FRONTIER CENTRE POLICY SERIES

No. 35

The 2007 Local Government Performance Index

A Financial Analysis of 30 Canadian Cities

by Larry N. Mitchell and David Seymour

November 2007

About the Authors

Larry Mitchell, Senior Fellow is a New Zealander though a Canadian by birth. He has over 30 years active experience of commerce, chartered accounting and since the mid-nineties an immersion in local government finance and policy practice. He services the New Zealand local government sector with extensive financial and policy advice primarily through his "Base Stats with Trendz" statistical reports to over 30 New Zealand Councils. Larry is working with the Frontier Centre to lead, develop and deliver the Canadian Local Government Index a major initiative designed to assist with performance improvements of the Canadian local government sector. Larry graduated B Com, (Auckland University) in 1967. He served as a pilot in the RNZAF before taking up public accountancy practice. Following over twenty years experience as a partner in Coopers and Lybrand's Auckland office in 1996 he graduated Master of Public Policy (Victoria University) majoring in public sector finance. He operates his own international local government consultancy business from Puhoi, 40 km north of Auckland, New Zealand.

David Seymour BA BE – is the Saskatchewan Policy Analyst at the Frontier Centre for Public Policy working out of the Centre's Regina office. He holds degrees in Electrical Engineering and Philosophy from the University of Auckland, where he also taught Economics. After working as an engineer in New Zealand he is applying his passion for high performance government to policy issues on the Prairies. His major project is the Frontier Centre's Local Government Index, while he also takes interest in housing, environmental and fiscal issues.

POLICY SERIES NO. 35

THE Local Government Performance Index - A Financial Analysis of 30 Canadian Cities

The Frontier Centre for Public Policy is an independent, non-profit organization that under-takes research and education in support of economic growth and social outcomes that will enhance the quality of life in our communities. Through a variety of publications and public forums, the Centre explores policy innovations required to make the eastern prairies region a winner in the open economy. It also provides new insights into solving important issues facing our cities, towns and provinces. These include improving the performance of public expenditures in important areas like local government, education, health and social policy.

The authors of this study have worked independently and the opinions expressed are therefore their own, and do not necessarily reflect the opinions of the board of the Frontier Centre for Public Policy.

MB: Suite 25 Lombard Concourse, One Lombard Place
Winnipeg, Manitoba CANADA R3B 0X3
Tel: 204 957-1567 Fax: 204 957-1570

SK: 2353 McIntyre Street
Regina, Saskatchewan CANADA S4P 2S3
Tel: 306 352-2915 Fax: 306 352-2938

www.fcpp.org

Date of Issue: November 2007
ISSN 1491-78

Acknowledgments

The Frontier Centre wishes to recognize the generous support of this project by the Lotte & John Hecht Memorial Foundation.

Table of Contents

Executive Summary

The 2007 release of the Frontier Centre for Public Policy's *Local Government Performance Index* (LGPI) collected some 3000 data points concerning the 2005 financial performance of municipalities in Canada's 30 most populous jurisdictions. While this inaugural report forms a baseline for future editions, which will contain more detailed data with year over year time series perspective, a number of trends have already emerged.

The LGPI presents this data in a series of theme-based sections called topics. They examine levels and origins of municipal revenue, levels and destinations of municipal expenditure, levels of long-term debt, public reporting standards and the balance between municipal activities judged core and non-core.

Revenue levels and origins present diverse results with much less variance in the city size and regional group trends, noted in other topics, than there is between the municipalities within those groups. While larger municipalities and municipalities on the Prairies raise and spend more on average than smaller cities and those located elsewhere do, the relative differences between these groups are small compared to the almost three to one difference between some members within these groups. The average municipality raises 49% of revenue through taxation, followed by user charges at 23% and grants from other governments at 12%. These averages show considerable variation, however, with some municipalities sourcing most of their revenue from user charges, and other government grants revenue exceeding that sourced from user charges in others.

Keeping these gross expenditure variations in mind, the assessment finds a largely consistent relationship between capital creation and operating expenditure. The average municipality directs its spending in a three to one ratio in favour of operating expenditure as opposed to capital expenditure. Expenditures are finely balanced with revenue with the average variation for all LGPI cities being a deficit of $15 per household.

The average debt position is comfortable by international standards, at 2.9% of median household income. Nevertheless, the debt topic presents the most volatile results. Six of the 30 cities are debt-free, while the most indebted municipality carries $8,274 in long-term debt and $544 in interest charges per household for 2005. As with other topics, city size and location are a strong predictor of debt status, with Quebec and larger cities carrying higher debt on a per household basis.

The core--non-core topic is an attempt to classify the expenditures of municipalities according to whether those expenditures pertain to core or non-core municipal activities. The finding is that municipalities with a non-core focus have higher expenditures, as might be expected from a more diverse range of operations. However, the strength of this topic's findings is limited by the resolution or poor transparency of the disclosure. That is, with the average municipality breaking its expenditure into six to ten line items, not all expenditure can be decisively identified as to its true nature. This problem is further accentuated by the practice of consolidating subsidiary operations with core municipal activities, a practice addressed in the public disclosure standards topic.

The LGPI was assembled on the basis that public accountability is contingent on public disclosure. The onus for public disclosure should fall on the municipality and not the analyst or the city stakeholder, so the data recorded in the LGPI is from publicly available financial statements and annual reports. Each municipality was assessed according to the criteria of Accounting Disclosure Standards. If they were included, Additional Statistics, Added Key Item Disclosures, Informative Coverage and Added PSAB Disclosures were used. This numerical evaluation was adjusted for any other outstanding qualitative factors, and a final grading of good, average or poor was given. Even the better performing municipalities were subject to several caveats. In particular, the lack of detailed expenditure breakdowns, the consolidation of core municipal activities with those of subsidiary operations, and (though it is mandated for the future) the lack of tangible asset accounting and funded depreciation mean that all the municipalities have dramatic room for improvement in public accounting.

Finally, the City Section presents a financial and statistical overview of each municipality. In particular, it presents a chart with all statistics for the municipality expressed as a percentage of the average. The findings in this section are too voluminous for presentation in an executive summary, but they do present valuable details for each municipality.

Introduction

The 2007 Frontier Centre for Public Policy Local Government Performance Index (LGPI) is a Canada wide comparison of the nation's thirty most populous cities. It draws statistics from the financial statements of the municipalities and relevant data from Statistics Canada to make comparisons of the financial performance of the different cities, as defined by municipal jurisdictions. These statistics have also been corroborated by a survey forwarded to senior staff of most of the thirty councils.

The aim of the project is to produce a publicly accessible assessment of the financial performance of different municipalities. This inaugural report presents data for the financial year concluded at the end of 2005 and reported on in early 2006. In future years the index will be able to draw on an historical time series of data from earlier years.

Data are presented as conglomerate measures, or ratios. For example most data are presented on a per household basis to enhance comparability between cities of different sizes. In other cases, such as the proportion of revenue drawn from taxation, data are combined into ratios to demonstrate important relationships amongst the financial statistics of a city.

The report comes in three sections. The first section compares the cities on a ratio-by-ratio basis. To keep the presentation uncluttered and the comparisons relevant, the thirty cities are divided into three groups. These are the eight largest cities, the seven mid-sized cities, and the fifteen smallest cities.

The second section compares regional groups of cities, being British Columbia, the Prairie Region, Ontario, Quebec, and the Maritimes. For each ratio, it can be seen that there are significant differences between average values for each ratio.

The third section presents a chart for each city with result values normalized to a proportion of the average for each ratio.

In constructing this index over three thousand data points, or one hundred points per city, have been collected. The survey of municipal staff has helped to ensure that this data has been collected and interpreted as accurately as possible.

Caveats

This report remains the property of the Frontier Centre for Public Policy. Its contents are available to be copied or redistributed to interested parties as long the Centre receives full attribution.

As indicated 'The authors of this study have worked independently and the opinions expressed are therefore their own, and do not necessarily reflect the opinions of the Board of the Frontier Centre for Public Policy.'

Any errors or omissions in interpreting the published financial statements are the responsibility of the authors, in the first instance. However the index also assesses the accounting and reporting standards of the municipalities and so the availability and accuracy of data is also a reflection of the adequacy of disclosures of the financial statements from which it was acquired.

The LGPI has dealt with the information available from public sources of Canadian municipalities. Other organizations of a regional nature (the upper tier of regional local government) because they are seldom owners and managers of large public infrastructure assets have not been included in this study. One exception to this is the Halifax Regional Municipality which combines both Halifax regional and municipal operations.

Improvements for Canadian Municipal Government

This opening commentary of year one of the LGPI project covers three subject areas that are worthy of further remarks. Each has major significance for Canadian local government.

The ultimate objective of the LGPI initiative is economic improvement. By opening up discussion and productive debate around the following three issues, an improvement process for local government will be fostered over the next several annual editions of the LGPI.

The issues are:

- Accounting standards and disclosure issues.
- Financial management practice and asset (activity) management.
- Municipal government culture: a product of the Eighties.

Any of these issues could literally lead to years of research on the part of federal, provincial and municipal agents.

All require major improvements in existing practices, and all will involve implications for Canada's economic advancement.

Each issue will be identified and briefly described and suggestions for much needed improvement will be given.

Since municipal and local government is a creature of provincial legislation, provincial lawmakers have a major opportunity in considering the benefits of accelerated and substantive financial management reform for their cities.

Accounting Standards - Accrual Accounting and the Limits of Disclosure

Canada is years behind in the development of acceptable standards of public sector (local government) accounting. In 1989, New Zealand enacted the Public Sector Finance Act, which brought into government accounting circles generally accepted methods of accrual and asset accounting from a base not much different from today's Canadian standards.

Given the impetus from the Canadian Institute of Chartered Accountants and its Public Sector Accounting Board, Canada will mark the introduction of a mandatory, but limited, form of these now 20-year-old standards in 2009. Municipalities will be required to introduce asset accounting (the Tangible Asset Standard). Twenty years is a long time to wait, but even by 2009, only modest catch-up progress will be achieved, as the new standard falls far short of the wholesale changes other countries have made.

It is bad enough that analysts have difficulty with the reporting and disclosure standards. A more general difficulty is that it prevents municipal stakeholders from properly understanding their municipality's status.

Generally, present disclosures are of a custodial and controller nature, and they give little indication of the quality of municipal performance, so they are of very limited (if any) public value. As the following summary reveals, there is much more to be achieved.

The following are the significant deficiencies in current standards and all should be urgently addressed:

- The absence of a consistent Canada-wide set of accounting standards and performance framework for municipal accounting.
- The introduction of asset accounting will only partially address the continuing adoption and practice of cash-based accounting.
- The failure to separately disclose group and council only performance financial and other public information.
- An absence of good public information consisting of useful supplementary information, including a layperson's summary of financial and performance reports.
- The failure to consistently and completely disclose pension fund liabilities.

- Finally, though it is only partially a disclosure issue, the absence of accounting and the disclosure of asset-related depreciation charges. The many other aspects of the assets issue are covered below.

This short and selective list is a very daunting one. The LGPI is intended to comment upon, support and track the progress of the necessary vital improvements.

As stated in a number of places in the LGPI topics, one effect of the current poor standards is the limited information quality in the LGPI data set.

Asset Management

Local government economic activity often accounts for 5% to 8% of gross domestic product. The sector is a significant player within every modern economy. The comprehensive practice of asset management is recognized as a major contributor to economic growth in many countries. Those economies that manage their assets best can be expected to achieve the higher range of sustained economic growth from their local government sector. Canada is unlikely to be in this club, based on the evidence gathered by the LGPI.

One of Canada's best hopes for economic advancement could well lie within improving the competence of local government, more particularly by their adoption of 'asset management' best practice, which is becoming better known as activity management.

This is a bold claim, but one that is made on the following bases:

- Local governments are, above all else, asset owners and managers. Typically, over 80% of their balance sheet net worth is invested in long-life infrastructure, mainly public utility, assets.
- These assets deliver the lifeblood of the local economy, which is linked to the national infrastructure network of roads, water supplies, water treatment and often ports and airports as well as cultural and social assets and their support systems.
- Assets held by municipalities have a huge impact upon the four well-beings considered fundamental to modern societies: economic, social, cultural and environmental outcomes.
- The health and wealth of a society and its economy can invariably be determined by the state of its public assets and the infrastructure in place. Assessments of this nature invariably are influenced by the performance, condition and effective operation of a nation's local government public assets.
- Since Canada lacks mandatory and basic accounting for assets and does not engage local government in effective asset management, it is well behind international standards. There are significant gains to be made from adopting international asset management practice.
- Deficiencies in any management best practice that relate to public assets will produce sub-optimal outcomes for the affected city residents.

One end point of a long chain of consequences will be the failure of a nation's economy to reach a standard that meets expectations. Good asset management is achievable, and as a discipline, it achieves worthwhile results

In the coming years, the LGPI will be an active partner in these asset-related initiatives for the simple reason that the best chance of achieving LGPI and Canadian economic gains lies in vastly improving asset management practice.

Canadian Local Government Culture: A Product of the Eighties

Commentary about cultural influences within local government in public policy terms is complex and often contentious. All countries are different; their people, work practices, ability to pay for services and the level of services they expect to receive are all different.

In spite of commonalities such as a common code or legislative framework and common bonds of national identity, there are still differences between local governments within any given higher jurisdiction. Many of these differences relate to the nature and extent of their service provision and the manner in which they choose to deliver these services.

This outcome is the result of the influence of the local element within municipal government. In these circumstances, it may be very unwise to generalize except to state the following: There appear to be significant cultural differences amongst the LGPI municipalities, and, at the very least, these are worth recognizing.

They are worth recognizing because any proposals for new practices will inevitably be compared to status quo practices and may encounter some inertia.

Under the broad heading of culture includes work practices, although many might consider this the field of human resource management or national work-related legislative frameworks.

Here is a list of candidates for culture change in local government, which is confined to those areas that will most advance sustainable economic growth.

- Competitive tendering of most municipal activities, a widespread and non-controversial practice overseas that is culturally and managerially firmly embedded in local government practice and is achieving major productivity gains in the process.
- A reduction (although by no means the exclusion) of intractable, unionized-dominating influences in work practices and wages bargaining.
- The overhaul of management practice at all levels, particularly for asset and financial management best practice.
- Developing incentives for good work-related performance and human resource management.
- The adoption of internationally accepted public accounting principles.
- Sound governance process, risk assurance and management with legislative frameworks for the avoidance of conflicts of interest and the detection and prevention of fraud.

This list could be expanded significantly. The differences of culture, evident to the developers of the LGPI, will be a basis for further discussion, the intent of which is to add to the improvement of performance.

Municipal Revenue

Opening Observations and the Basis of Comparison

An analysis of the level of municipal revenue (funding) provides the most direct indication of municipal engagement in a given economy. It also provides an uncomplicated pointer to the service levels a city provides.

A comparative study of council revenue is useful in the following terms:

An appraisal of the disaggregated level and the nature of city funding sources, if it could be fully achieved, would reveal a great deal more about the operation of municipalities informing:

- The degree to which cities are delivering services funded by higher levels of government
- The way in which city services are funded collectively through property value assessed taxation, or on a user-pays basis via or through returns from investments or commercial assets, etc.

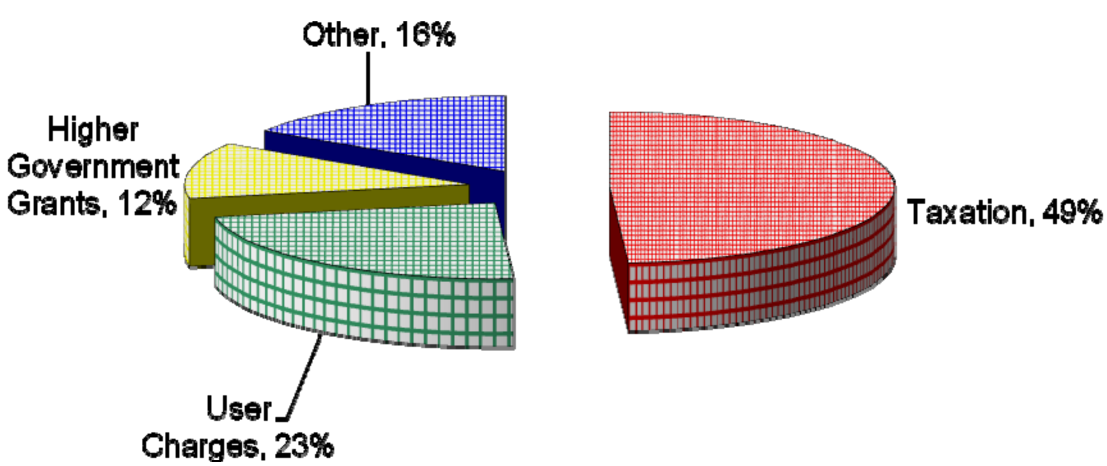
The research has been hampered by limited levels of public disclosure; however, the following broad observations can be made.

City revenues (on a per annum per household basis) are a good first cut indication of the mechanisms by which municipalities are funded. Comparisons of municipal revenue provide some sense of the scale and substance (involvement and impact) of a municipality within its local community and economy.

For revenue of a specific kind, for example, municipal funding sourced from local property taxation, comparative analysis is applied. A measurement of taxation might assume that there is usually an acceptable upper limit and a balance to be achieved for the proportion of total municipal revenue generated from such funding. The LGPI addresses, amongst others, this taxation issue.

So far, as can be determined from the limited public information disclosures, Canadian municipalities derive income from the following sources:

The Composition of Canadian Municipal Revenue



Source of revenue	Nature of revenue	Observations and data availability
Property taxation	Usually rated on a property value basis on all City area taxable properties with exceptions that include community facilities, municipal buildings, etc.	The primary source of revenue for most municipalities (Canadian average 49% of total revenue).
Government (other federal and provincial) transfers and grants*	Transfers from higher governments, usually a function of provincial government policy. Ontario cities are the biggest recipients of higher government transfers.	Comprises a relatively small (Canadian average 12%) proportion of total municipal revenue.
User charges for services	Charges are assessed according to usage. E.g., charging for water by the cubic metre.	The second-largest revenue source behind property taxes. (Canadian average 23% total revenue).
Investment income including dividends	Returns from City-owned and/or City-controlled financial investments.	Varies widely with the size and profitability of investments. Generally a very small proportion of total municipal revenue.
Commercial income	Generally not separately disclosed (often included with investment income) but refers to income derived from assets owned or controlled by the City deriving income from trading activities and could include public transit operations, land development, etc.	Varies widely with the size and profitability of commercial City-owned assets. Generally a very small proportion of total municipal revenue.
Borrowing	Funds advanced to the City from financial sources including issuance of City debenture stock.	This source of funding is normally related to capital requirements.

* The LGPI revenue reported in the table above excludes amounts collected on behalf of education authorities.

Canada's Municipal Results - Consolidated Group Accounting Data

As can be observed from the table above, municipalities derive funding, (revenue) from numerous sources.

Some municipalities conduct full commercial operations, acting variously as large landowners and as participants in local economies, either directly or as owners of standalone businesses that undertake activities of construction, road maintenance and quarrying operations, even as owner-operators of golf courses and casinos.

The results (the revenue or expenditures associated with these activities) of these non-core activities are not, under present accounting standards, required to be disclosed separately. They are merged with municipality only operational and other results.

This failure to separate core from non-core results gives rise to <u>a material deficiency of the public accounting disclosure regime</u> (referred to as the combination or consolidated-accounting group reporting issue). Because it leads to an inability to distinguish council only results from group results, this treatment does not permit a rational analysis (for example, pure core <u>municipal performance</u>) from the combined data.

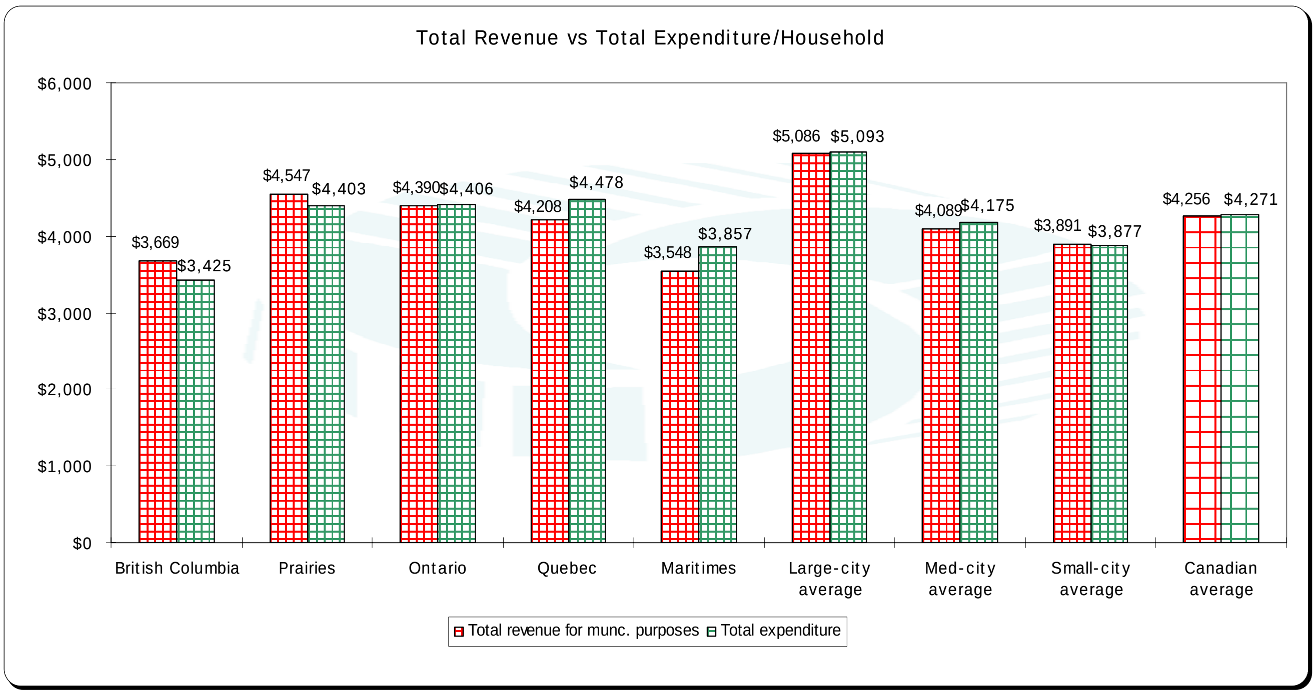
Combining a municipality's group operational results, which include its merged commercial revenue and expenditures with its core city municipality only operational results, reduces public accountability.

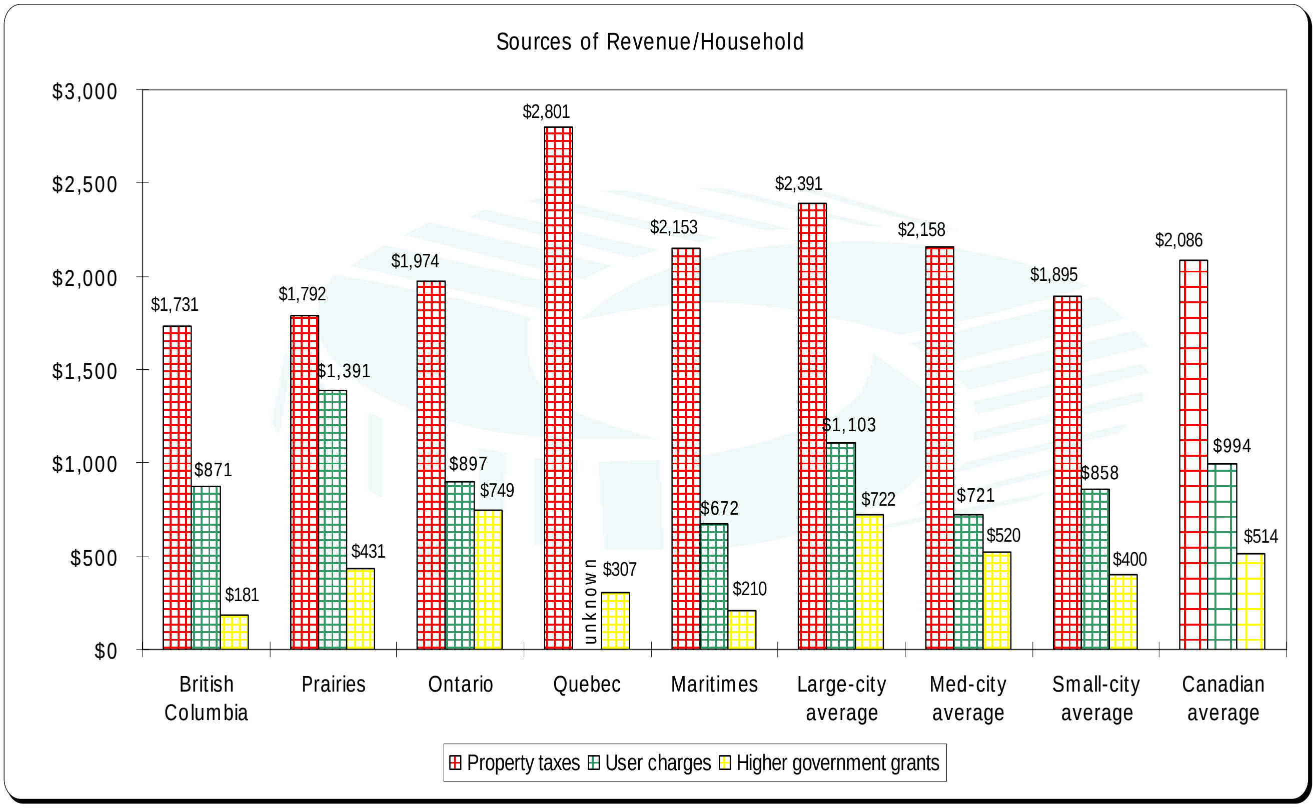
The relative efficiency or inefficiency of council service provision is thereby clouded with other non-core results, which, in general, are also poorly disclosed or not separately disclosed at all.

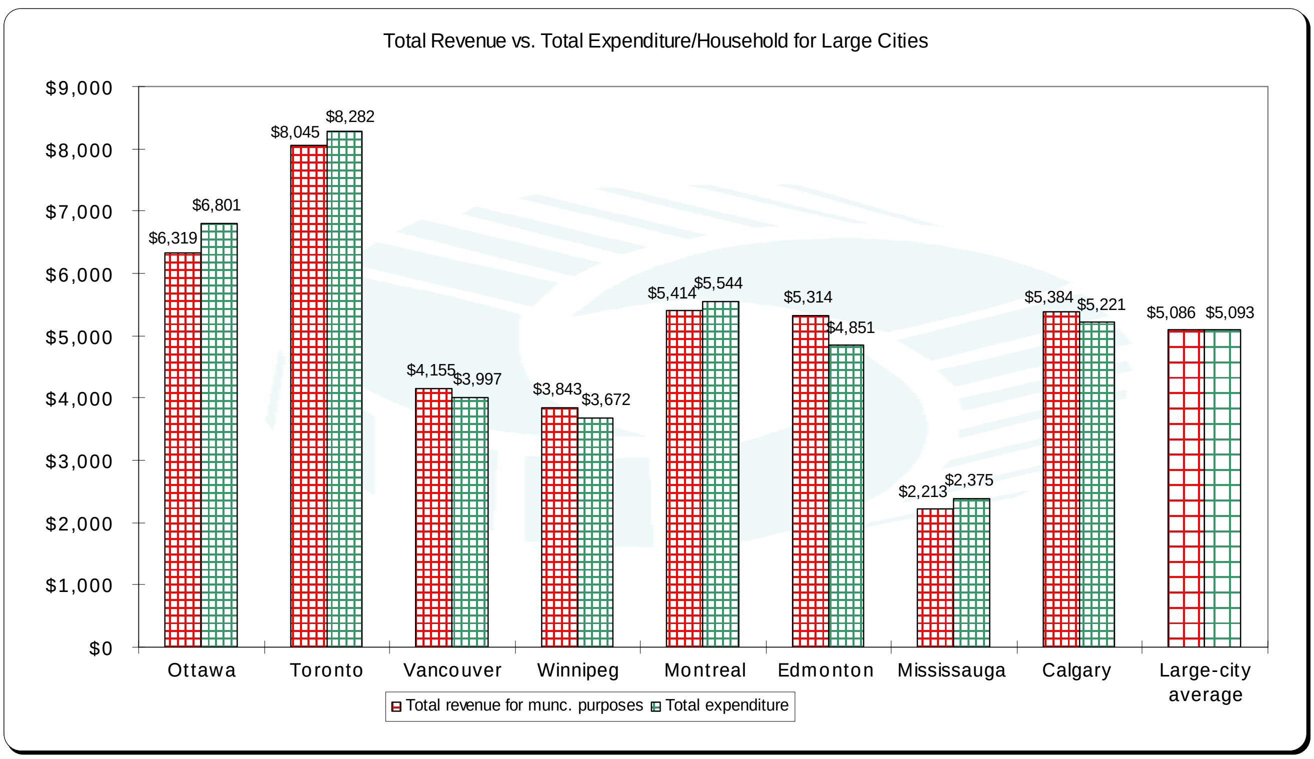
Because municipal revenue most often applies to core funding only (typically around 80% to 90% of total City revenue) it is unlikely to be available for commercial or investment activities (non-core) and (if this information was separately disclosed) a better accountability would be possible. This would include and allow for better comparative performance-related scrutiny.

