

TOWARD A 'NEW DEAL': REFORMING THE RELATIONSHIP BETWEEN GOVERNMENT AND ITS CITIZENS

Introduction

What will it take for Winnipeg to succeed in a changing global economy? Is it infrastructure, or is it jobs? Is it education, or immigration? Of course no one can predict the future with certainty. But those who try tell us it's all of these, and more. Prognosticators of all sorts suggest that Canada's success is linked unequivocally to the success of its cities. They are the economic engines of the future. Close to 80% of Canada's population now lives in urban centers. Why? Because urban centers provide the quality of life ingredients that most people seek. What quality of life elements will people seek in the future? Successful cities will be those that study this question, and deliver.


A noted futurist claims that the prosperity of local economies will increasingly depend on the ability to attract the so-called "creative class"¹. This slogan refers to individuals with the necessary knowledge, skills and tolerance required to command the most highly desired positions in the workforce. It is also claimed that these individuals will actually attract business and drive economic prosperity, as opposed to success patterns of the recent past. Those in the creative class will have the wherewithal to live anywhere they choose and they will most often choose cities based on the quality of life cities provide.

So what do local governments contribute to the quality of life in cities? Fundamentally, they should have a more visible role to play than any other level of government. Why? Because they impact the quality of life of individual citizens every day. How? By providing 'front-line' services². It is local government that plans and monitors residential and commercial development; stewards the urban environment through water and sewage treatment, garbage collection, public transportation and parkland preservation; protects public safety through policing, fire prevention, medical response and building inspections; and enriches community well-being through library services, recreation

¹ Richard Florida, Professor and author of "The Rise of the Creative Class", Basic Books, 2002

² Services provided by The City of Winnipeg include: Water, Waste, Police, Fire & Medical, Roads, Public Transit, Recreation, Libraries, Animal Control and Urban Planning

programming and city beautification. We as local government also recognize that preserving and enhancing quality of life in the future means not only sustaining these services, but also doing even more.




**Commentary from:
Dominion Bond Rating Service**

...Despite the progress made in recent years, the City of Winnipeg still faces challenges ... the city must find alternative sources of revenue to reduce its dependence on (property) tax revenues and manage financial pressures related to the important expenditures required to rehabilitate its infrastructure ...

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Reforming Government ... the citizens' perspective

What have we been doing wrong? Why do citizens doubt, distrust, and even despise their local government? Why don't citizens see taxes as a quality of life investment? Until recently, we as government, seemed far too passive on the questions – through indifference, resignation or denial. In short, we'd become bureaucrats. Over the past 100 years we've evolved to serve the needs of government, rather than the citizens who elect them. We've created a complex web that isolates us from the public. Rather ironic, considering public servants are also citizens – no different than those they serve. Through no fault of anyone, it's become apparent to us that our systems and processes are not designed with the



We've made progress. But, can we count on these levers to solve our problem?

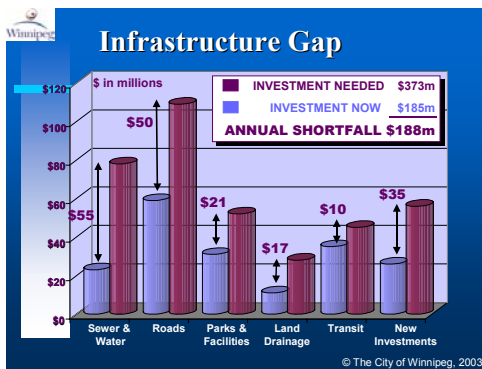
- **Expenditures**
 - No. Operational expenditures have already been reduced significantly
 - And, there is no appetite for service cuts
- **External debt**
 - No. We continue to carry a significant debt burden from the past; what would more debt do to future generations?
- **Revenue - Property taxes**
 - No. municipal property taxes must be competitive (there has been pressure for reductions!)
 - There is insufficient natural growth in this primary source of revenue

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citizen in mind.

Our approach to budgeting is a case in point. The City of Winnipeg's painstaking process yields three separate budgets and hundreds of pages; but only after months of deliberation, repetitive number crunching and exhausting debate. Each budget contains masses of numbers that will ultimately be wrong by definition. The entire exercise is willingly done in the interest of public accountability. Yet in reality, very few citizens are able to understand the product or appreciate the process. Why? We think it's because we've been doing government accounting, not public accounting.

