Canada's Municipal Spending Watch

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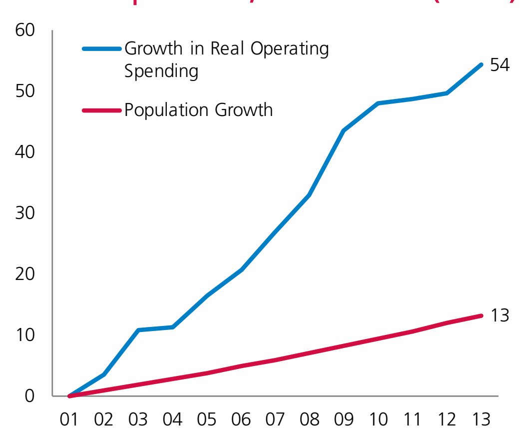
This report updates CFIB's 2013 *Big City Spenders* report, and provides a nation-wide snapshot of spending trends in select municipalities across Canada: Vancouver, Victoria, Calgary, Edmonton, Regina, Winnipeg, Toronto, Ottawa, Montreal, Quebec City, Moncton, Halifax, Charlottetown and St. John's. For years, spending increases have far outpaced the reasonable benchmark of inflation and population growth in these municipalities. In fact, spending is out of control in Canadian municipalities overall. Excessive spending cost each Canadian household over $7,800 in total from 2001 to 2013. As the lion's share of municipal spending goes to employee wages and benefits, a main driver of spending increases in municipalities is employment growth at compensation levels well above private sector norms.

Overall, Canadian municipalities increased inflation-adjusted[1] (i.e., real) spending to run their operations, by 54 percent from 2001 to 2013 (see Figure 1). This operating spending excludes money spent on infrastructure (capital) projects. During the same period, population grew at a much slower pace of 13 per cent. Similarly excessive operating spending increases occurred in all of the municipalities included in this analysis.

This trend is not sustainable without significant increases in taxes and/or fees, something most taxpayers have little appetite for. This is particularly true of Canada's small business owners who already pay a disproportionate share of property taxes.[2] The taxation and fees used to fund excess spending places an undue burden on small businesses and undermines communities.

Figure 1

Cumulative Growth in Population and Operating Spending (adjusted for inflation) in Canada's Municipalities[3], 2001-2013 (in %)



Sources: CFIB analysis of Statistics Canada, CANSIM Tables 380-0080 (expenditure), 326-0021 (CPI for Canada) and 051-0001 (population).

Nonetheless, local governments constantly say they need more revenues. For example, the Federation of Canadian Municipalities (FCM) talks about "cash-strapped" municipalities[4] and the Union des Municipalités du Québec calls for diversified revenue sources[5]. Yet, CFIB's recent analysis shows that inflation-adjusted municipal revenues increased since 1981.[6]

The Benchmark: Inflation and Population Growth

Why compare inflation-adjusted operating spending increases to population growth? It makes sense that municipal operating spending would increase to accommodate growth in population and prices. Small business owners support spending increases to match inflation and population growth, but not beyond.[7] Increasing spending in excess of this benchmark is unsustainable in the long run and means that taxes and/or fees will be higher than would be the case if spending growth was in line with this benchmark. It would also suggest that citizens are receiving additional services and/or increased value from existing services.

Operating Spending Trends in Canada's Major Municipalities

This analysis is an update of CFIB's *Big City Spenders Report* released in 2013, which showed that inflation-adjusted operating spending increases in Vancouver and Toronto far outpaced population growth from 2000 to 2011; similar trends occurred in Montreal from 2006 to 2011[8]. To gain greater insight into municipal spending trends, this report expands the analysis by including the one or two major municipalities in each province (see Table B.1 in Appendix B for background information on coverage and notes regarding data). A main finding is that excessive spending is wide-spread. None of the municipalities included in this analysis held spending increases to inflation and population growth. All have consistently spent well above this reasonable benchmark during the past decade (see Figure 2).

For example, from 2001 to 2012, operating spending in Victoria, adjusted for inflation, increased by 44 per cent—a stark contrast to its population growth of seven per cent. That means that growth in real operating spending outpaced that of population by more than six times. Similar patterns are found in St. John's and Halifax for the period from 2001 to 2011 and in Montreal from 2007 to 2012.

Operating spending, adjusted for inflation increased approximately four times as fast as population growth from 2001 to 2012 in Vancouver, Regina, Toronto and Charlottetown, as well as in Moncton from 2001 to 2010, and in Quebec City from 2007 to 2012.

Compared to other cities, Calgary and Edmonton experienced very strong population growth of 30 per cent and 27 per cent, respectively, between 2001 and 2012. Nonetheless, their inflation-adjusted operating spending increased more than twice as fast as population growth during the same period.

Winnipeg and Ottawa[9] increased their real operating spending at about double the rate of population growth. While this seems low by comparison to the other municipalities in this analysis, operating spending growth in these two cities was still high and well above the benchmark.

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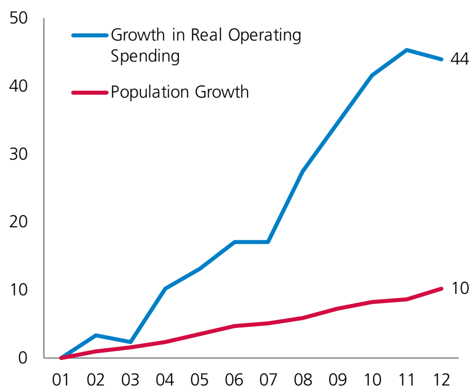
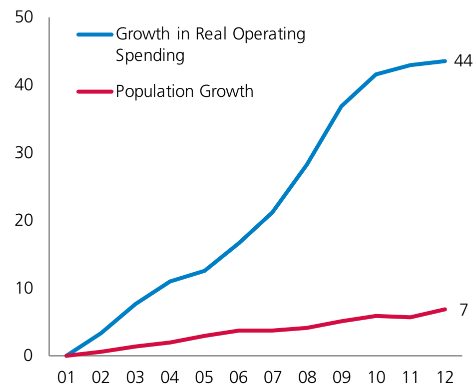
Figure 2

Cumulative Growth in Population and Operating Spending (adjusted for inflation), Select Municipalities (in %)

