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A Recipe for Fiscal Trust

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About IMFG

The Institute on Municipal Finance and Governance (IMFG) is an academic research hub and non-partisan think tank based in the Munk School of Global Affairs at the University of Toronto.

IMFG focuses on the fiscal health and governance challenges facing large cities and city-regions. Its objective is to spark and inform public debate, and to engage the academic and policy communities around important issues of municipal finance and governance.

The Institute conducts original research on issues facing cities in Canada and around the world; promotes high-level discussion among Canada's government, academic, corporate and community leaders through conferences and roundtables; and supports graduate and post-graduate students to build Canada's cadre of municipal finance and governance experts. It is the only institute in Canada that focuses solely on municipal finance issues in large cities and city-regions.

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Executive Summary

Cities across Canada face an enormous infrastructure deficit. From 100-year-old water mains to transit systems in vital need of upgrading and expansion, Canadian infrastructure is widely recognized to be in dire straits. And while the majority of Canadians elected a new government that was prepared to run a deficit to fund infrastructure, these funds alone will not cover the investments needed.

Local governments need to make significant financial investments, too, and must raise revenues through taxes, user fees, and possibly new revenue tools. But before they can take these actions, they have to build trust to convince their residents that new revenues are needed and will be spent wisely.

What does it mean to build trust? This paper examines the notion of trust and how governments can build it using:

- Good information: relevant data made accessible to citizens and attractively packaged to enhance transparency;
- Good communications: good stories that are well told, with relevant information distributed through a variety of channels (using open government tools and techniques);
- Good engagement: inclusive and meaningful opportunities for dialogue about policy decisions to build the continuum of trust (using a variety of mechanisms);
- Credibility: building an effective track record and controlling costs (through better performance benchmarking and other approaches);
- Earmarking of funds: creating a dedicated fund that clearly links revenues raised to specific expenditures, and regularly reporting on the progress of projects funded.

This research shows that there are concrete and practical steps that cities can take to build fiscal trust – but there are no shortcuts. Trust-building is a long-term proposition that takes resources. Cities must invest the time and dedicate the resources to build trust through all of the steps outlined, and continue to do so as part of their regular activities.



Photo by G.S. Matthews via Flickr (<http://bit.ly/28JAQUp>)

A Recipe for Fiscal Trust

A fool and his money may be easily parted; residents and their tax dollars are notably not. Switzerland owes its existence, in part, to a revolt against Austrian tax collectors. The *Magna Carta* can be traced back to resistance to King John's money-collecting regime. Yet governments need to pay for their work. From social assistance to health care to education, the work of the state needs a bank account from which to draw. One of the most pressing political challenges of the 21st century is how to raise these funds.

One example is the infrastructure deficit faced by cities across Canada. A 2014 *Globe and Mail* story estimated the national infrastructure deficit at between \$350 billion and \$400 billion, much of it at the municipal level.¹ The federal government elected in 2015 has committed to fund infrastructure across the country, but these funds will be insufficient to pay for new and necessary infrastructure, let alone ongoing maintenance. Cities need to raise revenues through taxes, user fees, and possibly new revenue tools.²

The prevailing narrative is that taxes are already too high. Funding infrastructure through tax hikes is difficult to justify, considering that cost overruns and delays are the norm rather than the exception for large infrastructure projects.³ And the public is cynical about governments' propensity to hide, rather than share, information about how decisions are made. How can local governments build the level of trust necessary to pay for long-term infrastructure needs using new taxes, fees, or other revenue tools?

This paper addresses the different definitions of trust found in the academic literature, and describes a new "continuum of trust" with practical applications. It challenges, and in some case refutes, assumptions about how fiscal trust is built – that is, when citizens trust how governments raise and spend money. It concludes by identifying five ingredients needed for building trust in general and fiscal trust in particular: information; communications; engagement; credibility; and earmarking of funds.

About Trust

Is trust in government in decline?

Any declines in [citizen] engagement seem measly when compared with free-falling trust in government. People may like democracy, but they now have little faith in democratic systems.⁴

Trust, or the lack of it, is a fundamental issue in the relationship between citizens and their governments. Five centuries before the beginning of the Common Era, Confucius recognized that trust trumped physical safety and food when it came to understanding what people needed from their governments.⁵ About a hundred years later, Plato wrote about trust in *The Republic*. From the Organisation for Economic Co-operation and Development to the Canadian Taxpayers' Federation to Transparency International, society continues to be preoccupied with understanding the extent to which citizens trust their governments.

Today, most research and poll data about trust in government centres on national governments. Research on Canada in particular indicates that trust in the federal government in Canada has stayed reasonably stable over the past decade. Most recent surveys put it at about 50 percent, although one 2013 poll from Ekos shows trust plunged from a high of 58 percent in 1967 to a low of 24 percent in 2013.⁶

While less is known about trust in other levels of government, research in Canada shows that people trust their local governments more than provincial or federal governments.⁷ A 2012 Ipsos survey found a higher level of trust by Canadians in their municipal governments (57 percent) over provincial governments (41 percent) and the federal government (43 percent).⁸ A 2014 Environics survey similarly found that only 44 percent of Canadians thought municipal governments “cannot be trusted,” compared with 63 percent for the provincial government and 60 percent for the federal government.

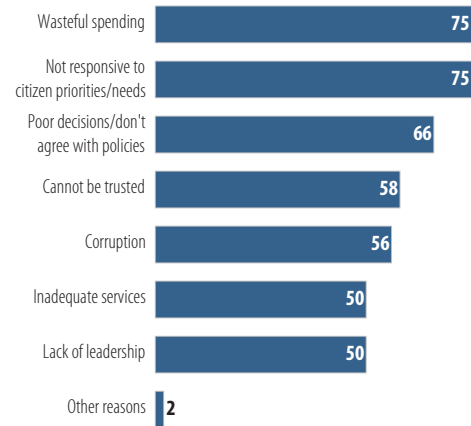
Lack of trust comes from *perceptions* that government is inefficient, wastes money, and spends money on the wrong things.⁹ In this instance, local governments fare worse than their federal counterpart: when in 2014 Environics asked Canadians how municipal government was broken, 74 percent cited “wasteful spending.”¹⁰ The data provided in Figure 1 shows that almost three-quarters of city residents lack fiscal trust in their local governments.

