

# Comparing Municipal Finances in the Greater Toronto and Hamilton Area

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# Executive Summary

Municipal governments play an important role in the lives of Ontarians by providing key services and collecting taxes and fees. But it is not always straightforward for citizens to understand the state of their municipal government's finances, and even less straightforward to understand how their government performs relative to other municipalities. To help create awareness and encourage debate, this report provides a summary analysis of important financial information for 26 municipalities in the Greater Toronto and Hamilton Area (GTHA), spanning the eight-year period from 2009 to 2016.

## Government spending

There is considerable variation in per-person spending among the GTHA's 26 municipalities. Toronto, the region's largest city, was the highest spender in 2016 (\$4,010 per person), while Milton spent the least (\$2,385 per person). Mississauga, Brampton and Hamilton, the region's next largest cities, spent \$2,705, \$2,804, and \$3,086, respectively. From 2009 to 2016, however, Toronto and Hamilton saw some of the region's greatest reductions in real per-person spending: -7.7% and -5.9%, respectively. Over the same period, per-person spending grew in Mississauga (9.4%) and Brampton (15.1%). Toronto's largest spending item (by function) was transportation (\$1,151 per person), which includes regionally significant infrastructure such as the Toronto Transit commission and municipal expressways. By object, the largest spending category region wide was employee compensation (salaries, wages and benefits), accounting for 47.4% of all municipal spending in the GTHA. Only three municipalities (Pickering, Toronto, and Whitby) dedicated more than 50% of spending towards this category.

## Government revenue

As with spending, there is great variation in levels of per-person revenue among GTHA municipalities. In 2016, King Township collected the most revenue per person (\$5,130), while Georgina—another rural municipality in York Region—collected the least (\$2,799). Mississauga collected the second-lowest amount of revenue per person (\$3,049), while Toronto collected the fourth most (\$4,476 per person). Between 2009 and 2016, Aurora's per person revenue collection grew the most (73.2%), while Ajax saw revenue decrease the most in the GTHA (-11.8%). As with spending, Toronto's revenue decreased over this period (-3.3%), while Mississauga, Brampton, and Hamilton saw revenues increase by 7.0%, 5.1%, and 0.7%, respectively.

Across the GTHA, 38.9% of municipal revenue came from property taxes in 2016. Reliance on this revenue source is typically higher in Durham Region, and lower in

York Region, where user fees play a greater role. Toronto and Hamilton, the GTHA's only two single-tier municipalities, rely more heavily on transfers from the provincial and federal governments. Development charges represent a greater share of revenue in several fast-growing municipalities, such as Milton, Markham, and Brampton, but also in several municipalities experiencing below-average population growth, such as Halton Hills and Aurora, raising important questions about these fees' purpose, and their application in practice.



# Introduction

Municipal governments provide many important services that directly affect the daily lives of city residents and businesses, including police and fire protection, water utilities, garbage collection, and parks and recreation. They also collect revenue by means of taxation (including property taxes), user fees, transfers from other governments, and fees paid by land developers. Despite the important role municipalities play in the lives of Ontarians, it is not always straightforward for taxpayers and voters to understand the state of their municipal government's finances, and even less straightforward to understand how their government performs relative to others.

While provincial regulations limit the risk of financial mismanagement—for instance, municipal governments are generally required to balance their operating budgets every year—a balanced operating budget is only one indicator of healthy government finances.<sup>1</sup> Taxpayers need further information and analysis if they are to make a more complete judgment about the financial state of affairs of municipal governments. This report, part of a series on municipal finance in Canadian metropolitan areas,<sup>2</sup> provides a summary analysis of important financial information for the 26 lower and single-tier municipalities in the Greater Toronto and Hamilton Area (GTHA) spanning an eight-year period (2009–2016). This period was selected because 2016 was the latest year of available data during this report's production, and 2009 was the first year of comparable data following the Ontario provincial government's transition to full accrual accounting in its collection and presentation of Financial Information Return (FIR) data.

The objective of this report is not to make an absolute assessment about any particular municipality's finances—for instance, whether taxes or spending are too high or whether municipal governments produce good value for taxpayers. The aim is, however, to inform the public about the state of municipal finances in the GTHA and provide some basic comparative information that is otherwise not readily available in a single report.

The report is organized as follows. The first section provides brief background on the structure of municipal government in Ontario, explains the data source used for the analysis as well as key adjustments, and outlines important drivers of intermunicipal variation, notably in the City of Toronto. The second section provides an overview of

1. Ontario municipalities may incur long-term debt to fund capital projects, but must maintain balanced operating budgets, unlike their federal and provincial counterparts (Ontario, Ministry of Municipal Affairs and Housing, 2017).

2. This report follows Fraser Institute reports assessing the state of municipal finance in Metro Vancouver. For more on this subject, see Filipowicz, Emes, MacIntyre and Lammam, 2018; Lammam, Emes and MacIntyre, 2014; and Lammam and MacIntyre, 2014.

government spending for the 26 GTHA municipalities in 2009 and 2016, while the third section provides a similar overview of revenue. The final section concludes by summarizing the report's findings. In addition, there are two appendices: one providing a detailed description of the database; and a second outlining the share of revenue and spending shouldered by upper-tier municipal governments.

Map of the Greater Toronto and Hamilton Area





# 1. Background

This section has four purposes. First, it briefly explains the structure of municipal government in Ontario. Second, it introduces the data source used for analyzing municipal government finances including spending and revenue. Third, it notes key adjustments made to the data in the report. The section ends with a brief discussion of several major drivers of variations in spending and revenue specific to the Greater Toronto and Hamilton Area (GTHA) and, in particular, the City of Toronto.

## Municipal government structure in Ontario and the GTHA

There are 444 municipalities in Ontario, each of which can be categorized either as single-tier (173 municipalities), or part of a two-tier system, composed of an upper-tier (30) and a lower-tier (241). A single-tier municipality such as Toronto, Ottawa, or Hamilton delivers all local government services. Alternatively, a two-tier municipality involves a regional municipality or upper-tier such as York Region or Waterloo Region that provides certain services across all or most lower-tier municipalities within its regional boundaries. Such (lower-tier) municipalities, including Mississauga, Vaughan, and Kitchener in turn provide specific services to residents within in their own, smaller boundaries.<sup>3</sup> Essentially, the two-tier system is a mechanism by which to separate municipal services that are better delivered at the local level from those the region provides more efficiently.

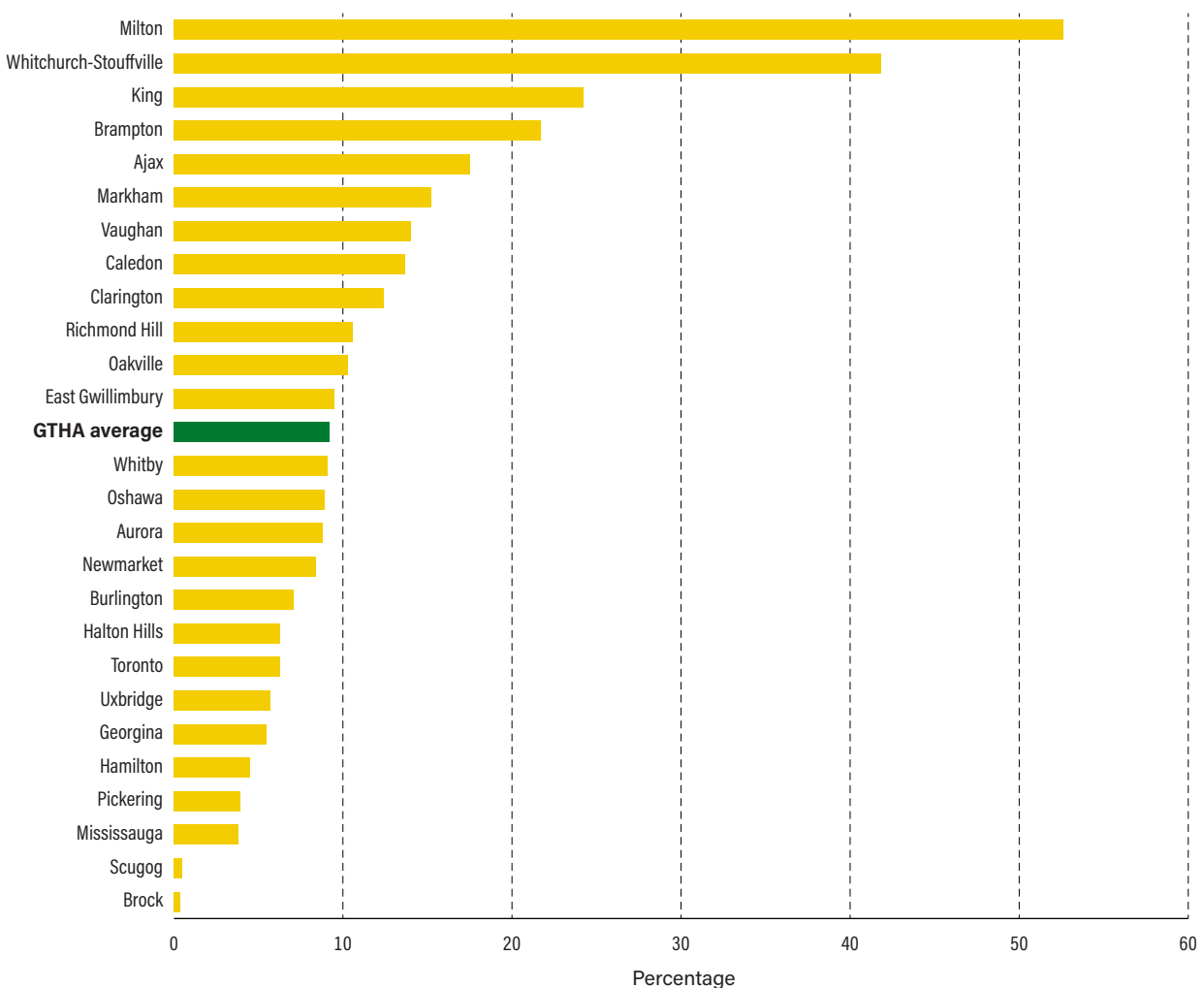
As an initial study of municipal finances in Ontario, this report focuses solely on the Greater Toronto and Hamilton Area (GTHA), the province's largest urban region: in 2016, the region's combined population was almost 7 million, or 51.7% of Ontario's 13.4 million inhabitants (Statistics Canada, 2016). As indicated in Map 1, this region spreads east, north, and west from Toronto, enveloping the western half of Lake Ontario.

Table 1 lists the GTHA's 26 lower- and single-tier municipalities, including their proportion of the region's total population in 2016, as well as population growth over the period of analysis (2009–2016), which is also shown in figure 1. Twenty-four of these 26 municipalities are lower-tier, meaning they are located within one of four regions, Durham, Halton, Peel, or York. Toronto is by far the GTHA's largest city and primary “anchor” as a centre of employment and finance; it is also the provincial capital. Hamilton

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3. There can be important variations in the responsibilities held by upper-tier governments. Most are responsible for regional or county road or sewer networks and water services (Ontario, Local Planning Appeal Support Centre, 2018), although several also provide policing, transit, and waste collection and management. For a proportions of municipal spending and revenue attributable to upper-tier governments in the GTHA in 2016, see Appendix 2.

Figure 1: Population growth (%) in the Greater Toronto and Hamilton Area, 2009–2016



Sources: Statistics Canada, 2006 Census; 2016 Census; Census Profile; NHS Profile.

also plays an important role in the region's west, while Oshawa anchors the region's east. Both Peel and York Regions have over one million inhabitants, making them important political units in their own right. Mississauga, the GTHA's second-largest city (and Canada's sixth largest) is located in Peel Region.

### Data source—Financial Information Return

Municipal financial statements can be difficult to comprehend owing in part to differences in accounting practices and an inability to draw reliable conclusions (Dachis and Robson, 2014). In Ontario, reporting on municipal finances is greatly aided by the Financial Information Return (FIR) database, which is published annually by the provincial government's Ministry of Municipal Affairs and Housing (2016b). The provincial

Table 1: Municipal population in the Greater Toronto and Hamilton Area, 2016

Regions and Municipalities	Population, 2016	Percentage of total	Rank	Growth (%), 2009-2016	Rank
<b>Durham</b>					
<i>Ajax</i>	119,677	1.7%	12	17.5%	5
<i>Brock</i>	11,642	0.2%	26	0.4%	26
<i>Clarington</i>	92,013	1.3%	14	12.4%	9
<i>Oshawa</i>	159,458	2.3%	10	8.9%	14
<i>Pickering</i>	91,771	1.3%	15	3.9%	23
<i>Scugog</i>	21,617	0.3%	24	0.5%	25
<i>Uxbridge</i>	21,176	0.3%	25	5.7%	20
<i>Whitby</i>	128,377	1.8%	11	9.1%	13
<b>Halton</b>					
<i>Burlington</i>	183,314	2.6%	9	7.1%	17
<i>Halton Hills</i>	61,161	0.9%	18	6.3%	18
<i>Milton</i>	110,128	1.6%	13	52.6%	1
<i>Oakville</i>	193,832	2.8%	8	10.3%	11
<b>Hamilton</b>	536,917	7.7%	4	4.5%	22
<b>Peel</b>					
<i>Brampton</i>	593,638	8.5%	3	21.7%	4
<i>Caledon</i>	66,502	1.0%	17	13.7%	8
<i>Mississauga</i>	721,599	10.4%	2	3.8%	24
<b>Toronto</b>	2,731,571	39.3%	1	6.3%	19
<b>York</b>					
<i>Aurora</i>	55,445	0.8%	19	8.8%	15
<i>East Gwillimbury</i>	23,991	0.3%	23	9.5%	12
<i>Georgina</i>	45,418	0.7%	21	5.5%	21
<i>King</i>	24,512	0.4%	22	24.2%	3
<i>Markham</i>	328,966	4.7%	5	15.2%	6
<i>Newmarket</i>	84,224	1.2%	16	8.4%	16
<i>Richmond Hill</i>	195,022	2.8%	7	10.6%	10
<i>Vaughan</i>	306,233	4.4%	6	14.0%	7
<i>Whitchurch-Stouffville</i>	45,837	0.7%	20	41.8%	2
<b>GTHA average</b>	6,954,041	n/a	n/a	9.2%	n/a

Sources: Statistics Canada, *2006 Census*; *2016 Census*; *Census Profile*; *NHS Profile*.

government requires municipalities to produce annual financial information on a consistent accounting basis in calendar year format (January to December).<sup>4</sup> A more complete description of the Local Government Statistics can be found in Appendix 1.

