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Cities for city-building?
Own source revenues in Halifax and Edmonton

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Abstract

This thesis develops an alternative account of municipalities' fiscal troubles grounded in local politics and Council decision making. My research questions explore why municipalities have avoided increasing the use of locally controlled revenues – own source revenues (OSR) - and what determines which cities increase which OSRs. OSRs are particularly important because they provide a lens in which to evaluate municipal governance. Because of the nature of municipal responsibilities and revenue options, fiscal tools shape the cityscape, daily lives of city residents and local interactions. Council's priorities and municipal politicians' understanding of their role directs the use of OSR towards fiscally and socially progressive outcomes.

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For city-builders.

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Illustrations

Abbreviations

Own source revenue	*OSR*
Canada West Foundation	*CWF*
Public private partnerships	*P3's*
Alternative Service Delivery	*ASD*
Institute for Municipal Finance and Governance	*IMFG*
Federation of Canadian Municipalities	*FCM*
Halifax Regional Municipality	*HRM*
Census Metropolitan Area	*CMA*
Alberta	*AB*
Nova Scotia	*NS*
Municipal Government Act	*MGA*
Union of Nova Scotia Municipalities	*UNSM*
Regional Council	*RC*
City Council	*CC*
Halifax Regional Water Commission	*HRWC*
Chief Administrative Officer	*CAO*
Capital cost contributions	*CCC*
Edmonton Police Services	*EPS*
Committee of the Whole	*COW*
Utilities Fiscal Policy	*UFP*
Environmental Protection Charge	*EPC*
Harbour Solutions Project	*HSP*
Private Roads Committee	*PRC*
Office of the City Auditor	*OCA*
Association of Urban Municipalities of Alberta	*AUMA*

Chapter 1. Re-considering the fiscal approach to building local capacity

The introductory chapter establishes the current importance of studying Canadian cities' governing capacity through a fiscal lens. It begins by discussing why studying cities are important and why municipal capacity is relevant. Municipalities' growing roles in service provision has produced different literatures on capacity, each flowing from a kind of weakness: political, administrative and fiscal. A literature review of the fiscal perspective outlines key issues and common strategies to build capacity. Two reasons are given for why governance should be studied from a fiscal perspective: significant gaps in the fiscal literature and municipal discretion in raising OSR (Maxwell, 2006, p. 20). Just as the relative lack of research is the most important reason for focusing on the fiscal perspective, it also provides observers with opportunities to re-conceptualize municipal governance through a lens of OSR.

1.1 Why is studying cities important? Why is capacity relevant?

The services provided by cities (public transit, water, roads) articulate patterns of daily life. Both in terms of citizen proximity and jurisdiction, local government is the most accessible order of government. Still, municipalities cannot be treated as political equals within Canadian federalism because they come to the intergovernmental table as a 'junior partner'. These three facts make it critical to analyze the practices of municipalities trying to re-define their roles and resources in the twenty-first century. New responsibilities within traditional resource allocation strategies strain the development of government capacity. The perceptions that municipal government is a legitimate government to provide better and different services is a necessary prerequisite for municipalities to take advantage of the opportunities afforded by this context.

In this dissertation, 'cities' refer to regional centers with large populations: hub-cities. A relatively undifferentiated policy setting for municipalities of vastly different sizes, social complexions and economic bases has undermined the growth potential of distinct cities. In an effort to capture the lost potential that thrives alongside political subordination, an urgency surrounds urban problem solving, city-building and initiatives to increase relative local autonomy that is unparalleled in rural Canada (Courchene, 2005, p. 9).

The tension between 'the municipality' and 'the city' as referents for local capacity building has thus emerged. Unlike provincial or national applications, as implied by the title, what is being built – cities - does not carry the same name as its governing structure, the body through which it is being built – the municipality. Clearly 'cities' refer to more than municipal governments, but city-building is pursued by building municipal capacity. It is preferred to municipality-building or municipalities for city-building not only for discursive reasons. Along the lines of nation-building in Quebec, city-building is a neologism about a collective urban identity, a sociological understanding of place. As opposed to using 'municipalities' in the title, 'city' emphasizes the natural, informal authority of urban regions because a lot of people live in them, not because they were provincially incorporated. Thinking beyond the province is a hurdle especially for municipal officials to overcome if building capacity and relative financial independence are at issue. But cities cannot raise revenue; municipalities can. Unconventional OSR raising enhances municipal activity in cities, which is increasingly about discretionary authority and Council priorities rather than incorporating legislation.

An urban focus to capacity building is justified because of Canadian demography: 80% of Canadians live in cities, a figure mirrored in urban employment rates. Whether by people or by industry, the country's wealth is made in cities (BCMC, 2006, p. 7-8). Strong local tax bases have meant that a disproportionate share of provincial and federal taxes is extracted from cities; the tax-take is never fully reinvested locally. Hub-city tax payers fund national redistribution projects and sustain pan-Canadian servicing standards (Kneebone, 2007, p. 4-5, 7; Rowe, 2001, p. 4). As for the benefit of urban economies, the ripple effect of motor-cities on regional and national industries is well documented (Courchene, 2005, p. 3). Suggesting that only city dwellers stand to lose where cities remain 'underfunded'[1] is a misinformed account of the importance of cities in determining broader outcomes (Nowlan, 2000, p. 7). The urban economy needs to be seen as the yardstick for both national economic competitiveness and social prospects.

Canadian capacity building initiatives have been motivated in the context of changing intergovernmental roles and increasing performance standards placed on municipalities in their mushrooming fields of jurisdiction. Mandates have grown considerably in the past twenty years (courtesy of downloading activities in the 1990s) and continue to grow under the principle of subsidiarity[2] (Courchene, 2005, p. 8, 14). Financing services remains a major concern because with the declining quality of urban hardware (tangible assets like community centres) and software (like problem solving committees and social services), so too with the quality of urban life (Torjman, 2002). As

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[1] In single quotations because the word 'underfunding', like underdevelopment, gives the impression that external impositions are at fault for internal shortfalls. In addition, authors use the phrase 'municipal funding' to denote revenue sharing, transfers and grants given to municipalities from upper level governments (Muniscope, 2008, p. 3).

[2] whereby services ought to be provided by the lowest level of government capable of providing them (Courchene, 2005, p. 8, 14).

this is a primary way cities compete with one another, it is important that they are able to make investments according to evolving local needs and preferences.

1.2 Perspectives on capacity building

The popularity of the idea of capacity building and the elusiveness of the word 'capacity' necessitate a brief discussion on what exactly I mean when I use the term 'capacity building'. Capacity building is increasing municipalities' ability to potentially have more abilities – it is as much about what municipalities are doing as what they could be doing. It is also about the quality of what they do, (for example, improving the functioning of municipalities as public service providers is building capacity) and how they do it. Building capacity is about increasing administrative sophistication, access to data, improving information processing and coordinating functions and making informed decisions; it is also about choosing the administrative and governance models most capable of responding to public demands and producing responsive public services (Honadle, 1981, p. 575-577). It is important that capacity building take place in both the political and administrative spheres of municipal government and that administrative capacity building concern itself with flexibility over perfection, objectivity or scientific logic. For a thesis focused on revenue generation, inputs into the municipality, especially financial resources, are certainly important. Though, (as discussed on page 31) revenues should be treated as instrumental to the functioning of the whole government. System-level capacity building involves needs analysis, problem solving, evaluation, feedback and adaptability (Honadle, 1981, p. 576).

Increasing municipal autonomy is at the heart of capacity building. Building municipal capacity to execute other governments' programs is building flow-through

agencies (Honadle, 1981, p. 576-577). This capacity building dichotomy is touched on in the title of my thesis. Though we cannot assume Councils' are interested in capacity building, no less that the purpose of capacity building is to increase a municipality's independence from other governments, 'cities for city-building' is about municipalities wanting to build capacity (by themselves) to increase their autonomy (for themselves). If municipalities do not articulate local preferences - which includes having the requisite capacity to articulate them - locals can have no allegiance to municipalities as governments. Citizen engagement, part of which is reflected in levels of voter turnout, is critical to sustainable and effective capacity building. City-building anchors capacity building; it makes capacity building place-specific. City-building combines the key actors and products associated with building municipal capacity, (politicians, administrators, local people and services) with municipalities' ability to manage urban development (growth, place and space).

Municipal capacity building literature forks into three streams; each focuses on a different source of weakness. Primary factors in the political perspective are the lack of political party affiliations, intergovernmental relations, Council composition and influence of commercial businesses in campaign finance and over policy outcomes. The lack of sustained public engagement and pressure to overhaul municipal operations is largely attributed to political factors (Collin & Tomas, 2004, p. 26-29; Tindal & Tindal, 2004, p. 259-260, 300-303, 349-350). Provincial – municipal downloading waves in the 1990s and urbanization has increased cities' de jure and de facto jurisdiction substantially. Administrative outlooks reference decentralizing trends and the subsequent disconnect with which municipalities grapple: multiplying responsibilities and dwindling

funds. Rapid population growth, sprawl and suburbanization have increased pressure on servicing and capital investments, whereas poor growth in revenue sources (monoculture tax bases, transfer reductions and inflation) has left cities in a situation of fiscal want. The fiscal perspective focuses on conventional revenue sources and the fiscal imbalance and tax sharing prospects. It has highlighted that cities have choices in their fiscal malaise. According to fiscal scholars, however insufficient in the long term, better use of existing sources (optimization) and fuller use of available revenues (diversification) would enhance municipal capacity in the interim (Mintz & Roberts, 2006; Slack & Bird, 2007). This thesis is on the fiscal perspective.

1.3 Literature review of the fiscal approach

A review of the municipal finance literature sketches issues with building hub-cities' capacity. Remedies identified in the literature either aim to increase financial resources or decrease spending pressure. Canadian cities are outfitted with modest and relatively homogenous funding institutions. The Baldwin Act was the mainstay of municipal legislation until the late twentieth century[3] (McAllister, 2004, p. 100). When the Baldwin Act was passed, however - in 1849 - fewer than twenty percent of Canadians were city dwellers and municipal institutions were incorporated to provide services to property, like street maintenance (Lidstone, 2004, p. 2; BCMC, 2006, p. 10). While large municipalities' responsibilities have shifted in tandem with demographics, their tax bases have not changed substantially, rendering municipal governments poorly furnished to act in modern roles (Maxwell, 2006, p. 11). Over the past twenty years, most hubs have negotiated more permissive legislation, frequently City Charters, with provincial governments. Revenue raising powers are often expanded, but no incorporating

[33] For rural municipalities, it is still significant.

legislation provides access to what municipalities understand as significant access to a significant tax base, for instance on general sales or income[4]. Further, all incorporating legislation is provincial legislation[5]. It is subject to change without consultation, so all legislative gains should be considered tenuous.

Criticisms of the property tax have been numerous. It is an inappropriate tax to provide services to people. Poorly and slowly reflecting local growth rates, property taxes' inadequacy stems from its inelasticity. As a regressive tax, property taxes are not based on the ability of homeowners to pay, but on the provincially assessed or market value of property. It also fails to manage "spill-over's[,]" (Vander Ploeg, 2002, p. 82) whereby city services and infrastructure are used by suburban dwellers whom do not contribute to the tax base upon which provisions rely. Reducing the local yield, a portion of revenues are usually redirected to the province and non-municipal local agencies, such as school boards (BCMC, 2006, p. 7). Municipalities' other conventional OSR is user fees. They are adopted sparingly according to some critics and improperly according to most, rarely accounting for the full costs of providing services or full usage of them. Fees do not take positive or negative externalities into account.

Whether or not a fiscal imbalance exists between the municipal, provincial and federal governments is an argument used to legitimize the municipal demand for resources in provincial and federal corridors. "A fiscal imbalance is said to exist if one order of government does not have the means to meet its spending responsibilities"

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[4] Manitoban municipalities have access to a portion of the provincial corporate and individual income tax through the Provincial-Municipal Tax Sharing Agreement (Kitchen & Slack, 2003, p. 2268). British Columbia, Alberta, Ontario, Quebec and Manitoba share some fuel taxes with some cities (Slack, 2008, p. 21).

[5] Acts are fairly easy to pass and easier to repeal. Most contain clauses about provincial oversight, Ministerial or departmental permission and alignment to provincial priorities.

(BCMC, 2006, p. 7). Analysts part on the banks of de facto versus de jure readings of municipal finance. The widespread experience of 'mismatched downloading'[6] and the infrastructure deficit point to the absolute existence of an imbalance (Rowe, 2001, p. 16). The inability to carry an operating deficit and the incapacity of current accounting practices to reveal an imbalance imply that none *can* exist.

> "[O]perating budgets form only one part of the municipal fiscal equation, and the way in which a city defines "operating" budget can impact the size of any surplus or deficit ... reported deficits and surpluses do not share a common definition and are based on several different systems of accounting" (Vander Ploeg, 2001, p. 4).

Basically, fiscal "stresses [are] not being communicated to the general public through the deficit signal" (Vander Ploeg, 2001, p. 7). Created to express the financial ability of the federal and provincial governments to meet their spending responsibilities, the concept is better suited to these spheres (whose responsibilities are constitutionally enumerated and uniform). Municipal responsibilities are in flux over place and time and spending patterns respond to many different cost drivers[7].

Dependence on conventional OSRs and transfers has made cities fiscally unsustainable (Drummond, 2002, p. 5). In some cases, maintaining status quo funding arrangements means jeopardizing the safety of infrastructure and the buoyancy of quality of life ratings. Uneven, market-mediated patterns of development and dwindling regional spin-off industries are additional causes for concern identified in the literature. I would add that, without sufficient resources to maintain what already exists, there is little hope of re-casting municipal roles beyond those of the last century.

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[6] 'Mismatched downloading' occurs when municipalities are downloaded additional policy mandates without commensurate fiscal capacity to perform new functions (Miller, 2007, p. 236).
[7] Regional unemployment rates, decreasing levels of support from other governments, place-specific issues (drug abuse in Vancouver's Upper East side) and local need (immigrant integration in Toronto) are a few examples.

Another debate is over who should take responsibility for endowing cities with new sources of revenue. The Canada West Foundation (CWF) argues that the federal and provincial governments should provide municipalities with new income sources (Vander Ploeg, 2002, p. 16). Involving other spheres of government in municipal financing regimes in an ongoing way is a popular suggestion (FCM, 2006, p. 5). Some argue that tax sharing agreements, vacating room within existing federal and provincial tax bases and, with respect to the administration and collection of taxes, piggybacking on established federal and provincial agencies, are strong possibilities. In a fiscal squeeze, the contributions of other spheres are fleeting. Municipalities possess no enforcement mechanisms with which to endow agreements longevity (Torjman, 2002).

A handful of authors (Mintz & Roberts, 2006; Slack & Bird, 2007; Courchene; 2005) call on cities to make better use of available OSR tools included in incorporating legislation (which usually means further applications for user fees, increasing rates in response to growth). Other examples are city-specific[8]. Concluding that better use would be insufficient, authors call for an intergovernmental deal to augment better use of OSR. By clarifying that cities could raise more OSR than they currently do, authors from the fiscal perspective have flagged that municipal discretion in raising OSR plays a part in municipalities' fiscal capacity. While I think that municipalities could certainly use existing fiscal policy tools more effectively, I would frame it differently. Collaborating with other municipalities to research new revenue options and requesting specific revenue

[8] Manitoban municipalities can choose to apply sales taxes on restaurant meals, liquor and overnight accommodations. Winnipeg has yet to operationalize these options (Treff & Perry, 2004, section 5:10). Passed in 2007, the City of Toronto Act permits the municipality to impose a tax on alcohol and gives it access to seven other direct taxes, including a vehicle registration tax, land transfer tax, tobacco tax, billboards tax, parking tax, entertainment tax and a road tax (City of Toronto, 2007, p. 7-10). In November 2010, three had been passed by Council (City of Toronto, 2010, p. 47).

raising powers related to areas of municipal jurisdiction (rather than requesting to encroach on provincial tax bases) can increase municipally controlled revenues substantially.

Analysts have developed fiscal management techniques. Diversification of municipal revenue sources is a widely accepted measure, allowing for income variation over time and place. Another strategy to address the disconnect between municipal revenues and expenditures is to get redistributive measures out of cities (Vander Ploeg & Berdahl, 2002). The literature diverges on the value of this strategy. Those opposed argue that municipal authorities deal more effectively with the particularities of, for instance local housing and poverty issues, than one federal white paper per urban social issue (Nowlan, 2000, p. 7). Holding down the rightward front, the CWF sees the purpose of municipalities in traditional and narrow social terms:

> "Local government exists to provide services that benefit local residents and can be funded from locally-generated revenue. There is little economic rationale for local governments to be involved in income redistribution activities such as homelessness and affordable housing which more properly belong to federal and provincial governments, which have access to a broader revenue base. Federal and provincial governments, for their part, must avoid off-loading these responsibilities to the local level" (Vander Ploeg & Berdahl, 2002).

If, as suggested, "residents" are restricted to home owners, cities have no obligations to homeless populations. The cost benefit approach is one way of determining appropriate jurisdiction, just as federal and provincial governments may be best positioned fiscally to deal with certain policies. Neither changes the fact that redistributive mandates have been downloaded to cities without commensurate resources or the possibility of uploading (FCM, 2006, p. 3). Attention needs to be directed to local coping mechanisms.

Another way of offsetting spending is to engage in public private partnerships (P3's) and adopt "alternative service delivery (ASD) mechanisms" (Vander Ploeg & Berdahl, 2002). Vander Ploeg and Berdahl state that,

> "[w]hile cities should certainly ensure that services are provided, there is often no compelling rationale for the city to produce the service. International experience suggests significant savings when the public sector competes with the private and non-profit sectors for the rights to deliver municipal services" (Vander Ploeg & Berdahl, 2002).

The Canadian Union of Public Employees (CUPE) supports the public provision of services as a right, arguing that P3's (one kind of ASD) are more costly for users, establish profit motives in the provision of essential services and threaten the working conditions and stability of wages for civil servants (CUPE, p. 1). Cities justify P3's in terms of cost savings, efficiency and the inability to deliver certain services on the public purse. Justifications based on economic straits would be plausible if municipal fiscal policy tools were used creatively and still insufficient. Other justifications are value judgements about the respective roles of municipal government and urban dwellers: They entail either higher costs for government or higher costs for people. To summarize, the literature rarely explores local revenue sources outside of the property tax - user fee - transfer trifecta, municipally controlled ways to increase revenue outside of optimization and explanations for fiscal stress related to local politics.

1.4 Why study governing capacity from a fiscal perspective?

The reasons for studying fiscal capacity are specific to the Canadian context. As a practical method of capacity building, the fiscal approach is understudied. Sustained research interest is the work of three principal institutions: the Institute on Municipal Finance and Governance (IMFG), CWF and the Federation of Canadian Municipalities

(FCM)[9]. Within these organizations, research is concentrated in a small pool of scholars: Enid Slack, Richard Bird, Harry Kitchen and Casey Vander Ploeg. Gaps within the literature are forthcoming. Analysts are faced with imperfect data sets with which to make comparisons, whether on a historic, contemporary, domestic or international basis. The lack of hard, regionally consistent data may account for the perception that no problem exists within municipal finances (Vander Ploeg, 2002, p. 7). Another gap is the regional bias to research. CWF publishes on western cities and the IMFG on Ontario cities, but there is no such think tank or author with a sustained interest in eastern, northern or Quebecois cities.

The literature gap is sharpened when new taxes are considered. As an understudied area, philanthropic efforts and corporate sponsorship gear existing analyses to business concerns and business friendly policy recommendations (Maxwell, 2006, p. 20). This is significant because how a city raises revenue to meet its spending responsibilities is a critical issue in the provision of public services. There are very few published examples of fiscal tools developed organically by Canadian cities; tools that can be implemented without provincial consent or imported from abroad are not well explored either.

That Council's role in municipalities' fiscal weakness is understudied suggests that the work done in the field of municipal finance is done from a technical, economics perspective. This focus conceals the extent of local choice in revenue raising and foregrounds the political considerations behind raising revenue. Municipal revenue

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[9] Organizations dealing less intensively with urban fiscal issues in Canada are the Centre for Civic Governance, City Mayors Thinktank, Institute on Governance, Ideas that Matter, Tamarack, Canadian Urban Institute, the Centre for Urban Research and Education, Public Policy in Municipalities and Municipal Information Network.

increases are rarely instituted solely for the purpose of raising revenue, so it is also important to address issues of governance. There is a seldom spoke about margin for revenue raising discretion afforded to local governments which has important political consequences. If the political or administrative facets of municipalities are analyzed disproportionately or dislocated from fiscal facets, students are left with a skewed image of city circumstances. Research on the politics of municipal financing challenges this picture. The discovery that cities have choices in their stricken funding undermines entrenched visions of downtrodden cities, tacking on the question of on whose, or on what, terms do cities want more money? What categories of tax payers will pay more money? What categories will be protected from tax increases?

1.5 Everyday governance

Everyday governance applies to capacity building on three levels. First, municipal government is an everyday government. Everyday means that it is a bodily government - every flush, shower, dirty dish, cereal box and bike ride engages (or will engage) municipal services. This level of intimacy with city dwellers' everyday lives makes municipalities, what they do and their relationship with the public distinct. Everyday government does much of the legwork. It captures that they are fundamentally different governments within Canadian federalism, why they should be highly valued as such and exactly how close to home OSRs are. The first task of city-builders – people who want cities to do more and work towards making this happen - is to get city-dwellers to take municipalities seriously.

Second, it connects municipal fields of jurisdiction and revenues with the urban landscape. Built environments shape the social interactions they ground. They do so

actively, not as benign or passive witnesses (Massey, 2005, p. 9-10). Municipal services and revenues – local choices - shape the urban outdoors (for example street lighting, parkland taxes, transit infrastructure, density bonusing, parking facilities, etc.). Big cities also do more[10] - people living in large cities interact with more municipal services more often. In short, municipal responsibilities and revenue sources, as well as the built environment they produce, govern much of 'the everyday' and everyday life in cities.

Fiscal politics influence municipal services and patterns of everyday life for other reasons. The orientation to fiscal policy impacts approaches to service provision, (P3's, subsidiaries, staff departments, volunteer community or cost shared programs) and the reliability of service provision. Fiscal choices encourage different types of use and shelter different users (reduced rates for consumption at non-peak times, exemptions, tax credits for the elderly), determine how revenues are allocated (between departments, based on service levels or earmarked for priority portfolios) and what services are provided (unlegislated and discretionary services).

Because the services provided by municipalities are used every day by everyone and significant fiscal choices exist, how they are provided and what is provided impacts the life chances for different groups. Still, personal interactions with municipal services are rarely acknowledged. To take things with an intimate influence over everyday routines for granted is to gloss over important dimensions of choice and benefit and, over time, how different choices become sewn in with patterns of everyday life. Municipal services, the revenues collected to fund them and their combined effect on the urban landscape are important parts of making everyday governance democratic. This is a major

[10] Whether because they house critical masses, are able to take advantage of economies of scale, experience a high demand for specialized services, have access to a larger tax base or downloading trends.

avenue in which municipalities, as everyday governments, influence everyday governance. It also identifies opportunities to sew in new patterns which also influence everyday governance.

Everyday governance is an umbrella term used to capture different types of authority and the multiple systems of control that govern individuals' daily behaviour in cities[11]. Examples of the types of governance it includes are self-governance, social norms and networks, economic necessities, bodily functions, service provision and delivery, the public and private property regimes and (by)laws. How the things that govern 'the everyday' govern in a given city configures and reinforces a set of socio-economic dynamics. The spaces that develop and the social interactions they value influence the quality of everyday life, experiences of marginalized communities and collective socio-economic well-being.

Third, Council has the capacity to influence change more broadly than other kinds of governance and within other forms of governance because of the nature and scope of municipal authority. Through spinoff effects from municipal policies, the concept of everyday governance helps demonstrate the ripple effect that Council's priorities can have on the lived everyday in cities. Whether revolving around green communities, immigrant retention or making the local business environment more competitive, municipal priorities, which are expressed in revenue decisions, sustain or challenge dynamics. Increasing fiscal resources both increases municipal governance capacity (capacity to decide what they do and how they do it) and increases the capacity of municipalities to affect change in the other realms.

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[11] Large populations and dense living conditions within a confined area have strong implications for how people relate to each other in cities.

Fiscal politics are inherently adaptive. Maintenance of the status quo has important normative implications that should be considered along with the purpose and methods of building fiscal capacity. Special attention should be paid to Council's fiscal decisions because it is the only part of everyday governance that is elected. Fiscal politics demonstrate both how local choices have come to privilege certain municipal functions and form an outlet to contesting the dominance of certain functions. Minimizing cities' discretionary fiscal powers minimizes the influence of politics, the space to negotiate patterns of everyday life, on the kind and quality of municipal services, facilities and city spaces. The perspective taken in this dissertation is how fiscal choice juxtaposes a problem-based literature with progressive concerns like patterns of everyday life and public services.

1.6 Implications of fiscal capacity building for civic fiscal literacy

There is a definite trend in Canada for cities to increase the use of OSR options - claiming ignorance of own source financing options is becoming invalid (Drummond, 2002, p. 7). That said, to my knowledge, no one in Canada has written at length on unconventional own source measures to increase fiscal capacity, nor the reasons why current capacity is not used better in particular hubs. Where intergovernmentalism has failed cities at every turn, there is no reason as to why cities are being neglected – or neglecting themselves – from the timely process of city-building (Rowe, 2001, p. 15). There is little reason as to why provincial and federal governments should inject bail-outs, or devolve more fiscal authority, aware of the revenue bases selectively rejected by local government. Before cities can state the case for fiscal autonomy effectively to provincial and federal governments, local initiative must be demonstrated where possible.

As this is not always the case, the terms upon which cities want more resources need to be acknowledged, as do the political benefits and socio-economic implications of fiscally stagnant cities.

The capacity of cities to take on future responsibilities (marshal sufficient resources to direct development) and their capacity to distribute the tax burden between different groups (allocation of costs and benefits) is the basis of city-building. The overall resources that municipalities control are OSR; how they distribute the benefits of controlling OSR depends on several factors. Council governance, the administrative-political relationship, intergovernmental relations, relevant publics and civic fiscal literacy are the levels of analysis that centre empirical questions about what determines which cities increase which revenues. The capacity of OSR - the capacity municipalities have to influence everyday governance - is also influenced by factors. (For instance provincial transfers can substitute for municipal increases.) The normative implications of foregone capacity are critical for a governance perspective.

There are several important elements of civic literacy: knowledge of a political system, governance issues and how to instigate change in government, community engagement, organization and empowerment and using participation to mobilize change and the ideal of inclusive decision making (CIDA, 2005, ii). Civic fiscal literacy introduces taxation and spending issues into the local political lexicon. It covers municipal initiatives to increase literacy, (advertising hearings, press releases, speeches, media coverage, consultation, community visioning exercises, etc.) the responsiveness of taxation and spending policies to dynamic local needs, priorities and preferences, the existence of neighbourhood and community level outlets for engagement and

participation and the transparency and accessibility of fiscal decision making on Council (CIDA, 2005, iii).

It is important to include a discussion on civic fiscal literacy to gage how citizens fit into capacity building strategies. As service provision becomes more localized, the use of OSR increases. But citizens will not support increases if leaders do not, so there is an ever increasing need for municipalities to inform the public of changes. How municipalities show local people that they are planning for new roles is critical to political legitimacy and the public's willingness to pay for new functions. The type of capacity building that is pursued and the reasons for trying to inform the public also influence local fiscal knowledge. Basically, cities condition local fiscal literacy and literacy rates are a reflection of the political willingness to build capacity. The major issues are whether or not there is a correlation between local literacy rates and capacity building initiatives, who is included in capacity building and, depending on the answers to the first two questions, what are the implications for local democracy?

Places with high levels of civic literacy are known to accommodate a diverse range of interests because they foster initial awareness of a range of issues and the participation of different social groups. "The end result is more egalitarian economic and social policies" (Milner, 2001, p. 3). The same is true of fiscal policies. There is a higher likelihood that increasing OSR will benefit a multiplicity of city dwellers in spending decisions if community engagement is prioritized at the revenue stage. Cities that demonstrate weak interest in increasing public education digress from the progressive end results Milner identifies. This can have significant consequences for the politics of everyday life in cities; it generalizes acceptance of clientelism and regressive fiscal

measures. How people understand tax increases is relevant to these prospects: Misunderstanding helps push them into fruition. That the headspace of the property tax payer is not conducive to increasing the use of OSR is another prime reason that increasing OSRs needs to be seen in the context of democratizing municipal governance.

1.7 Purposes of writing

- To encourage people to disaggregate the orders of Canadian government, municipal institutions and sources of municipal weakness.
- To increase the accessibility of fiscal policy so that non-finance experts are able to see the effect of fiscal policy tools and Council decisions on the urban landscape; to fan out local roles and choices in explaining the state of municipalities' finances so that people are comfortable challenging wholesale accounts of fiscal weakness; to make municipal finance less intimidating for social scientists so that they do not accept technical economics analysis uncritically.
- To foster an appreciation the complexity of municipal finance, the multiplicity of revenue options and political nature of fiscal decision making.
- To equate taxes with governance capacity in a positive light and to view municipalities' governance capacity as expansive, if dependent on the political will to increase taxes.

Chapter 2. Framework of analysis

Chapter two sets up the framework of analysis for fiscal capacity building. The theoretical problem and issue in data collection are identified in two questions guiding the research. Theoretical development explores the purchase of institutional design and urban regime theory to explain avoidance of OSR options to remedy the fiscal crisis. The method aims to operationalize the idea of fiscal city building by outlining which cities will be studied and how they will be compared. Similarities and differences in Halifax and Edmonton are reviewed to briefly acquaint readers with the cities. The research program outlines how research unfolded, which sources were consulted and what were their contributions and shortcomings. Ethical considerations of the project are examined penultimately. Some issues are based on jargon, the accessibility of fiscal policy to city dwellers and misinterpretations of municipal fiscal policy tools, so it is necessary to clarify key concepts.

2.1 Research questions

Although municipalities' major issues relate to their fiscal weakness, accounts for this are not well developed. I am focussing on OSRs because they are relatively predictable and locally controlled revenue sources. The first question is, why have cities avoided increasing the use of OSR? It is unpacked with reference to institutional and regime theory. The second question is, what determines which cities increase which sources of revenue? It aims to uncover important factors shaping increases. It is dealt with in the data sections.

2.2 Theoretical problem

The first part of the theoretical problem is explored by institutional theory. The basis of the institutional literature is that "structures matter" (Bashevkin, 2004, p. 198). To investigate how structures impact the behaviour of individuals, groups and governments, institutional theory is interested in administrative change and constitutional definitions of institutions; institutional analysis is geared to formal institutions and their operational logics (Parker, 2007, p. 128; Peters, 2005, p. 1, 4). Municipalities are made mention of in one subsection of the 1867 British North America Act (now the Constitution Act), which enlists them as provincial jurisdiction (Lidstone, 2004, p. 3). The line "municipal institutions in the province" (Section 92 (8)) makes no attempt to capture the everyday workings, contemporary mandates, policy differences or geographic variation in 'municipal institutions' in a large country like Canada (Peters, 2005, p. 9). Constitutional marginalization, (which is reiterated in contemporary legal battles) can be mirrored in municipal finances, for instance provincial disallowance of new sources, which may justify some inactivity. If municipalities were more than administrative appendages of provinces, one would expect some consideration for local politics to be included in fiscal scholarship.

Institutions evolve in response to the behaviour of actors within them.

> "Legitimated structures or practices can be transmitted to organizations in a field through tradition (organization imprinting at founding), through imitation, by coercion, and through normative pressures" (Carpenter & Feroz, 2001, p. 569).

Institutions need cultural support to be effective, so institutional innovations are more easily integrated if they fit "with predominant norms, traditions and social influences in their internal and external environment" (Carpenter & Feroz, 2001, p. 569). Reliance on

emulation as a tool to navigate fiscal change may be problematic because the reason for fiscal city-building becomes disconnected to the reality of the specific city. The need for cultural relevance also punctuates the kinds of innovations and justifications that might be better precursors to capacity building.

Institutional methodology unfolds in two parts: defining institutions and enacting them. Institutions are defined broadly, as methods and modes of thinking which influence behaviour. People are taught visually or learn institutions by observation. They are enacted when observers use learned behaviour. Institutions are determined to be embedded into an organization's philosophy of governance when behaviours are used without a conscious connection to the logic instructing them. Along the way, logic becomes common sense. In short, embedding severs behavioural articulations from institutions themselves (Bashevkin, 2004, p. 198). Fiscal capacity building is better explained by the 'old' institutionalism, historical institutionalism, which deals with conformity and path dependence. Historical institutionalism is the referent for institutional theory in this thesis.

Institutional analysis inevitably leads to provincial-municipal relations. Some new revenue tools need provincial consent and power relations impact the capacity for organizational change. Relations come to light in Councils' vocalization in favour of or against provincial actions, ideological alignment with the provincial legislature and processes used to consider enabling amendments to municipal incorporating legislation. Provincially anchored issues are also important, including attitudes on the workability of municipal funding paradigms and gains from fiscal control or flexibility (Bashevkin, 2004, p. 202-205).

Institutional analysis is relevant to OSR capacity because the fiscal tools outlined in MGAs shape capacity building strategies. Fiscal provisions are tied to different purposes and expectations of municipal government. Institutional histories, rules and arrangements frame municipalities' willingness to build capacity through OSR. Institutional theory also helps explain the current distribution of power between municipalities and provinces with reference to municipal form. How provinces have sought to manage growth-related pressures in cities is a case in point for how the provincial-municipal relationship affects local fiscal decision making. Because many municipalities have experienced boundary changes over the past twenty years, the dynamic driving changes has been sewn into new structures. Also, because boundary changes are frequently accompanied by changes to municipalities incorporating legislation, the spaces produced are imprinted with the tone of historical relationships and former municipal purposes.

Institutional theory links with everyday governance. Understanding the discursive context of tax increases, what is seen as possible with respect to OSRs and what is included in the local fiscal common sense are critical first steps for Councillors interested in building capacity. The rules and norms guiding municipal capacity building strategies flow from forms of governance internal and external to municipalities themselves. Latching on to longer standing aspects of everyday governance is also important to obtain popular support for city-building.

The second important dimension in the theoretical framework concerns urban regime theory (Stone, 1989; Elkin, 1987; Fainstein & Fainstein, 1983). In this thesis, urban regime theory refers to the version captured in Stone's 1989 analysis of Atlanta.

