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Province of Ontario**

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FOREWORD

The Citizens Research Institute of Canada, a voluntary agency working to promote effective government, welcomes this opportunity to present a statement of its views on Provincial-municipal relations in Ontario and to offer suggestions for the improvement of local government in this Province.

The Institute is a non-partisan, non-profit organization established under Dominion charter in 1919. Its programme is financed entirely from the current contributions of members and subscribers. The Institute has never accepted government financial assistance. Its professional services on paid assignments are made available at cost.

In this presentation, the Institute is joined by the Bureau of Municipal Research, which is a companion organization operating under an Ontario charter taken out in 1914. The Bureau is also an independent fact-finding agency and reports on civic affairs in the greater Toronto area. The Bureau and the Institute employ a common research staff.

More than a century ago, this Province gave full recognition to the principle of local self-government with the passing of the Baldwin Act. It has continued, with amendments and additions, to serve ever since as the Municipal Act of the Province. Today, we believe it is no less important that local authorities be enabled to carry on their work with the greatest measure of local freedom of action which is consistent with the wider public interest of Ontario citizens. Local autonomy is an essential of democratic government. The difficulty is to keep a balance between local initiative and provincial surveillance under changing conditions.

It would seem, however, that in Ontario as in any province of Canada this objective can be facilitated by careful observance of a few basic and widely accepted tenets. The statute law of a province should set out in unmistakable terms the responsibilities which are intended to come under local control and the ways in which local administration may be organized. The provincial government should accept full responsibility for ensuring that suitable and sufficient sources of revenue are open to every municipal and school corporation to finance recognized local undertakings without undue hardship. Local sources of income should, moreover, be stable and predictable well in advance. As conditions change, the province should re-define appropriate local functions and sources of funds. Finally, competent provincial officials are needed to supervise and support local government operations on a continuing basis. Within such a framework, true local autonomy should, in our opinion, have every opportunity to flourish.

The purpose of this submission is to support the work of the Committee by attempting a broad evaluation of local government operations in this Province. The present report is confined to a narrative survey but is based on experience accumulated from the two organizations' previous fact-finding inquiries. Throughout the text, we have called attention to what appear to us as major current problems; and we have put forward suggestions for the Committee's consideration which it is believed are based on sound principles of public finance and administration. In addition, if there are other ways in which we can be of assistance to the Committee, we offer our full co-operation.

ERIC HARDY,
Director,
Citizens Research Institute of Canada.

March 31, 1952.

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INTRODUCTION

In Ontario today local authorities are caught in the grip of immediate and urgent problems, rooted mainly in finance. Their difficulties in this regard have been largely responsible for the establishment of the present Provincial-Municipal Committee. As a consequence, measures designed to relieve current inequities and to strengthen local financing may be expected to claim the Committee's first attention.

At the same time, it is many years since there has been a comprehensive review of municipal operations in this Province; and there is evidence of the need for such an investigation. One sure sign is the chronic poor turn-out of voters in most civic elections and, in the circumstances, a disturbing number of acclamations. Voting in Ontario municipalities regularly falls short of the interest shown in Provincial and Federal contests. In recent years many centres have reported a turn-out of less than one-third of the eligible voters.

During the last half century, numerous changes have been introduced in municipal legislation and practice to meet the pressures of particular situations or in response to requests from individual municipalities. As one illustration, formation of greater Windsor in the mid-thirties was ordered only after serious financial difficulties had led to the appointment of a Royal Commission. Another example is found in the frequent adjustments in the basis and size of various Provincial grants. Replacement of the one-mill subsidy by the present police and fire grants was the means of avoiding one awkward situation but the new payments did not provide a suitable long-term formula for financial assistance.

The Institute is keenly aware of the need for speedy relief to municipalities in financial matters. Even before the Committee can bring in a report, the Government may find it necessary to bring in temporary financial adjustments. Indeed, such interim action would make it easier for the Committee members to proceed cautiously and to make certain that the proposals they advocate are calculated to stabilize and strengthen local government financing in the long run.

In making this submission, the Institute is particularly concerned that the present opportunity to place local government on a sounder long-term footing should not be lost. For this reason, the first part of the brief is directed to a discussion of the Province's control and supervision of local government operations together with suggestions for improving departmental organization and municipal and school legislation. The proposals in most cases call for action extending over a number of years.

A similar approach has been adopted in the second part of the submission dealing with the service responsibilities of local authorities and the related methods of municipal and school financing. The first step is to decide whether all the present municipal services should continue under local control. Then, suitable means should be sought for financing those services remaining. And, in our opinion, the greatest improvement can be realized by considering the total effect of all the proposed adjustments in financing and service responsibilities before any permanent changes are introduced.

In order that the Institute's suggestions may be considered in their context, they have been set down at the conclusion of each topic discussion. For more easy reference, the entire list of suggestions has been numbered consecutively, although the points are interspersed throughout the body of the submission.

PART I

PROVINCIAL CONTROL AND SUPERVISION

PROVINCIAL STATUTE LAW

Form of Statutes—Local government in Ontario is carried on within a framework of powers and responsibilities set out in a number of Provincial Acts or statutes and supplemented in a few cases by Departmental regulations. The Acts give direction to local officials, elected representatives and to other people concerned with civic affairs throughout the Province's thousand municipalities and several thousand school districts.

In Ontario, municipal clerks, assessors and other municipal or school employees who are expected to make constant reference to the statutes are not required to have any formal legal training. It is obvious, therefore, that the statutes are intended for popular use; and it is most important that they should be simple and straightforward so that the officials can quickly become versed in the law and citizens generally may be encouraged to turn to the statutes for information.

The present state of affairs is, however, quite to the contrary. The Municipal Act, which is the key statute controlling general municipal operations is a complicated document running to some 300 pages and divided into 532 sections with a further extensive breakdown into sub-sections and sub-clauses. It has grown to its present form through numerous amendments and additions to the original Act passed in 1849. As it stands, the Act is not too well worded in places; it is insufficiently indexed, sometimes ambiguous and far from orderly in presentation. For years, there has been talk of re-writing the Municipal Act but so far no word as to when this may be accomplished.

The corresponding school legislation does not date back so far, but it too is unnecessarily difficult. The subject matter is divided among seven Acts according to types of school boards, classes of schools and kinds of training. The separate Acts do not follow a common pattern or approach and several must be read together by local school authorities in order to determine what their major powers and duties are.

Beyond these basic statutes, there are seven further Acts which regulate and control local school operations and some ninety Acts which deal with general municipal government in its various aspects. Some are concerned exclusively with local government, while others combine provisions affecting municipalities or school boards with legislation of more general coverage. A few of these Acts, such as the Assessment Act, are seriously in need of revamping. A larger number could be materially improved by redrafting. Many individual municipalities have, in addition, obtained private Acts controlling certain phases of their operations. The latter have never been brought into the Revised Statutes and so are not consolidated and are apt to escape attention.

To simplify the present maze of local government legislation will require painstaking work extending over several years. Some work has already been done in this field and the Province is to be commended, in particular, for its recent publication of a consolidation of Departmental Regulations. The major project, however, has yet to be scheduled for completion. We believe that this work merits a high priority as an encouragement to wider participation and sound performance in the municipal field. The benefits should far outweigh the expense involved.

1. It is suggested that the Municipal Act be entirely rewritten and simplified to the greatest possible extent.
2. It is suggested that the major school Acts be reviewed and that consideration be given to consolidating them in a single statute which combines the enactments common to all types of boards and classes of schools and sets out the remaining provisions in logical sequence.

3. It is suggested that a programme be mapped out for review and revision of the other public statutes controlling municipal and school operations.
4. It is suggested that a study be made of the numerous private acts of individual municipalities with a view to incorporating as much of the law as possible in public statutes of general application.
5. It is suggested that a guide to the local government statutes be issued periodically listing the Acts or sections of Acts of direct concern to local authorities together with a comprehensive subject index of this legislation.

Local Organization—The shortcomings in local government legislation are not confined entirely to the form of the statutes. A full review of the content of the legislation is beyond the scope of this brief, but it may be helpful, to discuss and illustrate some features of the law which appear to us to warrant special attention.

The current municipal and school statutes show a lack of consistency which is not unexpected inasmuch as changes have been introduced piecemeal by different Departments and succeeding Ministries. It is disturbing, however, to discover the extent of these variations. Legislation which gives expression to an important point of principle in one section is contradicted by the terms of regulations laid down in another.

As one instance, the Municipal Act has long authorized municipal councils to pay their members either in the form of annual stipends or as allowances for attendance at meetings. No limit is set on the amount that may be paid to the head of the council. For other members the maximum rates are fixed by the Act or determined by individual Departmental rulings. This permissive legislation has been taken up by a great many municipal councils and, in the larger urban centres, payment of members has become the regular practice. By contrast, under the various school Acts, trustees are expected to provide their services without any right of remuneration, even in the largest cities, other than mileage allowances and small fees for attendance at meetings. The belief that free service is the best has been maintained under the school statutes in the face of growing demands on the time of urban trustees.

In the present municipal legislation, the maximum authorized payments for council members have remained the same until this spring in spite of a sharp decline in the purchasing power of the dollar. The absence of any adjustment may have been intentional, reflecting a gradual change in attitude on what is an appropriate top figure. But the whole subject should, we believe, be reviewed so that statutory limits on remuneration for all elected representatives whether in the form of mileage allowances, payment for attendance at meetings, or annual indemnities will be reasonable and consistent. Moreover, in our opinion, authorized compensation should not need to approach a full-time salary, except for the major positions in large centres. One way in which the duties of elected representatives can be held to a minimum is by making sure that the appointed official is allowed full charge of all administrative work.

Another inconsistency appears in the Act authorizing the formation of the new high school districts. The high school boards, which are allowed to strike a school tax rate and to exercise the same control over current school expenditures as other school boards, are made up entirely of members appointed by municipal councils in the area. They have the same powers as elected trustees but no direct responsibility for their actions to the electorate. The fact that the first appointments have usually been persons previously elected to office has served to disguise the significance of this development temporarily. Related to this legislation, also, is the fact that appointed trustees from high school districts serve as members of union boards of education along with elected members.

In recent years, an increasing number of civic officials have urged that municipal councils be given some control over the current expenditures of school boards. Under present conditions, however, such a move would not, in our opinion, be constructive. As long as there is to be a dual school system (public and separate), local responsibility for education can never be brought under full council control. This being so, the only satisfactory plan appears to be to make the trustees as fully responsible to the school electorate as possible. The scheme of appointment for high school boards, therefore, can serve only to weaken the democratic structure of local school administration.

A second unsatisfactory feature of the present law is that certain requirements have been retained in the statutes in spite of the fact that non-compliance is widespread. A striking illustration is found in Section 308 of the Municipal Act. This section limits municipalities to a top tax rate of twenty-five mills on the dollar covering, with two specified exemptions, all current expenditures for general municipal services. A review of the mill rates currently being reported to the Department of Municipal Affairs reveals that a substantial majority of urban centres are violating the authorized limit without apparent penalty.

Without Province-wide equalization of assessment, it is virtually impossible to set up a standard maximum mill rate that means anything. Today, there are wide variations in the level of municipal assessments which, in themselves, constitute a technical violation of the Assessment Act. In this case, the Province is endeavouring to remedy the situation. It would seem to us, however, that the mill rate limit would not provide a sound method of controlling local spending even if assessments could be made uniform. The device is much too arbitrary. What is a wise limit on total spending for one municipality may at the same time permit widespread extravagance in other municipalities while cramping the legitimate programmes of still other centres.

