

Creating Opportunities

Taxation, Capital Lot Levies, Special Levies and Fees: How do you look at your budget?

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We often hear the comment that “a municipality should be run like a business”. The purpose behind business is to create revenues, manage expenses and plan for profits. Municipal governments are not a business model in this classic sense. The common business concept is at odds with the nature and role of a municipality. Municipalities exist to provide local services and programs in an efficient and cost-effective manner to their ratepayers. A municipality is to be responsive to ratepayers’ needs and offer cost-efficient services while balancing competing ratepayers’ desires and managing growth. This is an evolving process and requires forward thinking on the part of elected officials and municipal staff to ensure funds are allocated fairly to maintain existing services while planning for future needs and growth. The typical business notion of profits is never part of a municipal budget.

So what is the correct way to plan and analyze a municipal government budget? The answer is complex. Municipalities budget to revenues. They first determine the ongoing costs of current services, future anticipated services and capital expenditure needs. Then accounting for factors such as inflation, increasing operational costs and shifting public needs, they determine what revenues will need to be generated. Revenue in a municipality is primarily generated by real property taxation, special services levies, capital lot levies and fees. There are legal limits to the methods of revenue generation. Simple bottom line expense management to create low or no tax increases are not a true evaluator of a successful municipal budget. Elected officials are ethically responsible beyond their term to anticipate upcoming expenditures and plan for the future while in office.

This is achieved by shifting spending and/or increasing taxes now for the future. This approach is often viewed negatively. Creating consistent tax freezes year after year in inflationary times will simply result in services being cut and sometimes at a great cost to the ratepayers. One opportunity often overlooked in municipal budgeting is recognizing additional areas of revenue generation. Are there areas of revenue generation in your municipality which will offset the expense of increased services and also offset taxation increases? Is the municipality missing opportunities which would allow them to maintain services while still being able to maintain modest tax increases? Asking questions and knowing where to look for these opportunities can result in better budgets thereby providing efficient cost-effective services to the ratepayers.

Our Municipal Team has a lengthy history of leadership in government relations and has broad ranging experience working with all levels of Canadian government throughout western Canada including municipal, regional, provincial and federal. We regularly advise governments, quasi-municipal entities, associations, businesses and individuals on public policy issues and assist them in effective and timely dealings through regulatory matters. Given our Municipal Team's extensive experience across Canada, we are able to bring the most innovating thinking to municipal practice areas including employment law, development law, commercial transactions, energy, environmental, international agreements, technology, regulatory control and real property taxation in order to provide full government relations advocacy and legal services.

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