handicraft provided most non-agricultural goods. There was a frontier to be pushed out by the discontented or those unable to prosper, as prosperity was then known, in their original area. Occupations required little

(3) Commission Report, Book One, pp. 245-246.

training or education, and training for one was adequate for many others.

"Both the local consciousness and the absence of marked economic differentiation or interdependence between local areas, as well as the relative simplicity of the whole economy, were conducive to the concept of a separate local government for each area; each looked after its own affairs and was not greatly interested in or affected by the affairs of others. Education, roads, maintenance of local law and order, care of the poor, elementary sanitary measures in towns, and the provision of a few communal facilities were, in such conditions, the natural functions of local government. They were capable of being completely decentralized, and were roughly within the capacity of every local unit to provide. In any case, if inequalities existed, they were simply the result of differences in the ability and ambition and good fortune of the local inhabitants and the stage of development from pioneer days. Such inequalities were of little concern to the province as a whole because they involved services which did not affect the general interests of the province, but were, to a very large extent, of purely local importance.

"With the growth of the economy, boundaries between local units became less justifiable, but for purposes of local organization they were not inappropriate prior to the advent of the motor car. The optimum rural area was presumably that traversable by horse in a day, and it did not matter if boundaries were arbitrary lines drawn in accordance with the system of land-surveying, as in the case of most Ontario townships, and of many rural municipalities of the Prairie Provinces. The primary economic functions of government were land settlement and development, and the encouragement of industry, all of which were undertaken by the senior governments of province and Dominion. Social services and economic activities played a small part in municipal government, and could in those days have been considerably extended without putting strain on the municipal structure. Education, largely a local responsibility, was still conceived of in very simple terms. The neighbourhood was both the political and economic unit, and was capable of taking care of its own affairs.

"The neighbourhood—the local area in which each inhabitant knows a large number of the others and is conscious of a considerable community of interest with them—must always remain a unit of local government, outside of large cities, but economic and social conditions have so changed that the number of matters of peculiarly local concern is restricted, whereas the field of governmental activities is widening. New functions of government cannot be efficiently or fairly divided among a large number of small areas, and some of the old functions have become inappropriate to the municipal sphere.

"The great expansion in foreign, interprovincial and intermunicipal trade, and the accompanying increase in economic specialization even among municipalities, have made the economic welfare of one unit dependent on that of others, to say nothing of the outside world. An entire city may be dependent on the production of motor cars, a whole rural municipality on one type of agriculture, whether it be tobacco, fruit, wheat or live stock. Over much of the country each unit is producing primarily for 'export' to other units, if not abroad, and imports from others most of its requirements.

"The development and widespread use of the motor vehicle have created a need for expensive highways, have enlarged the physical horizon, and have encouraged population movements both transient and permanent. All these factors have influenced trade, relative municipal development, economic differentiation, and the size of the area which can be described as suitable for local government. The trend of land values has in many cases been abruptly altered by the advent of the motor car; the development of cities at the expense of nearby towns, and of suburbs at the expense of cities, vitally affect municipal finance.

"Industrialization, the greater complexity of all forms of economic activity, and advancing standards of every description, require an educational system which will give to the largest possible proportion of the people the best possible education. New knowledge with respect to the value of public health services, and the social cost of disease and crime and poverty, have increased the interest and activity of the state in matters of health and public welfare, working and living conditions and wage levels.

"Such social and economic changes necessarily affect the nature and scope of municipal government and central government alike. The general tendency to leave the responsibility for conditions within its own area to each municipality, both administratively and financially, and to require new functions of government relating to economic conditions to be undertaken primarily by local government areas whose boundaries are less and less those of balanced

economic communities, has created many difficulties and anomalies in the municipal structure."(4)

In its submission to the Commission, the Province of Manitoba recognized the effects of social and economic changes on municipal finances, and devoted a part of its case to the problems of Manitoba municipalities, in general, and of the City of Winnipeg, in particular. It expressed the hope that its submission "will provide a background for the submissions of the municipalities, so that their responsibilities, burdens, and problems will receive the Commission's understanding and sympathetic consideration".(5)

The findings of the Rowell-Sirois Commission established the fact—if it was necessary that it be established—that the effects of the social and economic changes since Confederation on municipalities were broadly similar to their effects on the provinces. These findings were approved by the Province of Manitoba. In effect, it was agreed that the financial problem of the City of Winnipeg was part of the broader problem of Dominion-provincial relations and, in the words of the preamble to the terms of reference of the Commission, "that the relations between provinces and municipalities are an essential part of provincial finances".

The recommendations of the Rowell-Sirois Commission were not implemented because of the failure of a Dominion-Provincial Conference to reach an agreement. The Second World War intervened and a temporary Wartime Tax Agreement was entered into between the Dominion and the provinces which governed their financial relations during the emergency. Towards the conclusion of the war, however, the problem of inter-governmental financial relations was again raised with a view to a longer-term adjustment.

III. The Dominion-Provincial Conferences, 1945-46

In August 1945, a Dominion-Provincial Conference on Reconstruction met in Ottawa. The argument for a readjustment of governmental finances and functions in Canada was by no one

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(4) Commission Report, Book Two, pp. 138-139.

(5) Manitoba's Case to the Royal Commission on Dominion-Provincial Relations, Part VI, p. 1.

stated more forcefully and effectively than by the Premier of Manitoba. He stated the case not merely for the Province of Manitoba, but also for its municipalities: he recognized the fact that their case was one and the same. For example, he argued that:

> "The Dominion-Provincial financial set-up of 1867 seriously aggravated the depression in Canada and retarded recovery. The manner in which it did so is an outstanding example of the harmful effects of this set-up upon the treasuries of all provinces and numerous municipalities.
>
> "According to official interpretation, the primary responsibility for unemployment relief under this set-up rests with the municipalities and the provinces. This meant that in the primary producing areas of Canada, and this is particularly true of the Prairies, at the very time when under the impact of world conditions the revenues of the provincial and municipal governments fell to their lowest level, they were called upon to make their largest expenditures for unemployment relief. The result was that both the municipalities and the provinces, in order to maintain their financial responsibility, had to increase their taxes at the very time when as much purchasing power as possible should have been left in the hands of their taxpayers in order to maximize spending and so reduce unemployment.
>
> "In the case of municipalities most of the increased taxation of course had to be imposed upon land. The increased land tax retarded recovery of the building trades. No one then could erect houses upon land so burdened, to lease, at even the smallest rate of profit, for a rent that tenants could afford to pay. In consequence, workmen in the building trade remained idle on relief supported in part by increased taxes upon real estate which still further lessened the possibility of the building program which would give them employment.
>
> "The credit of both municipalities and provinces was deeply injured. No investor in his right senses is going to buy the bonds of even a well-managed municipality, or province in a sound financial position, if he has to under-write in so doing the possibility of that municipality or province being ruined by a burden for which it has not, and was deliberately intended by the Fathers of Confederation not to have, the proper means to provide.
>
> "For in the deliberations leading up to Confederation, there is not a scrap of evidence which indicates that governmental action and governmental expenditures on a modern scale now necessary in the fields of unemployment relief, social services, old age pensions and public health were contemplated by the Fathers of Confederation at all, much less as the responsibility of the provinces."(6)

If, as the Premier pointed out, the Fathers of Confederation did not at all contemplate the modern scale of expenditures on unemployment relief, social services, old age pensions and public health, and even contemplated it much less as the responsibility of the provinces, it may be reasonably submitted that the Fathers certainly did not contemplate such expenditures by the municipalities.

The Premier further pointed out that the revenue base to support the new governmental burdens imposed upon the provinces and municipalities is frail and inadequate. He said:

> "The Fathers of Confederation, therefore, assigned to the provinces revenues which were considered sufficient to support 'local machinery which should be as little costly as possible' in order to take care of the 'insignificant amount of work' which the Fathers had assigned to the provinces. Such a frail revenue base cannot support the tremendous burdens which unemployment relief, social services, old age pensions and public health and education have become in modern times. The historical fact is that these modern governmental powers to deal with such subjects as unemployment relief were not considered at all by the Fathers of Confederation.
>
> "Over half a century later, when it first became necessary to provide unemployment relief, this subject was deemed to have been assigned to the provinces upon the wholly unwarranted assumption that it had been already disposed of by them under one or two of the legislative functions which the Fathers of Confederation did divide between the provinces and the Dominion. By such a process, a function of government which was not in existence at Confederation, and which clearly would never have been assigned to the province if it had been, emerges fantastically in the 1930's as the primary responsibility of the municipalities and the provinces. With what result? With the result that large numbers of municipalities, even in the wealthier provinces, were driven into default. One province

(6) Dominion-Provincial Conference 1945, op. cit., pp. 134-135.

was driven into default, at least three others, including Manitoba, to the verge of insolvency, only to be saved by:

(a) credits from the Dominion which the provinces could not have got elsewhere;

(b) by federal supplementary revenue grants; and

(c) by the appointment of the Sirois Commission."(7)

In these remarks the Premier contended that the revenue base of the Province *and its municipalities* could not support the growing functions imposed upon them. That fact still holds true for the City of Winnipeg in 1948, since the municipal revenue base remains largely what it was at the time of the City's incorporation in 1873. But, as will be pointed out, since the Dominion-Manitoba Tax Agreement of 1947 this is no longer true of the Province of Manitoba.

At the Dominion-Provincial Conference the Premier further pointed out that:

"The provinces must face after the war very large normal increases in public health, public welfare and educational expenses. The majority of the provinces cannot support these normal increases upon the basis of revenues which were given to them by the Fathers of Confederation with which to do what was then considered a 'very insignificant amount of work'. Much less can they continue to remain liable for unemployment relief. . . We say, therefore, that it is an absurd anomaly that the provincial *and municipal governments* which have virtually no control over any of the factors contributing to unemployment, should yet have the primary responsibility for unemployment relief.

"That they have this responsibility on top of other responsibilities for costly social and educational costs, which in themselves are very heavy to bear, means that those provinces and municipalities which have the most relief to pay will have the least revenue with which to pay it. They will have to impose a high rate of taxation and cut their services, and in the end for all their efforts, face bankruptcy. Their high taxes will increase their producers' costs, and thereby aggravate the maladjustment between the costs of primary production for export in that province and the prices which can be obtained for such export. This

(7) Dominion-Provincial Conference 1945, op. cit., p. 136.

is what we had in the depression in Manitoba—high rates of taxation—spending more on social services, and in the end, after all our efforts we face bankruptcy."(8)

The Premier's arguments with respect to the inadequate revenue base were apparently accepted. The Province's base has been enlarged and stabilized under the Dominion-Manitoba Tax Agreement of 1947. But, notwithstanding the fact that the Premier in his submissions associated the municipalities with the Province, the position of the City of Winnipeg remains unchanged. Its revenue base is the same, and yet it is still required to continue to perform the functions and to render the services which the Premier himself admitted can only lead to municipal bankruptcy.

At the Conference the Premier argued that "we in Manitoba are in a straight-jacket now. . .", but that if a Dominion-Provincial Agreement were reached, "agriculture, labour, business, the whole body of Canadian tax payers and the federal, provincial *and municipal governments* will be able to make and to implement their post-war plans, and move forward into the future with confidence".(9)

A Dominion-Provincial Tax Agreement has been reached. In his Budget Speech of March 1947, the Premier announced that the Agreement will provide an irreducible minimum income from the Dominion Government of $13,500,000 per year. He added: "In lieu, therefore, of taxes which, being based upon the ability to pay, are widely variable, we shall have a stable minimum revenue which will enable us to spend relatively more freely, yet without imprudence, revenues which we receive from other sources."(10) And so the Province of Manitoba is no longer in a straight-jacket: it is in a position to implement its post-war plans and to "move forward into the future with confidence". But there has been no change in the situation of the City of Winnipeg: it has not been placed in a position to "move forward into the future with confidence". It remains in the position in which it was when the Premier of Manitoba submitted his forceful arguments for financial readjustments to enable both

(8) Dominion-Provincial Conference 1945, op. cit., pp. 136-137.
(9) Ibid., pp. 444, 425.
(10) Provincial Treasurer: Budget Speech, March 27, 1947.

the Province *and its municipalities* to function as proper units of government.

