by JoAnne Sommers

Rick Chard Photographer

Jack Layton

On the challenges facing municipalities

Jack Layton takes issue with the suggestion that Ottawa and the provinces constitute senior levels of government. "Cities were the original governmental structures and they've been around 20 times longer than nation states," says the president of the Ottawa-based Federation of Canadian Municipalities (FCM). "And after 20 years in municipal politics I've learned that citizens can be much more directly engaged at this level than any other."

A city councillor for Toronto's Don River Ward, Layton has a Ph.D. from York University. He has published a book, *Homelessness: the Making and Unmaking of a Crisis* (Penguin, 2000), and in 2000, the Association of Energy Engineers (International) honoured him as Environmental Professional of the Year.

The Montreal native became president of the FCM last June. Through its sustainable communities conference, annual conference, newsletters and other communications vehicles, the organization encourages municipalities to share information about best practices on sustainability, including environmental and social equity policies.

The past decade has seen dramatic cuts in provincial and federal funding to cities across the country and their resulting decline is a trend that Layton is committed to reversing.

"Our cities are at an enormous competitive disadvantage and the current situation is simply unsustainable," he says. "Ottawa and the provinces collect 95.5 percent of every Canadian tax dollar, yet they continue to cut back, thus driving up municipalities' reliance on property taxes."

Layton says that one result of the cuts has been to make public-private partnerships (P3s) increasingly common at the municipal level.

"I don't think municipalities would have embraced them in such numbers if they hadn't been forced to do so. Interestingly, there is a now growing concern that agreements on trade and services might restrict the capacity of municipalities to protect the health and welfare of their citizens. There is concern that their actions might be considered restraint of trade, which could expose them to penalties."

It's difficult to generalize about P3s because they come in so many shapes and sizes, Layton adds. However, he expresses skepticism at the notion that essential public services can be offered better in that context.

"When you involve the private sector you have to add in the profit element. And ensuring that your efficiency gains are equal to or greater than that profit usually means lower compensation for employees at less senior levels. So public-private partnerships may be accelerating the growing wage disparity between the haves and have-nots."

But with Canada's cities now deriving 55 percent of their revenues from property taxes, compared with the 20 percent derived by their US counterparts, and with Washington putting almost five times as much money into municipal budgets as Ottawa ($54.55 per person annually vs. $10.22), something has to be done to address the painfully obvious infrastructure disparities.

"American cities are much more attractive to business and we're suffering environmentally as well," says Layton.

The FCM has been urging Ottawa to help reverse this situation for several years, proposing several innovative programs. One result was the $250 million Green Municipal Funds, designed to stimulate investment in innovative and environmentally advanced projects for Canadian municipal governments and their public and private sector partners.

The FCM oversees the funds, including the Green Municipal Investment Fund (GMIF) and the Green Municipal Enabling Fund (GMEF). Layton, who chairs the Green Municipal Fund's investment committee, says recent changes make it possible to offer municipal governments loans at 1.5 percent below the Government of Canada bond rate. Public and private sector partners are also eligible for loans at attractive rates with the Green Municipal Fund, financing up to 25 percent of the eligible costs of qualifying infrastructure projects.

The funds will also support a broader range of transportation projects, sustainable community planning and integrated community-wide environmental projects. To date 152 projects have been approved for funding of more than $10 million, leveraging $46 million in total spending to act on cleaner air, water, soil and climate change across Canada.

Layton cites a program that allows Toronto to buy 4,000 state-of-the-art, high-energy efficiency refrigerators to replace those in its public housing stock and pay for them from the resulting energy savings, while significantly reducing green house gas emissions.

"The new interest rate makes our money very attractive and we expect to see a lot more activity in the future. We're willing to take some risks because we want municipalities to do advanced purchasing of services, develop greener fleets, etc. Ultimately the projects will pay for themselves through energy savings."

Layton doesn't over-estimate the impact of the funds in terms of making municipal purchasing practices more environmentally friendly.

"Municipal procurement amounts to $40 billion annually and we're influencing about $1 billion in activity with levered investments of about $200 million. Our hope is that people will develop new environmental purchasing practices and that this model will be copied around the country."

JoAnne Sommers is a Toronto-based freelance journalist and editor whose work has appeared in the Globe and Mail, Report on Business, Onvia.ca *and* Investment Life Magazine.