



Revenue Tools for Municipalities

September 12, 2013

Important Notice

Municipalities are responsible for making local decisions, including compliance with any applicable statutes or regulations.

This presentation is for information and is not a substitute for legal or other professional advice in connection with any particular matter. The inclusion of municipal examples in this presentation does not imply an endorsement by the Ministry. Users should verify this information from other sources prior to making decisions or acting upon it.

Objectives

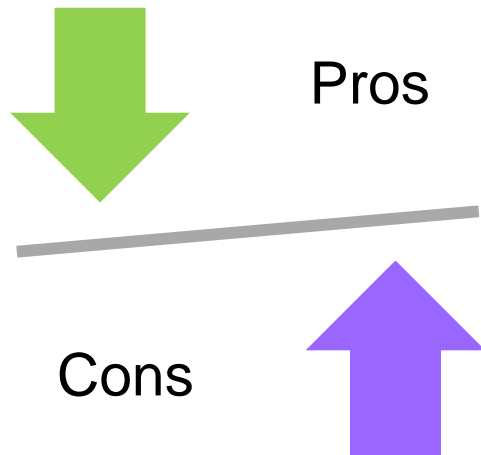
To provide information about:

- Current Municipal Environment
- Traditional Municipal Revenue Tools
- Other Municipal Financing and Economic Development Tools

