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Local Government in Canada

Responses to Urban-Rural Challenges

edited by

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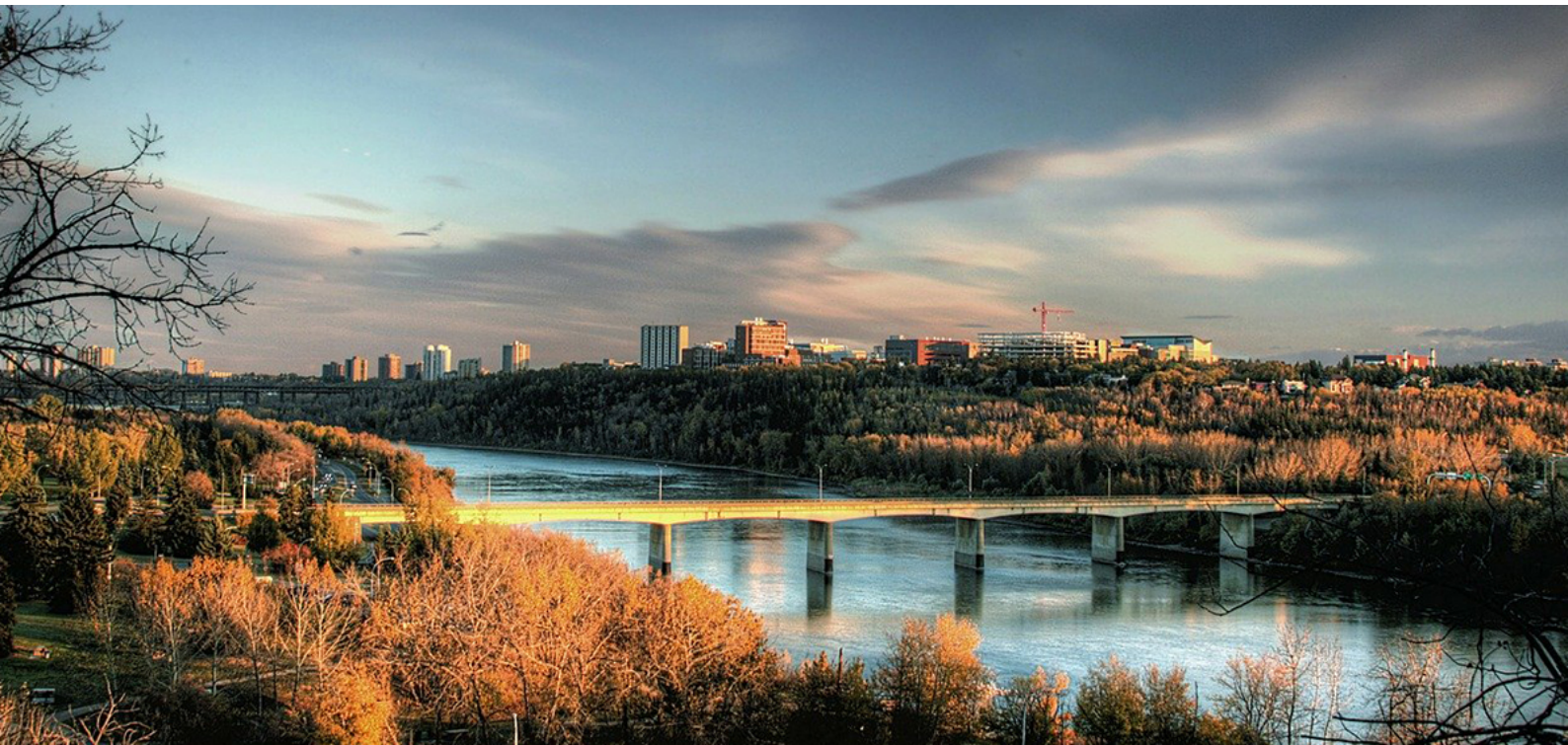

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November 2021

The Country Report on Local Government in Canada is a product of the LoGov-project: "Local Government and the Changing Urban-Rural Interplay".
The H2020-MSCA-RISE-2018 project aims to provide solutions for local governments that address the fundamental challenges resulting from urbanisation. To address these complex issues, 18 partners from 17 countries and six continents share their expertise and knowledge in the realms of public law, political science, and public administration. LoGov identifies, evaluates, compares, and shares innovative practices that cope with the impact of changing urban-rural relations in major local government areas (WP 1-5).

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This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 823961.

Contents

1. The System of Local Government in Canada: An Introduction

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Types of Local Governments

Canadian federalism divides governing responsibilities among three levels of government: federal, provincial, and local. However, the Canadian Constitution gives the provinces sole jurisdiction over municipalities, which results in significant inter-provincial variation among local government systems. While the federal government in recent years began to provide money through joint federal-provincial programs for services that are ultimately delivered by municipalities (primarily hard infrastructure), there is typically no direct federal policy or regulatory involvement with the municipal level of government.[2] One side effect of this lack of federal involvement is that it is difficult to determine how many local governments there actually are in Canada. A comprehensive survey of available data from numerous sources, conducted in June 2021 by researchers at Western University,[3] indicates that there were 3,533 local governments in Canada as of 2020. This is a significant decrease from the total of 4,432 in 1995, which reflects the results of a large-scale wave of provincial imposed consolidations in several provinces around the turn of the millennium. Despite this consolidation, most municipalities in Canada are small and rural. A report based on the 2016 census finds that only 723 had a population of 5,000 or greater. By contrast, 24 municipalities had over 200,000 residents, while three municipalities (Toronto, Montreal and Calgary) had over 1 million inhabitants. Toronto is Canada's largest municipality, with a population of 2.9 million as of July

[1] Acknowledgements: Data regarding number of municipalities in Canada, as well as the analysis of rural-urban demographic and economic differences in Ontario, were compiled and produced by Amanda Gutzke at Western University. Our sincere thanks for her excellent work.

[2] Erin Tolley and William R Young, 'Municipalities, the Constitution, and the Canadian Federal System' (Government of Canada 2001) <http://publications.gc.ca/Collection-R/LoPBdP/BP/bp276-e.htm#Municipalities> accessed 25 July 2019.

[3] These data were collected and analyzed as part of another research project, led by Zack Taylor and Martin Horak.

2018.[4] Just as the country's 10 provinces and three territories[5] vary in population size, so too do their municipal populations. Ontario tends to have larger municipalities as a result of its history of amalgamations imposed by the province, many of which took place in the 1990s.[6] Ontario currently has 444 municipalities.

In some cases, urban municipalities have distinct status under provincial law. For example, Vancouver, Winnipeg, Montreal, and Saint John are Charter Cities, which means that they are governed by their own piece of legislation – or 'Charter' – rather than being subject to the broad, province-wide legislation that governs the activity of other municipalities.[7] The City of Toronto is likewise governed by stand-alone provincial legislation. However, in general the degree to which these charters grant powers and resources over and above those of other municipalities is limited.

Table 1: Types of municipalities in Canada's four most populous provinces.[8]

Province	Types of Municipality
Ontario	Village Township Town Municipality City County Regional Municipality
Quebec	Village Township United Township Town Municipality

[4] 'Municipalities in Canada with the Largest and Fastest Growing Populations between 2011 and 2016' (*Statistics Canada*, 8 February 2017) <https://www12.statcan.gc.ca/census-recensement/2016/as-sa/98-200-x/2016001/98-200-x2016001-eng.cfm> accessed 1 August 2019; 'Municipalities in Canada with Population Decreases between 2011 and 2016' (*Statistics Canada*, 8 February 2017) <https://www12.statcan.gc.ca/census-recensement/2016/as-sa/98-200-x/2016002/98-200-x2016002-eng.cfm> accessed 1 August 2019; 'Toronto at a Glance' (*City of Toronto*, undated) <https://www.toronto.ca/city-government/data-research-maps/toronto-at-a-glance/> accessed 1 August 2019.

[5] Canada's three territories (Nunavut, the Northwest Territories, and Yukon) are located in the far north. Despite their large geographical size, they have very small populations, totaling only about 110,000 in all three territories, which is less than the population of the smallest province (Prince Edward Island, 150,000 inhabitants).

[6] Andrew Sancton, *Canadian Local Government: An Urban Perspective* (2nd edn, OUP 2015) 150, 152.

[7] 'Power of Canadian Cities- The Legal Framework' (*City of Toronto*) <https://www.toronto.ca/ext/digital_comm/inquiry/inquiry_site/cd/gg/add_pdf/77/Governance/Electronic_Documents/Other_CDN_Jurisdictions/Powers_of_Canadian_Cities.pdf> accessed 25 July 2019; John Stefaniuk, 'Municipal Powers and their Limits' (TDS Law) <https://www.tdslaw.com/site-content/uploads/municipal-powers-and-their-limits-2.pdf> accessed 25 July 2019.

[8] Sancton, *Canadian Local Government*, above, 7-8; 'Types of Municipalities in Alberta' (*Government of Alberta*, undated) <https://www.alberta.ca/types-of-municipalities-in-alberta.aspx> accessed 25 July 2019.

