Federation of Canadian Municipalities
Big City Mayors' Caucus

Sharing the Wealth
for a Strong and
Prosperous Canada:

A Proposal to the Government of Canada for
Sharing Revenues with Canada's Big Cities

May 3, 2007
BIG CITY MAYORS' CAUCUS

The Big City Mayors Caucus (BCMC) comprises a regionally representative group of FCM member cities. It meets two to three times a year to discuss shared issues and to reinforce FCM’s policy and advocacy agenda set by the National Board of Directors.

1. Vancouver, His Worship Mayor Sam Sullivan
2. Surrey, Her Worship Mayor Dianne Watts
3. Calgary, His Worship Mayor David Bronconnier
4. Edmonton, His Worship Mayor Stephen Mandel
5. Regina, His Worship Mayor Pat Fiacco
6. Saskatoon, His Worship Mayor Don Atchison
7. Winnipeg, His Worship Mayor Sam Katz
8. Brampton, Her Worship Mayor Susan Fennell
9. Hamilton, His Worship Mayor Fred Eisenberger
10. Kitchener, His Worship Mayor Carl Zehr
11. London, Her Worship Mayor Anne Marie DeCicco-Best
12. Mississauga, Her Worship Mayor Hazel McCallion
13. Ottawa, His Worship Mayor Larry O'Brien
14. Windsor, His Worship Mayor Eddie Francis
15. Toronto, His Worship Mayor David Miller
16. Gatineau, Maire Marc Bureau
17. Montréal, Maire Gérald Tremblay
18. Laval, Maire Gilles Vaillancourt
19. Quebec, Mairese Andrée P. Boucher
20. Longueuil, Maire Claude Gladu
21. Halifax, His Worship Mayor Peter J. Kelly
22. St. John's, His Worship Mayor Andy Wells

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Introduction

In June 2006, the Federation of Canadian Municipalities Big City Mayors’ Caucus (BCMCM) released a report entitled, Our Cities, Our Future: Addressing the fiscal imbalance in Canada’s cities today. The primary objective of that report was to outline the need to restore fiscal balance to Canada’s cities because of the growing vertical fiscal imbalance that exists between all three orders of government. In so doing, the report provided an overview of the fiscal challenges cities face due to insufficient revenue tools, beyond property taxes and user fees.

Our Cities, Our Future also advanced the case that the intergovernmental relationships between all orders of government need to be modernized to meet the 21st century. As a result, the Caucus made three recommendations in the report, which, if implemented, would help cities become more fiscally sustainable and create greater economic success for Canada. Those recommendations proposed that the Government of Canada seek to:

1. Encourage all orders of government to work together to realign roles and responsibilities with appropriate resources;
2. Provide Canadian cities with access to long-term, predictable sources of revenue that grow with the economy; and
3. Establish a national transit strategy.

The Caucus believes that implementing these recommendations would alleviate much of the fiscal pressure Canada’s rapidly-expanding cities are currently experiencing. Indeed, these recommendations, together with the federal government’s existing support for cities through infrastructure programs, the full rebate of the Goods and Services Tax (GST) paid by municipalities, sharing of the federal gas tax and other programs will help cities become financially sustainable. Establishing such a solid framework with the federal government will provide cities with the ability to meet their current responsibilities and continue to drive the nation’s prosperity. With these investments cities could become true partners in Canada’s prosperity.

Since the release of Our Cities, Our Future, the Caucus has been actively lobbying for each of these recommendations. In February 2007, for example, the Caucus agreed to pursue a more in-depth study on sharing revenues that grow with the economy. In early March 2007, the Caucus released a national transit strategy, which calls for an annual $2 billion federal investment to enhance municipal transit infrastructure. Finally, discussions are underway with many provincial governments over the realignment of municipal roles and responsibilities. Along those lines, the proposal in this document outlines why cities need access to revenues that grow with the economy; analyzes the adequacy of various revenue sources; and outlines the national benefits of sharing revenues that grow with the economy.

Based on the work undertaken by the Caucus, this proposal recommends that the Government of Canada share the equivalent of one cent of the GST revenues with Canada’s cities, totalling approximately $5 billion if shared with all municipalities, of which the BCMCM share would be approximately $2 billion.