Stone analyzes how various interests become coalitions through case studies that focus on a regimes' internal dynamic and the dynamics of coalition building. Understanding power as social production rather than social control, regimes' purpose is to generate "power to" rather than "power over" (Parker, 2007, p. 127). For Stone, urban regimes are the informal relationships between local actors in private, public and voluntary sectors which exist to pool resources, building capacity for local action where jurisdictional scope exceeds the ability of municipalities to perform independently (Mossberger & Stoker, 2001, p. 810-811). Several different regimes can develop. Agendas are shaped by regime composition both in terms of participants and resources. Long term relationships are instrumental to some degree of policy consensus. Incentives, for instance raising the profile of gender issues or negotiating neighbourhood specific "contracts, jobs [and] facilities" (Mossberger & Stoker, 2001, p. 812) ensure continued participation.

A key premise is the context of regime development – in urban regions, where power is intensely fragmented between the local state and market.

> "Both local government and business possess resources needed to govern—legitimacy and policy-making authority, for example, in the case of government, and capital that generates jobs, tax revenues, and financing, in the case of business" (Mossberger & Stoker, 2001, p. 812).

Undertaken specifically to augment cities' fiscal capacity, the advantageous economic position of the business community warrants their enduring presence in regimes. Characterized as pluralistic, regimes are also necessarily elitist, to some extent catering urban development to commercial want (Mossberger & Stoker, 2001, p. 812).

Regime theory is a post hoc explanation for certain undercurrents in local politics. It gives insight into the changing shape of capacity building strategies, moving from

attempts to coordinate formally with the provincial and federal government to informal arrangements with local sectors and other local governments (proximate municipalities, school boards, neighbourhood associations and the like). Diffused control has a wide range of impacts on municipal orientations to fiscal policy. The significance of regime theory is highlighting agency in relation to structure. Political will is important for OSR. To overcome issues raised by fragmented power structures, capacity building strategies are implemented collaboratively.

My use for regime theory is not to pinpoint specific actors, prominent industries or the existence of regimes themselves, but to discuss how power fragmentation, particular kinds of agendas and incentives for participation influence the use of OSR in different cities. I foreground the local political and economic context in place of the regime itself and themes in local politics as opposed to a regime's internal dynamics. In short, I am doing urban regime theory without 'the regime'; when I use the word 'regime', I am referring to a decision making context that includes key elements of regime theory: power fragmentation, governance agendas, participation incentives and a city's political and economic context.

Urban regime theory ties in with patterns of everyday life in terms of themes in local politics. The vision guiding agendas – the 'what' and 'why' – frames which OSR strategies are implemented – the 'how'. Both the vision and the resources marshalled to implement it are extremely important indicators of how local people will be affected by increasing municipal capacity. Municipal politicians and administrators play an important role in articulating the vision to the public and connecting it to tax increases in a positive light. Because regime building offers opportunities to include marginalized communities,

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how strategies are communicated is significant to socio-economic outcomes and local power dynamics. Agendas are also an important indication of the social outcomes of capacity building. Specific regime pursuits (for instance enhancing access to education) can alter the life chances of marginalized groups and socio-economic makeup of cities.

To consider the role of taxes in society, an addition is Phillip Hansen's two levels of abstraction for tax analysis. The first deals with specific tax policies – their guiding objectives, principles, influences and interests (Hansen, 2003, p. 11). It relates to the what, who and how about democracy, institutional accessibility (particularly access to decision making) and revenue raising. The second takes the debate upstream:

> "The struggle to define, expand or limit the power to tax is an ongoing part of the process that determines how politics and political institutions shape society and the roles individuals and groups play within it" (Hansen, 2003, p. 11).

Ideas about human nature and value commitments emerge in fiscal policy debates. Policy outcomes reiterate political and social ties, local identities and 'legitimate' political values. Inlets to these important issues include the terms and conditions under which political responsibilities are enacted, public discourse, voice, media, ideology and embedded political theory (Hansen, 2003, p. 11-13).

2.3 Methodology

2.3.1 Operationalizing city-building

The method seeks to operationalize the concept of cities for city-building specifically in the fiscal sense – it examines the extent to which cities are trying to trying to increase OSR capacity and diversify revenue sources. Because I am doing detailed case studies, two cities is the maximum. The intention was to choose the two that showed the most differences. As I will detail later, (on page 34) this a more complicated question.

Of Canada's nine hub-cities[12], two have been selected to produce a study between the cities using the highest and lowest number of revenue sources. Depicted on a province-wide basis, the Statistics Canada breakdown of local government revenue sources indicates the maximum number of sources is thirty-seven. According to 2005 numbers, Nova Scotia municipalities use the most sources – thirty-one – and municipalities in Quebec and Alberta use the least – they are tied at twenty-six (Statistics Canada, 2009). For reasons related to access to data, Montreal and Quebec City have been eliminated. For reasons related to size, Calgary has been eliminated; like the Halifax Regional Municipality (HRM), the City of Calgary covers most of its Census Metropolitan Area (CMA). Edmonton has been chosen as the hub using the fewest funding sources and Halifax the most[13]. The revenue categories identified by Statistics Canada include property and related taxes, consumption taxes, other taxes, sales of goods and services, investment income and other revenue (Statistics Canada, 2009).

'Cities for city-building' refers to local interest in city- building and the processes and initiatives municipalities undertake to increase governance capacity. OSR increases themselves do not necessarily mean a city is *for* city-building. Periods of economic growth spike demand for all sorts of things reflected in increasing municipal revenues. Cities for city-building is also distinguished from cities that want provinces to city-build or municipalities that are dependent on external largesse for city-building activities. If a Council is not *for* city-building, external and structural forces may step in to activate similar processes. Likewise, Council's interest in increasing OSR does not necessarily

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[12] Halifax, Montreal, Quebec City, Ottawa, Toronto, Winnipeg, Edmonton, Calgary and Vancouver (Collin & Tomas, 2004, p. 16)

[13] From here on, statements made about Edmonton and Halifax are statements made about the cities in the term studied based on what is being studied. They are not generalized claims about the two cities.

mean that yields will be used to expand the sphere of municipal authority or increase overall resource levels. Revenue increases can increase a city's capacity to tinker with the distribution of revenues between categories of revenue and different publics. In this case, an increase in one category has a corresponding decrease in another. Elsewhere, revenues increase to pay down debt.

Comparing two cities demonstrates the extent of taxation variation amongst hubs, confirms a general move away from property tax dependence, illuminates how differences in geopolitics and the local economy influence diversification and explores the strategies that cities' pursue to build capacity. Comparing fiscal extremes aims to explain what accounts for differences in the number of tools used. Considerations include access to OSRs, intergovernmental largesse, resource needs, special legislation for big cities, willingness to request amendments to incorporating legislation and implementation of new and varied kinds of revenue increases.

Initiatives insulating a municipality from other spheres of government and the market are important prerequisites for increasing relative autonomy, fiscal sustainability and municipal governance capacity. Use of varied income sources is more important than the current income provided by individual fiscal policy tools, which is why the yield from different sources and the total yield from OSRs are not important for the method. Using a yield yardstick to evaluate revenue portfolios justifies denigrating several developments on the basis that they are small drops in the pond. Also, if yield were of primary interest, the project would primarily be about money, which would be misleading. The process of change is analyzed in this study. Diversification speaks to long term revenue stability, future governance capacity and the municipal willingness to change how revenues are

raised (in acknowledgment of the inadequacy of conventional revenues to meet dynamic needs and increasing revenue requirements). But because responsibilities are not only shifting but increasing dramatically, diversification in a big city context assumes that revenue growth is also desirable.

2.3.2 Similarities and differences

To establish a general understanding of the cities, political, administrative, socio-economic similarities and differences between Halifax and Edmonton are important to review before detailed analysis. Both cities are provincial capitals very interested in coordinating with the federal and provincial governments and local sectors. Edmonton also coordinates with regional municipalities and its sister city, Calgary. Physical connectivity is important to both cities: Edmonton is the Northernmost Canadian hub and it is located in central Alberta (AB) and Halifax is the hub of Atlantic Canada, located in peninsular Nova Scotia (NS).

Intergovernmental histories are also distinguishing. Nova Scotia forced amalgamation of four municipalities, (City of Halifax, City of Dartmouth, Halifax County Municipality and the Town of Bedford) in 1996. Edmonton's last boundary change was in 1979, when the provincial cabinet granted the municipality's annexation request. These experiences are mirrored in the municipal incorporating legislation applicable during the period studied: AB's Municipal Government Act (MGA) is enabling, whereas NS's MGA follows an itemized, 'laundry list' approach (Tindal & Tindal, 2004, p. 92, 134-135, 198, 200).

The wealth of AB is another important difference. AB also shares fuel taxes with Edmonton and Calgary. Halifax, on the other hand, dedicates a significant portion of its

OSR to funding provincial services, remitting 25% of OSRs to NS[14]. CC voted to phase-out its business tax over four years in 2007, transferring the tax burden to the non-residential property class. In April of 2005, NS introduced legislation phasing-out the business occupancy tax over eight years in response to Union of Nova Scotia Municipalities (UNSM) and private sector probes. The tax burden was offset by increasing property tax rates, particularly for commercial properties and federal buildings (The Canadian Press, 2005). Just under a year before, NS capped assessment values for residential and resource properties, limiting the annual increase in the taxable assessment to 10% (which is to say that, despite using market based assessments, the value of all local land and buildings could not increase more than 10%) (Service Nova Scotia and Municipal Relations, 2007, p. 22).

Both municipalities are single-tier governments. Edmonton is one municipality in a CMA that includes twenty-five others (it shares a border with six) (Collin & Tomas, 2004, p. 18). When people talk about Edmonton, most of the time they are referring to the urban region roughly captured by the CMA (9,537 square kilometres) – the City of Edmonton is much smaller (700 square kilometres) (City of Edmonton, 2004, p. 6). In 2006, Edmonton's population was 730,372 and Halifax's was 372,679 (Statistics Canada, 2010). HRM governs a massive territory – 5,577 square kilometres – which is roughly the size of Prince Edward Island and covers 99.9% of its CMA (HRM, 2004, p. 2; Collin & Tomas, 2004, p. 17). Because of its large size and recent amalgamation, service levels and tax rates in Halifax are geographically differentiated. In both cities, the Mayor is elected at large. Edmonton is divided into six Districts with two Councillors elected from

[14] Municipal collection of provincial education levies (appearing on property tax bills) is a large part of this.

each, while HRM elects one Councillor for each of its twenty-three Districts (Edmonton, 2004, p. 11; HRM, 2004, p. 3).

Halifax and Edmonton have similar economic bases. Tourism, the service sector, public sector and post secondary institutions are integral. The Halifax Port is also a significant income earner for the municipality. Edmonton's primary resource endowments have created spin off secondary industries; Edmonton also acts as the supply centre for Northern extraction activities. Unemployment, poverty, racism, addiction, crime and youth out-migration are significant issues for the urban center in the have-not Atlantic region; transience is an issue in 'The Oil Capital of Canada'. Access to housing, youth homelessness, Aboriginal and immigrant issues are also significant concerns in Edmonton. To summarize, social issues and key industries bear some resemblance in the two cities, geography helps explain administrative differences and political contexts, especially intergovernmental relations and political cultures, are markedly different.

2.3.3 Research program

My research program had two phases. Phase one was the background phase in which I acclimatized myself to the field of municipal finance with respect to literature produced by various sources (academics, organizations and municipalities). The literature review and context for my argument were the main products of phase one.

The second phase was data collection. The best way to get accurate information about revenue increases was by reading the minutes for similar political terms – October 16, 2004 to October 18, 2008 for Regional Council (RC) in Halifax and October 18, 2004 to October 15, 2007 for City Council (CC) in Edmonton – and trying to focus on revenue discussions. Minutes were accessed online. Whenever a revenue increase came through

the Council minutes, I would pause reading to record the increase in a separate document and review the staff report describing the increase. Halifax had one document and Edmonton had one document. I recorded the issues and intricacies belonging to each increase with reference to Council's discussion and staff reports. When I was finished reading the minutes for both cities, I had two holding documents for the data collected. Each contains numerous small paragraphs (one per increase) about the key factors and determinants of specific increases.

The primary advantage of this method was that, rather than using the city budget or an administrator's memory as sources for gathering data, I was able to read about increases as they developed. This was useful not only because it revealed the variables determining rates and implementation, but because not all increases that were brought up were carried by Council. In other cases, revenue increases were not followed up on for other reasons or revenue impacts were not explicit. Increases that never materialized would not be mentioned in budgets or staff responses to the question, how have revenues increased recently? The primary disadvantage of this method was that the documents I was recording increases in are not exhaustive sources for all of the increases that transpired over the term. Increases could have missed because of personal negligence, my unfamiliarity with technical jargon or lacking understanding of economics.

A methodological choice was that I was not interested in all increases. Because I am trying to isolate political will to build capacity, no inflationary increases were noted[15]. Property tax increases themselves were almost completely excluded, however the relationship between commercial and residential rates was relevant. I was looking for

[15] Inflationary increases deal with rate maintenance. They are a catch-up game. The rate for Business Revitalization Zones and business taxes, for example, tend to increase in response to inflation, rather than a desire to build capacity.

new applications of old tools, new categories within existing rate structures, new methods or formulas for charging, collecting for new services, new tools created and new tools adopted – basically, almost any new way to raise revenue. The tools I focus on do not present a comprehensive picture about how the cities raise revenue. Instead, they focus on how the cities tried to change how they raised revenue.

As minutes are the record of Council politics, and most of the literature is written by financial consultants and academics in the field of local public finance, they are not often the focus of research. Reading them was a methodological choice intended to breathe life into revenue profiles, introduce the layer of fiscal politics and clarify that fiscal politics are inherently local. Local, political and fiscal factors flowing from minutes frame evaluations of city-building strategies.

I began compiling the factors involved in particular increases while reviewing minutes. All factors grew out of them, however some required supplementary research. Some local news sources, including the Vue Weekly in Edmonton and The Coast in Halifax, were used to augment the story told by minutes about municipal politics. They detail the fall-out of changes initiated in Council meetings, which is an important consideration for a policy's trajectory and outcome. Other information sources were blogs and websites (Daveberta, Parkland Institute, the edmontonian, Communist weekly, connect2edmonton, metro news in Halifax, edmontonpolitics.com). Informal sources are important to distinguish Council minutes, in which councillors are speaking to their constituents on the record, from what people think about their city and its government. Their informal and critical nature tells a story about how people feel about their city's leadership and signals how people feel they will be affected by municipal policies. The

factors that emerged were consistently important to the kinds of tools adopted and whether or not they were adopted. How, when and why they were important was inconsistent – such is the space for local politics.

Another important note on data collection is that I have lived in Halifax and Edmonton. Oddly enough, my undergraduate experience in Halifax coincides almost perfectly with the RC term under study. I was in Halifax for four school years, (September - May) from 2005-2008. In the summer before my fourth year, 2007, I worked in Edmonton for a month and a half. Unfortunately, I was not overly concerned with municipal politics in either place at either time. Still, I think that having paid rent, made friends and walked around in both cities was beneficial to the analysis, if coincidental to the method.

2.4 Ethical considerations

There are important issues of measurement and limitations that need to be highlighted. Accuracy is a primary issue. Measuring revenue source diversification based on Statistics Canada data is imperfect. Statistics Canada does not collect financial information on specific municipalities. Just because municipalities in NS are better endowed than municipalities in other provinces does not suggest that Halifax equals or exceeds the provincial average number of tools used. Also, the number of sources used says nothing of the distribution of the tax burden between different categories of revenue. Minutes are the best source for explaining how revenues increased but have important limitations.

Positionality is at issue because my late grandfather, Gus Harris, was a former Mayor of Scarborough and my father and uncle were his Campaign Managers. My first

impression of municipal politics was hearing respectful things about Gus at family gatherings, where he was distinguished because he refused all campaign contributions – 'he didn't want to be in anyone's pocket'[16]. That Gus was considered special because he mailed back campaign contributions and that accepting contributions had implications for representation were my earliest notions of municipal politics. The second most common thing I heard about Gus was that he was extremely frugal. This came across as much in his reticence to buy dessert as it did in passing fiscally conservative policies. He would rather cut something from the budget than raise property taxes. His approach engrained in me that there was room to increase taxes, that not doing so was as much a personal as a political choice, (Gus was working class until the winter of his life and a long time member of the Cooperative Commonwealth Foundation) and that it had a direct influence on service spending.

I have tried to manage these expectations by trying to appreciate that there are a range of influences on political representation and fiscal policy, including personality traits. Even without having seen former Toronto Mayor Mel Lastman in a Bad Boy commercial, these are obvious statements. I make them because they do not mesh well with how municipal government is taught in post secondary political science. This may relate to the fact that I have only taken one course on municipal politics specifically and it was at the undergraduate level: 'Local Government in Canada'. It may also relate to the fact that there was only one course to take at Dalhousie University, (within and outside of

[16] Developers' influence was a concern on Scarborough's Council from 1978-1988.

the political science department) and none were offered by Carleton University's political science department[17].

On the municipal finance day, we quickly established that municipal finances were in a state of crisis. The reform options were options for more intergovernmental largesse. To some extent, this dissertation is a reaction to the treatment of finance in 'Local Government' and academic literature I encountered in other courses on cities. Finance was not the focus of geography articles. Authors reiterated conclusions drawn elsewhere about the reasons for municipal fiscal weakness. I hope to challenge the general treatment of municipalities and the apolitical treatment of municipal finance by focusing on city and case-specific developments in the use of OSR and local political factors that shape capacity building strategies.

2.5 Definitions[18]

City-building refers to using the legal, political and fiscal measures available to cities to strengthen their position relative to other cities and orders of government. For my purposes, competitiveness between cities is excluded. It looks like an increase in or prominence of urban and inter-urban communication, associations, conferences, publications, local public employment, administrative competence and hostility to jurisdictional supervision (Black & Cairns, 1966, p. 40-43)[19].

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[17] 'Urban Development' and 'Globalization and Localities' were courses provided by Carleton's geography department that touched on municipal politics.

[18] Consistent definitions for terms as they apply to Canadian municipalities were relatively difficult to find. Nearly all of the definitions listed are contested. Because this thesis is not technically focused, I have tried to use the most basic definitions retrievable.

[19] Because city-building is a relatively new term, a general definition in the urban literature has yet to develop. This definition was borrowed from an article on province-building. Although the article is dated, the definition is suited to city-building as well.

Fiscal levers are the different revenue raising tools used by governments to execute policy. Most often they are charges for use of government goods or services, for instance user fees for waste collection, or other tax tools connecting local economic activities or demographics with governmental intake, for instance the hotel and motel tax is a potential lever for cities with high tourist inflows. The type of lever used depends on the purpose and allocation of increased revenues. Though revenue raising need not be as directly connected to service provision as user pay, there are many different ways of charging for similar services.

OSR is "revenue raised by a government from its own imposition of a tax, a licence, a fee or any other charge" (Statistics Canada, 2002, p. 58). It stands in opposition to transfer payments from external governments. The term OSR is not specific to the municipal realm, (federal and provincial governments raise OSR as well) but because only municipal revenues are considered, OSR refers to municipal OSR.

The real property tax is a tax on land and buildings on land. It is based on the provincially or municipally determined assessment of property value. Property taxes are collected under several primary and optional classes, each with a different tax rate (Slack, 2009b, p. 4-5, 7, 9, 12). Classes and rates vary by city. The difference in tax rates between various kinds of property is called the tax rate differential. Yields, rates and differentials can be restricted, capped or earmarked (Slack, 2009b, p. 1, 9, 15-17).

Grants in lieu of taxes are paid by the federal and provincial governments and other public bodies because they are exempt from taxation. They aim to compensate municipalities for the foregone property tax revenues associated with governmental use of property rather than any other user (Statistics Canada, 2002, p. 64).

As far as commercial businesses are concerned, the property owner pays the commercial property tax rate; the tenant pays business taxes, also known as business occupancy taxes. Another tax on business is the franchise tax. It applies to "the sale of electricity, natural gas, telecommunications, cable TV, water, sewer, and even solid waste" (Vander Ploeg, 2002a, p. 6).

Franchise taxes are collected from municipally owned and private sector utilities. Selective sales taxes, also known as excise taxes, target specific goods like on-sale liquor. They can be applied as a percentage of the total cost or as a flat rate per item (Vander Ploeg, 2002a, p. 4). Municipal access to selective sales taxes and the goods targeted by municipalities vary significantly across Canada.

Investment income can be remitted profits and dividends from municipal enterprises or interest from loans, investments and unpaid amounts (Statistics Canada, 2002, p. 69-70). User charges come in three forms. Service fees are relatively self-explanatory. Transit fares are fees for service. Public prices are surcharges added to the cost of buying private goods and services. They can apply to things like garbage collection and water (Slack, 2009a, p. 33). Special benefit taxes are geography and service specific. They can include additional property taxes for the benefits of street lights and sidewalks (Slack, 2009a, p. 33). The intake from user fees is earmarked towards maintaining a particular service. Development charges are one-time charges paid by developers for the off-site infrastructure costs associated with new developments and redevelopment (for instance the construction of roads and sewage treatment facilities). These charges anticipate increasing municipal costs associated with development and transfer some of the burden to developers. Special assessments are charges imposed on a cluster properties for a

service extended to that group of properties only. These levies are often called local improvement charges and they apply to services like sidewalk provision (Statistics Canada, 2002, p. 64). Fines and penalties are paid by individuals and businesses contravening bylaws and ordinances (Statistics Canada, 2002, p. 71).

Fiscal policy refers to a "government's program with respect to, (1) the purchase of goods and services and spending on transfer payments, and (2) the amount and type of taxes" (Federal Reserve Bank of San Francisco, 2007). Fiscal policy is used in the second sense of the term, signalling tax policy.

Finance refers to "how the up-front capital for constructing a new asset, or renewing, rehabilitating or reconstructing an existing asset, is secured" (Vander Ploeg, 2006, p. 5), whereas funding denotes "how the up-front capital costs are repaid or recovered" (Vander Ploeg, 2006, p. 5). Because I deal with both new taxes and new applications for different charges, the two terms are used interchangeably.

I also use the terms 'local government' and 'municipality' synonymously.

Chapter 3. The structure of fiscal politics

The technical focus in the municipal finance literature has led some observers to underestimate the role local politics plays in determining municipalities' fiscal capacity. Pie graphs of the initial breakdown of OSR, revenue profiles after the term ended and line graphs of the changing distribution of revenues between different categories of revenue illustrate discretion in two municipal contexts. Different starting points also qualify one Council's effect on revenue diversification. Connecting Council's priorities for the term to specific revenue increases politicises discretion. Considerations include the number, nature and relevance of political priorities to fiscal policy. The factors that influenced the use of OSR in Halifax from 2004-2008 and in Edmonton from 2004-2007 recall Council's most significant interactions: the governance of Council, the administrative-political relationship within a municipality, treatment of intergovernmental relations and relevant publics, as well as methods of broadly increasing civic fiscal literacy.

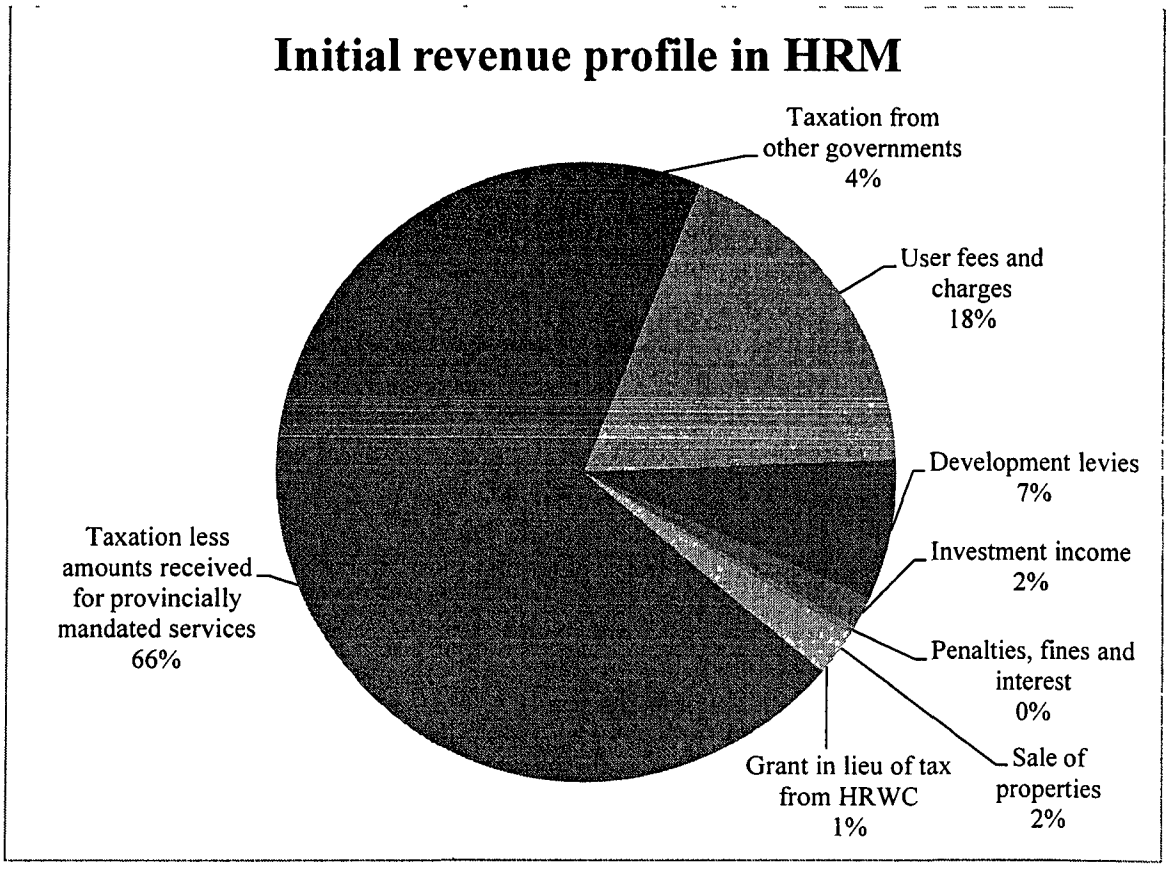
3.1 Revenue profiles

If cities did not control OSR capacity to begin with, how could they increase or decrease it? If municipalities' existing fiscal capacity was as constrained as it is widely held to be, than regular increases in OSR capacity are difficult to explain. Even inflationary increases open up the canyon of choice regarding the percentage by which taxes are increased each year, per tax class and per tax category. Increasing revenue and regularly tinkering with the distribution of the tax burden between different revenue categories and taxpayers speaks to municipalities' ability to raise revenue, particularly the costs and benefits of city-building.

The constrained capacity approach also lacks an explanation for political decisions to maintain or decrease fiscal capacity. Given that municipalities are constantly calling for more financial resources, why would they deliberately reduce local capacity? Mayor's regularly run on platforms about property tax decreases and freezes all the time; a prominent feature of leadership debates leading up to the 2010 municipal election in Toronto was candidate promises to repeal the motor vehicle registration tax and the land transfer tax, if elected. A technical perspective cannot explain the motivation for this kind of behaviour because it is political in nature. Neither can it explain why, if increasing municipal capacity is a significant concern, why the candidate proposing to decrease it the most would get elected. The implications of civic fiscal literacy are not a concern for technical economics analysts. Nevertheless, if two recently requested, recently implemented tax powers could be eliminated because of an ideologically motivated electoral agenda, that municipalities enjoy significant capacity to control resource levels should not be surprising. Tax decreases, repeals and rate freezes speak to municipalities' willingness to change fiscal capacity. Still, that municipalities' ability and willingness to change capacity will be used to increase governance capacity is a perilous assumption. Cities eagerness to ask other governments for more money should, especially when it is not forthcoming, be matched by initiatives to increase locally controlled resources.

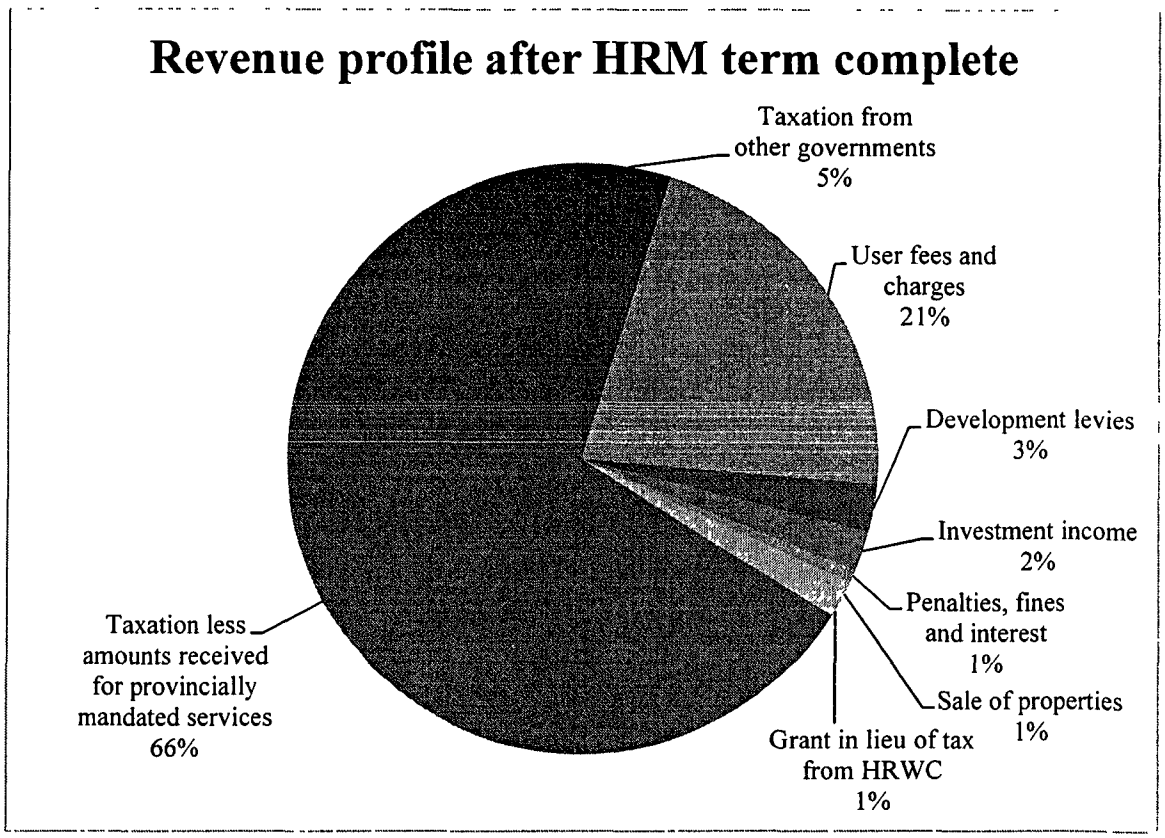
From 2005 to 2008, HRM's total revenues increased by 16%, from $540,530,000 to $627,874,000. From 2004-2007, Edmonton's total revenues increased 49%, from $1,498,995,000 to $2,238,384,000. Term increases demonstrate how things actually increased, not how much they could have increased.