	City Parish Regional Government Metropolitan Community Regional County Municipality
British Columbia	Village Town District Municipality City
Alberta	Summer Village Village Town City Specialized Municipality Municipal District Improvement District Metis Settlement Special Areas

Generally, Canadian municipalities are responsible for providing physical services including water supply, waste management, local infrastructure management, sewage treatment, planning and development services, libraries, parks and recreation, local police, and parking.[9] These local government tasks are administered through general purpose municipalities (variously called cities, towns, villages, etc., depending on size), sometimes in conjunction with special purpose bodies. The table above compares the largest four provinces by population to illustrate variation in the legal types of municipalities. In addition to these, there are numerous local government bodies that do not have municipal status – such as British Columbia's regional districts, which are multi-purpose service federations of municipal governments.

In some provinces, including Ontario, Quebec and Alberta, there is a single tier of local government in some areas, and two tiers of local government in other areas. Upper-tier governments in Ontario, for example, are either called counties or regional municipalities, with the latter typically found in large urban areas. Upper-tier municipalities are comprised of the lower-tier governments within their boundaries. They provide region-wide services like arterial roads; transit; policing; sewer and water systems; waste disposal; region-wide land use planning and development; and health and social services.[10]

[9] 'The Three Levels of Government' (*Parliament of Canada*, undated) <https://lop.parl.ca/about/parliament/education/ourcountryourparliament/html_booklet/three-levels-government-e.html> accessed 25 July 2019.

[10] 'Ontario Municipalities' (*AMO*, undated) <https://www.amo.on.ca/AMO-Content/Municipal-101/Ontario-Municipalities.aspx> accessed 25 July 2019.

Legal Status of Local Governments

Canada's Constitution specifies the terms of Canadian federalism. It assigns responsibility for local governments to the provinces. This means that the provincial governments have full jurisdiction over the local governments in their territory. Section 92 of the Constitution Act of 1867 specifies the powers of the provinces and Section 92(8) gives each provincial legislature the power to make laws for the municipal institutions under its jurisdiction. Municipalities are often referred to as 'creatures of the province' because they rely on the provinces for their legal existence.[11]

There is significant variation among the provinces in terms of the structure of municipal legislation. Historically, provincial legislation has tended to lay out every power granted to its municipalities; if a specific power is not listed, municipalities do not possess that power. However, in recent years this has shifted, and most provinces now have legislation, such as that implemented in Alberta in 1995 and Ontario in 2001, which grants municipalities the same powers as a 'natural person' unless specifically excluded by the legislation. This gives municipalities the same rights as businesses to enter into contracts, own property, and make investments. Moreover, British Columbia's provincial government sets only broad legislation within which municipalities have the authority and flexibility to respond to each community's unique and changing needs. The Government of British Columbia views municipalities as autonomous and accountable to their democratically elected municipal councils.[12]

Both urban and rural municipalities in all Canadian provinces have some legal authority to act in the following functions: fire protection; animal control; roads; traffic control; solid waste collection and disposal (except in Prince Edward Island); land use planning and regulation; building regulation; economic development; tourism promotion; public libraries parks and recreation; cultural facilities; licensing of businesses; emergency planning and preparedness; rural fences and drainage; regulation and/or provision of cemeteries; airports (excluding major airports formerly operated by the federal government); and weed control and regulation of cosmetic pesticides.

Additionally, the following functions are typically delivered by urban municipalities: public transit; regulation of taxis; water purification and distribution; sewage collection and treatment; downtown revitalization; and regulation of noise. Generally, urban municipalities are also responsible for policing, although in some provinces special purpose bodies take care

[11] Tolley and Young, 'Municipalities and the Constitution', above; Sancton, *Canadian Local Government*, above, 27.

[12] For a comprehensive overview of Canadian municipal legislation, see Zack Taylor and Alec Dobson, 'Power and Purpose: Canadian Municipal Law in Transition' (2020) 47 IMFG Papers on Municipal Finance and Governance; 'Municipalities in British Columbia' (*British Columbia*, 2019) <https://www2.gov.bc.ca/gov/content/governments/local-governments/facts-framework/systems/municipalities> accessed 25 July 2019.

of this function. The exception is Newfoundland and Labrador, where policing is taken care of by the Royal Newfoundland Constabulary. Moreover, the Royal Canadian Mounted Police (RCMP) (or a provincial police force, as in the case in Quebec and Ontario) enters into contracts with some urban municipalities to provide policing, and it is typical for the RCMP or provincial police to provide policing in rural areas.

Ontario is unique in that the province mandates that its municipalities deliver certain social services. This includes income and employment assistance through the Ontario Works program and subsidized childcare with provincial oversight and financial assistance. Additionally, Ontario municipalities are required to provide subsidized social housing, with limited financial assistance from the province. Municipalities in other parts of the country do not have the same statutory responsibility to provide these social services.[13]

(A)Symmetry of the Local Government System

The fact that the provinces have under the Canadian Constitution sole jurisdiction over municipalities gives rise to considerable inter-provincial variation. Although municipal powers and responsibilities thus vary by province, common core functions include planning, regulating, protecting, and providing infrastructure services for the built environment.[14]

In some cases, there is also asymmetry within provinces in terms of how local government is structured, as different laws may exist for urban and rural municipalities. As noted above, several of Canada's largest urban municipalities are governed by charters that outline specific institutional arrangements for that municipality, and/or grant it additional powers and revenue sources. Toronto, for example, was granted charter status in 2007, giving it additional revenue raising tools beyond the property taxes and provincial transfers that most municipalities rely on. However, it should it be noted that Charter Cities do not have additional constitutional protections. A municipal charter can be changed by the province at any time. Indeed, there is much disagreement surrounding the utility of granting cities such additional powers, as such powers have typically been limited and are often not fully used.[15]

General municipal statutes and special charters are not the only laws that apply to municipalities. Indeed, since provincial governments set parameters for municipal action in a multitude of policy fields, ranging from planning and environmental services to policing and housing, the cope of municipal action is shaped by dozens, if not hundreds of different statutes

[13] Sancton, *Canadian Local Government*, above, 22-23.
[14] Taylor and Dobson, 'Power and Purpose: Canadian Municipal Law in Transition', above.
[15] Harry Kitchen, 'Is Charter City Status a Solution for Financing City Services in Canada – Or is that a Myth?' (University of Calgary School of Public Policy SPP Research Paper 9-2, 2016) <https://www.policyschool.ca/wp-content/uploads/2016/03/charter-city-status-kitchen_0.pdf> accessed 26 July 2019.

in each province.[16] In addition, in some provinces, provincial governments may enact laws that apply only to particular municipalities or groups of municipalities – that is, single municipalities can apply to their provincial government to request private statutes as a remedy for a particular local problem for there is no other legal recourse.[17]

Political and Social Context in Canada

All Canadian municipalities are governed by a democratically elected council.[18] Ward systems are commonly used, especially in large municipalities; Vancouver is Canada's only large city where councillors are elected at-large. With the exception of the City of Vancouver and larger municipalities in the Province of Quebec, local government is non-partisan. The provinces of British Columbia and Quebec are the only two provinces that have legislation that allows for the existence of political parties at the local level.[19] The fact that local government tends to be non-partisan, and that provincial party systems also tend to be quite distinct from the federal party system, means that the broader political context within which municipalities operate is marked by only weak political links among levels of government. This lack of vertical political integration, together with the weak legal status of local governments, made them the target of politically expedient decentralization in the fiscally lean 1990s. At that time, structural fiscal pressure on the welfare state produced a cascading decentralization of policy and fiscal responsibility through the Canadian federation, and municipalities had to cope with the imposition of unfunded or partly funded policy mandates from the provincial level. The result was intergovernmentally induced fiscal stress at the local level, which has only in recent years begun to be mitigated by increasing fiscal transfers.

Many scholars suggest that local governments, with their weak legal status, are primarily 'policy takers', rather than 'policy-makers', in the Canadian context.[20] There are certainly cases where Canadian municipalities do make policy independently of the provinces. To a significant extent, their ability to do so depends on their population size and their local property tax base. Since rural municipalities have both a small population and a weak property tax base, their autonomous policy-making capacity tends to be very limited. For both reasons, there is thus a policy capacity divide among Canadian municipalities that closely mirrors the rural/urban divide.

[16] ibid 8.
[17] Sancton, *Canadian Local Government*, above, 31.
[18] However, upper-tier governments in two-tier systems (e.g., Greater Vancouver and Ontario's regional municipalities) sometimes have indirectly elected councils composed of representatives of lower-tier municipalities.
[19] Sancton, *Canadian Local Government*, above, 173, 180, 186, 188.
[20] ibid 251.

Like many post-industrial countries, Canada is highly urbanized. Almost 72 per cent of the population lives in urban areas with over 100,000 people, and more than a third of all Canadians live in the three largest urban areas (Toronto, Montreal and Vancouver).[21] The Canadian population is thus concentrated primarily in a handful of large urban areas, whose population is growing quickly. By contrast, the population of rural Canada is (in most regions) growing much more slowly,[22] and rural areas are on average older, whiter and poorer.