The BCMCM looks forward to working with all orders of government to ensure that Canada’s cities have the fiscal capacity to enable them to continue to play a pivotal role in the national economy.

Why cities need revenues that grow with the economy

While federal and provincial governments have taken some positive steps in recent years to help municipal governments address their fiscal pressures, they unfortunately have not done enough. All governments need to recognize that cities are partners in prosperity, and therefore it is in the interest of all governments to play a role in the success of cities. Although access to federal and provincial gas taxes, the GST rebate, increased infrastructure programs and new own-source revenues for some municipalities is welcome, cities are still financially strapped to meet their growing needs. To truly be a successful nation, one that offers opportunity, prosperity and liveability for all, the view of cities and the accompanying intergovernmental relationships need to be modernized to reflect the 21st century. To do so, it is critical that we provide cities with revenue tools to address their ever-growing needs and to support their role in the national economy.

Cities require access to revenues that grow with the economy because they need to make important investments that fuel economic growth. Infrastructure, quality-of-place features, and environmental and social services not only attract investment, but also skilled workers. In the 2007 worldwide quality-of-life survey, Vancouver, Toronto, Ottawa, Montreal and Calgary were among the top 50 cities internationally and were the top five cities in the Americas. However, current revenue sources alone are inadequate if Canadian cities hope to maintain and build on the quality of life which encourages economic prosperity.

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Canada’s wealth is generated in cities

While all communities in Canada contribute to the nation’s wealth, the majority of economic activity and wealth generation takes place in large cities. Twenty-seven Census Metropolitan Areas (CMAs) generated two-thirds of Canada’s gross domestic product (GDP) in 2003. As the Caucus’s 2006 paper Our Cities, Our Future indicates, big cities also account for large shares of their provincial GDPs:

- Halifax accounts for 47 per cent of Nova Scotia’s GDP;
- Montreal’s CMA accounts for 51.5 per cent of Quebec’s GDP;
- Winnipeg accounts for 65.5 per cent of Manitoba’s GDP;
- Vancouver accounts for 57 per cent of British Columbia’s GDP;
- Edmonton and Calgary combined account for 64.5 per cent of Alberta’s GDP;
- St. John’s accounts for 47 per cent of Newfoundland and Labrador’s GDP;
- Toronto’s CMA (including the BCMC cities of Brampton and Mississauga) accounts for 49.2 per cent of Ontario’s GDP; and
- The CMAs of Kitchener, London, Windsor, Hamilton and the Ottawa share of the Ottawa-Gatineau CMA, account for an additional 23 per cent of Ontario’s GDP.

Although cities are where Canada’s wealth is generated, municipal governments reap few of the rewards as they struggle to keep up with changing demographics, infrastructure demands and social and environmental challenges. The majority of the wealth generated flows to provincial and federal governments. On average, out of every tax dollar collected in municipalities, eight per cent goes to municipal governments, 42 per cent goes to provincial governments and 50 per cent goes to the federal government.\(^4\)

There is a disparity between what cities generate in terms of tax dollars and what other orders of government reinvest in cities. Between 1999 and 2002,\(^3\) the citizens of Calgary, Edmonton, Toronto, London, Montreal and Halifax together sent $51 billion more in taxes and other payments to the Government of Canada than they received back in benefits from the federal government. This occurred despite the fact that from fiscal years 1999/00 to 2005/06, the federal government recorded $81.4 billion in surpluses.\(^5\) As a result of these economic disparities, the Caucus is asking that a greater share of the tax dollars generated in cities remains with municipal governments so that they can continue to invest in the infrastructure and quality-of-place features that attract the necessary investment for generating wealth.

Challenges affecting wealth generation

Clearly, cities need to retain a share of the revenues that grow with the economy so that the wealth generated in cities continues to increase. By sharing these growing revenues, the federal government will provide municipal governments with greater opportunity to be more economically competitive and to sustain and enhance the public infrastructure and services that are necessary to attract limited investment dollars.

Unfortunately, as Our Cities, Our Future acknowledges, cities are facing numerous challenges that if not addressed could impair Canada’s competitiveness and economic prosperity. The following are some of the challenges that are greatly affecting the ability of Canada’s big cities to generate wealth and that are consequently compromising Canada’s future success. The only way to address these challenges and continue to grow the economy is to provide municipalities with a revenue source that reflects economic growth.

