



Time to make municipal cash provincial issue

Attracting young minds vital to cities

By GORD HUME, SPECIAL TO QMI AGENCY

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Half of Canada will go to the polls again this fall, in provincial, territorial or municipal elections.

The future of our cities is emerging as one of the critical issues. The fiscal challenges facing cities across Canada are undeniable. The recent Montreal tunnel partial collapse is but one piece of evidence. Renewing aging, crumbling infrastructure is a significant problem. Our cities risk falling behind their global competitors.

The plight of Canadian municipalities did not resonate in the May federal election; it must be a topic in the upcoming provincial elections.

The relationship between provinces and their municipalities is complex and often thorny. Sarnia Mayor Mike Bradley says in my book *Taking Back Our Cities*, "The relationship between cities and Queen's Park is paternal, patronizing and phony." Downloading has cost local taxpayers billions of dollars, and municipalities are frustrated by the handcuffs the old provincial-municipal relationship places on them.

Municipalities are confronting the fiscal reality that the property tax system, which provides much of their revenue, is broken and can't be fixed.

Calgary Mayor Naheed Nenshi says bluntly, "If you were designing the worst possible form of taxation, you may come up with something that looked like the property tax. It's not particularly sensitive to change in the economy, there are significant distribution problems and it doesn't tax actual productive values. It is a very difficult way for cities to manage themselves."

The steadily growing municipal infrastructure deficit, which a 2007 report for the Federation of Canadian Municipalities estimated at \$123 billion, is now believed by many to be substantially higher - guesstimates are \$200-plus billion.

Regina Mayor Pat Fiocco offers this realistic look at what's facing cities. "In Regina, our 10-year capital plan is \$2.1 billion . . . of that amount, \$1.3 billion is unfunded. And I would suggest that is consistent right across the county."

Nenshi confirms that. "In Calgary we have a \$6-billion capital infrastructure deficit. I cannot imagine a world in which you could pay for capital using only the property tax." Montreal Mayor Gerald Tremblay has been concerned about the fiscal imbalance for years. "We must change the discourse. We can't continue to accelerate the development of cities only on the property tax base. We need to diversify our sources of revenue." Canada's national prosperity depends upon the innovation and economic activity in towns and cities. The senior orders of government have difficulty grasping that and understanding that strong, prosperous cities are vital to robust economies.

Yet massive debts and deficits are limiting the ability of provinces and the federal government to fund municipalities. Canada doesn't have a national urban strategy and is the only G8 country not to have a national transportation strategy.

The answer seems clear: Change the system. We can't build 21st-century cities on a 17th-century tax model and a 19th-century governance system.

Attracting bright young minds to our cities is vital for growth and prosperity. We're in a global battle for talent; a determining factor is the kind of city in which they will live, work and raise families.

Canadian cities are facing competition from Beijing, Barcelona and Boston for these emerging leaders who drive the innovation and creativity needed for economic, social, environmental and cultural sustainability.

Tremblay is clear-eyed: "We must realign the rules and responsibilities of the three levels of government. Who's responsible for what? Who's in the best position to provide these services? And let's allocate the funds accordingly." It's time to engage in a vigorous debate about how to fix our fiscal imbalance. Municipalities need less emphasis on the regressive property tax and more new, stable funding. The two obvious opportunities are income tax or a municipal sales tax or piece of the HST.

We need to build and renew Canada's towns and cities so they provide livable, prosperous and creative communities and economies.

That's the debate that must happen in the provinces and municipalities having fall elections. It is also the debate that must happen at the national level if Canada is to move ahead in the 21st century and succeed in the global economy. It is time to change the system.

Gord Hume is a veteran municipal politician in London and author of *Taking Back Our Cities*. gord@gordhume.com