

# The Provincial-Municipal Relationship: Always a 'work in progress' - A few lessons from Ontario

Presentation to:

- *The Nova Scotia Federation of Municipalities*


Plenary:

- Atlantic Ballroom, Westin Nova Scotian, Halifax
- Wednesday, November 8, 2023 – 1:45 PM - 2:45 PM

By **Michael Fenn**, *former Ontario Deputy Minister and City Manager*



# The Provincial-Municipal Relationship: Always a 'work in progress'

- Relationship between provincial and municipal governments in Canada is:
  - Always **important** –
  - But inherently **unequal**.
- Municipalities today face **ever-widening responsibilities** and increased public expectations, despite their **limited financial resources**
  - Operating **60% of Canada's public infrastructure**
  - On less than **10 cents** of each Canadian tax dollar.
- Service exchanges / changes in municipal legislation
  - Ontario's **FOUR rounds or waves** of service-exchanges... 
  - I will suggest **FIVE sets of lessons** based on that experience



## Service-Exchanges & reform of municipal legislation:

### *A snapshot of Nova Scotia's experience:*

- 1994 Provincial-Municipal Service Exchange Agreement reallocated responsibilities and restructured fiscal framework
- The objectives of original ***Service Exchange Agreement*** were:
  - 1) to create strong, **financially viable** local governments;
  - 2) to develop a clearer, fairer, **provincial-municipal partnership**; and,
  - 3) to **rationalize service** provision.
- After 2015 MGA Review, municipalities given authority to take some previously prohibited actions.



