

# **Municipal Finance and Governance in Canada**

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# Outline of Presentation

- Why cities matter; why finance and governance matter
- Municipal finance in Canada
  - Background
  - Expenditures and revenues
  - Financing infrastructure
  - Fiscal challenges
- Governance of metropolitan areas



# Why Cities Matter

- Cities are “engines of growth” – generators of employment, wealth, and productivity growth
- Halifax: 46 percent of Gross Provincial Product (GPP)
- Montreal: 49 percent of GPP
- Toronto CMA: 44 percent of GPP
- Vancouver CMA: 53 percent of GPP

(Conference Board of Canada, 2006)



# Why Cities Matter

- Agglomeration economies – economic advantages of close proximity
- Cities facilitate productive advantages of agglomeration through services to businesses and individuals – transit, police, water, waste collection
- Innovation occurs in cities



# Why Municipal Finance and Governance Matter

- How cities are financed and governed affects:
  - the quantity and quality of local public services
  - the efficiency and equity with which services are delivered



# Municipal Finance - Background

- Canada is a federation with three levels of government: federal, 10 provincial/ 3 territorial governments, and about 4,000 municipal governments
- Under the Canadian Constitution, powers are divided between the federal and provincial governments
- Municipalities are not recognized in the Constitution except as the responsibility of provinces



# Background – Canadian Constitution

- Federal powers in over 30 areas e.g. national defence, foreign policy, banking, unemployment insurance, trade and commerce, native affairs, criminal law.
- Provincial powers in 16 exclusive areas including education, health, social services, property rights, administration of justice, local public works, and municipal institutions.
- Shared powers: immigration, agriculture, pensions



# Background -- Role of the Province in Municipal Affairs

- Create or eliminate municipalities, e.g. Toronto amalgamation
- Provincial legislation determines municipal responsibilities and what taxes municipalities can levy
- Provincial governments set standards for service provision
- Municipalities are not permitted to run an operating deficit
- Provincial restrictions on municipal borrowing



# Background -- Role of the Province (continued)

- Unconditional transfers:
  - per capita
  - equalization
- Conditional transfers: mainly for social services (Ontario), transportation (roads and transit), and environment (water, sewer, solid waste)



# Background -- Role of the Federal Government

- Provides some limited transfers to municipalities, including:
  - gas tax transfer
  - infrastructure grants
  - homelessness grants
  - economic stimulus grants

