

In BMR Review

QUESTIONS FOR ELECTORS — 1982

Tremendous success has been scored with the Bureau's recent publication "Questions for Electors 1982".

Published in October, the report deals with some of the major issues in the recent municipal elections and provides questions which could be put to candidates. The focus was limited to the municipalities of Metro Toronto, Mississauga and Vaughan.

In Metro Toronto, issues covered included taxes and assessments, housing, race relations, police, safety and security, Family Benefits Program, day care, group homes, the CNE, balanced growth, industrial development, and tenants rights.

"Questions for Electors 1982" enjoyed extensive coverage and distribution. Attention was wide spread.

- * Coverage by all major newspapers in Toronto, including an article by Orland French (Globe & Mail).
- * Radio and television coverage.
- * Free distribution of 3500 copies to candidates, citizens and community associations.

Positive results of the report included over a thousand calls from citizens wanting information on the issues and candidates. In addition, the report was used extensively at all-candidates meetings. Both citizens and candidates commented on the high quality of the publication and its usefulness. And, all this led to queries for more information on the Bureau itself.

DECENTRALIZATION IN METRO TORONTO: IS IT BEING THREATENED?

The contravention of basic decentralization principles in the Official Plan of Metropolitan Toronto is the subject of a recent report by the Bureau.

Six current transportation proposals would work in direct opposition to the goal of decentralization espoused by the Official Plan. These are discussed in the report.

For example, the Province of Ontario is urging Metro to establish a high priority for an I.C.T.S. line on the Waterfront. To tie in with this a Metro/TTC report recommends that a relief line be built from Union Station to the Bloor line. The Don Valley corridor is currently under review to examine improvements and expansions which could be undertaken. In fact, a complete road review is underway.

The threat of these and a number of other proposals comes from their being reviewed in isolation of each other and the Official Plan, without decision makers considering the implications of their decisions on decentralization.

The report is available for \$5.00 from the Bureau office.

INSIDE —

- * Upcoming Studies
- * How will Municipalities Cope with Restraint?

Upcoming Studies

INDUSTRIAL DEVELOPMENT: THE MUNICIPAL ROLE

Work is underway on this report aimed at municipalities who are considering some industrial development activities, whether on a small or large scale. It will also be helpful to other communities who are now engaging in some development activities and who want to review them.

A number of areas are reviewed to determine the best basic procedure to follow in starting an industrial development program. Included are identifying the current local economic base, having a well thought out plan, the need to spend time on existing industries, the link between industrial location and the broader community development goals, the options for industrial parks. As well, deficiencies in the current municipal strategies are examined - such as the lack of cost/benefit analyses and the conflicts between planning and industrial development departments.

The report will be available in December 1982 and will cost \$5.00.

PROSTITUTION

In recent years, pressure on politicians to control prostitution has been increasing. While prostitution in Canada is not illegal, soliciting in public places for the purposes of prostitution is. An increase in this street-related activity in many communities has caused disruption in neighbourhoods.

This report examines the issues of whether citizens have reasonable complaints, if the problem is a legal one or nuisance related and what the role of the municipality should be. It appears that few of the techniques tried at local levels look at the situation as a whole. The problems of regulatory devices and innovative approaches are reviewed.

The report will be available early in 1983.

COMMERCIAL TAX AND MARKET VALUE ASSESSMENT

This research report will focus on the impact of Market Value Assessment (Section 86) on the commercial realty and business taxes.

The shifts within categories of commercial taxes and business taxes will be examined. Six municipalities where Section 86 has been implemented are used as case studies.

The resulting shifts are discussed particularly in terms of negative impacts on the economic base of a municipality. A brief analysis of a regional tax system under Section 86 is also carried out.

This report will be available from the Bureau in early 1983.

TRENDS IN SCHOOL COSTS

Taxpayers, politicians and provincial governments across the country are questioning the increasing costs of running schools. How can costs be escalating while enrolment is declining?

This report takes a look at spending patterns as a whole. Compared as well are declines in enrolment, student/teacher ratios, school operations and other issues.

