

# Manitoba Municipal Spending Watch

## 2<sup>nd</sup> Edition: Trends in Municipal Operating Spending

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From 2008 to 2013, total operating spending in Manitoba's 26 largest municipalities exceeded the CFIB's sustainable spending growth benchmark of inflation and population growth. Exceeding the benchmark cost residents \$606 million, or \$635 per resident, over six years. This is the equivalent of \$2,540 for a family of four.

### Introduction

In Manitoba, municipalities play an integral role in the economy. Local governments provide services, such as infrastructure and emergency services, that are essential for a vibrant and growing small business sector.

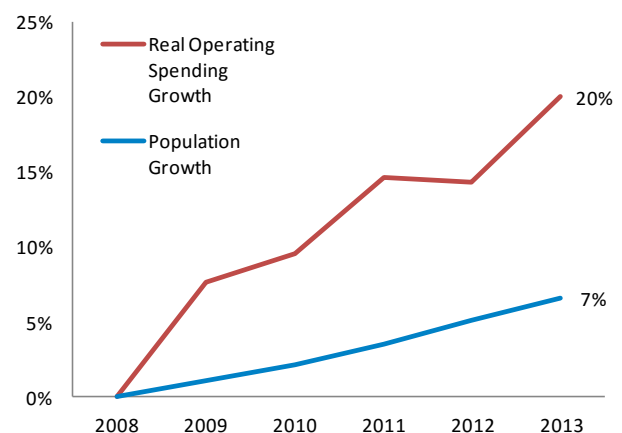
Unfortunately, Manitoba entrepreneurs increasingly believe local governments do not understand the realities of running a small business. Specifically, the majority of small business owners (60%) are concerned that local governments are not doing a good job of controlling their spending.<sup>1</sup>

Entrepreneurs believe annual operating spending growth should be limited to no more than the rate of inflation and population growth. The second edition of the *Manitoba Municipal Spending Watch* evaluates 26 Manitoba local governments - those with populations greater than 5,000 residents - against this benchmark<sup>2</sup>.

Overall, municipalities are failing to meet this goal. Between 2008 and 2013, inflation-adjusted (i.e. real) operating spending increased 20 per cent, almost 3 times faster than their 7 per cent population growth rate (see Figure 1).

Figure 1

### Real Operating Spending and Population Growth, 2008-2013



Source: *Municipal Consolidated Financial Statements 2008-2013*, *MB Municipal Population Estimates 2008-2013*, *Statistics Canada, Consumer Price Index, By Province, Manitoba, Statistics Canada.*

<sup>1</sup> CFIB OMO Data, January to July 2015.

<sup>2</sup> The 26 municipalities represent 77 per cent of Manitoba's population

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## Overall Results

- ▶ Manitoba's 26 largest municipalities spent over \$7.8 billion in real operating spending from 2008-2013.
- ▶ Overall municipal real operating spending increased by 20 per cent while population grew by 7 per cent.
- ▶ Municipal governments grew spending by \$606 million more than the reasonable benchmark of inflation and population growth from 2008-2013, or \$635 per person.
- ▶ In 2013, municipalities spent \$1,457 per resident (inflation adjusted) for the operations of their government, \$162 more than in 2008.
- ▶ Rural Municipalities grew operating spending by 29 per cent, or 3.6 times more than the sustainable benchmark of population growth, costing residents \$572 per capita. In rural municipalities population grew by 8 per cent.
- ▶ Winnipeg operating spending grew by 20 per cent, or 3.3 times the rate of population growth of six per cent. This unsustainable spending cost residents \$685 per capita over the six year study period.
- ▶ Manitoba's other Cities and Towns recorded population growth of 7 per cent while operating spending grew by 14 per cent, double the benchmark. This cost residents an average of \$430 between 2008 and 2013.

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## Municipality Specific Results

### The Good

- ▶ The Rural Municipality of La Broquerie ranked as the best rural municipality for sustainable spending, recording an 8 per cent decrease in real operating spending per capita. La Broquerie spent \$553 per capita in 2013 to provide services.
- ▶ The City of Dauphin ranked as the best, in the cities and towns category, for sustainable spending. Real operating spending did not grow on a per capita basis during the past six years. Spending per resident totaled \$1,292 in 2013.

### The Bad

- ▶ The Rural Municipality of MacDonald was ranked the worst for sustainable spending. Real operating spending per capita increased by 96 per cent over six years, with 2013 spending levels at \$1,519 per resident.
- ▶ In the cities and towns category, The Town of The Pas was ranked as the worst for sustainable spending. Real operating spending per capita grew by 18 per cent in six years. Spending levels were \$1,949 per resident in 2013.

## The Operating Spending Benchmark: Inflation and Population Growth

Why compare inflation-adjusted operating spending increases to population growth?

It makes sense that municipal operating spending would increase to accommodate population growth and provide the same services to more citizens. In addition, it is reasonable that operating spending should be adjusted for inflation to account for any increase in prices. Small business owners support spending increases to match inflation and population growth, but not beyond.

The local Consumer Price Index (CPI) is used in this report to measure inflation. Some municipalities establish their own Municipal Price Index (MPI) and advocate for its use instead. However, from the perspective of Canadian taxpayers, the CPI is more relevant, as it reflects the price increases they face. Moreover, the MPI arbitrarily puts a heavy weight on components that municipalities can control or negotiate, such as wages and salaries of their employees.

Some suggest economic (GDP) growth as a benchmark for municipal operating spending growth. However, GDP growth largely captures productivity gains, which occur mostly in the private sector. Additionally, city administration does not need to expand at the same pace as economic growth; due to economies of scale, local governments are able to increase service delivery in a cost-efficient way. Therefore, there is no need for local governments to expand at the same pace as the economy.