Municipal and school legislation seems to us to suffer as well from a lack of suitable and constructive options covering the form of local organization and the authorized methods of civic management. For more than half a century, Ontario cities over 100,000 population have had no choice but to operate under boards of control. In the country of its origin, the United States, this system is generally regarded as outmoded and has largely been abandoned. For many years, cities in British Columbia have been allowed to bring in boards of control but no single municipality has done so. Again, smaller Ontario cities which have been allowed the board of control system as an option have not rushed to take it up. London tried it but has long since dropped the plan and Sudbury is trying it out for the first time this year. No other city has set up such a board. Moreover, Toronto which is required to operate under this form of government has made several attempts to relieve its board of administrative responsibilities.

By contrast, Ontario municipalities have been discouraged from trying out the Council-Manager form of government because it must be authorized by private Act and even then such legislation does not customarily allow the manager his full recognized powers. The Council-Manager Plan has been sweeping the United States and gaining steadily in popularity in this country. It is most widely followed in the Province of Quebec where it can be adopted under general legislation.

One further example of unnecessary restrictions is found in the regulations governing the size of municipal councils and the proportions to be elected at large and by wards. The practice in this field varies widely between England, where large councils and ward elections are the rule, and the United States, which is showing a growing preference for small councils and election at large. In this Province we have developed a series of complicated regulations which fall somewhere between the two extremes. However, until we are prepared to decide that one system is greatly preferable to the other, it might be advisable to leave a wider choice in the hands of local municipalities. In order that local government may continue to serve as a proving ground for democratic

procedures and practices there should be a reasonable number of options open to municipal and school authorities.

The open corruption evident in the government of American cities half a century ago was reflected in this Province in an attitude of fundamental distrust of the role of local elected representatives. The feeling was widely held locally, and Provincial officials in exercising their responsibilities for general legislation catered to it. Today, the laws governing the length of term of council members and the provisions requiring, in a number of cases, that services be farmed out to separate boards and commissions are the two outstanding instances of this unhealthy attitude.

Ontario has achieved the doubtful distinction of being the last refuge of the one-year term for members of councils and school boards. In England the standard term is three years. In the United States, cities are about equally divided between two-year and four-year mandates with a smaller number employing a three-year term. The other Provinces of Canada have all accepted terms of two years or longer.

While there has been some increase in the acceptance of the two-year term in Ontario cities, the rate of voluntary progress under present legislation is discouragingly slow. And from our experience we are convinced that there is no feature of the municipal law which is doing more to frustrate constructive democratic action in our growing towns and cities. Frequent rotation in office has proven the most negative type of control over public business. It is thoroughly incompatible with the complex responsibilities of municipal councils and school boards in present-day affairs.

The development of separated boards and commissions as part of the municipal structure has had a different purpose. But the delegation of authority to separate bodies has been intended to promote prompt settlement of complicated administrative problems. In meeting this objective, however, a large portion of civic business has been partially isolated from the electorate. Another effect has been to lessen co-ordination of civic services. Some revenue-earning services are handled by separate bodies whose sole contact with the voters is the periodic appointment of members by municipal councils. At times they may have to secure authority for capital borrowing; but, if operating profits are retained in their control, commissions may even escape this direction of their affairs.

One frank intention in splitting up municipal service responsibilities has been to prevent our duly elected representatives from influencing the course of administration. The voters are expected, however, to trust these same representatives to appoint suitable people to sit on separated boards and commissions and to direct policy for them in the best interests of the electorate.

6. It is suggested that the Provincial authorities maintain a continuing over-all appraisal of local government legislation and, specifically, that they introduce changes to extend the control of elected representatives over local affairs.
7. It is suggested that the present arbitrary limit on the real property mill rate be dropped.
8. It is suggested that boards of control should no longer be mandatory in cities over 100,000 population and that consideration be given to reducing the executive responsibilities of such bodies.
9. It is suggested that the Municipal Act be amended to provide the option of council-manager government following a favourable referendum vote and that, under this system, the elected council be restricted in its appointment of department heads and deputies to persons recommended by the manager.
10. It is suggested that the three-year overlapping term be made available to all councils and school boards and that the present one-year term be dropped entirely from the statutes.
11. It is suggested that new municipalities should not be required to delegate any operating responsibilities to separate boards and commissions

and that other municipalities should be allowed to re-establish separated services under the control of council following a favourable referendum vote. To accompany this change, local councils and school boards should be permitted to appoint private citizens to serve on any of their committees as non-voting members.

12. It is suggested that a consistent pattern of maximum indemnities and allowances be developed for members of councils and school trustees graded according to population.
13. It is recommended that the principle of direct election be followed in constituting all school boards, with the exception of the appointment of regularly-elected separate school representatives to boards of education and high school boards.

Status and Boundaries — Among the Province's responsibilities for the successful operation of local government, one of the most important is to provide for changes in the status and boundaries of municipalities in response to the growth of local communities. Today, however, it is quite apparent that such adjustments have not kept pace with the rate of development. The situation is a difficult one because the changes that are required must at times override strong opposition from particular groups of local citizens.

As part of the early struggle for responsible government in this Province, local citizens fought for and won the right to self-government for their own communities. The incorporation of municipalities enabled locally elected councils to develop police and fire protection, to curb nuisances, and to provide streets and sidewalks, street-lighting and similar amenities. Provincial legislation recognized the existing townships and counties that had been laid out in the settled part of the Province, gave or confirmed the status of a number of urban centres and defined the population and area requirements for incorporation of urban municipalities, for change of status and for extension of boundaries.

In one important respect, the approach adopted in the legislation in this Province has been echoed in most other parts of the world where representative local institutions have been developed. The law was permissive. It assumed that if local electors were free to petition for and secure changes, the orderly development of the local government structure would follow. As long as urban communities were comparatively isolated and individual property holders were strongly in need of the services which only an organized municipality could readily provide, the system worked well.

In more recent years, however, the situation has changed greatly and the enabling legislation has failed in its purpose. Revolutionary improvements in transportation, extension of rural electrification and the availability of modern pumping systems and septic tanks have together made individual property owners far less dependent on the services of closely-knit communities. Add to this the mass introduction of the shorter working day, and the result has been that urban settlements have tended to break apart. Population has scattered throughout the countryside. Moreover, the whole problem has been greatly intensified since the war by accelerated urban growth and metropolitan area developments.

For a number of reasons which we can no longer afford to ignore, local citizens cannot now be relied upon to initiate the changes in status and boundaries which are required in the wider public interest. Wealthy home owners who have built up an exclusive residential suburb are unlikely to join forces voluntarily with the expanding city which is taking them into its orbit. Municipalities which have secured a preponderance of industrial assessments are not anxious to annex adjacent areas containing mainly working men's homes. Elected representatives in established municipalities naturally want to resist boundary changes that are apt to reduce their chances of re-

election. Civic department heads in a small municipality cannot be expected to welcome a merger which will transform them into assistants in a larger urban centre. The pride which has been developed in municipalities with some history behind them will also lead people to favour the status quo. And, finally, human nature being as it is, people are inclined to resist changes which take them out of a familiar municipal pattern into the uncertainty of a new civic development.

While there is much to be gained by considering the opinions of municipal and school representatives, and local citizens generally, before a change in status or boundaries is ordered, it seems to us that the final decision must always be left to the Provincial authorities. Clearly, this places a heavy responsibility on the Province. But we believe it presents, at the same time, a challenge to be taken up in a forthright and impartial manner.

In no part of the world has a complete solution to the complicated boundary problem been carried into effect. However, over the past fifteen years, the Province of Alberta has put through a striking improvement in the structure of government in rural areas. Beginning in 1936, some 3,500 rural school districts were consolidated into 57 large school divisions. The number of separate municipal districts has been reduced from 143 nine years ago to 59 today. The Province did not depend on voluntary co-operation to bring about the change. Once the plan was developed, considerable pressure was exercised to push it through.

Our own Province has also met with some success in tackling the school boundary problem. Bonuses, incorporated into the system of grants to school boards, have been used to induce the old school sections to join in larger school areas and to encourage the creation of high school districts. This method has brought a steady improvement although under this voluntary plan progress has been much slower than in Alberta's case.

Under the Municipal Act, the Department of Municipal Affairs is authorized if it sees fit to initiate action on annexations and mergers, subject to priority approval by the Lieutenant-Governor-in-Council. Similarly, the Municipal Board by its own choice may start proceedings to bring about the erection of heavily populated towns, villages or townships into cities or towns. In practice, however, neither the powers of the Department nor the Municipal Board have been used to any great extent.

The speedy transformation of southern Ontario into a highly urbanized territory has meant that in recent years the acute boundary problems have developed within expanding metropolitan areas. In such areas the problems created by divided jurisdiction are greatly intensified and far from easy to resolve. The situation in the Toronto metropolitan area, involving no less than twenty-three independent municipalities, affords the extreme example. Sizeable boundary extensions have already been carried through in Windsor, Ottawa, Sarnia and Hamilton. But there are many remaining trouble spots. At least eighteen metropolitan areas can be listed in which divided jurisdiction has reached serious proportions.

There is scarcely a single type of problem involving boundary or status that is not illustrated in the present situation in the Toronto metropolitan area. York Township, with a solid urban population of approximately 100,000, has never entirely discarded the structure of a rural municipality. Forest Hill, with a population of more than 16,000, continues to call itself a village. The City of Toronto proper has not accomplished any significant extension of its boundaries since the time of World War I.

One anomaly not found in the Toronto area, however, is the retention of unwarranted status following a decline in population. At latest count, there were 57 villages with less, and in some cases far less, than the minimum population. Forty towns were in a similar position.

The Province's inability or failure, in the face of local opposition, to keep boundaries up to date has brought sharp inequalities in the payments of grants in

support of education; it has impeded the development of efficient local government services; and it threatens the transfer of traditional and proper municipal functions to the Provincial level. In the terms under which conservation authorities have been established, an unwelcome measure of Provincial management has already been introduced. Failing a reversal of the present trend, conservation undertakings seem destined to become administrative operations under a Provincial Department.

Plainly, no government will find it immediately popular to tackle the present boundary question. Indeed, the Ontario Municipal Board should be given great credit for the work it has done in the last several years. It has at all times maintained such a carefully judicious attitude and has supported its rulings on boundary changes by such reasonable statements of their necessity that public opinion is being favourably influenced. We believe, however, that the Government itself must come to take a stronger stand. And, with its overwhelming mandate of support, the present administration is in a strong position to obtain backing for new and more forthright policies.

The present situation would appear to call for two distinct courses of action. As a top policy decision, the Government should undertake measures designed over a period of time to clear away the backlog of longstanding irregularities. As an accompanying reform, the statute law should be redrafted to ensure that future boundary adjustments are required to take effect as needed.

In any review of municipal status and boundaries, serious consideration should, we believe, be given to the role of the counties in the local government of this Province. Through the years, the importance of the county as an area of municipal administration has varied considerably. For a time in the earliest days, the county—served by justices of the peace—was the only recognized form of municipality. After the justices lost their right to perform administrative functions, administrative counties were fitted into the municipal structure as we know it today, while the same areas continued to serve as judicial units. However, the responsibilities assigned to the administrative counties were less important than the functions given to local municipalities. Gradually, too, as the local municipalities grew and took up more pursuits, the counties became relatively less and less important. Not many years ago, a number of responsible people could be found who were prepared to advocate abolishing the county altogether.

More recently, events have moved in the other direction. People trade and travel, work and find amusement over much larger areas. The region or district is assuming greater importance in the living patterns of most citizens. At the same time, the local municipalities no longer provide their services in isolation. The county has already profited from this trend by taking on new responsibilities such as health units and travelling libraries. Again, it is sharing in the management of district high schools. In addition, some of the more traditional undertakings, like the maintenance of county roads, are being expanded.

In looking to the future, it seems apparent that local authorities must be prepared to place a number of services on a regional footing in order to keep municipal government fully effective. Functions in this category include regional planning, arterial roads, conservation projects, regional parklands, and perhaps aid to public hospitals.

