

Rethinking Municipal Finance in a Changing World

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The world is changing ... but is municipal finance?

- Municipal finance system goes back to the *Baldwin Act, 1849*
- Municipalities were largely responsible for roads, water, sewers
- Revenues – property taxes, user fees, transfers
- The world has changed – infrastructure deficit, climate change, cyber security, lack of affordable housing, opioid crisis ...
- Municipal revenues have not changed – property taxes, user fees, transfers



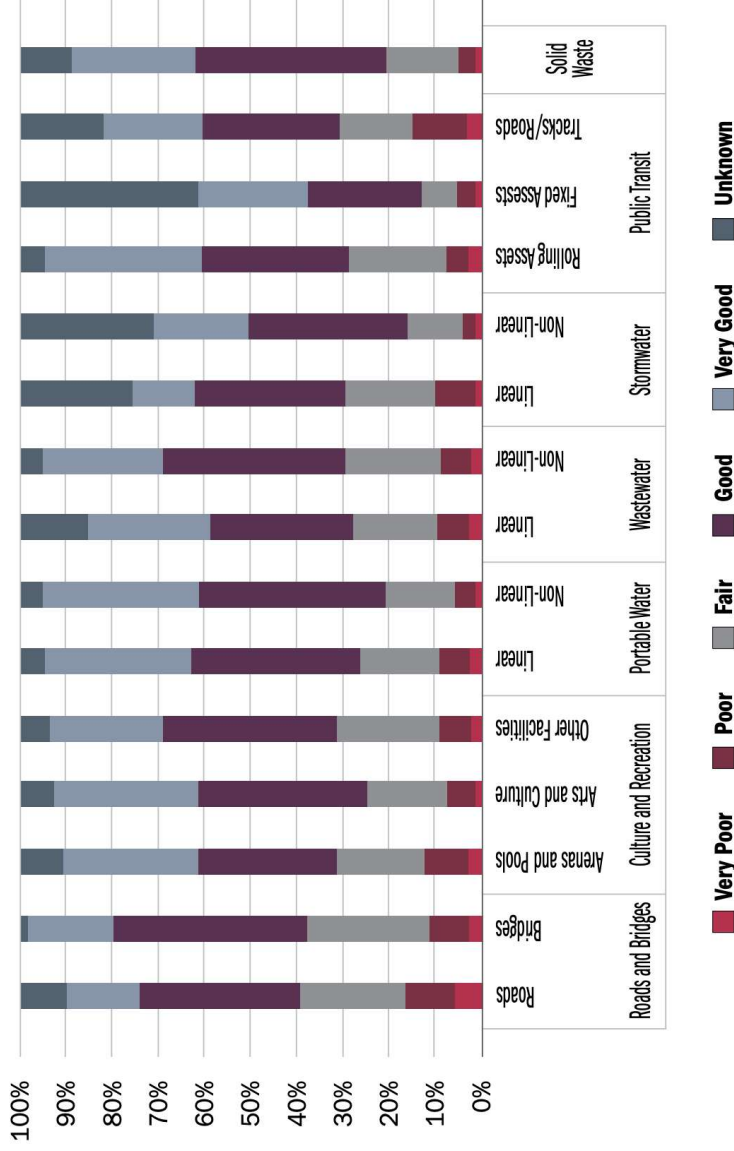
Existing and Future Challenges

- Infrastructure deficit
- Climate change
- Shortage of affordable housing
- Opioid crisis
- Cyber security
- Tariffs



The State of Canada's Infrastructure

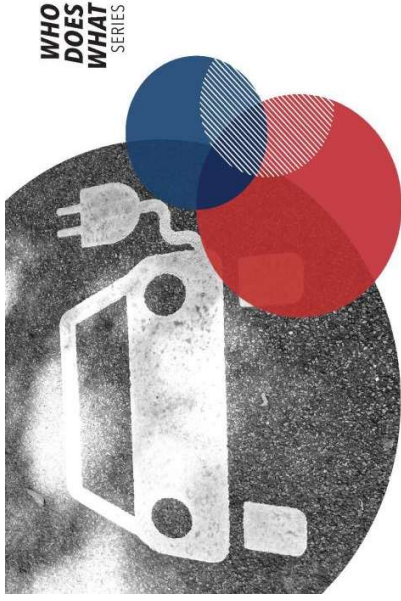
Figure 1: Core Infrastructure Asset Condition Summary