## Municipal Spending Trends 2008-2013

In Manitoba, municipal responsibilities differ by type of local government and population size. To provide comparable analysis, it can be useful to separate the municipalities into three groups: Rural Municipalities (RMs), the City of Winnipeg, and Cities and Towns (CTs).

### Operating Spending Growth

Since 2008, the gap between sustainable spending and inflation adjusted operating spending has widened in all classes of municipality.

When examining overall spending trends by group, RMs lead the province when it comes to unsustainable spending. RM spending grew by 29 per cent while their population grew by just 8 per cent, exceeding the spending benchmark by 3.6 times (see Table 1). Spending more than the benchmark cost each RM resident \$572 over the six year period.

Table 1

### Growth of Municipal Operating Spending: 2008-2013

	Real Operating Spending Growth (%)	Sustainable Benchmark (Population Growth) (%)	Spending Above Benchmark, 2008-2013 (per Capita) (\$)
Rural Municipalities	29	8	572
Winnipeg	20	6	685
Cities and Towns	14	7	430

Source: CFIB analysis of 2008 – 2013 Municipal Consolidated Financial Statements.

Winnipeg had the second largest gap between the sustainable benchmark and operating spending growth. This resulted in operating spending exceeding the benchmark by over 3 times, or \$685 per resident from 2008 to 2013.

While Manitoba CTs were the closest to reaching the sustainable spending

benchmark, they still fell short (see Table 1). Manitoba CTs increased operating spending by 14 per cent, or twice the amount of the sustainable benchmark. This cost residents \$430 each over six years.

## Municipal Spending Rankings

While some municipalities are doing their part to keep operating spending sustainable, the majority are not. To rank municipalities' efforts to keep operating spending at sustainable levels, the CFIB reviewed the growth rate of real consolidated operating spending per capita, less amortization, and the level of real per capita spending in 2013 (for methodology details and overall province rankings please see Appendix I and II respectively).

To provide accurate comparisons between local governments, municipalities are divided and ranked by category.

### Rural Municipalities

When ranking Manitoba's RMs, La Broquerie has the most sustainable spending. La Broquerie recorded a decrease of 8 per cent in per capita real operating spending, and spent \$553 per resident on operating spending in 2013 (see Table 2). La Broquerie has been able to achieve this level of success due to re-negotiation of municipal employee contracts and adopting alternate service delivery mechanisms where there were cost savings.

The RM of MacDonald ranked the worst for sustainable operating spending with real per capita operating spending growth of 96 per cent. In 2013 the RM spent \$1,519 per resident on services.

Worthy of mention is the RM of St. Anne, who had the lowest per capita spending of all the RMs. St. Anne spent \$415 per resident on operating spending in 2013, but its real operating spending per capita grew by 17 per cent over the six years. If St. Anne were to keep operating spending growth in check, there is potential to rank first among RMs in Manitoba.

Table 2

### RM Rankings (Best to Worst)

RM	Operating Spending Growth Per Capita (%)	Operating Spending Per Capita 2013 (\$)	Rank
La Broquerie	-8	553	1
Hanover	5	508	2
St. Anne	17	415	3
East St. Paul	-9	694	4
Taché	12	528	5
St. Andrews	12	699	6
Ritchot	-1	884	7
West St. Paul*	20	683	8
Stanley	23	663	9
Springfield	25	841	10
Rockwood	32	766	11
RM of Portage La Prairie	3	1,280	12
St. Clements	66	824	13
Gimli	27	1,403	14
Macdonald	96	1,519	15
<b>Average</b>	<b>21</b>	<b>817</b>	<b>-</b>

Source: CFIB analysis of 2008 – 2013 Municipal Consolidated Financial Statements.

\*For 2012/2013 preliminary unaudited financial statements used.

### Cities and Towns

When ranking Manitoba CTs on sustainable spending, the City of Dauphin ranked first. Dauphin had no growth in real operating spending per capita, resulting in spending of \$1,292 per resident (see Table 3).

In last place with the highest per capita real operating spending growth is the Town of The Pas. The Pas recorded real operating spending growth per capita of 18 per cent from 2008 to 2013, which translates to spending of \$1,949 per resident in 2013.

While Winnipeg is not directly comparable to other Manitoba CTs due to different responsibilities, if it were to be included, it would rank second last, just ahead of The Pas. Winnipeg recorded a per capita real operating spending growth rate of 13 per cent, and spent \$1,584 per resident on operating spending.

Table 3

### Cities and Towns Rankings (Best to Worst)

City and Town	Operating Spending Growth Per Capita (%)	Operating Spending Per Capita 2013 (\$)	Rank
Dauphin	0	1,292	1
Morden	3	1,109	2
Winkler	6	1,069	3
City of Portage La Prairie	6	1,541	4
Steinbach	13	1,038	5
Brandon	6	1,562	6
Selkirk	11	1,403	7
Thompson	11	1,577	8
Flin Flon	2	2,302	9
The Pas	18	1,949	10
<b>Average</b>	<b>8</b>	<b>1,484</b>	-

Source: CFIB analysis of 2008 – 2013 Municipal Consolidated Financial Statements.

## Spending by Municipal Category

While unsustainable spending trends are common to all types of local governments, the cost centers driving spending growth vary.

To identify spending drivers, the CFIB evaluated spending by both department and function. Spending by department refers to the specific area of government where the money was spent (e.g. Transportation Services, Recreation and Cultural Services). Expense by function refers to the specific activity where the expense was incurred (e.g. Personnel Services, Grants and Contributions).

When evaluating operating spending by either department or function, two aspects must be considered - the size of the spending category and the growth rate of spending within that category.

As responsibilities differ between RMs, the City of Winnipeg, and Manitoba's other CTs, the analysis of operating spending is separated by community type.