Figure 1: Distribution of OSR in HRM in 2005 (HRM, 2005, November 23, p. 2)



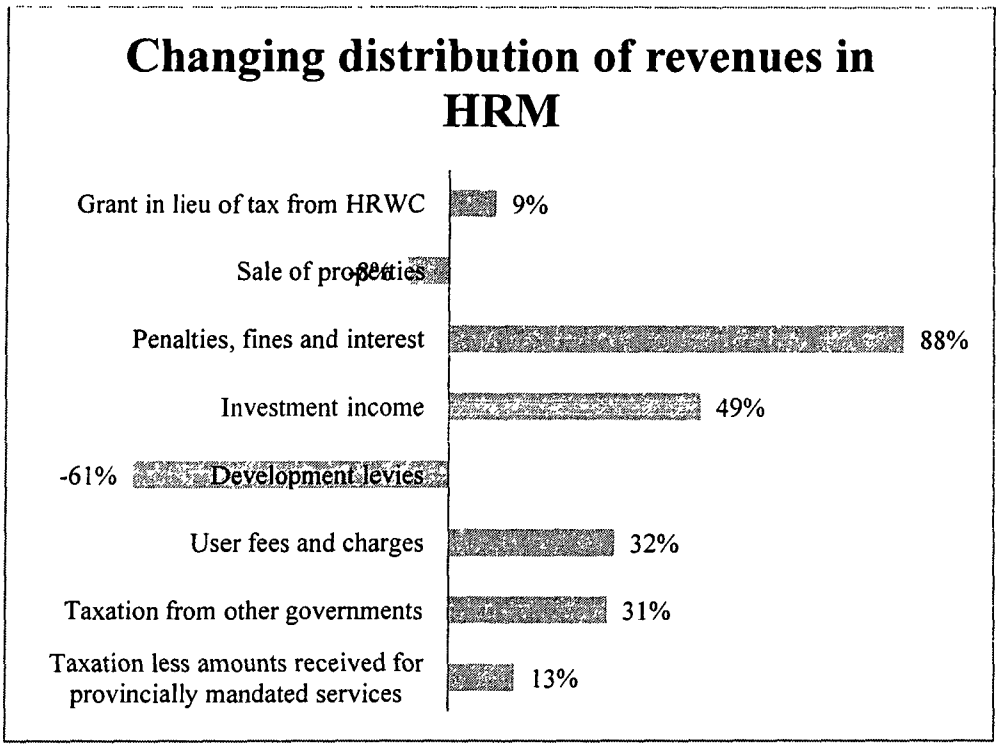
HRM. (2005, November 23). *Consolidated Audited Financial Statements, March 31, 2005.* Retrieved from HRM website: http://www.halifax.ca/council/agendasc/documents/ConsolidatedAuditedFinancialStatementsMarch312005.pdf

Figure 2: Distribution of OSR in HRM in 2008 (HRM, 2008, p. 19)



HRM. (2008). *2008-2009 Annual Report*. Retrieved from HRM website: http://www.halifax.ca/annualreports/documents/AR08-09.pdf

Figure 3: Change in the distribution of revenue in HRM from 2004-2008



HRM. (2008). *2008-2009 Annual Report*. Retrieved from HRM website: http://www.halifax.ca/annualreports/documents/AR08-09.pdf

HRM. (2005, November 23). *Consolidated Audited Financial Statements, March 31, 2005.* Retrieved from HRM website: http://www.halifax.ca/council/agendasc/documents/ConsolidatedAuditedFinancialStatementsMarch312005.pdf

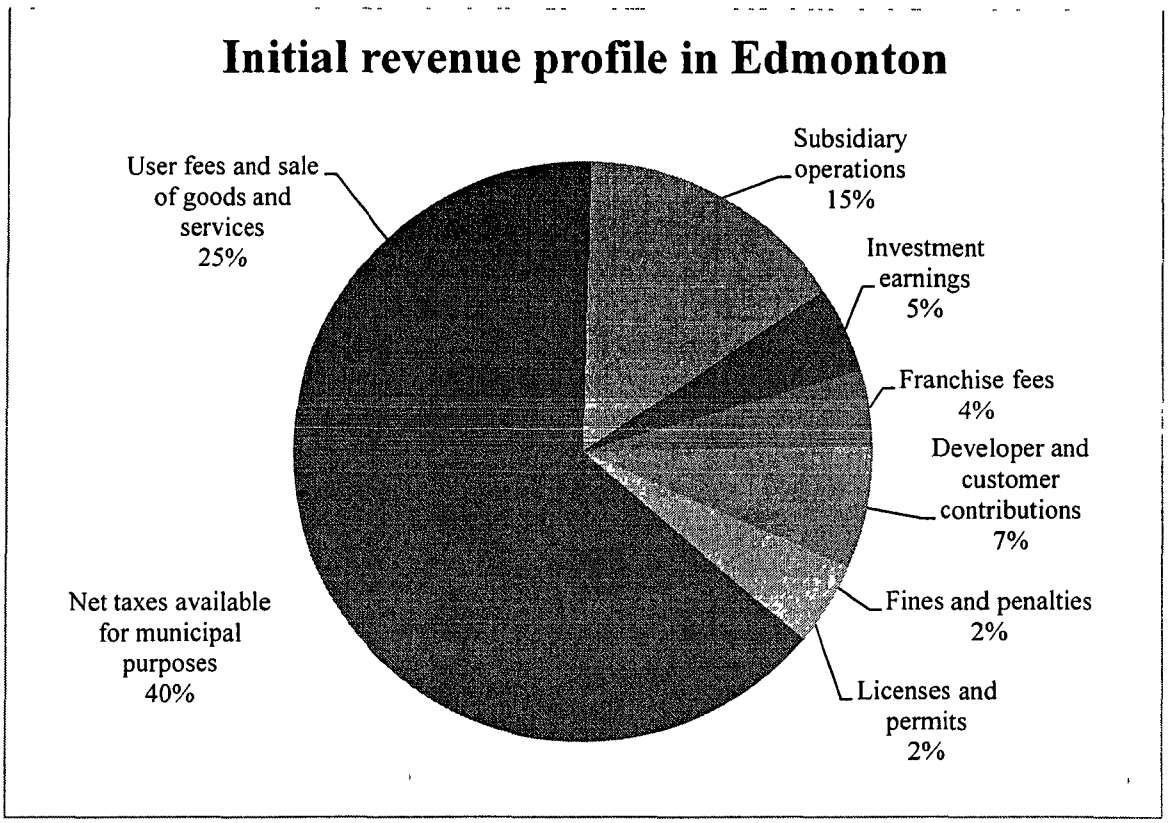
Figure 4: OSR in relation to transfers in HRM

	Yield in 2005 (in thousands of dollars)	Yield as a percent of total revenue in 2005 (%)	Yield in 2007 (in thousands of dollars)	Yield as a percent of total revenue in 2007 (%)	Change in yield over term (%)
Grants	25668	5	50895	8	+ 98
OSR	514872	95	575979	95	+5

HRM. (2008). *2008-2009 Annual Report*. Retrieved from HRM website: http://www.halifax.ca/annualreports/documents/AR08-09.pdf

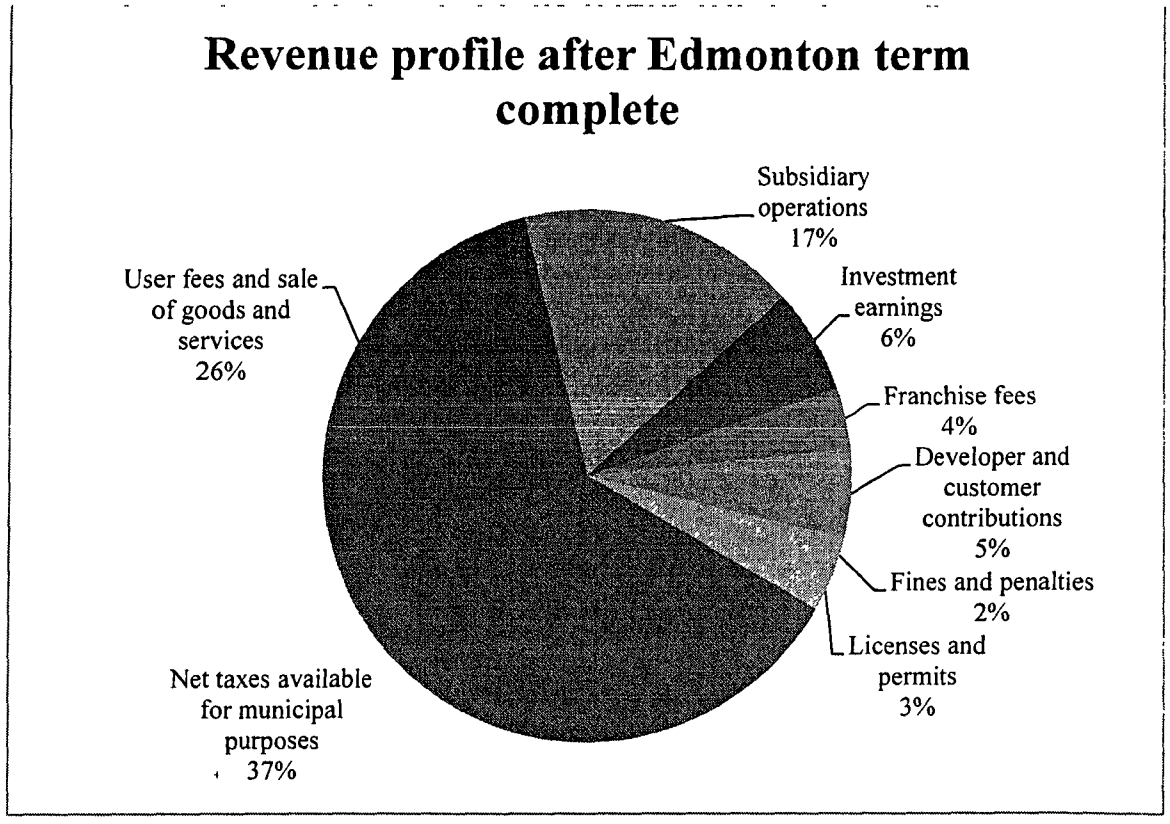
HRM. (2005, November 23). *Consolidated Audited Financial Statements, March 31, 2005*. Retrieved from HRM website: http://www.halifax.ca/council/agendasc/documents/ConsolidatedAuditedFinancialStatementsMarch312005.pdf

Figure 5: Distribution of OSR in Edmonton in 2004 (Edmonton, 2004, p. 35).



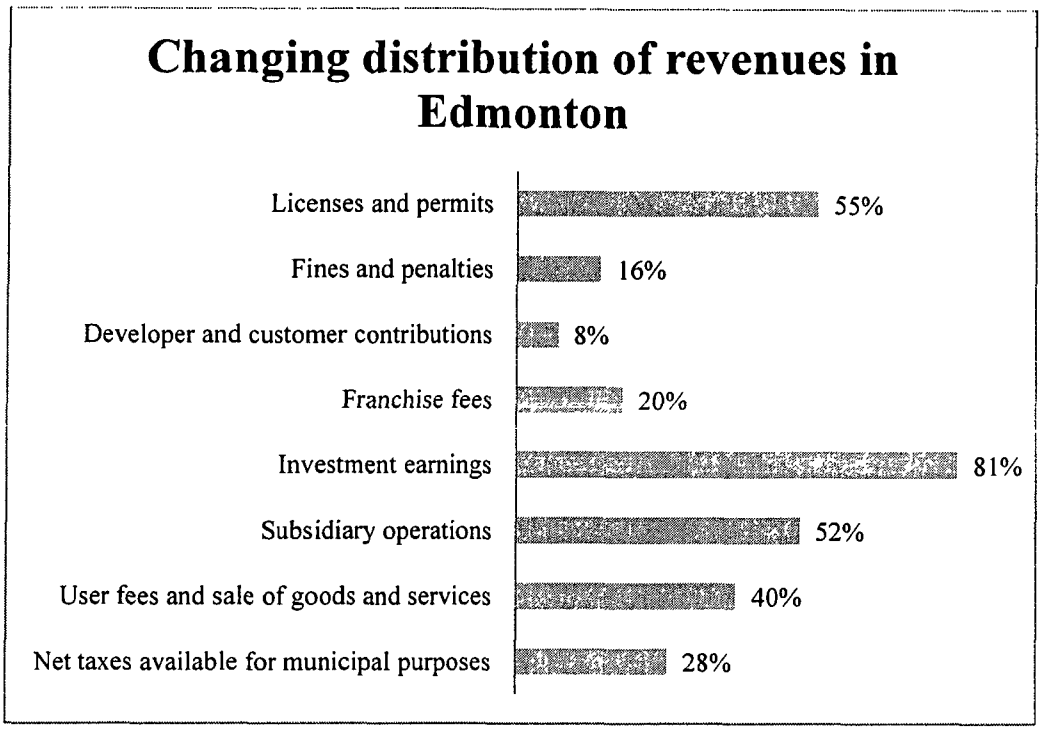
City of Edmonton. (2004). *2004 Annual Report*. Retrieved from City of Edmonton website: http://www.edmonton.ca/city_government/documents/city_of_edmonton_annual_report04.pdf

Figure 6: Distribution of OSR in Edmonton in 2007 (Edmonton, 2007a, p. 47)



City of Edmonton. (2007a). *2007 Annual Report*. Retrieved from City of Edmonton website: http://www.edmonton.ca/city_government/documents/2007-Annual-Report.pdf

Figure 7: Change in the distribution of revenue in Edmonton from 2004-2007



City of Edmonton. (2007a). *2007 Annual Report*. Retrieved from City of Edmonton website: http://www.edmonton.ca/city_government/documents/2007-Annual-Report.pdf

City of Edmonton. (2004). *2004 Annual Report*. Retrieved from City of Edmonton website: http://www.edmonton.ca/city_government/documents/city_of_edmonton_annual_report04.pdf

Figure 8: OSR in relation to transfers in Edmonton

	Yield in 2004 (in thousands of dollars)	Yield as a percent of total revenue in 2004 (%)	Yield in 2007 (in thousands of dollars)	Yield as a percent of total revenue in 2007 (%)	Change in yield over term (%)
Grants	149833	10	405582	18	+63
OSR	1498995	90	1832802	82	+18

City of Edmonton. (2007a). *2007 Annual Report*. Retrieved from City of Edmonton website: http://www.edmonton.ca/city_government/documents/2007-Annual-Report.pdf

City of Edmonton. (2004). *2004 Annual Report*. Retrieved from City of Edmonton website: http://www.edmonton.ca/city_government/documents/city_of_edmonton_annual_report04.pdf

The clearest differences between Halifax and Edmonton were the sources used, distribution of revenues between different categories of revenue and changing yield over the term. Only Halifax used revenue from the sale of properties; only Edmonton used income from subsidiary operations. Edmonton's initial revenue profile was much more diversified than HRM's profile. Edmonton was 16% less reliant on tax revenue than Halifax. This figure increases to 20% if taxation from other governments is included in HRM's tax take. The Halifax Regional Water Commission (HRWC) grant accounted for 1% of OSR in Halifax, whereas franchise fees and subsidiary operations made up 19% of OSR in Edmonton (Figure 1; Figure 5). HRM's revenue profile barely changed over the four year term, while Edmonton shifted the distribution slightly – as a percentage of total revenue, tax yields decreased 3% and government grants increased 8% (Figure 5; Figure 6). The yield from two sources in Halifax – sale of property and development levies – decreased over the term (Figure 4). In Edmonton, the smallest revenue increase was in developer and customer contributions, which increased 8% from 2004 to 2007 (Figure 8).

3.2 Council priorities

RC had four priorities: public safety (police, fire and bylaw services), community (community engagement, recreation, economic development and youth), planning and infrastructure (Regional Plan, hard infrastructure, traffic and transit) and taxation

(diversification, community consultation and tax reform) (HRM, 2006-2008, D11-D27)[20]. The clearest connection between public safety and OSR was fines. Higher fines were meant to increase compliance to existing bylaws and new fines were introduced to deter violation of new bylaws. Fines were the most common type of revenue increase noted in Halifax; most bylaws included more than one fine. Fines were attached to bylaws dealing with littering, graffiti, noise, use of pesticides and animal control.

Community development and recreation were supported by the parkland tax. (A 10% tax applied to the subdivision of more than three properties. Funds accumulated in a parkland development reserve which was used for the future acquisition of park space.) Communities that were developed at earlier times lacked adequate space for leisure and recreation activities; the increased tax rate, from 5% to 10%, enhances the sustainability and liveability of new subdivisions (Staff report dated June 22, 2007, p. 2-3). Economic development goals were pursued by increasing the destination marketing levy, (from a 1.5% to 2% charge on hotel guests' final bills) and removing barriers to vending activities in rural areas. Yields from the marketing levy flowed into a Major Events Facility Reserve that was intended to fund the construction of large venues for social and cultural events (Staff report dated June 21, 2005, p. 2-3). Though vending sites were specified in Bylaw C500, after 2006 proprietors could apply for permission to set up on unlisted sites on municipal land anywhere in the HRM (Staff report dated January 9, 2006, p. 2-3).

It is worthwhile to note that community building may be a prerequisite to city building in Halifax because residents are geographically disbursed from each other and physically disconnected from the municipal government (City Hall is located in

[20] The subsets of each priority shifted throughout the term, so the subsets found in the 2006-2008 Operating Budget were adopted.

downtown Halifax)[21]. Locals have to feel like they are a part of the same city before they can be driven collectively to build it. According to then Chief Administrative Officer (CAO) George McLennan, "[i]n the 10 years since inception, our identity has been an ongoing issue. We are one region geographically, legally, and increasingly in how we see ourselves" (HRM, 2004, p. 7). Creating reserves to fund interactive spaces and allowing typically urban economic activities to develop in rural areas builds social cohesion.

Planning and infrastructure were well endowed priorities. Many revenue developments regarding infrastructure fell under the umbrella of the wastewater funding strategy: the HRWC merger (transferring HRM's wastewater facilities and service provision role to the HRWC), a pavement impact charge for utilities cutting pavement and increasing sewer redevelopment charges. Other increases supported planning, traffic and transit goals. Planning and development fees were increased to reflect contemporary construction values and higher density residential developments (Information report dated June 27, 2006, Appendix C, p. 1-2). Higher rates were instituted for on-street municipal parking meters in an effort to reduce congestion in the downtown core, encourage off-street parking and public transit (Staff report dated June 7, 2006, p. 2-4).

With respect to the priority of taxation, property tax dependence was reduced by delving into new revenue sources and delving deeper into familiar sources[22]. Though only Capital cost contributions (CCCs) were flagged as supportive in the budget blurb on the tax priority and tax reform was in its early stages, (the reform goal was untouched in

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[21] There are also discursive reasons for the disconnect. Other amalgamated cities contain 'Area' or 'District' in their formal name (Greater Toronto Area or Greater Regional Vancouver District). People can live in an 'Area' or 'District' but not a government institution, as in the Halifax Regional Municipality.

[22] Not all increases that are technically supportive of this goal were implemented deliberately in support of it. Reducing property tax dependence was not a common reason Councillors gave in the minutes for voting favourably on alternative revenue sources.

2008) the priority of taxation was served in a much more well-rounded manner than RC's other priorities. To recap, safety outlined what people could not do on or to public and private property, community gave people interactive spaces and infrastructure leveraged the HRWC merger to increase developer-type charges. Increases related to taxation, on the other hand, improved cost recovery ratios between the municipality, contractors and dwellers, (blended cost approach determined by the costs of construction for the current year for charging residents for local improvements), applied fees to sheltered groups, (permit fees newspaper boxes because operators do not pay business taxes) and updated rates (of note is the sewer redevelopment charge, which, in 2006, had not been updated in thirty years). New tools were also implemented to compensate for the use of staff resources associated with certain activities (fees for applying to de-register or demolish heritage properties, for the provision of tax information and for the tax sale process).

The municipality had help pushing its tax priorities into fruition. NS capped property tax assessments in 2005 and increased HRM's share of mandatory contributions to provincial services the same year.

CC's 'Special Initiatives' in Edmonton fell under the heading 'Building the CAPITAL CITY'. As ordered in the 2007 budget, they included vibrant neighbourhoods and Downtown (sustainable infrastructure), safe environment (emergency, community and health concerns), positive international reputation (innovation), good neighbour and partner (to regional municipalities, the provincial and federal governments), culturally rich and welcoming society (respect for local heritage), physical environment (balance natural and human geography) and responsible and responsive government (customer focused, efficient and creative) (Edmonton, 2007b, p. 149). The first six were laid out

early in the term; the government priority was a later addition (Edmonton, 2005, p. 13-14; Edmonton, 2007b, p. 149). Of note is the commercial undertone of priorities; directly or indirectly, all support economic growth. The blurbs describing each priority are vague; the priority concerning Edmonton's physical environment is described as "a city that values both the build and natural environment ... with access to facilities and amenities ... room to grow business ... in a health, protected environment" (Edmonton, 2007b, p. 149).

Because CC's priorities are value-driven, they are more difficult to connect with specific fiscal policy decisions that RC's priorities. Social diversity, heritage preservation and intergovernmental relations are not clearly supported by fiscal policy tools. Fining developers for housing projects incomplete after five years deters construction lags, making the downtown core and residential areas potentially more vibrant (2007PDD006, p. 1-2; City of Edmonton, February 13, 2008, p. 4). Charging pawn and second hand shop owners a fee so that Edmonton Police Services (EPS) could administer an electronic tracking system (upgraded from a paper tracking system) was intended to prevent crime and improve responsiveness to complaints about stolen property (2004PDD030, p. 1-2). Doubled fines for public fighting and urinating or defecating on highways might have improved residents' feeling of security (2007PDD014; 2007PDD013).

In terms of Edmonton's reputation, the municipality committed administrative resources (conducted a survey and wrote up answers to frequently asked questions) and political support (Council passed a motion) to encourage reluctant hotels to participate in a voluntary marketing levy program. The funds collected were used to promote Edmonton worldwide as a tourist destination (2005EEDC01, p. 1).

The land enterprise, (from which the city collects a dividend on profits from the sale of land) is well positioned to manage the pace and quality of future urban development (2006PWL002, p. 1-2). The natural environment is also protected by the fine for violators of the dental amalgam separator, which aims to ensure that mercury emissions from dentistry offices do not flow into the North Saskatchewan River (2007PW5048, p. 1).

Government goals were mainly carried out by administrators. Fine-tuning rate structures in response to new inputs was one theme, for instance the institution of a new rate category for clean and segregated waste at the Clover Bar landfill (2006PD4994, p. 1-2). Introducing fees for services in high demand, like file searches and written zoning confirmation, increases the responsiveness of the municipal revenue profile to administrative activities and local economic activities (2005PDP123, p. 1). Prior to 2004, bylaw officers could only remedy contraventions of the waste management bylaw by an order of the MGA. In 2004, fines were introduced to remedy violations more efficiently (2004PWW127, p. 1).

3.3 Factors

So far, Chapter three has looked at what revenues Halifax and Edmonton use and various Council commitments. Other influences on municipalities' fiscal capacity emerge in Council discussions about increasing the use of OSR, (i.e. adopting a new fiscal policy tool, increasing rates for existing tools, changing the rate structure, method of charging, etc). I refer to these influences as factors because they determine if revenues increase, how they increase and what kind of revenues increase; factors also influence the defeat or delay of increases and can offset OSR increases. The pertinent factors determining OSR

increases are Council governance, the administrative-political relationship, intergovernmental relations, relevant publics and civic fiscal literacy.

If Council does not want a specific increase, discussions can be postponed until staff report back with more information. Increases can also be postponed if a municipality is understaffed, in which case there is insufficient human resource capacity to research increases and write reports for Council in a timely manner. Major changes, like amalgamation, or sudden changes in service delivery, like the termination of contracts with civil society providers, also backlog administrators. If a new fiscal policy tool is designed to fund infrastructure, the availability of federal and provincial cost sharing programs for infrastructure may be brought up by Councillors to block the increase in municipal taxes. In other cases, Council may be wary about increasing the tax burden on important electoral or economic groups, including group activities. Bingo halls in Edmonton are probably exempt from business taxes to protect venues frequented by senior citizens (2007PDA001, p. 1).

Council is the common denominator between factors and its role is significant within each. Individual factors are lenses that zero in on and fan out how Council choices and actions influence the capacity of OSR. Council's decisions within each factor also respond to time (historical trend, election cycle, budgetary deliberations, fiscal year, economic downturn, etc.) and place specific concerns (geography, location, major event, size, CMA coverage, urban and rural divisions, regional competition, demographics, etc.).

3.3.1 Council governance

Council shapes fiscal capacity in terms of OSR; how they do this is an essential frame of reference for changes. The influence of Council governance on specific increases tends to be indirect, but Council's size and electoral considerations are important. The mayor-council relationship, how Council understands its role, specific governance structures (for example, sub- and supra-Council committees and meeting schedules) and the amount of time and reports Council needs before making decisions are also influential.

The distribution of people and land in the amalgamated HRM foreshadowed the rural Councillor majority and rural perspective on regional governance: 70% of HRM's population is located on less than 5% of the land around Halifax harbour, while rural areas hold over 50% of the municipality's land with only 3% of its population (Vojnovic, 1998, p. 266). Twenty-four representatives sit on HRM's RC for four years. In practice, their roles are undifferentiated. Because Councillor perceptions about the ability and willingness of people to pay for new and better services are low, ("HRM residents do not want to pay more taxes" (COW minutes, August 9, 2005, p. 9)) fiscal discussions revolve around maintaining the status quo. "Councillor Karsten stated the rise in assessments is beyond the control of the municipality noting, the status quo has been maintained in terms of programs and services" (RC minutes, April 17, 2007, p. 9). Peter Kelly was the second Mayor of HRM. He was a Councillor in HRM's first term of existence and has won every mayoral contest since, including those in 2000, 2004 and 2008. Before serving on HRM's RC, he was the Mayor of Bedford. Of Mayor Peter Kelly, potential competitor

Peter Stoffer has said that "I've always thought he was very decent, but I just think our council can do much more than talk about cats" (Maher, 2010).

RC requires a significant amount of information before considering changes:

> "Councillor Hum expressed concern that Council was once again making a decision relative to sidewalk snowploughing without having full information. The Councillor indicated that many Councillors have questions pertaining to their own Districts" (RC minutes, July 5, 2005, p. 8).

RC holds four to five meetings per month - save for budget deliberations, when meetings are more frequent - and Committee of the Whole (COW) meetings whenever necessary. All twenty-four members of RC sit on COW. There is no executive committee.

Thirteen people make-up Edmonton's CC. It meets roughly twice per month. A five member Executive Committee also meets twice a month. At the beginning of his first term as Mayor, in 2004, Stephen Mandel divided priority portfolios between Councillors (Edmonton, 2004, p. 10-11). Prior to joining CC in 2001 as a Councillor for Ward 1, at which point he had significantly fewer votes than first-place finisher Councillor Karen Leibovici, Mandel was a developer. In response to a question about why he sought re-election in 2007, Mayor Mandel said ""there's "lots of work to finish"" (Sinclair quoting Stephen Mandel, 2007). He won the Mayoral seat in 2007 and again in 2010. With a three year term, time sensitivity is sharpened in Edmonton. After staff presentations, requests are made by Councillors "[t]hat any Member of Council who may wish to do so be allowed to speak for an additional five minutes" (CC minutes, February 22, 2006, p. 14). Certain increases must be approved quickly to be implemented by a set date, (usually the first day of the fiscal new year) so Councillors make motions that, for example, "no further amendments to the 2005 Operating Budget be allowed" (CC minutes, 2005 Budget deliberations, p. 93).

3.3.2 Administrative-political relationship

The relationship interfaces an elected Council with a municipality's administrative structure and human resources. Locally determined features of an administrative structure can temper or exacerbate predetermined features (like the number of Districts in a municipality), so reviewing structures helps differentiate imposed areas of weakness from those which a municipality cultivates itself. Whether or not Council agrees with staff on the need for more OSR and the method of building capacity is extremely important to the policy trajectory of increases. Because the administration researches and implements increases and Council amends and votes on them, mutual trust and respect for competence are critical.

Disagreement between HRM Councillors convolutes the staff mandate.

> "In concluding the presentation [on the bylaw about permits for temporary signs], Mr. Pyle noted that there were varying opinions put forward on some key issues. He advised that staff would like clear direction" (COW minutes, February 14, 2006, p. 6).

Clear direction is not always followed by staff obedience. In regards to the bylaw penalizing developers for incomplete developments, a staff member stated that "the report will provide options to Council as to what can be achieved within HRM's existing legislation[,]" (RC minutes, July 5, 2005, p. 14) however the intent outlined in the 'Councillor Request for Information' form was for "recommendations for MGA amendments" (HRM, June 28, 2005). There are many examples of RC rejecting clear staff direction. Increasing fees for sporting fields was suggested to provide higher levels of service in 2008. RC was opposed (RC minutes, April 18, 2006, p. 7).

Human resource issues also limit the financial impact of newly implemented sources, like administrative fees for the tax sale process: "Due to staff shortages, staff have been behind in processing properties that have been arrears–staff will work to lower the amount of properties that are in arrears" (COW minutes, April 11, 2007, p. 8). One general effect of understaffing could be that the bylaw rationalization process – which resulted in a significant number of revenue increases - is ongoing fourteen years after amalgamation. Limited human resources are poorly suited for time-consuming fiscal research, as well as conversational requests for staff reports in RC and COW meetings. There is no timeline for reports' return and the most frequent calls for reports are for follow-up reports. Dissatisfied with staff reports[23], Council dabbles heavily in operating portfolios and attempts to generate information personally: "Councillor Murphy advised that he would like staff to provide information on cost comparisons regarding in-house flower production and outsourcing" (COW minutes, Budget deliberations, April 10, 2007, p. 5). The structure of staff reports detracts from clear administrative direction to RC. After making the case for specific Recommendations in the body of reports, (which are written in paragraph form and average four to five pages in length) a handful of other paths are identified in the last section: 'Alternatives'. That 'maintain the status quo' is a perpetual alternative helps explain the commonality of foregone increases.

The increases pushed by staff demonstrate an appreciation of typical RC concerns. New fiscal tools were borrowed from other cities and have a minimal effect on the population at large.

> "Because HRM Council has expressed a desire not to increase the [wastewater] rate at this time, staff have analysed other funding options and have concluded that

[23] RC's issues with reports include unanswered questions, typos, District inaccuracies (houses mapped as part of one district when they belong to another) and insufficient information.

> there are some short term strategies that can be put in place, but in the longer term, there will be no alternative but to re-visit the rate. Environmental mgmt services is working in cooperation with HRWC to explore the potential benefits of delivering storm and waste water services through a utility model, perhaps as part of the HRWC" (Staff report dated May 30, 2006, p. 3).

In the end, a merger was preferred to an increase.

Administrative structures in Edmonton merge the Council Manager system with aspects of the executive committee system: one person heads up Council and one the administration. The majority of increases in Edmonton originate with staff but on behalf of a broad Council directive (such as departmental reviews by the City Auditor) or in adherence to other city policies (like the Utilities Fiscal Policy (UFP)). Because most revenue increases raise existing rates, reports are concise – they average two pages of bullet points. Requests for reports are made as motions and, like any other, they need quorum to pass. Reports always receive departmental approval and are occasionally approved by sister departments, senior staff and relevant committees. CC most often heeds recommendations.

The second section in reports is 'Readings'. The section states that, for example,

> "Bylaw 13880 is ready for three readings. If Council wishes to give three readings during a single meeting, then prior to moving third reading, Council must unanimously agree "That Bylaw 13880 be considered for third reading"" (2004PWW127, p. 1).

"Ready" implies that staff research is complete, that Council is sufficiently informed to make a decision and that the policy will live or die as is. More often than not, only one report is necessary. Helping establish themselves in chambers and at large, staff catch their own errors in reports. One example was with the Community Services Department's recreation pass rates for 2005 (2004CSS016).

Councillors praising staff for winning awards, nominating staff for awards and internal reward mechanisms are important features of the administrative-political relationship in Edmonton.

> "The City of Edmonton's Finance Branch was recently awarded the Canadian Award for Financial Reporting by the Government Finance Officers Association of the United States and Canada. On behalf of City Council, Mayor S. Mandel congratulated team leaders... who joined the Mayor for the unveiling of the award[;]" (CC minutes, March 15, 2005, p. 4) a motion made by Mayor Mandel was "[t]hat Al Maurer, City Manager, be nominated for the Alberta Urban Municipalities Association's Dedicated Chief Administrative Officer Award[;]" (CC minutes, June 20/21, 2006, p. 10) "[i]n 2004, employees saved the city nearly a million dollars through innovative sourcing strategies for office products, print and photocopy services, courier and mail services, and vehicle maintenance" (Edmonton, 2004, p. 19).

In 2006, Maurer received a bonus equal to 7% of his 2005 salary. Also that year, he got a 10% raise, bringing his annual salary to $254,877 (Calgary Herald, April 18, 2006).

3.3.3 Intergovernmental relations

Intergovernmental relations nuance a municipality's fiscal dependence or independence. The availability of tax sharing and shared cost programs – free money - shapes the need for OSR. Contemporary developments in the municipal-provincial relationship also help explain the local drive to increase capacity and the kind of revenue increases pursued. Whether intergovernmental relations historically have been hostile or relatively collaborative influences municipal strategies to amend incorporating legislation.

That at least thirteen new revenue tools were adopted in HRM suggests a definite political will to increase relative fiscal autonomy. Increasing mandatory provincial costs, (like for assessment services) and capped property tax assessments in 2005, however

suggest that, if fiscal capacity increased, its purpose was to make up for provincially instigated revenue losses. RC's hostility to the province capping its revenue mainstay was captured in a motion that a

> "report address the potential for the Assessment Cap Legislation to be challenged on the basis that is unfair, discriminatory and punitive to those not eligible and, basically, fundamentally flawed in terms of principle" (RC minutes, December 7, 2004, p. 16).

Councillors' conviction that certain responsibilities are provincial jurisdiction (like gyms and social housing) and that HRM should not be raising revenue to meet provincial mandates has also foregone increasing the capacity of OSR (RC minutes, December 7, 2004, p. 11).

Located in Atlantic Canada and containing large rural constituencies, the grant potential is more significant in Halifax than in other hubs. In 2005, Halifax developed a way of profiting from the intergovernmental funding paradigm by collecting interest on municipally provided bridge financing for cost shared capital projects before outside money starts rolling in (Staff report dated May 10, 2005, p. 2-3). HRM's familiarity with external money has not only increased its dependence on external governments, but results in RC thwarting OSR increases. In regards to management of the growing gap in wastewater and storm water infrastructure, Mayor Kelly clarified that "raising water rates would be a last resort, and that Council would prefer, first, to explore what could be done with the gas tax" (COW minutes, April 18, 2006, p. 5). The substitutive nature of intergovernmental largesse is captured best by one statistic: The percentage change from the conditional transfers budgeted for the 2005-2006 fiscal year to those budgeted for

2007-2008 was a decrease of 19.5%. The percentage change in OSR for the same period was an increase of 19.4% (HRM, 2007-2008, C22).

Other elements of the Halifax-NS relationship deal with the highly prescriptive MGA that is applicable province-wide. Because HRM takes in 40% of NS's population and 45% of its GDP and HRM's mandatory contributions to provincial services increased over four years, HRM requested several amendments that enhance local revenue raising powers (Greater Halifax Partnership, 2005, p. 1, 12). Most were granted. That RC frequently sought the approval of UNSM prior to tabling requests in the provincial legislature is not unrelated to their success (COW minutes, October 10, 2006, p. 3, 5-6). One example was for amendments expanding applications for CCCs to include transit, ferries, storm and wastewater facilities. Due to the type of changes sought, changes to provincial legislation were not limited to the MGA. Fines for people who remove shopping carts from commercial properties had to be included in the Summary Offense Proceedings Act before they could be implemented in HRM. Offloading wastewater and storm water services to HRWC required prior approval from the Nova Scotia Utility and Review Board.

Intergovernmental relations are a less significant factor in the use of OSR in Edmonton than in Halifax. The AB MGA enables municipalities to be relatively financially self-sufficient, and as a result, fewer amendments that increase local revenue raising abilities are needed. One MGA amendment was for the arterial road levy (included in provincial Bill 46). Staff reports in Edmonton detail the provincial legislation permitting the municipality to enact a bylaw as the template's second section – it appears on the front page of bylaw reports. For the arterial road levy, the section states that "[t]his

bylaw is authorized under Section 648 of the *Municipal Government Act*. This legislation was amended in the fall of 2003, to permit the creation of a levy for the construction of roads" (2005TS2889, p. 1).

There is a timeline for intergovernmental largesse in Edmonton; the municipality does not allow AB agenda-setting power because it has a financial 'Plan B'. One motion was

> "[t]hat the Emergency Response Department 2005 Operating Budget – EMS be increased by $1,079,000... which is currently subject to funding from Capital Health, with funding from an increase in the tax levy in the event a funding agreement with Capital Health is not achieved by April 2005" (CC minutes, Budget deliberations 2004, p. 53).

As suggested, CC's reaction to receiving provincial money is to decrease the municipal tax burden proportionately. One motion was "[t]hat the $3,200,000 available from the Provincial Fuel Tax be allocated to capital projects currently funded by general financing" (CC minutes, Budget deliberations 2006, p. 119). To be sure, Edmonton's receipt of more government grants – increasing from 10% to 18% of total revenue – was reflected in its tax take (Figure 8). In 2004, the city was 36% reliant on tax revenues for total revenue and 31% in 2007.