IV. The Dominion-Manitoba Tax Agreement, 1947

The Dominion-Manitoba Tax Agreement of 1947 provides for annual payments by the Dominion Government to the Province based upon the following formula:

$12.75 per capita of Manitoba's population in 1942, plus

The full amount of Manitoba's statutory subsidies from the Dominion Government, plus

50% of Manitoba's income and corporation tax collections in the year ended April 30th, 1941, as established for the purpose of the Wartime Tax Agreement.

The effects of this agreement have been stated by the Premier as follows:

"This formula will provide for Manitoba a guaranteed irreducible minimum payment of $13½ million per year. In no year will Manitoba receive less than the amount of this guaranteed minimum. In most years this minimum will be raised in accordance with what has been called the escalator clause. Under the provisions of that clause there will be calculated for each year a figure which is equal to the guaranteed minimum payment, increased or decreased by the percentage increase or decrease in Manitoba's population between 1942 and the year in question, and that result, in turn, increased or decreased by the percentage increase or decrease in the per capita gross national product of Canada between 1942 and the year in question. If the result of that calculation is less than the guaranteed minimum figure, then the guaranteed minimum figure is substituted.

"The actual payment to be made to Manitoba in any year then is the average of the results of the above calculation for the three years immediately preceding the year in question. The payment to Manitoba on account of 1947 will, therefore, be based on the results of the escalator clause calculation for 1944, 1945 and 1946. The best data that are currently available indicate that for 1947 Manitoba will be entitled to about $14.2 million. In other words, for 1947 the escalator clause will raise Manitoba's payment about $700,000 above the guaranteed minimum."(11)

(11) Provincial Treasurer: Budget Speech, March 27, 1947.

Under the terms of the Agreement the Province binds itself to suspend the operations of the provincial Succession Duty Act, and to continue in suspension the Income Taxation Act, the Grain Dealers' License Act, the Corporations Taxation Act, and the Railway Taxation Act. At the same time, the Province is required to impose a 5 per cent corporation income tax.

The Province has also negotiated an agreement with the Dominion with respect to Manitoba's direct relief debt under which agreement the Dominion Government cancels one-half of Manitoba's indebtedness to Canada in respect of advances made to enable the Province to pay the provincial share of direct relief. The amount of such cancellation is $5,439,675.58. It was also agreed that the remaining half of such advances shall be repaid by Manitoba to Canada in thirty equal annual principal instalments without interest. It was further agreed that the amount owing by Manitoba to Canada for advances to enable the Province to pay its share of relief works, namely, $13,855,100.66, is to be amortized over a period of 30 years with interest at 2⅝% per annum.

Following the agreement with the Province, the Dominion Government also undertook to vacate the gasoline tax field as of March 31, 1947. The total of the gasoline tax in Manitoba at that time was 10c. per gallon, of which the Province imposed 7c. and the Dominion 3c. The Provincial Government thereupon raised the provincial tax from 7c. to 9c. per gallon. Accordingly, the estimates of provincial revenue from the gasoline tax for the year ending March 31, 1948, show an increase of more than $1,000,000 as compared with the estimated revenue from the tax for the year ending April 30, 1947.

The effects of the Dominion-Manitoba Tax Agreement, of the agreement on relief debt, and of the vacating by the Dominion of the gasoline tax field, are of great financial benefit to the Province of Manitoba. The Premier, in his 1947 Budget Speech, pointed out that the guaranteed minimum annual revenue of $13,500,000 replaces tax and other revenues which formerly produced for Manitoba the sum of $8,000,000, which means a minimum annual gain for the Province of $5,500,000. The agreement on relief debt has effected a substantial cancellation of debt and of interest and amortization charges. The vacating of the gasoline tax field by the Dominion, as has already been pointed out, led to an estimated increase in provincial revenues from the gasoline tax of more than $1,000,000 in 1947-48 as compared with 1946-47. There is the further very great benefit to be derived from the assurance of a stable annual minimum revenue. Accordingly, the Province of Manitoba is now assured of the substantially larger and more stable revenues demanded by the Premier in the long series of negotiations with the Dominion Government—negotiations which were intended to lead to an agreement to enable the Province *and its municipalities* to discharge their responsibilities.

In assessing the present financial position of the Province of Manitoba, it is important to note further that the improvement in this position is not to be measured solely in terms of the advantages derived from the Dominion-Manitoba Tax Agreement. That improvement began a number of years ago. In his Budget Speech of April 1948, the Premier pointed out that between May 1, 1940, and March 31, 1948, the Government reduced its outstanding debt by almost $38,000,000 and that interest charges were in the same period reduced by almost $2¾ million!

During the war years the Government set up a Reserve for War and Postwar Contingencies, which, including interest earnings, amounted to $7,289,076 as at April 30, 1947, and of which there was still available and unallocated as at that date the sum of $3,626,126. In addition, the unapplied balance in the Revenue Surplus Account, as at April 30, 1947, amounted to $8,491,364, and a further surplus of $4,061,000 has been reported for the year ending March 31, 1948. These reserves and surpluses take no account of other reserves and of the substantial excess reserves of the Government-owned Manitoba Telephone System, in which utility the Government has a large and growing equity.(12)

It is clear from the foregoing that the capital and current position of the Province of Manitoba has greatly improved since

(12) See Report of the Government Commercial Enterprises Survey, 1940, and Annual Reports of Manitoba Telephone System, 1940 to date.

1940 and is now very sound. Its soundness is further assured by the Dominion-Manitoba Tax Agreement. The Premier was, therefore, able to announce in his 1947 Budget Speech a plan to retire the Manitoba dead-weight public debt owing as of March 31, 1947, within a period of 24 years. This is indeed a remarkable change from the depression years, as far as the position of the Province is concerned!

V. Provincial-Municipal Readjustments, 1947

Having attained so excellent and so sound a financial position for itself, the Government of Manitoba announced that it would pass on a portion of the benefits derived from the Dominion-Manitoba Tax Agreement to the municipalities. Accordingly, at a meeting with municipal representatives, held on February 14, 1947, the Premier announced that the Province would pass on to the municipalities one-half of the difference between the *minimum* amount receivable annually from the Dominion under the new Tax Agreement and the amount which the taxes surrendered by Manitoba had yielded. This difference was estimated at $5,500,000, and the amount to be passed on for the relief of municipal budgets was accordingly fixed at $2,750,000 to be allocated as follows:

1. Increased grants for education	$1,900,000
2. Aids to Municipalities, including $350,000 granted in 1946	450,000
3. Extension of Mothers' Allowances to widows with one child	50,000
4. Reserved for "developing expenditures" for technical schools, etc.	350,000
	$2,750,000

The Premier also announced that the Government had decided to pass on to the municipalities one-half of the rebate of $5,440,000 of provincial relief debt which it obtained from the Dominion Government. Accordingly, it proposes to distribute $2,720,000 among the municipalities in proportion to the amounts which they paid out for relief. It has been stated by the Premier that Winnipeg's share of the debt cancellation will amount to $1,984,000.

Insofar as the current position of the City of Winnipeg is concerned, the effect of the plan announced by the Premier for passing on benefits to the municipalities is negligible. The City does not participate in grants made as "Aids to Municipalities", and its participation in the amount reserved for developing expenditures, such as technical schools, is uncertain. It is estimated that it may benefit to the extent of about $16,000 annually under the extension of Mothers' Allowances, and its share of the increased education grants in 1947 amounted to $120,000. In other words, the total benefit to the current budget of the City of Winnipeg may be in the neighbourhood of $136,000—a negligible amount when compared with the City's financial requirements and with the very substantial amounts by which the Province has benefited under the Tax Agreement. The net effect is that the City continues in the position in which it was when the Premier of Manitoba was arguing for financial readjustments to save the Province and the municipalities from bankruptcy.

It is further submitted that the formula for the distribution of Government education grants tends to restrict to a minimum the possible benefits which might be derived by Winnipeg. The Government undertook to pay to each school district in the Province the difference between $1,400 per teacher per year (with an additional $350 for Grade 9 teachers and an additional $500 for high school teachers) and the yield of a rate of 6 mills on the "balanced assessment" (but which is not to reduce the grant by more than $1,200 per teacher per year). The "balanced assessment" is the equalized real estate assessment plus $3\frac{1}{3}$ times the business assessment. This is rather an unusual formula, which, in effect, substantially reduces the size of the grants which might otherwise be made to Winnipeg, the only Manitoba municipality where the business tax is a very large source of revenue. The formula is inequitable and so are its consequences. The City in 1947 received slightly more than 6% of the increase of $1,900,000 in education grants. There is no evidence here that much consideration has been given to the City's requirements for current purposes, or that any real attempt has been made to pass on to the City some of the benefits derived by the Province under the Dominion-Manitoba Tax Agreement.

VI. Winnipeg's Revenues

Although the revenue base of the Province of Manitoba has been substantially enlarged and made far more stable than at any time in the past, and although this is the result of a financial readjustment which was demanded in order to provide sounder provincial *and municipal* finances, the position of the City of Winnipeg, after all the negotiations between the Province and the Dominion, remains unchanged. The City's revenue base continues to a very large extent to be what it was, in the Premier's own words, "in the days of the sailing ship and hand scythe".

1. The Real Estate Tax

Table I, in the appendix to this submission, presents a comparative statement of the City's revenues covering the period 1932-1947. It is apparent that the tax on real estate continues to be by far the principal source of these revenues. The mill rate was 34.5 mills from 1931 to 1939; 36.5 mills from 1939 to 1945; and 40 mills in 1946, 1947 and 1948. Without additional relief to Winnipeg's current position, the prospects are for further increases in the rate. And yet, we read the following in the brief submitted by the Province to the Rowell-Sirois Commission:

> "Like other municipalities in Manitoba, the main source of revenue of the city of Winnipeg is the tax on real estate. This base of taxation has been materially reduced during recent years because of numerous successful appeals for lowered assessments and because of property acquired by the city through tax sale proceedings. In 1936 it was estimated that over 34 per cent of the area of the city was owned by the city because of tax delinquency. It may be pointed out that it is not altogether unimproved property that has come into the hands of the city, as it has acquired some eighty commercial buildings and over one hundred dwellings. In addition to sale for taxes, business blocks and large private dwellings have been torn down to escape the annual charge for taxation. There seems no doubt that the burden of real estate taxation has hampered the normal development of the city."(13)

The rateable assessment is the base of the real estate tax and, therefore, of the municipal revenue structure. Although

(13) Manitoba's Case to the Royal Commission on Dominion-Provincial Relations, Part VI, p. 21.

it is now expanding, this base was considerably narrowed after 1932, as is shown by the following figures:

Rateable Assessment

Year	Land	Buildings	Total Realty
	$	$	$
1932....	110,076,850	128,331,900	238,408,750
1933....	90,115,440	127,735,330	217,850,770
1934....	88,070,040	127,242,837	215,312,877
1935....	75,175,540	125,389,160	200,564,700
1936....	74,365,990	123,955,440	198,321,430
1937....	71,873,040	121,946,540	193,819,580
1938....	68,388,690	120,288,340	188,677,030
1939....	61,903,140	107,769,065	169,672,205
1940....	60,389,758	109,040,725	169,430,483
1941....	60,051,402	110,102,875	170,154,277
1942....	59,541,917	112,163,510	171,705,427
1943....	59,392,477	114,003,825	173,396,302
1944....	59,405,247	115,573,480	174,978,727
1945....	60,162,582	118,315,330	178,477,912
1946....	61,616,110	122,212,705	183,828,815
1947....	63,822,300	128,373,995	192,196,295
1948(A).	70,858,710	148,224,940	219,083,650

(A) Includes assessment of railway properties formerly exempt, as follows: Land $5,770,560; Buildings, etc. $10,409,910; Total $16,180,470.

The great decrease in land assessments in Winnipeg during and following the First World War was a necessary consequence of the collapse of the land boom of the early years of this century. The deflation in land values continued during the depression years of the nineteen-thirties for reasons which are obvious and justified. Building assessments declined in the same period for similar reasons. The Province recognized this fact in its brief to the Rowell-Sirois Commission, and pointed out that "this base of taxation (the tax on real estate) has been materially reduced during recent years because of numerous successful appeals for lowered assessments and because of property acquired by the City through tax sale proceedings".(14) Appeals from assessments were responsible for the further reductions in the case of land between 1941 and 1944.

(14) Manitoba's Case to the Royal Commission on Dominion-Provincial Relations, Part VI, p. 21.