Specific areas will be picked to illustrate the spending patterns and their rationale. The study will be available in early spring.

DIRECTORY FOR METRO TORONTO

Early spring will see the new edition of the Directory of Governments for Metro Toronto. This is the only comprehensive directory of all 6 area governments and Metro published. The directory provides essential information for individuals, companies or groups dealing on a continuing basis with the Metro municipalities.

How Will Municipalities Cope With Restraint?

Next year some basic changes will be made across the country in terms of priorities, service levels and tax increases. Municipalities are being hit hard by the recession. The pressures for restraint will be reflected in the upcoming budget process.

These changes result from a number of factors. The decreasing amount of provincial and federal transfer payments means that the property taxes and user charges must make up the difference or services must be cut. As well, there are stresses on budgets from increased unemployment, decreasing tax bases and shifting populations.

Politicians will be forced to make hard decisions in the next months. How they make their decisions will be critical.

The following is a review of revenue and expenditure trends over the last five years. The purpose is to outline the general framework within which decisions will be made. Specific concerns include declining revenue, spending patterns, provincial comparisons of expenditures, new problems with which municipalities must work and what changes will have to be made.

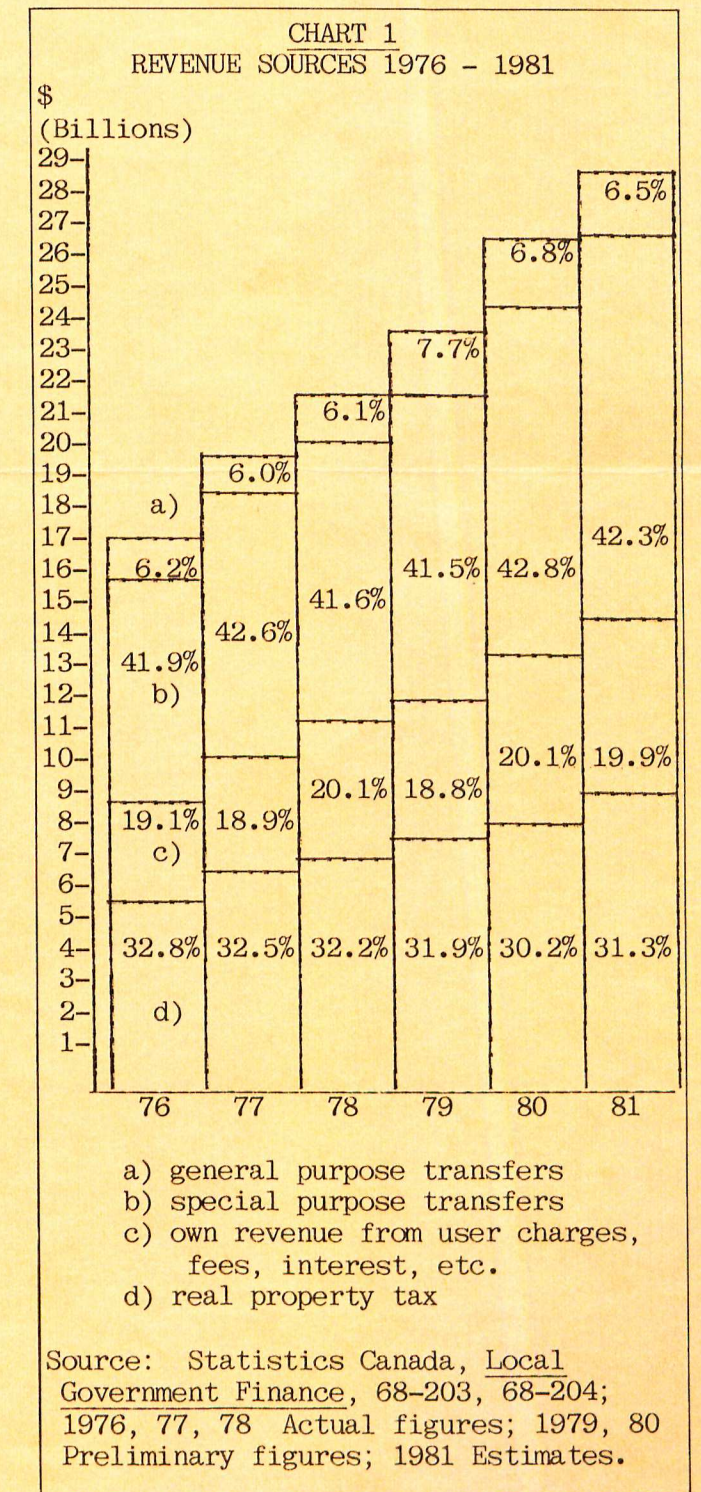
Declining Revenue

Unlike the federal and provincial governments, municipalities have only two major sources of revenue: transfers from the federal and provincial governments and property taxes and user fees collected at the local level.

