

2018 Annual Conference and Trade Show
Tools for Tomorrow's Canada

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De meilleurs outils pour un pays plus fort



Municipal Fiscal Overview: A focus on the revenue side of the budget

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Topics

- Municipal revenue raising powers
- Tax distribution by order of government
- Municipal expenditures
- Canadian LG revenue sources and trends
- Comparisons with other countries
- Best practices and why they matter
- Ideas for existing and new tools



Municipal revenue raising authority

- The Constitution Act of 1982 sets out the powers of the federal governments in sections 91 and 92
- Municipalities are included as one of the provincial powers (s 92.8)

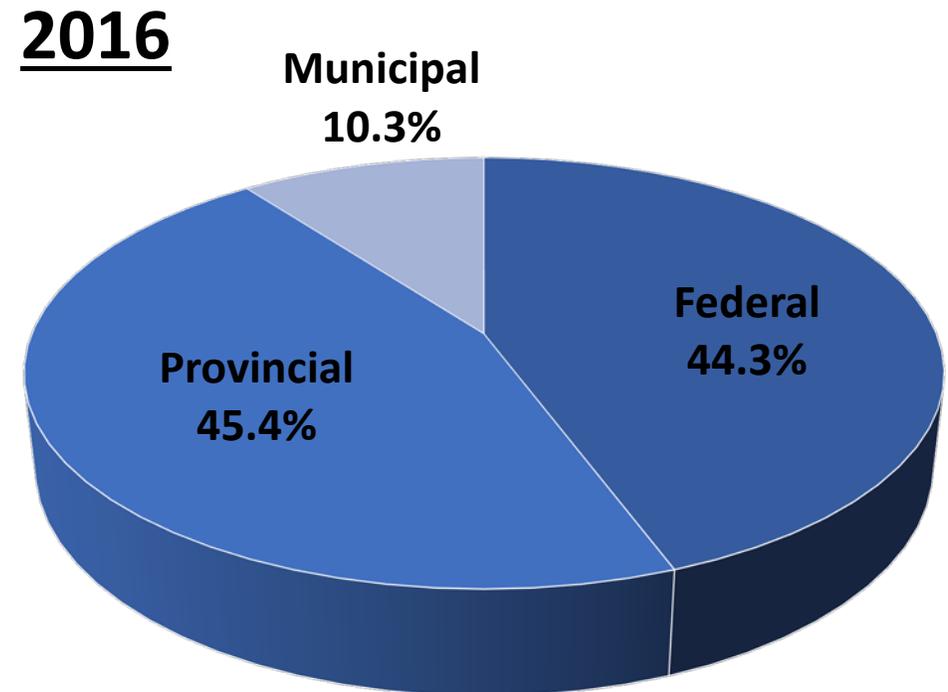
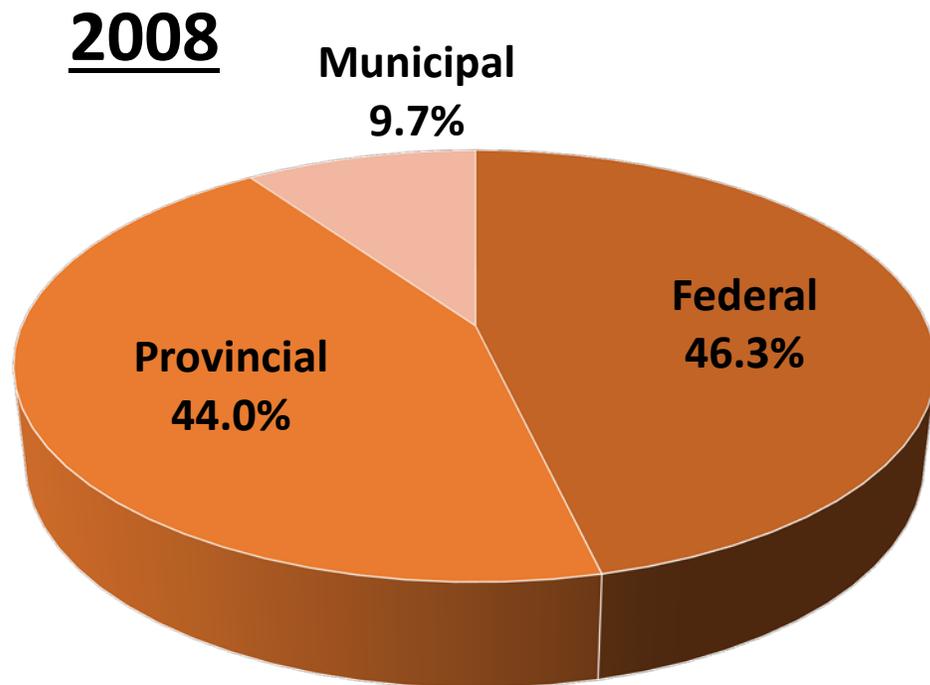