It is only natural to seek to fit the county into such plans. The present county structure, however, is not in all respects suited to serve as the regional municipality of the future. Although some few counties have combined with neighbouring counties for administrative purposes, all of them continue with the same boundaries that were laid out more than a century ago. Today, the areas would appear in general to be too small; and the particular boundary lines certainly do not coincide with what might be called trading areas or economic regions. Moreover, the system of counties has never been extended into northern Ontario. If there was sufficient population to justify the establishment of counties in southern Ontario early in the nineteenth century, and enough useful work to keep them in operation ever since, then surely the time has come

to extend the pattern into the north. Incidentally, as long as northern Ontario is without counties, the Province is in effect subsidizing that area by paying the full costs of administration of justice and providing other county benefits. Finally, cities and separated towns are concerned with a number of regional undertakings and should not, in our opinion, be entirely excluded from the district municipality of the future. The precise form of their participation, however, would seem to be a matter needing further study.

14. It is suggested that the Government consider establishing a strong committee to review the major anomalies in the boundaries and status of local municipalities and to recommend suitable remedial action.
15. It is suggested that the present Committee give attention to the future role of district municipalities and that in particular they consider the need for adjustment of certain county boundaries in southern Ontario, the possibility of grouping counties into larger regional municipalities, and the extension of the county or region to northern Ontario.
16. It is suggested that the Provincial law be amended to give either the Department of Municipal Affairs or the Municipal Board full authority to initiate changes in status. Urban areas should be required to take on the status which is appropriate to their population (city, town, village, police village) and should reverse their status if they undergo a long term population decline. The Provincial authority might be required to act following each decennial census and, in intervening years, both the local municipality and the Province might be allowed to initiate changes.
17. Once the backlog of boundary adjustments has been cleared away, it is suggested that the statute law be amended to provide a similar automatic procedure for bringing about necessary boundary changes. Again, action might be mandatory following each census and permissive at other times.

DEPARTMENTAL SUPERVISION

Beyond providing the legal framework for municipal and school operations, the Province undertakes a continuing supervision of local government operations. Some years ago, the necessity for anything more than a check on financing was a matter for debate. Today, however, the value of more general supervision by competent officials of the senior government is recognized in every country, state, or province where municipal institutions are fully established.

In the field of education, the Province has always retained important responsibilities of its own and, as a consequence, the Department of Education has been a strong branch of the Government from the very early days. Today, it is manned by a large staff of well-qualified officials.

Regular supervision over general municipal services began later and was a much more gradual development. The old Bureau of Industries took on the collection of municipal and school statistics in 1882. In 1897, the Province established the office of Municipal Auditor. The Ontario Railway and Municipal Board was formed in 1906 and given charge of assessment appeals, boundary questions, the screening of returns from municipal utilities and the supervision of defaulting municipalities. In 1910 the Province created a Bureau of Municipal Affairs. It was considered junior to the Railway and Municipal Board and its director was, in practice, a member of that Board. The new Bureau took over the collection of municipal financial statistics and the Municipal Auditor was brought under its authority. In 1932, the powers formerly exercised by the Bureau of Municipal Affairs were given to the Ontario Railway and Municipal Board and the name was changed to the Ontario Municipal Board. It was not until 1934 that a separate Department of Municipal Affairs was formed. The Municipal Board retained the responsibility of deciding when municipalities must be

declared in default, but supervision of defaulting municipalities was transferred to the Department, together with the collection of financial statistics and other duties.

In addition to the continuing controls now centered in the Department of Municipal Affairs and the Ontario Municipal Board, municipalities must obtain clearance on particular matters with a number of other Departments, such as Highways, Health and Welfare. In 1944, the Province set up its Department of Planning and Development. Provincial planning legislation sponsored by this Department enables municipalities to undertake land use planning, sub-division control and so forth. Approval and supervision by the Department follows the development of individual and joint municipal planning projects.

Department of Municipal Affairs — In the comparatively short time since its establishment, the Department of Municipal Affairs has made worthwhile progress. Greatest headway has been achieved in those avenues of work which have to do with its direct day-to-day relationships with municipalities and with municipal officials throughout the Province. Financial supervision was one of the earliest continuing responsibilities; and the compilation of financial statistics and the supervision of municipal audits has become one of its major operations. The "Blue Book" prepared by the audit staff is recognized everywhere as a first-rate presentation. The introduction of grants based wholly or in part on total assessments in municipalities or school areas required the Department to develop supervision of assessment. Increasing expenditures at the county level, further stimulated the Department's concern with equalization and with improved assessment practices generally. The result, today, is a sizable staff working on assessment, giving instruction to local assessors and promoting the plan of county assessors. General administrative supervision grew out of the temporary supervision of defaulting municipalities in the depression years. Now, there are four field supervisors, each assigned a separate area of the Province and a fifth supervisor without defined field responsibilities.

While the Department has developed considerable capacity for practical supervision of current municipal operations, a number of circumstances have discouraged its growth along other lines. For one thing, its concern with major policy problems has been lessened as a result of the wide powers retained by the Municipal Board. For another, the Department has had to tie in with older Departments which were quite experienced in dealing with local authorities at the time the Department of Municipal Affairs was formed. The established Departments had built up administrative relationships and developed supervisory policies which the Department of Municipal Affairs could not easily disturb. As one example, the Department of Education is still requiring financial returns from school boards in terms of receipts and disbursements whereas the returns to the Department of Municipal Affairs must be made up from revenue and expenditure statements. Then, too, the decision to place community planning and conservation under a separate ministry put a restraint on the Department's interest in the long-term growth of municipal and school operations. Finally, the determination of succeeding Governments not to interfere with local autonomy has made them reluctant to sponsor any Departmental expansion that was not dictated by the most specific and immediate needs of the municipalities.

While the Municipal Affairs Department has a number of specialists in its employ no senior official, unless it be the Deputy Minister, is able to give full time to the consideration of policy matters. All have routine duties or field responsibilities which take a large part of their time. Nor can the Department boast of any research branch. A start has been made, since the war, on building up a Departmental library. One recent project of the librarian was to prepare an index of the private Acts passed on behalf of Ontario municipalities. This illustrates both the work that can be accomplished and the sort of handicap under which the Department has been operating. As yet, a single

employee serves as librarian, handles all the clerical work, and is expected from time to time to take on outside assignments for the Department.

The brand of support for municipal operations that the Province is called on to provide today requires something more than the present staff and facilities of the Department of Municipal Affairs can handle. There are sufficient field and clerical responsibilities to keep its present staff fully occupied, and, as local authorities encounter new administrative problems, this field work seems bound to increase. On the other hand, the Department could profitably gather additional data on the local boundary situation. It would be useful, also, to have a more complete file of information on the present problems of municipal financing, documented from the experience of actual municipalities throughout Ontario. Information on such questions could then be viewed against experience elsewhere. Indeed, the Department should be given the opportunity to equip itself better on long term problems of every sort.

A number of reasons can be advanced in support of a further strengthening of the Department of Municipal Affairs.

Years ago Provincial supervision of municipal affairs was centred largely in the legislature itself. Members of the Provincial House had more time to give to local affairs and could be directly available to all municipal delegations. Aside from audit supervision, any permanent organization was regarded as unnecessary. Indeed, a hands-off policy was considered one of the guarantees that local autonomy would not be swept away.

A change in outlook seems forced upon us by the growing complexity of municipal operations. Today, there is probably no field of administration in which the Government can use capable advisors to better advantage. The Provincial member of Parliament has difficulty in keeping informed on even the urgent municipal problems. He is certainly not in a position to anticipate difficulties before they become acute. For these reasons, he must turn to the expert for help.

In our opinion, it is a sign of successful administration when a government does not need to lean heavily on Royal Commissions or Committees of outside experts to explore and report on difficult questions of policy. The fact that the provincial representation on the present Committee is entirely composed of senior civil servants is in itself an indication that the Government has some confidence in its administrative system. And the Department of Municipal Affairs has already a small complement of officials who contribute to the solution of knotty problems.

In recent years, Ontario municipalities have done much to raise the standards of civic administration. Political appointments are becoming less frequent. Professional recruitment is spreading and even in the townships and villages there is greater readiness to pay more money in order to secure suitably trained men. The Department has done something to encourage this development and doubtless is interested in extending it further. An improved Department could throw more weight behind the hiring and promotion of municipal employees on a strict merit basis. It could give greater assistance to the transfer of qualified personnel from one municipality to another. Moreover, it could begin introducing minimum professional qualifications for particular posts, graded according to the class of municipality—a development which seems to us highly desirable.

As the Department extends more help of this type to local authorities, it will become steadily more essential for it to maintain a diversified and well-qualified staff of its own. A senior government can only stimulate advances at the municipal level if the competence of its own employees is immediately obvious to those who use its services and come to it for advice.

The role required of the Provincial expert nowadays is not an easy one. The trend towards increased supervision of local operations is apt to breed distrust or definite antagonism if there is any tendency for the Provincial official to act arbitrarily or in

any way overstep his authority. That Provincial supervisors are competent, however, need not mean that they are quick to interfere. A municipal department should be thought of primarily as a service department. It is the place where local officials should turn most readily for advice.

To gain the confidence of local officials and local councils, the Provincial advisor must be able to demonstrate a practical knowledge of local conditions. He must exercise tact and invite the use of his services rather than imposing them. It is important also that municipal people be impressed by the ability of the Provincial official. In short, in any move to strengthen the Department of Municipal Affairs, we believe that the quality of staff should always be considered as much more important than the number of employees.

In this connection, the method of civil service recruitment in Ontario should not be overlooked. It is much less formal than the system operated by the Federal Government. There are no widely advertised competitions, no eligible lists and no written examinations. Whatever the merits of the Ontario approach, it is obvious that more responsibility is thrown onto the individual Department for the quality of its own personnel.

Another matter of interest to the Department in any plans for expansion of its research undertakings is the greater attention that is being paid in universities today to training in public administration and courses in local government. The benefit of field experience is, of course, important in all new appointments. But an increasing number of appointments with a blend of practical experience and professional training seems to us a desirable objective.

18. It is suggested that the Department of Municipal Affairs should contain several qualified policy officers who are not regularly occupied with field duties. Recruits obtained for this purpose should be well paid and selected with care on the basis of training and capacity.

19. It is suggested that a small research group should be employed on a permanent basis and made responsible for classifying and comparing municipal development in Ontario and other jurisdictions. The research staff should be supported in its work by some expansion of the departmental library facilities.

The Ontario Municipal Board — The Municipal Board is a quasi-judicial body which operates in the manner of a court although all its members are not necessarily trained in the law. It can initiate inquiries and investigations and its responsibilities include a good deal outside of the normal field of a judicial tribunal. The range of duties assigned to its control is directly related to the historical development of the Board. Throughout a period of twenty-eight years, the Board exercised supervisory powers over general municipal services and acted in an advisory capacity to the legislature. It was the senior continuing agency concerned with municipal matters. With the creation, in 1934, of the Department of Municipal Affairs, the Minister of that Department became responsible for administering the Ontario Municipal Board Act. But in other ways, the Board has continued to be fully independent. A recent staff transfer suggests the relative prestige attached to the Board and the Department. Presumably by way of promotion, one of the municipal supervisors from the Department was appointed to a place on the Board.

The development in Ontario stands in contrast to the position in other parts of Canada. Several provinces get along with no authority corresponding to the Municipal Board, while in others the municipal department has been given a heavier share of responsibility.

We believe it is important to distinguish between Municipal Board functions which are semi-judicial in character and those where the real requirement is that a fair and judicial attitude be maintained in deciding questions of policy or administrative prac-

tice. Part of the Board's work calls for public hearings with testimony by witnesses and decisions based on points of law. But a good many matters demand only a common sense ruling whether or not a public hearing is the means of achieving this result.