The percent share of revenue from these sources has remained fairly consistent over the last five years on a Canada wide basis as shown on Chart 1.

The bulk of the money comes from special purpose grants from the federal and provincial governments. These monies are transferred to the local level for specific uses. For example, grants are usually given for transportation, police, and in most provinces, education. However, these transfers are intended only for the purpose designated and cannot be used for deficits in other areas.

This reliance on special purpose grants has been criticized for weakening the municipality's ability to determine its own priorities. Conditional transfers are seen to destroy accountability and autonomy at the local level. Since a municipality's other sources of revenue are severely limited, having such a large portion controlled by an outside agency can have a large impact. There is little indication that this system will change, however.

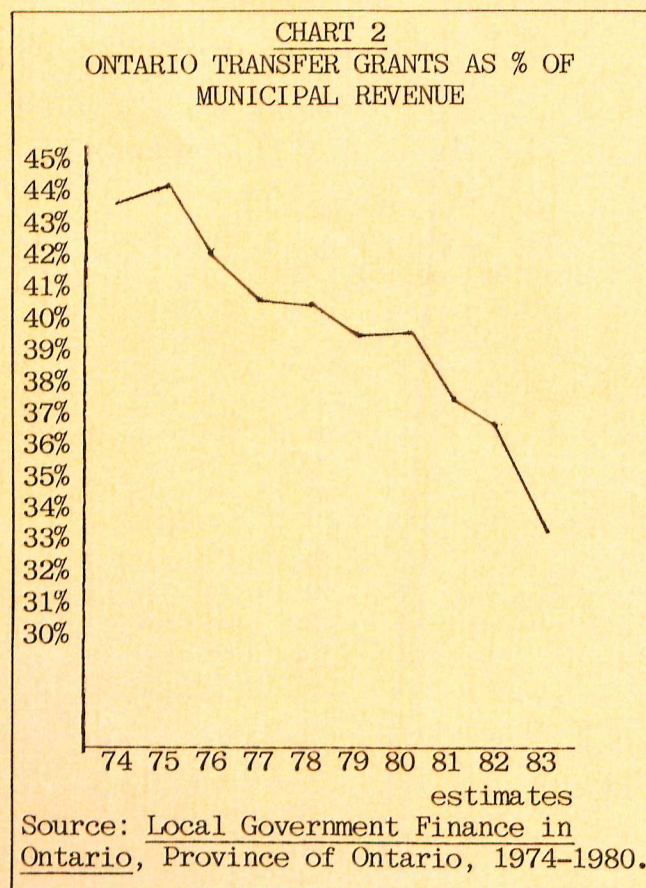


Restraint (con't)

The level of provincial transfers is becoming more important with the state of the economy. A number of provinces are already indicating that transfer payments will be limited for 1983. Quebec is taking a hard line in its current restraint movement. Manitoba has indicated that overall transfers will be held to a 9% increase for 1983.

Ontario stated in August 1982, that there would be little or no increase in transfer payments for the coming year. This means that the proportion of costs met by the Province will decrease. The result will be felt in three areas: increases in property taxes; the implementation of more user charges; the cutting of services.