The analysis in this report uses FIR data starting in 2009. This is because accounting practices changed to full accrual<sup>5</sup> after 2008, making 2009 the first year of data comparable to the latest years. All population data used are sourced from Statistics Canada, using census years (2006, 2011, and 2016) as base years from which to prorate the intervening years.<sup>6</sup>

## Data adjustments

The report examines all municipal finances across the GTHA, including single-, upper-, and lower-tier municipal spending and revenue. Broad comparability across municipalities was made possible by combining upper- and lower-tier spending and revenue, producing “constructed” estimates of municipal finances. This was achieved by apportioning upper-tier financial data among constituent lower-tier municipalities, based on their share of regional (upper-tier) population. For example, if Vaughan represents 28% of York Region’s population in a given year, a commensurate percentage of upper-tier spending and revenue from that year is allotted to it. Similar approaches were taken by Slack, Tassonyi, and Grad (2015), who produced “constructed” municipalities consisting of combined upper- and lower-tier per-capita revenue and operating expenditures; and Chernick, Langley and Reschovsky (2011), who apportion county and school-board revenue by lower-tier municipality on a per-capita basis in various US cities.

We deviate from this approach in the unique case of Caledon. Caledon is located in Peel Region, which, like York, Durham, and Halton Regions has a regional police force. However, Caledon is the only lower-tier municipality in the GTHA that contracts its policing to the Ontario Provincial Police (OPP). Police spending for Peel, therefore, is only apportioned, per capita, between Peel’s two remaining municipalities, Mississauga and Brampton, both of which rely on Peel Regional Police.

Adjustments were made throughout the report to account for inflation and differences in population. As table 1 shows, population varies greatly among the 26 municipalities examined. The City of Toronto has the largest population with 2,731,571 (2016) or 39.3% of the GTHA total. Mississauga has the second largest with a population of 721,599 (10.4%), followed by Brampton at 593,638 (8.5%) and Hamilton at 536,917 (7.7%). Nine

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4. At the time of writing, the Financial Information Return database was available online from 2001 to 2016 at the Ministry of Municipal Affairs and Housing home page of the Financial Information Return (FIR), <<https://efis.fma.csc.gov.on.ca/fir/Welcome.htm>>.

5. For a full description of municipal financial reporting and submissions to the FIR, see Ontario Ministry of Municipal Affairs and Housing, *Common Language Guide to Municipal Financial Statements* (2016a).

6. This approach was selected because of anomalies detected in population estimates reported by municipalities to the provincial government. This is especially the case for smaller communities.

other municipalities have more than 100,000 residents. At the other extreme is Brock Township with a population of 11,642 or 0.2% of the total. Uxbridge, Scugog Township, East Gwillimbury, King Township, Georgina, and Whitchurch-Stouffville all had fewer than 50,000 residents in 2016. Because of the variation in population, the financial data are presented on a per-person basis unless otherwise noted. In addition, 2009 values are adjusted to 2016 dollars to make both years' spending and revenue figures directly comparable.<sup>7</sup>

There has also been great variation in population growth among GTHA municipalities over the eight years of analysis. The region as a whole grew 9.2% (585,775 new residents) between 2009 and 2016, led by Milton with 52.6% growth (37,955 new residents) and Whitchurch-Stouffville with 41.8% growth (13,504 new residents). At the other end of the scale, Durham Region's rural northern townships of Brock and Scugog had population increases of only 0.4% and 0.5%. The City of Toronto, at the region's core, experienced growth (6.3%) well below the total for the region.<sup>8</sup> Noting such strong variation is important for a better understanding of municipal finances, including the priorities different communities face as they grow.

## Drivers of intermunicipal variation

As outlined in the introduction, the objective of this report is not to make an absolute assessment about any municipality's finances—for instance, whether taxes or spending are too high or whether municipal governments produce good value for taxpayers. Rather, it is meant to provide an overview of combined upper- and lower-tier spending and revenue (where applicable) across comparable item categories for the benefit of citizens seeking a better understanding of their or neighbouring municipalities' finances. More than a dozen financial indicators for 26 lower- and single-tier municipalities are included in this analysis, resulting in significant intermunicipal variations both in spending and revenue (sections 2 and 3). These will not be exhaustively explored in this analysis but there are several important drivers of spending and revenue both general, and specific to the GTHA, worth mentioning here.

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7. The Consumer Price Index (CPI) for Ontario (Statistics Canada, 2018) is used to calculate inflation adjustments. Some analyses of government finances use variations of an implicit price deflator (IPD) instead of the CPI, as IPDs are constructed using a "basket" of expenditures actually made by governments. However, the use of an IPD also carries risks, including the possibility that recorded inflation—notably for large spending items such as employee compensation—are in fact driven by discretionary decisions such as collective agreements (Minnesota Center for Fiscal Excellence, 2013).

8. It is possible that cities whose urban footprint covers most or all of the area within municipal limits (Toronto, for example) grow less quickly. Indeed, the ten fastest-growing municipalities in the GTHA include important sections of rural (greenfield) land. However, some of the slowest-growing municipalities in the GTHA, such as Brock, Scugog, and Georgina, also include large portions of rural land. Moreover, a lack of options for outward urban expansion does not necessarily preclude cities from upward expansion, through higher population density (Filipowicz, 2018).

On the spending side, these include the terms of collective agreements for municipal employees and/or the size of municipal payrolls per resident (Trotter, 2011); differing preferences among residents as to the quantity and quality of locally provided services, as originally hypothesized by Charles Tiebout (1956); geography (dispersed populations may be more costly to serve); cost factors related to scale (certain services may be more costly to provide on a per-resident basis in smaller population centres); potential spillovers between jurisdictions (for example, if one local police service is disproportionately burdened with regional issues); and whether municipalities outsource services or provide them in house (and how). On the revenue side, municipalities may have differing levels of fiscal autonomy, allowing some to levy taxes that others do not (such as Toronto's municipal land-transfer tax and now-defunct vehicle registration tax); vary tax rates or user fees; or collect revenues from non-residents in exchange for local services.

Perhaps the GTHA's best example of this last scenario, as well as of possible spillovers between municipalities, is the City of Toronto's higher per-person spending and revenue relating to transportation—the single largest spending item (by function) region-wide. Notably, the City owns and operates the Toronto Transit Commission (TTC), which collects revenue from commuters from outside Toronto. Approximately 85% of the GTHA's transit riders are served by the TTC (Lee, 2019), leading to higher maintenance and frequency requirements (more spending) than those generated solely by Toronto's domestic ridership. However, because the TTC recovers the majority of its operating costs at the fare box (more, in fact, than most other major North American local transit systems), higher ridership also translates into higher revenues. Similarly, the Gardiner Expressway and Don Valley Parkway—key road arteries providing access to and from Toronto's central business district—are used by drivers from across the region and beyond. Unlike the TTC, however, these roadways are not tolled, meaning the costs for non-resident usage are not directly recovered.

These examples offer substantial (if partial) explanation for Toronto's higher transportation expenditures and revenues, while illustrating the importance of refraining from attempts to assess value for taxpayers without first considering local determinants of fiscal outcomes. This report, therefore, is best used as a “lay of the land” for the state of total municipal spending and revenue across key categories in Canada's largest urban region—not as a gauge of performance.

## 2. Municipal Spending

This section analyzes local government spending across the GTHA. Table 2 presents per-person spending levels and ranks in 2009 and 2016, the change in rank, and the change in (inflation-adjusted) per-person spending over the period. Figure 2 shows municipal spending per person in 2016 and figure 3 shows change in municipal spending per person from 2009 to 2016. Tables 3a and 3b break municipal spending down by function (for example, transportation, social housing, or protections to persons and property), while tables 4a and 4b break spending down by object (for example, salaries and wages, contracted services, and interest on long-term debt). All figures are presented in 2016 dollars.

Table 2 presents per-person municipal spending, combining lower-tier spending with each municipality's per-capita share of upper-tier spending, where applicable. As the data in table 2 and figure 2 show, Toronto spent the most in 2016 (\$4,346 per person) while Milton spent the least (\$2,385 per person). The average for the region (weighted by population) was \$3,294 per person, likely a result of Toronto's combination of a large population and higher per-capita spending relative to its neighbours. Across municipalities, the average falls to \$2,878 per person.

At \$3,872 per person, East Gwillimbury was the second-highest spender in 2016, spending approximately \$138 less than Toronto.<sup>9</sup> The third highest spender is King Township (\$3,360 per person), which, like East Gwillimbury, has a relatively small population spread over a large geographical area, and is located in York Region. Interestingly, the second- and third-lowest spenders, Caledon (\$2,416 per person) and Halton Hills (\$2,497) also have relatively low populations spread over large areas, but are not located in York Region. This raises important questions both about the cost of service delivery in sparsely populated municipalities, as well as the role upper-tier municipalities play in determining these costs.

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9. East Gwillimbury's relatively high spending in 2016 is driven by a single category (General Government, as indicated in table 3a). This is in large part the result of the establishment of an account (treated as an expense) for the future issuance of Development Charge Credits. Such credits are typically offered by municipalities to property developers providing growth-related infrastructure, such as trunk sewers, in line with local or regional planning objectives. Developers may then use these credits to offset future development charges in the same municipality within a defined time period. Though Development Charge Credits are fairly common practice, especially among municipalities with rapid rates of greenfield development, East Gwillimbury's approach in reporting this expense (and the sum of yet-to-be-issued credits it contains) in a single year is unusual among GTHA municipalities in 2016. Whether such a reporting approach is ideal is not explored in this analysis. However, the practice of reducing future liabilities in this fashion (in a single year rather than over time) raises questions about the possible limitations (or advantages) of full accrual accounting, as employed for the FIR database.

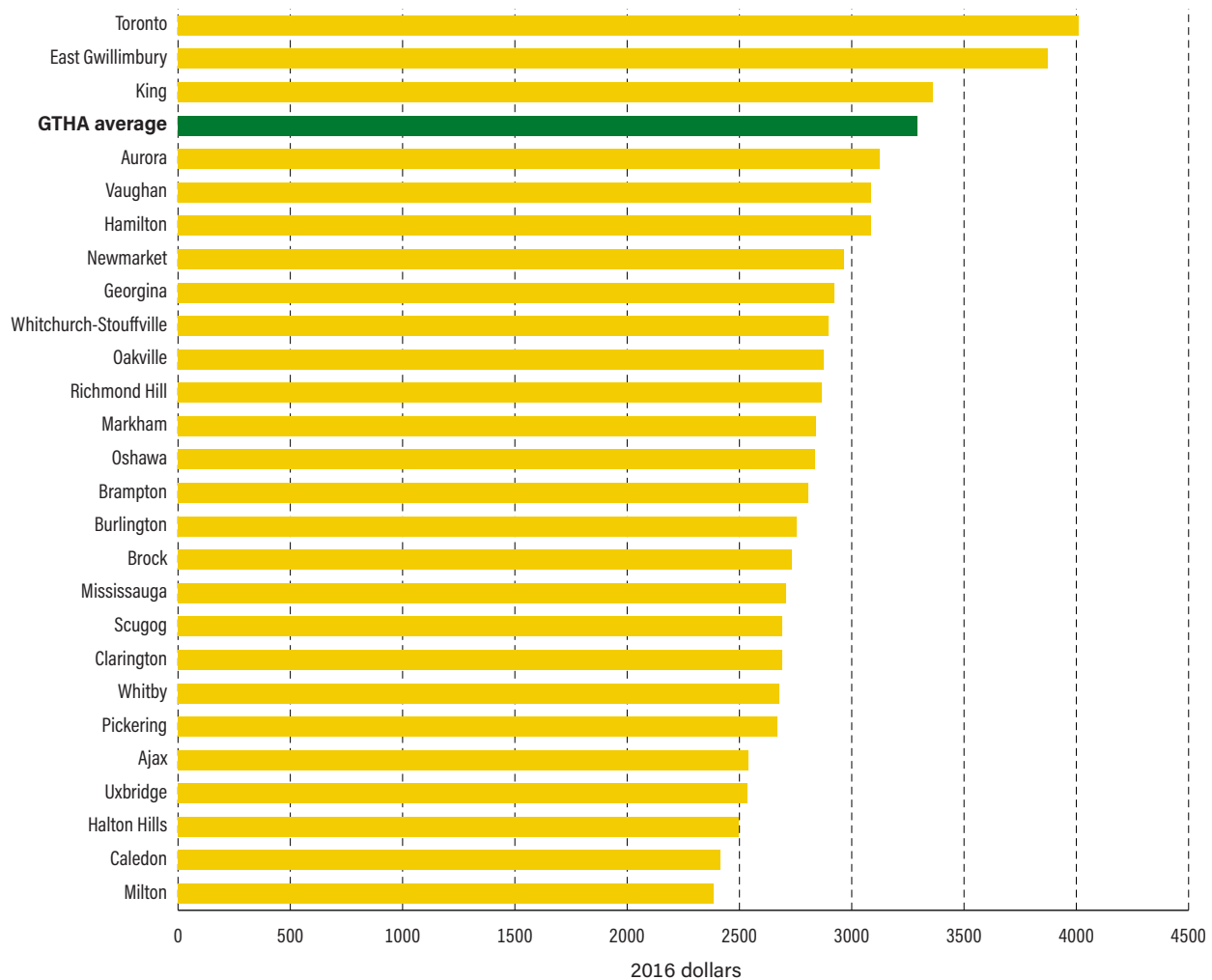


Table 2: Municipal spending (\$2016) per person in the GTHA, 2009, 2016

Regions and Municipalities	2009		2016		Change in rank	Growth in spending per person, 2009–2016	
	Spending per person	Rank	Spending per person	Rank		Percentage	Rank
Durham							
Ajax	2,527	22	2,538	22	0	0.4%	16
Brock	2,832	5	2,735	16	−11	−3.4%	23
Clarington	2,681	12	2,688	19	−7	0.3%	17
Oshawa	2,906	3	2,837	13	−10	−2.4%	21
Pickering	2,677	13	2,667	21	−8	−0.4%	18
Scugog	2,666	14	2,692	18	−4	1.0%	15
Uxbridge	2,562	20	2,537	23	−3	−1.0%	20
Whitby	2,700	11	2,679	20	−9	−0.8%	19
Halton							
Burlington	2,570	19	2,755	15	4	7.2%	10
Halton Hills	2,429	26	2,497	24	2	2.8%	14
Milton	2,558	21	2,385	26	−5	−6.8%	25
Oakville	2,745	9	2,876	10	−1	4.8%	13
Hamilton	3,278	2	3,086	6	−4	−5.9%	24
Peel							
Brampton	2,435	25	2,804	14	11	15.1%	3
Caledon	2,499	23	2,416	25	−2	−3.3%	22
Mississauga	2,473	24	2,705	17	7	9.4%	7
Toronto	4,346	1	4,010	1	0	−7.7%	26
York							
Aurora	2,773	7	3,124	4	3	12.7%	5
East Gwillimbury	2,712	10	3,872	2	8	42.8%	1
Georgina	2,586	18	2,924	8	10	13.1%	4
King	2,906	4	3,360	3	1	15.6%	2
Markham	2,656	15	2,840	12	3	6.9%	12
Newmarket	2,764	8	2,963	7	1	7.2%	11
Richmond Hill	2,633	17	2,865	11	6	8.8%	9
Vaughan	2,830	6	3,087	5	1	9.1%	8
Whitchurch-Stouffville	2,642	16	2,897	9	7	9.7%	6
GTHA average	3,362	n/a	3,294	n/a	n/a	−2.0%	n/a

Sources: Ontario, Ministry of Municipal Affairs and Housing, *Financial Information Return*; Statistics Canada, *2006 Census*; *2016 Census*; *Census Profile*; *NHS Profile*; Table 18-10-0005-01.

