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Thinking Regionally: How to Improve Service Delivery in Canada's Cities

Canada's growing city-regions are missing opportunities to address regional service problems in new and innovative ways through intermunicipal cooperation.

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THE STUDY IN BRIEF

As city-regions across Canada continue to grow, the need for some municipal services, such as mass transit, is shifting from a local to a regional basis. This transformation is giving rise to regional servicing challenges, placing greater pressure on city-regions and their municipalities to provide services across municipal boundaries in a coordinated and streamlined fashion.

For instance, cross-boundary commuters in the Greater Toronto and Hamilton Area face an array of unintegrated local transit systems and fare structures that are apart from the regional transit authority, Metrolinx. While mass transit in the Vancouver metropolitan area has been integrated under the regional transit authority, TransLink, local and provincial officials are looking for ways to improve the governance of TransLink.

The antiquated solutions of forced amalgamation and provincial mandates on service sharing have produced few economies of scale and have greatly undermined local autonomy. Provinces need to shift their focus from imposing centralized local government to creating frameworks that promote cooperative and flexible local governance. By working together in such a framework, municipalities can identify and resolve regional servicing challenges effectively, all while keeping amalgamation at bay and their local autonomy intact.

City-regions across Canada should be looking to the regional district governance model in British Columbia, where regional districts are “regional coordinators,” rather than “regional authorities” with top-down powers. The distinction matters greatly for regional governance.

Along these lines, TransLink in British Columbia and Metrolinx in Ontario should include local policymakers and stakeholders on their boards more than they do today. This would result in transit services being better tailored to the municipalities served and would improve accountability and transparency.

The Alberta government has been engaged in a series of changes to the *Municipal Government Act*, with a particular focus on mandating how municipalities are to work together. Instead of this authoritative approach, which has failed in Ontario, Alberta should create the kind of regional governance framework in which municipalities will want to work and cooperate.

Intermunicipal cooperation offers municipalities an effective means to strike an efficient balance between the need to meet regional interests on the one hand and to maintain local autonomy on the other.

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The growth of Canada's city-regions has created a host of policy changes as local, regional and provincial actors consider who is best placed to manage the challenges associated with rapid population expansion, sprawl and intensification.

All too often, however, municipal amalgamation, centralized regional authority and service consolidation are seen as solutions to such problems of overlapping jurisdiction. Almost all provincial governments have adopted programs of municipal amalgamation, resulting in the consolidation of hundreds of local governments. Bigger municipal government, Canadians are often assured by provinces and others favouring imposed authority, is better (Found 2012). Canadians are likewise often told that central authority is superior to decentralized coordination for addressing regional servicing challenges (Rusk 1999, 2003). Like many researchers, such as Bish (2001), we do not subscribe to these views. Rather, we believe that municipalities can work together effectively to identify and solve regional servicing problems, all while keeping amalgamation at bay and their local autonomy intact.

Municipal amalgamation, in fact, produces few economies of scale, as many studies have shown (see, for example, Byrnes and Dollery 2002; Hirsch 1959; Bird and Slack 1993; Found 2012). Rather,

costs generally increase after amalgamation, despite repeated assertions that larger units of local government will result in cost savings (Blom-Hansen 2010; Dahlberg 2010; Bird 1995; Flyvbjerg 2008; Vojnovic 1998).¹ Aside from an increase in costs, research has also found that amalgamation has not led to municipal service efficiencies (Kushner and Siegel 2005; Found 2012; Moisiso, Loikkanen and Oulasvirta 2010). Since municipal consolidation rarely results in boundaries that encompass entire metropolitan regions – one of the major reasons advocates often pursue amalgamation – the costs and benefits that spill across borders may still exist post-consolidation in areas such as transportation and land-use planning (Bahl 2010; Slack and Chattopadhyay 2009).

In this *Commentary*, we examine the state of intermunicipal cooperation in metropolitan Canada, and discuss the efficiencies that municipalities could realize through greater cooperation. We find that Canadian municipalities use intermunicipal contracting only sparingly, especially compared to their US counterparts.

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- 1 Missing from such analysis is measurement of the quality of services delivered. Although this type of analysis would be helpful, since many of the arguments for amalgamation have focused on cost savings, it is natural to expect the debate would centre on such arguments. The research, however, is quite clear that local consolidation leads to increased servicing costs.

We argue that:

- The governance structures of regional transit authorities, such as TransLink in British Columbia and Metrolinx in Ontario, should include municipal stakeholders to promote the tailoring of services to municipal needs as well as service accountability and transparency; and
- British Columbia's regional district system offers a valuable example for city-regions, such as Edmonton, hoping to balance the need for cooperative service sharing and the maintenance of local autonomy.

Overall, we find that Canadian municipalities use intermunicipal cooperation sparsely in relation to the vast array and diversity of services they typically provide; we therefore contend that municipalities are missing opportunities to address regional servicing problems in new, innovative and even experimental ways. Intermunicipal cooperation offers municipalities an effective means to strike an efficient balance between the need to meet regional interests on the one hand and to maintain local autonomy on the other.

MUNICIPAL SERVICING CHALLENGES WITHIN CANADA'S METROPOLITAN AREAS

As Canada's city-regions expand in size and population, municipal servicing challenges arise, often in the form of externalities (i.e., the spilling

of service costs or benefits over municipal borders). In the past few years, many metropolitan areas have sought to confront such challenges. One is the Greater Toronto-Hamilton Area, in which dozens of municipalities of different structures, sizes and citizenries grapple with congestion and transportation planning challenges. A similar situation is present in the lower mainland of British Columbia, where Vancouver-area municipalities are looking to improve governance of their regional transit body, Translink.

