
Municipal Finance and Governance Reform Symposium: Part Three

Last fall, the Canadian Tax Foundation sponsored a symposium on municipal finance and governance reform, held in Toronto on November 8 and 9, 2001. A selection of the papers presented at the symposium is being published in three consecutive issues of the journal. The following summary outlines the main issues and concerns discussed by the participants.

Setting the stage for the symposium, the opening address focused on the practical and economic implications of the recent shift of responsibility for service delivery from the provincial to the municipal sector. The greatest metamorphosis has occurred in Ontario's municipalities over the past six years. The province's proposed new Municipal Act, 2001 represents the first comprehensive modernization of Ontario's system of local government in over 150 years. It recognizes not only the critical importance of local governance but also the challenges of competitive service delivery in the contemporary global context. Governments have prepared to meet these challenges in two significant ways: through municipal restructuring resulting in the consolidation of like activities; and through the devolution of responsibilities from the provincial to the municipal sector, as evidenced by the expanded role of municipalities in human services. However, as the discussants noted, this realignment of powers places significant stresses upon the municipal budget-planning process and future fiscal flexibility. As a result of the changes in statutory powers and greater accountability measures, municipalities have been transformed from passive intermediaries into service-delivery corporations.

The discussion turned to a historical overview of the traditional fiscal drivers of municipal service delivery and the new fiscal realities imposed by municipal reforms in a provincial and international context. Among the several conclusions drawn from the analysis, it was noted that Ontario's municipal sector has changed more than that of any other province over the past 12 years, owing to the introduction of several initiatives in 1998. These initiatives resulted in an increase in Ontario's per capita expenditures by almost 62 percent in current dollars between 1988 and 2000, as compared with an average increase of 30 percent in current dollars for the rest of Canada for the same time period.

Attention then focused on the role and methodology of the municipal budget process in the context of Ontario municipal practice. The relationship between accounting systems and budget systems was briefly reviewed, and it was concluded that successful budget planning and management required both program-based reviews and benchmarking initiatives.

In the luncheon address, the theoretical and the empirical aspects of the symposium were linked through a review of the municipality's service delivery role from the perspective of local citizens. Emphasis was placed on the need for constant quality in service delivery to maintain or enhance the quality of life.

Next, the discussion turned to the financing of capital expenditures and the importance of a well-maintained municipal capital infrastructure. The assessment of capital affordability and the viability of longer-term debt plans, as well as the flexibility of capital financing instruments, were reviewed. Various financing options were considered, including the use of innovative financing structures, expansion into international markets, and promotion of federal revenue-sharing initiatives. In the context of the need for sustainable revenue sources, the complexities surrounding the reform of the Ontario property tax system were discussed. As well, user fees were examined from both an economic and a legal perspective.

The final portion of the conference dealt with the specific restructuring experiences of several urban centres across the country—Toronto, Hamilton, Ottawa, Vancouver, and Halifax. It was suggested that an integrated approach is necessary to ensure successful municipal service delivery. Discussion then turned to pragmatic concerns involved in public-private partnerships and the fiscal implications for municipalities following from deregulation of the electricity market.

Parts one and two of the symposium proceedings, published in issue nos. 1 and 2, 2002 of the journal, dealt respectively with municipal legislative and structural reforms and municipal financing. The third and final part, which follows, presents a paper by Stephen Fyfe and William McLean on business opportunities for municipally owned corporations in Ontario's electricity market, and a summary of comments on recent experiences with municipal amalgamations by Michael Garratt, Doug Lychak, C.M. Beckstead, Johnny Carline, and Ken Meech.