Defining trust

There is no consistent definition of trust, either in the academic literature or in public opinion polls. Polling questions span a number of different concepts. One popular interpretation of trust is confidence by people in the government – both politicians and public officials – to “do the right thing,” which implicitly includes spending money properly, rather than misappropriating or wasting it.¹¹ This framing is different from that in the Ipsos (2012) survey, which tests citizen’s satisfaction with how things are *run*, that is, the effectiveness of government service delivery, as well as whether respondents felt they were getting what they identified as good value for their tax money. Another slant

Figure 1: How Governments Are Broken – Results from Environics Poll Data 2014 (p.22)

How is government broken?



How is Government Broken?

By Jurisdiction

	Municipal	Provincial	Federal
Wasteful spending	74	79	71
Not responsive to citizen priorities/needs	62	72	78
Poor decisions/don't agree with policies	66	65	68
Cannot be trusted	44	63	60
Corruption	44	62	58
Inadequate services	32	54	56
Lack of leadership	50	49	51

Q.9

In what way is [the federal/your provincial/your municipal] government broken?

on the trust proposition is evident in a 2015 GlobeScan survey, which asks citizens to evaluate whether government is operating “in the best interests of our society.”¹² Other opinion polls focus on how well governments deliver specific tasks (such as garbage collection).

Trust, as it turns out, can mean many different things. Accordingly, any study of trust in government must start by disentangling these definitions and determining which of them, if any, apply to this discussion.

In a democratic society, institutions and processes depend on basic trust between people. The most common way of framing this relationship is as *interpersonal trust*: the willingness of one party to be vulnerable to another in the expectation that the other party feels and will act the same way.¹³

For governments and public agencies, trust can be present when people are invited into an engagement process – they may decide to attend because they know and trust the people who are holding the process. Or, it can be built through the process itself, as participants come to trust the people who are delivering the information, facilitating the session, or representing the institution because of how they relate to participants (it can also be eroded during the process if the people directing the engagement process fail to earn participants’ trust). And, as Zack Taylor notes in a recent paper, public processes are more likely to be successful when the members of the public trust each other.¹⁴

Residents evaluate governments on process considerations, not just on their own beliefs and values.¹⁵ *Process-based trust* is rooted in repeated interactions and perceptions that government is fair, open, and responsive. Practically applied, process-based trust emerges when a convenor or host ensures a process in which the ground rules of an engagement process are clear, information is shared openly, and diverse perspectives are respected.

Institutional trust is defined as an expectation that institutions will act in the public’s best interest.¹⁶ This is connected to the public’s evaluation of “whether or not political authorities and institutions are performing in accordance with normative expectations.”¹⁷ Others have defined this approach as meaning that governments act appropriately and honestly on behalf of the public.¹⁸ This approach is strongly connected to *fiduciary trust*, which is

built on “an established professional, moral, and/or civic relationship.”¹⁹ In Table 1, fiduciary trust is framed as an aspect of institutional trust and treated as one category.

Finally, *mutual or outcomes-based trust* arises when citizens trust government because they believe its policies and outcomes reflect their own preferences,²⁰ or when decision-making matches their individual or social beliefs.²¹ Outcomes-based trust will also result when a government demonstrates that it has fully considered the results of an authentic and credible process, and can explain its decisions in a transparent and defensible fashion.

In this paper, we propose that a good engagement process can be mapped onto the dimensions of trust identified above to build trust as a continuum, or by a set of mutually reinforcing steps.

All relationships begin with, and ultimately exist between, individuals, whether between citizens around a table or between citizens and public servants or elected officials. Trust between people – interpersonal trust – sets the stage for process-based trust. If, during the process, government representatives act appropriately and honestly, process-based trust will help build institutional trust. And, if decision-makers take the outcomes of a process into account when making decisions in a way that is transparent to the public, their actions reinforce the credibility of the institution and build outcomes-based trust. Repetition of this virtuous cycle breeds greater trust based on openness – not on reliability of

Table 1: Dimensions of Trust

Dimension of Trust	Defined as	See, e.g.	Example
Interpersonal Trust	The willingness of a party to be vulnerable to another, based on the expectation that the other party will perform in a particular way	Belanche Garcia et al., 2015.	A staff member goes to meet with a community member to discuss and resolve a problem
Process-based Trust	Perception that government is fair, open, and responsive based on repeated interactions	Tolbert et al., 2006.	City holds an annual participatory budgeting process in which the results reflect input from the public
Institutional Trust	Expectations that institutions will “do what’s right”	Bannister & Connolly, 2011; Tolbert et al., 2006.	Government acts on recommendations of Auditor General or Environmental Commissioner
<i>Fiduciary Trust (a subset of institutional trust)</i>	<i>Based on an established professional, moral, and/or civic relationship</i>	<i>Franks & Weck, 2014.</i>	<i>Government collects and allocates tax revenue</i>
Outcomes-based Trust	Citizens believe policies and outcomes reflect their own preferences	Gershtenson & Plane, 2007; Franks & Weck, 2014.	Citizens’ Reference Panel informs priorities for health spending

service delivery, but of a government’s ongoing willingness to enter into an authentic dialogue with its residents.

Any break in the trust chain has repercussions in both directions. If a citizen trusts a public servant based on previous interactions, she may enter optimistically into a public process. But, if that process is flawed (if the rules are not clear, information is not shared, or the institutional participants are not transparent), trust in the person with whom the initial relationship was created will be damaged, as well as in the institution on behalf of which the process was held.

If the process is well-run and transparent, then interpersonal trust is strengthened, learning happens on both sides, and residents become more willing to trust the institution (while the institution becomes more willing to trust residents). However, if the institution does not clearly engage with what has been learned through the process, the result will be cynicism about the process (was it all for show?) and about the institution. By “engaging in what has been learned,” we do not mean that the institution’s final decision must exactly reflect the outcome, but it must show that the learnings and recommendations from the process were honestly and fully considered when the next step was taken.