Municipalities in and around Victoria, Edmonton and other growing metropolitan areas are confronting similar challenges. Victoria-area municipal electors opted to explore the possibility of amalgamating the entire metropolitan area during a series of local referenda held in conjunction with the November 2014 municipal election.² Some municipal and provincial leaders, however, are actively exploring intermunicipal cooperation as an alternative to amalgamation.³ After quadrupling Edmonton's territory through successive rounds of annexations, leaders in the metropolitan area are beginning to examine greater intermunicipal cooperation as a way to solve common servicing challenges through the Advisory Panel on Metro Edmonton's Future. Local leaders in Montreal are still trying to address a range of inequities in service provision, as responsibilities for certain policy areas are divided over several sets of local

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- 2 The question varied across the region. Central Saanich, Esquimalt, Langford, North Saanich, Oak Bay, Saanich, Sidney and Victoria all presented a referendum question related to studying the feasibility of local consolidation. The only municipality not to mention amalgamation specifically was Saanich, which asked voters: "Do you support council initiating a community-based review of the governance structure and policies within Saanich and our partnerships within the region?"
 - 3 In January 2015, BC Premier Christy Clark instructed Minister Coralee Oakes to "develop and present options to Cabinet on potential processes under which local governments could either amalgamate or integrate service delivery." After a cabinet shuffle, this responsibility now rests with Minister Peter Fassbender. The instructions to examine local service delivery are repeated nearly word-for-word in his mandate letter, available online at <http://www2.gov.bc.ca/gov/content/governments/organizational-structure/cabinet/cabinet-ministers>. The second option – integration of service delivery – is intriguing, and far too rarely addressed as a possible alternative when exploring increasing service efficiency.

actors, including borough, lower-tier, upper-tier and supraregional bodies, in the wake of amalgamation and subsequent de-amalgamation (Meloche and Vaillancourt 2013).⁴

In city-regions comprising a multitude of local governments, intermunicipal competition and mistrust can create parochial and uncooperative attitudes about the provision of municipal services. Without sufficient consideration for regional and service-coordination issues, municipalities are apt to continue favouring a strict in-house approach over alternative servicing models, such as private contracting and intermunicipal cooperation. Somewhat paradoxically, the provision of municipal services in isolation places local autonomy at risk, as it reinforces provinces' deference to municipal amalgamation and annexation as the only solutions to regional servicing challenges.

CITY SERVICES DELIVERY: THE OPTIONS

Much research has highlighted the benefits, especially cost efficiencies, of outsourcing municipal service delivery to the private sector (see, for example, McDavid 2000; Bel and Warner 2008; Dachis 2010; Hefetz and Warner 2007). Despite these benefits, however, some authors and municipal actors have raised concerns about private contractual relationships, including unstable long-term dynamics, a lack of service provision accountability and excessive risk loaded onto the public sector (van Skye 2003; Ohemeng and Grant 2008). Some municipalities, therefore, might prefer to contract and partner with other municipalities – as widely practised throughout British Columbia (Bish and Filipowicz 2016) – rather than with the private sector (Dollery and Johnson 2005; Feiock 2007; Henderson 2015).

Under private servicing, municipalities typically delegate delivery while retaining provision control. Dachis (2010) has found that it does not matter, in terms of costs, if waste disposal and diversion services are contracted out to another municipality or a private firm, but there are noticeable differences when it came to waste collection services. Municipalities that contracted with a private firm for waste collection realized cost savings of 24 percent, a marked improvement over arrangements with other municipal governments (2010, 13). This is evidence not only that savings from intermunicipal contracting depends on the nature of the service outsourced, but also that savings occur when cities seek out the lowest-cost provider, whether it be a private contractor or another municipality.

Why do some municipalities opt for intermunicipal contracting and service sharing, rather than private contracting? The explanation might lie in the flexibility of intermunicipal arrangements, in which a variety of potential partnerships exists. For example, co-management of a service is a potentially attractive concept to local partners that is not possible with private contracting. Service swapping – where one municipality trades responsibility for one service for another with a neighbouring municipality – might have the same effect. Local actors might find the range of governance options intriguing, but the attraction might simply reduce to politics. For instance, local officials might be wary of contracting with the private sector, but not with peer municipalities. Such intermunicipal relationships also might be seen as less controversial to voters.

Municipalities are also well placed to achieve costs savings through intergovernmental arrangements. Dollery et al. (2004) found that a resource-sharing arrangement involving 13 councils

4 Although we do not delve deeply into the example of Montreal, the types of solutions we advocate could help the region streamline servicing responsibility.

in New South Wales, Australia, saved partner municipalities (Aus.) \$4.5 million between 1998 and 2003. In England, many local governments have reported savings and efficiency gains through local partnership. For example, the Worcestershire County Council realized gains of £503,000 through a procurement consortium arrangement (Dollery, Grant and Kortt 2012). In Canada, the Municipal Finance Officers Association of Ontario, using data from a provincial survey on intermunicipal cooperation, has found a range of cost savings in Ontario municipalities (MFOA 2012). For example, the City of London and the Municipality of Thames Centre saved \$51,000 a year by sharing landfill capacity, while sharing both a chief administrative officer and a treasurer saved \$58,000 a year for the Townships of Carling and The Archipelago.⁵ Purchasing collectives also demonstrated great promise, with the Peel Public Sector Network saving 25 percent on telecommunications costs, while members of the Peterborough County Purchasing Group cut between 5 and 15 percent of shared product and service costs. Many of the advantages of local cooperation, however, go beyond simple cost savings. Intermunicipal agreements often increase the effectiveness and efficiency of local servicing (Chen and Thurmaier 2009; Lackey, Freshwater and Rupasingha 2002; Feiock 2004).