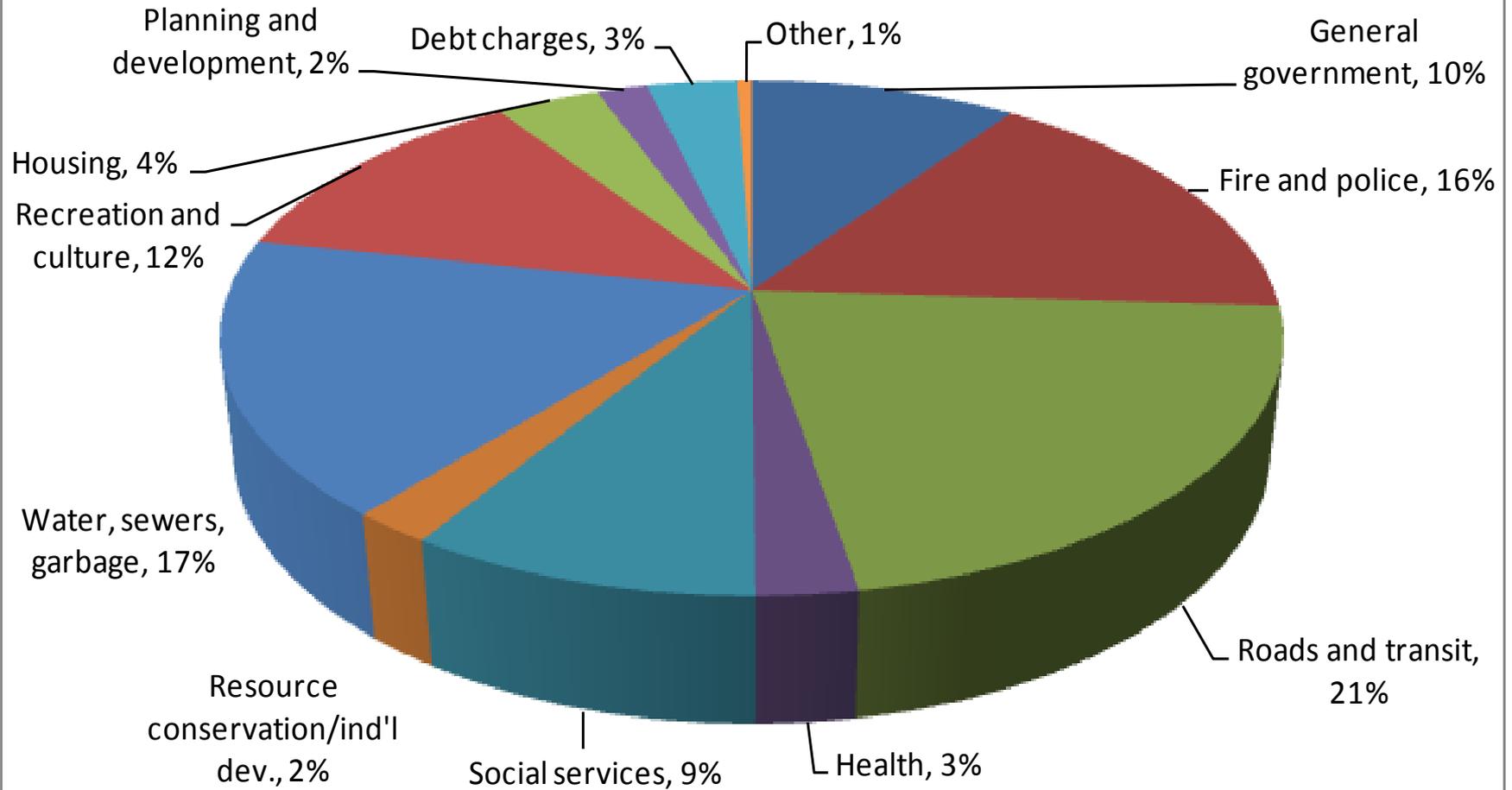


# Municipal Expenditures and Revenues in Canada

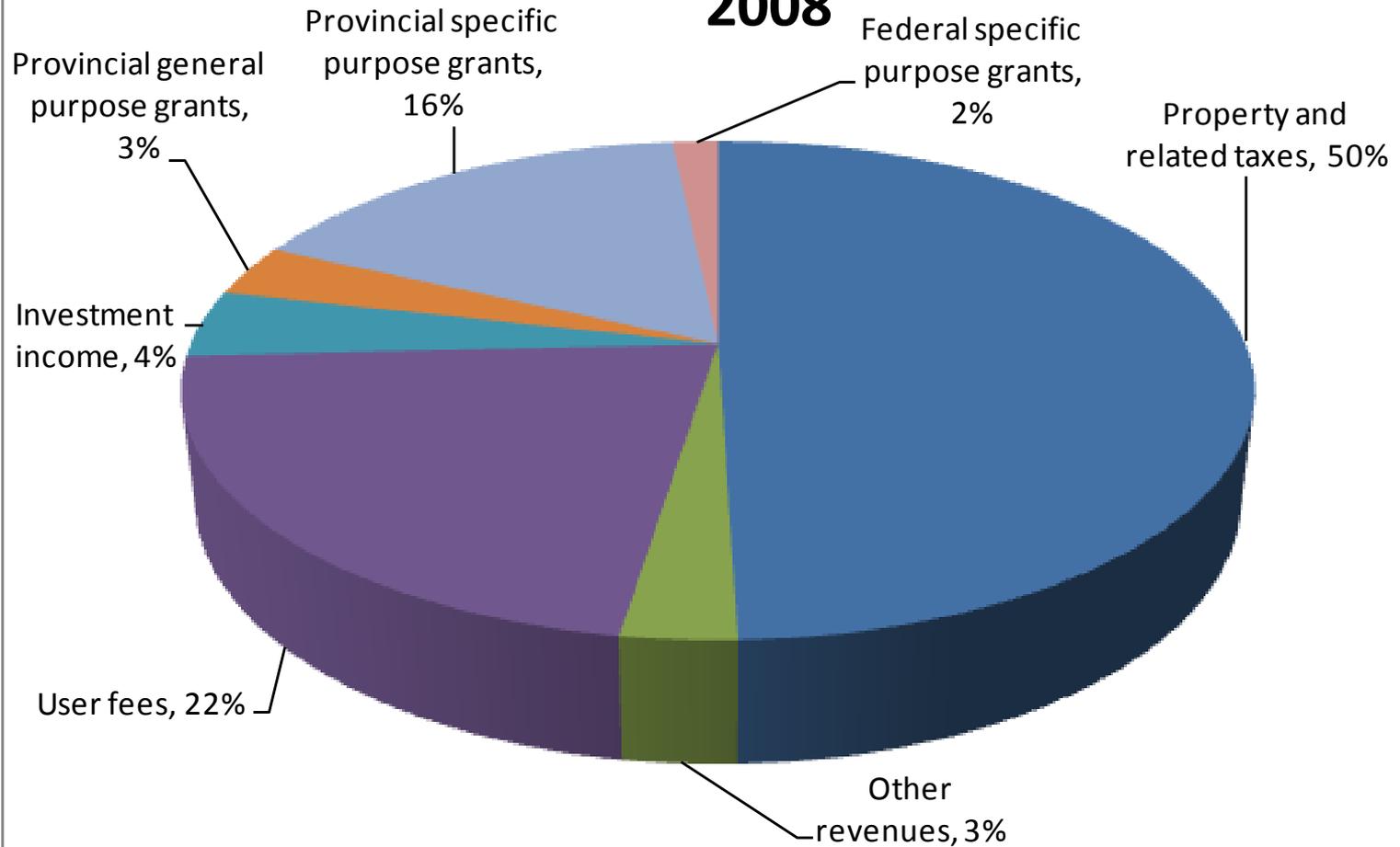
- Source of data: Statistics Canada, CANSIM Table 385-0024 - Local general government revenue and expenditures, current and capital accounts, year ending December 31.



# Municipal Expenditures, Canada, 2008



# Sources of Municipal Revenue, Canada, 2008



# Other Municipal Revenues in Selected Provinces

- Land transfer tax
- Amusement taxes
- Hotel taxes
- Poll tax
- Development charges
- Vehicle registration tax
- Revenue sharing (income tax, fuel tax, VLT/casino revenues, fine revenues)
- Provincial fuel tax sharing



# Special Case of Education

- In most provinces, elementary and secondary education is delivered by local school boards
- School boards are funded wholly, or in part, by the provincial government.
- Provincial governments levy property taxes in 8 of 10 provinces
- Provincial property taxes are only dedicated to education in 5 provinces



# Financing Infrastructure

## *1. Traditional*

- Taxes, User Fees, Grants, Borrowing

## *2. Non-traditional*

- Public-Private Partnerships (PPPs), Value Capture, Development Charges



# Fiscal Challenges Facing Large Municipalities

- Federal and provincial offloading to local governments
- Need to be internationally competitive
- Higher costs associated with urban sprawl
- Impact of economic recession
- Fragmented metropolitan areas
- No diversification of revenue sources



# Is There a Municipal Fiscal Imbalance?

- Municipalities have done well on fiscal measures:
  - Size of the operating deficit (no fiscal imbalance)
  - Amount of borrowing for capital
  - Size of reserves
  - Rate of property tax increases
  - Reliance on provincial grants
  - Extent of tax arrears



# Is There a Municipal Fiscal Imbalance?

- *Fiscal* health may be achieved at the expense of the *overall* health of municipalities:
  - The state of municipal infrastructure (water, sewers, roads, recreational facilities, etc.)
  - The quality of service delivery (e.g. performance measures)
  - Infrastructure and services are difficult to measure



# Governance of Metropolitan Areas

How do you plan and finance infrastructure when there are many different local governments in a metropolitan area?



