



Governance and Finance of Metropolitan Areas



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Outline of Presentation

- Why does metropolitan governance matter?
- Governance models in metropolitan areas
 - Criteria to evaluate governance models
 - Five models of metropolitan governance
 - London, Toronto, Beijing
- How should metropolitan services be funded?
 - Matching revenues to expenditures
 - London, Toronto, Beijing
- Final observations

Why does metropolitan governance matter?

- Cities are economically interdependent with their surrounding areas (neighbouring cities, rural areas)
- Linkages extend beyond political boundaries
- Metropolitan governance is critical to how:
 - service delivery is coordinated across the region
 - costs are shared
 - citizens can access local government
 - responsive and accountable are local governments

and ...

- whether there is a vision for the metropolitan area

Why does metropolitan governance matter?

- Metropolitan governance matters for:
 - **Transportation:** Need to coordinate transportation across municipal boundaries; need to link employment and services; need to coordinate transportation and regional land use
 - **Water/sewers:** Inadequate maintenance of storm drains in one jurisdiction may lead to flooding or health risks in another
 - **Policing:** Coordination is needed to fight crime across local boundaries
 - **Social services, health, and education:** Need to decide on level of expenditures and how to share costs across jurisdictions with different fiscal capacity
 - **Economic development:** Coordination reduces harmful competition in metropolitan area; larger cities mean lower business costs because of fewer local offices; increased productivity

Evidence from OECD countries

- Where there are metropolitan organizations – metropolitan areas perform better than fragmented local governments:
 - denser
 - higher per capita GDP
 - attract more people
 - higher level of public satisfaction with public transport
 - lower levels of air pollution
- Fragmented governance structures tend to have lower levels of productivity (measured by wage premiums)
- Impact is smaller if there is a governance body at the metropolitan level

Balancing regional and local interests: criteria to evaluate governance models

- Efficiency
 - Ability to achieve economies of scale
 - Ability to reduce negative spillovers (externalities) across local boundaries
- Equity
 - Ability to share costs and benefits of services fairly across the metropolitan area
- Accessibility and accountability for decision-making
- Local responsiveness/competition

Five models

- One-tier fragmented government structures
- One-tier consolidated government structures
- Two-tier government model
- City-state/provincial status
- Voluntary cooperation/special purpose districts

A metropolitan area can reflect more than one model

Governance Structure	Criteria Satisfied					
	Access and accountability	Economic efficiency (local responsiveness)	Externalities	Economies of scale	Regional coordination	Equity
One-tier fragmented	✓	✓				
One-tier consolidated			✓	✓	✓	✓
Two-tier						
<i>Upper Tier</i>			✓	✓	✓	✓
<i>Lower Tier</i>	✓	✓				
City-state/provincial status			✓	✓	✓	✓
Voluntary cooperation/ special districts			✓	✓		

London: Two Tiers

- Population (2015) – 8.7 million
- Two-tier structure – Greater London Authority (GLA); 32 boroughs plus the Corporation of London
- GLA – directly elected mayor and assembly; responsible for transport, police, economic development, fire and emergency services, land use planning, culture, environment, and health
- Boroughs – independent mayors and councils; responsible for education, housing, social and health services, local planning
- Two-tier to one-tier to two-tier structure
- Pressure to bring back two-tier structure from business community



Photo by Camilo Rueda Lopez via [Flickr](#)

Toronto: Consolidated One Tier

- Population (2011) – 2.6 million
- One-tier consolidated structure following an amalgamation of upper tier and six lower tiers in 1998
- Amalgamation through provincial legislation
- Cost increases from harmonization of wages and salaries and service levels
- A city too big and too small



Photo by Michael Caven via [Flickr](#)

Beijing: Provincial Status

- Population (2014) – 21.5 million
- City with the powers of a province
- 16 districts (counties), 329 townships (including towns and street communities)
- Special purpose vehicles to finance large investment projects



Photo by Jens Schott Knudsen via [Flickr](#)

