

The National Bang of a Municipal Buck: The Benefits of Local Infrastructure to Canada's Economy and Governments

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Key Points

- Municipal infrastructure is a key contributor to the nation's economy – in the short and long term
- Municipal infrastructure projects generate new tax revenues for government (sales and income taxes, mostly) but none of these new revenues go to municipalities themselves.
- Funding infrastructure from sales and income taxes creates more jobs than funding them from property taxes. This is an important, new finding.
- We are building tools so you can take this story back to your community

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Background

- Canada's cities and communities are facing a \$123 billion municipal infrastructure deficit
- This deficit is a symptom of a broken fiscal system that gives municipalities just eight cents of every tax dollar. We don't have the right tools for the job
- Canadians are feeling growing economic uncertainty due to a global slowdown, high energy prices, and layoffs in key sectors

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The Opportunity

- We can build on recent progress to secure more significant, national revenue sharing plan
- We can show the fundamental link between the infrastructure you provide and the strength of Canada's economy
- We can expose the problems with current municipal financing – and the property tax in particular – in a way that people relate to and care about (e.g. jobs)
- Economy is moving to top of agenda (Ministers' of Finance meeting; premiers meeting)

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The Current Study

- Earlier this year FCM partnered with Informetrica Ltd to research the link between infrastructure and the economy
- Informetrica are leaders in this field who have conducted research on infrastructure and the economy for both FCM and the federal Treasury Board.

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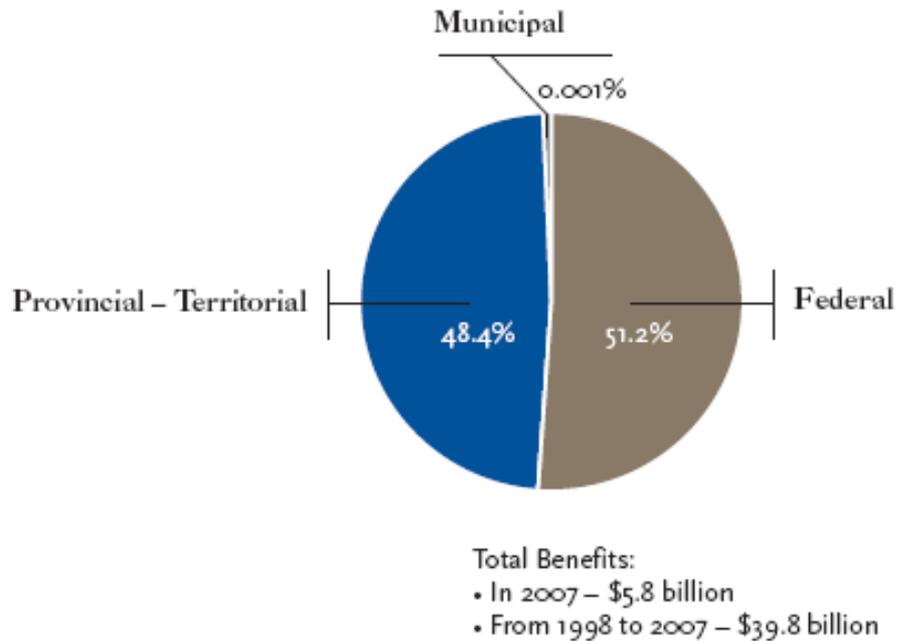


Economy

- \$16 billion: 2007 national, municipal infrastructure investments
- Responsible for 191,000 jobs and 2.1% contribution to national GDP
- Contribution is critical in current climate.
- 75,000 jobs lost in the manufacturing sector last year
- Overall growth in the Canadian economy is forecast at 1.4% for 2008
- In longer-term, each dollar invested in infrastructure reduces costs for the private sector by an average of 17 cents. This makes Canada's economy more productive and competitive