Most municipalities engage in some form of intermunicipal cooperation, ranging in complexity from simple information sharing (for example, the Ontario Municipal Benchmarking Initiative) to integrated joint service delivery (for example, the

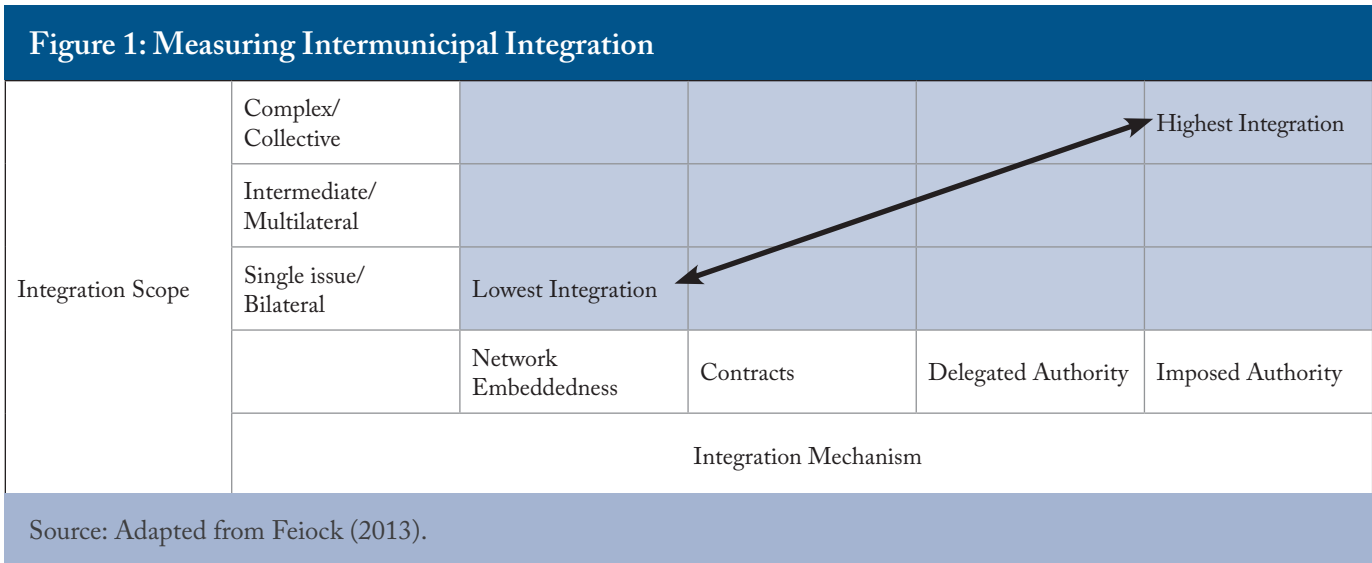
South Simcoe Police Service in Ontario).⁶ The degree of cooperation lies on a spectrum defined by two extremes: complete fragmentation, where municipalities provide services in the absence of intermunicipal cooperation, and complete institutionalization, where municipalities are politically and administratively consolidated. As an arrangement moves along the spectrum from the former to the latter extreme, the capacity to address regional servicing problems collectively increases while local autonomy decreases.

For a municipality, the degree of integration with respect to other municipalities is determined by the combination of the mechanism and scope of integration that is adopted. As Figure 1 illustrates, there are four mechanisms to integrate decision-making, ordered by increasing degree of institutionalization: network embeddedness, contracts, delegated authority and imposed authority. The first three mechanisms, as represented along the horizontal dimension of Figure 1, are voluntary and decentralized measures, while the last is, by definition, involuntary and centralized.

Network embeddedness refers to arrangements, such as informal cooperation, that rely on trust and reciprocity among municipalities. Although informal arrangements entail maximal flexibility, they lack the legal protections provided within contractual arrangements (Andrew 2008). The greater security of *contracts* comes at the expense of greater transaction costs (for example, legal challenges), as well as less flexibility, depending on the nature of the contract. Under *delegated authority*, municipalities collectively delegate service

5 This agreement was terminated at the end of 2015. According to reports, Carling Township believed voters wanted the municipality to have its own senior executive team; for more information, see Phillips (2015).

6 The Ontario Municipal Benchmarking Initiative is an information-sharing initiative that collects and disseminates performance data across 37 municipal service areas, with the overall goal of increasing efficiency in local servicing. The South Simcoe Police Service is a joint police service operating in the southern portion of Simcoe County in the municipalities of Bradford-West Gwillimbury and Innisfil.



provision and/or delivery to a third-party agency such as a joint-servicing board (as in, for example, the Wellington-Dufferin-Guelph Health Unit) or a business corporation (for example, PowerStream Incorporated) (Feiock 2013).⁷ To the extent that municipalities delegate authority over service provision and delivery to other levels of government or to corporations, they lose some degree of service autonomy and capacity.

Under the final mechanism, *imposed authority*, higher-level authorities (such as the province) impose on municipalities centralized solutions for collective action problems (Feiock 2013). Examples include institutional structures such as mandated service coordination, regional service agencies, regional government/authority, annexation and amalgamation. In Canada, imposed authority is the primary tool for provincial governments to address local collaboration problems (Spicer 2015b).

In contrast, along the vertical dimension of Figure 1 lies the spectrum for the scope of integration, ranging from single-issue and bilateral agreements between two cities, to broader and multilateral agreements among a number of cities, to complex and encompassing agreements among all cities in a region. Voluntary cooperative agreements and the type of arrangements we explore in this *Commentary* tend to align with the single-issue/bilateral and intermediate/multilateral scopes of integration, although we recognize that some services (such as transit) across a sufficiently large metropolitan area could warrant cooperation at the complex/collective level.

Effective intermunicipal cooperation does not necessarily require action by a regional authority.⁸ Ideally, regional governance should be flexible enough to accommodate intraregional diversity. For each mix of potential metropolitan circumstances

7 The Wellington-Dufferin-Guelph Health Unit delivers public health services through the use of a joint service board that has representation from the City of Guelph, the County of Wellington and the County of Dufferin. It was established, and continues to operate, through a contractual agreement that details financial and servicing responsibilities. PowerStream Incorporated is a local electricity distributor serving a number of Ontario communities and municipalities, including Aurora, Alliston, Barrie, Beeton, Bradford-West Gwillimbury, Penetanguishene, Markham, Richmond Hill, Thornton, Tottenham and Vaughan.

