

# **Metropolitan Governance in Canada: Observations from Toronto and Vancouver**

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## **Why governance matters**

How metropolitan areas are governed (including the role of local and regional governments, provincial/state and federal governments, civil society, business associations, and non-profit organizations) is important because it:

- affects their ability to coordinate service delivery across municipal boundaries;
- affects their capacity to deliver and pay for services and the efficiency with which they can deliver services;
- influences their ability to share costs throughout the region in a fair and efficient way; and
- has an impact on citizen access to government (the degree to which citizens are involved in decision-making) and government accountability to citizens (how responsive the city is to their demands).

## **Governance models**

There are examples of each of the following governance models in Canada:

- One-tier government model with fragmented local government: In a one-tier fragmented government model, a metropolitan area has a large number of autonomous local government units or special purpose bodies each delivering services within their own boundaries.
- One-tier government model with consolidated local governments: Under the one-tier consolidated government model of urban governance, a single local government is responsible for providing the full range of local services and has a geographic boundary that covers the entire urban area. Large single-tier governments have generally been formed by *amalgamation* (the merger of two or more lower-tier municipalities within an existing region) or by *annexation* (appropriation of a portion of a municipality by an adjacent municipality).

- Two-tier government model: The two-tier government model consists of an upper-tier governing body (usually region, district, or metropolitan area) encompassing a fairly large geographic area and lower-tier or area municipalities (including cities, towns, villages, townships etc.). The upper tier provides region-wide services characterized by economies of scale and externalities (such as transportation, land use planning, and solid waste disposal) whereas the lower tiers are responsible for services of a local nature (for example, local parks).
- Voluntary cooperation (including special purpose districts): Voluntary cooperation involves an area-wide body based on voluntary cooperation between existing units of local government but has no permanent, institutional status.
- Role for senior governments: The national or provincial/state governments can take over the provision of local services such as regional planning and regional economic development. They could also facilitate inter-municipal agreements to improve the coordination of services such as water, waste management, and transit. This coordination function could be done through a national or provincial/state ministry or department.

### **Advantages and disadvantages of governance models**

- One-tier fragmented model: The advantage of small, fragmented local governments is that they are more accessible, accountable, and responsive to local citizens. The opportunities to address spillovers, achieve economies of scale, or coordinate service delivery across the metropolitan area are limited, however. Fragmentation creates a policy environment in which metropolitan-wide consensus is difficult to achieve in areas such as economic development, environmental quality, social and spatial disparities, equitable funding of services, and quality of public services throughout the region. Small, fragmented single-tier governments often engage in voluntary cooperation and participate in special purpose districts that cover the metropolitan area, however.
- One-tier consolidated model: The main advantages of a one-tier consolidated model are better service coordination, clearer accountability, more streamlined decision-making, and greater efficiency. Large one-tier governments can take advantage of economies of scale in service provision. Municipal amalgamations internalize externalities. For example, rural residents outside of the original municipal boundary have to pay for urban services that they use. Furthermore, there is funding fairness in the provision of services because there is a wider tax base for sharing the costs of services that benefit taxpayers

across the region. In terms of disadvantages, a large-scale one-tier government may reduce access and accountability because the jurisdiction becomes too large and bureaucratic. To overcome this problem, in some cases community councils or committees have been established to address local issues, or satellite offices have been set up across the municipality where people can pay tax bills, apply for building permits, pay fines, or access city services. Such devices may increase accessibility (if not accountability) but they may also offset potential cost savings that might otherwise result from a larger government unit. Amalgamation also reduces competition between municipalities, weakening incentives to be efficient, to be responsive to local needs, and to adapt to changing economic conditions. The reduction in competition may reduce efficiency in the delivery of services and again result in higher costs.

