Governing Metropolitan Areas: An International Perspective on Single-Tier Cities

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In honour of the ten year celebratory conference of the Municipal Demarcation Board, this paper provides an international perspective on the governance of metropolitan areas, with a specific focus on single-tier cities.[1] Metropolitan governance (which includes, for example, local and regional governments, civil society, business associations, and non-profit organizations) is critical in shaping the physical, social, and economic character of large metropolitan areas. The quality and nature of these institutions affects the quantity and quality of local public services, the efficiency with which services are delivered, and the extent to which costs are shared throughout the region in a fair and efficient way.[2] The governance structure of a metropolitan area also has an impact on citizen access to government (the degree to which citizens are involved in decision-making) and government accountability to citizens (how responsive the city is to their demands).

The challenges of rapid urban growth are particularly severe in large metropolitan areas: air and water pollution, transportation gridlock, deteriorating infrastructure, violence and crime, and income polarization. From a municipal finance perspective, the magnitude and complexity of local government expenditures to address these challenges differ in large metropolitan areas compared to smaller urban or rural areas. They differ because of the sheer size of the population (Freire 2001, xxiv) in metropolitan areas (generally defined to have populations over 1 million),

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[1] This paper on single-tier cities is based, in part, on a report I did for the World Bank in 2007on different types of metropolitan government structures around the world – one-tier, two-tier, voluntary cooperation, and special districts (see Slack 2007).

[2] In one of the few empirical studies of governance and urban performance, Kaufmann et al. (2004) construct a worldwide database of cities containing some key determinants of city performance. They find that good governance (and globalization) at both the country and city level matter for city level performance in terms of access to services and quality of delivery of infrastructure services.

the high degree of concentration of population (large number of persons living in close proximity), and the presence of a heterogeneous population in terms of social and economic circumstances (Nowlan 1994, 800).

Municipal governments in large metropolitan areas typically provide a transportation and communications network and services that improve the quality of life of people who live there (parks, recreational facilities, cultural institutions). Large metropolitan areas attract low-income individuals and households seeking employment opportunities and a wider range of specialized social services, thus requiring higher expenditures on social services, social housing, and public health. At the same time, metropolitan cities have greater fiscal capacity than smaller municipalities and rural areas.

Improving the level of basic service delivery is partly a question of resources but it is also a question of governance (Stren 2007). This paper reviews the governance of metropolitan areas in six sections: the first section sets out the public finance criteria to evaluate single-tier government structures and other governance models. The second section briefly reviews the advantages and disadvantages of a one-tier model of government structure. The third section provides a case study of a one-tier model in Toronto, Canada. The fourth section briefly describes two other recently consolidated single-tier cities in North America. The fifth section presents some observations on one-tier cities in metropolitan areas. The sixth section offers some concluding comments.

1. Criteria to Evaluate Models of Government Structure

Several criteria to design government structure have been set out in the public finance literature (Bird and Slack 2008). These criteria include efficiency (including the ability to achieve economies of scale and the ability to reduce negative externalities across local boundaries), equity, accessibility and accountability, and local responsiveness.[3]

[3] The UNCHS (1999) lists a greater number of indicators that provide more specific illustrations of the criteria set out above. The top 12 indicators are: consumer satisfaction (measured through surveys

Economies of scale

Economies of scale occur where the per-unit cost of producing a particular service falls as the quantity of the service provided increases. Although this criterion points to the need for large government units, there are problems with its application. First, each urban service will likely achieve the lowest per-unit cost at a different scale of production. For example, the optimal size of government may be different for fire services than for waste management.[4] These differences mean that it can be extremely difficult to draw boundaries for general-purpose local governments based on the criterion of economies of scale.

Second, there is some evidence that larger units of government will result in higher costs (not lower costs) for some services because of problems delivering services to remote areas within large jurisdictions or because of “bureaucratic congestion” (Boyne 1992, 336). Governments can become so large that there are diseconomies of scale in the provision of some services.

Third, the jurisdiction that provides the service does not necessarily have to be the one that consumes it. The producing jurisdiction, for example, could sell output to consumers in adjacent jurisdictions. In this way, the producing jurisdiction could benefit from economies of scale in production without having to be part of a larger jurisdiction, that is, without requiring the larger population to be located within its own boundaries. Economies of scale can thus be achieved even in a fragmented government system through inter-municipal cooperation or through the creation of special districts to deliver services.

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and/or the number of complaints; openness of procedures for contracts and tenders for municipal services; equity in the tax system; sources of local government funding (including taxes, user fees, borrowing, central government transfers, and international aid); percentage of population served by services; access of the public to stages of the policy cycle; fairness in enforcing laws; incorporation of excluded groups in the consultation process; clarity of procedures and regulations and responsibilities; existing participatory processes; freedom of media and existence of local media; and autonomy of financial resources.

[4] Economies of scale can be achieved for some services such as water and electricity although most of the economies are achieved in the production of services rather than the distribution to users. For other services such as education, however, economies of scale are difficult to achieve. If the target ratio of students to teachers is 25 to 1, for example, an increase in the number of students will ultimately require more teachers and new classrooms. For a summary of the literature on size economies, see Fox and Gurley (2006).

Fourth, in the context of less developed countries, the impact of a weak infrastructure may negate the advantages of economies of scale. For example, economies of scale may be achieved by having one large school instead of several smaller schools scattered throughout the metropolitan area. If the transportation system is inadequate, however, students may not be able to get to that school. Similarly, citizens may have difficulty getting to a central administration building. Even though there may be economies of scale in centralizing administrative functions, it may still be necessary to decentralize administrative centres so that people have access to them.

Externalities

The provision of some services results in externalities (spillovers) whereby the benefits (or costs) of a specific service in one local government jurisdiction spill over on to residents of another jurisdiction. For example, a road in one municipality can provide benefits to residents of neighbouring municipalities who also drive on it. In this case of an external benefit, the local government of the municipality in which the road is located has no incentive to provide services to residents of other jurisdictions and is thus unlikely to take account of the external benefits when deciding how much to invest in the road. The result is an under-supply of the service that generates an external benefit. The problem of externalities is one that is often faced by central cities who have to bear the costs of public services to residents of neighbouring communities without receiving the related fiscal revenues (OECD 2006, 158).