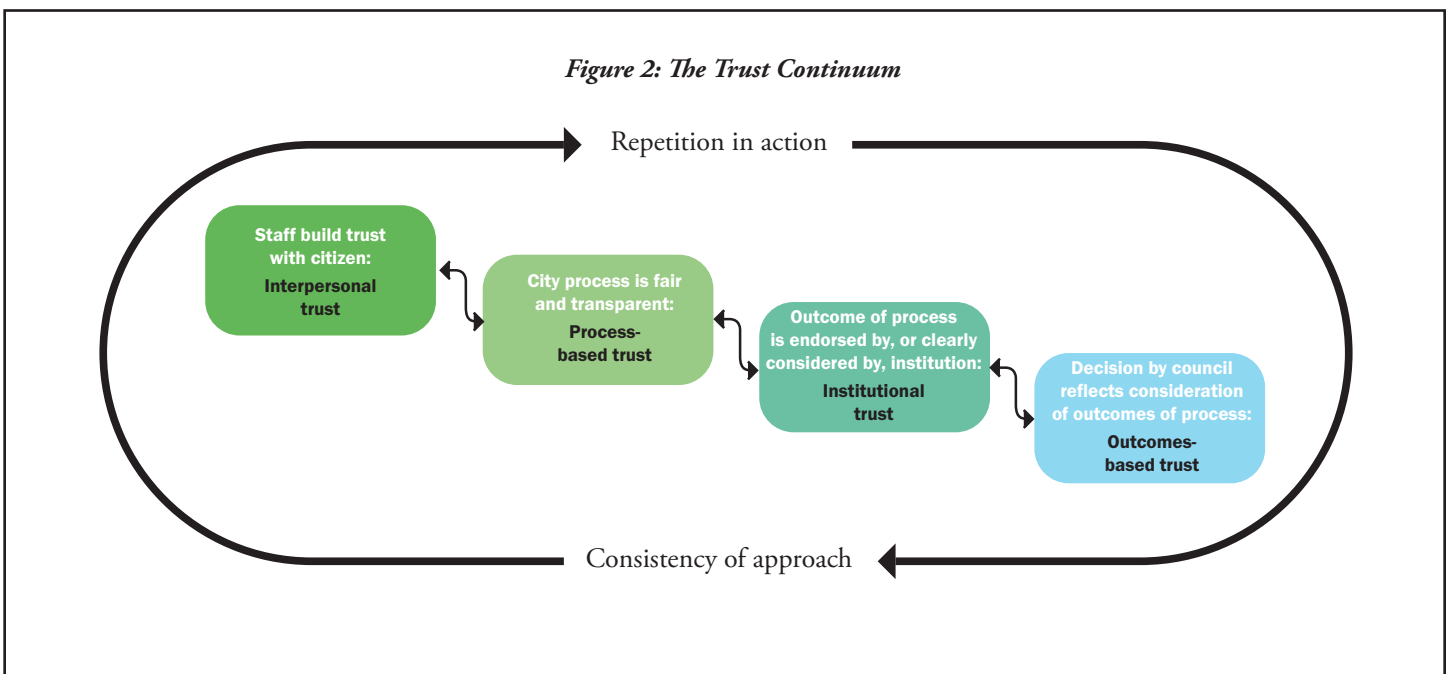
Ultimately, however, if the outcome (usually a decision by elected representatives) ignores or fails to take into account the recommendation of the institution, which in turn must be based on consideration of the process, then again, trust will be broken and cynicism will result.

This continuum of trust is shown in Figure 2.

Trust vs. Competence

Some claim that trust refers to the reliability of service delivery as well as outcomes of policies.²² This concept relates to people’s general trust in the competence of government to manage the state, which can be further subdivided between trust in politicians and trust in the civil service.²³ In Canada, across all three levels of government, we have seen significant investments in improvements to service delivery over the last 10 years.²⁴ Implicit in these efforts is the assumption that if governments deliver services better, the public will have more faith in the institutions of government. Yet research suggests otherwise.²⁵ Service delivery reliability can help build confidence in the competence of government to generally provide services, but reliability and competence are not the same as trust. The same is true for online service provision: satisfaction goes up, but trust does not.²⁶ Taylor notes that efforts to improve service delivery have been the focus of much local governance work, but such efforts do not assess the quality of civic engagement, decision-making processes, or the capacity of people within institutions.²⁷ These findings are important for governments seeking to build trust, whether online or off. The provision of services – timely garbage pickup, sidewalk snow removal, or effective online swimming lessons registration – cannot be leveraged to build citizen trust to raise and spend taxes. This is not to suggest that service delivery can be ignored – citizens expect and depend on competent service delivery – but instead to signal that good service delivery is not a proxy for building trust.

Figure 2: The Trust Continuum



The continuum of trust works as a general proposition, but the level of trust may differ depending on the subject matter at issue. Put another way, citizens trust their governments to do some things more than others. A 2012 paper by Jacobs and Mathews studied trust using three questions from the American National Election Studies Forum (ANES), which tests “beliefs about the degree to which government is ‘run for the benefit of most of the people’ versus special interests; beliefs about the ‘crookedness’ of public office-holders; and beliefs about whether politicians ‘waste a lot of the money we pay in taxes.’”²⁸ Ultimately, the authors concluded that lack of trust is connected to the specific area in question (for example, how good elected officials are at carrying out the particular task under consideration), as well as to uncertainty about outcomes.

How Do Governments Build Fiscal Trust?

It has been more than 2,000 years since the birth of Athenian democracy, and Canadians not only want but expect to have a voice in decisions that affect them. Nowhere is this clearer than at the municipal level. Local government is often referred to as the closest level of government to the people, because the infrastructure it builds and the services it provides are tangible and proximate, and the decisions made by local governments affect people every day. Governments require ongoing social licence to make significant policy decisions, in particular those dealing with the allocation of resources.

There is a public and political perception that residents are reluctant to pay more taxes and in particular are reluctant to shoulder short-term increases for benefits that do not arrive until well into the future. Why is the public reluctant to pay short-term costs for long-term benefits? Jacobs and Mathews point to what they call “cognitive myopia”: citizens simply do not believe that long-delayed policy rewards will be delivered. When taxpayers are asked to pay now for benefits that will not come until the future, they must rely on politicians to maintain their original commitment to deliver them. But current and future elected officials face pressures to divert the resources to other purposes, and changes of government may lead to policy shifts. Over time, the temptation to divert the funds grows.²⁹ Their study found that the farther into the future the policy tradeoff comes, the lower the support for the policy – but that fiscal trust was a strong moderator of the results:

The more transparent governments are in the short term about how money is being held before it is spent, the longer the public is willing to wait for identifiable returns on their money.

The effect of timing seems to depend on individuals’ beliefs about how good politicians are at carrying out precisely the kind of task that the reform described in the policy brief would require of them. Respondents’ sensitivity to delay in the receipt of benefits appears to reflect a significant concern about what the government will do with their money while they wait...removing distrust from the equation essentially eliminates the effect of timing.³⁰

Put another way, the more transparent governments are in the short term about how money is being held before it is spent, the longer the public is willing to wait for identifiable returns on their money.