# Municipal Government Structure

- Single tier: each municipality is responsible for all municipal services
- Two tier: upper tier (region or county) is responsible for area-wide services; lower tier (cities, towns, villages) are responsible for local services
- Inter-municipal agreements especially among single tiers and lower tiers; voluntary cooperation
- Special purpose bodies



# Greater Toronto Area (GTA)

- One single-tier city – Toronto (2.7 million)
- Four regional governments (two-tier):
  - Peel: 1.26 million people; 3 area municipalities
  - Halton: 475,000 people; 4 area municipalities
  - Durham: 600,000 people; 8 area municipalities
  - York: 1 million people; 9 area municipalities
- Total: 6.1 million people; 29 municipal gov'ts





# GTA – Regional Governance

- Each municipality operates independently
- Provincial legislation on greenbelt and places to grow
- Province set up Metrolinx to plan for and advise on region-wide transportation and public transit; governed by a provincially-appointed Board

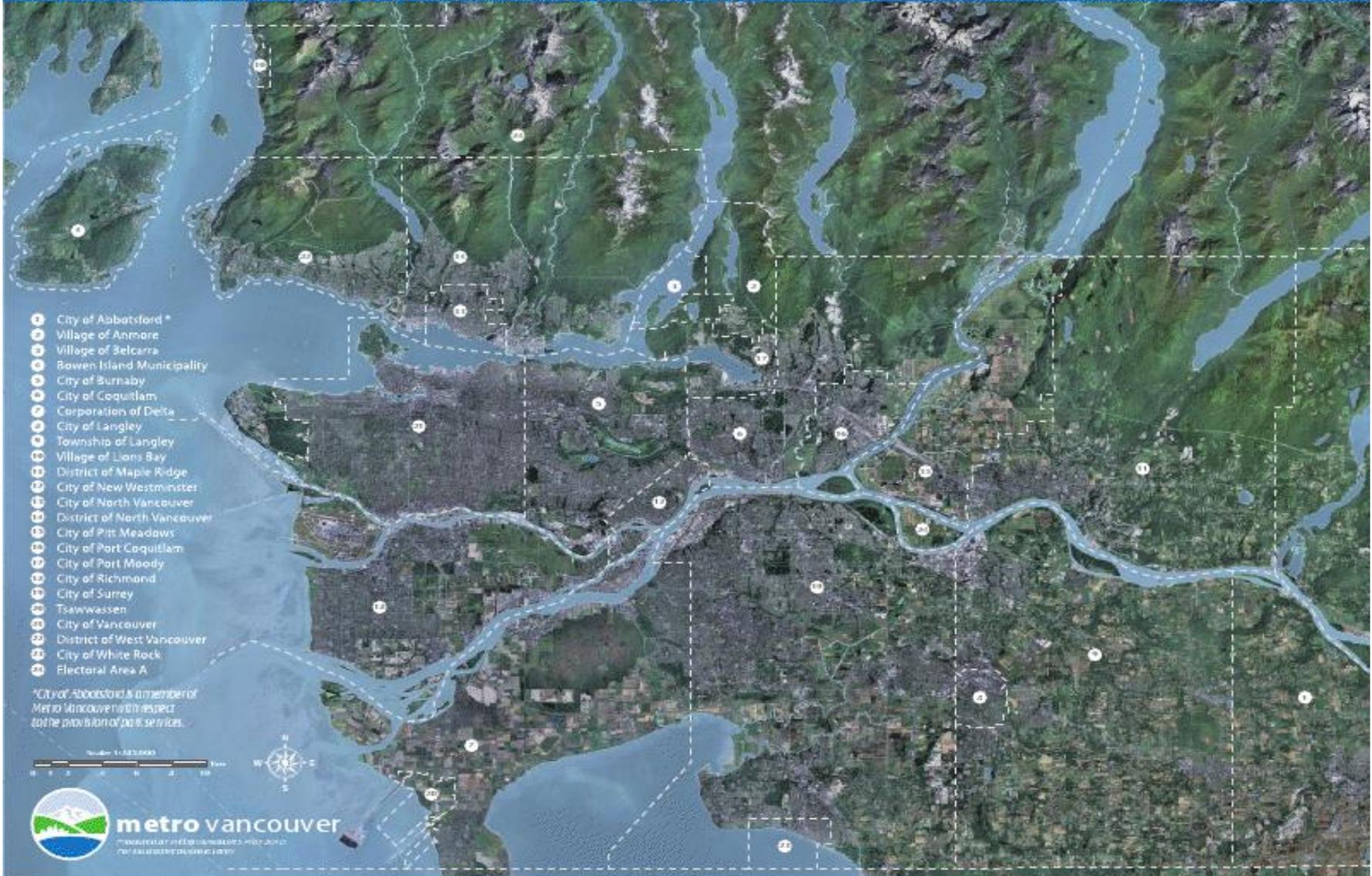


# Metro Vancouver

- 12 cities (including City of Vancouver)
  - 3 villages
  - 5 district municipalities
  - 1 island municipality
  - 1 unincorporated municipality
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- Total of 2.4 million people



# Local Governments of Metro Vancouver



- 1 City of Abbotsford\*
- 2 Village of Anmore
- 3 Village of Belcarra
- 4 Bowen Island Municipality
- 5 City of Burnaby
- 6 City of Coquitlam
- 7 Corporation of Delta
- 8 City of Langley
- 9 Township of Langley
- 10 Village of Lions Bay
- 11 District of Maple Ridge
- 12 City of New Westminster
- 13 City of North Vancouver
- 14 District of North Vancouver
- 15 City of Pitt Meadows