The evolution of municipal taxation in Canada

- Property tax main source of revenue
- Municipal income tax widely accepted in every province up until 1939
- Surrendered in 1941 through wartime tax rental agreements. Never regained
- User fees and development charges
- Grants from Provinces and recently Federal Government (capital)

Government revenues

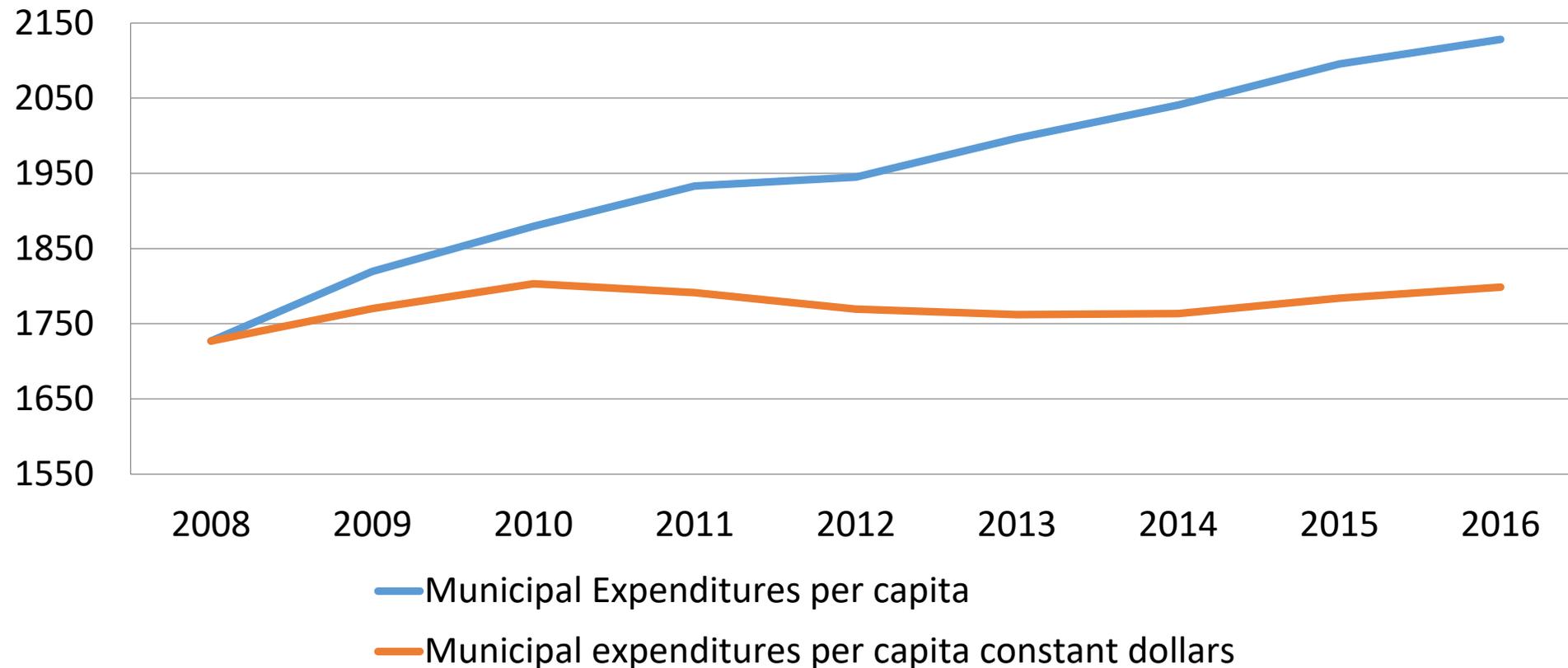
Municipal Share of All Taxes (including Lot levies)





