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August 27, 1999

Part 1 - Gilchrist's "Advisors" Poised to Enter Municipal Warzone

Note: This is the first in a five-week series of commentaries on municipal restructuring.

Part 2 - [Municipal Governance: Dispelling the Myths](#)

Part 3 - [Merger Pitfalls: Can Transition Costs Eclipse Anticipated Savings?](#)

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This week Steve Gilchrist, the Minister for Municipal Affairs and Housing, announced that the structure of municipal government is going to drastically change. The regions of Ottawa-Carleton, Haldimand-Norfolk, Hamilton-Wentworth and Sudbury are due for major overhauls by year's end.

The government will simplify the structure of governance (read reduce the number of cities and tiers) in each region. The Minister will appoint four "special advisors" to consult for 60 to 90 days and then bring recommendations to Cabinet for legislative action.

This continues the rationalization effort that began during the government's first mandate which saw the number of municipalities reduced by 28% from 815 to 586. Most notable amongst these was the creation of the new City of Toronto through the merger of Etobicoke, York, East York, Toronto, North York and Scarborough and the regional government in Toronto into one 2.5 million-person megacity.

The government hopes to force a streamlining of local service delivery and thereby reduce local property taxes. Reducing the numbers of municipal politicians is a nice by-product from this process. Laudable goals indeed, but the special advisors won't have it easy.

All four regions have two-tier local government. The upper-tier municipalities (the regional governments) for the most part are delivering policing, transportation, solid waste management, public works, water and sewer, and statute mandated urban planning services. Due to provincial downloading, social welfare and housing services have also been added to their service inventory. Lower-tier municipalities (the cities) deliver local roads, libraries, parks and recreation, simple zoning, fire fighting and make work urban planning services.

However, there is much overlap and duplication in this mix where savings can be found and each region also has more politicians than most provinces have MPPs or MLAs.

This two-tier structure has evolved over the past 30 years. The original plan was that regional governments would coordinate urban sprawl and metropolitan services while the cities would focus on local concerns. But the end result has been that local government itself (at both tiers) continues to sprawl and taxpayers pay the price. Indeed, Ontarians pay the highest real property taxes in Canada.

While each of the four regions is different, the characteristics of the political debate are eerily

similar. The cities want to abolish the regions, the regions want to abolish the cities and wherever you go, the tone is nasty, personal and compromise is not an option.

As Trent University economics Professor Harry Kitchen notes "... there is no consensus among municipal officials and policy analysts on the preferred option. In many cases the choice is driven by political opportunism, in some cases it is driven by a desire to preserve local identity; in other cases, it is driven by political motives including determination to create a stronger political base from which a local politician may wish to operate ..."

Given all this, the special advisors must follow do the following in order to succeed.

Focus on services. Restructuring service delivery provides the best savings for taxpayers and yields a template from which new political structures can be derived. Be transparent. Engage local leaders and taxpayers alike in your consultations. Finally, they must have courage. They won't make many friends, but their task is necessary. And if this also means criticizing past or recent provincial policy decisions, so be it.

– Walter Robinson, Federal Director

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September 2, 1999

Part 2 - Municipal Governance: Dispelling the Myths

Note: This is the second in a five-week series of commentaries on municipal restructuring.

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Part 3 - [Merger Pitfalls: Can Transition Costs Eclipse Anticipated Savings?](#)

Part 4 - [It's the Services Stupid](#)

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As Minister Gilchrist ponders his choices for special advisers to aid four key Ontario regions with their restructuring efforts, the local battle lines have been drawn and the fear -mongering and mythology being perpetuated in each community by pro- and anti-merger forces has reached a fever pitch. While we shouldn't be surprised at this level hyperbole – an inevitable by-product of the governance debate – the myths can not go unchallenged.

Myth #1: Our communities will disappear. Anti-merger forces in the suburbs usually spread this myth. It's pure rubbish! Communities do not derive their identity from lines on a map or the fact that city hall is next door. Their identity is built upon shared values, a common history and recurring events and activities. Forty-four years after Metropolitan Toronto was created communities like the Beaches, Long Branch, Mimico, and Rexdale continue to exist and thrive.

Myth #2: Why merge? We're debt free while the others have loads of debt on their books. Again, another zinger from the suburbs. Yes it is true that core cities usually carry more debt, primarily due to aging infrastructure. And let's remember that a majority of suburban folk derive their living by driving/busing on this core infrastructure on a daily basis before returning to their pristine suburban enclaves when the day is done.

In the Toronto amalgamation, municipal debts were apportioned to the originating jurisdictions (read: the old cities' taxpayers) over an eight-year period. But mergers are like marriages (albeit this round will be more akin to a shotgun wedding); you take the good with the bad. If suburban dwellers don't want to share in new supercity debts, should they reasonably expect to share in the rich commercial industrial assessment base that usually accompanies the core city?

Myth #3: Supercities ensure economic success by streamlining economic development agencies that currently work at cross-purposes. This is the favourite argument of pro-merger forces and business groups. To be fair, municipal politics is replete with examples of little turf

wars resulting in lost economic and investment activities. But simply merging cities doesn't solve this problem of preferred parochialism.