3.3.4 Relevant publics

A city's geography, economic base and the extent of its CMA coverage influence which groups of taxpayers are protected and which are targeted. Economically important groups in cities, typically developers and the business community, are sheltered differently according to the proximity to competition (lower tax rates or attractive, highly populated areas), the nature of the group and permission to self-regulate. The grounds for protecting different demographics include home ownership, voter turnout, voter

eligibility[24], and occasionally ability to pay. Demographics are targeted according to the lack of electoral recourse, ability to pay, groups considered undesirable, whether or not what they do or they themselves are perceived as an eyesore or otherwise impinge on local economic stability, regulation and development. That groups are either protected or targeted and that being protected is good and targeted is bad sets up false dichotomies. Though they are embedded in tax discourse, it is better to understand tax protection or sheltering as relative.

Several increases in Halifax were paid for by developers, such as increased planning and development fees. In 2006, it was determined that rates, which were set in 1998, did not reflect the volume, value or nature of ideal modern development. CCCs were approved for wastewater infrastructure in 2006 and, in 2007, the MGA was amended to make CCCs applicable to transit and solid waste infrastructure[25] (Information report dated November 27, 2007, p. 2-3). Developers' former exemption from common capital financing obligations should be taken into consideration when examining who benefits from municipal control of OSR.

Halifax subsidizes the residential property tax base with business and industrial class yields. "Commercial properties pay tax at a much higher tax rate than residential properties. Under Council's direction, the commercial tax rate is set as a multiple of 2.73 times the residential rate" (HRM, 2006-2007, C18). Businesses, most of which were local

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[24] University students and cottagers do not have the franchise in HRM (Service Nova Scotia and Municipal Relations, 2008, p. 11-12). There are voting barriers for university students and transient workers in Edmonton. Eligible voters must live in Edmonton on the election date and have lived in AB for the six months leading up to it. Because elections are in October, people who move away for the summer are disqualified (City of Edmonton website, 2010).

[25] Some progress had been made in these areas before the 2008 election (Information report dated November 27, 2007, p. 2-3).

and small businesses, were less likely to be targeted by new revenues than developers. One intention of the 2004 Bylaw Respecting Automatic Machines was

> "[t]o ensure equity in the taxation policy between businesses which operate within HRM and pay business occupancy taxes and businesses that operate within HRM, such as automatic machine owners, who would not otherwise pay business tax" (Staff report dated August 1, 2006, p. 2).

In 2006, fees were lowered from $25.00 per machine to $10.00 per machine in response to pressure group activity. "Staff feel that amendments ... represent a fair balance between industry consultations and tax equity" (Staff report dated August 1, 2006, p. 4). Council's willingness to target larger enterprises was captured in a budgetary mandate for

> "[s]taff to prepare a report to Council on current major tax agreements, including what is being forgiven, and how long these agreements have been in place. Also – to identify opportunities, if any, to collect additional revenues from various organizations, such as the Halifax International Airport, Port of Halifax, Sears, etc." (Staff report dated June 27, 2006, p. 5).

Protected demographics include seniors, rural dwellers and middle class families. In regards to the costs of pet licensing, a motion was made that "[t]he discount for seniors be increased from 20% to 50%" (RC minutes, October 23, 2007, p. 7). RC expressed concern for rural families in its 2007 decision to keep the existing parkland tax rate (5%) for subdividing three properties or fewer in rural areas. RC did not want to increase the cost of one family member giving property to another. All other subdivisions were subject to the 10% tax rate. The impact of increasing charges on middle income homeowners was a recurring issue with CCCs:

> "Councillor Fougere expressed caution ... noting that the City of Vancouver has been gradually eliminating middle income housing due to the variety of similar charges ... Council needs to be cognizant of the broad implications of implementing

> more charges because it can impact on the affordability of housing for middle income home buyers" (COW minutes, October 10, 2006, p. 6).

Increases were paid for by youth, university students, young adults, urban residents and the federal and provincial governments. Penalties for graffiti and removing shopping carts from commercial property are most likely to be paid by youth, young adults and university students. Urban residents dwellers subsidize regional services. One motion was "that HRM provide sidewalk snow removal for all HRM streets and that this service be funded through the General Urban Rate" (COW minutes, August 9, 2005, p. 8). The federal and provincial governments are targeted by HRM's decision to collect interest on bridge financing (Staff report dated May 10, 2005, p. 2).

Increases in Edmonton are spread widely between the population and over different revenue categories. By and large, rates are updated annually. Services normally included in municipal property tax assessments are paid for through user fees in Edmonton.

> "Utility charges include costs charged to a residential house for telephone, power, water, sewer, garbage collection and land (storm) drainage services, which are not financed through property taxes" (Huang, 2005, p. 5).

Utility rates are higher than the Canadian average because of industry deregulation, entrenchment of the user pay principle and infrequency of other cities charging separately for garbage collection and land drainage (Huang, 2005, p. 5-6). As a result, the general population is the category of taxpayers targeted most frequently by increases.

Developers are relatively insulated from new taxes. Some increases footed by developers, for instance the penalty for construction projects lasting longer than five years and fees for recurring Safety Code inspections, are concealed from initial assessments of development costs in Edmonton (CC minutes, Budget deliberations 2005).

Up-front increases, like the arterial road levy, were undertaken with extensive industry consultation and concerns raised by builders and development organizations were accommodated in bylaw amendments, (for example, reduced rates for builders developing mature areas) (2006TD3880, p. 5).

Businesses are almost as protected from increases as developers. In 2006, CC voted to eliminate the taxation of home-based businesses and applied permit fees in their place (CC minutes, November 29/30, p. 28). The justification was that "the administrative economics inherent in combining the tax and licence fee reduces the cost to home based businesses without compromising the net revenues realized by the City" (Property and Business Tax Structure Review Committee, 2005, p. 17). The 2007 decision to phase-out business taxes over four years and shift the tax burden to non-residential properties, (a much larger property class including government buildings, vacant land and machinery and equipment) was also intended to reduce businesses' administrative costs (Property and Business Tax Structure Review Committee, 2005, p. 11-12).

Taxi drivers were targeted by recurring increases in a number of areas - increased license fees, license renewal fees, administration fees and license transfer fees (2004PDD050; 2005PDD032; 2006PDD046). Permit fees for limos were also increased. Sedan type limos fees' increased from $175 to $285 and stretch limos fees' increased from $80 to $175 (2006PDD045). There were two factors driving the increases on vehicles. First, the Edmonton Taxi Cab Commission receives its budget from taxi and limo fares. Every year, it is directed to produce sufficient fee increases to cover its operating expenses so that it receives no tax support (2005PDD032). It decides which

fees increase, by how much and on which vehicles they are lowered. It forwards recommendations to CC for passage. Second, taxi drivers were lobbying the Commission to increase permit rates for sedan limos so that limo rates equalled taxi renewal fees; the two types of vehicles compete for downtown business and inequities in the previous rate structure gave sedans a cost advantage. The Commission's other recommendation sharpened the price differential between taxis and limos from a consumer standpoint. Increasing the minimum hourly fare for limos was increased from $45 to $60 also increased limo drivers' earning potential and ability to pay for the increased permit rate (2006PDD006).

The following motions demonstrate how CC has sheltered seniors from increases:

> "1.That the 2005 property taxes for seniors with a provincial pension supplement be capped at the 2004 tax rates on a one-time basis, with the source of funding being unallocated general financing. 2.That Administration prepare a report for Executive Committee as to the administrative details of this program and how to make it an ongoing part of the City taxing scheme" (CC minutes, 2004 Budget deliberations, p. 115-116).

Transit services are another area in which seniors are protected. For instance providing community busses - buses without fares – and directing them to include retirement homes specifically on routes (CC minutes, 2005 Budget deliberations, p. 68).

Increases were likely to be paid for by university students, young adults and homeless people. These are the most likely targets of doubled fines for urination or defecation on highways and for public fighting. Fines for violating the Waste Management Bylaw, introduced in 2004, likely apply to these groups as well.

3.3.5 Civic fiscal literacy

The pillars of civic literacy are the same for civic fiscal literacy: political institutions, the media and public education (Milner, 2001, p. 21). Efforts to increase civic fiscal literacy are an indication of the political will to increase OSR. Examples of efforts to increase literacy may include public information sessions, mail-outs, committee formation or using official municipal websites to disseminate tax information. The tone used to describe tax increases is also important for people's willingness to pay more and Council's political legitimacy in city-building. The scale at which people become aware of increases is also important. The rationales for increasing literacy are revealed in the methods used to do so.

In HRM, efforts to increase fiscal literacy attempt to stave off backlash. RC's political unwillingness to increase OSR is institutionalized and the public's unwillingness to pay more is foregone. In 2006, the sewer redevelopment charge had not been increased in more than thirty years. One comment in the staff report was, "[s]hould the public hearing be unsuccessful, staff will return to Council with an equivalent funding alternative" (Staff report dated May 30, 2006, p. 2). Wherever possible, residents vote on increases for the extension of specific services. Voting to extend snow ploughing services to two rural districts in 2005 aimed to "ensure that the public in these areas received sufficient opportunity to decide for themselves whether or not they wished to pay for this service through an area rate" (Staff report dated June 17, 2005, p. 2). Though voting took place at a Community Council meeting, Community Councils have no mandate to engage constituents on fiscal grounds. There are no minutes of Community Council meetings.

Where RC does not defer to locals', decisions can be beyond RC's control. Legal (non-compliance to provincial regulations) and budgetary (increasing mandatory costs and property tax capping) issues have pressed increases, in which case RC publically uploads blame to the province or downloads it to the municipal administration. In 2010, a news release was posted on the municipal website from the CAO and Mayor Kelly in which increases are blamed on unions:

> "Both Council and staff are committed to finding a way through our current fiscal challenges, and striking the delicate balance between respecting the finite means of residents to pay more, protecting municipal services, and meeting our commitment to the dedicated individuals who make up our public service" (HRM website News Release, April 13, 2010).

Aligning with 'the taxpayer', RC sends constituents mail-outs on how to minimize the impact of rate increases. The impression left with locals is that RC is raising taxes beyond its will. The municipal website's coverage of fiscal policy issues is minimal. There are no budgets accessible online prior to 2006-2007. In "How your tax dollars are spent", locals are encouraged to view HRM's fiscal policy in terms of the property tax and unfair experiences with 'fiscal federalism'. HRM's hostility toward NS is an undercurrent in all budgets.

In Edmonton, civic fiscal literacy is not a major issue - CC is interested in protecting the property tax. Increasing non-tax sources and subsidizing the property tax base with yields from alternative sources is critical to sustaining low rates. One motion was "[t]hat the 2006 EPCOR dividend be increased by $100,000,000 to $125,100,000, with a corresponding reduction in the tax levy" (CC minutes, Budget deliberations 2005, p. 102). Many services in Edmonton are provided by self-financing utilities. Services reliant on tax support for operations were directed to increase user fees to achieve 100%

cost recovery. Garbage collection is one example. The implication of using a utility model for civic fiscal literacy is that many increases appear at arms' length from CC.

The Citizen Satisfaction survey and high profile events can be considered efforts to increase literacy. The survey covers taxation in relation to service levels. Resource allocation strategies respond to survey findings. Commercialized events like facility unveilings and architectural investments, (under the auspices of Mayor Mandel's famous approach to local infrastructure: 'No more crap') increase elite awareness and media coverage of municipal activities, place-value and self-recognition. Improvements are highly visible (snow ploughing and large scale projects) and of widespread benefit (increasing allocations to transit and connectivity infrastructure) (City of Edmonton, 2004, p. 15; Banister, 2007, p. iv-vii, 25-30, 54).

Meeting minutes in Edmonton are documented for procedural, not substantive, matters and links to staff reports are often dead. This stifles the potential for inclusive decision making by preventing initial public awareness of fiscal policy and decision making. Tax information is disbursed on the official municipal website. If people click on the "City Government" tab on the homepage, they are directed to "Budget and Taxes", (its current subsections include "Budget 2010" and "Budget 2009"); if they click on "Bylaws and Licenses", they get information on business, commercial and residential permits and licenses and how to pay tickets.

Initial revenue profiles demonstrated significant differences in how Halifax and Edmonton raise revenue and differences intensified over the term. HRM had four concrete priorities which were clearly served by revenue increases. Edmonton had seven priorities that all revolved around economic growth. Because priorities were abstract and

not clearly fleshed out in the budget, some were easier to connect with revenue increases than others. Factors sharpen the differences between the two cities. HRM Councillors do not agree with each other and RC does not agree with staff on the need for revenue increases, which complicates discussion and elongates the policy trajectory for proposed increases. In Edmonton, Councillors more or less agree with each other on the need for increases and CC is backed by a professional administration. Factors themselves are not hostile or conducive to increasing taxes. But because factors do not develop in isolation of one another, Council's willingness or unwillingness to increase taxes is reflected in all factors. Because RC does not want to increase capacity, the focus of intergovernmental relations is adversarialism rather than municipal accommodation through MGA amendments. Though driven by Council's willingness, the five factors produced an environment in each city that was generally conducive or hostile to increases.

Chapter 4. Three case studies from Halifax

The three cases in chapter four are administrative charges for private road maintenance, increased Environmental Protection Charges (EPCs) and various revenue increases resulting from HRM's harmonized bylaw about animals and pet ownership. Private road maintenance was chosen because it highlights how HRM's geography differs drastically from most hubs. HRM's large, rural areas are relevant to Councillor perspectives on revenue capacity, the purpose of municipal government, the desirability of service expansion and the prospects for a regional vision. EPCs are also place-specific, dealing partly with the Harbour Solutions Project (HSP) and the high profile of waste management issues in the region. Charges demonstrate how intergovernmental largesse, municipal dependence and hostility effect the use of OSR and the tone of efforts to inform the public about rate increases. The animal and pet ownership bylaw was chosen because it showed how long increases can take to materialize in HRM, the extent of RC's micromanagement and questionable interest in increasing public education. Administrative-political tensions are the most visible barrier to increasing OSRs in HRM; tensions are especially prominent in the last two cases. RC's unwillingness to expand municipal capacity is a less visible and more significant barrier. It is woven through all of the case studies in Halifax and is manifested differently in each.

4.1 Respecting charges for private road maintenance (Bylaw P-1100)

Charges for private road maintenance provide a useful snapshot of how Councillors understand OSRs, the purpose of municipal government and how these things put pressure on the political-administrative relationship. This case demonstrated that, when revenue increases are attached to a larger policy, the effect of passing the

policy may not be to increase revenues but decrease overall resources because the amount of the increase may be insufficient to cover the cost of service provision. Councillors' view of HRM's tax system was manifested in RC supporting administrative fees too low to fund services on their own. This projects the cycle of administrative-political hostility into the future because it puts added pressure on staff and shows a lack of respect for staff time and workload. The degree to which rural areas are accommodated at the committee level and in fiscal decision making on RC is notable. Councillors lack both a regional and a long term vision, which makes service expansion difficult. Presumably, the time lag between the passage of C-70 and implementation of P-1100 was conducive.

Bill C-70, an MGA amendment enabling HRM to levy betterment charges on homeowners on private roads, passed in the NS legislature on May 25, 2004. The parameters of Bill C-70 are wide. It added "private roads, culverts, retaining walls, sidewalks, curbs and gutters that are associated with private roads" (Municipal Law Amendment Act, Nova Scotia, 2004) to the list of items on which Council could spend money (Section 65, chapter 18, aaa). Eligible roads "include any road that is not public and that provides perpetual direct or indirect access to a public road or highway for at least two properties each of which contains a principal residence" (Staff report dated October 26, 2006, Attachment 3, dated August 10, 2006, p. 1).

Most private roads in HRM are in rural areas (Grant & Carson, 2008, p. 255). P-1100 was channelled through the Private Roads Committee (PRC). Its membership included Councillors Hendsbee, Meade, Johns, Kent and Adams. Four of the districts represented are rural and one is suburban. The day Bill 70 passed, a motion was made in

the PRC that staff provide options on how to levy charges using area rates (PRC minutes, May 25, 2004, item 4.3).

On November 23, 2004, staff responded to the motion above and Councillor concerns that residents were not contributing equally to the costs of maintaining roads by clarifying that the MGA provides for an area rate - area rates are uniformly applicable to all property owners abutting private roads and "a surplus cannot be accumulated and the funds have to be identified for specific expenditures" (November 23, 2004)[26]. The meeting excerpt ends inconclusively: Staff indicated that the prioritization of requests might be an issue but staff resource requirements would not be known until the volume and complexity of requests was known (item 5.1).

The report before the PRC on February 16, 2006, noted that HRM could

> "impose cha[r]ges for private roads, culverts, retaining walls, sidewalks, curbs and gutters that are associated with private roads where the cost is incurred by the Municipality; or under an agreement between the municipality and the person" (Staff report, dated January 19, 2006, p. 1).

The two service delivery models explored were HRM as the service provider or the financial administrator of funds for maintenance projects (whereby "Council would provide the financial facilitation of maintenance fees collection only") (Staff report dated January 19, 2006, p. 2). The latter was adopted by small and rural Kings County.

Because of pre-amalgamation commitments, many private roads received some level of service prior to P-1100. In the core specifically, annual maintenance was provided to forty-nine roads and ice and snow services to eighty-eight. The private road

[26] Full minutes are not retrievable online for this committee. The excerpts available are attached to P-1100 reports. The staff report informing the November 23 meeting cannot be found.

inventory for areas outside the core (numbers, lengths and services provided) was incomplete at the time.

> "Given that HRM currently provides some level of service to approximately 38% of the private roads within the core, (and financed through the general tax rate) we must explore the service equity relationship, if HRM is to consider service provision on a user pay basis for the potential 62% balance" (Staff report dated January 19, 2006, p. 2).

Though additional financial resources would be required in both models, "[d]epending on the service provision model pursued, and the level of interest expressed by the private road abutters, resource requirements may be significant" (Staff report dated January 19, 2006, p. 2). Despite HRM's massive rural areas and connectivity issues, the PRC preferred the municipal administrator role, limiting HRM's service responsibilities and financial outlays.

PRC discussions on February 16 fell under the heading "Bill C-70 – Private Road Services Ramifications Information Report". They began on a cautious note:

> "Councillor Adams advised that the purpose of the meeting is to discuss the implications of moving forward with Bill C-70. His concern is that if HRM proceeds with the proposed bylaw those private roads residents who currently receive municipal services will be charged for those services" (PRC minutes, February 16, 2006, item 6.1).

Staff confirmed that roads serviced prior to P-1100 would be unaffected. To be sure, in the final staff report, Councillors wanted

> "[a] statement referencing the motion passed by Council in 1996 stating that those private roads that receive some type of service will continue to receive that service ... [and] that those who currently receive service will continue to receive the same level of service that they have been accustomed to" (PRC minutes, February 16, 2006, item 6.1).

The price point for homes on private roads in HRM is mid to high (Grant & Carson, 2008, p. 258-259). The ensuing discussion established the PRC Councillors understanding of equity and that they had another agenda to pursue in the context of P-1100. "Councillor Johns suggested providing a reduced tax rate to private road owners for the services they do not receive. Councillor Adams commented that this should be reflected in the assessment" (PRC minutes, February 16, 2006, item 6.1). Administrators noted that the next report would provide specific information about resource requirements, but were firm on their original intention: "Staff's recommendation will be to proceed with the area rate" (PRC minutes, February 16, 2006, item 6.1). To keep rates low, staff confirmed their "intent is to develop one bylaw with various appendices to reduce administrative cost and time" (PRC minutes, February 16, 2006, item 6.1).

Having chosen to live on private roads, it is assumed that abutters have accepted that their service entitlements differ from those afforded to residents of public roads. The ability to afford houses on private roads also suggests a higher ability to pay for maintenance services. Councillors do not view the arrangement as fair - private road residents contribute to the property tax base without reaping proportionate benefits. That one PRC Councillor – Councillor Meade - lived on a private road himself no doubt helped others sympathize with concerns of fairness and equity, disbanding concerns of luxury and choice.

When a Councillor wondered about HRM's ability to recover costs, staff responded that

> "HRM has the ability to recover cost but has not exercised that option. Since amalgamation HRM has taken over two private roads. There have been several requests but [they have] been cost prohibitive" (PRC minutes, February 16, 2006, item 6.1).

Though earlier in the meeting he expressed the relationship in terms of a negative correlation – fewer services should result in lower property taxes – "Councillor Johns raised concern that if HRM does not recoup the cost it has incurred, it is in the same position that it is currently" (PRC minutes, February 16, 2006, item 6.1). There is relatively little choice on the matter of cost recovery. Servicing more roads will exhaust more staff resources; if resource levels do not increase, more roads cannot be serviced. That a PRC exists suggests a Council interest in expanding private road services.

Staff also noted that Kings County experienced "backlash from seasonal private road owners who do not want to participate" (PRC minutes, February 16, 2006, item 6.1). Accordingly, Councillors requested that the final staff report to RC give

> "the legal opinion that provides HRM the ability to force private roads into public ownership, if HRM has expended funds on a private road that is used by the public and the owner has not claimed right of ownership or requested that public use of the road be stopped" (PRC minutes, February 16, 2006, item 6.1).

At Councillors' request, the report would also "List as an alternative option "That the status quo be maintained"" (PRC minutes, February 16, 2006, item 6.1).

On October 24, 2006, staff advised the PRC that the Kings policy now faced a legal challenge. The report indicated that "private road ownership/consent and the majority consent of the abutters are viewed as critical...As such, staff has recommended against implementing this policy at this time" (Staff report dated October 17, 2006, p. 2).

The first draft of P-1100 was attached to the report. Property owners were required to meet to determine the kind of maintenance sought and amount of the flat rate. Notices confirming ratepayers' entitlement to vote to indicate which services were of

interest were required to be mailed out two weeks prior to the meeting date. Public meetings needed to be attended by a municipal staff member. A two-thirds majority (based on both road frontage of the private road and primary residences) had to support the specific improvements and the area rate. Homeowners would then form a Property Road Owners Association. The Association petitions the municipality to collect an area rate to fund maintenance services. Applications were required to include a project budget that reflected a two-pronged administration charge: A one-time charge of $500.00 and an annual charge of $100.00. Area rates are subject to RC's approval. All homeowners in the area make payments out to the Association. HRM collects money on its behalf by including the area rate on residents' property tax bill. Interest accrues on Association deficits at the rate of prime plus 4%.

Staff reiterated the report recommendation and "suggested that the Committee await the outcome of the legal challenge before implementing HRM's policy" (PRC minutes, October 24, 2006, item 4.1). In addition to disregarding staff direction, Councillors attempted to eliminate any semblance of cost recovery from P-1100:

> "MOVED by Councillor Meade, seconded by Councillor Kent that the Private Roads Committee recommend that the Halifax Regional Council proceed with the implementation of the Private Roads Maintenance Cost Recovery Policy without an administration charge" (PRC minutes, October 24, 2006, item 4.1).

Immediately after he put the motion,

> "Councillor Meade commented that Bill 70 was approved two years ago and there is still no policy in place. Regarding Ingram River Lane, he stated that the river is washing out the road. The road cannot be upgraded to HRM standards as it only has a 20 ft right away" (PRC minutes, October 24, 2006, item 4.1).

Interestingly, his sense of urgency, responsibility and the lack of alternatives are not backed by a willingness to recover costs incurred by the municipality and enable HRM to collect area rates so that maintenance can occur at all. Staff responded with a familiar story – "staff can only accommodate 12 roads with the existing resources ... which is why staff would recommend an administration fee" (PRC minutes, October 24, 2006, item 4.1).

Discussion ensued on the issue of ownership. Competing narratives about the degree of HRM's involvement emerged:

> "Councillor Kent commented that HRM would be acting as mediators for private issues. If the policy is implemented there is an implied responsibility. Councillor Hendsbee commented that HRM would be a facilitator of the process to ensure the funds are collected and ensure equity" (PRC minutes, October 24, 2006, item 4.1).

Judging from earlier motions supported by these Councillors, as mediators with an implicit responsibility, HRM would not be entitled a fee. As a facilitator primarily concerned with equity, HRM would be entitled a fee. A staff member weighed in on the narratives, "caution[ing] the Committee in implementing the policy unless ownership can be established, if it cannot be established you are forcing people to pay" (PRC minutes, October 24, 2006, item 4.1). Councillors supported the idea that ownership be established as a condition of HRM's involvement. Because of the high number of potentially affected districts, the PRC forwarded the draft policy onto RC without recommendation.

At RC's November 7, 2006, meeting, Councillors Adams and Johns moved that the agenda item be "referred to a Committee of the Whole Council session" (p. 6). Their motion passed without a discussion or vote on the main motion, which was

> "MOVED by Councillor Kent, seconded by Councillor Meade that Halifax Regional Council approve the capital and maintenance cost recovery policy for

> private roads with a set up administration fee of $200.00 and no annual administration fee" (p. 6).

COW meetings are less likely to be attended by the public, they have different requirements about recording votes and, because they only tackle a few issues, are less time-sensitive than RC meetings.

At the January 9, 2007, meeting of COW, discussion on private roads maintenance was deferred due to time constraints. The following week, the main motion was re-moved by Councillor Meade, this time without its last words, 'and no annual administration fee' (RC meeting, November 6, 2006, p. 6). After putting the motion, Councillor Meade declared a conflict of interest[27]. The Municipal Solicitor explained to COW that "the Councillor would, as a private property owner on a private road, receive a benefit (services) as a result of this investment" (COW minutes, p. 7). The main motion was put again by Councillors Hendesbee and Johns. Before it was voted on, Councillors Hendsbee and Walker were defeated in their attempt to reduce the majority requirement from two-thirds to 50% plus one.

Amidst discussion,

> "[c]oncern was expressed that residents who live on private roads pay the same tax rate, based on their assessments, as those residents on public roads. Residents on private roads should not be paying the same tax rate as they are not receiving the same services...The recently formed Tax Reform Committee may provide an opportunity to address the inequalities for those residents living on private roads" (COW minutes, January 16, 2007, p. 7).

Staff re-oriented discussion to P-1100, giving ample justification for the administrative fees:

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[27] HRM minutes include Councillor entrances and exits. There is no mention of Councillor Meade leaving the room.

> "cost recovery of resources (staff time) such as review of the budget, number crunching, notification letters, ballots, overseeing the mail-outs, meeting signs, overseeing the meetings, answering questions, presenting to council, maintaining relationships with Resident's Association and reviewing their annual budget ... after one year of actual experience, the administrative cost could be adjusted" (p. 8).

Favouring the staff perspective to the PRC perspective, Councillors Rankin and Karsten put a motion "that the [main] motion be amended to restore the cost recovery principle and increase the proposed $200.00 one time administrative fee to the staff recommended $600.00 one time administrative fee" (p. 8). Although the annual administration fee had gone wayside as of November 7, 2006, (when a motion which was never voted on contained a clause that it be eliminated from P-1100) the initial start-up fee was not well received either. There is no record of discussion, nor is there a breakdown of the vote; minutes simply state "MOTION TO AMEND DEFEATED" (p. 8). The main motion, with an initial $200.00 fee, was voted up immediately after.

HRM's emulation of a small, rural municipality's policy and differences between HRM's policy and the Kings policy are telling. Granted, big cities may not have had a private roads policy to emulate, but the Kings policy was arguably a better fit for HRM's needs than P-1100. Kings' policy was better suited to increase connectivity because maintenance on private roads was mandatory in Kings. Kings' administration fees were set at 4% of the project budget (Staff report dated October 26, 2006, Attachment 2, p. 2). Expressing the fee as a percentage ensures some connection between the staff resources expended, scope of maintenance and size of the private area. Because municipal costs are proportionate to the municipal role, the percentage mechanism also has higher earning potential.

The take home message is two-fold. Because HRM geography is so diverse, including large rural constituencies, it has special governance needs. But because the electoral map is weighted towards rural representation, certain characteristics of rural Councillors prevent these needs from being satisfied. Private roads are a fact of traditional rural life; a strong government presence was undesirable according to the PRC and RC. A Regional Councillor and PRC member lived on a private road. The Councillors who are interested in private roads view the property tax system as unfair to inhabitants of private roads because they pay property taxes for services they do not receive. An administrative surcharge for services is inappropriate. Regardless, staff repeatedly stated that the municipality would have to recover costs in order to provide services to more roads. Because Councillors rejected this logic, the administrative fee is too low to actually carry out the policy alone. The fee supported was $400 less than requested, so Councillors may have expected that additional revenues would come from general tax revenue. By low- balling fees, Councillors ensured private residents received some municipal services for their tax dollars. As a result, the general tax base, (out of which departmental budgets and human resource costs flow) subsidizes services to private property in mostly rural areas and sustaining private areas (ensuring the long term use of private roads was a P-1100 rationale).

4.2 Environmental Protection Charge rate increases

The main determinant of an increased EPC rate for the HSP was that RC had negligible wiggle room. Staff pressure was mounting, the decision was time sensitive (in terms of when discussion began, when increases became effective and the budget

implications of not increasing rates effective March 1, 2005) and reminders that RC was merely conforming to a 2002 directive were forthcoming. That RC complied the year before also foregoes some debate about diverging from the funding strategy.

Discussions on increasing EPCs for 2005 began on January 25 in COW. The ordering of agenda items was changed so that the quarterly report for the Harbour Solutions Project was sandwiched in between "Water Resource Management Overview" and "25 Year Wastewater/Stormwater Forecast" (p. 3). The next agenda item was "Environmental Protection Charge (EPC) Rate Increase" (p. 9). Re-ordering connects the status of projects, service standards and the financial resources necessary to support them. In the Water Overview,

> "Mr. Anguish advised HRM had obtained a score of "D" in sewage treatment levels for 2004 recorded in the National Sewage Report card. This is an improvement from the previous "E-" rating. He added the most overwhelming problem for HRM in water treatment is sewage treatment" (p. 3).

Concern was expressed by Council that "HRM should consider budgeting for replacement and maintenance of existing infrastructure" (p. 4).

Regarding the Forecast, several members of RC were confused about how to address the timing, ordering and approach for the interconnected items before them.

> "Mayor Kelly requested clarification ... regarding whether the first five cents [for the HSP] is automatic. Ms. McLellan advised both components of the rate increase [$0.05 for the HSP and $0.05 for existing infrastructure] need to be approved by Council. Council has only approved the first five cents in principle. She added the entire report could go forward tonight" (p. 7).

Councillor Uteck then moved that both the Forecast and the rate increase "be moved forward to tonight's Regional Council meeting to continue debate" (p. 8). Councillor Hendsbee expressed concern with the rate and timing of debate, wanting to determine

rates in advance of the Forecast. "Mayor Kelly further advised Council could divide the issue into two motions with two different discussions on two different motions" (p. 8). Staff suggested an alternative approach:

> "Ms. Dale McLennan, Director, Financial Services, explained that rate increases would be brought forward to Council for deliberation and approval. The 25 Year Stormwater and Wastewater Forecast provides excellent context for discussion of the rates, but the rate increase stands by itself in terms of the need for it to happen. The proposed rate increase should move forward to Council tonight and does not require a Committee of the Whole unless Council determines it warrants further discussion" (p. 8).

According to senior staff, RC takes longer than necessary to make decisions. Mayor Kelly reminded RC of the motion on the floor - to include the Forecast and the increase on that night's RC meeting agenda - at which point it was defeated. Rate increases were "Deferred to next Committee of the Whole meeting due to time constraints" (p. 9). The first issue is with Council governance. The Mayor advocated for a piecemeal approach and the majority were opposed to making a decision about the increases later that night. This sensitivity to increases is reflected in RC's preference to restrict discussion to COW meetings (which usually lack a crowded agenda and recorded votes). At least one Councillor disapproved of the approach advocated by the Mayor and majority. The second issue is with the administrative-political relationship. Because politicians are unfamiliar with administrative procedures and Council lacks a coherent vision about increases – whether they are needed at all, should be increased for the Forecast and issues with timing – Councillors react to administrative pressure territorially.

The staff report before COW on February 1, 2005, contained two recommendations: that

> "Council approve the planned 2004/05 increase to the Environmental Protection Charge (EPC) component of the Pollution Control Charge in support of the Halifax Harbour Solutions Project of five cents ($0.05) per cubic metre of water [and that] Council approve an additional increase to the EPC, in support of existing stormwater/wastewater infrastructure capital maintenance, of five cents ($0.05) per cubic metre" (dated January 20, 2005, p. 1).

Staff recommended that both increases take effect in one months' time. If revenues increased by said amounts, household costs would increase by $33.00 annually (determined by the average number of adults, children and rate of consumption) (Staff report dated January 20, 2005, p. 4).

The pollution control charge that appears on HRM water bills is divided between EPCs and Wastewater Management Charges. EPCs are broken down into two categories: HSP charges and existing infrastructure charges. In 2002, RC approved annual rate increases - $0.05 per year beginning in 2002 for five years - in order to meet HRM's chunk of Project funding requirements. (Municipal contributions relied on a .29 increase in EPC, amounting to $28 million over the five year construction period.) The amount HRM had to raise was determined by federal and provincial contributions because HRM had to make up the shortfall. The report stated that the assortment of external financing tools for the HSP (debt, Canada Strategic Infrastructure Fund, provincial contributions in money and land and an FCM loan from the Green Investment Fund) was recently secured.

The existing infrastructure rate was last changed in 1999-2000 (Staff report dated January 20, 2005, p. 1-2). Staff justified the increased infrastructure rate because

> "increasing legislative and regulatory requirements, inflation, and public demand for improved protection of the environment [and] of public health are placing greater demands on funding levels for HRM's stormwater and wastewater infrastructure ... [Environmental Management Services] has completed a

> comprehensive review to realign these priorities as presented to Regional Council January 25th, 2005, in the "25 Year Stormwater and Wastewater Forecast" and are seeking Council's support for the first step increase of $0.05 on the Existing Infrastructure rate component. In order to facilitate timely billing and support a single annual EPC rate increase, staff is seeking Council's approval now... The ...increase will be used...to fund a number of currently unfunded or partially funded stromwater and wastewater projects, all of which are compliance related" (Staff report dated January 20, 2005, p. 2-4).

There were only two real 'Alternatives': Deferring the implementation date for increases would result in a funding shortfall and going deeper into debt for the HSP would detract from debt capacity needed for other municipal purposes.

The HSP budget summary, an added item, headed off the February 1, 2005, meeting. The summary was followed by the increases. After both were put in a motion, RC's immediate concern was relevant publics:

> "[I]f residents are not hooked into the system they will not be paying this charge ... if there is no sewer available to the resident, the resident is not charged for sewer. If there is a sewer available and the resident chooses not to connect, the resident will pay a wastewater charge but not an Environmental Protection Charge" (COW minutes, February 1, 2005, p. 4).