Land assessments began to increase in 1944, and are continuing to do so, while building assessments have now risen to the highest figure on record. In fixing assessments, the City has done its utmost to maintain its revenues with due regard to the law governing assessment and to sound assessment practices. Its policy has not been to follow market prices up or down, which reflect temporary variations, but to set fair long-term values which will apply both in booms and in depressions, allowing, on the one hand, for undue market depression and surplus discounts, and, on the other hand, for inflation and premiums for scarcity. It is for this reason that in the ten years before 1944 real estate sales were considerably below assessed values, while such sales have risen above these values in the past three years. There is full justification for a lag in assessments behind the current market prices, particularly in the rapidly rising market of the past few years.

The consequence of the severe decline in assessed values after 1932 was that the levy on real estate and the revenue therefrom also declined, notwithstanding the increase in the mill rate from 34½ mills in 1932 to the present rate of 40 mills. The fact that the levy was substantially higher in 1932, a year of depression, than in 1947, a year of prosperity, is not significant if account is taken of actual tax collections. In 1932 the total current levy on real estate was $9,932,000, of which only $6,987,000 (plus $2,160,000 on account of arrears) was collected. In 1947 the total current levy on real estate was $8,646,000, of which $8,140,000 was collected plus $1,196,000 on account of arrears. These figures speak for themselves. They establish the fact that a high levy does not necessarily produce correspondingly high revenues and that there is, therefore, a practical limit to the levy which can be imposed.

It is admitted that the percentage of the real estate levy collected in the past few years has been high. This has been but a reflection of the wartime and post-war boom and prosperity. When regard is had to the financial situation of municipalities in the pre-war depression years, however, it is apparent that it is neither sound nor fair to generalize on the basis of the condition of municipal finances in three or four years of war-inspired prosperity. In any event, even the buoyant revenues from the real estate levy of the past few years have by no means kept pace with the increasing requirements of the City of Winnipeg. Even a further increase in the mill rate, if warranted, could provide but a proportion of the increased requirements of the City arising from normal growth and development, deferred maintenance, and increases in wages and in the costs of materials. As is shown below, to balance its budget in the prosperous years of 1947 and 1948, the City had to resort to extraordinary and non-recurring items of revenue.

2. The Business Tax and Other Revenues

Next to the tax on real estate, the major source of revenue for the City is the business tax. It is a tax based on the rental value of premises occupied for business purposes and was imposed as a flat rate of 6⅔% until 1935. In that year, while the tax continued to be based on annual rental values, the principle of classification of businesses and graduation of rates was introduced. The rates were graduated from 5% to 15%, and the graduation is now from 6% to 20%. As a result, the business tax levy has risen from $554,426 in 1932 to more than $1,395,000 in 1947.

As compared with the tax in other cities, Winnipeg's business tax is high. In normal times it probably yields a higher proportion of total municipal revenues than elsewhere. The principle of classification of businesses and graduation of rates has created considerable dissatisfaction in the business community. Having regard to the increases in rates already effected and to the fact that these rates are generally higher than in other Canadian cities, it would be contrary to the best interests of the City to increase such rates still further.

Insofar as concerns the City's remaining revenue sources, no comment is here necessary on such items as licenses, fees, fines, rentals, and interest. The yield from these, with a few exceptions, is relatively small in each case and cannot be materially increased. It may be pointed out, however, that two of the City's miscellaneous revenues, the motor vehicle tax, which yielded $110,000 in 1942, and the liquor sales tax, which yielded $56,000 in 1941, are no longer available to the City because of the failure of the Provincial Legislature to renew the authority to levy these taxes, notwithstanding the request of the City for such renewal.

The yield of the franchise taxes in 1947 is estimated at $336,000 as compared with $145,224 in 1932. These taxes are based on the gross earnings of privately-owned utilities, and have, therefore, produced substantially larger revenues under current economic conditions. On the other hand, owing to a reduction in rates, the electricity and gas sales tax yielded $249,000 in 1947, as compared with $350,000 in 1940.

3. Payments on Exempt Property

The revenues in 1947 from payments in lieu of taxes on exempt property amounted to $208,000 distributed as follows:

Payment in Lieu of Taxes on Exempt Properties 1947

Hydro-Electric System—	
Taxes on Fixed Assessment	$ 43,560.00
General Taxes	35,224.00
Business Tax	4,900.00
Water Works System—General Taxes	19,181.00
Steam Heating System—General Taxes	3,756.00
Machine Shop—General Taxes	884.00
Taxes on partially exempt property	16,136.00
Canadian Pacific Railway—Royal Alexandra Hotel	20,500.00
Manitoba Liquor Commission	4,200.00
Manitoba Power Commission	538.00
Manitoba Telephone System	33,504.00
Wartime Housing	26,140.00
Total	$208,523.00

The City's self-supporting utilities, including City Hydro, the Water Works System, and the Steam Heating System, pay full municipal taxes and a reasonable share of the City's general overhead expense. The commercial enterprises operated by the Provincial Government, including the Manitoba Telephone System, the Government Liquor Control Commission, and the Manitoba Power Commission, pay to the City an amount equivalent to the realty taxes, including the Greater Winnipeg Water District levy, but do not pay business taxes. The Liquor Control Commission did pay the business tax in 1938, 1939 and 1940, but discontinued such payments in 1940. Furthermore, the Manitoba Telephone System does not pay taxes on the properties of its distribution system on the City's streets, in contrast to City Hydro and the Winnipeg Electric Company which pay on a fixed assessment. It is estimated that if the Government-owned commercial enterprises paid taxes on the same basis as City Hydro and the privately-owned utilities, they would have paid an additional amount of $68,000 in 1947.

The City requests, and is justified in requesting, that with respect to the property of Government commercial enterprises, the Provincial Government should make payments in lieu of municipal taxes equivalent to the full taxes which would be paid if such property were in the hands of private enterprise. This was considered by the Rowell-Sirois Commission which recommended as follows:

> "It was also complained to the Commission that it was unjust to exempt Crown property from taxation when that property was being used for some normal commercial purpose, such as electric power distribution, and would, if in private hands, be taxable; or when it was being used in a profit-making commercial enterprise, such as a provincial liquor store. The Commission suggests that such property should be subject to taxation on the same terms as that of private enterprises."(15)

The Royal Commission on the Municipal Finances and Administration of Winnipeg, 1939, also recommended that:

> "The Commission is of the opinion that no property should be exempt from taxation which is operated as a business enterprise. Such businesses and properties derive benefits from the services of the community like all other businesses and properties and should contribute their share of municipal revenues. A distinction should, therefore, be drawn between ordinary government-owned properties and government business properties.
>
> "The province of Manitoba at present makes a grant equivalent to real property and business taxes in connection with the Manitoba Liquor Commission. It also makes a grant in lieu of ordinary real property taxes on behalf of the Manitoba Telephone System but makes no grant to cover business tax or a tax on the distribution system of the Manitoba Telephone System. It has already been pointed out that the City Hydro is charged with property tax and business tax in respect of its offices and other premises and a tax on its distribution system on the same basis as the

(15) Commission Report, Book Two, p. 146.

> Winnipeg Electric Company. The Commission, therefore, recommends that the province of Manitoba should pay to the city of Winnipeg on behalf of the Manitoba Telephone System in addition to the present grant in lieu of real property tax, a grant in lieu of business tax on its office and other premises, and a grant in lieu of a tax on the distribution system of the Manitoba Telephone System on the same basis as the tax paid by the foregoing public utilities on their distribution systems."(16)

Tax-exempt properties necessarily restrict the municipal tax base and impose a proportionately greater tax burden on non-exempt properties. Since all properties benefit from municipal services, exemptions should be carefully restricted with a view to spreading the tax burden over a wider area. In Winnipeg, however, as in other Manitoba municipalities, exemptions from municipal taxation were until recently extended, by action of the Provincial Legislature, to cover railway properties, which in other provinces are subject to and pay municipal taxes. The Railway Taxation Act, R.S.M. 1940, c. 210, Section 17, exempted railway companies paying taxes under the provisions of the Act from any other assessments and taxation within the Province. The City of Winnipeg was thereby for many years deprived of substantial revenues from railway properties which in some provinces have paid and are paying large amounts in taxes to municipalities.

Pursuant to the Dominion-Manitoba Tax Agreement, the Railway Taxation Act has been suspended, and Winnipeg and the other Manitoba municipalities are now in a position to tax railway properties. Accordingly, the Canadian National Railways has agreed to make a payment of $310,000 to the City in 1948, but the Canadian Pacific Railway claims continued exemption under a municipal by-law of 1881 which was validated by an Act of the Legislature in 1883. It is submitted that the Provincial Government should co-operate with the City to the extent required in order to facilitate the taxation of railway properties. Such taxation will afford a substantial benefit to the current position of the City of Winnipeg, although the revenues to be derived therefrom will in themselves by no means satisfy the City's additional financial requirements.

(16) Report of the Royal Commission on Winnipeg, 1939, p. 350.

4. Revenues from Municipal Utilities

Revenues from city-owned utilities represent an important source of municipal income in Winnipeg. Almost all of the profits from the Water Works System, which is operated as a monopoly, are transferred to the budget, and the revenue from this source has increased from $195,000 in 1932 to $413,000 in 1947. Water rates were increased in 1932 for the purpose of creating a surplus which would be available for current budgetary purposes.

In contrast to the Water Works System, City Hydro is operated not as a monopoly but in competition with the Winnipeg Electric Company. Notwithstanding this important distinction, a large proportion of Hydro's surplus has since 1938 been annually transferred to the City's general budget. The contribution by City Hydro to the general budget in 1947, in addition to the payment of full municipal taxes, was $453,000, or 50% of the estimated surplus. The 1948 Budget provides for a contribution of $1,035,000 out of an estimated surplus of $1,134,000.

The policy of using a large proportion of City Hydro's surpluses for the relief of general taxation has occasioned considerable controversy. It is questionable whether the policy can be justified when regard is had to the fact that the system operates on a competitive basis. It has been contended that since the credit of the City as a whole made the development of City Hydro possible, all citizens are entitled to be compensated therefor out of Hydro profits. In answer to this contention it is submitted that City Hydro has already contributed approximately $3,200,000 for the relief of general taxation in Winnipeg in the ten years between 1938 and 1947, inclusive, in addition to paying full municipal taxes, and that this amount is surely adequate payment for the use of the City's credit. It is further submitted that as long as City Hydro continues to operate on a competitive basis the City should not be forced to draw on Hydro's surpluses for current municipal purposes.

5. Tax Property Receipts

Tax property receipts and rentals have been a very important factor in the City's Budget in the past few years and have yielded the following amounts since 1940:

Tax Property Receipts and Rentals

1940	$ 323,883
1941	358,449
1942	288,853
1943	255,562
1944	488,852
1945	709,946
1946	1,203,290
1947	762,735

Municipalities in all provinces have benefited substantially from the sale of tax properties in the past four or five years owing to booming economic conditions, industrial and commercial expansion, and the shortage of housing accommodation. The City of Winnipeg was able to take these receipts into its current budget because the tax arrears against these properties have all been fully reserved and, in fact, written off. Nevertheless, these revenues are in the nature of a windfall: receipts from the sale of tax properties obviously cannot continue indefinitely as an increasing source of municipal revenue. Winnipeg has already sold the most desirable of these properties, as will be noted from the fact that tax property receipts in 1947 were $440,000 less than the receipts in 1946. A large proportion of the properties still available represent unimproved and unsaleable land on the outskirts of the City and properties reserved for recreational, town planning and other purposes.

It is submitted that while the City could properly take the receipts from tax properties into its current budget and did so, such receipts should in fact have been applied to payment of the City's relief debt which was incurred in the depression years because of the failure to collect taxes. It is of interest to note that in his 1948 Budget the Premier took credit for reducing the provincial debt by using temporary non-recurring war revenue windfalls for that purpose. In this connection, also, attention may be drawn to the following provision of the British Columbia Municipal Act, as enacted in 1947:

> "504c. (1) Notwithstanding any other provisions in this Act contained, the Council of every municipality shall by by-law set aside all moneys received from the sale of

tax-sale properties. The moneys so set aside in accordance with the provisions of a by-law passed under this section shall be deposited in a chartered bank not later than the thirty-first day of December in the same year, and, until required to be used in accordance with the provisions of this section, may be invested in the manner provided in section 204 for the investment of sinking funds. The money and any interest earned thereon so set aside under the provisions of this section shall not be used for any purpose except:

"(a) For bringing the sinking funds up to requirements where the sinking funds on hand are less than requirements;

"(b) For the reduction of debenture debt, bank loans, or demand loans; and

"(c) For expenditures of a capital or other special nature:

"Provided that, unless sinking funds on hand are equal to or greater than requirements, no expenditures hereunder shall be made under clauses (b) or (c)."(17)

Having regard to the City's financial position, it could not do otherwise than include tax property receipts in current revenues. It must be emphasized, however, that this is a non-recurring item or, in any event, a declining item, and that it cannot, therefore, be depended upon as a continuing source of substantial municipal revenues.