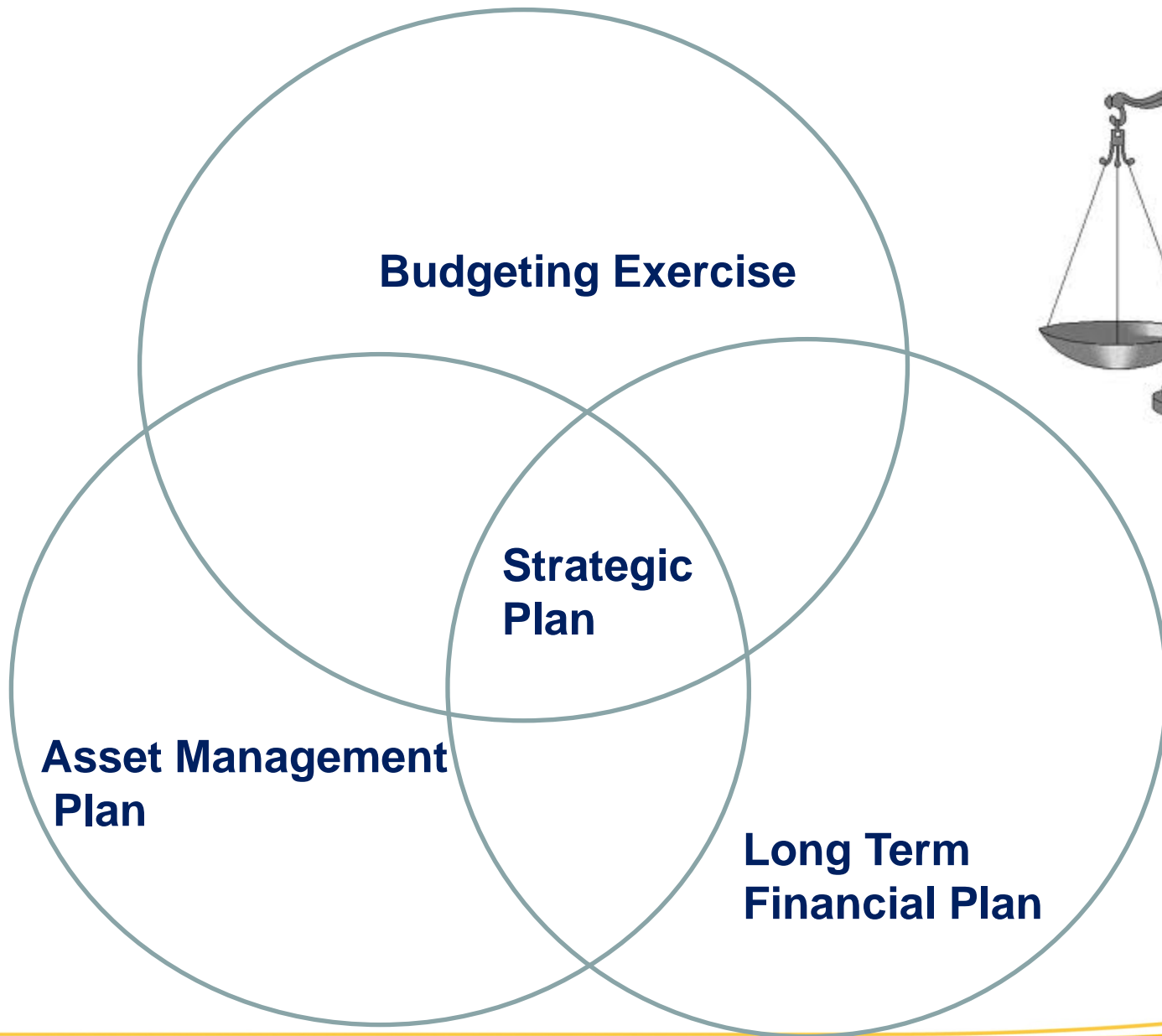
Current Municipal Environment



Typical Council Discussion and Debate



- Do we want to raise taxes?
- Can we afford projects?
- What about the “pay-as-you-go” philosophy?
- Debate “good debt” vs. “bad debt”



Traditional Municipal Revenue Tools

Property Taxes
Fees and Charges
Investment Income
Special Services / Area Rating
Local Improvement Charges
Development Charges



Fees and Charges

- Broad powers to charge fees for municipal services or activities, and for the use of its property
- Costs covered in a fee or charge could include both operation (administration, enforcement) and capital (acquisition and replacement of capital assets)
- Users are required to pay – water and wastewater are good examples
- Non-resident user fees



Fees and Charges

Current Examples

- City of Thorold implementing full cost recovery model for water and wastewater services (in 2011 raised \$5.9M equivalent to 53.8% of own purpose taxation)
- City of Brockville increased user fees to keep pace with inflation
- Markstay-Warren charges higher arena fees for non-residents (↑ \$2,261 which represents 0.1% of tax levy)
- City of Thunder Bay animal services can alter fees if shelter is at or near capacity to increase adoptions (↓ overall sheltering costs)

Investment Income

Within regulated limits, municipalities may invest in prescribed securities, including:

- Bonds and debentures issued by governments and municipalities
- Deposit receipts, deposit notes, certificates of deposit or investment
- Rated negotiable promissory notes or commercial paper
- Certain short term securities



Special Services/Area Rating

- Allows municipalities to identify a “special service” and levy a special municipal levy on rateable property in certain designated areas.



Special Services / Area Rating

Current Examples

- To recognize differentiated service levels in rural and urban areas, some municipalities implemented special service levies / area rates
 - City of Hamilton
 - City of Sault Ste. Marie
 - City of Elliot Lake
 - Township of The Archipelago
- Greater Sudbury utilizes different area rates for transit and fire protection

Local Improvement Charges

- Charges on properties abutting or immediately benefiting from capital works undertaken by municipality
- Municipalities can generally undertake any type of capital work as a local improvement
- Priority lien status



Local Improvement Charges

Current Examples

- Town of Wasaga Beach has implemented a local improvement scheme to pay for expansion of water services to areas of the municipality at full cost recovery.

Development Charges

- Fees levied on new development to help pay for the infrastructure required to service new growth.
- They help to ensure that growth pays for a portion of growth-related costs



Development Charges

Current Examples

- Consultant's report to Town of Prescott Council provides consultant's opinion that development charges (DCs) do not hinder new development
- Town of Gravenhurst website clearly outlines level of DC, links to the DC study and features a DC deferral program for affordable housing
 - 2013 DCs range from \$2,151 for apartment to \$4,571 for single detached dwelling
 - 2013 Non-residential DC of \$2.83 per square foot
- Ottawa is a good example, the municipality has a development for inside its greenbelt (\$12,275 SDU) and outside the greenbelt (\$20,464 SDU).
- Markham is another example: Town-wide charge (\$18,320) per unit plus there are 19 additional area rated by-laws that levy a per net hectare charge ranging from \$3,200 to \$899,000. Typically these additional charge are for roads, storm water management and sewers or some combination thereof.

Other Municipal Financing and Economic Development Tools

Service Delivery Review
Community Improvement Plans
Municipal Service Corporations
Municipal Capital Facilities
Municipal Small Business Programs
Alternate Financing Procurement



Service Delivery Review

A Service Delivery Review (SDR) is “an evaluation process in which a specific municipal service is systematically reviewed to determine the most appropriate way to provide it.”

To govern is to choose:

- What services to deliver
- What outcomes you believe your community wants from the service
- How the service should be paid for
- Who should deliver the service, or parts of it.



