

Urban Nexus

An e-bulletin of the Family Network of CPRN

Welcome to *Urban Nexus*, a monthly e-bulletin of policy research, news and events on cities and communities launched by Canadian Policy Research Networks (CPRN) in October 2002. *Urban Nexus* is for policy makers, researchers and interested members of the public seeking up-to-date information, from Canadian and non-Canadian sources, about new research on cities.

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December 11, 2002 – Cities and Fiscal Sustainability

Urban quality of life is increasingly important to Canada's economic future and social well-being. Yet evidence is mounting that many cities are experiencing serious financial stress. While federal and provincial revenues surged during the 1990s, municipal revenues have not kept pace with rising expenditure demands, policy responsibilities, and inflation. Meeting the challenges largely on the property tax base threatens the fiscal sustainability of our cities. How can this be fixed? This *Urban Nexus* reports on recent research examining urban fiscal distress and new approaches to making cities financially sustainable.

Résumés

Harry Kitchen, *Municipal Finance in a New Fiscal Environment* (C.D. Howe Institute, November 2000) and Enid Slack, *Municipal Finance and the Pattern of Urban Growth* (C.D. Howe Institute, February 2002).

Available at: <http://www.cdhowe.org>.

These two studies are part of the C.D. Howe Institute's Urban Papers series. Harry Kitchen traces recent fiscal and policy trends that leave municipalities with reduced operating grants and expanded responsibilities. In this new environment, Kitchen argues for a "benefits-based model" of public finance to improve efficiency and accountability of taxation. Key priorities are reform of the property tax, redesign of user fees, and municipal access to sales and fuel taxes. Enid Slack makes the case for striking a balance between urban growth and the protection of farmland, open spaces, and environmentally sensitive areas. She argues that key municipal finance tools – property taxes and

development charges – must be structured appropriately to discourage urban sprawl and support planning for more compact, cost-effective development patterns.

Casey Vander Ploeg, *Big City Revenue Sources: A Canada-U.S. Comparison of Municipal Tax Tools and Revenue Levers* (Canada West Foundation, 2002) and Casey Vander Ploeg, *Framing a Fiscal Fix-up: Options for Strengthening the Finances of Western Canada's Big Cities* (Canada West Foundation, 2002).

Available at: <http://www.cwf.ca>.

These two studies focus on different aspects of the fiscal challenges facing western Canada's larger cities. In *Big City Revenue Sources*, Vander Ploeg advances the debate about urban fiscal strategies by comparing the tax tools and revenue levers open to six Canadian and American cities. He concludes that the dependence of Western Canadian cities on the property tax may constitute a competitive disadvantage, and that cities should negotiate with the provinces for greater revenue diversity. In *Framing a Fiscal Fix-Up*, Vander Ploeg identifies five strategies available to cities to address fiscal challenges: focus on core competencies and essential responsibilities; expand and redesign user fees; adopt alternative service delivery mechanisms; enhance capital financing; and federal and provincial government provision of new revenue sources and more freedom to innovate.

***A Choice Between Investing in Canada's Cities or Disinvesting in Canada's Future* (TD Bank Financial Group, April 2002) and *The Greater Toronto Area (GTA): Canada's Primary Economic Locomotive in Need of Repairs* (TD Bank Financial Group, May 2002).**

Available at: <http://www.td.com/economics>.

These two reports expand on the call from A. Charles Baillie, TD Bank Financial Group Chairman and CEO, to recognize the critical role of cities in improving Canada's standard of living. In *A Choice Between Investing in Canada's Cities or Disinvesting in Canada's Future*, the authors document the many challenges currently facing Canadian cities, comparing their prospects in an international context, and proposing a solution that features increased municipal tax room, greater municipal government legislative flexibility, and engagement of the private sector along the lines of the United States initiative, CEOs for Cities (<http://www.ceosforcities.org>). In *The Greater Toronto Area*, the authors focus specifically on the challenges of the GTA, and recommend competitiveness and innovation strategies involving new contributions and cooperation among all levels of government and the private sector. Proposals include increased multi-year grants and/or revenue transfers to municipalities, more flexibility for municipal revenue raising, and local redress of inequities and inefficiencies in the property tax system.

***The Fiscal Austerity and Urban Innovation (FAUI) Project*. Launched by the University of Chicago under the leadership of Terry N. Clark.**

Available at: www.src.uchicago.edu/depts/faui/main.html.

This project brings together researchers from approximately forty countries, in North America, Europe

and Asia. The research teams use a questionnaire on the attitudes and behaviours of elected officials and municipal administrators to analyze fiscal strategies in an era of limited resources. The project has been applied to Quebec by the Groupe de recherche sur l'innovation municipale (Serge Belley, Jean-Pierre Collin, and Jacques Léveillé). Data have been collected and analyzed for Quebec municipalities on subjects such as: municipal financial constraints, budgetary priorities, governance innovations, and preferences in levels of municipal spending. Quebec results are available at: <http://www.vrm.ca/en/grim.asp>.