6. Non-Recurring Revenues, 1947 and 1948

In order to balance its Budget in 1947, the City had to depend not only on the non-recurring item of tax property receipts, but also on a number of other non-recurring revenues. It withdrew $263,000 from the Deferred Maintenance Reserve leaving an unappropriated balance of $440,000, of which $308,000 is being appropriated in 1948. It appropriated $55,000 from the profits of the Housing Commission, leaving a balance of about $105,000, of which $72,000 was available in cash at December 31, 1947, and the remainder will become available from time to time as the mortgages are repaid. It may be noted that $75,000 has been appropriated for 1948. The City also had

(17) 1947 Statutes of B.C., c. 63.

to take into the 1947 current budget an old grant of $200,000 made by the C.P.R., and a Dominion Government grant of $135,000 towards the cost of the City's Emergency Shelter Programme which was completed in 1947.

In summary, in order to balance the 1947 Budget of $12,751,000, the City found it necessary to include the following items of special or non-recurring revenues:

1. Tax Property Receipts	$ 600,000.00
2. Withdrawals from Deferred Maintenance Reserve	409,416.00
3. Hydro Profits	453,800.00
4. Housing Commission Profits	55,000.00
5. Old Grant re Water Supply	200,000.00
6. Government Grant re Emergency Shelter	135,000.00
	$1,853,216.00

To balance the 1948 Budget of $14,002,000, the following special or non-recurring revenues were included:

1. Tax Property Receipts	$ 400,000.00
2. Withdrawal from Deferred Maintenance Reserve	308,000.00
3. Hydro Profits	1,035,000.00
4. Housing Commission Profits	75,000.00
	$1,818,000.00

7. Reserves not Available for Current Budget

An analysis of the City's revenues shows that the principal sources of such revenues, in striking contrast to Provincial Government revenues, have changed but little over a period of many years, notwithstanding changes in economic conditions, normal growth and development, and increasing governmental functions and responsibilities. It shows further that these principal sources, the real estate tax and the business tax, cannot be expected to yield substantially larger revenues without detriment to the City's general economic position and to its competitive position in relation to other cities in Canada. The seriousness of the situation emerges clearly from the fact that the City has recently had to rely on special and non-recurring items to balance its budget. This is admittedly unsound. The Provincial Government may contend that additional items of this nature may be found. But even if further non-recurring items can be discovered, which is not admitted, and even if they are of some help for another year, it cannot be argued that they are permanent or that they constitute a sound basis for balancing the budget. In any event, the following comments should answer the constant references made by the Provincial Government to the availability of the City's reserves for current budget purposes:

(a) The Deferred Maintenance Reserve, as already pointed out, will be almost exhausted in 1948;

(b) All funds made available by the Housing Commission surplus will be utilized for current purposes in 1948;

(c) Of the Reserve of $157,000 for Future Tax Levies, $82,000 was appropriated in 1947 to meet a deficiency in tax collections, and the balance of $75,000 plus an additional $100,000 from the 1947 sinking fund surplus may be fully utilized to the same end in 1948;

(d) Outstanding tax arrears and tax-sale properties are assets of the City but are not available for current financing until the taxes are collected or the properties sold;

(e) The current surpluses of the City's utilities are working capital which the utilities, in common with any other commercial enterprise, require in order to carry on operations without having to borrow from banks;

(f) The Parks Board Reserve of $63,800, set up to meet extraordinary capital expenditures, is in the nature of an equalization reserve to avoid the necessity of budgeting for large capital expenditures in any one year;

(g) The Sinking Fund valued on the basis requested by the Province shows a deficit. In any event, the fact that the whole of the sinking fund surplus and contingent reserves, as at December 31, 1946, was inadequate to provide for the immediate discharge of the unfunded relief debt should dispose of the suggestion that such surplus and reserves might be available for current budget purposes.

It follows from an analysis of the City's revenues that, of all the actual and potential sources of revenue considered, the only possible source of a substantial increase is the taxation of railway properties. It has been estimated that if this source becomes fully available, it may yield a sum of $800,000 in 1948. However, when regard is had to the fact that the City had to draw on special and non-recurring items to the extent of more than $1,800,000 to balance its 1947 Budget and to the same extent to balance the 1948 Budget, it is clear that an increase of even $800,000 in annual revenues is not adequate to finance all current requirements.

VII. Winnipeg's Debt Position

It is a well-known fact that in discussing Winnipeg's finances the Provincial Government prefers to consider the City's capital position rather than its current position. The City too is proud of its capital position and admits that it is satisfactory in that the municipal debt has been substantially reduced and is now at a relatively low figure. Table III attached hereto shows the reduction in debt and in annual debt charges between 1932 and 1947. But, this has only been achieved by careful and sound financial management over a period of many years. The debt policy which has been followed has not only improved the City's capital position but also its current position in that total annual debt charges on the gross debt declined from $4,935,000 in 1932 to $2,421,000 in 1947.

It does not follow, however, that a sound and satisfactory capital position assures a sound and satisfactory current position. In fact, it is submitted that, unless the City's current finances are placed on a sound basis, its capital position will be impaired. The offer of relief debt cancellation made by the Provincial Government to the City will further improve the capital position but offers no solution to its current finances. In this connection the City's position cannot be better stated than in the words of the Premier of Manitoba himself when he presented the case of the Province of Manitoba to the Dominion-Provincial Conference:

> "If provision is not made for a growth in our revenues commensurate with the further growth which it would appear will take place in these current account expenditures

for social welfare, health, relief and education, the taking over of our debt would not in the long pull solve our difficulties."(18)

If these words of the Premier were applicable to the Province of Manitoba in 1945, they are doubly applicable to the position of the City of Winnipeg to-day.

It may be anticipated that in discussing the City's position, both capital and current, the Provincial Government will refer to the Goldenberg Commission Report of 1939. It is, therefore, appropriate that some consideration be given to this Report and to its background.

The Goldenberg Commission was appointed in 1938 to inquire into "the financial affairs and administration of the City", as a result of the financial problems arising from "the relief of distress and unemployment in the City of Winnipeg". The inquiry was conducted against a background of severe depression which had dislocated the economy and public finances of the Western Provinces. The financing of unemployment relief was the dominant problem facing provincial and municipal governments. It was not within the competence of the Commission to inquire into the state of provincial finances at that time but, even if it had been, it is doubtful if the Commission could then have recommended assistance by the Provincial Government to the City's budget. The Bank of Canada had reported in 1937 "that revenues are not adequate, or are not sufficiently elastic, to enable the province to bear the burdens which modern practices of government and the force of the depression have placed upon it".(19) To-day, however, as has already been pointed out and as will be admitted by all parties, the state of provincial finances is vastly improved and offers no parallel to that of the depression years.

The Goldenberg Commission reported that the financial condition of the City of Winnipeg in 1938-39 was considerably better than was generally believed to be the case. Having regard to the existence of certain reserves and to the City's policy of fully accumulating sinking funds with respect to certain debts

(18) Dominion-Provincial Conference 1945, op. cit., p. 156.

(19) Bank of Canada Reports on the Financial Position of the Provinces of Manitoba, Saskatchewan and Alberta, 1937, p. 24.

before the maturity of these debts, the Commission concluded that:

> "As long as the sinking fund earns interest at a rate of *over 4½% per annum*, it will be able to pay all outstanding funded debts as they fall due, without any further sinking fund instalments being paid into the fund at all."(20)

The Commission accordingly recommended that the City continue to collect all moneys required to be paid in accordance with the various by-laws relating to funded debt redemption and that such moneys be used, first, for the payment of such sinking fund instalments as may be required, and, secondly, for current purposes of the City.

The Commission also expressed the opinion that:

> "The City does not require any additional or new sources of revenue *for the purpose of balancing its 1939 Budget.*"(21)

The Commission recommended certain adjustments in taxation, but in doing so pointed out that:

> "The Commission makes these recommendations realizing the present inflexibility of municipal sources of revenue in relation to municipal services and functions. In the opinion of the Commission the proceeds of such adjusted taxes as it has recommended should be used by the City for general civic purposes, and, if possible, for the further reduction of the burden upon property owners, or the removal of special taxes such as those on water and light bills."(22)

The Commission's recommendations were obviously made in the light of the depressed economic conditions which were responsible for its inquiry. It is quite clear from its Report that it considered the debt policy pursued by the City as sound, and that it only recommended a change in this policy because it could find no other sources of additional revenue for current purposes. It did not condemn the policy of pre-accumulating sinking fund and of paying debts at the earliest possible time. It must also have known that while its recommendations with respect to sinking fund policy would afford immediate relief, it would in the long run obviously be more costly to the City.

(20) Report of the Royal Commission on Winnipeg, 1939, p. 560.

(21) Ibid., p. 532.

(22) Ibid.

The City adopted the principal recommendation of the Commission for one year (1939) and then reverted to its previous conservative policy. As a result, it has now redeemed all the obligations with respect to which it was accelerating the accumulation of sinking funds, with a consequent substantial reduction in annual debt charges. The policy of pre-accumulating sinking fund is no longer being pursued, and the amounts which the Goldenberg Commission estimated would be available for current purposes are, therefore, no longer available. Other reserves, insofar as they could be used for current purposes, as already pointed out, have been exhausted or will be exhausted in 1948.

It is submitted that the City should not be penalized for having pursued a sound and conservative debt policy which reacted to the general benefit of the Province. While this policy resulted in accelerated debt reduction at the expense of current requirements, it also served to ease the current position by reducing debt charges. The Province of Manitoba can certainly not condemn the City for this policy, particularly in the light of the announcement by the Premier in his Budget Speech of March 27, 1947, of a plan for the accelerated payment of the capital debt of the Province so as to retire the Manitoba deadweight public debt owing as of March 31, 1947, within a period of 24 years. The Government further proposes to retire all new or additional dead-weight debt, incurred subsequent to March 31, 1947, within 25 years by providing a sinking fund on it which will be sufficient to pay it in full when it matures. The Province has thus to a large degree taken a leaf out of Winnipeg's book!

It is submitted that the City's sinking fund reserves cannot now be used for current budget purposes without impairing the City's debt position. This position has been maintained only at a high sacrifice. The Goldenberg Report pointed out that:

> "Essential civic services such as fire and police protection, health services, the maintenance of streets, and other miscellaneous civic services have had to be restricted: these services have become, in effect, uncontrollable and further reductions in expenditures on these services cannot be made without injury to the welfare of the City."(23)

(23) Report of the Royal Commission on Winnipeg, 1939, p. 559.

While the City's debt is at a relatively low point, consideration must be given to the fact that it is now necessary to incur many essential capital expenditures which have been long deferred. As a result, capital expenditures amounted to over $4,600,000 in 1947, including a School Board debenture issue of $1,100,000. Further large capital expenditures are in prospect for streets and bridges, hospitals, schools, City Hydro, the Water Works System, a new City Hall, a system of storm sewers to control flooding, and other projects. These expenditures will necessitate a substantial increase in debt and debt charges which will accentuate the difficulties of the City's current position. This was foreseen by the Goldenberg Commission in 1939, when it pointed out that:

> "The Commission fully realizes that certain necessary capital expenditures that have hitherto been deferred by reason of financial circumstances and the need for rigid economy will have to be made, and that amortization and interest charges in respect of such capital expenditures will have to be met. It also realizes that some increase in current expenditures in respect of restricted civic services may be expected."(24)

Perhaps if the Commission had also foreseen the remarkable change which has since occurred in the financial position of the Province, it would even at that time have recommended provincial-municipal readjustments to enable the City to bear its increased burdens.