This is happening at the same time the Province has increased municipal costs by an estimated 2% by removing municipal sales tax exemptions for capital and maintenance items and increasing their OHIP payments. The net result is reflected in Chart 2. The declining percentage of transfer payments in Ontario will be reduced even further.



A similar trend of decreasing federal transfers is also evident. Federal government grants towards expenses like health, transportation, will cover a much smaller amount of the cost. The effect will be felt at the local level.

One other trend which could have long term ramifications is borrowing and reserves. Municipalities have been borrowing less and less, mainly because of the high interest rates. This means that some of them have been postponing capital projects, such as road improvements, water and sewer construction. Eventually they will have to be done.

Special grants for infrastructure improvements such as those recently suggested by the federal government may help pay for this. In the meantime, many areas are using reserves to pay for these projects, and to cover some operating costs. Municipalities, unlike the other two levels of government, cannot undertake longterm borrowing for deficits in operating expenses.

Spending Patterns

Despite what many people believe, shifts between overall municipal expenditures have been limited. The share of various categories for 1976 and 1981 is illustrated in Table 1.

The most significant increase in the distribution of expenditures has been in transportation. This reflects provinces like Alberta with major expenditures in roads and transit over the last few years. Transportation has high labour and energy costs.

The decrease in fiscal services reflects the lower borrowing levels of many municipalities.

Areas of greatest increase in absolute expenditures are illustrated in Table 2. Expenditures at the local level across Canada increased 67% from 1976 to 1981. This is slightly more than the Consumer Price Index increase of 58.7% over the same period. Housing and industrial development have been the two largest growth areas. They still only account

Restraint (con't)

TABLE 1
% DISTRIBUTION OF GENERAL MUNICIPAL EXPENDITURES - CANADA

	1976	1981
Education	42.2%	41.6%
Transportation & Communications (Roads & transit)	11.5%	12.8%
Fiscal Services	9.2%	8.4%
Environment (Water, sewerage & garbage)	8.9%	8.5%
Protection (Police, fire, ambulance)	7.7%	7.8%
Recreation & culture	6.1%	6.2%
General Government (Administration, officials salaries)	4.8%	5.2%
Health	4.4%	4.3%
Social Services	2.9%	3.0%
Regional Planning & Development))
Resource Conservation & Industrial Development	)2.2%	2.1%
Housing))

Source: Statistics Canada - 68-203, 68-204

for 1% of spending at the local level, however, and are the two newest areas in which municipalities are now engaging.

Municipal expenditures on a per household basis give a better picture of how costs in various provinces have been changing. This is shown in Table 3.

Some of the major changes are the result of a shift in responsibility between the municipal and provincial levels. Others reflect shifts in the number of large capital expenses particularly in water supply and sewerage as indicated in the Environment category.

Provincial Comparisons

A comparison of local expenditures between provinces is difficult since service levels, responsibilities and conditions in each vary. (A truer picture is available by consolidating local and provincial expenditures for various categories. Consolidated data for 1981 are not yet available.)

TABLE 2
% CHANGE IN MUNICIPAL EXPENDITURES 1976 - 1981

	76/81
Housing	185%
Resource Conservation & Industrial Development	96%
General Government	92%
Transportation & Communications	86%
Social Services	70%
Recreation	70%
Protection	69%
Education	65%
Health	62%
Environment	58%
Fiscal Services & Other	48%
Regional Planning & Development	31%
Average Change all Categories	67%

Source: Statistics Canada, 64-203, 64-204

Alberta has had a rapid increase in population and growth. This is reflected in the transportation costs (such as the new transit facilities in Edmonton), the new water and sewerage lines to serve newly developed areas, and the development of recreational facilities for the new communities.

British Columbia had the second lowest rate of expenditure growth on a per household basis. This is partially attributed to a 20% growth in households over this period.

Municipalities in Ontario have been indicating for years that they have been under restraints. The largest single increase is in social welfare, since Ontario is one of the few Provinces which still has municipalities paying a portion (automatic 20%) of general welfare costs. Transportation and protection were the other two high costs for Ontario municipalities.