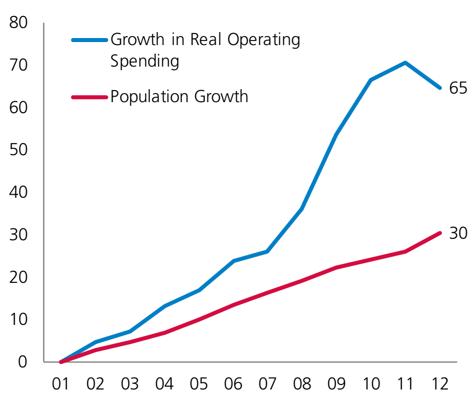
Vancouver[10], 2001-2012



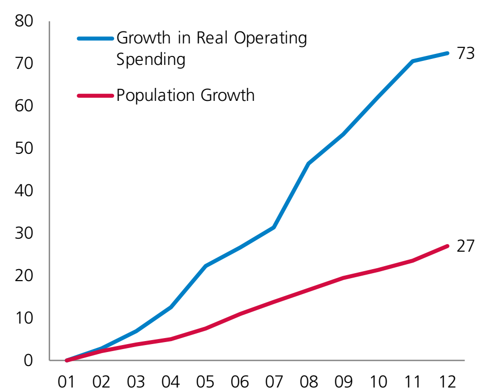
Victoria[10], 2001-2012



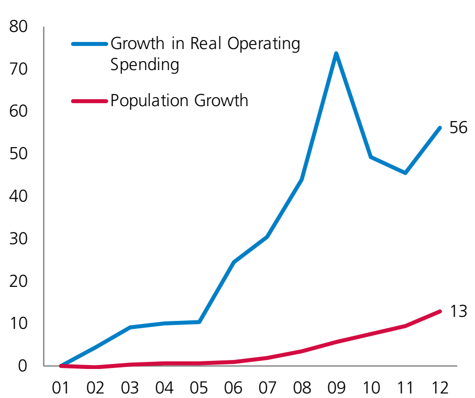
Calgary[11], 2001-2012



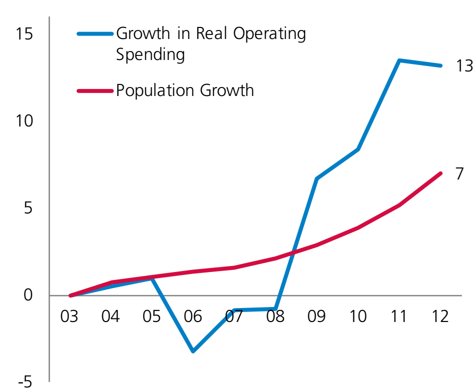
Edmonton[11], 2001-2012



Regina[11], 2001-2012



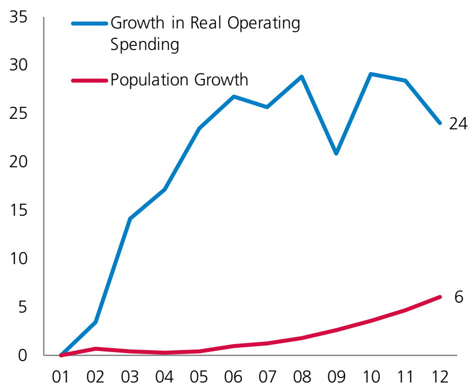
Winnipeg[12], 2003-2012



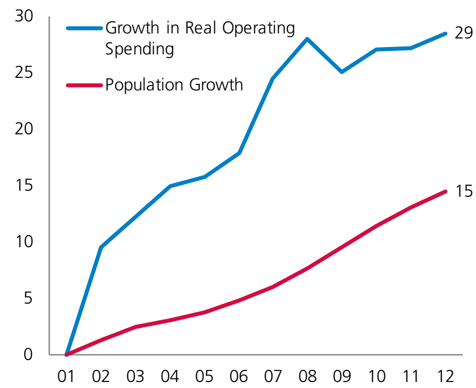
Sources: CFIB analysis of BC Ministry of Community, Sport & Cultural Development, Division of Local Government Statistics, *Sch402*; Alberta Municipal Affairs, *Schedules C and D*; City of Regina, *Annual Reports*; City of Winnipeg, *Consolidated Financial Statements*; Statistics Canada, CANSIM Table 326-0021 (CPI for Vancouver, Victoria, Calgary, Edmonton, Regina, Winnipeg) and Demography Division, custom tabulation (population).

Figure 2 (continued)

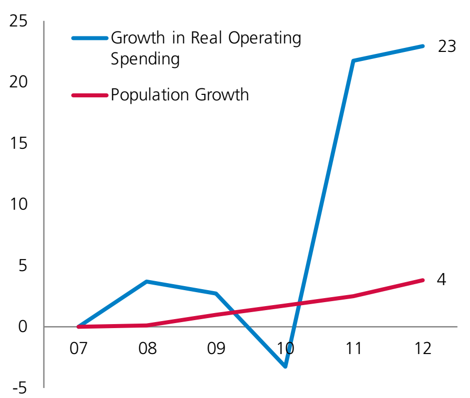
Toronto[13], 2001-2012



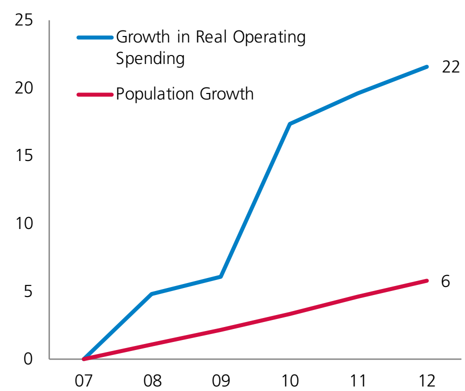
Ottawa[13], 2001-2012



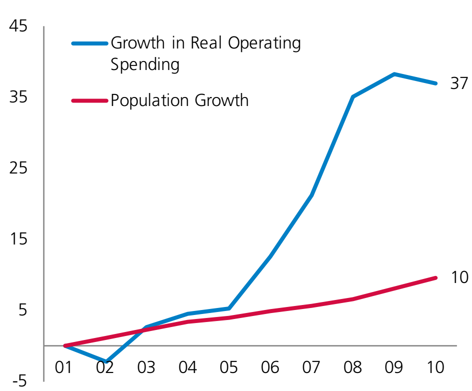
Montreal[14], 2007-2012



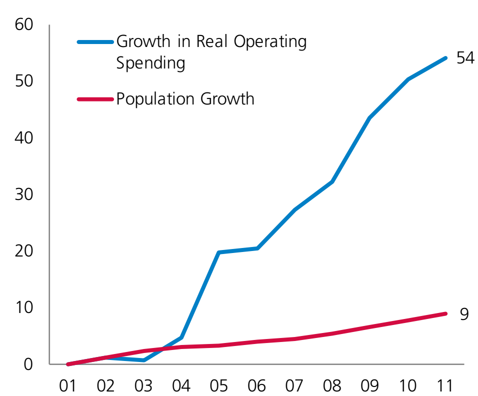
Quebec City[11], 2007-2012



Moncton[15], 2001-2010



Halifax[16], 2001-2011



Sources: CFIB analysis of Ontario Ministry of Municipal Affairs and Housing, *Financial Information Return;* Ministère des Affaires municipales et de l'Occupation du territoire du Québec, *Financial Statements*; New Brunswick, Department of Environment and Local Government, custom tabulation; Service Nova Scotia and Municipal Relations, *Annual Report of Municipal Statistics;* Statistics Canada, CANSIM Table 326-0021 (CPI for Toronto, Ottawa-Gatineau, Montreal, Quebec City, New Brunswick, Halifax) and Demography Division, custom tabulation (population).