How municipalities may benefit from an SDR:

- Maintain or improve services at less cost
- Better priority-setting
- Identifying cost drivers for the service and focusing attention on what adds value
- Improved accountability – more defensible analysis, making informed choices about how services are delivered

Service Delivery Review

Current Examples

From completing Service Delivery Reviews:

- United Counties of Leeds & Grenville (↑ revenues by \$175,000 and ↓ expenditures by \$600,000)
- Wawa (\$360,000 in revenue generation and expenditure reduction opportunities identified)
- Chapleau (\$713,000 in revenue generation and expenditure reduction opportunities identified)

Community Improvement Plan

A community improvement plan (CIP) is a municipal strategic tool used to:



- target areas in transition
- facilitate and encourage community change in a coordinated manner
- focus the public on municipal priorities and initiatives
- create relationships with the private sector and community groups
- stimulate improvement activities through assistance programs

Community Improvement Plan

Current Examples

- **City of Hamilton Environmental Remediation and Site Enhancement (ERASE) CIP**
 - Create additional assessment base through brownfield redevelopment of former industrial and commercial sites
- **City of Kawartha Lakes Green Hub CIP**
 - Focuses on improving land, buildings and community economic development by attracting businesses and industries that engage in environmentally significant activities
- **Town of Hearst CIP**
 - Identified municipal capital improvements; Town successful in obtaining funding to complete
- **City of North Bay – Brownfield CIP**
 - Successful in obtaining federal and provincial government funding for clean up of rail lands

Municipal Service Corporations

- *Municipal Act, 2001* and the Municipal Services Corporations Regulation provide municipalities with broad powers to establish corporations.



Municipal Service Corporations

- An alternative way for municipalities to deliver municipal services.
- Before establishing a corporation, municipalities are required by Reg. 599/06 of the Municipal Act to adopt a business case study, and hold public consultations
 - This helps ensure that a corporation is an effective way of delivering a particular service
- Corporations are separate legal entities, and can have significant autonomy from a municipality
- Municipal services corporations may be operated as business entities and be generally reliant on their own funding sources (e.g. user fees).
- In some cases, such as for public transit, municipalities may provide financial assistance to municipal services corporations.

Municipal Service Corporations

Current Examples

- **Viva – York Region Rapid Transit Corporation**
 - A rapid transit network
- **Brampton Downtown Development Corporation**
 - public-private partnership between 350 businesses, commercial property owners in Brampton Downtown and the City of Brampton.

Municipal Capital Facilities

- Municipalities may agree with public, private or not for profit body to develop municipal capital facilities
- Municipalities may provide certain financial assistance in relation to these facilities.
- Municipalities may use these powers to facilitate alternative financing arrangements for these facilities.



Municipal Capital Facilities

Current Examples

- **City of Niagara Falls – Scotiabank Convention Centre**
 - The City entered into a Municipal Capital Facilities agreement with Scotiabank to assist with the development and operation of a new convention centre in the City of Niagara Falls.
 - The facility offers an 82,000-square-foot exhibition hall, a 17,000-square-foot ballroom, a 1,000-seat theatre, and more than 26,000 square feet of flexible meeting space.

Municipal Small Business Programs (Business Incubators)

- A municipality may use an incubator program to seek a number of benefits including:
 - Developing and building partnerships with academic institutions in the municipality
 - Creating jobs, revitalizing neighbourhoods, commercializing new technologies, and strengthening local economies
 - Diversifying rural economies
 - Science-based business incubators can promote knowledge diffusion, technology transfers and high-tech firm creation.
 - Tax base expansion and higher assessed value of properties



Municipal Small Business Programs

Current Examples

- **Hamilton Technology Centre:**
 - offers networking opportunities, mentorships, access to funding programs, training, facilities, web design solutions, branding, computer technical services and bookkeeping services
- **The Toronto Food Business Incubator:**
 - is a registered, stand-alone, not-for-profit organization run by a volunteer board of directors, fosters growth in food industry micro-enterprises since 2007
 - helps new companies become established with the goal of sustaining economic growth, creativity, and the vitality of the food manufacturing industry
- **The Toronto Fashion Incubator:**
 - is a non-profit organization dedicated to supporting and nurturing Canadian fashion designers
 - is the first official "fashion incubator" in the world, incorporated in 1987 and debuted in 1988 as the Toronto Centre for the Promotion of Fashion Design

Alternate Financing Procurement

- Arrangement between government and private entities for the purpose of providing:
 - public infrastructure
 - community facilities
 - services
- Offers a sharing of the risks and responsibilities between public and private partners
- May be used to seek more effective risk management and cost control
- May include incentives for on-budget and on-time delivery



Alternate Financing Procurement
Current Examples

- Greater Sudbury building \$62 M bio-solids facility

Questions?



For further information

Please contact:

Eastern - Municipal Services Office
Ministry of Municipal Affairs and Housing

1-800-267-9438 or 613-545-2100