The restraint will be felt across the country this year, however. Alberta and British Columbia are preparing for problems in balancing budgets. Alberta's economy has slowed considerably yet they have capital commitments to such things as a transit line in Calgary.

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TABLE 3
GENERAL EXPENDITURES PER HOUSEHOLD BY FUNCTION AND PROVINCE
1976 - 1981 AND PERCENT CHANGE

	Newfoundland			PEI			Nova Scotia			New Brunswick		
	1976	1981	%	1976	1981	%	1976	1981	%	1976	1981	%
	\$	\$		\$	\$		\$	\$		\$	\$	
General Government	75	118	57%	36	41	14%	71	152	114%	52	65	25%
Protection	39	49	27%	48	79	65%	132	225	71%	143	220	54%
Transportation & Communications	203	260	28%	69	81	17%	128	200	56%	237	286	21%
Environment	181	313	73%	137	90	-34%	120	287	139%	288	228	-21%
Health	--	--		--	--		166	300	81%	--	--	
Social Services	-	-		--	--		129	329	155%	-	-	
Recreation & Culture	150	90	-40%	65	55	-15%	54	122	126%	112	117	5%
Education	...	...		1045	1592	52%	1224	1679	37%	...	...
Fiscal Services	111	201	81%	88	123	40%	130	192	48%	90	145	61%
Other	75	11	-85%	50	5	-90%	42	46	10%	58	43	-26%
Total	883	1128	28%	1538	2067	34%	2197	3532	61%	981	1103	12%

	Quebec			Ontario			Manitoba			Saskatchewan		
	1976	1981	%	1976	1981	%	1976	1981	%	1976	1981	%
	\$	\$		\$	\$		\$	\$		\$	\$	
General Government	166	314	89%	108	156	44%	89	157	76%	128	176	38%
Protection	214	276	29%	218	326	50%	174	274	58%	141	217	54%
Transportation & Communications	321	495	54%	282	442	57%	330	393	19%	397	563	42%
Environment	289	372	29%	212	264	25%	152	199	31%	184	281	53%
Health	3	4	33%	120	152	27%	179	201	12%	355	401	13%
Social Services	7	9	29%	153	243	59%	30	39	30%	20	24	20%
Recreation & Culture	128	213	66%	166	221	33%	176	164	-7%	121	198	64%
Education	1119	1854	66%	1143	1504	32%	1076	1553	44%	1057	1579	49%
Fiscal Services	321	459	43%	203	202	--	201	293	46%	157	130	-17%
Other	41	60	46%	70	104	49%	57	63	11%	33	93	182%
Total	2611	4057	55%	2674	3615	35%	2466	3337	35%	2593	3663	41%

	Alberta			British Columbia			Total		
	1976	1981	%	1976	1981	%	1976	1981	%
	\$	\$		\$	\$		\$	\$	
General Government	110	210	91%	88	122	39%	118	196	66%
Protection	211	373	77%	193	278	44%	200	293	47%
Transportation & Communications	491	1052	114%	192	294	53%	297	480	62%
Environment	238	498	109%	237	307	30%	231	317	37%
Health	464	599	29%	21	119	467%	113	160	42%
Social Services	40	61	53%	72	32	-56%	76	112	47%
Recreation & Culture	211	456	116%	199	242	22%	156	230	47%
Education	1191	1794	51%	1180	1403	19%	1140	1629	43%
Fiscal Services	316	472	49%	247	300	22%	239	305	28%
Other	140	223	59%	65	56	-14%	64	90	41%
Total	3414	5739	68%	2494	3154	27%	2584	3741	45%

-- amount too small to be expressed ... figures not applicable

- nil or zero

Source: Statistics Canada, 69-203, 68-204; 1976 & 1981 Census

Restraint (con't)

B.C. municipalities are included under the wage controls at the Provincial level. The transit fares have been restricted to a 6% increase. Beyond this, the Union of B.C. Municipalities have agreed to keep spending increases within 5% in 1983.