Source: 2019 Canada Infrastructure Report Card



Climate Change



The Municipal Role In **CLIMATE POLICY**

Contributors:
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Shortage of Affordable Housing

CANADA MORTGAGE AND HOUSING CORPORATION

Housing shortages in Canada

Updating how much housing we need by 2030



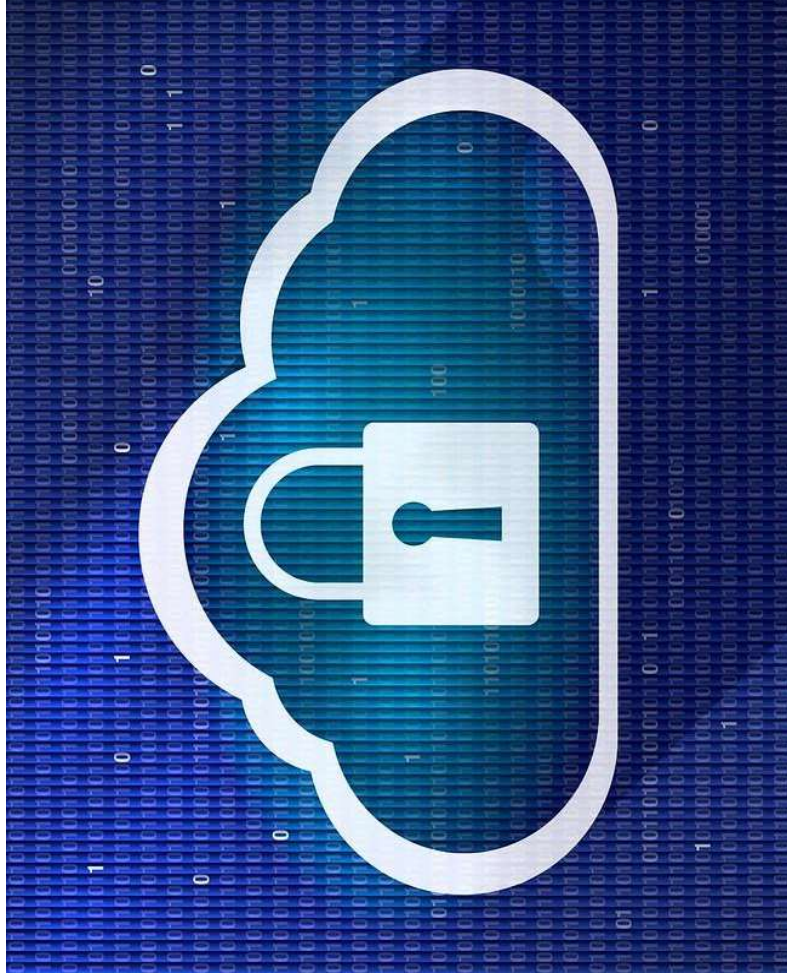
CMHC.ca



Opioid Crisis



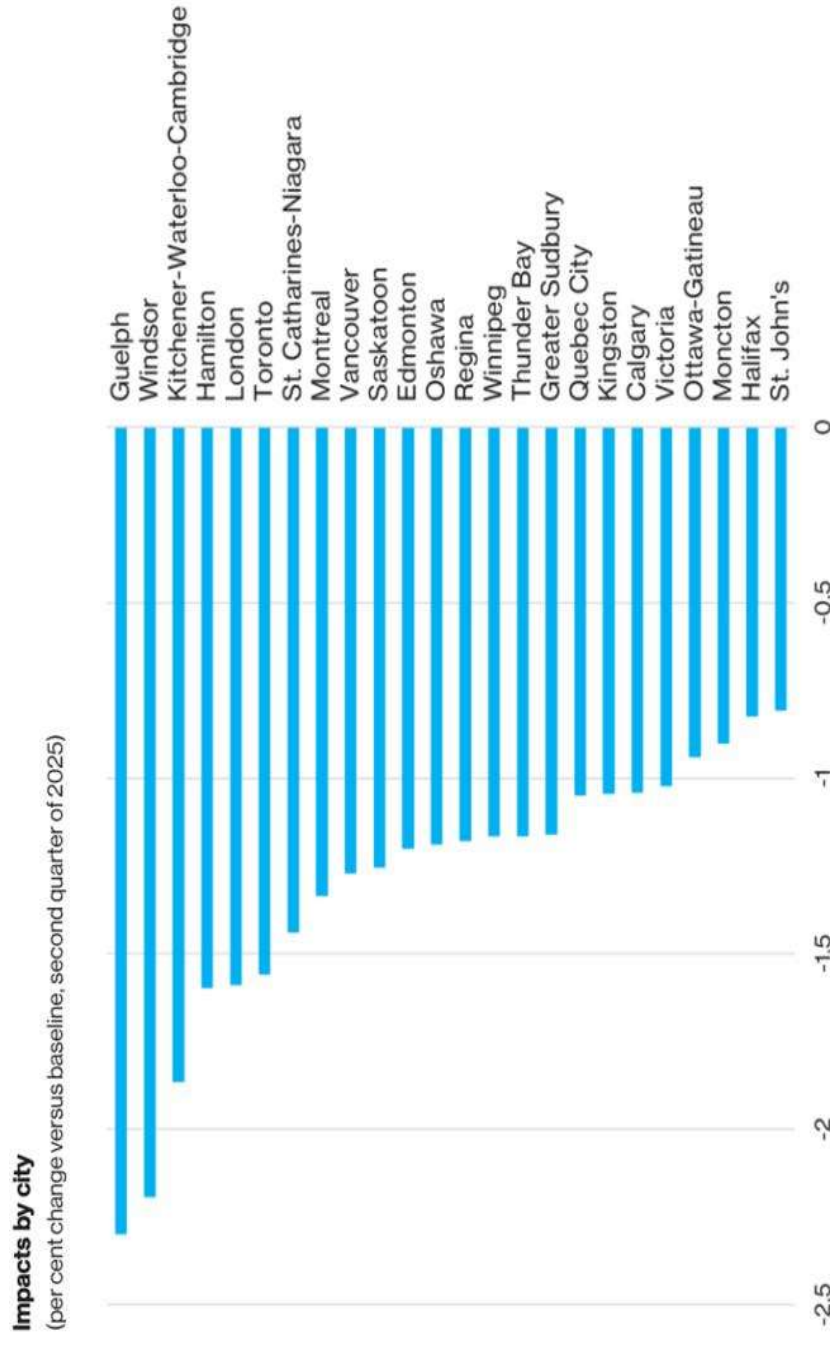
Cyber Security



Source: Blue Coat Photos on Flickr



Tariffs



Sources: The Conference Board of Canada, Statistics Canada.