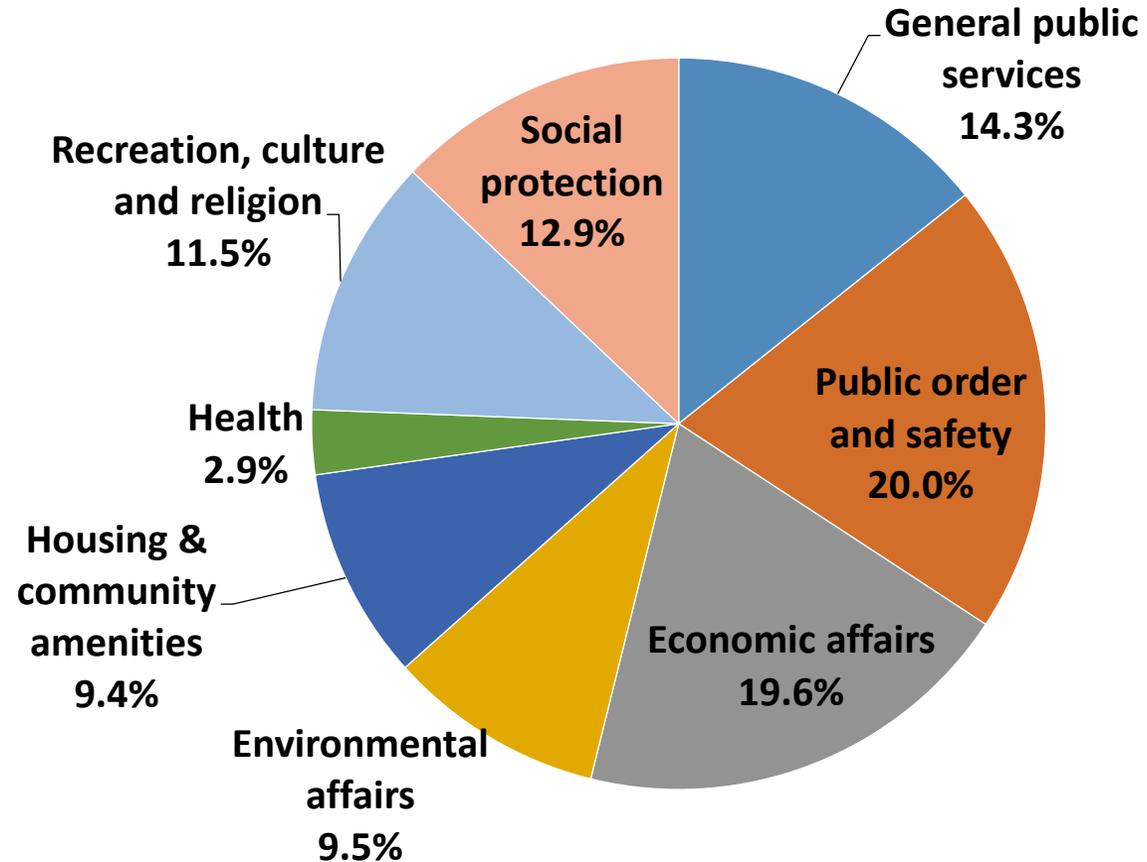
Municipal expenditures

Municipal Expenditures per Capita, Canada, 2008-2016, Current and Constant (2008) Dollars