Cities like Sydney, Australia (3 million people, 30 cities) won the 2000 summer Olympic games. And here in North America, Silicon Valley North (anchored by the City of San Jose in the Santa Clara valley) is a cluster of 15 municipalities and 1.2 million people that seems to do extremely well in the high-tech field.

Economic development success is built on several key factors: a product to sell, a preferable geographic location, a competitive tax climate, and a skilled workforce. Yes coordination is necessary in attracting investments, but this can be accomplished with or without overarching governance structures.

Myth #4: The province is bluffing and not much will change. This one is believed only by the truly stupid. Rightly or wrongly, the current provincial government sees all sorts of political and economic advantages in dealing with a smaller number (read: larger single tier cities) of municipalities. Ignoring this reality will not make the looming legislative changes disappear. This one is believed only by the truly stupid. Rightly or wrongly, the current provincial government sees all sorts of political and economic advantages in dealing with a smaller number (read: larger single tier cities) of municipalities. Ignoring this reality will not make the looming legislative changes disappear.

Dispelling these myths is crucial if this debate is to move forward. Next week we'll identify areas where municipal mergers can run off the rails including transition costs, exorbitant labour attrition packages and averaging up in service delivery standards.

– Walter Robinson, Federal Director

Note: This is the second in a five-week series of commentaries on municipal restructuring. Previous commentaries can be found on the CTF website in the Let's Talk Taxes – Ontario section.

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September 10, 1999

Part 3 - Merger Pitfalls: Can Transition Costs Eclipse Anticipated Savings?

Note: This is the third in a five-week series of commentaries on municipal restructuring.

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Part 2 - [Municipal Governance: Dispelling the Myths](#)

Part 4 - [It's the Services Stupid](#)

Part 5 - [You Have Sixty Days to Speak Loud and Speak Often](#)

As the battles over new municipal governance structures heat up in many communities across Ontario, studies are being bandied about by pro- and anti-merger proponents claiming enormous cost savings for their preferred governance models.

Indeed, it seems many consulting firms are doing a booming business projecting cost savings if "this" or "that" model of governance is adopted. With all these conflicting studies, who are taxpayers to believe?

The best answer is to work from past experience to see what costs will be incurred in municipal consolidations, regardless of the model chosen.

Human resources costs. Proponents of municipal mergers will always identify reductions in staff through streamlining and ending duplication as a major cost saving resulting from consolidation. The question to ask is whether long-term cost savings outweigh short-term labour attrition expenditures.

These include severance costs, buyout packages and unpaid sick and holiday leave. When we're dealing with hundreds or thousands of affected employees, these costs can quickly run into the tens of millions of dollars. Taxpayers need to ask the "high priced" consultants if they've factored these costs into their studies.

Information technology. Another major administrative benefit touted by mergermania proponents is streamlined administration and harmonization of competing technology platforms across various organizations. But harmonization has a price. Moving to one platform usually entails a considerable purchase of new computer hardware and software, not to mention the disposal of old machinery. Another major administrative benefit touted by mergermania proponents is streamlined administration and harmonization of competing technology platforms across various organizations. But harmonization has a price. Moving to one platform usually entails a considerable purchase of new computer hardware and software, not to mention the disposal of old machinery.

Then files need to be converted, data needs to be transferred and employees need to be trained on new applications and sometimes, work flow processes. Couple this with employees struggling under increased workloads and the costs can be enormous. Again, the "high priced" consultants with their "cookie cutter" studies need to fess up to the true costs of this shock to a new merged organization.

Collective agreements. Unionized and non-unionized employees have every right to be fearful for their jobs in municipal mergers, as job losses are inevitable. Those that remain through seniority and bumping then demand of their union leadership some solid working conditions. As municipalities merge, so do bargaining units and the new larger units that evolve tend to engage in "averaging up" in their negotiations with management for new collective agreements. Averaging up refers to the tendency for new collective agreements to gravitate toward the highest salary and best working conditions from amongst the pool of old collective agreements. Again, these costs must be weighed against the status quo.

Service levels. Another factor in municipal mergers where costs can escalate is an "averaging up" phenomenon in service levels. Ratepayers in municipalities with twice a week garbage collection will usually insist on the continuance of this service level. And once disparities in service levels are known, other areas in new merged municipalities may also insist on equitable (read: more service) service treatment.

These issues and costs must be adequately addressed in any studies which point to cost savings under "this" or "that" model. Next week we'll turn to the flipside of this municipal coin and look at areas where real cost savings can occur, especially when it comes to new models of service delivery.

– Walter Robinson, Federal Director

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September 24, 1999

Part 4 - It's the Services Stupid

Note: This is the fourth in a five-week series of commentaries on municipal restructuring.

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Part 2 - [Municipal Governance: Dispelling the Myths](#)

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Part 5 - [You Have Sixty Days to Speak Loud and Speak Often](#)

While municipal consolidations can lead to cost increases as we discussed last week, they also provide the ideal catalyst (if managed properly) to restructure local service delivery to save massive property tax dollars.