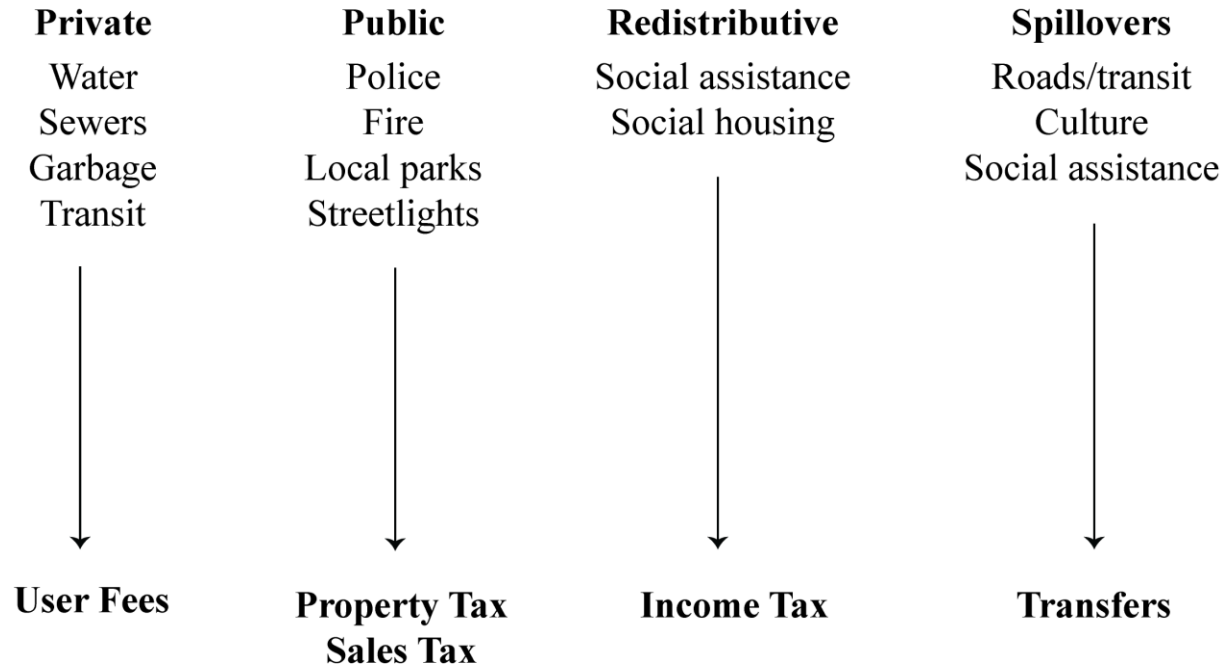
How should metropolitan services be funded?

- Metropolitan areas should have greater fiscal autonomy than other urban areas –
 - greater responsibility for local services
 - greater ability to levy own taxes, collect own revenues, and borrow for capital expenditures
 - less dependence on intergovernmental transfers

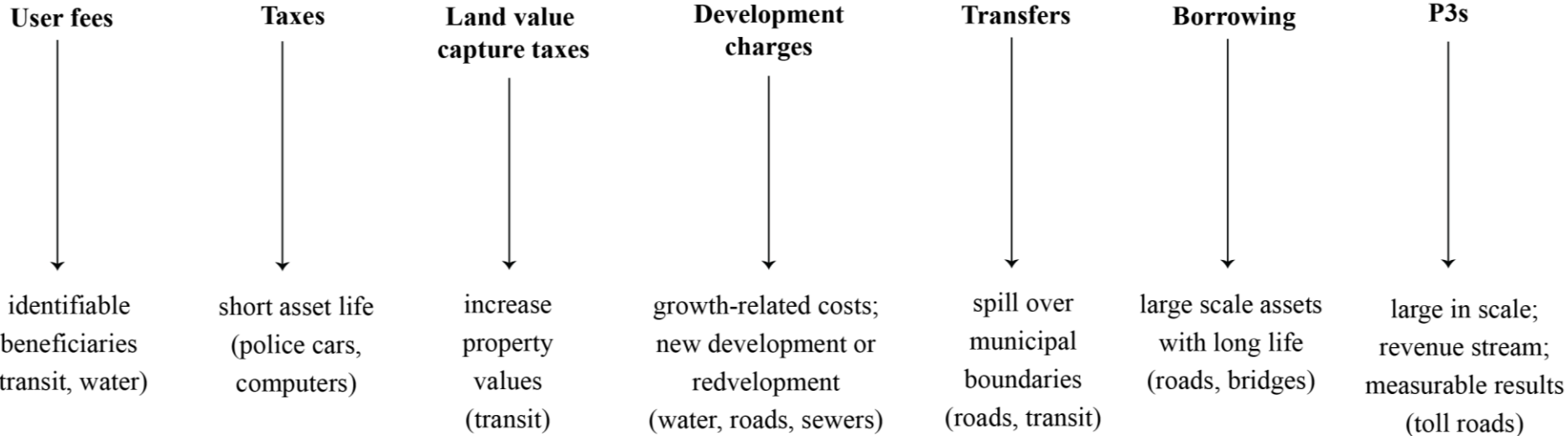
BUT

- they need a governance structure that will allow them to levy taxes on a metropolitan-wide basis