These are issues primarily for rural residents.

Though the report before Council states that "[t]hese estimates assume no growth in water consumption" (p. 3), staff explained that "the rate increase is based on consumption and if users reduce their consumption the increase will not be as great" (p. 4). This gives Councillors the impression that users control the effect of increases and that awareness of consumption-based pricing is a tool to minimize financial impacts. Because the rate schedule was designed to meet specific targets, if users reduced consumption, rates would have to be increased to stay on track. Regardless, "Councillor Sloane requested information be included with the water bills to educate the public on

methods to reduce water consumption" (p. 5). MacLennan simultaneously doubted her point - that increased education would alter consumption practices - and distanced staff from potential fallout – "consumption is not anticipated to be a problem but it is an element that is beyond staff's control" (p. 5).

RC's unwillingness to target the general public and the substitutive nature of intergovernmental largesse pose significant problems for HRM's long term fiscal health. RC's approach to OSR raising is expressed as beneficial to locals, whose interests are being protected by Councillors in City Chambers and fought for on high: "Members of Council requested that HRM continue to lobby the Federal and Provincial governments for funding and noted that a charge to the residents was to be a last resort" (p. 5). As suggested, the commitment to multi-level funding is undertaken in an effort to reduce the tax burden on locals. The 'one taxpayer' principle, however holds that intergovernmental funding is undertaken in an effort to reduce the *municipal* tax burden on locals.

Staff disagreed with the last resort approach.

> "Mr. George McLellan, CAO, commented staff are to be applauded for bringing this information forward in response to a need... He requested Council reflect on the information as it will have to be discussed in the future if not dealt with now" (p. 5).

HRM administrators are familiar with RC using the provincial shield to offset local responsibilities and municipal revenue increases; staff warn that Council's unwillingness to increase revenues results in its inability to control revenue increases. Because staff invoke provincial power to hold RC to its responsibilities, intergovernmental struggles are woven into administrative-political relations. "[C]orrespondence was received from

the Province indicating HRM was Non-Compliant. Staff are required to provide the Province with the action being taken to become compliant" (p. 5).

Because the EPC increases touch on external governments for a number of reasons and intergovernmental largesse is the other source of municipal funding, EPC increases offer valuable insight into the effect of past experience with free money on Council's current willingness to increase OSR and take responsibility for municipal operations. "Mayor Kelly clarified that if additional funds are obtained from the Provincial or Federal Governments, Council does have the option of adjusting the rates" (p. 5). A pillar of RC's decision making process is that no decision is final. That the Mayor is keen to upload key policy areas because they are politically difficult suggests Council's satisfaction with an administrative approach to municipal governance. RC's general interest in increases is tenuous. Hesitation may have been alleviated by the Mayor's suggestion that increasing rates is contingent on the possibility of decreasing them. From this perspective, if municipal rates increase in the first place and then do not decrease, locals know who to blame. The lack of political leadership with municipal rate increases also qualifies provincial paternalism.

Rather than capacity building on a positive, active note, Councillor Uteck justified staggering the $0.05 blow for existing infrastructure to two increments of $0.02.5, effective March 1, 2005, and October 1, 2005, in terms of safety, immediate risk and consistency with long term municipal plans. "[T]here is clear and present danger now with the existing infrastructure ... HRM is developing a 25 Year Plan and has to move forward and start paying" (p. 5-6). There is no indication of consensus on this point: Immediately after, another Councillor suggested generalizing the municipal revenue

source that would be increased to reflect higher expenditures on infrastructure and externalizing choices about which projects are funded.

> "Councillor Sloane suggested the rate for the existing infrastructure go on the general tax rate as it is the general revenue that is used to fix problems. She added HRM should prepare a wish list for infrastructure and then approach the Federal Government for funding" (p. 6).

Whereas positive environmental practices are developed by charging proportionate to household use, the logic behind charging for use of water services proportionate to household value is weak. Lumping infrastructure charges in with the general tax rate attempts to simplify HRM's elementary fiscal policy to the conventional realm of the property tax. It also effectively conceals increases because annual property tax increases are customary.

Whereas trying to increase their sphere of authority is in the nature of what politicians are expected to do, both suggestions increase municipal dependence, suggesting that HRM's interest in self-determination is low. In a city highly reliant on property tax revenues, falling back on the property tax amidst discussions on other revenue sources is a familiar alternative. (Indeed, almost as familiar as falling back on the federal and provincial governments!) Because the property tax is the most provincially controlled type of OSR, choosing to increase dependence on it also increases the province's influence on municipal revenue capacity. The suggestion about Federal Santa Clause and infrastructure projects implies that increasing reliance on external authorities is not an issue, (which is ironic given RC's concerns with HRM's local political legitimacy). It is clear that Councillors understand municipal purposes in narrow, bureaucratic terms: To coordinate programs originating from other spheres and act as a

flow-through agency for funding them. From this perspective, diversification not only complicates a straightforward mandate, but there is no initial incentive to diversify. This casts increasing municipal fiscal capacity in a different light – where it increases, it does so in order to provide interim financing for projects that other governments are expected to overtake.

Other Councillors were directly supportive of the staff perspective on municipal finance:

> "Councillor Harvey commented HRM has to be responsible with existing infrastructure in whatever form it is and Council should follow staff's recommendation and move forward with $0.05 cent increase for March ...Councillor Karsten commented this is a difficult decision but if HRM wants to be world leaders HRM has to enhance and give attention to infrastructure and sewers which indicates Council has to go forward with the increase now" (p. 6).

Three Councillors have given reasons for why revenues should increase: safety and long term planning, infrastructure responsibilities and world leadership. Even if Councillors support the same end result, they do so for very different reasons and advocate different approaches to achieving it. This is a strong sign that there is no vision guiding capacity building: It is ad hoc, project specific and invariably contested.

Staff pressure highlights weak political leadership.

> "[Staff] clarified that HRM has near highest reliance on property tax for total revenue. HRM has been advised that its tax rate, as well as its tax burden, is moderate. She commented it is not acceptable that HRM, in relation to comparable cities, is relying 82% on taxpayers. She added HRM cannot walk away from responsibility to services" (p. 6).

Administrative pressure is threatening to Councillors, which may be why she softens her tone in the last part of her comment: "Ms. MacLennan advised staff will provide Council with high level benchmark information on tax levels across the country" (p.

6). Aware that staff increases are viewed with suspicion, McLennan urges RC not to consider HRM's rates in a vacuum and indicates that proof of HRM's moderate tax burden is on the way. After Councillor Uteck's motion to stagger the increments was put and defeated, she put the main motion (which was the staff recommendation to increase both rates by $0.05) and it passed (p. 6). No voting specifics are given.

The increases next appear on the February 1, 2005, RC meeting agenda as an added item, followed by the 25 Year Forecast (p. 3). "Councillor Rankin requested that the motion be split and that a recorded vote be taken on each part" (p. 9). The HSP bound increase of $0.05 for March 1, 2005, was put and passed by a strong majority. Councillor Hum was 'Absent' and only Councillor Sloane was 'Opposed' (p. 9-10). The existing infrastructure charge of $0.05 for March 1, 2005, was put and minutes indicate that discussion ensued but no specific comments are recorded. The motion was defeated by a slim margin: eleven for and twelve against. Councillor Hum was absent again. Those 'Opposed' included Mayor Kelly, Deputy Mayor Goucher and Councillors McInroy, McCluskey, Younger, Kent, Smith, Murphy, Sloane, Walker, Mosher, and Rankin (p. 10). Absences are noted because they can be coincidental or strategic – no reason has to be given for leaving and Councillors are not required to vote on all motions. This is a bigger issue for smaller Councils, but it is also an issue on close votes for larger Councils. In this case, Councillor Hum's presence could have tied the vote to increase existing infrastructure charges.

Although infrastructure is a RC priority, issues with infrastructure decline are not unique to Halifax. The HSP, on the other hand, is on the local radar and continues to attract national attention and very bad press for the city. One of the major issues

highlighted by this case is how intertwined municipal increases are with the availability of federal and provincial largesse. If there is, in fact, a structural problem with municipal financing, this is partly where it lies.

In 2003, RC was not happy about the HSP increase.

> "Mayor Peter Kelly blames the rate hike on the province and Ottawa. Kelly said while the federal and provincial governments will collectively earn $89 million in tax revenue from the sewage-treatment project, their combined contribution to the $315-million project is only $62 million. "Both the feds and the province will actually make money from us ... If they had offered at least what they're taking in ... then our costs would have been reduced," Kelly said. If the city is able to get extra money for the project down the road, the rate increase will be adjusted, but for now the city has no other choice, he said. "It's a difficult pill to swallow for the taxpayers, and I'm sure it's one that they prefer not to pay, but at the end of the day, they also want the job done. They made that very clear to us, and they don't want to wait any longer," Kelly said. Downtown Coun. Dawn Sloane said council assured the public last year water bills would be increased only as a last resort. "We said when every avenue is exhausted, we would start talking about a raise, or a lift, and we haven't done that yet," Sloane said. "I cannot, I cannot, support this" (Moar, September 3, 2003).

Note that federal and provincial contributions rose since the article was published to approximately $92 million (just enough for other jurisdictions to break even, according to Kelly's calculation) - and so did the tone of municipal press releases.

> "On behalf of Halifax Regional Council, I would like to thank all those involved at all levels of government, both past and present, for their contributions to this project. I would also like to thank residents for their patience and support over the last five years of construction. We will all enjoy the benefits of a much cleaner harbour" (Mayor Kelly, HRM website News Release, February 11, 2008).

However appreciative, the press release implicitly blames other spheres for the delay and apologizes to residents on their behalf.

The main lesson from the EPC increase was that Council's weakness with respect to the province is amplified because RC does not want to increase capacity and can be

forced to do so. In essence, if a Council does not want to grow, it becomes weaker. Administrative pressure to increase and diversify revenues adds to RC's sense of weakness. The HSP increase was a manifestation of RC's lack of control with respect to the province. If RC increased the existing infrastructure charge, it would be submitting to its inferiors as well as its superiors. This is where RC's lack of ambition gets complicated. RC is not stronger because the municipality has less money, but because RC does not want to increase municipal capacity, by declining to increase resources, it is pursuing its own agenda. Because the administration aligned with the province and revenues increased, RC was increasingly hostile toward both the administration and the province. Hostility is a sign of RC's lacking control over the administration, the province or capacity building. Hostility taints efforts to inform the public because it advertises municipal weakness and decreases the public's willingness to pay more municipal taxes.

4.3 Respecting animals and responsible pet ownership (Bylaw A-300)[28]

Bylaw A-300 demonstrated the multi-faceted complications that can stem from an overall lack of Council direction and leadership. The length of time a bylaw takes to develop impacts the importance of internal revenue components; insufficient revenues curtail the effect of new policy. Animal services were initially provided by civil society organizations and, once the bylaw was drafted, RC attempted to re-offload services. Council passes bylaws it knows it cannot enforce and yet will not increase revenues to enforce them. This approach might be symptomatic of a few things: Council might not understand its role, it might think its role is to keep things small and not increase taxes

[28] The third case study in Halifax is considerably longer than any other case study. This reflects how long the bylaw took to develop, as well as typical features of discussion and decision making processes in HRM. Though there are many recurring issues, I have tried to cover them in one stage of the bylaw's development only.

too much or it might not take its role particularly seriously. The length of time Bylaw A-300 took to develop does not indicate that Council prioritizes its (or staff's) time. This may relate to the frequency of RC and COW meetings and the commonality of deferring agenda items. The contents and development of A-300 show how insulated RC is from public opinion and staff guidance, in spite of Councillors' repeated concern for residents.

RC began considering animal issues under the heading "Cat Control" just prior to the October 16, 2004, election (which ushered in eight new members). Two residents addressed RC because a family new to their neighbourhood owned approximately twenty cats, which was "creating a health and environmental risk...[T]he assault of feces and urine is out of control" (RC minutes, June 29, 2004, p. 8-10). One resident "express[ed] frustration that she was a property owner paying taxes while those owning the cats are renters" (p. 9). The other lamented that, "without a By-law, there is no protection for her property" (p. 9). Staff were tasked in a motion to produce "a report regarding whether or not a Cat By-law is the appropriate course of action" (p. 9). Councillor Smith noted "that he has been dealing with the SPCA [Society for the Prevention of Cruelty to Animals] and that this appears to be the best avenue to resolution of the problem at hand" (p. 9). Another Councillor indicated

> "that the SPCA has made great strides in addressing cat problems in HRM and even had a staff member dedicated to this particular issue...representatives of the SPCA would be willing to meet with members of staff or Council ... and would provide assistance relative to the By-law" (p. 10).

This was the context for bylaw A-300: A civil society organization managed animal issues and its service capacity was growing. A motion was passed

> "that Regional Council defer consideration of By-Law C-400 Respecting the Regulation of Cats, until staff can consider the issue in context of the pending

> harmonized By-Law A-300, Respecting Animals & Prohibited Animals which will be brought to Regional Council in the Fall" (RC minutes, July 13, 2004, p. 28).

Though nothing came of the cat bylaw, its purpose would have been to limit the number of cats per residence (RC minutes, June 29, 2004, p. 10).

Animal discussions picked up on February 8, 2005, when a staff report was presented to COW.

> "Due to the unavoidable absence of HRM's key staff resource on this matter, and partially due to Council's COW schedule, this report and the subsequent development of By-Law A-300 have been delayed...Staff are currently working on By-Law A-300 which rationalizes eight (8) animal/exotic pet related by-laws of the former municipalities of HRM. Staff intend to present By-Law A-300 to Regional Council before the end of the fiscal year" (Staff report dated January 20, 2005, p. 1-2).

The report recommended maintaining the status quo on cat control: "Enforcing cat regulations would be a new and unbudgeted service...It is difficult to estimate the costs, as staff have no experience delivering such a program" (Staff report dated January 20, 2005, p. 3). The 'Discussion' closes as follows: "By-Law A-300 will be presented during a Committee of the Whole meeting, preferably before the end of the fiscal year, Council's schedule permitting" (4).

It is important to note how potential increases affect one another and how the political willingness to increase OSR influences timing (of discussions, proximity to budget and the trajectory of increases over years). Animal issues were deferred to February 8, 2005, from two earlier COW meetings (held on January 25 and February 1) because discussion on the EPC increases ran overtime. (To recap, one suggestion was rejected and the other was all but predetermined.) COW meetings are held as necessary, so if it was important to include animal issues in the 2005 budget, they would have been

dealt with in a COW meeting prior to budget deliberations, which began on February 28, 2005. Staff cite the COW schedule as an issue, but deferring important issues to deal with predetermined issues and not scheduling any COW meetings in the two weeks prior to deliberations, (no meetings were scheduled on February 15 or February 22) point to a more significant problem with political agency and a lack of time-consciousness.

An 'Alternative' to the staff recommendation was to approve the 'Cat Regulations Section' attached to the staff report in principle. A caveat applied to the 'Alternative': "Regional Council will ... need to consider an appropriate budget allocation during the upcoming 05/06 budget deliberations" (Staff report dated January 20, 2005, p. 4). A few 'Cat Regulations' were mandatory collars, fining owners $100 - $5000 for violating any of the Regulations and, further, owners were

> "guilty of an offense if (1) their cat is at large; (2) their cat attacks or injures any person or animal or damages any property; (3) they permit the establishment or continuation of a cat colony" (Staff report dated January 20, 2005, Appendix A, p. 2).

Seized cats could be claimed from the shelter after owners paid impounding fees, boarding fees and vet fees.

Discussion commenced after Councillor Uteck put a motion to adopt staff's recommendation (COW meeting, 2005, p. 4). Her colleagues responded with multiple concerns not addressed by the status quo: children eating contaminated soil, spaying and neutering, cat overpopulation, voluntary registration, deterring irresponsible owners, owner liability and damage to property (p. 4-5). Councillor Fougere stated that "she does not believe the alternatives are a solution. The resources are not there to provide the service at a level that people expect" (p. 5). She was among the minority, however and

the motion was defeated and replaced with a motion to approve the "Cat Regulations Section" in principle and include it in the forthcoming bylaw A-300. It was carried with no word on budgeting[29].

Staff tabled the Proposed Harmonized By-Law A-300, Respecting Animals in COW on July 5, 2005. (Budget deliberations took place in March and the 2004-2005 fiscal year ended on March 31, 2005). It was attached to a staff report recommending that the Bylaw receive a first reading, RC set a public hearing to repeal languishing bylaws and the Bylaw become effective June 1, 2006 (Staff report dated June 29, 2005, p. 1). Some notable features of the Proposed By-Law include a maximum of three dogs and three cats for lots smaller than two acres, cat licenses, (dog licenses already existed) prohibiting ownership of dangerous animals like venomous reptiles and failing to remove defecation on public and private property. Offenses also applied to owners who "fail to keep an un-spayed female dog confined inside a dog-proof enclosure while it is in heat[,]" (Staff report dated June 29, 2005, Appendix A, p. 6) own a dog for dog fighting or disregard microchip identification requirements for pets. Animals could be seized if they were not on the owner's property or not leashed; animals not collected from the shelter after three days became shelter property and could be sold or euthanized (Appendix A).

To harmonize bylaws, staff enlisted an Animal Care Consultant, a survey and other cities' animal bylaws. The consultant indicated that the two existing pound facilities (one is operated by a charity, the NS branch of the Society for the Prevention of Cruelty to Animals and one is a contract-based Animal Control Service) could not accommodate more animals. Further, that "there are not adequate resources to fund the existing Animal

[29] There is no information about the distribution of votes (p. 5).

Control Service for a municipality the size of the HRM" (Staff report dated June 29, 2005, p. 3-4). Regarding the local survey, of those consulted, 52% were concerned with animal regulation and ownership, 69% supported limiting the number of cats per dwelling and 63% supported restricting cats' prowl to the owners' and willing neighbours' property (p. 2). Giving Councillors a clear message that animal issues were on the public radar, "90% support one or more of the ... cat regulations" (p. 2). Discussions between HRM and other municipalities' staff revealed that roughly half of the cities covered had no regulations for cats. Where there were regulations, "the onus is on the complainant to capture the cat" (p. 3). Staff concluded that the major issues with implementing the animal bylaw were financing and enforcement.

> "If Regional Council adopts this By-Law without additional funds, there would be a further reduction in the current service delivery which is already deemed inadequate... The business case put forward by the Consultant for an Animal Control Enforcement Service necessitates an annual budget of approximately $613,000.000 which does not include the costs for a licensing program, park patrol service and additional space for staff and animals... There are not adequate funds in the Community Projects, EMS, 05/06 operating budget for the HRM to implement the recommendation. For this reason, staff requires adequate time to develop a funding/revenue generation strategy. The most appropriate approach is to develop a business case for Council's consideration in the 06/07 budget process" (p. 4).

Granted, animal legislation may not be a Council or departmental priority[30], but having no HRM-wide bylaw in place almost ten years after amalgamation is a considerable omission. Moreover, lacking funds in July was a foreseeable outcome of neglecting animal services in March. Circuitous and drawn out policy trajectories are one manifestation of the political unwillingness to expand the use of OSR along with HRM programming. Enacting A-300 would expand HRM revenues and service operations,

[30] Andrea MacDonald is identified as the Manager of Animal Control and Taxi & Limousine Services in the July 5, 2005, COW meeting. Combining animal and vehicle services gives observers an indication of how the department is valued and the size of its budget envelope.

which may be why discussions are especially drawn out. The length of time taken by RC is a symptom of its sensitivity to increasing the municipal role on both counts.

The Animal bylaw has involved budgetary issues, including the significance of the double entry principle[31], so it is important to analyze Council's perceptions about revenue flexibility. The excerpt from the staff report highlights that revenue issues are understood as budgetary issues. By implication, they are only seriously considered one month of every year and RC is held to the numbers crunched in that month for the rest of the year. Property tax rates largely determine revenue capacity for the year in HRM[32]. Pressure to maintain low tax rates is also highest during the budget period, so the only time RC can plan on expanding its service mandate and spend in new areas is when residents are most sensitive to tax increases. HRM uses the double entry principle to amend budgets, so if Council wants to increase expenditures outside of deliberations, it has to remove funding from other areas; after budgets have passed, capacity can be redistributed but it does not change (HRM, 2006-2008, C4). The environment for increasing capacity and political responsiveness is weak inside and outside of the budget period. The development of A-300 demonstrates how weak leadership takes on different forms to explain static capacity. Because of budgetary politics and the double entry principle, weak capacity is a foregone conclusion – there is no need to account for it and there is no expectation of change. The role of political decision making in sustaining low capacity levels is untouched.

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[31] It entails that for every increase in operating costs there must be a corresponding decrease in revenues.

[32] Some elements of increases, including property tax rates and revenue projections, have been normalized. The reason 'normal' features of fiscal governance are noted is the function practices and institutions play locally. Also, some normalized features have negative implications for city residents, so it is important to re-evaluate what is 'normal' in the context of the political will to build capacity.

Staff are familiar with RC's pace of decision making. To kick off discussion on July 5, 2005, "Mr. McLellan, CAO indicated that it was the intention to present the report today and have this matter come back for discussion in August" (p. 7). Councillor McInroy verified Council's preference for staggered discussion and exceeded administrative expectations, "suggest[ing] that August was not a good time to bring the matter back for discussion, noting that there were no budgetary implications if the matter waited until September or October" (p. 7). That it would not matter - cost more or less - if the bylaw was put off for a few months and that the bylaw's substance stems from its cost implications confirm the low priority status of A-300 and the restricted range of RC's vision. The comment also connects local service levels with Council's willingness to raise revenue towards them, reiterating that RC's political willingness to increase either is low. The approach diverges from the sentiments expressed five months earlier, at which point the majority of Councillors were convinced that the status quo – no bylaw - was insufficient. Councillor McInroy formalized his comments in a motion "that Council discussion on this matter occur at meeting in September or October" (p. 7). But RC changed its tune; the motion to defer to a floating date over a two month timeframe passed[33].

A-300 resumed in COW on October 25, 2005, at which point amendments from Council Younger[34] and an email from Councillor Sloane were before RC. Staff's June

[33] The distribution of votes is omitted.
[34] To define excessive noise as making noise consistently for twenty minutes, organize a committee to oversee the shelter, treatment of animals and euthanasia, give owners three *business* days to collect animals, allow uncollected animals to be adopted, prohibit using shelter animals for experiments during or after their stay and double the minimum fine for bylaw violations to $200 (p. 5-6).

recommendation - a first reading, a public hearing date and the date A-300 became effective – was put in a motion.

Administrators noted

> "staff were not looking for a recommendation today as there are minor refinements to be made to the draft By-Law... As the four amendments were distributed just prior to today's Council session without an opportunity for staff/Councillors to review the information, Ms. Donovan suggested that staff provide a supplementary report that would speak to Councillor Younger's four proposed amendments before the draft by-law goes forward for first reading...no notice of motion has been given therefore, Council may approve in principle what has been presented then give notice of motion this evening. The supplementary report would be available at the first reading stage...Councillor Younger stressed that the information contained in the supplementary report be included in the by-law in advance of the public hearing... Councillor Murphy expressed concern that the public have not been educated on spaying/neutering/licensing of their pets nor have they been given information on how to be a responsible pet owner...Mr. Anguish responded to Councillor Kent that the HRM website will be updated with information for the public once staff receive clear direction from Council on what it is Council would like to have included in the proposed by-law" (p. 5-7).

Because Councillors use public direction to substitute for Council direction, interest in increasing education can intensify administrative-political tensions. The sequence of comments demonstrates how confusing the process for passing increases can be. Of note are factors that compound one another to form an environment that is hostile to increases and conceal the role of Council decision making: the order of procedures, stray Councillor comments, administrative-political power struggles, the report saga and public education.

Councillors focused on enforcement issues next. "By-Law Enforcement (animal control) is the most underfunded department in HRM and there is no point in having a by-law if we do not have the resources" (p. 7). RC's satisfaction with the status quo, (or dissatisfaction but unwillingness to take definitive action to change the status quo) is a

major theme of discussions. Councillors' perceptions about the weak capacity of OSRs, RC's perceptions about its inability to increase capacity and using insufficient resources to justify non-fulfillment of municipal responsibilities are integral to the theme. RC compensates with micromanagement, including irrelevant, low-level comments. "Councillors Wile, Adams and Harvey suggested that there be some provision in the by-law regarding citizens who deliberately feed pigeons (waterfowl) on private property" (p. 7). It is clear that the bylaw is in its developmental stages and all Council is being asked to do, if it chooses to comply, is approve it in principle. Considering micro-issues is not necessary.

Thus far, RCs reluctance to increase OSR has been attributed to a lack of political will to build capacity. A-300 touches on another potential cause for RC's disinterest in expanding its sphere of authority: Councillors understanding of the ideal government-constituent bond revolves around minimal intervention. "Councillor Hendsbee encouraged the promotion of responsible pet ownership through the offering of a rebate on fees if the pet is spayed/neutered" (p. 7). If the purpose of revenue increases is behavioural conditioning, than decreasing revenues takes a back seat to the to increasing the capacity of residents to self-govern. In a previous meeting, "Councillor Hendsbee stated there should be a voluntary registration for cats. There should be some way for residents to respond themselves" (COW minutes, February 8, 2005, p. 4). Increased pressure on human resources is a non-issue; maintaining a small municipal government is part of encouraging self-governance practices. Discussion closed when Council agreed to defer until the supplementary report was available. In the interim, "Council was encouraged to forward additional comments to staff for review" (COW minutes, October

25, 2005, p. 7). (Recall one of the reasons for the delay was Councillor comments had not been incorporated.)

The report distributed on December 13, 2005, to RC notes that

> "[t]he termination of the animal control services by the NSSPCA has presented a tremendous challenge. Currently there is only one [full time employee] dedicated to the animal control service in HRM and this transition requires the Community Projects division to concentrate more staff resources. To ensure a seamless transition of service to the public, staff's sole focus must be dedicated to assuming responsibility of ...services from NSSPCA effective December 15, 2005. Accordingly, staff have had to set aside work on the supplementary report to Council regarding the harmonized By-Law...Staff will endeavour to complete the review of the 32 issues...[identified by Council at the July 5 and October 25 meetings] and submit a supplementary report as soon as resources allow in the New Year" (p. 2).

Though services provided by civil society are potentially vulnerable, the desire to not disrupt service provision seems to be a driving force in expanding HRM's service role in this area. The unplanned development promised to backlog other departments and stall A-300. Understaffed departments are not equipped to respond to Council's high demand for information. Staff flag the exact number of issues they had been mandated to report on twice within the first two paragraphs of the report (p. 2).

The animal bylaw comes up in COW's discussion of the Police budget[35] on June 14, 2006:

> "[N]o money has been budgeted as there has been no decision made concerning cats in the Bylaw. The only money that was placed in the budget is for services staff know will be delivered... When Bylaw A-300 comes to Council, at that time and based on Council's decision, it will be known whether staff will have to lay out the additional cost and, if so, the additional cost will have to be added to the budget" (p. 9).

[35] Animal Control Services is one department under the Halifax Regional Police.

Justifying the minimal progress of A-300 became cyclical, (previously, there was no decision because there was no money and on June 14, there was no money because no decision had been made) as Council's concerns remained micro:

> "In response to a concern about the Sullivan's Pond ducks, staff advised that this matter is being addressed in the draft A-300 Bylaw, and that there is existing legislation staff can use to enforce some of the issues at Sullivan's Pond" (p. 9).

On the June 19, 2007, meeting of COW, RC was presented with five documents, including the supplementary report called for in 2005. The report's novel recommendation is the approval of Administrative Order 11 outlining fees (p.1). The report integrates Councillor amendments and concerns through an open-ended approach that limits which animals A-300 applies to immediately. Administrative Orders are easier to introduce and change than bylaws, so writing specific animals into the Order as opposed to the By-Law grants Council more freedom to include new animals (and violations) in the future (p. 2).

Staff emphasize that including animals other than dogs will have negative implications for service delivery ("HRM has not been successful in our efforts to license, enforce and service the dog community" (p. 3)) and shelter capacity (which is already inadequate) (p. 3). Staff are aware that their vision of A-300 clashes with RC's - to include many animals on a limited budget – and discourage it pre-emptively. The third 'Alternative' is to

> "Approve By-Law A-300, Respecting Animals with Cat Regulations, however not enforce the cat regulations to avoid associated costs...This alternative is not recommended because it raises expectations of citizens without results, and the Police would be required to address complaints made under any existing legislation causing strain on present resources" (p. 4).

The Order indicates that neither the redemption fee, ($100.00) nor th boarding fee ($25.00) are mandatory, that annual license costs are reduced f year and that seniors are indefinitely eligible for a 20% discount on pet licen that "there will be a one time, special license fee of $10.00 for all licenses pu between July 15th, 2007 – September 1st, 2007" (Staff report, Appendix B, p. graduated licensing rate rewards 'responsible' ownership practices like infor ownership and voluntary compliance. In A-300, HRM's fiscal powers are us promote normative policy objectives about citizenship and the public choice

The normative intent of legislation is confirmed when staff note "[t]h terminology has changed from "respecting animals" to "responsible pet owne plan is designed to address the pet owners and not the pet" (COW minutes, Ju 2007, p. 3). The regulatory undercurrent is sharpened with references to spac behaviour:

> Park enforcement and animal control now fall under the Chief of Police... t be more concentration on the enforcement component...The intent is to inc public education around this issue...Animal Enforcement is hoping to more complaint driven approach to a more proactive approach" (p. 3).

RC is looking to offset its fiscal needs by governing through people, commun resources and animals.

Discussion continued back and forth between Council and the adminis the inclusion of cats:

> "[A] cat shelter is being constructed in Woodside and it could raise an oppo for cost sharing" (p. 4); "the enforcement of dog licensing must increase be can be properly introduced into the plan" (p. 4); "in 2005, Regional Counci directed staff to include cat li[c]en[s]ing in the pending By-law" (p. 4).

The Councillor's attempt to assert dominance backfires when a staff member confronts RC with its own indecisiveness: "the motion outlined [on] ... October 25, 2007 was never voted on; therefore, no final decision was made regarding cats... the item was deferred until a supplementary report was presented" (p. 4). The power struggle continues with Council's concern over "[t]he amount of time lapsed between the presentation of the initial staff report and the delivery of the supplementary report" (p. 5) and staff's rebuttal, that "the motion was not voted on... there was a subsequent motion to defer; coupled with a proposal that staff provide a supplementary report" (p. 5).

Council retreated to a safer space: the lack of provisions for bird feeding. The prioritization of time in RC meetings, use of staff time and municipal resources, as well as the elusive significance of the pet bylaw, are brought to bear in this context. RC discussed how to control different spaces ("controlling birds feeding on private property" (p. 7)), species (wild pigeons not competitive pigeons) and types of offenders (guardians penalized for child feeders). "Education around this issue should be addressed" (p. 7). Including other animals without consideration for enforcement costs suggests that the symbolic value of legislation is more important than its successful implementation. Rabbits were included later that day.

Different treatment of constituents according to geography is a fairly consistent feature of HRM legislation.

> "There should be different regulations for urban and suburban areas as there is less space between homes in the urban area" (p. 9); "Councillor Wile requested that staff further define the word "dwelling" in By-law A-300 to include apartments and condominiums" (p. 10).

Interest was also shown in connecting the group paying for services to the group benefitting from services – a rarity indicating the significant rural applicability of A-300 (p. 10). One motion was "that all funds collected from licen[s]ing, fines and fees be allocated for the cost of animal enforcement" (p. 10). Issues with insufficient resources ("Councillor Sloan questioned if HRM has the staff, budget and education to enforce and regulate the proposed By-law[,]" (p. 8)) reducing resources (eliminating annual license fees) and incentives (for people who license pets, possibility that high license costs encouraging bylaw violations) were brought up as well (p. 8). In spite of them, the main motion, to hold a first reading of A-300 including amendments and schedule a public hearing, was carried.

Procedural concerns surfaced in RC on July 31, 2005, when Councillors tried to eliminate limits on the number of household pets for the second time. Councillor Uteck recalled Bylaw Procedure 57 (3) about the appropriateness of amendments after the first reading. She noted that A-300 was in its second reading. After consideration, the Municipal Solicitor confirmed the legitimacy of amendments (p. 14-15). Other Councillors also tried to structure the debate: "MOVED by Councillor Smith, seconded by Councillor Sloane, that the question be now put" (p. 15). Though Mayor Kelly seems to be the only member of RC with a good enough understanding of the administrative rules and voting options to use them strategically. He

> "clarified that as per Administrative Order One, rule 50(2), a motion to call for the question shall be determined by a vote of two-thirds of members present... Mayor Kelly asked for a vote by "show of hands" and ruled the MOTION DEFEATED" (p. 15).

Political divisions are revealed when "Councillor Smith requested a recorded vote on the question" (RC minutes, July 31, 2007, p. 15). The motion passed fourteen to seven. At least two-thirds of Council did not want the question to be called and one third did not want people to know that they did not want the question to be called. Those voting against were Mayor Kelly, Councillors Streatch, Snow, Hendsbee, Karsten, Murphy, and Adams (p. 15).

The motion concerning a first reading and a public hearing was put with amendments: no limits on pets per household and no bird feeding on municipal property. The first is a clear attempt to make legislation flexible to HRM's diverse constituencies. Both were carried by a wide margin - seventeen to four. The setting of motions and, by implication, the method of voting, may be more important than the content of motions; the previous attempt to remove limits failed in COW.

The last line in the agenda section states "[t]his item was addressed further later in the meeting" (p. 16). When A-300 re-emerged,

> "Ms. Mary Ellen Donovan, Municipal Solicitor, advised that upon review of earlier Council minutes, the Clerk has determined that no notice of motion was given in advance of the by-law being given first reading, which is a requirement of Administrative Order One. She noted that this is not a requirement of the Municipal Government Act, which only requires first and second readings. She indicated that Council may wish, on a two thirds vote, to waive the requirement for a notice of motion in this instance" (p. 22).

Staff uncertainty with rules and failure to enforce procedures is manifested in low RC respect for the rules guiding debate, including the rules set by RC itself, and administrative expertise. Because of Council's unfamiliarity with the rules, when they are invoked my members of RC, it tends to be strategic. The only reason the omission was acknowledged was one Councillor wanted to use procedural rules to streamline

debate. In terms of civic literacy, the notice would have served to educate the pu new bylaws and encourage attendance at Council meetings reviewing new bylaw Council neglected to meet its own requirements and opted to waive requirements confronted suggests that Council prefers unstructured debates will pursue policy directions regardless of general, prior public awareness. Spurious commitment to informing the public aside, "Members of Council encouraged residents to attend public hearing for this matter to voice their concerns" (p. 16).