8 Others, such as Lefevre (2008), disagree.

and servicing problems, there is an appropriate solution insofar as intermunicipal integration is concerned. An arrangement in the northeast area of Figure 1 might be optimal for some metropolitan issues and inappropriate for others. Many servicing issues are sufficiently narrow such that a solution in the southwest area of Figure 1 would be entirely appropriate.

Since a one-size-fits-all optimal arrangement based on regional authority simply does not exist, we are inclined to draw a distinction between “regional authority” and “regional coordination” as forms of regional governance. The regional authority model (for example, regional municipalities in Ontario) largely imposes regional decisions, whereas regional coordination (such as regional districts in British Columbia) largely facilitates them. Although we agree that regional decision-making is needed to address regional servicing problems, we reject the notion that such decision-making necessarily requires an encompassing, centralized regional authority. That is, we contend that regional coordination can go a long way toward addressing metropolitan servicing issues, with reliance on regional authorities being a last resort. Later, we elaborate on why regional coordination works well in British Columbia’s regional district system as an innovative and flexible model of regional governance.

THE BENEFITS AND CHALLENGES OF SERVICE INTEGRATION

The more complex, multidimensional and extensive is a regional servicing problem, the greater the degree of intermunicipal integration it requires to be addressed. Since comprehensive integration entails greater servicing inflexibility and risk to autonomy, municipal leaders are often hesitant to enter into such an arrangement. In general, however, there are a number of reasons municipalities nonetheless might consider an intermunicipal service cooperation arrangement:

Fiscal benefits: Cooperation can yield financial benefits, typically in the form of cost efficiencies derived from scale economies or purchasing power, thus lowering per capita servicing costs (Dollery, Grant and Kortt 2012; Found 2012). Scale economies, however, tend to be service-specific (Byrnes, Dollery and Allen 2002; Fox and Gurley 2006; Dollery, Grant and Kortt 2012).

Service gaps: Some municipalities are unable to deliver adequately every service they wish (Spicer 2015b). For example, a municipality with inadequate access to water sources might look to neighbouring municipalities to extend water service so that it may grow. If a municipality is unable to provide a service entirely independently, chances are it will pursue a cooperative relationship, especially if such an arrangement overcomes geographic or environmental isolation (Warner 2015; Feiock 2009).

Service capacity and quality enhancement: Through cooperation, municipalities might increase the quality of the services they provide (Warner 2015; Post 2004; Feiock and Carr 2009; Atkins 1997) by tapping into the policy expertise of partner municipalities or using better equipment from other cities

Mandated integration: In some instances, provincial governments force local governments to work together to achieve some policy end. Ontario’s Consolidated Municipal Service Manager system (Spicer 2016), for example, requires municipalities in certain areas of the province to share the cost and administration of providing certain social services, such as public housing and homes for the elderly.

Externalities and regionalism: Municipal service spillovers – transit interconnectedness, economic development, fire service coverage and so on – are common within metropolitan areas. Cooperation can, for instance, help municipalities better manage externalities and plan for growth and transportation continuity on a regional scale. Cooperative relationships also allow municipalities to manage shared resources, such as waterways and boundary

roads (Post 2004; Miller 1981). Intermunicipal service cooperation has demonstrated its ability to enhance regional interconnectedness and provide for policy coordination and service continuity without institutional consolidation (Feiock 2013; Brown and Potaski 2005). Such cooperation is also a flexible alternative to formal institutional reform, as it allows municipalities to select the regional issues to be elevated to collective action (Nelles 2009, 22). The key potential of intermunicipal cooperation is its ability to address regional issues without unduly sacrificing capacity or autonomy, which some authors argue allows municipalities to remain intact and avoid being “hollowed out” (Hulst and van Montfort 2008).

INTERMUNICIPAL SERVICE COOPERATION IN CANADA AND THE UNITED STATES

US studies typically uncover hundreds, if not thousands, of agreements within metropolitan areas. For example, Shrestha (2005) found 6,080 agreements in 38 large US metropolitan areas; Wood (2005) found 1,638 different agreements in the Kansas City metropolitan area; Thurmaier (2005) similarly located nearly 12,000 agreements in Iowa between 1965 and 2004; LeRoux and Carr (2007) discovered 445 agreements in Michigan for roads alone; while Simon (2008) found 390 agreements just for public safety in Florida. These are staggeringly high levels of agreement formation compared with those found in Canada.

A study (Spicer 2015b) of intermunicipal agreements in six major Canadian Census Metropolitan Areas (CMAs) – Toronto, Winnipeg, Saskatoon, Regina, Edmonton and Calgary – between 1995 and 2013 finds low levels of cooperative activity, especially compared with US metropolitan areas (see Table 1). In total, the author unearthed 354 agreements, the bulk of which were in Toronto and Edmonton. The agreements were overwhelmingly formal – containing legal protection for the partners and

Table 1: Intermunicipal Agreements, Selected Census Metropolitan Areas, Canada

Census Metropolitan Area	Number of Agreements
Toronto	132
Winnipeg	15
Saskatoon	11
Regina	13
Edmonton	153
Calgary	30