Nova Scotia

# Municipal reform bill sees wide support, CBRM pitches amendments

Officials with Cape Breton call on the province to work on a separate deal

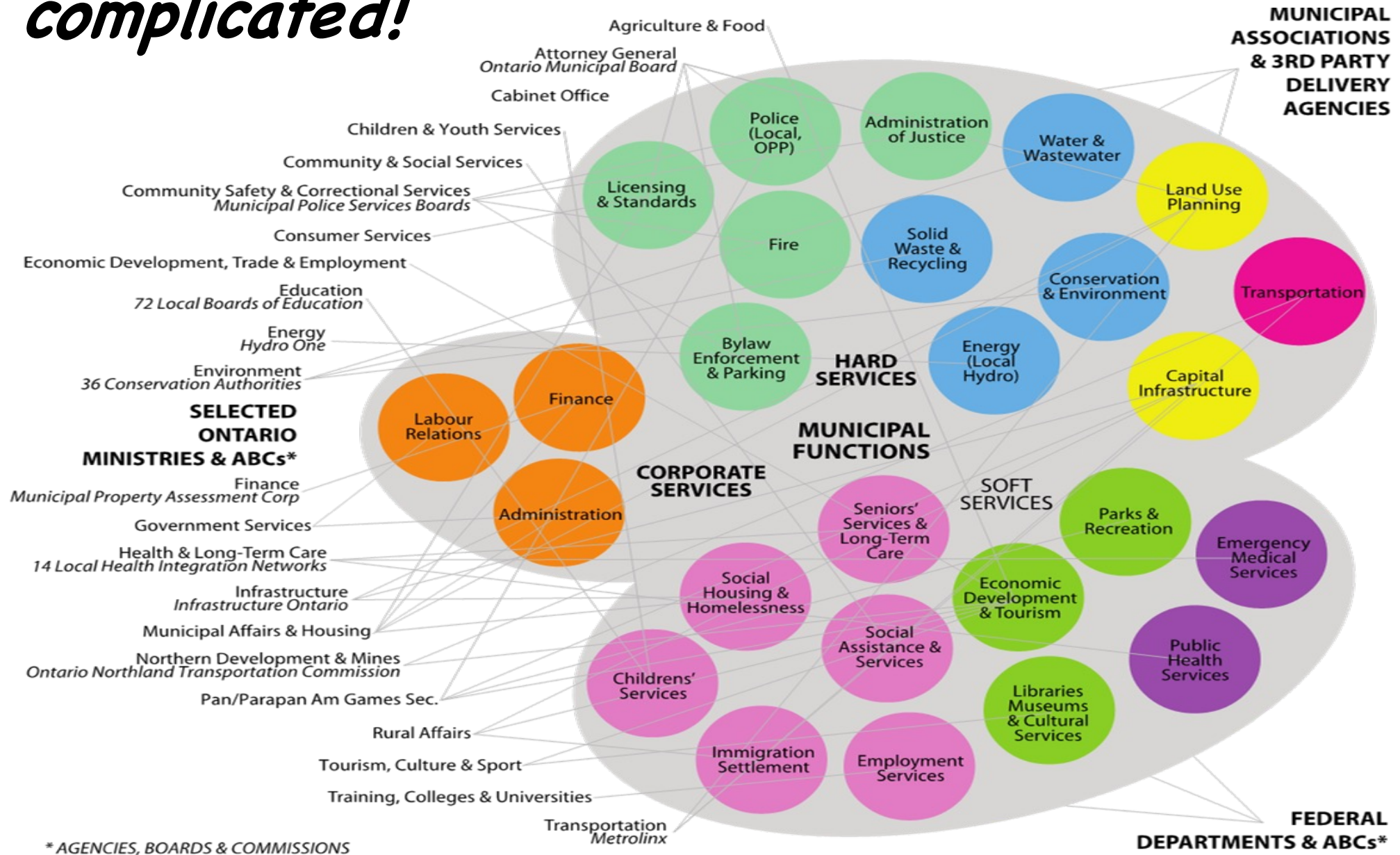


[Michael Gorman](#) - CBC News - Posted: Oct 30, 2023 4:21 PM EDT | Last Updated: October 30

## The Provincial-Municipal Relationship: Always a 'work in progress' - Lessons from Ontario

- Ontario municipalities went through a succession of fiscal and program reforms and “**service-exchanges**” over past several decades.
- Recently, Ontario government:
  - Expanded the **role of mayors**; mandated **planning and housing outcomes**; reduced **development revenues**; audits of major cities; abolished one of Canada’s largest municipalities (Regional Municipality of Peel, pop. 1.4 million)
- Are there **common themes** between Ontario and Nova Scotia?
  - **What lessons might there be** for Nova Scotia, its municipalities and NSFAM from Ontario’s experience?
- Are there **opportunities for municipalities** to better utilize **existing or expanded powers** or to **collaborate** more effectively in tackling current and emerging issues?

# It's complicated!

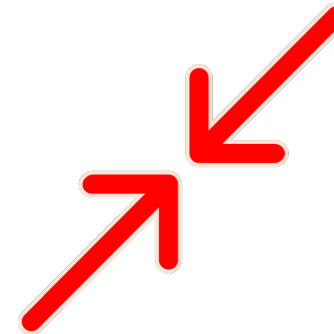


\* AGENCIES, BOARDS & COMMISSIONS

# Round One: Ontario municipalities' negotiations with...

## NDP Government (Bob Rae: '90-'95)

- **Previous arrangements:** Grants for bridges and roads; transit capital and operating; recreation and arena grants; library grants; public health cost-sharing; water and wastewater grants; limited welfare administration
- 1991 '**Hopcroft**' Report Principles:
  - 'Disentanglement'
  - Fewer conditional grants
  - Fewer human services responsibilities
  - Tentative agreement not supported; later **imposed by Province**, with fewer benefits
- 1993: **Social Contract:** labour-style negotiations with municipal and other public sectors; restructuring public services to achieve savings >\$1 billion

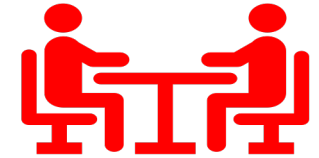


# Round Two: Ontario municipalities' negotiations with...

## PC Government (Mike Harris: '95-'02) "Common Sense Revolution"

'Who Does What?' panels of municipal and other experts

- Principles: **more property tax 'room'** (education tax); more municipal powers; but **wider municipal responsibilities**; transitional grants



## Local Services Realignment (LSR or "downloading") Response to WDW Panels

- Education "tax room" granted, but off-set by more more responsibilities
- '97-'98: 15,000 kms. Provincial roads; **cut most conditional grants**; municipalities assumed partial or full funding for social services (social housing, welfare administration, disability supports, seniors' drug benefit, and child care)
- Plus operating cost of municipal **and regional** transit, public health, long-term care, land ambulance, property assessment, and court security



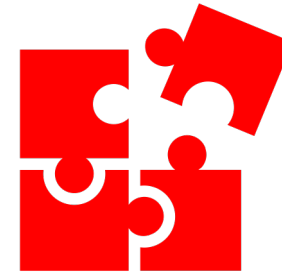
# Round Two: Ontario municipalities' negotiations with...