Table 2: Selected Demographic and Economic Indicators in Ontario, by Type of Census Division.[23]

	Metropolitan	Mixed	Non-Metropolitan
Population change (2011-2016)	+ 5.57%	+ 4.54%	+ 0.92%
Visible minority population (2016)	43.5%	13.5%	2.6%
Average household income (2016)	$78,477	$73,258	$65,748

An analysis of 2016 census data conducted for this report paints a picture of the demographic and economic contrasts between rural and urban areas in Ontario, Canada's largest province by population (table above). The data are divided into three kinds of census divisions (CDs) – metropolitan CDs, which are located in urban areas with more than 100,000 people; non-metropolitan CDs, which are fully outside settlements with more than 100,000 people; and mixed CDs, which include a combination metro and non-metro areas. As is clear from the table, non-metropolitan – that is, rural and smaller-town – CDs grew much more slowly in population than others between 2011 and 2016; they were also much whiter, with only 2.6 per cent of the population identifying as visible minority, as opposed to 43.5 per cent in metropolitan CDs; and they were poorer, with an average household income that was only 83.7 per cent of the metropolitan average. These demographic differences, which reflect an economic base that has increasingly transitioned towards post-industrial urban productive sectors, set the context for the distinct governance challenges faced by rural and urban local governments in Canada in recent years.

For some time now, rural areas in the urban periphery of large cities in Canada have experienced some out-migration of urban residents facing high housing prices in the city. It appears that the Covid-19 pandemic has rapidly intensified this trend, to the extent that may fundamentally change the rural-urban dynamic in the longer run. Of course, it is too early to tell if the trend will be sustained. There is not even reliable data on the scale of the out-migration over the course of the pandemic yet. However, it was notable that *all* the experts and practitioners interviewed for this research noted this out-migration as a major

[21] Calculated from Statistics Canada Census 2016 data reports.

[22] Between 2001 and 2016, the rural Canadian population grew by 5.5%, while the overall national population grew by 16.9%. Even this modest rural growth, however, is largely concentrated near urban areas. See Federation of Canadian Municipalities, 'Rural Challenges, National Opportunity: Shaping the Future of Rural Canada' (2019).

[23] All data are calculated from Statistics Canada 2016 census of the population data tables.

development and a source of significant challenge, as well as potential opportunity, for rural areas. Interviewees all agreed that the structural driver of the out-migration is the very high cost of housing in large urban centers, most notably Toronto and Vancouver. With the Covid-19 pandemic entrenching work-at-home possibilities for white collar professionals, and simultaneously enhancing the appeal of low-density rural living, this structural trend has rapidly acquired more force.

Speaking about dynamics in the Toronto area, one policy analyst said: 'Especially with the last year, housing has just moved out of the [Toronto area] and it's encroaching on a lot of these different communities. People who would have loved to have lived in downtown Toronto, but simply can't afford to are buying homes in Oxford County' – about 150km from Toronto.[24] While the experts interviewed for this project all focused on the Ontario context, media reports suggest similar dynamics surrounding other large urban centres.

This influx of new residents and money brings some benefits to rural areas, such as more budget money for municipalities that rely heavily on property taxes and development fees. As one interviewee noted, 'from a property tax perspective, from a development perspective, it's pretty significant, (…) you go to some of these places, there's a lot of nice new playgrounds and parks and stuff like that. If you go to Innisfil [a rural community one hour north of Toronto], they built one of the nicest libraries I've ever seen. It's like a monument, incredible. And they're like, "yeah, that's development dollars"'.[25]

The other side of that same coin, of course, is that housing affordability is quickly becoming a major problem in rural communities that are relatively near to urban centres. 'This notion that affordability is only an urban issue, it really needs to dissipate', said one respondent. Those households that cash out of hot urban property markets have been driving up housing prices in rural areas at an unprecedented rate, especially since the beginning the Covid-19 pandemic. One interviewee noted that median house prices went up 40 per cent or more during 2020 in many rural communities that are within a two-hour drive of the Toronto area.[26] Another challenge that comes with the influx of what one interviewee called 'rural gentrifiers'[27] is that they tend to want more municipal services in communities that have long provided just the basics, putting upward pressure on property taxes.[28]

Most respondents also noted that the new urban out-migration is leading to cultural and lifestyle tensions in rural areas that are experiencing high rates of influx. 'It's gonna be a little bit like it was after the Second World War, when a lot of European immigrants showed up in these communities,' said one interviewee. 'They haven't seen that kind of change in a generation in two generations really, and they may have a lot of people coming to town that

[24] Interview with local government expert, Rural Ontario Institute (20 July 2021)..
[25] Interview with local government expert, York University (10 July 2021)..
[26] Interview with local government expert, Guelph University (28 July 2021).
[27] ibid.
[28] Interview with local government expert and consultant, Toronto (13 June 2021).

don't look like them, don't engage in the same economic activities that they're used to, that have different expectations. And they may want to set up cricket pitches, not baseball diamonds'.[29] Another respondent noted of the new arrivals from urban areas: 'You know, they need to have a big box store, they want some things from you know from the supermarket and stuff, and [long-time residents] are complaining that all these weird products are showing up in the supermarket right like avocados and (…) gluten-free food'.[30]

It is far too early to tell how extensive this out-migration to rural areas will ultimately be, and whether it will continue after the Covid-19 pandemic. However, it appears that a significant shift in rural-urban dynamics is underway in the parts of rural Canada that are relatively close to major metropolitan centres, with possibly far-reaching knock-on effects on rural governance issues.

References to Scientific and Non-Scientific Publications

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[29] ibid.

[30] Interview with local government expert, York University (10 July 2021).

Local Responsibilities and Public Services

2.1. Local Responsibilities and Public Services in Canada: An Introduction

Martin Horak, *Department of Political Science, Western University*

Local Responsibilities and the Challenge of Local Government Capacity

Local governments in Canada have responsibility first and foremost for local physical services, such as planning and development permits, water and wastewater, roads and transit, and parks.[31] But many are also responsible for a variety of other services, including economic development initiatives, emergency services and police and (especially in Ontario) local administration of provincially funded social services and social housing. Beyond this, community demand often pushes local governments to fund services in fields well beyond their core mandate – such as arts and culture and immigrant settlement initiatives.

While both rural and urban municipalities in Canada deliver a range of services, service needs and demands vary across these two contexts. In urban municipalities – especially those which experience rapid growth – distinctly urban infrastructure such as transit, public space and (in some places) affordable housing loom large. Local police and emergency services are big-ticket items in many urban municipalities, and some also increasingly embrace broader 'place-based policy' roles that include elements such as support for the arts, partnerships with higher education institutions, and/or support for the needs of new immigrants. In rural areas, by contrast, the focus tends to be on maintaining basic services in a low-density context where per-capita infrastructure costs are high,[32] pressing needs include attracting economic development in the face of decline,[33] supporting an aging population, and improving internet connectivity.[34]

As might be expected, capacity to deliver services is limited in multiple ways in small rural municipalities. Roughly 60 per cent of Canadian municipalities have five staff members or less,[35] so limited administrative resources are a major issue. Fiscally, not only do small

[31] See the report section 1 on the System of Local Government in Canada for details.
[32] The maintenance of local rural roads alone consumes 25% or more of many rural municipal budgets.
[33] As one respondent to interviews for the project noted, the oft-cited story of 'decline' is actually a complicated one in the Canadian context. On the one hand, many 'traditional' rural economic sectors do continue to decline in terms of output; on the other hand, rural areas as discussed in detail in report section 1 on the System of Local Government in Canada, an out-migration of affluent homeowners from urban areas, accelerated by the Covid-19 pandemic, is bringing new money into some rural areas, but it is not clear to what extent these trends will affect rural economic prospects.
[34] See, for example, Federation of Canadian Municipalities, 'Rural Challenges, National Opportunity: Shaping the Future of Rural Canada' (2019).
[35] ibid 9.

municipalities have a smaller local tax base, but in many cases local property values (especially for commercial properties) are stagnant or declining in economically disadvantaged rural areas, which significantly limits fiscal capacity, since local governments across the country are heavily reliant on property taxes for revenue.

While urban municipalities in Canada do not face the same size-related capacity limitations as rural ones, the capacity of urban municipalities to deliver services is nonetheless challenged in a couple of important ways. First, given their heavy reliance on property taxes and their limited jurisdictional autonomy from provincial governments,[36] local governments in big cities often face fiscal and jurisdictional limits in responding to emerging concerns in complex policy fields such as infrastructure, immigrant integration, and housing affordability. Effective service provision in such fields often necessitates some form of multilevel collaboration among levels of government, which has historically been difficult to sustain. Second, while in some large urban areas a single municipality covers all or most of the urban region, Canada's three largest city-regions (Toronto, Montreal and Vancouver) are all fragmented among multiple local government units, raising challenges of horizontal coordination in service provision on regional issues.

Responding to Capacity Constraints

Historically, provincial governments have dealt with rural capacity limitations in three main ways. First, in several provinces, some rural areas have no local government, and are administered directly by provincial governments. This has become decreasingly common over time, and as of today, the only province where a large proportion of the population lives in such areas is New Brunswick.[37] Second, in many provinces – including the four largest provinces of Ontario, Quebec, Alberta and British Columbia – there has long been an upper tier of local government that provides certain services on a larger geographical scale.[38] Finally, some provincial governments (most notably Ontario's) have repeatedly amalgamated small rural municipalities into larger ones. In addition, rural local governments themselves have long engaged in various forms of voluntary inter-municipal service sharing. An innovative recent example comes from Ontario, where regional associations of rural municipalities in two areas

[36] See report section 1 on the System of Local Government in Canada.

[37] About 30% of the total provincial population of 800,000 lives in areas with no local government. See Michael McKendy, 'Improving the Regional Service Commissions in New Brunswick: Final Report' (Government of New Brunswick 2017). The obvious resulting 'democratic deficit' has led to repeated efforts to develop local government for these parts of New Brunswick, with a new round of consultation on the matter currently underway in 2021.