At the public hearing, held on September 11, 2007, several attendees self-identified as volunteers. The willingness of local people to take temporary owner strays and work to find animals long term homes suggests that capacity to manag issues has developed on a neighbourhood level, as well as through organizations Society. There are two recurring themes to comments and they mirror staff's prim concerns: insufficient resources for implementation and enforcement of A-300 an difficulties regulating cats. Council passed a motion to continue past 10pm in ord hear all attendees and indicated that speakers' concerns would be followed up in a report (RC minutes, p. 19-20).

On September 25, 2007, the Chief of Police circulated a memorandum to about the status of the supplementary report:

> "Due to the volume of input provided by the 35 citizens that spoke ... and the additional correspondence that was received from the public, staff will require additional amount of time to prepare a supplementary report" (Information rep dated September 19, 2007, p. 2).

It surfaces two weeks after the date projected in the report, on October 16, 2007. A report was presented, Councillors made a motion

> "that Council delete references to cats from the proposed By-Law A-300 and defer the feline component until a working relationship with PACS [Pierre's Alley Cat Society] where as PACS would be eligible for municipal funding to carry out the [Trap, Neuter and Return] program on behalf of the municipality" (RC minutes, p. 7).

After the Municipal Clerk clarified for a Councillor that the motion was not counter to the hearing and confirmed that Council was acting within its duties, Councillors called the question (p. 7). It lost eleven to nine. The majority of Councillors were not ready to make a decision on cats, the animal that prompted the harmonized bylaw in 2004.

It was "MOVED by Councillor Rankin, seconded by Councillor Sloane that Council suspend the rules to address ...[three unrelated agenda items]" (p. 8). Minutes record that the motion passed. After the items were dealt with, Mayor Kelly flagged the time: "as it was 9:55 a motion would be required to extend beyond 10:00 p.m" (p. 10). A motion was put "that Council defer discussion on the matter to the next Council session" (p. 10). It lost twelve to eight with Mayor Kelly in favour. Another motion was put to "continue until By-Law discussion is complete" (p. 10). Minutes record that the motion was defeated. If voting specifics were included, the swing voters would have been revealed. The meeting adjourned at 10pm and all remaining agenda items were deferred to October 23, 2007.

This is a straightforward account of RC's indecisiveness. The original motion was not voted on, the motion to call the question was defeated, Council opted to bypass the rules in order to move on with less contentious agenda items (like tendering bike lanes). When Council is reminded of the time and option to continue the meeting, neither does it want the bylaw deferred to the next meeting, nor continue the meeting to debate it specifically (p. 10). RC was officially tired of the animal bylaw.

Right after the hanging motion was re-put on October 23, 2007, Councillors Hendsbee and Snow moved "that the question now be put" (p. 5). The motion was defeated and Council opted to sever the four parts of the main motion (p. 5). The third time the motion about Administrative Order 11 was put, it changed slightly: "[T]hat Regional Council Approve Administrative Order #11 without the cat component" (p. 5). It was defeated twelve to nine. Because citizens and staff were uneasy about cat regulations, those voting against the motion were Councillors for whom cats' inclusion was important for personal or symbolic reasons. Pro-cat Councillors were Snow, Hendsbee, McInroy, Younger, Karsten, Smith, Wile, Walker, Hum, Mosher, Johns and Harvey (p. 5).

The hanging motion was amended to remove the Cat Society reference. It was replaced with "any non profit group willing to help with the situation where that non profit group would be eligible for municipal funding to carry out the [Trap, Neuter and Return] program on behalf of the municipality" (p. 6). Council did not want to be exclusionary with civic organizations interested in the animal control business. It is difficult to reconcile the tone of desperation with the interest in offloading service provision, comparatively cheap labour and service costs. The motion was defeated by the pro-cat Councillors, but barely – eleven to ten. Councillor Hendsbee put an all encompassing motion, (to approve Administrative Order 11, approve the proposed bylaw, direct staff to request to NS that penalties be included under the Summary Offense Charge Act and approve the three 'Citizen Concerns'[36]) and called the question immediately after. It was defeated without voting details. Councillors Mosher and Sloane

[36] To clarify the definitions of 'attack' and 'threaten', include definition of 'service animal', apply a grandfather clause to Prohibited Animals owned before A-300 and microchip reptiles.

attempted to make a "friendly amendment to the main motion...that cats that are kept within a home and only go outside if crated, not need to be registered" (p. 7). "The motion was ruled not to be a friendly amendment" (p. 7) and lost.

Councillor Smith tries another "friendly amendment to the main notion" (p. 8) – to increase the seniors discount 30%, to 50% off in total (p. 7-8). The motion was successful, along with another name change. A-300 went down as "Respecting Animals and Responsible Pet Ownership" (p. 9). In response to a motion that the bylaw become effective on April 1, 2009, "Councillor Smith stated cat owners cannot go another summer and this needs to be amended so that the part regarding the trapping of animals becomes effective by April of next year" (p. 9). Given the length of time the bylaw has taken develop, the sense of urgency is curious. It was defeated, along with a subsequent motion that the seizure and impounding components come into effect on April 1, 2008 (p. 9). Instead, Councillors passed a motion that the whole bylaw come into effect on April 1, 2008.

"Noting the time, the following motion was placed ... that Council stay to finish the entire agenda" (p. 9-10). It failed ten to ten. Councillors Johns and Hendsbee put a motion "that Council complete the By-Law" (p. 10). Minutes indicate that the motion passed. Councillor Hendsbee re-moved his motion, including amendments. "Discussion on the By-Law continued with it being noted that this By-Law would be cost prohibitive, cannot be enforced, does not fit in the rural districts and there is no budget provided" (p. 11). A-300 took four years to develop and the product is acknowledged as wanting right before it becomes official. One provisional solution was "that, as permitted under Section 5.17.0 of the Municipal Government Act, Districts 11, 12, 13, 14, 22 and 1 be exempted

from the By-Law" (p. 11). Rural exclusion failed fourteen to six. Mayor Kelly was in favour of non-intervention in rural communities. The main motion was put and passed, with Mayor Kelly, Deputy Mayor Uteck and Councillors McCluskey, Murphy, Sloane, Fougere, Hum, Adams, and Rankin 'Opposed'.

The most important point about A-300 is in the details. They touch on the many consequences and disguises of a leadership vacuum. The plot twists, procedural complications and scheduling difficulties are red herrings. Council's willingness to increase revenues and expand even basic services should not be assumed. Unwillingness can result in sub-par policy outcomes and using the administration, relevant publics and lack of public education as scapegoats.

In Halifax, revenue increases emerge from the need to legislate – the lack of policy, poorly managed policy or inadequate policy. There was no legislation about private road maintenance, HSP increases were necessitated by bad waste management policies in past, animal bylaws had not been consolidated since amalgamation and existing bylaws said nothing about cats. Increases are usually tied to an overall policy because they are instrumental to enacting policy; if revenues do not increase, no policy can materialize. (For example, the existing infrastructure charge was the first step in the 25 year waste and storm water plan. When the $0.05 increase was defeated, the 25 year plan was dead in the water.) As a result, increases take longer to come into fruition, revenue components tend to be obscured by other elements of a policy and diluted by Council. Individual policies are not very effective because they are not sufficiently resourced. As such, new policies decrease general capacity because revenues have to be spread more thinly across an expanding policy landscape.

Chapter 5. Three cases studies from Edmonton

The three cases included in chapter five are fees for Safety Code re-inspections, increasing the Ed Tel dividend and reporting fees for pawn and second hand stores. Re-inspection fees establish the importance of developers in the region (including the staff-development industry relationship and industry consultation prior to increasing costs) and regular policy review function in Edmonton. The significance of having another big city in the province also emerges; Calgary is a major source of comparison and competition. The Ed Tel dividend touched on the effect of previous Councils, enabling MGA and high capacity of OSR in Edmonton. Ed Tel was chosen because it deals with Edmonton's increasing use of technically sophisticated investment related income for revenue and CC's efforts to subsidize property tax rates. Reporting fees established the selective use of the benefits principle to determine who pays for services and who benefits from them, impact of Mayoral behaviour on increases, behind the scenes developments and extent of industry accommodation. Also, how municipal processes legitimize unwanted increases. Most revenues in Edmonton are updated annually, so CC is accustomed to increases. Where increases are relatively new, they are developed and discussed at the committee level before being presented to CC for passage. By comparison, increases that touch relevant publics are highly politicized.

5.1 Implementing re-inspection fees (Bylaws 14350 and 14360)

This case study demonstrates the complexity of fiscal politics and evaluating revenue increases. A first glance might posture developer increases as hostile to industry, however the facts that re-inspection fees did not apply in Edmonton prior to 2007, increases were padded by information sessions, customer service was improved, the

administration aligned with developers and the Calgary fee was chosen at the behest of developers offer better insight. The point is that Council's control of OSR extends far beyond whether or not certain tools go forward, by how much they increase revenues ai on whom increases are lowered. The multiple ways Council's control of OSR can be us to benefit a community are more critical considerations.

Bylaws 14350 and 14360 originated in a performance audit of the Safety Codes business unit within the Development Compliance Branch of the City of Edmonton. Office of the City Auditor (OCA) staff rode along with Building and Mechanical Inspectors and reported a significant number of developers and renovators (building and mechanical permit holders) requiring multiple safety code re-inspections. Three location out of nine building inspections and one location out of eleven mechanical inspections required re-inspection: homebuilders had not remedied previously identified deficiencies had no building plans on site, were unprepared for specific inspections (vapour barrier and insulation inspection) or re-inspection was booked prematurely (before appliances like furnaces were installed) (OCA, October 3, 2005, p. 15). In a follow-up report, staff indicated that "th[e] assessment fee for additional inspections is not currently being applied by the Development Compliance Branch" (p. 15). Bylaws 14350 and 14360 received their names – Implementing re-inspection fees – because previously, fees existed on paper only.

The four day follow-up sample requested by the OCA revealed that, of the 341 permits inspected, "30% required at least one additional inspection" (p. 15). In terms of applying fees, the OCA was content to conduct one re-inspection free of charge – "these re-inspections [58%] add significant value to the inspection process and to public safety

... not assessing an additional fee is appropriate" (p. 16). Its interest was targeting permit holders requiring repeated Safety Code re-inspections – "the remaining 42 percent of re-inspections do not add value, but still consume inspection resources" (p. 16). Re-inspections take place at the request of homebuilders, so "levying a fee to recover the costs of unnecessary re-inspections would likely promote positive behavioural changes" (p. 16). The OCA also noted that departmental productivity would increase if there were fewer redundant re-inspections.

According to a 2006 estimate, the unit conducts 5,600 re-inspections per year; if the fee applied to repeat re-inspections in 2006, it would have yielded $118,000. The OCA determined that the existing $50.00 fees were not proportionate to the staff resources exhausted during the re-inspection process. It gave Calgary's $158.00 fee as the exemplar (p. 16). The report confirms that re-inspection fees are not a revenue raising device, but a tool to improve customer service to the development industry.

> "This [change] may require that the Branch host some information sessions with home builders. The OCA believes that communicating inspection-related expectations to the development industry (and also homeowners working on enhancement projects) along with appropriate bylaw requirements will translate to a better customer service for the overall development community (p. 16).

The willingness to forewarn relevant publics so that they have an opportunity to change their behaviour before penalties apply is notable. The excerpt continues "[a]nother means of communicating expectations could be to print additional fee conditions on building permits" (p. 16).

The OCA formalized its recommendations in a chart; the first column contains its recommendations and the second the "Management Response and Action Plan". Recommendations three, four and five applied to Safety Codes; that re-inspection fees be

applied consistently, that they be increased and that departmental expectations and the process of re-inspection be clarified to developers (p. 17). Management 'Comments' indicated that consultations had already begun, that an education campaign was in order and that builders repeatedly requiring re-inspections would be targeted in information sessions. Given that all Recommendations were 'Accepted' by Management, Management's hesitance to support Recommendation three is interesting: "A codified process reflecting what is taking place now, which includes discussion with the industry and specific builders, will be developed and if fee increases are warranted, they will be brought forward in Bylaw form" (p. 17). Similarly, the 'Comment' on Recommendation four begins "[t]he Branch will document a process..." (p. 17). Because of the departmental interest in prior consultation, Management's 'Planned Implementation' date for the Recommendations is December 2006, just over a year from the OCA reports' publishing date (October 3, 2005). The 'Comment' on Recommendation five alludes to management's fear of disrupting the department-industry rapport. "The Department has ongoing and regular channels of communication with the industry and will continue to focus on this issue" (p. 17).

Re-inspections were brought up by Councillor Leibovici in the "2007 Budget Questions By Councillor": "What revenue will [the Planning and Development department] experience from changes to building code inspections as approved by Council?" (December 1, 2006, p. 71). The staff response minimized the impact of changes on municipal revenues:

> "The City Auditor estimated that 42% or 2,352 inspections should be assessed re-inspection fees creating revenue of $118,000 annually. The Branch believes the number is quite high...Both the City Auditor and the Department agree that the purpose of the more rigorous reinspection fees is designed as a deterrent and not

> intended to generate new revenue. The Branch's view is that the anticipated revenue from the re-inspection fee will be less than $10,000.00 in 2007" (December 1, 2006, p. 71).

Recall the $118,000 figure was calculated using the $50.00 rate deemed insufficient by the OCA and that Management 'Accepted' the Recommendation to increase rates. Significantly lower than the number of re-inspections witnessed on the OCA ride-along and the four day follow-up sample, Planning and Development staff expected only twenty re-inspections for 2007.

In Edmonton's budget deliberations, (held from mid to late December) Councillor Thiele put a motion

> "[t]hat the Planning and Development Department 2006 Operating Budget - Assessment area in the Re-Inspection Program, be increased by 4 FTEs [full time equivalent positions] and costs to be covered by the revenues generated by the re-inspection process" (CC minutes, Budget deliberations 2005, p. 23).

The motion was amended to allocate funding for more staff from the general tax levy. Although it lost, comments speak to the purpose of increased revenues: Increasing human resources for the Planning and Development department.

Later in the deliberation period, Councillor Leibovici put a motion "[t]hat a sliding fee scale for reoccurring inspections be prepared ... and that a report responding to the Auditor's recommendation be provided by February 2006" (p. 101). It was due February 14. She responded to the dismissive tone pre-budget by asserting dominance in deliberations: the motion fast-tracked the report turn-around time by ten months, confirmed that rates would be increasing and that repeat offenders would be targeted.

Staff uneasiness is expressed early - the first paragraph of the report. "This report outlines the Department's concerns with this change [advanced implementation of OCA

recommendations and Council's suggestion of a sliding scale]" (2006PDD010, p. 1). The report raised two primary "customer concerns" (2006PDD010, p. 1). First, that the sample taken by the OCA overestimated the issue of multiple re-inspections: "It is a dramatic solution being sought for a relatively small problem and might this solution cause more problems than it solves" (p. 1). Planning and Development staff disapprove of Council's attempt to expedite the consultation process: "The Department had intended to do a more comprehensive review of data by the December 2006 date and has not had time to do that review for this report" (p. 1).

The second issue is phrased best by staff:

> "The Department's relationship with home builders is very much a consideration in this discussion... Administration, CHBAE (Canadian Homebuilders Association Edmonton Region) and the CHBA-Edmonton (Canadian Homebuilders Association) have developed a very close working rapport over the past ten years where we have gone from very little communication with each other to having a very close working relationship... This working relationship is very important to the Department because it allows both the industry and the Department to work together to solve problems ... If problems do arise with a certain builder ... we have found that by calling them in for meetings to discuss these issues have been very effective and has enabled us to continue the good working relationship that we have maintained over the years. Instituting these re-inspection fees without an opportunity to discuss other options could have a detrimental effect on the working relationship we have developed ... In conclusion, the Department is of the view, based on the information at hand, more will be lost by implementing a more rigorous re-inspection fee than will be gained" (p. 1-2).

Basically, the department would rather preserve its informal, isolated approach than defer to generalized regulations and financial penalties. The report closes with three suggestions for how to proceed, "[s]hould Council wish to proceed" (p. 2). Staff indicate that they ought to be satisfied before considering changes.

1. Complete a more detailed review of the data to provide a better sense of the scope and nature of the issue.

2. Consult with our major stakeholders such as the home builders and get their input into how this may be achieved and to search for alternatives.
3. Consult with other municipalities to see if they have problems with re-inspections and if so, see how they are handling the situation" (p. 2).

The report's penultimate point insists on the need for more time and the ultimate point introduces a brand new issue: enforcement. "These steps could not be completed before December 2006...It should be noted that enforcement regarding the collection of these fees would be very challenging. Further work would need to be done by the Administration to determine an approach" (p. 2). In the February 14, 2006 CC meeting, the three steps were approved with one addition: that staff "[p]repare a sliding fee schedule for recurring inspections" (p. 8). The report was scheduled for return on June 20, 2006. Despite staff's attempt to delay, not implement and not increase fees, only Councillor Thiele was opposed to the motion.

The June report discussed a new data sample that was collected by Planning and Development. It was larger than the OCA sample, no third-time re-inspections were recorded and only 14% of Safety Code inspections required a re-inspection (the OCA estimate was 42%). The report revealed that other cities charge re-inspection fees - Calgary charges $158, Vancouver charges $120 and Winnipeg charges $62 – and fees apply under other conditions – the application excluded from Edmonton's previous mechanical and building code legislation was if "approved plans [are] not on site for a requested inspection" (2006PDD016, p. 1). The report states that, because so many developers in Edmonton are also developers in Calgary, for purposes of consistency, "[a]dministration recommends that we charge the same fees that Calgary does which is

$158" (p. 1). The final point confirms Planning and Development's role as a mouthpiece for the development industry:

> "The Department has discussed the possibility of the institution of a more rigorous re-inspection fee process with some individual builders and their reaction is that if there is to be change it would help to be consistent with Calgary. In addition the proposal has been forwarded to Canadian Home Builders Association - Edmonton Region to provide opportunity for members to submit comments to the Planning and Development Department" (p. 1-2).

What follows is one sentence describing what a sliding scale could resemble, "[i]f Council wishes to use a sliding fee scale" (p. 1).

On June 20/21, 2006, the motion to consider the departmental report was amended to include. It was amended to include a second part, "[t]hat Administration prepare an amendment to the Edmonton Building Permit Bylaw implementing a re-inspection fee of $158" (CC minutes, p. 19). Of the three applications that followed, two were already in the building and mechanical permit bylaws and the third was borrowed from other cities. Five members of the thirteen person Council were 'Absent' for the amendment: Mandel, Krushell, Melnychuk, Phair and Sloan (p. 19). Four Councillors were 'Absent' for the motion, as amended: Mandel, Krushell, Melnychuk and Phair. Amendments were due on August 29, 2006.

Two staff reports were returned to CC on August 29 – one concerning Bylaw 14350, amending the Building Permit Bylaw, and one concerning Bylaw 14360, amending the Mechanical Permit Bylaw. Bylaws 14350 and 14360 themselves were attached to reports. The content of staff reports is identical. The 'Position of Department' is that "Planning and Development Department supports this Bylaw" (2006PDD032; 2006PDD050), yet the 'Justification for Recommendation' states that "[t]he proposed

bylaw conforms to Council's direction" (2006PDD032; 2006PDD050). Although departmental support for bylaws is the convention, 'Justifications' usually include pithy arguments summarizing bylaw benefits. Planning and Development might not have 'sold' the bylaws because it did not want to be associated with legislation that increases costs to industry or simply because it did not need to - Council was pushing changes, the speed of changes, higher rates and wider applicability of fees on staff. Re-inspection fees were the only increase I can recall in which the staff 'Justification' is deference to Council.

Both bylaws were carried, with between two and four Councillors 'Absent' for each of six motions in total. Mayor Mandel and Councillor Thiele were consistently 'Absent' (CC minutes, August 29, 2006, p. 21-22). Effective January 1, 2007, Planning and Development received roughly as much time to consult as it initially requested. This case illustrated where staff influence lay: the timing of increases. While CC was asserting control over administrative activities, staff's response to the pre-budget question and the first report were dismissive, effectively elongating the consultation process. The implication that no one is above municipal Council has as much relevance in departmental corridors as it does for the development industry – Council was asserting itself as much as the rule of (by)law in 14350 and 14360.

Edmonton's commitment to policy evaluation, formal reviews and formalizing key processes, like business unit performance evaluations and permit re-inspections, initiated the increase. They are part of a broad city mandate to monitor and improve service and performance standards. Re-inspection fees are covered in the "Effective, Efficient, and Economical Service Delivery" section of the OCA report (2005, p. 1-2, 12-14). Informal processes for re-inspections and applying fees weakened industry

compliance to municipal bylaws. Further, staff's lack of consideration for the human resource cost of re-inspections, willingness to disregard select regulations, to not lower fees on the development public and to accommodate group interests in the process of change advises industry of the power imbalance and leaves the 'working relationship' prone to abuse.

The re-inspection fee also relates to the rule of law in terms of bylaw enforcement. When the time the OCA audit was written, the OCA determined that

> "[t]he Development Compliance Branch deploys a reactive service delivery approach to municipal bylaw enforcement. Bylaw enforcement is primarily initiated by a citizen complaint to the Development Compliance Branch call centre" (p. 12).

Bylaws 14350 and 14360 are part of the move towards the pro-active approach to bylaw enforcement praised in the Branch Audit.

> "Being proactive in bylaw enforcement is about actively working to change citizens' behaviors...The voluntary compliance rate is an indication of the citizens' willingness to freely comply with expected behaviors as defined in the City's bylaws. Achieving compliance through enforcement action (such as fines or corrective action taken by the Branch) consumes significant resources including follow-up costs and court time. Edmonton's voluntary compliance rate is 90% (reactive approach) compared to Calgary's voluntary compliance rate of 95% (proactive approach)" (p. 13).

Improving compliance through education, consultation and stronger deterrents for Safety Code re-inspections are proactive measures designed to save enforcement resources.

The takeaway message from this case was that not all increases are created equal. They are not all burdensome. Re-inspection fees were justified because of business benefit and their amount was chosen by developers for administrative ease. They do not account for special treatment in past. They are not all administered by staff. Planning and

Development staff went to bat against the OCA and CC for developers. The amount of fees is not always adequate to the cost of service provision. Their purpose is not always to increase revenue. Re-inspection fees were intended to change developer behaviour and increase the voluntary compliance rate. Even in a city with a sophisticated administration and clear division of political and administrative power, the extent to which increases impact relevant publics determines the potential of increases to divide the municipality and delay policy improvements.

5.2 Increasing the Ed Tel Endowment Fund dividend (Bylaw 14709)

Bylaw 14709 demonstrated that corporate objectives revolving around economic competitiveness successfully probe revenue increases in Edmonton. This case demonstrated that analysis of municipal revenues based on property taxes and user fees is incomplete; it demonstrated how Council can use others' high regard for property tax rates to its advantage. CC pads the tax burden through revenue cross-pollination between non-property tax sources and property tax burdens and by introducing miscellaneous fees and charges encountered later in the (re-)locating process.

The possibility of an increased Ed Tel Endowment Fund[37] dividend emerged in the City of Edmonton's 2006 budget deliberations[38]. Several motions involving Ed Tel revenue were put relatively early on in the deliberation period; a motion to award the Edmonton Nordic Ski Club Snow Making $300,000 – $250,000 from Ed Tel - was put on page ten and a motion to fund an Artificial Surfaces project in the amount of $1,421,000, all from Ed Tel, was put on page seventeen. Both motions indicated that one-time

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[37] The City of Edmonton sold Edmonton Telephones to Telus in 1995 and put the proceeds in an Endowment Fund. In 2004, the Fund's value was estimated to be between $589.1 million and $631.3 million (Edmonton, 2004, p. 24).

[38] Edmonton's budget deliberations are recorded in one document.

funding would be from the "Ed Tel Fund special dividend, if available" (p. 10, 17). They were postponed to pages 106 and 110 respectively. The order is relevant because a motion on 'Ed Tel Income' - "That Administration bring forward the necessary bylaw amendments and schedule the required public hearing to increase the dividend from the EdTel Endowment fund on a permanent basis by $3 million thus reducing the overall tax levy requirement" (p. 52) – was postponed to page 104. CC first needed to decide whether or not the Fund's revenue capacity would increase and could then consider projects eligible for funding. Thus far, two reasons have been given for increasing the dividend: fund one-off amenity-type projects and subsidize the property tax rate.

Property taxes are an extremely sensitive funding source in Edmonton's budget period because the general tax levy is the catch-all funding source for projects that accumulate throughout the year. That the budgetary context somewhat foreclosed the general tax levy as a funding source speaks to time-specific pressure to diversify and revenue category-specific interest in diversification – specifically investment-related income with invisible targets. That projects requesting funding cite the dividend specifically suggests that projects were not transferrable to the general levy if Council decided not to increase the dividend.

Though Mayor Mandel re-put the motion to increase the dividend, it was withdrawn and replaced with a motion "[t]hat Administration prepare a report for Council, through Executive Committee, to explain the steps required to amend the EdTel Endowment Fund on an ongoing basis" (p. 105). The report was due on February 7, 2007. Councillor Thiele was 'Opposed'. This is a watered down version of the original motion, though it is unlikely that the main purpose of increasing yields changed.

The February report reviews changes to the ongoing dividend formula made by the previous CC:

> "**Next Year's Dividend** = 70% (previous year's dividend + inflation) + 30% (previous year-end fund value x spending rate)[.]Note: the spending rate is currently set at 4.75%" (2007COF013, p. 1). The other major change was to inflation-proof the regular dividend: "**Upper Surplus Trigger (15%)** – if the fund value exceeds the inflation-adjusted principal, at the end of any given year, by more than 15%, a one-time dividend increase of 25% may be considered...**Lower Protection Trigger (10%)** – if the fund value falls below the inflation-adjusted principal, at the end of any given year, by more than 10%, the subsequent year's dividend will be reduced by 25%" (2007COF013, p. 1).

In Edmonton, the capacity of OSR is significant: The regular dividend yielded $32 million in 2007 and the special dividend earned $8 million in 2007 (2007COF024, p. 1). The capacity of Ed Tel relates to Albertan municipalities' ability to set up utility operations and privatize them. The previous Council's amendments increasing the dividend are an important part of Ed Tel's financial legacy. Changes made by the previous Council are also important for understanding how CC envisioned its revenue raising options in 2007.

The report discusses three possibilities for increasing Ed Tel yields. The first two tinker with the annual dividend: increase the base dividend (the previous year's dividend) or increase the spending rate.

> "[T]he spending rate is determined in conjunction with... the funds policy asset allocation... An asset allocation review determines the optimal mix of assets (bonds and stocks) in order to generate the required investment returns to pay the dividend over the long run... The spending rate is the expected long-run (e.g., ten years) real (after inflation) rate of return of the fund, based on the fund's asset mix of 60% equity/40% bonds" (2007COF013, p. 2-3).

The 2007 spending rate was determined by an external review in 2004; a new rate would run the same course. The report qualifies option two - "a 4.75% real rate of return is at

the more aggressive end of the spectrum, given the fund's existing asset mix" (p. 3). To increase the rate of return, Edmonton would have to increase the proportion of equities to bonds; equities outperform bonds because they are riskier. Option two would also increase the dividend's short term volatility. The third option was "to make a one-time extraordinary dividend withdrawal" (p. 3) from the special dividend. The report closes by warning CC that a long term vision needs to accompany any change; the high proportion of equities in the Fund makes it susceptive it to short term volatility (p. 3).

In the February 7, 2007, Executive Committee meeting, Mayor Mandel moved "[t]hat Administration prepare an asset liability study for the May 2, 2007, Executive Committee meeting" (p. 5). It was carried unanimously, though the report due date was extended on the 2 to the 16. The report indicated that the asset liability study was conducted by the investment consultant retained previously, Towers Perrin. The criteria used to evaluate Council's options were revenue stream (level of the ongoing dividend and the probability of a one-time dividend) and risk (potential for excess earnings and for the funds' value to drop below inflation adjusted principal). Consultants supported staff conclusions (2007COF024, p. 1). With the existing asset mix, the existing annual dividend structure offered the best long term results.

The report combines options one and two, (increasing the spending rate and the base dividend) and discourages further consideration of option three (p. 1). The report considers a 5% spending rate, which "would require the fund to take on a more aggressive asset mix of 70% equity/30% debt" (p. 2). From the revenue stream perspective, both the regular and special dividends would increase by $2.6 million annually and the base dividend would be increased in 2008. The probability that the city

would receive a special dividend with a 5% rate and an increased base dividend - 53% - is just above that with the existing formula - 52% (p. 2). Risk is also slightly higher - the probability that the fund value drop below inflation adjusted principal is 3% higher than with the existing structure. The other factors were market conditions and the timing of the increase:

> "[G]iven that Canadian equities are up over 110% since the start of 2003 and equity market returns are expected to be much more moderate in the period ahead (5 years), the timing of a decision to increase the equity allocation could be considered poor" (p. 2).

A high percentage of equities relative to bonds is risky and made riskier by the projected market downturn. But because of the downturn, to achieve the same revenue stream, spending rates would have to increase. If Council chose option one, staff committed to reviewing new asset classes like real estate to stabilize the fund.

Considerations for option two, the one-time option, varied with the amount extracted, which could have been between $25 and $100 million.

> "[I]t is important to note that as the level of withdrawal increases, both the regular dividend and the probability of the fund paying a special dividend decrease... The key risk variables also deteriorate as the level of withdrawal from the fund increases... City Council has to weigh the benefits that are achieved from what the one-time dividend withdrawal is applied to versus the cost of withdrawing these funds and therefore, the reduction in the expected future dividends and excess earnings" (p. 3).

In essence, staff was asking CC to evaluate property tax reductions against the stabilizing effect of re-investing and continuation of Ed Tel's financial legacy to the City of Edmonton.

In the May 16, 2007, Executive Committee meeting, Councillor Anderson put a motion "[t]hat Administration report back to Executive Committee on ways to increase

the annual return from the Ed Tel Dividend Fund in order to increase the contribution to the annual operating budget" (p. 4). The motion received unanimous support and staff were to return the report on July 11, 2007. CC's preference is for option one. Diverting the regular dividend to operating expenditures, (which determine the tax rate) on a continual basis solidifies the connection between diversification and managing property tax increases over the long term. CC is not doing new things with new money but altering how it pays for existing things, who, or what, pays for existing things and the distribution of revenues between different categories of revenue.

The July report recommends three amendments to the Ed Tel bylaw and timelines for bylaw readings and the public hearing. "To achieve a sustainable increase in the ongoing dividend, Option 1 – Increasing the spending rate from 4.75% to 5% with a corresponding review and possible change in asset mix is proposed" (2007COF053, p. 1). The other recommendations are increasing the base dividend for 2008 onward and calculating the rate of dividend on June 30, rather that December 31 (p. 2).

> "At the May 16, 2007 Executive Committee meeting, concern was also expressed that the declaration of a special dividend came after budget deliberations which caused City Council problems in setting spending priorities...[The change] should allow for each subsequent year's dividend to be known and therefore, part of the next year's budget deliberations" (p. 2).

This is another way Council is building the property tax relief function of the dividend into the city's fiscal machinery.

The 'Legal Implications' outlined state that amendments require a non-statutory public hearing, though informing the public is also included in the 'Justification for Recommendation'. "Scheduling a public hearing will permit those interested in the bylaw to attend the hearing ...Advertising will ensure that the public is aware of the proposed

changes" (p. 2). Because increasing the dividend is a clear attempt to reduce the property tax burden, advertising it in the Edmonton Journal is sound public relations. It informs the educated and tax publics about CC's initiatives to diversify, develop creative revenue strategies and ensure continued competitiveness. On July 11, the Executive Committee referred the staff report to CC with no recommendation (p. 6).

CC considered the report six days later. The motion for staff to draft bylaw amendments, hold a first reading on August 28, 2007, and, if successful, a public hearing on September 11, 2007, was supported by the eleven Councillors present. The amending bylaw was due at the first reading (July 17, 2007, p. 16-17). The staff report explaining Bylaw 14709, amending the Ed Tel bylaw, contends that, "[i]f the amendments to the bylaw are passed, the 2008 Ed Tel Endowment Fund dividend will be raised to $35.2 million and this amount will be reflected in the City's 2008 budget" (2007COF073, p. 2). Bylaw 14709 had staff support above and beyond the Corporate Services Department: "Others Approving this Report [include] D. H. Edey, City Clerk, Office of the City Manager" (2007COF 073, p. 2).

On August 28, Councillors moved that Bylaw 14709 and two unrelated bylaws be read for the first time. The motion received unanimous support (CC minutes, p. 9). No one showed up to the public hearing on September 11 (p. 13). Councillor Leibovici was 'Absent' for the second and third readings of Bylaw 14709 and for the motion to set the spending rate at 5%. All others supported the three motions (p. 13-14).

Given that increase touches no one while benefitting all business and residential constituents, it is difficult to think of a demographic that would disagree with the increase. Neither can it be said to be equally beneficial – moving away from tax revenue

to investment revenue weakens the potential for redistributive measures, degrades the connection between municipal taxes and public services and jeopardizes revenue stability (thus, service reliability). Increasing the proportion of revenues yielded from invisible revenues can have serious consequences for people who use municipal services and property tax rates in bad economic times.

CC's choice was between one of two options to increase revenue - whether or not revenues would increase was moot. (This is in stark contrast with the approach taken by RC, for which increasing revenues is an issue in and of itself.) The question was how to do it. Whereas a one-time dividend would have decreased the regular dividend over ten years, increasing the spending rate would increase returns over the long term. Increasing the proportion of equities relative to bonds also increased, so CC's willingness to take risks and adopt a long term vision for city revenues suggests an important role for leadership in Edmonton's fiscal policy choices. Executive Committee origins are also important.

The language of a bullish investor is used to describe the ongoing dividend option in staff reports. Option one dealt with an aggressive mix of assets, optimized the mix to maximize returns and revenue stability over the long term (2007COF024, p. 2; 2007COF013, p. 2). The use of financial jargon demonstrates departmental expertise, which is verified externally, plays to CC's business acumen and demonstrates Edmonton's technically sophisticated approach to revenue raising. The criteria for evaluating municipal options to increase revenue is similar to the criteria used to make investment decisions in the private sector.