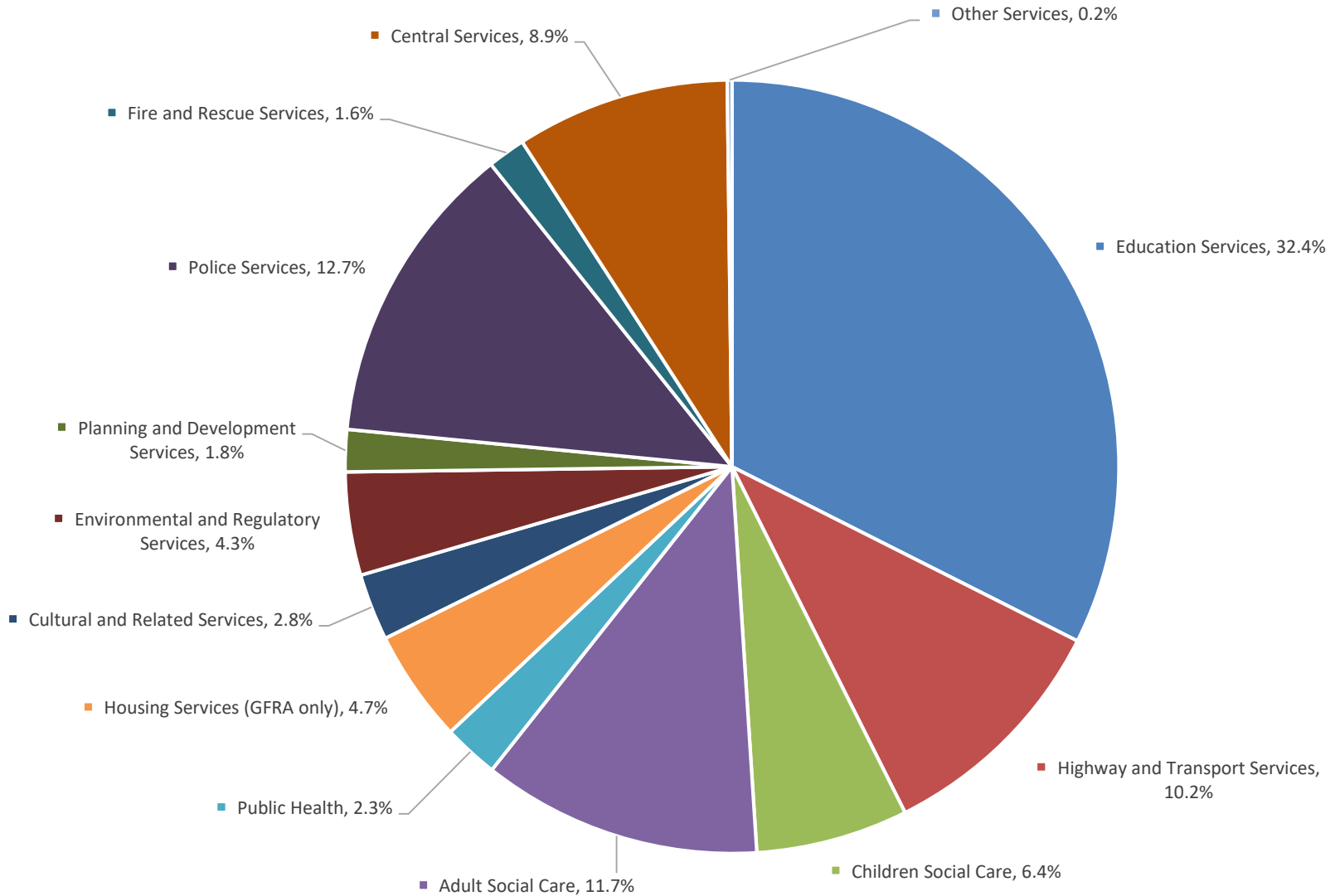
Different Services – Different Revenue Sources