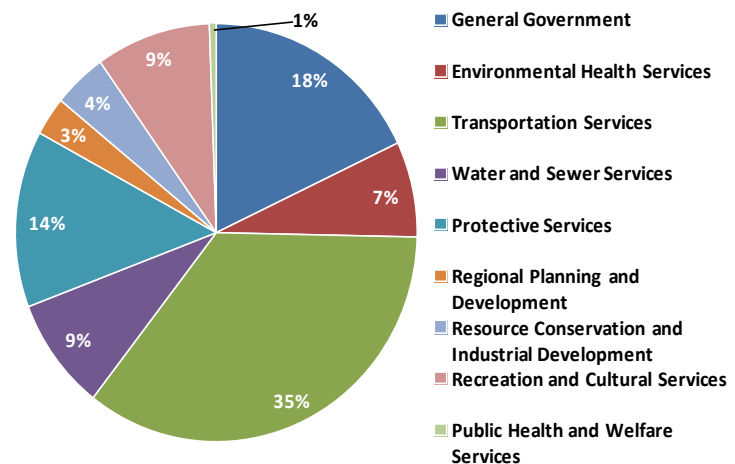
## Rural Municipalities

### Spending by Department

When looking at RM departmental spending, Transportation Services and General Government make up the majority of spending (see Figure 2). Transportation Services account for the largest portion of spending at 35 per cent. This is almost double the spending on General Government, which accounts for 18 per cent.

Figure 2

### RM Spending by Department, 6 Year Average

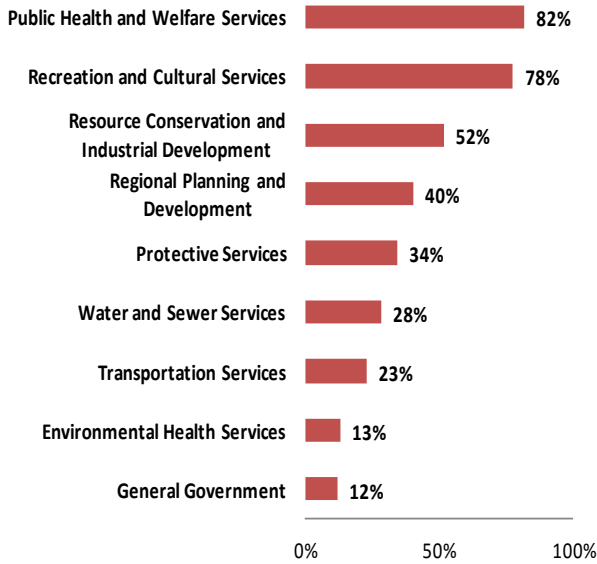


Source: Municipal Consolidated Financial Statements 2008-2013, Consumer Price Index by Province, Statistics Canada.

A review of RM departmental growth rates indicates that all departments are growing faster than the sustainable spending benchmark (see Figure 3).

Figure 3

### Growth of RM Departmental Spending: 2008-2013



Source: Municipal Consolidated Financial Statements 2008-2013, MB Municipal Population Estimates 2008-2013 Statistics Canada, Consumer Price Index, By Province, Manitoba, Statistics Canada.

Public Health and Welfare Services is the fastest growing department, recording a growth rate of 82 per cent, or over 10 times the sustainable benchmark. Thankfully for rural residents, this department accounts for just 1 per cent of operating spending.

Recreation and Cultural Services is the second fastest growing department, recording a growth rate of 78 per cent from 2008 to 2013. This is cause for concern as this department accounts for 9 per cent of operating spending in RMs.

Transportation Services, the largest department, recorded a growth rate of 23 per cent, the third lowest of all the departments. While this may sound promising when compared to other growth rates, comparing this to the sustainable benchmark tells another story. Transportation Services grew almost 3 times faster than the sustainable benchmark of population growth.

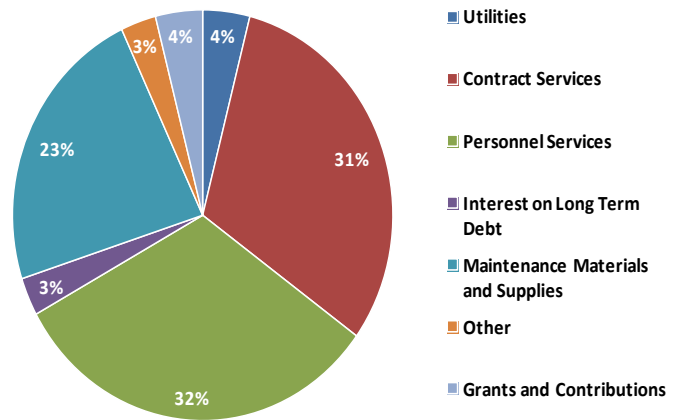
### Spending by Function

Labour Costs - referred to as Personnel Services in consolidated financial statements - and Contract Services account for the majority of functional spending in RMs. Labour Costs account for 32 per cent of total spending, while Contract Services consume 31 per cent of operating spending<sup>3</sup> (see Figure 4).

It should be noted that most RMs contract policing services with the RCMP, which are thus recorded as Contract Services.

Figure 4

### RM Spending by Function, 6 Year Average



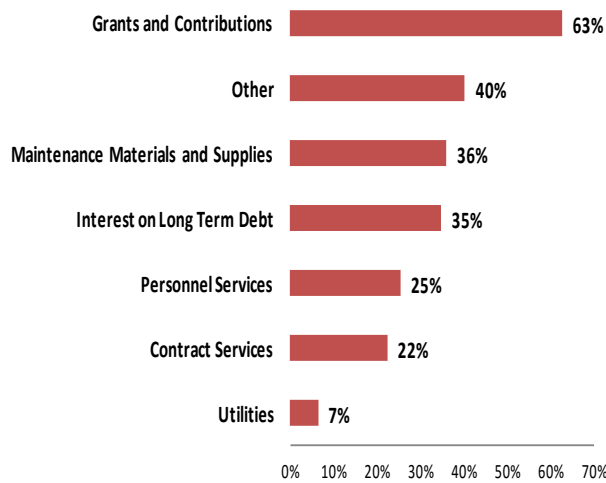
Source: Municipal Consolidated Financial Statements 2008-2013, Consumer Price Index by Province, Statistics Canada.