The 'traditional' approach to budgeting described above has existed for many years, and not just in Winnipeg. So what would prompt a different perspective after all this time? The answer – crisis. In recent years, we've made significant progress toward getting our 'financial house' in order. However, in spite of our efforts, we continue to face daunting fiscal challenges. Property taxes



remain comparatively high. The tax base is not growing – we're losing citizens to the outskirts and beyond. Debt management has improved dramatically, but the burden of past debt remains. Expenditure pressures continue to escalate and critical infrastructure maintenance is being deferred. There aren't any new or 'one-time' revenues to bridge the revenue shortfall.

Efficiency gains have been repeatedly tapped. Service cuts are at stake but service demands are growing. In short, we have become 'boxed in'. Our biggest contribution to quality of life is at risk, and the risk is more real than ever.

What's the good news? The time for 'tinkering' is done. The time for radical reform has begun. And we think that the kind of reform we've started could dramatically impact the future of cities across Canada – positively and permanently.

Taking the plunge ... from 'Status Quo' to 'SIM CITY'

Our traditional fiscal management effort at the administrative level focused on sustainability, but from a short-term viewpoint limited to annual forecasts of revenues versus expenditures. The City has recently recognized that what it's really trying to sustain is not revenue, but *services*. Service provision after all is the primary reason we exist, and the only reason we need revenue of any sort. Furthermore, citizens tell us repeatedly, through public survey tools, that they value the services we provide and do not want services or service levels cut. The City's financial advisors had already established that 'status quo' revenue sources would not be sufficient to offset increasing expenditure pressures in the longer-term. However, financial information in the traditional view did not support our

need to do a more detailed analysis of long-term *service* impacts. Therefore, the first step we took in our ‘plunge’ meant reconfiguring the City’s entire budget and producing a service perspective.

It’s hard to imagine that a service perspective could be revolutionary to a service provider. But as mentioned earlier, governments don’t typically budget this way. Historically, money has been accounted for by ‘line items of expenditure’. Budgetary control and accountability are enforced according to organizational units or departments but this achieves *perceived*, not *real* control over budget resources. Why? – Because this form of budget approval and accountability only controls an upper limit on spending. It does not promote an accounting of how and on what the money is actually spent. Beyond this, traditional ‘line-item budgets’ tend to showcase salaries, consulting fees, travel allowances and computers – items that invite public criticism and micro management. Recent research on budget reform in government recognizes that *real* public accountability happens only when spending is translated effectively into goals and results. Citizens, and those they elect, have increased their demands for public accountability and are now more interested in knowing how tax dollars are used to produce better roads, cleaner water, greener parks and fewer crimes.

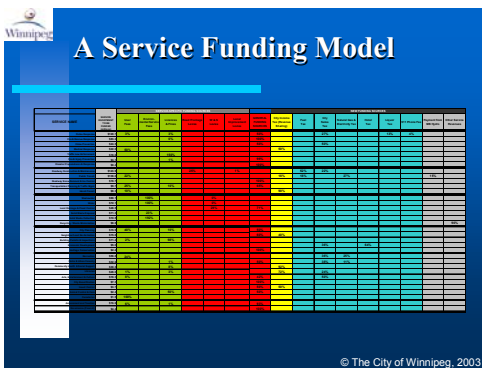
Seeing the light . . . creating a ‘Service Funding Model’

The budget reform we undertook was no easy task. But, after considerable time and effort, we produced the alternative view of our budget that we were looking for – thirty-four fully-costed public services, each with their corresponding sources of funding. What did this tell us that we didn’t already know? Well, in the simplest terms, it answered three fundamental questions:

1. “What services does the City provide?”
2. “How much do they cost?”
3. “How are they paid for?”

Revolutionary? Hardly. But for our local government, it suddenly seemed we’d taken a huge step toward real public accountability.

A simplified view of our services, costs and funding sources provided a powerful information breakthrough. This view enabled us to step back and evaluate whether we were funding the right levels of service from the right sources. We'd created a horizontal rather than vertical (silo) perspective of our organization – a much more public and integrated view that was the basis for fundamental re-thinking.



Imagine having the luxury of starting a city from scratch – playing a reality version of ‘Sim City’. That’s exactly what we did. We started by asking our three basic questions differently:

1. “What services *should* we provide?”
2. “How much *should* they cost?”
3. “What is the *best* way to pay for them?”

Through the power of a spreadsheet we then created a modeling tool. This tool gave us the capacity to alter services, service costs and service revenues, to do ‘what ifs’, and to see results of various funding scenarios instantaneously. We called this tool our ‘Service Funding Model’. In retrospect, it was the key ingredient that aligned our administrative efforts with a critically important and nationally significant political agenda.