[38] The British Columbia case is unique. The upper tier-units there, designed by the provincial government in the 1960s, are called 'regional districts'. They do not have municipal status, but rather, they are institutional shells that local municipalities can use to share delivery of whatever services they agree to share. See David Cashaback, *Regional District Governance in British Columbia: A Case Study in Aggregation* (Institute on Governance 2001).

of the province have organized initiatives to develop broadband internet infrastructure for their communities.[39]

The limited capacity of urban local governments to deal with complex urban problems became more politically salient in Canada in the early 2000s. Large urban municipalities, facing a fiscal squeeze after a steep decline in intergovernmental transfers in the 1980s and 90s, began to lobby other levels of government for funding assistance. At the same time, large urban areas were becoming increasingly electorally important at both the provincial and federal levels. The result has been the emergence, over the past 15 years, of a variety of multilevel coordination efforts in urban services – ranging from trilevel funding for infrastructure to funding and policy supports for affordable housing and immigrant integration. A significant Canadian literature on multilevel governance and place-based urban policy documents the rise of these initiatives.[40] The problem of horizontal metropolitan coordination has been addressed in very different ways in Canada's three largest urban areas. In Vancouver, a long-standing collaborative regional government (Metro Vancouver, until recently the Greater Vancouver Regional District) has promoted a shared approach to planning and development issues; in Montreal, a complex system of up to four levels of local government has emerged in response to the social and political heterogeneity of the city-region; and in Toronto, the provincial government has compensated for a lack of regional governing institutions by assuming direct control over large-scale regional development planning and infrastructure since 2005.

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[39] The associations are the Eastern Ontario Wardens' Caucus and the Western Ontario Wardens' Caucus. Details of these two projects can be found at <https://www.eorn.ca/en/index.aspx> and <https://swiftruralbroadband.ca/>.

[40] See, for example, Martin Horak and Robert Young (eds), *Sites of Governance: Multilevel Governance and Policy Making in Canada's Big Cities* (McGill-Queen's University Press 2012); Neil Bradford, 'A National Urban Policy for Canada? The Implicit Federal Agenda' (IRPP Insight no 24, Institute for Research on Public Policy 2018).

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2.2. Governing the Construction of Transit Infrastructure in Toronto and Vancouver

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Relevance of the Practice

Over the past 20 years, provincial and federal governments have provided significant intergovernmental transfers to fund the development of new rapid transit infrastructure in Canada's largest cities. This funding arose in part as a response to a lack of transit infrastructure development in the 1980s and 1990s, when Canadian cities grew significantly in population, but local fiscal constraints and the decline of intergovernmental transfers meant that development of transit infrastructure did not keep up. As noted in the Introduction to Local Responsibilities and Public Services, report section 2.1, Canada's three largest city-regions – Toronto, Montreal and Vancouver – are composed of many municipalities. In these cities, then, the availability of new funds for rapid transit development brought with it the question of how to govern the construction of transit – that is, who decides what will get built where, and how? In each of these cities, many billions of dollars have been spent over the past 20 years building rapid transit and having an effective governance mechanism in place is essential to ensuring that the many environmental, economic and social benefits of stronger transit infrastructure are maximized in the long run, and that the money is not wasted on poorly planned, poorly managed, or short-sighted projects.

Description of the Practice

International experience suggests that the successful development of large-scale urban transit infrastructure requires a coordinating institution that can lead systematic planning and implementation at the metropolitan scale. However, neither Toronto nor Vancouver had such a body in place in the late 1990s. Toronto had no metropolitan-scale governing institutions at all. Instead, the local government landscape consisted of a large central municipality – the City of Toronto (population 2.9 million), which was the product of a provincially-imposed amalgamation in 1997 – surrounded by four two-tier 'regional governments', each with several constituent municipalities, housing another 3.5 million people in a sprawling suburban landscape. There was, and still is, no institutional connection between the central city and the surrounding two-tier suburban governments. Rapid transit infrastructure mainly consisted of two subway lines and municipalities ran their own individual public transit systems, and rapid transit infrastructure was limited – its main elements were two subway lines built in the 1960s in the City of Toronto, and a provincially owned regional commuter rail system.

Vancouver, by contrast, has had a multi-functional metropolitan authority since the late 1960s. Metro Vancouver (until recently the Greater Vancouver Regional District) is a cooperative metropolitan authority through which the 20 municipalities in the urban area voluntarily share several services, including water, sewer, waste management and regional planning. Until 1998, public transit was not locally managed at all. Rather, it was run directly by an agency of the provincial government, which had also built the only rapid transit line that existed at the time.

Since the late 1990s, the Ontario and British Columbia provincial governments have both established single-purpose, regional transit agencies to coordinate the construction and operation of regional transit services. Toronto's Metrolinx was established in 2005. It took over operations of the suburban commuter rail system, and the provincial government committed to flow billions of dollars of funding through Metrolinx to build new transit infrastructure.[41] However, it did not take over operations of municipal transit systems, which carry the bulk of riders in the region,[42] and local governments retained control over planning and development approvals. At first, Metrolinx was governed by a board of representatives of area municipalities, but after several years chronic conflict on the board, the provincial government replaced this with a provincially appointed board.[43] The agency gets some operating revenues from commuter rail fares but depends on provincial funding for capital construction projects. Since 2005, Metrolinx has spent some CAD 27 billion (mostly of provincial funding, with about 10 per cent federal funding) building transit infrastructure.[44] The results to date include upgrades to the commuter rail system, an airport rail link and two suburban busways – but no completed projects in the core City of Toronto, where congestion is acute and more rapid transit would be particularly beneficial.

In Vancouver, the provincial government established TransLink in 1998. TransLink is institutionally stronger than Metrolinx, since it operates all transit in the Vancouver region, and it was also given access to some local sources of revenue beyond fares (specifically, a share of the gas tax and the property tax).[45] Like Metrolinx, it is tasked with planning and leading the construction of new rapid transit infrastructure. It is governed by a council of mayors from area municipalities, who are also involved in the governance of regional land use planning through Metro Vancouver. Even though TransLink has access to more sources of local revenue, its efforts to expand these revenue sources have come up against local political opposition, so the realization of new rapid transit projects has continued to rely heavily on intergovernmental funds, which have provided over 70 per cent of the approximately CAD 10 billion in capital investment in transit since 1998. The results of this investment include three completed urban

[41] For detailed discussion, see Martin Horak, 'State Rescaling in Practice: Urban Governance Reform in Toronto' (2013) 6 Urban Research and Practice 311.
[42] The Toronto Transit Commission (TTC), which operates in the central City of Toronto, is North America's third busiest transit system, after New York City and Mexico City.
[43] The Metrolinx Act, Government of Ontario, Ontario Legislature 2006.
[44] Metrolinx, '2020-2021 Business Plan' (2020).
[45] The South Coast British Columbia Transportation Authority Act, Government of British Columbia 1999 (2021).

rail lines that span both core and suburban areas of the region, with two more urban rail lines currently under development.

Assessment of the Practice

The effectiveness of Metrolinx and TransLink as institutional vehicles for transit development is very different. While new transit infrastructure has been built in both city-regions, in Vancouver the new infrastructure has been built largely in accordance with a long-range plan, whereas in Toronto – especially in the core City of Toronto – the development of rapid transit has been highly contentious, marked by frequent changes in plan and the repeated cancellation and deferral of major projects. The reasons why TransLink has been more effective than Metrolinx shed light on the importance of institutional design and local context in governing large-scale transit development. Of the two agencies, Metrolinx is institutionally weaker, since it relies entirely on yearly appropriations of capital funding from the provincial budget, rather than having access to general revenue sources. Just as importantly, it does not have authority over the operation of most public transit in the Toronto region, meaning that it must coordinate its plans and priorities with those of institutionally independent local authorities, most notably, the Toronto Transit Commission in the core City of Toronto. As a result of these institutional weaknesses, Metrolinx has remained an agent of the provincial government, and its investment choices reflect changing provincial political priorities, rather than being the product of a long-range, integrated transit plan that is supported by municipal political actors.

The most important reason for the different performance of the two agencies, however, is the different local and metropolitan political and institutional context in the two cases. In Toronto, a lack of regional political collaboration has led the provincial government to assume tight control over Metrolinx, and there is no comprehensive, integrated regional transit plan. In the core City of Toronto, local rapid transit plans have repeatedly become a political football, with successive mayors promoting radically different proposals, ranging from five new light rail lines (proposed under Mayor David Miller in 2007) to no new light rail and two new subway lines (proposed by Mayor Rob Ford in 2010).[46] In this context, Metrolinx has been able to realize some suburban transit projects, but important projects in the central city have repeatedly been delayed or even cancelled due to local political controversy. In Vancouver, by contrast, the existence of Metro Vancouver has, over the years, promoted a culture of regional policy collaboration, and a long-standing regional land use plan – complete with designated transit corridors – exists. This broader context gives TransLink a foundation of regional planning and

[46] For a detailed discussion, see Martin Horak, 'Building Rapid Transit in Canada: The Problem of Governance' in Francisco Velasco Caballero (ed), *Anuario de Derecho Municipal 2020* (UAM Instituto de Derecho Local, forthcoming).

political compromise that has helped it to systematically pursue construction of a regional transit system.[47]

This case comparison of nominally similar institutional innovations in Vancouver and Toronto shows that simply establishing a regional transit authority and providing it with funding by no means guarantees the effective development of rapid transit infrastructure. Rather, effectiveness depends significantly on two additional elements. First, it is affected by the institutional design of the agency – specifically, the extent to which it has control over relevant infrastructure, its own dedicated sources of revenue, and a governing body that features representation from important local actors. Second, agency performance (and indeed, the possibilities for institutional design) is shaped by the character of the pre-existing metropolitan context, specifically whether there is a history of regional collaboration, and whether a stable, locally supported vision for the future development of the transit system already exists.