Figure 2: Municipal spending per person (\$2016) in the GTHA, 2016

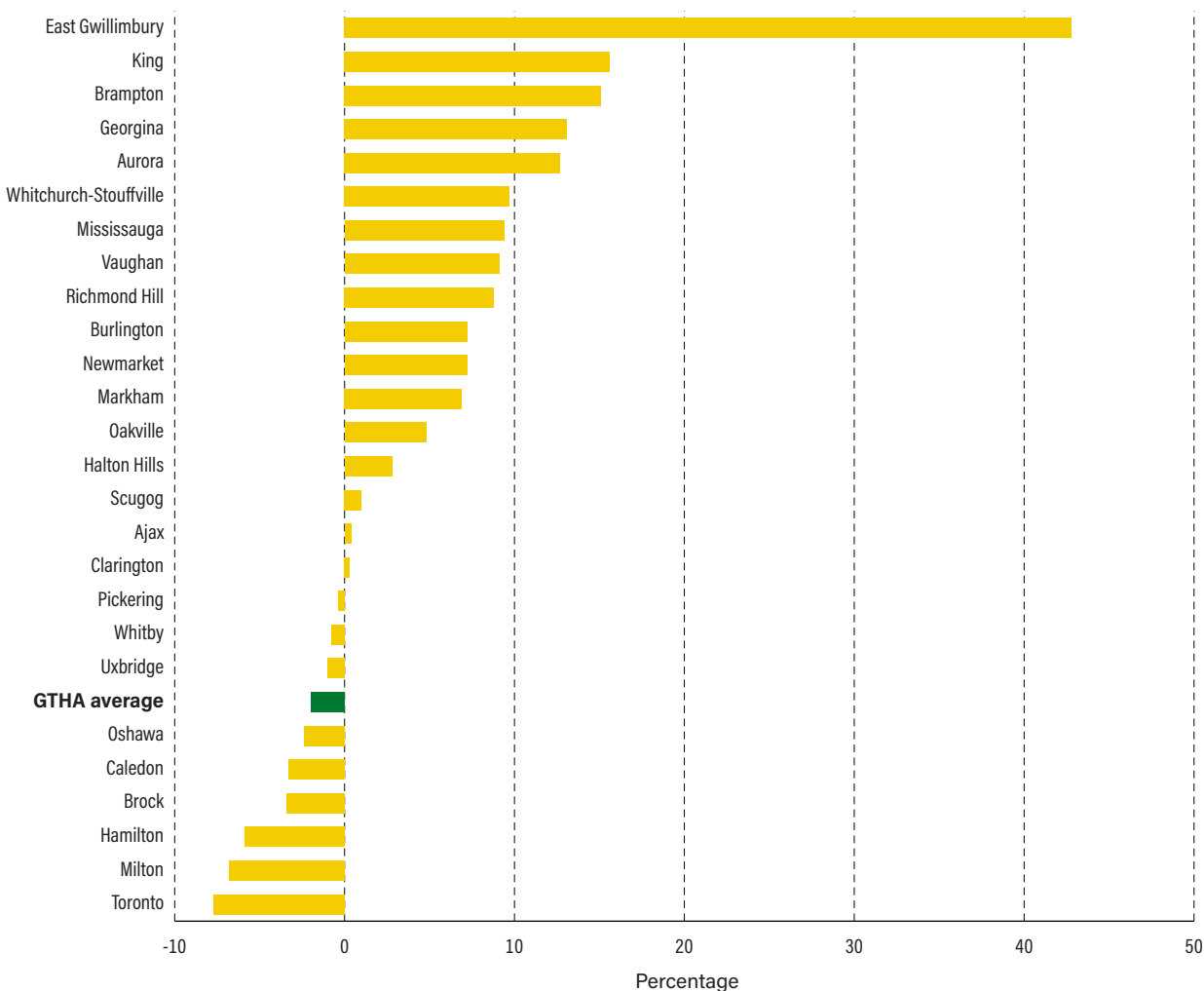


Sources: Ontario, Ministry of Municipal Affairs and Housing, *Financial Information Return*; Statistics Canada, 2006 Census; 2016 Census; Census Profile; NHS Profile; Table 18-10-0005-01.

Only two of the 26 municipalities analyzed, Ajax and Toronto, retained their spending rank in 2009 and 2016. In both years, Toronto was the highest spending municipality. However, as shown in figure 3, Toronto's per-person spending actually declined by 7.7% over the same period—a larger decline than in any other municipality featured. By contrast, 16 of the 26 municipalities saw increases in inflation-adjusted per-person spending over the eight-year period, ranging from a modest 0.3% in Clarington to a far larger 42.8% in East Gwillimbury (see footnote 9 for more on East Gwillimbury's 2016 spending increase).

In 2009, Halton Hills (\$2,429 per person) and Brampton (\$2,435) were the two lowest spenders across the GTHA. In 2016, Halton Hills had maintained its spending levels, growing only 2.8% (ranking 24<sup>th</sup> of 26 municipalities), while Brampton had increased

Figure 3: Change (%) in municipal spending per person in the GTHA, 2009–2016



Sources: Ontario, Ministry of Municipal Affairs and Housing, *Financial Information Return*; Statistics Canada, 2006 Census; 2016 Census; *Census Profile*; *NHS Profile*; Table 18-10-0005-01.

spending by 15.1%. The opposite is true for Hamilton, which fell from second highest spender in the region in 2009 to 6<sup>th</sup> due to a 5.9% contraction in per-person spending.

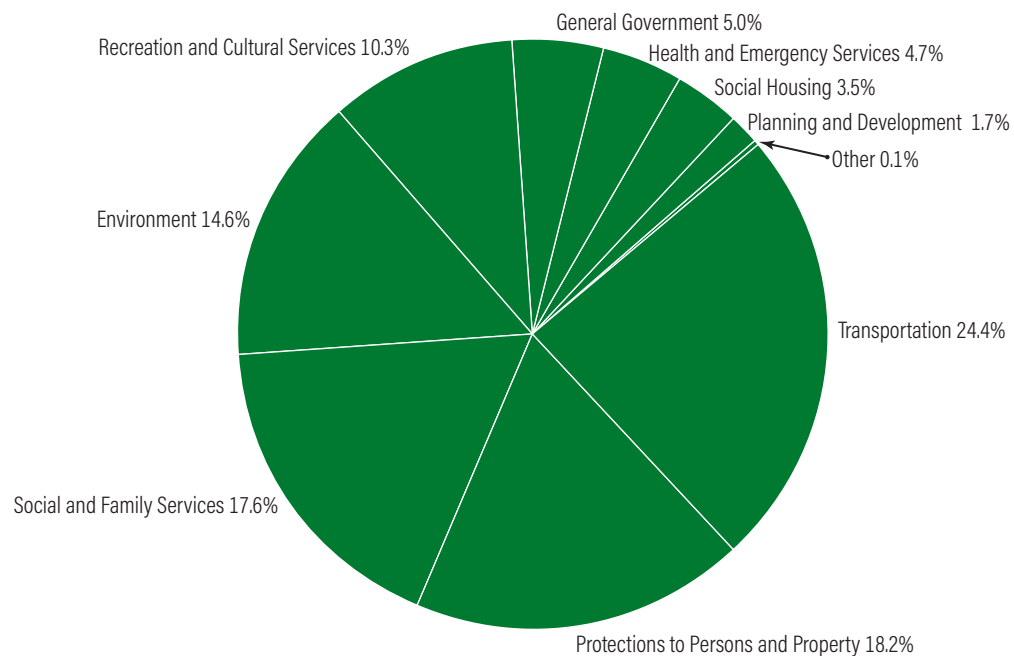
Also notable is the very large difference in spending between neighbouring municipalities (see map, p. 2). For instance, East Gwillimbury (2<sup>nd</sup>) spent over \$900 more per person in 2016 than Whitchurch-Stouffville (9<sup>th</sup>), its neighbour to the south—though this difference can partially be explained by East Gwillimbury’s reporting of Development Charge Credits in that particular year (see footnote 9). Similarly, King Township (3<sup>rd</sup>) has per-person outlays almost \$950 higher than Caledon (25<sup>th</sup>) next door although, unlike East Gwillimbury and Whitchurch-Stouffville, King and Caledon belong to different regions (York and Peel, respectively).

## Spending by function

Tables 3a and 3b break down 2016 municipal spending by function. Functional categories include all spending dedicated to specific local services, such as social housing. This category includes spending dedicated to public, non-profit, or cooperative housing itself, as well as the salaries of staff or contractors charged with administering it—unlike spending that is categorized by object, the analysis of which will follow in this section. (For definitions of each function, see Appendix 1.)

As shown in table 3a and figure 4, the largest functional categories of spending are Transportation (24.4% of GTHA-wide municipal spending), Protections to Persons and Properties (18.2%), and Social and Family Services (17.6%). The smallest (excluding Other) are Planning and Development (1.7%), Social Housing (3.5%), and Health and Emergency Services (4.7%).

Figure 4: Share (%) of total municipal spending per person in the GTHA, by function, 2016



Source: Ontario, Ministry of Municipal Affairs and Housing, *Financial Information Return*.

Transportation spending is especially significant in Toronto. At \$1,151, it is the single largest per-person expenditure item (by function) of any municipality in the GTHA. As discussed in section 1, this difference is in part the result of the Toronto Transit Commission's outsized regional role, as well as the City's ownership and maintenance of regionally significant road infrastructure. The municipality with the second-highest

Table 3a: Municipal spending (\$2016) per person in the GTHA, by function, 2016

	Total	General Government	Protections to Persons and Property	Transportation	Environment	Health and Emergency Services	Social and Family Services	Social Housing	Recreation and Cultural Services	Planning and Development	Other
<b>Durham</b>											
<i>Ajax</i>	2,538	110	522	441	428	143	456	91	287	60	0
<i>Brock</i>	2,735	142	485	769	406	157	455	91	205	25	0
<i>Clarington</i>	2,688	118	527	583	440	148	455	91	264	61	0
<i>Oshawa</i>	2,837	192	573	499	451	145	465	93	371	49	0
<i>Pickering</i>	2,667	106	625	424	441	142	464	91	326	48	0
<i>Scugog</i>	2,692	168	460	719	405	142	455	91	220	33	0
<i>Uxbridge</i>	2,537	134	451	574	422	144	455	91	234	32	0
<i>Whitby</i>	2,679	165	514	557	446	145	463	91	251	46	0
<b>Halton</b>											
<i>Burlington</i>	2,755	331	554	500	447	128	289	78	361	66	0
<i>Halton Hills</i>	2,497	178	482	470	442	130	304	78	333	80	0
<i>Milton</i>	2,385	135	449	430	442	130	290	78	346	85	0
<i>Oakville</i>	2,876	196	541	616	466	147	289	78	401	141	0
<b>Hamilton</b>											
<i>Hamilton</i>	3,086	135	571	565	457	183	564	207	308	96	0
<b>Peel</b>											
<i>Brampton</i>	2,804	254	524	617	439	112	371	129	304	54	0
<i>Caledon</i>	2,416	199	308	465	422	111	365	129	321	96	0
<i>Mississauga</i>	2,705	167	560	614	437	112	365	129	280	41	1
<b>Toronto</b>											
<i>Toronto</i>	4,010	125	692	1,151	370	182	913	139	388	41	8
<b>York</b>											
<i>Aurora</i>	3,124	247	576	582	894	135	238	29	371	51	0
<i>East Gwillimbury</i>	3,872	1,036	582	719	753	135	238	29	309	71	0
<i>Georgina</i>	2,924	115	591	698	615	136	246	29	415	56	23
<i>King</i>	3,360	278	522	870	757	135	238	29	371	159	0
<i>Markham</i>	2,840	210	478	594	855	135	238	29	250	50	0
<i>Newmarket</i>	2,963	142	552	580	848	135	238	29	393	47	0
<i>Richmond Hill</i>	2,865	168	509	558	829	135	239	29	334	63	0
<i>Vaughan</i>	3,087	192	578	618	928	135	238	29	299	70	0
<i>Whitchurch-Stouffville</i>	2,897	242	511	640	699	137	238	29	351	51	0
<b>GTHA average</b>											
<b>GTHA average</b>	3,294	166	598	803	480	154	579	116	340	55	4

Source: Ontario, Ministry of Municipal Affairs and Housing, *Financial Information Return*; Statistics Canada, *2006 Census*; *2016 Census*; *Census Profile*; *NHS Profile*.