At the time our reform efforts began, Mayors across Canada were already talking about a new urban agenda, including broader access to revenues and increased autonomy. However, no city had yet pinpointed what a ‘new deal’ actually looked like. During this time, Mayor Glen Murray had become a strong national champion for a new urban agenda. He had organized and participated in a number of national groups and forums to raise the profile of Canadian cities. The vision was a new set of funding tools for cities that would secure their prosperity and global competitiveness. We followed this story closely. Significant momentum seemed to be building at the national level. The stars seemed to be aligning as never before, for meaningful reform. Seizing a rare opportunity, we decided to showcase our Service Funding Model as a tool that could help bring this national vision to

life. Our Mayor concurred, and the challenge was on to create an early ‘New Deal’ for Winnipeg. Here’s what we did, how we did it – and why.

Reform Lesson One – nothing’s as easy as it seems

Our team of strategists (‘policy wonks’) eagerly embraced the task of playing ‘Sim City’. Using our Service Funding Model, we engaged in an iterative ‘service-by-service’ brainstorming exercise around service funding alternatives. It was exhilarating at first to break down traditional revenue barriers and explore new options by ‘wiping the slate clean’. We plugged a long-standing ‘laundry list’ of revenue possibilities into our model (e.g. parking fees, gas tax, land transfer fees) and debated the ‘pros and cons’ of each. We also added back \$188 million dollars of necessary infrastructure costs that had been deferred in the past. ‘There was joy in Mudville’.

However, after a brief period of euphoria, our public conscience kicked in. We were at a loss to explain to ourselves the rationale for introducing some of the revenue options – other than to say, “we needed the money”! We also found ourselves making conscious policy choices that we weren’t comfortable with or mandated to do. We felt it was time to slow down and validate our approach. We reminded ourselves that the public would have the final say in any alternative funding we proposed. Therefore, any new or different taxes would have to be firmly grounded in principle and ultimately make more sense to citizens. Furthermore, many of the funding alternatives we pondered would require us to seek legislated autonomy or additional authority from our Provincial Government. Through a more deliberate thought process, we realized we did not have an effective platform for our council, our citizens or our senior governments to debate any options we’d propose. So much for easy!

A principled foundation for a ‘New Deal’ debate

What principles of governance would best represent our citizenry, and what would a principled approach to service funding look like? The first five of ten principles we eventually introduced came

from our Mayor: Equity, Economy, Environment, Ease of Administration and Efficiency. The Mayor calls these “the five E’s”. Here is a brief description of each of these principles:

- *Equity* – the revenue source is fair; the tax affects people in proportion to their ability to pay *or* there is a match between those who benefit from (or cause) the service and those who bear the burden
- *Economy* – the revenue source does not discourage enterprise, growth in productivity, and job creation
- *Environment* – the revenue source encourages sustainable development, resource conservation and pollution prevention; activities that are harmful to society should be taxed
- *Ease of Administration* – the revenue source is easy to administer and collect. It is easy for citizens and businesses to understand and to comply
- *Efficiency* – citizens are getting value for their tax dollar; the tax represents the most efficient allocation of resources.

Beyond these five principles, our team reviewed a wealth of research on contemporary government funding mechanisms. As a result, we adopted five additional principles: Accountability, Transparency, Harmony, Reliability and Diversification. They are described as follows:

- *Accountability* – the same political entity is responsible for administering both the spending and the associated funding
- *Transparency* – there is a good match between who society believes should bear the burden of a tax, and who ultimately bears it; and/or, the process for setting the tax rate and for using the revenue is very clear
- *Harmony* – tax instruments should be aligned with other policy measures so all the policy tools of the City are pulling in the same direction (i.e. creating the kinds of outcomes Council wants in the community)

- *Reliability* – the revenue source is likely to grow sufficiently to cover the rising costs of service delivery, and without risk of interruption
- *Diversification* – municipal revenues should come from a number of different sources

Our next course of action was to re-examine our service funding options using each of these principles as context. In this respect, we were aided by some political debate that had already taken place at the local and federal level. For instance, fuel tax was considered to be a principled funding alternative to property tax for transportation infrastructure. In principle, dedicating a fuel tax for transportation infrastructure means that road users pay for roads (Equity). Fuel tax also creates a direct link between the cost of the service and its funding source (Transparency).