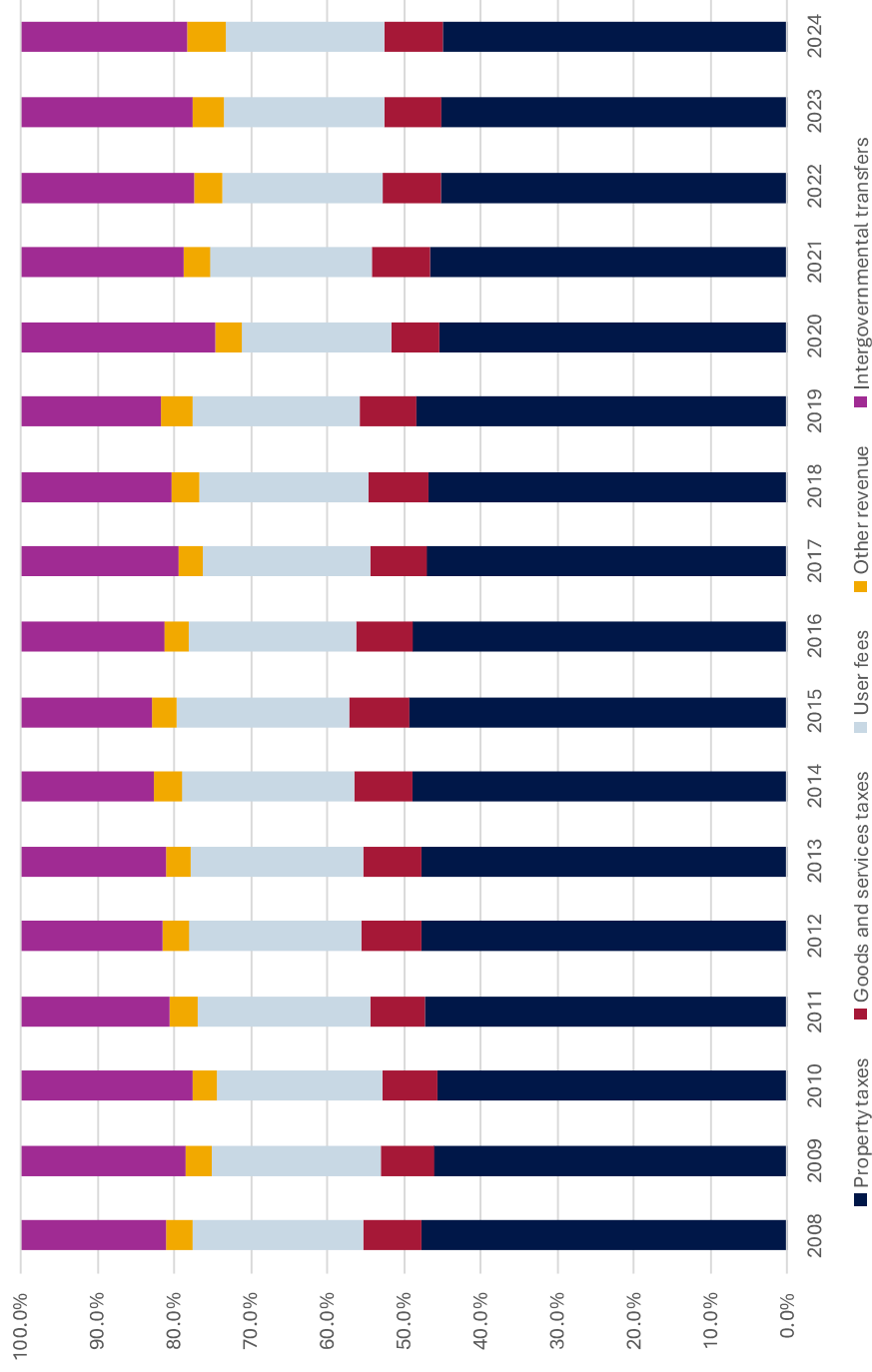


What do local governments do?

General government administration	Health <ul style="list-style-type: none"> • Public health (Not in Alberta) • Ambulance service (Ontario only)
Protection: <ul style="list-style-type: none"> • Fire • Police • Emergency planning • Bylaw enforcement 	Social services (Ontario only) <ul style="list-style-type: none"> • Day care services and children’s assistance • Homes for the aged • Social housing • Welfare administration (cost-shared)
Roads <ul style="list-style-type: none"> • Local roads • Sidewalks • Streetlights • Parking 	Recreation and culture <ul style="list-style-type: none"> • Community parks and recreation programs • Local libraries • Community centres, theatres, auditoriums • Convention facilities
Public transit (Not in BC lower mainland)	
Environment <ul style="list-style-type: none"> • Water supply and distribution • Sewage collection and treatment • Solid waste management 	Planning and development <ul style="list-style-type: none"> • Local planning, zoning, severances, approvals • Local economic development