- 16 City of Port Coquitlam
- 17 City of Port Moody
- 18 City of Richmond
- 19 City of Surrey
- 20 Tsawwassen
- 21 City of Vancouver
- 22 District of West Vancouver
- 23 City of White Rock
- 24 Electoral Area A

\*City of Abbotsford is a member of Metro Vancouver with respect to the provision of public services.

Scale: 1:400,000

metro vancouver  
THE METROPOLITAN AREA OF VANCOUVER'S METRO 2010  
 PARTIAL SERVICE DELIVERY ENTITY

# Metro Vancouver Governing Structure

- *Greater Vancouver Regional District Board (GVRD)* - 37 directors from 21 municipalities, 1 electoral area, 1 treaty First Nation, and 1 municipality that is a member for parks functions only
- *Greater Vancouver Sewerage and Drainage Board (GVS&DD)* - 30 members from 18 municipalities.
- *Greater Vancouver Water District Board (GVWD)* - 32 members from 20 municipalities



# Translink

- Metro Vancouver's regional transportation authority
- Responsible for planning, financing, and managing public transit and major regional roads and bridges in 21 municipalities within Metro Vancouver
- Separate from Metro Vancouver



# Canadian Cities – A Nice Place to Live

- Canadian cities perform well in international comparisons in terms of quality of life and other social and cultural indicators
- But they perform less well on economic indicators (recent OECD study on Toronto)
- Is the ‘good life’ in Canada’s big cities sustainable? Can they maintain the level and quality of services and finance new programs?



# Canadian Cities – A Nice Place to Live

- To keep on performing well, cities need:
  - Adequate resources and especially revenue-raising tools to match expenditure responsibilities
  - Local autonomy to make choices
  - Good local governance structure

