



Municipal Finance and Planning



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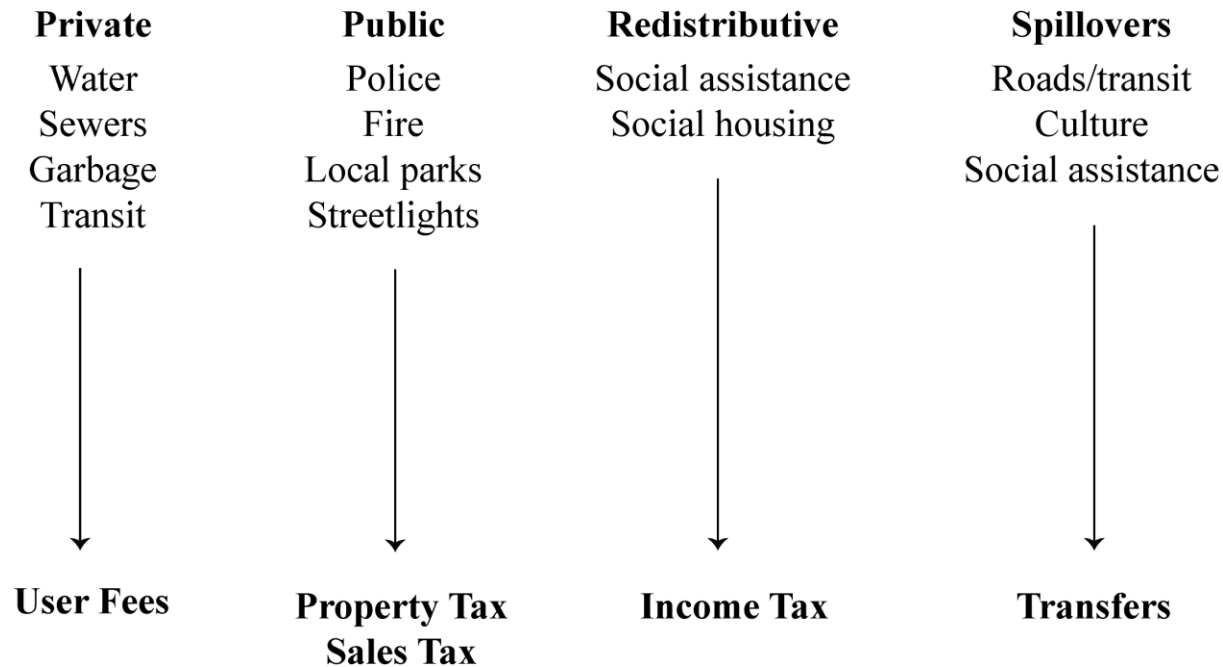
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Three Questions on Municipal Finance

- Which revenue sources are appropriate for which expenditures?
- How do financial tools affect planning?
- What is the impact of COVID-19 on municipal finances?

Different Services – Different Revenue Sources



Different Infrastructure – Different Fiscal Tools

User fees



identifiable
beneficiaries
(transit, water)

Taxes



short asset life
(police cars,
computers)

Land value capture taxes



increase
property
values
(transit)

Development charges



growth-related costs;
new development or
redvelopment
(water, roads, sewers)

Transfers



spill over
municipal
boundaries
(roads, transit)

Borrowing



large scale assets
with long life
(roads, bridges)

P3s



large in scale;
revenue stream;
measurable results
(toll roads)

Impact of Finance on Land Use

- How we pay for services affects how much water we consume, where we live, the density of development, where development is located, etc.
- A few examples:
 - User fees – marginal cost versus average cost
 - Property tax – different tax rates for residential versus multi-residential properties
 - Development charges – uniform or differentiated by development

Impact of COVID-19 on Municipal Finance

Expenditures	Revenues
Public health	Property tax deferrals; reduced commercial/industrial tax base
Emergency services	
Social services	Loss of penalty and interest income
Cleaning municipal facilities	
PPEs for staff	Fee deferrals (e.g. water)
IT costs to work from home	
Social distancing on transit	Reduction in user fee revenue, especially transit fares
Some reductions – municipal facilities closed (e.g. libraries, recreation centres), travel and professional development cut, etc.	Delayed development charge revenues

Response to Municipal Operating Deficits

- Federal government -- \$2 billion for municipal and \$1.8 billion (matched by provinces) for transit
- Provinces – subsidies for operating (municipal and transit)
- Municipalities - more short term borrowing (within provincial limits), dipping into capital reserves, deferring capital programs, cutting programs and staff
- Need to consider long term implications; economic recovery