As a body with power to consider appeals on real property assessments, the Board is clearly acting in its judicial capacity. Again, the Board has been established as an arbitration authority on a number of questions in which municipal interests are involved. For example, the Board may fix the amount of compensation in cases where the Department of Highways or the Hydro Electric Power Commission of Ontario has expropriated land and cannot come to agreement with the owner. Municipalities which are joined in a high school district may appeal to the Board for determination of the costs to be assessed against each of them. The adjustment of assets and liabilities between municipalities following a change of municipal boundaries is another type of arbitration handled by the Board.

A somewhat similar responsibility is involved when a municipality asks for a determination of the rates to be charged on water sold to or purchased from another municipality. The alteration of rates under a utility franchise may also be regarded as the necessary work of a judicial type of tribunal.

Some of the most important work of the Board, however, has much less connection with points of statute or administrative law. One of the Board's chief duties is to approve all municipal debenture issues. Another important assignment in the financial sphere is the Board's responsibility to decide when municipalities must be declared in default and placed under supervision by the Department of Municipal Affairs. From the beginning, the Board has superintended the operations of all telephone systems established under Ontario law. It is charged, too, with supervising the system of accounts of all public utilities which are under municipal control with the exception of local hydro commissions.

Quite a different responsibility rests with the Board as the body which authorizes the creation of improvement districts, the incorporation of cities and towns and of townships in unorganized territory. The Municipal Board is expected to decide on annexations, amalgamations, on the creation of inter-urban administrative areas, the detachment of farmlands from a village and other changes involving adjustment of municipal boundaries.

Municipalities are required to submit certain by-laws to the Board for approval. In some cases, these are directly associated with other responsibilities that the Board carries out. For example, the Board must approve all money by-laws. But the Board's authority extends to other matters such as assent to a by-law for the opening of a lane as a local improvement. In addition, municipalities are invited to submit any proposed by-law to the Board for an opinion.

One further indication of the sweep of Board authority is the requirement that no operating license for a public commercial vehicle may be issued unless the Board gives its consent on the basis of public necessity and convenience. To carry out this responsibility the Board has been processing between one and two thousand applications a year.

The attention and time required by all the duties assigned to it has meant in recent years that the membership and supporting staff of the Municipal Board has had to be considerably expanded. Even so, this body appears to be hard-pressed to deal with the problems that come before it.

Because the Board deals with a blend of legal and administrative responsibilities, it is expected to take the initiative in some matters and in others to deal only with the questions brought before it. The latter responsibilities can hardly be avoided and, under pressure, the former may be somewhat neglected. The High Schools Act, for example, requires the Ontario Municipal Board to authorize capital expenditures which are met out of current revenues in excess of \$5,000 a year. Section 49 of the Act

which contains this provision does not make it entirely clear whether the high school board or the municipal council should seek the necessary approval, and we understand that approval is not in every case being obtained. The regulation does not make very good sense since there is no parallel provision for screening of public school expenditures. However, as long as it is the law the Municipal Board should be taking responsibility for enforcing it. Another illustration is found in the legislation requiring the Municipal Board to supervise utility accounting. The form in which utility accounts are kept, the practices on depreciation, treatment of reserves and disposal of surpluses is far from uniform through the Province. If the Municipal Board has looked into this problem, it has at any rate failed to recommend needed improvements.

There are a number of arguments in favour of transferring the non-judicial functions of the Municipal Board to the control of the Department of Municipal Affairs. The Board could be relieved of part of its heavy burden of work and, if it dealt only with matters brought before it, could more easily accommodate itself to the volume of work. The transfer might also make it possible to terminate the present practice of holding concurrent hearings. The main advantage, however, would be that the Board would no longer be expected to cope with problems in which government policy is directly involved.

The Department of Municipal Affairs would be strengthened automatically by bringing the full range of administrative and policy problems under its control. Approval of municipal debenture issues, for example, must in practice be related to the financial standing of a municipality as expressed in the auditor's statements which the Department is now obtaining and processing. Decisions on boundary adjustments and changes in status require, beyond a population count, background knowledge of local government conditions in the area concerned which the Department already possesses. A further comment is that the immediate transfer of some of the present members and staff of the Board to the Department would provide experienced personnel who could help to tee off the development in departmental services that has been suggested earlier.

20. It is suggested that a thorough study be made of the present responsibilities of the Ontario Municipal Board and that serious consideration be given to transferring the non-judicial functions to the Department of Municipal Affairs.

Other Departments—As mentioned earlier, local officials have responsibilities which bring them into contact with virtually every Department of the Provincial Government. A distinction should be drawn, however, between, on the one hand, Provincial regulations that concern municipal or school corporations along with private businesses and individual Ontario citizens and, on the other, control and supervision directed solely to local government bodies. For example, the Ontario Department of Health issues regulations designed to eliminate unsanitary conditions and to prevent the spread of disease which all citizens of the Province and all organizations—public or private—are required to observe. At the same time, the Department orders the municipalities to maintain local boards of health or health units and spells out in the Public Health Act their precise form of organization and a prescribed list of duties.

In order that local government operations may work smoothly it is important that the direction of local affairs from the Province should be as well co-ordinated as possible. Assuming that education is to continue under the charge of elected school boards, it seems unlikely that the Province would undertake to place the present Department of Education under the direct authority of the Department of Municipal Affairs. Nevertheless, there is, as already indicated, need for certain uniform principles governing the structure of the municipal and local school organizations. The same point applies equally to the structure and operations of local boards of health, police boards and public utility commissions. In these cases, however, the argument for

control outside of the Municipal Affairs Department is the need to tie in local obligations for the services in question with the Province's own responsibilities for the same service.

When it comes to planning, there is surely less justification for supporting the arrangement placing this service under the control of a completely separate Department of Government. It seems difficult to understand why the Community Planning Branch was established in an independent setting in the first place. After all, local planning can only be made effective when plans are approved and put into force by local elected representatives. And once in effect, it is the job of civic officials to carry out the rules laid down. Whether the same stand should be adopted in regard to the Conservation Branch of the Planning Department depends on one's view as to the level of government that should be made primarily responsible for such work. If conservation is a field for local action, it too should logically come under the Department of Municipal Affairs.

While the separation of planning from the Municipal Affairs Department does not seem justified in principle, credit should be given for the notable progress that the Branch has made in recent years. Moreover, co-operation with the Department of Municipal Affairs appears to have been developed on a high plain. Consequently, any proposed transfer of responsibility should be approached with care in order not to detract from the advances already made and the prospects for future development of planning leadership by the Province.

It is the Institute's opinion that the Department of Municipal Affairs should be developed over a period of time to play a much more important role in the Government's dealing with municipalities. Some enlargement of staff should be the first move. Another step might be to require that all grants to local authorities be authorized through this Department possibly with the exception of the grants to school boards. By reducing the number of grants to a minimum and eliminating all or most of the special grants, this objective could be coupled with another worthwhile improvement. Again, a closer liaison among the various Departments in their dealings with municipalities would inferentially place the Municipal Affairs Department in a stronger position. Transfer to the Department of responsibility for community planning and for non-judicial functions now delegated to the Municipal Board might be accomplished over a more extended period.

21. It is suggested that an inter-departmental standing committee be set up under the chairmanship of the Minister of Municipal Affairs for clearance on all matters involving changes in municipal responsibilities or financing.
22. It is suggested that consideration be given to the transfer of the Community Planning Branch and perhaps also the Conservation Branch from the Department of Planning and Development to the Department of Municipal Affairs.

CONCLUDING REMARKS

The provincial government which is sincere in its desire to further the welfare of local government and to foster its development along sound lines will want to give much thought to the course of action it should follow. In our opinion, the Province of Ontario would be advised to give a high priority to improvements in departmental organization and in the form and content of the statute law. The job will not be easy. But the amount of money required is small in comparison with the sums now handed out in the form of government grants.

Adjustments in the local government framework and improvements in the quality of supervision will not, of course, rule out the necessity for grants to municipalities and school boards. They can, however, be the means of ensuring that financial aid goes where it is most needed and where it can be put to good use through the constructive efforts of local elected representatives and civic officials.

PART II

MUNICIPAL FUNCTIONS AND FINANCING

For some years now, municipalities and school corporations have found tax collections good; they have received much larger contributions from the Provincial treasury; and, in general, they have managed to maintain balanced budgets. Although debenture debt has been on the increase, there are very few municipalities in which it has reached alarming proportions. Yet local representatives and officials do not view their present situation as a happy one.

The financial position of local authorities may be regarded as unsatisfactory for several reasons. In a period of continuing high taxation, levies on real estate were the last to be forced upward, and they are still climbing. Owners of real property are heavily taxed now and stand ready to resist further increases. Admittedly, contributions from the Province are making new and improved services possible and, in particular, have assisted developments in education and the social services. But because such grants are earmarked for special purposes and are mainly conditional, their acceptance has frequently required extra money to be raised through local property taxes. The municipal taxpayer feels, moreover, that he is being charged for certain services which are not his responsibility. At the same time, inflation has put a squeeze on municipal budgets, and local services which get no special support from the Province have commonly been the ones to suffer.

In many municipalities, financing has been made more difficult again by the rate of post-war developments. Sudden urban expansion has demanded new schools and roads, water and sewerage extensions and similar essential undertakings. In a very short time, some municipalities have been forced into a volume of capital spending which under more ordinary circumstances would have been spaced out over many years. The remarkable increase in motor traffic has created a somewhat similar problem. The requirements for road construction and maintenance have risen steeply in every part of the Province. The large built-up cities, however, have been most acutely affected, with Toronto facing the worst situation of all. The only real remedy for its choked streets is to spend millions of dollars on major arterial improvements.

In order to get at the root of the financial problem, municipal revenue sources must be studied in relation to the public purposes for which the money is required. It seems advisable to review first the present municipal responsibilities and to decide on the services that can and should be performed by local authorities, and then to set about finding the most appropriate means of paying for them.

MUNICIPAL FUNCTIONS

The conditions under which local government operates in this Province have been greatly changed over the past twenty-five years. Ontario municipalities have of course shared the results of great technological advances with other parts of the western world. The development of modern means of transportation and communications has ended the old isolation of one local community from another. In addition, the mass use of motor vehicles has altered the physical appearance and tempo of life in each local municipality. Ontario, itself, has become a large-scale producer and predominantly urban. The marketing of goods locally, and commercial operations generally, have taken on entirely new meaning. As a manufacturing province, Ontario has become heavily dependent on mass production industries for employment. Consequently, the prosperity of her citizens is increasingly affected by world conditions and national policies. The real responsibility for both long term and seasonal unemployment has shifted entirely from the local community. Related closely to these changes has been creation of an entirely new structure of positive social and welfare legislation by the Province and the Dominion.

In the process, municipalities have been relieved of certain responsibilities but have been expected to take on much more that is new.

In order to understand the difficulties which local governments are now facing and the adjustments that should be carried out, municipal services have to be viewed against this new background. In general, it may be said that certain services which were once purely a local concern have become matters of province-wide interest. At the same time, municipalities are less able to finance their own services from independent local sources.

Optional Versus Compulsory Services — It has been customary to make a distinction between local services which are a compulsory civic responsibility under Provincial law and others that municipalities are free to supply or reject as a pure matter of choice. Public education is a good example of a compulsory service while police and fire protection have traditionally been thought of as voluntary local undertakings. Some illustrations can be given of the options which municipal councils now exercise. One town may undertake to build sidewalks on both sides of the street, while another may be satisfied to lay walks along one side only. Most urban municipalities today provide garbage collection services, but there are some which leave it to individual householders to contract for this service if they want it. Again, the City of Toronto has seen fit to maintain a number of day care centres for school age children; other large cities, however, have not followed this lead.