Table 3b: Share (%) of total municipal spending per person in the GTHA, by function, 2016

	General Government	Protections to Persons and Property	Transportation	Environment	Health and Emergency Services	Social and Family Services	Social Housing	Recreation and Cultural Services	Planning and Development	Other
<b>Durham</b>										
<i>Ajax</i>	4.3%	20.6%	17.4%	16.9%	5.6%	18.0%	3.6%	11.3%	2.4%	0.0%
<i>Brock</i>	5.2%	17.7%	28.1%	14.8%	5.7%	16.6%	3.3%	7.5%	0.9%	0.0%
<i>Clarington</i>	4.4%	19.6%	21.7%	16.4%	5.5%	16.9%	3.4%	9.8%	2.3%	0.0%
<i>Oshawa</i>	6.8%	20.2%	17.6%	15.9%	5.1%	16.4%	3.3%	13.1%	1.7%	0.0%
<i>Pickering</i>	4.0%	23.4%	15.9%	16.5%	5.3%	17.4%	3.4%	12.2%	1.8%	0.0%
<i>Scugog</i>	6.2%	17.1%	26.7%	15.0%	5.3%	16.9%	3.4%	8.2%	1.2%	0.0%
<i>Uxbridge</i>	5.3%	17.8%	22.6%	16.6%	5.7%	17.9%	3.6%	9.2%	1.3%	0.0%
<i>Whitby</i>	6.2%	19.2%	20.8%	16.6%	5.4%	17.3%	3.4%	9.4%	1.7%	0.0%
<b>Halton</b>										
<i>Burlington</i>	12.0%	20.1%	18.2%	16.2%	4.6%	10.5%	2.8%	13.1%	2.4%	0.0%
<i>Halton Hills</i>	7.1%	19.3%	18.8%	17.7%	5.2%	12.2%	3.1%	13.3%	3.2%	0.0%
<i>Milton</i>	5.6%	18.8%	18.0%	18.5%	5.5%	12.1%	3.3%	14.5%	3.5%	0.0%
<i>Oakville</i>	6.8%	18.8%	21.4%	16.2%	5.1%	10.1%	2.7%	13.9%	4.9%	0.0%
<b>Hamilton</b>										
	4.4%	18.5%	18.3%	14.8%	5.9%	18.3%	6.7%	10.0%	3.1%	0.0%
<b>Peel</b>										
<i>Brampton</i>	9.1%	18.7%	22.0%	15.7%	4.0%	13.2%	4.6%	10.8%	1.9%	0.0%
<i>Caledon</i>	8.3%	12.7%	19.2%	17.5%	4.6%	15.1%	5.3%	13.3%	4.0%	0.0%
<i>Mississauga</i>	6.2%	20.7%	22.7%	16.1%	4.1%	13.5%	4.8%	10.3%	1.5%	0.1%
<b>Toronto</b>										
	3.1%	17.3%	28.7%	9.2%	4.5%	22.8%	3.5%	9.7%	1.0%	0.2%
<b>York</b>										
<i>Aurora</i>	7.9%	18.4%	18.6%	28.6%	4.3%	7.6%	0.9%	11.9%	1.6%	0.0%
<i>East Gwillimbury</i>	26.8%	15.0%	18.6%	19.4%	3.5%	6.1%	0.8%	8.0%	1.8%	0.0%
<i>Georgina</i>	3.9%	20.2%	23.9%	21.0%	4.6%	8.4%	1.0%	14.2%	1.9%	0.8%
<i>King</i>	8.3%	15.5%	25.9%	22.5%	4.0%	7.1%	0.9%	11.0%	4.7%	0.0%
<i>Markham</i>	7.4%	16.8%	20.9%	30.1%	4.8%	8.4%	1.0%	8.8%	1.8%	0.0%
<i>Newmarket</i>	4.8%	18.6%	19.6%	28.6%	4.6%	8.0%	1.0%	13.3%	1.6%	0.0%
<i>Richmond Hill</i>	5.9%	17.8%	19.5%	28.9%	4.7%	8.4%	1.0%	11.7%	2.2%	0.0%
<i>Vaughan</i>	6.2%	18.7%	20.0%	30.1%	4.4%	7.7%	0.9%	9.7%	2.3%	0.0%
<i>Whitchurch-Stouffville</i>	8.4%	17.6%	22.1%	24.1%	4.7%	8.2%	1.0%	12.1%	1.8%	0.0%
<b>GTHA average</b>										
	5.0%	18.2%	24.4%	14.6%	4.7%	17.6%	3.5%	10.3%	1.7%	0.1%

Source: Ontario, Ministry of Municipal Affairs and Housing, *Financial Information Return*; Statistics Canada, *2006 Census*; *2016 Census*; *Census Profile*; *NHS Profile*.

transportation spending is King Township, at \$870. That these two municipalities, which differ greatly in transportation infrastructure and population size and density, top the list is interesting, raising important questions about the value received for higher costs relative to regional peers. In general, municipalities within York Region spend more on transportation, which includes roads, sidewalks, parking lots, and transit (for a full list, see table A1.1). The bottom ten spenders on this category are in Durham Region and Halton Region, plus Caledon (in Peel Region) and Hamilton (single-tier).

More muted variation is found in the Protections to Persons and Property category, which includes firefighting and police protections, among other protective services. The highest-spending municipality for this category is Toronto, at \$692 per person, while the lowest-spending is Caledon, at \$308. Most other GTHA municipalities fall within the \$400-to-\$600 range. Possible reasons for Toronto's higher per-capita expenditures on protective services include its above-average population density, which Kushner, Masse, Peters, and Soroka (1996) find is associated with higher spending on policing; and its central location, as the region's financial and institutional anchor, which may cause it to bear more of the costs associated with regional issues such as homelessness (Bish and Filipowicz, 2016).

Toronto also leads in per-person spending on Social and Family Services (\$913 per person) and Health and Emergency Services (\$182), with both categories producing results that cluster by regional municipality. In both of these categories, Toronto and Hamilton (both single-tier) lead, followed by municipalities in Durham Region. Kushner, Masse, Peters, and Soroka (1996) suggest that social services, like policing, are positively associated with city size and density, which may go a certain way in explaining the higher per-person outlay by Toronto and Hamilton in these categories. Indeed, the Social and Family Services category includes spending on Ontario Works, a province-wide income support program paid in part by municipalities.<sup>10</sup> The City of Toronto is home to approximately 20% of Ontario's population but 30% of all Ontario Works cases are based there. Conversely, 14% of cases are based in the remainder of the Greater Toronto Area, which is more populous than Toronto proper (Statistics Canada, 2016; Office of the Auditor General of Ontario, 2018).

King Township leads on Planning and Development (\$159), while Georgina leads in Recreation and Cultural Services (\$415). Hamilton—a single-tier municipality—spends the most, per person, on Social Housing (\$207), a service typically provided by upper-tier municipal governments in the GTHA. Indeed, Toronto (the region's only other single-tier

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10. The provincial government increased its share of funding for employment assistance programs such as Ontario Works from approximately 80% in 2009 to 100% by 2018. However, the Province only covers up to 50% of the administrative costs of delivering these services, leaving the remainder to be covered by municipalities (Office of the Auditor General of Ontario, 2018: ch. 3, sec. 11: Ontario Works).



municipality) spends the second most on this service (\$139), followed by Peel Region (\$129), Durham Region (\$91–\$93), Halton Region (\$78), and York Region (\$29). Though municipalities have a degree of autonomy in how social housing is delivered, they have little control over how much (in number of households receiving social housing benefits) they must provide. Through the *Housing Services Act, 2011*, the provincial government assigns a minimum number of households that should receive such benefits in each “service area”, or municipality. Of the 186,717 households the Act stipulates, almost 40% (73,346) must be provided by the City of Toronto, which, as mentioned above, represents 20% of the provincial population. This likely goes some way towards explaining the important differences in social housing spending between municipalities, although it does not preclude further analysis of the efficiency with which such services are delivered in each jurisdiction.

Vaughan spends the most on Environment (\$928), which includes wastewater collection, treatment, and disposal, as well as waste management (among other services; see table A1.1 for a full list), both of which are delivered by York Region. In fact, York Region’s nine municipalities top the GTHA in per-capita spending in this category, while Toronto, Durham Region, and Peel Region municipalities share the bottom ten positions.

## Spending by object

For a different perspective on municipal spending in the GTHA, table 4a and table 4b, as well as figure 5 break spending down by object, rather than by function. This is a helpful way to understand how much governments allocate to various components across all functional categories. The object categories used by Ontario’s Ministry of Municipal Affairs and Housing include Salaries and Wages, Employee Benefits, Interest on Long Term Debt, Materials, Contracted Services, Rents and Financial Expenses, External Transfers, and Amortization. (For full ministry definitions of each function, see Appendix 1.)

The largest object categories of spending are Salaries and Wages (42.3% of GTHA-wide municipal spending), Contracted Services (15.6%), and External Transfers (10.0%). That compensation constitutes the largest category is perhaps not surprising, given that this is also the case for senior levels of government. Moreover, public-sector workers in Ontario typically enjoy higher compensation (wages and benefits) than their private-sector counterparts, a factor that may contribute to higher spending in this category, depending on staffing levels (Palacios, Jacques, Lammam and Lafleur, 2018). The smallest object categories are Rent and Financial Expenses (2.5%), Interest on Long Term Debt (2.5%), and Employee Benefits (5.1%).

The combined remuneration categories (composed of Salaries, Wages, and Employee Benefits) account for the majority (50% or more) of municipal spending in three GTHA municipalities: Pickering (52.1%), Toronto (51.3%), and Whitby (50.0%). The bulk of remaining municipalities (18) dedicate between 40% and 50% of spending to remuneration, while only six dedicate between 30% and 40%.

Table 4a: Municipal spending (\$2016) per person in the GTHA, by object, 2016

	Total	Salaries, Wages and Employee Benefits <sup>a</sup>	Salaries and Wages	Employee Benefits	Interest on Long-Term Debt	Materials	Contracted Services	Rents and Financial Expenses	External Transfers	Amortization
<b>Durham</b>										
<i>Ajax</i>	2,538	1,262	1,035	227	17	357	265	43	233	361
<i>Brock</i>	2,735	1,208	956	252	17	512	228	40	229	502
<i>Clarington</i>	2,688	1,324	1,030	294	20	402	262	40	234	406
<i>Oshawa</i>	2,837	1,403	1,129	273	34	476	263	39	253	369
<i>Pickering</i>	2,667	1,389	1,089	300	19	425	247	44	229	314
<i>Scugog</i>	2,692	1,211	957	254	13	573	221	42	231	402
<i>Uxbridge</i>	2,537	1,162	915	247	12	397	312	41	231	382
<i>Whitby</i>	2,679	1,340	1,048	293	12	363	284	54	235	390
<b>Halton</b>										
<i>Burlington</i>	2,755	1,171	944	227	37	165	542	71	400	370
<i>Halton Hills</i>	2,497	1,158	951	207	35	212	399	62	152	480
<i>Milton</i>	2,385	998	830	168	34	215	477	66	150	444
<i>Oakville</i>	2,876	1,350	1,110	240	44	205	645	57	160	416
<b>Hamilton</b>	3,086	1,382	1,053	329	24	413	514	64	344	346
<b>Peel</b>										
<i>Brampton</i>	2,789	1,199	1,018	182	49	284	369	62	419	408
<i>Caledon</i>	2,712	1,174	998	176	63	387	286	42	355	405
<i>Mississauga</i>	2,690	1,233	1,040	194	53	236	308	123	360	376
<b>Toronto</b>	4,010	2,057	1,999	58	117	360	584	95	440	357
<b>York</b>										
<i>Aurora</i>	3,124	1,121	899	222	126	256	1,019	70	71	460
<i>East Gwillimbury</i>	3,872	1,336	1,054	281	120	1,090	732	70	70	455
<i>Georgina</i>	2,924	1,299	1,009	291	134	266	609	72	74	469
<i>King</i>	3,360	1,271	1,014	257	162	507	812	69	70	469
<i>Markham</i>	2,840	1,074	858	216	122	280	793	76	71	424
<i>Newmarket</i>	2,963	1,291	1,019	272	144	302	803	75	-43	390
<i>Richmond Hill</i>	2,865	1,155	917	238	120	317	733	89	71	379
<i>Vaughan</i>	3,087	1,216	963	253	129	653	508	74	70	436
<i>Whitchurch-Stouffville</i>	2,897	1,123	886	237	151	350	504	95	241	434
<b>GTHA average</b>	3,294	1,561	1,394	166	84	346	514	82	328	379

Notes: [a] Sum of next two columns

Sources: Ontario, Ministry of Municipal Affairs and Housing, *Financial Information Return*; Statistics Canada, *2006 Census*; *2016 Census*; *Census Profile*; *NHS Profile*.

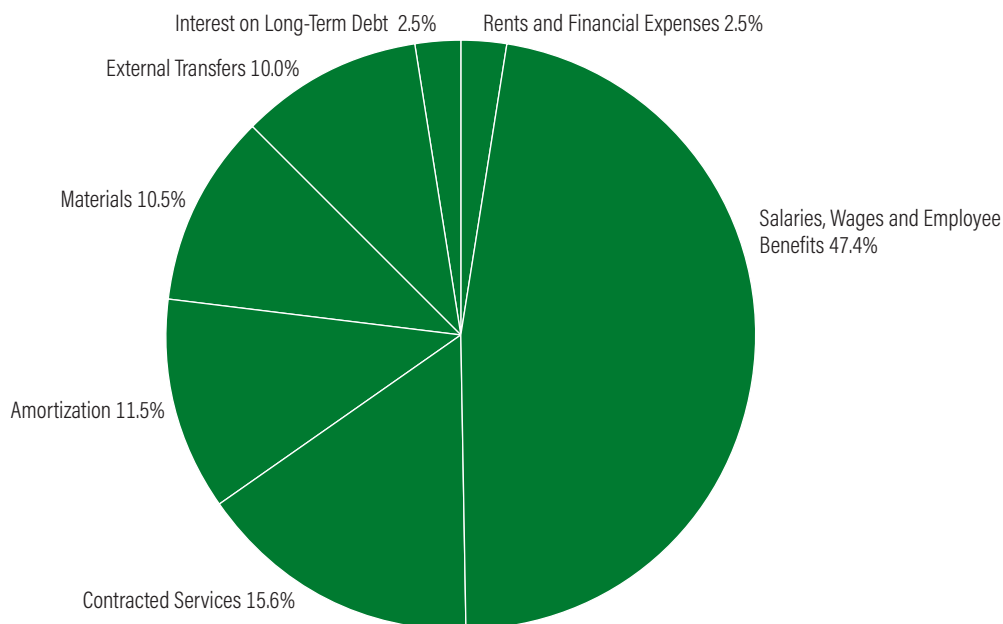
Table 4b: Share (%) of total municipal spending per person in the GTHA, by object, 2016

	Salaries, Wages and Employee Benefits <sup>a</sup>	Salaries and Wages	Employee Benefits	Interest on Long Term Debt	Materials	Contracted Services	Rents and Financial Expenses	External Transfers	Amortization
<b>Durham</b>									
<i>Brock</i>	44.2%	34.9%	9.2%	0.6%	18.7%	8.3%	1.5%	8.4%	18.4%
<i>Clarington</i>	49.3%	38.3%	10.9%	0.7%	15.0%	9.8%	1.5%	8.7%	15.1%
<i>Ajax</i>	49.7%	40.8%	8.9%	0.7%	14.1%	10.5%	1.7%	9.2%	14.2%
<i>Oshawa</i>	49.5%	39.8%	9.6%	1.2%	16.8%	9.3%	1.4%	8.9%	13.0%
<i>Pickering</i>	52.1%	40.8%	11.3%	0.7%	15.9%	9.3%	1.7%	8.6%	11.8%
<i>Scugog</i>	45.0%	35.5%	9.5%	0.5%	21.3%	8.2%	1.6%	8.6%	14.9%
<i>Uxbridge</i>	45.8%	36.1%	9.7%	0.5%	15.6%	12.3%	1.6%	9.1%	15.0%
<i>Whitby</i>	50.0%	39.1%	10.9%	0.5%	13.6%	10.6%	2.0%	8.8%	14.5%
<b>Halton</b>									
<i>Burlington</i>	42.5%	34.3%	8.2%	1.3%	6.0%	19.7%	2.6%	14.5%	13.4%
<i>Halton Hills</i>	46.4%	38.1%	8.3%	1.4%	8.5%	16.0%	2.5%	6.1%	19.2%
<i>Milton</i>	41.9%	34.8%	7.1%	1.4%	9.0%	20.0%	2.8%	6.3%	18.6%
<i>Oakville</i>	46.9%	38.6%	8.3%	1.5%	7.1%	22.4%	2.0%	5.6%	14.5%
<b>Hamilton</b>									
	44.8%	34.1%	10.7%	0.8%	13.4%	16.7%	2.1%	11.1%	11.2%
<b>Peel</b>									
<i>Brampton</i>	43.0%	36.5%	6.5%	1.8%	10.2%	13.2%	2.2%	15.0%	14.6%
<i>Caledon</i>	43.3%	36.8%	6.5%	2.3%	14.3%	10.5%	1.5%	13.1%	14.9%
<i>Mississauga</i>	45.9%	38.6%	7.2%	2.0%	8.8%	11.5%	4.6%	13.4%	14.0%
<b>Toronto</b>									
	51.3%	49.8%	1.4%	2.9%	9.0%	14.6%	2.4%	11.0%	8.9%
<b>York</b>									
<i>Aurora</i>	35.9%	28.8%	7.1%	4.0%	8.2%	32.6%	2.2%	2.3%	14.7%
<i>East Gwillimbury</i>	34.5%	27.2%	7.3%	3.1%	28.1%	18.9%	1.8%	1.8%	11.7%
<i>Georgina</i>	44.4%	34.5%	9.9%	4.6%	9.1%	20.8%	2.5%	2.5%	16.0%
<i>King</i>	37.8%	30.2%	7.6%	4.8%	15.1%	24.2%	2.1%	2.1%	14.0%
<i>Markham</i>	37.8%	30.2%	7.6%	4.3%	9.9%	27.9%	2.7%	2.5%	14.9%
<i>Newmarket</i>	43.6%	34.4%	9.2%	4.9%	10.2%	27.1%	2.5%	-1.4%	13.2%
<i>Richmond Hill</i>	40.3%	32.0%	8.3%	4.2%	11.1%	25.6%	3.1%	2.5%	13.2%
<i>Vaughan</i>	39.4%	31.2%	8.2%	4.2%	21.2%	16.5%	2.4%	2.3%	14.1%
<i>Whitchurch-Stouffville</i>	38.7%	30.6%	8.2%	5.2%	12.1%	17.4%	3.3%	8.3%	15.0%
<b>GTHA average</b>									
	47.4%	42.3%	5.1%	2.5%	10.5%	15.6%	2.5%	10.0%	11.5%