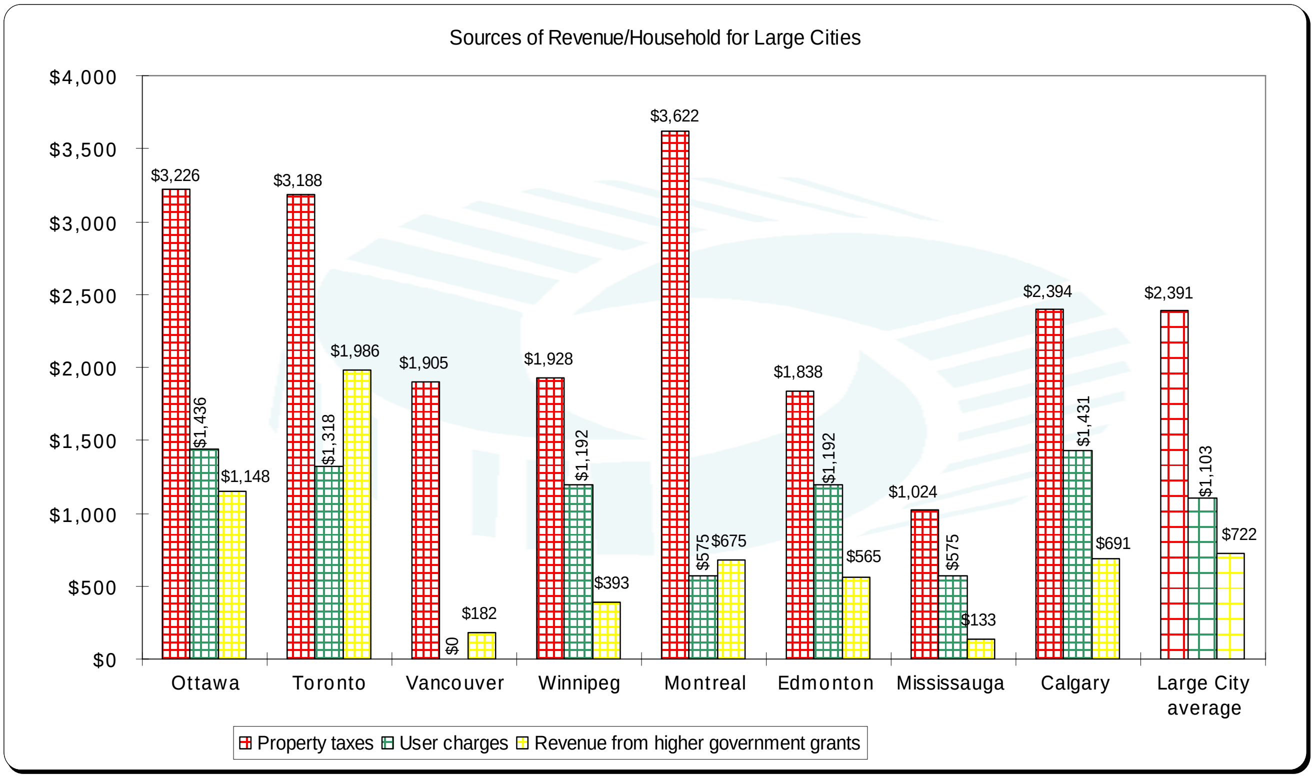
The LGPI revenue data reveal good information concerning municipal revenue. Some graphs also show expenditures to assist with other interpretations:

Regional and Group Revenue and Expenditures (per annum per household)

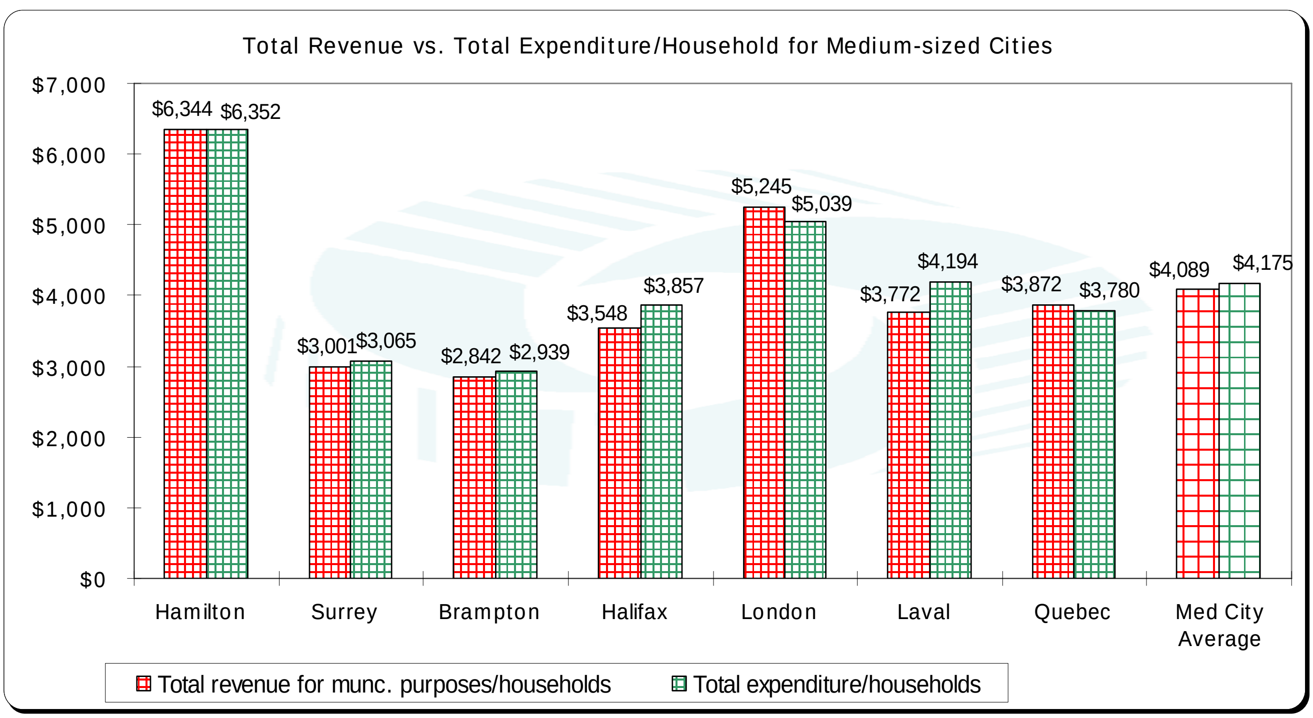



Sources of Revenue/Household
$3,000
$2,500
$2,000
$1,500
$1,000
$500
$0
$1,731
$871
$181
$1,792
$1,391
$431
$1,974
$897
$749
$2,801
unknown
$307
$2,153
$672
$210
$2,391
$1,103
$722
$2,158
$721
$520
$1,895
$858
$400
$2,086
$994
$514
British Columbia
Prairies
Ontario
Quebec
Maritimes
Large-city average
Med-city average
Small-city average
Canadian average
Property taxes
User charges
Higher government grants

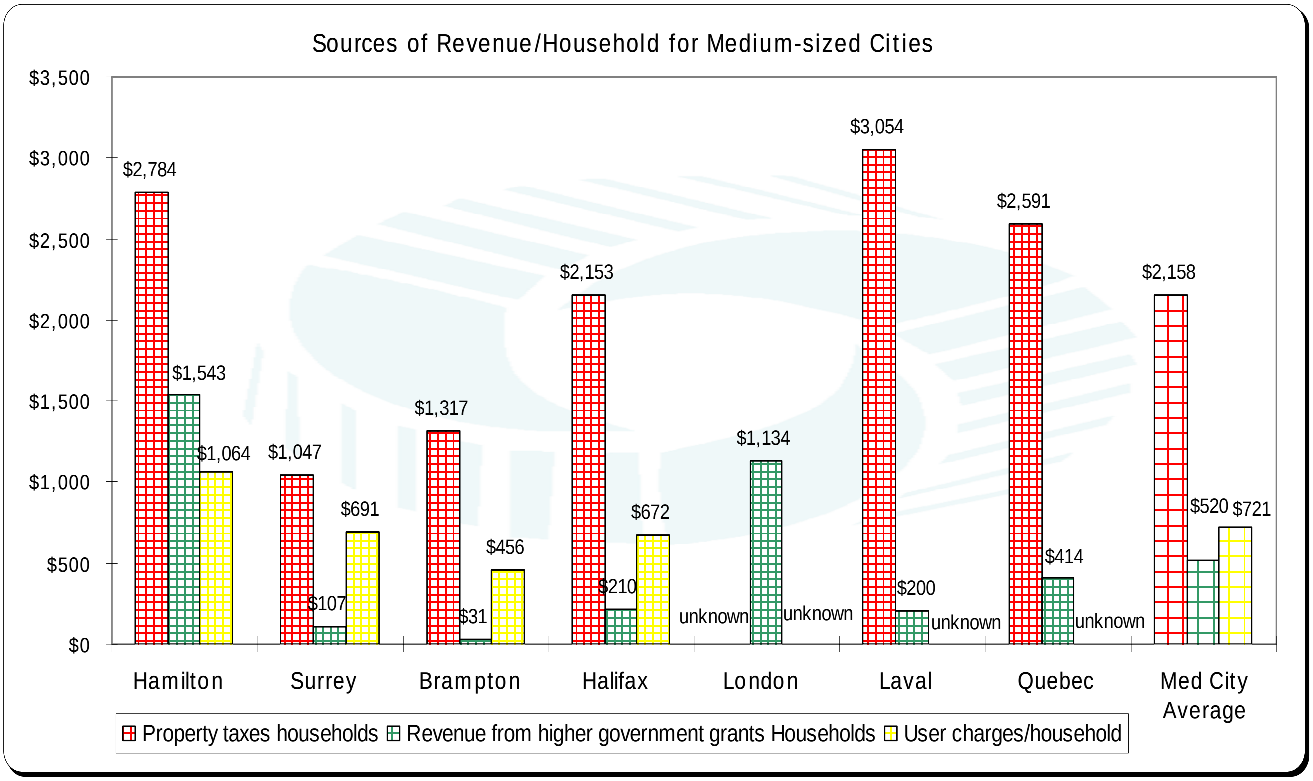

Total Revenue vs. Total Expenditure/Household for Large Cities
$9,000
$8,000
$7,000
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$0
$6,319
$6,801
$8,045
$8,282
$4,155
$3,997
$3,843
$3,672
$5,414
$5,544
$5,314
$4,851
$2,213
$2,375
$5,384
$5,221
$5,086
$5,093
Ottawa
Toronto
Vancouver
Winnipeg
Montreal
Edmonton
Mississauga
Calgary
Large-city average
Total revenue for munc. purposes
Total expenditure

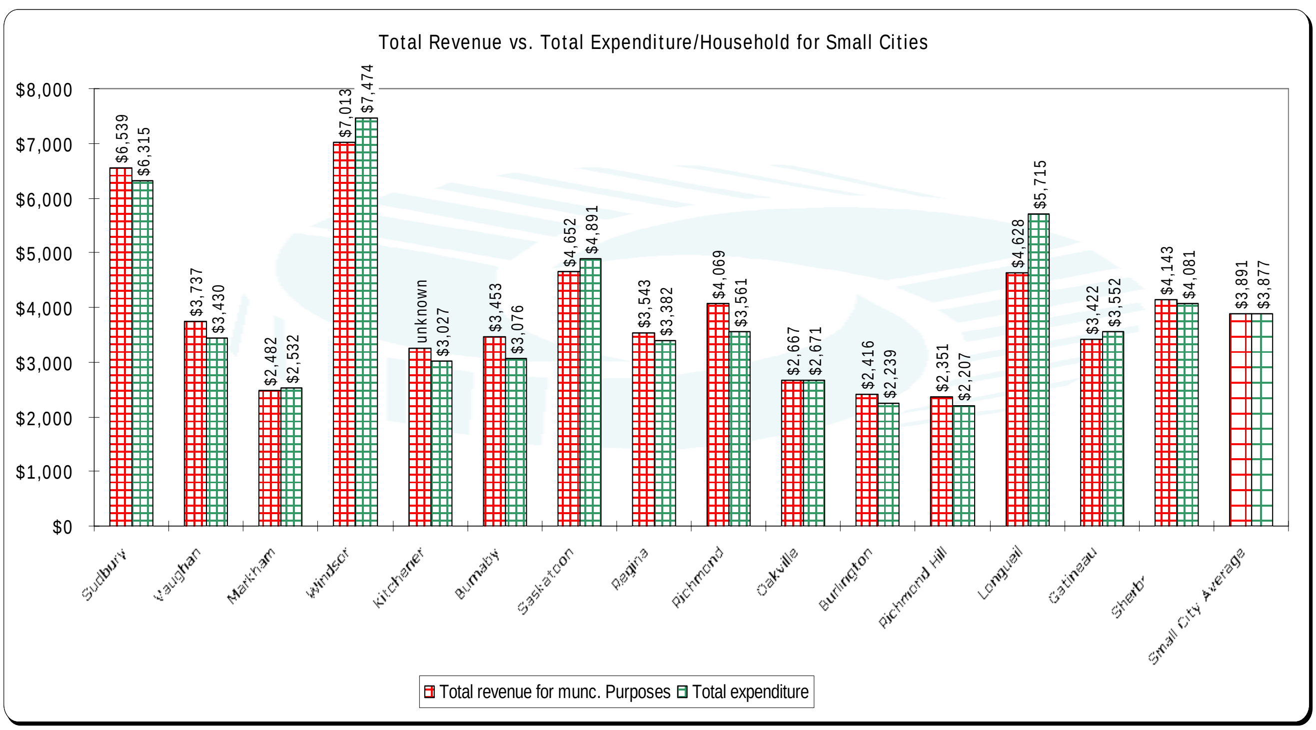


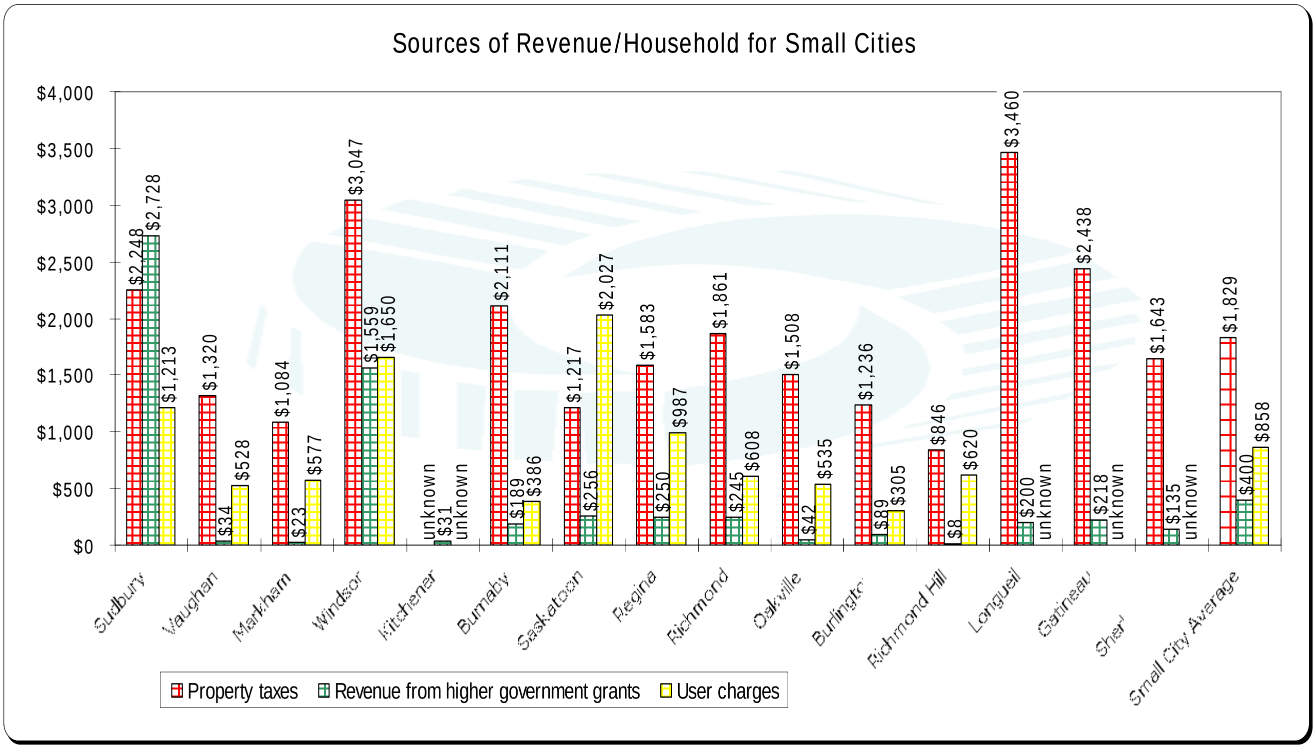
Sources of Revenue/Household for Large Cities
$4,000
$3,500
$3,000
$2,500
$2,000
$1,500
$1,000
$500
$0
$3,226
$1,436
$1,148
$3,188
$1,318
$1,986
$1,905
$0
$182
$1,928
$1,192
$393
$3,622
$575
$675
$1,838
$1,192
$565
$1,024
$575
$133
$2,394
$1,431
$691
$2,391
$1,103
$722
Ottawa
Toronto
Vancouver
Winnipeg
Montreal
Edmonton
Mississauga
Calgary
Large City average
Property taxes
User charges
Revenue from higher government grants



Total Revenue vs. Total Expenditure/Household for Medium-sized Cities
$7,000
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$0
$6,344
$6,352
$3,001
$3,065
$2,842
$2,939
$3,548
$3,857
$5,245
$5,039
$3,772
$4,194
$3,872
$3,780
$4,089
$4,175
Hamilton
Surrey
Brampton
Halifax
London
Laval
Quebec
Med City Average
Total revenue for munc. purposes/households
Total expenditure/households


Sources of Revenue/Household for Medium-sized Cities
$3,500
$3,000
$2,500
$2,000
$1,500
$1,000
$500
$0
$2,784
$1,543
$1,064
$1,047
$107
$691
$1,317
$31
$456
$2,153
$210
$672
unknown
$1,134
unknown
$3,054
$200
unknown
$2,591
$414
unknown
$2,158
$520
$721
Hamilton
Surrey
Brampton
Halifax
London
Laval
Quebec
Med City Average
Property taxes households
Revenue from higher government grants Households
User charges/household


Total Revenue vs. Total Expenditure/Household for Small Cities
$8,000
$7,000
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$0
$6,539
$6,315
$3,737
$3,430
$2,482
$2,532
$7,013
$7,474
unknown
$3,027
$3,453
$3,076
$4,652
$4,891
$3,543
$3,382
$4,069
$3,561
$2,667
$2,671
$2,416
$2,239
$2,351
$2,207
$4,628
$5,715
$3,422
$3,552
$4,143
$4,081
$3,891
$3,877
Sudbury
Vaughan
Markham
Windsor
Kitchener
Burnaby
Saskatoon
Regina
Richmond
Oakville
Burlington
Richmond Hill
Longueil
Gatineau
Sherbr
Small City Average
Total revenue for munc. Purposes
Total expenditure



Revenue (funding) category per household	Large Group	Medium Group	Small Group	National Average
Total municipal revenue	$5,086	$4,089	$3,891	$4,256
Total municipal revenue excluding other government grants	$4,364	$3,569	$3,491	$3,472
Government (including provincial) grants, etc.	$722	$520	$400	$514
Property taxes	$2,391	$2,158	$1,895	$2,086
Property taxes % of total revenue (excluding government grants)	54%	61%	54.2%	55.6%
Net municipal result, surplus or (deficit)	($7)	($86)	$14	($15)

Note: The caveats above relating to the use of consolidated group accounting data and the inclusion of commercial and other revenue in the table above somewhat degrade the value of the findings. Nevertheless, these comparisons are the best available based on publicly reported data.

Inter-group Correlations of Significance

Highlights from the data reported include the following:

• LGPI councils on average have achieved above or near break-even operational results[1]. The largest variation from this, the medium-sized city group average at $86 is only a modest 2% of revenue shortfall.

• The eight largest municipalities raise more revenue (and spend more) per household than others do. They raise on average 20% more than the full LGPI nationwide group. This variation may be due to larger municipalities' more commercial (non-core activities and revenue) rather than their higher service levels or some mixture of the two. Given the disclosure constraints, it is impossible to be sure.

[1] One council achieved an annual shortfall of $1,087 or 19% of total expenditure although this was the exception. Most varied between plus and minus $100.

- The higher revenue-expenditures relationship of larger municipalities is reflected in their higher property taxes; large municipalities are 11% above medium and 26% above small-sized municipalities.
- The difference between large and medium municipalities' operating revenue is partly accounted for by variations in property taxes and government grants. The $997 difference includes $233 in taxes and $202 in grants for a total of $435.
- This finding applies in similar terms for medium to small municipality comparisons.
- Property taxation averages over the 30 municipalities of the LGPI were 49% of total municipal revenue. Whilst the average of the medium-sized municipalities gains a larger proportion of revenue in this manner (4% over the others at 53%), municipalities in the large and small groups both collect 47% of their revenue from their taxation base.
- Provincial influences appear significant with large variations in the level of government grants per household. B.C. municipalities received an average of $181 in 2005 compared to $749 in Ontario. Between those two regions sit the Prairie cities at $431 per household and the Quebec cities at $307.

Conclusions and Summary

Canadian cities obtain their funding in a uniform manner. Taxation forms the most significant proportion of their total revenue (49%), with user charges at 23% the next largest source.

This reliance upon local taxation is not confined to Canada. It is a feature of municipal governments the world over. In the United Kingdom, almost 90% of local government funds come from central government sources. Australia, New Zealand and Canada fund their expenditures largely from locally based sources with a good measure of provincial funding thrown in.

On average, the eight larger and fifteen smaller municipalities benefit more from non-taxation sources than do the meduim ones, and this is reflected in their lower taxation proportion (average 47% of total revenue).

Larger cities cost more on average to run (level and extent of services have an influence), and their revenue (including taxation in absolute terms) is higher as a result.

Other non-core revenue, i.e., funding generated from non-core (including commercial undertakings) of the cities are clearly significant, but disclosure limitations prevent any meaningful analysis of the impact of these revenue streams.

Considering the extent of the provision in Canada of more extensive municipal services such as local fire and police protection, the apparent high level of Canadian council revenue and taxation (by international standards) may be less so than appears. More detailed analysis is required to address these issues. A similar problem is associated with the quality of the expenditures that absorb municipal income, as even rudimentary performance measurement cannot be accomplished with the information available.

All municipalities balance their budgets on a cash basis.

Existing accounting rules have no requirement to include in expenditures a provision for asset-related depreciation (loss of an asset's economic service potential).

Municipal Expenditures

Opening Observations

An analysis of the level and nature of municipal expenditures provides significant insight into a municipality's engagement in its economy and provides an uncomplicated measurement of the service levels a municipality provides. A comparative study of municipal expenditures is useful in the following terms.

Municipal expenditures on a per household basis are a good indication of the extent, and often the nature, though seldom the quality, of the services provided.

In the LGPI findings, expenditure-related comparisons provide the sense of scale and substance (involvement and impact) of a municipality within its community and economy.

Expenditures of a specific kind, for example, those applied to capital asset creation, are vital for measurement and monitoring purposes, as they support the accountabilities linked to and essential for the development of the wealth-producing infrastructural assets that are necessary for trade and economic growth.

A Major Constraint of the Analysis and a Major Issue for the Canadian Economy

A severe constraint to the LGPI analysis is the deficient Public Sector Accounting Board accounting standards that permit the immediate write-off of all expenditures including amounts spent upon capital asset creation.

In accounting terms, this treatment is just one of many deficiencies usually associated with and referred to as being derived from the present Canadian (PSAB) approved cash basis of accounting, as opposed to the much more acceptable accountabilities associated with a full accruals-based accounting regime.

A consequence, possibly the major one and not just for municipal expenditures, and arising from the use of cash accounting-based standards, is the omission of asset-related depreciation funding from expenditure totals.

This deficiency means that

- Current municipal expenditures will not be sufficient to maintain infrastructure in optimal condition, as no budget allowance is made to fund these amounts.
- No revenue is raised to cover these costs.
- No accounting for and reporting of the costs (the loss of asset economic service potential) of asset usage are made, and therefore cannot be factored into the charges made for services involving asset use.

This is a most serious omission and deficiency with far-reaching economic implications for the Canadian economy.

In addition, this issue makes useful comparisons drawn from the LGPI research compared with other jurisdictions irrelevant, because depreciation allowances not taken up by local governments are included elsewhere merely as standard good accounting (full accruals-based) practice.

Depreciation allowances in other jurisdictions invariably <u>add over 20% per annum to municipal operating expenditures to meet asset-related loss of service potential provisions.</u> The size of this omission and its impact on reported Canadian municipal infrastructure deficits (an estimated $60 billion and increasing at $2 billion per annum) should be obvious.

It is anticipated that this backlog will become much more visible in 2009 when PSAB requirements are upgraded.

Canada's Municipal Expenditures – Consolidated Group Accounting Data another Constraint

Canadian municipalities provide the usual range of services that are common to most British Commonwealth cities. Additionally, they provide fire and police protection.

Many municipalities retain ownership of and directly operate large utility corporations including power companies, ports and airports as well as holding large civic assets including sport stadiums.

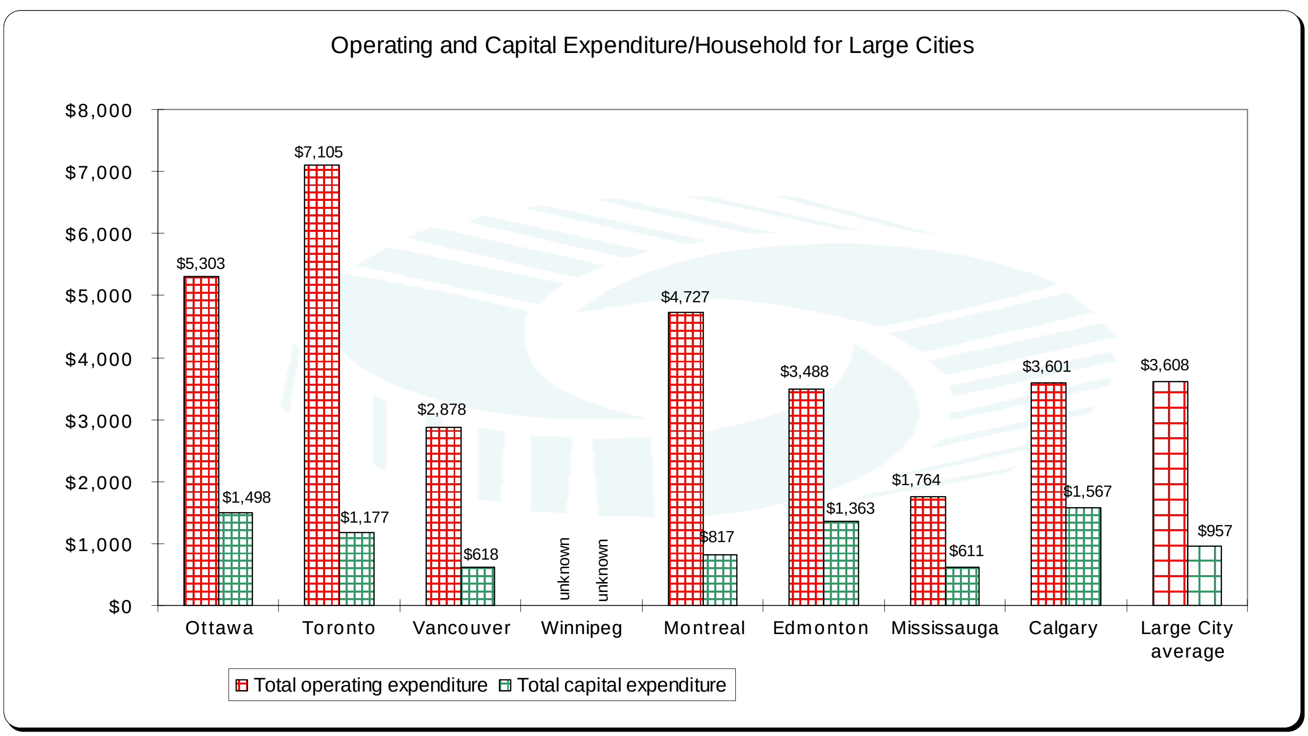
Some municipalities conduct full commercial operations acting variously as large landowners and as participants in local economies, for example, construction, road maintenance and quarrying operations, even as owner-operators of golf courses and casinos. The results (revenues or expenditures) of these non-core activities are not, under present accounting standards, required to be separately disclosed. Operational results, including commercial expenditures, are merged with core business expenditures.

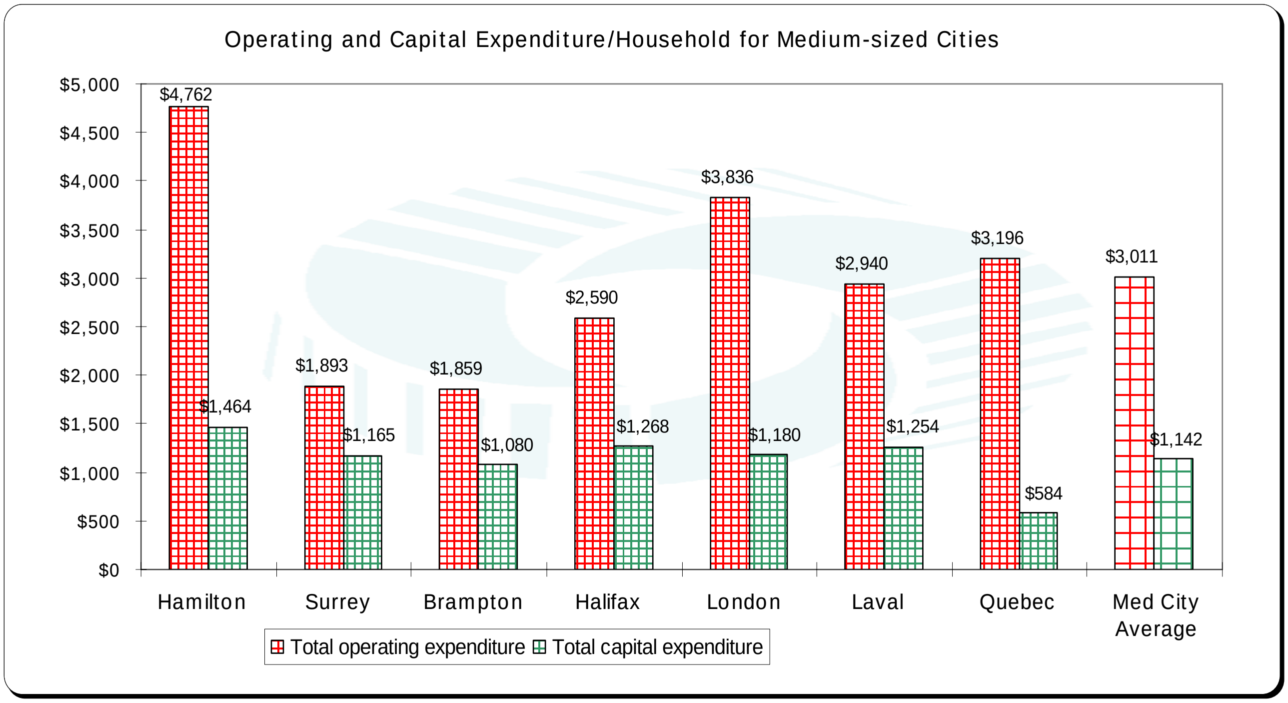
The failure to separate non-core results and information gives rise to a material deficiency in the public accounting disclosures (referred to as the combination or consolidated group reporting). This deficiency leads to an inability to distinguish municipality only results from group results and does not permit rational analysis (for example, of municipality performance) and is not separately accounted for within the combined group data.