We proceeded with a principled approach to funding, service-by-service, using our Service Funding Model. This exercise required a considerable amount of rigor in order to balance many perspectives over dozens of iterations. In addition to accommodating multiple scenarios, our model forced us to do two things: fully fund the cost of *each* service, and fully fund *all* services before determining the outcome of a given funding scenario. It was tempting to peak ahead to see how each scenario was evolving. However, we learned that it is essential to have a total funding picture before service sustainability can be properly evaluated. We also learned that using a principled approach prevented us from applying any preconceived revenue targets or defining practical limits for any given funding source. Our primary goal in applying this approach was to determine which source(s) of funding made the most sense in principle, for each given service. Ironically, this approach created a practical dilemma. Our most principled scenarios generated significant amounts of funding from brand new consumption taxes and dramatically reduced our reliance on traditional funding sources such as property tax. These results demonstrated that we truly had not ‘tinkered’. In fact, it defined our primary endorsers as those with an appetite for fundamental change.

The results of our ‘experiments’ seemed harmless in a private room. However, if our ideas were to survive scrutiny in the broad light of day, we’d need to fully explain the basis for our radical

thinking. To this end, we enlisted a wealth of research by leading economists, environmentalists and urban gurus. Our engagements with national and international experts attracted an abundance of interest. These contacts served to clarify and validate some of the contemporary governance issues we had debated as a team. For example, we learned that:

- Although property taxes are a primary source of revenue for Canadian cities, they do not grow directly with the economy. The value of property on which taxes are based has little to do with the cost of providing services. Furthermore, property taxes are presumed to tax wealth, but do so inappropriately when wealth has not been invested proportionately in property. Research also demonstrated that property taxes are one of the most regressive forms of taxation for our community, based on the relationships between incomes and investments in property.
- Access to revenues that grow naturally and directly with economic growth can be a huge advantage for government because community prosperity creates revenue growth without having to change tax rates.
- Governments can influence the public cost of private choices by applying the concept of ‘smart taxation’. For instance, surtaxes on new development can be used to defray the public cost of urban sprawl without negating a suburban lifestyle; garbage fees and industrial waste fines can be introduced to fund environmental stewardship; and fuel taxes can be used to support the use of more environmentally friendly transportation options like public transit.

These learnings confirmed for us that our service funding exercise was more than just a way of paying for services differently – it provided an alternative taxation framework that could actually enable our community’s vision for the future.

The Community Vision

Plan Winnipeg ... 20/20 Vision is what Winnipeg calls its long-range plan. The Plan describes outcomes desired and authored by the community. Winnipeg’s vision as expressed in this plan . . .

*“To be a vibrant and healthy city which places its highest priority
on quality of life for all its citizens.”*

The Plan also includes many of the ‘best practice’ strategies that experts describe as key to creating robust, prosperous and sustainable cities. For example:

- Promoting high density, compact urban form
- Providing a reliable and convenient transit system
- Maintaining adequate amounts of parks, greenways and open space
- Integrating transportation networks – pedestrian, cyclists, transit and vehicle
- Sustaining a supportive and well-maintained infrastructure
- Reducing the amount of solid waste sent to the landfill
- And many more!

These reflections on Plan Winnipeg reinforced our resolve about our work to date. We decided the time had come to take our best administrative efforts forward to our elected officials.

Seeking Political Endorsement

Our city council consists of fifteen members who are elected according to fifteen geographic wards. The Mayor appoints a subset of council members to form the Executive Policy Committee (EPC). This committee was the targeted political audience of our early efforts. What a daunting task. We were quite sure that we’d raise a few eyebrows. Yet, we were cautiously confident about the rigor and relevance of our work. Because this initiative was so new, our plan was to meet with each EPC member, one-on-one, to share our ideas and encourage candid feedback. This plan proved fruitful. It provided an opportunity to personalize our initial meetings with each committee member and create ‘safe ground’ for discussion. Our reputations were untested and the approach took courage, but our boldness was a valuable ‘ice-breaker’. Each attendee was attentive and respectful. We made time for individual understanding, reflection and input. It was also clear that our audience hadn’t anticipated the depth and breadth of research we presented. We raised debate of course, but

likewise our credibility. These key decision makers had seen a breakthrough in the level of strategic information support they needed. Our one-on-one sessions had thus paved the way for a collective 'meeting of the minds'.