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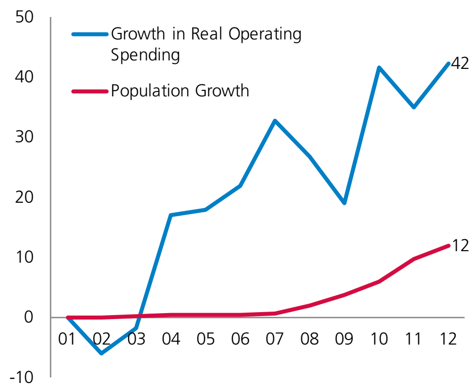
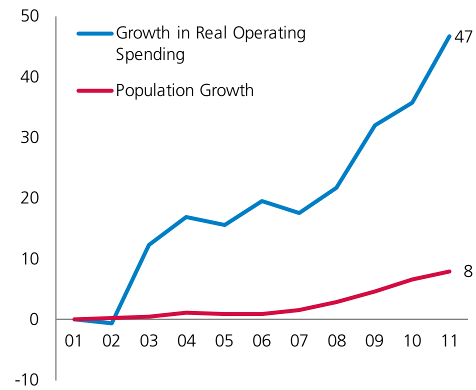
Figure 2 (continued)

Charlottetown[17], 2001-2012



St. John's[18], 2001-2011



Sources: CFIB analysis of City of Charlottetown, *Consolidated Financial Statements*; Newfoundland and Labrador Department of Municipal Affairs, custom tabulation; Statistics Canada, CANSIM Table 326-0021 (CPI for Charlottetown and Summerside, St. John's) and Demography Division, custom tabulation (population).

Operating Spending Growth in the Most Recent Years

Considering operating spending trends during the entire time period draws a picture of municipalities that increase their operating spending at dramatic rates, far in excess of inflation and population growth. The question is whether municipalities continue to spend excessively or whether there have been any recent improvements.

Considering only the most recent two years suggests that Quebec City, Halifax and St. John's have a serious problem with limiting increases in their inflation-adjusted operating spending to population growth. In contrast, Toronto and Ottawa kept their operating spending growth in check during the most recent two years. In fact, inflation-adjusted spending in Toronto was *reduced* in both years. While these are early signs that Toronto and Ottawa are starting to exercise spending control, two years are not enough to judge whether they have reversed the trend of excessive increases in operating spending. The challenge for these two municipalities is to continue on a sustainable path that keeps inflation-adjusted spending growth to or below population growth.

Cutting Excessive Spending Means Potential Savings

Excessive municipal operating spending (i.e., at rates beyond inflation and population growth) adds up. In all Canadian municipalities combined, operating spending was over $30 billion in 2001. By 2013, it had grown to over $46 billion when adjusted for inflation. However, if it had been held to the benchmark of inflation and population growth, total municipal operating spending would have been under $43 billion in 2013. This excess spending in each year adds up to more than $100 billion in all Canadian municipalities during the period from 2001 to 2013. If spending increases had been held to inflation and population growth every year, a lot of money could have been saved. Had the excess spending been passed on to citizens, this would have saved every household[19] $7,811 in the period from 2001 to 2013 (see Table 1).

Total excess spending varies by municipality. Besides different time periods for some municipalities, it is important to note that operating spending is not directly comparable across municipalities due to differences in what is included in the spending data (i.e., basis of consolidation; see Appendix B). For example, data for Vancouver include six agencies, boards and commissions beyond the City's core administration, none of them related to transit. In contrast, data for Toronto cover a myriad of agencies, boards and commissions, including the Toronto Transit Commission (TTC), as well as arenas, community centres and business improvement areas in addition to the City's core operations.

Despite challenges related to the basis of consolidation, comparisons within a province can be more meaningful provided that spending data are available from a provincial data source and over the same time period (see Table B.1 in Appendix B for notes regarding data). In British Columbia, Alberta and Quebec, the savings per household in the two municipalities covered in each province are similar. However, in Ontario, there is a large difference: in Toronto, spending in line with inflation and population growth could have saved every household almost twice as much as in Ottawa.

Table 1

Excess Operating Spending and Potential Household Savings, Select Municipalities

	Time period	*Total excess spending [1] (in million $)*	*Total savings per household [2] (in $)*
Total, all Canadian municipalities	2001-2013	101,899	7,811
Vancouver	2001-2012	1,474	5,660
Victoria	2001-2012	243	5,722
Calgary	2001-2012	2,932	7,140
Edmonton	2001-2012	2,627	8,346
Regina	2001-2012	687	8,861
Winnipeg	2003-2012	126	461
Toronto	2001-2012	15,406	15,331
Ottawa	2001-2012	2,912	8,771
Montreal	2007-2012	1,638	2,153
Quebec City	2007-2012	497	2,035
Moncton	2001-2010	74	2,520
Halifax	2001-2011	699	4,357
Charlottetown	2001-2012	69	4,812
St. John's	2001-2011	227	5,279

Sources: see Figures 1 and 2.

Notes: [1] Total excess spending is the sum of the annual differences between actual operating spending and operating spending if held to inflation and population growth.

[2] The number of households for inter-Census years (2002-2005 and 2007-2010) was estimated using the annual growth rate of the number of households between Census years. The number of households for 2012 and 2013, where applicable, was estimated using the annual growth rate between Census years 2001 and 2011.

Operating spending is not directly comparable across municipalities due to different time periods and differences in what is included in the spending data (i.e., basis of consolidation; see Appendix B).

Is Increased Municipal Operating Spending Used to Provide Better Value-for-money?

Another way of looking at spending trends is on a per-capita basis. In 2001, operating spending per capita was $970 in Canadian municipalities overall. In 2013, it had grown by 36 per cent to $1,322 when adjusted for inflation (see Appendix A). One would expect that municipalities are using this spending to provide additional services and/or better value-for-money for existing services. However, many taxpayers do not feel that public services provide good value for their tax dollars, or that value-for-money has increased accordingly.

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Business owners do not see much benefit of the taxes and fees they pay to local governments. CFIB regularly asks its members to rate their local government's value-for-money of public services from "poor" to "adequate" to "good". Nearly half of all small business owners gave their local government a "poor" rating in 2013 (see Figure C.1 in Appendix C). To provide some examples across Canada, 60 per cent of Vancouver small business owners rated their municipality with "poor", 58 per cent did so in Toronto and 35 per cent in Moncton. Overall and in most municipalities, the results are stable or have worsened since 2006 when a "poor" rating was given by 43 per cent of small business owners nationally, 58 per cent in Toronto, 45 per cent in Vancouver and 28 per cent in Moncton.

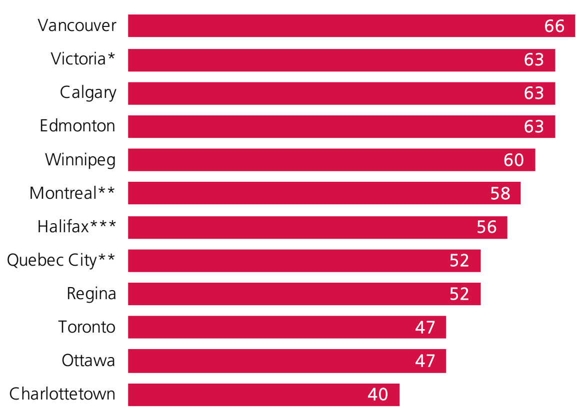
Small business owners are not alone in their dissatisfaction with local government; the general public is not happy with the value-for-money they receive for their tax dollars either. A public opinion poll revealed that two-thirds of Canadians disagree that they receive good value-for-money for the amount of taxes and fees they pay to government (see Figure C.2 in Appendix C). With taxpayers not feeling that municipalities allocate tax dollars wisely, this begs the question: why has municipal operating spending increased so dramatically over the years?

What Drives Operating Spending Growth?