The extent to which municipal services can be regarded today as voluntary is hardly important in the broad picture. The Province is requiring minimum standards of performance in an increasing number of cases and its regulations leave the municipality with little choice in the matter. In addition, the Province offers conditional grants to encourage municipalities to take on new responsibilities. Where grants are available, local residents are likely to conclude that they are entitled to the services and should be receiving them. What is more, public demand for municipal services is no longer localized. The residents of one municipality are quick to require their elected representatives to match services which have been established in similar municipalities throughout the Province.

The main differences in the range and quality of local government services nowadays are due almost entirely to differences in urban concentration, variations in climate or topography, and so forth. The municipal council or school board can still make an impact on the quality of particular services and can save on the cost by promoting efficient management. Even here, however, the supervision by the Province is playing an important part in setting the standards of performance.

The more compulsion operates in setting the pattern of municipal services, the more important it becomes for the Province to support municipal operations by making adequate financial means available to local authorities.

Services to Property and Persons — The original purpose behind the incorporation of municipalities was to enable local citizens to provide jointly for services which would benefit them as residents or owners of property. Today, it is important to more than property owners themselves that such services should be looked after reasonably well. For example, if local policing in one municipality falls down badly, the encouragement to crime becomes a matter of genuine concern to people in nearby centres. Nevertheless, the residents of the local community where policing is lax are the ones who will suffer most directly. The local resident is the one who benefits from such services as water supply and street lighting, and he is the one affected by temporary shortages of water or inadequate lighting of the streets. Even public sanitation is the first concern of property owners and tenants. Unsatisfactory conditions will be apparent to them long before they create a health hazard of wider proportions.

In contrast to what are called services to property are the many municipal undertakings which benefit local citizens without regard to their property stake in the community. These are commonly described as services to persons because they are organized to meet needs of individuals or families which are accepted as a general community responsibility. Services to persons are less directly tied to the particular wishes of the taxpayers in a single community. For instance, clinical health services need to be well maintained in all parts of the Province to prevent the spread of communicable diseases. Furthermore, Ontario citizens are interested in good health as a public objective for people in all parts of the Province and are prepared to back their views with expenditures of public funds. Similarly, the Province is pledged to provide young people with an adequate education regardless of whether they live on the farm, or in the city, in the far north, or in the more settled portions of southern Ontario.

Not everything that can be done for people in an organized way has been accepted as a public responsibility on a Province-wide basis, however. Take recreation services, for example. They are assisted by the Province and, in many an Ontario centre, are supported from the municipal treasury. Yet a large part of community recreation is carried on on a purely voluntary basis—sometimes with the backing of service clubs and other community organizations, but frequently too by those who want to participate, without subsidy or assistance from anyone.

To the extent that such services as health, welfare and education have been accepted as the job of government, there is a responsibility to see that the operation of these services is suitably delegated—to a local authority, to a senior government, or under a co-operative arrangement between governments.

Property Services — Services to property are recognized by most people as an appropriate municipal responsibility. They meet immediate needs of those with a financial stake in the local community. Local rates or taxes are the fair method of paying for them. Local people want and should be allowed to manage them. The only question is to decide which services are in fact primarily of benefit to property holders.

It is not possible to draw a hard and fast line between services to property and other present municipal services in which a different community of interest is involved. For the present purpose, however, a reasonably accurate classification can be made. Property services include police and fire protection, provision of sidewalks and street lighting, public sanitation, street cleaning, the control of nuisances, the purchase and local distribution of hydro-electric power, water supply and sewage disposal facilities, the maintenance of parks, boulevards and public squares, and the erection and upkeep of municipal public buildings.

In some services there is a blend of interest between the property owner and the citizens more generally. The development of community recreation programmes which is carried on in the parks and in the schools is one such case. Much more significant, however, is street construction and maintenance and several related services.

Responsibility for the upkeep of streets was at one time of primary concern to the local property taxpayer. But the development of modern motor roads has created an entirely different situation. A street improvement which makes it better for the motorist may actually do damage to the value of property and the convenience of property owners along the way. While the property owner wants access to his land, he is not necessarily interested in securing either a heavy pavement or a wide thoroughfare, both of which the motorist may greatly desire. The development of a network of motor roads has changed the complexion of other services as well. The responsibility of the police for parking, for directional signs and automatic traffic signals, and for traffic control does not fit into the category of a service to property. The type of street lighting which is needed for important thoroughfares is not designed primarily,

to service the property owner. The same can be said for the extensive snow clearance operations required today on main traffic arteries.

Public Education — Local citizens are very proud of the part they play in making the schools a vital force in the community. Their interest in securing good teachers, in maintaining good school buildings and in undertaking the financial management of the local school system is a strong one. At the same time, the Province has an equally keen interest in public education. This is demonstrated by the fact that the Province has made school attendance compulsory and has required that education should be free. Ontario, like other provinces, sets the academic standards for the teaching profession, while in some parts of Canada the province has established minimum pay scales for all its teachers. Every province is concerned with maintaining a high quality of instruction and lays down the curriculum which local school boards must follow. The trend in Ontario, however, is for the Province to map out the broad programme of instruction and leave an increasing selection of subjects and methods to local education officials. It would be hard to picture the complete abandonment of local autonomy in educational affairs—even though the idea has been brought forward quite recently.

The dilemma in education, as a local responsibility, is to discover a method of paying for the schools which will ensure reasonable equality of opportunity for school children throughout the whole Province without imposing a financial hardship on local school areas of limited financial means. Obviously the whole cost could be transferred to senior levels of government. Yet if education is to be administered locally, it is hard to see how economical and efficient management can be assured unless some portion of the cost is assessed against the local school area. In addition, while education is primarily a service to persons, the calibre of school facilities in a municipality do have a bearing on local property values. In our opinion, this problem must be resolved in some way which will retain the local school authorities in very much their present role.

Health and Welfare — Local participation is a desirable objective also in the field of social services. Public health administration, as one example, requires a good deal of discretion and judgment to be exercised at the field level. Local administration offers worthwhile assurances that the services will be rendered with understanding and in response to real wants. The same arguments can be used in support of local participation in a variety of welfare services. Welfare programmes designed to classify and assist the unemployables, to give aid to children and to the aged—all cases in which a discovery of need including lack of financial resources is required—can be handled perhaps more successfully under local control than through a provincial or Federal agency.

A rather peculiar situation exists, however, in the case of children's aid work. At present time children's aid societies are obtaining financial support from three separate sources—the Provincial Government, municipal government, and through voluntary contributions. Actual direction of children's aid work does not come under the immediate control of the municipality. It is looked after by a voluntary board and the municipality usually does little more than to carry out a rather cursory audit of children's aid operations as a check on the use of municipal funds. The Province is in a somewhat similar position, although it lays down regulations for the operations of Children's Aid Societies which may be expected to lead it to make a more thorough review of their performance.

The direction of children's aid activities is further divorced from control by those contributing to its support through the development of Community Chests. Approval of an annual share from Chest funds by the Chest Budget Committee is the only safeguard that the individual subscriber has on the use of the money he has donated. While the Board of the Children's Aid Society is ordinarily composed of citizens with a

high sense of public responsibility, they are not required ordinarily to raise money themselves for the support of children's aid work.

It would appear that the municipality as such is no longer playing a significant part in the supervision of children's aid work. Therefore, it would seem that the channels of responsibility would not be weakened and might even be improved if only the Province and voluntary local support and management were involved.

Another place where municipal participation is of lessening importance is in the administration of unemployment relief. It is true that the standard scale of relief payments varies from place to place. For example, the high rents which prevail in Toronto compel the City to include a larger rent allowance than is provided in other centres. What is needed, however, is a uniform scale of real benefits with variations in money payments based solely on differences in living costs from place to place. And local discretion is surely not the way to attain this objective.

Before the development of unemployment insurance and the establishment of National Employment Offices, it was quite helpful to have municipalities decide whether an applicant for relief was making an honest effort to obtain work. But with the Government of Canada assuming some responsibility for finding jobs, the question can be settled in a different way. Moreover, unemployment of even a seasonal nature can surely not be blamed on the municipalities. Ever since the depression years it has been contended, and we believe quite rightly, that the cost of unemployment relief for employables should fall solely on the National Government. The fact that the Government of Canada has not accepted this responsibility does not mean that it should be left on the doorstep of the municipalities. They are, after all, the least able of any level of government to stand the shocks of fluctuating financial obligations. The Province is in a much better position to pay the cost and, in our opinion, should undertake to do so until it can convince the Federal Government to take over.

The present division of responsibility for the operation of public hospitals throughout the Province presents an even more complex picture. Most hospitals are directly sponsored by a variety of voluntary agencies or voluntary community groups. Some have sectarian or other special backing, although imposing no such restrictions in the admission of public patients. While municipal councils are represented on the boards of many public hospitals throughout Ontario, straight municipal hospitals constitute only a small proportion of the total number. It is natural, in view of the variety of sponsorship, that the location of hospitals should be rather haphazard, not merely in relation to municipal boundaries, but also in terms of population density in various parts of the Province.

In recent years, public hospitals have had great difficulty in balancing their operating budgets in spite of increases in the rates charged to private and semi-private patients and in the rates set for public patients including indigents. Within the area of the counties, the amounts charged to indigent patients have been borne by municipalities; in the districts contributions have come from the Province. In addition to the payments for indigents, which are a regular welfare expenditure, municipalities have been forced to make other substantial contributions. These are not in the nature of any fixed amount or agreed proportion of the operating cost. What has happened is that municipalities have had to come to the rescue by making up hospital deficits.

The Province has also undertaken maintenance grants for public hospitals. Its contributions, however, follow a definite pattern which stands in contrast to the residual responsibility many municipalities have accepted for hospital deficits. In addition to these operating grants, the Province and the Dominion contribute equal amounts towards capital grants for hospital construction under a scheme initiated by the Federal Government. For the latest fiscal year, the entire financial aid by the Province — both capital and current — was approximately \$10 million. About two-thirds of the total was secured through the amusement tax.

No ready solution can be suggested to clear up the present confused situation. Added light may be thrown on the subject by the Report of the Ontario Health Survey Committee. The report should contain useful information on the location of hospitals in relation to municipal boundaries and the available hospital bed capacity in relation to population in various areas. One point, however, does seem plain. There is a real need to simplify the method of support for hospital maintenance. Hospital boards should not be put in the position of having to go hat in hand to the municipalities for money to meet their deficits unless they result from genuine mismanagement. Today hospital deficits are far too common an occurrence for this to be the major cause.

Two alternative approaches might be considered, although neither seems at first sight fully satisfactory. As one plan, the Province might assume full responsibility for all the government aid that hospitals require. The possible danger here is that the Province would be unwilling to subject the hospital boards to a sufficiently close scrutiny of their financial affairs because of the sectarian and special sponsorship under which so many operate. Members of municipal councils appear to be much more likely to sit down with local hospital officials and thrash out the financial picture thoroughly before agreeing on the amount of aid that must be given.

Another method that might be tried would be to create large hospital areas which would be under municipal control. The areas adopted might be regional municipalities as suggested in the discussion of the local government boundary problem. Funds could be provided in a number of alternative ways. The Province might undertake block grants to municipal regions which would be used to support hospitals along with other services under their authority. The regions might be given access to the amusement tax, possibly with the Province continuing to act as the collector of the tax. Another method would be for the Province to levy and collect the amusement tax as it does now but to turn over the entire proceeds by agreement to the hospital areas.

23. It is suggested that the Province immediately take over full responsibility for the payment and administration of relief to the employable unemployed. The Province should continue to press the Government of Canada to assume this service.
24. It is suggested that the Province assume the entire governmental responsibility for supervision and financial assistance to Children's Aid Societies while retaining the present form of voluntary organization.
25. It is suggested that the Province give consideration to developing some simplified plan covering governmental supervision and tax support for public hospitals. Every effort should be made to work out a satisfactory scheme which will permit administrative supervision to continue at the local level while removing the financial inequities and uncertainty that now prevail.

