



# Municipal Revenue and Expenditure Issues in Canada, (Canadian Tax Paper no. 107)

by Harry M. Kitchen

Reviewed by Tyler McAfee, AMM Director of Policy & Communications

There is a great deal of discussion these days about municipal governments and municipal revenues. With the allocation of federal gas tax dollars to municipalities through the 'New Deal' for cities and communities and the recently announced Building Manitoba Fund in the Provincial Budget that includes an allocation of fuel tax to municipalities, municipal revenues are changing.

However, what will this mean for municipalities? To truly appreciate the impact these new revenue streams will have on municipal governments, it is important to explore the revenue streams municipal governments currently have and how this compares across Canada. Harry Kitchen's volume on municipal revenue and expenditure examines these

issues and while written before any decisions were finalized on gas and fuel tax allocations, it is an informative work on an area where little is written.

The volume begins with an exploration of the scope of municipal government and why municipalities are important components of Canadian life. This is followed by an examination of the trends in municipal governments, from pre-Confederation right through to current times. A look at the roles and responsibilities of municipal governments closes out the first section of the book.

Part two of Kitchen's work takes on municipal revenue issues in a Canadian context and looks at the property tax base, the assessment cycles, user fees, and additional tax sources. Part three of the book gives discussion to the budgeting process, alternative service delivery systems and the

varying structures of municipal government across Canada.

A highlight of Kitchen's work is the interesting analysis of transfers and grant dollars that flow to municipalities from the federal government and their respective provincial governments. Kitchen breaks this down to conditional and unconditional grants. While the information is for 1998 and 2000, the numbers are interesting. For grants as a percentage of municipal government spending, Manitoba is tied for sixth among municipalities in conditional federal grant dollars, right on the Canadian average, and 5<sup>th</sup> among provincial conditional grants at 7.2%, but well below the 14.1% Canadian average. In unconditional provincial grants, Manitoba is second overall behind only New Brunswick. Overall for 2000, Manitoba sits fifth in grants from senior levels of government as a percentage of overall municipal expenditures at 16.1%, below the 17.4% Canadian average. (Some of Kitchen's more recent work has updated these numbers.)

Part four concludes the volume with a look at fiscal sustainability and what the future holds for municipalities. The author believes that municipalities should have more autonomy and greater decision-making powers, which will have to come from changes to Provincial legislation. It is also recommended that municipalities look at alternative ways of financing capital expenditures and ways of improving efficiencies in the delivery of services they provide.

Overall, Kitchen's work provides valuable insight into the area of municipal expenditures and revenues. While the numbers are somewhat dated, they are helpful in putting Manitoba municipalities into a Canadian context. Kitchen's work echoes many of the issues highlighted at the recent AMM Municipal Officials Seminar and is an excellent primer for the ongoing debates on providing new revenue sources for municipal governments. ☺

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