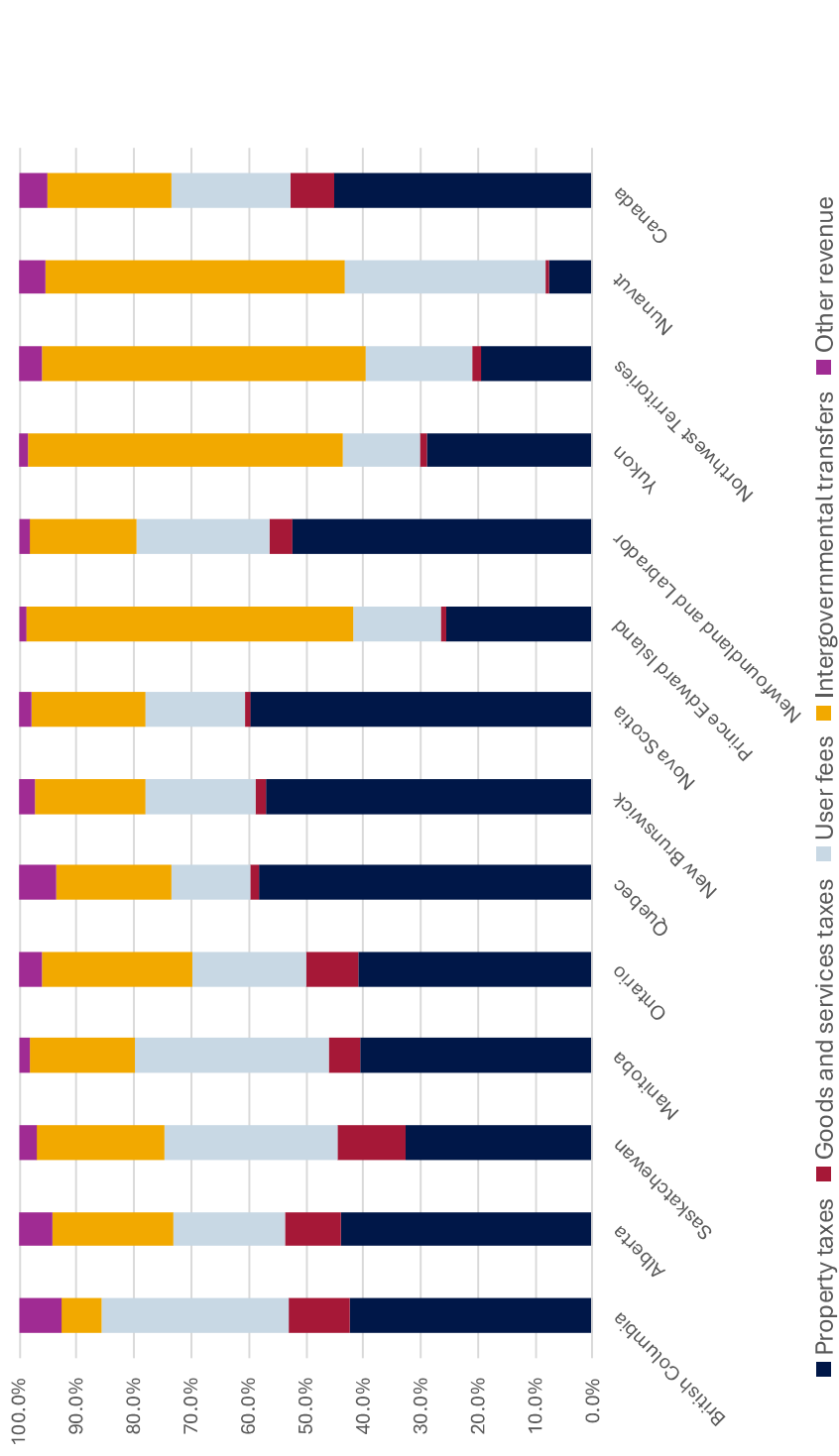


Distribution of Municipal Revenues, Canada, 2008-2024



Source: Author's calculations from Statistics Canada, CANSIM Table 10-10-0020-01

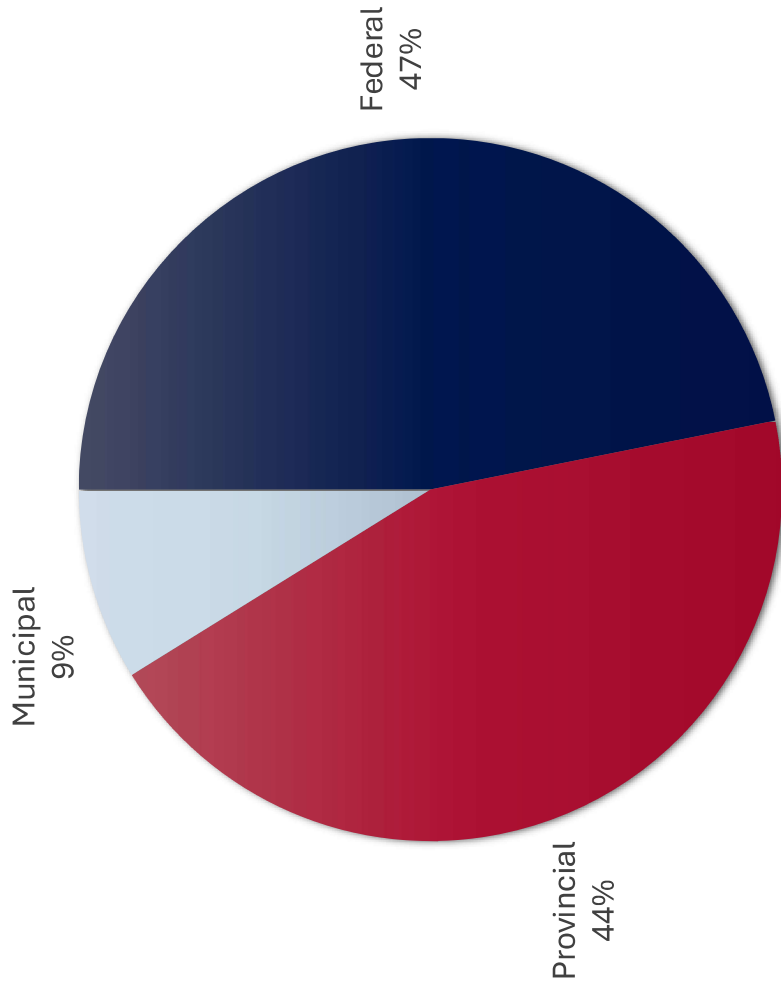
Distribution of Municipal Revenues by Province, 2024



Source: Author's calculations from Statistics Canada, CANSIM Table 10-10-0020-01



Share of Taxes, Canada, 2024



Source: Author's calculations from Statistics Canada, Tables 10-10-0020-01, 10-10-0017-01, and 10-10-0016-01.



Are Canadian Municipalities Fiscally Sustainable?

- *Is Your City Healthy? Measuring Urban Fiscal Health*, IMFG book, 2015
- Analysis prior to the pandemic showed:
 - Cities balanced operating budgets (according to the law)
 - Property tax increases at or less than the rate of inflation
 - Expenditures per capita adjusted for inflation didn't increase much
 - Borrowing was below provincial limits

BUT

- Infrastructure is in a declining state of good repair

What can local governments do?

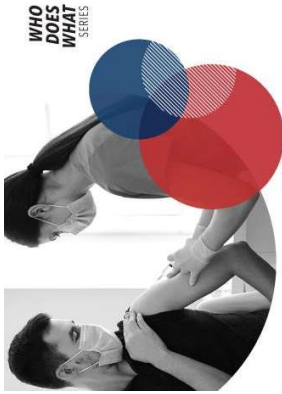