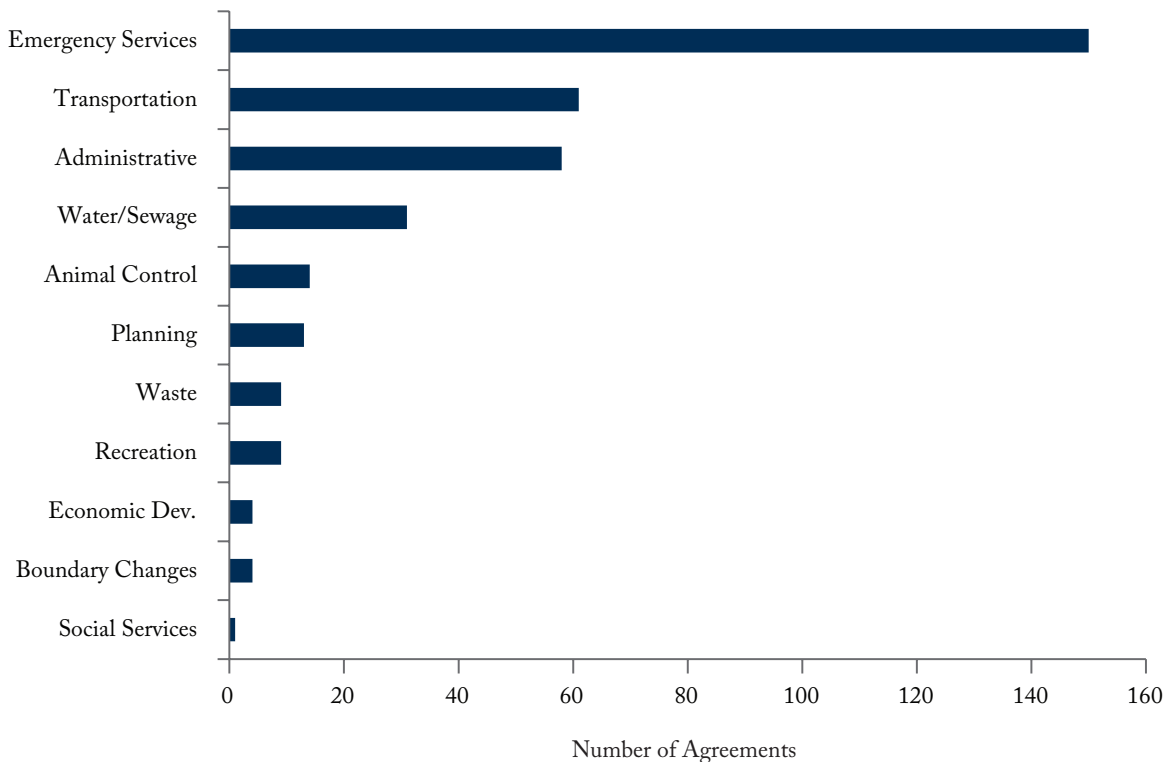
Source: Spicer (2015b).

detailing the responsibilities of each participant – and each involved a relatively small network of actors. In fact, the average agreement had just 2.87 participants, meaning that many of the agreements were bilateral or conceived with very few other actors. Furthermore, only about half (176) of the agreements included the central city of the relevant CMA, meaning that the rest were signed strictly among municipalities in the periphery of the region (Spicer 2015b).

As well, the majority were for emergency services (see Figure 2), largely attributable to the nature of emergency response, where adequate geographical coverage and response times are vital to maintaining public safety. Accordingly, municipalities likely derive considerable benefits from entering into agreements to ensure emergency service continuity and protection across municipal boundaries. The majority of these agreements involved fire protection, largely in the form of mutual aid or fee-for-service arrangements.

In the transportation category, most were public transit agreements signed between Edmonton

Figure 2: Municipal Cooperation Agreements by Policy Area, Canada



Note: Most of the categories are self-explanatory, but some might require elaboration: “Emergency Services” encompasses all areas of emergency planning or delivery, such as fire protection, dispatch or reporting; “Transportation” includes road construction, maintenance, snow removal and the provision of public transportation services; “Waste” includes all landfill services, collection and maintenance or recycling programming; “Administrative” includes all items relating to staffing or other uncategorized maintenance, such as information technology maintenance and sharing.

and neighbouring municipalities, mainly for intermunicipal bus service. Many were single-year arrangements, and did not integrate transit service or planning, instead allowing city buses to deposit and pick up passengers in another municipality.

Regardless of the category, most of the agreements did not bind the participants in any meaningful way. As well, most addressed low-value policy areas (without significant transfers of funds from one government to another), while only a few concerned shared costs for large infrastructure projects (Spicer 2015b). In sum, most of these

arrangements were examples of intermunicipal contracting relationships, where one municipality provides a service to another, rather than more comprehensive integration such as joint servicing bodies.

WHY THE LACK OF INTERMUNICIPAL COOPERATION IN CANADA?

Intermunicipal cooperation tends to occur less often in Canada than in other advanced nations for a number of possible reasons.

Lack of Knowledge about Intermunicipal Agreements

Although they are public documents, most intermunicipal agreements are not readily accessible to the public. In fact, researchers have had considerable trouble collecting or gaining information about such agreements. Moreover, researchers have found that few municipal staff know the mechanics of the arrangements the agreements manage (Sancton, James and Ramsay 2000). Yet, public access to these agreements is important to clarify lines of accountability and transparency in local servicing – residents need a sense of the source of servicing available in their communities (O'Brien 1993; Slack 1997). As well, lack of access makes it difficult for municipal officials in other jurisdiction who are looking to adopt best practices or mitigate transaction costs. If intermunicipal agreements were more publicly accessible, we would expect to see more municipalities taking an interest in them. Accordingly, municipal associations such as the Association of Municipalities of Ontario should consider forming publicly accessible electronic libraries of non-privileged municipal agreements.⁹

Amalgamation Angst

Officials of regionally peripheral municipalities typically are concerned about the potential for annexation by, or amalgamation with, the nearby larger municipality. Indeed, they often see intermunicipal cooperation – despite its being a clear alternative to amalgamation – as a slippery slope toward such an outcome, likely through imposed authority. Such a concern is especially relevant in Ontario, which, by force – either direct

or indirect – reduced the number of municipalities by almost half (from 839 to 448) between 1991 and 2001 (Found 2012). With several other provinces having recently followed, or currently following, similar amalgamation policies, the reluctance of municipal officials to pursue intermunicipal cooperation would not be surprising.