The third biggest expense for RMs is Maintenance Materials and Supplies, which account for 23 per cent of operating spending. This functional expense has also grown unsustainably from 2008 to 2013, recording a growth rate of 36 per cent, the third highest of all functional expenses (see Figure 5).

<sup>3</sup> Contract Services include all expenses resulting from the purchasing of services from the private sector or other government bodies, such as contracting out policing services to the Royal Canadian Mounted Police (RCMP).

Figure 5

### Growth of RM Functional Spending: 2008-2013



Source: Municipal Consolidated Financial Statements 2008-2013, MB Municipal Population Estimates 2008-2013 Statistics Canada, Consumer Price Index, By Province, Manitoba, Statistics Canada.

As Labour Costs account for the largest portion of operating spending, examining the growth rate becomes a necessity. Labour Costs grew 25 per cent, or over 3 times the sustainable benchmark, from 2008 to 2013. This is a key area for local governments to focus on if they want to control operating spending.

Grants and Contributions is the fastest growing expense, recording a growth rate over the study period of 63 per cent, almost 8 times the sustainable benchmark.

The functional expense “Other” recorded a growth rate of 40 per cent, the second highest of all the functions. “Other” refers to expenses which cannot be classified, such as bank service charges and interest on short term borrowing. Although “Other” has a high growth rate, it accounts for just 3 per cent of operating spending, which somewhat mitigates the concern.

## Winnipeg

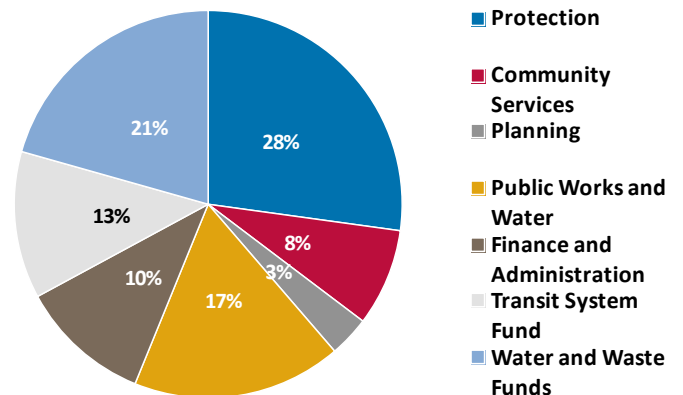
### Spending by Department

When examining spending by department in the City of Winnipeg, it is easy to identify the department driving spending growth: Protective Services.

Protective Services, which include firefighters, paramedics, and police officers, account for the largest portion of operating spending. This department makes up 28 per cent of Winnipeg’s operating spending, while also recording a spending growth rate of 42 per cent, the highest of all Winnipeg departments (see Figure 6 & 7).

Figure 6

### Winnipeg Spending by Department, 6 Year Average



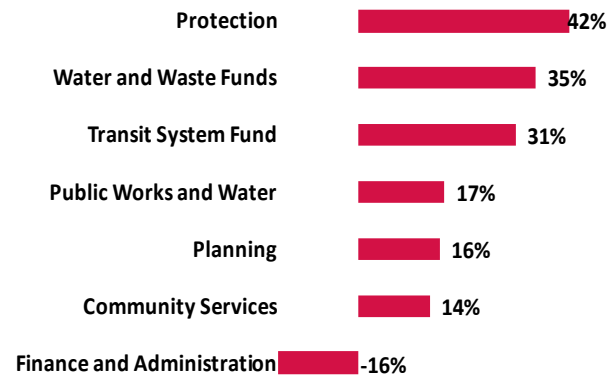
Source: Winnipeg Consolidated Financial Statements 2008 – 2013, Consumer Price Index Winnipeg, Statistics Canada.

Water and Waste funds, the second largest department, account for 21 per cent of operating spending within the City of Winnipeg, and recorded a growth rate of 35 per cent, or over 5 times the sustainable spending benchmark of population growth.

In Winnipeg, all departments, with the exception of Finance and Administration, are growing faster than the sustainable benchmark (see Figure 7).

Figure 7

**Growth of Winnipeg Departmental Spending: 2008-2013**



Source: Winnipeg Consolidated Financial Statements 2008 – 2013, Consumer Price Index Winnipeg, Statistics Canada.

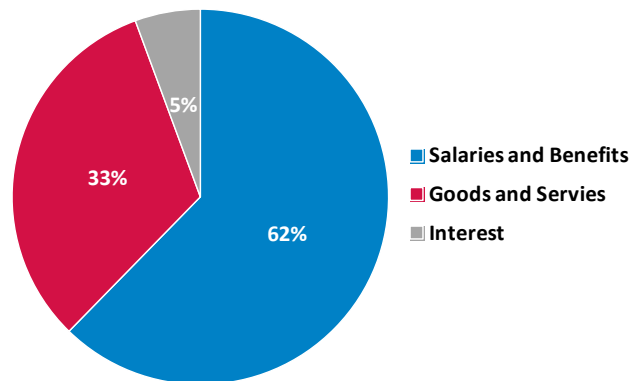
Finance and Administration, commendably, decreased spending by 16 per cent over the six year study period. Unfortunately, the strong performance had little impact on the overall direction of Winnipeg’s spending patterns (see Figure 7). This highlights the fact that more must be done to limit operating spending growth.