Notes: [a] Sum of next two columns

Sources: Ontario, Ministry of Municipal Affairs and Housing, *Financial Information Return*; Statistics Canada, *2006 Census*; *2016 Census*; *Census Profile*; *NHS Profile*.

Figure 5: Share (%) of total municipal spending per person in the GTHA, by object, 2016



Sources: Ontario, Ministry of Municipal Affairs and Housing, *Financial Information Return*; Statistics Canada, 2006 Census; 2016 Census; Census Profile; NHS Profile.

Even greater variation among GTHA municipalities exists in spending on Contracted Services. Aurora spends the most per person on this object (\$1,090, or 32.6% of spending), while Brock Township spends the least (\$228, or 8.3% of spending). One possible reason for higher spending on contracted services is the desire by local governments to reduce permanent staffing numbers or salaries, in turn reducing overall spending (Siegel, 1999; Domberger and Jensen, 1997). However, this does not appear to be the case in several York Region Municipalities, including Aurora, King Township, and Newmarket (the three municipalities spending the most, per person, on contracted services), where both total spending and contracted-services spending are high relative to regional peers.

## Summary

There is considerable variation in per-person spending levels among GTHA municipalities. Toronto, the highest spender in 2016 (at \$4,010 per person), spends significantly more than Milton, the lowest spender (at \$2,385 per person), and almost 22% more than the regional average (\$3,294 per person). There are many reasons for this, including its disproportionate role in regional transportation networks (notably through the TTC and city-owned expressways), the higher costs of social service and housing delivery

associated with being a regional anchor city, and Toronto's higher share of spending on employee salaries and wages relative to many of its neighbours. In spite of Toronto's unique position, it saw the largest reduction in inflation-adjusted per person spending between 2009 and 2016, while 17 out of the 25 other GTHA municipalities saw spending increases.

The largest functional categories of municipal spending region wide are Transportation (24.4%), Protections to Persons and Property (18.2%), and Social and Family Services (17.6%). Across these functional categories, the lion's share of spending is dedicated to employee remuneration, including salaries, wages, and benefits (47.4%), with Pickering, Toronto, and Whitby all dedicating more than half of municipal spending to this object. The cross-GTHA divergences in local government spending, as well as the increase in spending (accounting for inflation and population size) in a majority of municipalities raise important questions for citizens and their local representatives.

### 3. Municipal Revenue

This section analyzes municipal revenue from several angles. First, total revenue is presented in a format similar to that of table 2 in the spending section, comparing GTHA municipalities on total revenue in 2009 and 2016. This is followed by a breakdown—similar to tables 3 and 4—of revenue by category (based on FIR categorization). All revenue data are in 2016 dollars and per person unless otherwise noted.

Table 5 presents total revenue per person in 2009 and 2016 with rankings from high to low and percentage changes over the period. Figure 6 isolates revenue for 2016, in which King Township collected the highest total revenue per person at \$5,130 and Georgina collected the lowest, at \$2,799 per person. Among cities with more than 100,000 inhabitants, Toronto collected the most revenue, per person, in 2016 (\$4,467), while Mississauga collected the least (\$3,049). As touched on in section 1, Toronto benefits from greater fiscal autonomy than its regional peers, thanks in part to the 2005 *City of Toronto Act*. This allows it revenue tools including the Municipal Land Transfer Tax (MLTT), and the now-defunct vehicle registration tax. Section 1 also mentions the disproportionate revenue generated by the Toronto Transit Commission (TTC) from commuters originating outside of the City of Toronto. In general, municipalities located in York Region collect more revenue than those in Peel, Durham, and (to a lesser extent) Halton. Average revenue for the GTHA, meanwhile, is \$3,814 per person.

Altogether, 15 municipalities moved down the rankings on total revenue per person from 2009 to 2016, indicating a drop in revenue relative to regional peers (see figure 7 for percentage growth in revenue over this period). Ajax's change is the largest, decreasing 18 spots (from 6<sup>th</sup> to 24<sup>th</sup>). This is the result of an 11.8% decline in total per-person revenue over the period (from \$3,477 to \$3,067). Among the other municipalities that moved down, the ranking decline was most pronounced in Scugog Township (12<sup>th</sup> to 22<sup>nd</sup>), and Burlington (14<sup>th</sup> to 23<sup>rd</sup>).

Nine municipalities moved up the rankings on total revenue per person, indicating an increase in revenue relative to regional peers. Aurora, Halton Hills, Newmarket, Caledon, and Richmond Hill each jumped more than ten spots between 2009 and 2016. No single source of revenue drives these increases, although upper-tier revenues represent a disproportionate share of total municipal revenue growth in Halton Hills and Richmond Hill.<sup>11</sup>

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11. In Halton Hills, upper-tier (Halton Region) revenue sources account for 78.5% of total municipal revenue growth between 2009 and 2016, well above the 59.2% average of total municipal revenue it represents region-wide over the same period. In Richmond Hill, upper-tier (York Region) revenue sources account for 68.0% of total municipal revenue growth.

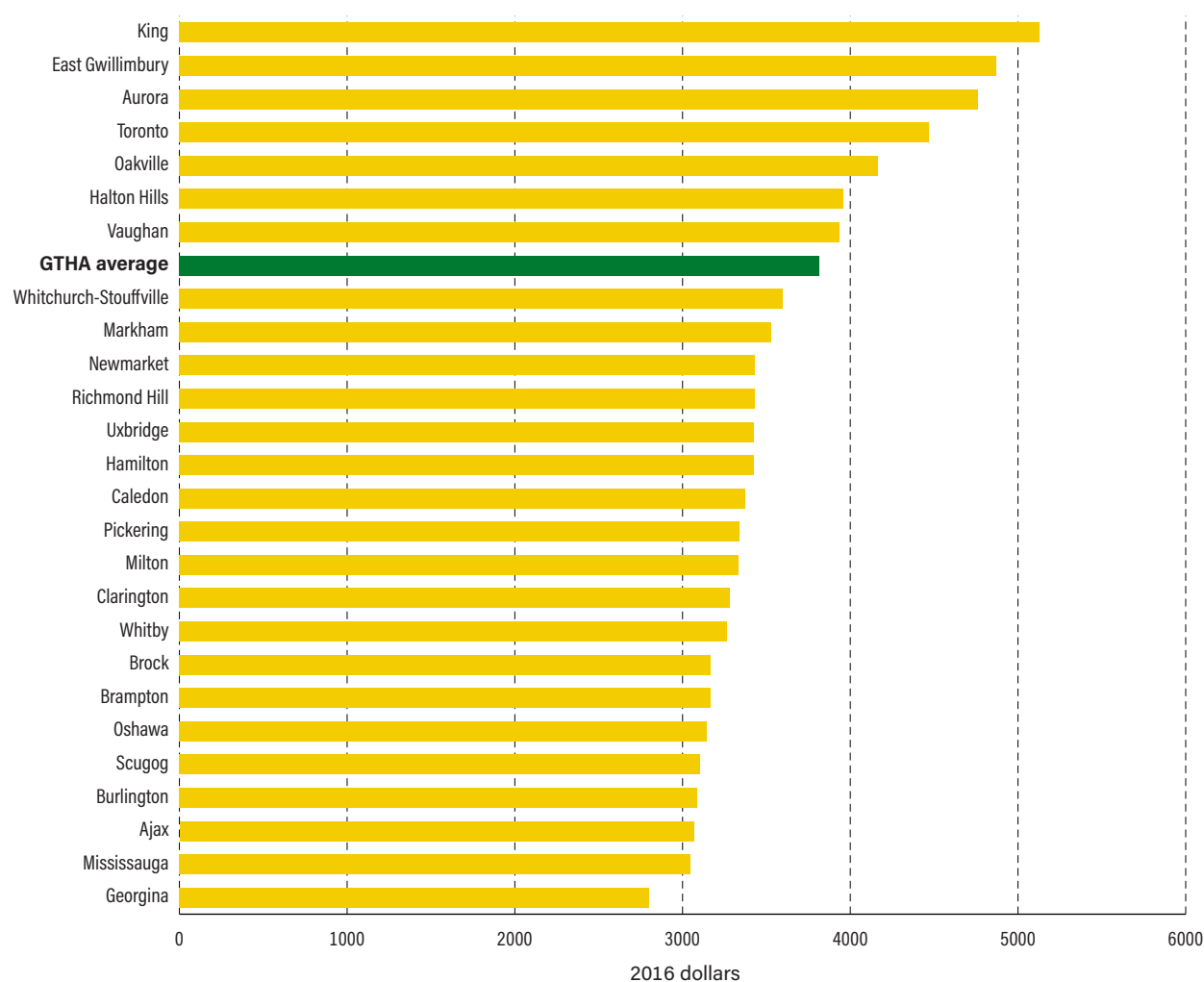
Table 5: Total municipal revenue (\$2016) per person in the GTHA, 2009 and 2016

	2009		2016		Growth in revenue per person		
	Total revenue per person	Rank	Total revenue per person	Rank	Change in Rank	Percentage	Rank
Durham							
Ajax	3,477	6	3,067	24	−18	−11.8%	26
Brock	3,094	17	3,170	19	−2	2.4%	16
Clarington	3,073	18	3,282	17	1	6.8%	11
Oshawa	3,146	16	3,146	21	−5	0.0%	18
Pickering	3,155	15	3,341	15	0	5.9%	12
Scugog	3,271	12	3,107	22	−10	−5.0%	23
Uxbridge	3,267	13	3,426	12	1	4.9%	14
Whitby	3,274	11	3,266	18	−7	−0.2%	19
Halton							
Burlington	3,198	14	3,087	23	−9	−3.5%	22
Halton Hills	2,840	21	3,957	6	15	39.3%	3
Milton	3,359	9	3,336	16	−7	−0.7%	20
Oakville	3,642	4	4,166	5	−1	14.4%	9
Hamilton	3,401	8	3,424	13	−5	0.7%	17
Peel							
Brampton	3,014	19	3,166	20	−1	5.1%	13
Caledon	2,685	25	3,374	14	11	25.6%	5
Mississauga	2,851	20	3,049	25	−5	7.0%	10
Toronto	4,619	1	4,467	4	−3	−3.3%	21
York							
Aurora	2,749	24	4,761	3	21	73.2%	1
East Gwillimbury	3,523	5	4,871	2	3	38.3%	4
Georgina	2,341	26	2,799	26	0	19.6%	8
King	3,321	10	5,130	1	9	54.5%	2
Markham	3,402	7	3,527	9	−2	3.7%	15
Newmarket	2,757	23	3,430	10	13	24.4%	6
Richmond Hill	2,804	22	3,429	11	11	22.3%	7
Vaughan	4,255	2	3,933	7	−5	−7.6%	24
Whitchurch-Stouffville	3,907	3	3,596	8	−5	−8.0%	25
GTHA average	3,778	n/a	3,814	n/a	n/a	1.0%	n/a

Sources: Ontario, Ministry of Municipal Affairs and Housing, *Financial Information Return*; Statistics Canada, *2006 Census*; *2016 Census*; *Census Profile*; *NHS Profile*; Table 18-10-0005-01.



