

## **FAQ**

### **What did the provincial government do with payments in lieu to municipalities?**

The provincial government has decided to keep \$33 million of payments in lieu that previously went to 109 of Saskatchewan's hometowns.

### **What are payments in lieu?**

In simple terms: They are payments from the Crown corporations to municipalities arising from the creation of provincial utilities and distribution systems. [This April 13 communication](#) explains it in more detail.

### **How do the cuts to payments in lieu affect people?**

In some cases, this move will result in funding decreases equivalent to 40 to 50 per cent of this year's municipal revenue sharing.

Unlike the fluctuating nature of municipal revenue sharing, eliminating payments in lieu is permanent, leaving hometowns to find ways to make up this shortfall *every year*.

Over the next 10 years, this would amount to nearly \$400 million in lost funding.

By law, municipalities cannot run operating deficits. Since they also have limited revenue sources (mainly funding from other levels of government and property taxes), many councils will need to hike property taxes or slash core services — such as snow clearing, leisure facilities, police, or fire services — to stay in the black.

### **What does this mean for my SaskEnergy and SaskPower bill?**

The provincial-government-owned power and gas companies will still collect the same amount from customers. But instead of passing some of the money they collect on to hometowns, the funds will be transferred to the provincial government's General Revenue Fund account. On top that, people will likely be facing increased property taxes — essentially a double whammy.

### **Did hometowns know that the payments in lieu were being eliminated?**

The Premier hinted at "grants in lieu" facing cuts during his address at SUMA Convention 2017. That was all we heard; there were no efforts to consult with SUMA or our members on how a cut like this would affect hometowns.

Cutting payments in lieu will have a huge impact on 109 hometowns across the province. The City of Yorkton, for example, would lose the equivalent of 58 per cent of their revenue sharing amount to this cut.

### **When will the cuts become effective?**

We understand that these payments in lieu will no longer be paid as of April 1, 2017.

## **Why can't hometowns use their reserve funds to fill this gap?**

Large reserves are the exception, not the rule. Those funds are short-term savings, but this is a permanent reduction with a huge long-term effect on hometown budgets.

Reserve funds are there to protect operating budgets in case of major events like unexpected snowfalls or catastrophic infrastructure failure — not to cover our day-to-day expenses on an ongoing basis.

Draining those reserves can also make it harder for hometowns to borrow for big infrastructure projects, or keep them from having matching dollars ready for federal infrastructure funding.

Because municipalities cannot run operating deficits and have limited revenue sources, many hometowns will need to hike property taxes or slash services to balance their budgets for years to come.

## **What is revenue sharing and how does it affect Saskatchewan hometowns?**

Municipal revenue sharing is an arrangement the Government of Saskatchewan made with municipalities to share the equivalent of one point of the Provincial Sales Tax (PST). It was designed to cover the cost of services municipalities provide on behalf of the provincial government. However, the funding is unconditional and provides hometowns with the long-term, sustainable, and predictable funding they need, especially in the face of a decade of unprecedented growth.

## **What other cuts in the budget are affecting hometowns?**

There are several ways that the 2017-18 budget downloads provincial responsibilities onto municipalities, and cut services that people in hometowns rely on.

### *Saskatchewan Transportation Company (STC)*

The provincial government announced it would shutter STC by May 31. STC provides an important link between communities in Saskatchewan, especially the north. It is the sole public transportation option for many small urban communities, and SUMA has [previously called on the Government of Saskatchewan](#) to continue funding STC at sufficient levels to ensure service continued at present levels.

### *Urban Parks*

Until last year, there were seven urban parks in Saskatchewan, joint ventures between cities and the province. They provided recreational space and acted as environmental preserves. In the 2016-17 budget, funding was cut to five of those parks. The remaining two saw changes in this latest budget: Meewasin Valley Authority in Saskatoon lost \$400,000 in funding, and the City of Regina lost any control in the Wascana Park Authority (but are still expected to provide funding).

### *Community Rink Affordability Program*

The Community Rink Affordability Grant helped hometowns maintain and operate their indoor skating and curling rinks. Indoor rinks were eligible for a \$2,500-per-ice-surface grant, which

was used to help pay for operating costs and put towards minor capital upgrades. The grant provided \$6.6 million between 2012 and 2015, but the program was suspended as a result of the 2017-18 provincial budget.

#### *Urban Highway Connector Program (UHCP)*

The UHCP was a funding program that recognized the important role urban communities play in the provincial economy. The original agreements said the provincial government would do the first rehabilitation of UHCP roads (but on its own schedule), after which the Province considers itself absolved of further responsibility.

The UHCP has been under-funded to the point where cities are being forced to pick up the slack for public safety and liability reasons. Even before the recent cuts, it would have taken roughly 20 years to rehabilitate all the outstanding UHCP roadways; with these fresh cuts, it will take even longer.

We cannot wait that long; 71 kilometres of these roads are already in fair/poor to poor condition — the worst ratings given under the program.

#### *Libraries*

The 2017-18 provincial budget initially included \$4.8 million in cuts to libraries. Regina and Saskatoon had their provincial funding (\$1.3 million) completely eliminated. Seven of the eight regional library systems faced a reduction of \$3.5 million – 58 per cent of their budget.

Regional libraries were faced with two choices: Internalize the cuts (imagine no new materials, no transfers of material between libraries, staff and programming cuts, and more), or rely on municipalities to make up for provincial funding cuts.

For the last three years, SUMA has been pushing the provincial government to increase their share of funding. Provincial funding has remained static, not even keeping pace with inflation.

On April 24, the [Province announced that it would restore funding](#) to 2016-17 levels, and said:

*The government will be engaging with libraries, municipalities and the public to develop a long-term strategy for the future of libraries. This will include reviewing The Public Libraries Act to ensure libraries have modern legislation that reflects current needs. This will also involve working with libraries to find efficiencies, including options for transportation and co-location, to ensure the most effective use of available resources.*

### **Is there any way we can stop this?**

SUMA is working with cities, towns, villages, and northern communities to tell the provincial government that they need to **stop downloading** and **stop cutting crucial funding** for hometowns.

SUMA and our hometowns need your help. Visit our website for all the tools, from template letters to your MLA to links to our social media accounts where you can share our message.