VIII. Winnipeg's Expenditures

An analysis of the City's revenue system has shown that, except for the anticipated taxation of railway properties, Winnipeg cannot expect to increase its revenues to any marked degree by relying solely on its principal tax sources which have continued unchanged for many years. While these sources have been abnormally buoyant in the past few years, a decline in economic activity affecting real estate and business could change this buoyancy considerably. As expenditures are rising rapidly, it becomes apparent that the City requires either that its revenue base be enlarged or that it be relieved of some responsibilities which are not matters of exclusively local concern. It is, therefore,

(24) Report of the Royal Commission on Winnipeg, 1939, p. 533.

important to examine some of the principal items of the current budget.

1. Expenditures 1932-47

Table II attached hereto is a comparative statement of current expenditures for the years 1932-47. An analysis of these expenditures points to the City's principal functions and services. These may be broadly divided into two categories: first, the services, such as education, health, hospitalization, and certain social welfare services, which are mandatory under Acts of the Provincial Legislature and which are of more than local concern alone because they are matters of province-wide concern; and, secondly, services, such as the protection of persons and property, public parks, streets and sidewalks, and sanitation, which are more essentially matters of peculiarly local concern. It is important to note, however, that expenditures on services of peculiarly local concern are also to a degree uncontrollable and mandatory in that all organized communities, and particularly larger cities, require a minimum of certain essential services.

An examination of the City's current expenditures for the years since 1932 shows a policy of strict economy commensurate with the maintenance and provision of only the minimum of basic and essential services throughout the years of depression and the war years. Total budget expenditures in 1932 amounted to $9,035,000 and in 1944 to $9,663,000. With rising costs, these expenditures rose to $12,268,000 in 1946 and to $13,044,000 in 1947. The estimate for 1948 is $14,002,000. It follows that expenditures remained fairly stable from 1932 to 1944, but have increased by approximately $4,339,000 or 45% between 1944 and 1948. The impact of an increase of almost one-half in expenditures upon a relatively inflexible revenue base clearly explains the City's current budget problem. No further elaboration should be required. It should not be surprising that the City had to have recourse to special and non-recurring items in order to balance the 1947 and 1948 budgets. It should also be clear that as non-recurring items have been exhausted and as governmental costs continue to rise, the City now faces a critical budget problem unless a readjustment of revenues and of governmental functions is effected.

The following table presents a comparison of budget expenditures in 1944 and in 1947:

CITY OF WINNIPEG

Comparison of Budget Expenditures
Estimated 1948: Actual 1944

	Estimated 1948	Actual 1944	Increase or Decrease*	
	$	$	$	%
General Government.......	732,520	489,263	243,257	49
Protection................	2,806,920	1,829,544	977,376	53
Health and Sanitation......	1,417,530	864,963	552,567	63
Highways and Bridges......	1,028,095	440,047	588,048	133
Education................	4,324,400	3,240,200	1,084,200	33
Recreation and Community	533,654	313,862	219,792	70
Social Services............	1,232,754	795,291	437,463	55
Provincial Levy...........	383,310	246,205	137,105	55
Unclassified..............	621,882	492,234	129,648	26
	13,081,065	8,711,609	4,369,456	50
Debt Charges............	921,702	951,645	29,943*	*3
	14,002,767	9,663,254	4,339,513	45

In analysing the increase in expenditures since 1944, the following general factors must be considered:

1. The cost of materials is estimated to have increased on the average by at least 35% since 1944.

2. Wages and salaries, including the City and the School Board, have increased on the average by 18% since 1944.

3. The number of persons employed by the City has increased substantially since 1944. For example, the Fire Department adopted the three platoon system which necessitated an increase of about 150 or 50% in the number of firemen. The School Board employs 100 more school teachers. The Police Department has added 60 more policemen. Other departments have also increased personnel because of increased business and shorter working hours.

4. Services were maintained at a very low level during the depression years and necessary expenditures were further deferred during the war years.

It will be noted that, with the exception of debt charges, expenditures in all categories have risen since 1944, and that in almost all cases they have risen very substantially. The rise is continuing in 1948. It is, therefore, apparent that the City's problem in financing its requirements will become even more critical than it has been.

It is further important to note that the rise in expenditures has occurred both for functions of essentially local concern and for those of province-wide concern. Having regard to the financial difficulties of the City, it is obviously unfair to accentuate those difficulties by forcing it to continue to bear an undue share of the responsibility for financing services which are essentially of provincial or national concern. As has already been pointed out in this submission, no one has argued this point more forcefully than the Premier of Manitoba in his negotiations with the Dominion Government on behalf of both the Province and the municipalities. To the extent that a unit of government is called upon, without a corresponding increase in its revenue base, to finance services which in whole or in part are properly the function of another unit, it must either restrict the services which are its proper responsibility or impair its financial position. That is the position of the City of Winnipeg to-day, a city which contains one-third of the population of Manitoba. It is submitted that the Province, with its vastly improved financial position, cannot disregard the needs of one-third of its population residing in its largest city by forcing it to continue to finance an undue proportion of services which are not essentially of local concern but are rather of province-wide concern. Accordingly, a financial readjustment between the Province and the City of Winnipeg, which could be extended to other municipalities in the Province, as required, must be effected. The City recognizes that the other municipalities of Manitoba are also demanding readjustments and hopes that they will also benefit from the implementation of its recommendations.

2. Education

Expenditures on education constitute the largest single item in the City's current budget. The School Board levy, including debt charges, rose from $2,940,000 in 1932 to $3,981,000 in 1947. Of the rate of 40 mills on real estate in 1947, the School

Board levy absorbed 20.717 mills, while 19.283 mills remained for all other municipal purposes. Whereas in 1932 the levy for school purposes absorbed 35.7% of the yield of the realty tax and 64.3% remained available for general municipal purposes, in 1947 the school levy absorbed 51.8% of the tax leaving only 48.2% for all other municipal purposes. For 1948 the School Board levy has reached the record figure of $4,324,400. It is clear that the City cannot continue to finance the costs of education and of general municipal services on its present tax base.

Education is one of the services which is generally recognized as being of wider than local concern. It is certainly a matter of province-wide and of Dominion concern rather than a local matter. In consequence, the trend in Canada and in other countries has been towards a larger degree of participation by central governments in the financing of educational costs. This responsibility has been accepted in varying degrees by all the provinces in Canada, including the Province of Manitoba. It is well to examine the system of provincial school grants in two of the provinces.

British Columbia, in addition to providing grants of 50% of the cost of new school buildings, makes available throughout the Province a basic educational programme on an equalized cost basis. The basic programme is the sum of a minimum cost assigned to each of the principal items of unavoidable current expense, namely, teachers' salaries, supervision, and other current expenses. The minimum teachers' salary schedule upon which grants are now based is $1,100, $1,300 and $1,400 for teachers in elementary, junior high, and senior high schools, respectively. The allowance for school operating expenditures is fixed at $16, $20 and $23 per pupil, respectively, for elementary, junior high, and senior high schools, based on the average daily attendance. The cost to the school district is the product of a levy of 5 mills on 100% of the assessed value of the land and 75% of the assessed value of taxable improvements; the difference between the yield of this levy and the cost of the basic programme is the provincial grant. On this basis the Provincial Government school grant to the City of Vancouver in 1947, exclusive of grants for capital purposes, amounted to $1,495,000 or more than 36% of the municipal levy of $4,102,000 for school purposes.

In Ontario, Provincial Government grants for elementary schools in urban areas, in addition to grants for capital purposes, are made on the following basis:

For urban public and separate schools in municipalities having a population of—

(a) 100,000 or more, 30% of the approved cost,

(b) 10,000 or more but less than 100,000, 35% of the approved cost,

(c) 5,000 or more but less than 10,000, 42% of the approved cost,

(d) 2,500 or more but less than 5,000, 50% of the approved cost,

(e) less than 2,500, 60% of the approved cost.

For collegiate institutes, high schools, and grade A and grade B continuation schools, there is a grant of $10 per pupil of average attendance for the preceding calendar year and an additional grant which is a percentage of the approved cost based on the ratio in mills of such cost to the local assessment. This grant is 5% of the approved cost where the ratio is less than one mill and rises to 75% of the approved cost where the ratio is 14 mills or more. Very large grants are also made for vocational schools and special grants are made for particular educational purposes.

It is clear that under this system a large proportion of school costs in Ontario cities is borne by the Province. For example:

(a) In Toronto, total expenditures of the Board of Education for primary and secondary schools in 1947 amounted to $14,415,519; revenue from the school tax levy was $10,673,816; provincial grants totalled $3,317,709 or more than 31% of the tax levy.

(b) In Hamilton, total expenditures of the Board of Education in 1946 amounted to $2,910,513; municipal taxes for public schools, collegiate institutes and vocational schools amounted to $1,870,273; provincial grants totalled $833,687 or more than 44.5% of the tax levy.

(c) In Ottawa, in 1946, total school expenditure, including public schools, collegiate institutes and vocational schools,

amounted to $2,187,149; the municipal school tax levy amounted to $1,940,786; provincial grants totalled $572,771 or more than 38% of the tax levy.

In contrast to the large proportion of municipal school costs financed by Provincial Government grants in British Columbia and Ontario, Winnipeg's share of school grants for the year 1947 amounted to $347,000, that is, 8½% of the school tax levy or 8% of total school expenditures in that year. It is submitted, having regard to the province-wide importance of education and to the general trend in other provinces, that the contribution of the Province of Manitoba towards Winnipeg's school costs is small and grossly inadequate. In particular, as has already been pointed out, the Government's new policy for the distribution of grants is prejudicial to and discriminatory against the City in that the grant is related to the so-called "balanced assessment", which includes not only the equalized real estate assessment but also 3⅓ times the business assessment.

Accordingly, it is submitted that the Province of Manitoba should increase its participation in financing school expenditures in Winnipeg in keeping with the general trend and with increasing school requirements which are imposing a constantly heavier burden upon municipal finances. It is further submitted that the Provincial Government must review and adjust educational grants from time to time in relation to changes in educational costs, and must plan to assume over a period of time an increasingly larger share of school costs, since education is very definitely a matter of province-wide and national concern. For immediate action, and subject to the foregoing, it is more specifically recommended that:

(a) The present policy for the distribution of Government grants be changed by excluding the business assessment from the base to which these grants are related and that these grants be based solely on the equalized real estate assessment;

(b) The equalization factor be reduced from 6 mills to 5 mills on the equalized real estate assessment;

(c) In addition to all other grants, the Provincial Government make a grant of $5 per pupil in elementary schools, $7.50 per pupil in junior high schools, and $10 per pupil in high schools, such grants to be based on the average daily attendance.

It is estimated that if the foregoing recommendations are implemented, the school grant to the City of Winnipeg for the year 1948 will amount to $833,000, as compared with a grant of $345,000 estimated on the present basis. The increased grant, which would equal about 18% of total school expenditures or 19% of the school levy, will by no means place the City on a par with cities in Ontario or British Columbia, nor will it alone solve the City's current problem. It will, however, afford a measure of relief and will effect a reasonable adjustment in provincial-municipal financial responsibilities for the costs of education.

3. Social Welfare

Social welfare expenditures constitute another major item in Winnipeg's current budget warranting a readjustment in provincial-municipal financial relations. In the depression years, with the heavy burden of unemployment relief, these expenditures played havoc with municipal—and provincial—finances. As unemployment virtually ceased under the war-time economy, the burden of social welfare costs declined considerably. This decline was obviously not of a permanent nature and the costs have, therefore, been rising again. Winnipeg's costs for social services, excluding old age pensions, have risen from $795,000 in 1944 to $1,069,000 in 1947. It must be anticipated that this rise will continue as economic activity returns to a more normal level than that of the war and immediate post-war years.

The social services to-day are an expansion of the original municipal responsibility to care for the poor and destitute—a proper municipal responsibility under the social conditions of many years ago—but they are now in large part recognized to be matters of provincial and Dominion concern rather than of local concern. "Local responsibility for social welfare services was perhaps a sound enough principle when towns were small self-contained units, when transportation facilities were lacking, when social problems 'stayed put' in their respective localities, and when the bulk of tax revenues available for governmental purposes was derived from the land."(25) To-day, however, the

(25) Dr. George F. Davidson: Report on Public Welfare Services in Nova Scotia, 1944, p. 49.

population is mobile and municipalities are interdependent: the mobility of the population has certainly rendered obsolete the old concept of exclusive local responsibility for the poor and destitute.