One way to remove the resulting inefficiency is to design government jurisdictions large enough so that all of the benefits from a particular public service are enjoyed within the boundaries of that jurisdiction. Such boundary readjustments would “internalize” the externalities (ensuring that those who benefit from the service also pay for it).

As with economies of scale, the optimal sized jurisdiction will be different for different services. Furthermore, the optimal jurisdiction from the point of view of internalizing externalities may conflict with the optimal size required to achieve economies of scale. Other ways to address externalities include intergovernmental transfers[5] and voluntary cooperation among municipalities.

Equity

Equity refers to the ability to share costs and benefits of services fairly across the metropolitan area. When there are many jurisdictions in a metropolitan area, there are likely to be some rich communities and some poor communities. In these circumstances, the rich communities will have a more adequate tax base with which to provide services and may not have very great demands for some services (such as education or social services). The poor communities, on the other hand, may require more services but have only a small tax base on which to levy taxes.

One solution is to consolidate the two (or more) areas into one jurisdiction, in effect taxing the rich municipalities and using some of the proceeds to subsidize the poor municipalities. An alternative approach is to shift the redistributive function to a senior level of government or for the senior level of government to provide transfers to municipalities based on need and fiscal capacity.

Accessibility and accountability

This criterion suggests that citizens should have access to local government so that they can influence government policy. Access to policy decisions is particularly important in those countries where democratic traditions are not well established. Access to decision-making can be provided through public meetings, hearings, elections, and direct contacts with officials (Bish 2001). Smaller government units can provide the average citizen with greater access to local decisions because the ability of the public to monitor the behaviour of decision makers falls as the size of the government increases (Boyne 1992).

Accountability is closely related to access: the more accessible politicians are to their

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[5] The transfers would have to be conditional to ensure the funds are spent on the service that generates the externality. They would also have to be matching (that, is with some portion of the contribution coming from the local government) to reflect the extent of the externality. For more information on intergovernmental transfers, see Bird and Slack (1993).

constituents, the more easily they can be held accountable for their actions. A more fragmented system of local governments should increase public scrutiny and accountability and result in lower service costs simply because the local governments cover a smaller population. The danger of corruption may be greater where there are smaller government units, however, because those who are allocating the benefits are closer to the people receiving them (Lefèvre 2008).

Accountability also requires a link between expenditure and revenue decisions: the body making the decisions about how much to spend should be responsible for raising a large portion of the revenues it requires: "the costs of local decisions should be fully borne by those who make them" (Bird 2001, 117). If there is no accountability in decision-making, there is no incentive to allocate resources efficiently among the different services. Local governments must also be accountable to the central government to the extent that they receive transfers from them.

Local responsiveness

The efficient provision of services requires that decision-making be carried out by the level of government that is closest to the individual citizen. This is known as the "subsidiarity principle"[6] and is needed for the efficient allocation of resources, accountability, and responsiveness. As long as there are local differences in tastes and costs, there are clear efficiency gains from delivering services at the local level. According to this principle, expenditure responsibilities should only be assigned to a higher level of government if it can be demonstrated that it can carry out the function more efficiently than the lower level. With few exceptions (such as national defense and services that involve redistribution), almost all public services should be provided at the local level with local policy-makers making decisions about what services to provide, how much to provide, and who should pay for them.

Public choice theory argues that small-scale, fragmented local governments have special advantages for local democracy because they maintain a quasi-market. The proliferation of small

[6] The subsidiarity principle was included in the Treaty of the European Union in 1992 in the context of the division of powers and responsibilities between European governmental bodies and their member countries. The principle has also been applied to the role and structure of government at all levels (Barnett 1997).

government units in a metropolitan area results in competition among them. Tiebout (1956), for example, suggested that people "vote with their feet," meaning that they move to the jurisdiction with the tax and expenditure package that most closely resembles what they want. Competition benefits citizens through increased efficiency in service delivery or in terms of finding the municipality that has the basket of goods and services that most closely meets their tastes (Boyne 1992). In this framework, a large urban government will be less efficient in meeting the demands of its residents because it will tend to provide a uniform level of public services to people who have different preferences for those services.[7]

Summary

Some of the criteria to evaluate models of metropolitan governance suggest that a fragmented system of small government units may be appropriate. Others suggest that large, consolidated government units would work best. No 'one size fits all' model emerges from this discussion. As is often the case with institutional design, while the questions to be dealt with seem universal, the answers are invariably highly context-specific and policy choices are seldom clear cut (Stren and Cameron 2005).

2. The One-Tier Model of Government Structure

A variety of metropolitan governance institutions exist around the world: one-tier fragmented government model, one-tier consolidated government model, two-tier government model, and voluntary cooperation (including inter-municipal agreements and special districts).[8] Since South

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7 The Tiebout model is based on a long list of assumptions. One of those assumptions is that the cost of mobility is zero. Particularly in less developed countries, the ability of people to move around the region for better services and lower tax rates is extremely limited. Swianiewicz (2002) stresses this point for Central and Eastern European countries where the ability to migrate in response to variation in local taxes is limited.

8 According to the categorization used by Lefèvre (2008), all four models are examples of "governance through institutional building." Lefèvre refers to the two-tier model as the "metropolitan" model, voluntary cooperation as "metropolitan-wide inter-municipal joint authorities" and special purpose districts as "mono-sectoral inter-municipal joint authorities." Conversely, Klink (2008) categorizes models of government structure as "supra-municipal" (two-tier governments) and "inter-municipal" (which includes both voluntary cooperation and special purpose districts).

Africa has opted for the one-tier consolidated or single city model for metropolitan areas, this paper focuses on the advantages and disadvantages of this model. For a review of the other three models, see Slack (2007), Lefèvre (2008), and Klink (2008).