Streets and Highways — With the thousands of private automobiles and commercial vehicles which use our streets and highways every day, the work of road construction and maintenance has taken on a completely different character. As mentioned earlier, little direct relation exists between the type of construction and cost of an individual strip of road and the requirements of property abutting on the roadway. At the same time, the citizens of each local municipality or county are much concerned that the pattern of streets and highways should be laid out and developed to suit their convenience. It is only in the case of major highways and through-roads that the Provincial interest greatly predominates.

In recent years, the Province has offered increased financial aid to municipal road construction and maintenance throughout Ontario. How much a municipality receives depends on the total amount of approved local expenditures. But the percentages have been made more generous and municipalities have been encouraged to spend larger amounts on road work. The Province has also been extending the mileage of Provincial

Highways in recognition of an increasing volume of long distance traffic on particular routes. Similarly, more urban roads have been designated as highway connecting links which are made eligible for special grant support or in some cases for full maintenance.

Municipalities are still not satisfied, however, and continue to press for larger and larger grants and for the recognition of more roads as Provincial Highways or connecting links. The difficulty is that the present grants-in-aid give most encouragement to those municipalities which can best afford to spend money themselves. At the same time, they are not based on any clearly recognized division of responsibility between the municipality and the Province.

As long as the local cost is a direct charge on the property taxpayer, no municipality is likely to admit the amount of wear and tear caused by local traffic. Nor will the municipalities slacken their efforts to obtain ever larger contributions from the Province and to have more roads accepted as part of the Provincial highways system. In the process, however, the Provincial authorities are being brought into closer control over what is essentially a local service. The point to be cleared is that the local interest belongs very largely with those who use the roads or benefit from their use for motor traffic. And until municipalities can be provided with a source of revenue of their own other than property taxation local jurisdiction over roads will be in danger.

One way in which the Province can help to iron out the financial responsibility for connecting links through urban municipalities is to encourage the development of more controlled-access highways. Municipalities might be invited to suggest urban routes which could be converted to this type of road. Where agreement could be reached to limit access to the road, the Province might then undertake to pay the cost of conversion and to assume future maintenance. In the long run, it would help to overcome a problem of urban congestion which threatens to become steadily worse.

26. It is suggested that the Province continue to extend the Provincial highway system in response to increases in through traffic and that an improved method of financing be developed to protect local jurisdiction over the remaining roads.

27. It is suggested that Provincial highways, including urban connecting links, be developed wherever possible as controlled access routes and that the Province take over and pay the full cost of such roads within urban municipalities.

Administration of Justice — Present municipal responsibilities for law enforcement and administration of justice date back to the early period of settlement in what was then Upper Canada. Originally, the only form of local government was that administered paternally by justices of the peace who were appointed and directed in their work by the provincial government, although expected to have an understanding and sympathy with local conditions. The men appointed were usually local persons.

The introduction of local self-government, which reached its full expression in the Baldwin Act of 1849, took from the justices all their local government powers and left with them only the administration of justice through the courts. One of the most important rights won by urban municipalities was the authority to undertake their own policing and local law enforcement. On the other hand, because of the way in which local self-government came about, the municipalities were asked to continue to build and maintain court-houses, registry offices and county jails required for the administration of justice by the senior government.

As matters stand today, administration of justice and law enforcement can still be broken into two divisions. The first, local policing, continues as a mark of independence from any possibility of arbitrary authority. It is a municipal function which, in our view, should be jealously guarded. The second, financial responsibility for the operation of the courts and related buildings, is a purely administrative operation which the Province should be able to perform just as efficiently as the judicial counties. Indeed, in those

parts of the Province where there are no counties, the Ontario Government is now fully responsible for the upkeep of the courts.

In the western provinces, where municipal institutions were introduced later with the benefit of Ontario's experience, municipalities are not required to undertake court maintenance.

One very bad feature of the municipalities' responsibility for upkeep of the courts is that they obtain, in return, revenue from fines imposed by the courts. In a city like Toronto, this revenue has become quite substantial. In its 1951 budget, the City of Toronto forecast a revenue of no less than \$1,150,000 from fines and court fees. How can the City be encouraged to reduce parking violations and other petty offences to a minimum when the money from fines is being relied upon to balance the budget?

28. It is suggested that the upkeep of the courts, registry offices and county jails should be taken over completely as a Provincial responsibility and that court fines and fees and similar revenues should be retained in full by the Province.

MUNICIPAL FINANCING

The setting in which local government operations are carried on requires particular methods of financing which do not need to be followed by either the province or the Dominion. Even with the trend for rural municipalities to merge into larger units and the extension of urban boundaries in response to the growth of cities and towns, the area from which local revenues are drawn will always be small. In addition, the comparative financial resources of individual municipalities on a per capita or similar basis is bound to be uneven. If local citizens feel they are over-taxed in one municipality, they can easily move to another. Consequently, there is a continuing competition between municipalities to provide good services while keeping taxes and similar charges low. Because of the revenue to be realized from the municipal business tax, competition in this Province shows up most acutely in the efforts to attract industry to a municipality — efforts which go beyond any real concern as to whether the location is sound from a planning viewpoint.

Due to their small size and their competitive situation, municipalities are held to an annual budget and must apply any deficit from one year's operations as the first charge against the next year's taxes. Municipalities can undertake debenture borrowing for necessary capital expenditures. But they must constantly watch their debt position to prevent annual debt charges from becoming a heavy drain on the current budget. Although, in Ontario, local governments may create certain special reserve funds, they are not allowed to build up surpluses as a cushion against future spending. For all these reasons, the local level of government is the one least able to stand the shocks of changing economic conditions, and the one most in need of stable sources of revenue.

Today local governments throughout Ontario are heavily involved in providing a number of social services. In this submission, it has been suggested that they should be relieved of some part of these responsibilities. The services which it is felt should be left in their hands are those which local authorities seem peculiarly fitted to administer. The municipality, however, is not in the best position to finance these services on its own.

It is commonly conceded that the fairest way to pay for education, welfare and other social services is by a form of tax which draws in the money from citizens according to their ability to pay and makes the services available on the basis of recognized needs. The most obvious example is the income tax. We are not suggesting that Ontario municipalities should be allowed to get back into the income tax field; for the drawbacks to operating this tax as a local levy have already been well demonstrated. Moreover, if a tax of this sort could be employed effectively by local authorities, it would overcome only part of the disadvantage of using the real property tax as we do now. The reason is that municipalities, like individuals, may be in good, bad or indifferent circum-

stances. In order, therefore, to provide the standard of services which are laid down by the Province without undue hardship on particular municipalities, it is necessary that all or a major portion of the cost be met from "ability" taxes levied on a province-wide or national basis.

Accordingly, it seems to us that services to persons which continue under local management should be supported generously from Provincial funds. Municipalities should, on the other hand, be expected to pay some part of the cost from local taxes as a guarantee of efficient administration. To this extent, it will probably be necessary—for lack of a better source—to fall back on the property tax.

The ideal method of financing education and the social services would seem to call for a financial levelling to be worked out between the Government of Canada and the ten provinces. As creatures of the province, however, local authorities can look only to their provincial government to put municipal financing in good order. And any province which can afford to do so has an obligation to act, without waiting for the most desirable settlement with the Dominion.

In the total amount that will be made available to Ontario municipalities this year, the Government has gone a long way toward meeting its municipal obligations. Taking into account the rate at which grants have been increased, the Government surely deserves commendation for the extent to which it has recognized its duty to local authorities. However, in addition to responsibility for an adequate amount of support, distribution needs to be on a proper basis. In particular, the conditions attached to grant payments and the particular services selected for support should not place unnecessary curbs on local autonomy or bonus any one class of local authority out of proportion to others.

Real Property Assessment and Taxation—Before 1905, municipal taxes in Ontario were levied on both real and personal property.

When municipalities lived in comparative isolation and there was no great concern with levelling up their financial abilities throughout the Province, the combined tax on real and personal property provided a good source of funds for local services of all types, including education.

The restriction of the tax to a real property base recognized an important trend in the nature of personal holdings. An individual's real wealth was represented by an increasing proportion of stocks and bonds and such moveable possessions as good paintings and fine furnishings. Personal property was becoming harder to track down and assess accurately and this meant that taxes based partly on assessment of personal property were steadily less equitable. The same trend has, of course, continued down to the present day. Therefore, it would be far from practical or desirable to attempt a return to the use of a personal property tax. At the same time, the introduction and development of the income tax at the provincial and Federal levels, along with a multiplicity of sales and excise taxes, has meant that the newer forms of wealth and income are paying a good share of the costs of government.

Even with the much increased Provincial grants, the real property tax in Ontario still furnishes about two-thirds of all municipal revenues and perhaps ninety percent of locally-derived revenues. The justification for the real property tax is that it does charge owners and tenants of property in some rough proportion to the benefits they derive from the continuing services to property. The property tax provides a comparatively stable source of revenue. As long as assessment is competently handled, the base on which the tax is levied is clear-cut and has an essential justice about it. Once the assessment is in order, the mechanics of collection are relatively simple. Since local taxes are a first charge on property, owners can scarcely evade the tax and are unlikely to delay payment if they can avoid doing so. Real property represents the most tangible link between the local citizen and a particular municipality. Barring

some better source of revenue which has yet to be discovered, we believe that the property tax should be expected to continue as the major local source of municipal revenues.

Because of the large amounts that are raised today from the property tax an accurate and equitable system of assessment has become an absolute essential. Within any one municipality, assessment measures the distribution of the total property tax burden among individual taxpayers. If some properties are assessed too high in relation to other assessments, the owners of those properties will be charged more than their proper share of the local taxes. A uniform basis of valuations is also required between municipalities. Within a county, the total assessment of each local municipality determines the share it contributes to county revenues. Moreover, provincial grants in support of education and other services have been based in the past on total assessments, and this measuring rod continues to apply to rural school grants.

The Department of Municipal Affairs has made efforts in a number of ways to develop increased uniformity. The Department sponsored the system of county assessors which extends now to more than half the administrative counties of southern Ontario. Its staff of assessors advise local assessors in all parts of the Province. It has issued a manual of assessment for the guidance of assessors.

The present assessment manual appears to us to fall down in its purpose in one major respect. It proposes that arbitrary rules be used to assist in arriving at "actual" value which go against the spirit of the Provincial legislation in the Assessment Act. Under the Act, "actual value" is intended to be a question of fact, determined by evidence in the same manner as other matters of fact. Each case stands on its own evidence. The assessor is expected to give consideration to all the elements affecting the value, and to exercise sound judgment in reaching a final figure. He should be able to defend his valuation by pointing out in detail the methods used to insure that he has considered and weighed the evidence properly in each particular case.

In pioneer days, property assessments were determined by taking a standard value and adding arbitrary amounts according to the number of fireplace chimneys, and so forth. The local assessor was merely required to make the arithmetical calculations according to rule of thumb. The present manual to a degree re-introduces this approach. The system it prescribes is based on a lack of confidence that the local assessor can exercise the necessary technical skill in determining such factors as the cost of construction, and the required judgment in weighing these factors up in the final valuation.

Whatever the method used, it would appear essential for uniform assessment to be developed throughout Ontario at a faster rate than the present one. One way of securing uniformity quickly would be for the Province to take over assessment entirely as a provincial responsibility. This approach has been taken in England and in the rural municipalities of Saskatchewan. We believe, however, that greatly improved assessment can be achieved under local auspices, with the Province remaining in a supervisory capacity but giving stronger encouragement to the development of professional competence among the assessors. Control by means of education is obviously more difficult but, in the interests of municipal autonomy, seems preferable. The Province will find a ready ally, however, in the Association of Assessing Officers of Ontario which is much concerned with the same problem.