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Metrolinx, '2020-2021 Business Plan' (2020)

[47] This is not to say that there has been no controversy or problems. Funding sources remain politically contentious, and the provincial government has consistently pushed for a more expensive rail technology than is necessary under the circumstances. Relatively speaking, however, the development of transit infrastructure in Vancouver has been much more orderly and systematic than in Toronto.

Local Financial Arrangements

3.1. Local Financial Arrangements in Canada: An Introduction

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Local Government Revenues

The structure of local financial arrangements in Canada falls largely under provincial control. Provincial governments pass laws that authorize specific ways that municipalities can generate what are called 'own-source' revenues. The permissible range of own-source revenues is rather restricted in comparison with many other countries. Own-source revenues are generally limited to local property taxes, user fees charged for services (such as parking, recreation facilities, and tags for garbage collection), and fees charged to property developers. Municipalities are generally not allowed to collect income or sales taxes. At the same time, the fiscal system is highly decentralized – own-source revenues account for more than 75 per cent of all local government revenues in all provinces, and more than 90 per cent of all local government revenues in some provinces, such as British Columbia.[48]

Intergovernmental transfers, which range from about 8 per cent to about 25 per cent of local government revenues depending on the province, fall into one of two categories: unconditional, meaning that the funding can be used at the discretion of the municipality, and conditional, which requires the municipality to use the funding for a specific purpose. The vast majority of intergovernmental transfers come from provincial governments. In Ontario, they are used primarily to help pay for the cost of social services and public health; elsewhere in the country, the provinces are responsible for providing these services. From the federal government, the gas tax is the only significant source of revenue that is transferred to municipalities. The gas tax has been a guaranteed source of municipal revenue since 2013 that is used for subsidizing capital infrastructure projects (thus it is a form of conditional funding). Transfer amounts are determined based on each province's population, and subsequent distribution is administered by the provinces.[49]

The limited range of local revenue sources, combined with high local fiscal autonomy, means that Canadian local governments are extraordinarily dependent on local property taxes – more so than local governments in any other industrialized country, including the United States. Property taxes account for a majority of own-source local revenues across Canada and constitute a majority of *all* local revenues in several provinces.

In theory, the provinces could grant municipalities the same taxing authority as the provinces have themselves. This means that local income taxes and sales taxes could be levied (as has

[48] Andrew Sancton, *Canadian Local Government: An Urban Perspective* (2nd edn, OUP 2015) 296.
[49] ibid 35-37, 40, 294-295, 301.

been done in some American states). While municipal governments have pushed for greater taxing authority at times, and/or for a guaranteed share of federal and provincial taxes, provincial governments have tended to resist calls for a diversification of local revenue sources.

The high local reliance on property taxes has a profound effect on local politics and governance, since it pushes municipal authorities to aggressively pursue growth in the local property tax base, on which the fiscal health of the municipality depends. It likewise follows that the local fiscal capacity of municipalities is significantly influenced by the strength and health of their tax base. This situation tends to disadvantage rural municipalities, which (like their counterparts in other countries) experience lower rates of economic growth on average that large urban municipalities.[50]

Local Government Spending

Municipalities have two budgets: operating budgets and capital budgets. Operating budgets cover the day-to-day expenses that are needed to deliver goods and services to residents and to ensure the internal municipal organization is running smoothly. Thus, the operating budget covers recurring costs, like salaries, office supplies, utilities, fuel, and contracted services. The capital budget covers large investments and infrastructure repairs, such as road renewal, sewer work, new buses, and new facilities. The most significant categories of public spending at the local level are roads and (in urban municipalities) public transit, water supply and sewage, and police and fire services. In Ontario, due to the provincial mandate that municipalities provide social services, there are significant municipal expenditures for health, social services, and housing.[51]

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[50] For the implications of this rural/urban fiscal capacity divide in Ontario, see the First Entry to Report Section 2 (Local Finances) on Property Tax Reliance and the Re-Emergence of Provincial Funding Transfers to Local Government in Ontario.

[51] Sancton, *Canadian Local Government*, above, 293.

3.2. Property Tax Reliance and the Re-Emergence of Provincial Funding Transfers to Local Government in Ontario

Martin Horak, *Department of Political Science, Western University*

Relevance of the Practice

As noted earlier, Canadian municipalities are extraordinarily dependent on property taxes. The level of property tax dependence in Ontario is slightly lower than the Canadian average (about 40 per cent of all local government revenues, including transfers). This is mainly a function of the fact that Ontario local governments (unlike those in other provinces) are provincially mandated to deliver a range of social services, which are partly paid for by the provincial government. In the 1960s and 70s, the Ontario provincial government also provided transfer support for a variety of non-mandated local government activities (such as transportation infrastructure and social housing construction), but in the face of budget pressures, provincial support for local services not mandated by provincial law declined to virtually zero by the late 1990s. This made Ontario municipalities extraordinarily dependent on property taxes, intensifying fiscal capacity problems for both rural and urban municipalities. However, these capacity problems are different in nature in rural and urban contexts. We will examine the character of fiscal capacity problems generated by the high reliance of property taxes in these two contexts, as well as the re-emergence of provincial fiscal transfers over the past 20 years in response to these problems. Doing so can give LoGov researchers insight into the promise and the limits of supra-local support for local fiscal capacity in a context of high dependence on a single local revenue source.

Description of the Practice

In Ontario, as in much of Canada, many rural areas have been economically and demographically stagnating for some time. This is reflected in much lower – and often stagnant or decreasing – rural property values as compared to urban property values, although urban out-migration associated with the Covid-19 pandemic is now leading to rapid housing value increases in rural areas close to urban centres.[52] Despite a major round of amalgamation in the

[52] Interviews with local government experts, Toronto (13 June 2021), York University (10 July 2021), Guelph University (28 July 2021).

late 1990s,[53] rural Ontario municipalities are relatively small in population, and the combination of small size and limited tax base tightly constrains fiscal capacity. As a result, rural municipalities often lag behind in terms of many of the services that their urban counterparts provide (parks, libraries, social service facilities, etc.).

In 1998, the Ontario government set up a modest unconditional transfer program – the Community Reinvestment Fund – aimed specifically at fiscal equalization for small and assessment-poor municipalities. In 2005, this program was re-named the Ontario Municipal Partnership Fund (OMPF). The amounts distributed through the program grew in the initial years, and OMPF now distributes about CAD 500 million per year to selected municipalities – mainly small rural ones – based on a formula that takes into account population, economic variables, and property values. While the program constitutes a minority of overall provincial transfer funding to municipalities, it is the primary provincial unconditional transfer program, and makes a significant difference to the fiscal capacity of many small rural municipalities.

In Ontario's large urban centres, dependence on property taxes creates problems for other reasons. First, while the assessment bases of most large cities are healthy and growing, the property tax is a highly visible tax, and so is subject to tight political limits. As assessment bases increase and taxes grow, politicians face intense public pressure to limit tax increases, ensuring that the property tax windfall from economic growth is incremental at best. At the same time, growth brings major new costs in urban areas – such as the capital costs of major infrastructure works, and the need to provide affordable housing solutions in expensive real estate markets.

Since the late 1990s, which marked the low point of provincial fiscal support for municipalities in Ontario, the provincial government has become increasingly fiscally involved in supporting major urban capital infrastructure projects – especially transportation projects – through conditional transfers. It has done so partly as a result of lobbying by local officials, and partly because the federal government began to roll out a variety of capital infrastructure funding programs based on matching funding in the early 2000s. As a result, Ontario cities have experienced significant capital investment – especially, but not only, in public transit infrastructure – over the past decade.

By contrast, the Ontario provincial government has, in general, resisted calls to increase the range of permissible local revenue sources. The exception to this general reluctance serves as an instructive case. In 2008, after intense lobbying by the City of Toronto (the largest municipality in Ontario, with almost 3 million people), the provincial government passed stand-alone legislation that granted the city the power to levy a number of new taxes, including a vehicle registration tax and a land transfer tax. The city soon instituted both taxes, but they faced intense local political resistance. The land transfer tax has weathered the resistance and generates significant revenue for the city, but the vehicle registration tax was scrapped by a new mayor in 2011 and has not been reinstated.

[53] See report section 4.1. Beyond Municipal Amalgamations in Ontario.