Provincial Focus on Consolidation

Provincial officials have also been hesitant about intermunicipal cooperation, preferring to focus on institutional and centralized change to solve local servicing challenges and to control externalities. Toronto, Calgary, Edmonton, Saskatoon, Regina and Winnipeg have all undergone extensive institutional reorganization – most recently, metropolitan Toronto's amalgamation in 1998 into the new single-tier City of Toronto. Other CMAs have been subject to extensive annexations, expanding the borders of central cities to absorb neighbouring urbanizing lands. Edmonton has completed six annexations, more than quadrupling its territory, and has proposed to annex an additional 155 square kilometres from municipalities to its south. Calgary has undergone 44 boundary extensions since its incorporation, Regina has undergone 27 annexations, enlarging its territory by more than 1,700 percent, while Saskatoon has had 30 annexations, growing the city by 221 percent. With such extensive restructuring, it is easy to understand why some municipal officials are wary about handing over service responsibility to another, larger jurisdiction.

All these annexations and amalgamations were facilitated or imposed by provincial governments, which suggests they favour consolidation over

9 There are no privacy or legal concerns about releasing non-privileged intermunicipal agreements. In most cases, these documents are available upon request from a municipality, but in some cases municipalities require a formal request under legislation before releasing them.

cooperation in addressing regional concerns. Indeed, some provincial governments have actively dissuaded municipalities from entering into intermunicipal agreements. As just one example, a 1987 Ontario government report, entitled *Patterns for the Future*, discouraged the use of intermunicipal agreements, arguing that they can be “time-consuming to negotiate, can foster dispute and can create confusion about accountability,” ultimately creating uncertainty about lines of policymaking responsibility (Ontario 1987, 62). Although there is evidence that Ontario has long since moved beyond this attitude (Spicer 2014), it nonetheless guided provincial policy for many years, and municipal officials had to operate and interact with their peers within this policy environment.

Naturally Competitive Local Politics

Some evidence suggests that competition among municipalities hinders intermunicipal cooperation – that municipalities operate within a market-like environment in which competition is not only natural, but encouraged (Ostrom, Tiebout and Warren 1961; Atkins, DeWitt and Thangavelu 1999; Oakerson 1999). This concept is fuelled by policies that emphasize community difference and competition for scarce resources. Kelly (2007) argues that, in the United Kingdom, central government policies and attitudes that encourage municipalities to compete are partially the reason for the “curious absence” of intermunicipal cooperation in England.

Similar evidence has been documented for Canada, where much intermunicipal competition appears to be over growth and development. Spicer (2016) finds that municipalities might avoid making agreements with neighbouring municipalities if they believe such agreements will lead to the directing of growth and development to their neighbours. For example, in Ontario, the City of London refused a request from its neighbour, the Municipality of Middlesex Centre, to extend water and sewage service because London officials believed it would

draw growth away from their city (Spicer 2016). This sort of competitive mentality could explain the reluctance of some municipalities to enter into agreements for large infrastructure projects. Some research on transaction costs suggests, however, that competition could be reduced by, for example, increased communication and social capital between potential partners (Ostrom 1998; Gulati and Singh 1998; Cook, Hardin and Levi 2005) and smaller groupings of local actors (Post 2004; Visser 2004).

THE ECONOMICS OF INTERMUNICIPAL SERVICE COOPERATION

Setting political dynamics aside, it is useful to view intermunicipal service cooperation through the lens of an economist. A municipal service has two general dimensions: provision and production. Provision refers to the authority over the service (who sets service levels), whereas production refers to the delivery of the service (how service levels are to be met). Municipalities can delegate provision or production, or a combination thereof.

Three general service mechanisms are available to municipalities: in-house, private sector contracting and intermunicipal cooperation. Under private sector servicing, municipalities typically delegate production while retaining control over provision. Cooperative arrangements, in contrast, often involve a mix of provision and production delegation. Having considered a service’s dimensions and mechanism options, municipalities can determine the best arrangement based on their own particular circumstances.

As with any service mechanism, determining the economic efficiency of intermunicipal cooperation requires weighing the relevant benefits and costs. Cooperation has a number of benefits, including the ability to contain policy and service problems that spill over local boundaries though economies of scale and service continuity and coordination. Although the benefits tend to be regional in nature and are often quite difficult to measure, a region’s municipalities are likely in the best position to

quantify these benefits given their natural in-depth knowledge of regional circumstances (such as servicing affordability and preferences).

As for costs, there are two broad types: transaction costs and centralization costs. Transaction costs stem from information deficiencies, the division of mutual gains and the need to monitor an agreement (Maser 1985). Centralization costs arise from the reduction or undermining of economies of scale, government responsiveness and accessibility, cross-jurisdictional experimentation and benchmarking, interjurisdictional competition and, of course, local autonomy. Some of these costs occur at the level of the municipality, others at the regional level. Either way, as with the benefits, a region's municipalities are likely in the best position to quantify these costs.

Having tallied the various benefits and costs as best they can, a region's municipalities can then consider the nature and extent of intermunicipal cooperation that would be optimal from a regional perspective. Given intermunicipal diversity, it is reasonable to expect the results of this exercise to vary across and even within regions. Factors influential to this exercise include geography and density, the urban/rural mix, regional municipal structure and governance, social and human capital, municipal workforce inflexibilities, fiscal and infrastructure health, local preferences and needs, existing service levels, negotiating power, recognition of regional challenges and political leadership.