The Province of Ontario has taken a great step forward in the recent budget announcement that it will make payments in lieu of taxes on government properties including properties of the Hydro-Electric Power Commission of Ontario. At the time of writing, it is not possible to comment on the plan in detail. It is, however, an obviously sound and forward step deserving of warm commendation. Incidentally, the move will give the Province a more direct interest in achieving uniformity of assessment

throughout Ontario since fair valuation of its own land and buildings will now be involved — whether the assessment is made locally or by the Province.

The Province's action provides a strong argument for seeking a similar concession from the Government of Canada. Moreover, it points up the need for local municipalities to review and reconsider their own position on exempt properties. Such exemptions are authorized in the main in general legislation of the Province and supplemented by provisions in a number of private Acts. Full reform is most likely following a Province-wide review. This is a job on which the Provincial Government might now feel free to take the initiative.

Tax exemption is a form of privilege which should only be allowed provided it can be shown to be in the best interests of the community at large; for each exemption granted places an additional burden on all remaining taxpayers. With the present high level of real property taxes, the question has become one of much more than academic interest.

Two examples will be given of partial exemptions which we do not feel are fully justified. In Toronto and in New Toronto partial exemption from taxation is allowed on dwelling houses where the land and building is assessed for less than a stated amount. If the building is tenant occupied, there is no guarantee that the tax benefit will be passed on to the tenant. However, the privilege seems hardly fair even if restricted to owner-occupants. The favoured treatment would still not single out those least able to pay. Moreover, the real property tax was never intended as an "ability" tax. Again, the argument sometimes advanced in favour of the scheme — that it encourages a wider investment in housing — seems debatable at any time and has not been borne out by the facts in recent years.

A more general practice is the granting of fixed assessments on industrial properties, now authorized under Section 388, sub-section 1, clause 62, of the Municipal Act. Following the required approval by the municipal council and those electors who vote on money by-laws, an industry may be permitted a fixed assessment below the normal valuation for a maximum period of ten years. This reduced assessment is then used in computing both real property and business taxes. In our opinion, there are other and better ways of encouraging industrial developments which do not exact an offsetting penalty on the remaining business and residential taxpayers.

29. It is suggested that the appointment of county assessors be now required in all Ontario counties, and that the same system should be extended at the earliest opportunity to northern Ontario, possibly in conjunction with the creation of counties or regional municipalities in that part of the Province. Serious consideration should be given to transferring the responsibility for assessment to the county level, making local assessors members of a county assessment department. If such a change is introduced it might be followed by the requirement that all assessors be full-time municipal employees with jurisdiction where necessary extending to more than one local municipality.

30. It is suggested that minimum qualifications for assessors be laid down by the Province at the earliest opportunity in order to build up greater professional competence. This result might be achieved through Provincial recognition of a professional institute whose standards were protected by affiliation with a university.

31. It is suggested that the unofficial provincial manual on assessing should be developed further as a source of information on scientific methods of assessment. Any encouragement, however, in the manual to a rule of thumb determination of actual value should be dropped.

32. It is suggested that the Province take up with municipal officials the whole question of full and partial exemptions from local real property and business taxation and propose a reduction from the range and extent of exemptions now

allowed. As one step, fixed assessments for new industries should in future be outlawed.

33. It is suggested that the Province join with municipal associations in petitioning the Government of Canada to make full payments in lieu of real property and business taxes, applying at least to government properties in which business operations are carried on.

Real Property Business Tax — One source of local revenue to which the committee should direct special attention is the municipal business tax. This tax was introduced early in the present century at the time when local assessment and taxation of personal property was dropped. The business tax is levied on a real property base, with the amount of the business assessment determined as a flat percentage of the real property assessment. There are different percentages according to the class of business (wholesaler, retailer, etc.). They range from a low of 10 per cent of the ordinary real property assessment for supervised car parks to a business assessment in the case of distilleries amounting to 150 per cent of the real property valuation. The business tax is then levied at the ordinary mill rate which has been set for the year. The business tax is a charge against the occupant of business premises rather than the owner. A striking fact about the tax is that, while a number of new business classifications and percentages have been added, no single percentage established for a particular class of business when the Act was introduced nearly fifty years ago, has since been changed.

The business tax brings in an important share of the real property tax revenues. In 1950, the business assessment in Ontario municipalities amounted to some 11 per cent of the total real estate assessment that was taxable. While there are certain minor variations in rates at which taxes are levied on individual properties, as for example between public and separate school supporters, the total assessment figures provide a sufficiently accurate indication of the resulting split in revenues. As might be expected, the business tax yields a higher proportion of total tax revenues in the large urban communities. Taking, again, the percentage that business assessment forms of the total real property assessment, we find in Ontario cities the figure is 16 per cent, whereas in townships under 5,000 population it amounts to only 1.7 per cent. It should be clearly understood, however, that this does not represent the full percentage of the assessment listed against business properties. It is only the assessment liable for the business tax as against the ordinary real property assessment on both business properties and homes.

Municipal business taxes of various types are employed in every part of Canada. Some are operated on a real property base; others are levied on the rental value of business premises; still others are of the turnover type, calculated on specified percentages of the gross volume of business. And there are a lot more bases for business taxes besides. The part that the business tax has played in contributing to local revenues in this country is rather unique. There has been no parallel development in the United States, while in England the trend has been in the reverse direction. Not only are there no municipal business taxes of any sort in England or Wales, but industrial and mining properties have been granted a partial exemption from the property rates. In 1929, as a depression measure, industrial buildings were relieved from three-quarters of the local rates, while the former partial exemption of agricultural properties (other than farm buildings) was replaced by a complete exemption. This legislation which looked at first to be temporary has been retained ever since.

The Ontario business tax has a number of points in its favour which ought not to be overlooked. Business people in this Province have become thoroughly accustomed to paying the tax, and generally speaking, have raised no objection to it. The tax has been accepted as a fixed charge of doing business. The assessment can be carried out in conjunction with the ordinary real property assessment and the tax is collected in the

same way as the regular property tax. Little difficulty is experienced either in breaking down the property assessment against which a business assessment should be levied, or in securing prompt payment of the tax when it falls due. Although the incidence of the tax is unfair, it supplies an important source of funds for built-up urban communities in which more elaborate services are required and where physical installations such as automatic traffic signals, sewage disposal plants, and the like, are quite expensive. Altogether, the business tax provides a sizeable local source of revenue which municipalities would be quite reluctant to lose.

The weaknesses of the present business tax should also be carefully considered. There is actually no logical justification for the type of tax that is employed or the rates that have been struck. Business is always a good target for taxation. But this particular levy, if so intended, bears only the roughest relationship to ability to pay and no relation whatsoever to the services rendered to business in return. The graded percentages appear to reflect a clumsy attempt to relate the amount of the tax to the relative income of various businesses. However, they are far from an accurate measure of corporate income. And the failure to earn profits has never been accepted as entitling a business to any tax relief.

In Winnipeg, a more extensive breakdown has been developed with graduated rates for taxpayers in the same line of business according to the size of their operations. Whether or not this method has achieved a closer approximation to corporate income is of little importance. The fact is that the only sound measure of corporate income is the corporate income tax.

The business tax provides one explanation for the much higher provincial grants paid to rural areas in comparison with urban centres. Nevertheless, there is no sound reason for believing that access to more substantial business tax revenues provides cities and towns with a fair alternative to a larger share of the grants from the Province. In the long run the business tax is no doubt passed on, in part at least, to the customers. How the burden is distributed finally is certainly not known.

There is no doubt that the business tax has greatly intensified competition among Ontario municipalities to secure industries and commercial developments. As a result, it has fostered the narrow sectionalism which is so much in evidence in boundary disputes. The business tax is a barrier to sane municipal planning, and the damage in this respect may be expected to increase in future years.

34. It is suggested that the Committee give serious study to the future place of the business tax in the municipal revenue structure. The Committee should consider whether some revision in the rates or in the basis on which the tax is levied might bring somewhat greater equity. But no plan should be supported that is designed to make the tax bring in more revenue in total. Rather, the Committee should examine the feasibility of doing away with the business tax altogether.

Shared Taxes — One method which has been used to give United States municipalities access to more sources of revenue has been the device of shared taxes.

A shared tax is one which is levied on behalf of both the senior government and the municipality with a fixed proportion of the total rate included on behalf of each government. The sales tax in a number of Quebec municipalities, including Montreal and all the larger cities, is a shared tax. One government, and usually this is the senior government, acts as the collector on behalf of both and divides and distributes the revenues after deducting the costs of collection.

The shared tax requires a good deal of bookkeeping and is especially awkward if the municipalities are allowed to combine a rate of tax of their own choosing with a provincial tax at a standard rate. On the other hand, the shared tax gives municipalities

income in their own right within a tax field that is already occupied by the senior government.

Because of the joint interest of the Province and its municipalities in motor roads, it would seem logical to make the gasoline tax into a shared tax provided a practical method can be found for doing so. It would require first a breakdown of receipts and costs of collection by municipalities. Then the figures would have to be studied to see how closely distribution on this basis would match cost of road construction in individual municipalities. If a sharp discrepancy showed up, as for example, between rural and urban municipalities, some scheme of adjustment could be considered. One method would be to group municipalities into trading areas or regions and to work out a formula for distributing the municipal share within each trading area, based on road mileage and similar data.

One difficulty about paying for the cost of local roads from a shared gasoline tax is that the income would likely fluctuate rather widely from year to year. To overcome this problem, the Province might establish a revolving fund by holding back a small percentage of the tax receipts each year until a sizeable balance had been accumulated. The Province would then be in a position to stabilize the municipalities' gasoline tax revenues by drawing on the fund in periods when tax revenues fell off sharply.

Sharing the gasoline tax is not, of course, going to bring any easy or automatic solution of the problem of paying for roads. In the fiscal year ended March 31st, 1951, the Province realized over \$85 million in gasoline tax and other motor vehicle revenues. The gasoline tax itself brought in \$65 million. In the same year, the Highways Department spent close to \$83 million on road undertakings and Departmental administration. Nearly 25 percent of the total was paid out in subsidies for municipal road construction and maintenance. Putting it another way, municipal subsidies amounted to almost 32 percent of the gasoline tax revenues.

There are only three ways in which the municipalities could have obtained more support for local roads: (a) by the Province spending less on its highways; (b) by increasing the gasoline or motor vehicle taxes to bring in more revenues; (c) by taking funds from other Provincial revenue sources for road expenditures.

Nevertheless the introduction of a shared tax would have certain advantages. It would permit municipalities to spend money on roads whether or not they were prepared or could afford to levy proportional amounts on local property taxpayers. It would lead to a review of the present arbitrary distribution of road subsidies and, presumably, to a fairer basis of allocation. It would make the municipalities partners in tackling the difficult question of how the expensive roads of tomorrow should be paid for. They would see plainly that there is no magic source of funds for highway developments.

35. It is suggested, as an alternative to the present highway grants for both current maintenance and capital construction, that the Committee study the possibility of converting the gasoline tax into a shared tax. Under such a plan, a Province-wide uniform rate is recommended subject to revision from time to time by agreement between the Province and the municipalities. The money should be paid out of a revolving fund operated by the Province in order to stabilize municipal revenues from this source.

New Local Taxes — In an effort to strengthen their financial positions, municipalities in various parts of the United States have introduced an increasing number of non-property taxes. Under the various state laws, American municipalities have more freedom to bring in new taxes than Canadian municipalities. In recent years, too, the State governments have opened up additional tax sources to municipal use. The number of different taxes employed runs well into the hundreds. Most of them fall into the category of sales or excise taxes, turn-over taxes and local income or poll taxes.

Compared to the real property tax, none of these newer taxes yields a large amount of revenue. Their combined result, however, is an income amounting to almost one-third of the property tax revenue.