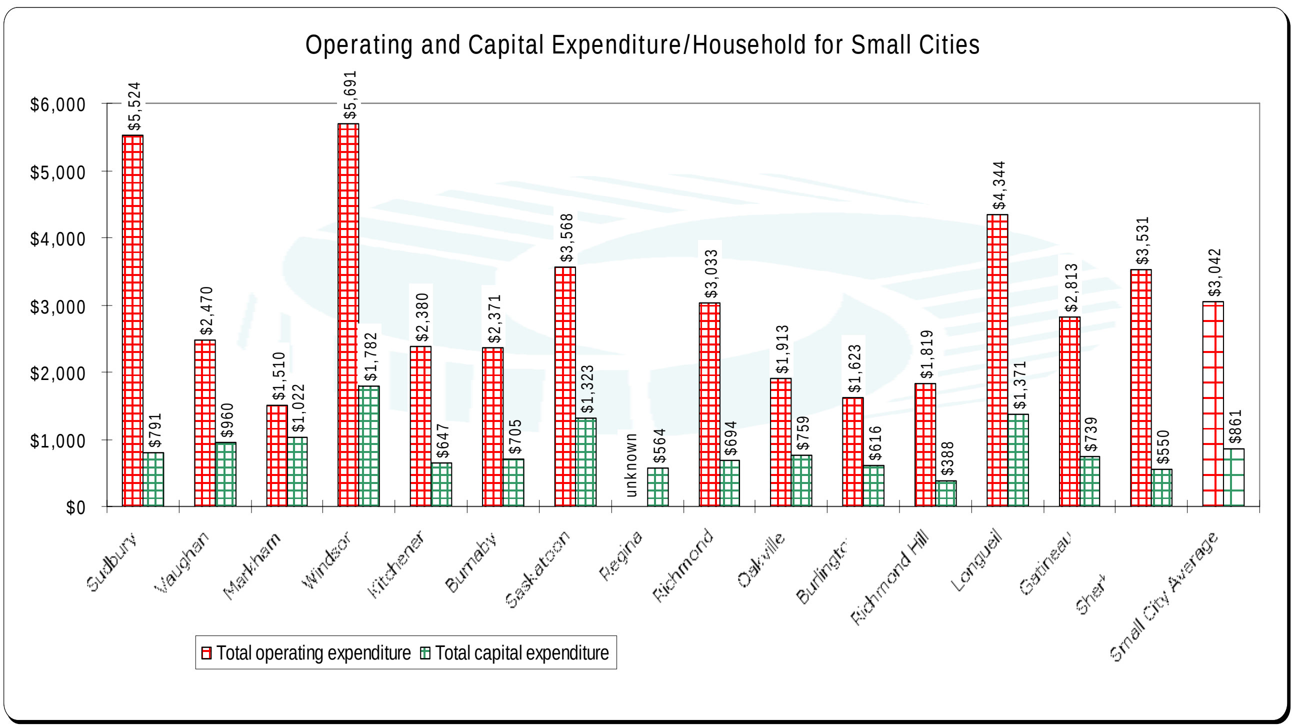
The LGPI Municipal Expenditure Data

Given the limits imposed by the major constraints discussed above, the LGPI expenditure data reveals:

National and Group Expenditures (by group per household)




Operating and Capital Expenditure/Household for Medium-sized Cities
$5,000
$4,500
$4,000
$3,500
$3,000
$2,500
$2,000
$1,500
$1,000
$500
$0
$4,762
$1,464
$1,893
$1,165
$1,859
$1,080
$2,590
$1,268
$3,836
$1,180
$2,940
$1,254
$3,196
$584
$3,011
$1,142
Hamilton
Surrey
Brampton
Halifax
London
Laval
Quebec
Med City Average
Total operating expenditure
Total capital expenditure


Operating and Capital Expenditure/Household for Small Cities
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$0
$5,524
$791
$2,470
$960
$1,510
$1,022
$5,691
$1,782
$2,380
$647
$2,371
$705
$3,568
$1,323
unknown
$564
$3,033
$694
$1,913
$759
$1,623
$616
$1,819
$388
$4,344
$1,371
$2,813
$739
$3,531
$550
$3,042
$861
Sudbury
Vaughan
Markham
Windsor
Kitchener
Burnaby
Saskatoon
Regina
Richmond
Oakville
Burlingto
Richmond Hill
Longueil
Gatineau
Sher
Small City Average
Total operating expenditure
Total capital expenditure

Summary of Key Data from the Graphs

Expenditure category per household	Large Group	Medium Group	Small Group	National Average
Operating expenditure	$3,608	$3,011	$3,042	$3,191
Capital expenditure	$957	$1,142	$861	$952
Total expenditures	$5,093	$4,175	$3,877	$4,271
Net annual expenditures (net of all revenue)	($7)	($86)	$14	($15)
Property taxes	$2,391	$2,158	$1,895	$2,086
Government (including provincial) grants, etc.	$722	$520	$400	$514

Inter-group Correlations of Significance

The caveats relating to the use of consolidated group accounting data and the inclusion of commercial expenditures in the table above degrade the value of the findings somewhat. To the extent that comparisons on this basis are possible, the findings from this data are:

- All councils on average have achieved break-even operational results.[2] The largest variation from this, the medium-sized city group at $86 is only a modest 2% of expenditure shortfall.
- Larger councils spend more each year than do others by 22% above medium-sized cities and by 31% above small cities. This variation may be due to the larger cities' larger commercial (non-core) activities rather than their higher levels of service, or perhaps some combination of both.
- The higher expenditures of larger municipalities are reflected in their higher property taxes, 11% above medium- and 21% above small-sized cities.
- In the case of large and medium-sized cities, operating expenditure differences are largely accounted for by variations in property taxes plus government grants. This finding does <u>not</u> hold true for the medium to small city comparisons.
- Capital expenditures are reasonably uniform over all three groups independent of their size and average $952 per household. This may not be an amount sufficient to maintain the value and economic service potential of current Canadian municipal assets, let alone pay for new ones. It is highly likely that these amounts are inadequate, but until basic tangible asset accounting is introduced in 2009, it is difficult to ascertain the true status.
- No provincial comparisons are made, as there is little variation on this basis.

Conclusions and Summary

For operational and capital purposes, Canadian municipalities spend a remarkably similar annual total per household (national averages of $3,191 for operations and $952 for capital).

All municipalities balance their budgets on a cash basis.

Existing accounting rules have no requirement to include in expenditures a provision for asset-related depreciation (loss of asset-related economic service potential).

On average, property taxes fund 65% of operating expenditures within a narrow band from 72% for the medium city group to 62% for the small city group.

Further findings cannot be added until better public disclosure (for example, a clear separation of council only and group accounting numbers) is mandated.

---

[2] One council achieved an annual shortfall of $1,087 or 19% of total expenditure, although this was the exception. Most varied between plus and minus $100.

Municipal Debt

Opening Observations and the Basis of Comparison

Municipal debt levels are a matter of ubiquitous and intense public interest. Some jurisdictions retain the need to poll taxpayers before borrowing is permitted or increased, such is the sensitivity of the issues surrounding municipal debt. For a variety of reasons, some valid, some less so, municipal debt is a powerful driver of taxpayer anxiety.

The two key factors for any useful analysis of debt are:

- The level of debt (usually expressed as per taxpayer/ratepayer or per household)
- Whether it can be stated as being sustainable for each municipality.

Both the level and sustainability of municipal debt depend largely upon the economic dynamics (the ability to pay) of each municipality's local economy and taxpayer base.

The best gauge of debt sustainability would come from a detailed debt study project at the individual municipality level, but useful comparisons between other municipalities on a broader (LGPI) basis are also possible.

Such inter-entity comparisons in the case of the LGPI are best confined within each jurisdiction, generally and in the first instance, at a national level (i.e., the LGPI group of Canada's 30 most populous cities).

If, however, a further regional tier of exists (as in the Canadian provinces), then this level will form a valid and relevant comparative base as well.

Provincial legislative and governance circumstances vary widely over a range of local government issues. For example, municipal debt may be affected by the amounts of grant or subsidy monies received from their provincial government source(s). These vary widely from coast to coast.

Canada's Municipal Debt

The quotation of international debt-related data, particularly absolute dollar benchmarks for debt per household is not helpful due to the variables involved. Not the least of which is the levels, quality and methods of funding for local government services.

For example, Canadian local government is distinguished from many other British Commonwealth countries including Australia and New Zealand by the provision of fire and police services, which elsewhere are funded and provided by higher governments.

Some debt-related benchmark guidelines have been researched and reported. These relate to affordability and ability to pay issues/relativities; in the present case, largely those associated with the ability to service and thereby sustain debt.

The LGPI reports Canadian municipal debt on a per household basis.

The LGPI (2005 data) measure of national municipal debt as a proportion of median household incomes for the 30 largest cities in Canada is:

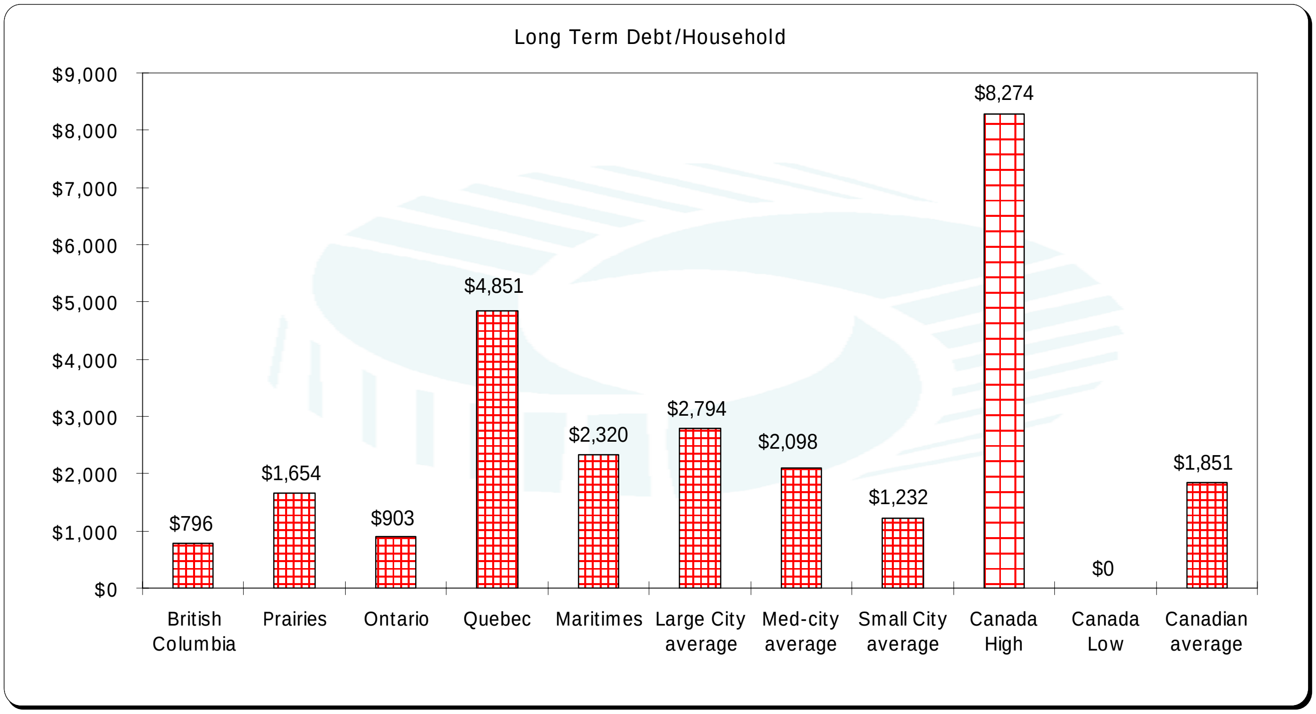
- 2.9% of average national median incomes[3]
- $1,851 being the national average per household of municipal debt

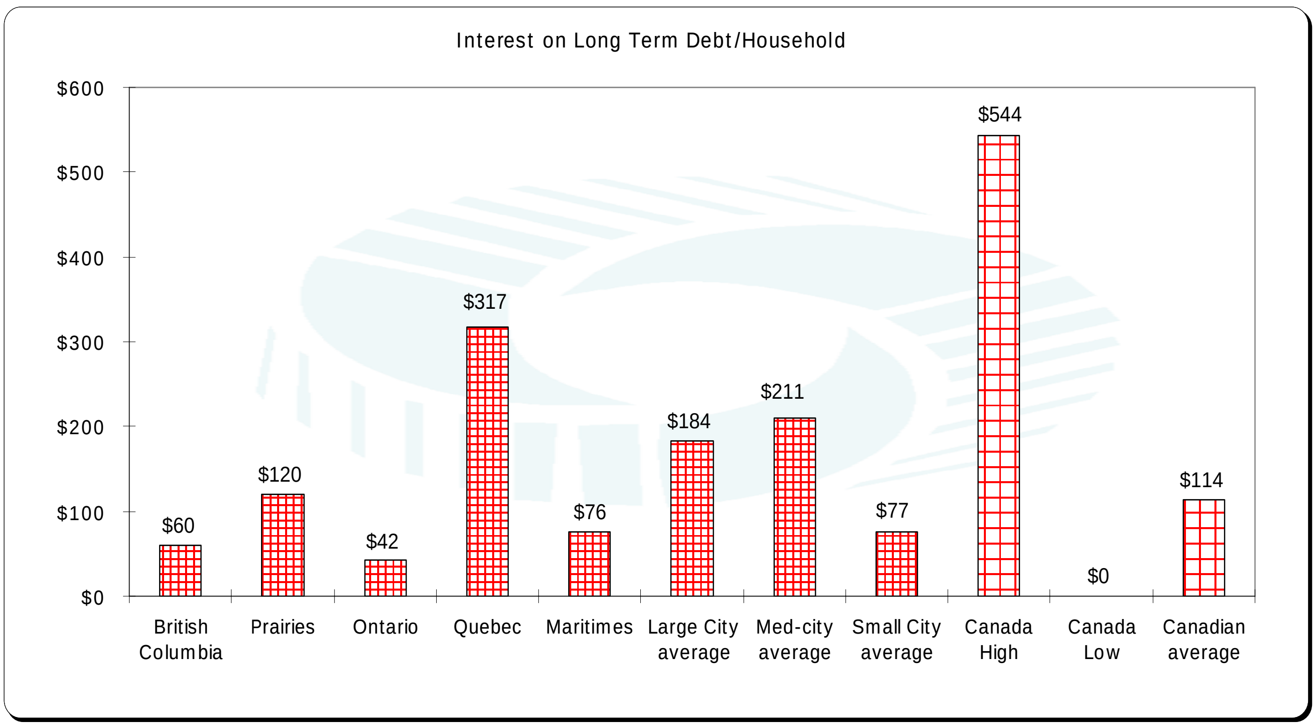
This level of debt is low by most standards. In New Zealand, for example, debt per household at a comparable 9% of median incomes is considered high with debt of this size converting into unacceptably high property taxation. This has lead to considerable political unrest including attempted tax boycotts and a preponderance of single-issue tax reduction electoral tickets.

However, these nationwide figures conceal dramatic differences between cities in different provinces and for different cities within provinces.

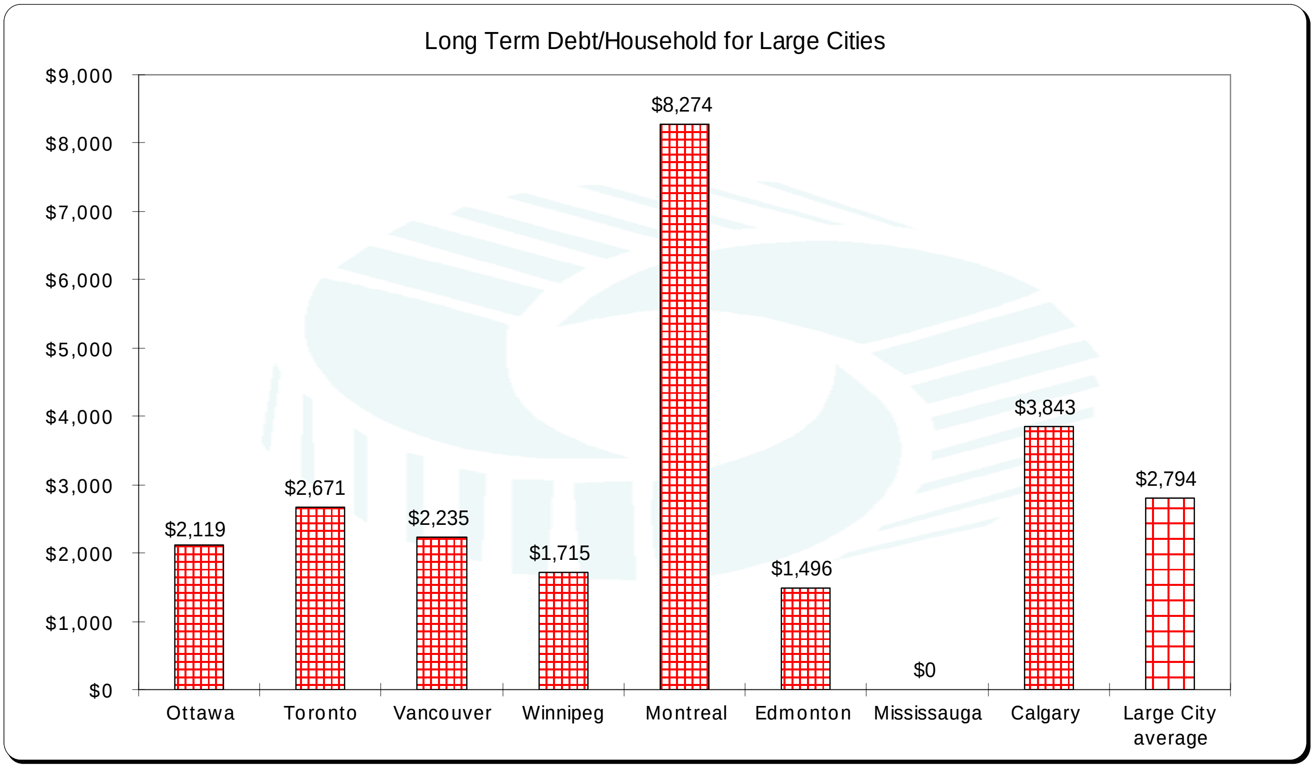
[3] Based on the average median income derived from *Statistics Canada* for LGPI cites where data are available. Set for 2005 at $63,800.

Regional Comparisons of Debt

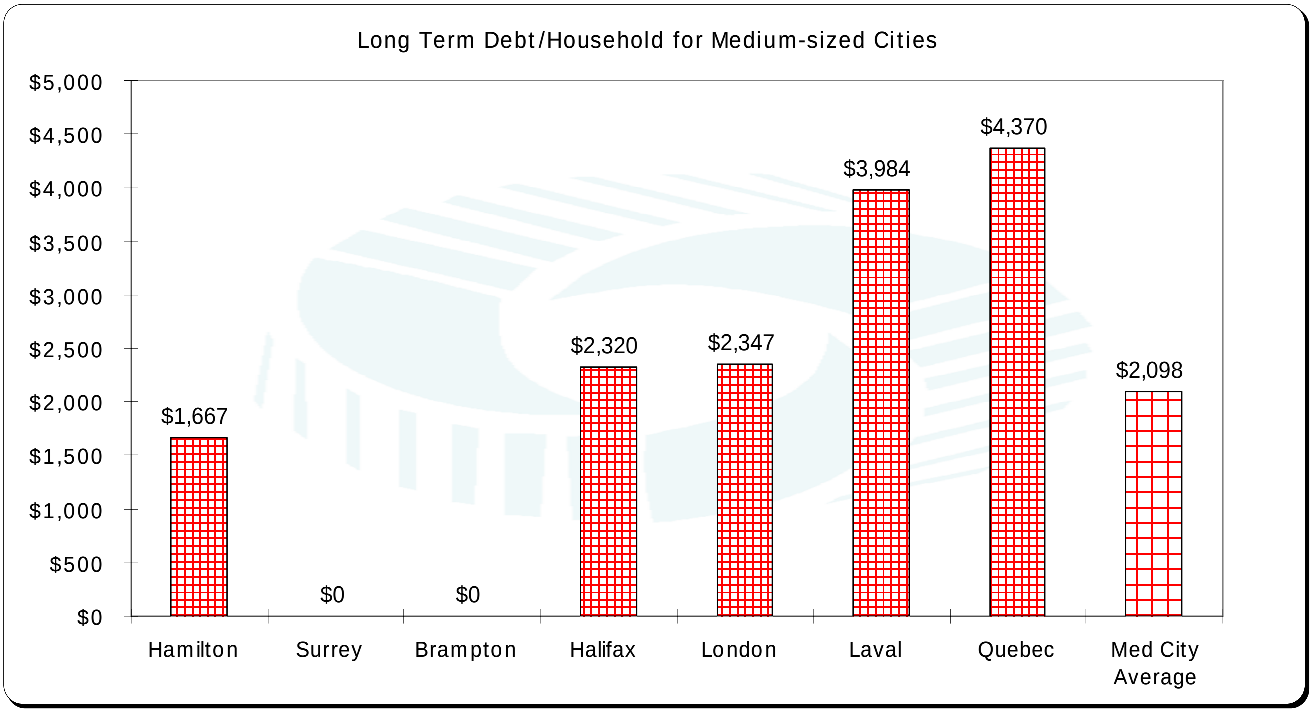




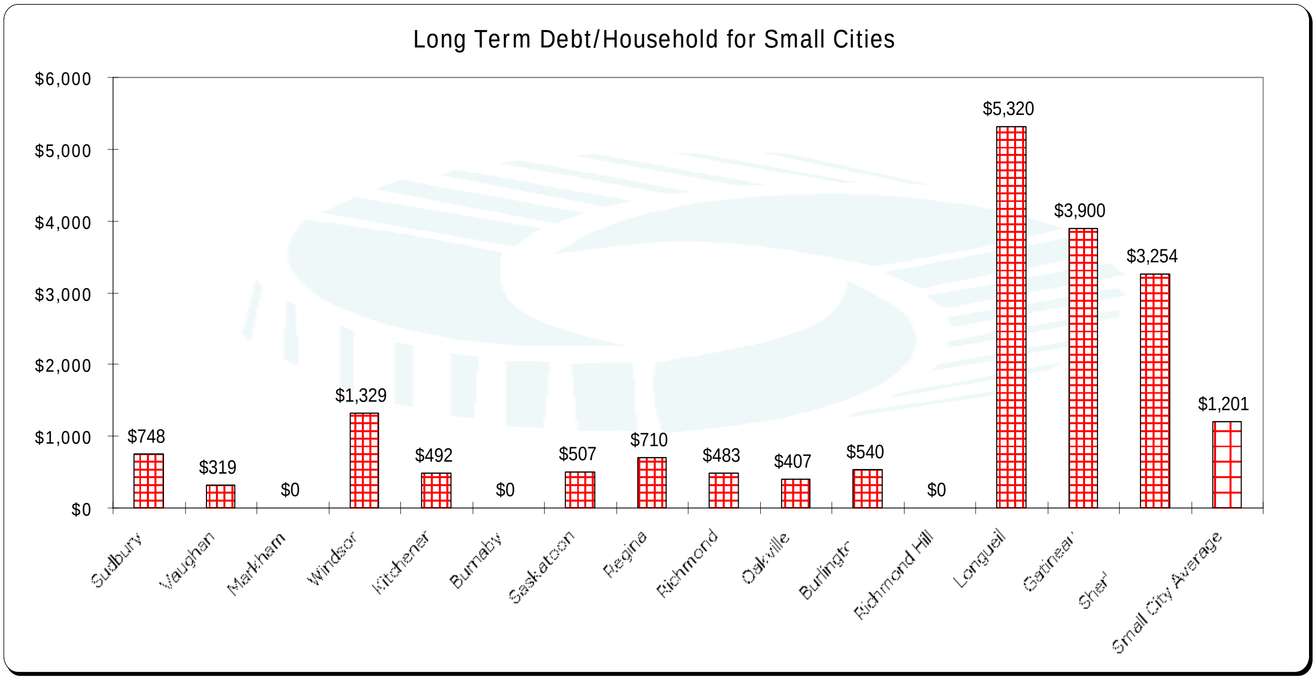
Large City Group Comparisons of Debt



Medium City Group Comparisons of Debt



Small City Group Comparisons of Debt



Inter-group debt-related correlations of significance

Disaggregating the national debt average reveals the following significant variations:

- The highest debt figure in Canada belongs to Montreal, with $8,274 per household.
- On the other hand, six cities, or one in five of the top 30 are free of long-term debt commitments.

There are two significant trends across the cities.

- The strongest is the extremely high indebtedness of the Quebec cities, an average long-term debt of $4,851 per household, more than twice the average of the other three regions.
- The secondary trend is lower indebtedness amongst smaller cities relative to larger cities. The LGPI averages for the large, medium and small groups are $2,794, $2098 and $1,232.

These two trends counterbalance each other to attenuate the differences between the averages of each grouping. Quebec cities are more highly concentrated in the two smaller city groups (1/8 large cities, 2/7 medium cities, and 3/15 small cities).

Interest

The pattern for interest paid on long-term debt shows a robust relationship where 2005 interest expenses equate to approximately 6% of long-term debt with little variation among cities.

The average Canadian household in the top 30 cities paid $114 toward the cost of servicing municipal long-term debt. With this strong relationship in mind, we have presented the long-term debt statistics as a proxy for average interest costs as well.

The data for interest on long-term debt show the following:

- Extremely high debt costs for Quebec cities and
- Generally lower debt costs for smaller cities.
- The highest debt repayment cost was Montreal at $544 per household servicing interest on long-term debt.
- The six municipalities with no long-term debt paid no debt-servicing costs
- The interest costs for large, medium and small cities were $184, $211 and $77 per household.

Other Correlations

Study of long-term debt to capital and operating expenditure for the financial year 2005 found that there are no significant correlations between these variables (R^2 between 0.1-0.2).

Property taxation correlates more strongly at R^2=0.40; however, conclusions cannot be drawn from this.

One possible reason is that because cities report capital expenditures in the year of acquisition, it may be unreliable to sample one year's capital expenditure as a test of debt-funding sources. Taking a longer-term average of capital expenditure might find a better relationship to the level of indebtedness.

Other Municipal liabilities

The LGPI project has had a focus upon Municipal long-term debt. Municipalities have a number of other liabilities as well and these include those associated with their staff pension fund schemes and the debt associated with their other activities.

Pension fund liabilities of Canadian municipalities principally are comprised of staff retirement benefits. They are significant, that is, where these sums are reported they are in general very large by any standard, some measurable in the billions. Montreal for example, reported $9.3 Billion for 2005. Because of their size, consideration of municipal debt would be incomplete without some reference to them.

Further detailed study of pension funds is warranted as a number of questions arose from the LGPI research. These include:

- Explanations of and further analysis of both funded and, more significantly, of any unfunded pension liabilities.
- Assessment of the relative burden upon future municipal taxpayers for these commitments.
- The matter of their disclosure, that is, the public information required to fully inform stakeholders of their municipality's pension fund obligations.

In numerous cases, reporting of pension fund liabilities was deficient. In some instances no information at all was supplied. Other cases included ambiguity relating to the sufficiency of the level of funding. Only a small number of municipalities reported using adequate explanations accompanied by useful information including actuarial assessments of a municipality's contingent future commitments.

Other liabilities of cities comprise a mixture of debt, some current and some term. Most municipalities did not distinguish the financial reserve content of their financial liabilities, that is, amounts matched (or not) with financial assets (for example provisions set aside for debt repayment purposes). This omission joins the growing list of matters in urgent need of better disclosure practice.

Conclusion

Municipal long-term debt levels for the LGPI group of Canada's 30 most populous cities have two characteristics: First, they are low on average at 2.9% of household incomes. Second, there are dramatic differences amongst the per household debt levels of these cities. The variations follow two broad trends. One is a Quebec effect, where Quebec cities are significantly more indebted than other cites. The second is a city-size effect, where larger cities are generally more indebted on a per household basis than are smaller ones.

Municipal Core/Non-core operations

A persistent theme of local government policy analysis and performance measurement is an interest in the core business of municipalities, and more specifically the proportion of a municipality's activities that are core as opposed to non-core.

There is little argument that municipalities exist to provide services to their communities. Some would add the words "basic" or "utility" to this, the provision of necessary local government services that are fundamental to the operation of a local community and economy. These are the core services.

Other more discretionary activities are, by definition, those that are not undertaken for the provision of basic or fundamental services to the community or for the conduct of commerce within the local economy. These are the non-core activities. They comprise a very long and ever-expanding list, from casinos to art galleries and everything in between.

The LGPI project utilized two groups of municipal expenditures termed "niceties" (non-core) and "necessities" (core).

All municipal expenditures are categorized as either a nicety or a necessity.[4]

The separation of municipal expenditures along nicety and necessity lines is outlined in the following table. The terminology used in published financial statements varies widely and the terms used in the table are a sample of those most commonly used by Canadian municipalities.

Item of Municipal Expenditure

Necessity	Nicety
Public Works	Administration
Fire and Police Protection Services	Social Services
Transportation	Recreation and Culture
Planning and Development	Building Services
Environmental Services	

The ratio identifying core/non-core expenditures is the niceties to necessities ratio. The sum of expenditures defined as niceties is divided by the sum of expenditures defined as necessities. A quotient exceeding 100% indicates more is being spent on niceties than upon necessities.

A three-step core/non-core council identification

In its first year, the LGPI study has undertaken a rudimentary niceties to necessities classification of Canadian cities' expenditures to stimulate a debate and add some rigour in an attempt to classify the project's 30 municipalities into one of three categories, either core, non-core or others.

Future LGPI analysis will refine the methodology and data as better disclosure or additional relevant information is obtained.

Step I: Determine municipality's core status based on the niceties to necessities evidence

The niceties to necessities from all 30 municipalities were compared, and then a judgment was made based on comparisons with peer municipalities as to whether or not a given municipality has a bias for predominantly core or non-core activities.

[4] Education sector (local schools) collections and transfer funding is a process that does not result in municipal expenditures. The remittance is excluded.

Niceties to Necessities ratios LGPI 2005 data	**Large City Group**	**Medium City Group**	**Small City Group**	**Niceties to Necessities ratio percentage non-weighted national average**
N:N ratio	70%	71%	80%	75%
Core services cities (below the group and national average)	Calgary Edmonton Vancouver Winnipeg Montreal Mississauga	Halifax Laval Quebec	Sherbrooke Regina Longueuil Vaughan Burnaby Saskatoon Gatineau	50%
Non-core services cities (above group and national average)	Ottawa Toronto	Surrey Hamilton Brampton London	Kitchener Windsor Greater Sudbury Markham Oakville Burlington Richmond Hill	106%

Step II: Other core-related evidence

The niceties to necessities ratio table is one measure of relative core and non-core municipal activities based on the character of their reported expenditures. Other supplementary public information that was obtained was used to refine these preliminary findings.

Further evidence of non-core activities lay in the following information:

- Ownership of non-core assets.
- High levels of social spending.
- High relative staffing costs and staff numbers.
- Low levels of contracted out work.

[N.B.: High overall costs and property taxes per household are considered in Step lll.]

The results of these comparisons were:

Niceties to Necessities ratios LGPI 2005 data	Large City Group	Medium City Group	Small City Group
Core services cities (well below the group and national average)	Calgary* Edmonton* Vancouver* Winnipeg* Mississauga*	Surrey	Sherbrooke* Gatineau* Regina* Longueuil* Kitchener Saskatoon*
Non-core services cities	Ottawa* Toronto*	Hamilton* Halifax	Windsor* Sudbury* Markham*
Ambiguous	Montreal	Brampton Laval London Quebec	Vaughan Burnaby Richmond Oakville Burlington Richmond Hill

*denotes cities with the <u>same</u> classification in Step ll as in Step l.

The reaction to this analysis may well be:

"So what? The findings are disputed given the use of problematical data and the arguable judgments involved. After all, any municipality is competent to judge for itself what levels of expenditure it applies to a wide variety of activities of its choice."

Many might agree. However it may be that, if a consensus emerges around the delineation of core and non-core activities, overall municipal performance, particularly costs of services, might be found to correlate with this analysis.

Step lll: The cost evidence

The third step was to look for the correlation of high costs associated with non-core characteristics (above).

Here is the comparative cost correlation evidence of core/non-core municipalities.

Niceties to Necessities ratios LGPI 2005	**High Cost**	**Low Cost**	**Ambiguous**
Core services cities (below the group and national average)	Longueuil*	*Surrey* *Vancouver** *Winnipeg** *Edmonton** *Mississauga** *Calgary** *Regina**	Sherbrooke* Gatineau* Kitchener Saskatoon*
Non-core services cities (below national average)	*Ottawa** *Toronto** *Hamilton** *Sudbury** *Windsor**	Halifax Markham*	
Ambiguous	Montreal London Laval	Brampton Vaughan Richmond Oakville Burlington Richmond Hill	Burnaby Quebec

This informal correlation measure shows clear results for municipalities that were decisively classified for cost and levels of core activity.