- **Two-tier model:** Two-tier systems have advantages in terms of accountability, efficiency, and local responsiveness. The upper tier can deliver services that can have economies of scale and externalities; the lower tiers can deliver local services and be locally responsive. Critics of the two-tier model, however, argue that costs are higher because of waste and duplication in the provision of services by two levels of government. Furthermore, two-tier levels of government are less transparent and more confusing to taxpayers who cannot figure out who is responsible for what services.
- **Voluntary cooperation:** Voluntary cooperation is an alternative way of providing services across a region without resorting to amalgamation. Voluntary cooperation preserves local autonomy, diversity, and the distinct identity of member municipalities. Municipalities can retain their autonomy with respect to expenditure and tax decisions but, at the same time, achieve economies of scale in service delivery and address externalities associated with service provision. There can be problems of accountability, however, when services are provided by another jurisdiction. Redistribution throughout the metropolitan area is not automatic in a system of voluntary cooperation but could be agreed upon by the municipalities involved. The voluntary model can work well when policy objectives are shared by all policy-makers in the various local governments. Thus, there would be no need for any additional institutional arrangements. It may not work so well, however, when there are divergent objectives.
- **Role for senior governments:** Although provincial/state or national takeover of regional services may effectively address the provision of services that exhibit externalities, the provision of services by a senior level of government also raises concerns about local responsiveness. It may be less appropriate for a senior level of government to provide

services because it is further removed from local residents, making it difficult to determine the quality and quantity of output to provide in each municipality. Senior levels of government are likely to be less responsive and less accountable to local residents than a local government.

### **Rationales for municipal restructuring**

- Achieve cost savings: By reducing the number of governments, it is assumed that cost savings can be achieved. In reality, these cost savings do not materialize because of the harmonization of wages and salaries as well as service levels to the level of the highest expenditure municipality.
- Curb urban sprawl: Expanding municipal boundaries allows the municipality to address planning concerns outside of its original boundaries.
- Redistribute wealth across municipalities: Some municipalities cannot provide an average or standard level of service at an average or standard tax rate because their costs and needs are higher and/or their fiscal capacity is lower. Restructuring to include rich and poor municipalities allows all municipalities to provide an average level of service at an average tax rate.
- Eliminate inter-municipal conflict: It is assumed that, by amalgamating municipalities, inter-municipal conflict will be reduced. Unfortunately, this conflict often remains.
- Compete in the new global economy: Larger municipalities are more able to compete on the international stage.

### **Criteria to Evaluate Governance Models**

- Efficiency
  - Ability to achieve economies of scale
  - Ability to reduce negative spillovers (externalities) across local boundaries
- Equity: ability to share costs and benefits of services fairly across the metropolitan area
- Accessibility and accountability for decision-making
- Local responsiveness/competition
  
- The optimal design of government structure depends on which criteria are to be satisfied. Three criteria (economies of scale, externalities, and equity) lend themselves to large government units over an entire metropolitan area; other criteria (local responsiveness and accessibility and accountability) point towards smaller government units. The challenge is to find the right balance between those criteria that are based on economic efficiency and those criteria that are based on responsiveness and accountability.

### **Toronto Case Study**

- 1954: two-tier government (metropolitan tier plus 13 lower-tier municipalities)
- 1967: number of municipalities reduced from 13 to 6 through amalgamations and some functions transferred from lower tiers to upper tier (e.g. policing)
- Early reviews applauded success of two-tier structure. It resulted in the redistribution of the wealth of the central city to the suburbs to provide infrastructure; coordination of land use planning and transportation across the region; and allowed the lower tiers to be responsive to local needs
- 1988: direct election to metropolitan government
- Concerns were expressed in the 1990s about the ability of the Metro government to address issues arising from growth in suburban municipalities outside its borders. Concerns were also expressed about overlapping responsibilities, confusion, and uncertain accountability in a two-tier structure.
- 1998: amalgamation of metropolitan level of government and lower-tier municipalities with a single-tier city (with community councils)
- 1999: Greater Toronto Services Board (GTSB) was created: comprised of elected officials from each of the municipalities in the GTA; no legislative authority except to

oversee regional transit; not designed to be a level of government; no taxing authority; disbanded in 2001

- 2000s: increased provincial role in regional planning (Places to Grow legislation; Greenbelt legislation; Provincial Policy Statement)
- 2006: Greater Toronto Transportation Authority created (now Metrolinx)
- Impact of amalgamation:
  - Better services in poorer parts of the city
  - Stronger role on the national and international stage
  - Higher costs (both transitional costs as well as long terms costs associated with the harmonization of wages and salaries and service levels)
  - Did not address regional issues such as transportation and planning; the province had to step in to address these issues