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\(^3\) Federation of Canadian Municipalities, Big City Mayors’ Caucus, “Cities: Partners in National Prosperity,” (Ottawa: Federation of Canadian Municipalities, June 2, 2005) 14. This report includes the GDP figures for Halifax, Montreal, Winnipeg and Vancouver.


\(^5\) City of St. John’s, Newfoundland & Labrador, “Economic Overview 2005 St. John’s Metropolitan Area,” (St. John’s Newfoundland: City of St. John’s, November 29, 2005) 1.


\(^7\) Paul Knafelc, “Economic Trend Analysis - Canada’s Technology Triangle,” (Waterloo Region, Ontario: Canada’s Technology Triangle, November 2006).


\(^9\) At the time this proposal was written only the 1999-2002 data was available.

Annex 1

DRAFT RESOLUTION

FEDERAL REVENUE SHARING WITH MUNICIPALITIES

WHEREAS Canadian municipalities are looking for an updated fiscal arrangement that will diversify their revenue sources beyond the property tax, which does not respond at the same pace as growth, and provide them with the fiscal capacity to be financially sustainable;

WHEREAS Canadian municipalities generate significant wealth to support the national economy of Canada;

WHEREAS Canadian municipalities are seeking a more equitable distribution of the wealth that is generated in their communities, so that they can remain economically competitive and sustain and enhance the public infrastructure necessary to attract investment;

WHEREAS Canadian municipalities need a permanent share of growth-responsive revenues to assist local governments in addressing many of the challenges they are currently facing, such as: ageing and insufficient infrastructure, growing responsibilities, increasing social and environmental pressures, rapid urbanization and the lack of sufficient financial resources.

WHEREAS in 2003, the Federation of Canadian Municipalities adopted a resolution calling on the federal government to establish revenue-sharing options, beyond sharing of the gas tax revenue, to support municipal responsibilities;

WHEREAS The Government of Canada has acknowledged that it intends to restore fiscal balance among all orders of government

WHEREAS The Government of Canada continues to record large annual budgetary surpluses;

BE IT RESOLVED that the FCM calls upon the Government of Canada to annually share the equivalent of one cent of the Goods and Services Tax (GST) revenues with Canadian municipalities, which would yield approximately $5 billion per year for all municipalities in Canada.

FCM Big Cities Mayors’ Caucus
April 30, 2007

Memorandum to the FCM Big City Mayors' Caucus

REVENUE SHARING PROPOSAL GO-FORWARD STRATEGY

Issue

The purpose of this strategy is to sustain interest and attention on the revenue sharing proposal after its initial release. The Caucus needs to build national interest and create momentum for the proposal between its release and the national convention. As a result, this strategy proposes key benchmarks and courses of action to help keep the proposal alive well after its initial release.

Proposed strategy

May 3:
- Release of revenue sharing proposal in Toronto;
- Encourage Mayors to sign a newly created petition to encourage the Government of Canada to share the equivalent of one cent of the GST;
- Consider whether to put the revenue sharing proposal forward as a resolution at the FCM convention in Calgary (see Annex 1 for draft resolution).

May 6-12:
- BMC chair to send revenue sharing proposal to the Prime Minister and federal finance minister;
- Cities consider adopting local initiatives to promote the revenue sharing proposal locally
  - tie into Toronto website and/or develop new site
  - include in their local messaging;
- Mayors contact their provincial urban and rural municipal associations to seek support for the proposal; send proposal to associations.

May 13-20:
- Have conference call of BMC to gauge responses for support of the proposal by provincial urban and rural associations.
- If support is positive, finalize resolution for BMC meeting.

May 31 – BMC Meeting:
- Approve BMC’s resolution for submission to FCM convention.
June 3 – Regional Meetings
- Mayors attend regional meetings to garner support among delegates for the resolution.

June 4 and beyond:
- Continue to use local media, events, and communications to keep pressure on the federal government enter into discussions to adopt proposal.
- Encourage FCM to link to the City of Toronto’s website which promotes sharing the equivalent of one cent GST with municipalities and encourage FCM to promote the revenue sharing proposal on its own website.
- Consider sending proposal to provincial premiers.
- Consider sending proposal to all national political parties in the event of a federal election.

BCMC Working Group on Revenue Sharing