Council's size, focus, the structure of administrative reports and the turnaround time of reports also facilitates technical, investment related revenue increases. Consider how long it would have taken RC's twenty-four micromanagers to understand several investment options and make a decision. Because HRM does not dabble very heavily in investment revenue, staff have little experience in this area. Therefore, it would take much longer to write reports, Council would require more reports and more COW meetings. This is one way in which environments conducive to increases are self-reinforcing, as are more hostile arrangements. Once certain patterns and relationship dynamics have been established, they are difficult to break free from.

Another conducive factor lay outside minutes. In 2004, Mayor Mandel made a campaign promise, ("one of my key campaign promises" (Stephen Mandel quoted in the Edmonton Journal, April 10, 2006)), to set up an innovation fund. The fund is "a pool for $150 million to serve as a permanent source of capital for new enterprises in a variety of technology fields, such as medicine, agriculture and plastics" (Edmonton Journal, April 10, 2006). $25 million (one-sixth of the cost) was allocated to Ed Tel, so increasing the annual dividend might have been rooted in fulfilling the promise.

Dividends would not increase until the next year, 2008, which was also the first year of a new political term in Edmonton; incumbency and public satisfaction levels with CC were also conducive to the increase (McKeen, 2007, p. 1). If members of Council, especially the Mayor, were not favoured to return to office in 2008, than there would have been less of an incentive to implement a policy whose spoils would be accredited to another Council. That the previous CC took steps to increase returns from Ed Tel and showed interest in leaving a fiscal legacy of its own solidified the theme of the fund

determined at inception: endowment. All of this would be moot had Edmonton not enjoyed corporate powers, like setting up utilities for revenue, so the fact that CC had Ed Tel to sell is another consideration.

The lesson learned from the increased dividend is that revenue increases can be used to cities' strategic advantage. This is especially the case in Edmonton because the use of unconventional sources is extensive and the capacity of OSR is high. CC increased revenues to shift the tax burden between different groups (from taxpayers to invisible targets) and categories of revenue (property taxes to investment income).

5.3 Reporting fee for pawn shops and second hand stores (Bylaw 13821)

Bylaw 13821 demonstrated how Mayoral power can be used to delay increases and benefit important publics. It also demonstrated that the public may never know how or why this is the case, or what the Mayoral incentive is for accommodating group interests. Two themes of fiscal politics in Edmonton were woven through this case: Council's adversity to increasing the cost of doing business and the gravity of the user pay principle for the municipal administration. The reporting fee also clarified the extent to which taxes in Edmonton are understood as burdensome.

The 2004 municipal election in Edmonton took place on October 18. Just over a month earlier, on September 14, 2004, CC held the first reading of Bylaw 13821, an amendment to the business license bylaw that levied reporting fees on pawn and second hand stores. Yields were earmarked for Edmonton Police Services (EPS), which would manage an electronic tracking system for items coming into the stores. A majority of Council members, (ten) had experience with 13821 prior to the election – including

supporting it on September 14, so it is appropriate to begin with the report before CC on the 14 (CC meeting minutes, p. 10-11).

The report indicates that, in 2002, CC passed Bylaw 13213 regulating pawn and second hand shops.

> "Pawn and Second Hand Shops have been given special consideration within the municipal Licensing Bylaw since the early 1900s... EPS states that the majority of Edmontonians do not use any form of pawn service. This type of business requires an extra level of policing compared to other business types" (2004PDD030, p. 1).

To ensure no pawned goods were stolen property, 13213 required stores to submit a list of transactions. They were long (over 200,000 items annually) and they were on paper. "It is difficult for EPS to make full use of this list in a timely manner to identify and recover stolen property" (p. 1). The municipal administration and EPS were collaborating since 2002 to develop an electronic reporting system to remedy delays with the current system.

> "EPS estimates that their effectiveness in tracking and retrieving stolen goods will improve by nearly 75% when the recording and reporting process becomes electronic. This speaks very strongly to crime prevention and reduction, a primary goal of EPS" (p. 1-2).

Tendering to select the best system was the methodology approved by the Edmonton Police Commission (p. 2).

The report clarified that the existing tracking system had associated costs, as would an electronic model. The estimate for implementing the new model was $170,000. Who would pay was the most important issue tackled in the report. It suggests that maintenance of the paper system was funded from the general tax levy.

> "This Bylaw provides a mechanism whereby costs can be recovered without burdening the taxpayer... Without this Bylaw amendment the costs will have to be absorbed within existing EPS resources" (p. 2).

The rate schedule is a compromise between technical logistics and the user pay principle.

Roughly fifty pawn and second hand stores operate in the City of Edmonton and depending on inventory, stores would be subject to one of six fees, with higher fees associated with more inventory. The first bracket paid nothing and the sixth paid $12,000. A fee per transaction was considered, but was rejected on the basis of "fair[ness] [and]...accounting difficulties" (p. 2).

The report recommended a first reading, forwarding staff report 2004PDD030 to the Community Services Committee and scheduling a non-statutory public hearing (p. 1).

The 'Justification for Recommendation' was

> "[w]hile Pawn and Second Hand Shop operators and their provincial association know an electronic recording and reporting system is coming, the opportunity for input through a non-statutory public hearing is the best way to permit all facets of this issue to be discussed and debated" (p. 2).

This sentence captures the Edmonton's approach to industry engagement in the context of increasing municipal costs. Industries cannot veto legislation, but municipal interest in forewarning and accommodating industry in changes gives industry influence over the process and specific outcomes. Staff's expectation of industry hostility could flag additional municipal flexibility on the issue of reporting fees. Although industry may not support the bylaw, it should acknowledge that the processes used to consider it were inclusive.

On September 14, 2004, CC passed motion to hold a public hearing in the Community Services Committee on November 8, 2004 (p. 11). The report distributed on the 8 recommended November 24 as the hearing date and tailored the governing procedures for the hearing. On November 24, nine members of industry delivered presentations to the Community Services Committee. Minutes also note that

> "[c]opies of a letter and date-stamped envelope from the Planning and Development Department, received by W. Boyko [of Play it Again Sports], informing him of the November 24, 2004, non-statutory public hearing on Bylaw 13821, were distributed" (p. 2).

It is mandatory to publically advertise some hearings, though staff reports do not indicate that advertising was a legislative necessity in this case. Instead, personalized invitations were mailed out to a select group of stakeholders within the relevant public. That the municipal presence (five city staff and four Councillors) equalled the industry showing demonstrates Edmonton's commitment to consultation.

After the hearing closed, Councillor Gibbons put a motion to make three recommendations to CC (p. 2). The first was amending the draft Bylaw so that reporting fees would be halved for all categories of stores for the first year and that, rather than coming into effect three months after passage, the bylaw be effective immediately after it is signed. The second recommendation was to proceed with Bylaw readings and the third was for staff to report back to the Committee after 13821 had been implemented for one year (Community Services Committee minutes, November 22, 2004, p. 2-3). Staff were to report back to evaluate "the effectiveness of Bylaw 13821 one year from the date it comes into force" (p. 3). The motion was carried by councillors Batty, Gibbons and

Melnychuk. Councillor Hayter, the fourth member of the committee, was 'Opposed' (p. 3).

The focus on an accommodating process is notable. That twenty pawnshops are established in Ward 3, Councillor Gibbons and Melnychuk's Ward, is also significant (Kent, 2009). Phasing in program costs slows the transition to an electronic system, ensuring fees do not shock the business environment in which stores operate. It is assumed that EPS would cover the other half out of its own existing budget and that tax payers would continue to be 'burdened' by tracking system costs. Regularly reviewing policy is a primary task of Edmonton's municipal administration. Review holds the promise of reconsideration, so the bylaw was probably effective sooner so that it could be reviewed sooner. To sum up, one amendment draws out the process of accommodation indefinitely while another fast tracks the timeframe for reconsideration by three months.

On CC's November 30 meeting, in the section 'Time Specifics and Decisions to Hear', Councillor Hayter, seconded by Councillor Leibovici, moved that the Bylaw "be dealt with as the first order of business" (p. 8). Mayor Mandel left the meeting while the City Manager and City Clerk responded to Council's questions. When he returned, he put a motion

> "[t]hat the November 24, 2004, Community Services Committee report CR-13 be referred to the Community Services Committee for further discussion to hear from J. A. Bryan, Bryan & Company, on behalf of the Alberta Pawn Brokers and Second Hand Dealers Association, and other members of the public" (p. 9).

Both J.A. Bryan, Bryan & Company and Company and the Association attended the first hearing. Mandel's interest in a second hearing and feedback from a wider audience was likely motivated by industry dissatisfaction with the results of the first hearing.

Delegating the issue back to the Committee level gives industry another opportunity to negotiate. Though Mandel is acting against the Committee recommendation and motion to proceed with the readings, only two Councillors were 'Opposed': Melnychuk and Thiele. The date of the next hearing was January 31, 2005 (p. 10).

The entire CC attended the January 31, 2005, Community Services Committee meeting, which is unusual. (Mayor Mandel voted in five motions that day and put one motion himself.) Councillor Melnychuk initiated discussions on Bylaw 13821 by putting a motion about the hearing process. Like the first hearing, the procedures were tailored. What changed was the detail used to describe speaking time. The first procedure indicated that "[e]ach speaker will have up to five minutes to make his or her presentation" (2004CMC055, Attachment 1, p. 1). The second added to this that

> "[t]he "green" light will come on at the start of the five minutes, followed by the "yellow" light when one minute is left. At this point the presenter is requested to sum up the presentation. The "red" light will come on at the end of five minutes" (Community Services Committee minutes, January 31, 2005, p. 6).

The second time around, the hearing was not the sole order of business, so the Committee sought a more orderly, time-conscious process. Councillor Hayter was 'Absent', but the other regular Committee members supported the process.

J.A. Bryan presented a report entitled ""Electronic Reporting of Bylaw Information Cost (Savings) to the Edmonton Police Service"" (Community Services Committee minutes, January 31, 2005, p. 7). Minutes record that Mayor Mandel entered the Committee meeting at this time. He stayed long enough to hear one industry representative and four staff responses but left in time for the vote. A motion, put by Councillor Batty immediately followed his departure (p. 7). The first two parts did not

change from the first hearing (amendments and readings). The third, that staff would report back after one year, was replaced with the following:

> That Administration and Edmonton Police Service prepare a report for the Community Services Committee prior to the renewal of the 2006 licenses [which would include the reporting fee for the second time] which outlines the following:
>
> a) Indication of successes related to crime prevention as a result of the new electronic reporting system.
>
> b) Review of how many transactions were undertaken by each licence holder compared to the estimated costs for the 2005 year.
>
> c) Detail of how much money was generated and passed on to Edmonton Police Service by this reporting fee.
>
> d) Detail of how much money was actually paid to Edmonton Police Service contractor.
>
> e) How much money was saved as a result of the new system.
>
> f) How to introduce regulations to Flea Markets (p. 7-8)

The tone of evaluation requirements has changed considerably from the first hearing. Whereas the user pay principle has considerable weight in Edmonton, suspicion of Edmonton Police Services has swung the burden of proof of the system's efficacy to staff. Police services already gave an estimate of the improvement in tracking items with the electronic system - "nearly 75%" (2004PDD030, p. 1-2). With the new amendment, EPS has to prove a connection between electronic reporting and crime prevention, as well as cost savings. The introduction of Flea Markets was likely the result of industry concerns that they were being targeted unfairly because fees did not apply to similar operations. The three regular Committee members supported the motion and Councillor Hayter was again 'Absent' (Community Services Committee minutes, January 31, 2005, p. 8).

On February 8, 2005, Bylaw 13821 appeared under "Second and Third Reading Bylaws" (CC minutes, p. 9). Councillor Leibovici, seconded by Councillor Thiele, made a motion to postpone 13821 and an unrelated bylaw until March 1, 2005. Minutes do not include the grounds for the delay. The motion was carried; Mayor Mandel, Councillors Gibbons and Phair were 'Absent' for the vote (p. 9). On March 1, Councillor Batty made a presentation and moved "[t]hat Bylaw 13821 be read a second time, with the following amendments" (CC minutes, p. 9). That 13821 would be effective immediately after signing and costs would be reduced by half for the first year carried over from previous discussions. What is different is that she specifies the time schedule for payment: "quarterly instalments" (p. 9). After industry correspondence was received and staff answered Council's questions, "Mayor S. Mandel vacated the Chair" (p. 9). What follows in the minutes is Mandel's motion "[t]hat any Member of Council who may wish to do so be allowed to speak for an additional five minutes" (p. 10). His motion was carried with Councillor Melnychuk 'Absent' and Councillors Gibbons and Krushell 'Opposed'. The motion to give 13821 with amendments a second reading was carried by a majority. Those 'Opposed' were Mayor Mandel, Councillors Hayter, Leibovici and Nickel. Those absent for the vote were Councillors Gibbons and Krushell. A third reading followed with the same distribution of votes (p. 13).

The next vote is about the Police Services report (CC minutes, March 1, 2005, p. 13). A motion by Councillor Batty, seconded by Councillor Melnychuk, carries over the items from the second public hearing, including that the report would be due before issuing 2006 licenses, (the report was due on November 7, 2005) and that the bylaw would be effective immediately after signing. Because 13821 bounded back and forth

between CC and Community Services Committee meetings and an additional hearing was scheduled, EPS had only eight months to administer the system before reporting on its benefits. The motion passed with Mayor Mandel and Councillor Nickel 'Opposed' and Councillors Gibbons and Krushell 'Absent' (p. 14).

Not all relevant publics are equally relevant. Bylaw 13821 included a significant degree of industry accommodation, the use of Mayoral power - including sidelining members of CC and the findings of the community services committee - to business benefit, the influence of informal discussions between politicians and industry, divergence from the user pay dogma, two public hearings with special procedures and personalized invitations. The city is interested in maintaining a stable operating environment for businesses and pawn and second hand stores have been accommodated in past municipal bylaws. Second hand shops are part of what makes Edmonton unique. Edmonton was probably more willing to accommodate second hand type stores in 2007 because the group had come to expect accommodation.

As seen in the three cases, revenue policy in Edmonton emerges from review – there is a constant push to improve and update policy. Review was occasioned by an internal audit, Council direction and inefficient policy. Because revenues are already sewn into policy, review does not instigate a discussion about whether or not an increase is necessary. The most important result of the fact that increases emerge from review is that revenue increases can stand on their own – the entire policy is not up for debate every year. Revenue increases often have their own bylaw that amends a larger policy. But because Council wants to ensure the relevance and responsiveness of policy, altering the revenue elements is a tool of general policy management.

Chapter 6. What makes some municipalities better at city-building than others?

Halifax and Edmonton are two very different places. Halifax is a large, diverse area on the East Coast of Canada. Edmonton is much smaller and land locked. HRM's budget is about one-third of Edmonton's. Revenue profiles differ most clearly on the distribution of revenues between different types of revenue. There are only two revenue categories that HRM collects more than 10% of its revenue from: taxes and user fees (Figure 1). Edmonton collects 10% or more of its revenue from four sources: taxes, the sale of goods and services, subsidiary operations and government transfers (Figure 5; Figure 8). RC's priorities were primarily about building up a baseline of services and development throughout the region, whereas CC's initiatives were geared to promote economic development. 2004 began Mayor Mandel's first term as Mayor; in 2004, HRM had been lead by Peter Kelly for four years. There is a clear division of power in Edmonton between Councillors and staff and between CC and various committees. The division is blurred in HRM between the administration and politicians. RC rarely delegates policy items to specialized or small committees. Revenue increases in Edmonton are situated in policy reviews. In Halifax, revenues are increased as a result of the need to legislate in a given area. The influence of structure and agency further distinguish municipal behaviour in the use of discretion.

Council does not vote in a vacuum and the political will to increase taxes is not the only ingredient in successful increases. Theorizing each city's overall capacity building strategy nuances Council's willingness to expand the use of OSR. It considers other forces conditioning the use of OSR, including less visible, less formal and more formal influences. The insights offered by institutional theory and urban regime theory

break down into how structure-based issues (government issues) and agency-based issues (governance issues) affect the use of OSR. Certain institutional frameworks and governance agendas are overtly favourable to building capacity, while other combinations are relatively adverse to municipalities increasing local taxes and developing new capacities to govern.

Chapter six discusses the question, what makes some cities better than others at building capacity, in two parts. The first part responds in terms of institutional design. It looks at how features of the intergovernmental landscape, notably the MGA, effect a municipality's capacity building efforts and its progress with revenue diversification. The second part answers the question by way of regime analysis. It deals with the place-specific need for increased capacity and the incentives for increasing capacity in particular ways.

6.1 Application of Institutional theory

6.1.1 Institutional analysis of HRM

In NS, municipal institutions are envisioned as agencies of the provincial government; HRM is no different. As the province's largest municipality, however the depreciating statutory framework in which to increase local capacity is significant. Before 1996, the City of Halifax was a Charter City. The Act to Incorporate the Halifax Regional Municipality passed in the provincial legislature in 1995 (Vojnovic, 1998, p. 266). In 1999, the Municipal Government Act replaced the HRM Act not only for HRM, but as the incorporating legislation for all municipalities in NS. While the pattern has been declining local autonomy with every change in legislation, changes themselves advertise provincial dominance and municipal subordination. Though HRM was outfitted with a

Charter in 2009, the region's previous experience with Charters is cold comfort. Four changes in fifteen years is an unstable legislative climate in which to diversify.

The MGA, (which applied to HRM during the period of study) was prescriptive with regard to the parameters of municipal authority. When it was being written, the Union of Nova Scotia Municipalities (UNSM), a rural-based association, requested limitations on omnibus powers initially outlined in the MGA. That most municipalities did not want more authority increased the province's ability to decide what municipalities would do and how they would do it. A few examples follow. Rate-setting provisions for property taxes (Sections 72 and 73) permit all municipalities to set separate rates for urban, suburban and rural areas. In HRM, differentiating rates across three areas is mandatory. Section 5 sets the maximum rate for the deed transfer tax at 1.5%, though the MGA provides a floor for rates more often than a ceiling. The minimum tax per dwelling unit is set in Section 74. The combination of itemized responsibilities and minimum rates does nothing to encourage municipalities to 'think big'. Provisions like these reduce the range of choice about how to distribute the costs and benefits of capacity building because they do not envision municipalities as capable decision making entities geared to representing local concerns. One result is that revenues remain relatively monoculture and continue to be dominated by property taxes to a degree not found in other hubs (Lidstone, 2001, p. 7).

Another feature of the NS MGA common to MGAs in other provinces is that municipalities cannot plan for deficits in their operating budgets. Whereas part of city-building is hostility to jurisdictional supervision, HRM reiterates provincial controls on raising OSR: "Under the Municipal Government Act (MGA), HRM is not allowed to

budget for an operating deficit. As a matter of general policy, it does not budget for operating surpluses" (HRM, 2006-2008, C5). Cities in other institutional contexts have approached this issue differently. Edmonton has a Council Contingency Fund, for example.

Provincial budgetary decisions demonstrate how municipalities' formal subservience works in practice. Amalgamation – *HRM* - was a budgetary decision. Disentangling and amalgamation took place simultaneously. Disentangling increased some of HRM's costs (rural roads, police, fire and transportation services) and decreased others (social services and justice services) (Vojnovic, 1998, p. 273). Municipalities are vulnerable to more regular forms of provincial unilateralism because "[t]he Municipal Government Act requires that municipalities make payments to the Province for services provided by the Province" (HRM, 2007-2008, C6). This has consequences for the predictability of resource levels, political allocation strategies and general management capacity. HRM's mandatory contributions to provincial services like education, corrections, housing and assessment services amounted to 15.7% of HRM's operating costs in 2006 (HRM, 2006-2008, C13-C-14). HRM officials may expect that if HRM's capacity to finance provincial services improves, NS will draw more heavily on local revenues.

As a result, HRM is not only protective of its OSR and service portfolios, but of the small scale of municipal operations as well. This helps explain minimal ambition to build capacity and hesitance to increase revenues. RC was increasingly territorial following NS's 2005 decision to cap municipal property tax assessments, not least because capping foreshadowed the need to explore unconventional revenue territory.

The most significant implication of provincial budgetary decisions for relative fiscal autonomy is that fiscal decision making on RC always invokes the province. The most common feature of discussion on new OSR options are that they should not have to happen, Councillor comments on provincial extractions from municipal coffers, high interest in lobbying other spheres for more money and a more equitable fiscal arrangement between the three orders of government. When OSRs do not increase, Council's justification is its unwillingness to raise revenues in support of provincial mandates (RC minutes, December 7, 2004, p. 11; COW meeting, November 7, 2006, p. 3-4). While provincially initiated entanglements (as a result of municipal restructuring, disentangling, mandatory contributions and capping) are viewed in municipal corridors as abuses of power – HRM has no choice about compliance - RC volunteers fiscal entanglements of its own. HRM's past experience with intergovernmental largesse has reduced the need for local fiscal leadership and innovation. Volunteered entanglements might be justified because mandatory entanglements have degraded municipal fiscal authority and reduced municipalities fiscal and decision making capacity.

But because municipally determined entanglements are reactionary and result in politically optimal outcomes – no municipal tax increase or low increase – the role of local political choice needs to be clarified. In Halifax, municipally initiated entanglements concern the lack of political willingness to develop OSR capacity. While the intergovernmental hierarchy in NS and contemporary provincial budgetary decisions might downplay the idea of cities for city-building, HRM has reacted in ways that enshrine subservience rather than increase autonomy.

Provincial conceptions of municipal finance thwart revenue diversification in HRM. Municipalities in NS are required to file financial statements based on the same template with Service Nova Scotia and Municipal Relations. (If the connection between provincial services and municipal government was unclear, merging them on a department level offers clarification.) Whereas diversification increases the complexity of revenue profiles and financial reporting, the department requires the content of financial statements to be basic (HRM, 2006-2007, C6). This distorts the complexity of HRM financing. The format and content requirements encourage municipalities to think of themselves as the same, which is degrading for the provinces' most demographically and economically significant municipality. Likewise, it encourages them to keep operations basic. This may be ideal in rural areas, but it penalized urban areas with higher demands for services and more complex needs. The more HRM diverges from the rural archetype, the more work it has to do to reintegrate its activities into the provincial accounting paradigm. This is an unfavourable regulatory climate in which to diversify, as well as expand governance capacity, which may explain why a municipality that is exceptional it its region chooses to remain conventional in its finances.

6.1.2 Institutional analysis of Edmonton

The institutional context in Edmonton is markedly different than HRM. Edmonton's last boundary change was in 1979, when the city applied for a significant annexation of adjacent territory through the Local Authorities Board. The provincial Cabinet overturned the Board's favourable response and gave Edmonton 86,000 acres of land, which was less land and land in a different area than requested (Tindal & Tindal,

2004, p. 92-93). This approach to accommodating the growth of urban areas suggests that treating big cities differently is legitimate in AB[39].

Passed in 1994, AB's MGA was overhauled in consultation with the Alberta Urban Municipalities Association (AUMA) and included AUMA suggestions. The MGA contained the first iteration of two enabling concepts critical to the development of municipal incorporating legislation in Canada: natural person powers and broad spheres of jurisdiction. (Broad spheres of jurisdiction in particular were unpalatable to rural municipalities,

> "which...[saw] the Provincial Government withdrawing its historical rural support service such as model bylaws and regulatory advice. Now even the legislation would be providing no guidance as to regulatory content" (Lidstone, 2004, p. 28 quoting Inlow, 1994).

The stable and enabling institutional environment may help explain Edmonton's relatively diversified revenue profile. At the outset of respective political terms, Edmonton received 40% of revenues from taxation compared to HRM's 66% (Figure 5; Figure 1).

The MGA envisions municipalities as heterogeneous institutions with flexible jurisdiction. It describes several municipal forms: urban municipalities are cities, towns, villages and summer villages and rural municipalities include Municipal Districts, Specialized Municipalities and summer villages (Sections 77, 80-82). The ability to opt out of MGA provisions by bylaw allows the mix of municipalities to cater functions to the local context. Giving local people the ability to choose how they will be governed and how broad legislation will apply to them sews into the MGA a respect for municipal

[39] The size of the province, the existence of two hubs, the rapid growth of those hubs and the urbanization of a traditionally rural province also justify different treatment.

decision making and local self-determination. This has translated into a confident, capable approach to engaging the province.

Big cities' hostility to arbitrary provincial action was proven in 2002. After a successful Mayoral lobbying campaign in 2000, AB agreed to share $0.05 cents per litre of fuel sold in Edmonton and Calgary with the two cities. Two years later, it announced plans to dilute the fuel tax sharing agreement. The decision was reversed after high profile mayors at the time (Bill Smith in Edmonton and Al Duerr in Calgary) joined forces to lobby the provincial government to climb-down (Berdahl, 2002, p. 15). Big cities have come to expect provincial accommodation, whereas HRM is caught up in a culture of dependence. (This may be because HRM receives less money from the province or in spite of it. At the end of respective terms, Edmonton's use of transfers for total revenue – 18% - was much more significant than HRM's use – 8% (Figure 8; Figure 4).)

With respect to function, "[t]he *Municipal Government Act (MGA)* requires municipalities to provide a council, chief administrative officer, disaster services, a land use bylaw, and property tax and assessment notices" (Department of Municipal Affairs, 2010a). Minimal mandatory services means that municipalities have experience with discretionary mandates, providing unlegislated services and choosing the package of services to provide. "In Alberta, urban municipalities have been responsible for providing water and wastewater services to residents for more than 100 years" (Department of Municipal Affairs, p. 125). (Fire services and roads with sidewalks are other unlegislated services.) There is a long standing expectation that municipalities do more than what is required. In this context, financial planning and local ambition take on new meaning.

Other MGA themes are relational. Section 205.1 holds that the CAO must receive a written performance appraisal every year from Council. This manages the political-administrative relationship and reminds municipalities of the hierarchy between political and administrative roles (Masson & LeSage, 1994, p. 73). Bylaw reading requirements expedite Council's decision making process in Council meetings and ensure some form of cohesion amongst Councillors. All readings can take place in one meeting, but before a proposed bylaw is read for the last time, all Councillors must consent to a third reading. CAO evaluations and reading requirements amount to less back and forth between staff and Council and focused decision making in Council meetings.

The strongest undercurrent in the MGA is that municipalities are envisioned as business units. Natural person powers, for example, extended Albertan municipalities abilities that corporations enjoyed for significantly longer (BC Local Government Department, 2010).

The head of the municipality holds the title Chief Elected Officer (Section 150.1). Though municipalities can change the name to Mayor or Reeve, the function remains the same – that of a chairperson. Councillors perform business functions, including program monitoring and policy evaluation, to ensure the relevance of services and balance of local needs and wants. With a low baseline of mandatory services, Council's evaluation role can also serve to scale back operations relatively quickly and respond to the business cycle and other economic and demographic dynamics.

Whereas municipalities have flexibility with property tax assessments, administering assessments themselves, the MGA outlines many specific user fees, including for photocopying services, community hall rental and recreation facilities

(Department of Municipal Affairs, p. 123). By leaving property taxes open and itemizing fees, the MGA encourages municipalities to isolate services and charge for them individually and proportionate to the costs of provision. In Edmonton, property taxes correspond to property values; they do not include payment for services usually attached to property ownership. On the other hand, mandatory municipal functions – political representation through a Council, a CAO to administer Council's policies, disaster services and land use bylaws - cannot be funded through user fees. It is reasonable to believe that the remaining two mandatory services – property taxes and assessments – were designed to fund these four core functions. The more services a municipality provides beyond them, the more generously it can apply user fees. The demand for services is higher in urbanized regions, so Edmonton's wide use of user fees is one result of the local public economy envisioned in the MGA. It also means that population growth and individual wealth are important determinants of OSR capacity. The subsidization of the property tax with other revenues and the move away from the property tax for revenue to the sale of goods and services and subsidiary operations are two ways CC has satisfied this vision. Whereas low property tax rates are thought to make a city more attractive to first time home buyers, CC's complementary interest in large scale projects, festivals, amenities and downtown beautification increase the profile and liveability of Edmonton.

The MGA closely connects between individual municipalities and private enterprises. For example, tax agreements, also called special franchises, are outlined in Section 333.1. Agreements between a municipality and a company exist "to collect a payment based on a fixed percentage of gross revenue rather than collecting property tax

on the company's machinery and equipment assessment" (Department of Municipal Affairs, 2010b, p. 123). Agreements predict that municipalities will deal with individual corporations to set specific rates and that municipal revenues will respond to periods of economic growth and decline. A strong business environment benefits municipal revenues directly. Further, because revenues are sensitive to growth and Edmonton relies on non-property tax revenue extensively, population growth and a competitive business environment are necessary to meet municipal resource requirements. This helps explain CC's business focus, including adversity to charges that increase the cost of doing business, responsiveness to industry concerns and priority of improving the local business environment. That yields are tied to growth is especially significant for large municipalities with significant expenditure and revenue requirements. In order to collect the revenues necessary to provide a wide range of services, again, several of which are not obliged by legislation but human need, municipalities are designed to privilege business interests.

Municipalities are also in business – they can set up utility services as a branch of a line department or as companies. Choosing the latter "may mitigate liability that a municipality may have in operating a utility...[because]...it is self-financing, with its own revenues, expenditures, assets and liabilities" (Department of Municipal Affairs, 2010b, p. 125-126). According to Edmonton's Utility Fiscal Policy, utilities are to be self-financing. One offshoot of this is that prices for services provided by utilities aim for full cost recovery. Though municipalities have the ability to subsidize utility services, they do not necessarily do so (Department of Municipal Affairs, 2010b, p. 126). From 2004-2007, CC pushed waste management services, land drainage and sanitary sewers to

achieve self-financing goals by increasing user fees. The objective behind regular increases was to eliminate tax levy support for operations (2004PWW127; 2005PWD124). In terms of Edmonton's fiscal policy ideals, the benefits principle far outweighs the ability to pay. To some degree, this is build into the MGA, and thus predetermined. The ability to subsidize, however gives municipalities choices about how far to extent bottom line type logics. Edmonton's choice was to intensify the corporate ideology guiding service provision.

If services are provided by a corporate entity of a municipality, the elected government may become removed from rate increases. Moreover, the services provided to residents of one municipality are not necessarily provided by that municipality – services can be provided by an externally owned utility enterprise or, as provided by Section 124, services (like building inspections) can be contracted out to private companies. Urban municipalities have the critical mass to establish utilities and provide services to less populous municipalities. Because utilities are a viable revenue source (16% of Edmonton's revenues in 2004 came from subsidiaries) and municipalities are legally better off to set up separate utility corporations, the more growth a city experiences, the more pressure it feels to develop business-like practices like set up for profit subsidiaries and make business decisions based on liability and profit. That Edmonton is the sole shareholder of EPCOR[40], operates three utilities, a land enterprise, Mobile Equipment Services and Community Services under an Enterprise Portfolio indicates that business functions are highly internalized. CC's political willingness to increase revenues may well stem from the regularization of fee increases, professional and sophisticated administration, desire to decrease property tax rates, adhere to the

[40] which provides power and water to much of Western Canada.

benefits principle and invest in magnetizing, distinguishing amenities. CC's city-building strategy is informed by an overarching need to promote continued growth and economic stability.

Municipal-provincial relations and municipal incorporating legislation offer valuable insight into what makes CC ambitious and what accounts for RC's lack of ambition to increase capacity. Cities have different levels of capacity to begin with, it is more difficult to build capacity in some places than others and cities are not all geared to be interested in city-building. HRM was amalgamated in 1996, at which point it eliminated more than 400 staff, it is bigger and less developed than most hubs. In short, there is a lot to do and few resources – financial and administrative – to do it (Vojnovic, 1998, p. 269-270, 273). RC does not have a city to build; it has an urban region. NS municipalities do not have natural person powers, so they have less legislative discretion than municipalities in other provinces (Lidstone, 2001, p. 6). HRM has less discretion than other NS municipalities. Part 22 of the MGA outlines additional responsibilities for HRM alone. The establishment of five Community Councils is dealt with in Section 521. As the largest municipality in the province, it costs more to service HRM than it to service other places. But except for grants in lieu from HRWC and fine revenue from the use of pesticides, HRM has the same revenues as much smaller municipalities.

Because HRM is so tightly controlled, it has taken on unlegislated provincial services (like gyms), it has more responsibilities and arguably less money with which to provide them than other municipalities, taking on new responsibilities is not seen as a way to increase municipal authority; it decreases overall capacity by spreading resources more thinly. Where revenue increases are attached to new legislation, municipal officials

may believe that NS will draw more heavily on HRM revenues, in which case increasing revenues will not be used to carry out new policies. This may be why RC is not interested in expanding its governance capacity and rejects staff attempts to do so. Amalgamation, mandatory contributions to provincial services and tight legislative control undermine HRM's authority. Many MGA sections provide for Ministerial intervention and aim to ensure municipalities are acting 'within the provincial interest' (Lidstone, 2004, p. 21, 49). These clauses encourage municipalities to view themselves as subservient to the province, but also as an extension of it; they stand in direct opposition to the idea of cities for city-building.

In large part, experience makes Edmonton a strong city-builder. In contrast, respect for local decision making capacity and leadership are sewn into the AB MGA. Municipalities are treated like competent government authorities. CC attempts to increase its sphere of authority via pursuing discretionary mandates strengthen the city's claim to this status. In addition, like some provinces have an Intergovernmental Affairs department, AB has a department of Municipal Affairs. Increasing revenues expands Council's authority to determine how to provide the services that the city provides, how to fulfill unlegislated mandates and Council priorities. Legislative flexibility means that municipalities in AB can city-build if they so choose. CC has a strong ability to distribute the costs and benefits of city-building.

Another incentive to city-build is that revenues are tied to business and population growth, (including the consumption of municipal services, services provided by Edmonton utilities and franchise fees); these were explicit CC priorities. With few service obligations and high revenue capacity, municipalities, especially urban municipalities, are

expected to go beyond the call of legislated duties. Human life (water services) and business climate stability (protection services) depend on it. Edmonton and Calgary expect accommodation and do not tolerate being treated like the 'junior partner'. They are self-confident municipalities and their leaders know that urban regions drive the provincial economy despite its resource wealth and municipal functions make cities economically viable (Nichols Applied Management, 2002, p. 2, 6, 9).

6.2 Application of Urban regime theory

6.2.1 Regime analysis of HRM

The urban regime in Halifax was born in intense geo-political fragmentation and significant resource needs. Following a $40 million, locally financed, amalgamation, HRM was saddled with a massive territory to service and rudimentary finances with which to service it. Governing HRM proved difficult for predominantly rural Councillors. High profile events like the HSP failure and management of White Juan did little to restore local confidence in the regional municipality.