The lion's share of operating spending in municipalities goes to employee compensation. For those municipalities where spending on salaries, wages and benefits is available, the average share of operating spending ranges from 40 per cent in Charlottetown to 66 per cent in Vancouver (see Figure 3). Considered on an annual basis, this share has been on the rise in several municipalities. For example, while the average share of employee compensation in operating spending from 2001 to 2012 was 47 per cent in Toronto and Ottawa, it stood at 54 per cent and 53 per cent in 2012, respectively.

Figure 3

Wages, Salaries and Benefits as a Share of Operating Spending, Select Municipalities (in %, Average 2001-2012)



Sources: see Figures 1 and 2. For Vancouver, Victoria and Halifax, wages, salaries and benefits are from the cities' *Consolidated Financial Statements* or *Annual Reports*; operating spending is from provincial data sources.
Notes: Salaries, wages and benefits are not available for Moncton and St. John's.
* Victoria covers the period 2006-2011 as the City's *Annual Reports* available online only go back to 2007.
** Montreal and Quebec City cover the period 2007-2012.
*** Halifax covers the period 2004-2011; prior to 2004, salaries, wages and benefits are not available in the City's *Consolidated Financial Statements*.

The wages and salaries of local government employees contribute to excessive spending as they are 11 per cent higher, on average, than those of their private sector counterparts in Canada overall (see Figure 4, blue bars). For the municipalities included in this study, this public sector "wage premium" ranges from six per cent in Regina to 17 per cent in Montreal.

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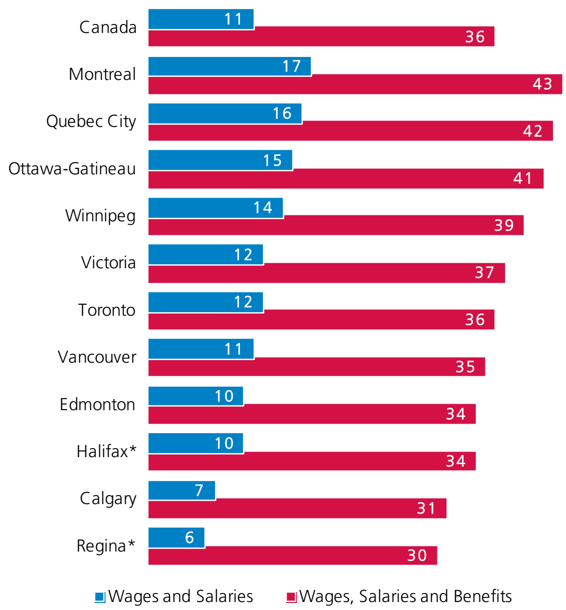
When including benefits on top of salaries and wages in the comparison, the gap between public and private sector employee compensation is significantly higher. Benefits include vacation, sick leave and employer contributions to employer-sponsored pension plans, to name a few. Employer-sponsored pension plans are much more common in the public sector than in the private sector.[20] This also applies to municipalities. As a result, the total compensation of municipal employees is on average 36 per cent above that of their private sector counterparts in Canada (see Figure 4, red bars). The "total compensation premium" is lowest in Regina (30 per cent) and highest in Montreal (43 per cent).

Figure 4

Municipal Government Wage and Benefit Advantage, Select Municipalities (% Above Private Sector for Comparable Occupations)



Source: CFIB, *Wage Watch*, 2008, based on CFIB analysis of Census 2006 custom tabulation.
Notes: Data are for Census Metropolitan Areas, e.g. Toronto refers to the Greater Toronto Area (GTA).
Public-private sector differentials for wages, salaries and benefits include differences in actual hours worked and employer paid pension contributions, health benefits and other deferred wage benefits.
Data cannot be broken out by municipality for Moncton, St. John's and Charlottetown.
* Small sample size (fewer than 10 comparable occupations).

Quebec is paving the way for municipal pension reform

Last February, the Quebec (provincial) government proposed legislation that would require municipalities to restructure their pension plans under certain conditions. For example, plans must be restructured if underfunded by 15 per cent or more, or offering subsidies to employees who retire before the age of 55. All other plans are to be restructured so that employers and employees split contributions equally. Cost sharing for any past deficits (i.e., shortfall of pension plan assets to cover pension liabilities) and changes to or the elimination of benefits other than the normal pension payable may also be negotiated during the restructuring process.[21]

Following the recent change in government in Quebec, this legislation will have to be reintroduced during the next legislature.

If wages, salaries and benefits had been in line with private sector norms, a significant portion of spending would have been freed up. For 2012 alone, for example, this would have amounted to

$1.4 billion[22] (14 per cent of operating spending) or $1,278 per household in Toronto. Accumulated over the period 2001-2012, the public sector compensation premium cost the City a staggering $12.6 billion or about $12,600 per household. Compensating public sector employees above private sector norms costs Canadian municipalities dearly and takes resources away from priority areas such as fire and policing services, social housing, water and sewer services, public transit and local roads.

Municipalities continue to focus attention on the lack in revenues

This report shows that operating spending has increased in excess of inflation and population growth in municipalities across Canada and provides evidence that municipalities have a spending problem. However, municipalities have a different view and say that they have a revenue problem. This box provides a sampling of what municipalities are claiming.

"Canadians see crumbling bridges, crowded buses and chronic homelessness and they know their communities need a fairer share of the taxes collected in this country."

— Claude Dauphin, President, Federation of Canadian Municipalities, February 27, 2014[23]

"With hundreds of towns understaffed, living with unsafe drinking water and unable to maintain roads, clearly overspending is not the problem. The problem is lack of revenue."

— Municipalities Newfoundland and Labrador, February 25, 2014[24]

"UBCM's Executive is in Victoria this week to raise awareness of the challenges facing the local government finance system in B.C. [...] [The] Executive aims to build support for the province to work jointly with local government to strengthen the finance system."

— Union of British Columbia Municipalities, April 2, 2014[25]

"The [Big City Mayors' Caucus] is calling for Canada to take practical steps to build stronger cities and a stronger economy. First, federal and provincial governments must guarantee a lion's share of the New Building Canada Fund for municipal projects, including public transit. Second, the federal government must take action to avert a housing disaster by developing a long-term housing plan [...] and reverse the withdrawal of existing federal social housing investments worth $1.7 billion per year."

— Big City Mayors' Caucus, Federation of Canadian Municipalities, February 26, 2014[26]

"It's time to sign a new Quebec-municipalities agreement—one that reflects the fiscal and financial reform proposed in the Municipal White Paper—so that municipalities can diversify their revenue sources to respond to the changing needs of their citizens."

— Union des Municipalités du Québec, March 21, 2014[5]

In addition, staffing levels in local governments are increasing faster than in other industries. The number of jobs in Canadian municipalities increased by almost one quarter from 2001 to 2011, while those in all other industries increased by only 16 per cent (see Figure 5). From 2001 to 2011, employment growth in municipal governments outpaced that of all other sectors in Nova Scotia, Alberta, Saskatchewan, Ontario, British Columbia and Newfoundland and Labrador. The difference was highest in Nova Scotia, where the number of jobs in all municipalities was 37 per cent higher in 2011 than in 2001, compared to eight per cent for the number of all other jobs. Consistent growth in municipal staff at generous compensation levels has been a major driving force behind excessive and unsustainable municipal operating spending growth.