- Twelve (italicized) confirm the hypothesis that failing to focus on core functions results in higher costs. These are either low cost AND core-focused or high cost AND non-core focused.
- Six municipalities are low cost but have ambiguous levels of core focus,
- Four are clearly core focused but have ambiguous cost levels.

The number of municipalities with ambiguous results is a reflection of the assessment methodology; nevertheless, the results that are decisive strongly suggest that a lack of core focus is correlated with higher municipal cost.

Conclusion

There is a continuum for municipalities that runs from a higher focus on core activities to a non-core, provision focus.

Presently, the nature of any municipality's focus is difficult to measure from the levels of public disclosure. Attempts at this measurement were frustrated by differing schemes of expenditure reporting (different items of expenditure), and few and broad items predominating over more-detailed reporting.

Nevertheless, a clear delineation between core and non-core activities has shown the potential to enhance the focus of council activities. From the rudimentary analysis in this paper, it seems likely that a non-core focus predicts higher municipal costs and a core focus predicts lower municipal costs.

In the future, municipalities may find they are able to be more accountable and reduce costs if they have a clear vision of what are and are not core services and if they design their reporting procedures to reflect the division so that they can be measured.

LGPI Public Financial Disclosure Assessments

The scope and quality of municipal accountability is closely tied to the scope and quality of public reporting. With this in mind the LGPI incorporates a methodological review of the 2005 financial statements that are published in English.[5]

The disclosure assessments of the LGPI are based upon judgments made concerning standards of accounting (financial) disclosures and presentation. The judgments have been made from the following criteria, which are each assessed on a scale of one to five, then averaged with their respective weightings to give a ‘raw’ score.

Criteria	Description	Weighting
Accounting Disclosure Standards.	An assessment (judgment) of the quality and completeness of the publicly available accounting presentations and disclosures.	0.5
Additional Statistics.	The inclusion (or not) of useful schedules of additional information many concerned with Council performance.	0.15
Added Key Item Disclosures.	The inclusion (or not) of additional (often extra explanatory) information to further elucidate or explain important material financial data.	0.1
Informative Coverage.	An overall assessment of the quality and completeness of the financial statements covering all standard and optional additional disclosures.	0.15
Added PSAB disclosures.	Provision of additional financial information ahead of strict accounting standard setting requirements to provide useful and informative reporting.	0.1

A total weighted score of above 4.0 is assessed as 'Good', above 3.0 as 'Average' and below 3.0 as 'Poor'.

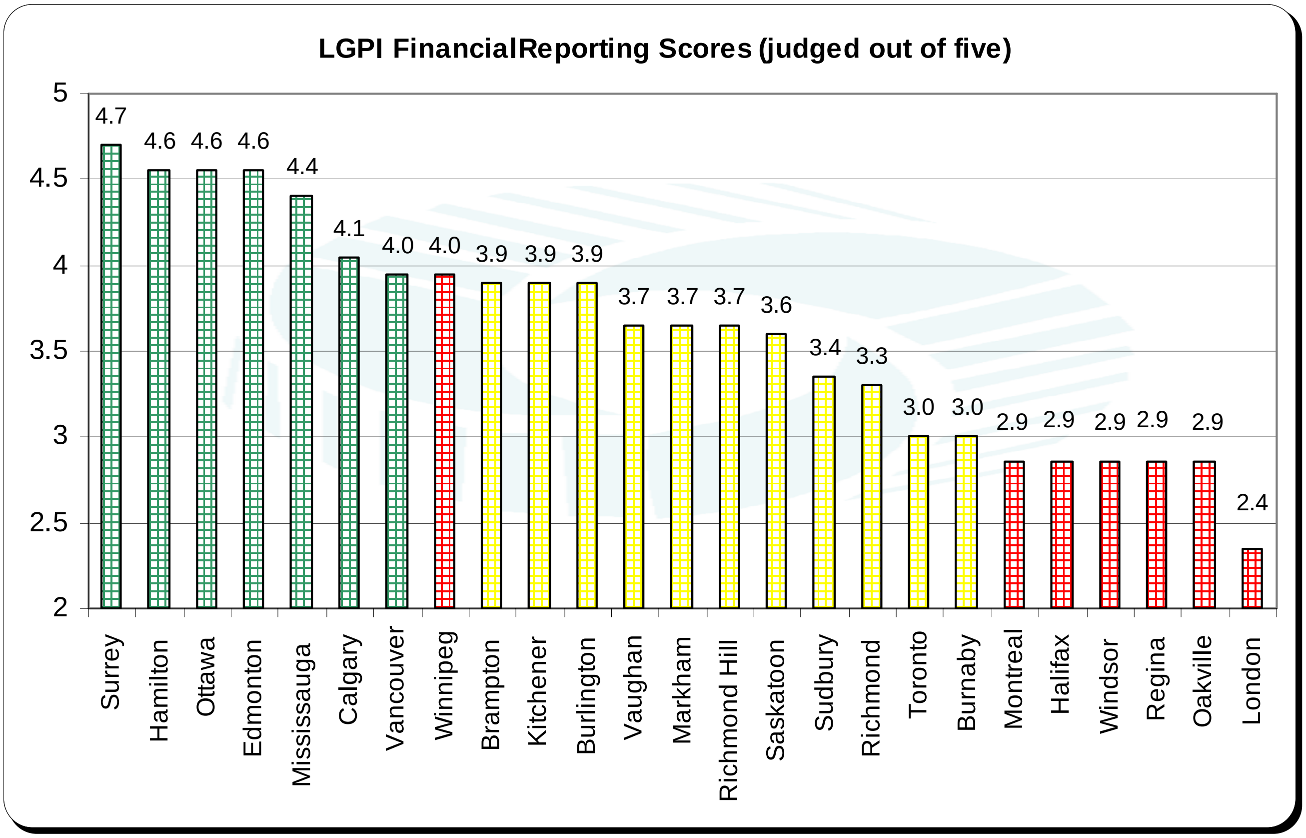
This ‘raw’ assessment is then subject to adjustment depending on the results of some secondary qualitative observations. These include:

- Whether or not an unqualified audit opinion was returned within 100 days of the balance date.
- Whether any attempt at accounting for tangible assets has been made, given that this will become mandatory in 2009.
- Whether any third party awards have been received for the municipality’s disclosure.

The most notable effect of this secondary ranking was the downgrading of Winnipeg from a strong ‘average’ municipality to ‘poor.’ This decision was based on almost unique lack of separate capital and operating expenditure reporting.

Based on these additional factors a municipality is then confirmed or not for its weighted 'raw' score and is finally classified as Good, Average or Poor.

[5] The exception is Halifax, which reports for the year ending March 31. In this case 2006, the year that most overlaps the December 31 2005 balance date of other municipalities has been used.


LGPI FinancialReporting Scores (judged out of five)
5
4.5
4
3.5
3
2.5
2
4.7
4.6 4.6 4.6
4.4
4.1
4.0 4.0
3.9 3.9 3.9
3.7 3.7 3.7
3.6
3.4
3.3
3.0 3.0
2.9 2.9 2.9 2.9 2.9
2.4
Surrey
Hamilton
Ottawa
Edmonton
Mississauga
Calgary
Vancouver
Winnipeg
Brampton
Kitchener
Burlington
Vaughan
Markham
Richmond Hill
Saskatoon
Sudbury
Richmond
Toronto
Burnaby
Montreal
Halifax
Windsor
Regina
Oakville
London

Individual Municipality Analyses

This final section presents a one page analysis for each of the thirty municipalities surveyed in the LGPI. They are ordered by province from west to east, and alphabetically within each province.

The purpose of each analysis is to give a snapshot of the given municipality's financial performance and position. In each case a brief overview of the local economic environment based on incomes, house prices, unemployment, and building permits is given. The findings section presents significant features of the municipality in question, for instance emphasizing a particularly high or low level of debt.

Significant data for each municipality are presented in absolute terms in a table and relative LGPI terms in a chart. The table presents significant statistics and financial information, usually on a per-household basis. The chart presents sixteen financial statistics, each expressed as a proportion of the LGPI average (average of all thirty cities) for that statistic. For example, if the average municipal debt per household is $100, then a municipality with $120 will show a proportional debt figure of 1.2.

Burnaby

In the absence of available employment, income and house price data, a full assessment of the local economic environment in which Burnaby operates is not possible. Nevertheless, building permit values for 2005 at 36% above the average of the LGPI 30 most populous cities suggest a municipality operating in a strong local economy. Burnaby has nil long-term debt and with the minor exception of the library endowment fund, no ownership of subsidiaries. These are rare in the LGPI group and $0 future employee benefit liabilities are also rare. Although, like most municipalities, this figure obscures a significant pay as you go obligation to an external pension fund. The standard of financial disclosure was judged as average amongst the LGPI group.

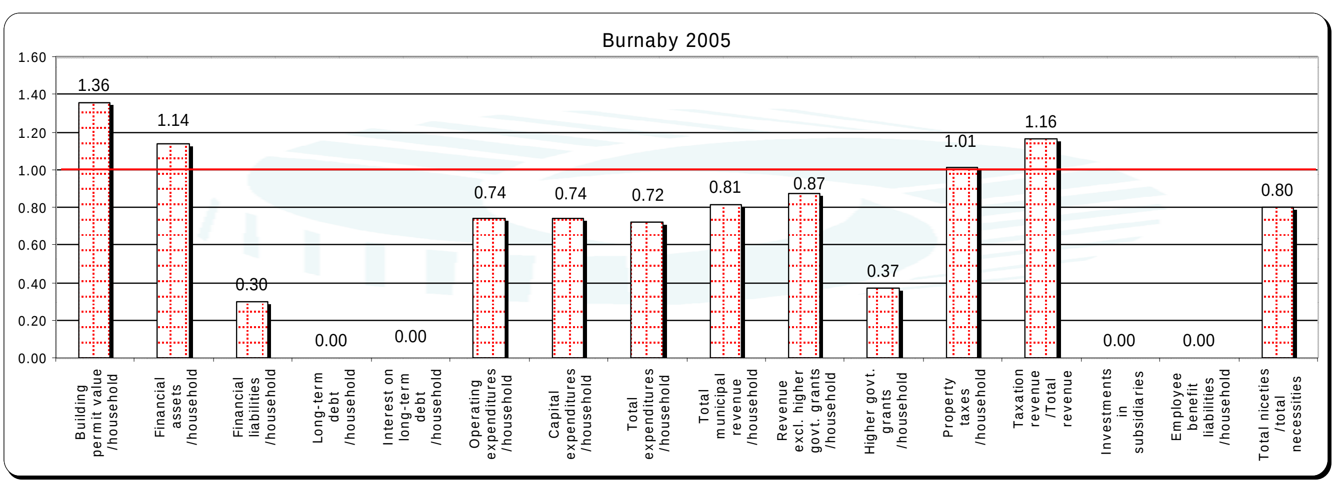
Findings

- The overall financial position is strong in absolute terms and when compared to the LGPI averages, with a $5,601 per household net balance. Unlike most other municipalities, this appears to be underpinned by financial assets, although the level of public disclosure does not allow for a definitive finding.
- Revenue comfortably exceeds expenditure and both figures are approximately three-quarters of the respective LGPI averages.
- Of this revenue, taxation per household is average on the LGPI scale but constitutes a comparatively higher proportion of total government revenue (63%). Lower than average contributions from other governments complete a picture of slightly lower than average use of public funds.
- Compared to the LGPI average, the expenditure on niceties (non-core municipal activities) as a proportion of necessities (core activity expenditure) is below average (59% versus 74%).

Dollar values are per household unless otherwise noted	Burnaby 2005	LGPI City Average
Population	202,799	480,960
LGPI population rank	22	
Households	82,950	196,112
Median household income	unknown	$64,338
Building permit value	$7,626	$5,617
Financial assets	$6,857	$6,038
Financial liabilities	$1,256	$4,229
Long-term debt	$0	$1,851
Interest on long-term debt	$0	$114
Operating expenditures	$2,371	$3,191
Capital expenditures	$705	$952
Total expenditures	$3,076	$4,271
Total municipal revenue	$3,453	$4,203
Revenue excl. higher govt. grants	$3,264	$3,742
Higher govt. grants	$189	$513
Property taxes	$2,111	$2,086
Taxation revenue/total revenue	65%	56%
Investments in subsidiaries ($000)	$577	$275,945
Employee benefit liabilities	$0	($598)
Total niceties/total necessities	59%	74%

Overall Assessment

Burnaby is a city with a very low financial engagement in its economy. This expenditure pattern is a matter of choice for the Burnaby community and should be assessed following an objective comparison of the municipality's outputs. Public disclosures do not facilitate these judgments. It may be that Burnaby is more efficient or is providing a lower level of services based on its low revenue and expenditure. Burnaby's strong focus on core municipal activities may be associated with its low expenditure and strong financial position. The strong position puts Burnaby in a favourable position for future investment if needed.



Richmond

The economic environment in which the City of Richmond operates is difficult to evaluate due to limited data; however, the 2005 building permit values are considerably higher than average, suggesting a good economic environment. The municipality's financial position is strong, underpinned by long-term debt at a quarter of the LGPI average. Taxation, revenue and expenditure are all just below average, and capital expenditure is 27% below average. Despite an excellent section of supplementary statistics, the standards of public accounting disclosure were judged average.

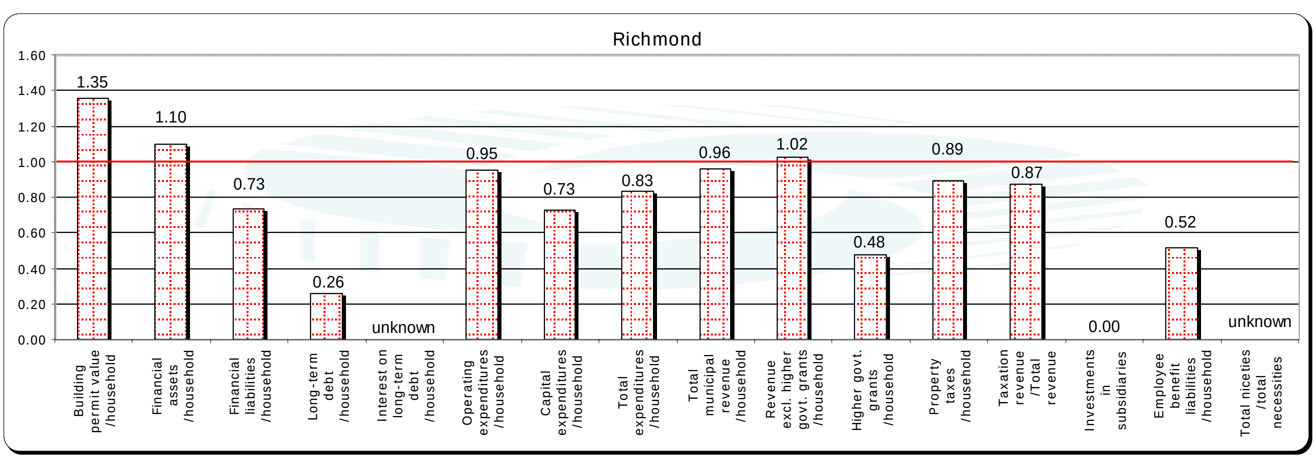
Findings

Dollar values are per household unless otherwise noted	Richmond	LGPI City Average
Population	174,461	480,960
LGPI population rank	25	
Households	64,367	196,112
Median household income	unknown	$64,338
Building permit value	$7,597	$5,617
Financial assets	$6,619	$6,038
Financial liabilities	$3,090	$4,229
Long-term debt	$481	$1,851
Interest on long-term debt	unknown	$114
Operating expenditures	$3,033	$3,191
Capital expenditures	$694	$952
Total expenditures	$3,561	$4,271
Total municipal revenue	$4,069	$4,203
Revenue excl. higher govt. grants	$3,824	$3,742
Higher govt. grants	$244	$513
Property taxes	$1,861	$2,086
Taxation revenue/total revenue	49%	56%
Investments in subsidiaries ($000)	$0	$275,945
Employee benefit liabilities	($309)	($598)
Total niceties/total necessities	unknown	74%

- Richmond's 2005 financial position was very strong, with financial assets exceeding liabilities by more than two to one. In addition, long-term debt stands at a quarter of the LGPI national average, though investments in subsidiaries are reported as nil.
- Municipal revenue exceeded total expenditures by 14%, and both were below the national average although these were respectively 8% above and 5% below the average for the LGPI small city group.
- Property taxes were 11% below the national average, and grants from higher governments were 52% below, suggesting a low draw on public funds in comparison to the national average. Again, these figures were a little closer to average when compared to the small city group averages at 9% below and 38% below respectively.
- The calculation of total nicety (non-core municipal) expenditure as a proportion of necessity (core municipal) expenditure was not possible for total expenditure. However, calculating this figure for operating expenditure was possible and resulted in a comparatively low figure of 45% compared to the national figure of 74%. This measure is designed to express the level of focus on core, as opposed to non-core, expenditures and a low percentage indicates a core-focused municipality.
- Since Richmond has no subsidiaries, it escapes the issue of group reporting obscuring the identity of core municipal performance with the performance of its subsidiaries.

Overall Assessment

The residents of Richmond are part of a small municipality that is in a strong financial position. Richmond appears to be highly focused on core municipal activities, and it generally has a low financial engagement in the economy, with low expenditures and revenue. Its comparatively lower capital expenditures may be a cause for concern, particularly considering funding issues arising from tangible asset accounting, which becomes mandatory in 2009.



Surrey

With limited jurisdiction-specific data available, it is difficult to assess the local economic environment in which Surrey operates. One available datum, building permit values at 41% above the LGPI national average, suggests a strong local economy.

Public disclosure was judged as good, with Surrey joining a small elite club of LGPI cities making a start at publicly disclosing tangible asset holdings. The municipality is also a rare (six out of 30 LGPI cities) example of a debt-free city. In spite of this status, Surrey is also 22% above average for capital creation and draws very lightly on public funds with much lower than average property taxation and other government grants.

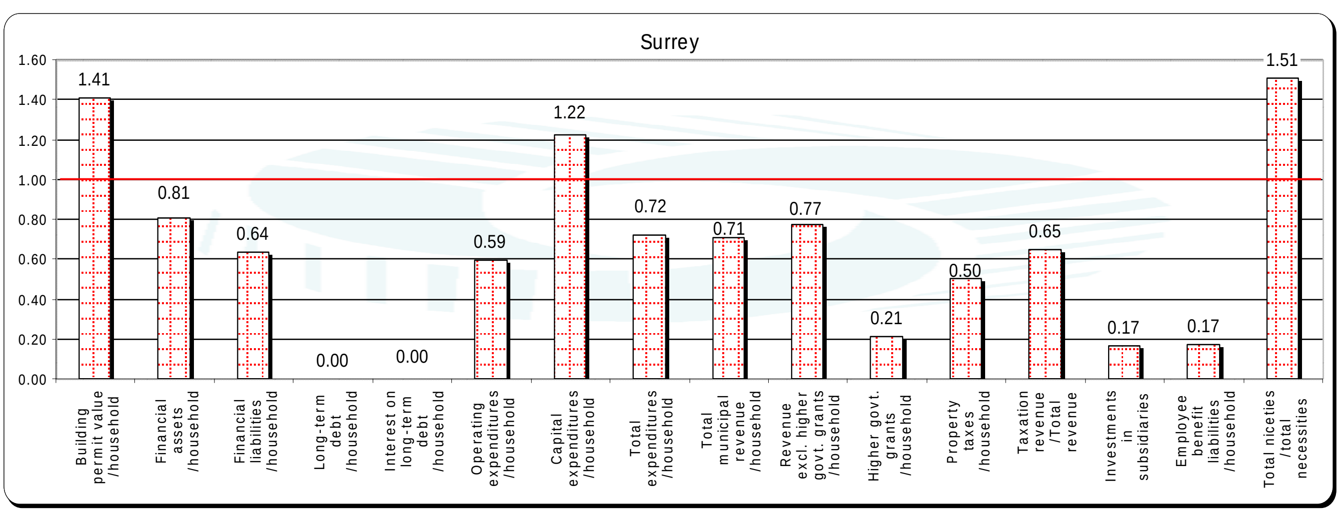
Findings

- Long-term debt and interest costs are zero, financial assets and liabilities are below the LGPI 30 larger city averages, but the ratio between them is relatively high, a healthy financial position.
- As with all other Canadian cities, Surrey has an accounting deficiency wherein subsidiary operations are grouped with core municipal activities. As a result, analysts and stakeholders struggle to assess the true performance of core municipal activities.
- Lower taxation (half of the average) is facilitated by 28% lower than average overall spending and high (almost one-third of the total) revenue sourced from user charges, developer contributions and investment income. Grant income is low but has not translated into higher local taxation.
- The LGPI niceties to necessities ratio is much higher than average (niceties divided by necessities); the result is 112% compared to an LGPI national average of 74%). This indicator is designed to measure the level of focus on core municipal activities as opposed to non-core activities.

Dollar values are per household unless otherwise noted	Surrey 2005	LGPI City Average
Population	394,976	480,960
LGPI population rank	12	
Households	139,193	196,112
Median household income	unknown	$64,338
Building permit value	$7,903	$5,617
Financial assets	$4,870	$6,038
Financial liabilities	$2,694	$4,229
Long term debt	$0	$1,851
Interest on long term debt	$0	$114
Operating expenditures	$1,893	$3,191
Capital expenditures	$1,165	$952
Total expenditures	$3,065	$4,271
Total municipal revenue	$3,001	$4,203
Revenue excl. higher govt. grants	$2,894	$3,742
Higher govt. grants	$107	$513
Property taxes	$1,047	$2,086
Taxation revenue/total revenue	36%	56%
Investments in subsidiaries ($000)	$46,145	$275,945
Employee benefit liabilities	($103)	($598)
Total niceties/total necessities	112%	74%

Overall Assessment

Based on the evidence, the citizens of Surrey are very well served by a municipality with a low draw on public funds and solid capital creation. Its nil debt and low levels of taxation favourably position Surrey for future funding, particularly for further infrastructural asset developments. The municipality achieves good public disclosure standards by Canadian municipal standards.



Vancouver

Vancouver is part of the LGPI large city group. Median household income and unemployment numbers are both slightly below the national average at $58,000 and 4.4% (2006 data) respectively. Median house prices are double to triple those of other cities. Building permit figures at roughly 10% above the national average round out a picture of a sound, but not spectacular, local economy. The level of public disclosure of financial and other useful information was assessed as satisfactory according to the LGPI assessment of Canadian municipal reporting. Vancouver joins a small number of cities making progress with accounting for tangible assets by including them in their statement of financial position (mandatory by 2009).

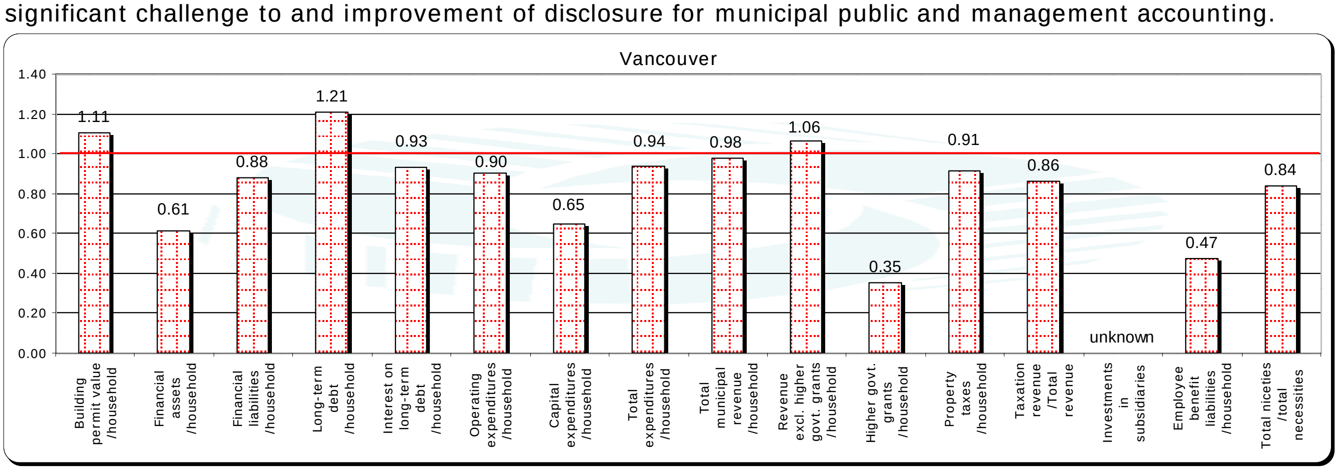
Findings

- Vancouver operates at a lower scale than other cities for its financial assets, property taxes, revenue and expenditures (both operating and capital). In other areas, most measures are close to or just below the average for the LGPI national group and is particularly low amongst the LGPI large city group.
- Analysis of this data is hampered by the lack of separation of municipal only and subsidiary activities. The data do reflect a significant element of municipal operational content.
- Vancouver's debt stands at $384 per household above the national average, but of more significance is that it is $559 below its large city group debt per household average. Vancouver is in a comfortable debt position relative to other large Canadian cities, but its current (low debt funded?) capital expenditures may be cause for concern. Debt interest charges are just below the LGPI national average.
- The LGPI Niceties to Necessities ratio finds expenditure on niceties is 62% of necessities expenditures (national average 74%), suggesting a strong focus on core as opposed to non-core municipal activities.
- No information was publicly available for municipality staff numbers, so no meaningful comparative (staffing-related) assessments could be made.

Dollar values are per household unless otherwise noted	Vancouver	LGPI City Average
Population	578,041	480,960
LGPI population rank	8	
Households	253,212	196,112
Median household income	$58,800	$64,338
Building permit value	$6,216	$5,617
Financial assets	$3,696	$6,038
Financial liabilities	$3,716	$4,229
Long-term debt	$2,235	$1,851
Interest on long-term debt	$106	$114
Operating expenditures	$2,878	$3,191
Capital expenditures	$618	$952
Total expenditures	$3,997	$4,271
Total municipal revenue	$4,155	$4,203
Revenue excl. higher govt. grants	$3,973	$3,742
Higher govt. grants	$182	$513
Property taxes	$1,905	$2,086
Taxation revenue	48%	56%
Investments in subsidiaries ($000)	$0	$275,945
Employee benefit liabilities	($283)	($598)
Total niceties/total necessities	62%	74%

Overall Assessment

Based on the findings taken from the LGPI 2005 data set, Vancouver's average (and smaller than average) per-household financial statistics paint a picture of a municipality in a sound financial condition with possibly a lower financial impact than its current expansion and size justify. This municipality's movement toward tangible asset accounting is especially encouraging, as this change, mandated for 2009, represents a significant challenge to and improvement of disclosure for municipal public and management accounting.



Calgary

Calgary is part of the LGPI large city group and is a municipality operating in a very strong local economy. The median income of $75,400 per household is 18% above the national average and median house prices are $319,000 compared to the national average of $227,000. Unemployment is much lower than average (3.9% for 2006 data) and building permits/local construction activity is 60% above the large city group average at $8,974 per household. Public disclosure of financial and other useful information was assessed as good. Calgary joins a small number of cities that are making progress with the reporting of operational assets by itemizing infrastructural and other assets in preparation for tangible assets accounting.

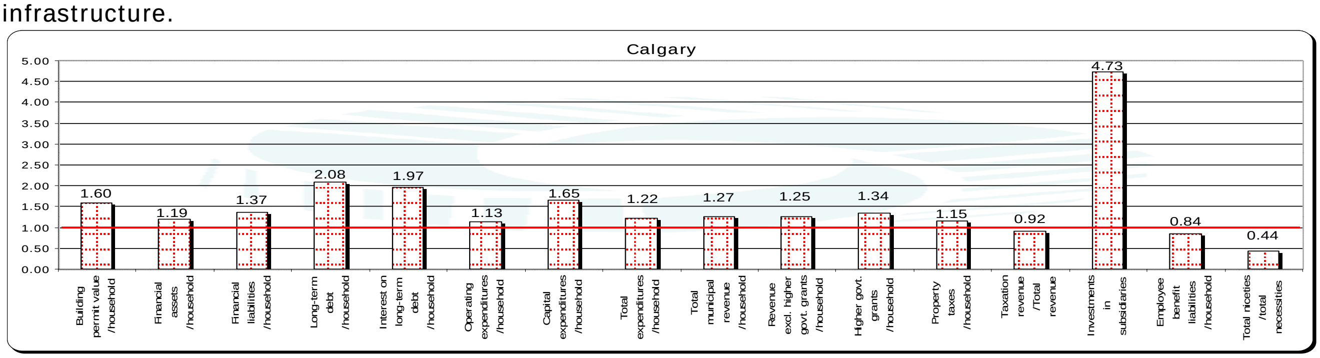
Findings

Dollar values are per household unless otherwise noted	Calgary 2005	LGPI City Average
Population	988,193	480,960
LGPI population rank	3	
Households	401,389	196,112
Median household income	$75,400	$64,338
Building permit value	$8,974	$5,617
Financial assets	$7,204	$6,038
Financial liabilities	$5,806	$4,229
Long-term debt	$3,843	$1,851
Interest on long-term debt	$225	$114
Operating expenditures	$3,601	$3,191
Capital expenditures	$1,567	$952
Total expenditures	$5,221	$4,271
Total municipal revenue	$5,384	$4,203
Revenue excl. higher govt. grants	$4,693	$3,742
Higher govt. grants	$690	$513
Property taxes	$2,394	$2,086
Taxation revenue	51%	56%
Investments in subsidiaries ($000)	$1,305,413	$275,945
Employee benefit liabilities	($504)	($598)
Total niceties/total necessities	33%	74%

- Calgary's key performance indicators (mostly financial), compared with the 30 LGPI large city group, indicate a high financial impact on the local economy.
- Observations that make up the assessment include:
  - o Approximately 20% above average revenue and expenditures, reflecting the higher ability to pay of the local economy.
  - o The higher revenues are partially attributed to the returns from the municipality's extensive investments. This income has not been sufficient to prevent somewhat higher property taxes. At $2,394 per household, they are 15% above the national average, though exactly average when rated with the peer group (large cities) average. They are also a lower proportion of total municipal revenue (51% compared to 56%).
  - o Calgary scored extremely low on the niceties to necessities ratio, indicating a strong focus on core municipal operations. (Calgary's ratio is the lowest for all of Canada at 33% compared to the national average of 74% and the large city group at 70%).
  - o Higher City expenditures (though its operating expenditures at $3,601 are right on the large city group average) are reflected in growth-related data. Calgary achieves much higher than average capital expenditures (Calgary $1,567, large cities average $957). This data is associated with the much higher debt levels (at $3,843, double the national average) used to finance the higher growth activities. Interest payments are also double this average
- A complication for this analysis is that a precise separation of municipal only activities from subsidiary activities is not possible; therefore, financial data used for this analysis is financial group or consolidated information.

Overall Assessment

Based on the findings taken from the LGPI 2005 data set, Calgary residents are benefiting from a very solid economic base. They are receiving necessities-centered and well-funded core services, albeit at relatively high cost including higher property taxation. Municipal debt levels, if allowed to increase further, may begin to challenge the upper limits, leaving limited scope for future investment or the renewal of public infrastructure.