Municipalities in Saskatchewan, Ontario, Quebec and Nova Scotia are also included in provincial wage controls. Wages at the local level can be between 40% and 75% of the total expenditures. The impact of these controls could be significant on the budget increases during the next year.

New Problems

Municipal politicians across the country have been promising to keep all tax increases to 5 or 6%. There are new problems which will make this more difficult than ever.

The biggest issues which have dominated the news are unemployment and the economy. Both have a large impact at the local level. Plant shutdowns undermine the local tax base. Unemployment has an overall impact on the economic base of the municipality. Many areas are being faced with numerous bankruptcies, which effect a municipality's ability to function well. The impact is felt in housing, services, etc. The result is that many areas are faced with demands which are beyond the normal levels. These must be handled with diminishing tax bases and transfer payments.

The provincial and federal programs being pursued to alleviate these problems, particularly job creation, will involve the participation of municipalities. This means expenditures at the municipal level as well.

The Federal government has indicated that the next budget will include major programs aimed at rebuilding the infrastructure of municipalities. Although the extra monies are certainly needed, it will undoubtedly mean a financial commitment from the municipalities.

Welfare has become a large issue across the country as people go off unemployment insurance and on to welfare rolls. Ontario, Manitoba and Nova Scotia still require a municipal contribution to general welfare costs.

This means Ontario municipalities will have to come up with over \$40 million extra this year to cover their portion of the costs. The Province recently announced a much needed increase in benefits. The result of this alone was an increase of over \$5 million to municipalities.

Manitoba is faced with the same problem. The estimate in Winnipeg is that their rolls will double by year end.

A side of the welfare issue which has not been addressed yet is problems caused by the increases in the rolls across the country. The administrative process is becoming so overloaded that the result is certain unrest.

The case workers cannot handle the workload making the process more mechanical and impersonal. People unfamiliar with severe financial situations are upset. Pressure is being put on other local services as a result.

Another problem involves the changing nature of the population. Besides the unemployed, the aging population are placing more demands on health, social services, housing, etc. Municipalities must shift priorities to deal with these concerns.

Similarly, the "baby boom" is also putting pressure on municipal services. Although this group for the most part is through the education system, their demands are shifting to other areas. The economy has dictated that they will likely go to older suburbs and higher density, multifamily areas than previous populations. As well, many are "discovering" the advantages of living in the core of a city. Demands to improve infrastructure, police, fire, administration, etc. are increasing as a result.

Restraint (con't)

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At the same time, many of the unemployed and low income groups are being forced to other areas where they are faced with a set of problems such as limited transportation, few social services.

Municipal Budget Changes

Property taxes currently make up 10% of all the taxes paid by individuals. Tax revenue at the local level has been decreasing in terms of percent of Gross National Product since the early 1970s. In 1970 it was 4.4%; in 1980, 3.8%. But property taxes are also the most visible form of taxation and come under attack by citizens. To maintain acceptable levels of property taxes, expenditures will have to be restrained. But promises by politicians to hold tax increases to 5% may be hard to meet. Municipalities will be coping with decreased revenue, increased demand for some services, and increasing costs.

The response in many cases will be an extension of restraint patterns already used. Capital project spending will decrease. New services will be limited. User fees will be instituted or increased. Some services will be cut. Reserve funds will be depleted.

As well municipalities are becoming more aggressive about tax collection methods. Performance measurement and comprehensive auditing are emerging.

Conditions and issues are changing at the local level. It is important to watch these changes and the Bureau will be doing this over the next year.

The one thing that should be kept in mind by politicians and citizens during this year's budget process is a quote from the recent Economic Council of Canada Annual Report. "Proposed reductions in programs must not fall mainly on the income groups least able to bear them." Decisions have to be made on a sound management basis considering all factors.

BMR IN REVIEW is published on a periodic basis and serves as both a newsletter on Bureau activities and a vehicle to provide information on various issues. Any comments are welcome.

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