Under the one-tier consolidated government model, a single local government is responsible for providing the full range of local services. Large single-tier governments have generally been formed by *amalgamation* (the merger of two or more lower-tier municipalities within an existing region) or by *annexation* (appropriation of a portion of a municipality by an adjacent municipality). In these cases, only one political body makes metropolitan taxing and spending decisions. Ideally, a large consolidated model would have a geographic boundary that covers the entire urban area or city region.[9]

The term "one-tier" government infers that uniform services are provided throughout the metropolitan area. However, this is not always the case, particularly when a one-tier municipality has been created from the amalgamation of municipalities. Differential services and service levels may sometimes persist under the unified government. Often, rural residents do not receive all of the services available to urban residents. Similarly, when user fees finance services, those who pay directly benefit from the service. Even when property taxes are used to finance services, special area rating for a specific service can be applied in those areas of the municipality that receive the service. For example, if garbage collection service is provided only in urban areas of the municipality, then a special area rate[10] for the service may be levied only on urban residents. In short, as services are not standardized across a newly consolidated metropolitan municipality, neither are tax rates. Of course, if a goal of amalgamation is to create one, all-encompassing jurisdiction, then such differences in service delivery and tax rates should not be maintained beyond a short transition period.

[9] In theory, these boundaries move outward as the urbanized area expands; in practice, however, this is seldom the case. Historically, municipal boundaries have been inelastic, leading to fragmentation of the urban region into city and suburban municipalities (Bourne 2003). Municipalities in South Africa are the exception.

[10] Special area rating has also been used to ensure that pre-existing financial differences (e.g. in reserves and debt) of the constituent municipalities continue to be reflected in resident tax rates.

The main advantages that have been cited for one-tier governments include: better service coordination, clearer accountability (because there is only one tier), more streamlined decision making, and greater efficiency (Bahl and Linn 1992). In terms of efficiency, large one-tier governments can take advantage of economies of scale in service provision and internalize externalities: for example, residents outside of the original municipal boundary have to pay for urban services that they use.

Furthermore, there is funding fairness in the provision of services because there is a wider tax base for sharing the costs of services that benefit taxpayers across the region. The larger taxable capacity of the one-tier government increases its ability to borrow and to recover capital and operating costs from user fees (Bahl and Linn 1992). Other benefits of consolidation include the capacity to make city-wide planning decisions that are unlikely to be made under a fragmented one-tier government system and the ability to undertake economic development on a regional scale.

How successful consolidated one-tier governments have been in practice at achieving efficiencies in terms of cost savings is a matter of debate, however. The empirical evidence on fragmented versus consolidated local governments in the U.S., for example, indicates that consolidated structures tend to be associated with higher spending (Boyne 1992). Evidence from municipal amalgamations in Canada also suggests that cost savings have proven to be elusive (Sancton 1996; Slack 2000; Fox and Gurley 2006). When several municipalities are amalgamated, some duplication, such as with politicians and bureaucrats, is reduced. On the other hand, experience suggests that when municipalities with different service levels and wage scales merge, expenditures may increase. For example, when the fire departments of several municipalities are amalgamated, the number of fire chiefs, and perhaps some deputy chiefs, may be reduced, thus cutting costs. However, thousands of fire fighters in this newly amalgamated municipality will have the same job, working for the same employer and they will request comparable salaries and benefits. Thus, there is a tendency for salaries and benefits to harmonize upward with higher municipal expenditures generally outweighing any cost savings.

Generally, amalgamations result in the harmonization of service levels across the new municipality, likely at the highest service level enjoyed before the amalgamation (Slack, 2000), thus increasing costs. Of course, such higher costs are not necessarily a bad thing, as some municipalities lack sufficient resources before the amalgamation and cannot provide an adequate level of services. Amalgamation may allow these municipalities to provide a service level comparable to wealthier municipalities, hence increasing regional equity.

Amalgamation reduces competition between municipalities, thus weakening incentives to be efficient and responsive to local needs. The reduction in competition may reduce efficiency in the delivery of services and result in higher costs.

A large-scale one-tier government may also reduce access and accountability because the jurisdiction becomes too large and bureaucratic. To overcome this problem, in some cases community councils or committees have been established to address local issues, or satellite offices have been set up across the municipality where people can pay tax bills, apply for building permits, pay fines, or access city services. Such devices may increase accessibility (if not accountability) but they may also offset potential cost savings that might otherwise result from a larger government unit.

3. Toronto, Canada: From One-Tier to Two-Tier to One-Tier

There are very few consolidated one-tier models of government in metropolitan areas around the world. The City of Toronto provides an example of a one-tier fragmented structure that was changed to a two-tier structure, and then to a consolidated one-tier structure.[11]

Prior to 1953, the City of Toronto was surrounded by twelve municipalities[12] that had been growing rapidly in the post-war period. The city had no vacant land for single-family housing

[11] Other Canadian cities that have undergone amalgamation in recent years include Montreal, Ottawa, Hamilton, and Halifax.

[12] The twelve municipalities were: the Town of Leaside, Town of Mimico, Town of New Toronto, Town of Weston, Village of Forest Hill, Village of Long Branch, Village of Swansea, Township of East York, Township of Etobicoke, Township of North York, Township of Scarborough, and Township of York.

development and future growth had to be accommodated in the suburban municipalities. This growth placed huge demands on the suburban municipalities to provide services such as educational facilities, roads, sidewalks, lighting, sewage disposal, and other infrastructure. At the same time, most of the suburban municipalities were largely residential and did not have an adequate tax base to finance the needed infrastructure. The City of Toronto, on the other hand, maintained a solid financial base because of its significant commercial and industrial tax base.

In addition to the service demands and lack of adequate resources in the suburbs, the political boundaries of the City of Toronto no longer reflected the social and economic realities of the metropolitan area (Kulisek and Price 1988, 263). Notwithstanding bilateral agreements with surrounding municipalities, planning was restricted to the boundaries of the City of Toronto. Further problems arose because each municipality acted independently with respect to transportation, land use and housing -- issues that really needed to be addressed on a region-wide basis.