Peripheral Districts' preference for slow change, slow growth and low taxes is reflected in municipal policy decisions revolving around the status quo. Average household incomes are also relevant. In 2000, HRM's average was $56,361, which is just below the national average and 16% above the average in NS (Tomalty & Cantwell, 2004, p. 8). Differences in land use, density, ideology and demography - HRM sits on two partially urban, partially suburban, areas and two large, mainly rural, areas - do not mean that HRM is ungovernable, but that governance is complex. Combined with RC's keen interest in political legitimacy, it is often undertaken with the support and expertise of other sectors.

The strong federal and provincial presence in the region (in terms of employment, buildings and economic development) has meant relatively less need for private investment and relatively less need to develop municipal governance capacity. Conservative, rural constituencies dominate RC, the provincial legislature and NS's seat allocation in Parliament – facts that have not been favourable to the marginalized groups Halifax attracts as the centre of a have-not region. Because urban social issues are only significant for a few Councillors (those representing downtown Halifax and Dartmouth), RC typically defers to better financially endowed spheres with formal jurisdiction over key heads of power, including health, education and housing; because the MLAs and MPs that form governments find their electors in outlying areas, neither do they have a mandate to address urban issues.

Most revenues are harvested in the urban core, where housing is dense and property values are high. Because RC is still attempting to even out access to services across HRM[41], most revenues are not reinvested in urban areas (Staff report dated June 7, 2007, p. 4; RC minutes, June 20, 2006, p. 10). When there is talk of tax increases, rural Councillors contend their constituents will not support an increase because they will see no benefit from improvements which (they feel) are located in the downtown core. In discussions about devoting revenues raised from core services to core improvements, Councillors state that, especially commercial-type revenues like on-street parking meters and business property taxes, are to be used for the benefit of everyone.

The organizational breakdown of HRM is not functional. In 1998, HRM moved from a Commissioner system to a CAO system (Greater Halifax Partnership, Board of

[41] Or, as far as suburban and rural residents are concerned, align costs to the availability of services.

Directors). Although one of the defining features of the new model was the separation of political and administrative functions, RC seems to oppose separation in principle and undermines it in practice. RC regularly disregards staff advice, takes on administrative roles, like researching bylaws and conducting cost comparisons, and publically defames the municipal administration. The mutual lack of trust, respect for competence and understanding of roles impedes efficient decision making. RC's large size, weak mayor and lack of specific Councillor delegations also help explain fiscal stalemates. HRM's lack of divided authority (no division of legislative and executive functions through an executive committee) and lack of a clear organizational breakdown (RC blends legislative and administrative functions) are significant barriers to increasing capacity.

As if to compensate for amalgamation's excess, RC maintains small scale operations, a slow pace of change and pursues its mandates in concert with the civic and voluntary sectors. Some soft service activities have been initiated and sustained by these sectors independently, for instance trail maintenance, animal services, medical services in the North End, legal aid, accommodations for young mothers, assistance with finding affordable housing (Staff report dated March 25, 2008, p. 2; RC minutes, October 16, 2004, p. 9-10; Senate of Canada, 2009, p. 81-82, 105, 118-119, 237). Providing hard services is more onerous, especially in the early stages of Atlantica, which may be why many significant revenue developments seek to invest in infrastructure, enhance the sustainability of infrastructure and infrastructure financing. For instance the pavement impact charge applies to utilities cutting pavement because cutting reduces pavement's lifespan and, as a result, will have to be replaced sooner than had it not been cut (Staff report dated April 28, 2008, p. 2).

The local regime blends the task of maintenance with middle class progressive interests. Maintenance is important for rural and suburban residents and senior citizens, thus most Councillors, but because of the region's historic significance, environmental issues and urban demographic, progressive concerns are also important. Maintenance regimes involve a non-interventionist local government, the provision of routine services and a desire to keep tax levels down. They seek to maintain what already exists, "which may include a state of decline" (Stone, 1993, p. 18). Usually, rate maintenance refers to re-evaluating rates to maintain similar revenue streams from year to year; in HRM, rate maintenance is maintaining the same rate. This translates Stone's development focus to a tax focus, whereby keeping things 'as they are' "may include a state of decline" (Stone, 1993, p. 18).[42]

The maintenance regime is accommodated in fiscal policy by HRM's stalwart focus on the property tax for revenue. As HRM staff have reminded Council, "HRM has near highest reliance on property tax for total revenue" (COW minutes, February 1, 2005, p. 6). Because RC's overwhelming preference is to not increase OSR or governance capacity, several increases were occasioned by administrative pressure, compliance-based legal issues and provincial actions. When increases are presented in meetings, Council's interest in 'maintaining the status quo' inevitably arises. Its significance is revealed in motions that bylaws go forward with no revenue increase, efforts to delay and decrease the amount of the tax increase, motions about revenue increases that are defeated, the 'Alternatives' section of staff reports and attempts to increase conventional revenues as

[42] This is one way regime theory is difficult to apply to HRM – regimes exist to build capacity and such a desire does not necessarily exist among elected public officials. Though the effect of maintenance may be decline, maintenance itself – upholding certain standards – is active. Leaving rates as they are is passive and intensifies decline by reducing municipal returns annually. More likely, HRM breaks the mould because no regime proper exists.

opposed to unconventional revenues. In OSR discussions, district-specific concerns prevail – Councillors are interested in the effect of increases on their electors, (who are also their neighbours). They are also interested in staff's recognition of district peculiarities and technicalities (for example the impact of EPC increases on water customers without access to a sewer connection).

Holding fast to traditional revenue sources means holding fast to transfers and thwarting staff initiatives to increase the use of OSR. Political risk adversity, micromanagement and followership are major components of the process of fiscal change in Halifax; they are also major determinants of the speed of fiscal change: slow.

Though the maintenance paradigm dominates fiscal policy, progressive elements are also discernable. Middle class progressive regimes' are interested in activities such as "environmental protection, historic preservation, affordable housing, the quality of design, affirmative action, and linkage funds for various social purposes" (Stone, 1993, p. 19). Their task is complex regulation, which is achieved by implementing "inducements and sanctions to gain a suitable mix of activity and restriction" (Stone, 1993, p. 19). The progressive interests relevant to HRM's finances relate to environmental preservation, changes to the downtown aesthetic and charity.

The regulation orientation to progressive regimes helps explain why one of the most common determinants of increases in HRM was to deter undesirable behaviour, under the auspices of which came a number of new and increased fines. Fines line up with typical regulation activities, applying to littering, graffiti, shopping cart displacement, irresponsible pet ownership and using prohibited pesticides, herbicides and

insecticides. Because fines were the most common form of revenue increase, the purpose of some increases is less about raising revenue to fulfill municipal functions than to enforce traditional behavioural standards and collective maintenance of the unique Halifax aesthetic (upon which the tourist economy relies). That fines were the most palatable form of increase to Councillors suggests that there is a connection between the local value of targets and Council's willingness to experiment with increases. The type of tools commonly supported – fines, cost recovery fees and utility or development charges – target very specific groups (miscreants, groups using a disproportionate share of administrative resources and utility companies and developers).

Roughly half of HRM's increases aim to make or keep HRM neat, clean, pretty and quaint. Increases were devoted to the HSP, acquisition of park space and maintenance of private areas. The cost of altering the build landscape also increased: Charges were applied to applications to de-register or demolish heritage buildings and permits for temporary signs were established (Staff report dated May 16, 2006, p. 2-3). Permits aimed to organize and sanitize the right of way (including provisions about sign removal and fines for non-removal), while adding costs to the promotion of certain interests and giving the municipality control over which interests would be broadcasted in the urban, suburban and rural landscapes (Staff report dated June 20, 2006, p. 2, 4).

Charitable activities mix progressive interests with the desire for minimal change. RC inserted itself into the civil sector through new licensing requirements for automatic machines (for vending or entertainment) operated or owned by volunteers and redistributing – donating - yields to another charity of Council's choosing. Investing in civil society builds volunteer capacity to deal with areas of Council negligence (like trail

maintenance) (Staff report dated March 25, 2008, p. 1-2). The other example of fiscal charity is selective property tax exemption for not for profit organizations and property tax exemption or deferral with interest for low income homeowners (Staff report dated January 17, 2007, p. 2). The last word is significant – homeowners. RC will reduce the costs of home ownership for people on the margins but has declined to provide services to marginalized people – including homeless people. One example is HRM's disinterest in the provision of affordable housing and shelters (Tomalty & Cantwell, 2004, p. 23, 27, 29).

Participation incentives for the hybrid regime include low tax rates low for middle class volunteers (taxes would increase if services were provided at cost to residents), political recognition and praise in Council meetings. The promotion of community involvement, encouraging social awareness and environmentally responsible practices are also of interest to progressives. The primary municipal incentive is low taxes, which are good for public relations, apathetic taxpayers and politicians' prospects for re-election (Stone, 1993, p. 18, 20).

6.2.2 Regime analysis of Edmonton

The broad context of regime development in Edmonton is the City of Edmonton's minimal coverage of the Capital Region CMA, relatively high cost of servicing the Capital Region (because of multiple municipal governments overhead costs) and that the region's intense investment pressures, particularly for infrastructure, fall disproportionately on Edmonton. Power is fragmented between municipalities and the market because periods of rapid economic and population growth and subsequent decline sharpen the role real estate developers play in stimulating economic development (Leo,

1995, p. 283). Local capital is highly mobile – twenty-five nearby municipalities lust after Edmonton's growth rate. Especially in periods of decline, Edmonton's efforts to remain the regional hub, including efforts to attract investment, have been used against it (developers have used bait and switch tactics to obtain tax concessions). Proximity to the tar sands also threatens employment rates in market downturns. Because developers employ local tradespersons and development is supposed to stimulate spinoff investments, the development community is especially powerful in hard economic times (Leo, 1995, p. 283, 290-294).

Geo-political fragmentation in the Capital Region has strong implications for Edmonton's use of OSR. The common wisdom is that municipalities with low property taxes attract more development and pull new businesses away from municipalities with higher property taxes. Accordingly, prospective investors have twenty-five municipalities to choose from in the Capital Region alone. Regardless of whether or not rates are as important as municipalities and lobbyists suggest, they are the most visible cost differential. (It is infinitely more difficult to tabulate the initial costs of one project across twenty-five jurisdictions, each with their own definition of charges, way of charging and packaging charges, payment systems, etc..) Edmonton is duly protective of its property tax rates, shifting revenue from non-tax categories to subsidize property tax rates. Edmonton also introduced a few charges which are triggered later in the development process, like increased re-inspection fees and penalties for lagging construction projects. Interestingly, these charges - paid by developers - also pad the property tax – set at a low rate to attract development in the first place. This clarifies how deep the common wisdom

runs in Edmonton - the perception of cost competitiveness is more important that the actual costs of development.

Edmonton divides legislative and executive power between CC and the Executive Committee. The City Manager model severs legislative and administrative functions and Council upholds the division. Administrative issues do not beleaguer Council. Another important condition guiding regime development in Edmonton is that the capacity of OSR is high, but the yield of most revenue sources is dependent on good market conditions, for instance dividends from the land enterprise rely on a bull real estate market and significant returns on investments are contingent on exogenous factors.

Edmonton's regime is predominantly a corporate regime (Leo, 1995, p. 280). Corporate regimes focus on coordinating institutional elites. They promote development interests and shift the costs of growth onto the public sector through the provision of assets like infrastructure. These regimes, also known as development regimes, maintain low tax rates to attract investment, offer tax concessions to builders and aim to ensure the profitability of local development (Stone, 1993, p. 18-19). The role of elite coordination is built into the City Manager system; CC deals with only the most senior bureaucrat on a regular basis. Because the administrative and political arms of the municipality are formally separate, elites have to coordinate to devise, execute and evaluate policy. Coordination is also seen in the regional economic development strategy, (which included input from industry and political leaders throughout the Capital Region) and in the destination marketing levy, (in which the Edmonton Economic Development Corporation, a corporate subsidiary of Edmonton, liaised between the municipality and the accommodations industry).

The regime elite are accommodated in Edmonton's fiscal policy in a number of ways. Phasing-out the business tax and replacing it with a non-residential property tax was beneficial to businesses in at least two ways: a wider tax base reduces the tax burden on businesses and moving from two bills, (one for commercial property taxes and one for business taxes) to one reduces paperwork.

Whereas municipal services can be subsidized so that they are more attractive than similar services provided by the private sector, Edmonton sets recreation services, like golf, and transportation services, like parking facilities, at market rates explicitly. Whereas other recreation rates are set in the budget and tend to increase by the same amount across the board, the golf rate is not set until the golf season begins in order to offer a "mid-market price position" (2007CSR010, p. 1). CC was also concerned about a potential increase in Library and Winspear parking fee increases, expressing interest in researching parking rates in the area before proceeding (2006CSW040, Attachment 1, p. 1). Mandel is notoriously averse to increasing the costs of doing business. That,

> "[a]s President of Mandel Group, he was involved in business development, residential and commerical real estate development, construction, as well as operations of hotels and sports enterprises" (Global News, October 18, 2010)

is not unrelated[43] to his approach to municipal tax increases. His personal efforts to thwart the reporting fee for pawn shops included holding a second public hearing, absence from the Community Services Committee vote and opposing the bylaw on all readings in CC.

As far as developers are concerned, one justification for moving the land enterprise to a utility position was to improve responsiveness to industry concerns. Other

[43] This may explain his attempt to privatize two of Edmonton's leisure facilities in 2007.

increases, like re-inspection levies and the arterial road levy, increase developer costs. Both were undertaken with lengthy and delicate communication with industry and both were justified on grounds of business benefit: improve Planning and Development services and increase access to new developments and re-developed areas. Multiple efforts to reign in property tax rates nurture a buyer's market conducive to developer profit. Diversification also shrinks property tax burdens. Investment systematically increased in two service areas clearly connected to the profitability of developments – snow ploughing and transit – were systematically improved.

A key municipal incentive for continued participation is that regime elite in the private sector are important campaign financiers. Mayor Mandel's list of campaign financiers is particularly telling, containing significant contributions from developers and the auto industry (City of Edmonton, 2007a).[44] Another incentive is high local growth rates reflect well on politicians – they sustain the city's competitiveness and surging population. In turn, high growth rates increase municipal revenues and Council's capacity to make its mark on the cityscape. Incentives for businesses and developers relate to profit margins, cost stability, extensive consultation and favourable amendments to bylaws increasing taxes.

Institutional contexts and regime agendas differed significantly between Halifax and Edmonton. AB's MGA has an urban tone and the urban municipalities association was consulted when it was being drafted. NS's MGA carries a rural tone and a rural-dominated municipal association requested that the powers outlined in legislation be limited. (There is no urban municipalities association in NS.) AB's MGA accommodates municipalities of different sizes; NS's MGA homogenizes municipalities because it is

[44] Campaign disclosure forms were not electronically accessible for the 2004 election.

prescriptive and uniformly applicable. AB has recently given big cities more money. NS, on the other hand, increases HRM's mandatory contributions to provincial services every year (HRM, 2007-2008, C6-C7).

The types of regimes that have developed in the two cities are offshoots of their institutional design and leadership capacity. Edmonton's corporate regime is focused on the profitability of urban development, building up regional connectivity infrastructure and coordinating local political, administrative and industry elites. HRM's progressive maintenance regime is keen to hold the line on taxes, use volunteers and civic organizations to provide services and regulate individual behaviour.

Themes in local politics also explain differences in CC's and RC's political ambition. Competition from Capital Region municipalities, the mobility of local capital and the importance of development and business are instructive with respect to the kind of services improved, the kind of revenues increased and the processed used to increase revenue in Edmonton. HRM Councillors, on the other hand, are still feeling the beleaguering effects of amalgamation. RC views residents' ability and willingness to pay for higher taxes as low. The visibility of service improvements as a result of tax increases is limited because of HRM's size. The historic significance of Halifax and the aesthetic significance of downtown heighten the importance of regulation in municipal governance.

Data conclusions

Rural Councillors, RC's hostility toward the province and the municipal administration, as well as its micromanagement approach make capacity building difficult in HRM. Policy wise, Councillors often start from scratch. RC's large size, lack of

effective committees and blurring of political-administrative lines delays policy development and policy consolidation. Amalgamation left a lot of policy work to do, but because the electoral map favours a rural perspective on regional governance and Councillors do not on the specific or general need for increasing resources, much of the work is backlogged. While RC may be over-sized, the administration is understaffed. One of the purposes of amalgamation was cost savings and it was achieved by reducing the number of staff positions. In spite of its large size and diverse land use, limited administrative capacity for a municipality the size of Prince Edward Island moves HRM in the direction of a small, rural municipality. The importance of maintaining the status quo limits the impact of new legislation; new policies were not sufficiently resourced, (private road maintenance and the 25 year plan) and could not be implemented (animal bylaw). Because of its size, diversity and sparing resources, RC maintains a policy of limited intervention, preferring instead to use its legislative role to increase the capacity of residents to self-govern.

The main impediment to capacity building in Edmonton is relevant publics – including staff relations with publics, past special treatment and Mayoral appeasement. The importance of consultation to the corporate regime was seen in the cases about reporting fees and re-inspection fees. While publics can delay, minimize and tweak parts of revenue bylaws, they cannot axe them. CC's special treatment of economically important publics relates to its priority of improving the local business climate, MGA vision of municipalities as business units and Edmonton's geographic positioning, (both in the Capital Region and in a large province with another major city competitor). Edmonton is much smaller than HRM and it has had consistent physical and legislative

boundaries in which to develop policy for longer. Policies are reviewed and revenues are updated regularly. Because of the overall corporate style of management and the importance of money to guide group behaviour in the region, CC uses the revenue subsets of policy to enhance the effectiveness and responsiveness of overall policy. Capacity building is an opportunity to strengthen inter-sector relationships and increase collaboration for optimal political and economic results. Increasing the widespread recognition of the City of Edmonton is important to maximizing these results.

Chapter 7. Conclusion

7.1 Focus

This dissertation submits the beginnings of a framework of the kinds of factors that influence how cities use fiscal tools, including real and perceived constraints on municipalities' ability to increase the use of OSR. The focus of this thesis was embedding the study of fiscal politics in a governance perspective and using fiscal tools as an indication of the perspective of everyday governance. Revenue increases check popular understandings of municipal government by challenging outdated notions about what they do, how they can work within legislative confines and beyond administrative boundaries. Alternatively, by focusing on what municipalities are allowed to do, we close off possibilities for what they could do and the many ways context, circumstantial factors and political priorities defy constitution-type legislation in all spheres of government.

7.2 Findings

HRM revenues continue to be dominated by property taxes; Edmonton's revenue portfolio is much more balanced between different revenue sources. Edmonton's lacking administrative-political tensions and practice of updating revenues regularly mean that CC's revenue discussions are much more straight forward than those in HRM. CC's time is valuable - it meets only twice per month, agenda items are handled by sub- and supra-Council committees and the political term is three years long. RC's time is not prioritized well. Councillors do not agree amongst themselves on the need for revenue increases; staff pressure to adopt new fiscal measures results in administrative-political power struggles and exacerbates divisions between Councillors. The only major decision making body outside of RC is COW, which, including all twenty-four members of RC, is

really just an extension of RC. Regardless, RC meets four to five times per month and sits for a four year term.

Edmonton has to compete for investment because of the fragmented CMA structure and strength of Calgary. Halifax is comfortably situated as the hub of the Atlantic region. Though it has a much smaller population than Edmonton, no city on the East Coast can really compete with Halifax (in terms of population, skilled workforce, growth, etc.). CC's interest in growth is also related to its institutional footing. Albertan municipalities are expected to exceed the mandatory responsibilities outlined in the MGA. RC's lack of interest in increasing capacity relates to municipal-provincial hostility and RC's territoriality with respect to OSR. Business interests and corporate logics guide capacity building initiatives in Edmonton. If there is an interest in building capacity in HRM, it is a reaction to property tax capping, increasing mandatory contributions to provincial services, building up regional infrastructure and discrepancies within the tax system, (municipal tax mates and the availability of services in different areas do not line up well). Overwhelming Council interest in maintaining the status quo means that all changes are slow to develop and incremental.

The general purposes of increasing revenues according to Councillors – whether to sustain basic municipal obligations, create self-sustaining enterprises, enhance resource allocations to Council priorities, etc. – are the strongest determinants of whether or not individual increases are successful because they relate to how Councillors understand their purpose individually, collectively as a Council and that of municipal government. This comes down to the basic issue of whether Councillors want to make things better in some way or want them to stay relatively the same. How Councillors weigh in filters into

Council's relationship with the municipal administration, container province, different publics and treatment of tax increases in the media.

The first research question was why have municipalities avoided increasing the use of OSR? I think the best answer is simply because they can. Both theories supported the idea that municipalities have avoided tax increases because of their expected financial weakness and lack of incentive to increase municipal authority. Justifications for weakness are built into municipal institutions. The intergovernmental sphere is, for the most part, limited to analysis of federal-provincial interactions. Canadian understandings of governance and authority are generally restricted to formal, legal types of authority. Other types, like those municipalities and First Nations' communities lay claim to, are not accommodated in the dominant paradigm. As such, the extent to which municipalities are accountable for urban governance and control of OSR is unclear (Magnusson, 2005, p. 110). Transfer reductions, 'mismatched downloading' and increasing federal and provincial quality standards are a few developments that have forced municipalities' hand to increase revenues. What is interesting is that, given their increasing taxation and service provision roles, the structural shield obscuring municipal control of governance capacity, including revenue capacity, is still intact.

The behaviour of municipal politicians and quality of municipal institutions sustains low levels of civic fiscal literacy. Regular admissions of municipal weakness, limited accessibility of Council decision making processes, uploading blame for poor quality services and apologetic announcements about property tax increases are disengaging and disenfranchising. Their frequency has entrenched low expectations for municipal governance capacity and the public accountability of municipal officials. Low

revenue capacity and transfer dependence may also be politically beneficial. Where they exist, Council capacity building initiatives break from expectations of weakness rooted in path dependence.

AB's incorporating legislation imagined municipalities as corporate bodies and NS' imagined municipalities as administrative sub-units. There are reasons for sustaining low governance capacity in both cases. As corporations, high taxes make cities less economically competitive. Tax revenue especially distorts who uses services, how much they use and who pays for them. Whereas tax increases are associated with relative political autonomy and potentially intervention in the social and economic life of a city, municipal corporations exist to manage land use, make places economically viable and are geared to prefer a hands-off approach to these spheres. Though diversification increases Edmonton's governance capacity, the primary objective of diversification is not to increase fiscal capacity - municipal engagements with the public are unchanged. Increasing governance capacity in Edmonton is not desirable for ideological reasons; in Halifax, it is not desirable for practical reasons. As administrative sub-units, municipal dependence on transfers is logical. Whereas the main purposes of diversification and the growth of OSRs is to strengthen municipalities' claim to independence, there is no incentive to grow beyond grants if municipalities never had any claim to independent authority. Administrative bodies lack the political impulse to expand their sphere of authority.

Taxes are more or less something governments do by and for themselves, whereas regime theory starts from a position that local authorities find strength through collaboration; regime theory may not be well suited to tax analysis for this reason.

Because regimes are born from fragmented power structures and other kinds of weakness, increasing municipal strength may tip the balance of power within existing coalitions, potentially pushing private and civic resources out. Tax increases undermine the municipal incentive to cooperate with other sectors, build consensus and incorporate outside interests. The premise of regime theory is that municipalities do not have the resources to 'go it alone'. Municipalities' ability to tap into private and civic resources makes tax increases to do the same thing – build capacity – less attractive.

Though urban regimes benefit from municipal tax increases in different ways, the regimes dominant in Halifax and Edmonton are relatively averse to increases. Maintenance regimes are explicitly in favour of low taxes. The objective of maintaining the status quo in terms of governance is to regulate individual behaviour; in terms of municipal taxation, it is to provide routine goods and services. Significantly increasing fiscal capacity is not necessary in either case. In Edmonton, tax increases that touch economically relevant publics are broached by institutional elites and materialize through elite coordination. This is seen in the Edmonton's extensive industry consultation efforts, tailoring the development of tax increases to industry benefit and favourable amendments to bylaws that increase taxes. More importantly, CC reduced general property tax burdens and property tax rates, two initiatives that are highly beneficial to businesses, developers and the city's economic outlook.

The theoretical analysis highlighted constraints on revenue raising. Suspicion should arise, however when elected politicians disproportionately point to structural constraints on the development of municipal governance capacity. It is neither an appropriate discursive climate in which to engage city-building, nor a conducive style of

governance from which to engage residents and increase their willingness to pay higher taxes. (One government telling another government to give it more money because it cannot raise local taxes also presents a clear conflict of interest.) The existence of hostile factors helps distinguish between lip-service city-builders and those with a political commitment to building capacity.

In asking, why have municipalities avoided increasing OSR, the question implies that cities have started increasing OSR recently. In doing so, it privileges intergovernmental drivers of fiscal change because the past two decades have been marked by transfer reductions etc.. While graphs may show that municipalities did increase OSR in response to transfer reductions, and my research supports the idea that intergovernmental largesse is substitutive for local increases, the reality is that we have no historical account of municipal fiscal politics, only Statistics Canada. The database cannot tell us what accounted for tax increases when transfers were flowing, what determined the distribution between revenue categories and tax targets or anything about local political determinants of revenue capacity. Regardless, because municipalities are raising more of their own revenue, Council politics matter to revenue capacity and service provision more than ever. Revenue sources are extremely fluid and the influences on municipal revenue capacity are diverse. 'Less money from other governments' does not do the range justice. Indeed, one of the major findings was that the true benefit of controlling OSR is the power to mask control - the power to disguise the political unwillingness to increase taxes with glitches like staff-Council tensions, abuses of provincial power or a public unwilling to pay more.

The second question was what determines which cities increase which sources of revenue? The determinants of a single OSR increase are complex. Explanations for municipalities' increasing use of OSRs that revolve around the behaviour of other spheres of government are lacking because they take local politics and Council decision making for granted. To investigate the last part of the question – the determinants of revenue increases and the kinds of revenue that get increased – the most fruitful comparison was between the two cities that showed the most differences. Choosing the fiscal extremes, (the city using the most sources and the city using the least) distilled consistently important influences on municipal revenue capacity. Tax increases relate to what revenues a city has to work with and the distribution of revenues between categories of revenue, (as demonstrated by initial revenue profiles and the tax work of previous Councils') Council priorities, (because specific tax increases and general increases bring political priorities into fruition) and Council's relationships, (including the relationships between Councillors and between Council and various committees, with municipal staff, provincial authorities, different publics and the media). These determinants of revenue increases helped explain why revenue within certain categories was increasing out of sync with other revenues both inside and outside a particular category of revenue.

7.3 Implications

One of the reasons Council's role in determining revenue capacity is underestimated is fiscal weakness because of structure or fiscal weakness because of agency are not easy to distinguish. For example, NS's laundry list MGA, four changes in Halifax's incorporating legislation over fifteen years and an adversarial history of intergovernmental relations in predominantly rural NS are poor prerequisites for fiscal

city-building in HRM. But because fiscal capacity is selective (RC regularly rejects and lowers staff increases), the majority of increase-related amendments are granted and an implementation lag follows new revenue opportunities (almost three years for Bill C-70), the influence of provincial constraints has been overextended.

The constraints on revenue raising that are focused on in Council discussions are not shared between cities. This has implications for studies of municipal finance done on a general level. I think strong overlap between factors and that different combinations of factors reinforce environments conducive or hostile to increases is the kind of argument that could be used to challenge generalized approaches to studying the fiscal crisis in municipalities.

Because political will is a factor in municipal revenue capacity and municipalities' incorporating legislation is flexible, municipal revenue capacity is also flexible. There are at least two important implications of the fact that the total OSR capacity in one municipality at a given time is not finitely quantifiable. First, local access to fiscal policy tools is partially determined by municipal interest in increasing the use of OSR. Whatever revenues cities are entitled to by way of their incorporating legislation is only half the story – in large part, municipalities have the OSRs they ask for. If a city does not want to raise more revenue, it might not request more fiscal powers. The concept of a fiscal imbalance gets lost in translation when applied to municipalities because it does not consider the relationship between the political will to increase taxes and municipal revenue capacity. Second, evaluating the possible municipal contribution to paying down the infrastructure deficit is difficult to do on an individual city scale. What is certainly true is that municipalities could be contributing more than they are currently,

the accessibility of intergovernmental money for infrastructure offsets municipalities' need to increase local taxes to pay for infrastructure and, in some cases, the availability of intergovernmental directly substitutes for municipal tax increases.

Independent use of a substantial tax base is the most frequent solution for municipalities' fiscal troubles. Municipalities' current treatment of OSR gives insight into the sustainability of funding problems because Council's interest in increasing governance capacity is not a given and issues with the political willingness to increase taxes will not evaporate once a higher yielding tax base arrives.

In the wake of the harmonized federal and provincial sales tax in Ontario and British Columbia, the Great Recession and overflowing electoral rhetoric about 'wasteful spending', there has been a lot of anti-tax discourse. Challenging pervasive anti-tax rhetoric is a tall order for a government with an inferiority complex. Nonetheless, it is an important pursuit for two reasons: in practical terms, because it might be the only way municipalities can grow, and in a teleological sense, because it might be a way to overcome inferiority. The strength of municipalities is related to municipalities' treatment of taxation for a few reasons. Both reflect a similar view of human nature and the role of government in society. If municipalities should grow, it is not because people are anti-social, corrupt and left to fend for themselves in a chaotic world. Taxation is the lifeblood of government; local taxation is necessary for municipalities to be viable governments. If local taxes do not increase, municipalities' role in cities cannot grow according to local priorities.

The two main views of taxation are taxes as a burden and taxes as an expression of community (Hansen, 2007). Views of human nature are especially connected to

municipalities because municipalities govern communities and bodies, (through the provision of services and regulations) directly and municipalities are an extension of communities (Magnusson, 2005, p. 114-116). If municipalities abhor the idea of taxation as an expression of community, than public appreciation for the institution governing communities can only depreciate. If the ideal of local self-rule is a good thing, paying taxes is a symbol of people's commitments to one another and the interconnectedness life in big cities.

7.4 Strengths and limitations

In a field in which very little empirical research has been done, this thesis provides an empirical investigation of how revenue is raised in two cities from the perspective of what was discussed in minutes. That Councils could pose the biggest hurdle to increasing resources because of their own unwillingness to increase OSR is almost unheard of, yet such was the case repeatedly in Halifax. Rather than look at revenue from a technical perspective, I was interested in a political perspective on local decision making, the use of fiscal tools, theorizing revenue choices and the influence of structure and agency on capacity building. By focusing on discretion, we can see the differences in municipal behaviour. I was particularly interested in OSR beyond property taxes and, to a lesser extent, the effect of non-property tax sources on property taxes and how the property tax burden was distributed between property classes.

There are several methodological limitations of the study. Conclusions are not based on a complete data sample. Not all OSR increases were considered, whether because I missed increases, the impact of legislation or motions on revenue was unclear (the creation of reserves in HRM repeatedly had no 'Budgetary Implications', but HRM

probably collects interest on reserve amounts), increasing revenue was a side effect of developments (like increasing the police budget or Regional Plans increasing the density of developments) or because of methodological choices with respect to the focus on diversification and the political willingness to build fiscal capacity (i.e. not maintain capacity by updating rates according to inflation).

COW minutes in HRM and Executive and other Committee meeting minutes in Edmonton were reviewed sporadically - if reading them was necessary to understand increases and for case studies. Edmonton's meeting schedule is decentralized from CC meeting minutes. Because of the number of sub-committees and special Council meetings, like for public hearings, full information cannot be considered to have been obtained from regular CC meetings alone. CC and RC minutes were not consistently cross-referenced with local news sources. When clarification, additional information or external viewpoints were sought, I typed specific subjects into search engines and considered some of the sources returned. In areas where external sources would have been useful, they were not always available.

The number of fiscal tools used by municipalities in a province bears little relation to individual cities' resource needs or the use of OSR. Halifax, the hub of the province in which municipalities used the most tools, has considerably higher resource needs than Edmonton and passes considerably smaller budgets. Further, sixteen of the thirty-six revenue options identified by Statistics Canada relate to property taxes – it is not a database geared to reflect diversification.

The influences on whether or not a city increases revenue are not limited to the five factors. Inter-municipal collaboration, (through municipal associations, regional

authorities or between provincial hubs) economic development strategies and global economic conditions are other strong influences. Institutional analysis and regime theory need history as well. Considering more than one political term would have added depth to the theoretical analysis; considering two municipalities in the same province would have been a better pea tree dish to evaluate the use of discretion because stimuli would have been fairly consistent. A web-based account of increases is also wanting. Interviews with local residents, municipal staff and politicians are important to gage perceptions about municipal revenues, behind the scenes developments, conflict and local events occurring parallel to increases that influenced municipal agency.

Finally, I looked at spending capacity as one result of increases, (especially if specific end results probed increases) but not extensively at the broader spending picture: what services each city provides, allocation to different services, extent of provincial involvement and how services are provided. This left out several big ticket items which help explain the general need for resources.

7.5 Areas for further work

I think three directions for future municipal finance research are particularly promising. First, the field of municipal finance would benefit from the attention of critical perspectives: feminist and gender studies (performativity, dependence and victimization, patriarchy, engendering space and public service provision), sociology (self-government, everyday life, class, redistribution, social mobility and discourse analysis) and postmodernism (fiscal subjectivity, capacity building as socially constructed, deconstruct dichotomies in the municipal literature and paradigm shift in municipal purposes). The second research opportunity is comparing the approaches taken by big city governments

and First Nations' communities to challenge state sovereignty. Three grounds for comparison could be OSR, fiscal autonomy and self-determination.

Cohesive revenue data will probably need to precede humanities analyses. Constructing a database cataloguing the OSRs collected by Canadian hub cities and OSR increases in hubs is the most pressing research agenda because it illustrates the extent of municipal difference, choice and governance capacity. Municipal administrators already research other municipalities' revenue tools and tax rates extensively; indeed, emulation is the most common path to fiscal change. The next step is inter-municipal collaboration to make the work administrators do accessible to the public and make it available in a format that is consistent across jurisdictions. Reviewing different municipal contexts, challenges and capacity building strategies endows people with the tools of civic fiscal literacy needed to evaluate their own city's progress and, if unsatisfactory, to challenge it.

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