Edmonton

The City of Edmonton is part of the LGPI large city group and operates in an upper range local economic base. Median local income ($66,500 per household) is 4% above the national average and unemployment is low at 4.5% (2006 data). Median house prices are $234,000 (LGPI national average $227,000). Building permits/local construction activity is well above (by 31%) the large city group average of $9,239 per household. The level of public disclosure of financial and other useful information was assessed as very good and one of the best amongst its municipal peers. Edmonton joins a small number of cities making progress with accounting for its operational assets, at this stage an inventory of its infrastructural and other assets, prior to incorporation of tangible asset accounting (mandatory by 2009).

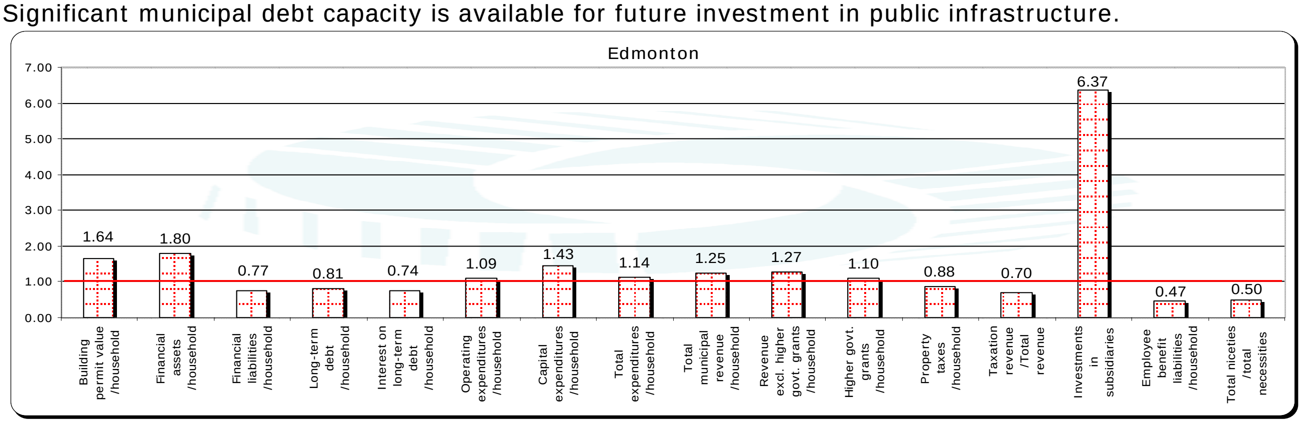
Findings

Dollar values are per household unless otherwise noted	Edmonton 2005	LGPI City Average
Population	730,372	480,960
LGPI population rank	5	
Households	314,362	196,112
Median household income	$66,500	$64,338
Building permit value	$9,239	$5,617
Financial assets	$10,864	$6,038
Financial liabilities	$3,237	$4,229
Long-term debt	$1,496	$1,851
Interest on long-term debt	$85	$114
Operating expenditures	$3,488	$3,191
Capital expenditures	$1,363	$952
Total expenditures	$4,851	$4,271
Total municipal revenue	$5,314	$4,203
Revenue excl. higher govt. grants	$4,749	$3,742
Higher govt. grants	$564	$513
Property taxes	$1,838	$2,086
Taxation revenue/total revenue	39%	56%
Investments in subsidiaries ($000)	$1,758,272	$275,945
Employee benefit liabilities	($282)	($598)
Total niceties/total necessities	37%	74%

- Edmonton performs well at most levels compared to other municipalities. Its key performance indicators (largely financial) are very satisfactory.
- Positives that make up this assessment include:
  - o Edmonton has a high impact on its local economy, raising and spending more money than average.
  - o The higher municipal revenue is partially attributed to the underlying wealth of the City and the returns from its extensive investments (over 10% of 2005 revenue). These results (services provided and paid for in part from other revenue) were achieved when property taxes were 23% below their peer group, (large cities) average at $1,838 per household.
  - o Despite a strong financial base (and the inevitable temptation to broaden the scope of municipal operations), Edmonton has kept its spending to core activities. Its LGPI niceties to necessities result is 37%, a very low level of non-core expenditures. This is one of the lowest figures for this measure (national average 74%, large cities 66%).
- Edmonton's low long-term debt (at $1,496 per household or 46% below the large group average) gives it a borrowing comfort zone, something enjoyed by few other large cities.
- The combined group accounting of core municipal and subsidiary results adversely affects this analysis. Accountability for municipal only (core business) performance, though reported in line with current accounting practice of the local government, does not assist with good accountability.

Overall Assessment

Based on the findings taken from the LGPI 2005 data set, the citizens of the City of Edmonton benefit from a very solid local economic base and receive well-funded core services at modest levels of property taxation. Significant municipal debt capacity is available for future investment in public infrastructure.



Regina

Based on Regina's high median household income, low median house prices, low unemployment levels and low building permit values, this municipality operates in a mixed but generally lower relative local economic environment. The chart of Regina's financial statistics normalized to the per household LGPI national averages shows Regina has a comparatively low impact on its local economy with all statistics significantly below average. Regina's levels of public accounting disclosure were judged as poor.

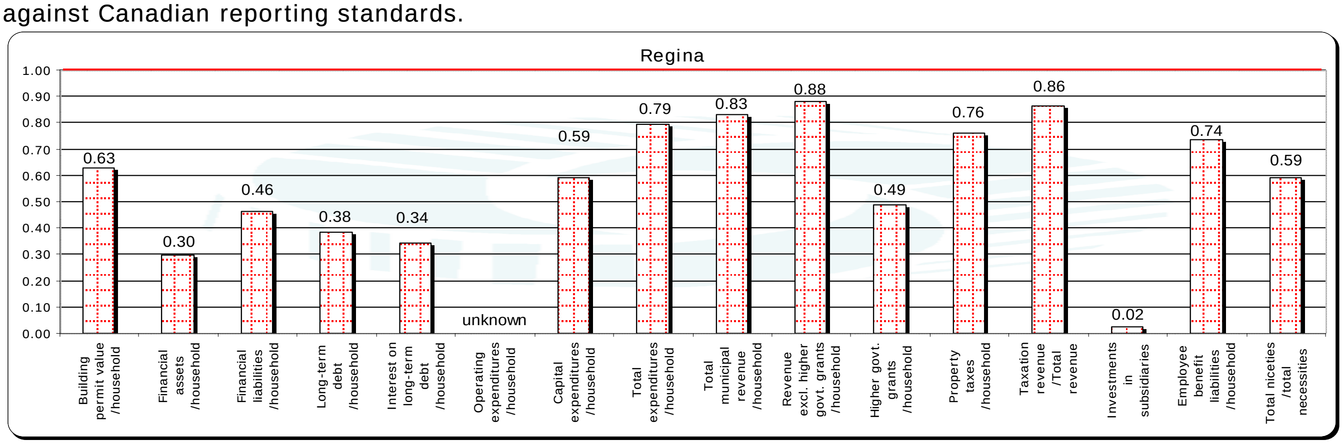
Findings

Dollar values are per household unless otherwise noted	Regina	LGPI City Average
Population	179,246	480,960
LGPI population rank	24	
Households	78,692	196,112
Median household income	$57,500	$64,338
Building permit value	$3,529	$5,617
Financial assets	$1,787	$6,038
Financial liabilities	$1,953	$4,229
Long-term debt	$710	$1,851
Interest on long-term debt	$40	$114
Operating expenditures	unknown	$3,191
Capital expenditures	$564	$952
Total expenditures	$3,382	$4,271
Total municipal revenue	$3,543	$4,203
Revenue excl. higher govt. grants	$3,293	$3,742
Higher govt. grants	$250	$513
Property taxes	$1,583	$2,086
Taxation revenue/total revenue	48%	56%
Investments in subsidiaries ($000)	$6,812	$275,945
Employee benefit liabilities	($440)	($598)
Total niceties/total necessities	44%	74%

- Regina has marginally net-negative financial assets. Its financial position includes much lower financial liabilities and long-term debt in comparison to the LGPI average, possibly reflecting the taxpayers' generally lower ability to pay.
- Regina also ran a financial performance deficit in 2005, with expenditures exceeding revenue by $161 per household.
- Nevertheless, taxation is 24% below the LGPI national average at $1,583 in comparison to a national average of $2,086. Revenue from higher government grants is 51% below the national average. This low draw on public funds suggests that Regina is showing expenditure constraint and is using relatively less public money than are other municipalities.
- Regina's low indebtedness (160% below average) and low debt-servicing costs suggest its low taxing regime is sustainable. Regina's relatively low capital creation rate (even lower in comparative terms than operating expenditure) means this financial position might be challenged should any infrastructure deficit emerge and require funding when tangible asset accounting is mandated in 2009.
- The very low investment in subsidiaries (compared with others) reflects the absence of municipal ownership of non-core assets such as electrical utilities and airports.
- The very low niceties to necessities figure at 44% is confirmation of a focus on core activities reflecting comparatively low expenditure on non-core activities.

Overall Assessment

The City of Regina is a core-services focused organization, albeit with a question over the low levels of capital creation. These will be more clearly addressed when tangible asset accounting becomes mandatory. The standard of accounting and other disclosures was assessed as below average (primarily because it is one of only two cities that does not calculate meaningful totals for operating expenditures) when measured against Canadian reporting standards.



Saskatoon

Based on median household income, median house prices, unemployment levels and building permit values, Saskatoon operated in a slightly stronger than average local economic environment in 2005. Against this backdrop, the municipality maintained a very sound financial position that was underpinned by low long-term debt and substantial financial assets. The overall financial engagement in the economy, based on above average revenue and expenditures, is high compared to the LGPI group of Canada's 30 most populous cities and particularly in comparison to the LGPI small city group. The standard of public accounting disclosure was judged average in comparison with other municipalities. Its separate disclosure of subsidiaries results is good practice and is not common in other Canadian cities' financial reporting.

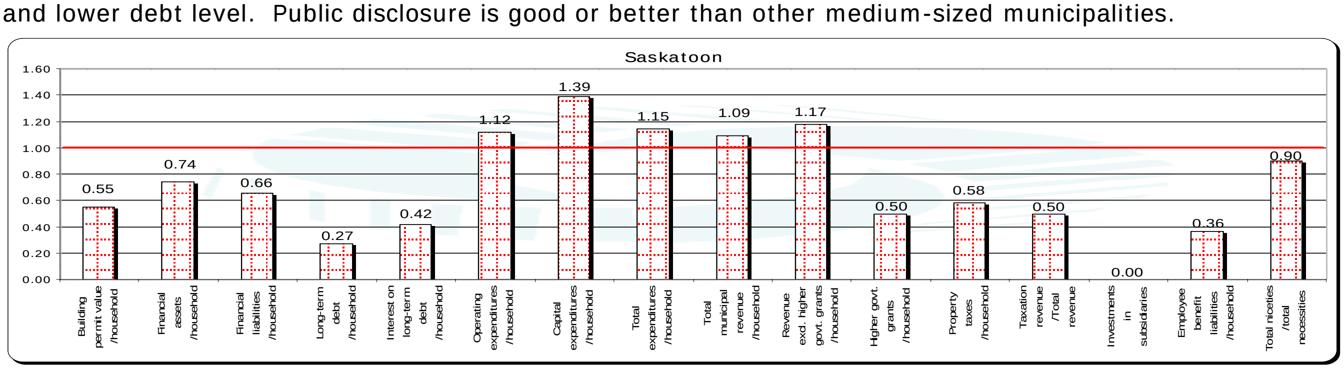
Findings

Dollar values are per household unless otherwise noted	Saskatoon 2005	LGPI City Average
Population	202,340	480,960
LGPI population rank	23	
Households	89,646	196,112
Median household income	$52,100	$64,338
Building permit value	$3,085	$5,617
Financial assets	$4,472	$6,038
Financial liabilities	$2,779	$4,229
Long-term debt	$507	$1,851
Interest on long-term debt	$49	$114
Operating expenditures	$3,568	$3,191
Capital expenditures	$1,323	$952
Total expenditures	$4,891	$4,271
Total municipal revenue	$4,652	$4,203
Revenue excl. higher govt. grants	$4,396	$3,742
Higher govt. grants	$255	$513
Property taxes	$1,217	$2,086
Taxation revenue/total revenue	28%	56%
Investments in subsidiaries ($000)	$0	$275,945
Employee benefit liabilities	($217)	($598)
Total niceties/total necessities	67%	74%

- Saskatoon's revenue structure is heavily skewed to user charges in comparison with other municipalities. At 46% of total revenue, and twice the average on a per-household basis, higher user charges appear to explain the comparatively high total expenditures (15% above average) and lower property taxation (42% below average). Revenue from higher government grants is also slightly below average, but this source has a small impact on total revenue.
- Long-term debt is 73% lower than the average, and interest charges are much lower (58%) than the 30 LGPI cities' average. Compared to the generally less indebted LGPI small city group, these figures are closer to this group's average at 59% and 38% respectively.
- Expenditure appears to have contributed to higher relative levels of capital creation.
- Expenditure on niceties (non-core municipal activities) as a proportion of necessities (core activities) is slightly below the average for all cities and at 67% is low compared to the small city group average (80%). This measure divides expenditure into that related to core municipal activities, and that which is related to non-core activities. Saskatoon's result indicates a stronger core focus than in other cities.
- Saskatoon omitted its investment in subsidiaries (it controls Saskatoon Light & Power), which other municipalities report on their statements of financial position. Nevertheless, the issue of group reporting obscuring core municipal performance with the performance of subsidiaries is common to most municipalities. Saskatoon is distinguished from most other municipalities by reporting the revenue and expenditure of its utilities in a separate section.

Overall Assessment

Saskatoon citizens support a municipality that delivers core services in an average (2005) economic environment that performs close to national averages for most figures except for its higher capital creation and lower debt level. Public disclosure is good or better than other medium-sized municipalities.



Winnipeg

The City of Winnipeg, according to the available information relating to its local economic circumstances, operates within an average to below average economic environment compared to the rest of Canada. Annual 2005 building permit data (by value) are less than half the national average, and this is true of Winnipeg's median house prices. Median income and unemployment rates are close to national norms, however. Accounting and other related public information disclosures were assessed as poor. In some areas, the information vacuum (for example, meaningful expenditure totals. See "unknown" items below) has made sound financial analysis problematic.

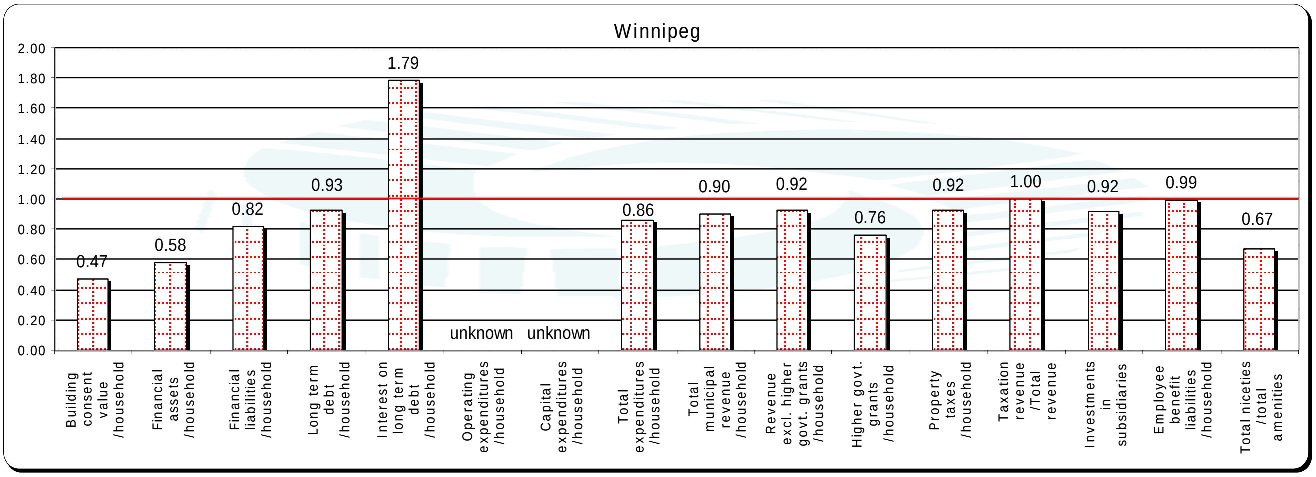
Findings

Dollar values are per household unless otherwise noted	Winnipeg	LGPI City Average
Population	633,451	480,960
LGPI population rank	7	
Households	261,109	196,112
Median household income	$61,600	$64,338
Building permit value	$2,637	$5,617
Financial assets	$3,513	$6,038
Financial liabilities	$3,456	$4,229
Long-term debt	$1,715	$1,851
Interest on long-term debt	$211	$114
Operating expenditures	unknown	$3,191
Capital expenditures	unknown	$952
Total expenditures	$3,672	$4,271
Total municipal revenue	$3,843	$4,203
Revenue excl. higher govt. grants	$3,451	$3,742
Higher govt. grants	$392	$513
Property taxes	$1,928	$2,086
Taxation revenue	56%	56%
Investments in subsidiaries ($000)	$253,539	$275,945
Employee benefit liabilities	($592)	($598)
Total niceties/total necessities	49%	74%

- Winnipeg's financial position, its net financial assets and its (modest) long-term debt, are stable and close to sector norms. A substantial investment, in the form of Hydro, reinforces this conclusion.
- Expenditure and revenue totals were assessed as average when measured against the national average (of the 30 LGPI cities), but they are a mere two-thirds of the average of the largest group of eight municipalities of which Winnipeg is a member.
- This lower impact assessment is further reinforced by Winnipeg's lower property taxation levels (lower by $473 or 20% lower than for other large cities) as well as the many lower than normalized results depicted in the chart.
- Some indication, albeit problematic for the reason already stated, can be gained relating to the proportion of core or non-core municipality expenditures. The niceties to necessities ratio of 49% would appear to indicate that Winnipeg, relative to others, is spending a much greater part of its revenue on core municipal services (the large city group average is 70%).
- Although Winnipeg scored highly in the initial numerical assessment of accounting, it was downgraded from 'average' to 'poor' in consideration of the lack of separate capital and operating expenditure data.

Overall Assessment

Subject to the constraints of very limited available public information (a challenge for both analyst and stakeholder alike), the City of Winnipeg has a solid financial base; it operates with lower than average taxation levels whilst concentrating on the delivery of largely core municipal services. The standard of accounting and other disclosures was assessed as poor (primarily because it is one of only two cities that does not calculate meaningful totals for operating and capital expenditures) when measured against current reporting standards.



Winnipeg
2.00
1.80
1.60
1.40
1.20
1.00
0.80
0.60
0.40
0.20
0.00
0.47
0.58
0.82
0.93
1.79
unknown
unknown
0.86
0.90
0.92
0.76
0.92
1.00
0.92
0.99
0.67
Building consent value /household
Financial assets /household
Financial liabilities /household
Long term debt /household
Interest on long term debt /household
Operating expenditures /household
Capital expenditures /household
Total expenditures /household
Total municipal revenue /household
Revenue excl. higher govt. grants /household
Higher govt. grants /household
Property taxes /household
Taxation revenue /Total revenue
Investments in subsidiaries
Employee benefit liabilities /household
Total niceties /total amenities

Brampton

The local economic environment in which the municipality of Brampton operates is very strong. While jurisdiction-specific data on employment and incomes are not available, economic growth was informally reported at 5.2% and building permit values for 2005 were reported at 68% above the LGPI national average. The municipality is in a very sound financial position and is among a handful of debt-free LGPI cities. The standard of public disclosure was judged average for 2005.

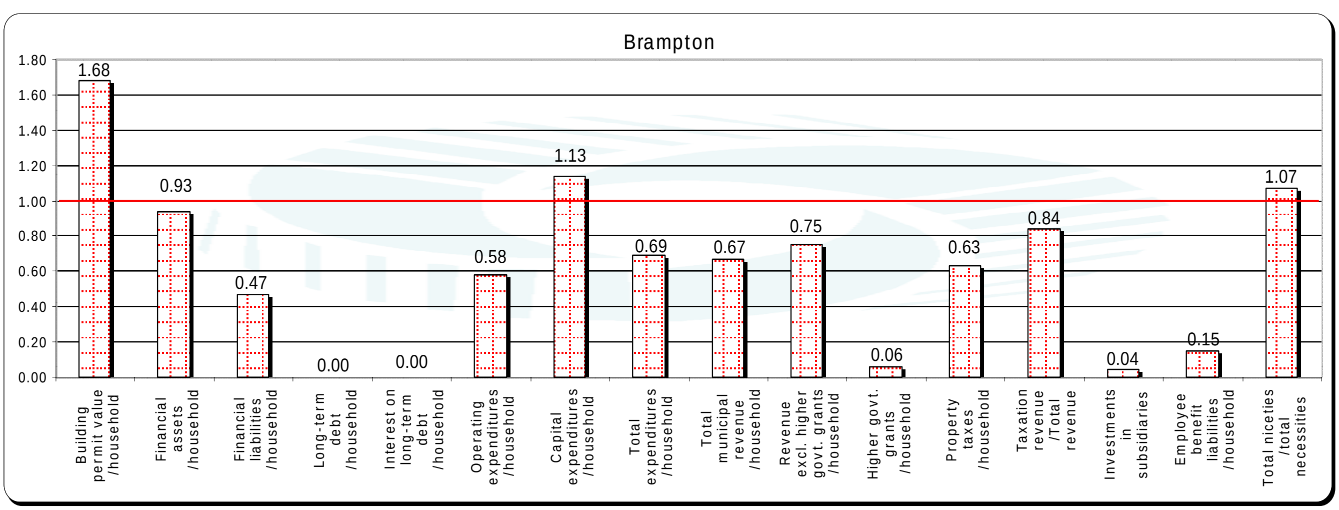
Findings

Dollar values are per household unless otherwise noted	Brampton	LGPI City Average
Population	433,806	480,960
LGPI population rank	11	
Households	130,803	196,112
Median household income	unknown	$64,338
Building permit value	$9,444	$5,617
Financial assets	$5,639	$6,038
Financial liabilities	$1,996	$4,229
Long-term debt	$0	$1,851
Interest on long-term debt	$0	$114
Operating expenditures	$1,859	$3,191
Capital expenditures	$1,080	$952
Total expenditures	$2,939	$4,271
Total municipal revenue	$2,842	$4,203
Revenue excl. higher govt. grants	$2,811	$3,742
Higher govt. grants	$31	$513
Property taxes	$1,317	$2,086
Taxation revenue/total revenue	47%	56%
Investments in subsidiaries ($000)	$12,088	$275,945
Employee benefit liabilities	($89)	($598)
Total niceties/total necessities	79%	74%

- Low revenue, expenditure and taxation are indicative of a municipality with a low financial engagement in the community compared to some other LGPI municipalities.
- Capital expenditure, however, is 13% above average and, in the context of lower overall expenditure, is high and appears to have been accomplished without the need for debt funding.
- Taxation and other government grants are very low, suggesting a low reliance on public funds. In practice, these figures obscure the very large drawing on development levies. If these were considered as a tax, then Brampton's taxation on a per household basis would be close to average. (Next year's index will deal with non taxation revenue sources in more detail.)
- Investment in subsidiaries is very low at 4% of the LGPI average. This result can be seen as a compliment to the municipality's nil debt status.
- The proportion of niceties expenditure compared to necessities (slightly above the average at 79%) indicates an average level balance between expenditure on core, as opposed to non-core, activity.

Overall Assessment

Brampton presides over a very strong local economy but manages to contain spending levels and target expenditure on core operations. The comparatively high rate of capital creation appears to fit well with the fast-growing local economy. Brampton's nil debt status puts this municipality in a sound position to finance any infrastructure deficit that may arise in 2009 when tangible asset accounting becomes necessary.



Burlington

The economic environment in which the City of Burlington operates appears to be one of the strongest in the LGPI group of Canada's 30 most populous cities. While the City expresses its house prices and household incomes in averages rather than the medians used for equivalent statistics from other cities, these figures are very high. Further, the value of building permits in 2005 was 47% above the LGPI Canada-wide average. Against this backdrop of a local economy with a high ability to pay, Burlington has maintained exceptionally low taxation, total revenue and expenditure in comparison to other LGPI municipalities. Standards of public accounting disclosure were reported as good by the LGPI, and the overall financial position is very sound.

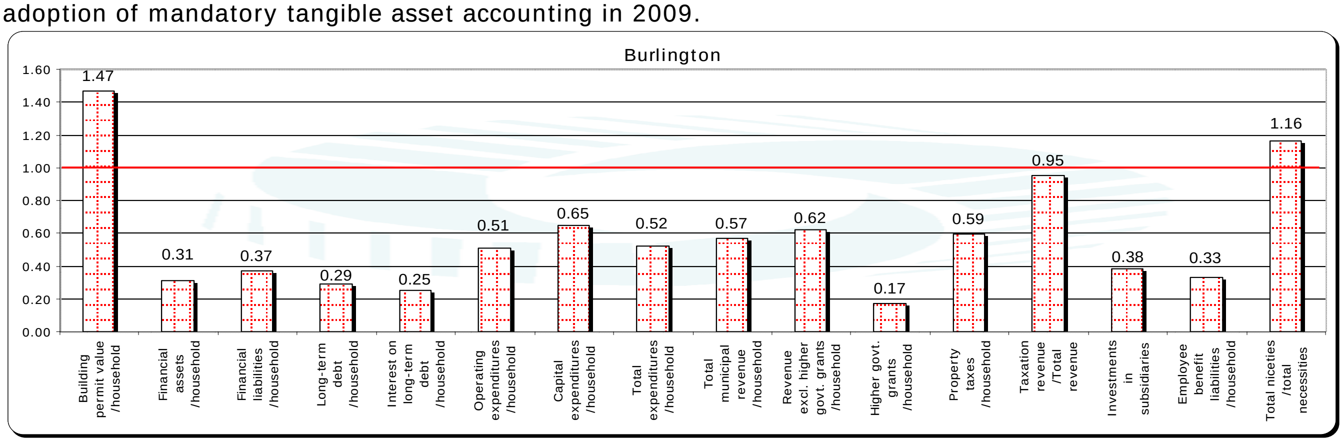
Dollar values are per household unless otherwise noted	Burlington	LGPI City Average
Population	164,415	480,960
LGPI population rank	27	
Households	65,340	196,112
Median household income	$83,700	$64,338
Building permit value	$8,236	$5,617
Financial assets	$1,881	$6,038
Financial liabilities	$1,566	$4,229
Long-term debt	$540	$1,851
Interest on long-term debt	$29	$114
Operating expenditures	$1,623	$3,191
Capital expenditures	$616	$952
Total expenditures	$2,239	$4,271
Total municipal revenue	$2,416	$4,203
Revenue excl. higher govt. grants	$2,327	$3,742
Higher govt. grants	$89	$513
Property taxes	$1,236	$2,086
Taxation revenue/total revenue	53%	56%
Investments in subsidiaries ($000)	$106,223	$275,945
Employee benefit liabilities	($197)	($598)
Total niceties/total necessities	86%	74%

Findings

- Financial assets and liabilities were 69% and 63% below the LGPI national average, indicating that both figures are comparatively very low, and the excess of assets over liabilities is proportionately smaller than average. Nevertheless, assets still exceed liabilities by $315 per household.
- Long-term debt and interest charges were both low, and this low debt level underpins the City's sound financial position.
- Grants from higher governments were very low at 17% of the LGPI national average. When this is combined with per household taxation at 59% of average, Burlington has a low overall draw on public funds compared to the group average. User charges at 17% of total revenue and 31% of the average ($305 per household vs. average $994) complete the picture of a very low revenue, low expenditure municipality.
- The LGPI niceties to necessities measure expresses the level of expenditure on non-core activities as a proportion of core activities. For the average municipality, this figure is 74%. However, the higher 86% for Burlington suggests this municipality is less concentrated on core municipal activities than are others.
- Ownership of Burlington Hydro (at $106m) is separately reported, but it is not included in the City's net financial position. It should be noted that the inclusion would make Burlington's financial position even stronger. Separate disclosure is a positive factor that addresses the issue of accounting consolidated (group) reporting, an issue common to all municipalities where the grouping of results of core municipal and subsidiary operations obscures the accountability of both.

Overall assessment

The City of Burlington has very low costs compared to almost all other municipalities, particularly in the context of its relatively strong local economy. Accounting standards are good and the municipality is in a good position to meet any obligations concerning an infrastructure deficit that might emerge with the adoption of mandatory tangible asset accounting in 2009.



Greater Sudbury

The City of Greater Sudbury (Ontario) is a member of the LGPI small city group. The major local industry is mining. Median local income is modest by comparison with other cities, and in 2005 the City operated in difficult local economic conditions, as judged by the higher levels of unemployment and much lower levels of building permits/local construction activity.

Detailed analysis of this council was significantly hampered by poor levels of informative disclosures (one of the poorest), a little surprising given the better overall disclosure and presentation performance of other smaller Ontario councils.

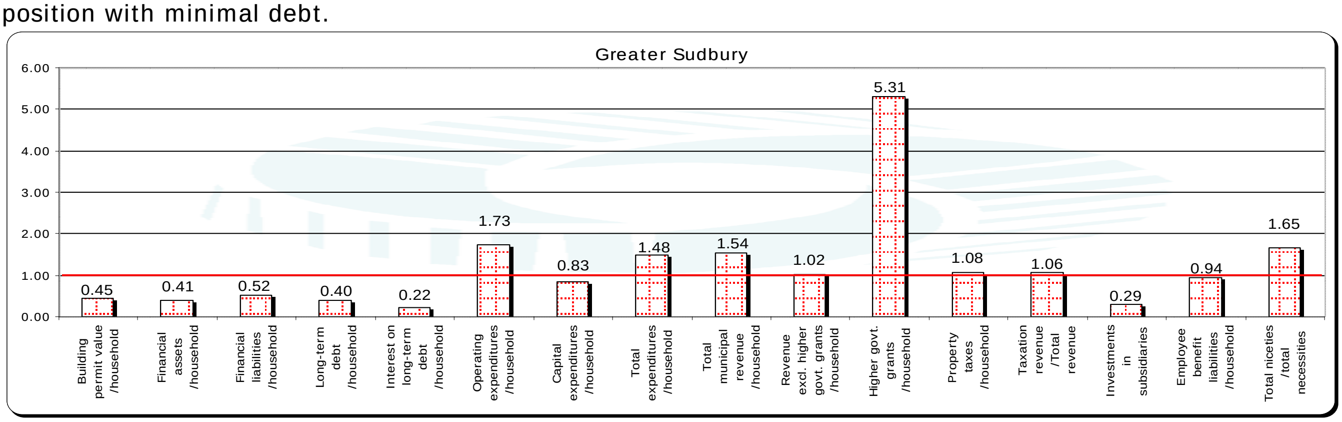
Dollar values are per household unless otherwise noted	Sudbury	LGPI City Average
Population	157,857	480,960
LGPI population rank	29	
Households	69,430	196,112
Median household income	$66,100	$64,338
Building permit value	$2,507	$5,617
Financial assets	$2,453	$6,038
Financial liabilities	$2,178	$4,229
Long-term debt	$748	$1,851
Interest on long-term debt	$25	$114
Operating expenditures	$5,525	$3,191
Capital expenditures	$791	$952
Total expenditures	$6,315	$4,271
Total municipal revenue	$6,539	$4,203
Revenue excl. higher govt. grants	$3,811	$3,742
Higher govt. grants	$2,723	$513
Property taxes	$2,248	$2,086
Taxation revenue	59%	56%
Investments in subsidiaries ($000)	$79,461	$275,945
Employee benefit liabilities	($561)	($598)
Total niceties/total necessities	122%	74%

Findings

- Greater Sudbury is most strikingly distinguished by extremely high revenue from higher government grants.
- Very low financial presence within its community when measured by the relative size of municipal financial assets, liabilities and debt. All three are at 50% or less of the average, with debt per household as low as 60% below norms.
- By Canadian standards, Sudbury has a high average staffing complement (employee numbers), perhaps reflecting a stronger tendency toward in-house provision of services and its operation of a city-owned power company.
- In spite of apparent economic constraints, Sudbury spends proportionately almost 50% more than do others on municipal services as well as collecting substantially more from its citizens (Sudbury revenues $6,539, average $4,203, 56% above).
- Municipal capital expenditures are slightly lower than the LGPI Canada-wide average, but the quality of operational expenditures is noteworthy.
- Niceties expenditure, as a proportion of necessities (at 122%, much higher than average) very significantly favours more discretionary expenditure, no doubt at the expense of the provision of basic core municipal services.