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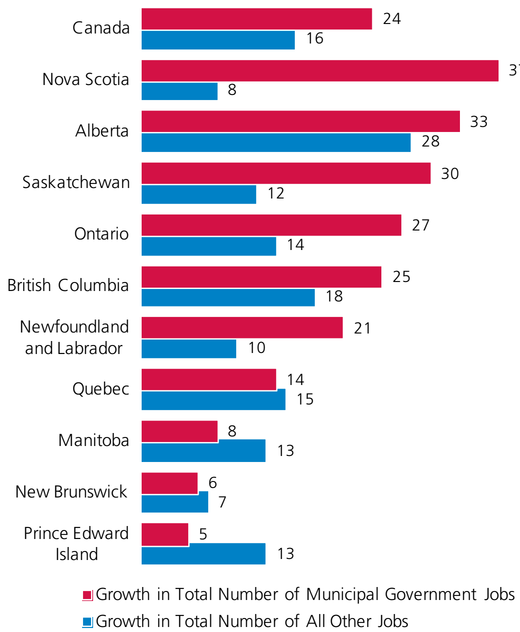
Figure 5

Cumulative Growth in Total Number of Municipal Government Jobs and All Other Jobs, 2001-2011, By Province (in %)



Source: CFIB analysis of Statistics Canada, CANSIM Table 383-0010 (labour statistics).
Notes: "All Other Jobs" refers to the number of jobs in all industries less the number of jobs in municipal government services; as such, it includes jobs in the provincial and federal governments.

Montreal plans to reduce the size of its civil service

In early April, the Mayor of Montreal announced plans to reduce the municipal workforce by 2,200 employees over five years to lower wage costs. The reductions are to be achieved by replacing only every second employee who retires (except police and fire department staff would all be replaced). It is estimated that this would save the City of Montreal $240 million during the next five years.[27]

Conclusion: It's Time to Focus on Spending Control

For years, municipalities have claimed that they are underfunded and need more revenues. As a result, they continuously ask senior levels of government for more transfers or even taxing authority. To support this, municipalities say that they only receive eight cents out of every tax dollar. However, municipalities omit transfers and user fees as a source of revenue, which puts their actual share at 15 per cent. Additionally, they are ignoring the fact that inflation-adjusted revenues have increased over the years. In reality, municipalities do not have a revenue problem. At the same time, operating spending in Canadian municipalities has increased dramatically, far outpacing the reasonable benchmark of inflation and population growth. Clearly, municipalities need to focus on the other side of the ledger by controlling their operating spending.

There are some early signs that a few municipalities are starting to address the issue of excessive spending. However, it is still too early to make the call whether this is a new trend. It is concerning that some municipalities continue their unsustainable spending patterns. Additionally, it is worrisome that local governments and groups such as the FCM still focus on increasing municipal revenues.

How can municipalities better control spending? At least part of the answer lies in controlling public sector wages and benefits, which represent the bulk of municipal costs and are currently far more generous than in the private sector. This needs to be an important consideration and is starting to be in some places. For example, the Quebec government proposed legislation to reform municipal pension plans in February in an effort to contain pension liabilities, and the Mayor of Montreal plans to reduce city staff through attrition over next five years. These are steps in the right direction.

However, to rein in the unsustainable spending path that Canadian municipalities are heading down, strong political leadership is required. Municipal leaders need to seriously assess their operating spending trends and make decisions over future spending with a long-term view. At the same time, provincial governments and the federal government also have a role to play and should not give in to municipalities' demands for more funding without improved transparency and accountability at the local level. Taxpayers have a right to expect responsible policy making and planning for the future from all levels of government.

Recommendations

For municipal governments

- **Keep increases in operating spending to or below inflation and population growth.**

  Operating spending increases to accommodate growth in population and prices are reasonable; increases beyond this are unsustainable in the long-run and only add to the burden on taxpayers.

- **Implement compensation systems that better compare with those of private sector workers:**

  Bring salaries, wages and benefits of municipal employees in line with private sector norms, by limiting future increases to inflation until the public-private sector compensation gap is closed.

  Hire new employees at compensation levels that are in line with private sector norms.

  Enroll new hires in defined contribution pension plans instead of defined benefit pension plans.

For provincial governments

- **Improve the quality of municipal financial data to allow for better assessment and comparison of municipal spending:**

  Collect and publish municipal financial information in a consistent manner over time and provide provincial templates that municipalities should use for financial reporting (i.e., budgets, financial statements and/or municipal financial information returns). Ideally, municipal financial data should also be fully comparable across the country.

  Municipal financial data should be openly accessible on the website of the ministry responsible for municipal affairs.

- **Freeze funding to municipalities until municipal governments better manage their spending:**

  Additional transfers to municipalities above current levels should not be granted until municipalities limit operating spending within inflation and population growth, align public sector compensation with private sector norms, and address pension shortfalls and sustainability.

For the federal government

- **Freeze funding to municipalities until municipal governments better manage their spending:**

  Additional transfers to municipalities above current levels should not be granted until municipalities limit operating spending within inflation and population growth, align public sector compensation with private sector norms, and address pension shortfalls and sustainability.

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Appendix A: Operating Spending Per Capita

Table A.1

Operating Spending per Capita, Select Municipalities

	Time period	Operating spending per capita at the beginning of the period (in 2001* $)	Operating spending per capita at the end of the period (in 2001* $)	Growth in operating spending per capita over period (in %)
Total, all Canadian municipalities	2001-2013	970	1,322	36
Vancouver	2001-2012	1,123	1,466	31
Victoria	2001-2012	1,211	1,628	34
Calgary	2001-2012	1,245	1,572	26
Edmonton	2001-2012	1,201	1,631	36
Regina	2001-2012	1,005	1,389	38
Winnipeg	2003-2012	1,294	1,369	6
Toronto	2001-2012	2,379	2,780	17
Ottawa	2001-2012	2,067	2,320	12
Montreal	2007-2012	2,402	2,843	18
Quebec City	2007-2012	1,781	2,047	15
Moncton	2001-2010	918	1,147	25
Halifax	2001-2011	766	1,084	42
Charlottetown	2001-2012	840	1,068	27
St. John's	2001-2011	1,018	1,382	36

Sources: see Figures 1 and 2.

Notes: * For Winnipeg, data are in 2003 $ and for Montreal and Quebec City in 2007 $.

Operating spending is not directly comparable across municipalities due to different time periods and differences in what is included in the spending data (i.e., basis of consolidation; see Appendix B).

Appendix B: Notes Regarding Municipal Spending Data

In most provinces, municipal financial data are collected and published by the provincial government ministry that is responsible for municipal affairs. This report primarily uses data provided by provincial governments to keep the analysis as consistent as possible. However, comparability issues can still exist:

Use of provincial templates: Many provincial governments provide templates to municipalities for financial reporting. However, not all municipalities use these templates thus affecting comparability.

Basis of consolidation: The basis of consolidation refers to what agencies, boards and commissions in addition to the municipalities' core administration are included in municipal reporting. Differences in this scope can undermine comparability as data for one municipality may include operating spending of multiple agencies, boards and commissions, whereas data for another municipality may only cover operating spending limited to its core administration. Often, the larger a municipality, the more agencies, boards and commissions are included in consolidated spending figures. For example in Toronto, consolidated spending data covers various Business Improvement Areas, arenas, community centres, agencies and corporations such as the Toronto Transit Commission (TTC) and the Toronto Public Library Board. Leaving out such agencies, boards and commissions would omit important areas of spending and underestimate the amount of money spent by municipalities.[28] Therefore, this report primarily uses consolidated figures. Exceptions to using consolidated data are as follows:

- **Halifax:** Starting in fiscal year 2008-2009, the format of the Nova Scotia government's *Annual Report of Municipal Statistics* changed so that both consolidated and non-consolidated information are reported. As the latest year available is 2010-2011, consolidated information would provide only three years of data—not enough for the analysis of spending trends. Therefore, non-consolidated data for Halifax' operations only are used for 2008-2009 to 2010-2011 to keep the data comparable over time.