Given this research, the question is: what is the recipe for fiscal trust? We identify five key elements in the sections that follow.

1. *The importance of information*

One way that governments around the world have been working towards transparency and clear communication with the public is through open government initiatives. Open government is typically framed as government that is transparent, accountable, and accessible/responsive.³¹ At its heart, the open government movement seeks to redefine the relationship between governments and citizens by making information about government services, activities, and spending more available and understandable, among other things.

The open government movement is built upon the assertion that in order for citizens to understand and trust the policy choices that governments face, they must be provided with clear information.³² Information can come in many forms and be distributed any number of ways, but it must be accessible, understandable, and relevant. Open data is one output of open government and is generally understood to be data “that can be freely used, shared and built-on by anyone, anywhere, for any purpose.”³³ The provision of information, whether through open data or other means, is key to transparency and “a catalyst for the development of trust.”³⁴

In its early days, the open data movement seemed like a radical idea coming from the tech and hacker communities. Today, government attitudes toward open data have evolved to the point at which government data is intended to be “open by default,” meaning that governments “want to make

all data that we create, collect, or manage *public*, unless we cannot do so for legal, privacy, security or commercially-sensitive reasons.³⁵ The open-by-default approach has been adopted worldwide, including in Canada, by the federal government, the Government of Ontario, and the City of Toronto, among others.³⁶

Although open data can make government appear more transparent, the open data sets must be accessible, understandable, and relevant. Data sets may be released, but may not take a form that people can understand or that the programmer community can easily or efficiently use. Can a PDF of data points posted in an open data portal be considered “accessible”? The extent to which open data is understandable is a concern for both the government and the public. Furthermore, government open data catalogues contain a fraction of the data held by government and one of the challenges in the future is identifying which data sets to prioritize for release. In 2015, the Province of Ontario, through its open data portal, asked interested parties to vote on which data sets they want released as a way of helping the Province determine which data sets they should invest time in and release next.³⁷ The site now has a list of the most requested data sets; some are “open” and others “in progress,” meaning that the government is working on releasing these data.

Early research suggests that the success of open data initiatives depends on activities wrapped around the release of information, so when data are made available to and used by the public, they can contribute to an environment that supports trust. Studies on participatory budgeting, for example, note the importance of government officials’ sharing technical and budgetary data, as well as being transparent about policy development and decision-making processes.³⁸

The sum of these open data efforts and the continuing pressure from open data advocacy groups remind us that just making information available is not sufficient to change public perceptions or increase trust in government: a more deliberate approach is required. Open data cannot stand alone; they need to be viewed as an input into broader open government efforts in which all actions taken, including the release of data, are in pursuit of government’s being more transparent, open, accountable, and accessible.

2. *Communicating the information*

Even in the best of all possible worlds, where governments produce a surfeit of information, a central tension still needs to be resolved: how can it be effectively communicated? Jacobs and Matthews note that many citizens do not have deep political knowledge, pay limited attention to political information, and tend to rely on simple propositions. They call these citizens “cognitive misers,” and relate their

awareness not simply to the availability of information, but to the quality and specificity of the information provided, particularly in the context of policy tradeoffs – like paying now for long-term investments.³⁹

Information must be more than simply transparent and accessible; it must be well communicated. In researching the role of people’s willingness to consider new taxes for short-term versus long-term projects, Jacobs and Matthews found that information about short-term consequences tends to be “clearer, more vivid and more prominent than information about the long run.”⁴⁰ Respondents were less sensitive to timing issues when a tradeoff’s long-run value was more precisely conveyed.

Open Government in Toronto

The City of Toronto’s Open Government Committee conducted a poll of city residents and a survey of staff about open government priorities. The survey results are posted on the City’s open data portal⁴¹ and the City has published two infographics highlighting key findings.⁴²

In October and November 2015, the City also used these data sets at leadership retreats for City staff. This set of activities – gathering the data, publishing them in raw format, condensing them into an infographic to be publicly shared, and embedding the survey data in a City staff professional development process – demonstrates how important information was effectively communicated in an accessible way.

Good information tells a story. Given the current information-saturated environment, the search for a narrative that can make data come alive, or provoke an emotional response, is understood as an effective way to make information “stick.”⁴³

The importance of charismatic leadership also cannot be underrated. In Los Angeles, mayor Antonio Villaraigosa was an impassioned and effective advocate for a regional sales tax for new transit; in London, mayor Ken Livingstone rallied politicians and the public alike to implement the city’s now-famous congestion traffic pricing system.

In Toronto and Vancouver, large-scale marketing and information campaigns about the need for transportation investment have been launched by Ontario’s Metrolinx, the City of Toronto, and Vancouver’s TransLink. Civic organizations such as the Toronto Region Board of Trade and CivicAction have run their own campaigns, citing the costs of congestion and the need to cut travel times. But while these efforts have succeeded in raising awareness about the need to

invest, they have not convinced residents that higher taxes or new revenue tools are merited.⁴⁴

Figure 3: CivicAction, What would you do for 32?

WHAT WOULD YOU DO FOR 32?

THERE'S A REASON WHY WE NEED A BETTER TRANSPORTATION

ACTUALLY, THERE ARE 32.

- ✔ New jobs & opportunities
- ✔ Shorter commute times
- ✔ Healthier neighbourhoods
- ✔ Easier access to work, school, and healthcare
- ✔ And so much more!

your32.com

CivicAction
Greater Toronto CivicAction Alliance

Tell our politicians we need results now at: your32.com

Source: CivicAction

Information and even great stories are still not enough. Building trust must clearly link the information to the choices under consideration, and make the public genuine participants in public policymaking on long-term investment. That is why open government is not just about access to open data and information, but access to participation in policymaking, what a 2015 paper by Franks and Weck calls “a partnership between government and citizens.”⁴⁵ The one-way delivery of data to citizens, and even publishing the information that forms the basis of government decision-making, is simply not sufficient to build trust.

3. Engagement

As trust in government has declined, citizens have demanded more involvement in decision-making, especially with respect to taxing and spending decisions. Statutory requirements for consultation in government processes range from environmental assessments to annual budgeting debates. At the local level, these minimum requirements include a mandatory public meeting for land use planning decisions. But enlightened institutions recognize that engagement fulfils a number of aims beyond the minimal statutory requirements.