*Spending by Function*

CFIB’s evaluation found that Labour Costs, referred to as Salaries and Benefits in Winnipeg’s financial statements, made up the largest portion of operating spending, almost doubling the amount of the next largest function, Goods and Services.<sup>4</sup> Labour Costs made up 62 per cent of total operating spending for Winnipeg, while Goods and Services made up 33 per cent (see Figure 8).

Figure 8

**Winnipeg Spending by Function, 6 Year Average**

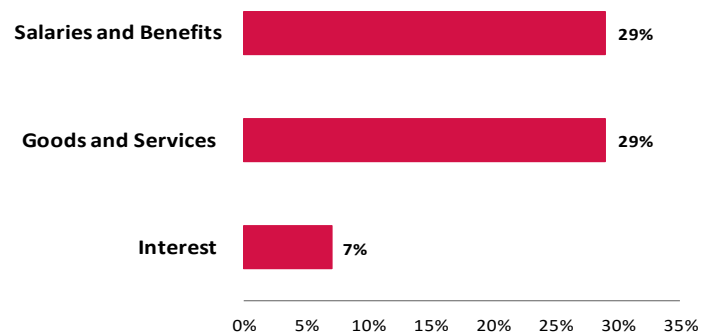


Source: Winnipeg Consolidated Financial Statements 2008 – 2013, Consumer Price Index Winnipeg, Statistics Canada.

Labour Costs are also tied as the fastest growing expense in Winnipeg. Costs associated with both Labour and the Goods and Services categories grew by 29 per cent, much higher than Winnipeg’s sustainability benchmark of 14 per cent (see Figure 9).

Figure 9

**Growth of Winnipeg Functional Spending: 2008-2013 (nominal)**



Source: Winnipeg Consolidated Financial Statements 2008 – 2013, Consumer Price Index Winnipeg, Statistics Canada.

<sup>4</sup> Labour costs consist of salaries, wages, benefits and employer contributions to payroll taxes (CPP, EI etc).



## Cities and Towns

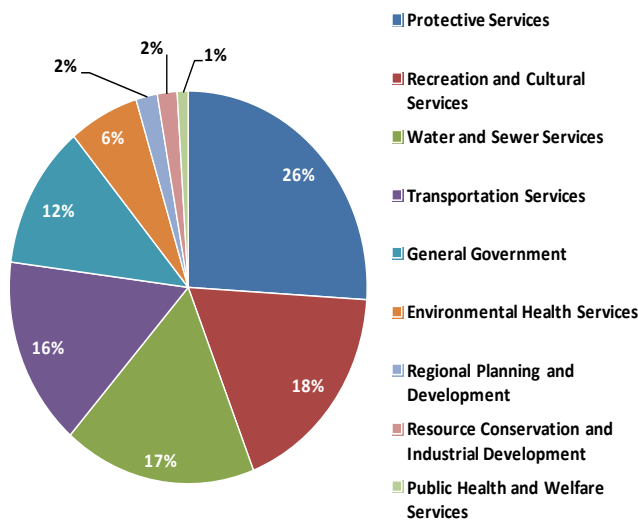
### Spending by Department

In contrast to RMs, Protective Services and Recreation and Cultural Services are the highest spending municipal departments within CTs.

Spending on Protective Services accounted for 26 per cent of operating spending. The Recreation and Cultural Services department consumed 18 per cent of the total budget (see Figure 10).

Figure 10

### Cities and Towns Spending by Department, 6 Year Average



Source: Municipal Consolidated Financial Statements 2008-2013, Consumer Price Index by Province, Statistics Canada.

Recreation and Cultural Services is the fastest growing department, recording a growth rate of 23 per cent, or over 3 times the sustainable benchmark (see Figure 11). As Recreation and Cultural Services is the second largest department this is a significant cause for concern if local governments wish to keep their operating spending in check.

Protective Services, the largest department, had the second highest growth rate of all the departments. Protective Services grew

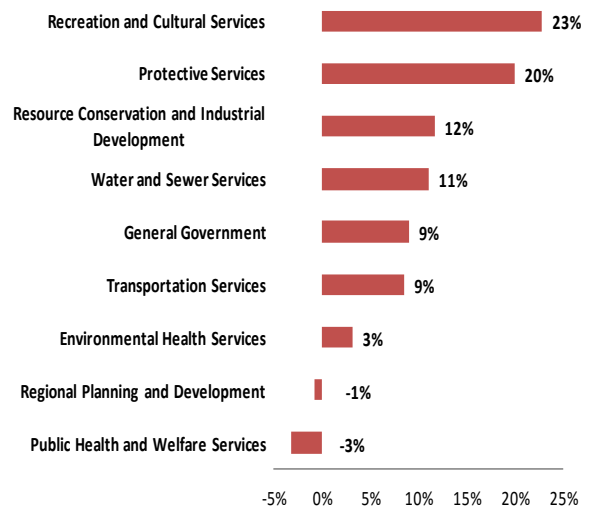
20 per cent from 2008 to 2013, almost 3 times the sustainable benchmark.

The third largest department, Water and Sewer Services, also grew unsustainably with a growth rate of 11 per cent.

Of notable mention are the 3 departments whose growth rates achieved the sustainable spending benchmark of 7 per cent. Environmental Health Services, Regional Planning and Development, and Public Health and Welfare Services, all maintained sustainable spending growth rates, with the latter two actually recording negative growth rates (see Figure 11). However, these departments together account for just 9 per cent of operating spending, leaving room for much more to be done to bring operating spending under control.

Figure 11

### Growth of Cities and Towns Departmental Spending: 2008-2013



Source: Municipal Consolidated Financial Statements 2008-2013, MB Municipal Population Estimates 2008-2013 Statistics Canada, Consumer Price Index, By Province, Manitoba, Statistics Canada.