### **Vancouver Case Study**

- Regional beginnings in the 1900s with the creation of special purpose boards/districts for sewerage and drainage, water, hospitals, and planning
- Regional district system (two-tier, voluntary) for entire province created between 1965 and 1967
- Greater Vancouver Regional District (GVRD), now Metro Vancouver, created in 1965
- Metro Vancouver is governed by a board of directors: councilors appointed by and from 21 municipal councils and representative elected from one unorganized area; weighted voting system applies to budgetary matters; when decisions are about services that only affect one area, only representatives from affected areas vote.
- Operating under Metro Vancouver: Greater Vancouver Water District, Greater Vancouver Sewerage and Drainage District, and GVRD; GVRD owns Metro Vancouver Housing Corporation
- Responsibility for transportation and related services was passed from the provincially appointed BC Transit to the Greater Vancouver Transportation Authority (now known as Translink) in 1998; Translink is authorized to raise revenues including taxes, levies, tolls, user fees

- Metro Vancouver does not levy taxes – sends a separate requisition to each municipality for each service; the division of responsibilities between regional and local governments is determined by the municipalities themselves; Is it regional government?
  
- Metro Vancouver model has been considered to be one of the most imaginative and flexible arrangements found anywhere in the world (Tindal and Tindal, 1995)
  
- More recent criticisms include:
  - Because all board members are part-time regional politicians, no one speaks for region
  - The system of weighted voting is complex and confusing
  - Accountability is limited
  - Financial circumstances vary among municipalities

## Observations from Toronto and Vancouver Case Studies

1. Governance models evolve over time as circumstances change
  - Toronto went from one-tier (fragmented) model before 1954 to a two-tier government model from 1954 to 1998 and to a one-tier consolidated government model from 1998 to the present
2. The advantages of a consolidated one-tier model include:
  - Coordination of service delivery
  - Redistribution among rich and poor areas
  - More influence with national policy leaders
  - More uniform action for urban problems that cross municipal boundaries
3. Consolidation does not necessarily reduce costs:
  - Toronto provides an example of an amalgamation where the harmonization of wages and salaries as well as the harmonization of service levels resulted in cost increases rather than cost reductions.
4. Citizen access needs to be built into consolidated government model:
  - Larger city reduces opportunities for citizen involvement
  - Community councils or boards increase access but also increase costs
5. Consolidated cities do not necessarily cover the entire metropolitan region:
  - The amalgamated City of Toronto is too big and too small – too big to be locally responsive and too small to address regional issues such as transportation and land use planning.
  - Over time, economic boundaries evolve and change; political boundaries are much more difficult to modify. For this reason, there will likely be the need for some inter-municipal cooperation across municipal boundaries or provincial initiatives to address regional issues.
6. Provincial (“top down”) planning or service delivery raises questions about local responsiveness and accountability to local residents.
7. Voluntary cooperation works where regional government is not possible:

- Although voluntary cooperation may not be the best model in terms of efficiency or accountability, it may be more achievable than a full-scale metropolitan government in circumstances where a metropolitan area is too big to be acceptable as a political or administrative unit or where local autonomy is paramount and prevents a consolidation.
  - It can achieve economies of scale and address externalities (e.g. water/sewerage in Metro Vancouver)
  - It preserves local autonomy
  - It could be a step to more formal governance model
8. Voluntary cooperation has problems
- It lacks a regional perspective
  - There is limited accountability
  - Cost sharing across the region is limited.

### **Issues for Further Discussion**

- What is the appropriate role for each of the three orders/spheres/levels of government in a federation with respect to major cities? Does the Constitution restrict the roles of any of the orders of government? What services and functions should each level be responsible for? How should these roles be coordinated? How should services be funded?
- What is the appropriate governance model for large metropolitan areas where services spill over municipal boundaries? If amalgamation is not possible, how can service delivery be coordinated across municipal boundaries? What mechanisms will make governments responsive and accountable to citizens?
- Are there examples of good governance models in federal countries around the world? How do they work? Why do they work? What is the role of each order of government? How are those roles coordinated?