Among other things, good engagement:

- brings valuable knowledge from the local community to the process;
- draws creative individuals to the table to help inform decisions, strengthening the quality of decision-making;

- educates the public about the government’s planning, services, projects, and initiatives;
- provides a forum for the exchange of factual information;
- provides a valuable record of the process that can inform decision-making;
- builds trust and understanding – assuming there is genuine dialogue and an authentic process.

When asking the public about its priorities on how government should operate, Environics found that fully 90 percent of those polled felt that “actively consulting with citizens and other sectors in the development of policies” was “extremely” (42 percent) or “very” (48 percent) important – more important, for example, than the government’s making non-confidential research or statistics available, or using the latest technology to deliver information and services.⁴⁶

The continuum of trust depicted in Figure 2 makes it clear that trust is not a one-time event, but is developed over time through repetition. Helping governments and their agencies engage communities in a consistent and thoughtful way will require a significant change in public engagement practice and the development of expertise. Genuine engagement is labour-intensive. It requires that government and agencies develop “new roles as enablers, negotiators and collaborators” as well as facilitation skills.⁴⁷ Governments need to build these new roles early on in participatory processes to ensure that communities are engaged from the outset (when input can be most influential), participants represent a balanced and inclusive cross-section of interests, and there is time to assemble and bring clear, evidence-based information to the table to inform the process.

But there is also no substitute for “boots on the ground”: in infrastructure projects, for example, dedicated community relations staff play an important role in building relationships, preventing or resolving problems, and ensuring dialogue among community members, contractors, and governments or agencies. This task requires adequate organizational resources and commitment. Communities, for their part, need to dedicate sufficient time and energy to learn about the issues and participate in a meaningful way, often a challenging requirement.⁴⁸ These processes of engagement must become the ordinary work of government with appropriate staff, budgets, and political support, including regular reporting back into decision-making bodies such as municipal councils. *Engagement never stops*: it becomes a series of tasks built into the work of government.

A wide variety of tools and techniques can support effective engagement, and this paper does not attempt to catalogue or assess them.⁴⁹ We note, however, that in

Canada, citizens have shown themselves willing to dedicate significant time to a process if they believe their work will make a difference. In 2004, the City of Toronto held an event called “Listening to Toronto” at which more than 1,000 residents participated in a weekend-long workshop on the City’s budgeting process. Another example is citizen reference panels, for which people volunteer to give up several weekends to learn about a policy area, deliberate, and make recommendations to policymakers.⁵⁰ This mechanism has been used in contexts ranging from health care to transit to the electoral system, and is particularly useful when citizens need to grapple with difficult questions like funding.⁵¹ For example, in 2013, Metrolinx (the regional transportation authority for the Greater Toronto and Hamilton Area) used a citizens’ reference panel to gather input into its investment strategy. Skilled facilitation, clear information, and interaction with agency staff and experts helped a panel of 36 people consider the different means of funding the \$34-billion regional transportation plan, and make substantive recommendations that informed the agency’s final report.⁵²

**For citizen participation to be meaningful,
there must be institutional and political will to
listen to and learn from citizens.**

For citizen participation to be meaningful, there must be institutional and political will to listen to and learn from citizens. For example, in Bangalore (now Bengaluru), India, an inclusive stakeholder group was brought together in 2014 for a deliberative two-day workshop process to explore using land value capture to fund a new, badly needed suburban railway.⁵³ This process achieved an important consensus that land-based value capture financing was appropriate, and an agreement that it should be implemented quickly. But stakeholders also brought other considerations to the table that affected the design of the value capture mechanism: equity implications, negative externalities from the construction, demand considerations based on affordability rather than proximity, and ancillary infrastructure requirements like bicycle paths and rickshaw parking.⁵⁴ The project required a more holistic approach than had been originally envisioned. If the project proceeds, further dialogue will be needed throughout implementation to address stakeholder issues.

Many cities have experimented with deliberative democracy,⁵⁵ and there is an extensive literature on the practice. Structured deliberative engagement is felt to “produce decisions that are epistemically better, more ethically robust, and politically more legitimate than decisions made without the benefit of deliberation.”⁵⁶ Some

governments have gone so far as to incorporate deliberative processes into legislation.⁵⁷ However, because of the time and resources required, deeply deliberative processes cannot be used for every issue, particularly in large cities and city-regions.

The City of Toronto has put considerable effort into making the case for transportation investment.⁵⁸ In 2014, the City held a number of consultations on transit and transportation under the heading *Feeling Congested? Toronto Talks Transportation*. These consultations were designed to engage Torontonians about a range of issues related to transportation policies in Toronto’s Official Plan through public, stakeholder, and online sessions, accompanied by an active social media campaign. Phase 1 sought feedback on decision-making criteria and revenue tools from more than 7,200 people over a period of 10 weeks online, in

four public meetings, and in two working sessions with stakeholders. This feedback helped inform draft frameworks for the next phase, which ran for about two months, and engaged approximately 12,000 people.⁵⁹

Participants expressed a high degree of support for the imposition of new revenue tools – albeit with conditions:

Ninety-two (92) percent of participants in Phase 1 supported the use of dedicated government revenues to fund transportation infrastructure. There was a strong interest in seeing the federal government contribute to long-term transportation funding in the GTHA, and also a strong interest in having a high degree of transparency around how the funds are spent and certainty that the tools will remain consistent through political cycles.⁶⁰

The emphasis on transparency, certainty, and dedication reflects this paper’s findings on the building blocks of trust in government. Toronto Mayor John Tory appears to have been listening. His recent proposal for a new 0.5 percent annual property surtax for five years to raise money for transit and housing, with the revenues going to a new, dedicated City Building Fund,⁶¹ was an effort to reassure citizens that the funds will actually be used for their intended purpose. If Toronto City Council passes this proposal, placing constraints around the funds will be critical. Engaging citizens in a process to determine the use of resources and then changing those priorities without explanation or further process can result in a backlash with implications for trust building.⁶²

The Importance of Consistency

In Eugene, Oregon, large-scale deliberative proceedings were conducted to resolve the conflict between the public demand for services and citizen reluctance to pay for them. The local government held a comprehensive process that involved a first round of questionnaires, facilitated workshops, and surveys, followed by a second round of consultation to assess three potential strategies. The second round of dialogue included budget worksheets mailed to all households, as well as questionnaires, surveys, and more workshops. Participation was extremely high, with hundreds of people attending the first workshops, and response rates for the worksheets and questionnaires ranging from 53 to 73 percent. When the results were submitted, Council built the budget – then unexpectedly added \$10 million in new services, to be paid for through Oregon’s first municipal income tax. The community was outraged and within a few days, Council withdrew its decision and enacted a budget that reflected the preferences expressed through the community process.⁶³