Figure 6: Total municipal revenue (\$2016) per person in the GTHA, 2016

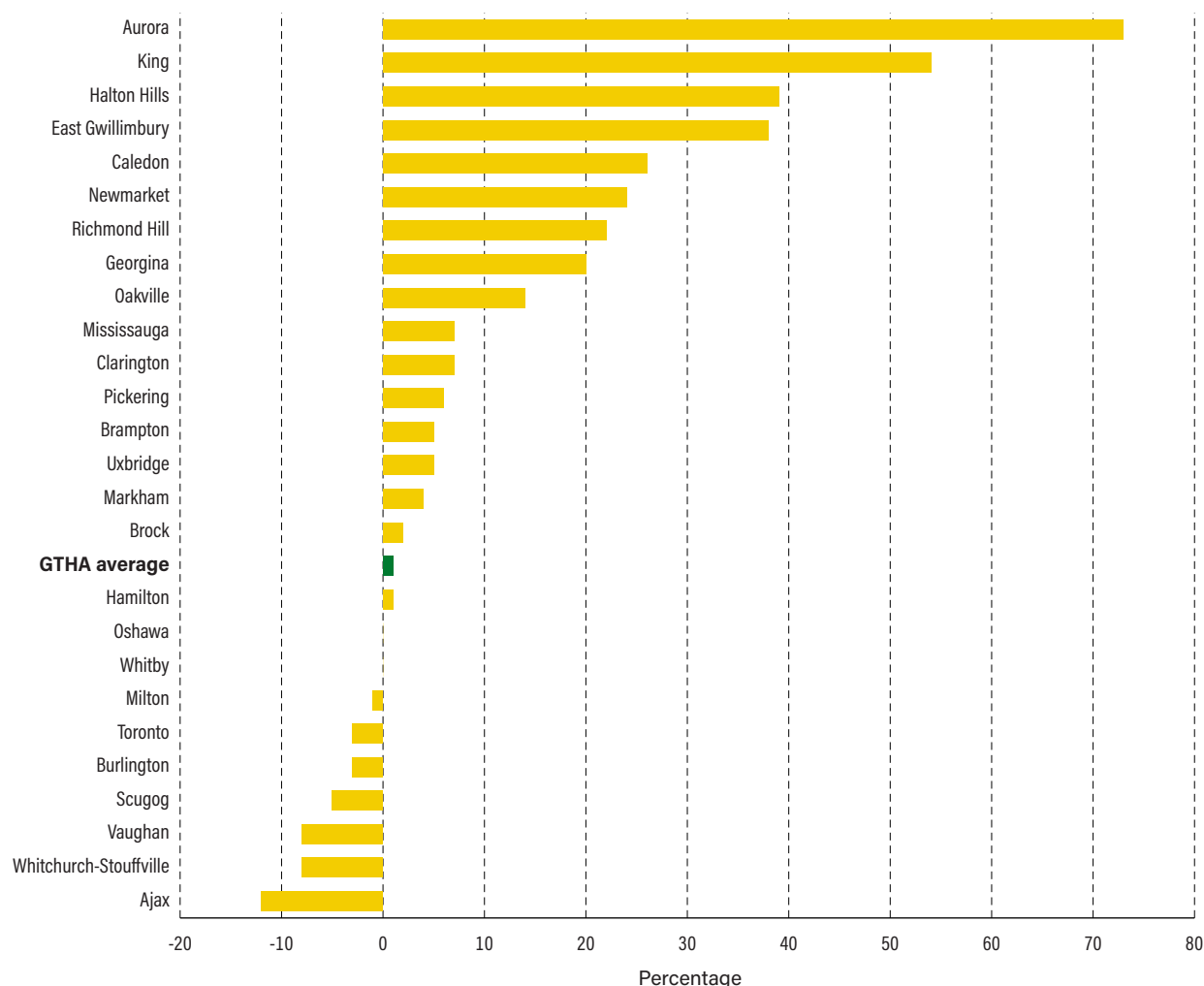


Sources: Ontario, Ministry of Municipal Affairs and Housing, *Financial Information Return*; Statistics Canada, 2006 Census; 2016 Census; Census Profile; NHS Profile.

The range between the highest and lowest revenue collector was similar in 2016 as in 2009, at approximately \$2,300 per person, indicating neither convergence nor divergence over time. However, the cities raising the most revenue changed over this period. In 2009, Toronto was the highest collector, but by 2016 it was surpassed by King Township, East Gwillimbury, and Aurora. Georgina was the lowest revenue collector in both years.

Overall, 17 of the 26 municipalities featured experienced revenue growth between 2009 and 2016, even after accounting for inflation and population growth. Only two (Oshawa and Whitby, both in Durham Region) saw virtually no change in per-person revenue over this period, while the remaining seven municipalities saw revenue fall. Ajax, also in Durham Region, saw the greatest drop in per-person revenue, from \$3,477 in 2009 (6<sup>th</sup> highest across the region) to \$3,067 in 2016 (2<sup>nd</sup> lowest), a 12% drop.

Figure 7: Growth (%) in municipal revenue per person in the GTHA, 2009–2016



Sources: Ontario, Ministry of Municipal Affairs and Housing, *Financial Information Return*; Statistics Canada, 2006 Census; 2016 Census; Census Profile; NHS Profile; Table 18-10-0005-01.

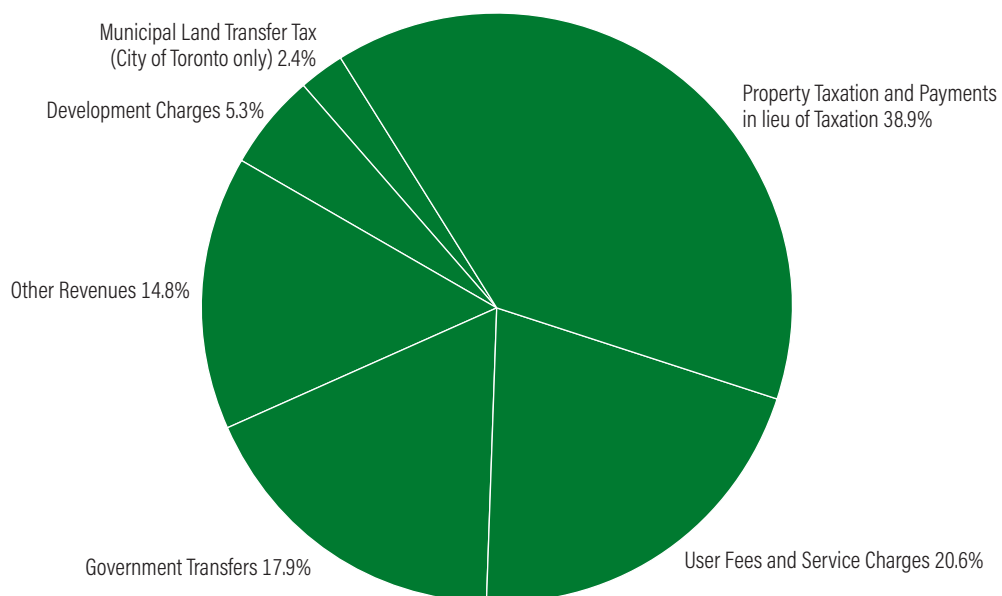
As with spending, there are notable differences between neighbouring municipalities when it comes to revenue. For instance, in 2016 King Township (ranked 1<sup>st</sup>) collected approximately \$1,750 more revenue per person than neighbouring Caledon (25<sup>th</sup>), which is located in a different regional municipality. Revenue per person in Aurora (3<sup>rd</sup>) is approximately \$1,300 higher than both Richmond Hill (11<sup>th</sup>), its neighbour to the south, and Newmarket (10<sup>th</sup>), its neighbour to the north. Toronto (4<sup>th</sup>) collects more than any of its five neighbouring municipalities (Mississauga, Brampton, Vaughan, Markham, and Pickering).

Two municipalities (Georgina and Pickering) rank the same on total revenue per person in both 2009 and 2016. Specifically, Georgina remained the GTHA's lowest collector of per-person revenue (despite a 19.6% increase), while Pickering remained 15<sup>th</sup> overall.

## Revenue by source

Table 6a and table 6b, as well as figure 8 break down total 2016 municipal revenue in GTHA municipalities by category. By far the largest source of municipal revenue is property taxation. This category includes revenue from all taxable property classes (that is, residential, commercial, and industrial), as well as payments in lieu of taxation (PILTs), which are typically paid by the federal and provincial governments or their agencies for properties owned in each municipality (for example, Toronto Pearson International Airport). Property taxation represents 38.9% of municipal revenues region-wide—almost double the share collected from the next largest revenue category. This share has a high of 55.3% in Pickering and a low of 29.8% in East Gwillimbury. In dollars per person, King Township collects the most from property taxation (\$2,171), while Milton collects the least (\$1,057).

Figure 8: Share (%) of total municipal revenue per person in the GTHA, by category, 2016



Sources: Ontario, Ministry of Municipal Affairs and Housing, *Financial Information Return*; Statistics Canada, 2006 Census; 2016 Census; Census Profile; NHS Profile.

Seven of Durham Region's eight municipalities collect more revenue, per person, from property taxes than the GTHA average, while six of York Region's nine municipalities collect less revenue from this source than the regional average, indicating a stronger reliance on the property tax base in Durham. Indeed, property tax revenue represents more than 45% of total revenue in all eight Durham Region municipalities. Interestingly, upper-tier revenue represented between 61.8% and 72.4% of 2016 total revenue in Durham Region municipalities, more than in any other regional municipality.

Table 6a: Municipal revenue (\$2016) per person in the GTHA, by category, 2016

	Total	Property Taxation & Payments-in-lieu of Taxation	Government Transfers	User Fees and Services Charges	Other Revenues	Development charges)	Municipal Land Transfer Tax (City of Toronto only)
<b>Durham</b>							
<i>Ajax</i>	3,067	1,437	525	521	399	186	0
<i>Brock</i>	3,170	1,648	644	537	251	90	0
<i>Clarington</i>	3,282	1,527	535	516	425	278	0
<i>Oshawa</i>	3,146	1,580	529	549	453	35	0
<i>Pickering</i>	3,341	1,848	532	525	364	72	0
<i>Scugog</i>	3,107	1,652	580	549	325	0	0
<i>Uxbridge</i>	3,426	1,830	587	538	277	194	0
<i>Whitby</i>	3,266	1,608	531	595	386	145	0
<b>Halton</b>							
<i>Burlington</i>	3,087	1,491	369	525	499	204	0
<i>Halton Hills</i>	3,957	1,338	370	524	520	1,205	0
<i>Milton</i>	3,336	1,057	359	561	602	757	0
<i>Oakville</i>	4,166	1,769	366	559	833	640	0
<b>Hamilton</b>	3,424	1,567	718	639	347	153	0
<b>Peel</b>							
<i>Brampton</i>	3,166	1,295	495	460	394	522	0
<i>Caledon</i>	3,374	1,550	479	472	756	117	0
<i>Mississauga</i>	3,049	1,458	418	561	451	161	0
<b>Toronto</b>	4,467	1,489	977	1,018	703	44	236
<b>York</b>							
<i>Aurora</i>	4,761	1,586	502	921	789	964	0
<i>East Gwillimbury</i>	4,871	1,451	476	818	1,947	180	0
<i>Georgina</i>	2,799	1,413	497	599	279	10	0
<i>King</i>	5,130	2,171	487	890	337	1,245	0
<i>Markham</i>	3,527	1,306	482	853	407	479	0
<i>Newmarket</i>	3,430	1,341	486	910	401	292	0
<i>Richmond Hill</i>	3,429	1,434	476	868	386	266	0
<i>Vaughan</i>	3,933	1,644	465	943	764	118	0
<i>Whitchurch-Stouffville</i>	3,596	1,391	463	784	509	449	0
<b>GTHA average</b>	3,814	1,483	684	784	566	204	93

Sources: Ontario, Ministry of Municipal Affairs and Housing, *Financial Information Return*; Statistics Canada, *2006 Census*; *2016 Census*; *Census Profile*; *NHS Profile*.

Table 6b: Municipal revenue (\$2016) per person in the GTHA, share of total by category, 2016

	Property Taxation & Payments-in-lieu of Taxation:	Government Transfers	User Fees and Services Charges	Other Revenues	Development charges	Municipal Land Transfer Tax (City of Toronto only)	Personal Vehicle Tax (City of Toronto only)
<b>Durham</b>							
<i>Ajax</i>	46.8%	17.1%	17.0%	13.0%	6.0%	0.0%	0.0%
<i>Brock</i>	52.0%	20.3%	16.9%	7.9%	2.8%	0.0%	0.0%
<i>Clarington</i>	46.5%	16.3%	15.7%	13.0%	8.5%	0.0%	0.0%
<i>Oshawa</i>	50.2%	16.8%	17.5%	14.4%	1.1%	0.0%	0.0%
<i>Pickering</i>	55.3%	15.9%	15.7%	10.9%	2.1%	0.0%	0.0%
<i>Scugog</i>	53.2%	18.7%	17.7%	10.5%	0.0%	0.0%	0.0%
<i>Uxbridge</i>	53.4%	17.1%	15.7%	8.1%	5.7%	0.0%	0.0%
<i>Whitby</i>	49.2%	16.3%	18.2%	11.8%	4.4%	0.0%	0.0%
<b>Halton</b>							
<i>Burlington</i>	48.3%	11.9%	17.0%	16.2%	6.6%	0.0%	0.0%
<i>Halton Hills</i>	33.8%	9.4%	13.2%	13.1%	30.5%	0.0%	0.0%
<i>Milton</i>	31.7%	10.8%	16.8%	18.0%	22.7%	0.0%	0.0%
<i>Oakville</i>	42.5%	8.8%	13.4%	20.0%	15.4%	0.0%	0.0%
<b>Hamilton</b>							
	45.8%	21.0%	18.7%	10.1%	4.5%	0.0%	0.0%
<b>Peel</b>							
<i>Brampton</i>	40.9%	15.6%	14.5%	12.5%	16.5%	0.0%	0.0%
<i>Caledon</i>	45.9%	14.2%	14.0%	22.4%	3.5%	0.0%	0.0%
<i>Mississauga</i>	47.8%	13.7%	18.4%	14.8%	5.3%	0.0%	0.0%
<b>Toronto</b>							
	33.3%	21.9%	22.8%	15.7%	1.0%	5.3%	0.0%
<b>York</b>							
<i>Aurora</i>	33.3%	10.5%	19.3%	16.6%	20.3%	0.0%	0.0%
<i>East Gwillimbury</i>	29.8%	9.8%	16.8%	40.0%	3.7%	0.0%	0.0%
<i>Georgina</i>	50.5%	17.8%	21.4%	10.0%	0.4%	0.0%	0.0%
<i>King</i>	42.3%	9.5%	17.3%	6.6%	24.3%	0.0%	0.0%
<i>Markham</i>	37.0%	13.7%	24.2%	11.5%	13.6%	0.0%	0.0%
<i>Newmarket</i>	39.1%	14.2%	26.5%	11.7%	8.5%	0.0%	0.0%
<i>Richmond Hill</i>	41.8%	13.9%	25.3%	11.2%	7.7%	0.0%	0.0%
<i>Vaughan</i>	41.8%	11.8%	24.0%	19.4%	3.0%	0.0%	0.0%
<i>Whitchurch-Stouffville</i>	38.7%	12.9%	21.8%	14.2%	12.5%	0.0%	0.0%
<b>GTHA average</b>							
	38.9%	17.9%	20.6%	14.8%	5.3%	2.4%	0.0%

Sources: Ontario, Ministry of Municipal Affairs and Housing, *Financial Information Return*; Statistics Canada, *2006 Census*; *2016 Census*; *Census Profile*; *NHS Profile*.

(see figure A2.2 in the appendices). It is, therefore, possible that these municipalities' above-average reliance on property taxes is more heavily influenced by regional tax policy than lower-tier decisions.

The next largest source of municipal revenue in the GTHA is user fees and service charges, representing 20.6% of the region-wide total in 2016. Included in this category are direct water billings, sewer surcharges, and transit fare-box revenue, among other fees (for a full definition, see Appendix 1). Halton Hills is the least reliant on this revenue source, which represented 13.2% of its 2016 total, while Newmarket (26.5%) is the most reliant. In dollars per person, however, Toronto collects the most in fees (\$1,018 or 22.8% of revenue), while Brampton collects the least (\$460 or 15.5% of revenue). As mentioned in section 1, a significant contributor to Toronto's user fee revenue is the TTC, which generated over \$1 billion in fare-box revenue in 2016, or approximately \$412 per Torontonian (Toronto Transit Commission, 2017).

