
Funding Municipal Infrastructure: Roles and Responsibilities of Government

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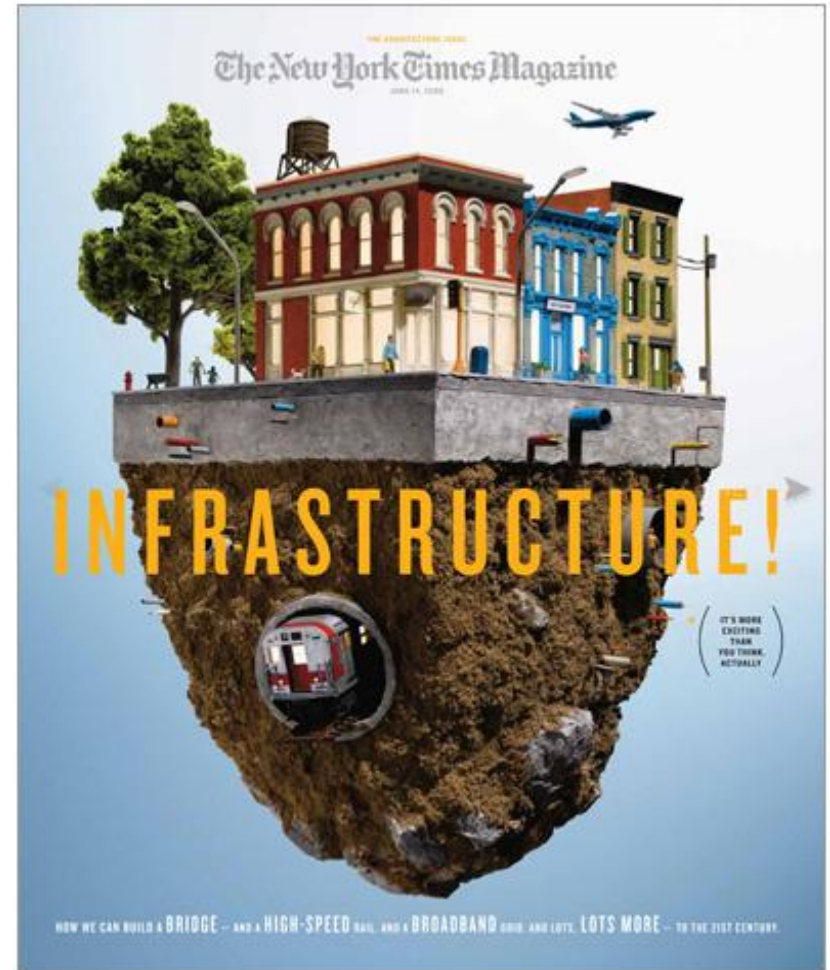
CITIES MATTER

- Cities are “engines of growth” – generators of employment, wealth, and productivity growth
- Cities enjoy agglomeration economies – economic advantages of close proximity for businesses and individuals



INFRASTRUCTURE MATTERS

- Cities facilitate productive advantages of agglomeration through services and infrastructure for businesses and individuals – transit, roads, police, water, waste collection and disposal etc.
- Municipal infrastructure is essential to economic growth



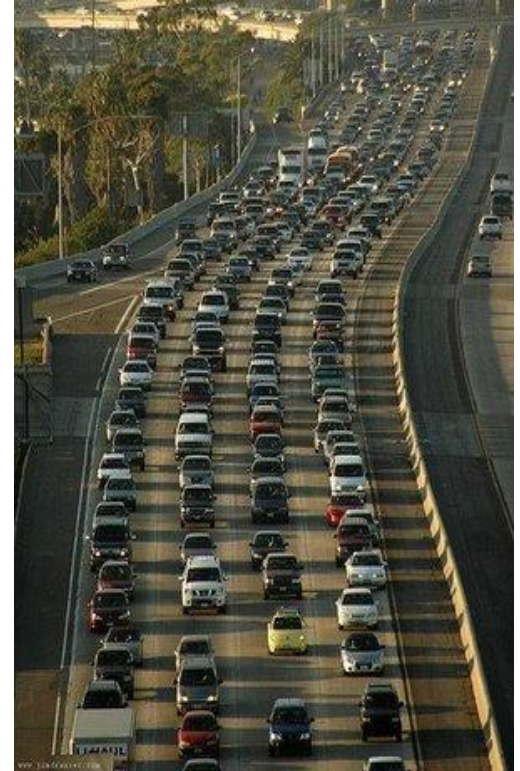
HOW WE PAY FOR INFRASTRUCTURE MATTERS

- We need to get the prices right
- For services where we can identify beneficiaries and exclude those who don't pay (water, sewers, transit, and recreation), “getting the prices right” means charging user fees that reflect the marginal cost -- the additional cost imposed by the user



HOW WE PAY FOR INFRASTRUCTURE MATTERS

- When users do not pay the marginal cost, they overuse the system (so we think we need more roads or other infrastructure)
- Without fees, there is no revenue incentive for governments to invest in infrastructure
- The result is deteriorating infrastructure, which we now face



ROLE FOR LOCAL GOVERNMENTS

- Greater use of user fees; reflect marginal cost
- Property tax
- Development charges
- Borrowing
- Tax increment financing
- Public-private partnerships



ROLE FOR PROVINCIAL GOVERNMENTS

- Conditional transfers for infrastructure that spills over municipal boundaries (e.g. regional roads)
- Provide municipalities with a mix of taxes (e.g. fuel tax)



ROLE FOR FEDERAL GOVERNMENT

- Invest in those features of cities that make them internationally competitive e.g. major transportation infrastructure, cultural facilities



PERILS OF GRANT FUNDING

- Not stable or predictable
- Distort local decision making
- Lead to inefficient revenue decisions



CONCLUDING COMMENTS

- Municipal infrastructure plays crucial role in the economic health of Canadian municipalities and, by extension, the country as a whole
- All three governments have a role to play
- Whenever possible, local governments should be given the chance and challenge to raise money on their own