In response to these problems, Metropolitan Toronto was created by provincial legislation on January 1, 1954. Under the *Metropolitan Toronto Act*, a two-tier government was established with a metropolitan tier encompassing thirteen lower-tier municipalities (the City of Toronto plus the twelve suburban municipalities). The metropolitan government (Metro) was initially given responsibility for planning, borrowing, property assessment, transportation (transit and some roads) and the administration of justice. Local area municipalities were responsible for fire protection, garbage collection and disposal, licensing and inspection, local distribution of hydro-electric power, policing, public health, general welfare assistance, recreation and community services, and the collection of taxes. Both tiers shared responsibility for parks, planning, roads and traffic control, sewage disposal, and water supply. Costs were shared on the basis of property tax base: in 1954, the City of Toronto funded 62 percent of the costs of Metro.[13]

Over time, the division of responsibilities between Metro and the lower-tier municipalities changed. Metro was assigned responsibility for police services, social assistance, traffic control

[13] See the Report of the Royal Commission on Metropolitan Toronto as cited in Sancton (1994, 77).

and operations, licensing, conservation, waste disposal, and ambulance services. In 1967, following the recommendations of a provincially-commissioned report, the number of lower-tier municipalities in Metro was reduced from thirteen to six. Property assessment and the administration of justice became provincial responsibilities in 1970.

Early reviews of Metro government applauded its success: “the creation of a federated form of metropolitan government for the city of Toronto and its 12 suburbs in 1953 and the rapidity with which it was able to overcome serious public service deficiencies made the Toronto model an object of admiration for students of metropolitan affairs throughout the continent” (Frisken 1993, 153). It provided the necessary infrastructure for the orderly growth of the suburbs, maintained a vibrant core, and pooled revenues over the whole metropolitan area. It solved the water and sewage treatment problems, constructed rapid transit lines, established a network of arterial highways, built housing for seniors, and created a Metro parks system.

In terms of the criteria for designing government structure outlined above, Metro Toronto addressed externalities, equity, and local responsiveness. Spillovers of benefits from transportation and planning were contained within Metro's borders. Redistribution from the City of Toronto to the suburbs was made possible so that the latter could provide the needed infrastructure. Local responsiveness was achieved by maintaining the ability to differentiate local services across the lower tiers.

The challenges facing Metro began to change in the 1970s, however. Metro no longer faced growth pressures within its boundaries but, rather, was facing growth outside of Metro in what is now known as the Greater Toronto Area (GTA). Between 1971 and 1975, the province created four two-tier regional governments around Metro -- Durham, Halton, Peel and York. It was not until 1988, however, that the province established the provincial Office of the Greater Toronto Area (OGTA) to encourage Metro and the surrounding regions to coordinate their efforts on waste disposal, regional transportation, land use, and infrastructure planning. A forum of GTA mayors (of the lower-tier municipalities) and chairs (of the regional governments) concentrated its efforts on economic development and marketing in the GTA.

Further issues around regional coordination were raised by the GTA Task Force in 1996. The Task Force was created in response to growing concerns about the future economic performance of the urban region. The major conclusions on governance focussed on the need to treat the entire GTA as a single economic unit with a unified economic strategy and to create a new GTA governmental body to deal with GTA-wide environmental and planning issues and share major infrastructure and social costs (GTA Task Force, 1996). The report also recommended the simplification of local government within the GTA through the elimination of Toronto's upper tier (Metro) and the four surrounding regional governments and by reducing the number of lower-tier municipalities.

The Who Does What (WDW) Panel, appointed by the provincial government in 1996 also called on the Province to set up a GTA governance structure. It recommended the creation of a Greater Toronto Services Board (GTSB) eliminating the metropolitan and regional governments and consolidating some of the lower-tier municipalities into strong cities. There was no consensus, however, on whether the six lower-tier municipalities in the City of Toronto should be merged into one city or four cities.

Notwithstanding ten years of provincially-commissioned reports on the need to coordinate service delivery between Metro Toronto and the surrounding regions, the provincial government chose to amalgamate the municipalities *within* Metro Toronto instead. The stated rationale was to save taxpayers' money by replacing six lower-tier governments and the metropolitan level of government with one municipal government -- the new City of Toronto. The new City of Toronto came into being on January 1, 1998 as a result of provincial legislation. The upper-tier (metropolitan) government and six local area municipalities were merged into a single-tier city.

The restructuring was not initiated by local initiative but rather by the provincial government through the passage of legislation. Indeed, opposition to the proposed amalgamation came from many different quarters: local municipalities (both inside and outside of Metro Toronto), the provincial opposition parties, citizen organizations, and from within the governing party itself (Stevenson and Gilbert 1999). Prior to the passage of the legislation, referenda were held in each of the lower-tier municipalities in Metro Toronto; about 36 percent of eligible voters voted.

Opposition to the proposed amalgamated City of Toronto ranged from 70 to 81 percent of voters, depending on the municipality. The major citizen opposition centred on the loss of local identity and reduced access to local government. In the broader context of the GTA, it was felt that amalgamation would result in increased polarization within the region.

Following the amalgamation of Toronto, the provincial government established the Greater Toronto Services Board (GTSB) on January 1, 1999. The GTSB was given no legislative authority except to oversee regional transit. It was not designed to be a level of government nor was it given direct taxing authority. The Board comprised elected representatives from each of the municipalities in the region. The GTSB had limited powers to coordinate decision-making among its member municipalities and to provide strategic growth management. The provincial government disbanded the GTSB in 2001.

Analyses of the Toronto amalgamation suggest that it resulted in a city that is, at the same time, too small and too big (Slack 2000). The city is too small to address the regional issues that plague the region (such as transportation and land use planning) and yet it is too big to be responsive to local residents. Moreover, it is highly unlikely that the amalgamation has led to any significant cost savings. On the contrary, it is more likely that costs have increased as wages and service levels have harmonized up to those of the highest-expenditure municipality. The issue of cost savings is discussed further below. Although the amalgamation has not solved any of the problems identified, there may still be some benefits from the merger. The city has a stronger presence for economic development that did the smaller municipalities; there is a fairer sharing of the tax base among rich and poor municipalities, equalizing up of local services so that everyone can enjoy a similar level of services; and the city enjoys a stronger voice with respect to municipal issues within the region and across the province and the country.