As with property tax revenues, there are notable differences between regional municipalities when it comes to user fees. Seven of York Region's nine municipalities collected more in user fees and service charges in 2016 than the GTHA average (\$784 per person), while all municipalities in Durham, Peel, and Halton collected less than the GTHA average. Interestingly, York Region is also where upper-tier revenue represents the smallest share of total municipal revenues, representing less than the GTHA average (58.4% of total revenue) in all but two municipalities (see figure A2.2 in the appendices). This suggests a higher degree of local reliance on non-tax, own-source revenue.

It is unclear why York Region municipalities rely more heavily on user fees. However, the FIR database's list of fee sources include parking revenues, recreation programs, transit fares, garbage collection fees, day nursery charges, and contributions from residents in homes for the aged. As such, the array of services offered in York Region municipalities may be a driver, as well as the possibility of greater demand for such services in these municipalities, or higher fees. Each of these avenues are well worth closer analysis, both specific to York Region and across the GTHA.<sup>12</sup>

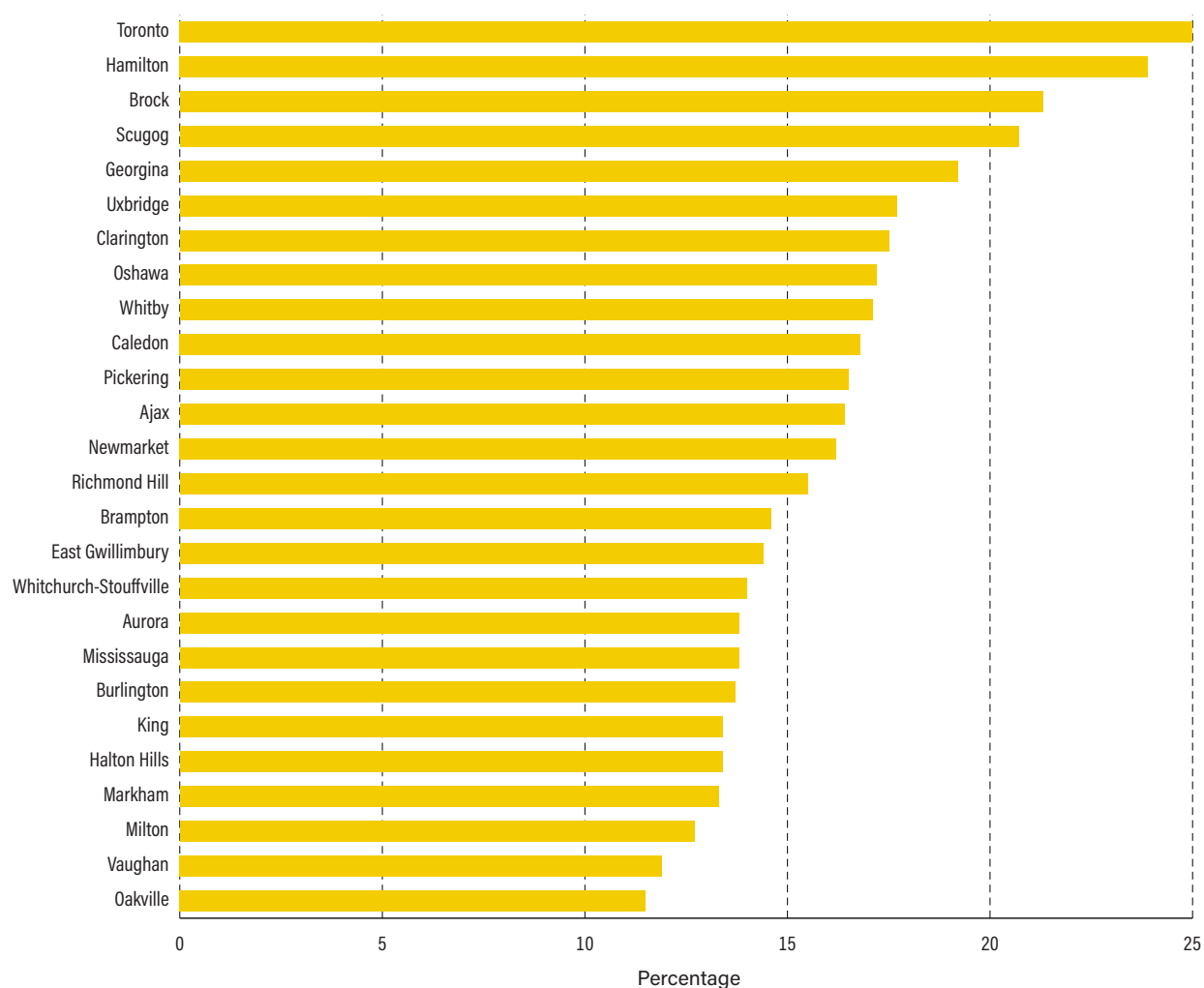
The third largest source of municipal revenue in the GTHA is government transfers, representing 17.9% of GTHA municipal revenue in 2016. This category is made up of grants from the provincial and federal governments, which can be both conditional (for example, to fund specific infrastructure projects) or unconditional (to pay for operating expenses or any other municipal priorities). Because of the volatile nature of certain transfers—notably conditional grants—this revenue category can change significantly from year to year.

Though not directly controlled by municipalities, this revenue source is important to include in any analysis of municipal finance. Identifying differences in government

12. For more comprehensive analysis of the design and implementation of user fees in Canada, see Althaus and Tedds, 2016 and Amborski, 2006.

transfer funding over time helps contextualize the relative importance of own-source (non-transfer) revenue in each municipality. Figure 9 helps present a more comprehensive picture of government transfer revenue by averaging this revenue, as a share of total revenue, from 2009 to 2016. Toronto and Hamilton—the GTHA’s two single-tier municipalities—lead on this metric, at 25.0% and 23.9% of total revenue over this period, respectively. Conversely, government transfers represented less than 12% of total revenue in Oakville (11.5%) and Vaughan (11.9%). It is worth noting that more than half of Toronto’s transfer revenue (\$1.5 billion, or \$567 per Torontonians in 2016) was dedicated to the Social and Family Services functional category of spending (City of Toronto, 2017), possibly as a result of Toronto’s aforementioned outsized role in delivering social services such as Ontario Works.

Figure 9: Average revenue from government transfers as a share (%) of total revenue in the GTHA, 2009–2016



Source: Ontario, Ministry of Municipal Affairs and Housing, *Financial Information Return*.



The last revenue source analyzed here is that coming from development charges. These are fees levied on property developers to pay for new infrastructure. In principle, they are designed so that those who enjoy the benefits of the new infrastructure pay the costs.<sup>13</sup> In Ontario, development charges are typically payable upon obtaining a building permit, and must be in accordance with the *Development Charges Act* (Gov't of Ontario, 1997). This revenue source can fluctuate from year to year alongside real-estate markets, making municipal comparisons in a single year potentially misleading. To help smooth over annual fluctuations, figure 10 presents average development charges as a share of own-source revenue between 2009 and 2016.<sup>14</sup>

It is also important to note that this share has grown over time (in 2016, the average share was 5.3%, up from 4.6% in 2009). And, some municipalities rely on developer fees much more than others. In five municipalities—Whitby, Scugog, Pickering, Toronto, and Brock—development charges as a share of own-source revenue account for less than half the GTHA average. But there are eight municipalities with more than double the average share: Aurora, Oakville, East Gwillimbury, Whitchurch-Stouffville, Halton Hills, Brampton, Markham, and Milton. Development charges over the eight years of analysis generated, on average, almost one quarter (22.5%) of Milton's revenue, followed by Markham (17.8%), Brampton (15.9%), and Halton Hills (12.8%).

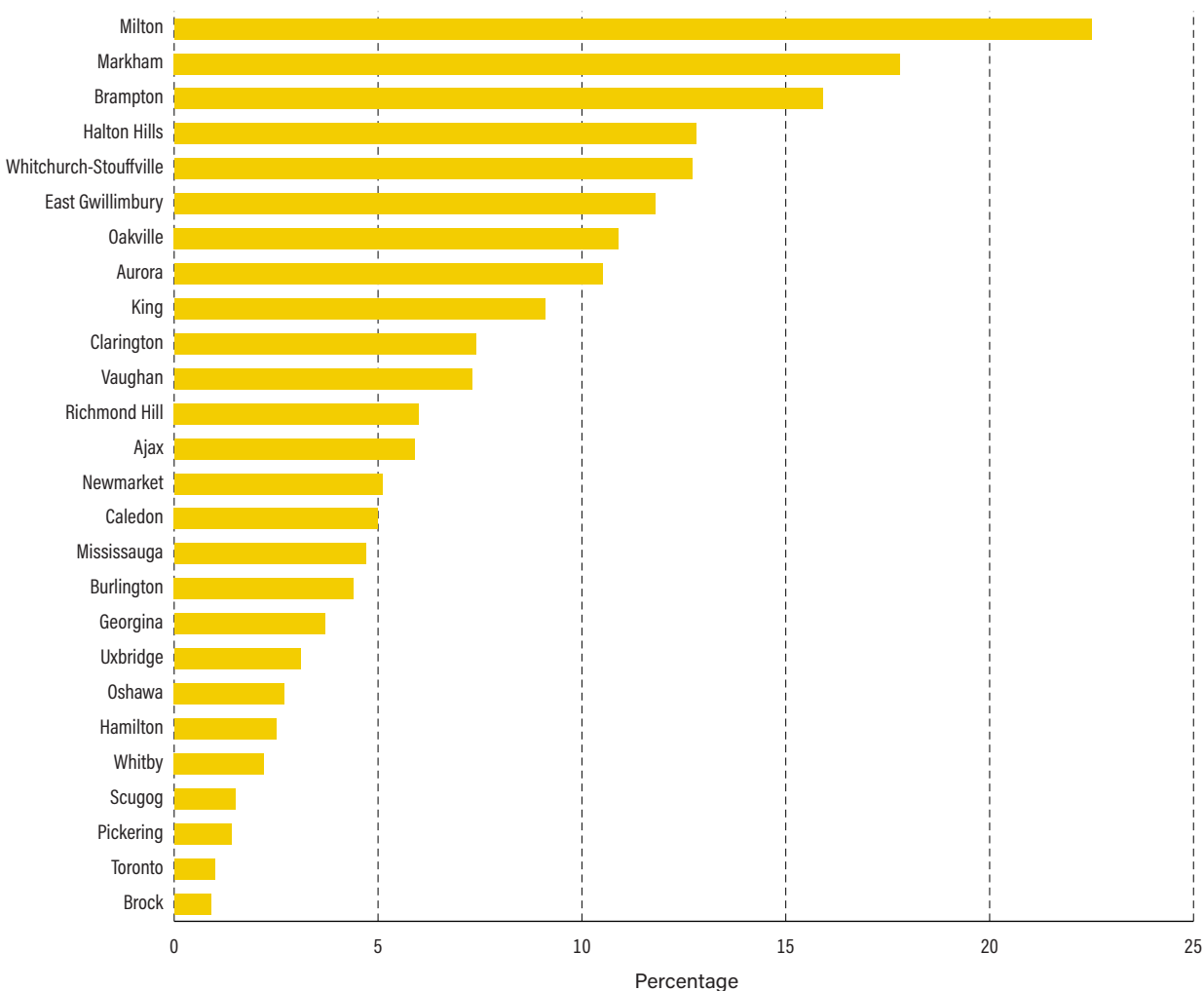
Given that development charges are designed to cover the cost of expanding infrastructure to new property developments, we would expect municipalities with high development charges as a share of revenue to also have high population growth. This expectation holds true for Milton, Whitchurch-Stouffville, and Brampton, all of which feature among the five fastest-growing municipalities between 2009 and 2016. All three have an above-average share of own-source revenue coming from development charges. However, this expectation does not hold for all municipalities with high revenue shares from these fees. For instance, on average, 12.8% of Halton Hills' revenue between 2009 and 2016 came from development charges but its population grew more slowly (6.3%) than the GTHA average (9.2%).

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13. In practice however, such fees can restrict the supply of new homes in a region, in turn increasing prices for all housing (not just that which is meant to shoulder the initial infrastructure cost). A growing body of empirical literature documents this phenomenon in the United States (Evans-Cowley and Lawhon, 2003), although similar research does not yet exist for Canada.

14. It is worth noting that these sums only include development charges, per the *Development Charges Act*, and not other, less direct forms of developer contributions, such as parkland dedication or the donation of tangible capital assets. For more on these and other forms of developer contributions in the GTHA, see Altus Group, 2018.

Figure 10: Average revenue from development charges as a share (%) of total spending in the GTHA, 2009–2016



Source: Ontario, Ministry of Municipal Affairs and Housing, *Financial Information Return*.

## Summary

As with spending, there is great variation in per-person revenue levels among the 26 GTHA municipalities. In 2016, King Township collected the most revenue per person (\$5,130)—over \$2,300 more per person than Georgina (\$2,799), which collected the least, and approximately one-third above the regional average (\$3,814). After accounting for population growth and inflation, seven municipalities (Ajax, Whitchurch-Stouffville, Vaughan, Scugog, Burlington, Toronto, and Milton) experienced a reduction in revenue per person between 2009 and 2016. All other municipalities saw revenue growth, to varying degrees, over the same period. Aurora experienced the fastest growth at 73.2%, while Oshawa held per-person revenue flat (0.01%). For the region as a whole,

inflation-adjusted revenue per person grew marginally (1.0%). Property taxation remains the GTHA's primary municipal revenue source, representing 38.9% of region-wide revenue in 2016. User fees (20.6%) and government transfers (17.9%) are the second and third largest categories, albeit with strong variation across municipalities. Municipalities in Durham Region are more likely to depend on revenue from property taxes, while municipalities in York Region are more likely to depend on revenue from fees and service charges. The fast-growing municipalities of Milton, Whitchurch-Stouffville, and Brampton all depend far more on development charges for revenue than their regional peers, while several municipalities with below-regional average population growth (for example, Halton Hills and Aurora) also depend disproportionately on this revenue source.

# Conclusion

Municipal governments provide important public services and collect taxes from residents, but municipal finances are not necessarily as straightforward to analyze and compare as those of more senior levels of government. This can pose problems for taxpayers and voters seeking to understand how their municipal government performs, especially compared to other municipalities. To help create awareness and encourage debate, this report includes key information on the state of government finances in the GTHA's 26 municipalities.

The report finds that municipalities differ considerably in the level of their spending and revenue and in the growth in these variables from 2009 to 2016. On spending, Toronto was the highest spender in 2016, spending almost 70% more per person (\$4,010) than Milton (\$2,385), the lowest spender, and over 20% more than the regional average (\$3,294). This is partly explained by Toronto's role as a regional anchor, incurring disproportionate requirements for transportation and social infrastructure, as well as its above average spending on employee compensation. However, Toronto also saw the greatest decline in per-person spending (-7.7%) between 2009 and 2016, suggesting a greater degree of restraint than regional peers, 17 of which saw spending increases over the same period.