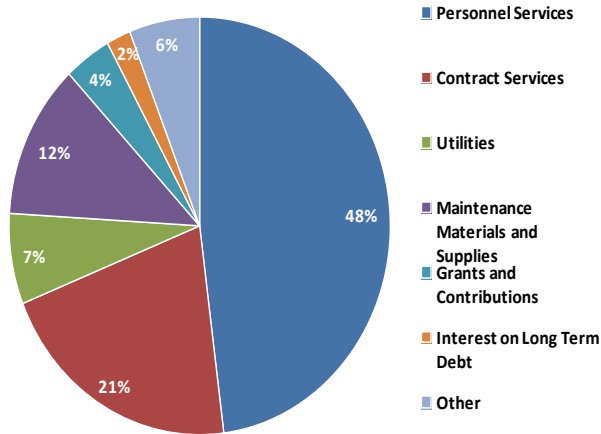
### Spending by Function

Like Winnipeg and RMs, Labour Costs make up the largest portion of operating spending within CTs. Labour Costs account for 48 per cent of operating spending, more than double the next largest category,

Contract Services, which totals 21 per cent of operating spending (see Figure 12).

Figure 12

### Cities and Towns Spending by Function, 6 Year Average



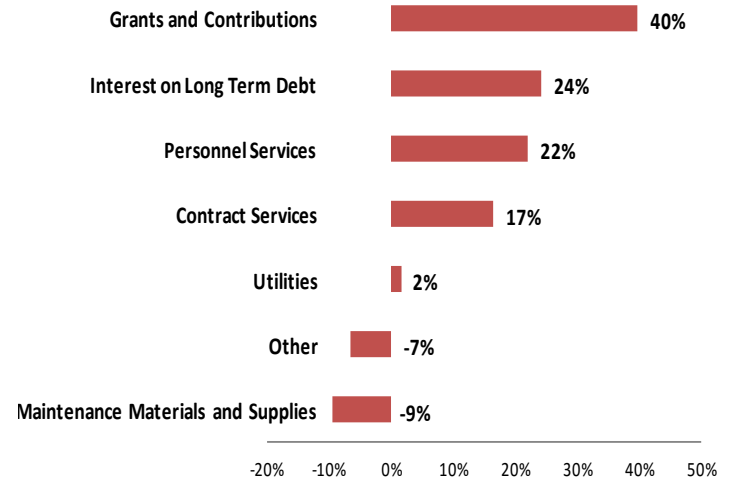
Source: Municipal Consolidated Financial Statements 2008-2013, Consumer Price Index by Province, Statistics Canada.

Examining growth rates of functional expenses shows that Grants and Contributions grew at a rate of 40 per cent from 2008 to 2013 (see Figure 13). The second highest growth rate was 24 per cent for Interest on Long Term Debt. Although these two functions had very high growth rates, they make up only six per cent of operating spending for CTs, somewhat mitigating the concern.

Labour Costs again are growing at an unsustainable rate, recording a growth rate of 22 per cent, or just over 3 times the sustainable benchmark of 7 per cent.

Figure 13

### Growth of Cities and Towns Functional Spending: 2008-2013



Source: Municipal Consolidated Financial Statements 2008-2013, MB Municipal Population Estimates 2008-2013 Statistics Canada, Consumer Price Index, By Province, Manitoba, Statistics Canada.

## Labour Costs Drive Spending

Regardless of municipal size or type, it is clear Labour Costs are the driving force behind spiraling municipal operating spending. Considering Labour Costs accounted for the majority of real operating spending within municipalities - 57 per cent in 2013 - addressing these costs is the only way to return to sustainable spending growth.<sup>5</sup>

All three classes of municipalities have increased Labour Costs by over 3 times their sustainable benchmarks (see Table 4). RMs over just six years increased Labour Costs by 25 per cent, CTs increased Labour Costs 22 per cent, and The City of Winnipeg recorded 19 per cent growth in Labour Costs.

These unsustainable Labour Costs, \$319 million in total, makes up 53 per cent of the total overspending in Manitoba over the six year period.

<sup>5</sup>Municipal Annual Financial Reports 2008-2013

Table 4

### Growth of Municipal Personnel Services: 2008-2013

	Labour Cost Growth (%)	Sustainable Benchmark (Population Growth) (%)	Spending Above Benchmark (per Capita) (\$)
Rural Municipalities	25	8	117
Cities and Towns	22	7	345
Winnipeg	19	6	367
<b>Overall Total</b>	<b>20</b>	<b>7</b>	<b>330</b>

Source: CFIB analysis of 2008 – 2013 Municipal Consolidated Financial Statements.

### Causes of Increasing Labour Costs

As Labour Costs are the largest driver of increasing operating spending, it follows that the determinants of Labour Costs must be controlled. The two parts of Labour Costs that are controllable are the cost per worker and the number of workers. The CFIB focuses on the cost per worker as data on the number of workers is not readily available for individual Manitoba municipalities.

### Cost Per Worker (Wages)

Increasing Labour Costs are driven by overly generous remuneration. CFIB's latest Wage Watch report indicates a large difference exists between public and private sector wages for the same occupation.

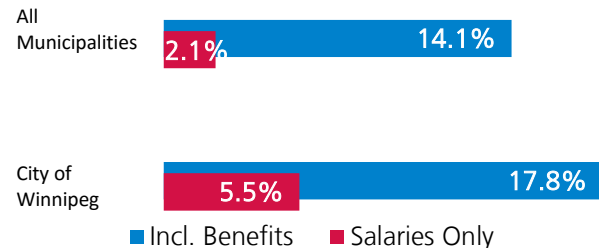
In Manitoba, municipal employees receive a wage advantage of 2.1 per cent compared to a private sector employee in the same occupation (see Figure 14)<sup>6</sup>. This advantage surges to 14.1 per cent when employer contributions to benefit plans are included.