To address the regional issues throughout the Greater Golden Horseshoe (an area that encompasses the GTA plus other municipalities), a new provincial government announced several initiatives in 2005. In particular, it passed legislation to create a Greenbelt around the entire area to protect more than 1.8 million acres of environmentally sensitive and agricultural land in the heart of the region. It also designed a growth management plan for the region (Places to Grow) to coordinate population and job growth. In essence, the provincial government has increased its role in land use planning and growth management for the Greater Toronto Area and beyond. The provincial government also passed legislation to create the Greater Toronto Transportation Authority (now called Metrolinx) to improve coordination and integration of transportation in the region. In 2006, the provincial government passed a new City of Toronto Act that provides the city with more powers, local autonomy, and a wider range of financial tools. The importance of the new legislation is discussed further below.

4. Two Further Examples of Consolidated One-Tier Cities

There are few cases of the one-tier consolidated model for metropolitan areas around the world (Montgomery et al. 2003).[14] Although there are examples of municipal amalgamations of smaller cities and villages (for example, in Sweden and Finland), there are few examples of municipal consolidation in large metropolitan areas. The more common government structure in metropolitan areas is the fragmented one-tier model where the metropolitan area has a large number of autonomous local government units or special purpose bodies each delivering services within their own boundaries.

The remainder of this section describes two further examples of recently consolidated one-tier cities in North America with close to one million people – Ottawa (Canada) which provides an example of a fragmented one-tier structure that was changed to a two-tier structure and then to a consolidated one tier; and Louisville, Kentucky (U.S.) which represents a fairly recent consolidation of a city and county to one tier.

Ottawa

The Regional Municipality of Ottawa-Carleton was created on January 1, 1969. It was a two-tier structure that brought together 16 lower-tier municipalities. In 1973, the number of lower-tier

[14] One exception is Shanghai which is under the direct control of the central government and also has the status of a province. The Mayor is appointed by the central government and exercises authority delegated to him but can make some autonomous decisions as well. For more on Shanghai, see Wu (2002) and Wu (2007).

municipalities was reduced to 11. Throughout the life of the regional government, many commissions were created to evaluate how well it was working (Andrew, 2006). The result of these studies generally was to increase the powers and responsibilities of the regional level of government. In 1991, the direct election of the regional chair was adopted and in 1994 the direct election of regional councillors.[15]

Over time, dissatisfaction with the government structure increased because of the feeling that there was a great deal of duplication and a lack of planning and consultation (Andrew 2006, 77). When a Citizen's Panel on Local Governance failed to come up with an alternative structure in 1998, the provincial government appointed an Advisor in 1999 to report on reforms in governance for the Ottawa region. The Advisor recommended consolidation and the amalgamated City of Ottawa was created on January 1, 2001 by consolidating the upper tier (the Regional Municipality of Ottawa-Carleton) and 11 lower-tier municipalities. The new City of Ottawa has a population of over 812,000 (according to the 2006 census).

As in the case of Toronto, the majority of expenditures in the two-tier system of government had been made at the regional level prior to the amalgamation. In the case of Ottawa, 80 percent of local public spending was undertaken by the regional government. The two major areas that had to be consolidated after amalgamation were recreation and local planning. Unlike Toronto, however, the amalgamation in Ottawa resulted in the consolidation of both urban and rural areas. To the extent that rural areas had depended on volunteers (for example, in fire fighting) and to the extent that they provided fewer services, the differential in services was fairly significant across the new city. These service differentials were addressed through special area rates. The result of this policy was that taxpayers in rural areas continued to receive fewer services and pay lower taxes. Service delivery costs did increase, however, because of service level harmonization (in particular, the elimination of volunteers).

The amalgamation in Ottawa resulted in a reduction in elected representatives from 84 to 22 (the mayor plus 21 councillors). A reduction in local politicians meant a reduction in representation

[15] Prior to that time, voters elected two councilors from each ward. The councilor with the most votes sat on the regional and lower-tier council; the councilor with the second most votes sat on the lower-tier council only.

because each councillor now represents many more people and usually over a much larger geographic area (Tindal and Tindal 2009, 156). Moreover, the increased workload for councillors has made access more difficult. The City set up advisory committees for citizen input but these have not been seen as central to council decision-making. Unlike Toronto, the advisory committees in Ottawa are not geographically-based. Overall, access appears to have become more formalized and institutionalized than it was prior to the amalgamation (Andrew 2006). Nevertheless, accountability likely increased with the simpler system of governance -- a one-tier system of governance is less confusing to taxpayers.

Louisville

Although the fragmented one-tier model dominates local governments in the United States, Metro Louisville, Kentucky approved by referendum a city-county merger in 2000. It was the first consolidation in the U.S. in 30 years. The merger of Jefferson County and the City of Louisville to form a consolidated local government took place in January, 2004. Metro Louisville has a population of 700,000. The Louisville Metro Government took over the authority of the two previous governments. The mayor is elected city-wide and the Metro Council comprises 26 members nominated and elected by district.

Some commentators have suggested that the consolidation reduced duplication, increased the size of the tax base, and made Louisville a more efficient place to do business (Katz 2006). Metro Louisville, itself, credits the merger with cost savings from eliminating overlapping functions, rationalizing fleet operations, outsourcing some functions, reducing the amount of leased space, consolidating courier services among departments, and other measures. Other advantages of the amalgamation are the one-stop shop for economic development and improved service delivery from consolidating emergency measures systems (EMS). It is not clear, however, how much of the savings are the result of the amalgamation as opposed to simply rationalizing service delivery. Savitch and Vogel (2004, 774) claim that consultant studies of expenditure savings that were undertaken prior to the amalgamation failed to include major expenditure categories such as fire and police. Even without these expenditures, the studies provided no evidence of cost savings nor did they identify areas of service duplication.

As part of the city-county consolidation in Louisville, special taxing service districts are allowed. The metro council can create separate service districts within the newly consolidated area to be managed by appointed boards. These districts permit different levels of service within the metro area and different tax rates to reflect local preferences. As Savitch and Vogel (2004) correctly note, however, the existence of these districts also reduces the ability of the newly consolidated municipality to reduce service disparities. Some districts in the newly consolidated municipality are able to raise taxes for services they can afford, while others are not.