Our follow up meeting with EPC was comparatively formal and prompted lengthy debate. Differing opinions were expressed about the concepts each member had seen individually. A series of follow up meetings and retreats was required to 'hash out' each of their issues. Amidst all the discussion, their biggest resolve was to have us determine the impact of a radically different taxation structure on individual citizens. In response to this challenge, we developed what we called an 'Individual Impact Calculator' as an adjunct to our Service Funding Model. This supplementary tool enabled us to create an individual tax profile based on a series of relevant lifestyle attributes. This tool was linked to our Service Funding Model so that the individual impacts of alternative funding scenarios could also be determined instantly. The dynamic nature of these tools proved to be very useful in adapting scenarios based on political input.

Ultimately, Executive Policy Committee was able to endorse a set of service funding concepts and taxation strategies that they were comfortable sharing with Council at large. We crafted the critical components of their chosen scenario into formal presentation and scheduled a Council seminar. Our early ideas on a 'New Deal' for Winnipeg were now getting dangerously close to public scrutiny. It was time for our communication experts to step in and help with our message.

Planning a Public Consultation Process

When we described what our proposal was all about, the first words from our leading communicators were, *"You're going to citizens to talk about taxes? We need to think this through guys. We need a process."* Communication experts are worth their weight in gold. Apparently, you can't just spring something like this on folks. In a political world, that's a bad thing. Our skilled communications team worked round the clock, and in what seemed like a matter of days, unveiled an elaborate public consultation process, with each critical piece pinpointed on a wall-sized calendar. It

was apparent we'd created a communications monster – one that was truly and literally getting big. They called it – the 'New Deal'.

We had two months, from late September to late November, to promote our tax reform ideas to all who would listen. We engaged all of the marketing, technical and human resources we could justify to effectively reach as many citizens as possible. Our communication tools included: a billboard advertising campaign, exclusive web pages on the City of Winnipeg website, a committee of the Mayor's community advisors, a formal press conference, a major launch event, public polling, and a scheduled series of town hall meetings. Beyond all this, we formally invited key members of the business community and civil society to participate in workshops about our early 'New Deal' ideas. The following represents a summary of what we proposed to the citizens, and why . . .

- *Reduce Residential Property Taxes by 50%*
 - To give Winnipeg the lowest municipal property taxes in Canada
 - To create incentive to reinvest in existing homes without a severe tax penalty
 - To limit property tax funding to property-related services wherever possible
- *Eliminate 100% of the existing Business and Amusement Tax*
 - To attract business investment to Winnipeg
 - To attract more entertainment experiences to Winnipeg
- *Reduce Public Transit Fares by 50%*
 - To promote increased use of an environmentally-friendly transportation alternative
 - To make transit service more affordable for low income families
- *Freeze Recreation Program Fees at existing rates*
 - To promote participation in healthy lifestyle offerings
 - To make recreation programs more affordable for low income families over the long term
- *Increase Enforcement Fines to at least 100% of the full cost of Enforcement Services*
 - To make violators that cause the service cost pay for the service cost
 - To eliminate the need for non-violators to subsidize any of the service cost

- *Increase the rate of tax on Natural Gas & Electricity consumption*
 - To promote the efficient use of limited natural energy resources
 - To provide revenues for reinvestment in energy-efficiency initiatives and public transit
- *Increase the billing rate on Water consumption*
 - To offset the cost of sewer upgrades necessary to comply with water quality standards
- *Impose an additional levy per frontage foot (Frontage Levy) on all property*
 - To offset the full cost of residential roadway maintenance and renewal
 - To shift funding for residential roadways, land drainage, and water/sewer infrastructure away from property *value* taxes, because that the physical dimension of property is a more relevant driver of these service costs
- *Implement a Garbage User Fee on all non-recyclables*
 - To promote waste minimization
 - To reinforce the ‘polluter pay’ principle
 - To eliminate our dependency on property taxes to fund solid waste management costs
- *Negotiate a share of the existing Federal Fuel Tax and levy a new City tax on motive fuel*
 - To have resident and non-residents who benefit from the roads, pay for the roads
 - To fund a significant portion of the ongoing cost of regional roadways and the necessary additional cost to restore roadway infrastructure condition to an acceptable standard
 - To promote consideration of an environmentally-friendly alternative to vehicle use
 - To fund public transit improvements deemed necessary to increase regular ridership
- *Introduce a new City Sales Tax of 1% on all purchases in the city that are subject to P.S.T.*
 - To create a substantial source of revenue that grows naturally with the economy
 - To broaden the tax base to include non-residents and visitors to the city
 - To help fund and sustain the growing cost of services that benefit residents and non-residents alike
- *Introduce a new City tax on all liquor consumption*
 - To help fund the rising cost of police responses to liquor related calls for service
 - To have those who abuse the right to consume alcohol, help pay the related service cost
- *Introduce a new Hotel Room Tax*
 - To raise revenue from visitors to Winnipeg that could be re-invested in tourism promotion and development