## PC Government (Mike Harris: '95-'02; Ernie Eves: '03)

- Province retained regulatory control of 'devolved' functions; risk of “**unfunded mandates**”: operating standards, capital expenditures
- Reduced municipalities from **850 to 444**; created 'metro' cities of Ottawa, Toronto and Hamilton; new property assessment and tax regime; electricity restructuring

## 2001 Memorandum of Understanding (MOU)

- Between Province and Association of Municipalities
- In *New Municipal Act*: Prior consultation on legislation and program changes
- AMO: 'taking municipalities out of the MUSH sector of transfer-payment entities'
  - Land ambulance funding-share reverted to 50-50% in 1999;
  - Regional transit re-assumed by the Province in 2002



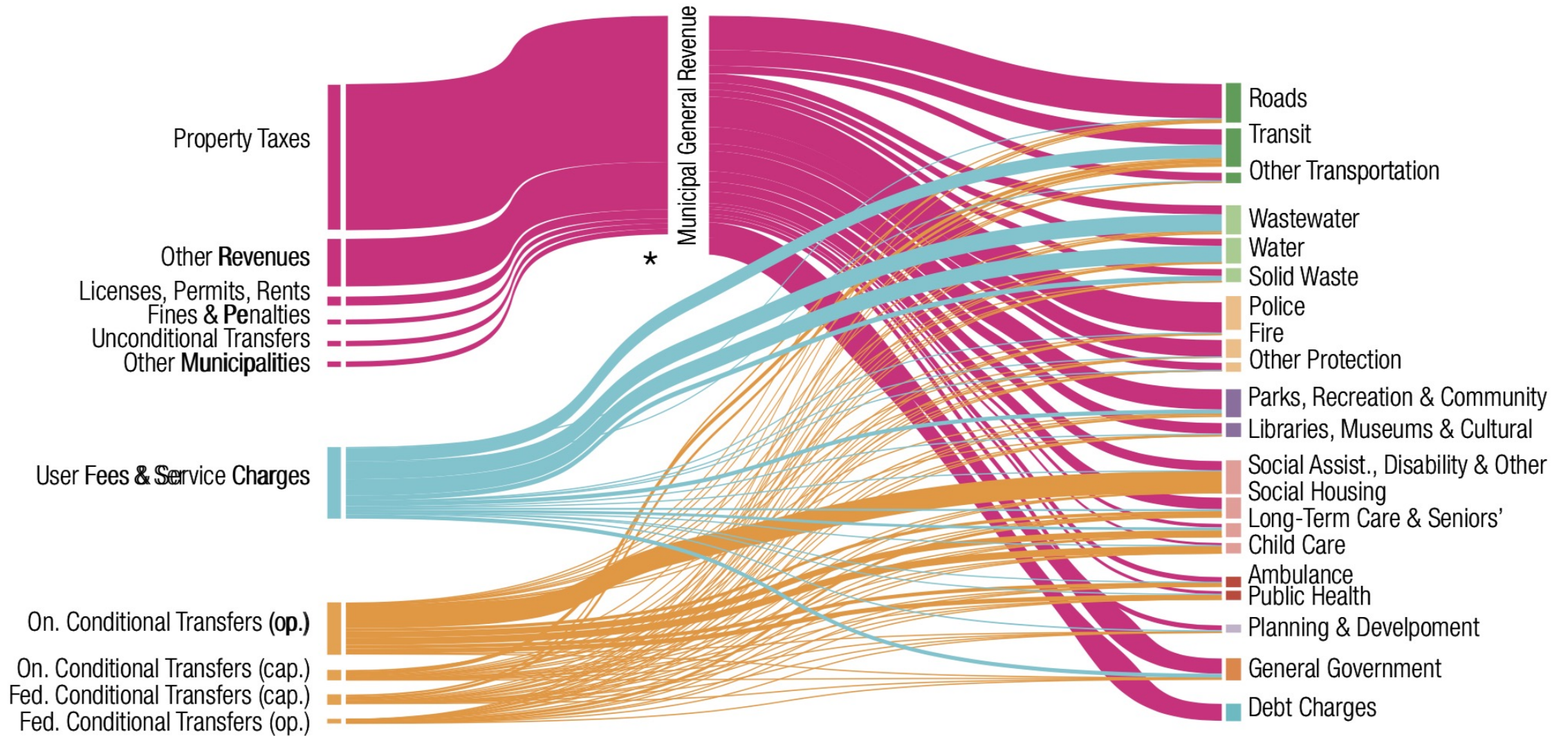
# Round Three: Ontario municipalities' negotiations with...

## Liberal Governments (McGuinty: '03-'13)/(Wynne: '13-'18)

- **Municipal Goal:** bigger provincial cost-share of health and human services
- **Results:**
  - Elimination of social services cost 'pooling' among Toronto-area municipalities
  - Public health costs returned to pre-LSR 75-25% shares in 2007
  - Province re-assumed court security and prisoner transport
  - Re-negotiation of municipal share of Provincial policing formula
- **PMFSDR** (Provincial-Municipal Fiscal and Service Delivery Review) 2008
  - Costs re-assumed by Province (2008-16)
  - But reduced major transitional/stabilization grants
  - Value of the social assistance upload est. at **\$2.1B/year (not \$1.5B as forecast)**



# *By 2011, more reliance on property tax and fees: fewer provincial grants*



# Round Four: Ontario municipalities' negotiations with...

## Progressive Conservative Government (Doug Ford: '18-'23)

- **City of Toronto Long-Term Financial Plan (2023):**

- City of Toronto faces significant immediate and long-term financial crisis:
- Estimated \$1.5 billion starting pressure for the 2024 operating budget;
- Estimated \$29.5 billion needed for the 10-year Capital Plan;
- \$46.5 billion shortfall identified over the next 10 years.