5. Observations on Consolidated One-Tier Government Structures

A review of different forms of governance in metropolitan cities around the world reveals that there is no one model that stands above the rest (see, for example, Slack, 2007, Lefèvre 2008; Divay and Wolfe 2002; Bird and Slack 2008; OECD 2006). Not only have different models of governance been tried in different places, different models have been tried in the same place at different times (for example, Toronto and Cape Town).[16] Metropolitan governance structures can, and probably should, evolve over time as circumstances change in the metropolitan area.

The appropriate structure for metropolitan areas depends on several factors that include the roles and responsibilities of local governments, their sources of revenue, service delivery conditions in terms of geography and topography, the homogeneity of preferences in the region, the political strength of local leaders, the variability in service delivery across the country, the relationship with other levels of government, and other factors (Fox and Gurley 2006).

The remainder of this section highlights five observations with respect to consolidated single-tier cities:

- Many attempts at consolidation have failed.
- Consolidated cities do not necessarily cover the entire metropolitan region.

[16] London is another example of different models being tried at different times. It went from a two-tier system (1964 to 1986) to a one-tier system (1986 to 2002) and back to a two-tier system in 2002 (the Greater London Authority plus 32 boroughs and the Corporation of London).

- Consolidation does not necessarily reduce costs, even though cost savings are sometimes used as the rationale for consolidation.
- Consolidation may result in unintended consequences.
- Citizen access and participation need to be built into a consolidated one-tier model.

Many attempts at consolidation have failed.

As noted earlier, there are few examples around the world of a consolidated, one-tier model of government structure. There have, however, been attempts at consolidation that have failed. Klink (2008) reviewed the European experiments with metropolitan governments in the 1970s (using English, French, and Italian examples) and concluded that the failure to implement metropolitan governments on the basis of economic criteria (such as economies of scale, spillovers, and redistribution) resulted from these models being imposed by senior levels of government without the participation of the main stakeholders. The result was that local municipalities, political parties, and pressure groups opposed the metropolitan model from the beginning. In cities where there has been consultation, however, negative votes have prevented amalgamations from occurring such as in Amsterdam, Rotterdam, and Berlin (Lefèvre 1998).[17] The only way these models could survive, in places where they did survive, was under pressure from the central or state government (Lefèvre 1998).

Threats or fiscal incentives may encourage cooperation. In countries where municipalities do not have original powers in the constitution, for example, the threat that the state government will consolidate municipalities, with or without the support of the municipalities or the public, provides an incentive for municipalities to undertake their own consolidations. Fiscal incentives to amalgamate may also encourage municipalities to restructure, although they do not always work. In Latvia, for example, the central government encouraged municipalities to amalgamate

[17] Another interesting example in which the public was consulted was in Montreal, Canada. In 2000, the province of Quebec announced that it would merge all of the constituent parts of the two-tier urban communities in Montreal (and some other cities in the province). The opposition party in the provincial legislature promised, if elected, to provide a mechanism for de-mergers. When it was elected in 2003, it introduced a somewhat complicated mechanism for de-merger (see Sancton 2005, 324 for more details). De-merger referenda were held in 2004 and 15 de-mergers were approved in Montreal.

by offering grants equal to 5 percent of their budget (with grants falling to 4 percent and 3 percent in subsequent years). Municipalities did not generally see the benefits of amalgamation, even with the additional grant funding, and opposed amalgamation (Fox and Gurley 2006). From 1998 when the program began until 2003, only 21 municipal governments had been eliminated by amalgamation; the government had hoped to eliminate 440 local governments.

Opposition to consolidation comes from rich municipalities who do not want to amalgamate with poorer municipalities and from politicians and bureaucrats who are afraid of losing their jobs. Consolidation generally means a reduction in the total number of politicians. Furthermore, the public do not believe the promises of cost savings and lower taxes and are concerned with the loss of autonomy and accessibility to local government.

Consolidated cities do not necessarily cover the entire metropolitan region.

In the absence of a body such as the Municipal Demarcation Board in South Africa, a consolidation to one large city does not guarantee that the city will cover the entire metropolitan region. Even where it does cover the economic region at the time of the consolidation, the economic boundaries continue to expand over time. Economically dynamic regions, by their nature, eventually outgrow their local political boundaries (OECD 2006). Although the boundaries of the economic region grow incrementally over time and space, government boundaries are difficult to change and only change occasionally “in big leaps, and often after complex procedures” (OECD 2006, 157). Moreover, continuing to expand boundaries is likely to result in municipalities that are too large in relation to other important roles such as citizen access (Tindal and Tindal 2009, 144).

It is particularly difficult to expand boundaries in a federal system with strong provinces/states because the latter often feel threatened by a city that is very large and whose mayor is elected by more people than the premier/governor of the province/state.[18]There are also implications for the

[18] This conclusion applies to consolidated single-tier cities as well as other models. A forthcoming study on capital cities in federal countries, for example, indicates that the boundaries of cities such as Washington, DC, Berlin, Abuja, Brussels, and Mexico City do not cover the metropolitan area (Slack and Chattopadhyay 2009, forthcoming).

finance and governance of the remaining municipalities in the province. In the absence of a city that covers the region, services such as transportation, land use planning, and economic development will have to be coordinated with neighbouring municipalities.

In the case of Toronto, the reports on governance in the region highlighted the need for coordination of service delivery and, in particular, the coordination of transportation and land use planning, water provision, and waste management. The creation of the amalgamated City of Toronto did not adequately address these fundamental regional problems. The boundaries of the City of Toronto were simply too small. The province later stepped in, however, to address regional issues of planning and transportation through provincial initiatives.

Consolidation does not necessarily reduce costs, even though cost savings are sometimes used as the rationale for consolidation.[19]

One of the main issues around amalgamation, in general, and Toronto's amalgamation, in particular, is the ability to save costs. The argument on cost savings asserts that amalgamation can reduce the number of politicians and administrators. Although this argument is valid, it also true that the amalgamation of municipalities with different service levels and different wage scales results in expenditure increases. As Tindal notes: "past experience tells us that *there are strong upward pressures on costs after an amalgamation*"(Tindal 1996, 50).

In the case of Toronto, cost savings were likely to be fairly small since the largest expenditures (welfare assistance, transit, and policing) were Metro responsibilities prior to the amalgamation in 1998.[20] These three services accounted for 70 percent of the total upper-tier and lower-tier expenditures combined. This means that any cost savings that could be achieved only applied to 30 percent of the total budget of the new city.