Overall Assessment

Based on the findings taken from the LGPI 2005 data set, the citizens of Sudbury lose most ways. Sudbury, even allowing for its limits of scale, lower local economic performance and its limited financial means, provides expensive council services, many of which appear to be of a non-core nature. Its financial reporting is rated as poor and is generally uninformative**.** The municipality is, however in a strong financial position with minimal debt.



Hamilton

Hamilton is part of the LGPI medium city group. Its local economic conditions are average compared to others. The data relating to median house prices, median household income, unemployment and the like indicate a city that is operating at or marginally below national averages.

Other economic indications, for example, building permits, are also below average (national average $5,529 per household, Hamilton $3,127). Hamilton's finances are solid, as indicated by the medium range of its level of investments as well as the slightly lower than average debt levels, with net financial assets marginally exceeding liabilities. Municipal capital expenditures are well above average (national average $952, Hamilton $1,464). Given its provision of medium-sized city metro services, the City appears to operate from a relatively lower- to mid-range base for economic conditions and city services provision. The level of public disclosure of financial information was assessed at a mid-range good relative to 2005 Canadian accounting standards.

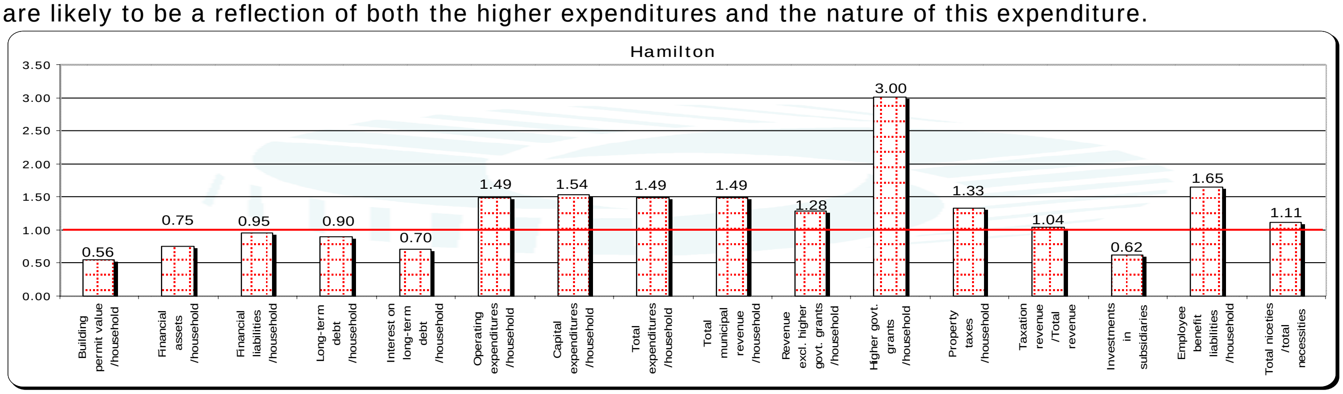
Findings

- Hamilton is a higher impact, high-cost and (probably) higher service level municipality, exceeding peer group averages by approximately 50%.
- Revenue is 51% higher than the national average and expenditure is 49% higher. Breaking down expenditure, both operating and capital expenditure are approximately 50% above average.
- Long-term debt is slightly below average (national average per household of $1,851, Hamilton average $1,667). Financial assets are approximately one-third lower.
- Hamilton's level of property taxation is 33% higher than average at $2,784 per household compared to the national average of $2,086. This is noteworthy considering the much higher (by 200%) transfers from other governments.
- This consumption of funds results in slightly higher than average spending on niceties (non-core activities) as opposed to necessities (core activities).
- Other indications (albeit deduced from the limited public information available) for the City of Hamilton provide some evidence of innovative service provision (contracted-out operations) and operations that are less involved in non-core investment activities.

Dollar values are per household unless otherwise noted	Hamilton	LGPI City Average
Population	518,745	480,960
LGPI population rank	9	
Households	204,962	196,112
Median household income	$61,300	$64,338
Building permit value	$3,127	$5,617
Financial assets	$4,527	$6,038
Financial liabilities	$4,007	$4,229
Long-term debt	$1,667	$1,851
Interest on long-term debt	$80	$114
Operating expenditures	$4,762	$3,191
Capital expenditures	$1,464	$952
Total expenditures	$6,352	$4,271
Total municipal revenue	$6,344	$4,203
Revenue excl. higher govt. grants	$4,801	$3,742
Higher govt. grants	$1,540	$513
Property taxes	$2,784	$2,086
Taxation revenue	58%	56%
Investments in subsidiaries ($000)	$169,716	$275,945
Employee benefit liabilities	($984)	($598)
Total niceties/total necessities	82%	74%

Overall Assessment

The LPGI measurements have produced mixed results. The citizens of Hamilton receive nominal local government services and slightly more than average community (non-core) services as reflected by a greater proportion of niceties from expenditures that are significantly above average. They also carry mid-range municipal debt. Hamilton's property taxation rates are one-third above their peer group averages and are likely to be a reflection of both the higher expenditures and the nature of this expenditure.



Kitchener

Kitchener operates in a sound local economic environment. Unemployment is below LGPI average and median household income and house prices are above the LGPI averages. Building permit values are comparatively lower at 88% of the LGPI average. Overall financial engagement in the economy as measured by revenue and expenditure is one-quarter to one-third below average but it is above average by a similar margin if measured by taxation.

Financial assets and liabilities are considerably lower than average, but the net result is a healthy surplus. High spending on non-core niceties is a Kitchener hallmark, while the level of public disclosure was judged as average despite the failure to delineate taxation from user charges.

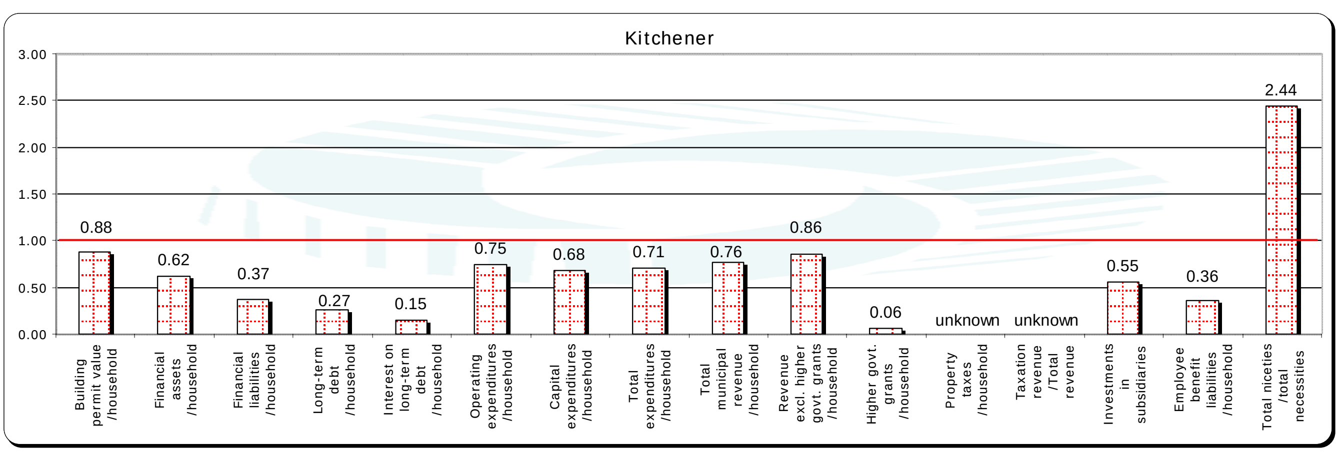
Dollar values are per household unless otherwise noted	Kitchener	LGPI City Average
Population	204,668	480,960
LGPI population rank	21	
Households	82,723	196,112
Median household income	$65,500	$64,338
Building permit value	$4,968	$5,617
Financial assets	$3,732	$6,038
Financial liabilities	$1,580	$4,229
Long-term debt	$492	$1,851
Interest on long-term debt	$18	$114
Operating expenditures	$2,380	$3,191
Capital expenditures	$647	$952
Total expenditures	$3,027	$4,271
Total municipal revenue	$3,252	$4,203
Revenue excl. higher govt. grants	$3,220	$3,742
Higher govt. grants	$31	$513
Property taxes	unknown	$2,086
Taxation revenue/total revenue	unknown	56%
Investments in subsidiaries ($000)	$152,976	$275,945
Employee benefit liabilities	($217)	($598)
Total niceties/total necessities	181%	74%

Findings

- Kitchener's financial position is strong, with low financial assets but very low financial liabilities, including low long-term debt.
- Analysis of taxation and user charges is frustrated by those figures' conflation on the statement of financial position. It is noticeable that Kitchener draws little revenue from the developer charges and investments that provide significant revenue for many other municipalities.
- While making a large impact in propping up the net financial position, Kitchener Power Corporation provided a 3.4% return on equity in 2005. This helps to reconcile the healthy financial position and high reliance on taxation and user charges.
- Expenditures, particularly capital creation, are considerably below the LGPI national average.
- The proportion of niceties expenditure compared to necessities (at more than double the average proportion) very significantly favours more expenditure on non-core municipal activities, no doubt at the expense of the provision of basic core municipal services.

Overall Assessment

Kitchener is a municipality with highly variable financial statistics compared to the national average. Expenditure and revenue are low, but the reliance on taxation and user charges appears high. Expenditure on non-core activities as opposed to core activities is among the highest in the LGPI group, while standards of public disclosure are generally sound but have at least one area in acute need of improvement, being the separation of taxation and user charges as revenue.



London

The City of London operates in a sound local economy with house prices, unemployment and median household income all close to national averages. The municipality's operations are affected by above average debt and net liabilities and a high drain on public funds. The standards of public reporting were thirtieth out of 30 LGPI cities. This includes poor accounting disclosures such as a failure to delineate property taxation from user charges, thus frustrating analysts and stakeholders alike when they try to measure this municipality's financial situation.

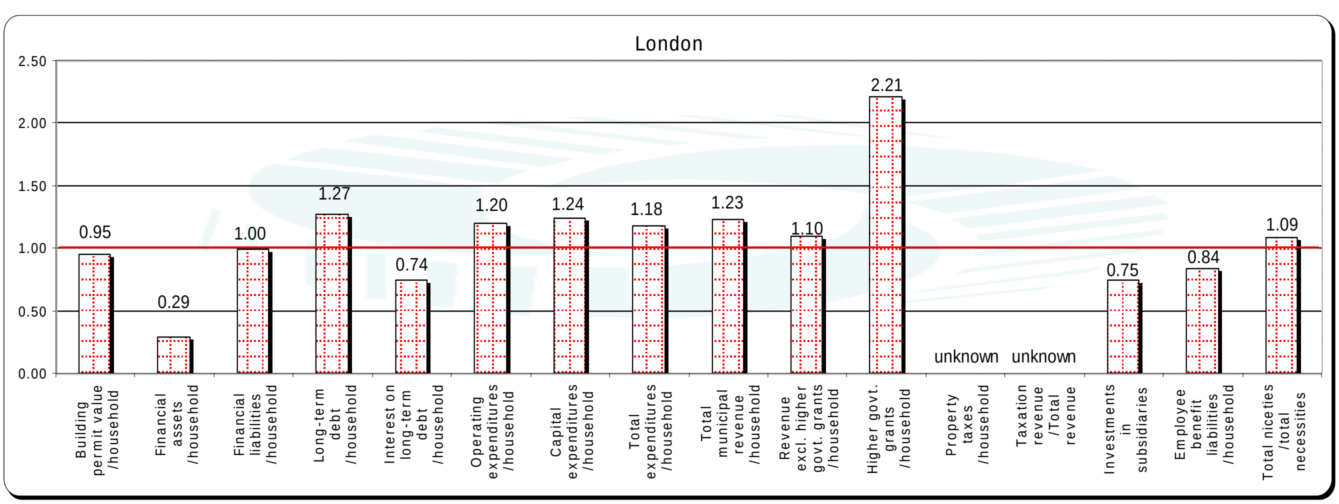
Findings

- London's financial situation includes above average long-term debt (27% above) added to which, net financial liabilities are very high at $2,467 per household. However, ownership of London Hydro goes some way toward balancing the net financial position.
- London's capital, operating and total expenditure measures are approximately 20% more than the LGPI municipal national averages.
- London has a high reliance on grants from other governments. While this reliance on public funds is not discernable due to the conflation of taxation and user charges (above), a higher government grants figure, 121% above average, suggests this is a highly publicly funded municipality.
- The proportion of niceties expenditure compared to necessities (at 81%, close to the average proportion of 74%) indicates a reasonable balance between the core and non-core expenditures.
- Capital expenditures are higher (by 23%), perhaps accounting for use of the higher debt funding.

Dollar values are per household unless otherwise noted	London	LGPI City Average
Population	352,395	480,960
LGPI population rank	15	
Households	157,436	196,112
Median household income	$56,100	$64,338
Building consent value	$5,323	$5,617
Financial assets	$1,742	$6,038
Financial liabilities	$4,209	$4,229
Long-term debt	$2,347	$1,851
Interest on long-term debt	$87	$114
Operating expenditures	$3,836	$3,191
Capital expenditures	$1,180	$952
Total expenditures	$5,039	$4,271
Total municipal revenue	$5,246	$4,203
Revenue excl. higher govt. grants	$4,111	$3,742
Higher govt. grants	$1,132	$513
Property taxes	unknown	$2,086
Taxation revenue/total revenue	unknown	56%
Investments in subsidiaries ($000)	$206,294	$275,945
Employee benefit liabilities	($503)	($598)
Total niceties/total necessities	81%	74%

Overall Assessment

Despite London's operating in a relatively sound local economy, the residents might expect their municipality to be capable of better when compared to the other 29 most populous municipalities in Canada. London's financial position is relatively weak, and its draw on public funds appears high. There is a clear need to improve the standards of public accounting disclosures and to improve accountability to municipal stakeholders.



Markham

In the absence of house price, income, economic growth and employment data, it is difficult to gain a comprehensive appreciation of the local economic environment in which Markham operates. Nevertheless, building permit values at 43% above the LGPI national average suggest a municipality operating in a strong local economy. As might be expected in a high-growth environment, Markham's capital expenditure is slightly above average. This rate of capital creation is even more pronounced in the context of total revenue and expenditures that are far below average. Levels of public accounting disclosure were assessed as average.

Findings

• Markham is in a very sound financial position compared to the average of the LGPI cities. Average level financial assets are matched to very low financial liabilities. This is largely due to Markham being one of the six LGPI cities with no long-term debt.

• With the exception of capital expenditure (7% above average), expenditures are very low. Operating expenditure is only 47% of the average, while total expenditure is 59% of the average.

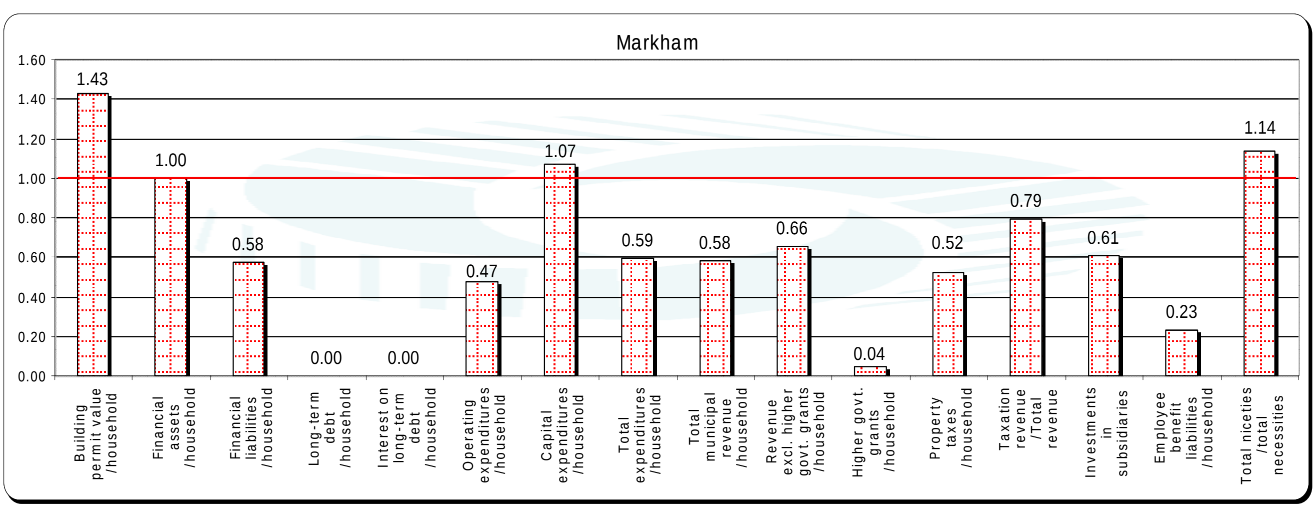
• In line with the low expenditure is a very low draw on public funds. Low taxation and other government grants are augmented by significant user charges and developer contributions (42% of revenue).

• The proportion of niceties expenditure compared to necessities (84% compared to an average of 74%) means that Markham spends more on niceties (non-core activities) as a proportion of necessities (core municipal activities) than does the average LGPI municipality.

Dollar values are per household unless otherwise noted	Markham	LGPI City Average
Population	261,573	480,960
LGPI population rank	16	
Households	81,181	196,112
Median household income	unknown	$64,338
Building permit value	$8,007	$5,617
Financial assets	$6,012	$6,038
Financial liabilities	$2,445	$4,229
Long-term debt	$0	$1,851
Interest on long-term debt	$0	$114
Operating expenditures	$1,510	$3,191
Capital expenditures	$1,022	$952
Total expenditures	$2,532	$4,271
Total municipal revenue	$2,482	$4,203
Revenue excl. higher govt. grants	$2,459	$3,742
Higher govt. grants	$23	$513
Property taxes	$1,084	$2,086
Taxation revenue/total revenue	44%	56%
Investments in subsidiaries ($000)	$168,191	$275,945
Employee benefit liabilities	($140)	($598)
Total niceties/total necessities	84%	74%

Overall Assessment

The citizens of Markham support a high-performance local municipality that is in a sound financial position. The municipality taxes and spends much less than others of its class, and it relies on public funds for a relatively smaller portion of that smaller revenue. Nevertheless, it matches strong local construction activities with relatively high levels of its own capital creation. The focus on core municipal business is slightly weaker than average, and standards of public disclosure could be improved.



Mississauga

Unlike other large LGPI municipalities, data for Mississauga's local economic environment was difficult to find. The one 2005 datum available (building permit activity) finds the City trailing the LGPI group average by 12% at $4,938 per household (national average $5,617). Conversely, the level of public disclosure of financial information was assessed as very good. The chart is a dramatic illustration of Mississauga's activities. They are below the normalized average of 1.0 for all 16 ratios we measure, indicating a low cost, low involvement municipality. In particular, it is one of six out of 30 LGPI cities with zero debt.

Findings

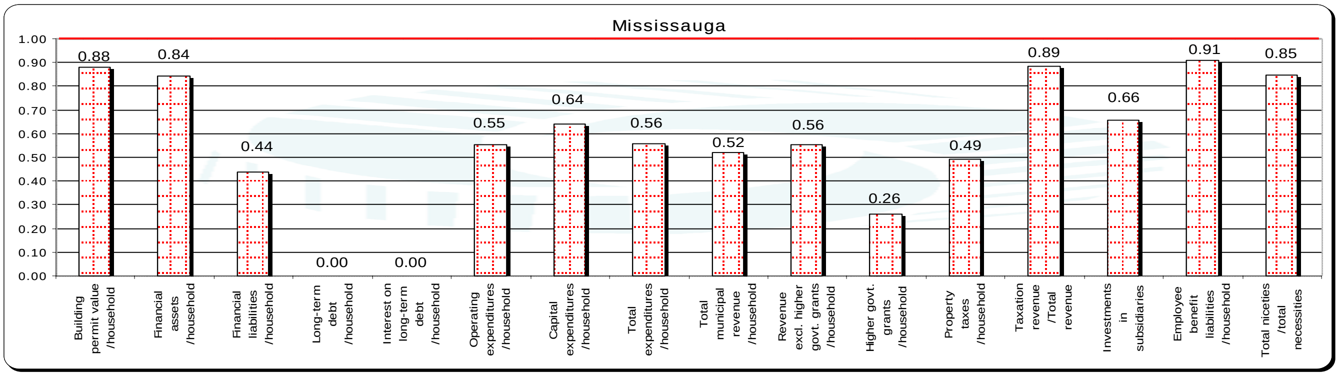
- Mississauga is a very low impact, low cost and (probably) low service level unit of local government. Its key performance indicators, largely of a financial character, are sound though unspectacular.
- The nil municipal debt position, coupled with higher municipality net financial assets than the LGPI national and large city group averages, places Mississauga in a unique position. Whilst six of the 30 cities surveyed share this nil debt result, all are much smaller and no other large (top eight) city reports nil debt.
- There is an apparent link between this debt situation and the much lower municipal expenditures and lower financial impact of current operations. The Mississauga graph is unique in that none of its 16 measures exceeds the LGPI national average.
- Property taxation is particularly low by any comparison. At $1,024 per household, it is 50% or more below both group averages. Combined with other government grants that are a quarter of the national average and spectacularly low for a large Ontario city, these taxes indicate an extremely low draw on public funds.
- The LGPI divides municipal expenditures into necessities (core municipal activities) and niceties (non-core). As a proportion of necessities, Mississauga's niceties spending is lower than the LGPI national and large city groups average, indicating a strong focus on core activities.

Dollar values are per household unless otherwise noted	Mississauga	LGPI City Average
Population	668,549	480,960
LGPI population rank	6	
Households	223,737	196,112
Median household income	unknown	$64,338
Building permit value	$4,938	$5,617
Financial assets	$5,091	$6,038
Financial liabilities	$1,854	$4,229
Long-term debt	$0	$1,851
Interest on long-term debt	$0	$114
Operating expenditures	$1,764	$3,191
Capital expenditures	$611	$952
Total expenditures	$2,375	$4,271
Total municipal revenue	$2,213	$4,203
Revenue excl. higher govt. grants	$2,080	$3,742
Higher govt. grants	$133	$513
Property taxes	$1,024	$2,086
Taxation revenue/total revenue	49%	56%
Investments in subsidiaries ($000)	$181,084	$275,945
Employee benefit liabilities	($542)	($598)
Total niceties/total necessities	63%	74%

- Finally, lower expenditures and debt are reflected in much lower than average capital expenditures (Mississauga $611 per household, 30 city-average $952).
- Unfortunately, all of this analysis is degraded by the consolidated reporting of core municipal operations with subsidiary operations. As a result, analysts and stakeholders are frustrated in their attempts to understand municipal performance and to hold the municipality to account.
- Mississauga's nil debt may or may not be good. It may be considered merely prudent and reflecting a low ability to pay as well as difficult local economic circumstances. Conversely, it may signal that Mississauga is not making its presence felt with the provision of necessary services and/or in providing further economic capacity in the form of infrastructure. It is difficult to tell without comprehensive assessment of outputs, not part of the inaugural LGPI. The nil debt position represents unutilized borrowing capacity for the future, available to meet either high growth demands or infrastructural asset deficits should these emerge.

Overall Assessment

Based on the findings taken from the LGPI 2005 data set, the Mississauga residents pay less for services as judged by the municipality's nil debt position and its much lower expenditures. The municipality largely sticks to core business whilst running the second-lowest (of the LGPI top 30 cities group) property taxation rates.



Oakville

The economic environment in which the City of Oakville operates is difficult to evaluate due to limited available data; however, the 2005 per household building permit values are $962 higher than average, and Oakville is in the generally prosperous Greater Toronto Area, suggesting a strong economic environment. The municipality's financial position is very strong, underpinned by long-term debt at less than a quarter of the LGPI average. Taxation, revenue and expenditure are all below the average by approximately one-third. The standards of public accounting disclosure were judged poor by the LGPI.

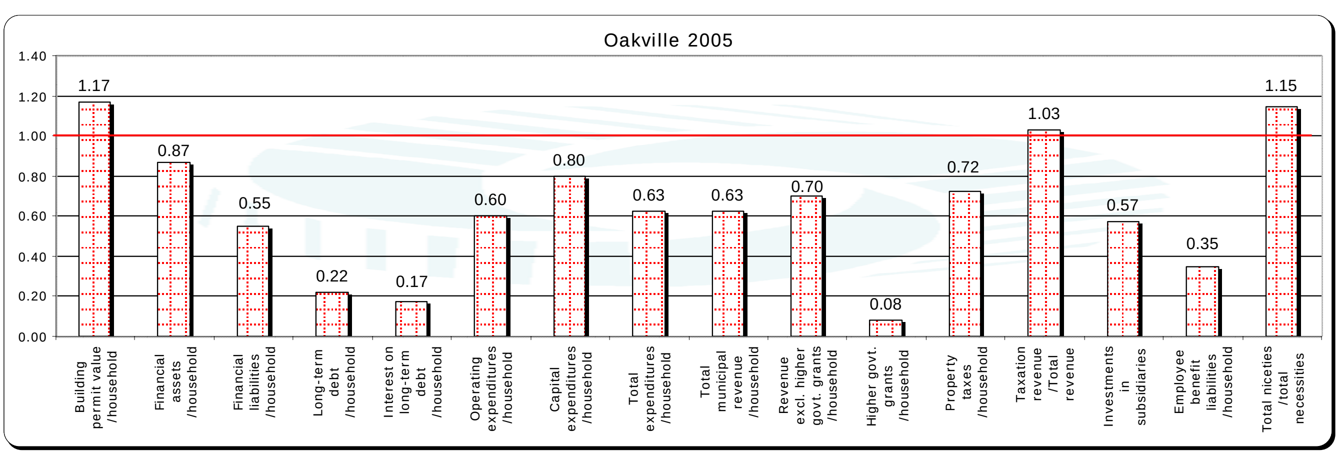
Findings

- Oakville is among the group of cities with a very strong financial position, partially based on low long-term debt but also due to its major interest in Oakville Hydro.
- Revenue and expenditures are very finely balanced, but they are also very low, at 63% of the LGPI national average and 69% of the LGPI small city group.
- The capital expenditure level ($759) is low compared to the average ($952).
- The calculation of total nicety (non-core) expenditure as a proportion of necessity (core municipal) expenditure resulted in a comparatively high figure of 85%, with the LGPI national at 74%. This measure is designed to express the level of focus on core, as opposed to non-core expenditures, and a high percentage indicates a municipality with more non-core expenditures than others.
- Low property taxes and low grants from other government sources indicate a low overall draw on public funds, and user charges at 62% of the small city group average complete the picture of a low-cost municipality.
- Oakville shares with other Canadian municipalities the problem of consolidated (group) accounting disclosures. Combining all municipal and subsidiary results within an accounting group, lessens the accountability and transparency of both entities from the viewpoint of stakeholders and analysts.

Dollar values are per household unless otherwise noted	Oakville	LGPI City Average
Population	165,613	480,960
LGPI population rank	26	
Households	58,828	196,112
Median household income	unknown	$64,338
Building permit value	$6,579	$5,617
Financial assets	$5,224	$6,038
Financial liabilities	$2,328	$4,229
Long-term debt	$407	$1,851
Interest on long-term debt	$20	$114
Operating expenditures	$1,913	$3,191
Capital expenditures	$759	$952
Total expenditures	$2,671	$4,271
Total municipal revenue	$2,667	$4,203
Revenue excl. higher govt. grants	$2,625	$3,742
Higher govt. grants	$42	$513
Property taxes	$1,508	$2,086
Taxation revenue/total revenue	57%	56%
Investments in subsidiaries ($000)	$158,463	$275,945
Employee benefit liabilities	($207)	($598)
Total niceties/total necessities	85%	74%

Overall Assessment

The citizens of Oakville are part of a small (by LGPI standards) municipality in a strong financial position. The municipality generally has a low financial engagement within the local economy with low expenditures and revenue.



Ottawa

Ottawa, Canada's capital city is part of the LGPI large city group. Median local income is 10% above the national average, but this is the only positive element amongst less promising local economic data. The City, given its provision of large city metro services, operates from a relatively mid-to marginally lower-range local economic base. This is based on higher than average levels of local unemployment (6.6% for 2006 data) accompanied by lower median house prices (11% lower than average) of $201,500 and building permits/local construction activity at 12% below the national average.

The level of public disclosure of financial and other useful information was assessed as very good amongst peer municipalities and one of the best when measured by prevailing Canadian public sector accounting standards. Ottawa joins a small number of cities making progress with their accounting by itemizing operational and other assets.

Findings

• Ottawa has financial issues related to its relatively high revenue, expenditures, property taxes and debt. This is based on local government sector, Canada-wide comparisons, but it is an emerging pattern common to others in the LGPI large city group, for example Toronto.

• Significant amongst the Ottawa data are the much larger total revenue and expenditures, both of which are approximately 50% above the national average. These results are inflated by the grouping of core municipal functions with subsidiary operations. Ottawa's relative financial impact on the local economy, given the limits imposed by group accounting, appears to be above average. Thirteen out of 16 measures are at or above LGPI averages.

• Ottawa's property taxes are 54% above national norms. Of greater significance, they are 35% above the large city group average (Ottawa $$3,226, group average $2,391) and the higher property taxes have come about in spite of higher grants from other governments at over double the national average.