- **What would a 'new deal' look like?**

- Possibilities include **municipal sales taxes** or giving municipalities a **share of income taxes or GST/HST** collected by federal and provincial governments.
- Premier Doug Ford has already ruled-out a municipal sales tax.

- **Looking past the Province to the Government of Canada.**

- Federal government has more fiscal capacity, as **demonstrated during pandemic.**
- Federation of Canadian Municipalities' "Municipal Growth Framework"
- Enlist the Province in bringing the Federal Government to the table
  - Late Mayor Hazel McCallion once said, *"The Feds have all the money, the Province has all the power, and local governments have all the problems"*.

# Five lessons learned by Ontario municipalities (1)

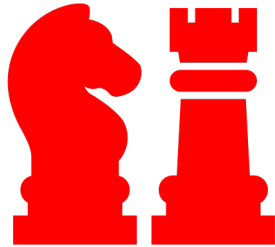
## Are you “creatures of the Province” or do you “own the agenda”?

- Are there **common themes** between Ontario and Nova Scotia? What lessons might there be for Nova Scotia, its municipalities and NSFAM from the Ontario experience?
- The relationship between provincial and municipal governments in Canada is **always important** – but **inherently unequal**
- Municipalities remain ‘**creatures of the province**’ in constitutional and financial terms
- But municipalities crucial to meeting many **provincial objectives**, which today includes increasing the supply of affordable housing
- Are there opportunities for municipalities to better **utilize existing powers** or to **collaborate more effectively** in tackling current and emerging issues?



# Five lessons learned by Ontario municipalities (2)








## What worked and what didn't?



- PMFSDR: focus on **principled approach, not just dollars**
- Sector-wide **trade-offs uneven** in impact: never locally “revenue neutral”, always frozen in time
- “Service exchanges”: **risks over time** (labour, asset management, unfunded mandates, emerging issues, e.g., climate impacts), incentive for mergers
- Make your case using **their priorities**, not just yours
- MOU: ongoing **government-to-government relationship**; “no surprises”

# Five lessons learned by Ontario municipalities (3)

## Tactics vs. strategy

- Provincial **political reaction** to both your strategy and your tactics?
- Do you compete well when compared to **other Provincial priorities**?
  - Health care, education, economic development, provincial transportation, energy, environment, housing, etc.?      
  - Can you mobilize your communities and stakeholders?
    - Target your local media and MLAs of all parties – **keep the message simple**
- Is there merit in **incremental approach**? 
  - Take what's good, and return later?
- Careful not to threaten, especially if the other side isn't worried, or **knows your team is divided.**

# Five lessons learned by Ontario municipalities (4)

## The **dynamics** of “Service Exchanges”

- **Wider responsibilities** = greater asset-management / SOGR obligations
- Multi-party municipal side vs. **single provincial side**
  - Province may prefer ‘divided’ negotiations – by function or by region
- How do you measure success? Overall, or “all boats raised”? “All are winners and all must have prizes”?

## **Segmented approach** –

- Ontario negotiations for municipalities with human services responsibilities (PMFSDR)?
- Negotiations on **topics**: e.g., transit; support for refugees and homeless; tourism; water/wastewater infrastructure

## Options some find **politically challenging** to accept:

- E.g., better deal on borrowing for infrastructure; measures to support P3s; options favouring user-pay / full-cost pricing; etc.
- Burden of audit, reporting and compliance obligations?
- Policy “add-ons” (labour, ESG, etc.).



# Five lessons learned by Ontario municipalities (5)

Provincial-municipal relationship is **an on-going relationship**

- On-going relationship can be **marred by the negotiations** or by your / their tactics
- **Not a one-off** – more like negotiating with your kids than buying a truck
- Is the other side a **political opponent** – or a partner?
- How do you advocate your case, without damaging the relationship or **selling-short some of your municipal members**?
- Does success in one round breed **resentment for the next round**, especially if aggressive approach worked?
- Know **when to quit**; but know **when to sign** – Don't make Agreement the only goal



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*Thank You!*



Presentation to:

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- Halifax NS, Wednesday, November 8, 2023
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