

PRÉCIS**PREPARING FOR THE FUTURE: FINANCING CITY SERVICES**

The Atlantic Institute for Market Studies released a report in September 2004 titled "Financing City Services: A Prescription for the Future." In the report, Dr. Harry Kitchen argues that cities suffer from a limited tax base and lack of innovative financing mechanisms, which has caused them to neglect infrastructure in order to balance their books. To evaluate new financing options the report employs the "benefits-based" model, which favours policies that levy taxes on those who make use of the services the taxes finance.

While cities could raise property taxes, the report notes that this is not a politically viable option in most municipalities. Instead, cities should consider changes in their property assessment practices, and their use of development charges and user fees.

The report recommends more consistency in the assessment practices for property taxes, noting that industrial/commercial properties tend to be assessed higher than residential properties because they can pass the increased costs on to consumers.

Conversely, the report finds that the uniform application of development charges is inefficient. It supports development charges that reflect the true cost of providing services to each individual property, such that development fees in sprawled suburban areas would be higher than those of highly-concentrated downtown areas.

Finally, the report emphasizes that municipalities must expand user fees in the areas of water, wastewater, solid waste, and public transportation to better cover the costs of providing these services.

In terms of the role other levels of government should play, the report supports the provinces allowing municipalities to "piggy-back" a tax on provincial income or sales tax, and for each municipality to set its own tax rate to encourage competition. It also encourages the use of debt and bonds to finance long-term infrastructure projects. The report is not in favour of the current system of grants, on the grounds that they lack transparency.

The report is also critical of the proposed federal gas tax plan for cities for its lack of transparency. It argues the federal government should only be involved where immigration or urban aboriginal programs pose a particular burden on cities, as cities themselves are not a federal jurisdiction.

For the full report see <http://www.aims.ca>.