4. Building credibility

Governments need to establish, and regularly point to, a track record of successful project delivery – projects that have been delivered on time and on budget.⁶⁴ Building such a track record is a challenge, given the small number of large infrastructure projects that have actually achieved this aim.⁶⁵

Putting into place transparent and measurable tracking systems can mitigate uncertainty, which helps build fiscal trust. But transparency alone is insufficient to build trust.⁶⁶ In a 2016 paper, Matti Siemiatycki proposes a system to allow governments to track and reward contractors who deliver on time and on budget.⁶⁷ He notes that this is not a new concept, since many municipalities already engage in contractor performance evaluations, but argues that tracking a broader range of factors, with data input as the project is progressing, would reduce the costs and make understanding the causes of overruns both more efficient and more accurate. He writes, “Over time, this performance tracking system would develop a very large dataset that could be statistically analyzed to show trends in the dynamics of infrastructure delivery costs, quality and cost overruns... In time, cities could develop predictive models that estimate the likelihood of cost escalations under various conditions.”⁶⁸

The City of Los Angeles is one municipality that uses a Contractor Performance Evaluation for every construction contract to grade whether the contractor delivered according

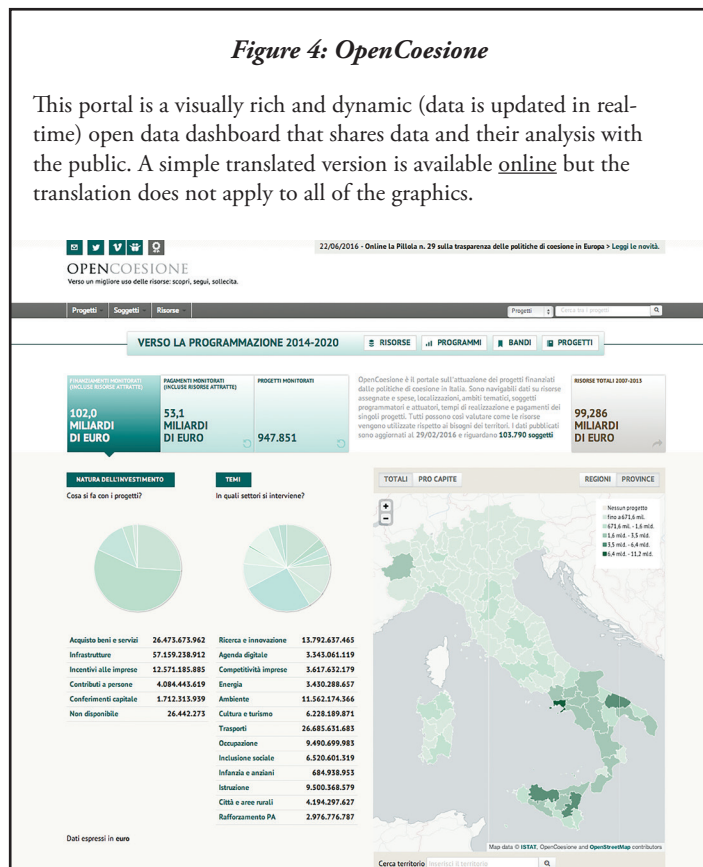
to the terms of the contract. These scores build up a record which is checked the next time the same contractor bids on city work, and is taken into consideration when the City is evaluating and pre-qualifying vendors for future contracts.⁶⁹ Interestingly, however, the Los Angeles evaluation does not include “on time and on budget” metrics, as Siemiatycki suggests.

To reinforce transparency and accountability, progress reporting should be regular and publicly accessible. Cities have become better at posting useful information about their overall budgets and finances,⁷⁰ but regular financial reporting for major projects is less common.⁷¹ At its simplest level, transparency means that people know what they are paying for.⁷² Some cities, like Los Angeles and New York, post clear, accessible, and regular progress reports on major infrastructure projects, whether through high-level dashboards or detailed reports.⁷³

An even more sophisticated example of project tracking is a platform called “OpenCoesione,” which is used in Italy to track 40 projects funded by local and national administrations. OpenCoesione provides a web portal that allows citizens to view and download data on how funds are being spent, who is receiving the money, and project progress.⁷⁴ This platform won a 2014 Open Government Award from the U.K.-based Open Government Partnership organization.

Figure 4: OpenCoesione

This portal is a visually rich and dynamic (data is updated in real-time) open data dashboard that shares data and their analysis with the public. A simple translated version is available [online](#) but the translation does not apply to all of the graphics.



5. Earmarking funds

A key element of fiscal trust is to ensure transparency on how money is raised and spent. In a 2015 paper, Slack and Bird discuss the importance of the “Wicksellian connection,” which they define as “a clear and meaningful linkage between expenditures and revenues.”⁷⁵ Achieving this connection entails linking those who decide with those who benefit and those who pay. The goal is to ensure that goods and services are in line with what beneficiaries and taxpayers want, and that expenditures and financing are seen as efficient, accountable, transparent, and fair.

The Wicksellian connection helps build fiscal trust as well as economic efficiency. To be transparent and accountable, governments need to make information clear and easy to understand, particularly for large expenditures like infrastructure. Citizens need to understand the need for investment, the cost of that investment, and the expected benefits. Information that explains these linkages – on an ongoing basis – is a critical element of fiscal trust. As Franks and Weck note in a 2014 paper, “The connection here is that citizens expect that information provided to them by government is trustworthy. If the information is deemed untrustworthy, this becomes a centre point for lack of trust in fiduciary trust relationships. A key point then is the quality of information delivered to citizens through the usual fiduciary trust relationships.”⁷⁶ Although they are speaking about fiduciary trust (which is based on established professional, moral, or civic relationships) rather than fiscal trust, the point is equally valid here, because fiscal trust entails a fiduciary relationship, similar to the relationship people have with bankers to whom they entrust their investments.

In the GTA, most citizens feel that governments should pay for investment with the resources they already have and avoid imposing new taxes.⁷⁷ Former Toronto Mayor Rob Ford routinely spoke of his fiscal *mistrust* in the city he was leading, routinely positioning himself as the champion of confronting what he claimed to be irresponsible spending at City Hall. Yet, as shown by the KPMG Core Services Review in 2011, by Slack and Côté in their 2014 assessment of Toronto’s finances,⁷⁸ and in every budget session since, there are no pots of gold lying unused in the City’s coffers.