Municipal expenditures

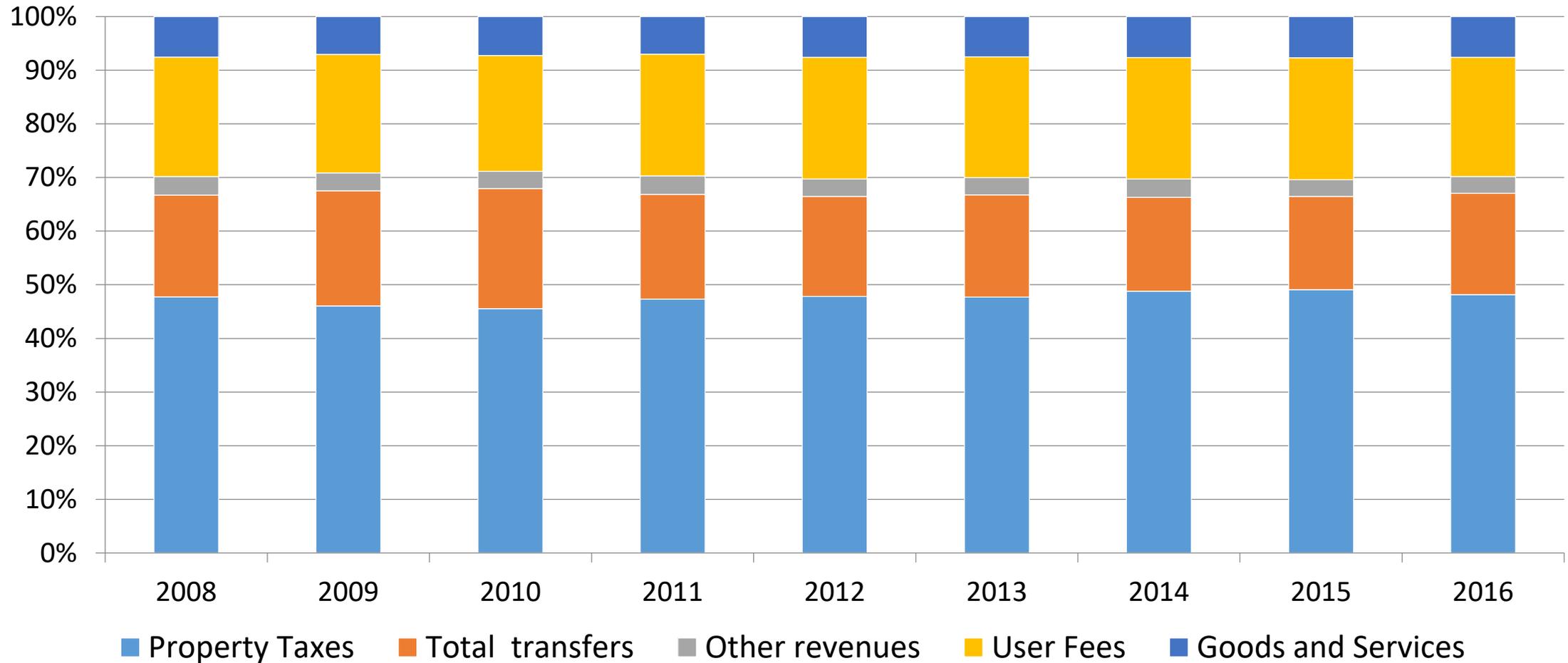
Distribution of Municipal Government Expenditures by Category, 2016





Municipal revenues

Distribution of Municipal Revenues, Canada, 2008-2016





Sources of Canadian municipal revenue

Main sources of revenue (2016)

- Property tax – 48%
- User fees – 22%
- Transfers from other orders of government – 19%
- Sale of goods and services – 8%
- Other – 2%



Property tax

- Accounts for half of local government revenue on average – variations by province
- Interest in reform but not elimination
- Usually separate rates for each classification
- High visibility. Studies have shown the PPT has grown more slowly than the rate of inflation in some areas and has room to grow
- Sharing the property tax base



User fees

- This source of revenue grew from 6.5% in 1965 to 23% by 2004 and then levelled off
- User fee pricing influences demand and investment in infrastructure
- Direct link between usage and cost (unlike PT)
- May or may not be subsidized from general revenue



Grants / Intergovernmental transfers

- 19% of total revenues
- Averaged 40% in 1990 before fiscal and service responsibility reforms
- Conditional and unconditional
- Can impact LG policies and priorities
- Federal and provincial



Raising revenues for infrastructure

- Capital borrowing levels currently well below provincial limits set for municipalities
- Misunderstanding between ability to borrow and willingness to borrow
- Impact on future tax rates and user fees
- Pay as you go / reserve options
- Capital planning and debt policies are important



Other revenue sources

- Development charges
- Land (property) transfer tax
- Sale of goods and services
- Hotel Tax
- Rentals / parking lots
- Corporate sponsorships / donations