- *Introduce a new monthly telephone fee*
 - To help fund and sustain the cost of the City's telephone-based '9-1-1' emergency dispatch service
- *Replace all existing Provincial funding from grants with an increased share of Provincial Income Tax and a share of the existing Provincial Sales Tax*
 - To propose a funding shift that would be cost neutral for the Province at the outset
 - To promote our desire for autonomy and eliminate our dependence on grants from other levels of government

The proposal above has many parts, draws from many principles, and is quite complex. But in essence, it consists of two primary parts:

1. *a 'Tax Shift': from dependency on property tax to more diverse sources of revenue that grow with the economy, link directly to the service cost, and promote long-term quality of life objectives desired by the community; and*
2. *a tax increase: to provide an additional \$120 million of revenue to invest firstly in basic infrastructure restoration and secondly in strategic infrastructure enhancements*

Our proposal presentation was laid out in intricate detail to inform citizens and the media in a forthright way about two things: a very different set of taxes; and a need for an *additional* tax investment. However, just as importantly, we wanted citizens to understand that our alternative tax proposal was conceived in support of a long-term community vision for Winnipeg. Our hope was that citizens would embrace the concepts of sustainable service funding and smarter taxation. To this end, we incorporated the following vision statements about Winnipeg as a context for our proposal:

- *A city of choice for families, businesses, and a talented and creative workforce*
- *Streets, parks and facilities that look new again*
- *Compact urban development with less infrastructure cost over time*
- *Environmentally-friendly transportation alternatives that people will use*
- *Upgraded housing stock with less tax on value-added improvements*
- *Growth revenues to fund safety, recreation, libraries, arts and culture*
- *Environmentally responsible incentives that lower energy costs and minimize waste*
- *Strategic new infrastructure investments that separate Winnipeg from the pack*

We were confident that this visioning element would inspire citizens to consider the merits of our proposal for future generations.

On with the show

Our initial press conference and billboard campaign was designed to capture citizens' attention and engage them in discussions about a radically different taxation proposal – “Have a say in what you pay.” However, we hadn't yet figured out exactly *how* we were going to present our ideas to the public. We decided to enlist the help of our most respected community members and stakeholders to advise us on how best to present our concepts and ideas. The advice we received was invaluable in terms of framing some complex messages and enlightening us about the controversy and debate that might follow. Nothing however could have prepared us the sheer volume of media coverage and public involvement we generated. In only sixty-three days of public consultation we had:

- 2,800 citizens attend 7 Town Hall meetings;
- 127,000 hits on the 'New Deal' website from 27,000 unique visitors;
- 120 questions answered 'live' by the Mayor during two e-Town Halls;
- 68 workshops with 2,710 members of various community groups from civil society; and
- 510 different television, radio and print media stories on the 'New Deal'.

Clearly, those sixty-three days created an unprecedented level of interest from our community. We had indeed succeeded in getting our message to the public – whether they liked what they heard, or not.

A bit about Town Hall meetings

Of all the carefully designed steps in the New Deal consultation process, the notion of 'Town Hall' meetings ranked highest on our 'scale of the unpredictable'. Our Mayor, to his credit, insisted on reaching citizens at the grass roots level to hear their thoughts first hand. However, though politicians are well versed in dealing with the electorate face to face, this environment was quite foreign to administrators like us. Seven Town Hall meetings were scheduled, and regardless of the anxiety felt

over this decision, our diligence and credibility had earned us a place at the Mayor's table. We were actually going face-to-face with the masses to talk about taxes, with little inkling about what might be in store. The planning logistics left little to chance: venues, moderators, media, greeters, seating arrangements, sound system, and version upon version of presentation material. Our enthusiasm and attention to detail had reached new heights.

The date had finally come for our first and much-anticipated Town Hall meeting. The stage was set and all City staff was as prepared as possible. The 'early crowd' consisted of a lone gentleman seated a full hour in advance. But, as starting time approached, trickles of people turned to steady streams. Reporters with cameras and tripods appeared on mass. Empty chairs were suddenly in short supply and additional chairs were filled the moment they were found. Our vision of 'standing room only' was granted and then some. The room was no place for the claustrophobic!