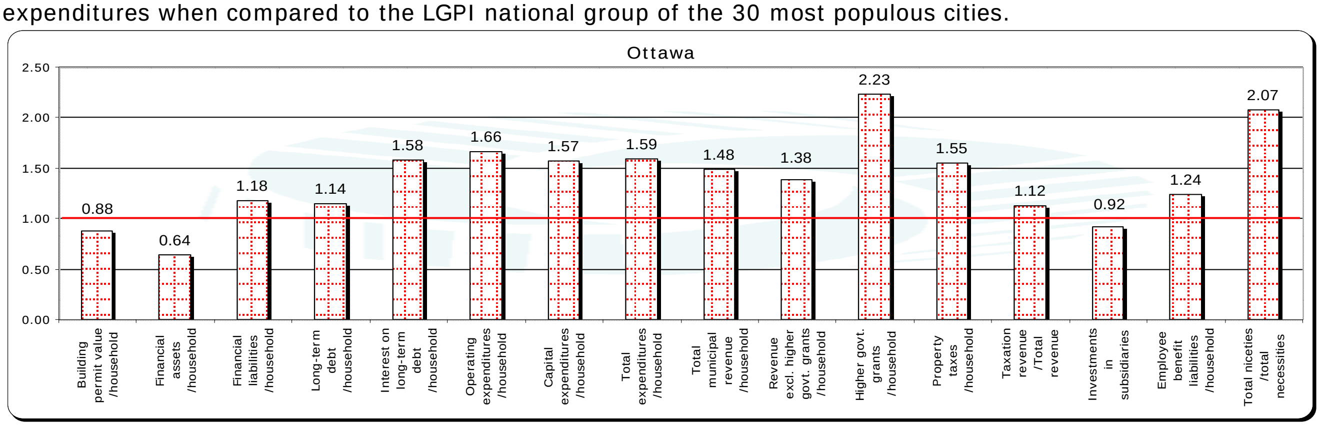
Dollar values are per household unless otherwise noted	Ottawa 2005	LGPI City Average
Population	812,129	480,960
LGPI population rank	4	
Households	340,732	196,112
Median household income	$70,000	$64,338
Building permit value	$4,960	$5,617
Financial assets	$3,850	$6,038
Financial liabilities	$5,001	$4,229
Long-term debt	$2,119	$1,851
Interest on long-term debt	$180	$114
Operating expenditures	$5,303	$3,191
Capital expenditures	$1,498	$952
Total expenditures	$6,801	$4,271
Total municipal revenue	$6,320	$4,203
Revenue excl. higher govt. grants	$5,172	$3,742
Higher govt. grants	$1,145	$513
Property taxes	$3,226	$2,086
Taxation revenue	62%	56%
Investments in subsidiaries ($000)	$253,569	$275,945
Employee benefit liabilities	($744)	($598)
Total niceties/total necessities	154%	74%

• Ottawa's debt stands at $268 per household above the national average, but it is $675 below its large city group debt per household average. The municipality's pension plan future liability (of over $2.1 billion) is nearly four times the national average. The future funding of this scheme places a heavy burden on future property owners.

• Niceties spending, as a proportion of necessities spending at 154%, is well above the LGPI national (75%) and large city (70%) average. However, this figure is inflated by the grouped data.

Overall Assessment

Ottawa's standards of financial reporting are very good, notwithstanding the disclosure issues arising from the combination of subsidiary and core operations in the group financial statements. Ottawa is a high impact municipality with high property taxes, a high demand for public funds (its revenue including grants) and high expenditures when compared to the LGPI national group of the 30 most populous cities.



Richmond Hill

Comprehensive data on the local economic environment in which the Corporation of the Town of Richmond Hill operates is difficult to determine compared to other municipalities in the LGPI group of Canada's 30 most populous municipalities. The single indicator that might reveal something of the economic environment is the value of building permits for 2005, which was 9% below the LGPI group average and 4% below the average for the small city group. Based on this thin evidence, Richmond Hill appears to operate in a lower than average economic environment. The City's impact within its community is very low, attested to by the many lower than average indications in the chart. The municipality's overall financial position appears strong, while the level of public accounting disclosures was judged as average.

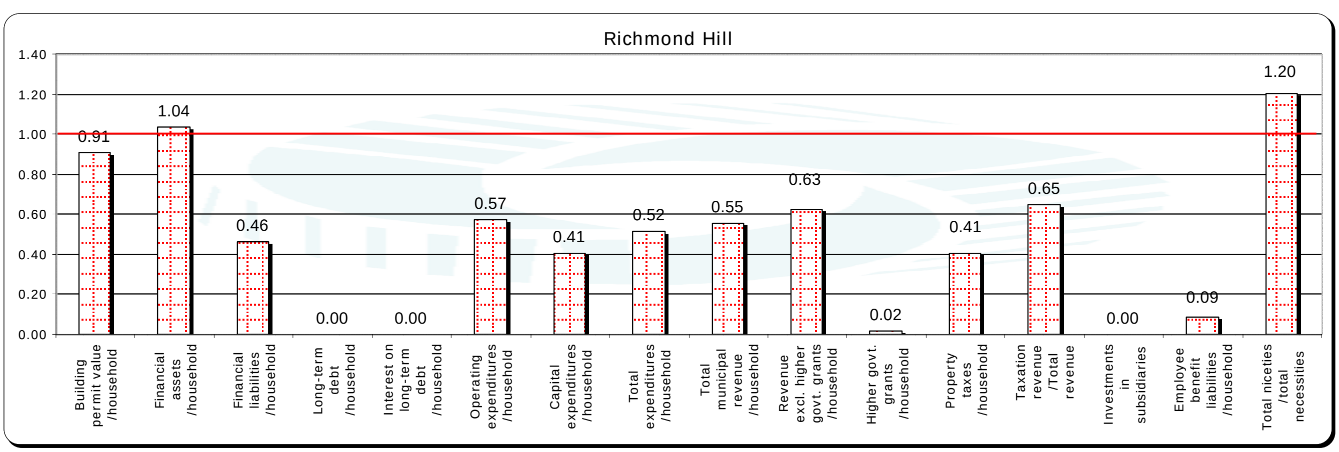
Findings

- Richmond Hill is in a very strong financial position with positive net financial assets. This position is underpinned by the municipality's status as one of six LGPI municipalities with nil debt.
- Expenditures, revenue, taxation and higher government grants are much lower than average, between 50% and 60% of the LGPI average. These observations also hold true for similar comparisons of the small city group (the smaller, less populous 16 of the 30 LGPI cities).
- The zero level of (reported) subsidiary ownership continues the theme of a low impact municipality.
- The low taxation (59% lower than the national average) and much lower grants figures reflect a comparatively low appetite for public funds.
- The ratio of capital expenditure to operating expenditure is comparatively lower than other municipalities, something common to low or nil debt municipalities, as debt is the usual method of financing capital expenditures.
- The LGPI niceties to necessities ratio divides municipal expenditure into two groups that relate to core municipal activities and non-core activities (necessities). The 89% figure for Richmond Hill suggests a municipality with less core municipal expenditures than many other similar LGPI cities.

Dollar values are per household unless otherwise noted	Richmond Hill 2005	LGPI City Average
Population	174,461	480,960
LGPI population rank	28	
Households	64,367	196,112
Median household income	unknown	$64,338
Building permit value	$5,117	$5,617
Financial assets	$6,267	$6,038
Financial liabilities	$1,954	$4,229
Long-term debt	$0	$1,851
Interest on long-term debt	$0	$114
Operating expenditures	$1,820	$3,191
Capital expenditures	$388	$952
Total expenditures	$2,207	$4,271
Total municipal revenue	$2,351	$4,203
Revenue excl. higher govt. grants	$2,343	$3,742
Higher govt. grants	$8	$513
Property taxes	$846	$2,086
Taxation revenue/total revenue	36%	56%
Investments in subsidiaries ($000)	$0	$275,945
Employee benefit liabilities	($53)	($598)
Total niceties/total necessities	89%	74%

Overall Assessment

Richmond Hill is a low impact municipality with a low draw on public funds and a solid financial position. This is likely to be consistent with the apparent (limited data available) below average economic conditions and the corresponding lower ability to pay of local taxpayers. Its nil debt circumstances place Richmond Hill in a strong position to deal with future infrastructure developments that may emerge with the introduction of mandatory tangible asset accounting in 2009.



Toronto

As Canada's largest city, Toronto leads the LGPI large city group. Median income is ($61,800 per household) right on the national average. Given its provision of extensive large city metro services, Toronto operates from a mid-to higher-range local economic base, a view reached after consideration of its average levels of local unemployment (6.6% for 2006 data) and higher (29% above the national average) median house prices of $295,000. Building permits/local construction activity at over double the 2005 national average completes the picture of a solid and thriving city economy.
The level of public disclosure of financial and other useful information provided by Toronto was assessed as barely satisfactory, meeting a minimum of accounting and other disclosure requirements. A major accounting disclosure issue concerns the grouping of subsidiary accounting information with core municipal operations.

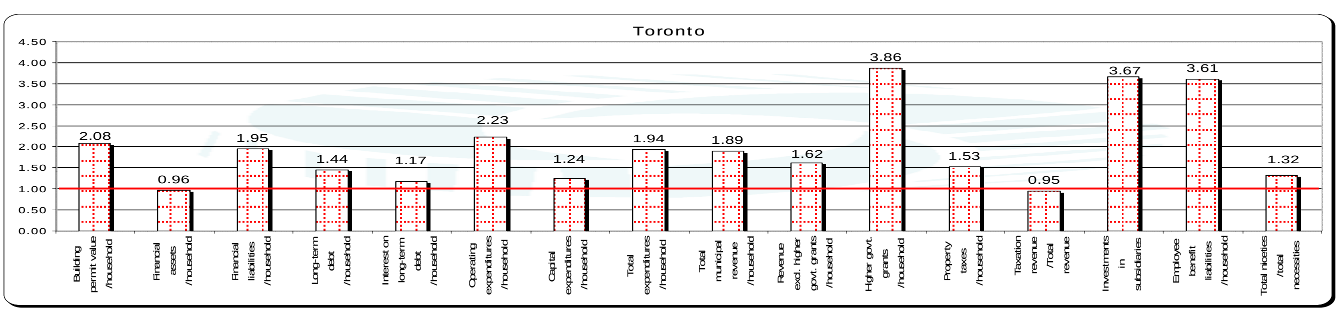
Findings

Dollar values are per household unless otherwise noted	Toronto	LGPI City Average
Population	2,503,281	480,960
LGPI population rank	1	
Households	979,330	196,112
Median household income	$61,800	$64,338
Building permit value	$11,662	$5,617
Financial assets	$5,800	$6,038
Financial liabilities	$8,238	$4,229
Long-term debt	$2,671	$1,851
Interest on long-term debt	$133	$114
Operating expenditures	$7,106	$3,191
Capital expenditures	$1,177	$952
Total expenditures	$8,282	$4,271
Total municipal revenue	$8,046	$4,203
Revenue excl. higher govt. grants	$6,060	$3,742
Higher govt. grants	$1,982	$513
Property taxes	$3,188	$2,086
Taxation revenue	53%	56%
Investments in subsidiaries ($000)	$1,012,570	$275,945
Employee benefit liabilities	($2,157)	($598)
Total niceties/total necessities	98%	74%

- Toronto is a large municipality with big financial issues. Revenue, property taxes, debt and expenditures are all significantly higher than in other municipalities.
- Most significant of these is the municipality's much larger municipal revenue and expenditures, both of which are more than double the national average. This finding is due in part to the effect of the consolidation (grouping) of the municipality's related subsidiary results. The municipality has a very large investment base; at $1.2 billion it is the third highest of the 30 cities surveyed
- Property taxes are high (53% above national average) but are slightly below the average (53% proportion) of total municipality (group) revenue. Significant government grant income at $1,469 per household (above average) did not seem to have an effect on high taxation levels.
- Municipal debt (included in net financial liabilities) is significantly above the national average, although debt interest charges appear to be sustainable at 16% above the national average. The municipality's employee future benefit liability (over $2.1 billion) is nearly four times the national average and excludes pay as you go liabilities to OMERS. These future funding liabilities place a heavy burden on future property owners.
- The City of Toronto's niceties to necessities ratio (98%) indicates that a large proportion of total group expenditures is being spent on non-core activities. To the extent other large municipalities share the same problem, Toronto still spends 32% more than its large city peers on niceties at the expense of necessities (its core services). This assessment is borne out by the large (over $1 billion) investment in council-controlled (non-core) organizations.
- No information for council and subsidiary staff numbers by which meaningful comparative (staffing-related) assessments could be made was publicly available.

Overall Assessment

Based on the findings taken from the LGPI 2005 data set, the residents of Toronto benefit from a solid financial base including significant investments in non-core assets. However, they also pay very high taxes to a municipality with a huge appetite for public funds, proportionately higher non-core spending priorities, and a high level of debt.



Vaughan

Unfortunately, specific local data describing the economic environment in which the municipality of Vaughan operates is scarce. However, the building permit value for 2005, at 209% of the LGPI national average, suggests a very strong local economy. Given citizens' apparent high ability to pay, Vaughan has achieved a very low reliance upon public funds. It has low taxation, low indebtedness, average capital expenditure and a strong focus on core municipal activities for its spending. The level of public accounting disclosure is rated as average compared to other Canadian municipalities.

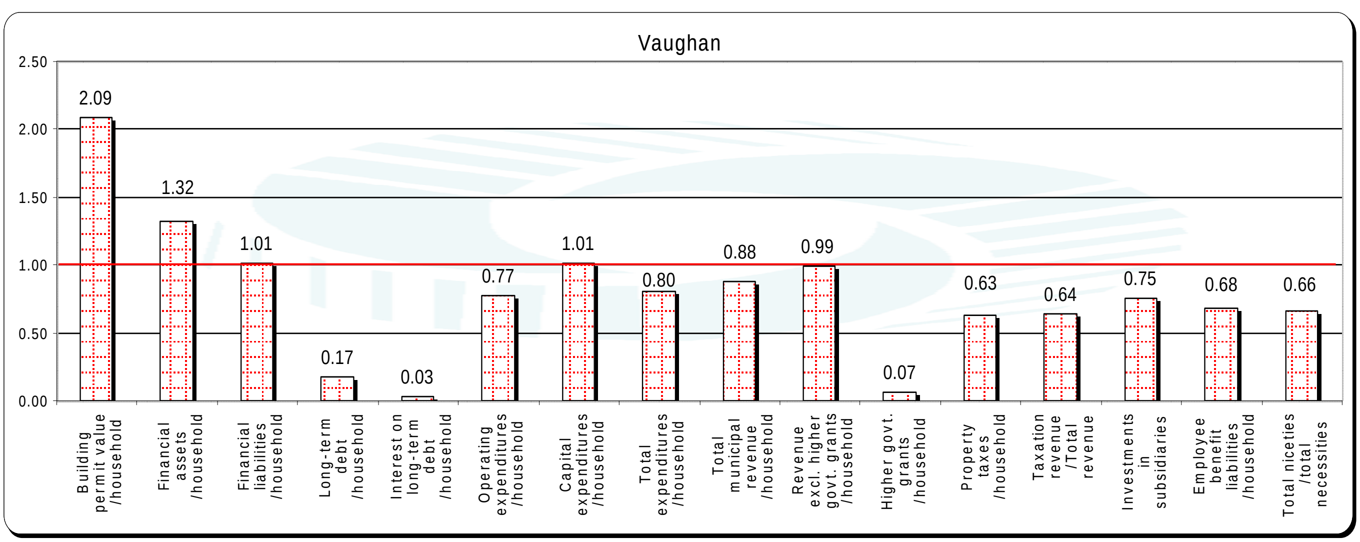
Findings

Dollar values are per household unless otherwise noted	Vaughan	LGPI City Average
Population	238,866	480,960
LGPI population rank	18	
Households	71,265	196,112
Median household income	unknown	$64,338
Building permit value	$11,743	$5,617
Financial assets	$7,981	$6,038
Financial liabilities	$4,291	$4,229
Long-term debt	$319	$1,851
Interest on long-term debt	$4	$114
Operating expenditures	$2,470	$3,191
Capital expenditures	$960	$952
Total expenditures	$3,430	$4,271
Total municipal revenue	$3,737	$4,203
Revenue excl. higher govt. grants	$3,703	$3,742
Higher govt. grants	$34	$513
Property taxes/total revenue	$1,320	$2,086
Taxation revenue/total revenue	36%	56%
Investments in subsidiaries ($000)	$207,981	$275,945
Employee benefit liabilities	($407)	($598)
Total niceties/total necessities	49%	74%

- The municipality is in a robust financial position with financial assets exceeding the LGPI national average by 32%, some $3,690 per household higher than its financial liabilities.
- Long-term debt is very low at $319 per household (national average $1,851, small group average $1,232).
- Vaughan's property taxation levels are low at barely 63% of the national average, and its grants from higher governments are much lower still at only 7% of that average. This low reliance on public funds possibly reflects total expenditures that are 20% lower than the national average, the benefits from revenue from user charges and an investment in a local hydro corporation.
- Vaughan focuses on core activities. The LGPI niceties to necessities ratio classifies municipal expenditures as either core or non-core and then expresses niceties expenditure as a percentage of necessities expenditure. Vaughan's figure for this ratio is 49%, well below the average of 74%.

Overall Assessment

Vaughan is one of Canada's financially better performing municipalities. In particular, its strong focus on core activities and its very solid financial position mean that Vaughan is relatively well positioned to deal with any future external shocks and the possibility of infrastructure deficits emerging when tangible asset accounting becomes mandatory in 2009.



Windsor

Windsor's local economic statistics show mixed results with high unemployment (9% in 2006) and a much higher than average median household income. Building permit values for 2005 were almost exactly average for the LGPI group of Canada's 30 most populous cities. Based on the available economic information it may be assumed that the municipality operates in a sound but unspectacular economic environment. Windsor's overall financial position is weak with very limited financial assets compared to liabilities, which are accompanied by long-term debt. Windsor draws heavily on public funds through taxation and higher government grants and has a con-core focus according to the LGPI niceties to necessities ratio, which measures the extent of the focus on core municipal activities. Public accounting disclosures were poor.

Findings

• Windsor's financial impact on its community is relatively high. Total revenue and expenditures are 65% and 75% higher than average, while taxation and other government grants at 46% and 203% are higher than average and indicate a large appetite for public funds.

• It might be expected that user charges would be lower than average given the high taxation and other government grants. In actuality, user charges are also above average ($994 per household) at $1,650 per household.

• The employee benefit liability figure is the most pronounced deviation at 3.78 times the average. This may not be significant, because most municipalities have higher pay as you go pension liabilities.

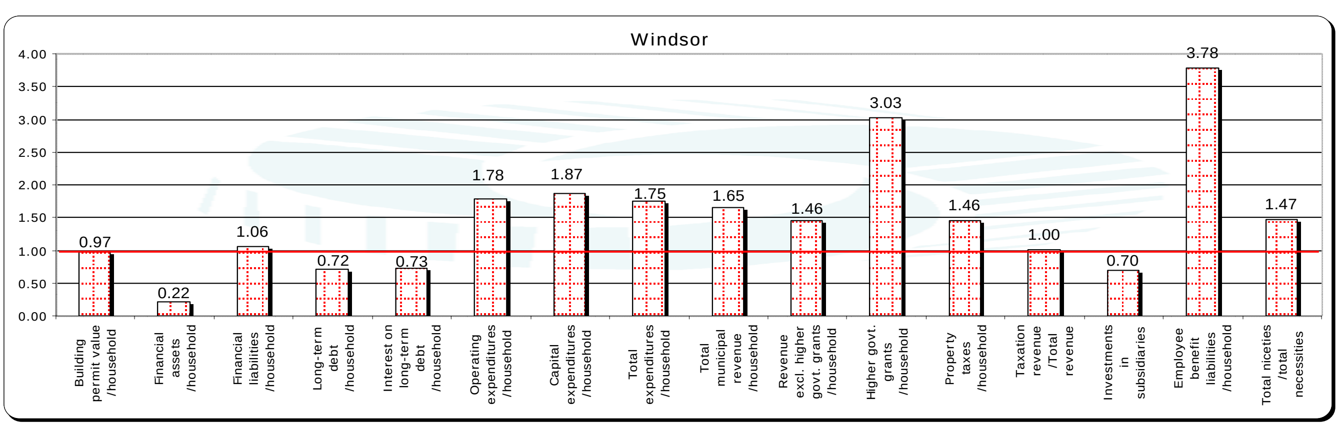
• Long-term debt is 28% below average, in line with a comparable lower level of subsidiary ownership. It is the lower level of financial assets that makes the municipal financial position relatively weak.

• The expenditure on niceties as a proportion of expenditure on necessities (109% compared to the average of 74%) suggests significant non-core spending with comparatively large expenditures on non-core municipal activities.

Dollar values are per household unless otherwise noted	Windsor 2005	LGPI City Average
Population	216,473	480,960
LGPI population rank	20	
Households	95,049	196,112
Median household income	$69,700	$64,338
Building permit value	$5,468	$5,617
Financial assets	$1,342	$6,038
Financial liabilities	$4,501	$4,229
Long-term debt	$1,329	$1,851
Interest on long-term debt	$86	$114
Operating expenditures	$5,692	$3,191
Capital expenditures	$1,782	$952
Total expenditures	$7,474	$4,271
Total municipal revenue	$7,013	$4,203
Revenue excl. higher govt. grants	$5,454	$3,742
Higher govt. grants	$1,556	$513
Property taxes	$3,047	$2,086
Taxation revenue/total revenue	56%	56%
Investments in subsidiaries ($000)	$193,599	$275,945
Employee benefit liabilities	($2,260)	($598)
Total niceties/total necessities	109%	74%

Overall Assessment

Compared to other municipalities, Windsor is a high-cost municipality with a substantial drain on public funds. Without an objective measurement of the municipality's outputs, it is difficult to judge the significance of this high level of financial engagement. Nevertheless, the niceties to necessities result indicates high relative non-core expenditures. Despite low financial assets, the municipality is in a relatively comfortable debt position. Better public disclosure of the municipality's finances would be helpful for accountability.



Gatineau

The City of Gatineau has a profile similar to other smaller Quebec cities. Gatineau provides limited disclosure of useful or supplementary public information. At many levels, information is deficient including few measurable indications of the economic circumstances in which the municipality operates. The LGPI data suggest a lower income (lower ability to pay) economic environment.

Findings

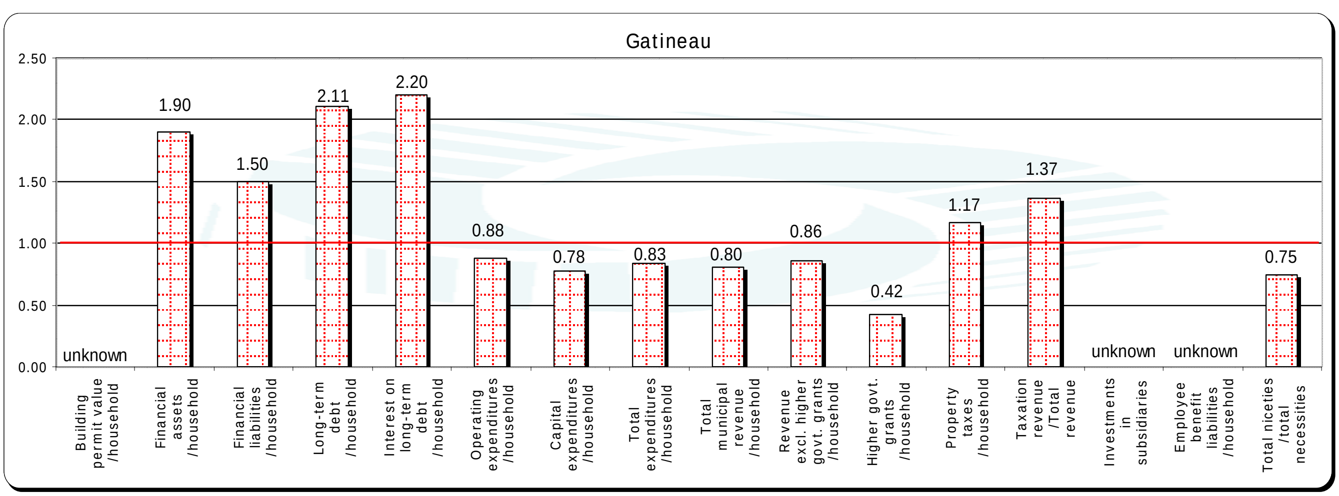
From the analysis of the 2007 LGPI 30 largest cities

- Council expenditures are below the national average by 16%. This lower impact is true also of capital expenditures, which are 22% lower than the national average.
- Municipal revenue matches expenditure patterns, 18% below the national average at $3,477 per annum per household. Grants from other government sources are 57% or $295 lower.
- Property taxation, however, is higher than average by $352 per household to offset the lower grants figure.
- Council debt at $3,780 per household is significantly higher (along with other Quebec municipalities) or just over double the national average. Consequently, interest paid on this debt is high at $250 per household. Notably, higher levels of debt are not reflected (in 2005) in higher levels of capital expenditures.
- City revenue in 2005 exceeded expenditures by a healthy $1,024 per household. The municipality's financial assets are a robust $5,154 per household greater than its financial liabilities.
- The municipality's niceties to necessities ratio indicates municipal expenditures are heavily weighted toward necessities, possibly relating to local political choices and a lower ability to pay (resulting in less discretionary expenditures) due to the lower levels of municipal revenue.

Dollar values are per household unless otherwise noted	Gatineau	LGPI City Average
Population	242,124	480,960
LGPI population rank	17	
Households	104,607	196,112
Median household income	unknown	$64,338
Building permit value	unknown	$6,235
Financial assets	$11,497	$6,038
Financial liabilities	$6,343	$4,229
Long-term debt	$3,780	$1,832
Interest on long-term debt	$250	$118
Operating expenditures	$2,649	$3,155
Capital expenditures	$739	$952
Total expenditures	$3,552	$4,271
Total municipal revenue	$3,477	$4,203
Revenue excl. higher govt. grants	$3,204	$3,667
Higher govt. grants	$218	$513
Property taxes	$2,438	$2,086
Taxation revenue/total revenue	76%	63%
Investments in subsidiaries ($000)	unknown	$275,944
Employee benefit liabilities	unknown	($598)
Total niceties/total necessities	56%	74%

Overall Assessment

Gatineau is a low cost, core service-providing municipality. Property taxes are higher than average, debt and debt-servicing costs are higher than the national average, but they are in line with other Quebec municipalities. Useful public information and informative accounting disclosures are missing.



Laval

Laval is a medium-sized Canadian metropolis. Information concerning economic conditions is extremely sparse. The limits placed upon detailed economic analysis arise from this scant provision of useful public information. Disclosures of financial information in publicly available municipal documents are unfortunately also sparse.

Findings

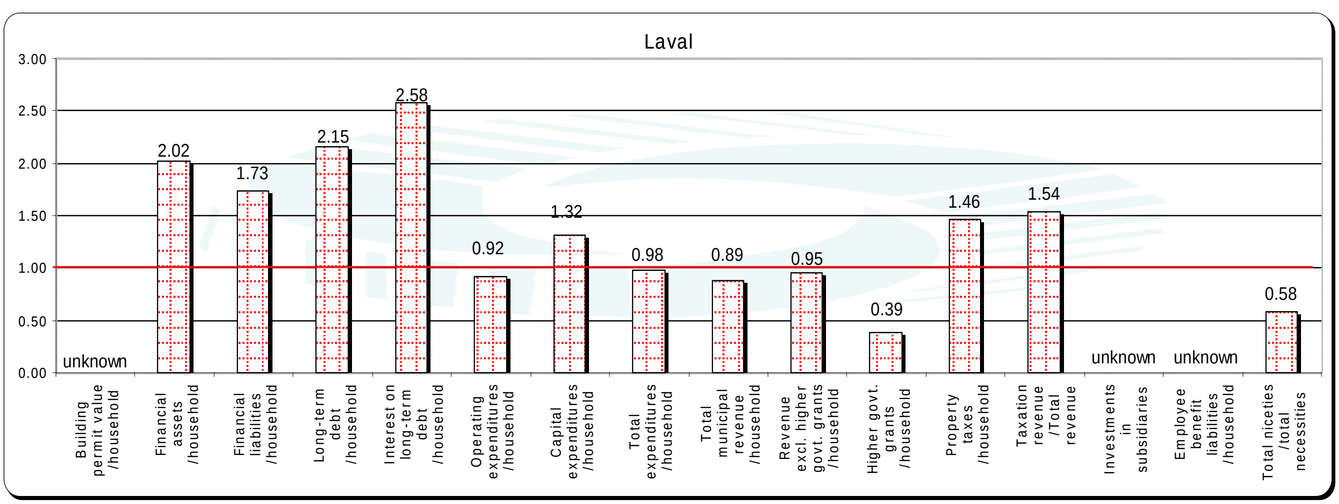
Based on analysis of 2005 data for the 30 LGPI municipalities on a per household basis:

- Council operating expenditures of 2005 at $2,940 per annum per household are marginally below the national average but capital expenditures are significantly higher than average (at $1,254 higher by 32%).
- Laval's municipal revenue at $3,772 is approximately 11% lower than average, and higher government grants are well below average ($313 below). To compensate, property taxes are significantly higher at $3,054 per household (46% above the LGPI average and at 85% are a very high proportion of total municipal revenue.
- The municipality's 2005 financial position is sound, with positive net financial assets of $4,849 and a $832 operating surplus. Laval's higher debt levels, typical of other Quebec municipalities at $3,984 per household are 115% above the national average, and consequently, debt interest payments are almost triple the average.
- The municipality appears to confine its expenditures to core activities as indicated by the low niceties to necessities ratio a much lower proportion of non-core activity expenditure than the LGPI average.

Dollar values are per household unless otherwise noted	Laval 2005	LGPI City Average
Population	368,709	480,960
LGPI population rank	14	
Households	148,146	196,112
Median household income	unknown	$64,338
Building permit value	unknown	$5,617
Financial assets	$12,170	$6,038
Financial liabilities	$7,321	$4,229
Long-term debt	$3,984	$1,851
Interest on long-term debt	$294	$114
Operating expenditures	$2,940	$3,191
Capital expenditures	$1,254	$952
Total expenditures	$4,194	$4,271
Total municipal revenue	$3,772	$4,256
Revenue excl. higher govt. grants	$3,572	$3,742
Higher govt. grants	$200	$513
Property taxes	$3,054	$2,086
Taxation revenue	85%	56%
Investments in subsidiaries ($000)	unknown	$275,945
Employee benefit liabilities	unknown	($598)
Total niceties/total necessities	43%	74%

Overall Assessment

Based on the above findings taken from the LGPI 2005 data set, Laval citizens receive core public services at low to average overall cost but with significantly higher property taxation. City debt is high but matches higher range capital expenditures with a financial position that appears to be solid. Public information disclosure standards were minimal and deficient.



Longueuil

Longueuil is part of the LGPI small city group. Its economic conditions, compared to others, are difficult to determine. Data normally supplied by the City (median house prices, building permit values, median household income and unemployment) are unavailable. However, information drawn from the City's financial disclosures are consistent with a higher than average local economic operating environment.