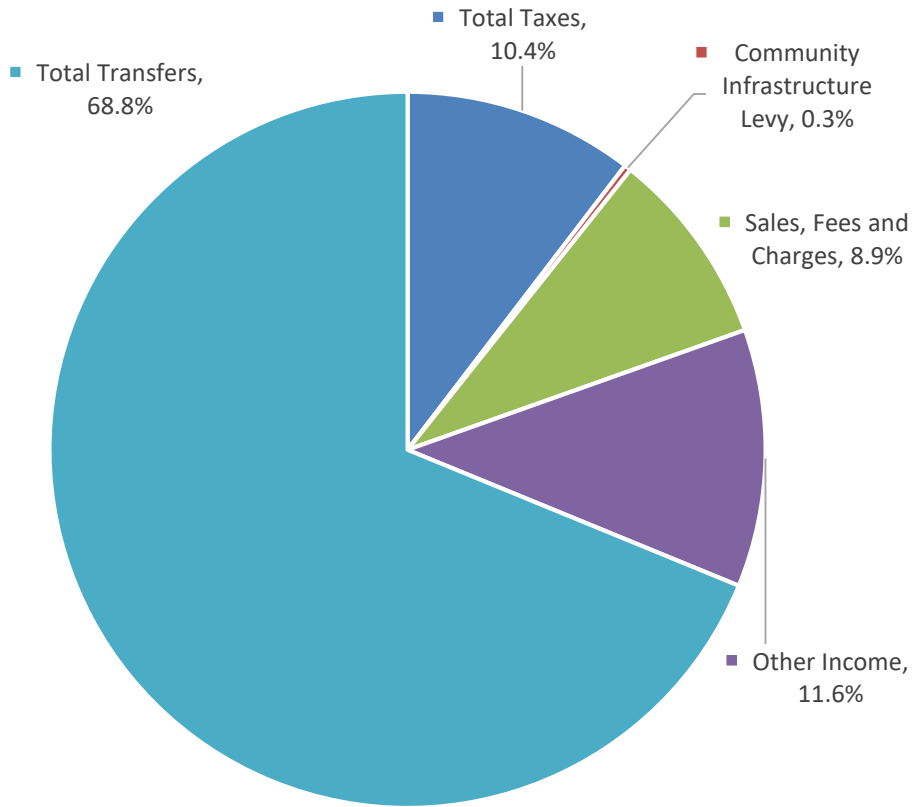
Different Infrastructure – Different Fiscal Tools