The tension between the demand for more investment and services and the public’s willingness to pay is a longstanding one.⁷⁹ To effectively advocate for investment, governments need to bear the Wicksellian connection in mind and be fully transparent about their fiscal situations and how proposed funding solutions meaningfully connect the revenues sought with their proposed use.

One way to mitigate the public’s uncertainty about the disposition of funds raised for large-scale projects is to earmark taxes, that is, raise revenues from a specific source and dedicate those revenues to a particular expenditure, or set of expenditures.⁸⁰ Earmarking can reinforce the Wicksellian connection, because it puts funds raised for long-term infrastructure projects into a dedicated fund rather than into general revenues. It also provides assurance that the revenues cannot easily be diverted to other purposes,⁸¹ making it easier for the public to track the funds that have been set aside for particular goals.

To effectively advocate for investment, governments need to be fully transparent about their fiscal situations and how proposed funding solutions meaningfully connect the revenues sought with their proposed use.

Earmarking taxes is not a new idea. In Los Angeles County, for example, an ordinance required that revenues raised through a 0.5 percent sales tax that voters approved in November 2008⁸² be used only for transportation. Both cities and the county itself were required to set up dedicated funds for the portion that flowed

to them for designated transit purposes.⁸³ A dedicated fund was proposed by Metrolinx when it provided the Ontario government with its Investment Strategy to raise \$34 billion in transit funding through a combination of taxes and fees in 2013. Research by several parties at the time found that creating a dedicated transit fund increased support for the proposed investment.⁸⁴ Similarly, Mayor Tory has recently suggested that the funds raised by his proposed property tax increase would go into a dedicated fund for transit and affordable housing.

Earmarking is complex and comes in many forms. In a 2005 paper, Bird and Jun define eight different types of earmarking depending on how taxes and expenditures are connected, including how specific the expenditures are, the strength and nature of the linkage between the revenues and expenditures, and whether there is an identifiable benefit – that is, whether the group that is paying will benefit from the expenditures made. The strongest form of earmarking

(and the most economically rational) is one in which those who pay benefit from the expenditures to which the revenues flow (user fees for water, for example), and the revenues collected are the sole, or at least the primary, source of financing for that activity. Looser types of earmarking might mean that the taxes collected contribute only part of the total expenditure on the activity, or have little benefit rationale.⁸⁵ These earmarked taxes are more symbolic, since they finance only some of the expenditures to which they are purportedly related.⁸⁶

Earmarking has its supporters and detractors. Governments often resist earmarked funds as limiting their financial flexibility, while others argue that public spending should be determined by policy decisions, not the amount raised by dedicated taxes.⁸⁷ But those who support earmarking funds argue that it is appropriate when those who are paying the tax clearly benefit from the expenditure thus financed, and that it can send an important signal about taxpayer preferences and demand.⁸⁸ Others point to the fact that it enhances transparency and democracy⁸⁹ and can lower public resistance to paying taxes.⁹⁰ Earmarked taxes can also facilitate long-term planning and provider greater accountability with respect to how the funds are spent.⁹¹ Bird and Jun offer a crisp summary of the appeal of earmarking: “Politicians like earmarking as a means of reducing taxpayer resistance to higher taxes, and taxpayers like the greater accountability they perceive with respect to how their tax dollars are spent.”⁹²

While earmarked revenues can be a more efficient way to raise funds than general taxes, they are not considered a replacement for general taxation, but simply one of a number of tools and levies that could be reasonably employed by government.⁹³

The dedicated fund proposed by Mayor Tory is an example of looser earmarking. If passed, it is anticipated to raise up to \$70 million a year (after it has been fully phased in over five years)⁹⁴ – but it represents a drop in the bucket compared with the \$22 billion in unfunded capital expenses required by the City, of which a significant proportion is for transit.⁹⁵ This proposal for earmarking revenues is therefore mainly symbolic, although it has clear political appeal. For greater accountability, Toronto City Council might choose to tie earmarked revenues either to particular transit projects, so that the expenditures closely match the revenues raised, or, as Slack and Kitchen suggest, tie the revenues raised to financing and sunset the earmarking at the completion of the project.⁹⁶

Looser earmarking of this sort may not achieve maximum economic efficiency; however, if the goal of earmarking is to make a particular tax more acceptable to the public, a dedicated fund is required. Research on social investments supports this thesis. Jacobs and Mathews found that having funds purportedly “insulated” from the political branch by having them administered directly by the civil service (that is, more of a notional association) had little effect on citizen support for investment, while earmarking the funds had a significant effect, particularly among conservatives.⁹⁷

The Recipe for Fiscal Trust

What does this framing of trust mean for those charged with convincing the public to part with their money in support of government activities, including infrastructure spending in Canadian cities? Building trust to raise funds for large infrastructure projects in particular is a monumental task: these projects are likely to be challenged by cost and time overruns.⁹⁸ Concrete and practical steps can be taken to build fiscal trust – but there are no shortcuts. Cities need to put in the time and the resources to build trust through all of the steps outlined, and do so repeatedly.

We began this research project with a number of assumptions. First, we assumed that if governments run well, then people will trust them to do other things. We found that trust is not transferrable and that it has different dimensions; these findings have implications for public efforts to raise and spend money.

Second, we assumed that the heaviest lifting in addressing the Canadian urban municipal infrastructure deficit was going to be convincing the public to support an increased or new tax and, after the money was raised, the rest would be relatively easy. We found that once the money is raised, information about its use and engagement around its spending will demand real investments of time and resources. There is no low-hanging fruit: the work needed requires long sightlines and reach.

Third, open government and open data are popular trends right now but they alone, again, are not sufficient to build trust. We found that the transparency, openness, and accessibility they bring are important, but they are not enough to support the range of actions needed across the continuum of trust building.

Finally, we assumed that lessons could be learned and implemented and that municipal government staff could move on and get the work done. But if there is one key conclusion it is that building fiscal trust is not a one-off

If the goal of earmarking is to make a particular tax more acceptable to the public, a dedicated fund is required.

activity. Information, communications, and engagement must be accompanied by transparency, accountability, and earmarked funds to engender fiscal trust in perpetuity.

Endnotes

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2 The use of the term “revenue tools” is an indicator of just how challenging the pitch is from governments to its citizens to raise taxes. This euphemism for new taxes assumes that this issue is a “third rail” in politics.