What's New?

On the Bookshelf

Fowler, Edmund P., and David Siegel, eds. 2002. *Urban Policy Issues: Canadian Perspectives*. Toronto: Oxford University Press. This collection provides an up-to-date overview of Canadian urban policy, with extensive coverage of fiscal issues and a chapter dedicated to municipal finance.

Organisation for Economic Co-operation and Development. 2002. *OECD Territorial Review: Canada*. OECD: Paris. This review argues for a new territorial policy approach to Canadian development, offering detailed discussion of urban policy-making and fiscal pressures from the municipal, provincial, and federal government perspectives.

Freire, Maria Emilia, and Richard Stren, eds. 2001. *The Challenge of Urban Government: Policies and Practices*. Washington: World Bank Publications. This collection provides a comparative analysis of new tools, strategies, and practices in urban management. Central themes are municipal finance and intergovernmental fiscal relations, with contributions from leading Canadian authorities such as Richard M. Bird, Enid Slack, and François Vaillancourt.

Conferences and Events

Canadian Urban Institute Conference. “**GTA Growing Pains IV: The Edible Region: If Farmland Is So Precious, Why Is it Disappearing So Fast?**” December 17, 2002, Metro Hall, Toronto. <http://www.canurb.com>.

Wessex Institute of Technology, United Kingdom. “**Ninth International Conference on Urban Transport and the Environment in the 21st Century**.” March 10-12, 2003, Crete, Greece. <http://www.wessex.ac.uk/conferences/2003/urban03/>.

International Making Cities Livable Council. “**Making Cities Livable Conference**.” April 13-17,

2003, Sante Fe New Mexico, USA. <http://www.livablecities.org/conferences.htm>.

Policy Research Reports

Prime Minister's Caucus Task Force on Urban Issues, Chair, Judy Sgro, MP (November 2002).

Canada's Urban Strategy: A Blueprint for Action, Final Report.

Available at: <http://www.judysgro.com>.

Federation of Canadian Municipalities. October 2002. ***Strengthening Communities on the Path to Fiscal Sustainability.***

Available at: <http://www.canadascities.ca/background.htm>.

Federation of Canadian Municipalities. 2001. ***Early Warning: Will Canadian Cities Compete?***

Available at: <http://www.canadascities.ca/background.htm>.

Lidstone, Donald. May 2001. ***A Comparison of New and Proposed Municipal Acts of the Provinces: Revenues, Financial Powers and Resources.***

Available at: <http://www.canadascities.ca/background.htm>.

Canada's Technology Triangle. 2001. ***Tax Flow Analysis: Initial Investigation.***

Available at: <http://www.techtriangle.com/english/downloads/2001TaxFlowAnalysis.pdf>.

Canada West Foundation. 2002. ***MetroWest II Conference Report: Focusing on the Future of Western Canada's Cities.***

Available at: <http://www.cwf.ca>.

Canada West Foundation. 2002. ***Whistler and the World: The Funding of Ski Resort Municipalities.***

Available at: <http://www.cwf.ca>.

Canadian Tax Journal. 2002. Volume 50, Nos. 1-3, "Municipal Finance and Governance Reform Symposium: Parts 1-3."

Prémont, Marie-Claude. 2001. "La fiscalité locale au Québec : de la cohabitation au refuge fiscal." *McGill Law Journal* Vol 46, No. 3.

Available at: <http://www.journal.law.mcgill.ca/arts/463premo.pdf>.

National Roundtable on the Environment and the Economy. May 2002. ***Urban Sustainability: Executive Brief. Ecological Fiscal Reform for Canadian Cities.***

Available at: <http://www.nrtee-trnee.ca>.

Council of Europe. 2000. *Effects on the Financial Autonomy of Local and Regional Authorities Resulting from the Limits Set at European Level on National Public Debt.*

Available at: [http://www.coe.int/T/E/Legal_Affairs/Local_and_regional_Democracy/Steering_Committee_\(CDLR\)/Publications/Authorities_Series/71.pdf](http://www.coe.int/T/E/Legal_Affairs/Local_and_regional_Democracy/Steering_Committee_(CDLR)/Publications/Authorities_Series/71.pdf).

Chernick, Howard, and Andrew Reschovsky. 2001. *Lost in the Balance: How State Policies Affect the Fiscal Health of Cities.* Washington: Brookings Institution.

Available at: <http://www.brookingsinstitution.org/urban/chernick/chernickexsum.htm..>

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