- Find efficiencies
 - Increase own revenues:
 - Room in residential property tax but not in non-residential property tax
 - Correct pricing would reduce demand for services and infrastructure: water, roads, garbage, etc.
 - Borrow more for infrastructure
- BUT ...
- These measures still likely to fall short of what is needed



Clarifying Federal-Provincial-Municipal Responsibilities



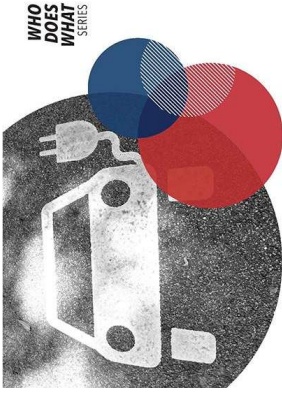
Who Does What



The Municipal Role In **PUBLIC HEALTH**

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The Municipal Role In **CLIMATE POLICY**

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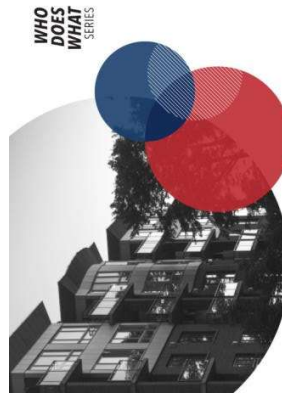
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Final Comments

- Municipalities face many challenges going forward – existing and new
- Need to re-think what municipalities do, how they do it, and how they pay for it
- Need to align responsibilities and revenues – all three orders of government
- Time to diversify revenue sources?