Following a survey of public welfare services in Nova Scotia, Dr. George F. Davidson, now Deputy Minister of National Health and Welfare in the Dominion Government, and one of Canada's leading authorities on the social services, recommended as follows:

> "87. It is the recommendation of this survey that the Provincial Government, through its Department of Health and Welfare, should set as its long-range objective the progressive assumption of all administrative and financial responsibilities in the social welfare field; with the single proviso that in selected instances, such as the child welfare or local hospital fields where administration by citizen boards has proven to be desirable, the Provincial authority should encourage the delegation of administrative and some financial responsibility to such soundly established local citizen groups.
>
> "88. There are obvious advantages from the administrative point of view in complete assumption of responsibility by the Province, since Provincial administration will ensure that services will be distributed more evenly over the entire population: while the larger Provincial area of administration will also permit the employment of more specialized personnel to administer these highly intricate programs than can possibly be made available to the local authorities.
>
> "89. From the financial standpoint also Provincial revenues (limited as they are in the Province of Nova Scotia) are at least more flexible on the Provincial than on the local level: for the local tax structure, as stated in other reports on so many occasions, is tied up entirely with land values, and land taxes bear no logical relationship to social needs or services."(26)

While no province has as yet assumed complete financial responsibility for the social services, some have already assumed a large proportion of the costs. It is well to note the progress made in this direction in provinces other than Manitoba.

(26) Dr. George F. Davidson: Report on Public Welfare Services in Nova Scotia, 1944. pp. 53-54.

British Columbia now pays 80% of the cost of general social assistance, including relief for employables and unemployables, medical care and drugs, nursing-home care and boarding-home care, and for child welfare cases, and also pays 80% of the daily per capita cost for municipal inmates in provincial tuberculosis institutions and infirmaries.

The Province of Alberta, in May 1947, relieved municipalities of the cost of providing hospital and medical services for old age pensioners, blind pensioners, and recipients of mothers' allowances, and their dependents. These costs are now borne entirely by the Provincial Government.

In Saskatchewan the Provincial Government pays the entire cost of medical treatment and hospitalization of old age and blind pensioners, orphans and deserted children who are wards of the government, families in receipt of mothers' allowances, and destitute transients. In addition, the Government pays 50% of the cost of food, clothing and shelter furnished by municipalities to needy persons, employable and unemployable, who are the responsibility of the municipality. The financial responsibility of municipalities for neglected and deserted children is also strictly limited.

The Province of Ontario shares with all municipalities on a 50-50 basis the costs of unemployment relief for unemployables, including the costs of clothing and footwear, dental services, food, fuel, medical services and supplies, shelter, transportation, special home care, and household sundries. Accordingly, while Toronto's gross direct relief expenditures in 1946 amounted to $1,388,000, the net cost to the city was $789,000.

In 1938 Ontario municipalities were also relieved of the cost of hospital care of tuberculosis patients.

The foregoing is not intended to be a complete outline of provincial-municipal relations with respect to the financing of social services outside of Manitoba. A number of examples have merely been presented in order to show that other provinces have to a much larger degree than Manitoba recognized the fact that the financing of social services can no longer be considered exclusively a matter of local responsibility. The Premier of Manitoba himself submitted this fact with great force in his representations to the Dominion Government, but notwithstanding that the Dominion has materially assisted the finances of the Province, the Provincial Government has made no effort to relieve the City of Winnipeg either by way of enabling it to finance the responsibilities imposed upon it or by way of relieving it of some of these responsibilities.

The City to-day bears the full cost of relief of its employables and unemployables. It is also called upon to make payments of $2.10 per day for patients in tuberculosis hospitals, $2.00 per day for public ward patients in general hospitals, and per diem payments for other institutional care. In addition, it pays a share of the costs of old age pensions.

Although during the depression years the Provincial Government shared unemployment relief costs with the City, the latter is now again solely responsible for all direct relief. It is in the same position as it was at the time of its incorporation in 1873 when it assumed responsibility for the care of the poor and destitute. And yet, no one has presented the argument against local responsibility for financing unemployment relief more forcefully than has the Premier of Manitoba. At the Dominion-Provincial Conference of 1945, he said that:

> "By such a process, a function of government which was not in existence at Confederation, and which clearly would never have been assigned to the Province if it had been, emerges fantastically in the 1930's as the primary responsibility of the municipalities and the provinces."(27)

Citing figures on governmental costs, the Premier also said:

> "These figures indicate the fantastic unsoundness of imposing the cost of unemployment relief upon provinces and municipal revenue bases which were never intended to support them."(27)

And again:

> "We say, therefore, that it is an absurd anomaly that the provincial and municipal governments, which have virtually no control over any of the factors contributing to unemployment, should yet have the primary responsibility for unemployment relief."(28)

Notwithstanding these views expressed by the Premier on behalf of the Government of Manitoba, Winnipeg still bears the

(27) Dominion-Provincial Conference 1945, op. cit., p. 136.
(28) Ibid., p. 137.

full costs of relief. It has been pointed out that British Columbia and Saskatchewan share with the municipalities in financing the relief of both employables and unemployables, while Ontario shares in financing the relief of unemployables. But Winnipeg receives no assistance from the Province, although it is the municipality which is principally subject to unemployment and to which the unemployed from all other parts of the Province tend to drift. It may be pointed out that even in the depression years Winnipeg suffered discrimination in this regard as compared with cities in other provinces. The Goldenberg Commission said in 1939 that:

> "The Commission desires further to point out that in the matter of unemployment relief costs the city of Winnipeg has been subject to discrimination as compared with municipalities in other provinces. The provincial government has participated only in the costs of relief to employables, whereas other provinces, including Ontario, have—since the Dominion contribution assumed the form of a grant-in-aid—shared in the costs of all relief expenditures whether the recipients are employable or unemployable. Winnipeg has, therefore, borne a relatively larger portion of relief costs than have other municipalities, although many persons have become unemployable as a result of forced periods of lack of employment during the years of depression."(29)

To-day the discrimination, as compared with municipalities in other provinces, continues in that the Province does not contribute either towards the relief of employables or of unemployables—although, as pointed out by the Rowell-Sirois Commission, and as shown by experience, the attempt to distinguish between employables and unemployables in itself produces inequitable results.

There is further discrimination against Winnipeg, as well as other Manitoba municipalities, in that the Province of Manitoba passes on one-half of the costs of old age pensions, including one-half of the costs of administration, to the municipalities. The only other province which passes on a part of this cost is Alberta, where the municipalities contribute $2.00 per month to each pension. It is submitted that there is no justification for this policy. Old age pensions are recognized to

(29) Report of the Royal Commission on Winnipeg, 1939, p. 154.

be either a Dominion or a Dominion-provincial responsibility and not a municipal responsibility. The Manitoba Government itself apparently recognized this fact in its submission to the Rowell-Sirois Commission where it pointed out that upon acceptance of its proposals to the Commission it would repeal "the land tax now imposed for old age pensions".(30)

Accordingly, it is submitted that the City of Winnipeg is bearing an undue and unfair share of the costs of social welfare. In particular, the City should not be responsible for any share of the costs of relief for employables. Local responsibility for the poor and destitute could never have been intended to cover the widespread and involuntary unemployment of able-bodied and normally employed persons. This is in accord with the findings of the Rowell-Sirois Commission. It is anticipated that further negotiations between the Province and the Dominion will achieve this end. For immediate action to relieve the City of a part of the social welfare costs imposed upon it, it is recommended that the Provincial Government assume:

(a) 50% of the costs of relief for employables and unemployables, including the costs of food, fuel, shelter, clothing, and medical and dental care; the whole subject to the special recommendation below with respect to old age pensioners, blind pensioners, and mothers' allowance recipients, and their dependents;

(b) 50% of the cost of municipal child welfare cases;

(c) 50% of the cost of institutional aid for municipal residents;

(d) the full cost of hospital and medical services for old age pensioners, blind pensioners, and mothers' allowance recipients, and their dependents, as in Saskatchewan and Alberta;

(e) 50% of the City's costs for the hospitalization of public ward patients;

(f) 50% of the cost of aid under the Tuberculosis Control Act for municipal residents;

(g) the full cost of the provincial share of old age pensions, including the share now forming part of the Municipal Commissioner's Levy imposed upon municipalities.

(30) Manitoba's Case to the Royal Commission on Dominion-Provincial Relations, Part VIII, p. 57.

It is estimated that the implementation of these recommendations will benefit Winnipeg's current budget by approximately $855,000, and will effect a reasonable provincial-municipal division of social welfare responsibilities. It has been suggested by the Provincial Government that it can only consider a readjustment of these responsibilities after completion of negotiations on the social security programme presented by the Dominion to the provinces in 1945. This stand is not justified. No province has yet concluded social security arrangements with the Dominion, and yet British Columbia and Alberta, for example, recently relieved the municipalities of a portion of their social welfare costs. There is nothing to compel the Manitoba Government to restrict its relief to municipalities to only one-half of the *minimum* of the current benefits which it expects to derive from the Dominion-Manitoba Tax Agreement. This policy can only be described as arbitrary. Why only one-half of the *minimum?* Why, for example, does the Province refuse to take cognizance of the fact that its increased revenues from the gasoline tax are also a direct result of the Dominion-provincial financial arrangements? Why does the Province refuse to take cognizance of the further fact that, apart from its benefits under the Tax Agreement, its own revenues have been available to assist municipalities since, for a number of years, these revenues have been exceedingly buoyant and have enabled it to build up large reserves and to adopt a policy of accelerating debt redemption, while Winnipeg's revenue base has remained stationary? It is submitted that having regard to these facts, which cannot be denied, the Provincial Government is not justified in insisting that it cannot afford relief to the City of Winnipeg and other municipalities in the field of social services until the Dominion Government implements its social security proposals. The Province is in a position to relieve Winnipeg now of a portion of its excessive social welfare responsibilities as other provinces are doing with respect to their municipalities, and as is required by changing social and economic conditions and by the facts of the City's finances.

4. Streets and Roads

An examination of the City's 1948 Budget shows that the largest percentage increase in expenditures, as compared with

1944, occurred in the costs of maintenance of streets, sidewalks and bridges. This is explained by the requirements of normal growth and development, by the deferment of maintenance during the depression and war years, and by the increasing use of city streets by automobiles, trucks and buses from all parts of the Province.

As in other provinces, Manitoba collects all the revenues from the taxation of motor vehicles and of gasoline. It assists in financing provincial highways and roads in rural municipalities but offers no assistance in this regard to the City of Winnipeg. While the City makes no objection to the financing of provincial highways and rural roads by the Province, it submits that certain city streets form part of provincial highways, and, further, that it is justly entitled to some revenue from the motor vehicles which use the city streets and are responsible for the large expenditures on the construction, maintenance, and repair of such streets. In this regard it should be noted that in Ontario, under the Highway Improvement Amendment Act, 1947, the Provincial Government now grants to any city, town or village an annual subsidy equal to 50% of the amount of approved expenditures on the construction, improvement, maintenance and repair of roads or streets, provided the estimated expenditure for purposes of the subsidy shall not exceed a sum equal to the product of a rate of 2 mills upon the rateable property.

It should further be noted that motor vehicles constitute personal property which has always been considered a proper object of municipal taxation. In fact, the taxation of personal property continues to be a relatively important source of taxation in some municipalities, both in Canada and in the United States. Since motor vehicles are a form of personal property which requires expensive municipal services and which, in fact, could not operate without such services, there is adequate justification for the City's demand for revenues from this source.

Accordingly, it is recommended that the Province make an annual grant to the municipalities on a per capita basis equal to:

(a) one-third of the revenue from motor vehicle licenses; and

(b) the revenue from the additional tax of two cents per gallon of gasoline imposed by the Province in 1947, following the withdrawal of the Dominion Government from this field "as part of the settlement with the provinces", as stated by the Premier of Manitoba.(31)

The implementation of this recommendation for the sharing of revenues would increase Winnipeg's current revenues in 1948 by an amount estimated at $455,000. It may be pointed out in this connection that the Province of British Columbia distributes one-third of its revenues from motor vehicle licenses to the municipalities on a per capita basis, and that it will now also distribute to them one-third of the revenues from the new sales tax; that the Province of Quebec shares the revenues from the amusement tax with its municipalities; that the Province of Nova Scotia makes a per capita grant to its municipalities; that the Province of Ontario makes a grant to each municipality equal to one mill on the local assessment; and, that state-collected, locally shared taxes are an increasingly common feature of state-local relations in the United States. Furthermore, the recent financial agreement between the Dominion and Manitoba combines the principle of sharing of revenues with grants on a per capita basis.