- **Moncton:** Municipal financial data provided by the province of New Brunswick are consistent up to 2011 on a non-consolidated basis. This means that operating spending in Moncton is for the City's core administration only.

In addition, data from provincial government sources are not fully comparable across provinces as the data available and the reporting formats differ. For select municipalities, municipal consolidated financial statements were used in place of provincially collected data:

- **Regina:** the Saskatchewan government publishes municipal financial data in its *Municipal Financial Information Return System* on its website. However, data available for Regina through this system are only for 2002 to 2007. According to the Saskatchewan Ministry of Municipal Relations, the system was not designed to deal with the change in accounting related to capital assets (see below), and therefore, does not contain more recent data. As a result, the City of Regina's *Consolidated Financial Statements* were used instead. The City was cooperative in providing these going back to the year 2000 to CFIB upon request.
- **Winnipeg:** the Manitoba government publishes annual *Municipal Statistics* in PDF-form on its website. However, the Manitoba Municipal Government does not include amortization of capital assets other than for sewer and water in these reports, making it difficult to separate capital spending from operating spending (see below). This information was not made available upon CFIB's request. As a result, the City of Winnipeg's *Consolidated Financial Statements* were used instead.
- **Charlottetown:** The P.E.I. government publishes a *Municipal Statistical Review* in PDF-form on its website, going back to 2006/2007. P.E.I. Municipal Affairs and Provincial Planning provided custom data for 2000 to 2012 to CFIB in Excel upon request. However, based on contact with a government official, CFIB had some concerns regarding the reliability and volatility of the data. The City of Charlottetown's *Consolidated Financial Statements* were used as a result.

Separating Operating Spending From Capital Spending

In most municipalities and provincial government sources of municipal financial data, capital spending was reported separately from operating spending prior to 2009. Also, capital spending was accounted for when it was purchased, leading to often large fluctuations in spending from year to year. As a result, it makes sense to separate capital spending from operating spending.

For most provinces, there was a change in accounting principles related to capital assets in 2009 whereby capital assets started to be amortized over their useful lives. This change is based on the adoption of Section 3150—Tangible Capital Assets of the Public Sector Accounting Board (PSAB) handbook. As a result, capital spending is no longer reported in the year in which it is purchased; instead, the amortization of capital assets is reported for a given year and is included in total spending reported by municipalities. This accounting change may explain some volatility in spending trends in the year in which the change occurred.

For consistency over time and across municipalities, capital spending and/or amortization of tangible capital assets are excluded where possible in this study in order to analyze operating spending trends. One notable exception to the accounting change regarding capital assets is New Brunswick, where municipalities were only required to adopt PSAB accounting standards in 2012. As a result, capital spending is reported separately from operating spending until 2011.

Table B.1

Background Information for Municipalities: Coverage and Notes Regarding Data

Municipality	*Coverage*	*Time period covered*	*Source for spending data*	*Consolidated or non-consolidated operating spending*
Vancouver	City of Vancouver (excl. other municipalities in the Greater Vancouver Regional District (GVRD))	2001-2012	**Provincial data:** BC Ministry of Community, Sport & Cultural Development, Division of Local Government Statistics, *Sch402*	Consolidated
Victoria	City of Victoria (excl. other municipalities in Greater Victoria)	2001-2012		
Calgary	City of Calgary (excl. other municipalities in the Calgary Region)	2001-2012	**Provincial data:** Alberta Municipal Affairs, *Schedules C and D*	Consolidated
Edmonton	City of Edmonton (excl. other municipalities in the Edmonton Capital Region (ECR))	2001-2012		
Regina	City of Regina	2001-2012	City's *Annual Reports* (incl. Consolidated Financial Statements)	Consolidated
Winnipeg	City of Winnipeg (in 2003, The City of Winnipeg Charter replaced The City of Winnipeg Act)	2003-2012	City's *Consolidated Financial Statements*	Consolidated
Toronto	City of Toronto (excl. other municipalities in Greater Toronto Area (GTA))	2001-2012	**Provincial data:** Ontario Ministry of Municipal Affairs and Housing, *Financial Information Return*	Consolidated
Ottawa	City of Ottawa (excl. Gatineau, QC)	2001-2012		
Montreal	City of Montreal (excl. other municipalities on the Island of Montreal)	2007-2012	**Provincial data:** Ministère des Affaires municipales et de l'Occupation du territoire du Québec, *Financial Statements*	Consolidated
Quebec City	Quebec City (excl. municipalities that demerged in 2006)	2007-2012		
Moncton	City of Moncton	2001-2010	**Provincial data:** New Brunswick, Department of Environment and Local Government (custom tabulation made available upon request)	Non-consolidated
Halifax	Halifax Regional Municipality	2001-2011	**Provincial data:** Service Nova Scotia and Municipal Relations, *Annual Report of Municipal Statistics*	Non-consolidated
Charlottetown	City of Charlottetown	2001-2012	City's *Consolidated Financial Statements*	Consolidated
St. John's	City of St. John's	2001-2011	**Provincial data:** Newfoundland and Labrador Department of Municipal Affairs (custom tabulation made available upon request)	Consolidated

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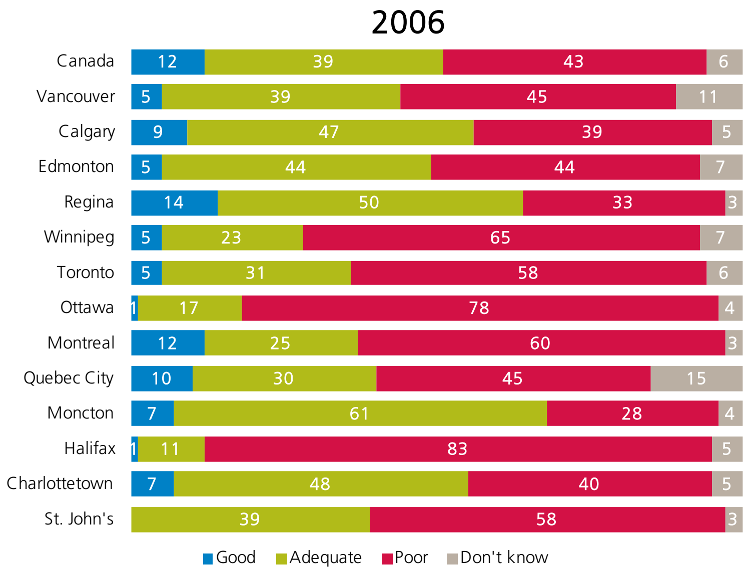
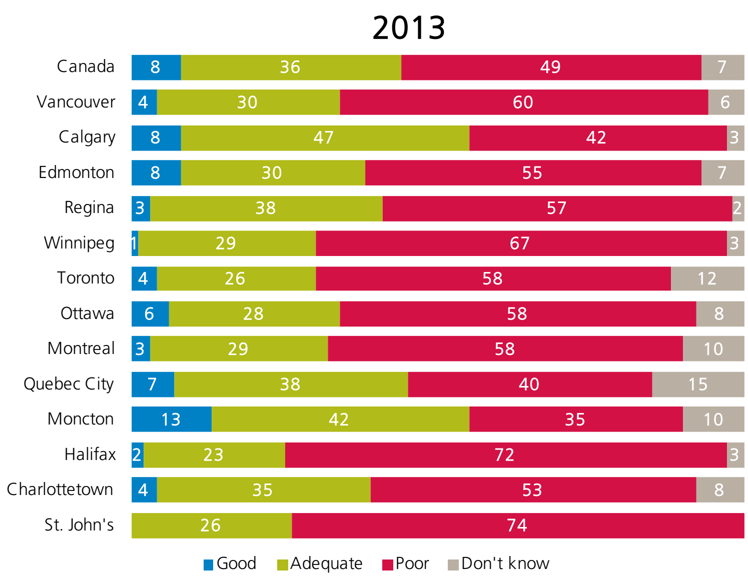
Appendix C: Views on Value-for-money for Government Services