In Winnipeg the compensation gap is larger yet, recording a 5.5 per cent wage advantage for municipal public sector employees. When benefits are added in, this

premium soars to 17.8 per cent (see Figure 14)<sup>7</sup>.

Figure 14

### Municipal Public Sector Wage and Benefit Advantages



Source: CFIB Wage Watch Report 2015

While there are wage gaps, it is clear that generous public sector benefits, such as shorter working hours and defined benefit pension plans, drive per worker costs higher.

Unpaid benefits, such as the length of the average workweek, also contribute to the compensation gap. Full-time municipal public servants in Canada work an average of 34.5 hours per week while the private sector work week is 37.9 hours on average.<sup>9</sup> While this gap may seem small, it equates to over four work weeks every year!

### The Cost of Unsustainable Spending

Overall, Manitoba's largest 26 municipalities are increasing operating spending at an unsustainable rate. Combined, the municipal governments spent \$606 million in excess of the sustainable spending benchmark (for overspending by individual RM please see Appendix III).

If local governments had kept spending in line with inflation and population growth, Manitoba residents would have saved each resident \$635, or over \$2,540 for a family of four.

<sup>6</sup> Figure 6 All Municipalities category include Winnipeg

<sup>7</sup> Figure 6 excludes fire and police wages

<sup>8</sup> Figure 6 excludes fire and police wages

<sup>9</sup> CFIB, Wage Watch Report 2015

Alternatively, this \$606 million could have been invested to decrease Manitoba's infrastructure deficit. Had these resources gone to infrastructure projects, it would have paved a 121 KM long four lane highway, equivalent to the distance between Winnipeg and the US Border on Highway 75.

increase taxes or cut capital budgets to cover this unsustainable spending, Manitoba's small business climate will become less and less competitive, causing economic growth and job creation to slow. Both of these outcomes do not bode well for increasing Manitoba's prosperity.

This unsustainable spending is a problem for all Manitobans as excess operating spending leads to higher taxes and/or lower infrastructure investment. As governments

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## Conclusion

It is evident that over the six year period from 2008 to 2013, Manitoba's 26 largest municipalities have not provided residents with sustainable operating spending. In fact, only one municipality achieved sustainable spending growth throughout the entire study period, although some governments have made strong efforts to control their spending more recently.

Higher than needed municipal operating spending ultimately leads to a combination of higher taxation and/or lower infrastructure spending, both of which hinder economic development and job creation within the small business sector. If local governments do not reign in their operating spending, it will become a greater burden on taxpayers and limit the ability of their small business communities to grow and prosper.

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## Recommendations

Based on these findings, CFIB presents the following recommendations for municipalities and the Manitoba government to achieve sustainable operating spending:

### For municipal governments:

- ▶ Limit annual operating spending growth to no more than the rate of inflation and population growth.
- ▶ Conduct municipal core service reviews to identify key services and ensure effective fiscal management.
- ▶ Implement compensation systems that are sustainable and more closely align with those of private sector workers:
  - A. Limit compensation increases, particularly where there are any significant gaps, until public and private sector compensation levels are aligned.
  - B. Introduce a plan to reduce the cost of compensation through pension reforms (e.g. enroll new hires in defined contribution or shared risk pension plans instead of defined benefit pension plans).
  - C. Eliminate the Bridge Benefit for early retirement.
  - D. Reduce unfunded Pension Liabilities without relying solely on taxpayer bailouts.

- ▶ Provide more transparent communication of financial information:
  - A. Each municipality should publish at least the five most recent Audited Financial Statements on their website.
  - B. The City of Winnipeg should publically provide a financial report comparable to those provided by all other Manitoba municipalities.

### For the Manitoba Government:

- ▶ Improve the quality of municipal financial data to allow for better assessment and comparison of municipal spending:
  - A. Municipal financial data should be more accessible and include more detailed analysis, such as amortization of tangible capital assets.
  - B. Work with other provinces to collect and publish municipal financial information in a consistent manner that is fully comparable across the country.
- ▶ Freeze funding to municipalities for operating spending at current levels until municipal governments better manage their spending:
  - A. Additional general-purpose (i.e. unconditional) transfers to municipalities above current levels should not be granted until municipalities limit operating spending growth to no more than inflation and population growth, align public sector compensation with private sector norms, and address pension shortfalls and sustainability.
- ▶ Revise provincial labour laws:
  - A. Arbitration laws and practices should require that, in the event of failed negotiations, prevailing local private sector wage and benefit levels are the primary determinants of arbitrated wage awards rather than the current practice of benchmarking against other public sector organizations. This would help bring municipal spending on employee wages, salaries and benefits in line with private sector norms, while limiting the unsustainable growth of municipal employee compensation.
  - B. Move toward implementing no-strike legislation for a larger proportion of government workforces. Apart from imposing huge costs and being a major inconvenience to the public, public sector strikes are major bargaining levers and contribute greatly to higher wage levels.

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- Rural Municipality of Springfield, Consolidated Financial Statements, 2009-2013
- Rural Municipality of St. Andrews, Consolidated Financial Statements, 2009-2013
- Rural Municipality of St. Clements, Consolidated Financial Statements, 2009-2013
- Rural Municipality of Stanley, Consolidated Financial Statements, 2009-2013
- Rural Municipality of Taché, Consolidated Financial Statements, 2009-2013
- Town of The Pas, Consolidated Financial Statements, 2009-2013
- Rural Municipality of West St. Paul, Consolidated Financial Statements, 2009-2013
- Rural Municipality of Macdonald, Consolidated Financial Statements, 2009-2013

Rural Municipality of St. Anne, Consolidated Financial Statements, 2009-2013

Rural Municipality of Ritchot, Consolidated Financial Statements, 2009-2013

Town of Morden, Consolidated Financial Statements, 2009 - 2013

City of Winnipeg, Consolidated Financial Statements, 2009 - 2013

## Appendix I

### Methodology

#### How is Spending Measured?

The Manitoba Municipal Spending Watch report analyzes municipal spending statistics from 2008-2013 for Manitoba municipalities with populations over 5,000 (26 in total). The data is obtained from each municipality's consolidated audited financial statements. The figures and tables in this document are CFIB's calculations based on the data provided.