As the evening proceeded, we began to witness true democracy in action. For three straight hours, citizen after citizen relentlessly aired their views – some about our tax proposal; some about anything but. We had obviously created the perfect forum for candid commentary. The outcome of the meeting could best be described by a pattern of contrasts between what we set out to do and what we observed from citizens.

For example:

- we needed to educate – citizens wanted to vent;
- we needed to instill trust – citizens wanted to doubt;
- we needed a future perspective – citizens wanted to blame for the past;
- we needed to create urgency – citizens wanted time

The citizens' spoke in harmonious discord. We raised controversy we'd never imagined, with positive messages that were clear to us, but not always to them. Diversity of opinion prevailed. Were there flaws in our messaging? Perhaps yes – but understandably so. It was the first time we'd tried anything like this. Did we learn from our experience? Absolutely. First and foremost, we learned that

when government gives people a chance to speak their minds, they will. And when pent up frustration and distrust is unleashed, a certain 'gang mentality' can prevail. We wondered why citizens didn't seem to want to believe the facts that we'd so painstakingly laid out for them!

Our first Town Hall did not instill constructive dialogue. However, we committed to our process of six more 'Town Halls'. In the interim, we pondered what could be done to make our message more positive and clear. But our pondering produced a dilemma of sorts. Our first event raised such tremendous attention that an information precedent had been set. Therefore, we reasoned that our message must remain consistent for the remainder of the process. After much deliberation, we appeased ourselves by claiming we'd over-reacted to a few isolated negative outcomes from meeting number one. After all, our primary goal was to hear what the public had to say, and we most certainly did. Nearly one hundred individuals spoke at microphones that night and at least one hundred more had offered their thoughts in writing. We were able to find enough 'gems of constructive insight' from that evening to alleviate our defensiveness and prepare for 'Round Two'. In retrospect, the Town Hall meetings provided a critically important venue for citizens throughout the community to air their individual viewpoints. However these forums did not produce the lion's share of constructive feedback and alternative ideas we had anticipated.

Meanwhile, the other path in our parallel consultation process was taking shape. Groups from all facets of civil society were eagerly inviting us to come and speak to them about what they were reading in the media. Soon, pairs of City staff were preparing and conducting workshops almost full time. This alternative process proved far more productive in the end. Unlike the Town Hall meetings, our workshop sessions produced an abundance of stimulating and thought-provoking dialogue. Many of the groups offered valuable insights and alternative ideas that we had not considered. Each group reflected some parochial perspectives as predicted, but most were receptive to a holistic viewpoint as well. In almost every case, the workshops garnered support for many of the fundamental concepts of our proposal. Many groups also questioned the merits of a 'Town Hall' process from a constructive

feedback perspective, but applauded the Mayor for his courage and candor. Group members repeatedly stated that the workshops provided a very different and more credible message than the ones they'd received through the media. Go figure!

A retrospective on our consultation process . . . what citizens told us

After two grueling months, our public consultation process was over. Our next challenge was to figure out we heard. We reviewed dozens of pages of transcripts and notes from seven Town Hall meetings and sixty-eight community workshops. There were also twenty-one formal 'position papers' presented by groups from civil society who had participated in workshops. All of this commentary was summarized into a set of unique 'likes', 'dislikes' and 'alternative ideas' about each element of the proposal. We then wrote a final report on the outcome of our public consultation process.

When all was said and done, four prevailing themes surfaced from the community in response to our 'Early Ideas on a New Deal for Winnipeg':

Theme 1: Something has to change; the 'Status Quo' is not an option . . .

There was general agreement that the present taxation régime did not provide sustainable revenues for the City. The public was encouraged that there was action being taken by their government, and that they were invited to participate directly in the debate.

Sample polling results:

- *77% agree that Winnipeg needs to make some radical changes if it is going to attract and retain citizens*
- *only 36% of Winnipeggers agree that the current taxation system is fair and does not have to change*

Theme 2: There is merit to the concept of 'Tax Shifting' provided it adheres to principles that are embraced by the community . . .

There is a strong community desire for government accountability and social consciousness. The public also believes in the concepts of broadening the tax base and matching appropriate funding sources to services.

Sample polling results:

- 84% agree that citizens should have more control over government spending
- 83% agree that taxation sources should be consistent with the 'ability to pay' principle
- 83% agree that non-residents who receive benefit from certain city services should help pay for those services
- 73% agree that revenues should relate directly to services

Theme 3: Additional infrastructure funding needs should be addressed with help from senior levels of government . . .