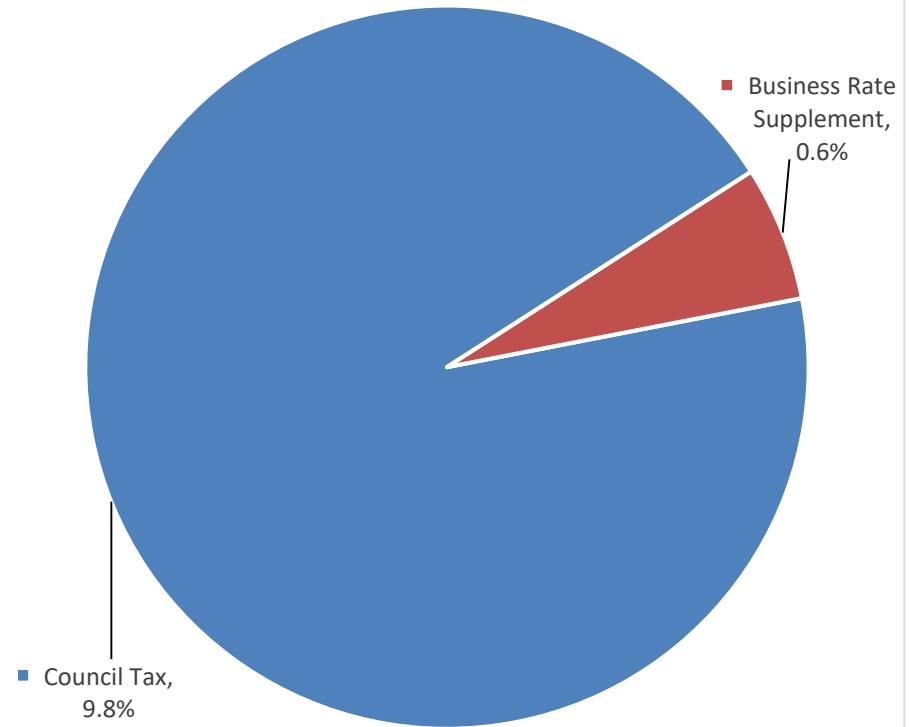
London: Expenditures



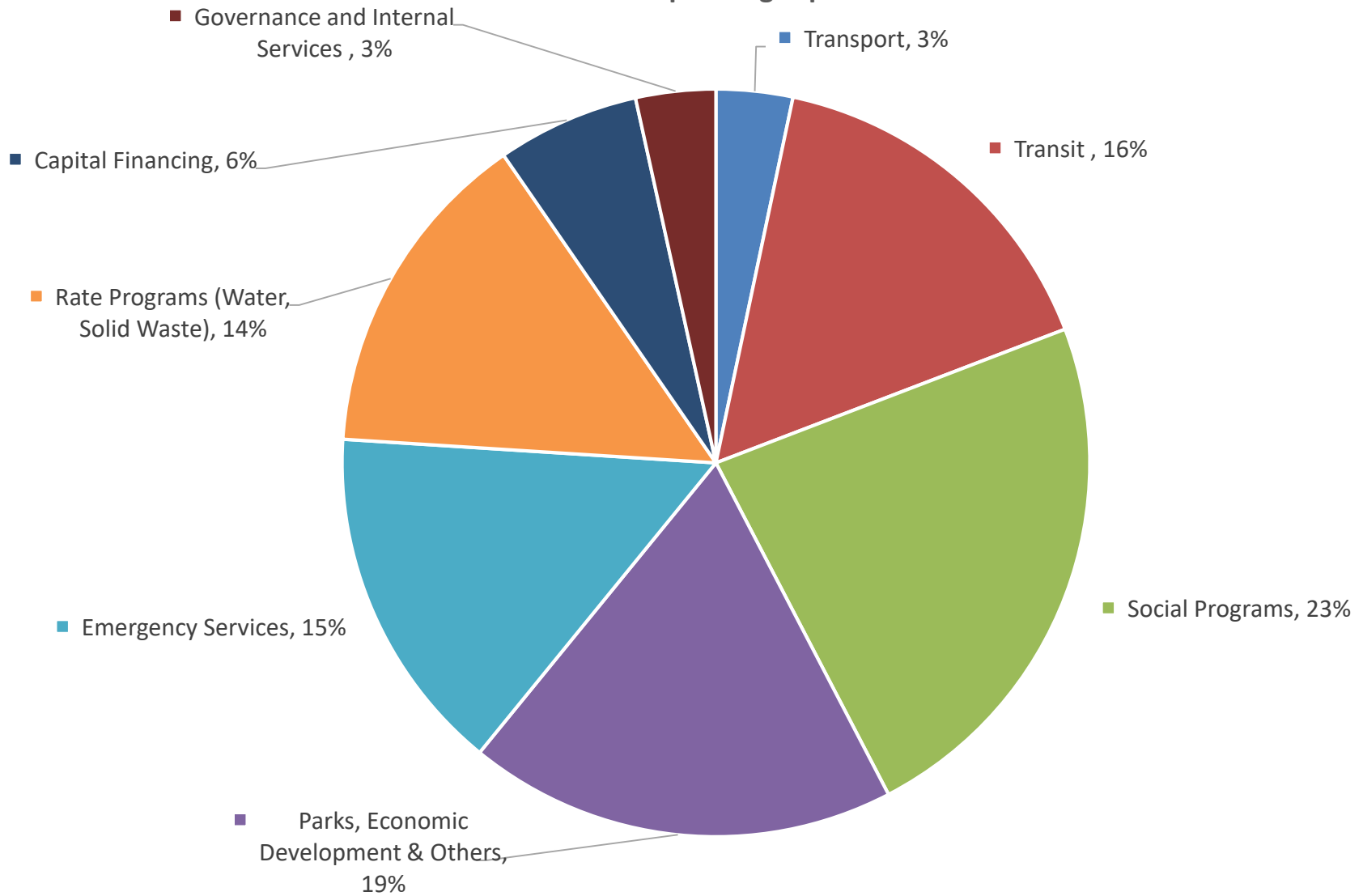
London: Revenues



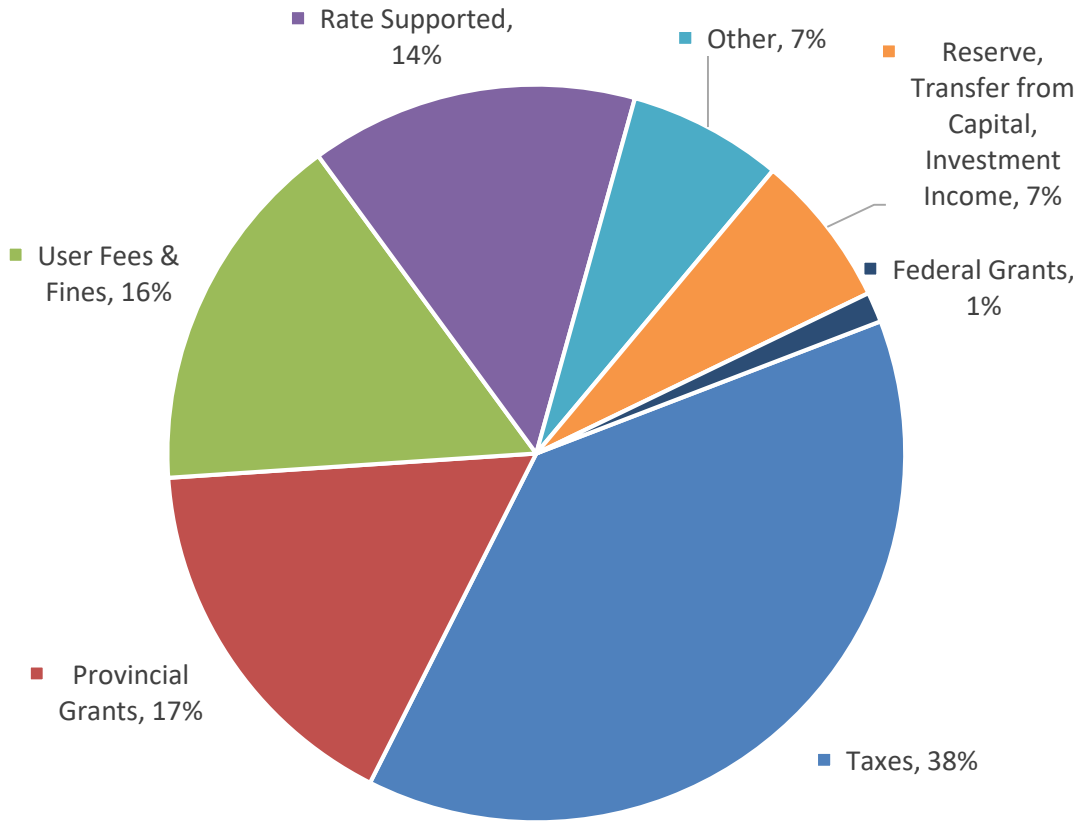
London: Tax Revenue Breakdown



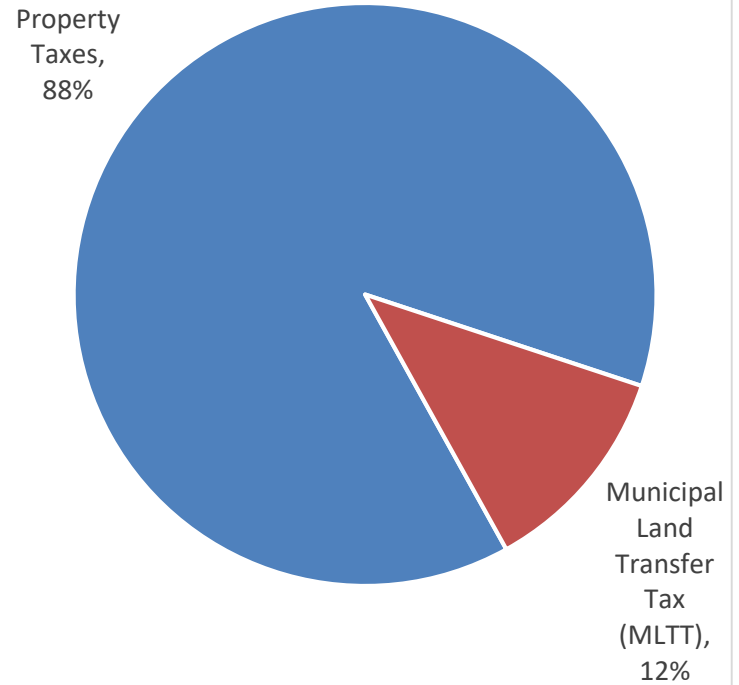