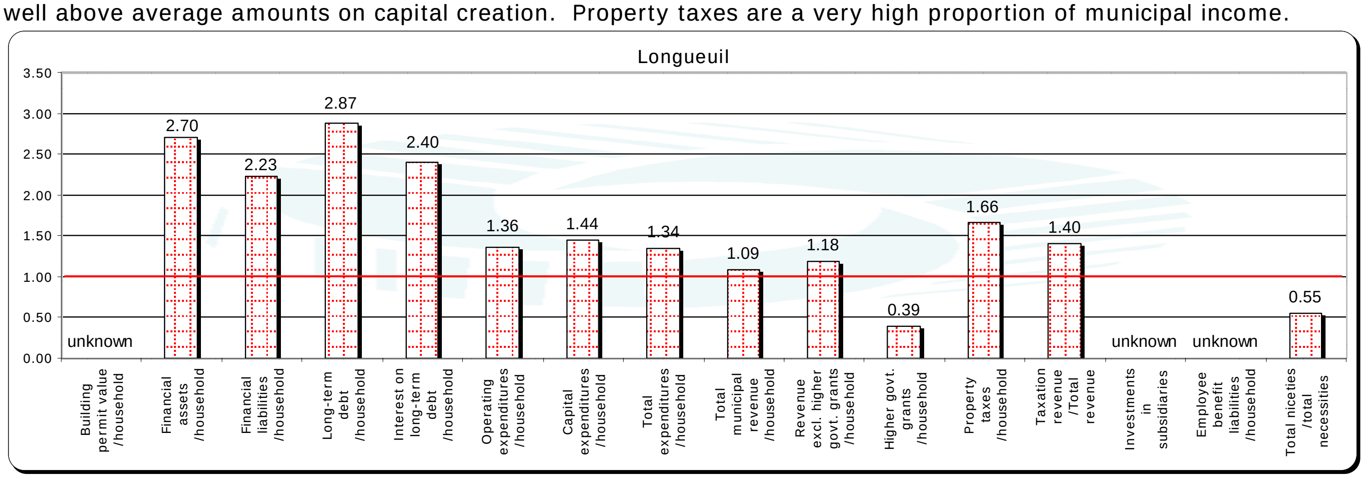
Findings

Dollar values are per household unless otherwise noted	Longueuil	LGPI City Average
Population	229,330	480,960
LGPI population rank	19	
Households	101,746	196,112
Median household income	unknown	$64,338
Building permit value	unknown	$5,617
Financial assets	$16,294	$6,038
Financial liabilities	$9,417	$4,229
Long-term debt	$5,320	$1,851
Interest on long-term debt	$274	$114
Operating expenditures	$4,344	$3,191
Capital expenditures	$1,371	$952
Total expenditures	$5,715	$4,271
Total municipal revenue	$4,628	$4,203
Revenue excl. higher govt. grants	$4,428	$3,742
Higher govt. grants	$199	$513
Property taxes	$3,460	$2,086
Taxation revenue	78%	56%
Investments in subsidiaries ($000)	unknown	$275,945
Employee benefit liabilities	unknown	($598)
Total niceties/total necessities	41%	74%

- Based upon local government sector, Canada-wide and small city group comparisons, Longueuil is a high impact, high debt, high cost municipality.
- The high City debt position, (Longueuil $5,320 per household, small city average $1,232, national average $1,851) is offset somewhat by its much higher net financial assets (Longueuil $16,294 per household, small city average $6,163, national average $6,038).
- Longueuil's total expenditures are very high. At $5,715 per household, they are 37% higher than the small city average.
- There is an apparent link between the high expenditure/debt situation and the higher City expenditures for municipal operations and capital expenditures (Longueuil capex at $1,371 per household, small city average $861, national average $952). It appears that this council is using its borrowings to make capital investments.
- The higher impact assessment, that is, the relative scale of the City's operations and financial substance, is also amply demonstrated in the Longueuil graph (below) showing the Longueuil/LGPI city group normalized data. Eleven of the 13 reported measures exceed the national averages (they are above the 1.0 normalized benchmark).
- The Longueuil's property taxation level continues the high theme at $3,460 per household. This is 83% above the small city group average and 66% above the national average. The City's property taxes are the highest for the small city group and amongst the highest in Canada. Taxes also comprise a high and disproportionate part of total City revenue at an extremely high 78% and this at a time when income (grants, etc.) from provincial and federal sources was minimal ($199 per household, whereas the LGPI group average is $513). Despite this, the City, with its higher levels of spending, has kept this spending confined largely to core as indicated by the City's very low niceties to necessities measure (Longueuil 41%, national average 74%). Longueuil is maintaining a focus on core services as judged by this ratio.
- Finally, higher municipal expenditures are reflected in higher levels of local capital creation (higher at $1,371 by 31% above the national average).

Overall Assessment

Based on the findings taken from the LGPI 2005 data set, the citizens of Longueuil pay the highest taxes amongst their counterparts. They receive core government services and pay considerably more for them whilst spending well above average amounts on capital creation. Property taxes are a very high proportion of municipal income.



Montreal

The City of Montreal (Ville de Montreal) is classified as large in the LGPI framework. The large scale of the City is well demonstrated by the graph, with most measures well above the normalized average line. Median incomes are approximately 10% below average, and unemployment (2006 data) is above the national average. Median house prices are approximately 15% below the national average. Building activity is measured at 39% above the 2005 national average. Overall, the City inhabits a mid-range economic situation locally.

The public disclosure of financial and other useful information from this council was assessed as barely satisfactory, meeting only minimal disclosure standards and complicated by the inclusion of detailed information with little public interest value. The findings below should be read in the context of the deficiencies of Canadian public sector accounting, particularly the exclusion of tangible assets from municipal financial statements. This is of particular significance for Montreal, considering its high long-term debt.

Findings

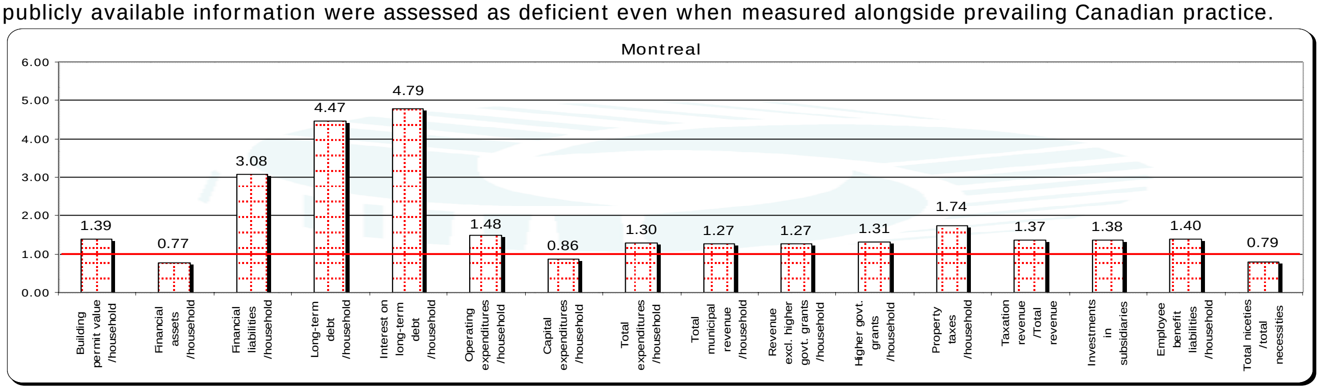
- Montreal is highly indebted. The City's financial liabilities are over three times the national average. Net indebtedness (financial assets minus financial liabilities) is the highest in the LGPI group at $8,388 per household. Internationally, debt at half this level is considered high.
- Further, City long-term debt at $8,274 per household is 4.8 times the national average and three times the large city group average. High debt interest per household (four times the national average) adds significantly to all other key financial measures including much higher levels of municipal revenue, taxation and expenditures. These debt-servicing costs will weigh heavily on Montreal for the future.
- No information was publicly available for municipality or subsidiary staff numbers, so meaningful comparative (staffing-related) assessments could not be made.
- In spite of local economic constraints, Montreal spends, on behalf of its residents, proportionately 30% more than the national average, only 9% above the LGPI large city group average. The municipality collects substantially more from its citizens through property taxes. Montreal property taxes at $3,622 are 73% above the group average of $2,086. Taxation revenue is much higher at 76% of total City revenue compared to the large group average proportion of 56%
- The proportion of niceties compared to necessities expenditures at 59% is 15% below national norms. This measure indicates a better quality of municipal expenditure upon core-necessities activities (as opposed to niceties) providing essential council services.

Dollar values are per household unless otherwise noted	Montreal	LGPI City Average
Population	1,620,693	480,960
LGPI population rank	2	
Households	743,204	196,112
Median household income	$58,600	$64,338
Building consent value	$7,805	$5,617
Financial assets	$4,622	$6,038
Financial liabilities	$13,010	$4,229
Long-term debt	$8,274	$1,851
Interest on long-term debt	$546	$114
Operating expenditures	$4,727	$3,191
Capital expenditures	$817	$952
Total expenditures	$5,544	$4,271
Total municipal revenue	$5,414	$4,203
Revenue excl. higher govt. grants	$4,739	$3,742
Higher govt. grants	$674	$513
Property taxes	$3,622	$2,086
Taxation revenue	76%	56%
Investments in subsidiaries ($000)	$379,703	$275,945
Employee benefit liabilities	($837)	($598)
Total niceties/total amenities	59%	74%

Overall Assessment

Based on the above findings taken from the LGPI 2005 data set, Montreal is the most-indebted city in Canada. Consequences of this level of debt include higher property taxes and high municipal expenditures. Very high debt-servicing costs affect these results. At this level of debt, the City will struggle to debt fund capital creation and any infrastructural asset (deferred maintenance) deficit should this show up in the future, in 2009 when tangible asset accounting is introduced**.**

The quality of existing operational expenditures is noteworthy. The council's expenditures, though high in absolute terms and relative to the national average, are balanced in favour of the provision of core services. Accounting disclosures and publicly available information were assessed as deficient even when measured alongside prevailing Canadian practice.



Quebec

The City of Quebec is a large city group metropolis. Information concerning economic conditions is limited. The only information of this kind is building permits data. These are lower (by 20%) than the national average at $4,974 giving some indication of lower than average economic circumstances. The limits placed upon useful and detailed economic analysis arise from this scant provision of public information. Financial disclosures from public documents are also sparse.

Findings

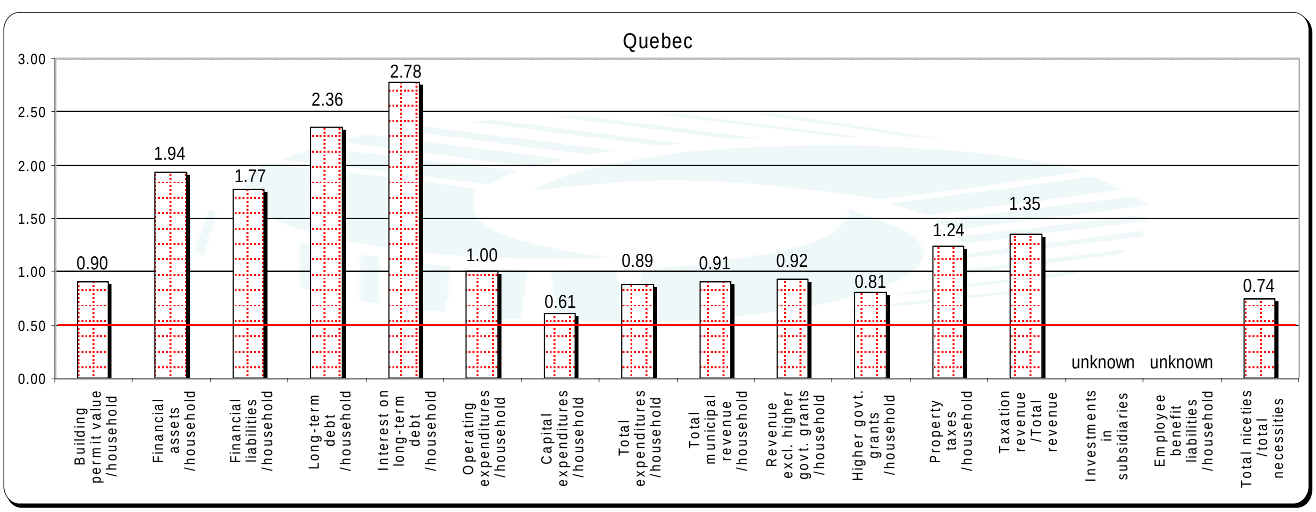
The principal findings arising from the analysis of the 2005 LGPI data (on an LGPI 30 large cities average per household basis) include:

- Council operating expenditures of 2005 at $3,197 per household are close to the national average, but capital expenditures are much lower than average (at $584 they are 39% lower).
- Quebec's municipal revenue at $3,872 is approximately 10% lower than average and provincial and other grants are close to average ($100 below), but property taxes at $2,591 per household (and at the high proportion of 75% of all revenue except grants) are 24% above the national average.
- The City's 2005 financial position is sound, with positive net financial assets of $4,228/household and a small operating surplus.
- Quebec's debt levels, typical of other Quebec municipalities at $4,370 per household, are very high at 138% above the national average, and as a result, debt interest payments are even higher
- The council appears to be confining its spending to core activities. Quebec's niceties to necessities ratio (55%) indicates that a significantly lower proportion than in other cities is being spent on discretionary activities.

Dollar values are per household unless otherwise noted	Quebec 2005	LGPI City Average
Population	491,142	480,960
LGPI population rank	10	
Households	238,423	196,112
Median household income	unknown	$64,338
Building permit value	$5,053	$6,235
Financial assets	$11,713	$6,038
Financial liabilities	$7,485	$4,229
Long-term debt	$4,370	$1,832
Interest on long-term debt	$317	$118
Operating expenditures	$3,197	$3,191
Capital expenditures	$584	$952
Total expenditures	$3,780	$4,271
Total municipal revenue	$3,872	$4,203
Revenue excl. higher govt. grants	$3,458	$3,667
Higher govt. grants	$413	$513
Property taxes	$2,591	$2,086
Taxation revenue/total revenue	75%	63%
Investments in subsidiaries ($000)	unknown	$275,944
Employee benefit liabilities	unknown	($598)
Total niceties/total necessities	55%	74%

Overall Summary

Quebec City is largely a core services provider and overall achieves national average results, though the City reaches higher relative and average property taxation and much higher debt levels. Interest charges are also very high, though the financial position and performance of the City in 2005 were sound. Limited public disclosure provided by the municipality prevents further useful analysis.



Sherbrooke

The City of Sherbrooke is the smallest of the 30 LGPI municipalities. Sparse public information prevents accurate assessments concerning the municipality's economic circumstances. The sole exception is current building permit data, which indicate a relatively low level of economic activity. Other low to mid range economic indicators might be gleaned from data listed below.

Findings

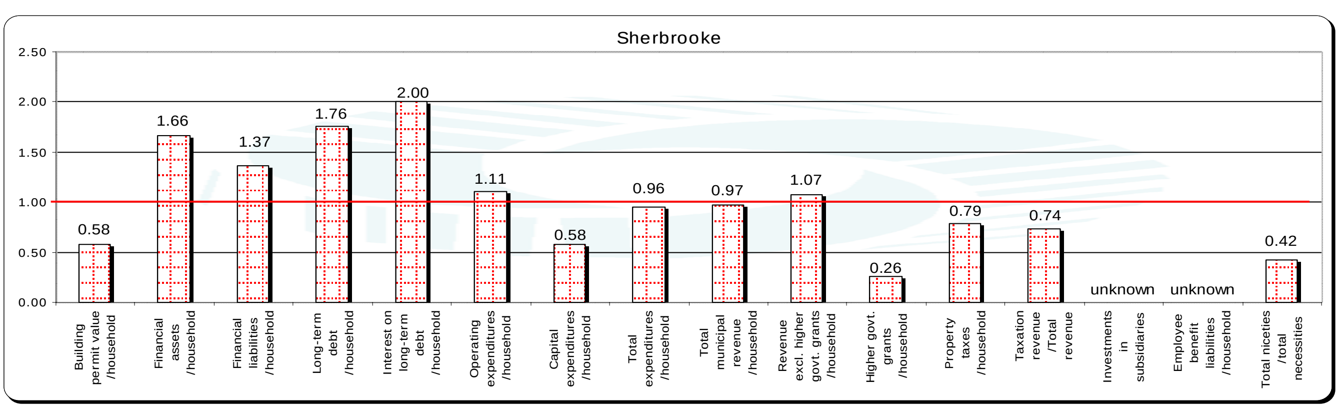
- Municipal operating expenditures are slightly below the national average (Sherbrooke $4,069, average $4,203). Capital expenditures are lower than average (by $402 per household), perhaps indicating a lower 'ability to pay' and support higher expenditure levels.
- Total municipal revenue is closer to the national average, at $4,069 per household or $134 below it. Revenue excluding government grants is above average by $261.
- Property taxes reflect the municipality's much lower than average impact on the City in spite of a much lower provincial and other grant income, a mere $135 compared to an average of $513. The grant income shortfall is amplified (not compensated for as is usual) by property taxes at only $1,643 or 27% below the national average.
- In line with other Quebec municipalities, Sherbrooke has a high relative City debt per household. At $3,153, it is 72% above the national average. Interest on this debt is also high at approximately double the average. This level of debt coupled with the lower ability to pay may be difficult to sustain at or above the present level.

Dollar values are per household unless otherwise noted	Sherbrooke	LGPI City Average
Population	147,427	480,960
LGPI population rank	30	
Households	70,444	196,112
Median household income	unknown	$64,338
Building permit value	$3,200	$6,235
Financial assets	$10,025	$6,038
Financial liabilities	$5,784	$4,229
Long-term debt	$3,153	$1,832
Interest on long-term debt	$242	$118
Operating expenditures	$3,325	$3,155
Capital expenditures	$550	$952
Total expenditures	$4,081	$4,271
Total municipal revenue	$4,069	$4,203
Revenue excl. higher govt. grants	$3,928	$3,667
Higher govt. grants	$135	$513
Property taxes	$1,643	$2,086
Taxation revenue/total revenue	46%	63%
Investments in subsidiaries ($000)	unknown	$275,945
Employee benefit liabilities	unknown	($598)
Total niceties/total necessities	31%	74%

- Higher debt has not, as might be expected, lead to higher levels of capital creation as measured by capital expenditures. At $550 per household, this is about half of the national average, a further indication that this municipality is struggling to keep up.
- The City's financial position is solid as shown by the net financial assets figure ($4,241) and is effectively at a break-even 2005 operating result. The low niceties to necessities ratio indicates much lower non-core expenditures than other cities
- The proportion of niceties compared to necessities expenditures (31% or approximately 43% below national norms) is a heartening finding and somewhat restores the balance of the huge debt. This measure indicates a better quality of municipal expenditure upon core-necessities activities (as opposed to niceties).

Overall Assessment

Sherbrooke, the smallest city in the LGPI dataset, has high debt levels, and is struggling to provide core services. It does have, however, lower than average property taxes. In the face of these challenges, a solid financial and current operating position gives some room to manoeuvre. The limits of public information for the City are significant.



Halifax

The Halifax Regional Municipality (HRM) is a medium-sized city in the LGPI data set. Halifax's median incomes are slightly above Canadian averages at around $65,000 per household. Given its provision of extensive metro and surrounding (regional) urban services, the City operates within sound, but not excellent, local economic conditions. This is reflected in slightly below average local unemployment (2006 data, Halifax 5%, national average 5.9%), but this positive is offset with lower median house prices (2006 data, Halifax $176,000, LGPI average $227,000). Local building activity is 37% below the national average for 2005. The level of public disclosure of financial and other useful information was assessed as barely satisfactory, meeting only minimal disclosure standards with little additional supplementary information in the form of performance or resources data.

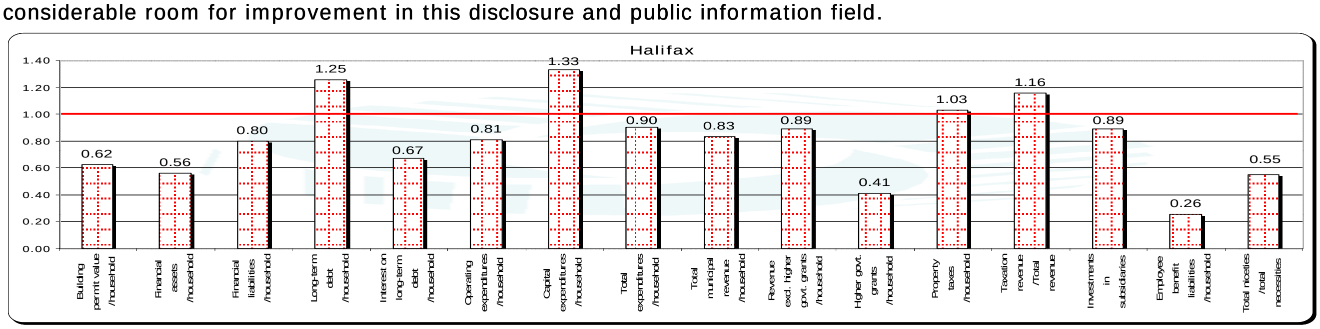
Findings

Dollar values are per household unless otherwise noted	Halifax 2005	LGPI City Average
Population	372,679	480,960
LGPI population rank	13	
Households	166,675	196,112
Median household income	$64,700	$64,338
Building permit value	$3,507	$5,617
Financial assets	$3,399	$6,038
Financial liabilities	$3,374	$4,229
Long-term debt	$2,320	$1,851
Interest on long-term debt (opex)	$77	$114
Operating expenditures	$2,590	$3,191
Capital expenditures	$1,268	$952
Total expenditures	$3,857	$4,271
Total municipal revenue	$3,548	$4,203
Revenue excl. higher govt. grants	$3,338	$3,742
Higher govt. grants	$210	$513
Property taxes	$2,153	$2,086
Taxation revenue	64%	56%
Investments in subsidiaries ($000)	$245,946	$275,945
Employee benefit liabilities	($153)	($598)
Total niceties/total necessities	41%	74%

- Most of Halifax's financial statistics are below or close to the LGPI averages. Comparison to the LGPI group found ten of the sixteen measures lying close to the group averages (between 0.80 and 1.33 of the normalized average base of 1.0).
- Whilst financial assets and liabilities are some distance away from the norms, this does not bring financial prudence into serious question, because the net financial position is at the lower range (see below).
- This result, the HRM finances (financial position) and operations (financial performance), appears to be a creditable outcome, more so given the need to service the larger hinterland of the regional area outside of the major conurbation, (the HRM city limits).
- Long-term debt at $2,320 per household is 25% and 11% respectively above LGPI national and medium group averages. This level of debt is unlikely to be a concern unless a longer term upward trend in advance of these averages is discerned or if large future funding requirements (particularly for the funding of any infrastructural asset and maintenance deficit) are present, or if this deficit becomes apparent when tangible asset accounting standards and practice are adopted in 2009.
- Interest on long-term loans is lower than average in spite of higher than average debt; this appears to reflect a reporting of only operating expenditure interest on long-term debt.
- Capital expenditures are 33% higher than the LGPI national average (at $1,268 per household), but they are more in line with the group average ($1,142). The increased debt levels appear to have been applied for useful levels of capital creation. Note: this finding (re: capital creation) cannot be verified due to the inadequate reportage of the HRM cash flow statement (a one line netted) disclosure titled "Decrease in Investments" that may hide the capital assets element included in these expenditures).
- Total expenditures per household are 10% below average (for national and group).
- These generally very good (and largely internally consistent) results are better, considering that grants from other governments and municipal revenue are lower than the norms. Grants are significantly lower. However, in spite of these revenue (relative) shortfalls, property taxes and council expenditures are not adversely affected.
- A very low niceties to necessities score indicates that much less has been spent on niceties (opera houses and stadiums) compared to the norms. This may be driven by a tight fiscal situation and, if so, reinforces the broader municipal government hypothesis that heavy non-core activity is a significant cost driver.
- No information was publicly available for council and subsidiary staff numbers or for these payroll costs, so no meaningful comparative (staffing-related) assessments could be made.

Overall Assessment:

By most criteria, the HRM is a low cost, core service, capital-creating unit of local government. If there are any cautions to add, they relate to future (and increasing) debt management issues. It is a pity though that these excellent results are not broadcast to residents with much more meaningful and informative financial and other information. There is considerable room for improvement in this disclosure and public information field.



Appendix Description of Data and Sources

These tables contain a general overview of the data collected for calculating LGPI ratios. Where no specific source reference is given, it can be assumed that the data came from the 2005 Annual reports of each municipality. In the case of Halifax, the March 31, 2006 balance date was used.

Data Item Name	Data Format (F)inancial / (N)on Financial ($000)	Details of data [A/R =Annual (Audited 2005) Report of Financial Statements
Total Financial Assets	F	A total from the A/R that combines current and term monetary assets including investments, cash balances,
Total Financial Liabilities	F	A total from the A/R that combines current and term monetary liabilities
Number Residents	N	Population and dwelling counts, for Canada and census subdivisions (municipalities) with 5,000-plus population, 2006 and 2001 censuses - 100% data
Number Households	N	Population and dwelling counts, for Canada and census subdivisions (municipalities) with 5,000-plus population, 2006 and 2001 censuses - 100% data
Pension Fund Liability (PF)	F	A/R that represents the full estimated (including acturial) outstanding liability of the municipality to its employees in terms of its responsibilities to pay (a mixture of) future employee emoluments, principally pensions but including long service leave, other benefits and so on
Number Employees	N	A total taken (if reported) from the A/R … or other sources such as web sites
Current Liabilities	F	A total from the A/R of current liabilities
Investments/Long Term Advances to CCO's	F	A total taken (if reported) from the A/R comprising a combined total of investments in associated and subsidiary entities plus any long term advance ‘in lieu’, (as share proceeds owing upon sale of the investment)
Total Revenue	F	A KEY LGPI total from the A/R
Total Revenue net of Provinces/Fed Grants	F	A total from the A/R (self explanatory) … but may require our calculation deducting taxes, grants, and transfers received from other ‘governments’ from total Municipal revenues (see also below re grants)
Revenue From User Charges	F	A total from the A/R
Revenue From Higher Government Grants	F	Total grants from other governments as registered in A/R
Property Taxes	F	A total from the A/R
Democracy Costs	F	A Niceties total from the A/R , reflecting the amount spent on the functioning of elected officials.

Data Item Name	Data Format (F)inancial / (N)on Financial ($000)	Details of data [A/R =Annual (Audited 2005) Report of Financial Statements
Total General Government		A total from the A/R reflecting amounts disbursed on Government and administration.
Fire	F	An Amenities total from the A/R .
Police	F	An Amenities total from the A/R .
Total protection to persons and property		An Amenities total from the A/R .
Utility Operations	F	A necessities total from the A/R .
Transportation	F	A necessities total from the A/R .
Planning and development	F	A necessities total from the A/R .
Public Works	F	A necessities total from the A/R .
Environmental Services	F	A necessities total from the A/R .
Total Necessities		An LGI systems key total adding all of the 'Necessities' (doing useful things) expenditures. Note; total Necessities plus total Niceties MUST equal Total City expenditures reported.
Health Services	F	A Niceties total from the A/R .
Social and Family Services	F	A Niceties total from the A/R .
Social Housing	F	A Niceties total from the A/R .
Total Social Spending		A Niceties total from the A/R .
Recreational and Cultural Services	F	A Niceties total from the A/R .
Civic Corporations	F	A Niceties total from the A/R .
Building services	F	A Niceties total from the A/R .
Depreciation Q	F	A key data item not always reported within A/R's
Interest Expense	F	A key data item extracted from the A/R's
Total Niceties		An LGPI systems key total adding all of the 'Niceties' expenditures. Note; total Necessities plus total Niceties MUST equal Total City expenditures reported.
TOTAL EXPENDITURES		A KEY LGPI total readily extracted from the A/R of current liabilities
Salaries and Benefits	F	A measure expressing the proportion of expenditure spent on staffing remmmuneration across all cost centres. Generally available from financial statements.
Goods and Services	F	A measure expressing the proportion of expenditure spent on goods and services from other entities across all cost centres. Generally available from financial statements.
Interest on Long Term Debt Q	F	A measure expressing the proportion of expenditure spent on goods and services from other entities across all cost centres. Generally available from financial statements.
Grants and Other Expenses	F	A measure expressing the level of expenditure given as grants to to other entities including subsidiaries. Also includes miscillaneous expenses as 'other.' Generally available from financial statements.

Data Item Name	Data Format (F)inancial / (N)on Financial ($000)	Details of data [A/R =Annual (Audited 2005) Report of Financial Statements
Total General Government		A total from the A/R reflecting amounts disbursed on Government and administration.
Days to Sign Auditor's Opinion	N	A measure expressing the tunraround time for auditting, derived from the time elapsed between balance date and date of opinion signing.
Nature of Auditor's Opinion	N	A measure expressing the Auditor's Opinion as either 'positive' (statements materially correct and complying to GAAP) or 'negative' (poor material correctness or non compliance with GAAP) . This measure is taken from the Auditor's report in the financial statements.
Amounts to be Recovered in Future Years Q	F	A measure expressing the magnitude of liabilities that will require revenue gathering in future years. Sometimes stated explicitly in financial statements, otherwise inferred from financial statements.
Capital Expenditures	F	A measure of expenditures devoted to assets with a useful life beyond the year of purchase. Generally either stated in or inferred from the financial statements.
Capital Assets Noted	N	An observation of whether the values of capital assets owned by the municipality are financially quantified and accounted for in the financial statements.
Long Term Debt	F	A measure expressing the total financial liabilities payable in future years. Generally either stated in or inferred from the financial statements.
Status of Tangible Asset Accounting Q	N	An observation of whether the financial value of tangible assets is included in the financial statements and whether the value of these assets is depreciated in real time or whether capital expenditures appear as one-off purchases.
Changes in Accounting Policies	N	An observation of any changes in accounting policies announced in the notes to financial statements in a given year.
Number of Top-Tier Councillors	N	Number of elected members on highest decision making body, usually found in financial statements of annual reports.
Number of Lower-Tier elected members	N	Number of elected members on lower level decision making body, usually found in financial statements of annual reports.
Total Number of Elected Members		Summation of above two measures

Data Item Name	Data Format (F)inancial / (N)on Financial ($000)	Details of data [A/R =Annual (Audited 2005) Report of Financial Statements
Real Economic Growth	N	An expression of real year-on-year change in GDP, based on data from municipality annual reports, regional economic surveys, and, if necessary, municipality staff perceptions of their city's growth in in comparison to provincial economic growth reported by StatsCan for the relevant province.
Building Consent Activities	F	Summation of financial value of building consents given according to CANSIM Table 026-0006
Median Household Incomes	F	Median household incomes in the city, based on StatsCan data for Median family income by Municipality (All Census Families) CANSIM Table 111-0009
Median House Prices	F	Median house price in the municipality as reported by the Demographia 2007 annual housing affordability survey.
Unemployment levels	N	Unemployment recorded in the city by StatsCan Table: Labour force characteristics, population 15 years and older, by census metropolitan area
Transit Service (public transport)	F	An Expression of the municipality's financial expenditure on transportation services as per Financial Statements.
Ports/Airports	F	An expression of a municipality's financial interest in ports/airports as per financial statements of municipalities and any relevant connected entitites.
Power Companies	F	An expression of a municipality's financial interest in power/energy utilitiesas per financial statements of municipalities and any relevant connected entitites.
Social Services	F	An expression of a municipality's financial interest in ports/airports as per financial statements of municipalities and any relevant connected entitites.
Sporting Entertainment (Stadia) Ownership and Operations	F	An expression of a municipality's financial interest social service agencies as per financial statements of municipalities and any relevant connected entitites.
Use of Third Party Contracting Out	F	An expression of the proportion of the municipality's expenditure used to purchase services from external entities.
Use of PPP/Tolling Financing	N	An observation of the city's propensity to fund services from user charges and public-private partnerships as opposed to internally provided, tax funded services

Data Item Name	Data Format (F)inancial / (N)on Financial ($000)	Details of data [A/R =Annual (Audited 2005) Report of Financial Statements
Add Affordability Data ex Demographia	N	A measure of housing affordability based on the ratio of median house price to median income taken from the annual Demographia Housing affordability survey.
Provincial (OAG type) Oversight	N	An observation of the Office of the Auditor General's involvement in the auditting process.