Citizens strongly feel that they pay more than enough taxes already. Therefore, they felt that any additional revenue should come in the form of a transfer of current taxes paid to the provincial and federal government. Furthermore, there was strong endorsement for the use of existing fuel tax for transportation infrastructure, and for shifting from grants to a greater share of growth revenues.

Sample polling results:

- 85% support for City use of current Goods and Services Tax
- 84% support for City use of current Provincial Sales Tax
- 82% support for City use of current Provincial Income Tax
- 80% support for City use of current Federal Income Tax

Theme 4: The City needs to continue to find efficiencies, improve service delivery and reduce costs . . .

The public generally recognized our recent efforts toward stronger fiscal management. However, they expressed the need for legislated assurance that new or additional revenues would not preclude the City from continually seeking efficiencies. The public also expressed that current wage discrepancies and spending priorities need to be reviewed. There was also strong endorsement for the use of existing (property) taxation tools to contain urban sprawl.

Lessons Learned

Our entire experience to date was very rigorous, very trying and very rewarding. There have been many lessons learned. A number of these lessons are summarized below:

- The proposal we presented was only partly about taxes, but taxes were by far what citizens talked about most. It seems when citizens think about government, they think first about taxes.

- There is a strong sense of social consciousness among Winnipeggers. Therefore, any tax proposal that suggests an adverse affect on low-income earners (perceived or real) has little chance of succeeding.
- If a tax proposal asks citizens for more money, government had better be able to prove it is the most efficient in history, and it better be able to show citizens exactly where it will spend every new dollar it gets.
- If you tell citizens that government needs more money *and* tell them that ‘smart taxation’ will give them more choice in what they pay, they will assume and expect to pay less tax (i.e. transparency is a ‘double-edged sword’).
- Government will never please everyone, no matter how honourable its cause. Our proposal was about building consensus but in a democracy, it should have been about seeking consent. Many citizens felt our proposal should have been part of an election platform and suspicions were raised purely around timing.
- In a democracy, it’s never a bad thing for government to invite candid dialogue with citizens. Our process arguably garnered more public interest and debate than any other in our civic history. In retrospect, citizens seem to have been appreciative of the invitation to participate in a very important issue for the city.
- Many of the theories and intentions that underpinned our proposal garnered a lot of conceptual support. However, lots of elements that were supported in principle were lost to premature debates about practical implementation. This, we conclude, was the price we paid for complexity.
- The legacy of distrust between citizens and government at all levels was a factor that we greatly underestimated. Much of the opposition and resistance we faced had been rooted in history, politics or personality and had precious little to do with the contents of our proposal. In fact, these factors limited the ability of many citizens to truly listen, digest and consider what

we had to say. In hindsight, we may have benefited more from allowing our influential and respected community advisors to carry the message to the public for us.

- Interested observers from beyond our borders, including economists, professors and business leaders thought more highly of our proposal than many of our residents.
- Taxes and tax impacts are highly personal things in the minds and lives of citizens. It was an obvious challenge for participants to separate the personal impacts of our proposal from the higher-level vision and long-term benefits for their city. This was particularly true of the older and less affluent demographic. However, it was encouraging to see many young citizens, supporting the proposal, particularly those pursuing higher education and those with a strong environmental conscience. We learned that support came more readily from those with a vested long-term interest in a sustainable and prosperous community.

Back to the drawing board? . . .

We listened to the public and we heard what they had to say about our proposal. One might think that in itself is an accomplishment for government. But where do we go from here? Our provincial government, on whom much of the authority for our ideas depends, vetoed a huge component of our proposal – the City Sales Tax, immediately after our public consultation process ended. Our citizens, though not entirely polarized, expressed mixed reviews of our proposal at best. To some, it had possibilities galore. To others, it reeked of the same political and macro-economic ‘gibberish’ they’d heard from government for years. To others yet, the merits and logistics are still being debated.

Indeed, even as we write, community discussion lingers – discussion about tax reform, and about the needs of our city. One has to think this is a healthy sign of democracy in action. The federal government is showing signs of action on urban needs as well. Our Provincial government is also about to begin a dialogue with our civic officials about opinions to date and next steps. Clearly, there are chapters in this story that are yet to be written. Will there be a ‘Newer Deal’? There most

certainly will – a deal that our citizens have helped author. A deal that we hope senior governments will support. However, to do so may mean re-thinking Canadian federalism as we know it. This will be no small task to be sure – and the biggest questions remain unanswered. Will Canada’s cities emerge with a new urban agenda – or will entrenched political power bases prevail? Stay tuned.