IX. Summary and Conclusion

In summary, the recommendations made herein on behalf of the City of Winnipeg for immediate readjustments in provincial-municipal financial relations are as follows:

1. That with respect to social welfare costs the Provincial Government assume:

(a) 50% of the costs of relief for employables and unemployables, including the costs of food, fuel, shelter, clothing, and medical and dental care; the whole subject to the special recommendation below with respect to old age pensioners, blind pensioners, and mothers' allowance recipients, and their dependents;

(b) 50% of the costs of municipal child welfare cases;

(c) 50% of the costs of institutional aid for municipal residents;

(31) Provincial Treasurer: Budget Speech, March 27, 1947, p. 24.

(d) the full cost of hospital and medical services for old age pensioners, blind pensioners, and mothers' allowance recipients, and their dependents;

(e) 50% of the City's costs for the hospitalization of public ward patients;

(f) 50% of the cost of aid under the Tuberculosis Control Act for municipal residents;

(g) the full cost of the provincial share of old age pensions, including the share now forming part of the Municipal Commissioner's Levy imposed upon municipalities.

2. That, with respect to education:

(a) The present policy for the distribution of Government school grants be changed by excluding the business assessment from the base to which these grants are related and that these grants be based solely on the equalized real estate assessment;

(b) The equalization factor be reduced from 6 mills to 5 mills on the equalized real estate assessment;

(c) In addition to all other grants, the Provincial Government make a grant of $5 per pupil in elementary schools, $7.50 per pupil in junior high schools, and $10 per pupil in high schools, such grants to be based on the average daily attendance.

3. That the Provincial Government make an annual grant to all municipalities on a per capita basis equal to:

(a) one-third of the revenue from motor vehicle licenses; and

(b) the revenue from the additional tax of 2c. per gallon of gasoline imposed by the Province in 1947.

4. That the Manitoba Government make payments in lieu of municipal taxes on the property of Government commercial enterprises, such payments to be equivalent to the full taxes which would be paid if such property were in the hands of private enterprise.

It is estimated that if the foregoing recommendations are fully implemented in 1948, Winnipeg's current budget will benefit to the extent of $1,866,000, as is shown in Schedule A attached hereto. Having regard to the City's total budget, it is submitted that this amount is not excessive. It is further submitted that the relief thus afforded would by no means diminish the financial responsibility of the City. In this regard, the following remarks by the Premier of Manitoba to the Dominion-Provincial Conference of 1945 may be noted:

> "This raises the question of whether the provinces would retain their financial responsibility if they get a large percentage of their revenue requirements from the Dominion treasury rather than from provincial taxation. If the moneys provided by the Dominion government were in excess of provincial needs, they would not. If, on the contrary, the normal provision by the Dominion government were measurably less than provincial needs, financial responsibility would be retained."(32)

In considering the recommendations in this submission it is important to have due regard to the peculiar position of Winnipeg, to its financial experience during the depression years, to the current financial situation, and to general economic trends. Winnipeg is the only metropolitan centre in Manitoba, and as such faces problems which are not shared by rural municipalities and smaller urban units. For example, the Bank of Canada Report of 1937 pointed out that, as the chief urban centre of the West, the City was called upon to bear a disproportionate share of the relief burden in the depression years in that some 84% of all direct relief expenditures in the Province were made in the metropolitan area.(33) The concentration of so large a proportion of the provincial population in one area aggravates the problem of financing not only the costs of relief and social services but also the costs of education, health and sanitation, and public safety. Furthermore, in imposing taxes to finance these services the City must consider both the burdens it thereby imposes upon its own citizens and the effects of such burdens on its competitive position in relation to other cities in Canada. It must also have regard to the fact that its citizens are the principal contributors to provincial revenues and, in addition, subsidize the extension of important services, such as telephone services, to rural Manitoba.

Winnipeg's expenditures have been increasing, are now increasing, and, in the light of current trends, will continue to increase. It is clear that the City cannot discharge these growing

(32) Dominion-Provincial Conference 1945, op. cit., p. 161.

(33) Bank of Canada Reports on the Financial Position of the Provinces of Manitoba, Saskatchewan and Alberta, 1937, p. 16.

responsibilities on the basis of its relatively inflexible revenue sources. For the proper performance of its functions now and over a period of time, and to enable it to offset the impact of a prospective decline in economic activity, the City requires more stabilized finances and a wider margin in which to operate than it had in the pre-war years. The recommendations made herein for a readjustment of provincial-municipal financial relations are an approach towards this end. It is submitted that the Province can assume the additional responsibilities flowing from these recommendations because of the greater diversity and flexibility of its revenue base, and, more particularly, because this revenue base is now more stabilized as a result of the Dominion-Manitoba Tax Agreement.

The recommendations in this submission do not necessarily offer a permanent solution to the City's financial problems. A long-range programme for the proper adjustment of provincial-municipal relations must aim at further definite limitations on the financial responsibility of municipalities for general services, such as education and social welfare, and the assumption of greater responsibilities in these fields by the Province. It is hoped that Dominion legislation and the anticipated negotiations between the Dominion and the provinces on social security measures will help achieve this end. Nevertheless, the City cannot wait, and the Province is not justified in forcing it to wait, until an ideal Dominion-provincial structure is erected. A readjustment of functional and financial relations between the Province and the City of Winnipeg is warranted and is required immediately. It is submitted that the recommendations herein offer the minimum reasonable readjustment which must and can now be effected.

APPENDIX

TABLE I

CITY OF WINNIPEG
COMPARATIVE STATEMENT OF REVENUES
FOR YEARS ENDED DECEMBER 31st

	1932	1936	1940	1942	1944	1946	1947
General Property Tax	$ 8,225,102	$ 6,842,089	$ 6,184,213	$ 6,267,248	$ 6,386,723	$ 7,353,153	$ 7,687,852
Mill Rate	(34½)	(34½)	(36½)	(36½)	(36½)	(40)	(40)
Business Tax	554,426	782,869	1,037,983	1,071,516	1,036,389	1,153,175	1,395,490
Sundry Taxation on the Roll	37,871	39,324	38,732	35,395	37,261	38,932	40,666
Total Taxation	$8,817,399	$ 7,664,282	$ 7,260,928	$ 7,374,159	$ 7,460,373	$ 8,545,260	$ 9,124,008
Other Revenues:							
Franchise Taxes	145,224	136,784	148,090	182,384	250,958	302,011	338,577
Electricity & Gas Sales Tax	—	—	350,036	190,187	202,517	218,661	249,108
Motor Vehicle Tax	100,393	96,578	119,668	110,729	—	—	—
Liquor Tax	—	—	49,477	19,224	—	—	—
Tax Property Receipts	—	—	323,883	288,853	488,852	1,203,290	762,736
Payments in lieu of Taxes on Exempt Property:							
City Utilities	79,627	81,511	91,101	89,759	95,930	105,220	107,508
Other	21,472	14,802	50,038	44,114	54,815	68,289	84,884
Interest on Tax Arrears	222,102	234,321	176,550	120,620	84,049	45,445	53,654
Licenses	146,618	157,185	181,443	180,447	184,678	212,305	229,852
Hospital Fees:							
Municipal Hospitals	15,932	29,599	48,767	114,211	114,396	101,842	107,482
Provincial Government Grant	35,650	35,118	37,477	35,957	39,099	27,586	26,463
Public Hospital—Hospital Aid Act	16,896	41,055	47,741	56,176	66,238	57,618	45,402

TABLE I (Cont'd)

	1932	1936	1940	1942	1944	1946	1947
Police Court Fines	27,576	23,568	44,928	61,979	66,746	113,388	115,900
Permit Fees	33,968	30,348	37,830	37,224	37,705	52,638	62,245
Transfer from Workmen's Compensation Reserve	25,000	35,000	20,000	50,000	50,000	25,000	50,000
Swimming Pools	15,117	15,237	12,297	13,512	10,614	15,797	18,861
General Administration Fees (Utilities, etc.)	17,661	27,944	41,340	41,160	27,380	27,940	28,060
Rentals	11,791	14,183	11,989	16,781	17,630	16,492	19,157
Local Improvements, Administration, Engineering Fees	23,548	11,057	7,961	22,629	25,356	42,394	53,184
Cemetery Fees	24,987	29,890	36,844	40,536	37,545	47,398	56,483
Old Profit & Loss Account (1931)	—	—	—	—	—	111,205	—
Contributions from Utilities:							
Hydro Electric System	—	—	377,000	300,000	410,000	267,850	453,800
Water Works System	195,000	150,000	277,000	330,000	410,000	440,000	413,000
Housing Commission	—	—	—	—	50,000	45,000	55,000
Transfer from Deferred Maintenance Reserve	—	—	—	—	—	443,368	263,337
Sundry	35,872	18,448	30,157	31,665	45,225	47,696	71,376
Rebate—Cost of Street Lighting Current	21,000	—	—	—	—	—	—
C.P.R. Grant re Water Supply	—	—	—	—	—	—	200,000
Government Grant re Emergency Shelters	—	—	—	—	—	—	235,000
Surplus or **Deficit** from previous year	**300,310**	563,229	19,001	130,971	2,312	232,231	**52,301**
	$9,732,523	$9,410,139	$9,801,546	$9,883,277	$10,232,418	$12,815,924	$13,172,776

TABLE II

CITY OF WINNIPEG
COMPARATIVE STATEMENT OF EXPENDITURES
FOR YEARS ENDED DECEMBER 31st

	1932	1936	1940	1942	1944	1946	1947
General Government	$ 356,127	$ 439,380	$ 458,523	$ 509,547	$ 489,263	$ 591,184	$ 720,549
Protection:							
Fire	$ 727,731	$ 712,937	$ 781,565	$ 861,147	$ 905,782	$ 1,173,108	$ 1,389,356
Police	660,255	593,517	679,527	732,214	706,763	877,360	1,009,124
Street Lighting	151,891	147,565	149,260	157,783	158,749	162,177	183,478
Building and Electrical Inspection	40,170	33,632	34,176	36,304	37,532	43,847	52,250
Market and Weigh Scales	15,812	16,003	18,072	21,372	20,718	21,875	23,713
	$ 1,595,859	$ 1,503,654	$ 1,662,600	$ 1,808,820	$ 1,829,544	$ 2,278,367	$ 2,657,921
Health and Sanitation:							
General Administration, Disease Prevention & Control	$ 117,814	$ 105,489	$ 107,590	$ 172,630	$ 198,484	$ 230,564	$ 250,633
Municipal Hospitals	200,739	230,924	245,073	300,449	281,311	324,455	349,408
Refuse Collection and Disposal	199,912	205,994	210,639	280,565	289,455	486,588	515,808
Sewer Maintenance	60,197	48,457	56,246	107,583	67,665	108,949	142,845
Sundry	24,429	22,737	24,751	28,349	28,048	33,575	35,106
	$ 603,091	$ 613,601	$ 644,299	$ 889,576	$ 864,963	$ 1,184,131	$ 1,293,800
Highways and Bridges:							
Street and Sidewalk Maintenance	$ 114,447	$ 215,113	$ 251,363	$ 221,021	$ 188,757	$ 418,587	$ 336,091
Street Cleaning	76,522	66,297	83,906	97,318	92,033	125,204	143,877
Snow Clearing	92,023	106,822	59,928	73,162	97,818	169,660	243,459
Engineering Administration	42,177	33,970	39,219	41,489	38,435	93,345	109,748
Sundry	29,018	58,321	26,041	25,295	23,004	74,976	133,662
	$ 354,187	$ 480,523	$ 460,457	$ 458,285	$ 440,047	$ 881,772	$ 966,837
Education:							
School Board Levy—Debt Charges inc.	$ 2,940,600	$ 2,989,500	$ 3,119,600	$ 3,166,300	$ 3,240,200	$ 4,245,250	$ 3,981,750
Recreational and Community Services:							
Public Parks Board Levy—Debt Charges inc.	$ 190,727	$ 193,300	$ 169,000	$ 160,000	$ 155,000	$ 183,000	$ 189,000
Public Libraries	72,372	75,640	76,833	85,810	90,957	116,241	134,509
Swimming Pools, Playgrounds, etc	46,044	47,222	46,810	51,979	55,378	116,039	117,857
Beautifying Grounds, City Buildings, etc	7,217	6,639	11,267	12,596	12,527	16,117	19,630
	$ 316,360	$ 322,801	$ 303,910	$ 310,385	$ 313,862	$ 431,397	$ 460,996