Toronto: Operating Expenses



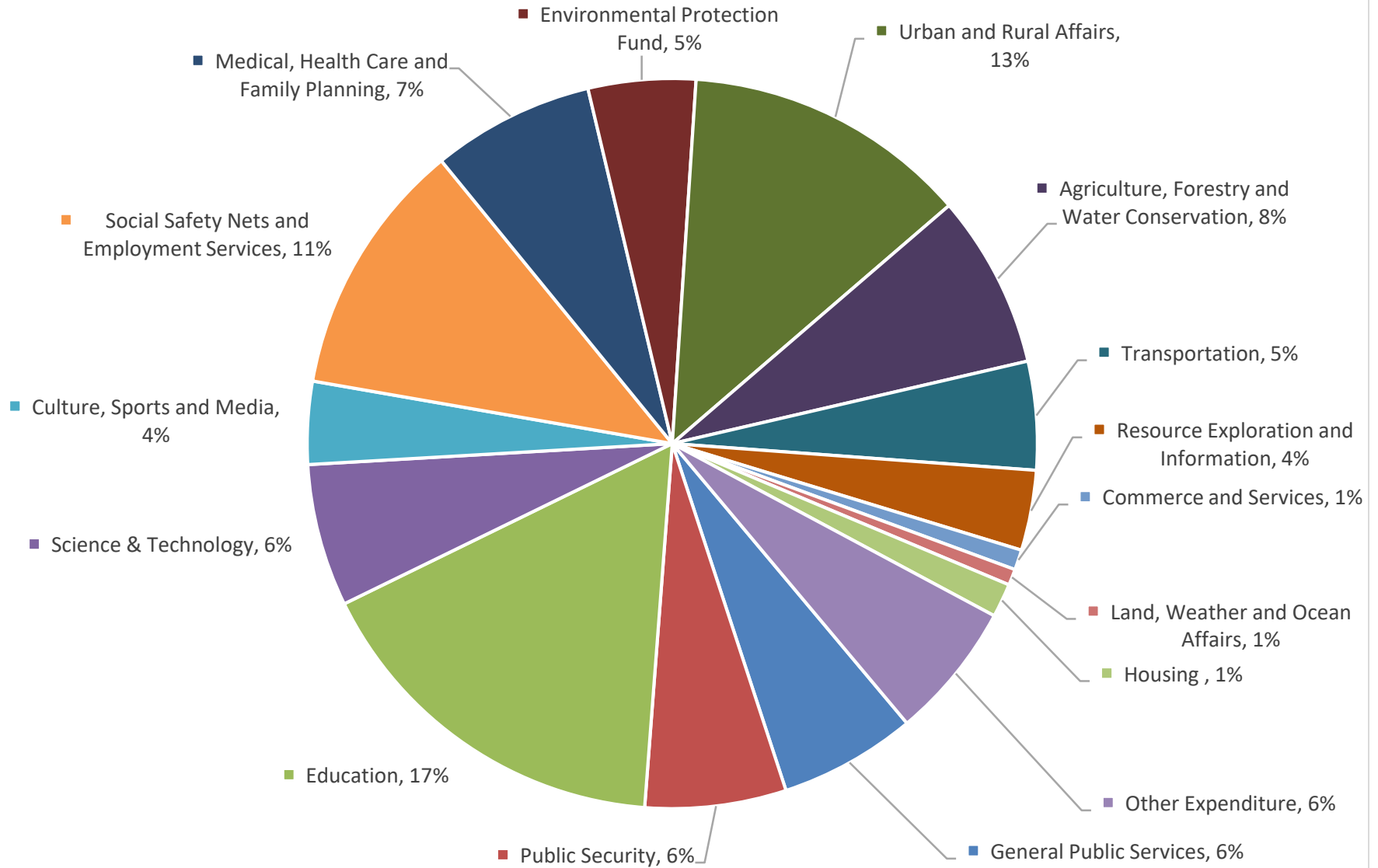
Toronto: Operating Revenues



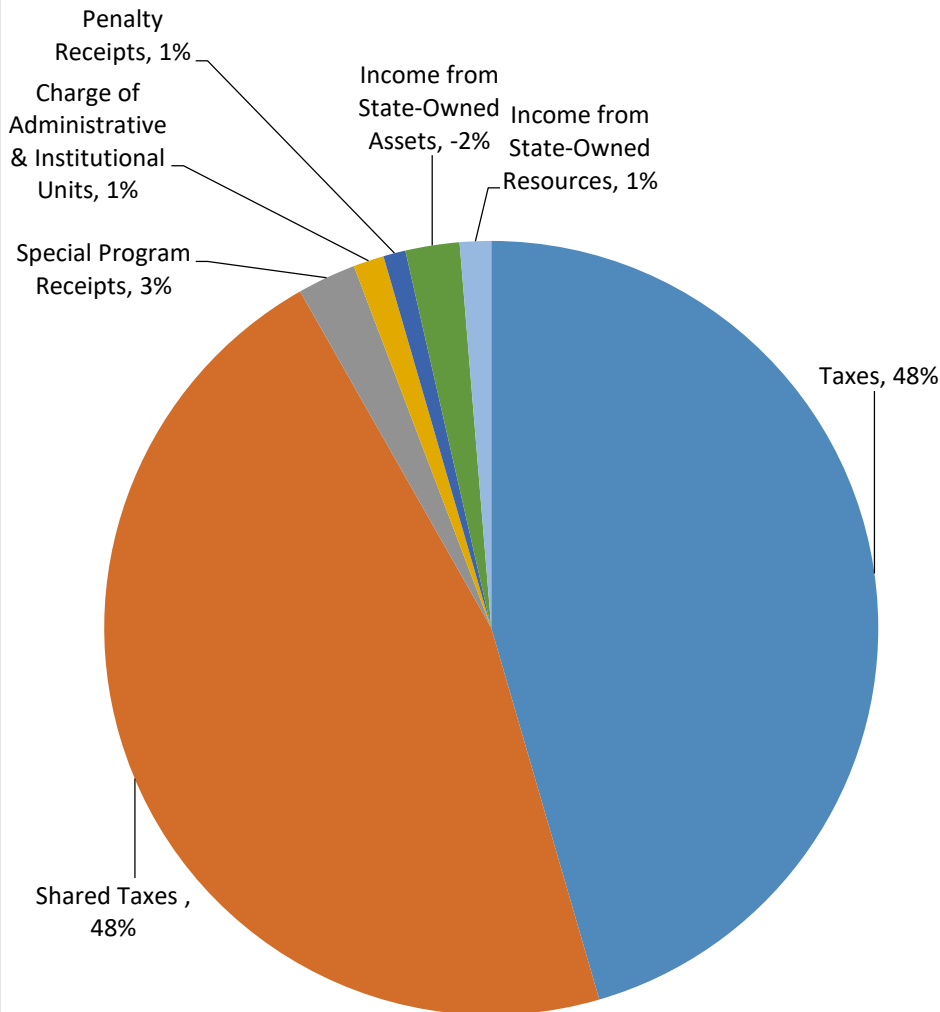
Toronto: Tax Revenue Breakdown



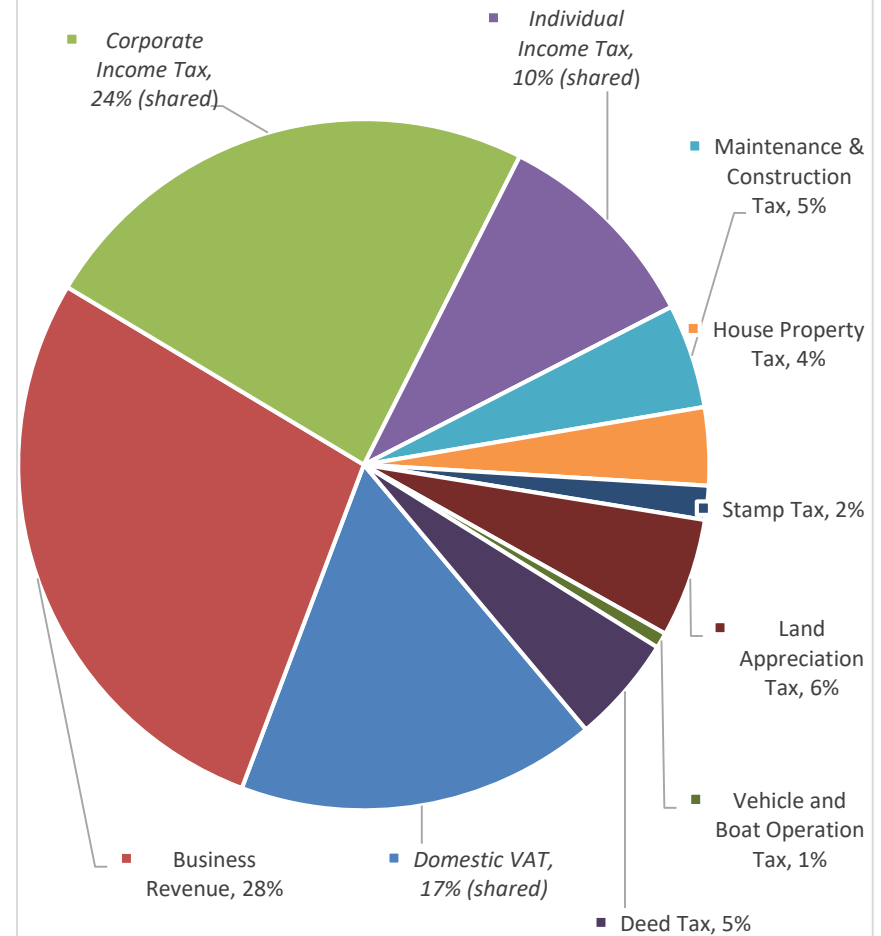
Beijing: Operating Expenditure



Beijing: Revenues



Beijing: Breakdown of Taxes and Shared Taxes



Final Observations

- Need for strong metropolitan structure that encompasses economic region; need to balance regional and local interests
- National and local context matter:
 - constitution
 - division of responsibilities and revenues
 - intergovernmental arrangements
 - history of local autonomy
- Metropolitan areas should have greater fiscal autonomy than other urban areas
- Need to match revenues with expenditure responsibilities