Assessment of the Practice

By adopting differential responses to local fiscal stress in rural and urban areas, the provincial government has acknowledged and attempted to address the different character of fiscal stress in these two contexts. However, in both cases the responses have been limited and subject to various problems and limitations. According to one former public servant interviewed for this research, the OMPF essentially compensates for the increased financial burden placed on municipalities by the provincial downloading of certain services in the 1990s. In addition, it is spread thinly across many rural municipalities, and – since it is subject to a yearly provincial budget allocation and is not guaranteed into the future – it has declined in the last few years as provincial fiscal priorities have shifted. Meanwhile, intergovernmental capital funding for major urban infrastructure, while it has spurred useful new construction, has also been subject to high transaction costs, since the projects thus funded require concurrent political approval at multiple levels of government. In Toronto, Ottawa, London, and other major cities, transit infrastructure projects have in recent years repeatedly been delayed and altered as political priorities have shifted at one or another level of government.

Many commentators continue to argue that the longer-term solution to the limits of the property tax base in both rural and urban contexts is diversification of permissible local-source revenues to include items such as local sales and income taxes.[54] However, the provincial government remains reluctant to go down this road, preferring conditional and/or unconditional transfers to new local revenue sources. Furthermore, as we saw in the case of Toronto, granting access to new revenues would not in and of itself mean that municipalities would choose to use them.

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Structure of Local Government

4.1. The Structure of Local Government in Canada: An Introduction

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As noted in report section 1, the structure of local government varies greatly by province across Canada, more so even than the structure of local financial arrangements. As a result, we will only focus on Ontario in this introductory section. The basic outlines of Ontario's local government structures were established by the Baldwin Act of 1849. It laid out a rural governance model that consisted of upper-tier counties, each of which included a number of lower-tier municipalities (townships, villages, etc.) that managed strictly local affairs. In addition, it established provisions for the creation of single-tier 'separated cities' once a settlement reached 10,000 in population. The growth of urban areas under this system of local government was dealt with by provincially authorized annexations through which separated cities gradually absorbed surrounding countryside. This basic structure of local government remained largely unchanged until the 1950s. Indeed, even today, over half of Ontario's population lives either in two-tier rural municipalities, or in one of 31 single-tier cities.

Starting in the 1950s, however, the Ontario provincial government began to respond to rapid and large-scale urban growth (primarily in the Toronto area) in a different way, by establishing two-tier systems of local government designed to finance and coordinate urban development. The primary rationale for these innovations was enhancing capacity for planning, infrastructure development and service delivery. The first such system was the Metropolitan Toronto – a federation of 13 formerly autonomous municipalities established in 1954. This was followed in the early 1970s by a wave of provincially-created 'regional municipalities' that covered most of the large urbanizing areas in the province, including those that surrounded Metropolitan Toronto.

A further major wave of structural change came in the late 1990s. At this time, a conservative provincial government – emphasizing efficiency and cost reduction rather than increased local government capacity – embarked on a massive program of municipal amalgamations. Amalgamations occurred in both rural and urban areas, with many formerly two-tier rural systems being amalgamated into single-tier municipalities. The provincial government imposed these structural reforms in a top-down manner, with relatively little local consultation. As a result, between 1995 and 2002, the number of municipalities in Ontario decreased from 850 to 444 (which is also the current number).[55]

Many of the amalgamations of the late 1990s faced local political opposition, which was largely unsuccessful, since the province has full control over local government structure. Doubtless

[55] André Côté and Michael Fenn, *Provincial-Municipal Relations in Ontario: Approaching an Inflection Point* (Institute on Municipal Finance and Governance 2014) 11.

the most controversial amalgamation was that of Metropolitan Toronto, the two-tier system from 1954, which was merged into a single, large City of Toronto. No significant structural reform to local government has taken place in Ontario over the last 20 years.[56]

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[56] The reasons for this are discussed in report section 4.1. Beyond Municipal Amalgamations in Ontario.

4.2. Beyond Municipal Amalgamations in Ontario

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Relevance of the Practice

As discussed in the introduction to report section 3 on local government structure, in the late 1990s the Ontario provincial government forcibly amalgamated many municipalities, both rural and urban, citing the need to reduce waste and duplication in an era of government cost-cutting. The number of municipalities in Ontario was reduced by nearly 50 per cent in the process. However, since then, the Ontario government has engaged in no significant local government structural reform at all. Instead, the province has moved towards direct regulation and single-issue multilevel governance initiatives to address pressing urban governance issues and has taken little significant action to address rural governance issues. Understanding why this shift has occurred can give LoGov researchers insight into the conditions under which structural reform initiatives may reach their political limits as responses to localized urban and rural challenges.

Description of the Practice

The 1990s amalgamations in Ontario affected both rural and urban municipalities. As noted above, the primary rationale given by the provincial government at the time was that these amalgamations would save money and make local governments more efficient. However, there has been little subsequent evidence that amalgamations resulted in cost savings.[57] On the contrary, amalgamations tended to increase costs, since amalgamated municipalities faced upward pressure on labour costs for municipal employees, and political pressure to harmonize service levels up to those in the most generously serviced pre-amalgamation municipality.

The 1990s amalgamations also had other shortcomings, which manifested differently in urban and rural areas. The most contentious amalgamation – the one that produced the new City of Toronto – created a huge municipality with nearly 3 million people. Given non-partisan local politics and ward-based elections, decision-making has been slow and cumbersome in the new city, and successive mayors and councils have swung wildly in terms of policy priorities. At the same time, the new city cannot address city-regional governance coordination, since it still contains less than half of the population of the urban area, and the outer suburbs continued to be governed by the two-tier regional municipal systems set up in the 1970s.

[57] Lydia Anita Miljan and Zachary Spicer, *Municipal Amalgamation in Ontario* (Fraser Institute 2015).

Meanwhile, outside large cities, amalgamation often fused small and medium sized towns with surrounding rural areas. Experts interviewed for this research disagreed regarding the relative merits of these amalgamations. While some emphasized that amalgamated rural areas had more fiscal capacity to build badly needed infrastructure,[58] others noted that the fusion of towns and countryside has brought the differing policy priorities of pre-existing units into direct conflict, leading to a volatile and contentious local politics.[59] The most notable example here is the amalgamated Municipality of Chatham-Kent, which covers a large land area (2,500 km^2) and includes several towns as well as large rural areas of farmland.

The various problems and shortcomings of the 1990s amalgamations have discouraged subsequent Ontario provincial governments from pursuing further structural reform to local government boundaries. In the Toronto area, it appears that a city-regional level of government is no longer a politically viable option. The Toronto area contains more than half of Ontario's population, meaning that the political reaction to structural reform is an important consideration. Even in the late 1990s, calls for a city-regional authority were ignored because residents in the suburban municipalities, which had helped to elect to provincial government at the time, opposed institutional links to Toronto's urban core. In addition, a city-regional authority, if established, could constitute a dangerously powerful counterweight to the provincial government itself. As a result, since the early 2000s the provincial government has dealt with growth and governance pressures in the Toronto area in two other ways: 1. By establishing comprehensive growth management legislation for the Toronto region (the 'Places to Grow Act' and the 'Greenbelt Act', both initially passed in 2005); 2. By establishing and funding issue-specific multilevel governance initiatives, the most prominent of which is Metrolinx, a regional transportation body tasked with constructing and coordinating a higher-order regional transit system.

Meanwhile, in rural areas the experiences of amalgamated municipalities like Chatham-Kent have likewise made further structural reform politically unattractive. However, Ontario's rural areas and smaller towns lack the decisive population weight that Toronto's suburbs have in provincial electoral politics. As a result, the provincial government has paid little political attention to the challenges faced by rural local governments. In this context, new governing and policy initiatives have mainly emerged collaboratively in a bottom-up fashion from local governments themselves. they're succeeding not because of existing structures, but kind of despite them. One example is the SWIFT rural broadband internet initiative, a major project to develop a broadband network throughout rural south-western Ontario. The project has been spearheaded by the Western Ontario Wardens' Caucus, an association of rural local government officials. Another example is the rapidly spreading practice of service sharing; the vast majority of small and rural municipalities now share a variety of services with each other

[58] Interview with local government expert, York University (10 July, 2021).
[59] Interview with local government expert, Rural Ontario Institute (20 July, 2021).

in order to deal with their individual capacity limitations, and municipal officials meet regularly in a variety of fora to learn from each other and identify new service sharing opportunities. [60]

Assessment of the Practice

What we have discussed above is really a bundle of practices related to issues that have in the past been managed in Ontario through periodic boundary reforms imposed by the provincial government. As we have seen, there is a marked contrast between a new form of provincial interventionism in urban governance and development in the Toronto area, on the one hand; and provincial neglect of rural issues, on the other hand. On growth management and infrastructure development in the Toronto area, the province has achieved some success, with patterns of development densifying in recent years, and new transportation infrastructure being rolled out. However, in a context where there is no authoritative regional governing body, progress on both fronts has been slow, as provincial initiatives have encountered conflicting and changing political priorities in a fragmented local governance system. In terms of local governance and infrastructure capacity in rural areas, one expert interviewed for this project noted a 'real lack of provincial leadership',[61] while another emphasized that the increased emphasis in recent years on place-based policy for urban areas has not been matched by the rise of a rural 'lens'.[62] A long history of neglect, the respondent noted, creates 'sort of a bit of distrust, so that certain communities that do have the capacity to kind of work around existing [provincial] legislation to get what they want done, in broadband, for example, are pursuing that themselves. They're succeeding not because of existing structures, but kind of despite them'.[63] While benign provincial neglect has opened up a space for bottom-up collaborative action, the weak fiscal resources of most rural municipalities, as well as tight constraints on human resources (),[64] mean that this collaborative space remains tightly constrained.