Report rankings are based on an equal weighting of growth in inflation-adjusted consolidated operating spending per capita (2008-2013) and the 2013 real operating spending per capita.

A standardized index is created for each indicator (between 0 and 100). The municipality with the lowest 2008-2013 real operating spending per capita growth is given a score of 0 while the municipality with the highest 2008-2013 real operating spending per capita growth is given a score of 100. All other municipalities are given a proportionate score within that range. The same exercise is then applied to the indicator for the 2013 real operating spending per capita. The average of the two scores is then converted to a percentage score which is subsequently ranked against the other municipalities.

Municipal operating spending is calculated using total municipal expenditures less amortization. School division tax transfers are also excluded from the operating expenditure analysis.

Operating expenditures are adjusted for inflation, expressed in year 2008 dollars, so figures have comparability. The Winnipeg Consumer Price Index (CPI) is used in this report to measure inflation for Winnipeg; the Manitoba CPI is used for all other municipalities<sup>10</sup>.

Municipalities with lower rankings have performed poorly in achieving a sustainable level of operating spending, whereas those municipalities with higher rankings performed well to achieve a more sustainable level of operating spending.

Municipal population growth rates are calculated based on data from Statistics Canada's Demography Division (Table 1, Annual population estimates by sex, July 1, 2001 to 2013, Census Subdivisions, Canada).

Inflation-adjusted (i.e. real) municipal operating spending is considered excessive when it exceeds the benchmark of population growth. Excess spending is used as a measure to indicate how much a municipality could have saved if spending had been held to the benchmark.

<sup>10</sup> Statistics Canada, Table 326-0021



## Appendix II

Table 5

### 2008-2013 Overall Provincial Ranking (1=Best)

Municipality	Rank	Population Growth (%)	Real Operating Spending Growth (%)	Operating Spending Growth Per Capita (%)	Operating Spending Per Capita 2013 (\$)
La Broquerie	1	27	17	-8	553
East St. Paul	2	4	-5	-9	694
Hanover	3	14	20	5	508
St. Anne	4	8	26	17	415
Taché	5	12	25	12	528
Ritchot	6	9	8	-1	884
St. Andrews	7	4	17	12	699
West St. Paul*	8	10	31	20	683
Stanley	9	19	46	23	663
Morden	10	14	18	3	1,109
Winkler	11	13	19	6	1,069
Steinbach	12	18	33	13	1,038
Springfield	13	7	33	25	841
Dauphin	14	-1	0	0	1,292
RM of Portage La Prairie	15	-4	-2	3	1,280
Rockwood	16	3	36	32	766
Selkirk	17	5	17	11	1,403
City of Portage La Prairie	18	-1	6	6	1,541
Brandon	19	9	16	6	1,562
Thompson	20	-1	10	11	1,577
Winnipeg	21	6	20	13	1,584
Gimli	22	1	28	27	1,403
St. Clements	23	7	77	66	824
The Pas	24	0	17	18	1,949
Flin Flon	25	-2	0	2	2,302
Macdonald	26	8	111	96	1,519
<b>Overall</b>	<b>-</b>	<b>7</b>	<b>20</b>	<b>12</b>	<b>1,457</b>

Source: CFIB analysis of 2008 – 2013 Municipal Consolidated Financial Statements.

Note: rankings are based on an equal weighting of growth in inflation-adjusted consolidated operating spending per capita (2008-2013) and the 2013 operating spending per capita. For more information see Appendix I.

\*For 2012/2013 preliminary unaudited financial statements used.

## Appendix III

Table 6

### 2008-2013 Total Excess Spending Per Capita

Municipality	2008 - 2013 Cumulative Excess Spending (\$)	2008 - 2013 Excess Spending Per Capita (\$)	Cost of Excess Spending to a Family of Four (\$)
La Broquerie	96,673	18	72
East St. Paul	-3,706,355	-399	-1,596
Hanover	2,025,690	137	548
St. Anne	1,944,895	394	1,576
Taché	2,523,476	234	936
Ritchot	1,675,097	291	1,164
St. Andrews	6,700,756	549	2,196
West St. Paul*	6,013,921	1,182	4,728
Stanley	3,610,700	414	1,656
Morden	1,926,050	236	944
Winkler	4,032,063	363	1,452
Steinbach	6,574,653	462	1,848
Springfield	11,661,525	801	3,204
Dauphin	1,950,580	237	948
RM of Portage La Prairie	3,930,614	596	2,384
Rockwood	6,364,142	778	3,112
Selkirk	4,702,272	463	1,852
City of Portage La Prairie	7,765,067	592	2,368
Brandon	20,421,574	429	1,716
Thompson	11,848,957	875	3,500
Winnipeg	471,866,494	685	2,740
Gimli	7,787,804	1,324	5,296
St. Clements	13,475,019	1,246	4,984
The Pas	4,795,096	852	3,408
Flin Flon	-4,468,571	-816	-3,264
Macdonald	11,077,332	1,718	6,872
<b>Overall</b>	<b>606,595,525</b>	<b>635</b>	<b>2,540</b>

Source: CFIB analysis of 2008 – 2013 Municipal Consolidated Financial Statements.

\*For 2012/2013 preliminary unaudited financial statements used.