[19] This section draws heavily from Slack (2000).

[20] Prior to the amalgamation, the provincial government commissioned a study on the potential savings from the Toronto amalgamation (KPMG, 1996). This study, however, estimated cost savings in the area of policing, a service that had already been amalgamated in 1967. The study also did not estimate the potential impact of the harmonization of wages and salaries and services that would occur following the amalgamation.

Most of the savings that did occur resulted from staff reductions. Reports following the amalgamation suggest that between 1998 and 2002, 2,700 positions were eliminated through amalgamation. Over the same time period, however, an additional 3,600 positions were added to improve service levels, thus resulting in a net increase in employment over the period (Schwartz, 2004, 101-2). Unfortunately, it is not possible to determine if these new positions were created in response to the amalgamation or to other provincial initiatives that were introduced in the same year.[21]

To illustrate the challenges associated with service harmonization in the case of Toronto, Table 1 highlights the differences in per household expenditures among the former lower-tier municipalities. In some cases, higher expenditures meant higher service levels; in other cases, they reflected the need for specialized services. For example, fire expenditures per household were considerably higher in Toronto than in the other lower-tier municipalities because of the higher density of the downtown area. Garbage collection costs were higher in the former City of Toronto likely because of the greater proportion of commercial properties that require pickup and because the City of Toronto provided that service when other municipalities did not. Public health expenditures were higher in the former City of Toronto because of the diversity of the population living downtown. Expenditures on winter control were higher in the former City of North York because it cleared sidewalks as well as roads while other municipalities only cleared roads. When each of these services was amalgamated, there was a tendency to harmonize both wage levels and service levels up to the level of the highest expenditure municipality.

In addition to the increased costs associated with service and wage harmonization, municipal amalgamations generally result in transitional costs and they are often higher than anticipated (Vojnovic 1998). If the transition is towards a more efficient, effective, and accountable local government, then the costs are probably worth it. If not, transitional costs become an additional

[21] Local services realignment across the province, for example, resulted in the transfer of responsibility for many services such as water, sewers, roads, transit, social housing, public health, ambulances, and increased responsibility for social services to municipalities. In return, the provincial government uploaded primary and secondary education and a few other services to the provincial level.

argument against amalgamation. In addition to the one-time costs, there are also costs associated with staff exits.

Table 1: Operating Expenditures per Household for Selected Services, Lower-Tier Municipalities in Metropolitan Toronto, 1997 ($)

	Toronto	Etobicoke	Scarborough	North York	York	East York
Fire	329	238	189	238	193	232
Protective inspection and control	68	43	44	42	47	38
Roadways	145	171	137	177	187	88
Winter control	19	30	30	26	0	112
Parking	138	9	1	18	7	4
Street lighting	16	21	15	16	0	13
Sanitary sewer system	76	44	16	42	48	20
Waterworks system	96	137	108	156	92	27
Garbage collection	102	49	50	63	34	47
Public health services	99	56	64	70	69	104
Public inspections and control	12	8	6	9	0	0
Parks and recreation	282	265	159	241	149	174
Libraries	116	95	101	153	70	72
Other cultural	47	4	1	15	2	5
Planning and development	156	21	34	25	30	21
Total operating expenditures*	2,284	1,592	1,259	1,545	1,191	1,161

* Columns do not add because only selected expenditures are included in the table.
Source: Ontario Ministry of Municipal Affairs and Housing, Financial Information Returns

One of the major challenges of the Toronto amalgamation was the amalgamation of the seven previous administrations: “the key post-amalgamation problem has been leading and controlling the vast administrative behemoth that the amalgamation created” (Sancton 2004, 28). The bureaucracy became so large that it was difficult to enforce good management or develop innovative management techniques. The integration of seven municipalities required a new administrative and reporting structure, new information systems, and the consolidation of corporate services, real estate portfolios, and other functions. Human resources policies and classifications had to be harmonized, collective agreements had to be renegotiated, and a hiring process was required.[22]

Consolidation may result in unintended consequences.

The stated provincial rationale for the Toronto amalgamation was to save money. As shown earlier, however, these savings proved to be elusive. What did happen, however, was that Toronto gained greater prominence both on the national and international stage. Indeed, those who supported the amalgamation (such as the business community) felt that a larger local government would be more effective at promoting economic development and would be able to play a more powerful role in regional, provincial, and national issues (Stevenson and Gilbert 1999).

Subsequent changes to the City of Toronto Act (in 2006) served to strengthen the city's powers, responsibilities, and revenues. This result was certainly not intended by the provincial government at the time of the amalgamation. Prior to the passage of this legislation, the city (like all other municipalities in the province) was assigned powers in 10 "spheres of jurisdiction." Under the new City of Toronto Act, the city has been granted somewhat broader powers, particularly with respect to revenue-raising tools (with the exception of taxes on income, sales, payroll, fuel, or hotels) and the ability to introduce new accountability mechanisms (see Table 2). The Act also allows the city to enter into agreements with the federal government. The new legislation gives the city more autonomy than it had before and at least as much as any other city in Canada.

Following the passage of the new City of Toronto Act, the city undertook a series of governance reforms (see Table 2) that have increased the capacity of the mayor to lead on a city-wide mandate. Some of these reforms include: the creation of an executive committee which acts, in essence, as the mayor's cabinet; the ability of the mayor to set out a multi-year agenda to guide council and staff; the election of a Speaker to chair council meetings and free up the Mayor to participate in debate; the ability of the mayor to appoint a deputy mayor; the lengthening of

[22] Ten years after amalgamation, some of these processes have still not been completed. For example, the harmonization of zoning by-laws of each of the former municipalities has still not been done.