Figure C.1

How business owners rate the local government where their business is situated on value-for-money for public services (% response)





Sources: CFIB, *Our Members' Opinion Survey No. 73*, July-December 2013, n=19,153; CFIB, *Our Members' Opinion Survey No. 58*, January-June 2006, n= 22,027.

Note: Victoria is excluded due to small sample size (n<20).

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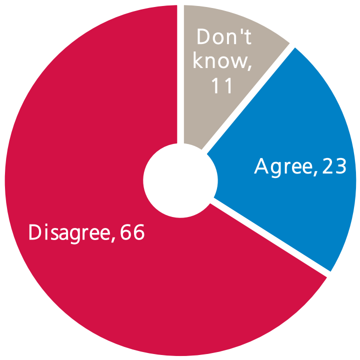
Figure C.2

Individuals: "I receive good value-for-money for the amount of taxes and fees I pay to government" (% response)



Source: National public opinion poll conducted by Vision Critical for CFIB (November 28 – November 29, 2013, n=1,511.

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[1] Spending is adjusted for inflation to remove the effect of rising prices over time.

[2] See for example:

Mallett, Ted and Simon Gaudreault. (2013). *Communities in Boom: Canada's Top Entrepreneurial Cities.* Toronto: Canadian Federation of Independent Business. [Pdf] Accessed on April 3, 2014: http://www.cfib-fcei.ca/english/article/6082-entrepreneurial-cities.html

Kastelen, Kimball. (2013). *The BC Municipal Property Tax Gap: A Glimmer of Hope for Small Business. 2013 Annual Report.* Vancouver: Canadian Federation of Independent Business. [Pdf] Accessed on April 11, 2014: http://www.cfib-fcei.ca/english/article/5246-the-2013-municipal-property-tax-gap-report-a-glimmer-of-hope-for-small-business-in-bc.html

Ruddy, Amber. (2013). *Wanted: Property tax fairness. An analysis of property tax gaps in Alberta.* Calgary: Canadian Federation of Independent Business. [Pdf] Accessed on April 11, 2014: http://www.cfib-fcei.ca/english/article/5517-alberta-property-tax-gap-report-2013.html

Petkov, Plamen. (2010). *The Tale of Two Tax Rates. How Ontario and its Municipalities Tax Business Properties*. Toronto: Canadian Federation of Independent Business. [Pdf] Accessed on April 11, 2014: http://www.cfib-fcei.ca/english/article/1929-ontario-municipalities-treat-small-businesses-like-cash-cows.html

Racicot, Julien and Simon Gaudreault. (2013). *PME et bungalow : deux poids, deux mesures dans la taxation municipal. Comparaison des taxes résidentielles et non résidentielles dans les 100 plus grandes municipalités du Québec*. Montreal: Canadian Federation of Independent Business. [Pdf] Accessed on April 11, 2014: http://www.cfib-fcei.ca/francais/article/5479-pme-et-bungalow-deux-poids-deux-mesures-dans-la-taxation-municipale.html

Chisholm, Mary. (2012). *Municipal Taxation and Spending: A Small Business Perspective. Atlantic Canadian job creators pay more than their fair share.* Halifax: Canadian Federation of Independent Business. [Pdf] Accessed on April 11, 2014: http://www.cfib-fcei.ca/cfib-documents/rr3271.pdf

[3] School boards are excluded.

[4] Federation of Canadian Municipalities (FCM). (2013). *The State of Canada's Cities and Communities 2013—Opening a New Chapter*. Ottawa: FCM. [Pdf]. Accessed on April 11, 2014: http://www.fcm.ca/Documents/reports/The_State_of_Canadas_Cities_and_Communities_2013_EN_web.pdf

[5] Union des Municipalités du Québec. (2014). *Le Temps des municipalités, c'est maintenant ! L'UMQ invite les partis politiques à s'engager à signer une nouvelle entente Québec-municipalités.* Montreal: Union des Municipalités du Québec [Pdf]. Accessed on April 11, 2014: http://www.umq.qc.ca/download.php?url=uploads/files/transmettre_document/finances_fiscalite.pdf

[6] Wong, Queenie. (2014). *Municipalities Are Richer Than They Think—Municipal Share of Taxes, Fees, and Transfers.* Toronto: Canadian Federation of Independent Business. [Pdf]. Accessed on March 27, 2014: http://www.cfib-fcei.ca/english/article/5966-municipalities-are-richer-than-they-think.html

[7] When asked "What Do You Consider an Appropriate Increase in Municipal Spending?" the vast majority (87 per cent) of small business owners said it should not outpace the growth of price levels and population combined. More specifically, 64 per cent opted for "an increase equal to inflation and population growth". Nine per cent think it should be "an increase below inflation and population growth", while 14 per cent do not find any increase appropriate. Source: CFIB, *Focus on British Columbia Survey*, November 2007.

[8] It should be noted that the spending trends in Vancouver and Toronto presented in this report differ from those presented in previous CFIB reports (*Big City Spenders*, 2013; *Municipalities Are Richer Than They Think*, 2014). Statistics Canada revised geographic definitions of some census subdivisions (i.e., municipalities); therefore, population data by municipality before and after 2001 may not be comparable. As a result, this report uses 2001 as the starting year of the analysis.

In addition, the spending data for Toronto used in this report are from the Ontario Ministry of Municipal Affairs and Housing, *Financial Information Return,* whereas the data presented in previous reports were from the City of Toronto's *Consolidated Financial Statements* (see Appendix B).

For Montreal, the starting year in this report is 2007, whereas it was 2006 in previous reports. This is an improvement in the methodology to reflect that in 2007, municipalities in Quebec adopted the accounting principles according to the Public Sector Accounting Board (PSAB) handbook. Prior to 2007, Quebec municipalities used the generally accepted municipal accounting principles in Quebec. A major change is the basis of consolidation: prior to 2007, financial data for Montreal covered only the accounts of the City of Montreal; as of 2007, financial data also include the accounts of the organizations under control by the City (see Appendix B). As a result, Montreal data for 2006 and 2007 are not directly comparable and the start year has been revised to 2007.