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[60] Zachary Spicer, 'Cooperation and Capacity: Inter-Municipal Agreements in Canada' (2015) 19 IMFG Papers on Municipal Finance and Governance <https://munkschool.utoronto.ca/imfg/uploads/318/1623_imfg_no.19_spicer_online.pdf> accessed 26 July 2019.
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[62] Interview with local government expert, Guelph University (28 July 2021).
[63] ibid.
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Intergovernmental Relations of Local Governments

5.1. Intergovernmental Relations of Local Governments in Canada: An Introduction

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Since provincial governments have constitutional responsibility over local government in Canada, the primary nexus of intergovernmental relations is the provincial-municipal one. Federal government involvement in local affairs has been episodic, and has been largely limited to the development of various infrastructure funding transfers, which usually require matching funding across all three levels of government. The Federation of Canadian Municipalities (FCM) represents and lobbies for municipal interests at the federal level; however, given the lack of institutionalized federal-local relations, place-specific and project-specific advocacy by local political representatives and/or local members of federal Parliament also play a role in shaping flows of federal funding for local infrastructure. Over the last 20 years, the growth of federal cost-shared infrastructure funding, as well as the rise of some project-specific efforts at federal-provincial-municipal coordination, have deepened and broadened multilevel governance mechanisms spanning all three levels of government; yet tri-level coordination is still partial, unstable, and highly vulnerable to short-term political pressures.[65]

Systems of provincial-municipal intergovernmental relations vary significantly from province to province. However, in most provinces they are shaped by a combination of factors that is arguably unique to Canada: 1. Comprehensive provincial legal authority over local governments; 2. High reliance of local governments on locally raised revenues;[66] 3. Low intergovernmental political integration; 4. Low intergovernmental administrative integration. The latter two points deserve some elaboration. With respect to political integration, in most of Canada, local government is non-partisan; and in the places where it is partisan (Vancouver, and many Quebec municipalities), local parties are often different than provincial parties. As a result, in the political sphere intergovernmental relations tend to lack the glue of integrated party systems that exist in many other countries. With respect to administrative integration, Canada has no unified civil service that operates across levels of government. Each province has its own civil service system; and there is no comprehensive civil service system for local governments. This makes intergovernmental communication on the administrative front more difficult and less systematic than it otherwise might be.

Provincial-municipal relations have evolved differently in different provinces in response to these realities. In British Columbia, for example, the provincial government in the 1970s instituted a system of 'regional districts' – large-scale service-sharing structures that also serve

[65] For a detailed discussion, see Martin Horak, 'Conclusion: Understanding Multilevel Governance in Canada's Cities' in Martin Horak and Robert Young (eds), *Sites of Governance: Multilevel Governance and Policy Making in Canada's Big Cities* (University of Toronto Press 2012).

[66] See report section 3 on local finances for further discussion.

as intermediary institutions between the province and municipalities, supporting a relatively consensual model of provincial-municipal relations. In Ontario, by contrast, the norm is much more one of provincial legislative and regulatory dominance of local governments, with limited openness to local concerns. In this context, provincial-level associations of municipalities have become important intermediaries in the provincial-municipal relationship.[67]

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Côté A and Fenn M, *Provincial-Municipal Relations in Ontario: Approaching an Inflection Point* (Institute on Municipal Finance and Governance 2014)

Martin H, 'Conclusion: Understanding Multilevel Governance in Canada's Cities' in Martin Horak and Robert Young (eds), *Sites of Governance: Multilevel Governance and Policy Making in Canada's Big Cities* (University of Toronto Press 2012)

[67] We explore their behaviour – especially insofar as it relates to the different interests of rural and urban municipalities – in report section 5.1. on Representing Toronto's District Interests to the Ontario Provincial Government.

5.2. Representing Toronto's Distinct Interests to the Ontario Provincial Government

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Relevance of the Practice

As we saw in the Introduction to Intergovernmental Relations of Local Governments, report section 5.1., Canada lacks party systems and civil service systems that are integrated across levels of government. Absent these mechanisms of intergovernmental communication, many provincial governments adopt a very top-down approach to their relationships with municipalities. This is certainly the case in Ontario, where the provincial government has a history of dealing with local governments without much regard for local preferences or inter-local differences. Historically, this tendency has manifested itself in a number of ways:

- through periodic provincially-imposed structural reorganization;[68]
- through periodic top-down reorganization of functional and funding responsibilities;[69]
- through the tendency of the provincial government to develop homogeneous standards and policies for all local governments, rural and urban.

Insofar as municipal governments in Ontario have had a say in provincial policy and action towards the municipal sector, it has mostly been through collective action by the Association of Municipalities of Ontario (AMO), the province's main municipal association. For a long time, AMO represented all of Ontario's 444 municipalities – a remarkably diverse group, ranging in population from 97 people (Brethour) to 2.9 million, and from ethno-racially diverse urban centres to sparsely populated tracts of wilderness in the far north. Because of this diversity, Ontario has over the decades evolved a range of smaller municipal associations that represent more specific groups of municipalities. These include the Rural Ontario Municipal Association (ROMA), the Northwestern Ontario Municipal Association (NOMA), the Federation of Northern Ontario Municipalities (FONOM), and others. AMO itself has also developed a system of internal caucuses that group municipalities regionally and by population. Nonetheless, the City of Toronto, which is three times as large as the next largest municipality (Ottawa), has chafed at being part of a large collective, and in 2005 it left AMO, and has since 'gone it alone' in dealing with the province. The successes and limitations of this strategy give LoGov researchers

[68] As discussed in report section 4.1. Beyond Municipal Amalgamations in Ontario, above.

[69] The most recent major reorganization of this kind occurred in the late 1990s, at the same time as the wave of amalgamations discussed above. At this time, the provincial government took on costs for public education, while downloading costs and responsibilities for numerous social services and public transit to local governments.

insight into the capacity of Ontario's largest urban municipality to articulate its own interests in a centralized provincial-municipal system.

Description of the Practice

After the municipal amalgamations and imposed reorganization of provincial-municipal responsibilities and funding arrangements in the late 1990s, the municipal sector in Ontario sought to identify ways to increase local input into provincial policies regarding municipal matters. In 2001, AMO convinced provincial officials to engage in a periodic process of negotiating an AMO-Provincial Memorandum of Understanding (MOU) that would identify mutually agreed policy directions and priorities. While many Ontario municipalities saw this as a step forward in provincial-municipal relations, the City of Toronto did not. The new post-amalgamation city had distinct needs and policy priorities from many other Ontario municipalities, including higher than average social service costs and a backlog of large transit infrastructure funding needs. Furthermore, with about 20 per cent of the province's population, Toronto was not content to be one of 444 municipal voices in AMO. As a result, in 2004 Toronto left AMO, and began dealing with the provincial government independently. Toronto has remained outside of the AMO framework since that time.

Assessment of the Practice

Toronto's strategy of going it alone in its relationship with the provincial government has been quite successful in some ways. Taking advantage of the weight of its large population and economic base, Toronto has at times been able to successfully articulate its distinct needs and priorities to the provincial government, as well as to the federal government. An early example of this came in 2007, when the city successfully concluded negotiations with the provincial government for a stand-alone piece of governing legislation, the City of Toronto Act. This act, which came into force in 2008, removed Toronto from the jurisdiction of the Municipal Act (which continues to apply to all other municipalities in Ontario), and gave the city some modestly expanded powers and resources, including some new taxing powers.[70] Beyond this, withdrawing from AMO has given Toronto the opportunity to negotiate independently with both other levels of government about a variety of issues and initiatives. For example, allocations of the federal gas tax, which are the subject of an agreement between the federal government, the provincial government and AMO for most of the province, are the subject of a separate federal-provincial-Toronto agreement.

[70] See report section 3.1. on Property Tax Reliance and the Re-Emergence of Provincial Funding Transfers to Local Government in Ontario.

Of course, Toronto's successes in 'going it alone' in its relationship with other levels of government is only made possible because of its extraordinarily large population. This is not an option that would be viable for other Ontario municipalities, which must continue to struggle with the priority trade-offs inherent in being part of a collective municipal association. According to one expert interviewed for this project, Toronto leaving AMO precipitated a crisis in the organization, which led to internal reforms that have ultimately made AMO a more effective representative of municipal interests at the provincial level.[71]

Toronto's strategy has also faced some limitations. First, since the City of Toronto contains less than half of the population of the Toronto urban area, its independent intergovernmental status has not helped it in having a voice on issues that are regional in scope – such as planning and regional transportation. On the contrary, divisions on regional policy priorities between Toronto and the surrounding suburbs have tended to deepen in recent years, and there is a truly remarkable lack of coordination between Toronto and the 24 suburban municipalities that surround it (which together house about 3.5 million people). The lack of intra-regional coordination is all the more striking given that Toronto and AMO maintain a regular dialogue, and on many general issues of law and policy that affect all municipalities they present a common front to the province. Second, going it alone on intergovernmental relations has meant that these relations have been destabilized by Toronto's notoriously unstable political leadership, which tends to swing among political priorities from one electoral term to the next. As a result, important provincially supported projects such as major transportation infrastructure initiatives have become bogged down by local political instability.

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[71] Interview with local government expert and consultant, Toronto (13 June 2021).

