

WATERLOO CHRONICLE

A one per cent solution for municipalities

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You often hear in the media the much-trumpeted claim by the federal and provincial governments that they are getting their house in order so that they can balance their budgets by 2018.

In reality, it amounts to nothing more than fiscal alchemy, as these upper levels of government fully engage themselves in a financial game of musical chairs that generally leaves municipalities with no seat to sit on.

This trend of buck passing — or as it is known today, downloading — started in the mid-1990s with the federal government shrinking transfer payments to the provinces, including Ontario.

Ontario, in turn, followed suit (keeping the money of course), and off-loaded such items as social programs, social housing and various transit and road obligations to the cities. This tendency continues today, with the recent decision by the province to shed more of its share of social assistance, which will result in the taxpayers of this region paying an additional \$3.5 million this year alone.

Regardless of these circumstances, municipalities have continued to balance their budgets, but gaps in infrastructure have kept growing and the funding for various community plans and programs either never got out of the starting blocks or were curtailed dramatically.

A good part of the downloading strategy from the upper levels of government was based on the fact that locally elected mayors and councillors were never regarded as true partners in the building of our nation.

Suffering from an attitude that goes back to Confederation when everyone lived in settlements and villages, municipal politicians are still viewed by many MPs and MPPs as the poor cousins in the democratic system who needed to be managed and supervised with regulatory and legislative edicts that have resulted in the inability of our cities to build the necessary infrastructure or properly compete in the global economy.

Consequently, the expectations of the public and the obligations that have been downloaded on our communities are not commensurate with the revenues that cities are able to raise from the property tax. Some would suggest that constitutional reform needs to be put back on the table so that municipalities could renegotiate their lack of status in the Constitution, but that in itself is a minefield.

Theoretically it is possible. However, it is most unlikely that the Constitution would ever be reopened by the provinces or the federal government. They are all too well aware of the past experiences with Meech Lake and the Charlottetown accord along with the ringing remarks of Senator Hugh Segal, who once stated about the complexity of the process that “the nation serves the Constitution, rather than the Constitution serving the nation.”

Clearly then, the key to the health of our cities in future years is to look at current revenue sources enjoyed by the federal and provincial orders of government.

It is evident that the public does not want to take on the burden of any new tax, and local councils are unwilling to impose them. Looking at the present income sources, we know that expenditures have been dropping at the federal level for some time and rising at the provincial and municipal level, with the fastest upswing experienced by municipalities.

Also, the sources of revenues for the senior orders of government have risen much faster over the last number of years than revenues in the cities. The resolution of this imbalance would seem to lie in a proposal set forth by author Gord Hume, a former London, Ont., councillor who like all municipal officials understands that the property tax is at the limits of people's ability to pay.

Simply, it is the one per cent solution. More than \$2.5 billion leaves Waterloo Region annually in the form of personal income tax to Ottawa and Queen's Park. This is a staggering amount of money.

In the city of the Cambridge alone, \$585 million in personal income tax left our community. In Kitchener, it was \$917 million, and in Waterloo, \$661 million. These figures don't include either corporate taxes or the harmonized sales tax (HST), which on their own are huge amounts of parting revenue.

Hume's suggestion would see the federal and provincial governments cede one per cent of this revenue to the cities that produced this wealth, which would leave Cambridge with close to \$6 million in extra revenue, Kitchener with \$9 million and Waterloo with \$6.6 million annually.

Hume also reflects on one percentage point of the HST that, considered on its own, would give Cambridge an additional \$23 million annually, Kitchener \$40 million and Waterloo \$22 million. The effect of either one of these proposals would go a long way to relieving the pressure on the local property tax.

The request for one per cent of personal income tax or consideration of a portion of the HST is not unreasonable for our cities when one considers that in the recent past, the federal government has shaved two points off the GST and the provincial government has cut \$15 billion from corporate income tax since 1995.

Such a solution would finally set the stage for initiating a proper urban agenda that provides municipal officials with the tools to not only deal with community infrastructure and the global economy, but also with investing in the real needs of people in our cities.

Doug Craig is the mayor of Cambridge.