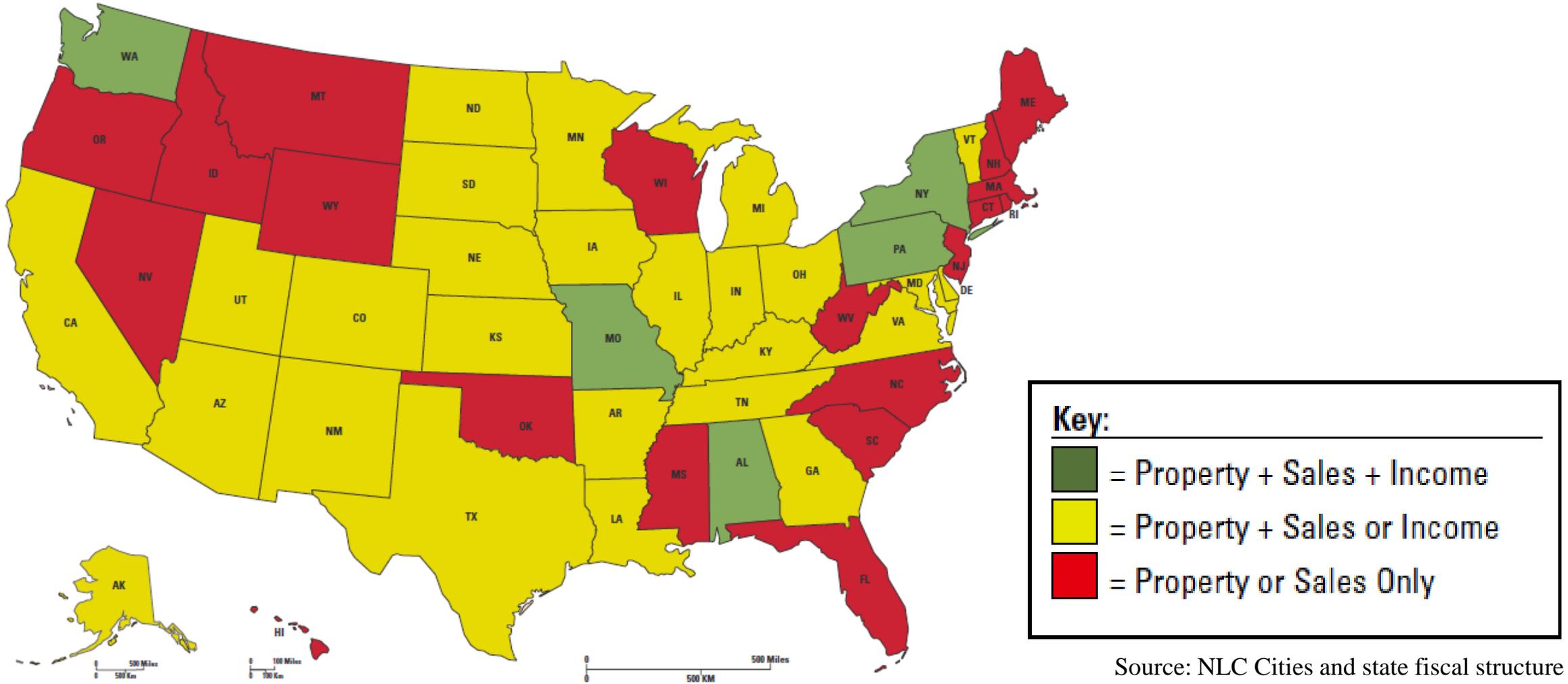


LG revenue in other countries

- Property tax main source in some Commonwealth countries
- Income tax – main source in Denmark, Germany, Japan
- Sales tax dominates in Spain and Italy
- Many countries have multiple taxation sources
- USA in an example



Property taxation elsewhere



Source: NLC Cities and state fiscal structure



Ideas – existing and new tools

Increasing revenues through:

- Access to income and sales taxes
- Vehicle registration
- Fuel (gas) tax
- Amusement / entertainment taxes
- Road pricing fees
- Other



Ideas and guiding principles

- Make the most of current tools
- Advocate for direct access to other sources of taxation
- Higher percentages of own source revenues = greater local autonomy and accountability
- Focus on the longer term (sustainability)
- Link service usage to cost
- Look at expenditure savings opportunities



Thank you