People's Participation in Local Decision-Making

6.1. People's Participation in Local Decision-Making in Canada: An Introduction

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Public participation in local politics and decision-making in Canadian municipalities is somewhat paradoxical. On the one hand, local government structures and processes are very open to public involvement at many stages of decision-making. On the other hand, participation of all kinds tends to be dominated by property owners, and electoral engagement tends to be low. These features of the participation system, which exist across both rural and urban municipalities, are to a significant extent a function of the particular structures of local government in Canada. In this introductory section, we will in turn examine both electoral and non-electoral public participation at the local level.

As in many other parts of the world, electoral participation at the local level in Canada is lower than at other levels of government. Indeed, a recent study found that average voter turnout in Canadian local elections in recent years was less than 37 per cent – compared to over 50 per cent in provincial elections and over 60 per cent in federal elections.[72] As previously noted, most Canadian municipalities have non-partisan systems of political representation, the exception being many urban municipalities in Quebec, and a few large cities in British Columbia. Without the policy cues that might be provided to voters by the party affiliation of candidates, Canadian municipal elections are often – in policy terms at least – 'low-information' events in which most voters do not know much about the concrete positions of candidates, and tend to vote based on name recognition.[73] This in turn contributes to a remarkably high incumbency advantage. A recent study of a historical database of elections in four large urban municipalities found that incumbency increases the probability of an individual winning an election by more than 30 per cent.[74] Interestingly – and in contrast to the emphasis of the academic literature on incumbency cited above – some of the experts interviewed for this research noted that in the small town and rural context, the high frequency of incumbent re-election and even acclamation may be less a function of voter behaviour, and more a symptom of a lack of willing candidates for office. As one former civil servant put it: 'There's quite a few places in rural Northern Ontario for example where, you know, people just aren't running. And they're even – they don't really have enough people to meet their quorum,

[72] Sandra Breux, Jérôme Couture and Royce Koop, 'Turnout in Local Elections: Evidence from Canadian Cities, 2004–2014' (2017) 50 Canadian Journal of Political Science 699.

[73] Laura B Stephenson, R Michael McGregor and Aaron A Moore, 'Sins of the Brother: Partisanship and Accountability in Toronto, 2014' in Sandra Breux and Jérôme Couture (eds), *Accountability and Responsiveness at the Municipal Level: Views from Canada* (McGill-Queen's University Press 2018).

[74] Jack Lucas, 'The Size and Sources of Municipal Incumbency Advantage in Canada' (2021) 57 Urban Affairs Review 373, 373.

and sometimes it's people that don't want to do it anymore but they're doing it because they feel like they have to, so, you know, that's not good'.[75]

Low overall electoral engagement notwithstanding, some residents – specifically, homeowners – are much more politically engaged at the local level than others. Not only do homeowners vote in local elections at a much greater rate than non-homeowners,[76] but they tend to dominate participation opportunities between elections. A growing academic literature on 'homevoters' in Canada and the United States largely attributes this owner-renter participation gap to homeowner motivation. Since owned housing is many families' greatest investment and local government decisions about land use have an obvious impact on the value of that investment; and since local government is largely funded by property taxes, which are paid directly by homeowners but not by renters; homeowners are more motivated than renters to participate in local politics.[77]

In terms of non-electoral participation, Canadian local governments are quite open to participation opportunities in council decision processes. Not only are councils non-partisan, but they meet in public and provide regular opportunities for individual residents and delegations to present during proceedings. Such open proceedings have long been the norm in Canadian municipal government. They were reinforced by the so-called 'reform' movement of the early 1970s, when citizens' groups rose up against modernist planning and development initiatives, and they have become deeply entrenched in provincial legislation that structures municipal decision-making processes. In addition, provincial planning legislation in many provinces mandates extensive public consultation during planning, zoning and development permitting processes, a legacy of reforms enacted after a wave of protest against technocratic planning in the 1960s and early 1970s.[78] By contrast, instruments of direct democracy are very rare at the local level in Canada, and mechanisms of deliberative decision-making such as citizens' assemblies or participatory budgeting processes are likewise uncommon.

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[75] Interview with local government expert and consultant, Toronto (13 June 2021).
[76] Michael McGregor and Zachary Spicer, 'The Canadian Homevoter: Property Values and Municipal Politics in Canada' (2016) 38 Journal of Urban Affairs 123.
[77] William A Fischel, *The Homevoter Hypothesis: How Home Values Influence Local Government Taxation, School Finance, and Land-Use Policies* (Harvard University Press 2005).
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6.2. Adopting Ranked-Choice Voting in London, Ontario

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Relevance of the Practice

Persistent low voter turnout and high incumbency re-election rates in Canadian municipalities[79] have led to various proposals for electoral reform, including encouraging the emergence of local political parties, reducing the size of large city councils, and introducing internet-based voting.[80] In the Province of Ontario, some civic associations – mostly based in Toronto, the province's largest city – began lobbying the provincial government a few years ago to allow municipalities to adopt ranked choice voting (also known as ranked ballots). The proposed ranked choice system retains the nonpartisan, ward-based electoral system that is most common in Ontario municipalities,[81] but allows voters to indicate their first, second and third choice of candidate for mayor and councillor. If no candidate receives a majority of the first-choice votes, the candidate with the least number of first choice votes is eliminated and the second-choice votes on those ballots are redistributed. This process continues until one candidate has more than 50 per cent of the votes. Proponents of this system argue (among other things) that it reduces 'vote splitting' between similar candidates; it encourages civil campaign discourse since second-choice votes matter to candidates; and it gives voters more meaningful choices.[82]

Description of the Practice

In 2016, the Ontario provincial government amended the Municipal Elections Act to allow municipalities to run ranked choice elections. While a number of municipalities seriously considered adopting the new system, only London, a city of about 400,000 residents, actually adopted it for the 2018 elections.[83] London's city council had experienced an unusual generational turnover in the 2014 elections and had many young councillors who were enthusiastic about electoral reform. Even though the city's Clerk (who is responsible for running elections) recommended against adopting the new system for the 2018 elections on

[79] See the Introduction to People's Participation in Local Decision-Making in Canada, report section 6.1.
[80] Aaron A Moore, 'The Potential and Consequences of Municipal Election Reform' (Institute on Municipal Finance and Governance 2017).
[81] A few Ontario municipalities elect their city councillors at-large rather than in wards.
[82] Cathy Saunders, 'Ranked Ballot Election Model' (Corporate Services Committee, City of London, 24 January 2017) <https://publondon.escribemeetings.com/filestream.ashx?DocumentId=29238>.
[83] Much to the disappointment of Toronto electoral reform activists, Toronto's city council decided not to adopt ranked ballots after having earlier signaled that it supported the reform.

the grounds of cost and complexity, the council approved the change in 2017,[84] making it the only municipality in all of Canada to move away from a simple majoritarian electoral system.

In October 2018, at the same time that London ran its first ranked-choice election, two other medium-sized Ontario cities (Kingston and Cambridge) held referenda on ranked choice voting, and residents approved its use in the next (2022) municipal elections in both cases. The stage appeared to be set for the spread of ranked choice systems among Ontario municipalities – at least large urban ones; no one has seriously considered introducing ranked choice voting in small rural municipalities, where there are rarely many competitors for elected positions. Since local government institutions in Canada are fully under the legal control of provincial governments and have no constitutional status,[85] however, the provincial government could just as easily revoke municipalities' option to use ranked choice voting as it approved it in the first place. The 2018 provincial election brought to power a Conservative government that was skeptical of electoral reform at any level of government, and in October 2020, it eliminated the ranked choice option for municipal elections as part of Covid-19 recovery legislation, arguing that '[n]ow is not the time for municipalities to experiment with costly changes to how municipal elections are conducted'.[86] As a result, Ontario's ranked choice voting experiment has abruptly come to a halt for the foreseeable future.

Assessment of the Practice

The fact that ranked choice voting was implemented in only one municipality for one election limits our ability to draw broader insights about the merits of the practice. Indeed, it is likely that its full impact on electoral turnout, campaign dynamics and electoral outcomes would only become apparent after several electoral cycles. Available evidence from London's 2018 election is mixed. On the positive side, the election was implemented smoothly with only a modest (and largely one-off) increase in administrative costs, and about 70 per cent of those who voted ranked more than one candidate, showing widespread interest among voters in the new system.[87] However, voter turnout did not increase compared to the previous election (in fact, there was a decrease of about 3 per cent); negative campaigning remained an unfortunate feature of the election season; and all candidates leading after the first round of vote counting ultimately won their seats, suggesting that ranking in and of itself did not produce significantly different electoral outcomes. Whether this apparent lack of impact on electoral turnout and dynamics would endure, or whether the new system would have emergent effects after more than one electoral cycle, is something that we cannot know. We do know, however, that the fate of ranked balloting in Ontario is another illustration of the enduring tendency of the

[84] Charlotte Kurs, 'Administering a Ranked-Choice Voting Election: Lessons from London, Ontario' (publications 4, Centre for Urban Policy and Local Governance 2020).
[85] See report section 1 on the System of Local Government in Canada.
[86] Sofia Rodriguez, 'Ontario Moves to Axe Ranked Ballots from Municipal Elections' *CBC News* (20 October 2020).
[87] Kurs, 'Administering a Ranked-Choice Voting Election', above.

provincial government to intervene unilaterally in municipal affairs, a condition that ultimately exacerbates the deficiencies of democratic representation and participation in local government.

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This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 823961.