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5 Y. Cheng and D.Y. Yang, Historical traumas and the roots of political distrust: Political inference from the Great Chinese Famine, 2015. Retrieved from http://web.stanford.edu/~dyang1/pdfs/famine_draft.pdf

6 The international research consultancy, GlobeScan, found that over the past decade in Canada, a plunge in the level of trust in the federal government in 2005 (the year of the infamous “sponsorship scandal”) to 41 percent was followed by a slow rise, although the percentage of those who said in 2014 they had some or a lot of trust in government still sat at approximately 54 percent. (GlobeScan, *Where the world is going and how to navigate its complexity*, 2014. Retrieved from http://www.globescan.com/images/webinars/GlobeScan_Polecat_Webinar_11June2014.pdf). The 2015 Edelman Trust Barometer shows a slight drop from 2014 to 2015 but shows approximately 49 percent of Canadians trust government (Edelman trust barometer Canada results, 2015. Retrieved from <http://www.slideshare.net/EdelmanInsights/2015-edelman-trust-barometer-canadian-findings>). See also F. Graves, *The trust deficit: What does it mean?* *Ekos Politics*, 2013. Retrieved from <http://www.ekospolitics.com/index.php/2013/05/the-trust-deficit-what-does-it-mean/>

7 American research similarly shows that the public trusts local governments more than the national government (T. Schario and D. Konisky, *Public Confidence in Government: Trust and Responsiveness. Report 9–2008*. Retrieved from <https://mospace.umsystem.edu/xmlui/bitstream/handle/10355/2545/PublicConfidenceGovernment.pdf?sequence=1>). Generally, there is far less trust in the national government in the United States than there is in Canada. A cross-data comparison by Environics shows that while 22 percent of Canadians believe that the federal government is “generally working,” only 7 percent of Americans

believed their national government was generally working (Environics, *Canadian Public Opinion on Governance and the Public Service, Final Report*, 2014. Retrieved from <http://www.environicsinstitute.org/uploads/institute-projects/environics-iog%20-%20public%20opinion%20on%20governance%20and%20public%20service%20-%20final%20report.pdf>). The causes of this decline have been much studied, and we do not explore them here (see C.J. Tolbert and K. Mossberger, The effects of e-government on trust and confidence in government. *Public Administration Review* 66, 2006, 354–369; M. Levi and L. Stoker, Political trust and trustworthiness. *Annual Review of Political Science* 3 2000, 475–507).

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49 This paper does not get into the wide literature on different processes for community and stakeholder participation or deliberative democracy, nor does it delve into the broad spectrum of tools that can be used to engage communities – from focus groups and surveys to citizen panels, advisory committees, online forums, workshops, etc. (See R. Lewanski, Institutionalizing deliberative democracy: The ‘Tuscany laboratory,’ *Journal of Public Deliberation* 9 (1), 2013, article 10; C. Sirianni, Neighborhood Planning as Collaborative Democratic Design, *Journal of the American Planning Association* 73 (4), 2007, 373–387; Hartz-Karp, Laying the groundwork for participatory budgeting, 2012; Jillella et al., Participatory sustainability approach, 2015; International Association of Public Participation, *Good Public Participation Results in Better Decisions*, 2015, retrieved from <http://www.iap2.org>).

50 C. Mann, J.-P. Voß, N. Amelung, A. Simons, T. Runge, and L. Grabner, Challenging futures of citizen panels: Critical issues for robust forms of public participation. *Innovation in Governance*, 2014. Retrieved from https://ec.europa.eu/research/swafs/pdf/pub_featured/citizen_panels_challenging_futures_report_final.pdf

51 In fall 2015, the Planning Department at the City of Toronto used it to convene its first “Toronto Planning Review Panel” of 28 members who will meet 12 times over two years as a way of diversifying citizen input into local planning issues.

52 MASS LBP, *Residents’ Reference Panel on Regional Transportation Investment - Final Report*, 2013. Retrieved from http://www.metrolinx.com/en/regionalplanning/funding/IS_Appendix_E_EN.pdf

53 A two-day workshop began with a knowledge-sharing session to enable all stakeholders to understand land-based value capture financing and hear about international best practices. Core group deliberation used small, facilitated groups together with an online platform that helped identify common ground and common priorities in real time, which could then be reviewed and prioritized by participants during the session. On the second day, participants drew up an action plan.

54 Jillella et al., Participatory sustainability approach, 2015.

55 Deliberative democracy is “a form of democracy in which public deliberation is central to legitimate lawmaking. It adopts elements of both representative democracy and direct democracy and differs from traditional democratic theory in that deliberation, not voting, is the primary source of a law’s legitimacy” (P2P Foundation, *Deliberative Democracy*, 2016. Retrieved from http://p2pfoundation.net/Deliberative_Democracy).

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57 See Lewanski, Institutionalizing deliberative democracy, 2013. In this case, the Region of Tuscany passed a law institutionalizing citizen participation, using exploratory dialogue, neutral facilitators, and inclusive participant selection processes. However, while more than 100 processes took place on a range of issues, many more could have been held: the lack of resources was an issue.

58 *Feeling Congested* is a recent example of one of many City of Toronto “deep dives” into public consultation around city priorities. The 2011 Core Services Review is an excellent example of the City committing significant time and resources to public dialogue about the future of the city. Over a five-week period in May-June 2011, the City received feedback from 12,955 people through feedback forms and then a three-week consultation period followed. Notably the public reported being both willing to invest the time needed to learn more about the City’s processes while also finding this process “complex and challenging.” (City of Toronto, Core Service Review Public Consultation Report, Appendix B, 2011. Retrieved from <http://www1.toronto.ca/City%20Of%20Toronto/City%20Manager%20Office/City%20Manager%20Profile/City%20Initiatives/backgroundfile-39507.pdf>). This tension speaks directly to a concern that some public officials, including politicians, hold that members of the public need simple messages. The Core Services Review findings remind us that public engagement around fiscal priorities needs a real infrastructure of support, but when these resources are committed, a complex and meaningful public dialogue can occur.

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60 Ibid.

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five years (A. Chowdhry, Toronto mayor John Tory proposes new property tax increase. *Globe and Mail*, December 2, 2015, retrieved from <http://www.theglobeandmail.com/news/toronto/toronto-mayor-john-tory-proposes-property-tax-increase/article27563725/>; CitySlickr, Half measures. All Fired Up in the Big Smoke, December 3, 2015, retrieved from <http://afuitbs.com/2015/12/03/half-measures/>).

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