Indeed, the "special advisors" for Ottawa-Carleton, Hamilton-Wentworth, Haldimand -Norfolk and Sudbury that will be appointed next week must keep alternate service delivery methods in the forefront as they attempt to redraw the municipal map.

Skeptics will say that many Ontario municipalities already engage in a significant amount of non-core service tendering activity. But the problem is twofold. First, defining what is core and non-core is still a very myopic exercise for most municipalities. And second, tenders are too prescriptive and don't foster full innovation or creativity in municipal service delivery.

When I was in the private sector we used to argue that you could contract out everything except elected representation. And if one looks at the Senate, it seems that our Prime Minister may have solved this issue – in a manner of speaking.

Municipalities have a responsibility to ensure that services are delivered, this does not mean that they must actually deliver the services. Private companies, community agencies or employee takeover corporations are often better equipped to service the community.

Here is just a sample of areas where alternate service delivery could be employed:

- Public parks and recreation
- Local road repair
- Traffic signals and maintenance
- Waste management (garbage, recycling, toxic chemicals)
- Public cemeteries and cremation
- Parking (meters, off-street and enforcement)
- Ambulance service and dispatch
- Information technology support
- Local licensing and permits
- Fees and tax collection
- Warehousing and supplies
- Public transportation
- Payroll processing

- Social assistance benefits
- Public housing stock
- Facilities management
- Vehicle fleet management
- Hydro services
- Economic development, and the list goes on.

The bulk of your property tax bill does not go to support various city halls and councilors, it goes to hard and soft municipal services.

By engaging new service providers in flexible contractual arrangements as opposed to restrictive and prescriptive tenders, real savings can accrue to taxpayers. Unfortunately, too few municipal leaders have embraced this kind of innovative thinking.

Therefore, municipal restructuring should be used as the catalyst for new models of service delivery. If the special advisors focus on how services are to be best delivered in varying degrees by public and private providers, the new governance arrangements (How many cities? How many councilors?) will become as self-evident as the property tax savings to be realized by taxpayers.

– Walter Robinson, Federal Director

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September 24, 1999

Part 5 - You Have Sixty Days to Speak Loud and Speak Often

Note: This is the last in a five-week series of commentaries on municipal restructuring.

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Part 2 - [Municipal Governance: Dispelling the Myths](#)

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Part 4 - [It's the Services Stupid](#)

Over the past four weeks we have examined the municipal restructuring debate. The motives of the province are clear. They believe that fewer municipalities mean fewer political headaches and more savings for taxpayers. Whether you agree or not, this is the environment in which decisions are being made (see Let's Talk Taxes –August 27, 1999).

Now the proverbial rubber hits the road. Municipal Affairs minister Steve Gilchrist has appointed four "special advisors" to listen and consult in the regions of Ottawa-Carleton, Hamilton-Wentworth, Haldimand-Norfolk and Sudbury. The advisors will recommend new governance structures by the third week of November. These will then be submitted to Cabinet for quick legislative approval. Municipal maps will then be redrawn in time for the November 2000 elections.

Local politicians have much too fear. Regardless of the exact outcome or governance model chosen (one city, multi-city, modified two-tier, etc.) many will lose their jobs and in a desperate effort to retain power, they will squander millions of taxpayer dollars in the next two months advertising, consulting, and travelling in an all out effort to convince voters, the media, the special advisor, the neighbour's dog – anyone who will listen or even feigns interest – that their solution is best and they should keep their jobs.

The challenge for taxpayers is to use the information that we've provided over the past four weeks to cut through all this "noise". First, our myths and facts (see Let's Talk Taxes – September 2, 1999) must be repeated ad nauseum. For example, tell your politicians that communities don't derive their identity from artificial lines on a map. People define communities, not politicians.

Second, demand full disclosure from the authors of various studies that promise millions in tax savings if their particular governance model is adopted (see Let's Talk Taxes – September 9, 1999). Read the fine print to ensure that labour attrition costs (for organized labour and senior management) are fully costed. Ask for independent valuation of technological transition costs including disposal of old hardware, new purchases and all associated training costs.

Third, write letters to the editor, call talk radio shows and seek a meeting with the special advisor to convey your thoughts. Also copy your local elected officials, your MPP and the Minister of Municipal Affairs on any correspondence you send to the special advisor. Demand that he/she focus on restructuring service delivery as the most effective way to cut costs.

Include options and candidates for privatization.

Finally, be vigilant in watching how the current town and city councils administer their budgets (your taxes) until year's end. The temptation to swallow a poison pill by debt-financing new capital projects or depleting built up reserve funds is great, especially if the municipality in question believes that its days are numbered. If this behaviour transpires, call us and we'll blow the whistle on them. Public revelations of such fiscal ineptitude can foster enough embarrassment, scrutiny and suasion to correct these stupid decisions.

So speak loudly and speak often, the next sixty days will change the face of municipal government in many Ontario communities for the generations to come. Shape your future, don't let it shape you!

– Walter Robinson, Federal Director

Tax Fact:

More information on the current round of municipal restructuring (the rationale, the process, biographies of special advisors, etc.) can be found at
<http://www.mmah.gov.on.ca/inthnews/press-e.htm>

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