THE GOVERNANCE OF CANADIAN CITY-REGIONS

The degree of integration achieved through intermunicipal service cooperation can be tailored to fit the particular circumstances of the region and of the municipalities and services involved. Although this requires due commitment and diligence on the part of cooperating municipalities, it offers them an effective means to strike an efficient balance between the need to meet regional

interests on the one hand and to maintain local autonomy on the other.

Transit in Vancouver and Toronto

Many of Canada's largest city-regions are facing the need to improve their mass transit systems. For example, Metro Vancouver's regional transportation authority, TransLink, has faced dramatic challenges over the past two years. With usage rising and capacity needing to be expanded, in mid-2015 the Mayors' Council on Regional Transportation – the body of elected representatives that approves long-term and annual TransLink plans – turned to voters in a four-month-long mail-in plebiscite in the hope they would approve a proposed 0.5 percent sales tax. The measure was soundly rejected, with many respondents pointing to mistrust of TransLink's board as the driving factor behind their voting against the proposal. Simply put, many did not understand how the board could be held accountable for spending decisions.

A number of solutions have been put forward to rectify the situation and improve transit transparency and accountability, including bringing TransLink under the control of Metro Vancouver and simply populating the board with local mayors (Sinoski 2015). Currently, TransLink's governing model has multiple tiers, including the Mayors' Council, which comprises the mayors of the 21 represented local governments, and a board of nine directors, seven of which are appointed by the Mayors' Council after being presented to the council by a screening panel. The provincial government appoints the remaining two members, who are generally selected on the basis of skill and expertise, and are to act in the interest of TransLink.

The regional transit body for the Greater Toronto and Hamilton Area is facing similar governance challenges. Created in 2007, Metrolinx, the provincial body intended to coordinate transit across the growing Toronto metro region, has experienced a series of problems with planning and

service delivery. For instance, the Union-Pearson Express, a direct rail link between downtown Toronto and Pearson International Airport, was roundly criticized for being improperly priced, contrary to expert advice (Selley 2016), and for generating low ridership. The governance structure of Metrolinx is also often challenged by local authorities and by the “institutional power and interests of the [Toronto Transit Commission]... and Toronto’s ideological volatility,” creating further challenges to transit planning (Horak 2013, 323). Further, the disconnect between Metrolinx and the municipalities it serves is being exacerbated by a vigorous debate on fare integration. Currently, there are nine local transit authorities and 10 different fare zones within Metrolinx’s service area.¹⁰ Fare integration would see one common regional fare (or one common fare structure), allowing passengers to travel seamlessly across jurisdictions. Moving to an integrated fare system, as in European cities such as London and Hamburg, would improve transit service integration across the region.

Both Metrolinx and TransLink could benefit from an injection of local democracy. In both cases, local leaders lack a direct say in transit operations and planning, leading to little accountability to local governments and residents (Côté 2012). It is unsurprising to find local leaders often at odds with bodies such as Metrolinx given the lack of a formal forum in which to discuss and decide on regional projects. The lack of local accountability also likely hinders discussion of region-building projects such as fare integration, especially after concerns that Metrolinx set the UPX fare too high, contrary to expert advice (Selley 2016).

More local representation on the Metrolinx and TransLink boards would likely better integrate

the views of those best placed to understand local and regional transit needs, and avoid a top-down, centralized approach to transit planning.

Metropolitan Governance in Alberta and British Columbia

In our view, a flexible, decentralized form of metropolitan governance would keep decision-making closer to local residents. In Edmonton, for example, political leaders have attempted for many years to find regional solutions to the rapidly growing capital region. Coordination, however, has been especially challenging given the CMA’s 31 municipalities. The latest initiative is the creation of the Advisory Panel on Metro Edmonton’s Future by the Metro Mayors Alliance. This is a group of mayors from nine Edmonton-area municipalities: Leduc County, Fort Saskatchewan, Parkland County, the City of Edmonton, St. Albert, the City of Leduc, Sturgeon County, Strathcona County and Spruce Grove.

In the Edmonton area, the Capital Region Board provides a suitable venue for discussion of intermunicipal issues, although the smaller Metro Mayors Alliance might promote regional solutions with a stronger consensus. Evidence demonstrates that group size determines how benefits are distributed to members, with smaller groups being easier to form and monitor, and having fewer problems determining the division of costs; and are easier to monitor (Post 2004). In contrast, larger groups are harder to organize, produce smaller benefits to members and create opportunities for some jurisdictions to free ride. In this sense, it might benefit the Edmonton region to form a smaller, flexible regional body with local

10 Within Metrolinx’s service area are nine local transit systems: those of Brampton, Burlington, Durham, Hamilton, Milton, Mississauga, Oakville, Toronto and York Region. York Region’s transit system has two fare zones: an adult single-ride fare varies from \$2.75 in Hamilton to \$5.00 in the second zone.

representation from the municipalities in the periphery of the City of Edmonton.

On a separate front, the Alberta government has been engaged in a series of changes to the *Municipal Government Act* (Mertz 2016). Much of these changes surround the relationship between planning and financing growth and development, but one key aspect has involved the production and delivery of local services – namely, a mandatory sharing of services. Under the plan, Alberta municipalities would have three years to determine how they will share the costs of regional services, including water, policing and recreation. Communities that fail to reach agreement would be subject to independent arbitration (Stotle 2016).

Elsewhere, however, forced cooperation has proved to be a recipe for disaster. Spicer (2015a) finds that, in Ontario, such policies have led to a great deal of tension between urban and rural municipalities in certain service areas. Looking specifically at Ontario's Consolidated Municipal Service Manager system – essentially, a series of downloaded social services from the provincial government – Spicer finds that, when municipalities were forced to cooperate (even with the prospect of imminent arbitration), they were unable to reach a consensus because of perceived distinctions between “urban” and “rural” services. The result was much resentment about the process, and relationships among a number of municipal actors soured such that communication essentially halted for years.