Table 2: Governance Changes in the City of Toronto, 1998 to the Present

	Post-Amalgamation 1998-2000	2000-2006[23]	2006 - present[24]
Mayor Characteristics/ Role	• elected at-large (city-wide) • one vote in Council • CEO of municipality • member of all committees • Chair of: o Council meetings o Policy and Finance, Nominating and Striking Committees • provides leadership to Council • represents city at official functions • signatory on all bylaws		Mayor empowered to: • appoint Deputy Mayor/Standing Committee Chairs • provide multi-year, city-wide vision and identify priority issues at Council • speak for City nationally and abroad/negotiate with other orders of government
Council Characteristics /Role	• elected by ward • one vote each on Council • acts by bylaw, has legislative and administrative responsibilities • determines policies, programs, service levels • oversees staff implementation	• ward boundaries reshaped to reflect federal/provincial ridings • two councilors elected from each of the 22 wards	
Council Size	58 including Mayor (reduced from 106 in 6 municipalities under Metro)	45 including Mayor	45 including Mayor
Term Length	3 years	3 years	4 years
Standing Committees	• Six Standing Committees[25] (9-12 members) • Budget Advisory, Striking, Nominating and Audit Committees	• Seven Standing Policy Committees[26] • Budget, Striking, Civic Appointments, Audit, Affordable Housing, and Employee and Labour Relations Committees	• Executive Committee to take city-wide view and coordinate Council policy agenda[27]

[23] Changes are the result of provincial legislation in 2000.
[24] Changes reflect new City of Toronto Act and governance reforms by the city.
[25] Committees include: Policy and Finance; Administration; Planning and Transport; Economic Development and Parks; Works; and Community Services.
[26] The Standing committees are: Community Development and Recreation; Economic Development; Public Works and Infrastructure; General Government; Parks and Environment; Planning and Growth Management; Licensing and Standards.
[27] The members of the Executive Committee include: the Mayor (Chair), the Deputy Mayor (Vice Chair), Chairs of the Standing Committees, four other Councilors (not on another Committee/do not Chair an agency, board, or commission).

Community Councils	6 Community Councils • boundaries reflecting six former municipalities • Councilors sit on Community Council that their ward sits within • address local issues and make recommendations for Council approval • provide forum for local citizen participation	Boundaries of Community Councils changed (only Etobicoke and Scarborough reflect borders of former municipalities)[28]	4 Community Councils[29] • delegated legislative authority for routine local matters • none reflect boundaries of original municipalities
Administrative Structure	• 6 departments headed by Commissioners reporting to the Chief Administrative Officer (CAO) • City Clerk's Office responsible for Council processes and administrative and service delivery functions • Agencies, Boards and Commissions (ABCs) streamlined		3 departments headed by Deputy City Managers reporting to City Manager
Accountability Mechanisms		• Auditor General and Internal Audit (2002) • Integrity Commissioner (2004)	• Lobbyist Registry with Registrar (2006) • Ombudsman (2008)

Source: Prepared by André Coté, Masters of Public Policy and Governance student, University of Toronto.

council terms from three to four years to allow more time for policymaking; the delegation of

[28] Etobicoke; Humber York; Midtown; North York; Scarborough; and Toronto – East York.

[29] Etobicoke-York; North York; Scarborough; Toronto and East York.

local issues to community councils to allow council to focus on bigger issues; and the ability of council to appoint community council chairs. The legislative and governance reforms have resulted in a stronger role for the mayor and greater powers, responsibilities, and resources for the city. These reforms would not likely have occurred in the absence of the amalgamation in 1998 and the results were certainly not anticipated by the provincial government in 1998.

The consolidation in Louisville, Kentucky also resulted in unintended consequences. In terms of the distribution of power between the city and the suburbs, Savitch and Vogel (2004) make the case that the city-county consolidation resulted in the central city becoming weaker and the suburbs becoming stronger. The consolidation enhanced the ability of the affluent suburbanites at the expense of the blue-collar inner city residents. Once again, amalgamation can result in unintended consequences. In the case of Louisville, it resulted in suburban domination or what Savitch and Vogel refer to as "suburbs without a city."

Citizen access and participation need to be built into a consolidated one-tier model.

As discussed earlier, a consolidated one-tier government may reduce access and accountability if the jurisdiction becomes too large. Toronto set up six community councils at the time of the amalgamation to address local issues and has maintained all of its former city halls as municipal offices. Nevertheless, some people have argued that one of the main failures of amalgamation has been the decline in active citizen participation (Golden and Slack 2006).

Prior to the amalgamation, the city provided many opportunities for citizen participation (Toronto Transition Team 1997, 82-3): direct contact with politicians; deputations to committees of council and participation in public consultations on specific issues; opportunities for involvement in council sub-committees and task forces; membership on municipal agencies, boards and commissions; involvement in partnerships, coalitions, and joint working groups among citizens, business groups, elected representatives, and municipal staff; and community development initiatives.

The creation of a much larger city reduced these opportunities for citizen involvement. The creation of community councils was designed, to some extent, to improve citizen access and participation. They were designed to be accessible to citizens and to provide a place where they could bring local concerns. Criticisms of these community councils, however, suggest that they are operating mostly as local planning committees rather than as forums in which broader community issues can be addressed (Golden and Slack 2006). Moreover, they generally address individual interests and not city-wide issues. The subsequent shift from six to four community councils – each encompassing over half a million citizens – provides even less citizen access.

6. Concluding Comments

This paper has reviewed the one-tier model of government structure for metropolitan areas. The findings from the literature suggest that neither theory nor practice tells us clearly whether the one-tier model is best for large metropolitan areas. On the one hand, it may lead to more efficient service delivery (because it may be able to achieve economies of scale and address service spillovers) and it will likely improve equity by sharing the costs of services over a broader tax base. On the other hand, the evidence suggests that amalgamation can result in higher costs and reduce citizen access to politicians and bureaucrats.

The appropriate model of government structure depends on both the national and local context (constitution, division of responsibilities between central, state and local governments, sources of revenue at the local level, and other factors). Models that work well in one jurisdiction may or may not be appropriate in another jurisdiction. Even in one jurisdiction, the model can and will change over time to reflect population growth, changes in the economy, or changes in political priorities.

Few problems and processes stop at municipal boundaries and the most feasible solutions require larger geographical units and access to a large pool of resources, both human and financial, than is likely to be at the disposal of small local governments. A strong municipal structure that encompasses the entire economic region is essential to ensure that services are delivered in a coordinated fashion across municipal boundaries. At the same time, mechanisms have to be put in place within that structure to ensure citizen access to and participation in local decision making.

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