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[9] The spending data for Ottawa used in this report differ from the data presented in a previous CFIB report (*Municipalities Are Richer Than They Think*, 2014) where data from the City of Ottawa's *Consolidated Financial Statements* were used instead of data from the Ontario Ministry of Municipal Affairs and Housing, *Financial Information Return* (see Appendix B).

[10] Due to changes in accounting, capital assets are amortized as of 2008. Pre-2008, operating spending excludes capital expenditures; as of 2008, it excludes amortization of tangible capital assets.

[11] Due to changes in accounting, capital assets are amortized as of 2009. Pre-2009, operating spending excludes capital expenditures; as of 2009, it excludes amortization of tangible capital assets.

[12] Operating spending excludes amortization of tangible capital assets; however, due to changes in accounting, capital assets are amortized differently as of 2006.

[13] Due to changes in accounting, capital assets are amortized as of 2009. Pre-2009, operating spending excludes transfers from the Revenue Fund to the Capital Fund and as of 2009, it excludes amortization of tangible capital assets.

[14] Operating spending in the City of Montreal includes an adjustment for pension liabilities.

Due to changes in accounting, capital assets are amortized as of 2009. Pre-2009, operating spending excludes capital expenditures; as of 2009, it excludes amortization of tangible capital assets.

[15] Operating spending excludes fiscal services.

In 2008, the Codiac Transit Commission was dissolved and accounts were combined with those of the City of Moncton.

Year-end actual spending data was made available by the Province of New Brunswick upon request to obtain the sections "Municipal Budgets and Actual Results" of the *Annual Report of Municipal Statistics for New Brunswick*. While total expenditures were available for Moncton for 2011, not enough detail was available to include 2011 in this analysis.

[16] Labelled years represent the end of a fiscal year (e.g., 01 represents the fiscal year from April 1, 2000 to March 31, 2001).The fiscal year is April 1 to March 31 for all municipalities in Nova Scotia. (The fiscal year is the calendar year for municipalities in all other provinces.)

As of fiscal year 2008-2009, the reporting structure of the *Annual Report of Municipal Statistics* changed and non-consolidated numbers are used.

Operating spending excludes contributions to the Regional Housing Authority. It also excludes fiscal services until fiscal year 2007-2008. Due to the change in the reporting structure of the *Annual Report of Municipal Statistics*, fiscal services are no longer treated as expenses as of 2008-2009 but deducted from tax revenue.

Due to changes in accounting, capital assets are amortized as of fiscal year 2009-2010. Prior to 2009-2010, operating spending excludes capital expenditures; as of 2009-2010, it excludes amortization of tangible capital assets.

[17] Due to changes in accounting, capital assets are amortized as of 2009. Pre-2009, operating spending excludes capital expenditures; as of 2009, it excludes amortization of tangible capital assets.

As of 2004, operating spending also excludes actuarial pension adjustments.

[18] Expenditure data were made available by the Newfoundland and Labrador Department of Municipal Affairs upon request. As data for St. John's were not reported for 2007, data from the City of St. John's *Consolidated Financial Statements* were used for 2007 instead.

Operating spending excludes fiscal services.

Due to changes in accounting in the City of St. John's, capital assets are amortized as of 2007. Pre-2007, operating spending excludes capital expenditures; as of 2007, it excludes amortization of tangible capital assets. However, amortization of tangible capital assets is reported by the Newfoundland and Labrador Department of Municipal Affairs only as of 2009. Therefore, amortization of tangible capital assets for 2008 was supplemented from the City of St. John's *Consolidated Financial Statements* instead.

[19] Households include both family and non-family households as per Statistics Canada's definition (see http://www12.statcan.gc.ca/census-recensement/2011/ref/dict/households-menage007-eng.cfm).

[20] In the public sector, 86 per cent of employees were covered by a registered pension plan in 2011. In contrast, only 24 per cent of private sector employees were covered in 2011. Source: Office of the Chief Actuary, Office of the Superintendent of Financial Institutions Canada. (2014). *Registered Pension Plan (RPP) and Retirement Savings*

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Coverage (Canada). Ottawa: Office of the Superintendent of Financial Institutions Canada. [Web] Accessed on April 23, 2014: http://www.osfi-bsif.gc.ca/eng/oca-bac/fs-fr/pages/fs_rpp_2013.aspx

[21] Quebec National Assembly. (2014). *Bill 79 – An Act to provide for the restructuring of and make other amendments to municipal defined benefit plans*, First session, fortieth legislature. [Web] Accessed on April 14, 2014: http://www.assnat.qc.ca/en/travaux-parlementaires/projets-loi/projet-loi-79-40-1.html

See also: Bruemmer, René. (2014). Quebec gives municipalities tools to deal with pension costs. *The Montreal Gazette,* published February 20, 2014. [Web] Accessed on March 30, 2014: http://www.montrealgazette.com/business/Quebec+gives+municipalities+tools+deal+with+pension+costs/9532709/story.html

[22] In 2012, the City of Toronto spent $5,069,439,268 on wages, salaries and benefits. In Toronto, public sector compensation is 36.4 per cent above private sector norms. If wages, salaries and benefits had been in line private sector norms in 2012, they would have amounted to $5,069,439,268 / [(36.4 / 100) +1] = $3,716,597,704. Therefore, the public sector total compensation premium cost the City $5,069,439,268 - $3,716,597,704 = $1,352,841,564 in 2012.

[23] Dauphin, Claude. (2014). Letter: Our broken tax system hurts municipalities. *Ottawa Citizen*, published February 27, 2014. [Web] Accessed on April 3, 2014: http://www.ottawacitizen.com/news/Letter+broken+system+hurts+municipalities/9556299/story.html

[24] Municipalities Newfoundland and Labrador. (2014). *CFIB Report on municipal taxation is full of potholes*. News release, published February 25, 2014. St. John's: Municipalities Newfoundland and Labrador. [Web] Accessed on April 14, 2014: http://www.municipalnl.ca/?Content=News/CFIB_Report_on_municipal_taxation_is_full_of_potholes

[25] Union of British Columbia Municipalities. (2014). *2014 Advocacy Days Underway in Victoria.* News release, published April 2, 2014. Victoria: Union of British Columbia Municipalities. [Web] Accessed on April 14, 2014: http://www.ubcm.ca/EN/meta/news/news-archive/2014-archive/2014-advocacy-days-underway-in-victoria.html

[26] Big City Mayors' Caucus. (2014). *Mayors say cities held back by housing costs and transportation gridlock.* News release published February 27, 2014. Ottawa: Federation of Canadian Municipalities. [Web] Accessed on April 14, 2014: http://www.fcm.ca/home/media/news-releases/2014/mayors-say-cities-held-back-by-housing-costs-and-transportation-gridlock.htm

[27] CBC News. (2014). *Montreal to cut 2,200 jobs over next five years. Plan will save $240 million over five years and $2 billion over 10 years, mayor Denis Coderre says.* CBC News, published April 3, 2014. [Web] Accessed on April 14, 2014: http://www.cbc.ca/news/canada/montreal/montreal-to-cut-2-200-jobs-over-next-five-years-1.2597104

[28] Dachis, Benjamin and William B.P. Robson. (2014). *Baffling Budgets: Canada's Cities Need Better Financial Reporting. Commentary NO. 397.* Toronto: C.D. Howe Institute. [Pdf] Accessed on March 30, 2014: http://www.cdhowe.org/pdf/Commentary_397.pdf

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