Paradoxically, forced cooperation appears to reduce, or even destroy, pre-existing voluntary cooperation. Thus, with its latest plan to force cooperation among municipalities, Alberta runs the risk of sharing Ontario's negative experience in this field. Alberta municipalities likely would be better served if the provincial government instead focused on enhancing and encouraging the conditions that have been shown to bring about voluntary cooperation, such as communication among municipal leaders.

We believe metropolitan Edmonton, and city-regions elsewhere in Canada, might find a suitable governance model by looking west, to British Columbia. There, the regional district system offers a particularly effective setting, as it gives municipalities a high degree of flexibility in tailoring services and intermunicipal arrangements to local and regional circumstances (Bish 2001). Like no other in Canada, this system fosters and encourages cooperation by explicitly structuring upper-tier municipalities (regional districts) as agents for their lower-tier (member) municipalities, allaying municipalities' concerns of losing autonomy (Bish 2000). Regional districts are “regional coordinators,” rather than “regional authorities,” where, as explained above, the distinction matters greatly for regional governance.

As an institutional arrangement, British Columbia's regional district system is highly representative, decentralized and flexible, yet stable, contrary to the pessimistic predictions of advocates of centralization. The system's greatest strengths are perhaps its fostering of community diversity and its adaptability to servicing needs over the long run. Since their creation in 1965, through the process of experimentation and innovation, regional districts have evolved to meet the particular needs of their member municipalities. As a result, service arrangements tend to be structured to capitalize on economies of scale, contain service spillovers, enhance service capacity, accommodate various geographic scales and promote policy coordination (Bish and Filipowicz 2016). The regional district system accomplishes all this and much more without political deadlock or imposed provincial or regional authority.

On a day-to-day basis, British Columbia's regional districts provide and deliver services based on voluntary and flexible participation among cooperating municipalities. The ability of municipalities to opt in or out of any particular servicing arrangement offers a venue for discussion

of intermunicipal cooperation and shared servicing (Cashaback 2001). As such, it is no surprise that approximately 35 percent of all services are contracted in British Columbia (McDavid and Clemens 1995; Bish and Filipowicz 2016).

No municipal system is perfect, but British Columbia's regional district system certainly serves as a notable and innovative benchmark for other provinces that might be interested not only in improving the state of intermunicipal cooperation, but also in strengthening provincial-municipal and intermunicipal relations on a foundation of respect for both local autonomy and regional interests.

MEANINGFUL COOPERATION AMONG CANADA'S MUNICIPALITIES

Cooperative activity among Canadian municipalities is not widespread. When they do cooperate, they tend to address only low-dollar, narrow policy and administrative areas. Municipalities infrequently engage in joint administration and delivery activities, and tend to resist comprehensive or institutional integration. In part, this can be explained by provinces' preference for consolidation over local service sharing, by municipal officials' tendency to view neighbouring municipalities more as competitors than as cooperative partners and by their realistic concern that amalgamation or annexation is the next logical step after municipal service integration. Nonetheless, provincial and municipal leaders could work toward dismantling these barriers to cooperation; accordingly, we make the following general recommendations:

- Provinces and municipalities should recognize the value of intermunicipal cooperation as an alternative, as opposed to a precursor, to consolidation. An efficiently operated and tightly networked metropolitan area likely could address many problems typically associated with municipal fragmentation that provincial authorities often use to justify

amalgamation and outward expansion of central cities through annexation.

- Municipalities should make intermunicipal service arrangements readily accessible to the public, possibly through their municipal association. Municipal associations with a wide reach, such as the Association of Municipalities of Ontario, could help to aggregate such agreements and make them more accessible. Not only should residents know the source and cost of their municipal services, but municipalities also would greatly benefit from comparisons with service agreements signed in other jurisdictions. Public accessibility to these arrangements also would remove unnecessary barriers to the pursuit of intermunicipal cooperation.
- Regardless of a city-region's institutional composition or the presence of regional structures, municipal actors should set aside parochial and mistrustful attitudes about municipal servicing, and instead reach out to their regional peers as cooperative partners. Regular contact and communication among municipalities would go a long way to supporting the framework of trust and reciprocity needed to realize the mutual gains from intermunicipal cooperation.
- Other provinces should follow British Columbia's lead by encouraging service sharing and collaboration among municipalities and other local governments, including First Nations governments. This could be achieved by explicitly structuring upper-tier municipalities as agents for their lower-tier (member) municipalities, thereby preserving local autonomy and allowing flexibility in service delivery, but also providing a dedicated forum in which to set regional priorities and plans on a suitable scale. That is, regional governance should be based as much as possible on "regional coordination," rather than on "regional authority." Enhanced respect for both local autonomy and regional interests could improve municipal servicing through efficiencies at both the local and regional level, and strengthen provincial-municipal and intermunicipal relations.

CONCLUSIONS

The rapid growth of Canada's urban areas is giving rise to various municipal servicing challenges. Provinces' preference for the blunt and simplistic strategy of municipal consolidation over intermunicipal service cooperation, however, undermines the very purpose of municipal government: local autonomy. As urban growth continues to increase the need for intraregional integration, intermunicipal service cooperation becomes all the more incumbent upon municipal officials. By instituting municipal systems that respect both local autonomy and regional interests, provinces could provide an environment conducive to intermunicipal cooperation. The municipalities that make up Canada's city-regions know their

circumstances best, and are best positioned to meet regional municipal service challenges.

Inevitably, municipal servicing challenges arise in metropolitan areas. Some local decision-makers ardently adhere to antiquated institutional thinking, believing that encompassing centralization is the best means to streamline service delivery and improve service efficiency. Service problems and externalities will, however, remain inadequately and inappropriately addressed unless municipal officials can find voluntary means to coordinate activities and better ways to provide service and policy continuity. Unlocking the full potential of Canadian metropolitan areas will require local leaders to act innovatively, cooperatively and free of intrusive and unnecessary provincial authority.

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