Municipal Infrastructure Investments: Benefits to Government Balance Sheets



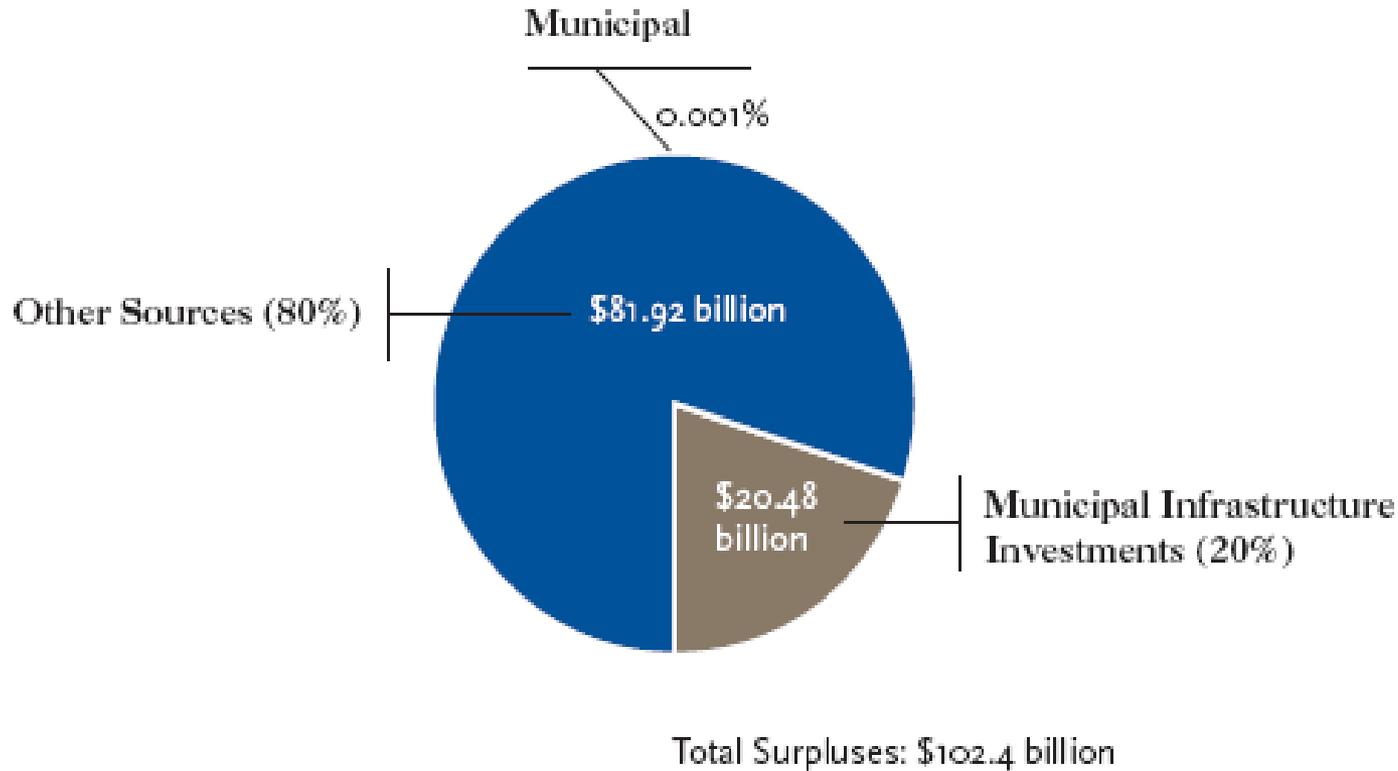
One dollar spent on municipal infrastructure delivers 18 cents to federal government; 17 cents to provincial-territorial; and less than one cent to municipalities

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Municipal Infrastructure: Impact on Cash Balance as Percentage of Total Government Surplus (1998-2007)



From 1998 to 2007, the federal balance sheets got a \$20 billion boost from municipal infrastructure investments – about 20% of federal surpluses recorded over that period

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Another Reason We Need Growth Revenues

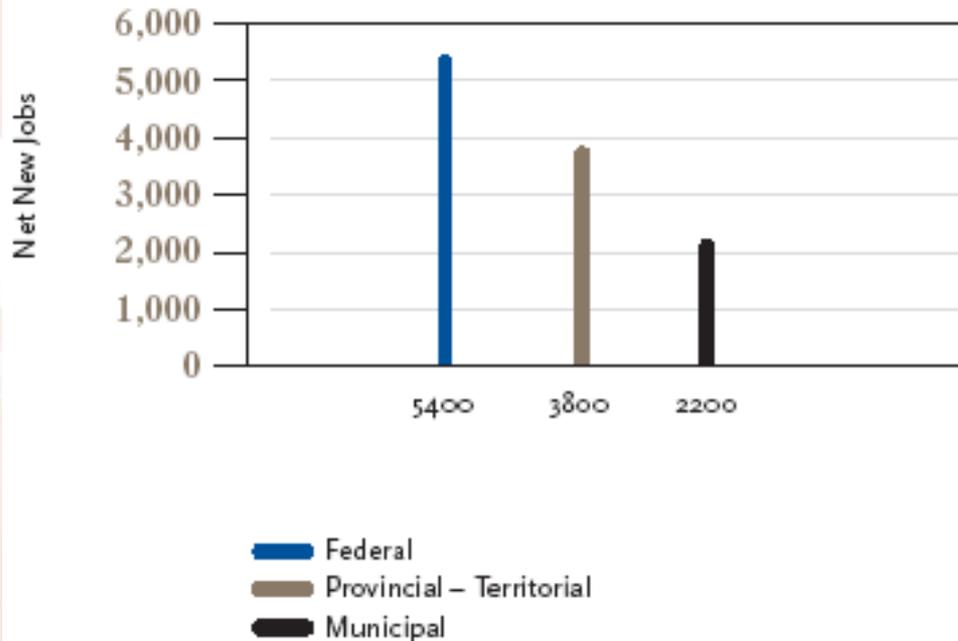
- Established problems with the Property Tax:
 - Regressive (doesn't reflect ability to pay)
 - Inadequate (doesn't keep up with need)
- Now a new finding: Funding infrastructure from sales and income taxes creates more jobs than funding them from property taxes.

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Municipal Infrastructure Investments: Job Creation by Funding Source (\$1 Billion)



Infrastructure projects funded from property taxes create less than half the number of jobs as projects funded from federal sales or income taxes

Need to shift from municipal taxes to federal-provincial taxes to fight recession and maximize economic return on our investments

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Getting Your Community Involved

- Talking about national jobs and GDP, but this is a local story
- It is a story about how municipalities serve their citizens and, at the same time, help build a strong country
- It's a story we need to tell to our citizens, our local media, and our members of parliament

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Moving Forward

- Municipalities are partners in building a strong, national economy
- Municipal investments benefit the economy and other governments, but local governments get no share of those benefits to reinvest
- Funding infrastructure from sales and income taxes creates more jobs than funding them from property taxes.
- Informetrica paper provides credible, technical support for core FCM asks: new share of growth revenues like the equivalent of one cent of the GST; an escalator on the gas tax; and long-term federal funding in policing, public transit, or housing

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