TABLE II (Cont'd)

	1932	1936	1940	1942	1944	1946	1947
Social Services:							
Social Aid	$ 195,333	$ 264,420	$ 340,115	$ 371,346	$ 434,756	$ 606,563	$ 711,687
Unemployment Relief	1,146,897	1,604,040	755,343	298,482	104,785	—	—
Hospital and Child Welfare Fees	444,576	408,257	349,667	287,291	216,550	258,383	272,597
Charitable and Hospital Grants	23,000	27,100	27,100	27,900	39,200	53,753	83,800
Sundry	—	—	—	—	—	6,105	1,264
	$ 1,809,806	$ 2,303,817	$ 1,472,225	$ 985,019	$ 795,291	$ 924,804	$ 1,069,348
Less Unemployment Relief Deferred	845,000	1,604,040	500,000	—	—	—	—
	$ 964,806	$ 699,777	$ 972,225	$ 985,019	$ 795,291	$ 924,804	$ 1,069,348
Debt Charges and Financial Expenses:							
Debenture Interest	$ 520,457	$ 498,331	$ 514,169	$ 455,410	$ 365,125	$ 321,637	$ 370,224
Bank and Other Interest	272,694	351,822	286,356	211,736	138,554	90,648	47,153
Sinking Fund Instalments	211,850	336,592	330,775	356,791	338,951	348,596	420,375
Exchange and Financial	4,035	20,620	75,158	39,059	109,015	63,421	2,508
	$ 1,009,036	$ 1,207,365	$ 1,206,458	$ 1,062,996	$ 951,645	$ 824,302	$ 840,260
Unclassified:							
Provincial Government Levy	$ 194,355	$ 203,385	$ 213,614	$ 224,317	$ 246,205	$ 269,002	$ 286,928
Taxes on City Owned Properties, Tax Discounts, etc	508,839	346,108	250,009	199,781	190,775	153,223	143,055
Civic Pension Fund	65,890	84,203	101,349	119,002	145,948	126,919	160,150
Workmen's Compensation	37,851	29,833	30,963	33,300	34,500	40,000	47,000
Brookside Cemetery	24,885	26,313	28,467	38,295	30,186	52,642	59,087
Sundry	61,268	60,383	28,828	37,578	90,825	265,232	356,021
	$ 893,088	$ 750,225	$ 653,230	$ 652,273	$ 738,439	$ 907,018	$ 1,052,241
Total Budget Expenditure	$ 9,033,154	$ 9,006,826	$ 9,481,302	$ 9,843,201	$ 9,663,254	$12,268,225	$13,043,702
Provision for Tax Arrears	1,034,896	50,000	—	—	—	—	—
Provision for Deferred Maintenance, etc.	—	—	—	—	—	600,000	—
Total Expenditures	$10,068,050	$ 9,056,826	$ 9,481,302	$ 9,843,201	$ 9,663,254	$12,868,225	$13,043,702

TABLE III

CITY OF WINNIPEG
STATEMENT OF DEBENTURE DEBT
FOR YEARS ENDED DECEMBER 31st

Particulars	1932	1936	1940	1942	1944	1946	1947
City at Large:							
Gross Debt	$18,228,709.00	$20,135,741.75	$18,952,326.30	$16,929,007.42	$12,022,085.89	$10,761,921.77	$12,235,467.95
Sinking Fund Reserve	8,780,541.48	10,209,258.88	11,310,355.99	10,095,400.52	7,375,155.56	6,870,874.72	6,856,642.70
Net Debt	$ 9,448,167.52	$ 9,926,482.87	$ 7,641,970.31	$ 6,833,606.90	$ 4,646,930.33	$ 3,891,047.05	$ 5,378,825.25
Interest	$ 865,704.24	$ 941,378.46	$ 873,156.67	$ 774,629.97	$ 538,546.82	$ 443,178.59	$ 487,541.71
Sinking Fund Levies	389,562.64	468,944.13	457,331.46	459,216.80	465,619.00	462,087.41	539,237.10
Total Annual Debt Charges	$ 1,255,266.88	$ 1,410,322.59	$ 1,330,488.13	$ 1,233,846.77	$ 1,004,165.82	$ 905,266.00	$ 1,026,778.81
Local Improvements—Ratepayers' Share:							
Gross Debt	$11,836,620.50	$ 7,038,844.46	$ 2,270,172.73	$ 1,634,358.36	$ 1,272,296.79	$ 1,230,094.24	$ 1,287,888.67
Sinking Fund Reserve	6,963,145.67	5,041,755.08	1,491,384.38	968,200.81	523,206.63	514,250.27	511,647.40
Net Debt	$ 4,873,474.83	$ 1,997,089.38	$ 778,788.35	$ 666,157.55	$ 749,090.16	$ 715,843.97	$ 776,241.27
Interest	$ 536,402.49	$ 314,184.30	$ 103,618.85	$ 74,929.40	$ 57,445.91	$ 52,931.96	$ 53,541.67
Sinking Fund Levies	637,268.23	327,298.83	102,595.71	80,665.76	81,012.59	89,920.04	97,681.70
Total Annual Debt Charges	$ 1,173,670.72	$ 641,483.13	$ 206,214.56	$ 155,595.16	$ 138,458.50	$ 142,852.00	$ 151,223.37

TABLE III (Cont'd)

Particulars	1932	1936	1940	1942	1944	1946	1947
Self-Supporting:							
Gross Debt	$36,505,057.17	$37,603,054.10	$33,632,956.05	$29,501,437.82	$23,685,796.88	$20,096,868.93	$18,040,673.08
Sinking Fund Reserve	10,877,110.19	17,175,373.17	17,262,330.74	17,760,370.99	14,000,942.11	9,929,887.56	8,678,390.33
Net Debt	$25,627,946.98	$20,427,680.93	$16,370,625.31	$11,741,066.83	$ 9,684,854.77	$10,166,981.37	$ 9,362,282.75
Interest	$ 1,728,109.62	$ 1,787,953.15	$ 1,597,067.94	$ 1,358,040.07	$ 1,025.999.23	$ 809,547.96	$ 762,212.19
Sinking Fund Levies	778,539.90	714,896.41	670,323.54	562,342.35	492,313.09	485,891.10	481,008.27
Total Annual Debt Charges	$ 2,506,649.52	$ 2,502,849.56	$ 2,267,391.48	$ 1,920,382,42	$ 1,518,312.32	$ 1,295,439.06	$ 1,243,220.46
Total:							
Gross Debt	$66,570,386.67	$64,777,640.31	$54,855,455.08	$48,064,803.60	$36,980,179.56	$32,088,884.94	$31,564,029.70
Sinking Fund Reserve	26,620,797.34	32,426,387.13	30,064,071.11	28,823,972.32	21,899,304.30	17,315,012.55	16,046,680.43
Net Debt	$39,949,589.33	$32,351,253.18	$24,791,383.97	$19,240,831.28	$15,080,875.26	$14,773,872.39	$15,517,349.27
Interest	$ 3,130,216.35	$ 3,043,515.91	$ 2,573,843.46	$ 2,207,599.44	$ 1,621,991.96	$ 1,305,658.51	$ 1,303,295.57
Sinking Fund Levies	1,805,370.77	1,511,139.37	1,230,250.71	1,102,224.91	1,038,944.68	1,037,898.55	1,117,927.07
Total Annual Debt Charges	$ 4,935,587.12	$ 4,554,655.28	$ 3,804,094.17	$ 3,309,824.35	$ 2,660,936.64	$ 2,343,557.06	$ 2,421,222.64

Note 1.

The provisions of the Winnipeg Charter require that in connection with every debenture issue (except of course when payable serially or by instalments) there shall be paid over to the Sinking Fund Trustees on each anniversary date until maturity an amount calculated, with interest, to retire the debt at maturity. The only exceptions to this rule are instances where the conditions of the money market make it desirable to issue short term bonds, in which case the annual contribution to the Sinking Fund may be reduced to not less than 2% of the debt, being an amount which would be sufficient to effect retiral in about thirty years. At the present time there are only two items of the City's debt to which this provision now applies, namely, the $1,500,000.00 4% ten-year bonds issued in 1942 for Hydro Electric purposes, the annual Sinking Fund provision being 3% of the debt and the $950,000.00 3½% ten-year bonds issued in 1941 for Unemployment Relief purposes, the annual Sinking Fund provision being 3.14% of the debt.

Note 2.

No Debenture issue presently outstanding will have the Sinking Fund fully accumulated prior to maturity.

SCHEDULE A

ESTIMATED FINANCIAL BENEFIT FOR WINNIPEG IF RECOMMENDATIONS ARE ACCEPTED

1. Social Services	City's Estimated Cost, 1948		Estimated Benefit
(a) Direct Aid and Medical Relief.......	$ 569,700	50%	$ 284,850
(b) Child Welfare Act..................	97,000	50%	48,500
(c) Institutional Aid..................	210,000	50%	105,000
Hospitalization of:			
(d) Old Age Pensioners, etc.......	15,000	100%	15,000
(e) Public Ward Patients.........	55,000	50%	27,500
(f) T.B. Patients................	180,000	50%	*74,000
(g) City's share of Old Age Pensions....	300,000	100%	300,000
			$ 854,850

*$16,000 presently paid to City by Government deducted.

2. Educational Grants	Grants under Proposed Formula	Presently Estimated for 1948
Average Monthly Enrolment, all grades—29,000 29,000÷30=967×$1,400.00.........	$1,353,800.00	$1,353,800.00
Average Monthly Enrolment, grades X, XI, XII—4,875 4,875÷25=195×$500.00............	97,500.00	97,500.00
Average Monthly Enrolment, grade IX—2,200 2,200÷30=73×$350.00............	25,550.00	25,550.00
	$1,476,850.00	$1,476,850.00
Less 6 Mills on $206,516,123 or 967 Teachers×$1,200..............		1,160,400.00
Less 5 Mills on $171,000,000............	855,000.00	
	$ 621,850.00	$ 316,450.00
Less 1½% for 197 days................	9,327.75	4,747.00
	$ 612,522.25	$ 311,703.00
Day Classes—Technical Grant...........	16,334.00	16,334.00
Library and Laboratory.................	3,600.00	3,600.00
	$ 632,456.25	$ 331,637.00
17,125 Elementary Pupils at $ 5.00 each..	85,625.00	—
4,875 High School " " 10.00 " ..	48,750.00	—
7,000 Junior High " " 7.50 " ..	52,500.00	—
29,000	$ 819,331.25	$ 331,637.00
Other Grants:		
Special Classes.......................	2,700.00	2,700.00
Technical Equipment................	3,000.00	3,000.00
Evening Schools.....................	8,000.00	8,000.00
	$ 833,031.25	$ 345,337.00
	345,337.00	
Estimated Increase...................	$ 487,694.25	

SCHEDULE A (Cont'd)

3. Streets and Roads		Estimated Benefit
(a) **Motor Vehicle Licenses**		
Province's Estimate for year ended March 31, 1948..................	$1,400,000	
⅓ to Municipalities................	$466,000	
Winnipeg's share on per capita basis ⅓............		$155,000
(b) **Gasoline Tax**		
Province's Estimate for year ended March 31, 1948..................	$4,036,000	
2/9 to Municipalities................	$897,000	
Winnipeg's share on per capita basis ⅓............		300,000
		$455,000

4. Balance of Municipal Taxes on Government Commercial Properties	
Telephone System:	
Levy on Statutory Assessment.......	$44,000
Business Tax......................	16,847
	$60,847
Liquor Control Commission:	
Business Tax......................	6,155
Manitoba Power Commission:	
Business Tax......................	1,002
	$68,004

Summary:	
Social Services....................................	$ 855,000
Educational Grants................................	488,000
Streets and Roads..................................	455,000
Balance of Municipal Taxes on Government Commercial Properties....................................	68,000
	$1,866,000