Although, the incidence of non-property taxes is apt to be regressive, such taxes provide a successful method of supplementing municipal income in prosperous times. In addition, the firm resolve of national governments that there shall be no return to a serious depression, makes non-property taxes appear more dependable. Nevertheless, taxes based on consumption or dependent on a high level of business activity are certainly subject to wider swings in yield than the property tax. And when there are a large number of such taxes, they become a serious annoyance to both the business man and the ordinary citizen. In the United States local sales taxes have apparently not been regarded as much of a barrier to the free movement of goods. The additional cost resulting from a sales tax is usually small and, in good times, people are inclined to ignore minor price differentials. But under depressed economic conditions, this very real argument against local sales taxes would reassert itself.

Among non-property taxes, one of the most suitable for municipal use is the amusement or admission tax. In a recent report on non-property taxes, the Municipal Finance Officers' Association described the local admission tax in these terms: "The admission tax is a 'natural' for municipalities. It taxes a semiluxury. It reaches residents, primarily, but it also reaches many non-residents who otherwise would make no contribution to city costs. It is also a good tax to reach transient persons of the city population. It is relatively stable in yield, although it does fluctuate somewhat with economic cycles, and recently has been affected by television making inroads on movies and other entertainments. It does not involve interstate and jurisdictional difficulties. Enforcement offers no great problem."

It would be unsound, however, to pass over the objections to the transfer of the amusement tax because of this commentary. For one thing, the opinion comes from a country in which there are a plethora of local non-property taxes. The fluctuating yield of the amusement tax is admitted but perhaps insufficiently stressed. Again, the fact that this yield a disproportionate return to urban centres should be clearly recognized and fitted into the total system of local financing. This question might be avoided, however, by making the tax the prerogative of regional municipalities. In addition, if the taxing power were turned over to municipalities, some control might be thought advisable to prevent wide differences in rates.

36. It is suggested that the introduction of new local taxes does not offer an acceptable solution to the present financial problem of Ontario municipalities and therefore that such an approach should, in general, be rejected. Consideration might be given, however, to the transfer of the amusement tax or to the development of this levy as a shared tax.

Provincial Grants—In any plan for revision of municipal functions and financing, Provincial grants should be considered last—after local service responsibilities and other sources of revenue have been clearly determined. Provincial grants can then be developed which will make up the difference in the simplest and most direct fashion. Sensible decisions as to the amount and type of grants required must be based on prior conclusions as to the future of the business tax, the possibility of sharing the gasoline tax on an acceptable basis, and so forth.

As a means of improving the standards of municipal services, the value of conditional grants has, in our opinion, been greatly over-stressed. Municipalities have been forced to base their programmes for the social services too much on the type of grant support available from the Province. In the best interests of local autonomy, conditional grants should, we believe, be avoided wherever possible. Grants are, of course, a necessary device for providing municipalities with adequate financial means. But they

need not be conditional. Where it is plainly advisable to formulate rules for the operation of particular local services, the Province can do so without making grants the method of enforcing the rules.

As one illustration, there is little apparent justification for the conditional police and fire grants. Policing and fire protection are both services of great importance in relation to civil defence. Municipal officials seem as well aware of that fact as the Province itself, and, if they have adequate sources of funds for municipal purposes, it seems unlikely that improvements in policing and fire protection will be neglected. Actually, it would appear as though police and fire grants were introduced mainly as an excuse for discontinuing the general one-mill subsidy which, because of wide disparities in municipal assessment levels, was becoming an embarrassing formula for grant support.

Even the more generous grants to encourage rural school sections to join together in larger school areas have one undesirable feature. Some local taxpayers are rewarded for taking a step which the Province regards as highly desirable. Other taxpayers all over Ontario must pay the bill because the Government is not prepared to require the merger.

The conditional grant is unsatisfactory for two other reasons. From the point of view of the local elected representative, a conditional grant makes a new service possible at a bargain price. It is likely, therefore, to take precedence over other claims on the municipal budget which may deserve a higher rating. Again, the conditional grant usually makes the same offer of aid to all local authorities or to all authorities of one class. The municipality or school board which is already in the strongest financial position finds it easiest to take advantage of the grant.

With the marked expansion in provincial grants in recent years in number as well as amount, it has been difficult to find out just what contributions the Province has been making in support of municipal government. Recently, the Department of Municipal Affairs prepared a statement of subsidies which included some thirty separate items. Several of these could be broken down into a larger number of particular types of payment. Not all can correctly be called subsidies; for some are payments for services rendered. An example is the so-called grant to municipalities where additional policing is required in the neighbourhood of liquor outlets. Yet the number of genuine grants is large indeed. And, under the present system, the Province must be hard pressed to say whether or not any particular municipality is receiving a fair share of the total handed out in grants.

As long as there are three levels of government in Canada, it is hard to see how grants from one level to another can be avoided. They have become an accepted method of giving municipalities the necessary financial capacity for the work assigned to them. And the one place where they are clearly necessary is to support what are called services to persons. Within this bracket, however, provincial support is needed only for those services in which province-wide standards have been laid down.

Grants are the method of levelling out the financial obligations imposed by compulsory standards of performance. For all grants in support of services to persons, the starting point in a sound distribution should be population. From a straight per capita figure, grants to particular municipalities might then be stepped up in recognition either of special characteristics of the population—such as a large number of children of school age—or peculiar difficulties in organizing and supplying services, as for instance, the higher cost of administration in sparsely settled areas and in densely populated cities. If the development of a grant structure is approached in this way, it would seem quite within reason to limit the number of grants to a mere fraction of those now in operation.

37. It is suggested that Provincial grants be reduced to the smallest number possible and, unless there is the strongest argument to the contrary, made unconditional. The aim might be to combine all present subsidies in two general grants — one in support of schools and the other to assist all municipal social services. Failing adoption of a plan for sharing the gasoline tax, a third major grant would be needed for roads. The formulae for determining both the school and the general municipal grants should be kept as simple as possible and should be based essentially on a per capita distribution.
38. It is suggested that the Province issue a statement with each budget setting out clearly all its payments to municipalities classified under three heads: (a) payments for services rendered; (b) shared taxes; (c) grants-in-aid.

Capital Financing — With one minor exception, debenture borrowing is carried out on behalf of all local authorities by the municipal councils. Control over debenture borrowing is exercised in two ways. First, all proposed debenture issues require Provincial approval. The Ontario Municipal Board must authorize all debenture borrowing, while a further Departmental clearance is needed in some cases. Second, the Municipal Act requires, with certain exceptions, that any debt whose repayment is not provided for in the current year's estimates of the municipality must be authorized by by-law of the Council following approval by electors qualified to vote on money by-laws (in substance, the property owners). The exceptions include the borrowing of money for such purposes as aid to hospitals, purchase of garbage collection equipment, construction of judicial buildings, and purchase of road making machinery on an instalment basis. Another and more important case is borrowing for school purposes. As long as the type of expenditure is authorized under the School Acts, approval of the electors is only necessary in the event that the proposed debenture issue has been turned down by the municipal council. Finally, under the Ontario Municipal Board Act, that body is free to dispense with the assent of electors in whatever circumstances it considers proper.

In other jurisdictions, the assent of electors is not necessarily a fundamental part of the control over capital borrowing. In England, the practice is never employed. But experience in this Province extending back over many years has suggested that referendum approval of capital borrowing provides a valuable check on capital commitments. Few arguments have been raised against the system. It would seem, also, that owners of property are entitled to express an opinion on the wisdom of expenditures which will add something to their tax bills for a number of years to come.

As long as the practice of referendum approval is to be retained, in our opinion, the requirement of electoral assent should follow a more logical pattern. As matters stand, any referendum vote on school board debentures seems to imply that something has gone wrong. Again, it would appear that an unnecessary power of discretion has been lodged with the Municipal Board in giving it full freedom to dispense with a municipal vote.

The restriction which is included in the High Schools Act on capital expenditures from current funds has already been mentioned. We believe that it is good policy to pay for capital items out of current revenues as long as the electors are aware of the action their representatives are taking. For some years, the Toronto Board of Education has been spending on capital items out of current revenues, amounts totalling several hundred thousand dollars. Such expenditures are plainly indicated in their financial statements, and the school electors in Toronto have a clear opportunity of seeing what is being done.

Another aspect of capital financing in which local citizens are greatly interested is the scope of capital projects contemplated by their municipality in future years. It used to be that municipalities gave little organized attention to this subject. But in

recent years elected representatives have been forced to look ahead on borrowing by the rapid rate of urban development. Some attempt to forecast capital expenditures is a basic part of sound municipal planning which the Province might well encourage. It will not be taken up properly until municipal councils break from the one-year term. However, the compulsory preparation of a running forecast of capital expenditures would in itself help to put municipal financing on a more orderly basis.

39. It is suggested that referendum approval be required on all large capital expenditures for any purpose. Legislation might require that borrowing in excess of, say, fifty cents per capita for any one purpose must have referendum approval. No exceptions should be allowed. The Ontario Municipal Board (or the Department of Municipal Affairs) should still be required to authorize all debenture borrowing.
40. It is suggested that the financial statements of all local authorities be required to show clearly the full amount of capital expenditures made from current revenues.
41. It is suggested that, as part of its annual budget, every municipality be required to prepare a forecast of the proposed capital expenditures planned by the council and all local boards for a minimum of five years ahead.

CONCLUDING COMMENTS

One purpose in placing a statement of the Institute's views before the Committee is to bring together a number of municipal problems, all more or less familiar individually, but requiring joint consideration as a forerunner to the most effective improvement. In particular, the suggested changes in municipal functions should be assessed in relation to the views expressed on municipal financing. All are included as part of a common plan for local government in this Province.

Municipal Franchise — The radical change which has already taken place in municipal service responsibilities and methods of financing, coupled with the further changes which appear likely in the future, suggest the need to reconsider the qualifications laid down for voting in local elections.

Originally, there was good reason for making ownership or tenancy of real property the basis for the right to vote. The municipality was incorporated to serve the interests of property owners and tenants and the corporation spent the bulk of its funds in promoting their welfare. Today we find a very different situation. Looking at both where the money comes from and how it is spent, it would appear that the present property franchise no longer gives every adult who is seriously concerned with civic affairs a voice in local government. The right to vote on money by-laws, however, can still be defended as the special prerogative of the property owner inasmuch as reckless capital spending could seriously reduce the value of his holding and saddle him with heavy taxes for an extended period of time.

The restricted voting group allowed to participate in Ontario municipal elections contrasts sharply with the situation in the United States, in England and in other Canadian Provinces. Property qualifications for voting in local elections disappeared in the United States well over a century ago. In England, on the other hand, the change came about as recently as 1945, and has been explained as the natural consequence of the fundamental change in sources of revenue. Subsidies from the central Government now contribute more to municipal budgets than the revenue from rates. In Canada, three provinces have adopted universal adult suffrage and two others have made a partial move in the same direction. British Columbia, rather than opening up the vote to all adults, substituted a tax-paying franchise for the narrower property qualifications. In that Province, a resident who is not an owner or tenant of taxable property, and who does not pay any other tax or fee to the municipality, can secure the vote by tendering

a payment of two dollars towards the municipal revenues. A similar tax-paying franchise has been introduced among male voters in Prince Edward Island.

The widening of the municipal franchise in Ontario is nonetheless a debatable proposition. It might throw more emphasis on formal party alignments in municipal elections. It might develop a voting group interested in new services and unmindful of the cost of government and the need for economical administration. On the other hand, the trend towards a broadening of the local government franchise is unmistakable. It would appear preferable for a committee of inquiry to look into the question now rather than to leave it to develop into a heated issue at some future time.

42. In the light of changes in municipal responsibilities and revenue sources, it is suggested that the Government give consideration to widening the municipal franchise.

Strong local government is widely recognized as one of the best safeguards of democracy. Consequently, every step that can be taken to improve municipal institutions in this Province will be amply repaid.