The largest functional categories of municipal spending are transportation (24.4%), protective services (18.2%), and social services (17.6%), with important variation among municipalities. When broken down by object, the most significant category of municipal spending is salaries and wages (42.3% of region-wide municipal spending), which, when joined with employee benefits, account for a majority (over 50%) of municipal spending in Pickering, Toronto, and Whitby.

As with spending, there are significant variations in per-person revenue among the GTHA municipalities. In 2016, King Township collected the most revenue per person (\$5,130)—83% more per person than Georgina (\$2,799), which collected the least, and more than one third above the regional average (\$3,814). The region's largest municipality—the City of Toronto—collected the fourth highest total revenue per person (\$4,467) in 2016, in part as a result of regionally sourced transit revenues, as well as its distinct taxing powers.

The largest sources of municipal revenue are property taxation (38.9% of region-wide municipal revenue), user fees and service charges (20.6%), and government transfers (17.9%), with important variation among municipalities. Municipalities located in Durham Region are more likely to rely on property-tax revenues, as a proportion of total

revenues, while municipalities in York Region are more likely to depend on user fees and service charges. When it comes to development charges—fees collected from property developers to pay for new infrastructure—the fast-growing municipalities of Milton, Whitchurch-Stouffville, and Brampton all depended far more on development charges for revenue than their regional peers between 2009 and 2016, while several municipalities with below-regional average population growth like Halton Hills and Aurora also depend disproportionately on this revenue source.

## Appendix 1: Description of the Categories of the Financial Information Return Database

Each year, municipal governments in Ontario are required by the provincial government to submit information on municipal finances for the previous calendar year. That information is then organized into spreadsheets and posted online as the Financial Information Return database (<https://efis.fma.csc.gov.on.ca/fir/Welcome.htm>). At the time of writing, the online information goes back to 2001. The financial information is reported in accordance to the Generally Accepted Accounting Practices established by the Public Sector Accounting Board. Details on reporting standards can be found in the Common Language Guide to Municipal Financial Statements (Ontario, Ministry of Municipal Affairs and Housing, 2016).

### Definitions

The Financial Information Return database presents spending and revenue by categories that are defined in the Smart FIR User Guide and FIR Instructions (<https://efis.fma.csc.gov.on.ca/fir/FIR2016.htm>). **Table A1.1** and **Table A1.2** provide information on what is included in each category of spending as used in this report. **Table A1.3** performs the same function for revenue sources.

Table A1.1: Definition of spending categories, by function

**General government**—Governance, corporate management, and program support.

**Protections to Persons and Property**—fire, police, court security, prisoner transportation, conservation authority, protective inspection and control, building permit and inspection services, emergency measures, *Provincial Offenses Act* (POA), and “other” protection services.

**Transportation**—roads (paved, unpaved, bridges, culverts, traffic operations, roadside maintenance, winter control), sidewalks, parking lots, transit (conventional), transit (disabled and special needs), street lighting, air transportation, and “other” transportation services.

**Environment**—wastewater (collection/conveyance, treatment and disposal), urban storm sewer system, rural storm sewer system, water treatment, water distribution/transmission, solid waste (collection, disposal), recycling, “other” environmental services.

**Health and Emergency Services**—public health services, hospitals, ambulance services, ambulance dispatch, cemeteries, “other” health services.

**Social and Family Services**—general assistance, assistance to aged persons, childcare, “other” social and family services.

**Social Housing**—public housing, non-profit/cooperative housing, rent supplement programs, “other” social housing services.

**Recreation and Cultural Services**—parks, recreation programs, recreation facilities (golf courses, marinas, ski hills, arenas, community centres, swimming pools), libraries, museums, cultural services (art galleries, auditoriums, concert halls, contributions to ethnic groups and celebrations), “other” recreation and cultural services.

**Planning and Development**—planning and zoning, commercial and industrial (business improvement areas, grants to boards of trade, development commissions), residential development (housing studies, land assembly), agricultural and reforestation, tile drainage/shoreline assistance, “other” planning and development services.

**Other**—this category is for those municipalities that have gas or telephone utilities and are deemed to be a local board or a department of the municipality.

Source: Ontario Ministry of Municipal Affairs and Housing, *Functional Classification ...*



Table A1.2: Definition of spending categories, by object

**Salaries, Wages and Employee Benefits**—Salaries, wages and employee benefits include expenses incurred for the following purposes: full-time, part-time and temporary salaries and wages including, regular, overtime, shift premiums, and other remuneration to employees. Benefits include employer's contribution payments to Canada Pension Plan (CPP), Ontario Municipal Employee Retirement System (OMERS), Employer's Health Tax, Employment Insurance (EI), Workplace Safety and Insurance Board (WSIB) and any other insurance plans, such as supplementary health and dental. Also included are clothing, moving, tuition, housing and other employee benefits and allowances paid.

**Interest on Long Term Debt**—interest incurred on long term liabilities and for leased tangible capital assets. Excludes interest payments made by unconsolidated entities, as well as interest payments made from reserve funds.

**Materials**—materials purchased by a municipality for its own uses and/or disposal or resale. Materials purchased by the municipality which are subsequently provided to a third party are also included.

**Contracted Services**—recorded when a municipality is responsible for providing a service and contracts out service delivery, in part or in whole, to an arm's-length service provider. The arm's-length service provider may be a private contractor, another municipality, or another level of government.

**Rents and Financial Expenses**—Includes the rental of buildings, land, machinery, equipment, and engineering structures, as well as short-term borrowing costs, bank and credit card service charges, annual payments associated with financing leases not deemed to be a capital tangible lease and any other financial costs from external sources.

**External transfers**—includes transfers to charitable organizations, colleges, cultural or recreational organizations, hospitals, universities, conservation authorities, individuals (that is, social assistance), or unconsolidated local boards.

**Amortization**—includes the annual amortization expense for tangible capital assets.

Source: Ontario Ministry of Municipal Affairs and Housing, Schedule 40.

Table A1.3: Definition of revenue categories

**Property Taxation and Payments in Lieu of Taxation**—All revenue from property taxes and payments-in-lieu (for example, Toronto Pearson Airport).

**Government Transfers**—Includes Ontario unconditional grants (Ontario Municipal Partnership Fund, other), conditional grants (Ontario conditional grants, Ontario grants for tangible assets, Canada conditional grants, Canada grants for tangible capital assets, deferred revenue earned [Provincial Gas Tax, Canada Gas Tax], revenue from other municipalities for tangible capital assets).

**User Fees and Service Charges**—Includes total user fees and service charges, generated within a municipality and includes direct water billings and sewer surcharges.

**Other Revenues**—other revenues.

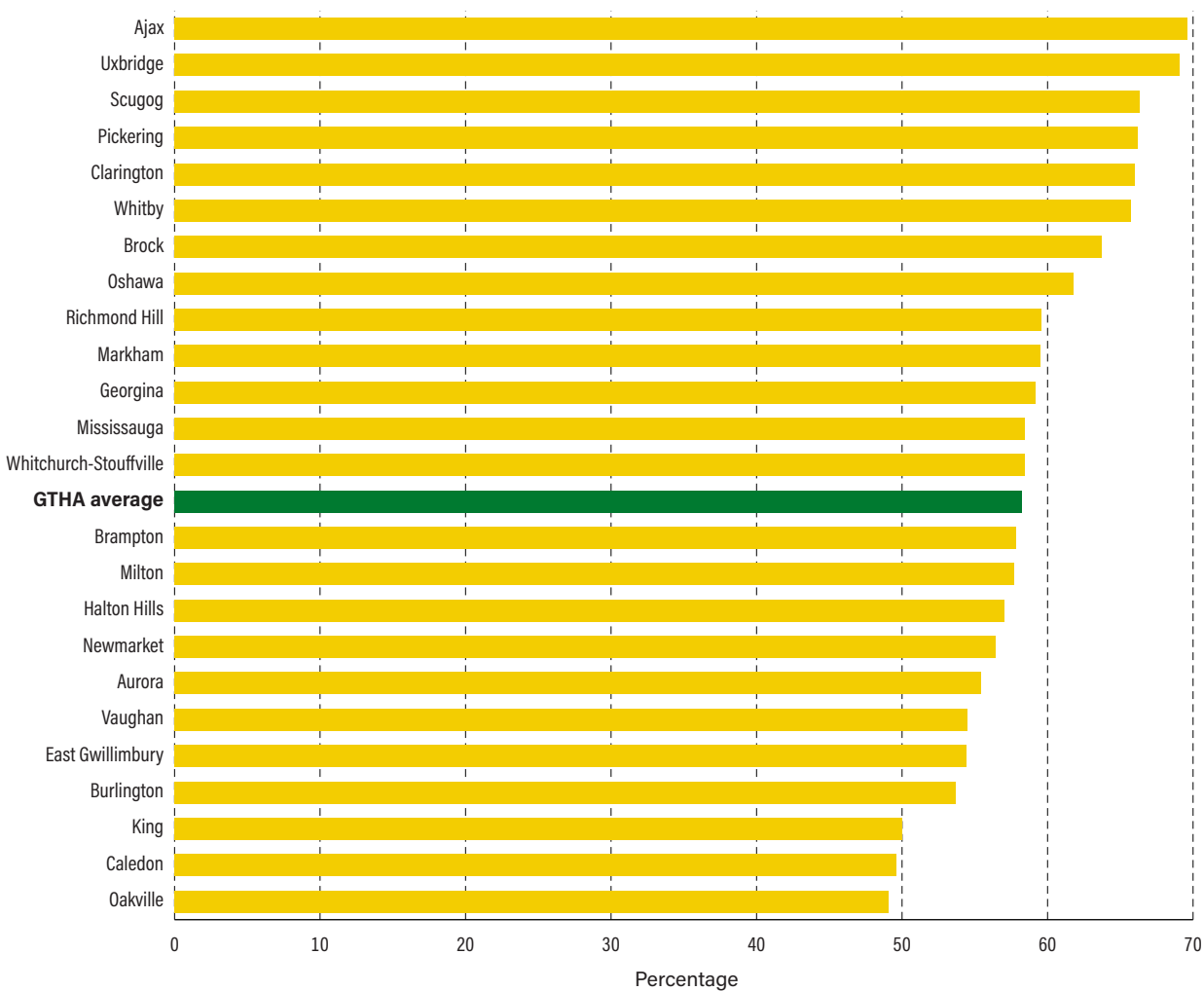
**Development Charges (within “Other”)**—all development charges (per *Development Charges Act*) received during the year.

**Municipal Land Transfer Tax (City of Toronto only)**—on top of the provincial land transfer tax, the City of Toronto has levied its own Municipal Land Transfer Tax (MLTT) since 2006.

Source: Ontario Ministry of Municipal Affairs and Housing, Schedule 10.

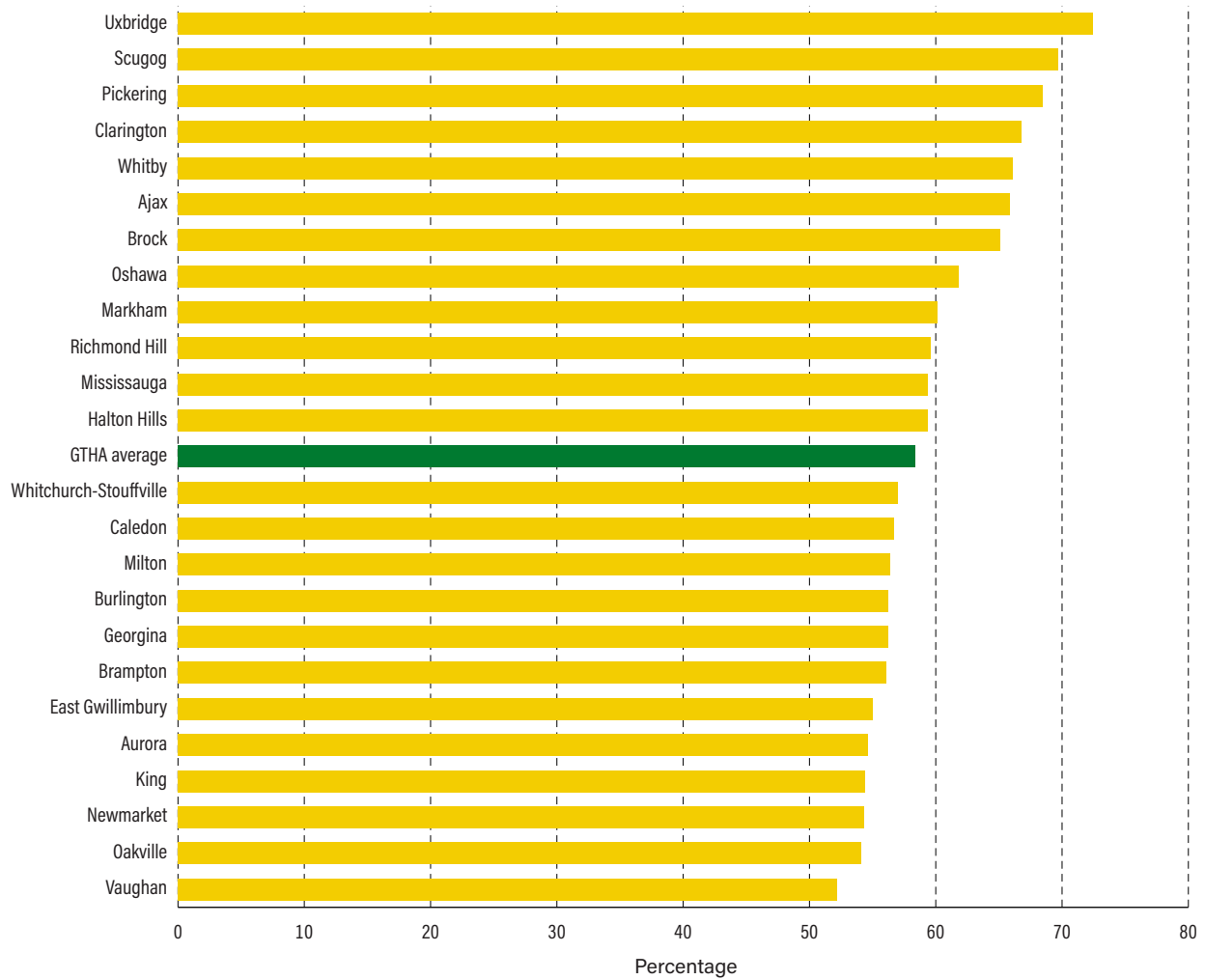
## Appendix 2: Average Upper-Tier Share of GTHA Municipal Spending and Revenue

Figure A2.1: Average upper-tier spending as a share (%) of total spending in the GTHA, 2009–2016



Source: Ontario, Ministry of Municipal Affairs and Housing, *Financial Information Return*.

Figure A2.2: Average upper-tier revenue as a share (%) of total revenue in the GTHA, 2009–2016



Source: Ontario, Ministry of Municipal Affairs and Housing, *Financial Information Return*.

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